Review of the Financial Plan of the City of New York

Report 5-2025

OFFICE OF THE NEW YORK STATE COMPTROLLER
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Message from the Comptroller

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As shown in the Mayor's Executive Budget for fiscal year 2025, 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. There is also greater clarity over a number of known fiscal questions, including collective bargaining costs. With an improving economic outlook, the City has a chance to continue to bolster its budgetary flexibility, including reserves and contingencies, to levels that will help it withstand surprises in the future.

While some of the fiscal challenges facing the City are not in its direct control — including the continued influx of asylum seekers, elevated demand for City programs due to an uneven recovery and the potential for federal and State actions that could pressure City finances — preparation and transparency remain paramount to navigating future uncertainty. It is also necessary for the federal government to take concrete steps to alleviate spending pressures from the influx of asylum seekers, including a matching share of funding and a comprehensive strategy to manage the population.

Operationally, the City must balance fiscal management with its operational needs to ensure it can continue to encourage employment and firm growth, enhancing its economic and tax revenue base. A key challenge the City has had to contend with is a significant staffing decline during the pandemic that may have affected some services. Staffing is expected to grow as a result of the City's improved fiscal outlook but will still take time to be fully remedied. Recent budget actions have highlighted concerns over the impact that service reductions could have on supporting the City's most vulnerable residents.

Greater communication to the public of the City's efforts to manage performance and adjust its programming and staffing needs 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 enhancing affordability and opportunity for all New Yorkers.

Thomas P. DiNapoli
State Comptroller

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I. Executive Summary

On April 24, 2024, the City of New York submitted to the New York State Financial Control Board a revised financial plan for FY 2024 (ending June 30, 2024) and a new four-year financial plan (the "April Plan") for fiscal years 2025 through 2028 (see Figure 1). After a year of dramatic revenue and spending fluctuations, the City's fiscal year (FY) 2024 budget has settled on a familiar pattern of recent years: better-than-projected-revenue and cost-saving initiatives generating a year-end surplus. That surplus is used to prepay expenses for the next fiscal year, helping the City achieve planned balance for a $115.6 billion budget in FY 2025.

The economy has regained all jobs lost in the pandemic and continues to see gains in consumer spending. Visitors are returning and property values continue to rise. Caution over continued growth is warranted, however, as commercial property market vacancies have reached levels not seen in over 30 years and white collar hiring for office jobs has declined year-over-year.

In addition, the City's revenue projections are no longer as conservative, leaving less room for an economic slowdown. The Office of the State Comptroller (OSC) assumes cumulative upside tax revenue potential of $3.6 billion over the financial plan period in the City's executive budget, a decline from an average of $4.9 billion projected in the executive budget over the last three fiscal years. The City has also resorted to planning for sources of revenue that it had reduced reliance on prior to the pandemic, such as the water board rental payment, which will exceed $300 million annually beginning in FY 2025, and suggests increased difficulty balancing the budget via organic revenue growth. This difficulty would be made substantially worse if a recession were to occur, even as the probability of such an event has decreased when compared to this point last year.

This additional revenue will go toward city-funded spending increases that will occur even as the City has generated substantial savings from the reinstatement of the "Program to Eliminate the Gap" (PEG). The FY 2024 PEG program remains substantial, saving a net of $2.6 billion in FY 2024, $2.3 billion in FY 2025 and an average of nearly $2.2 billion in the outer-years, excluding savings associated with asylum seeker spending. The City has also identified $2.3 billion in asylum seeker savings over FY 2024 and FY 2025. This amount, which reduces initial cost projections added mid-year amid a substantial influx of asylum seekers into the City's care, is attributed to changes to City shelter policies.

Despite their magnitude, choices over savings initiatives during the fiscal year suggest other pressures on the City that may be more difficult to manage going forward. First, while stronger-than-expected revenues allowed the City to reduce its initial savings target of nearly 15 percent planned in September, significant public pressure has emerged to restore smaller programmatic changes made by the City as a response to budget stress. As a result, the City has restored $73 million in FY 2024 and an average of more than $200 million annually beginning in FY 2025 for savings initiatives identified in the first round of the PEG. Continued pressure remains on restoring funding for other programs as well.

The City also generated substantial savings by leveraging vacancies. As a result, the City's employment target in FY 2025 has declined to levels last seen in FY 2016, despite the expansion of programmatic activity, which requires more efficient delivery of services and careful monitoring to ensure they are not deteriorating. Other items that have contributed to savings, including accelerated use of federal aid and debt service, are also less likely to be available in the coming years during a period of higher interest rates.

Amid escalating pressure for new programs and servicing existing programs, identifying new sources of savings beyond what has been identified will still be an important budgeting need for the City. In particular, it will require enhanced management of programs to identify efficiencies that will allow the City to maintain service levels while reducing associated costs.

These spending pressures exist even as the City continues to exclude certain spending items that are likely to require additional funding in the financial plan. Funding for public assistance enrollment growth, the school class size mandate, the expansion of the CityFHEPS program, and budget items that have consistently run over budget in recent years, including subsidies for the Metropolitan Transportation Authority (MTA) and overtime, are expected to add $5.8 billion in budget risks in FY 2025 rising to $12.1 billion by FY 2028, net of better than anticipated revenues.

Overall, OSC anticipates that the City is facing budget gaps of nearly $2.9 billion in FY 2025, $10.9 billion in FY 2026, $13.4 billion in FY 2027 and $17.4 billion in FY 2028, as the City fully implements the class size mandate and contingent upon the rollout of an expanded CityFHEPS program, which is currently City law (see Figure 2).

The importance of economic growth and revenue has become even clearer – without better-than-anticipated revenues, the City is unlikely to be able to afford some planned discretionary spending. OSC also anticipates prepayments of next year's expenses will decline from last year, suggesting the City may have reached a point where it is spending more than it is taking in, even as City fund revenues have exceeded projections by $3 billion in the current fiscal year. These shifts have come amid slowing economic growth.

Crucially, the City's current fiscal plan misses the chance to set aside funds for managing a revenue shortfall. Including the current year, the City has generated over $15 billion in better-than-anticipated City fund revenue between July and April in each of the past four fiscal years. It has elected to set aside less than 10 percent of that amount for deposit into its rainy-day fund, with no additions made in each of the last two fiscal years (see Figure 3). Adding funds to its reserves now would provide the City with greater flexibility to avoid impacting services in the future. At the same time, formalizing its reserve policy would enable a regular budgetary practice that would provide an additional financial cushion in the future and solidify its recognition of the discipline needed to navigate the fiscal challenges to come.

FIGURE 1
New York City Financial Plan
(in millions)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues					
Taxes					
General Property Tax	$ 32,786	$ 33,700	$ 34,306	$ 35,334	$ 36,016
Other Taxes	40,014	42,121	42,650	44,405	46,009
Tax Audit Revenue	847	773	773	773	773
Subtotal: Taxes	$ 73,647	$ 76,594	$ 77,729	$ 80,512	$ 82,798
Miscellaneous Revenues	8,644	8,126	7,997	7,949	7,984
Unrestricted Intergovernmental Aid	17	- - -	- - -	- - -	- - -
Less: Intra-City Revenue	(2,293)	(1,952)	(1,934)	(1,931)	(1,931)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Subtotal: City Funds	$ 80,000	$ 82,753	$ 83,777	$ 86,515	$ 88,836
Other Categorical Grants	1,151	1,106	1,104	1,104	1,104
Inter-Fund Revenues	747	761	770	770	770
Federal Categorical Grants	12,734	7,855	7,212	7,147	7,225
State Categorical Grants	19,910	19,147	18,892	18,953	18,105
Total Revenues	**$ 114,542**	**$ 111,622**	**$ 111,755**	**$ 114,489**	**$ 116,040**
Expenditures					
Personal Service					
Salaries and Wages	$ 32,689	$ 32,721	$ 33,732	$ 34,749	$ 35,709
Pensions	9,355	10,379	10,801	10,926	11,867
Fringe Benefits	13,310	14,139	14,876	15,452	16,060
Subtotal: Personal Service	$ 55,354	$ 57,239	$ 59,409	$ 61,127	$ 63,636
Other Than Personal Service					
Medical Assistance	6,176	6,743	6,583	6,733	6,883
Public Assistance	2,467	1,650	1,650	2,000	2,463
All Other	46,860	42,191	41,112	40,945	38,843
Subtotal: Other Than Personal Service	$ 55,503	$ 50,584	$ 49,345	$ 49,678	$ 48,189
Debt Service	7,469	8,239	8,938	9,617	10,441
FY 2023 Budget Stabilization & Discretionary Transfers	(5,479)	- - -	- - -	- - -	- - -
FY 2024 Budget Stabilization	3,938	(3,938)	- - -	- - -	- - -
Capital Stabilization Reserve	- - -	250	250	250	250
General Reserve	50	1,200	1,200	1,200	1,200
Less: Intra-City Expenses	(2,293)	(1,952)	(1,934)	(1,931)	(1,931)
Total Expenditures	**$ 114,542**	**$ 111,622**	**$ 117,208**	**$ 119,941**	**$ 121,785**
Gap to be Closed	**$ - - -**	**$ - - -**	**$ (5,453)**	**$ (5,452)**	**$ (5,745)**

Source: NYC Office of Management and Budget

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

	Better/(Worse)				
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Gaps Per NYC Financial Plan	**$ - - -**	**$ - - -**	**$ (5,453)**	**$ (5,452)**	**$ (5,745)**
Revenues					
Tax Revenue	$100	$ 285	$1,035	$820	$1,185
Miscellaneous Revenue	0	50	50	50	50
Subtotal Revenue	**$100**	**$285**	**$1,085**	**$870**	**$1,235**
Expenditures					
State Budget Impact	- - -	180	(157)	(169)	(183)
Variable Rate Debt Service Savings	- - -	50	- - -	- - -	- - -
Payroll Savings	700	- - -	- - -	- - -	- - -
Operating Subsidies to the MTA	- - -	(143)	(268)	(450)	(450)
Health Insurance	(112)	- - -	- - -	- - -	- - -
Social Services (Summarized)	- - -	(1,430)	(1,503)	(1,251)	(1,006)
Uniformed Agency Overtime	(64)	(720)	(693)	(685)	(690)
Department of Education (Summarized)	- - -	(672)	(1,385)	(1,858)	(2,458)
Early Intervention	- - -	(65)	(76)	(76)	(76)
School Health (Article 6) Programs	- - -	(36)	(36)	(36)	(36)
DOHMH School Nurses	- - -	(28)	(28)	(28)	(28)
Supportive Housing	- - -	(20)	(20)	(20)	(20)
Public Health Corps	- - -	(13)	(45)	(45)	(45)
Meal Program for Youth Rate Increase	- - -	(4)	(4)	(4)	(4)
CityFHEPS Expansion	- - -	(763)	(2,178)	(3,561)	(4,917)
Residual Services for Asylum Seekers	(164)	512	(104)	(591)	(3,000)
Subtotal Expenditures[1]	**360**	**(3,152)**	**(6,496)**	**(8,774)**	**(12.912)**
OSC Risk Assessment	**460**	**(2,867)**	**(5,411)**	**(7,904)**	**(11,677)**
Potential Gaps Per OSC[2,3,4]	**$460**	**$ (2,867)**	**$(10,864)**	**$(13,358)**	**$ (17,422)**

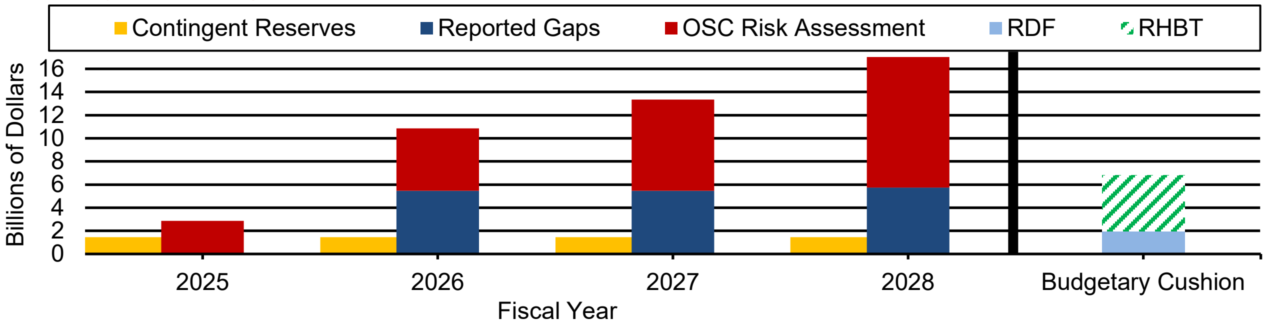
[1] See the Expenditure Trends: Social Services section and the Semi-Autonomous Entities: Department of Education section for details on the financial plan risks at those agencies.

[2] April Plan gaps are inclusive of a general reserve of $20 million in FY 2024 and $1.2 billion in each of fiscal years 2025 through 2028. In addition, the Capital Stabilization Reserve has a balance of $250 million in each of fiscal years 2025 through 2028. The April Plan also includes reserves of about $279 million beginning in FY 2025 to fund potential changes to planned pension contributions from future actuarial audit recommendations.

[3] State law requires surplus resources accumulated by the City to be deposited into its Revenue Stabilization Fund (RSF). As of FY 2023, 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 subsection 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, 2023, 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 strength across a number of indicators including employment, consumer spending and financial market returns. Gross domestic product (GDP) grew by a stronger-than-expected 2.5 percent in 2023, and consensus estimates suggest GDP could reach a similar growth rate in 2024 before slowing next year. GDP grew by an annualized 1.6 percent in the first quarter of 2024, lower than consensus estimates, but higher than the preliminary estimate of 1.1 percent at this time last year, suggesting cautious interpretation.

Choices over monetary policy may have significant implications for growth. Amid strong employment data so far this year, the Federal Reserve maintained in its latest economic projections in March that it would cut interest rates three times this year. The City's economic forecast similarly expects three rate cuts beginning in the second half of 2024.

Federal Reserve officials are since reconsidering those projections given higher-than-anticipated inflation, even suggesting the possibility of no rate cuts this year. Some analysts have noted that maintaining higher borrowing costs for longer than initially planned could lead to economic slowdown as higher rates put pressure on the financial and housing markets. In May 2024, the Federal Reserve kept the federal funds rate at the range of 5.25 percent to 5.5 percent, as it has done since September 2023.

In April 2024, the national economy added 175,000 jobs (seasonally adjusted) as the unemployment rate increased to 3.9 percent. While job growth generally slowed over the second half of last year compared to the first half, it picked up significantly between December 2023 and March 2024.

Wages ticked down recently, growing at 3.2 percent in April and falling short of consumer price growth at 3.4 percent for the first time in months.

City Economy

The City's economy fully recovered to its pre-pandemic level of jobs in January 2024. In April, employment reached a record 4.74 million jobs (seasonally adjusted), 26,000 jobs over the February 2020 level. However, the employment recovery has been uneven (see OSC's January Plan report).

The City expects employment in the real estate and leisure and hospitality sectors to fully recover to pre-pandemic levels within the financial plan period. However, it expects employment in the construction, retail trade, other services and government sectors to take longer. The April Plan employment projections changed little from January except for, notably, construction. The City initially expected the sector to recover its 2019 level of jobs by 2025; it no longer anticipates a full recovery during the plan period, amid higher interest rates that, even if cut, may still continue to weigh on the sector.

Among the sectors that have fully recovered and are expected to continue to add jobs at a moderate pace is the securities industry. Wall Street profitability has also moderated to pre-pandemic levels and should continue to do so, in alignment with the City's projection of approximately $24 billion, on average, from 2024 through 2028.

Tourism-related industries continue to rebound as evidenced by hotel occupancy and room rates, restaurant reservations and Broadway attendance levels.[5] The City's official tourism agency, New York City Tourism + Conventions, expects visitor numbers to reach pre-pandemic levels in 2025. Still, the industry generated a record $54 billion in the City, more than two-thirds of the sector's economic impact statewide in 2022.[6]

The City's economy faces challenges, however. With still high vacancy rates, commercial real estate continues to pose a risk to tax revenues. Additionally, geopolitical conflict continues to threaten global supply chains, and thereby, price stability and productivity locally and beyond. If rates remain elevated, they may intensify pressure on local economic activity.

As the City continues to emerge from pandemic economic impacts, Federal Reserve policy is even more significant than at the beginning of the year, when inflation still appeared on course to meet targets over the next couple years. However, that may no longer be the case, posing substantial risk to national and local economic projections. The City should monitor whether the Federal Reserve's next economic projections in June more accurately reflect the intended course of monetary policy and revise its economic projections, if needed. This assessment will be important for City residents' understanding of the revenue picture and whether key services can be provided.

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

6 OSC, Tracking the Return: The Tourism Industry In New York City, https://www.osc.ny.gov/files/reports/pdf/report-04-2025.pdf.

III. Changes Since the June 2023 Plan

When the budget was passed in June 2023, the City had projected a balanced budget for FY 2024 and budget gaps of $5.1 billion in FY 2025, $6.8 billion in FY 2026 and $7.9 billion in FY 2027. Three financial plan updates later (in November 2023, January 2024, and most recently April 2024), the City is reporting a balanced budget for FY 2025, due in large part to $3.9 billion in surplus funds in FY 2024 that will be used to prepay expenses in FY 2025. Out-year budget gaps were reduced to $5.5 billion in fiscal years 2026 and 2027 (see Figure 4).

The most recent April Plan included increases to both tax and non-tax revenue projections, asylum seeker and debt service savings, and recognition of additional State aid to further offset asylum seeker costs. These positive developments provided the City with funds for new initiatives, some service cut restorations and for some unfunded programming (fiscal cliffs). The net effect of the April Plan increased the FY 2026 and FY 2027 budget gaps by more than $300 million since the January Plan update (see OSC's previous reports for details).

The April Plan increased tax revenue projections by $619 million in FY 2024, $1.6 billion in FY 2025 and by an average of $876 million annually in subsequent years. The net increase was primarily driven by property and business taxes, adding $1.6 billion and $1.8 billion, respectively, to the tax forecast over four years. Non-tax revenue projections increased almost entirely due to additional Water Board rental payments, which will now provide more than $300 million in funds annually beginning in FY 2026.

The City also identified an additional 10 percent in asylum seeker savings, accounting for nearly all agency savings added in the April Plan, with $461 million and $125 million, respectively, in FY 2024 and FY 2025 (see the Social Services: Asylum Services subsection for details). Agency savings were limited to underspending reestimates, totaling $40 million in FY 2024 and significantly smaller amounts in the out-years. Restorations to prior PEG initiatives included two police academy classes, totaling $62 million in FY 2025, growing to $78 million by FY 2027 and funding for the Department of Cultural Affairs, totaling $7.4 million in FY 2024 and $7.6 million annually thereafter. Debt service accounted for $183 million in savings in FY 2024 but were revised to generate lower savings by $62 million in FY 2025, $77 million in FY 2026 and $128 million in FY 2027.

The City reduced nearly $450 million anticipated State support for asylum seeker costs from FY 2024. Additionally, the City added $1.5 billion in each of fiscal years 2026 and 2027 for asylum seeker costs, with the assumption that the State will provide another $1 billion in aid in each of those years, for a net increase in City funds of $500 million for this expense in each year. As of the April Plan update, the comprehensive total for asylum seeker costs is now $3.8 billion in FY 2024, $4.7 billion in FY 2025, $4 billion in FY 2026 and $3 billion in FY 2027.

Offsetting the additional revenue and cost savings, new agency needs in the April Plan cost $1.5 billion in each of fiscal years 2024 and 2025, and an average of $875 million in the following two fiscal years. The bulk of the added expenses in FY 2024 include one-time funding for overtime and other than personal services at the uniformed agencies ($485 million); shelter costs and emergency assistance to families ($397 million); an adjustment to increase the City's account to pay out settlements ($150 million); funding for pupil transportation and charter schools ($135 million); and funding for foster care ($129 million). The City also added one-time funding in FY 2025, which totals

FIGURE 4
Financial Plan Reconciliation — City Funds
April 2024 Plan vs. June 2023 Plan
(in millions)

	Better/(Worse)			
	FY 2024	FY 2025	FY 2026	FY 2027
Projected Gaps Per June 2023 Plan	**$ - - -**	**$ (5,079)**	**$ (6,836)**	**$ (7,900)**
Updated Tax Estimates				
Business Taxes	1,349	1,431	1,106	1,138
Personal Income Taxes	1,058	1,159	752	645
General Property Taxes	209	1,460	1,797	2,218
Sales Taxes	195	51	(83)	(114)
Hotel Taxes	47	34	30	21
Real Estate Transaction Taxes	(468)	(409)	(409)	(394)
Other Taxes	(16)	(26)	4	17
Audits	100	- - -	- - -	- - -
Subtotal	**2,474**	**3,700**	**3,197**	**3,531**
Other Revenue Reestimates	**409**	**465**	**422**	**421**
Total Revenue Reestimates	**2,883**	**4,165**	**3,619**	**3,952**
Contingent Reserves	**1,400**	**- - -**	**- - -**	**- - -**
Program to Eliminate the Gap (PEG)				
Agency Savings	2,434	2,501	2,414	2,425
Restorations	(73)	(199)	(217)	(221)
Debt Service	256	- - -	69	81
Subtotal	**2,617**	**2,303**	**2,266**	**2,285**
New Agency Needs	**(4,787)**	**(2,012)**	**(1,543)**	**(1,893)**
Asylum Seeker Costs				
Total Costs	(1,826)	(5,100)	(4,000)	(3,000)
Asylum Seeker Cost Savings (PEG)	976	1,354	- - -	- - -
State Aid	750	1,022	1,000	1,000
Federal Aid	22	- - -	- - -	- - -
Subtotal	**(78)**	**(2,724)**	**(3,000)**	**(2,000)**
Updated Estimates				
Pension Contributions	274	43	84	141
Federal Stimulus Swaps	240	(228)	- - -	- - -
Other Federal Funding Shift	250	- - -	- - -	- - -
Prior Years' Expenses	400	- - -	- - -	- - -
Labor Reserve Re-estimate	170	- - -	- - -	- - -
Medicaid Transfer	289	(289)	- - -	- - -
State Budget Impact	- - -	(41)	(41)	(41)
All Other	281	(76)	(1)	3
Subtotal	**1,904**	**(592)**	**42**	**103**
Total Expense Reestimates	**1,056**	**(3,025)**	**(2,236)**	**(1,504)**
Net Change	**3,938**	**1,141**	**1,384**	**2,448**
Gaps to Be Closed Before Prepayment	**$ 3,938**	**$ (3,938)**	**$ (5,453)**	**$ (5,452)**
FY 2024 Prepayment of FY 2025 Expenses	(3,938)	3,938	- - -	- - -
Gaps to Be Closed Per April 2024 Plan	**$ - - -**	**$ - - -**	**$ (5,453)**	**$ (5,452)**

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

$568 million, driven largely by $380 million to maintain service levels at the Department of Education (DOE).

Recurring funding beginning in FY 2025 includes $620 million for rental assistance, dropping to $540 million annually thereafter; $90 million annually for health insurance rate increases, and $58 million growing to $62 million annually by FY 2027 for criminal justice initiatives. This new funding helps address some of the fiscal cliffs OSC has identified since April 2021 (see OSC's Identifying Fiscal Cliffs in New York City's Financial Plan tool for details).

Other notable adjustments in the April Plan include a labor reserve re-estimate of $170 million in FY 2024, wage increases for non-represented City employees totaling $162 million in FY 2024 growing to $231 million annually by FY 2027 and a health and human services cost of living adjustment for employees of $80 million in FY 2025 growing to $248 million annually by FY 2027. The plan also includes $41 million annually beginning in FY 2025 for mandatory items included in the enacted State budget, mostly for parental accommodation.

Out-year budget gaps in fiscal years 2026 and 2027 have increased slightly since the January Plan as the City has increased projected spending on asylum seeker costs. The City's stated out-year gaps now total $16.7 billion over three years, representing a slight decrease from the gaps reported last fiscal year at this point in the budget cycle ($17.1 billion). Measured as a share of City fund revenues, the remaining out-year gaps average 6.4 percent, lower than the 7.1 percent reflected in the April 2023 Plan. Existing contingencies (totaling $1.45 billion in each fiscal year) could be used to narrow the gaps to an average of 4.8 percent of revenues.

IV. State and Federal Actions

State Budget

On April 20, 2024, the State Legislature adopted the budget for State fiscal year (SFY) 2025, which began on April 1. On a net basis, OSC estimates that the State budget will have a positive fiscal impact to the City of $818 million in FY 2024 and $1.4 billion in FY 2025 (see Figure 5). The April Plan incorporates most of these State budget initiatives and assumes the City would receive $19.1 billion in total State categorical aid in FY 2025.

The State budget items not included in the April Plan are expected to have a net positive budget impact of $180 million in FY 2025 but a net negative budgetary impact of $156 million in FY 2026, $169 million in FY 2027 and $183 million in FY 2028 (see Figure 6).

The largest positive funding impact for the City in the State budget is for asylum seeker costs, including $530 million in each of fiscal years 2024 and 2025 for direct aid. An additional $288 million in FY 2024 and $350 million in FY 2025 would be provided for 100 percent reimbursement of the operations of Humanitarian Emergency Response and Relief Centers (HERRCs) at Creedmoor Psychiatric Center, Randall's Island and Floyd Bennett Field. The State will also provide an estimated $134 million for Safety Net Assistance for asylum seekers in FY 2025 and FY 2026 which is expected to have no net impact on the City's financial plan, as the amount is budgeted for additional expenses anticipated by the State. The State is also providing an additional $40 million for vaccinations and medical testing and $20 million for case management and legal services for asylum seekers in FY 2025, which the City did not reflect in the April Plan, likely because funding may be directed to service providers.

FIGURE 5
Enacted State Budget Impact on New York City
(in millions) Better/(Worse)

	FY 2024	FY 2025
Asylum Seekers	$ 817	$ 940
School Aid	- - -	597
Safety Net Assistance	- - -	67
Revenue Actions	1	29
Tier 6 Pensions	- - -	(163)
Sales Tax Intercept	- - -	(38)
Breast Milk Expression	- - -	(52)
Sick Leave Prenatal Care	- - -	(8)
Other Changes	- - -	(7)
Total	**$818**	**$ 1,364**

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

FIGURE 6
OSC Estimate of Unbudgeted State Budget Items in April Plan
(in millions) Better/(Worse)

	FY 2025	FY 2026	FY 2027	FY 2028
School Aid	281	- - -	- - -	- - -
Asylum Seeker Support Costs	60	- - -	- - -	- - -
Revenue Actions	29	29	29	29
Tier 6 Pensions	(163)	(158)	(170)	(183)
Breast Milk Expression Paid Leave	(17)	(17)	(17)	(17)
Sick Leave Prenatal Care	(8)	(8)	(8)	(8)
Other Pension Changes	(1)	(2)	(2)	(3)
Net Budgetary Impact	**$ 180**	**$ (156)**	**$ (169)**	**$ (183)**

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

The State had provided $1.9 billion for asylum seekers in previous budgets for a total of $4.3 billion, $3.4 billion of which would go to the City. The City's April Plan expects $1.3 billion in both FY 2024 and FY 2025 in State aid for asylum seekers, 31 percent of the total City projection for those years which is consistent with the State budget. The City has also budgeted $1 billion in State aid for each of FY 2026 and FY 2027 for asylum seekers, 29 percent of the projected cost in those years, but receipt of these funds requires additional appropriations by the State. OSC does not apply a budget risk for these funds given recent State support at the assumed cost-sharing levels.

The second largest positive impact from the State budget is from school aid. The State would provide the City with $466 million more in school Foundation Aid than the prior year and proposes to increase expense-based and categorical school aid to the City by $167 million more than last year. Together, this funding is $281 million more than expected in the City's April Plan in FY 2025 as the City did not include all of the aid after the State budget was enacted.

The State budget also increases revenues to the City by around $1 million in FY 2024 and by $29 million in FY 2025 by extending the itemized deduction limit for high income filers for five years ($20 million), allowing for amended sales tax returns ($2 million), and repealing and replacing the cannabis potency tax ($500,000 in FY 2024 and $7 million in FY 2025). These revenue adjustments were not included in the April Plan.

The State budget also includes a number of items that will either increase costs or decrease revenues for the City, creating a negative fiscal impact. The largest impact will be from increasing the final average salary used to calculate the pension benefits for certain Tier 3 and Tier 6 members of the New York City Employment Retirement System by counting the highest three years of a member's salary instead of the highest five years. This is estimated by the City Actuary to cost the City $163 million in FY 2025 rising to $183 million in FY 2028. Other smaller changes to pension benefits were also approved that are estimated to cost the City $2 million in FY 2025. These changes have not been reflected in the April Plan.

Another State budget item that will have a negative impact is an extension of a City sales tax intercept that is dedicated to helping distressed hospitals for three years, to March 2028, which would reduce City sales tax revenues by $38 million in FY 2025, $150 million in each of FY 2026 and FY 2027 and $112 million in FY 2028.

The State budget increases the threshold for the use of federal funds in the Temporary Assistance for Needy Families Flexible Fund for Family Services program which is expected to cost the City $5 million annually starting in FY 2025. The budget eliminated co-payments for employees who use insulin which is expected to cost the City $1.2 million annually starting in FY 2025. These initiatives were added into the April Plan.

The State budget also allows for 30 minutes of paid leave time for employees to express breast milk which the City estimates will cost it $52.5 million annually starting in FY 2025. The City has included $35 million annually in the April Plan for this added expense which covers 20 minutes of paid leave as proposed in the State executive budget. The costs for unanticipated additions to paid leave time in the enacted budget were not included in the April Plan. In addition, a budget provision that adds 20 hours to sick leave for prenatal care is expected to cost the City $8 million annually starting in FY 2025 but has not been reflected in the April Plan.

The State budget contains other actions that will impact the City or its residents, but do not have a direct quantifiable impact on its operating budget, including increasing the City's debt capacity, extending mayoral control of the City's schools for two years, wide-spanning changes to housing policy and additional control over City speed limits.

The State budget increased the amount of Transitional Finance Authority Future Tax Secured bonds not subject 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 will provide $14 billion more in debt-incurring power when fully phased in. To meet the State class size mandate, the City is required to increase planned spending for classroom construction by $2 billion over and above the planned capital spending detailed in the February 2024 School Construction Authority capital plan. This additional $2 billion has not yet been included in the City's capital commitment plan.

The State budget extends mayoral control of City schools by two years to June 30, 2026. The Panel for Educational Policy, which approves the governing choices of the City's Department of Education, has been increased to 24 members, with the majority of members (13) still appointed by the Mayor. The chairman, however, will be chosen by the Mayor from three candidates nominated by the speaker of the Assembly, the majority leader of the State Senate and by the Chancellor of the Board of Regents. The City must also certify that sufficient City funds are appropriated to meet State class size mandates and that any increases in State Foundation Aid or other supplemental education grants will supplement and not supplant funds already allocated by the City.

The City has identified other initiatives in the State budget that may have an impact on the City's budget but are not able to be quantified, including for cannabis enforcement, student transportation after 4 p.m. and possible higher health insurance costs from a tax on managed care organization providers.

The enacted budget makes significant changes to incentivize housing construction, update building and housing regulations, and changes landlord and tenant regulation.

For incentives, the State budget replaces the expired 421-a real estate tax abatement program with a new program called 485-x and extends by five years to 2031 the deadline when projects receiving 421-a benefits must be completed. It also provides a property tax exemption in the City to encourage the conversion of commercial properties to residential properties that provide affordable housing.

As it relates to housing and building regulations, the enacted budget authorizes the City to institute a pilot program legalizing some existing basement and cellar dwellings and updates the floor area ratio in the City to be higher than 12, with the exception of those in historic districts.

In addition, the enacted budget raises the cap on individual apartment improvements for rent stabilized units and allows landlords to recoup a portion of renovation costs over a 15-year period.

The State budget allows tenants to initiate court proceedings for annual rent increases of above 10 percent or 5 percent plus the Consumer Price Index (whichever is lower).

Finally, the enacted budget allows the City to reduce the speed limit on its streets to 20 miles per hour on most roads and to 10 miles per hour in special traffic calming zones excepting some portions of local roads outside Manhattan.

In order to balance its future budgets, the State could make changes to Medicaid or education foundation aid spending, which might have a significant impact on the City's budget.

Federal Actions

The April Plan assumes that total federal receipts for the operating budget continue to wind down after peaking in FY 2022 ($15.2 billion), from an average of $11.4 billion in fiscal years 2023 and 2024 to nearly $7.9 billion in FY 2025. Receipts decline to about $7.2 billion starting in FY 2026 as the City draws down the balance of pandemic relief aid.

Pandemic Relief

Through FY 2023, the City realized a total of $22 billion in federal aid, including unrestricted aid, to respond to the impacts of COVID-19. Of this amount, more than $19.2 billion has been claimed or collected to date. The April Plan assumes pandemic aid will total $3.6 billion in FY 2024 (mostly for education and general fiscal relief; see Figure 7) and will decline sharply in subsequent years as the stimulus program reaches its conclusion.

Since the beginning of FY 2024, the City has made relatively small adjustments to its forecast of residual pandemic aid, mainly to accelerate the use of $228 million in local fiscal relief funds in FY 2024 from FY 2025. The City also raised its forecast of public health grants in fiscal years 2024 and 2025 (by $253 million and $55 million, respectively). As the stimulus program draws to its conclusion, the City has backfilled a portion of program expansions funded with temporary federal aid with city funds, most notably for early childhood education (see the Semi-Autonomous Entities: Department of Education section for details).

Federal Budget

In March 2024, the President signed into law two separate budget packages for federal fiscal year (FFY) 2024, with more than $1.6 trillion in discretionary funding, to fund federal government operations through September 30, 2024. The City indicates that the programs of interest to New York City were either level funded or contained modest changes in funding.

The President has also unveiled his budget proposal for FFY 2025, which begins on October 1, 2024. The budget request includes $1.67 trillion in discretionary spending. If the President's proposal is approved as proposed, the City anticipates level or modest changes in funding for most programs of interest to the City.

Of particular note in the FFY 2024 federal budget for the City's budget is additional aid to manage the cost of asylum seekers. The April Plan anticipates the receipt of just $157 million in federal fiscal relief aid in FY 2024 for this purpose (compared to $3.4 billion in approved

FIGURE 7
Federal Pandemic Relief to NYC by Major Category
(in millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Education Aid	$ - - -	$944.9	$2,874.6	$2,019.9	$2,150.4	$ - - -	$ - - -	$ - - -	$ - - -
Fiscal Relief Funds	730.1	1,505.0	3,067.9	495.6	1,058.9	475.4	- - -	- - -	- - -
FEMA Reimbursement	1,147.0	3,064.3	2,161.3	249.7	9.2	1.1	1.1	0.1	0.1
Public Health Grants	41.5	880.5	422.6	159.2	286.1	55.3	3.6	2.6	- - -
Other	105.0	468.5	964.7	126.5	137.0	74.6	41.3	31.4	31.4
Subtotal	**$2,023.6**	**$6,863.2**	**$9,491.2**	**$3,050.9**	**$3,641.6**	**$606.4**	**$46.0**	**$34.1**	**$31.5**
Unrestricted Aid	- - -	- - -	$498.4	$106.0	- - -	- - -	- - -	- - -	- - -
Total	**$2,023.6**	**$6,863.2**	**$9,989.6**	**$3,156.8**	**$3,641.6**	**$606.4**	**$46.0**	**$34.1**	**$31.5**

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

State aid through FY 2025, see previous section for details). As noted in OSC's prior report on the City's financial plan, nearly all of this funding consists of ad hoc awards to the City from a new Shelter and Services Program (SSP), authorized in FFY 2023 to provide financial support to non-federal entities (including the City) to help defray the costs of asylum services, and from the Emergency Food and Shelter Program (EFSP).

The City continues to work with its federal and State funding partners to identify additional resources to help offset the ongoing and significant local share of costs associated with the humanitarian crisis. One of the two spending packages signed into law in March 2024 includes an additional $640.9 million in funding for the SSP divided into two funding opportunities ($300 million in award allocations; and $340.9 million through a competitive application process). So far, the City has been allocated $38.9 million under the first funding opportunity. The spending bill also appropriates an additional $117 million for the EFSP, a portion of which may also be awarded to the City.

V. Program to Eliminate the Gap

In the Fall of 2023, the City planned for a three-round PEG with spending reductions reaching nearly 15 percent of city-funded spending annually starting in FY 2024 to help manage the impact of the asylum seeker influx.

In November 2023, the City unveiled the first round, which included $3.7 billion in savings during fiscal years 2024 and 2025, and an average of more than $1.9 billion annually in subsequent years (see OSC's November Plan report for details). The City initiated a second, smaller round of the PEG in January 2024 (see OSC's January Plan report for details), which included a 20 percent targeted reduction of asylum seeker spending, in addition to an expansion in the agency spending reductions.

In February 2024, however, the Mayor announced the cancellation of the third round of agency spending cuts, citing favorable fiscal developments (see Changes Since the June 2023 Plan section for details). The April Plan includes small updates to the savings program since January 2024. Of the $748 million in new initiatives through FY 2025, more than three quarters will come from a previously announced increase in asylum seeker savings. In subsequent years, the PEG savings are expected to be smaller than was anticipated as of the January Plan due to higher debt service and service restorations. The increase in debt service is from higher bonding requirements to fund more than $13 billion in additional capital commitments, mostly for schools and the City's borough-based jails (see Debt Service and Capital Spending section for details).

The City also expanded a restoration of a portion of the service reductions announced earlier in FY 2024, rescinding the cancellation of two of four police officer academy classes as well as the reductions in planned operating subsidies to cultural institutions.

The PEG is now expected to generate $7.2 billion over two years through FY 2025, and an average of more than $2.2 billion annually in subsequent years (see Figure 8), still among the largest savings programs on record.

FIGURE 8
FY 2024 Program to Eliminate the Gap
(in millions)

	Positions	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Total
Agency Actions							
Efficiencies	(3,146)	689	1,032	1,027	1,035	1,036	4,819
Expense Reestimates	(78)	779	843	824	845	693	3,984
Revenue Reestimates	2	882	242	240	221	202	1,786
Service Reduction	(189)	84	384	324	324	357	1,473
Agency Subtotal	**(3,411)**	**2,434**	**2,501**	**2,414**	**2,425**	**2,288**	**12,062**
Asylum Services	- - -	976	1,354	- - -	- - -	- - -	2,330
Restorations							
Service Reduction	80	(48)	(161)	(177)	(181)	(187)	(754)
Efficiencies	190	(25)	(37)	(39)	(39)	(39)	(179)
Expense Reestimates	- - -	- - -	(1)	(1)	(1)	(1)	(4)
Restorations Subtotal	**270**	**(73)**	**(199)**	**(217)**	**(221)**	**(227)**	**(937)**
Debt Service	**- - -**	**256**	**- - -**	**69**	**81**	**115**	**521**
Total Savings	**(3,411)**	**$ 3,666**	**$ 3,856**	**$ 2,483**	**$ 2,506**	**$ 2,403**	**$ 14,913**
Net Savings	**(3,141)**	**$ 3,593**	**$ 3,657**	**$ 2,266**	**$ 2,285**	**$ 2,175**	**$ 13,976**

Note: Totals may not add due to rounding. Changes in headcount are as of June 30, 2025.
Sources: NYC Office of Management and Budget; OSC analysis

VI. Revenue Trends

The April Plan expects total revenues, which include locally generated revenues (i.e., City funds) and federal and State categorical aid, to reach $111.6 billion in FY 2025, $2.2 billion higher than the January Plan forecast and $5.8 billion higher than at budget adoption. The City now expects total revenues to decline by 2.5 percent in FY 2025 year-over-year, better than the 4.1 percent decline anticipated in January.

The decline in total revenue is due to large decreases in federal and State grants. Even though the April Plan increased the FY 2025 forecast for these grants, the City still expects a $5.6 billion decline from FY 2024, a majority of which is due to the winding down of federal pandemic aid. This decline will more than offset the $2.8 billion increase in City funds.

The April Plan increased the FY 2025 forecast for City fund revenues by $1.7 billion from the January Plan, and by nearly $4.3 billion from budget adoption to a record high of $82.8 billion, accounting for 74 percent of total revenues (see Figure 9). Tax collections account for 93 percent of City fund revenues; miscellaneous revenues account for 7 percent.

The FY 2024 City funds forecast is now $3.1 billion higher than the forecast from the beginning of the fiscal year, the fourth year in a row in which the forecast in the City's executive budget was at least $3 billion higher than at budget adoption. With better-than-expected tax collections in the first nine months of FY 2024, the April Plan increased the FY 2024 forecast for tax collections from the January Plan by $619 million to $73.6 billion. Year-to-date collections through the first nine months were $462 million (including audits) higher than expected in the January Plan, led by all major taxes except for personal income tax (PIT). Even though year-to-date tax collections were higher than expected, they were still 1 percent lower ($624 million) than collections over the same period last year, as certain taxes have experienced declines, particularly PIT and real estate transactions taxes, due to the timing of certain PIT payments and higher interest rates.

The April Plan projects an improved outlook for the rest of the fiscal year and now expects total

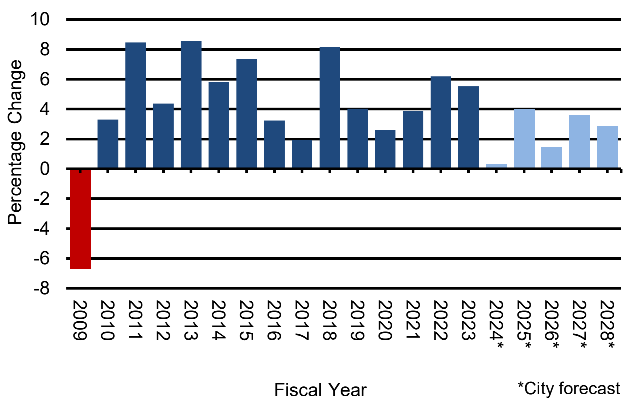
FIGURE 9
Trends in City Fund Revenues
(in millions)

	FY 2024	FY 2025	Annual Growth	FY 2026	FY 2027	FY 2028	Average Three-Year Growth Rate
General Property Tax	$ 32,786	$ 33,700	2.8%	$ 34,306	$ 35,334	$ 36,016	2.2%
Personal Income Tax	16,001	17,284	8.0%	17,474	18,401	19,137	3.5%
Sales Tax	9,967	10,371	4.1%	10,822	11,238	11,726	4.2%
Business Taxes	9,069	9,176	1.2%	8,832	8,964	9,139	-0.1%
Real Estate Transaction Taxes	1,728	1,966	13.8%	2,087	2,273	2,386	6.7%
Other Taxes	3,249	3,324	2.3%	3,435	3,529	3,621	2.9%
Tax Audits	847	773	-8.7%	773	773	773	0.0%
Subtotal: Taxes	**73,647**	**76,594**	**4.0%**	**77,729**	**80,512**	**82,798**	**2.6%**
Miscellaneous Revenues	6,351	6,174	-2.8%	6,063	6,018	6,053	-0.7%
Unrestricted Intergov. Aid	17	0	-100%	0	0	0	N/A
Grant Disallowances	(15)	(15)	0.0%	(15)	(15)	(15)	0.0%
Total	**80,000**	**82,753**	**3.4%**	**83,777**	**86,515**	**88,836**	**2.4%**

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

collections to increase by 0.3 percent in FY 2024, the smallest increase since FY 2009, but better than the 0.6 percent decline in January (see Figure 10). The City had projected a decline in tax revenue at budget adoption for each of the last two fiscal years.

FIGURE 10
Annual Percent Change in Tax Revenues



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

The April Plan increased the FY 2025 forecast for tax collections by $1.6 billion to $76.6 billion, reflecting the City's updated assumption of improved economic growth. The City now expects tax collections to increase by 4 percent in FY 2025, higher than the January Plan's forecast of 2.6 percent, as the City assumes the Federal Reserve will begin cutting the federal funds rate in the first half of FY 2025. The City expects lower interest rates to fuel growth in real estate transactions taxes. Additionally, the City attributes a rebound in PIT to strength in equity markets, and elevated business taxes to stronger-than-expected corporate profitability. As a result, growth in non-property tax collections is expected to outpace that of property tax collections.

In fiscal years 2026 through 2028, even as federal and State grants are expected to decline, total revenues are forecast to increase by an annual average of 1.3 percent. During this period, City funds are expected to have an average growth of 2.4 percent, much slower than the annual average growth of 4.7 percent in the five years before the pandemic.

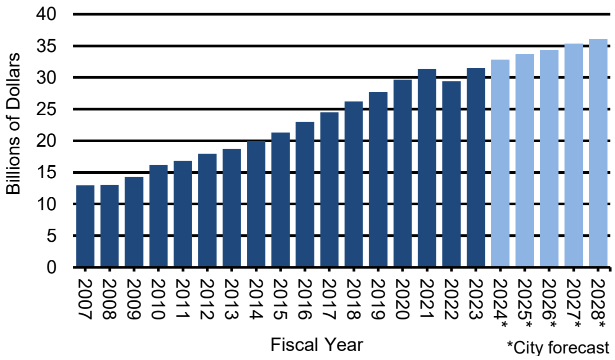
The April Plan increased the tax collections forecast from the January Plan by a combined $2.8 billion in fiscal years 2026 through 2028. As a result, during this period, tax collections are expected to increase at an annual average of 2.6 percent, reflecting steady economic growth. The April Plan increased the forecast for property taxes for fiscal years 2026 through 2028 by $1.5 billion and increased the forecast for non-property taxes by $1.3 billion. As a result, compounded average annual growth in non-property tax collections is expected to be 2.9 percent during the out-years while that of property tax is projected to be 2.2 percent. The relatively slow rate of growth in property tax collections reflects continued uncertainty in the commercial real estate market.

OSC estimates tax collections will likely be higher than the City's forecast by $100 million in FY 2024 and by $235 million in FY 2025. In the out-years of the plan, OSC believes collections will exceed the forecast by an annual average of approximately $1 billion on the strength of the final property tax assessment roll. OSC expects miscellaneous revenues to be higher by $50 million in each of FY 2025 through FY 2028.

General Property Tax

The April Plan forecast for FY 2024 property tax collections increased by $95 million compared to the January Plan due to lower-than-expected property tax delinquencies in the current fiscal year. Collections are now expected to reach $32.8 billion, an increase of 4.1 percent from the prior fiscal year and the highest level on record (see Figure 11). The City reduced the expected

FIGURE 11
Property Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

property tax reserve in FY 2025 with the expectation of lower delinquencies and cancellations, but still expects the reserve to increase from 7.2 percent in the current fiscal year to 7.9 percent in FY 2025 and 8.1 percent in each of the out-years.

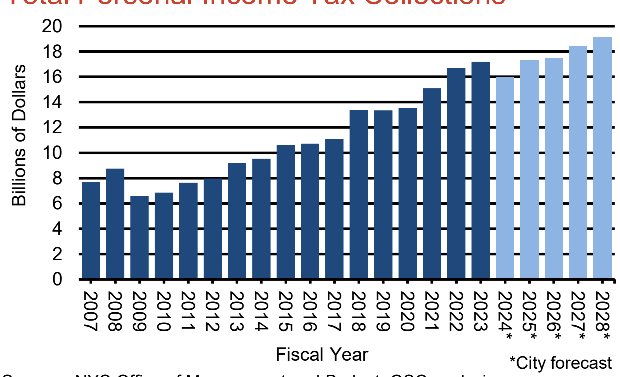
The City increased expected collections in FY 2025 by $498 million to $33.7 billion, up 2.8 percent from the current fiscal year, based on the tentative property tax assessment roll released in January. Taxable assessed values, on which the levy is based, increased by 4.1 percent on the tentative roll, above the City's expectation of 1 percent from the prior plan. The final property tax assessment roll, released in May after the release of the April plan, showed an increase of 0.2 percent from the tentative roll, larger than the 0.1 percent seen in FY 2024. These increases contrast with the prior 10 fiscal years, when the tentative-to-final roll adjustment declined by an average of 1.1 percent. As of the final roll, taxable assessed values increased by 4.3 percent, greater than the 3.4 percent expected by the City.

The City also raised its projection for collections in fiscal years 2026 through 2028 by a combined $1.5 billion. Nevertheless, the forecast still expects annual growth in collections to slow significantly over the plan period. Property tax revenues grew at an average compound rate of 6.4 percent annually from fiscal years 2017 to 2021, and after a decline due to the pandemic in FY 2022, grew an average 5.5 percent annually in fiscal years 2023 and 2024. The April Plan forecast shows compound annual growth of 2.2 percent during fiscal years 2026 through 2028.

Given the strength of fiscal year-to-date collections, OSC expects total property tax collections in FY 2024 to exceed OMB's forecast by $250 million. With the increase in taxable values seen on the FY 2025 final roll, OSC expects FY 2025 collections to exceed the City's forecast by $540 million, and by a combined $1.9 billion in fiscal years 2026 to 2028.

Residential property prices remain near record highs, and the median home sale price in the New York City metropolitan area was up 10.8 percent in February from the year prior.[7] Demand for housing is expected to sustain residential property assessment growth over the

FIGURE 12
Total Personal Income Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

[7] Zillow, "Median Sale Price (Smooth & Seasonally Adjusted, All Homes, Monthly)" for New York, NY MSA, https://www.zillow.com/research/data/.

plan period. However, commercial real estate continues to struggle in the wake of the pandemic. Office vacancy rates increased to a record high of 23.4 percent in the first quarter of 2024, more than double the pre-pandemic level.[8] Continuing vacancies and potential residential conversions, in particular those that take advantage of property tax incentives, may result in a decrease in taxable values in the coming years.

Despite these challenges, taxable Class 4 commercial assessed values increased by 2.3 percent on the final roll. The City expects Class 4 properties to continue to grow over the plan period, though at a slower rate than was seen before the pandemic (average annual growth of 2.3 percent for fiscal years 2026 through 2028).

The City expects to replace the lapsed lien sale program by the end of this fiscal year, resulting in $30 million in revenue in FY 2024 (from prior lien sales), and $87 million annually in the subsequent fiscal years. New York State also included several housing initiatives in its recently passed budget, including the "Affordable Neighborhoods for New Yorkers" tax incentive (also known as "485-x"), which is designed to replace the 421-a program that lapsed two years ago. The program offers tax incentives for City developers to designate a percentage of new housing as affordable units. The State budget also includes a variety of other changes intended to boost housing production in New York City, incentivize the use of vacant units and protect tenants, which may impact property tax collections in the coming years (see State and Federal Actions section for details).

In March 2024, the New York Court of Appeals issued a decision that a lawsuit by Tax Equity Now NY challenging the existing property tax system on the grounds that it violates the Federal Fair Housing Act would be allowed to proceed. A decision in the case could significantly impact the City's administration of the property tax. The NYC Advisory Commission on Property Tax Reform released its final report in 2021 with recommendations for reforms of the system (see OSC's report on Residential Real Estate in NYC for details).

Personal Income Tax

The April Plan left the FY 2024 forecast unchanged from the January Plan for total PIT, including the Pass Through Entity Tax (PTET), but increased the FY 2025 forecast by $256 million (see OSC's June 2023 Plan report for details).[9] The upward adjustment reflects the City's forecast of increased growth in bonuses and capital gains.

The City expects total PIT to decline by 6.9 percent in FY 2024 to $16 billion (see Figure 12). Year-to-date collections through March were just $11 million below the Plan forecast and were 14.3 percent lower than the same period last year. The decrease in FY 2024 is partly due to weakness in non-wage income.

The decline in collections is also partly due to the introduction of the PTET and the timing of its implementation. In FY 2023, taxpayers paid both PIT and PTET, inflating collections to a record $17.2 billion. In FY 2024, the overpayments were resolved through lower settlement payments and higher refunds, leading to deflated collections overall. Collections are expected to rebound for the remainder of the year and end 6.9 percent

[8] Cushman & Wakefield, "MarketBeat Manhattan Office Q1 2024," https://www.cushmanwakefield.com/en/united-states/insights/us-marketbeats/new-york-city-area-marketbeats.

[9] 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.

lower than the FY 2023 level, as taxpayers are expected to have adjusted to PTET timing.

The April Plan made adjustments to the forecasts of almost all components of PIT, even as the overall PIT forecast remained the same. The forecast for withholding (i.e., the amount of tax taken from employee paychecks) was increased by $164 million in FY 2024, reflecting stronger-than-expected bonuses. Year-to-date withholding through March was 5.3 percent higher than the same period last year. With continuing job and wage growth, the City expects withholding to end 5.6 percent higher in FY 2024 than the previous year.

The January Plan decreased the combined forecast for non-withholding components, by $164 million in FY 2024. These components are now expected to decrease by 31.8 percent in FY 2024. The decline reflects the City's assumption of stock and real estate markets negatively impacting capital gains (the largest non-wage component), which are estimated to have declined by 55 percent in liability year 2022 and to have been flat in 2023. The effects of the implementation of the PTET also contributed to the decline.

In FY 2025, the April Plan expects total PIT to increase by 8 percent to reach $17.3 billion, reflecting the City's assumption of economic growth and a normalization of the timing of the PTET.

After increasing the FY 2025 withholding forecast from the January Plan by $246 million, the April Plan expects withholding collections to increase by 5.3 percent in FY 2025 to reach $12.8 billion, reflecting the City's assumption of slower job growth but an increase in bonuses.

The City now expects the non-withholding components to increase by 16.3 percent in FY 2025, higher than the 11.4 percent increase from the January Plan. This growth is partly due to the timing of the PTET deflating FY 2024 collections but also reflects the City's assumption of lower interest rates leading to growth in capital gains.

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

The uncertainties associated with the PTET have made it more difficult to forecast collections. After the release of the April Plan, total PIT collections from April came in $256 million short of what the City had expected, driven by the non-withholding components. As a result, OSC expects collections will miss the City's forecast by $300 million in fiscal year 2024 and fiscal year 2025. As non-withholding components rise amid a projected decline in interest rates in FY 2026 and beyond, OSC projects PIT collections will be $350 million higher in FY 2026, $250 million higher in FY 2027 and $450 million higher in FY 2028.

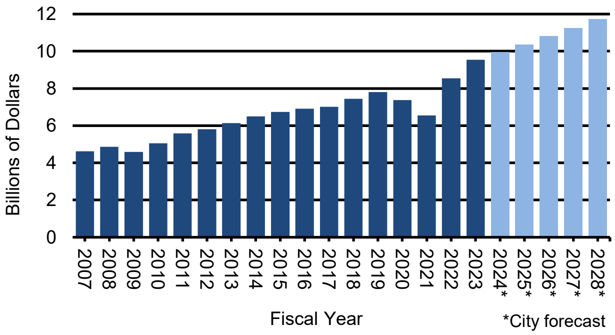
Sales Tax

In the first nine months of FY 2024, sales tax collections grew 4.5 percent compared to the same period in FY 2023 amid relatively strong consumer spending. Sales tax collections in FY 2024 have grown moderately as consumer spending growth has waned noticeably since the beginning of calendar year 2024.

The April Plan sales tax forecast did not change from the January Plan except to reflect the extension of the Distressed Provider Assistance Account intercept mentioned in OSC's January

[Plan report](). The City expects sales tax collections to grow 4 percent and reach $10.4 billion in FY 2025 due to moderate growth in wages and visitor spending (see Figure 13).

FIGURE 13
Sales Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

As noted earlier, there is some concern over consumer spending in the near term, and retail sales have slowed. In New York State, retail sales were flat in January 2024 (latest available data) from January 2023 and City taxable retail sales declined from March 1, 2023 to February 29, 2024, compared to the prior year. 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) was flat due to weakness in retail sales earlier in 2024.[10]

Total visitors and international spending levels are now expected to recover to pre-pandemic levels in 2025 instead of 2024 as visitors from China and other countries continue to lag in recovery.

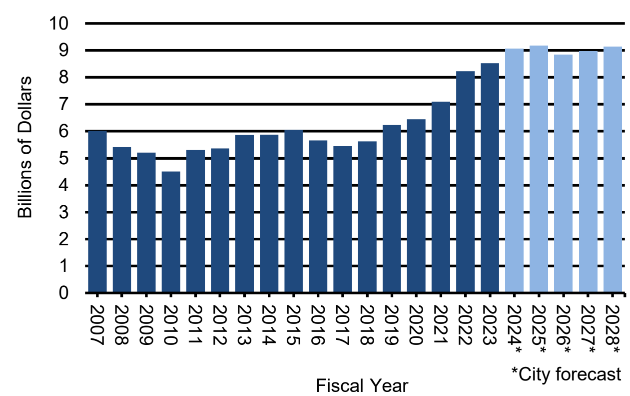
OSC estimates that collections in FY 2025 and FY 2026 will be $100 million less annually due to slowing consumer spending and retail sales with growth rates returning to average pre-pandemic levels (4.3 percent from FY 2012 to 2019). In FY 2027 and FY 2028 sales tax collections will be $50 million less annually as growth rates continue averaging pre-pandemic levels.

Business Taxes

The April Plan's FY 2024 business tax forecast is $213 million higher than the January Plan and $1.3 billion higher than the projection at budget adoption. The City raised its forecast for FY 2024 as collections in the first three quarters of the fiscal year have grown by 10.1 percent year-over-year. Business taxes are projected to reach a record high of $9.1 billion in FY 2024 (see Figure 14).

The upward adjustment in FY 2024 is driven by business corporation taxes, which constitute more than two-thirds of total business tax collections and are primarily driven by the profits of New York Stock Exchange member firms. The April Plan forecasted profits to reach $24.8 billion for calendar year 2024, a $1.2 billion increase from the January Plan. Business corporation tax collections have grown 12 percent year-to-date through March, compared to the same period last year. The growth can be attributed to strength in the finance sector which grew 14 percent through March, outweighing the 3 percent decline seen in the non-finance sector.

FIGURE 14
Business Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

[10] New York Federal Reserve *Beige Book*, April 2024.

The finance sector has seen consistent growth this fiscal year due to very strong collections from the commercial banking industry, which has grown at least 43 percent through March compared to the same period last year.

Unincorporated business taxes (UBT), which make up the remainder of total business tax collections, saw a year-over-year increase of 5.5 percent through the first three quarters of the fiscal year. The increase can be attributed to growth in the non-finance sectors, specifically the services sector. The services sector, which makes up 50 percent of UBT net payments, saw a 18.7 percent increase through March compared to the same period last year. Finance sector firms that pay UBT, such as hedge funds, constitute 36 percent of UBT net payments and declined 2.8 percent during the same period.

The City now expects a year-over-year increase in business tax collections by 1.2 percent in FY 2025, fueled by business corporation taxes, after initially assuming business tax collections would decline entering the fiscal year. In FY 2025 business corporation taxes are expected to reach $6.5 billion, a $710 million increase from the January Plan. The increase is driven by pre-tax corporate profits, which are projected to grow 10.5 percent in calendar year 2024 and reflected in fiscal year 2025. Unincorporated taxes are expected to reach a record high of $2.6 billion, a 1.5 percent increase from the prior year. The expected increase is driven by non-finance sectors, which will offset the 3.5 percent decline in the finance sector. The City also adjusted the out-years forecast from the previous plan by a combined $2.1 billion, beginning in FY 2026.

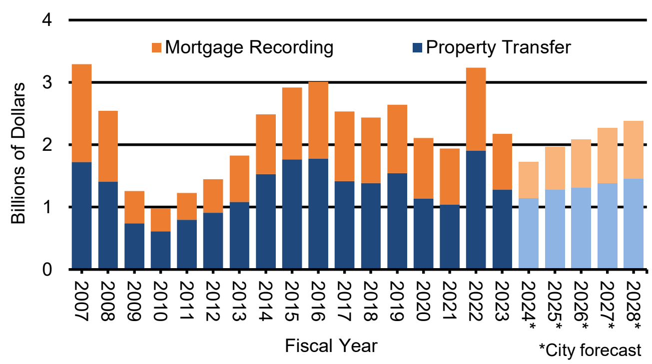
With questions over the timing and size of changes to the federal funds rates, OSC estimates tax collections will reach $9.1 billion in FY 2024 and $9.2 billion in FY 2025. OSC projects business taxes will be 3.5 percent higher, on average, than the April Plan projections for each of the out-years, barring a recession.

Real Estate Transaction Taxes

The April Plan increased expected real estate transaction taxes in FY 2024 by $160 million compared to the January Plan, now totaling $1.7 billion (see Figure 15). This represents a drop of 20.5 percent from the prior fiscal year and the second consecutive year of decline following near-record collections in FY 2022. If figures come in as projected, FY 2024 collections would be at their lowest since FY 2012.

The slow pace of home sales has led to lower transaction tax collections than the City had expected at the start of the fiscal year. In calendar year 2023, mortgage rates rose to their highest levels in 20 years, reaching 7.8 percent in late October. After declining slightly at the end of 2023, they rose above 7 percent in late April 2024. New buyers are less willing to enter the market under these conditions, while current homeowners are less likely to give up lower rates on their current properties (nearly 60 percent of current home mortgage holders in the nation

FIGURE 15
Real Estate Transaction Tax Collections



Sources: NYC Office of Management and Budget; OSC analysis

have an interest rate below 4 percent).[11] As a result, total residential sales in New York City for the first nine months of the fiscal year declined by 14.2 percent compared to the same period the prior fiscal year, and by 38.6 percent compared to the same period in FY 2022.[12]

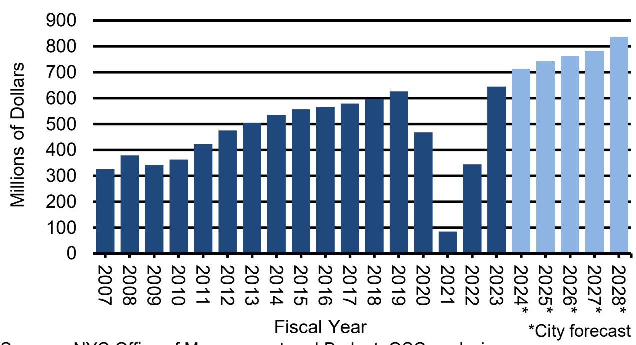
Given recent anticipation that the Federal Reserve may maintain the federal funds rate at its current level for a longer period, the cost of financing remains sticky, potentially slowing the pace of transactions. However, the City expects real estate transaction taxes to begin a recovery in FY 2025, growing by 13.8 percent to reach $2 billion. The City attributes this to pent-up demand as buyers have waited for market conditions to improve and anticipates that when interest rates decline, a surge in transactions is likely. The City made small adjustments to the out-years to reflect the new collections baseline in FY 2024, increasing projected collections by a combined $201 million for fiscal years 2026 to 2028. This would represent an average annual compound growth rate of 6.7 percent after two years of declines. OSC notes these projections are reasonable given the declines experienced over the last two fiscal years and recent transaction activity.

Hotel Tax

The April Plan added $16 million in FY 2024 and now expects hotel tax collections to reach $713 million. Collections so far this fiscal year have been strong, due to higher-than-normal average daily room rates and strong hotel occupancy rates. In the first nine months of FY 2024, collections have grown 10.1 percent from the same period in FY 2023. The City expects hotel tax collections to grow 4.2 percent and reach $743 million in FY 2025 as visitor numbers are expected to exceed pre-pandemic levels in calendar year 2025, and room rates and occupancy continue to rise (see Figure 16).

OSC estimates that collections in FY 2025 will be $15 million higher than the City's April Plan forecast as tourism and hotel room rates are expected to rise slightly faster than the City's assumptions. In fiscal years 2026 to 2028, OSC projects collections will average a little over $36 million higher annually than the April Plan forecast as future sporting, entertainment events and celebrations will likely draw more tourists into the area.

FIGURE 16
Hotel Tax Revenues



Sources: NYC Office of Management and Budget; OSC analysis

Miscellaneous Revenues

Miscellaneous revenues, consisting of recurring revenues and one-time payments, has been stronger-than-projected in FY 2024, as interest income and one-time payments have driven recent growth. In the first nine months of FY 2024, miscellaneous revenues grew 5.9 percent ($279 million) from the same period in FY 2023.

[11] Lily Katz, "The Lock-In Effect: 89% of People With Mortgages Have an Interest Rate Below 6%, Down From a Record 93% in 2022," Redfin News, January 12, 2024, https://www.redfin.com/news/mortgage-rate-lock-in-housing-2023/.

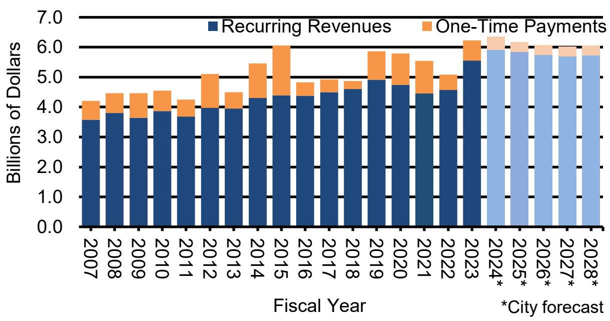
[12] For July 2023 through March 2024; NYC Department of Finance Automated City Register Information System (ACRIS) preliminary data. Total sales figures tend to increase with subsequent data revisions.

The April Plan expects miscellaneous revenues in FY 2025 to decline 2.8 percent to $6.4 billion (see Figure 17). The City expects lower interest income ($254 million) in FY 2025 based on the assumption that the Federal Reserve will revise the target federal funds rate. Fines and fees collections are also expected to decline in FY 2025 by 6.4 percent to $1.2 billion due to lower speed camera fines ($34 million), as driver behavior responds to new regulations.

The City also increased revenues from water and sewer rental payments, in FY 2026 ($313 million), FY 2027 ($325 million), and FY 2028 ($369 million), having recognized payments in earlier years as discussed in the January Plan report. These payments, which will be generated via higher water and sewer rates, should partially offset the expected declines in interest income and fines and fees collections.

The City expects recurring miscellaneous revenues in fiscal years 2026 to 2028 to reach $5.7 billion annually. OSC believes recurring miscellaneous revenues could be $50 million higher in FY 2025 as interest rate cuts may take longer to materialize than the City anticipates, fueling higher than anticipated interest income.

FIGURE 17
Total Miscellaneous Revenues



Sources: NYC Office of Management and Budget; OSC analysis

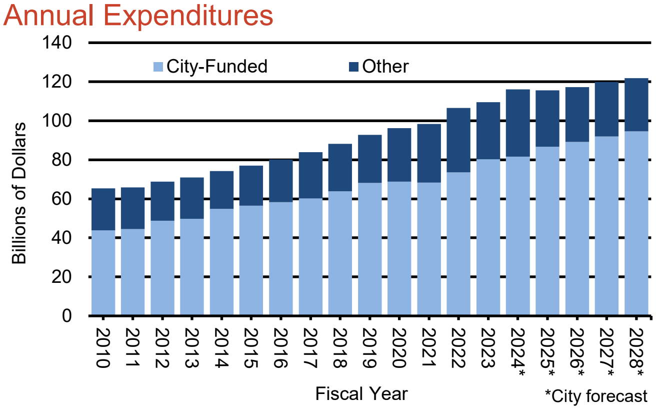
VII. Expenditure Trends

As the federal pandemic stimulus program approaches its conclusion, citywide expenditures are projected to decline to $115.6 billion in FY 2025, 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 $86.7 billion. About 25 percent, nearly $28.9 billion, of total spending is funded with other sources, mostly federal and State grants.

The April Plan anticipates city-funded spending would rise slowly in FY 2024 (by 1.6 percent) and would accelerate in FY 2025 by 4.1 percent, adjusted for savings from overestimating prior-year's expenses. The growth in FY 2025 is driven by labor costs, asylum services, debt service and a backfill of temporary stimulus aid with city funds for education. The rise in these areas is offset in part by the City's expectation that non-asylum other-than-personal-services (OTPS) spending, mostly for public health and social services, would decline by 4.5 percent.

While the April Plan assumes a portion of OTPS spending at the social service agencies, including day care and public assistance, will not recur beyond FY 2024, such spending is subject to State and local mandates which limit local discretion to avoid these costs in future years and could exceed the City's current forecast.

FIGURE 18
Annual Expenditures



Note: Adjusted for surplus transfers and debt defeasances. City forecast includes budgeted reserves beginning in FY 2024.
Sources: NYC Office of Management and Budget; OSC analysis

The growth in the out-years would pick up slightly to an average of 3 percent through FY 2028, assuming there would be a wind down of asylum seeker spending, but a resumption of growth in other OTPS spending (2.7 percent annually). By comparison, this projected growth rate would be less than the average growth rate of more than 4 percent annually over the past decade. The impact of projected wage increases consistent with the pattern established for the 2021-2026 round of bargaining on labor costs, debt service, and health insurance costs are expected to be the largest cost drivers through the balance of the financial plan period.

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

Expenditure Risks and Offsets

During FY 2024, the City has included funding to address a significant portion of budgetary risks identified by OSC in previous reports on the City's financial plan. However, some sizable risks and fiscal uncertainties remain. Based on the current trend for the daily census as well as City-reported per diem rates, OSC projects that costs for asylum services could be higher by $164 million in FY 2024, lower by $512 million in FY 2025, and higher again by $104 million in in FY 2026, $591 million in FY 2027, and $3 billion in FY 2028 (see the Social Services: Asylum Services subsection for details).

The City Council also adopted a planned expansion in rental assistance in July 2023, over a veto by the Mayor. While the April Plan included funding exceeding $600 million in each year of the financial plan period for rental assistance programs in effect prior to the legislation, the administration did not meet the statutory deadline to implement the rental assistance expansion by January 9, 2024. The administrative delay will avert some unplanned costs in the short run. The administration is facing legal challenges and the expansion could have significant spending ramifications for the City in the long run. OSC projects the costs at $763 million in FY 2025, rising to $4.9 billion by FY 2028, assuming a start date of July 1, 2024).

The City could also incur additional operating costs at the DOE, rising from $672 million in FY 2025 to nearly $2.5 billion by FY 2028, including funding to meet the State-imposed mandate to reduce classroom sizes. OSC has identified other relatively large but historically manageable risks fueled by underbudgeting for mandated operating subsidies for public transit, social services and overtime costs. For example, absent any alternatives, it appears unlikely that the City's public assistance spending will decline in FY 2025, given the recent growth in enrollment, which is now at its highest level since November 2000.

Alternatively, 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 $3.2 billion in FY 2025, rising to nearly $12.9 billion by FY 2028.

The City may also incur higher-than-planned discretionary costs for local initiatives funded in FY 2023 but assumed to not recur, which may increase future costs or result in service disruption (see OSC's "Fiscal Cliffs" Tool for details). The City also funded a number of discretionary City Council initiatives in FY 2024 ($528 million) but the April 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.

The City has some lead time to address its larger out-year risks and has implemented substantial gap-closing programs in the past, including this year to generate savings averaging more than $2.2 billion annually over fiscal years 2026 through 2028 (see the Program to Eliminate the Gap section for details). April Plan expenditure trends are shown in Figure 19 and discussed below.

Full-Time Staffing Levels

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

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

The City's full-time workforce is expected to increase for the first time year-over-year since the COVID-19 pandemic. Staffing increased to 284,296 employees as of February 2024 (see Figure 20). Based on recent attrition data, OSC anticipates that staffing will remain between 283,000 and 285,500 by June 30, 2024, the first increase since FY 2020.

FIGURE 19
Trends in City-Funded Spending in April 2024 Financial Plan
(in millions)

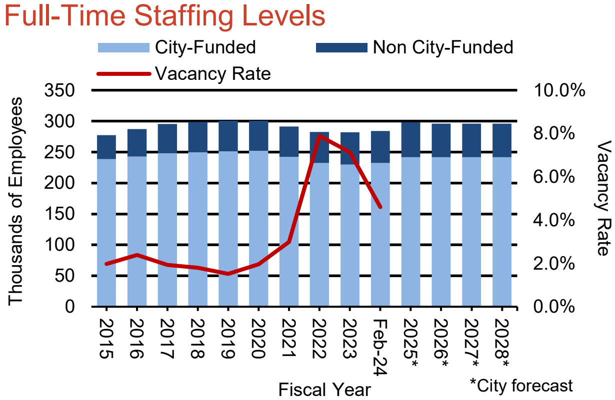
	FY 2024	FY 2025	Annual Growth	FY 2026	FY 2027	FY 2028	Average Three-Year Growth Rate
Salaries and Wages	$21,807	$22,645	**3.8%**	$23,788	$24,821	$25,785	**4.4%**
Pension Contributions	9,211	10,235	**11.1%**	10,657	10,782	11,723	**4.6%**
Debt Service	7,332	8,092	**10.4%**	8,797	9,483	10,329	**8.5%**
Medicaid	6,074	6,641	**9.3%**	6,481	6,631	6,781	**0.7%**
Health Insurance	7,107	7,429	**4.5%**	7,956	8,343	8,757	**5.6%**
Other Fringe Benefits	3,949	3,970	**0.5%**	4,182	4,371	4,564	**4.8%**
Energy	939	1,068	**13.7%**	1,142	1,175	1,221	**4.6%**
Judgments and Claims	1,160	737	**-36.4%**	683	700	722	**-0.7%**
Public Assistance	974	875	**-10.2%**	875	1,225	1,485	**19.3%**
Services for Asylum Seekers	2,287	3,436	**50.2%**	3,000	2,000	- - -	**-100.0%**
Residual OTPS	21,051	20,114	**-4.5%**	20,219	20,986	21,764	**2.7%**
Subtotal	**$81,891**	**$85,241**	**4.1%**	**$87,780**	**$90,517**	**$93,131**	**3.0%**
General Reserve	50	1,200	**NA**	1,200	1,200	1,200	**0.0%**
Capital Stabilization Reserve	- - -	250	**NA**	250	250	250	**0.0%**
Prior-Year's Expenses	(400)	- - -	**NA**	- - -	- - -	- - -	**0.0%**
Total	**$81,541**	**$86,691**	**6.3%**	**$89,230**	**$91,967**	**$94,581**	**2.9%**

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

The April Plan assumes staffing will increase from current levels by 5.1 percent to 298,813 employees by June 30, 2025, a small reduction since June 2020 (see Appendix B for details). Since the beginning of FY 2024, the City lowered its forecast of personal service spending in that year by more than $1 billion. Based on current staffing trends, OSC estimates that the City could realize an additional $700 million in payroll savings in FY 2024.

In recognition of the intersection of fiscal and operational challenges associated with staffing levels, OSC has expanded on the Mayor's Management Report (MMR) presentation with the launch of an Agency Services Monitoring Tool.

FIGURE 20
Full-Time Staffing Levels



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

Collective Bargaining

As of May 2024, nearly the entire unionized workforce (about 96 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 April 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.[13]

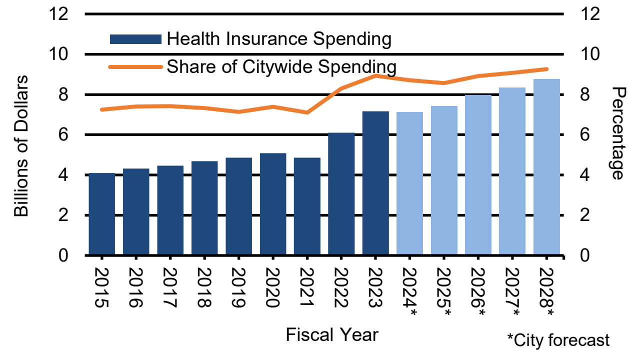
Health Insurance

In April 2024, the City raised its forecast of health insurance costs by $126 million annually starting in FY 2025 to reflect most of the cost of a higher-than-expected rate increase approved by the State for the City's benchmark health insurance plan for active employees (the "HIP-HMO" plan), and State-mandated benefit changes enacted in April 2024 as part of the SFY 2024-25 budget.

After incorporating these relatively small adjustments, the April Plan assumes that city-funded health insurance costs are projected to reach nearly $8.8 billion by FY 2028 (see Figure 21), 22.3 percent more than in FY 2023. Comparatively, city-funded spending would rise by 17.9 percent during the same five-year period through FY 2028. The April Plan assumes that health insurance costs, as a share of city-funded spending, would rise to an estimated 9.3 percent by FY 2028, which would be the highest share since at least FY 2010.

As noted in recent reports on the City's financial plan, spending could be higher, however, in the event that the City is unable to find additional resources to refortify the Health Insurance Stabilization Fund (HISF) or identify other alternatives to mitigate the excess costs of the GHI Comprehensive Benefits Plan including cost-saving proposals currently being negotiated between the City and the Municipal Labor Committee (MLC).

FIGURE 21
Health Insurance Costs
City-Funded



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

Until (or unless) a resolution is achieved, the City will likely write down a portion of its nongovernmental revenue due from the HISF in FY 2024 (as it did for FY 2023), including a $112 million annual payment from the HISF to the City's general fund pursuant to a 2009 agreement between the City and the MLC. In addition, the Department of Education and City University of New York have not yet reflected the impact of the higher-than-planned HIP-HMO rate increase and State actions on their fringe benefit costs.

Pension Contributions

The City's pension contributions reflect actuarial estimates of the City's five major retirement systems prepared by the Office of the Actuary. They also include adjustments prepared by the NYC Office of Management and Budget to reflect new or anticipated changes (e.g., revisions to planned headcount), including an annual reserve beginning in FY 2025 to fund potential changes from any future actuarial audit recommendations.

[13] 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).

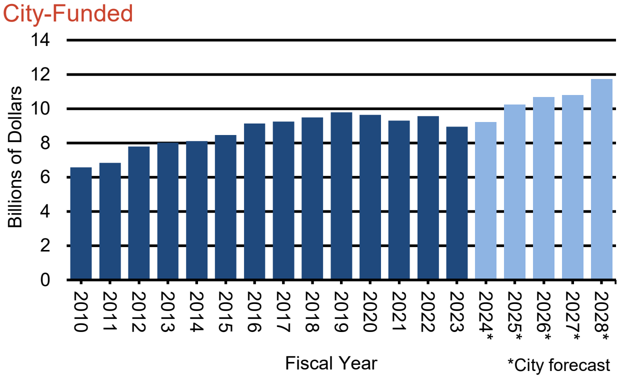
The April Plan assumes pension contributions will total $9.2 billion in FY 2024, and then rise each year to reach nearly $11.7 billion by FY 2028 (see Figure 22).

The City has not yet reflected in its financial plan the anticipated impact of pension legislation included as part of the enacted State budget for SFY 2024-25 (see the State and Federal Actions: State Budget section for details). The City will include the estimated impact of the pension provision changes in the next financial plan update following the adoption of the FY 2025 budget by the end of June 2024.

The pension systems have earned, on average, 7.5 percent on their investments during fiscal years 2012 through 2023, compared to the expected annual gain of 7 percent. During the first three quarters of FY 2024, the City's pension systems gained, on average, about 8.5 percent on their investments.

As discussed further in [OSC's February 2024 report on the City's financial plan](), the April Plan maintains $279 million annually beginning in FY 2025 to fund potential changes to planned pension contributions from actuarial audit recommendations.

FIGURE 22
Pension Contributions
City-Funded



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

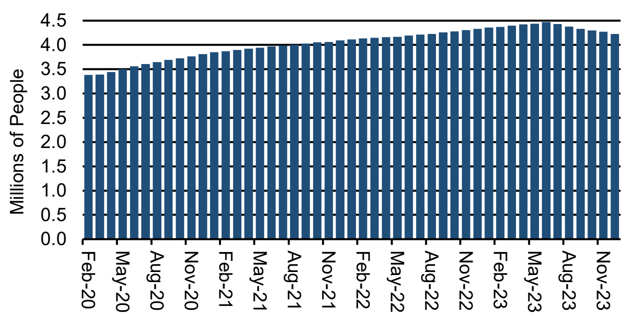
Medicaid

In December 2023, 4.2 million New York City residents were enrolled in Medicaid, which provides health insurance to low-income children and adults (see Figure 23). Enrollment had declined by almost 250,000 from June 2023, when it had reached a historic high of 4.5 million, more than half of the City's population.

From February 2020 through June 2023 approximately 1.1 million people enrolled in Medicaid. The sharp increase coincided with the COVID-19 public health emergency (PHE). For further discussion of Medicaid enrollment trends before and after the PHE and the associated federal legislation, see [OSC's November Plan report for details]().

Effective January 1, 2024, undocumented non-citizens aged 65 years and older, who would otherwise be eligible for Medicaid except for their immigration status, can enroll in a Medicaid Managed Care plan. Any impact to enrollment would not directly affect the City's budget, because, as of 2015, the State assumed all of the growth in the City's share of Medicaid costs. The local growth cap is projected to provide $3.4 billion in savings to the City during SFY 2024, excluding the City's share of supplemental payments on behalf of NYC Health + Hospitals (H+H).

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

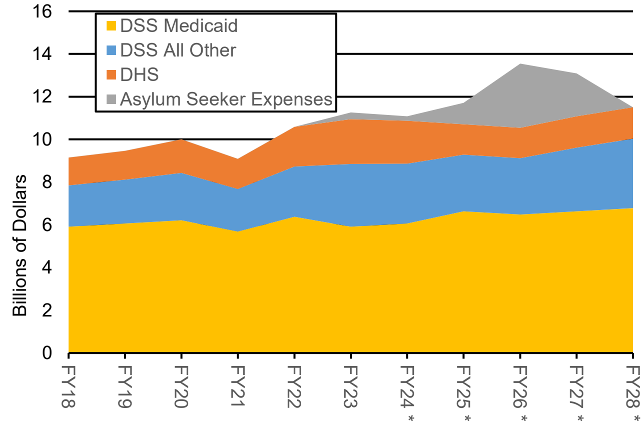
The April Plan assumes that the city-funded cost of Medicaid will total nearly $6.1 billion in FY 2024, $6.6 billion in FY 2025, $6.5 billion in FY 2026, $6.6 billion in FY 2027 and $6.8 billion in FY 2028. Similar to actions taken in prior plans, the City and H+H have reestimated the amount and the timing of supplemental Medicaid payments that H+H anticipates receiving from one of its revenue-generating strategic initiatives. The April Plan reduced FY 2024 expenses by $439 million. Of this amount, the City shifted $150 million in FY 2024 for funds that were earmarked for the non-federal share of H+H supplemental Medicaid payments to the H+H general subsidy. The City further rolled $289.3 million from FY 2024 to FY 2025 to account for payments that are now anticipated to be received in FY 2025. Both transactions are fiscally neutral to the City over the plan period.

Projections of city-funded costs assume that the State will not require the City to cover a larger share of Medicaid program costs due to the local growth cap. However, starting in FY 2021, the State implemented and subsequently extended an intercept of City sales tax for deposit into the State's Distressed Provider Assistance Account. The SFY 2025 enacted budget extends the initiative another three years through March 31, 2028. 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.

Social Services

The April Plan allocates $16.3 billion in total funds to the Departments of Social Services (DSS) and Homeless Services (DHS) in FY 2024, a combined 14 percent of the City's budget. After excluding asylum seeker expenses, this represents an increase of $1.3 billion from FY 2023, due largely to higher demand for safety net programs such as public assistance, rental assistance, medical assistance, and non-asylum

FIGURE 24
City Funded Expenditures, DSS and DHS



*City forecast

Sources: NYC Office of Management and Budget; OSC analysis

shelter operations. On a City funds basis, spending excluding asylum seekers grew at a compound annual growth rate of 2.9 percent for these agencies from FY 2018 through FY 2024 (see Figure 24).

Despite this trend, the City anticipates total funds spending excluding asylum seekers will decline again, by $1.35 billion, for these agencies from FY 2024 to FY 2025. Other than Medicaid, which increases from FY 2024 to FY 2025, the net decline is due largely to the expiration of one-time funding added in FY 2024 to address a growing, recurring demand for safety net services. It is unlikely that planned FY 2025 funding will be commensurate with projected demand, particularly for public and rental assistance. The plan also does not incorporate the City's obligation to provide services as defined by legislation passed in July 2023, which significantly expands eligibility for the CityFHEPS voucher program. Because of these factors, OSC identifies budgetary risks for DSS and DHS that exceed $1.9 billion in FY 2025 excluding asylum services, growing to $5.7 billion by FY 2028. These risks comprise the largest share of spending risks for the April Plan (see Figure 25). OSC also identifies additional risks

FIGURE 25

Social Services Non-Asylum Risk Assessment
(in millions)

	Better/(Worse)				
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
DSS Risks					
Public Assistance	- - -	(500)	(500)	(247)	- - -
Rental Assistance	- - -	(171)	(245)	(245)	(245)
City FHEPS Expansion	- - -	(763)	(2,178)	(3,561)	(4,917)
DHS Risks					
Non-Asylum Shelter Services	- - -	(314)	(314)	(314)	(314)
Prevailing Wage Security Guards	- - -	(64)	(64)	(64)	(64)
Emergency Assistance to Families	- - -	(134)	(134)	(134)	(134)
Subtotal DSS & DHS Non-Asylum Risks	- - -	**($1,946)**	**($3,434)**	**($4,565)**	**($5,676)**
ACS Risks					
Foster Care – State budget rate increase	- - -	(118)	(118)	(118)	(118)
Expiration of Foster Care (Title IV-E)	- - -	(129)	(129)	(129)	(129)
Total Social Services Risks	- - -	**($2,193)**	**($3,681)**	**($4,812)**	**($5,923)**

Sources: NYC Office of Management and Budget; OSC analysis

pertaining to foster care costs at the Administration for Children's Services (ACS).

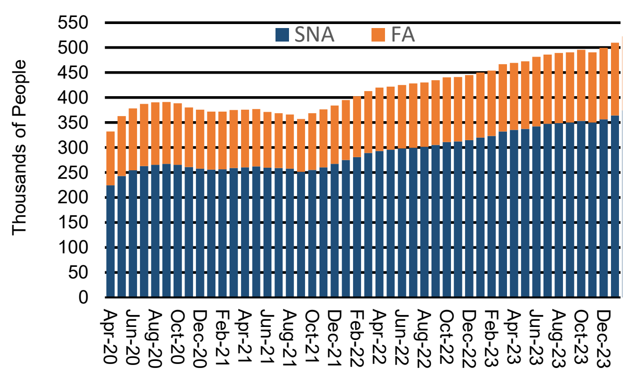
Public Assistance

The April Plan assumes total spending of $2.5 billion for public assistance in FY 2024, unchanged from the January Plan and $475.2 million, or nearly 25 percent, more than what was spent in FY 2023. The plan assumes spending drops to $1.7 billion in FY 2025 and FY 2026, before rising to $2 billion in FY 2027 and $2.5 billion in FY 2028, which may not reflect recent trends and policy changes.

Public assistance caseloads include individuals receiving Family Assistance (FA) and Safety Net Assistance (SNA), which provides cash assistance to individuals and families who are not eligible for FA. Total caseloads reached 535,184 in March 2024 (see Figure 26) — the highest level since December 2000. Year-to-date, average caseloads in FY 2024 were 13 percent higher than the same period in FY 2023. While both FA and SNA caseloads grew during this period, SNA increased at a faster rate (14.4 percent compared to 10.3 percent for FA). The rising SNA cases are more significant to the City, as the City share of expenses is higher for SNA (71 percent) than for FA (15 percent).

FIGURE 26

Public Assistance Recipients



Sources: NYC Human Resources Administration; OSC analysis

A small portion of growth in SNA caseloads may be due to asylum seekers. As of January 2024, asylum seekers and refugees comprised 4 percent of the SNA caseload in the City, compared to just 1 percent in January 2022. In May 2023, the State expanded eligibility for SNA benefits to include asylum applicants who had applied but not yet obtained work authorization from the federal government.

The Enacted State budget provides an additional $134 million to the City over SFY 2025 and SFY 2026 for Safety Net Assistance to asylum seekers, which is distinct from the State's asylum funding identified in the City's April Plan (see the State and Federal Actions section for details). The State's assumption would imply a corresponding City obligation of $328 million in FY 2025 and FY 2026.

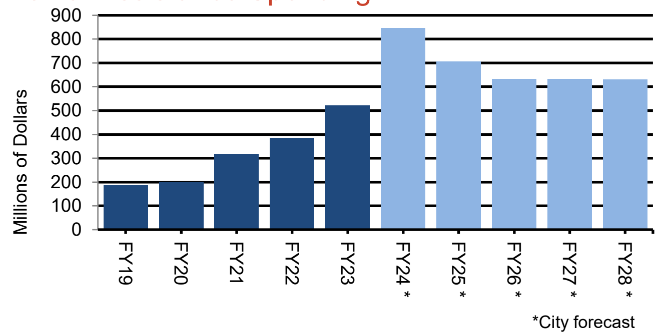
In total, OSC estimates a city-funded public assistance risk of $500 million annually in FY 2025 and FY 2026, before dropping to $247 million in FY 2027. The risk considers both the planned drop in funding in fiscal years 2025 through 2027 and the growth in assistance for asylum seekers that is assumed by the State. In FY 2028, the public assistance budget increases to $2.5 billion once again.

Rental Assistance

The April Plan added net funding of $535 million in FY 2025 and $460.6 million annually beginning FY 2026 to address a higher demand for CityFHEPS vouchers. However, these amounts would still represent a decline from FY 2024 spending level, which is unlikely given recent trends (see Figure 27). The plan also does not address three of the four pieces of legislation which would substantially expand eligibility for the voucher program.

Based on March year-to-date spending, OSC estimates that costs could still exceed the plan by $171 million in FY 2025, and an average of $245 million thereafter. If the City acts on the other pieces of the legislation by July 1, 2024, OSC estimates that costs could reach $762 million in FY 2025, growing to $4.9 billion in FY 2028. See [OSC's June Plan report for details on the assumptions informing this risk].

FIGURE 27
Rental Assistance Spending



Note: FY 2019 through 2022 figures are final budget numbers presented in the June Plan; FY 2023 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 April Plan also added $312 million for non-asylum shelter costs in FY 2024 only. 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). OSC estimates that the number of non-asylum individuals in DHS shelters exceeded 55,000 in March 2024, compared to nearly 49,000 in March 2023. The non-asylum census has grown by an average monthly rate of 1.2 percent for the first nine months of FY 2024. If this growth is sustained, the population could reach pre-pandemic levels again by September 2024.

If the non-asylum census stabilizes at roughly 59,700 individuals, which was the average individual census at DHS shelters for fiscal years 2017 through 2019, OSC estimates a risk of $314 million annually for fiscal years 2026 through 2028.

Asylum Services

Through April 28, the City reports that over 194,200 asylum seekers have come through its intake system since Spring 2022, and that more than 65,700 of these individuals remain in the City's care, creating a significant burden on its budget. The City announced it would seek an additional 10 percent reduction to asylum seeker spending, in addition to 20 percent taken in January, which is reflected in the April Plan. These actions lower expenses by $2.3 billion over two years, with savings of $461 million in FY 2024 and $125 million in FY 2025 identified in the April Plan.

The plan also adds $1.5 billion each year in FY 2026 and FY 2027 to further address out-year funding risks. These combined changes would bring total asylum seeker spending to $3.76 billion in FY 2024, $4.75 billion in FY 2025, $4 billion in FY 2026, and $3 billion in FY 2027 (see Figure 29). The City assumes it will absorb 69 percent of these costs through FY 2027, with the State funding an estimated 30 percent, and the federal government contributing about 1 percent. The City does not budget for asylum seeker expenses after FY 2027.

FIGURE 29
Citywide Asylum Seeker Spending by Financial Plan
(in $ millions)

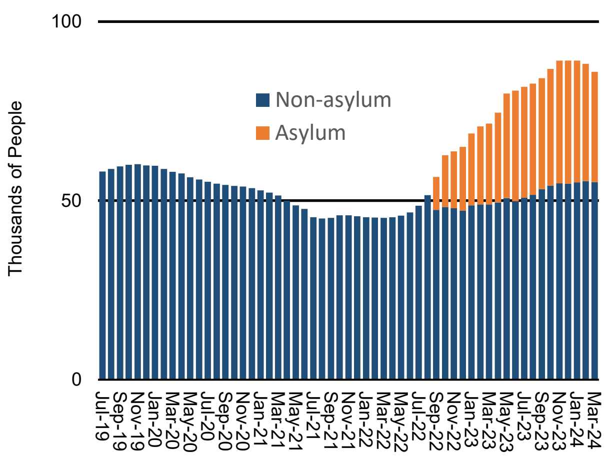
	FY 2024	FY 2025	FY 2026	FY 2027
June 2023				
City	2,208	712	- - -	- - -
State	562	290	- - -	- - -
Federal	135	- - -	- - -	- - -
Total	**2,905**	**1,002**	**- - -**	**- - -**
Nov. 2023				
City	3,566	5,540	2,000	1,000
State	1,009	562	- - -	- - -
Federal	145	- - -	- - -	- - -
Total	**4,720**	**6,102**	**2,000**	**1,000**
Jan. 2024				
City	2,302	3,561	2,500	1,500
State	1,761	1,312	- - -	- -
Federal	155	- - -	- - -	- -
Total	**4,219**	**4,873**	**2,500**	**1,500**
April 2024				
City	2,287	3,436	3,000	2,000
State	1,312	1,312	1,000	1,000
Federal	157	- - -	- - -	- - -
Total	**3,756**	**4,748**	**4,000**	**3,000**

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

The PEG for asylum seekers assumes the City will be able to slow, and ultimately flatten, census growth and reduce per diem costs. In January 2024 the City lowered the assumption for average daily household census growth from 55 to 29, and assumed the census would stabilize in October 2024. It also revised the expected per diem rates to $386 in FY 2024 and $352 in FY 2025, a reduction from the FY 2023 actual per diem rate of $394 (see OSC's [January Plan]() report for details). However, given the uncertainty surrounding the census, the City maintained a 10 percent cushion in its January savings projections for FY 2024 and FY 2025 to buffer against any new uptick.

The April projection maintains the January assumptions for census growth but removes the 10 percent cushion in both years since the census has been lower than anticipated. From September 2023 through April 2024, the asylum census grew at an average daily rate of 10.3 households, and the City saw a decline in the census from January through March. The City also reports a lower per diem rate in recent months, although FY 2024 costs are not yet finalized and there could be additional invoices not yet reflected in the City's calculation.

FIGURE 28
Individuals in DHS Shelters



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

Acknowledging the many unknown variables for asylum seeker costs, including federal, State and local policy, OSC finds the City's total cost estimates reasonable for FY 2024 if the City maintains the lower per diem rate through June. However, if per diem costs stay at the City's reported cumulative rates ($386), OSC projects that costs could be higher by $164 million in FY 2024; lower by $512 million in FY 2025; and higher again by $104 million in FY 2026; $591 million in FY 2027; and $3 billion in FY 2028.

Overtime

Citywide overtime in FY 2024 through April totaled $2 billion, $180 million more than in the same period in FY 2023. Unplanned increases in the demand for services, coupled with higher wages from collective bargaining, have contributed to most of the increase.

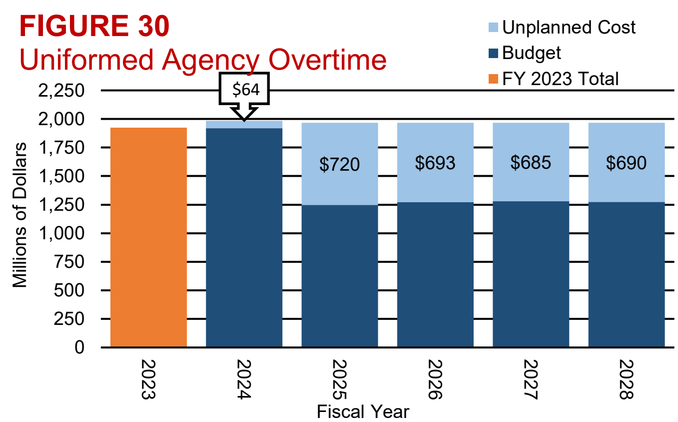
Overtime at the uniformed agencies, which typically accounts for about 80 percent of the citywide total, cost $1.6 billion through April, a net increase of $153 million from last fiscal year. Only the Police Department and Fire Department contributed to the increase, with higher costs of $146 million and $26 million, respectively. The Department of Correction and Department of Sanitation have managed to reduce year-over-year overtime by $12 million and $6 million, respectively.

While the City has been able to achieve year-over-year spending reductions at two of the four uniformed agencies, initial underbudgeting of costs required it to add $248 million in FY 2024 in the April Plan to cover spending. Since June 2023, the City has added $849 million to uniformed agency overtime budgets, bringing the City's total estimate to $1.9 billion. OSC projects the additional funding will be sufficient to cover unplanned costs at each agency for the remainder of the fiscal year, except the Police Department.

Overtime at the Police Department totaled $828 million through April, exceeding its spending plan through April by $52 million. While the overrun can be attributed to regular crime reduction deployments such as transit safety and planned events, it is mostly driven by unexpected circumstances that require ad hoc deployments, such as security for asylum seekers and an increase in protests. In particular, the Department has spent $53 million in protest-related overtime since October 2023, a $47 million increase from FY 2023. OSC projects police overtime will total just over $1 billion in FY 2024, exceeding its budget by $64 million.

Cumulatively, OSC projects that uniformed agency overtime will total nearly $2 billion in FY 2024, with similar amounts in FY 2025 onward. However, the budget for FY 2025 only includes $1.25 billion (a decrease of $673 million from the FY 2024 budget), and an average of $1.28 billion in the following years. Unless the agencies can execute on planned overtime reduction initiatives or align the budget with spending trends, OSC anticipates the City is likely to have to add about $700 million to fund anticipated costs annually beginning in FY 2025 (see Figure 30).

FIGURE 30
Uniformed Agency Overtime



Sources: NYC Financial Management System; OSC analysis

VIII. Debt Service and Capital Spending

The April Plan assumes that city-funded debt service will grow by a compound annual growth rate (CAGR) of 8.9 percent from $7.3 billion in FY 2024 to $10.3 billion in FY 2028 (see Figure 31). This growth amounts to a cumulative increase of $261 million in debt service over the plan period, compared to the January plan. The increase is largely the result of the City planning to issue an additional $4.5 billion in debt in the financial plan period and continued use of conservative rate assumptions.

The City's CAGR for city-funded debt service is expected to grow faster than either city-funded expenditures (4.3 percent) or tax revenues (3 percent) over the period FY 2024 through FY 2028. As a result, the City's debt burden (total debt service as a percentage of tax revenue) is expected to increase to 12.6 percent in FY 2028, up from 10.1 percent in FY 2024, but below the City's self-imposed cap of 15 percent.

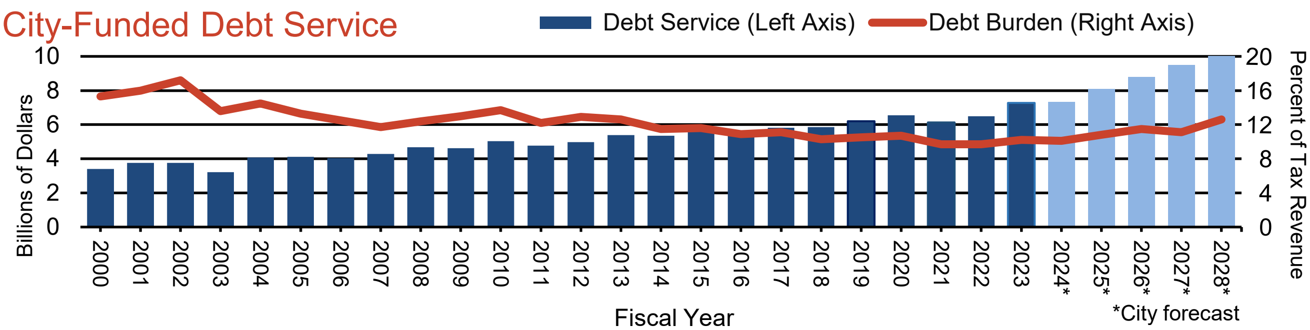
The April Capital Commitment Plan increased the level of commitments by $13.1 billion for the period FY 2024 through 2033 from the previous modification in January 2024 (see Figure 32). The bulk of the increase is expected to occur in the first five years of the plan. The City agency with the largest increase in planned commitments is the DOE, which is $8.7 billion higher than in January. The largest component of the increase is "System Expansion" to manage the class size mandate, adding $4.2 billion to the capital plan, which remains $2 billion short of the statutory requirement in the State enacted budget. The Department of Correction is adding $2.9 billion in planned capital expenditures, with an increase of $4 billion for borough-based jails in Queens and the Bronx, while offset by a reduction of "Building Systems and Infrastructure" by $1.1 billion. The Department of Environmental Protection is increasing planned capital commitments by $783 million, with $415 million being added for the Brooklyn/Queens section of the City Tunnel No. 3 Stage 1 project. As noted in the State section of this report, new legislation has expanded the City's debt capacity. New projections by the City for the combined debt-

FIGURE 32
Capital Commitment Plan Change Since January 2024
(in millions)

City Agency	Change 2024-2028	Change 2029-2033	Total
Education	$6,829	$1,876	$8,705
Correction	$1,814	$1,017	$2,830
Environmental Protection	$720	$63	$783
Transportation	($1,008)	$1,396	$388
Small Business Services	($147)	$328	$182
Housing Preservation	$323	($205)	$118
All Other	$667	($603)	$64
Total	**$9,197**	**$3,872**	**$13,069**

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

FIGURE 31
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

incurring power of the City and the Transitional Finance Authority (TFA) are $27.9 billion in FY 2025, $30.5 billion in FY 2026, $26.7 billion in FY 2027 and $22.6 billion in FY 2028. Had this increase not been given to the City, the combined debt-incurring power would have been $20 billion in FY 2025, $16.5 billion in FY 2026, $12.7 billion in FY 2027 and $8.6 billion in FY 2028.

It is noteworthy that in pursuing an increase to debt capacity, the City noted funds were needed to update the Brooklyn-Queens Expressway (BQE), in addition to new schools and jails; however, the latest capital commitment plan does not include additional funds for the BQE.

Starting in the current fiscal year, savings from bond refundings completed since FY 2020 (GO, TFA and TFA BARB's) are likely to continue to diminish by FY 2028 and beyond. Savings in FY 2024 will be $477.8 million, FY 2025 will be $420.1 million, $334.4 million in FY 2026 and $146.4 million in FY 2027. Given interest rates are anticipated to remain higher for a potentially longer period of time, and that they are not likely to return to the levels seen during the pandemic in the near-term, the City may not generate as substantial costs savings from refinancings in the future as it has in recent years.

Despite the current rate environment, the City's interest rate assumptions remain conservative. For this reason, OSC is estimating that the City could achieve $50 million in variable interest savings in FY 2025.

IX. Semi-Autonomous Entities

Department of Education

The April Plan allocates $39.5 billion to the DOE in FY 2025, including centrally administered costs (such as pensions). This would amount to 35.4 percent of the City's total budget and is a $173 million decrease from projected spending in FY 2024, due to the expiration of emergency federal pandemic aid. The City expects to fund $22.7 billion (57.5 percent) of the FY 2025 budget, with the remainder funded by the State (36.5 percent), the federal government and other sources.

Federal support for DOE is expected to drop by more than $2.4 billion (52.5 percent) from FY 2024 to FY 2025 as emergency pandemic funding expires. The City has replaced the majority of this decline with City and State funding, with City funds increasing by nearly $2.1 billion between fiscal years 2024 and 2025, bringing the City's share of support back to pre-pandemic levels. State funds are projected to increase by $224 million. However, this does not reflect the full amount of education aid included in the State's enacted budget which provides $281 million in unanticipated aid in FY 2025.

The April Plan adds $514 million in FY 2025 to address a number of fiscal cliffs associated mostly with the expiration of federal pandemic aid. Of this amount, $316 million is recurring and supported by State aid: funding mental health support staff in schools ($74 million), Pre-K special education programs ($56 million), the Pathways program ($53 million), and Community Schools ($48 million) among other programs. The remaining $198 million funded by the City primarily supports 3-K expansion ($92 million) and arts programs ($41 million) and is budgeted in FY 2025 only. Other programs supported by expiring federal funds are not funded going forward, including Summer Rising after FY 2025 and contracted nursing.

The Plan also adds $154 million in FY 2025 to support school cleaning, a cost which is likely to recur in future years. Additionally, a number of systemic risks to the department's budget remain (see Figure 33). The City continues to expect the cost of Carter Cases (federally-mandated special education) to decline. Additionally, the City estimates that it may need to hire as many as 12,000 new teachers to meet the State's Class Size Reduction Mandate, the cost of which is not addressed in the plan. When accounting for attrition, the City will need to hire at least 13,700 teachers per year over the next three years, a rate it has not achieved since at least 2008.

FIGURE 33
Risks to the Department of Education Budget in the April Plan
(in millions)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Class Size Reduction Compliance	- - -	- - -	$504	$1,042	$1,618
Carter Cases	- - -	540	410	340	340
School Cleaning	- - -	- - -	154	154	154
3-K	- - -	- - -	92	92	92
Contracted Nursing	- - -	87	87	87	87
Summer Rising	- - -	- - -	80	80	80
Charter School Lease Costs	- - -	45	58	63	87
Total	- - -	**$672**	**$1,385**	**$1,858**	**$2,458**

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

Metropolitan Transportation Authority

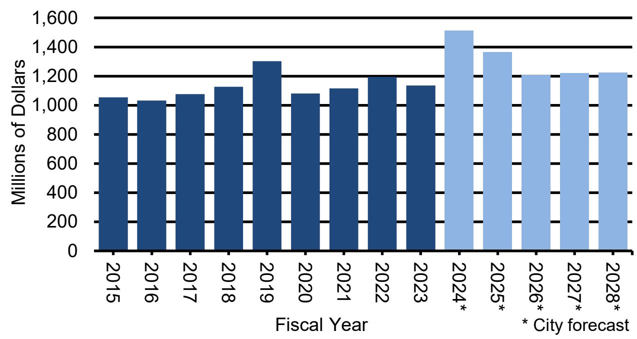
The MTA's February financial plan maintains its forecast of balanced budgets through 2027. The MTA continues to benefit from the approval of increases to existing revenue streams as well as new funding approved in the State budget in 2023. The MTA's financial plan assumes a 4 percent increase in fare and toll yields in January 2025 and March 2027 and, starting in 2025, about $70 million in unidentified savings.

A few new budget risks have emerged so far in 2024. As of April, farebox revenue was $51 million lower than budgeted mostly because fare revenue on New York City Transit buses was 18 percent lower than expected. Bridge and toll revenue, however, is higher by $38 million to help offset some of the negative variance in farebox revenue. Annualized, this overall variance would be lower than the $100 million reserve to fund farebox losses that is included in the February financial plan.

Overtime at the MTA hit a record level in 2023 and continues to be a budget risk as overtime paid from the operating budget was $128 million higher than planned through April, mostly due to higher vacancies and absentee coverage at New York City Transit. Overall vacancies at the MTA have resulted in $78 million in savings through April which will offset some of the overtime variance. In April, the MTA announced it is temporarily requiring approval of any unplanned overtime in an attempt to slow spending. As mentioned in the State and Federal Actions: State Budget section, there have also been changes to Tier 6 retirement benefits that are expected to cost the MTA $30 million in 2025 and higher amounts thereafter.

In terms of budgetary impact to the City, the April 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. Please see OSC's report on the City's January Plan for more discussion of these risks. OSC projects potential spending risks to the City of $143 million in FY 2025, rising to at least $450 million in FY 2028, remain as a result of these unbudgeted items. As shown in Figure 34, aid to the MTA is budgeted to drop from $1.5 billion in FY 2024 to $1.2 billion starting in FY 2026, even as the MTA assumes these costs will continue to grow.

FIGURE 34
New York City Direct Aid to the MTA



Sources: NYC Office of Management and Budget; OSC analysis

The City also has elected to fund the Fair Fares program, which provides discounted MetroCards to low-income riders. The City currently budgets $95 million annually for the program for riders with income no higher than 120 percent of the federal poverty level. The City Council and the MTA have proposed expanding the eligibility of the program to up to 200 percent of the federal poverty level. The City Council estimates expanding eligibility to 200 percent would cost an additional $54 million annually.

The MTA is scheduled to release its proposed 2025-2029 capital program by October 1, 2024. OSC recently released a report that looked at funding questions that could impact the current and next capital program. The City provided $3 billion for the MTA's 2020-2024 capital program and $2.7 billion for the 2015-2019 program and will likely be required to make contributions to the 2025-2029 capital program.

NYC Health + Hospitals

On May 6, 2024, the City released the H+H FY 2025 executive cash financial plan (May Plan). H+H adjusted its plan to account for increased personnel costs and updates to its strategic initiatives. For financial plan updates made prior to the May Plan such as COVID-19 FEMA reimbursement, SFY 2024 budget impact, collective bargaining and supplemental Medicaid initiative, see OSC's report on the January 2024 Plan; for major financial and other issues confronting H+H, see OSC's issue brief.

The City's April Plan contains adjustments that are reflected in the H+H May Plan and are largely budget neutral to H+H. The April Plan reduces funding provided to H+H for its participation in the City's asylum seeker response as part of its PEG, but these costs are fully covered according to a memorandum of understanding with the City. The April Plan also adds City funds to cover the costs of recent collective bargaining arrangements.

As it has done in previous plans, the City and H+H have adjusted for receipt of supplemental Medicaid funding it anticipated receiving from its revenue generating strategic initiatives. H+H estimates receiving $150 million less from these payments in FY 2024 and the April Plan shifts these funds from the City's Medicaid budget to the H+H general subsidy. The April Plan's Medicaid budget also rolls $289 million from FY 2024 to FY 2025 to account for a delayed supplemental Medicaid payment.

In FY 2023, H+H exceeded its year-end strategic initiative target largely by increasing revenue collections through better billing and coding, negotiating better rates with insurance providers and collecting additional supplemental Medicaid.

The H+H May Plan increases federal supplemental Medicaid by $500 million in FY 2024 and $275 million in FY 2025 because of a delay in the implementation of federal cuts to these payments that were reflected in its prior plans. The May Plan significantly reduces the FY 2024 strategic initiative target to $1.7 billion, down from $2.2 billion, due to the delay in these cuts.

Through March 2024, H+H reports progress toward meeting its other FY 2024 revenue targets, however a cyberattack in February 2024 on its Medicaid claims provider could impact this progress through June 2024. H+H has since contracted with another provider and is working to collect insurance to minimize the fiscal impact.

The May Plan slightly increases revenue generating targets annually beginning in FY 2025, contributing to a cumulative $2.5 billion in strategic initiatives through FY 2028. A portion of savings from its planned restructuring initiative may hinge on whether the federal government further delays the execution of cuts to supplemental Medicaid scheduled to occur on January 1, 2025

Additionally, the May Plan increases personnel costs for the use of temporary staff in FY 2024. In the second half of 2023, H+H successfully hired nurses, but training new staff has not yet allowed it to reduce its reliance on temporary staff and it will not realize savings until FY 2025. The May Plan further increases costs related to overtime and temporary staffing of physicians.

The SFY 2025 enacted budget includes initiatives that could benefit health and mental health providers such as H+H. These include temporary reimbursement increases for hospitals and nursing homes, funding to support distressed and safety net hospitals and increased reimbursement for certain providers treating mental health conditions. The enacted budget also increased eligibility for certain Medicaid and Essential Plan enrollees.

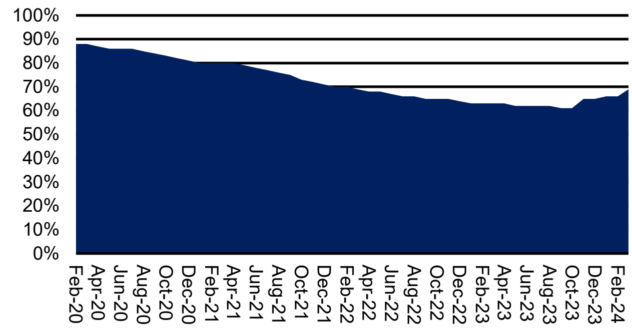
State budget initiatives that could adversely impact its financial condition include reductions to Managed Care Quality pools, capital reimbursements and a 1 percent across the board cut to health plans, but there is a lack of clarity on how and when funds may be distributed; H+H's initial assessment of the impact of the enacted budget is relatively budget neutral and reduces revenue by $500,000 in FY 2024 and about $2 million annually in the May 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 could impact its financial condition.

New York City Housing Authority

The New York City Housing Authority (NYCHA) continues to experience a sustained decline in its rent collection rate, which dropped from 88 percent in February 2020, before the onset of the pandemic, to 61 percent in October 2023 (see Figure 35). Starting in November 2023, collections began increasing because of NYCHA applying the proceeds of State aid for tenant arrears to its rental accounts reaching 69 percent in March 2024, a reversal of a trend that accelerated at the onset of the pandemic. The cumulative rent arrears balance is roughly $449 million across 70,000 households through April 30, 2024, as compared to $125 million on December 31, 2019.

At the start of 2023 (NYCHA's fiscal year begins January 1), the Authority had anticipated a $35 million deficit at the end of the year. NYCHA was able to balance the 2023 budget as tenant rental revenue and federal subsidies were $235 million higher than planned, which offset higher labor costs. In December, NYCHA released its 2024-2028 Proposed Financial Plan, which projects another $35 million deficit at the end of 2024 and average annual out-year deficits of $32 million from 2025 through 2028, resembling last year's plan. Unlike previous budget presentations, no mention was made of reserve withdrawals to achieve balance — which NYCHA primarily attributes to the receipt of $155 million of the $164 million (as of April 30, 2024) allocated by the State for the rental arrears of its tenants. Additionally, NYCHA is expected

FIGURE 35
NYCHA's Rent Collection Rate



Sources: New York City Housing Authority; OSC analysis

to receive $150 million from federal American Rescue Plan funds which can be applied to tenant arrears.

Despite the rent collection rate hovering at 60 percent, NYCHA still expects tenant rental revenue to increase by an annual average of $168 million from 2024 to 2027 compared to last year's budget. See OSC's Issue Brief: New York City Housing Authority for details.

The City's April Plan includes a $379 million subsidy to NYCHA for FY 2024, an increase of $74.4 million from the January Plan, of which $47.1 million is for federally funded resilience expenses and $25.7 million for collective bargaining costs.

Of the $379 million increase, the city-funded portion makes up $261.5 million, or 69 percent, with the balance funded from federal monies, including Community Development Block Grant funds (17 percent), Community Development Block Grant – Disaster Recovery funds (14 percent) and a small amount of Other Categorical funding (less than 1 percent).

The City's capital commitment plan leaves capital funding to NYCHA mostly unchanged at $4.7 billion from FY 2024 through FY 2033, of which $2.7 billion is expected to be provided through FY 2026.

IX. Other Issues

Climate Budgeting

The April Plan includes a first-time report on climate budgeting, formulated along guidelines provided by C40 Cities (a global network of the international cities working together to confront the climate crisis) and tailored to the City's budget process.[14] Guidelines include forming a climate-literate finance team, systematically integrating climate impact considerations into budgeting for projects and activities, and formulating and continuously improving a climate budget.[15]

Following these guidelines, the City established an interagency process for including climate considerations into the budget, and for examining budget proposals through an intake form that seeks to identify whether and how the projects and programs proposed for funding would increase or reduce greenhouse gas (GHG) emissions or positively or negatively impact climate resiliency.

The City has also applied a Climate Alignment Assessment framework for climate-related spending in both capital investment and operational expenses budgets. The framework includes color-coding to show alignment of projects and activities with the City's needs and commitments to protect against extreme climate events (which the City refers to as resiliency) and to achieve net-zero greenhouse gas (GHG) emissions by 2050 (which the City considers as sustainability).

The City applied the Climate Alignment Assessment framework to the 2024-2028 capital commitment plan to identify the extent to which the portfolio of projects is likely to contribute to a reduction in GHG emissions and to protecting residents against flooding and extreme heat. Plan projects were also assessed for additional climate benefits, such as improvement in air quality, the circular economy (organic waste collection), ecology (parks and sewers) and sustainable living (bus and bike lanes).

Of the $97.7 billion 2024-2028 capital commitment budget, $65.7 billion (67.3 percent) covers projects that can impact the City's net-zero GHG emissions target, with more than $12 billion considered to be aligned with the goal (and color-coded green). Projects that can impact flood resiliency totaled $81.8 billion (83.8 percent), with more than $18.5 billion aligned with resiliency goals, while those that can impact protection from extreme heat total $68 billion (69.6 percent), of which more than $9.3 billion are aligned with the City's goals.

Given the project-by-project approach, and the consideration of both sustainability (mitigation) and resiliency (adaptation) commitments, the City now provides greater detail on climate-related funding within the budget than was made available during OSC's effort at identifying resiliency in capital spending last year.

The City also assessed the 2025 operating budget and identified expenses of $41.3 million for climate-related activities. In addition to spending to reduce emissions, these included $12.1 million toward resiliency (flood protection enhancements). In the technical appendix to the plan report, the City pointed to the challenge in identifying climate spending within the financial plan since budget lines cover both climate and non-climate work simultaneously, and expressed an intention to refine climate spending in its operating budget.

[14] C40 Cities, https://www.c40.org/.
[15] C40 Knowledge, "A Step By Step Guide For Cities," https://www.c40knowledgehub.org/s/article/Climate-budgeting-A-step-by-step-guide-for-cities?language=en_US.

Appendix A: City-Funded Agency Spending Trends

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

	Final June Plan		FY 2025 April Plan					FY19-FY 23 CAGR	FY24-FY 28 CAGR
	FY 2019	FY 2023 (adj.)	FY 2024 (adj.)	FY 2025 (adj.)	FY 2026 (adj.)	FY 2027 (adj.)	FY 2028		
Agency Expense									
Uniformed Forces									
Police	5,321	5,771	6,059	5,560	5,817	5,922	5,927	2.1%	-0.5%
Fire	1,855	2,255	2,394	2,113	2,152	2,149	2,144	5.0%	-2.7%
Correction	1,368	1,347	1,245	1,047	1,061	1,067	1,208	-0.4%	-0.8%
Sanitation	1,746	1,891	1,567	1,671	1,897	1,946	1,955	2.0%	5.7%
Subtotal	**10,290**	**11,264**	**11,265**	**10,391**	**10,926**	**11,085**	**11,235**	**2.3%**	**-0.1%**
Health and Welfare									
Social Services	7,729	8,880	8,872	9,288	9,123	9,624	10,034	3.5%	3.1%
Homeless Services	1,339	1,905	2,000	1,412	1,428	1,467	1,476	9.2%	-7.3%
Health and Mental Hygiene	860	1,213	1,117	1,049	1,116	1,121	1,115	9.0%	0.0%
Children's Services	1,069	1,056	987	840	843	851	850	-0.3%	-3.7%
All Other	1,810	2,212	2,777	2,520	2,595	2,693	2,750	5.2%	-0.2%
Subtotal	**12,806**	**15,267**	**15,754**	**15,109**	**15,105**	**15,756**	**16,225**	**4.5%**	**0.7%**
Education[16]									
Education	13,590	14,487	14,922	16,493	17,447	18,488	19,224	1.6%	6.5%
City University	858	875	849	937	937	954	971	0.5%	3.4%
Subtotal	**14,448**	**15,363**	**15,771**	**17,430**	**18,383**	**19,442**	**20,195**	**1.5%**	**6.4%**
Other Agencies									
Environmental Protection	1,222	1,535	1,571	1,612	1,573	1,567	1,568	5.9%	-0.1%
Transportation	616	874	873	887	899	897	888	9.2%	0.4%
Parks and Recreation	432	500	489	519	526	527	527	3.7%	1.9%
Citywide Admin Services	331	455	466	441	415	407	405	8.3%	-3.5%
Housing Pres. and Dev.	242	359	439	415	455	472	476	10.3%	2.1%
All Other	3,179	4,221	4,040	3,761	3,547	3,550	3,552	7.3%	-3.2%
Subtotal	**6,022**	**7,945**	**7,878**	**7,635**	**7,414**	**7,420**	**7,415**	**7.2%**	**-1.5%**
Elected Officials									
Mayoralty	109	146	143	132	134	132	132	7.5%	-2.0%
All Other Elected	600	746	801	825	826	827	828	5.6%	0.8%
Subtotal	**709**	**891**	**944**	**958**	**959**	**959**	**960**	**5.9%**	**0.4%**
General Reserve	**20**	**20**	**50**	**1,200**	**1,200**	**1,200**	**1,200**	**0%**	**121%**
Agency Total	**44,295**	**50,751**	**51,663**	**52,722**	**53,988**	**55,862**	**57,230**	**3.5%**	**2.6%**
Other Expense									
Pension Contributions	9,801	8,964	9,211	10,235	10,657	10,782	11,723	-2.2%	6.2%
Miscellaneous[17]	7,661	12,013	10,948	12,206	12,597	13,504	14,799	11.9%	7.8%
Debt Service	6,155	6,972	6,292	4,153	8,797	9,483	10,329	3.2%	13.2%
All Other	(400)	(400)	(400)	- - -	191	337	500		
Subtotal	**23,217**	**27,549**	**26,051**	**26,595**	**32,242**	**34,105**	**37,351**	**4.4%**	**9.4%**
Total Expenditures	**67,512**	**78,300**	**77,713**	**79,316**	**86,230**	**89,967**	**94,581**	**3.8%**	**5.0%**
Asylum Seekers City Funds	**- - -**	**1,012**	**2,287**	**3,436**	**3,000**	**2,000**	**- - -**		
Total City Funds	**67,512**	**79,312**	**80,000**	**82,753**	**89,230**	**91,967**	**94,581**	**4.1%**	**4.3%**

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

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

Appendix B: Full-Time Staffing Levels

(Number of full-time employees)

	Actual	Actual	Forecast	April Plan	Variance – Better/(Worse) Feb. 2024 Actual to June 2025 Forecast		
	June 2020	Feb. 2024	June 2024	June 2025	City Funds	Non-City Funds	Total Funds
Public Safety	**85,806**	**78,131**	**81,239**	**80,917**	**2,875**	**(89)**	**2,786**
Police Uniformed	35,910	33,939	35,051	35,001	1,062	- - -	1,062
Civilian	15,519	13,339	14,152	13,843	682	(178)	504
Fire Uniformed	11,047	10,613	10,952	10,952	334	5	339
Civilian	6,366	6,518	6,301	6,225	(272)	(21)	(293)
Correction Uniformed	9,237	6,127	7,060	7,060	933	- - -	933
Civilian	1,741	1,508	1,727	1,724	211	5	216
District Attys. & Prosec.	4,843	5,150	4,850	5,002	(164)	16	(148)
Probation	1,116	913	1,113	1,081	84	84	168
Board of Correction	27	24	33	29	5	- - -	5
Health & Welfare	**27,878**	**25,255**	**28,074**	**27,503**	**1,054**	**1,194**	**2,248**
Social Services	12,330	10,957	12,148	12,018	118	943	1,061
Children's Services	7,039	6,325	7,080	7,025	581	119	700
Health & Mental Hygiene	5,530	5,342	5,963	5,644	221	81	302
Homeless Services	2,119	1,799	1,972	1,903	121	(17)	104
Other	860	832	911	913	13	68	81
Environment & Infra.	**26,365**	**26,287**	**27,509**	**26,873**	**(1,373)**	**1,959**	**586**
Sanitation Uniformed	7,755	8,315	7,978	7,844	(471)	- - -	(471)
Civilian	2,107	1,789	1,743	1,632	(169)	12	(157)
Transportation	5,120	5,108	5,762	5,803	(444)	1,139	695
Parks & Recreation	4,236	4,354	4,512	4,107	(322)	75	(247)
Environmental Protection	5,891	5,629	6,327	6,304	24	651	675
Other	1,256	1,092	1,187	1,183	9	82	91
General Government	**12,634**	**11,511**	**12,690**	**12,362**	**758**	**93**	**851**
Finance	1,996	1,644	1,983	1,983	327	12	339
Law	1,713	1,453	1,548	1,429	(25)	1	(24)
Citywide Admin. Svcs.	2,403	2,050	2,383	2,393	259	84	343
Taxi & Limo. Comm'n.	584	417	559	555	138	- - -	138
Investigations	361	280	315	278	(2)	- - -	(2)
Board of Elections	682	694	517	517	(177)	- - -	(177)
Info. Tech. & Telecomm.	1,673	1,509	1,574	1,527	43	(25)	18
Other	3,222	3,464	3,811	3,680	195	21	216
Housing	**4,088**	**4,001**	**4,317**	**4,329**	**228**	**100**	**328**
Buildings	1,676	1,547	1,622	1,642	95	- - -	95
Housing Preservation	2,412	2,454	2,695	2,687	133	100	233
Dept. of Education	**134,684**	**130,836**	**138,664**	**138,015**	**5,860**	**1,319**	**7,179**
Pedagogues	121,077	117,880	126,077	125,188	5,903	1,405	7,308
Non-Pedagogues	13,607	12,956	12,587	12,827	(43)	(86)	(129)
City University of NY	**6,288**	**5,730**	**6,024**	**6,024**	**294**	**- - -**	**294**
Pedagogues	4,545	4,233	4,289	4,289	56	- - -	56
Non-Pedagogues	1,743	1,497	1,735	1,735	238	- - -	238
Elected Officials	**2,703**	**2,545**	**2,821**	**2,790**	**180**	**65**	**245**
Total	**300,446**	**284,296**	**301,338**	**298,813**	**9,876**	**4,641**	**14,517**

Sources: NYC Office of Management and Budget; OSC analysis

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