Review of the Financial Plan of the City of New York

Report 14-2023

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

Rahul Jain, Deputy Comptroller

December 2022

Message from the Comptroller

December 2022

New Yorkers have experienced multiple economic and social disruptions arising from the COVID-19 pandemic and its many unanticipated effects on parts of the global economy. Amid a number of setbacks, the City's economy continues to show resilience, enabling a slow but gradual recovery. The City's fiscal position is being affected, however, not only by a slowdown in certain revenues anticipated as part of that recovery, but an increase in demand for services necessary to support the local economy and aid those who remain in need.

The City's November budget modification for Fiscal Year (FY) 2023 reflects continued revenue improvements and a decline in anticipated spending in FY 2023. The City has also continued its recent efforts to undertake savings initiatives to close future budget gaps, steps that represent a recognition of the need to manage its finances to achieve long-term budgetary balance. Higher revenue and lower costs in the short-term should be used to help the City prepare for the future and new service demands, which have also emerged in recent months.

Many of the questions plaguing the City's economy also remain out of its direct control, including the long-term makeup of its industry and property market composition, geopolitical tensions and their effect on supply chain issues, and inflation and the related response of central banks, all of which could worsen budgetary volatility. The potential magnitude of the effects from these risks on the City's revenue, spending and future obligations suggests preparation, both in terms of planning and continuing to set aside resources, is necessary in order for the City to avoid being caught off-guard. The balance between saving for a rainy day, maintaining the City's desirability and aiding those in need while managing its uncertain fiscal position remains a key challenge for the City in the coming years.

Further identification of efficiencies, tracking the performance of services delivered amid changing staffing trends, and continuing to build reserve levels to satisfy their stated purposes should inform the budget choices made by the City and be clearly presented to its stakeholders. These steps will enable the City to better insulate itself from financial pressures, which may also be felt by New York State and the Metropolitan Transportation Authority and could create additional fiscal stress on the City's tax base.

These actions will also 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

Contents

I. Executive Summary

The Fiscal Year (FY) 2023 November Plan budget modification ("November Plan") comes at an inflection point for New York City's economic recovery and finances. The modification shows recent improvement in the City's short-term financial picture has continued in FY 2023, even as the softening economic outlook has started to present itself in the City's financial plan.

The City's FY 2023 budget is projected to rise to $109.4 billion (adjusted from $104 billion after surplus transfers) and presents a $2.5 billion improvement in the City's revenues since June due to unanticipated federal grant funds. This upward revision does not yet include more than $1.4 billion in already collected tax revenue fueled by personal income, sales, business and hotel taxes through October and $1.1 billion in unallocated federal relief aid, both of which provide additional revenue upside in FY 2023.

The City also took steps to manage expenses in FY 2023, adding minimal funding for new needs ($205 million) and implementing a Program to Eliminate the Gap (PEG) savings initiative ($859 million on a net basis). As a result, the November Plan assumes the City will be able to set aside a surplus of $705 million in FY 2023 (see Figure 1), which it plans to use for prepayments of liabilities in FY 2024.

The PEG is also expected to generate recurring net savings of $1.1 billion by the end of the Plan period. Overall, the City lowered its forecast of agency operating spending from projections made in the June Plan in each fiscal year through FY 2026. This will not be enough however, to counter an increase in pension contributions added to the Plan, as anticipated by the Office of the State Comptroller (OSC) in August. These costs will build over time, contributing to larger reported budget gaps in FY 2025 ($4.6 billion) and FY 2026 ($5.9 billion) than presented in June.

The November Plan makes few modifications beyond the changes to these assumptions. However, some of the budgetary choices that are not reflected in the City's presented budget gaps are also notable. For example, the City assumes $1 billion in not yet approved revenue from the federal government to fund expenses associated with the recent migrant influx. The inclusion of these funds makes the effect of the migrant influx appear budget neutral; however, it is also a break from historical norms of budgeting for federal aid once approval is granted. OSC believes this creates a risk of not receiving the full anticipated aid of $1 billion. The City has also not budgeted for related costs to continue beyond FY 2023, which OSC believes is unlikely.

Similarly, some of the PEGs are presented in a way that makes it more difficult to isolate the impact of discrete efforts to identify and reduce costs. For instance, the City included over $900 million in "cost avoidance" savings through FY 2026, which are represented as planned reductions for spending that were unanticipated in June. This is doubly problematic, as areas of potential cost increases are not identified publicly but are then simultaneously reduced to create savings that are less easily verifiable. These cost avoidance savings, which total $902 million over the financial plan period, are budget neutral, since they have not reduced the budget gaps when compared to the June Plan.

Certain PEG savings are also expected to be generated from anticipated staff turnover, vacancy reductions and other factors such as hiring and program implementation delays. These expected savings from staffing-based adjustments come at a time of difficulty for agency hiring and could further complicate that process as certain agencies' workforce levels have declined since 2020 amid elevated service demand. The City should review performance at its agencies to inform choices on future efforts to leverage staffing to generate savings.

While shifts in budgetary practices can be reasonable and useful, changing these practices in times of uncertainty can make the City's budget more opaque at a time when transparency is paramount to ensure stakeholders understand potential outcomes. OSC has calculated known risks adding to the City's budget that are also considerable. These risks exceed $3.3 billion annually in FY 2024 and reach nearly $5 billion in FY 2026, raising the potential budget gap in that year to over $10.8 billion (see Figure 2). Additional fiscal pressures are posed by non-mandated programs that may recur but do not have associated funding, the outcome of collective bargaining and the risk of recession.

Macroeconomic forces are pressuring the City's revenue and expense budget. The continued effects of geopolitical tensions, high inflation and the Federal Reserve's policy response has pressured asset valuations that drive property and income related taxes. After a strong first quarter of FY 2023, real estate transaction taxes and the portion of personal income taxes driven by capital gains are showing year-over-year declines so far in the second quarter of FY 2023. OSC anticipates the City will likely reflect a decline in out-year revenue from current projections in its preliminary budget early next year, in line with its updated economic projections.

The spending risk with the largest potential magnitude is associated with collective bargaining agreements. Even with recent additions to its labor reserves, which now stand at 1.25 percent for wage increases through FY 2026, the City could face additional collective bargaining costs pending the outcome of ongoing negotiations with its labor partners. If wages were to rise at the projected inflation rate without offsetting savings, costs would increase by an estimated $1.7 billion in FY 2023 (including retroactive pay) growing to $4.6 billion in FY 2026, with recurring costs of nearly $5.1 billion annually thereafter.

The known and unknown potential financial pressures on the City's budget remain significant. Year-to-date results in the City's FY 2023 budget suggest the City's short-term fiscal outlook remains strong, but that it may have limited time to develop additional budgetary flexibility while still providing the level of services needed to facilitate its recovery while narrowing future budget gaps.

In the upcoming publication of the FY 2024 preliminary budget, the City should provide a realistic and transparent view of the City's revenue and expenses and take further actions to close out-year gaps while maintaining the services necessary for preserving and improving quality of life standards. Any additional unanticipated resources generated in FY 2023, should be used to prepare further for uncertainties the City does maintain control over, including the size of its reserves and a rationale for their planned use, if necessary. Operating under sound budget policy choices will allow the City to leverage short-term improvement to manage its finances to long-term fiscal balance.

FIGURE 1
New York City Financial Plan
(in millions)

	FY 2023	FY 2024	FY 2025	FY 2026
Revenues				
Taxes				
General Property Tax	$ 31,277	$ 31,871	$ 32,006	$ 32,018
Other Taxes	35,751	35,795	37,346	38,778
Tax Audit Revenue	721	721	721	721
Subtotal: Taxes	$ 67,749	$ 68,387	$ 70,073	$ 71,517
Miscellaneous Revenues	7,480	7,296	7,299	7,315
Unrestricted Intergovernmental Aid	252	- - -	- - -	- - -
Less: Intra-City Revenue	(2,143)	(1,919)	(1,920)	(1,918)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Subtotal: City Funds	$ 73,323	$ 73,749	$ 75,437	$ 76,899
Other Categorical Grants	1,154	1,059	1,056	1,055
Inter-Fund Revenues	741	736	736	736
Federal Categorical Grants	11,811	9,019	7,731	7,024
State Categorical Grants	16,974	16,931	17,170	17,223
Total Revenues	**$ 104,003**	**$ 101,494**	**$ 102,130**	**$ 102,937**
Expenditures				
Personal Service				
Salaries and Wages	$ 31,423	$ 31,636	$ 32,162	$ 32,852
Pensions	9,414	9,563	9,783	9,951
Fringe Benefits	12,614	13,616	14,499	15,242
Subtotal: Personal Service	$ 53,451	$ 54,815	$ 56,444	$ 58,045
Other Than Personal Service				
Medical Assistance	6,564	6,385	6,385	6,385
Public Assistance	1,650	1,650	1,650	1,650
All Other	40,430	34,753	34,266	34,037
Subtotal: Other Than Personal Service	$ 48,644	$ 42,788	$ 42,301	$ 42,072
Debt Service	7,655	7,955	8,435	9,203
FY 2022 Budget Stabilization & Discretionary Transfers	(6,114)	- - -	- - -	- - -
FY 2023 Budget Stabilization	705	(705)	- - -	- - -
Capital Stabilization Reserve	250	250	250	250
General Reserve	1,555	1,200	1,200	1,200
Less: Intra-City Expenses	(2,143)	(1,919)	(1,920)	(1,918)
Total Expenditures	**$ 104,003**	**$ 104,384**	**$ 106,710**	**$ 108,852**
Gap to be Closed	**$ - - -**	**$ (2,890)**	**$ (4,580)**	**$ (5,915)**

Source: NYC Office of Management and Budget

FIGURE 2
OSC Risk Assessment of the New York City Financial Plan (in millions)

	Better/(Worse)			
	FY 2023	FY 2024	FY 2025	FY 2026
Gaps Per NYC Financial Plan	**$ - - -**	**$ (2,890)**	**$ (4,580)**	**$ (5,915)**
Revenues				
FEMA Reimbursement for Asylum Seekers	(1,000)	- - -	- - -	- - -
Unbudgeted Pandemic Revenue[1]	396	- - -	- - -	- - -
Tax Revenue	1,150	(100)	(675)	(750)
Miscellaneous Revenue	400	200	200	200
Subtotal Revenue	**946**	**100**	**(475)**	**(550)**
Expenditures				
Payroll Savings	875	- - -	- - -	- - -
Debt Service	50	- - -	- - -	- - -
Impact of State Budget	(59)	(117)	(117)	(117)
Operating Subsidies to the MTA	(80)	(113)	(259)	(424)
Social Services	(142)	(558)	(558)	(574)
Uniformed Agency Overtime	(718)	(456)	(457)	(460)
Department of Education	(1,003)	(1,300)	(1,974)	(2,701)
Early Intervention	- - -	(45)	(45)	(45)
School Health (Article 6) Programs	- - -	(39)	(39)	(39)
Public Health Corps	- - -	(13)	(25)	(61)
Residual Services for Asylum Seekers	- - -	(810)	- - -	- - -
Subtotal Expenditures	**(1,077)**	**(3,451)**	**(3,474)**	**(4,421)**
OSC Risk Assessment	**(131)**	**(3,351)**	**(3,949)**	**(4,971)**
Potential Gaps Per OSC[2,3]	**$ (131)**	**$ (6,241)**	**$ (8,529)**	**$ (10,886)**
Wage Increases at Projected Inflation[4]	**(1,671)**	**(2,637)**	**(3,844)**	**(4,582)**

1 The City has approximately $1.4 billion in unbudgeted aid from the federal Local Fiscal Recovery Fund and Education Stabilization Fund. Of this amount, $396 million has been allocated for the Department of Education and NYC Health + Hospitals expenditures. The unbudgeted aid is expected to be reflected in the January 2023 Plan, and the unallocated portion could be used to offset other existing city costs or fund new needs.

2 The November Plan includes a general reserve of $1.555 billion in FY 2023 and $1.2 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 November Plan also includes reserves of $275 million beginning in FY 2023 to fund potential changes to planned pension contributions from future actuarial audit recommendations.

3 State law requires surplus resources accumulated by the City to be deposited into its Revenue Stabilization Fund (RSF). As of the FY 2022, the balance held in the rainy-day fund is nearly $2 billion. These resources would be available to help balance the budget if there were a compelling fiscal need.

4 The November Plan includes reserves sufficient to fund wage increases of 1.25 percent annually beginning after the expiration of the previous labor contract, which for many civilian employees would begun in 2021. Wage increases presented in the table assume wages rise at the projected inflation rate during a four-year contract period without offsetting savings. The recurring cost beyond the financial plan period (including higher pension contributions) would total $5.1 billion.

II. Economic Trends

Heading into 2023, the national economic outlook is still uncertain. Job growth continues following a full recovery of pandemic job losses in July 2022, though it has slowed. While New York City had begun to catch up with the rest of the nation, it remains far from recovered despite an increase in jobs in November 2022 that erased a decline in October. Consumer spending has continued to grow, albeit more slowly, across the nation, including in New York City, as domestic tourism continues to return. Inflation, and the response of the Federal Reserve to raise rates, has pressured the value of assets broadly and has begun to impact Wall Street and local property markets.

The National Economy

While the national economy has been resilient despite persistent inflation, waning federal aid and geopolitical conflict, the outlook appears weak. Employment and wage growth rates have begun to slow when compared to those during the beginning of the year, though not quickly or meaningfully enough to divert the Federal Reserve from continuing to raise the federal funds rate and to try to achieve its inflation goal of 2 percent.

In November 2022, the nation gained 263,000 jobs, more than analysts expected. Following the jobs report, the Consumer Price Index report showed a smaller-than-expected annual increase of 7.1 percent (seasonally adjusted). Based on these data, and in alignment with its signals over the past month, the Federal Reserve raised the federal funds rate by 50 basis points in its December 2022 meeting. This increase followed a series of 75-basis-point increases to reach a range of 4.25 percent to 4.5 percent. Officials expect the rate to peak at 5.1 percent in 2023, greater than the 4.6 percent they expected at their September meeting. Meanwhile, rising interest rates have increased the cost of borrowing for school, home and car purchases.

Economic growth prospects for the final quarter of 2022 are positive following the annualized 2.9 percent growth in gross domestic product (GDP) in the third quarter. S&P Global expects GDP to increase in the fourth quarter by 0.7 percent due to continued strength in consumer spending (a shift from its November forecast of a 0.4 percent decline), for a full-year growth of almost 2 percent. It expects GDP to decline during the first half of 2023 but resume growth in the second half, suggesting a mild recession.

In alignment with S&P Global's earlier forecast for 2022, the November Plan cut GDP growth by half from the April Plan. However, the November Plan still assumes positive growth nationally for 2023 even as the probability of a recession has grown. The City also assumes a 1 percent growth in gross City product for 2023 in contrast to S&P Global's 0.5 percent decline.

New York City's Economy

Through November 2022, the City generally experienced local employment growth,recovering almost 86 percent of pandemic job losses (October saw an unexpected decline of 1,900 jobs, the first decline since April 2020). The growth was led by hard-hit service industries such as leisure and hospitality that have benefited from the continued return of tourism and commuters. Additionally, pent-up demand for services amid the COVID-19 pandemic has enabled revenue sources such as sales and hotel taxes to experience continued improvement.

In October 2022, the citywide unemployment rate began to rise from its pandemic low of 5.6 percent (seasonally adjusted) in September and it is currently significantly higher than the national rate (see Figure 3). The November Plan recognizes the negative economic impact of the Federal Reserve's actions, thereby lengthening the pandemic job loss recovery period from the third quarter of 2024 per the April Plan to the fourth quarter of 2024.

One sector that is hampering the overall employment recovery is retail trade, where jobs are not expected to return during the Plan horizon. Another is construction, as inflation continues to affect the cost of materials and high interest rates weaken demand. In October, nationally, housing starts and completions were significantly weaker than the month prior. While the City now expects leisure and hospitality to see slightly weaker growth than it did before, the outlook could also weaken as consumers continue to pull back on their pandemic-induced demand for services. Job growth in these sectors has begun to stall locally and employment in these sectors may deteriorate before resuming growth.[5]

FIGURE 3
Unemployment Rates by Geography

	January 2020	September 2022	November 2022
New York City	3.7%	5.6%	5.8%
Rest of State	4.0%	3.3%	3.3%
U.S.	3.5%	3.5%	3.7%

Sources: NYS Department of Labor, Local Area Unemployment Statistics; U.S. Bureau of Labor Statistics, Current Population Survey

The securities industry, a substantial contributor to aggregate wages in the City, is also projected to lose jobs in 2023, a significant shift from the April Plan, which projected a full return of industry jobs by the second half of 2023. The City's estimate aligns with industry firm decisions to cut advisory and trading personnel amid economic challenges, coupled with the general unsustainability of the prior two years' profitability and return to levels closer to the 10-year pre-pandemic average of $20.3 billion. The City expects Wall Street profits to be hindered by a rising interest rate environment due to higher borrowing costs, lower consumer demand and overall reduced industry profitability.

Layoffs in the rest of the local economy have persisted over the better half of the year. In the first 10 months of 2022, the number of residents that reported being laid off from their jobs in the last week rose by 97 percent from the same period in 2019 (compared to 8 percent in the nation).[6] As layoffs have risen, so have the public assistance rolls to meet the demand for necessities such as food, fuel and shelter especially as pandemic federal aid has diminished. The public assistance caseload grew by 22 percent during the first half of 2022 compared to 2019 (338,000). The caseload for July through October of 2022 was 30 percent higher than during the same period in 2019. While the caseload is fueled by single adults, reliance by families has also grown significantly.

Despite these challenges, one of the bright spots for the recovery of the local economy is the continued return of workers to the office. By the end of November, the share of workers in the office in the New York metropolitan area reached 49.6 percent, slightly higher than the average of the 10 largest metropolitan areas. While the trajectory of the commercial real estate market remains uncertain (with vacancy rates still at 30-year highs and asking rents below pre-pandemic levels), the City now expects the record vacancy rates to peak in 2022, one year earlier than forecast in the April Plan. However, hybrid work,

[5] Office of the State Comptroller (OSC), New York City Industry Sector Dashboards, March 2022, https://www.osc.state.ny.us/osdc/reports/nyc-sectors/arts-entertainment-and-recreation.

[6] U.S. Bureau of Labor Statistics, Current Population Survey.

as well as employers finding their footing in terms of the staffing needed for the current economic environment, present risks to the somewhat optimistic outlook. The tentative assessment roll for FY 2024 due in January 2023 may reflect these shifts in commercial property valuations.

The City expects the return of office workers, as well as business and leisure travelers, to support the continued return of dining, nightlife and events to pre-pandemic levels. While demand for recreational services was strong in the first half of the year, it has begun to weaken as New York City residents and visitors begin to pull back on nondiscretionary spending amid still-high inflation. These shifts should play out in key economic data, though it may take time especially for the slow-to-recover sectors. In the meantime, the Federal Reserve has resolved to continue raising the federal funds rate, albeit at a slower pace, putting those who have yet to recover from the pandemic most at risk.

III. Changes Since the June 2022 Plan

In June 2022, the City projected a balanced budget for FY 2023 and budget gaps of $4.2 billion in FY 2024, $3.7 billion in FY 2025 and nearly $4 billion in FY 2026 (see Figure 4). The November Plan includes a modest number of changes to the City's planned expenditures, largely from increased pension contributions and a new PEG. While the PEG includes minor revenue reestimates, the plan made no changes to tax revenue based on current year receipts, an uncommon omission in the City's financial plan updates (for more detail, see the "Revenue Trends" section).

The largest expenditure change in the November Plan is a significant increase in planned pension contributions consistent with OSC's estimate in the June Plan review (by $861 million in FY 2024, $2 billion in FY 2025, and $3 billion in FY 2026), reflecting the impact of lower-than-anticipated City pension investment performance during FY 2022. New agency needs add another $205 million in FY 2023, with minimal amounts added in the out-years.

The PEG will more than offset new costs in fiscal years 2023 and 2024, and partially offset costs in subsequent years. However, a portion of the PEG consists of cost avoidance initiatives (i.e., identification of an unbudgeted need that agencies simultaneously took action to eliminate) that provide no additional gap relief since June.

FIGURE 4
Financial Plan Reconciliation—City Funds
November 2022 Plan vs. June 2022 Plan
(in millions)

	Better/(Worse)			
	FY 2023	**FY 2024**	**FY 2025**	**FY 2026**
Projected Gaps Per June 2022 Plan	**$ - - -**	**$ (4,210)**	**$ (3,714)**	**$ (3,980)**
Revenue Reestimates	**- - -**	**- - -**	**- - -**	**- - -**
Total Revenue Reestimates	**- - -**	**- - -**	**- - -**	**- - -**
Program to Eliminate the Gap (PEG)				
Agency Savings	833	1,498	1,369	1,340
Agency Cost Avoidance Initiatives	(57)	(92)	(376)	(376)
Debt Service	83	116	148	159
Subtotal	**859**	**1,522**	**1,140**	**1,123**
New Agency Needs	**(205)**	**(61)**	**(61)**	**(35)**
Updated Estimates				
Pension Contributions	- - -	(861)	(1,969)	(3,018)
All Other	51	15	24	(4)
Subtotal	**51**	**(846)**	**(1,945)**	**(3,022)**
Total Expense Reestimates	**705**	**615**	**(866)**	**(1,935)**
Net Change	**705**	**615**	**(866)**	**(1,935)**
Gaps to Be Closed Before Prepayment	**$ 705**	**$ (3,595)**	**$ (4,580)**	**$ (5,915)**
FY 2023 Prepayment of FY 2024 Expenses	(705)	705	- - -	- - -
Gaps to Be Closed Per November 2022 Plan	**$ - - -**	**$ (2,890)**	**$ (4,580)**	**$ (5,915)**

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

After accounting for these budget neutral initiatives, net savings included in the PEG total $859 million in FY 2023, $1.5 billion in FY 2024, and $1.1 billion in each of the following two fiscal years (see the “Program to Eliminate the Gap” section).

The City now forecasts a surplus of $705 million in FY 2023, largely generated by the PEG, that will be used to prepay debt service costs and help close the budget gap in FY 2024. However, the gaps in FY 2025 and FY 2026 grew by $866 million and $1.9 billion, respectively. As a share of City fund revenues, the out-year gaps average 5.9 percent – the highest level at this point in the budget cycle since FY 2012. Existing reserves (totaling $1.45 billion in each fiscal year) could be used to narrow the gaps to an average of 4 percent of revenues, a manageable amount based on historical levels.

New Initiatives

The November Plan adds $205 million for new agency needs in FY 2023, dropping to $61 million each year for fiscal years 2024 and 2025, and $35 million in FY 2026. Of these items, the majority represent one-time expenditures, including $23.4 million for the 2022 primary and general elections, $19.4 million for the Medallion Relief Program, $13.2 million for emergency work at Rikers Island, and $56.6 million for citywide maintenance and repair work that is not capitally eligible. However, the Plan also adds $35 million in FY 2023 only for a permanent, court-ordered rate increase to assigned counsel attorneys, leaving an unfunded risk in the out-years. See OSC’s Fiscal Cliff tool for a full itemized list of City and federally funded fiscal cliffs.

The Plan also increases planned spending for quality of life services, including the Department of Sanitation’s “Get Stuff Clean” initiative and an expansion of the Department of Health and Mental Hygiene’s neighborhood rat reduction program. With fringe benefits, these programs total an estimated $19 million in FY 2023, growing to nearly $21 million by FY 2026.

Asylum Seekers Expenses

Although not categorized as new needs, the November Plan anticipates spending $1 billion in FY 2023 for services provided to asylum seekers. It also assumes receiving full reimbursement from the federal government, even though the funding has not been confirmed, and that spending will not extend beyond June 30, 2023. Both assumptions pose risks to the financial plan, as future trends are uncertain.

The Mayor declared a state of emergency on October 7, 2022 in response to the migrant crisis. As of early November, the City estimates that 23,800 asylum seekers have arrived in New York City, and more than 15,000 individuals (7,400 households) have entered the shelter system. The November Plan assumes a multi-agency response, with $600 million allocated to the Department of Social Services (DSS) for emergency shelter costs, and a combined $400 million allocated to NYC Health + Hospitals (H+H), the Office of Emergency Management, the Office of Technology and Innovation, and the Department of Citywide Administrative Services for costs pertaining to the Humanitarian Emergency Response and Relief Centers (HERRCs). H+H was allocated the largest share of HERRC funding ($310 million) and is responsible for the management and operations of the sites (for more detail, see the “NYC Health + Hospitals section).

Through December 5, the City had recorded citywide commitments of nearly $65 million for asylum seeker costs.

IV. State and Federal Actions

State Budget

In early April 2022, the Enacted State Budget for State fiscal year (SFY) 2022-23 was adopted. For a detailed list of components for the Enacted Budget that affected, and were incorporated into, the City's April Plan, see prior OSC analysis here. The June Plan subsequently added the cost of an enhancement of pension benefits.

The June Plan did not include a State requirement that local social service districts pay 100 percent of the rates to reimburse the cost of foster care, with the State increasing the rates to be paid. This could increase the City's costs by $59 million in FY 2023 and $117 million annually thereafter. The November Plan also does not include this funding.

There are two other State actions that may have an impact on the City's budget but it is uncertain what the exact financial ramifications will be. The State has enacted a bill that would lower class sizes throughout the City's public school system within five years, which, once fully implemented, could increase operating costs by approximately $1 billion annually to meet the mandates, according to the City (for more detail, see "Department of Education" section).

The State also has indicated it will provide additional funding to reimburse the City for the overtime cost for increased police presence in the subway system. The amount that the State will reimburse to the City and the timing of the receipt of the funds is uncertain at this time. Finally, the City is seeking additional financial support from the State to help mitigate the local share of the cost of providing services to migrants in the case that federal emergency aid is not forthcoming.

Federal Actions

The November Plan assumes that total federal receipts for the operating budget will wind down after FY 2022, from $11.8 billion in FY 2023 to $9 billion in FY 2024, and will continue to decline over the balance of the financial plan period as the City draws down the remainder of pandemic relief aid. The City's estimates also assume the receipt of $1 billion in federal reimbursement for local services to asylum seekers in FY 2023.

Pandemic Relief

Over a three-year period ending FY 2022, the City has realized $19 billion in federal aid (including unrestricted aid) to respond to the impacts of COVID-19. The November Plan anticipates the receipt of an additional $6.1 billion of such aid over the financial plan period, mostly in FY 2023. Actual receipts will be higher, however, because the City is expected to realize additional revenue from an unbudgeted portion of its award from each of the local government and school fiscal relief funds.

While the June 2022 Plan had anticipated that in FY 2022, the City would realize a total of $3.7 billion of the City's allocation from the State and Local Fiscal Recovery Funds (SLFRF) and $2.9 billion of its allocation from the Education Stabilization Fund (ESF; a total of $7 billion in anticipated receipts in that year), a portion of the funding from these two sources ($1.4 billion) was not utilized last year but will be reflected in the January 2023 Plan.

A portion of the unbudgeted SLFRF has been allocated to various H+H projects and much of the ESF is expected to be allocated to the DOE for new needs (for more detail, see the "Department of Education" section). However, over $1 billion in unbudgeted funds could still be used to offset a portion of operating expenses or to fund new needs.

When the prior year and anticipated resources are combined with estimated savings passed on to the City from enhanced federal funding for Medicaid (nearly $1.4 billion), the total federal pandemic support for the City government is expected to exceed $27 billion over seven years, a historic level of assistance.

Reimbursement for Asylum Seekers

In addition, the November Plan assumes the receipt of an additional $1 billion from the Federal Emergency Management Agency (FEMA) in FY 2023 to compensate the City for various services for asylum seekers, but assumes such costs will not recur beyond the current fiscal year. Receipt of most of these funds is contingent upon Congress approving new funding earmarked for this purpose, which appears uncertain at this time. However, given the long lead time to collect on federal emergency reimbursements, it is possible that it will also take years to collect these funds should the funding become available.

Progress in Claiming

As of November 30, 2022, the City had collected or billed an estimated total of $10.5 billion in federal pandemic revenue earned to date for eligible services provided since March 2020. While the City has not yet claimed $8.4 billion in prior-year pandemic revenues earned to date, the majority of this revenue was realized in the most recent fiscal year ending June 30, 2022 and could be claimed in the near future. However, a sizable portion ($2.8 billion) has remained unclaimed for more than one year since the services were provided.

Virtually all of the long-term unclaimed receivables ($2.7 billion) are for reimbursements from FEMA. As noted in our March 2022 report on the City's financial plan, the process of claiming, billing and collecting reimbursement from FEMA has taken longer than in previous emergencies.

The City is now owed more than $5.3 billion from FEMA to date (including unrestricted aid linked to prior year FEMA-eligible services), significantly higher than any other receivable on record. Despite the delays in claiming these substantial reimbursements, the City's cash position is projected to remain adequate to meet its short-term cash flow needs.

V. Program to Eliminate the Gap

The November Plan includes the second PEG this calendar year. The new PEG is anticipated to total a combined $2.5 billion in fiscal years 2023 and 2024 and $1.5 billion in each of the following years. Although agencies are expected to generate more than $5 billion over the financial plan period, a number of agencies fell short of the savings target set by the City (3 percent of agencies' City-funded expense budget in FY 2023 and 4.75 percent each year thereafter).

Two-thirds of savings over the financial plan period will come from expense reestimates, with only 16 percent to come from efficiencies. Additionally, a portion of both efficiency and expense reestimate savings are to be generated by cost avoidance initiatives, which are effectively budget neutral. They are based on an agency recognizing an unbudgeted need and simultaneously crediting the agency with savings for action to eliminate the anticipated rise in costs, rather than reducing already budgeted amounts. Cost avoidance initiatives account for a combined $902 million in savings, or 16 percent of the total, over the financial plan period (see Figure 5).

Savings from expense reestimates total a combined $3.7 billion over the financial plan period and eliminate 134 full-time positions, with the DOE accounting for over half ($2 billion), largely from adjustments made to its 3-K program. However, $568 million of DOE savings come from costs that were identified since the June Plan (i.e., cost avoidance). Other significant expenditure reestimates include $517 million in underspending on personal service (some of which is assumed beyond the current year, unlike previous plans); $239 million from a federal Medicaid waiver; and $167 million from a reestimate of the impact of inflation on certain administrative costs.

Efficiency savings total $891 million over the financial plan period and will eliminate 580 vacant positions. However, over a third of these savings ($334 million) are from cost avoidance initiatives at the uniformed agencies. The 580

FIGURE 5

FY 2023 Program to Eliminate the Gap

(dollars in millions)

	Positions	FY 2023	FY 2024	FY 2025	FY 2026	Total
Agency Actions						
Efficiencies	(580)	149	251	246	246	891
Expense Reestimates	(134)	441	1,165	1,053	1,043	3,702
Revenue Reestimates	- - -	243	82	70	52	447
Agency Subtotal	**(714)**	**833**	**1,498**	**1,369**	**1,340**	**5,040**
Debt Service	**- - -**	**83**	**116**	**148**	**159**	**506**
Total Savings	**(714)**	**$ 916**	**$ 1,614**	**$ 1,517**	**$ 1,499**	**$ 5,545**
Cost Avoidance Initiatives						
Efficiencies	- - -	(57)	(92)	(92)	(92)	(334)
Expense Reestimates	- - -	- - -	- - -	(284)	(284)	(568)
Cost Avoidance Total	**- - -**	**(57)**	**(92)**	**(376)**	**(376)**	**(902)**
Net Savings	**(714)**	**$ 859**	**$ 1,522**	**$ 1,140**	**$ 1,123**	**$ 4,644**

Note: Totals may not add due to rounding. Changes in headcount are as of June 30, 2024.
Sources: NYC Office of Management and Budget; OSC analysis

vacancy reductions contribute another $197 million over the financial plan period. Another $136 million will come from practices that increase recurring revenue collections.

Revenue reestimates will provide the smallest portion of PEG savings, totaling $447 million over the financial plan period, nearly half of which is from non-recurring prior year revenue in FY 2023 ($196 million). Other significant revenue savings include additional revenue from expanding speed camera operation to 24 hours a day, seven days a week ($67 million) and higher federal reimbursements for fringe benefits ($58 million).

Debt service savings will also contribute to a small portion of the PEG (9 percent), with $506 million over the financial plan period. These savings are largely the result of debt refundings and of the City adjusting its capital expenditure plans in the near term, thus mitigating the need to borrow in the Plan period.

Most of the proposed PEG initiatives appear to be reasonably achievable and within the City's control to implement. However, going forward, OSC recommends the City not include PEG savings, such as cost avoidance initiatives in the November Plan, that do not work to eliminate the gap, as this practice skews total savings and appears to provide additional budgetary relief where there is none.

Additionally, vacancy reductions are a reoccurring initiative included in last year's PEG and again in the current plan. Given the magnitude of current vacancies citywide (7.4 percent as of September; see the "Expenditure Trends" section), as well as recent guidance to agencies on identifying potential vacancy reductions, it is likely that there are additional savings to come. The City should ensure that future additions to headcount don't effectively negate vacancy reduction savings.

VI. Revenue Trends

The November Plan increases its total revenue forecast (which includes locally generated revenues and federal and State categorical aid) from the June Plan by $2.9 billion to reach $104 billion in FY 2023. This figure is still a 3.6 percent decline from the pandemic-aid-fueled prior year. The updated revenue figure is also unusual when compared to modifications made in past November Plans for not including changes to tax revenue forecasts based on collections to date.

The November Plan increases the FY 2023 forecast for federal grants by $2.5 billion. Of this increase, $814 million is federal COVID-19 pandemic aid, a portion of which was shifted from FY 2022 to FY 2023 (the second year such a shift occurred). Another $714 million of the increase is not related to pandemic relief.

Most concerningly, $1 billion of the increase in revenue reflects an as yet unapproved sum from the federal government for managing asylum seeker intake and shelter. Generally, the City does not budget for revenue from federal grants that have yet to be approved, creating a revenue risk to the City's budget.

Though the City adjusted its economic assumptions, the November Plan made no changes to its FY 2023 forecast for locally generated revenues (or City funds), which account for 71 percent of total revenues. As such, City funds revenues are still expected to decline by 2.6 percent. Of the $73.3 billion in expected City funds, 92 percent will be from tax revenues in FY 2023, with the remainder from miscellaneous revenues (see Figure 6).

Generally, the November budget modification updates the current fiscal year's tax revenues forecast to reflect the year-to-date tax collections. However, in a departure from normal budgetary practice, the Plan did not adjust the forecast even though year-to-date tax collections through October were over $1.4 billion higher than projected, mostly from personal income, business and sales taxes. The City will likely make significant changes to its forecast in the preliminary budget.

In the first four months of FY 2023, year-to-date tax collections were 10 percent higher ($2.5 billion) than the same period last year as

FIGURE 6
Trends in City Fund Revenues
(in millions)

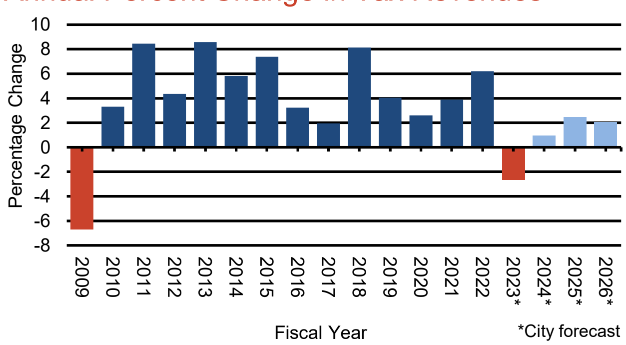
	FY 2023	Annual Growth	FY 2024	FY 2025	FY 2026	Average Three-Year Growth Rate
General Property Tax	$ 31,277	6.3%	$ 31,871	$ 32,006	$ 32,018	0.8%
Personal Income Tax +PTET	15,284	-8.5%	14,844	15,462	15,869	1.3%
Sales Tax	8,601	0.7%	8,971	9,423	9,954	5.0%
Business Taxes	6,715	-18.4%	6,575	6,810	7,187	2.3%
Real Estate Transaction Taxes	2,356	-27.3%	2,544	2,723	2,806	6.0%
Other Taxes	2,795	7.3%	2,861	2,928	2,962	2.0%
Tax Audits	721	-15.1%	721	721	721	0.0%
Tax Program	0	N/A	0	0	0	0.0%
Subtotal: Taxes	**67,749**	**-2.7%**	**68,387**	**70,073**	**71,517**	**1.8%**
Miscellaneous Revenues	5,337	2.0%	5,377	5,379	5,397	0.4%
Unrestricted Intergov. Aid	252	-49.4%	0	0	0	N/A
Grant Disallowances	(15)	-57.0%	(15)	(15)	(15)	0.0%
Total	**73,323**	**-2.6%**	**73,749**	**75,437**	**76,899**	**1.6%**

Sources: NYC Office of Management and Budget; OSC analysis

collections from most major tax sources have been stronger than expected. However, with certain aspects of the City's economy weakening (i.e., Wall Street's profitability decline and employment loss in October) in recent months and the outlook remaining unclear, the City decided not to make changes to its forecast for tax revenues throughout the plan period.

As a result, the City expects tax collections to decline by 2.7 percent to $67.7 billion in FY 2023, the first decline since 2009 (see Figure 7, and OSC's June Plan report for more detail). While OSC believes the City's cautious approach to its revenue forecast is appropriate at this time based on economic forecasts, OSC estimates tax collections in FY 2023 will likely be higher than the City's forecast by $1.15 billion. Additionally, OSC estimates miscellaneous revenues in FY 2023 will be higher by $400 million.

FIGURE 7
Annual Percent Change in Tax Revenues



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

As federal aid is expected to decline throughout the rest of the plan period, the City expects total revenues to decline by 2.4 percent in FY 2024 before returning to growth of 0.6 percent and 0.8 percent in fiscal years 2025 and 2026, respectively, led by slow growth in City funds.

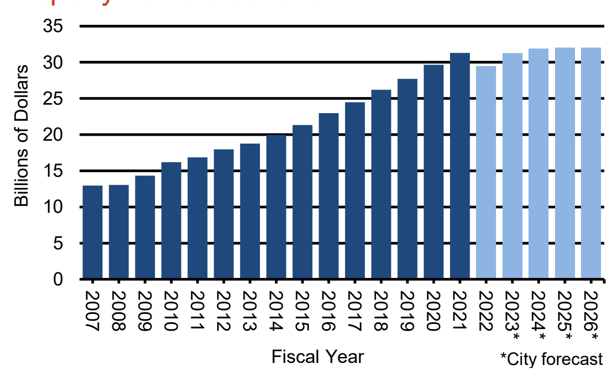
General Property Tax

The November Plan expects property tax collections in FY 2023 to total $31.3 billion, an increase of $1.8 billion (6.3 percent) over collections in FY 2022 and the same as in the June Plan (see Figure 8). The City expects collections to slow significantly in the out-years, averaging 0.8 percent growth annually from fiscal years 2024 to 2026, well below the pre-pandemic average annual rate of 6.4 percent (for fiscal years 2017 through 2021).

Residential property taxable values are expected to continue their strong growth even as the housing sales market is experiencing a slowdown.[7] The City expects residential property values to grow by 5.2 percent annually from fiscal years 2024 through 2026. Weakness in the commercial market brought on by the pandemic, however, is expected to continue through 2023 and beyond. Total taxable values for commercial space (Class 4 properties) are expected to remain essentially flat for the next several years.

Uncertainty in the commercial real estate market presents a significant continuing risk for property

FIGURE 8
Property Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

[7] The City has capped assessed value increases for family home properties at 6 percent per year, with a five-year cap of 20 percent. As a result, a property's assessed value (the basis for its tax bill) can continue to increase before it catches up to any decline in market value.

tax revenues. Mandatory office closures and remote work polices during the pandemic led to a downturn in office real estate, causing asking rents to fall and vacancy rates to double in 2020 and 2021. In contrast to wider trends, major tech companies continued their expansions by leasing new office space through last year, providing a rare bit of good news for the market. However, in recent months, many of these companies have been rethinking their office space needs as they shed jobs in anticipation of an economic downturn. Several of the companies that took on new space during the pandemic have recently sought to sublet some of their square footage or terminate their leases outright.[8]

The impact of these leasing actions has put some property owners in a precarious situation. As the market slowed down amid the pandemic, many landlords offered deals to prospective tenants of Class A properties in an effort to fill space and entice workers back to the office on a more regular basis, causing a "flight to quality" where firms have been able to secure more desirable office space at prices similar to lesser quality buildings (i.e., Class B and C properties). This movement has left many Class B and C office buildings (which comprise 48 percent of total office space) with large vacancies.[9]

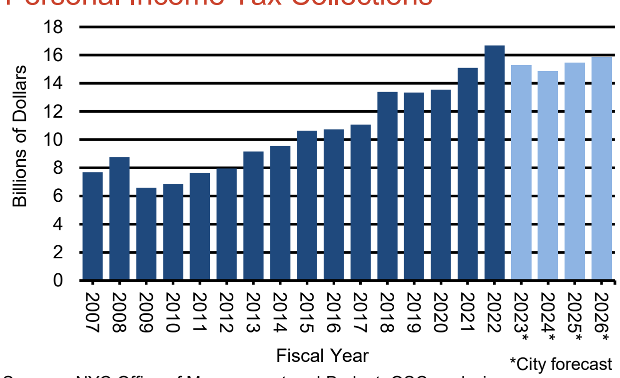
If Class B and C buildings struggle to secure tenants over an extended period, commercial property values may decline. A potential increase in property tax delinquencies by owners of these properties presents an additional risk. OSC estimates that the possibility of commercial property value declines and potential delinquencies represents a total risk of $450 million in uncollected property taxes in fiscal years 2024 through 2026.

Personal Income Tax

The November Plan did not change the forecast for personal income tax (PIT), the City's second-largest source of tax revenue, nor the City's new pass-through entity tax (PTET), which, combined, are projected to decline by 8.5 percent to $15.3 billion in FY 2023 (see Figure 9 for more information on PTET; see OSC's April Plan report).[10]

Even though year-to-date collections through October were 22.5 percent higher than the same period last year, most of this increase was due to a change in the timing of offset payments distributed by the State. Excluding offsets, year-to-date collections were 3.7 percent higher. However, the City still expects a decline, unchanged from the June Plan, reflecting the

FIGURE 9
Personal Income Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

---

8 Courtney Vinopal, "Meta is Closing a Manhattan Office As It Consolidates Its New York City Presence," *Observer*, October 4, 2022, [Meta Is Closing a Manhattan Office as It Consolidates Its New York City Presence | Observer](#).

9 Estimate based on the FY 2022 and FY 2023 Final Assessment Roll from the New York City Department of Finance, https://www.nyc.gov/site/finance/taxes/property-assessments.page.

10 The SFY 2022-23 Enacted Budget created the PTET for the City which will go into effect in FY 2023. When combined with PIT, the PTET is expected to be revenue neutral for the City. See OSC's April Plan report for further discussion.

City's lowered forecasts for employment growth and wage growth starting in calendar year 2023.

While the forecast for total PIT was unchanged, the forecast for certain components were adjusted. The City lowered its forecast for the combined estimated payments and PTET (the components that are based on nonwage income) and now expects a decline of 26 percent in FY 2023 as the stock and real estate markets have weakened. The forecast was lowered throughout the rest of the financial plan period by smaller amounts. The decline in total PIT is driven mostly by the large decline in combined estimated payments and PTET, which more than offset the growth in withholding.

The November Plan raised the forecast for withholding (i.e., the amount of tax taken from employee paychecks) in FY 2023 and now expects an increase of 3.2 percent compared to 2.6 percent in the June Plan. This reflects better-than-expected growth in wages and employment in calendar year 2022 even as bonuses are projected to be significantly worse than in 2021. However, as wage and employment growth are projected to slow in the out-years, the forecast for withholding was lowered in fiscal years 2024 through 2026.

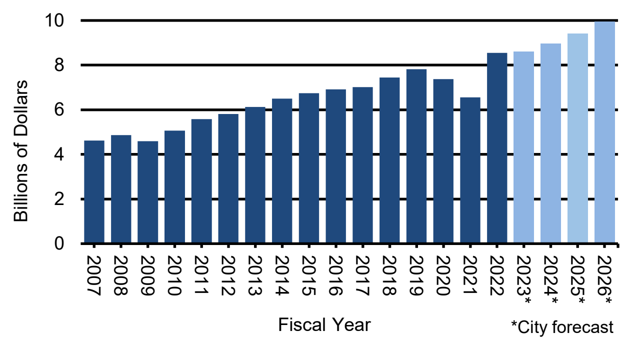
The decreases in the forecast for withholding, estimated payments and PTET were balanced out by increases to the forecast for offset and final payments. As a result, total PIT and PTET collections are still forecast to decline by 2.9 percent in FY 2024 and average 3.4 percent annual growth in fiscal years 2025 and 2026.

OSC estimates that tax collections in FY 2023 may be $200 million lower if estimated payments continue to have a similar decline as year-to-date collections, but the shortfall would be smaller if the stock market improves. For fiscal years 2024 through 2026, OSC estimates that tax collections may be lower by $50 million annually, anticipating worse-than-expected wage growth.

Sales Tax

The November Plan expects sales tax collections to reach $8.6 billion in FY 2023, flat from FY 2022 (see Figure 10). Through October, sales tax collections grew 18.6 percent ($469 million) compared to the same period last year. However, the City has not updated its sales tax estimate to reflect the strong collections, which are attributable in large part to strong consumer spending on tourism-related services amid high inflation (i.e., leisure and hospitality and retail; see OSC's June Plan report).[11]

FIGURE 10
Sales Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

Based on the latest available data, inflation, as measured by the Consumer Price Index, contributed to a quarter of taxable sales in August 2022. Additionally, national retail sales grew 1.3 percent in October 2022 from September 2022 the largest month-over-month increase since February 2022 and 8.3 percent from October 2021. Sales were driven by food

[11] OSC, *Review of the Financial Plan of the City of New York*, Report 6-2023, August 2022, https://www.osc.state.ny.us/files/reports/osdc/pdf/report-6-2023.pdf.

services and drinking places, gasoline stations and e-commerce.[12]

Tourism in the City continues to strengthen and is still on pace to reach pre-pandemic levels by 2024. China, whose visitors tend to spend the most on average compared to other tourists, has been reducing pandemic-related travel restrictions but uncertainty remains.[13] Whether domestic visitors or international, hotel occupancy was at 73 percent for 2022 year to date (January to October).[14]

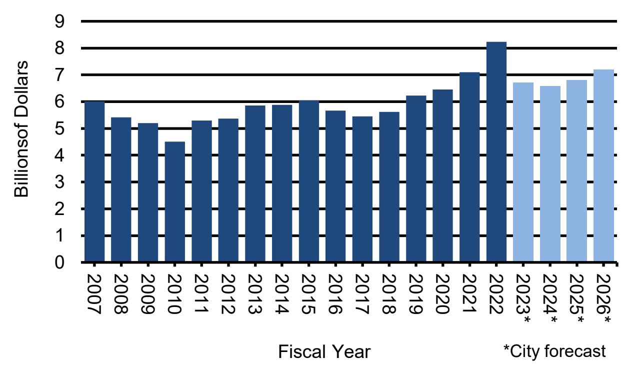
Despite the resilient economic indicators there remain concerns on the horizon. U.S. consumer confidence has dropped in recent months as consumers remain concerned about inflation. According to the Federal Reserve, U.S. household debt, in the third quarter of 2022 reached a record $16.5 trillion. Credit card usage grew 15 percent year-over-year during the same period, the largest increase in 20 years. High credit card usage could be concerning for future consumption trends if a recession arrives in 2023, as the U.S. personal savings rate was 2.3 percent in October 2022, the lowest rate since 2005. While credit card debt remains high, it may take some time before collections experience a decline. For instance, between 2007 and 2009, a period affected by the Great Recession, sales tax collections did not see a decline until 2009.

OSC estimates that with the strong collections in the first four months of FY 2023, collections will increase $700 million to reach $9.3 billion as inflation and consumption continue to drive collections in the short term. OSC expects no change from the November Plan in FY 2024 but a $500 million decline in FY 2025 and another $500 million decline in FY 2026 as a potential recession could delay consumption.

Business Taxes

The November Plan makes no adjustment to the June Plan forecast for business tax collections.[15] In June 2022, the City projected business tax collections to grow by 9.5 percent in FY 2022 and decline by 13.6 percent in FY 2023. However, the City reported final collections of $8.2 billion in FY 2022, a 16 percent growth year over year and the highest collections in business tax history (see Figure 11). Similarly, collections have been ahead of the City's forecast in the first four months of FY 2023, increasing by 2 percent year to date compared to the same period last year.

FIGURE 11
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 driven by the profits of

[12] Food services and drinking places refer to North American Industry Classification System code 722.

[13] Office of the New Yor State Comptroller, *New York City Industry Sector Dashboards*, October 2022, https://www.osc.state.ny.us/osdc/reports/nyc-sectors/tourism.

[14] NYC & Company, *NYC Hotel Occupancy, ADR & Room Demand,* https://assets.simpleviewinc.com/simpleview/image/upload/v1/clients/newyorkcity/FYI_HotelReport_October2022_bd6b977f-b573-4715-a7a2-99789ef94584.pdf.

[15] Business taxes include the business corporation tax and the unincorporated business tax.

securities industry member firms.[16] Wall Street profits during the first three quarters of the year declined by 57 percent from the same period last year to $19.3 billion, equaling the April Plan forecast for annual collections (see OSC's April Plan report). While the November Plan forecast profits to reach $21.6 billion in 2022, this may still be too conservative as the financial markets are showing strong performance in the current quarter. Even if profits decline by the same rate in the final quarter of 2022, full-year profits would reach $25.1 billion, similar to 2017 and 2018 levels.

According to the New York City Department of Finance, service-related business corporations, which represent 15 percent of net payments, saw a 16 percent growth in year-to-date net payments. However, finance business corporations, which represent a larger share at 46 percent, saw a 19 percent decline in net payments from 2021. While the service sector has exhibited strong growth, there is caution ahead for overall collections amid a potential recession.

Unincorporated business taxes (UBT) make up the remainder of total business tax collections. They are mostly driven by partnerships and small businesses, which include professional services, finance, insurance firms and restaurants. Trade and information unincorporated businesses, which both represent 3 percent of UBT net payments, saw a 65 percent and 33 percent growth in net payments from 2021 respectively. The service sector, which constitutes more than 40 percent of UBT payments, saw only a 4 percent growth.

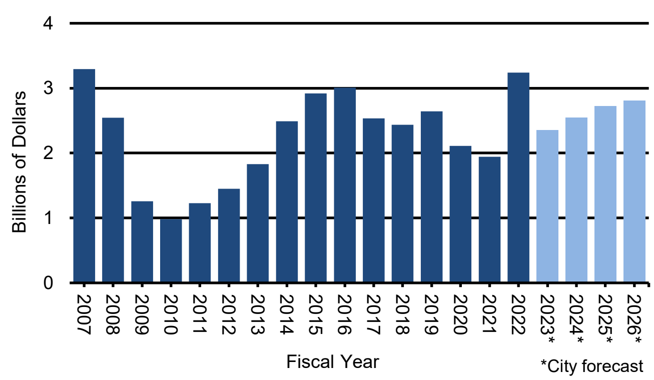
Given the strength in business tax collections year to date, OSC estimates collections will be higher than the City's projection by $500 million in FY 2023. As the probability of a recession grows, OSC projects collections will be only $100 million above forecast in FY 2024, and $125 million above in each of FY 2025 and FY 2026.

Real Estate Transaction Taxes

The City's forecast for real estate transaction taxes in FY 2023 is $2.4 billion in the November Plan, which represents a 27.3 percent decline in collections from the prior fiscal year. If realized, this would be the largest decline in both dollar value and percentage since FY 2009 (see Figure 12). This decline is even larger than forecast in the June Plan, which did not account for the $168 million in additional collections for FY 2022.

The strength in real estate transactions in FY 2022 was driven by a combination of several factors including pent-up demand from the pandemic, record low interest rates for much of the fiscal year, and a temporary reduction in

FIGURE 12
Real Estate Transaction Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

[16] Office of the New York State Comptroller, *The Securities Industry in New York City*, Report 11-2023, October 2022, https://www.osc.state.ny.us/files/reports/osdc/pdf/report-11-2023.pdf.

prices driven by a glut of properties on the market.

Many of those market factor trends began to see a reversal in 2022. Though sale prices have generally recovered from the lows of the prior year (and in some cases reached record highs), the number of residential properties on the market has declined significantly in 2022 compared to the prior year. Mortgage interest rates, which were among the lowest on record in the first year of the pandemic, have risen dramatically. The national average interest rate for a 30-year fixed mortgage rose from 2.7 percent in the final weeks of 2020 to 7.1 percent in November of 2022, though they have since declined slightly. Fears of a possible recession may also be keeping some buyers away.

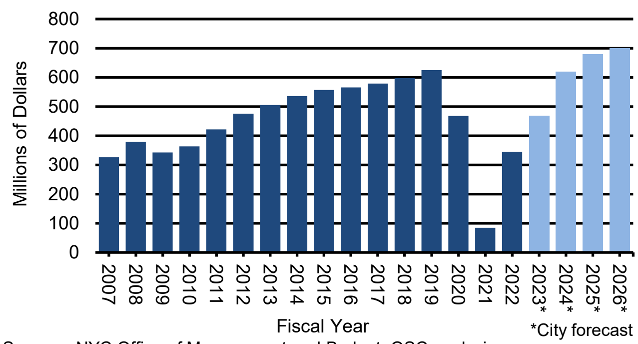
Total home sales have declined by 21.1 percent for the year to date (through October) compared to the prior year.[17] Declines have been more pronounced in the luxury market (defined as properties valued at over $4 million), where sales are down 30.4 percent through November.[18] For the first five months of FY 2023 (July through November), the number of luxury units sold is down 50.7 percent.

Despite the apparent sluggishness in the market, transaction tax collections in the first four months of the fiscal year (July to October) have outpaced the City's forecast significantly and are up 1.4 percent compared to the same period in the previous fiscal year. This trend is not expected to continue given the headwinds in the market. OSC estimates that total transaction tax collections may be $100 million below forecast in each of fiscal years 2024 through 2026 (a total potential risk of $300 million).

Hotel Tax

The November Plan did not adjust the forecast for hotel tax. The City expects collections to increase by 35.8 percent in FY 2023 to reach $468 million (see Figure 13).

FIGURE 13
Hotel Tax Revenues



Sources: NYC Office of Management and Budget; OSC analysis

However, collections have been stronger than expected so far in FY 2023. In the first four months of the fiscal year, collections reached $151 million, close to the amount from the same period in FY 2019. This reflects higher room rates and a strong recovery in tourism as hotel occupancy in the City reached 84.5 percent in October 2022, 7.3 percentage points lower than the October 2019 level, according to NYC & Co.

If tourism in the rest of FY 2023 remain strong, OSC expects collections to be $150 million higher than the City's forecast, close to the pre-pandemic peak in FY 2019. The City still expects collections to increase in the out-years but at a slower pace and reach $699 million by FY 2026.

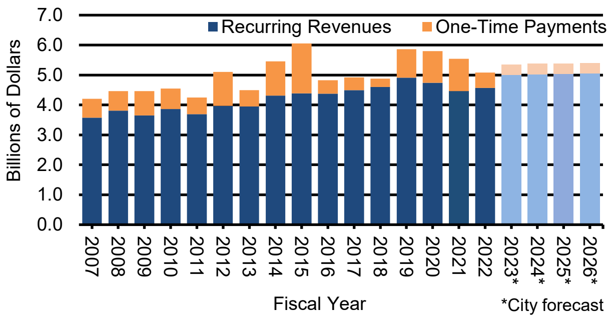
[17] Based on data for the MSA, the most precise geography available in the dataset. Sales Count and Price Cuts, *Zillow Research*, https://www.zillow.com/research/data/.

[18] Luxury Market Report 2022, *Olshan Realty Inc*, https://www.olshan.com/marketreport.php.

Miscellaneous Revenues

The November Plan expects miscellaneous revenues, consisting of recurring revenues and one-time payments, will total $5.3 billion in FY 2023 (an increase of 5.1 percent), then remain flat in the out-years.[19] Recurring revenues are projected to be $5 billion in FY 2023, a growth of 9.4 percent year-over-year, and stay flat in the out-years (see Figure 14).

FIGURE 14
Total Miscellaneous Revenues



Sources: NYC Office of Management and Budget; OSC analysis

In the first four months of FY 2023, total miscellaneous revenues increased 26.5 percent ($615 million) from the same period in FY 2022, driven by charges for services, fines and fees, and interest income. However, the City did not change the FY 2023 forecast from the June Plan. In particular, fines, fees and forfeitures are still expected to see a decline from FY 2022. In the first four months of FY 2023, this category grew 30 percent from the same period in FY 2022 as a result of speed camera fines and parking violation fines that have been rising with 24 hours a day, seven days a week camera operation and parking fine enforcement.

Additionally, interest income remains unchanged from the June Plan, which showed it going up from $13 million in FY 2022 to $107 million in FY 2023 due to rising interest rates. The Federal Reserve increased the federal funds rate most recently in December 2022 by 50 basis points. This larger rate hike was not anticipated by the City and will increase interest income by more than what the City expects in FY 2023. In fact, in the first four months of FY 2023, interest income is up $73 million from the same period in FY 2022. Year-to-date interest income is already at 71 percent of the City's FY 2023 ($107 million) forecast with roughly three quarters of the fiscal year to go.

The City did adjust out-year projections up by $61 million in FY 2024, $46 million in FY 2025 and $43 million in FY 2026. The adjustments are driven primarily by fines and fees (specifically related to speed cameras and parking violations), a $33 million average annual increase.

OSC estimates that with the strong growth in the first four months of FY 2023, especially for fines fees and interest income, total miscellaneous revenues could be up at least $400 million in FY 2023 and $200 million annually for fiscal years 2024 through 2026.

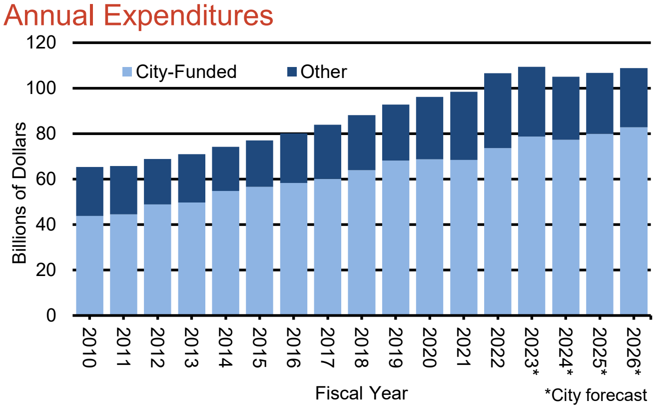
[19] Miscellaneous revenues consist of recurring revenues (including fines, fees, forfeitures, charges for services, licenses and permits), and one-time payments (including settlements, litigation, asset sales and payments from agencies).

VII. Expenditure Trends

Citywide expenditures are projected to total $109.4 billion in FY 2023, after adjusting for $6.1 billion in surplus transfers, which obscure total expenditures (see Figure 15). The FY 2023 budget includes $1 billion for services to asylum seekers in that year, which the November Plan assumes will be reimbursed with federal aid and will not recur. The portion of citywide spending funded with locally generated revenue (i.e., City funds) is estimated at $78.7 billion. The portion funded with other sources, mostly federal and State categorical grants, is $30.7 billion (28 percent of total spending).

City-funded spending rose by an annual average of just 0.2 percent during fiscal years 2020 and 2021. While such spending remained essentially flat during these years because the surge in temporary federal pandemic aid reduced the need for City funds, the pace of growth rebounded in FY 2022 (to 7.6 percent, or 5.5 percent excluding a contribution to the rainy-day fund). The tapering of federal pandemic fiscal relief after FY 2022 is a main contributor to a relatively high pace of growth in City-funded spending through FY 2023. This trend will continue as the remainder of relief funds are drawn down.

FIGURE 15
Annual Expenditures



Note: Adjusted for surplus transfers and debt defeasances. City forecast includes budgeted reserves beginning in FY 2023.
Sources: NYC Office of Management and Budget; OSC analysis

Spending growth through FY 2023 is driven mainly by debt service and fringe benefits costs (other than pension contributions), such as health insurance. The growth in these years is also attributed to nonrecurring other than personal service (OTPS) spending concentrated in social services and public health (e.g., contractual services), to fund a number of City Council and mayoral priorities.

The November Plan assumes City-funded spending will decline in FY 2024 and would rise slowly over the remainder of the Plan period, growing by an annual average of 1.9 percent over the next three years, excluding reserves. Health insurance costs will continue to be the largest cost driver followed by debt service through the balance of the financial plan period. The City projected its annual debt service based on conservative assumptions, but actual spending could be lower than planned.

The November Plan includes sizable risks and fiscal uncertainties. While the current plan assumes that the costs for asylum seekers (estimated at $1 billion in FY 2023) will be reimbursed by the FEMA, sufficient funding may not be available unless Congress approves new funding earmarked for this purpose.

As in past years, OSC has identified other relatively large but manageable risks including higher-than-planned mandated operating subsidies for public transit, spending on certain education services and potentially higher overtime costs. The expenditure risks identified by OSC are estimated to total nearly $1.1 billion in FY 2023, rising to $4.4 billion by FY 2026.

The November Plan also assumes wage increases of 1.25 percent annually during the financial plan period. The assumed wage growth rates, which are subject to collective bargaining between the City and its municipal unions, are higher than assumed one year ago, but are still lower than the projected growth in local inflation during the Plan period. The City may also incur higher-than-planned discretionary costs for local initiatives funded in FY 2023 but that are assumed to end in subsequent years (see OSC's "Fiscal Cliffs" Tool for more detail). The City also funded a number of City Council member items in FY 2023 but does not assume funding for such items will recur over the balance of the Plan period.

The City has some lead time to address its larger out-year risks and fiscal uncertainties and has presented a PEG as part of the November Plan which is expected to generate savings averaging $1.5 billion annually over fiscal years 2024 through 2026 (see PEG section for more detail). The City intends to expand the program with the release of the FY 2024 preliminary budget in January 2023.

The November Plan is based on the trends shown in Figure 16 and discussed below.

Full-Time Staffing Levels

Between June 2020 and September 2022, the City's workforce declined by 6.2 percent (18,733 positions) to 281,713 employees (see Figure 17). As noted in a recent OSC report on New York City staffing trends, the decline has been uneven, especially for some agency divisions and occupations. While the City has increased its efforts to hire and added more than 40,000 employees in FY 2022 (35 percent more employees than were added, on average, in each of the past 10 years), attrition rose even more quickly in that year and has continued to exceed hiring so far in FY 2023. As a result, the City's estimated vacancy rate is among the highest in recent memory (at 7.4 percent).

The November Plan reflects modest reductions to planned headcount under the City's latest PEG, totaling 2,132 positions in FY 2024, almost

FIGURE 16

Trends in City-Funded Spending in November 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	$18,978	$20,949	10.4%	$20,998	$21,848	$23,013	3.2%
Pension Contributions	9,567	9,269	-3.1%	9,419	9,639	9,807	1.9%
Debt Service	6,485	7,488	15.5%	7,802	8,288	9,062	6.6%
Medicaid	6,382	6,462	1.2%	6,283	6,283	6,283	-0.9%
Health Insurance	6,105	6,590	7.9%	7,521	8,060	8,518	8.9%
Other Fringe Benefits	3,675	3,632	-1.2%	3,877	3,980	4,089	4.0%
Energy	926	971	4.8%	980	977	1,058	2.9%
Judgments and Claims	1,165	1,059	-9.0%	1,025	737	683	-13.6%
Public Assistance	841	819	-2.6%	891	891	891	2.8%
Other	17,325	19,688	13.6%	17,098	17,866	17,960	-3.0%
Subtotal	**$71,448**	**$76,927**	**7.7%**	**$75,894**	**$78,567**	**$81,364**	**1.9%**
General Reserve	- - -	1,555	NA	1,200	1,200	1,200	NA
Capital Stabilization Reserve	- - -	250	NA	250	250	250	NA
Rainy-Day Fund	1,450	- - -	NA	- - -	- - -	- - -	NA
Retiree Health Benefits Trust	750	- - -	NA	- - -	- - -	- - -	NA
Prior Years' Expenses	(38)	- - -	NA	- - -	- - -	- - -	NA
Total	**$73,611**	**$78,732**	**7.0%**	**$77,344**	**$80,017**	**$82,814**	**1.7%**

Note: Totals may not add due to rounding. Spending is adjusted for surplus transfers.
Sources: NYC Office of Management and Budget; OSC analysis

two-thirds of which would come from scaling back planned hiring for the 3-K program to reflect the elimination of previously scheduled expansions in the out-years.

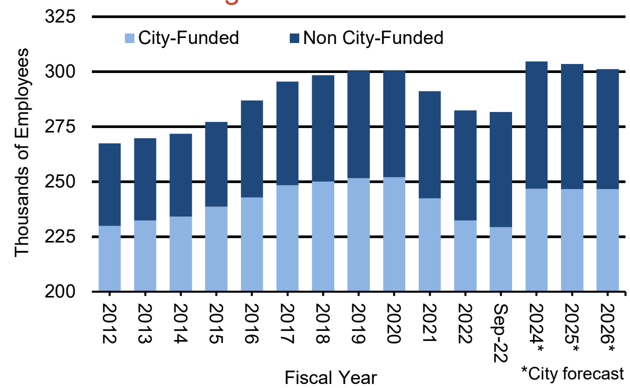
The City's forecast for staffing by June 30, 2023 would be ambitious given current trends. The November Plan assumes full-time staffing will total 306,594 by the end of FY 2023, 24,881 positions (8.8 percent) greater than the current level (see Appendix A for more detail).

The City lowered its forecast of personal services spending in FY 2023 by $453 million under the PEG, reflecting the vacancy reductions and other factors such as hiring and program implementation delays. While it has recently relaxed its hiring restrictions and is exploring options to reduce employee turnover, the City is likely to have substantial vacancies in the short-term through June 30, 2023.[20] As a result, OSC estimates the City could generate an additional $875 million in personal service savings during FY 2023.

Overtime spending at the uniformed agencies reached a new record in FY 2022 (see section on Uniformed Agency Overtime for more detail), and is currently on track to approach last year's level. Any additional savings from vacancies could be utilized to help mitigate unplanned overtime spending throughout FY 2023.

Only a few days after publication of the PEG, the budget director informed agency heads that the City is implementing a vacancy reduction initiative to help close its FY 2024 gap and to address new costs and fiscal uncertainties. Under the initiative, the City will reduce city-funded full-time civilian positions vacant as of October 31, 2022, along with its personal services funding by 50 percent. Uniformed and

FIGURE 17
Full-Time Staffing Levels



Note: FY 2023 is shown as year-to-date actuals for September 2022.
Sources: NYC Office of Management and Budget; OSC analysis

pedogogical positions are excluded from this initiative, as well as civilian titles in priority assignments (e.g., revenue generating, or in public safety). After taking these exclusions into account, the initiative will reportedly reduce full-time headcount by about 4,700 vacant positions and generate estimated savings of $350 million annually starting in FY 2024. The estimated savings will be reflected in the upcoming January 2023 Plan.

Collective Bargaining

The new round of collective bargaining began for many civilian employees in 2021. Including the unsettled contracts from prior rounds, nearly the entire City represented workforce (95 percent) is working under expired contracts. Contracts for the remainder of the municipal work force are scheduled to expire by the end of FY 2023.

As noted earlier, the November Plan assumes wage increases of 1.25 percent in each year during the financial plan period. While it set aside substantial reserves last year (more than $4.6 billion over five years through FY 2026), the City could incur labor costs beyond the amounts assumed in the November Plan pending the outcome of the ongoing negotiations (which may

[20] The City is currently exploring a variety of retention and recruitment policies that will help agencies to maintain a stable workforce, which will be communicated to agency heads in the coming weeks.

not be known for some time), resulting in budgetary uncertainty.[21]

If wages were to rise instead at the projected inflation rate during a four-year period without offsetting savings, costs would increase by an estimated $1.7 billion in FY 2023 (including retroactive pay), $2.6 billion in FY 2024, $3.8 billion in FY 2025, and $4.6 billion in FY 2026 (with recurring costs of nearly $5.1 billion annually beyond the financial plan period).[22] Negotiations between the parties could be complicated, however, pending the outcome of mediation stemming from a legal challenge initiated last year by former employees, which has so far prevented the City from implementing a new health insurance plan for its retirees and beneficiaries (see next section for more detail).

Health Insurance

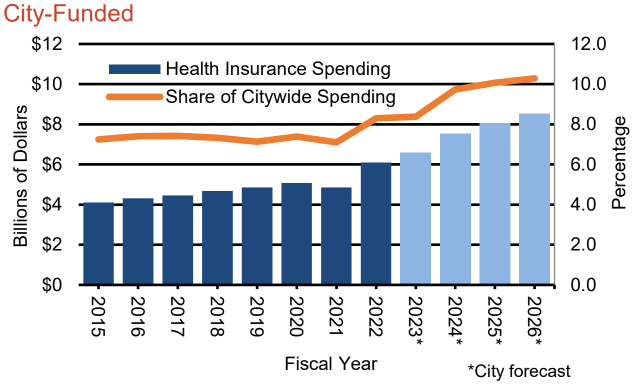
Despite the achievement of $1.9 billion in recurring savings under the 2014 and 2018 agreements between the City and the Municipal Labor Committee (MLC), health insurance costs will reach $8.5 billion by FY 2026, 40 percent more than in FY 2022 (see Figure 18). Comparatively, City-funded spending would rise by 12.5 percent during the same period. The health insurance costs, as a share of City-funded spending, would rise to an estimated 10.3 percent by FY 2026, which would be the highest share since at least FY 2010.

In FY 2022, the City indicated that, without the intended retiree health benefits savings from the implementation of a Medicare Advantage Plan (MAP) for the City's 250,000 retirees, the balance of the Health Stabilization Fund (HSF), could be exhausted as soon as the end of 2022.

While the HSF held $889 million as of November 2022, most of the balance (nearly $760 million) is restricted to meet reserve requirements established by the City's health insurance carriers, leaving only $130 million to meet short-term contractual obligations. The City reports that if the resources held in the HSF are exhausted, there could be a significant shift in costs to City employees, or the assumption of significant costs by the City.

In September 2022, the City and the MLC reached agreement to jointly request the City Council's approval of an amendment to local law to permit the City to establish an alternative health insurance plan, jointly agreed upon by the parties, for any class of individuals eligible for coverage, e.g., retirees and their dependents. The City expects that the amendment to local law would address the concerns raised in a lower court decision that had prevented the City from implementing the MAP earlier this year, which was recently upheld by the State's appellate branch.

FIGURE 18
Health Insurance Costs
City-Funded



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

[21] The City estimates a 1 percent increase to base wages could increase labor costs by an estimated $497.5 million when fully annualized, including approximately $55 million for certain contracted workers (i.e., Purchase of Service).

[22] As of the latest economic forecast prepared in November 2022, the City reports that local inflation rose by 2.1 percent in FY 2021 and by 5.1 percent in FY 2022, and projects it will rise by 5.1 percent in FY 2023, and 2.4 percent in FY 2024, compared to the City's current labor assumption of 1.25 percent annually. OSC assumes that the wage increases take effect every 12 months in each of the four years beginning the day after the expiration of the previous labor contract, the date of which varies by union and by local units within each union.

Recently, an independent arbitrator overseeing the health care dispute issued a decision to allow the City to implement a new MAP as the only insurance option available to retirees and their dependents. To date, no bill has been introduced in the Council and the arbitrator's decision may be challenged in court. For these reasons, the outcome of the City's implementation efforts appears uncertain at this time.

Pension Contributions

Pension contributions, which have been stable in recent years, are projected to total $9.3 billion in FY 2023, and then would rise gradually over the next four years to $9.8 billion (12.8 percent of City fund revenues; see Figure 19).

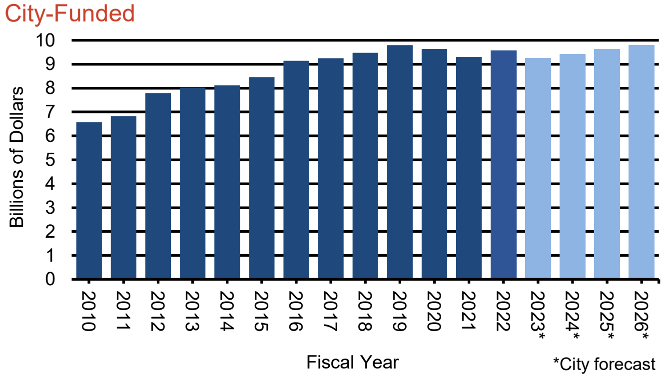
In FY 2022, the City's pension systems lost, on average, 8.65 percent on their investments, compared to the assumed gain of 7 percent (a shortfall of 15.65 percent). As a result, the City increased planned pension contributions by $861 million in FY 2024, $2 billion in FY 2025, and by $3 billion in FY 2026.

The November Plan includes a reserve of $275 million annually beginning in FY 2023 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.

In the aggregate, the pension systems had enough assets on hand to fund (on a market-value basis) 81 percent of their accrued pension liabilities at the end of FY 2022 (see Figure 20). The unfunded net liability for all five systems increased by $32.7 billion to $42.3 billion, higher than one year ago but still less than was reported as of FY 2013 ($59.9 billion).

The financial markets have remained volatile in FY 2023, driven by high inflation and the corresponding response by the Federal Reserve on interest rates, as well as geopolitical tensions, and their ongoing impact on the equity and commodity markets. The City Comptroller's Bureau of Asset Management reports that the pension systems lost, on average, 4 percent on their investments through September 30, 2022, compared to the expected gain of 7 percent.[23]

FIGURE 19
Pension Contributions
City-Funded



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

FIGURE 20
Funded Status of the NYC Retirement Systems
(As of June 30, 2022)

Pension System	Funded Status
Board of Education Retirement System	98%
Teachers' Retirement System	81%
Police Pension Fund	84%
New York City Employees' Retirement System	81%
Fire Pension Fund	71%
All Systems	**81%**

Sources: NYC Retirement Systems; NYC Comptroller; OSC analysis

[23] Since FY 2012, the pension funds have earned, on average, 7.5 percent on their investments.

Medicaid

In October 2022, a historic high of 4.3 million New York City residents (about half of the City's population) were enrolled in Medicaid, which provides health insurance to low-income children and adults. This estimate includes approximately 911,018 people who have enrolled in Medicaid since February 2020. This sharp increase coincides with the COVID-19 public health emergency. Enrollment growth rates in Staten Island (35 percent) and Queens (32 percent) exceeded citywide growth (27 percent) from February 2020 through October 2022. Medicaid enrollment in the rest of the State grew by 25 percent.[24]

The rise in enrollment has continued even as employment levels have generally improved in the City since the onset of the pandemic. Policies implemented during the public health emergency (PHE), in large part due to a continuous enrollment condition for most Medicaid beneficiaries who were enrolled as of or after March 18, 2020, helped facilitate the increase in numbers.

The November Plan assumes that the City-funded cost of Medicaid will total nearly $6.5 billion in FY 2023, and $6.3 billion annually in fiscal years 2024 through 2026, unchanged from the City's June 2022 Plan.

As noted in OSC's previous report on the June 2022 Plan, due to the passage of the Families First Coronavirus Response Act, the City's financial plan reflects $591 million in total Medicaid savings through September 2021. However, OSC estimates the continued extension of the PHE, which will likely be extended through mid-April 2023, and may enable the City to benefit from $1.36 billion in total savings. The City will utilize additional savings beyond what is reflected in the City's financial plan to fund supplemental Medicaid payments to NYC Health + Hospitals (H+H).

The growth in Medicaid enrollment may start to reverse with the continued decline in unemployment levels and as policies implemented during the PHE that facilitated the surge in enrollment expire and as the State returns to routine operations to determine eligibility. See OSC's report *MetroPlus Health Plan: COVID-19 Enrollment Trends* for the impact of these policies on MetroPlus enrollment and the associated impact on H+H.

Projections of City-funded costs assume that the State will not require the City to cover a larger share of Medicaid program costs. However, escalating Medicaid costs continue to be an area of concern for the State, which may take further measures to reduce increasing costs.

Social Services

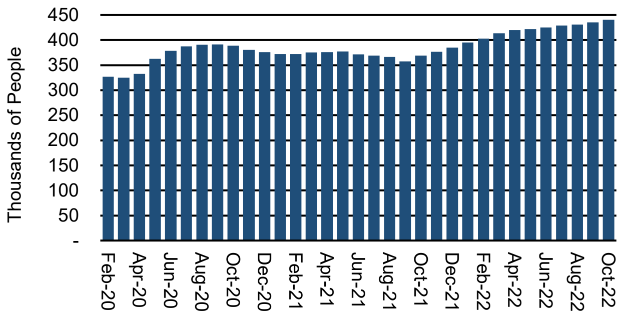
Cash Assistance

In the November Plan, total spending on cash assistance remains unchanged compared to the June Plan, even though enrollment is up from its previous pandemic-era peak (391,432 in September 2020), with 440,591 recipients in October 2022.

Caseloads have grown each month since September 2021 (see Figure 21), by a total of 83,114 people, or about 23.3 percent, and are now at the highest level since March 2002. This increase coincides with the expiration of several federal unemployment and pandemic benefit programs. The City's assumed funding in the plan supports a monthly average caseload of 377,458, compared to the current fiscal year-to-date average of 433,705, indicating that

[24] Nationally, Medicaid enrollment increased by 30.6 percent from February 2020 through August 2022.

FIGURE 21
Cash Assistance Recipients



Sources: NYC Human Resources Administration; OSC analysis

additional funds may be necessary in FY 2023 (see Figure 22).

Enrollment is likely to remain higher than pre-pandemic levels for the foreseeable future as a result of current economic conditions, and policies implemented during the pandemic which made it easier to apply for and maintain benefits remotely. Nearly all, 20 out of 23 of these administrative changes, are still in effect, including a suspension of work-related requirements and the use of telephone (instead of in-person) interviews. Two of these policies have been made permanent and three have expired.

Homeless Services

The November Plan increases the Department of Homeless Services (DHS) budget for FY 2023 by $612 million (compared to the June Plan), primarily by adding assumed federal funding, including $577 million in aid to asylum seekers, for one year only. The City-funded portion of expenses declines slightly from the June Plan ($13.5 million) due to the recognition of prior-year revenue.

Outside of a minimal amount for telecommunication savings, the Department's PEG program is not expected to begin until FY 2025. The plan then assumes $119.8 million in annual savings in FY 2025 and FY 2026, contingent upon the State receiving federal approval for an amendment to the Medicaid waiver program.

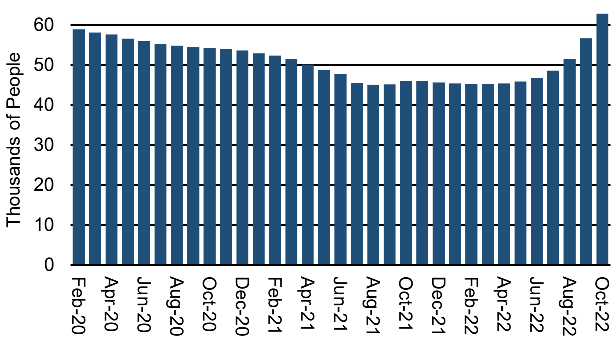
The increased federal funding in DHS's budget seeks to address current capacity strains on the shelter system. The total homeless population in shelters operated by the DHS has increased each month since March 2022, coinciding with the influx of migrants to the City, with 62,729 people in October 2022 – the highest census on record (see Figure 23). This represents an overall increase of 17,489 people, or 39 percent. In this period, more than half of the people in shelter (59 percent) belonged to families with children. Families with children also experienced most of the increase (12,285 people, or 70 percent). However, after averaging 16,500 in FY 2022, the portion of the population comprised

FIGURE 22
Social Services Risk Assessment
(in millions)

	Better/(Worse)			
	FY 2023	FY 2024	FY 2025	FY 2026
DHS Prevailing Wage Security Guards	- - -	($66)	($66)	($66)
Expiration of Foster Care (Title IV-E) Waiver	- - -	(120)	(120)	(120)
Emergency Assistance to Families	- - -	(134)	(134)	(134)
Universal Access to Counsel in Housing Court	- - -	- - -	- - -	(16)
Public Assistance	(142)	- - -	- - -	- - -
Rental Assistance	- - -	(238)	(238)	(238)
Total	**($142)**	**($558)**	**($558)**	**($574)**

Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 23
People in Homeless Shelters



Sources: NYC Department of Homeless Services; OSC analysis

of single adults in FY 2023 is nearly 18,000 people, similar to FY 2021 levels.

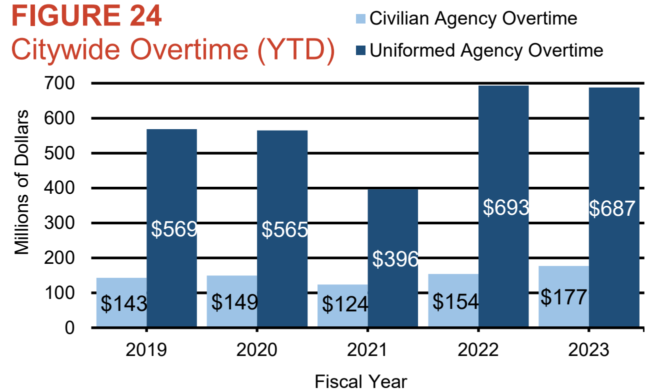
DHS has spent $9 million through November 29, 2022 on contracts and supplies related to the influx of migrants. While the City added $577 million to the DHS budget in the current fiscal year, it is unclear what the actual costs will be and whether the elevated shelter population will extend beyond the current fiscal year. OSC currently estimates a risk of $500 million for Residual Services for Asylum Seekers in FY 2024.

Uniformed Agency Overtime

Citywide overtime through November totaled $864 million, slightly higher than costs through the same period in FY 2022 ($847 million). Spending on overtime increased at most agencies, exceeding pre-pandemic levels in 2019 through the same period (see Figure 24), due to lower than planned headcount coupled with an increased demand for services.

Overtime costs at the uniformed agencies (i.e., police, fire, correction, and sanitation) totaled $687 million through November, nearly as much as last year ($693 million). In the November Plan, the City added $24 million in FY 2023 for overtime at the uniformed agencies, but actual

FIGURE 24
Citywide Overtime (YTD)



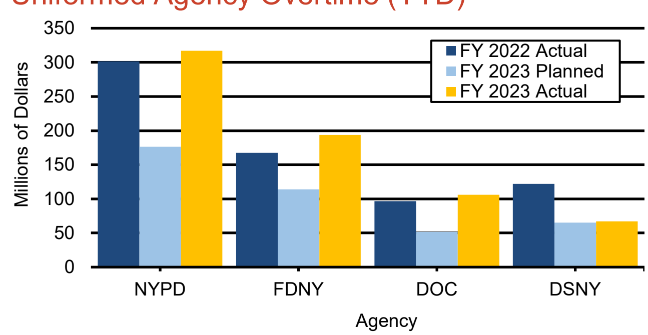
Sources: NYC Office of Management and Budget; OSC analysis

costs exceed the planned amount by nearly $280 million. Each of the uniformed agencies, with the exception of the Department of Sanitation, exceeded their year-to-date FY 2022 spending and FY 2023 budget (see Figure 25).

The Police Department has spent $317 million in overtime through November, an increase of $16 million compared to last year and more than the planned amount by $141 million (80 percent). Police overtime continues to trend higher due to activity-driven enforcement and increased crime reduction deployments. At current levels, costs are projected to exceed the FY 2023 budget of $455 million by over $350 million, although the State has committed to reimburse the City for some transit police-related overtime.

Fire Department overtime continues to trend higher due to sustained employee unavailability,

FIGURE 25
Uniformed Agency Overtime (YTD)



Sources: NYC Office of Management and Budget; OSC analysis

mainly from elevated levels of sick leave, exceeding last year's spending by $26 million and FY 2023 budget by $80 million through November. Overtime at the Department is on track to total $500 million and exceed the FY 2023 budget by over $200 million. Similarly, overtime costs at the Department of Correction ($106 million through November) doubled the budgeted amount for the period. Until employee availability returns to normal levels and staffing practices are improved (two areas the Department's Action Plan addresses), overtime is projected to total over $270 million, exceeding the FY 2023 budget by $140 million.

Notably, overtime at the Department of Sanitation has declined by $55 million through November compared to FY 2022, mainly as a result of nearly full staffing levels. Based on current costs, overtime is projected to total just over $170 million, significantly less than last year ($284 million) and just slightly over the FY 2023 budget ($168 million). However, costs may increase as the onset of winter could increase demand for snow and ice removal.

VIII. Debt Service and Capital Spending

City-funded debt service is expected to grow by 21 percent from $7.5 billion in FY 2023 to $9.1 billion in FY 2026 (see Figure 26). The City reflects $506 million in debt service savings in the November Plan mostly from refunding savings of $170 million as well as savings from a reduction in the planned issuance of over $800 million. It may generate additional plan savings based on lower-than-expected capital expenditures and conservative interest rate assumptions.

The City has not yet lowered its forecasted rate for variable rate debt in the November Plan, deciding to wait until January to assess the market. OSC estimates that the City may be able to achieve variable rate savings of $50 million in FY 2023. In 2022, the City achieved $127 million from lower-than-planned variable rates.

The City's debt burden — debt service as a share of tax revenue — is expected to be 11.3 percent for FY 2023 and remain in the 12 percent to 13 percent range in fiscal years 2024 through 2026. OSC estimates that the debt burden will rise to 14 percent in FY 2029, based on projections submitted by the City and OSC-projected revenue increases of 4 percent annually. As a result, OSC is projecting that the City will remain just below its self-imposed cap of 15 percent.

In fiscal years 2023 through 2031, the City's adopted capital commitment plan projects that commitments will be $8.6 billion higher than projected in April (see Figure 27). However, OSC estimates that $5.1 billion in unachieved commitments from FY 2022 is being deferred to fiscal years 2023 through 2031, resulting in a net increase in the capital plan of $3.5 billion. Included in the $3.5 billion increase is $1.5 billion that is the balance of the City's required contribution to the Metropolitan Transportation Authority's (MTA) 2020 to 2024 capital program. The other City agencies with relatively large increases in capital commitments are DOE with a $719 million increase; the Department of Parks and Recreation with a $434 million increase; and the Department of Environmental Protection with a $208 million increase, mostly for water supply projects.

FIGURE 27

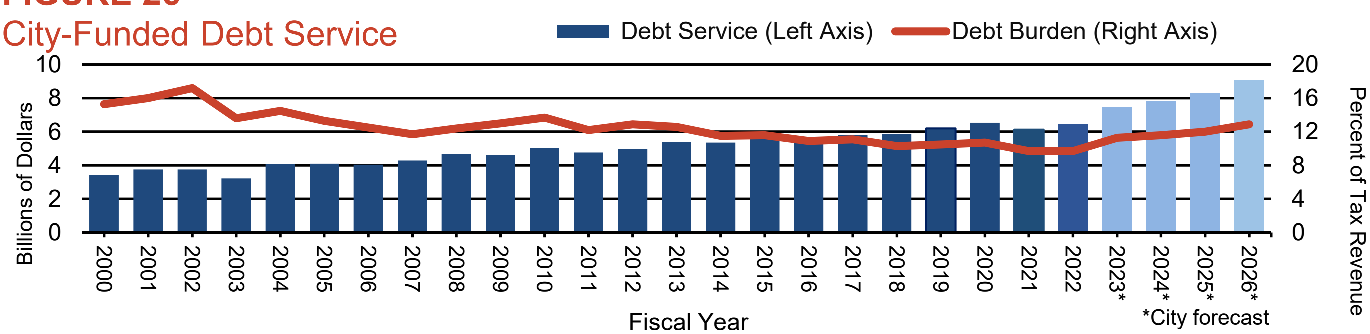
Capital Commitment Plan Change Since April 2022
(in millions)

City Agency	Deferred From 2022	Change 2023-2031	Total
Transit Authority	$68.9	$1,500.7	$1,569.6
Dept of Environmental	735.5	207.5	943.0
Dept of Education	217.0	718.5	935.5
Housing Authority	801.2	13.9	815.1
Transportation	802.6	(79.7)	723.0
Housing Preserv. & Dev	600.9	45.4	646.3
Dept of Parks & Rec.	190.4	433.8	624.1
Energy & Citywide Equip.	467.6	68.2	535.8
Correction	322.5	0.0	322.5
All Other	924.3	573.9	1,498.2
Total	**$5,131.0**	**$3,482.1**	**$8,613.2**

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

FIGURE 26

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

IX. Semi-Autonomous Entities

Department of Education

The November Plan allocates more than \$37.5 billion to the Department of Education (DOE) in FY 2023, a small downward adjustment of \$90 million from the June Plan. This amounts to 36.1 percent of the City's total budget and is \$44 million less than the department's actual expenditures in the prior fiscal year. The City is expected to fund more than \$20 billion (53.3 percent) of the DOE's FY 2023 budget, with the remainder funded by the State (35.9 percent) and by the federal government and other sources. This marks a shift from FY 2022 as more than \$1.6 billion in federal aid driven by pandemic stimulus has been replaced with City and State funding. Under the current budget, another \$1.8 billion in federal support will be phased out over the next three years as one-time pandemic aid expires.

The City, like many school districts across the country, has seen significant drops in student enrollment over the past several years. This could negatively impact the amount of State and federal education aid the City receives, as most funding formulas used to distribute aid are based on enrollment. In addition, the City has held schools harmless for enrollment declines in recent years. While the November Plan maintains the phase-out of previous years' hold harmless agreements included in the Adopted budget (following a court ruling that allowed the June Plan to stand), the City has announced that it plans to allocate \$200 million worth of federal stimulus dollars to hold schools harmless for enrollment losses in the 2022-23 school year. This spending is not included in the November Plan and is expected to be reflected in the preliminary FY 2024 budget in January 2023. Funding provided to schools to assist with an influx of asylum-seeking students was also not included in the November Plan.

In total, New York City received almost \$7.7 billion in one-time emergency federal education aid to help it weather the pandemic, to be spent before FY 2026. This is one-time aid that the City must spend before FY 2026, but the DOE has used it to create a number of recurring costs (see Figure 28). These programs, including student mental health initiatives, preschool special education, programming restorations, community schools, and restorative justice initiatives, will

FIGURE 28
OSC Risk Assessment of the Department of Education in the New York City Financial Plan (in millions)

	Better/(Worse)			
	FY 2023	FY 2024	FY 2025	FY 2026
Carter Cases	(472)	(472)	(472)	(472)
Charter School Per-Pupil Tuition	- - -	(278)	(430)	(723)
Pupil Transportation	(294)	(350)	(350)	(350)
Class Size Reduction Compliance	- - -	(200)	(400)	(600)
Federally Funded Fiscal Cliffs	- - -	- - -	(210)	(352)
Federally Funded Program Expansions	- - -	- - -	(112)	(112)
Hold Harmless (2022-23 SY)	(200)	- - -	- - -	- - -
3-K	- - -	- - -	- - -	(92)
Asylum Seekers	(37)	- - -	- - -	- - -
OSC Risk Assessment	**(1,003)**	**(1,300)**	**(1,974)**	**(2,701)**

Sources: NYC Office of Management and Budget, NYC Department of Education; OSC analysis require the City to identify $210 million in new funds in FY 2025, rising to $352 million annually in FY 2026, if it does not intend to cut services in those years. Additionally, federal funds were used to expand a number of existing programs, including bilingual education and dyslexia screening, which will require a further $112 million annually to maintain beginning in FY 2025.

The November Plan does, however, eliminate planned expansions of the City's 3-K program as part of the Department's PEG, which were intended to be funded with federal stimulus dollars as well. By baselining the 3-K program to its current size, the City has freed up a large portion of federal aid for other uses and decreased the fiscal cliff created by the 3-K program from $376 million annually to $92 million annually beginning in FY 2026.

The November Plan does not address several substantial pre-existing risks to the Department's budget. The cost of Carter Cases (federally-mandated special education costs) has more than doubled in the past five years, reaching $918 million in FY 2022, but the November Plan expects these costs to drop by more than 51 percent to $446 million in FY 2023 despite the fact that DOE officials have stated they expect the cost of Carter Cases to rise to over $1 billion in the coming years. The City will require another $472 million annually beginning in FY 2023 just to account for stabilized costs. Likewise, the City has been forced to add an average of $171 million to its student transportation budget in each of the past five fiscal years, but the November Plan expects spending to fall by $122 million in FY 2023. It is likely the City will have to add $294 million in FY 2023 and $350 million in each following year to continue providing transportation to students. Additionally, the financial plan does not fully reflect future increases to charter school per-pupil tuition rates that are mandated in State law. The City's preliminary estimates show that such costs could increase by another $278 million in FY 2024, $430 million in FY 2025, and $723 million in FY 2026 if not offset by additional State aid.

Finally, in the past legislative session the State enacted a bill which would require the DOE to lower class sizes throughout the system within five years. The DOE estimates that the bill would increase operating costs by approximately $500 million annually to meet the mandates for K-5 classrooms alone. According to the City, K-12 costs could rise by as much as $1 billion annually, not counting capital and other space conversion costs. The City's ability to meet the targets within the bill's timeline is in doubt, given the time required to construct or expand instructional space and recent difficulties the DOE has had (and continues to have) in meeting its staffing targets. Nevertheless, the City would be required to show progress in reducing class sizes in each of the five ensuing years; should the City fail to meet one of these annual reduction targets, $354 million in State aid could be withheld that year, rising to $531 million each following year in which the targets still have not been achieved. The November Plan does not address the potential fiscal implications on the City's budget.

Metropolitan Transportation Authority

The MTA updated its financial plan in November which shows that its projected budget gaps for 2023 through 2026 are expected to total $11.4 billion, $1 billion higher than forecasted in July 2022. The out-year gaps have grown mostly from including in the budget the MTA's share of higher pension contributions as a result of FY 2022 investment losses in the New York City Employee Retirement Systems (NYCERS; $866 million over the financial plan period). OSC released a report in October that first revealed this risk to the MTA's budget.

The MTA has offset substantial ridership revenue declines with extraordinary federal relief aid since 2020. The November financial plan proposes spreading out the use of the remaining $5.6 billion of federal funding to pay for operating deficits through 2026. The Plan also proposes using $1.3 billion of the total to offset outstanding liabilities, such as current year retiree health costs, to help moderate the size of the gaps in 2027 and 2028. The Authority also plans to pay back a $2.9 billion note that it had borrowed from the Federal Reserve in 2020 to close operating gaps. This will eliminate the need to issue a long-term bond to retire the note, saving $190 million of debt service annually starting in 2025.

The MTA also proposes a 5.5 percent increase in fare and toll yields in 2023, higher than the 4 percent proposed in July. A 4 percent increase in fares and tolls in 2025 remains in its financial plan. OSC released a report in November that showed that the MTA is more reliant on farebox revenue than other large transit systems in the nation.

The MTA also increased its efficiency target savings from $100 million to $200 million in 2023 and $500 million in 2024. Although these savings are not specified, the MTA has indicated they can be achieved through technological efficiencies, improving employee availability and adjusting service to meet current demand.

The MTA's financial plan expects to balance the 2023 budget with $600 million of new governmental funding or additional MTA actions such as further expense reductions, additional revenues or the acceleration of the use of federal COVID-19 aid which would increase the gaps after 2023. The MTA's November financial plan assumes remaining budget gaps of $1.2 billion in both 2024 and 2025 and $1.6 billion in 2026 after it takes the actions noted above.

The Authority has suggested the need for further subsidies and State, City and federal leaders will all need to be part of the discussion if the MTA is to achieve balanced budgets and maintain operations.

New York City's November Plan does not include additional funds for the MTA's bus and paratransit services that it is required to pay, representing potential spending risks to the City. These risks are higher in the out-years due to federal funding used to offset the City's obligation for MTA bus service running out in 2025. The risks total $80 million in FY 2023, rising to $424 million in FY 2026.

The City also funds the Fair Fares program which provides discounted MetroCards to low-income riders. The City allocates $75 million annually for the program but if use of Fair Fares was to exceed the allotted amount, the City may have to increase its funding.

NYC Health + Hospitals

The City approved and released the H+H executive cash financial plan for FY 2023 on May 10, 2022, which is the agency's latest update. For a detailed summary on changes to H+H prior to the release of the November Plan, including the status of Federal COVID-19 relief aid, the agency's strategic plan, staffing challenges and adjustments in the City's federal supplemental Medicaid payments, see OSC's previous reports on the City's April 2022 Plan and June 2022 Plan.

In September 2022, in response to the rising number of asylum seekers arriving in New York City, the Mayor announced the opening of Humanitarian Emergency Response and Relief Centers (HERRCs). H+H is responsible for the management and operations of the HERRCs, either directly or through contracts, including intake, food, medical screenings and health care.

The City will reimburse H+H for these operating and capital costs and H+H will seek additional sources of revenue to offset the City's obligation. The City has budgeted $310 million for FY 2023 only in yet-to-be approved federal funding for H+H's management of the HERRCs. OSC currently estimates that these costs will extend through at least FY 2024 and estimates an FY 2024 risk of $310 million.

The November Plan makes several changes to City-funded assumptions from the June Plan, largely the inclusion of H+H in the City's PEG program. City funds to H+H were reduced by $14 million in FY 2023, $19 million in FY 2024 and $21 million in both FY 2025 and FY 2026. Most of the PEG savings will be achieved through the reduction of the city subsidy provided to H+H.

In June 2022, NYC Mayor Eric Adams announced $150 million in new opioid settlement funds over five years, reflected in the November Plan, that will provide financial support to existing services such as harm reduction, treatment options and family support services. H+H, which will receive almost half of the resources ($14.6 million annually), will use the funding to support harm reduction programs in its Street Health Outreach and Wellness mobile clinics and support additional staff to expand its emergency department substance use consult team. The Department of Health and Mental Hygiene ($14.6 million annually) and the Office of the Chief Medical Examiner ($800,000 annually) will also receive settlement funds to support the City's response to the opioid crisis.

Ahead of the release of its FY 2023 adopted financial plan, which is expected to be published by the end of December, H+H held a committee meeting and reported on its FY 2022 cash position. The agency reports higher receipts of about $660 million and higher costs of a similar amount largely due to unbudgeted costs related to COVID and temporary staffing. H+H ended FY 2022 with approximately $700 million in cash, levels that were similar to the amount that was anticipated in the FY 2022 adopted plan. However, in order to maintain a cash balance sufficient to continue operations without interruption, H+H delayed payments due to the City of about $156 million for costs incurred on H+H's behalf.

H+H reports inpatient discharges are close to pre-pandemic levels and outpatient visits have exceeded pre-pandemic levels. Despite the positive trend, the agency is still facing financial challenges including the continued delay of federal COVID-19 relief aid, salary and staffing challenges and the increased costs for temporary staffing. Additionally, the end of the federal public health emergency will likely result in some of its patients losing Medicaid coverage, which could impact H+H since Medicaid is its major source of revenue. See OSC's report *MetroPlus Health Plan: COVID-19 Enrollment Trends* for additional details.

The City continues to monitor H+H's cash position and will likely step in to provide further financial assistance and to explore other avenues to financially support the health care system if needed.

New York City Housing Authority

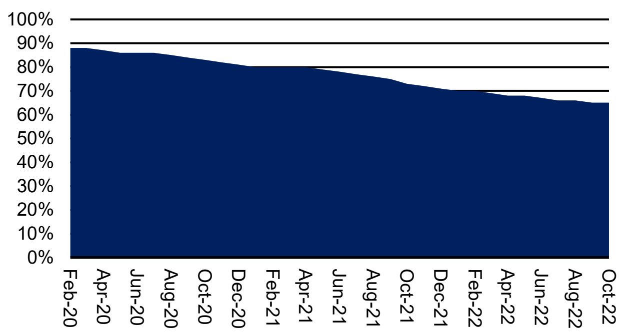
The November Plan includes $374 million for the New York City Housing Authority (NYCHA) in FY 2023, of which $240 million will be City funds; the balance comes from federal funding, including $106 million in Community Development Block Grants (CDBG). This represents an increase of $74 million in CDBG funding from the June Plan, predominantly from a rollover of unspent money from FY 2022, which will be used for repairs.

Since January 2019, NYCHA has been under the purview of a federal monitor pursuant to an agreement between the City, NYCHA, the Secretary of the U.S. Department of Housing and Urban Development (HUD), and the U.S. District

Court for the Southern District of New York to remedy lead paint conditions and resolve deficiencies related to heat, mold, elevators and pests, by mandated deadlines. Recently, the federal monitor released a report revealing that while NYCHA has made some improvements to its general operations, including its "collection and strategic use" of data, the Authority remains behind schedule on several deadlines, including mold repairs and the replacement of failing elevators.

NYCHA responded that an added impediment to its repair efforts is the significant decline in its rent collection rate, which dropped from 88 percent in February 2020 (before the onset of the pandemic) to 65 percent in October 2022 (see Figure 29). NYCHA has reported that cumulative rent arrears could total as much as $443 million through the end of October 2022 (as compared to $125 million on December 31, 2019), and that this loss in revenue may prevent it from meeting the deadlines listed in the HUD Agreement.

FIGURE 29
NYCHA's Rent Collection Rate



Sources: New York City Housing Authority; OSC analysis

X: Other Issues

Budgetary Flexibility

In the event of an economic setback, rising debt service, or an emergency, the City may draw from a number of sources of budgetary flexibility to help maintain fiscal balance. These sources include the City's Rainy-Day Fund (RDF, formally known as the "Revenue Stabilization Fund"), as well as reserves budgeted in the financial plan (the General Reserve and the Capital Stabilization Reserve). In past years, the City has also drawn down assets held in the Retiree Health Benefits Trust (RHBT) to help close its budget gaps. See OSC's previous report on the City's financial plan for more detail on the history of the City's RDF and the RHBT. Below are highlights on the City's budgetary cushion, which now totals $8.3 billion.

Annual Budgeted Reserves

The November Plan includes a general reserve of $1.555 billion in FY 2023, and $1.2 billion in each subsequent year. The City also includes a Capital Stabilization Reserve of $250 million annually beginning in FY 2023. When combined, the FY 2023 reserves represent 2.5 percent of planned City-funded spending, which is among the highest rates on record for this point in the budget cycle. If not needed for other purposes, these reserves may be used to help maintain budget balance and narrow the City's out-year budget gaps.

Revenue Stabilization Fund

In FY 2022, the City deposited $1.45 billion into the RDF as was projected in the June 2022 Plan, raising the balance to $1.95 billion (see Figure 30). State law requires final surplus resources accumulated by the City to be deposited into the RDF at year-end, though the City is not required to deposit into the RDF any scheduled prepayments (i.e., budget stabilization and discretionary transfers) that it uses to help balance the budget. In FY 2022, for example, the City also transferred $6.1 billion in surplus resources to FY 2023 by prepaying certain expenses.

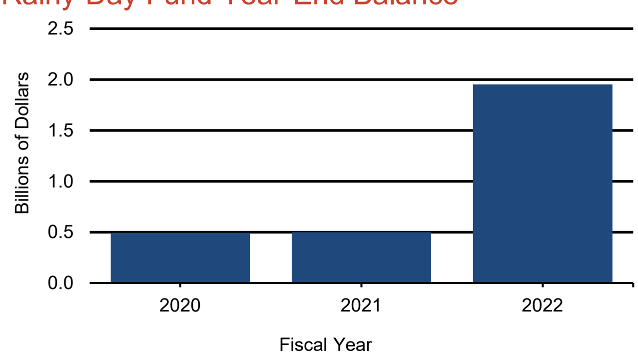
Currently, the City may withdraw up to 50 percent of the resources in the RDF without justification. A larger share can be withdrawn if the Mayor certifies a compelling fiscal need, which is based on circumstances that the City has the discretion to define. The State law only enumerates examples of such circumstances, which include, but are not limited to: a national or regional recession, a reduction in the City's revenues from the preceding fiscal year, a natural or other disaster, or a declared state of emergency in the City or in the State.

The City's plan to build up the RDF so soon after its creation is prudent. However, the City does not currently have a published policy defining the purpose of the fund, the target level of reserves, or how resources would be replenished after a drawdown. In November 2021, the State Comptroller issued a report, *Strengthening New York City's Rainy-Day Fund*, recommending that the City consider certain best practices adopted by other large U.S. cities to help strengthen its reserve policy.

In May 2022, the New York City Comptroller published a report with recommended rule-based guidelines for the RDF that includes a proposed formula for annual deposits based on excess

FIGURE 30

Rainy-Day Fund Year-End Balance



Note: The City's General Fund balance was classified as nonspendable prior to FY 2020, as there was no legal mechanism to draw down the resources then.
Sources: NYC Comptroller; NYC Office of Management and Budget; OSC analysis

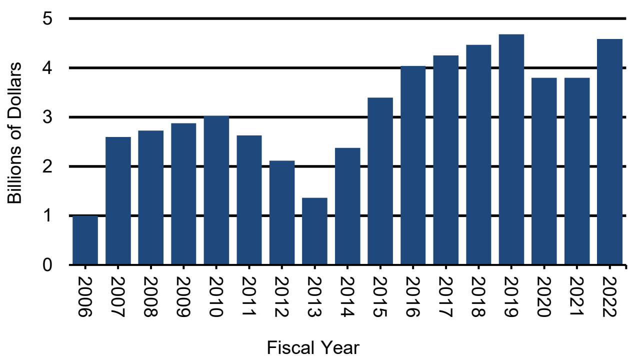
revenues to achieve a target of 16 percent of tax revenues, and conditions for withdrawal of funds.[25]

Retiree Health Benefits Trust

As the City's short-term financial outlook improved in FY 2022, the City elected to prepay a portion of FY 2023 expenses ($792 million) and to make a deposit of $750 million, which will be invested and utilized to help pay future OPEB costs. The balance held in the RHBT now stands at $4.6 billion (excluding prepayments; see Figure 31), the second highest level on record. The November Plan does not assume any additional discretionary transfers to the RHBT.

FIGURE 31

Retiree Health Benefits Trust Year-End Balance



Note: Adjusted for prepayments.
Sources: NYC Comptroller; NYC Office of Management and Budget; OSC analysis

Prior Years' Expenses

At the end of each fiscal year, the City estimates the amount of expenses that have been incurred but not yet paid (payables), and the amount of revenues earned but not yet received (receivables). The City generally makes conservative estimates because an unfunded liability has a budgetary impact in the current fiscal year.

Between fiscal years 2013 through 2022, the City realized an average benefit of $271 million annually from overestimating prior years' payables and from underestimating prior years' receivables. The City realized a small net benefit of $38 million in FY 2022, mostly from an overestimation of prior-year expenses for contractual services, offset in large part by a write down of federal aid for the Temporary Assistance for Needy Families program as well as nongovernmental aid to reimburse the Fire Department for emergency management services. The November Plan does not anticipate any savings from the overestimation of prior year's expenses net of receivable write downs during the financial plan period.

Post-Employment Benefits

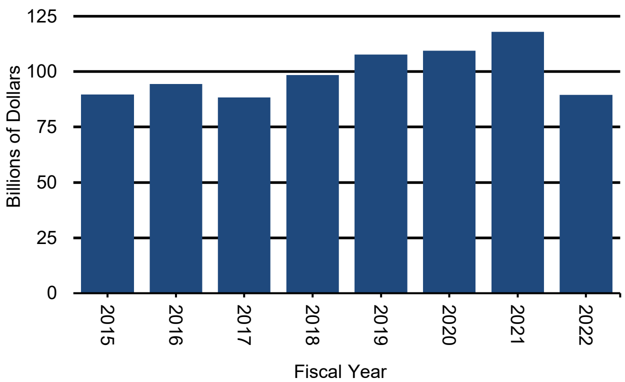
The City's unfunded liability for post-employment benefits other than pensions (OPEBs), such as retiree health care, declined by $28.4 billion to $89.5 billion in FY 2022 (see Figure 32). The decline is driven overwhelmingly by an increase in the blended discount rate used to measure the present value of projected OPEB benefits, from 2.2 percent to 4.1 percent.[26]

As of FY 2022, the City had set aside enough resource in the Retiree Health Benefits Trust to fund 5.7 percent of its total OPEB liability. The City, like many employers, does not fund its OPEB liability on an actuarial basis but rather pays the annual cost of benefits to current

[25] For more detail on the City Comptroller's recommendations, see "Preparing for the Next Fiscal Storm: Setting Guidelines for NYC's Rainy-Day Fund," May 2022, https://comptroller.nyc.gov/reports/preparing-for-the-next-fiscal-storm/.

[26] Under Generally Accepted Accounting Principles, the discount rate for OPEBs is linked to high-quality municipal bond rates, which has increased sharply in response to recent federal reserve policy on the demand for public debt, and therefore rises (or falls) in response to macroeconomic conditions outside the City's direct control. The City Actuary estimates that for each one percent increase (or decrease) to the discount rate, the City's liability will decrease by $14 billion (or increase by $11.4 billion).

FIGURE 32
Unfunded OPEB Liability



Sources: NYC Actuary; OSC analysis

retirees on a pay-as-you-go (PAYGO) basis. OPEB costs, on a PAYGO basis, are projected to rise from nearly $3.2 billion in FY 2022 to $3.9 billion in FY 2027, an increase of 24 percent in five years.

Appendix A: Full-Time Staffing Levels

(Number of full-time employees)

	Actual	Actual	Forecast	Nov. Plan	Variance – Better/(Worse) September 2022 Actual to June 2023 Forecast		
	June 2020	Sep. 2022	June 2023	June 2024	City Funds	Non-City Funds	Total Funds
Public Safety	**85,806**	**78,982**	**82,404**	**82,086**	**3,129**	**293**	**3,422**
Police Uniformed	35,910	33,994	35,031	35,030	1,037	0	1,037
Civilian	15,519	13,786	15,097	14,919	1,238	73	1,311
Fire Uniformed	11,047	10,816	10,954	10,954	130	8	138
Civilian	6,366	6,146	6,443	6,301	255	42	297
Correction Uniformed	9,237	6,817	7,060	7,060	243	0	243
Civilian	1,741	1,492	1,975	1,974	479	4	483
District Attys. & Prosec.	4,843	4,892	4,709	4,709	(284)	101	(183)
Probation	1,116	1,015	1,104	1,108	24	65	89
Board of Correction	27	24	31	31	7	0	7
Health & Welfare	**27,878**	**24,471**	**29,240**	**29,020**	**3,711**	**1,058**	**4,769**
Social Services	12,330	10,586	13,085	13,064	1,854	645	2,499
Children's Services	7,039	6,238	7,073	7,073	714	121	835
Health & Mental Hygiene	5,530	5,080	6,145	5,984	835	230	1,065
Homeless Services	2,119	1,814	2,058	2,027	225	19	244
Other	860	753	879	872	83	43	126
Environment & Infra.	**26,365**	**25,334**	**27,774**	**27,760**	**590**	**1,850**	**2,440**
Sanitation Uniformed	7,755	7,928	7,599	7,649	(388)	59	(329)
Civilian	2,107	1,881	1,930	1,930	37	12	49
Transportation	5,120	4,991	5,765	5,805	414	360	774
Parks & Recreation	4,236	4,104	4,716	4,641	461	151	612
Environmental Protection	5,891	5,322	6,450	6,424	35	1,093	1,128
Other	1,256	1,108	1,314	1,311	31	175	206
General Government	**12,634**	**11,158**	**12,968**	**12,642**	**1,550**	**260**	**1,810**
Finance	1,996	1,642	1,992	1,992	338	12	350
Law	1,713	1,453	1,611	1,607	146	12	158
Citywide Admin. Svcs.	2,403	2,014	2,446	2,430	293	139	432
Taxi & Limo. Comm'n.	584	454	561	561	107	0	107
Investigations	361	278	370	330	93	(1)	92
Board of Elections	682	701	517	517	(184)	0	(184)
Info. Tech. & Telecomm.	1,673	1,519	1,755	1,738	232	4	236
Other	3,222	3,097	3,716	3,467	525	94	619
Housing	**4,088**	**3,737**	**4,683**	**4,625**	**595**	**351**	**946**
Buildings	1,676	1,533	1,978	1,927	466	(21)	445
Housing Preservation	2,412	2,204	2,705	2,698	129	372	501
Dept. of Education	**134,684**	**129,670**	**140,385**	**139,568**	**7,741**	**2,974**	**10,715**
Pedagogues	121,077	117,133	126,892	126,075	6,982	2,777	9,759
Non-Pedagogues	13,607	12,537	13,493	13,493	759	197	956
City University of NY	**6,288**	**5,860**	**6,195**	**6,180**	**335**	**0**	**335**
Pedagogues	4,545	4,273	4,293	4,289	20	0	20
Non-Pedagogues	1,743	1,587	1,902	1,891	315	0	315
Elected Officials	**2,703**	**2,501**	**2,945**	**2,813**	**368**	**76**	**444**
Total	**300,446**	**281,713**	**306,594**	**304,694**	**18,019**	**6,862**	**24,881**

Sources: NYC Office of Management and Budget; OSC analysis

Contact

Office of the New York State Comptroller
110 State Street
Albany, New York 12236

(518) 474-4015

www.osc.state.ny.us

Prepared by the Office of the State Deputy
Comptroller for the City of New York