

# Review of the Financial Plan of the City of New York

## Report 9-2021



**OFFICE OF THE NEW YORK STATE COMPTROLLER**

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**December 2020**

# Message from the Comptroller

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December 2020

The economic, social and budgetary fallout from the COVID-19 pandemic in New York City has been unprecedented, while the loss of life has been unimaginable. As we enter 2021, the pandemic remains a threat to our health and economy as we face rising case and hospitalization figures as well as renewed restrictions to manage the public health risks.

Good news, in the form of an effective vaccine, has been sorely needed, and the rapid development, manufacture and distribution underway offer the opportunity for a return to normal in the near future. Yet the road back will take time.

In New York City, job losses in March and April were the largest since the Great Depression. The City lost one-fifth of its jobs, erasing nearly all of the job gains of the past decade. My office anticipates that by the end of the year, half of those jobs will still not have returned.

The abrupt economic slowdown has created significant budget repercussions. In June, the City estimated a revenue shortfall of \$9.6 billion through the 2021 fiscal year, and while tax revenues have been better than expected, the City's November financial plan includes economic projections that suggest a weaker revenue picture for the City over a longer period of time. Unanticipated spending, directly and indirectly related to the pandemic, also presents risks that are likely to increase the size of the City's budget gaps over the four-year financial plan period.

Inadequate federal action threatens to derail the recovery of the region and the country as a whole. New York City, New York State and the Metropolitan Transportation Authority all need additional federal aid to mitigate the impact of the COVID-19 pandemic on their budgets. The three are closely intertwined, and failure to aid one could adversely affect the others. The lack of additional federal stimulus has also stunted the economic recovery, as businesses and individuals exhaust the remaining funds made available in the spring.

Congressional leaders recently reached an agreement on a spending package that includes about \$900 billion in new stimulus measures. The agreement is smaller than earlier proposals but includes direct relief to individuals and businesses, and targeted funding for certain state and local government operations, including emergency resources for schools and public transit. But the agreement does not include additional budget relief to state and local governments to offset revenue losses. In the absence of additional assistance from the federal government, difficult decisions will have to be made to ensure budget balance, risking further damage to the nascent economic recovery.

Thomas P. DiNapoli  
State Comptroller



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# I. Executive Summary

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Five months have passed since New York City released its adopted budget and June 2020 financial plan (the “June Plan”). In that time, New York State and New York City have evolved their management of the COVID-19 pandemic and associated public health regulations to be more targeted; virus treatments and vaccines have progressed; a fragile recovery in economic activity has taken hold; and projections for the pace of the City’s economic recovery were revised, with pre-pandemic levels of activity not expected to return until fiscal year (FY) 2024.

So far, the FY 2021 budget has been resilient. In November, the City released its modified financial plan (the “November Plan”), which projects that gross city product will grow 0.2 percent, largely as a result of strong profitability in the financial services sector. The City’s budget has benefited from this recovery through better-than-projected income and business taxes, while low interest rates have enabled savings through debt refinancing. The City now projects a \$632 million surplus for FY 2021 (see Figure 1), which it expects to use to help balance the budget in FY 2022.

However, this short-term gain may make budgetary balance more difficult going forward. Payments deferred in FY 2021 will need to be paid in FY 2022, and are higher than the projected surplus. The November Plan also projects sustained employment weakness and a retrenchment of Wall Street profitability after what is likely to end as a record-breaking year.

Despite these forecast adjustments, the November Plan does little to change out-year projections, and makes no changes to the City’s largest revenue sources and minor recurring expense modifications. The City’s projected gaps are manageable, less than 4 percent net of its general and capital reserve. Yet there are significant risks, which could substantially increase the size of the gaps. In all, the November Plan mostly reflects actions that have already occurred, but leaves more difficult decision-making to next year.

The largest risks to the City’s budget are now rooted in the federal response to the pandemic, and particularly relate to any additional stimulus given that initial delivery of approved vaccines is underway. The risks associated with a lack of federal aid are difficult to quantify, but clearly significant. Federal relief for the City would minimize the need to raise taxes or cut services at a time of great economic fragility. A lack of federal aid to New York State would necessitate reductions in local assistance, which could have significant adverse impacts on the City’s budget.

Finally, a lack of additional federal relief for the Metropolitan Transportation Authority (MTA) and ensuing measures to balance its budget would set back the local recovery significantly, making it more difficult for commuters and tourists to return. Congressional leaders recently passed a spending package that will provide direct relief to individuals and businesses and targeted funding for certain state and local government operations. But the agreement does not include additional budget relief to those governments to offset revenue losses.

In addition, the Office of the New York State Comptroller (OSC) has identified budget risks of more than \$2.1 billion annually during fiscal years 2022 through 2024 (see Figure 2), mostly driven by the continued inclusion of recurring labor savings and optimistic projections for State aid for education funding. Difficult-to-quantify risks associated with federal relief, State aid and the economic recovery could balloon recurring gaps to more than \$5.5 billion annually.

These risks in a context of heightened uncertainty highlight the importance of identifying options and planning for worst-case scenarios. The City has so far staved off the need to issue debt to pay for operations by leaning on one-time measures, but a prolonged period of economic weakness would require recurring, and more difficult, solutions. If significant federal aid is not forthcoming, new recurring revenue sources or cost-saving programs will be needed, or the City may renew calls for last-resort measures.



**FIGURE 1**  
**New York City Financial Plan**  
(in millions)

	FY 2021	FY 2022	FY 2023	FY 2024
<b>Revenues</b>				
Taxes				
General Property Tax	\$ 30,691	\$ 31,842	\$ 32,706	\$ 33,071
Other Taxes	27,778	31,185	33,236	34,150
Tax Audit Revenue	921	721	721	721
Subtotal: Taxes	\$ 59,390	\$ 63,748	\$ 66,663	\$ 67,942
Miscellaneous Revenues	7,025	6,821	6,809	6,810
Unrestricted Intergovernmental Aid	---	---	---	---
Less: Intra-City Revenue	(2,038)	(1,816)	(1,812)	(1,811)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Subtotal: City Funds	\$ 64,362	\$ 68,738	\$ 71,645	\$ 72,926
Other Categorical Grants	1,065	998	988	986
Inter-Fund Revenues	696	654	656	656
Federal Categorical Grants	10,957	6,994	6,931	6,925
State Categorical Grants	14,942	16,285	16,732	16,781
<b>Total Revenues</b>	<b>\$ 92,022</b>	<b>\$ 93,669</b>	<b>\$ 96,952</b>	<b>\$ 98,274</b>
<b>Expenditures</b>				
Personal Service				
Salaries and Wages	\$ 29,397	\$ 30,327	\$ 30,504	\$ 30,783
Pensions	9,932	10,566	10,538	10,310
Fringe Benefits	11,142	11,572	12,237	13,041
Retiree Health Benefits Trust	(1,600)	---	---	---
Subtotal: Personal Service	\$ 48,871	\$ 52,465	\$ 53,279	\$ 54,134
Other Than Personal Service				
Medical Assistance	5,238	5,915	5,915	5,915
Public Assistance	1,626	1,651	1,650	1,650
All Other	34,740	30,904	31,167	31,412
Subtotal: Other Than Personal Service	\$ 41,604	\$ 38,470	\$ 38,732	\$ 38,977
Debt Service	6,672	7,684	8,469	8,826
FY 2020 Budget Stabilization	(3,819)	---	---	---
FY 2021 Budget Stabilization	632	(632)	---	---
Capital Stabilization Reserve	---	250	250	250
General Reserve	100	1,000	1,000	1,000
Less: Intra-City Expenses	(2,038)	(1,816)	(1,812)	(1,811)
<b>Total Expenditures</b>	<b>\$ 92,022</b>	<b>\$ 97,421</b>	<b>\$ 99,918</b>	<b>\$ 101,376</b>
<b>Gap to Be Closed</b>	<b>\$ ---</b>	<b>\$ (3,752)</b>	<b>\$ (2,966)</b>	<b>\$ (3,102)</b>

Source: NYC Office of Management and Budget

**FIGURE 2**  
**Office of the State Comptroller**  
**Risk Assessment of the New York City Financial Plan**

(in millions)

	Better/(Worse)			
	FY 2021	FY 2022	FY 2023	FY 2024
<b>Gaps Per NYC Financial Plan</b>	<b>\$ - - -</b>	<b>\$ (3,752)</b>	<b>\$ (2,966)</b>	<b>\$ (3,102)</b>
Labor Savings <sup>1</sup>	(342)	(1,000)	(1,000)	(1,000)
Education Funding <sup>2</sup>	(300)	(1,150)	(1,440)	(1,290)
Police Overtime	(150)	(100)	(100)	(100)
MTA Paratransit Funding	- - -	(81)	(110)	(129)
Debt Service	150	175	- - -	- - -
<b>OSC Risk Assessment<sup>3</sup></b>	<b>(642)</b>	<b>(2,156)</b>	<b>(2,650)</b>	<b>(2,519)</b>
<b>Potential Gaps Per OSC<sup>4,5,6</sup></b>	<b>\$ (642)</b>	<b>\$ (5,908)</b>	<b>\$ (5,616)</b>	<b>\$ (5,621)</b>

- <sup>1</sup> The November Plan assumes that wage increases during the first two years of the next round of collective bargaining will be funded with productivity improvements. This assumption allowed the City to reduce its reserve for collective bargaining by \$53 million in FY 2021, \$217 million in FY 2022, \$540 million in FY 2023 and \$805 million in FY 2024 (a total of \$1.6 billion during the financial plan period).
- <sup>2</sup> The November Plan assumes State funding for school aid will increase by nearly \$1.6 billion in FY 2022, more than four times the average in the past nine years, which appears very unlikely given the financial challenges facing the State.
- <sup>3</sup> In the absence of additional federal aid, the Governor has indicated that further actions will be needed to close a \$14.9 billion gap in the State's budget, including an \$8.2 billion largely recurring reduction in State aid to localities. The City anticipates \$14.9 billion in State aid in FY 2021. Although still unspecified, a cut of the size contemplated by the State could reduce aid to the City by about \$3 billion, but the actual amount could depend on whether the State receives any federal aid and how the cut is applied to various programs.
- <sup>4</sup> The November Plan includes a general reserve of \$100 million in FY 2021 and \$1 billion in each of fiscal years 2022 through 2024. In addition, the Capital Stabilization Reserve has a balance of \$250 million in each of fiscal years 2022 through 2024. The November Plan also includes reserves of \$200 million in FY 2022 and \$275 million beginning in FY 2023 to fund potential changes in the actuarial assumptions and methodologies used to calculate employer pension contributions. The Retiree Health Benefits Trust, which the City has used in the past as a rainy-day fund, had a balance of \$3.8 billion as of the end of FY 2020. The City plans to draw down \$1.6 billion in FY 2021 to help balance the budget in that year, leaving a balance of \$2.2 billion, the lowest level since FY 2013. The November Plan does not include savings from overestimating prior years' expenses, which have averaged \$342 million over the past 10 years (net of receivable adjustments).
- <sup>5</sup> State law now requires surplus resources accumulated by the City to be deposited into a rainy-day fund (i.e., the Revenue Stabilization Fund). Since the late 1980s, the City has reported an annual surplus of \$5 million, and at the end of FY 2020 the general fund balance totaled \$493 million. These resources would be available to help balance the budget if there were a compelling fiscal need.
- <sup>6</sup> The City's tax collections may differ materially from the November Plan expectations. While tax collections exceeded the City's forecasts during the first five months of FY 2021, the level and pace of rebounds in sales and business (and hotel) remain uncertain. Property taxes face rising delinquency risks and assessment challenges. Along with the uncertain nature of the pandemic itself, other unpredictable factors, such as vaccine implementation and social behavior (e.g., more work-from-home employment, vaccine distribution and acceptance, aversion to dense metropolitan areas), make it difficult to provide revenue projections, particularly in the out-years, with any high degree of confidence.



## II. The COVID-19 Pandemic in New York City

According to the U.S. Centers for Disease Control and Prevention, coronavirus disease 2019 (COVID-19) is a respiratory illness that easily spreads from one person to another. To date, two COVID-19 vaccines have been issued emergency use authorization from the U.S. Food and Drug Administration.

According to Johns Hopkins University, as of December 14, 2020, there were over 72 million confirmed COVID-19 cases globally and over 1.6 million reported deaths. The United States had more confirmed cases (16.3 million) and more deaths (300,000) than any other country.

As of December 12, 2020, New York State has had over 755,000 confirmed cases of COVID-19. Although New York City accounted for nearly half of all cases statewide (355,000), every county in the state has been affected. In New York City, the highest numbers of confirmed cases have been in Queens and Brooklyn, but the highest rates per capita have been in Staten Island and the Bronx.

During September, the number of new COVID-19 cases started to increase and are now at levels last seen in late April 2020 (see Figure 3).

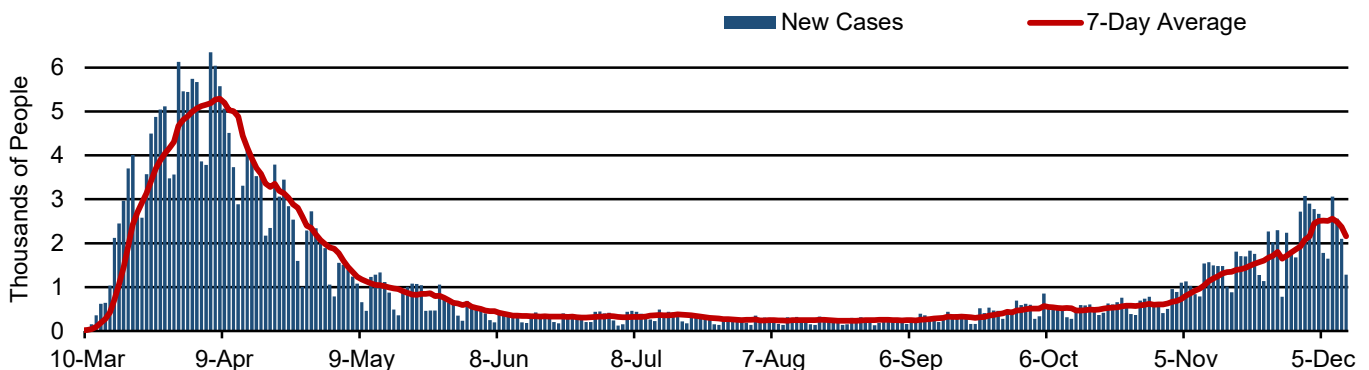
Small gatherings have been identified as the largest spreader of the disease. Hospitalizations and deaths have also increased, but have yet to reach record levels seen in April 2020.

The State has implemented a number of new measures during the fall to help mitigate the recent spread of COVID-19, including enhanced public health regulations targeting areas with the highest concentrations of cases and the areas around them, reimposing restrictions to limit the gathering of people and certain activities, and issuing new testing guidelines for visitors.

Additionally, the State's Department of Health has instituted emergency measures to prepare hospitals for an expected surge in new admissions. In New York City as of December 12, 2020, 1,727 people were hospitalized with COVID-19, twice the level reported three weeks earlier.

It remains to be seen how the holiday season will impact the spread of COVID-19 throughout the State and the City. The first vaccine was delivered to New York on December 14, and the State has drafted a plan that prioritizes groups to be vaccinated. However, it is still unclear when enough of a vaccine will be available to administer it to the general public.

**FIGURE 3**  
New COVID-19 Cases in New York City



Note: As of December 13, 2020. As a result of reporting delays, most recent data may be incomplete.  
Sources: NYC Department of Health and Mental Hygiene; OSC analysis

### III. Economic Trends

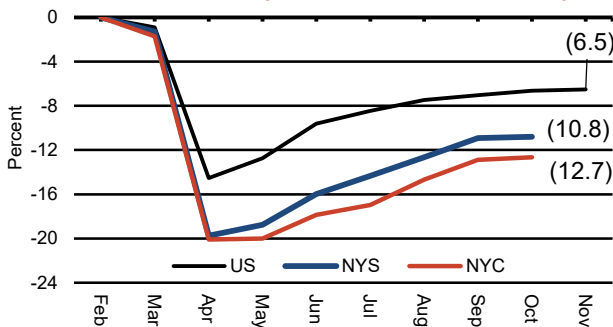
The national economy experienced a significant rebound in the third quarter of 2020, but more recently, growth appears to be slowing and optimism waning. U.S. gross domestic product (GDP) rebounded by 33.1 percent in the third quarter, after declining by 5 percent and 31.4 percent in the first two quarters, respectively. Most economists are estimating a fourth-quarter growth rate of about 3.8 percent.

The nation lost 22.2 million jobs in March and April and has since added back 12.3 million jobs. However, the pace of job growth has slowed, from 9.3 million jobs added in the three months ending in July to 2.8 million jobs added in the three months ending in October. In November, the nation added 245,000 jobs, the smallest monthly gain since April. Wage growth has also declined over recent months.

The Federal Reserve’s Beige Book, a report which provides anecdotal information on current economic conditions, indicated that optimism has waned given increased concerns of another wave of COVID-19, additional restrictions to manage the risks, and looming expiration dates on unemployment benefits and moratoriums such as those on evictions and foreclosures.

New York State and New York City in particular have been hit hard. The City had a higher share of jobs lost (12.7 percent) compared to the State (10.8 percent) and the nation (6.5 percent; see

**FIGURE 4**  
Share of Jobs Lost by Month Since February



Sources: Bureau of Labor Statistics; NYS Department of Labor; OSC analysis

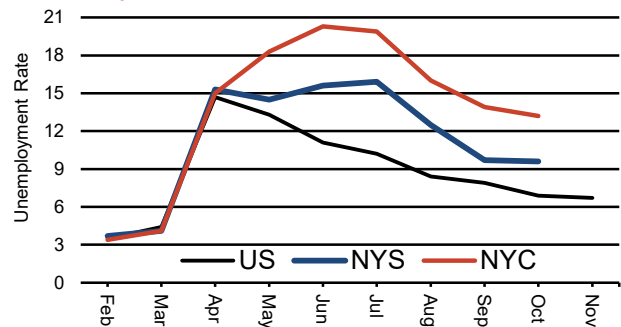
Figure 4). After a record 10-year expansion that added 920,500 jobs, New York City lost 944,100 jobs in March and April 2020. The City has added back 349,400 jobs through October (with only 10,800 jobs added in October, the weakest growth since May). The timeline for economic activity to resume pre-pandemic levels remains uncertain.

The City’s Office of Management and Budget (OMB) estimates job losses of 518,200 for 2020, which is in line with OSC’s estimated job losses of more than 500,000. The November Plan projects employment to return to 2019 levels by 2024. While vaccines have been developed, their full economic impact is unlikely to be realized until FY 2022. In the meantime, the City still faces a resurgence of COVID-19, with winter weather and the holiday season likely to increase the spread.

The City’s unemployment rate in October was 13.2 percent, down from a peak of 20.3 percent in June (see Figure 5). However, the rate remains at the highest level of any month prior to the pandemic, since the series data began in 1976. The City’s unemployment rate is also higher than the State’s (9.6 percent) and the nation’s (6.7 percent).

The City forecasts that the U.S. gross domestic product will decline by 3.6 percent in 2020. Its

**FIGURE 5**  
Unemployment Rate Comparison



Sources: Bureau of Labor Statistics; NYS Department of Labor; OSC analysis

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gross city product (GCP) forecast, however, anticipates a slight increase of 0.2 percent in 2020 (from the prior estimate of a decline of 12.9 percent<sup>7</sup>), primarily driven by strong securities industry profits. While Wall Street profits remain strong, buoyed by the unprecedented effects of monetary and fiscal stimulus, the securities sector has been losing jobs since the beginning of the year, and is on pace to lose 7,600 jobs in 2020.<sup>8</sup>

Securities industry profits grew by 82 percent in the first half of 2020 to \$27.6 billion, the best first half since 2009, nearly eclipsing full-year profits from the prior year. The City's forecast for securities profits for all of 2020 is \$33 billion, an increase of 18 percent, but the forecast declines in 2021 to \$17 billion (a 49 percent drop).

The City forecasts that securities industry bonuses will increase by 3.7 percent in 2020 and 4.6 percent in 2021. Johnson Associates, a compensation consulting firm, estimates an overall decrease in bonuses as of the third quarter of 2020, although some segments may see a rise, particularly securities underwriting, and sales and trading.

Risks to the return of residents, commuters and tourists also remain. According to data from the U.S. Postal Service, a significant number of residents have relocated, at least temporarily, since March. Census data indicate that the City's population had already declined over the past three years (at an average annual rate of 0.5 percent). The pandemic may exacerbate this trend. The pandemic has also necessitated that more businesses allow employees to work remotely. In the New York metropolitan area, a

greater percentage of workers has continued to work from home than in other metropolitan areas, even as the spread of the virus abated during the late summer months.<sup>9</sup> The MTA has also estimated that between 4 percent and 12 percent of commuters may telecommute through at least 2024.

According to NYC & Company, the City's tourism agency, tourism is projected to decline in 2020 by two-thirds from 2019 levels, and will not fully rebound until 2024. Residential vacancies are at historic highs, and office occupancy levels are significantly lagging behind the rest of the nation, with new construction permits down 28 percent through October. Consumer confidence has improved, but remains below pre-pandemic levels.

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<sup>7</sup> For the November Plan, the City altered its methodology for calculating GCP. The City now utilizes county-level GDP statistics from the U.S. Bureau of Economic Analysis. This series begins in 2001, and thus the historical data (pre-2001) utilizes the prior growth rates. Under the revised approach, GCP increased from 3.5 percent to 4.9 percent for 2019.

<sup>8</sup> See OSC Report 06-2010, *The Securities Industry in New York City*, October 2020.

<sup>9</sup> Kastle Systems, *Kastle Back to Work Barometer: City-by-City Views of America's Office Use*.

## IV. Changes Since the June 2020 Plan

The November Plan incorporates a relatively small number of changes since the FY 2021 budget was adopted in June 2020, and assumes many of these changes will not recur. For example, the City raised its revenue forecast in FY 2021 to recognize higher-than-planned collections during the first quarter of the fiscal year, but made virtually no change to its revenue forecast for the remainder of the financial plan period. The City reflected new agency needs associated with COVID-19, but virtually no new needs are anticipated in subsequent years. The City also proposed a citywide savings program to narrow the FY 2022 budget gap, 87 percent of which has already been achieved in the current fiscal year through debt savings, mainly from refinanced bonds.

The City now forecasts a surplus of \$632 million in FY 2021, based largely on higher-than-planned revenue collections during the first quarter of the fiscal year. Resources anticipated from the citywide savings program offset unplanned spending in FY 2021.

The City intends to transfer the surplus to FY 2022 by prepaying expenses, such as debt service. The transfer and resources from the savings program would more than offset unplanned expenses in FY 2022 and would reduce the FY 2022 budget gap from \$4.2 billion to \$3.8 billion. Out-year gaps are virtually unchanged (see Figure 6).

Higher-than-anticipated business tax collections (\$391 million) and personal income tax collections (\$251 million) were the driving forces behind the increase in the revenue forecast for FY 2021. The City lowered its forecast for nontax revenue by \$135 million in FY 2021 based on the expectation that social-distancing measures for COVID-19 will reduce violations and enforcement activity for most of the year. While the City revised its economic and employment forecast, it did not update its tax forecast for fiscal years 2022 through 2024.

**FIGURE 6**

Financial Plan Reconciliation—City Funds  
November 2020 Plan vs. June 2020 Plan  
(in millions)

	<i>Better/(Worse)</i>			
	FY 2021	FY 2022	FY 2023	FY 2024
<b>Gaps Per June 2020 Plan</b>	\$ - - -	\$ (4,180)	\$ (3,043)	\$ (3,182)
<b>Tax Reestimates</b>				
Business Taxes	391	- - -	- - -	- - -
Personal Income	251	- - -	- - -	- - -
Real Estate Trans.	75	- - -	- - -	- - -
Sales Taxes	2	- - -	- - -	- - -
Other Taxes	29	- - -	- - -	- - -
<b>Subtotal</b>	<b>748</b>	<b>- - -</b>	<b>- - -</b>	<b>- - -</b>
<b>Nontax Changes</b>	<b>(135)</b>	<b>(8)</b>	<b>(5)</b>	<b>(4)</b>
<b>Total Revenue Changes</b>	<b>613</b>	<b>(8)</b>	<b>(5)</b>	<b>(4)</b>
<b>Citywide Savings Prog.</b>				
Debt Service	684	299	220	297
Agency Actions	102	238	39	40
<b>Subtotal</b>	<b>786</b>	<b>537</b>	<b>259</b>	<b>337</b>
<b>Labor Savings Adj.</b>	<b>- - -</b>	<b>(639)</b>	<b>- - -</b>	<b>- - -</b>
<b>Expense Reestimates</b>				
New Agency Needs	(687)	(12)	(12)	(11)
Pension Contributions	- - -	(84)	(164)	(240)
All Other	(79)	1	(1)	(2)
<b>Subtotal</b>	<b>(766)</b>	<b>(94)</b>	<b>(177)</b>	<b>(253)</b>
<b>Total Expense Changes</b>	<b>19</b>	<b>(196)</b>	<b>82</b>	<b>84</b>
<b>Net Change</b>	<b>632</b>	<b>(204)</b>	<b>77</b>	<b>80</b>
<b>Surplus/(Gaps)</b>	<b>\$ 632</b>	<b>\$ (4,384)</b>	<b>\$ (2,966)</b>	<b>\$ (3,102)</b>
Surplus Transfer	(632)	632	- - -	- - -
<b>Gaps Per November Plan</b>	<b>\$ - - -</b>	<b>\$ (3,752)</b>	<b>\$ (2,966)</b>	<b>\$ (3,102)</b>

Note: Columns may not add due to rounding.

Sources: NYC Office of Management and Budget; OSC analysis

The City funded new agency needs (\$687 million in FY 2021 and small amounts in subsequent years), with three-quarters of the amount supporting a one-time increase in transportation and reopening costs at the Department of Education and the emergency food program coordinated by the Department of Sanitation. A small amount is for unplanned expenses due to the City's failure to implement some of the FY 2020 savings initiatives (\$37 million). The City also increased its planned pension contributions (by \$84 million in FY 2022, \$164 million in FY 2023, and \$240 million in FY 2024), largely because FY 2020 investment earnings fell short of expectations.

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The citywide savings program is expected to generate \$786 million in FY 2021, \$537 million in FY 2022 and an average of \$298 million in subsequent years. Almost all of the savings in FY 2021 and nearly three-quarters in subsequent years will come from lower-than-planned debt service, driven by delays in planned capital expenditures during fiscal years 2021 through 2024, refinancing debt at lower interest rates and from lower-cost variable-rate debt.

Agency actions are projected to generate cumulative savings over the financial plan period of \$418 million, the smallest amount over a comparable period at this point in the budget cycle since the process of identifying agency savings was resumed in FY 2015. Only a small portion of the citywide savings program (\$272 million, or 14 percent) will come from efficiencies.

In June 2020, the Mayor announced a commitment to identify \$1 billion in labor savings in FY 2021 to help balance the budget in that year. The City assumes these savings will recur over the financial plan period. Since then, the City has reached agreements with a number of municipal unions to defer a portion of labor costs from FY 2021 to FY 2022, averting the risk of layoffs for much of the City's work force in the short term. The City also implemented a five-day furlough for nonrepresented employees.

These actions are expected to reduce labor costs by \$658 million in FY 2021, leaving a balance of unspecified savings totaling \$342 million in FY 2021 and \$1 billion annually each year thereafter to be identified at a later date. Because almost all of the labor savings for FY 2021 were achieved through deferrals, however, the City expects labor costs to be higher than planned by \$639 million in FY 2022.

## Projected Budget Gaps

The projected budget gaps in fiscal years 2022 through 2024, as a share of City fund revenues, average 4.6 percent, which are significantly smaller when compared to projected budget gaps in prior post-recession years at the same point in the budget cycle. In addition, the budgets in these years include \$1.25 billion in annual reserves (the budget in FY 2021 includes a general reserve of \$100 million), which, if not needed, could be used to help narrow the gaps.

Since June 2020, the City has maintained a balanced budget in FY 2021 and has narrowed the FY 2022 budget gap from \$4.2 billion to \$3.8 billion. However, the City largely relied on nonrecurring resources to balance this year's budget, reducing its budgetary flexibility going forward, and the FY 2022 gap is still larger than projected one year ago (by \$801 million) and is the largest for an upcoming fiscal year at this point in the budget cycle since FY 2010.

The City has managed gaps of this magnitude in the past. But there are risks that could greatly increase the size of the gaps, and the City has not yet released a contingency plan to address these risks, deferring any substantive action until the release of the FY 2022 preliminary budget early next year. OSC has quantified budget risks of \$642 million in FY 2021 and more than \$2.1 billion in subsequent years, which could increase next years' budget gap to \$5.9 billion.

The City has yet to reach a collective bargaining agreement with the municipal unions to achieve the balance of the labor savings assumed in each year during the financial plan period.

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In addition, the November Plan assumes that wage increases in the first two years of the next round will be funded through productivity improvements, which has freed up \$1.6 billion during the financial plan period.

It also remains to be seen whether the City's revenue forecasts are sufficiently conservative, as the economic impacts of the pandemic ripple through the economy.

The November Plan anticipates a gradual rebound in jobs, with employment reaching pre-pandemic levels in 2024. Only property tax collections are projected to show growth in FY 2021. Although nonproperty tax collections are expected to grow by 11.2 percent in FY 2022, they are not expected to reach pre-pandemic levels until FY 2023. Despite changing its economic outlook, the City did not revise its revenue projections at this point in the financial plan cycle. OSC anticipates the City will revisit these in the January 2021 financial plan, and that as a result the projected budget gaps are likely to increase. Depending on the post-vaccine economic landscape, the recovery may be slower than anticipated.

In addition, the November Plan does not fully reflect the impact of the enacted State budget for State fiscal year (SFY) 2021 beyond the current fiscal year. For example, although the City funded a \$360 million shortfall in anticipated State education aid in FY 2021, it made no provision in subsequent years. The November Plan assumes State funding for school aid will increase by nearly \$1.6 billion in FY 2022, which appears very unlikely given the financial challenges facing the State. In addition, spending on education for transportation and certain special education services could be higher than assumed in the plan, based on recent trends.

Moreover, in the absence of additional direct federal aid, the Governor has indicated that cost-cutting actions will be needed to close the State's budget gap, including an \$8.2 billion largely recurring reduction in aid to localities. Although still unspecified, a cut of this size would likely have a large impact on New York City's budget.

The MTA, which is critically important to the regional economy, also faces an unprecedented financial crisis. While the agency received \$4 billion in federal aid in 2020 and expects more than \$4 billion in 2021, it has an \$11 billion budget gap from 2022 through 2024.

New York City, New York State and the MTA all need additional federal aid to mitigate the impact of the COVID-19 pandemic on their budgets. The three are closely intertwined, and failure to aid one could adversely affect the others.

Congressional leaders recently reached an agreement on a spending package that includes about \$900 billion in new stimulus measures. The agreement calls for direct relief to individuals and businesses, and targeted funding for certain state and local government operations, including emergency resources for schools and public transit, including MTA. But the agreement does not include additional budget relief to those governments to offset revenue losses. Without additional federal aid, both for managing economic damage from the pandemic as well as from revenue shortfalls that emerge for state and local governments, the City will need to make difficult choices to close next year's budget gap.

Given the size of these budget risks and the diminished reserves, OSC urges the City to prepare additional actions to balance the upcoming budget, including a detailed contingency plan to address the budget risks if the outcome of the debate over additional federal stimulus relief remains uncertain in the second half of FY 2021.

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## Impact of the State Budget

The Governor has indicated that in the absence of additional federal aid, cost-cutting actions will be needed to close a \$14.9 billion gap in the State budget. These actions include an \$8.2 billion reduction in State aid to localities that would be largely recurring. The November Plan anticipates \$14.9 billion in State aid in FY 2021. Although cuts are still unspecified, a cut of the size contemplated by the State could reduce aid to the City by about \$3 billion, which represents the most significant risk to the financial plan. The actual amount of reduced aid would depend on whether the State receives any federal aid and how the cut is applied to various programs, among other factors.

According to the State Division of the Budget (DOB), the enacted State budget grants the State budget director the authority to reduce most aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget. In addition, the budget director is authorized to withhold all or some of specific local aid payments during SFY 2021 if the budget is deemed unbalanced, and if the budget director deems that such withholding is necessary to respond to the direct and indirect economic, financial and social effects of the COVID-19 pandemic.

Agreement on the most recent COVID-19 relief bill does not include significant direct relief for the state, which remains uncertain. The DOB has indicated that the earliest that the State now expects to transmit a detailed local aid reduction plan to the State Legislature is sometime later in the second half of SFY 2021. If such a plan were released, the proposed reductions would go into effect within 10 days if the Legislature does not adopt its own plan.

In the interim, without the assurance of additional federal aid, the DOB indicates that the State is withholding a minimum of 20 percent of most local aid payments to achieve the savings

anticipated in its financial plan. Through September 30, 2020, the DOB estimates that approximately \$2.4 billion in local aid payments have not been made as budgeted (of which about two-fifths was to be made to the City). All or a portion of these budgeted payments may not be made during SFY 2021, depending on the size and timing of new federal aid, if any.

The City reports that the State has delayed payments of at least \$800 million of State aid (including education aid and other aid) that the City had expected to receive prior to November 2020. The City expects to receive the delayed aid sometime prior to the end of FY 2021, but it is possible that the payments will be further delayed or withheld.

## Federal Assistance

State and local leaders have called on Congress to approve a new round of stimulus legislation to include, among other provisions, budgetary relief to offset revenue shortfalls associated with the economic disruptions due to COVID-19, and additional fiscal relief and support for individuals and businesses.

The November Plan anticipates the receipt of \$6.1 billion in federal assistance from previously approved COVID-19 relief bills. Of this amount, \$4.2 billion will be used to cover costs associated with the pandemic and \$1.9 billion will be used to balance the budget.

Congressional leaders recently reached an agreement on a spending package that includes about \$900 billion in new stimulus measures. The agreement calls for direct relief to individuals and businesses, and targeted funding for certain state and local government operations, including emergency resources for schools and public transit. But the agreement does not include additional budget relief to state and local governments to offset revenue losses. The size and timing of additional federal aid, if any, remains unclear at this time.

# V. Revenue Trends

The November Plan assumes that revenues, including federal and State categorical aid, will total \$92 billion in FY 2021 (down 3.9 percent from \$95.7 billion in FY 2020). This is an upward revision from the \$88.2 billion estimated in June, with the increase mainly attributable to federal grants and contracts. Locally generated revenues (i.e., City funds) account for 70 percent of total revenues or \$64.4 billion, 6.8 percent less than in FY 2020 (see Appendix A).

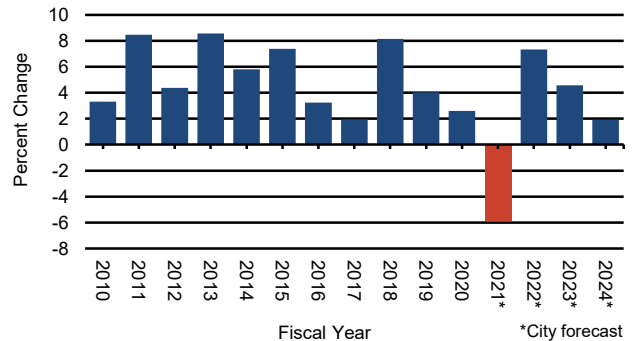
Tax collections account for 92 percent of City funds, and, based on the strength of collections in the first three months of the fiscal year, the City now anticipates these will increase by \$748 million to \$59.4 billion in FY 2021 (up from \$58.6 billion in June), while the out-years remain unchanged.

After a projected decline of 5.9 percent in FY 2021, tax collections are forecast to grow by 7.3 percent in FY 2022 and then slow to an average annual rate of 3.2 percent during fiscal years 2023 to 2024 (see Figure 7). The anticipated decline in tax collections in FY 2021 was slightly smaller in the June Plan at 5.5 percent. The upward revision of FY 2020 collections by \$1 billion reflects stronger-than-expected personal income and business tax receipts.

After the 2009 financial crisis, tax collections did not surpass the FY 2008 level until FY 2011. This prior experience suggests there are downside risks to the City's current growth forecast of 7.3 percent for FY 2022 (to \$63.7 billion), which would exceed the record level set in FY 2020 (\$63.1 billion).

Based on collections through October, personal income, business and real estate transfer taxes are ahead of forecasts, but those gains are likely to be offset by shortfalls in sales and hotel tax revenues. The out-years are also likely to benefit from slightly higher personal income tax

**FIGURE 7**  
Annual Change in Tax Revenues



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

collections, but the level and pace of rebounds in sales, business and hotel taxes is a bit more uncertain. Projected trends in tourism and visitation suggest continued pressure on hotel tax revenues. Hotel taxes are down 92 percent through October compared to the same period in the prior fiscal year; the November Plan projects a decline of 45.5 percent (to \$255 million).

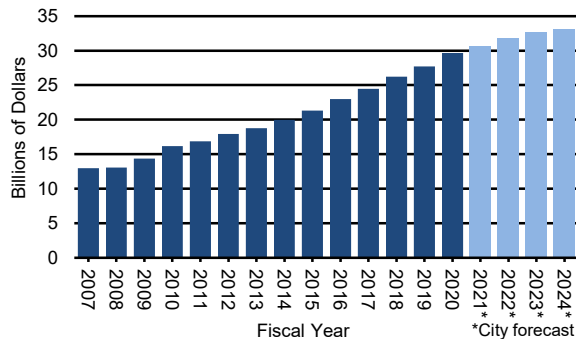
Along with the uncertain nature of the pandemic itself, other unpredictable factors, such as vaccine distribution and social behavior (e.g., higher work-from-home employment, doubts of vaccine efficacy, and possible avoidance of dense metropolitan areas), make it difficult to provide revenue projections, particularly in the out-years, with any high degree of confidence.

## General Property Tax

The property tax is levied on the assessed value of residential and commercial real estate. It is the City's largest and most stable source of tax revenue, accounting for half of all tax collections. Collections are projected to be \$30.7 billion in FY 2021 (see Figure 8), an increase of 3.5 percent from the prior year and unchanged from the June Plan. While this is the smallest increase since FY 2008, it is the only major tax with projected growth in FY 2021. For the first four months of the fiscal year, property tax revenues were up 4.1 percent.



**FIGURE 8**  
Property Tax Collections



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

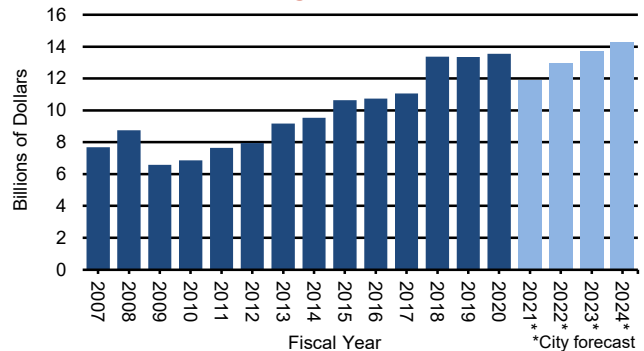
The out-year forecasts remain unchanged from the June Plan, with average annual growth of 2.5 percent expected through FY 2024. State law includes provisions that minimize the impact of large market-value fluctuations on assessments by phasing in these changes over several years (i.e., creating a pipeline).

In the recessions of 2001 and 2008, growth in the City’s property tax collections slowed but remained positive, and the City anticipates a similar trend during this downturn. However, there are risks to this forecast; for example, the Community Housing Improvement Program found in its October rent survey that 15 percent of landlords worry they may not be able to make their property tax payments in January. A spike in tax certioraris and delinquencies could jeopardize the City’s revenue forecast.

## Personal Income Tax

Personal income tax collections are projected to decline by 12 percent in FY 2021, the largest decline since the Great Recession. In the November Plan, the City raised its forecast by \$251 million to \$11.9 billion in FY 2021 (see Figure 9). This adjustment reflects a smaller-than-expected decline (9.9 percent) in the first four months of collections in FY 2021 compared with the same period last year, whereas the June Plan had projected an 11.9 percent decline.

**FIGURE 9**  
Personal Income Tax Collections



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

Most of the City’s adjustment, \$173 million, was in withholding (i.e., the amount of tax taken from employees’ paychecks), even as job losses were worse than anticipated and the recovery slowed considerably. The November Plan forecasts that withholdings will decline by 10.8 percent in FY 2021, as the City expects a slow job recovery. However, collections may be higher, as withholdings declined by just 8.4 percent in the first four months of FY 2021 and Wall Street bonuses are expected to increase this year.

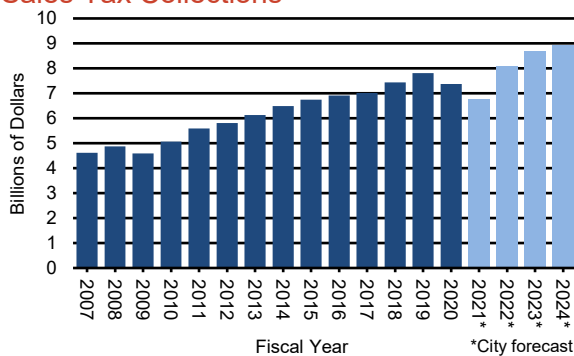
The November Plan also increased the forecast for estimated payments, the component of the tax that affects nonwage income, by \$80 million. Collections have been stronger than expected since the June Plan. The City now expects collections to decline by 18.7 percent in FY 2021, reflecting a large decline in capital gains. However, as Wall Street continues to do well, capital gains may be higher than expected, resulting in a smaller decline in estimated payments.

The City has not revised its personal income tax forecasts for fiscal years 2022 through 2024. The November Plan projects growth of 8.8 percent in FY 2022 followed by average annual growth of 4.9 percent in the final two years of the financial plan period, reaching \$14.3 billion in FY 2024. However, there are risks to the forecast given the possibility of shifts in business and residential migration, which could lower the tax base.

## Sales Tax

Sales tax is the third-largest source of tax revenue for the City and is also one of the most economically sensitive. For the November Plan, the City has maintained its forecasts from the beginning of the fiscal year. The November Plan continues to project that sales tax collections will decline by 8.2 percent to \$6.8 billion in FY 2021 (see Figure 10). However, collections have declined by 20 percent during the first four months of FY 2021 compared to the same period last year. Therefore, OSC believes sales tax collections could be materially lower.

**FIGURE 10**  
Sales Tax Collections



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

Taxable sales prior to the pandemic were primarily made up of three sectors: retail (30 percent), hospitality (20 percent) and business services (11 percent).<sup>10</sup> However, the mix has changed since the pandemic. Hospitality sales have dropped by more than half (to 8 percent) and retail has increased (to 34 percent), with e-commerce’s taxable sales share of retail accelerating from 11.5 percent to 21.6 percent.<sup>11</sup>

The City expects sales tax collections to grow by 19.6 percent in FY 2022. Given anticipated tourism spending forecasts, however, collections

<sup>10</sup> OSC has released monthly local sales tax reports on the economic impact of COVID-19 on State sales tax collections.

<sup>11</sup> Part of the e-commerce increase can be attributed to the implementation of the Internet marketplace sales tax. The State

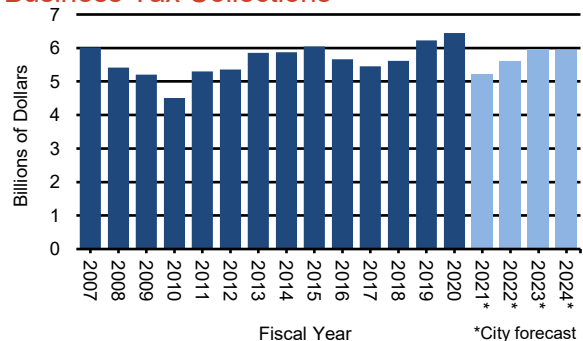
could be lower throughout the financial plan period.

## Business Taxes

Business taxes consist of the business corporation tax (accounting for two-thirds of collections) and the unincorporated business tax (one-third). For FY 2021, the November Plan adjusts business tax collections up \$391 million to \$5.2 billion from the June Plan, as securities industry profits are expected to be stronger for the remainder of 2020. The City projects securities industry profits to grow 17.6 percent in 2020 to \$33 billion, and then decline by 49 percent to \$17 billion in 2021, the lowest level since 2015. The City has not adjusted its out-year business tax revenue estimates despite the anticipated severe decline in securities industry profitability in 2021.

Business taxes were down 14.1 percent for the first four months of FY 2021 compared to the same period last year. The City projects business tax collections to decline 19 percent in FY 2021 (see Figure 11), a larger decline than those that occurred during the past two recessions.

**FIGURE 11**  
Business Tax Collections



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

extended the sales tax to cover third-party sellers on Internet marketplaces, effective June 1, 2019.

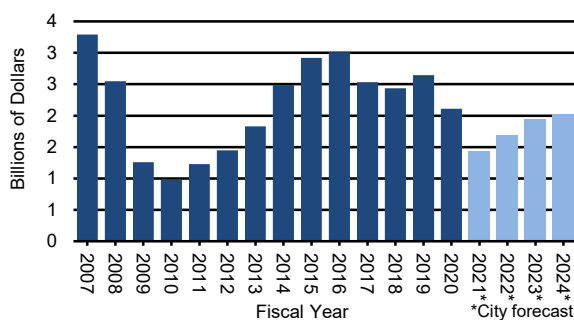
OSC believes that while the projection for FY 2021 may be somewhat conservative, in the prior two recessions business taxes have declined, on average, for two consecutive years, and thus the City’s forecast of an increase of 7.6 percent in FY 2022 may not materialize.

## Real Estate Transaction Taxes

Real estate transaction taxes include the real property transfer tax and the mortgage recording tax. Receipts from these taxes declined by 20.2 percent in FY 2020 to \$2.1 billion. The November Plan expects real estate transaction tax collections to drop sharply by 32.1 percent in FY 2021 to \$1.4 billion (see Figure 12), which is up slightly from the June Plan. For the first four months of the fiscal year, real estate sales activity was down 41 percent from the prior year (according to the City Department of Finance), though fiscal year-to-date transaction tax collections are ahead of projections.

Activity in the real estate market is providing mixed signals. PropertyShark, an online property research tool, reported that the median sale price was up 1 percent year-over-year in the third quarter of calendar 2020, while transaction volumes were down 38 percent during the same period, according to the Department of Finance. As a result, it is difficult to assess the City’s projections on transaction taxes. The City made no changes to expected collections during the remainder of the financial plan period.

**FIGURE 12**  
Real Estate Transaction Tax Collections



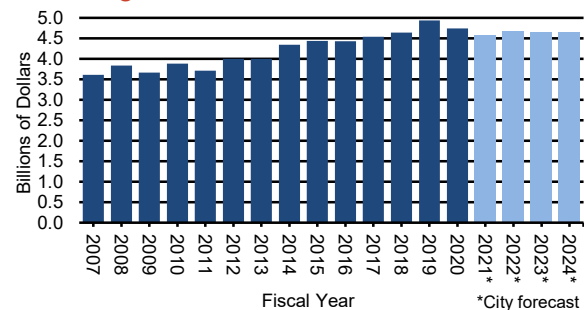
Sources: NYC Comptroller; NYC Office of Management and Budget; OSC

## Miscellaneous Revenues

Miscellaneous revenues consist of mostly recurring revenues (fines, forfeitures, licenses, permits, charges for services, and other recurring revenues) as well as one-time payments (settlements, asset sales, and other nonrecurring revenues).

The November Plan assumes that recurring miscellaneous revenues will total \$4.6 billion in FY 2021 (see Figure 13), \$134 million less than expected at the beginning of the fiscal year. The decrease mostly reflects less revenue from fines (\$76 million), parks concessions (\$14 million), and parking meters (\$21 million). The City projects that recurring miscellaneous revenues will increase 2 percent in FY 2022 (to \$4.7 billion) and will remain at that level in subsequent years, but collections could pick up once economic activity begins to return to pre-pandemic levels.

**FIGURE 13**  
Recurring Miscellaneous Revenues



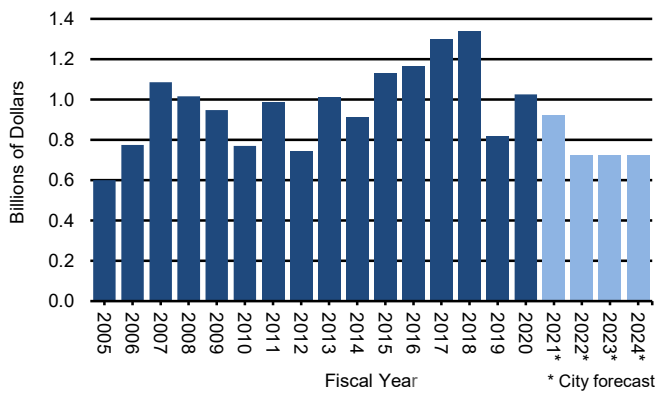
Sources: NYC Comptroller; NYC Office of Management and Budget; OSC analysis

## Audits

Each year, the Department of Finance conducts audits of individuals and businesses to ensure compliance with the tax code. Larger audits typically take years to complete from initiation and are forecasted as per the pipeline from the Department of Finance. The City has not changed any forecasts in the November Plan for the financial plan period.

The November Plan estimates audits to generate \$920.9 million in fees for FY 2021, down 10 percent from the prior fiscal year. However, through October, audit revenues are \$30 million ahead of projections. The City projects that audit revenues will decline 22 percent in FY 2022 to \$720.9 million, and then remain at that level for FY 2023 and FY 2024, the lowest level since 2005 (see Figure 14). This suggests audit collections could exceed forecasts.

**FIGURE 14**  
Audit Revenue



Sources: NYC Office of Management and Budget; OSC analysis

# VI. Expenditure Trends

Expenditures are projected to total \$92 billion in FY 2021, including programs funded with federal and State categorical grants. The portion funded with locally generated revenue (i.e., City funds) would total \$67.5 billion after adjusting for surplus transfers that can mask expenditure trends (see Appendix B).

After averaging 6.4 percent during fiscal years 2018 and 2019, the growth in City-funded spending slowed sharply to 1 percent in FY 2020. To mitigate the adverse impact of the pandemic on City fund revenues, the City took a number of actions during the previous fiscal year, including reducing its budgeted reserves, implementing additional savings initiatives, and drawing on resources from the Retiree Health Benefits Trust. It also received federal budget relief.

These initiatives helped the City to reduce planned spending since January 2020 by \$2.6 billion in FY 2020 and \$6 billion in FY 2021 (see Figure 15). The impact is much lower in subsequent years since most of these actions are nonrecurring. As a result, while City-funded spending is projected to decline by 1.8 percent in FY 2021, spending will increase by 8.3 percent in FY 2022 (6.6 percent excluding reserves).

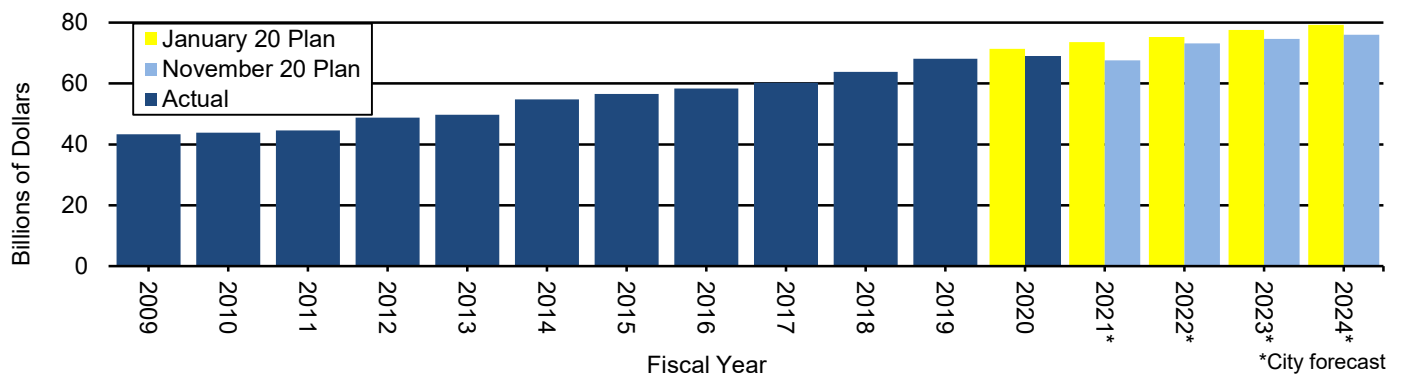
Further, the November Plan includes sizable risks, including the receipt of \$1 billion in

recurring labor savings. It also does not fully reflect the impact of the State budget enacted in April 2020, all of which could increase the City's costs.

Between June 2012 and February 2020, the full-time City-funded work force grew by 24,252 employees, reaching a record 254,163 (see Figure 16). Since then, the work force has declined by 7,471 to 246,692 employees through September 2020, reflecting mainly the impact of cost-containment actions implemented by the City including a general hiring freeze.

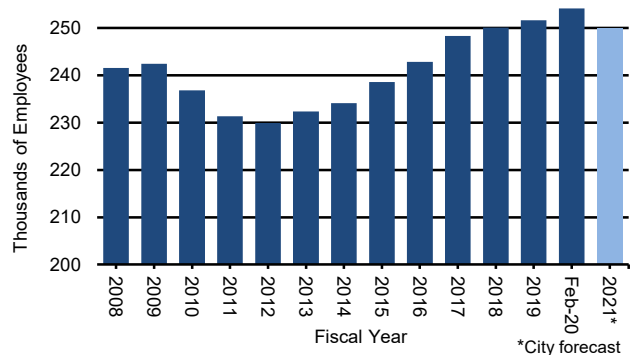
The November Plan assumes the City-funded work force will total 249,985 full-time employees by June 30, 2021, 3,293 higher than current levels (see Appendix C). The City will realize unplanned savings if staffing levels remain below its targets during the remainder of the fiscal year.

**FIGURE 15**  
City-Funded Expenditures



Note: Adjusted for surplus transfers and debt defeasances.  
Sources: NYC Office of Management and Budget; OSC analysis

**FIGURE 16**  
Full-Time Staffing Levels (City-Funded)



Sources: NYC Office of Management and Budget; OSC analysis

## Collective Bargaining

As part of its gap-closing efforts, the City reduced its reserve for the next round of collective bargaining, which begins for many civilian employees in May 2021. The November Plan assumes that wage increases in the first two years of the next round will be funded through productivity improvements, which allowed the City to free up \$1.6 billion during the financial plan period.

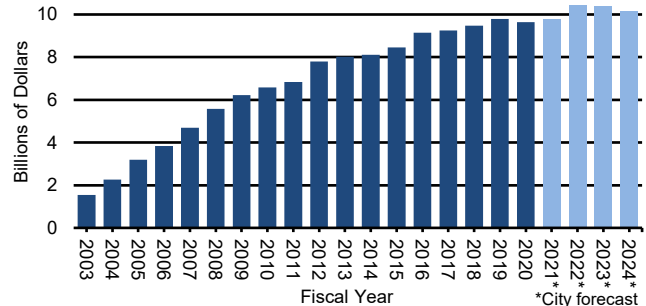
In June 2020, the Mayor announced a commitment to identify \$1 billion in labor savings in FY 2021 to help balance the budget in that year. The City assumes these savings will recur over the financial plan period. Since June 2020, the City has reached agreements with a number of municipal unions to defer a portion of labor costs from FY 2021 to FY 2022, averting the risk of layoffs for much of the City’s work force in the short term. The City also implemented a five-day furlough for nonrepresented employees.

These actions are expected to reduce labor costs by \$658 million in FY 2021, leaving a balance of unspecified savings totaling \$342 million in FY 2021 and \$1 billion annually each year thereafter to be identified at a later date. Because almost all of the labor savings for FY 2021 were achieved through deferrals, however, labor costs are expected to be higher by \$639 million in FY 2022.<sup>12</sup>

## Pension Contributions

After growing rapidly for many years, pension contributions have stabilized (see Figure 17). Still, contributions are projected to total \$9.8 billion in FY 2021, representing 15 percent of City fund revenues.

**FIGURE 17**  
Pension Contributions  
City-Funded



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

The November Plan includes \$200 million in FY 2022 and \$275 million annually thereafter to fund changes in assumptions and methods that may result from the next Charter-mandated biennial independent review of the pension systems. The review is expected to be completed in 2021.

In FY 2020, the financial markets were volatile, and the pension funds earned 4.4 percent on their investments, less than the actuarial target of 7 percent. As of the first five months of FY 2021, the City’s pension systems had earned an estimated 11 percent on their investments.<sup>13</sup>

The financial condition of the City’s five actuarial pensions has improved since FY 2014, when the City adopted new, more transparent financial reporting standards. However, the systems experienced a setback in FY 2020, largely because of the investment shortfall in that year.

In the aggregate, the pension systems had enough assets on hand to fund (on a market-value basis) 78 percent of their accrued liabilities at the end of FY 2020, a decline of one percentage point since FY 2019. The unfunded net liability for all five systems increased by \$3.1 billion to \$46.4 billion.

<sup>12</sup> The City also deferred \$83 million in labor costs accrued to FY 2014 for lump sum payments to retirees (for a total of \$722 million in deferred labor costs).

<sup>13</sup> Since FY 2012, the pension funds have earned, on average, 7.5 percent on their investments.

## Post-Employment Benefits

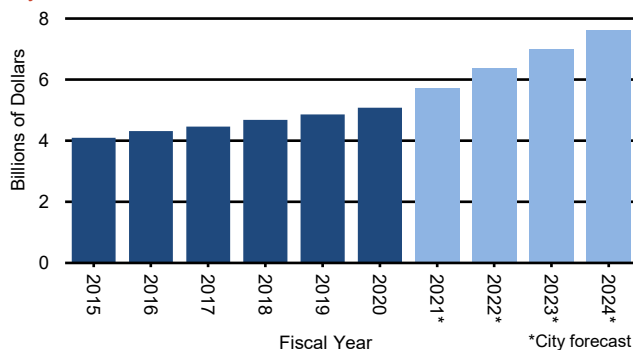
The City's unfunded liability for post-employment benefits other than pensions (OPEBs), such as retiree health care, reached \$109.4 billion in FY 2020, an increase of \$21 billion (23.8 percent) in three years. The City, like many employers, does not fund its OPEB liability on an actuarial basis but rather pays the annual cost of benefits to current retirees on a pay-as-you-go (PAYGO) basis. OPEB costs, on a PAYGO basis, are projected to rise from \$2.7 billion in FY 2020 to \$3.6 billion in FY 2025, an increase of 33.7 percent in five years.

## Health Insurance

Together, two agreements reached between the City and the Municipal Labor Committee in 2014 and 2018 are expected to produce cumulative savings of \$10.3 billion through FY 2022 and recurring savings of \$1.9 billion beginning in FY 2022. The savings were used to help fund wage increases for the municipal work force. Despite the agreements, health insurance costs are projected to reach \$7.6 billion by FY 2024 (see Figure 18), 56.6 percent more than in FY 2019.

The State Department of Financial Services recently approved an application from the City's primary insurer to increase health insurance

**FIGURE 18**  
Health Insurance Costs  
City-Funded



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

premiums for active employees by 6.4 percent in FY 2022. The increase is slightly less than assumed in the November Plan (6.5 percent), which could generate some savings.

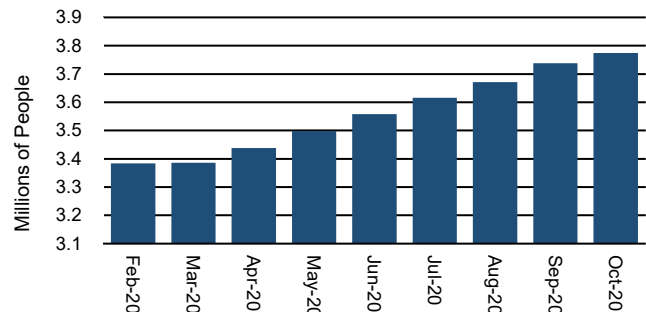
## Medicaid

Medicaid provides health insurance to low-income children and adults, and pays more toward long-term-care costs than any other source.

In October 2020, almost 3.8 million City residents were enrolled in Medicaid, including 391,000 people who have enrolled in Medicaid since February (see Figure 19). During the COVID-19 public health emergency, federal and State policies have made it easier for people to apply for and recertify Medicaid benefits. Enrollment is expected to further increase as a result of the loss of income due to the COVID-19 pandemic.

The November Plan assumes that the City-funded cost of Medicaid will temporarily decline from \$6.2 billion in FY 2020 to \$5.1 billion in FY 2021 with the receipt of federal aid. City-funded costs are expected to rise to \$5.8 billion annually beginning in FY 2022, and will remain at that level because the State has assumed financial responsibility for the growth in the local share. These estimates assume the State will not require the City to cover a larger share of the costs of the Medicaid program.

**FIGURE 19**  
Medicaid Enrollments



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

## Debt Service

City-funded debt service is projected to grow from \$6.5 billion in FY 2020 to \$8.6 billion by FY 2024 (see Figure 20), an increase of 32 percent.

Since the start of the current fiscal year, the City has achieved \$617 million in savings in fiscal years 2021 and 2022 from bond refundings, structuring the deals to receive most of the savings in the short term.<sup>14</sup> Additional savings have come from lower-than-expected capital expenditures, and as a result the City has reduced its bonding need during the financial plan period by \$4.3 billion, from \$39.2 billion to \$34.8 billion.

The City has achieved \$140 million in savings in FY 2021 from lower-than-expected rates on variable-rate debt. The City may realize additional savings of \$150 million from variable-rate debt in FY 2021 and \$175 million in FY 2022. Although Moody's and Fitch Ratings have downgraded the City's general obligation bonds (to Aa2 and AA-, respectively), the City has not experienced a material increase in borrowing rates, although there is a risk that it might see higher rates in the future.<sup>15</sup>

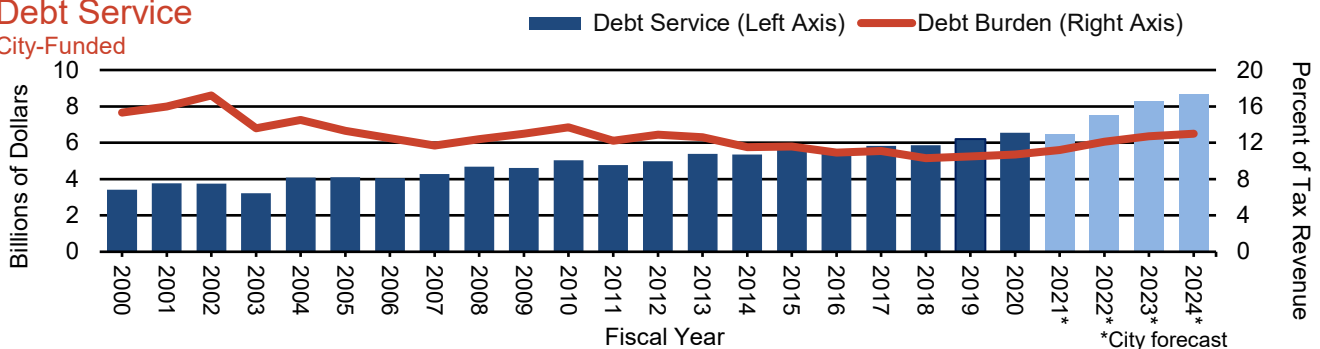
While the City reduced planned City-funded capital commitments (which precede future capital expenditures) for fiscal years 2021 through 2024 by a net of \$3.4 billion when compared to its April 2020 financial plan, the level of planned commitments is still relatively high. Capital commitments are projected to total \$119 billion through 2029, most of which would be funded by the City (93 percent).

Debt service as a share of tax revenue (i.e., the debt burden) reached a recessionary peak of 13.7 percent in FY 2010, but gradually declined to 10.5 percent in FY 2019 as the economy improved.

Despite historically low interest rates, the debt burden is now projected to grow to 11.2 percent in FY 2021, as tax collections decline as a result of reduced economic activity brought on by the pandemic. The debt burden is projected to reach 13 percent by FY 2024 with the projected growth in debt service, still below the City's self-imposed ceiling of 15 percent. The City, however, has not lowered its tax revenue forecast for the years after FY 2021, and any reduction could bring the debt burden closer to the recessionary peak of 2010.

**FIGURE 20**  
**Debt Service**

City-Funded



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

<sup>14</sup> In January 2021, the City plans to refund \$1.3 billion of general obligation debt which is expected to save another \$170 million in fiscal years 2021 and 2022.

<sup>15</sup> S&P Global Ratings has changed the outlook on the City's general obligation bonds to negative from stable but still maintains its AA rating on those bonds.



## Cash Assistance

The Human Resources Administration (HRA) provides public assistance benefits for all eligible children and adults, and helps clients with education, skills enhancement, and job searches and placements so they can attain financial independence.

In March 2020, the City’s cash assistance enrollment reached the lowest levels recorded since the mid-1960s. However, during April 2020 at the height of the COVID-19 pandemic in the City, the caseload started to increase, and by July 2020 another 62,000 people were added to the caseload, levels not reached since FY 2006 (see Figure 21). The growth has since slowed. Policies implemented during the pandemic, such as automatic recertifications and allowing new or existing recipients of public benefits to apply remotely rather than in person, have contributed to the growth.

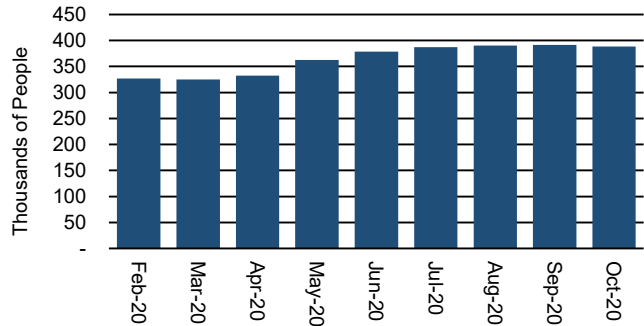
The November Plan assumes that the City-funded costs will total \$890 million in FY 2021, and remain at that level through FY 2025, but costs could exceed the plan level based on recent trends.

## Homeless Services

The homeless population in shelters operated by the Department of Homeless Services (DHS) declined by 8 percent or nearly 4,700 people from February through October 2020 (see Figure 22). The majority of the decline during the period impacted by COVID-19 occurred in families with children, while single adults in shelters continued to increase.

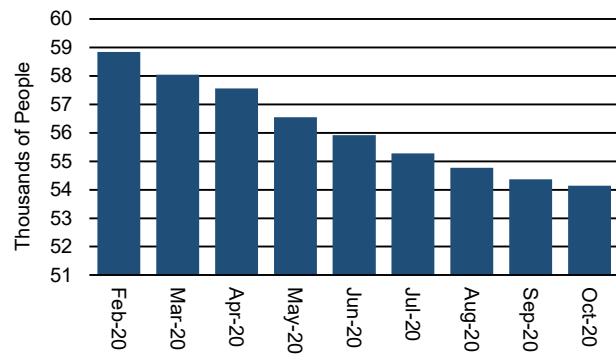
Starting in March, the DHS started isolating individuals who tested positive or exhibited symptoms, those at high risk of developing the virus, and those located in congregate shelters, by placing them in hotel rooms. Whereas in February almost 11,000 people were sheltered in commercial hotels, by the end of August the City

**FIGURE 21**  
Cash Assistance Recipients



Sources: NYC Human Resources Administration; OSC analysis

**FIGURE 22**  
People in Homeless Shelters



Sources: NYC Department of Homeless Services; OSC analysis

had placed more than 18,000 people in such housing.

The City reports that almost 1,600 homeless people living in the City’s shelters have tested positive for the virus. More than 100 homeless people have died, including those who were not living in City shelters.

Costs at the DHS have more than tripled since 2011, reaching \$2.4 billion in FY 2020. The November Plan assumes these costs will total \$2.2 billion in FY 2021 (\$1.1 billion in City funds), reflecting an anticipated continued decline in caseload and the receipt of federal aid. Total funds costs are expected to decline to \$2.1 billion (\$1.2 billion in City funds) in FY 2022 and remain at that level through the remainder of the financial plan.

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## Police Overtime

Overtime at the Police Department totaled \$837 million in FY 2020, largely reflecting extraordinary spending associated with the pandemic and recent racial injustice protests. The November Plan assumes overtime at the Police Department will total \$268 million in FY 2021, a decline of \$569 million. The decline is based mostly on the implementation of actions to reduce overtime by \$336 million (excluding fringe benefits) and the expectation that similar extraordinary spending will not occur.

While overtime spending exceeded the City's forecast by \$56 million during the first five months of FY 2021, it was \$157 million (almost 50 percent) less than the overtime incurred over the same period one year ago. The decline in spending can be partly attributed to the cancellation of major events due to COVID-19.

Although policing needs during the rest of the fiscal year remain uncertain, overtime is expected to decline in FY 2021. Nonetheless, current trends suggest overtime will still exceed the City's forecast. The City also anticipates that overtime at the Police Department will return to pre-pandemic levels for the remainder of the financial plan period. Unplanned overtime costs could be partially offset by savings in other areas or by the receipt of federal and State categorical grants, reducing the net liability to \$150 million in FY 2021 and \$100 million annually beginning in FY 2022.

## VII. Semi-Autonomous Entities

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### Department of Education

New York City has the largest public school system in the nation, serving over 1.1 million students in more than 1,800 schools. Since March 2020, students have engaged in either remote learning or blended remote and in-person learning. The City was among the first in the nation to offer part-time in-person classes, but schools will likely continue to close and reopen during the rest of the school year in response to the ongoing pandemic. Preliminary data indicates that public school enrollment has declined by more than 3 percent since last year in response to the pandemic.

The November Plan allocates \$34.9 billion to the Department of Education for FY 2021, which is 38 percent of the City's total budget. Of this, the City is expected to fund \$20.1 billion (58 percent), with the remainder funded by the State (34 percent) and the federal government and other sources (9 percent).

The November Plan's FY 2021 allocation to the department is \$656 million more than the amount allocated in June under the adopted budget. Most of the increase is for City-funded expenditures covering collective bargaining agreements (\$358 million), increased student transportation costs (\$200 million) and school reopening costs (\$157 million). However, the November Plan does not include a number of expenses that are likely to increase in future years.

The City's adopted budget backfilled a \$360 million shortfall in State education aid with City funds in FY 2021, but made no provision for the shortfall in subsequent years. Additionally, the November Plan recategorizes more than \$720 million in education funding (a one-time

infusion of federal dollars under the CARES Act) as federal rather than State funding.

As a result, the November Plan assumes the State will increase education aid by nearly \$1.6 billion in FY 2022, nearly four and a half times the average over the past nine years, which appears very unlikely given the financial challenges facing the State.

Under federal law, school districts must provide necessary services to students with disabilities. If the district is unable to do so itself, it must fund such services in what are known as "Carter" cases. The City now expects spending on Carter cases to reach \$710 million in FY 2020, more than triple the FY 2015 amount. However, the November Plan assumes these costs will decline by \$304 million in FY 2021. Until the City can demonstrate that the cost of Carter cases has begun to decline, these costs are likely to exceed the estimates in the November Plan by at least \$300 million annually beginning in FY 2021. Such expenses may be even higher because parents have challenged the City's ability to provide adequate services during the pandemic.

Likewise, the cost of student transportation has grown faster than anticipated, requiring the City to add funding in each of the past four fiscal years (averaging almost \$85 million annually). The City added \$200 million for this purpose in FY 2021, but did not include any additional funding in later years.

Additionally, the November Plan does not reflect out-year increases to the charter school per-pupil tuition rate which are mandated in State law. The City's preliminary estimates show these increases could total \$154 million in FY 2022, \$282 million in FY 2023, and \$433 million in FY 2024 if not offset by increases in State aid.

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## Metropolitan Transportation Authority

The Metropolitan Transportation Authority is at a financial precipice. As a result of the COVID-19 pandemic, utilization of the MTA's services has dropped precipitously. Weekday subway and bus ridership in April 2020 were 92 percent lower and 78 percent lower, respectively, than the same month in 2019. The commuter railroads also lost more than 90 percent of their ridership, and MTA bridge and tunnel crossings dropped by 62 percent in April 2020 compared to the prior year.

Dedicated tax revenue collections have also declined because of the recession. As a result of these losses, the MTA's transportation revenue bonds have been downgraded seven times by four rating agencies since the beginning of the pandemic.

In July 2020, the MTA released a financial plan (the "MTA's July Plan") covering calendar years 2020 through 2024. The MTA projected combined budget gaps of \$12 billion for 2020 through 2024, even after the receipt of \$4 billion under the federal CARES Act and assuming that the federal government would provide another \$3.9 billion of similar assistance later in 2020.

On November 18, 2020, the MTA updated its financial plan (the "MTA's November Plan"). Since the MTA no longer expects to receive any additional federal funding in 2020, it needs to take additional actions to balance its budget. The MTA expects to borrow \$2.9 billion from the Federal Reserve's Municipal Liquidity Facility (MLF) in December. The bonds are expected to be backed by payroll mobility taxes and MTA Aid Trust Revenues, and to be paid off with the proceeds of long-term bonds starting in 2023 at a cost of \$143 million annually.

The MTA is using all of the \$337 million that was in its trust for OPEBs to help pay its current OPEB obligations in 2020. As temporarily

allowed by State legislation, the MTA is also using in its operating budget \$900 million of capital lockbox funds in 2020 and 2021 that were earmarked for the 2020-2024 capital program.

Operating funds that were also planned to be allocated to the capital budget (on a PAYGO basis) will now be held for operating budget uses. The MTA also plans to implement \$2.3 billion of cost-saving actions over five years, mostly from reducing overtime and nonpersonnel expenses. The MTA expects to finish 2020 with a surplus of \$1.8 billion, which it will roll into 2021 to help reduce that year's deficit.

The MTA's November Plan assumes that ridership will return more slowly than the growth assumed in the MTA's July Plan. The July Plan expected ridership to return to pre-pandemic levels by the first quarter of 2023, but as of November 6, subway ridership was still down 69 percent from last year and MTA commuter railroad ridership was down around 75 percent.

The MTA's consultant, McKinsey, has provided it with a preliminary new analysis of ridership expectations. McKinsey's best-case scenario is that as a result of vaccinations and previous exposure to the virus, ridership will return to 92 percent of the pre-pandemic level at the start of 2024. Its worst-case scenario shows ridership returning slower and over a longer period, to 79 percent of the pre-pandemic level by the end of 2024 as a result of meaningful restrictions associated with another wave of the virus.

The MTA has incorporated the worst-case scenario into its November Plan. This lowers the projection of farebox revenue when compared to the MTA's July Plan by an average of \$1.8 billion annually from 2021 through 2024. As a result, the MTA's November Plan expects to have a \$4.5 billion gap in 2021, and gaps of \$4.9 billion in 2022 and more than \$3 billion in each of 2023 and 2024 (\$15.8 billion total).

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The MTA has asked for \$12 billion from the federal government to help it stem its revenue losses. Reports have indicated that the MTA will receive at least \$4 billion from a new stimulus bill that is expected to be approved by Congress.

In December, the MTA Board adopted a balanced budget for 2021 that assumes \$4.5 billion of federal aid and does not contain the service reductions that were proposed in the November Plan. While the MTA is expected to receive additional stimulus funding, it is uncertain how the MTA would close any remaining gap in 2021 if such aid is insufficient.

The proposed service reductions would reduce service on subways and buses by 40 percent and on the commuter railroads by 50 percent. These reductions would save \$1.3 billion annually and reduce headcount by 8,085 positions, mostly in New York City Transit bus services. The MTA has also proposed reducing service on the formerly private services now operating as MTA Bus. This would save the City, which fully subsidizes the service, \$190 million annually, but the City would have to approve of the reduction.

The MTA's budget currently assumes that the service cuts will begin starting in 2022. Even after implementing those service cuts and instituting a wage freeze on all employees, the MTA still expects to have remaining budget gaps of \$3.3 billion in 2022, \$2.3 billion in 2023 and \$2.2 billion in 2024. To close these gaps without federal assistance, the MTA would be forced to consider higher increases than the currently budgeted 4 percent fare and toll yields, as well as continued deficit financing, which is likely to weaken the recovery and make it more difficult for the MTA to make the capital investments necessary for long-term stability and growth.

Before the pandemic, the MTA had begun its most ambitious capital program to reverse the deterioration that resulted from years of insufficient capital investment. The MTA's 2020-

2024 capital program is valued at \$54.8 billion, 62 percent larger than the prior program. To help preserve cash, most new capital commitments have been halted and \$1.5 billion of capital funding is now expected to be used for operating purposes. As a result, capital projects could be started later than planned, which could impact the state of good repair for the MTA.

The enacted State budget commits the State and the City to each provide \$3 billion for the MTA's 2020-2024 capital program. While a capital appropriation for the State's commitment is included in the State budget, the sources of funding have not been identified. The City also has not included its share of the funding in its capital commitment plan.

State law also requires the City to fund half of the net cost (i.e., after fare collections and subsidies) of the MTA's paratransit program. While the November Plan includes \$63 million in FY 2021 to fund these costs, it made no provision to fund the increase in subsequent years. Further, the MTA expects pre-pandemic ridership to return in 2022 and thus the cost to the City is expected to increase although the City's contribution is capped through 2023.

The recovery of the City is dependent on the MTA's financial stability, and any service cuts that are implemented could slow the City's recovery even further. The City, the State and the MTA all need additional federal aid to mitigate the impact of the COVID-19 pandemic on their budgets. The three are closely intertwined, and failure to aid one could adversely affect the others.

## **Health and Hospitals Corporation**

The New York City Health and Hospitals (H+H) is the largest public health system in the country, and provides health and mental health services to about 1.1 million City residents. Even before the COVID-19 pandemic, H+H faced significant financial challenges, including the declining use

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of services, reduced federal funding and a large share of patients who lack health insurance.

H+H has made progress in recent years in improving its financial condition, but it faces new financial and operational pressures because of the COVID-19 pandemic. Although COVID-19 admissions have declined since the peak in mid-April 2020, inpatient and outpatient services have not yet returned to their pre-pandemic levels.

H+H estimated that revenue losses related to COVID-19 totaled \$150 million through the end of September 2020, and that it would incur unplanned costs of \$1.6 billion through the end of 2020. According to H+H, it has received \$1.4 billion in federal aid and is seeking additional federal assistance.

According to H+H, it ended FY 2020 with a cash balance of \$688 million, \$100 million below what was anticipated in its preliminary cash-based financial plan released in February 2020. Costs incurred due to COVID-19 during FY 2020 totaled \$788 million, which were fully offset by federal relief funding.

H+H has not yet approved a budget or a financial plan for the fiscal year that started on July 1, 2020. In the absence of a budget or financial plan, it is difficult to assess the impact of the pandemic on H+H's finances.

In addition to the impact of the pandemic, H+H is still assessing the budgetary impact of initiatives included in the State budget that are intended to reduce the State's Medicaid costs, in part, by cutting payments to hospitals. H+H, however, will benefit in FY 2021 by \$237 million from a further delay in planned cuts in federal supplemental Medicaid payments. Further delays could provide H+H with additional financial support of up to \$343 million in FY 2021.

Since early September, COVID-19 cases and hospitalizations have started once more to increase across the City, which could put further

strain on hospital capacity, depending on the severity and duration of another wave of the pandemic and the availability of a vaccine. If nonemergency procedures and elective surgeries are again suspended, it could adversely impact H+H's efforts to increase utilization at its facilities.

The State's Department of Health has instituted emergency measures to prepare hospitals for an expected surge in new admissions during December. H+H states it has a stockpile of the required 90-day supply of personal protective equipment, has purchased additional ventilators and has identified space to increase bed capacity for COVID-19 patients.

The operational and financial impact of the COVID-19 pandemic on H+H will be dependent on the pandemic's severity and duration. The budgetary impact could be mitigated by financial support from the federal government, but the timing of the receipt of any such funds is uncertain. The City has provided H+H with assistance in meeting its cash flow needs in the past and could be called upon again to provide financial support.

## **New York City Housing Authority**

The New York City Housing Authority (NYCHA) manages about 174,000 apartments that house more than 380,000 residents. This represents 8 percent of the City's rental apartments.

NYCHA is 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 (SDNY). The agreement is designed to remedy lead paint conditions as well as resolve deficiencies related to heat, mold, elevators and pests.

Some of the work mandated by the agreement, however, has been impacted by the pandemic. As a result, the monitor is working with NYCHA to extend the deadlines for needed work on a

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case-by-case basis, provided that the Authority can demonstrate that it has used, as determined by the monitor, “best efforts” to comply with the terms of the agreement, despite circumstances beyond its control, and that any extensions are necessary solely to address the impact of the public health emergency. The monitor will make recommendations to HUD and SDNY as to whether NYCHA has used “best efforts.”

Despite federal assistance, NYCHA expects the pandemic to significantly impact rent collections. (Tenant rents accounted for 27 percent of NYCHA’s \$3.8 billion 2020 operating budget.) NYCHA anticipates a decrease in rental revenue from reductions in rent due to lower incomes, a new policy to delay rent increases and an increase in rent delinquencies. Between February 2020 and October 2020, the rent collection rate declined from 88 percent to 83 percent.

In July 2020, NYCHA unveiled Blueprint for Change, its transformation plan to rehabilitate 110,000 apartments. When combined with the current program to renovate 62,000 apartments, (NYCHA 2.0), these plans would provide for capital improvements to a total of 172,000 apartments, virtually all of NYCHA’s housing stock. The transformation plan would require the formation of a new legal entity, a public housing trust that would also leverage federal vouchers to issue bonds. The proceeds from these bonds would then be used to fund repairs.

The transformation plan is in its early stages (the public comment period ends on December 28, 2020) and faces a number of potential hurdles, including the need for new State legislation in order to create the housing trust and federal approval to pool the vouchers for this purpose.

# Appendix A: City-Fund Revenue Trends

(in millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
General Property Tax	\$ 29,650	\$ 30,691	\$ 31,842	\$ 32,706	\$ 33,071
Personal Income Tax	13,551	11,922	12,975	13,729	14,270
Sales Tax	7,372	6,766	8,089	8,667	8,916
Business Taxes	6,449	5,209	5,603	5,958	5,940
Real Estate Transaction Taxes	2,109	1,433	1,690	1,941	2,028
Other Taxes	2,933	2,448	2,828	2,941	2,996
Tax Audits	1,026	921	721	721	721
<b>Subtotal: Taxes</b>	<b>63,090</b>	<b>59,390</b>	<b>63,748</b>	<b>66,663</b>	<b>67,942</b>
Miscellaneous Revenues	5,942	4,987	5,005	4,997	4,999
Unrestricted Intergovernmental Aid	11	0	0	0	0
Grant Disallowances	(5)	(15)	(15)	(15)	(15)
<b>Total</b>	<b>\$ 69,038</b>	<b>\$ 64,362</b>	<b>\$ 68,738</b>	<b>\$ 71,645</b>	<b>\$ 72,926</b>

Annual Rate of Growth	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
General Property Tax	7.0%	3.5%	3.8%	2.7%	1.1%
Personal Income Tax	1.5%	-12.0%	8.8%	5.8%	3.9%
Sales Tax	-5.6%	-8.2%	19.6%	7.1%	2.9%
Business Taxes	3.5%	-19.2%	7.6%	6.3%	-0.3%
Real Estate Transaction Taxes	-20.2%	-32.1%	17.9%	14.9%	4.5%
Other Taxes	-0.4%	-16.5%	15.5%	4.0%	1.9%
Tax Audits	25.4%	-10.2%	-21.7%	0%	0%
<b>Subtotal: Taxes</b>	<b>2.6%</b>	<b>-5.9%</b>	<b>7.3%</b>	<b>4.6%</b>	<b>1.9%</b>
Miscellaneous Revenues	-0.9%	-16.1%	0.4%	-0.2%	0%
Unrestricted Intergovernmental Aid	N/A	N/A	N/A	N/A	N/A
Grant Disallowances	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>1.9%</b>	<b>-6.8%</b>	<b>6.8%</b>	<b>4.2%</b>	<b>1.8%</b>

Sources: NYC Office of Management and Budget; OSC analysis



# Appendix B: City-Fund Expenditure Trends

(in millions)

	FY 2020	FY 2021	FY 2022	FY 2023	2024
Salaries and Wages	\$ 20,339	\$ 21,185	\$ 20,811	\$ 20,648	\$ 20,927
Pension Contributions	9,640	9,788	10,422	10,393	10,166
Debt Service	6,542	6,469	7,493	8,282	8,653
Medicaid	6,216	5,136	5,813	5,813	5,813
Health Insurance	5,079	5,696	6,357	6,973	7,611
Other Fringe Benefits	3,081	3,170	3,630	3,657	3,824
Energy	680	764	814	857	889
Judgments and Claims	613	587	602	618	635
Public Assistance	703	890	891	891	891
Other	17,081	15,706	16,040	16,228	16,370
<b>Subtotal</b>	<b>69,974</b>	<b>69,391</b>	<b>72,872</b>	<b>74,361</b>	<b>75,778</b>
General Reserve	---	100	1,000	1,000	1,000
Capital Stabilization Reserve	---	---	250	250	250
Labor Savings	---	(342)	(1,000)	(1,000)	(1,000)
Retiree Health Benefits Trust	(1,000)	(1,600)	---	---	---
Prior Years' Expenses	(212)	---	---	---	---
<b>Total</b>	<b>\$ 68,762</b>	<b>\$ 67,549</b>	<b>\$ 73,122</b>	<b>\$ 74,611</b>	<b>\$ 76,028</b>

Annual Rate of Growth	FY 2020	FY 2021	FY 2022	FY 2023	2024
Salaries and Wages	0.6%	4.2%	-1.8%	-0.8%	1.3%
Pension Contributions	-1.6%	1.5%	6.5%	-0.3%	-2.2%
Debt Service	5.5%	-1.1%	15.8%	10.5%	4.5%
Medicaid	2.5%	-17.4%	13.2%	0.0%	0.0%
Health Insurance	4.5%	12.2%	11.6%	9.7%	9.1%
Other Fringe Benefits	1.1%	2.9%	14.5%	0.8%	4.6%
Energy	-13.4%	12.4%	6.6%	5.2%	3.8%
Judgments and Claims	4.4%	-4.2%	2.6%	2.6%	2.7%
Public Assistance	7.8%	26.5%	0.1%	0.0%	0.0%
Other	7.2%	-8.1%	2.1%	1.2%	0.9%
<b>Subtotal</b>	<b>2.7%</b>	<b>-0.8%</b>	<b>5.0%</b>	<b>2.0%</b>	<b>1.9%</b>
General Reserve	N/A	N/A	N/A	---	---
Capital Stabilization Reserve	N/A	N/A	N/A	---	---
Labor Savings	N/A	N/A	---	---	---
Retiree Health Benefits Trust	N/A	N/A	N/A	---	---
Prior Years' Expenses	N/A	N/A	---	---	---
<b>Total</b>	<b>1.0%</b>	<b>-1.8%</b>	<b>8.3%</b>	<b>2.0%</b>	<b>1.9%</b>

Note: Debt service and totals have been adjusted for surplus transfers. Totals may not add due to rounding.  
Sources: NYC Office of Management and Budget; OSC analysis

# Appendix C: Full-Time Staffing Levels

	Actual	Actual	Forecast	Variance	Variance	Variance
	Feb 2020	Sept 2020	June 2021	Feb 2020 to Sept 2020	Feb 2020 to June 2021	Sept 2020 to June 2021
<b>Public Safety</b>	<b>86,275</b>	<b>83,231</b>	<b>81,439</b>	<b>(3,044)</b>	<b>(4,836)</b>	<b>(1,792)</b>
Police Uniformed	36,634	34,694	35,007	(1,940)	(1,627)	313
Police Civilian	15,398	15,133	15,201	(265)	(197)	68
Fire Uniformed	11,198	10,966	10,935	(232)	(263)	(31)
Fire Civilian	6,159	6,209	6,200	50	41	(9)
Correction Uniformed	9,566	9,046	7,219	(520)	(2,347)	(1,827)
Correction Civilian	1,750	1,692	1,722	(58)	(28)	30
District Attys. & Prosecutors	4,698	4,669	4,278	(29)	(420)	(391)
Probation	845	795	845	(50)	0	50
Board of Correction	27	27	32	0	5	5
<b>Health &amp; Welfare</b>	<b>23,774</b>	<b>23,105</b>	<b>24,473</b>	<b>(669)</b>	<b>699</b>	<b>1,368</b>
Social Services	9,562	9,374	10,101	(188)	539	727
Children's Services	7,222	6,894	7,084	(328)	(138)	190
Health & Mental Hygiene	4,166	4,094	4,385	(72)	219	291
Homeless Services	2,144	2,056	2,200	(88)	56	144
Other	680	687	703	7	23	16
<b>Environment &amp; Infrastructure</b>	<b>16,948</b>	<b>15,984</b>	<b>15,937</b>	<b>(964)</b>	<b>(1,011)</b>	<b>(47)</b>
Sanitation Uniformed	7,910	7,597	7,425	(313)	(485)	(172)
Sanitation Civilian	2,079	2,033	2,066	(46)	(13)	33
Transportation	2,972	2,412	2,441	(560)	(531)	29
Parks & Recreation	3,662	3,593	3,664	(69)	2	71
Other	325	349	341	24	16	(8)
<b>General Government</b>	<b>11,556</b>	<b>11,307</b>	<b>11,859</b>	<b>(249)</b>	<b>303</b>	<b>552</b>
Finance	2,035	1,972	2,090	(63)	55	118
Law	1,682	1,656	1,732	(26)	50	76
Citywide Admin. Services	1,821	1,750	1,872	(71)	51	122
Taxi & Limo. Commission	591	571	578	(20)	(13)	7
Investigations	364	352	380	(12)	16	28
Board of Elections	684	694	517	10	(167)	(177)
Info. Tech. & Telecomm.	1,577	1,586	1,749	9	172	163
Other	2,802	2,726	2,941	(76)	139	215
<b>Housing</b>	<b>2,441</b>	<b>2,458</b>	<b>2,531</b>	<b>17</b>	<b>90</b>	<b>73</b>
Buildings	1,661	1,679	1,726	18	65	47
Housing Preservation	780	779	805	(1)	25	26
<b>Department of Education</b>	<b>104,494</b>	<b>102,115</b>	<b>104,861</b>	<b>(2,379)</b>	<b>367</b>	<b>2,746</b>
Pedagogues	92,886	90,737	94,083	(2,149)	1,197	3,346
Non-Pedagogues	11,608	11,378	10,778	(230)	(830)	(600)
<b>City University of New York</b>	<b>6,332</b>	<b>6,191</b>	<b>6,388</b>	<b>(141)</b>	<b>56</b>	<b>197</b>
Pedagogues	4,573	4,463	4,441	(110)	(132)	(22)
Non-Pedagogues	1,759	1,728	1,947	(31)	188	219
<b>Elected Officials</b>	<b>2,343</b>	<b>2,301</b>	<b>2,497</b>	<b>(42)</b>	<b>154</b>	<b>196</b>
<b>Total</b>	<b>254,163</b>	<b>246,692</b>	<b>249,985</b>	<b>(7,471)</b>	<b>(4,178)</b>	<b>3,293</b>

Note: City-funded staffing only. Excludes positions funded entirely with federal and State categorical grants.

Sources: NYC Office of Management and Budget; OSC analysis



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