
Review of the Financial Plan of the City of New York

Report 23-2026



OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

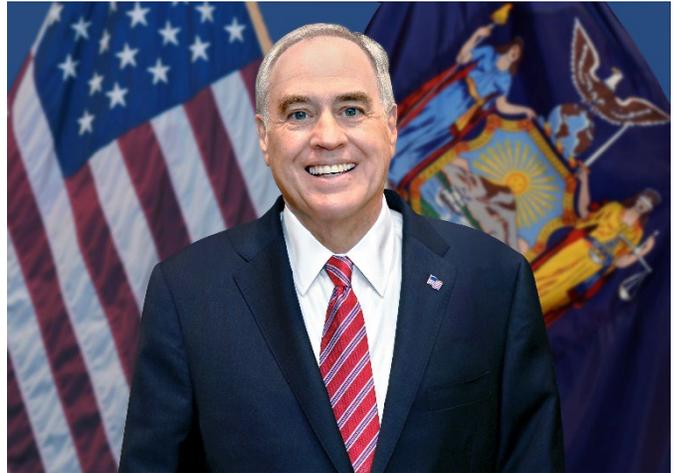
Rahul Jain, Deputy Comptroller

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Message from the Comptroller

March 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. The most recent financial plan update shows that the City is ready to reflect these increasing costs more fully, a budgetary response that my office has called on for years, but that paying for these costs may require choices that threaten the City's fiscal stability, competitiveness and affordability.



Fiscal improvements over the last year provided the City with an opportunity to prepare for a period where elevated demand for the City's programs and services may be sustained. However, the City did not make efforts to codify its plans to bolster reserves or set aside additional monies in its rainy-day fund. Similarly, the City did not make efforts to substantially reduce the trajectory of spending growth over the last year, but instead added discretionary spending, which in turn will make managing future spending more difficult. These choices were made even as the federal funding relationship with states is undergoing a systemic restructuring that will have lasting consequences, which New York State will have to factor into future budgets and may ultimately also impact local government finances.

Mindful of what is transpiring in Washington, the City must make balanced and prudent fiscal choices in the coming year while managing its substantial operational needs and encouraging employment and business growth to enhance its economic and tax revenue base. The identification of individuals at agencies charged with generating savings via efficiencies is welcome and should be expanded, if successful. 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. Suggested budget actions that raise taxes to close the budget gap should be carefully considered and responsive to cost savings that are able to be identified.

Continued improvement in communicating to the public what is at stake, the fiscal challenges faced and the City's efforts to balance its budget will be critical, particularly if the economic outlook weakens or if spending cannot be constrained further without service cuts. Ultimately, future economic growth in the City, and thereby the State, relies on providing services that enhance affordability and opportunity for all residents.

Thomas P. DiNapoli
State Comptroller

Contents

I. Executive Summary.....	3
II. Economic Trends.....	9
III. Changes Since the June 2025 Plan.....	12
IV. Budgetary Flexibility.....	17
V. State and Federal Actions.....	18
VI. Revenue Trends.....	22
VII. Expenditure Trends.....	32
VIII. Debt Service and Capital Spending.....	46
IX. Semi-Autonomous Entities.....	48
Appendix A: City-Funded Agency Spending Levels.....	53
Appendix B: Full-Time Staffing Levels.....	54



Executive Summary

The release of New York City's \$127 billion fiscal year (FY) 2027 preliminary budget ("the February Plan") marks an important step toward greater spending transparency, addressing years of chronic underbudgeting and revealing an emerging structural budget gap. The City, as required by law, balanced its preliminary budget by identifying significant revenue actions and initiating a savings plan to fund over \$7 billion in spending that has been added since November. If enacted, the plan would reduce the City's budgetary cushion and delay addressing the structural budget gap, signaling fiscal stress. The City can avoid this outcome by expanding the savings program to — at a minimum — avoid the use of reserves during a period of expected economic growth and can further improve transparency and confidence in the City's financial management by publicizing and formalizing policies that guide its choices.

The major factor fueling changes to the City's budgetary management is the revision of spending to address large, recurring expenditure risks raised by the Office of the New York State Comptroller (OSC) and other fiscal monitors. For FY 2027, more than a combined \$5.2 billion was added to fund planned expenditures at the Department of Social Services (DSS) — including nearly \$2.4 billion for rental assistance and cash assistance — and for the Department of Education (DOE) — including for the class size mandate, due process (special education) cases, early childhood education, charter schools and contracted custodial and transport services. The City also added funding for non-asylum shelter costs, overtime, health insurance costs and subsidies to the Metropolitan Transportation Authority (MTA) that, combined, exceed \$2 billion. The City also added spending for judgments and claims and addressed an off-budget risk from the depletion of funds in its Health Insurance Stabilization Fund (HISF). The forecast for City spending in FY 2027 has risen

from \$121.9 billion in June 2025 to \$127.2 billion as of February (see Figure 1).

In past years, spending for cost overruns for these purposes was added in the year they were accrued, however the financial plan did not include them in the following years, obscuring total projected spending and masking City spending growth for these items. For example, updated rental assistance spending by FY 2030 is now expected to rise to \$3.5 billion, which would be more in spending than the fourth-largest City agency in that year; the City had budgeted \$600 million for this purpose in November. Adding to the City's fiscal pressure is that more than eight out of every 10 dollars in spending added since November over the plan period is expected to be paid for with City funds, and the overall share of the budget funded by the City would be 73 percent, the highest share since at least FY 2003. Likely in recognition of this increase, the City has suggested greater cost sharing with the State is needed as a response to fiscal pressures created by State mandates.

Despite the magnitude of the increase in spending, the City's savings program is equivalent to a little more than \$1 billion in savings in FY 2027 and similar numbers thereafter. This approach is being led by agency chief savings officers who are proposing cost efficiencies that are currently in the process of being identified and are explicitly to avoid service cuts. Put in perspective, the amount is smaller than the \$1.35 billion reduction in contingency line items the City used to balance the FY 2027 budget. These line items, which are a buffer for cost overruns, have been reduced to \$100 million, the statutory minimum.

The current size of the planned savings leaves the lion's share of the budget gap to be funded by additional revenue. The City increased its tax

revenue forecast for FY 2027 by \$4.2 billion, a historically large addition, citing ongoing and projected growth in the securities sector as a major factor in the improved revenue outlook. While many of the tax line-item revisions are in line with trend, they mark a departure from the City's recent history of more conservative projections, leaving little room for an economic slowdown and no room for a recession or substantial slowdown in Wall Street profitability, particularly for personal income taxes (PIT). The current PIT forecast assumes growth in collections that would make the three-year period ending in FY 2027 the greatest of any similar period in the past two decades. Recent geopolitical events serve as a reminder that cautious revenue budgeting is not only wise but needed as inputs to the real economy and factors driving dealmaking on Wall Street are subject to continued volatility.

The second largest revenue source to close the budget gap is from a 9.5 percent increase in the property tax rate to raise \$3.7 billion in FY 2027 (see Figure 2). Much discussion after the release of the Plan has centered on the increase in the property tax rate, given its size, the potential impact on affordability in the City and the effect this broad increase in taxes would have on not just landowners, but businesses and individuals who pay rent. The increase in the rate also brings the City much closer to its operating limit for property taxation, which is based on the full valuation of property in the City. While the limit is a concern to be monitored in the coming years, OSC does not anticipate that the City would pierce this limit in FY 2027 if it elects to increase the rate given the City's ability to exclude debt servicing costs and certain abatements from the calculation. Political feasibility may be more difficult to overcome, as the City Council has suggested it does not intend to raise the rate.

The City suggested there is an alternative scenario to this budget balance approach, where revenue would be raised via increases to the personal income tax on those who earn \$1 million or more and increase corporate tax surcharges for certain firms; however revenues raised from such an approach may not fully address the budget gap alone and will require approval from the State Legislature and the Governor, the latter of whom has express reluctance to raise taxes on New York City residents at this time. These revenue actions, if approved, would also further concentrate tax revenues being raised from a small share of the City's taxpayer base, including the finance industry and those working within the industry, likely increasing revenue volatility.

While efforts to raise recurring revenues to match recurring spending should consider the risk to the City's economy and tax base, ultimately it will take time for the effects of such choices to become clear. An immediate concern for the City's fiscal profile, however, is that even if the City were to raise \$3.7 billion from either option, it still anticipates needing a drawdown of accumulated funds to balance its budget, including \$980 million held in the Rainy-Day Fund (RDF) in FY 2026 and the \$229 million from the Retiree Health Benefits Trust (RHBT) in FY 2027 (see Figure 3).

These funds are limited (representing about 7.9 percent of city-funded spending in FY 2026) and using them while the City's forecast projects continued economic growth goes against their intended use, a concern raised by fiscal monitors repeatedly in issuing calls for the formalization of the City's reserve policy. The RDF is meant for emergencies, such as a recession, and the RHBT is meant to prefund the future cost of employee benefits earned for past service, not to defer costs to future taxpayers. The City would effectively be using its limited budgetary flexibility

for an unintended purpose, signaling fiscal stress, to provide one-time relief for recurring costs that will continue to grow and allowing the structural budget gap to continue to expand without addressing the source of the cost growth. The City should focus more on reducing the largest cost drivers.

While the size of the budget gap suggests that closing the gap using savings alone may lead to a cut in some services, an outcome the City is looking to avoid, the use of reserves to close budget gaps would be shortsighted as it would not solve the fundamental spending issues and could lead to future service cuts if left unaddressed. For this reason, the City should consider expanding its savings program to, at a minimum, eliminate the use of reserves to balance the budget. Additional savings or state aid identified could also more broadly reduce the size of a tax rate increase.

Finally, the structural budget gap has also been obfuscated by the set aside of a surplus in one year to fund prepayments in future years. As of the release of the February Plan, the City will see the fourth straight year of disbursements exceeding collected revenue, leading prepayments to decline from \$6.1 billion entering FY 2023 to \$238 million as of February. The buildup in prepayments, enabled partly by federal stimulus revenue, may have allowed the City to increase spending for certain programs without identifying recurring resources for a few years, ultimately using up over \$5.8 billion in resources. The practice of prepayments, which generally reduce funds needed for debt service, also minimized the total amount shown as needed each year to fund the City's obligations.

The average city-stated budget gap in the out-years is larger than in November, but given the City's numbers more closely reflect actual spending trends, OSC-stated gaps are smaller

than at that time. City-stated budget gaps measured as a share of City fund revenues average 6.76 percent (6.72 percent, adjusted for State tax programs), but existing contingencies totaling \$1.45 billion in each fiscal year could be used to narrow the gaps to an average of 5.3 percent of revenues, the highest level at this point in the budget cycle since FY 2012. OSC-stated gaps average approximately \$9.2 billion and rise to an average of more than \$14 billion annually excluding actions under the City's control, including the property tax rate hike and the successful implementation of its savings initiatives.

The City can gain credibility with the public and signal to investors that it is addressing these root causes of its fiscal issues by building on its recent efforts at enhancing transparency and explaining its budget choices. First, it can eliminate the use of reserves to balance the budget in a year in which it expects economic growth to continue and Wall Street profitability to remain strong. Second, it should adopt a formal reserve policy, [like many of its peer cities](#), that would dictate use and funding of its reserves to avoid using these funds for unintended purpose in the future. An updates to policies that would require a rationale where the City anticipates budgeted spending will decline should also be considered. Third, the City should review the role of prepayments in obfuscating the structural budgetary imbalance that has emerged and explain to the public its planned use of prepayments to avoid this outcome in the future. These steps, and continued vigilance in tracking revenues and expenditures, would lend further credence to the City's efforts to enhance transparency and provide confidence about the trajectory of New York City's finances.

FIGURE 1
New York City Financial Plan
(in millions)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues					
Taxes					
General Property Tax	\$ 35,361	\$ 36,649	\$ 37,753	\$ 38,868	\$ 40,169
Other Taxes	47,868	50,164	50,809	51,319	52,625
Tax Audit Revenue	959	879	879	879	879
Tax Programs	147	86	42	(78)	(82)
Property Tax Increase	---	3,700	3,601	3,707	3,814
Subtotal: Taxes	\$ 84,335	\$ 91,478	\$ 93,084	\$ 94,695	\$ 97,405
Miscellaneous Revenues	8,642	8,092	8,104	8,148	8,173
Unrestricted Intergovernmental Aid	502	---	---	---	---
Less: Intra-City Revenue	(2,275)	(1,946)	(1,938)	(1,931)	(1,929)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Subtotal: City Funds	\$ 91,189	\$ 97,609	\$ 99,235	\$ 100,897	\$ 103,634
Other Categorical Grants	981	1,022	1,009	1,006	1,006
Inter-Fund Revenues	808	800	801	804	804
Federal Categorical Grants	8,889	7,260	7,179	7,155	7,165
State Categorical Grants	20,503	20,310	20,709	20,341	20,415
Total Revenues	\$ 122,370	\$ 127,001	\$ 128,933	\$ 130,203	\$ 133,024
Expenditures					
Personal Service					
Salaries and Wages	\$ 35,027	\$ 36,184	\$ 37,976	\$ 38,774	\$ 39,614
Pensions	10,495	10,533	11,519	10,983	10,524
Fringe Benefits	15,881	16,483	17,267	17,989	18,823
Retiree Health Benefits Trust	---	(229)	229	---	---
Subtotal: Personal Service	\$ 61,403	\$ 62,971	\$ 66,991	\$ 67,746	\$ 68,961
Other Than Personal Service					
Medical Assistance	6,437	6,790	6,940	7,090	7,240
Public Assistance	2,764	2,746	2,746	2,746	2,746
All Other	50,017	47,050	47,863	48,323	49,385
Subtotal: Other Than Personal Service	\$ 59,218	\$ 56,586	\$ 57,549	\$ 58,159	\$ 59,371
Debt Service	8,503	9,528	10,563	11,533	12,280
FY 2025 Budget Stabilization	(3,787)	---	---	---	---
FY 2026 Budget Stabilization	238	(238)	---	---	---
Capital Stabilization Reserve	---	---	250	250	250
General Reserve	50	100	1,200	1,200	1,200
Rainy-Day Fund	(980)	---	980	---	---
Less: Intra-City Expenses	(2,275)	(1,946)	(1,938)	(1,931)	(1,929)
Total Expenditures	\$ 122,370	\$ 127,001	\$ 135,595	\$ 136,957	\$ 140,133
Gap to be Closed	\$ ---	\$ ---	\$ (6,662)	\$ (6,754)	\$ (7,109)

Source: NYC Office of Management and Budget

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	---	---	\$ (6,662)	\$ (6,754)	\$ (7,109)
Revenues					
Tax Revenue	\$ (442)	\$ (786)	\$ 145	\$ 670	\$ 1,139
Miscellaneous Revenue	100	---	---	---	---
State Tax Program	(110)	(86)	(42)	78	82
State Tax Changes - Decoupling	---	(723)	(1,010)	(520)	(317)
Subtotal Revenue	\$ (452)	\$ (1,595)	\$ (907)	\$ 228	\$ 904
Expenditures					
Variable Rate Debt Service Savings	50	---	---	---	---
Operating Subsidies to the MTA	(117)	(10)	(205)	(206)	(220)
State Budget Impact	(94)	58	---	---	---
Overtime	(312)	(781)	(795)	(807)	(799)
ACS – Child Care Services	---	---	(308)	(308)	(308)
DOE – Due Process Cases (Carters)	---	(30)	(111)	(242)	(372)
DOE – School Cleaning	---	(180)	(180)	(180)	(180)
DOE – LV Order	---	(52)	(52)	(52)	(52)
SNAP Administration Funding Cut	---	(72)	(96)	(96)	(96)
Residual Services for Asylum Seekers	(178)	81	(443)	(350)	(350)
EMS Revenue	---	(128)	(128)	(128)	(128)
Subtotal Expenditures	\$ (651)	\$ (1,114)	\$ (2,318)	\$ (2,369)	\$ (2,505)
OSC Risk Assessment	\$ (1,103)	\$ (2,709)	\$ (3,225)	\$ (2,141)	\$ (1,601)
Potential Gaps Per OSC^{1,2,3,4}	\$ (1,103)	\$ (2,709)	\$ (9,887)	\$ (8,895)	\$ (8,710)
Property Tax Increase	---	(3,700)	(3,601)	(3,707)	(3,814)
Unidentified Citywide Savings Initiatives	(922)	(1,060)	(1,080)	(1,090)	(1,110)
Unbudgeted Recurring Costs for 2K Program	---	---	---	(425)	(425)
Potential Gaps Dependent on City Actions	\$ (2,025)	\$ (7,469)	\$ (14,568)	\$ (14,117)	\$ (14,059)

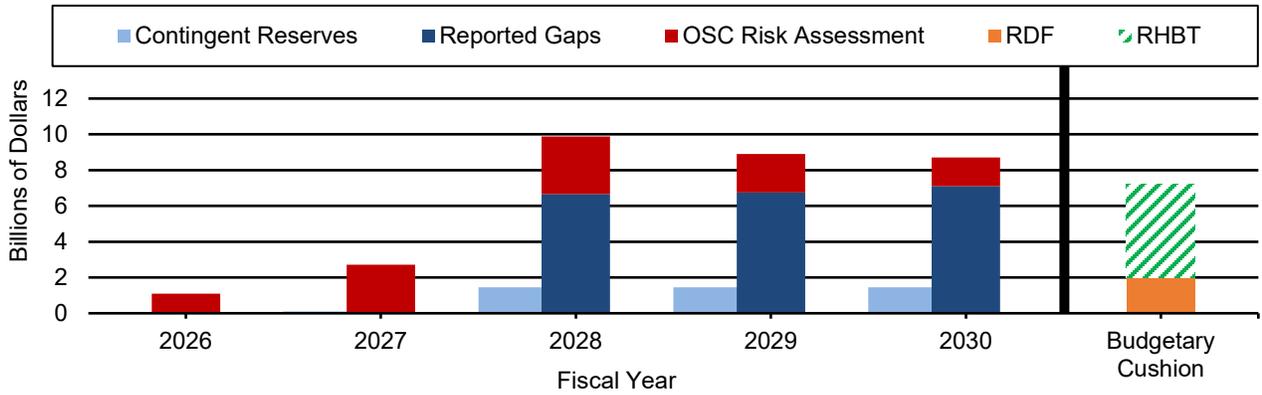
¹ Totals may not add due to rounding.

² February Plan gaps are inclusive of a general reserve of \$50 million in FY 2026, \$100 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 February 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. The February Plan assumes \$980 million will be withdrawn from the RDF in FY 2026 but the fund would be fully replenished in FY 2028.

⁴ See the Social Services: Asylum Services section for details on OSC's assessment of potential costs and anticipated offsets from federal and State assistance.

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. The February Plan assumes the City will draw down \$980 million from the RDF in FY 2026 and \$229 million from the RHBT in FY 2027, but will fully replenish these funds in FY 2028.

Sources: NYC Office of Management and Budget; OSC analysis

II. Economic Trends

National Economy

In February 2026, the nation lost 92,000 jobs, following a notable slowdown in employment growth over the second half of 2025. The unemployment rate also fell from a peak last year of 4.5 percent in November to 4.3 percent in January but ticked up to 4.4 percent in February. While inflation has continued to exceed the targeted long-term rate of growth, it has stabilized to 2.4 percent on an annual basis as measured by the consumer price index in February.

Gross domestic product (GDP) also continued to grow through 2025, despite a tariff-related decline earlier in the year. GDP growth in 2025 was buoyed by an annualized rate increase of 4.4 percent in the third quarter, driven by personal consumption expenditures, particularly for services. In the fourth quarter, consumer spending decelerated, along with a downturn in exports and government spending, yielding overall growth at an annualized rate of 0.7 percent. Growth for the year stood at 2.1 percent, in alignment with the City's economic forecast as of the February Plan.

These metrics suggest that while the national economy continues to expand, risks remain. After the Supreme Court recently blocked most of the tariffs implemented by the federal administration last year, the administration imposed new tariffs on every country at the rate of 10 percent for the next 150 days, unless specifically exempt, and has considered raising this rate to 15 percent.⁵ As a result, federal trade policy continues to remain uncertain and poses a risk to businesses, consumers and equity markets. Additionally, the changing nature of

federal immigration policy is affecting the labor market pool by reducing the number of foreign-born workers and therefore the overall labor force, with the impact felt more acutely in the construction and leisure and hospitality industries.

Federal policy stances will continue to pose implications for monetary policy through this year. The Federal Reserve maintained the federal funds rate in March 2026 after a series of cuts beginning September 2024. The range currently stands at 3.5 percent to 3.75 percent. While analysts previously assumed no cuts before June of this year, expectations have shifted to December given the potential for heightened price pressures, particularly for energy, amid geopolitical conflict.⁶ Additionally, price pressures from new tariffs and a further slowdown in employment growth could alter the Federal Reserve's choices over the interest rate path.

City Economy

In December 2025, City nonfarm employment was about 4.9 million, up 17,400 jobs from the previous month (seasonally adjusted). The year marked a significant slowdown in employment growth, which the City expects to improve this year given strength in information and tourism-related industries. The City's expectation of further job growth in the information industry in particular relies on continued leasing activity among technology firms and investment in artificial intelligence (AI), which, while currently robust, face headwinds amid uncertainty of the return on investment.

⁵ U.S. Customs and Border Protection, "CSMS # 67844987 - Imposing Temporary Section 122 Duties," February 23, 2026, <https://content.govdelivery.com/bulletins/gd/USDHSCBP-40b3b7b>.

⁶ CME Group, FedWatch Tool, <https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>.

On an industry level, compared to December 2019, the social assistance sector has experienced the largest growth in jobs at 59.9 percent, followed by health care at 25.2 percent and securities at 8.6 percent. Some sectors, such as retail trade and construction, continue to lag behind pre-pandemic levels, however.⁷ The construction industry is particularly at risk given nearly 70 percent of its local workforce is foreign-born and could be negatively impacted by federal immigration policy.⁸ Additionally, while the foreign-born unemployment rate has fallen drastically over the last few years, it remains slightly higher than its pre-pandemic rate.⁹

Another demographic group to watch are college-educated individuals, who have yet to recover their pre-pandemic unemployment, perhaps due to limited entry-level white-collar job opportunities amid rapidly advancing technology. While workers with AI skills generally remained in demand in the New York area, according to the Federal Reserve's January Beige Book, marketing professionals struggled amid AI-enabled productivity gains.¹⁰

While lower-wage jobs in the health care and social assistance industry, such as home health aides, dominated job growth over the last year, higher-wage jobs in financial activities and professional and business services led wage growth. During the first half of 2025, these two

sectors made up almost 80 percent of the increase in total private wages from the same period one year ago. Compared to the same period in 2019, the sectors made up about 60 percent of the growth, suggesting a shift in contribution to local economic growth that is worth monitoring, as the City's economic outlook is reliant on securities industry profitability remaining near record levels in 2026.

The securities industry has been a bright spot, with pre-tax profits growing to a record \$65 billion in 2025, a 30 percent increase over the prior year. The level is slightly higher than the City's expectation of \$63 billion for the year, which was raised in alignment with OSC's [earlier prediction](#).¹¹ Anticipated initial public offerings by AI firms SpaceX, OpenAI and Anthropic may also boost equity markets in 2026 (see also [OSC's report on venture capital investment](#) in New York City).¹² Still, the City's profitability forecast of over \$50 billion for this year may be optimistic given growing concerns over the impact of geopolitical conflict on business decisions and the financial markets.

Market volatility has already risen this year amid continued fiscal and monetary policy uncertainty, and concerns over the valuations of firms directly and indirectly affected by AI spending plans and productivity gains leading to industry disruption, posing a risk to the City's growth estimates. The City expects gross City product to grow at

⁷ OSC, New York City Industry Sector Dashboards, March 2022, <https://www.osc.state.ny.us/osdc/reports/nyc-sectors/artsentertainment-and-recreation> and <https://www.osc.ny.gov/osdc/reports/nyc-sectors/construction>.

⁸ OSC, *New York City's Uneven Recovery: Foreign-Born in the Workforce*, Report 20-2024, March 2024, <https://www.osc.ny.gov/files/reports/osdc/pdf/report-20-2024.pdf>.

⁹ OSC, *New York City's Uneven Recovery: An Update on Labor Force Trends*, forthcoming.

¹⁰ Federal Reserve, "The Beige Book," January 2026, https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20260114.pdf.

¹¹ OSC, *The Securities Industry in New York City*, Report 15-2026, October 2025, <https://www.osc.ny.gov/files/reports/pdf/report-15-2026.pdf>.

¹² Pablo Mayo Cerqueiro and Bailey Lipschultz, "SpaceX's Mega IPO Redraws 2026 Roadmap for Listing Hopefuls," Bloomberg, February 24, 2026, <https://www.bloomberg.com/news/articles/2026-02-24/spacex-s-mega-ipo-redraws-2026-road-map-for-listing-hopefuls?embedded-checkout=true>.

3.5 percent in 2026, based, in part, on the strength of the equity markets. Slower-than-expected growth would have implications for income- and consumption-related tax revenues.

Another local industry that has remained resilient is tourism, with New York City continuing to lead the nation in hotel occupancy. In 2025, City hotel occupancy remained relatively strong at 84.1 percent, albeit lower than in 2019.¹³ While domestic visitors have continued to travel to the City, further changes to federal immigration and trade policy pose risks to tourism and population growth in the City. Initial projections by Tourism Economics anticipated overall visitations to New York City would exceed 2019 levels in 2025. However, a dip in international visitations has pushed out the expectation for a recovery to this year, as the City will host the FIFA World Cup and celebrations for America's 250th anniversary.

Additionally, while office vacancy rates overall remain elevated as compared to 2019 levels, they seem to have peaked in 2024. Higher-quality buildings (i.e., trophy buildings) have led this trend, as vacancy rates have dropped and asking rents have risen in all of the City's large office markets in the last quarter of 2025, amid strong leasing activity especially by the finance and technology industries. Office buildings saw a full valuation increase of 3 percent in the FY 2027 tentative property tax assessment roll, a 1.3 percent increase over the pre-pandemic (FY 2021) level. Class A and Class B office buildings each remain over 2 percent lower than their FY 2021 levels, suggesting continued uneven improvement in this submarket.

¹³ New York City Tourism + Conventions; CoStar, "U.S. Hotels Report First Full-Year Occupancy, RevPAR Declines Since 2020," January 20, 2026,

<https://www.costar.com/products/str-benchmark/resources/press-releases/us-hotels-report-first-full-year-occupancy-revpar>.

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. While the November Plan changes were primarily focused on the current year's budget, the February Plan includes significant adjustments across all years of the financial plan, reflecting the new mayoral administration's priority to better align projections with revenue collection and spending trends. The Plan significantly increases non-property tax revenue projections, increases property tax revenue to reflect a proposed rate increase, draws down on contingent reserves and includes unidentified efficiency savings to offset the added costs of new agency needs and other expense reestimates (see Figure 4). These changes would balance the budget in FY 2027 but increase budget gaps in FY 2028 (now \$6.7 billion) and FY 2029 (\$6.8 billion).

Since June, the City has drastically increased its tax revenue forecast in each year of the financial plan (see Figure 5). The largest single revenue increases come from personal income and property tax collection reestimates that include the projected impact of a proposed property tax rate increase, adding \$20 billion in total revenue from FY 2026 to FY 2030. The new Mayor indicated that barring State enactment of a wealth tax or corporate tax rate increase, the City would be forced to implement the property tax increase to close the gap in FY 2027.

The largest revenue adjustment supporting budget balance over the two-year period through FY 2027 was a \$7 billion increase to the City's forecast for existing taxes, fueled by a \$5.3 billion increase in personal income tax revenues, supported by bonuses in the securities sector after a record year of profitability.¹⁴ These changes mark the largest dollar additions to

existing tax revenue forecasts made at this point in the budget cycle.

The City is also incorporating the impact of the State's decision to decouple from federal provisions made in the One Big Beautiful Bill Act (OBBBA) and changes to its tax program. Decoupling is expected to offset State tax program changes and State tax actions are expected to provide additional revenue beginning in FY 2027. Changes to non-tax revenue were concentrated in FY 2026, reflecting \$502 million in unrestricted State aid and smaller revenue increases in the outyears from interest income and fines and fees, with the out-years mostly reflecting an expansion of traffic cameras.

The City is also proposing to use its contingent reserves (general and capital stabilization), the Retiree Health Benefits Trust and the Rainy-Day Fund, helping to maintain a balanced budget in FY 2026 and close the gap in FY 2027. The February Plan included a combined draw down of \$1.4 billion from its general and capital stabilization reserves in FY 2026, an intra-year adjustment that is common practice at this point in the budget cycle. However, the City also drew down \$1.35 billion in FY 2027, reducing its reserve balance to a statutorily required \$100 million, minimizing its budgetary cushion to weather unanticipated costs in the upcoming fiscal year. The February Plan also includes withdrawals from the City's Rainy-Day Fund (\$980 million in FY 2026) and the Retiree Health Benefits Trust (\$229 million in FY 2027), with the same amounts to be replenished to these accounts in FY 2028, funding recurring costs with one-time resources that will not be available in the out-years (see the Budgetary Flexibility section for details).

¹⁴ OSC, *The Securities Industry in New York City*, Report 15-2026, October 2025,

<https://www.osc.ny.gov/files/reports/pdf/report-15-2026.pdf>.

The City's Savings Program in November included \$212 million in citywide agency reestimates in FY 2026, along with \$116 million in debt service savings in FY 2026 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.

In January, the Mayor issued an executive order requiring each agency head to designate a chief savings officer to review agency operations and identify recurring reductions in the agency's baseline budget that focus on programmatic and operational changes. These estimated savings, already reflected in the February Plan, can be achieved through efficiencies, consolidation of programs, insourcing functions delivered by outside vendors and by eliminating or sunseting programs, according to the order.

In addition to one-time unrestricted State aid noted earlier, additional budgetary relief includes State aid to the City as part of the proposed SFY 2027 Executive Budget, providing \$360 million in FY 2026 and \$457 million annually thereafter. The State allocated \$300 million annually for youth justice services, which was used to offset City fund costs at various agencies including the Administration for Children's Services, Law Department, Department of Probation, and the Police Department. The State also increased public health funding to the City under the Article 6 program by \$60 million annually starting in FY 2026 and aid to the Department of Education by \$97 million annually starting in FY 2027, which offset some City fund costs.

Other adjustments that help close the gaps include \$350 million in FY 2026 and \$500 million in FY 2027 from a reestimate of the labor reserve, and \$500 million in FY 2026 from a

reestimate of prior years' expenses and receivables. The City also recorded decreases to its planned pension contributions, mostly reflecting asset valuation gains and an actuarial reestimate in FY 2027. Furthermore, the new administration reversed the plan to add 5,000 officers to the Police Department's budgeted staffing level, nullifying the personal service and fringe cost increases identified for this initiative in the November Plan.

These resources are needed to balance the budget in FY 2026 and FY 2027 to offset new costs, including substantial new agency needs and funding for the anticipated impact of premium rate increases for the municipal health insurance program (HIP). The City added a historic amount of funding in the February Plan to more accurately reflect expense trends, much of which were related to recurring budget risks identified by OSC in recent years.

About half of new needs identified in each fiscal year are for social services, including for rental assistance, cash assistance, shelter costs and foster care, among other relatively smaller adjustments. New needs at the Department of Education included funds for due process cases, the class size mandate, early childhood education, student transportation, and Summer Rising. There was also \$393 million in one-time funding added in FY 2026 for a number of other education services, such as charter schools and contracted services. Other large new need items identified by the City include funding for Early Intervention and supportive housing at the Department of Health and Mental Hygiene, increased costs associated with legal cases involving the City, a reestimate of subsidy payments to the MTA, and overtime at the uniformed agencies.

One item that was not reflected in prior OSC reports as a quantifiable budget risk is the City's

decision 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 to fund HISF obligations, generated from the implementation of a new health plan (see the Health Insurance section for details). The City also fully funded the anticipated cost of HIP premium rate increases, totaling \$527 million in FY 2026 and \$612 million annually by FY 2029.

The City also funded multi-agency adjustments, such as for contractor administrative overhead (\$26 million in FY 2026, growing to \$71 million annually by FY 2027) and cost of living adjustments (\$41 million in FY 2026, growing to \$73 million annually by FY 2027).

The combined changes since June allocate \$238 million to prepay FY 2027 expenses, the lowest amount set aside at this point in the budget cycle in at least two decades. The City's stated out-year gaps now total a combined \$20.5 billion from FY 2028 to FY 2030 (\$20.4 billion, adjusted for State tax program changes that have not yet been enacted), the largest amount on record. Measured as a share of City fund revenues, the out-year gaps average 6.76 percent (6.72 percent, adjusted for State tax programs), but existing contingencies totaling \$1.45 billion in each fiscal year could be used to narrow the gaps to an average of 5.3 percent of revenues, the highest level at this point in the budget cycle since FY 2012.

FIGURE 4
City-Funded New Needs Identified Since June 2025
(in thousands)

Agency	Description	FY 2026	FY 2027	FY 2028	FY 2029
Social Services	Rental Assistance	1,111,000	1,640,000	2,070,000	2,470,000
	Cash Assistance	703,000	337,000	77,063	(173,000)
	Medical Assistance	123,000	---	---	---
	All Other	80,750	247,694	248,815	248,533
	Subtotal	2,017,750	2,224,694	2,395,878	2,545,533
Education	Class Size	---	542,913	942,913	942,913
	Due Process Cases	500,000	550,000	600,000	600,000
	Early Childhood Education	302,546	386,519	386,519	386,519
	Student Transportation	134,000	130,000	85,000	160,000
	Summer Rising	16,197	106,296	106,296	106,296
	Contracted Related Services	105,610	---	---	---
	DIIT Core Operations	100,000	---	---	---
	All Other	220,881	29,635	29,635	29,635
	Subtotal	1,379,234	1,745,363	2,150,363	2,225,363
Homeless Services	Shelter Costs	736,138	988,560	1,036,026	1,094,077
	All Other	9,968	31,549	30,275	31,171
	Subtotal	746,106	1,020,109	1,066,301	1,125,248
Miscellaneous	MTA Subsidy	256,000	567,724	607,844	649,904
	Judgments and Claims	443,000	308,000	206,000	90,000
	Fringe Benefits	21,374	62,320	146,718	243,612
	Paratransit	15,200	---	---	---
	Subtotal	735,574	938,044	960,562	983,516
Police Department	Personal Services	184,599	128,500	159,000	161,100
	Equipment and Auto Parts	160,000	97,400	130,500	130,500
	All Other	87,150	22,240	34,014	34,014
	Subtotal	431,749	248,140	323,514	325,614
Children's Services	Foster Care State Mandate	215,050	263,100	312,960	312,960
	All Other	23,292	29,672	29,672	29,672
	Subtotal	238,342	292,772	342,632	342,632
Health and Mental Hygiene	Early Intervention	78,450	92,950	108,650	125,550
	Supportive Housing	81,900	82,400	82,800	83,300
	All Other	57,282	78,289	79,131	80,177
	Subtotal	217,632	253,639	270,581	289,027
Other Agencies	Subtotal	1,261,532	495,270	500,942	509,315
Total New Needs		7,027,919	7,218,031	8,010,773	8,346,248

Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 5

Financial Plan Reconciliation — City Funds February 2026 Plan vs. June 2025 Plan

(in millions)

	<i>Better/(Worse)</i>			
	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	2,284	3,017	2,170	1,723
General Property Taxes	200	125	150	151
Sales Taxes	178	391	492	616
Hotel Taxes	4	45	61	53
Real Estate Transaction Taxes	342	348	304	209
Business Taxes	(415)	77	(386)	(633)
Audits	150	100	100	100
Other Taxes	123	37	60	26
Subtotal	2,866	4,140	2,951	2,245
Property Tax Rate Increase (Proposed)	---	3,700	3,601	3,707
H.R.1 Decoupling – State Tax Changes	---	723	1,010	520
State Tax Programs	147	86	42	(78)
Unrestricted State Aid	502	---	---	---
Other Revenue Reestimates	147	66	56	53
Total Revenue Reestimates	3,662	8,715	7,660	6,447
Budgetary Flexibility				
Contingent Reserves	1,400	1,350	---	---
Rainy-Day Fund	980	---	(980)	---
Retiree Health Benefits Trust	---	229	(229)	---
Subtotal	2,380	1,579	(1,209)	---
Savings Program				
Agency Reestimates	212	56	56	56
Unidentified Savings	710	1,060	1,080	1,090
Debt Service	116	53	40	(28)
Subtotal	1,038	1,169	1,176	1,118
State Budget Aid	360	457	457	457
Pension Contributions	(16)	548	353	530
Labor Savings	350	500	---	---
Prior Year Payables	500	---	---	---
Prior Year Savings Restorations	(3)	(23)	(22)	(22)
Health Insurance Plan (HIP) Rate Increase	(527)	(539)	(574)	(612)
New Agency Needs	(7,028)	(7,218)	(8,011)	(8,346)
All Other	(478)	(383)	(389)	(362)
Total Expense Reestimates	(3,424)	(3,910)	(8,219)	(7,237)
Net Change	238	4,805	(559)	(790)
Gaps to Be Closed Before Prepayment	\$ ---	\$ (238)	\$ (6,662)	\$ (6,754)
FY 2026 Prepayment of FY 2027 Expenses	(238)	238	---	---
Gaps to Be Closed Per February 2026 Plan	\$ ---	\$ ---	\$ (6,662)	\$ (6,754)

Note: Columns may not add due to rounding.

Sources: NYC Office of Management and Budget; OSC analysis

IV. Budgetary Flexibility

The February Plan includes substantial drawdowns in within-year contingency reserve line items (“contingent reserves”), the City’s RDF, the Retiree Health Benefits Trust and anticipates the fourth year of a decline in prepayments planned for the upcoming budget year. The Mayor stated that absent alternatives, such as his proposed personal income and corporate tax plan (which requires State approval), the City will draw down a portion of its budgetary cushion to help maintain budget balance in FY 2026 and balance the budget in FY 2027. These actions would significantly reduce budgetary flexibility for the City, an important factor for the City’s credit ratings.

If the draw down is completed as planned, the City’s budgetary cushion will be reduced from \$8.6 billion as of the beginning of FY 2026 (10 percent of city-funded spending or 7.6 percent of total funds spending) to \$6.1 billion in FY 2027 (6.2 percent of city-funded spending, or 4.8 percent of total funds spending, in FY 2027, excluding contingent reserves).

As is customary for this point in the budget cycle, the City has drawn down its contingency line items, including the FY 2026 general and capital stabilization reserve, from a combined \$1.45 billion to \$50 million. However, the City has also taken the unusual step of drawing down FY 2027 contingencies to \$100 million in advance of budget adoption, the statutory minimum level for the general reserve entering a new fiscal year (the last time this occurred was in 2020, for the upcoming fiscal year 2021, in response to an anticipated decline in economic activity and collections stemming from the pandemic). The elimination of these line items in FY 2027 substantially reduces the cushion for higher-than-anticipated expenses for that year. 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 2025. The February Plan assumes the City will withdraw about half of this amount, \$980 million, in FY 2026, but plans to replenish the same amount of funds in FY 2028. It is notable that the City would make this withdrawal at a time when the City is not experiencing the effects of a recession, nor is it facing additional costs related to the existence of an emergency. This choice underlines the importance of a formal policy for managing its RDF, including conditions for building up reserves, withdrawal of funds, and replenishment. OSC continues to urge the City to adopt such a policy to guide choices over the use of these funds.

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 the City making additional discretionary deposits into the fund. The February Plan assumes the City will withdraw \$229 million from the RHBT in FY 2027 but will fully replenish the funds the following year.

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 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. So far, the City estimates it will generate a small surplus of \$238 million in FY 2026, 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 has effectively been used to maintain a balanced budget, while obfuscating a structural imbalance that emerged between revenue collections and disbursements during this period.

V. State and Federal Actions

State Budget

On January 20, 2026, the State Executive Budget proposal for State fiscal year (SFY) 2027, which begins on April 1, 2026, was released. On February 19, 2026, the 30-day amendments to the Executive Budget proposal were released. On a net basis, OSC estimates that the proposal (including the amendments) would have a positive operating budget impact on the City of \$1 billion in FY 2026 and \$2.9 billion in FY 2027, mostly from \$500 million in unrestricted State aid in FY 2026, higher school aid, child care funding and decoupling the City tax system from recent changes to federal taxation (see Figure 6). The State also largely insulates New York City from the effects of the federal H.R. 1 legislation.

The February Plan assumes the City would receive \$20.3 billion in State categorical aid in FY 2027 which is \$1.5 billion more than expected in the November Plan. All but the child care funding and funding for police subway tours are included in the February Plan. The largest source of enhanced funding provided for the City by the State is for child care vouchers. The State provides funding for child care vouchers for

those making less than 85 percent of the State median income. The Budget provides the City an estimated additional \$369 million from a statewide increase for child care and an additional \$475 million to the City’s program covering federal fiscal years 2026 and 2027. The State expects to provide all \$844 million of this increased aid to the City in FY 2027. Continuing State support to provide \$77 million to the City for overtime for subway safety is also included in the Governor’s proposal but not in the February Plan (\$19 million in FY 2026 and \$58 million in FY 2027).

The proposal also would reverse a sales tax intercept from the City that was funding the State Distressed Provider Assistance Account to aid hospitals and nursing homes throughout the State with financial issues. The City expects this will provide the City with \$150 million more from sales taxes in both FY 2026 and FY 2027 and \$113 million in FY 2028 as the intercept was scheduled to expire in March 2028. The State budget proposal is expected to relieve the City of the intercept starting April 1, 2026, therefore leaving \$113 million in FY 2026 in the February Plan potentially at risk. The State also expects some additional City costs for tax actions related to alternative fuels and nicotine products, and higher revenue from the vendor registration program, which the City has not yet reflected in the financial plan.

Other proposed State budget actions that are already fully reflected in the February Plan include:

- Providing \$300 million annually to fund the City’s expenses for youth programs related to the Raise the Age initiative which raised the age of criminal responsibility from 16 to 18 years of age.
- Providing \$500 million in unrestricted aid for FY 2026 only.

FIGURE 6
NYS Executive Budget Impact on NYC
 (in millions) Better/(Worse)

	FY 2026	FY 2027
School Aid	- - -	480
Pre-K and 3K Expansion	- - -	235
Childcare Vouchers*	- - -	844
Raise The Age	300	300
Unrestricted State Aid	500	- - -
Sales Tax Intercept	150	150
2-Care	- - -	73
Public Health Aid	60	60
Police Subway Tours*	19	58
Total Expense Actions	\$1,029	\$2,200
Decoupling from HR 1	- - -	723
Other Tax Actions	(3)	(64)
Total Revenue Actions	(3)	659
Total	\$1,026	\$2,859

*Not included in the City’s February Plan.

Sources: NYC Office of Management and Budget; OSC analysis

- Providing \$480 million more annually in school aid starting in FY 2027 when compared to the November Plan and \$235 million more annually from the State starting in FY 2027 for Pre-K programs including \$205 million to expand 3-K services to all school districts in the City.
- Changing the provision that the State reimburses 20 percent of the City's general Public Health work program costs to the same 36 percent reimbursement rate that the rest of the State's localities receive which is expected to bring the City \$60 million annually starting in FY 2026.
- Decoupling the City from certain H.R. 1 – OBBBA provisions including, but not limited to, depreciation for qualified production property and deductions for research and experimental expenditures. The City expects to receive \$723 million in FY 2027, \$1 billion in FY 2028, \$520 million in FY 2029 and \$317 million in FY 2030 from this provision.
- Allowing taxpayers to deduct up to \$25,000 in qualified tips from their State and City taxable income, mirroring the current deduction allowed on federal tax returns. The City estimates this provision will cost it \$56 million in FY 2027 rising to \$64 million in FY 2030. The State, however, estimates this provision will cost the City \$19 million in FY 2027.
- Extending the Senior Citizen Rent Increase Exemption ("SCRIE"), and the Disability Rent Increase Exemption ("DRIE") programs for two years, until June 30, 2028 and expand the income eligibility thresholds for both programs from \$50,000 to \$75,000 in the City which

is expected to cost the City \$4 million in FY 2027, rising to \$18 million in FY 2030.

- Extending the sales tax exemption on certain food and drink purchases from vending machines for an additional three years which is expected to cost the City \$3 million in FY 2026 and \$4 million annually in FY 2027 through FY 2029.

Notably, the Executive Budget does not include increases to personal income and corporate taxes, as requested by the City, and these revenues are not assumed to be received by the City in the February Plan.

However, the February Plan does reflect increased City funding for state-mandated initiatives that were underbudgeted in recent years, such as the class size mandate, paratransit funding and foster care rates.

The Executive Budget would provide no new State aid to the City for the costs of asylum seekers beyond SFY 2027. The February Plan assumes \$204 million from the State for asylum seekers in FY 2026 which is the last of the \$3.2 billion that the State has appropriated in the past for asylum seekers.

The Governor also committed to funding the first two years of the City's child care program for 2- year-olds which is expected to cost \$73 million in FY 2027 and \$425 million in FY 2028. Though the Executive Budget provides only the FY 2027 allocation, the February Plan assumes it will receive the proposed FY 2028 funding level.

There are also several other proposed State actions that do not have a known financial plan impact but may affect the City's finances and operations, such as:

- Extending mayoral control of the City's public schools by four years to 2030 with

no changes to the current system of governance.

- Providing a tax abatement for 100 percent of the certified reasonable costs of alterations and improvements to eligible affordable rental and owner-occupied buildings in the City’s J-51 program. The abatement would be for up to 20 years and would be available for eligible preservation work completed after June 30, 2026, and before June 30, 2036.
- Increasing the aggregate available under the New York City musical and theatrical tax credit by \$150 million. Qualified New York City musical and theatrical productions whose initial performances were on or after December 1, 2025, would be eligible to apply for the credit with the additional funding.
- Authorizing the City to establish an Intelligent Speed Assistance Device pilot program for those deemed “superspeeders”.

The State Assembly and State Senate both released their proposed state budgets (“one-house bills”) on March 9. Both included substantial new tax revenues and other aid to the City including increases to the City’s business tax rate for financial and other firms, a reduction to 75 percent of the credit for pass through entity taxes and an additional tax surcharge on high-valued (more than \$5 million) residential property sales. Both also would provide additional State education aid to the City. It is uncertain whether such revenue raisers and additional aid will be included in the Enacted State Budget negotiated with the Governor.

Federal Actions

As noted in OSC’s [December 2025 report](#) on the City’s financial plan, the State and the City rely

on [substantial federal funding](#) to support State and local initiatives. While significantly lessened 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 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 report 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, the federal administration has ordered freezes, pauses, and reviews of financial assistance funding to identify grant programs which are implicated by the President’s executive orders and could be subject to reduction or elimination outside of the appropriation process.

Through March 13, the latest date at which the City has provided comprehensive data on federal grants to OSC, the City received multiple notifications that would pause, and/or partially or fully terminate legally appropriated federal awards. Based on the list of grants implicated by these notifications, the City has identified a possible risk of up to \$387 million in operating expenses from FY 2025 through FY 2029.

Through January 2026, OSC has not observed a meaningful overall reduction in cash receipts as a share of annual budget when compared to prior fiscal years. The pace of a handful of grants

(e.g., funding for programs supporting people living with HIV/AIDS and low-income home energy assistance) has slowed in FY 2026, however, which the City attributes to more stringent documentation requirements implemented by the federal administration. While the City also anticipates the receipt of \$37.4 million in reimbursement from the Federal Emergency Management Agency for asylum support, to date the City has not reported any cash receipts from this source.

Federal Budget

As detailed in OSC's [August 2025 report on the City's financial plan](#), Congress approved a budget reconciliation bill in July 2025 (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 Supplemental Nutrition Assistance Program or SNAP).

As detailed in the previous section on the State Budget, the Governor's proposed 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 FY 2027. The State also proposes to decouple 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 financial plan starting in FY 2027, raising business corporation tax revenues following a decline in FY 2026 (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 (\$74 million in FY 2027, rising to \$99 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.

On February 3, 2026, Congress approved a minibus spending package to fund federal operations (with the exception of the Department of Homeland Security) over the remainder of FFY 2026. The spending package largely rejects reductions in discretionary spending proposed by the President one year ago, significantly reducing short-term fiscal and economic uncertainty for both the State and the City.

VI. Revenue Trends

The February Plan includes several proposed tax programs and actions which, if adopted, either by the State and/or City, would increase revenues in every fiscal year. However, as these programs and actions have yet to be adopted, the revenues that would be generated by them are excluded in the initial discussion of this section. Excluding those revenues also allows for like comparisons between the preliminary and adopted plans.

For total revenues, which includes locally generated revenues (i.e., City funds; see Figure 7) and federal and State categorical aid, the February Plan increased the forecast from

the June Plan by a sum of \$19.6 billion from FY 2026 through FY 2029, mostly because of higher City funds, the biggest absolute adjustment in the Preliminary Budget on record since at least FY 2003. The City now expects total revenues to reach a record \$122.5 billion in FY 2027, \$5.6 billion higher than expected at adoption. Still, the City forecasts an increase of just 0.2 percent in total fund revenues that fiscal year because of a \$1.8 billion decline in federal and State grants driven by child care block grants, Section 8 vouchers and Homeland Security funding, which may be added back over the course of year.

FIGURE 7
Trends in City Fund Revenues
(in millions)

	FY 2026	FY 2027	Annual Growth	FY 2028	FY 2029	FY 2030	Average Three-Year Growth Rate
General Property Tax	\$ 35,361	\$ 36,649	3.6%	\$ 37,753	\$ 38,868	\$ 40,169	3.1%
Personal Income Tax	20,283	21,297	5.0%	21,349	21,706	22,298	1.5%
Sales Tax	10,868	11,432	5.2%	11,976	12,527	12,972	4.3%
Business Taxes	10,470	10,351	-1.1%	9,965	9,984	10,388	0.1%
Real Estate Transaction Taxes	2,488	2,601	4.5%	2,671	2,686	2,711	1.4%
Other Taxes	3,759	3,760	0%	3,838	3,896	3,939	1.6%
Tax Audits	959	879	-8.3%	879	879	879	0%
Subtotal: Taxes excl. Proposed Tax Programs and Actions	84,188	86,969	3.3%	88,431	90,546	93,356	2.4%
Miscellaneous Revenues	6,367	6,146	-3.5%	6,166	6,217	6,244	0.5%
Unrestricted Intergov. Aid	502	0	N/A	0	0	0	N/A
Grant Disallowances	(15)	(15)	0%	(15)	(15)	(15)	0.0%
Total City Funds excl. Proposed Tax Programs and Actions	91,042	93,100	2.3%	94,582	96,748	99,585	2.3%
State Action: De-coupling from OBBBA	0	723	N/A	1,010	520	317	-24.0%
Proposed State Tax Programs	147	86	-41.5%	42	-78	-82	N/A
Property Tax Increase	0	3,700	N/A	3,601	3,707	3,814	1.0%
Subtotal: Proposed Tax Programs and Actions	147	4,509	N/A	4,653	4,149	4,049	-3.5%
Total Taxes incl. Proposed Tax Programs and Actions	84,335	91,478	8.5%	93,084	94,695	97,405	2.1%
Total City Funds incl. Proposed Tax Programs and Actions	91,189	97,609	7.0%	99,235	100,897	103,634	2.0%

Note: Personal Income Tax includes the Pass-Through Entity Tax.

Additionally, after increasing the FY 2026 forecast by \$6.3 billion, the February Plan now expects total revenues to increase by 3.2 percent to reach \$122.2 billion in this fiscal year, stronger than the June Plan's forecast of a 4 percent decline.

In fiscal years 2028 through 2030, total revenues are forecast to increase by an annual average of 1.7 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 may be risks to federal funding in the coming years. State grants are also expected to rise slowly, although the rate of growth may rise based on formula funding increases to school aid.

For City funds, the February Plan increased the forecast from adoption by \$3.5 billion in FY 2026. After updating the growth projection to 4.6 percent in FY 2026, the Plan forecasts City funds to increase by 2.3 percent in FY 2027. City funds are expected to reach a record high of \$93.1 billion, accounting for 76 percent of total revenues, the highest share on record since at least FY 2003. The current FY 2027 City funds forecast is also \$4.2 billion higher than the June forecast.

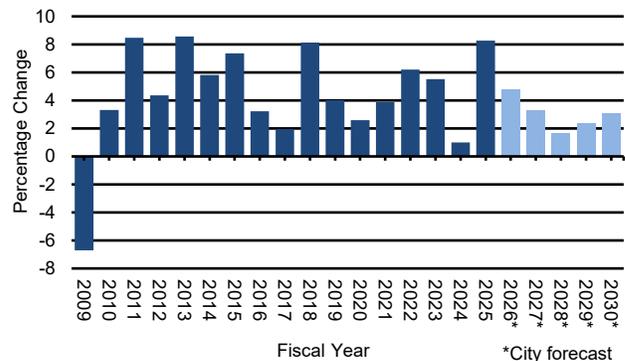
In fiscal years 2028 through 2030, City funds are expected to average growth of 2.3 percent annually, much slower than the annual average growth of 4.7 percent in the five years before the pandemic.

City Tax Revenue Projections

Within City funds, tax collections account for 92 percent of City fund revenues and miscellaneous revenues account for 8 percent as of FY 2026. The February Plan increased the FY 2026 forecast for tax collections by \$2.9 billion since June, mostly for personal

income tax, reflecting a stronger economy in the past calendar year than previously expected. Growth in collections has also been strong as year-to-date tax revenue (including audits) through December was 6.8 percent higher (\$3.1 billion) than the same period last year. The City expects total tax collections in FY 2026 to be 4.8 percent higher than the prior year (see Figure 8).

FIGURE 8
Annual Percent Change in Tax Revenues



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

The City forecasts tax collections to increase by 3.3 percent in FY 2027 to reach \$87 billion, \$4.1 billion higher than the June Plan driven by sales tax and personal income tax. However, the current FY 2027 forecast expects growth in nonproperty tax collections (including audits) to lag property tax collections, increasing by 3.1 percent, as continued slowdown in wage and job growth counteracts another potentially strong year for Wall Street. The City expects property tax collections to grow by 3.6 percent, reflecting the strength of the FY 2027 tentative property tax assessment roll.

The February Plan expects tax collections to slow to an average of 2.4 percent annual growth during fiscal years 2028 through 2030. During this period, compounded average annual growth in property tax collections (3.1 percent) is

expected to outpace non-property tax collections (1.9 percent). The City's expectation of a relatively slow rate of growth in nonproperty tax collections reflects the assumption of softening economic growth.

The February Plan also raised the FY 2026 audit revenue forecast by \$150 million to reflect stronger-than-expected collections, as well as the out-year projections by \$100 million annually. OSC agrees with the FY 2026 adjustment and increases the forecast for FY 2027 and beyond by \$50 million to continue to reflect stronger collections than anticipated by the City.

With Proposed Tax Programs and Actions

The State actions and tax programs shown in Figure 7 include the reversal of the sales tax intercept in the City, decoupling the City from certain H.R. 1 — OBBBA — provisions, allowance of the personal income tax exemption for tipped income, extension of the Senior Citizen Rent Increase Exemption and Disability Rent Increase Exemption and extension of the sales tax exemption for vending machines (see the State and Federal Actions section for details). In addition, the February Plan proposes a 9.5 percent increase in the property tax rate (see the General Property Tax section for details). The City expects the rate increase to generate an additional \$3.7 billion in collections in FY 2027 and similar amounts in each of the outer years.

If all the proposed tax programs and actions are adopted, the City would generate an extra \$17.5 billion in cumulative total revenues over FY 2026 through FY 2030. FY 2027 would see an additional \$4.5 billion, for year-over-year growth of 3.8 percent, while City funds would see growth of 7 percent. Total tax collections would increase by 8.5 percent, the largest growth since FY 2007, driven by a 14.1 percent increase in property tax collections, while collections from

nonproperty taxes would increase by 4.4 percent.

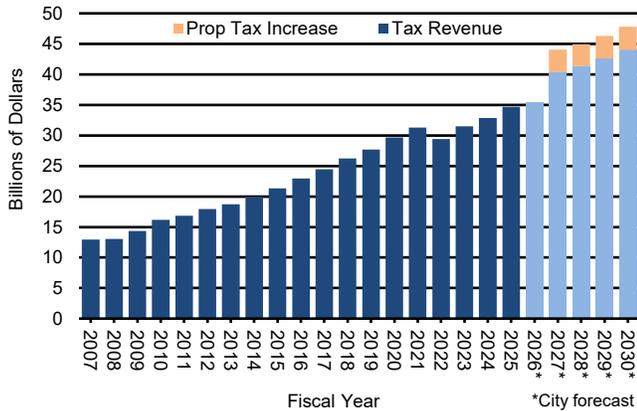
With the economic outlook uncertain, OSC estimates tax collections will likely be lower than the City's forecast in FY 2026 and FY 2027 by \$442 million and \$786 million, respectively. However, in the out-years of the plan, given the City's expectation of a significant slowdown in revenue growth after FY 2027, OSC expects tax collections will exceed the forecast by a sum of approximately \$2.0 billion reflecting an average annual growth rate of about 3 percent. OSC also expects \$100 million in additional miscellaneous revenues in FY 2026 only.

General Property Tax

In the February Plan, the City increased expected property tax revenues in FY 2026 by \$200 million compared to the June Plan based on the strength of year-to-date collections. Revenues are now expected to reach \$35.4 billion in the current fiscal year, representing growth of 2.1 percent over FY 2025, the slowest rate of growth since FY 2008, excluding the pandemic (see Figure 9).

The City made changes to the out-years that reflect the new baseline value in FY 2026, increasing expected collections by \$125 million in FY 2027, \$150 million in FY 2028 and \$151 million in FY 2029. The City expects growth in the collections to slow in the coming years, with a compound average annual growth rate of 3.1 percent for fiscal years 2028 to 2030, compared to 3.9 percent in fiscal years 2024 to 2026. These figures exclude the proposed increase to the overall property tax rate discussed below. The February Plan also assumes a revenue loss of \$80 million due to the suspension of the lien sale program, which the administration aims to end entirely.

FIGURE 9
Property Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

The expected increase in collections in FY 2027 is aligned with the Tentative Property Tax Assessment Roll released in January. Overall assessed taxable billable values increased by 5.6 percent, with strength seen in condos and rentals, storage properties, and hotels. The City expects the Final Assessment Roll (to be released in May) to show assessed value growth of 4.8 percent, following the tentative-to-final reduction in values. OSC believes the City may be underestimating annual growth on the final roll, particularly on Class 3 properties. Combined with the City’s consistent overestimation of the current year property tax reserve, collections may exceed the forecast by \$350 million in FY 2027 and \$400 million thereafter.

Residential property values showed continued stability this year, up 3.4 percent for the fiscal-year-to-date (July through January) compared to the prior fiscal year.¹⁵ The commercial property market has also rebounded, with the office vacancy rate falling to 21.1 percent in the fourth

quarter of 2025 from 23.3 percent in the prior year. Asking rents have increased, and net absorption was positive for 2025.¹⁶ Demand for both residential and commercial properties is expected to remain strong for the foreseeable future, supporting continued growth in property tax revenues.

The largest potential risk to the collections forecast is the proposed increase to the citywide property tax rate from 12.283 percent to 13.450 percent in FY 2027. If enacted, this would be the first increase to the property tax rate since FY 2003 (the rate was lowered briefly to 11.423 percent in FY 2008 in the wake of the Great Recession but returned to its current level the following fiscal year). With an increase of 9.5 percent to the overall tax rate, property tax collections would be a total of \$14.8 billion higher over fiscal years 2027 to 2030.

The rate increase would need to be enacted by the City Council, which has expressed opposition to the increase.¹⁷ If enacted, it is unclear whether the Council would choose to apply the increase consistently across the four property tax classes or weigh it more heavily toward one property class. There are also State actions that may impact exemptions and abatements for renters and property owners, which may have implications for property tax collections if enacted (see the State and Federal Actions section for details.) In addition to the proposed rate increase, the administration has signaled its intention to undertake property tax reform, though exactly how the changes would take shape is still unclear (see OSC’s [Residential](#)

¹⁵ Zillow, “Zillow Home Value Index, All Homes, Smoothed & Seasonally Adjusted,” for New York MSA, accessed on February 18, 2026, <https://www.zillow.com/research/data/>.

¹⁶ “MarketBeat Manhattan Office Q4 2025,” Cushman & Wakefield, <https://www.cushmanwakefield.com/en/united-states/insights/us-marketbeats/new-york-city-area-marketbeats>.

¹⁷ “Statement from Speaker Julie Menin and Finance Chair Linda Lee on the Mayor’s Preliminary Budget Proposal,” New York City Council, February 17, 2026, <https://council.nyc.gov/press/2026/02/17/3073/>.

[Real Estate](#) report for additional information on local property tax disparities).

Personal Income Tax

The February Plan increased the forecast for total personal income tax (PIT), including the Pass-Through Entity Tax (PTET), from the June Plan by \$2.3 billion in FY 2026 and by \$3 billion in FY 2027.¹⁸ The revisions bring projected revenues to a record high of \$20.3 billion in FY 2026 and \$21.3 billion in FY 2027.

Year-to-date collections through December were 14.2 percent higher than in the same period last year. The growth has been driven by both withholding and non-withholding components of PIT. While the June Plan initially expected a decline of 2.2 percent in FY 2026, the February Plan now projects total PIT collections to increase by 10.1 percent, reflecting continued growth in total wages and strength in the financial markets (see Figure 10).

The February Plan made adjustments to the forecasts of almost all components of PIT compared to the June Plan. The forecast for withholding (i.e., the amount of tax taken from employee paychecks) was increased by \$985 million to \$14.4 billion in FY 2026, reflecting stronger-than-expected wage and bonus pool

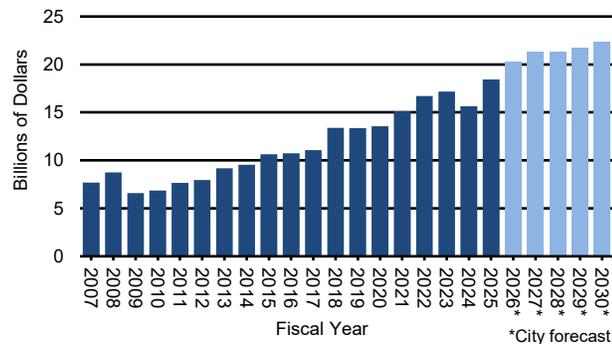
growth resulting in better-than-expected collections in the first six months of FY 2026. Collections from withholding through December were 8.8 percent higher than the same period last year. The City assumes total FY 2026 collections from withholding to end 7.6 percent higher.

For the non-withholding components, the February Plan increased the FY 2026 forecast by \$1.3 billion compared to the June Plan. As a result, after expecting a 9.2 percent decline at adoption, the City now forecasts collections from these components to increase by 16.6 percent to reach \$5.9 billion in FY 2026. The large increase reflects strong growth in capital gains (the largest non-wage component) driven by exceptional performance in the financial markets as well as strong growth in year-to-date collections through December (31.4 percent), though collections were inflated by a large PTET offset payment from the State in September.

After two years of double-digit growth (17.7 percent and 10.1 percent), the February Plan expects growth in total PIT collections to slow to 5 percent in FY 2027 to \$21.3 billion, reflecting the City’s assumption of slower job and wage growth and an 18 percent decline in bonuses in calendar year 2026 after reaching a record high a year before. Even with this slowdown, if the forecast holds, the growth in collections during this three-year period would be the greatest of any three-year period in the past two decades.

After increasing the FY 2027 withholding forecast from the June Plan by \$886 million, the February Plan expects withholding collections to increase by 3.6 percent in FY 2027 to reach \$14.9 billion, reflecting the City’s assumption of slowing job and wage growth along with a decrease in the [bonus pool](#) from its record level in 2025.

FIGURE 10
Total Personal Income Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

¹⁸ The SFY 2022-23 Enacted Budget created the PTET for the City which went into effect in FY 2023. When combined with PIT, the

PTET is expected to be revenue neutral for the City. See OSC’s June 2023 Plan [report](#).

The February Plan also increased the forecast from adoption for non-withholding components by a combined \$2.1 billion in FY 2027. As a result, collections from these components are expected to increase by 8.4 percent to reach \$6.4 billion and account for nearly half of the increase in total PIT collections. This reflects the City’s assumption of growth in capital gains in calendar year 2026 as Wall Street profits continue to have another strong year. This would be the third consecutive year of growth in collections from non-withholding components, which has not occurred since the FY 2011 through FY 2013 period.

For fiscal years 2028 through 2030, the January Plan projects total PIT collections to increase by an annual average of 1.5 percent, reflecting the City’s assumption of slower economic growth 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 4.1 percent during this period, while collections from non-withholding components are expected to decrease every year by a compound annual average of 5 percent as Wall Street profitability recedes to normal levels.

In addition, these figures do not reflect the State tax program to make tipped income exempt from PIT. If adopted, collections would be lowered by \$56 million in FY 2027 (though the State expects a lower cost to the City), with the amount increasing to \$64 million by FY 2030.

OSC expects collections will fall \$100 million short of the City’s FY 2026 forecast and by \$650 million in FY 2027 as OSC anticipates bonuses and profits may not reach the City’s expectations. OSC expects collections to fall short (\$300 million) of the FY 2028 forecast but will exceed the forecast in the rest of the plan

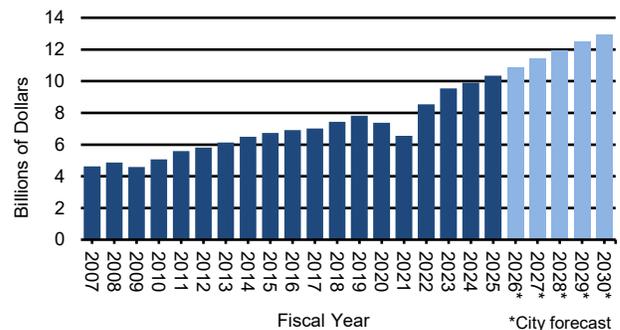
period, as growth returns to a long-term average trend.

Sales Tax

The February Plan increased the FY 2026 forecast for sales tax collections by \$178 million and the out-years by an annual average of \$500 million from the June Plan. The City expects sales tax collections to grow 5 percent in FY 2026, reaching \$10.9 billion (see Figure 11).¹⁹ In the first six months of FY 2026, collections grew 4.5 percent from the same period last year.

In FY 2027, the February Plan increased adjustments by \$391 million from the June Plan and expects sales tax collections to grow 5.2 percent to reach \$11.4 billion. The City anticipates collections to remain healthy in FY 2027, fueled by income growth and visitor spending.

FIGURE 11
Sales Tax Collections



Note: FY 2026 - FY 2030 do not include State program adjustments
Sources: NYC Office of Management and Budget; OSC analysis

According to the latest Beige Book, consumer spending in the New York district (which includes parts of New Jersey and Connecticut and all of New York State) was slightly up over the holiday season from the last report in October 2025 supported by strong spending from higher-income households.²⁰ Consumer spending continues to grow for now but uncertainty

¹⁹ Sales tax collections exclude sales tax intercepts which include MTA and Distressed Provider Assistance Account intercepts.

²⁰ New York Federal Reserve *Beige Book*, January 2026.

remains in FY 2026 as U.S. credit card debt continues to grow (up \$44 billion) in the fourth quarter of calendar year 2025 from the previous quarter, which could shift and slow discretionary spending.²¹ Recent forecasts have attributed near-term growth to continued spending by high-income households, a trend that could also be pressured by declines in asset valuations which pressure household wealth.

OSC expects the City’s February Plan forecasts for sales tax collections in FY 2026 and the out-years may be slightly optimistic based on moderate year-to-date collections through December.

Business Taxes

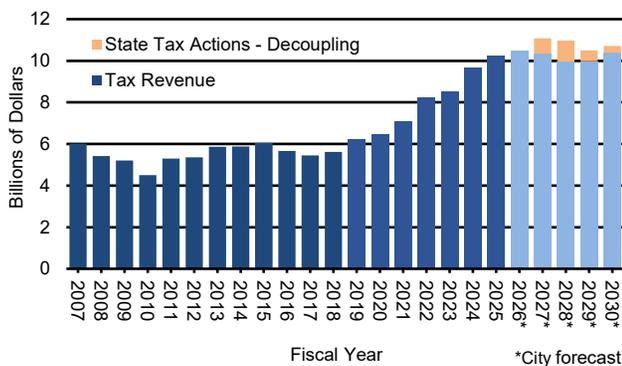
The February Plan’s FY 2026 business tax forecast is \$415 million lower than the June Plan and is now expected to grow 2 percent year over year to reach \$10.5 billion (see Figure 12). This initial discussion excludes the impact from the State Executive Budget proposal for SFY 2027 of decoupling the City from certain H.R. 1 provisions (see the Federal and State Actions section for details). The City’s FY 2026 adjustment reflects the downward trend in collections through December 2025, part of

which the City attributes to the effect of tariffs, particularly outside of financial activities. Collections dropped 1 percent during the first six months of the fiscal year compared to the same period last year.

Within business tax collections, business corporation taxes (BCT) constitute more than two-thirds (67 percent as of FY 2025) and are driven primarily by the profits of New York Stock Exchange member firms. BCT net payments for FY 2026 through January declined 6.3 percent. This decline was driven by the firms outside of the finance sector. The finance sector, which is composed of commercial banking, and securities and commodities, grew 3.4 percent through January FY 2026 compared to the prior year, however the nonfinance sector declined 13.3 percent through January compared to the prior fiscal year. The City expects BCT collections to reach \$6.8 billion (a decline of 1.2 percent) in FY 2026 after adjusting it downward by \$665 million from the June Plan. In FY 2027, the City is expecting a 3.5 percent decline in collections. Legislation has been introduced in the New York State Assembly that would increase the corporate tax surcharge on corporations in the City.

Unincorporated business taxes (UBT), which make up the remainder of total business tax collections, saw a year-over-year increase of 11.8 percent through December 2025. The City made an upward adjustment of \$250 million in FY 2026 since the June Plan and now expects collections to reach \$3.7 billion, an 8.4 percent increase from FY 2025. This adjustment is driven by the services sector, which makes up 69 percent of UBT net payments and grew 8.9 percent fiscal year-to-date. The finance sector, which makes up 18 percent of UBT net payments, declined 35.1 percent fiscal year to

FIGURE 12
Business Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

²¹ New York Federal Reserve, Center for Microeconomic Data, *Quarterly Report On Household Debt and Credit*, February 2026,

https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2025Q4.

date, offsetting the growth in the services sector leading to the City's lower growth rate compared December collections. UBT is projected to grow an average annual rate of 2.8 percent from FY 2027 through FY 2030.

If the SFY 2027 Executive Budget proposal for decoupling is enacted, the City expects business tax collections to grow 5.8 percent in FY 2027 and decline 1.2 percent in the out-years (instead of declining 1.1 in FY 2027). The growth in FY 2027 would be driven, in smaller part, by a boost in corporate tax collections from additional payments by businesses that can no longer take advantage of enhanced federal tax provisions as they did in FY 2026. Additionally, the City attributes BCT collections growth to continued strength in the finance industry, bringing expected growth for the fiscal year to 7.1 percent (collections would decline 3.5 percent decline if the proposal is not enacted). The City expects a greater share of the expected positive impact of decoupling from H.R. 1 provisions to fall in FY 2028, giving businesses a longer time period to adjust their behavior. While OSC does not expect the positive impact to take two fiscal years, there are no adjustments to collections based on State tax policy until those changes are enacted.

OSC expects collections to reach nearly \$10.1 billion in FY 2026, a decline of 1.9 percent, compared to the City's 2 percent expected growth, partly based on a shifting economic outlook since the release of the February Plan. OSC projects business taxes will be 1.8 percent higher, on average, than the February Plan over FY 2028 through FY 2030.

Real Estate Transaction Taxes

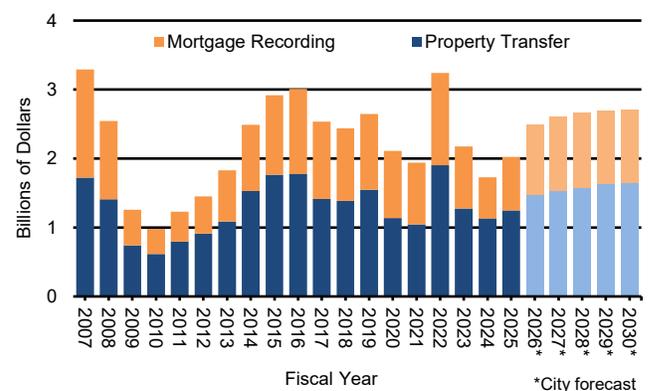
The February Plan increases expected real estate transaction tax collections in FY 2026 by \$342 million over the June Plan. Total collections

are now expected to reach \$2.5 billion, an increase of 23 percent over the prior fiscal year (see Figure 13). The increase was driven by the strength in year-to-date collections, which were \$91 million above the expected level from the June Plan in the first half of the fiscal year. January collections were very strong, pushing the year-to-date total to \$232 million above plan.

The City incorporates this new baseline into the out-years forecast, increasing expected collections in FY 2027 by \$348 million, and a combined increase of \$513 million in fiscal years 2028 and 2029. Despite these increases, the City expects growth to slow significantly, to 4.5 percent in FY 2027 and 2.7 percent in FY 2028. Growth then flattens toward the end of the Plan horizon, with annual growth in fiscal years 2029 and 2030 expected to be less than 1 percent annually.

Total sales dollars are up 9.8 percent in the fiscal year-to-date (July through January), with commercial property sales increasing by 20.9 percent and generally driving the overall growth throughout the fiscal year-to-date.²² Given the strength in collections, and anticipated declines in residential mortgage rates in the

FIGURE 13
Real Estate Transaction Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

²² NYC Department of Finance Automated City Register Information System (ACRIS) preliminary data. These figures may moderate with subsequent data revisions.

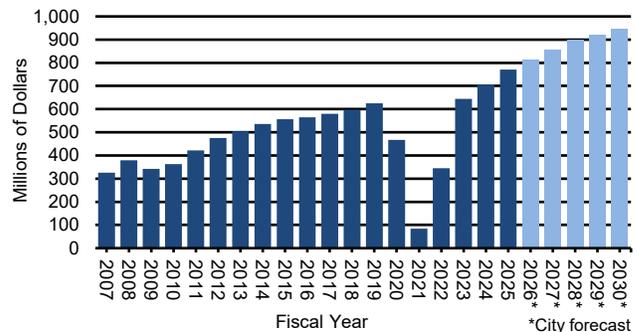
coming year, OSC assumes the increases the City made to the collections forecast are generally reasonable. However, OSC has slightly adjusted collections downward in FY 2027 by \$50 million, as rate cuts are now expected to come later than the City’s economic forecast assumes, due to inflationary pressures from energy prices.

Hotel Tax

The February Plan increased the hotel tax forecast for FY 2026 by \$4 million from the June Plan. The City expects hotel tax collections to grow 5.8 percent and reach \$815 million in FY 2026 (see Figure 14). Collections in the first six months of FY 2026 grew 6.1 percent from the same period in FY 2025.

In FY 2027, the February Plan increased hotel taxes \$45 million from the June Plan and expects collections to grow 5 percent to reach \$856 million. The increase reflects the City’s expectation of a moderate rise in room rates and a further pickup in hotel demand beginning with the 2026 World Cup. Hotel demand metrics have been strong in 2025, although hotel occupancy is still below 2019 levels at 84.1 percent, down 0.2 percentage points from 2024. The City’s occupancy rate, average daily room (ADR) rate (\$333.71), and revenue per available room (RevPAR) (\$280.71) were the highest among the top 25 U.S. hotel markets.²³ From FY 2027 through FY 2029, the February Plan increased hotel taxes an annual average of \$50 million from the June Plan.

FIGURE 14
Hotel Tax Revenues



Sources: NYC Office of Management and Budget; OSC analysis

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 until at least calendar year 2027 as international visitors, who spend more than domestic visitors on an average visit, from some countries have reduced travel to the U.S., including New York City and recent geopolitical events could push out full recovery later. In December 2025, the number of passengers flying into the City airports (John F. Kennedy and LaGuardia) declined 4.8 percent from December 2024. International passengers during that same period declined 6.9 percent year over year.

Domestic tourism remains strong and is partially offsetting the international tourism slowdown. There are expectations for more growth overall as events such as the United States 250th anniversary celebration is expected to bring six million visitors into the City for six days in July 2026.²⁴ Also, the World Cup is expected to bring in over one million visitors into the New York City metropolitan area.²⁵ RevPAR is expected to grow

²³ CoStar, “U.S. Hotels Report First Full-Year Occupancy, RevPAR Declines Since 2020,” January 20, 2026, <https://www.costar.com/products/benchmark/resources/press-releases/us-hotels-report-first-full-year-occupancy-revpar>.

²⁴ Catalina Gonella, “New York City Expects 6 Million Visitors for 250th Anniversary Celebration in 2026,” *Gothamist*, July 3, 2025, <https://gothamist.com/news/nyc-expects-6-million-visitors-for-250th-anniversary-celebration-in-2026>.

²⁵ New York City Mayor’s Office, “Mayor Adams and Governor Murphy Celebrate New York New Jersey Selection as Host for Biggest Sporting Event in World History: FIFA World Cup 26 Final,” <https://www.nyc.gov/mayors-office/news/2024/02/mayor-adams-governor-murphy-celebrate-new-york-new-jersey-selection-host-biggest>.

12.7 percent year over year in June and July 2026 during the World Cup for a majority of host regions in the U.S. including the New York City metropolitan area.²⁶

OSC expects that the City’s hotel projections are reasonable given the anticipated growth from upcoming events and strong metrics of hotel occupancy, average demand room rate, and revenue per available room.

Miscellaneous Revenues

Miscellaneous revenues, consisting of recurring revenues and one-time payments, have increased in FY 2026 as a majority of recurring miscellaneous revenues have fueled recent growth. In the first six months of FY 2026, total miscellaneous revenues grew 4 percent compared to the same period in FY 2025.

The February Plan expects miscellaneous revenues in FY 2026 to decline 4.9 percent to \$6.4 billion even with an upward adjustment in the February Plan and stronger year-to-date collections (see Figure 15). Recurring miscellaneous revenues were adjusted up \$82 million from the June Plan. The adjustments since the November Plan include increases in licenses, permits, and franchises (\$15 million, driven by construction permit increases); charges for services (\$14 million, from various revenue sources), and fines and forfeitures (\$30 million, driven by bus lane camera fines). However, these increases were partially offset by declines (\$22 million) in rental income — specifically extended school use rental income.

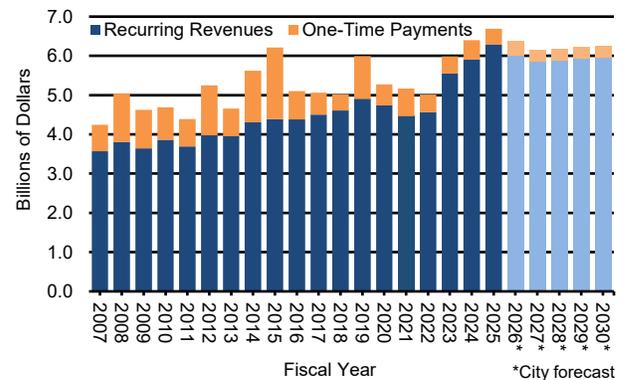
Also, cable franchises (which historically is the largest revenue source among franchises) continues to decline (adjusted down \$26 million in FY 2026 and down \$16 million in FY 2027) in the financial plan period, but are partially offset by mobile telecom franchises (increased

\$16 million from the November Plan each year starting in FY 2026) as consumption habits continue to shift from [cable television to streaming internet subscriptions](#).

In FY 2027, the City expects miscellaneous revenues to decline an additional 3.5 percent to \$6.1 billion. The February Plan increased FY 2027 adjustments \$67 million from the June Plan. The adjustments since the November Plan in FY 2027 are driven by fines and forfeitures which include Environmental Control Board (ECB) fines where the City expects to receive additional ECB arrear collections.

OSC anticipates recurring miscellaneous revenues could be \$100 million higher than the February Plan in FY 2026 based on year-to-date collections for permits and fines.

FIGURE 15
Total Miscellaneous Revenues



Sources: NYC Office of Management and Budget; OSC analysis

²⁶ CoStar, “Modest World Cup Lift Still Poised To Play Key Role For U.S. Hotel Industry,” February 19, 2026,

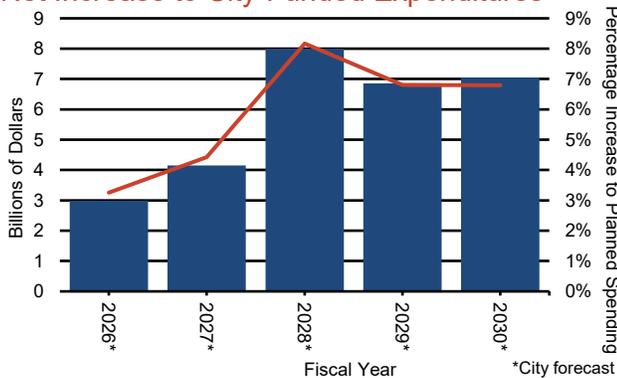
<https://www.costar.com/products/benchmark/resources/press-releases/modest-world-cup-lift-still-poised-play-key-role-us>.

VII. Expenditure Trends

After completing an assessment of agency unbudgeted expenses, the new mayoral administration revised the City’s projections to levels more in line with OSC’s December 2025 estimates. The February Plan reflects a substantial upward revision to the City’s expenditure forecast to address the chronically underbudgeted expenses identified by OSC in recent years.

As shown in Figure 16, the City added substantial funding from locally generated sources (i.e., City funds), offset in part with anticipated (but unidentified) savings and technical adjustments, totaling an additional \$3 billion in FY 2026, \$4 billion in FY 2027 and an average of \$7.3 billion in spending each year thereafter. This plan-to-plan increase is the largest on record for this point in the budget cycle since at least 2008.

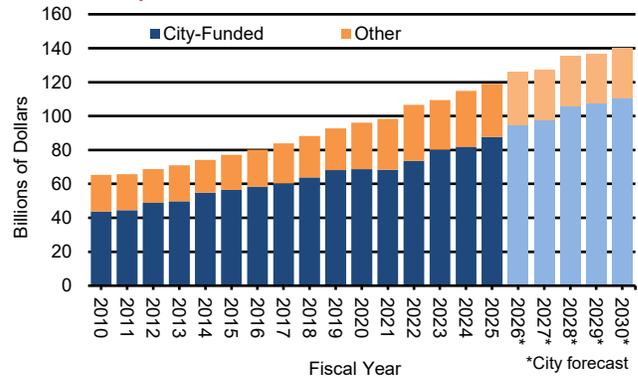
FIGURE 16
Net Increase to City-Funded Expenditures



Note: Adjusted for surplus transfers and debt defeasances. City forecast includes budgeted reserves beginning in FY 2026.
Sources: NYC Office of Management and Budget; OSC analysis

After incorporating the additional funding, the City’s baseline projections and anticipated growth now appear more realistic. Citywide expenditures are projected to total \$127.2 billion in FY 2027, after adjusting for surplus transfers, which obscure total expenditures (see Figure 17). The portion of citywide spending funded with locally generated revenue (i.e., City funds) is estimated at nearly \$97.8 billion. The

FIGURE 17
Annual Expenditures



Note: Adjusted for surplus transfers and debt defeasances. City forecast includes budgeted reserves beginning in FY 2026.
Sources: NYC Office of Management and Budget; OSC analysis

portion funded with other sources, mostly federal and State grants, is \$29.4 billion (23.1 percent).

The February Plan anticipates city-funded spending will rise by 1.9 percent to \$98 billion in FY 2027, excluding contingent reserves, adjustments for prior years’ expenses and drawdowns of the RDF and RHBT which can distort the true picture of the growth in recurring spending. The growth in FY 2027 is driven by labor costs and debt service.

The February Plan assumes the growth in spending would accelerate to an average of 3.7 percent over the next three years. Projected wage increases on labor costs, debt service, health insurance costs as well as rental assistance will continue to be the largest cost drivers through the balance of the financial plan period.

The February Plan expenditure trends are shown in Figure 18 and discussed below (see also Appendix A for projected agency spending).

Expenditure Risks and Offsets

As previously noted, the City has incorporated substantial upward revisions to its expense forecast. As shown in Figure 19, the new funding (on a total funds basis) is concentrated mostly in social services and education. For example, the

FIGURE 18**Trends in City-Funded Spending in February 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	\$24,243	\$25,255	4.2%	\$27,057	\$27,866	\$28,710	4.4%
Pension Contributions	10,350	10,389	0.4%	11,375	10,839	10,380	0.0%
Debt Service	8,397	9,431	12.3%	10,486	11,460	12,207	9.0%
Medicaid	6,336	6,688	5.6%	6,838	6,988	7,138	2.2%
Health Insurance	8,855	9,211	4.0%	9,766	10,289	10,910	5.8%
Other Fringe Benefits	4,276	4,502	5.3%	4,731	4,930	5,142	4.5%
Energy	1,086	1,186	9.2%	1,178	1,155	1,169	-0.5%
Judgments and Claims	1,126	1,008	-10.5%	928	841	858	-5.2%
Public Assistance	1,563	1,562	-0.1%	1,562	1,562	1,562	0.0%
Services for Asylum Seekers	1,228	1,200	-2.3%	500	500	500	-25.3%
Residual OTPS	28,707	27,544	-4.1%	28,817	29,773	30,718	3.7%
Subtotal	\$96,168	\$97,976	1.9%	\$103,238	\$106,201	\$109,293	3.7%
General Reserve	50	100	NA	1,200	1,200	1,200	0.0%
Capital Stabilization Reserve	---	---	NA	250	250	250	NA
Rainy Day Fund	(980)	---	NA	980	---	---	NA
Retiree Health Benefits Trust	---	(229)	NA	229	---	---	NA
Prior Year's Expenses	(500)	---	NA	---	---	---	NA
Total	\$94,738	\$97,847	3.3%	\$105,897	\$107,651	\$110,743	4.2%

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

planned FY 2027 operating budget for the Department of Homeless Services (DHS, excluding central accounts such as fringe benefits) has been increased by \$928 million (25 percent), to \$4.6 billion, driven mostly by shelter costs which have persistently exceeded the City's forecast at budget adoption. For comparison, the DHS budget totaled \$1.8 billion in FY 2017.

Overall, the City addressed about \$6 billion of \$7 billion in OSC-identified expenditure risks for FY 2027 in the February Plan. OSC finds the City's expenditure forecast to be reasonable with some exceptions noted below.

While the City has added significant recurring funding, based on current trends, spending on education such as due process cases and school

FIGURE 19**Increase in Agency Spending Over November Plan Baseline**

(Total Funds, in millions)

	FY 2026		FY 2027	
	\$	%	\$	%
Department of Social Services	\$ 2,059.7	17.0%	\$ 2,637.7	22.0%
Department of Education	1,833.8	5.2%	2,607.9	7.4%
Dept. of Homeless Services	541.2	13.9%	927.7	25.1%
Central Account - Miscellaneous	(37.8)	-0.3%	483.6	3.2%
Admin. for Children Services	184.1	5.0%	282.7	9.0%
Subtotal	\$ 4,581.0	6.6%	\$ 6,939.6	10.0%
All Other Agencies	1,978.2	5.6%	938.2	2.9%
Other Central Accounts	(2,219.8)	-13.6%	(2,437.9)	-11.4%
Total	\$ 4,339.3	3.6%	\$ 5,439.9	4.4%

Note: Totals may not add due to rounding. Central Accounts include unallocated savings initiatives and drawdowns of reserves.

Sources: NYC Office of Management and Budget; OSC analysis

cleaning 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. 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. A portion of these personal services costs in FY 2026 would be offset by payroll savings attributed to vacant full-time positions. OSC also estimates that, based on current demand, more funding must be identified for child care vouchers.

In total, updated expenditure risks identified by OSC, net of offsets, are estimated to total \$651 million in FY 2026, rising to \$2.5 billion by FY 2030, substantially smaller than in November.

In addition, the federal administration has taken a number of actions and proposed budgetary changes that could increase costs or reduce revenue to 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.

The February Plan does not include any adjustments to reflect the potential loss of funding for federal aid awarded to the City that is implicated by the federal executive actions. The City has drawn down nearly all its contingent reserves for fiscal years 2026 and 2027. The drawdown for a future fiscal year is an unusual step which leaves less room to offset unplanned cost overruns in FY 2027. The City maintains \$1.45 billion annually during the balance of financial plan period, which could be used to help offset budgetary risks if not needed for any other purpose.

The City has some lead time to address its larger out-year risks and has implemented substantial gap-closing programs in the past; however, these choices may have an impact on the City's ability to provide municipal services. The

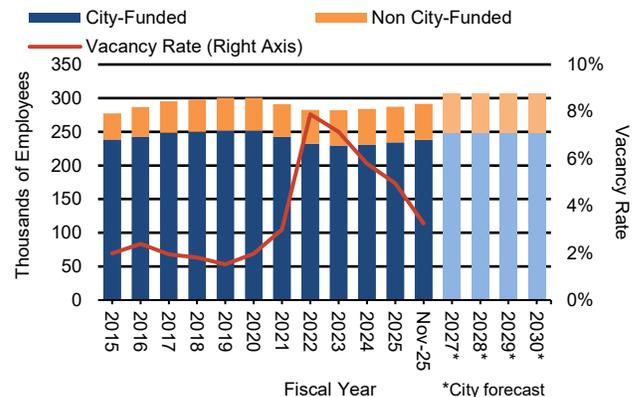
February Plan assumes savings from unspecified cost-reduction actions totaling \$922 million in FY 2026 and more than \$1 billion annually in each subsequent year to help maintain or achieve budget balance through FY 2027 and to narrow the out-year gaps. These savings are allocated to a central account and the City has not yet identified how the targets will be achieved, creating some fiscal uncertainty.

Full-Time Staffing Levels

Since the beginning of FY 2026, the City's full-time workforce has increased by 1.4 percent to 291,389 employees as of November 2025 (see Figure 20). In recent years, a number of City agencies have suggested that services provided have been impacted by [staffing challenges](#).

The February Plan assumes staffing will total 306,287 employees as of June 30, 2027, an increase of 5.1 percent over current levels, which appears ambitious based on recent hiring and attrition trends. The increase in planned staffing is concentrated at the Police Department (2,924 positions), DOE (2,805 positions), Department of Corrections (1,693 positions), and the Department of Social Services (1,619 positions). (See Appendix B for details.)

FIGURE 20
Full-Time Staffing Levels



Note: FY 2026 is shown as year-to-date actuals for November 2025.
Sources: NYC Office of Management and Budget; OSC analysis

The February Plan includes the addition of 1,827 full-time positions in FY 2027, with similar amounts added to planned staffing for subsequent years. The largest increases to the FY 2027 staffing plan when expressed as a share of budgeted headcount assumed in the November Plan are at the Law Department (19.9 percent, 300 positions); DHS (11.1 percent, 212 positions); and the Department of Social Services (2.9 percent, 348 positions). The City also recinded a planned increase to the number of police officers under an initiative announced by the previous mayoral administration in late 2025.

In past years, the City has realized significant savings from overestimating full-time payroll 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 Department of Education. In FY 2026, the City lowered its forecast of personal service spending by \$29 million as part of the FY 2026 Savings Program. Based on payroll data through February 2026, OSC estimates the City could realize additional full-time payroll savings in this fiscal year, but these savings could be offset by higher-than-planned unsalaried costs at the DOE.

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

As of February 2026, virtually the entire unionized workforce (over 98 percent) had reached new labor agreements with the City for the 2021-2026 round of bargaining. The City, which has a long history of pattern bargaining, assumes that the terms of the collective bargaining agreement ratified by the members of District Council 37 (DC 37) in March 2023 and the Police Benevolent Association (PBA) in April 2023 will apply to all other relevant civilian and uniformed unions.

The February Plan includes reserves in each year of the financial plan period to fund anticipated labor costs for all the settled contracts based on the DC 37 and PBA framework and assumes pattern-conforming agreements will be reached with the remainder of the City's workforce.²⁷ The City has continued to realize labor savings each year driven mostly by lower headcount. The February Plan incorporates savings of \$150 million in FY 2026 and \$400 million in FY 2027. The February 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, 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).

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

²⁷ 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).

families). Quarterly data on actual NYCE PPO enrollment is expected to become available sometime in the spring of 2026.

The NYCE PPO health plan replaced the GHI CBP/Anthem BlueCross and BlueShield plan, but maintains premium-free coverage through at least five years and expands the network of doctors and mental health specialists. 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.

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 February 2026, the City announced its intention, pending the outcome of future collective bargaining, to assume financial responsibility for the obligations of the HISF (which is outside the City’s operating budget but was effectively unable to meet all of its contractual obligations through FY 2025). These obligations include a prescription drug benefit program (called the “PICA” program), which covers self-injectable and chemotherapy medications. The HISF also made other contractually-required payments such as a supplemental contribution to the union-administered welfare funds, which also provide prescription drug coverage as well as dental and vision care among other benefits. The obligations, which have been included as part of the City’s health insurance projection, are projected to cost the City \$911 million in FY 2026, \$1.1 billion in FY 2027, and higher amounts each year thereafter.

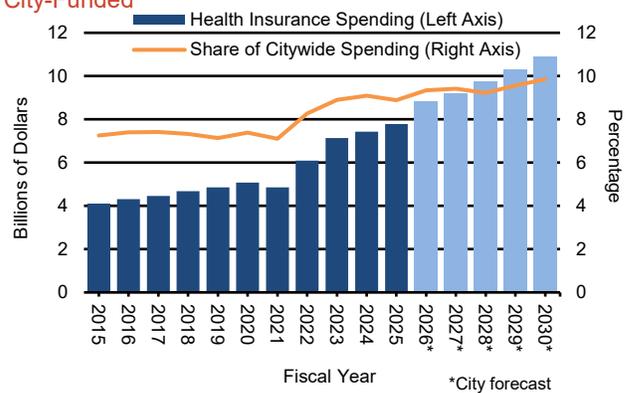
The City plans to use the NYCE PPO savings to help defray part of the cost of the HISF obligations and has included an estimate of the savings in the February Plan. As of February 2026, the “long-term” subaccount within the

HISF, established to meet the carrier’s reserve requirements, has been fully drawn (valued at approximately \$884 million) to settle the remaining medical claims associated with the discontinued plan.

The February Plan also fully incorporates the estimated cost of the HIP-HMO rate hikes for fiscal years 2026 and 2027. Accordingly, city-funded health insurance costs are projected to rise from \$9.2 billion in FY 2027 to \$10.9 billion in FY 2030 (see Figure 21). However, a portion of the HISF obligations may be reallocated to other expense accounts at a future date.

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 21
Health Insurance Costs
City-Funded



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

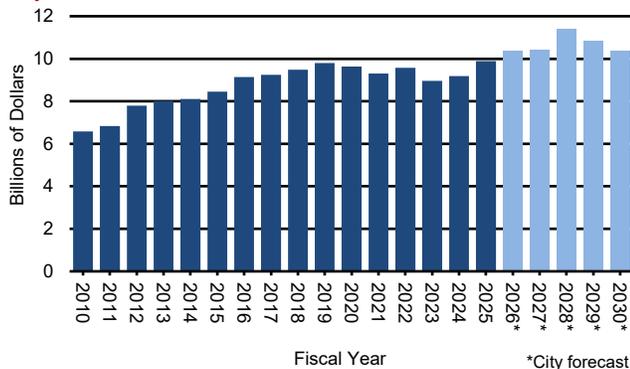
Pension Contributions

The City's pension contributions reflect actuarial estimates of the City's five major retirement systems prepared by the Office of the Actuary. They also include adjustments prepared by the NYC Office of Management and Budget to reflect new or anticipated changes (e.g., revisions to planned headcount), including an annual reserve beginning in FY 2028 to fund potential changes from actuarial audit recommendations.

The February Plan assumes pension contributions will total more than \$10.3 billion in FY 2026 and will rise each year to reach \$11.4 billion by FY 2028, before declining to nearly \$10.4 billion in FY 2030 (see Figure 22).

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. In FY 2025, the City's pension systems gained, on average, 10.3 percent on their investments. The City Comptroller reports that the City's pension systems gained, on average, 8.3 percent on their investments as of the first seven months of FY 2026.

FIGURE 22
Pension Contributions
City-Funded



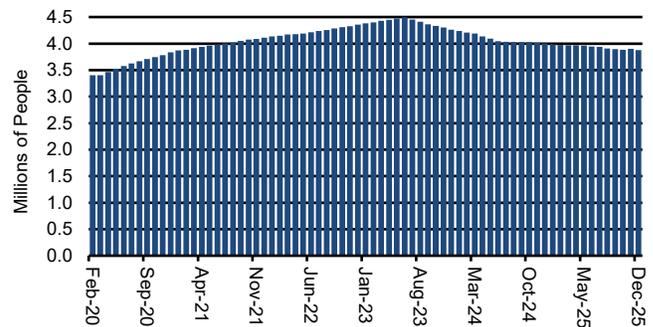
Sources: NYC Comptroller; NYC Office of Management and Budget; OSC analysis

Medicaid

In December 2025, nearly 3.9 million New York City residents were enrolled in Medicaid, which provides health insurance to low-income children and adults (see Figure 23). Enrollment continues to decline from the June 2023 peak. (See [OSC's 2025 May Plan](#) report for details on recent enrollment trends.)

The February Plan assumes that the city-funded cost of Medicaid will total \$6.3 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. The Plan added \$123 million in FY 2026 to adjust for unbudgeted supplemental Medicaid payments to NYC Health + Hospitals (H+H). The City also added \$57 million annually to backfill State Indigent Care Pool funding for H+H that was eliminated in the enacted SFY 2025-2026 State Budget. (See [OSC's November Plan](#) report for additional changes made since the FY 2026 Adopted Plan.)

FIGURE 23
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

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. (See [OSC's December 2025](#) report on NYC Health + Hospitals Strategic Initiatives for details.)

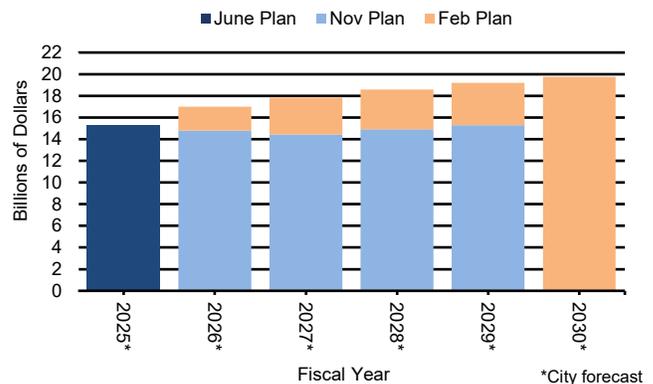
Social Services

In November, the City anticipated that FY 2026 city-funded spending for the City’s social service agencies (defined as the Department of Social Services (DSS), DHS, the Administration of Children’s Services (ACS), the Department of Youth and Community Development (DYCD) and the Department for the Aging (DFTA) would decline by 3.2 percent from June 2025 levels (adjusted to exclude asylum seeker services), despite continued growth in demand. In [December](#), OSC identified combined expenditure risks for social services of \$1.8 billion in FY 2026 growing to nearly \$4.3 billion in FY 2029 for the underbudgeting of expenses for rental assistance, non-asylum shelter services, public assistance, and foster care.

The February Plan reasonably addresses the anticipated cost for these services, while adding new headcount and baselining funding for discretionary programs that were previously funded for only one year. As a result, the City now anticipates that FY 2026 city-funded spending for the social service agencies will grow 11 percent from June 2025 and will increase by an average of 4 percent annually from FY 2027 through FY 2029 (see Figure 24).

City-funded new needs added in February amount to \$2.4 billion in FY 2026, \$3.6 billion in FY 2027, \$3.8 billion in FY 2028, and \$4.1 billion in FY 2029 for the social service agencies. This comprises about 40 percent of the city-funded agency needs added citywide for FY 2026, and about half of what was added for FY 2027 through FY 2029. About 90 percent of the social service needs added each year are to correct the underbudgeting of OSC-identified risks;

FIGURE 24
City-Funded Spending, Social Service Agencies
(Excludes spending for asylum services)



Note: FY 2025 is based on June 2025 plan.
Sources: NYC Office of Management and Budget; OSC analysis

additional shelter staff were also added for non-asylum shelter.

The Plan adds 623 city-funded positions across these agencies, which includes 488 new positions and baselining 135 positions that were previously funded for FY 2026 only. New positions are predominantly SNAP eligibility specialists and trainers at DSS and additional DHS outreach staff. Baselined positions are for Shelter to Housing Action Plan and Community Food Connection that were initially added in May 2025 at DSS.

The Plan also baselines approximately \$50 million in FY 2026 and \$230 million annually thereafter for food and legal services at DSS and citywide initiatives, including cost of living adjustments and indirect cost allowances for contractors. Additionally, the Plan restores a previous PEG of \$20 million for Summer Rising beginning in FY 2027.

Public Assistance

The February Plan adds \$1.1 billion to the public assistance budget in FY 2026, bringing the anticipated year-end total to just under \$2.8 billion — about \$118 million more (4 percent) than what was spent in FY 2025

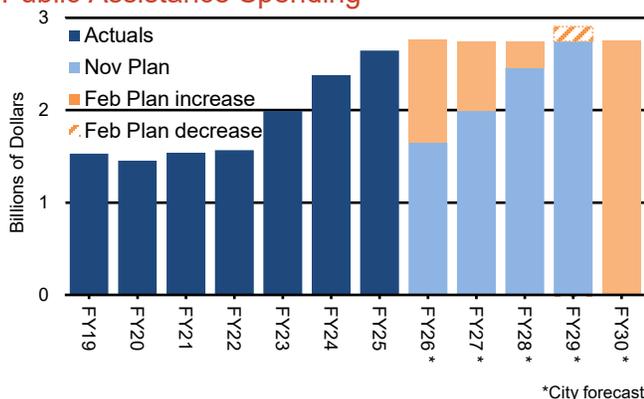
(\$2.6 billion). Out-year funding was also adjusted, with the addition of \$746 million in FY 2027, \$282 million added in FY 2028 and a \$159 million decrease in FY 2029. The City now assumes public assistance funding will be flat at \$2.75 billion annually beginning FY 2027 (see Figure 25).

Previously, the budget had included a sharp decline in FY 2026 (from FY 2025 levels), before increasing 76 percent over the plan period, to reach \$2.9 billion in FY 2029. The City’s revised estimates reflect a nearly flat number of program participants from FY 2027 to FY 2030 — 589,537 unduplicated recipients (or the December 2025 caseload).

After growing nearly every month since September 2021, caseloads have declined slightly each month from November 2025 to January 2026 (by 3 percent, or 18,677 recipients; see Figure 26) from a peak of 604,016 in October 2025, to 585,339 recipients in January 2026 — 3,474 individuals fewer than in January last year (less than 1 percent).

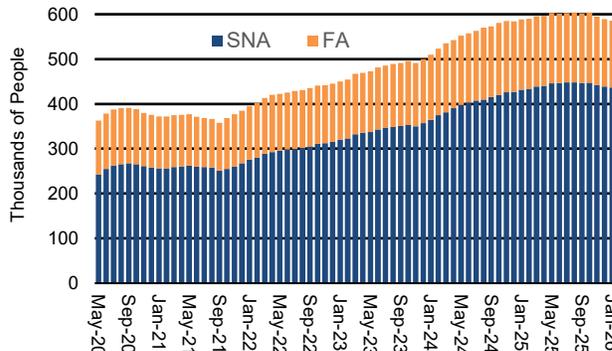
The City suspended work requirements for public assistance recipients during the pandemic but resumed them at the end of April 2025 to comply with federal and State mandates. While this may ultimately further reduce caseloads and

FIGURE 25
Public Assistance Spending



Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 26
Public Assistance Recipients



Sources: NYC Human Resources Administration; OSC analysis

associated spending (see [OSC’s November Plan report](#) for details), OSC finds the City’s assumption for flat spending in the out-years is reasonable given recent trends, pending the availability of additional data continuing the trend of a decline in recipients.

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.

The February Plan also adds funding to hire 203 additional city-funded staff at the NYC Human Resource Administration for SNAP eligibility and training.

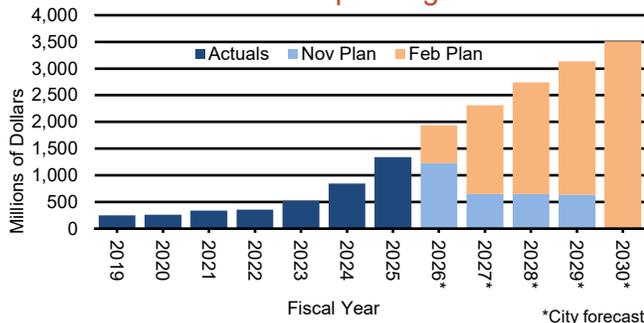
Rental Assistance

The City’s rental assistance budget provides funding for a number of different programs, including CityFHEPS, Special One-Time Assistance, FHEPS B and Special Housing Assistance Resource. The February Plan increases spending on rental assistance programs by \$711 million in FY 2026, \$1.6 billion in FY 2027, \$2.1 billion in FY 2028, \$2.5 billion in FY 2029 and \$2.6 billion in FY 2030, the largest single cumulative addition made to the Plan

since November. All told, the City now projects \$1.9 billion in rental assistance spending in FY 2026, which would be roughly 44 percent (\$582 million) more than what was spent in FY 2025.

The City also assumes rental assistance spending will grow to more than \$3 billion annually by FY 2029, (see Figure 27). The updates to the City’s projections align more closely with recent OSC projections. Enrollment trends indicate CityFHEPS utilization has grown significantly in recent years, a trend that has continued in the current year. Through January, the City has spent roughly 129 percent of what was budgeted at adoption for CityFHEPS in FY 2026 — \$796 million, or 70 percent more than the prior year. Using the City’s reported number of CityFHEPS vouchers through November 2025 and average voucher payments through June 2025 (latest data available), OSC projects costs that generally track to the City’s expectations. Acknowledging that there are many unknowns, including average apartment size and availability of apartments, OSC generally finds the updated projections reasonable.

FIGURE 27
Total Rental Assistance Spending



Note: FY 2021 through 2025 is based on actual spending. The City passed legislation in May 2021 to raise the value of CityFHEPS rental vouchers to Section 8 levels.
Sources: NYC Office of Management and Budget; OSC analysis

It is important to note that these projections do not address the fiscal impact of three of four pieces of legislation to significantly expand eligibility for the CityFHEPS voucher program, which were passed in July 2023 but have not yet been implemented. The legal status of the expanded program remains unclear, however the expansion would create substantial additional demand, and therefore costs to the program (see OSC’s [August 2023](#) financial plan report for details). The mayoral administration has signaled its intention to settle the lawsuit that currently compels the City to implement the full expansion. Instead, the administration intends to work with the City Council and the Legal Aid Society to negotiate a deal that would implement portions of the proposed expansion; potential compromises include extending eligibility to tenants who are unable to afford their rent-stabilized apartments and a cap on the amount the City can spend on the program.²⁸

Non-Asylum Shelter Services

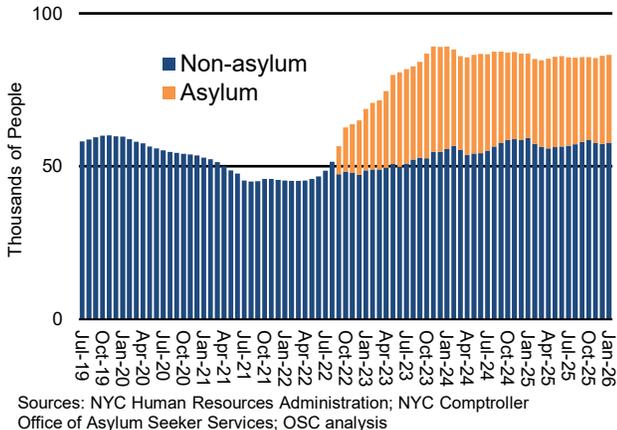
After a substantial dip at the onset of the pandemic, the number of individuals in DHS shelters has generally grown since the pandemic moratorium on residential evictions expired in January 2022 (see Figure 28). In January 2026, the non-asylum population in DHS shelters averaged 57,750, or 27 percent greater than in January 2022 (45,343), lagging January 2020 by an estimated 1,953 individuals.

On a household basis, recent growth in the non-asylum census over the past twelve months has been led by an increase in the single adult population, which already exceeds pre-pandemic levels and averaged around 22,800 in January 2026 — a historical high and nearly 13 percent higher than in January 2025. The family

²⁸ David Brand, “Mamdani Faces Deadline on NYC Housing Vouchers After Reneging on Campaign Pledge,” *Gothamist*, March 3, 2026, <https://gothamist.com/news/mamdani-faces->

[deadline-on-nyc-housing-vouchers-after-reneging-on-campaign-pledge.](#)

FIGURE 28
Individuals in DHS Shelters



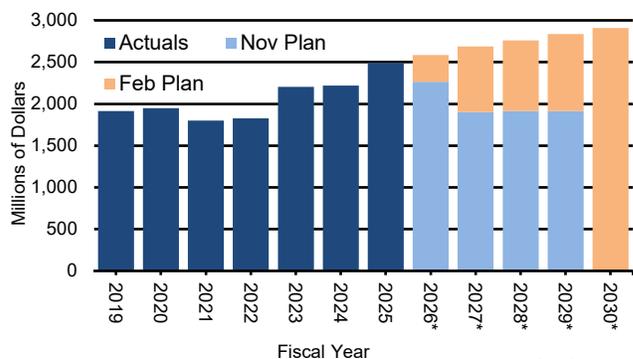
population, in contrast, is about 8 percent lower than in January 2025.

To address the higher census, the February Plan adds \$586 million in City funds for non-asylum shelter costs in FY 2026, while reducing State and federal funding by a combined \$159 million — for a net increase of \$427 million. This is a stark contrast to November, when the City assumed spending would decline in the current year and remain below that level in the out-years. Total planned spending for non-asylum adult and family shelter operations is now set to reach nearly \$2.6 billion in FY 2026, or \$93 million more (4 percent) than what was spent in FY 2025.

Planned funding for these costs increases each year, reaching \$2.9 billion total in FY 2030, and includes similar reductions in State and federal funding. From FY 2027 to FY 2030, the City-funded portion increases by an annual average of just under \$1.1 billion while State and federal funding decrease by \$58.9 million (see Figure 29).

Given added funding and recent population and spending trends, OSC considers the City’s projections to be reasonable. A portion of new spending includes funding to hire 146 staff

FIGURE 29
Non-Asylum Shelter Spending



members to help bring DHS shelters into compliance with City shelter laws, some of which were temporarily suspended during the asylum crisis.

The cost to the City could be higher if the per diem costs rise or the shelter population grows faster than expected, including due to changes in federal housing voucher programs, or if the federal government enacts cuts to the City’s Temporary Assistance for Needy Families (TANF) program revenue, which is expected to fund roughly half of family shelter costs in FY 2026 (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.

The February Plan also includes funding to hire 212 additional full-time staff (all of them City-funded) at DHS, including 66 outreach workers to support the City’s efforts to connect with individuals residing in encampments.

Asylum Services

Through February 15, 2026, the City reported that over 242,300 asylum seekers had come through its intake system since spring 2022, and that more than 30,020 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 individuals exiting shelter has slowed recently, averaging eight households exiting per day during December 2025 and January 2026 compared to 14 households per day during September and October 2025 (see Figure 30).

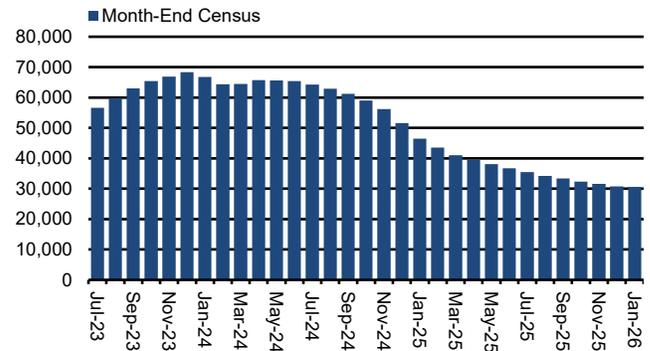
As the population has declined, the City has closed multiple asylum shelters and Humanitarian Emergency Response and Relief Centers, which had a higher per diem cost than the shelters operated by DHS. In response, the City lowered the citywide per diem rate (see OSC’s [November Plan report](#) for details), and now targets \$338 per household in FY 2026. OSC estimates that the actual per diem rate for these services at DHS, where most asylum seekers are now housed, was \$368 per household in FY 2025.

The February Plan assumes that shelter exits will continue and estimates a census of approximately 26,000 individuals by June 2026. Spending is expected to total \$1.47 billion in FY 2026, \$1.2 billion in FY 2027, and \$500 million annually thereafter through FY 2030. City funds are expected to comprise 83.6 percent of spending in FY 2026, with State and federal funding 13.9 percent and 2.6 percent, respectively. The City is expected to fund 100 percent of costs after FY 2026.

OSC assumes the City’s expectation for a gradual census decline is reasonable, but maintains the FY 2025 DHS per diem rate for asylum services in FY 2026. OSC used the City’s assumed FY 2026 per diem rate of \$338 per household for FY 2027 through FY 2030.

Recognizing that there are still considerable unknowns, this would result in higher city-funded costs of nearly \$97 million over FY 2026 and FY 2027, which also assumes that the federal funds anticipated for these purposes will not manifest. OSC projects a higher risk for the out- years (\$443 million in FY 2028 and

FIGURE 30
Asylum Seeker Individuals in City's Care



Sources: NYC City Council; OSC analysis

\$350 million annually in FY 2029 and FY 2030), due largely to the drop in planned funding

Administration for Children’s Services

The February Plan includes several changes to program funding at ACS, including increased City outlays for foster care and juvenile justice programs, as well as State allocations for the Raise The Age initiative that will replace City funding. Further, funding included in the State’s 2027 Executive Budget for child care services would likely impact ACS child care voucher program spending in FY 2026 and FY 2027.

The Plan adds \$165 million in City funding to cover the cost of the State’s foster care mandate in FY 2026, \$263 million in FY 2027, and \$313 million in annual funding for FY 2028 through FY 2030. The product of a 2021 legal settlement, the mandate compels localities to increase pay for foster care, kinship and adoptive parents. Funding had been added by the City incrementally in prior fiscal years, as noted by OSC [since 2022](#). Baselined outlays are now expected to cover the recurring cost.

As part of a \$300 million commitment from the State to provide the City with Raise The Age

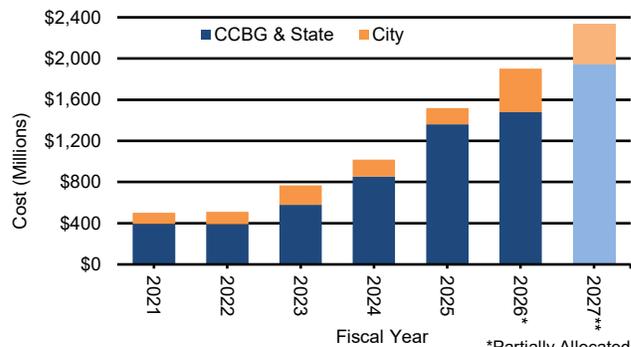
funding for the first time, nearly \$195 million in annual ACS funding for at-risk youth will be replaced with recurring State funding. The City will also add \$4.6 million in new funding for juvenile justice staffing and support in FY 2026, increasing to \$8.1 million in annual funding for FY 2027 through FY 2030.

While not included in the City’s preliminary budget, the State’s SFY 2027 Executive Budget includes sufficient funding to fill the \$251 million budget risk for ACS’ child care voucher program included in OSC’s [November plan report](#) for FY 2026, as well as the projected risk for FY 2027. Child care service expenditures are expected to top \$2.1 billion in FY 2026, while funding for these services was \$1.9 billion, a funding gap the State will effectively close. (See OSC’s [Child Care Services report](#) for more information about child care voucher funding, eligibility, enrollment, and utilization.)

Vouchers are primarily funded through the New York State Child Care Block Grant (CCBG), a combination of State funds and federal Child Care Development Funds. The State Executive Budget for SFY 2027 includes statewide CCBG funding totaling about \$3.12 billion, nearly \$1 billion more than the \$2.19 billion allocated in SFY 2026. A SFY 2027 allocation in line with the 15-year average would provide the City with about \$1.92 billion in CCBG funding. This would be \$461 million more than the prior year and, when added to projected City and State funding, would put ACS’ 2027 child care services budget at about \$2.33 billion (see Figure 31).

Critically, of the State’s proposed 2027 funding, \$475 million would be made available to New York City across both FFY 2026 and FFY 2027 (the FFY runs from October 1 through September 30). This would allow access to the funding needed to cover expected City FY 2026 budget gaps and to cover FY 2027 costs.

FIGURE 31
Estimated Child Care Spending by Source



Sources: NYC Office of Management and Budget; State FY 2027 Executive Budget; OSC analysis
*Partially Allocated
**Projected

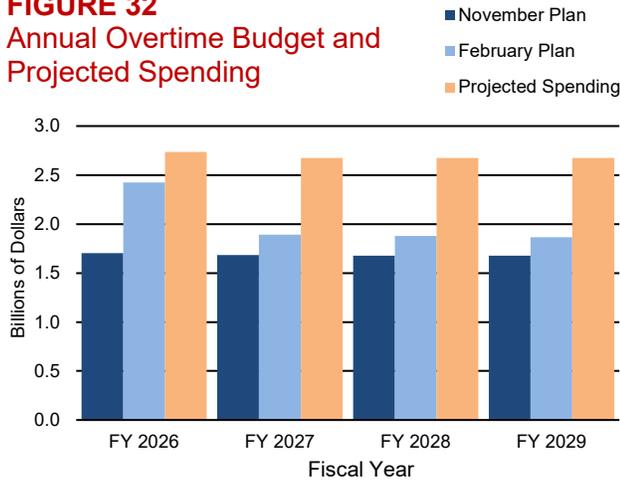
Because this funding is non-recurring, OSC estimates a risk for FY 2028 and the out-years of about \$308 million. If ACS provides vouchers to the 16,100 children currently on the City’s wait list, additional funding must be identified.

Overtime

Citywide overtime through eight months of FY 2026 totaled \$1.77 billion, \$39 million more than last fiscal year through February and \$203 million more than budgeted for the period. The City included more than \$720 million in the February Plan to fund higher than anticipated overtime costs in FY 2026, almost entirely for the uniformed agencies (\$709 million). The February Plan also added an average of \$200 million for overtime in each of the out-years. While this significantly reduces a major budgetary risk that OSC identified in previous reports, the budget still does not account for recent trends in spending and will likely require additional funding unless significant changes are made regarding the use of overtime (see Figure 32).

Spending on overtime has increased year over year, most notably at the Department of Sanitation (\$76 million higher), Correction (\$18 million), Transportation (\$9 million), and the social service agencies (\$5 million). These increases were partially offset by a \$76 million

FIGURE 32
Annual Overtime Budget and Projected Spending



Sources: NYC Office of Management and Budget; OSC analysis

reduction in uniformed overtime at the Police Department. Decreased police spending was mainly driven by reductions in protests and demonstrations and asylum seeker security.

Despite reduced use of police overtime, the City allocated an additional \$300 million to cover unplanned costs in FY 2026, totaling \$929 million, but OSC estimates costs will reach \$1 billion. More than half of newly identified funding for overtime in the out-years was also allocated to the Police Department, which would still lag compared to existing spending trends.

Overtime at the Department of Sanitation contributed the most to the year-over-year increase, driven mainly by snow removal which heavily relies on sanitation workers working extra and unplanned shifts. Year-to-date costs total \$219 million, a \$76 million increase from the same period last year. The February Plan included an additional \$94 million for overtime in FY 2026, \$47 million of which is for snow removal. However, overtime at Sanitation is projected to exceed \$300 million, a record high and \$79 million more than currently budgeted. Furthermore, the City Charter mandates the City to budget snow removal costs in the out-years as the most recent five-year average of actual

costs, which will require additional funding for out-year projections.

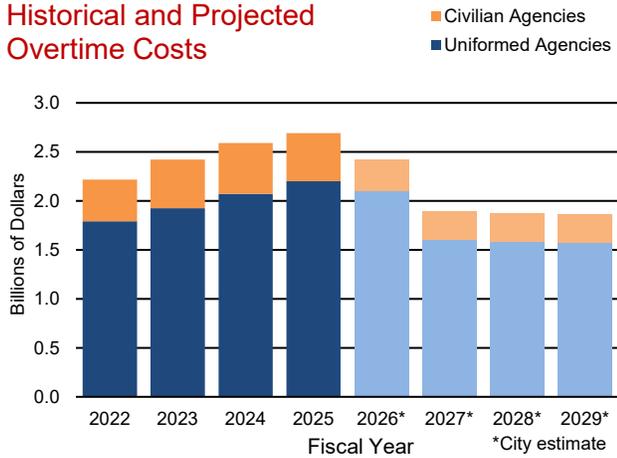
The Department of Correction was also a major contributor to the increase in citywide overtime. The Department continues to deal with an increased jail population and declining officer headcount, requiring the use of overtime to fill posts and transport individuals in custody. The February Plan added \$212 million to the budget for FY 2026, bringing it to the highest level on record (\$373 million), with no adjustments made to the out-years as the City considers the impact of a federally appointed remediation manager, tasked with implementing operational reforms at the Department, including to staffing practices. Correction was the only uniformed agency which did not see an increase in its overtime budget in the out-years.

Furthermore, the new Administration has released a plan which includes ending extended 12-hour tours, previously authorized by emergency order, and returning to regular 8-hour shifts effective March 1, 2026, which could reduce some use of overtime. Until the fiscal effects of these changes are observed, OSC assumes overtime costs will remain relatively level in the out-years.

In total, OSC projects citywide overtime will total a record-high \$2.74 billion in FY 2026, \$300 million more than budgeted. Of this amount, the uniformed agencies comprise \$141 million and the civilian agencies another \$172 million, primarily concentrated at the social service agencies and the Department of Transportation (\$50 million each). Overtime is primarily city-funded, accounting for more than 90 percent of costs over the last three fiscal years on average, with the remainder covered by grants and other non-city sources, requiring the City to fund most of the shortfall.

Furthermore, the overtime budget in the out-years average about \$1.88 billion annually, an implied reduction of \$800 million from the FY 2025 total (see Figure 33). OSC estimates that the City may need to additionally fund approximately \$800 million each year, unless operational changes can be made to reduce the use of overtime.

FIGURE 33
Historical and Projected
Overtime Costs



Sources: NYC Financial Management System; OSC analysis

VIII. Debt Service and Capital Spending

The February Plan assumes that city-funded debt service will grow by an average annual rate of 9.8 percent from \$8.4 billion in FY 2026 to \$12.2 billion in FY 2030. However, given the City’s conservative interest rate assumptions and that the City has already saved \$33 million in variable rate debt servicing costs in FY 2026, OSC projects the City could achieve at least \$50 million in variable rate savings in FY 2026.

From FY 2026 through FY 2030, the City expects city-funded debt service to grow faster than both city-funded expenditures (4 percent) and tax revenues (2.7 percent, excluding proposed property tax increases). In this scenario, the City’s debt burden (total debt service as a percentage of tax revenue excluding proposed property tax increases) would rise from 10.1 percent in FY 2026 to 13.1 percent in FY 2030, remaining below its self-imposed cap of 15 percent (see Figure 34). Compared to the November Plan, debt service expenditures are expected to increase by \$381 million for the period FY 2026 through FY 2030. The increase is mainly due to additions to the City’s bond issuance forecast, which has increased by \$2.7 billion during this period.

Additional debt issued will be used to fund a \$2.2 billion increase to the authorized level of capital commitments from FY 2026 to FY 2030 in the latest capital commitment plan, updated in the February Plan, when compared to the

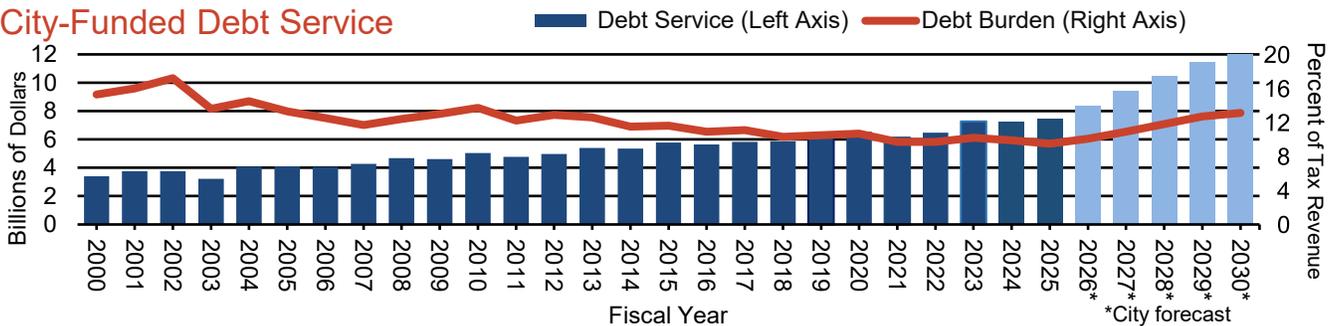
FIGURE 35
FY26-FY30 Capital Commitment Plan Change Since September 2025
(in millions)

City Agency	September 2025	February 2026	Total Change
Housing & Develop	\$13,977.7	\$14,654.3	\$676.6
Bridges	5,926.5	6,582.5	656.0
Economic Develop.	4,031.1	4,253.3	222.1
Highways	6,400.3	6,608.9	208.6
Water Supply	1,953.2	2,102.3	149.0
Housing Authority	2,600.0	2,747.8	147.9
Health & Hospitals	2,737.4	2,866.8	129.4
Police	716.0	801.7	85.7
Parks	5,392.4	5,475.3	82.9
Traffic	738.9	792.9	53.9
Education	18,046.2	18,092.1	45.9
All Other	48,232.3	47,982.9	(249.4)
Total	\$110,752.1	\$112,960.7	\$2,208.6

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

September 2025 release (see Figure 35). Overall, commitments are accelerating, increasing by \$4.7 billion in FY 2026 and FY 2027 while decreasing by \$2.5 billion in FY 2028 through FY 2030. 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 \$113 billion in total capital commitments to achieve a commitment goal of \$103.5 billion during this period, of which \$98.9 billion is city-funded.

FIGURE 34
City-Funded Debt Service



Notes: Debt service has been adjusted for prepayments and defeasances. Debt burden revenue excludes proposed property tax increases.
Sources: NYC Comptroller; NYC Office of Management and Budget; OSC analysis

The largest increase in capital commitments since September is \$677 million in Housing and Development, most of which is to support NYCHA Permanent Affordability Commitment Together (PACT) projects. NYCHA is receiving another \$147 million to renovate its own properties. The February Plan would also increase funding to both waterway and highway bridge projects by \$656 million by accelerating funding into FY 2030 from later years. Economic development projects are receiving another \$222 million during the plan period, including \$70 million for city-owned grocery stores.

The City has funded more than \$6 billion for new capacity at schools, which is expected to help the DOE achieve its class size mandate but presently the DOE is uncertain of the exact number of seats needed through capital funding to meet the mandate by the 2027-28 school year. 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 February Plan would allocate \$46.1 billion to the DOE in FY 2027, including centrally administered costs such as pensions, debt service, and fringe benefits (\$8.1 billion). This amounts to 36.3 percent of the City’s total budget and represents a two-year \$4.4 billion dollar increase over actual spending in FY 2025. The City expects to fund \$27.8 billion of DOE’s FY 2027 budget, amounting to 60.2 percent, its highest share in more than 35 years (see Figure 36). The remainder would be funded by the State (35 percent), the federal government (4.4 percent; down from 14.6 percent at its peak in FY 2022), and other sources.

The February Plan adds significant new needs to the department’s budget, mostly supported by City funds (\$1.5 billion in City funds were added to FY 2026, rising to almost \$2.5 billion in FY 2030). Much of this funding eliminates long-standing risks to the City’s financial plan: the State’s class size mandate is now funded (\$543 million added in FY 2027, rising to \$943 million in FY 2028 and beyond), new funds have been added to adequately support existing early childhood education (ECE) programs (\$300 million in FY 2026 and \$380 million

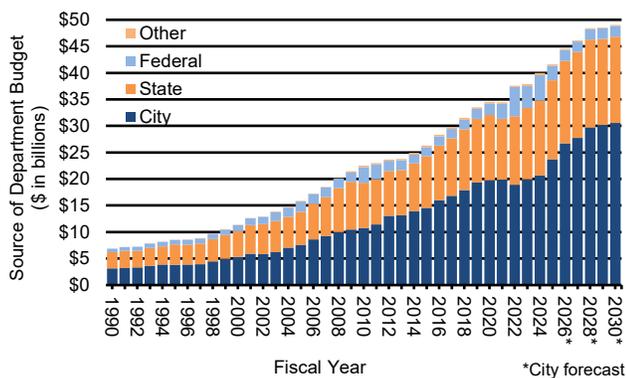
annually thereafter), and the Summer Rising program has been funded at a cost of \$106 million annually. Additionally, the City has addressed a significant portion of the necessary support for Due Process Cases (DPCs), (federally-mandated services for students with special needs) by adding \$500 million in FY 2026 (rising to \$600 million annually beginning in FY 2028). However, the City’s expectation for out-year growth in DPC filings is conservative, and it is likely additional funding will need to be added beginning in FY 2028.

The Plan also recognizes significant new State funding for education (\$122 million in FY 2026, rising to over \$1.1 billion in FY 2028 and \$715 million thereafter). Some of this is in the form of existing aids, such as charter school costs (\$101 million annually beginning in FY 2027), pupil transportation costs (\$97 million annually beginning in FY 2027), and special education pre-K costs (\$70 million annually beginning in FY 2027), but much is for ECE.

The City is recognizing an additional \$235 million annually in ECE revenue beginning in FY 2027, and the Plan also includes the \$498 million which the Governor pledged to support the Mayor’s universal “2K” proposal (free education for two-year-olds). However, the proposed State budget only provides \$73 million in FY 2027, and the City budget includes \$425 million in FY 2028 that would not be guaranteed by law. The Governor also only pledged support for the first two years of the program’s expansion — thereafter, the City would be expected to fund the program. However, the February Plan does not include any such funding, creating a fiscal cliff of at least \$425 million beginning in FY 2029. The Plan also does not fund \$180 million annually in school cleaning costs beginning in FY 2027.

A fiscal cliff of \$186 million annually may also result from the City’s one-year funding in

FIGURE 36
Sources of DOE Budget Funding



Sources: NYC Office of Management and Budget; OSC analysis

FY 2026 for Division of Instructional and Information Technology core operations (\$100 million) and ensuring equitable services are provided to students with disabilities in private schools (\$86 million). Any recurring portions of these discretionary initiatives will require additional funding throughout the duration of the Plan.

Additionally, 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 slightly more than 4 percent of the Department’s total budget in FY 2027 and beyond; however, the current federal administration has indicated that it may seek to reduce financial support for school districts across the country.

By the end of the plan period in FY 2030, DOE’s total allocation is expected to reach \$49 billion (not including the identified budget risks). This \$7.4 billion increase from FY 2025 actual spending would be almost entirely (92 percent) supported by City funds, which are expected to account for 62.4 percent of DOE’s budget by FY 2030. This is partly because the Plan does not incorporate future potential increases to State or federal aid. 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.

Metropolitan Transportation Authority

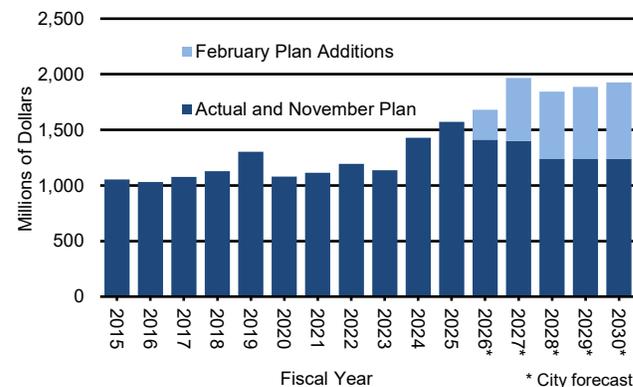
The MTA released its latest financial plan in February, which forecasted budget balance

through 2026, with gaps of \$160 million in 2027, \$243 million in 2028 and \$306 million in 2029, cumulatively \$418 million less than forecast in [the MTA’s July Plan](#). The gaps were reduced mostly through targeted additional savings from new operating efficiencies, including \$75 million in 2026, which will help the Authority balance its budget next year. There are still unidentified savings in the MTA’s plan, which are expected to rise to \$173 million by 2029. The MTA’s financial plan also currently assumes proposed 4 percent increases in fare and toll yields in March 2027 and March 2029 after increases in January 2026.

The City’s February Plan includes significant funding for previously underbudgeted costs related to MTA services such as paratransit, MTA buses and the Staten Island Railway. As shown in Figure 37, City aid to the MTA is now expected to rise from \$1.6 billion in FY 2025 to nearly \$2 billion in FY 2027 and at \$1.8 billion in FY 2028 rising to \$1.9 billion in 2030 as the MTA assumes these costs will continue to grow.²⁹

The largest contributor to this risk is for paratransit services. The SFY 2025-26 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

FIGURE 37
New York City Direct Aid to the MTA



Sources: NYC Office of Management and Budget; OSC analysis

²⁹ Besides the expected increase in costs, the MTA’s February Plan assumes that the City will pay 80 percent of paratransit

costs with no cap on the contribution beginning on July 1, 2027, but State legislation is needed to do so.

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. OSC assumes the additional contribution will continue after FY 2027 resulting in a \$165 million risk in FY 2028, FY 2029 and 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.

Using the MTA's latest projections for City funding to MTA buses, OSC projects a remaining risk of \$117 million in FY 2026, \$10 million in FY 2027, \$40 million in FY 2028, \$41 million in FY 2029 and \$55 million in FY 2030 as pandemic-related federal funding that the MTA was using to reduce the City's share expires in June 2026.

The February Plan funds the Fair Fares program at \$117 million only in FY 2026 to riders up to 150 percent of the federal poverty level. The enhanced funding for the program does not continue after FY 2026 as only \$92 million is budgeted thereafter. 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).

NYC Health + Hospitals

In total, the February Plan budgets \$2.1 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. Expenditures increased by \$11.8 million in FY 2026, \$32.7 million in FY 2027 and \$25 million annually starting in FY 2028 compared to the November Plan.

The February Plan increases funding to H+H for two programs that provide services to unsheltered City residents: \$4.7 million annually starting in FY 2027 for Street Health Outreach & Wellness Mobile Units and \$7.2 million annually starting in FY 2027 for its Bridge to Home program that provides treatment and temporary

housing to patients with severe mental illness. The Plan also includes \$7.5 million in FY 2026 and in FY 2027 for coordinated health and mental health services for adolescents and \$5 million in FY 2026 to reimburse H+H for providing warming centers for unsheltered homeless since January 2026. The February Plan transferred \$19 million in City funds H+H receives for services it provides to asylum seekers in FY 2026 to DHS as the majority of asylum seekers are now being served by DHS. H+H does not have any asylum seeker funding budgeted beyond FY 2026. See [OSC's December 2025 report](#) on the City's financial plan for funding adjustments made in the November Plan.

H+H collects revenue for the delivery of ambulance services that are passed through to the Fire Department's Emergency Management Services (EMS). In the FY 2021 Adopted Plan, the City added EMS revenue in the out-years from higher-than-anticipated collections, reflecting the State's request to the federal government for approval to collect supplemental Medicaid payments for ambulance services. However, the State has not yet received approval and the City has backfilled these funds annually, a trend expected to continue in the out-years. OSC projects that the City will need to fund at least \$128 million annually beginning in FY 2027 to offset lower-than-planned EMS revenue.

On December 30, 2025, the City released the H+H FY 2026 Adopted Accrual Financial Plan, already halfway into the fiscal year. H+H ended FY 2025 with operating income of nearly \$319 million, \$508 million higher than what was anticipated in the FY 2025 Adopted Financial Plan. The positive operating result is largely attributed to receiving higher-than-anticipated patient care and risk revenue. The Accrual Plan forecasts operating losses of \$215 million in FY 2026, growing to \$457 million in FY 2028. The Adopted Plan does not reflect updates

included in the City's November Plan and February Plan or recent State and federal legislation noted below.

On March 11, 2026, the City released the H+H FY 2027 Preliminary Cash Financial Plan reflecting an improved closing cash position by an average of \$566 million annually in FY 2026 through FY 2029 compared to the FY 2026 Executive Cash Financial Plan. H+H forecasts ending FY 2026 with \$991 million and FY 2027 with \$1.2 billion, levels not seen since FY 2007. The improved cash position can largely be attributed to H+H incorporating average commercial rate (ACR) State Directed Payments (SDP) into the Plan, which H+H forecasts as providing additional revenue of \$1.8 billion in FY 2026, \$970 million in FY 2027, \$817 million in FY 2028 and \$546 million in FY 2029. While not reflected in the Plan, H+H continues to apply for the continuation of these payments. However, according to federal legislation passed in July last year (H.R. 1) these increased payments will phase down by 10 percent annually starting January 1, 2028, until a lower average Medicare rate is reached.

The benefit of the enhanced supplemental Medicaid at ACR is partially offset by a decrease in Medicaid and Essential Plan patient revenue of \$66 million in FY 2026, and \$458 million in FY 2027, then rising to \$661 million in FY 2029. H+H anticipates a 13 percent decline in Medicaid patients and the reduction of Essential Plan patients that will shift to state-only funded Medicaid (which reimburses at a lower rate). As anticipated, H.R. 1 included provisions are beginning to impact Medicaid and the Essential Plan and therefore H+H's patient and revenue base (see [OSC's December 2025 report](#) on H+H's strategic initiatives).

The FFY 2026 budget bills passed by Congress on February 3, 2026, include the elimination of the cuts to federal disproportionate share hospital payments (DSH) for federal fiscal years 2026 and 2027; the cut to DSH will resume for

federal fiscal year 2028 only. H+H's financial plans reflect the DSH cuts, and the FY 2027 Preliminary Cash Plan accounted for the elimination of two years of the cuts which are a benefit to H+H's financial plan but the impact to the plan is mitigated by SDP revenues which help cover a notable share of H+H's uncompensated care costs. Overall, the FY 2027 Preliminary Plan reflects about \$500 million less DSH revenue versus the FY 2026 Executive Plan.

On October 16, 2025, as part of the State's Health Care Safety Net Transformation program, the Governor announced a partnership between H+H and Maimonides Medical Center which is composed of three hospitals and more than 80 community-based health care facilities located in Brooklyn. H+H was awarded a \$2.2 billion State grant that will provide funding for operating and capital costs and debt forgiveness over a five-year transition period. The State will also ensure no new costs for H+H for the five years while H+H makes operational and financial improvements at Maimonides. The arrangement is expected to be finalized by March 31, 2026, pending final legal and regulatory approval.

New York City Housing Authority

The February Plan provides \$555 million in operating revenues for the New York City Housing Authority (NYCHA), unchanged from the November Plan. The City added \$662 million in FY 2027 capital funding for the Department of Housing Preservation and Development (HPD), which will primarily be utilized for the revitalization of NYCHA's Section 8 housing stock. FY 2026 capital funding remains unchanged. For details on funding passed through the City to NYCHA and NYCHA's five-year financial plan, see the [November Plan report](#).

NYCHA's 2026 budget assumes total expenditures of \$9.13 billion across operating and capital sources, however, recently passed

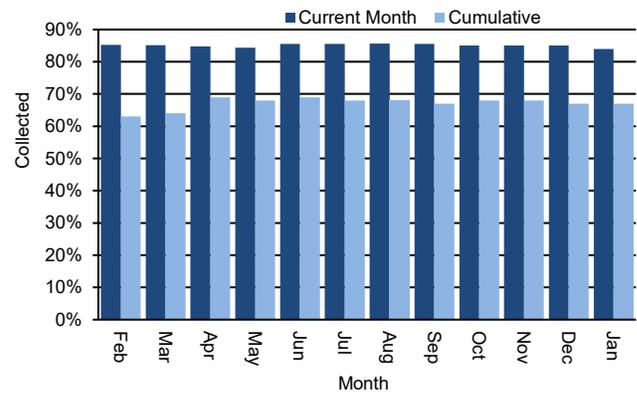
FFY 2026 budget bills include a 14.4 percent cut to the federal Department of Housing and Urban Development’s (HUD) operating fund. A proportional reduction in NYCHA’s \$1.34 billion federal operating allocation could lead to a cut of nearly \$164 million or more in funding if NYCHA receives no competitive shortfall funding.

NYCHA’s rental arrears balance, a tally of all tenants’ unpaid rent, totaled \$475 million at the end of January. Discounting rent in arrears, NYCHA is currently collecting an average of 84 percent of all new rent charged each month. Including arrears, NYCHA’s average collection rate drops to 65 percent of total monthly rent owed (see Figure 38). In 2026, NYCHA is targeting a return to the 88 percent pre-pandemic collection threshold for new rent.

NYCHA’s Permanent Affordability Commitment Together (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 February, repairs to 31,472 units were either completed or underway, with another 12,758 units in the planning and resident engagement process. Since inception, PACT redevelopments have focused on the renovation of existing NYCHA units. However, in 2023, NYCHA announced plans for the complete demolition and reconstruction of the Fulton and Elliott-Chelsea houses in Manhattan.

After a \$366 million rehabilitation was announced in 2021, plans to restore the developments were scrapped in favor of a \$1.2 billion rebuild of the developments’ 2,050 units. The updated plans also include construction of an additional 3,500 new units, 2,500 of which will be market-rate. The plans, given final approval by NYCHA’s board in September of 2025, have drawn both public scrutiny and legal action.

FIGURE 38
Current Month vs. Cumulative Rent Collection Rates
12-Month Rolling Average



Sources: New York City Housing Authority; OSC analysis

After a lawsuit aimed at halting demolition on regulatory land-use grounds was rejected in January of 2026, tenants filed an appeal. In February, a Manhattan appeals court halted demolition while that appeal is being resolved. If permitted to proceed, Fulton and Elliott-Chelsea would be the first NYCHA developments set for complete demolition and reconstruction since Brooklyn’s Prospect Plaza Houses in 1999. That project was not completed until 2017.

Appendix A: City-Funded Agency Spending Levels

(Agency totals exclude asylum seeker funds)
(dollars in millions)

	Final June Plan		FY 2027 February Plan			FYs 19 - 25 CAGR	FYs 26 - 30 CAGR
	FY 2019	FY 2025 (adj.)	FY 2026 (adj.)	FY 2027 (adj.)	FY 2030 (adj.)		
Agency Expense							
Uniformed Forces							
Police	\$5,321	\$6,297	\$6,403	\$6,381	\$6,439	2.8%	0.1%
Fire	1,855	2,517	2,486	2,210	2,205	5.2%	-3.0%
Correction	1,368	1,337	1,396	1,261	1,382	-0.4%	-0.3%
Sanitation	1,746	1,841	2,227	2,061	2,085	0.9%	-1.6%
Subtotal	\$10,290	\$11,992	\$12,513	\$11,913	\$12,111	2.6%	-0.8%
Health and Welfare							
Social Services	7,729	10,244	11,301	11,899	13,560	4.8%	4.7%
Homeless Services	1,339	2,221	2,511	2,658	2,830	8.8%	3.0%
Health and Mental Hygiene	860	1,351	1,595	1,455	1,507	7.8%	-1.4%
Children's Services	1,069	1,161	1,277	1,316	1,368	1.4%	1.7%
All Other	1,810	3,694	3,750	3,589	3,667	12.6%	-0.6%
Subtotal	\$12,806	\$18,672	\$20,434	\$20,917	\$22,931	6.5%	2.9%
Education³⁰							
Education	13,590	17,595	20,167	20,891	22,975	4.4%	3.3%
City University	858	997	1,158	1,174	1,235	2.5%	1.6%
Subtotal	\$14,448	\$18,592	\$21,326	\$22,065	\$24,210	4.3%	3.2%
Other Agencies							
Environmental Protection	1,222	1,619	1,694	1,623	1,617	4.8%	-1.2%
Transportation	616	882	960	970	981	6.2%	0.6%
Parks and Recreation	432	573	617	586	586	4.8%	-1.3%
Citywide Admin Services	331	461	475	447	444	5.7%	-1.7%
Housing Pres. and Dev.	242	498	587	582	636	12.8%	2.0%
All Other	3,179	4,295	4,636	3,993	4,007	5.1%	-3.6%
Subtotal	\$6,022	\$8,328	\$8,968	\$8,200	\$8,271	5.6%	-2.0%
Elected Officials	\$709	\$968	\$1,044	\$1,021	\$1,024	5.3%	-0.5%
General Reserve	\$20	\$20	\$50	\$100	\$1,200	0.0%	121.3%
Agency Total	\$44,295	\$58,573	\$64,335	\$64,217	\$69,747	4.8%	2.0%
Other Expense							
Pension Contributions	9,801	9,885	10,350	10,389	10,380	0.1%	0.1%
Miscellaneous ³¹	7,561	11,076	12,829	13,734	18,537	6.6%	9.6%
Debt Service	6,155	6,848	4,849	9,193	12,207	1.8%	26.0%
Citywide Savings Initiatives	---	---	(922)	(1,060)	(1,110)	0.0%	0.0%
Retiree Health Benefits Trust	100	---	---	(229)	---	0.0%	0.0%
Rainy Day Fund	---	---	(980)	---	---	0.0%	0.0%
All Other	(400)	(816)	(500)	166	483	12.6%	0.0%
Subtotal	\$23,217	\$26,994	\$25,626	\$32,192	\$40,497	2.5%	12.1%
Total Expenditures	\$67,512	\$85,567	\$89,961	\$96,409	\$110,244	4.0%	5.2%
Asylum Seekers City Funds	---	\$1,510	\$1,228	\$1,200	\$500	0.0%	0.0%
Total City Funds	\$67,512	\$87,077	\$91,189	\$97,609	\$110,744	4.3%	5.0%

³⁰ The Department of Education and City University plan numbers include fringe benefits.

³¹ Adjusted to exclude Criminal Justice and Indigent Defense contracts that were previously budgeted in Miscellaneous (FY 2019 – FY 2024). Criminal Justice and Indigent Defense contracts are included under "All Other" agency expense.

Appendix B: Full-Time Staffing Levels

(Number of full-time employees)

	Actual	Actual	Forecast	Feb. Plan	Variance – Better/(Worse) Nov. 2025 Actual to June 2027 Forecast		
	June 2020	Nov. 2025	June 2026	June 2027	City Funds	Non-City Funds	Total Funds
Public Safety	85,806	76,999	81,985	81,779	4,658	122	4,780
Police Uniformed	35,910	33,263	35,025	34,975	1,708	4	1,712
Police Civilian	15,519	12,687	14,039	13,899	1,295	(83)	1,212
Fire Uniformed	11,047	11,017	11,294	11,294	272	5	277
Fire Civilian	6,366	6,318	6,283	6,272	(33)	(13)	(46)
Correction Uniformed	9,237	5,572	7,060	7,060	1,489	(1)	1,488
Correction Civilian	1,741	1,541	1,751	1,746	201	4	205
District Attys. & Prosec.	4,843	5,714	5,426	5,426	(239)	(49)	(288)
Probation	1,116	859	1,074	1,074	(40)	255	215
Board of Correction	27	28	33	33	5	0	5
Health & Welfare	27,878	25,286	29,086	28,727	1,714	1,727	3,441
Social Services	12,330	10,883	12,517	12,502	719	900	1,619
Children's Services	7,039	6,395	7,082	7,089	(11)	705	694
Health & Mental Hygiene	5,530	5,483	6,210	5,954	391	80	471
Homeless Services	2,119	1,616	2,204	2,115	534	(35)	499
Other	860	909	1,073	1,067	81	77	158
Environment & Infra.	26,365	26,970	28,314	28,202	(34)	1,266	1,232
Sanitation Uniformed	7,755	8,492	7,957	7,963	(529)	0	(529)
Sanitation Civilian	2,107	1,616	1,668	1,661	35	10	45
Transportation	5,120	5,280	5,956	5,999	313	406	719
Parks & Recreation	4,236	4,856	5,142	5,024	100	68	168
Environmental Protection	5,891	5,595	6,384	6,348	25	728	753
Other	1,256	1,131	1,207	1,207	22	54	76
General Government	12,634	11,718	13,133	12,894	1,199	(23)	1,176
Finance	1,996	1,737	2,015	2,021	283	1	284
Law	1,713	1,419	1,612	1,810	384	7	391
Citywide Admin. Svcs.	2,403	2,046	2,445	2,439	282	111	393
Taxi & Limo. Comm'n.	584	448	546	546	98	0	98
Investigations	361	276	309	293	17	0	17
Board of Elections	682	697	517	517	(180)	0	(180)
Info. Tech. & Telecomm.	1,673	1,483	1,564	1,538	62	(7)	55
Other	3,222	3,612	4,125	3,730	253	(135)	118
Housing	4,088	4,059	4,720	4,745	395	291	686
Buildings	1,676	1,613	1,853	1,864	250	1	251
Housing Preservation	2,412	2,446	2,867	2,881	145	290	435
Dept. of Education	134,684	137,725	140,514	140,530	1,148	1,657	2,805
Pedagogues	121,077	124,165	127,777	127,927	2,158	1,604	3,762
Non-Pedagogues	13,607	13,560	12,737	12,603	(1,010)	53	(957)
City University of NY	6,288	5,702	6,028	6,024	322	0	322
Pedagogues	4,545	4,230	4,289	4,289	59	0	59
Non-Pedagogues	1,743	1,472	1,739	1,735	263	0	263
Elected Officials	2,703	2,930	3,467	3,386	409	47	456
Total	300,446	291,389	307,247	306,287	9,811	5,087	14,898

Sources: NYC Office of Management and Budget; OSC analysis



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