Review of the Financial Plan of the City of New York

Report 21-2025

OFFICE OF THE NEW YORK STATE COMPTROLLER
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Message from the Comptroller

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New York City's finances continue to benefit from better-than-projected revenues and savings generated through initiatives launched in response to its financial challenges. In recent months, the cost of managing the asylum seeker influx has stabilized, creating additional savings. There is also greater clarity over several fiscal questions with substantial implications for the budget, including collective bargaining costs.

A return to greater budget stability is good news for New Yorkers and should provide the City with an opportunity to focus on continuing to manage elevated demand for City programs, as certain industry employment levels remain softer than prior to the pandemic. With the potential for policy changes at the federal and State levels, preparation and transparency remain paramount to navigating future uncertainty. Outlining plans to leverage these additional resources and bolster reserve levels for a rainy day would be a fiscally prudent step.

The City must also balance fiscal management with its operational needs to ensure it can continue to encourage employment and business growth, enhancing its economic and tax revenue base. A key challenge the City has had to contend with is a significant staffing decline during the pandemic that may have affected some services. Staffing levels grew for the first time since the pandemic in FY 2024 and further growth where demand exists may be necessary. A more stable fiscal outlook in FY 2025 gives the City an opportunity to bolster services where needed. Recent budget actions have highlighted concerns over the impact that service deterioration could have on supporting the City's most vulnerable residents and maintaining the overall quality of life.

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

Thomas P. DiNapoli
State Comptroller

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I. Executive Summary

On November 20, 2024, New York City released its modified November 2024 financial plan (the "November Plan"). The City's finances have experienced considerable fluctuation over the last year, fueled by volatility in both revenues and expenses. Billions in unanticipated expenses were offset with significant savings plans, but these savings were partially restored as revenues, including State aid, well exceeded expectations. The November Plan (see Figure 1) suggests these factors may have stabilized, as revenue and expenditure changes were minimal.

The most substantial spending shift in the November Plan, when compared to the Adopted Budget in June, was for asylum seeker costs, as local, State and federal policy shifts have led to a sustained, albeit slow, reduction in the number of asylum seekers entering and remaining in the City's care in the current fiscal year. The census decline is likely to continue in the current year and potentially accelerate as federal immigration policy may become more stringent. Based on this recent trend, the City could save another $1.2 billion in the current fiscal year. OSC projects that if the asylum seeker population were to continue its decline, savings for the City could be nearly $2.4 billion in FY 2026 and $2.15 billion in FY 2027 when compared to current projections.

Overall revenue growth is also likely to continue. The City has so far added $256 million of City funds revenue in the current fiscal year and left future years unchanged. However, OSC projects the City could collect $1 billion more than anticipated in the current year, with an additional $2.4 billion in FY 2026, $2.2 billion in FY 2027 and $2.6 billion in FY 2028 (see Figure 2). Improvements in OSC's tax revenue projections are fueled by continued growth in business taxes, which the City, despite an upward adjustment, still anticipates will decline in the current year, an outcome that is unlikely given strong year-to-date growth. Additionally, property taxes are expected to see consistent growth, albeit slower than prior to the pandemic.

If the current trends continue, and contingent reserves are not needed for unanticipated expenses, the City's budgetary operating results should strengthen in this fiscal year. Revenues not needed to pay current year expenses could be used to prepay future expenses, further fund other post-employment benefits, or add to the Rainy-Day Fund (RDF). This would require the City to exercise discipline in choosing not to add substantial new expenses during the remainder of the fiscal year. These choices also must be made with the recognition that the City has to continue to deliver core services while it faces the reality that new sources of uncertainty are likely to emerge. Strengthening budgetary flexibility should be a key fiscal goal for any municipality but it is likely to be even more important in the current environment.

Federal fiscal and economic policy may undergo changes that could directly and indirectly impact the City's finances. Most notably, federal funding to the City, which is expected to exceed $9.5 billion this year, is overwhelmingly for social, health and educational services, which could be impacted by federal policy choices. Federal funds for New York State may also be affected by policy changes, which could create fiscal pressure for the State that could be pushed down to localities.

National economic policy changes may include new and expanded tariffs, with local impacts on prices and certain industries in the City. During prior bouts of more restrictive shifts in immigration policy, the City's population also saw population growth stagnate or decline. On the other hand, an extension or expansion of tax cuts for wealthy households and corporations could improve local growth prospects, particularly in the short term.

This lack of certainty, when combined with the potential for a stronger fiscal picture in the near-term, underlines the importance of the City laying out plans soon to add to its budgetary cushion. Overall, the amount of money in the City's Rainy-Day Fund is virtually unchanged over the last two years, as unanticipated spending has required better than expected revenues to be used to fund new costs rather than to build up reserves. As a share of spending, funds in the City's Rainy-Day Fund now equals 1.6 percent of total planned spending in FY 2025, down from 1.8 percent in FY 2023.

The first step needed for the City to identify a path to add to its reserves is to provide a realistic update to recurring costs that continue to exceed budgeted amounts. Recent steps to add additional funds for charter schools, special education, as well as the one-year additions for cash and rental assistance in FY 2025 only, suggest the City recognizes that current operations related to these services require more funding. These costs should be more realistically funded in the later years of the financial plan, where needed. Other underbudgeted items, including for other education items and the Metropolitan Transportation Authority (MTA), should be included in the financial plan at levels that at least reflect historical spending, unless trends suggest otherwise, such as for asylum seeker spending.

This step would also provide a more transparent picture of the budget gap closing challenges the City faces in the coming years. The City's stated budget gaps barely changed since June, averaging $5.79 billion from fiscal years 2026 through 2028, even as substantial funding has been added for one year only going back to budget adoption. While the City's gaps in fiscal years 2026 through 2028 are nearly unchanged, OSC projected gaps, which incorporate identified budget risks, are larger than the City's projections, but are lower than what OSC projected in June. OSC projected budget gaps in fiscal years 2026 through 2028 declined from an average of $10.4 billion projected in August, to $6.4 billion currently (see Figure 3). More transparency would help ensure the public understands the true challenges faced by the City.

A second step would be to formalize the City's rainy-day fund policy to establish guidelines for when to set money aside and under what circumstances it can be used. This step would also put the City more in line with its large U.S. city peers and strengthen its position with rating agencies — and most importantly — ensure funds are available to avoid service disruptions in a recession or in the case of other fiscal emergencies.

New York City's continued economic growth relies on its ability to provide fundamental public services of high quality, while adapting its response to manage the fiscal challenges that may emerge. Setting aside unanticipated revenues now and formalizing an approach for depositing funds during periods of fiscal strength would give the City valuable budgetary flexibility to work toward its economic and policy objectives. In addition, these steps would provide powerful evidence that the City is preparing carefully for an uncertain future.

FIGURE 1

New York City Financial Plan

(in millions)

	FY 2025	FY 2026	FY 2027	FY 2028
Revenues				
Taxes				
General Property Tax	$ 34,223	$ 34,630	$ 35,668	$ 36,360
Other Taxes	42,253	42,640	44,395	45,999
Tax Audit Revenue	773	773	773	773
Subtotal: Taxes	$ 77,249	$ 78,043	$ 80,836	$ 83,132
Miscellaneous Revenues	8,178	7,850	7,793	7,828
Unrestricted Intergovernmental Aid	14	-	-	-
Less: Intra-City Revenue	(1,967)	(1,807)	(1,796)	(1,791)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Subtotal: City Funds	$ 83,459	$ 84,071	$ 86,818	$ 89,154
Other Categorical Grants	1,168	1,116	1,111	1,109
Inter-Fund Revenues	765	774	775	775
Federal Categorical Grants	9,548	7,337	7,180	7,240
State Categorical Grants	20,089	19,152	19,171	18,667
Total Revenues	**$ 115,029**	**$ 112,450**	**$ 115,055**	**$ 116,945**
Expenditures				
Personal Service				
Salaries and Wages	$ 33,046	$ 33,931	$ 34,947	$ 35,889
Pensions	10,068	10,848	10,913	11,756
Fringe Benefits	14,145	14,855	15,433	16,041
Subtotal: Personal Service	$ 57,259	$ 59,634	$ 61,293	$ 63,686
Other Than Personal Service				
Medical Assistance	6,743	6,583	6,733	6,883
Public Assistance	2,570	1,650	2,000	2,463
All Other	45,348	41,649	41,367	40,093
Subtotal: Other Than Personal Service	$ 54,661	$ 49,882	$ 50,100	$ 49,439
Debt Service	7,927	8,844	9,580	10,497
FY 2023 Budget Stabilization & Discretionary Transfers	(4,397)	-	-	-
FY 2024 Budget Stabilization	96	(96)	-	-
Capital Stabilization Reserve	250	250	250	250
General Reserve	1,200	1,200	1,200	1,200
Less: Intra-City Expenses	(1,967)	(1,807)	(1,796)	(1,791)
Total Expenditures	**$ 115,029**	**$ 117,907**	**$ 120,627**	**$ 123,281**
Gap to be Closed	**$ - - -**	**$ (5,457)**	**$ (5,572)**	**$ (6,336)**

Source: NYC Office of Management and Budget

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

	Better/(Worse)			
	FY 2025	**FY 2026**	**FY 2027**	**FY 2028**
Gaps Per NYC Financial Plan	**$ - - -**	**$ (5,457)**	**$ (5,572)**	**$ (6,336)**
Revenues				
Tax Revenue	$ 925	$ 2,445	$ 2,170	$ 2,570
Miscellaneous Revenue	100	- - -	- - -	- - -
Subtotal Revenue	**$ 1,025**	**$ 2,445**	**$ 2,170**	**$ 2,570**
Expenditures				
Variable Rate Debt Service Savings	75	- - -	- - -	- - -
Payroll Savings	400	- - -	- - -	- - -
Operating Subsidies to the MTA	(204)	(298)	(479)	(539)
Health Insurance	(587)	(112)	(112)	(112)
Social Services	(909)	(1,541)	(1,391)	(1,140)
Uniformed Agency Overtime	(1,012)	(880)	(865)	(869)
Department of Education (Summarized)	(437)	(1,000)	(1,513)	(2,068)
Early Intervention	(65)	(76)	(76)	(76)
School Health (Article 6) Programs	(36)	(36)	(36)	(36)
DOHMH School Nurses	(28)	(28)	(28)	(28)
Supportive Housing	(20)	(20)	(20)	(20)
DYCD Summer Rising	- - -	(20)	(20)	(20)
Residual Services for Asylum Seekers	1,221	2,378	2,153	- - -
Subtotal Expenditures[1]	**$ (1,602)**	**$ (1,633)**	**$ (2,387)**	**$ (4,908)**
OSC Risk Assessment	**$ (577)**	**$ 812**	**$ (217)**	**$ (2,338)**
Potential Gaps Per OSC[2,3,4]	**$ (577)**	**$ (4,645)**	**$ (5,789)**	**$ (8,674)**

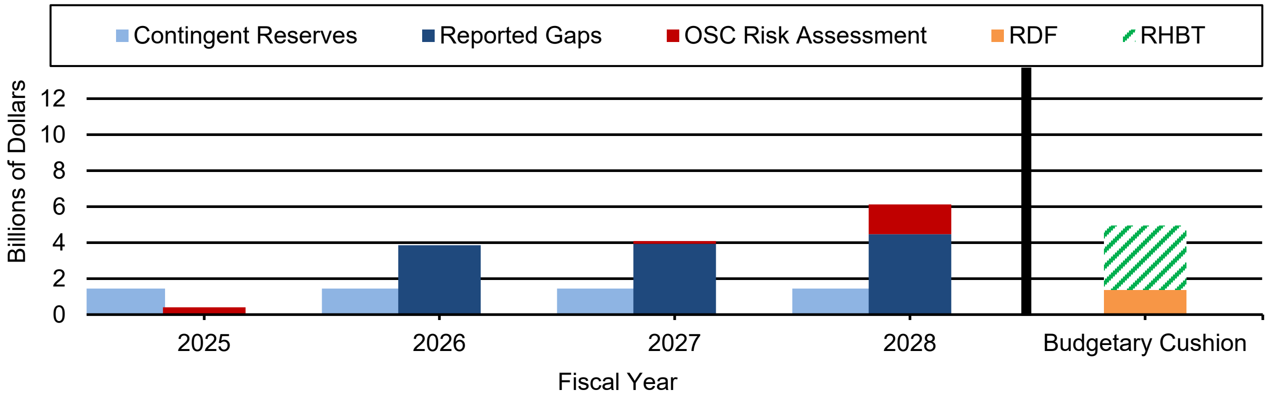
1 See the Expenditure Trends: Social Services section and the Semi-Autonomous Entities: Department of Education section for details on the financial plan risks at those agencies.

2 November Plan gaps are inclusive of a general reserve of $1.2 billion in each of fiscal years 2025 through 2028. In addition, the Capital Stabilization Reserve has a balance of $250 million in each of fiscal years 2025 through 2028. The November Plan also includes reserves of about $279 million beginning in FY 2026 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. As of FY 2024, the balance held in the rainy-day fund is nearly $2 billion. These resources would be available to help balance the budget if there were a compelling fiscal need.

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

FIGURE 3
OSC Adjusted Budget Gaps



Note: The RDF is the Rainy-Day Fund and the RHBT is the Retiree Health Benefits Trust. In addition to the contingency reserves funded in each year of the plan period, the City maintains an additional budgetary cushion through balance sheet reserves recorded as of June 30, 2024, which may be used to help close future budget gaps. OSC projects an net offset of $812 million in FY 2026.
Sources: NYC Office of Management and Budget; OSC analysis

II. Economic Trends

National Economy

While national economic growth has faced headwinds at times throughout the year, it remains robust and is expected to outpace other advanced countries in 2024.[5] Gross domestic product (GDP) grew by 2.8 percent on an annualized basis in the third quarter of 2024. While the growth rate represents a deceleration from the prior quarter, due to decreased private inventory and residential fixed investment, consumer spending strengthened. However, economic and fiscal proposals associated with the incoming federal administration, as well as continued geopolitical conflict, may create risks to economic, price and fiscal stability.

In November 2024, the nation added 227,000 jobs. Wage growth at 4 percent continues to outpace consumer price growth. The robust employment report has implications for the course of monetary policy. In November, the Federal Reserve cut the federal funds rate, for the second time this year, by 25 basis points to a range of 4.5 percent to 4.75 percent. The cut reflected slowing inflation and steady unemployment.

Still, an uncertain economic environment suggests the pace of rate cuts could change, and borrowing costs could remain high for longer than previously expected, which has implications for student, auto and mortgage loans, financial markets and housing supply. The City expects the Federal Reserve to cut rates three times this year, including a cut in December, which is the current consensus outcome among economists.[6]

City Economy

In October 2024, City employment reached 4.79 million jobs. While some sectors have fully recovered their pandemic job losses, sectors including construction, retail trade, other services, and leisure and hospitality have not, and may take longer to recover amid a slowing economy.[7] During the first two years of the pandemic, salaries grew significantly across major industry sectors but have begun to slow more recently, most notably in trade, transportation and utilities, and lower-wage sectors such as leisure and hospitality and other services (see Figure 4). Salary growth has even declined in higher-wage sectors including financial activities and flattened in professional and business services more recently, suggesting a retreat to more normal levels.

The City's current economic forecast has not yet been updated to consider the potential impact of federal policy choices. These include tariffs on goods and services, banking and corporate rulemaking, and changes to federal immigration policy.

One bright spot continues to be the securities industry, which saw profits of over $35.6 billion through the first three quarters of 2024, well over the City's economic forecast of $24.8 billion for the entire year (see OSC's securities industry report for a review of profits through the first half of the year).[8] Profits could exceed $46 billion based on the strength of the first three quarters of the year. Stronger-than-expected Wall Street profitability should boost business and personal income taxes. However, with still high vacancy

[5] International Monetary Fund, Real GDP Growth, https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/WEOWORLD/ADVEC.

[6] S&P Global, November U.S. Economic Outlook.

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

[8] OSC, *The Securities Industry in New York City*, Report 15-2025, October 2024, https://www.osc.ny.gov/files/reports/pdf/report-15-2025.pdf.

rates, commercial real estate continues to pose a challenge to property market values, though market conditions vary significantly by neighborhood and property class.[9]

FIGURE 4
Annual Average Salary by Major Industry in New York City

	2019	2022	2023	Percent Change, 2019 to 2022	Percent Change, 2022 to 2023	Percent Change, 2019 to 2023
Natural Resources	81,925	97,423	103,816	18.9%	6.6%	26.7%
Trade, Transportation and Utilities	62,112	74,454	76,659	19.9%	3.0%	23.4%
Construction	83,913	91,552	93,363	9.1%	2.0%	11.3%
Manufacturing	64,008	71,685	73,848	12.0%	3.0%	15.4%
Information	155,189	182,843	193,535	17.8%	5.8%	24.7%
Financial Activities	242,767	296,401	289,830	22.1%	-2.2%	19.4%
Professional and Business Services	121,448	143,354	144,640	18.0%	0.9%	19.1%
Educational and Health Care Services	56,586	63,608	65,853	12.4%	3.5%	16.4%
Leisure and Hospitality	46,900	55,115	56,086	17.5%	1.8%	19.6%
Other Services, Ex. Public Admin	53,584	62,544	64,601	16.7%	3.3%	20.6%
Total, All Industries	97,695	116,752	116,863	19.5%	0.1%	19.6%

Note: Average salaries are weighted by employment by industry.
Sources: New York State Department of Labor, Quarterly Census of Employment and Wages; OSC analysis

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

III. Changes Since the June 2024 Plan

In June 2024, the City projected a balanced budget for FY 2025 and budget gaps of $5.5 billion in FY 2026, $5.6 billion in FY 2027 and $6.5 billion in FY 2028. In the November Plan, the City made minor adjustments, primarily in FY 2025, with relatively small changes to the gaps in subsequent years (see Figure 5).

Since June, the City increased its tax revenue forecast for FY 2025 by $201 million, reflecting higher projected business and property taxes, partly offset by lower sales and real estate transaction taxes. Non-tax revenue projections increased by $55 million in FY 2025, largely from interest income. There was virtually no change to the revenue forecast in FY 2026 onward.

The City also introduced the FY 2025 Savings Program, consisting entirely of savings from asylum seeker services, debt service, and spending reestimates. The November Plan reduced the city-funded portion of spending for asylum seekers by $436 million in FY 2025 and by $59 million in FY 2026 (including FEMA funds of $60 million in FY 2025 and $59 million in FY 2026 used to offset City spending). The FY 2025 savings were mostly achieved through October, fueled by a decline in the number of people remaining in the City's care. Changes to debt service projections generated another $181 million in FY 2025, with much smaller amounts in fiscal years 2026 and 2027, and $83 million in higher costs in FY 2028. The City also projected underspending citywide would generate an additional $168 million in FY 2025, but it is not yet clear which agencies will realize the savings.

Other gap-closing adjustments included a downward revision to the City's planned pension contributions by $279 million in FY 2025, $245 million in FY 2026, $364 million in FY 2027, and $556 million in FY 2028. The planned reductions from FY 2026 through FY 2028 were largely due to asset gains. Projected city-funded spending at the City University of New York (CUNY) is expected to decline by $50 million in FY 2025 to reflect updated tuition estimates.

These adjustments sufficiently offset new costs in the November Plan, primarily from new agency needs totaling $1.2 billion in FY 2025, $347 million in FY 2026, and about $280 million in each subsequent year. In addition, the City also restored funding for the January and April 2025 Police Academy classes ($139 million in FY 2025 and an average of $42 million annually thereafter), which were initially slated to be cancelled as part of the FY 2024 Program to Eliminate the Gap (PEG).

Most of the newly identified agency needs were only funded in the current fiscal year. A large portion of nonrecurring funds in FY 2025 was added at the Department of Social Services (DSS) for the cash assistance and rental assistance programs ($582 million). New funding was also added at the Department of Education (DOE) totaling $360 million in FY 2025, $211 million in FY 2026, and $159 million thereafter, mostly for contracted special education costs (Carter cases). The City also included baselined funding of $65 million annually beginning in FY 2025 for Child Care at the Administration for Children's Services. Much of this new funding addressed existing risks identified in previous financial plan reviews and fiscal cliffs.

Net of all changes, the City has set aside $96 million in FY 2025 to prepay expenses in FY 2026. This amount is the lowest at this point in the budget cycle since FY 2018, when the City did not report a surplus, averaging $670 million annually, as of November, in the six fiscal years since.

The City's stated out-year gaps now total $17.4 billion over the three years including

FY 2028, virtually unchanged from the Adopted Budget in June, but the FY 2028 gap improved slightly due to pension savings. Measured as a share of City fund revenues, the out-year gaps average 6.7 percent including contingencies. Existing contingencies (totaling $1.45 billion in each fiscal year) could be used to narrow the gaps to an average of 5 percent of revenues.

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

	Better/(Worse)			
	FY 2025	FY 2026	FY 2027	FY 2028
Projected Gaps Per June 2024 Plan	**$ - - -**	**$ (5,503)**	**$ (5,592)**	**$ (6,469)**
Updated Tax Estimates				
Business Taxes	152	- - -	- - -	- - -
General Property Taxes	59	- - -	- - -	- - -
Hotel Taxes	8	- - -	- - -	- - -
Sales Taxes	(22)	- - -	- - -	- - -
Real Estate Transaction Taxes	(39)	- - -	- - -	- - -
Other Taxes	43	- - -	- - -	- - -
Subtotal	**201**	**- - -**	**- - -**	**- - -**
Other Revenue Reestimates	**55**	**(5)**	**(5)**	**- - -**
Total Revenue Reestimates	**256**	**(5)**	**(5)**	**- - -**
Net Change in Asylum Seeker City Funds	**436**	**59**	**- - -**	**- - -**
Savings Program				
Agency Savings	168	- - -	- - -	- - -
Debt Service	181	27	8	(83)
Subtotal	**349**	**27**	**8**	**(83)**
Pension Contributions	**279**	**245**	**364**	**556**
Restoration of Police Academy Classes	**(139)**	**(22)**	**(55)**	**(51)**
New Agency Needs	**(1,159)**	**(347)**	**(284)**	**(282)**
All Other	**74**	**(6)**	**(9)**	**(7)**
Total Expense Reestimates	**(160)**	**(45)**	**25**	**133**
Net Change	**96**	**(50)**	**20**	**133**
Gaps to Be Closed Before Prepayment	**$ 96**	**$ (5,553)**	**$ (5,572)**	**$ (6,336)**
FY 2025 Prepayment of FY 2026 Expenses	(96)	96	- - -	- - -
Gaps to Be Closed Per November 2024 Plan	**$ - - -**	**$ (5,457)**	**$ (5,572)**	**$ (6,336)**

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

IV. State and Federal Actions

State Actions

The November Plan assumes the City will receive $20.1 billion in total State categorical aid in FY 2025, 17 percent of its operating budget revenue.

On April 20, 2024, the State Legislature adopted the budget for State fiscal year (SFY) 2025, which began on April 1. For a detailed list of components for the Enacted Budget that affected and were incorporated into the City's Financial Plan, see prior OSC analysis here.

The largest positive funding impact for the City in the State budget was for asylum seeker costs. The City has already recognized a total of $1.75 billion from the State for asylum seekers in fiscal years 2023 and 2024. The City expects to receive another $1.3 billion in FY 2025. The City has also budgeted $1 billion in State aid for each of FY 2026 and FY 2027, and $350 million in FY 2028 for asylum seekers but receipt of these funds requires additional appropriations by the State. OSC does not apply a budget risk for these funds given recent State support at the assumed cost-sharing levels. The City is planning on merging the asylum seeker shelters into the existing homeless shelter system and it is not yet known how this will affect State funding.

The Governor's Executive Budget, planned to be released in January 2025, is expected to contain proposals for Medicaid, education aid and the MTA that may have an impact on the City's operating budget.

Federal Actions

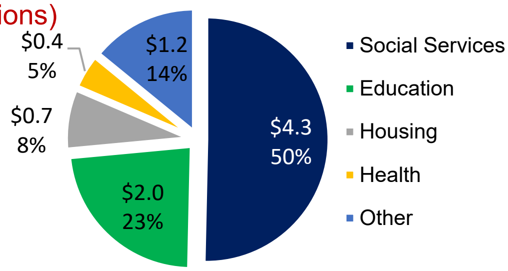
The incoming federal administration has signaled its support for changes to existing federal programs, tax rules and rates (including a plan to increase the duties levied on imports of goods and services), as well as regulations affecting numerous industries in the City. On November 13, 2024, the City Comptroller released a report outlining potential economic and fiscal risks of proposals associated with the incoming federal administration to New York City. While these and other unanticipated changes could affect the City's fiscal position and its economy significantly, it is still too early to determine the impact.

Since June 2024, the City has raised its forecast of anticipated federal receipts by $1.6 billion in FY 2025, and by small amounts in subsequent years. The increase in FY 2025 consists mostly of temporary pandemic assistance, matching federal funds to fund an increase in cash assistance payments, and child care block grant funding for day care vouchers. The November Plan assumes that federal receipts for the operating budget will total $9.5 billion in FY 2025 (nearly $1.1 billion from non-recurring pandemic assistance).

Receipts decline to an average of less than $7.3 billion starting in FY 2026, after the City draws down the balance of pandemic relief aid, but before the addition of categorical grants approved or received after budget adoption. As of November 2024, the City has claimed or collected $23 billion in federal pandemic assistance earned during fiscal years 2020 through 2024 (including unrestricted aid), leaving a balance of $2.6 billion unbilled to date (including $1.1 billion recognized for the recently ended FY 2024).

The anticipated $8.5 billion in non-pandemic-related federal receipts account for 7 percent of the FY 2025 operating budget. Of this amount, half is devoted to social service programs (see Figure 6), such as public assistance and child welfare programs. Another nearly $2 billion is devoted to education, and much of the balance is dedicated to housing and public health and safety programs.

FIGURE 6
Anticipated Federal Receipts by Program Area
($ in billions)



Note: Adjusted to exlude pandemic assistance grants
Sources: NYC Office of Management and Budget; OSC analysis

The City's estimates of federal receipts exclude most Medicaid funds, which do not flow through the City's budget. Instead, doctors and hospitals are reimbursed directly for the services they provide to enrollees in the Medicaid program. OSC estimates that the federal share of Medicaid in New York City exceeds $30 billion.

In addition, there are several public authorities that have close financial relationships with the City and rely heavily on federal funding to fulfill their missions. These include NYC Health + Hospitals (H+H), the New York City Housing Authority (NYCHA), the MTA, and CUNY. Cuts in federal funding to these agencies could require the City to increase its financial assistance.

H+H relies on significant revenue from the Medicaid and Medicare programs, its two largest sources of patient care revenue, and any future programmatic or reimbursement changes imposed by the federal government could impact its financial condition. The non-rent portion of the budget for NYCHA is almost entirely funded by the federal government (about $3.4 billion in 2024). NYCHA also relies on federal funding for about 63 percent of its capital program ($4.5 billion over five years).

The MTA does not receive any operating budget assistance from the federal government, but it is dependent on federal grants to fund its five-year capital program. The 2020-2024 capital program (valued at $55.4 billion) counts on the receipt of $13.1 billion in federal funds, more than one-fifth of the program's total value and the proposed 2025-2029 capital program assumes another $14 billion in federal funding.

City residents also receive billions of dollars in direct federal assistance, such as Social Security, veterans' benefits, Pell grants and the Supplemental Nutrition Assistance Program. Many nonprofit organizations are also dependent on federal aid to fulfill their missions. The November Plan does not incorporate the potential impact of the change in federal administration.

V. Savings Program

After a historically large PEG at this point in last year's budget cycle to manage substantial unanticipated costs from the influx of asylum seekers, the November Plan includes savings from a reestimation of asylum seeker spending, debt service savings initiatives and minor savings from agency efficiencies.

The new FY 2025 Savings Program is expected to generate $785 million in FY 2025, and less than $100 million during fiscal years 2026 and 2027. The savings will come mostly from lower-than-planned spending on asylum services ($495 million over two years through FY 2026), driven primarily by a steady decline in the number of asylum seekers entering and remaining in the City's care since July 2024, much of which is fueled by a change in federal border policy.

Offsetting these savings are a restoration of January and April 2025 Police Department Academy classes, which were suspended as part of the FY 2024 PEG. The restoration will provide funding to staff an additional 1,600 police officers by October 2025, increasing the uniform force to nearly 34,000 officers. After taking the restoration into account, the Savings Program would generate $646 million in FY 2025 and $63 million in FY 2026, with a relatively small net increase in spending in subsequent years (see Figure 7).

Debt service savings are mostly the result of two refinancings that took place in July 2024 (generating $89 million annually in lower debt service costs), interest rate savings on new money bond sales and a delayed receipt in TFA Federal Build America Bond subsidy in fiscal year 2025.

The City also anticipates agency savings totaling $168 million ($126 million from non-personnel sources, $42 million from lower personal service costs). The agencies have not yet identified how these savings will be achieved.

All of the initiatives appear to be within the City's control to implement. Should additional resources be identified in FY 2025, however, the City could make additional restorations to help mitigate any adverse impacts of the service reductions included in last year's PEG (mostly youth programming, such as Summer Rising, and some sanitation services). For example, should current trends persist, OSC anticipates that the City would realize additional asylum savings of $1.2 billion in FY 2025, $2.4 billion in FY 2026, and nearly $2.2 billion in FY 2027 (see Expenditure Trends: Social Services section for more details).

FIGURE 7
FY 2025 Savings Program
(in millions) – Decrease / (Increase) to Planned Spending

	FY 2025	FY 2026	FY 2027	FY 2028	Total
Agency Actions - Efficiencies	168	- - -	- - -	- - -	**168**
Asylum Services	436	59	- - -	- - -	**495**
Debt Service	181	27	8	(83)	**133**
Total Savings	**$ 785**	**$ 85**	**$ 8**	**$ (83)**	**$ 796**
Restorations (FY 2024 PEG)	(139)	(22)	(55)	(51)	**(267)**
Net Savings	**$ 646**	**$ 63**	**$ (47)**	**$(133)**	**$ 529**

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

VI. Revenue Trends

The November Plan increased the City's FY 2025 total revenue forecast, which includes locally generated revenues (i.e., City funds) and federal and State categorical aid, from the June Plan by $2.6 billion. The City now expects total revenues to increase by 1.3 percent from the prior year to reach a record high of $115 billion in FY 2025. While a small portion of the upward adjustment reflects higher-than-expected collections from locally generated revenues, most of the increase is due to federal and State grants.

The forecast for federal and State grants in FY 2025 increased largely due to timing, as the City rolled over unspent grant funding from FY 2024 to FY 2025. The City expects to also receive additional funds of $774 million for public assistance and child care.

The November Plan increased the FY 2025 forecast for City fund revenues by $256 million from the June Plan to reflect year-to-date collections and made minimal adjustments in the rest of the plan period. City fund revenues are now expected to reach a record high of $83.5 billion in FY 2025, accounting for 73 percent of total revenues (see Figure 8). Tax collections account for 93 percent of City fund revenues; miscellaneous revenues account for 7 percent.

The November Plan increased the forecast for total tax collections by $201 million for FY 2025 due to stronger-than-expected tax collections through October, especially from business taxes and property tax. Through the first four months of FY 2024, tax collections (including audits) were $76 million higher than the June Plan's forecast.

The City now expects total tax collections to increase by 4.1 percent from the prior year to a record high of $77.2 billion in FY 2025. Both property and non-property taxes are expected to increase by over 4 percent, reflecting the City's assumption of continued economic growth.

The November Plan increased the total revenue forecasts for fiscal years 2026 through 2028 by a total of $253 million. However, because of a large drop in federal and State grants in FY 2026 due mainly to the continued wind down of temporary pandemic aid, total revenues are expected to decrease by 2.2 percent year-over-year, which would be the first decline since

FIGURE 8
Trends in City Fund Revenues
(in millions)

	FY 2025	Annual Growth	FY 2026	FY 2027	FY 2028	Average Three-Year Growth Rate
General Property Tax	$34,223	4.2%	$34,630	$35,668	$36,360	2.0%
Personal Income Tax	17,284	10.3%	17,474	18,401	19,137	3.5%
Sales Tax	10,349	4.4%	10,822	11,238	11,726	4.3%
Business Taxes	9,328	-3.6%	8,832	8,964	9,139	-0.7%
Real Estate Transaction Taxes	1,927	11.6%	2,087	2,273	2,386	7.4%
Other Taxes	3,365	0.1%	3,425	3,519	3,611	2.4%
Tax Audits	773	-20.1%	773	773	773	0.0%
Subtotal: Taxes	**$77,249**	**4.1%**	**$78,043**	**$80,836**	**$83,132**	**2.5%**
Miscellaneous Revenues	6,211	-0.4%	6,043	5,997	6,037	-0.9%
Unrestricted Intergov. Aid	14	-66.0%	- - -	- - -	- - -	N/A
Grant Disallowances	(15)	19.1%	(15)	(15)	(15)	0.0%
Total	**$83,459**	**3.7%**	**$84,071**	**$86,818**	**$89,154**	**2.2%**

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

FY 2009. As a result, the average annual change in total revenues during the out-years is an increase of just 0.6 percent.

For fiscal years 2026 through 2028, City funds are expected to have an average growth of 2.2 percent, much slower than the annual average growth of 4.7 percent in the five years before the pandemic. The November Plan did not change the forecast for tax collections during this period and expects collections to increase at an annual average of 2.5 percent, reflecting steady economic growth.

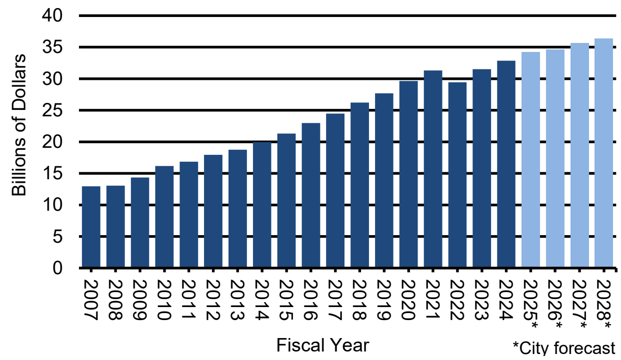
Non-property tax collections are expected to increase at an annual average of 2.8 percent during the out-years, faster than property tax collections (2 percent). The relatively slow rate of growth in property tax collections reflects continued uncertainty in the commercial real estate market.

As the economic outlook has improved since the City's April economic forecast, OSC estimates tax collections will likely be higher than the City's forecast by $925 million in FY 2025 resulting in 5.4 percent growth. In the out-years of the plan, OSC believes collections will exceed the forecast by an annual average of approximately $2.4 billion resulting in average annual growth of 3.1 percent. OSC expects miscellaneous revenues to be higher by $100 million in FY 2025.

General Property Tax

The November Plan made an upward adjustment of $59 million to the forecast for FY 2025 property taxes based on actual collections through the fiscal year-to-date through October. Collections are expected to reach $34.2 billion this fiscal year, an increase of 4.1 percent from the prior year and the highest level on record (see Figure 9). The November Plan makes no changes to the forecast for fiscal years 2026 to 2028.

FIGURE 9
Property Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

The FY 2025 property tax levy was bolstered by increases in residential and utility property valuations on the final assessment roll, which OSC noted in a review of the FY 2025 Adopted Budget. Total taxable values on the final roll increased by 4.3 percent from the prior fiscal year (see OSC's April Plan and June Plan reports for more details on the assessment rolls). The City increased expected collections for FY 2025 in the November Plan based on lower-than-expected delinquencies and cancellations for the year-to-date.

Despite the growth in expected collections in FY 2025, the City anticipates that annual growth in collections will slow significantly over the plan horizon. The November Plan forecast expects compound annual growth of 2 percent during fiscal years 2026 to 2028. Even with a major decline in FY 2022, property tax revenues grew at a compound rate of 5.1 percent annually during fiscal years 2014 to 2024. OSC estimates that collections may be a total of $700 million higher than the City's forecast for fiscal years 2026 to 2028.

Residential property prices remain near record highs, and the median home sale price in the New York metropolitan area was up 9.6 percent in September from the year prior.[10] The City expects average annual growth in billable values for fiscal years 2026 through 2028 of 3.6 percent and 1.9 percent for Class 1 and Class 2 properties, respectively.

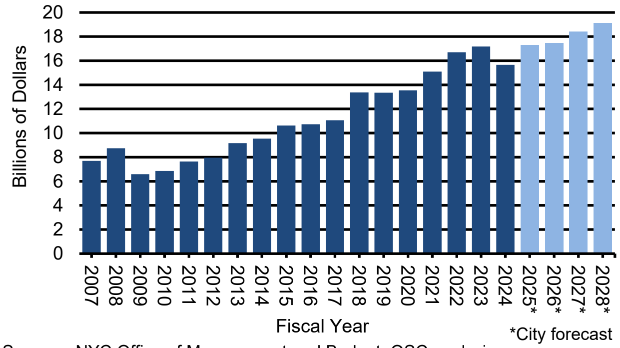
However, commercial real estate continues to struggle in the wake of the pandemic. Office vacancy rates in the third quarter of 2024 were 23.5 percent, more than double the pre-pandemic level,[11] though market conditions vary significantly by neighborhood, age, and property type (for further analysis see OSC's Office Real Estate report). Despite the weakness, the City expects Class 4 properties to continue to grow at an average annual rate of 2.3 percent over the plan horizon, driven by higher-end properties.

An ongoing lawsuit by Tax Equity Now NY, challenging the existing property tax system on the grounds that it violates the Federal Fair Housing Act, is continuing through the court system.[12] At the same time, the State Legislature has proposed the Five Borough Fair Property Tax Act based on the recommendations of the NYC Advisory Commission on Property Tax Reform to address the existing inequities without reducing the level of collections.[13] The outcomes of the lawsuit and legislation may have a considerable impact on the City's property tax revenues.

Personal Income Tax

The November Plan did not change the forecast over the plan period for total personal income tax (PIT), including the Pass-Through Entity Tax (PTET).[14] After declining by 8.8 percent in FY 2024, total PIT collections are expected to increase by 10.3 percent to a record high of $17.3 billion in FY 2025, reflecting continued economic growth and a normalization of the timing of the PTET (see Figure 10). (See OSC's May 2024 Plan report.)

FIGURE 10
Total Personal Income Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

Year-to-date collections through November were 14.4 percent higher than in the same period last year and were slightly ($92 million) ahead of what the City expected in June for that period. The growth has been driven by both withholding and non-withholding components of PIT.

The November Plan did not make adjustments to the forecast of any components of PIT. Collections from withholding (i.e., the amount of tax taken from employee paychecks) are expected to increase by 5.5 percent in FY 2025 to reach $12.8 billion, reflecting the City's assumption of job and wage growth and an increase in bonuses. Growth in collections could be higher as year-to-date collections have been strong. Collections through November were 7.6 percent higher than the same period last year

[10] Zillow, "Median Sale Price (Smooth & Seasonally Adjusted, All Homes, Monthly)" for New York, NY MSA, https://www.zillow.com/research/data/.
[11] Cushman & Wakefield, "MarketBeat Manhattan Office Q3 2024," https://www.cushmanwakefield.com/en/united-states/insights/us-marketbeats/new-york-city-area-marketbeats.
[12] Gabriella Cruz-Martínez, "Landmark Lawsuit Targets Unfair NYC Property Taxes," Kiplinger, October 1, 2024, www.kiplinger.com/taxes/landmark-lawsuit-targets-new-york-city-property-taxes.
[13] Assembly Bill A10600, New York State Senate, https://www.nysenate.gov/legislation/bills/2023/A10600.
[14] The SFY 2022-23 Enacted Budget created the PTET for the City which went into effect in FY 2023. When combined with PIT, the PTET is expected to be revenue neutral for the City. See OSC's June 2023 Plan report.

as wage growth in the first half of 2024 has been stronger than the year before.

The non-withholding components are expected to increase by 26.6 percent in FY 2025. This growth is partly due to the timing of the PTET deflating FY 2024 collections, but it also reflects the City's assumption of lower interest rates leading to growth in capital gains (the largest non-wage component).

For fiscal years 2026 through 2028, the City projects total PIT collections to increase by an annual average of 3.5 percent, reflecting the City's assumption of a return to moderate economic growth in the out-years. However, this rate of growth would still be slower than average annual growth (6.9 percent) in fiscal years 2015 through 2019. The growth in the out-years is led entirely by withholding as its average annual growth is projected at 4.7 percent during this period, while that of non-withholding components is expected to decline by 0.3 percent.

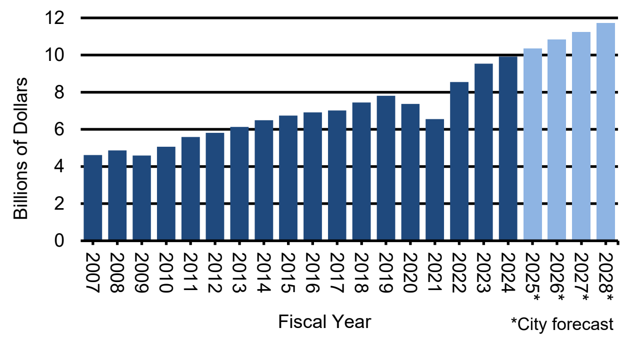
After the release of the November Plan, the Mayor announced a proposal ("Axe the Tax for the Working Class") to lower PIT for working-class households (earning at or near 150 percent of the federal poverty line with at least one dependent). The City estimates the proposal will cost $63 million starting in tax year 2025. The November Plan does not account for this proposal.

The uncertainties associated with the PTET and the possible extension or expansion of the Tax Cuts and Jobs Act has made it more difficult to forecast collections. Not accounting for the new proposal to reduce taxes on working class households, OSC expects collections will be $375 million more than the City's FY 2025 forecast as bonuses and wage growth are expected to be strong. As non-withholding components rise amid a projected decline in interest rates in FY 2026 and beyond, OSC projects PIT collections will be higher by an annual average of $1 billion in the out-years.

Sales Tax

The November Plan expects sales tax collections in FY 2025 to grow 4.4 percent year-over-year, down $22 million from the June Plan (which expected 4 percent growth), to reach $10.3 billion (see Figure 11). In the first four months of FY 2025, collections grew 2.3 percent from the same period in FY 2024.

FIGURE 11
Sales Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

Final sales tax collections in FY 2024 came in lower than what the June Plan expected with a further slowdown anticipated in FY 2025. According to the Federal Reserve's latest Beige Book released in December, consumer spending in the New York district (which includes parts of New Jersey and Connecticut and all of New York State) has increased since its last publication. Solid fall sales have retailers expecting strong holiday season sales.[15] While expectations for consumption have brightened in the near-term, rising consumer debt remains an issue that may constrain future consumption.[16] OSC expects that collections in FY 2025 (2.9 percent growth)

[15] New York Federal Reserve *Beige Book,* December 2024.
[16] New York Federal Reserve *Quarterly Report On Household Debt and Credit*, November 2024. https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2024Q3

and FY 2026 (4.6 percent) will be $150 million less annually than the City anticipates, due to continued slowing retail sales. In FY 2027 and FY 2028, sales tax collections could be $100 million less annually than the City expects as growth rates continue to average pre-pandemic levels (4.4 percent).

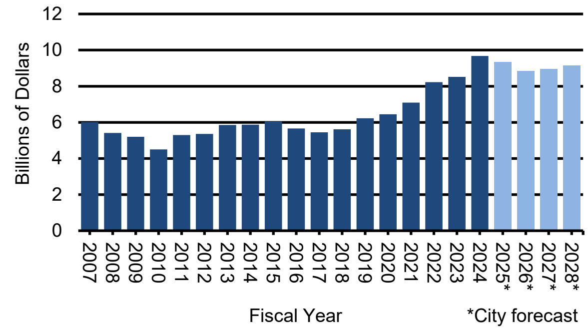
Business Taxes

The November Plan's FY 2025 business tax is forecast at $9.3 billion, $152 million higher than the June Plan, as collections continue to see stronger-than-expected growth of 5.8 percent through October FY 2025 when compared to the same period last year. However, the City still expects business taxes to decline by 3.6 percent in FY 2025 following a record year of collections in FY 2024 (see Figure 12). Current collections are trending higher than the City's June Plan; if this trend continues the decline expected in FY 2025 will not be as prominent.

The November Plan's upward adjustment in FY 2025 was led by business corporation taxes, which constitute more than two-thirds of total business tax collections and are primarily driven by the profits of New York Stock Exchange member firms. Business corporation tax collections grew 3.6 percent to $1.4 billion through October, compared to the same period last year. As a result, the City made an upward adjustment of $101 million in FY 2025 and now expects collections to reach $6.8 billion, a 4 percent decline from FY 2024.

Business tax payments in both the finance and nonfinance sectors have been strong this calendar year, growing 14.6 percent and 4.5 percent, respectively, from January through September compared to the same period last year. The strong sectoral growth so far this year suggests collections may continue to grow in fiscal year 2025 before declining.

FIGURE 12
Business Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

Unincorporated business taxes (UBT), which make up the remainder of total business tax collections, saw a year-over-year increase of 11.5 percent through October 2024. The growth can be attributed to strength in the services sector, which makes up 50 percent of UBT net payments. Collections from the services sector grew 17.6 percent from January to September 2024 compared to last year. The City made an upward adjustment of $51 million in FY 2025 and now expects collections to reach $2.7 billion, a 2.5 percent decline from FY 2024. Higher-than-expected collections in FY 2024 made the decline more pronounced than at budget adoption in June.

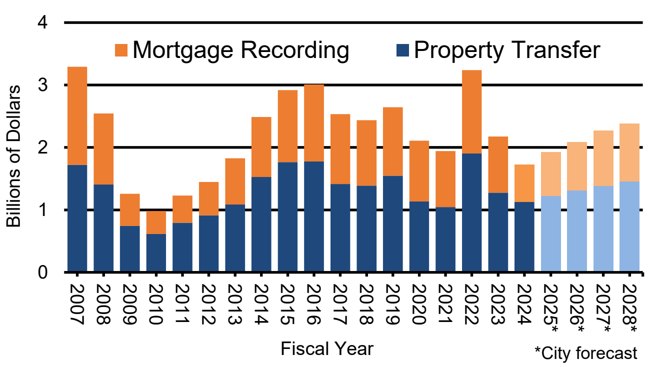
OSC estimates tax collections will exceed the City's forecast by $800 million in FY 2025 and reach $10.1 billion. OSC estimates collections will see an increase of 4.7 percent, greater than expected by the City. The City did not make any adjustments to the out-years however, OSC projects business taxes will be 1.2 percent higher, on average, than the November Plan projections for each of the out-years. The Federal Tax Cuts and Jobs Act, which became effective January 1, 2018, likely led to an increase in corporate investment locally according to the City, which may occur again depending on the changes to tax policy made by the incoming federal administration. However, OSC projections do not yet incorporate the impact of legislation that is yet to pass.

Real Estate Transaction Taxes

The November Plan reduces expected transaction tax collections in FY 2025 by $39 million based on fiscal year-to-date collections through October. Total collections are forecast to be $1.9 billion, up 11.6 percent from the previous fiscal year and the first increase since FY 2022 (see Figure 13). The City made no adjustments to its forecast in the out-years.

Residential transactions slowed as mortgage rates increased, with the average rate peaking at 7.8 percent in late October 2023, the highest level in over 20 years.[17] Fixed long-term mortgage rates have since fallen somewhat, but remain elevated, with an average rate of 6.4 percent in October 2024, despite the Federal Reserve's lowering of the target interest rate in September and November. Total residential sales, in dollars, in New York City for the calendar year-to-date are down by 2.1 percent compared to the prior year.[18] Commercial sales, in dollars, are up for the year-to-date by 4.7 percent, although this has been fueled by the size of properties being sold, as the number of transactions is down 6.9 percent.

FIGURE 13
Real Estate Transaction Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

The City expects a recovery in transaction taxes in FY 2025 and more moderate growth over the plan horizon. Though the Federal Reserve is expected to continue lowering its target interest rate in 2025, the pace of declines may be slower as economic indicators continue to show strength. OSC estimates that collections may be $100 million lower than the City's forecast in FY 2025, and a total of $350 million lower for fiscal years 2026 to 2028. The interplay between federal fiscal and monetary policies in the coming year may also have unexpected impacts on mortgage interest rates.

Hotel Tax

The November Plan expects hotel tax collections to increase 6.3 percent in FY 2025, up $8 million from the June Plan, to reach $751 million. There are no changes to the out-year projections in the financial plan. Collections in the first four months of FY 2025 grew 9.1 percent from the same period in FY 2024, fueled by the continued return of tourism and major events in recent months amid a period of constrained supply. OSC does adjust the forecast for hotel taxes in FY 2025, as the City's projected improvement In November comports with OSC's assumptions from June.[19]

According to NYC Tourism + Conventions (the City's official tourism agency), the City is expected to reach a record 68.1 million visitors (53.4 million domestic and 14.7 million international) in 2025, surpassing pre-pandemic levels for the first time.[20] In October 2024,

[17] 30-Year Fixed Rate Mortgage Average in the United States (MORTGAGE30US), Federal Reserve Bank of St. Louis, https://fred.stlouisfed.org/series/MORTGAGE30US.

[18] For January through October 2024; NYC Department of Finance Automated City Register Information System (ACRIS) preliminary data. These figures may moderate with subsequent data revisions.

[19] CoStar, "US Hotels Report Mixed Performance in September, October 18, 2024, https://www.costar.com/article/152214537/us-hotels-report-mixed-performance-in-september.

[20] New York City Tourism + Conventions, *NYC Travel & Tourism Outlook*, September 2024,

New York City hotel occupancy remained relatively strong (91 percent) up 4.6 percentage points from October 2023. The City's occupancy rate was the highest among the top 25 U.S. hotel markets as major events in the City helped boost occupancy.[21] Hotel inventory will likely increase in the next year as hotels return to normal operations with the asylum seeker influx reversing and more hotel rooms coming online from the hotel construction pipeline. Future events and tourism fully returning to pre-pandemic levels should continue to boost collections.

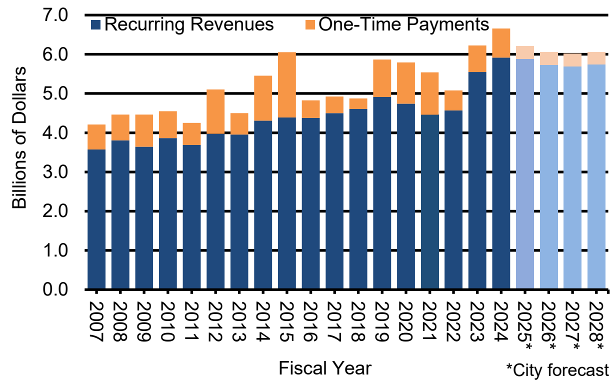
Miscellaneous Revenues

The November Plan expects miscellaneous revenues in FY 2025 to decline 6.7 percent to $6.2 billion from FY 2024 (see Figure 14). There were no significant changes for the out-years except for water and sewer rental payments, which were taken down an average $9 million starting in FY 2026 from the June Plan, based on revisions to planned debt servicing costs for water and sewer infrastructure.

Miscellaneous revenues, consisting of recurring revenues and one-time payments, have been strong in FY 2025 as interest income, water and sewer payments and charges for services have driven recent growth. In the first four months of FY 2025, total miscellaneous revenues grew 7.7 percent compared to the same period in FY 2024.

OSC anticipates recurring miscellaneous revenues could be $100 million or higher than the November Plan in FY 2025, with interest income fines and fees and charges for services supporting stronger revenue.

FIGURE 14
Total Miscellaneous Revenues



Sources: NYC Office of Management and Budget; OSC analysis

https://assets.ctfassets.net/1aemqu6a6t65/2Y8QEeyL0WPq.NNSp2PF4tb/c5c26b8ade810c57d333897d9196c9c4/2024_Travel___Tourism_Outlook_September.pdf.

[21] CoStar, "US Hotels Reported Substantial Performance Gains in October," November 21, 2024, https://www.costar.com/article/234841650/us-hotels-reported-substantial-performance-gh_1gains-in-october.

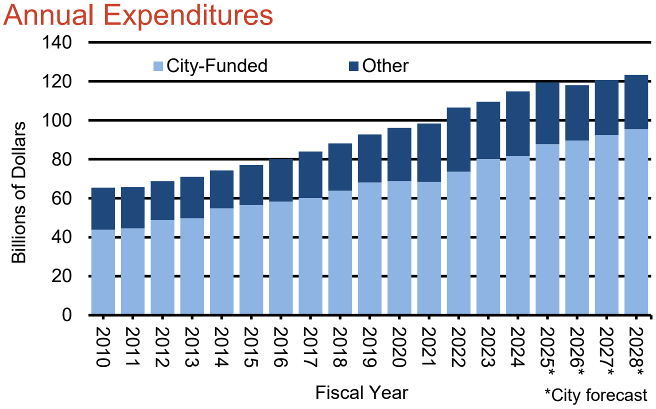
VII. Expenditure Trends

Citywide expenditures are projected to reach $119.3 billion in FY 2025, after adjusting for surplus transfers, which obscure total expenditures (see Figure 15). The portion of citywide spending funded with locally generated revenue (i.e., City funds) is estimated at nearly $87.8 billion. About 26.5 percent, nearly $31.6 billion, of total spending is funded with other sources, mostly federal and State grants.

The November Plan anticipates city-funded spending will rise by 4.9 percent to $86.3 billion in FY 2025, excluding $1.45 billion in contingent reserves. The growth in FY 2025 is driven by labor costs, contractual services and other non-personnel service costs for the Department of Education, asylum services, and debt service. The growth in that year is offset in part by the City's expectation that payouts for judgments and claims against the City will decline sharply, from nearly $1.5 billion to $737 million.

Spending would slow in FY 2026 to 2.2 percent, excluding reserves, based in part on the November Plan assumption that council initiatives and other costs, are not funded beyond FY 2025. The growth in the out-years is forecast to pick up slightly to an average of 3.3 percent over two years through FY 2028. The slightly faster pace of growth exists despite a projected wind down of asylum seeker spending and slow growth in the local share of Medicaid.

FIGURE 15
Annual Expenditures



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

The November Plan also assumes a decline in other non-personnel costs in FY 2026 (see discussion on fiscal cliffs below), followed by slow growth in subsequent years. The projected citywide growth rate is less than the average growth rate of more than 4 percent annually over the past decade. The impact of projected wage increases consistent with the pattern established for the 2021-2026 round of bargaining on labor costs, debt service, and health insurance costs are expected to be the largest cost drivers through the balance of the financial plan period.

As many of these fixed costs rise, the City's financial plan anticipates a decline, or flat, discretionary spending at several large agencies, including Police, Fire, Correction, Transportation, Environmental Protection, Social Services, Homeless Services, and Health and Mental Hygiene. The City's ability to fund increases at these agencies for discretionary programs will be impacted by the trajectory of spending on fixed costs (see Appendix A for details). November Plan expenditure trends are shown in Figure 16 and discussed below.

Expenditure Risks and Offsets

The City included funding (mostly in FY 2025) to address a significant portion of budgetary risks identified by OSC in previous reports on the City's financial plan (including public assistance and special education costs). However, other sizable risks and fiscal uncertainties remain.

The November Plan includes funding totaling $861 million in FY 2025 and exceeding $600 million in each subsequent year of the financial plan period for the City's rental assistance programs. Based on current trends for the CityFHEPS program, however, OSC projects that these costs could be higher than planned by $203 million in FY 2025, and an average of $432 million annually during fiscal years 2026 through 2028 (see the Expenditure Trends: Rental Assistance section for details).

The City could also incur additional operating costs at the DOE, rising from $437 million in FY 2025 to exceed $2 billion by FY 2028, including funding to meet the state-imposed mandate to reduce class sizes.

OSC has identified other relatively large but historically manageable risks fueled by underbudgeting for mandated operating subsidies for public transit, social services and overtime costs. For example, absent any alternatives, it appears unlikely that the City's public assistance spending will decline in FY 2026 given the recent growth in enrollment, which is now at its highest level since April 2000. Based on the current trend for the daily census as well as City-reported per diem rates, OSC projects that costs for asylum services could be lower by $1.2 billion in FY 2025, $2.4 billion in FY 2026, and by nearly $2.2 billion in FY 2027 (see the Expenditure Trends: Asylum Services section for details).

The City projects its annual debt service based on conservative assumptions. As in prior years, OSC anticipates that actual spending will be lower than planned. However, the amount of savings will depend upon the City's borrowing needs and the prevailing interest rates in the municipal debt market, which can be difficult to predict. In total, the expenditure risks identified by OSC, net of offsets, are estimated to total nearly $1.6 billion in FY 2025, rising to $4.9 billion by FY 2028.

Unfunded Discretionary Spending

The City may also incur higher-than-planned discretionary costs for local initiatives funded in FY 2025 but assumed to not recur, which may increase future costs or result in service disruption (see OSC's "Fiscal Cliffs" Tool for details). The City also funded discretionary City Council initiatives in FY 2025 ($547 million) but the November Plan does not yet include funding for these in subsequent years, as such costs are

FIGURE 16

Trends in City-Funded Spending in November 2024 Financial Plan

(in millions)

	FY 2024	FY 2025	Annual Growth	FY 2026	FY 2027	FY 2028	Average Three-Year Growth Rate
Salaries and Wages	$21,727	$22,757	**4.7%**	$23,682	$24,713	$25,664	**4.1%**
Pension Contributions	9,183	9,923	**8.1%**	10,704	10,769	11,611	**5.4%**
Debt Service	7,239	7,741	**6.9%**	8,720	9,463	10,400	**10.3%**
Medicaid	6,352	6,641	**4.5%**	6,481	6,631	6,781	**0.7%**
Health Insurance	7,441	7,406	**-0.5%**	7,936	8,323	8,737	**5.7%**
Other Fringe Benefits	3,771	3,976	**5.4%**	4,184	4,376	4,571	**4.8%**
Energy	906	1,068	**17.9%**	1,142	1,175	1,221	**4.6%**
Judgments and Claims	1,468	737	**-49.8%**	683	700	722	**-0.7%**
Public Assistance	1,306	1,343	**2.8%**	875	1,225	1,485	**3.4%**
Services for Asylum Seekers	2,327	2,996	**28.7%**	2,941	2,000	500	**-44.9%**
Residual OTPS	20,522	21,722	**5.8%**	20,826	21,566	22,347	**1.0%**
Subtotal	**$82,243**	**$86,310**	**4.9%**	**$88,174**	**$90,940**	**$94,040**	**2.9%**
General Reserve	- - -	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	(558)	- - -	**NA**	- - -	- - -	- - -	**0.0%**
Total	**$81,685**	**$87,760**	**7.4%**	**$89,624**	**$92,390**	**$95,490**	**2.9%**

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

subject to annual negotiation between the Mayor and the City Council.

In addition, the incoming federal administration has signaled support for some proposals that could increase costs or reduce revenue to New York State or New York City. If undertaken, a these proposals could create economic or fiscal risks for the City.

The City has some lead time to address its larger out-year risks and has implemented substantial gap-closing programs in the past (see the Savings Program section for details).

Full-Time Staffing Levels

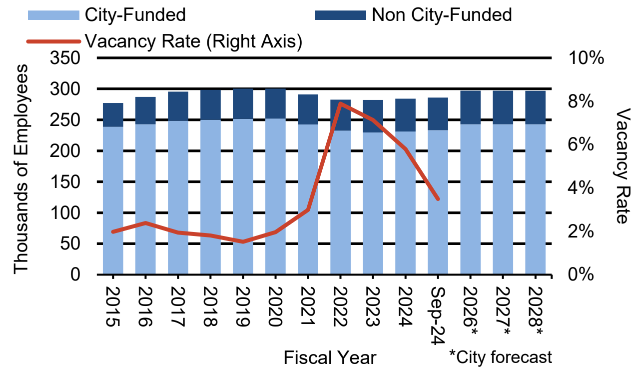
In May 2024, OSC issued a [2024 update on the November 2022 report on the City's staffing trends](), including an analysis of employee attrition, agency division vacancy rates, hiring efforts and overtime.

OSC found that overall attrition has declined to near pre-pandemic levels and the City has made significant progress to accelerate recruitment efforts, but some agency divisions continue to experience elevated turnover, and/or relatively high vacancy rates. These trends, coupled with a rebound in service demand since FY 2021, correspond with a sharp rise in overtime as a share of payroll for certain functions.

The City's full-time workforce increased for the first time year-over-year since the COVID-19 pandemic, to 283,971 employees as of June 2024. Since then, staffing levels have increased slightly to 285,871 (see Figure 17).

The November Plan assumes staffing will increase from current levels by 5 percent to 300,299 employees by June 30, 2025, which would be nearly the same as the year-end, pre-pandemic peak recorded as of June 2020 (see Appendix B for details). Based on current trends, including an estimated vacancy rate of 3.6 percent at the Department of Education, it

FIGURE 17
Full-Time Staffing Levels



Note: FY 2025 is shown as year-to-date actuals for September 2024.
Sources: NYC Office of Management and Budget; OSC analysis

appears very unlikely that the City will achieve this year-end target, which could generate significant savings from lower-than-expected full-time payroll spending as it has realized in recent prior years.

Savings from overestimating full-time payroll spending in FY 2025 could be redirected to offset other personal service costs not assumed in the November Plan, including overtime, excess premiums for health insurance, and per-diem and per-session pay at the Department of Education. To date, the City has lowered its forecast of personal service spending by a modest $42 million in FY 2025 as part of the FY 2025 Savings Program. Based on current staffing levels, OSC estimates the City could realize an additional $400 million in personal service savings.

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

Collective Bargaining

As of December 2024, virtually the entire unionized workforce (about 97 percent) had reached new labor agreements with the City for the 2021-2026 round of bargaining. The City, which has a long history of pattern bargaining, assumes that the terms of the collective bargaining agreement ratified by the members of District Council 37 (DC 37) in March 2023 and the Police Benevolent Association (PBA) in April 2023 will apply to all other relevant civilian and uniformed unions.

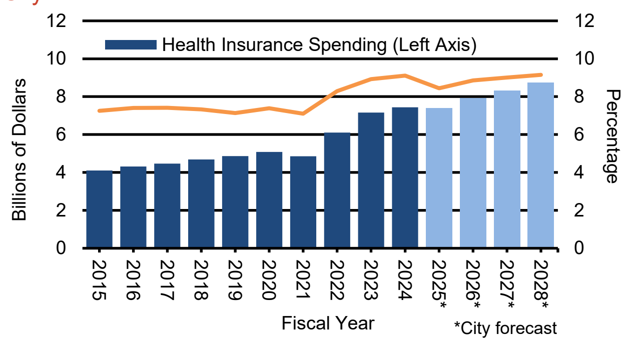
The November Plan includes reserves in each year of the financial plan period to fund anticipated labor costs for all the settled contracts based on the DC 37 and PBA framework and assumes pattern-conforming agreements will be reached with the remainder of the City's workforce.[22]

Health Insurance

In FY 2024, city-funded spending on health insurance costs rose to $7.4 billion, the second consecutive year in which such spending exceeded the City's final published forecast. The higher spending is attributed to premiums paid for the GHI Comprehensive Benefits Plan (GHI-CBP) in excess of the City's benchmark plan, HIP-HMO, and without reimbursement from the Health Insurance Stabilization Fund (HISF). The short-term assets of the HISF, which are intended to moderate volatility in the cost to the City of pre-Medicare health insurance plans, have been virtually depleted as of FY 2024.

The November Plan assumes that city-funded health insurance costs would remain essentially the same at $7.4 billion in FY 2025 but then rise to nearly $8.7 billion by FY 2028 (see Figure 18),

FIGURE 18
Health Insurance Costs
City-Funded



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

17 percent more than in FY 2024, consistent with the projected growth in spending citywide during the same period. The November Plan assumes that health insurance costs, as a share of city-funded spending, would rise to an estimated 9.2 percent by FY 2028, which would be the highest share since at least FY 2010.

Spending could be higher, however, by about $475 million in FY 2025, in the event that the City is unable to find additional resources to refortify the HISF or identify other alternatives to mitigate the excess costs of the GHI-CBP, including cost-saving proposals currently being negotiated between the City and the Municipal Labor Committee (MLC).

The City has written down its nongovernmental revenue from the HISF in each of the past two years through FY 2024. As detailed in OSC's August 2024 report on the City's financial plan, until (or unless) a resolution is achieved, OSC also considers the receipt of $191 million annually from the HISF beginning in FY 2025, for reimbursement of a portion of the City's health benefit costs, to be uncertain, and city-funded health insurance costs could exceed the

[22] The civilian pattern established under the DC 37 agreement provides for base wage increases totaling 16.21 percent compounded over five years beginning the day after the expiration of the previous civilian contract. The uniformed pattern established under the PBA agreement provides for base wage increases totaling 18.98 percent compounded over five years (including 0.21 percent in funding for entry and early tenure pay). The November Plan includes reserves to fund annual 1.25 percent wage increases for the entire workforce beyond the current round of bargaining.

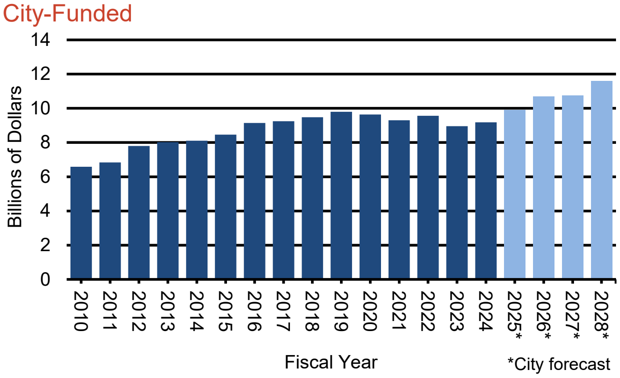
November Plan forecast by $112 million annually starting in FY 2025.

Pension Contributions

The City's pension contributions reflect actuarial estimates of the City's five major retirement systems prepared by the Office of the Actuary. They also include adjustments prepared by the NYC Office of Management and Budget to reflect new or anticipated changes (e.g., revisions to planned headcount), including an annual reserve beginning in FY 2026 to fund potential changes from any future actuarial audit recommendations.

The November Plan assumes pension contributions will total $9.9 billion in FY 2025 then rise each year to reach $11.6 billion by FY 2028 (see Figure 19).

FIGURE 19
Pension Contributions
City-Funded



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

The pension systems earned, on average, 7.5 percent on their investments during fiscal years 2012 through 2023, compared to the expected annual gain of 7 percent. In FY 2024, the City's pension systems gained, on average, 10 percent on their investments through June 30, 2024. As a result, the City has reduced its planned pension contributions by $159 million in FY 2026, $364 million in FY 2027, and by $556 million in FY 2028. The City Comptroller reports that the City's pension systems gained, on average, 5 percent on their investments as of the first quarter of FY 2025.

In the aggregate, the pension systems had enough assets on hand to fund (on a market value basis) 85.5 percent of their accrued pension liabilities at the end of FY 2024 (see Figure 20). The unfunded net liability for all five pension systems declined by $4.5 billion to $35.7 billion, among the lowest levels since FY 2013.

FIGURE 20
Funded Status of the NYC Retirement Systems
(As of June 30, 2024)

Pension System	Funded Status
Board of Education Retirement System	97.1%
Police Pension Fund	89.4%
Teachers' Retirement System	85.7%
New York City Employees' Ret. System	84.3%
Fire Pension Fund	75.9%
All Systems	**85.5%**

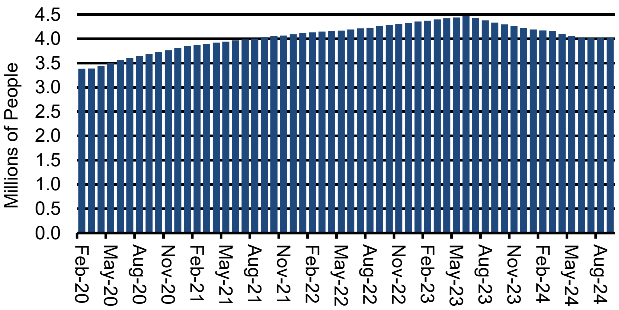
Sources: NYC Retirement Systems; NYC Comptroller; OSC analysis

Medicaid

In September 2024, four million New York City residents were enrolled in Medicaid, which provides health insurance to low-income children and adults (see Figure 21). Recently elevated levels, reaching an historic high of 4.5 million in June 2023, were due to policies implemented during the COVID-19 public health emergency that prevented states from disenrolling most beneficiaries from Medicaid.

After these requirements were reinstated, New York State started the process of redetermining enrollees in June 2023 and finalized the process in May 2024 resulting in enrollment declining by over 449,000 beneficiaries. Since then, the City has started to see an uptick in enrollment.

FIGURE 21
NYC Medicaid Enrollments



Note: Enrollment totals for a month may be updated in subsequent months to reflect retroactive enrollments and/or disenrollments.
Sources: NYS Department of Health; OSC analysis

On November 14, 2024, the federal Centers for Medicare & Medicaid Services approved NYS Department of Health's Medicaid waiver that will allow the State to keep children up to age 6 continuously enrolled in Medicaid and the State's Children's Health Insurance Program regardless of changes to household information to prevent gaps in coverage and promote health equity. This program expansion may contribute to further increases in Medicaid enrollment.

The November Plan assumes that the city-funded cost of Medicaid will total $6.6 billion in FY 2025, $6.5 billion in FY 2026, $6.6 billion in FY 2027 and $6.8 billion in FY 2028, unchanged since the adopted FY 2025 plan.

Escalating Medicaid costs continue to be an area of focus for the State which may take further measures to reduce the increasing financial burden by passing costs along to local governments. Proposals by the incoming federal administration may also have wide-ranging impacts on the cost of Medicaid to New York State and its localities.

Social Services

The November Plan adds more than $1 billion in total funds to DSS for FY 2025 to address higher demand for Public Assistance and rental assistance, both identified by OSC as budget risks in previous reports. However, funds are added for FY 2025 only, leaving out-year risks unaddressed (see Figure 22).

Excluding asylum seekers, planned spending at DSS falls again by nearly $1.5 billion from FY 2025 to FY2026, reflecting the one-time actions in FY 2025. As a result, planned spending for Public Assistance and rental assistance is expected to drop significantly.

Spending at the Department of Homeless Services (DHS), excluding asylum seekers, falls by nearly $480 million from FY 2024 to FY 2025, reflecting a drop in funding for non-asylum shelter services.

FIGURE 22
Social Services Non-Asylum Risk Assessment
(in millions)

	Better/(Worse)			
	FY 2025	FY 2026	FY 2027	FY 2028
DSS Risks				
Public Assistance	- - -	(405)	(253)	- - -
Rental Assistance	(203)	(430)	(432)	(434)
DHS Risks				
Non-Asylum Shelter Services	(390)	(390)	(390)	(390)
Emergency Assistance to Families	(134)	(134)	(134)	(134)
ACS Risks				
Foster Care – State budget rate increase	(53)	(53)	(53)	(53)
Expiration of Foster Care (Title IV-E)	(129)	(129)	(129)	(129)
Total Social Services Risks	**($909)**	**($1,541)**	**($1,391)**	**($1,140)**

Sources: NYC Office of Management and Budget; OSC analysis

However, the non-asylum shelter population continues to rise. As OSC has written in previous reports, it is unlikely that planned FY 2026 funding will be commensurate with projected demand for these services (see OSC's April Plan and June Plan reports).

While the November Plan provides baseline funding of $64.5 million for child care costs at the Administration of Children's Services beginning FY 2025, OSC still identifies additional risks pertaining to foster care. This includes the expiration of federal funds and the balance of funding required to meet a State requirement that local social service districts pay 100 percent of the rates to reimburse the cost of foster care, with the State increasing the rates to be paid.

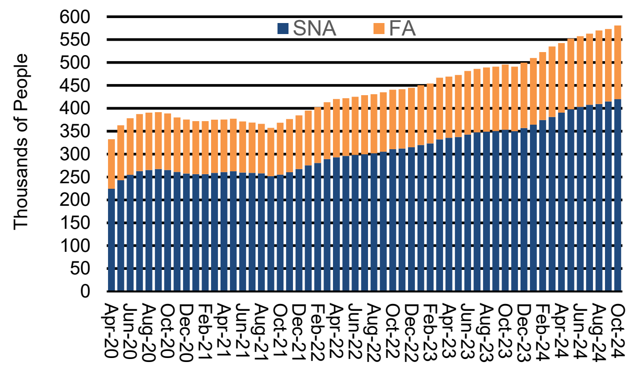
Public Assistance

The November Plan increases the June Plan's public assistance funding in FY 2025 by $920 million ($467.7 million in City funds), bringing the total to just under $2.6 billion. No additional funding was added for the out-years, despite little explanation of why enrollment would decline, leaving the budget just shy of $1.7 billion in FY 2026. Total spending for Family Assistance (FA) and Safety Net Assistance (SNA) is assumed to grow to $2 billion in FY 2027 and $2.5 billion in FY 2028, but remain below the amount budgeted in the current year.

Public assistance caseloads continue to rise in recent years. Total caseloads reached 580,888 in October 2024 (see Figure 23) — the highest level since April 2000. See OSC's April Plan report for details on historical enrollment.

The City had suspended work requirements for public assistance recipients during the pandemic, but recently announced that it would resume sanctions on cases when recipients fail to meet work requirements beginning July 28, 2024. While this may ultimately reduce caseloads, it is

FIGURE 23
Public Assistance Recipients



Sources: NYC Human Resources Administration; OSC analysis

unclear when the impact would begin to take effect. OSC will continue to monitor these trends moving forward.

Using current trends, OSC estimates that expenditures will total roughly $2.4 billion in FY 2026, which is $763 million more than what has been budgeted in the current plan; of this amount, the city-funded portion of the risk is approximately $404 million, before dropping to $253 million in FY 2027 ($413 million in total funds). The risk is due to a decline in budgeted expenses in fiscal years 2026 through 2027 and the assumption that enrollment will not materially decline during those years but is offset by the expectation that federal categorical grants will pay for a portion of the growth. OSC's risk projection does not yet reflect the potential impact of restarting work requirements, which could ultimately lower associated costs.

Rental Assistance

The November Plan increases funding for rental assistance by $155 million in FY 2025 alone, of which $114 million is city-funded, bringing the total projected spending to roughly $861 million, compared to $845 million in FY 2024. However, out-year funding for rental assistance declines from the FY 2025 level, by an average of $229 million annually from FY 2026 to FY 2028, which OSC anticipates is unlikely given recent growth trends (see Figure 24). The Plan also does not address the fiscal impact of three of four pieces of legislation which were enacted in July 2023 to substantially expand eligibility for the CityFHEPS voucher program. DSS did not implement the expansion authorized by the legislation within 180 days of enactment, leading tenant advocates to file a class-action lawsuit.

On August 1, a State Supreme Court judge ruled in favor of the City, stating that the entity which passed the legislation — the City Council — lacked the authority to enact the expansion, which resides with the State, and DSS as the local social services district acting as an agent of the State. The City Council has indicated that it will pursue an appeal.

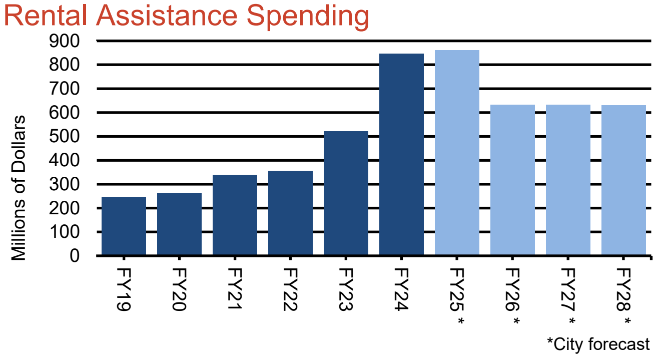
OSC had previously calculated the budgetary risk associated with CityFHEPS by including the potential cost of this expansion. The updated budgetary risks are now using current trends in shelter exit data to approximate levels of demand for the CityFHEPS program in FY 2025. There were 15,169 households who exited shelter using the City's rental assistance programs in FY 2024, compared to 12,053 in FY 2023 — an increase of 26 percent. Assuming that in FY 2025, the growth from the prior year (in households exiting shelter) is similar to that of FY 2024, and that this growth is also applied to FY 2024 expenditures, OSC projects expenses of just under $1.1 billion in FY 2025. When compared to the budget, this would mean a risk of $203 million in FY 2025 and an annual average of $432 million from FY 2026 to FY 2028.

Non-Asylum Shelter Services

The number of individuals in DHS shelters declined during the pandemic, but the census has grown since the moratorium on residential evictions expired in January 2022 (see Figure 25). In October 2024, the non-asylum population in DHS shelters averaged 58,108, compared to 45,343 in January 2022. While still below pre-pandemic levels, the non-asylum census grew by an average monthly rate of 1.7 percent in the first four months of FY 2025.

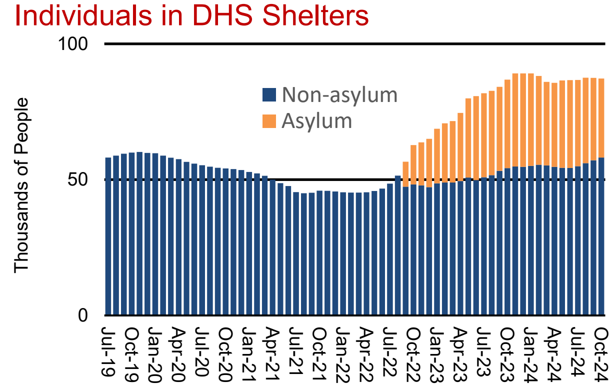
The November Plan does not make significant changes to non-asylum spending at DHS. As such, OSC maintains its risk projection of $390 million for all years beginning FY 2025, representing the estimated City funds portion needed to maintain spending for adult and family shelter operations at FY 2024 levels in FY 2025 (see OSC's [June Plan](#) report). This number could be higher if the shelter population continues to grow.

FIGURE 24
Rental Assistance Spending



Note: FY 2019 through 2024 is based on actual spending. The City passed legislation in May 2021 to raise the value of CityFHEPS rental vouchers to Section 8 levels.
Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 25
Individuals in DHS Shelters



Sources: NYC Human Resources Administration,

Asylum Services

Through December 8, the City reports that over 225,700 asylum seekers have come through its intake system since Spring 2022, and that more than 54,900 of these individuals remain in the City's care, creating a substantial financial burden. The current population represents a steady decline of 11,600 individuals from a peak of 69,000 in January 2024 (see Figure 26).

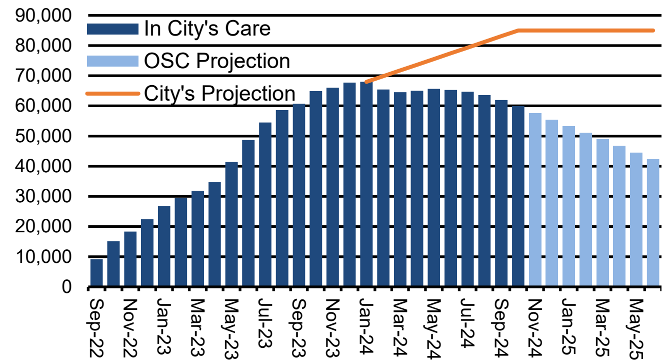
The November Plan reduces planned spending for asylum services by a net of $375 million in FY 2025, for savings already achieved through October, largely fueled by the census decline. The City also anticipates using funds from FEMA to offset $60 million in FY 2025 and $58.5 million in FY 2026 in planned City spending. In total, the Plan assumes asylum spending of $4.4 billion in FY 2025, $4 billion in FY 2026, $3 billion in FY 2027, and $850 million in FY 2028. These figures did not yet reflect the recent decline in the population census.

The City assumes it will absorb 69 percent of the cumulative cost from FY 2025 through FY 2028, with the State funding an estimated 30 percent, and the federal government contributing about 1 percent. However, the City recently announced that it plans to close the asylum shelter on Randall's Island in February 2025, which is fully funded by the State. The City also signaled its intention to remove the distinction between asylum and non-asylum shelters. It is not yet known how these actions would impact State funding levels for asylum services.

In November, the City also announced another change to its 60-day policy for families with children in shelter, who, up until that point, had been required (if they wished to extend their shelter stay beyond an initial 60-day placement) to reapply for a new shelter placement at the City's intake center. Moving forward, families who wish to extend their shelter stay beyond their second consecutive placement, with children in grades K-6, will be allowed to remain

FIGURE 26

Asylum Seekers: In City's Care vs. Projected



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

in the same shelter to which they were previously assigned. The City is doing this in response to concerns about children's learning being disrupted. The City also anticipates generating a small savings on bus transportation from a reduction in students needing those services.

In December, the City announced that it would close an additional 25 asylum shelters, including the Humanitarian Emergency Response and Relief Center at Floyd Bennett Field, which sits on federal land. The City's current cost estimates do not yet incorporate these closures or any of the immigration policy changes that may take effect under the incoming federal administration. In considering current budget implications, OSC also did not speculate on the impact of these proposals.

In recognition of the still considerable unknowns, OSC estimates possible savings of $1.2 billion in FY 2025, $2.4 billion in FY 2026, and $2.15 billion in FY 2027. This assumes that the population continues to decline at the same rate through the end of FY 2026, and costs remain at the FY 2024 actual per diem rate of $372 per household.

Overtime

Overtime citywide through the first five months of FY 2025 totaled $1.15 billion, $186 million more than in FY 2024 through the same period (a 19 percent increase). The growth in overtime is concentrated at the uniformed agencies with total costs of $958 million, 83 percent of the citywide total. This spending also represented a 24 percent increase from FY 2024 ($771 million). While some civilian agencies increased spending, such as the Department of Transportation (by $10 million or 31 percent), there were reductions in other areas (mainly social services agencies), keeping civilian overtime spending on track with last year.

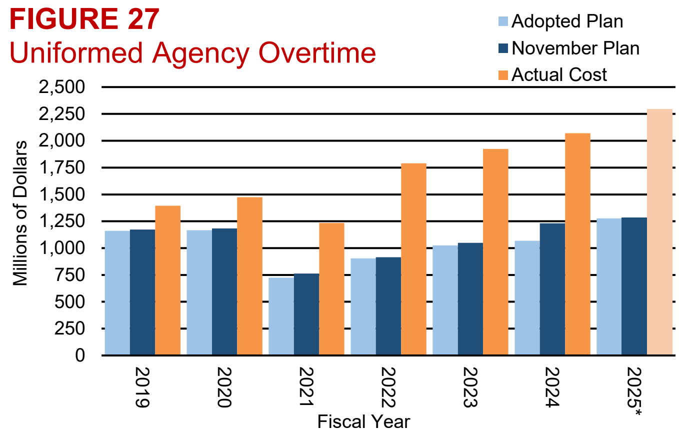
The Police Department saw the largest absolute growth, with overtime spending increasing by $102 million to $511 million in FY 2025 (25 percent), propelled by unplanned event deployments such as protests, sporting events, and security details. Through the first five months in the fiscal year, the Department has exhausted 90 percent of its FY 2025 budget ($566 million). Similarly, overtime at the Department of Correction ($130 million) has already accounted for 94 percent of the annual budget. Costs grew by $29 million (29 percent) as uniformed staffing continues to decline and the population in custody climbs to pre-pandemic levels. The Fire Department spent $41 million more than last year (20 percent) primarily due to wage increases as a result of collective bargaining, totaling $240 million in overtime.

Each of the aforementioned agencies are on pace to reach record highs for overtime spending in FY 2025. Although the Department of Sanitation's costs grew by 26 percent to $78 million through November, overtime is projected to total about $180 million, $100 million less than in FY 2021 and FY 2022 (the two most costly years on record). A large portion of overtime is dependent on the winter season ($37 million), and the frequency of required snow and ice removal will partly dictate whether the Department will realize unexpected costs or savings. Recent winters have not yielded much snow in a historical context, reducing the snow removal overtime budget which is based on a five-year average.

Cumulatively, overtime at the uniformed agencies exceeded planned amounts by $423 million through November. At the current rate of spending, OSC projects total uniformed agency overtime will reach $2.3 billion, $1 billion more than planned and an increase of more than $200 million from FY 2024 (see Figure 27). The City will have to limit growth in overtime and generate additional resources elsewhere to offset the unanticipated costs.

Furthermore, the overtime budget in each of fiscal years 2026 through 2028 totals $1.3 billion. Based on current trends and planned spending in the November Plan, OSC also anticipates the City may need to allocate nearly $900 million in additional funds annually to account for overtime at these agencies.

FIGURE 27
Uniformed Agency Overtime



Sources: NYC Financial Management System; OSC analysis

*Projected

VIII. Debt Service and Capital Spending

The November Plan assumes that city-funded debt service will grow by a compound annual growth rate (CAGR) of 10.3 percent from $7.7 billion in FY 2025 to $10.4 billion in FY 2028 (see Figure 28). City-funded debt service is expected to grow faster over this period than city-funded expenditures (4.6 percent) or revenues (2.5 percent). For the period of 2019 to 2024, the CAGR of debt service was 3.1 percent. The City's debt burden (total debt service as a percentage of tax revenue) is expected to increase from 10.3 percent in FY 2025 to 12.6 percent in FY 2028, lower than the City's self-imposed cap of 15 percent.

The City has a history of undertaking debt refinancings, which create plan savings. Debt service expenditures are lower than the July Plan's projections by $133 million from FY 2025 through FY 2028, mostly due to two bond refinancings that were completed in July, interest rate savings on new money bond sales and the delayed receipt of a Federal Build America Bond subsidy.

When projecting debt service expenses, the City historically uses conservative interest rate assumptions. As a result, OSC is calculating that the City could achieve $75 million in variable rate savings in FY 2025. With the Federal Reserve contemplating further rate reductions, additional debt service savings might be achieved.

The City's Adopted Capital Commitment Plan, released in September 2024, increased the expected level of commitments from FY 2025 to FY 2028 by $9.5 billion when compared to the April 2024 plan (see Figure 29). OSC estimates $2.9 billion in commitments from FY 2024 were deferred through FY 2028, resulting in a net increase in the capital plan of $6.6 billion. The City agencies with large net increases were DOE (nearly $2.3 billion) and Housing Preservation and Development (HPD; $2 billion).

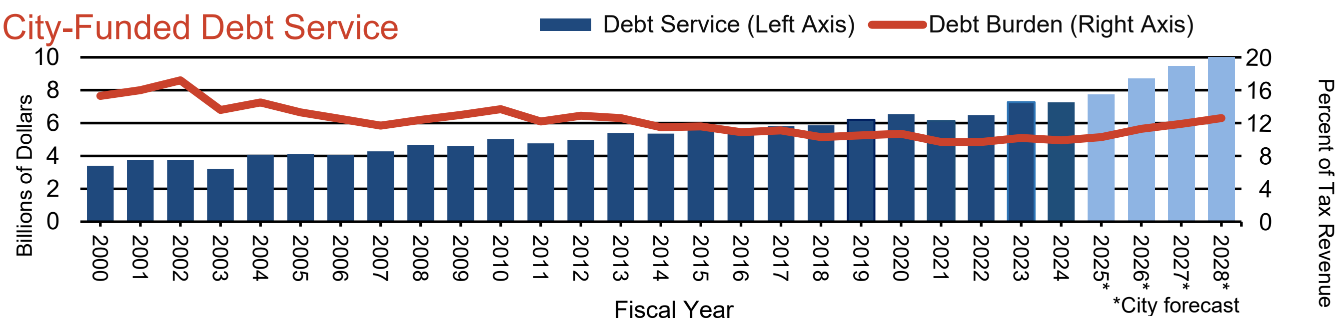
The City committed almost $17.6 billion for capital projects in FY 2024 and $16.5 billion in 2023, $6.5 billion more than the average of the previous five years. For FY 2025, the City is projecting over $19.6 billion in capital commitments, which would be the largest amount ever.

FIGURE 29
Capital Commitment Plan Change Since April 2024
(in millions)

City Agency	Deferred From 2024	New Commitments	Total Change
Education	$754.6	$2,254.9	$3,009.4
Housing Pres. & Dev	402.3	1,985.0	2,387.3
Energy & Citywide Equip.	204.5	659.8	864.3
Health & Hospitals	128.1	358.5	486.6
Small Business Services	271.3	192.9	464.2
Parks & Recreation	23.9	407.2	431.2
Environmental Protection	231.1	55.4	286.5
Housing Authority	102.6	141.7	244.3
Cultural Affairs	31.5	209.8	241.3
Correction	170.1	-	170.1
All Other	616.0	345.8	961.8
Total	**$2,936.0**	**$6,611.0**	**$9,547.0**

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

FIGURE 28
City-Funded Debt Service



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

IX. Semi-Autonomous Entities

Department of Education

The City's November Plan allocates just under $40.2 billion to the DOE in FY 2025, including $7.2 billion in centrally-administered costs such as pensions, debt service, and fringe benefits. This amounts to 34.9 percent of the City's total budget and is a $202 million increase over projected spending in FY 2024, despite a decline of $2.5 billion in federal aid. The City expects to fund $22.9 billion (57 percent) of DOE's FY 2025 budget, an increase of 10.8 percent from $20.7 billion in FY 2024. The remainder is funded by the State (36.8 percent), the federal government (5.7 percent), and other sources.

By the end of the plan period in FY 2028, the City expects DOE's total allocation to reach $43.9 billion. The planned increase is entirely supported by City funds, which are expected to account for 61.2 percent of DOE's budget by FY 2028. This is partly because the plan does not include potential changes to State or federal aid. The Plan also does not account for existing budget risks and fiscal cliffs that will require the City to add funds if service levels are to remain undiminished. Additionally, under State law, the City is subject to a maintenance of effort requirement that makes it difficult to reduce city-funded education spending.

The November Plan adds $360 million in new needs in FY 2025, but much of that amount is not funded in the out-years. Nearly all of the recurring spending ($159 million) addresses Carter cases, a perennially underfunded mandate related to the provision of special education services; however, much of the budget risk remains unaddressed (see Figure 30).

The Plan also adds $80 million to maintain technology funding and $65 million supporting nurses in every school (both in FY 2025 only), both of which were previously funded by expiring federal dollars. A further $52 million is added in FY 2025 and FY 2026 to comply with a court order to provide special education services more quickly; such costs are likely to continue beyond FY 2026.

Other longstanding risks remain unaddressed in the November Plan. These include the majority of the cost of the Class Size Mandate, as well as significant spending on school cleaning services, charter school lease costs, 3-K, and the Summer Rising program.

FIGURE 30

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

	FY 2025	FY 2026	FY 2027	FY 2028
Class Size Reduction Compliance	- - -	$322	$861	$1,437
Carter Cases	388	258	188	188
School Cleaning	- - -	154	154	154
3-K	- - -	92	92	92
Summer Rising	- - -	80	80	80
Contracted Nursing	- - -	65	65	65
LV Court Order	- - -	- - -	52	52
Charter School Lease Costs	49	29	21	- - -
Total	**$437**	**$1,000**	**$1,513**	**$2,068**

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

Metropolitan Transportation Authority

The MTA released its latest financial plan in November, which forecasted balanced budgets through 2026 but a $379 million budget gap in 2027 and a $419 million gap in 2028, $50 million less in each year than forecast in July. Fare revenue on the MTA's commuter railroads and toll revenue on the MTA's bridges and tunnels is expected to be higher than forecast in July.

The MTA's November Plan still assumes a 4 percent increase in fares and tolls in both 2025 and 2027. The 2025 increase, however, will be pushed back to August from March, the month assumed in the July Plan.

In June 2024, the Governor paused the start of congestion pricing which opened up a $16.5 billion funding gap in the MTA's 2020-2024 capital program, including matching federal funds. In November, the Governor announced that congestion pricing would begin in January 2025 with a lower $9 toll and a phase in of the planned $15 toll by 2031, which is expected to be sufficient to fill the funding gap.

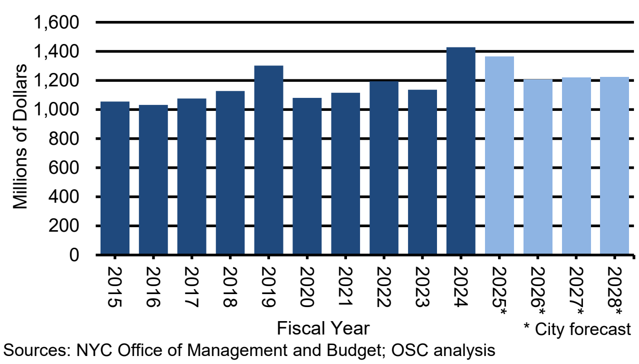
On September 25, 2024, the MTA presented its proposed 2025-2029 capital program to the MTA board which then approved the program and submitted the non-Bridge and Tunnel portion of the program ($65.4 billion) to the Capital Program Review Board by October 1 as required by State law. The proposed program is expected to cost $68.4 billion with bridge and tunnels included and would be the largest in MTA history, although $33.4 billion of the funding (49 percent) is currently unidentified. OSC recently released a report that examined the impact of issuing debt to fund the 2025-2029 capital program. The MTA assumes that the State and City will each provide at least $4 billion (12 percent in total) which has not yet been approved.

In terms of budgetary impact to the City, the November Plan continues a practice of not accounting for all of the potential costs related to City funding for MTA services such as paratransit, MTA buses and the Staten Island Railway. See OSC's report on the City's January Plan for more discussion of these risks. OSC projects potential spending risks to the City of $204 million in FY 2025, rising to $538 million in FY 2028, as a result of these unbudgeted items, higher than estimated in the City's June Plan as the MTA projects higher costs in its November Plan.

Under State law, the City is obligated to pay 50 percent (up from 33 percent) of the net operating cost of the MTA's paratransit service and an additional 30 percent (capped at $165 million) for two years through June 30, 2025. If the State continues this higher share, the City's financial risk will increase starting in FY 2026.

As shown in Figure 31, aid to the MTA is budgeted to drop from $1.4 billion in FY 2025 to $1.2 billion starting in FY 2026, even as the MTA assumes the City's unbudgeted costs will continue to grow.

FIGURE 31
New York City Direct Aid to the MTA



Sources: NYC Office of Management and Budget; OSC analysis

The November Plan also does not fully address the expansion of the Fair Fares program which provides discounted fares to low-income riders. The June Plan increased funding in FY 2025 by $21 million to expand Fair Fares eligibility to riders with income no higher than 145 percent of the federal poverty level (up from 120 percent). Funding in the out-years was not included, creating a new fiscal cliff for the City that will need to be remedied if the City wants to continue the program after June 2025.

NYC Health + Hospitals

In FY 2025, the November Plan reduces City funding by $123 million ($119 million in asylum seeker savings) and State funding by $43 million and increases federal funding by $59 million to reimburse NYC Health + Hospitals (H+H) for its participation in the City's asylum seeker response. H+H is one of the largest providers of assistance for asylum seekers and reduced spending permitted the City to reduce the associated funding as these costs are fully covered according to a memorandum of understanding with the City.

The November Plan also adds City funds to cover the costs associated with the opening of the outposted therapeutic housing units at Bellevue Hospital of $4.5 million in FY 2025, increasing to $8.4 million by FY 2028. The secure units will house people in custody with serious medical, mental health and substance use needs and are expected to open in the spring of 2025. Additional units are expected to open at Woodhull and North Central Bronx hospitals. The City transferred $72 million in federal funding from FY 2024 to FY 2025 for COVID-19 Test & Trace expenses and backfilled with City funding. Further, the City added funding to cover the full costs of recent collective bargaining arrangements.

In September 2021, the Public Health Corps (PHC) was established as a network of public health workers to promote health equity for communities hit hardest by the COVID-19 pandemic, in a collaboration between H+H and the Department of Health and Mental Hygiene (DOHMH). The PHC was budgeted with City funds at $45.2 million in FY 2024 ($32.7 million for H+H) and $32.7 million in FY 2025, which is solely budgeted for H+H. The City has not provided additional City funds for the DOHMH to run the PHC in the current fiscal year and H+H will no longer receive City funds starting in FY 2026. DOHMH and H+H will have to find alternative sources of funding or modify the program.

On May 6, 2024, the City released its most recent financial plan for H+H, the FY 2025 executive cash financial plan (May Plan). H+H adjusted its plan to account for increased personnel costs, updates to its strategic initiatives and SFY 2025 budget impact. For these financial plan updates and adjustments made to the receipt of supplemental Medicaid funding in the City's plan, see OSC's report on the April 2024 Plan. Following the release of the H+H's May Plan, adjustments were made in the City's adopted FY 2025 Plan that minimally impacted its bottom line.

H+H relies on significant revenue from the Medicaid program (nearly 70 percent of patient care revenue) and any future programmatic or reimbursement changes imposed by the State or federal governments could impact its financial condition.

New York City Housing Authority

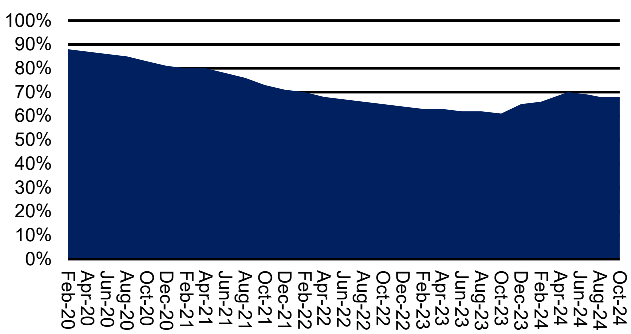
The City's November Plan includes a $617 million subsidy for NYCHA for 2025, an increase of $210 million from the April Plan. The bulk of these additional funds, $150 million, come in the form of federal American Rescue Plan (ARP) tenant rent relief.

Of the $617 million in funding, the city-funded portion makes up $304 million, or 49 percent, with the balance funded from federal monies. These include the ARP funds (24 percent), Community Development Block Grant–Disaster Recovery (CDBG-DR) funds (20 percent), CDBG funds (7 percent), and a small amount of Other Categorical funding (less than 1 percent).

Despite State aid for tenants to reduce rental arrears, rental collection at NYCHA remains a major fiscal concern for the Authority. Tenant rent in arrears totaled $501 million as of October 31, 2024, up from $492 million in December of 2023 and four times the $125 million total in December of 2019. Approximately 67,000 NYCHA households, 46 percent, have outstanding unpaid rent.

NYCHA is currently collecting 67 percent of the annual rent it charges, an improvement on the 2023 collection rate of 64 percent, but still well below the 88 percent collection rate in 2019 (see Figure 32). An average of between $7 million and $8 million is added to the total arrears balance each month.

FIGURE 32
NYCHA's Rent Collection Rate



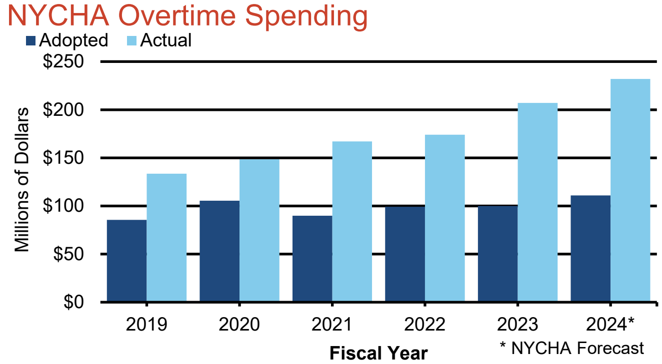
Sources: New York City Housing Authority; OSC analysis

To help offset the financial impact on the Authority, the State has provided NYCHA with $161 million in Emergency Rental Assistance Program funds to date, $150 million of which has been credited to 25,320 tenant accounts between November 2023 and November 2024. In October 2024, NYCHA announced an additional $185 million in rental assistance. These subsidies, expected to be distributed throughout 2025, include a combination of State COVID Rental Assistance and the Federal ARP funds discussed earlier. NYCHA's 2025 budget conservatively estimates only $125 million of the approved $150 million in ARP funding will pass through to the Authority.

Also of note is NYCHA's anticipated 2024 overtime spending of $232 million, nearly $100 million more than the $134 million spent in 2019 (see Figure 33). This represents a 42 percent spending increase, despite a staffing increase of just 3 percent between 2019 and early 2024. The Authority has budgeted $182 million for overtime in each year of its financial plan, nearly $70 million more than was initially budgeted in 2024, but $52 million less than the current 2024 spending projection.

NYCHA's 2024 Five-Year Plan predicted budget shortfalls of $64 million in 2026 and $22 million in 2027, as well as a $12 million budget surplus in 2028. NYCHA's 2025 Five-Year Plan now predicts budget shortfalls of $217 million in 2026, $192 million in 2027, and $182 million in 2028, as overtime and fringe costs have been adjusted upwards.

FIGURE 33
NYCHA Overtime Spending



Sources: New York City Housing Authority; New York City Council; OSC analysis

IX. Other Issues

Budgetary Flexibility

For details on the various mechanisms that New York City uses to create budgetary flexibility, see OSC's review of the June 2024 Plan. Below are highlights of the City's budgetary cushion of nearly $8.5 billion (10 percent of city-funded spending in FY 2025, excluding contingent reserves), which may be utilized to help close future budget gaps.

The November Plan did not change the City's general reserve of $1.2 billion and Capital Stabilization Reserve of $250 million in each year beginning in FY 2025. These contingent reserves represent 1.8 percent of planned city-funded spending in FY 2025, still relatively high historically at this point in the year. If left unused, these reserves can be used to create future budgetary flexibility.

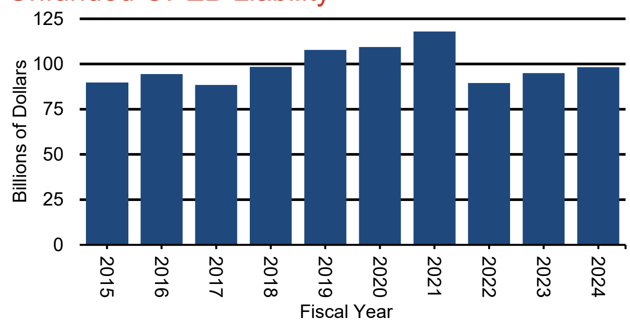
As of June 30, 2024, the RDF balance stood at $1.96 billion, virtually unchanged since 2022 as the City made no discretionary transfers into the fund in fiscal years 2023 and 2024. The balance held in the Retiree Health Benefits Trust (RHBT), used to fund the cost of Other Post-Employment Benefits (OPEBs), stood at $5 billion at the end of FY 2024, the highest level on record. The growth in FY 2024 (after adjusting for prepayments in FY 2023) was driven by investment earnings, which have risen sharply over the past two years. The November Plan does not assume any discretionary transfers to the RDF or RHBT over the financial plan period.

The City has in the past made use of prepayments of future expenses before June 30 to help balance future budgets. This amount has declined from $6.1 billion in FY 2022 to $5.5 billion in FY 2023 and to $4.4 billion in FY 2024.

Post-Employment Benefits

The City's unfunded liability for OPEBs, such as retiree health care, rose by nearly $3.3 billion to $98.2 billion in FY 2024 (see Figure 34). The increase is driven mainly by the cost attributed to employee services provided in that year and interest expense on the unfunded liability. The RHBT would fund 4.9 percent of its total OPEB liability. The City, like many employers, does not fund its OPEB liability on an actuarial basis but rather pays the annual cost of benefits to current retirees on a pay-as-you-go basis.

FIGURE 34
Unfunded OPEB Liability



Sources: NYC Actuary; OSC analysis

Prior Years' Expenses

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

Between fiscal years 2015 through 2024, the City realized an average benefit of $277 million annually from overestimating prior years' payables and from underestimating prior years' receivables. The City realized a net benefit of $557 million in FY 2024, mostly from an overestimation of prior-year expenses for contractual services, offset in part by a write-down of federal and State aid concentrated in social services and education.

Appendix A: City-Funded Agency Spending Trends

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

	Final June Plan		FY 2025 November Plan				FY19-FY 24 CAGR	FY25-FY 28 CAGR
	FY 2019	FY 2024 (adj.)	FY 2025 (adj.)	FY 2026 (adj.)	FY 2027 (adj.)	FY 2028		
Agency Expense								
Uniformed Forces								
Police	5,321	6,088	5,707	5,847	5,988	5,989	2.7%	1.6%
Fire	1,855	2,388	2,115	2,153	2,150	2,146	5.2%	0.5%
Correction	1,368	1,241	1,141	1,197	1,246	1,368	-1.9%	6.2%
Sanitation	1,746	1,552	1,731	1,916	1,973	1,990	-2.3%	4.8%
Subtotal	**10,290**	**11,269**	**10,694**	**11,113**	**11,357**	**11,493**	**1.8%**	**2.4%**
Health and Welfare								
Social Services	7,729	9,017	9,998	9,126	9,627	10,037	3.1%	0.1%
Homeless Services	1,339	2,020	1,416	1,428	1,467	1,476	8.6%	1.4%
Health and Mental Hygiene	860	1,111	1,177	1,123	1,129	1,123	5.3%	-1.6%
Children's Services	1,069	990	939	914	922	921	-1.5%	-0.7%
All Other	1,810	2,805	3,092	2,835	2,947	3,007	9.2%	-0.9%
Subtotal	**12,806**	**15,942**	**16,623**	**15,426**	**16,092**	**16,563**	**4.5%**	**-0.1%**
Education[23]								
Education	13,590	14,929	16,892	17,552	18,542	19,278	1.9%	4.5%
City University	858	850	975	952	970	987	-0.2%	0.4%
Subtotal	**14,448**	**15,779**	**17,867**	**18,504**	**19,512**	**20,265**	**1.8%**	**4.3%**
Other Agencies								
Environmental Protection	1,222	1,567	1,616	1,575	1,568	1,568	5.1%	-1.0%
Transportation	616	857	875	902	902	893	6.8%	0.7%
Parks and Recreation	432	517	555	546	548	548	3.7%	-0.4%
Citywide Admin Services	331	460	452	418	410	407	6.8%	-3.4%
Housing Pres. and Dev.	242	458	519	535	552	555	13.6%	2.3%
All Other	3,179	4,005	4,144	3,641	3,642	3,641	4.7%	-4.2%
Subtotal	**6,022**	**7,865**	**8,162**	**7,618**	**7,621**	**7,613**	**5.5%**	**-2.3%**
Elected Officials	**709**	**949**	**968**	**970**	**970**	**971**	**6.0%**	**0.1%**
General Reserve	**20**	**20**	**1,200**	**1,200**	**1,200**	**1,200**	**0.0%**	**0.0%**
Agency Total	**44,295**	**51,823**	**55,514**	**54,831**	**56,752**	**58,105**	**3.2%**	**1.5%**
Other Expense								
Pension Contributions	9,801	9,191	9,923	10,704	10,769	11,611	-1.3%	5.4%
Miscellaneous[24]	7,661	10,804	11,754	12,237	13,069	14,374	7.1%	6.9%
Debt Service	6,155	6,627	3,439	8,624	9,463	10,400	1.5%	44.6%
All Other	(400)	(400)	(168)	191	337	500	0	0
Subtotal	**23,217**	**26,222**	**24,949**	**31,756**	**33,638**	**36,885**	**2.5%**	**13.9%**
Total Expenditures	**67,512**	**78,046**	**80,463**	**86,587**	**90,390**	**94,989**	**2.9%**	**5.7%**
Asylum Seekers City Funds		2,327	2,996	2,942	2,000	500		
Total City Funds	**67,512**	**80,373**	**83,459**	**89,529**	**92,390**	**95,489**	**3.5%**	**4.6%**

Note: Columns may not add due to rounding.
Source: NYC Office of Management and Budget

[23] The Department of Education and City University plan numbers include fringe benefits.
[24] Adjusted to exclude Criminal Justice and Indigent Defense contracts that were previously budgeted in Miscellaneous (FY 2019–FY 2024). Criminal Justice and Indigent Defense contracts are included under "All Other" agency expense.

Appendix B: Full-Time Staffing Levels

(Number of full-time employees)

	Actual	Actual	Forecast	Nov Plan	Variance – Better/(Worse) September 2024 Actual to June 2025 Forecast		
	June 2020	Sep 2024	June 2025	June 2026	City Funds	Non-City Funds	Total Funds
Public Safety	85,806	77,547	80,988	80,969	3,588	(147)	3,441
Police Uniformed	35,910	33,560	35,001	35,001	1,441	0	1,441
Civilian	15,519	12,988	13,883	13,875	1,072	(177)	895
Fire Uniformed	11,047	10,862	10,952	10,952	84	6	90
Civilian	6,366	6,322	6,226	6,225	(77)	(19)	(96)
Correction Uniformed	9,237	5,925	7,060	7,060	1,136	(1)	1,135
Civilian	1,741	1,514	1,751	1,746	234	3	237
District Attys. & Prosec.	4,843	5,449	5,002	5,002	(389)	(58)	(447)
Probation	1,116	902	1,081	1,079	80	99	179
Board of Correction	27	25	32	29	7	0	7
Health & Welfare	**27,878**	**25,471**	**27,910**	**27,469**	**1,151**	**1,288**	**2,439**
Social Services	12,330	10,973	12,159	11,991	261	925	1,186
Children's Services	7,039	6,483	7,028	7,027	453	92	545
Health & Mental Hygiene	5,530	5,400	5,872	5,617	267	205	472
Homeless Services	2,119	1,777	1,918	1,885	160	(19)	141
Other	860	838	933	949	10	85	95
Environment & Infra.	**26,365**	**26,394**	**27,434**	**27,318**	**(372)**	**1,412**	**1,040**
Sanitation Uniformed	7,755	8,236	7,955	7,846	(281)	0	(281)
Civilian	2,107	1,729	1,632	1,632	(108)	11	(97)
Transportation	5,120	5,221	5,828	5,814	197	410	607
Parks & Recreation	4,236	4,593	4,502	4,536	(173)	82	(91)
Environmental Protection	5,891	5,517	6,334	6,307	(8)	825	817
Other	1,256	1,098	1,183	1,183	1	84	85
General Government	**12,634**	**11,362**	**12,572**	**12,257**	**971**	**239**	**1,210**
Finance	1,996	1,643	1,994	1,993	339	12	351
Law	1,713	1,423	1,429	1,485	1	5	6
Citywide Admin. Svcs.	2,403	2,008	2,398	2,394	279	111	390
Taxi & Limo. Comm'n.	584	406	555	546	149	0	149
Investigations	361	264	300	283	36	0	36
Board of Elections	682	701	517	517	(184)	0	(184)
Info. Tech. & Telecomm.	1,673	1,502	1,527	1,510	16	9	25
Other	3,222	3,415	3,852	3,529	335	102	437
Housing	**4,088**	**3,889**	**4,472**	**4,470**	**320**	**263**	**583**
Buildings	1,676	1,509	1,735	1,739	225	1	226
Housing Preservation	2,412	2,380	2,737	2,731	95	262	357
Dept. of Education	**134,684**	**132,990**	**138,083**	**135,717**	**3,701**	**1,392**	**5,093**
Pedagogues	121,077	119,946	125,188	123,369	3,802	1,440	5,242
Non-Pedagogues	13,607	13,044	12,895	12,348	(101)	(48)	(149)
City University of NY	**6,288**	**5,686**	**6,024**	**6,024**	**338**	**0**	**338**
Pedagogues	4,545	4,203	4,289	4,289	86	0	86
Non-Pedagogues	1,743	1,483	1,735	1,735	252	0	252
Elected Officials	**2,703**	**2,532**	**2,816**	**2,799**	**211**	**73**	**284**
Total	**300,446**	**285,871**	**300,299**	**297,023**	**9,908**	**4,520**	**14,428**

Sources: NYC Office of Management and Budget; OSC analysis

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