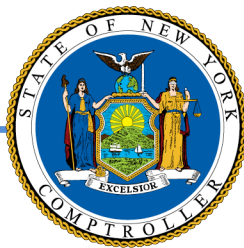


Review of the Financial Plan of the City of New York

Report 4-2024



OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

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Message from the Comptroller

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Three years removed from the onset of the COVID-19 pandemic, New York City faces ongoing and new risks to its finances just as the economy has shown signs of slowing. The City's economy continues to show resilience in the face of many challenges; however, questions over continued employment and real estate market valuation growth present a new concern. The City's relatively strong short-term fiscal position has been critical to encouraging economic recovery, and maintenance of that position is necessary so that the City can continue to have the funds available to provide services amid elevated demand.



The City's Fiscal Year 2024 Executive Budget maintains balance in the coming fiscal year based on better-than-anticipated results in the current fiscal year. The City took another step forward in its recent efforts to undertake savings initiatives to close future budget gaps, recognizing the need to manage its finances proactively to achieve long-term budgetary balance. It also recognized additional better-than-projected revenue from tax collections in the current year and in its projections, a sign of the improved economic position it finds itself in.

These positive budgetary changes have been offset by a more robust projection of future costs, including, importantly, those associated with maintaining its labor force and providing services to asylum seekers. Many of the questions facing the City, including geopolitical instability and the nation's economy remain out of its direct control, but may still have a substantial effect on the City's budget.

The potential magnitude of the effects from these risks on the City's revenue, spending and future obligations suggests that preparation, both in terms of planning and continuing to set aside resources, is necessary for the City to avoid being caught off guard. The balance between saving for a rainy day, maintaining the City's desirability and aiding those in need, while managing its uncertain fiscal position, will remain a key challenge for the City in the coming years.

Further identification of efficiencies, tracking the performance of services delivered amid changing staffing trends, and continuing to build reserve levels to satisfy their stated purposes should inform the budget choices made by the City and be clearly presented to its stakeholders. These steps will also enable the City to better insulate itself from financial pressures being felt by New York State and the Metropolitan Transportation Authority in the future.

These actions will also allow the City to address unexpected challenges, including new spending obligations, and to strengthen its fiscal foundation to keep New York City attractive for residents and visitors and continue creating economic opportunity for all.

Thomas P. DiNapoli
State Comptroller

Contents

I. Executive Summary	3
II. Asylum Seekers	8
III. Economic Trends	10
IV. Changes Since the June 2022 Plan	12
V. State and Federal Actions	14
VI. Program to Eliminate the Gap	17
VII. Revenue Trends	19
VIII. Expenditure Trends	29
IX. Debt Service and Capital Spending	39
X. Semi-Autonomous Entities	42
Appendix A: Full-Time Staffing Levels	48



I. Executive Summary

On April 26, 2023, the City released its Executive Budget for Fiscal Year (FY) 2024 and the accompanying Financial Plan (the “April Plan”). Stronger-than-anticipated revenue, in combination with a recommitment to the Program to Eliminate the Gap (PEG) savings initiatives, have enabled the City to balance the FY 2024 budget. Short-term strength stands in contrast, however, to substantial out-year budget gaps that the Office of the New York State Comptroller (OSC) anticipates will be larger than projected by the City. The City also faces continued uncertainty that may affect its revenues and expenses, suggesting greater prudence and preparation are necessary to ease more difficult budget choices down the road.

Budget balance in FY 2024 comes as the City is returning to a revenue composition that more closely resembles pre-pandemic norms, moving away from reliance on federal relief aid. City funds will make up 72.1 percent of total revenues, similar to levels in the five years preceding the pandemic. Federal funding is anticipated to decline to \$10.4 billion in FY 2024 and continue to decline to pre-pandemic norms by FY 2025 (see Figure 1).

Continued strength in the City’s economic recovery, fueling tax collections, has led the City to revise its previously more conservative projections for tax revenues upward in FY 2023. The improvement will allow the City to generate an estimated \$3 billion surplus to carry into FY 2024 to prepay a portion of spending in that year. Still, OSC believes the reported surplus may be understated given better-than-anticipated tax revenue collections since the release of the April Plan. The City also raised its tax revenue projections for each year through the plan period, by at least \$2 billion in fiscal years 2024 through 2026 and by about \$4 billion in FY 2027.

Projected expenditures have become clearer as well. Since January, the City’s largest cost, personal services, has been updated to reflect a new wage pattern set by collective bargaining

agreements reached with District Council 37 (DC 37) and the Policeman’s Benevolent Association (PBA). The City has set aside an additional \$16 billion through FY 2027 for these costs, which has driven an increase to the out-year gaps but also addressed a major source of fiscal uncertainty. The City’s reinstatement of the regular use of PEGs to generate recurring savings is expected to provide \$3 billion per year beginning in FY 2025, higher than in each of the last five years. Together with higher-than-projected tax revenues, PEGs will partially offset the costs of new labor agreements.

While some aspects of City finances show signs of stabilization, others face significant operational challenges that introduce uncertainty for its fiscal position. Most notable among these is the cost of asylum seeker services. The City significantly altered its assumptions for these costs in FY 2023, increasing current year expenditures to \$1.4 billion (from \$1 billion), while removing its expectation that the federal government will fund the associated costs. The April Plan also includes a \$2.9 billion expense in FY 2024 and \$1 billion in FY 2025 to manage the provision of services to asylum seekers. A portion of these costs is assumed to be offset with aid from the City’s primary funding partners. While the State has budgeted \$1 billion in support to the City for asylum seekers, there are still administrative and legislative risks for receiving an anticipated \$600 million of federal support in FY 2024 and \$290 million from the State in FY 2025, which are included in the April Plan.

The City has also added other new agency needs, in addition to the spending on asylum seekers, in the current year of \$1.8 billion since June 2022, although a substantial portion are assumed to not recur. Overall, the City projects budget gaps of \$4.2 billion in FY 2025, \$5.9 billion in FY 2026 and nearly \$7 billion in FY 2027. Out-year gaps average 7.1 percent of City fund revenues — the highest level at this point in the budget cycle since FY 2011.

The City's projected budget gaps also do not take into account risks to the financial plan (see Figure 2). In addition to risks from uncertain budgeted aid to the City from its federal partners, the City is also likely to see costs exceed projections if the shelter population remains elevated after June 2024. Federal, State and local policy choices could impact the number of individuals in care, making these expenses particularly difficult to budget for. However, if the June 2024 population were maintained, holding other assumptions constant, the City would exceed its FY 2025 asylum seeker budget by the end of the first quarter of FY 2025. The April Plan includes no asylum seeker spending after FY 2025, while OSC projects some costs will continue through the plan period.

Outside of asylum seeker funding, the City did not assume impacts from the State budget, which was released after the April Plan. The impacts will include unanticipated costs amounting to more than \$500 million annually beginning in FY 2025. The City also faces regular, recurring risks that OSC has raised in the past, including overtime spending, Metropolitan Transportation Authority (MTA) subsidies, and mandated, enrollment-driven social service costs and educational spending. In sum, OSC's projections for budget gaps exceed \$8.3 billion in FY 2025 and grow to \$12.3 billion in FY 2027, nearly 15 percent of city-fund revenues OSC anticipates in that year.

On May 25, City Council also passed a package of bills which would expand eligibility for rental assistance to any applicant at risk of eviction or experiencing homelessness. Council's projections anticipate the net cost of the package would be \$396 million in FY 2025 and grow to \$3.3 billion annually, for a net cost of \$10.6 billion over five years. The administration has pegged the five-year total at closer to \$17 billion, but its estimate is not yet available on an annual basis. Due to this and the lack of certainty over the final outcome of the legislation, OSC notes the City Council projection of costs as a risk but

does not include it as part of total budget gap projections.

In addition to these risks, the City also faces spending pressures from programming funded in FY 2023 by better-than-anticipated revenues and federal relief aid, also known as "fiscal cliffs," neither of which is expected to continue at their current levels (see Figure 3). While these programs are not mandated, some have gained popularity. Over \$1 billion in spending is not funded [beginning in FY 2024](#), growing to \$1.8 billion in FY 2027, which means services may be adjusted or reduced unless unanticipated revenue materializes, including for enhanced sanitation services, workforce development and mental health services. Educational programming, including Summer Rising, expanded Pre-K special education, and mental health support amounts to more than \$640 million of this amount by FY 2027.

Amid the budget gaps, identified risks and additional spending pressures, is the backdrop of continued economic uncertainty and its potential revenue implications. Regional bank turmoil has created concern over local real estate lending, adding uneasiness to a commercial real estate market already affected by elevated vacancy rates and the continued divergence of trophy and Class B and C space. Personal income tax (PIT) collections have also slowed, while forecasting taxpayer behavior regarding the Pass-Through Entity Tax (PTET) continues to be unpredictable.

These risks, along with spending and revenue pressures, suggest prudence and preparation remain critical tools for managing continued uncertainty while maintaining services. However, the City has not yet set aside any planned deposit into its rainy-day fund or its retiree health benefit trust, compared to \$1.5 billion equally split and deposited at this time last year. OSC has recommended a [more systematic approach](#) for depositing funds into, and withdrawing funds from, its reserves, which would best prepare it to manage the challenges that lie ahead.

FIGURE 1
New York City Financial Plan
(in millions)

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenues					
Taxes					
General Property Tax	\$ 31,432	\$ 32,269	\$ 32,232	\$ 32,501	\$ 33,108
Other Taxes	38,456	38,149	39,881	41,250	43,092
Tax Audit Revenue	1,200	721	721	721	721
Subtotal: Taxes	\$ 71,088	\$ 71,139	\$ 72,834	\$ 74,472	\$ 76,921
Miscellaneous Revenues	8,251	7,793	7,624	7,562	7,518
Unrestricted Intergovernmental Aid	297	---	---	---	---
Less: Intra-City Revenue	(2,361)	(1,996)	(1,987)	(1,989)	(1,986)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Subtotal: City Funds	\$ 77,260	\$ 76,921	\$ 78,456	\$ 80,030	\$ 82,438
Other Categorical Grants	1,109	1,082	1,075	1,070	1,070
Inter-Fund Revenues	706	720	725	732	732
Federal Categorical Grants	11,721	10,411	8,060	7,052	7,026
State Categorical Grants	18,113	17,555	17,540	17,304	17,367
Total Revenues	\$ 108,909	\$ 106,689	\$ 105,856	\$ 106,188	\$ 108,633
Expenditures					
Personal Service					
Salaries and Wages	\$ 33,461	\$ 32,661	\$ 33,793	\$ 35,090	\$ 36,297
Pensions	9,414	9,634	10,415	10,878	11,060
Fringe Benefits	12,375	13,300	14,155	14,913	15,529
Subtotal: Personal Service	\$ 55,250	\$ 55,595	\$ 58,363	\$ 60,881	\$ 62,886
Other Than Personal Service					
Medical Assistance	6,297	6,651	6,385	6,385	6,535
Public Assistance	1,970	1,650	1,650	1,650	2,000
All Other	43,238	38,559	35,925	34,729	35,000
Subtotal: Other Than Personal Service	\$ 51,505	\$ 46,860	\$ 43,960	\$ 42,764	\$ 43,535
Debt Service	7,544	7,815	8,266	9,034	9,725
FY 2022 Budget Stabilization & Discretionary Transfers	(6,114)	---	---	---	---
FY 2023 Budget Stabilization	3,035	(3,035)	---	---	---
Capital Stabilization Reserve	---	250	250	250	250
General Reserve	50	1,200	1,200	1,200	1,200
Less: Intra-City Expenses	(2,361)	(1,996)	(1,987)	(1,989)	(1,986)
Total Expenditures	\$ 108,909	\$ 106,689	\$ 110,052	\$ 112,140	\$ 115,610
Gap to be Closed	\$ ---	\$ ---	\$ (4,196)	\$ (5,952)	\$ (6,977)

Source: NYC Office of Management and Budget

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

	Better/(Worse)				
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Gaps Per NYC Financial Plan	\$ ---	\$ ---	\$ (4,196)	\$ (5,952)	\$ (6,977)
Revenues					
Anticipated Categorical Aid for Asylum Seekers	---	(515)	(290)	---	---
Tax Revenue	1,150	1,160	1,160	1,370	865
Subtotal Revenue	1,150	645	870	1,370	865
Expenditures					
Payroll Savings	650	---	---	---	---
Variable Rate Debt Service	---	50	---	---	---
Impact of the State Budget		(76)	(537)	(548)	(585)
Operating Subsidies to the MTA	---	(113)	(257)	(420)	(476)
Social Services	---	(965)	(965)	(981)	(847)
Uniformed Agency Overtime	(181)	(449)	(466)	(470)	(469)
Department of Education	(445)	(696)	(782)	(1,535)	(2,207)
Early Intervention	---	(55)	(65)	(76)	(76)
School Health (Article 6) Programs	---	(39)	(39)	(39)	(39)
Public Health Corps	---	---	(13)	(49)	(49)
Residual Services for Asylum Seekers	---	---	(1,900)	(2,175)	(1,450)
Subtotal Expenditures¹	24	(2,343)	(5,024)	(6,293)	(6,198)
OSC Risk Assessment	1,174	(1,698)	(4,154)	(4,923)	(5,333)
Potential Gaps Per OSC^{2,3,4}	\$ 1,174	\$ (1,698)	\$ (8,350)	\$(10,875)	\$(12,310)
CityFHEPS Local Cost Mandate⁵	---	(36)	(396)	(1,400)	(2,400)

¹ See sections on Social Services and Department of Education for more details on the financial plan risks at those agencies.

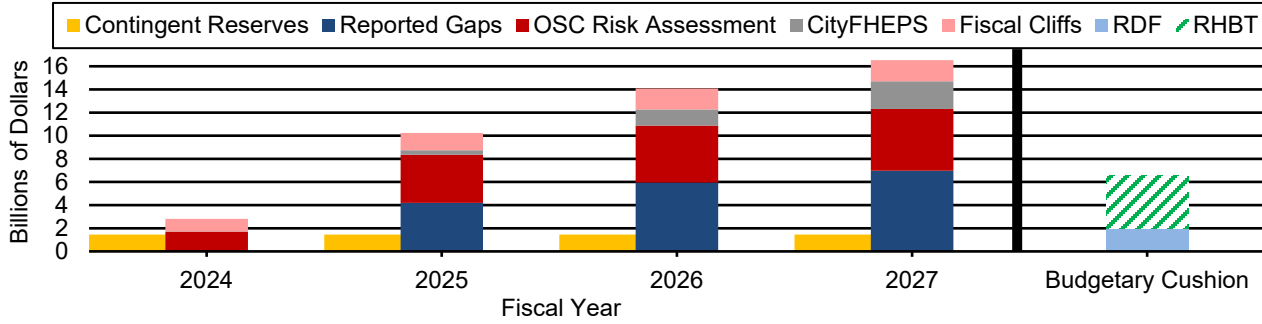
² April Plan gaps are inclusive of a general reserve of \$50 million in FY 2023 and \$1.2 billion in each of fiscal years 2024 through 2026. In addition, the Capital Stabilization Reserve has a balance of \$250 million in each of fiscal years 2024 through 2027. The April Plan also includes reserves of about \$279 million beginning in FY 2023 to fund potential changes to planned pension contributions from future actuarial audit recommendations.

³ State law requires surplus resources accumulated by the City to be deposited into its Revenue Stabilization Fund (RSF). As of FY 2022, the balance held in the rainy-day fund is nearly \$2 billion. These resources would be available to help balance the budget if there were a compelling fiscal need.

⁴ See chapter on Asylum Seekers for more details on OSC's assessment of potential costs and anticipated offsets from federal and State assistance.

⁵ On May 25, 2023, the City Council approved a package of local initiatives amending the administrative code of the city of New York to expand eligibility for rental assistance to applicants at risk of eviction or experiencing homelessness. These changes, collectively, are estimated to increase net enrollment in the CityFHEPs program by about 47,000 households per year (192,470 by the end of the fifth year). While they anticipate a portion of the costs will be offset by about \$402 million annually from reducing the length of shelter stays, the City Council estimates the City would still incur residual costs rising from \$36 million in FY 2024 to \$3.3 billion by FY 2028. While comparable numbers on an annual basis are not yet publicly available, the administration estimates that the cumulative cost of this expansion in eligibility could be even higher (totaling \$17 billion over five years).

FIGURE 3
OSC Adjusted Budget Gaps



Note: The RDF is the Rainy-Day Fund and the RHBT is the Retiree Health Benefits Trust. In addition to the contingency reserves funded in each year of the plan period, the City maintains additional budgetary cushion through balance sheet reserves recorded as of June 30, 2022, which may be used to help close future budget gaps.

Sources: NYC Office of Management and Budget; OSC analysis

II. Asylum Seekers

In April 2022, a number of southern U.S. border jurisdictions began transporting asylum seekers to New York City. The Mayor declared a state of emergency on October 7, 2022, and in early November the City estimated that 23,800 asylum seekers had arrived, with more than 15,000 individuals entering the New York City shelter system. Based on initial shelter census data, the City added \$1 billion in FY 2023 in November to cover anticipated expenses. The City maintained that level in January despite an increase in the shelter census, while assuming full reimbursement from the federal government, even though funding had not been confirmed. No costs were assumed for the out-years.

The April Plan incorporates a revised spending forecast based largely on a higher census, and includes costs for FY 2024 and FY 2025. Total costs are now assumed at \$4.3 billion over a two-year period through FY 2024, and \$1 billion in FY 2025 (see Figure 4). As of May 17, the City estimated the number of asylum seekers that had gone through the City’s emergency system was 67,000, with 41,500 individuals in the City’s care. Based on current growth trends, the City projects that 70,000 asylum seekers will be in the City’s care by June 2024.

The State is expected to fund \$1 billion through FY 2024, included in the State’s enacted budget, and \$290 million in FY 2025, which assumes 29 percent reimbursement of FY 2025 costs, which has not yet been approved. The Plan also moves the anticipated federal reimbursement from FY 2023 to FY 2024, and lowers the amount from \$1 billion to \$600 million.

In December 2022, the City received \$8 million of a \$75 million appropriation to the humanitarian portion of the Federal Emergency Management Agency’s (FEMA) Emergency Food and Shelter Program (EFSP) provided under a continuing resolution for federal fiscal year (FFY) 2023. Later that month, the President signed into law an omnibus bill covering the balance of the fiscal year, which allocated an additional \$800 million

FIGURE 4
Citywide Asylum Seeker Spending
April 2023 Financial Plan
 (in millions)

Agency	FY 2023	FY 2024	FY 2025
Homeless Services/Social Services	\$730.0	\$1,815.0	\$626.0
Health + Hospitals	\$500.0	\$748.0	\$258.0
Emergency Management	\$76.7	\$160.0	\$55.0
Citywide Administrative Services	\$34.3	-	-
Housing Preservation & Development	\$32.0	\$147.0	\$51.0
Office of Information Technology	\$25.0	\$30.0	\$10.0
Health & Mental Hygiene	\$1.7	-	-
Design & Construction	\$0.3	-	-
Total	\$1,400.0	\$2,900.0	\$1,000.0

Source: NYC Office of Management and Budget

to the EFSP. While it has filed a claim for \$650 million of the new funds, the City is competing with other cities to receive reimbursement from FEMA. Of \$350 million administered so far, the City has received \$30.5 million. So far, EFSP funding has been targeted to entities operating in the U.S. southern border states. Even if it receives a substantial portion of the remaining funds, the City will not be able to realize its current estimate of \$600 million of reimbursement from FEMA in FY 2024 unless additional funding becomes available.

The City disbursed funding among eight agencies, reflecting its coordinated response to the influx. The largest allocation is to the Departments of Homeless and Social Services for emergency shelter costs, with more than half in FY 2023, and over 60 percent after, followed by payments to NYC Health + Hospitals (H+H) to operate the Humanitarian Emergency Response and Relief Centers (HERRCs). H+H currently manages eight HERRCs across the City, including the Roosevelt Hotel In-take Center and HERRC which opened in May 2023. With the opening of the Roosevelt Hotel facility, H+H also

took the lead for asylum seeker check-ins and screenings. According to an agreement between the City and H+H, the City will reimburse H+H for these operating and capital costs. Recently, the Department of Housing Preservation and Development (HPD) assumed responsibility for operating one HERRC as well.

Although not reflected in the April Plan, the Department of Education (DOE) has also incurred costs related to the influx of asylum seekers. A November commitment to allocate \$37 million to impacted schools in FY 2023 was self-funded by DOE, which will cover these costs without having additional funds added to its budget.

Given the May 11, 2023 expiration of Title 42, which had allowed US authorities to expel undocumented migrants based on public health grounds, both the Governor and the Mayor issued emergency executive orders to increase administrative flexibility to respond to an anticipated increase in demand for, and help mitigate the cost of, asylum services. The Governor's order is effective for the entire State of New York for the period of May 9 through June 8, 2023. The Mayor has issued and renewed a number of emergency orders since October 2022, but Executive Order 402, issued May 10, 2023, notably suspends sections of the Administrative Code that pertain to right-to-shelter rules. These changes would enable the City to:

- Place families seeking shelter in congregate settings;
- Temporarily waive the requirement that families with children who enter an intake facility as late as 10 p.m. be provided temporary shelter placement for that night; and
- Circumvent 'unlawful eviction' regulations, which prevent landlords from evicting those who have occupied dwelling units for 30

consecutive days or more without first taking them to housing court.

It is not yet known what the cost and impact will be of these changes or for how long they will be in effect. However, it suggests that the City is making efforts to reduce its per diem rates, which is already assumed in its FY 2024 projections. For example, in May 2023 the City announced that it would consider using New York City public school gyms to house incoming asylum seekers. The City is also reportedly exploring other options as well, including unused office space and a Rikers Island facility.

While the City now reflects asylum seeker costs in FY 2024 and FY 2025, the out-year costs remain particularly difficult to budget given the dynamic nature of the situation and the many policy and funding levers out of the City's control. The City's budget presentation shows a steadily rising number of asylum seeker individuals in the City's care throughout FY 2024, reaching 70,000 by fiscal year-end; but the FY 2025 costs drop to \$1 billion, about one-third of the FY 2024 spending.

The City's projections include \$1 billion to fund asylum seeker costs in FY 2025. If the average number of households in FY 2025 remained at June 2024 projected levels (about 28,000 households), the City would exceed \$1 billion before mid-year, using the City's estimated unit cost of \$320 per night. If the population were to remain at that level through FY 2025, costs could approach \$3.3 billion.

Acknowledging that there are many unknown variables, including federal, State and local policy, future support from other levels of government, and unit costs, OSC assumes that the average asylum seeker population will remain flat from FY 2024 levels in FY 2025, and will then gradually decline in the out-years. OSC estimates a risk for asylum seeker costs of \$515 million for FY 2024, \$2.2 billion in in each of

fiscal years 2025 and 2026, and \$1.5 billion in
FY 2027.

III. Economic Trends

The trajectory of the national economy continues to depend in large part on Federal Reserve actions to tamp down still-high inflation, as it weighs whether to continue raising rates past its May 2023 policy meeting, and the response of businesses and consumers. The City maintains the possibility of an economic downturn driven by further rate hikes, as well as by recent turmoil in the banking sector, though the timing has been pushed back. Therefore, the April Plan projects an improved short-term economic outlook when compared to the January Plan. Nationally, it expects unemployment to rise and peak in 2026, two years later than predicted in January. Locally, and despite a slowdown in Wall Street profits and bonuses in 2023, the City expects a similar delay, with productivity and wage growth slowing in the out-years. However, the City does not expect tax revenue to decline in anticipation of an economic downturn as it did in prior plans.

The National Economy

Following a 2.6 percent growth in real gross domestic product (GDP) in the final quarter of 2022, the nation grew by a weaker-than-expected 1.3 percent on an annualized basis in the first quarter of 2023. While consumption remained strong, business investment fell. Regional banking stress may further impact business investment as banks tighten lending.

As such, consensus forecasts expect an economic downturn later this year, albeit one that is mild. S&P Global, an economic forecasting company, predicts a 0.1 percent decline in GDP in the second quarter, followed by growth in the final two quarters to yield 1.2 percent growth for the year. In alignment, the City's plan assumes 1 percent growth for the year, which may be too

conservative as it does not expect unemployment to rise until next year.

In April 2023, the national economy added 253,000 jobs (seasonally adjusted) with unemployment little changed at 3.4 percent, the lowest rate in decades. Wage growth ticked up slightly to 4.4 percent year-over-year. At the same time, the consumer price index rose by 5 percent, driven by shelter costs. Cost of living has outpaced wage increases over the last year as previously robust wage growth slows. Still, consumer spending has been resilient, especially on non-housing services. However, national retail sales growth in April 2023 slowed to 1.6 percent, down from 2022.

New York City's Economy

The recovery of New York City's jobs lost in March and April 2020 has improved. As of April 2023, the City has recovered 97.6 percent of total nonfarm job losses and 99.8 percent of private job losses (both not seasonally adjusted for comparability). At the same time, the local unemployment rate stood at 5.4 percent, down from April 2022, but higher than the nation.

The labor force participation rate remains at record highs reaching 62.1 percent in April 2023, 2.1 points higher than the same month in 2019. The participation rate has climbed steadily over the last 15 months and has been driven by prime-age workers aged 25 to 54, Asian workers and those with a high school degree or less (see Figure 5). However, young workers aged 16 to 24 and native workers remain the furthest from their pre-pandemic levels.⁶

The City revised its jobs projections upward for most sectors in 2023, including finance, fueling the expectation that pandemic job losses will now be recovered in early 2024. The April Plan expects only 0.1 percent growth in information

⁶ OSC, *New York City's Uneven Recovery: Youth Labor Force Struggling*, December 2022 at

<https://www.osc.state.ny.us/reports/osdc/new-york-citys-uneven-recovery-youth-labor-force-struggling>.

FIGURE 5
Labor Force Participation Rates by Demographic Group in New York City

		2019	2022	2023	Difference, 2022 to 2023	Difference, 2019 to 2023
Age	16-24	51%	41%	44%	3%	-7%
	25-54	79%	78%	84%	6%	5%
	55-64	65%	60%	65%	4%	0%
Race and Ethnicity	White	66%	63%	66%	3%	0%
	Black	58%	55%	58%	3%	0%
	Asian	61%	53%	60%	7%	-1%
	Hispanic	57%	57%	59%	2%	2%
Education	HS or less	48%	45%	51%	6%	3%
	Some college or more	73%	72%	75%	2%	2%
Citizenship	Native	64%	58%	62%	4%	-2%
	Foreign	59%	59%	62%	3%	3%

Note: All data reference first three months of the year. Difference refers to percentage points.
Sources: U.S. Bureau of Labor Statistics, Current Population Survey; OSC analysis

jobs compared to 1.5 percent in the January Plan. With respect to finance, even with the upward adjustment, the City still expects the sector to shed jobs over the next two years, citing tight financial conditions resulting from monetary policy.

The broader finance sector and the securities subsector have been negatively impacted by Federal Reserve policy, with Wall Street profitability and industry bonuses declining.⁷ Industry profits for the first quarter of 2023 decreased by 5.8 percent year over to year to \$7.3 billion, although this decline suggests a stronger outlook than the City expects.

Workers continue to return to the office, with the latest data showing an office occupancy rate of nearly 61 percent on peak days such as Tuesdays. However, concerns over commercial office space linger as vacancy rates remained at

22.2 percent in the first quarter of 2023 and credit has tightened amid regional banking turmoil. The office sector contributes significantly to the City’s tax revenues, providing \$6.4 billion in fiscal year 2022.⁸ The sector’s contribution declined from \$6.9 billion in fiscal year 2021 as the pandemic impacted commercial property values so much that they are still 3.1 percent below pre-pandemic levels as of the fiscal year 2024 final roll release.

Visitors are returning to the City and at a faster rate than commuters, uplifting tourism and related industries. As a result, leisure and hospitality taxable sales exceeded the pre-pandemic level of \$38.7 billion by nearly 7 percent in the sales tax year ending in 2023, providing a bright spot in an otherwise uncertain economic landscape.⁹

⁷ OSC, New York City Securities Industry Bonus Pool, March 2023 at <https://www.osc.state.ny.us/files/press/pdf/2022-wall-street-bonus-pool.pdf>.

⁸ OSC, New York City Industry Sector Dashboards, March 2022 at <https://www.osc.state.ny.us/osdc/reports/nyc-sectors/arts-entertainment-and-recreation> and OSC, *The Office Sector in New York City*, Report 11-2022, October 2021 at

<https://www.osc.state.ny.us/files/reports/osdc/pdf/report-11-2022.pdf>.

⁹ OSC, NYC Taxable Sales and Purchases: Resilient Amid Economic Uncertainty, Report 1-2024, April 2023 at <https://www.osc.state.ny.us/files/reports/osdc/pdf/report-1-2024.pdf>.

IV. Changes Since the June 2022 Plan

In June 2022, the City projected a balanced budget for FY 2023 and budget gaps of \$4.2 billion in FY 2024, \$3.7 billion in FY 2025 and nearly \$4 billion in FY 2026 (see Figure 6). Since then, there have been three financial plan updates. The net effect of the [November Plan and January Plan changes](#) balanced the budget in FY 2024 and reduced the gap in FY 2025, but increased the gap in FY 2026. The April Plan includes many significant changes to both revenue and expense estimates that result in increased gaps in fiscal years 2025 and 2026.

In April, the City markedly increased its tax revenue forecast, reflecting an additional \$2.1 billion in FY 2023, \$2.3 billion in FY 2024, \$2.2 billion in 2025, and \$2.4 billion in FY 2026 (see the “Revenue Trends” section). The City also increased miscellaneous revenue projections by \$119 million in FY 2023, dropping to \$78 million by FY 2026.

In addition, the City initiated the third round of the FY 2023 PEG in the April Plan, yielding savings of \$537 million in FY 2023 and an average of \$1 billion annually thereafter net of restorations and cost avoidance initiatives (see the “Program to Eliminate the Gap” section). Although not a part of the PEG, the City also drew down its unused general reserve and capital stabilization reserve in FY 2023, providing a combined \$1.75 billion in budget relief.

The reserve drawdown and the combined unanticipated resources identified in April were needed in part to offset significant new costs in FY 2023. Costs associated with the recently ratified DC 37 and PBA labor contracts totaled \$2.3 billion in FY 2023, \$1.7 billion in FY 2024, \$3.1 billion in FY 2025 and \$4 billion in FY 2026. Additionally, agencies identified significantly higher new needs in April than in previous plans this fiscal year. The April Plan includes new needs of \$1.3 billion for FY 2023, bringing total FY 2023 needs to \$1.8 billion since adoption.

Distinct from the new agency needs, the City also recognized costs associated with asylum seekers through FY 2025. Net of federal and State aid assumptions, the City added \$962 million in FY 2023, \$1.7 billion in FY 2024, and \$710 million in FY 2025.

The April Plan also adds \$868 million to the City’s reported surplus in FY 2023 (a total of \$3 billion) which will be used to prepay debt service costs and balance the budget in FY 2024. However, costs in the out-years have increased the remaining gaps in fiscal years 2025 and 2026 (to \$4.2 billion and \$6 billion, respectively). As a share of City fund revenues, the remaining out-year gaps average 7.1 percent — the highest level at this point in the budget cycle since FY 2011. Existing contingencies, totaling \$1.45 billion in each fiscal year, could be used to narrow the gaps to an average of 5.3 percent of revenues.

New Initiatives

The April Plan added \$1.3 billion for new agency needs in FY 2023, dropping to \$447 million in FY 2024, \$281 million in FY 2025, and \$251 million in FY 2026. Many items were added in FY 2023 only, including \$200 million for shelters, \$166 million for cash assistance, \$160 million for rental assistance, and \$112 million for Department of Correction overtime, but these costs may recur in the out-years. The Plan also baselines funding for the citywide organics program (\$23 million in FY 2024, growing to \$37 million by FY 2027), the B-HEARD mental health response program (\$27 million in FY 2024 and an average of \$25 million annually thereafter), and a number of other smaller programs.

FIGURE 6
Financial Plan Reconciliation — City Funds
April 2023 Plan vs. June 2022 Plan
(in millions)

	<i>Better/(Worse)</i>			
	FY 2023	FY 2024	FY 2025	FY 2026
Projected Gaps Per June 2022 Plan	\$ - - -	\$ (4,210)	\$ (3,715)	\$ (3,980)
Updated Tax Estimates				
Business Taxes	1,125	1,145	935	539
Sales Taxes	861	801	897	951
Personal Income Taxes	657	399	663	853
General Property Taxes	155	391	219	476
Hotel Taxes	169	46	30	35
Real Estate Transaction Taxes	(176)	(348)	(348)	(310)
Other Taxes	69	305	352	397
Audits	479	- - -	- - -	- - -
Subtotal	3,339	2,739	2,748	2,941
Other Revenue Reestimates	524	333	179	95
Total Revenue Reestimates	3,863	3,072	2,927	3,036
Reserves				
General Reserve	1,505	- - -	- - -	- - -
Capital Stabilization Reserve	250	- - -	- - -	- - -
Subtotal	1,755	- - -	- - -	- - -
Program to Eliminate the Gap (PEG)				
Agency Savings	1,473	2,746	2,680	2,656
Agency Cost Avoidance Initiatives	(57)	(110)	(394)	(424)
Restorations	(4)	- - -	- - -	- - -
Debt Service	195	256	317	327
Subtotal	1,606	2,891	2,603	2,560
New Agency Needs	(1,820)	(537)	(371)	(317)
Asylum Seeker Costs				
Total Costs	(1,400)	(2,900)	(1,000)	- - -
State Funding Shift	438	562	290	- - -
Federal Funding Shift	- - -	600	- - -	- - -
Subtotal	(962)	(1,738)	(710)	- - -
Updated Estimates				
Collective Bargaining (Including Pension)	(2,288)	(1,684)	(3,103)	(4,020)
Pension Contributions (Other)	- - -	(861)	(1,969)	(3,018)
Medicaid	266	(266)	- - -	- - -
Prior-Year Payables	400	- - -	- - -	- - -
Federal Funding Shifts	75	520	294	- - -
All Other	140	(222)	(151)	(213)
Subtotal	(1,407)	(2,514)	(4,930)	(7,251)
Total Expense Reestimates	(828)	(1,897)	(3,408)	(5,008)
Net Change	3,035	1,174	(481)	(1,972)
Gaps to Be Closed Before Prepayment	\$ 3,035	\$ (3,035)	\$ (4,196)	\$ (5,952)
FY 2023 Prepayment of FY 2024 Expenses	(3,035)	3,035	- - -	- - -
Gaps to Be Closed Per April 2023 Plan	\$ - - -	\$ - - -	\$ (4,196)	\$ (5,952)

Note: Columns may not add due to rounding. Other revenue reestimates exclude savings initiatives, which are reflected in the "Agency Savings" category.

Sources: NYC Office of Management and Budget; OSC analysis

V. State and Federal Actions

State Budget

On May 3, 2023, more than a month after the April 1 beginning of the fiscal year, the State enacted a budget for State Fiscal Year (SFY) 2024. The April Plan anticipated \$17.6 billion from State categorical aid in FY 2024. The State Budget was enacted after the release of the April Plan so the City was not able to incorporate any State actions into its budget with the exception of State funding for asylum seekers.

The State will provide the City \$438 million in FY 2023 and \$562 million in FY 2024 as reimbursement for expenditures incurred for migrant shelter and the cost of HERRCs between April 1, 2022 and April 1, 2024. The City has budgeted another \$290 million in FY 2025 from the State for 29 percent of the expected migrant costs that year but this funding has not yet been approved.

On a net basis, the City estimates, when compared to the April Plan, that the proposal would have negative impacts of \$76 million in FY 2024 and \$537 million in FY 2025 (see Figure 7). By FY 2027, the City projects the negative impact will grow to \$585 million.

On the positive side, the State has completed its phase-in of full funding of the Foundation Aid school funding formula which will bring the City \$493 million more than the prior year. The

Enacted State Budget also includes an increase to expense-based and categorical school aid of \$32 million over last year. Together, this funding is \$345 million more in FY 2024 than the City budgeted for in the April Plan.

The Enacted State Budget also includes a number of other proposals, which could increase the City's costs by \$421 million in FY 2024 and \$537 million in FY 2025. Most of these proposals will have a recurring budget impact after FY 2025 as well.

The State would retain the City's share of Affordable Care Act (ACA) enhanced Federal Medical Assistance Percentage (eFMAP) payments to offset the State's higher health care expenditures, costing the City \$129 million in FY 2024, \$214 million in FY 2025 and \$343 million annually thereafter.

The City is required to provide more funding to the MTA, but not as much as the Governor's Executive Budget which proposed the City provide more than \$500 million annually to the Authority. The City would pay 80 percent of the net operating expense, up from the current 50 percent level, for the MTA's paratransit system for FY 2024 and FY 2025. The City's contribution is capped at 50 percent of the net cost plus \$165 million for both years.

The State has also increased the Payroll Mobility Tax (PMT) on employers operating in the City, including the City itself. The City anticipates the increase in taxes applied to its municipal workers' payroll at a projected cost of \$70 million more annually.

The Enacted Budget includes a provision that would provide 100 percent of the fees received from commercial gaming facilities in the City and 50 percent of recurring tax revenues to the MTA. The City did not budget for any revenues it would have received from these facilities so there is no financial plan impact. The State does not expect these revenues to be available until calendar year 2026.

FIGURE 7
NYC Assumptions of NYS Enacted Budget Impact
 (in millions) Better/(Worse)

	FY 2024	FY 2025
School Aid	345	---
Charter Schools	---	(24)
ACA eFMAP	(129)	(214)
MTA Paratransit	(165)	(165)
NYC PMT Payment	(70)	(70)
Legal Counsel	(42)	(42)
Minimum Wage	(15)	(22)
Net Impact	\$ (76)	\$ (537)

Sources: NYC Office of Management and Budget; OSC analysis

In response to a court decision, the State would more than double the hourly rate paid to assigned counsel program attorneys for legal representation provided to children and indigent adults to \$158 per hour from \$75 per hour. The State would also cap the cost per case at \$10,000. The State budget is providing 50 percent of the increased hourly rate. The City, which will cover the remaining 50 percent share of the new rate, estimates its associated cost to be \$42 million annually starting in FY 2024.

The State budget also included an authorization of the reissuance of 14 charters in the City (of 22 reissued statewide) to charter schools that closed between January 1, 2015, and July 1, 2022, due to surrender, revocation, termination or nonrenewal. The City estimates that these new schools will increase its costs by \$24 million in FY 2025, rising to \$92 million in FY 2027 and \$178 million when all 14 schools are operational. The budget requires the 14 new charters in the City to be located in a community school district where charter school enrollment is less than or equal to 55 percent of total public school enrollment.

The State budget included an increase in the minimum wage that would also be indexed to inflation. The City estimates this would increase its costs for its employees making the minimum wage by \$15 million in FY 2024, rising to \$38 million in FY 2027, and could be higher depending on inflation.

The State budget also provides additional funding for the Emergency Rental Assistance Program (ERAP) for rental and utilities arrears. The City estimates that New York City Housing Authority (NYCHA) tenants may be eligible for up to \$128 million of this funding. The State is also providing \$35 million solely to NYCHA for rental arrears as well as \$135 million in additional capital funding.

The budget would increase the aggregate program cap for the NYC Musical and Theatrical

Production Tax Credit by an additional \$100 million to total \$300 million and extend the application deadline by two years to June 30, 2025. This has no direct impact on the City's budget.

Lastly, the Enacted Budget would commit another \$500 million for a total of \$2.9 billion of State funding to Amtrak's Gateway project, to build an additional rail tunnel between New York and New Jersey and to rehabilitate the existing tunnel.

Federal Actions

The April Plan assumes that total federal receipts for the operating budget will wind down after FY 2022, from \$11.7 billion in FY 2023 to \$10.4 billion in FY 2024, settling closer to \$7 billion starting in FY 2026 as the City draws down the remainder of pandemic relief aid.

Pandemic Relief and Claiming Progress

Over a four-year period ending FY 2023, the City is projected to realize a total of \$22.8 billion in federal aid (including unrestricted aid) to respond to the impacts of COVID-19, with relatively small amounts remaining over the balance of the financial plan period (mostly for education; see Figure 8).

As of April 30, 2023, the City had collected or billed an estimated total of \$14.4 billion in federal pandemic revenue earned-to-date for eligible services provided since March 2020. The process of claiming, billing and collecting reimbursement from FEMA has taken longer than in previous emergencies.

However, since OSC's March 2023 report on the City's financial plan, the City has accelerated its claiming, and now reports it has claimed or collected in FY 2023 more than \$1.7 billion of prior-year reimbursement from FEMA, more than twice the amount collected one year ago. The City also anticipates it will realize an additional

\$515 million in FY 2023 in reimbursements from FEMA for ongoing pandemic costs.

The City's continued progress in claiming its prior-year pandemic revenue has helped the City to strengthen its cash position in the short term. Nevertheless, the City's uncollected pandemic debts remain relatively large as of May 2023. The City has not yet claimed \$4.6 billion in prior-year pandemic revenues earned-to-date. A sizable portion (\$2.3 billion) has remained unclaimed for more than one year since the services were provided. Virtually all the unclaimed revenue is for reimbursements from FEMA.

Reimbursement for Asylum Seekers

In the January Plan, the City assumed the reimbursement of \$1 billion from FEMA in FY 2023. The City now assumes the receipt of \$600 million in reimbursement and that the revenue will be realized one year later in FY 2024 (see the "Asylum Seekers" section). The federal government currently has not made any commitment to provide a matching contribution toward the ongoing costs of services for asylum seekers beyond the \$800 million in ad hoc funding allocated to FEMA. In past weather-related, pandemic, or man-made emergencies,

the federal government has covered at least 75 percent of eligible emergency costs.

On May 27, 2023, the President and the Speaker of the U.S. House of Representatives announced an agreement in principle to suspend the debt limit until January 1, 2025 while also including provisions to reduce projected federal spending when compared to current law. Legislation has been introduced in the House to implement the proposals, and a vote is scheduled for the near future, but the outcome is uncertain at this time.

Based on the introduction of new spending restrictions in the agreement to resolve the 2023 debt ceiling crisis, it remains unclear when or if additional resources for services to asylum seekers will become available. State and local government programs may also be adversely impacted by the proposed spending restrictions, which includes a cap on discretionary, non-defense spending in federal fiscal years 2024 and 2025. Without a resolution to the debt ceiling crisis, the Treasury Secretary estimates that the federal government could run out of funds only a few days from now, by around June 5th, which would require a significant reprioritization of spending. Absent alternatives, the federal government faces a risk of nonpayment, which includes the repayment of its debt.

FIGURE 8
Federal Pandemic Relief by Major Category
(in millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Education Aid	\$ - - -	\$944.9	\$2,874.6	\$2,085.1	\$1,747.9	\$245.8	\$ - - -	\$ - - -
Fiscal Relief Funds	730.1	1,505.0	3,080.0	508.7	806.7	703.1	- - -	- - -
FEMA Reimbursement	1,147.0	3,064.3	2,161.3	515.1	2.0	1.0	1.0	- - -
Public Health Grants	41.5	880.6	422.6	425.0	33.1	0.1	- - -	- - -
Other	105.0	468.5	962.2	150.3	64.4	52.9	19.8	9.9
Subtotal	\$2,023.6	\$6,863.4	\$9,500.7	\$3,684.2	\$2,653.0	\$1,003.0	\$20.8	\$9.9
Unrestricted Aid	- - -	- - -	\$498.4	\$251.6	- - -	- - -	- - -	- - -
Total	\$2,023.6	\$6,863.4	\$9,999.1	\$3,935.8	\$2,653.0	\$1,003.0	\$20.8	\$9.9

Note: Totals may not add due to rounding. Actuals include adjustments to receivables. The City may also realize an estimated \$1.4 billion in savings passed on to the City from enhanced federal funding for Medicaid.

Sources: NYC Office of Management and Budget; OSC analysis

VI. Program to Eliminate the Gap

Prior to the release of the April Plan, the City notified agencies of its third round of PEG savings directives in FY 2023. City agencies, with some exceptions, were tasked with identifying savings that amounted to 4 percent of their recurring city-funded budgets and were instructed to self-fund all new needs. Although many agencies did not fully achieve this target, the April Plan still adds \$1.6 billion in savings across fiscal years 2023 and 2024, and an average of \$1.1 billion annually thereafter (totaling \$4.8 billion during the plan period).

Together with the savings identified in November 2022 and in January 2023, the anticipated savings for the FY 2023 PEG now total \$1.7 billion in FY 2023 and an average of \$3 billion annually thereafter (see Figure 9). With a total of \$13.7 billion in savings through the financial plan period, the FY 2023 PEG represents one of the largest programs since at least FY 2018. However, the City included cost avoidance

initiatives ([a budget neutral practice OSC has recommended against](#)) in the November Plan and again in the April Plan, effectively overstating the PEG's budgetary relief. Cost avoidances account for \$1.4 billion in savings over the financial plan period (10 percent of the total PEG). Net of cost avoidance offsets, the anticipated PEG savings total \$1.6 billion in FY 2023, \$2.9 billion in FY 2024, and an average of \$2.6 billion annually thereafter.

Expense reestimates made up roughly two-thirds of the additional savings identified in the April Plan (like in the November Plan), with \$298 million in anticipated savings in FY 2023, and an average of about \$700 million in each subsequent year. One adjustment, a reestimate in the DOE's fringe benefits projections, accounts for 43 percent of total expense reestimates (\$1.3 billion over the financial plan period). Other adjustments made to various agencies' budgets for personal service costs

FIGURE 9
FY 2023 Program to Eliminate the Gap
 (in millions)

	Positions	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total
Agency Actions							
Efficiencies	(4,382)	289	673	679	719	728	3,088
Expense Reestimates	(135)	739	1,868	1,796	1,747	1,700	7,848
Revenue Reestimates	21	441	205	205	191	184	1,226
Agency Subtotal	(4,496)	1,469	2,746	2,680	2,656	2,612	12,162
Debt Service	---	195	256	317	327	398	1,492
Total Savings	(4,496)	\$ 1,663	\$ 3,001	\$ 2,997	\$ 2,984	\$ 3,009	\$ 13,654
Cost Avoidance Initiatives							
Efficiencies	---	(57)	(106)	(105)	(135)	(135)	(539)
Expense Reestimates	---	---	---	(284)	(284)	(284)	(852)
Revenue Reestimates	---	---	(4)	(4)	(4)	(4)	(18)
Cost Avoidance Total	---	(57)	(110)	(394)	(424)	(424)	(1,409)
Net Savings	(4,496)	\$ 1,606	\$ 2,891	\$ 2,603	\$ 2,560	\$ 2,585	\$ 12,245

Note: Totals may not add due to rounding. Changes in headcount are as of June 30, 2024.
 Sources: NYC Office of Management and Budget; OSC analysis

account for just \$18 million in FY 2023, but an average of \$181 million annually beginning in FY 2024. Total expense reestimates across the last three plans are expected to generate \$7.8 billion over the financial plan period, more than half (57 percent) of the total FY 2023 PEG.

April revenue reestimates are expected to generate savings of about \$130 million annually (14 percent of total April Plan savings). While \$120 million of savings in FY 2023 is from prior-year revenue, out-year amounts are mostly recurring. Roughly half of the recurring savings beginning in FY 2024 are from anticipated fines and fees and increased property tax revenue through improved verification of primary residency. Revenue reestimates are the smallest share of the total FY 2023 PEG (\$1.2 billion or 9 percent).

Efficiencies identified in the April Plan PEG (\$638 million over the financial plan period) account for only 13 percent of the additional savings identified in April, in contrast to the January Plan, which categorized all vacancy reductions as efficiencies (more than three-quarters of the savings proposed in January). Combined, efficiencies identified since the beginning of the fiscal year represent less than a quarter of the five-year value of the FY 2023 program. Unlike reestimates, which refine projections for current practices, efficiencies imply a change in practice (i.e., “more for less”) which may be more difficult to achieve.

While the January Plan reduced 3,660 vacancies, the April Plan eliminated 142 full-time positions through efficiencies for total financial plan savings of \$64 million. The April Plan also eliminated a reported 483 vacant part-time crossing guard positions and an unspecified number of other part-time positions (including police cadets) for an additional \$63 million over the plan period. In general, agencies identified savings through changing practices, such as

giving contract service providers increased flexibility with their contract budgets (\$129 million), updating maintenance for wireless phone service citywide (\$83 million), and insourcing contracted program services on Rikers Island starting July 1, 2023 (\$17 million annually, or \$68 million for the plan period). However, almost one-fifth of April Plan efficiency savings (\$113 million, 18 percent) are cost avoidance initiatives, including overtime at the Police Department and Department of Correction (\$16 million and \$60 million, respectively). Based on historical spending trends, these savings may not be realized (see the “Overtime” section). In addition, the potential service impact of the proposed changes in contract spending is not yet known.

Debt service savings will also contribute to 8 percent of the April Plan PEG, generating \$397 million over the financial plan period. Combined with the November Plan and January Plan, debt service PEG savings are projected to total \$1.5 billion through FY 2027 (11 percent of the program), representing the smallest amount since the FY 2020 PEG. These savings have been achieved through adjusting capital commitments downward in the near term, thus reducing the total amount borrowed in the plan period, as well as through debt refinancings.

With the exception of avoided costs, which OSC maintains should not be presented as PEGs as they do not reduce the stated budget gaps, most of the proposed PEG initiatives appear to be reasonably achievable and within the City’s control to implement. However, OSC notes that vacancy reductions are a reoccurring initiative included in both last year’s and the current year’s PEGs. Given the magnitude of current vacancies citywide (approximately 7.5 percent as of February 2023; see the “Expenditure Trends” section), the City should be mindful of the impact of staffing reductions on service delivery.

VII. Revenue Trends

The April Plan increased the City’s total revenue forecast (which includes locally generated revenues and federal and State categorical aid) from the January Plan by \$16.1 billion throughout the plan period. The upward adjustment mostly reflects higher locally generated revenues (i.e., City funds).

The City increased the FY 2023 total revenues forecast by \$2.5 billion to \$108.9 billion, as year-to-date City funds were higher than expected, reflecting stronger-than-anticipated employment and wage growth. As a result, total revenues are expected to increase by 1 percent, better than the 1.4 percent decline forecast in the January Plan.

The City increased the FY 2024 forecast by \$4 billion to \$106.7 billion to reflect better-than-expected City funds as well as federal and State aid for services for asylum seekers. Even with this increase, total revenues are expected to decline by 2 percent in FY 2024, due to waning federal and State grants and the assumption of a slowdown in the economy.

In FY 2024, City funds account for 72 percent of total revenues, or \$76.9 billion (see Figure 11). Tax collections account for 92 percent of City funds revenues while miscellaneous revenues account for 8 percent.

While the January Plan had forecast declines in tax collections in fiscal years 2023 and 2024, the April Plan now expects no declines throughout the plan period. With better-than-expected collections in the first nine months of FY 2023, especially from PIT, business taxes, sales tax and audits, the April Plan increased the forecast for tax collections in FY 2023 by \$2.1 billion. In the first nine months of FY 2023, year-to-date collections were 10 percent higher (\$5.5 billion) than the same period last year. However, as the City assumes the economy will further weaken, total tax collections are expected to slow in the rest of the fiscal year. As a result, the City projects collections to increase by only 2.1 percent to reach \$71.1 billion in FY 2023, and to remain flat in FY 2024 (see Figure 10), growing more slowly than the annual average of 4.9 percent growth during the five years before the pandemic (fiscal years 2015 through 2019).

FIGURE 10
Trends in City Fund Revenues

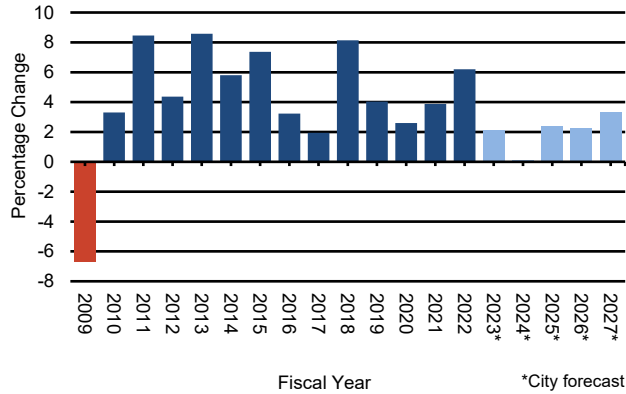
(in millions)

	FY 2023	FY 2024	Annual Growth	FY 2025	FY 2026	FY 2027	Average Three-Year Growth Rate
General Property Tax	\$ 31,432	\$ 32,269	2.7%	\$ 32,232	\$ 32,501	\$ 33,108	0.9%
Personal Income Tax	15,941	15,243	-4.4%	16,125	16,722	17,756	5.2%
Sales Tax	9,462	9,772	3.3%	10,320	10,905	11,352	5.1%
Business Taxes	7,840	7,720	-1.5%	7,745	7,726	7,826	0.5%
Real Estate Transaction Taxes	2,180	2,196	0.7%	2,375	2,496	2,667	6.7%
Other Taxes	3,033	3,218	6.1%	3,316	3,401	3,491	2.8%
Tax Audits	1,200	721	-39.9%	721	721	721	0.0%
Subtotal: Taxes	71,088	71,139	0.1%	72,834	74,472	76,921	2.6%
Miscellaneous Revenues	5,890	5,797	-1.6%	5,637	5,573	5,532	-1.5%
Unrestricted Intergov. Aid	297	0	NA	0	0	0	N/A
Grant Disallowances	(15)	(15)	0.0%	(15)	(15)	(15)	0.0%
Total	\$ 77,260	\$ 76,921	-0.4%	\$ 78,456	\$ 80,030	\$ 82,438	2.3%

Note: Personal Income Tax includes the PTET.

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

FIGURE 11
Annual Percent Change in Tax Revenues



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

In FY 2024, total collections are forecast to be dragged down by an expected decline in non-property tax collections, particularly PIT and business tax, which the City expects will be offset by gains in property taxes.

The April Plan increased the forecast for federal and State grants by \$1.6 billion in FY 2024, due mostly to additional aid to defray a portion of the cost for services to asylum seekers. The January Plan had assumed \$1 billion in federal aid alone in FY 2023, but now, the City does not expect federal aid until FY 2024, and at only \$600 million. The April Plan also increased the forecast for State aid by \$562 million. Despite these adjustments, State and federal aid for asylum seekers for FY 2025 are risks to the forecast as they have not yet been included in State and federal projections.

In fiscal years 2025 through 2027, the City expects total revenues to increase by an annual average of just 0.6 percent, much slower than the annual average growth of 4.7 percent from fiscal years 2015 through 2019. The City expects federal and State pandemic aid to decline throughout the plan period, dragging down growth in total revenues.

Tax collections are expected to average 2.6 percent annual growth during fiscal years 2025 to 2027, with growth in non-property tax collections (4.1 percent) outpacing those of property tax (0.9 percent). The relatively slow rate of growth in property tax collections reflects continued uncertainty in the real estate markets as workers have been slow to return to the office, as well as depressed activity among buyers using a mortgage due to higher-than-normal interest rates.

While OSC believes the City’s approach to its total revenues forecast is appropriate as the economic outlook remains unclear, it estimates revenues will likely be higher than the City’s forecast by about \$1.2 billion in each of FY 2023 and FY 2024.

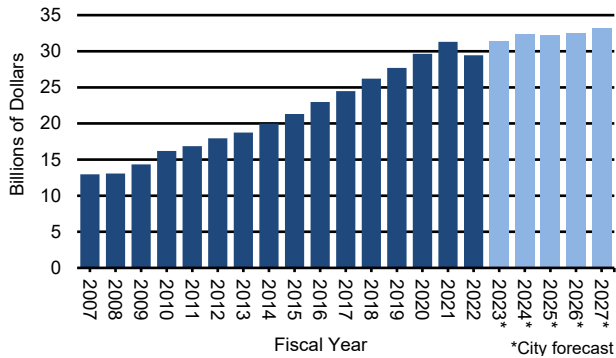
General Property Tax

The April Plan expects property tax collections in FY 2023 to reach \$31.4 billion, an increase of \$155 million compared to the January Plan due to lower-than-anticipated delinquencies and cancellations. This would be a 6.8 percent increase from the prior fiscal year and the highest level on record, surpassing the level in FY 2021 before the pandemic negatively affected valuations, especially those of commercial properties. Fiscal year-to-date collections through April have already surpassed the City’s estimate for FY 2023; OSC anticipates that collections are likely to exceed the forecast by at least \$100 million.

The City expects collections in FY 2024 to be \$32.3 billion, an increase of \$398 million from the January Plan and a 2.7 percent increase over FY 2023 (see Figure 12). The increase is based on both the higher level of collections in FY 2023 and a stronger-than-expected FY 2024 tentative property assessment roll.

In the January Plan, the City expected taxable values to increase by 1.6 percent in FY 2024, but

FIGURE 12
Property Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

the tentative property assessment roll showed growth of 4.4 percent. Increases on the tentative roll are typically softened by the final assessment roll released in late May (declining by an average of 1.1 percent for fiscal years 2017 to 2023), but this year actually saw a tentative-to-final increase of \$166 million in taxable values (less than 0.1 percent). The increase was driven by market value increases in Class 3 utility properties (up \$3.7 billion) and Class 2 condos and rentals (up \$663 million).

Housing demand remains strong, and residential property valuations are expected to continue to grow over the plan horizon. The expiration of the 421-a program and the absence of any replacement has reduced the housing pipeline considerably.¹⁰ Restrained supply is likely to keep values high.

The City increased expected collections by a total of \$1.8 billion for fiscal years 2025 to 2027. Growth in the out-years is distributed unevenly, however, and the City expects a small drop in FY 2025 of 0.1 percent, followed by growth of 0.8 percent and 1.9 percent in fiscal years 2026

and 2027, respectively. With the higher baseline level from the stronger-than-expected final roll, OSC estimates property tax collections will exceed the City’s forecast by \$1.7 billion for fiscal years 2024 to 2027.

Total assessed values (and thus the tax levy) are still expected to grow in FY 2025, but the anticipated property tax reserve also increases significantly (see Figure 13). The reserve is the expected share of the tax levy that will not be collected due to delinquencies, cancellations, abatements and refunds. The City increased the reserve to account for the likelihood of assessment challenges by commercial property owners that may cause a higher level of cancellations than was seen in recent years.

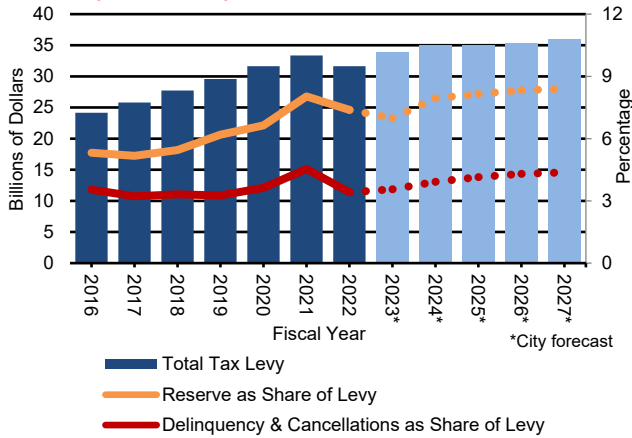
Office vacancy rates in the City have risen from 11.1 percent at the end of 2019 to 22.2 percent in the first quarter of 2023, and the City’s forecast expects rates to remain above 19 percent through at least 2027 (see OSC’s [Office Sector in New York City](#) report). Pre-pandemic demand for office space resulted in a large number of projects in the pipeline; data from the Department of Finance shows that 17.8 million square feet of office space have come online in recent years, with an estimated 13 million additional square feet in the construction pipeline.¹¹

While higher-end properties (i.e., Class A office buildings and “trophy” buildings) continue to see demand, older Class B and Class C buildings have considerable vacancies. Increased interest rates have added pressure to overleveraged property owners, and though media coverage indicates there have been few defaults thus far, commercial real estate firm Trepp notes that the

¹⁰ The Real Estate Board of NY, “Report: NYC Housing Pipeline Goes From Bad To Worse,” press release, March 21, 2023 at <https://www.rebny.com/press-release/report-nyc-housing-pipeline-goes-from-bad-to-worse/>.

¹¹ Diana Sabau, “Office Pipeline 2023: Tight Race Between Manhattan & Boston for Top Spot,” Commercial Café, February 9, 2023 at <https://www.commercialcafe.com/blog/office-pipeline-report/>.

FIGURE 13
Property Tax Levy and Reserve



Sources: NYC Office of Management and Budget; OSC analysis

national office delinquency rate has grown significantly in the past six months.¹²

Though delinquencies and cancellations are a more immediate concern, property values themselves could be impacted as well. Total billable office values grew 4.0 percent in FY 2024, but the City expects commercial property valuations to be essentially flat over the remainder of the plan horizon, with any declines in office and retail offset by increases in hotels, warehousing and industrial properties. If overall commercial property values begin to decline, it could cause a prolonged downturn that would reduce collections significantly over the plan horizon.

Personal Income Tax

The April Plan increased the forecast from the January Plan for total PIT, which for OSC's analysis includes the PTET, by \$657 million and \$399 million for fiscal years 2023 and 2024, respectively. The increases reflect better-than-expected collections in the first nine months of FY 2023. However, total PIT is still projected to

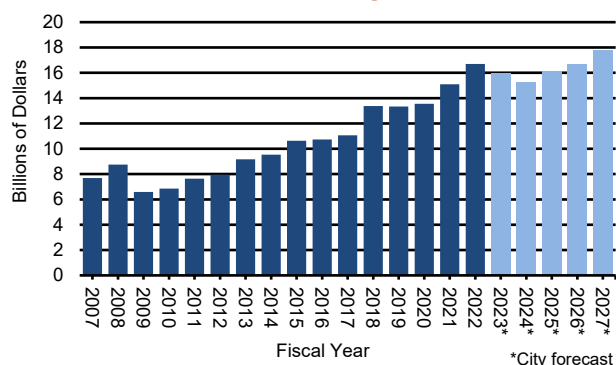
¹² "CMBS Delinquency Rate Holds Steady in April 2023, But Office Rate Continues to Rise," Trepp, May 3, 2023 at <https://www.trepp.com/trepptalk/cmbs-delinquency-rate-holds-steady-in-april-2023-but-office-rate-continues-to-rise>.

decline for two years from the FY 2022 record high, by 4.5 percent in FY 2023 and by 4.4 percent in FY 2024 to reach \$15.2 billion (see Figure 14; for more information on PTET, see OSC's April 2022 Plan [report](#)).¹³

Year-to-date PIT (excluding PTET) collections through March were 0.7 percent higher than the same period last year. This increase resulted from unusually large offset payments distributed by the State in October 2022, which elevated the year-to-date collections. Even with the elevated offsets, the City expects collections to decrease by 4.5 percent in FY 2023 as a result of large declines in nonwage income and [bonuses](#), related to depressed Wall Street activity and slower wage and job growth.

The upward adjustments to the total PIT forecast in the April Plan reflected increases to almost all components of PIT. Even with these increases, combined estimated payments and PTET (the components that are based on nonwage income) are expected to decline, more than offsetting the growth in withholding (i.e., the amount of tax taken from employee paychecks) and driving the declines in total PIT in fiscal years 2023 and 2024.

FIGURE 14
Total Personal Income Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

¹³ The SFY 2022-23 Enacted Budget created the PTET for the City which will go into effect in FY 2023. When combined with PIT, the PTET is expected to be revenue neutral for the City. See OSC's April 2022 Plan report.

The April Plan increased its forecast for the combined estimated payments and PTET throughout the plan period. While the City now projects a smaller decline of 11 percent in FY 2023, it also projects a larger decline of 10.8 percent the next year to \$3.7 billion in FY 2024. The City expects the stock and real estate markets to see further weakness, negatively impacting capital gains and business income. Growth in estimated payments and PTET is expected to average 0.9 percent annually in fiscal years 2025 through 2027, reflecting a slow recovery in nonwage income.

The April Plan raised the forecast for withholding and now expects an increase of 3.9 percent in FY 2023. This reflects better-than-expected overall employment growth even as Wall Street bonuses are estimated to be significantly less than in [2021](#). As the City expects declines in bonuses, job growth and wage growth for another year, withholding growth is expected to slow to 2.8 percent, reaching \$11.7 billion in FY 2024. Annual growth is expected to improve, averaging 4.8 percent in the rest of the plan period, though this is still slower than the 6.7 percent average annual growth during the five years before the pandemic (fiscal years 2015 through 2019).

As offset payments from the State continue to be higher than expected, the City increased its FY 2023 forecast and now projects a 28.9 percent growth to reach \$1.5 billion. However, the April Plan expects payments to fall to \$633 million (a drop of 59 percent) in FY 2024.

After the April Plan was released, better-than-expected April collections show that FY 2023 collections are likely to exceed the City's forecast. Year-to-date total PIT collections through April were 2.2 percent higher than the same period last year. Year-to-date collections from several components (extensions, final payments, and offsets), have already exceeded their respective full FY 2023 forecast by a

combined \$1.1 billion. While liability may have been higher than expected (but likely still weaker than the record tax year 2021), the strong collections may also be due to the implementation of PTET.

Taxpayers started paying PTET in December 2022 for their 2022 liability. Collections have been stronger than expected as taxpayers may have overpaid in alignment with the record prior tax year to comply with safe harbor rules in avoiding underpayment penalties. The City assumed taxpayers would claim the PTET credit in April 2023 to offset their PIT liability which would have lowered their estimated and final payments. However, because collections from these payments were much higher than expected, it is likely that many taxpayers have not yet claimed the PTET credit. If taxpayers decide to claim the credit after the fiscal year ends, which the City does not expect, then collections in a later fiscal year would be lower than expected.

Total PIT collections are forecast to average 5.2 percent annual growth in fiscal years 2025 through 2027, still slower than the average annual growth of 6.7 percent in fiscal years 2015 through 2019, reflecting the City's assumption of a return to moderate economic growth in the out-years.

The uncertainties associated with PTET has made it more difficult to estimate a precise forecast. Because of the effects of PTET and offsets, OSC estimates that tax collections may exceed the forecast by \$650 million in FY 2023 (likely reflecting the delay in claiming PTET credits). While OSC expects collections to exceed the City's forecast by \$300 million in FY 2024, OSC forecasts a larger decline resulting from the likely delay of some taxpayers claiming the credits. OSC expects collections to be higher in the rest of the plan period as collections normalize to moderate growth in the out-years.

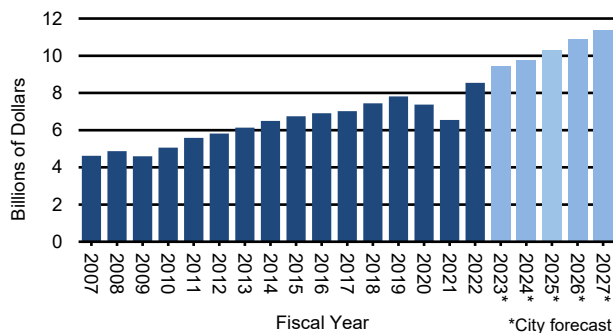
Sales Tax

Sales tax collections in FY 2023 have been strong due to consumer spending (supported by wage growth and accumulated savings), higher prices, and returning tourism activity. Collections increased by 14.8 percent in the first nine months of FY 2023 compared to the same period last year. The April Plan projects fourth quarter collections to be muted, however, resulting in a full fiscal year growth rate of 10.7 percent. The City expects consumers to pull back from spending due to elevated prices and interest rates that have increased credit card debt and heightened the expectations of an economic downturn.

The April Plan anticipates sales tax collections will grow by 3.3 percent to \$9.8 billion in FY 2024 (see Figure 15). While the City makes an upward adjustment of \$506 million from the prior plan, it expects wage and tourism growth will moderate in FY 2024.

Local employment is expected to continue to be strong while tourism in the City recovers,

FIGURE 15
Sales Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

boosting collections in FY 2024. New York City Tourism + Conventions (formerly NYC & Company), the City’s official tourism agency, expects 63.3 million total visitors to the City in 2023. This level is an increase of 11.6 percent from 2022 and 95 percent of pre-pandemic levels. In 2024, visitors are expected to exceed the pre-pandemic level of 66.6 million visitors.

Consumption activity could also be boosted by pandemic savings, as nationally, 82 percent of those who were able to save have most of their pandemic savings intact.¹⁴

Potential economic pressures pose risks which could affect consumption activity in fiscal years 2024 to 2025. According to the Federal Reserve’s latest Beige Book, the New York district is experiencing some stress in the banking sector with declines in loan demand, tightening of credit standards and rising of delinquencies on residential and commercial mortgages.¹⁵ National credit card debt is at a record \$986 billion in the first quarter of 2023.

Additionally, while price pressures are easing, demand for goods and services has begun to slow since last year. The Consumer Price Index for the New York City metropolitan area was 3.7 percent for April 2023 year over year. Still-elevated prices have boosted retail taxable sales (or the portion of retail sales that are taxable) in New York City, though taxable sales growth has slowed. From March 1, 2022 to February 28, 2023, taxable sales increased by 6.9 percent, slower than the 27.6 percent growth in the prior year.¹⁶ City retail taxable sales could continue to slow in growth following the trend of national retail sales, which grew only 1.6 percent year-

¹⁴ Cassidy Horton, “48% Of Americans Are Maximizing Their Savings Through A High-Yield Savings Account,” *Forbes Advisor*, March 2023, at

<https://www.forbes.com/advisor/banking/savings/us-savings-rate-2023-survey/>

¹⁵ New York Federal Reserve *Beige Book*, April 2023.

¹⁶ This period is what the State uses to report taxable sales.

over-year in April 2023 compared to the double-digit increases of the prior year.

OSC expects a \$200 million increase from the City’s forecast to reach \$10 billion in FY 2024 as City tourism fully recovers to pre-pandemic levels. In FY 2025 through FY 2027, OSC estimates tax collections will be \$183 million less than the City’s forecast annually as growth rates revert to historical rates and inflation and spending continues to cool amid economic uncertainty.

Business Taxes

The April Plan’s FY 2023 business tax forecast is \$350 million higher than the January Plan as collections saw stronger-than-expected growth. However, business taxes are still projected to decline 4.7 percent to \$7.8 billion in FY 2023 from the record high of \$8.2 billion in FY 2022 (see Figure 16).

The decline in FY 2023 is attributable to business corporation taxes, which constitute more than two-thirds of total business tax collections and are driven primarily by the profits of New York Stock Exchange member firms. According to the New York City Department of Finance (DOF), the finance sector, which represents 36 percent, saw a decline in net payments of 3.5 percent in FY 2023 compared to the same period in FY 2022. As business corporation tax collections in the first nine

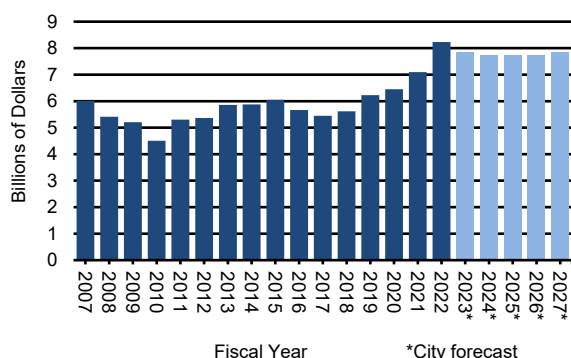
months have grown by 0.3 percent, compared to 19.4 percent in the same period in FY 2022, the City expects collections for the remaining months of the fiscal year to see weakness.

Unincorporated business taxes (UBT), which make up the remainder of total business tax collections, saw a year-over-year decline of 0.9 percent through March 2023 compared to one year ago. According to DOF, the service sector, which makes up 45 percent of UBT net payments, saw a 4.8 percent decline during the same period. Payments from the service sector have declined each month of this fiscal year, suggesting the City’s FY 2023 projection of a 2.3 percent decline in UBT collections is appropriate.

The City also increased the FY 2024 forecast from the previous plan by \$566 million, partially supported by rebounding Wall Street profitability and UBT collections from the finance sector. Despite the upward adjustment, the City expects a year-over-year decline in business tax collections by 1.5 percent in FY 2024.

Given the strength of year-to-date business tax collections, OSC estimates tax collections will exceed the City’s forecast by \$300 million in FY 2023 and reach \$8.1 billion. In FY 2024, OSC estimates collections will see a decline of 2.6 percent, as overall economic conditions begin to cool down. OSC projects business taxes will end at least \$200 million higher than OMB forecasts in each year after FY 2024.

FIGURE 16
Business Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

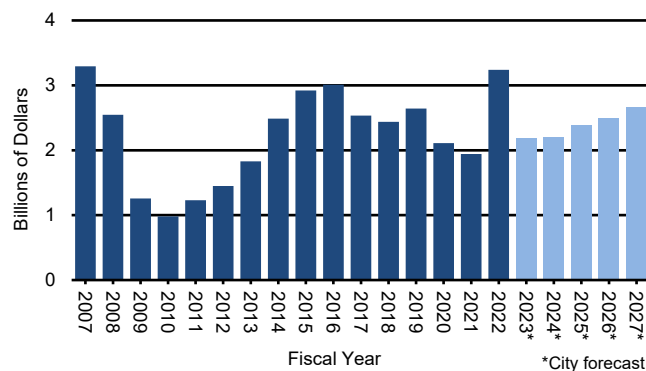
Real Estate Transaction Taxes

The April Plan projects real estate transaction taxes, which include real property transfer taxes and mortgage recording taxes, will reach \$2.2 billion in FY 2023. This is \$3 million less than expected in the January Plan due to continued weakness in mortgage recording tax collections, as high interest rates have negatively impacted originations.

The City expects collections in FY 2024 to be \$2.2 billion. This is an increase of \$49 million from the January Plan and represents a 0.7 percent increase in collections from the current fiscal year (see Figure 17). Real property transfer taxes are expected to grow by 5.7 percent, while mortgage recording taxes are expected to see a decline of 6.3 percent amid elevated interest rates. The decline means mortgage recording taxes would account for 38.8 percent of transaction collections in FY 2024, compared to an average of 42.1 percent for fiscal years 2014 to 2023.

The City increased its forecast for transaction tax collections for fiscal years 2025 through 2027 by a total of \$263 million, indicating a return to a more moderate 6.7 percent average annual growth rate in the out-years. With the expectation of a prolonged period of high interest rates, the mortgage recording share of transaction taxes is expected to remain below the historical average.

FIGURE 17
Real Estate Transaction Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

The residential real estate market has slowed considerably in FY 2023 as interest rate hikes have increased the cost of purchasing homes with mortgages. Total home sales in New York City for the fiscal year-to-date (July through March) have declined by 29.5 percent compared to the same period in the prior year.¹⁷ Luxury residences (defined as properties valued at over \$4 million), have seen a rebound from depressed activity in the latter half of 2022.¹⁸ Real estate brokers attribute the recent strength to the return of foreign buyers, especially for “trophy” properties (residences valued at over \$10 million).¹⁹ These types of buyers are more likely to forgo mortgages for cash purchases, particularly with the current rates, resulting in lower mortgage recording taxes.²⁰

The downturn in the commercial real estate sector has been more prolonged. Total commercial sales in the first nine months of FY 2023 are down 39.1 percent from FY 2022, and 30.8 percent from FY 2019. Weakness in the office and retail sectors is expected to continue, while some commercial properties such as warehouses and industrial spaces remain in demand.

Uncertainty in the real estate market will persist in 2023 and beyond. Mortgage rates have fallen from the highs seen last year, but uncertainty around interest rate expectations, recent bank failures and continuing fears of a recession may continue to keep buyers away. Commercial property sales are expected to remain depressed as firms are reluctant to make commitments during a period of elevated interest rates and economic uncertainty.

¹⁷ NYC Department of Finance Automated City Register Information System (ACRIS).

¹⁸ Harrison Connery, “Manhattan Trophy Properties Lead Luxury Contracts to 12-Month High,” *The Real Deal*, May 1, 2023, <https://therealdeal.com/new-york/2023/05/01/manhattan-trophy-properties-lead-luxury-contracts-to-12-month-high/>.

¹⁹ Sheridan Wall, “NYC Brokers Eye Long-Awaited Return of International Buyers,” *The Real Deal*, May 2, 2023, at <https://therealdeal.com/magazine/national-may-2023/nyc-brokers-eye-new-tide-of-international-buyers/>.

²⁰ Orion Jones, “Cash buyers claim record 60% of Manhattan condo sales,” *The Real Deal*, May 4, 2023, at <https://therealdeal.com/new-york/2023/05/04/nycs-housing-market-is-awash-in-cash-heres-what-to-know/>.

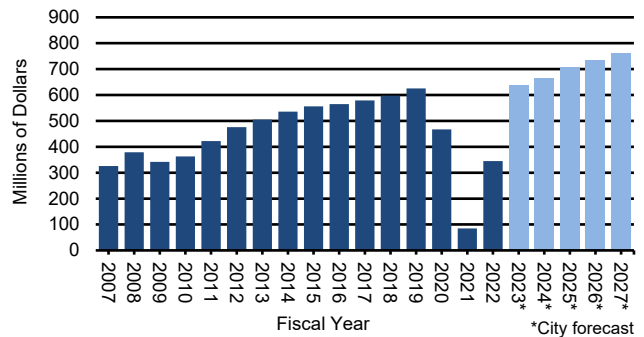
Hotel Tax

The City expects hotel tax collections to increase by 84.8 percent to reach \$637 million in FY 2023, an upward adjustment of \$48 million from the January Plan (see Figure 18). In the first three quarters of FY 2023, collections reached \$471 million, exceeding pre-pandemic levels. Higher room rates and a strong recovery in tourism have supported the growth in collections. In April 2023, New York City hotel occupancy was 82.6 percent, the highest among the top 25 markets in the U.S.²¹ Contract hotel occupancy makes up 10 percent of the City’s hotel occupancy rate with asylum seekers driving the rise in contract hotel occupancy²²

The April Plan also increased the FY 2024 forecast by \$22 million to \$666 million. City tourism is expected to return to pre-pandemic levels in FY 2024. New York City is set to add an additional 9,000 hotel rooms by 2025. The full return of tourism and additional hotel rooms will likely boost collections in FY 2024.

In the out-years, casino licenses in the New York City area will likely generate hotel revenue as developers anticipate building leisure and hospitality resorts (with some proposals ranging from 950 to 1,500 additional hotel rooms) in the area once licenses are approved.²³ Additionally, the New York City metropolitan area will be a host city for the 2026 World Cup (FY 2026-27) which should generate hotel revenue.²⁴ As a result, OSC expects collections to be, on

FIGURE 18
Hotel Tax Revenues



Sources: NYC Office of Management and Budget; OSC analysis

average, \$150 million higher annually over the plan period than the City’s forecast.

Miscellaneous Revenues

The City increased its projection for miscellaneous revenues, which include recurring revenues and one-time payments, for FY 2023 by \$120 million from the January Plan to reach \$5.9 billion following strong collections. In the first nine months of FY 2023, total miscellaneous revenues increased 14.7 percent (\$609 million) from the same period in FY 2022, driven by fines and fees and interest income.

The April Plan expects miscellaneous revenues will total \$5.8 billion in FY 2024 (a decrease of 1.6 percent year-over-year), then see a steady but minimal decline in the out-years (see Figure 19).²⁵

²¹ Smith Travel Research, “US Hotel Rate Growth Slowed to 3.4% in April”, May 19, 2023.

<https://www.costar.com/article/198702018/str-us-hotel-rate-growth-slowed-to-34-in-april>.

²² Smith Travel Research, “New York Hotels Benefit From Influx of Migrants From Southern Border”, April 3, 2023 [New York Hotels Benefit From Influx of Migrants From Southern Border \(costar.com\)](https://www.costar.com/article/251378210/developers-roll-the-dice-on-mega-plans-for-new-york-casinos)

²³ Smith Research Travel, “Developers Roll the Dice on Mega Plans for New York Casinos”, March 20, 2023 <https://www.costar.com/article/251378210/developers-roll-the-dice-on-mega-plans-for-new-york-casinos>; and Stefanos Chen, “All the Developers Who Want You to

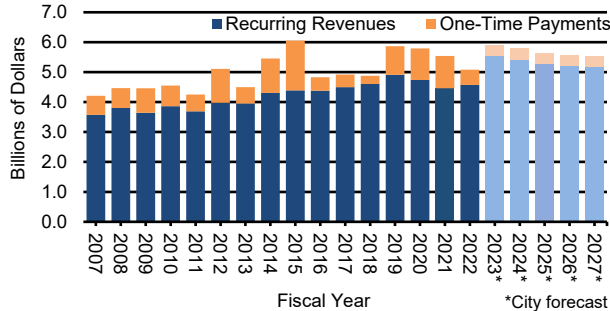
Want a New York Casino”, New York Times, January 17, 2023 at

<https://www.nytimes.com/2023/01/17/nyregion/casino-developers-nyc.html>

²⁴ Office of the Mayor of New York City, “New York/New Jersey Selected Host City 2026 FIFA World Cup” at <https://www.nyc.gov/office-of-the-mayor/news/406-22/new-york-new-jersey-selected-host-city-2026-fifa-world-cup-#0>,” press release, June 16, 2022,

²⁵ Miscellaneous revenues consist of recurring revenues (including fines, fees, forfeitures, charges for services, licenses and permits), and one-time payments (including

FIGURE 19
Total Miscellaneous Revenues



Sources: NYC Office of Management and Budget; OSC analysis

The expected decline in FY 2024 is mostly driven by lower recurring revenues. Recurring revenues for FY 2024 are forecast to total \$5.4 billion and average \$5.2 billion in the out-years. The City expects recurring revenues from fines and forfeitures to decline by \$250 million in FY 2024 as a result of lower revenue from parking violations (receiving payments in early FY 2023 and a reduction in pandemic backlog) and speed cameras (after experiencing a surge in fines from initial 24/7 implementation, cameras have been effective in curbing speeders, reducing the amount of fines).

The decline in recurring revenues from fines and forfeitures is expected to offset a growth in interest income of \$51 million. The City expects the Federal Reserve to keep the federal funds rate elevated into FY 2024.

One-time payments are expected to increase by \$4 million in FY 2024 to \$369 million from FY 2023, but historically have exceeded these levels. The lower level is likely due to the fluid nature of what is included in one-time payments (asset sales, auctions, settlements, cash recovery from litigations and audits, and refunds of prior years' expenditures).

The City expects recurring miscellaneous revenues in fiscal years 2025 to 2027 to reach

settlements, litigation, asset sales and payments from agencies).

\$5.2 billion annually, an appropriate forecast given economic uncertainty.

VIII. Expenditure Trends

Total citywide expenditures are projected to reach \$109.7 billion in FY 2024, after adjusting for \$3 billion in surplus transfers, which obscure total expenditures (see Figure 20). The portion of citywide spending funded with locally generated revenue (i.e., City funds) is estimated at nearly \$80 billion. The portion funded with other sources, mostly federal and State grants, is \$29.8 billion (27 percent of total spending).

While city-funded spending is projected to rise by an average of 8.4 percent annually over a two-year period through FY 2023 (adjusted for contingent reserves), the April Plan anticipates that spending would decline by 2.7 percent in FY 2024, excluding contingent reserves and savings from overestimating prior-year’s expenses.

The decline in FY 2024 reflects the expectation that a significant portion of other-than-personal-services (OTPS) spending for various local initiatives (mostly for education, public health and social services) in FY 2023 will not recur. This includes the City’s share of public assistance costs, with spending declining from \$1 billion to \$891 million. The FY 2024 decline is offset in part by the expectation that city-funded spending on services for asylum seekers will rise sharply from \$962 million in FY 2023 to \$1.7 billion in FY 2024.

The April Plan assumes city-funded spending will resume growing in FY 2025 and rise at a slightly slower pace over the remainder of the plan period when compared to historical increases, growing by an annual average of 3.9 percent over the next three years (excluding reserves). Projected wage increases and health insurance costs would be the largest cost drivers followed by debt service through the balance of the financial plan period.

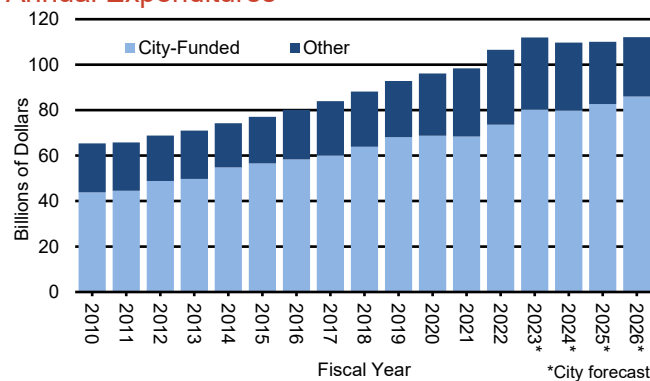
The April Plan includes an addition to the City’s labor reserve totaling \$16 billion over the financial plan period to fund estimated costs of collective bargaining under a new five-year framework for civilian and uniformed employees. The framework was established by the labor contracts recently ratified by members of DC 37 and the PBA. The City assumes the DC 37 and PBA framework will apply to the remainder of the City’s municipal workforce (see “Collective Bargaining” section).

The financial plan risks identified in OSC’s February 2023 review of the City’s financial plan have narrowed substantially with the City’s inclusion of additional funding for asylum seeker services and reserves for labor costs consistent with the DC 37 and PBA framework. But the April Plan still includes sizable risks and fiscal uncertainties.

The current plan does not make any provision for the cost of services for asylum seekers to recur beyond FY 2025, which is unlikely based on the continued influx of asylum seekers receiving support from the City. OSC estimates that the City could still incur higher-than-planned costs in FY 2025 and in each year thereafter (see “Asylum Seekers” section).

As in past years, OSC has identified other relatively large but manageable risks including higher-than-planned mandated operating subsidies for public transit, spending on certain education services, social services, and potentially higher overtime costs. For example,

FIGURE 20
Annual Expenditures



Note: Adjusted for surplus transfers and debt defeasances. City forecast includes budgeted reserves beginning in FY 2023.
Sources: NYC Office of Management and Budget; OSC analysis

absent any alternatives, it appears unlikely that the City’s public assistance spending will decline in FY 2024, given the continued growth in enrollment. The decline in other OTPS spending includes the expectation of a wind down of certain legal or contractual obligations such as rental assistance and certain contracted services at the Department of Education, which also appear unlikely based on recent trends.

Alternatively, the City projects its annual debt service based on conservative assumptions. As in prior years, actual spending could be lower than planned. The expenditure risks identified by OSC are estimated to total \$2.3 billion in FY 2024, rising to \$6.2 billion by FY 2027.

The City may also incur higher-than-planned discretionary costs for local initiatives funded in FY 2023 but are assumed to not recur (see OSC’s [“Fiscal Cliffs” Tool](#) for more details). The City also funded a number of City Council member items in FY 2023 (\$536 million) but the April Plan does not yet include funding for any member items in subsequent years, which in

past years have been added at the time of budget adoption.

The City has some lead time to address its larger out-year risks and fiscal uncertainties and has expanded its PEG twice this year, which is expected to generate savings averaging \$3 billion annually over fiscal years 2024 through 2027 (see “PEG” section). April Plan expenditure trends are shown in Figure 21 and discussed below.

Full-Time Staffing Levels

Between June 2020 and February 2023, the City’s workforce declined by 6.6 percent (19,772 positions) to 280,674 employees (see Figure 22). As noted in a [November 2022 OSC report on New York City staffing trends](#), the decline has been uneven, especially for some agency divisions and occupations.

The April Plan assumes full-time staffing will total 303,593 by the end of FY 2023, 22,919 positions (8.2 percent) greater than the current level (mostly at the Department of Education and social service agencies; see Appendix A for

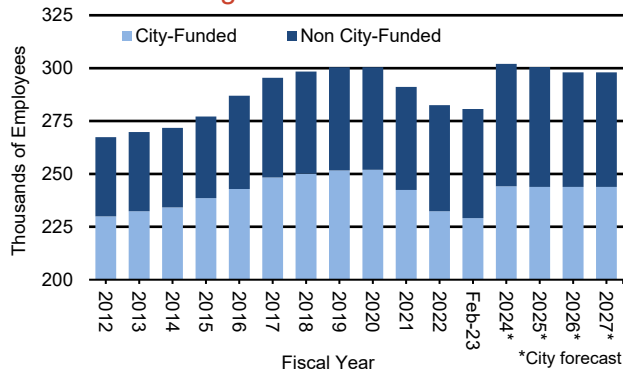
FIGURE 21
Trends in City-Funded Spending in April 2023 Financial Plan
(in millions)

	FY 2023	FY 2024	Annual Growth	FY 2025	FY 2026	FY 2027	Average Three-Year Growth Rate
Salaries and Wages	\$22,927	\$22,089	-3.7%	\$23,456	\$25,229	\$26,451	6.2%
Pension Contributions	9,269	9,490	2.4%	10,271	10,733	10,916	4.8%
Debt Service	7,377	7,663	3.9%	8,119	8,893	9,591	7.8%
Medicaid	6,195	6,549	5.7%	6,283	6,283	6,433	-0.6%
Health Insurance	6,400	7,176	12.1%	7,534	8,112	8,551	6.0%
Other Fringe Benefits	3,743	3,918	4.7%	3,964	4,161	4,337	3.4%
Energy	1,033	1,068	3.3%	1,076	1,169	1,210	4.3%
Judgments and Claims	1,059	1,025	-3.3%	737	683	700	-11.9%
Public Assistance	1,025	891	-13.1%	891	891	1,241	11.7%
Services for Asylum Seekers	962	1,738	80.7%	710	---	---	NA
Other OTPS	20,698	16,901	-18.3%	18,161	18,378	18,536	3.1%
Subtotal	\$80,689	\$78,506	-2.7%	\$81,202	\$84,532	\$87,965	3.9%
General Reserve	50	1,200	NA	1,200	1,200	1,200	0.0%
Capital Stabilization Reserve	---	250	NA	250	250	250	0.0%
Prior Year’s Expenses	(400)	---	NA	---	---	---	0.0%
Total	\$80,339	\$79,956	-0.5%	\$82,652	\$85,982	\$89,415	3.8%

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

Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 22
Full-Time Staffing Levels



Note: FY 2023 is shown as year-to-date actuals for February 2023.
Sources: NYC Office of Management and Budget; OSC analysis

more details). However, the FY 2023 year-end target will not be achieved given current trends, especially at the Department of Education (the largest source of vacancies), which completes most of its hiring for the upcoming school year through each September. The City, like other public employers, is continuing to face difficulties in recruiting and retaining employees, although there are signs of improvement in recent months.

While the City has increased its efforts to hire and added more than 27,000 full-time employees during the first eight months of FY 2023, attrition remained higher at more than 28,800 separations during the same period. As a result, the City’s estimated vacancy rate remains among the highest in recent memory (at 7.5 percent).

The number of separations of full-time employees averaged 3,607 per month during the first eight months of FY 2023, still higher than the 10-year historical average but is much lower than was recorded through the same period one-year ago (4,566 separations per month). National economic data also indicate that the quit rate has declined steadily from a record high in April 2022 (3 percent) through February 2023 (2.6 percent), suggesting workers may be less confident about switching jobs.

While the full-time workforce has declined, the City believes it can continue to meet current and anticipated demands for municipal services with fewer employees than were budgeted as of June 2020. As a result, the City’s FY 2023 PEG has reduced planned headcount by 6,546 full-time positions in FY 2024 (of which 4,496 are city-funded), mostly from eliminating a portion of its vacancies (see “PEG” section).

A number of media reports and City agency reports have found that the delivery of some municipal services have been impaired due to short-term staffing shortages, including a reduction in on-time processing times for Supplemental Nutrition Assistance Program benefits, as well as some enforcement activities (e.g., safety inspections). Staffing challenges have also adversely impacted some interagency anti-corruption efforts, according to a recent Department of Investigation report.

In the meantime, the City has also realized substantial savings attributed to lower-than-planned headcount. Since the beginning of FY 2023, the City lowered its forecast of personal service spending in that year by \$696 million under the FY 2023 PEG, reflecting the vacancy reductions and other factors such as hiring and program implementation delays. While it has relaxed its hiring restrictions and is exploring options to reduce employee turnover, OSC anticipates the City will continue to have substantial vacancies at least through June 30, 2023. As a result, OSC estimates the City could generate an additional \$650 million in such savings during FY 2023.

Overtime spending at the uniformed agencies reached a new record in FY 2023 (see “Overtime” section), and is currently on track to approach last year’s level. Any additional savings from vacancies could be utilized to help mitigate unplanned overtime spending in FY 2023.

Collective Bargaining

OSC has previously noted that the new round of collective bargaining was a source of significant fiscal uncertainty facing the City’s financial plan. On February 17, 2023, the City took its first step towards reducing this uncertainty with the announcement of a new five-plus year agreement with DC 37 for the 2021 to 2026 round of bargaining.

The DC 37 agreement, which was ratified by the members in late March 2023, includes 3 percent wage increases in each of the first four years of the contract, followed by a 3.25 percent wage increase in the fifth year (16.21 percent compounded over five years). The agreement also includes a \$3,000 ratification bonus and sets aside resources equated to a 1 percent wage increase for an equity fund jointly funded by the union and the City to address areas with significant recruitment and retention issues. This includes raising the minimum wage for DC 37 members to \$18 per hour and convening a committee to explore flexible work options, such as remote work.

Only a few days after the ratification of the DC 37 contract, the City took another step toward reducing the fiscal uncertainty with the announcement of an eight-year agreement with the PBA, the largest union for members of the uniformed forces representing 23,000 police officers. Notably, this is only the third time since 1994 that a voluntary agreement was achieved in lieu of a binding arbitration award.

The agreement, which has also been ratified by its members, provides wage increases in the first three years of the contract consistent with raises other uniformed groups received in the last round of bargaining. The subsequent five years of the agreement establishes the framework for other uniformed unions with wage increases of 3.25 percent in each of the first two years, 3.5 percent in each of the next two years, and 4 percent in the final year (a total increase of 18.8 percent compounded over five years). The agreement

also sets aside resources to increase entry-level and early tenure pay.

The City, which has a long history of pattern bargaining, assumes that the terms of the accord with DC 37 and with the PBA will apply to all other relevant civilian and uniformed unions, including the City’s largest municipal union, the United Federation of Teachers (UFT), which represents about two-fifths of the full-time municipal workforce (see Figure 23).

FIGURE 23
Selected Unions’ Contract Expiration Dates

Union	Contract Expiration Date	Number of Full-Time Employees	Status
DC 37	11/6/2026	56,168	Current
PBA	7/31/2025	21,693	Current
UFT	9/13/2022	114,086	Expired
UFA	7/31/2020	7,998	Expired

Note: Full-time work force as of April 2023.
Sources: NYC Office of Management and Budget; OSC analysis

As of January 2023, the City had set aside resources in its labor reserve to fund wage increases of 1.25 percent in each year following the expiration of the 2017-2021 round of contracts. The April Plan incorporates an additional \$16 billion to the City’s labor reserve over the financial plan period to fund estimated labor costs, assuming pattern-conforming agreements will be reached with the remainder of the City’s workforce.

Accordingly, while negotiations with the unions representing the remainder of the municipal workforce have not yet been concluded, the fiscal uncertainty over the outcome of collective bargaining has greatly lessened. If pattern-conforming agreements are achieved with those remaining unions, the current funding set aside in the labor reserve is reasonable.

Health Insurance

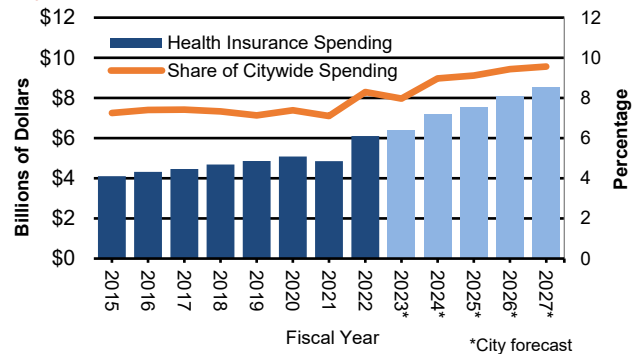
Despite the achievement of \$1.9 billion in recurring savings under the 2014 and 2018 agreements between the City and the Municipal Labor Committee (MLC), health insurance costs will reach \$8.6 billion by FY 2027, 40.1 percent more than in FY 2022 (see Figure 24).

Comparatively, city-funded spending would rise by 21.5 percent during the same five-year period through FY 2027. Health insurance costs, as a share of city-funded spending, would rise to an estimated 9.6 percent by FY 2027, which would be the highest share since at least FY 2010.

In a [February 2023 report on the City's financial plan](#), OSC noted that the City has renewed its efforts to implement a Medicare Advantage Plan (MAP) for its more than 250,000 retirees and beneficiaries. The City and the MLC are proceeding with implementation of a MAP by September 1, 2023. The City intends to contemporaneously revoke the current Senior Care plan. Implementation of the plan is expected to generate an estimated \$600 million in annual savings in retiree health benefits costs, the same as was originally expected, and the savings will be credited to the Health Stabilization Fund (HSF). The HSF is a trust and agency account jointly administered by the City and the MLC since 1986 for the purpose of moderating volatility in the cost to the City of pre-Medicare health coverage expenses.

The delay in achieving the intended retiree health benefits savings from the implementation of a MAP (estimated to total \$1 billion, assuming a September 1, 2023 implementation date) had effectively resulted in the balance of the HSF being exhausted. While the HSF held nearly \$922 million as of April 2023, most of the balance (\$776 million) is restricted to meet reserve requirements established by the City's health insurance carriers, leaving only \$146 million to meet short-term contractual obligations,

FIGURE 24
Health Insurance Costs
City-Funded



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

the payments for which have been delayed and currently exceed the available balance.

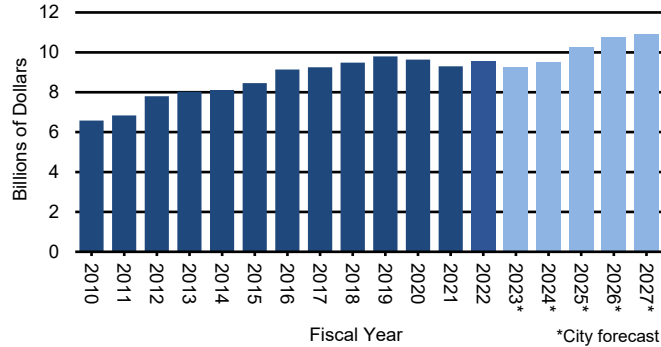
The City and the MLC are currently negotiating further savings to help offset the financial obligations of the HSF through health plan reforms, including a new preferred provider organization for active employees and pre-Medicare retirees, although the outcome of these negotiations is uncertain at this time. In its latest bond disclosure, the City maintains its caution that if the HSF were fully drawn, there could be a significant shift in costs to active City employees and pre-Medicare retirees in the form of additional health coverage fees and reductions in benefits, or the assumption of significant costs by the City.

Pension Contributions

The City's pension contributions reflect actuarial estimates of the City's five major retirement systems prepared by the Office of the Actuary. The April Plan assumes pension contributions will total \$9.3 billion in FY 2023, and then rise each year to reach \$10.9 billion by FY 2027 (see Figure 25).

The latest valuation projections reflected in the April Plan include the investment performance of the City's pension funds since 2019; the cost impact of the City's latest wage proposals consistent with collective bargaining; and benefit

FIGURE 25
Pension Contributions
City-Funded



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

enhancements from new State legislation since 2019 (e.g., a change from 10 to five-year vesting).

The April Plan includes adjustments prepared by the NYC Office of Management and Budget to reflect new or anticipated changes (e.g., revisions to planned headcount and projected administrative expenses of the retirement systems). The April Plan also includes a reserve of about \$279 million annually beginning in FY 2023 to fund potential changes from any future actuarial audit recommendations.

As noted in the [February 2023 report on the City’s financial plan](#), the pension funds experienced robust investment gains in FY 2021 (25.8 percent), followed by a shortfall in FY 2022 (negative earnings of 8.65 percent), which drove the relatively large revisions to the City’s out-year projections over the past two years.

The financial markets have remained volatile in FY 2023, driven by high inflation and the corresponding response by the Federal Reserve on interest rates, a set of regional bank runs in March and April this year resulting in three regional bank failures as well as ongoing

geopolitical tensions, and their impact on the equity and commodity markets. The City Comptroller’s Bureau of Asset Management reports that the pension systems gained, on average, 5 percent on their investments through March 31, 2023, compared to the expected gain of 7 percent.²⁶

OSC estimates that each percentage point higher (or lower) than the 7 percent target in FY 2023 could decrease (or increase) the City’s planned pension contributions by \$49 million in FY 2025, \$112 million in FY 2026, and by \$172 million in FY 2027.

Medicaid

In March 2023, a historic high of 4.4 million New York City residents (about half of the City’s population) were enrolled in Medicaid, which provides health insurance to low-income children and adults. This estimate includes approximately 1 million people who have enrolled in Medicaid since February 2020. The sharp increase coincided with the COVID-19 public health emergency (PHE). Enrollment growth rates in Staten Island (40 percent) and Queens (36 percent) exceeded citywide growth (30 percent) from February 2020 through March 2023. Medicaid enrollment in the rest of the State grew by 28 percent.²⁷

The Families First Coronavirus Response Act permitted states to claim temporary federal Medicaid aid on the condition that these states were unable to terminate enrollment for most individuals enrolled in Medicaid as of March 18, 2020, through the PHE.²⁸ The passage of the Consolidated Appropriations Act, 2023 (CAA), ended the continuous enrollment condition on March 31, 2023 and in each subsequent calendar quarter the temporary aid will be

²⁶ Since FY 2012, the pension funds have earned, on average, 7.5 percent on their investments.

²⁷ Nationally, Medicaid enrollment increased by 34.7 percent from February 2020 through January 2023.

²⁸ On May 11, 2023, the PHE expired.

phased down, ending on December 31, 2023, as discussed in the [February 2023 Plan](#).

The April Plan assumes that the city-funded cost of Medicaid will total nearly \$6.2 billion in FY 2023, \$6.5 billion in FY 2024, \$6.3 billion annually in fiscal years 2025 and 2026 and \$6.4 billion in FY 2027. Due to a delay in federal approvals for a new initiative that will reimburse H+H for providing care management to Medicaid recipients with complex needs, the City transferred \$266 million budgeted in FY 2023 to FY 2024.

The growth in Medicaid enrollment may start to reverse with the continued decline in unemployment levels, in addition to the State and City returning to routine operations to determine eligibility as a result of the CAA. Many Medicaid beneficiaries will become eligible for other forms of health insurance such as the Essential Plan, the Children’s Health Insurance Plan, a qualified health plan or employer sponsored coverage. The first transitions in coverage for Medicaid beneficiaries will occur in July 2023. The State Department of Health projects about 100,000 residents across the State could become newly uninsured, of which more than half will likely reside in the City. See OSC’s report [on COVID-19 Enrollment Trends](#) for the impact of these policies on MetroPlus enrollment and H+H.

The City’s Human Resources Administration has begun the process of renewing Medicaid for about 750,000 City beneficiaries. Federal regulations have imposed guidelines and completion dates which could put added pressure on an agency that is already experiencing difficulties with processing eligibility for other public assistance programs, partially due to staffing issues.²⁹

Projections of city-funded costs assume that the State will not require the City to cover a larger share of Medicaid program costs. However, the Enacted Budget for SFY 2024, passed after the release of the April Plan, authorizes the State to retain a portion of the City’s share of Affordable Care Act Medicaid savings to offset the State’s higher health care expenditures, which will increase the City’s Medicaid costs by an additional \$129 million in FY 2024, \$214 million in FY 2025 and \$343 million in fiscal years 2026 and 2027 (see the “State and Federal Actions” section).

Social Services

The April Plan allocates \$11 billion to the DSS budget in FY 2024, \$687 million less than FY 2023. The drop is predominantly due to the expiration of funding increases that were added in FY 2023 for items that the City does not assume will recur. In the April Plan specifically, the City added \$320 million in cash assistance (of which \$206 million were City funds), and \$160 million in CityFHEPS rental assistance to address higher caseloads. The budget includes \$28.7 million in aid to asylum seekers and is offset by \$90 million in city-funded savings initiatives that were proposed in FY 2023.

DSS also eliminated 773 positions in the [January Plan](#) as part of its savings initiatives — \$10.2 million for FY 2023, annualizing to \$20.1 million beginning FY 2024. The April Plan partially restores these reductions for FY 2023 only (\$3 million) but maintains these reductions in the out-years, which may impact services.

Cash Assistance

Although the City expects to spend \$1.9 billion in FY 2023, the April Plan expects the cash assistance budget to drop to \$1.7 billion from

²⁹ Most of the City’s 4.4 million Medicaid recipients are processed through the State’s Department of Health.

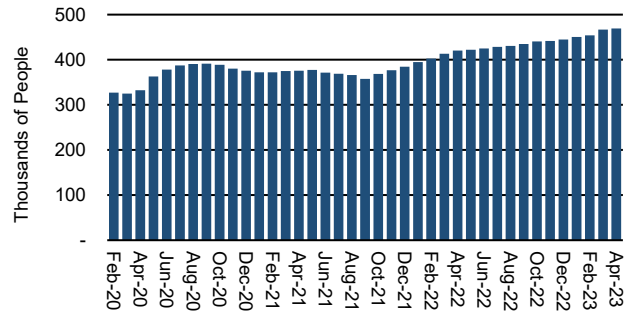
FY 2024 onward, before rising to \$2 billion for FY 2027.

Cash assistance caseloads have grown each month since September 2021 (see Figure 26), by a total of 111,764 people, or about 31.3 percent, and are now at the highest level since November 2001. This increase coincides with the expiration of several federal unemployment and pandemic benefit programs. The City’s assumed funding in the plan supports a monthly average caseload of 440,701 — the current fiscal year-to-date average through February 2023. However, while the caseload was below this average in the early months of the fiscal year, it has increased continuously each month since September 2021, and has not been at or below 440,000 since October 2022. The April 2023 caseload was 469,241.

Cash assistance enrollment is likely to remain higher than pre-pandemic levels for the foreseeable future as a result of current economic conditions, and policies implemented during the pandemic which made it easier to apply for and maintain benefits remotely. Nearly all (20 out of 23) of these administrative changes are still in effect, including a suspension of work-related requirements and the use of telephone (instead of in-person) interviews. Two of these policies have been made permanent and three have expired. As a result, the City added \$320

million in FY 2023, of which \$206 million were City funds. To maintain current spending levels,

FIGURE 26
Cash Assistance Recipients



Sources: NYC Human Resources Administration; OSC analysis

OSC estimates a city-funded risk of \$134 million in the out-years (see Social Services Risk Assessment, Figure 27, which includes spending on homeless services).

Rental Assistance

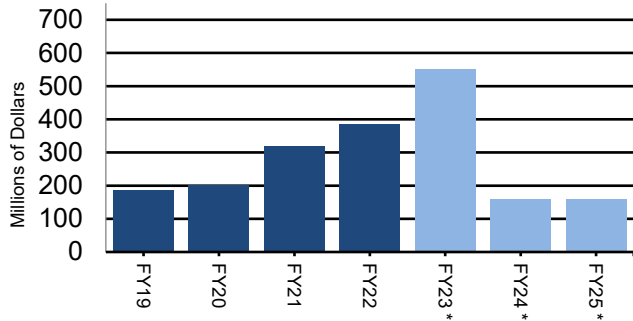
In FY 2023, the rental assistance program is funded by a combination of City (81 percent), State (3 percent) and federal funding (15 percent) and funds programs including CityFHEPS and Special One-Time Assistance (SOTA). Housing advocates have recently called on the City to reduce the shelter census by moving residents into permanent housing using CityFHEPS rental vouchers. However, this is contingent upon prospective landlords accepting the voucher.

FIGURE 27
Social Services Risk Assessment
(in millions)

	Better/(Worse)				
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Universal Access to Counsel in Housing Court	---	---	---	(16)	(16)
DHS Prevailing Wage Security Guards	---	(\$66)	(\$66)	(\$66)	(\$66)
Foster Care – State budget rate increase	---	(118)	(118)	(118)	(118)
Expiration of Foster Care (Title IV-E) Waiver	---	(120)	(120)	(120)	(120)
Emergency Assistance to Families	---	(134)	(134)	(134)	(134)
Public Assistance	---	(134)	(134)	(134)	---
Rental Assistance	---	(393)	(393)	(393)	(393)
Total	---	(\$965)	(\$965)	(\$981)	(\$847)

Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 28
Rental Assistance budgets



Note: FY 2019 through FY 2022 figures are final budget numbers presented in the June Plan; FY 2023 through FY 2025 are as of the FY 2024 Executive Budget. The City passed legislation in May 2021 to raise the value of CityFHEPS rental vouchers to Section 8 levels.

Sources: NYC Office of Management and Budget; OSC analysis

The City expects to spend \$550 million on rental assistance in FY 2023. However, this drops by \$393 million from FY 2023 to FY 2024 (see Figure 28), leaving the FY 2024 rental leaving the FY 2024 rental assistance budget lower than it was in FY 2019. If the shelter population remains elevated, there may be additional pressure to increase funding for these programs in the out-years.

Recently, the City Council approved a set of bills that would enact changes to the CityFHEPS program and the manner in which it is administered. The changes include: raising the income limit for qualifying households from 200 percent of the federal poverty level (roughly \$27,750 for a family of three) to 50 percent of the Area Median Income (about \$60,050 for a family of three); expanding eligibility to include tenants who have received a written demand for rent from their landlord (a potential precursor to the initiation of a housing court case) or have active cases in housing court; and eliminating the requirement that applicants must spend 90 days in the City’s shelter system in order to qualify.

The Mayor, has voiced his concerns with the fiscal impact and feasibility of these proposals, estimating that the changes will increase spending by \$17 billion over five years. While the

administration’s estimate is not yet available on an annual basis, the Council’s own cost estimates range from \$7.5 billion to \$10.6 billion over five years.

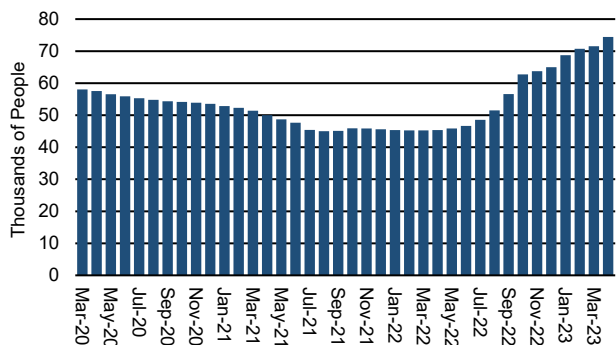
Homeless Services

In FY 2023, the Department of Homeless Services (DHS) budget is expected to increase 28 percent from its FY 2022 total (\$2.7 billion), reaching \$3.5 billion, as the population in the shelters it operates continues to exceed historic records, reaching 78,630 on May 8, 2023. From March 2022 to April 2023, the shelter population grew by more than half, 29,166 people, or 64 percent (see Figure 29). In that time, more than half of the people in shelter (35,259, or 60 percent) belonged to families with children.

The recent growth in the shelter census has been attributed to the influx of asylum seekers to the City that began in March 2022 (see “Asylum Seekers” section).

Roughly half of the \$1.4 billion earmarked for migrant expenses citywide in FY 2023 has been allocated to DHS — \$705 million, or 20 percent of DHS’s budget. Next year, spending on migrants at DHS is expected to grow by more than a billion, totaling nearly \$1.8 billion in FY 2024 — a 153 percent increase from FY 2023. This will account for just under 44 percent of

FIGURE 29
People in Homeless Shelters



Sources: NYC Department of Homeless Services; OSC analysis

DHS’s budget in FY 2024, and 62 percent of the City’s total costs for migrants (\$2.9 billion). In FY 2025, DHS’s budget for migrants drops to \$607 million.

OSC also identifies other risks for DHS that are not specifically related to providing aid to asylum seekers. The April Plan does not include funding beyond FY 2023 for a Prevailing Wage for Shelter Security Guards and Emergency Assistance to Families.

Next year, in FY 2024, the DHS budget is expected to grow by 17 percent to \$4.1 billion, with almost half of that amount (\$1.8 billion) going to asylum seekers.

Overtime

Citywide overtime in FY 2023 through April totaled \$1.82 billion, \$53 million more than costs through the same period in FY 2022. Fiscal year-to-date overtime is the highest on record, exceeding pre-pandemic spending in FY 2019 by \$375 million (a 26 percent increase). While about 80 percent of all overtime spending is concentrated at the uniformed agencies (i.e., police, fire, correction, and sanitation), more than half of City agencies that used overtime in FY 2023 also had higher spending than during FY 2019 and FY 2022 (see Figure 30).

Leading the trend, overtime at three of the four uniformed agencies (the largest contributors to overtime costs) each increased by more than 10

percent year-over-year. The exception, the Department of Sanitation, recorded a reduction of 47 percent, or \$121 million (from \$258 million in FY 2022), due predominantly to filling vacant positions. Additionally, although overtime costs at the Fire Department remain elevated due to employee unavailability (medical leave and training) the April Plan funds the unanticipated increase. While overtime at these agencies is still higher than pre-pandemic levels, spending at both the Fire Department and Department of Sanitation in FY 2023 is projected to fall within current City estimates.

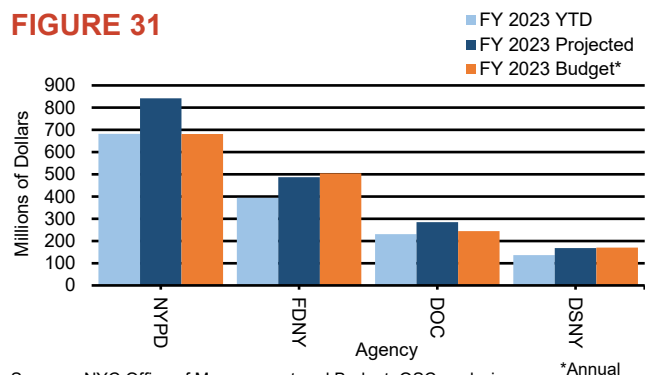
Conversely, the Police Department and Department of Correction have not only increased spending on overtime compared to last year (by \$66 million and \$25 million, respectively), but are also projected to exceed their annual budgets by a combined \$200 million (see Figure 31), even after accounting for \$337 million added in the April Plan between the two agencies. Elevated overtime at these agencies continues to be a result of the [trends mentioned in previous OSC reports](#).

FIGURE 30
Change in Citywide Overtime (Fiscal YTD)
(in millions)

Agency Category	FY 2023	FY 2022	%	FY 2019	%
Police Dept	\$682	\$617	11%	\$602	13%
Fire Dept	\$394	\$348	13%	\$275	43%
Dept of Correction	\$230	\$205	12%	\$145	59%
Dept of Sanitation	\$136	\$258	47%	\$120	14%
Dept of Soc. Svcs	\$72	\$69	5%	\$31	131
Dept of Transport.	\$59	\$55	9%	\$52	15%
All Other	\$243	\$213	14%	\$218	12%
Total	\$1,818	\$1,765	3%	\$1,443	26%

Note: Amounts are on a fiscal year-to-date basis through April.
Source: NYC Financial Management System

FIGURE 31



Sources: NYC Office of Management and Budget; OSC analysis

Furthermore, the April PEG identifies savings of \$4 million annually beginning in FY 2024 growing to \$34 million annually from overtime reductions at both the agencies. OSC anticipates these savings will be difficult to achieve as uniformed overtime has historically exceeded forecasts. Consistent with that trend, budgets in the out-years are projected to be insufficient and will

require additional funding of about \$450 million annually.

IX. Debt Service and Capital Spending

Debt Service

The April Plan assumes that city-funded debt service will grow by 6.8 percent annually from \$7.4 billion in 2023 to \$9.6 billion in 2027 (30 percent; see Figure 32). Projections are net of almost \$1.5 billion in debt service savings for FY 2023 through FY 2027 identified in the current fiscal year, including \$404 million from refundings. The City’s rate assumptions for General Obligation (GO) debt and Transitional Finance Authority (TFA) debt are still conservative and could yield further debt service savings in the financial plan period.

Variable rate debt service costs have been lower than anticipated since the beginning of the current fiscal year, with the City saving \$60.7 million from lower rates. Rates have been increasing and are volatile, but the City continues to assume relatively high variable rates in its financial plan. As a result, the City could achieve further cost savings that could approach \$50 million in FY 2024.

In the three years prior to the pandemic, FY 2017 through FY 2019, average annual city-funded capital commitments (excluding water and sewer projects) were \$8.7 billion, below the City’s average annual goal of \$10.3 billion. Through April 2023, the City has committed \$8.1 billion

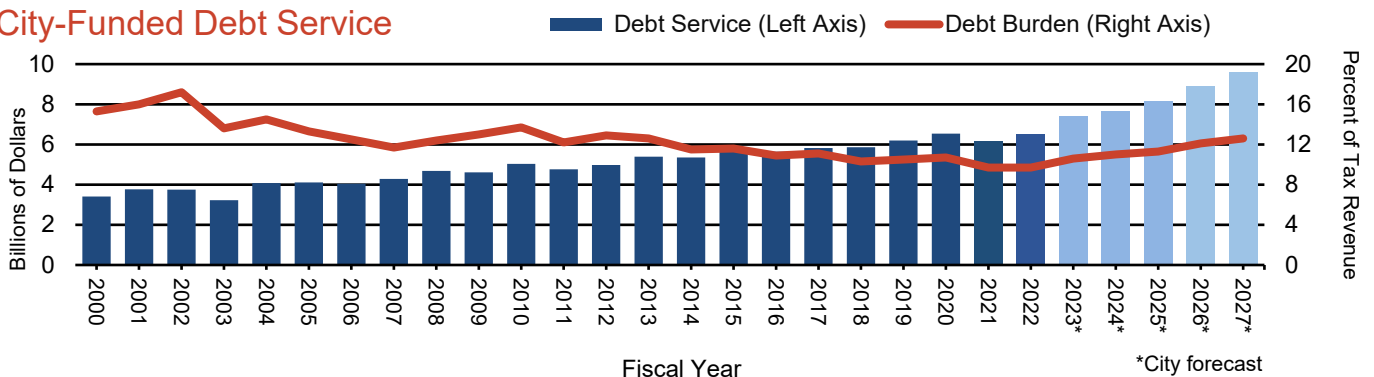
(excluding water and sewer projects). With two months left in the fiscal year, the City will likely fall short of its \$12 billion commitment goal for the year. Lower city-funded capital commitments are expected to lead to less debt issued than planned which then leads to lower debt service costs.

The City’s debt burden, which reflects debt service as a percentage of tax revenue, is expected to be 10.6 percent in 2023 and to rise to 12.6 percent in 2027. This compares favorably to the January Plan when the debt burden was expected to rise to 13.4 percent in 2027. The improvement is due mostly to an increase in City revenue projections. The City estimates that the debt burden should remain below the City’s self-imposed cap of 15 percent through FY 2033.

For FY 2023 through FY 2027, GO debt outstanding is expected to increase by \$13.1 billion and total TFA debt is expected to increase by \$15.6 billion. Combined, GO debt and TFA debt are expected to grow by an average annual rate of 7.5 percent from \$85.9 billion in FY 2023 to \$114.6 billion in FY 2027.

The City’s power to incur debt relies on the full market value of real property in the City rising at the same rate or faster than its capital spending,

FIGURE 32
City-Funded Debt Service



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

allowing for additional borrowing. According to the City’s April 2023 Debt Affordability Statement, the annual rate of growth of the full value of taxable real estate is expected to rise by 4.6 percent annually for the period FY 2024 through FY 2027. The annual growth rate of the City’s indebtedness, however, is expected to grow at 8.8 percent. Based on the City’s analysis, the combined debt incurring power of the City and TFA is expected to decline from \$22.7 billion in FY 2024 to \$8 billion in 2027. The projected \$8 billion in debt incurring power for 2027 is the second lowest forecasted amount in the past 10 years. The lowest was projected in 2021, when \$4.7 billion was forecast for FY 2025.

Based on the City’s history of having lower-than-planned capital commitments, and on the assumption property values will not decline, the City’s debt incurring power will most likely be higher than forecasted. As an example, the \$4.7 billion capacity expected for FY 2025 in 2021 has already improved by \$9.5 billion.

Capital Program

The update to the 10-Year Capital Strategy includes commitments totaling \$164.8 billion. This is \$5.45 billion higher than the amount noted in the Capital Strategy that was released in January. The majority of this increase, \$4.1 billion, is expected to occur in the first four years of the 10-Year Plan, with \$2.1 billion planned for FY 2024. The main source of funding for the current 10-Year Capital Strategy is from City bond proceeds. Of the \$164.8 billion planned, only \$4.1 billion is expected to come from other sources.

The largest increases are in corrections, housing, education, City University of New York (CUNY), resiliency, technology and equipment, transportation and H+H. The largest increase is for the Department of Correction (see Figure 33).

FIGURE 33
10-Year Capital Strategy, FY 2024-FY 2033
(in millions)

Category	April Plan	January Plan	Variance
Correction	\$10,659	\$9,032	\$1,627
Housing	\$23,864	\$23,048	\$816
Education	\$17,859	\$17,153	\$706
City University	\$1,510	\$1,017	\$493
Resiliency, Tech. & Equipment	\$10,158	\$9,811	\$347
Transportation	\$31,553	\$31,280	\$273
Health + Hospitals	\$4,095	\$3,831	\$264
Citywide Admin. Services	\$2,772	\$2,591	\$181
Small Business Services	\$6,239	\$6,058	\$181
Parks	\$8,865	\$8,748	\$117
Cultural Affairs	\$1,565	\$1,463	\$102
All Other	\$45,639	\$45,301	\$338
Total	\$164,778	\$159,332	\$5,446

Sources: NYC 10-Year Capital Strategies; OSC analysis

The City plans to close the Rikers Island facility and open four new borough-based correctional facilities in its place by 2027. In the April Plan the cost of these new facilities is budgeted at \$8.4 billion, an increase of \$1.6 billion from January, with the increase occurring in FY 2024 through FY 2027.

The City also added \$816 million for housing. Increases include \$568 million to support NYCHA’s Permanent Affordability Commitment Together (PACT) program, \$40 million for the rehabilitation and disposition of city-owned housing units and \$230 million for other housing support investments, which include the demolition of unsafe buildings, computer-based productivity initiatives and other infrastructure projects.

An additional \$706 million is provided for the Department of Education. The funds will cover \$250 million for the rehabilitation of school

components; \$223 million for other miscellaneous capital improvements, including federally funded disaster relief, administrative projects and emergency projects; \$100 million for educational enhancements and \$62 million from State funding for the Smart Schools Bond Act which incorporates the expansion of prekindergarten capacity. None of the increase is to meet the State's class size mandate.

CUNY is expected to receive an increase of \$493 million, of which \$476 million is for the development of the Brookdale Campus. Of the \$347 million increase for Resiliency Technology and Equipment, \$217 million is slated for resiliency and flood control measures in alignment with the City's efforts to fight the effects of climate change through its PlaNYC initiative and \$130 million is for data processing equipment. Of the \$181 million increase for the Department of Citywide Administrative Services, \$140 million is for the installation of charging stations for electric vehicles.

Although both transportation and parks showed overall increases from the strategy released in January, there were significant shifts in funding allocation. In the transportation category, bridge life extension was increased by \$1.1 billion, while bridge reconstruction decreased by \$847 million. The bulk of these changes are planned for the 2028–2033 time period. In the parks category, funding for major and regional park reconstruction and acquisition, and tree planting increased by \$168 million and \$194 million, respectively, while funding for neighborhood parks and playgrounds decreased by \$322 million, mostly in the 2028–2033 time period.

X. Semi-Autonomous Entities

Department of Education

The April Plan allocates approximately \$37.5 billion to the DOE in FY 2024, including centrally-administered costs for pensions and other post-employment benefits. This would amount to 35.1 percent of the City's total budget and is \$487 million less than DOE's budget in FY 2023. The City expects to fund \$19.8 billion (52.8 percent) of the FY 2024 budget, with the remainder funded by the State (36.6 percent), the federal government and other sources.

The year-to-year decline in the Department's budget is largely attributable to \$325 million in savings identified in the April Plan for FY 2024, \$306 million of which results from an adjustment to fringe benefit costs. However, the April Plan was released before the State budget was adopted and does not include the impact of education funding on the DOE, which will receive \$345 million more in aid than anticipated. The State budget also provides for the reissuance of unused charter school charters in New York City, which will add additional costs to the DOE's budget (see the "State Budget" section).

New York City received approximately [\\$7 billion in one-time federal education aid](#) to help it weather the pandemic, which it must spend before FY 2026. The DOE has used these funds to create a number of recurring costs. These programs include student mental health initiatives, preschool special education, programming restorations, community schools, and restorative justice initiatives. The largest new program is Summer Rising, which if maintained would require \$176 million annually beginning in FY 2024. In sum, these programs would require the City to identify \$386 million in new funds in FY 2025, rising to \$528 million annually in FY 2026, to continue. Additionally, federal funds were used to expand a number of existing programs, including bilingual education and dyslexia screening, which will require a further

\$112 million annually beginning in FY 2025. Together, these costs, which OSC does not include as risks to the financial plan but are notable for increasing spending pressures or requiring cuts to service, [would reach \\$498 million in FY 2025 and \\$640 million annually beginning in FY 2026](#).

Due to this massive influx of one-time federal aid, federal funds made up 14.6 percent of spending in FY 2022. This share falls to 10.8 percent in FY 2023, 10.2 percent in FY 2024, and then 6.5 percent in FY 2025 as federal aid is exhausted, similar to the 10-year annual average of 6.8 percent preceding the pandemic. The City anticipates increasing its funding share from 50.4 percent in FY 2022 to 58.4 percent in FY 2026. By FY 2026, City funds will account for a larger share of the DOE's budget than they did prior to the pandemic and the largest share since at least FY 1990.

While the April Plan projects slight year-over-year growth in citywide student enrollment for the first time since the pandemic, which exacerbated existing downward enrollment trends, enrollment in DOE K-12 traditional public school facilities is projected to continue to decline. The City has been holding school budgets harmless for pandemic-related enrollment declines since FY 2021, using both federal and City funds. The City reallocated \$200 million of federal funding for this purpose in FY 2023, which has not yet been reflected in its financial plan, but will eventually have to choose between providing school budget funds based on its formula or continuing to hold schools harmless in future years. If enrollment continues to decline, the cost of fully holding schools harmless would grow. The DOE Chancellor has suggested that the City will continue to hold schools harmless in FY 2024.

The April Plan does not adequately address several other substantial, long-standing, pre-existing risks to the Department's budget (see

Figure 34). Spending on Carter Cases (federally-mandated special education costs) has more than doubled in the past five years, reaching \$918 million in FY 2022. In recent years, the growth in spending has significantly outstripped the City’s budgeted expectations, requiring the City to add significant additional funding in each fiscal year. Since the FY 2023 budget was adopted in June, the City has already reallocated \$265 million (including \$220 million in unspent federal pandemic aid) to meet part of the need, but spending remains on pace to surpass FY 2022 levels. DOE officials have stated that they expect the cost of Carter Cases to surpass \$1 billion in the coming years, however, the April Plan assumes these costs will be \$711 million in FY 2023 and \$446 million in FY 2024. OSC estimates that the City will require another \$207 million in FY 2023 and \$472 million annually beginning in FY 2024 merely to maintain spending at current levels.

The City has also consistently underestimated its growing student transportation budget, which reached nearly \$1.8 billion in FY 2022. The April Plan expects spending to fall by \$38 million in FY 2023 and a further \$140 million in FY 2024. Additionally, the financial plan does not reflect future increases to charter school per-pupil tuition rates that are mandated in State law. The City’s preliminary estimates show that such costs

to the City could increase by \$47 million in FY 2024, \$133 million in FY 2025, \$361 million in FY 2026, and \$600 million in FY 2027 if not offset by additional State aid, inclusive of the reissuance of charters noted earlier.

Finally, in last year’s legislative session the State enacted a bill which requires the DOE to lower class sizes throughout the system within five years, at an estimated cost of approximately \$1.3 billion annually once fully phased in, not counting capital and other space conversion costs. The City’s ability to meet the targets within the bill’s timeline is in doubt, given the time required to construct or expand instructional space and [recent difficulties the DOE has had \(and continues to have\) in meeting its staffing targets](#). Nevertheless, the City will be required to show progress in reducing class sizes in each of the five ensuing years. Should the City fail to meet one of these annual reduction targets, \$504 million in State aid could be withheld that year, rising to \$756 million each following year in which targets still have not been achieved. The April Plan does not address the potential fiscal implications on the City’s budget, but DOE officials maintain that the department can meet the requirements in the first two years without additional cost.

FIGURE 34
Risks to the Department of Education Budget in the April Plan
 (in millions)

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Carter Cases	\$207	\$472	\$472	\$472	\$472
Class Size Reduction Compliance	---	---	---	433	866
Charter School Per-Pupil Tuition	---	47	133	361	600
Pupil Transportation	38	177	177	177	177
2022-23 Hold Harmless	200	---	---	---	---
3-K	---	---	---	92	92
Total	\$445	\$696	\$782	\$1,535	\$2,207

Note: Totals may not add due to rounding.

Sources: New York City Office of Management and Budget and New York City Department of Education; OSC analysis

Metropolitan Transportation Authority

In February 2023, the MTA released its latest financial plan which forecasted a \$600 million budget gap in 2023 and projected budget gaps of \$1.2 billion in 2024 and 2025 and \$1.6 billion in 2026. The \$600 million budget gap in 2023, an unusual inclusion in December when the budget was adopted, was expected to be closed with new governmental funding or additional revenue or savings actions.

The MTA has offset substantial ridership revenue declines with extraordinary federal relief aid since 2020. The MTA's financial plan proposed spreading out \$4.4 billion of financial benefit stemming from federal funding to pay for operating deficits through 2026, and to use \$1.2 billion to offset outstanding liabilities, such as current year retiree health costs, to help moderate the size of the gaps in 2027 and 2028. The MTA plans to pay back a \$2.9 billion note that it had borrowed from the Federal Reserve in 2020 to close operating gaps but, ultimately, was not needed. This will eliminate the need to issue a long-term bond to retire the note, saving \$190 million of debt service annually starting in 2025.

The financial plan assumed a 5.5 percent increase in fare and toll yields in June 2023, higher than the 4 percent proposed in July 2022. A 4 percent increase in fares and tolls in 2025 remains in its financial plan. OSC released [a report in November](#) that showed that the MTA is more reliant on farebox revenue than other large transit systems in the nation.

The financial plan also assumed \$100 million in savings would be identified in 2023 and at least \$400 million annually thereafter starting in 2024. Although these savings are not specified, the MTA has indicated they can be achieved through operational efficiencies and improving employee availability.

Subsequently, the State enacted a budget for SFY 2023-24 that provides additional funding for the MTA's operating budget as described below:

- One-time State funded appropriation of \$300 million.
- Raising the PMT for employers in the City that have payroll expenses higher than \$437,500 in any calendar quarter (not including those that are already exempted) from 0.34 percent of payroll expense to 0.6 percent, beginning July 1, 2023. The PMT rate for those who are self-employed in the City with annual earnings that exceed \$50,000 will increase in two phases, from 0.34 percent to 0.47 percent for tax year 2023, then to 0.6 percent for tax year 2024. It is projected these rate increases will raise \$1.1 billion on an annualized basis for the MTA's operating budget.
- The City is expected to provide a maximum of \$330 million to the MTA's operating budget in FY 2024 and FY 2025 for additional funding to 80 percent of the cost of paratransit service which is described in more detail in the "State Budget" and "Federal Actions" sections.
- The Enacted Budget would distribute collections of license fees and gaming taxes from the downstate casinos as described below. The MTA is not expected to receive any revenue from casinos until 2026.
- One hundred percent of one-time license fees to the MTA which is expected to bring at least \$1.5 billion to the MTA if three downstate casinos are approved.
- For a casino located in the City, gaming taxes would be split evenly between the MTA and the State commercial gaming fund for education and real property tax relief. For a

downstate casino located outside the City, the MTA would receive 40 percent of gaming taxes. The State estimates that the MTA will receive a share of an estimated \$231 million to \$413 million in incremental annual tax revenue.

As part of the State budget agreement, the MTA is expected to use the new funding to lower its planned fare yield increase in 2023 to 4 percent (costing \$65 million annually), provide additional service on weekends and other off-peak times (\$35 million annually), implement safety improvements (\$35 million annually) and fund one free bus route in each borough of the City (\$15 million annually).³⁰ The remaining funding is expected to be sufficient to balance the MTA's budget through 2026.

New York City's April Plan does not include additional funds for the MTA's bus and paratransit services that it is required to pay, representing potential spending risks to the City. These risks are higher in the out-years due to federal funding used to offset the City's obligation for MTA bus service running out in 2025. The risks total \$113 million in FY 2024, rising to \$476 million in FY 2027 and do not include the additional paratransit costs the City is required to pay as approved in this year's Enacted State Budget as described in the "State Budget" and "Federal Actions" sections.

The City also funds the Fair Fares program which provides discounted MetroCards to low-income riders. The City allocates \$75 million annually for the program but if use of Fair Fares was to exceed the allotted amount, the City may have to increase its funding. The City Council has proposed expanding the eligibility of the program to up to 200 percent of the federal

poverty level from 100 percent. The City Council estimates the expansion of the program would cost an additional \$62 million annually.

NYC Health + Hospitals

On May 9, 2023, the City released the H+H FY 2024 executive cash financial plan (H+H May Plan). H+H adjusted its last plan to account for its continued role helping manage the influx of asylum seekers, implementing the City's April Plan PEG and ending its Test & Treat (T2) program. H+H forecasts ending FY 2023 with \$709 million in cash, largely unchanged from its FY 2024 preliminary cash financial plan, declining to \$7 million by FY 2027. The year-end cash balance assumes the successful implementation of H+H's strategic plan that incorporates revenue generating and cost savings initiatives of \$1.2 billion in FY 2023 and about \$2 billion annually through FY 2027.

The H+H May Plan also incorporates initiatives associated with the City's PEG program, which reduces City funds by \$200 million in FY 2023 for the T2 program and lowers the City's subsidy to H+H by about \$16 million annually starting in FY 2024. These initiatives are in addition to PEG items included in the City's November Plan, but not the January Plan from which H+H was exempt.

H+H is part of a multi-agency effort in the City's response to the rising number of asylum seekers arriving in New York City. H+H currently manages eight HERRCs, and the City has budgeted a cumulative \$1.5 billion in fiscal years 2023 through 2025 for H+H's role in managing the asylum seeker influx (see the "Asylum Seeker" section).

The expiration of the PHE also brought an end to the T2 program (see OSC's reports from [September 2021](#) and [May 2022](#)). T2 costs for

³⁰ Tolls on MTA crossings are still expected to be raised by an average of 5.5 percent this year. The increases for both fares and tolls are expected to be implemented by September 2023.

almost three years of operation reached an estimated \$3 billion. In a memorandum of understanding (MOU) between the City and H+H, the City has said it will ensure H+H is reimbursed for costs associated with T2. The City has accounted for about \$2.3 billion in federal and City funds revenue, of which 94 percent is federal funding. The City anticipates federal funding will reimburse the remaining approximate \$700 million in costs, otherwise the City will be required to provide the funding.

Federal legislation introduced on April 18, 2023, proposes to again delay the implementation of federal disproportionate share Medicaid cuts for two years. The H+H May Plan assumes the federal share of these cuts will begin in FY 2024 with the City maintaining its share of the payments as a subsidy of about \$600 million annually in FY 2024 through FY 2027. If the legislation is passed, then H+H will be provided with federal relief of about \$600 million in FY 2024 and FY 2025.

A provision included in the Families First Coronavirus Act that prevented states from terminating enrollment for most Medicaid beneficiaries in exchange for federal Medicaid aid expired on March 31, 2023 (see “Medicaid” section). This will likely result in some of its patients losing Medicaid coverage, which could impact H+H since Medicaid is its major source of revenue. See OSC’s report [MetroPlus Health Plan: COVID-19 Enrollment Trends](#).

Recruiting and maintaining staff is an issue across all City agencies and at H+H. In May, H+H reported difficulties with hiring nursing staff and its continued reliance on its use of temporary staff, which is necessary to provide care but is also costly as they get paid more than nurses on staff. H+H reports it spent \$549 million in 2022 for temporary nurses and currently has about 2,000 nurse vacancies.

Nearly 9,000 nurses from H+H have union contracts that expired in March 2023 and are in active collective bargaining negotiations with H+H. Since FY 2015, the City has provided financial support to H+H by covering the cost of collective bargaining agreements. The City has provided H+H with \$163 million in FY 2023, rising to \$209 million in FY 2027 to cover the increased costs related to the pattern established by the recent DC 37 collective bargaining agreement. See [OSC’s report](#) on nurse staffing trends at H+H for greater detail on the potential financial impact on the City and H+H.

Additionally, H+H has had difficulty recruiting mental health professionals which has impacted service delivery. Labor shortages were experienced nationally and intensified by COVID-19. For example, the difficulty in hiring social workers has impacted H+H’s ability to expand the City’s B-HEARD program from 16 hours to 24 hours a day. In addition, difficulties recruiting psychiatrists has prevented H+H from reopening inpatient mental health beds that were closed during the pandemic.

H+H is still assessing the full impact of the Enacted State Budget which includes several proposals that would benefit health care providers across the State. H+H could benefit financially from proposals that increase Medicaid rates for hospitals and nursing homes. The State budget also increases rates for the Essential Plan and restores Medicaid quality pools. H+H could also benefit from new capital investments for health care transformation projects.

The City continues to monitor H+H’s cash position and will likely step in to provide further financial assistance and explore other avenues to financially support the health care system if needed.

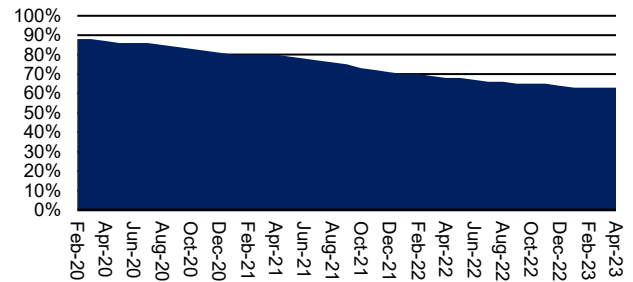
The City has indicated that H+H will produce only cash-based plans going forward. The New York State Financial Emergency Act requires H+H to prepare its financial plan on an accrual basis. The last accrual-based financial plan was published on January 25, 2022. OSC, as part of its ongoing efforts to improve the financial reporting of public authorities and corporations, and properly assess the financial relationship between the City and its covered agencies, continues to recommend that H+H prepare its budget and financial plan on both an accrual and cash basis.³¹

New York City Housing Authority

NYCHA has continued to experience a decline in its rent collection rate, which dropped from 88 percent in February 2020 (before the onset of the pandemic) to 63 percent in April 2023 (see Figure 34). This has resulted in a cumulative rent arrears balance of roughly \$501 million across more than 73,000 households through the end of April 2023 (as compared to \$125 million on December 31, 2019). The Authority has stated that this loss in collections may prevent it from meeting the deadlines listed in the 2019 HUD Agreement, which require it to remedy lead paint conditions and resolve deficiencies related to heat, mold, elevators and pests at its properties by mandated deadlines (see OSC’s [January Plan report](#) for more details).

To recoup some of the reduction in rent collections, NYCHA has submitted \$128 million worth of ERAP applications for 33,000 households who owe back rent. Until recently, subsidized housing tenants, including those in public housing, were last in line to receive ERAP funds as State law required that their applications be paid after all other eligible applicants had been reviewed and paid.

FIGURE 34
NYCHA's Rent Collection Rate



Sources: New York City Housing Authority; OSC analysis

Partially in response to concerns from public housing authorities, the SFY 2023-24 Enacted Budget includes \$356 million specifically for those who had applied to ERAP on or before January 20, 2023, including tenants of federal- or State-funded subsidized public housing authorities across the State (of which NYCHA is eligible to receive a maximum of \$128 million), as well as an additional \$35 million specifically allocated to NYCHA for rental arrears costs not tied to the ERAP program.

The April Plan includes a \$386.7 million subsidy to NYCHA from the City in FY 2023, an increase of \$11.7 million from the January Plan. Of this amount, \$252.1 million will be City funds; the balance comes from federal funding, including \$106.4 million in Community Development Block Grants. The City has budgeted \$226.4 million in FY 2024 for NYCHA, but this figure could rise if NYCHA continues to experience operating budget pressures.

The April Plan’s 10-Year Capital Strategy increases support to NYCHA’s Permanent Affordability Commitment Together (PACT) program – which leverages private and public financing sources to raise money for repairs — by \$568 million from the January Plan, for a new total of \$1.4 billion. NYCHA also has its own capital allocation of \$4.4 billion over 10 years, of which \$2.9 billion is to meet the requirements of the 2019 HUD agreement.

³¹ Prior to May 2005, H+H prepared its budget and four-year financial plan on a cash basis.

Appendix A: Full-Time Staffing Levels

(Number of full-time employees)

	Actual	Actual	Forecast	April Plan	Variance – Better/(Worse) February 2023 Actual to June 2023 Forecast		
	June 2020	Feb. 2023	June 2023	June 2024	City Funds	Non-City Funds	Total Funds
Public Safety	85,806	78,641	81,973	81,465	3,086	246	3,332
Police Uniformed	35,910	34,078	35,030	35,001	952	0	952
Civilian	15,519	13,796	14,845	14,502	1,041	8	1,049
Fire Uniformed	11,047	10,559	10,954	10,954	387	8	395
Civilian	6,366	6,268	6,453	6,375	141	44	185
Correction Uniformed	9,237	6,478	7,060	7,060	582	0	582
Civilian	1,741	1,497	1,731	1,730	230	4	234
District Attys. & Prosec.	4,843	4,920	4,721	4,721	(304)	105	(199)
Probation	1,116	1,016	1,148	1,091	55	77	132
Board of Correction	27	29	31	31	2	0	2
Health & Welfare	27,878	24,086	28,366	27,821	3,088	1,192	4,280
Social Services	12,330	10,337	12,486	12,132	1,551	598	2,149
Children's Services	7,039	6,071	7,079	7,079	890	118	1,008
Health & Mental Hygiene	5,530	5,131	5,989	5,815	462	396	858
Homeless Services	2,119	1,788	1,952	1,923	142	22	164
Other	860	759	860	872	43	58	101
Environment & Infra.	26,365	25,598	27,409	27,770	(602)	2,413	1,811
Sanitation Uniformed	7,755	8,052	7,639	7,878	(472)	59	(413)
Civilian	2,107	1,831	1,907	1,938	63	13	76
Transportation	5,120	4,945	5,681	5,768	(428)	1,164	736
Parks & Recreation	4,236	4,380	4,663	4,698	192	91	283
Environmental Protection	5,891	5,345	6,312	6,300	19	948	967
Other	1,256	1,045	1,207	1,188	24	138	162
General Government	12,634	11,026	12,361	12,376	1,057	278	1,335
Finance	1,996	1,616	1,897	1,878	269	12	281
Law	1,713	1,391	1,527	1,523	122	14	136
Citywide Admin. Svcs.	2,403	2,000	2,344	2,352	216	128	344
Taxi & Limo. Comm'n.	584	434	505	505	71	0	71
Investigations	361	263	324	293	61	0	61
Board of Elections	682	688	517	517	(171)	0	(171)
Info. Tech. & Telecomm.	1,673	1,460	1,655	1,656	187	8	195
Other	3,222	3,174	3,592	3,652	302	116	418
Housing	4,088	3,831	4,576	4,497	463	282	745
Buildings	1,676	1,543	1,884	1,833	357	(16)	341
Housing Preservation	2,412	2,288	2,692	2,664	106	298	404
Dept. of Education	134,684	129,104	140,004	139,192	7,831	3,069	10,900
Pedagogues	121,077	116,471	126,895	126,075	7,458	2,966	10,424
Non-Pedagogues	13,607	12,633	13,109	13,117	373	103	476
City University of NY	6,288	5,865	6,039	6,024	174	0	174
Pedagogues	4,545	4,285	4,293	4,289	8	0	8
Non-Pedagogues	1,743	1,580	1,746	1,735	166	0	166
Elected Officials	2,703	2,523	2,865	2,841	260	82	342
Total	300,446	280,674	303,593	301,986	15,357	7,562	22,919

Sources: NYC Office of Management and Budget; OSC analysis

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