

The City of New York
Executive Budget
Fiscal Year 2004

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**Budget
Summary**

Budget Summary

Executive Budget

Fiscal Year 2004

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I. Overview

Overview

- ❖ Facing a gap of \$7.5 billion, the City took action over the last 16 months to put in place an agency gap closing program of \$2.6 billion and raise property taxes by 18.5%. In January the City projected a remaining gap to be closed for fiscal year 2004 of \$2.9 billion.
- ❖ Since the release of the January Financial Plan the projected \$2.9 billion gap has grown to \$3.8 billion. This is because:
 - The State Executive Budget proposal was released. It will reduce the current level of funding for the Department of Education by \$753 million (\$478 million in reduced education aid and \$275 million for the cost of the longer school day). Other State actions will increase the size of the City's projected budget gap by approximately \$100 million.
 - The national economy has weakened, reducing the tax forecast by \$68 million for 2003 and by \$303 million for 2004.
 - Other expenses, such as debt service, energy costs and agency expenditures, are forecast higher by \$192 million.
 - Offsetting some of these costs are resources identified in the 2003 budget that will increase the amount available to prepay 2004 expenses by \$403 million.
- ❖ To close the gap, this Executive Budget now includes an additional agency gap closing plan of \$600 million, which will reduce the City funded workforce by almost 4,800 full-time and full-time equivalent positions. In addition, a plan to streamline the delivery of social services through structural reorganization will save \$75 million.

Overview

- ❖ The City's remaining gap of \$3.1 billion (\$3.8 billion less the additional agency gap closing plan of \$600 million and \$75 million of savings from streamlining the delivery of social services) will be closed through several additional actions:

STATE ACTIONS (see pages 23-26)

- Reform of the personal income tax, yielding \$1.4 billion,
- Gap-closing assistance from the State of \$252 million,
- Rationalization of the provision of regional mass transportation that will reduce City funded expenses by \$200 million in 2004,
- Restoration of State education aid of \$753 million (\$478 million in reduced education aid plus \$275 million for the cost of the longer school day), and
- Actions to offset the additional State cuts of \$100 million.

OTHER ACTIONS

- Additional funding from the Federal government to close \$200 million of the budget gap (see page 27).
 - Phased settlement of outstanding airport rent and an increase in annual rent payments, yielding an additional \$200 million in 2004.
- ❖ A contingency program of \$1 billion has been developed which will require over 10,000 layoffs. This plan will be implemented to the extent that actions required by the State do not take place.

Achievements

The Plan to balance the Fiscal Year 2004 budget incorporates agency actions worth \$2.3 billion which are already in place as part of the 2003 budget. Already, from December 2001 through February 2003, the City's workforce is down by almost 14,000.*

Despite these reductions, the quality of life in New York City has been maintained or enhanced:

- ❖ **C**rime continues to fall. In 2002, crime fell 5.3% compared to the previous year, and through the first quarter of 2003 has dropped another 9.4%.**
- ❖ **T**he Public Assistance Caseload is down to 421,429 from 462,595 at the end of 2001.
- ❖ **M**ayoral control of Education has been achieved and the Children First initiative launched.
- ❖ **D**espite necessary cuts to the capital budget, a program to build or rehabilitate 65,000 low and moderate income housing units has been initiated.
- ❖ **T**he 3-1-1 Citizen Service Call Center was launched, allowing New Yorkers to obtain important non-emergency services and information 24 hours a day, 7 days a week.

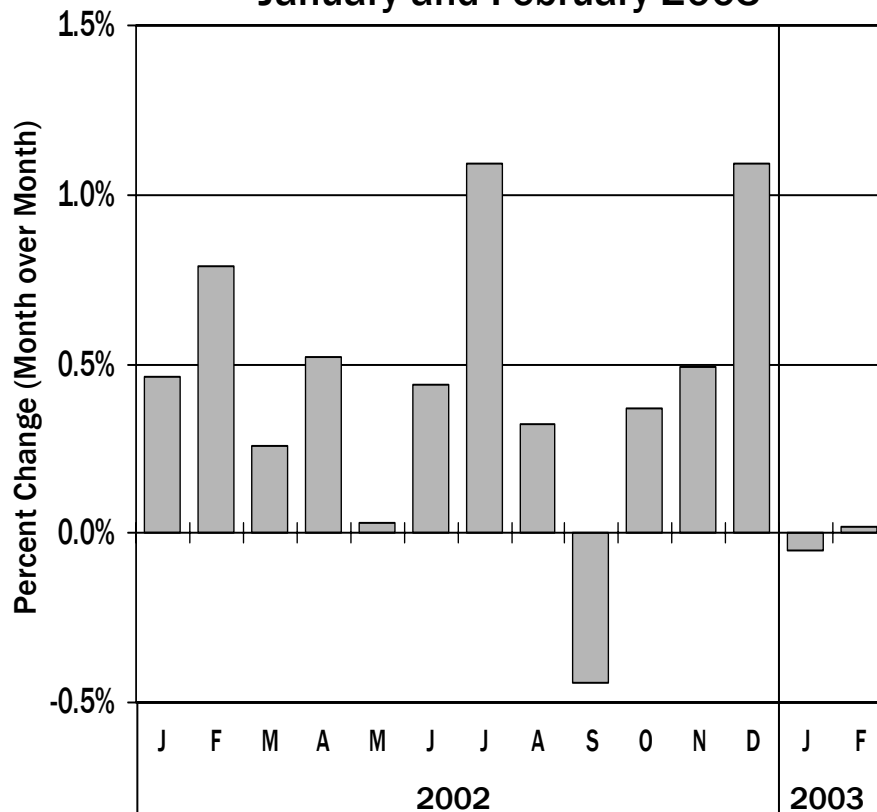
*City Funds Full-Time and Full-Time Equivalent Headcount

**Source: CompStat

II. Changes Since the January Plan

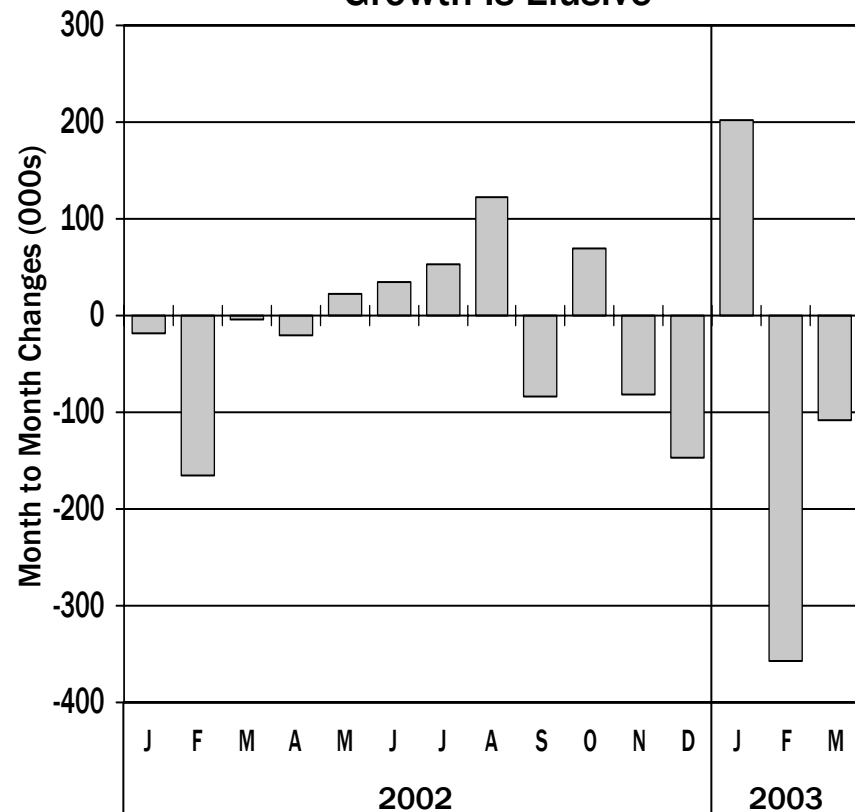
The U.S. Economy Has Weakened Since the Beginning of the 2003 Calendar Year

Consumption Was Flat in January and February 2003



Consumption Expenditures

Employment Growth Is Elusive



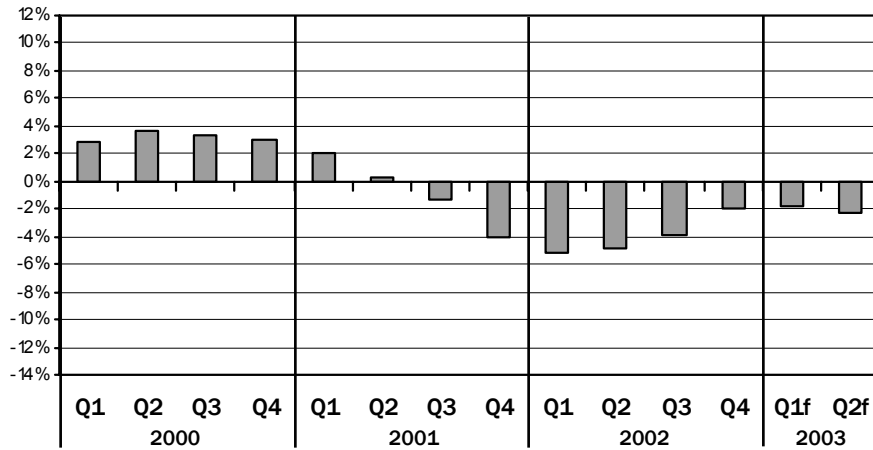
U.S. Employment

New York City Employment Trends

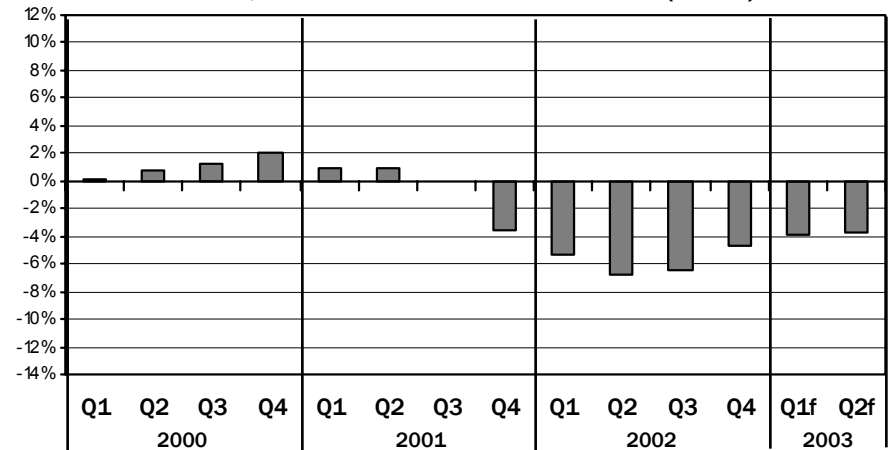
(1 of 2)

Percent Change (Year over Year)

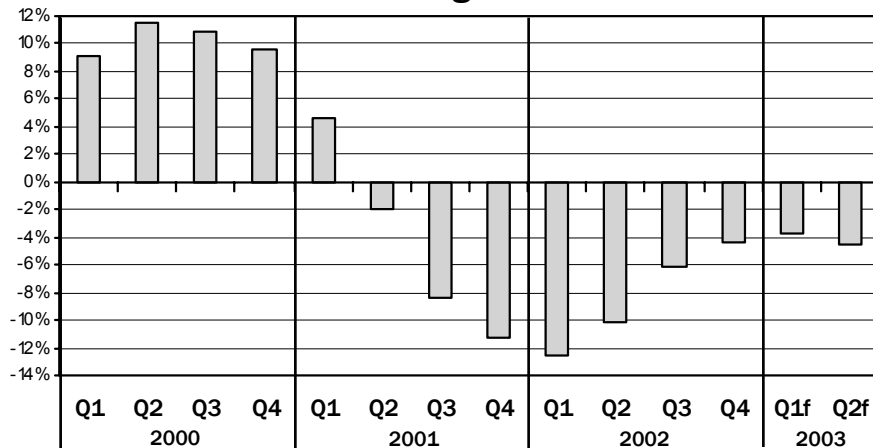
Private Sector



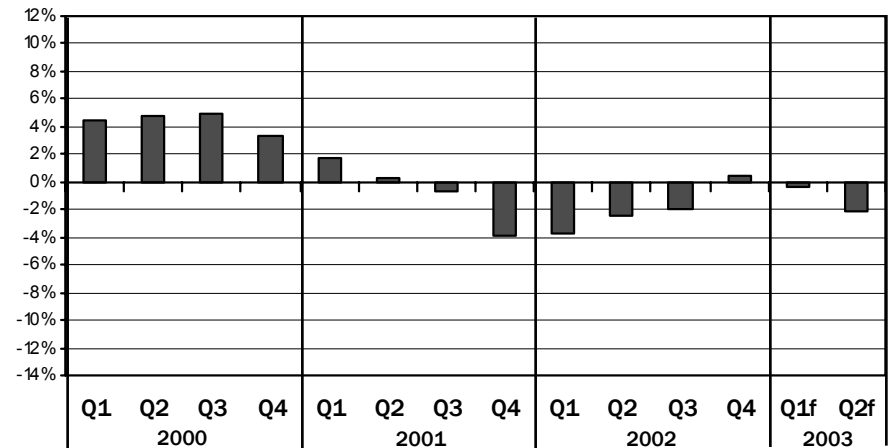
Finance, Insurance & Real Estate (FIRE)



Business & Legal Services



Retail Trade



f = OMB Forecast

Source: Bureau of Labor Statistics

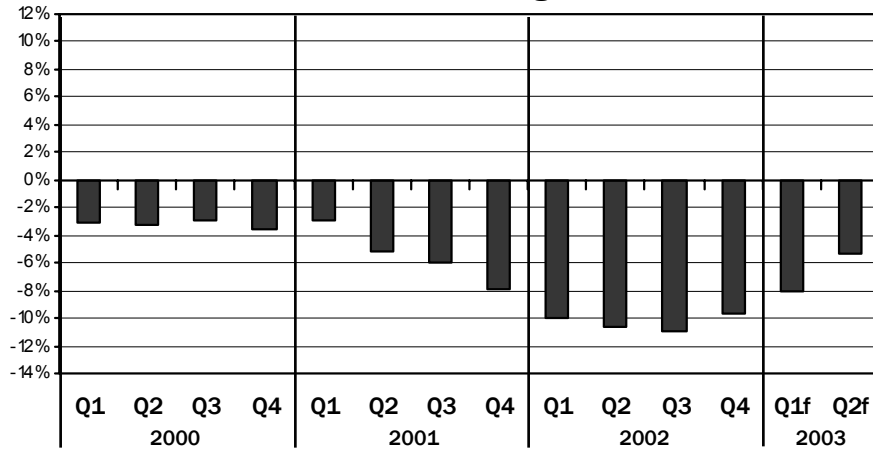
Calendar Year

New York City Employment Trends

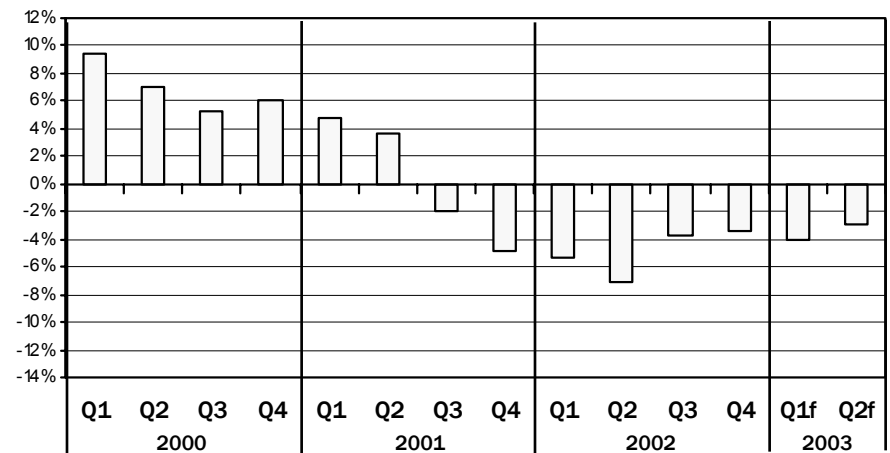
(2 of 2)

Percent Change (Year over Year)

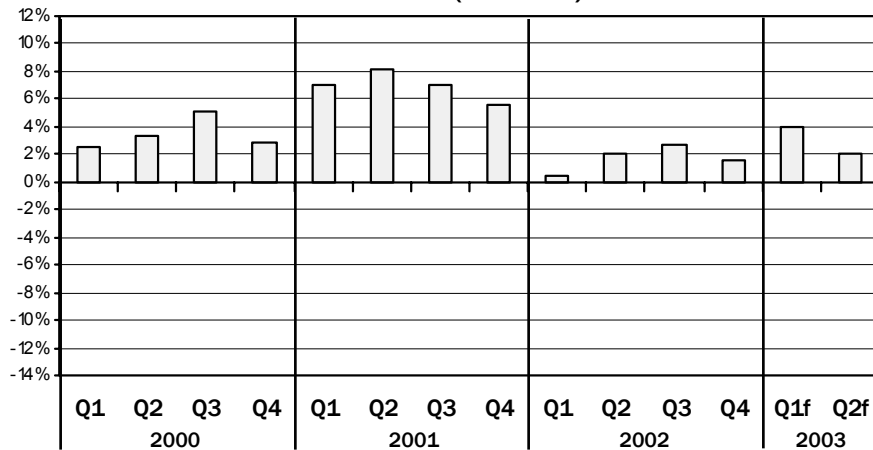
Manufacturing



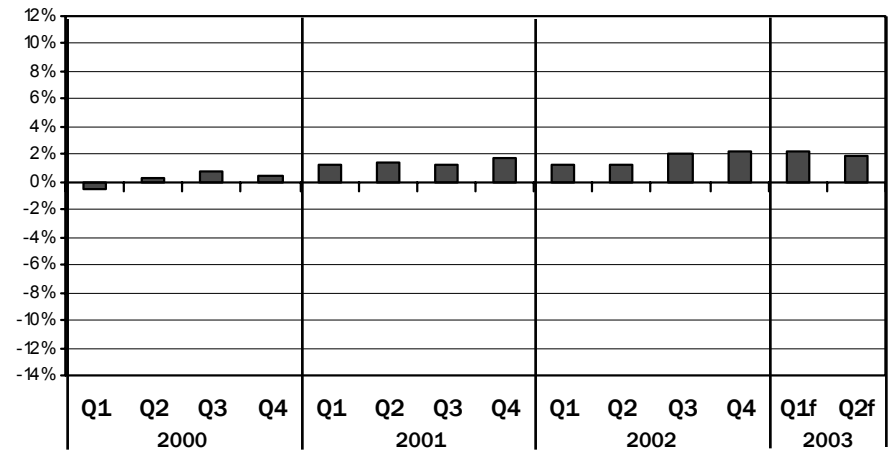
Construction



Education (Private)



Medical



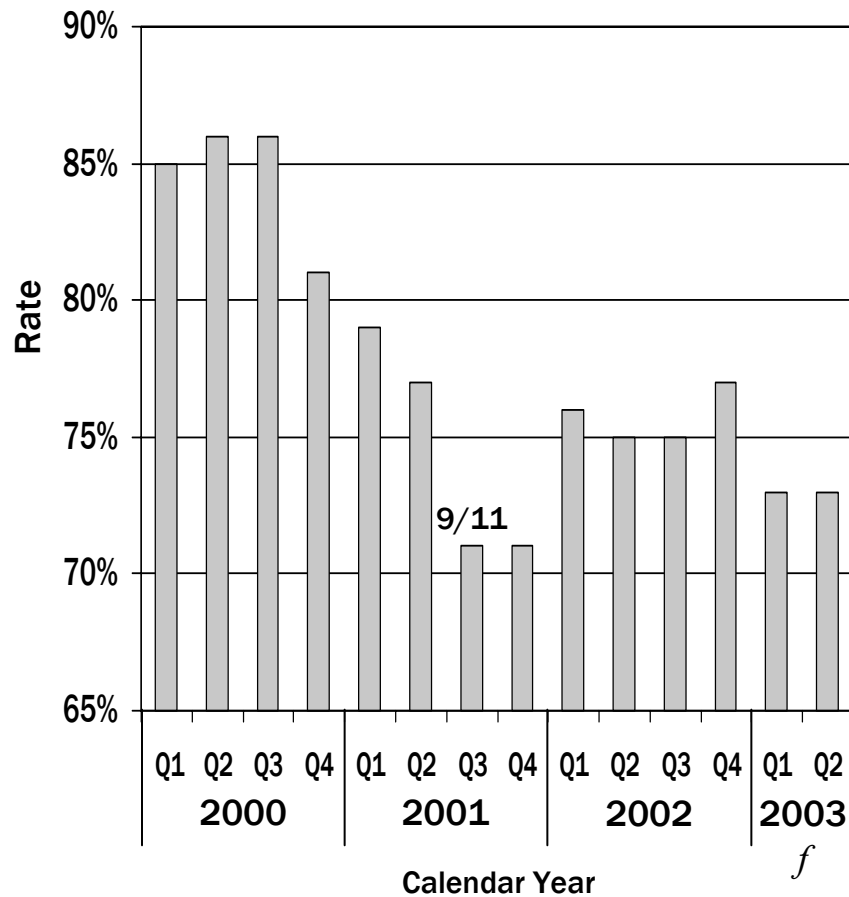
f = OMB Forecast

Source: Bureau of Labor Statistics

Calendar Year

Tourism, Not Yet Fully Recovered From 9/11, Is Taking Another Hit

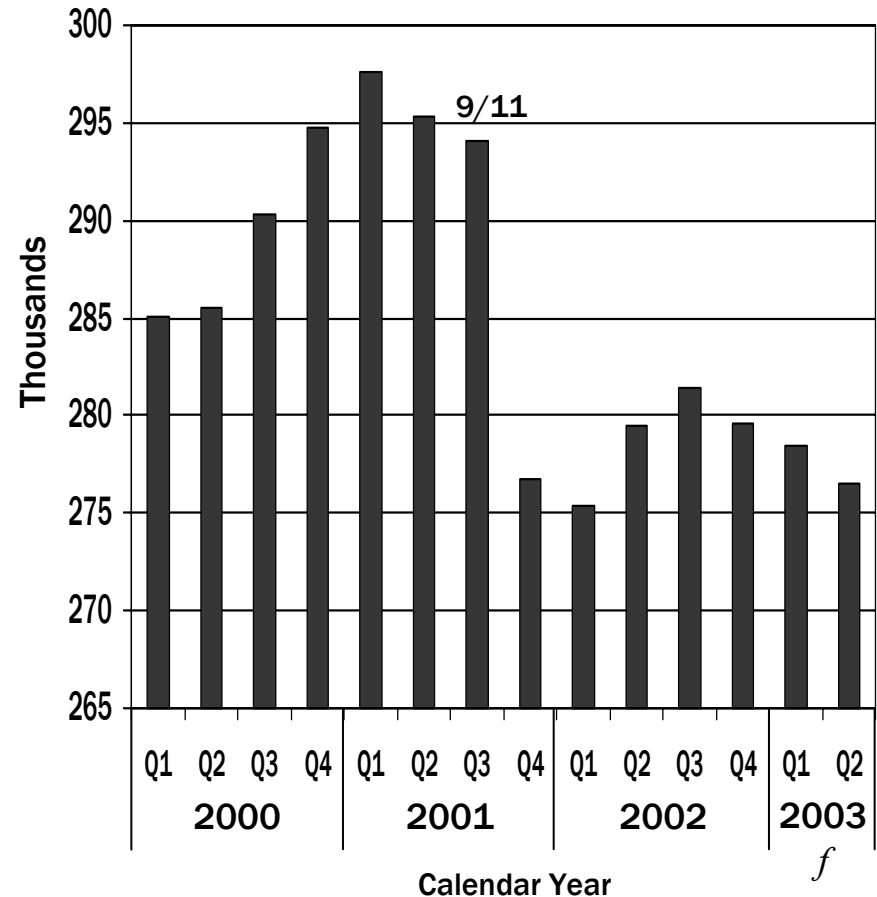
Hotel Occupancy Rate



f = OMB forecast

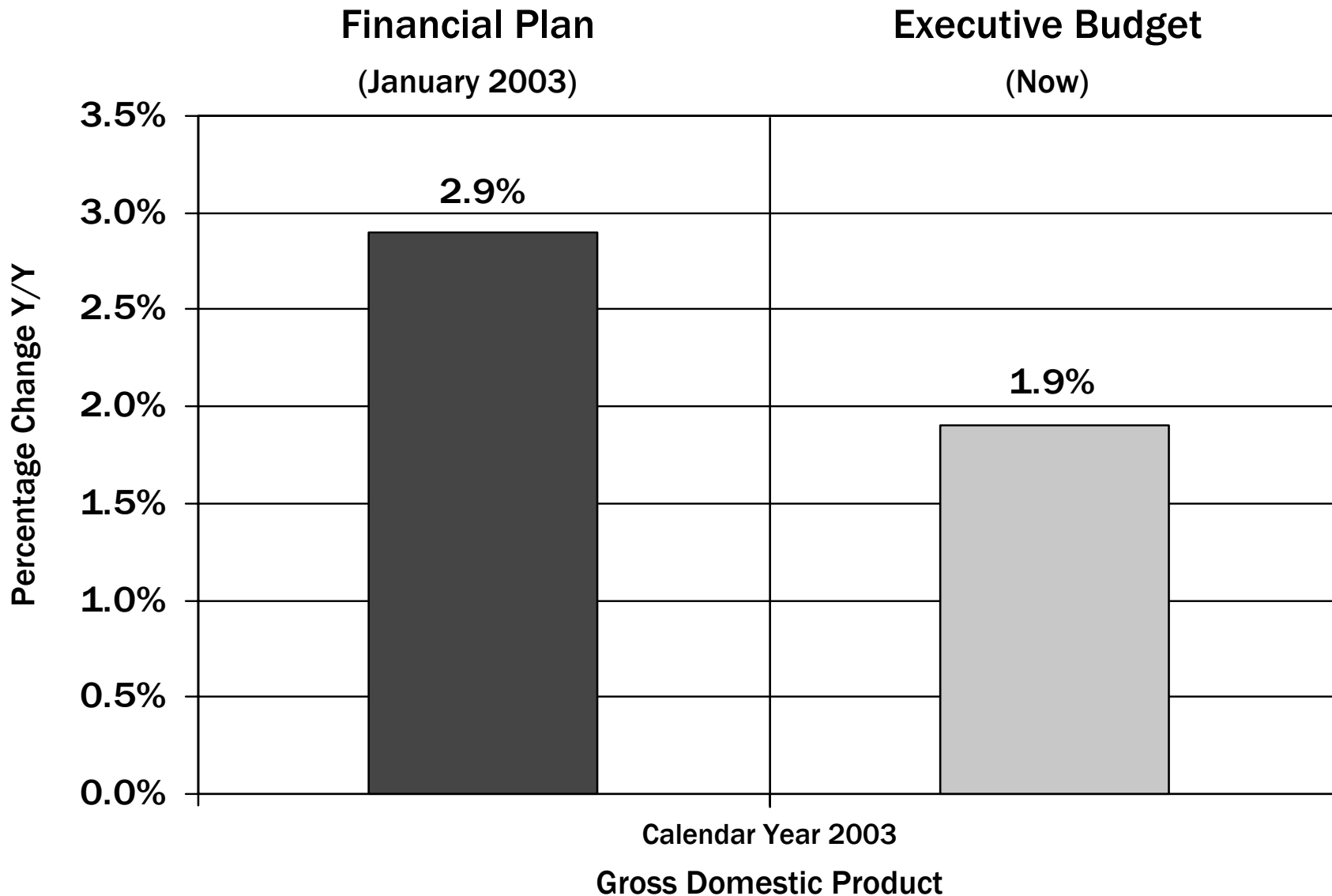
Note: Data are Seasonally Adjusted

Tourism-Related Employment*



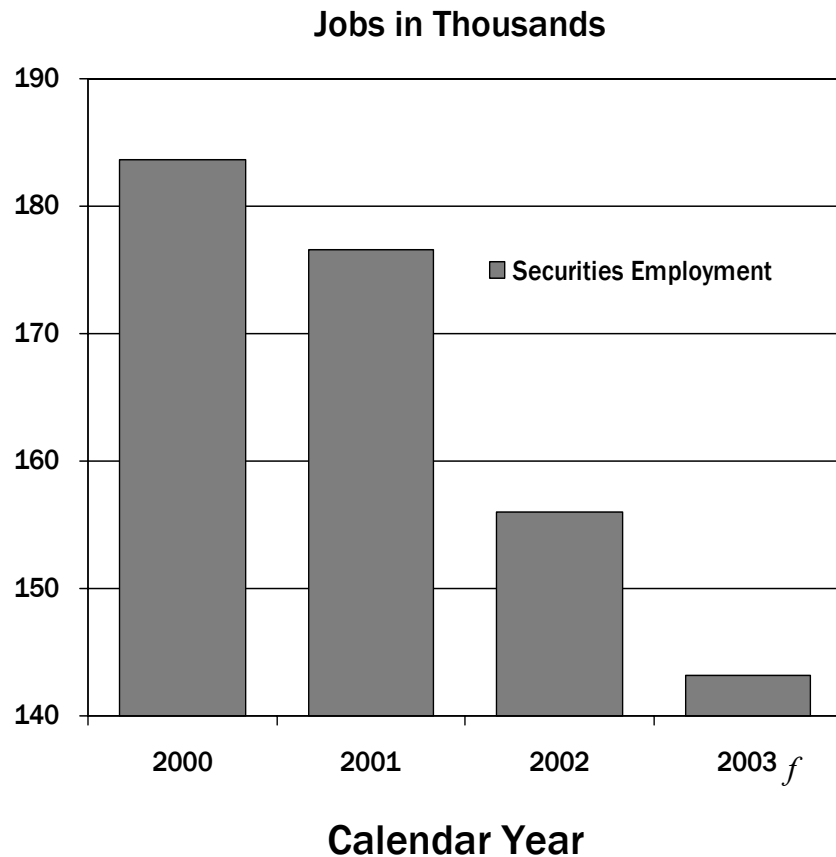
* Includes hotels, eating and drinking establishments, amusement and recreation services and air transportation.

The Continuing Weakness of Consumer and Business Spending Has Led to a Reduced Forecast of U.S. Economic Growth



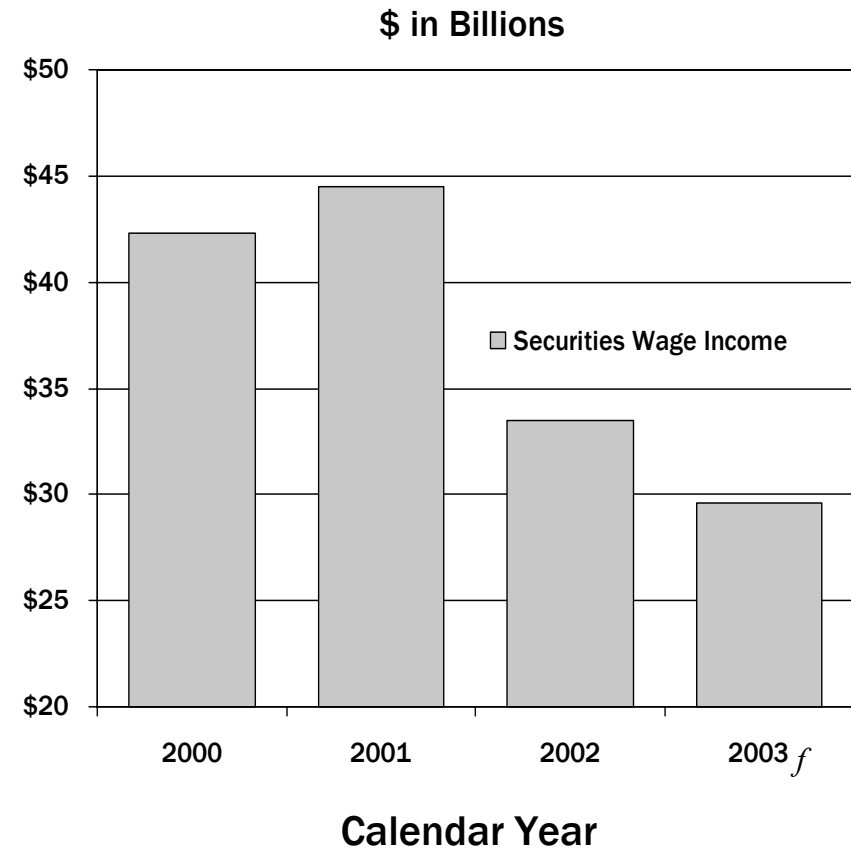
With Uncertainty Affecting the Markets and the Lingering Effects of the 1990s Bubble, Securities Firms are Expected to Continue to Lay Off Staff During 2003

By the end of 2003, Wall Street will have lost almost 40,000 jobs, or 22% since 2000.

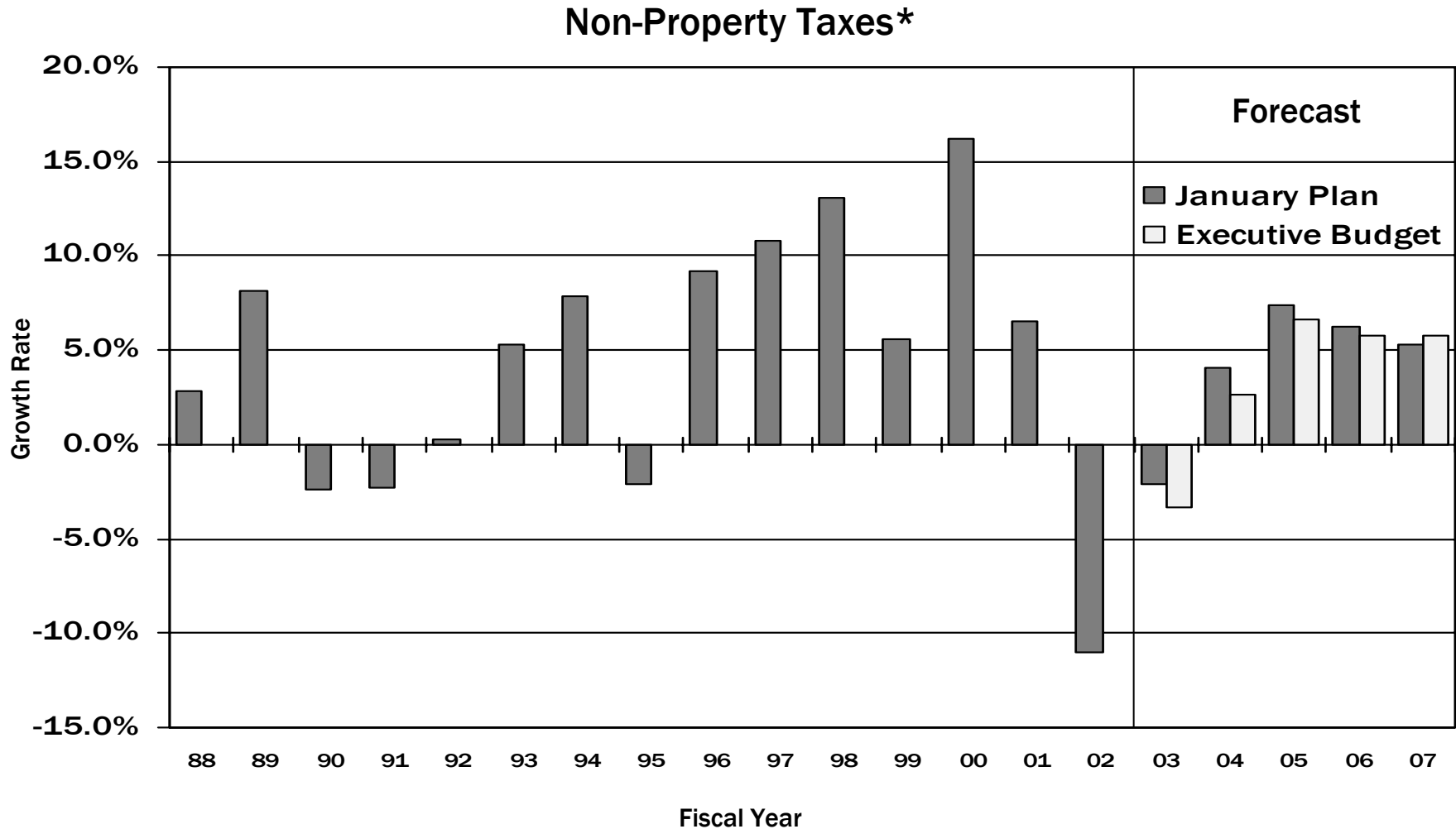


f = OMB forecast

Wage income from Wall Street has been cut over 30% since 2001.



Non-Property Taxes Fell 11% in 2002, and Are Expected to Fall Another 3% in 2003 Before Growth Resumes at 2.7% in 2004, Revised Downward From 4.1% in the January Plan



*Adjusted for tax law changes

Gap Update*

	\$ in Millions			
	2003	2004	2005	2006
Gap To Be Closed January 2003 Plan <i>(Increases the Gap)/ Decreases the Gap</i>	(\$486)	(\$3,391)	(\$4,301)	(\$4,515)
January Gap Closing Actions Achieved				
Agency Program	\$12	\$443	\$307	\$298
FEMA Reimbursement	420	---	---	---
Subtotal	\$432	\$443	\$307	\$298
January Gap After Achieved Actions	(\$54)	(\$2,948)	(\$3,994)	(\$4,217)
Revenue Changes Since January 2003 Plan				
Lowered Tax Forecast	(\$68)	(\$303)	(\$444)	(\$527)
Delay in Sale of Tax Benefits to 2004	(100)	100	---	---
Other Non-Tax Revenue	(25)	(7)	(4)	1
Total Revenue Changes	(\$193)	(\$210)	(\$448)	(\$526)
Expenditure Changes Since January 2003 Plan				
Pensions <i>(Final Valuation Offset by Investment Losses)</i>	\$145	\$14	(\$81)	(\$204)
Debt Service	60	(73)	28	4
Reduce 2003 General Reserve from \$300 Million to \$40 Million	260	---	---	---
Reestimate of Prior Year Expenditure Allowance	200	---	---	---
All Other Expenditure Changes <i>(see next page)</i>	(39)	(133)	(69)	(75)
Total Expenditure Changes	\$626	(\$192)	(\$122)	(\$275)
Cost of State Executive Budget				
Baseline Education Aid	\$- -	(\$478)	(\$478)	(\$478)
Funding for Extended School Day	---	(275)	(275)	(275)
Other State Budget Costs	---	(100)	(100)	(100)
Total Cost of the State Executive Budget	\$- -	(\$853)	(\$853)	(\$853)
Increase Prepayments From \$621 Million to \$1,024 Million	(\$403)	\$403	\$- -	\$- -
Total Changes To Gap	\$30	(\$852)	(\$1,423)	(\$1,654)
Executive Budget Gap To Be Closed	(\$24)	(\$3,800)	(\$5,417)	(\$5,871)

*Compares January 2003 Financial Plan to April 2003 Executive Budget Assumptions.

Details of All Other Expenditures Changes Since the January 2003 Plan (from prior page)

	\$ in Millions			
	2003	2004	2005	2006
Agency Expenditures <i>Expenditure Increase/(Decrease)</i>				
Board of Elections	\$3	\$18	\$8	\$8
Campaign Finance Board	---	15	---	---
CUNY	10	---	---	---
Fire	2	29	29	29
Corrections	7	---	---	---
Sanitation	12	1	---	---
Department of Transportation	7	8	8	7
Energy/Leases	13	18	(1)	(12)
Department of Environmental Protection	(25)	26	7	7
Other Expenditure Changes	10	18	18	36
Total All Other Agency Expenditure Changes	\$39	\$133	\$69	\$75

April 2003 Executive Budget Gap Closing Program

	\$ in Millions			
	2003	2004	2005	2006
Executive Budget Gap To Be Closed <i>(see bottom line from page 13)</i>	(\$24)	(\$3,800)	(\$5,417)	(\$5,871)
Additional Agency Program <i>(see page 17)</i>	24	620	585	585
Restructuring Social Services <i>(see page 21)</i>	---	75	75	75
Phased Payment of Airport Settlement	---	200	583	96
Federal Program <i>(see page 27)</i>	---	200	250	250
Remaining Gap To Be Closed By:	\$ ---	(\$2,705)	(\$3,924)	(\$4,865)

State Actions <i>(see pages 23-26)</i>				
Personal Income Tax Reform	\$ ---	\$1,400	\$1,483	\$1,575
Regional Transportation Initiatives	---	200	600	800
Restoration of Education Aid	---	478	478	478
Funding for Extended School Day	---	275	275	275
Restoration of Other State Executive Budget Cuts	---	100	100	100
Other State Gap Closing Initiatives	---	252	236	236
Total State Actions	\$ ---	\$2,705	\$3,172	\$3,464

Contingency Actions				
Cuts in Education Spending to Cover State Aid Losses	\$ ---	\$753	\$753	\$753
Labor Productivity Actions <i>(see pages 28-29)</i>	---	600	600	600
Implementation of Contingency Program <i>(see pages 31-35)</i>	---	1,000	1,000	1,000

***III. City Gap Closing
Actions Taken***

2004 Agency Program to Reduce the Gap Since January 2002 in the Executive Budget*

City Funds - \$ in Thousands

	January 2002 Plan for 2004	1/1/02 - 1/31/03	\$600 Million Program	Total Agency Program
Uniformed Forces				
Police Department	\$3,116,430	(\$353,205)	(\$60,000)	(\$413,205)
Fire Department	1,025,468	(104,435)	(26,964)	(131,399)
Department of Correction	926,136	(161,383)	(13,887)	(175,270)
Department of Sanitation	1,052,287	(113,437)	(35,671)	(149,108)
Health & Welfare				
Administration for Children's Services ¹	\$749,212	(\$187,783)	(\$31,213)	(\$218,996)
Department of Social Services ^{1, 2}	334,644	(92,205)	(27,878)	(120,083)
Department of Homeless Services ¹	176,657	(44,436)	(17,807)	(62,243)
Department of Health And Mental Hygiene	576,427	(93,499)	(25,958)	(119,457)
Other Mayoral				
Libraries	\$262,120	(\$43,829)	(\$7,783)	(\$51,612)
Department for the Aging	165,785	(49,703)	(8,211)	(57,914)
Department of Cultural Affairs	128,578	(27,644)	(9,709)	(37,353)
Housing Preservation & Development	68,438	(20,180)	(5,414)	(25,594)
Department of Environmental Protection	641,106	(6,728)	---	(6,728)
Department of Finance	190,874	(93,702)	(17,283)	(110,985)
Department of Transportation	298,012	(64,805)	(21,165)	(85,970)
Department of Parks and Recreation	170,538	(36,803)	(14,370)	(51,173)
Department of Citywide Services	154,788	(30,212)	(13,590)	(43,802)
All Other Mayoral	799,340	(206,053)	(77,057)	(283,110)
Elected Officials				
Office of the Mayor	\$38,966	(\$11,051)	(\$2,663)	(\$13,714)
City Council	36,631	(1,425)	---	(1,425)
Public Advocate	2,572	(863)	(164)	(1,027)
Office of the Comptroller	54,599	(5,685)	(6,551)	(12,236)
Borough Presidents	28,665	(9,721)	(1,861)	(11,582)
District Attorneys	231,763	(29,546)	(3,967)	(33,513)
Other				
Health & Hospitals Corporation ²	\$123,741	(\$17,972)	(\$10,082)	(\$28,054)
Department of Education ³	11,719,335	(684,314)	(178,777)	(863,091)
City University ³	444,421	(10,921)	(2,231)	(13,152)
Total	\$23,517,533	(\$2,501,540)	(\$620,256)	(\$3,121,796)
Debt Service	---	(77,354)	---	(77,354)
Grand Total	\$ -- -	(\$2,578,894)	(\$620,256)	(\$3,199,150)

*For details see Summary of Reduction Programs, Fiscal Year 2004 Executive Budget.

¹Excludes Public Assistance ²Excludes Medicaid ³Reflects Total Funds for January 2002 Plan for 2004

While Agency Expenditures Have Been Cut Since 1/1/02, Nondiscretionary Expenditures Are Rising

	\$ in Millions				
	Actual	Forecast			
	2002	2003	% Change	2004	% Change
Planned City Funded Agency Expenditures 1/1/2002		\$15,593		\$15,722	0.8%
New Needs (See Next Page)		1,116		1,087	(2.6%)
Subtotal	\$15,229	\$16,709	9.7%	\$16,809	0.6%
Expenditure Reductions included in 1/1/02 to 1/31/2003 Programs ¹		(1,734)	---	(2,109)	21.6%
Expenditure Reductions included in \$600 Million Program ²		(14)	---	(555)	---
Social Services Restructuring		---	---	(75)	---
Planned Agency Expenditures 2004 Executive Budget	\$15,229	\$14,961	(1.8%)	\$14,070	(6.0%)
Nondiscretionary Expenditures					
GO, MAC and Lease Debt Service ³	\$3,327	\$2,738	(17.7%)	\$3,722	35.9%
Pensions	1,116	1,188	6.5%	2,094	76.3%
Fringe Benefits	2,266	2,320	2.4%	2,417	4.2%
Medicaid	3,537	3,798	7.4%	4,090	7.7%
Collective Bargaining ⁴	1,400	1,851	---	2,268	---
General Reserve	---	40	---	300	---
Re-estimates of Prior year Expenditure Allowance	(413)	(200)	---	---	---
Other Nondiscretionary Costs	1,919	1,862	(3.0%)	1,958	5.2%
Total Nondiscretionary Expenditures	\$13,152	\$13,597	3.4%	\$16,849	23.9%
Total Expenditures	\$28,381	\$28,558	0.6%	\$30,919	8.3%
Expenditure Prepayments from Previous Fiscal Year	(2,263)	(433)	---	(248)	---
Total GAAP City Funded Expenditures	\$26,118	\$28,125	7.7%	\$30,671	9.1%

¹Citywide reductions for 1/1/02 through 1/31/03 of \$106 million and Agency revenue increases of \$364 million bring the total program to \$2,579 million in 2004.

²\$600 Million Program also includes \$10 million of Citywide reductions and Agency revenue increases of \$55 million, bringing the total program to \$620 million in 2004.

³Reflects \$276 million benefit of MAC reserve and \$450 million of interest cost savings from refinancing in 2003.

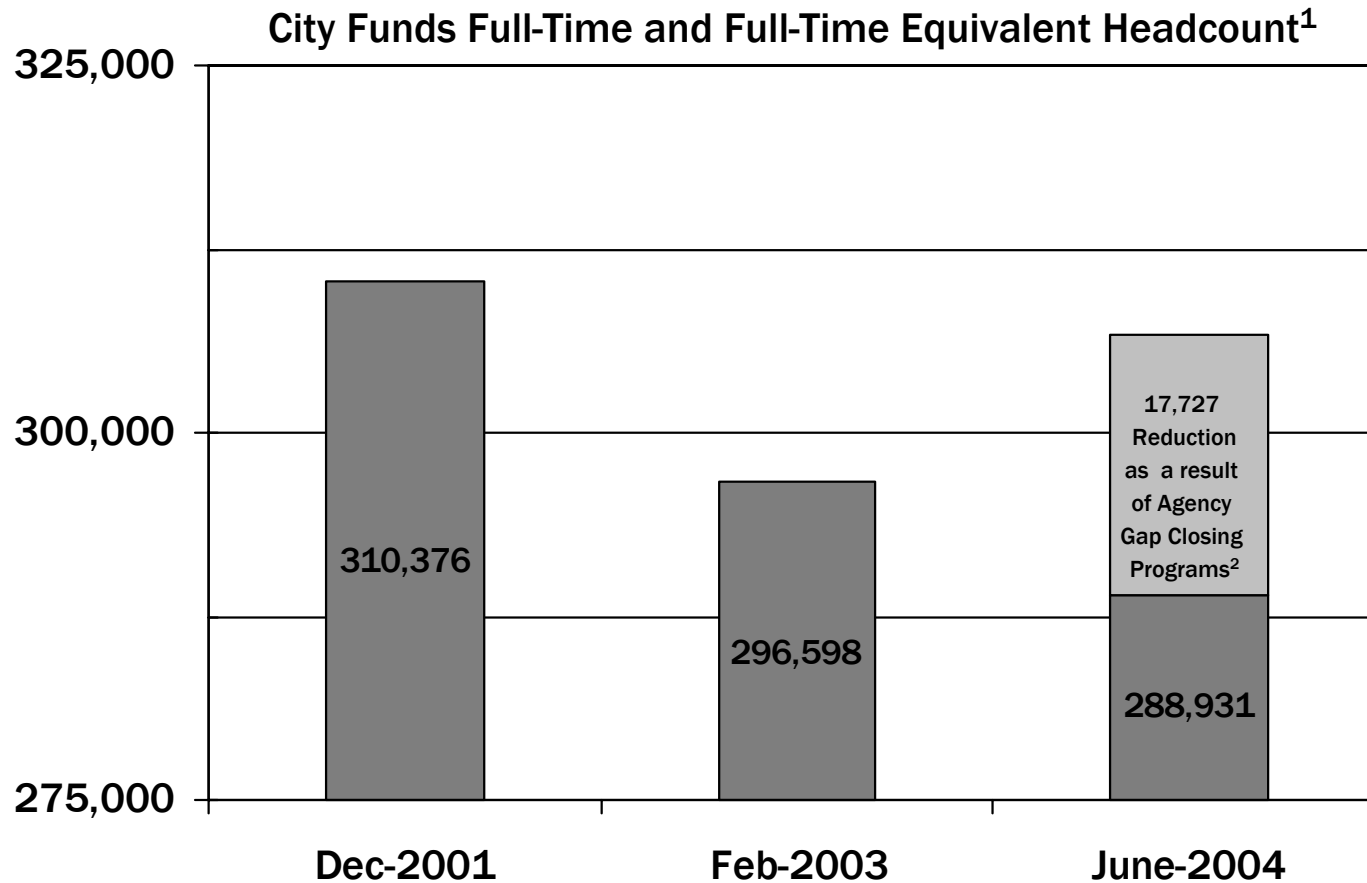
⁴The previously budgeted cost of the pattern settlement from the 2000-2002 round of bargaining and \$275 million for the cost of extending the school day.

Details of Agency New Needs

(from prior page)

Agency	\$ in Millions	
	2003	2004
Department of Education	\$508	\$470
Police Department	141	144
Fire Department	65	34
Department of Sanitation	18	3
Administration for Children's Services	63	55
Department of Social Services	10	53
Department of Homeless Services	60	90
Department of Environmental Protection	18	46
Department of Information Technology and Telecommunications	22	33
Department of Transportation	23	23
Board of Elections	12	26
Campaign Finance Board	---	15
CUNY	33	24
All Other	143	71
Total	\$1,116	\$1,087

Impact of Agency Gap Closing Program on Headcount



¹Includes Non-City employees substantially paid by City subsidies, including the Libraries, the Cultural Institution Group, School Construction Authority and the Health and Hospitals Corporation.

²Includes headcount impacts of Gap Closing Programs from 1/1/02 to 1/31/03 and the \$600 Million Program. For details see Summary of Reduction Programs, Fiscal Year 2004 Executive Budget.

Note: Additional Headcount reductions through 2004 of 3,718 include reductions of approximately 2,900 Parks workers funded by the HRA Parks Opportunity Program and reductions of over 2,100 positions in the Libraries, the Cultural Institution Group, School Construction Authority and the Health and Hospitals Corporation, offset by agency revenue producing or critical hires.

Restructuring and Streamlining Social Services

	\$ in Millions
❖ Consolidate activities for young people at the Department of Youth and Community Development by merging functions from the Department of Employment, including drop out prevention, career training and summer jobs.	(\$11)
❖ Centralize employment, vocational and substance abuse programs in the Department of Social Services by merging programs from the Department of Employment and Department of Health and Mental Health.	(\$14)
❖ Integrate after school programs for children through a dedicated office in the Department of Youth and Community Development by transferring programs from the Department of Education and the Administration for Children's Services.	(\$15)
❖ Develop job opportunities for public assistance participants by consolidating City agency contracts for entry level office workers, cleaning and custodial services and coordinating the referral process through the Department of Social Services.	(\$15)
❖ Consolidate eligibility screening in the Department of Social Services for Home Care, Day Care and Home Energy Assistance programs; transfer similar functions from the Department for the Aging and the Administration for Children's Services.	(\$9)
❖ Gain economies of scale by instituting bulk purchasing of food across multiple agencies including the Department for the Aging, Homeless and Department of Education.	(\$10)
❖ Consolidate HIV/AIDS grants management with the Department of Health and Mental Hygiene for better service coordination.	(\$1)

IV. Detail of Gap Closing Program

State Gap Closing Program

- ❖ The 2004 Gap Closing Program requires action to offset a \$478 million cut to education aid plus \$275 million to fund ongoing costs for extending the school day. In addition, action is sought to offset proposed cuts of \$100 million.
- ❖ The 2004 Gap Closing Program also calls for \$252 million of initiatives, requiring State action which will help close the budget gap.
- ❖ \$815 million of the proposed gap closing initiatives have no cost to the State government.

Menu of State Gap Closing Initiatives

	\$ in Millions			
	2004	2005	2006	2007
No Cost Proposals				
Medicaid Cost Containment*	\$250	\$214	\$221	\$221
Establish an Early Intervention Pool (2.4% Assessment)*	150	150	150	150
Tort Reform	100	103	106	109
Debt Finance Reform/Refinance Community College Debt	80	30	30	30
Increase the Authorization for Taxi Medallions	65	65	65	---
Property Tax Surcharge on Class 1 Absentee Landlords	44	45	47	48
Department of Finance Enforcement Initiative	39	23	23	23
Bond Act Funds for Municipal Recycling	30	---	---	---
Flexible Use of Child Care Funding	25	25	25	25
Nighttime Thoroughbred Racing at OTB	15	15	15	15
Increase Assessment on Fire Insurance Premiums From 2% to 4%	13	13	13	13
Increase the Authorization for Red Light Cameras	4	24	35	35
Subtotal: No Cost Proposals	\$815	\$707	\$730	\$669
General Proposals				
Cap Medicaid at 2001 Level	\$394	\$404	\$414	\$424
Relief from Social Services Administration and Reimbursement Caps	125	125	125	125
Restoration of the Stock Transfer Incentive Fund Payment	114	114	114	114
Equity in Correctional Reimbursement	41	74	107	141
Subtotal: General Proposals	\$674	\$717	\$760	\$804

*Provides savings for both the City and State

Financial Impact of Recent State Actions

	\$ in Millions				
	2003	2004	2005	2006	2007
SFY 99-00					
Repeal of Commuter Tax	(\$457)	(\$465)	(\$501)	(\$534)	(\$569)
Elimination of Funding for Housing State Prisoners	(8)	(8)	(8)	(8)	(8)
Repeal of Medicaid Managed Care Takeover	(24)	(24)	(24)	(24)	(24)
SFY 00-01					
Permanent Pension COLA Increases ¹	(\$363)	(\$480)	(\$586)	(\$604)	(\$622)
Rent Regulation Administration ²	(25)	(25)	(25)	(25)	(25)
State Imposed Tax Reductions ³	(53)	(68)	(88)	(101)	(114)
Implementation of PINS Mandate	(7)	(10)	(10)	(10)	(10)
SFY 01-02					
Elimination of the Stock Transfer Incentive Fund Payment	(\$114)	(\$114)	(\$114)	(\$114)	(\$114)
Elimination of CHIPS O&M	(13)	(13)	(13)	(13)	(13)
Elimination of Local Law Enforcement Funds	(5)	(5)	(5)	(5)	(5)
SFY 02-03					
Personal Income Tax Administration	(\$23)	(\$23)	(\$23)	(\$23)	(\$23)
Health Care Reform Act Amendments (HCRA)	(52)	(76)	(91)	(91)	(91)
SFY 03-04 - Proposed State Executive Budget					
Cuts in Education Aid	---	(\$478)	(\$478)	(\$478)	(\$478)
No Funding for Extended School Day	---	(275)	(275)	(275)	(275)
Other State Executive Budget Cuts	---	(100)	(100)	(100)	(100)
TOTAL	(\$1,144)	(\$2,164)	(\$2,341)	(\$2,405)	(\$2,471)

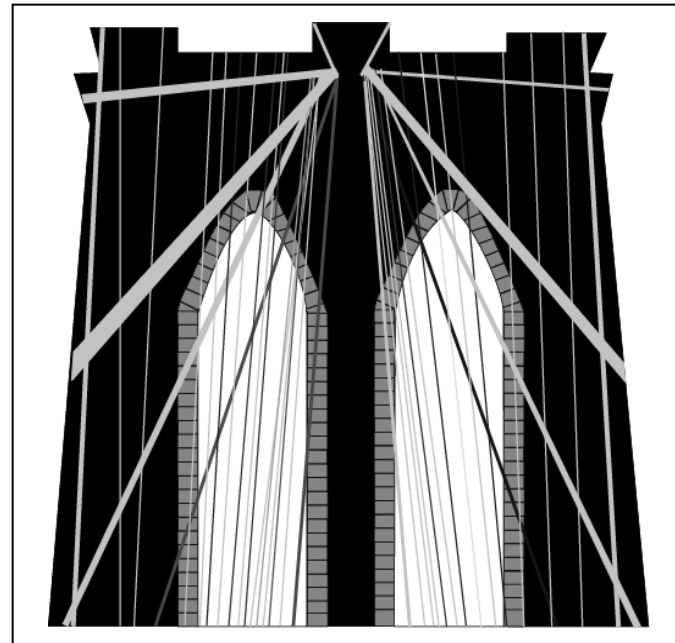
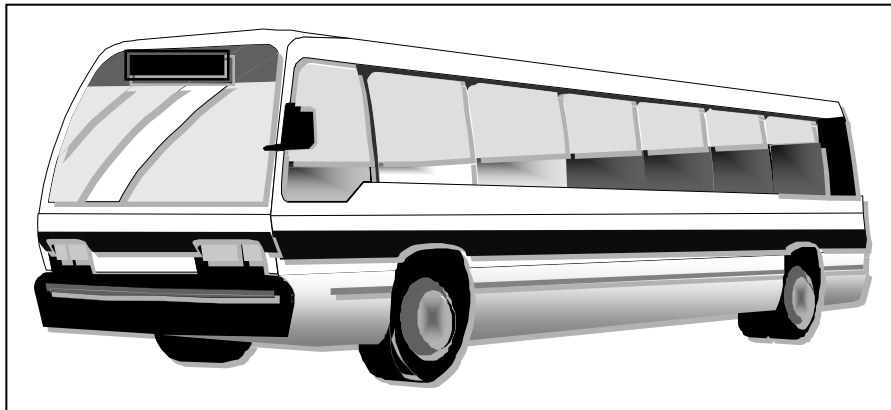
¹This cost reflects the actuarial fiscal note as submitted upon original enactment.

²Includes transfer of administrative costs to NYC and increases in program costs from SFY 00-01 through SFY 02-03.

³Includes the cost of phase out of sales tax on utility transmission and distribution, the college tuition deduction, marriage penalty reform and web hosting exemption.

Regional Transportation Initiatives

- ❖ Transfer responsibility for the NYC private bus system to the MTA
- ❖ Provide vital revenue support to maintain and improve the mass transit and vehicular traffic infrastructure



Menu of Federal Gap Closing Initiatives

The 2004 Federal Program calls for \$200 million of gap closing initiatives.

	\$ in Millions			
	2004	2005	2006	2007
State and Local Government Assistance	\$600	\$ ---	\$ ---	\$ ---
Increase in Federal Share of Medicaid Funding by 3%	241	250	259	268
First Responder Funding for Uniform Operating Funds	200	200	200	200
Provide Medicare Drug Benefit	145	145	145	145
Reimbursement of Costs for Protecting Foreign Dignitaries and the UN	80	50	54	58
Maintain and Increase State Criminal Alien Assistance Program Funding	60	60	60	60
Federal Welfare Spending Mandate Relief	40	10	10	10
Restore Federal Medicaid Funding for Legal Immigrants	27	26	26	26
Flexible Use of Community Development Block Grant*	20	20	---	---
FEDERAL INITIATIVES TOTAL	\$1,413	\$761	\$754	\$767

*Already accomplished for 2004

Labor Productivity Actions

- ❖ **We are seeking \$600 million in labor productivity actions, not cost deferrals.**
 - **In the 1970s, lack of credit market access gave the City an acute cash solvency problem. Now our problem is the balance of spending and revenues on an on-going basis and we need actual labor cost reductions through productivity.**
- ❖ **Savings can be achieved by any combination of more efficient deployment of the workforce or reductions in pension or benefit costs associated with City employment.**
- ❖ **Productivity is a smarter alternative to the massive layoffs the City has been obliged to resort to in addressing deficits in the past.**

Fringe Benefit Cost Containment and Labor Productivity Options

Reform Health Insurance Program – Make Employees Partners in Controlling Cost

- ❖ Institute Payroll Deductions for Basic Health Insurance and Raise Co-Pays
- ❖ Cap Growth of City Health Insurance Cost at Medical CPI
- ❖ Achieve Benefit Provision Efficiencies in Union Administered “Welfare Funds”

Bring the Number of Hours and Days Worked by City Employees More in Line With the Private Sector

- ❖ Lengthen Civilian Workday to 40 Hours for All Titles
- ❖ Reduce the Number of Vacation Days and Holidays Given to City Employees
- ❖ Reform the Rules Governing Overtime, Union Business Time, and Termination Pay

Eliminate Outdated Rules/Payments Which Are Unnecessary or Inhibit Productivity

- ❖ Eliminate Automatic Promotions Based on the Time Spent in a Job
- ❖ Enhance Flexibility in Work Assignments
- ❖ Reform Work Rules to Reduce Unnecessary Payments or Inefficient Uses of Resources

Reform Pension Administration and Create a Modern Pension System for Future Employees

V. Contingency Program

Contingency Program

- ❖ The Executive Budget Gap Closing Program calls for actions by the State that will restore funding for education (\$478 million in baseline education aid and \$275 million for extending the school day), offset other costs of the State Budget (\$100 million), provide gap closing assistance of \$252 million, rationalize the provision of regional mass transportation (reducing expenses by \$200 million) and grant the City the authority to reform the personal income tax, raising \$1.4 billion.
- ❖ However, since these actions are not within the City's control we have developed a \$1 billion Contingency Program for balancing the budget if we do not achieve all we seek.
- ❖ The Program includes reductions in virtually every service, in part through additional layoffs of 10,000.

Contingency Program*

	\$ in Millions	Reductions in FT/FTEs
Uniformed Forces		
Police Department	(\$155,291)	(3,091)
Fire Department	(47,089)	---
Department of Correction	(39,401)	(934)
Department of Sanitation	(46,231)	(1,142)
Subtotal	(\$288,012)	(5,167)
Health & Welfare		
Administration for Children's Services	(\$107,000)	---
Department of Social Services	(53,499)	(926)
Department of Homeless Services	(21,029)	(123)
Department of Health and Mental Hygiene	(48,991)	(784)
Subtotal	(\$230,519)	(1,833)
Other Mayoral		
Libraries	(\$11,118)	**
Department for the Aging	(13,100)	---
Department of Cultural Affairs	(18,395)	**
Housing Preservation and Development	(66,500)	---
Department of Finance	---	---
Department of Transportation	(64,548)	(147)
Department of Parks and Recreation	(27,811)	(957)
Department of Citywide Services	---	---
All Other Mayoral	(117,124)	(289)
Subtotal	(\$318,596)	(1,393)
Major Organizations		
Department of Education	(\$120,047)	(815)
City University	---	---
Health and Hospitals Corporation	(19,103)	---
Subtotal	(\$139,150)	(815)
Elected Officials		
Office of the Mayor	(\$5,046)	(76)
All Other Elected	(49,668)	(947)
Subtotal	(\$54,714)	(1,023)
TOTAL	(\$1,030,991)	(10,231)

*For details see Summary of Reduction Programs, Fiscal Year 2004 Executive Budget

**Contingency Program may result in 765 layoffs of Non-City Employees substantially paid by the City at Libraries and cultural institutions with City-owned facilities.

Examples of Contingency Program

Education

Eliminate all after school educational programs (\$69.9 million) and summer school for all remaining students who are designated as needing improvement (\$25.6 million).

Small Business Services

Eliminate City contract with the Upper Manhattan and South Bronx Empowerment Zones (\$7 million).

Children's Services

Cut 11,020 child care slots (\$73 million) and reduce funding for after school care, included in the social services streamlining initiative, by 60% (\$29 million).

Aging

Close 15 senior centers (\$2 million). Reduce homecare services to 5,000 non-Medicaid-eligible seniors (\$10 million).

Fire

Additional reductions in firefighting and emergency medical personnel and overtime to be determined (\$47.1 million).

Examples of Contingency Program

Police

Cancel July 2003 class, resulting in reduction of peak headcount from 37,210 to 35,850 or 1993 levels (\$56.2 million). Eliminate 1,731 administrative, clerical and trades positions (\$59.2 million).

Transportation

Eliminate subsidy to the MTA for providing transportation for the elderly and disabled (\$13.8 million). Reduce local and express weekday service by 10% (\$12 million) and arterials street and sidewalk maintenance and cleaning by 23% (\$4.6 million).

Culturals

An additional 18.6% reduction in the subsidy to cultural institutions (\$18.4 million).

Sanitation

Eliminate 1,057 positions impacting refuse collection, recycling, snow removal and cleaning functions (\$44.6 million).

Libraries

A reduction in the City subsidy of 5% (\$11.1 million) resulting in reduction of average branch days of service per week to 4.

Examples of Contingency Program

Parks

Close all 21 City-funded recreation centers (\$4.9 million) and all 31 outdoor pools (\$4 million) collectively serving 3.2 million visits annually. Eliminate 538 full-time positions (\$18.8 million), representing 20% of the agency's total remaining full-time headcount.

Social Services

Eliminate City funds for HIV/AIDS case management (\$18.8 million), and eliminate the Emergency Food Assistance Program (\$7.7 million). Reduce the number of job centers (\$12 million) and eliminate 7 legal service contracts providing eviction prevention services (\$2.7 million).

Health and Mental Hygiene

Reduce nursing services in schools from full-day to half-day (\$17.8 million) reduce City subsidies for mental health, mental retardation, and chemical dependency programs (\$12.7 million). Eliminate the Maternity Services Program (\$2.1 million).

Homeless

Eliminate funding for 21 street outreach teams and 7 drop-in shelters (\$10 million) and eliminate funding for family aftercare services (\$2.1 million).

VI. Tables

Financial Plan Revenue and Expenditures

(\$ in Millions)

	2003	2004	2005	2006	2007
REVENUES					
Taxes					
General Property Tax	\$9,966	\$11,176	\$11,579	\$12,002	\$12,446
Other Taxes <i>(Includes PIT reform of \$1.4 billion beginning in 2004)</i>	12,532	13,814	14,619	15,542	16,523
Tax Audit Revenue	502	525	505	505	505
Miscellaneous Revenues	4,130	4,316	4,558	4,052	4,077
Transitional Finance Authority – 9/11	1,500	---	---	---	---
Unrestricted Intergovernmental Aid <i>(includes \$650 million of FEMA reimbursement in 2003)</i>	1,404	555	555	555	555
Anticipated Federal & State Actions*	---	600	1,050	1,250	1,250
Less: Intra-City Revenue	(1,119)	(1,075)	(1,072)	(1,070)	(1,070)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Discretionary Transfers**	(775)	775	---	---	---
Subtotal: City Funds	\$28,125	\$30,671	\$31,779	\$32,821	\$34,271
Other Categorical Grants	\$1,095	\$816	\$739	\$759	\$774
Inter-Fund Revenues	324	317	310	310	310
Total City Funds and Inter-Fund Revenues	\$29,544	\$31,804	\$32,828	\$33,890	\$35,355
Federal Categorical Grants	\$5,582	\$4,464	\$4,363	\$4,347	\$4,357
State Categorical Grants	8,509	8,255	8,346	8,409	8,481
Total Revenues	\$43,635	\$44,523	\$45,537	\$46,646	\$48,193
EXPENDITURES					
Personal Service					
Salaries and Wages	\$16,989	\$16,095	\$16,099	\$16,102	\$16,106
Pensions	1,759	2,719	3,443	4,398	4,986
Fringe Benefits	4,620	4,797	5,057	5,354	5,651
Subtotal: Personal Service	\$23,368	\$23,611	\$24,599	\$25,854	\$26,743
Other Than Personal Service					
Medical Assistance	\$4,006	\$4,238	\$4,387	\$4,531	\$4,535
Public Assistance	2,329	2,092	2,099	2,101	2,103
All Other	12,665	11,815	11,972	12,184	12,393
Subtotal: Other Than Personal Service	\$19,000	\$18,145	\$18,458	\$18,816	\$19,031
Debt Service					
MAC Debt Service <i>(Reflects \$276 million benefit of MAC reserve in 2003)</i>	\$1,884	\$3,259	\$3,514	\$3,655	\$3,868
General Reserve	214	531	490	492	494
Discretionary Transfers**	40	300	300	300	300
Discretionary Transfers**	248	(248)	---	---	---
Subtotal	\$44,754	\$45,598	\$47,361	\$49,117	\$50,436
Less: Intra-City Expenses	(\$1,119)	(\$1,075)	(\$1,072)	(\$1,070)	(\$1,070)
Total Expenditures	\$43,635	\$44,523	\$46,289	\$48,047	\$49,366
Gap To Be Closed	\$ ---	\$ ---	(\$752)	(\$1,401)	(\$1,173)

*\$52 million of State actions for 2004 are included in Other Taxes and Miscellaneous Revenue.

**Discretionary transfers in 2003 total \$1,023 million.