Review of the Financial Plan of the City of New York

Report 6-2026

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

Rahul Jain, Deputy Comptroller

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Message from the Comptroller

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New York City's finances continue to benefit from better-than-projected revenues and savings generated through initiatives launched in response to its financial challenges and federal policy changes. In recent months, the cost of managing the asylum seeker influx has stabilized, reducing related spending uncertainty and creating additional financial plan savings.

These fiscal improvements provide the City with an opportunity to manage elevated demand for programs, especially given that certain industry sectors have not fully recovered from the COVID-19 pandemic. With substantial shifts in the federal funding environment — which could lead the State to make choices to balance its budget that pressure local government finances — preparation and transparency remain paramount to navigate the future. Additional funds set aside for preparing for fiscal uncertainty, including greater contingencies or larger reserves, would be wise at this time. Codifying plans to bolster reserve levels for a rainy day would be a fiscally prudent step not just for the near-term but for the City's long-term fiscal sustainability.

If federal, and by extension State, funding remains stable, these prudent fiscal choices made now would allow the City to continue to manage its operational needs and encourage employment and business growth, enhancing its economic and tax revenue base. Monitoring City staffing and performance indicators remains critical for ensuring basic services are provided in an efficient and targeted manner. Recent budget actions and fluctuation in the provision of certain City services have highlighted the importance of the City's role in helping vulnerable residents meet basic needs and maintaining the overall quality of life for all residents.

Greater communication to the public of the City's efforts to balance fiscal preparation with operational performance management is welcome and will serve it well if the economic outlook weakens or if new spending challenges emerge. Ultimately, future economic growth in the City, and thereby the State, relies on providing services that enhance affordability and opportunity for all New Yorkers.

Thomas P. DiNapoli
State Comptroller

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I. Executive Summary

New York City released its executive fiscal year (FY) 2026 budget and five-year financial plan (the “May Plan”) on May 1, 2025. The City increased its expectations for its surplus in FY 2025 to $2.95 billion, which is being used to fund prepayments that will help balance its $118 billion FY 2026 budget (adjusting for prepayments). The FY 2025 surplus has continued to grow as revenues have surpassed expectations, supported by the financial industry’s strong performance in 2024, and as planned spending on asylum seekers has declined. However, upward revisions to out-year revenues and spending additions to discretionary programs made in the Executive Plan leave the City with fewer options to maintain programming if anticipated fiscal challenges emerge.

The largest contributor to budget balancing measures in fiscal years 2025 and 2026 were revenues identified since FY 2025 budget adoption in June 2024. Over $3.4 billion in tax revenue has been added to FY 2025 and $3.1 billion in FY 2026 since June 2024. The City’s alignment of revenue estimates with collection trends in the current fiscal year is reasonable, as are updates to the out-years of the plan. However, this strategy represents a shift away from the City’s conservative budgeting of revenues in recent years.

The shift in revenue forecasting also comes at a time when the probability of a recession has doubled compared to projections made in January, when the City’s last financial plan was updated, according to economic forecasters. The City does not anticipate a recession. The Office of the New York State Comptroller (OSC) anticipates a continuation of slower growth, which may result in additional revenue upside (better-than-projected revenue) fueled by business and property taxes, of more than $1.3 billion throughout the plan period; however, this is the smallest amount of upside projected by OSC at this point in the fiscal year since 2020. If the City were to experience even a mild recession, non-property revenue projections may be optimistic, and tax revenues would be unlikely to provide significant upside to close budget gaps as they have in the recent past.

The City has also made substantial changes to its spending forecasts. One key source of savings that increased in the May Plan is spending on the asylum seeker influx. Projections for city-funded spending on these services peaked in June 2024 and are now $4.2 billion less than anticipated at that time (through FY 2027). On its own, this downward adjustment is larger than the savings generated from the remainder of the initiatives identified in the FY 2025 savings program, net of restorations made in prior savings plans. The asylum seeker population declined substantially at the beginning of 2025, likely due to anticipated changes in federal immigration policy. However, the decline has slowed in recent months and projected spending remains at more than $1.2 billion annually through FY 2027. While OSC does not anticipate a substantial rise in these costs during the plan period, it is also unlikely that the City will be able to generate significant further savings — compared to its updated projections — to help close budget gaps.

Given the substantial resources accumulated from these two sources to close the budget gap and generate a surplus in each of the last two fiscal years, and their reduced likelihood of supporting budget gap elimination over the remainder of the plan period, fiscal caution is warranted at this time. Funding for recurring underbudgeted expenses, including costs that the City does not have unilateral control over — such as public assistance, rental assistance, overtime, health insurance, subsidies for the Metropolitan Transportation Authority (MTA) and State mandates for child care and educational services — is necessary to provide a full accounting of the budget challenges facing the City. The City funded $6.2 billion in new needs in FY 2025, $5.2 billion of which went mostly toward these expenses, but which were left unfunded in future years. The City separately funded nearly $2.7 billion in other new needs in FY 2026 but did not address the potential recurring cost of the $5.2 billion funded in FY 2025, obfuscating the true size of the budget gaps beginning in the next fiscal year.

Many of the new needs added on a recurring basis were also for discretionary programs, which add to the City's growing budget gaps in future years. These include arts funding, early childhood education expansion, the Community Care Plan at the Department for the Aging (DFTA), Fair Fares expansion, additional litter basket service, and MetroCards for Summer Youth Employment Participants (SYEP), to name a few. While there continues to be a need to provide these valuable services to residents, the addition of this spending without addressing recurring underbudgeted items may put these and other programs at risk.

The City anticipates a balanced budget in FY 2026 and gaps of $4.6 billion in FY 2027, $5.8 billion in FY 2028 and $5.7 billion in FY 2029, figures that are manageable by historical standards and may be reduced by $1.45 billion in contingencies in each of those years (see Figure 1). However, while OSC anticipates that some revenue upside is possible, even with the expectation of slow growth, underbudgeted items leave the City with potential budget gaps of nearly $10.6 billion in FY 2027, $13 billion in FY 2028 and $12.9 billion in FY 2029 (see Figure 2). The addition of one-time funds for underbudgeted items in FY 2025 also suggests that the City could face a budget gap of more than $5 billion in FY 2026, significantly larger than the planned $1.45 billion contingency, which could further erode the City's surplus going into the following year and pressure City finances entering FY 2027.

These local fiscal pressures may also be exacerbated by choices made at the federal and State levels. While the City conservatively budgets for federal categorical aid, which makes up about 6 percent of total revenue, certain social service programs are heavily reliant on federal support and may require the City to make hard choices on the delivery of these services in the coming years. In addition, the State has suggested it may need to revise its budget in the wake of federal choices, which could create substantial challenges for categorical aid from the State, much of which goes to education, health and social services.

While funding costs at an appropriate level is a necessary step for understanding the budgetary challenges the City faces, it can also prepare for this potential volatility by increasing its budgetary flexibility through vehicles like contingencies and reserves. The City has generated substantially more revenue than anticipated in recent years compared to projections but has not put additional money aside in over three years, leaving both annual contingencies and the City's Rainy-Day Fund (RDF) at levels that are smaller as a share of expenses than they were three years ago. This choice suggests that a formal reserve policy which requires a portion of funds be set aside in years when operating results are stronger than anticipated is needed.

While the RDF could not be used to plug recurring changes to federal and State funding sources, it may be used as part of a comprehensive plan to manage short-term uncertainty without impacting core services, should those risks arise. Given the recent unpredictability of federal fiscal and economic policy choices, the City should be preparing for scenarios where all of its resources — federal, State and locally-derived — may be impacted.

New York City's continued economic growth relies on its ability to provide fundamental public services of high quality, while adapting its response to manage the fiscal challenges that may emerge. Funding of underbudgeted expenses, formalization of its reserve policy and increased budgetary flexibility to weather potential fiscal challenges that may emerge would improve its ability to deliver on those efforts.

FIGURE 1
New York City Financial Plan
(in millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2028
Revenues					
Taxes					
General Property Tax	$ 34,434	$ 35,360	$ 36,585	$ 37,664	$ 38,778
Other Taxes	44,783	44,845	45,526	47,098	48,805
Tax Audit Revenue	825	809	779	779	779
Subtotal: Taxes	$ 80,042	$ 81,014	$ 82,890	$ 85,541	$ 88,362
Miscellaneous Revenues	8,759	8,110	7,942	7,976	8,012
Unrestricted Intergovernmental Aid	22	- - -	- - -	- - -	- - -
Less: Intra-City Revenue	(2,186)	(1,884)	(1,856)	(1,847)	(1,847)
Disallowances Against Categorical Grants	4	(15)	(15)	(15)	(15)
Subtotal: City Funds	$ 86,641	$ 87,225	$ 88,961	$ 91,655	$ 94,512
Other Categorical Grants	1,113	1,125	1,120	1,116	1,114
Inter-Fund Revenues	792	797	795	796	799
Federal Categorical Grants	10,517	7,443	7,230	7,278	7,338
State Categorical Grants	20,728	18,475	18,480	18,625	18,776
Total Revenues	**$ 119,791**	**$ 115,065**	**$ 116,586**	**$ 119,470**	**$ 122,539**
Expenditures					
Personal Service					
Salaries and Wages	$ 33,240	$ 34,403	$ 35,322	$ 36,265	$ 37,060
Pensions	10,034	10,470	11,069	11,836	11,467
Fringe Benefits	13,958	14,784	15,344	15,954	16,595
Subtotal: Personal Service	$ 57,232	$ 59,657	$ 61,735	$ 64,055	$ 65,122
Other Than Personal Service					
Medical Assistance	6,380	6,583	6,733	6,883	7,033
Public Assistance	2,648	1,650	2,000	2,463	2,905
All Other	49,460	41,818	41,571	41,734	42,123
Subtotal: Other Than Personal Service	$ 58,488	$ 50,051	$ 50,304	$ 51,080	$ 52,061
Debt Service	7,654	8,741	9,583	10,543	11,419
FY 2023 Budget Stabilization & Discretionary Transfers	(4,397)	- - -	- - -	- - -	- - -
FY 2024 Budget Stabilization	2,950	(2,950)	- - -	- - -	- - -
Capital Stabilization Reserve	- - -	250	250	250	250
General Reserve	50	1,200	1,200	1,200	1,200
Less: Intra-City Expenses	(2,186)	(1,884)	(1,856)	(1,847)	(1,847)
Total Expenditures	**$ 119,791**	**$ 115,065**	**$ 121,216**	**$ 125,281**	**$ 128,205**
Gap to be Closed	**$ - - -**	**$ - - -**	**$ (4,630)**	**$ (5,811)**	**$ (5,666)**

Source: NYC Office of Management and Budget

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

		Better/(Worse)			
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Gaps Per NYC Financial Plan	**$ - - -**	**$ - - -**	**$ (4,630)**	**$ (5,811)**	**$ (5,666)**
Revenues					
Tax Revenue	$ 160	$ (152)	$ 304	$ 465	$ 575
Miscellaneous Revenue	- - -	- - -	- - -	- - -	- - -
Subtotal Revenue	**$ 160**	**$ (152)**	**$ 304**	**$ 465**	**$ 575**
Expenditures					
Variable Rate Debt Service Savings	- - -	75	- - -	- - -	- - -
Debt Refunding	7	14	14	14	14
Payroll Savings	100	- - -	- - -	- - -	- - -
Operating Subsidies to the MTA	- - -	(290)	(479)	(539)	(539)
Impact of State Budget	(9)	104	(354)	(359)	(364)
Health Insurance	(587)	(742)	(652)	(682)	(712)
Social Services	- - -	(2,238)	(2,526)	(2,682)	(2,808)
Uniformed Agency Overtime	(98)	(765)	(749)	(752)	(752)
Department of Education (Summarized)	- - -	(675)	(1,494)	(2,172)	(2,294)
Early Intervention	- - -	(65)	(76)	(76)	(76)
Supportive Housing	- - -	(64)	(64)	(64)	(64)
DYCD Summer Rising	- - -	- - -	(20)	(20)	(20)
Residual Services for Asylum Seekers	203	(157)	154	(286)	(152)
Subtotal Expenditures[1]	**$ (384)**	**$ (4,953)**	**$ (6,247)**	**$ (7,618)**	**$ (7,767)**
OSC Risk Assessment	**$ (224)**	**$ (5,105)**	**$ (5,943)**	**$ (7,152)**	**$ (7,191)**
Potential Gaps Per OSC[2,3,4,5]	**$ (224)**	**$ (5,105)**	**$(10,573)**	**$ (12,963)**	**$(12,857)**

[1] See the Expenditure Trends: Social Services section and the Semi-Autonomous Entities: Department of Education section for details on the financial plan risks at those agencies.

[2] Totals may not add due to rounding.

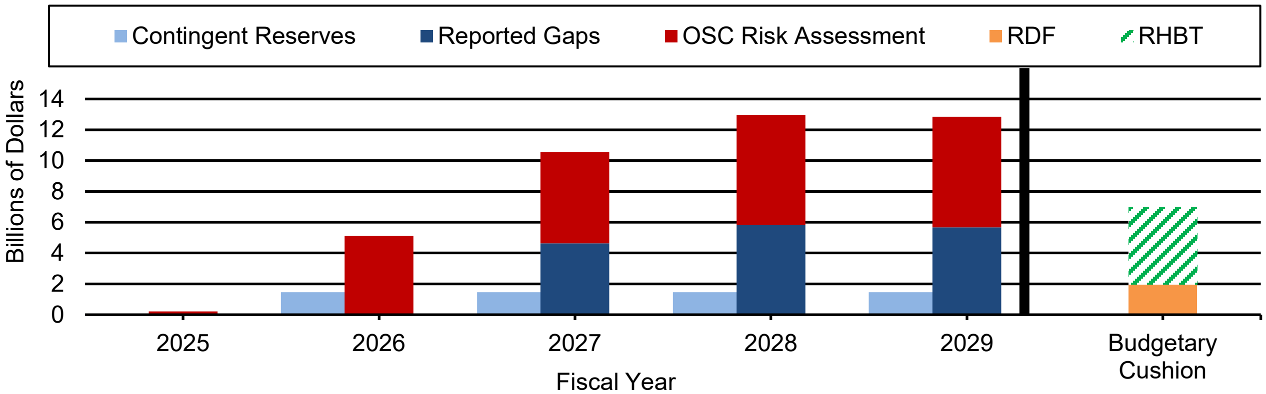
[3] May Plan gaps are inclusive of a general reserve of $50 million in FY 2025 and $1.2 billion in each of fiscal years 2026 through 2029. In addition, the Capital Stabilization Reserve has a balance of $250 million in each of fiscal years 2026 through 2029. The May Plan also includes reserves of about $279 million beginning in FY 2027 to fund potential changes to planned pension contributions from actuarial audit recommendations.

[4] State law requires surplus resources accumulated by the City to be deposited into its Revenue Stabilization Fund. As of FY 2024, the balance held in the Rainy-Day Fund is nearly $2 billion. These resources would be available to help balance the budget if there were a compelling fiscal need.

[5] 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, 2024, which may be used to help close future budget gaps.
Sources: NYC Office of Management and Budget; OSC analysis

II. Economic Trends

National Economy

The national economy continues to show resilience across a number of economic indicators, including employment, wages and inflation. This perseverance generally belies federal policy changes that have increased uncertainty in financial markets and in industries reliant on international trade and travel, and that have made significant cuts to health and other research grants. However, productivity recently showed signs of weakness, and there has been pessimism in consumer sentiment and expectations. Consumer confidence may sour further as the federal administration mulls over reductions to anti-poverty social safety net programs, which would deny many lower-income households financial aid and depress consumer spending.

In April 2025, the nation added 177,000 jobs, more than the 130,000 expected by economists polled by Reuters, as the unemployment rate held steady at 4.2 percent.[6] As of April 2025, inflation as measured by the consumer price index grew by 2.3 percent, the lowest annual growth rate since February 2021.

Still, productivity dipped, with gross domestic product (GDP) declining by an annual rate of 0.2 percent in the first quarter of 2025 following growth of 2.3 percent in 2024. While the decline is attributable to an increase in imports in the fourth quarter of 2024 ahead of potentially higher tariffs, sustained higher tariffs could impede consumer spending and business investment, thereby leading to weaker growth for the year. As a result, the City expects GDP to grow by 1.9 percent in 2025, a downward adjustment from its January Plan projection, in alignment with S&P Global, an economic forecasting company.

Continued employment growth and concerns over quickening inflation due to tariffs have led the Federal Reserve to suggest it will continue to exercise caution in cutting rates this year and beyond. As of March 2025, the Federal Reserve expected to cut rates two times in 2025 (the Federal Reserve's next summary of economic projections is due in June). In May 2025, the Federal Reserve held the federal funds rate range steady at 4.25 percent to 4.5 percent, following pauses since December 2024. The Federal Reserve has insisted it is too soon to make any changes to its monetary policy path and that it will continue to monitor incoming data. As such, it is anticipated that the Federal Reserve is unlikely to make any rate cuts at its June policy meeting.[7]

While the City lowered its productivity and wage growth forecasts and raised its price growth forecast, it may be underestimating the impact of an economic slowdown from federal policy implementation. One consensus forecast as of April 2025 put the odds of a recession in the next 12 months at 45 percent compared to 22 percent in January.[8] As such, the effects of federal policy changes have already begun to take shape in meaningful ways, beyond the whipsawing of the financial markets, as companies warn of raising prices on everyday products as well as of running out of inventory.[9] The cost of tariffs is

[6] Lucia Mutikani, "U.S. Labor Market Resilient Ahead of Tariff Turbulence," *Reuters*, May 2, 2025, https://www.reuters.com/sustainability/sustainable-finance-reporting/us-job-growth-slows-marginally-april-unemployment-rate-steady-42-2025-05-02/.

[7] CME Group, FedWatch, https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html.

[8] "Recession Risk Has Leapt Under Trump, Economists Say," *The Wall Street Journal*, April 14, 2025, https://www.wsj.com/livecoverage/stock-market-trump-tariffs-trade-war-04-14-25/card/pWpiGeXY9KGhDyGfRxj2.

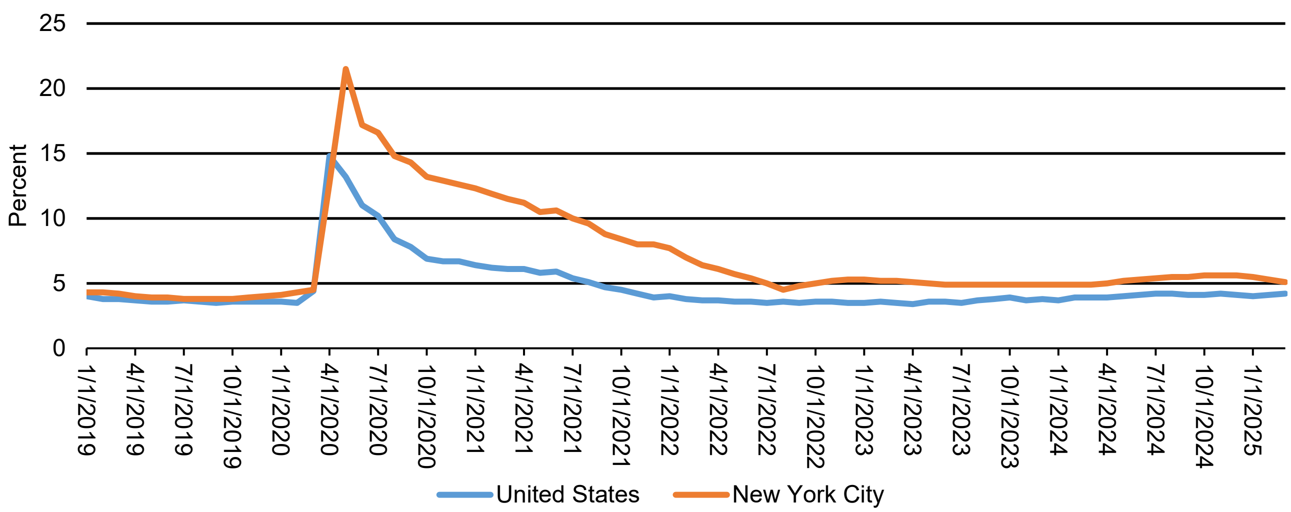
[9] Madeleine Ngo, "Companies Are Serving Notice: We're Raising Prices Because of Tariffs," *The New York Times*,

ultimately borne by the producers, consumers and importers of the goods that are tariffed (see [OSC's report](https://www.osc.ny.gov/files/reports/osdc/pdf/imports-and-exports-in-nyc.pdf) for a look at trade characteristics in the New York City metropolitan area).[10] Additionally, border flows have continued to be negatively impacted as humanitarian migrants face difficulties especially since the beginning of the year in securing appointments in pursuit of asylum, which has implications for population and employment growth.[11] In 2024, the national population grew by nearly 1 percent, the fastest annual growth since 2001 as a result of net international migration, suggesting sustained changes to federal immigration policy could put those gains at risk.[12]

City Economy

In April 2025, City employment grew to over 4.8 million as unemployment fell to 5 percent (seasonally adjusted). Still, the City's unemployment rate stood 1 point higher than its April 2019 level of 4 percent (see Figure 4). At the same time, the nation's unemployment rate stood at 4.2 percent, just 0.5 points higher than its pre-pandemic level of 3.7 percent. While one of the arguments the Federal Reserve has made against cutting rates hinges on a relatively stable unemployment rate nationally, the City faces an elevated rate that never fully recovered from the COVID-19 pandemic and faces new headwinds from federal policy changes.

FIGURE 4
Unemployment Rate by Geography



Sources: U.S. Bureau of Labor Statistics, Current Population Statistics; New York State Department of Labor, Current Employment Statistics; OSC analysis

May 2, 2025, https://www.nytimes.com/2025/05/02/us/politics/companies-tariffs-price-increases.html#:~:text=Although%20Mr.%20Trump%20has%20scaled,higher%20prices%20for%20U.S.%20customers.

[10] OSC, *Imports and Exports in the New York City Metropolitan Area*, March 2025, https://www.osc.ny.gov/files/reports/osdc/pdf/imports-and-exports-in-nyc.pdf.

[11] Tara Watson and Jonathan Zars, "100 Days of Immigration Under the Second Trump Administration," *Brookings*, April 29, 2025, https://www.brookings.edu/articles/100-days-of-immigration-under-the-second-trump-administration/.

[12] U.S. Census Bureau, "Net International Migration Drives Highest U.S. Population Growth in Decades," December 19, 2024, https://www.census.gov/newsroom/press-releases/2024/population-estimates-international-migration.html.

Part of the reason for the geographic difference is the industry composition and the pace of recovery, at least over the first two years of the pandemic.[13] More recently, as the City has added jobs, certain industry sectors have fared better than previously thought. In particular, financial activities, professional and business services and information added jobs in 2024, as private education and health services continued their strong hiring. The leisure and hospitality and government sectors also posted sizable gains. However, trade, transportation and utilities and construction lost jobs, both for the first time since 2020 and remain below pre-pandemic employment levels.

These differing employment trends have implications for the continued economic recovery of the City, especially as federal tariff and immigration policies remain uncertain and are more likely to negatively impact tourism-related (i.e., restaurants) and construction industries.

Although the securities industry was a bright spot last year, realizing profits of over $49.9 billion, volatility in the financial markets and business decisions to pause investment plans portend weaker growth for 2025 than previously expected. During the first quarter of 2025, the six largest banks saw pre-tax profits grow by nearly 10 percent due, in part, to robust trading fees and commissions because of market volatility. At the same time, big banks increased their provision for credit losses by 30 percent in anticipation of an economic downturn. The City also lowered its profits forecast for the industry in May to $33.8 billion from $40.5 billion in January, a downward adjustment of almost 17 percent.

Tourism is another industry that has remained strong but has begun to show some cracks. In 2024, hotel occupancy stood at 84.2 percent and the average daily room rate stood at $314, both higher than the year prior.[14] However, according to the Federal Reserve's April Beige Book, some hotel owners this year reported a decline in international reservations.[15] Still, NYC Tourism + Conventions, the City's official tourism agency, expects the number of visitors to reach 64.1 million, higher than the pre-pandemic record.[16] In addition, Broadway attendance and restaurant dining have so far exceeded last year's levels.

Reductions in travel, both international and domestic, and tariffs on imported goods that retailers and restaurants rely on, such as food and beverages, pose a risk to the local tourism industry. Reflecting these changing dynamics, container freight rates from Shanghai to New York City fell significantly over the last few months, from a high of $7,085 in January 2025 to $3,500 in May.[17] Additionally, in March 2025, the number of empty import shipping containers at the Port of New York and New Jersey fell by 33.6 percent compared to the year before. As a nation that imports more goods than it exports, a certain level of unused empty import shipping

[13] OSC, *New York City's Uneven Recovery: An Analysis of Labor Force Trends*, May 2022, https://www.osc.ny.gov/reports/osdc/new-york-citys-uneven-recovery-analysis-labor-force-trends.

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

[15] U.S. Federal Reserve System, "Summary of Commentary on Current Economic Conditions by Federal Reserve District," *The Beige Book*, April 2025, https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20250423.pdf.

[16] Matthew Haag, "New York City Predicted Record Tourism. Then Came Trump," *The New York Times*, May 8, 2025, https://www.nytimes.com/2025/05/08/nyregion/nyc-tourism.html.

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

containers could be a sign of a decline in imports.[18]

Additionally, while office vacancy rates may have peaked in 2024, commercial real estate continues to pose a challenge to market values for lower-quality buildings.[19] Based on the fiscal year 2026 final property tax assessment roll, the market value for office buildings grew by 0.9 percent, driven by Class A office buildings. Class B office buildings, which experienced a decline in market values in the most recent roll, continue to face challenges and could depress overall office building market values in the future.

While the national economy has begun to show some signs of slowing growth fueled by uncertainty over policy changes, the local economy may follow its own trajectory, as the changes to the composition of industries and the pace of recovery have differed since the beginning of the pandemic.

[18] Port of New York and New Jersey, Monthly Cargo Volumes, March 2025, https://www.panynj.gov/port/en/our-port/facts-and-figures.html.

[19] OSC, *Office Real Estate in New York City: A Review of Market Valuation Shifts*, Report 11-2025, August 2024, https://www.osc.ny.gov/files/reports/osdc/pdf/report-11-2025.pdf.

III. Changes Since the June 2024 Plan

In June 2024, the City projected a balanced budget for FY 2025 and budget gaps of $5.5 billion in FY 2026, $5.6 billion in FY 2027 and $6.5 billion in FY 2028. Since then, the City revised its revenue and expense forecasts and increased prepayments of FY 2026 expenses to $2.95 billion, keeping the budget balanced in FY 2026 and reducing out-year budget gaps by an average of $800 million (see Figure 5).

The City added $11 billion in revenue and reduced asylum seeker spending by $4.2 billion in the plan period to shrink budget gaps. The City also drew down its contingent reserves of $1.4 billion in FY 2025, identified other savings of nearly $1 billion and included a reestimate of prior year expenses by $816 million in FY 2025. These positive budget developments fully offset new agency needs which total $6.2 billion in FY 2025, $2.7 billion in FY 2026, and about $1.9 billion thereafter.

Revenue changes were driven by revised tax forecasts, up by $3 billion in each of fiscal years 2025 and 2026, and by an average of $2.2 billion in each subsequent year. All taxes were adjusted upward except sales taxes, with business tax and property tax adding the most revenue.

The FY 2025 Savings Program consists predominantly of reductions to asylum seeker costs (82 percent of total savings through FY 2028). The remainder of the savings were mostly for short-term expense reestimates and debt service savings (see the Savings Program section). These savings were partially offset by restorations to prior year savings programs, including Summer Rising in FY 2026, two police academy classes, and baselined funding for older adult centers.

New agency needs were mostly added in FY 2025, much of which addresses mandated costs and uniformed overtime for one year. The City added $5.2 billion in non-recurring funding (see Figure 6), of which the majority was for mandated or quasi-discretionary spending that will likely need to be funded in future years (see Figure 2). One-time adds at the Department of Social Services (DSS, $1.5 billion), the Department of Education (DOE, $671 million), and the Department of Homeless Services (DHS, $671 million) include funding for recurring programs such as various forms of public assistance, school nurses, and homeless shelters, which contribute more than half of all non-recurring funding. Some baselined funding was added, such as for child care, additional litter basket service, and an expansion of afterschool programs.

Other notable expense changes include $166 million annually beginning in FY 2026, mostly for MTA paratransit funding, and a cumulative $1.6 billion reflecting better-than-expected returns on pension investments, lowering the City's expected contributions.

Net of all changes, the City's stated out-year gaps with contingencies now total $16.1 billion over the three years including FY 2029, averaging 5.9 percent of City fund revenues, an improvement from budget adoption when these gaps averaged 6.8 percent. However, the City's continued practice of addressing underbudgeted costs one year at a time would indicate that the published out-year gaps are understated. In each year since FY 2021, new agency needs have exceeded the City's contingencies, which remain at $1.45 billion for each year of the plan.

FIGURE 5
Financial Plan Reconciliation — City Funds
May 2025 Plan vs. June 2024 Plan
(in millions)

	Better/(Worse)			
	FY 2025	**FY 2026**	**FY 2027**	**FY 2028**
Projected Gaps Per June 2024 Plan	**$ - - -**	**$ (5,503)**	**$ (5,592)**	**$ (6,469)**
Updated Tax Estimates				
Business Taxes	1,468	1,904	1,310	1,212
General Property Taxes	270	730	917	1,304
Personal Income	945	273	(56)	110
Hotel Taxes	12	19	28	2
Sales Taxes	(83)	(132)	(197)	(242)
Real Estate Transaction Taxes	104	59	(20)	(19)
Other Taxes	227	145	131	104
Audits	52	36	6	6
Planned Tax Expenditures, Personal Income	- - -	(63)	(65)	(68)
Subtotal	**2,995**	**2,971**	**2,053**	**2,409**
All Other Revenue Reestimates	**444**	**178**	**85**	**92**
Total Revenue Reestimates	**3,439**	**3,149**	**2,139**	**2,501**
Contingent Reserves	**1,400**	**- - -**	**- - -**	**- - -**
Asylum Seeker Savings- City Funds	**1,824**	**1,588**	**800**	**- - -**
Other Savings Program				
Agency Savings	424	56	56	56
Debt Service	427	105	(19)	(153)
Subtotal	**851**	**161**	**37**	**(97)**
New Agency Needs	**(6,190)**	**(2,659)**	**(1,843)**	**(1,901)**
Updated Estimates				
Collective Bargaining	400	- - -	- - -	- - -
Pension Contributions	313	623	208	476
Prior-Year Restorations	(139)	(182)	(207)	(204)
Prior-Years' Expenses	816	- - -	- - -	- - -
State Budget Impact	- - -	(166)	(166)	(166)
All Other	238	40	(4)	50
Subtotal	**1,627**	**314**	**(170)**	**155**
Total Expense Reestimates	**(489)**	**(596)**	**(1,177)**	**(1,843)**
Net Change	**2,950**	**2,553**	**962**	**658**
Gaps to Be Closed Before Prepayment	**$ 2,950**	**$ (2,950)**	**$ (4,630)**	**$ (5,811)**
FY 2025 Prepayment of FY 2026 Expenses	(2,950)	2,950	- - -	- - -
Gaps to Be Closed Per May 2025 Plan	**$ - - -**	**$ - - -**	**$ (4,630)**	**$ (5,811)**

Note: Columns may not add due to rounding. Other revenue reestimates exclude savings initiatives, which are reflected in the "Agency Savings" category.
Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 6

City-Funded New Needs Identified Since June 2024

(in thousands)

Agency	Description	FY 2025	FY 2026	FY 2027	FY 2028
Social Services	Rental Assistance*	616,569	- - -	- - -	- - -
	Cash Assistance*	596,975	- - -	- - -	- - -
	Medical Assistance*	251,000	- - -	- - -	- - -
	All Other	79,357	- - -	- - -	- - -
	Subtotal	**1,543,901**	- - -	- - -	- - -
Education	Carter Cases*	481,000	- - -	- - -	- - -
	Charter Schools*	87,000	- - -	- - -	- - -
	Maintain Tech Funding	80,000	- - -	- - -	- - -
	All Other	22,517	- - -	- - -	- - -
	Subtotal	**670,517**	- - -	- - -	- - -
Homeless Services	Shelter Costs*	654,071	- - -	- - -	- - -
	All Other	17,342	- - -	- - -	- - -
	Subtotal	**671,413**	- - -	- - -	- - -
Police Department	Personal Services*	419,264	- - -	- - -	- - -
	Domain Awareness System*	55,300	- - -	- - -	- - -
	All Other	30,100	- - -	- - -	- - -
	Subtotal	**504,664**	- - -	- - -	- - -
Miscellaneous	MTA Subsidy*	241,006	- - -	- - -	- - -
	Judgment & Claims*	150,000	- - -	- - -	- - -
	Subtotal	**391,006**	- - -	- - -	- - -
Fire Department	Personal Services*	185,000	- - -	- - -	- - -
	EMS Revenue*	145,000	- - -	- - -	- - -
	Other Than Personal Services	60,000	- - -	- - -	- - -
	Subtotal	**390,000**	- - -	- - -	- - -
Children's Services	State Mandate*	138,800	- - -	- - -	- - -
	Foster Care Funding*	102,800	- - -	- - -	- - -
	All Other	7,000	- - -	- - -	- - -
	Subtotal	**248,600**	- - -	- - -	- - -
Health & Mental Hygiene	Supportive Housing	64,200	- - -	- - -	- - -
	Early Intervention*	55,100	- - -	- - -	- - -
	Subtotal	**119,300**	- - -	- - -	- - -
Department of Correction	Personal Services*	192,000	- - -	- - -	- - -
	Subtotal	**192,000**	- - -	- - -	- - -
Board of Elections	Election Funding*	78,758	- - -	- - -	- - -
	All Other	51,000	- - -	- - -	- - -
	Subtotal	**129,758**	- - -	- - -	- - -
All Other Agencies	**Subtotal**	**330,511**	- - -	- - -	- - -
FY 2025 One-Time Funding		**5,191,670**	- - -	- - -	- - -
Other New Needs		**998,679**	**2,658,524**	**1,843,226**	**1,901,306**
Total New Needs		**6,190,349**	**2,658,524**	**1,843,226**	**1,901,306**

Sources: NYC Office of Management and Budget; OSC analysis

*Mandated or quasi-discretionary spending

IV. State and Federal Actions

State Budget

The May Plan assumes the City would receive $18.5 billion in State categorical aid in FY 2026. On May 8, 2025, after the City released its May Plan, the State Enacted Budget for State fiscal year (SFY) 2026, which began on April 1, 2025, was passed, more than a month late.

The May Plan incorporates several items from earlier proposals of the State Budget, including a portion of the increases to school aid and making permanent a higher City reimbursement for the MTA's paratransit program. The May Plan also removed State funds for asylum seeker spending that were not appropriated by the State but were previously budgeted for by the City in the January Plan.

However, several other impacts were not included in the May Plan and will need to be reflected in the City's adopted budget (see Figure 7). The largest source of better-than-anticipated funding for the City is for school aid. The City would receive $539 million more in school Foundation Aid in FY 2026 when compared to the last State fiscal year and another $137 million in expense-based and categorical school aid. The May Plan assumes $287 million of the Foundation Aid increase in FY 2026. Together, these funds are $395 million more than the City assumes in the May Plan in FY 2026. The State Budget also provides $19 million in FY 2025 and $58 million in FY 2026 (half of the total projected $154 million cost) to expand police patrols on the subways during overnight hours. The State's contribution is not included in the May Plan.

There are several proposals that would have a negative fiscal impact on the City. The Enacted Budget provides the City with $350 million for child care assistance (expected to be 50 percent of the cost) but also requires the City to pay at least $328 million annually for child care assistance for the City's share of the cost. The City was previously required to pay $53 million for this purpose, leaving a $275 million funding gap in every year of the May Plan (see the Social Services: Child Care Vouchers section for details).

The State Enacted Budget would extend for two years through June 2027 the requirement that the City pay the lesser of 80 percent of the net operating costs of the MTA's paratransit system or 50 percent of the net cost plus $165 million.

FIGURE 7
OSC Estimate of Unbudgeted State Budget Items in May Plan
(in millions) Better/(Worse)

	FY 2026	FY 2027	FY 2028	FY 2029
School Aid	$ 395	- - -	- - -	- - -
Overnight Subway Overtime	58	- - -	- - -	- - -
Child Care Match	(275)	(275)	(275)	(275)
Indigent Care Pool Medicaid	(57)	(57)	(57)	(57)
Pension Enhancements	(17)	(22)	(27)	(32)
Net Budgetary Impact	**$ 104**	**$ (354)**	**$ (359)**	**$ (364)**

Note: Totals might not add due to rounding.
Sources: NYS Division of the Budget; OSC analysis

The May Plan added $165 million in every year of the Plan for paratransit costs (see the Semi-Autonomous Entities: Metropolitan Transportation Authority section for details).

The Enacted Budget approved pension benefit enhancements for New York City police officers and firefighters including: reducing the service retirement age of members of the Police Pension Plan to 20 years of service (down from 22 years); increasing the salary used to calculate pension benefits for superior officers who retire with at least 25 years of service; and eliminating the requirement that members of the Fire Pension Plan be eligible for social service disability insurance to quality for ordinary disability retirement benefits. The City Actuary estimates that these changes, when combined, would increase the City's planned pension contributions by $16.7 million in FY 2026, $21.5 million in FY 2027, $26.8 million in FY 2028, and by $32 million in FY 2029.

The Enacted Budget eliminates the State share for indigent care pool Medicaid funding to NYC Health + Hospitals (H+H) which the City likely would backfill costing $28 million in FY 2025 and $57 million annually starting in FY 2026. Without the City offsetting the loss of State funds, the impact to H+H would be $28 million in FY 2025 and $113 million annually starting in FY 2026 (see the Semi-Autonomous Entities: New York City Health + Hospitals section for details).

There are other Enacted Budget initiatives that the State did not quantify, or which may not have a meaningful City operating budget impact. The State will provide $1 billion of capital funding for the City's City of Yes affordable housing program. The New York City Housing Authority (NYCHA) will receive $225 million of the total from the State for capital projects and to rehabilitate vacant units to return them to occupancy.

The budget would also require the City to provide $3 billion for the MTA's 2025-2029 capital program. The May Plan has not incorporated this funding requirement in its capital commitment plan or its debt service budget.

As requested by the City, the Enacted Budget included a tax credit that will eliminate personal income taxes for certain low-income New York City taxpayers. The January Plan already incorporated this in the City's revenue assumption and the City estimated this will cost approximately $65 million annually.

The State budget for SFY 2025 increased the amount of Transitional Finance Authority (TFA) Future Tax Secured bonds not subject to the City's debt limit from $13.5 billion to $21.5 billion on July 1, 2024, and to $27.5 billion on July 1, 2025, which provided $14 billion more in debt-incurring power. The Enacted Budget, citing the $3 billion that the City would have to provide for the MTA's 2025-2029 capital program, will increase the TFA bond limit by that amount to $30.5 billion starting July 1, 2025.

Finally, the Enacted Budget would authorize MTA Bridges and Tunnels to implement a work zone camera pilot program at as many as nine locations on its crossings. The MTA would receive 80 percent of the fines collected from this program and the City would receive 20 percent, which could provide some additional, as yet unquantified, revenue to the City.

Federal Actions

As highlighted in our December 2024 report on the City's Financial Plan, the City (including the municipal government and semi-autonomous entities with a close financial relationship to the municipal government) relies heavily on federal funding to support local initiatives. While federal receipts account for a relatively small portion of the City's FY 2026 operating budget (6.5 percent, or $7.4 billion), significantly more federal funding is awarded to the State or directly to New York City residents (including more than $30 billion in Medicaid expenditures).

The City faces substantial economic and fiscal uncertainty pending the outcome of both extraordinary actions taken by the current federal administration (including trade and immigration policy) as well as the ongoing negotiations over federal spending.

Executive Actions

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.

To assess the potential impact of these actions, OSC examined the City's planned use and impact of federal funds by program area in its operating budget across fiscal years 2025 and 2026. For more details, see our April 2025 analysis and a set of accompanying briefs on the 10 largest federal funding streams to the City.

Through June 5, the City received multiple notifications that would pause, partially or fully terminate legally appropriated federal awards. While the City and State have challenged some of these actions in court, OSC estimates that the City's operating budget includes revenue of about $440 million over FY 2025 and FY 2026 associated with these awards. Of this amount, the City has identified a possible risk of up to $340 million over two years.

Following one such funding review, the federal administration reversed $80 million in reimbursements to the City for services to asylum seekers purportedly paid by officials at the Federal Emergency Management Agency (FEMA) in "violation of [federal] law" and in "gross insubordination" to the President's executive order. The City Comptroller states that these reimbursements were made in response to claims filed by the City for eligible expenses under two grant programs.

This and several other executive actions are being challenged in court, including the elimination of certain pandemic health grants and reimbursements from the Federal Emergency Management Agency (FEMA) for humanitarian services which, if not overturned, could have an adverse impact on the City's financial plan. The May Plan did not include a reduction in federal receipts stemming from these executive actions. However, the City has a long history of budgeting federal receipts conservatively, which may help mitigate the potential adverse impact of deferred or rescinded federal assistance.

The President has also announced changes to trade policy which, if sustained, could impede consumer spending and business investment, thereby weakening economic growth. The New York City metropolitan area is one of the largest import and export markets in the country and shifts in trade policy risk impacting a wide variety of entities that rely on business with other countries, which could affect City revenues associated with these activities. (See the Economic Trends section for more details.)

Federal Budget

On May 22, 2025, the House approved a budget reconciliation bill that proposes 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 when compared to current law. The Congressional Budget Office (CBO) estimates preliminarily that the tax proposals in the reconciliation bill would increase the federal budget deficit by $3.8 trillion over the next decade. After reflecting reductions to mandatory spending and other changes (such as increased funding for the military and border security), the net increase to the deficit would still be $2.3 billion over 10 years. The House bill is currently being considered in the Senate.

While the proposed tax-cut extensions would benefit some New York taxpayers, the intended cuts to mandatory spending when compared to current law could adversely impact the State and the City's fiscal position, depending on the depth and breadth of the cuts ultimately approved by Congress. The impact of the proposed cuts would be concentrated in public health programs -- including Medicaid and the State's Essential Plan (EP) -- and the Supplemental Nutrition Assistance Program (SNAP).

According to the Governor, the House reconciliation package would reduce funding for the State's EP by more than half (over $7.5 billion), shifting $3 billion annually in costs to the State and would reduce funding for the State's health care providers. In addition, the Governor estimates that proposed changes to the Medicaid program would cause nearly 1.5 million New Yorkers to lose coverage and become uninsured, and increase State expenditures by at least $3 billion annually, including $500 million in new administrative costs. Absent alternatives, the State could shift a portion of these costs to local governments including the City.

On May 2, 2025, the President released his budget proposal for discretionary spending in federal fiscal year (FFY) 2026 (i.e, the "skinny budget"). The President is including proposed reductions in non-defense spending, subject to Congressional review and approval, that would likely have a significant adverse impact on New York State and New York City's financial plan. The sharpest cuts would be concentrated in safety net (health and welfare), education, and housing assistance programs.

V. Savings Program

In November 2024, the City introduced a new FY 2025 Savings Program with reductions in planned spending to come largely from a reestimation of asylum seeker spending, debt service savings initiatives and unidentified agency efficiencies. The savings program expanded in the January and May Plans, is driven mostly by the same factors — particularly asylum seeker costs — through FY 2027.

The savings program is expected to generate gross City funds of over $4.4 billion in fiscal years 2025 and 2026, and $837 million in FY 2027. A portion of the savings program is offset by restorations of prior savings initiatives, resulting in a net savings of nearly $4.1 billion in fiscal years 2025 and 2026, and $629 million in FY 2027. There are no net savings to the City in fiscal years 2028 and 2029, as higher debt service from higher-than-expected bonding and restorations will fully offset other savings in those years (see Figure 8).

Nearly 86 percent of savings will come from reducing planned spending on asylum services, at $4.2 billion over three years through FY 2027, driven primarily by a significant decline in the number of asylum seekers entering and remaining in the City's care since its peak in January 2024. The anticipated spending reduction is net of the City backfilling State funds that are not expected to materialize in FY 2026. The decline is strongly correlated with a reduction in border crossings due to revised federal policy restrictions. The City also attributes the reduction in part to revisions of the City's policies on shelter stays and the provision of legal services.

While a source of financial plan savings through FY 2027, debt service is expected to exceed the City's June 2024 projections by $19 million in FY 2027, $153 million in FY 2028 and by $313 million in FY 2029, driven largely by changes in the timing of debt issuances through FY 2026.

The City anticipates agency savings totaling $424 million ($340 million from non-personnel sources, $84 million from lower personal service costs). The agencies have not yet identified how these savings will be achieved. The City has also eliminated its inflation adjustment for procurements in FY 2026. All of the specified initiatives appear to be within the City's control to implement, although savings from asylum seeker costs remain susceptible to federal policy choices.

Program to Eliminate the Gao (PEG) restorations average about $201 million annually starting in FY 2026 with nearly $96 million annually starting in FY 2026 to the City University of New York (CUNY). The May Plan restores funding for older adult centers (OACs) by $23 million in FY 2026 rising to $38 million annually in FY 2027, criminal justice programs and cleaning of public spaces.

FIGURE 8
FY 2025 Savings Program, City Funds
(in millions) – Decrease/(Increase) to Planned Spending

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Total
Asylum Services	1,824	1,588	800	- - -	- - -	**4,212**
Agency Efficiencies	424	- - -	- - -	- - -	- - -	**424**
Inflation Adjustment	- - -	56	56	56	56	**222**
Debt Service	427	105	(19)	(153)	(313)	**(48)**
Total for Current Program	**$ 2,675**	**$ 1,749**	**$ 837**	**$ (97)**	**$ (257)**	**$ 4,906**
Restorations	(139)	(182)	(208)	(204)	(209)	**(943)**
Net Savings	**$ 2,535**	**$ 1,567**	**$ 629**	**$ (302)**	**$ (466)**	**$ 3,964**

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

VI. Revenue Trends

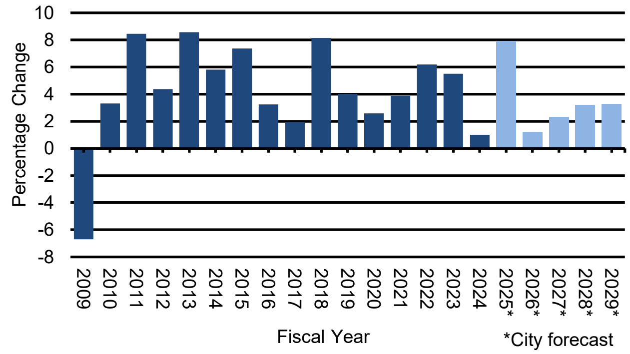
The May Plan increased the forecast from the January Plan for total revenues, which include locally generated revenues (i.e., City funds) and federal and State categorical aid, by $3.3 billion in FY 2025 but by only $541 million in FY 2026. As a result, after increasing by 5.5 percent to a record high of $119.8 billion in FY 2025, total revenues are now expected to decline by 3.9 percent to $115.1 billion in FY 2026, worse than the 1.7 percent decline anticipated in January and what would be the first decline since FY 2009.

The projected decline is fueled by a $5.3 billion drop in federal and State grants due to the exhaustion of temporary pandemic aid and a significant reduction in State funding for asylum seeker services. This drop more than offsets an anticipated increase in City funds of $584 million.

The May Plan expects City funds — which account for 76 percent of total revenues — to increase by just 0.7 percent in FY 2026, lower than the January Plan forecast of 1.7 percent, due to the May Plan's upward adjustment of $2 billion in FY 2025 creating a higher baseline. As a result, after increasing by 7.7 percent in FY 2025, City funds are expected to increase further to a record high of $87.2 billion in FY 2026 (see Figure 9). Tax collections are expected to account for 93 percent of City fund revenues; miscellaneous revenues are expected to account for 7 percent in FY 2026.

With better-than-expected collections for personal and business income taxes reflecting a strong economy in calendar year 2024, the May Plan increased the FY 2025 forecast for total tax

FIGURE 10
Annual Percent Change in Tax Revenues



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

FIGURE 9
Trends in City Fund Revenues
(in millions)

	FY 2025	FY 2026	Annual Growth	FY 2027	FY 2028	FY 2029	Average Three-Year Growth Rate
General Property Tax	$ 34,434	$ 35,360	2.7%	$ 36,585	$ 37,664	$ 38,778	3.1%
Personal Income Tax	18,229	17,684	-3.0%	18,280	19,179	19,983	4.2%
Sales Tax	10,288	10,690	3.9%	11,041	11,484	11,911	3.7%
Business Taxes	10,644	10,736	0.9%	10,274	10,351	10,617	-0.4%
Real Estate Transaction Taxes	2,070	2,146	3.7%	2,253	2,367	2,477	4.9%
Other Taxes	3,552	3,589	1.0%	3,678	3,717	3,817	2.1%
Tax Audits	825	809	-1.9%	779	779	779	-1.3%
Subtotal: Taxes	**$ 80,042**	**$ 81,014**	**1.2%**	**$ 82,890**	**$ 85,541**	**$ 88,362**	**2.9%**
Miscellaneous Revenues	6,573	6,226	-5.3%	6,086	6,129	6,165	-0.3%
Unrestricted Intergov. Aid	22	0	N/A	0	0	0	N/A
Grant Disallowances	4	(15)	N/A	(15)	(15)	(15)	0.0%
Total	**$ 86,641**	**$ 87,225**	**0.7%**	**$ 88,961**	**$ 91,655**	**$ 94,512**	**2.7%**

Note: Personal Income Tax includes the Pass-Through Entity Tax and assumes the passage of "Axe the Tax."
Sources: NYC Office of Management and Budget; OSC analysis

collections from the January Plan by $1.7 billion to $80 billion.

Year-to-date tax revenue (including audits) in the first nine months of FY 2025 was 7.7 percent higher ($4.7 billion) than the same period last year as collections from all major taxes increased. The City expects total tax collections in FY 2025 to be 7.9 percent higher than the prior year (see Figure 10).

Due to a rise in uncertainty in the economy since January, the City now expects economic growth to slow more in calendar year 2025. The City still expects growth in jobs, wages and personal income, albeit at a slower pace than the prior year. As a result, the City expects tax collections to increase by 1.2 percent in FY 2026, slower than the January Plan forecast of 2.1 percent because of a higher baseline in FY 2025.

Tax collections are expected to reach a record high of $81 billion in FY 2026, $1 billion higher than the January Plan. Because of the expected economic slowdown, the City forecasts non-property tax collections to be flat (0.1 percent) in FY 2026 and property tax collections to increase by 2.7 percent.

In fiscal years 2027 through 2029, total revenues are forecast to increase by an annual average of 2.1 percent. After the decline in FY 2026, 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 (see the State and Federal Actions section for details).

During the same period, City funds are expected to average growth of 2.7 percent annually, much slower than the annual average growth of 4.7 percent in the five years before the pandemic.

The May Plan expects tax collections to average 2.9 percent annual growth during fiscal years 2027 through 2029, reflecting the City's expectation of a more stable economy. However, unlike the January Plan, the May Plan now expects the average annual growth in property tax collections (3.1 percent) to outpace that of non-property tax (2.8 percent) during this period. This resulted from the May Plan increasing the property tax collections forecast from the January Plan by a combined $3 billion in fiscal years 2027 through 2029. The combined changes for the forecast of non-property tax collections were a reduction of $4 million.

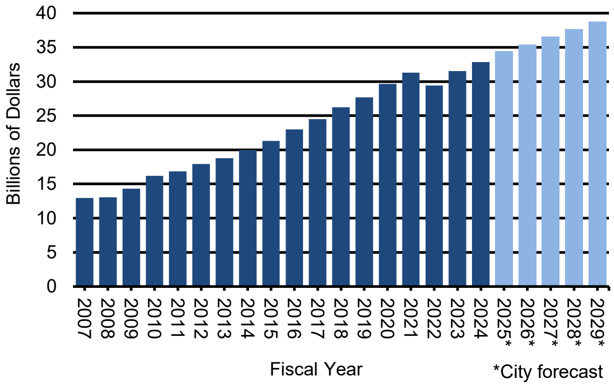
While the economic outlook remains uncertain, OSC estimates tax collections will likely be higher ($160 million) than the City's forecast in FY 2025 but will be $152 million lower in FY 2026. In the out-years of the plan, OSC estimates tax collections will exceed the forecast by an annual average of approximately $448 million resulting in average annual growth of 3.2 percent. In total, OSC believes revenues will be $1.4 billion higher throughout the financial plan period, the smallest amount of upside projected by OSC at this point in the fiscal year since 2020.

General Property Tax

In the May Plan, the City made an upward adjustment of $521 million for FY 2026 compared to the January Plan. As a result, the City expects total property tax collections to reach $35.4 billion, an increase of 2.7 percent over the current fiscal year (see Figure 11). The City's adjustment reflects the strength of the tentative property tax assessment roll (released in January) and its expectations for a strong final assessment roll released in late May.

The May Plan also increased collections by $211 million for FY 2025 based on lower-than-expected delinquencies and cancellations. FY 2025 collections now represent a 4.8 percent increase over FY 2024.

FIGURE 11
Property Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

The total taxable value of all properties in the City grew by 3.9 percent on the FY 2026 tentative property tax assessment roll released in January, and the final roll released in late May showed a reduction of 0.9 percent in total taxable values, a slightly smaller decline than the average seen in recent years (a 1.2 percent decline for FY 2019 through FY 2023; fiscal years 2024 and 2025 saw an increase on the final roll due to large increases in valuations on Class 3 properties from the New York State Department of Taxation and Finance, which were based on increased replacement costs driven by inflation).

Compared to the FY 2025 final roll, residential properties showed increases in assessed values of 4.3 percent for tax Class 1 and 3.6 percent for Class 2. The residential property market has shown continuing strength, with real estate firm Douglas Elliman reporting that median sale prices in Manhattan were up 11 percent in the first quarter of 2025 compared to the prior year.[20] Zillow data suggests that citywide prices were up 6.2 percent in the same period.[21] Utility properties (Class 3) saw total taxable values increase on the final roll by 3.5 percent compared to the tentative roll, a smaller jump than was seen in the previous two fiscal years.

Commercial property values also grew in the recent roll but at a slower pace, with taxable values increasing by 1.5 percent compared to FY 2025. Office properties struggled in the wake of the pandemic as companies instituted new remote work policies. The past year, however, has seen office vacancies begin to recede from post-pandemic highs, with Cushman & Wakefield reporting an overall vacancy rate of 22.7 percent in the first quarter, down from a peak of 23.6 percent in the second quarter of 2024.[22] Property managers reported increased leasing in 2024, buoyed by higher-end trophy and Class A properties.

The City also lowered the property tax reserve (the amount of the levy set aside for delinquencies, cancellations, abatements, refunds, and other offsets) in the out-years compared to the January Plan. The reserve level for FY 2026 was lowered from 7.7 percent in the January Plan to 7.2 percent in the May Plan. The City had been overestimating the reserve in recent years; this adjustment brings the forecast closer to the actual observed level (an average of 6.9 percent in fiscal years 2021 to 2024; see OSC's February Plan report for details). The recent reinstatement of the property tax lien program is also likely to spur additional prior year collections; the City estimates collections of $125 million in lien sale proceeds in FY 2025 and

[20] "Elliman Report, Q1-2025 Manhattan, NY Sales," Douglas Elliman, April 2025, https://elliman.com/media/Manhattan_Q1_2025_eca6d948a7.pdf
[21] "Median Sale Price (Smooth & Seasonally Adjusted, All Homes, Monthly)" for New York, NY MSA, Zillow, https://www.zillow.com/research/data/.
[22] "MarketBeat Manhattan Office Q1 2025," Cushman & Wakefield, https://www.cushmanwakefield.com/en/united-states/insights/us-marketbeats/new-york-city-area-marketbeats.

$87 million per year for fiscal years 2026 to 2029.

The City revised its expectations for total taxable property values in the out-years, increasing total collections by a combined $3 billion in fiscal years 2027 through 2029, reaching $38.8 billion in FY 2029. Despite these increases in expected collections, the City expects property tax collections to slow in the out-years. The property tax collections forecast in the May Plan shows an expected compound average annual growth rate of 3.1 percent for fiscal years 2027 to 2029, well below the average rate of 5.4 percent for fiscal years 2023 to 2025. OSC projects that while the City's forecast for property taxes in FY 2026 is reasonable, collections in the out-years may be higher by a combined $540 million in fiscal years 2027 through 2029, given the expected growth rates of property assessments.

Continuing uncertainty regarding the economy and federal policy presents an ongoing challenge for property tax collections. Though the strength of property assessments is expected to continue driving increases in tax collections, a number of continuing external factors offer risks to the forecast. An ongoing lawsuit by Tax Equity Now New York (TENNY) alleging that the City's property tax system violated federal fair housing law is continuing through the courts. TENNY filed a new motion after the release of the FY 2026 tentative roll that seeks to have the City reevaluate assessments for the upcoming fiscal year.[23] These proceedings, in addition to broader uncertainty around the economy, federal housing and tax policy, present potential risks to future revenues.

Personal Income Tax

The May Plan increased the forecast for total personal income tax (PIT), including the Pass-Through Entity Tax (PTET), from the January Plan by $821 million in FY 2025, reflecting strong year-to-date collections due to growth in employment and personal income surpassing the City's previous forecast[24] However, because of the City's assumption of an economic slowdown, the May Plan increased the FY 2026 forecast by just $63 million from the January Plan.

As a result, the City now forecasts total PIT collections in FY 2026 to decline by 3 percent from the prior year to $17.7 billion due to an expected slowdown in job and wage growth along with declines in capital gains and bonuses.

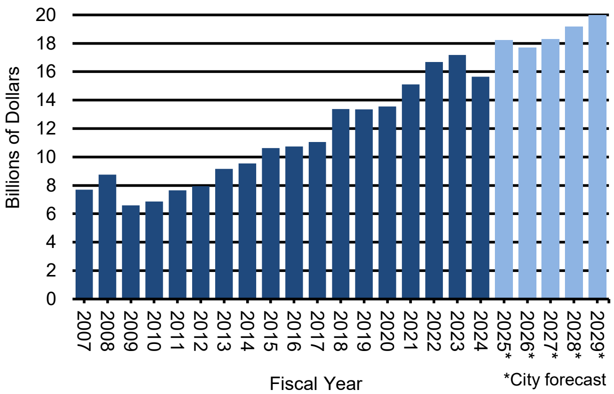
Year-to-date PIT collections through March were 17.9 percent higher than in the same period last year. The growth has been driven by both withholding (i.e., the amount of tax taken from employee paychecks) and non-withholding components of PIT. The May Plan projects total PIT collections to increase by 16.3 percent in FY 2025 to a record high of $18.2 billion (see Figure 12).

The May Plan made adjustments to the FY 2025 forecasts of almost all components of PIT compared to the January Plan. The forecast for withholding was increased by $451 million in FY 2025, reflecting stronger-than-expected job and wage growth along with record high bonuses resulting in better-than-expected collections in

[23] "As Assessments Hit All-Time High, Tax Reformers Push Back," *Habitat*, January 27, 2025, https://www.habitatmag.com/Publication-Content/Legal-Financial/2025/January-2025/tenny-challenges-city-property-tax.

[24] 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.

FIGURE 12
Total Personal Income Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

the first nine months of FY 2025. Collections from withholding through March were 11.7 percent higher than in the same period last year. The City expects total withholding collections in FY 2025 to increase by 10.2 percent from the prior year.

Year-to-date non-withholding collections through March were 51.5 percent higher than in the same period last year. The May Plan increased the FY 2025 forecast for collections from the January Plan by a total of $370 million.

As a result, the City now expects collections from these components to increase by 36.9 percent in FY 2025 due to a large increase in capital gains (the largest non-wage component) due to strong financial markets in 2024. Growth also reflects factors that weakened collections in FY 2024, which was marked by lower settlement payments, and higher refunds to taxpayers who paid both PIT and PTET in FY 2023.

The forecast includes the passage of the "Axe the Tax" program, which was included in the SFY 2026 State Enacted Budget. The program would fully or partially eliminate PIT liability for filers with dependents making less than 150 percent of the federal poverty line. The program would lower collections starting in FY 2026 by $63 million and by an average of about $68 million in each subsequent year.

The May Plan decreased the FY 2026 withholding forecast from the January Plan by $51 million to $13.4 billion. The City now expects withholding to be just 0.5 percent higher than the prior year, a much slower growth than the 4.5 percent the City expected in January.

The May Plan increased the forecast from the January Plan for non-withholding components by a combined $114 million in FY 2026. The City expects capital gains to decline in calendar year 2025, as Wall Street profits are expected to normalize following a relatively strong 2024. This decline and possible timing issues with PTET (assumed to be impacted by the expiration of the SALT cap at the end of calendar year 2025) are expected to result in a 12.6 percent decline in non-withholding components in FY 2026.

For fiscal years 2027 through 2029, the May Plan made marginal adjustments to the total PIT forecast. The City projects collections to increase by an annual average of 4.2 percent, reflecting the City's assumption of moderate 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 4.8 percent during this period, while that of non-withholding components is expected to average 2.2 percent.

The uncertainties associated with the PTET (i.e., the impact of the SALT cap expiration and potential adjustments to taxpayer behavior) and changes in federal policies have made it more difficult to forecast collections. OSC expects collections will be $200 million more than the City's FY 2025 forecast as collections through April were strong based on 2024 liabilities. With the many uncertainties regarding the economy, the City's forecast in the rest of the plan period is reasonable.

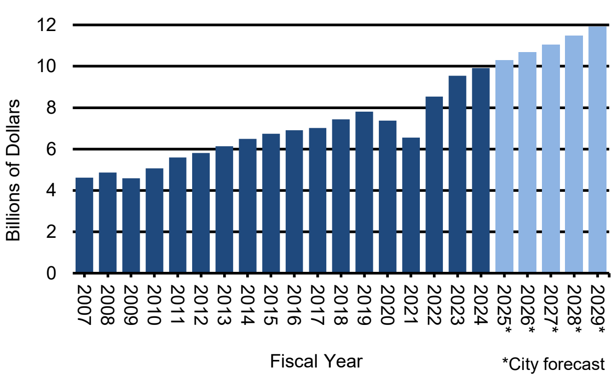
Sales Tax

In the first nine months of FY 2025, sales tax collections grew 3.3 percent ($247 million) compared to the same period in FY 2024. Sales tax collections in FY 2025 have grown moderately as consumer spending growth has waned in recent months.

The May Plan sales tax forecast was adjusted down by $61 million in FY 2026 from the January Plan. The City now expects sales tax collections to grow 3.9 percent and reach $10.7 billion in FY 2026 due to higher inflation offsetting an anticipated slowdown in international tourism (see Figure 13).

There is some concern over consumer spending in the near term, and New York City taxable sales from the retail sector have declined in the latest sales tax year, even as overall taxable sales rose. According to Siena College's Quarterly New York State Index on Consumer Sentiment, in the first quarter of 2025, sentiment in New York State fell to the lowest level since June 2022 but was still higher than the nation.

FIGURE 13
Sales Tax Collections



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) began showing signs of a slowdown in early April 2025 due to tariff concerns.[25]

New York City tourism visitations were expected to return to pre-pandemic levels in 2025 in previous NYC Tourism + Conventions (the City's official tourism agency) forecasts. Total visitors and international spending levels are now not expected to recover to pre-pandemic levels until after 2025, as international visitors are expected to reduce travel to New York City, attributed to various geopolitical shifts in recent months, including responses to trade policy concerns (particularly Canada) and more restrictive U.S. immigration policies.

OSC expects sales tax collections to be lower than the City's projections for FY 2025 by $50 million based on current trends and these economic concerns extending through the end of the current fiscal year. In FY 2026, OSC expects collections to be lower than the City's projections by $250 million as sales tax collections will grow around 2 percent as tourism and consumption could pull back due to global trade uncertainty. In fiscal years 2027 through 2029, OSC also expects collections to be lower than the City's projections by $100 million annually based on anticipated lower collections in FY 2026 being applied across the plan period.

[25] New York Federal Reserve, *The Beige Book,* April 2025.

Business Taxes

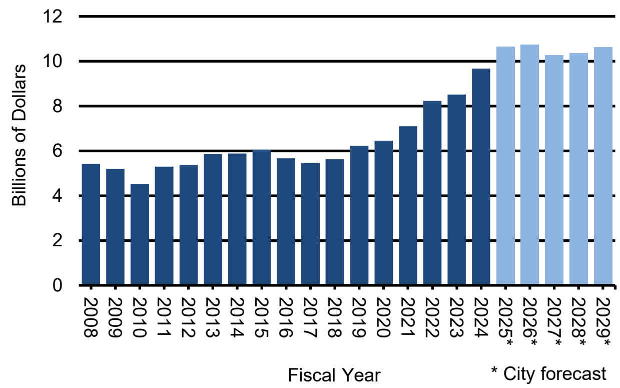
The May Plan forecasts FY 2026 business tax collections to be $329 million higher than the January Plan. As a result, after already reaching a record high in FY 2025, business taxes are now projected to grow another 0.9 percent in FY 2026 to $10.7 billion (see Figure 14).

The May Plan's upward adjustment in the FY 2026 business tax forecast is attributed to growth in business corporation taxes, which constitute more than two-thirds of total business tax collections and are driven primarily by the profits of New York Stock Exchange member firms. Wall Street profits reached a near-record high of $49.9 billion in calendar year 2024, the fourth-highest since 2009. Business corporation taxes are expected to reach $7.5 billion in FY 2026, a 2.1 percent increase from FY 2025. The City expects collections in both the finance and non-finance sectors to weaken starting in FY 2025 and continuing through FY 2026. After a strong year, Wall Street and pre-tax corporate profits are anticipated to return to pre-pandemic levels in the calendar year 2025.

Unincorporated business taxes (UBT), which make up the remainder of total business tax collections, are expected to decline 1.9 percent in FY 2026 to $3.3 billion. The finance sector, which makes up 49 percent of UBT net payments, is expected to decline due to a moderate drop in asset values which will impact the performance fee revenue collected by financial firms and hedge funds. However, the finance sector has seen robust tax payments through the March 2025 calendar year-to-date, growing 59 percent. Given this trend, OSC expects UBT collection to see growth in both FY 2025 and FY 2026.

The City expects a year-over-year increase in business tax collections of 10 percent in FY 2025, fueled by unincorporated taxes, after stronger-than-expected growth in the first three quarters of the fiscal year. In FY 2025,

FIGURE 14
Business Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

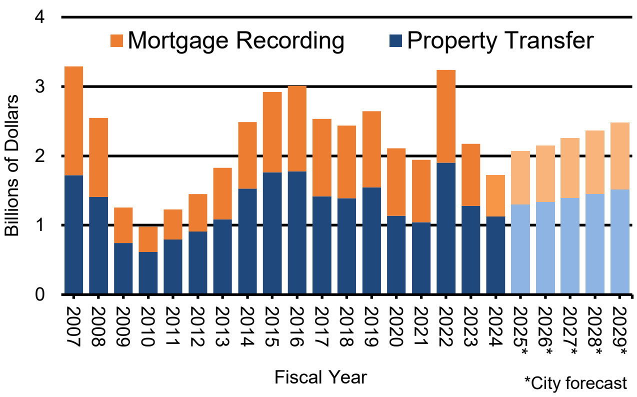
unincorporated taxes are expected to reach $3.3 billion, a $309 million increase from the January Plan. The increase is driven by growth in the professional/tech and legal services sub-sectors, which together grew over 70 percent in calendar year 2025 through March compared to the same period the prior year. Business corporation taxes are expected to reach $7.3 billion, a 6.2 percent increase from the prior year. Corporation tax collections growth has been strong year-to-date, reaching 7.6 percent through March, compared to the same period last year.

Pending federal tax policies have created a landscape of uncertainty that may impact local business decisions and future business tax collections starting in FY 2026. OSC projects the City's business tax collections forecast to be reasonable, at $10.6 billion in FY 2025, growing 10 percent. OSC projects taxes will be 1.5 percent higher, on average, than the January Plan for each of the out-years. OSC or the City projections do not incorporate the potential impact of federal corporate tax legislation or substantial changes to immigration and trade policy.

Real Estate Transaction Taxes

The City's May Plan increased expected transaction tax collections in FY 2026 by

FIGURE 15
Real Estate Transaction Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

$76 million compared to the January Plan. Total collections are forecast to be $2.1 billion, up 3.7 percent from FY 2025 (see Figure 15).

The City also increased its FY 2025 collections forecast by $128 million, and now expects to collect a total of $2.1 billion, an increase of 19.9 percent from FY 2024 and on pace with year-to-date collections.

Sales activity has strengthened in recent months. For calendar year 2025 (through April), the total number of real property transfer transactions increased by 1 percent compared to the same period in 2024, but total sales dollars grew by 13.2 percent.[26] These increases appear to be driven more by investment opportunities as opposed to completed properties, with sites to be developed accounting for more than 25 percent of sales in the first quarter.[27] Overall, residential properties accounted for 68 percent of sales dollars in the first four months of the year, comparable to the 2024 total of 66.3 percent.

The City also slightly increased expected collections in the out-years, raising the forecast by a combined $117 million for fiscal years 2027 to 2029, for an average annual growth rate of 4.9 percent. These changes are largely a reflection of the new baseline set by the increases in fiscal years 2025 and 2026.

The market faces headwinds, however. While a surge in development purchases suggests a construction increase in the near future, a lack of clarity on trade policy presents a challenge to materials costs. The construction industry also relies heavily on immigrant labor, which may be more difficult to secure with recent changes to immigration policy and enforcement. Uncertainty has also led interest rates to remain elevated, making deals more costly to finance.

While OSC finds the City's forecast for real estate transaction taxes to be reasonable, the continuing uncertainty around federal policy choices means that market conditions have the potential to shift suddenly.

Hotel Tax

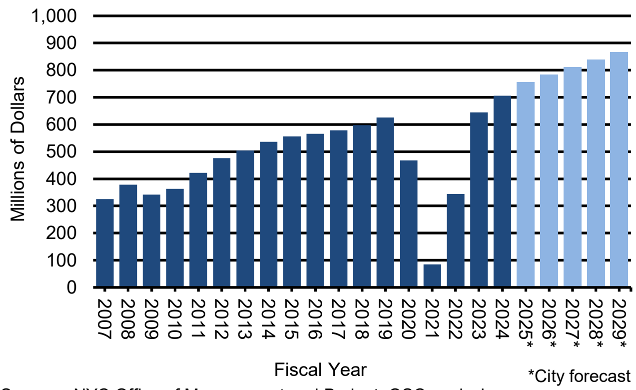
The May Plan reduced the hotel tax forecast by $6 million for FY 2025 and now expects collections to be $755 million, 6.9 percent higher than the prior year. Collections so far this fiscal year have been strong, fueled by strong daily room and occupancy rate data through 2024 [(see OSC Tourism Dashboard)](#) In the first nine months of FY 2025, collections have grown 11.7 percent from the same period in FY 2024.

The City expects hotel tax collections to grow 3.7 percent and reach $783 million in FY 2026 amid rising room rates driven by demand. However, collection growth may be held back by changes to international visitor forecasts (see Figure 16).

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

[27] Jordan Berger, "CRE Investment Activity Ramps Up in NYC with 38% Sales Jump," *CRE Daily*, April 10, 2025, https://www.credaily.com/briefs/cre-investment-activity-ramps-up-in-nyc-with-38-sales-jump.

FIGURE 16
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 in 2025 as international visitors, who spend more than domestic visitors on an average visit, from some countries are anticipated to reduce travel to the U.S., including New York City.[28]

The City's projections for FY 2025 and FY 2026 are reasonable considering current economic conditions and anticipated uncertainty over international tourism.

Miscellaneous Revenues

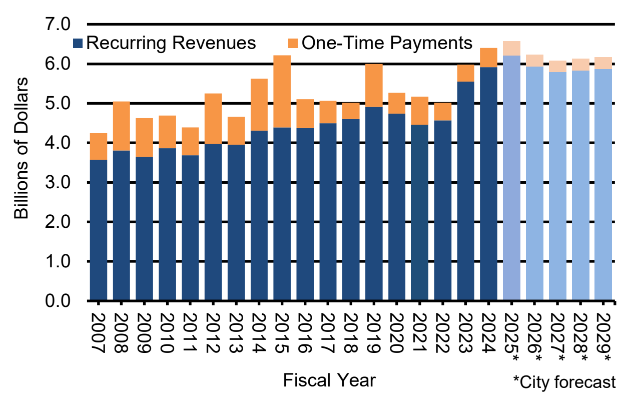
Miscellaneous revenues, consisting of recurring revenues and one-time payments, have been stronger than projected in FY 2025, as water and sewer payments and charges for services have driven recent growth. In the first nine months of FY 2025, total miscellaneous revenues grew 8.4 percent ($421 million) from the same period in FY 2024.

The May Plan expects miscellaneous revenues in FY 2026 to decline 5.3 percent to $6.2 billion (see Figure 17).The City expects lower interest income ($216 million) in FY 2026 based on conservative cash balances and the assumption that the Federal Reserve will cut the target federal funds rate in 2026. Fine and fee collections are also expected to decline in FY 2026 by 11.1 percent to $1.2 billion due in part to lower speed camera fines ($34 million) and lower Department of Building (DOB) penalties ($35 million).

The City also increased revenues from water and sewer payments in FY 2026 by $108 million, fueled by increases in expenses for utilities, materials and supplies. These payments should partially offset the expected declines in the other miscellaneous revenue categories (interest income, rental income, and fines and fees).

The City expects miscellaneous revenues in fiscal years 2027 to 2029 to reach $6.1 billion on average annually. The City's estimates may be slightly conservative, as they reflect some decline in economic activity; however, these projections are reasonable given the potential for economic uncertainty to slow activity.

FIGURE 17
Total Miscellaneous Revenues



Sources: NYC Office of Management and Budget; OSC analysis

[28] OSC, "*The Tourism Industry in New York City: Reigniting the Return*" April 2021, https://www.osc.ny.gov/files/reports/osdc/pdf/report-2-2022.pdf

VII. Expenditure Trends

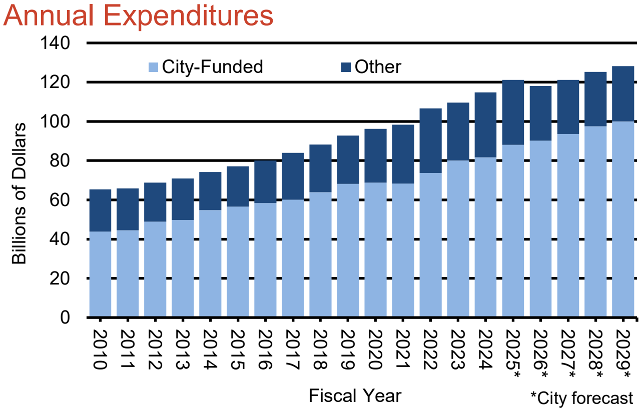
Citywide expenditures are projected to total $118 billion in FY 2026, after adjusting for surplus transfers, which obscure total expenditures (see Figure 18). The portion of citywide spending funded with locally generated revenue (i.e., City funds) is estimated at $90.2 billion. The portion funded with other sources, mostly federal and State grants, is $27.8 billion (23.6 percent).

The May Plan anticipates city-funded spending will decline by 0.1 percent to $88.7 billion in FY 2026, excluding $1.45 billion in contingent reserves and $816 million in estimated savings in FY 2025 for the overestimation of prior years' expenses net of receivable write downs. As discussed later in this section, OSC estimates that spending will exceed the City's current forecast in each year of the financial plan period and that city-funded spending will rise in FY 2026 based on recent trends.

The City's anticipated growth in labor costs and debt service in that year is more than offset by the City's expectation that certain non-personal, non-asylum costs (primarily contractual services) will decline sharply (by 10.6 percent, to $23.1 billion).

The expected decline in non-personal spending is concentrated at the social services agencies, which include rental assistance and non-asylum shelter services. However, these agencies have incurred costs that have significantly exceeded the City's initial forecast for FY 2025. While the caseload has continued to rise in FY 2025, the City also assumes public assistance spending will decline sharply from $1.5 billion to $875 million in FY 2026. City-funded spending on non-asylum homeless services is also expected to decline in FY 2026 (from nearly $1.9 billion to less than $1.2 billion), even though the census has rebounded to near pre-pandemic levels.

FIGURE 18
Annual Expenditures



Note: Adjusted for surplus transfers and debt defeasances. City forecast includes budgeted reserves beginning in FY 2025.
Sources: NYC Office of Management and Budget; OSC analysis

The May Plan assumes total spending would resume growing by an average of 3.6 percent over the next three years. The impact of projected wage increases on labor costs, debt service, and health insurance costs are expected to be the largest cost drivers through the balance of the financial plan period; however, this growth rate assumes a number of expenses that are not funded at FY 2025 levels, and are likely to exceed current projections without substantial changes to demand or operations.

As many of these fixed costs rise, the City's financial plan anticipates a decline, or flat, discretionary spending at several large agencies, including Police, Fire, Transportation, Environmental Protection, Social Services, Homeless Services, and Health and Mental Hygiene. The City's ability to fund increases at these agencies for discretionary programs will be impacted by the trajectory of spending on fixed costs (see Appendix A for details). May Plan expenditure trends are shown in Figure 19 and discussed below.

Expenditure Risks and Offsets

During FY 2025, the City has included new funding (mostly in FY 2025) to address a substantial portion of budgetary risks identified by OSC in previous reports on the City's financial plan (including social services, operating subsidies to the MTA, and special education costs). However, other sizable risks and fiscal uncertainties remain, particularly in FY 2026 and beyond.

The City could incur additional operating costs at the DOE, rising from $675 million in FY 2026 to $2.3 billion by FY 2029, including funding to meet the state-imposed mandate to reduce class sizes.

The May Plan includes funding totaling $1.2 billion in FY 2025 and exceeding $600 million in each subsequent year of the financial plan period for the City's rental assistance programs. Based on current trends for the CityFHEPS program, however, OSC projects that these costs could be higher than planned by $652 million in FY 2026, $925 million in FY 2027, $1.2 billion in FY 2028 and nearly $1.5 billion in FY 2029 (see the Expenditure Trends: Rental Assistance section for details).

OSC has identified other relatively large risks fueled by underbudgeting for mandated operating subsidies for public transit, social services and overtime costs. The City has managed to fund these costs in the past, but this approach distorts anticipated spending in future years. Absent any alternatives, it appears unlikely that the City's public assistance spending will decline in FY 2026 given the continued growth in enrollment through April 2025. The City has still not accounted for all of the potential costs relating to City funding for MTA services such as paratransit, MTA buses and the Staten Island Railway.

The City projects its annual debt service based on conservative assumptions. As in prior years, OSC anticipates that actual spending will be lower than planned. However, the amount of savings will depend upon the City's borrowing needs and the prevailing interest rates in the municipal debt market, which can be difficult to predict. In total, the expenditure risks identified by OSC, net of offsets, are estimated to total $384 million in FY 2025, rising to nearly $7.8 billion by FY 2029.

FIGURE 19
Trends in City-Funded Spending in May 2025 Financial Plan
(in millions)

	FY 2025	FY 2026	Annual Growth	FY 2027	FY 2028	FY 2029	Average Three-Year Growth Rate
Salaries and Wages	$23,153	$24,080	**4.0%**	$25,039	$25,992	$26,798	**3.6%**
Pension Contributions	9,890	10,325	**4.4%**	10,925	11,691	11,323	**3.1%**
Debt Service	7,486	8,633	**15.3%**	9,481	10,462	11,343	**9.5%**
Medicaid	6,278	6,481	**3.2%**	6,631	6,781	6,931	**2.3%**
Health Insurance	7,270	7,882	**8.4%**	8,264	8,681	9,123	**5.0%**
Other Fringe Benefits	3,906	4,137	**5.9%**	4,318	4,514	4,711	**4.4%**
Energy	1,022	1,086	**6.3%**	1,186	1,178	1,155	**2.1%**
Judgments and Claims	891	683	**-23.3%**	700	722	751	**3.2%**
Public Assistance	1,472	875	**-40.6%**	1,225	1,485	1,735	**25.6%**
Services for Asylum Seekers	1,608	1,412	**-12.2%**	1,200	500	500	**-29.3%**
Residual OTPS	25,878	23,131	**-10.6%**	23,172	24,009	24,359	**1.7%**
Subtotal	**$88,854**	**$88,725**	**-0.1%**	**$92,141**	**$96,016**	**$98,728**	**3.6%**
General Reserve	50	1,200	**NA**	1,200	1,200	1,200	**0.0%**
Capital Stabilization Reserve	- - -	250	**NA**	250	250	250	**0.0%**
Prior-Year's Expenses	(816)	- - -	**NA**	- - -	- - -	- - -	**0.0%**
Total	**$88,088**	**$90,175**	**2.4%**	**$93,591**	**$97,466**	**$100,178**	**3.6%**

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

The State Budget for SFY 2026 (enacted shortly after the May Plan was published) includes a number of actions that will have a small net positive impact in fiscal years 2025 and 2026, but an adverse impact in subsequent years, averaging $359 million beginning in FY 2027. 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 could create economic or fiscal risks for the City. (See the State and Federal Actions section for details).

The City has some lead time to address its larger out-year risks and has implemented substantial gap-closing programs in the past.

Discretionary Spending Trends and Changes

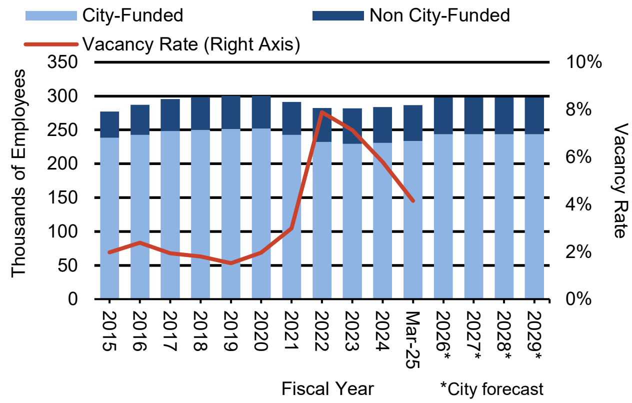
Since the beginning of FY 2025, the City has also funded discretionary costs for local initiatives, but such spending is assumed to not recur, which may increase future costs or result in service disruption (see Appendix B for details). The City also funded discretionary City Council initiatives in FY 2025 ($547 million) but the May Plan does not yet include funding for these in subsequent years, as such costs are subject to annual negotiation between the Mayor and the City Council.

Full-Time Staffing Levels

Since the beginning of the fiscal year, the City's full-time workforce has increased slightly (by 0.8 percent) to 286,381 employees as of March 2025 (see Figure 20). While the May Plan assumes staffing will increase by 5.6 percent to 302,383 employees by June 30, 2025, this level of growth is very unlikely.

The May Plan assumes staffing will total 300,160 employees as of June 30, 2026, an increase of 4.8 percent over current levels. The increase in planned staffing is concentrated in public safety,

FIGURE 20
Full-Time Staffing Levels



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

social services and at the Department of Education (see Appendix C for details).

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. To date, the City has lowered its forecast of personal service spending by $84 million in FY 2025 as part of the FY 2025 Savings Program. Based on current staffing levels, OSC estimates the City could realize an additional $100 million in personal service savings.

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 includes information on 311 service requests.

Collective Bargaining

As of May 2025, 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 May 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.[29]

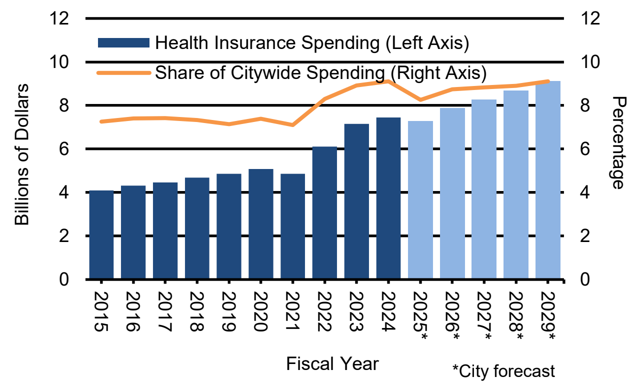
Health Insurance

On June 2, 2025, the City announced its selection of a joint proposal from EmblemHealth and United Healthcare to enter into negotiations to develop a new self-funded health insurance plan to cover an estimated 750,000 active City employees, pre-Medicare retirees, and their dependents (roughly three-quarters of the City's workforce and their families). The tentative plan, which is subject to review and approval by the City and the Municipal Labor Committee, would maintain premium-free coverage and expand the network of doctors and mental health specialists.

Employees will also 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. While the details of the new plan have not yet been negotiated, the City anticipates it will generate $1 billion annually in savings, potentially offsetting several budgetary risks identified by OSC but not reflected in the May Plan.

The May Plan assumes that city-funded health insurance costs would decline slightly to $7.3 billion in FY 2025 but then rise to $9.1 billion by FY 2029 (see Figure 21),

FIGURE 21
Health Insurance Costs
City-Funded



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

22.6 percent more than in FY 2024, consistent with the projected growth in spending citywide during the same period. The May Plan also assumes that health insurance costs, as a share of city-funded spending, would rise to an estimated 9.1 percent by FY 2029, which would be the highest share since at least FY 2010.

Spending could be much higher than assumed in the May Plan, however. The State Department of Financial Services has approved an application from the City's primary insurer to increase health insurance premiums for active employees by 12.2 percent in FY 2026. The increase is more than twice the rate assumed in the May Plan (5.5 percent), which could result in substantially higher-than-expected costs beginning in FY 2026, absent alternatives. The higher-than-assumed growth in premiums could increase City spending by at least half a billion in FY 2026, and by increasingly larger amounts in each year thereafter.

In addition, as discussed further in OSC's [February 2025 report] on the City's Financial Plan, the City also faces potential excess

[29] 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). The May Plan includes reserves to fund annual 1.25 percent wage increases for the entire workforce beyond the current round of bargaining.

premium costs from the GHI Comprehensive Benefits Plan, estimated to total $475 million in FY 2025, but the risk is potentially mitigated in FY 2026 and fully offset in subsequent years assuming that the City approves and implements the new lower-cost plan, to be negotiated by EmblemHeath and United Healthcare, sometime in FY 2026.

Furthermore, the City has written down its nongovernmental revenue from the Health Insurance Stabilization Fund (HISF) in each of the past two years through FY 2024. As also detailed in the February 2025 report, OSC anticipates city-funded health insurance costs could exceed the May Plan forecast by $112 million annually starting in FY 2025 from a continued write-down of nongovernmental revenue due from the HISF.

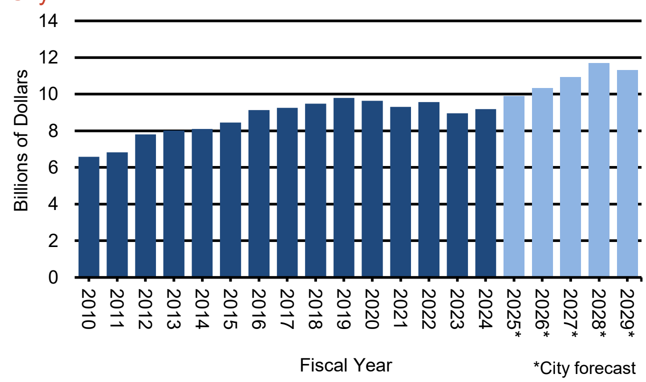
Pension Contributions

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 2027 to fund potential changes from actuarial audit recommendations.

The May Plan assumes pension contributions will total $9.9 billion in FY 2025 then rise each year to reach $11.7 billion by FY 2028, before declining to nearly $11.3 billion in FY 2029 (see Figure 22).

The pension systems earned, on average, 8 percent on their investments during fiscal years 2012 through 2024, compared to the expected annual gain of 7 percent. The City Comptroller reports that the City's pension systems gained, on average, 4 percent on their investments as of the first nine months of FY 2025.

FIGURE 22
Pension Contributions
City-Funded



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

Pursuant to a biennial review mandate by the City Charter, an independent actuarial consultant recommended (in January 2025) a number of changes in actuarial assumptions used to calculate contributions to the City's five pension funds. The changes include: reducing the assumed rates of annual salary increases; increasing overtime percentages; and increasing (or decreasing) assumed disability and mortality rates.

The consultant was not engaged to quantify the budgetary impact of the proposed changes, but it appears at least three of the five pension systems could recognize an unquantified net increase in plan liabilities if the recommended changes in assumptions are implemented as proposed. The consultant's recommendations are under review by the Office of the City Actuary.

The Enacted State Budget for SFY 2026 includes a number of pension benefit enhancements for police officers, firefighters and their superiors which could increase pension contributions by $17 million in FY 2026, rising to $32 million by FY 2029 (see State Budget section for details).

Medicaid

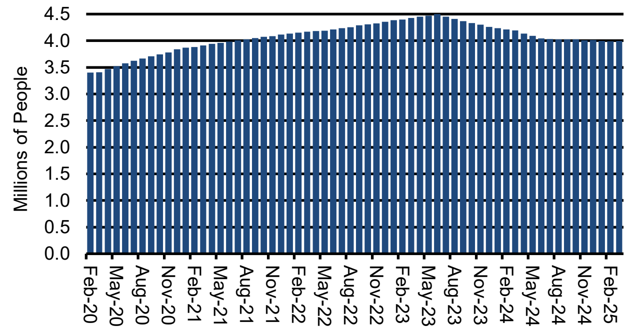
In March 2025, fewer than four million New York City residents were enrolled in Medicaid, which provides health insurance to low-income children and adults (see Figure 23). Enrollment reached a historic high of 4.5 million in June 2023, partly due to policies implemented during the COVID-19 public health emergency that prevented states from disenrolling most beneficiaries from Medicaid. The State also implemented several Medicaid expansions that could impact enrollment such as increased resource limits for certain enrollees, expanding eligibility to undocumented individuals 65 and older and permitting continuous enrollment of children up to age 6.

After these requirements were reinstated, New York State started the process of redetermining enrollees in June 2023 and finalized the process in June 2024 resulting in enrollment declining by over 500,000 beneficiaries. Since then, enrollment has been relatively stable but is still nearly 600,000 more than in February 2020.

The May Plan assumes that the city-funded cost of Medicaid will total $6.3 billion in FY 2025, $6.5 billion in FY 2026, $6.6 billion in FY2027, $6.8 billion in FY 2028 and $6.9 billion in FY 2029. The Plan reduced expenditures in FY 2025 by a net of $363 million due to a Medicaid adjustment that increased costs by $251 million to cover the City's portion of Medicaid expenses to the State and offset by a transfer of $614 million in the Medicaid budget for the City's share of supplemental Medicaid payments to H+H. H+H no longer expects to receive these payments in FY 2025 and the City transferred the funds to H+H to support its cash position.

Escalating Medicaid costs continue to be an area of focus for the State, which may take further

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

measures to reduce the increasing financial burden by passing costs along to local governments. Proposals by the federal administration may also have wide-ranging impacts on the cost of Medicaid to New York State and its localities; see OSC's report on citywide federal Medicaid grants for details.

Social Services

While federal receipts are expected to account for a relatively small portion of the City's FY 2026 operating budget (see the Federal Actions section for details), about half of these receipts are for the following social services agencies: DSS; DHS; the Administration for Children's Services (ACS); the Department of Youth and Community Development (DYCD); and the Department for the Aging (DFTA). In total, the City anticipates spending $3.5 billion in federal funding at these agencies in FY 2026.

Federal funding is also expected to fund 18 percent of spending at the social services agencies, leaving them more vulnerable to potential changes to federal funding policy (see OSC's Federal Funds to New York City report for details). Excluding asylum expenses, fringe benefits and other centralized costs, the City plans to spend nearly $19 billion in total funds for the social services agencies in FY 2026 (see Figure 24).

The City's largest anticipated federal award is Temporary Assistance for Needy Families (TANF), which supports 85 percent of the City's family assistance grants and about half of the City's planned expenses for family shelter operations. The second-largest federal award for social services is the Child Care and Development Block Grant (CCDBG), which comprises a portion of a State block grant that funds more than 60 percent of planned child care services costs in FY 2026.

Current proposals on the federal budget create potential risks for social service programs, including funding for heating assistance for low-income households and the CSBG. These cuts could impact funding for services provided by DSS and DYCD. DSS anticipates spending nearly $40 million in FY 2026 for its Home Energy Assistance Program, of which 98 percent is funded with federal assistance. DYCD expects to receive $35.4 million in FY 2026 from CSBG, which is used predominantly for community development programs.

In addition to concerns about federal funding, the social services agencies face funding drops after FY 2025, many of which are for mandated costs. The City added a combined $3.2 billion to DSS, DHS, ACS, DYCD and DFTA for new needs and PEG restorations in FY 2025 through the Executive Plan. More than 56 percent of the FY 2025 additions were to address higher volume for public assistance and non-asylum shelter services, both mandated services, and state-mandated foster care costs. The City also added $617 million for new rental assistance needs to fund higher-than-anticipated demand. However, despite continued growth in demand for these services, the funds for these programs were added for FY 2025 only, leaving significant budgetary risks unaddressed in the out-years. In FY 2026, the City added needs and restorations of $836 million which didn't address the most significant mandated costs, but did fund some discretionary programs.

FIGURE 24
Total Funds Budget for Social Services Agencies Excluding Asylum
(in millions)

	FY 2025	FY 2026	Variance
Homeless Svcs.	$3,070	$2,452	($618)
Social Svcs.	13,393	11,718	(1,675)
Children Svcs.	3,705	2,907	(798)
Youth and Comm.	1,407	1,304	(103)
Aging	571	554	(17)
Total Social	**$22,146**	**$18,935**	**($3,210)**

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

These funding declines are highly visible in the agencies' budgets in the financial plan. Excluding asylum seekers, total planned spending at DSS drops significantly from FY 2025 to FY 2026, largely reflecting the declines in anticipated spending for public assistance and rental assistance. At DHS, spending declines due to an unsubstantiated drop in funding for non-asylum shelter services. At ACS, the City backfilled State funds of nearly $103 million for foster care and added one-time funding of $139 million to meet a State mandate that local social service districts pay 100 percent of the rates to reimburse the cost of foster care, with the State increasing the rates to be paid. The funds at ACS have not been added to the out-years although spending for these purposes is expected to continue beyond FY 2025.

While the City funded a number of new needs for the current year only, the City added some funding for a number of discretionary services to the out-years starting in FY 2026. ACS added funds for child care ($104 million in FY 2026 and $64.5 million in FY 2027 and FY 2028), although this does not fully address the likely cost of the program at current levels of demand.

The City also added significant recurring funds at DFTA and DYCD for non-mandated services. At DFTA, the City added $81 million in FY 2026 and $75 million in the out-years for senior service programs such as OACs, Naturally Occurring Retirement Communities and Home Delivered Meals (see OSC's report, Older Adults in New York City: Demographic and Service Trends). A restoration of funding cuts in prior years as part of the City's PEG savings program also added $23 million in FY 2026 and $37.7 million in the out-years enabling the OAC network to continue operating at its current capacity. At the DYCD, the May Plan added $21 million in FY 2026, $297 million in FY 2027 and $331 million in the out-years for the Afterschool Expansion program and an additional $19 million was baselined for the Summer Youth Employment Program beginning in 2026. DHS also added $63.5 million of which $50 million is City funds to pay prevailing wages to security guards beginning FY 2025, a mandated cost and a budgetary risk in recent years that is now addressed.

Given OSC's assessment that planned FY 2026 funding will not be commensurate with projected demand for social services, OSC continues to identify budgetary risks that average $2.6 billion annually for social services beginning in FY 2026 (see Figure 25).

Public Assistance

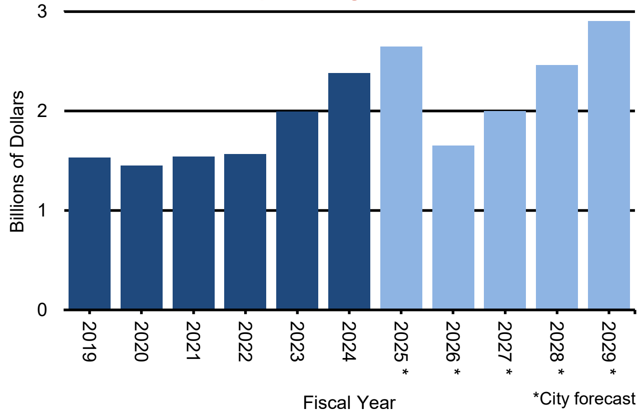
The May Plan adds $78 million to the November Plan's $920 million increase to the public assistance budget in FY 2025 alone, for a total of $998 million added in the current fiscal year since budget adoption. This brings the FY 2025 total to nearly $2.65 billion, with just over half of this amount coming from City funds ($1.47 billion) and roughly 23 percent from federal funding. Planned spending drops by this $998 million in FY 2026, leaving the budget at just under $1.7 billion, which OSC anticipates is unlikely to fully fund needs. Total spending for Family Assistance (FA) and Safety Net Assistance (SNA) is assumed to grow to $2.5 billion in FY 2028 (below the amount budgeted in the current year) and $2.9 billion in FY 2029 (see Figure 26), which calculates to a compounded rate of 2.3 percent annually from fiscal year 2025.

FIGURE 25
Social Services Non-Asylum Risk Assessment
(in millions)

	Better/(Worse)				
	FY 2025	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**
DSS Risks					
Public Assistance	- - -	(553)	(462)	(215)	- - -
Rental Assistance	- - -	(652)	(925)	(1,211)	(1,438)
DHS Risks					
Non-Asylum Shelter Services	- - -	(792)	(897)	(1,015)	(1,128)
ACS Risks					
Foster Care – State budget rate	- - -	(139)	(139)	(139)	(139)
Expiration of Foster Care (Title IV-E)	- - -	(103)	(103)	(103)	(103)
Total Social Services Risks	**- - -**	**($2,238)**	**($2,526)**	**($2,682)**	**($2,808)**

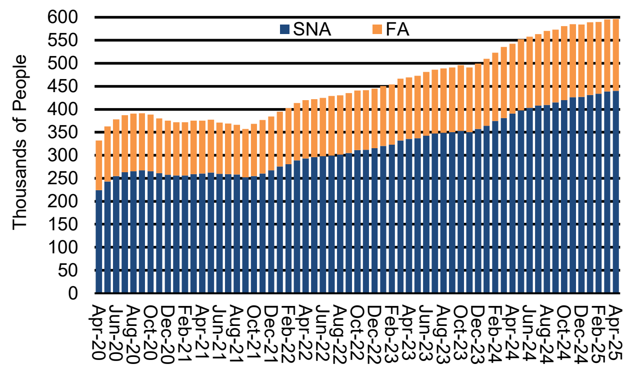
Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 26
Public Assistance Spending



Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 27
Public Assistance Recipients



Sources: NYC Human Resources Administration; OSC analysis

This assumed decline prior to rising by FY 2029 is unlikely, as public assistance caseloads continue to rise (see Figure 27). The projected decline in public assistance spending in FY 2026 is in contradiction to the growth in caseloads, which reached 596,181 in April 2025, or 53,797 individuals higher than at the same point last year (10 percent). See OSC's FY 2025 April Plan report for details on historical enrollment.

The City had suspended work requirements for public assistance recipients during the pandemic, but recently resumed them at the end of April to comply with federal and State mandates. It is using a phased approach where most existing clients will be engaged during their annual renewal period and new clients during their initial interview; the City expects the roll-out process to continue through the end of calendar year 2025. While this may ultimately reduce caseloads, the impact has yet to significantly alter their growth trajectory. OSC will continue to monitor these trends moving forward.

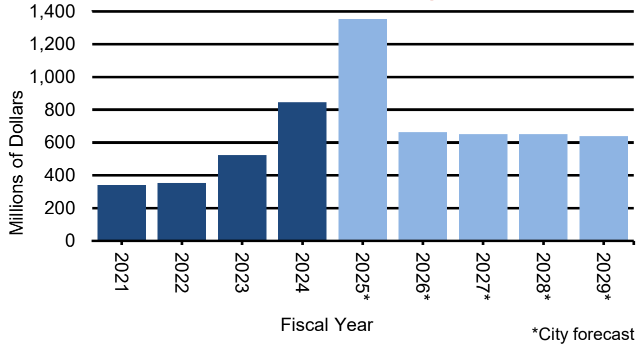
Based on recent trends, OSC estimates that expenditures will total roughly $2.63 billion in FY 2025, and that this estimate is reasonable. OSC assumes that spending in the out-years will grow at a compounded rate of 2.3 percent annually from FY 2025 levels and that enrollment will not materially decline during those years. As such, OSC projects a budget risk to the City of nearly $553 million in FY 2026 (just over $1 billion in total funds) that drops to $462 million in FY 2027 ($755 million in total funds), and $215 million in FY 2028 ($356 million in total funds). The risk assessment assumes federal categorical grants will be maintained at the current rate for public assistance benefits.

Rental Assistance

The City's rental assistance budget provides funding for a number of different programs, including CityFHEPS, Special One-Time Assistance, FHEPS B, Special Housing Assistance Resource and HOME Tenant-Based Rental Assistance. In FY 2025, CityFHEPS spending comprised 92 percent of the total budget. The May Plan includes $1.4 billion for rental assistance in FY 2025, compared to $845 million spent in FY 2024 (61 percent higher). The City increased its budget by $651 million from initial projections in June (92 percent), of which $619 million is city-funded. Despite substantial recent growth, the City assumes rental assistance spending will decline to an average of $650 million annually in fiscal years 2026 through 2029, which OSC anticipates is unlikely (see Figure 28). The Plan also does not address the fiscal impact of three out of the

FIGURE 28

Total Rental Assistance Spending



Note: 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

four pieces of legislation that passed in July 2023 to substantially expand eligibility for the CityFHEPS voucher program, but for which the State Supreme Court ultimately ruled the City Council alone did not have authority to enact.[30]

Even with the current eligibility, data trends indicate that costs for CityFHEPS will continue to grow. Using the monthly exits from City shelters into the CityFHEPS program, average voucher payments, and the most recent Housing Vacancy Survey, OSC finds that the City's estimate for rental assistance for FY 2025 is reasonable. However, OSC estimates that CityFHEPS spending will reach \$1.3 billion in FY 2026, \$1.5 billion in FY 2027, \$1.8 billion in FY 2028, and \$2 billion in FY 2029. When compared to the estimated CityFHEPS portion of the rental assistance budget, this results in a risk of \$652 million in FY 2026, growing to \$1.4 billion by FY 2029. In FY 2026, almost all of the City's risk is due to funding drops laid out in the Plan, while, in the out-years, nearly 60 percent can be attributed to this, with the remainder driven by OSC's projected growth in enrollment and voucher costs in the out-years.

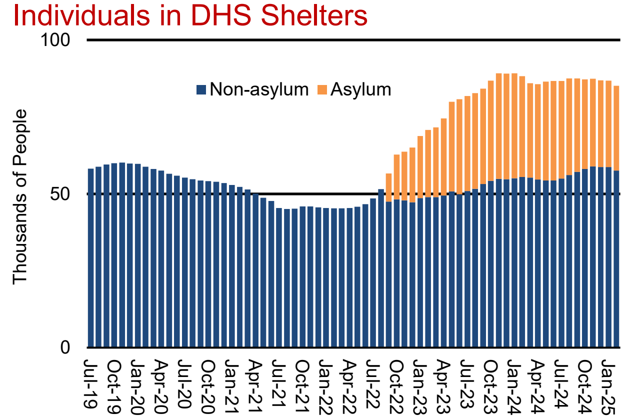
Non-Asylum Shelter Services

The number of individuals in DHS shelters declined at the onset of the pandemic, but the census has generally grown since the moratorium on residential evictions expired in January 2022 (see Figure 29). In March 2025, the non-asylum population in DHS shelters averaged 56,342, or 24 percent greater than in January 2022 (45,343). The non-asylum shelter population is now nearing pre-pandemic levels, lagging December 2019 by about 3,500 individuals.

Recent growth over the past twelve months has been led by an increase in the single adult population, which has grown (from month-to-month) nearly three times faster than the family population. Single adults now exceed their previous peak (prior to the asylum crisis) of 18,501 individuals in January 2021.

FIGURE 29

Individuals in DHS Shelters



Sources: NYC Human Resources Administration, Office of Asylum Seeker Services; OSC analysis

[30] DSS did not implement the expansion authorized by the legislation within 180 days of enactment, leading tenant advocates to file a class-action lawsuit. On August 1, a State Supreme Court judge ruled in favor of the City, stating that the entity which passed the legislation — the City Council — lacked the authority to enact the expansion, which resides with the State, and DSS as the local social services district acting as an agent of the State. The City Council has indicated that it will pursue an appeal. OSC had previously calculated the budgetary risk associated with CityFHEPS by including the potential cost of this expansion.

To address the higher census, the City has added funds to the DHS budget midyear for the current fiscal year but has not increased projections in future years. The City has consistently underestimated projected spending for non-asylum shelter costs and added them back during the fiscal year as spending exceeds projections for the past three years. The City added $100 million for this purpose in the May Plan, FY 2025, bringing the total increase this year to $654 million. The May Plan shows the budget for non-asylum shelter spending dropping by $711 million (27 percent) in FY 2026.

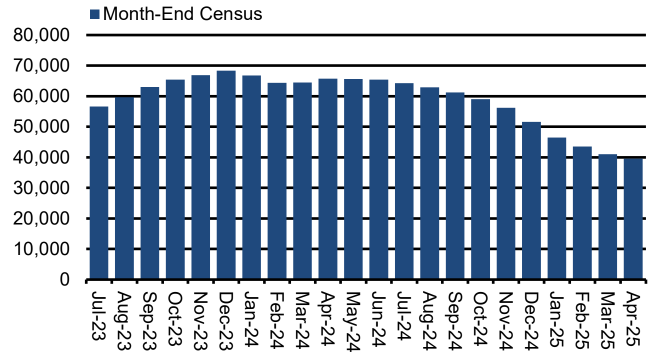
Given recent population and spending trends, it is unlikely that spending on shelter will decrease by this amount. On the contrary, OSC expects demand to continue to rise, along with related costs, even under the conservative assumption that daily shelter cost rates would remain flat from FY 2026 levels. As such, OSC has increased its budgetary risk to $792 million in FY 2026, growing to $1.1 billion in FY 2029 (see OSC's January Plan report for previous risk estimate).

This number could be higher if the per diem costs rise or the shelter population grows faster than expected, including due to changes in federal voucher programs, or if the federal government enacts cuts to the City's TANF revenue, which is expected to fund roughly half of family shelter costs in FY 2025 (see OSC's TANF report).

Asylum Services

Through May 4, the City reports that over 235,800 asylum seekers have come through its intake system since Spring 2022, and that more than 39,200 of these individuals remain in the City's care, marking a decline of over 29,000 from a peak of 69,000 in January 2024 (see Figure 30).

FIGURE 30
Asylum Seeker Individuals in City's Care



Sources: NYC Office of Management and Budget; City Council; OSC analysis

The census has declined steadily since the June 2024 announcement of a federal executive order limiting border crossings. The City also implemented local policies which limited the time that asylum seekers could remain in the City's care (see OSC's November Plan report for details). Shelter exits accelerated in December and January following the 2024 Presidential election results, averaging 66 households per day for the eight-week period. However, they have since slowed to an average of 29 households per day during March and April.

The May Plan reflects the lower census and anticipated savings from the City's planned closures of asylum shelters (see OSC's January Plan report). However, it also removes $2.7 billion of State funding that is no longer expected in fiscal years 2026 through 2029 which offsets a portion of the savings in FY 2026 and FY 2027 (see Figure 31). This results in net City fund savings of $4.2 billion over FY 2025 through FY 2027 since the adoption of the FY 2025 budget.

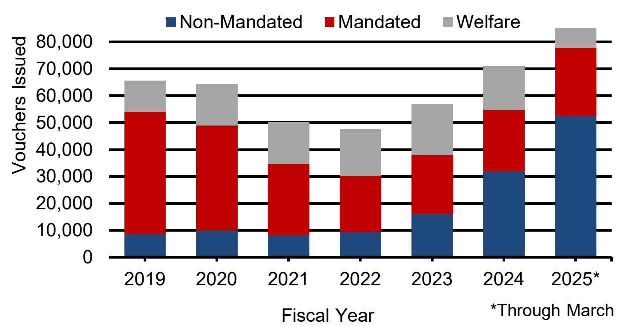
In total, the May Plan anticipates spending $3.2 billion in FY 2025, about half of which is City funds, and $1.45 billion in FY 2026, which is nearly all city-funded. Funding in the financial plan declines in the out-years, and assumes that the census will decline to about 20,000 individuals by June 2026. The May Plan also assumes no State or federal funding after FY 2026.

Recognizing that there are still considerable unknowns, OSC finds the City's estimates to be generally reasonable. Using the FY 2024 actual per diem rate of $372 and assuming that the census will decline gradually through the end of FY 2029, OSC assumes total spending of $2.9 billion in FY 2025, $1.6 billion in FY 2026, $1 billion in FY 2027, $786 million in FY 2028, and $652 million in FY 2029. OSC also assumes that federal funding assumed to pay for these costs included in the May Plan will not manifest. In total, this would result in higher city-funded costs of $238 million over the five-year plan window (see Figure 31).

Child Care Vouchers

ACS Child Care Voucher spending has risen substantially over the past three years due to enrollment and cost increases. As voucher requests from households receiving public assistance (mandated recipients) waned during the pandemic, ACS utilized non-recurring Covid relief funds provided by the State to expand voucher eligibility for additional low-income families not receiving public assistance (non-mandated recipients). Non-mandated household enrollment increased from an average of about 8,600 in FY 2019 to an average of about 52,400 in FY 2025 through March. Average mandated voucher use fell from about 45,500 to just under 25,500 over the same period (see Figure 32).

FIGURE 32
Average Child Care Voucher Use by Year



Source: NYC Office of Operations

FIGURE 31
Asylum Budget Changes
(in millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
June Plan – City Funds	$3,431	$3,000	$2,000	$500	$500
June Plan – State Funds	1,317	1,000	1,000	350	350
June Plan – Fed Funds	- - -	- - -	- - -	- - -	- - -
June 2024 – Total	**$4,748**	**$4,000**	**$3,000**	**$850**	**$850**
May Plan – City Funds	1,606	1,412	1,200	500	500
May Plan – State Funds	1,504	1	- - -	- - -	- - -
May Plan – Fed Funds	81	37	- - -	- - -	
May 2025 - Total	**$3,191**	**$1,450**	**$1,200**	**$500**	**$500**
OSC projection – City Funds	1,403	1,569	1,046	786	652
OSC projection – State Funds*	1,504	1	- - -	- - -	- - -
OSC projection – Fed Funds	- - -	- - -	- - -	- - -	- - -
OSC projection – Total	**$2,907**	**$1,570**	**$1,046**	**$786**	**$652**
OSC difference – City Funds	203	(157)	154	(286)	(152)
OSC difference – State Funds	- - -	- - -	- - -	- - -	- - -
OSC difference – Fed Funds	81	37	- - -	- - -	- - -
OSC difference –Total	**$284**	**($120)**	**$154**	**($286)**	**($152)**
OSC (risk)/offset					

Sources: NYC Office of Management and Budget; OSC analysis

ACS budgets for the child care voucher program by FFY as funding is mainly sourced from federal grants and passed through to the City through New York State Child Care Block Grants (CCBG). In a February budget estimate covering FFY 2026, ACS projected a total need of about $1.9 billion to maintain voucher service for approximately 91,600 participants at a per-voucher cost of approximately $21,000 for all voucher types. With more than 103,700 vouchers in use at the end of April, funding needed is likely to be higher. Further, with the reinstatement of work requirements for public assistance recipients, requests for mandated vouchers are expected to increase, meaning fewer available resources for non-mandated voucher recipients.

Despite the projected need, ACS is projecting total funding of about $1.52 billion in FFY 2026. The May Plan includes $601 million for Child Care Services in FY 2026, well below funding needed for assumed demand, with $195 million provided by the City and another $406 million from federal and State grants, primarily CCBG, although not all allocated funds are exclusively for vouchers. Comparatively, the FY 2025 adopted budget included $91 million in City and $406 million in State and federal funds, to which another $67 million and $670 million have been added, respectively, throughout the fiscal year. The State will release the initial FFY 2026 CCBG allocations in July, at which time OSC will be able to reassess the federal funding risk to ACS.

The SFY 2025-26 Enacted Budget includes up to $350 million in supplemental, matching voucher funding, available across FFY 2025 and FFY 2026. FFY 2025 City voucher expenditures, above the current $53 million Maintenance-of-Effort (MOE) requirement, are currently eligible for matching funds. To receive matching funds in FFY 2026, the City will have to increase its share of voucher spending to at least $328 million. The $275 million difference between the new minimum and the MOE, if not fully funded, is a budgetary risk to the City (see the State Budget section for details).

The City has the option to receive further matching funds beyond the State's mandated minimum. The $75 million in City funding required for the optional match, beyond the $275 million State mandated match, is not yet included in the FY 2026 budget and is considered an additional budget risk. Ultimately the budget risk to the City will be affected by mandated and non-mandated enrollment, State and federal aid and average voucher costs.

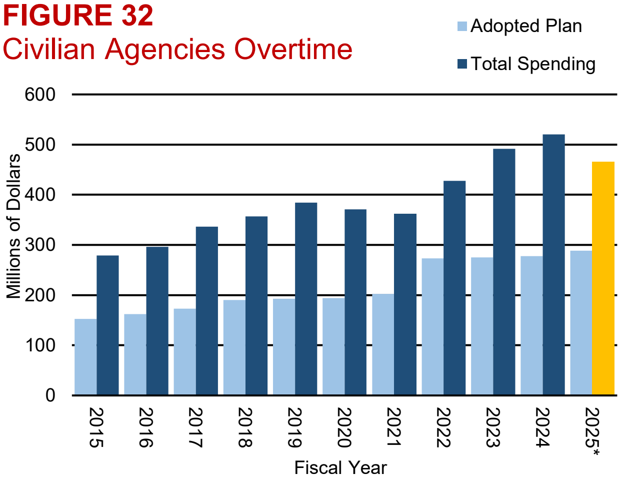
Overtime

Overtime spending citywide through the first 10 months of FY 2025 totaled $2.1 billion, $107 million more than in FY 2024 through the same period. The growth in overtime was driven by higher spending at the uniformed agencies, with costs increasing by $135 million since last fiscal year to $1.7 billion (82 percent of the citywide total in FY 2025). Growth at the uniformed agencies was partially offset by a $30 million reduction in year-over-year overtime at the civilian agencies (to $374 million total), mostly from reduced social services overtime.

Underbudgeting of civilian agency overtime has become more pronounced in recent years. Civilian overtime costs through April exceed the $324 million budget included in the May Plan (see Figure 32). While OSC anticipates civilian overtime will decline for the first time in four years, the City may still need to add $150 million to offset additional costs in this fiscal year.

The Police Department spends the most on overtime with $859 million fiscal year-to-date, $32 million more than last year. However, the department has made some improvement in curtailing overtime use since the reintroduction of last year's overtime reduction initiative (see

FIGURE 32
Civilian Agencies Overtime



Sources: NYC Financial Management System; OSC analysis *Projected

OSC's [January Plan report] for details). Department spending on overtime declined from a monthly average of $100 million during the first six months of FY 2025 to $67 million in the four months since. The reduction has occurred as the City has agreed with the State to increase overnight subway patrols, with the State reimbursing half of the cost ($77 million), included in the SFY 2025-26 Enacted Budget.

Police overtime is on track to end the fiscal year over current projections by $68 million, despite the addition of $439 million to the budget since adoption. The City has not adjusted planned spending for FY 2026 onward to reflect recent trends.

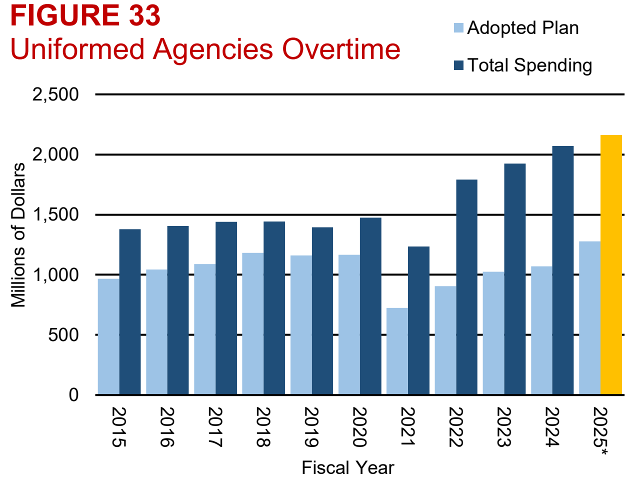
The Department of Correction has also spent nearly double ($262 million) what it had planned to spend at the beginning of the fiscal year, an increase of $44 million year-over-year. As the number of correction officers continues to decline and the population in custody climbed to the highest level in six years, overtime is projected to total nearly $330 million, about $200 million more than planned in June 2024.

In May 2025, a federal judge ordered the appointment of a remediation manager, who will be tasked with improving conditions at Rikers Island, including the management of personnel and consequently, overtime. The impact to overtime of this change is uncertain.

At the current rate of spending, OSC projects total uniformed agency overtime will reach $2.2 billion, $98 million more than planned and $89 million more than in FY 2024 (see Figure 33). The City should limit growth in overtime and generate additional resources elsewhere to offset the unanticipated costs.

The uniformed agency overtime budget in fiscal years 2026 through 2029 averages $1.4 billion, about $800 million less than OSC's projection for FY 2025. Based on current trends, OSC projects the City may need to add roughly $750 million annually for uniformed agency overtime.

FIGURE 33
Uniformed Agencies Overtime



Sources: NYC Financial Management System; OSC analysis *Projected

VIII. Debt Service and Capital Spending

In conjunction with the May Plan, the City released its 10-Year Capital Strategy (TYCS) for fiscal years 2026 through 2035, which totals $173.4 billion, $8.6 billion (5 percent) more than the capital strategy released in April 2023, and by far the largest on record. The strategy is also $3.4 billion larger than the preliminary strategy proposed in January. The first four years of the strategy (which coincides with the financial plan period) would average capital commitments of $21.9 billion annually while the next six years would average commitments of $14.3 billion annually.The City funds 97 percent of the strategy ($136.2 billion from General Obligation and TFA bonds and another $32.8 billion from New York City Municipal Water Finance Authority (NYW) bonds.)

As shown in Figure 34 and discussed below, environmental protection, transportation, education, housing, corrections, parks, and technology and equipment make up 83 percent of planned capital projects spending.

The largest share of the TYCS (19.2 percent) is for the Department of Environmental Protection, which has been allocated nearly $33.3 billion, $4.2 billion more than proposed in 2023. These projects are funded by NYW debt, paid for with water and sewer rates. The City added $4.8 billion for water pollution control projects including $3 billion for water quality mandates and $1.9 billion for plant upgrading and reconstruction projects.

FIGURE 34
Ten-Year Capital Strategy Comparison
(in millions)

Category	FY 2026 FY 26-35	FY 2024 FY 24-33	Variance
Environment	$ 33,252	$ 29,006	$ 4,246
Transportation	32,034	31,553	480
Education	23,793	17,859	5,934
Housing	24,695	23,864	831
Corrections	11,996	10,659	1,337
Parks	10,383	8,865	1,519
Coastal Resiliency, Tech & Equip.	8,054	10,158	(2,104)
All Other	29,197	32,815	(3,618)
Total	**$173,405**	**$164,778**	**$8,625**

Note: Totals may not add due to rounding.
Sources: NYC Ten-Year Capital Plans; OSC analysis

Transportation projects would be allocated $32 billion, $480 million more than the 2023 TYCS. The categories showing the largest increases are bridge reconstruction ($3.9 billion), East River bridges ($1.3 billion) and bridge protective coatings ($1 billion). The category of bridge life extensions is showing a decrease of $6 billion.

Education projects would be allocated $23.8 billion, an increase of $5.9 billion over the 2023 TYCS, which represents the largest categorical increase. System expansion projects for both new and existing facilities make up the largest portion, totaling almost $4.6 billion, a majority of which will be used to help achieve compliance with the State mandate reducing class sizes.

Housing projects, including Housing Preservation and Development (HPD) and NYCHA, would be allocated a total of $24.7 billion. The segments with increases over the 2023 TYCS are for new housing construction, housing preservation and special needs housing totaling almost $1.8 billion as the City implements its City of Yes housing program and other housing and affordability priorities.

Corrections projects would be allocated a total of $12 billion, which is an increase of $1.3 billion over the 2023 TYCS, with the allocation for new jail facilities increasing by $3 billion to $11.4 billion. Allocations for building systems and infrastructure projects were reduced by $1.6 billion. More than half of the allocation for new jails is expected to be committed after the City's own deadline of August 2027 for the closure of the Rikers Island jail facility.

Many capital projects also relate to the City's climate goals for flood and heat resiliency and greenhouse gas mitigation. Applying a Climate Alignment Assessment framework to projects in the 2025 capital commitment plan and the TYCS, which together total $196.7 billion in investment, the City determined that projects totaling $12.8 billion are fully aligned with the City's resilience goals. Additionally projects totaling $46.5 billion have components that are aligned with the resilience goals. Projects totaling $22.7 billion contribute to the City's mitigation goals, with $8.4 billion aligned and $14.3 billion with aligned components.

Examples of projects aligned with flood resilience goals are a citywide cloudburst neighborhood initiative and construction of a new storm sewer at North Conduit Ave. Also, many initiatives align or have components that align with the City's three climate goals, such as construction of new schools, school electrification, and the Hunts Point Produce Market project.

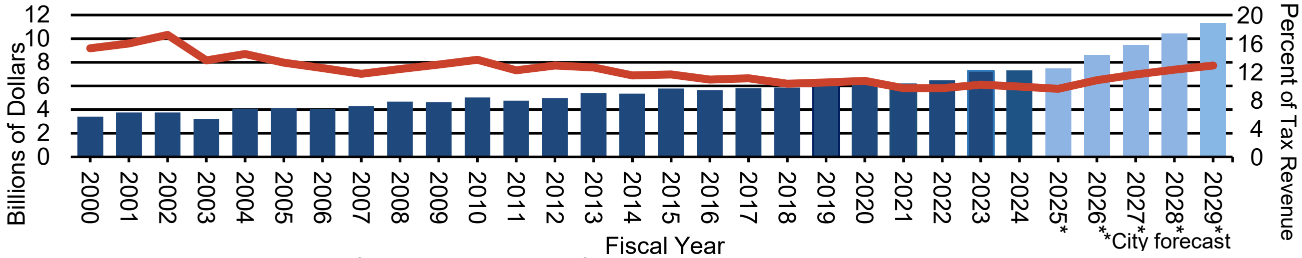
The May Plan assumes that city-funded debt service will grow by a compound annual growth rate (CAGR) of 11 percent from $7.5 billion in FY 2025 to $11.3 billion in FY 2029 (see Figure 35). City-funded debt service is expected to grow faster over this period than city-funded expenditures (3.7 percent) or revenues (1.9 percent). For the period of 2019 to 2024, the CAGR of debt service was 3.1 percent. The City's debt burden (total debt service as a percentage of tax revenue) is expected to increase from 9.6 percent in FY 2025 to 12.9 percent in FY 2029, and would eventually rise to 14.4 percent in FY 2035, just under the City's self-imposed 15 percent threshold. This calculation assumes a 3.5 percent increase in tax revenues after the end of the financial plan period and the assumption the City will achieve 100 percent of its targeted capital commitments.

Although the City continues to increase the forecasted level of bonding to fund more capital spending, over the past three years the City has, on average, committed to 70.3 percent of its commitment plan ($19.7 billion in commitments lower than planned over three years). As a result, bonding capacity should rise in the short term as compared to projections if this trend continues. The City may also continue to generate additional budgetary savings based on lower-than-planned capital expenditures and conservative interest rate assumptions.

Given the City's current rate assumptions, OSC is calculating that the City could achieve $75 million in variable rate savings in FY 2026. Subsequent to the release of the May Plan, TFA refunded some of its outstanding funds which will save $7 million in FY 2025 and $14 million annually in FY 2026 through FY 2029.

The State Enacted Budget increased the amount of New York City Transitional Finance Authority debt to be excluded when calculating the City's borrowing limit from the current limit of $27.5 billion to $30.5 billion beginning July 1, 2025. The increase was expected to fund $3 billion in capital for the MTA's capital program. This amount is not yet reflected in the TYCS or the City's debt service projections.

FIGURE 35
City-Funded Debt Service



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

IX. Semi-Autonomous Entities

Department of Education

The City's May Plan allocates nearly $42.2 billion to the DOE in FY 2026, including centrally administered costs such as pensions, debt service, and fringe benefits ($7.8 billion). This amounts to 36.7 percent of the City's total budget and is more than a billion dollars higher than projected spending in FY 2025. The City expects to fund $24.9 billion (59.1 percent) of DOE's FY 2026 budget, a two-year increase of nearly $4.3 billion (20.7 percent) from FY 2024, as one-time federal aid has expired. The remainder of the FY 2026 budget would be funded by the State (35.5 percent), the federal government (5 percent), and other sources.

By the end of the plan period in FY 2029, the budget expects DOE's total allocation to reach $45.4 billion. This $3.3 billion increase is almost entirely supported by City funds, which are expected to account for 61.7 percent of DOE's budget by FY 2029. This is partly because the Plan does not incorporate future increases to State or federal aid or the full impact of the delayed but recently enacted State budget. However, under State law, the City is subject to a maintenance of effort requirement that makes it very difficult to reduce city-funded education spending.

The May Plan adds $577 million in city-funded new needs in FY 2026, $440 million of which will be recurring. This includes $194 million for school nurses and $150 million (rising to $200 million in FY 2027) to meet a portion of the State's class size mandate. The budget anticipated $287 million in additional State aid that it used to eliminate a number of programs initially funded with emergency federal aid, including $92 million to maintain 3K funding, $75 million for early childhood education programs, and $41 million for arts programs in schools. The Enacted State Budget provides additional education funding beyond this amount that is not included in the City's May Plan.

The City also added $206 million to the budget to fund due process cases (previously referred to as "Carter" cases) for special education students in FY 2025. However, the budget does not address such costs, which OSC anticipates will continue to rise between 7 percent and 10 percent annually throughout the plan period, in later years. OSC projects these and other budget risks may reach nearly $2.3 billion in FY 2029 (see Figure 36). These include implementing the class size mandate, as well as significant spending on school cleaning services and expediting special education claims.

FIGURE 36

Risks to the Department of Education Budget in the May Plan
(in millions)

	FY 2026	FY 2027	FY 2028	FY 2029
Class Size Reduction Compliance	$ (172)	$ (661)	$ (1,237)	$ (1,237)
Due Process Cases	(474)	(526)	(649)	(771)
School Cleaning	- - -	(154)	(154)	(154)
Summer Rising	- - -	(80)	(80)	(80)
LV Order	- - -	(52)	(52)	(52)
Charter School Lease Costs	(29)	(21)	- - -	- - -
Total	**$ (675)**	**$ (1,494)**	**$ (2,172)**	**$ (2,294)**

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

Finally, the DOE assumes that recurring federal aid will remain stable throughout the plan period, at about $2.1 billion annually. The majority of this support is provided through Title I funding for low-income students ($679 million), various school food programs ($588 million), and the Individuals with Disabilities Education Act ($291 million). This recurring federal education aid accounts for approximately 5 percent of the department's total budget in FY 2026 and beyond; however, the current federal administration has indicated that it may seek to reduce financial support for school districts across the country.

Metropolitan Transportation Authority

In December 2024, the MTA adopted its 2025 budget and financial plan, which forecasted balanced budgets through 2026 but a $379 million budget gap in 2027 and a $419 million gap in 2028. The MTA assumes a 4 percent increase in fare and toll yields in both 2025 and 2027, with the 2025 increase proposed for an August implementation.

On January 5, 2025, tolling in the congestion relief zone began, but its continued implementation is uncertain given the federal government has attempted to revoke approval that had already been provided for the program. The program, which is relied on to provide funding to cover $15 billion for the MTA's 2020-2024 capital plan, is still operating and the MTA has filed a complaint in court, challenging the move and other related choices over local transportation funding by the federal government.

The $65.4 billion 2025-2029 capital program (excluding Bridges and Tunnels) was not approved by the Capital Program Review Board last year, due to $33.4 billion in unidentified funds (51 percent). To help fund the capital plan, the State Enacted Budget increased the Payroll Mobility Tax (PMT) in the MTA transportation district for employers with quarterly payroll expenses higher than $2.5 million, lowered the tax for employers with quarterly payrolls between $312,500 and $437,500 and eliminated the tax for employers with quarterly payroll below $312,500 and for local governments outside of the City. In addition, rates were left unchanged for employers with quarterly payrolls above $437,500 and below $2.5 million. The PMT for City employees were exempted from the rate increase.

The MTA capital lockbox will now receive 28.5 percent of PMT revenue which is expected to provide $31.5 billion for the 2025-2029 capital program. The State Budget commits the State and the City to provide $3 billion each to the capital program, the same level of funding that was provided in the 2020-2024 capital program. The State is also reallocating $1.2 billion that was dedicated to Penn Station to the program now that the federal government is managing the project. The MTA expects to self-fund $3 billion of the program either through capital program cost savings or other initiatives, which could include debt funded by savings or other available funds.

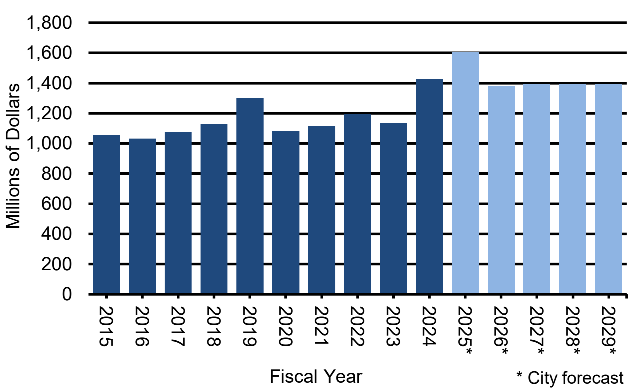
In terms of budgetary impact to the City, the May Plan continues a practice of not accounting for all of the potential costs related to City funding for MTA services such as paratransit, MTA buses and the Staten Island Railway. As a result, OSC projects potential spending risks to the City of $290 million in FY 2026, $478 million in FY 2027 and $538 million in FY 2028 and FY 2029 because of these unbudgeted items.

The SFY 2025-26 budget extends the City's responsibility for funding 50 percent of the net operating cost of the MTA's paratransit service and an additional 30 percent (capped at $165 million) for two years through June 30, 2027. The City has not budgeted for the

50 percent share in its financial plan but funded the additional $165 million. As a result, the paratransit spending risk is projected to be $154 million in FY 2026, $172 million in FY 2027 and $194 million in FY 2028 and FY 2029 assuming the State continues to extend the current requirement. Due to this underbudgeting, as noted in Figure 37, City aid to the MTA is expected to drop from $1.6 billion in FY 2025 to $1.4 billion starting in FY 2026, even as the MTA assumes these costs will continue to grow.

The May Plan added $20 million in FY 2026 for the expansion of the Fair Fares program for one year only. The program provides discounted fares to low-income riders, with $112 million budgeted in FY 2025, meant to increase Fair Fares eligibility to riders with income no higher than 145 percent of the federal poverty level (up from 120 percent).

FIGURE 37
New York City Direct Aid to the MTA



Sources: NYC Office of Management and Budget; OSC analysis

NYC Health + Hospitals

In total, the May Plan budgeted $3.4 billion in FY 2025, and then about $1.7 billion annually through FY 2029, to reimburse H+H for services for the City. The May Plan reduces funding H+H receives for services it provides to asylum seekers by a net of $160 million in FY 2025, and $589 million in FY 2026, of which $576 million was transferred to DHS. The funding reduction aligns with projected spending by H+H. Due to the census decline, the number of H+H-run Humanitarian Emergency Response and Relief Centers has declined to two as of May 2025. The City also transferred $614 million in City funds budgeted for H+H supplemental Medicaid payments to the H+H City subsidy in FY 2025.

The City also added $4.1 million in FY 2025 to cover the increased medical malpractice defense, $3.6 million in FY 2026 for the mental health continuum, and $2 million in FY 2025 rising to $2.5 million in FY 2029 to cover the full costs of recent collective bargaining arrangements. H+H received $212 million in FEMA funds to cover costs incurred during the COVID-19 pandemic.

On May 15, 2025, the City and H+H released the H+H Executive FY 2026 Cash Plan (H+H May Plan) which reflects the asylum seeker reimbursement changes and an adjustment to Medicaid supplemental payments including Disproportionate Share Hospital (DSH) and Upper Payment Limit (UPL) payments.

In FY 2025, H+H rolled $548 million in DSH and UPL payments to FY 2026 due to a delay in the receipt of the funds and a reduction of $105 million in additional Medicaid UPL conversion funds that H+H no longer expects to receive in FY 2025 and FY 2026.[31] The State applied on behalf of H+H for the receipt of enhanced federal Medicaid payments which would reimburse H+H up to the average commercial rate. H+H applied during SFY 2025, but has yet to receive federal approval. The City shifted $614 million in City funds dedicated for its non-federal share of supplemental Medicaid funding for H+H from the Medicaid budget to the H+H City subsidy to support its cash position and enable H+H to end FY 2025 with $598 million in

[31] Historically, Medicaid UPL payments were paid on Medicaid fee-for-service claims; the UPL conversion application allows for the UPL payments to be paid on Medicaid managed care claims.

cash, about $100 million less than the January Plan.

In FY 2026, H+H no longer expects to receive about $1.4 billion in UPL conversion payments due to not receiving federal approval. However, the loss of these funds is almost fully offset by higher-than-anticipated DSH funding ($513 million) and the roll of $814 million in DSH and UPL payments from FY 2025. The H+H May Plan reflects the receipt of UPL conversion funding in FY 2027 through FY 2029.

The SFY 2025-26 Enacted Budget eliminates the State share for Indigent Care Pool Medicaid funding by $28 million in FY 2025 and $57 million annually starting in FY 2026. Without the City offsetting the loss of State funds, the impact to H+H would be $57 million in FY 2025 and $113 million annually starting in FY 2026, including the federal matching share. The State budget includes increased Medicaid rates to hospitals and nursing homes but recent federal actions put associated revenue at risk.

H+H relies on significant revenue from the Medicaid program (nearly 70 percent of patient care revenue) and about 65 percent of its patient base are on Medicaid or uninsured. During FY 2024, 58.2 percent of inpatient discharges and 46 percent of outpatient visits were covered by Medicaid. On May 21, 2025, the House passed a bill that includes provisions that would severely impact Medicaid and therefore H+H's patient base. Programmatic or reimbursement changes imposed by the State or federal governments could impact H+H's financial condition and put pressure on the City to provide additional financial support or require H+H to reduce or restructure services.

New York City Housing Authority

The City's Executive Plan includes a $378 million FY 2026 operating subsidy for NYCHA. About 85 percent of the total funding will come from the City and about 15 percent from federal grants (about 0.2 percent will come from other categorical grants).

NYCHA faces fiscal uncertainty over proposed changes to federal spending. Certain programs at the Department of Housing and Urban Development (HUD), the main federal funding agency for NYCHA, were identified by the Department of Government Efficiency for elimination and further, more permanent reductions have been proposed going forward (see the Federal Actions section for details). According to NYCHA's year-end financial report, the Authority received about $3.4 billion in federal operating and Section 8 subsidies in 2024. The Authority also received $732 million in federal capital funding in 2024.

Two sources of federal funding passed through the City to NYCHA are the Community Development Block Grant (CDBG) and CDBG – Disaster Relief (CDBG-DR) HUD programs, which have been named specifically as potential targets for elimination. These programs provided $107 million in funding in FY 2024, primarily for rehabilitation projects. Likewise, NYCHA has stated publicly that it has contingencies in place for the shuttering of some smaller Section 8 programs, such as the exhaustion of Emergency Housing Voucher funds, which would affect some 5,600 NYCHA households currently enrolled in the program.

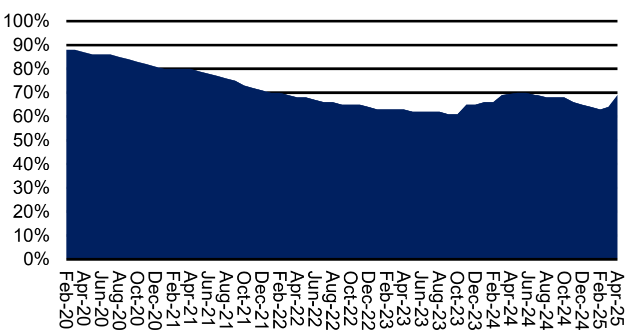
Because NYCHA's fiscal year coincides with the calendar year, any cuts to federal grants for FFY 2026, which begins in October, would leave NYCHA little time to address budget shortfalls before January 1.

In addition to uncertainty over federal grants, rent collections continue to be a persistent problem for NYCHA. Though monthly pre-pandemic collection rates hovered around 90 percent, an extended eviction moratorium coincided with tenant payments declining to around 61 percent in September 2023 (see Figure 38).

The infusion of $150 million via the Emergency Rental Assistance Program increased collections to a post-pandemic high of 70 percent in early 2024, but by March of 2025, that figure had fallen back to 64 percent. An additional $185 million in State and federal rent relief was announced in October 2024 to be distributed to tenant accounts in 2025. Through April, NYCHA had received $123 million of these new funds and applied $117 million to tenant accounts. As a result, collections jumped 5 percentage points, to 69 percent, from March to April of 2025.

The additional funding has also affected the total rental arrears balance. Outstanding rent, from 64,372 delinquent households, dropped to $441 million at the end of April, down from $524 million at the start of the year. However, adjusting for relief payments, tenants have still added nearly $34 million to the total arrears balance in 2025.

FIGURE 38
NYCHA's Rent Collection Rate



Sources: New York City Housing Authority; OSC analysis

X. Other Issues

Budgetary Flexibility

As of the May Plan, the City's budgetary cushion totals nearly $8.5 billion (10 percent of city-funded spending, or 7.4 percent of total funds spending, in FY 2026, excluding contingent reserves), which may be utilized to help close future budget gaps.

The City maintains its general reserve at $1.2 billion and Capital Stabilization Reserve at $250 million in each year beginning in FY 2026 (a total of $1.45 billion).[32] These contingent reserves represent 1.7 percent of planned city-funded spending in FY 2026, still relatively high historically at this point in the year. If left unused, these reserves can be used to help create future budgetary flexibility.

As of June 30, 2024, the RDF balance stood at $1.96 billion, virtually unchanged since 2022 as the City made no discretionary transfers into the fund in fiscal years 2023 and 2024. The balance held in the RHBT, used to fund the cost of Other Post-Employment Benefits, stood at $5 billion at the end of FY 2024, the highest level on record. The growth in FY 2024 (after adjusting for prepayments in FY 2023) was driven by investment earnings, which have risen sharply over the past two years.

As noted earlier in this report, the City faces significant economic and fiscal uncertainty stemming from federal actions as well as financial plan risks associated with the recently enacted State budget (see the Economic Trends section and the State and Federal Actions section for details). However, the City did not reflect this uncertainty in its May Plan revenue assumptions. In the event of a recession and/or significant reduction in anticipated assistance from the City's governmental funding partners, the City could draw down its budgetary cushion for short-term fiscal relief.

The May Plan does not assume any discretionary transfers to the RDF, or increases to the contingent reserves, over the financial plan period to bolster the City's budgetary cushion beyond its current level. The administration maintains that the current budgetary cushion of $8.5 billion is adequate and that City officials continue to closely monitor the potential impact of the federal administration's actions on the national, State, and local economy, and on the City's fiscal condition.

Historically, the City has also made use of prepayments of future expenses before June 30 to help balance future budgets. While New York State law requires surplus resources accumulated by the City to be deposited into the RDF as soon as is practicable after the end of a fiscal year (i.e., retrospectively), the City is not required to deposit the surplus resources that it uses to help balance the budget prior to the fiscal close (i.e., prospectively, as part of the annual budget adoption process).

The prepayment amount has declined from $6.1 billion in FY 2022 to $5.5 billion in FY 2023 and to $4.4 billion in FY 2024. The May Plan assumes that the City will generate a surplus roll of nearly $3 billion in FY 2025, which it will use to help prepay a portion of debt service in FY 2026. While it would be a sharp decline from the levels recorded in recent prior years, a surplus transfer of $3 billion would still be relatively high when compared to surplus transfers recorded before FY 2021.

[32] The City also maintains a general reserve of $50 million in FY 2025.

Appendix A: City-Funded Agency Spending Trends

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

	Final June Plan		FY 2026 May Plan					FY19-FY24 CAGR	FY25-FY29 CAGR
	FY 2019	FY 2024 (adj.)	FY 2025 (adj.)	FY 2026 (adj.)	FY 2027 (adj.)	FY 2028 (adj.)	FY 2029		
Agency Expense									
Uniformed Forces									
Police	5,321	6,088	6,224	5,837	5,994	5,995	5,995	2.7%	-0.9%
Fire	1,855	2,388	2,531	2,159	2,156	2,152	2,152	5.2%	-4.0%
Correction	1,368	1,241	1,334	1,210	1,258	1,380	1,380	-1.9%	0.8%
Sanitation	1,746	1,552	1,810	1,957	2,022	2,041	2,046	-2.3%	3.1%
Subtotal	10,290	11,269	11,899	11,162	11,430	11,568	11,573	**1.8%**	**-0.7%**
Health and Welfare									
Social Services	7,729	9,017	10,457	9,374	9,660	10,070	10,470	3.1%	0.0%
Homeless Services	1,339	2,020	2,221	1,607	1,635	1,643	1,642	8.6%	-7.3%
Health and Mental Hygiene	860	1,111	1,396	1,328	1,254	1,253	1,253	5.3%	-2.7%
Children's Services	1,069	990	1,196	1,003	957	957	957	-1.5%	-5.4%
All Other	1,810	2,805	3,762	3,098	3,428	3,522	3,523	9.2%	-1.6%
Subtotal	12,806	15,942	19,032	16,410	16,935	17,446	17,845	**4.5%**	**-1.6%**
Education[33]									
Education	13,590	14,929	17,602	18,277	19,023	19,761	20,161	1.9%	3.5%
City University	858	850	995	1,148	1,151	1,178	1,187	-0.2%	4.5%
Subtotal	14,448	15,779	18,597	19,424	20,174	20,939	21,348	**1.8%**	**3.5%**
Other Agencies									
Environmental Protection	1,222	1,567	1,623	1,677	1,611	1,610	1,608	5.1%	-0.2%
Transportation	616	857	885	939	918	909	908	6.8%	0.7%
Parks and Recreation	432	517	574	596	585	585	585	3.7%	0.5%
Citywide Admin Services	331	460	471	427	419	416	416	6.8%	-3.0%
Housing Pres. and Dev.	242	458	511	537	560	586	611	13.6%	4.6%
All Other	3,179	4,005	4,344	4,113	3,822	3,824	3,824	4.7%	-3.1%
Subtotal	6,022	7,865	8,408	8,288	7,914	7,930	7,953	**5.5%**	**-1.4%**
Elected Officials	**709**	**948**	**974**	**1,006**	**976**	**977**	**977**	**6.0%**	**0.1%**
General Reserve	**20**	**20**	**50**	**1,200**	**1,200**	**1,200**	**1,200**	**0.0%**	**121.3%**
Agency Total	**44,295**	**51,823**	**58,960**	**57,490**	**58,628**	**60,059**	**60,895**	**3.2%**	**0.8%**
Other Expense									
Pension Contributions	9,801	9,191	9,890	10,325	10,925	11,691	11,323	-1.3%	3.4%
Miscellaneous[34]	7,661	10,804	11,386	12,315	13,135	14,430	15,709	7.1%	8.4%
Debt Service	6,155	6,627	6,039	5,683	9,481	10,462	11,343	1.5%	17.1%
Citywide Savings Initiatives	- - -	- - -	-424	- - -	- - -	- - -	- - -	- - -	- - -
All Other	-400	-400	-816	- - -	221	323	409	- - -	- - -
Subtotal	**23,217**	**26,222**	**26,075**	**28,323**	**33,763**	**36,906**	**38,783**	**2.5%**	**10.4%**
Total Expenditures	**67,512**	**78,045**	**85,035**	**85,813**	**92,391**	**96,966**	**99,678**	**2.9%**	**4.1%**
Asylum Seekers City Funds	**- - -**	**2,327**	**1,606**	**1,412**	**1,200**	**500**	**500**	**- - -**	**- - -**
Total City Funds	**67,512**	**80,373**	**86,641**	**87,225**	**93,591**	**97,466**	**100,17**	**3.5%**	**3.7%**

Note: Columns may not add due to rounding.

Source: NYC Office of Management and Budget

[33] The Department of Education and City University plan numbers include fringe benefits.

[34] 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: FY 2026 Fiscal Cliffs

(in thousands)

Agency	Description	FY 2026 Cliffs[35]	Funded Amount	Percent Funded[37]
City Funded Fiscal Cliffs				
Education	Maintain Arts Funding	$45,000	$45,000	100.0%
	Special Education Pre-K Expansion	$30,000	$30,000	100.0%
	Additional Special Education Pre-K	$25,000	$25,000	100.0%
	Extended Day Expansion	$25,000	$25,000	100.0%
	Supporting Families Without Offers	$20,000	$20,000	100.0%
	Maintain Project Pivot Funding	$15,000	$15,000	100.0%
	Community Schools	$14,000	$14,000	100.0%
	Maintain Affinity Organization Contracts	$10,000	$10,000	100.0%
	Maintain Teacher Recruitment Funding	$10,000	$10,000	100.0%
	Subtotal	**$194,000**	**$194,000**	**100.0%**
Police	**Domain Awareness System and Mobility**	**$55,300**	- - -	- - -
Social Services	Maintain Community Food Connection	$31,900	$36,100	113.2%
	Fair Fares	$10,750	$20,000	186.0%
	Subtotal	**$42,650**	**$56,100**	**131.5%**
Children's Services	**Promise NYC**	**$25,000**	**$25,000**	**100.0%**
Sanitation	**Litter Basket Service**	**$25,000**	**$29,729**	**118.9%**
Aging	**Maintain Senior Support**	**$11,100**	**$33,907**	**305.5%**
Youth & Community Development	**SYEP MetroCards**	**$11,000**	**$11,000**	**100.0%**
City Funded Fiscal Cliffs	**Subtotal**	**$364,050**	**$349,736**	
Federally Funded Fiscal Cliffs				
Education	Maintain Technology Funding	$80,000	- - -	- - -
	Digital Learning	$13,444	$5,000	37.2%
	Expand Restorative Justice	$12,000	$12,000	100.0%
	Subtotal	**$105,444**	**$17,000**	**16.1%**
Aging	**Community Care Investments**	**$47,593**	**$47,593**	**100.0%**
Health and Mental Hygiene	**Mobile Treatment**	**$47,363**	**$47,297**	**99.9%**
Social Services	**Universal Access to Counsel in Housing**	**$15,605**	**$15,605**	**100.0%**
Youth & Community Development	**Indirect Cost Rate**	**$12,769**	- - -	- - -
Federally Funded Fiscal Cliffs	**Subtotal**	**$228,774**	**$127,495**	
Total Fiscal Cliffs	**Total**	**$592,824**	**$477,231**	

Sources: NYC Office of Management and Budget

[35] FY 2026 fiscal cliffs as of the January 2025 Financial Plan.
[36] Amounts funded through the May 2025 Financial Plan.
[37] Funded amounts that exceed the fiscal cliff amount are representative of program expansions or increased costs.

Appendix C: Full-Time Staffing Levels

(Number of full-time employees)

	Actual June 2020	Actual March 2025	Forecast June 2025	May Plan June 2026	Variance – Better/(Worse) March 2025 Actual to June 2026 Plan City Funds	Non-City Funds	Total Funds
Public Safety	**85,806**	**77,327**	**81,515**	**81,401**	**4,234**	**(160)**	**4,074**
Police Uniformed	35,910	33,721	35,051	35,001	1,284	(4)	1,280
Civilian	15,519	12,632	14,269	13,875	1,422	(179)	1,243
Fire Uniformed	11,047	10,915	10,953	11,294	374	5	379
Civilian	6,366	6,437	6,290	6,316	(102)	(19)	(121)
Correction Uniformed	9,237	5,767	7,060	7,060	1,294	(1)	1,293
Civilian	1,741	1,507	1,750	1,745	235	3	238
District Attys. & Prosec.	4,843	5,478	5,002	5,002	(404)	(72)	(476)
Probation	1,116	844	1,107	1,075	124	107	231
Board of Correction	27	26	33	33	7	0	7
Health & Welfare	**27,878**	**25,329**	**28,166**	**28,054**	**1,568**	**1,157**	**2,725**
Social Services	12,330	10,855	12,175	12,306	510	941	1,451
Children's Services	7,039	6,467	7,027	7,026	469	90	559
Health & Mental Hygiene	5,530	5,413	6,035	5,924	419	92	511
Homeless Services	2,119	1,748	1,995	1,824	115	(39)	76
Other	860	846	934	974	55	73	128
Environment & Infra.	**26,365**	**26,349**	**27,940**	**28,020**	**346**	**1,325**	**1,671**
Sanitation Uniformed	7,755	8,191	7,955	7,957	(234)	0	(234)
Civilian	2,107	1,655	1,632	1,661	(4)	10	6
Transportation	5,120	5,215	5,845	5,867	235	417	652
Parks & Recreation	4,236	4,626	4,972	5,021	329	66	395
Environmental Protection	5,891	5,530	6,346	6,307	7	770	777
Other	1,256	1,132	1,190	1,207	13	62	75
General Government	**12,634**	**11,468**	**12,772**	**12,793**	**1,208**	**117**	**1,325**
Finance	1,996	1,705	1,990	1,998	281	12	293
Law	1,713	1,369	1,454	1,510	138	3	141
Citywide Admin. Svcs.	2,403	2,031	2,418	2,417	278	108	386
Taxi & Limo. Comm'n.	584	386	555	546	160	0	160
Investigations	361	264	310	293	29	0	29
Board of Elections	682	705	517	517	(188)	0	(188)
Info. Tech. & Telecomm.	1,673	1,497	1,562	1,562	55	10	65
Other	3,222	3,511	3,966	3,950	455	(16)	439
Housing	**4,088**	**3,932**	**4,501**	**4,645**	**430**	**283**	**713**
Buildings	1,676	1,549	1,741	1,813	263	1	264
Housing Preservation	2,412	2,383	2,760	2,832	167	282	449
Dept. of Education	**134,684**	**133,456**	**138,098**	**135,786**	**3,348**	**(1,018)**	**2,330**
Pedagogues	121,077	120,094	125,188	123,401	3,716	(409)	3,307
Non-Pedagogues	13,607	13,362	12,910	12,385	(368)	(609)	(977)
City University of NY	**6,288**	**5,658**	**6,028**	**6,024**	**366**	**0**	**366**
Pedagogues	4,545	4,196	4,289	4,289	93	0	93
Non-Pedagogues	1,743	1,462	1,739	1,735	273	0	273
Elected Officials	**2,703**	**2,862**	**3,363**	**3,437**	**511**	**64**	**575**
Total	**300,446**	**286,381**	**302,383**	**300,160**	**12,011**	**1,768**	**13,779**

Sources: NYC Office of Management and Budget; OSC analysis

Contact

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

(518) 474-4044

www.osc.ny.gov

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