New York State Comptroller
THOMAS P. DiNAPOLI

Review of the Financial Plan of the City of New York

Report 8-2027

August 2026

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

Message from the Comptroller

August 2026

New York City's finances have been through a tumultuous period in recent years, with significant federal, State and City revenues enabling substantial growth in spending, some of which has been in response to various emergencies. In recent months, the City reflected these rising costs more fully, improving transparency and addressing billions in budgetary risks, but revealing an ongoing structural imbalance. Identifying sustainable methods for balancing future budgets will require care to weigh the potential threats of such actions to the City's fiscal stability, competitiveness and affordability.

The City's fiscal fortunes have improved modestly this year on the back of a resilient economy, led by financial services, which has produced robust revenues to help sustain programs and services. Still, the City has gone another year without increasing reserves and faces a spending growth trajectory that will require hard choices if revenues do not come in better than expected. Recent cost containment efforts suggest the City does recognize that rising costs for certain expenses, particularly for education and social services, are pressuring City finances, underscoring the need to proactively manage costs to avoid outcomes that worsen its structural budget issues or lead to deterioration in services.

Mindful of what is transpiring in Washington, the City must make balanced and prudent fiscal choices while managing its substantial operational needs and encouraging employment and business growth to enhance its economic and tax revenue base. The City's recent move to designate agency staff with generating savings via efficiencies is welcome and efforts at expanding this approach now suggest a recognition of this challenge. Monitoring City staffing and performance indicators and responding to shifting demands for City resources remain critical for ensuring basic services are provided in an efficient and targeted manner.

Clear communication to the public about the City's fiscal challenges, the options available, and the information guiding the City's efforts to balance its budget will be critical, particularly if the economic outlook weakens or if spending cannot be contained further without service cuts. Ultimately, future economic growth in the City, and thereby the State, relies on providing services that improve affordability, quality of life, and opportunity for all residents. As always, my office will continue to closely monitor developments in the City and provide independent analysis to support sound fiscal management.

Thomas P. DiNapoli
New York State Comptroller

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I. Executive Summary

New York City’s $127.8 billion fiscal year (FY) 2027 budget released in June (see Figure 1), inclusive of prepayments made in FY 2026, is nearly $5.9 billion more than projected at the same point last year, a significant upward revision in spending, much of which was to address underbudgeting raised by the Office of the State Comptroller (OSC) and other fiscal monitors in recent years. While the City was able to achieve budgetary balance in FY 2027, some of its choices for doing so have exposed a structural imbalance that has continued in recent years and could worsen if sustainable solutions are not identified.

First, the City should be credited for more fully reflecting recurring cost and trends in the provision of social services and education spending and partially addressing overtime costs and subsidies to the Metropolitan Transportation Authority (MTA). These underbudgeted items made up nearly 65 percent of the total added spending in FY 2027. In addition to increasing spending for underbudgeted items, the City also added substantial spending for new needs, both to address unexpected costs, such as rising health care plan costs, and for expanded initiatives, such as child care. Combined with its efforts to address underbudgeted initiatives, the City added an unprecedented amount of spending for new agency needs, most of which were baselined, averaging $10.3 billion annually.

To close the FY 2027 budget gap, the City relied on revenue projections revised upward, an expanded Citywide Savings Program, its success in garnering additional State aid, and a mix of one-time actions. One-time actions included savings from FY 2026 done through a reestimation of a prior year labor reserve, a restructuring of the City’s pension obligations, and a drawdown on contingency reserves, all of which helped to provide about $3.7 billion in budgetary relief to be used toward additional spending in FY 2027. While these measures enable balance in the short term, they heighten the City’s reliance on non-recurring actions and may amplify out-year risks.

Anticipated State support for the City has increased by an average of $2 billion annually (from FY 2027 to FY 2030) since June 2025 as well, including a one-time rise in unrestricted aid for FY 2027 and additional funding for child care and youth justice programs. However, these resources are expected to decline in the out-years, necessitating renewed discussions about the long-term burden of growing programmatic costs.

The choices to balance FY 2027 leave the City with less room for similar budget maneuvers in the future, make it more reliant on State aid and will increase urgency over discussions to identify additional revenues and savings. These actions also come as the City has not yet fully experienced potential stressors on its budget from external forces, including federal funding uncertainty, and therefore State funding uncertainty, and a slowdown or reversal in economic growth. The risks that stem from these uncertainties should not be underestimated.

Another cause for concern is these choices have been made even as the securities industry had what is likely to be one of the strongest first halves of a calendar year in terms of profitability. The City, which diversified away from financial activities sector, has become more reliant on the sector in recent years. More than 21 percent of total private wages were from the securities industry, up from 19 percent prior to the pandemic after years of diversification. Securities profits have also further concentrated business tax revenue that comes from the sector. A recession, particularly one that is rooted in the financial sector, would create acute pressure on the City budget.

A second concern which has been, for the time being, delayed, is pressure from the State. So far, the State has mostly insulated the City from federal funding changes. However, the negative effects of federal funding policy changes on the State's financial position are expected to accelerate, with major changes to health care and social services support being phased in over the coming years. The State's fiscal position would also be hurt by a recession, potentially compounding the fiscal risks to the City of such an outcome.

The combined changes since June allocate $2 billion to prepay FY 2027 expenses, the lowest amount set aside since the FY 2015 Adopted Budget and the fourth year of declining prepayments, reflecting disbursements that outpace receipts and suggest the City's budget is growing structurally imbalanced. The City's stated out-year gaps now total a combined $23.4 billion from FY 2028 to FY 2030, excluding tax programs, 37 percent higher than the cumulative gaps since last June and the largest amount on record. OSC anticipates that even with better than projected revenues, the City's gaps are slightly larger after adding potential budget risks, averaging $8.8 billion beginning from FY 2028 to FY 2030 (see Figure 2).

Such concerns are generally ameliorated by preparation. The creation of a new Citywide Savings Program for FY 2027 focused on identifying further efficiencies based on a survey of City workers, announced in July after budget adoption and set at 2.5 percent of city-funded agency spending, shows the City's recognition that more can be done on managing costs. Publishing the choices made in the FY 2026 Citywide Savings Program so that the cost savings can be monitored would help ensure such plans are being implemented effectively.

Another common method for preparing for recessionary activity is the creation of, and adherence to, policies for the use of reserves, with rules on the purpose of funds and deposit, withdrawal and replenishment of funds. The City's Charter Revision Commission recently voted to include a ballot proposal in November that establishes a target for all reserves but maintains loosely worded language on deposits, withdrawals and replenishment. Additional clarity on the sources and uses of the fund is needed to ensure deposits are made when the City is flush, without hurting the flexibility for their use when truly needed (see Figure 3).

A comprehensive multiyear plan for budgetary balance that shows the public that the City is attempting to manage its costs, raise revenue in ways that do not affect competitive balance, and set aside funds for unexpected emergencies is needed. The City has taken steps in each of these critical areas in recent months but will have to continue to do so to manage an uncertain economic and fiscal outlook that lies ahead.

FIGURE 1
New York City Financial Plan
(in millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 3030
Revenues					
Taxes					
General Property Tax	$35,386	$37,190	$37,867	$39,038	$40,418
Other Taxes	49,063	50,487	51,563	51,897	53,120
Tax Audit Revenues	1,149	929	879	879	879
Tax Programs	- - -	68	69	71	74
Subtotal: Taxes	$85,598	$88,674	$90,378	$91,885	$94,491
Miscellaneous Revenues	9,229	8,570	8,426	8,474	8,515
Unrestricted Intergovernmental Aid	119	651	161	161	161
Less: Intra-City Revenue	(2,419)	(2,184)	(2,127)	(2,119)	(2,116)
Disallowances Against Cat. Grants	(15)	(15)	(15)	(15)	(15)
Subtotal: City Funds	$92,512	$95,696	$96,823	$98,386	$101,036
Other Categorical Grants	1,256	1,138	874	871	868
Inter-Fund Revenues	800	821	810	812	813
Federal Categorical Grants	9,863	7,374	7,231	7,101	7,088
State Categorical Grants	20,670	20,813	21,086	20,651	20,723
Total Revenues	$125,101	$125,842	$126,824	$127,821	$130,528
Expenditures					
Personal Service					
Salaries and Wages	34,756	36,188	37,505	38,676	39,752
Pensions	9,819	8,819	9,610	8,846	7,962
Fringe Benefits	15,645	15,745	16,430	17,188	17,992
Subtotal: Personal Service	$60,220	$60,752	$63,545	$64,710	$65,706
Other Than Personal Service					
Medical Assistance	6,763	6,790	6,940	7,090	7,240
Public Assistance	2,762	2,708	2,707	2,707	2,707
All Other	51,293	49,957	50,240	50,523	51,568
Subtotal: Other Than Personal Svcs.	$60,818	$59,455	$59,887	$60,320	$61,515
Debt Service	8,310	9,328	10,509	11,667	12,489
FY 2025 Budget Stabilization	(3,787)	- - -	- - -	- - -	- - -
FY 2026 Budget Stabilization	1,959	(1,959)	- - -	- - -	- - -
Capital Stabilization Reserve	- - -	- - -	250	250	250
General Reserve	- - -	450	1,200	1,200	1,200
Less: Intra-City Expenses	(2,419)	(2,184)	(2,127)	(2,119)	(2,116)
Total Expenditures	$125,101	$125,842	$133,264	$136,028	$139,044
Gap to be Closed	$ - - -	$ - - -	$ (6,440)	$ (8,207)	$ (8,516)

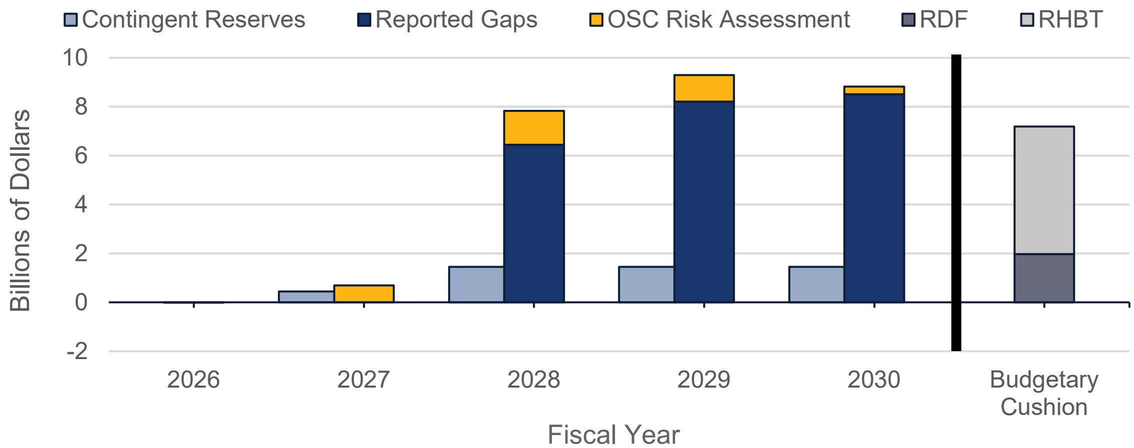
Sources: NYC Office of Management and Budget; OSC analysis

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

	Better/(Worse)				
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Gaps Per NYC Financial Plan	- - -	- - -	$ (6,440)	$ (8,207)	$ (8,516)
Tax Revenue	$386	$1,005	$1,275	$2,160	$3,065
Miscellaneous Revenue	- - -	100	100	100	100
Unrestricted State Aid	- - -	(161)	(161)	(161)	(161)
Subtotal Revenue	$386	$944	$1,214	$2,099	$3,004
Health Insurance	500	- - -	- - -	- - -	- - -
Citywide Payroll Savings	400	- - -	- - -	- - -	- - -
Impact of State Budget	77	- - -	- - -	- - -	- - -
Pension Contributions	- - -	- - -	67	205	337
Variable Rate Debt Service	- - -	75	- - -	- - -	- - -
Operating Subsidies to the MTA	(197)	(133)	(278)	(273)	(294)
Overtime	(299)	(713)	(730)	(731)	(768)
ACS – Child Care Services	- - -	(121)	(330)	(370)	(370)
DOE – Due Process Cases (Carters)	- - -	(128)	(208)	(340)	(470)
DOE – Unsalaried Wages	(654)	- - -	- - -	- - -	- - -
SNAP Administration Funding Cut	- - -	(83)	(110)	(110)	(110)
Unbudgeted Recurring 2-K Costs	- - -	- - -	- - -	(425)	(425)
Public Assistance	- - -	(38)	(31)	(23)	(15)
Non-Asylum Shelter	- - -	- - -	(13)	(27)	(48)
CityFHEPS	- - -	- - -	(27)	(71)	(113)
Residual Services for Asylum Seekers	(154)	(59)	(586)	(515)	(515)
Unidentified Savings Initiatives	- - -	- - -	(179)	(124)	(89)
Cost Containment - CityFHEPS	- - -	(235)	(235)	(235)	(235)
Cost Containment - Shelter….	- - -	(284)	(23)	(51)	(74)
Cost Containment – Due Process Cases	- - -	(149)	(149)	(149)	(149)
Pupil Transportation Efficiencies	- - -	(28)	(56)	(56)	(56)
Other Unidentified Changes (net)	(54)	- - -	- - -	- - -	- - -
Subtotal Expenditures	$ (381)	$ (1,896)	$ (2,888)	$ (3,295)	$ (3,394)
OSC Offset/(Risk) Assessment	$5	$ (952)	$ (1,674)	$ (1,196)	$ (390)
Potential Gaps Per OSC [1,2,3]	$5	$ (952)	$ (8,114)	$ (9,403)	$ (8,906)
DOE – Paraprofessional Lump Sum [4]		$ (350)			

Notes:
[1] Totals may not add due to rounding.
[2] The June Plan gaps are inclusive of a general reserve of $450 million in FY 2027 and $1.2 billion in each of fiscal years 2028 through 2030. In addition, the Capital Stabilization Reserve has a balance of $250 million in each of fiscal years 2028 through 2030. The June Plan also includes reserves of about $279 million beginning in FY 2028 to fund potential changes to planned pension contributions from actuarial audit recommendations.
[3] State law requires surplus resources accumulated by the City to be deposited into its Revenue Stabilization Fund. As of FY 2025, the balance held in the Rainy-Day Fund (RDF) is nearly $2 billion.
[4] In July, the City Council approved Introduction 692, which provides four one-time, non-pensionable, lump sum payments to paraprofessionals working in public schools. While it is unclear if these payments are legal under the Taylor Act, the payments (if issued) could cost more than $350 million in FY 2027. These payments were not funded in the June Plan.

FIGURE 3
OSC Adjusted Budget Gaps



Note: The RDF is the Rainy-Day Fund and the RHBT is the Retiree Health Benefits Trust. In addition to the contingency reserves funded in each year of the plan period, the City maintains an additional budgetary cushion through balance sheet reserves recorded as of June 30, 2025, which may be used to help close future budget gaps.
Sources: NYC Office of Management and Budget; OSC analysis

II. Economic Trends

Economic Overview

The U.S. economy is tracking a Bloomberg consensus estimate of 2.1 percent real Gross Domestic Product (GDP) growth year-over-year for calendar year 2026, reflecting a resilient but moderating expansion. Growth has been supported by consumer spending and a recovering labor market, though geopolitical headwinds — including the U.S.-Iran conflict and residual tariff uncertainty — have introduced meaningful downside risk to the outlook.

U.S. non-farm payrolls showed an average increase of about 75,000 jobs per month in the first half of 2026, up from 27,000 monthly in the first half of 2025. However, job growth decelerated in June and declined in July, providing the Federal Reserve with some rationale for not raising rates, even as inflation has risen over the year. Annualized Consumer Price Index (CPI) rose from 2.4 percent in January to 3.5 percent in June as the conflict in the Middle East impacted the price of commodities, particularly energy.

The 10-year treasury yield was 4.49 percent as of June 30, 2026, up from 4.17 percent to begin the year. The Fed funds rate has held steady at 3.75 percent (upper bound) throughout 2026, with the Federal Reserve maintaining a cautious, data-dependent approach to rate setting amid the rise in inflation. If rates rise to combat inflation, growth projections could ease for the remainder of the year.

Equity markets have strengthened in 2026 despite the economic turbulence affecting supply chains and inflation, amid tailwinds fueled by the artificial intelligence sector and related industrial demand. The S&P 500 was up over 9 percent through the first half of 2026.

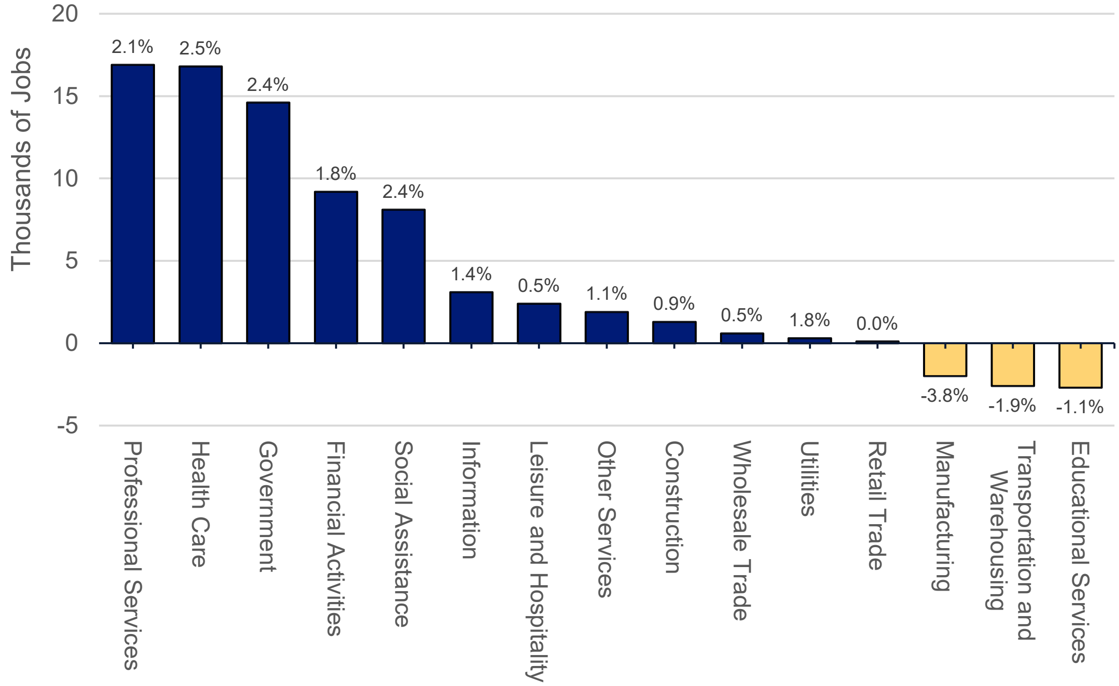
New York City Economy

Slow but steady national economic growth has been reflected locally, with outsized financial sector strength supporting aggregate wage growth. NYC private sector employment reached 4,255,400 in June 2026, up 53,400 jobs year over year. A more detailed review of industry level employment growth shows job growth in 2026 has been largely supported by professional services, health care, government employment (primarily in public education), financial activities, and social assistance, offset by employment losses in manufacturing, transportation and warehousing and educational services (see Figure 4). OSC has noted in recent reports that the employment recovery during the pandemic has been uneven, particularly in demographic groups that are largely represented in industries that have not fully recovered.

The real estate market in the City continues to see a rise in valuations, with demand for residential property fueling 3.9 growth in median residential transaction prices in the first half of 2026 compared to the same period in 2025. Commercial valuations continue to grow as well, particularly for high quality office buildings. Office vacancies fell to 19.3 percent in the second quarter of 2026 from 22.6 percent in the prior year. Asking rents have increased, net absorption remains positive, and leasing activity remains strong.

FIGURE 4

Change in Employment by Sector, June 2025 to June 2026



Sources: NYS Department of Labor Current Employment Statistics; OSC analysis

The aforementioned strength in the stock market and continued capital raising efforts through both debt and equity have supported profitability at major banks, while several large traders in the securities sector experienced record profits in that line of business. New York Stock Exchange member firm profits were $21.1 billion in the first quarter of 2026, the second-strongest quarter on record. Large bank profits through the second quarter of the calendar year suggest this trend is likely to continue for securities firms in the second quarter. Investment banking, trading and asset management lines of business continue to experience strong year-over-year profitability growth.

New York City's tourism industry has directly benefited from an unexpected boost this year from the New York Knicks' NBA Championship, and the boost in demand for the FIFA World Cup and America250 celebrations. In the week ending June 13, 2026, among the top 25 U.S. hotel markets, the New York City hotel industry saw the largest year-over-year increases in room rates and occupancy. Still, projected visitations to the City are not expected to fully recover for international or business visitors in the current year, with domestic visitors fueling spending increases.

III. Changes Since the June 2025 Plan

In June 2025, the City projected a balanced budget for FY 2026 and budget gaps of $5 billion in FY 2027, $6.1 billion in FY 2028 and $6 billion in FY 2029. One year later, the City was able to generate nearly $2 billion of unanticipated resources in FY 2026 that will be used to prepay expenses and help balance the FY 2027 budget. The City recognized a historical amount of new agency needs, averaging $9.8 billion annually, most of which was baseline funding for risks previously identified by OSC ($6.5 billion annually). In FY 2027, these additions were virtually fully offset by significant revenue reestimates, agency savings, lower projected pension costs, and a drawdown of reserves, among other relatively smaller changes. These significant adjustments aligned an improved revenue picture, confirmed by actual revenue collections in FY 2026, with historically underbudgeted costs (see OSC's previous financial plan review reports for more information). The combined changes since June 2025 increased the gaps in fiscal years 2028 and 2029 by $337 million and $2.2 billion, respectively (see Figure 5).

The largest change since last June has been the addition of new needs, the highest four-year amount on record identified in a single fiscal year ($39 billion). Most of this funding is for the Department of Education (DOE), averaging $2.7 billion annually, for the class size mandate, due process cases, early childhood education, maintaining funding at schools experiencing declines in enrollment (hold schools harmless) and other relatively smaller adjustments. Social services new needs, including for rental assistance, cash assistance, shelter costs, and foster care, added about $4.1 billion in spending annually (see Figure 6). Other large new needs funded since June include Metropolitan Transportation Authority (MTA) subsidy costs, a reestimate of the City's settlement and judgment costs, and fringe benefits.

To fund these needs, the City revised its total revenue projections upward by an average of $5.2 billion annually through FY 2029 ($20.7 billion total). Changes to tax revenue forecasts account for $10.1 billion across FY 2026 and FY 2027, with half of that expected to be generated by increased personal income tax collections, supported by bonuses in the securities sector after a record year of profitability. Tax changes include the impact of the State's decision to decouple from federal provisions made in the H.R. 1 bill. The City also reflected anticipated collections of $500 million annually beginning in FY 2027 under the new pied-à-terre tax on high-value second homes for non-residents. Other revenue changes include increases in unrestricted federal and State funds, totaling $119 million in FY 2026, $651 million in FY 2027 (including $500 million in State funds in FY 2026 that was rolled into FY 2027), and $161 million in each year thereafter, and increases to miscellaneous revenues of $545 million in FY 2026 dropping to $138 million by FY 2029, largely for fines and fees.

The FY 2026 Savings Program, initiated in November and expanded in each subsequent Plan submission, totals $1.4 billion in FY 2026, $3.3 billion in FY 2027, and an average of $2.8 billion in fiscal years 2028 and 2029, excluding debt service (see the Savings Program section for details). While the sources of most of these proposed savings have been identified, the City has not yet identified savings for $179 million in FY 2028 and $124 million in FY 2029. The City also initiated "cost containment" savings for large cost drivers, averaging $1 billion annually beginning in FY 2027, which OSC considers at risk of materializing for CityFHEPS, shelter costs, and due process cases (see OSC's May Plan report for details). Debt service, net of expenses and savings, will generate savings of $341 million in FY 2026 and $204 million in FY 2027, but will cost $4 million in FY 2028 and $285 million in FY 2029.

The City recorded decreases to its planned pension costs by $660 million in FY 2026, and by an average of $2.6 billion annually thereafter, mostly reflecting an adjustment to the payment schedules of unfunded pension contributions and asset valuation gains (see the Expenditure Trends: Pension Contributions section for details). The City also expects a reduction of $1.7 billion in FY 2026 and $400 million in FY 2027 from the overestimation of prior year expenses, net of receivables. Separately, the City recognized another $530 million in FY 2026, $760 million in FY 2027, and $260 million annually thereafter from labor reserve reestimates.

The June Plan reflects a drawdown of the City's contingent reserves in FY 2026 ($1.45 billion), and $1 billion in FY 2027, retaining $450 million to weather unanticipated costs in the new fiscal year. The City typically has not drawn down reserve funds in future years, which provide additional buffers for cost overruns, and last did so at the onset of the pandemic. Additional budgetary relief includes State aid to the City as part of the State Fiscal Year (SFY) 2027 Enacted Budget, providing $469 million in FY 2026, $649 million in FY 2027, and about $430 million annually thereafter, most of which is for youth justice services, currently planned as an offset to city-funded costs at various agencies (see the State Actions section).

In addition to funding new agency needs, these resources will also be used to offset other costs added since June, including the anticipated impact of premium rate increases for the municipal health insurance program (HIP), adding another $527 million in FY 2026, growing to $612 million by FY 2029. In February, the City also elected to assume budgetary responsibility for obligations of the Health Insurance Stabilization Fund (HISF), projected to cost $911 million in FY 2026, growing to $1.4 billion by FY 2030. The City is also including savings offsets from the implementation of a new health plan to fund HISF obligations (see the Expenditure Trends: Health Insurance section). City Council initiatives, identified each year at budget adoption, account for another $706 million in new costs in FY 2027, more than half of which are for the social services agencies ($369 million).

The combined changes since June allocate nearly $2 billion to prepay FY 2027 expenses, the lowest amount set aside since the FY 2015 Adopted Budget. The City's stated out-year gaps now total a combined $23.4 billion from FY 2028 to FY 2030, excluding tax programs, 37 percent higher than the cumulative gaps last June and the largest nominal amount on record. Measured as a share of City fund revenues, the out-year gaps average 7.9 percent but existing contingencies totaling $1.45 billion in each fiscal year could be used to narrow the gaps to an average of 6.4 percent of revenues, a level reached only twice in the past 15 fiscal years.

FIGURE 5

Financial Plan Reconciliation – City Funds
June 2026 Plan vs. June 2025 Plan
(in millions)

	FY 2026	FY 2027	FY 2028	FY 2029
Projected Gaps Per June 2025 Plan	- - -	$ (5,044)	$ (6,103)	$ (5,964)
Updated Tax Estimates				
Personal Income Taxes	2,725	2,408	1,990	1,331
Sales Taxes	326	462	518	583
Pied-à-Terre Tax	- - -	500	500	500
General Property Taxes	225	653	251	308
Real Estate Transaction Taxes	331	322	320	299
Business Taxes	139	444	(22)	(263)
Hotel Taxes	(1)	32	41	40
Other Taxes	180	55	95	69
Tax Audits	340	150	100	100
Subtotal: Taxes	$4,265	$5,026	$3,793	$2,967
H.R. 1 Decoupling – State Tax Changes	- - -	723	1,010	520
Tax Program	- - -	68	69	71
Unrestricted State Aid	119	651	161	161
Other Revenue Reestimates	545	249	135	138
Total Revenue Reestimates	$4,929	$6,717	$5,168	$3,857
Savings Program (Excluding Debt Service)				
Agency Reestimates	1,236	1,855	1,692	1,733
Cost Containment	- - -	1,176	1,140	818
H+H Debt Service Reimbursement	205	250	- - -	- - -
Unidentified Savings	- - -	- - -	179	124
Subtotal: Savings	$1,441	$3,281	$3,011	$2,675
Contingent Reserves	1,450	1,000	- - -	- - -
Prior Year Payables	1,709	400	- - -	- - -
Pension Contributions	660	2,432	2,446	2,862
State Budget Impact	469	649	436	425
Labor Savings	530	760	260	260
Debt Service	341	204	(4)	(285)
Prior Year Savings Restorations	(3)	(23)	(22)	(22)
City Council Initiatives	- - -	(706)	- - -	- - -
Health Insurance Plan (HIP) Rate Increase	(527)	(539)	(574)	(612)
New Agency Needs	(8,324)	(10,135)	(10,272)	(10,611)
All Other	(715)	(956)	(786)	(792)
Total Expense Reestimates	$(2,970)	$(3,632)	$(5,506)	$(6,101)
Net Change	$1,959	$3,085	$(337)	(2,243)
Gaps to be Closed Before Prepayment	- - -	$ (1,959)	$ (6,440)	$ (8,207)
FY 2026 Prepayment of FY 2027 Expenses	(1,959)	1,959	- - -	- - -
Gaps to be Closed per June 2026 Plan	$ - - -	$ - - -	$ (6,440)	$ (8,207)

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

FIGURE 6

City-Funded New Needs Identified Since June 2025

(in thousands)

	FY 2026	FY 2027	FY 2028	FY 2029
Class Size	- - -	542,913	942,913	942,913
Due Process Cases	500,000	550,000	600,000	600,000
Early Childhood Education	355,824	467,988	468,191	468,311
Hold Schools Harmless	349,000	383,000	- - -	- - -
School Cleaning	26,300	213,200	215,400	215,400
Pupil Transportation	134,000	130,000	85,000	160,000
All Other	633,767	611,947	619,626	621,137
Education Subtotal	$1,998,891	$2,899,048	$2,931,130	$3,007,761
Rental Assistance	1,111,000	1,640,000	2,070,000	2,470,000
Cash Assistance	703,000	337,000	77,063	(173,000)
All Other	361,903	571,037	513,687	493,852
Social Services Subtotal	$2,175,903	$2,548,037	$2,660,750	$2,790,852
Shelter Costs	752,845	988,560	1,036,026	1,094,077
All Other	54,901	39,180	37,903	38,799
Homeless Services Subtotal	$807,746	$1,027,740	$1,073,929	$1,132,876
MTA Subsidy	256,000	567,724	607,844	649,904
Judgment & Claims	443,000	308,000	206,000	90,000
Fringe Benefits	21,374	107,435	197,267	306,914
All Other	15,200	30,175	175	175
Miscellaneous Subtotal	$735,574	$1,013,334	$1,011,286	$1,046,993
Foster Care	312,550	360,600	410,460	410,460
All Other	67,988	134,470	110,515	110,576
Children’s Services Subtotal	$380,538	$495,070	$520,975	$521,036
Personal Services Adjustment	184,599	128,500	159,000	161,100
Equipment and Vehicles	213,857	100,200	147,700	147,700
All Other	39,293	60,197	71,660	71,660
Police Department Subtotal	$437,749	$288,897	$378,360	$380,460
Early Intervention	78,450	92,950	108,650	125,550
Supportive Housing	81,900	82,400	82,800	83,300
All Other	57,282	188,170	175,758	176,014
Health & Mental Hygiene Subtotal	$217,632	$363,520	$367,208	$384,864
Personal Services Adjustment	134,000	103,900	92,100	94,100
Emergency Medical Services Revenue	146,000	92,000	92,000	92,000
All Other	62,748	10,237	10,237	10,237
Fire Department Subtotal	$342,748	$206,137	$194,337	$196,337
Other Agency New Needs	1,227,138	1,293,209	1,133,836	1,150,266
Total New Needs Since June 2025	$8,323,919	$10,134,992	$10,271,811	$10,611,445

Sources: NYC Office of Management and Budget; OSC analysis

IV. State and Federal Actions

State Actions

The June Plan assumes the City would receive $20.8 billion in State categorical aid in FY 2027, $503 million more than in the February Plan and $1.9 billion more than expected in the November Plan. On May 28, 2026, the State Enacted Budget proposal for SFY 2027, which began on April 1, 2026, was approved nearly two months late. On a net basis, OSC estimates that actions included in the State Enacted Budget would have a potential positive operating budget impact on the City of $1.6 billion in FY 2026 and $6.8 billion in FY 2027 (see Figure 7). All of the funding enabled by the State budget and additional subsequent legislation was included in

FIGURE 7

State Budget Actions – Impact on NYC

(in millions) Better/(Worse)

	FY 2026	FY 2027
School Aid	$ - - -	$778
Pre-K and 3-K Expansion	- - -	235
Child Care Vouchers*	- - -	840
Youth Justice Funding	300	300
MTA Aid	- - -	200
Line of Duty Transfer	109	109
Sales Tax Intercept	150	150
2-K	- - -	73
Public Health Aid	60	60
Police Subway Tours*	77	- - -
Total Expense Actions	$696	$2,745
Unrestricted State Aid	- - -	651
Decoupling from H.R. 1	- - -	723
Pied-à-Terre Tax	- - -	500
Other Tax Actions	(3)	(64)
Total Revenue Actions	$(3)	$1,810
State Approved Actions		
Unfunded Pension Liabilities	$ 884	$ 1,902
Class Size Mandate Extension	- - -	508
Capitalize Police Vehicle Costs	- - -	26
Tier 6 Changes	- - -	(123)
Uniformed Pensions	- - -	(47)
Total	$1,577	$6,821

*Not included in the City's June Plan.

Sources: NYS Division of the Budget; NYC Office of Management and Budget; OSC analysis the City's adopted budget, except child care funding and funding for police subway tours, which would amount to unanticipated grant revenue of $77 million in FY 2026.

State actions can be separated into three general categories: changes to State funding to offset city-funded costs (expense actions), State unrestricted aid and tax actions (revenue actions) and State approved actions that have implications for City costs (State approved actions). The State also largely insulated the City and other localities from the effects of the federal H.R. 1 legislation. The June Plan assumed that the State would provide it with $161 million in unrestricted aid starting in FY 2027. This was not included in this year's State Enacted Budget but the State expects to provide it in next year's budget; this is a budget risk to the City until approved by the State.

The February Plan included various State actions that were included in the State Executive Budget, maintained in the City's May Plan, and were later approved in the State Enacted Budget. These included funds for juvenile justice programs, the reversal of the sales tax intercept, unrestricted aid, funding for Pre-K and 2-K programs, and decoupling from some H.R. 1 business income tax provisions, among others. (See OSC's February Plan report for details.) The May Plan (which was released before the State budget was enacted) also added State budget items such as savings from re-amortizing the unfunded liabilities of four of its pension systems, revenue from a State approved pied-à-terre tax and $200 million for MTA expenses in FY 2027 (see OSC's May Plan report for details).

The largest expense action is for child care vouchers. Compared to FY 2026, the State Enacted Budget provides the City an estimated additional $365 million from a statewide increase for child care and also includes $475 million for the City's program covering federal fiscal years 2026 and 2027. Receipt of the full match would require an additional $114 million in City funding for FY 2027. The State Enacted Budget also allows the City to reallocate $100 million of $350 million provided in last year's State budget for child care to fund any other costs related to children before December 2026.

The State Enacted Budget also included additional items that were not assumed in the February and May Plans, but which are included in the June Plan, including:

- The remaining $74 million more of school aid provided in the State Enacted Budget that was unbudgeted in the May Plan.
- Incorporating the full cost of changes to Tier 6 pension benefits for certain City employees and adding the cost of changes to uniformed employee pension benefits which together are expected to cost $170 million in FY 2027.

Notably, the State Enacted Budget did not include increases to personal income and corporate taxes, as requested by the City, but not included in the June Plan. The State Legislature revised the City's class size mandate, as assumed in the June Plan, outside the budget process. There are also several other State actions that do not have a known financial plan impact but may affect the City's finances and operations, such as extending existing mayoral control of the City's public schools by two years to 2028. (See OSC's May Plan report for details.)

Federal Actions

The State and the City rely on [substantial federal funding] to support State and local initiatives. While many harmful actions have been delayed or nullified in the short term, the City still faces economic and fiscal uncertainty pending the outcome of extraordinary actions already taken by the current federal administration, including on fiscal, trade and immigration policy.

The City and State, along with other local and state governments across the country, have experienced some success with legal challenges requiring the federal government to release appropriated funding under review (see OSC's December 2025 report on the City's financial plan for some examples of the legal challenges). In addition, Congress approved a discretionary federal spending package in February 2026 that appears to largely reject the cuts called for in the President's proposed budget for federal fiscal year (FFY) 2026, which began October 1, 2025, and which would have made more dramatic cuts to a number of social service programs that the City relies on.

Executive Actions

Over the past year and a half, the federal administration has ordered freezes, pauses, and reviews of financial assistance funding to identify grant programs which are impacted by the President's executive orders and could be subject to reduction or elimination outside of the appropriation process.

The federal Office of Management and Budget (U.S. OMB) issues the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (also known as the "Uniform Guidance"), which is Part 200 of the Code of Federal Regulations (2 C.F.R. Part 200). As the name suggests, this is the underlying guidance which governs the administration of federal assistance. Granting agencies then use this guidance to develop their own administrative policies in granting and overseeing federal awards. When grant recipients accept an award, they agree to the granting agency's terms and conditions, which reference compliance with 2 C.F.R. Part 200. On May 29, 2026, the U.S. OMB and federal granting agencies published a proposed rule in the Federal Register that would codify aspects of the President's executive orders and make revisions to 2 C.F.R. 200 that would substantially impact the grantmaking process. Comments from the public, which agencies consider before finalizing a proposed rule, were due by July 13, 2026. The potential fiscal impact of the proposed rule, if implemented, has not been quantified but could be significant and disruptive to the orderly disbursement of grant funding.

The City has identified several programs that are at risk of funding pause or termination, despite recent court decisions or increased advocacy efforts to block or reverse the federal actions. These programs include education (e.g., magnet school funding), public safety (e.g., Homeland Security program), public health and health care, transportation (capital funding for the Second Avenue Subway project), and climate and resiliency funding. In total, the City has identified a possible risk of up to $387 million in operating expenses from FY 2025 through FY 2029. The City has also some anticipated federal revenue from its Plan, thereby eliminating the fiscal risk to the City's budget, but requiring some changes to services provided or City funding for such services. For example, in May, the City eliminated $37.4 million in FY 2026 for anticipated reimbursement from the Federal Emergency Management Agency (FEMA) for asylum support.

In response to these potential risks, the City states it will continue to require close coordination with State and federal partners, aggressively pursue legal defense of committed federal funds, and will closely monitor federal policy and budgetary actions.

Through June 2026, the pace of the City's federal cash receipts, when measured as a share of anticipated annual federal aid for FY 2026, is broadly consistent with recent prior fiscal years. Excluding residual pandemic assistance, the City has collected 49.7 percent ($4.7 billion) of anticipated annual federal aid in FY 2026, compared to an average of 51.5 percent through the same period in each of the past three fiscal years.

However, the pace of collection for a handful of grants has slowed in FY 2026. These include certain education grants (Individuals with Disabilities Education Act and Title I grants to local educational agencies), as well as a handful of other grants (e.g., funding for programs supporting people living with HIV/AIDS and low-income home energy assistance). The City attributes the slowdown to more stringent documentation requirements implemented by the federal administration, however OSC notes that several of these grants have been targets of the federal administration's efforts to eliminate or reduce such funding.

Federal Budget

In July 2025, Congress approved a budget reconciliation bill (H.R. 1) that includes extensions of tax cuts enacted in 2017 and other tax changes, the fiscal impact of which would be partially offset by significant reductions in mandatory spending (including Medicaid and the Supplemental Nutrition Assistance Program or SNAP).

As detailed in the section on the State budget, the State Enacted Budget for SFY 2027 appears to have accommodated the fiscal impact of H.R. 1 without shifting financial responsibility to local governments through at least local FY 2027. The State has also decoupled the City from certain tax provisions of H.R. 1 (retroactively from tax year 2025 onward), which is expected to positively impact the City's finances (see the Revenue Trends section for details).

The City still faces certain risks stemming from the reconciliation package directly, including the impact of a reduction in federal reimbursement of administrative costs of the SNAP program ($83 million in FY 2027, rising to $110 million annually beginning in FY 2028) as well as a new non-federal share requirement of up to 15 percent of SNAP program costs, effective October 1, 2027. Based on the latest report from the U.S. Department of Agriculture, New York State's payment error rate was 13.18 percent as of FFY 2025, a decrease since FFY 2024 (which totaled 14.09 percent) but still among the highest in the nation. According to data from the New York State Office of Temporary and Disability Assistance, New York City accounts for about two-thirds (65 percent) of SNAP benefit expenditures in the State.

H.R. 1 provides delayed implementation for States with high error rates in FFY 2025 or FFY 2026, with the implementation date delayed to FFY 2029. Based on the results for FFY 2025, and if current trends hold, New York State would not be eligible for a delay and would face the maximum cost share requirement of 15 percent of SNAP program costs (estimated by the Federal Funds Information for States to exceed $1.1 billion). As noted previously, the City accounts for a substantial portion of statewide spending on SNAP, and the State has authority to dictate the source of funding for the non-federal share.

In April 2026, the President unveiled a discretionary budget proposal for the upcoming federal fiscal year 2027, which begins October 1, 2026. The President requests nearly $2.2 trillion in discretionary funding in that year. Of that amount, $660 billion would be devoted to non-defense spending (a decline of $73 billion or 10 percent over the FFY 2026 Enacted Budget). The proposed reduction to non-defense spending would adversely impact certain domestic assistance programs operated by the State and the City. Congress is reviewing the proposal and has begun the process of drafting the FFY 2027 appropriation bills.

Congress has rarely completed action on its discretionary budget in advance of the end of the fiscal year deadline (September 30) and has routinely passed short-term stop gap measures known as a "continuing resolution" to fund government operations for a short time while negotiations are underway. Recently, the Senate has announced a bipartisan agreement to extend funding on government operations for a short time in FFY 2027 through December 11, 2026 and includes a provision that, if passed, would also prevent implementation of the proposed rule to revise the Uniform Guidance until at least that date.

V. Citywide Savings Program

The City's FY 2026 Savings Program, initiated in November, included $212 million in unallocated agency efficiencies in FY 2026, along with $116 million in debt service savings and declining amounts in the out-years. The February Plan greatly expanded the program, adding $710 million in unidentified agency savings in FY 2026 and an average of $1.1 billion thereafter to be identified by March 2026 by agency-level citywide savings officers; these savings were largely identified in the May Plan. The November Plan unallocated agency efficiencies were identified in the June Plan. (See OSC's May Plan report for details.)

In total, the June Plan anticipates net savings for the entire FY 2026 savings program of $1.5 billion in FY 2026, $3.5 billion in FY 2027, $3.2 billion in FY 2028, $2.7 billion in FY 2029 and $2.6 billion in FY 2030 (see Figure 8). Agency efficiencies comprise 44 percent of the total savings over five years and 42 percent is attributed to expense reestimates.

The June Plan allocated $211 million of the previously unidentified November Plan agency efficiencies with 70 percent of the saving achieved across four agencies: Department of Social Services (DSS), Department of Youth and Community Development (DYCD), Administration for Children's Services (ACS) and Department of Health and Mental Hygiene (DOHMH). Savings are expected from a citywide fringe reestimate that averages over $361 million annually in FY 2027 through FY 2030, additional debt service savings of $407 million over five years of the Plan, and Police Department efficiencies that reduce headcount by 395 in FY 2027 and then by 555 annually to produce savings of $37 million in FY 2027 and then $56 million annually through FY 2030.

FIGURE 8

FY 2026 Savings Program, City Funds
(in millions) – Decrease/(Increase) to Planned Spending

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Total
Savings Initiative	$1,035.9	$1,124.1	$1,136.1	$1,146.1	$1,166.1	$5,608.3
Cost Containment	- - -	1,176.0	1,140.0	818.0	666.0	3,800.0
H+H Debt Svc. Reimburse.	204.7	250.0	- - -	- - -	- - -	454.7
Citywide Fringe	200.0	675.0	679.0	655.0	696.0	2,905.0
Procurement Savings	- - -	55.5	55.5	55.5	55.5	222.1
Subtotal	$1,440.6	$3,280.6	$3,010.6	$2,674.6	$2,583.6	$12,990.1
Debt Service	87.2	260.3	163.0	25.2	0.5	536.2
Program Total	$1,527.8	$3,540.9	$3,173.6	$2,699.8	$2,584.1	$13,526.3
Restorations	(2.7)	(22.8)	(22.2)	(22.2)	(22.2)	(92.3)
Net Savings	$1,525.1	$3,518.1	$3,151.3	$2,677.6	$2,561.9	$13,434.0

Note: Savings Program actions comprise actions included in the November 2025, February 2026, May 2026 and June 2026 NYC Financial Plans.
Sources: NYC Office of Management and Budget; OSC analysis

VI. Revenue Trends

The June Plan increased the forecast from the May Plan for total revenues — which include locally generated revenues (i.e., City funds) and federal and State categorical aid — by $707 million in FY 2026, and by $1.1 billion in FY 2027. As a result, after increasing by 5.6 percent to a record high of $125.1 billion in FY 2026, total revenues are now expected to increase by just 0.6 percent to $125.8 billion in FY 2027, the smallest annual increase since FY 2009. The projected slow growth in FY 2027 is because of a $2.5 billion drop in federal grants driven by large declines in child care block grants and Homeland Security funding, which may be partially added back over the course of the year. This decline is offset by the anticipated $3.2 billion increase in City funds, fueled by a $3.1 billion increase in tax revenue.

In fiscal years 2028 through 2030, total revenues are forecast to increase by an annual average of 1.2 percent. After a large decline in FY 2027, as discussed above, federal grants are expected to stay flat at around pre-pandemic levels in the rest of the financial plan period, although there are continued risks to discrete sources of federal funding in the coming years.

For City funds, the June Plan increased the forecast from the May Plan by $819 million in FY 2026 and by $806 million in FY 2027. The FY 2026 City funds forecast is now $5 billion higher than the forecast from the beginning of the fiscal year, the sixth year in a row in which City funds will end the fiscal year at least $3.5 billion higher than at budget adoption, underscoring a period of conservatism in revenue projections that was in part a response to the COVID-19

FIGURE 9

Trends in City Fund Revenues
(in millions)

Tax	FY 2026	FY 2027	Annual Growth	FY 2028	FY 2029	FY 3030	Average Three-Year Growth Rate
General Property Tax	$35,386	$37,190	5.1%	$37,867	$39,038	$40,418	2.8%
Personal Income Tax	20,724	20,688	-0.2%	21,169	21,314	21,780	1.7%
Sales Tax	11,016	11,503	4.4%	12,002	12,494	12,910	3.9%
Business Taxes	11,024	11,441	3.8%	11,339	10,874	11,076	-1.1%
Real Estate Transaction Taxes	2,477	2,575	4.0%	2,687	2,776	2,848	3.4%
Second Home Surcharge	---	500	NA	500	500	500	0%
Other Taxes	3,822	3,780	-1.1%	3,866	3,939	4,006	2.0%
Tax Audits	1,149	929	-19.1%	879	879	879	-1.8%
Tax Program	---	68	NA	69	71	74	2.9%
Total Taxes incl. Proposed Tax Program	**$85,598**	**$88,674**	**3.6%**	**$90,378**	**$91,885**	**$94,491**	**2.1%**
Miscellaneous Revenues	6,810	6,386	-6.2%	6,299	6,355	6,399	0.1%
Unrestricted Intergovernmental Aid	119	651	NA	161	161	161	-37.2%
Grant Disallowances	(15)	(15)	0.0%	(15)	(15)	(15)	0.0%
Total City Funds incl. Tax Program	**$92,512**	**$95,696**	**3.4%**	**$96,823**	**$98,386**	**$101,036**	**1.8%**

Sources: NYC Office of Management and Budget; OSC analysis

pandemic. The City now expects a 6.3 percent increase in FY 2026 from the prior year followed by an increase of 3.4 percent in FY 2027 to reach a record high of $95.7 billion, accounting for 76 percent of total revenues, the highest share on record since at least FY 1993 (see Figure 9).

The June Plan increased the City funds forecast in fiscal years 2028 through 2030 by an annual average of $294 million. City funds are now expected to have an average growth of 1.8 percent annually, much slower than the annual average growth of 4.7 percent in the five years before the pandemic.

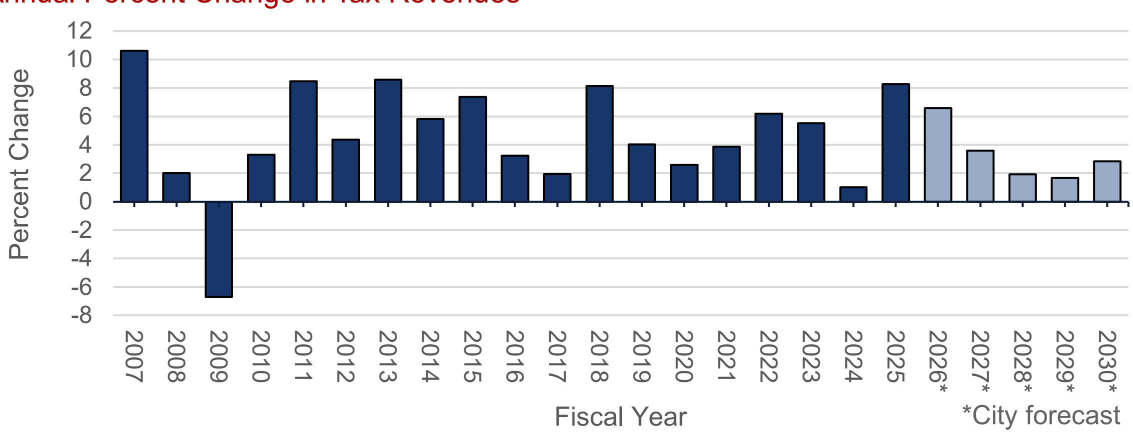
City Tax Revenue Projections

The State has included almost all the tax programs and actions from the City's May Plan in the State's Enacted Budget (see OSC's May Plan report for details). The only proposed program not included in the June Plan was the reduction of the personal income tax (PIT) credit for unincorporated business taxes (UBT) paid. However, after publication of the June Plan, this program was adopted by the City Council on July 16, 2026. The adoption of these programs and actions is expected to increase tax revenues by a cumulative total of $4.6 billion over FY 2026 through FY 2030. This analysis includes all projected revenues that would be generated by the tax programs and actions as they have been approved.

The June Plan increased the FY 2026 forecast for total tax collections from the May Plan by $1.2 billion to reflect better-than-expected tax collections, driven by large adjustments in PIT and business income taxes. Year-to-date tax collections (including audits) through June were 7.5 percent higher ($5.7 billion) than the same period last year, reflecting a robust Wall Street profit environment during calendar year 2025. The City now expects total collections in FY 2026 to finish 6.6 percent higher than the prior year, as collections from all major taxes increased, with the largest increases in PIT, real estate transaction taxes and business tax (see Figure 10).

Within City funds in FY 2027, tax collections are expected to account for 93 percent of City fund revenues and miscellaneous revenues to account for 7 percent. For the forecasts in fiscal years 2027 through 2030, besides incorporating the new tax programs into the corresponding taxes,

FIGURE 10
Annual Percent Change in Tax Revenues



Sources: NYC Office of Management and Budget; OSC analysis

the June Plan only changed the forecast for the business corporation tax (BCT) by increasing it by $300 million annually during this period. The City now expects tax collections to increase by 3.6 percent in FY 2027 to reach $88.7 billion, driven by property and sales taxes.

Even with this increase to BCT, nonproperty tax collection growth (including audits) is still expected to lag behind property tax collections (2.5 percent and 5.1 percent, respectively) in FY 2027, reflecting a slowdown in economic growth as the conflict in the Middle East has caused further uncertainty regarding the economy and monetary policy.

The May Plan expects tax collections to slow to an average of 2.1 percent annual growth during fiscal years 2028 through 2030. During this period, compounded average annual growth in property tax collections (2.8 percent) is expected to outpace non-property tax collections (1.6 percent). The City's expectation of a relatively slow rate of growth in nonproperty tax collections reflects its assumption of softening economic growth and is led by a planned decline in business income taxes.

With the economic outlook uncertain, OSC estimates tax collections will likely be higher than the City's forecast in FY 2026 by $386 million and by $1 billion in FY 2027. In the out-years of the Plan, given the City's expectation of a significant slowdown in revenue growth after FY 2027, OSC expects tax collections will exceed the forecast by a sum of approximately $6.5 billion reflecting an average annual growth rate of about 2.8 percent. OSC also expects $100 million in additional miscellaneous revenues annually from FY 2027 through FY 2030.

Property Tax

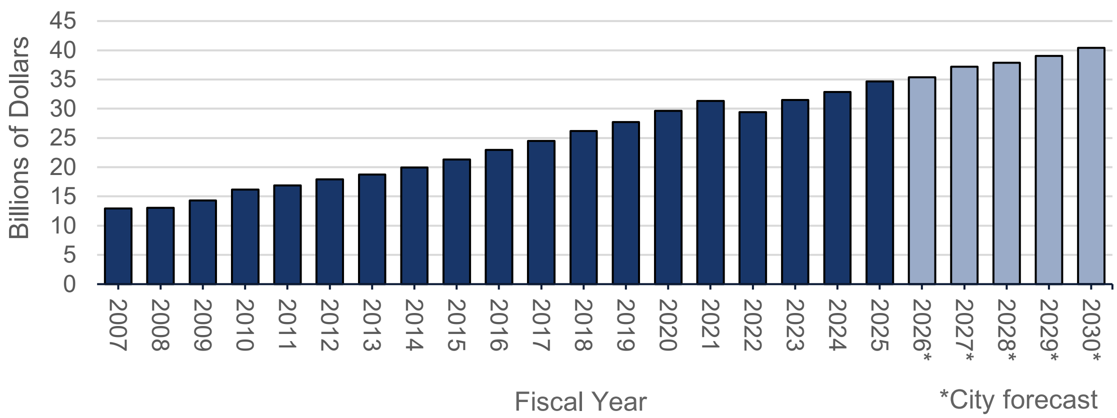
In the June Plan, the City decreased expected property tax collections in FY 2026 by $150 million, partly because a lien sale was not held this year. Collections are expected to total $35.4 billion in FY 2026, an increase of 2.1 percent over the prior year (see Figure 11). OSC estimates this forecast is reasonable, given year-to-date collections of $35.3 billion through June. The City also slightly decreased expected collections in fiscal years 2027 to 2030 by a total of $66 million, a reduction of 0.1 percent, to recognize the increased offset due to expanded eligibility for the Senior Citizens Rent Increase Exemption and Disability Rent Increase Exemption programs. Expected revenue from the new second home surcharge, discussed below, is not included in the property tax collections figures.

The City expects collections of $37.2 billion in FY 2027, an increase of 5.1 percent over the current fiscal year. The FY 2027 Final Property Tax Assessment Roll released in May showed that total taxable assessed values increased by 5 percent over FY 2026, very close to the 5.1 percent the City had expected in its previous plan (see OSC's May Plan report for details). However, the City anticipates that growth in collections will slow considerably in the out-years, falling to 1.8 percent in FY 2028 and averaging 3.3 percent annually thereafter.

Residential property values show continued stability, up 4 percent in the first five months of calendar year 2026, compared to the same period in 2025.[1] The commercial property market has also continued its recovery, with office vacancies falling to 19.3 percent in the second quarter of 2026 from 22.6 percent in the prior year. Asking rents have increased, net absorption remains positive, and leasing activity remains strong.[2] Strength in demand for both residential and commercial properties support the City's forecast for continued growth in property tax revenues. However, OSC anticipates the Plan forecast is underestimating growth in the out-years, which may result in an additional $2.1 billion in collections in fiscal years 2028 to 2030. The current mayoral administration has also indicated that it intends to undertake reform of the property tax system that has been debated for decades. Whether and how that reform will take place remains uncertain, but it could present additional risks or offsets to the collections forecast that are not easily quantified.

FIGURE 11

Property Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

Second Home Surcharge

The June Plan also recognizes expected revenue from a new surcharge on second homes, known as the "pied-à-terre" tax. It is estimated to raise $500 million per fiscal year beginning in FY 2027 by adding an additional tax on properties that have a market value of at least $1 million (for condominium and co-op properties; single-family homes must have a value of at least $5 million) and are not the owners' primary residence or are being rented to someone as a private residence. In FY 2029, the program will change to a $5 million threshold for all properties, with condo properties switching to a more direct sales-based valuation method. However, some analyses have suggested that collections may be lower than the City expects because of potential exemptions and changes in taxpayer behavior as a result of the new tax.[3]

Personal Income Tax

The June Plan increased the FY 2026 forecast for PIT, including the Pass-Through Entity Tax (PTET), from the May Plan by $291 million, reflecting strong year-to-date collections. Collections through June of FY 2026 were 13.4 percent ($2.5 billion) higher than in the same period last year and already exceed the June Plan forecast by $57 million. Growth has been driven by both withholding (i.e., the amount of tax taken from employee paychecks) and non-withholding components of PIT, reflecting continued growth in total wages and financial markets strength. The City now anticipates FY 2026 collections to be 12.5 percent higher than last year to reach a record high of $20.7 billion, $2.7 billion more than forecast in June 2025 (see Figure 12).

The June Plan did not adjust the total PIT forecast from the May Plan for FY 2027, except to reflect the adoption of a State tax program which eliminated income tax on tipped wages, lowering the FY 2027 forecast by $56 million (see OSC's May Plan report for details). Because of this program and the higher base in FY 2026, the City now expects collections to decline by 0.2 percent in FY 2027 to $20.7 billion. This decline is driven by the City's assumption of an economic slowdown, reflecting an expectation of slower wage growth along with declines in capital gains and bonuses. This expectation is fueled by heightened economic uncertainty, partly due to the conflict in the Middle East which the City assumes will weigh on inflation, monetary policy and ultimately, financial markets.

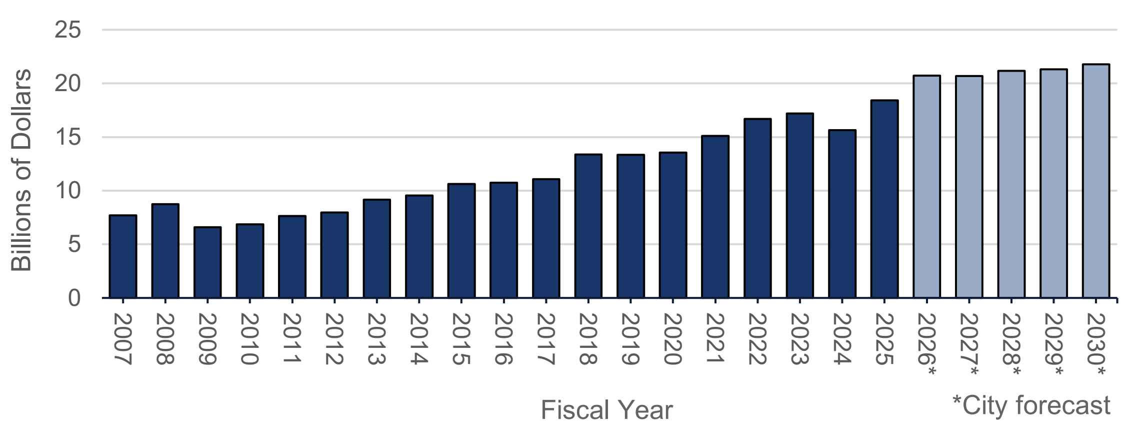
The June Plan adjusted the FY 2026 forecasts of almost all components of PIT compared to the May Plan. The forecast for withholding increased by $98 million to $14.5 billion to match the revenues that were already collected for the full fiscal year. Collections from withholding in FY 2026 were 8.2 percent higher than the prior year, reflecting strong wage growth and a record high bonus pool.

For collections from non-withholding components of PIT, the June Plan increased the FY 2026 forecast from the May Plan by a total of $193 million as year-to-date collections have been better than expected. Collections through June were 27.5 percent higher than in the same period last year, reflecting strong growth in capital gains (the largest nonwage component) driven by exceptional performance in the financial markets. Also contributing to strong growth was a large PTET offset payment from the State in September. The City now forecasts collections from these components to increase by 23.9 percent to reach $6.3 billion in FY 2026.

The June Plan made no changes to the components in the forecasts for fiscal years 2028 through 2030 except to include the adopted tax program which increased refunds annually by an

FIGURE 12

Total Personal Income Tax Collections



Note: FY 2027 – FY 2030 excludes proposed tax program.
Sources: NYC Office of Management and Budget; OSC analysis

average of $61 million. As a result, the City now expects collections from non-withholding components to decline by 5.7 percent in FY 2027 to reach $5.9 billion, related to concerns over economic uncertainty noted earlier.

With the upward revision in FY 2026, the City anticipates withholding collections to increase by just 2.2 percent from the prior year to $14.8 billion in FY 2027, which would be the slowest year-over-year growth since FY 2012, excluding the initial year reflecting the pandemic (FY 2021). The slow growth reflects the expectation of a decline in bonuses along with more modest job and wage growth.

For fiscal years 2028 through 2030, the June Plan projects total PIT collections to increase by an annual average of 1.7 percent, reflecting the City's assumption of slower economic growth continuing in the out-years. This rate of growth would be slower than the pre-pandemic average annual growth (6.9 percent) in fiscal years 2015 through 2019. The growth in the out-years is led by withholding, as its average annual growth is projected at 4.9 percent during this period, while collections from non-withholding components are expected to decrease every year by a compound annual average of 7.2 percent, based on the assumption that Wall Street profitability will approach more typical, lower levels.

On July 16, 2026, the City Council adopted the tax program to reduce the PIT credit for UBT paid starting immediately and retroactive to January 1, 2026. This program is slightly different from the one proposed in the May Plan (see OSC's May Plan report for details), as the reduction in the credit applies to only those with City taxable income of $1 million or more rather than for those with $142,000 or more. Despite the higher threshold, the City Council estimates the tax program will increase collections by an additional $33.5 million in FY 2026 and $67 million annually starting in FY 2027.

OSC expects final FY 2026 collections will exceed the City's forecast by $150 million and by $800 million in FY 2027 as OSC anticipates both withholding and non-withholding collections to exceed the City's expectations as Wall Street profits and bonuses are likely to remain strong given industry performance through the first half of the calendar year. OSC expects collections to exceed the forecast for the rest of the plan period by a total of $3.6 billion as growth returns to a long-term average trend.

Business Taxes

The June Plan FY 2026 forecast adjusts business taxes higher by $861 million from the May Plan and is now expected to grow 7.4 percent year-over-year, to reach $11 billion (see Figure 13). The June Plan's FY 2026 adjustment reflects the strength in Wall Street profits during the first half of the calendar year. Year-to-date collections through June FY 2026 grew 9.5 percent compared to the same period last year.

The upward adjustment was attributed to business corporation taxes (BCT), which accounted for 67 percent of business taxes in FY 2025 and is primarily driven by the profits of the New York Stock Exchange member firms. The City expects BCT collections to now grow 5.9 percent in FY 2026 to $7.3 billion, $840 million higher than the May Plan forecast. Corporation tax collections had declined 4.7 percent through May fiscal year-to-date, but experienced a sharp reversal in June, growing 8 percent year to date, the fastest growth rate of any month this year.

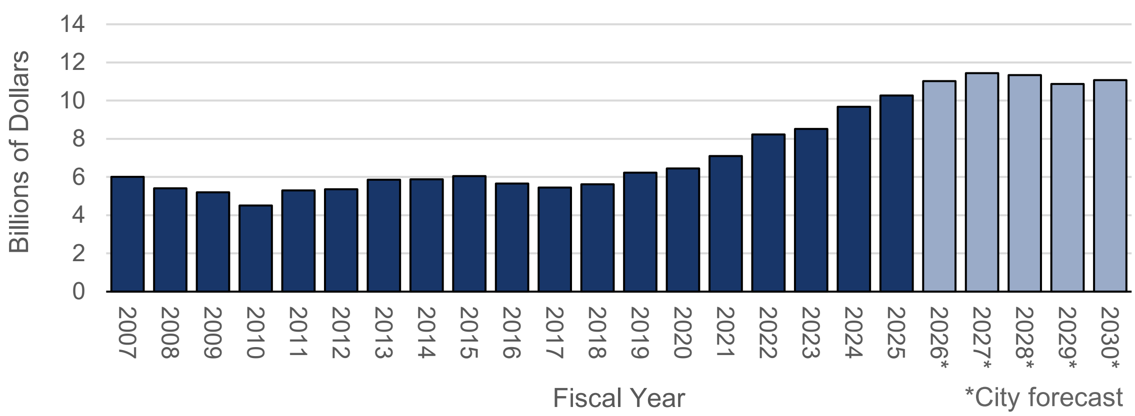
The increase is partly attributable to Wall Street profitability continuing to rise — the first quarter of calendar year 2026 which grew 37.1 percent from the same period last year to $21 billion, the second-highest quarterly profit on record. The finance industry net payments grew 13 percent fiscal year-to-date through May compared to the same period last year, while the nonfinance year-to-date net payments declined 11.1 percent in the same period. While it is still unclear, it is also possible that taxpayer behavior and early recoupment payments from decoupling provisions approved in the State Enacted Budget, retroactive to tax year 2025, may also be present in June's strong collections.

Unincorporated business tax (UBT) collections, which make up the remainder of business tax collections, are expected to increase by 10.4 percent in FY 2026 to reach $3.7 billion, $21 million higher than in the May Plan. The adjustment was fueled by continued strength in collections; through June, collections grew 12.6 percent from the same period in the prior year. Growth was driven by the services sector, which saw a 9.4 percent increase in net payments through May fiscal year-to-date. The finance sector, which makes up 40 percent of UBT net payments, grew 9.6 percent during the same period.

In FY 2027, the City expects business tax collections to grow 3.8 percent to $11.4 billion. The City increased projections for fiscal years 2027 through 2030 by $300 million per year because of changes to the baseline made for FY 2026. Business corporation tax collections are now expected to increase by 4.1 percent to reach $7.6 billion in FY 2027. The City made no changes to unincorporated taxes in FY 2027 and the out-years.

OSC expects collections to reach $11.1 billion in FY 2026, an 8.3 percent increase from FY 2025, due to strength in corporate tax collections and potential recoupment of additional business tax revenue from decoupling. In FY 2027, OSC expects business taxes to grow 4.9 percent to reach 11.7 billion. OSC projects business taxes will decline 1.2 percent in the out-years from FY 2028 through FY 2030, as retroactive decoupling recoupment payments narrow.

FIGURE 13
Business Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

Sales Tax

In FY 2026, sales tax collections were strong and preliminary data shows collections grew 7.5 percent ($769 million) compared to FY 2025, reflecting the elimination of the Distressed Provider Assistance Account (DPAA) intercept, resilience of consumer spending and rising prices, particularly for energy. The June Plan estimate for FY 2026 is in line with collections and the adjusted FY 2027 forecast was revised up $145 million from the May Plan to reflect the repeal of the DPAA intercept in the State Enacted Budget, bringing FY 2027 planned collections to $11.5 billion, an increase of 4.4 percent year-over-year (see Figure 14).

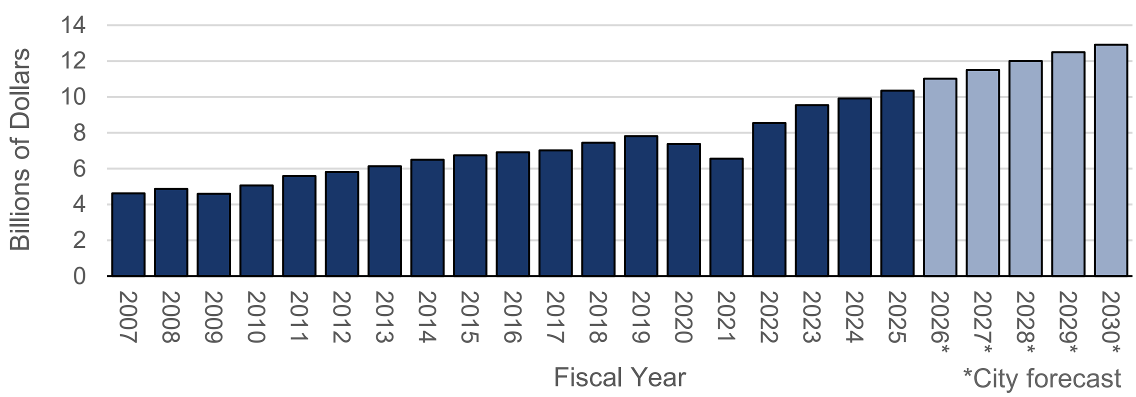
Consumption remains resilient for now. According to the latest retail sales available from the U.S. Census Bureau, in April 2026, New York State saw 6.4 percent year-over-year growth, the fourth-highest growth in the nation behind Iowa, West Virginia and Missouri. Rising prices most likely contributed to some of this growth. Consumer sentiment in New York, according to Siena College's Quarterly New York State Index of Consumer Sentiment stayed about the same (slightly up) in the second quarter of 2026 from the first quarter's low level. While still higher than the nation, concerns over future inflation of basic goods remain as consumers are spending but being cautious.

According to the July 2026 Beige Book, consumer spending in the New York district (which includes parts of New Jersey and Connecticut and all of New York State) grew moderately and retail sales were solid from the last Beige Book with strong demand for luxury goods and sales from affluent consumers.[4]

The City projects average annual growth of 3.9 percent in fiscal years 2028 through 2030, which is slightly lower than pre-pandemic historic growth (4.3 percent). OSC believes the City's projections are reasonable but face some uncertainty and volatility if geopolitical conflicts and economic pressures that could negatively affect consumption and tourism persist.

FIGURE 14

Sales Tax Collections



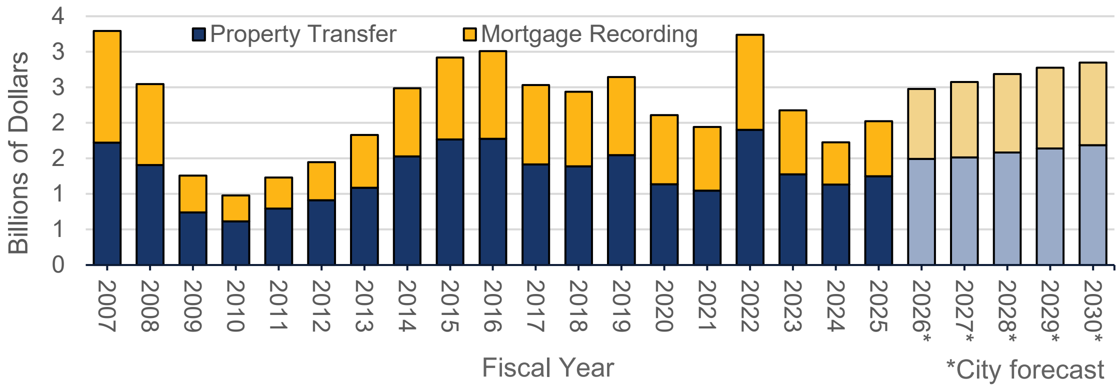
Sources: NYC Office of Management and Budget; OSC analysis

Real Estate Transaction Tax

The June Plan increases expected real estate transaction taxes in FY 2026 by a combined $67 million compared to the May Plan, for total collections of $2.5 billion, an increase of 22.5 percent over the prior fiscal year (see Figure 15). OSC estimates collections in FY 2026 will exceed the City's forecast by $40 million after a particularly strong month of collections in June brought the total for the year-to-date above the City's forecast for the full fiscal year.

FIGURE 15

Real Estate Transaction Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

In its May Plan, the City had expected interest rates to remain steady throughout 2026, however more sustained increases in energy prices have changed investor sentiment on inflation and therefore the interest rate trajectory. The residential market remains constrained because of the mortgage rate "lock-in" effect; at the end of 2025, 63.7 percent of existing mortgages in the U.S. had an interest rate below 5 percent (65.7 percent of mortgages in New York State).[5] With current rates for new mortgages remaining above 6 percent and market signals showing no relief on the horizon, owners are less willing to surrender their existing rates by selling their current properties, constraining supply in the residential market.

The June Plan makes no changes to FY 2027 compared to the May Plan, with expected collections of $2.6 billion, an increase of 4 percent over the current fiscal year. The June Plan also leaves the out-years forecast unchanged. The City expects growth in collections to slow significantly over the plan horizon, falling to 2.6 percent in 2030. OSC estimates collections may be $100 million lower than the City's forecast in each of fiscal years 2027 through 2030.

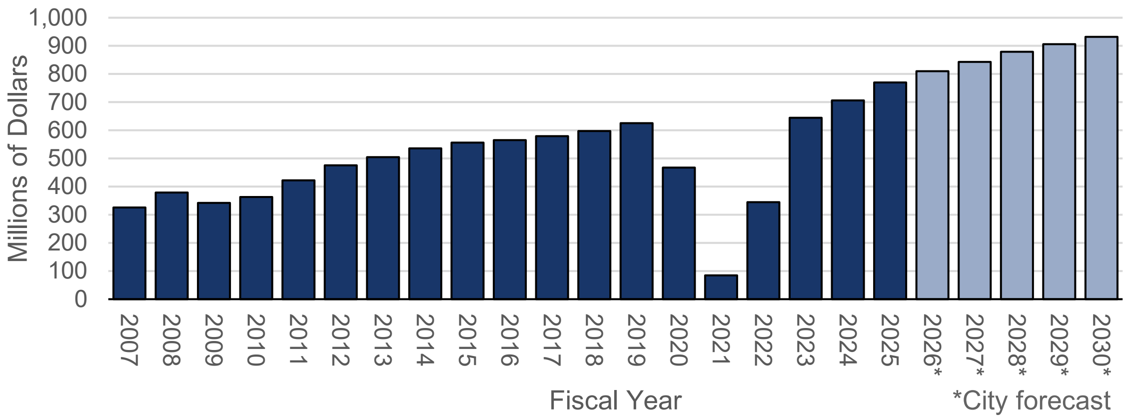
Hotel Tax

In FY 2026, hotel tax collections were strong and grew 6.8 percent year-over-year ($52 million) fueled by daily room rates. The City expected 5.2 percent growth in FY 2026 in the June Plan, providing additional FY 2026 revenue of at least $20 million. The June Plan did not adjust the FY 2027 hotel tax forecast from the May Plan and still expects collections to be $843 million, 4.1 percent higher than the prior year (see Figure 16). The City expected a decline in tourism year-over-year in the final quarter of FY 2026, with the slowdown extending into FY 2027 as geopolitical conflicts, rising energy prices and airline disruptions reduce international travel.

However, there were some unexpected events such as the New York Knicks winning the NBA Championship that likely boosted visitations and partially offset some of these anticipated slowdowns. During the week ending of July 18, 2026, the New York City hotel industry posted the largest gains year-over-year among the top 25 U.S. hotel markets in average daily room rate or ADR (41.5 percent; $425.03) and revenue per available room or RevPAR (40.3 percent; $377.07). On the night before (on July 18, 2026) the World Cup final, the New York City hotel market reported a 105.1 percent lift in ADR and a 116.1 percent gain in RevPAR. The New York

FIGURE 16

Hotel Tax Revenues



Sources: NYC Office of Management and Budget; OSC analysis

City hotel industry continues to lead among the top 25 U.S. hotel markets in hotel metrics of occupancy, average daily room rate, and revenue per available room (see OSC's [New York City hotel report]() for details).

Anticipated gains for accommodation providers from the World Cup, which finished in July 2026, may come in lower than expected as some reports are indicating hotels are seeing fewer gains and demand than expected. However, the City's initial projections for such growth on hotel tax collections were not as optimistic. According to NYC Tourism + Conventions' (the City's official tourism agency) latest forecast, the City's visitor numbers are not expected to reach pre-pandemic levels in 2026 given changes to the forecast in international travel. However, total visitors are expected to grow from 2025, fueled by continued growth in domestic visitors.

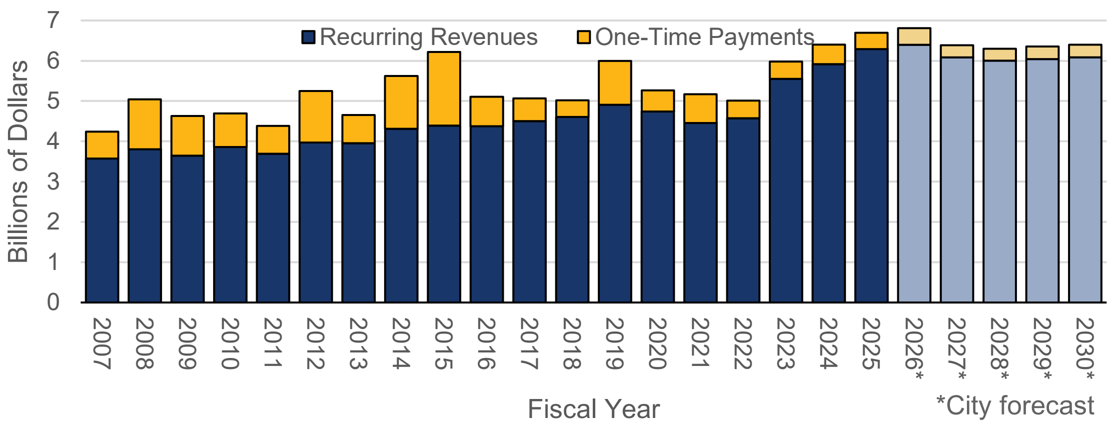
Tourism Economics and STR's latest forecast in June 2026 expects the New York City hotel industry to grow across all metrics (hotel demand, occupancy, supply, ADR, and RevPAR) from calendar year 2026 to 2028. OSC's forecast for hotel tax collections is in line with the City's projections for FY 2027 and after, considering the recent changes to economic conditions, unexpected boosts to demand and anticipated uncertainty over international tourism and geopolitical risks.

Miscellaneous Revenues

Miscellaneous revenues, consisting of recurring revenues and one-time payments, have been higher than projected in FY 2026, as one-time payments, permits, licenses, and charges for government services have driven growth. Through the first 12 months of FY 2026, total miscellaneous revenues grew 1.5 percent ($101 million) from the same period in FY 2025. The City expects 1.7 percent growth in FY 2026 in the June Plan, once the year-end close is completed. The June Plan expects miscellaneous revenues in FY 2027 to decline 6.2 percent year-over-year to $6.4 billion as the City adjusted FY 2026 higher ($142 million) than the May Plan but left the out-years starting in FY 2027 mostly unchanged (see Figure 17).

FIGURE 17

Miscellaneous Revenues



Sources: NYC Office of Management and Budget; OSC analysis

Starting in FY 2027, the City adjusted revenue in water and sewer payments — in particular, the water rental payment which can fluctuate with debt service — lower by an annual average of $18.5 million and adjusted fines and forfeitures higher by an annual average of $10.8 million through the out-years. The City expects out-year revenues to average nearly $6.4 billion starting in FY 2028. OSC estimates that miscellaneous revenues could be $100 million higher annually than the City's projections starting in FY 2027 given cyclical, seasonal, and inflationary factors anticipated over the next few years and recent trends for major miscellaneous revenue items.

VII. Expenditure Trends

Overview

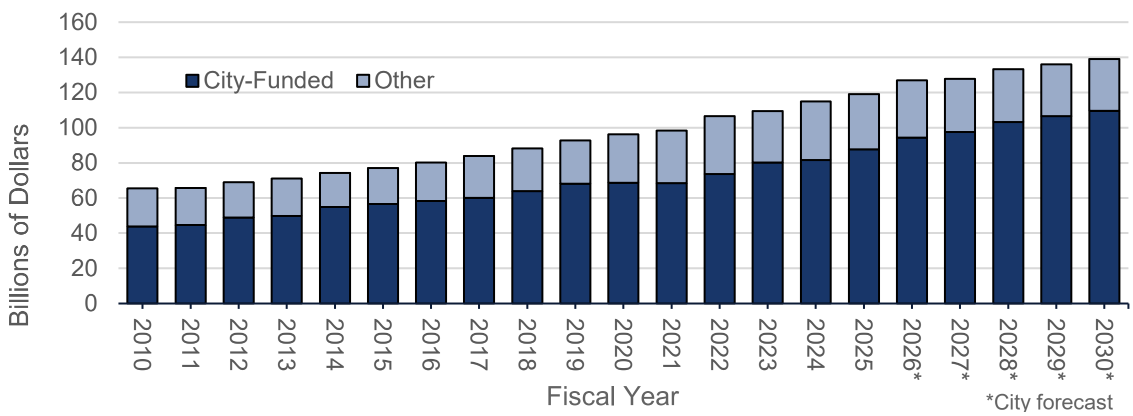
Citywide expenditures are projected to total $127.8 billion in FY 2027, after adjusting for surplus transfers, which obscure total expenditures (see Figure 18). The portion of citywide spending funded with locally generated revenue (i.e., City funds) is estimated at $97.7 billion. The portion funded with other sources, mostly federal and State grants, is $30.1 billion (23.6 percent).

The June Plan anticipates city-funded spending will rise by 1.6 percent in FY 2027, excluding contingent reserves and savings from the overestimation of prior-year spending. This growth is held down largely by the expectation that pension contributions will decline sharply to $8.6 billion (10.4 percent), following State approval of a proposal to restructure and extend the amortization period for paying for the pension systems' unfunded accrued liability (see Pension Contributions section for details).

The June Plan assumes the growth in spending will accelerate to an average of 3.5 percent in the out-years. The increase is expected despite the declining pension contribution amounts in each year of the financial plan, and projected wage increases on labor costs which are assumed to rise by 1.25 percent each year. Debt service, health insurance costs, as well as rental assistance will continue to be large cost drivers through the balance of the financial plan period. Local inflation has averaged 3.9 percent annually over the past five fiscal years through FY 2025 and is projected to average 2.6 percent annually during the financial plan period.

FIGURE 18

Annual Expenditures



Note: Adjusted for surplus transfers and debt defeasances. City forecast includes budgeted reserves beginning in FY 2027.
Sources: NYC Office of Management and Budget; OSC analysis

The June Plan expenditure trends by component are shown in Figure 19 and discussed below. In addition to the decline in pension costs, the City is also anticipating significant year-over-year declines in spending on judgments and claims and asylum services.

FIGURE 19

Trends in City-Funded Spending in the June 2026 Financial Plan
(in millions)

	FY 2026	FY 2027	Annual Growth	FY 2028	FY 2029	FY 2030	Average Three-Year Growth Rate
Salaries and Wages	$24,132	$25,128	4.1%	$26,469	$27,650	$28,732	4.6%
Pension Contributions	9,566	8,574	-10.4%	9,365	8,601	7,717	-3.4%
Debt Service	8,008	8,990	12.3%	10,441	11,603	12,425	11.4%
Medicaid	6,661	6,688	0.4%	6,838	6,988	7,138	2.2%
Health Insurance	8,826	9,065	2.7%	9,568	10,109	10,719	5.7%
Other Fringe Benefits	4,120	3,971	-3.6%	4,156	4,371	4,565	4.8%
Energy	1,188	1,366	15.0%	1,362	1,405	1,440	1.8%
Judgments & Claims	1,126	1,008	-10.5%	928	841	858	-5.2%
Public Assistance	1,509	1,539	2.0%	1,539	1,538	1,538	0.0%
Svcs. Asylum Seekers	1,458	1,160	-20.5%	500	500	500	-24.5%
Residual OTPS	29,455	30,116	2.2%	30,648	31,538	32,471	2.5%
Subtotal	$96,049	$97,605	1.6%	$101,813	$105,143	$108,102	3.5%
General Reserve	- - -	450	NA	1,200	1,200	1,200	NA
Capital Stabl. Resrv.	- - -	- - -	NA	250	250	250	NA
Prior Year's Expenses	(1,709)	(400)	NA	- - -	- - -	- - -	NA
Total	$94,340	$97,655	3.5%	$103,263	$106,593	$109,552	3.9%

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

Expenditure Risks and Offsets

In February, the City had addressed a substantial portion of OSC-identified expenditure risks for FY 2027. After a review of additional updates that the City has incorporated in its expenditure forecast since then, OSC has identified several expenditure risks which when summed, remain well below budget risks that existed prior to the spending recalibration. Examples are highlighted below.

While the City has added significant recurring funding to address increasing spending, based on current trends, spending on education such as due process cases and pupil transportation is still projected to exceed the levels assumed in the Plan.

In addition, OSC anticipates the City will incur higher-than-planned costs for operating subsidies to the MTA for paratransit and bus services. Until more details become available, OSC considers the achievement of three of the City's cost-containment measures to be uncertain at this time (see section on Citywide Savings Program for details). Based on current trends, the City is also expected to incur substantially higher-than-planned unsalaried (e.g., per session and hourly pay) and overtime costs ($654 million and $299 million in FY 2026, respectively). These higher-than-planned personal services costs in FY 2026 would be offset by savings attributed to vacant full-time positions ($400 million in full-time payroll costs and $500 million in fringe benefits costs). OSC anticipates that spending on overtime will exceed the forecast in the June Plan by an average of $735 million annually over four years starting in FY 2027. OSC also estimates that, based on current demand, more funding must be identified for child care vouchers ($121 million in FY 2028, and $330 million in FY 2029 and $370 million in FY 2030). Based on current trends, spending on asylum services is also expected to exceed the levels assumed in the June Plan. The risk is relatively small in fiscal years 2026 and 2027, but unplanned costs for asylum services could exceed half a billion annually starting in FY 2028. In total, updated expenditure risks identified by OSC, net of offsets, are estimated to total $1.8 billion in FY 2027, rising to $3.4 billion by FY 2030.

The City could also incur additional costs from a local law passed by the City Council in July 2026 to provide paraprofessional employees at the Department of Education a non-pensionable, lump sum payment of up to $10,000 in FY 2027 (which OSC estimates could cost $350 million). The Mayor has expressed concerns that the new local law could be in violation of state labor law and is reviewing the final language to determine the appropriate next steps.

In addition, the federal administration has taken a number of actions and proposed budgetary changes that could increase costs or reduce revenue that funds programming in New York State or New York City. These federal actions may also create economic or fiscal risks for the City, as noted earlier in the State and Federal Actions section of this report.

In recent years, the City has maintained $1.45 billion in contingent reserves entering each fiscal year, which are not assigned to specific spending and therefore provide a buffer for cost overruns. Since June 2025, the City has reduced its contingent reserves for FY 2027 by $1 billion, to $450 million. The City maintains $1.45 billion in contingent reserves annually during the balance of the financial plan period, which could be used to help offset budgetary risks.

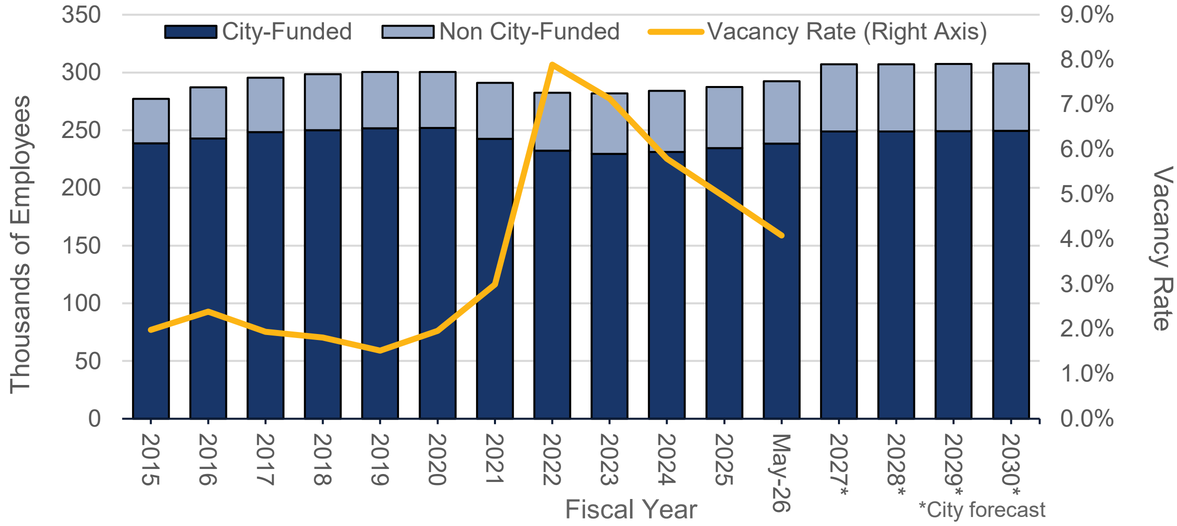
The City has some lead time to address its larger out-year risks and has implemented substantial gap-closing programs in the past. In FY 2026, the City estimates it has identified gap-closing actions that would generate savings totaling $5 billion in fiscal years 2026 and 2027, and an average of about $2.8 billion annually thereafter (see previous section on the City's Savings Program for details). Much of the savings initiatives appear to be within the City's control to implement but include components of spending that have been difficult to control in practice in prior years, such as spending on due process cases and overtime.

Full-Time Staffing Levels

Since the beginning of FY 2026, the City's full-time workforce has increased by 1.8 percent to 292,523 employees as of May 2026 (see Figure 20). In recent years, a number of City agencies have suggested that services provided have been impacted by staffing challenges.

The June Plan assumes staffing will total 307,199 employees as of June 30, 2027, an increase of 5 percent over current levels, which appears ambitious based on recent hiring and attrition trends. The increase in planned staffing over current levels is concentrated at the DOE

FIGURE 20
Full-Time Staffing Levels



Note: FY 2026 is shown as year-to-date actuals for May 2026.
Sources: NYC Office of Management and Budget; OSC analysis

(2,634 positions), Police Department (1,736 positions), and the DSS (1,729 positions). (See Appendix A for details.)

In past years, the City has realized significant savings from overestimating full-time payroll and fringe benefits spending. These financial plan savings have helped to offset other costs not assumed in the financial plan, including overtime and unsalaried costs concentrated at the DOE. In FY 2026, the City lowered its forecast of personal service spending by $494 million as part of the FY 2026 Savings Program.

In recognition of the intersection of fiscal and operational challenges associated with staffing levels, OSC has expanded on the Mayor's Management Report presentation with the launch of an Agency Services Monitoring Tool, starting in December 2024. OSC also maintains a tracker providing information on 311 service requests.

Collective Bargaining

The June Plan includes reserves in each year of the financial plan period to fund anticipated labor costs for all the unsettled contracts based on the DC 37 and Police Benevolent Association (PBA) framework and assumes pattern-conforming agreements will be reached with the remainder of the City's workforce.[6] Undistributed reserves are accrued as of each fiscal year close. In recent years, the City has realized financial plan savings from labor reserve reestimates attributed to lower headcount, fewer than anticipated prevailing wage settlements, and certain expenses assumed in the labor reserve that were paid from other funding sources (e.g., Workforce Enhancement Initiative contract increases for human services providers). Most recently, the June Plan includes savings from the reestimation of labor reserves, totaling $180 million in FY 2026 and $260 million annually starting in FY 2027, which are also driven by these same factors.

While they have benefited the financial plan, such labor savings are not assumed to recur for costs associated with the next round of bargaining because the City budgets based on active headcount as of a certain snapshot date to anticipate the full and outgoing fiscal impact of labor costs.

The June Plan includes reserves to fund annual 1.25 percent wage increases for the entire workforce beyond the current round of bargaining. The labor contracts with the unions representing rank-and-file police officers and firefighters expired in July 2025 (see Figure 21), but contracts with the largest collective bargaining units (DC 37 and the United Federation of Teachers) will not expire until fiscal years 2027 and 2028, respectively. In July 2026, the New York State Public Employment Relations Board (PERB) found that the contract negotiations between the City and the PBA have reached an impasse, and appointed two mediators to facilitate negotiations between the two parties. In the event that mediation is unsuccessful, either or both parties may file a petition to PERB to request binding arbitration.

The economic terms of the next round of collective bargaining will be determined through negotiation or arbitration, and could be higher than assumed in the June Plan. It is notable that the current labor cost projections assume annual salary increases that are below the increases agreed to in the last round of agreements, although higher salary increases could be funded through productivity gains rather than unplanned cost increases.

FIGURE 21
Selected Unions' Contract Expiration Dates

Union	Contract Expiration Date	Number of Full-Time Employees	Fiscal Year of Impact
Police Benevolent Association	7/31/2025	22,200	Expired
United Firefighters Association	7/31/2025	8,410	Expired
District Council (DC) 37	11/6/2026	59,007	FY 2027
United Federation of Teachers	11/28/2027	122,650	FY 2028

Note: Full-time work force at City agencies only, excluding covered organizations, as of May 2026.
Sources: NYC Office of Management and Budget; OSC analysis

Health Insurance

Beginning January 1, 2026, the City commenced a new self-insured health plan, the New York City Employees Preferred Provider Organization (NYCE PPO) health plan, to cover an estimated 750,000 active City employees, pre-Medicare retirees, and their dependents (roughly three-quarters of the City's workforce and their families). Employees continue to have the choice of enrolling in other plans offered by the City, including the HIP-HMO and MetroPlus plans, which also have no employee premiums. (See OSC's May Plan Report for details on the new health plan.)

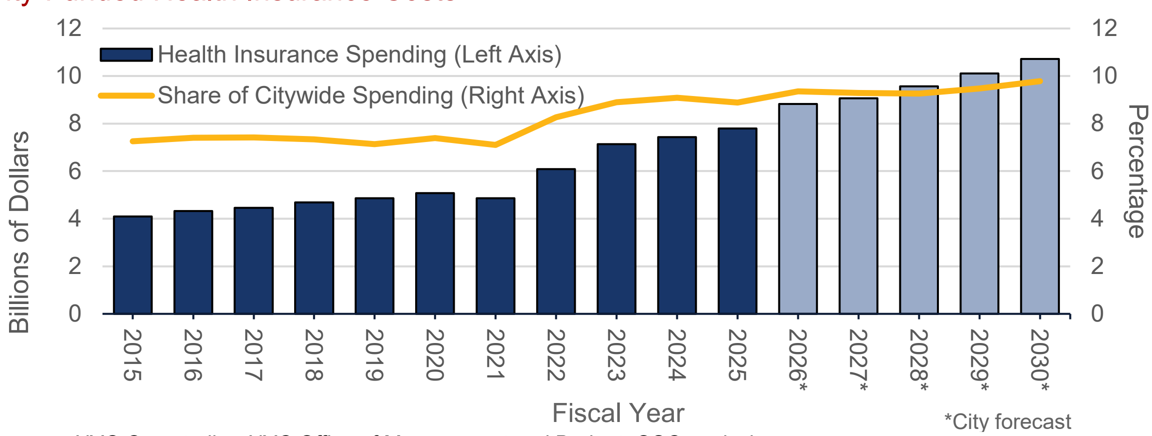
The City indicates the new health plan will generate savings totaling $411 million in FY 2026, rising each year to $953 million by FY 2030, attributed mainly to provider discounts and plan management. In addition, the City has revised down its centrally-administered forecast of health insurance costs at the mayoralty agencies beginning in FY 2027 to reflect current headcount, which is lower than was planned for the end of FY 2026, and other trends. This adjustment is estimated to generate financial plan savings totaling about $100 million in FY 2027, rising gradually in subsequent years.

In February 2026, the City announced its intention, pending the outcome of future collective bargaining, to assume financial responsibility for the obligations of the Health Insurance Stabilization Fund (HISF), which is outside the City's operating budget and was effectively unable to meet all of its contractual obligations through FY 2025, bringing the costs on budget. (See OSC's May Plan report for details.) These obligations, which include self-injectable and chemotherapy medications, are estimated to cost $911 million in FY 2026, $1.1 billion in FY 2027, and higher amounts each year thereafter. The City plans to use the NYCE PPO savings to help defray part of the cost of the HISF obligations.

The June Plan assumes city-funded health insurance costs totaled $8.8 billion in FY 2026. Based on preliminary data for the fiscal year close, OSC estimates spending will be lower than planned by about $500 million. Health insurance costs are projected to rise from $9.1 billion in FY 2027 to $10.7 billion in FY 2030 (see Figure 22). Under local law, the HIP-HMO plan is the benchmark plan used to determine the amount the City pays to cover the employer share of health insurance premiums for all active and pre-Medicare plans. The premium cost of the new NYCE PPO is somewhat lower than the HIP-HMO plan, but is expected to rise more quickly than the benchmark plan in FY 2027. Should the growth in the NYCE PPO premium cost continue to outpace the HIP-HMO plan, the City will incur costs higher than assumed in the financial plan.

FIGURE 22

City-Funded Health Insurance Costs



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

Pension Contributions

As detailed in OSC's May Plan report the State Enacted Budget included approval for a proposal to restructure and stretch out the payment schedule for amortizing unfunded accrued liabilities (UAL) for the City's five actuarial pension systems, as well as certain benefit enhancements. The estimated cost of these changes has been incorporated into the June Plan. The City is expected to realize savings of $652 million in FY 2026, $1.6 billion in FY 2027, and similar amounts in subsequent years over the balance of the financial plan period.

Under the new payment structure, planned pension contributions during fiscal years 2033 through 2037 will also be significantly higher when compared to the previous amortization schedule, deferring the cost of past employee service to future taxpayers. The City's pension systems are still projected to achieve full funding levels by FY 2037, assuming future experience meets all actuarial expectations, albeit over a longer period than was anticipated under the prior amortization schedule.

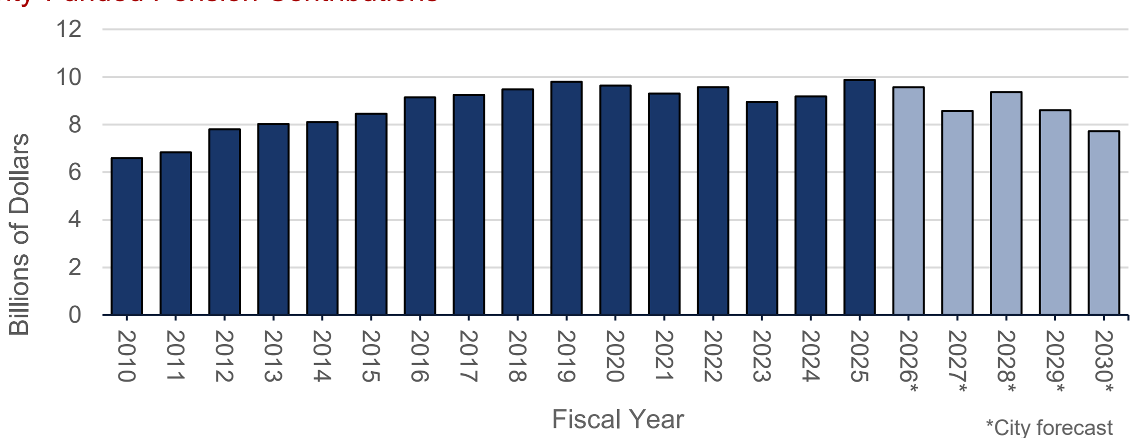
The pension systems earned, on average, 8 percent on their investments during fiscal years 2012 through 2025, compared to the expected annual gain of 7 percent. Based on preliminary data, the June Plan assumes the City's pension systems earned, on average, 12 percent on their investments in FY 2026. As a result, the City could realize savings of $304 million in FY 2028, $641 million in FY 2029, and $958 million in FY 2030. The City Comptroller has provided updated, but still preliminary data, indicating that the City's pension systems gained, on average, 13.1 percent on their investments through June 30, 2026. Accordingly, the City could realize an additional savings of $67 million in FY 2028, $205 million in FY 2029, and $337 million in FY 2030.

Reflecting changes enacted in the State budget, estimated pension investment returns, and other revisions, the June Plan assumes city-funded pension contributions would decline from $9.6 billion in FY 2026 to $7.7 billion in FY 2030 (see Figure 23). The decline in pension costs in FY 2027 would be the largest year-over-year nominal decline on record and at 10.4 percent, the fourth-largest share decline, since at least 1980, highlighting the magnitude of budgetary relief provided by the pension restructuring.

Also included in the June Plan projections is an annual reserve of $278 million beginning in FY 2028, to fund the cost of potential changes that could arise from audit recommendations.

FIGURE 23

City-Funded Pension Contributions



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

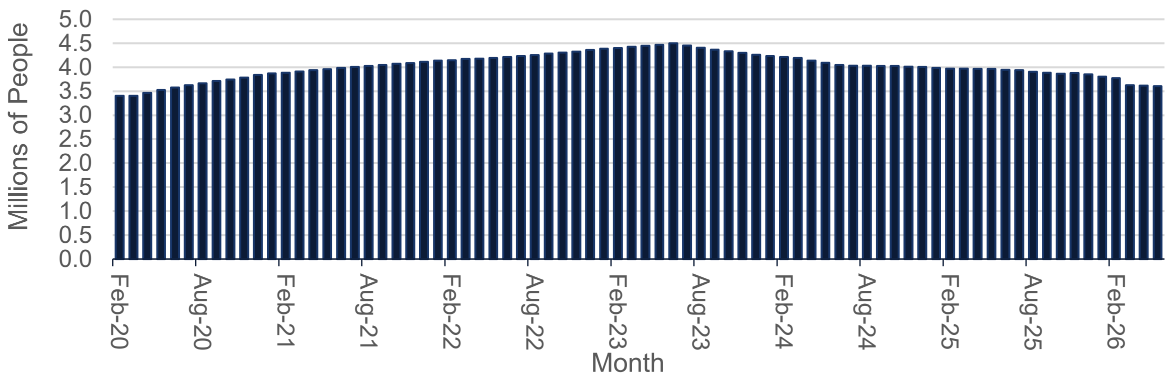
Medicaid

In May 2026, more than 3.6 million City residents were enrolled in Medicaid, which provides health insurance to low-income children and adults (see Figure 24). Enrollment is down 20 percent from the June 2023 peak (see OSC's May 2025 report on the City's financial plan for enrollment details).

The June Plan assumes no changes from the May Plan, with the city-funded cost of Medicaid totaling $6.7 billion in FY 2026, $6.7 billion in FY 2027, $6.8 billion in FY 2028, $7 billion in FY 2029 and $7.1 billion in FY 2030, with growth projected to increase by 2 percent annually from FY 2027 through FY 2030 due to its supplemental Medicaid payments to NYC Health + Hospitals (H+H). (See OSC's May Plan report for additional changes made since the FY 2026 Adopted Plan.)

Spending reductions included in the federal H.R. 1 reconciliation bill approved by Congress in July 2025 will impact public health programs, including Medicaid and the State's Essential Plan, and could have wide-ranging impacts on the cost of Medicaid to New York State and its localities. These changes could increase overall Medicaid costs, although the local share of Medicaid costs remains capped under current State law, with the State responsible for any increase above the cap. (See OSC's December 2025 report on NYC Health + Hospitals Strategic Initiatives for details.)

FIGURE 24
NYC 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

Social Services

The November, February and May Plans added city-funded new needs of $3.4 billion in FY 2026 and an average of $4.4 billion annually beginning in FY 2027 to correct chronic underbudgeting for the City's social service agencies (defined as the DSS, the Department of Homeless Services (DHS), the ACS, the DYCD, and the Department for the Aging (DFTA). While some budgetary risks remain, these funds largely addressed underbudgeting identified by OSC for rental assistance, cash assistance, non-asylum shelter costs, and foster care (see OSC's February Plan report and May Plan report for details).

The June Plan added new needs of $148 million in FY 2027 and $76 million in the out-years for the social service agencies. FY 2027 included one-time funding at DSS for immigration legal services contracts ($56 million) and NYC Benefits, an online platform which provides New York City residents with eligibility screening for public benefits ($11.7 million total). NYC Benefits funding is primarily for contracted services, but also extends 15 staff positions for the program through FY 2027. These expenses may recur beyond FY 2027 or services could be impacted.

Baselined new needs included funds to address out-year cliffs for HIV/AIDS Services Administration (HASA) housing ($39 million) and information technology expenses for DSS, ACS, and DHS ($26 million in FY 2027 and $23.3 million annually thereafter). The Plan also added 18 positions across DSS and DHS for the CityFHEPS Career and Education Bridge Program ($9 million in FY 2027 and $7 million annually beginning FY 2028), and $5.2 million annually for homeless outreach support.

The June Plan also baselined programs beginning FY 2027 that were negotiated with the City Council, including $54 million for Fair Fares (see the Semi-Autonomous Entities: Metropolitan Transportation Authority section for details), $12 million for Home Delivered Meals at DFTA, and smaller amounts for the Community Food Connection.

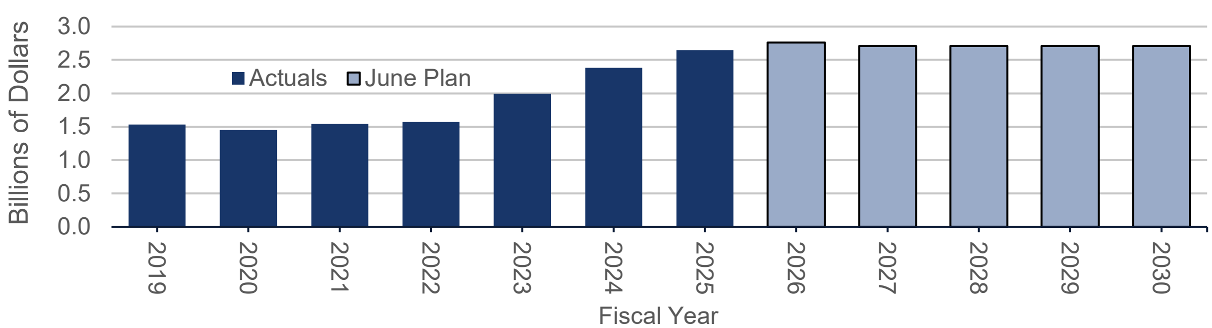
Public Assistance

The June Plan did not change the FY 2026 estimate for public assistance (PA) from the May Plan, and maintains the assumption that funding will be flat at $2.71 billion annually beginning FY 2027 (see Figure 25). This reflects the City's assumption that program participants from FY 2027 to FY 2030 will remain flat at 583,174 unduplicated recipients (or the March 2026 caseload), with three-quarters of the caseload coming from Safety Net Assistance (SNA) recipients and the remaining quarter coming from Family Assistance (FA) recipients. The caseload composition impacts the City's budget, as SNA is primarily funded by the City — which covers 71 percent of costs (the State covers the difference) — while only having to pay for 15 percent of FA costs (the federal government covers the difference).

After growing nearly every month since September 2021, caseloads have started to decline (by 6 percent, or 37,506 people) from a peak of 604,016 in October 2025 to 566,510 recipients in

FIGURE 25

Public Assistance Spending

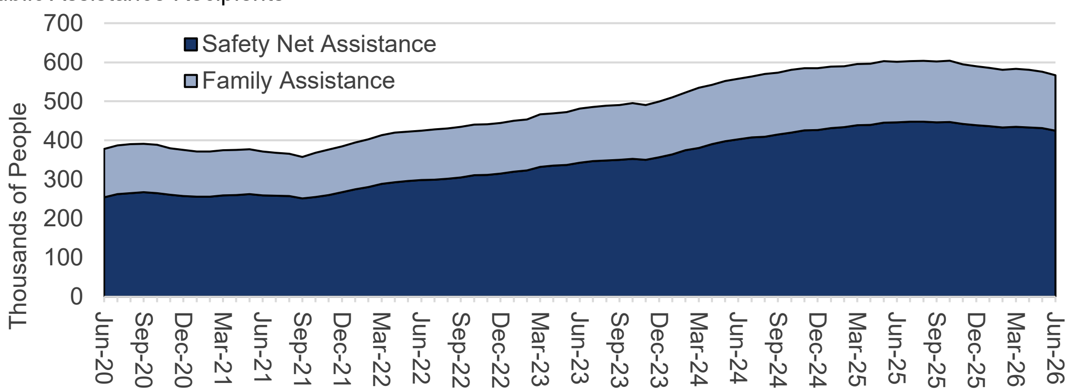


Sources: NYC Office of Management and Budget; OSC analysis

June 2026 (see Figure 26; see OSC's May Plan report for details). The City suspended work requirements for public assistance recipients during the pandemic but resumed them at the end of April 2025 to comply with federal and State mandates, which may be impacting enrollment. The City has suggested the recent decline has coincided with the Human Resources Administration (HRA) more successfully engaging clients in work opportunities. Acknowledging that there are many factors that could affect recent enrollment trends, OSC generally finds that the City has provided funding to support the program in the financial plan period, more clearly reflecting recent spending and enrollment trends — but estimates that the city-funded portion of costs could be higher by $38 million in FY 2027, $31 million in FY 2028, $23 million in FY 2029, and $15 million in FY 2030 based on current spending.

FIGURE 26

Public Assistance Recipients

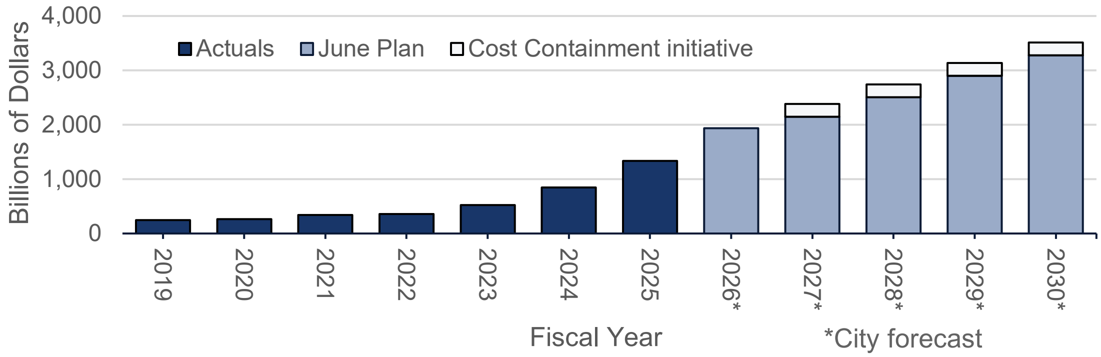


Sources: NYC Human Resources Administration; OSC analysis

Rental Assistance

The City's rental assistance budget (under DSS) provides funding for several different programs, including Special One-Time Assistance, FHEPS B, Special Housing Assistance Resource and CityFHEPS (which comprises at least 90 percent of total spending). The June Plan adds $17.3 million to the FY 2026 budget, which is roughly $1.9 billion, and 45 percent ($599 million) more than what was spent in FY 2025; no funding was added in the other years of the Plan (see Figure 27).

FIGURE 27
Total Rental Assistance Spending



Sources: NYC Office of Management and Budget; OSC analysis

From FY 2027 through FY 2030, the June Plan assumes annual CityFHEPS spending growth of 10 percent in FY 2027, 22 percent in FY 2028, 17 percent in FY 2029 and 14 percent in FY 2030. These projections include the cost containment initiative savings, which, based on a current lack of detail, OSC does not yet anticipate materializing. Since the CityFHEPS budget remains largely unchanged from the May Plan, OSC's latest cost estimates and risk projections are also similar to those in OSC's May Plan review, with city-funds risks that total $235 million in FY 2027, $262 million in FY 2028, $306 million in FY 2029 and $348 million in FY 2030.

Although the June Plan does not make new changes to the CityFHEPS program budget, the administration and the City Council were able to reach a settlement in the multi-year lawsuit surrounding the program's 2023 expansion. In July of that year, the Council passed four pieces of legislation to significantly expand eligibility, including: eliminating the requirement that households must first reside in the City's shelter system for 90 days in order to qualify (or "the 90-day rule"); raising the income limit from 200 percent of the federal poverty level (or FPL — about $55,000 for a family of three) to 50 percent of the Area Median Income (or AMI — around $76,000 for a family of three); prohibiting a utility allowance from being deducted from a voucher's subsidy amount; and allowing tenants to present a rent demand letter (instead of documentation from official court proceedings) to substantiate an eviction risk. The implementation was subsequently challenged in court by two mayoral administrations and prompted OSC cost estimates ranging from $3.4 billion to $36 billion, over a five-year period.

The new agreement settles the ongoing legal case (thereby removing a major source of budget uncertainty for the City), carrying out many of the provisions of the 2023 bills through the creation of the Rental Assistance Voucher Program that will be administered by the Department of Housing Preservation and Development (HPD) instead of DSS. Additionally, spending for the new program will be limited to appropriated funding amounts, and eligible households who join after funding has been expended may be placed on a waiting list. The City Council projects that the new program could serve roughly 30,000 people while the administration believes this number to be closer to 14,000. In FY 2027, $175 million has been budgeted for the new program for half a year, as the program is expected to take enrollments beginning in January 2027. The City has budgeted $125 million in FY 2028 and out.

In exchange for creating the new program, the City Council will pass new legislation that nullifies the previous expansion's provisions. The new program incorporates the increase to the income eligibility limit advanced by the 2023 bill (from 200 percent of the FPL to 50 percent of the AMI); however, tenants must reside in rent-stabilized apartments in order to qualify for the new program. Additionally, participants of the new program will not be subject to work requirements. Lastly, when possible, the HPD program will factor in a utility allowance credit — something which housing advocates have argued often leads to a reduction in the value of CityFHEPS vouchers when landlords do not include utilities as part of the rent.

Non-Asylum Shelter Services

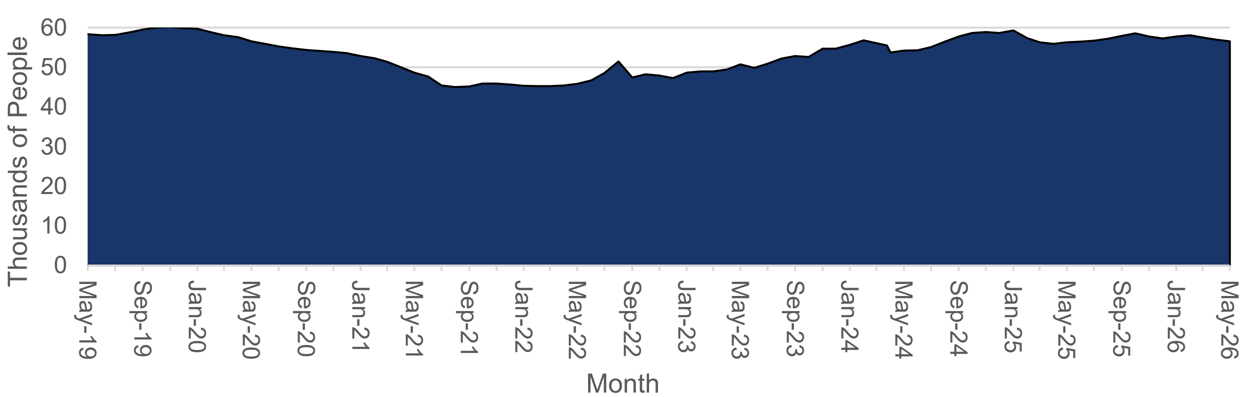
After a substantial dip at the onset of the pandemic, the number of individuals in DHS shelters has grown since a moratorium on residential evictions expired in January 2022 (see Figure 28). In May 2026, the estimated non-asylum population in DHS shelters averaged 56,510, 25 percent greater than in January 2022 (45,343) but still below January 2020 levels by an estimated 3,193 individuals. As of the June Plan, the City has budgeted $2.7 billion in FY 2026 and $2.6 billion in FY 2027 for these costs, compared to the $1.8 billion spent in FY 2022.

On a household basis, recent growth in the non-asylum census over the past 12 months has been led by an increase in the single adult population, which already exceeds pre-pandemic levels and averaged around 23,330 in May 2026 — a record high and 14 percent higher than in May 2025. The family population, in contrast, is about 7 percent lower than in May 2025.

The June Plan reduces federal Temporary Assistance for Needy Families (TANF) funds in FY 2026 by $58 million while increasing City funds by $59 million and State funds by $4 million, for a net increase of $5 million for non-asylum shelter costs. The City also funded a $10 million increase in the FY 2027 budget. Total planned spending for non-asylum adult and family shelter operations is expected to reach just over $2.7 billion in FY 2026, or $232 million more (9 percent) than what was spent in FY 2025, after which the City anticipates a slight decline to $2.6 billion in FY 2027 (see Figure 29). These projections are net of savings from the City's cost containment initiative, an effort to target and manage major expenditure drivers, including shelter.

FIGURE 28

Estimated Non-Asylum Individuals in DHS Shelters



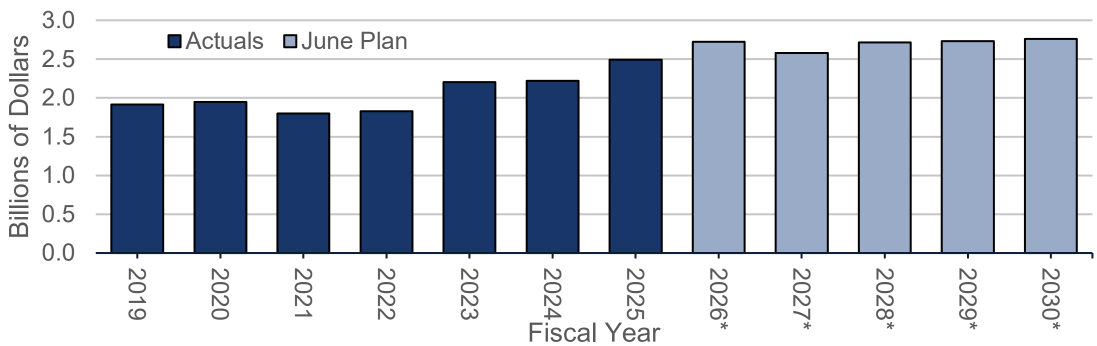
Sources: NYC Department of Homeless Services; New York City Council; OSC analysis

OSC considers the City's projections for FY 2026 to be reasonable, but the absence of information about the cost containment initiative, which begins in FY 2027, creates a budget risk for the City until savings are more clearly identified. The City funds portion of the projected savings is $284 million in FY 2027, $23 million in FY 2028, $51 million in FY 2029 and $74 million in FY 2030. Separately, OSC also projects slightly higher baseline costs based on caseload trends from the past 12 months and the City's FY 2025 per diem for shelter operations, which result in a city-funds need of $13 million in FY 2028, $27 million in FY 2029, and $48 million in FY 2030; these estimates are based on the City's shelter budget, absent the cost containment initiative. In total, OSC's city-funds risks add up to $284 million in FY 2027, $36 million in FY 2028, $78 million in FY 2029 and $122 million in FY 2030.

The cost to the City could also be higher if the per diem costs rise or the shelter population grows faster than expected, including potential changes to federal housing voucher programs (such as the Emergency Housing Voucher program), or if the federal government enacts cuts to the City's TANF program revenue, which is expected to fund roughly half of family shelter costs in FY 2027 (see OSC's TANF report). In addition, if federal cuts to the social safety net make housing more difficult to afford, housing evictions could rise, pressuring the non-asylum shelter census.

FIGURE 29

Non-Asylum Shelter Spending



Sources: NYC Office of Management and Budget; OSC analysis

Asylum Services

Through July 5, 2026, the City reported that over 244,879 asylum seekers had come through its intake system since spring 2022, and that more than 27,130 of these individuals remained in the City's care. While a significant decline from the peak census of 69,000 in January 2024, the number of people exiting shelter has slowed in FY 2026, averaging about 12 households per day from July through May compared to 35 households per day for the same period in FY 2025 (see Figure 30).

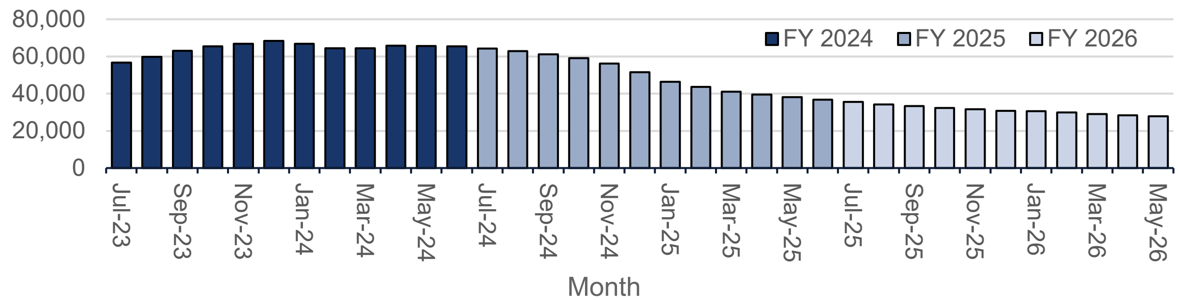
The June Plan did not change the planned spending in total for asylum services, and anticipates $1.46 billion in FY 2026, $1.16 billion in FY 2027, and $500 million annually thereafter through FY 2030 (please see OSC's May Plan report for details). This assumes a continued gradual census decline and a per diem of $331 per household in FY 2026, adjusted for a 5 percent contingency in FY 2027.

However, the Plan reduced the assumption for State funding by $200 million in FY 2026 and shifted these costs to the City, reflecting an adjustment to the recording of prior year revenue. In total, the State will have contributed $3.2 billion, or 33 percent of planned spending over fiscal years 2023 through 2026, with the federal government funding $207 million, or 2 percent. The City has not yet collected $88 million of the federal funds that it recorded in FY 2025, which OSC views as a budgetary risk (see the State and Federal section for details). The City is assumed to fund 100 percent of these costs after FY 2026.

Recognizing that there are still considerable unknowns, OSC projects higher spending of about $200 million over FY 2026 and FY 2027, due largely to a higher assumed per diem cost for FY 2026. OSC anticipates a larger risk in the out-years ($586 million in FY 2028 and $515 million annually in FY 2029 and FY 2030), due almost exclusively to the drop in planned funding.

FIGURE 30

Asylum Seeker Individuals in City's Care
Month-End Census



Sources: NYC Council; OSC analysis

Administration for Children's Services

The June Plan makes minimal changes from the May Plan for ACS. Reported FY 2026 ACS expenditures total $4.43 billion, while the FY 2027 forecast totals $3.5 billion. The decline is related to how the City budgets for, and utilizes, Child Care Block Grant (CCBG) funding, a combination of State and federal dollars. CCBG allocations, which have historically been added throughout the plan year as they are received, were unchanged from the May Plan and total about $1.37 billion in FY 2026, $488 million in FY 2027 and $388 million annually from FY 2028 through FY 2030. About 68 percent of the ACS FY 2026 budget, over $3 billion, was funded by State and federal categorical grants. City funding, totaling nearly $1.4 billion, accounted for the remainder.

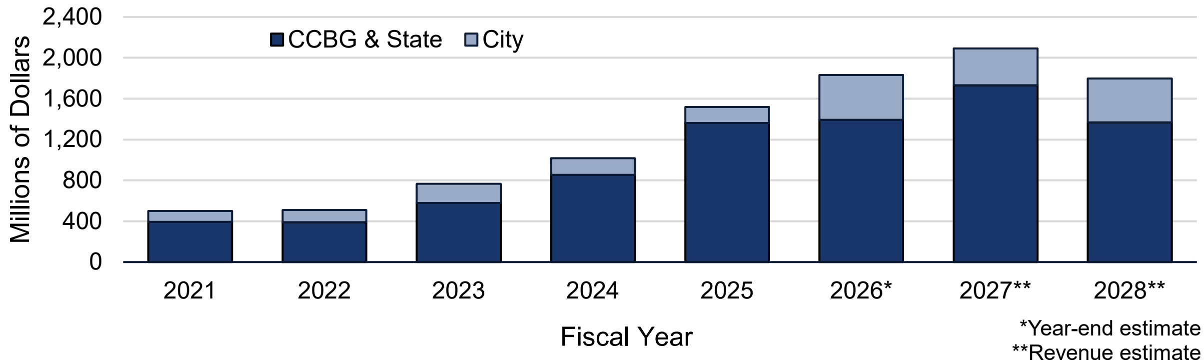
The largest share of ACS' funding, over $1.83 billion in FY 2026, was allocated to child care services, which includes the child care voucher program (see Figure 31). CCBG revenues are the primary source of this funding. The SFY 2027 Enacted Budget earmarked an additional $475 million in CCBG child care matching funds specifically for New York City. To receive the full

State allocation, the City is required to include at least $475 million in City funds in the FY 2027 budget for child care.

The June Plan includes $361.3 million in City funds; ACS remains $113.7 million short of the required contribution for the maximum match, reducing potential FY 2027 child care funding by a total of $227.4 million. Should child care program participation continue at or near the five-year trend, a likely outcome given the City's focus on expanding child care options, ACS is likely to have the funding necessary to meet most program demand in FY 2027. However, to meet out-year demand, OSC estimates the City will need to maximize the State's contribution, creating a $113.7 million budget risk for FY 2027.

FIGURE 31

Child Care Services Expenditures by Source

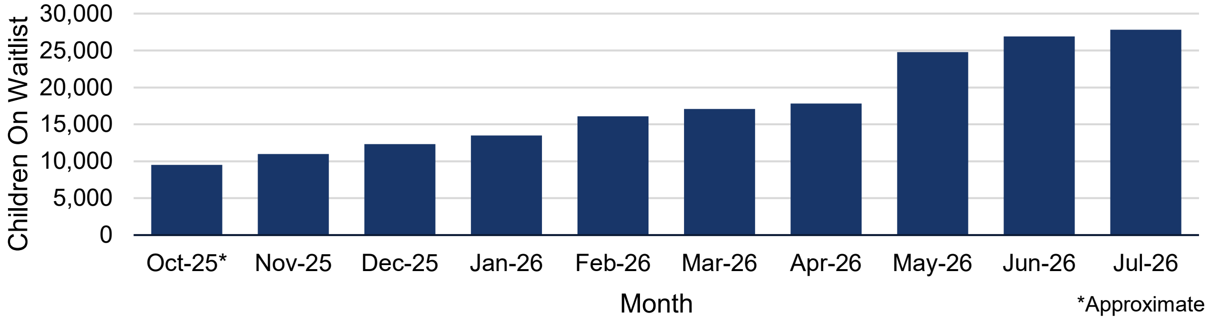


Note: Estimated FY 2027 and FY 2028 CCBG & State figures do not include pass-through funding allocated to DOE.
Sources: NYC Office of Management and Budget; OSC analysis

Total FY 2027 risk is estimated at about $121 million, which includes a $7 million risk for higher average cost-per-voucher assumptions. Further, because the City currently relies on non-recurring State funding for a substantial portion of the child care services budget, OSC estimates a budget risk of about $330 million in FY 2028 and a risk of about $370 million in FY 2029 and the out-years.[7] This risk estimate does not include the resources needed to address the City's child care voucher waitlist, which has grown substantially in FY 2026 (see Figure 32).

FIGURE 32

ACS Child Care Voucher Waitlist



Source: NYS Office of Child and Family Services

The waitlist, implemented in the spring of 2025, has swelled from 1,500 children in July of FY 2026 to 27,800 as of July FY 2027, an average increase of 2,192 children per month. At the estimated FY 2026 per voucher cost of approximately $17,530, OSC evaluates the cost to cover every child on the City's waitlist at nearly $487 million per year, which current and expected FY 2027 child care voucher funding will not cover at current voucher program participation rates. If additional funding for vouchers is unavailable, addressing this backlog without limiting eligibility, or reducing services, may create an additional financial risk for ACS.

It should be noted that a portion of the City's FY 2027 CCBG allocation could be utilized in FY 2028, as these funds are distributed on a federal fiscal year basis, overlapping the State and City fiscal years (see OSC's May Plan report for details). Beyond FY 2027, without supplemental funding allocated specifically to New York City, estimated total annual allocations drop to about $1.8 billion beginning in FY 2028.

Overtime

Overtime grew by 5 percent year-over-year in FY 2026 to $2.85 billion, marking the fifth consecutive year of growth and a new record high. The uniformed agencies accounted for $2.32 billion, an increase of more than $100 million compared to last year (5 percent), while civilian agencies accounted for $532 million, increasing by $40 million (8 percent). In total, overtime exceeded planned amounts by a combined $299 million (12 percent), despite the addition of $888 million in funding since the FY 2026 Adopted Plan, the overwhelming majority of which was for the uniformed agencies (see Figure 33).

While overtime spending is dominated by the uniformed agencies, most of the budgetary variance was driven by civilian agencies. These agencies constituted about 20 percent of total overtime in FY 2026, a trend roughly consistent with the past several years, but contributed two-thirds of the overspending, exceeding the latest plan by $201 million. OSC noted in previous reports that civilian overtime, especially at the Department of Transportation and the social services agencies, was tracking significantly above plan and would require additional resources (see OSC's May Plan report for details). Some of these agencies have been experiencing staffing challenges which may be driving an increased reliance on overtime (see Appendix A: Full-Time Staffing Levels). However, the City only added $46 million since last June for overtime at civilian agencies. Of the 52 civilian agencies that used overtime in FY 2026, 42 agencies exceeded their respective budgets, inclusive of intra-year adjustments.

FIGURE 33

FY 2026 Overtime Budget Variance
(in millions)

City Agency	Expenses	Budget	Variance ($)	Variance (%)
Police	1,063.3	965.7	(97.6)	-10.1%
Fire	576.1	564.0	(12.0)	-2.1%
Sanitation	321.7	322.7	1.0	0.3%
Correction	358.9	369.1	10.2	2.8%
Subtotal: Uniformed Agencies	$2,319.9	$2,221.5	($98.5)	-4.4%
Transportation	117.2	64.8	(52.4)	-80.8%
Social Services	80.3	41.6	(38.7)	-93.0%
Education	43.2	21.8	(21.4)	-98.3%
Children's Services	53.9	39.2	(14.6)	-37.3%
Environmental Protection	62.4	48.2	(14.2)	-29.4%
All Other	174.5	115.0	(59.5)	-51.7%
Subtotal: Civilian Agencies	$531.6	$330.7	($200.9)	-60.7%
Total	$2,851.5	$2,552.2	($299.4)	-11.7%

Sources: NYC Office of Management and Budget; OSC analysis

Overtime at the uniformed agencies exceeded June Plan estimates by $98 million (4 percent), driven largely by an uptick in overtime costs at the Police Department in June as a result of increased coverage for events such as the New York Knicks' championship celebrations and the 2026 FIFA World Cup. While overtime costs at the Police Department decreased for the first time in five years, the budget fell short by $98 million despite the addition of $364 million since last June. The City anticipates the receipt of $77 million in State funds to offset increased transit patrol overtime in FY 2026, but the June Plan does not yet reflect this adjustment. This continues a historical trend of underbudgeting at the Department that extends into the out-years, as overtime is budgeted at an average of $786 million annually, a level not achieved since FY 2022.

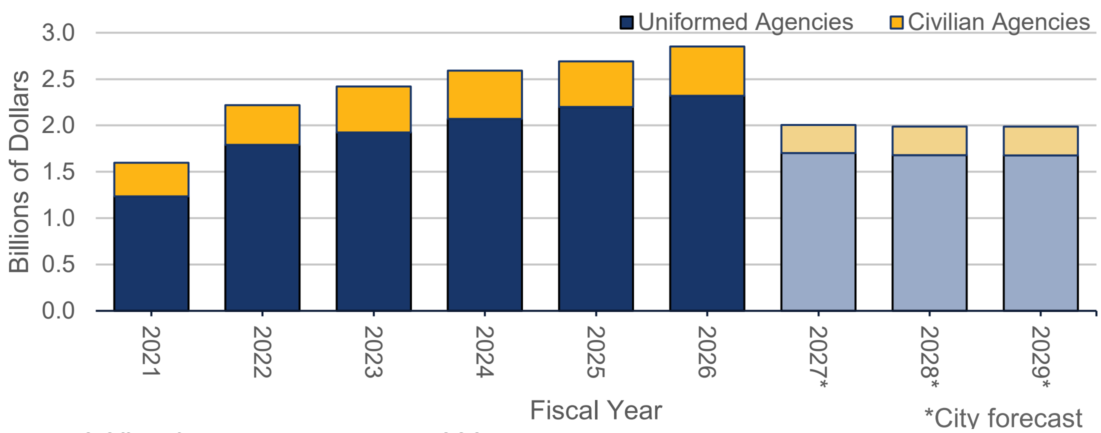
Overtime at the Department of Sanitation grew by $117 million compared to last year to the highest on record ($322 million total), virtually all attributable to the heavy snow season as snow removal overtime grew by nearly $100 million to $147 million. However, the City added

$160 million in overtime funding since last June ($111 million for snow removal), which was sufficient to cover unanticipated costs. Likewise, despite a record year for overtime at the Department of Correction ($359 million), the City funded these initially unanticipated costs with the addition of $208 million in overtime funds since last June. The Fire Department also set a new overtime record, with costs totaling $576 million, but only slightly exceeded the budget ($12 million, or 2 percent) with the addition of $110 million in overtime funds since last June.

Altogether, the City must find $299 million in alternative resources or funding reallocations to pay for overtime in FY 2026, such as savings in other personal service costs. Furthermore, the out-years remain underfunded based on OSC analysis, as the City projects overtime will average about $1.98 billion annually, a reduction of almost $870 million from the FY 2026 total (see Figure 34). OSC projects the City may need more than $700 million in each year unless operational changes can be made to reduce overtime use.

FIGURE 34

Historical and Projected Overtime Costs



Sources: NYC Office of Management and Budget; OSC analysis

VIII. Debt Service and Capital Spending

The June Plan assumes that city-funded debt service will grow by an average annual rate of 11.6 percent from $8 billion in FY 2026 to $12.4 billion in FY 2030. However, given the City's conservative interest rate assumptions and that the City has averaged $89 million in variable rate savings from FY 2023 to FY 2026, OSC projects the City could achieve at least $75 million in variable rate savings in FY 2027.

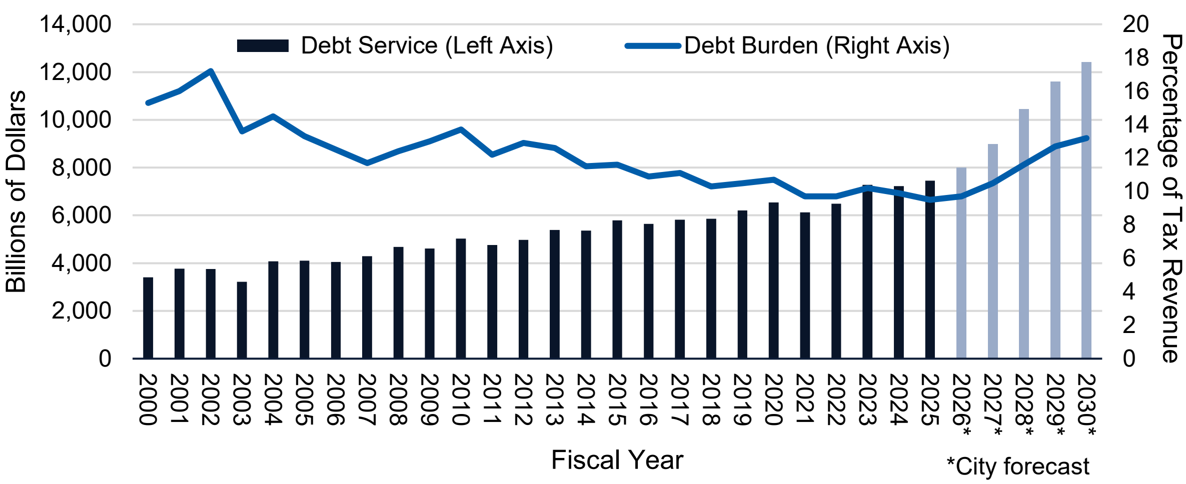
From FY 2026 through FY 2030, the City expects city-funded debt service to grow faster than both city-funded expenditures (4.3 percent) and tax revenues (2.5 percent). In this scenario, the City's debt burden (total debt service as a percentage of tax revenue, excluding tax programs) would rise from 9.7 percent in FY 2026 to 13.2 percent in FY 2030, the highest level since the Great Recession, but below the City's self-imposed cap of 15 percent (see Figure 35).

Since the FY 2026 Adopted Budget, debt service expenditures are expected to be lower by $1 billion in FY 2026 and FY 2027, with a large portion coming from H+H providing $455 million to cover its own debt service payments, rather than the City. H+H is saving an equal amount in fiscal years FY 2026 through FY 2030 from the City reamortizing its unfunded pension liability. In fiscal years FY 2028 and FY 2029, debt service is expected to be $289 million higher than expected in the FY 2026 Adopted Budget mainly due to additions to the City's bond issuance forecast, which has increased by $7.7 billion during the FY 2026 through FY 2029 period; however, the City has issued less than its targeted commitments in past years, which has provided additional cost savings.

While the City has not yet updated the capital commitment plan since May, it did make changes to include City Council, Mayoral and Borough President initiatives. From FY 2027 through

FIGURE 35

City-Funded Debt Service



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

FY 2029, the net increase in capital commitments is $1.3 billion (see Figure 36). None of the additional debt service related to this capital spending is included in the June Plan; however, OSC has not revised debt service projections as the City has historically seen actual capital commitments trail yearly targets.

FIGURE 36

Capital Commitment Changes Since April 2026

(in millions)

City Agency	Commitment Change 2027-2030	Amount Rescinded	Net Change
Cultural Affairs	$ 290.5	(1.9)	$ 288.7
Education	273.0	(2.9)	270.1
Parks	212.7	(7.8)	204.8
Health & Hospitals	131.1	(0.5)	130.5
Housing	94.3	(1.0)	93.3
All Other	360.6	(45.1)	315.5
Total	**$ 1,362.2**	**(59.2)**	**$ 1,302.9**

Sources: NYC Office of Management and Budget; OSC analysis

The City agency with the largest increase in commitments is the Department of Cultural Affairs (DCLA), which will see an increase of $289 million. This includes $17 million for the New York Botanical Garden, $13 million for the Bronx Zoo, and $7 million for the New York Hall of Science. The Department of Education (DOE) will see an increase of about $270 million, including $89 million for projects in Queens, $72 million for projects in Brooklyn, $48 million for projects in the Bronx, $41 million for Manhattan, and $21 million for Staten Island.

The Parks Department will add see a $205 million increase in funding, with at least $84.6 million earmarked specifically for playgrounds, a further $41 million allocated to renovation projects, and more than $21 million for various other construction projects. H+H received an increase of $131 million across FY 2027 and FY 2028, with $58 million earmarked for housing unit construction on H+H properties. Likewise, the Department of Housing Preservation and Development is increasing planned capital commitments by $93 million, with funds going to various housing-related projects.

Total funded commitments for FY 2025 were $18.7 billion which was a record high and 6 percent higher than in FY 2024. In fiscal years 2026 through 2030, the City has authorized $117.1 billion in total capital commitments to achieve a commitment goal of $107.6 billion during this period, of which $102.9 billion is City funded.

The full cost of repairing the Brooklyn-Queens Expressway cantilever bridge also has not been determined and costs to replace Rikers Island may continue to rise as timelines are extended. Any new required funding would lead to higher capital commitments and thus debt service spending.

IX. Semi-Autonomous Entities

Department of Education

The City's Adopted Budget allocates $45.6 billion to the DOE in FY 2027, including centrally administered costs such as pensions, debt service, and fringe benefits ($7 billion). This amounts to 36.2 percent of the City's total budget and would be a two-year $4 billion increase over actual spending in FY 2025. The Plan assumes the City will fund $27.1 billion of DOE's FY 2027 budget, accounting for 59.4 percent of the agency's total spending. The remainder would be funded by the State (36 percent), the federal government (4.4 percent; down from 14.6 percent at its peak in FY 2022), and other sources.

The June Plan adds $552 million in city-funded new needs in FY 2027, the majority of which ($383 million) holds schools harmless against lower-than-expected student enrollment. The City has spent more than $1.9 billion holding schools harmless for enrollment loss since FY 2021, and student enrollment is projected to continue declining in future years. If the City chooses to continue this policy, it would require adding similar funding in future years. The FY 2027 new needs also include $133 million for school cleaning costs, which is baselined in the out-years at $135 million annually and fully addresses a long-standing budget risk, as well as $36 million for rising special education-related costs. DOE has addressed substantial budget risks as part of the last three financial plans, effectively adding nearly $2.8 billion in annual average spending.

Some risks to the department's budget remain, however; the largest is payments for unsalaried personnel costs. These payments, which include hourly wages, back pay, bonus pay, and per-session payments, have risen rapidly in recent years, with spending $471 million over budget in FY 2024 and rising another $100 million to reach nearly $1.8 billion in FY 2025. Nevertheless, the City's current forecast expects unsalaried pay to fall by more than one third, to $1.2 billion, in FY 2026 despite the fact that year-to-date expenses have already reached nearly $1.8 billion through June. If unsalaried pay post-June expenses continue to follow current trends, it is likely that the City will need to add or reallocate $654 million in FY 2026. In the past, the City has reallocated funding from other areas of the budget to cover the overruns, a practice it is likely to continue. The rising costs of unsalaried pay will make it more difficult to continue identifying spending offsets.

Another significant out-year risk is funding for the establishment of the City's new "2-K" program for two-year-olds; the State provided $73 million in FY 2027 and promised $425 million in FY 2028 to help the City establish the program, but the City has not identified 2-K funding thereafter. Additionally, the Plan's projections for spending on Due Process Cases (DPCs) — which are federally-mandated services for students with disabilities — remain below likely spending. The Plan anticipates that the City will find savings by bringing more DPC services in-house and attempting to lower the caseload, a strategy the City has pursued before with limited success. The Plan increases DPC spending in FY 2026 by $40 million but then expects it to fall by $148 million in FY 2027; based on recent trends, and unless the City can demonstrate substantial savings on DPCs, it seems likely that the City will need to add $277 million for DPCs in FY 2027, rising to $619 million by FY 2030. Lastly, because bus routes are largely dependent on several factors outside of the City's control, the City may not be able to achieve $28 million in planned pupil transportation savings in FY 2027, rising to $56 million annually thereafter.

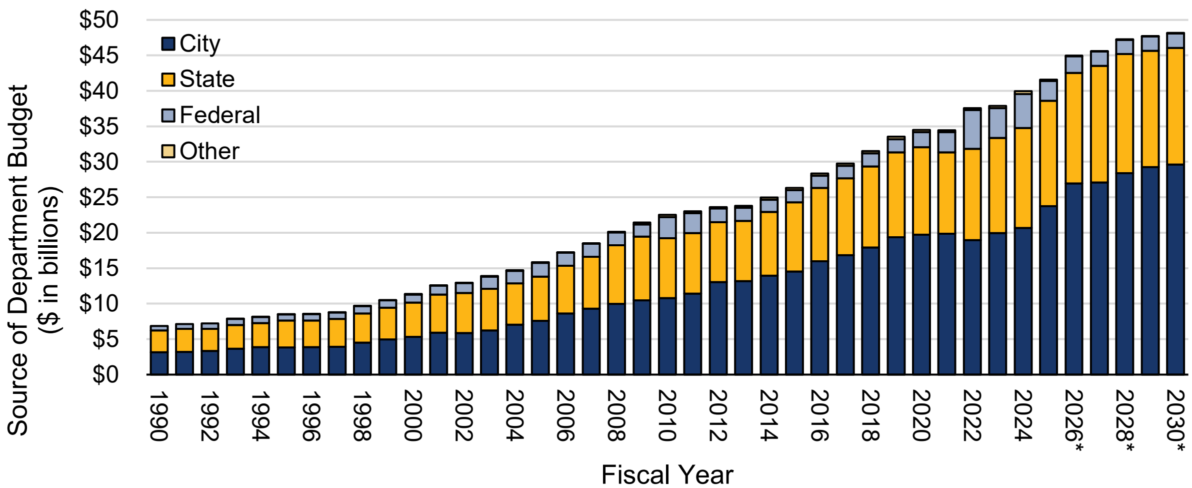
In July, the City Council voted to provide paraprofessionals in public schools a payment of $10,000 each to address pay disparities. While the administration believes that these payments violate the Taylor Act, which stipulates that compensation for public employees should be collectively bargained, OMB has calculated that if the payments are made, they would cost the City over $350 million in FY 2027.

The Plan anticipates considerable growth in spending at DOE over the next four years, reaching $48.2 billion by FY 2030 (see Figure 37), not including any of the aforementioned budget risks. City-funded spending will grow from $27.1 billion to over $29.6 billion, 9.4 percent growth over three years, accounting for virtually all of the projected budget increase. Under State law, the City is subject to a maintenance of effort requirement that severely constrains the City's ability to reduce city-funded education spending year over year. However, the Plan does not include future potential increases in state aid.

Finally, the DOE assumes that recurring federal aid will remain stable throughout the plan period, at about $2 billion annually. The majority of this support is provided through [Title I funding for low-income students]() ($679 million), [various school food programs]() ($594 million), and the [Individuals with Disabilities Education Act]() ($291 million). This recurring federal education aid accounts for 4.4 percent of the Department's total budget in FY 2027 and similar amounts in the out-years; however, the current federal administration has indicated that it may seek to reduce financial support for school districts across the country.

FIGURE 37

Sources of DOE Budget Funding



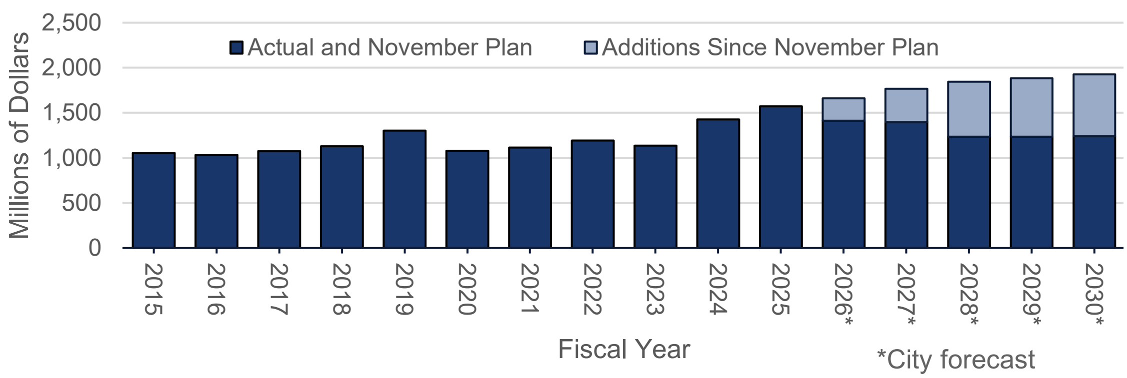
Sources: NYC Office of Management and Budget; OSC analysis

*City forecast

Metropolitan Transportation Authority

The City's June Plan continues to include significant funding for previously underbudgeted costs related to MTA services such as paratransit, MTA buses and the Staten Island Railway that was initially included in the February Plan. As shown in Figure 38, City aid to the MTA is expected to rise from $1.6 billion in FY 2025 to nearly $1.8 billion in FY 2027, rising further to $1.9 billion by 2030 as the MTA projects these costs will continue to grow.

FIGURE 38
New York City Direct Aid to the MTA



Sources: NYC Office of Management and Budget; OSC analysis

The SFY 2025-26 State Enacted Budget extended the City's responsibility for funding 50 percent of the net operating cost of the MTA's paratransit service and an additional 30 percent (capped at $165 million) for two years through June 30, 2027. The City has now budgeted for the 50 percent share in its financial plan and funded the additional $165 million through FY 2027. OSC assumes the formula will be extended by the State — resulting in a $165 million risk in FY 2028, FY 2029 and FY 2030. Using the MTA's latest forecast for paratransit, there are additional risks of $39 million in FY 2026, $44 million in FY 2027, $37 million in FY 2028, $32 million in FY 2029 and $37 million in FY 2030. The MTA's financial plan assumes the City will pay 80 percent of the cost of paratransit with no cap but this requires State legislation to expand the cost to the City, posing a risk to the MTA's budget as well. The MTA has suggested that the cap creates a penalty for expanding paratransit ridership.

The June Plan assumes that the State will provide $200 million to the City for subsidies to MTA Bus in FY 2027. Using the MTA's latest projections for City funding to MTA buses, OSC projects a remaining risk of $158 million in FY 2026, $89 million in FY 2027, $76 million in FY 2028, $76 million in FY 2029 and $92 million in FY 2030 as pandemic-related federal funding that the MTA was using to reduce the City's share expired in June 2026.

The May Plan added $25 million in each of FY 2027 through FY 2030 to the Fair Fares program for a total of $117 million to maintain the funding at the 2026 level for riders up to 150 percent of the federal poverty level. The June Plan funded expanded eligibility to 200 percent of the federal poverty level, as the City Council had long requested, adding an additional $53 million in each of

FY 2027 through FY 2030, increasing total funding to $170 million annually. In the past, the City has not spent the whole allocation for Fair Fares as enrollment has not kept pace with the program expansion ($81 million was spent in FY 2025 and according to preliminary figures, $78 million in FY 2026).

The MTA updated its financial plan in July which maintains budget balance in 2026 but shows budget gaps of $295 million in 2027, $507 million in 2028 and $707 million in 2029, cumulatively $800 million more than forecast in the MTA's February Plan. The MTA's July Plan also forecasts a gap of $897 million in 2030. The gaps increased mostly through higher costs for health insurance for active and retired employees, workers compensation, judgments and claims and energy. The MTA identified the $74 million of unidentified savings in the MTA's plan in 2027 and still must identify $50 million in savings in FY 2028 and $100 million in FY 2029. It is unclear whether any of these savings will come from services the City helps to fund. The MTA's financial plan continues to assume proposed 4 percent increases in fare and toll yields in March 2027 and March 2029 after increases in January 2026 that were delayed from 2025. The MTA recently settled a collective bargaining agreement with several Long Island Rail Road (LIRR) unions after a three-day strike. The unions agreed to a 4.5 percent wage increase in 2026, which included concessions that lowered the cost to the MTA to 3.8 percent, which was higher than the 2 percent that was budgeted by the MTA. The MTA's updated budget assumes that the first-year wage increase for LIRR and all of the MTA's other unions will be 3.8 percent which is expected to cost $92 million in 2026 rising to $187 million in 2030. The MTA continues to assume 2 percent wage increases after the first year of the contracts.

NYC Health + Hospitals

In total, the June Plan budgets $2 billion in FY 2026, $1.7 billion in FY 2027 and then about $1.8 billion annually through FY 2030 to reimburse H+H for services for the City. On a net basis, all funds' expenditures decreased by $5.1 million in FY 2026 and $1.3 million in FY 2027 and increased an average of $4.4 million annually from FY 2028 through FY 2030 compared to the May Plan. The June Plan reflects the transfer of $7.5 million in both FY 2026 and FY 2027 to expand access to gender affirming care to the Department of Health and Mental Hygiene and $6.6 million in asylum seeker funding to the Department of Homeless Services. The City added $4.2 million in FY 2027, rising to $4.6 million in FY 2030 for H+H's participation in the City's extreme weather response and over $2 million in funding for City Council initiatives in FY 2027. (See OSC's May Plan report for a discussion of more significant changes, including for supplemental Medicaid and debt service, made since the FY 2026 Adopted Plan and the latest update to the status of the proposed H+H and Maimonides partnership.)

H+H relies on significant revenue from the Medicaid program, and most H+H inpatient discharges (70 percent) are patients covered by Medicaid or the Essential Plan. Federal H.R. 1 includes provisions that would severely impact Medicaid and the Essential Plan, and therefore H+H's patient and revenue base. Other programmatic and reimbursement changes imposed by the State or federal government could also impact H+H's financial condition and put pressure on the City to provide additional financial support or require H+H to reduce or restructure services.

New York City Housing Authority

The June Plan includes $534 million in FY 2026 operating revenues for the New York City Housing Authority (NYCHA), including $328.6 million in City funding and $204.8 million in pass through federal grants. This is a reduction of about $8.3 million from May, primarily due to the rollover of $7.2 million in City funding from FY 2026 to FY 2027. The June Plan also adds baseline operating funding of $7.5 million annually beginning in FY 2027 for the Vacant Unit readiness program. Funding for NYCHA in FY 2027 now totals $410.7 million, including $397.8 million in City funding and about $12.4 million in federal grants. Despite the decline in total allocations compared to FY 2026, NYCHA's operating budget has often been supplemented by the City between plan adoption and the end of the fiscal year. Added operating funding, primarily from federal grants, has averaged $118 million per year over the past five years.

Of the FY 2027 operating funding provided by the City, about $34.5 million is allocated through the Mayor's recently released Block By Block housing initiative, which will provide $726 million in City funds for operating ($76 million) and capital ($650 million) expenditures between FY 2026 and FY 2030. Over that span, Block By Block operating allocations will provide $40 million for vacant unit readiness, $20 million for the Authority's Critical Repair Initiative (CRI), $10 million for the Mold & Leak Restore & Renew (MLRR) program, and $5.9 million for elevator repair staffing. Block By Block capital allocations include $38.4 million for heat pump installation in FY 2027, $112 million for vacant unit readiness across FY 2027 and FY 2028, and $500 million available to both NYCHA's Permanent Affordability Commitment Together (PACT) program and the New York City Public Housing Trust in FY 2028 (these programs are discussed in more detail below).

Overall, NYCHA assumes operating expenditures of $5.6 billion and capital expenditures of $3.6 billion in 2026 (NYCHA operates on a calendar year). NYCHA relies heavily on federal funding for both operating and capital funding, much of which comes from HUD. HUD provides Section 8 and operating subsidies which comprise around 70 percent of NYCHA's operating budget revenues in 2026. As such, recent uncertainty surrounding federal funding levels poses a risk to NYCHA's operations.

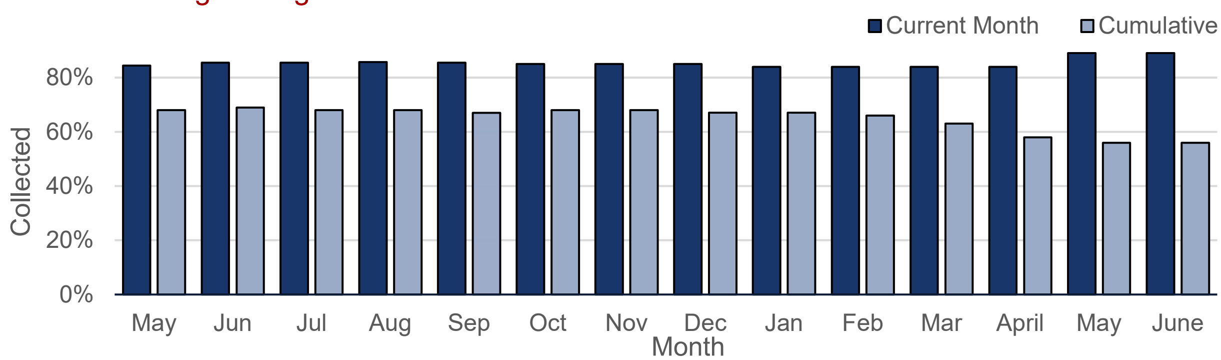
Additionally, HPD and NYCHA are currently facing impending cuts to HUD's Emergency Housing Voucher (EHV) program, which will likely be fully depleted of funding before the end of 2026, potentially impacting about 7,200 households (see OSC's May Plan report for details). As the program winds down, HPD and NYCHA have encouraged EHV holders to apply for alternative subsidized housing. NYCHA's $109.4 million 2026 EHV expense budget represents an $18.2 million reduction from the $127.7 million budget in 2025 and NYCHA has budgeted for no program funding in 2027. However, the City maintains that continued support for EHV households remains a priority. The City expects to transition a majority of EHV households at HPD and NYCHA into alternative housing in 2026.

As of June 2026, NYCHA's rental arrears balance, a tally of all tenants' unpaid rent, stands at $506 million. Discounting rent in arrears, NYCHA is currently collecting an average of 89 percent of all new rent charged each month, exceeding its 88 percent target. Including arrears, NYCHA's average collection rate drops to 56 percent of total monthly rent owed (see Figure 39).

NYCHA's PACT program, an extension of the federal Rental Assistance Demonstration (RAD) initiative, partners NYCHA with private developers and property managers in an effort to renovate as many as 62,000 units by 2028. As of April (the latest information available), repairs to 31,472 units were completed or underway, with another 14,222 units in the planning and resident engagement process. Serving as a PACT alternative, NYCHA's Housing Preservation Trust is a public benefit corporation through which NYCHA may access federal Section 8 funding without the need for a third-party property management partner. The Trust currently oversees an additional 1,776 units in the planning and resident engagement phase. The recently enacted 21st Century ROAD to Housing Act adds an additional 100,000 units to the federal cap on RAD renovations, which may allow NYCHA to increase its renovation target.

FIGURE 39

Current Month vs. Cumulative Rent Collection Rates
12-Month Rolling Average



Source: New York City Housing Authority

X. Other Issues

Credit Rating

The city-funded portion of the City's capital program is financed through general obligation (GO) bonds secured by the City's full faith and credit, and Future Tax Secured bonds issued by the Transitional Finance Authority secured by personal income tax and (if needed) sales tax revenues.

In March, Moody's Investor Services (Moody's) and Fitch Ratings (Fitch) revised the outlook on the City's GO credits from "Stable" to "Negative," reflecting an increased likelihood for a downgrade of the City's credit rating over their outlook periods. The firms maintain their "Aa2" and "AA" ratings, respectively.

Both entities noted in the change to their outlooks that the City's updated spending projections in February suggested larger outyear budget gaps to manage and this would be a key issue to review in assessing the City's credit rating over the outlook period. Fitch also commented on the management of long-term liabilities as an area to watch as it surveils the rating. Both agencies suggested that structurally balanced budgets and stronger reserves could lead to positive rating action.

Over the past fiscal year, none of the other major credit rating agencies made changes to ratings or outlooks on debt issued by the City. All three ratings agencies also maintained their rating and outlook on debt issued by the New York City Municipal Water Finance Authority. The rating level in the AA and AAA categories suggest the City's creditworthiness remains strong, enabling continued access to the credit markets to meet its financing needs at relatively low interest rates.

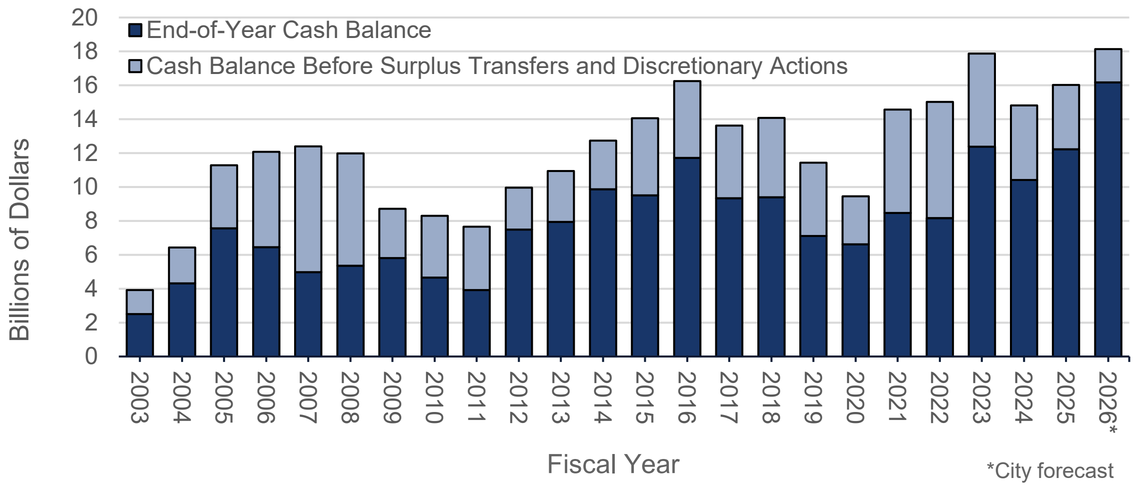
Cash Flow

The City has not needed to borrow to meet its short-term cash needs since FY 2004. The City's year-end cash balance rose to $18.1 billion as of the end of FY 2026 ($16.2 billion excluding discretionary actions), nominally the highest on record (see Figure 40). However, the year-end balance for FY 2026 benefited from an unusual delay in the payment of the City's annual pay-as-you-go (PAYGO) contribution to the retiree health benefits trust RHBT (a total of $3.7 billion in payments), which is usually made each June; the FY 2026 contribution has been deferred to a future date. While the City intends to make this contribution sometime in FY 2027, such delay will also help the City preserve cash in the short run. After adjusting to include the RHBT payment, the City's year-end cash balance would have been $14.4 billion ($12.5 billion excluding discretionary actions), still relatively high for this point in the budget cycle.

Under local law enacted in 2025 and 2026, the City requires that at least 50 percent of the annual contract value be paid to nonprofit entities with eligible human service contracts at the start of each fiscal year. Effective beginning in FY 2027, the City is also required to provide quarterly payments to contractors under certain contracts with the Department of Homeless Services and the Mayor's Office of Criminal Justice.

Given the amount of cash on hand, the City does not anticipate short-term borrowing from the capital markets to meet its cash flow needs during the financial plan period. The City Comptroller estimates the seasonal low in FY 2027 (to occur sometime in early December 2026) will total between $5.1 billion and $6 billion, compared to seasonal lows of $3 billion in FY 2026; $4.6 billion in FY 2025, and $5.2 billion in FY 2024.

FIGURE 40
Year-End Cash Balance



Note: FY 2026 includes the cash benefit of a delay of a $3.7 billion contribution to the RHBT.
Sources: NYC Comptroller; NYC Office of Management and Budget; OSC analysis

Budgetary Flexibility

The City maintains budgetary flexibility using a variety of mechanisms it has accumulated since the financial control period, including contingent reserve line items, a revenue stabilization fund (also known as the Rainy-Day Fund, or RDF) and its RHBT, the latter of which is dedicated to paying retiree health benefits. In February 2026, the City, as part of its gap-closing plan, drew down substantially all of its within-year general and capital reserve line items (“contingent reserves”) for fiscal years 2026 and 2027, and had intended, absent alternatives, to draw down the City’s RDF and the RHBT, steps that would have had a concerning impact on the City’s budgetary flexibility, particularly given the continued economic growth occurring locally.

Since then, the identification of additional resources outlined in this report enabled the City to rescind the planned drawdowns of the RDF and RHBT. The City also partially restored the general reserve for FY 2027 by $350 million (from $100 million to $450 million), but took the unusual step of leaving no provision for unplanned contingencies for the close of FY 2026.

Currently, the City’s budgetary cushion is estimated at $7.6 billion (8 percent of city-funded spending or 6.1 percent of total funds spending in FY 2027), down from $8.6 billion as of the beginning of FY 2026 and the lowest level entering the fiscal year since FY 2022, due to the reduction in contingency reserve line items. The City is entering FY 2027 with contingent reserves that are $1 billion less than a year ago, substantially reducing the cushion for higher-than-anticipated expenses and leaving the City more exposed to revenue weakness or cost overruns. The City maintains the general reserve at $1.2 billion and the capital stabilization reserves at $250 million annually beginning in FY 2028.

As of June 30, 2025, the RDF balance stood at $1.97 billion, virtually unchanged since 2022 as the City made no discretionary transfers into the fund in fiscal years 2023 through 2026. While the City is no longer anticipating using a temporary withdrawal from the RDF to balance its budget, it is notable that the City had planned to do so despite no economic indicators suggesting a contracting local economy nor additional costs related to the existence of an emergency. This attempt at using these funds underlines the importance of a formal policy for managing the RDF, including conditions for building up reserves, withdrawal of funds, and replenishment, which OSC has recommended it adopt in recent years.

In July 2026, the Charter Revision Commission on Government Efficiency (COGE) approved a list of five ballot proposals, accompanying its final report to identify ways to improve efficiency, modernize City government, and ensure government keeps pace with New Yorkers' needs. One of the ballot proposals seeks to amend the City charter to give the RDF a formal funding structure. The changes include establishing a reserve target of at least 12 percent of City tax revenue; directing the Mayor to develop, in consultation with the City Comptroller, a flexible, formula-based methodology for making deposits to the RDF (to be published by May 1, 2027, and subject to periodic revision thereafter); and formalizing a component of State law that requires the Mayor to certify in writing that there is a compelling fiscal need, e.g., the existence of a national or regional recession or a natural disaster, in the event that the City will require a withdrawal of more than 50 percent of the total amount held in the RDF in any fiscal year. The State Comptroller is encouraged by these proposed changes and sees them as steps toward a robust, formalized reserve policy. As OSC has noted, most large U.S. cities have adopted these types of clear guidelines, which provide greater transparency for stakeholders, confidence for investors and strengthen the fiscal preparedness of the nation's largest city.

The balance held in the RHBT, used to fund the cost of Other Post-Employment Benefits (OPEB), stood at $5.2 billion at the end of FY 2025, the highest level on record. The increase was fueled by investment earnings, which have risen sharply in recent years, not by the City making additional discretionary deposits into the fund.

Historically, the City has also made use of prepayments of future expenses, such as debt service, before June 30 to help balance future budgets. The prepayment amount has declined significantly in recent years, from $6.1 billion in FY 2022 to $5.5 billion in FY 2023, $4.4 billion in FY 2024, and $3.8 billion in FY 2025. The City estimates it generated a surplus of nearly $2 billion in FY 2026, the largest decline in the prepayment over this four-year drawdown period, which the City intends to use to help balance the FY 2027 budget.

The continued reduction in prepayments is a result of the City disbursing more than it has collected in revenue in each of the past four years and the reduction in the prepayment means it has been used to effectively maintain a balanced budget, while obfuscating a structural imbalance that emerged between revenue collections and disbursements during this period.

Post Employment Benefits

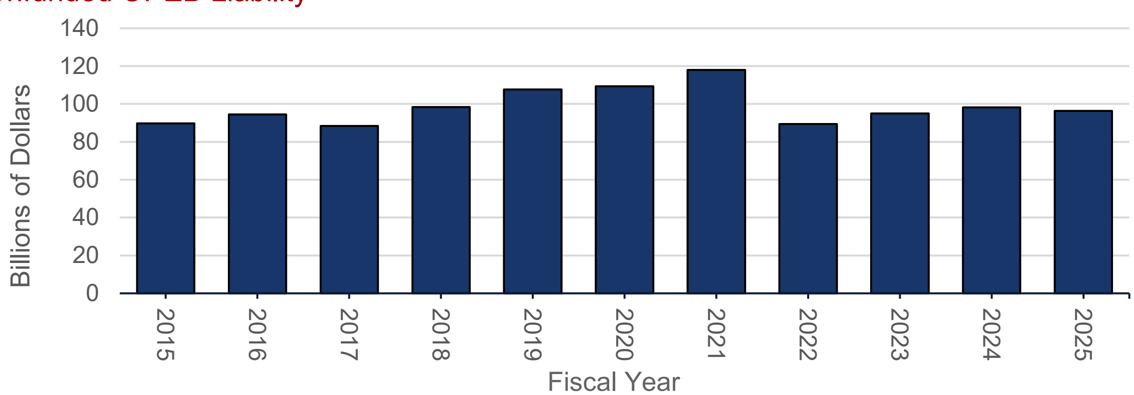
The City's unfunded liability for OPEBs, such as retiree health care, declined by $1.8 billion to $96.4 billion in FY 2025 (see Figure 41). The decrease is driven mostly by revisions to actuarial assumptions (such as an increase to the discount rate used to measure the value of the OPEB liability in today's dollars) and employer contributions to the RHBT. The revisions and the contributions more than offset the annual cost attributed to past employee service and interest expense on the unfunded liability.

As of June 30, 2026, the RHBT had set aside sufficient resources to fund 5.1 percent of the City's 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 retirees on a pay-as-you-go basis. As noted in the previous section on cash flow, the City delayed its intended PAYGO contribution to the RHBT from June 2026 to sometime in the first half of FY 2027. In the FY 2026 financial statements to be released in the fall of 2026, it is OSC's understanding that the RHBT will record a receivable in the amount of City contribution that has been delayed, but is projected to be realized for that fiscal year to fully cover the OPEB expenses incurred in that fiscal year. In the interim, the RHBT will continue to draw down its cash reserves, which the City estimates will be sufficient to meet ongoing OPEB obligations through at least December 2026.

While the City's PAYGO costs for OPEBs are estimated to have totaled $3.7 billion in FY 2026, as mentioned in the previous section on cash flow, the City did not make the contribution in June 2026 as it has usually done in prior years at this point in the fiscal year. The City intends to make the payment sometime in the first half of FY 2027. The City estimates that the RHBT has sufficient funds to cover payments through at least the first half of FY 2027 (December 2026).

FIGURE 41

Unfunded OPEB Liability



Sources: NYC Actuary; OSC analysis

Prior Years' Expenses

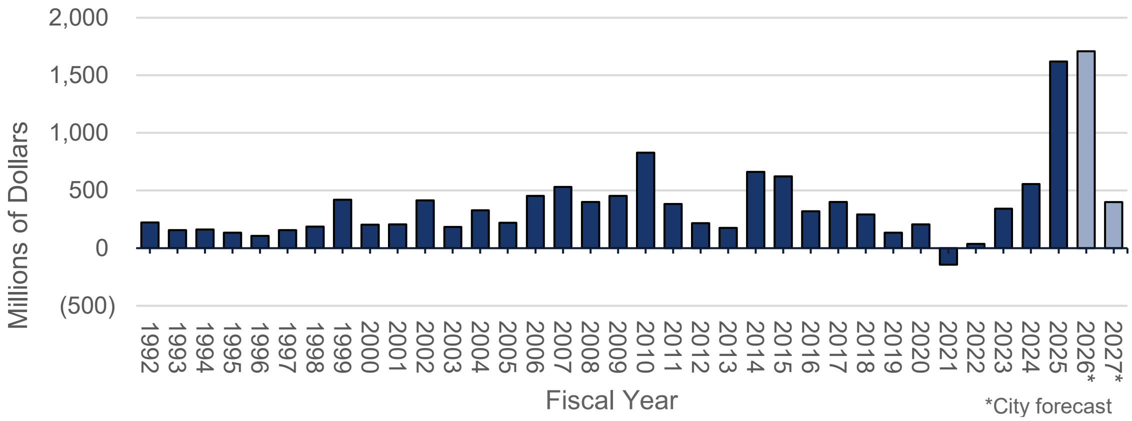
At the end of each fiscal year, the City estimates the amount of expenses that have been incurred but not yet paid (payables), and the amount of revenues earned but not yet received (receivables). The City generally makes conservative estimates because an unfunded liability has a budgetary impact in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

Between fiscal years 2016 through 2025, the City realized an average benefit of $377 million annually from overestimating prior years' payables and from underestimating prior years' receivables. The City realized a net benefit of $1.6 billion in FY 2025, the largest amount (after reflecting adjustments for receivables) on record since at least FY 1992 (see Figure 42).

In FY 2025, the City reflected write downs of prior-year spending totaling $2.8 billion. Of that amount, nearly three quarters (72 percent, or $2 billion) came from an overestimation of prior-year expenses for contractual services, with the largest amounts recorded by the Department of Homeless Services and the Administration for Children's Services. OSC notes the savings from these actions are nominally the largest on record.

FIGURE 42

Savings from Prior-Year Overestimations (net)



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

The $2.8 billion in savings from overestimating prior-year spending was offset in part by a write-down of federal and State aid totaling nearly $1.2 billion including a small amount of unrestricted aid (resulting in the net benefit of $1.6 billion). The receivable write downs are mostly reimbursements from FEMA for pandemic-related activities ($298 million); State financial support for asylum services ($196 million); Community Development Block Grant funding for Disaster Recovery projects following Superstorm Sandy ($125 million) and Medicaid ($117 million).

Year-end write downs of grant receivables do not typically indicate an inability to claim and collect money owed from the City's funding partners (e.g., a funding pause or termination), but usually indicate that the spending associated with these grants was estimated conservatively.

The June Plan assumes the City realized savings of $1.7 billion in FY 2026 from the overestimation of prior year spending, net of receivable write downs. Most of these savings are expected to come from a write down of the City's centrally-administered labor reserves (see the Expenditure Trends: Collective Bargaining section for more details). The City also anticipates it will realize an additional $400 million in such savings in FY 2027, an unusual step at this point in the budget cycle, particularly as the payables expected to be written down have not yet been identified.

Appendix A: Full-Time Staffing Levels

(Number of full-time employees)

	Actual	Actual	Forecast	June Plan	Variance – Better/(Worse) May 2026 Actual to June 2027 Forecast		
	June 2020	May 2026	June 2026	June 2027	City Funds	Non-City Funds	Total Funds
Public Safety	**85,806**	**77,179**	**81,205**	**80,858**	**3,725**	**(46)**	**3,679**
Police Uniformed	35,910	34,193	35,025	34,975	778	4	782
Civilian	15,519	12,432	13,576	13,386	1,043	(89)	954
Fire Uniformed	11,047	10,955	11,294	11,294	334	5	339
Civilian	6,366	6,014	6,409	6,430	424	(8)	416
Correction Uniformed	9,237	5,528	6,674	6,474	947	(1)	946
Civilian	1,741	1,574	1,752	1,747	171	2	173
District Attys.& Prosec.	4,843	5,635	5,426	5,503	(95)	(37)	(132)
Probation	1,116	820	1,018	1,018	120	78	198
Board of Correction	27	28	31	31	3	0	3
Health & Welfare	**27,878**	**25,420**	**28,599**	**28,639**	**2,103**	**1,116**	**3,219**
Social Services	12,330	10,780	12,445	12,509	846	883	1,729
Children's Services	7,039	6,486	7,018	7,025	447	92	539
Health & Mental	5,530	5,592	6,075	6,112	418	102	520
Homeless Services	2,119	1,632	2,021	1,937	337	(32)	305
Other	860	930	1,040	1,056	55	71	126
Environment & Infra.	**26,365**	**26,697**	**28,226**	**28,739**	**677**	**1,365**	**2,042**
Sanitation Uniformed	7,755	8,308	7,957	8,089	(219)	0	(219)
Civilian	2,107	1,581	1,668	1,694	101	12	113
Transportation	5,120	5,265	5,921	6,045	333	447	780
Parks & Recreation	4,236	4,858	5,102	5,258	323	77	400
Environmental	5,891	5,559	6,380	6,439	109	771	880
Other	1,256	1,126	1,198	1,214	30	58	88
General Government	**12,634**	**11,634**	**12,971**	**13,239**	**1,704**	**(99)**	**1,605**
Finance	1,996	1,725	2,003	2,023	298	0	298
Law	1,713	1,406	1,609	1,807	489	(88)	401
Citywide Admin. Svcs.	2,403	2,032	2,427	2,449	320	97	417
Taxi & Limo. Comm'n.	584	446	494	494	48	0	48
Investigations	361	277	302	288	11	0	11
Board of Elections	682	696	517	517	(179)	0	(179)
Info. Tech. & Telecom.	1,673	1,446	1,536	1,620	164	10	174
Other	3,222	3,606	4,083	4,041	553	(118)	435
Housing	**4,088**	**4,127**	**4,660**	**4,745**	**313**	**305**	**618**
Buildings	1,676	1,645	1,837	1,855	210	0	210
Housing Preservation	2,412	2,482	2,823	2,890	103	305	408
Dept. of Education	**134,684**	**138,780**	**140,511**	**141,414**	**1,149**	**1,485**	**2,634**
Pedagogues	121,077	125,097	127,777	128,516	1,981	1,438	3,419
Non-Pedagogues	13,607	13,683	12,734	12,898	(832)	47	(785)
City University of NY	**6,288**	**5,715**	**6,028**	**6,024**	**309**	**0**	**309**
Pedagogues	4,545	4,258	4,289	4,289	31	0	31
Non-Pedagogues	1,743	1,457	1,739	1,735	278	0	278
Elected Officials	**2,703**	**2,971**	**3,418**	**3,541**	**520**	**50**	**570**
Total	**300,446**	**292,523**	**305,618**	**307,199**	**10,500**	**4,176**	**14,676**

Sources: NYC Office of Management and Budget; OSC analysis

Endnotes

[1] Zillow, "Zillow Home Value Index, All Homes, Smoothed & Seasonally Adjusted," for New York MSA, accessed on July 7, 2026, https://www.zillow.com/research/data/.

[2] MarketBeat Manhattan Office Q2 2026," Cushman & Wakefield, https://www.cushmanwakefield.com/en/united-states/insights/us-marketbeats/new-york-city-area-marketbeats.

[3] Office of the City Comptroller, "The Pied-à-Terre Tax and Its Potential Revenues," April 30, 2026, https://comptroller.nyc.gov/reports/the-pied-a-terre-tax-and-its-potential-revenues/.

[4] Federal Reserve, *The Beige Book*, July 2026.

[5] Outstanding Residential Mortgage Statistics, National Mortgage Database Aggregate Statistics, Federal Housing Finance Agency, accessed on May 14, 2026, https://www.fhfa.gov/data/nmdb.

[6] To date, approximately 98 percent of the City's unionized workforce have settled contracts based on the five-year pattern framework. The civilian pattern established under the DC 37 agreement provides for base wage increases totaling 16.21 percent compounded over five years beginning the day after the expiration of the previous civilian contract. The uniformed pattern established under the PBA agreement provides for base wage increases totaling 18.98 percent compounded over five years (including 0.21 percent in funding for entry and early tenure pay).

[7] Maximizing the FY 2027 State match is likely to both eliminate the estimated FY 2027 budget risk and reduce the FY 2028 budget risk to about $231 million.

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