

**The City of New York  
Executive Budget  
Fiscal Year 2005**

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Office of Management and Budget

Mark Page, Director

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**Budget  
Summary**

# Budget Summary

# Executive Budget Fiscal Year 2005

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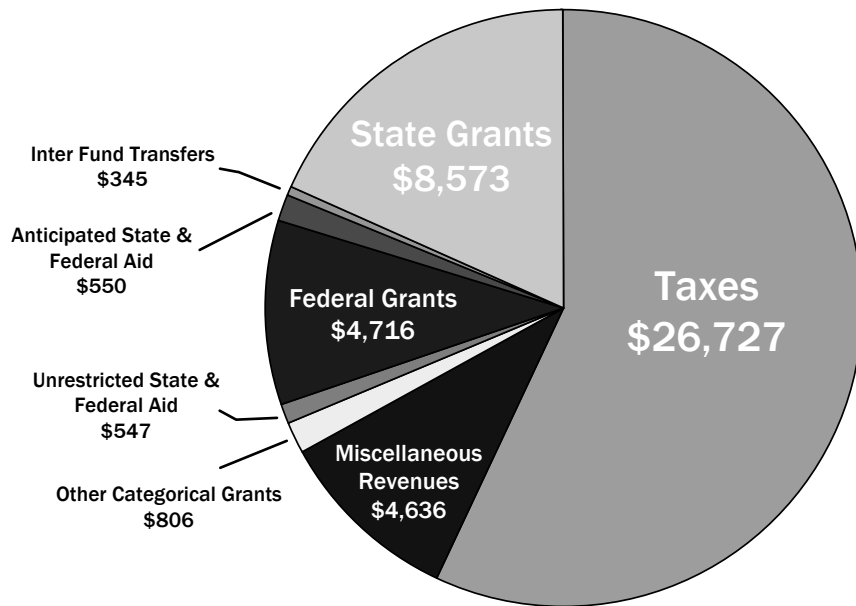
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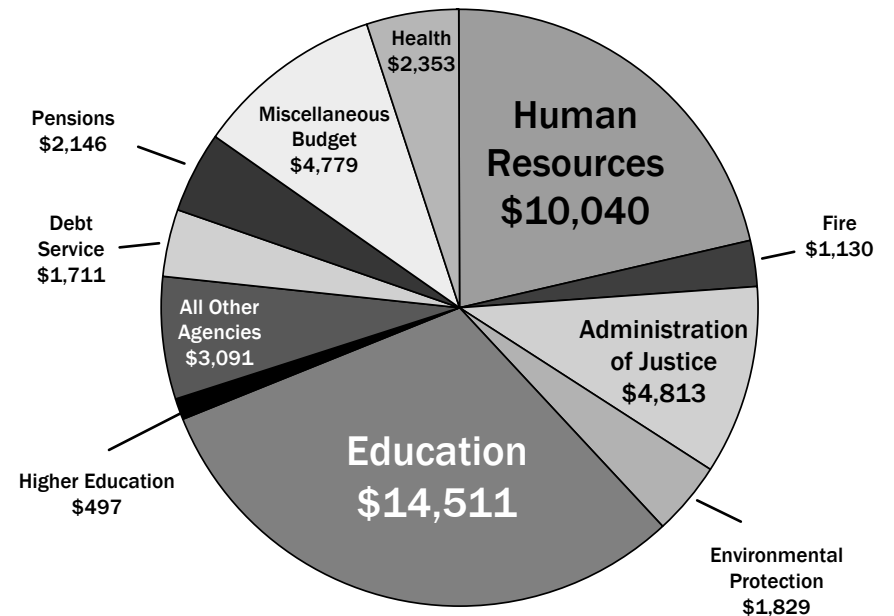
# 2005 Executive Budget - \$46,900

(\$ in Millions)

Where the Dollars Come From



Where the Dollars Go To



# **I. Overview**

# Overview

## Fiscal Year 2004 Changes Since the January Plan

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The City's economy continues to strengthen. Since the Preliminary Budget was released in January:

- ❖ The revenue forecast for the current Fiscal Year 2004 has been increased by \$791 million based primarily upon strong collections in the Personal Income and Real Property transaction related taxes.
- ❖ The expense forecast for the current Fiscal Year 2004 has been increased by \$800 million.
  - The City has agreed with DC37, representing about one-third of the City's workforce, on a three-year contract providing for:
    - A \$1,000 per employee cash payment upon ratification,
    - A 3% rate increase retroactive to July 1, 2003, and
    - An up to 3% increase effective July 1, 2004, to be paid from productivity and other operational savings without additional cost to the City budget.
  - Applying the DC37 contract terms to the entire City workforce requires an additional expenditure of \$533 million in 2004.
  - Agency expenses have otherwise increased by \$67 million, 0.4% of total Agency expenses.
  - Medicaid costs for 2004 have increased by \$200 million primarily due to higher than planned enrollment in the Family Health Plus program.
- ❖ The total of \$800 million in increased expenses since January is offset by:
  - \$200 million previously budgeted in the Labor Reserve
  - \$227 million in savings from re-estimates of expenses for Debt Service, Pensions and the General Reserve.
- ❖ Since a final decision in the continued appeal by New York State of the takeover of MAC debt service costs has not been issued, the benefit planned for 2004 (\$502 million) will now be recognized in 2005. This results in additional costs in 2004 of \$502 million and an increase in revenue of the same amount in 2005.
- ❖ The net effect of all of the above is that the payment of additional costs in 2004 to reduce expenses in 2005 declines by \$84 million from the January forecast of \$1.390 billion to \$1.306 billion.

# Overview

## Fiscal Year 2005 Changes Since the January Plan

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- ❖ Since January the revenue forecast for 2005 has increased by \$658 million due primarily to the improving economy. The forecast for Wall Street profits for Calendar Year 2004 has been increased to \$16.4 billion from our prior estimate of \$12.3 billion.
- ❖ Since January, expense increases in 2005 total \$1.771 billion and include:
  - City-wide funding at the cost of the DC37 collective bargaining agreement (\$652 million).
  - Reduced expectation of Federal Aid (\$150 million) from \$300 million to \$150 million.
  - Subsidy to the MTA for formerly franchised bus service (\$159 million).
  - Continued growth in Medicaid (\$225 million).
  - Increased subsidy to the Health and Hospitals Corporation (\$200 million).
  - Agency expenses net of pension and debt service re-forecasts (\$185 million).
  - Additional funding to bring the General Reserve to \$300 million (\$200 million) to match the prudent pattern of recent years.
- ❖ The 2005 Executive Budget reflects the improved economic outlook. The Executive Budget maintains funding for the Property Tax Rebate of \$250 million annually and the planned Pay-As-You-Go Capital for Education of \$200 million annually.
- ❖ The 2005 Executive Budget also maintains the agency expense reduction and revenue increase plan (\$324 million) included in the January Plan as well as our request for State assistance totaling \$400 million.
- ❖ The delayed implementation of the State takeover of MAC debt from 2004 to 2005 yields \$502 million in additional revenue in 2005.
- ❖ The payment of additional costs in 2004 to reduce expenses in 2005 declines by \$84 million.
- ❖ The net effect of all of the above is that the payment of additional costs in 2005 to reduce expenses in 2006, which in January was \$695 million, is now \$0.

## **II. Financial Plan Update**



# Financial Plan Update:

## Changes From January 2004 Plan

(\$ in Millions)

(Increases Gap)/Decreases Gap	2004	2005	2006	2007	2008
<b>Surplus/(Gap) January 2004 Plan</b>	<b>\$1,390</b>	<b>(\$695)</b>	<b>(\$2,713)</b>	<b>(\$2,875)</b>	<b>(\$2,240)</b>
<b>Revenue Forecast Changes</b>					
Tax Revenue Forecast	630	498	369	316	343
Non-Tax Revenue Forecast	161	160	(5)	(18)	(27)
<b>Total Revenue Forecast Changes</b>	<b>\$791</b>	<b>\$658</b>	<b>\$364</b>	<b>\$298</b>	<b>\$316</b>
<b>Expense Changes</b>					
Collective Bargaining Settlement (DC 37 Settlement Applied Citywide)	(533)	(652)	(580)	(574)	(574)
Labor Reserve	200	---	---	---	---
Federal Actions	---	(150)	(150)	(150)	(150)
Bus Subsidy to MTA	---	(159)	(157)	(161)	(161)
Medicaid	(200)	(225)	(250)	(250)	(250)
Health and Hospitals Corporation	---	(200)	(150)	(150)	(150)
Other Agency Spending Changes (see next page)	(67)	(302)	(259)	(247)	(237)
Revised Actuarial Estimate of Pension Costs	120	43	33	(3)	25
Debt Service	47	74	100	(55)	(133)
General Reserve	60	(200)	---	---	---
<b>Total Expense Changes</b>	<b>(\$373)</b>	<b>(\$1,771)</b>	<b>(\$1,413)</b>	<b>(\$1,590)</b>	<b>(\$1,630)</b>
<b>State Takeover of MAC Debt</b>	<b>(\$502)</b>	<b>\$502</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>Total Change to Gap Since January 2004 Plan</b>	<b>(\$84)</b>	<b>(\$611)</b>	<b>(\$1,049)</b>	<b>(\$1,292)</b>	<b>(\$1,314)</b>
<b>Surplus/(Gap) Prior to Budget Stabilization Account</b>	<b>\$1,306</b>	<b>(\$1,306)</b>	<b>(\$3,762)</b>	<b>(\$4,167)</b>	<b>(\$3,554)</b>
FY 2004 Prepayments to Reduce 2005 Gap	(1,306)	1,306	---	---	---
<b>Surplus/(Gap) April 2004</b>	<b>---</b>	<b>---</b>	<b>(\$3,762)</b>	<b>(\$4,167)</b>	<b>(\$3,554)</b>

Uncertainties Within the Budget	2004	2005	2006	2007	2008
State Takeover of Outstanding MAC Debt	---	(\$1,000)	(\$500)	(\$500)	(\$500)
Lead Bill Compliance (Including Capital)	---	104	71	70	70
<b>Total</b>	<b>\$ ---</b>	<b>(\$896)</b>	<b>(\$429)</b>	<b>(\$430)</b>	<b>(\$430)</b>

# Other Agency Spending Changes<sup>(1)</sup>

Increase/(Decrease)	\$ in Millions				
	2004	2005	2006	2007	2008
Education	\$23	\$51	\$54	\$56	\$58
Police	31	4	2	2	2
Fire	---	6	6	6	6
Sanitation	17	29	28	27	27
Social Services	---	28	31	31	31
Homeless	---	18	5	5	5
Aging	---	10	---	---	---
Housing Preservation and Development	---	52	40	40	40
Environmental Protection	---	26	17	15	15
Finance	13	6	3	3	3
Transportation	1	11	10	11	11
Parks	---	14	14	14	8
Buildings	---	5	1	1	---
Information Technology and Telecommunications	(3)	24	54	53	53
District Attorneys	16	---	---	---	---
Elections	---	5	5	---	---
All Other Agencies	(31)	13	(11)	(17)	(22)
<b>Total</b>	<b>\$67</b>	<b>\$302</b>	<b>\$259</b>	<b>\$247</b>	<b>\$237</b>

<sup>(1)</sup>Does not include funds budgeted for collective bargaining.

# Full Agency Costs for 2005

(\$ in Millions)

AGENCY	Personal Service Costs				Other Than Personal Service Costs				All Funds Total	City Funds Total
	Salaries & Wages	Fringe Benefits	Pensions	PS Subtotal	Agency OTPS	Judgments & Claims	Debt Service	OTPS Subtotal		
<b>UNIFORM AGENCIES</b>										
Police Department	\$3,064	\$1,097	\$1,118	\$5,279	\$206	\$100	\$72	\$378	\$5,657	\$5,491
Fire Department	1,015	377	521	1,913	101	21	56	178	2,091	1,960
Department of Correction	699	233	104	1,036	107	25	156	288	1,324	1,282
Department of Sanitation	614	242	70	926	434	25	154	613	1,539	1,501
<b>Subtotal</b>	<b>\$5,392</b>	<b>\$1,949</b>	<b>\$1,813</b>	<b>\$9,154</b>	<b>\$848</b>	<b>\$171</b>	<b>\$438</b>	<b>\$1,457</b>	<b>\$10,611</b>	<b>\$10,234</b>
<b>HEALTH AND WELFARE</b>										
Administration for Children's Services	\$328	\$120	\$23	\$471	\$1,799	\$3	---	\$1,802	\$2,273	\$659
Department of Social Services	611	256	58	925	6,248	9	77	6,334	7,259	5,360 <sup>(1)</sup>
Department of Homeless Services	105	38	7	150	568	---	---	568	718	337
Department of Health and Mental Hygiene	292	84	21	397	1,069	3	17	1,089	1,486	698
Health and Hospitals Corporation <sup>(2)</sup>	---	---	---	---	992	195	196	1,383	1,383	1,189 <sup>(1)</sup>
<b>Subtotal</b>	<b>\$1,336</b>	<b>\$498</b>	<b>\$109</b>	<b>\$1,943</b>	<b>\$10,676</b>	<b>\$210</b>	<b>\$290</b>	<b>\$11,176</b>	<b>\$13,119</b>	<b>\$8,243</b>
<b>EDUCATION</b>										
Department of Education	\$7,467	\$2,008	\$1,263	\$10,738	\$3,408	\$32	\$656	\$4,096	\$14,834	\$7,201
City University	289	46	24	359	162	1	43	206	565	396
<b>Subtotal</b>	<b>\$7,756</b>	<b>\$2,054</b>	<b>\$1,287</b>	<b>\$11,097</b>	<b>\$3,570</b>	<b>\$33</b>	<b>\$699</b>	<b>\$4,302</b>	<b>\$15,399</b>	<b>\$7,597</b>
<b>OTHER AGENCIES</b>	<b>\$1,612</b>	<b>\$562</b>	<b>\$142</b>	<b>\$2,316</b>	<b>\$2,301</b>	<b>\$196</b>	<b>\$1,315</b>	<b>\$3,812</b>	<b>\$6,128</b>	<b>\$4,955</b>
<b>ELECTED OFFICIALS</b>	<b>\$340</b>	<b>\$114</b>	<b>\$25</b>	<b>\$479</b>	<b>\$75</b>	<b>\$2</b>	<b>---</b>	<b>\$77</b>	<b>\$556</b>	<b>\$523</b>
<b>DEBT AND MISCELLANEOUS</b>										
Miscellaneous Budget <sup>(3)</sup>	\$320	---	---	\$320	\$1,401	---	\$287	\$1,688	\$2,008	\$1,860
Debt Service Costs (unallocated)	---	---	---	---	---	---	385	385	385	354
<b>Subtotal</b>	<b>\$320</b>	<b>---</b>	<b>---</b>	<b>\$320</b>	<b>\$1,401</b>	<b>---</b>	<b>\$672</b>	<b>\$2,073</b>	<b>\$2,393</b>	<b>\$2,214</b>
<b>TOTAL</b>	<b>\$16,756</b>	<b>\$5,177</b>	<b>\$3,376</b>	<b>\$25,309</b>	<b>\$18,871</b>	<b>\$612</b>	<b>\$3,414</b>	<b>\$22,897</b>	<b>\$48,206</b>	<b>\$33,766</b>
<b>City Funds</b>	<b>\$9,754</b>	<b>\$4,656</b>	<b>\$3,204</b>	<b>\$17,614</b>	<b>\$12,437</b>	<b>\$422</b>	<b>\$3,293</b>	<b>\$16,152</b>	<b>\$33,766</b>	
<b>2004 Prepayments</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>(\$1,306)</b>	<b>(\$1,306)</b>	<b>(\$1,306)</b>	<b>(\$1,306)</b>
<b>Total after Prepayments</b>	<b>\$16,756</b>	<b>\$5,177</b>	<b>\$3,376</b>	<b>\$25,309</b>	<b>\$18,871</b>	<b>\$612</b>	<b>\$2,108</b>	<b>\$21,591</b>	<b>\$46,900</b>	<b>\$32,460</b>

(1) Includes Medical Assistance of \$3,879 million in Social Services and \$739 million in HHC.

(2) Only reflects HHC Subsidy and Medical Assistance appropriated in the City's Budget.

(3) Includes MTA Subsidy, Indigent Defense Services, General Reserve and Pay-As-You-Go Capital.

# Estimated Cost of Lead Bill Compliance

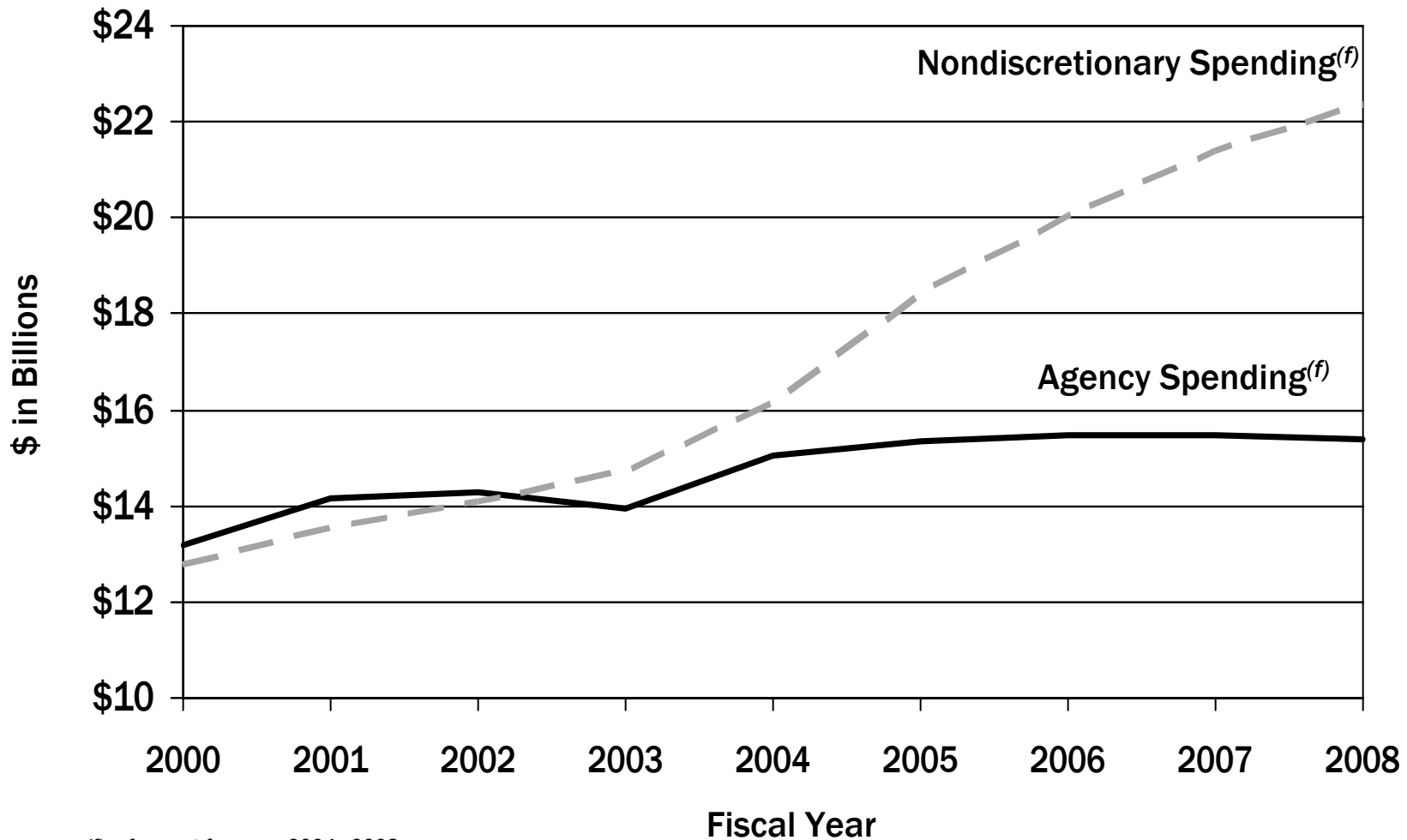
For Inspection and Remediation at DOHMH, ACS, DHS and HPD

All Funds (\$ in Millions)

	Headcount	FY05	FY06	FY07	FY08	4-Year Cost
Apartment Buildings, Day Care Centers and Homeless Housing	335	\$55	\$43	\$43	\$43	\$184
For Lead Poisoning Prevention	18	9	4	3	3	19
Capital	2	17	2	2	2	23
	34	3	3	3	3	12
	---	20	19	19	19	77
<b>Total</b>	<b>389</b>	<b>\$104</b>	<b>\$71</b>	<b>\$70</b>	<b>\$70</b>	<b>\$315</b>

❖ These amounts do not include a potentially substantial cost for liability.

# Nondiscretionary Expenses Are Now Larger Than Agency Expenses



(f) = forecast for years 2004 - 2008

Note: See Detail on Next Page

# City Revenue and Expense Growth\*

	City Funds (\$ in Millions)				
	2004	2005	2006	2007	2008
<b>Revenue<sup>(f)</sup></b>	<b>\$31,672</b>	<b>\$32,460</b>	<b>\$31,735</b>	<b>\$32,711</b>	<b>\$34,183</b>
<i>Year-to-Year Change:</i>		\$788 2.5%	(\$725) (2.2%)	\$976 3.1%	\$1,472 4.5%
<b>Expenses<sup>(f)</sup></b>					
<b>Agency Expenses<sup>(1)</sup></b>	<b>\$15,069</b>	<b>\$15,362</b>	<b>\$15,482</b>	<b>\$15,489</b>	<b>\$15,408</b>
<i>Year-to-Year Change:</i>		\$293 1.9%	\$120 0.8%	\$7 0.0%	(\$81) (0.5%)
<b>Nondiscretionary Expenses (see next page)</b>	<b>\$16,091</b>	<b>\$18,404</b>	<b>\$20,015</b>	<b>\$21,389</b>	<b>\$22,329</b>
<i>Year-to-Year Change:</i>		\$2,313 14.4%	\$1,611 8.8%	\$1,374 6.9%	\$940 4.4%
<b>Total Expenses<sup>(f)</sup></b>	<b>\$31,160</b>	<b>\$33,766</b>	<b>\$35,497</b>	<b>\$36,878</b>	<b>\$37,737</b>
<i>Year-to-Year Change:</i>		\$2,606 8.4%	\$1,731 5.1%	\$1,381 3.9%	\$859 2.3%

(f) = forecast

<sup>(1)</sup> Includes increases for HHC, Education and a reserve for collective bargaining.

\*Excludes the impact of prepayments.

Note: See graph on previous page

# Forecast Growth in Nondiscretionary Expenses\* (Detail)

	City Funds (\$ In Millions)				
	2004	2005	2006	2007	2008
<b>Nondiscretionary Expenses<sup>(f)</sup> (from prior page)</b>					
<b>Pensions</b>	\$2,272	\$3,204	\$3,934	\$4,341	\$4,328
Year-to-Year Change:	\$932 41.0%	\$730 22.8%	\$407 10.3%	(\$13) (0.3%)	
<b>Fringe Benefits</b>	\$4,282	\$4,656	\$4,938	\$5,231	\$5,583
Year-to-Year Change:	\$374 8.7%	\$282 6.1%	\$293 5.9%	\$352 6.7%	
<b>Subtotal: Employee Related Costs</b>	\$6,554	\$7,860	\$8,872	\$9,572	\$9,911
Year-to-Year Change:	\$1,306 19.9%	\$1,012 12.9%	\$700 7.9%	\$339 3.5%	
<b>Debt Service</b>	\$3,418	\$3,293	\$3,529	\$3,893	\$4,166
Year-to-Year Change:	(\$125) (3.7%)	\$236 7.2%	\$364 10.3%	\$273 7.0%	
<b>Medicaid<sup>(1)</sup></b>	\$4,142	\$4,618	\$4,850	\$5,047	\$5,254
Year-to-Year Change:	\$476 11.5%	\$232 5.0%	\$197 4.1%	\$207 4.1%	
<b>General Reserve</b>	\$40	\$300	\$300	\$300	\$300
Year-to-Year Change:	\$260 650.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
<b>Re-estimate of Prior Year's Expense</b>	(\$300)	\$0	\$0	\$0	\$0
Year-to-Year Change:	\$300 (100.0%)	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
<b>All Other<sup>(2)</sup></b>	\$2,237	\$2,333	\$2,464	\$2,577	\$2,698
Year-to-Year Change:	\$96 (4.3%)	\$131 5.6%	\$113 4.6%	\$121 4.7%	
<b>Total Nondiscretionary Expenses<sup>(f)</sup></b>	\$16,091	\$18,404	\$20,015	\$21,389	\$22,329
Year-to-Year Change:	\$2,313 14.4%	\$1,611 8.8%	\$1,374 6.9%	\$940 4.4%	

(f) = forecast

<sup>(1)</sup> Excludes State reimbursement for the mentally disabled.

<sup>(2)</sup> Includes judgments and claims, subsidies to the Transit Authority and private bus lines and public assistance.

\* Excludes the impact of prepayments.

# The Executive Budget Funds a Retroactive Collective Bargaining Offer, But Continues to Require Future Productivity

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This Executive Budget contains funding for collective bargaining for all unions consistent with the recent DC 37 agreement: a cash payment of \$1,000 immediately upon ratification of an agreement and a 3.0% wage increase on the first day of the 13<sup>th</sup> month of the contract. These increases would be substantially retroactive given the expiration of previous contracts.

The effect on the City's budget of these two components is extra expenses of:

\$ in Millions

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$533	\$652	\$580	\$574	\$574

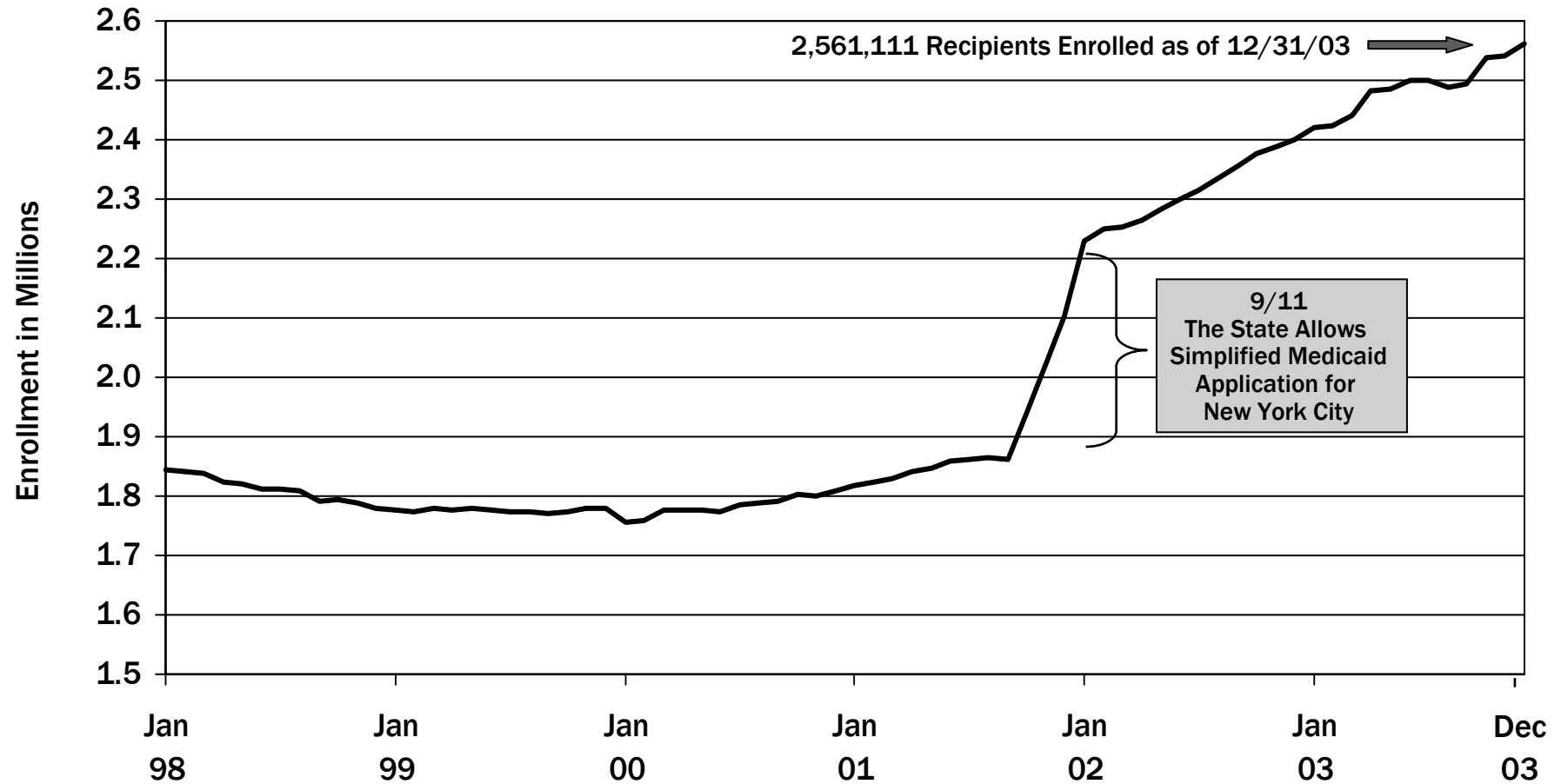
In addition, the DC 37 settlement relies on agreed upon productivity and other operational savings to fund a 2% increase starting July 1, 2004, the 25<sup>th</sup> month of the agreement. This 2% will increase to 3% if additional productivity savings to pay this additional cost are agreed upon.

As with DC 37 future increases beyond the two-year package for other collective bargaining agreements must be funded by increased productivity which would not have an effect on annual expenses.

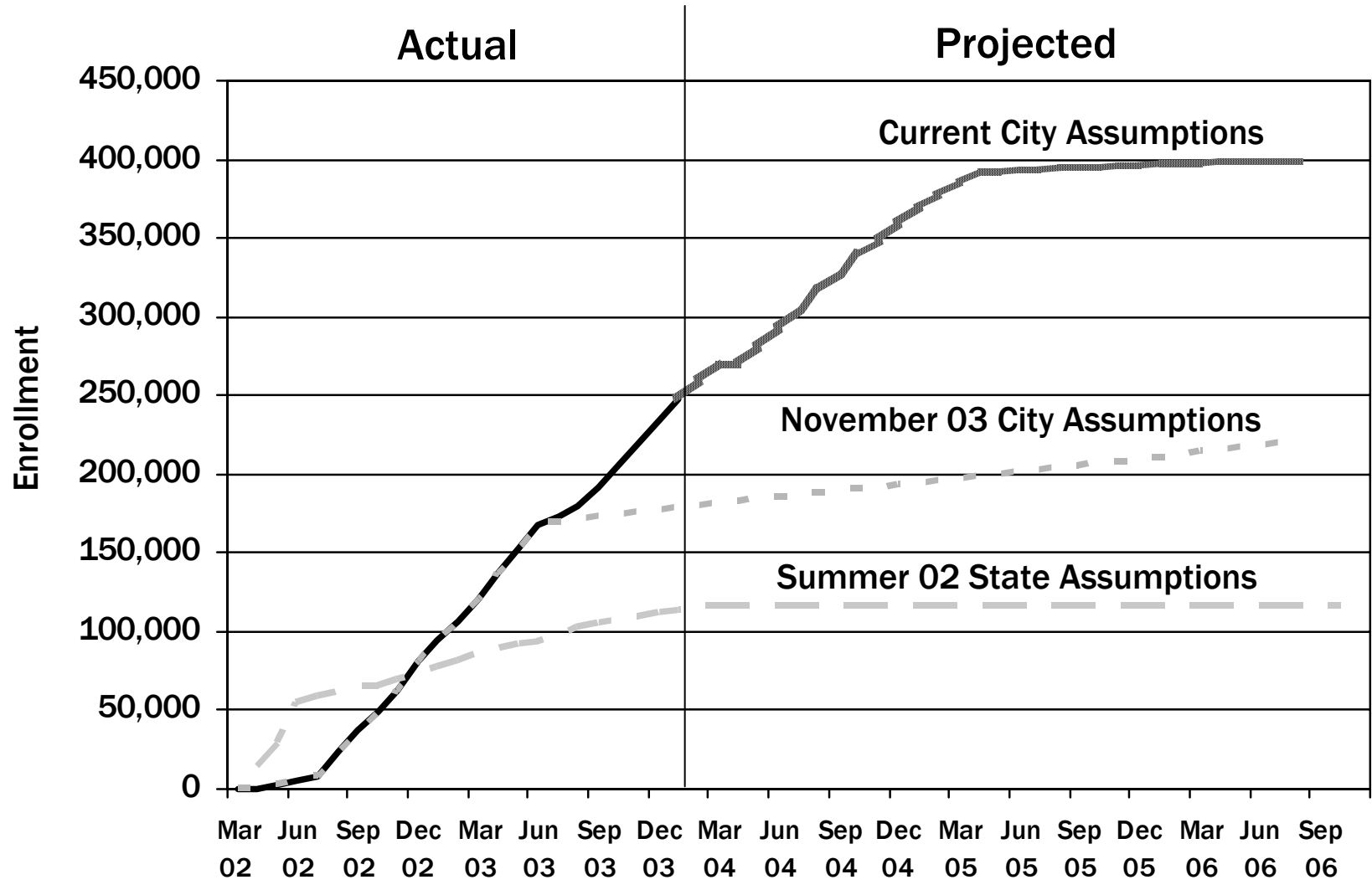
Note that the City's mandated employee-related costs for pensions and fringe benefits (see page 14) increase by over \$2.3 billion from 2004 to 2006. Starting twelve months from now this means an increase in annual City compensation expenses equivalent to a wage increase of 11%.



# Medicaid Enrollment in New York City Continues to Increase, Partly Because of Increases in Medicaid-Family Health Plus

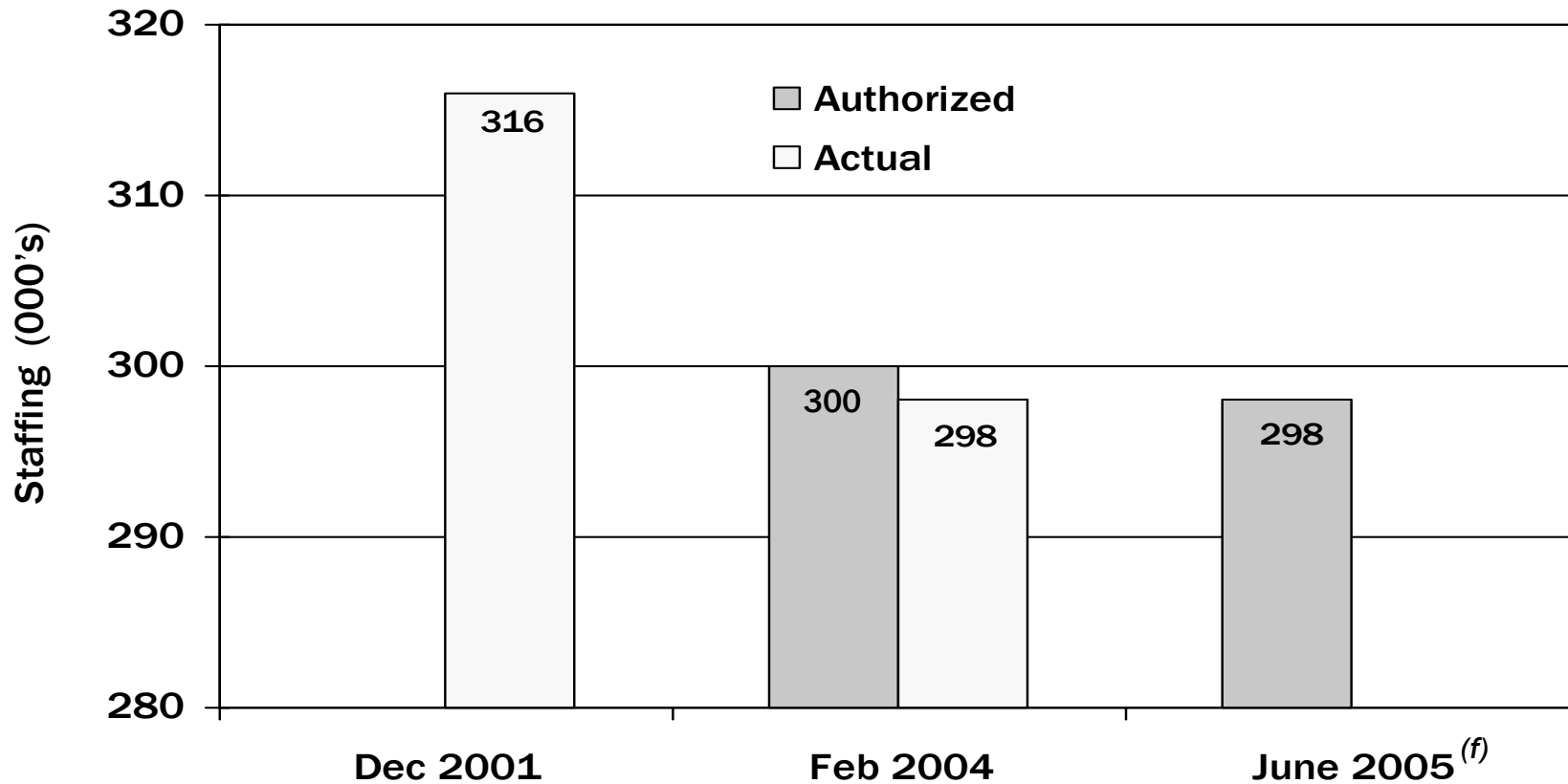


# Enrollment in Medicaid-Family Health Plus in New York City Continues to Exceed All Projections



# In 2005 Authorized City-Funded Headcount Is 18,000 Below the 2001 Peak

City Funds Full-Time and Full-Time Equivalent Headcount in Thousands<sup>(1)</sup>



(f) = forecast

<sup>(1)</sup> Includes Non-City employees substantially paid by City subsidies, including the Libraries, the Cultural Institution Group, School Construction Authority and the Health and Hospitals Corporation. Also includes restatements for positions formerly funded under vendor contracts and for Education part-time positions not previously included.

**III. New York City's  
Economy is Recovering  
But Remains Below  
Its 2000 Peak**

# Many Economic Indicators in New York City Are Improving, But Remain Below Recent Peaks

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	2000	2001	2002	2003	2004
<b>Private Sector Employment</b>	3,154,000	3,127,000	3,015,000	2,972,000	2,988,000 <sup>(1)</sup>
<b>Wall Street Profits</b>	\$21.0 Billion	\$10.4 Billion	\$6.9 Billion	\$16.8 Billion	\$16.4 Billion <sup>(2)</sup>
<b>Economically Sensitive Tax Revenue</b>	\$14.1 Billion	\$14.6 Billion	\$12.4 Billion	\$12.7 Billion	\$14.9 Billion <sup>(3)</sup>
<b>Commercial Vacancy Rate</b>	3.0%	5.8%	10.4%	12.3%	12.5% <sup>(2)</sup>

Note: All data in Calendar Years, except Economically Sensitive Tax Revenue which is in Fiscal Years.

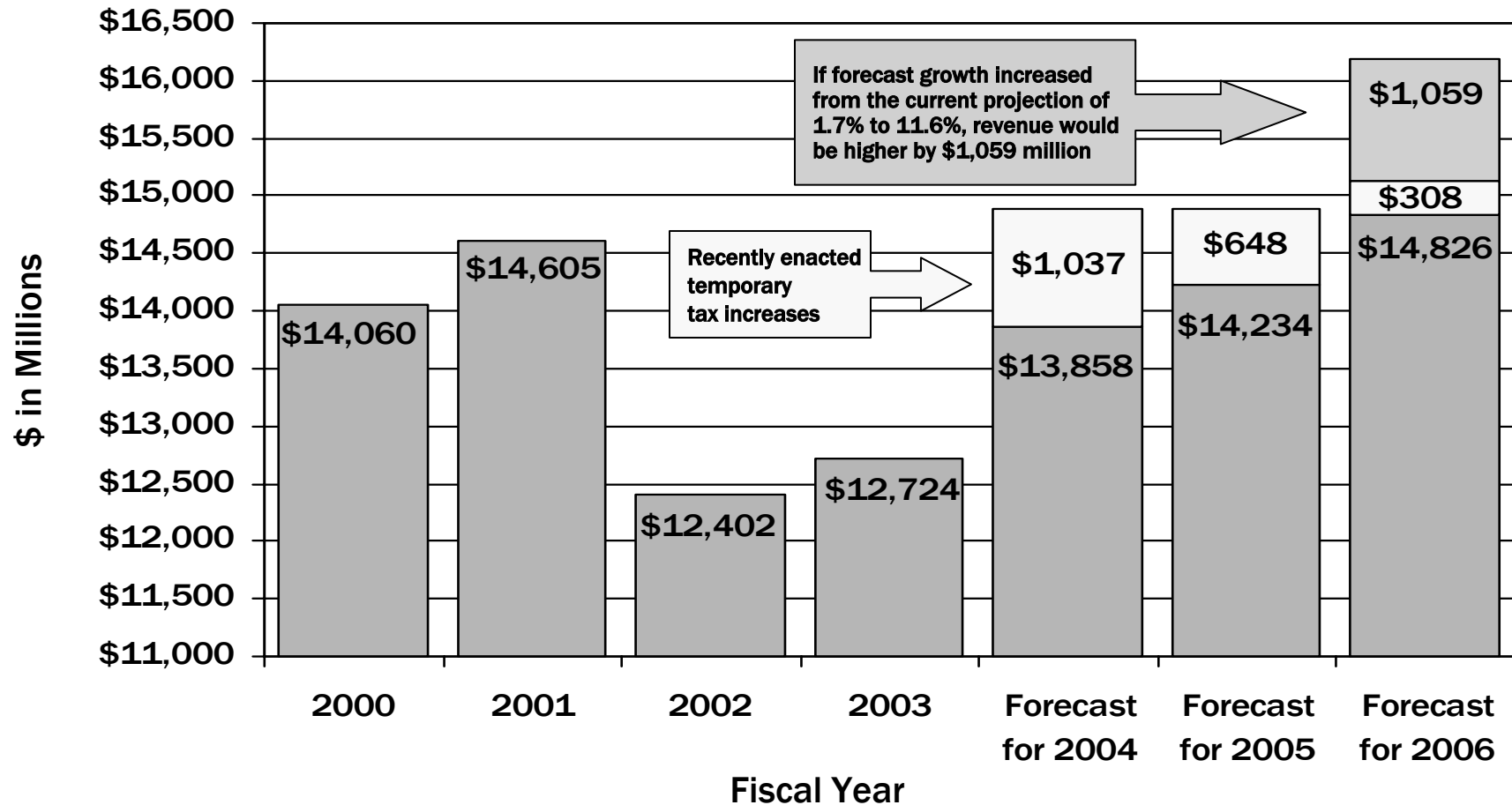
<sup>(1)</sup> 2004 Q1

<sup>(2)</sup> OMB forecast

<sup>(3)</sup> Non-property tax revenues before the TFA retention and excluding STAR Aid.

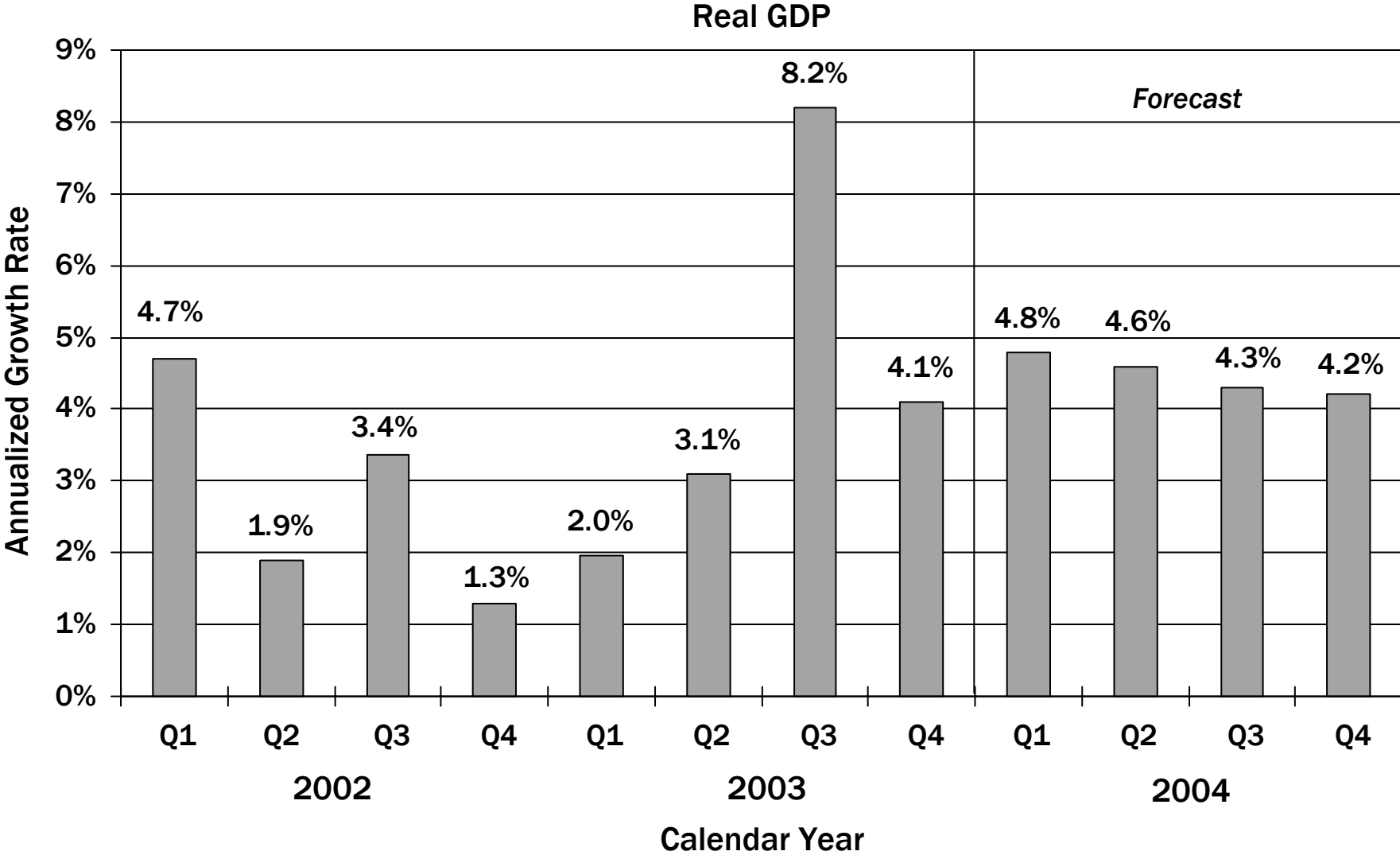
## If Non-Property Taxes Grew at the Highest Rate Achieved Historically, the FY 2006 Budget Gap Would Be Reduced by \$1,059 Million

During the Boom Years 1998 Through 2000, Non-Property Tax Growth Averaged 11.6%



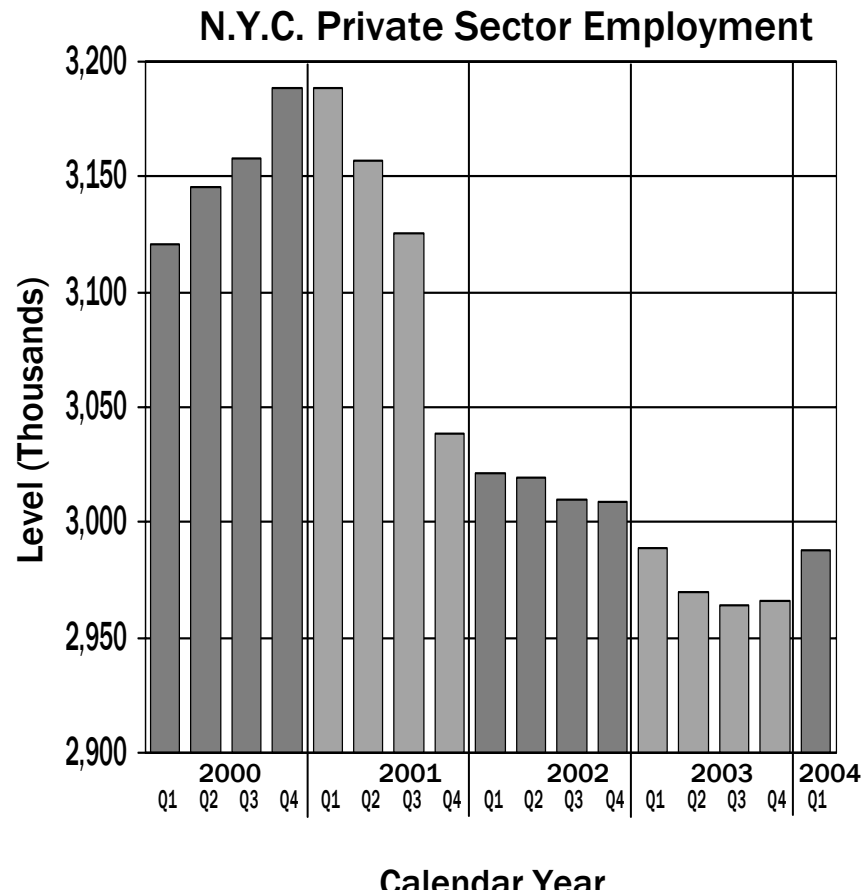
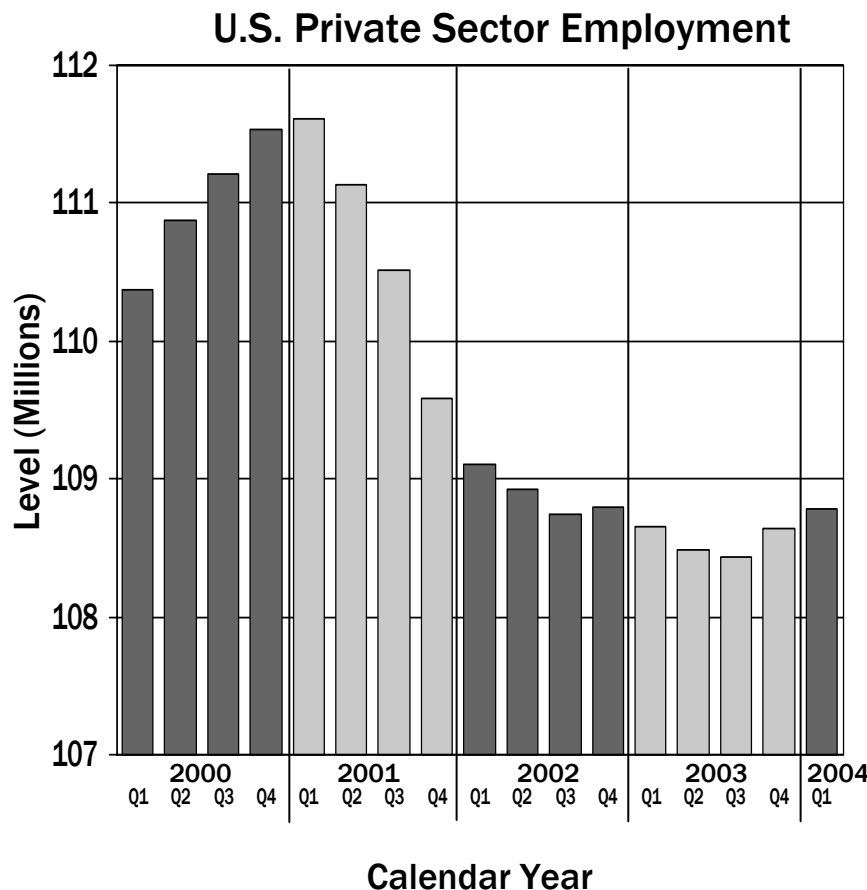
Totals are based on non-property taxes, before TFA retention, excluding STAR aid.

# Growth in the Nation's Real GDP in the Third and Fourth Quarters of 2003 Was Healthy and Growth Is Expected to Continue in 2004



# Two Years Into the Nation's Economic Recovery, Employment Gains Have Been Lower Than Past Recoveries.

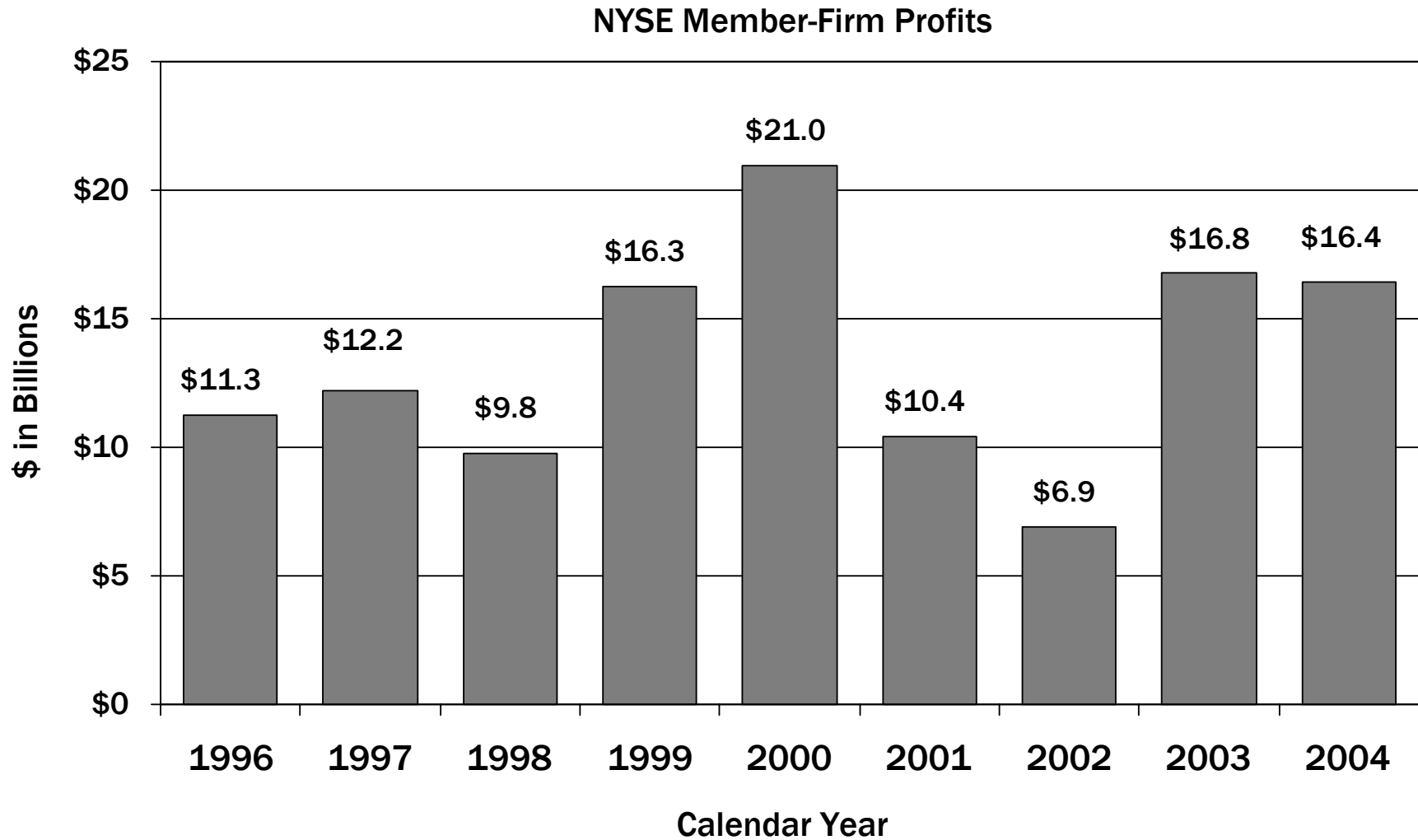
## Employment Growth Must Continue in 2004 to Fuel the Economy's Expansion.



Note: Data are seasonally adjusted.  
 Source: U.S. Department of Labor, Bureau of Labor Statistics

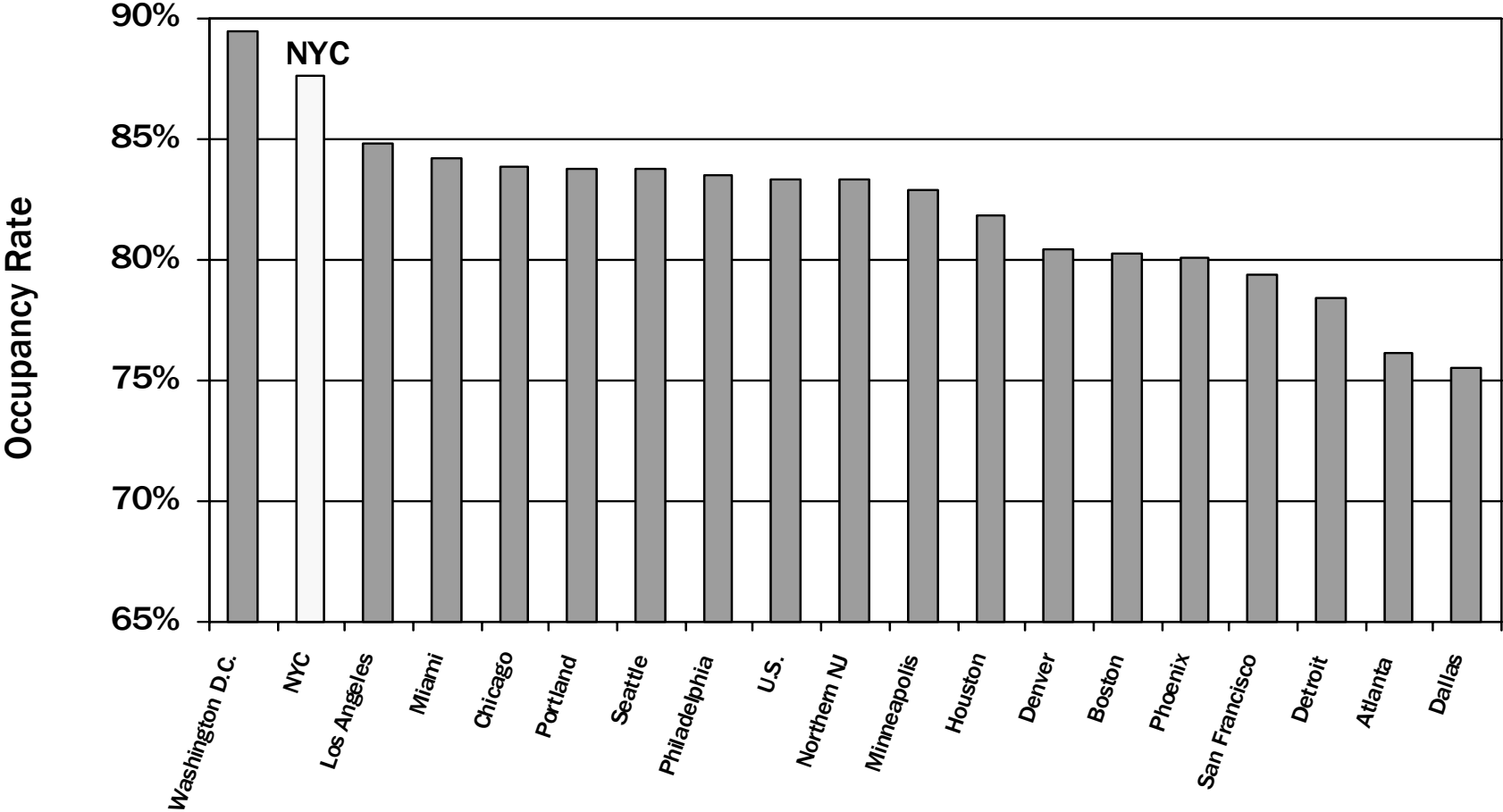


# Wall Street Profits Rebounded in 2003 and Are Forecast at \$16.4 Billion in 2004



Source: Securities Industry Association

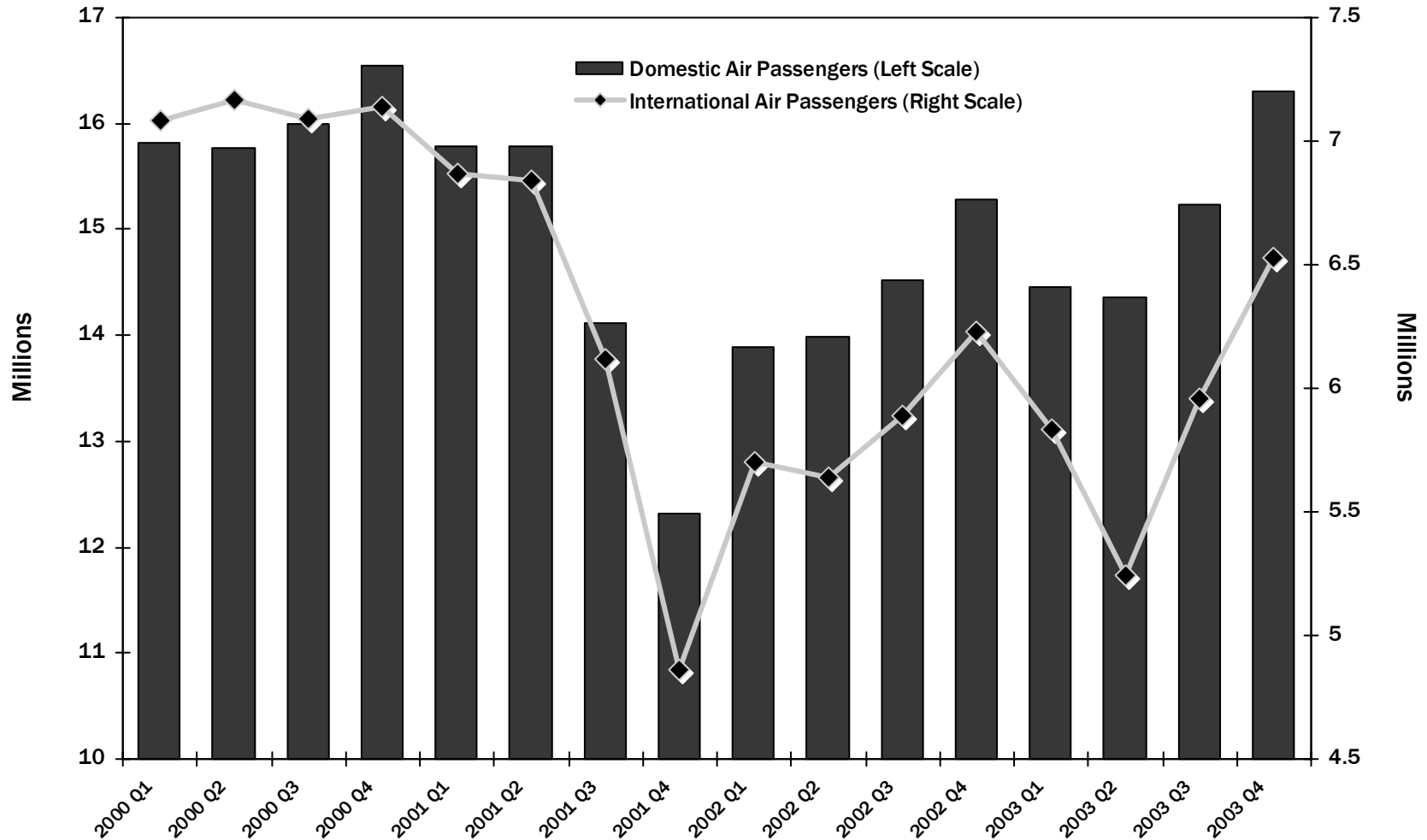
# New York City's Occupancy Rate is Still Notably Better Than Other Large American Cities



Source: CB Richard Ellis, Office Vacancy Index 2003 Q4

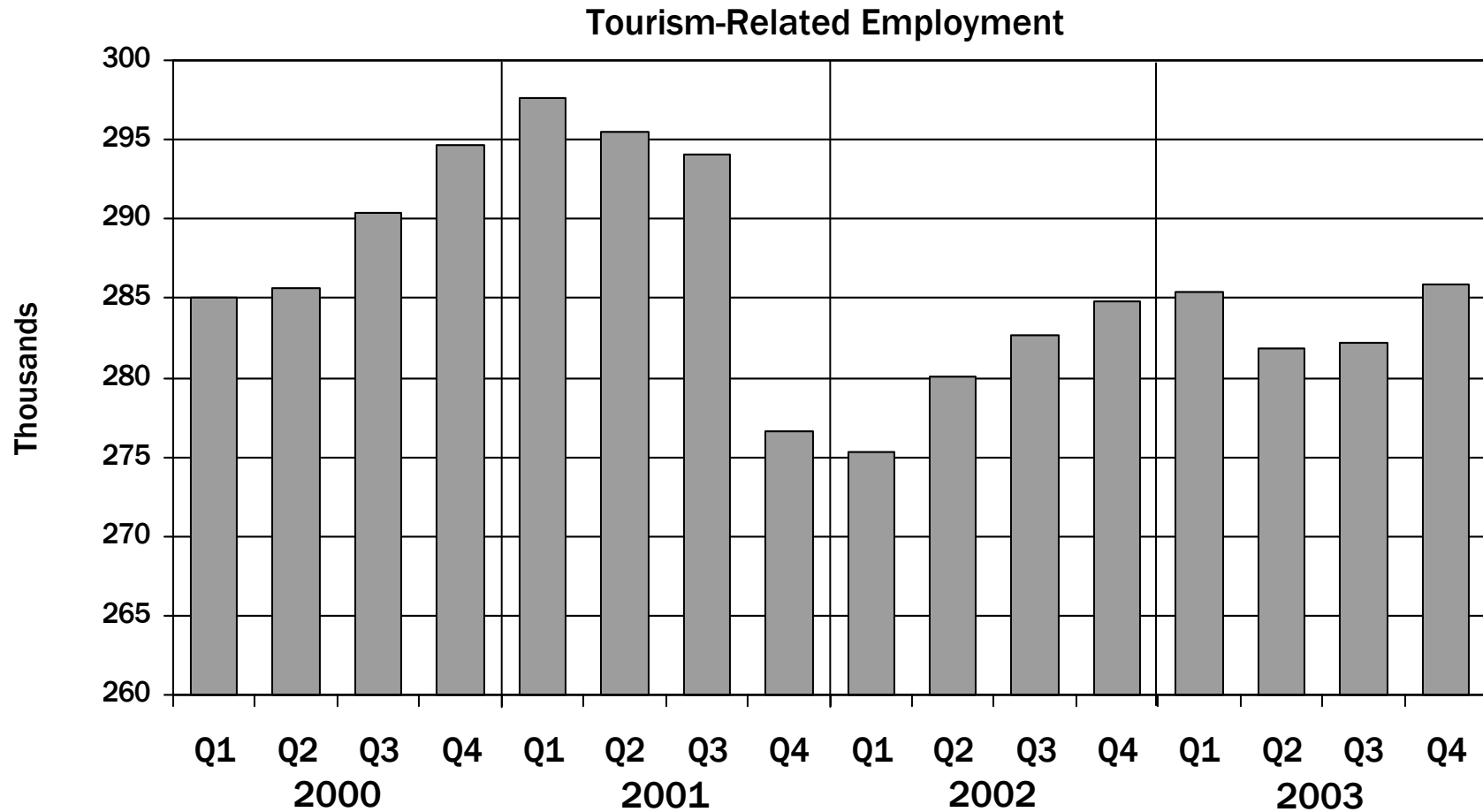
# Domestic Travelers to NYC Have Returned, But the Number of International Passengers Remains Lower

Air Passengers to the NY Area



Source: NY-NJ Port Authority.  
Data are seasonally adjusted.

# Tourism-Related Employment Is Improving But Remains Below Its Peak



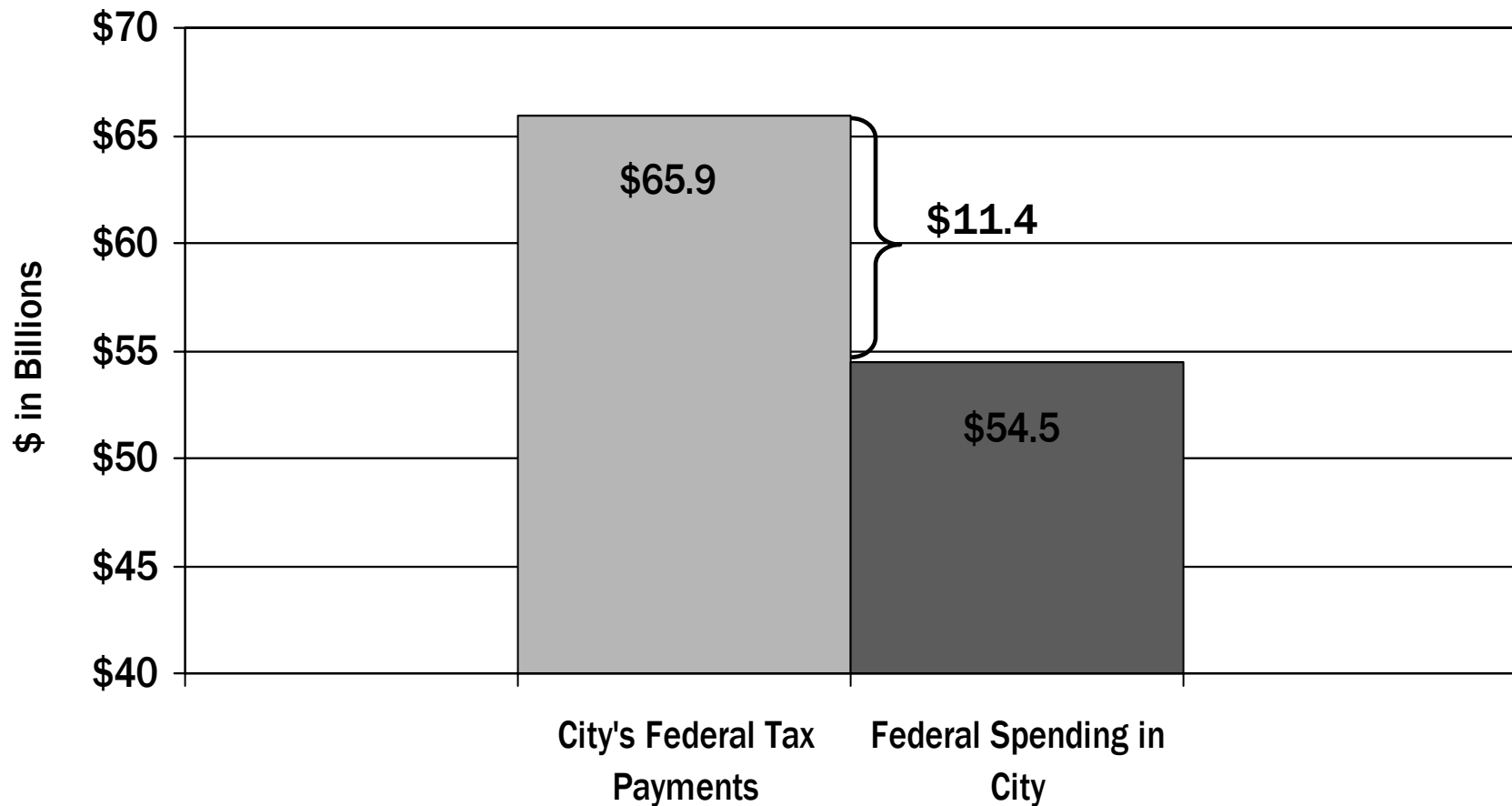
Notes: Tourism-related employment includes hotels, eating and drinking establishments, amusement and recreation services, and air transportation. All data are seasonally adjusted.

Source: Department of Labor, Bureau of Labor Statistics, Payroll Survey

# **IV. Federal Agenda**

# New York City Pays \$11.4 Billion More in Federal Taxes Than It Gets Back in Funding

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Source: OMB estimate based on "Tax Foundation Special Report" for Federal FY 2002

# Federal Agenda

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- ❖ **L**ast year, the City requested \$200 million of Federal assistance to help close the budget gap. The Federal government delivered \$342 million of gap closing assistance by temporarily increasing the Federal share of Medicaid, providing additional reimbursement for the protection of the UN and foreign Missions, and granting additional flexibility in certain grants.
- ❖ **H**owever, the Federal budget deficit has increased to over \$500 billion in the current year, and Congress is attempting to limit discretionary spending in all areas outside of homeland security. Therefore, an extension of the increased Federal share of Medicaid, which expires on June 30th, is unlikely.
- ❖ **A**s a result, the 2005 Gap Closing Program calls for \$150 million of initiatives which will help close the budget gap, a reduction from the \$300 million request in January. We have provided a menu of over \$300 million of initiatives to achieve this goal.
- ❖ **O**ver the last two years, an additional \$180 million in High Threat Urban Area Security Funding has been granted to the City to compensate for the inadequate distribution formula of State Homeland Security Grants.
  - This year, the State Homeland Security Grant formula must be changed so that it is also distributed on a threat-based allocation, rather than a population-based formula.
- ❖ **I**n addition, Congress must provide substantial increases in Federal education aid to assist school districts in meeting the Federally mandated high standards of the No Child Left Behind Act.
  - Education spending at full funding levels would gain the City \$400 million.

# Federal Initiatives to Close the Gap

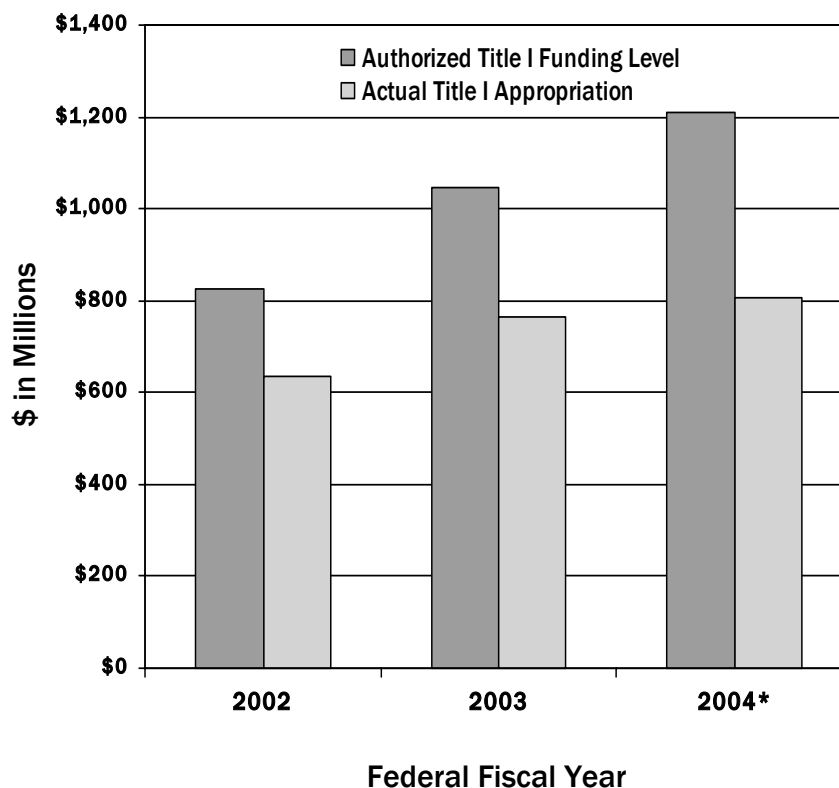
\$ in Millions				
<u>2005</u> <u>2006</u> <u>2007</u> <u>2008</u>				
<b>Federal Initiatives to Close the Gap</b>				
❖ Increase State Criminal Alien Assistance Program Funding	\$87	\$87	\$87	\$87
❖ Close Tax Loopholes	75	75	75	75
❖ Collect Real Estate Taxes on Property for Non-diplomatic Use	50	50	50	15
❖ Restore Federal Medicaid Funding for Legal Immigrants	34	35	37	39
❖ Reimburse the City for the Full Cost of Protecting the UN and Foreign Missions	30	10	10	10
❖ Extend 2 <sup>nd</sup> Advance Refunding Authority	20	10	5	5
❖ Extend Parking Summons Provisions for Foreign Diplomats	10	10	0	0
<b>Total</b>	<b>\$306</b>	<b>\$277</b>	<b>\$264</b>	<b>\$231</b>
<b>Other Federal Initiatives</b>				
❖ Distribute Homeland Security Funds on a Threat-based Allocation	\$400	\$400	\$400	\$400
❖ Authorize Education Spending at Full Funding Levels	400	680	830	830
<b>Total</b>	<b>\$800</b>	<b>\$1,080</b>	<b>\$1,230</b>	<b>\$1,230</b>



# Reforming New York City Schools Requires a Strong Partnership Between the City and the Federal Government

- ❖ The Federal *No Child Left Behind Act of 2001* (NCLB) mandates high standards of achievement.
- ❖ These high standards are necessary, but achieving high performance will be costly.
- ❖ The Federal government has not provided the amount of funding originally determined to be necessary to help districts meet these goals.

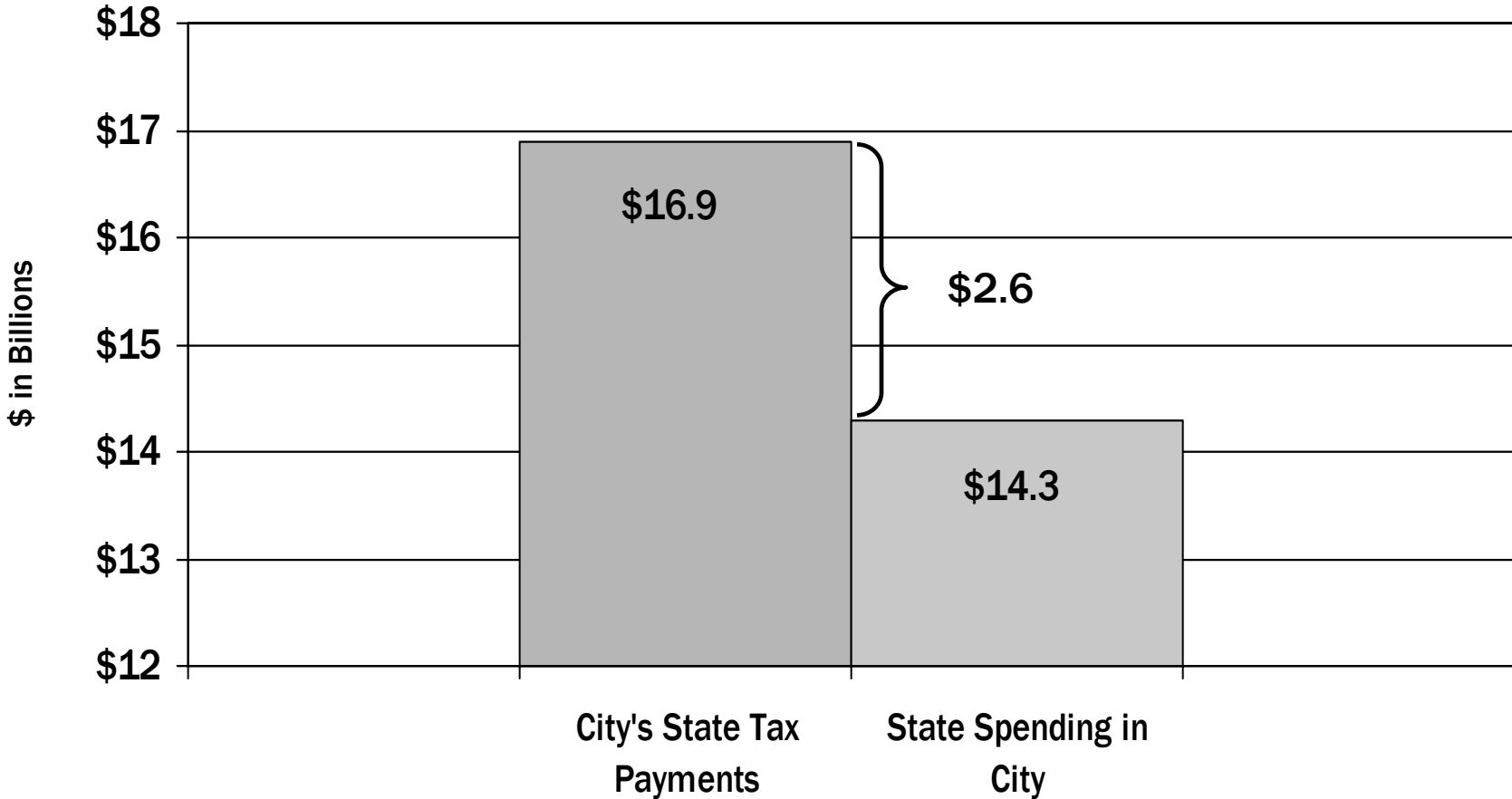
Actual Funding is Only 66% of Authorized Levels



\*2004 is based on projections

# **V. State Agenda**

# New York City Pays \$2.6 Billion More in State Taxes Than it Gets Back in Funding



Source: "The Fiscal Balance among NYS Regions," CGR 1999

# State Agenda

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- ❖ **Last year, the City worked successfully with the State. Over \$600 million of projected budget cuts to education and social services were restored, over \$500 million of no cost fiscal relief initiatives were developed and legislation relieving the City of \$500 million of annual MAC payments was passed\*.**
  
- ❖ **The 2005 Gap Closing Program calls for \$400 million of initiatives requiring State action which will help close the budget gap. We have provided a menu of over \$1 billion of initiatives to achieve this goal.**
  - **Medicaid expenditures by New York City increase by \$1.5 billion from 2000 to 2005, a 49% increase in expenditures. The State must reform Medicaid in order to relieve the City from substantial increases in this mandated program.**
  
  - **State cost shifts to local governments, such as capping reimbursement for detaining State inmates, or denying institutional placement for children in foster care who need and have qualified for this service, have historically been used to control State spending. We must reverse these tactics and receive equitable reimbursement for undertaking State functions.**

\*Subject to continuing legal challenge.

# Local Tax Burdens in New York State

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	Local Tax Burden*	Per Capita Tax
New York City	7.3%	\$2,824
Largest NY State Counties** <i>(population over 100,000)</i>	6.5%	\$2,351
All NY State Counties**	6.5%	\$2,203

\*Tax Burden is measured as the ratio of total tax revenue to personal income.

\*\*Average of the largest NYS counties, excluding NYC.

Sources: New York State Comptroller's Special Report on Municipal Affairs, 2001  
Bureau of Economic Analysis, Regional Account Data Personal Income, 2001

# State Initiatives to Close the Gap

	\$ in Millions			
	2005	2006	2007	2008
<b>Medicaid Reform</b>				
❖ Take Over the Local Share of Family Health Plus	\$342	\$381	\$394	\$406
❖ Enact Medicaid Cost Containment	200	209	218	228
❖ Continue State Takeover of Medicaid Long Term Care	117	242	374	514
<b>Subtotal</b>	<b>\$659</b>	<b>\$832</b>	<b>\$986</b>	<b>\$1,148</b>
<b>Reverse State Cost Shifts</b>				
❖ Remove State Caps on Reimbursement for Social Services Administrative Expenses	\$152	\$152	\$152	\$152
❖ Increase Reimbursement for State-Ready Inmates and Probation Aid	51	81	102	142
❖ Provide Reimbursement for Foster Care Children Awaiting Placement in State Institutions	8	8	8	8
<b>Subtotal</b>	<b>\$211</b>	<b>\$241</b>	<b>\$262</b>	<b>\$302</b>
<b>Other No Cost Initiatives</b>				
❖ Enact Tort Reform (Cap on pain and suffering, interest on judgments, etc.)	\$50	\$52	\$54	\$56
❖ Reform the Local Finance Laws (swaps, statutory lien, TFA Debt capacity)	40	40	40	40
❖ Enact Collateral Source Legislation	30	30	30	30
❖ Increase Rent Stabilization Fees to Reflect Actual State Charges	28	28	28	28
❖ Allocate Foster Care Block Grant Equitably	21	21	21	21
❖ Close Loopholes and Enable Department of Finance Administrative Efficiencies	18	18	18	18
❖ Increase Fire Insurance Premiums for Out-of-State Companies	16	16	16	16
❖ Conform Certain Fees to State Levels (marriage, birth, death certificates, etc.)	13	13	13	13
❖ Increase the Authorization for Red Light Cameras	8	13	11	11
<b>Subtotal</b>	<b>\$224</b>	<b>\$231</b>	<b>\$231</b>	<b>\$233</b>
<b>Grand Total</b>	<b>\$1,094</b>	<b>\$1,304</b>	<b>\$1,479</b>	<b>\$1,683</b>

# **VI. Property Tax Rebate**

# Annual Property Tax Rebate Program

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- ❖ **New York City taxpayers sacrificed with higher taxes to protect vital services. With the economy improving and revenues running ahead of plan, the City can now offer tax relief to owner-occupants of houses, co-ops and condominiums.**
- ❖ **Each owner-occupant will receive a check for \$400, representing a rebate of their property tax — saving New Yorkers city-wide \$250 million in this upcoming fiscal year.**
- ❖ **Almost 14% of the property tax revenue from the tax rate increase last year will be returned to those New Yorkers who stepped up to the plate when the City needed them most (\$250 million/\$1,800 million).**



## The Alternative Proposal Provides Large Tax Breaks for Large Property Owners and Meager Savings for Homeowners

	Executive Budget Proposal*	Alternative Proposal**
Queens Homeowner	\$400	\$49
Bronx Homeowner	\$400	\$45
Staten Island Homeowner	\$400	\$44
Brooklyn Co-op	\$400	\$25
Manhattan Co-op	\$400	\$85
Con Edison***	\$0	\$8,321,000
Verizon***	\$0	\$1,542,000
Met Life Building	\$0	\$599,000
Empire State Building	\$0	\$463,000
Waldorf-Astoria Hotel	\$0	\$344,000
New York Hilton	\$0	\$286,000

\*\$400 Rebate to Owner Occupied 1, 2, and 3 family homes, co-ops and condos

\*\*2% Across the Board Reduction in Tax Rate

\*\*\*Special Franchise only (based on projected 2005 values) and does not include the Real Estate of Utility Corporations (REUC).

## Single Family Homeowners Will Save on Average Almost Eight Times More From the Executive Budget Tax Rebate Program Compared With the Alternative Proposal

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	Executive Budget Proposal*	Alternative Proposal**
<b>Citywide Average Residential Homeowners</b>	<b>\$400</b>	<b>\$52</b>
<b>Queens Single Family Homeowners</b>	<b>\$400</b>	<b>\$49</b>
<b>Brooklyn Co-op Owners</b>	<b>\$400</b>	<b>\$25</b>
<b>Manhattan Co-op Owners</b>	<b>\$400</b>	<b>\$85</b>
<b>Bronx Single Family Homeowners</b>	<b>\$400</b>	<b>\$45</b>
<b>Staten Island Single Family Homeowners</b>	<b>\$400</b>	<b>\$44</b>

\*\$400 Rebate to Owner Occupied 1,2, and 3 family homes, co-ops and condos

\*\*2% Across the Board Reduction in Tax Rate

# The Alternative Proposal Has a Minimal Impact on Renters

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	Monthly Median Rent*	Monthly Impact of Alternative Proposal on Rent
Citywide Unregulated Rentals	\$750	\$0
Manhattan Unregulated Rentals	\$2,040	\$0
Citywide Stabilized Rentals	\$650	\$3
Brooklyn Stabilized Rentals	\$607	\$3
Bronx Controlled Rentals	\$400	\$2
Queens Post-1947 Stabilized Rentals	\$700	\$4
Staten Island Pre-1947 Stabilized Rentals	\$650	\$3

\*HPD Housing New York City 1999 monthly median rent.

# The Executive Budget Proposal Provides More Tax Relief to Seniors Than the Alternative Proposal

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	Executive Budget Proposal*	Alternative Proposal**
Seniors With Less Than \$24,000 in Income	\$400	\$153
Seniors With Income Between \$24,000 and \$32,400	\$400	\$217
Seniors With Income Greater Than \$32,400	\$400	\$0

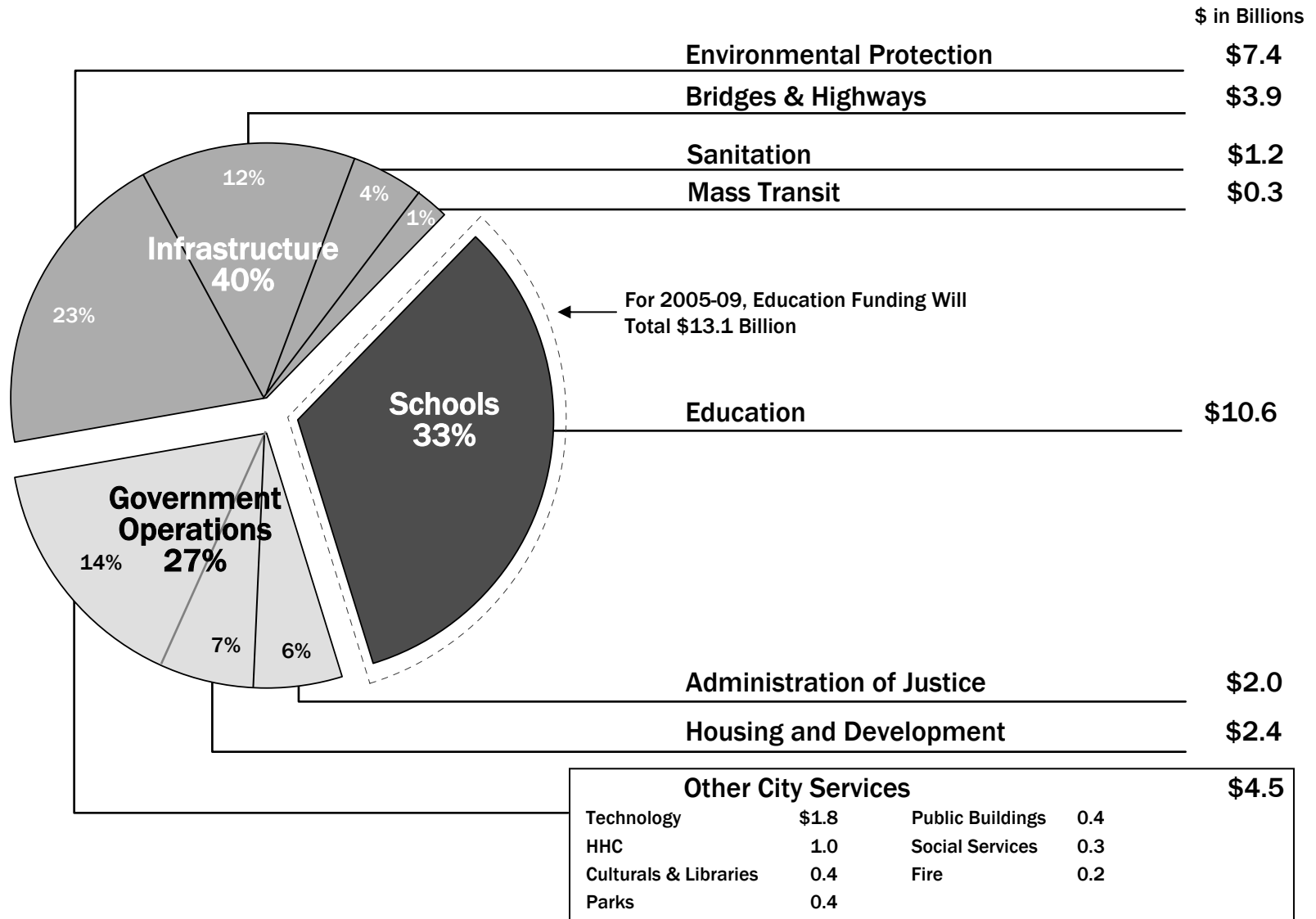
\*\$400 Rebate to Owner Occupied 1, 2, and 3 family homes, co-ops and condos

\*\*Rollback of the entire 18.49% property tax increase for SCHE eligible seniors

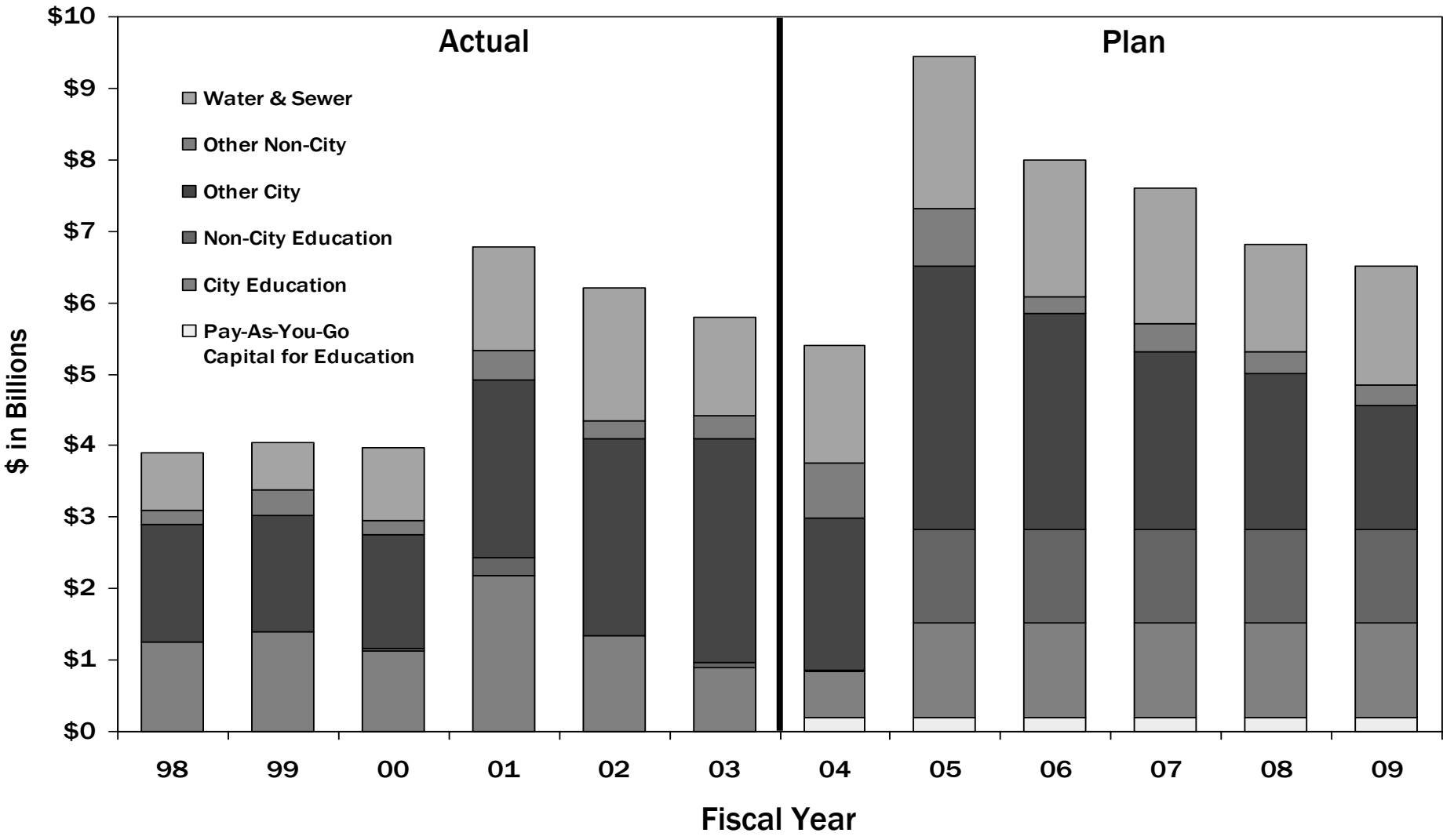
# **VII. Capital**

# Four-Year Capital Plan

## 2005-2008 Totals \$32.3 Billion in All Funds



# Capital Commitments — All Funds



## **Increases in Capital Investment Are Targeted to Efficient and Secure Emergency Response Communications, Economic Growth Initiatives and Major Hospital Improvements**

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- ❖ **The 911 Emergency Response Communication System requires an investment of over \$1 billion to modernize the system for the 21<sup>st</sup> Century.**
- ❖ **The City will invest \$71 million in the Brooklyn Navy Yard to improve the infrastructure supporting our local industrial base.**
- ❖ **In order to maintain our competitive edge in the travel and tourism industry, the City will invest over \$195 million to redevelop the Manhattan Passenger Ship Terminal for cruise lines.**
- ❖ **In order to improve the delivery of health care services to New Yorkers, the City will invest \$475 million to modernize Harlem Hospital in Manhattan and Jacobi Medical Center in the Bronx.**



# **VIII. Tables**

# Five-Year Financial Plan Revenue and Expenditures

## (\$ in Millions)

	2004	2005	2006	2007	2008
<b>Revenues</b>					
Taxes					
General Property Tax	\$11,353	\$11,832	\$12,340	\$12,931	\$13,549
Other Taxes	15,440	14,637	14,902	15,336	16,161
Tax Audit Revenue	590	508	508	509	509
Tax Reduction Program	---	(250)	(259)	(263)	(267)
Miscellaneous Revenues	4,532	5,769	4,279	4,233	4,265
Unrestricted Intergovernmental Aid	991	562	562	562	562
Anticipated Federal and State Aid	---	550	550	550	550
Less: Intra-City Revenue	(1,219)	(1,133)	(1,132)	(1,132)	(1,131)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
<b>Subtotal: City Funds</b>	<b>\$31,672</b>	<b>\$32,460</b>	<b>\$31,735</b>	<b>\$32,711</b>	<b>\$34,183</b>
Other Categorical Grants	921	806	830	840	839
Inter-Fund Revenues	352	345	332	328	328
<b>Total City Funds and Inter-Fund Revenues</b>	<b>\$32,945</b>	<b>\$33,611</b>	<b>\$32,897</b>	<b>\$33,879</b>	<b>\$35,350</b>
Federal Categorical Grants	5,563	4,716	4,644	4,632	4,622
State Categorical Grants	8,639	8,573	8,548	8,624	8,694
<b>Total Revenues</b>	<b>\$47,147</b>	<b>\$46,900</b>	<b>\$46,089</b>	<b>\$47,135</b>	<b>\$48,666</b>
<b>Expenditures</b>					
Personal Service					
Salaries and Wages	\$17,112	\$16,954	\$17,176	\$17,165	\$17,067
Pensions	2,454	3,376	4,107	4,515	4,502
Fringe Benefits	4,897	5,177	5,475	5,788	6,162
<b>Subtotal: Personal Service</b>	<b>\$24,463</b>	<b>\$25,507</b>	<b>\$26,758</b>	<b>\$27,468</b>	<b>\$27,731</b>
Other Than Personal Service					
Medical Assistance	\$4,323	\$4,766	\$4,997	\$5,194	\$5,401
Public Assistance	2,514	2,295	2,304	2,305	2,305
Pay-As-You-Go Capital	200	200	200	200	200
All Other	12,537	12,856	12,774	12,954	13,129
<b>Subtotal: Other Than Personal Service</b>	<b>\$19,574</b>	<b>\$20,117</b>	<b>\$20,275</b>	<b>\$20,653</b>	<b>\$21,035</b>
Debt Service	2,481	3,415	3,650	4,013	4,285
Budget Stabilization	1,306	(1,306)	---	---	---
MAC Debt Service	502	---	---	---	---
General Reserve	40	300	300	300	300
<b>Subtotal</b>	<b>\$48,366</b>	<b>\$48,033</b>	<b>\$50,983</b>	<b>\$52,434</b>	<b>\$53,351</b>
Less: Intra-City Expenses	(1,219)	(1,133)	(1,132)	(1,132)	(1,131)
<b>Total Expenditures</b>	<b>\$47,147</b>	<b>\$46,900</b>	<b>\$49,851</b>	<b>\$51,302</b>	<b>\$52,220</b>
<b>Gap To Be Closed</b>	<b>(\$--)</b>	<b>(\$--)</b>	<b>(\$3,762)</b>	<b>(\$4,167)</b>	<b>(\$3,554)</b>

# 2005 Agency Program to Reduce the Gap Since January 2002 in the Executive Budget

## City Funds - \$ in Millions

	January 2002 Plan for 2005	Total Agency Program		
		Expense	Revenue	Total
<b>Uniformed Forces</b>				
Police Department	\$3,113	(\$336)	(\$110)	(\$446)
Fire Department	1,025	(124)	(12)	(136)
Department of Correction	926	(184)	(3)	(187)
Department of Sanitation	1,050	(78)	(21)	(99)
<b>Health &amp; Welfare</b>				
Administration for Children's Services <sup>(1)</sup>	\$749	(\$306)	(\$2)	(\$308)
Department of Social Services <sup>(1),(2)</sup>	339	(109)	---	(109)
Department of Homeless Services <sup>(1)</sup>	177	(95)	---	(95)
Department of Health And Mental Hygiene	582	(124)	(3)	(127)
<b>Other Mayoral</b>				
Libraries	\$262	(\$48)	\$ --	(\$48)
Department for the Aging	166	(59)	---	(59)
Department of Cultural Affairs	129	(33)	---	(33)
Housing Preservation & Development	71	(19)	(6)	(25)
Department of Environmental Protection	641	1	(9)	(8)
Department of Finance	193	(18)	(93)	(111)
Department of Transportation	298	(36)	(50)	(86)
Department of Parks and Recreation	171	(18)	(23)	(41)
Department of Citywide Services	154	(17)	(10)	(27)
All Other Mayoral	828	(248)	(39)	(287)
<b>Elected Officials</b>				
Office of the Mayor	\$39	(\$13)	(\$2)	(\$15)
City Council	37	(1)	---	(1)
Public Advocate	3	(1)	---	(1)
Office of the Comptroller	55	(7)	(3)	(10)
Borough Presidents	29	(11)	(1)	(12)
District Attorneys	232	(39)	---	(39)
<b>Other</b>				
Health & Hospitals Corporation <sup>(2)</sup>	\$124	(\$31)	---	(\$31)
Department of Education <sup>(3)</sup>	11,824	(864)	---	(864)
City University <sup>(3)</sup>	444	(20)	---	(20)
<b>Total</b>	<b>\$23,661</b>	<b>(\$2,838)</b>	<b>(\$387)</b>	<b>(\$3,225)</b>
Debt Service	---	(76)	---	(76)
<b>Grand Total</b>	<b>\$23,661</b>	<b>(\$2,914)</b>	<b>(\$387)</b>	<b>(\$3,301)</b>

<sup>(1)</sup> Excludes Public Assistance    <sup>(2)</sup> Excludes Medicaid    <sup>(3)</sup> Reflects Total Funds for January 2002 Plan for 2005