



NEW YORK CITY COMPTROLLER  
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Bureau of Budget



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# **Comments on New York City's Fiscal Year 2021 Executive Budget**





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# I. Executive Summary

The COVID-19 pandemic which began in Wuhan, China in late December of 2019 quickly grew into a global pandemic with more than 4 million infections across more than 200 countries. As governments across the world imposed business and government closures and social distancing measures to combat the pandemic, the national economy which began the year fairly strong given the late stage of the business cycle quickly turned sharply negative. Lockdowns in the U.S., which began in mid-March, led GDP to fall at a 4.8 percent annual rate in the first quarter of 2020. The Comptroller is forecasting GDP to fall by 4.6 percent in 2020, with a 27 percent drop in output in the second quarter (seasonally adjusted annual rate) followed by positive growth in the second half of the year

The outlook for the City's economy is somewhat more uncertain than the nation's due to its greater dependence on both vacation visitors and business travelers, and its population density. While the Comptroller's Office expects that both national and local economic activity will begin to recover in 2020 Q3, the City's recovery will be slower given the devastating impact the pandemic has had on the City. The City's unique characteristics, in terms of its density and reliance on mass transit, will also make for a more challenging recovery in the City and a more staggered re-opening. While most sectors of the City's economy are expected to be almost fully recovered by the end of 2022, industries that interact more closely with the public, such as restaurants and bars will resume either more slowly, or in a different manner compared to the pre-COVID-19 world that could result in long-term reduced economic activity. The tourism and entertainment industries will likely see the slowest recovery due to their reliance on travelers.

State and local government budgets across the country have been ravaged by the crippling economic impact of the pandemic. The City is no exception and the FY 2021 Executive Budget and Financial Plan that was released on April 16 reflects the fiscal challenges confronting the City. Tax revenues over the current fiscal year and next are a combined \$7.67 billion less than projected in the January 2020 Plan. Non-tax revenues are also lower, with revenues from licenses, permits and franchises; charges for services; and fines and forfeitures falling due to business slowdowns, lower demand for non-essential services and reduced enforcement. Interest income are projected to decline as well, as a result of emergency rate cuts by the Federal Reserve.

The FY 2020 Budget Modification in the Financial Plan totals \$97.44 billion, an increase of \$2.01 billion from the January Plan. The increase results primarily from about \$2.55 billion of categorical grants to support COVID-19 related expenditures. However, tax revenues are \$2.23 billion lower than projected in January, which in combination with lower non-tax revenues and revisions to spending estimates created a \$2.56 billion shortfall in the budget. The Plan is relying on \$1.55 billion in additional Federal support and the drawdown of \$1.28 billion in reserves to bridge the shortfall. In addition, the Financial Plan includes a new round of Citywide Savings Program (CSP) with estimated FY 2020 savings of \$1.16 billion. Overall, savings in the CSP together with additional Federal support and the use of reserves is expected to add \$1.43 billion to the budget surplus estimated in the January Plan. This additional surplus will be used to increase prepayment of FY 2021 debt service.

The brunt of the fiscal impact from the economic downturn is expected to hit the FY 2021 budget. The \$89.33 billion FY 2021 Executive Budget is \$5.97 billion less than the January Plan. Tax revenues have been revised downward by \$5.43 billion to \$60.19 billion, a drop of \$1.93 billion, or 3.1 percent, from FY 2020 and \$1.31 billion, or 2.1 percent below FY 2019. Compounding the stress to the budget are actions in the State enacted budget which reduce State support or shift costs to the City, adding \$451 million to City-funds expenditures.

Combined, the revenue shortfalls and increased spending has opened a \$6.12 billion gap in the FY 2021 budget since January. The gap will be closed with drawdown of reserves, savings from

the new round of CSP, additional Federal support and additional prepayment of FY 2021 debt service. The City will use Retiree Health Benefits Trust (RHBT) funds to pay \$1.6 billion of the \$2.25 billion retiree health insurance cost in FY 2021. Furthermore, the City is reducing the FY 2021 General Reserve by \$900 million to \$100 million and eliminating the \$250 million FY 2021 Capital Stabilization Reserve. The new round of savings program is expected to provide another \$1.50 billion of savings and the additional prepayment of FY 2021 debt service will reduce expenditure by another \$1.43 billion.

While the FY 2021 and FY 2022 budgets are balanced, outyear gaps have almost doubled since the January Plan. Outyear gaps are now estimated to be \$5.02 billion in FY 2022, \$4.53 billion in FY 2023 and \$4.90 billion in FY 2024. The Comptroller's Office estimates that these gaps could be larger by about \$1.5 billion in FY 2022 and more than \$800 million in FY 2023 and FY 2024. Confronting these gaps are made the more challenging because reserves and Federal support — crucial elements in offsetting budget shortfalls in FY 2020 and FY 2021 — are significantly diminished in the outyears. Available balances for budget relief in the RHBT will be more than halved by the end of FY 2021 and there are no projections for Federal support for budget relief beyond FY 2021. In addition, much of the savings from the new round of the savings program do not extend beyond FY 2021 as a substantial portion of the spending reductions are the result of one-time efforts to combat the pandemic such as closing of schools, campuses and administrative buildings, savings on Fair Fares due to declining ridership, and delays of police officer class and cadet program.

In the face of diminishing reserves, the City will need to develop a more robust CSP, with recurring savings from efficiency initiatives accounting for a bigger part of the program. However, given the depth of the devastation to the budget, the City will need Federal support to weather the fiscal challenges in the coming fiscal years. Without Federal support, the fiscal challenge facing the City will be further compounded by the shifting of costs from the State to the City. In the absence of any Federal provision of budget relief to states and locality, the State has already announced its intention to make \$8.2 billion in recurring cuts to local aid. In order to avoid drastic cuts in services in a time when these services are needed more than ever, the City will need to seek creative and innovative ways to reduce spending, and the Federal government will have to do its part to provide budget relief to state and localities.

**Table 1.. FY 2020 – FY 2024 Financial Plan**

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Change FYs 2020 –2024	
						Dollar	Percent
<b>Revenues</b>							
Taxes:							
General Property Tax	\$29,777	\$31,001	\$32,071	\$32,994	\$33,421	\$3,644	12.2%
Other Taxes	31,337	28,264	31,842	33,560	34,418	3,081	9.8%
Tax Audit Revenues	999	921	721	721	721	(278)	(27.8%)
<b>Subtotal: Taxes</b>	<b>\$62,113</b>	<b>\$60,186</b>	<b>\$64,634</b>	<b>\$67,275</b>	<b>\$68,560</b>	<b>\$6,447</b>	<b>10.4%</b>
Miscellaneous Revenues	7,552	6,877	6,830	6,815	6,817	(735)	(9.7%)
Unrestricted Intergovernmental Aid	1,411	0	0	0	0	(1,411)	(100.0%)
Less: Intra-City Revenues	(2,178)	(1,848)	(1,834)	(1,831)	(1,831)	347	(15.9%)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)	0	0.0%
<b>Subtotal: City-Funds</b>	<b>\$68,883</b>	<b>\$65,200</b>	<b>\$69,615</b>	<b>\$72,244</b>	<b>\$73,531</b>	<b>\$4,648</b>	<b>6.7%</b>
Other Categorical Grants	1,072	872	861	860	857	(215)	(20.1%)
Inter-Fund Revenues	672	675	675	675	675	3	0.4%
Federal Categorical Grants	10,832	7,137	6,964	6,922	6,917	(3,915)	(36.1%)
State Categorical Grants	15,979	15,448	16,283	16,738	16,788	809	5.1%
<b>Total Revenues</b>	<b>\$97,438</b>	<b>\$89,332</b>	<b>\$94,398</b>	<b>\$97,439</b>	<b>\$98,768</b>	<b>\$1,330</b>	<b>1.4%</b>
<b>Expenditures</b>							
Personal Service							
Salaries and Wages	\$29,750	\$30,355	\$30,370	\$31,255	\$31,800	\$2,050	6.9%
Pensions	9,819	9,927	10,502	10,434	10,106	287	2.9%
Fringe Benefits	11,255	11,615	12,504	13,311	14,119	2,864	25.4%
Retiree Health Benefits Trust	(1,000)	(1,600)	0	0	0	1,000	(100.0%)
<b>Subtotal-PS</b>	<b>\$49,824</b>	<b>\$50,297</b>	<b>\$53,376</b>	<b>\$55,000</b>	<b>\$56,025</b>	<b>\$6,201</b>	<b>12.4%</b>
Other Than Personal Service							
Medical Assistance	\$5,987	\$5,399	\$5,915	\$5,915	\$5,915	(\$72)	(1.2%)
Public Assistance	1,601	1,651	1,651	1,650	1,650	49	3.1%
All Other	35,312	30,498	31,037	31,253	31,494	(3,818)	(10.8%)
<b>Subtotal-OTPS</b>	<b>\$42,900</b>	<b>\$37,548</b>	<b>\$38,603</b>	<b>\$38,818</b>	<b>\$39,059</b>	<b>(\$3,841)</b>	<b>(9.0%)</b>
Debt Service							
Principal	\$3,612	\$3,718	\$3,943	\$4,053	\$4,041	\$429	11.9%
Interest & Offsets	3,326	3,672	4,084	4,679	5,125	\$1,799	54.1%
<b>Subtotal Debt Service</b>	<b>\$6,938</b>	<b>\$7,390</b>	<b>\$8,027</b>	<b>\$8,732</b>	<b>\$9,166</b>	<b>\$2,228</b>	<b>32.1%</b>
FY 2019 BSA and Discretionary Transfers	(\$4,221)	\$0	\$0	\$0	\$0	\$4,221	(100.0%)
FY 2020 BSA	\$4,155	(\$4,155)	\$0	\$0	\$0	(\$4,155)	(100.0%)
Capital Stabilization Reserve	\$0	\$0	\$250	\$250	\$250	\$250	NA
General Reserve	20	\$100	\$1,000	\$1,000	\$1,000	\$980	4,900.0%
Less: Intra-City Expenses	(\$2,178)	(\$1,848)	(\$1,834)	(\$1,831)	(\$1,831)	\$347	(15.9%)
<b>Total Expenditures</b>	<b>\$97,438</b>	<b>\$89,332</b>	<b>\$99,422</b>	<b>\$101,969</b>	<b>\$103,669</b>	<b>\$6,231</b>	<b>6.4%</b>
<b>Gap To Be Closed</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$5,024)</b>	<b>(\$4,530)</b>	<b>(\$4,901)</b>	<b>(\$4,901)</b>	<b>NA</b>

NOTE: Numbers may not add to totals due to rounding.

**Table 2. Plan-to-Plan Changes**  
**April 2020 Plan vs. January 2020 Plan**

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Revenues</b>					
Taxes:					
General Property Tax	(\$58)	(\$181)	(\$365)	(\$420)	(\$698)
Other Taxes	(2,181)	(5,247)	(2,616)	(1,915)	(2,057)
Tax Audit Revenues	0	0	0	0	0
<b>Subtotal: Taxes</b>	<b>(\$2,239)</b>	<b>(\$5,428)</b>	<b>(\$2,981)</b>	<b>(\$2,335)</b>	<b>(\$2,755)</b>
Miscellaneous Revenues	5	(209)	(249)	(281)	(280)
Unrestricted Intergovernmental Aid	1,300	0	0	0	0
Less: Intra-City Revenues	(52)	4	10	11	11
Disallowances Against Categorical Grants	0	0	0	0	0
<b>Subtotal: City-Funds</b>	<b>(\$986)</b>	<b>(\$5,633)</b>	<b>(\$3,220)</b>	<b>(\$2,605)</b>	<b>(\$3,024)</b>
Other Categorical Grants	66	(2)	(3)	(3)	(4)
Inter-Fund Revenues	(47)	(1)	(1)	(1)	(1)
Federal Categorical Grants	2,674	24	(46)	(54)	(54)
State Categorical Grants	305	(355)	20	18	19
<b>Total Revenues</b>	<b>\$2,012</b>	<b>(\$5,967)</b>	<b>(\$3,250)</b>	<b>(\$2,645)</b>	<b>(\$3,064)</b>
<b>Expenditures</b>					
Personal Service					
Salaries and Wages	(\$362)	(\$588)	(\$451)	(\$473)	(\$491)
Pensions	(13)	(12)	80	(24)	(6)
Fringe Benefits	(107)	(187)	(103)	(105)	(108)
Retiree Health Benefits Trust	(1,000)	(1,600)	0	0	0
<b>Subtotal-PS</b>	<b>(\$1,482)</b>	<b>(\$2,387)</b>	<b>(\$474)</b>	<b>(\$602)</b>	<b>(\$605)</b>
Other Than Personal Service					
Medical Assistance	\$72	(\$516)	\$0	\$0	\$0
Public Assistance	(40)	0	0	0	0
All Other	2,408	(376)	(64)	(36)	(28)
<b>Subtotal-OTPS</b>	<b>\$2,440</b>	<b>(\$892)</b>	<b>(\$64)</b>	<b>(\$36)</b>	<b>(\$28)</b>
Debt Service					
Principal	(\$1)	(\$38)	(\$27)	(\$32)	(\$36)
Interest & Offsets	(45)	(73)	(104)	(142)	(164)
<b>Subtotal Debt Service</b>	<b>(\$46)</b>	<b>(\$110)</b>	<b>(\$131)</b>	<b>(\$174)</b>	<b>(\$200)</b>
FY 2019 BSA and Discretionary Transfers	\$0	\$0	\$0	\$0	\$0
FY 2020 BSA	\$1,432	(\$1,432)	0	0	0
Capital Stabilization Reserve	\$0	(\$250)	\$0	\$0	\$0
General Reserve	(\$280)	(\$900)	\$0	\$0	\$0
Less: Intra-City Expenses	(\$52)	\$4	\$10	\$11	\$11
<b>Total Expenditures</b>	<b>\$2,012</b>	<b>(\$5,967)</b>	<b>(\$659)</b>	<b>(\$801)</b>	<b>(\$822)</b>
<b>Gap To Be Closed</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$2,591)</b>	<b>(\$1,844)</b>	<b>(\$2,242)</b>

NOTE: Numbers may not add to totals due to rounding.

**Table 3. Plan-to-Plan Changes  
April 2020 Plan vs. June 2019 Plan**

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023
<b>Revenues</b>				
Taxes:				
General Property Tax	(\$8)	(\$88)	(\$257)	(\$292)
Other Taxes	(1,300)	(4,947)	(2,338)	(1,553)
Tax Audit Revenues	0	200	0	0
<b>Subtotal: Taxes</b>	<b>(\$1,308)</b>	<b>(\$4,835)</b>	<b>(\$2,595)</b>	<b>(\$1,845)</b>
Miscellaneous Revenues	595	(32)	(52)	(61)
Unrestricted Intergovernmental Aid	1,411	0	0	0
Less: Intra-City Revenues	(358)	(31)	(19)	(17)
Disallowances Against Categorical Grants	0	0	0	0
<b>Subtotal: City-Funds</b>	<b>\$340</b>	<b>(\$4,898)</b>	<b>(\$2,666)</b>	<b>(\$1,923)</b>
Other Categorical Grants	144	2	(2)	(3)
Inter-Fund Revenues	(63)	3	3	3
Federal Categorical Grants	3,604	66	(34)	(45)
State Categorical Grants	641	(262)	105	55
<b>Total Revenues</b>	<b>\$4,666</b>	<b>(\$5,089)</b>	<b>(\$2,594)</b>	<b>(\$1,913)</b>
<b>Expenditures</b>				
Personal Service				
Salaries and Wages	(\$291)	(\$580)	(\$417)	(\$419)
Pensions	(144)	(203)	(74)	(198)
Fringe Benefits	(87)	(239)	(23)	83
Retiree Health Benefits Trust	(1,000)	(1,600)	0	0
<b>Subtotal-PS</b>	<b>(\$1,522)</b>	<b>(\$2,622)</b>	<b>(\$514)</b>	<b>(\$534)</b>
Other Than Personal Service				
Medical Assistance	\$72	(\$516)	\$0	\$0
Public Assistance	(50)	0	0	0
All Other	4,040	22	250	233
<b>Subtotal-OTPS</b>	<b>\$4,062</b>	<b>(\$494)</b>	<b>\$250</b>	<b>\$233</b>
Debt Service				
Principal	(\$1)	(\$8)	\$84	\$86
Interest & Offsets	(290)	(150)	(250)	(292)
<b>Subtotal Debt Service</b>	<b>(\$291)</b>	<b>(\$158)</b>	<b>(\$166)</b>	<b>(\$206)</b>
FY 2019 BSA and Discretionary Transfers	\$0	\$0	\$0	\$0
FY 2020 BSA	\$4,155	(\$4,155)	\$0	\$0
Capital Stabilization Reserve	(\$250)	(\$250)	\$0	\$0
General Reserve	(\$1,130)	(\$900)	\$0	\$0
Less: Intra-City Expenses	(\$358)	(\$31)	(\$19)	(\$17)
<b>Total Expenditures</b>	<b>\$4,666</b>	<b>(\$8,610)</b>	<b>(\$449)</b>	<b>(\$524)</b>
<b>Gap To Be Closed</b>	<b>\$0</b>	<b>\$3,521</b>	<b>(\$2,145)</b>	<b>(\$1,389)</b>

NOTE: Numbers may not add to totals due to rounding.

**Table 4. Risks and Offsets to the April 2020 Financial Plan**

(\$ in millions, positive numbers decrease the gap and negative numbers increase the gap)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>City Stated Gap</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$5,024)</b>	<b>(\$4,530)</b>	<b>(\$4,901)</b>
<b>Tax Revenues</b>					
Property Tax	\$0	\$119	\$279	\$607	\$883
Personal Income Tax	(42)	299	(131)	(271)	(410)
Business Taxes	(115)	(508)	(370)	27	207
Sales Tax	323	(5)	(386)	(303)	(315)
Real Estate Transaction Taxes	(9)	14	(329)	(303)	(276)
All Other	16	(162)	(21)	(41)	0
Audit	0	0	154	154	154
<b>Subtotal Tax Revenues</b>	<b>\$173</b>	<b>(\$243)</b>	<b>(\$804)</b>	<b>(\$130)</b>	<b>\$243</b>
<b>Non-Tax Revenues</b>	<b>0</b>	<b>(100)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Revenues</b>	<b>\$173</b>	<b>(\$343)</b>	<b>(\$804)</b>	<b>(\$130)</b>	<b>\$243</b>
<b>Expenditures</b>					
Overtime	\$0	(\$260)	(\$130)	(\$130)	(\$130)
Charter School Tuition	0	(35)	(205)	(380)	(600)
Carter Cases	0	(125)	(125)	(125)	(125)
Pupil Transportation	0	(75)	(75)	(75)	(75)
Homeless Shelters	0	(59)	(59)	(59)	(59)
Fair Fares	0	30	(100)	(100)	(100)
DOE Medicaid Reimbursement	(20)	(20)	(20)	(20)	(20)
Pre-K Special Education	50	50	50	50	50
VRDB Interest Savings	110	0	0	0	0
General Reserve	20	0	0	0	0
<b>Subtotal</b>	<b>\$160</b>	<b>(\$494)</b>	<b>(\$664)</b>	<b>(\$839)</b>	<b>(\$1,059)</b>
<b>Total (Risks)/Offsets</b>	<b>\$333</b>	<b>(\$837)</b>	<b>(\$1,468)</b>	<b>(\$969)</b>	<b>(\$816)</b>
<b>Restated (Gap)/Surplus</b>	<b>\$333</b>	<b>(\$837)</b>	<b>(\$6,492)</b>	<b>(\$5,499)</b>	<b>(\$5,717)</b>

NOTE: Numbers may not add to totals due to rounding.

## II. The City's Economy Outlook

### Comptroller's Economic Forecast, 2020-2024

This outlook finds us facing an unparalleled economic downturn. The closing of “nonessential” businesses across the City, the nation, and the world as a public health measure to contain the COVID-19 virus is likely to cause economic activity to fall by as much as one-third in the current quarter – a scale and speed of collapse in economic activity that has no precedent in the period of modern economic data gathering.

Just as the shutdown was guided by public health considerations, the timing and pace of the re-opening of the economy and resumption of activity will be dictated by the ability to do so safely, which will be decided not only by political leaders, but by consumer sentiment. The Comptroller's Office's outlook and forecast assume that the economy will begin to re-open in June. Some sectors of the economy will recover more quickly than others, depending on the availability of testing and other measures to ensure public health and safety.

The major risks to this scenario are above all driven by the course of the COVID-19 virus. Re-opening of major portions of the economy prematurely could slow – or stop – economic recovery, if a resurgence of infection leads to a slower pace of re-opening, or, in the worst case, another round of shutdowns. The eagerness of businesses to re-open and workers to return to work will be tempered by the ability to ensure that doing so will not put people's health at risk.

The year started fairly strongly given the late stage of the business cycle. There were risks to the forecast but the probability of those risks jeopardizing the expansion appeared low. Late in the first quarter, however, the impact of COVID-19 made itself felt, as state and local governments across the country imposed business closures and restrictions. As a result, economic growth will turn sharply negative in both the U.S. and New York City in 2020. After an initial bounce as lockdowns end, growth is expected to slow as the economic cycle matures in the out years. Fiscal policy will provide wage and sector support that will mitigate losses and aid a quick recovery. Systemic risks, including trade disruptions and more restrictive monetary or fiscal policy, could impede a full and speedy recovery.

Our outlook for this Executive Budget is made using what we currently know about the economy, some reasonable assumptions about how various economic actors will behave as economic activity is able to resume, and an assumption that economic activity will resume somewhat normally when the virus abates. What it can't include are any assumptions about, or probabilities of, subsequent additional phases of infection which would lead to a return to strict social distancing and new restrictions on economic activity, or a significant change in the way businesses and individuals operate (encouraging more work from home, for example, or not shopping in local stores but ordering more goods and services online).

In our forecast, New York City's economy is expected to fall at a slightly faster pace than the nation as a whole and recover more slowly. This is primarily a function of the City's position as a global center and major visitor center for both tourists and business travelers. We are assuming that while the local economy recovers there will be reluctance for visitors to return to the global epicenter of the pandemic for a longer period of time than local businesses will remain closed.



**Table 5. Selected Economic Indicators  
Comptroller's and Mayor's Forecasts**

		2020	2021	2022	2023	2024
<b>Selected US Economic Indicators (Annual Averages)</b>						
Real GDP (2012 \$, % Change)	Comptroller	(4.6)	3.2	3.0	2.6	2.2
	Mayor	(5.4)	6.3	4.0	1.6	1.3
Payroll Jobs (Change In Millions)	Comptroller	(7.4)	1.5	0.9	3.6	4.1
	Mayor	(6.9)	(1.3)	8.2	3.2	0.4
Fed Funds Rate (Percent)	Comptroller	0.3	0.2	0.5	1.1	1.9
	Mayor	0.4	0.1	0.1	0.1	0.1
10-Year Treasury Notes (Percent)	Comptroller	0.8	1.4	2.3	2.8	3.3
	Mayor	0.8	1.0	1.3	1.6	1.8
<b>Selected NYC Economic Indicators (Annual Averages)</b>						
Real GCP (2012 \$, % Change)	Comptroller	(6.0)	2.3	1.0	0.9	0.9
	Mayor	(12.9)	12.0	0.8	0.2	1.1
Payroll Jobs (Change In Thousands)	Comptroller	(507.0)	343.0	90.0	64.0	46.0
	Mayor	(350.4)	213.3	130.3	72.9	55.4
Wage-Rate Growth (Percent)	Comptroller	(5.1)	0.8	2.3	2.1	1.9
	Mayor	(3.4)	2.5	3.3	2.4	2.2

NOTE: Comptroller=forecast by the NYC Comptroller's Office. GCP=Gross City Product. Mayor= forecast by the NYC Office of Management and Budget in the Executive Budget Fiscal Year 2021 Message of the Mayor.

## The National Economy

The U.S. economy, as measured by real GDP, grew at annualized 2.1 percent in the fourth quarter of 2019. A strong labor market with modestly increasing wages and continued accommodative monetary policy set favorable conditions for continued economic growth. But lockdowns beginning in mid-March led GDP to fall at a 4.8 percent annual rate in the first quarter of 2020. The Comptroller is forecasting GDP to fall by 4.6 percent for 2020, with a 27 percent drop in output in the second quarter (SAAR) followed by positive growth in the second half of the year. The expansion is projected to continue slightly above trend (3.2 percent and 3.0 percent) in 2021 and 2022, falling to around 2 percent in the outyears.

Net exports contributed the most to GDP growth in the recent quarter mainly because of a decline in imports. This component of growth will not contribute as strongly to growth over the Plan period — in the short run because the plants and factories providing the exportable goods are part of the lockdown, while exportable services will be lower due to travel restrictions; and in the longer run because the value of U.S. dollar will remain strong. Business investment, which had slowed prior to the lockdown and further collapsed subsequently, will resume but cautiously.

Consumer spending had made up for the recent slowdown in business investment, growing 1.8 percent in the fourth quarter of 2019. With American household balance sheets strong and debt burdens generally manageable, consumer spending should return once the economy is re-opened and workers are recalled to their jobs. While aggregate wages have fallen, they have not fallen as much as personal consumption. This gap results in a higher savings rate than has been experienced in recent times, giving consumers leeway to begin spending again when lockdown orders are lifted.

While Federal government expenditures, including direct wage and business supports and relief to state and local governments, have expanded by nearly \$3 trillion, much of this will only serve to partially offset lost demand. State and local governments, hard-hit by declining revenues, are already retrenching. The extent to which spending will be supported by Federal aid remains to be seen, but in



past recessions the impact on state and local spending usually endures beyond the end of any Federal budgetary relief.

U.S. employment in the first quarter was already feeling the impact of COVID-19 with a growth rate falling to 1.0 percent. The Comptroller is forecasting employment to fall 32 percent or 14 million jobs at annual rates and to recover about of third of those jobs (4 million) in Q3 with the opening of the economy. Layoffs are now working their way through suppliers and services firms, beyond the consumer-facing businesses which suffered the most immediate job losses when the lockdowns began.

The U.S. unemployment rate declined to 3.5 percent in the fourth quarter of 2019, marking a new low since the second quarter of 1969. Reflecting the early impact of COVID-19 in the first quarter of 2020, the unemployment rate rose to 3.8 percent and could easily go to 15 percent in the second quarter of 2020.

Prior to the COVID-19 lockdowns, despite robust job growth and rising wages, inflation remained below the Federal Reserve's policy target of 2 percent. The Fed's preferred measure, the personal consumption expenditure deflator, was 1.4 percent in the fourth quarter of 2019, but fell 0.3 percent in March. While recent reports of rising labor productivity are positive news for the inflation outlook, in the short term the outlook is indeterminate, as lower demand from lockdowns and high unemployment may lower prices, but supply constraints from closed plants may tend to push them higher. The Federal Reserve Open Market Committee has decided to lower the Fed Funds rate to .25 percent to promote liquidity in the banking system in light of the increased lending risks as a result of the COVID-19 virus.

On the global front, according to the IMF, worldwide economic growth finished 2019 at a healthy 2.9 percent. Growth will reverse course due to COVID-19-related lockdowns to fall 3.0 percent in 2020, and is expected to resume in 2021 at 5.8 percent.<sup>1</sup>

## The New York City Economy

Prior to the lockdown, the City's economy was strong and, by many measures, outperforming the U.S. Now, the Office of the Comptroller is estimating that the City's economy has already fallen 4.2 percent in the first quarter of 2020 and will fall 31 percent in the second quarter before recovering 15.7 and 6.0 percent, respectively, in the third and fourth quarters.

The outlook for the City's economy is somewhat more uncertain than the nation's. The same considerations that will determine the trajectory for the U.S. economy, whether a viable vaccine can be developed in the near term, whether residents will be comfortable in resuming their activities in the absence of one, whether businesses will require employees to resume their activities on-site or whether they will continue to work remotely, whether tourists will feel comfortable traveling once again, are equally important for the City's outlook and equally unanswerable at this time. What makes New York City more at risk is its vulnerability to future waves of infection and our dependence on both vacation visitors and business travelers.

While our baseline assumption is that U.S. economic activity will begin to slowly recover in 2020 Q3, the City's recovery will be slower given the devastating impact the pandemic has had on the City. The City's unique characteristics, in terms of its density and reliance on mass transit, will also make for a more challenging recovery in the City and a more staggered re-opening. While most sectors of the City's economy are expected to be almost fully recovered by the end of 2022, industries that interact more closely with the public, such as restaurants and bars will resume either more slowly, or in a different manner compared to pre-COVID-19 world that could result in long-term reduced economic

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<sup>1</sup> [https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020?utm\\_medium=email&utm\\_source=govdelivery](https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020?utm_medium=email&utm_source=govdelivery)

activity. The tourism and entertainment industries will likely see the slowest recovery due to their reliance on travelers.

If the broader economy outside of the tourism and entertainment sectors were to open more slowly than reflected in our baseline assumption, the impact on the City's economy and revenue outlook would darken considerably as domino effects begin to spread throughout the economy.

The forecasts for employment and wages are driven by the extent to which different industries will be directly impacted by the shutdown, and the extent to which firms will respond to the shutdown by cutting payroll either through employment, wages, or both. This is expected to vary considerably among industries. Some office professionals have been able to work at least in some capacity remotely during the shutdown while other sectors that rely on interaction with the public have closed. High paying sectors such as finance have greater flexibility in maintaining employment at current levels through cuts in flexible pay than sectors that rely on wage workers, such as retail. Already some leaders on Wall Street have announced that they will attempt to mitigate job losses, although cutbacks in bonus pay may result as a tradeoff.<sup>2</sup>

The degree to which business have been impacted by the pandemic largely depends on the extent to which they rely on interacting with the public directly. Industries that can work remotely, mainly office-using professions, have been less impacted, at least for now, and spillover effects have been contained, based on data available from State unemployment claims.<sup>3</sup> This distinction informs the forecast for sectoral employment.

The retail, accommodation and food services, and arts and entertainment sectors of the economy are expected to be most severely impacted (losses exceeding 70 percent) by the shutdown given their greater reliance on dealing with the public. Other industries such as manufacturing, construction and real estate are also expected to experience significant if somewhat less severe job losses. Industries that can rely on telecommuting such as finance, professional and business services, management companies, and information are expected to suffer proportionately fewer losses and rebound fairly quickly.

As shown in Chart 1, peak employment losses are expected to total more than 900,000 in 2020 Q2, with losses heavily concentrated in accommodation and retail. Year over-year job losses are expected to decline by over 10 percent in 2020. Even though job growth is expected to return at a fairly rapid clip we do not anticipate returning to 2019 peak employment levels until 2023 as some of the tourism and entertainment sectors continue to lag behind.

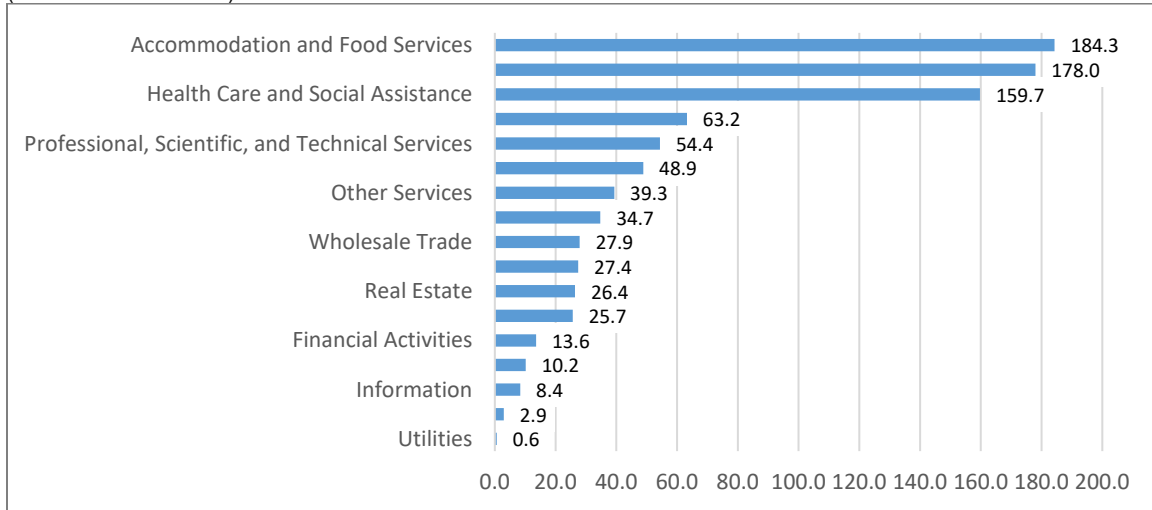
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<sup>2</sup> <https://www.bloomberg.com/news/articles/2020-04-08/blackrock-s-fink-vows-no-layoffs-due-to-impact-of-coronavirus>

<sup>3</sup> There is little data available so far on job loss data. State unemployment claims data, which provides insight on potential job losses can be found at <https://labor.ny.gov/stats/weekly-ui-claims-report.shtm>

**Chart 1. Projected Employment Losses by Sector, 2Q 2020**

(Numbers in thousands)



\*Job loss estimates include self-employed and gig workers

The near-term impact of the shutdown on wages for City workers is also expected to be extremely severe. Already Wall Street firms have signaled that in order to curtail job losses, bonuses or flexible pay will be cut. Bonuses across all industries are expected to be reduced considerably, by as much as 30 to 40 percent. The majority of City workers who do not earn bonuses will also see reduced wages as a result of layoffs, reduced work hours, pay freezes, or even pay cuts to lower-paid salaried employees. Overall, City wages are expected to decline by 5.1 percent year over year. To put this into perspective the overall wage loss in the 2001 recession was 2.6 percent, and 8.0 percent during the Great Recession when the finance industry was most severely impacted. As with the rest of the economy, the forecast assumes that growth in wages will gradually resume in 2021 and by 2024 be back to pre-COVID-19 levels.



### III. The FY 2021 Executive Budget and April 2020 Financial Plan

On April 16 the City released the FY 2021 Executive Budget and April 2020 Financial Plan in the midst of confronting the economic, social and health impact of the COVID-19 pandemic. The Financial Plan reflects the fiscal stress on the budget from business disruptions and the accompanying economic slowdown and the cost of combating the pandemic. Tax revenues over the current fiscal year and next are a combined \$7.67 billion less than projected in the January 2020 Plan. The brunt of the fiscal impact of the COVID-19 pandemic is expected to hit the City's budget in FY 2021, with tax revenues projected to fall below FY 2019 level. While the FY 2021 and FY 2022 budgets are balanced, budget balance was achieved with the use of reserves and a savings program that relied significantly on spending reductions from suspensions and delays of programs and services that the Administration deemed could not go forward due to the coronavirus outbreak. However, budget gaps in the outyears have increased significantly from the January projections, with projected gaps of \$5.02 billion in FY 2022, \$4.53 billion in FY 2023, and \$4.90 billion in FY 2024.

#### FY 2020 Budget

The FY 2020 Budget in the April Plan totals \$97.44 billion, an increase of \$2.01 billion from the January Plan. The increase is due primarily to a \$2.67 billion increase in Federal categorical grants, driven by about \$2.55 billion of categorical grants to support COVID-19 related expenditures. The City-funds portion of the budget is \$986 million less than the January Plan.

However, the fiscal impact on the budget from the COVID-19 pandemic is far greater than \$986 million reduction in the City-funds portion of the budget indicates. As shown in Table 6, the FY 2020 City-funds revenue forecast has been lowered by \$2.47 billion, led by a drop of \$2.24 billion in tax revenues. The reduction in non-tax revenues stems primarily from a reduction of \$171 million in revenues from licenses, permits and franchises; charges for services; and fines and forfeitures due to business slowdowns, lower demand for non-essential services and reduced enforcement. Adding to the fiscal stress on the budget are actions in the State enacted budget which reduce State support or shift costs to the City. In FY 2020, a 5 percent reduction in reimbursements for Temporary Assistance to Need Families (TANF) accounts for \$34 million of the \$89 million increase in City-funds expenditures in Table 6.

The City is relying on \$2.83 billion in Federal grants and reserves to fund the FY 2020 City-funds budget shortfall. The Plan assumes \$1.4 billion in relief from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, of which \$800 million will be used to fund City-funds expenditures. In addition, the FY 2020 budget includes \$498 million in unrestricted Federal grants from the temporary increase in Federal Medical Assistance Percentage (FMAP) under the Families First Coronavirus Response Act (FFCRA). The Plan further anticipates using \$250 million of FEMA assistance to fund a portion of uniformed agency overtime.

In addition to the \$1.55 billion in budget relief from Federal grants, the City is reducing its payment to the Retiree Health Benefits Trust (RHBT) for FY 2020 pay-as-you-go retiree health insurance by \$1 billion. This shortfall will be funded with RHBT funds which will leave the balance in the Trust at \$3.7 billion at the end of the current fiscal year.

The April 2020 Financial Plan includes a new round of Citywide Savings Program which is estimated to provide budget relief of \$1.16 billion. Together, the availability of Federal funds to defray City-funds expenditures, the use of reserves and the new round of Citywide Savings Program provide additional resources that exceeds the budget shortfall since January. As a result, the FY 2020 Budget is

expected to add \$1.43 billion to the budget surplus estimated in the January Plan.<sup>4</sup> This surplus will be used to increase prepayments of FY 2021 debt service.

**Table 6. Changes to FY 2020 City-Funds Estimates from the January Plan**

(\$ in millions, positive numbers decrease the gap and negative numbers increase the gap)

<b>January 2020 Financial Plan Gap</b>	<b>(\$0)</b>
<b>Revenue Shortfall/Spending Increase</b>	
Tax Revenues	(\$2,239)
Non-Tax Revenues	(232)
Expenditure Increase	(89)
<b>Total Revenue Shortfall/Spending Increase</b>	<b>(\$2,560)</b>
<b>Additional Resources</b>	
<b>Federal Support</b>	
CARES Act	\$800
eFMAP	498
FEMA Overtime	250
<b>Total Federal Support</b>	<b>\$1,548</b>
<b>Reserves</b>	
Retiree Health Benefits Trust	\$1,000
General Reserve	280
<b>Total Reserves</b>	<b>\$1,280</b>
Citywide Savings Program	\$1,163
<b>Total Additional Resources</b>	<b>\$3,991</b>
Surplus Before Prepayments	\$1,431
Prepayments of FY 2021 Expenses	(\$1,431)
<b>April 2020 Financial Plan Gap</b>	<b>(\$0)</b>

## FY 2021 Budget

The FY 2021 Budget in the April Financial Plan totals \$89.33 billion, a decrease of \$5.97 billion from the January Plan. The reduction is driven by a decrease of \$5.63 billion in the City-funds portion of the budget. Tax revenues have been revised downward by \$5.43 billion to \$60.19 billion, a drop of \$1.93 billion, or 3.1 percent, from FY 2020 and \$1.31 billion, or 2.1 percent below FY 2019. Downward revisions to interest income to reflect the Federal Reserve's emergency rate cuts in the face of economic turmoil account for most of the reduction in non-tax revenues. Interest income is revised downward by \$152 million to \$11.8 million, a precipitous drop of 95 percent from \$226 million in FY 2019 and about half of the low of \$22.2 million in FY 2010 following the 2008 financial crisis.

Compounding the budget shortfalls from revenue losses is the drain on City-funds revenues from the backfilling of cuts in State funding for education and social services. These cuts created shortfalls of \$382 million in education funding and \$69 million in TANF funding. In total, cuts in State funding account for \$451 million of the \$471 million increase in City-funds expenditures in Table 7.

As shown in Table 7, the FY 2021 Executive Budget is relying on the drawdown of reserves to fund a part of retiree health benefits in FY 2021. The City will use RHBT funds to pay \$1.6 billion of the \$2.25 billion retiree health insurance cost in FY 2021. Furthermore, the City is reducing the FY 2021

<sup>4</sup> The increase in budget surplus brings the total FY 2020 Budget Stabilization Account, which is funded by the budget surplus, to \$4.155 billion.

General Reserve by \$900 million to \$100 million and eliminating the \$250 million FY 2021 Capital Stabilization Reserve.

In addition to the drawdown of reserves, the City is using \$444 million of enhanced FMAP Federal funding under the FFCRA to pay the City's share of Medicaid Assistance payments in FY 2021. Estimated budget relief of \$1.50 billion from the new round of Citywide Savings Program brings total additional resources since the January Plan to \$4.69 billion. These additional resources, together with debt service reduction of \$1.43 billion from prepayments, allow the City to bridge the budget shortfall that has opened up since January 2020.

**Table 7. Changes to FY 2021 City-Funds Estimates from the Preliminary Budget**

(\$ in millions, positive number decrease the gap and negative numbers increase the gap)

<b>January 2020 Financial Plan Gap</b>	<b>(\$0)</b>
<b>Revenue Shortfall/Spending Increase</b>	
Tax Revenues	(\$5,428)
Non-Tax Revenues	(225)
Expenditure Increase	(471)
<b>Total Revenue Shortfall/Spending Increase</b>	<b>(\$6,124)</b>
<b>Additional Resources</b>	
eFMAP	\$444
<b>Reserves</b>	
Retiree Health Benefits Trust	\$1,600
General Reserve	900
Capital Stabilization Reserve	250
<b>Total Reserves</b>	<b>\$2,750</b>
Citywide Savings Program	\$1,499
<b>Total Additional Resources</b>	<b>\$4,693</b>
Gap to be Closed Before Prepayments	(\$1,431)
FY 2020 Prepayments	\$1,431
<b>April 2020 Financial Plan Gap</b>	<b>(\$0)</b>

### Citywide Savings Program (CSP)

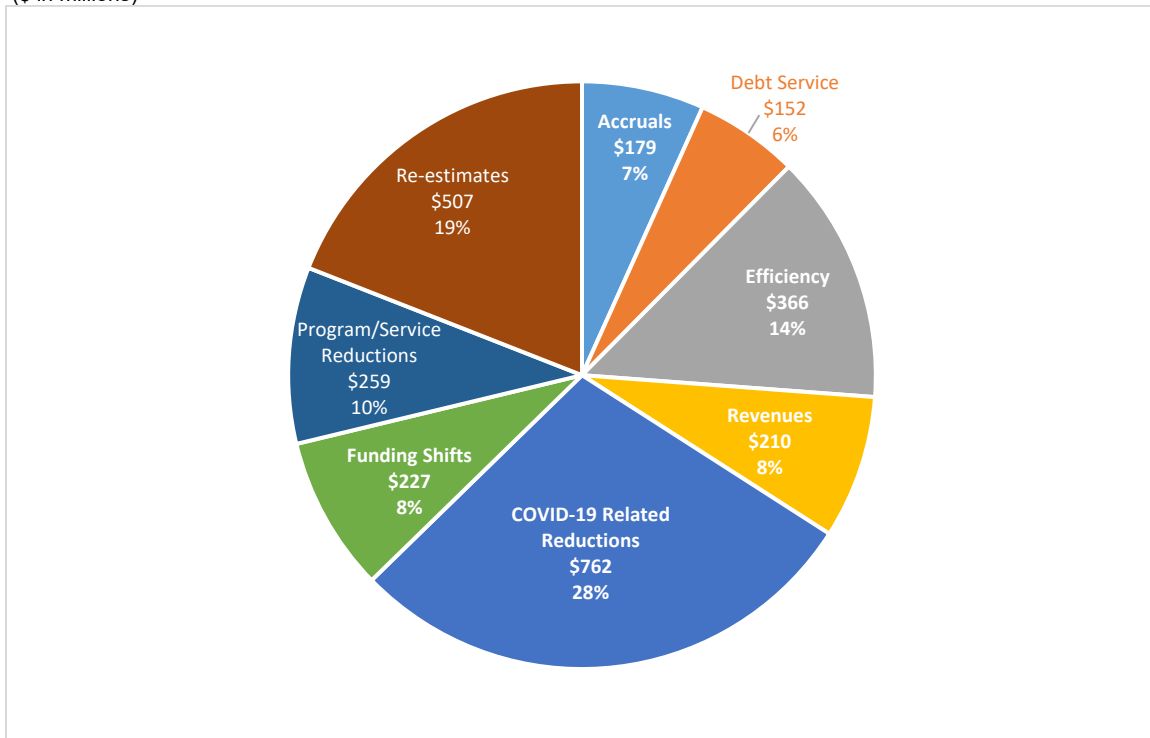
The April 2020 Financial Plan includes another round of savings that is expected to provide budget relief totaling \$5.19 billion over the Plan period. Budget relief in FY 2020 and FY 2021 totals \$2.66 billion and accounts for more than half of the savings over the Plan period. As Chart 2 shows, spending reductions as a result of the COVID-19 pandemic such as closing of schools, campuses and administrative buildings, savings on Fair Fares due to declining ridership, and delays of police officer class and cadet program account for \$762 million, or 28 percent of the combined FY 2020 and FY 2021 savings. For the most part, these savings do not extend beyond FY 2021 as the economy is expected to open up and businesses and government are expected to return to normal level of operation. The savings program also includes program and service reductions. Temporary reductions in funding as provided for in the Fair Student Funding allocation and School Allocation Memorandum are expected to generate \$140 million of the \$259 million savings from program and service reductions.

Annual savings in the outyears are significantly lower than savings in the first two years of the Plan due to the reliance on non-recurring initiatives in Fiscal Years 2020 and 2021. Savings in each of the

outyears of the Plan are less than \$900 million, compared to savings of \$1.16 billion in FY 2020 and \$1.50 billion in FY 2021.

## Chart 2. Combined FY 2020 and FY 2021 Citywide Savings Program

(\$ in millions)



## Risks and Offsets

As Table 8 shows, the Comptroller's Office's analysis of the April Plan shows net additional resources of \$333 million in FY 2020 and risks beginning at \$837 million in FY 2021, and spiking to \$1.47 billion in FY 2022 before tapering to \$816 million by FY 2024. The additional resources in FY 2020 are driven by the Comptroller's Office's tax revenue forecast, which is higher than the City's projections by \$173 million and variable rate demand bond (VRDB) interest savings of \$110 million. The Comptroller's Office projects net expenditure risks in each of the outyears. In FY 2021 through FY 2023, the Comptroller's Office's lower revenue forecasts add to the expenditure risks, while a higher revenue forecast in FY 2024 helps to offset some of the expenditures. The Comptroller's Office's tax revenue forecast is discussed in greater detail in "Tax Revenues" beginning on page 15.

Risks to the City's expenditure estimates stem primarily from assumptions of overtime spending and shortfalls in funding for charter school tuition, special education Carter Cases and the Fair Fares initiative. Overall, the Comptroller's Office's analysis of the Plan indicates that the City could end FY 2020 with a budget surplus of \$333 million. In the outyears, the Comptroller's Office's analysis shows a gap of \$837 million in FY 2021, and larger gaps of \$6.49 billion, \$5.50 billion and \$5.72 billion in FY 2022 through FY 2024, respectively.



**Table 8. Risks and Offsets to the April 2020 Financial Plan**

(\$ in millions, positive numbers decrease the gap and negative numbers increase the gap)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>City Stated Gap</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$5,024)</b>	<b>(\$4,530)</b>	<b>(\$4,901)</b>
<b>Tax Revenues</b>					
Property Tax	\$0	\$119	\$279	\$607	\$883
Personal Income Tax	(42)	299	(131)	(271)	(410)
Business Taxes	(115)	(508)	(370)	27	207
Sales Tax	323	(5)	(386)	(303)	(315)
Real Estate Transaction Taxes	(9)	14	(329)	(303)	(276)
All Other	16	(162)	(21)	(41)	0
Audit	0	0	154	154	154
<b>Subtotal Tax Revenues</b>	<b>\$173</b>	<b>(\$243)</b>	<b>(\$804)</b>	<b>(\$130)</b>	<b>\$243</b>
<b>Non-Tax Revenues</b>	<b>0</b>	<b>(100)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Revenues</b>	<b>\$173</b>	<b>(\$343)</b>	<b>(\$804)</b>	<b>(\$130)</b>	<b>\$243</b>
<b>Expenditures</b>					
Overtime	\$0	(\$260)	(\$130)	(\$130)	(\$130)
Charter School Tuition	0	(35)	(205)	(380)	(600)
Carter Cases	0	(125)	(125)	(125)	(125)
Pupil Transportation	0	(75)	(75)	(75)	(75)
Homeless Shelters	0	(59)	(59)	(59)	(59)
Fair Fares	0	30	(100)	(100)	(100)
DOE Medicaid Reimbursement	(20)	(20)	(20)	(20)	(20)
Pre-K Special Education	50	50	50	50	50
VRDB Interest Savings	110	0	0	0	0
General Reserve	20	0	0	0	0
<b>Subtotal</b>	<b>\$160</b>	<b>(\$494)</b>	<b>(\$664)</b>	<b>(\$839)</b>	<b>(\$1,059)</b>
<b>Total (Risks)/Offsets</b>	<b>\$333</b>	<b>(\$837)</b>	<b>(\$1,468)</b>	<b>(\$969)</b>	<b>(\$816)</b>
<b>Restated (Gap)/Surplus</b>	<b>\$333</b>	<b>(\$837)</b>	<b>(\$6,492)</b>	<b>(\$5,499)</b>	<b>(\$5,717)</b>

## Revenue Analysis

### Tax Revenues

City tax revenues are expected to be severely impacted as efforts to contain the virus have shut down the local and national economies in an unprecedented manner. The effects are already being felt on most revenue streams. Sales tax revenue has plummeted as stores have closed and hotels are vacant, revenue from real estate transactions is vanishing as sales activity is put on hold, and income taxes will soon feel the effects of massive layoffs once severance and back pays are exhausted. The impact on the City's largest tax, the property tax will, however, occur more slowly due to its lagged structure, as discussed in more detail below.

The Comptroller's baseline forecast, which assumes a recovery for most sectors of the economy beginning in Q1 FY 2021, shows staggering losses due to the pandemic that peak at \$6.2 billion dollars, or nearly a 17 percent decline in non-property tax revenue in FY 2021, as compared to the forecast in January. For most revenue streams, losses gradually diminish as the economy recovers, but significant long-term and delayed revenue impacts remain, as shown in Table 9.

**Table 9. Revisions to the Comptroller's Tax Revenue Assumptions  
April 2020 vs. January 2020**

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Property	(\$208)	(\$294)	(\$870)	(\$1,159)	(\$1,843)
Personal Income (PIT)	(670)	(1,988)	(1,516)	(1,277)	(1,252)
Business	(379)	(1,518)	(752)	(161)	(70)
Sales	(794)	(1,378)	(1,072)	(737)	(738)
Real Estate Transactions	(374)	(648)	(687)	(504)	(409)
All Other	79	(364)	(75)	(75)	(32)
<b>April 2020 Financial Plan</b>	<b>(\$2,346)</b>	<b>(\$6,190)</b>	<b>(\$4,972)</b>	<b>(\$3,913)</b>	<b>(\$4,344)</b>

The forecast for total tax revenues, reflecting the estimated losses due to the COVID-19 impact, is close to the City's forecast in FY 2020 and FY 2021 (Table 10). The largest difference is in FY 2022, where revenues projected by the Comptroller are more than \$800 million lower compared to the City's estimate. While both forecasts assume a recovery will begin in FY 2021, the Comptroller's forecast assumes that this will occur at a slower rate. Excluding property taxes, tax revenues are not expected to exceed the FY 2019 level until FY 2024 – a five-year recovery period.

**Table 10. Risks and Offsets to the City's Tax Revenue Projections**

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Property	\$0	\$119	\$279	\$607	\$883
PIT	(42)	299	(131)	(271)	(410)
Business	(115)	(508)	(370)	27	207
Sales	323	(5)	(386)	(303)	(315)
Real Estate Transaction	(9)	15	(329)	(303)	(276)
Audit	0	0	154	154	154
All Other	16	(162)	(21)	(41)	0
<b>Total</b>	<b>\$173</b>	<b>(\$242)</b>	<b>(\$804)</b>	<b>(\$130)</b>	<b>\$243</b>

The high degree of uncertainty surrounding the virus's impact and the pace of recovery of economic activity both locally and nationally, make the revenue forecast equally uncertain. There are significant downside risks that if the re-opening of the City's economy occurs at a slower pace than assumed here, larger spillover effects could occur, compounding losses.<sup>5</sup> A resurgence of the virus after re-opening of the economy has begun, leading to another round of closures of businesses deemed non-essential, would also have a devastating impact on revenues. Longer-term downside risks that are not incorporated in this baseline forecast — because they are at this point unknowable — include lower population growth and/or lower business activity as individuals and firms change their behavior in response to perceived health and safety risks.

### Real Estate

The current pandemic will impact property tax revenues more slowly than most other New York City taxes. In the near term, property tax revenues will be reduced by the current suspension of lien sales, deferring income from those sales from FY 2020 into FY 2021. In contrast, the suspension of Tax Commission hearings will result in a smaller reduction in assessed values from the tentative to final roll, increasing FY 2021 assessments and revenues. These short-term increases will be offset by rising delinquencies as more property owners struggle with payments.

<sup>5</sup> Upside risks from a near term discovery of an effective vaccine are possible but appear to be less likely given the typical 18-month timeline for development.

The impacts of the current pandemic will begin to have more profound impacts in FY 2022. FY 2022 property tax revenue is based on assessments of property value done during calendar year 2020. The nature and timing of the current crisis makes this impact difficult to quantify based on limited data and rapidly changing circumstances. New York City's complex property tax system will also cause the crisis to impact different segments of the real estate market in different ways.

The current crisis should have little impact on property tax revenues from Class 1 residential property over the Financial Plan period. Because increases in assessed values on Class 1 properties are capped at 6 percent annually and 20 percent over five years, homes whose values have appreciated more quickly are taxed at the capped value and are therefore under assessed, often dramatically. To the extent that the current crisis ultimately impacts home prices, and thereby comparable properties used in the assessment process, it will largely result in capped assessed values catching up to reflect a larger share of a property's actual value, with a muted impact on individual property tax bills and aggregate property tax revenues.

The situation with Class 2 residential property (rental buildings, co-ops and condos) is more complicated. The shutdown of stores, restaurants and entertainment has impacted the ability of many New York City residents to pay rent, especially hourly workers. Tenants that are unable to pay, and landlords that forgive rent, imply reductions in rental income, and residential assessed values will fall as rental income falls. The extent to which this remains true through calendar year 2020 will impact rental demand, rents, and ultimately assessed values in FY 2022.

These factors are to some extent offset by Class 2 transitional values. Because changes in assessed values on larger Class 2 properties are phased-in at 20 percent per year over five years, and assessed values have been growing steadily, decreases in assessed value resulting from the impact of the epidemic on rental income will largely be offset by rising transitional values that incorporate increases in assessed values from past years that have yet to be phased in. The result is slower Class 2 property tax revenue growth, not decreased property tax revenue.

Decreases in rental income will also impact assessed values of Class 4 commercial property. Office rents will decline to the extent that increased telecommuting lowers demand for office space, uncertainty allows commercial tenants to renegotiate leases, and commercial businesses are undermined by a recession. Currently shuttered retail, in particular, will drive down rental income in commercial buildings with retail tenants. As with large Class 2 properties, these impacts will be muted by rising transitional values due to past increases in assessed value that have yet to be phased in. This is true even for properties such as hotels that may have little to no income in the near term.

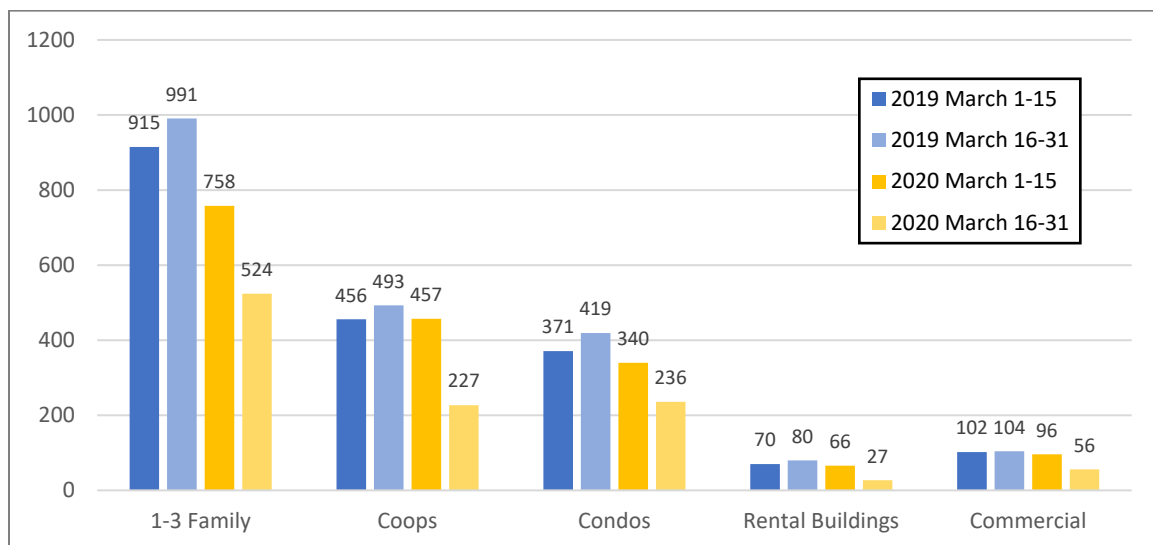
The aggregate impact of these factors is projected to be a cessation of growth in assessed values of Class 2 and Class 4 properties in FY 2022, with growth in tax revenues driven exclusively by phased-in changes in assessed value from prior years. Projected growth resumes off a stunted base in FY 2023 and FY 2024, consistent with the pandemic waning later in calendar year 2020, and a re-opening of business that is largely complete by the end of the year.

### **Real Estate Transaction Taxes: RPTT and MRTT**

Residential and commercial real estate sales were declining in New York City even prior to the outbreak of COVID-19. During the eight-month period from July 2019 through February 2020, sales of 1- to 3-family homes declined by 7.2 percent, coops by 8 percent, condos by 12.7 percent, rental buildings by 30 percent, and commercial buildings by 3.4 percent in terms of total transaction value in dollars, compared to the comparable period a year ago. Several factors likely combined have contributed to the decline in residential sales, including the loss of state and local tax (SALT) deductions, lowered limits for interest deductions on residential mortgages in the Federal tax code, and the supplemental tax on the sales of residential real properties priced above \$2 million (the "mansion tax"). In addition, changes in rent control laws that limit owners' ability to raise rents had slowed the market for multifamily rental properties.

The pace of these declines has accelerated since stay-at-home orders were imposed starting in mid-March. The number of transactions in the second half of March for both residential and commercial properties significantly declined compared to the same period last year (Chart 3). The number of transactions of 1- to 3-family homes has declined by 47 percent, coops by 54 percent, condos by 44 percent, rental buildings by 66 percent, and commercial buildings by 46 percent, compared to the second half of March in 2019. The Comptroller's Office projects that real estate transactions will slow to a virtual halt in the final quarter of FY 2020 with continuing stay-at-home orders making transactions challenging.

**Chart 3. Number of Real Estate Transactions  
in First and Second Half of March 2019 and March 2020**



SOURCE: Comptroller's Office analysis of Department of Finance Rolling Sales Data  
<https://www1.nyc.gov/site/finance/taxes/property-rolling-sales-data.page>

Combined revenues from real estate-related taxes (the real property transfer tax and mortgage recording tax) are expected to total only \$205 million in the fourth quarter of the current fiscal year, mostly the result of sales transactions that were already agreed on. This would bring the total for the year to \$2.06 billion, 15.3 percent below the Comptroller's Office's January Plan forecast. This revision is in line with the City's Executive Budget forecast of \$2.07 billion.

In the outyears, the Comptroller's Office projects an offset of \$15 million in FY 2021 followed by risks of \$329 million in FY 2022, \$303 million in FY 2023, and \$276 million in FY 2024 compared to the City's Executive budget. As the impact of COVID-19 is expected to continue throughout the summer and possibly into the fall, the Comptroller's Office expects real estate-related taxes to decline by 11.7 percent in FY 2021. Experience from the Great Recession suggests that it takes a considerable amount of time for transaction volume to recover after a systemic shock as consumers lose purchasing power, investors become wary of risks and banks tighten lending. The Comptroller's Office projects a much slower recovery in real estate-related taxes in outer years compared to the City's Executive Budget, with growth relatively flat over the remainder of the forecast period. The City forecasts a decline in FY 2021 by 12.78 percent followed by a rebound of 18.75 percent in FY 2022, and growth of 2.65 percent and 1.27 percent in FY 2023 and FY 2024 respectively.

### Personal Income Tax (PIT)

The forecast for PIT is highly uncertain and shares the same downside risks of a more delayed recovery and broader spillover effects associated with the economic forecast.

The near-term forecast for the largest component of PIT, withholding, follows the sharp downward trajectory of New York City employment and wages (payroll) outlined in the economic section of this report. This trajectory has a more volatile component related to bonus compensation, and a relatively more stable component related to base wages. Bonuses, the largest component of earnings for Wall Street employees, are forecast to decline by 30 to 40 percent in FY 2021 based on estimates provided by compensation specialists.<sup>6</sup> Large declines in bonus compensation will not be limited to Wall Street employees. Companies across all industries have announced sharp reductions in bonus pay for executives and other high salaried employees.<sup>7</sup>

The other driver of withholding, base compensation, is expected to decline substantially, if less dramatically than bonuses, with peak declines of 8 percent occurring in FY 2020 Q4. Cutbacks to base wages reflect expected reductions in hours worked or overtime for hourly employees, freezes on typical increases that would have normally occurred as a result of promotions, as well as pay cuts to even lower paid salaried employees who do not receive bonuses, and losses due to layoffs.<sup>8</sup> While some firms have boosted pay or provided hazard pay to essential employees during the pandemic, these firms represent an exception.<sup>9</sup>

Compared to the Comptroller's January Plan, overall withholding is expected to slump by \$380 million in FY 2020 Q4, or a 14 percent decline. Losses continue to accelerate in FY 2021 as the effects of bonus cuts become pronounced in the December through March period, resulting in an overall loss of nearly \$800 million in FY 2021. Thereafter in FY 2022 through FY 2024 withholding rebounds in line with the overall recovery in the economy.

The Comptroller's forecast for the other sources of non-withheld income tax revenue — including volatile capital gains, rents and dividends, assumes comparable losses to bonuses of 35 percent.<sup>10</sup>

Timing issues related to when taxpayers will recognize capital gains losses are uncertain. Taxpayers who make estimated payments could take these losses as early as July 2020, or decide to hold off until April 15, 2021 when final payments are due.<sup>11</sup> Our assumption is that filers will deviate from typical safe harbor provisions and begin to recognize losses as early as July 2020 and continue to recognize losses over the course of the quarterly estimated payments made in FY 2021 rather than wait until April 15, 2021.

The Comptroller expects losses in non-withholding income totaling \$291 million and \$1.2 billion in FY 2020 and FY 2021, respectively. This pattern of losses could be more heavily skewed to FY 2020, resulting in higher losses in FY 2020 and conversely lower losses in FY 2021, if taxpayers were to recognize significant portions of these losses earlier than assumed here.

Overall PIT revenue is expected to be \$670 million lower in FY 2020 and \$2.0 billion lower in FY 2021 compared to our January pre-COVID-19 estimate. These losses gradually diminish over the long run in FY 2022 through FY 2024 as growth in employment and wages resumes. The Comptroller expects

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<sup>6</sup> <https://www.reuters.com/article/us-health-coronavirus-banks-bonuses-idUSKBN21C2OT>

<sup>7</sup> <https://www.crainsnewyork.com/arts/brooklyn-academy-music-expects-74m-loss-executive-pay-slashed>

<sup>8</sup> <https://www.post-journal.com/news/latest-news/2020/04/cuomo-to-freeze-pay-increases-for-state-workers/>

<sup>9</sup> <https://www.nkytribune.com/2020/04/kroger-ufcw-announce-hero-grocery-worker-pay-increase-new-benefits-during-COVID-19-outbreak/>

<sup>10</sup> <https://www.nasdaq.com/articles/coronavirus-is-forcing-companies-to-suspend-dividends-and-cancel-stock-buybacks-2020-03-23>

<sup>11</sup> The filing deadline for April and June 2020 PIT payments has been extended from April 15th to July 15th. The July payments will be accrued to FY 2020.

PIT revenue to return to its FY 2019 level in FY 2023, at a lower level than assumed in the City's forecast (see "Risks and Offsets to the City's Tax Revenue Projections" in Table 10).<sup>12</sup>

## Sales Tax

The forecast for losses in sales tax revenue reflects the impacts that the pandemic is expected to have on different sectors of the economy and the contribution of these sectors to taxable sales.

Sales related to the tourism and entertainment industries have almost completely vanished beginning in late March as hotels are mostly vacant, and restaurants and entertainment venues have closed. The tourism and restaurant sectors alone account for approximately one quarter of overall sales tax revenue, so the almost complete closure of these industries will cause sales tax revenue to decline by almost 25 percent in the current quarter. Purchases of discretionary items such as automobiles and furniture will also be severely impacted or at least delayed. Almost all sectors are forecast to experience losses with a few exceptions, notably online purchases, which have soared, as have sales for groceries and stay-at-home purchases such as video games and streaming services.<sup>13</sup>

Even with these offsetting sales, the forecast of lost sales tax revenue is dramatic. Sales tax revenue in FY 2020 and FY 2021 is expected to be almost \$2.2 billion lower compared to the Comptroller's January pre-COVID-19 estimate, an unprecedented decline of nearly 16 percent in FY 2021. Sales tax revenue will also be negatively impacted by the State's decision to intercept \$250 million dollars in FY 2021 and \$150 million in FY 2022 to provide funding for financially distressed hospitals.

Outyear losses are forecast to diminish as the economy reopens and employment growth resumes. The recovery of the tourism and entertainment sectors, however, is expected to be slower compared to the rest of the economy and will continue to act as a drag on sales tax revenue well into FY 2022. Already firms have pulled back on business travel and conference attendance through FY 2021, so even in a best-case scenario where an effective vaccine were to be developed in the near term, travel would still resume with considerable delay given that travel decisions need to be planned well in advance.<sup>14</sup>

Overall, the Comptroller's forecast for sales tax revenue over the five-year period is similar to the City's estimate. The most significant difference is for the current quarter when the City anticipates even higher losses and revenue to be lower by \$300 million compared to our baseline estimate. As with other tax revenue forecasts, the projection for sales tax revenue is both highly uncertain and very sensitive to assumptions on the pace of recovery and re-opening. Sales tax revenue could also be impacted by increased reliance on remote work by commuters.

## Business Taxes

The extent of the shutdown of economic activity that has occurred is unprecedented and its impact on business taxes (General Corporation Tax and Unincorporated Business Tax combined) will be severe across almost all industries.<sup>15</sup> As economic activity has come to an abrupt halt, revenues have plummeted. Even service sector companies that can more easily rely on remote work are experiencing significant losses. Wall Street firms, one of the main drivers of the City's business tax, have seen profitable business lines such as underwriting and mergers collapse during the shutdown.<sup>16</sup> Although

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<sup>12</sup> Note that the deferral of the income tax filing deadline to July 15<sup>th</sup>, after the end of the fiscal year, will not impact the FY 2020 or 2021 budgets, because tax payments previously due April 15 for tax year 2019 will still be recognized in Fiscal Year 2020.

<sup>13</sup> <https://www.hollywoodreporter.com/news/netflix-adds-16-million-subscribers-virus-shutdown-1291168>

<sup>14</sup> <https://www.siliconrepublic.com/companies/facebook-events-cancelled-coronavirus-202>

<sup>15</sup> Since the TCJA may have caused some firms to switch from being UBT to GCT payers, combining the two taxes potentially removes large distortions in current growth patterns that may have occurred as a result of this.

<sup>16</sup> <https://www.bloomberg.com/news/articles/2020-04-02/as-m-a-ipo-work-halts-emergency-cash-calls-keep-bankers-busy>



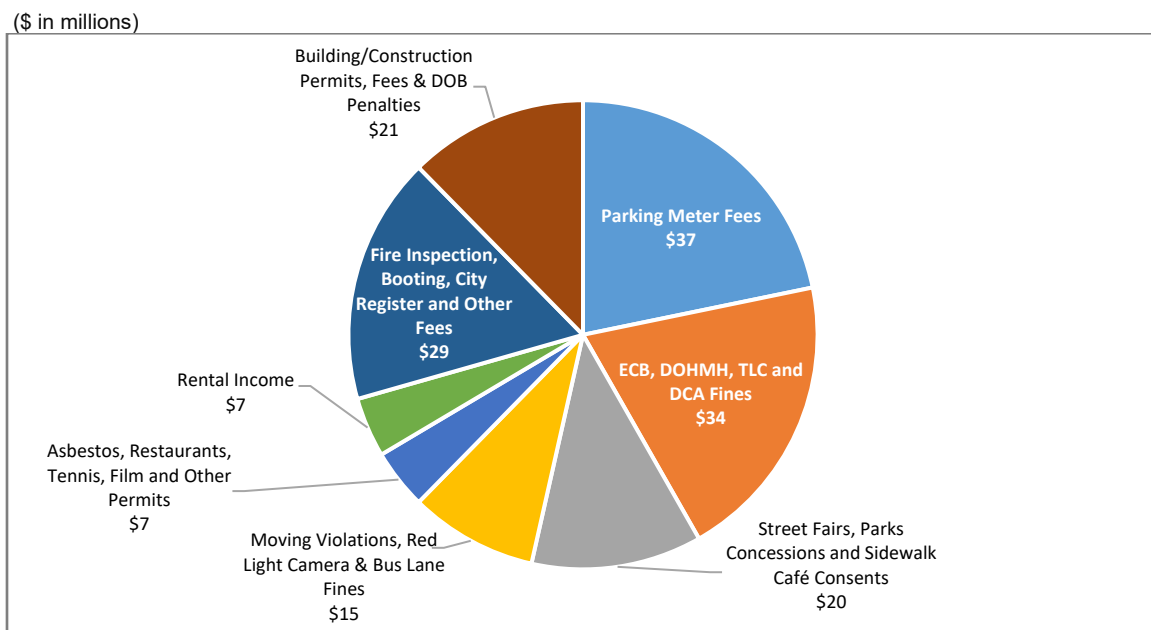
these activities could resume once the economy reopens, this will take some time and the pipeline of deals that were expected to occur in FY 2020 and FY 2021 has likely been pushed back at a minimum to FY 2022. The sharp rise in reserves for losses that banks have announced in recent earning reports is also an ominous indicator.

Significant losses are expected to hit Main Street as well. Retail and personal services stores have closed and although the Federal stimulus program may have offered a lifeline that will enable some small businesses to reopen, others may never reopen. Owners of real estate are also expected to be severely impacted as a result of closures and vacancies, and rent concessions and non-payments across almost all property types are rapidly emerging. As a result of these strong headwinds, business tax losses of 25 percent compared to the pre-COVID-19 estimate are likely to occur starting in Q4 FY 2020 and continuing into FY 2021. The Comptroller's near-term forecast for business tax revenue is lower compared to the City's in FY 2021 by about \$300 million, taking into account audits. Thereafter differences with the City diminish.

### Miscellaneous Revenues

In the April 2020 Financial Plan, the City projects non-tax miscellaneous revenue of \$5.37 billion in FY 2020.<sup>17</sup> This projection reflects the impact of the slowdown in business and social activities precipitated by the COVID-19 pandemic. Revenues from licenses, permits and franchises; charges for services; fines and forfeitures; and interest income are reduced by a combined \$171 million as a result of lower demand for non-essential City services, cancellation of public events and reduced enforcement. As shown in Chart 4, more than half of the estimated losses stem from lower revenues from parking meter fees, fines from the Environmental Control Board (ECB), Department of Health and Mental Hygiene (DOHMH), Department of Correction (DOC), and Department of Buildings (DOB) fines and permits. Other projected losses include revenues from motor vehicle and camera fines and parks licenses, concessions and recreation fees.

**Chart 4. COVID-19 Related Revenue Loss**



SOURCE: NYC Office of Management and Budget.

<sup>17</sup> Miscellaneous revenue analysis excludes private grants and intra-City revenues.

As per an agreement with the Water Board, the City may request an annual rental payment for the use of City's water and sewer infrastructure. To blunt the impact of revenue loss, the City requested half of the FY 2020 rental payment from the Water Board.<sup>18</sup> The rental payment of \$128 million, which is credited to the Citywide Savings Program, together with \$60 million from other revenue initiatives in the new round of Citywide Savings Program, provide the City with \$188 million of budget relief in FY 2020. Altogether, the estimated revenue loss stemming from the COVID-19 pandemic, additional revenues in the Citywide Savings Program, and technical adjustments to projections, result in a net decrease in the FY 2020 miscellaneous revenue projection of \$47 million from the January Plan estimate. Table 11 shows, the net change to miscellaneous revenues from the January Plan.

**Table 11. Changes in FY 2020 Estimates  
January 2020 Plan vs. April 2020 Plan**

(\$ in millions)	January	April	Change
Licenses, Permits & Franchises	\$767	\$709	(\$58)
Interest Income	155	123	(32)
Charges for Services	1,059	971	(88)
Water and Sewer Charges	1,589	1,708	119
Rental Income	258	261	3
Fines and Forfeitures	1,182	1,108	(74)
Other Miscellaneous	411	494	83
<b>Total</b>	<b>\$5,421</b>	<b>\$5,374</b>	<b>(\$47)</b>

Total miscellaneous revenues are projected to decline 6.4 percent in FY 2021 to \$5.03 billion and average \$5.0 billion in the outyears. FY 2021 revenues in the April Plan are \$205 million below the January Plan projection, with a reduction of \$152 million in interest income accounting for the bulk of the decrease. The revision to interest income reflects the Fed's emergency rate cut in response to the economic disruption from the COVID-19 pandemic. While there is a great degree of uncertainty about the duration and ripple effects of the COVID-19 pandemic on the local economy and social restrictions, the Financial Plan assumes that most of the revenue loss from the slowdown in business and social activities will not extend into FY 2021. It is likely that the effects of the COVID-19 crisis will extend through the first quarter of the coming fiscal year. As such, the Comptroller projects additional COVID-19 related revenue losses of \$100 million from fees, permits and fines from parks, street fairs, recreation centers, ECB quality of life and building and construction activities in FY 2021.

## Federal and State Aid

### Federal Stimulus Aid

As expected, the primary focus of Federal aid changes in the April Plan is on Federal stimulus funds and FEMA reimbursement to address the COVID-19 crisis. In response to the crisis, Congress passed a series of stimulus bills containing various measures to provide relief to the City and help mitigate costs stemming from the crisis. As shown in Table 12, the April Plan has incorporated a total of \$4.3 billion in COVID-19 related Federal assistance in FY 2020 and FY 2021, including \$2.5 billion for expenditures that are eligible for FEMA reimbursements.

<sup>18</sup> The City may request rental payment from the Water Board for an amount not to exceed the greater of: a) the principal and interest payable on general obligation bonds issued by the City for water and sewer purposes or b) 15 percent of the amount of the principal and interest payable on the bonds of the authority.



Under the Families First Coronavirus Response Act, the Federal government enacted a temporary 6.2 percentage point increase in its share of Medicaid reimbursement, known as Enhanced Federal Medicaid Assistance Percentage (eFMAP). The eFMAP assistance is expected to remain in effect through calendar year 2020, providing the City with \$942 million in total relief. These savings are reflected in the Plan as \$498 million in unrestricted aid for FY 2020 and \$444 million in Medicaid expense offset for FY 2021.

The April Plan also anticipates receiving \$1.4 billion in direct relief under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The City has incorporated \$800 million of CARES funding under its unrestricted aid assumption and applied the remaining \$600 million to fund its share of certain FEMA-eligible costs, at an expected FEMA reimbursement rate of 75 percent. Since the release of the Executive Budget, however, the Governor has indicated that the President has agreed to waive the 25 percent local match for FEMA assistance. The local match waiver could free up the \$600 million in CARES Act funding to cover needs in other areas, once the City reflects the higher reimbursement rate for projected FEMA-eligible costs.

**Table 12. Federal Assistance for COVID-19 Relief**

(\$ in millions)	FY 2020	FY 2021	FYs 20-21 Total
FEMA-Emergency Measures	\$1,624	\$37	\$1,661
FEMA-Emergency Measures (CARES Act)	600	0	600
FEMA-Overtime	250	0	250
Enhanced FMAP	498	444	942
CARES Act	800	0	800
Other	45	0	45
<b>Total Assistance</b>	<b>\$3,817</b>	<b>\$481</b>	<b>\$4,298</b>

## State Budget

Like the City, New York State is facing its own fiscal strain from the coronavirus. The State projects that revenues in state fiscal year (SFY) 2020 – 2021 will fall \$13.3 billion below pre-coronavirus projections, and compared to the prior year, all funds tax receipts are expected to fall by 8.9 percent. As of April 22, 2020, the State has reported \$2.8 billion in expenses related to COVID-19. While the State has received some assistance through the Federal stimulus bills passed to date, including a temporary increase in the Federal Medicaid reimbursement rate and \$5.1 billion from the Coronavirus Relief Fund, the full extent of the pandemic's impact on the State's fiscal situation remains unclear.

Amid these challenges, the State adopted a budget for SFY 2020-21 that has a combined negative impact on the City budget of at least \$776 million over city fiscal years 2020 and 2021. Moreover, the adopted state budget was premised on the ability to use broad new executive powers to implement steep, mid-year reductions in local aid. The State has already announced its intention to detail \$8.2 billion in recurring cuts to local aid sometime in mid-May.

**Table 13. Impact of Adopted 2020-21 State Budget**

(\$ in millions)	FY 2020	FY 2021	Total
<b>School Aid</b>			
Formula-based Aid Shortfall	\$20	(\$360)	(\$340)
<b>Subtotal, School Aid</b>	<b>\$20</b>	<b>(\$360)</b>	<b>(\$340)</b>
<b>Cost Shifts</b>			
Sales Tax Intercept	\$0	(\$250)	(\$250)
Family Assistance	(34)	(68)	(102)
Paratransit	0	(63)	(63)
Child Welfare	(7)	(14)	(21)
<b>Subtotal, Cost Shifts</b>	<b>(\$41)</b>	<b>(\$395)</b>	<b>(\$436)</b>
<b>Total</b>	<b>(\$21)</b>	<b>(\$755)</b>	<b>(\$776)</b>

NOTE: In addition to the above, the State may impose penalties on the City if the NYPD does not move its tow pound on Pier 76 on the Hudson River by the end of calendar year 2020.

### School Aid

While the Federal CARES Act should provide \$717 million in Education Stabilization Funds for New York City, the State chose to reduce state aid by a commensurate amount through a “Pandemic Adjustment.” However, in order to receive the Federal funds, states cannot reduce state school support for elementary and secondary education in fiscal years 2020 and 2021 below the average of the three fiscal years preceding the CARES Act enactment. Thus, potential mid-year reductions to state school aid could put these Federal funds at risk.

Additionally, the State froze Foundation Aid, the largest source of school aid funding, in the coming school year. Including other forms of aid, total formula-based state school aid for FY 2021 was \$360 million below the City’s January projection. The City chose to replace the lost State aid with City funds, while at the same time reducing City-funds by \$470 million through the Citywide Savings Plan, for a net reduction of \$87.5 million in City funding to the DOE.

### Other Cost Shifts to NYC

The State Budget imposes a new two-year obligation on the City and other counties to contribute to assistance for financially distressed hospitals and nursing homes. To fund this new obligation, the State will intercept \$250 million from City sales taxes in FY 2021 and \$150 million in FY 2022.

For the second year in a row, the State has also lowered the reimbursement rate for Family Assistance programs for New York City, dropping the rate from 90 percent to 85 percent. This action follows a reduction from 100 percent to 90 percent last year. The shift will cost \$68 million annually beginning in FY 2021 and primarily impact funding at the Department of Social Services and the Department of Homeless Services.

Additionally, the State raised the threshold for child welfare spending reimbursement, resulting in a cost of \$7 million in FY 2020 and \$14 million annually beginning in FY 2021. The City is exploring using Federal funding to backfill these costs in FY 2020 and FY 2021, and therefore has not reflected additional costs in the Financial Plan until FY 2022.

The City may face additional state-imposed costs if the Police Department tow pound on Pier 76 on the Hudson River is not relocated by the end of 2020. The City faces an initial \$12 million fine and an additional \$3 million per month until the pound is moved. Total penalties could amount to up to \$27 million in FY 2021.

The State budget also intercepts \$40 million from the Manhattan District Attorney Office's pool of bank settlements to assist with discovery law compliance across the state. Legislative changes included in the State budget also expand the amount of time district attorneys have to turn over evidence to defendants, while expanding the list of bail-eligible offenses under bail reforms adopted last year.

### Potential Mid-year State Aid Reductions

The State budget included expansive executive powers to impose mid-year across-the-board reductions in local aid following three defined "measurement periods." These periods conclude at the end of April, June and December. State receipts and disbursements in the month of April will be measured against projections in the Financial Plan issued in February 2020, prior to the shutdown of non-essential services and prior to the delay in the final deadline for income tax returns. The latter periods will be measured against the Enacted Budget.

The State has already announced its intention to use these powers to implement \$8.2 billion in cuts to local aid during SFY 2020-21 following the April measurement period. The details will not be announced until the State Comptroller releases the cash report for April.<sup>19</sup> The legislature would have ten days to prepare its own plan, or the cuts will go into effect automatically.

However, if tax receipts through February 28, 2021, are not less than 98 percent of estimates, or the Federal government provides aid that is deemed sufficient, reductions may be repaid in full or in part. Before any payments are made, the director of the budget must certify that: (1) the general fund has resources sufficient to make all planned payments anticipated in the 2020 – 21 Financial Plan including tax refunds, without the issuance of deficit bonds or notes or extraordinary cash management actions; (2) the balances in the tax stabilization reserve and rainy day reserve have been restored to a level equal to the level as of the start of the fiscal year; and (3) other designated balances have been maintained.

### MTA Financing

The State Budget also includes new city funding requirements for the MTA. The City will be required to match a \$3 billion state appropriation for the MTA's 2020-2024 Capital Plan, and the City will also be required to fund 50 percent of MTA paratransit costs, net of fare revenues and tax subsidies, starting July 1, 2020. As of the April financial plan, the City Capital Plan includes just \$200 million for the MTA's 2020 – 2024 Capital Plan, a shortfall of \$2.8 billion from the new state requirement.

Currently, the City contributes \$175 million annually to paratransit, which totals 33 percent of net expenses. Under the new State legislation, the City's contribution to paratransit will be capped at \$215 million in calendar year 2020, \$277 million in 2021, \$290 million in 2022, and \$310 million in 2023. If payments are not made, the State Comptroller can withhold funds to the City to satisfy these new requirements.

The City estimates that the paratransit requirement will cost \$63 million in FY 2021, in addition to the previously anticipated \$175 million city contribution. The actual cost will depend on paratransit ridership and costs, which are likely to be depressed in the coming year as riders limit public exposure. The City forecasts that paratransit ridership will be one-third of normal ridership levels in the first quarter of FY 2021 and two-thirds of normal ridership in the second quarter. Once paratransit trends

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<sup>19</sup> The magnitude of the cuts will depend on which local aid categories are included or excluded. Certain local aid payments are explicitly exempt from reductions: (a) public assistance payments for families and individuals and payments for eligible aged, blind and disabled persons related to supplemental social security; (b) any reductions that would violate federal law; (c) payments of debt service and related expenses for which the state is constitutionally obligated to pay debt service or is contractually obligated to pay debt service, subject to an appropriation, including where the state has a contingent contractual obligation; and (d) payments the state is obligated to make pursuant to court orders or judgments.

return to their pre-pandemic baseline, the additional cost to the City could exceed \$100 million annually.

## Expenditures Analysis

Total-funds FY 2020 expenditures in the April Financial Plan after adjusting for prepayments, and excluding re-estimates of prior-year accruals and reserves, are projected to grow from \$98.88 billion in FY 2020 to \$102.42 billion in FY 2024, a growth of 3.6 percent. The growth is driven by spending on salaries and wages, debt service, health insurance, and other fringe benefits excluding pensions. The combined spending in these areas is projected to grow by 15.1 percent over the Plan period, averaging 3.6 percent annually. All other expenditures, net of the reserves and prior-year re-estimates, are projected to decline by 7.0 percent over the same period, with a projected annual average decline of 1.8 percent. However, FY 2020 includes \$2.62 billion of COVID-19 related spending which, with the exception of \$37.5 million in FY 2021, does not extend into the outyears. Excluding COVID-19 related spending, all other expenditures are projected to decline by 2.0 percent over the Plan period.

**Table 14. FY 2020 – FY 2024 Expenditure Growth  
Adjusted for Prepayments and Prior-Year Actions**

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Growth FYs 20-24	Annual Growth
Salaries and Wages	\$29,311	\$29,930	\$29,947	\$30,834	\$31,378	7.1%	1.7%
Debt Service	6,938	7,390	8,027	8,732	9,166	32.1%	7.2%
Health Insurance	6,896	7,285	8,000	8,685	9,363	35.8%	7.9%
Other Fringe Benefits	4,251	4,215	4,389	4,512	4,642	9.2%	2.2%
<b>Subtotal</b>	<b>\$47,396</b>	<b>\$48,820</b>	<b>\$50,362</b>	<b>\$52,762</b>	<b>\$54,549</b>	<b>15.1%</b>	<b>3.6%</b>
Pensions	\$9,706	\$9,814	\$10,390	\$10,322	\$9,994	3.0%	0.7%
Medicaid	5,987	5,399	5,915	5,915	5,915	(1.2%)	(0.3%)
Public Assistance	1,601	1,651	1,651	1,650	1,650	3.1%	0.8%
J & C	733	728	743	759	775	5.7%	1.4%
Contractual Services	19,084	16,513	16,783	16,824	16,777	(12.1%)	(3.2%)
Other OTPS	14,377	12,061	12,329	12,487	12,759	(11.3%)	(2.9%)
<b>Subtotal</b>	<b>\$51,488</b>	<b>\$46,166</b>	<b>\$47,810</b>	<b>\$47,958</b>	<b>\$47,870</b>	<b>(7.0%)</b>	<b>(1.8%)</b>
<b>Expenditures Before Reserves and Prior-Year Re-estimates</b>	<b>\$98,884</b>	<b>\$95,087</b>	<b>\$98,172</b>	<b>\$100,720</b>	<b>\$102,419</b>	<b>3.6%</b>	<b>0.9%</b>
<b>Retiree Health Benefits Trust</b>	<b>(\$1,000)</b>	<b>(\$1,600)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		
<b>Prior-Year Accruals Re-estimate</b>	<b>(\$400)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		
<b>General Reserve</b>	<b>\$20</b>	<b>\$100</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$1,000</b>		
<b>Capital Stabilization Reserve</b>	<b>\$0</b>	<b>\$0</b>	<b>\$250</b>	<b>\$250</b>	<b>\$250</b>		
<b>Total</b>	<b>\$97,504</b>	<b>\$93,487</b>	<b>\$99,422</b>	<b>\$101,970</b>	<b>\$103,669</b>	<b>6.3%</b>	<b>1.5%</b>

Note: Numbers may not add due to rounding.

## Headcount

The April 2020 Headcount Plan, as shown in Table 15, shows net decreases in year-end headcount of 718 in FY 2020, 3,318 in FY 2021, and a little over 2,590 in each of FY 2022 through FY 2024, as compared to the January 2020 Plan. The projected reductions are driven by initiatives in the CSP which generate projected headcount reductions of 822 in FY 2020, 3,400 in FY 2021, and about 2,470 positions in each of FY 2022 through FY 2024. Vacancy reductions account for 717 of the reduction in FY 2020. Reduction in correctional officers resulting from correctional facilities closure and reduction at Horizon Juvenile Center account for 1,730 of the reduction in each of the outyears of the Plan. Temporary suspension or delay of programs or services accounts for another 787 of the

reduction in FY 2021. These include suspension of the expansion of the fly car program in the Fire Department and suspension of citywide organics collection in the Department of Sanitation, which reduce FY 2021 headcount by 225 and 198, respectively. Adjustments to headcount estimates across various agencies and new staffing needs in the Campaign Finance Board and the City Council offset some of the reductions in FY 2020 and FY 2021.

**Table 15. Full-time Headcount Changes by Category -  
April 2020 Financial Plan vs. January 2020 Financial Plan**

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Headcount, January 2020 Plan</b>	<b>307,175</b>	<b>308,851</b>	<b>311,541</b>	<b>311,471</b>	<b>311,472</b>
<b>Citywide Savings Plan</b>					
Correctional Facilities Closure	0	(1,573)	(1,573)	(1,573)	(1,573)
Vacancy Reductions	(717)	(630)	(467)	(467)	(467)
Horizon Juvenile Center	0	(157)	(157)	(157)	(157)
Temporary Suspension/Delay of Programs or Services	(83)	(787)	0	0	0
All other CSP initiatives	(22)	(253)	(281)	(272)	(271)
<b>Subtotal</b>	<b>(822)</b>	<b>(3,400)</b>	<b>(2,478)</b>	<b>(2,469)</b>	<b>(2,468)</b>
<b>New Needs</b>					
City Council FY 2021 Budget	0	134	0	0	0
Campaign Finance Bd FY 2021 Budget	0	41	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>175</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Adjustments</b>	<b>104</b>	<b>(93)</b>	<b>(120)</b>	<b>(123)</b>	<b>(123)</b>
<b>Total Change</b>	<b>(718)</b>	<b>(3,318)</b>	<b>(2,598)</b>	<b>(2,592)</b>	<b>(2,591)</b>
<b>Headcount, April 2020 Plan</b>	<b>306,457</b>	<b>305,533</b>	<b>308,943</b>	<b>308,879</b>	<b>308,881</b>

Full-time headcount, as shown in Table 16, is projected to decrease from 306,457 in FY 2020 to 305,533 in FY 2021 before increasing to 308,943 in FY 2023. The drop in FY 2021 is primarily in uniform headcount which is projected to shrink by 2,148. The increase in FY 2022 stems primarily from a projected increase of 2,742 in DOE pedagogical headcount. In the outyears, headcount is projected to be relatively flat at 308,879 and 308,881 in FY 2023 and FY 2024, respectively.

**Table 16. Total Funded Full-Time Year-End Headcount Projections - April 2020 Financial Plan**

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
<b>Pedagogical</b>					
Dept. of Education	122,004	123,968	126,710	126,710	126,710
City University	4,441	4,441	4,441	4,441	4,441
<b>Subtotal</b>	<b>126,445</b>	<b>128,409</b>	<b>131,151</b>	<b>131,151</b>	<b>131,151</b>
<b>Uniformed</b>					
Police	36,178	36,178	36,201	36,201	36,201
Fire	10,944	10,943	10,950	10,950	10,950
Correction	8,949	7,219	7,060	7,060	7,060
Sanitation	7,842	7,425	7,620	7,620	7,620
<b>Subtotal</b>	<b>63,913</b>	<b>61,765</b>	<b>61,831</b>	<b>61,831</b>	<b>61,831</b>
<b>Civilian</b>					
Dept. of Education	12,724	12,833	13,109	13,109	13,109
City University	1,946	1,946	1,946	1,946	1,946
Police	15,908	15,504	15,720	15,720	15,720
Fire	6,371	6,367	6,595	6,595	6,595
Correction	1,928	1,919	1,952	1,952	1,952
Sanitation	2,232	2,224	2,224	2,224	2,224
Admin. for Children's Services	7,167	7,424	7,424	7,424	7,424
Social Services	14,404	14,380	14,444	14,444	14,444
Homeless Services	2,413	2,211	2,112	2,112	2,112
Health and Mental Hygiene	5,813	5,792	5,797	5,790	5,790
Finance	2,139	2,133	2,133	2,133	2,133
Transportation	5,529	5,442	5,495	5,496	5,498
Parks and Recreation	4,470	4,369	4,371	4,371	4,371
All Other Civilians	33,055	32,815	32,639	32,581	32,581
<b>Subtotal</b>	<b>116,099</b>	<b>115,359</b>	<b>115,961</b>	<b>115,897</b>	<b>115,899</b>
<b>Total</b>	<b>306,457</b>	<b>305,533</b>	<b>308,943</b>	<b>308,879</b>	<b>308,881</b>

Table 17 compares planned FY 2020 headcount changes as of the April Plan between June 30, 2019 and June 30, 2020 with the actual change in headcount between June 30, 2019 and February 29, 2020 — eight months into the fiscal year. The Administration projected an increase of 6,015 full-time positions during FY 2020, consisting of 6,441 civilian positions and 1,448 pedagogical positions (an increase of 1,606 at the Department of Education, combined with a decline of 158 at CUNY), and a decrease of 1,874 positions amongst the uniformed services.

As of February 29, however, the City remained well short of this overall goal, having increased full-time headcount by just 1,670 positions, or about 28 percent of the goal. As such, it is likely that the City will be able to recognize additional accrual savings from a shortfall in hiring for the current fiscal year.

**Table 17. February 29, 2020 Headcount  
vs Planned June 30, 2020 Headcount**

	6/30/2019 Actuals	2/29/2020 Actuals	6/30/2020 Plan	Change 6/30/2019 to 2/29/2020	Planned Change 6/30/2019 to 6/30/2020	Percent Planned Change Achieved
<b>Pedagogical</b>						
Dept. of Education	120,398	120,900	122,004	502	1,606	31.3%
City University	4,599	4,573	4,441	(26)	(158)	16.5%
<b>Subtotal</b>	<b>124,997</b>	<b>125,473</b>	<b>126,445</b>	<b>476</b>	<b>1,448</b>	<b>32.9%</b>
<b>Uniformed</b>						
Police	36,461	36,634	36,178	173	(283)	(61.1%)
Fire	11,244	11,202	10,944	(42)	(300)	14.0%
Correction	10,189	9,566	8,949	(623)	(1,240)	50.2%
Sanitation	7,893	7,910	7,842	17	(51)	(33.3%)
<b>Subtotal</b>	<b>65,787</b>	<b>65,312</b>	<b>63,913</b>	<b>(475)</b>	<b>(1,874)</b>	<b>25.3%</b>
<b>Civilian</b>						
Dept. of Education	13,218	13,590	12,724	372	(494)	(75.3%)
City University	1,834	1,759	1,946	(75)	112	(67.0%)
Police	15,306	15,483	15,908	177	602	29.4%
Fire	6,093	6,260	6,371	167	278	60.1%
Correction	1,749	1,757	1,928	8	179	4.5%
Sanitation	2,127	2,132	2,232	5	105	4.8%
Admin. for Children's Svcs	7,138	7,297	7,167	159	29	548.3%
Social Services	12,614	12,460	14,404	(154)	1,790	(8.6%)
Homeless Services	2,318	2,176	2,413	(142)	95	(149.5%)
Health and Mental Hygiene	5,509	5,497	5,813	(12)	304	(3.9%)
Finance	1,968	2,035	2,139	67	171	39.2%
Transportation	4,941	5,094	5,529	153	588	26.0%
Parks and Recreation	4,064	4,247	4,470	183	406	45.1%
All Other Civilians	30,779	31,540	33,055	761	2,276	33.4%
<b>Subtotal</b>	<b>109,658</b>	<b>111,327</b>	<b>116,099</b>	<b>1,669</b>	<b>6,441</b>	<b>25.9%</b>
<b>Total</b>	<b>300,442</b>	<b>302,112</b>	<b>306,457</b>	<b>1,670</b>	<b>6,015</b>	<b>27.8%</b>

## Overtime

The FY 2021 Executive Budget projects overtime expenditures of \$1.37 billion for FY 2020, about 23 percent below the FY 2019 spending of \$1.78 billion. The directive for all non-essential City employees to work from home and the scale-back on everyday operations will have implications on overtime for at least the remainder of the current fiscal year. Combined overtime spending in March (when the lockdown began) and April is \$104 million lower year-over-year, a 30 percent drop. Uniform overtime spending accounts for \$65 million of the decline, with the Department of Correction showing the biggest percentage drop, falling by 44 percent (\$14 million). Civilian overtime dropped by a net \$40 million or 32 percent. While the Comptroller's Office expects overtime spending to fall below the FY 2019 level, the Office estimates a more modest drop to \$1.58 billion, about \$200 million above the City's estimate. However, the FY 2020 budget anticipates FEMA reimbursement for \$250 million of uniform overtime spending. Thus despite the Comptroller's Office's higher overtime spending estimate, there is no risk to the FY 2020 overtime budget since the FEMA reimbursement will defray \$250 million of overtime spending.

Overtime spending in FY 2021 is projected to fall by \$44 million or 3.2 percent to \$1.33 billion, driven by a downward revision of \$32 million in civilian overtime spending. Civilian overtime has been growing at an average annual rate of about 8.8 percent over the last five fiscal years. While the City has implemented several initiatives to curb civilian overtime spending, the Comptroller's Office does not



expect these initiatives to reverse the trend in overtime spending. Rather, the Comptroller's Office projects that overtime spending will remain relatively flat at \$1.59 billion, exceeding the Executive Budget's overtime projections by \$260 million, as shown in Table 18.

**Table 18. Projected Overtime Spending, FY 2021**

(\$ in millions)	City Planned Overtime FY 2021	Comptroller's Projected Overtime FY 2021	FY 2021 Risk
<b>Uniformed</b>			
Police	\$523	\$600	(\$77)
Fire	214	225	(11)
Correction	151	151	0
Sanitation	107	107	0
<b>Total Uniformed</b>	<b>\$995</b>	<b>\$1,083</b>	<b>(\$88)</b>
<b>Civilians</b>			
Police-Civilian	\$80	\$110	(\$30)
Admin for Child Svcs	5	40	(35)
Environmental Protection	46	46	0
Transportation	46	60	(14)
All Other Agencies	157	250	(93)
<b>Total Civilians</b>	<b>\$334</b>	<b>\$506</b>	<b>(\$172)</b>
<b>Total City</b>	<b>\$1,329</b>	<b>\$1,589</b>	<b>(\$260)</b>

## Health Insurance

The April 2020 Financial Plan lowered FY 2020 and FY 2021 City payments for employee and retiree health insurance by \$1.07 billion and \$1.69 billion, respectively. The reductions stem primarily from the use of Retiree Health Benefits Trust (RHBT) funds to defray \$1 billion and \$1.6 billion of retiree pay-as-you-go health insurance cost in FY 2020 and FY 2021, respectively. Annual retiree health insurance cost is paid out of the RHBT. In normal circumstances, the City would remit the cost of retiree health insurance to the RHBT. However, faced with the fiscal challenges in the wake of the COVID-19 pandemic, the City is reducing its remittance to the RHBT by \$1 billion and \$1.6 billion in FY 2020 and FY 2021, and drawing on the Trust's excess funds to make up the shortfall in remittance. The drawdown of Trust to defray retiree health insurance cost would leave a balance of about \$2.1 billion at the end of FY 2021.

Adjusting for the use of RHBT funds, FY 2021 employee health insurance cost totals \$7.29 billion, an increase of \$389 million or 5.6 percent over the adjusted health insurance cost for FY 2020. The increase from FY 2020 reflects projected premium rate increases of 3.0 percent for active employees and pre-Medicare retirees and 4.9 percent for the senior care rate.<sup>20</sup> As shown in Table 19, health insurance costs are then projected to increase to \$8.00 billion in FY 2022, \$8.69 billion in FY 2023 and \$9.36 billion by FY 2024, growing at an annual rate of 8.7 percent.<sup>21</sup> The out-year projections assume annual increases in health insurance premium rates of 6.5 percent in FY 2022, 6.25 percent in FY 2023 and 6.0 percent in FY 2024. Senior care rates are projected to increase by an average of 4.8 percent annually.

<sup>20</sup> The senior care rate is the premium the City pays to supplement shortfalls in Medicare benefits so that Medicare eligible retirees can maintain a similar level of benefits as active employees.

<sup>21</sup> The projections reflect savings resulting from two agreements in the last several years between the City and the Municipal Labor Coalition (MLC). The FY 2014 Health Savings Agreement resulted in savings of \$400 million in FY 2015, \$700 million in FY 2016, \$1 billion in FY 2017, and \$1.3 billion in FY 2018 and beyond. The FY 2018 Health Savings Agreement provides for savings of \$200 million in FY 2019, \$300 million in FY 2020, and \$600 million in FY 2021 and beyond.



**Table 19. Pay-As-You-Go Health Expenditures**

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Department of Education	\$2,576	\$2,794	\$3,069	\$3,368	\$3,658
CUNY	106	111	140	143	147
All Other	4,214	4,380	4,791	5,173	5,557
<b>Sub-total</b>	<b>\$6,896</b>	<b>\$7,285</b>	<b>\$8,000</b>	<b>\$8,685</b>	<b>\$9,363</b>
Withdraw – Retiree Health Benefit Trust Fund	(1,000)	(1,600)	0	0	0
<b>Budgeted Pay-As-You-Go Health Insurance Costs</b>	<b>\$5,896</b>	<b>\$5,685</b>	<b>\$8,000</b>	<b>\$8,685</b>	<b>\$9,363</b>

Numbers may not add due to rounding.

## Pensions

The FY 2021 Executive Budget projects pension expenditures of \$9.81 billion, approximately 1.0 percent more than the FY 2020 estimate of \$9.71 billion. Thereafter, pension contributions are projected to increase 6 percent to \$10.39 billion for FY 2022 before declining to \$10.32 billion in FY 2023 and to \$9.99 billion in FY 2024, as shown in Table 20.

**Table 20. FY 2020 – FY 2024 City Pension Contributions**

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Five Actuarial Systems	\$9,723	\$9,808	\$10,132	\$9,969	\$9,635
Reserve for Expected Adjustments*	0	10	256	348	350
Non-City Systems	95	108	114	116	120
Less: Intra City-Expense	(112)	(112)	(112)	(112)	(112)
Net Pension Expense April Plan	\$9,706	\$9,814	\$10,390	\$10,322	\$9,994
Net Pension Expense January Plan	\$9,719	\$9,826	\$10,310	\$10,346	\$10,000
<b>Net Change</b>	<b>(\$13)</b>	<b>(\$12)</b>	<b>\$80</b>	<b>(\$24)</b>	<b>(\$6)</b>

\*The reserve is being held to accommodate expected changes in headcount, valuation refinements, and salary adjustments.

\*\*Totals may not add up due to rounding.

With the exception of FY 2022, which showed a net increase of \$80 million, pension contribution projections in each of the remaining years of the April Plan are modestly lower than projected in the January Plan, as shown in Table 20. The change in pension contribution projections reflects actuarial updates and revisions to headcount levels, labor changes, and other technical adjustments.

The projections in the Plan are based on the assumption that pension investments will earn the actuarial interest rate assumption (AIRA) of 7 percent as of June 30<sup>th</sup> of the fiscal year. However, the COVID-19 pandemic has wreaked havoc on the financial markets. The markets have remained volatile and with the uncertainty surrounding when and how the economy will rebound, there is no consensus as to how the financial markets will perform over the remainder of the fiscal year. The Comptroller's Office estimates that each percentage point in investment return above or below the AIRA as of June 30, FY 2020 will, respectively, lower or increase pension contributions by approximately \$30 million in FY 2022, \$60 million in FY 2023, and \$90 million in FY 2024.

The City's pension costs could be impacted in the future as a result of proposed legislation to extend line-of-duty pension and death benefits to front line workers, including public safety officers whose health has been seriously compromised or who have died as a result of COVID-19. The U.S. Bureau of Justice Assistance announced in early April that the conditions caused by the virus could be considered line-of-duty injuries for public safety workers. The benefits granted will be similar to the benefits granted after 9/11, whereby workers involved in rescue and recovery efforts were compensated for health conditions or benefits granted to survivors.

## Department of Education

The April Modification reflects a net increase of \$14 million in the Department of Education (DOE) budget in the current year. The DOE budget now totals \$28.32 billion in FY 2020, an increase of nearly

5 percent or \$1.3 billion above actual FY 2019 spending of \$27.02 billion. The current year increase is driven mainly by offsetting changes between State and City funds. The April Modification increases State funding for the DOE by \$108 million, mainly reflecting receipts of supplemental charter tuition reimbursement and charter lease aid consistent with its baseline projections in the current year. Meanwhile, City support for the Department has been reduced by a net of \$107 million, including CSP savings of \$111 million and net adjustments of \$31 million mainly reflecting lower energy costs. The CSP reductions in FY 2020 primarily stem from the current school stoppage, leading to \$50 million in per session savings, \$50 million in OTPS savings, and savings of \$8 million in hiring freeze. These reductions are partly offset by a new need of \$36 million for pupil transportation.

The FY 2021 Executive Budget contains spending projections of \$27.53 billion for the Department, showing a decrease of \$789 million or nearly 3 percent from the FY 2020 budget. The year-to-year decline will be less severe once retroactive collective bargaining payments are transferred to the Department's budget in FY 2021, given that \$650 million in such payments have been reflected in the current year. Nevertheless, compared to the Preliminary Budget, the FY 2021 Executive Budget has sustained a net reduction of \$463 million or 1.7 percent.

In response to large State budget gaps resulting from the COVID-19 crisis, the enacted State budget virtually froze the City's FY 2021 school aid appropriations at the FY 2020 level. In the Executive Budget, the City has opted to backfill a \$382 million shortfall in the DOE budget due to education aid growth previously assumed in the Preliminary Budget. Additionally, the State has substituted \$717 million of its own school aid with Federal CARES Act funding intended for local education agencies, essentially appropriating the Federal funds for its own budget relief rather than passing on the benefit to the City. The education aid backfill has only been reflected in FY 2021, while school aid assumptions in FY 2022 – FY 2024 remain unchanged since the January Plan. As a result, the City's school aid assumptions appear overly optimistic in FY 2022 and FY 2023, which will likely require revisions in expected aid and possibly further backfills in those years.

The FY 2021 Executive Budget also assigned the Department a \$470 million target in additional CSP savings, bringing the total to \$642 million for FY 2021. The new initiatives are more comprehensive than previous proposals and comprise certain actions impacting only FY 2021. The temporary reductions include \$100 million in Fair Student Funding allocations, \$40 million in other school allocations and \$44 million from delay in the rollout of 3-K programs in two school districts. Actions with multi-year impacts are expected to achieve annual savings of \$266 million. Chief among them are \$97 million from a hiring freeze, \$67 million in professional development reductions, \$54 million in Equity and Excellence programmatic savings, and \$15 million in expanded arts instruction savings.

Compounding the negative picture from the current COVID-19 crisis, the Department continues to face a host of funding risks that could have significant impacts. The DOE budget has not yet reflected potential costs associated with higher charter school tuition rates that will likely be approved by the State in the outyears. While the State has frozen the charter tuition rate in the upcoming school year, lacking additional support from the State, the City could face risks ranging from \$35 million to \$600 million annually in FY 2021 – FY 2024. In addition, the budget for special education Carter Cases spending remains underfunded beyond the current fiscal year and will likely require additional funding of \$125 million annually beginning in FY 2021. The Department also continues to reflect pupil transportation costs well below the current year projection that will likely result in annual risks of \$75 million starting next year. The costs for school bus services have been funded by emergency extensions due to expired contracts in the current year. Rounding out the assessment are Medicaid revenue risks of \$20 million and special education pre-K underspending of \$50 million in each year of the Plan.

## Homeless Services

Spending on adult and family shelter in the Department of Homeless Services (DHS) is the primary driver of the City's homelessness expenses. However, funding for homeless assistance is also, and

increasingly, drawn from the budgets of other agencies, including the Departments of Social Services, Youth and Community Development, Health and Mental Hygiene, and Veterans Services. Table 21 shows total funding for seven major categories of homeless services across these agencies for fiscal years FY 2020 through 2023, compared with FY 2014 expenditures.

**Table 21. Citywide Homeless Services Expenditures**

(\$ in millions)	FY 2014	FY 2020	FY 2021	FY 2022	FY 2023
Adult Shelter Operations	\$326	\$698	\$661	\$660	\$660
Family Shelter Operations	505	1,175	1,133	1,133	1,133
Rental Assistance	215	561	523	536	536
Prevention, Diversion, Anti-Eviction & Aftercare	221	499	459	466	465
Domestic Violence, Youth & Emergency Shelters	69	112	111	111	111
Homeless Administration & Support	151	263	269	266	267
<b>Total Citywide Homeless Spending</b>	<b>\$1,488</b>	<b>\$3,307</b>	<b>\$3,156</b>	<b>\$3,173</b>	<b>\$3,172</b>

Numbers may not add due to rounding.

Citywide spending on homeless services will drop by \$151 million in FY 2021 compared to FY 2020 levels, based on the FY 2021 Executive Budget. Modest growth is planned for FY 2022 followed by a reduction of less than \$1 million in FY 2023. Compared to actual spending in FY 2014, planned citywide homeless services spending in FY 2021 represent a \$1.67 billion increase, a rate of 112 percent.

Homeless services spending will be lower in FY 2021 across all categories in the Comptroller's homeless services construct except for homeless administration and support expenses, which will rise by more than \$6.4 million, or approximately 2.5 percent, compared to FY 2020 expense levels. General administrative costs at the Department of Homeless Services drive expenses in this category. With the release of the FY 2021 Executive Budget, DHS general administration costs for FY 2020 have nearly halved since adoption, dropping expenses within that budget function down to \$68.5 million from \$129.7 million in the February Plan and \$134.2 million in the Adopted Budget. The reduced spending outlook for general administrative costs at DHS will largely carry over into FY 2021 and the outyears. If not for these reductions, homeless administration and support expenditures could have risen by an even greater amount in FY 2021.

Shelter operations expenses at the Department of Homeless Services for FY 2021 have shifted since the Preliminary Budget. The FY 2021 Executive Budget now calls for a \$16.3 million increase in adult shelter operations spending in FY 2021 along with a corresponding \$16.0 million decrease in family shelter operations expenditures. Compared to FY 2020 levels, the FY 2021 Executive Budget will reduce all funds DHS shelter operations expenses by \$78.9 million in FY 2021. However, a number of factors could impact this planned reduction to DHS shelter operations expenses in FY 2021. Upward pressure on the single adult shelter census has persisted through the COVID-19 outbreak with the single adult shelter population increasing by 287 individuals in the one-month period before the release of the Executive Budget, as the COVID-19 outbreak was taking hold on New York City. Notwithstanding changes to the adult shelter census, the City's single adult shelter capacity will face unprecedented strains as it transforms congregate layouts to meet social distancing requirements. Additionally, with many households in New York City confronting economic shock, recent progress made in reducing the number of families with children in the shelter system could reverse. Given this high level of uncertainty, the Comptroller's Office projects that shelter operations expenses in FY 2021 will not decline from FY 2020 levels. This results in risks of at least \$31.6 million in City-funds for adult shelter operations and at least \$27.2 million for family shelter operations, if not substantially more.

A range of homeless services expenditures in FY 2020 and FY 2021 will be affected by Citywide Saving Program initiatives across several of the agencies included in the Comptroller's homeless services construct. The Department of Homeless Services plans to achieve a total of \$60 million in City-funds savings in FY 2020 – FY 2024 by reducing commercial hotel payments by \$35 million per

year and by achieving security savings of \$25 million annually. Two key supportive housing programs have expenditure reductions included in agency savings programs for FY 2020 and FY 2021. The Department of Health and Mental Hygiene re-estimated FY 2020 expenditures for the New York City 15/15 supportive housing initiative as a driver of its current year program to eliminate the gap, resulting in a reduction of \$17.7 million in City-funds. Additionally, in FY 2021, the Department of Social Services (DSS) plans to meet its savings mandate by reducing supportive housing expenses by \$20 million in City funds. DSS also plans to reduce City-funds for the Access to Counsel program by \$11.5 million in FY 2020 and \$8.5 million in FY 2021, which may reflect actual and anticipated reductions in housing court activity due to the temporary suspension of evictions ordered by Governor Cuomo. Despite these cutbacks, total spending for the Access to Counsel program in FY 2021 will still exceed FY 2020 levels by \$17.3 million and additional reductions to the Access to counsel program are not currently planned for the outyears.

Other matters related to homeless services in the Executive Budget include a \$36.5 million drop in planned spending for anti-eviction services in FY 2021 compared to FY 2020 spending. Additionally, funding for the subsidized jobs for homeless clients program is set to be reduced by \$5.9 million in FY 2021, a 6.8 percent drop since the February Plan. Finally, the FY 2021 Executive Budget will largely leave homeless services expenses for veterans and runaway youth flat in FY 2021.

## IV. Capital Budget and Financing Program

### Capital Commitment Plan, FY 2020 – FY 2024

The April 2020 Capital Commitment Plan for the five-year period FYs 2020 through FY 2024 totals \$83.21 billion in authorized all-funds commitments, as shown in Table 22.<sup>22</sup> City-funds commitments account for \$76.92 billion of the total. All-funds commitments decreased by \$2.32 billion, or 2.7 percent, from the January 2020 Commitment Plan, largely due to a refinement in estimated commitments leading to a postponement or redistribution of commitments into FY 2022 and beyond.

#### All-Funds Commitments

All-funds commitments, after adjusting for the \$8.10 billion reserve for unattained commitments, total \$75.11 billion, or an average of \$15.02 billion per year. Approximately 19 percent of all-funds authorized commitments are scheduled for FY 2020, reflecting less frontloading of the Plan.

Similar to past capital commitment plans, commitments for DOE and CUNY, the Department of Environmental Protection (DEP), the Department of Transportation (DOT) and Mass Transit, and Housing and Economic Development account for a majority of total commitments, with 64.5 percent of total commitments.<sup>23</sup>

**Table 22. FYs 2020 – 2024 Capital Commitments, All-Funds**

Project Category	April FY 2020 – FY 2024 Commitment Plan	Percent of Total	Change from January 2020 Plan
Education and CUNY	\$18,992	22.8%	\$8
Environmental Protection	10,911	13.1%	454
Dept. of Transportation and Mass Transit	11,868	14.3%	(488)
Housing and Economic Development	11,907	14.3%	(1,254)
Administration of Justice	8,937	10.7%	(1,028)
Resiliency, Technology and Equipment	5,369	6.4%	77
Parks Department	4,206	5.1%	(138)
Hospitals	2,564	3.1%	50
Other City Operations and Facilities	8,456	10.2%	3
<b>Total Authorized Commitments</b>	<b>\$83,211</b>	<b>100.0%</b>	<b>(\$2,316)</b>
<b>Reserve for Unattained Commitments</b>	<b>(\$8,098)</b>	<b>N/A</b>	<b>133</b>
<b>Total Net of Reserve for Unattained Commitments</b>	<b>\$75,113</b>	<b>N/A</b>	<b>(\$2,183)</b>

SOURCE: NYC Office of Management and Budget, FY 2020 – FY 2024 April Commitment Plan.

NOTE: Numbers may not add due to rounding.

The net decrease of \$2.32 billion in authorized commitments from the January 2020 Plan is comprised of decreases of \$3.15 billion in FY 2020, \$1.04 billion in FY 2021, and \$906 million in FY 2024 with increases of \$1.58 billion in FY 2022, and \$1.20 billion in FY 2023. Three agencies; Economic Development (SBS), the Department of Correction (DOC), and the Police Department have combined reductions of \$2.19 billion over the FY 2020 – FY 2024 period, due in large part to net deferrals to FY 2025 and beyond. The most visible project among these agencies is a deferral of \$472 million for

<sup>22</sup> The Commitment Plan is a schedule of anticipated capital contract registrations.

<sup>23</sup> This percentage assumes all DOT project types, not just bridges and highways.

DOC's New Jail Facility commitments to beyond FY 2024. However, \$5.3 billion of estimated Jail Facility capital commitments still remain in FY 2021 – FY 2024.

The decrease of \$3.15 million in estimated commitments in FY 2020 reflects the deferral of \$583 million related to HPD related projects to FY 2022 – FY 2024, along with the deferral of \$500 million in DOE projects to FY 2022 – FY 2023, and \$354 million in deferred public works projects to FY 2021 – FY 2024.

The decrease of \$1.04 billion in FY 2021 is due mainly to deferrals of \$961 million in energy efficiency, sustainability, and resiliency projects to FY 2022 – FY 2024.

The increase of \$1.58 billion in FY 2022 is driven by increases of \$589 million in energy efficiency, sustainability and resiliency projects, \$504 million in DOE commitments, and \$349 million in HPD commitments from prior years.

The increase of \$1.20 billion in FY 2023 results largely from the rolling in of prior deferrals resulting in increases of \$500 million in DOE capital commitments, \$400 million of increased energy efficiency, sustainability and resiliency projects, and \$349 million in HPD related capital projects.

The decrease of \$906 million in commitments for FY 2024 is driven by a \$1.02 billion deferral of economic development related projects to FY 2025 – FY 2029.

In addition, the City's April Capital Commitment Plan includes an update of the Ten-Year Capital Strategy (TYCS) by broad programmatic categories (Project Types). The updated TYCS sums to \$126.14 billion, relatively unchanged from the January 2020 TYCS with a modest increase of \$389 million. The revised commitments in the April TYCS update reflect the changes accounted for in the FY 2020 – 2024 Capital Plan discussed above, along with project deferrals netting to an increase of \$2.70 billion over FY 2025 – 2029.

## Financing Program

Beginning in mid-March the municipal market experienced unprecedented volatility in the variable and fixed rate markets. Volatility has since subsided, as the municipal bond market returned to a steadier pace of issuance, albeit at wider spreads to the Municipal Market Data index than pre-pandemic levels. New York municipal bond issuers have seen strong demand for bonds from a wide range of investors and have increased deal sizes in response.

The April 2020 Financial Plan contains \$56.16 billion of planned borrowing in FY 2020 – FY 2024, as shown in Table 23. The borrowing is comprised of \$23.36 billion of General Obligation (GO) bonds, \$23.18 billion of Transitional Finance Authority (TFA-FTS) borrowing, \$8.44 billion of New York Water Finance Authority (NYW) borrowing and \$1.18 billion of borrowing from TFA Building Aid Revenue Bonds (BARB) that are supported by State school building aid revenues.



**Table 23. April Plan FY 2020 Financing Program**

(\$ in millions)	Estimated Borrowing and Funding Sources FY 2020 – FY 2024	Percent of Total
General Obligation Bonds	\$23,360	41.6%
TFA – FTS Bonds	23,180	41.3%
NYC Water Finance Authority (NYW)	8,443	15.0%
TFA – BARBs	1,178	2.1%
<b>Total</b>	<b>\$56,161</b>	<b>100.0%</b>

SOURCE: NYC Office of Management and Budget, April 2020 Financial Plan.

Total projected borrowing in the April Plan for the FY 2020 – FY 2024 period is \$936 million less than the January 2020 Financial Plan estimate. This is a result of an increase of \$861 million in FY 2020, offset by decreases of \$731 million in FY 2021, \$610 million in FY 2022, \$304 million in FY 2023, and \$152 million in FY 2024. The increase in FY 2020 borrowing is driven by a \$600 million increase in TFA-FTS borrowing. Over the period, however, City GO borrowing is estimated to decrease by \$1.11 billion and TFA-FTS borrowing by a net \$380 million. In contrast, NYW borrowing is projected to increase by \$517 million over the same period, with \$391 million of this increase in FY 2020. DEP experienced a net increase in City capital commitments over FY 2020 – FY 2024 (\$370 million) which, in turn, leads to higher NYW borrowing estimates.

## Debt Service

As shown in Table 24, debt service, net of prepayments, in the April 2020 Plan totals \$7.02 billion in FY 2020, \$7.47 billion in FY 2021, \$8.10 billion in FY 2022, \$8.81 billion in FY 2023, and \$9.24 billion in FY 2024. These amounts represent decreases from the January 2020 Financial Plan of \$45 million in FY 2020, \$110 million in FY 2021, \$131 million in FY 2022, \$174 million in FY 2023, and \$200 million in FY 2024. Between FY 2020 and FY 2024, total debt service is expected to increase by \$2.22 billion, or 31.6 percent. These projections do not include debt service of the NYW, which is backed by water and sewer user fees, and that of the TFA BARBs, which is supported by New York State building aid.

**Table 24. April 2020 Financial Plan Debt Service Estimates**

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Change FYs 20 – 24	Percent Change FYs 20 – 24
GO	\$3,943	\$4,008	\$4,310	\$4,640	\$4,966	\$1,023	26.0%
TFA <sup>a</sup>	2,890	3,257	3,591	3,945	4,082	1,192	41.2%
Lease-Purchase	105	125	125	148	118	13	11.8%
TSASC, Inc.	82	82	76	76	76	(6)	(7.3%)
<b>Total</b>	<b>\$7,020</b>	<b>\$7,472</b>	<b>\$8,103</b>	<b>\$8,808</b>	<b>\$9,242</b>	<b>\$2,222</b>	<b>31.6%</b>

SOURCE: April 2020 Financial Plan.

NOTE: Debt service is adjusted for prepayments. Numbers may not add due to rounding.

<sup>a</sup> Amounts do not include TFA – BARBs

The \$45 million decrease in FY 2020 is due to GO savings of \$8 million, TFA savings of \$16 million and lease-purchase debt savings of \$21 million. The GO savings stem primarily from a \$5 million reduction in estimated variable-rate interest costs, and \$3 million in savings from a March 2020 refunding transaction. The decrease in TFA debt service results primarily from higher earnings on debt-service funds. The lease-purchase category produced savings of \$21 million from the payment of debt service from available revenues of the Education Construction Fund.

In FY 2021 the net decrease of \$110 million reflects a \$118 million reduction in GO debt service and a \$9 million increase in TFA debt service. The reduction in GO debt service includes GO refunding savings of \$62 million and \$49 million of savings from a combination of lower than expected interest rates on borrowings to date and a decrease in FY 2020 and FY 2021 GO borrowing.



The estimated \$131 million decrease in FY 2022 stems from a \$150 million decrease in GO debt service from lowered GO borrowing in FY 2020 – FY2022 and continued refunding savings from the March 2020 refunding transaction, offset by \$19 million of additional TFA baseline costs. Estimated net savings in FY 2023 and FY 2024 of \$174 million and \$200 million, respectively, follow a similar pattern to that of FY 2022.

In March 2020, both GO and TFA variable rate demand bonds (VRDB) experienced an acute rise in interest rates over a 10-day period. Since then, VRDB rates have stabilized to below 1 percent. If the VRDB municipal-interest-rate market continues to stabilize for the remainder of the fiscal year, savings of \$110 million are likely in FY 2020 for GO and TFA combined.

## Debt Affordability

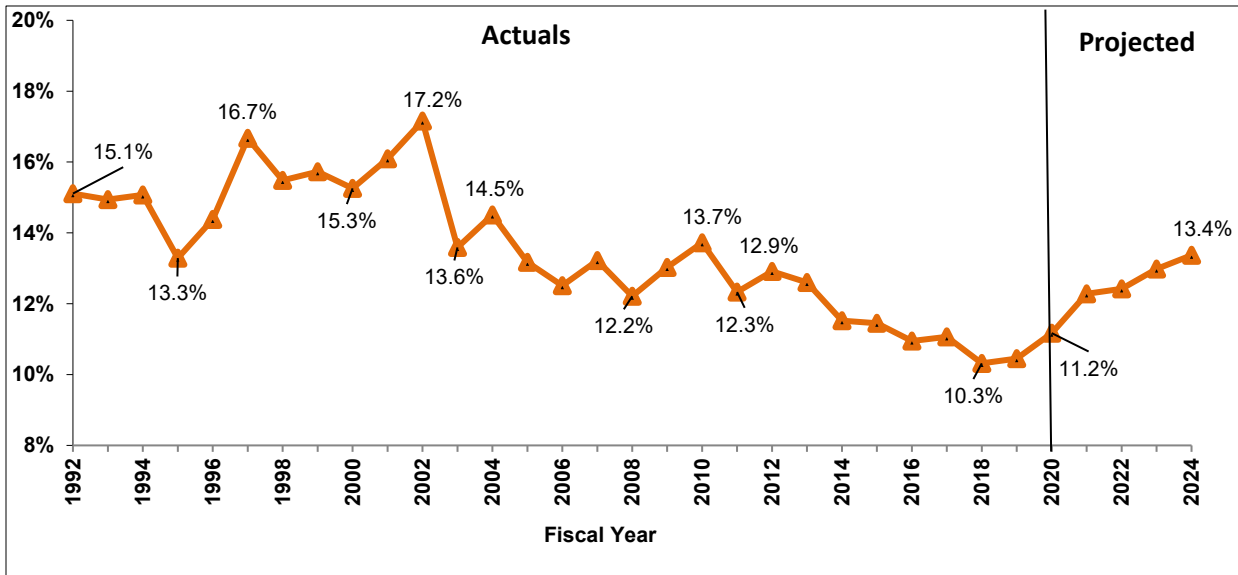
Debt service as a percent of local tax revenues and as a percent of total-funds revenues are commonly used measures of debt affordability.<sup>24</sup> In FY 2019, the City's debt service was 10.5 percent of local tax revenues. The April 2020 Plan projects debt service will consume 11.2 percent of local tax revenues in FY 2020, 12.3 percent in FY 2021, 12.4 percent in FY 2022, 13.0 percent in FY 2023 and 13.4 percent in FY 2024, as shown in Chart 5.<sup>25</sup> The upward trend in the debt service to tax revenue ratio reflects the disparity between debt service and tax revenue growth rates over the Plan period. Debt service is projected to grow at an average annual rate of 7.1 percent from FY 2020 to FY 2024, while tax revenues during this period are projected to grow 2.5 percent annually. If this relatively low rate of tax revenue growth continued beyond FY 2024, this ratio would climb to 14.7 percent, on average, over the FY 2025 – FY 2029 period. In addition, the ratio would exceed the 15 percent threshold that is considered prudent, by FY 2028.

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<sup>24</sup> Debt service in this discussion is adjusted to exclude prepayments.

<sup>25</sup> TSASC debt service is not included in this discussion as it is supported by dedicated tobacco settlement revenues.

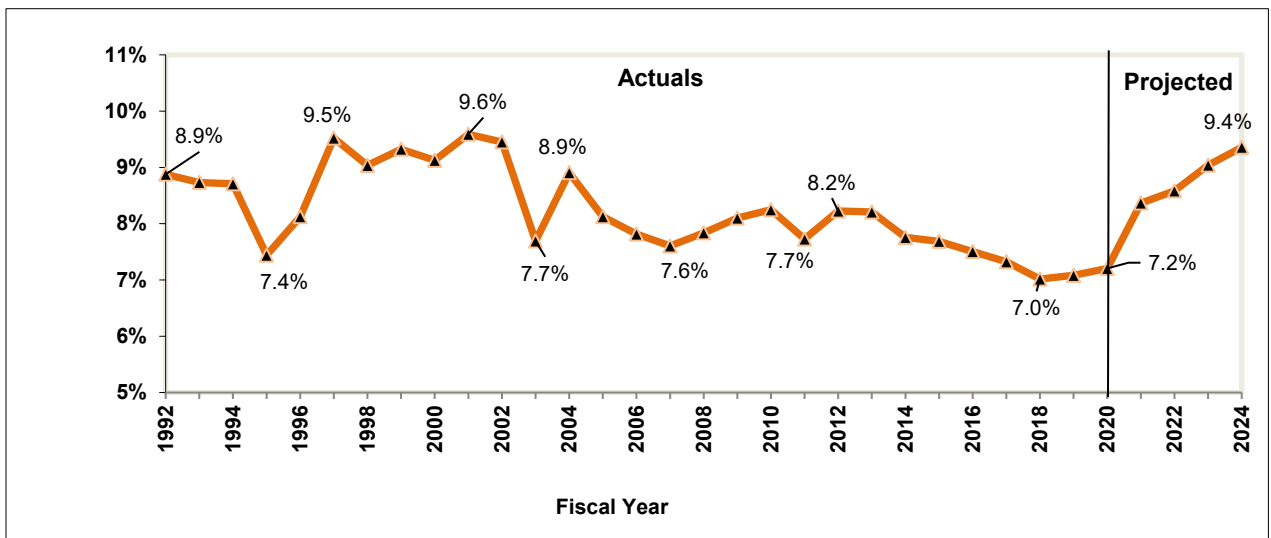
**Chart 5. NYC Debt Service as a Percent of Tax Revenues**



SOURCE: Office of the NYC Comptroller, Comprehensive Annual Financial Reports, FY 1992 – FY 2019, and the NYC Office of Management and Budget, April 2020 Financial Plan.

Debt service is also projected to grow at a faster rate than total revenues (including taxes, non-tax revenues, and Federal, State and other categorical aid) over the Plan period. As such, debt service is projected to consume an increasing share of total revenues as well. As shown in Chart 6, the City's debt service as a percent of all-funds revenues is estimated to be 7.2 percent in FY 2020, 8.4 percent in FY 2021, 8.6 percent in FY 2022, 9.0 percent in FY 2023, and 9.4 percent in FY 2024. The debt service growth of 7.1 percent per year over the Financial Plan period is significantly higher than the projected total revenue growth of 0.34 percent per year, resulting in the growth of the ratio.

**Chart 6. NYC Debt Service as a Percent of Total Revenues**



SOURCE: Office of the NYC Comptroller, Comprehensive Annual Financial Reports, FY 1992 – FY 2019, and NYC Office of Management and Budget, April 2020 Financial Plan.



## V. Appendix

**Table A1. April 2020 Financial Plan Revenue Detail**

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Change FYs 2020 – 2024		Annual Percent Change
						Dollars	Percent	
<b>Taxes:</b>								
Real Property	\$29,777	\$31,001	\$32,071	\$32,994	\$33,421	\$3,644	12.2%	2.9%
Personal Income Tax	13,253	11,671	12,975	13,729	14,270	1,017	7.7%	1.9%
General Corporation Tax	4,310	3,161	3,850	4,069	3,960	(350)	(8.1%)	(2.1%)
Banking Corporation Tax	(31)	0	0	0	0	31	(100.0%)	(100.0%)
Unincorporated Business Tax	1,719	1,782	1,878	2,014	2,105	386	22.5%	5.2%
Sale and Use Tax	7,213	7,264	8,216	8,705	8,954	1,741	24.1%	5.6%
Real Property Transfer	1,131	1,044	1,270	1,305	1,322	191	16.9%	4.0%
Mortgage Recording Tax	942	764	877	899	910	(32)	(3.4%)	(0.9%)
Commercial Rent	864	838	893	923	955	91	10.5%	2.5%
Utility	349	363	400	401	416	67	19.2%	4.5%
Hotel	489	518	625	658	670	181	37.0%	8.2%
Cigarette	27	26	25	24	23	(4)	(14.8%)	(3.9%)
All Other	1,071	833	833	833	833	(238)	(22.2%)	(6.1%)
Tax Audit Revenue	999	921	721	721	721	(278)	(27.8%)	(7.8%)
<b>Total Taxes</b>	<b>\$62,113</b>	<b>\$60,186</b>	<b>\$64,634</b>	<b>\$67,275</b>	<b>\$68,560</b>	<b>\$6,447</b>	<b>10.4%</b>	<b>2.5%</b>
<b>Miscellaneous Revenue:</b>								
Licenses, Franchises, Etc.	\$709	\$691	\$695	\$695	\$697	(\$12)	(1.7%)	(0.4%)
Interest Income	123	12	13	13	13	(110)	(89.4%)	(43.0%)
Charges for Services	971	1,039	1,034	1,034	1,034	63	6.5%	1.6%
Water and Sewer Charges	1,708	1,578	1,565	1,559	1,559	(149)	(8.7%)	(2.3%)
Rental Income	261	247	243	243	243	(18)	(6.9%)	(1.8%)
Fines and Forfeitures	1,108	1,111	1,103	1,098	1,099	(9)	(0.8%)	(0.2%)
Miscellaneous	494	351	343	342	341	(153)	(31.0%)	(8.8%)
Intra-City Revenue	2,178	1,848	1,834	1,831	1,831	(347)	(15.9%)	(4.2%)
<b>Total Miscellaneous Revenue</b>	<b>\$7,552</b>	<b>\$6,877</b>	<b>\$6,830</b>	<b>\$6,815</b>	<b>\$6,817</b>	<b>(\$735)</b>	<b>(9.7%)</b>	<b>(2.5%)</b>
<b>Unrestricted Intergovernmental Aid</b>	<b>\$1,411</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$1,411)</b>	<b>(100.0%)</b>	<b>(100.0%)</b>
<b>Reserve for Disallowance of Categorical Grants</b>	<b>(\$15)</b>	<b>(\$15)</b>	<b>(\$15)</b>	<b>(\$15)</b>	<b>(\$15)</b>	<b>\$0</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Less: Intra-City Revenue</b>	<b>(\$2,178)</b>	<b>(\$1,848)</b>	<b>(\$1,834)</b>	<b>(\$1,831)</b>	<b>(\$1,831)</b>	<b>\$406</b>	<b>(15.9%)</b>	<b>(4.2%)</b>
<b>TOTAL CITY-FUNDS</b>	<b>\$68,883</b>	<b>\$65,200</b>	<b>\$69,615</b>	<b>\$72,244</b>	<b>\$73,531</b>	<b>\$4,648</b>	<b>6.7%</b>	<b>1.6% %</b>

NOTE: Numbers may not add due to rounding.

**Table A1 (Con't). April 2020 Financial Plan Revenue Detail**

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Change FYs 2020 – 2024		Annual Percent Change
						Dollars	Percent	
<b>Other Categorical Grants</b>	<b>\$1,072</b>	<b>\$872</b>	<b>\$861</b>	<b>\$860</b>	<b>\$857</b>	<b>(\$215)</b>	<b>(20.1%)</b>	<b>(5.4%)</b>
<b>Inter-Fund Agreements</b>	<b>\$672</b>	<b>\$675</b>	<b>\$675</b>	<b>\$675</b>	<b>\$675</b>	<b>\$3</b>	<b>0.4%</b>	<b>0.1%</b>
<b>Federal Categorical Grants:</b>						\$0		
Community Development	\$956	\$322	\$288	\$261	\$261	(\$695)	(72.7%)	(27.7%)
Welfare	3,373	3,294	3,281	3,281	3,281	(92)	(2.7%)	(0.7%)
Education	2,123	2,125	2,087	2,087	2,087	(36)	(1.7%)	(0.4%)
Other	4,380	1,396	1,308	1,293	1,288	(3,092)	(70.6%)	(26.4%)
<b>Total Federal Grants</b>	<b>\$10,832</b>	<b>\$7,137</b>	<b>\$6,964</b>	<b>\$6,922</b>	<b>\$6,917</b>	<b>(\$3,915)</b>	<b>(36.1%)</b>	<b>(10.6%)</b>
<b>State Categorical Grants</b>						\$0		
Social Services	\$1,981	\$1,833	\$1,820	\$1,819	\$1,820	(\$161)	(8.1%)	(2.1%)
Education	11,577	11,449	12,262	12,715	12,715	1,138	9.8%	2.4%
Higher Education	287	283	283	282	282	(5)	(1.7%)	(0.4%)
Department of Health and Mental Hygiene	618	508	508	508	508	(110)	(17.8%)	(4.8%)
Other	1,516	1,375	1,410	1,414	1,463	(53)	(3.5%)	(0.9%)
<b>Total State Grants</b>	<b>\$15,979</b>	<b>\$15,448</b>	<b>\$16,283</b>	<b>\$16,738</b>	<b>\$16,788</b>	<b>\$809</b>	<b>5.1%</b>	<b>1.2%</b>
<b>TOTAL REVENUES</b>	<b>\$97,438</b>	<b>\$89,332</b>	<b>\$94,398</b>	<b>\$97,439</b>	<b>\$98,768</b>	<b>\$1,330</b>	<b>1.4%</b>	<b>0.3%</b>

NOTE: Numbers may not add due to rounding.

**Table A2. April 2020 Financial Plan Expenditure Detail**

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Change FYs 2020 – 2024		Annual Percent Change
						Dollars	Percent	
Mayoralty	\$167	\$154	\$154	\$151	\$151	(\$16)	(9.6%)	(2.5%)
Board of Elections	224	136	136	135	135	(88)	(39.4%)	(11.8%)
Campaign Finance Board	25	42	14	14	14	(10)	(41.3%)	(12.5%)
Office of the Actuary	7	7	7	7	7	0	5.0%	1.2%
President, Borough of Manhattan	5	5	5	5	5	(0)	(7.5%)	(1.9%)
President, Borough of Bronx	6	7	6	6	6	(0)	(2.5%)	(0.6%)
President, Borough of Brooklyn	8	7	6	6	6	(1)	(17.3%)	(4.6%)
President, Borough of Queens	6	6	5	5	5	(1)	(21.7%)	(5.9%)
President, Borough of Staten Island	5	5	4	4	4	(0)	(5.8%)	(1.5%)
Office of the Comptroller	113	114	114	114	114	1	0.7%	0.2%
Dept. of Emergency Management	472	29	29	29	29	(443)	(93.9%)	(50.2%)
Office of Administrative Tax Appeals	6	6	6	6	6	0	3.9%	1.0%
Law Dept.	272	250	249	250	250	(23)	(8.3%)	(2.1%)
Dept. of City Planning	51	45	43	42	42	(9)	(17.5%)	(4.7%)
Dept. of Investigation	55	53	52	52	51	(3)	(5.7%)	(1.4%)
NY Public Library — Research	31	30	30	30	30	(1)	(3.2%)	(0.8%)
New York Public Library	155	150	150	150	150	(5)	(3.0%)	(0.8%)
Brooklyn Public Library	117	113	113	113	113	(4)	(3.0%)	(0.8%)
Queens Borough Public Library	122	118	118	118	118	(4)	(3.1%)	(0.8%)
Dept. of Education	28,319	27,530	28,670	29,495	29,891	1,572	5.6%	1.4%
City University	1,181	1,182	1,233	1,267	1,287	105	8.9%	2.2%
Civilian Complaint Review Board	19	19	21	20	20	1	5.0%	1.2%
Police Dept.	5,612	5,331	5,364	5,366	5,366	(246)	(4.4%)	(1.1%)
Fire Dept.	2,149	2,079	2,076	2,070	2,070	(79)	(3.7%)	(0.9%)
Dept. of Veterans' Services	6	6	7	6	6	0	8.3%	2.0%
Admin. for Children Services	2,720	2,653	2,645	2,645	2,645	(75)	(2.8%)	(0.7%)
Dept. of Social Services	10,246	9,624	10,060	10,059	10,059	(187)	(1.8%)	(0.5%)
Dept. of Homeless Services	2,148	2,073	2,070	2,071	2,071	(77)	(3.6%)	(0.9%)
Dept. of Correction	1,318	1,194	1,171	1,171	1,171	(147)	(11.2%)	(2.9%)
Board of Correction	3	3	3	3	3	0	7.5%	1.8%
Citywide Pension Contribution	9,706	9,815	10,390	10,322	9,994	287	3.0%	0.7%
Miscellaneous	10,047	10,872	12,675	13,639	14,674	4,627	46.1%	9.9%
Debt Service	4,048	4,133	4,435	4,787	5,084	1,036	25.6%	5.9%
T.F.A. Debt Service	2,890	3,257	3,591	3,945	4,082	1,192	41.2%	9.0%
FY 2019 BSA and Discretionary Transfers	(4,221)	0	0	0	0	4,221	(100.0%)	(100.0%)
FY 2020 BSA	4,155	(4,155)	0	0	0	(4,155)	(100.0%)	(100.0%)
Public Advocate	4	5	4	4	4	0	2.4%	0.6%
City Council	85	88	56	56	56	(29)	(33.6%)	(9.7%)
City Clerk	6	6	6	6	6	0	4.5%	1.1%
Dept. for the Aging	428	386	385	385	385	(43)	(10.1%)	(2.6%)
Dept. of Cultural Affairs	208	138	149	149	149	(59)	(28.5%)	(8.0%)
Financial Info. Serv. Agency	112	112	112	112	112	(0)	(0.1%)	(0.0%)
Office of Payroll Admin.	16	15	15	15	15	(1)	(3.9%)	(1.0%)
Independent Budget Office	6	6	6	6	6	(0)	(4.7%)	(1.2%)
Equal Employment Practices	1	1	1	1	1	0	6.6%	1.6%

NOTE: Numbers may not add due to rounding.

**Table A2 (Con't). April 2020 Financial Plan Expenditure Detail**

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Change FYs 2020 – 2024		Annual Percent Change
						Dollars	Percent	
Civil Service Commission	1	1	1	1	1	0	12.8%	3.0%
Landmarks Preservation Commission	7	7	7	7	7	0	5.0%	1.2%
Taxi & Limousine Commission	54	56	56	56	56	2	3.5%	0.9%
Commission on Human Rights	14	14	14	14	14	(0)	(0.5%)	(0.1%)
Youth & Community Development	812	446	611	611	611	(201)	(24.7%)	(6.8%)
Conflicts of Interest Board	3	3	3	3	3	0	6.7%	1.6%
Office of Collective Bargaining	2	2	2	2	2	0	2.9%	0.7%
Community Boards (All)	22	19	19	19	19	(3)	(11.7%)	(3.1%)
Dept. of Probation	112	115	117	117	117	6	5.0%	1.2%
Dept. Small Business Services	392	160	145	138	137	(254)	(64.9%)	(23.0%)
Housing Preservation & Development	1,309	1,013	1,031	1,012	1,012	(297)	(22.7%)	(6.2%)
Dept. of Buildings	192	190	196	191	191	(1)	(0.7%)	(0.2%)
Dept. of Health & Mental Hygiene	1,881	1,687	1,692	1,691	1,691	(189)	(10.1%)	(2.6%)
NYC Health + Hospitals	1,267	1,056	1,149	1,166	1,175	(92)	(7.3%)	(1.9%)
Office of Administrative Trials & Hearings	51	52	52	52	52	1	2.2%	0.6%
Dept. of Environmental Protection	1,461	1,397	1,386	1,377	1,377	(85)	(5.8%)	(1.5%)
Dept. of Sanitation	1,823	1,732	1,706	1,691	1,691	(132)	(7.2%)	(1.9%)
Business Integrity Commission	9	10	10	10	10	1	7.3%	1.8%
Dept. of Finance	323	319	319	319	319	(4)	(1.3%)	(0.3%)
Dept. of Transportation	1,129	1,093	1,129	1,131	1,132	2	0.2%	0.1%
Dept. of Parks and Recreation	532	447	488	488	488	(44)	(8.3%)	(2.1%)
Dept. of Design & Construction	313	168	166	166	166	(148)	(47.1%)	(14.7%)
Dept. of Citywide Admin. Services	1,974	514	540	531	531	(1,443)	(73.1%)	(28.0%)
D.O.I.T.T.	554	565	556	556	555	2	0.3%	0.1%
Dept. of Record & Info. Services	12	15	17	16	16	4	37.0%	8.2%
Dept. of Consumer Affairs	40	42	43	42	42	2	6.1%	1.5%
District Attorney - N.Y.	144	122	125	125	125	(19)	(13.1%)	(3.5%)
District Attorney – Bronx	86	91	91	91	91	5	5.8%	1.4%
District Attorney – Kings	120	119	119	119	119	(1)	(0.8%)	(0.2%)
District Attorney –Queens	73	77	77	77	77	4	5.0%	1.2%
District Attorney - Richmond	19	19	19	18	18	(0)	(2.0%)	(0.5%)
Office of Prosec. & Special Narc.	24	26	25	25	25	1	5.1%	1.3%
Public Administrator - N.Y.	1	1	1	1	1	(0)	(10.7%)	(2.8%)
Public Administrator - Bronx	1	1	1	1	1	0	3.6%	0.9%
Public Administrator - Brooklyn	1	1	1	1	1	0	3.0%	0.8%
Public Administrator - Queens	1	1	1	1	1	0	10.7%	2.6%
Public Administrator - Richmond	1	1	1	1	1	0	0.4%	0.1%
Prior Payable Adjustment	(400)	0	0	0	0	400	(100.0%)	(100.0%)
General Reserve	20	100	1,000	1,000	1,000	980	4900.0%	165.9%
Citywide Savings Initiatives	0	0	(35)	(35)	(35)	(35)	NA	NA
Energy Adjustment	0	0	57	105	142	142	NA	NA
Lease Adjustment	0	0	39	80	121	121	NA	NA
OTPS Inflation Adjustment	0	0	56	111	167	167	NA	NA
<b>TOTAL EXPENDITURES</b>	<b>\$97,438</b>	<b>\$89,332</b>	<b>\$99,422</b>	<b>\$101,970</b>	<b>\$103,669</b>	<b>\$6,230</b>	<b>6.4%</b>	<b>1.6%</b>

NOTE: Numbers may not add due to rounding.







NEW YORK CITY COMPTROLLER  
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