Review of the Financial Plan of the City of New York

Report 23-2025

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

Rahul Jain, Deputy Comptroller

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Message from the Comptroller

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

Recent fiscal improvement provides the City with an opportunity to manage elevated demand for programs, especially given that certain industry sectors have not fully recovered. With escalating uncertainty in the federal funding environment — which could lead the State to make choices to balance its budget that pressure local government finances — preparation and transparency remain paramount to navigate the future. Codifying plans to bolster reserve levels for a rainy day, in particular, would be a fiscally prudent step. Greater transparency over future funding scenarios would also help the public understand what is at stake for City services and the choices it faces.

In the case of stable federal and State funding, prudent fiscal management should also allow the City to attend to its operational needs to ensure it can continue to encourage employment and business growth, enhancing its economic and tax revenue base. Monitoring of City staffing and performance remains critical for ensuring basic services are provided on an efficient basis 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

New York City released its preliminary fiscal year (FY) 2026 budget and five-year financial plan on January 16, 2025 (see Figure 1). The City increased its expectations for its surplus in FY 2025 to $2.34 billion, which is being used to fund prepayments that will help balance its $116.9 billion FY 2026 budget. The FY 2025 surplus was able to be generated despite substantial additions in spending, amounting to more than $3.9 billion since the beginning of the fiscal year, inclusive of programming restorations.

Improved fiscal conditions are mainly the result of stronger tax revenue projections and a reduction in the cost of providing services to asylum seekers, the latter of which has been fueled by a steady decline in the population served in recent months. Since budget adoption, the City has updated FY 2025 projections to include $1.4 billion in higher revenues, $1.5 billion in asylum seeker savings and $400 million in lower-than-expected collective bargaining costs. Including a $1.4 billion drawdown of in-year (contingency) reserves, a common feature in City budgeting at this point in the fiscal year, all offset substantial additional spending needs and allowed the City to create the surplus used for prepayments.

In addition to the prepayments for FY 2026, the City also added $2 billion in revenue and reduced asylum seeker spending by $1.4 billion planned in FY 2026, which helped the City close a gap that was $5.5 billion at the beginning of the current fiscal year, FY 2025. While the identification of these additional resources suggests a positive trajectory for the City's budget, recent fiscal practices to underbudget certain spending items continues in FY 2026.

The City added $3.7 billion to address new fiscal needs in FY 2025 since the beginning of the fiscal year, much of which has gone toward nondiscretionary spending such as public assistance, rental assistance, special education services, charter school funding and subsidies for the Metropolitan Transportation Authority (MTA). However, the City has added only $831 million for new agency needs in FY 2026, leaving the majority of these expenses unaddressed. This suggests the City will once again have to identify additional resources to fund these expenses next year.

This persistent underbudgeting creates budgetary risks in the City's financial plan, which OSC projects will near $3.6 billion in as yet unbudgeted spending in FY 2026 (see Figure 2). However, offsetting these risks is nearly $1 billion in additional tax revenue that OSC projects the City is likely to receive, barring a recession, and $1.1 billion less on spending on asylum seeker services than the City currently projects. Overall, OSC anticipates the City will have a manageable $2.6 billion budget gap that may emerge in FY 2026 (see Figure 3). As the City updates its projections as the current fiscal year draws to a close, it should be realistic in its projection of spending on these items to improve transparency.

This transparency will enable honest conversation on the City's fiscal position and its ability to fund discretionary programs which may be popular, but for which the City is not legally or contractually obligated to provide. These include over $600 million in services which are currently not funded at FY 2025 levels in the coming years, including special education Pre-Kindergarten, arts funding, early childhood education expansions, the Community Care Plan at the Department for the Aging, Fair Fares expansion, additional litter basket service, MetroCards for summer youth employment participants, and mobile health treatment, to name a few. OSC anticipates that some of these programs will eventually be funded once resources are identified over the remainder of the current fiscal year.

Greater transparency about the status of funding of these programs provides greater certainty to agencies, non-profit providers and residents who rely on these services. Transparency would also enable the City to explain why, despite revenues surpassing projections consistently since the beginning of the pandemic, the City has stopped depositing additional funds in its rainy-day fund since FY 2022.

The City faces heightened fiscal uncertainty pending the outcome of upcoming federal budget negotiations and the result of a comprehensive federal assistance funding review conducted by the new federal administration to identify grant programs which are implicated by the President's recent executive actions. While federal receipts account for a relatively small portion of the City government's FY 2026 operating budget (6.4 percent, or $7.4 billion), significantly more federal funding flows through the State, including more than $30 billion in Medicaid expenditure, or directly to New York City residents. Federal trade, industrial, and immigration policy choices could also disrupt local economic conditions.

While the rainy-day fund could not be used to plug recurring changes to federal and State funding sources, it may be used as part of a comprehensive plan to manage short-term uncertainty without impacting core services, should those risks arise. Given the recent unpredictability of federal fiscal and economic policy choices, the City should be preparing for scenarios where all of its resources — federal, State and locally-derived — may be impacted. This approach would also help prepare the public for budget allocation choices the City may have to make. 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. As a share of spending, the nearly $2 billion in funds in the City's Rainy-Day Fund (RDF) would equal 1.7 percent of total planned spending in FY 2025, slightly down from 1.8 percent in FY 2023.

Greater transparency would also provide more specificity over the challenges the City faces in the outer-years of the financial plan. The City's gaps in fiscal years 2027 through 2029 are smaller than in June of last year at budget adoption, mostly due to the same factors — stronger revenues and lower asylum seeker spending. However, when including budgetary risks, OSC projected gaps in fiscal years 2027 through 2029 rise from $7.6 billion to $9.9 billion, respectively, substantially larger than those projected by the City at this time. These gaps grow despite OSC's expectation that revenues will continue to come in at an average of $1.4 billion higher than the City's current projections.

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. Greater transparency on what those challenges are and additions to reserves, if possible, 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	FY 2028
Revenues					
Taxes					
General Property Tax	$ 34,223	$ 34,839	$ 35,831	$ 36,659	$ 37,491
Other Taxes	43,364	44,409	45,429	46,975	49,047
Tax Audit Revenue	773	773	773	773	773
Subtotal: Taxes	$ 78,360	$ 80,021	$ 82,033	$ 84,407	$ 87,311
Miscellaneous Revenues	8,328	7,901	7,837	7,866	7,899
Unrestricted Intergovernmental Aid	16	- - -	- - -	- - -	- - -
Less: Intra-City Revenue	(2,058)	(1,808)	(1,796)	(1,791)	(1,791)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Subtotal: City Funds	$ 84,631	$ 86,099	$ 88,059	$ 90,467	$ 93,404
Other Categorical Grants	1,186	1,116	1,111	1,109	1,108
Inter-Fund Revenues	766	777	778	778	778
Federal Categorical Grants	9,689	7,371	7,190	7,244	7,305
State Categorical Grants	20,220	19,161	19,185	18,680	18,843
Total Revenues	$ 116,492	$ 114,524	$ 116,323	$ 118,278	$ 121,438
Expenditures					
Personal Service					
Salaries and Wages	$ 32,834	$ 34,019	$ 34,956	$ 35,897	$ 36,688
Pensions	10,071	10,574	10,927	11,770	11,312
Fringe Benefits	14,022	14,688	15,264	15,875	16,515
Subtotal: Personal Service	$ 56,927	$ 59,281	$ 61,147	$ 63,542	$ 64,515
Other Than Personal Service					
Medical Assistance	6,743	6,583	6,733	6,883	7,033
Public Assistance	2,570	1,650	2,000	2,463	2,905
All Other	46,453	40,896	41,467	40,602	41,010
Subtotal: Other Than Personal Service	$ 55,766	$ 49,129	$ 50,200	$ 49,948	$ 50,948
Debt Service	7,860	8,816	9,569	10,510	11,397
FY 2023 Budget Stabilization & Discretionary Transfers	(4,397)	- - -	- - -	- - -	- - -
FY 2024 Budget Stabilization	2,344	(2,344)	- - -	- - -	- - -
Capital Stabilization Reserve	- - -	250	250	250	250
General Reserve	50	1,200	1,200	1,200	1,200
Less: Intra-City Expenses	(2,058)	(1,808)	(1,796)	(1,791)	(1,791)
Total Expenditures	$ 116,492	$ 114,524	$ 120,570	$ 123,659	$ 126,519
Gap to be Closed	$ - - -	$ - - -	$ (4,247)	$ (5,381)	$ (5,081)

Source: NYC Office of Management and Budget

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

		Better/(Worse)			
	FY 2025	**FY 2026**	**FY 2027**	**FY 2028**	**FY 2029**
Gaps Per NYC Financial Plan	**$ - - -**	**$ - - -**	**$ (4,257)**	**$ (5,381)**	**$ (5,081)**
Revenues					
Tax Revenue	$ 160	$ 1,054	$ 1,242	$ 1,472	$ 1,792
Miscellaneous Revenue	100	- - -	- - -	- - -	- - -
Subtotal Revenue	**$ 260**	**$ 1,054**	**$ 1,242**	**$ 1,472**	**$ 1,792**
Expenditures					
Variable Rate Debt Service Savings	75	- - -	- - -	- - -	- - -
Debt Refunding	6	27	27	27	27
Payroll Savings	325	- - -	- - -	- - -	- - -
Operating Subsidies to the MTA	- - -	(298)	(479)	(539)	(539)
Health Insurance	(587)	(112)	(112)	(112)	(112)
Social Services	(295)	(2,190)	(2,380)	(2,431)	(2,436)
Uniformed Agency Overtime	(784)	(837)	(828)	(831)	(830)
Department of Education (Summarized)	(155)	(1,133)	(1,768)	(2,365)	(2,407)
Early Intervention	- - -	(65)	(76)	(76)	(76)
School Health (Article 6) Programs	- - -	(36)	(36)	(36)	(36)
DOHMH School Nurses	- - -	(60)	(60)	(60)	(60)
Supportive Housing	- - -	(64)	(64)	(64)	(64)
DYCD Summer Rising	- - -	- - -	(20)	(20)	(20)
Residual Services for Asylum Seekers	- - -	1,130	1,199	98	(57)
Subtotal Expenditures[1]	**$ (1,415)**	**$ (3,638)**	**$ (4,597)**	**$ (6,410)**	**$ (6,610)**
OSC Risk Assessment	**$ (1,155)**	**$ (2,584)**	**$ (3,355)**	**$ (4,938)**	**$ (4,818)**
Potential Gaps Per OSC[2,3,4]	**$ (1,155)**	**$ (2,584)**	**$ (7,602)**	**$ (10,319)**	**$ (9,899)**

[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.

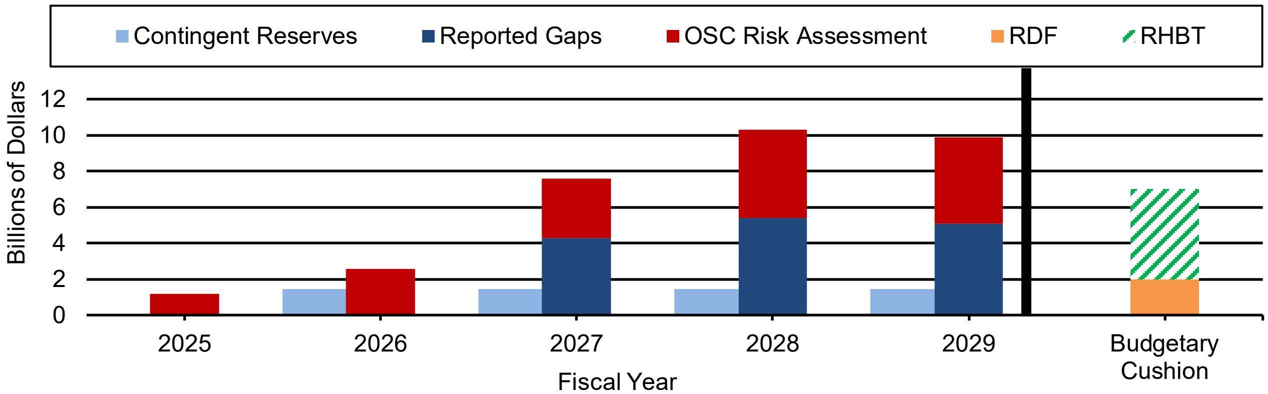
[2] January Plan gaps are inclusive of a general reserve of $50 million in FY 2025 and $1.2 billion in each of fiscal years 2026 through 2029. In addition, the Capital Stabilization Reserve has a balance of $250 million in each of fiscal years 2026 through 2029. The January Plan also includes reserves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

[3] State law requires surplus resources accumulated by the City to be deposited into its Revenue Stabilization Fund. As of FY 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. Sources: NYC Office of Management and Budget; OSC analysis

II. Economic Trends

National Economy

The national economy continues to show signs of resiliency despite cracks that showed periodically through last year, in the labor and financial markets. However, actions taken by the new federal administration could create substantial uncertainty for global trade and national industrial and labor policy, including changes to tariffs on goods and services, immigration policy, federal procurement and grantmaking, and banking and corporate rulemaking. While the economy grew at a strong pace in 2024 as inflation continued to retreat, substantial changes to national policies in those areas could pose a threat to price stability, population growth, data-driven research and productivity.

Real gross domestic product (GDP) grew by 2.8 percent in 2024, supported by strong consumer spending. The City expects U.S. GDP to grow by only 2 percent in each of 2025 and 2026, in alignment with S&P Global, an economic forecasting company. While the City's January economic forecast is stronger than in April of last year, it reasonably expects GDP growth to lag behind the annual average from 2010 to 2019 amid an uncertain economic environment.

Relevant economic data continues to show a mixed picture. In January 2025, the nation added 143,000 jobs, and the unemployment rate dropped to 4 percent. As of January 2025, inflation rose as the consumer price index grew by 3 percent year-over-year compared to 2.9 percent in December.

These conflicting data points suggest the Federal Reserve may continue to exercise caution in cutting rates this year and beyond. As of December 2024, the Federal Reserve expects to cut rates two times in 2025. As of January 2025, the Federal Reserve maintains a federal funds rate range of 4.25 percent to 4.50 percent.

An uncertain fiscal and economic environment makes it difficult to determine the course of monetary policy especially given the wide range of rate cut scenarios presented by analysts and the Federal Reserve last year. Given a still-strong jobs and wages report and continued progress on inflation, the expectation is for borrowing costs to remain high for longer than previously expected. However, new fiscal and economic information — pertaining to the extension and expansion of the 2017 Tax Cuts and Jobs Act, further tariff implementation and continued arrests and deportation of immigrants — will also continue to shape the outlook.

City Economy

In December 2024, City employment reached 4.83 million jobs. While the City has continued to add jobs, certain industry sectors continue to struggle as others have been impacted negatively by interest rates that remain elevated (see Figure 4). Among those struggling, the manufacturing industry lost over 17 percent of its jobs between 2019 and 2024, followed by the construction industry at over 16 percent and the trade, transportation and utilities industry at over 8 percent. The information, financial activities and professional and business services industries all lost jobs in 2024, and information sector jobs are still behind their pre-pandemic level.

One bright spot continues to be the securities industry, which saw profits of about $35.6 billion through the first three quarters of 2024. The City expects profits to reach nearly $48 billion for the year, a reasonable assumption given the strength of the prior three quarters. Stronger-than-expected Wall Street profitability should boost personal and business income taxes.

FIGURE 4
Employment by Industry Sector in New York City

	2019	2023	2024	Percent Change, 2019 to 2023	Percent Change, 2023 to 2024	Percent Change, 2019 to 2024
Construction	161,283	143,000	134,983	-11.3%	-5.6%	-16.3%
Manufacturing	68,133	57,742	56,408	-15.3%	-2.3%	-17.2%
Trade, Transportation, and Utilities	636,442	586,558	583,625	-7.8%	-0.5%	-8.3%
Information	220,575	223,183	211,875	1.2%	-5.1%	-3.9%
Financial Activities	485,125	501,900	501,250	3.5%	-0.1%	3.3%
Professional and Business Services	772,342	798,858	792,533	3.4%	-0.8%	2.6%
Private Education and Health Services	1,055,367	1,175,525	1,256,900	11.4%	6.9%	19.1%
Leisure and Hospitality	468,075	434,175	450,733	-7.2%	3.8%	-3.7%
Other Services	195,675	181,850	183,050	-7.1%	0.7%	-6.5%
Government	587,108	567,542	574,575	-3.3%	1.2%	-2.1%

Sources: New York State Department of Labor, Current Employment Statistics

Another bright spot is the tourism industry, which has benefited most related sectors including arts, entertainment and recreation. Broadway attendance well exceeded its pre-pandemic level at the end of last year as restaurant dining continued to show strength. Robust consumer spending on recreation generally has slowed from the pandemic recovery period, however, as consumers take on greater debt.[5] Consumer spending could face further headwinds from federal and monetary policy amid new price pressures and elevated borrowing costs.

Additionally, while the City expects the office vacancy rate to have peaked in 2024 at 22.7 percent, commercial real estate continues to pose a challenge to market values, especially for lower-quality buildings. Based on the fiscal year 2026 tentative property tax assessment roll, while market values for office buildings overall grew by 2.2 percent, those for Class A office buildings grew by 3.5 percent and those for Class B fell by 6.4 percent. Market conditions vary significantly by property class as well as by neighborhood.[6] Monetary policy choices may have implications for the commercial real estate sector as well, as the pace of rate cuts will dictate the timing of purchase and/or modernization of buildings. Meanwhile, residential real estate continued to fare well, with market values for Class 1 properties growing by 5.8 percent and those for Class 2 properties growing by 7.3 percent.

[5] Federal Reserve Bank of New York, "Household Debt and Credit Report," Q3 2024, https://www.newyorkfed.org/microeconomics/hhdc.

[6] 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. The City now projects a $2.34 billion surplus in FY 2025, eliminated the budget gap in FY 2026 and reduced out-year gaps by more than $1 billion each in fiscal years 2027 and 2028. Fiscal improvement is due to increasing revenue projections by $6 billion and lowering projected spending for asylum seekers by $3.3 billion through FY 2028 (see Figure 5). Planned budget gaps have shrunk despite adding substantial new agency needs, which totaled $3.7 billion in FY 2025, then drop to $831 million in FY 2026, and about $650 million in each subsequent year.

The City now anticipates $2.34 billion in surplus funds in FY 2025 to prepay future expenses in FY 2026. In addition to higher revenue and asylum savings, the surplus was fueled by a $1.4 billion drawdown of contingent reserves in the current fiscal year, pension savings from the elimination of a reserve to fund potential changes that could arise from audit recommendations and lower-than-expected collective bargaining costs.

Positive changes in forecasted revenues since June are mostly driven by taxes, which were adjusted upward by $1.3 billion in FY 2025, nearly $2 billion in FY 2026, and an average of $1.2 billion in the out-years. The largest upward adjustment was for business taxes, with smaller adjustments to property taxes in all years and personal income tax in fiscal years 2025 and 2026 only. Non-tax revenue projections increased mostly from interest income. Separately, the Plan incorporated the proposed “Axe the Tax” program, which would provide tax credit relief at a cost to the City averaging $65 million annually beginning FY 2026.

The FY 2025 Savings Program consists predominantly of reductions to asylum seeker costs, including $2.9 billion in savings through FY 2026 due to the decline in the number of people in the City’s care. The City also assumed the receipt of $118 million in federal funds to help offset these costs, which OSC notes are at risk. The City also added savings from debt service and projected underspending for certain costs. Savings were offset by restored funding for two Police Academy classes and the Summer Rising program for FY 2026, which were canceled as part of the FY 2024 PEG.

The majority of new agency needs did not receive recurring funding, leaving budgetary risks and fiscal cliffs in the out-years (see Figure 6). The largest one-time adds were at the social service agencies and the Department of Education (DOE) for expenses likely to recur. The City did add recurring funding for DOE Carter cases ($159 million annually, which partially address OSC-projected need), the Department of Homeless Services (DHS) expansion of Safe Haven and shelter outreach ($116 million annually), child care costs at the Administration for Children’s Services (ACS) ($65 million annually), and other initiatives.

Net of all changes, the City’s stated out-year gaps with contingencies now total $14.7 billion over the three years including FY 2029, averaging 5.4 percent of City fund revenues, an improvement from budget adoption, when these gaps averaged 6.8 percent.

However, the City’s continued practice of addressing underbudgeted costs one year at a time would indicate that the published out-year gaps are understated. In each year since FY 2021, new agency needs added in-year have exceeded the City’s contingencies, which remain at $1.45 billion for each year of the plan.

FIGURE 5

Financial Plan Reconciliation — City Funds
January 2025 Plan vs. June 2024 Plan
(in millions)

	Better/(Worse)			
	FY 2025	**FY 2026**	**FY 2027**	**FY 2028**
Projected Gaps Per June 2024 Plan	**$ - - -**	**$ (5,503)**	**$ (5,592)**	**$ (6,469)**
Updated Tax Estimates				
Business Taxes	1,087	1,575	1,012	1,017
General Property Taxes	59	209	163	299
Personal Income	124	210	- - -	- - -
Hotel Taxes	18	26	38	10
Sales Taxes	(83)	(71)	(40)	(42)
Real Estate Transaction Taxes	(24)	(17)	(53)	(58)
Other Taxes	131	109	142	117
Planned Tax Expenditures, Personal Income	- - -	(63)	(65)	(68)
Subtotal	**1,312**	**1,978**	**1,197**	**1,275**
All Other Revenue Reestimates	**116**	**45**	**40**	**38**
Total Revenue Reestimates	**1,428**	**2,023**	**1,237**	**1,313**
Contingent Reserves	**1,400**	- - -	- - -	- - -
Asylum Seeker Savings- City Funds	**1,526**	**1,399**	**400**	**- - -**
Other Savings Program				
Agency Savings	316	56	56	56
Debt Service	221	46	11	(104)
Subtotal	**537**	**101**	**66**	**(48)**
New Agency Needs	**(3,736)**	**(831)**	**(649)**	**(655)**
Updated Estimates				
Collective Bargaining	400	- - -	- - -	- - -
Pension Contributions	276	519	351	542
Prior-Year Restorations	(139)	(41)	(55)	(51)
Prior-Years' Expenses	550	- - -	- - -	- - -
All other	102	(10)	(4)	(13)
Subtotal	**1,189**	**468**	**292**	**478**
Total Expense Reestimates	**916**	**1,136**	**109**	**(225)**
Net Change	**2,344**	**3,159**	**1,346**	**1,087**
Gaps to Be Closed Before Prepayment	**$ 2,344**	**$ (2,344)**	**$ (4,246)**	**$ (5,382)**
FY 2025 Prepayment of FY 2026 Expenses	(2,344)	2,344	- - -	- - -
Gaps to Be Closed Per November 2024 Plan	**$ - - -**	**$ - - -**	**$ (4,246)**	**$ (5,382)**

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

FIGURE 6

City-Funded New Needs Identified Since June 2024

(in thousands)

Agency	Description	FY 2025	FY 2026	FY 2027	FY 2028
Dept. of Social Services	Cash Assistance	467,600	- - -	- - -	- - -
	Rental Assistance	439,969	- - -	- - -	- - -
	All Other	1,650	- - -	- - -	- - -
	Subtotal	**909,219**	- - -	- - -	- - -
Dept. of Education	Carter Cases	275,000			
	Nurses	129,000	- - -	- - -	- - -
	Charter Schools	87,000	- - -	- - -	- - -
	Maintain Tech Funding	80,000	- - -	- - -	- - -
	Maintain Nurses Funding	65,000	- - -	- - -	- - -
	All Other	4,000	- - -	- - -	- - -
	Subtotal	**640,000**	- - -	- - -	- - -
Dept. of Homeless Services	Shelter Costs	554,232	- - -	- - -	- - -
	Subtotal	**554,232**	- - -	- - -	- - -
Miscellaneous	MTA Subsidy	241,006	- - -	- - -	- - -
	Subtotal	**241,006**	- - -	- - -	- - -
Dept. Health & Mental Hygiene	School Health	96,250	- - -	- - -	- - -
	Supportive Housing	64,200	- - -	- - -	- - -
	Early Intervention	55,100	- - -	- - -	- - -
	All Other	7,250	- - -	- - -	- - -
	Subtotal	**222,800**	- - -	- - -	- - -
Police Department	PS Adjustment	117,420	- - -	- - -	- - -
	Domain Awareness System	55,300	- - -	- - -	- - -
	All Other	9,000	- - -	- - -	- - -
	Subtotal	**181,720**	- - -	- - -	- - -
Admin. for Children's Services	State Mandate	138,800	- - -	- - -	- - -
	Subtotal	**138,800**	- - -	- - -	- - -
Fire Department	PS Adjustment	72,000	- - -	- - -	- - -
	OTPS Adjustment	29,000	- - -	- - -	- - -
	Subtotal	**101,000**	- - -	- - -	- - -
DOITT	CP Expense Costs	32,568	- - -	- - -	- - -
	CP Expense Funding	27,193	- - -	- - -	- - -
	Subtotal	**59,761**	- - -	- - -	- - -
Campaign Finance Board	Public Matching Fund	51,000	- - -	- - -	- - -
	Subtotal	**51,000**	- - -	- - -	- - -
All Other	**Subtotal**	**138,273**	- - -	- - -	- - -
FY 2025 One-Time Funding		**3,237,811**	- - -	- - -	- - -
Other New Needs		**497,758**	**831,133**	**649,466**	**654,592**
Total New Needs		**3,735,569**	**831,133**	**649,466**	**654,592**

Sources: NYC Office of Management and Budget; OSC analysis

IV. State and Federal Actions

State Budget

The January Plan assumes the City would receive $19.2 billion in State categorical aid in FY 2026. On January 21, 2025, after the City released its January Plan, the State Executive Budget for State fiscal year (SFY) 2026, which begins on April 1, 2025, was released. On February 20, 2025, the 30-day amendments to the Executive Budget were released. On a net basis, OSC estimates that the proposal (including the amendments) would have a positive operating budget impact on the City, as compared to the SFY 2025 Enacted Budget, of $535 million in FY 2025 and $1.4 billion in FY 2026, mostly from higher school aid and changes to City pension contributions (see Figure 7).

FIGURE 7
NYS Executive Budget Impact on NYC
(in millions) Better/(Worse)

	FY 2025	FY 2026
School Aid	- - -	703
NYPD Subway Tours	19	58
Pensions (30-day Amendments)	514	756
Appointed Counsel	9	36
Subway Homeless	5	14
MTA Paratransit	- - -	(165)
Indigent Care Pool	(14)	(57)
Early Intervention	(5)	(20)
Other Changes	7	26
Net Operating Budget Impact	**$ 535**	**$ 1,351**
MTA Capital Program	(100)	(400)
Total Impact	**$ 435**	**$ 951**

Sources: NYS Division of the Budget; OSC analysis

The Executive Budget would provide no new State aid to the City for the costs of asylum seekers beyond SFY 2026. The January Plan assumes $1 billion from the State for asylum seekers in FY 2027 and $350 million in FY 2028 and FY 2029. However, given the decline in the asylum seeker population and the fact that the City has only recorded $1.8 billion of State aid for this purpose (leaving a balance of $1.4 billion) the City may not need these additional funds through FY 2027.

The largest source of better-than-anticipated funding for the City is for school aid. The City would receive $594 million more in school Foundation Aid in FY 2026 when compared to last State fiscal year and another $109 million in expense-based and categorical school aid. Together, these funds are $713 million more than the City has assumed in the January Plan in FY 2026. Other increases in funding include:

- Providing $19 million in FY 2025 and $58 million in FY 2026 (half of the total projected $154 million cost) to expand police patrols on the subways during overnight hours.
- Raising the rate the State pays for appointed counsel which would provide the City with $9 million more in FY 2025 and $36 million more in FY 2026.
- Increasing funding for outreach to the homeless on the subway ($5 million more in FY 2025 and $14 million more in FY 2026).
- Increasing funding for youth sports and development programming ($3 million in FY 2025 and $10 million in FY 2026.
- Increasing funding for road and highway maintenance ($3 million in FY 2025 and $10 million in FY 2026).

There are several proposals that would have a negative fiscal impact on the City. The State Executive Budget would also make permanent the requirement that the City pay the lesser of 80 percent of the net operating costs of the MTA's paratransit system or 50 percent of the net cost plus $165 million. This requirement was first implemented for FY 2024 and FY 2025, which the City funded (see the Semi-Autonomous Entities: Metropolitan Transportation Authority section for more details on the paratransit program).

The Executive Budget proposes to eliminate certain voluntary upper payment level payments to NYC Health + Hospitals (H+H) and discontinue Indigent Care Pool payments to H+H which is expected to cost the City $14 million in CFY 2025 and $57 million in CFY 2026.

Changes to the funding of Early Intervention programs are expected to have a net cost to the City of $5 million in FY 2025 and $20 million in FY 2026.

As part of the 30-day amendments to the Executive Budget, the Governor has proposed several changes to the actuarial methods used to determine employer contributions to three of the City's five actuarial pension systems. The changes include: re-amortizing the unfunded accrued liabilities (UAL) of the New York City Employees' Retirement System (NYCERS), the New York City Teacher's Retirement System (TRS), and the New York City Board of Education Retirement System (BERS) over a 20-year period; revising the method used for recognizing the impact of investment gains and losses on the actuarial asset value of the pension systems; and permitting the City Actuary to reset the UAL amortization schedule over a 20-year period under certain scenarios. As there are no proposed changes to the pension benefits, the legislation will have no impact on the present value cost of employee benefits. While the changes would generate significant short-term savings between fiscal years 2025 through 2033, planned contributions would be higher than assumed under current law in subsequent years. If implemented as proposed, the City would be able to reduce its pension contributions by an estimated $514 million in FY 2025, $756 million in FY 2026, $889 million in FY 2027, and by $1 billion in each of fiscal years 2028 and 2029.

There are other Executive Budget initiatives that the State did not quantify or which may not have a meaningful City operating budget impact. The State would provide $1.025 billion of capital funding for the City's City of Yes affordable housing program. The New York City Housing Authority (NYCHA) will receive $25 million of the total to rehabilitate vacant units to return them to occupancy.

The budget would also require the City to provide $3 billion for the MTA's 2025-2029 capital program. The State estimates the impact to the City would cost $100 million in FY 2025 and $400 million in FY 2026 but this funding would likely come from the City's capital budget, leading to a much smaller impact on the City's operating budget in those years.

As requested by the City, the Executive Budget included a tax credit that would eliminate personal income taxes for certain low-income New York City taxpayers. The State did not quantify this in its estimate of impacts to the City budget, but the January Plan estimates this will cost approximately $65 million annually.

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

The City would be authorized to establish a surcharge for the issuance of permits to occupy a street or sidewalk for construction purposes.

The existing Relocation and Employment Assistance Program in the City, which required tax expenditures of $27 million in FY 2024, provides incentives to businesses to relocate to the City and use unused office space would be extended by five years.

The NYC Public Works Investment Act would be amended to expand the allowable project delivery methods able to be used and broaden the law by removing the restriction that only projects involving water and sewer infrastructure, coastal projects, cultural institutions and libraries are eligible to use the alternative methods.

Other Executive Budget proposals in the City would ban parking, stopping, standing and backing up within 20 feet of elementary school intersections, reclassify Class 3 E-Bikes weighing 100 pounds or more as mopeds requiring a driver's license and registration to operate in the City, allow the City to set speed limits in bike lanes and authorize use of existing automated cameras for enforcement of "block the box" violations.

Federal Actions

As highlighted in our [December 2024 report on the City's Financial Plan](), the City (including the municipal government and semi-autonomous entities with a close financial relationship to the municipal government) relies heavily on federal domestic assistance funding to support local initiatives and for direct fiscal relief to New Yorkers. While federal receipts account for a relatively small portion of the City government's FY 2026 operating budget (6.4 percent, or $7.4 billion), significantly more federal funding flows through the State or directly to New York City residents (including more than $30 billion in Medicaid expenditures).

The City faces heightened fiscal uncertainty pending the outcome of upcoming federal budget negotiations and the result of a comprehensive federal assistance funding review to identify grant programs which are implicated by the President's recent executive actions.

Congress has not yet completed action on the current budget for federal fiscal year (FFY) 2025, which began on October 1, 2024. In December 2024, a stopgap measure was passed by Congress to fund government operations through March 14, 2025. Absent a new round of Congressional stop-gap funding or the approval of a package of full-year appropriation bills to fund operations through the balance of FFY 2025, a federal government shutdown will occur.

In addition, the federal debt limit was reached in January 2025. The U.S. Treasury Department is authorized under current law to change the normal operations of certain government accounts (i.e., to implement "extraordinary measures") when the debt limit is reached to preserve cash in the short run and to avert a potential default on U.S. debts. If the federal government defaulted on its debt, there could be substantial implications for the U.S economy and the State and City governments could face substantial risk to their revenue as a result.

Recently, the budget committees for the House of Representatives and the Senate have each advanced a proposed budget resolution to set the top-line spending targets for the FFY 2025 budget. While negotiations are currently underway, the majority leadership in each chamber are seeking to implement portions of the President's fiscal agenda, which include extensions of tax cuts implemented in 2017, new funding for border security and immigration enforcement, and potential cuts to domestic assistance spending for social safety net programs (including Medicaid).

In late January 2025, the administration announced a temporary pause on obligations and disbursements of federal assistance to remain in effect until at least the administration had completed a review of each grant program to identify any inconsistencies with the President's executive orders. While the directive was rescinded a short time after a federal court issued a decision to halt implementation of the pause, the funding reviews remain in effect.

Based on the list of grants under review, substantially all federal operating receipts anticipated by the City are subject to the funding reviews, which were required to be submitted by the federal agencies no later than February 10, 2025. To date, it remains unclear which portion of the grants have been implicated by the executive orders and the corrective action the federal administration will impose on grantees if any programs are found to be inconsistent with the President's policies and requirements, creating new fiscal uncertainty.

Following one such funding review, the federal administration reversed $80 million in reimbursements to the City for services to asylum seekers purportedly paid by officials at the Federal Emergency Management Agency (FEMA) in "violation of [federal] law" and in "gross insubordination" to the President's executive order. The City Comptroller states that these reimbursements were made in response to claims filed by the City for eligible expenses under two grant programs. As a result of the reversal, the City Comptroller considers the receipt of the remaining $119 million in unpaid reimbursements from FEMA for past asylum services to be at risk.

V. Savings Program

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

The savings program is expected to generate a gross amount of nearly $3.6 billion in fiscal years 2025 and 2026, and $466 million in FY 2027. A portion of the savings program is offset by restorations of prior savings initiatives; however, with a new savings of nearly $3.4 billion in fiscal years 2025 and 2026, and $412 million in FY 2027. There are no net savings to the City in fiscal years 2028 and 2029, as higher debt service from actions that reduced costs through FY 2027 and restorations will also fully offset other savings in those years (see Figure 8).

Nearly 88 percent of savings will come from reducing planned spending on asylum services by $3.3 billion over three years through FY 2027, driven primarily by a significant decline in the number of asylum seekers entering and remaining in the City's care since its peak in January 2024. The City attributes this in part to revisions of the City's policies on shelter stays and the provision of legal services. The decline is also strongly correlated with a reduction in border crossings due to revised federal policy restrictions.

Partially offsetting these savings are restorations of some initiatives implemented as part of the FY 2024 PEG, nearly all of which is funding for the January and April 2025 Police Department Academy classes and the Summer Rising program in FY 2026. The January Plan assumes the planned service reduction for Summer Rising middle school Fridays and program hours would still take effect in FY 2027.

While a source of financial plan savings through FY 2027, debt service is expected to exceed the City's initial forecast as of June 2024 by $104 million in FY 2028 and by $276 million in FY 2029, driven largely by changes in the timing of debt issuances by the City.

The City anticipates agency savings totaling $316 million ($255 million from non-personnel sources, $61 million from lower personal service costs). The agencies have not yet identified how these savings will be achieved. The City has also eliminated the inflation adjustment for procurements in FY 2026. All of the initiatives appear to be within the City's control to implement, although savings from asylum seeker costs remain susceptible to federal policy choices.

FIGURE 8

FY 2025 Savings Program

(in millions) – Decrease/(Increase) to Planned Spending

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Total
Asylum Services	1,526	1,399	400	- - -	- - -	**3,325**
Agency Efficiencies	316	- - -	- - -	- - -	- - -	**316**
Inflation Adjustment	- - -	56	56	56	56	**222**
Debt Service	221	46	11	(104)	(276)	**(103)**
Total for Current Program	**$ 2,063**	**$ 1,500**	**$ 466**	**$ (48)**	**$ (220)**	**$ 3,760**
Restorations (FY 2024 PEG)	(139)	(41)	(55)	(51)	(51)	**(337)**
Net Savings	**$ 1,923**	**$ 1,458**	**$ 412**	**$ (99)**	**$ (271)**	**$ 3,423**

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

VI. Revenue Trends

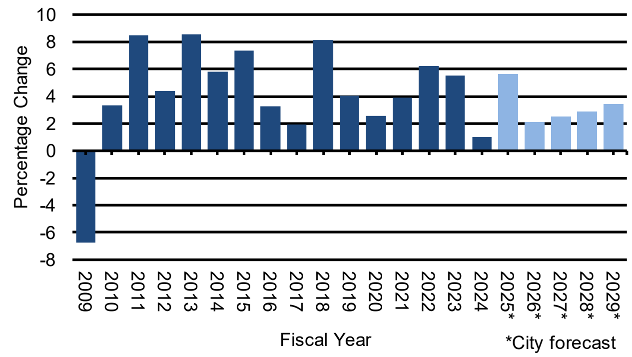
The January Plan shows a stronger forecast in every fiscal year for total revenues compared to June, which includes locally generated revenues (i.e., City funds) and federal and State categorical aid, by a sum of $9 billion through FY 2028, mostly because of higher City funds. The City now expects total revenues to reach $114.5 billion in FY 2026.

After reaching a record high of $116.5 billion in FY 2025, total revenues are forecast to decline by 1.7 percent in FY 2026, the first decline since FY 2009. The decline is due to a $3.4 billion decline in federal and State grants as temporary pandemic aid continues to wind down.

The January Plan increased the forecast for City funds by $1.4 billion in FY 2025 from adoption. After 5.2 percent growth in FY 2025, the City now expects City funds to further increase by 1.7 percent in FY 2026 to reach a record high of $86.1 billion, accounting for 75 percent of total revenues, $2 billion higher than the June forecast (see Figure 9).

Tax collections account for 93 percent of City fund revenues; miscellaneous revenues account for 7 percent as of FY 2025.

FIGURE 10
Annual Percent Change in Tax Revenues



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

The January Plan increased the FY 2025 forecast for tax collections by $1.3 billion since June, mostly for business taxes, reflecting a stronger economy in the past calendar year than previously expected. Growth in collections has also been strong as year-to-date tax revenue (including audits) through December was 7 percent higher ($3.1 billion) than the same period last year. The City expects total collections in FY 2025 to be 5.6 percent higher than the prior year (see Figure 10).

FIGURE 9
Trends in City Fund Revenues
(in millions)

	FY 2025	FY 2026	Annual Growth	FY 2027	FY 2028	FY 2029	Average Three-Year Growth Rate
General Property Tax	$ 34,223	$ 34,839	1.8%	$ 35,831	$ 36,659	$ 37,491	2.5%
Personal Income Tax	17,408	17,621	1.2%	18,336	19,069	19,923	4.2%
Sales Tax	10,288	10,751	4.5%	11,198	11,684	12,075	3.9%
Business Taxes	10,263	10,407	1.4%	9,976	10,156	10,782	1.2%
Real Estate Transaction Taxes	1,942	2,070	6.6%	2,220	2,328	2,432	5.5%
Other Taxes	3,463	3,560	2.8%	3,699	3,738	3,835	2.5%
Tax Audits	773	773	0.0%	773	773	773	0.0%
Subtotal: Taxes	**78,360**	**80,021**	**2.1%**	**82,033**	**84,407**	**87,311**	**2.9%**
Miscellaneous Revenues	6,270	6,093	-2.8%	6,041	6,075	6,108	0.1%
Unrestricted Intergov. Aid	16	0	N/A	0	0	0	N/A
Grant Disallowances	(15)	(15)	0.0%	(15)	(15)	(15)	0.0%
Total	**84,631**	**86,099**	**1.7%**	**88,059**	**90,467**	**93,404**	**2.8%**

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

The City expects the economy to continue to expand this calendar year in terms of jobs, wages and personal income, albeit at a slower pace than in 2024. While tax collection growth would subsequently slow to 2.1 percent in FY 2026, collections would reach a record high of $80 billion, $2 billion higher than the June Plan. While the City increased the forecast for property tax collections to reflect the FY 2026 tentative property tax assessment roll, it expects growth in non-property tax collections (2.4 percent) to outpace that of property tax collections (1.8 percent) in FY 2026.

In fiscal years 2027 through 2029, total revenues are forecast to increase by an annual average of 2 percent. After the decline in FY 2026, federal grants are expected to stay flat at around pre-pandemic levels in the rest of the financial plan period, although there may be risks to federal funding in the coming years (see the State and Federal Action section for more details).

During the same period, City funds are expected to average growth of 2.8 percent annually, much slower than the annual average growth of 4.7 percent in the five years before the pandemic.

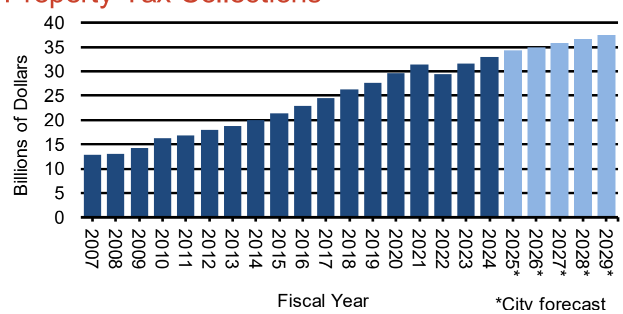
The January Plan expects tax collections to average 2.9 percent annual growth during fiscal years 2027 through 2029, reflecting the City's expectation of a stable economy. During this period, compounded average annual growth in non-property tax collections (3.3 percent) is expected to outpace that of property tax (2.5 percent). The City's expectation of a relatively slow rate of growth in property tax collections reflects continued uncertainty in the commercial real estate market.

While the economic outlook remains uncertain, OSC estimates tax collections will likely be higher ($160 million) than the City's forecast in FY 2025. In the out-years of the plan, OSC believes tax collections will exceed the forecast by an annual average of approximately $1.4 billion resulting in average annual growth of 3.2 percent. OSC also expects $100 million in additional miscellaneous revenues in FY 2025.

General Property Tax

The January Plan made an upward adjustment of $59 million in expected property tax collections for FY 2025 compared to the Adopted Plan, for a total of $34.2 billion, based on lower-than-expected delinquencies and cancellations for the fiscal year-to-date (through November 2024). The Plan also increases expected collections in FY 2026 by $209 million based on the strength of the tentative property tax assessment roll. Collections are expected to reach $34.8 billion in FY 2026, an increase of 1.8 percent from the prior year and the highest level on record (see Figure 11). The January Plan also increases the collections forecast for fiscal years 2027 and 2028 by $163 million and $299 million, respectively, from the June Plan.

FIGURE 11
Property Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

In the June Plan, the City expected the property tax levy (the calculated tax before any adjustments) to increase by 2.4 percent in FY 2026. The tentative assessment roll was released on January 15 and showed total taxable values (on which the levy is based) grew by 3.9 percent, with residential properties showing the largest rate of increase (5.5 percent for tax

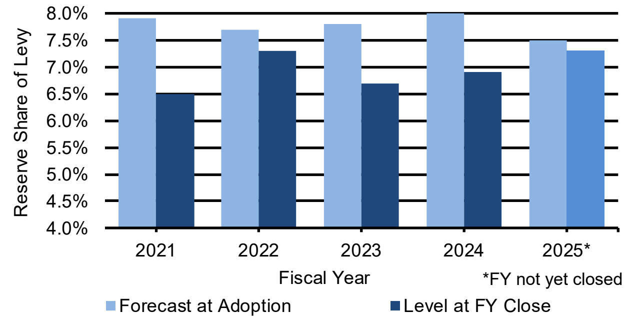
Class 1 and 4.8 percent for tax Class 2). Total taxable values for commercial properties also increased significantly, growing 2.9 percent. Commercial strength was driven by warehousing and storage properties (up 5.4 percent), while office properties, the largest component, grew only 2 percent (see OSC's report on [Office Real Estate] for additional analysis).

If the final assessment roll, expected in May, shows a tentative-to-final decline comparable with recent years (an average decline of 1.1 percent in fiscal years 2017 through 2023), the levy increase for FY 2026 will be 3.1 percent. However, in the last two fiscal years, the final assessment roll showed an increase over the tentative roll of 0.1 percent on average. These increases were driven by the State Department of Taxation increasing its assessments on Class 3 properties, which includes most utility properties. It is unclear whether this increase will continue in FY 2026, but if it does it would result in an even stronger total taxable value on the final roll, with total growth in taxable values as high as 4.3 percent over FY 2025.

Despite the increases in expected collections, the City anticipates that annual growth in the outyears will slow. Property tax collections in the plan show a compound average annual growth rate of 2.5 percent for fiscal years 2026 to 2029, well below the average rate of 5.2 percent for fiscal years 2022 to 2025.

In recent fiscal years, the City has been anticipating a surge in property tax delinquencies and cancellations that has yet to materialize. The forecasted property tax reserve (the amount of the levy set aside for delinquencies, cancellations, abatements, refunds, and other offsets) at the start of the year has been significantly higher than is ultimately realized

FIGURE 12
Property Tax Reserve by Fiscal Year



Note: FY 2025 level is as of January Plan.
Sources: NYC Office of Management and Budget; OSC analysis

once the fiscal year has closed (see Figure 12). On average for fiscal years 2021 to 2024, the reserve level at the close of the fiscal year was a full percentage point lower than had been expected at adoption.

With the overestimation of the property tax reserve and stronger-than-anticipated growth in taxable values on the assessment roll, OSC believes that the City may be underestimating property tax collections by $1.8 billion over the plan period. However, several downside risks remain, such as the ongoing lawsuit by Tax Equity Now New York (TENNY) alleging that the City's property tax system violated federal fair housing law. TENNY filed a new motion after the release of the FY 2026 tentative roll that seeks to have the City reevaluate assessments for the upcoming fiscal year.[7] These proceedings, in addition to broader uncertainty around federal housing and tax policy, present an ongoing risk to future revenues.

Personal Income Tax

The January Plan increased the forecast for total personal income tax (PIT), including the Pass-Through Entity Tax (PTET), from the June Plan by $124 million in FY 2025 and by $147 million in

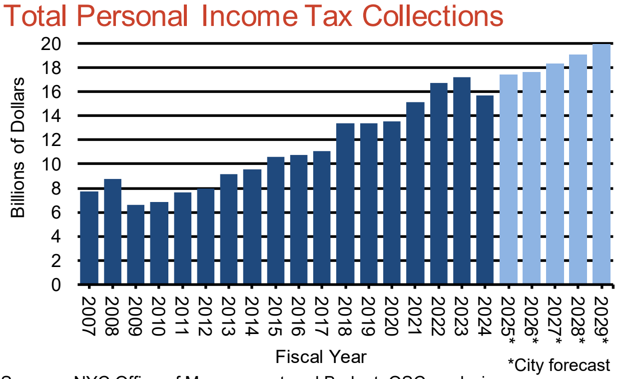
[7] "As Assessments Hit All-Time High, Tax Reformers Push Back," *HabitatMag*, January 27, 2025, https://www.habitatmag.com/Publication-Content/Legal-Financial/2025/January-2025/tenny-challenges-city-property-tax.

FY 2026.[8] The adjustments reflect the financial markets and the personal income growth surpassing the City's previous forecast.

Year-to-date collections through December were 16.7 percent higher than in the same period last year. The growth has been driven by both withholding and non-withholding components of PIT. The January Plan projects total PIT collections to increase by 11.1 percent in FY 2025 to a record high of $17.4 billion, reflecting continued aggregate wage growth and financial market strength (see Figure 13).

The January Plan made adjustments to the forecasts of almost all components of PIT compared to the June Plan. The forecast for withholding (i.e., the amount of tax taken from employee paychecks) was increased by $124 million in FY 2025, reflecting stronger-than-expected wage and bonus pool growth resulting in better-than-expected collections in the first five months of FY 2025. Collections from withholding through November are 7.6 percent higher than the same period last year. However, with the expectation of slower job and wage growth, the City assumes a more modest increase of 6.5 percent in withholding in FY 2025.

FIGURE 13
Total Personal Income Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

Among the non-withholding components, total adjustments for FY 2025 from the June Plan net to zero. As a result, the City still expects collections from these components to increase by 26.6 percent in FY 2025. The strong growth in FY 2025 reflects a subdued FY 2024, marked by lower settlement payments, and higher refunds to taxpayers who paid both PIT and PTET in FY 2023. However, it also reflects the City's assumption of growth in capital gains (the largest non-wage component) from the strength of the financial markets in the past calendar year. Year-to-date non-withholding collections through December were 47.5 percent higher than in the same period last year.

The January Plan expects growth in total PIT collections to slow to 1.2 percent in FY 2026 to reach $17.6 billion, reflecting the City's assumption of slower job and wage growth and a decline in capital gains growth. The forecast assumes the passage of the proposed "Axe the Tax" program. The program would fully or partially eliminate PIT liability for filers with dependents making less than 150 percent of the federal poverty line. The program would lower collections starting in FY 2026 by $63 million and by an average of about $68 million in each subsequent year.

After increasing the FY 2026 withholding forecast from the June Plan by $136 million, the January Plan expects withholding collections to increase by 4.5 percent in FY 2026 to reach $13.4 billion, reflecting the City's assumption of slowing job and wage growth along with an increase in bonuses.

The January Plan increased the forecast from adoption for non-withholding components by a combined $11 million in FY 2026. The City expects capital gains to further increase in calendar year 2025 before a decline in 2026, when Wall Street profits are expected to

8 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.

normalize following relatively strong years. This decline and possible timing issues with PTET (assumed to be impacted by the expiration of the SALT cap at the end of calendar year 2025) are expected to result in an 8 percent decline in non-withholding components in FY 2026.

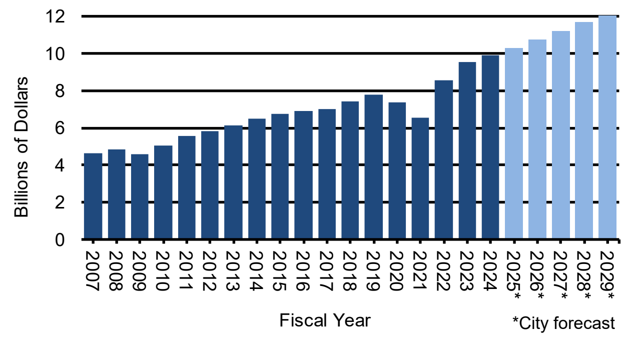
For fiscal years 2027 through 2029, the January Plan did not adjust the forecast aside from the Axe the Tax program. The City projects total PIT collections (including the Axe the Tax program) to increase by an annual average of 4.2 percent, reflecting the City's assumption of moderate economic growth in the out-years. This rate of growth would be slower than the pre-pandemic average annual growth (6.9 percent) in fiscal years 2015 through 2019. The growth in the out-years is led by withholding, as its average annual growth is projected at 4.3 percent during this period, while that of non-withholding components is expected to increase by 3.7 percent.

The uncertainties associated with the PTET (i.e., the impact of the SALT cap expiration and potential adjustments to taxpayer behavior) and the possible changes to the Tax Cuts and Jobs Act have made it more difficult to forecast collections. OSC expects collections will be $250 million more than the City's FY 2025 forecast as bonuses and wage growth are expected to be stronger than the City's projections. 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 almost $800 million in the rest of the plan period.

Sales Tax

The January Plan adjusted sales tax collections in FY 2025 down $82.5 million from the June Plan with sales taxes now expected to grow 3.8 percent to reach $10.3 billion (see Figure 14). In the first half of FY 2025, sales tax collections grew 2.9 percent ($145 million) compared to the same period in FY 2024. The City projects that consumer spending will improve in the second half of FY 2025 with higher wages (4.6 percent growth in 2025) expected in FY 2025.

FIGURE 14
Sales Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

For FY 2026, the City decreased its projection by $71 million from the June Plan due to the adjusted expectations in FY 2025 collections and expects sales tax collections to grow 4.5 percent to reach $10.8 billion as wages are expected to increase due to a solid labor market and tourism indicators are expected to be healthy.

According to Siena College's Quarterly New York State Index on Consumer Sentiment, in the fourth quarter of 2024, sentiment in New York State was still higher than the nation, but grocery prices remained a concern. According to the latest Beige Book, consumer spending in the New York district (which includes parts of New Jersey and Connecticut and all of New York State) increased moderately from the last report as holiday sales were better than expected. The number of total visitors to the City is expected to recover to pre-pandemic levels in 2025 (67.6 million visitors), but room rates remain at levels that exceed historical norms, which could discourage other forms of tourism spending.[9][10] Growing consumer debt remains a concern as prices continue to grow. As of the fourth quarter (latest available data), U.S.credit card debt had reached a record $1.21 trillion.[11] For the out-years (FY 2027 through FY 2029) the City assumes sales tax growth should return to pre-pandemic levels (4.3 percent) as visitor numbers recover and higher wages will likely contribute to growth.

OSC expects collections to be lower than the City's projections in FY 2025 by $90 million because of growing consumer debt and elevated prices causing consumers to continue to pull back on discretionary spending. While the number of total visitors is expected to reach pre-pandemic levels in 2025, OSC expects collections in FY 2026 to be lower than the City's projection by $100 million due to an uncertain economic outlook. In FY 2027 through FY 2029, OSC expects collections to be lower than the City's projections by $100 million annually as growth normalizes to historic levels.

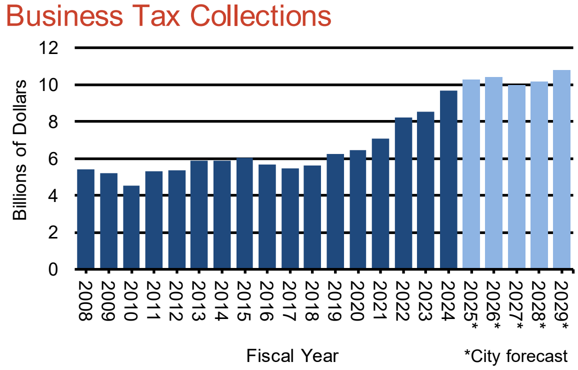
Business Taxes

The January Plan's FY 2025 business tax forecast is $1.1 billion higher than the June Plan, resulting in 6.1 percent year-over-year growth to reach a record high of $10.3 billion (see Figure 15). The increase reflects stronger-than-expected growth in collections through November 2024. Collections grew by 6.6 percent during the first six months of the fiscal year compared to the same period last year.

The January Plan's upward adjustment for FY 2025 is driven by business corporation taxes, which constitute more than two-thirds (71 percent as of FY 2024) of total business tax collections and are driven primarily by the profits of New York Stock Exchange member firms. The finance sector, which is composed of securities and commodities, grew 15.6 percent calendar year-to-date through November 2024 compared to the prior year. Part of that growth is reflected in business corporation tax collections which grew 5.1 percent fiscal year-to-date through December compared to the same period last year. The City expects business corporation tax collections to reach $7.2 billion in FY 2025 after adjusting it upward by $732 million from the June Plan, and in FY 2026, the City is no longer expecting a decline.

Unincorporated business taxes (UBT), which make up the remainder of total business tax collections, saw a year-over-year increase of 11 percent through December 2024. The City made an upward adjustment of $355 million in FY 2025 since the June Plan and now expects collections to reach $3 billion, an 8.4 percent increase from FY 2024. Part of this growth is from the nonfinance sector, fueled by the services sector, which makes up 50 percent of UBT net payments and grew 10.6 percent

FIGURE 15
Business Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

[9] "New York City Tourism on Track to Finish 2024 With $79 Billion in Economic Impact and $51 Billion in Direct Spending Across the Five Boroughs," New York City Tourism + Conventions, press release, December 20, 2024, https://www.business.nyctourism.com/press-media/press-releases/NYC-Tourism-year-end-tourism-numbers-2024.

[10] New York Federal Reserve *Beige Book,* January 2025.

[11] New York Federal Reserve, Center for Microeconomic Data, *Quarterly Report On Household Debt and Credit*, February 2025, https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2024Q4.

through November 2024 calendar year-to-date. Given the continued strength in the sector, UBT revenue is projected to grow through 2029.

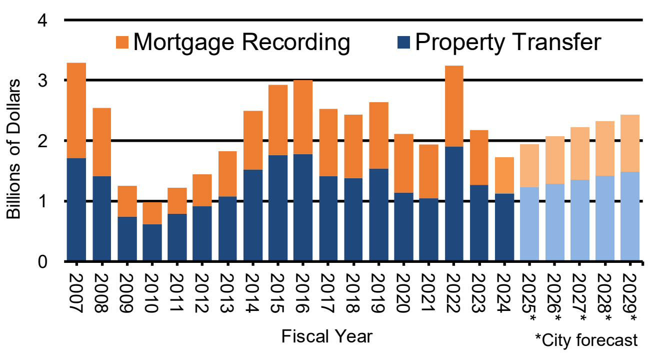
OSC expects collections to be the same as the City's forecast of $10.3 billion in FY 2025 growing by 6.1 percent. OSC projects business taxes will be 2 percent higher, on average, than the January Plan for each of the out-years.

According to the City, the Federal Tax Cuts and Jobs Act, which became effective January 1, 2018, likely led to an increase in corporate investment locally, which may occur again if the tax policy is extended by the current federal administration. However, OSC projections do not incorporate the potential impact of federal corporate tax legislation.

Real Estate Transaction Taxes

The January Plan made a small reduction of $17 million in expected transaction tax collections in FY 2026 compared to the adopted budget. Total collections are forecast to be $2.1 billion, up 6.6 percent from the previous fiscal year (see Figure 16). The City reduced current fiscal year collections by $24 million, and now expects a total of $1.9 billion, an increase of 12.5 percent compared to FY 2024.

FIGURE 16
Real Estate Transaction Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

As a housing shortage and higher interest rates have been keeping prices and the cost of financing high, residential property sales have been stagnant in the City, down from the record levels of activity seen in the wake of the pandemic. Total residential sales were up only 0.8 percent in 2024 compared to 2023, and remain 4.1 percent below the pre-pandemic level seen in 2019.[12] Though fixed long-term mortgage rates have retreated somewhat from the levels seen in 2023, they remain elevated, exceeding 7 percent in mid-January. Commercial sales have done better, up 2.6 percent in 2024 from the prior year, though Class B and C office properties remain a drag on the overall market.

The City also reduced expected collections in the out-years, lowering the forecast for FY 2027 by $53 million and for FY 2028 by $58 million. Collections are expected to grow at an average annual rate of 5.5 percent for fiscal years 2027 to 2029. These reductions reflect changing expectations around interest rates, which may dampen home sales. As recently as October, economists' consensus forecast expected the midpoint of the federal funds target range to be 3.3 percent at the end of 2025; in the January survey the consensus midpoint had risen to 3.9 percent, suggesting that there may only be a 50 basis point reduction in the target interest rate over the course of 2025.[13] The City's forecast is reasonable, given the amount of uncertainty in the real estate market.

Hotel Tax

The January Plan increased the FY 2025 forecast by $18 million from the June Plan to

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

[13] Paul Kiernan and Anthony DeBarros, "Trump's Return Nudges Economists' Inflation Outlook Higher," *The Wall Street Journal*, January 19, 2025, https://www.wsj.com/economy/economist-survey-inflation-2025-1fd00467.

$761 million as room rate growth spurs revenue growth. The City expects hotel tax collections to increase as room rates continue to grow amid restrictions on short term rentals like Airbnb and a lack of new hotels — which were partially affected by housing asylum seekers — have contributed to elevated room rates.[14] For FY 2026, the City increased hotel tax collections by $26 million since budget adoption, a growth rate of 3.8 percent, as further increases in room rate growth should increase revenues. Collections in the first six months of FY 2025 have grown 9.5 percent from the same period in FY 2024 due to higher room rates from lower supply and greater demand from returning visitors, and spending on general tourism and major events in recent months.

According to NYC Tourism + Conventions (the City's official tourism agency), the City is expected to reach a record 67.6 million visitors in 2025 surpassing pre-pandemic levels for the first time.[15] In 2024, New York City hotel occupancy remained strong at 84.3 percent, up from 81 percent in 2023. The City's occupancy rate was the highest among the top 25 U.S. hotel markets as major events in New York City have helped boost occupancy.[16] Future events and visitor numbers returning to pre-pandemic levels should continue to boost collections. The City's projections for FY 2025 and FY 2026 appear reasonable considering the uncertain economic outlook and anticipated tourism comeback.

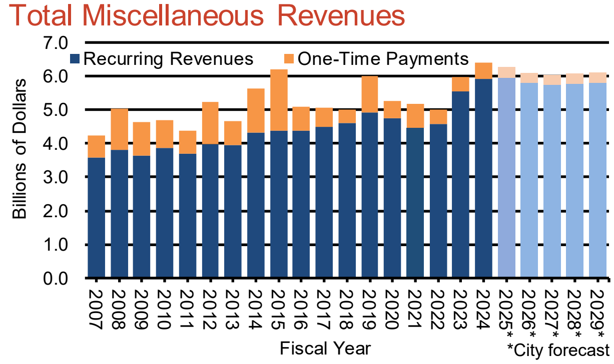
Miscellaneous Revenues

Miscellaneous revenues, consisting of recurring revenues and one-time payments, has been strong in FY 2025 as water and sewer payments — which is expected to make up 37 percent of recurring revenues in FY 2025, up from nearly 30 percent prior to the pandemic — and charges for services have been driving recent growth. In the first six months of FY 2025, total miscellaneous revenues grew 9.7 percent compared to the same period in FY 2024.

The January Plan expects miscellaneous revenues in FY 2025 to decline 2.1 percent to $6.3 billion (see Figure 17) from FY 2024. For a majority of miscellaneous revenues there were no significant changes for the out-years. However, interest income was taken up an average $57 million from the June Plan starting in FY 2026. One-time payments were taken down an average $10 million for each year starting in FY 2026.

OSC believes recurring miscellaneous revenues could be $100 million higher in FY 2025 as interest rate assumptions may be slightly conservative in the near-term.

FIGURE 17
Total Miscellaneous Revenues



Sources: NYC Office of Management and Budget; OSC analysis

[14] New York City Office of Management and Budget, *January 2025 Financial Plan Detail Fiscal Years 2025-2029*, January 2025, https://www.nyc.gov/assets/omb/downloads/pdf/jan25/tech1-25.pdf.

[15] "New York City Tourism on Track to Finish 2024 With $79 Billion in Economic Impact and $51 Billion in Direct Spending Across the Five Boroughs," New York City Tourism + Conventions, press release, December 20, 2024, https://www.business.nyctourism.com/press-media/press-releases/NYC-Tourism-year-end-tourism-numbers-2024.

[16] CoStar, "US Hotel Average Daily Rate and Revenue Per Available Room Grew at Lowest Rate Since 2020," January 23, 2025, https://www.costar.com/article/1599603719/us-hotel-average-daily-rate-and-revenue-per-available-room-grew-at-lowest-rate-since-2020.

VII. Expenditure Trends

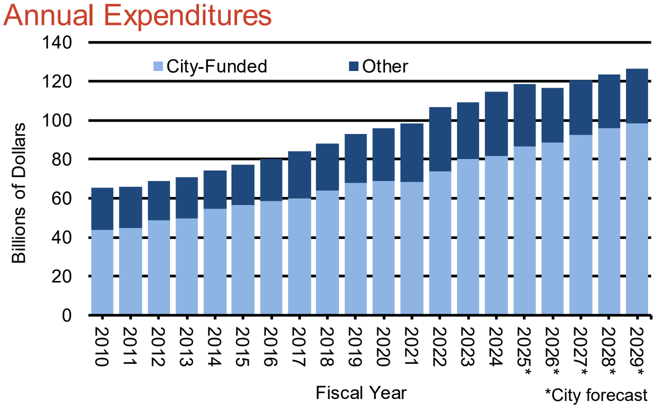
Citywide expenditures are projected to total $116.9 billion in FY 2026, after adjusting for surplus transfers, which obscure total expenditures (see Figure 18). The portion of citywide spending funded with locally generated revenue (i.e., City funds) is estimated at $88.4 billion. About 24.3 percent, $28.4 billion, of total spending is funded with other sources, mostly federal and State grants.

The January Plan anticipates city-funded spending will decline by 0.2 percent to $87 billion in FY 2026, excluding $1.45 billion in contingent reserves and $550 million in estimated savings in FY 2025 for the overestimation of prior years' expenses net of receivable write downs. As discussed later in this section, OSC estimates that spending will exceed the City's current forecast in each year of the financial plan period and that city-funded spending will rise in FY 2026.

The anticipated growth in labor costs and debt service in that year is more than offset by the City's expectation that certain non-personal, non-asylum costs (primarily contractual services) will decline sharply (by 11.3 percent, to $21.4 billion).

The decline in non-personal spending is concentrated at the social services agencies, which include rental assistance and non-asylum shelter services. These agencies have incurred

FIGURE 18
Annual Expenditures



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

costs that have significantly exceeded the City's initial forecast for FY 2025. While the caseload has continued to rise in FY 2025, the City also assumes public assistance spending will decline sharply from $1.3 billion to $875 million. Spending on the asylum services program is expected to continue to wind down based on current census trends.

The January Plan assumes spending would resume growing in FY 2027 by 4.4 percent, excluding reserves, but the pace of growth would decelerate over the next two years (to 3.9 percent and 2.8 percent in fiscal years 2028 and 2029, respectively). The impact of projected wage increases on labor costs, debt service, and health insurance costs are expected to be the largest cost drivers through the balance of the financial plan period; however a number of expenses are not funded at FY 2025 levels, and are likely to exceed current projections without substantial changes to demand or operations.

As many of these fixed costs rise, the City's financial plan anticipates a decline, or flat, discretionary spending at several large agencies, including Police, Fire, Transportation, Environmental Protection, Social Services, Homeless Services, and Health and Mental Hygiene. The City's ability to fund increases at these agencies for discretionary programs will be impacted by the trajectory of spending on fixed costs (see Appendix B for details). January Plan expenditure trends are shown in Figure 19 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 social services, operating subsidies to the MTA, and special education costs). However, other sizable risks and fiscal uncertainties remain, particularly in FY 2026 and beyond.

The January Plan includes funding totaling $1.2 billion in FY 2025 and exceeding $600 million in each subsequent year of the financial plan period for the City's rental assistance programs. Based on current trends for the CityFHEPS program, however, OSC projects that these costs could be higher than planned by $658 million in FY 2026, $924 million in FY 2027, $1.2 billion in FY 2028 and $1.4 billion in FY 2029 (see the Expenditure Trends: Rental Assistance section for details).

The City could also incur additional operating costs at the DOE, rising from $155 million in FY 2025 to $2.4 billion by FY 2029, including funding to meet the state-imposed mandate to reduce class sizes.

OSC has identified other relatively large risks fueled by underbudgeting for mandated operating subsidies for public transit, social services and overtime costs, which the City has managed in the past, but distorts anticipated spending in future years. For example, absent any alternatives, it appears unlikely that the City's public assistance spending will decline in FY 2026 given the continued growth in enrollment through December 2024. Based on the current trend for the daily census as well as city-reported per diem rates, OSC projects that city-funded costs for asylum services could be lower by $1.1 billion in FY 2026 and by $1.2 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 $1.4 billion in FY 2025, rising to $6.6 billion by FY 2029.

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

	FY 2025	FY 2026	Annual Growth	FY 2027	FY 2028	FY 2029	Average Three-Year Growth Rate
Salaries and Wages	$22,513	$23,748	**5.5%**	$24,711	$25,662	$26,464	**3.7%**
Pension Contributions	9,926	10,429	**5.1%**	10,782	11,625	11,168	**2.3%**
Debt Service	7,693	8,692	**13.0%**	9,451	10,413	11,306	**9.2%**
Medicaid	6,641	6,481	**-2.4%**	6,631	6,781	6,931	**2.3%**
Health Insurance	7,323	7,846	**7.1%**	8,234	8,650	9,092	**5.0%**
Other Fringe Benefits	3,919	4,108	**4.8%**	4,297	4,492	4,688	**4.5%**
Energy	1,068	1,142	**6.9%**	1,175	1,221	1,239	**2.8%**
Judgments and Claims	737	683	**-7.3%**	700	722	751	**3.2%**
Public Assistance	1,343	875	**-34.8%**	1,225	1,485	1,735	**25.6%**
Services for Asylum Seekers	1,906	1,601	**-16.0%**	1,600	500	500	**-32.2%**
Residual OTPS	24,116	21,388	**-11.3%**	22,050	22,847	23,162	**2.7%**
Subtotal	**$87,184**	**$86,993**	**-0.2%**	**$90,856**	**$94,398**	**$97,035**	**3.7%**
General Reserve	50	1,200	**NA**	1,200	1,200	1,200	**0.0%**
Capital Stabilization Reserve	- - -	250	**NA**	250	250	250	**0.0%**
Prior-Year's Expenses	(550)	- - -	**NA**	- - -	- - -	- - -	**0.0%**
Total	**$86,684**	**$88,443**	**2.0%**	**$92,306**	**$95,848**	**$98,485**	**3.6%**

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

In addition, the federal administration supports a number of proposals that could increase costs or reduce revenue to New York State or New York City. If undertaken, 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.

Unfunded Discretionary Spending

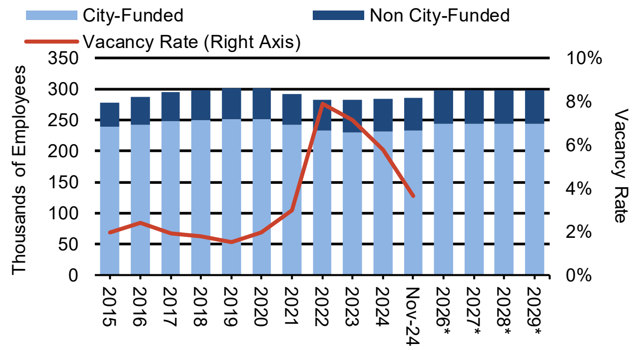
The City may also incur higher-than-planned discretionary costs for local initiatives funded in FY 2025 but assumed to not recur, which may increase future costs or result in service disruption (see Appendix A for details). The City also funded discretionary City Council initiatives in FY 2025 ($547 million) but the January Plan does not yet include funding for these in subsequent years, as such costs are subject to annual negotiation between the Mayor and the City Council.

Full-Time Staffing Levels

Since the beginning of the fiscal year, the City's full-time workforce has increased slightly (by 0.8 percent) to 286,159 employees as of November 2024 (see Figure 20). While the January Plan assumes staffing will increase by 5.3 percent to 301,457 employees by June 30, 2025, this level of growth is very unlikely. For example, one-third of the assumed growth in FY 2025 would come from pedagogical employees at the Department of Education, after the school year has begun, even though the majority of pedagogical hiring occurs in the first quarter of the fiscal year.

The January Plan assumes staffing will total 297,981 employees as of June 30, 2026, an increase of 4.1 percent over current levels. The increase in planned staffing is concentrated in public safety, social services and at the Department of Education (see Appendix C for details).

FIGURE 20
Full-Time Staffing Levels



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

In past years, the City has realized significant savings from overestimating full-time payroll spending. These financial plan savings have helped to offset other costs not assumed in the financial plan, including overtime. To date, the City has lowered its forecast of personal service spending by $61 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 $325 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 February 2025, virtually the entire unionized workforce (over 98 percent) had reached new labor agreements with the City for the 2021-2026 round of bargaining. The City, which has a long history of pattern bargaining, assumes that the terms of the collective bargaining agreement ratified by the members of District Council 37 (DC 37) in March 2023 and the Police Benevolent Association (PBA) in April

2023 will apply to all other relevant civilian and uniformed unions.

The January 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.[17]

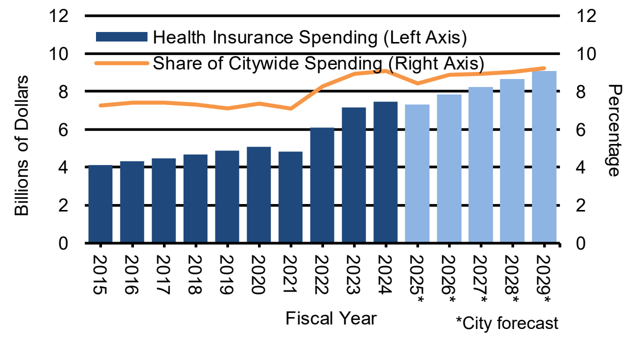
Health Insurance

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 January Plan assumes that city-funded health insurance costs would decline slightly to $7.3 billion in FY 2025 but then rise to $9.1 billion by FY 2029 (see Figure 21), 22.2 percent more than in FY 2024, slightly faster than the projected growth in spending citywide during the same period. The January Plan assumes that health insurance costs, as a share of city-funded spending, would rise to an estimated 9.2 percent by FY 2029, which would be the highest share since at least FY 2010.

Spending could be higher, however, by about $475 million in FY 2025 (resulting in a year-over-year growth in spending in that year), in the event that the City is unable to find additional

FIGURE 21
Health Insurance Costs
City-Funded



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

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 January 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

[17] 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 January Plan includes reserves to fund annual 1.25 percent wage increases for the entire workforce beyond the current round of bargaining.

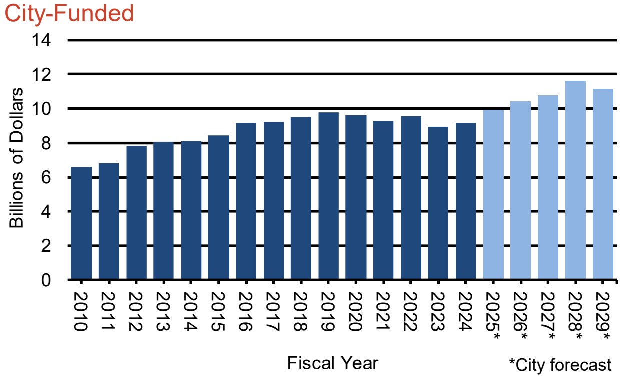
planned headcount), including an annual reserve beginning in FY 2027 to fund potential changes from actuarial audit recommendations.

The January Plan assumes pension contributions will total $9.9 billion in FY 2025 then rise each year to reach $11.6 billion by FY 2028, before declining to nearly $11.2 billion in FY 2029 (see Figure 22).

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

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

FIGURE 22
Pension Contributions
City-Funded



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

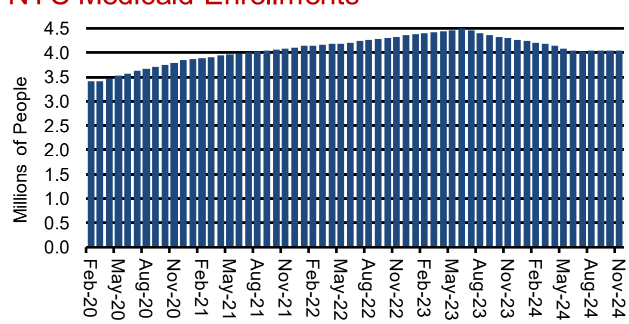
The consultant was not engaged to quantify the budgetary impact of the proposed changes, but it appears at least three of the five pension systems could recognize an unquantified net increase in plan liabilities if the recommended changes in assumptions are implemented as proposed. The consultant's recommendations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

Medicaid

In November 2024, more than four million New York City residents were enrolled in Medicaid, which provides health insurance to low-income children and adults (see Figure 23). Enrollment reached an historic high of 4.5 million in June 2023, partly due to policies implemented during the COVID-19 public health emergency that prevented states from disenrolling most beneficiaries from Medicaid.

After these requirements were reinstated, New York State started the process of redetermining enrollees in June 2023 and finalized the process in June 2024 resulting in enrollment declining by nearly 458,000 beneficiaries.[18] Since then, enrollment has been

FIGURE 23
NYC Medicaid Enrollments



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

[18] The May 2024 cohort for redetermining Medicaid eligibility were processed through June 2024 as New York State permits late renewals.

relatively stable but is still 600,000 more than in February 2020.

The January 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, $6.8 billion in FY 2028 and $6.9 billion in FY 2029, 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

In total funds, the City added a combined $2.2 billion to DSS, DHS, and ACS for new needs in FY 2025. More than 90 percent of these adds were to address higher volume for Public Assistance, rental assistance, non-asylum shelter services and state-mandated foster care costs, all identified by OSC as budget risks in previous reports. However, despite continued growth in caseloads, the funds for these programs were added for FY 2025 only, leaving significant risks unaddressed in the out-years (see Figure 24).

Excluding asylum seekers, total planned spending at DSS nears $13.3 billion in FY 2025, but drops to $11.45 billion in FY 2026, largely reflecting the one-time actions from FY 2025. As a result, planned spending for Public Assistance and rental assistance falls significantly.

At DHS, total planned spending excluding asylum seekers falls to $2.3 billion in FY 2026, a reduction of $508 million from FY 2025, reflecting an unsubstantiated drop in funding for non-asylum shelter services.

The City also added $139 million for ACS in FY 2025 to meet a State mandate that local social service districts pay 100 percent of the rates to reimburse the cost of foster care, with the State increasing the rates to be paid. While this mandate exists beyond FY 2025, the added funding does not.

As OSC has written in previous reports, it is unlikely that planned FY 2026 funding will be commensurate with projected demand for these services. OSC continues to identify risks that

FIGURE 24
Social Services Non-Asylum Risk Assessment
(in millions)

	Better/(Worse)				
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
DSS Risks					
Public Assistance	(32)	(564)	(488)	(254)	(41)
Rental Assistance	- - -	(658)	(924)	(1,210)	(1,426)
DHS Risks					
Non-Asylum Shelter Services	- - -	(566)	(566)	(566)	(566)
Emergency Assistance to Families	(134)	(134)	(134)	(134)	(134)
ACS Risks					
Foster Care – State budget rate	- - -	(139)	(139)	(139)	(139)
Expiration of Foster Care (Title IV-E)	(129)	(129)	(129)	(129)	(129)
Total Social Services Risks	**($295)**	**($2,190)**	**($2,380)**	**($2,431)**	**($2,436)**

Sources: NYC Office of Management and Budget; OSC analysis

average $2.4 billion annually for the social service agencies beginning FY 2026.

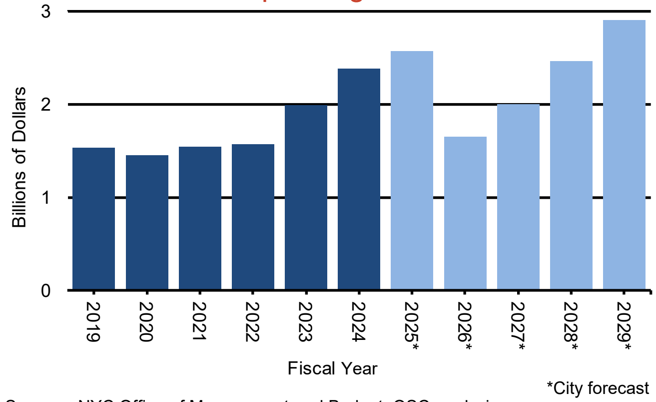
Social service agencies are heavily reliant on federal funding. Collectively, the FY 2026 budget includes $3.25 billion in federal funds for DSS, DHS, and ACS, more than 40 percent of the total federal funds anticipated by the City. By agency, federal funds comprise 39 percent of ACS's budget and more than a quarter of DHS's budget in FY 2026 (all excluding asylum services). Current uncertainty over the disbursement of federal funds could jeopardize services or require the City to provide additional funding.

Public Assistance

The January Plan makes no changes to the public assistance budget, maintaining the November Plan's $920 million increase in FY 2025 only ($467.7 million of which is from City funds) for a total of almost $2.6 billion; about 28 percent of this amount is federally funded. Planned spending drops by this same amount ($920 million) in FY 2026, leaving the budget at just under $1.7 billion, which OSC anticipates is unlikely to fully fund needs. Total spending for Family Assistance (FA) and Safety Net Assistance (SNA) is assumed to grow at a compounded rate of 3 percent annually from fiscal years 2025 to 2029, to $2 billion in FY 2027 and $2.5 billion in FY 2028 (below the amount budgeted in the current year), before rising to $2.9 billion in FY 2029 (see Figure 25).

Public assistance caseloads continue to rise (see Figure 26). The projected decline in public assistance spending in FY 2026 is in contradiction to the growth in caseloads, which reached 584,554 in December 2024, or 85,002 individuals higher than at the same point last year (17 percent). See OSC's April Plan report for details on historical enrollment.

FIGURE 25
Public Assistance Spending

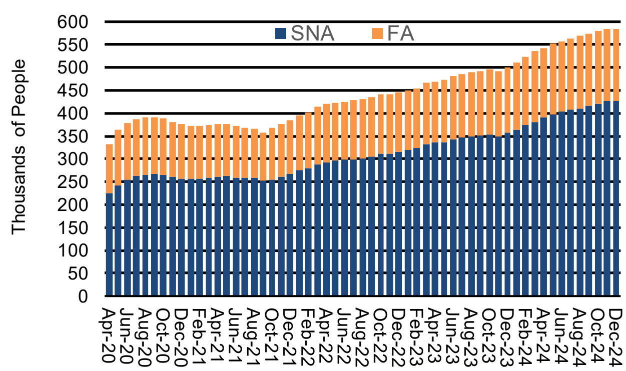


Sources: NYC Office of Management and Budget; OSC analysis

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, the impact has yet to significantly alter the growth trajectory of caseloads. OSC will continue to monitor these trends moving forward.

Based on year-to-date spending OSC estimates that expenditures will total roughly $2.6 billion in FY 2025, $61 million more than what has been budgeted in the current plan. Of this amount, the city-funded portion of the budgetary risk is approximately $32 million. OSC assumes that

FIGURE 26
Public Assistance Recipients



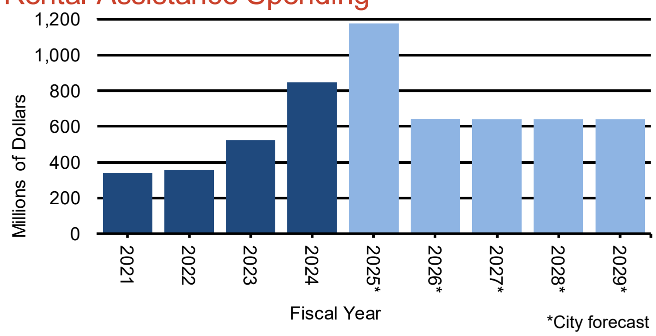
Sources: NYC Human Resources Administration; OSC analysis spending in the out-years will grow at a compounded rate of 3 percent annually from FY 2025 levels and that enrollment will not materially decline during those years. As such, OSC projects a budget risk to the City of nearly $564 million in FY 2026 (just under $1.1 billion in Total Funds) that drops to $488 million in FY 2027 ($798 million in Total Funds), $254 million in FY 2028 ($421 million in Total Funds) and $41 million in FY 2029 ($69 million in Total Funds). The risk assessment assumes federal categorical grants will be maintained at the current rate for public assistance benefits.

Rental Assistance

The January Plan includes $1.2 billion for rental assistance, compared to $845 million spent in FY 2024 (39 percent higher). The City increased its budget by $470 million from initial projections in June, of which $428 million is city-funded. Despite substantial recent growth, the City assumes out-year rental assistance spending will decline to about $640 million annually in fiscal years 2026 through 2029, which OSC anticipates is unlikely (see Figure 27). The Plan also does not address the fiscal impact of three of four pieces of legislation which were passed in July 2023 to substantially expand eligibility for the CityFHEPS voucher program, but for which the State Supreme Court ultimately ruled the City Council alone did not have authority to enact.[19]

Even with the current eligibility, data trends indicate that CityFHEPS costs will continue to grow. Using the monthly exits from City shelters into the CityFHEPS program, average voucher payments, and the most recent Housing Vacancy Survey, OSC estimates that CityFHEPS spending will reach $1 billion in FY 2025, $1.3 billion in FY 2026, $1.5 billion in FY 2027, $1.8 billion in FY 2028, and $2 billion in FY 2029. When compared to the estimated CityFHEPS portion of the rental assistance budget, this results in a risk of $658 million in FY 2026, growing to $1.4 billion by FY 2029. Slightly more than half the City's risk is due to the projected spending growth in the out-years, while the remainder can be attributed to the funding drops laid out in the Plan.

FIGURE 27
Rental Assistance Spending



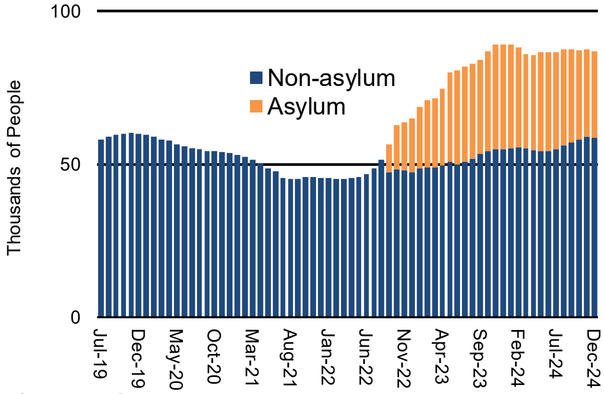
Note: FY 2019 through 2024 is based on actual spending. The City passed legislation in May 2021 to raise the value of CityFHEPS rental vouchers to Section 8 levels.
Sources: NYC Office of Management and Budget; OSC analysis

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 28). In December 2024, the non-asylum population in DHS shelters averaged 58,689, compared to 45,343 in January 2022. The non-asylum shelter population is now nearing pre-pandemic levels, lagging December 2019 by about 1,100 individuals.

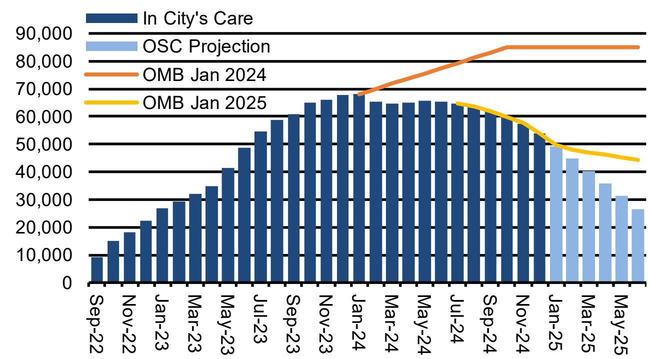
[19] DSS did not implement the expansion authorized by the legislation within 180 days of enactment, leading tenant advocates to file a class-action lawsuit. On August 1, a State Supreme Court judge ruled in favor of the City, stating that the entity which passed the legislation — the City Council — 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 (see OSC's August 2023 Financial Plan report for details).

FIGURE 28
Individuals in DHS Shelters



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

FIGURE 29
Asylum Seekers: In City's Care vs. Projected



Note: OMB January 2025 projection calculated assuming an average daily census of approximately 53,365 individuals (23,202 households) for FY 2025
Sources: NYC Mayor's Office of Management and Budget; Office of the NYC

To address the higher census, the City has added funds to the DHS budget to address needs solely in the current fiscal year (leaving the budget in future years untouched). The City has done this for the past three years and continued this practice in the January Plan, adding $554 million in FY 2025 only. As such, OSC increased its budgetary risk from these costs to $566 million for all years beginning in FY 2026, representing the estimated City funds portion needed to maintain spending for adult and family shelter operations at FY 2025 levels (see OSC's June Plan report). This number could be higher if the shelter population continues to grow.

Asylum Services

Through January 26, the City reports that over 230,700 asylum seekers have come through its intake system since Spring 2022, and that more than 47,600 of these individuals remain in the City's care, marking a steady decline of over 21,000 individuals from a peak of 69,000 in January 2024 (see Figure 29).

Since June, the City has lowered projected spending for asylum services by a net of $2.8 billion over fiscal years 2025 and 2026, and $400 million in FY 2027, driven 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 $3.3 billion in FY 2025, $2.7 billion in FY 2026, $2.6 billion in FY 2027, and $850 million in fiscal years 2028 and 2029 (see Figure 30).

The census has declined steadily since the June 2024 announcement of a federal executive order limiting border crossings. The City also implemented local policies which limited the time that asylum seekers could remain in the City's care (see OSC's November Plan report for details).

In response to the lower census, the City announced in October that it would close the asylum shelter on Randall's Island, which is fully funded by the State. Then, in December, an additional 25 asylum shelter closings were announced, including the Humanitarian Emergency Response and Relief Center (HERRC) at Floyd Bennett Field (which sits on federal land), before the City's recent February announcements that seven more emergency sites are set to close by June 2025, including the intake center and HERRC at the Roosevelt Hotel and the HERRC at the State-run Creedmoor Mental Health Hospital campus in Queens.

FIGURE 30

Asylum Budget Changes

(in millions)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
June Plan – City Funds	$3,431	$3,000	$2,000	$500	$500
June Plan – State Funds	1,317	1,000	1,000	350	350
June Plan – Fed Funds	- - -	- - -	- - -	- - -	- - -
June 2024 – Total	**$4,748**	**$4,000**	**$3,000**	**$850**	**$850**
Jan Plan – City Funds	1,906	1,601	1,601	500	500
Jan Plan – State Funds	1,317	1,000	1,000	350	350
Jan Plan – Fed Funds	60	59	- - -	- - -	- - -
Jan 2025 – Total	**$3,283**	**$2,660**	**$2,600**	**$850**	**$850**
OSC projection – City Funds	1,906	472	401	402	557
OSC projection – State Funds*	915	193	164	164	9
OSC projection – Fed Funds	- - -	- - -	- - -	- - -	- - -
OSC projection – Total	**$2,821**	**$ 665**	**$ 565**	**$567**	**$567**
OSC difference – City Funds	- - -	1,130	1,199	98	(57)
OSC difference – State Funds	471	801	830	164	290
OSC difference – Fed Funds	60	59	- - -	- - -	- - -
OSC difference –Total	**$ 462**	**$1,995**	**$2,034**	**$283**	**$283**
OSC (risk)/offset	**$ - - -**	**$1,130**	**$1,199**	**$ 98**	**$ (57)**

Sources: NYC Office of Management and Budget; OSC analysis

*As of June 30, 2024, NYC had recorded $1.75 billion of State funds for asylum spending. OSC assumes that the City will draw down the balance of committed funds (estimated at $1.4 billion) to cover expenses of $915 million in FY 2025, and 29% of total projected expenses for fiscal years 2026, 2027, and 2028.

The January Plan projection reflects the recent census decline. However, exits from the City's care accelerated in December. In the first five months of FY 2025, the number of exits from the City's care averaged 26 households a day, compared to 68 households a day in December, and 64 households a day in January 2025.

In recognition of the still considerable unknowns, OSC projects that the census will continue to decline at the January 2025 rate through the first quarter of FY 2026, and assumes the FY 2024 per diem rate of $372 per household. This would result in lower expenses of $462 million in FY 2025, $2 billion annually in FY 2026 and FY 2027, and $283 million in FY 2028 and FY 2029.

However, the January Plan assumes a higher share of State and federal reimbursement than is likely. While the City reduced total planned spending for asylum seekers, it did not change its expectations for State and federal reimbursements, thereby reducing the City's share. The January Plan assumes State reimbursement will comprise a projected 39 percent of the costs for fiscal years 2025 through 2029, higher than the State has indicated. Recent federal actions also suggest uncertainty for federal reimbursement.

Through the SFY 2025 Executive Budget, the State has provided $4.4 billion for asylum support, of which $3.2 billion would pass through the City. While the State has not committed to providing additional funding, through the end of FY 2024, the City had only recorded $1.75 billion of these funds, leaving a balance of approximately $1.4 billion. OSC assumes that the City will draw down the balance of these funds until depleted. After adjusting for OSC projections on total asylum spending and the continued drawdown of available State funds, OSC assumes net savings of $1.1 billion in FY 2026, $1.2 billion in FY 2027, and nearly $100 million in FY 2028. In FY 2029, OSC projects a slightly higher city-funds cost (see Figure 30).

Overtime

Overtime citywide through the first seven months of FY 2025 totaled $1.52 billion, $91 million more than in FY 2024 through the same period (a 6 percent increase). The growth in overtime is concentrated at the uniformed agencies with total costs of $1.27 billion, 83 percent of the citywide total. Uniformed overtime spending reflects a 10 percent increase from the same period in FY 2024 ($1.15 billion). Although uniformed agency overtime has increased, overtime at civilian agencies decreased by 9 percent, driven by reductions at the social services agencies ($34 million or 31 percent).

The Police Department saw the largest year-over-year growth among all agencies, increasing by $57 million to $657 million in FY 2025 (9 percent), mostly due to unplanned event deployments such as protests and security details. As of January 2025, the Department has nearly exhausted its FY 2025 overtime budget ($686 million). The City will have to allocate additional funding to cover the overage costs and maintain its use of overtime for the remainder of the fiscal year.

The Governor has also announced a six-month subway policing initiative to deploy uniformed officers on all overnight trains beginning on January 20, 2025, that could further increase overtime costs. The proposal is estimated to cost $154 million, with half to be reimbursed by the State. However, until the State budget is passed confirming funding, the City will incur the full cost of the program.

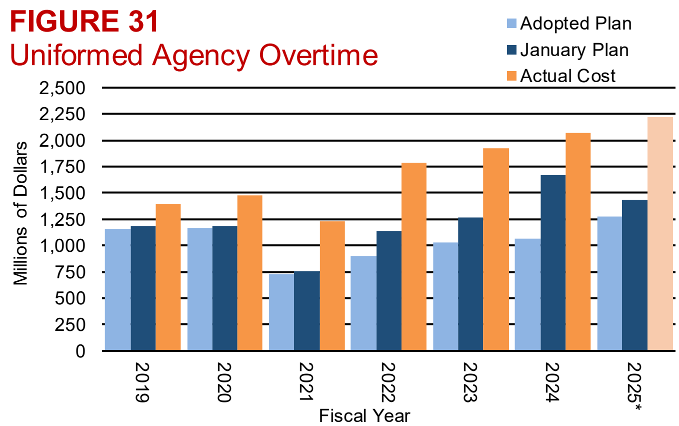
Additionally, the Department of Correction ($181 million) has already exceeded its FY 2025 overtime budget ($138 million). Costs have increased by $30 million (20 percent) from FY 2024 over the same period as the number of correction officers continues to decline and the population in custody climbs to pre-pandemic levels.

Cumulatively, overtime at the uniformed agencies exceeded planned amounts through January 2025 ($818 million) by $448 million. At the current rate of spending, OSC projects total uniformed agency overtime will reach $2.2 billion, $784 million more than planned and $145 million more than in FY 2024 (see Figure 31). The City will have to limit growth in overtime and generate additional resources elsewhere to offset the unanticipated costs.

On December 23, 2024, the administration issued a directive, similar to one issued last year that did not lead to budgetary savings, instructing each of the four uniformed agencies to develop overtime reduction plans. However, the City did not identify a savings target and did not reflect any savings in the January Plan. It is still too early to evaluate the impact of the directive on spending in this fiscal year.

The overtime budget in each of fiscal years 2026 through 2029 totals $1.3 billion, $120 million less than what is budgeted for FY 2025 and $900 million less than OSC's projection for FY 2025. Based on current trends and planned spending in the January Plan, OSC also anticipates the City may need to allocate more than $800 million annually in additional funding to account for overtime at these agencies.

FIGURE 31
Uniformed Agency Overtime



Sources: NYC Financial Management System; OSC analysis *Projected

VIII. Debt Service and Capital Spending

In conjunction with its preliminary budget, the City released its preliminary 10-Year Capital Strategy (TYCS) for fiscal years 2026 through 2035, which totals $170 billion, $10.6 billion (6.7 percent) more than the preliminary strategy released in January 2023, and by far the largest on record. The first five years of the strategy are expected to increase planned commitments by $13.1 billion, while the second half shows a decrease by $2.5 billion. Of the total, $166.2 billion is funded by the City, which is expected to release its final TYCS, which may include revisions, in the spring.

As shown in Figure 32 and discussed below, environmental protection, transportation, education, housing, corrections, parks, and technology and equipment make up 84 percent of planned capital projects spending.

The preliminary TYCS proposed by the City requires $134.6 billion in debt to fund projects, not including New York City Municipal Water Finance Authority (NYW) debt.

The largest share of the TYCS (19.6 percent) is for the Department of Environmental Protection, which has been allocated $33.3 billion,

FIGURE 32
Ten-Year Capital Strategy Comparison
(in millions)

Category	FY 2026 Prelim FY 26-35	FY 2024 Prelim FY 24-33	Variance
Environment	$ 33,275	$ 29,046	$ 4,229
Transportation	31,675	31,280	395
Education	23,567	17,153	6,414
Housing	24,506	23,048	1,458
Corrections	11,914	9,032	2,882
Parks	10,013	8,747	1,266
Coastal Resiliency, Tech & Equip.	7,596	9,811	(2,215)
All Other	27,408	31,216	(3,808)
Total	**$169,954**	**$159,333**	**$10,621**

Sources: NYC Ten-Year Capital Plans; OSC analysis

$4.2 billion more than proposed in 2023. These projects are funded by NYW debt, paid for with water and sewer rates. The City added $3 billion for Water Quality Mandates, $1.7 billion for Plant Upgrading and Reconstruction and $1.7 billion for the Replacement or Augmentation of Existing Sewer Systems.

Transportation projects would be allocated $31.7 billion, $395.5 million more than the previous TYCS. The categories showing the largest increases are Bridge Reconstruction $3 billion, East River Bridges $1.4 billion and Bridge Protective Coatings $1.1 billion. The category of Bridge Life Extensions is showing a decrease of $4.9 billion.

Education projects would be allocated $23.6 billion, an increase of $6.4 billion over the previous TYCS and represents the largest categorical increase in the preliminary budget. System Expansion for both new and existing facilities makes up the largest portion, totaling almost $4.7 billion, a majority of which will be used to achieve compliance with the State mandate reducing class sizes.

Housing projects, from both Housing Preservation and Development (HPD) and NYCHA, would be allocated a total of $24.5 billion. The segments with increases over the previous TYCS are Special Needs, New Construction and Preservation totaling almost $1.7 billion.

Corrections projects would be allocated a total of $11.9 billion, which is an increase of almost $2.9 billion over the previous TYCS, with the Allocation for New Jail Facilities increasing by $4.5 billion and a decrease of $1.6 billion in Building Systems and Infrastructure. Almost all of the increased allocation for Corrections is expected to be committed between FY 2026 and FY 2030, after the City's own deadline of August

2027 for the closure of the Riker's Island jail facility.

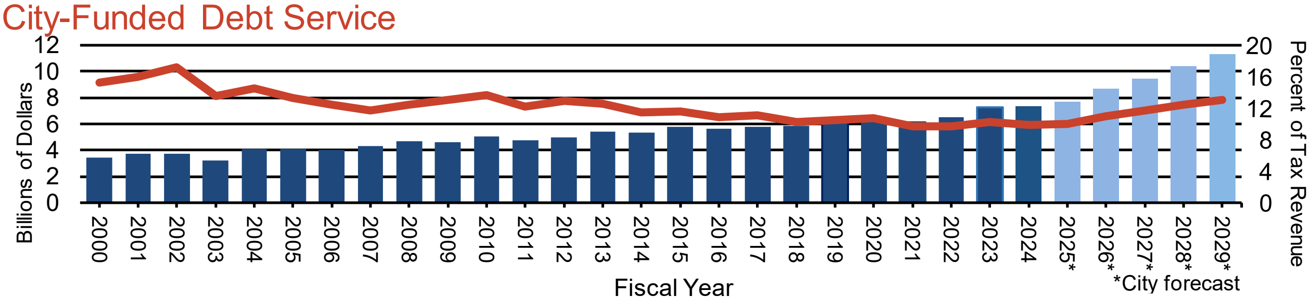
The January Plan assumes that city-funded debt service will grow by a compound annual growth rate (CAGR) of 10.1 percent from $7.7 billion in FY 2025 to $11.3 billion in FY 2029 (see Figure 33). City-funded debt service is expected to grow faster over this period than city-funded expenditures (3.7 percent) 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 percent in FY 2025 to 13.1 percent in FY 2029, and would eventually rise to 14.5 percent in FY 2035 just under the City's self-imposed 15 percent threshold. These are based on a 3.5 percent increase in tax revenues after the end of the financial plan period and the assumption the City will achieve 100 percent of its targeted capital commitments.

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

The TFA, on February 12, 2025, sold approximately $1.95 billion in future tax secured subordinate bonds whose proceeds are to be used to refund certain outstanding bonds. As a result of this debt refunding, the City will save approximately $115.8 million in debt service expense primarily spread over fiscal years 2025 through 2029. Another bond refunding of general obligation debt is planned for early March, which should provide additional savings.
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 State Executive Budget has proposed to increase the amount of TFA debt to be excluded when calculating the City's borrowing limit from the current limit of $27.5 billion to $30.5 billion beginning July 1, 2025. This is proposed legislation, and is not reflected in the TYCS or the City's debt service projections.

FIGURE 33
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 January Plan allocates just over $41.2 billion to the DOE in FY 2026, including centrally administered costs such as pensions, debt service, and fringe benefits ($7.7 billion). This amounts to 36 percent of the City's total budget and is a $472 million increase over projected spending in FY 2025, excluding increases that may be included in the State budget. The City expects to fund $24.3 billion (58.9 percent) of DOE's FY 2026 budget, a two-year increase of 17.4 percent from $20.7 billion in FY 2024 as one-time federal aid has expired. The remainder is funded by the State (35.7 percent), the federal government (5.1 percent), and other sources.

By the end of the plan period in FY 2029, the City expects DOE's total allocation to reach $44.4 billion. This $3.2 billion increase is almost entirely supported by City funds, which are expected to account for 61.5 percent of DOE's budget by FY 2029. This is partly because the plan does not include potential changes to State or federal aid. Under State law, the City is subject to a maintenance of effort requirement that makes it difficult to reduce city-funded education spending.

The January Plan adds $509 million in new needs in FY 2025, $491 million of which is not baselined in the plan's out-years. This includes $275 million to address the provision of mandated special education services, $129 million for school nurses, and $87 million for charter schools. A further $80 million was added in FY 2026 to fund the Summer Rising program. All of these expenses are expected to recur but were not funded in the later years of the plan, and additional budget risks remain unaddressed (see Figure 34). These include implementing the Class Size Mandate, as well as significant spending on school cleaning services, 3-K, and expediting special education claims.

In previous budgets the City added funding for a number of programs that it did not include in later years of the plan, resulting in $180 million in city-funded fiscal cliffs beginning in FY 2026 (see Appendix A). These include $55 million for special education Pre-K programs, $45 million for other early childhood education initiatives, $45 million to maintain arts funding in schools, and $10 million for teacher recruitment. While the City can elect not to continue this funding, it may not be able to sustain current service levels without doing so.

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

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Class Size Reduction Compliance	$ - - -	$ 322	$ 861	$ 1,437	$ 1,437
Carter Cases	155	342	314	356	398
Contracted Nursing	- - -	194	194	194	194
School Cleaning		154	154	154	154
3-K	- - -	92	92	92	92
Summer Rising	- - -	- - -	80	80	80
LV Order	- - -	- - -	52	52	52
Charter School Lease Costs	- - -	29	21	- - -	- - -
Total	**$ 155**	**$ 1,133**	**$ 1,768**	**$ 2,365**	**$ 2,407**

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

Several fiscal cliffs previously funded by non-recurring federal aid also remain, totaling $154 million annually in FY 2026 and beyond (see Appendix A). These include $80 million in technology funding, $49 million for mental health supports, $14 million for digital learning, and $12 million for restorative justice programs.

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

Metropolitan Transportation Authority

In December 2024, the MTA adopted its 2025 budget and financial plan, which forecasted balanced budgets through 2026 but a $379 million budget gap in 2027 and a $419 million gap in 2028. The MTA's financial plan assumes a 4 percent increase in revenue from fare and toll rate increases in both 2025 and 2027. The 2025 increase, however, was moved to August from March.

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. Tolling in the congestion relief zone has begun, but its continued implementation is uncertain given the federal government has revoked the approval for the program. The program is still operating while the MTA appeals the decision in court.

The MTA's $65.4 billion 2025-2029 proposed capital program (excluding MTA Bridges and Tunnels) was approved by the MTA Board in September with $33.4 billion of the funding (51 percent) not yet identified. The plan assumes that the State and City will each provide at least $4 billion (12 percent in total).

The 2025-2029 capital plan was vetoed by two Capital Plan Review Board members in late December, who both noted concerns over funding uncertainties. The State Executive Budget would commit the State and the City to provide $3 billion each to the MTA's 2025-2029 capital program, the same level of funding that was provided in the 2020-2024 capital program, and $2 billion less than MTA anticipates in their proposal, resulting in a $35.7 billion funding gap. Identified funding (excluding bridges and tunnels) in the State budget is $29.7 billion, including $14.4 billion in federal funding which is uncertain. The Governor has stated that funding the gap will be addressed before the end of the legislative session. If the program is not fully funded, the MTA would have a decision on whether to cut the program or fund the remaining gap with MTA sources.

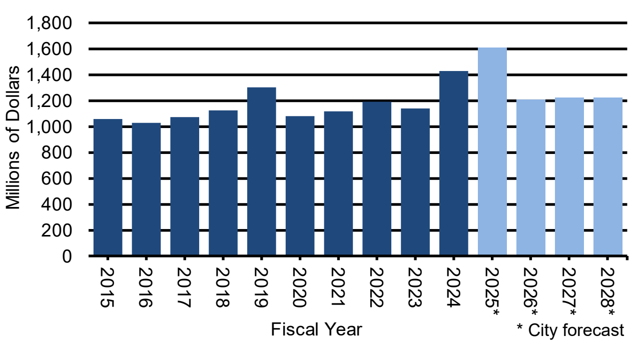
In terms of budgetary impact to the City, the January Plan continues a practice of not accounting for all of the potential costs related to City funding for MTA services such as paratransit, MTA buses and the Staten Island Railway. The January Plan added funds for the MTA in FY 2025 but left funding in the outyears untouched. As a result, OSC projects potential spending risks to the City of $298 million in FY 2026, rising to $538 million in FY 2029, as a result of these unbudgeted items.

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. The City has not budgeted for the 50 percent share in its financial plan but funded the additional $165 million required by law. The Executive State Budget has proposed to make this higher share permanent beginning in FY 2026.

As shown in Figure 35, aid to the MTA is budgeted to drop from $1.6 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.

The January Plan also does not fully address the expansion of the Fair Fares program which provides discounted fares to low-income riders. The City has budgeted $112 million in 2025 which includes expanding 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 of $21 million for the City that will need to be remedied if the City wants to continue the program after June 2025.

FIGURE 35
New York City Direct Aid to the MTA



Sources: NYC Office of Management and Budget; OSC analysis

NYC Health + Hospitals

In total, the January Plan has budgeted $2.7 billion in FY 2025, $2.3 billion in FY 2026, and then about $1.7 billion annually through FY 2029, to reimburse H+H for services it provides on behalf of the City. Since the adoption of the FY 2025 financial plan, the City adjusted funding in FY 2025, reducing City funds by $589 million to align City funding with lower projected spending due to the decline in the total population under the City's care, and State funding by $44 million and increased federal funding by $59 million, and in FY 2026 shifted $697 million in City funding from the Department of Homeless Services.[20] Due to the declining census, the number of H+H run HERRCs has declined but H+H remains a significant provider of assistance for asylum seekers managing the arrivals center and 9 HERRCs as of February 2025.

Since the adoption of the FY 2025 financial plan, the City added $100 million in FY 2025, $34 million in FY 2026, $44 million in FY 2027 and $46 million in FY 2028 (excluding asylum seeker funding) in City funds largely to cover the costs of recent collective bargaining arrangements and for several new programs. See [OSC's December 2025 report] on the funding added in the November Plan.

The January Plan adds City funds to cover the full costs of recent collective bargaining arrangements by $14 million in FY 2025, $17 million in FY 2026 and by about $21 million annually in FY 2027 through FY 2029. In FY 2025, $9 million in new funding was added for Correctional Health Services for increased costs for affiliated staff. Further, the City provided funding associated with the introduction of the Bridge to Home program of $6 million in FY 2026, increasing to $12.9 million annually starting in FY 2027. The program will temporarily

[20] Asylum seeker costs incurred by H+H are fully covered by the City according to a memorandum of understanding between the two parties.

house people (up to one year) with severe mental illness who are homeless and ready for discharge from an H+H hospital with a goal to move into permanent housing. The City funding will support personnel costs associated with providing treatment and support as well housing costs. The City is also funding a pilot program that will provide new parents with essential supplies and a resource guide of City services to new parents in four H+H hospitals with high birth rates (Jacobi, Lincoln, Elmhurst and Kings County hospitals) with $2.6 million in FY 2026 rising to $3 million in FY 2027.

On January 16, 2025, the City released the H+H FY 2025 adopted accrual financial plan, already halfway into the fiscal year. H+H ended FY 2024 with operating income in excess of $322 million, $308 million higher than what was anticipated in the FY 2024 adopted financial plan. The positive operating result is largely attributed to receiving higher than anticipated risk payments and better performance in its strategic initiatives than planned. The adopted plan does not reflect the changes included in the City's November and January Plans.

Subsequently, the City released the H+H FY 2026 preliminary cash financial plan (the February Plan) on February 24, 2025. Compared to the most recent cash plan, the FY 2025 executive financial plan, H+H and the City made updates to its revenue and expenditure forecasts and strategic initiatives, resulting in projected operating income of $111 million in FY 2025, $48 million higher than what was anticipated in the FY 2025 executive financial plan. The February Plan reflects the City and H+H baselining a portion of the revenue generating initiatives from its strategic plan into its patient care and other revenue forecasts. In anticipation of federal DSH cuts, the City had previously maintained the City's share of DSH in its third-party revenue forecast and has now shifted these City funds to cover the non-federal share of H+H's revenue generating supplemental Medicaid initiatives. Due to the limited details available in the February Plan submission, further review is necessary to understand the full impact of the plan.

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

NYCHA is the largest provider of public housing in the United States. The Authority houses over 360,000 residents across 335 Section 8 and Section 9 developments, and oversees the City's Section 8 voucher program, providing rental subsidies for an additional 200,000 tenants living in private residences. Rent for NYCHA residents is generally capped at 30 percent of household income. The City's January Plan includes a $618 million FY 2025 subsidy for NYCHA. About half of the total funding will come from the City and half from federal grants (about 0.1 percent will come from other categorical grants).

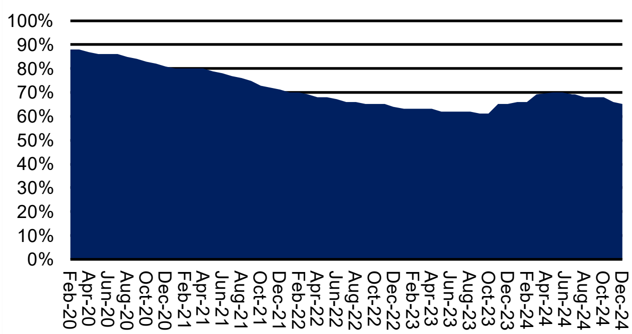
NYCHA (whose fiscal year is aligned with the calendar year) included a $35 million operating deficit in its 2024 adopted budget. In November, the Authority reported that this gap had been closed, primarily due to the receipt of additional federal and City subsidies. When compared to the adopted budget, NYCHA's 2024 year-end forecast included more than $100 million in additional federal operating subsidies, as well as approximately $100 million in additional City funds for general wage increases and programmatic initiatives.

Though a balanced 2025 is also anticipated, projected out-year shortfalls have increased substantially, with a $176.8 million average deficit expected from 2026 through 2029. Comparatively, in December 2023, NYCHA estimated an average funding gap of $46.7 million from 2025 through 2027 and a $12 million surplus in 2028. NYCHA increased projected average annual spending 3.4 percent from 2025 through 2028, while increasing average annual income by only 1.3 percent.

The out-year gaps have widened, fueled by overtime and rental arrears. NYCHA's 2025 Five-Year plan projects $182 million in average annual overtime expenses through FY 2028, a 68 percent increase over the prior year. Additionally, NYCHA continues to grapple with a sustained decline in post-pandemic rent collections (Figure 36). The Authority received only 65 percent of the total rent owed for December 2024, a significant drop from the 88 percent pre-pandemic collection rate in February 2020.

At the end of December 2024, outstanding unpaid rent totaled $524 million, up from $492 million at the end of 2023, and nearly $400 million more than the $125 million in arrears at the end of 2019. The relatively modest $32 million increase in 2024 comes despite the receipt of about $83 million in State and federal rental assistance, applied directly to tenant accounts, over the course of the year. An additional $185 million in federal and State rental assistance was announced in October 2024, to be distributed throughout 2025.

FIGURE 36
NYCHA's Rent Collection Rate



Sources: New York City Housing Authority; OSC analysis

The January plan earmarks $968.8 million in FY 2025 capital spending for NYCHA. Further, the 10-Year Capital Strategy includes $3.8 billion in total capital spending from FY 2026 through FY 2035, $1.1 billion more than the November Plan. The strategy also provides HPD with a total of $20.7 billion, of which $874.8 million is designated for NYCHA's Permanent Affordability Commitment Together (PACT) program in FY 2026, though PACT is unfunded in the out-years.

X. 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 2026, excluding contingent reserves), which may be utilized to help close future budget gaps.

In January, as it has done in prior years, the City drew down most of its contingent reserves, leaving a balance of $50 million in general reserves for the remainder of FY 2025. The City maintains its general reserve at $1.2 billion and Capital Stabilization Reserve at $250 million in each year beginning in FY 2026 (a total of $1.45 billion). These contingent reserves represent 1.7 percent of planned city-funded spending in FY 2026, still relatively high historically at this point in the year. If left unused, these reserves can be used to create future budgetary flexibility.

The drawdown of the contingent reserves in FY 2025 helped to maintain budget balance in that year and to generate surplus resources used to prepay a portion of next year's expenses. In the past, the City has 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. The January Plan assumes that the City will generate a surplus roll of $2.3 billion in FY 2025, which it will use to help prepay a portion of debt service in FY 2026.

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

Appendix A: FY 2026 Fiscal Cliffs

(in thousands)

Agency	Description	FY 2026 Cliff
City Funded Fiscal Cliffs		
Department of Education	Maintain Arts Funding	$45,000
	Special Education Pre-K Expansion	$30,000
	Additional Special Education Pre-K Classes	$25,000
	Extended Day Expansion	$25,000
	Supporting Families Without Offers	$20,000
	Maintain Project Pivot Funding	$15,000
	Community Schools	$14,000
	Maintain Affinity Organization Contracts	$10,000
	Maintain Teacher Recruitment Funding	$10,000
	Subtotal	**$194,000**
Police Department	Domain Awareness System and Mobility	$55,300
	Subtotal	**$55,300**
Department of Social Services	Maintain Community Food Connection	$31,900
	Fair Fares	$10,750
	Subtotal	**$42,650**
Administration for Children's Services	PromiseNYC	$25,000
	Subtotal	**$25,000**
Department of Sanitation	Litter Basket Service	$25,000
	Subtotal	**$25,000**
Department for the Aging	Maintain Senior Support	$11,100
	Subtotal	**$11,100**
Department of Youth & Community Development	SYEP MetroCards	$11,000
	Subtotal	**$11,000**
City Funded Fiscal Cliffs	**Subtotal**	**$364,050**
Federally Funded Fiscal Cliffs		
Department of Education	Maintain Technology Funding	$80,000
	Maintain Health Support	$48,717
	Digital Learning	$13,444
	Expand Restorative Justice	$12,000
	Subtotal	**$154,161**
Department for the Aging	Community Care Investments	$47,593
	Subtotal	**$47,593**
Department of Health and Mental Hygiene	Mobile Treatment	$47,363
	Subtotal	**$47,363**
Department of Social Services	Universal Access to Counsel in Housing Court	$15,605
	Subtotal	**$15,605**
Department of Youth & Community Development	Indirect Cost Rate	$12,769
	Subtotal	**$12,769**
Federally Funded Fiscal Cliffs	**Subtotal**	**$277,491**
Total Fiscal Cliffs	**Total**	**$641,541**

Sources: NYC Office of Management and Budget

Appendix B: City-Funded Agency Spending Trends

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

	Final June Plan		FY 2026 January Plan					FY19-FY24 CAGR	FY25-FY29 CAGR
	FY 2019	FY 2024 (adj.)	FY 2025 (adj.)	FY 2026 (adj.)	FY 2027 (adj.)	FY 2028 (adj.)	FY 2029		
Agency Expense									
Uniformed Forces									
Police	5,321	6,088	5,888	5,848	5,991	5,992	5,992	2.7%	0.4%
Fire	1,855	2,388	2,219	2,180	2,151	2,146	2,146	5.2%	-0.8%
Correction	1,368	1,241	1,155	1,211	1,260	1,382	1,383	-1.9%	4.6%
Sanitation	1,746	1,552	1,778	1,916	1,973	1,991	1,991	-2.3%	2.9%
Subtotal	**10,290**	**11,269**	**11,039**	**11,155**	**11,376**	**11,512**	**11,512**	**1.8%**	**1.1%**
Health and Welfare									
Social Services	7,729	9,017	10,333	9,146	9,647	10,057	10,457	3.1%	0.3%
Homeless Services	1,339	2,020	2,042	1,544	1,590	1,598	1,597	8.6%	-6.0%
Health and Mental Hygiene	860	1,111	1,395	1,138	1,144	1,138	1,138	5.3%	-5.0%
Children's Services	1,069	990	1,087	929	953	954	954	-1.5%	-3.2%
All Other	1,810	2,805	3,121	2,888	2,994	3,055	3,056	9.2%	-0.5%
Subtotal	**12,806**	**15,942**	**17,977**	**15,645**	**16,329**	**16,802**	**17,201**	**4.5%**	**-1.1%**
Education[21]									
Education	13,590	14,929	17,423	17,703	18,587	19,324	19,724	1.9%	3.1%
City University	858	850	985	961	978	995	1,004	-0.2%	0.5%
Subtotal	**14,448**	**15,779**	**18,407**	**18,664**	**19,565**	**20,319**	**20,728**	**1.8%**	**3.0%**
Other Agencies									
Environmental Protection	1,222	1,567	1,617	1,577	1,570	1,570	1,569	5.1%	-0.7%
Transportation	616	857	879	909	908	899	899	6.8%	0.5%
Parks and Recreation	432	517	562	570	571	571	571	3.7%	0.4%
Citywide Admin Services	331	460	471	419	411	409	409	6.8%	-3.5%
Housing Pres. and Dev.	242	458	513	534	557	570	582	13.6%	3.2%
All Other	3,179	4,005	4,241	3,719	3,685	3,690	3,688	4.7%	-3.4%
Subtotal	**6,022**	**7,865**	**8,282**	**7,728**	**7,702**	**7,709**	**7,717**	**5.5%**	**-1.8%**
Elected Officials	**709**	**948**	**972**	**972**	**973**	**974**	**974**	**6.0%**	**0.1%**
General Reserve	**20**	**20**	**50**	**1,200**	**1,200**	**1,200**	**1,200**	**0.0%**	**121.3%**
Agency Total	**44,295**	**51,823**	**56,728**	**55,365**	**57,145**	**58,516**	**59,332**	**3.2%**	**1.1%**
Other Expense									
Pension Contributions	9,801	9,191	9,926	10,429	10,782	11,625	11,168	-1.3%	3.0%
Miscellaneous[22]	7,661	10,804	11,298	12,219	13,045	14,349	15,602	7.1%	8.4%
Debt Service	6,155	6,627	5,639	6,348	9,451	10,413	11,306	1.5%	19.0%
All Other	(400)	(400)	(866)	135	282	444	577		
Subtotal	**23,217**	**26,222**	**25,997**	**29,132**	**33,560**	**36,831**	**38,652**	**2.5%**	**10.4%**
Total Expenditures	**67,512**	**78,045**	**82,725**	**84,497**	**90,706**	**95,348**	**97,985**	**2.9%**	**4.3%**
Asylum Seekers City Funds	**- - -**	**2,327**	**1,906**	**1,602**	**1,600**	**500**	**500**		
Total City Funds	**67,512**	**80,373**	**84,631**	**86,099**	**92,306**	**95,848**	**98,485**	**3.5%**	**3.9%**

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

[21] The Department of Education and City University plan numbers include fringe benefits.
[22] 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 C: Full-Time Staffing Levels

(Number of full-time employees)

	Actual	Actual	Forecast	Jan Plan	Variance – Better/(Worse) November 2024 Actual to June 2026 Plan		
	June 2020	Nov 2024	June 2025	June 2026	City Funds	Non-City Funds	Total Funds
Public Safety	**85,806**	**77,755**	**81,341**	**80,969**	**3,374**	**(160)**	**3,214**
Police Uniformed	35,910	33,887	35,051	35,001	1,114	- - -	1,114
Civilian	15,519	12,991	14,156	13,875	1,061	(177)	884
Fire Uniformed	11,047	10,751	10,952	10,952	194	7	201
Civilian	6,366	6,400	6,226	6,225	(156)	(19)	(175)
Correction Uniformed	9,237	5,820	7,060	7,060	1,241	(1)	1,240
Civilian	1,741	1,525	1,751	1,746	223	(2)	221
District Attys. & Prosec.	4,843	5,464	5,002	5,002	(395)	(67)	(462)
Probation	1,116	892	1,110	1,078	87	99	186
Board of Correction	27	25	33	30	5	- - -	5
Health & Welfare	**27,878**	**25,410**	**28,042**	**27,634**	**1,135**	**1,089**	**2,224**
Social Services	12,330	11,006	12,173	12,043	137	900	1,037
Children's Services	7,039	6,376	7,028	7,027	561	90	651
Health & Mental Hygiene	5,530	5,416	5,984	5,716	233	67	300
Homeless Services	2,119	1,771	1,923	1,890	157	(38)	119
Other	860	841	934	958	47	70	117
Environment & Infra.	**26,365**	**26,555**	**27,900**	**27,796**	**(22)**	**1,263**	**1,241**
Sanitation Uniformed	7,755	8,395	7,955	7,846	(549)	- - -	(549)
Civilian	2,107	1,693	1,632	1,632	(72)	11	(61)
Transportation	5,120	5,251	5,847	5,851	217	383	600
Parks & Recreation	4,236	4,530	4,955	4,983	377	76	453
Environmental Protection	5,891	5,560	6,334	6,307	1	746	747
Other	1,256	1,126	1,177	1,177	4	47	51
General Government	**12,634**	**11,409**	**12,722**	**12,414**	**996**	**9**	**1,005**
Finance	1,996	1,631	1,994	1,993	350	12	362
Law	1,713	1,403	1,454	1,510	104	3	107
Citywide Admin. Svcs.	2,403	2,045	2,417	2,415	258	112	370
Taxi & Limo. Comm'n.	584	404	555	546	142	- - -	142
Investigations	361	263	310	293	30	- - -	30
Board of Elections	682	703	517	517	(186)	- - -	(186)
Info. Tech. & Telecomm.	1,673	1,501	1,562	1,545	51	(7)	44
Other	3,222	3,459	3,913	3,595	247	(111)	136
Housing	**4,088**	**3,910**	**4,507**	**4,613**	**452**	**251**	**703**
Buildings	1,676	1,514	1,741	1,805	290	1	291
Housing Preservation	2,412	2,396	2,766	2,808	162	250	412
Dept. of Education	**134,684**	**132,883**	**138,098**	**135,717**	**3,771**	**(937)**	**2,834**
Pedagogues	121,077	119,710	125,188	123,369	3,973	(314)	3,659
Non-Pedagogues	13,607	13,173	12,910	12,348	(202)	(623)	(825)
City University of NY	**6,288**	**5,668**	**6,024**	**6,024**	**356**	**- - -**	**356**
Pedagogues	4,545	4,198	4,289	4,289	91	- - -	91
Non-Pedagogues	1,743	1,470	1,735	1,735	265	- - -	265
Elected Officials	**2,703**	**2,569**	**2,823**	**2,814**	**180**	**65**	**245**
Total	**300,446**	**286,159**	**301,457**	**297,981**	**10,242**	**1,580**	**11,822**

Sources: NYC Office of Management and Budget; OSC analysis

Contact

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

(518) 474-4044

www.osc.ny.gov

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