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Director

TESTIMONY OF DEAN FULEIHAN, DIRECTOR, MAYOR'S OFFICE OF MANAGEMENT AND BUDGET OF THE CITY OF NEW YORK TO THE CITY COUNCIL ON THE PRELIMINARY BUDGET FISCAL YEAR 2018

March 2, 2017

Thank you Speaker Melissa Mark-Viverito, Finance Chair Julissa Ferreras-Copeland, members of the Finance Committee, and members of the City Council for the opportunity to testify here today on the Mayor's Fiscal Year 2018 Preliminary Budget. I also want to thank Latonia McKinney and the Council Finance staff for their positive and collaborative approach to the budget. I'm joined at the table today by OMB First Deputy Director Larian Angelo, and many of our dedicated and hard-working OMB staff to assist me in answering questions.

On behalf of the Mayor and the Administration, we are grateful for our partnership over the past three years, particularly as we enter a period of uncertainty at the federal level.

Since the start of this Administration, the City's economy has demonstrated both resiliency and diversity.

- We have seen employment growth of 130,000 jobs in 2014, 119,000 in 2015, and 90,000 in 2016, outperforming US employment growth by nearly 3 percentage points. In the first half of 2016, we saw private employment growth in all boroughs. We are now at 4.3 million jobs, the highest level ever achieved within the City.

- Real median household income increased from 2014 to 2015 by $2,689, a 5.1% increase.

- The population of New York City is now 8.5 million, and increasing at the fastest rate since the 1920s. Between 2010 and 2015 we saw more people move to the City than leave, and population growth in every borough – for the first time since the 1950s.

- Our income base continues to diversify. From 2014 to 2015, nearly 33% of the City's increase in private employment, and 25% of wage earning gain, came from the education, health, and technology industries.

- Our immigrant community is the backbone of the City's economy. Foreign-born workers make up 45% of the City's labor force, and foreign-born households earned $92 billion in income in 2015 – 39% of the City's total household earnings. And 52% of the City's business owners are immigrants.

During this three year period, our Administration has worked with this Council to make strategic investments in the future of our City, establish historic levels of reserves, and promote citywide savings programs. And these efforts are producing results.

- We have placed more than 2,000 police officers trained in neighborhood policing on the street.

- We have financed more than 62,500 affordable homes.
    - 23,200 units were constructed in FY 2016 alone. This is the most affordable housing financed in one year in 25 years, and;
    - Created NYC15, a new supportive housing program that generates 1,000 units per year. Over a 15-year period, this will create 15,000 supportive housing units.

- We have enrolled 70,000 four-year old children in quality universal Pre-K.

- In 2016 we saw highest ever high school graduation rates, lowest ever high school drop-out rates, and the class of 2015 achieved our highest ever post-secondary enrollment rate.

- In addition, we are achieving healthcare savings of $3.4 billion through FY 2018, and $1.3 billion thereafter, by working with our partners at the Municipal Labor Committee to make better use of health care resources – the first significant changes to the City's health plans in decades.

In the Preliminary Budget presentation, the Mayor spoke about the deep uncertainty and risks we face from federal actions. We may see cuts to safety net programs that New Yorkers rely on for housing, education, public safety, healthcare, and more. The Administration is actively and closely working with Senators Schumer and Gillibrand, members of our Congressional delegation, and of course the City Council, to challenge events in Washington. Together, we will fight to protect the resources that directly and indirectly touch the lives of all New Yorkers.

Additionally, last month the President issued an executive order that threatens to withhold federal grant funding from cities. The Mayor has made his objections clear, and we will raise a legal challenge to any reduction of federal aid related to implementation of this order.

We recently asked Congress for reimbursement of $25.7 million in costs associated with securing Trump Tower by both the NYPD and FDNY during the presidential transition. We are also seeking reimbursement of costs associated with post-Inauguration expanded security coverage during the First Family's residence in Trump Tower, and Presidential visits.

Facing uncertainty in Washington and slow national economic growth, we approach the FY 2018 Preliminary Budget with caution by:

- Maintaining historic reserves,

- Cautiously estimating both revenue and debt service,

- Expanding our savings program, and

- Making necessary investments that strengthen New York's future.

Our FY 2018 Preliminary Expense Budget is $84.67 billion. It funds New Yorker's priorities – and it does so responsibly.

The Administration, working with the Council, has maintained historic levels of reserves.

- We have funded the general reserve at $1 billion a year over the next four years. The general reserve was traditionally funded at less than a third of that amount on an annual basis.

- The Capital Stabilization Reserve will become $250 million for each year of the four-year financial plan.

- We have maintained the Retiree Health Benefits Trust Fund at $4 billion, $3.3 billion of this was achieved during this administration as the result of actions we have taken together over the past three years.

Building on the success of the $1 billion of savings recognized in the November Plan, we will realize an additional $1.1 billion in the FY 2018 Preliminary Budget. And going forward, the Mayor has instructed OMB to come back at the Executive Budget with another $500 million in savings.

And these savings are in addition to the work we continue to do with the Municipal Labor Committee to find more efficient ways of delivering healthcare to our employees in order to improve health care outcomes and reduce costs. We will realize $1 billion in savings for FY 2017 and $1.3 billion in FY 2018 by securing reductions in the cost of specialty drugs, enhanced care management programs, radiology services, durable medical equipment fees, and more. Additionally, based upon careful evaluation of data, we have changed co-pays to encourage the use of primary care and preventative services in place of over-utilized emergency room or urgent care visits.

We continue to budget strategically, and we remain focused on critical areas including public safety, education, and social services.

- To help the NYPD keep New Yorkers safe, we are investing in bullet-resistant window inserts for all 3,813 NYPD patrol cars.

- We will upgrade the Rodman's Neck NYPD training facilities to better prepare them for the realities of contemporary policing. At the same time we will make improvements that suppress outdoor firing range noise.

- The Gun Violence Crisis Management System, in partnership with the City Council, will be expanded to reach more at-risk youth in neighborhoods with the highest rates of gun violence.

- The NYPD will be responsible for the management and training of homeless shelter security staff.

- We are hiring 200 school crossing guards, and 100 supervisors, to ensure coverage at every City school crossing post.

The Mayor is keeping his commitment to keep our streets safe for all New Yorkers by adding to his Vision Zero program:

- We will improve safety through street re-designs.

- We will add 15 million linear feet of markings every year and ensure existing markings don't fade away.

- We are investing in new street lighting, re-configuring traffic signals, and improving safety at target intersections.

- We will install left turn calming measures at 100 high-risk intersections a year.

- I would be remiss if I didn't thank our partners in the City Council for their steadfast support of Vision Zero.

The Mayor continues to address needs of public schools and younger New Yorkers by making key investments in his Equity and Excellence agenda. We have added funding for 38,487 public school seats to address the current seat gap, fulfilling the Mayor's commitment to increase capacity. And we will support education in our Computer Science for All program by investing in better and faster internet service for public schools.

To help achieve universal literacy by the end of the 2nd grade, we are expanding our investment in Summer in the City, and providing funding to serve an additional 4,400 2nd graders this summer, bringing the total number of students served in this DOE summer program to 29,800.

The Preliminary Budget builds upon the significant investments that this administration and the City Council have already made to the Summer Youth Employment Program. We will be adding 5,000 slots to SYEP, bringing the total to 65,000. Since the beginning of this administration, we have increased the program by approximately 30,000 new slots. This creates the highest number of jobs for NYC youth in the program's 53-year history.

In addition, we will be investing funds to make sure that the same number of children can participate in the SONYC program as last summer. And to help our immigrant community, we have increased staffing for the ActionNYC hotline that provides information about immigration law.

The human services providers that contract with the City strengthen the social fabric of the City. We are providing over 90,000 employees of human services vendors a 6.12% wage increase that will be phased in by 2020. In combination with the administration's prior actions to increase wages in this sector, employees will receive a wage increase of almost 9% by 2020 for all, and a higher base minimum wage. This will provide the greatest gains to the lowest paid workers.

In addition, this administration has increased funding to social services by, increasing service reimbursement rates for Beacons, Early Learn, Homeless Shelters and senior meals, an instituting new processes to address repair, maintenance and other facility needs for homeless shelters, child care and senior centers.

Our Preliminary 10-Year Capital Strategy is $89.6 billion – and reflects City long term capital planning and investments through FY 2027 that strengthen our economy. Our capital planning has prioritized: modernizing aging infrastructure, supporting growth and preserving affordability, expanding access to education and economic opportunity, restoring and protecting our waterfront, promoting health and safety, and building stronger connections between communities.

We are investing in projects that:

- Repair 729 roofs at NYCHA developments across the City over the next ten years.

- Keep the Mayor's commitment to complete the third water tunnel, and ensure redundancy in our system.

- Help neighborhoods in Southeast Queens long plagued by chronic flooding.

- Ensure that four East River bridges, and approximately 100 other bridge structures, are maintained in a state of good repair.

- Protect ferry vessels and facilities by investing in rehabilitation and renovation to terminal buildings, slips, and racks.

- Pave 1,300 lane miles of NYC roads every year through FY 2019, continuing the highest level of repaving in over 25 years.

To fund our Capital Budget, we continue to estimate debt service cautiously, and ensure that debt service does not exceed 15% of City tax revenue – the benchmark of responsible capital financing in the City for years.

Finally, the Mayor announced a number of new initiatives in his State of the City address, which will be part of the upcoming Executive Budget.

- Working with members of the Council, we announced Access to Counsel for every tenant facing eviction in NYC Housing Court. That means that we will be taking a $6 million investment in 2014 and increasing it to $62 million in FY 2018, which will grow to $155 million in 2022.

- We will be making an investment within Housing New York to create 10,000 apartments for New Yorkers earning less than $40,000, including seniors and veterans.

- We will be adding funds to create the Made in NYC Campus, a fashion hub and film studio in Sunset Park.

- We are going to train New Yorkers to retrofit buildings and boost our green construction industry, and;

- The Mayor proposed a Mansion Tax which, if enacted, would provide 25,000 seniors with subsidized rent.

In conclusion, the Fiscal Year 2018 Preliminary Budget reaffirms the commitment that the Mayor and City Council both share to fiscal responsibility. We believe that this commitment will be a critical asset as we move into a period of uncertainty at the federal level, and we will continue to work together to address those challenges.

I want to thank you again for the opportunity to testify today.

And now, we look forward to your questions.

City Council Finance Committee Hearing

Preliminary Budget Hearing on FY 2018 Budget

Michael Hyman

First Deputy Commissioner

New York City Department of Finance

March 2, 2017

Good morning, Chairwoman Ferreras-Copeland and members of the City Council Committee on Finance. I am Michael Hyman, First Deputy Commissioner at the New York City Department of Finance (DOF). I am joined today by Jeffrey Shear, Deputy Commissioner for Treasury and Payment Services, and Samara Karasyk, Assistant Commissioner for External Affairs. Thank you for the opportunity to testify before you today on our Fiscal Year 2018 Preliminary Budget.

I am pleased to report that New York City's finances are currently stable. Through January, the City collected $39.5 billion, which is 2.8 percent more than the same period last year. As of January 2017, the unrestricted cash balance for the City is $11.1 billion.

The City's more economically sensitive taxes are showing some signs of weakness. Estimated payments, which are a key component of the personal income tax, declined by 13.7 percent in the first seven months of FY '17 – after going down 4.6 percent in the previous year, which came off record high levels. The Real Property Transfer Tax, which is an indicator of the health of the real estate market, has declined by 15 percent so far this fiscal year, down from an average growth rate of 19 percent in the previous three fiscal years. Put simply, while the City's finances are fine in the short term, there are some local economic uncertainties and risks related to the still developing national economic policies of the new administration. So we should approach the FY '18 Executive Budget and financial plan with caution. We will continue to closely monitor tax collections, and we will brief the Council as warranted.

What we are very certain about is our commitment to employing all necessary tools, resources and business strategies to continue building a customer-friendly agency. The NYC Department of Finance has been focused on adherence to specific guiding principles that promote transparency, efficiency, and fairness. As a result, the entire agency has undergone a paradigm shift in how we operate, how we navigate challenges, and how we serve and respond to the needs of the public. We have strengthened many of our internal systems, initiated a number of new programs, and created policies that have not only upgraded services for New York City residents, but have also improved how customers engage with us.

At the same time, we have enjoyed building a collaborative relationship with the New York City Council as we have worked together to make improvements to programs and policies that benefit all New Yorkers. All of these efforts have been driven by the goal of improving and enhancing the overall customer experience of individuals who interact with the Department of Finance. I am excited to share the results and accomplishments of our work with you today.

Over the last decade, we have witnessed the importance of technology in driving unique and efficient customer experiences in every area of business. At this agency, we have maintained that government should be no exception. In the last two and a half years, the Department of Finance has made significant investments in technology to create new apps, and purchase cutting-edge software and digital mapping tools. We have also expanded our various e-services, including mobile and electronic processing platforms, to match customer expectations in the 21st century marketplace.

Our year old state-of-the-art Business Tax System completely transformed the way tax practitioners transact with our agency. For the first time, these practitioners have direct access to business taxpayer accounts and perform many transactions online in a seamless and secure environment.

This new system also allowed us to issue more than 100,000 business tax refunds over the past year – a 400 percent increase in the number of refunds and a 13 percent increase in the value of refunds given. The average time for processing business refunds also dropped by 71 percent. As you might imagine, these refunds have been a nice surprise for many of our customers.

To help us generate the most accurate property tax assessments for New York City's 1.2 million parcels, we are exploring a range of new technology such as Streetscape Imagery, 3D Digital Tax Mapping and Cyclomedia, which is unique software that provides high resolution and angular imagery, accurate measurements, and geo-coded parcels for precise address location. These tools will make our assessors' jobs easier and their reporting more accurate.

Technology enhancements will also benefit New York City motorists in particular, by means of greater mobile access. DOF's new parking app will launch next month and will allow New York City drivers to pay their tickets or dispute them by uploading evidence – all from the palm of their hand.

Technology may be central to driving our customer-centric agenda, but it is no more important than the relationships with our stakeholders and partners who help provide customer perspective and engagement in all that we administer and propose for legislation. Over the last two and a half years, in collaboration with the New York City Council, we have made tremendous improvements to several programs that impact thousands of New Yorkers, including the annual Tax Lien Sale, our exemption programs for renters and homeowners, and our one-time Forgiving Fines: NYC Amnesty Program for ECB violations.

Our joint efforts included the creation of the Tax Lien Sale Task Force (mandated by Local Law 14 of 2015 and comprised of representatives from both the City Council and the Administration), which issued a report in September 2016 identifying concerns and recommending specific actions to improve the lien sale. These included notifying property owners when they are at risk of defaulting on their payment agreements, permitting monthly, in addition to, quarterly payment plans, and providing resources for financial counseling at lien sale events. The results of the taskforce are also reflected in Local Law 4 of 2017, enacted in January, which makes additional improvements to the lien sale process, reduces interest charges for liens sold, and re-authorizes the tax lien sale for four years.

As Commissioner Jiha mentioned in his testimony in favor of Local Law 4, DOF is continuing to research payment plan options to better serve senior property owners living on fixed incomes and all others experiencing economic hardship by examining best practices throughout the country. We look forward to sharing our findings and proposals with the Council.

DOF has seen evidence that robust outreach and improved processes enhance property tax compliance, and therefore reduce the number of properties in the initial tax lien sale pool. For the past three years, the number of properties at the 90-day notice mark has decreased from 27,233 in 2015 and 24,202 in 2016 to 22,639 this year, representing a 16.8 percent total reduction in three years. The number of liens sold also decreased from 4,228 in 2015 to 3,461 in 2016. It is our goal to extend this trend and we look forward to continued collaboration with the City Council on reducing the numbers of lien sale properties.

Another successful partnership effort was the 90-day Forgiving Fines: New York City Amnesty Program for ECB judgment violations (made possible by Council legislation), which forgave interest and 100 percent of default penalties for debtors who complied with the program's terms and conditions. As a result, DOF collected $45 million dollars associated with 128,000 paid violations. I'd like to thank Council Members Julissa Ferreras-Copeland, Ben Kallos, and Peter Koo for helping us spread the word and raise awareness about the program.

Now that the amnesty program is over, DOF is ramping up enforcement for unpaid and uncontested violations issued by the Department of Sanitation, the Department of Buildings, and other city agencies. Enforcement efforts for violations in judgment will include referrals to the City Marshals and City Sheriff for collection.

In January, we testified on the New York City Rent Freeze Program and highlighted many of our improvements to this renters' tax exemption.

One significant enhancement has been the revision of all applications, making them easier to understand and complete. The feedback from applicants and advocates has been very positive. The newly designed applications and other program-related materials now include information on how people with disabilities can receive assistance through the Department of Finance's Disability Service Facilitator. In addition, DOF has provided more space and better accessibility at the SCRIE/DRIE walk-in center in Lower Manhattan, allowing customers to ask questions and seek assistance when completing forms. We are scheduled to pilot similar walk-in units in the outer boroughs starting this summer, and will continue partnering with many Council Members and community organizations on our outreach strategies to drive enrollment into the program.

Thanks to the City Council's support, last fall, DOF also started the renewal process for the Senior Citizen Homeowner Exemption and Disabled Homeowner Exemption Programs (SCHE/DHE). We sent letters to approximately 52,000 SCHE participants and 5,000 DHE participants. About half of those mailed have responded. Last month, DOF followed up with letters to the non-responders to encourage them to submit renewals applications by the March 15th deadline. It is crucial that every eligible property owner renews to avoid a break in their benefits. Although we realize that reinstituting renewals will negatively impact some people who no longer qualify for the program, we are working to minimize that impact by applying the eligibility requirement prospectively.

In addition to providing exemptions for renters and homeowners, DOF continues to work diligently to protect property owners from losing their homes because of deed fraud. Just yesterday, the NYC Sheriff and the Queens District Attorney announced the indictments of nine individuals for deed fraud by the Queens County Grand Jury. Those indicted were supposed to help protect people--including three attorneys and two real estate corporations that in fact were preying on vulnerable homeowners including a U.S. Veteran, a single mother of five, and a senior citizen. These indictments account for the theft of 10 properties with property values of over $4 million. Since the Sheriff's office entered into the review process of deed applications almost three years ago, 1,707 cases have been referred to their office for investigation. Of these cases, 944 have been closed, 92 have become criminal investigations, and 671 are ongoing investigations. We have made 29 arrests for 41 properties with a total market value of about $24 million. While we are doing all we can with the tools and resources at our disposal, we are working to secure deed fraud legislation at the state level that will provide increased transparency and accountability with notarial record keeping,

Transparency and accountability, as well as efficiency and fairness, are what support the overall mission and the business strategies at the agency. As part of our annual strategic planning process, DOF has developed dozens of projects that include improvements to technology, process re-engineering, operational effectiveness, investment in employees, and agency preparedness for 21st century challenges.

In 2017, DOF will be working hard to implement these projects with the goal of providing exceptional customer service to help New Yorkers better access benefits, address their questions and concerns, and be able to comply with ease and a full understanding of what is required. I'd like to take this opportunity to thank the DOF staff for their tireless dedication to ensuring that New Yorkers are treated fairly and respectfully.

Thank you for the opportunity to testify before you today. At this time, I am happy to take your questions.

THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

TESTIMONY OF NEW YORK CITY COMPTROLLER
SCOTT M. STRINGER

COMMENTS ON NEW YORK CITY'S FY 2018
PRELIMINARY BUDGET
BEFORE THE
NEW YORK CITY COUNCIL FINANCE COMMITTEE

March 2, 2017

Thank you, Chair Ferreras-Copeland and members of the Finance Committee. I welcome the opportunity to discuss the Comptroller's analysis of the City's FY 2018 Preliminary Budget.

Joining me is our Deputy Comptroller for Budget, Preston Niblack.

My testimony today will focus on:

-- The state of the City's economy
-- The Comptroller's assessment of the Preliminary Budget
-- And the budgetary risks on the horizon.

First, let's discuss the state of our economy.

The good news is, in terms of job growth, the current expansion will go on record as one of the strongest in recent history. The city has created 635,000 private-sector jobs since 2009, reaching an historic high of nearly 4.4 million total jobs in 2016. That's an average of 90,000 new jobs each year. Unemployment rates are down across all five boroughs.

The bad news is, the benefits of this growth have not reached all New Yorkers. We've added the most jobs in the sectors with the lowest wages, such as retail, bars and restaurants, and healthcare – and these sectors have seen little or no growth in their earnings after adjusting for inflation. In contrast, sectors such as information, finance, and professional services, which pay four times as much, have added one-third as many jobs, and have seen wage increases that outpace inflation, often substantially.

As we look ahead to our forecast of the City's economy over the financial plan period, my office expects the economic expansion to continue, but the rate of that growth will continue to slow down, as it has in the last two quarters. The rate of job creation will be lower than the record levels of the last several years.

In our forecast, we assumed that the Trump administration and the Republican-controlled Congress will enact federal income and corporate tax cuts, and higher defense and infrastructure spending. This will provide some short-term stimulus to the economy, and we expect economic growth will be sustained at better than 2 percent this year and next as a result.

The problem is, with the economy finally operating close to full employment, that stimulus boost will likely be short-lived. Overheating the economy will ultimately result in higher interest rates and a stronger dollar – which will slow growth starting in 2019, in our forecast. And if President Trump forges ahead with his threats to restrict trade and immigration, we'll likely see an even more drastic slowdown in the years to come.

Let me turn now to the City Budget ...

Mayor de Blasio's Preliminary Budget for 2018 includes a number of new initiatives that I support, from hiring school crossing guards, to providing our schools with better internet access, funding measures to protect our police officers and residents from gun violence, and making investments in our public housing. These are all important priorities. But as I will discuss in more detail, I am concerned that, in the face of the threat of federal budget cuts and a slowing economy, we need to do more to prepare for the possibility of challenging times ahead.

Spending in 2018, adjusted for prepayments, is set to rise 2.2 percent. Over the financial plan period, the City projects that total expenditures will grow by 3 percent per year on average, reaching $95.6 billion by FY 2021. Total revenues, however, are projected to grow more slowly, at a 2.5 percent average rate.

The mayor's office expects total tax revenues to grow by 4.3 percent per year on average, to $64.9 billion in FY 2021. My office also expects tax revenue growth to average 4.3 percent, although on a slightly different trajectory. Consistent with our economic forecast, we expect growth to be slightly higher this year and next, then to slow down in the outyears of the plan. Our forecast is consistently higher than OMB's, largely on the strength of personal income tax revenues next year, and a higher projection of property tax revenues in future years.

However, our expectation of higher tax revenues is offset by our skepticism regarding two elements of the Mayor's revenue assumptions. First, the mayor continues to ignore the legislation enacted in last year's State budget that reduced City sales tax revenues by $600 million over three years, related to the 2014 refinancing of so-called STAR-C bonds. Although he recognized $200 million of this "intercept" so far, the remaining $400 million must be considered at risk.

Secondly, we also believe the City is unlikely to realize the taxi medallion sales assumed in the financial plan, which were delayed for the fourth year in a row. Given the disruption in the yellow taxi industry from for-hire car service companies, these sales – worth $731 million over the Plan period – are unlikely to occur in the current market.

On the expenditure side of the ledger, my office has also identified risks from overtime pay, Federal Medicaid reimbursement for special education services, and homeless shelters. We also anticipate that the City will continue to waive NYC Health + Hospitals payments for medical malpractice claims and fringe benefits, which have been made only once in the last four years.

Let me speak for a moment about our spending on homeless services. Citywide, spending on homelessness is projected to total $2.3 billion this fiscal year. That's nearly double what the City spent in 2014. Budgeted spending is already up $460 million this year alone, compared to what we spent in FY 2016.

About half of the increase over the last three years is for activities like anti-eviction legal services, rental assistance, and other measures that are ultimately intended to reduce our shelter population. But the other half of the increase is due to the relentlessly rising cost of shelter –

because our shelter population is growing, and because we are more and more reliant on the use of commercial hotels to house families. In Calendar Year 2016, we spent $99 million on commercial hotel rooms for the homeless. This has helped drive the average annual cost of sheltering a homeless family from $40,000 in FY 2014 to $52,000 in FY 2017 this year. The plan announced by Mayor de Blasio Tuesday aims to eventually reduce reliance on commercial hotels by opening more shelters citywide. I have spoken often about the urgent need to eliminate the use of commercial hotels, and so I welcome this. Nonetheless, the plan does not envision a significant reduction in the overall shelter population, and so we believe that shelter spending is unlikely to decline next year from this year's level.

Taken together, our revenue and expense re-estimates result in a modest addition to the surplus for FY 2017. But we are projecting slightly larger gaps than the Administration in the remaining years of the plan, starting with a gap of $141 million in FY 2018, growing to $3.7 billion in FY 2019, and then declining to $2.5 billion by FY 2021.

Our gap estimates are not significantly larger than those projected by the Mayor. But we face other risks to our budget. The biggest risk of all that confronts us is the federal budget. We've heard this week that the President could propose cutting federal non-defense discretionary spending by about 9 percent. That's equal to blowing a $670 million hole in the City budget.

And we know programs that help the poor and vulnerable are not this Administration's highest priority. As my office has reported, a wide range of City human services programs rely on federal aid for a significant share of their funding, for everything from Section 8 housing vouchers, to home energy assistance for the poor and elderly, to workforce development programs, and services for people with HIV and AIDS. And that's not to mention NYC Health + Hospitals, whose heavy reliance on Medicaid support will be seriously threatened by Medicaid cuts and repeal of the Affordable Care Act.

We will not know what the federal budget looks like until later this year, so there is no way to quantify the risk quite yet. But that does not mean we should not prepare, because we all know it's coming. And I am concerned that we are not as ready as we need to be.

The Mayor took significant steps in both November and January with the Citywide Savings Program, which totals a combined $2.1 billion in FY 2017 and FY 2018, and I applaud this. But agency efficiencies, by our reckoning, make up only 7 percent of total savings in the first two years of the plan – just $139 million. Agency savings represent just one percent of total agency spending.

A more robust savings program is one way to build up our reserves, and reduce the likelihood of cuts to city services. In years past, agencies were asked to meet specified targets for savings. I did not agree with the Bloomberg administration's approach to applying those targets across the board, but I do believe we need to ask our City agencies to work harder to identify efficiencies without impacting vital services. The Mayor has indicated that we will see an additional $500 million savings program in the Executive Budget, and it is my hope that we will see substantial recurring savings in agency budgets as a result of that exercise.

Because as things stand now, I'm concerned that our reserves are in a weaker position than they should be. Our budget cushion is the amount we have available at the beginning of each fiscal year to help us weather an economic downturn, or another big storm, like Sandy – or federal budget cuts. At the beginning of FY 2009, for example, we had built up a budget cushion equivalent to over 17 percent of spending.

We started FY 2017 with a cushion of $9.4 billion, or 11 percent of spending – including the $4 billion surplus from 2016, plus nearly $4 billion in the Retiree Health Benefits Trust Fund, and $1.5 billion in reserves. As of the Preliminary Budget, however, we would start 2018 with a cushion of only 10 percent of spending, or $8.6 billion, largely because our surplus roll is $983 million less than our surplus from FY 2016.

To reach even the bottom of the optimal range, which we consider to be between 12 percent and 18 percent of adjusted expenditures, we would need to add more than $1.7 billion to our cushion.

In conclusion, while for now our economy continues to grow, it's losing some speed, and we face unprecedented uncertainty about the future. But in the meantime, we cannot stop investing in our City. We must meet the needs of New Yorkers while also ensuring we are ready for a rainy day. By taking actions now to identify efficiencies, budget savings will compound over time, and we can prevent cuts to vital services if our worst fears come true.

Thank you very much. I'm happy to answer your questions.

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Comments on New York City's Preliminary Budget for Fiscal Year 2018 and Financial Plan for Fiscal Years 2017-2021

March 2, 2017

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The New York City economy grew 2.9 percent in 2016, outperforming the nation for the sixth time in the past seven years. Despite the robust economic growth, there are clear signs that the expansion is cooling. Job growth is starting to tail off. The 84,900 new private sector jobs created in 2016, while still strong, represents the slowest annual job growth since 2010. The strong job growth during the recovery belies the fact, however, that many of the new private sector jobs are in low wage industries, which have not experienced the large wage gains seen in higher wage sectors.

More than the usual degree of uncertainty surrounds the forecast for the future of the economy. The Comptroller's Office anticipates a modest boost to economic activity in 2017 and 2018 as a result of the fiscal stimulus promised by the new administration in Washington. While this stimulus – including personal and corporate tax cuts, and higher levels of spending on defense and infrastructure – has not yet been passed, a Republican controlled House and Senate should make passage in some form likely. Given that the economy is operating near full employment, however, the stimulus effect is likely to be short-lived, and in the longer-run, growth will slow, possibly exacerbated by restrictive trade and immigration policies. For now, we do not see the economy turning negative over our forecast horizon, but any change from our assumptions could translate into risks to our forecast.

The City's Preliminary FY 2018 Budget and Financial Plan reflects the expectation of a slowing economy. The FY 2018 Preliminary Budget totals $84.67 billion. While total-funds revenues are $99 million above the November Plan, this increase is driven by an upward revision of $369 million in Federal and State categorical grants. Tax revenues and non-tax City-funds revenues are lower than projected in November. Non-property tax revenues, which are more economically sensitive than property tax revenues, are $544 million below the November projection. This is partially offset by increases to the property tax and tax audit revenue estimates which results in a net decrease of $183 million to tax revenues. Non-property tax revenues, excluding tax audit revenues, are on net, lower in each year of the Financial Plan period than the November Plan projections. Over the Plan period, total tax revenues are projected to grow by $10.0 billion – an average annual growth rate of 4.3 percent. Consistent with the maturity of this business cycle, the projection is lower than the 5.9 percent average annual growth realized in the prior years of the economic expansion (2009-2016).

City-funds expenditures in the FY 2018 Preliminary Budget total $61.60 billion, a decrease of $2.51 billion from the November Plan estimate. This reduction results from an increase of $2.62 billion in the prepayment of FY 2018 debt service and expense reduction of $573 million from a new round of Citywide Savings Program (CSP), partially offset by agency spending increases of $427 million and a $250 million Capital Stabilization Reserve.[1] The net reduction of $2.51 billion in City-funds expenditures help

[1] The new round of Citywide Savings program also contains $7.8 million of additional revenues from CSP initiatives.

close the $2.241 billion gap projected in November and fund a $279 million decrease in City-funds revenues.

With the current round of CSP, the Financial Plan now assumes budget relief from CSP initiatives of $3.5 billion over FY 2017 through FY 2020.[2] FY 2017 and FY 2018 account for $2.1 billion of the savings, and rely on re-estimates, funding shifts and debt service for more than 90 percent of the savings; agency efficiency initiatives account for only 7 percent of the savings. However, over the FY 2017 to FY 2020 period, efficiency initiatives account for 11 percent of the savings. This is because, in general, efficiency initiatives tend to have recurring benefits. For example, among the 44 efficiency initiatives that begin in FY 2017, 39 of them (about 90 percent), totaling $24 million, are estimated to generate recurring savings of $35 million or more in each of FY 2018 through FY 2020. In contrast, less than half of the remaining 104 initiatives that begin in FY 2017 are expected to generate recurring savings in the outyears.

The Comptroller's Office's analysis of the Financial Plan shows a modest budget surplus of $45 million, after prepayments, in FY 2017, and net risks ranging from $141 million in FY 2018 to $669 million in FY 2021. The risks stem primarily from the Comptroller's Office's estimates of larger expenditures than assumed in the Plan. The Comptroller's Office estimates that overall, expenditures could be above Plan projections by $76 million in FY 2017 and $542 million in each of FY 2018 through FY 2021. The higher expenditure estimates result primarily from projections of higher overtime cost and additional expenses for the Department of Homeless Services and Health + Hospitals. The expenditure risk in FY 2017 is mitigated by the Comptroller's Office's expectation that the $300 million in the General Reserve will not be needed for budget balance.

Offsetting some of the risks are the Comptroller's higher tax revenue projections. Like the Office of Management and Budget, the Comptroller's Office projects average annual growth of 4.3 percent, but on a somewhat different trajectory over the Plan period, consistent with our economic forecast, with higher forecasts for the economically-sensitive personal income, sales, and real estate-related taxes in the short-run, followed by lower projections starting in the later part of the outyears. This difference in growth rates between the Comptroller's Office and OMB is mitigated by our projection of consistently faster growth in the real property tax, and a somewhat more optimistic outlook on business taxes, largely attributable to our assumption of a federal deregulation agenda boosting corporate profits. Overall, the Comptroller's Office expects tax revenues to be above Plan projections by $104 million in FY 2017, $367 million in FY 2018, $242 million in FY 2019, $247 million in FY 2020, and $206 million in FY 2021.

Altogether, the risks and offsets identified by the Comptroller's Office result in additional resources of $45 million in FY 2017 and gaps of $141 million in FY 2018, $3.69 billion in FY 2019, $3.03 billion in FY 2020, and $2.46 billion in FY 2021. The

[2] The November Plan CSP did not include projections for FY 2021 and the current Plan does not provide details of the FY 2021 savings from the November Plan CSP.

cumulative gaps projected by the Comptroller's Office over the five years of the Plan are $1.66 billion more than the Plan projections.

With the current climate of economic uncertainty regarding Federal policies and the threat of cuts in Federal funding, the larger outyear gaps are a cause of concern. Now, more than ever, it is essential that we have a budget cushion that will allow the City to weather a slowdown in the economy or detrimental impact of Federal policies on the budget. The current Financial Plan assumptions indicate that the City will begin the next fiscal year with a projected cushion of $8.6 billion, or 10 percent of adjusted expenditures. The Mayor has indicated that he will seek another $500 million in savings in the Executive Budget. This is a step in the right direction but the City will need to do more to build the cushion to help weather an economic slowdown. The City can do this by adding to the accumulated surplus that was rolled into the current fiscal year and to its reserves. As it stands right now, the FY 2017 Budget Stabilization Account (BSA) of $3.06 billion in the Financial Plan indicates that the City is using $983 million of the $4.04 billion accumulated surplus that was rolled into the current fiscal year. We expect the BSA to increase over the next two plans.

Table 1. FY 2017 – FY 2021 Financial Plan

($ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Changes FYs 2017 – 2021 Dollar	Percent
Revenues							
Taxes:							
General Property Tax	$24,400	$25,831	$27,492	$28,816	$30,125	$5,725	23.5%
Other Taxes	$29,442	$30,354	$31,512	$32,881	$34,012	$4,570	15.5%
Tax Audit Revenues	$1,041	$850	$721	$721	$721	($320)	(30.7%)
Subtotal: Taxes	$54,883	$57,035	$59,725	$62,418	$64,858	$9,975	18.2%
Miscellaneous Revenues	$6,835	$6,362	$6,602	$6,804	$6,807	($28)	(0.4%)
Unrestricted Intergovernmental Aid	$57	$0	$0	$0	$0	($57)	(100.0%)
Less: Intra-City Revenues	($2,039)	($1,786)	($1,781)	($1,787)	($1,787)	$252	(12.4%)
Disallowances Against Categorical Grants	$200	($15)	($15)	($15)	($15)	($215)	(107.5%)
Subtotal: City-Funds	$59,936	$61,596	$64,531	$67,420	$69,863	$9,927	16.6%
Other Categorical Grants	$980	$856	$847	$837	$833	($147)	(15.0%)
Inter-Fund Revenues	$655	$658	$658	$595	$593	($62)	(9.5%)
Federal Categorical Grants	$8,826	$7,012	$6,811	$6,809	$6,781	($2,045)	(23.2%)
State Categorical Grants	$14,417	$14,546	$15,008	$15,404	$15,718	$1,301	9.0%
Total Revenues	$84,814	$84,668	$87,855	$91,065	$93,788	$8,974	10.6%
Expenditures							
Personal Service							
Salaries and Wages	$25,829	$27,316	$28,796	$29,634	$30,222	$4,393	17.0%
Pensions	$9,413	$9,819	$10,100	$10,152	$10,170	$757	8.0%
Fringe Benefits	$9,606	$10,258	$10,981	$11,920	$12,701	$3,095	32.2%
Subtotal-PS	$44,848	$47,393	$49,877	$51,706	$53,093	$8,245	18.4%
Other Than Personal Service							
Medical Assistance	$5,915	$5,915	$5,915	$5,915	$5,915	$0	0.0%
Public Assistance	$1,584	$1,594	$1,605	$1,617	$1,617	$33	2.1%
All Other	$28,801	$26,776	$27,001	$26,914	$27,121	($1,680)	(5.8%)
Subtotal-OTPS	$36,300	$34,285	$34,521	$34,446	$34,653	($1,647)	(4.5%)
Debt Service							
Principal	$2,175	$2,216	$2,186	$2,319	$2,271	$96	4.4%
Interest & Offsets	$2,026	$2,141	$2,267	$2,514	$2,721	$695	34.3%
Subtotal Debt Service	$4,201	$4,357	$4,453	$4,833	$4,992	$791	18.8%
FY 2016 BSA & Discretionary Transfers	($4,038)	$0	$0	$0	$0	$4,038	(100.0%)
FY 2017 BSA	$3,055	($3,055)	$0	$0	$0	($3,055)	(100.0%)
TFA Debt Service							
Principal	$829	$997	$1,304	$1,312	$1,355	$526	63.4%
Interest & Offsets	$1,357	$1,228	$1,544	$1,815	$2,026	$668	49.2%
Subtotal TFA	$2,186	$2,225	$2,848	$3,127	$3,381	$1,194	54.6%
Capital Stabilization Reserve	$0	$250	$250	$250	$250	$250	NA
General Reserve	$300	$1,000	$1,000	$1,000	$1,000	$700	233.3%
	$86,853	$86,454	$92,949	$95,362	$97,368	$10,516	12.1%
Less: Intra-City Expenses	($2,039)	($1,786)	($1,781)	($1,787)	($1,787)	$252	(12.4%)
Total Expenditures	$84,814	$84,668	$91,168	$93,575	$95,581	$10,768	12.7%
Gap To Be Closed	**$0**	**$0**	**($3,313)**	**($2,510)**	**($1,793)**	**($1,793)**	**NA**

Table 2. Plan-to-Plan Changes
January 2017 Plan vs. November 2016 Plan

($ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020
Revenues				
Taxes:				
General Property Tax	$172	$227	$387	$449
Other Taxes	($107)	($544)	($384)	($125)
Tax Audit Revenues	$300	$134	$5	$5
Subtotal: Taxes	$365	($183)	$8	$329
Miscellaneous Revenues	$211	($80)	($93)	$6
Unrestricted Intergovernmental Aid	$57	$0	$0	$0
Less: Intra-City Revenues	($78)	($8)	($9)	($8)
Disallowances Against Categorical Grants	$215	$0	$0	$0
Subtotal: City-Funds	$770	($271)	($94)	$327
Other Categorical Grants	$8	$0	$0	($1)
Inter-Fund Revenues	$0	$1	$63	$1
Federal Categorical Grants	$292	$213	$173	$171
State Categorical Grants	$287	$156	$148	$58
Total Revenues	$1,357	$99	$290	$556
Expenditures				
Personal Service				
Salaries and Wages	$14	$89	$86	$90
Pensions	($9)	($11)	($10)	($9)
Fringe Benefits	($30)	$36	$91	$82
Subtotal-PS	($25)	$114	$167	$163
Other Than Personal Service				
Medical Assistance	$0	$0	$0	$0
Public Assistance	$0	$0	$0	$1
All Other	$129	$453	$389	$356
Subtotal-OTPS	$129	$453	$389	$357
Debt Service				
Principal	$0	$0	$47	$49
Interest & Offsets	($48)	($86)	($132)	($128)
Subtotal Debt Service	($48)	($86)	($85)	($79)
FY 2016 BSA and Discretionary Transfers	$0	$0	$0	$0
FY 2017 BSA	$2,616	($2,616)	$0	$0
TFA				
Principal	$0	($0)	($0)	($0)
Interest & Offsets	($37)	($249)	$1	$7
Subtotal TFA	($37)	($249)	$1	$7
Capital Stabilization Reserve	($500)	$250	$250	$250
General Reserve	($700)	$0	$0	$0
	$1,435	($2,134)	$723	$698
Less: Intra-City Expenses	($78)	($8)	($9)	($8)
Total Expenditures	$1,357	($2,142)	$714	$690
Gap To Be Closed	**$0**	**$2,241**	**($424)**	**($134)**

Table 3. Plan-to-Plan Changes
January 2017 Plan vs. June 2016 Plan

($ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020
Revenues				
Taxes:				
General Property Tax	$172	$227	$387	$449
Other Taxes	($259)	($544)	($384)	($125)
Tax Audit Revenues	$327	$136	$7	$7
Subtotal: Taxes	$240	($181)	$10	$331
Miscellaneous Revenues	$428	($72)	($76)	$27
Unrestricted Intergovernmental Aid	$57	$0	$0	$0
Less: Intra-City Revenues	($275)	($22)	($22)	($22)
Disallowances Against Categorical Grants	$215	$0	$0	$0
Subtotal: City-Funds	$665	($275)	($88)	$336
Other Categorical Grants	$127	$19	$12	$6
Inter-Fund Revenues	$9	$14	$76	$14
Federal Categorical Grants	$1,153	$201	$131	$191
State Categorical Grants	$744	$253	$245	$155
Total Revenues	$2,698	$212	$376	$702
Expenditures				
Personal Service				
Salaries and Wages	$84	$103	$47	$52
Pensions	($9)	$109	$248	$369
Fringe Benefits	($73)	$4	$49	$41
Subtotal-PS	$2	$216	$344	$462
Other Than Personal Service				
Medical Assistance	$0	$0	$0	$0
Public Assistance	$0	($8)	($8)	($7)
All Other	$1,351	$383	$335	$358
Subtotal-OTPS	$1,351	$375	$327	$351
Debt Service				
Principal	$0	$0	$47	$49
Interest & Offsets	($155)	($103)	($149)	($157)
Subtotal Debt Service	($155)	($103)	($102)	($108)
FY 2016 BSA and Discretionary Transfers	($44)	$0	$0	$0
FY 2017 BSA	$3,055	($3,055)	$0	$0
TFA				
Principal	$0	$26	$52	$53
Interest & Offsets	($37)	($290)	($105)	($100)
Subtotal TFA	($37)	($264)	($53)	($47)
Capital Stabilization Reserve	($500)	$250	$250	$250
General Reserve	($700)	$0	$0	$0
	$2,973	($2,582)	$766	$908
Less: Intra-City Expenses	($275)	($22)	($22)	($22)
Total Expenditures	$2,698	($2,604)	$744	$886
Gap To Be Closed	**$0**	**$2,816**	**($368)**	**($184)**

Table 4. Risks and Offsets to the January Financial Plan

($ in millions, positive numbers decrease the gap and negative numbers increase the gap

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
City Stated Gap	**$0**	**$0**	**($3,313)**	**($2,510)**	**($1,793)**
Tax Revenues					
Property Tax	$0	$34	$285	$572	$673
Personal Income Tax	48	258	90	(105)	(157)
Business Taxes	(56)	76	95	123	68
Sales Tax	50	68	31	(65)	(106)
State Sales Tax Intercept	(50)	(200)	(150)	0	0
Real Estate-Related Taxes	112	131	(109)	(278)	(272)
Subtotal Tax Revenues	**$104**	**$367**	**$242**	**$247**	**$206**
Non-Tax Revenues					
ECB Fines	$12	$24	$24	$24	$24
Late Filing/No Permit Penalties	5	5	5	5	5
Motor Vehicle Fines	0	5	5	5	5
Taxi Medallion Sales	0	0	(107)	(257)	(367)
Subtotal Non-Tax Revenues	**$17**	**$34**	**($73)**	**($223)**	**($333)**
Total Revenues	**$121**	**$401**	**$169**	**$24**	**($127)**
Expenditures					
Overtime	($276)	($215)	($215)	($215)	($215)
DOE Medicaid Reimbursement	(20)	(70)	(70)	(70)	(70)
Homeless Shelters	0	(132)	(132)	(132)	(132)
NYC Health + Hospitals	(165)	(165)	(165)	(165)	(165)
Public Assistance	15	10	10	10	10
Debt Service Savings	70	30	30	30	30
General Reserve	300	0	0	0	0
Subtotal	**($76)**	**($542)**	**($542)**	**($542)**	**($542)**
Total (Risks)/Offsets	**$45**	**($141)**	**($373)**	**($518)**	**($669)**
Restated (Gap)/Surplus	**$45**	**($141)**	**($3,686)**	**($3,028)**	**($2,462)**

II. The State of The City's Economy

The U.S. economy ended 2016 on a weak note. The new federal administration's anticipated agenda, which includes new fiscal stimulus and broad deregulation, is expected to provide a temporary boost to economic growth in 2017 and 2018.

However, higher short-term economic growth is likely to raise the inflation rate and lead to higher interest rates. Economic growth is sensitive to higher interest rates and the result will be for growth to tail off from 2019 to 2021. The risks to the economy include the negative impact of potential U.S. protectionist policies and the strong dollar.

We expect the City's economy to mirror the national trend with an increase in growth in 2018 tailing off afterward.

A. U.S. ECONOMIC OUTLOOK

The U.S. economy has been locked in a pattern of slow and steady growth since the end of the Great Recession. Economic growth, as measured by the change in real gross domestic product (GDP), has been averaging 1.8 percent per year since 2001. Given the current economic momentum, this growth pattern was expected to continue in 2017 and 2018. However, this pattern is now expected to change because of federal tax cuts, spending increases for defense and infrastructure, reduction in regulation, and possible restrictions on trade and immigration. With Republicans holding both the Senate and the House, there is a high likelihood that President Trump could do most of what he has proposed.

In general, these policies are expected to boost economic growth in the U.S. through 2018. However, there is uncertainty about the timing, size and composition of those economic policy initiatives as well as how those policies might affect aggregate demand and supply.

Increasing output, in 2017 and 2018, is expected to be fueled by increases in consumer spending, private investment, and government expenditure. Consumer spending is expected to increase as a result of a tighter job market, higher wages, and tax cuts. Private investment is expected to get a lift from corporate tax cuts and deregulation. Government expenditure is expected to increase because of defense and infrastructure spending. The main risks to the economy are potential U.S. protectionist policies and a stronger dollar which hurts exports. Other risks include a possible sharp rise in interest rates, low productivity growth, and geopolitical risks such as a Chinese recession or a breakup of the Eurozone.

The U.S. economy grew at an annual rate of 1.9 percent in the fourth quarter of 2016, the unemployment rate fell to 4.7 percent in December, and average hourly earnings were 2.7 percent higher in the fourth quarter of 2016 than they were a year earlier. Payroll jobs have been growing for the past 76 months, the longest uninterrupted growth since 1939, adding an average of 200,000 jobs per month since October 2010.

Consumer spending, which makes up about 70 percent of the economy, grew 2.7 percent in 2016, above the 2.3 percent average for the past seven years. This growth is expected to continue to be fueled by a strong labor market, increases in wages, the wealth effect from rises in the stock market and home prices, and proposed tax cuts by President Trump and Congressional Republicans.

Private investment is expected to increase in 2017 and 2018 despite higher interest rates as a result of corporate tax cuts and deregulation proposed by President Trump. After falling 5.6 percent in the first half of 2016, private investment recovered to grow 6.9 percent in the second half. Residential investment, which grew 4.9 percent in 2016, is expected to continue growing in 2017 and 2018. Increases in investment in equipment and intellectual property are expected to continue. Net exports, which is exports minus imports, are expected to have a negative impact on GDP growth. Imports grew faster than exports, 1.1 percent compared to 0.4 percent, in 2016. Going forward, a strong dollar would raise the price of U.S. exports and widen the trade deficit reducing GDP growth.

Government expenditures grew 0.9 percent in 2016. It was the state and local government sectors that contributed the most to the GDP growth. President Trump's promise to increase defense and infrastructure spending could boost government expenditure going forward depending, in part, on congressional sensitivity to deficit spending.

U.S. jobs grew 1.7 percent and added an average of about 190,000 jobs per month in 2016. U.S. job growth is expected to continue but at a slower pace. The slack in the labor market is expected to disappear in the next two years, absorbing most of the roughly 1.1 million increase since 2007 of individuals who are not in the labor force but want a job. A tighter labor market will lead to increasing wages. The employee cost index, which measures the average cost of an hour of labor, including wages, salaries, and benefits, rose 2.2 percent in 4Q16 over 4Q15. Average hourly earnings of all private workers rose 2.5 percent in 2016, the highest increase since 2009.

Increases in employee compensation can be inflationary. The inflation rate, as measured by the consumer price index for all urban consumers, was 1.3 percent in 2016, higher than the 0.1 percent registered in 2015. The inflation rate was suppressed by a decline in energy prices which also lowered transportation prices. The core inflation rate, which includes all items less food and energy, was 2.2 percent in 2016, the highest since 2008 and very close to the 2 percent target set by the Federal Reserve to support stability in prices and maximum employment.

The higher inflation rate should help the Federal Reserve with its interest-rate normalization program. The Fed projected in December 2016 that it would raise rates three times in 2017. However, the uncertainty about President Trump's fiscal policies and the absence of persistent wage inflation so far could make that monetary policy action less certain.

In addition to rising short-term rates, long-term rates, as measured by the yield on 10-year Treasury notes, have increased since last year and have caused concern for the housing market. Rising interest rates have pushed mortgage rates higher. Higher mortgage rates lower the refinancing volume and sales activity, but do not necessarily lower home prices.[3] Home prices are sensitive to household income which is expected to rise.

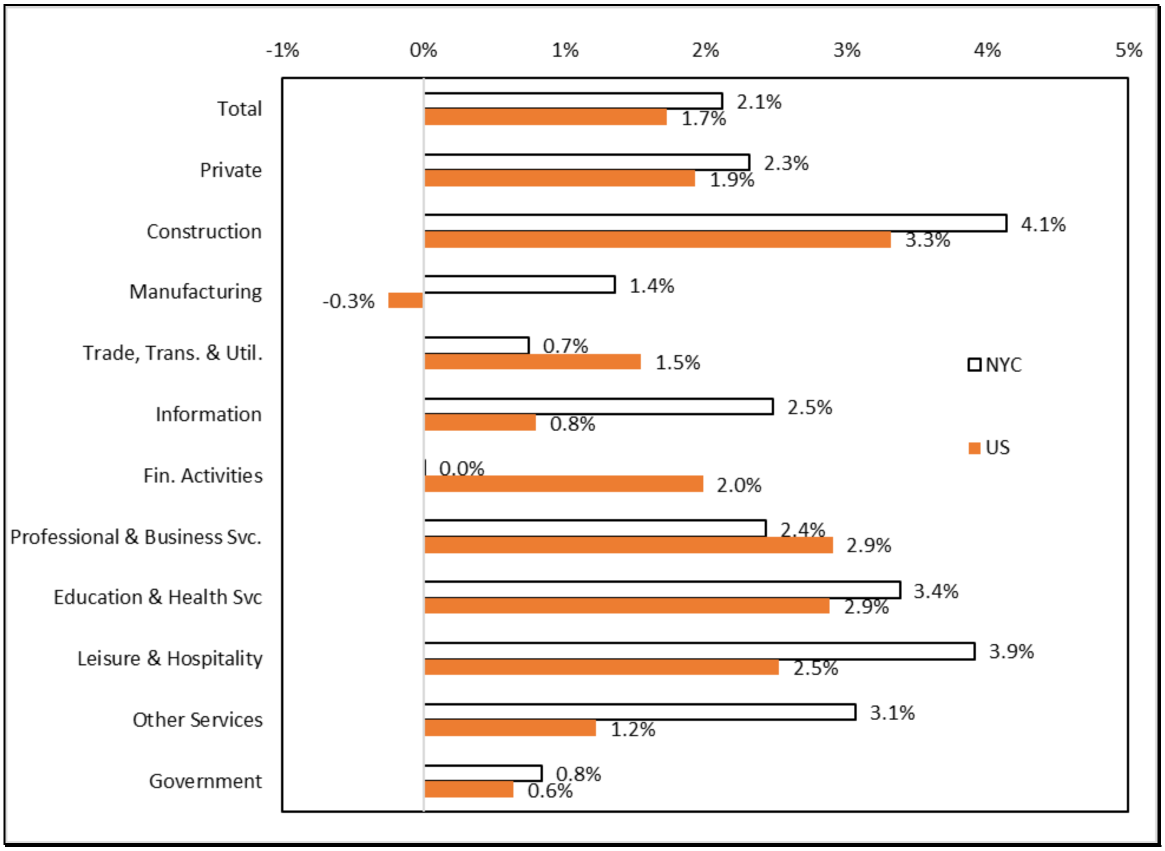
B. NEW YORK CITY'S ECONOMIC CONDITION AND OUTLOOK

The City's economic growth is expected to slow a bit in 2017. As a result of the implementation of some of the fiscal stimuli proposed by the President, the City's economy is expected to pick up slightly in 2018. Afterwards growth in the City's economy is expected to tail off as a result of rising interest rates from increasing demand for investment, anti-inflationary monetary policy actions by the Fed, and slower job growth as a result of pressure on the labor force. That said, the City's economy is expected to outpace the national economy again in both 2017 and 2018.

New York City's economy grew 2.9 percent in 2016, outperforming the nation for the sixth time in the past seven years. The City added 84,900 new private-sector jobs in 2016. As strong as that was, it was the smallest gain since 2010. The private sector had been adding more than 90,000 jobs annually for the past seven years, the strongest pace of job growth since 1970. Job growth in the City was 2.1 percent and private-sector jobs grew 2.3 percent in 2016 which were higher than the nation's 1.7 percent and 1.9 percent, respectively (Chart 1).

3 According to Doug Duncan, Chief Economist at Fannie Mae, if interest rates rise because the economy is growing more rapidly, then it means incomes are rising and higher income offsets higher mortgages and thus house prices rise. If interest rates rise because of inflationary expectations, then people think of houses as a hedge against inflation and house prices rise. If interest rates rise because Central banks perceive a rise in inflationary pressure and want to slow the economy, then employment slows, income slows, and people sell fewer houses making house prices rise. http://www.nationalmortgagenews.com/video/why-rising-mortgage-rates-wont-hurt-home-prices-1092745-1.html

***Chart 1*. NYC and U.S. Payroll Jobs, Percent Change, 2016 over 2015**



SOURCE: NYS Department of Labor and Bureau of Labor Statistics.
Note: Jobs are based on average of monthly data.

The biggest job gains were in education and health services, which added 29,400 jobs: 10,000 were in educational services and 19,400 were in health care and social assistance. Other job growth included:

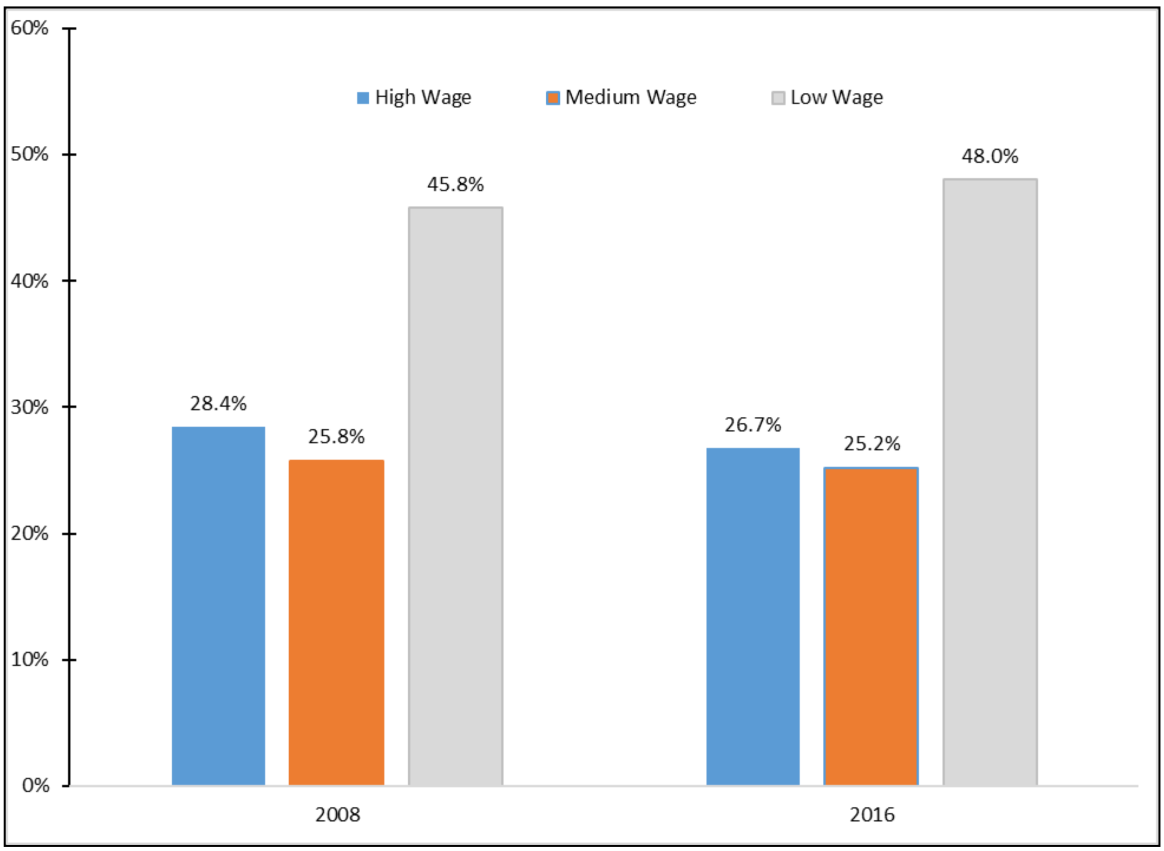
- Professional and business services added 17,000 jobs of which 8,900 were in professional services and 7,700 were in administration.
- Leisure and hospitality added 16,600 jobs, most of which (12,200) were in bars and restaurants, that are generally low-wage.
- Construction and other services which includes personal and laundry services, each added 5,700 jobs.
- The information sector added 4,700 jobs.
- Government added 4,600 jobs.
- Financial activities added only 100 jobs, but the securities industry added 1,000 in 2016; both were the smallest gains since 2013.
- Trade, transportation and utilities added 4,700 jobs.
- Retail trade lost 3,700 jobs, the first decline since 2009.

- Wholesale trade gained 4,700 jobs, the biggest gain since 1990.
- Transportation and utilities added 3,700 jobs.
- Manufacturing gained 1,100 jobs.

Despite the City's impressive economic expansion, job growth has been disappointing for two reasons: poor job composition and unequal wage gains. First, the composition of jobs has been deteriorating. Most of the jobs continue to be in low-wage sectors like health care and social services. In 2016, of the 85,000 new private-sector jobs, 41,000 or 49 percent were in low-wage industries, 30,000 or 35 percent were in the medium-wage industries, and 14,000 or 16 percent were in high-wage industries.

Compared with the previous peak in private-sector jobs in 2008, the shares of high and medium wage jobs have declined, while the share of low-wage jobs has increased. The private-sector share of high, medium, and low wage jobs are shown in Chart 2. Low-wage jobs pay less than $60,000 annually, medium-wage jobs pay $60,000 to $119,000 annually, and high-wage jobs pay more than $119,000 annually. In general, the average salary of an employee in a low-wage sector was about $42,000 annually, for a medium-wage sector was about $75,000 annually, and for a high-wage sector was about $187,000 as of 2015.

***Chart 2*. NYC Payroll Jobs Composition, Percent of Total Private, 2008 vs. 2016**



SOURCE: NYS Department of Labor.

Additionally, the wage gap between low, medium, and high earners continues to be large as real average wage rates increased the most in the high-wage sector followed by the medium-wage sector, but did not grow at all in the low-wage sector. Between 2009 and 2015, real average salaries for the high-wage sector grew 9.3 percent; for the medium-wage sector 7.4 percent; and remained unchanged for the low-wage sector.

C. FORECAST

Table 5 shows the Comptroller's and the Mayor's forecast of five economic indicators for 2017 to 2021. There are some differences in the two forecasts. The Comptroller's forecast projects a stronger impact of federal fiscal policy than the Mayor's, leading to higher GCP and employment growth in the short-term. However, the Comptroller's forecast is for a large share of those jobs to be in the lower wage sectors, which has been the case during the current expansion, and hence wage rate growth will be lower. It is important to note that there are significant assumptions being made as to the timing of implementation and the extent of the policy changes being proposed by the Congress and the new Administration in Washington. Any deviation from these assumptions may have an impact on the forecast.

Table 5. Selected NYC Economic Indicators, Annual Averages, Comptroller and Mayor's Forecasts, 2017-2021

Selected NYC Economic Indicators, Annual Averages						
		2017	**2018**	**2019**	**2020**	**2021**
Real GCP, (2009 $),	Comptroller	2.4	2.5	2.0	1.6	1.6
% Change	Mayor	1.8	1.7	1.4	1.6	1.8
Payroll Jobs,	Comptroller	61	51	33	24	29
Change in Thousands	Mayor	55	37	34	32	30
Inflation Rate	Comptroller	2.4	2.7	2.6	2.4	2.4
Percent	Mayor	2.5	2.4	2.5	2.7	2.6
Wage-Rate Growth,	Comptroller	2.9	3.2	2.9	2.6	2.4
Percent	Mayor	3.2	3.9	3.7	3.8	4.0
Unemployment Rate,	Comptroller	5.0	5.4	5.9	6.1	5.9
Percent	Mayor	NA	NA	NA	NA	NA
Selected U.S. Economic Indicators, Annual Averages						
		2017	**2018**	**2019**	**2020**	**2021**
Real GDP, (2009 $),	Comptroller	2.3	2.6	2.0	1.5	1.6
% Change	Mayor	2.3	2.6	2.4	2.1	2.2
Payroll Jobs,	Comptroller	1.9	1.9	1.5	1.1	0.8
Change in Millions	Mayor	1.8	1.8	1.8	1.4	1.0
Inflation Rate	Comptroller	2.2	2.4	2.4	2.2	2.2
Percent	Mayor	2.5	2.4	2.5	2.7	2.6
Fed Funds Rate,	Comptroller	1.0	1.6	2.4	3.2	3.0
Percent	Mayor	0.9	1.7	2.6	3.0	3.0
10-Year Treasury Notes,	Comptroller	2.7	3.3	3.7	4.0	4.0
Percent	Mayor	2.8	3.4	3.9	4.1	4.1

SOURCE: Comptroller=forecast by the NYC Comptroller's Office. GCP=Gross City Product. The NYC Office of Management and Budget in the January 2017 Financial Plan. NA=not available.

III. The FY 2018 Preliminary Budget

The City's FY 2018 Preliminary Budget, released on January 24th, shows a balanced budget of $84.7 billion. Revenues in the Preliminary Budget are $99 million higher than projected in the November Plan, reflecting increases of $213 million and $156 million in Federal and State categorical grants, respectively, offset by a net decrease of $271 million in City-funds revenues.[4] Expenditures are $2.1 billion lower than estimated in November, driven by a reduction of $2.5 billion in City-funds expenditures partially offset by an increase of $369 million in expenditures which are supported by the above mentioned increase in Federal and State categorical grants.

More than half the increase in Federal aid is for an additional $117 million for homeless shelter operations to accommodate the surge in the homeless population. Another $54 million reflects funding shifts in the January 2017 Financial Plan's Citywide Savings Program (CSP) for expenditures currently supported by City-funds revenues.

Similar to the increase in Federal grants, the additional State grants reflect funding shift initiatives in the Citywide Savings Program and increased funding for homeless shelter operations. Funding shifts account for $95 million of the increase while State support for homeless shelter operations was increased by $15 million.

The reduction in City-funds expenditures is supported by a $2.6 billion increase in the prepayment of FY 2018 debt service in FY 2017. The increase brings the total prepayments in the January Plan to $3.06 billion, $983 million less than the prepayments in FY 2016. As Table 6 shows, the increased prepayments and a new round of Citywide Savings Program add $3.2 billion of additional resources in the FY 2018 Preliminary Budget. Most of the additional resources are used to close a $2.2 billion gap projected in the November Plan. The remainder are used to support a downward revision of $279 million in City-funds revenues, $427 million in additional agency expenses, and a $250 million Capital Stabilization Reserve.

[4] The $271 million decline reflects a decrease of $279 million in City-funds revenues offset by an $8 million increase in revenues from the Citywide Savings Program.

Table 6. Changes to the FY 2018 City-Funds Estimates

($ in millions)

November Gap	**($2,241)**
Additional Resources	
Prepayments	$2,616
Citywide Savings Program	581
Total Resources	**$3,197**
Additional Uses	
Revenues	($279)
Agency Expenses	(427)
Capital Stabilization Reserve	(250)
Total Uses	**($956)**
Net Change	**$2,241**
January Gap	**$0**

More than two-thirds of the revenue reduction is due to downward revisions to tax revenues. Non-property tax revenue estimates were lowered by $544 million. This reduction is partially offset by increases of $227 million and $134 million to the property tax and tax audit revenue projections, respectively. The reduction in non-tax revenues stems mainly from the delay of proposed sale of taxi medallions in FYs 2018 through FY 2022 by a year to FYs 2019 through 2023.

Increases of $153 million in Department of Homeless Services (DHS), $54 million to the Department of Correction (DOC) and $67 million to the Department Education (DOE) account for close to two-thirds of the additional agency spending.[5] The increase in DHS spending is due primarily to an additional $123 million for shelter operations and $20 million for shelter security. DOC's increase reflects mainly an upward revision of $52 million to its overtime budget. The additional DOE spending includes $16 million to upgrade the Special Education Student Information System and $14 million to expand the Summer in the City program.

Citywide Savings Program

The January 2017 Financial Plan contains another round of Citywide Savings Program that is expected to provide budget relief totaling $515 million in FY 2017, $581 million in FY 2018, $331 million in FY 2019, $326 million in FY 2020, and $307 million in FY 2021. The combined November and January CSP is expected to provide budget relief totaling $3.5 billion over FYs 2017 through 2020.[6]

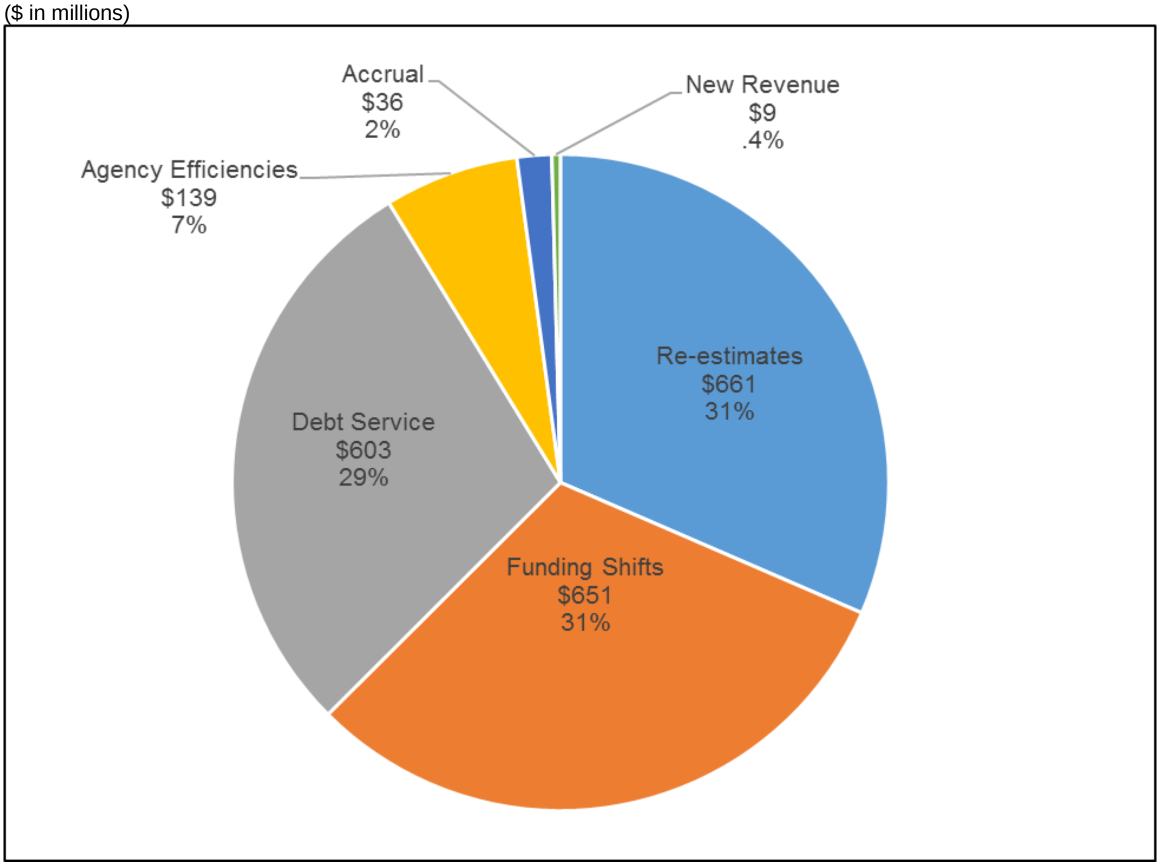
[5] Agency spending excludes transfers from the labor reserve for collective bargaining and the impact of the Citywide Savings Program.

[6] The November Plan CSP did not include projections of savings for FY 2021.

FYs 2017 and 2018 CSPs account for $2.1 billion of the budget relief over the Plan period. As in previous CSP, efficiency and productivity initiatives account for only a small portion of the total savings. As shown in Chart 3, efficiency and productivity initiatives account for only 7 percent of the savings. Re-estimates, funding shifts and debt service account for over 90 percent of the savings.

***Chart 3.* Combined FY 2017 and FY 2018 Citywide Savings Program**

($ in millions)



Of the 44 FY 2017 efficiency/productivity initiatives, 39 (about 90 percent) of them, totaling $24 million, are estimated to generate recurring savings of at least $35 million in each of FYs 2018 through 2020.[7] In contrast, less than half of the remaining 104 initiatives are expected to generate recurring savings in the outyears. As such, the City should strive to increase the share of agency efficiency initiatives in future savings programs as these initiatives not only produce real savings but also are generally recurring in nature.

[7] Our analysis of recurring savings end at FY 2020 because the November Plan CSP estimated savings stop at FY 2020.

Risks and Offsets

As Table 7 shows, the Comptroller's Office has identified net additional resources of $45 million in FY 2017 driven by the Office's higher revenue projections and assumption that the General Reserve will not be needed for FY 2017 budget balance. The Comptroller's Office projects that revenues will be $121 million above the Plan estimate. While the Comptroller's Office also projects that FY 2017 expenditures would be above Plan estimates, the higher revenue forecast more than offsets the net risk to the Plan's FY 2017 expenditure estimates.

Table 7. Risks and Offsets to the January Financial Plan

($ in millions, positive numbers decrease the gap and negative numbers increase the gap

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
City Stated Gap	**$0**	**$0**	**($3,313)**	**($2,510)**	**($1,793)**
Tax Revenues					
Property Tax	$0	$34	$285	$572	$673
Personal Income Tax	48	258	90	(105)	(157)
Business Taxes	(56)	76	95	123	68
Sales Tax	50	68	31	(65)	(106)
State Sales Tax Intercept	(50)	(200)	(150)	0	0
Real Estate-Related Taxes	112	131	(109)	(278)	(272)
Subtotal Tax Revenues	**$104**	**$367**	**$242**	**$247**	**$206**
Non-Tax Revenues					
ECB Fines	$12	$24	$24	$24	$24
Late Filing/No Permit Penalties	5	5	5	5	5
Motor Vehicle Fines	0	5	5	5	5
Taxi Medallion Sales	0	0	(107)	(257)	(367)
Subtotal Non-Tax Revenues	**$17**	**$34**	**($73)**	**($223)**	**($333)**
Total Revenues	**$121**	**$401**	**$169**	**$24**	**($127)**
Expenditures					
Overtime	($276)	($215)	($215)	($215)	($215)
DOE Medicaid Reimbursement	(20)	(70)	(70)	(70)	(70)
Homeless Shelters	0	(132)	(132)	(132)	(132)
NYC Health + Hospitals	(165)	(165)	(165)	(165)	(165)
Public Assistance	15	10	10	10	10
Debt Service Savings	70	30	30	30	30
General Reserve	300	0	0	0	0
Subtotal	**($76)**	**($542)**	**($542)**	**($542)**	**($542)**
Total (Risks)/Offsets	**$45**	**($141)**	**($373)**	**($518)**	**($669)**
Restated (Gap)/Surplus	**$45**	**($141)**	**($3,686)**	**($3,028)**	**($2,462)**

In the outyears, our office's projections show net risks to the Plan estimates ranging from $141 million in FY 2018 to $669 million in FY 2021. These risks, if realized, would create a gap of $141 million in FY 2018 and widen the outyear gaps to $3.7 billion in FY 2019, $3.0 billion in FY 2020, and $2.5 billion in FY 2021. While the Comptroller's Office's revenue forecast for FYs 2018 through 2020 are above the Plan's projections, they are not sufficient to offset the expenditure risks. In FY 2021, the revenue risk identified by our office adds to the expenditures risk.

In total, the Comptroller's Office anticipates more tax revenues than projected in each year of the Plan period. Our higher outyear forecasts are driven primarily by higher projections for property tax revenues. Risks and offsets to tax revenues are discussed in greater detail in "Tax Revenues" beginning on page 16.

The Comptroller's Office projects higher revenues from fines and penalties over the Plan period. These additional revenues are offset by our office's assumptions that the sale of taxi medallions assumed in the Plan is unlikely to take place. The current Plan delayed the schedule for the sale of taxi medallions by a year, the fourth such delay. This pattern of delay combined with declining taxi medallion prices make it highly unlikely that the sale will take place over the Plan period.

The largest risks to the Plan's expenditure estimates are overtime, homeless shelter spending, and Health + Hospitals (H+H) support. Despite increases to the overtime budget in the current Plan, the Plan's assumptions are still significantly below recent spending pattern. The Comptroller's Office's analysis indicates that overtime could be above Plan by $276 million in FY 2017 and $215 million in each of the outyears of the Plan as discussed in "Overtime" beginning on page 29.

Spending on shelter operations in the Department of Homeless Services is projected to decline from $1.32 billion in FY 2017 to $1.17 billion in FY 2018 and remain relatively stable thereafter. With the growth in the homeless population, it is unlikely that the need for shelter services will diminish drastically in the outyears of the Plan, posing a risk of $132 million in each of the outyears of the Plan.

The Financial Plan continues to assume reimbursements from H+H for fringe benefits expenses and medical malpractice settlements. As discussed in previous reports, the Comptroller's Office believes that H+H is unlikely to make these payments as it has failed to do so in three of the last four fiscal years.

The expenditures are partially offset by the Comptroller's assumption of additional debt service savings from refinancing, and lower spending on public assistance. In FY 2017, the Comptroller's Office recognizes another $300 million in offsets to expenditures from the General Reserve. While the City has reduced the FY 2017 General Reserve by $700 million to $300 million, the Comptroller's Office expects that the $300 million will not be needed for budget balance and will be eliminated as the fiscal year progresses.

A. REVENUE ASSUMPTIONS

The FY 2018 Preliminary Budget and Financial Plan projects total revenues to grow by $8.97 billion over the Financial Plan period, from $84.81 billion in FY 2017 to $93.79 billion in FY 2021. City-funds revenues are projected to grow from $59.94 billion in FY 2017 to $69.86 billion in FY 2021. Those projections are based on the Administration's assumption of continued moderate growth in the City's economy. Tax revenue growth is projected to slow to 2.4 percent in FY 2017 before accelerating and averaging 4.4 percent annually in FYs 2018-2021, driven by growth in both property and non-property tax revenues. The January Plan projects property tax revenues to grow from $24.40 billion in FY 2017 to $30.12 billion in FY 2021, while non-property tax revenues are expected to grow from $30.48 billion in FY 2017 to $34.73 billion in FY 2021.[8]

Miscellaneous revenues, excluding intra-City revenues, are expected to decline by 5.2 percent in FY 2017 and 4.6 percent in FY 2018 to $4.80 billion and $4.58 billion, respectively. These declines reflect the City's anticipation of lower non-recurring revenues and slightly lower collections from other miscellaneous revenue sources. Miscellaneous revenues are expected to rebound and grow by 5.4 percent in FY 2019 and 4.1 percent in FY 2020. Growth in FY 2021 is expected to be nearly flat at 0.1 percent. Total miscellaneous revenues are expected to grow from $4.8 billion in FY 2017 to $5.02 billion in FY 2021.

The January Plan projects total Federal and State aid of $23.24 billion for FY 2017, an increase of $579 million over the November Plan. Similarly, the City recognized an additional $369 million in Federal and State aid in the Preliminary FY 2018 Budget. The majority of the new Federal and State aid recognized in the current Plan is for social services, including support for higher homeless shelter costs, enhanced fringe benefits reimbursement rates, and prior-year revenue adjustments. A substantial portion of the State aid increase in the January Plan is reflected as savings in the Citywide Savings Program as a result of funding shifts anticipated by the City. Over the remainder of the Plan period, Federal and State aid are projected to grow from $21.56 billion in FY 2018 to $22.50 billion in FY 2021 driven mainly by expected increases in State education aid.

Tax Revenues

In the January Modification, the City revised its tax revenue projections for every year of the Financial Plan period. FY 2017 tax revenue projections increased by a net $365 million to $54.88 billion, bringing the total increase in the FY 2017 tax revenue forecast to $240 million since budget adoption. The January Plan lowered the FY 2018 tax revenue forecast by a net $183 million to $57.035 billion, while projections for the outyears increased by a net $8 million in FY 2019, $329 million in FY 2020 and $425 million in FY 2021.

Changes to the City's Tax Revenue Forecast

As Table 8 shows, revisions to the FY 2017 tax revenue projection includes increases of $171 million in property tax revenue resulting from a re-estimate of property tax reserves, $2.0 million in Unincorporated Business Tax (UBT) revenue and a combined $80 million increase in "all other" taxes. Additionally, projected audit revenues for FY 2017 increased by $300 million mostly due to higher than anticipated audit

[8] If not indicated specifically, throughout this section, personal income tax (PIT) and property tax revenues include School Tax Relief (STAR) reimbursement.

revenues from the banking corporation tax (BCT).[9] These increases are partially offset by lower projections of $29 million in personal income tax (PIT) revenue, $91 million in sales tax revenue and $68 million in combined revenues from real estate-related taxes, which comprise the real property transfer tax (RPTT) and the mortgage recording tax (MRT).

Table 8. Revisions to the City's Tax Revenue Assumptions November 2016 vs. January 2017

($ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
November 2016 Financial Plan Total	**$54,518**	**$57,218**	**$59,717**	**$62,089**	**$64,433**
Revisions:					
Property	171	219	372	427	451
Personal Income (PIT)	(29)	(60)	(81)	60	90
Business	2	(299)	(195)	(204)	(142)
Sales	(91)	7	30	73	86
Real Estate-Related	(68)	(199)	(117)	(11)	(37)
All Other	80	15	(6)	(21)	(28)
Tax Audit	300	134	5	5	5
Revisions-Total	**$365**	**($183)**	**$8**	**$329**	**$425**
January 2017 Financial Plan - Total	**$54,883**	**$57,035**	**$59,725**	**$62,418**	**$64,858**

The Preliminary FY 2018 Budget projects total tax revenues of $57.04 billion. This forecast represents an increase of $2.15 billion, or 3.9 percent from the projected FY 2017 level. The January Plan lowered the FY 2018 tax revenue estimate by a net $183 million. This decline results primarily from downward revisions of $299 million in the business tax revenue forecast and $199 million in the combined forecast for real estate-related taxes. Downward revisions for these tax revenue projections were also carried out throughout the Plan period, but are more than offset by forecast increases in property, PIT, and sales tax revenues in FYs 2019-2021.

Projected Tax Revenue Growth, FYs 2017 – 2021

The City projects tax revenues will grow from $54.88 billion in FY 2017 to $64.86 billion in FY 2021, an average annual growth rate of 4.3 percent. Tax revenue growth is projected to slow to 2.4 percent in FY 2017, after growing by a moderate 3.2 percent in FY 2016 and 7.4 percent the year before. The projected slowdown in tax revenue growth in FY 2017 results primarily from an anticipated decline in revenues from the real estate-related taxes. As Table 9 shows, the January Plan assumes growth in tax revenues will accelerate to 3.9 percent in FY 2018 as collections from non-property taxes begin to improve.

[9] On April 13, 2015, the Governor signed into law a corporate income tax reform for New York City, which merged the taxation of all New York City C-corporations formerly paid under the banking corporation tax and the general corporation tax. These corporations now pay under the new Business Corporation Tax.

Table 9. Tax Revenue Forecast, Growth Rates

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FYs 2017 – 2021 Average Annual Growth
Property						
Mayor	5.3%	5.9%	6.4%	4.8%	4.5%	5.4%
Comptroller	5.3%	6.0%	7.4%	5.8%	4.8%	6.0%
PIT						
Mayor	1.5%	2.8%	3.4%	5.0%	4.0%	3.8%
Comptroller	1.9%	4.6%	1.9%	3.3%	3.6%	3.4%
Business						
Mayor	4.9%	1.8%	3.3%	2.3%	3.2%	2.7%
Comptroller	3.9%	4.1%	3.6%	2.7%	2.3%	3.2%
Sales[a]						
Mayor	1.9%	7.4%	4.6%	4.8%	3.7%	5.1%
Comptroller	1.9%	5.5%	4.8%	5.6%	3.2	4.8%
Real Estate-Related						
Mayor	(16.8%)	(1.0%)	6.6%	6.9%	1.8%	3.5%
Comptroller	(13.0%)	(0.3%)	(2.9%)	0.5%	2.2%	(0.1%)
All Other						
Mayor	3.9%	(0.4%)	2.0%	2.3%	2.5%	1.6%
Comptroller	3.9%	(0.4%)	2.0%	2.3%	2.5%	1.6%
Total Tax with Audit						
Mayor	**2.4%**	**3.9%**	**4.7%**	**4.5%**	**3.9%**	**4.3%**
Comptroller	**2.5%**	**4.4%**	**4.5%**	**4.5%**	**3.8%**	**4.3%**

[a] Projected sales tax revenue growth rates are net of the State intercept of sales tax revenues to recoup savings from the FY 2015 refinancing of Sales Tax Asset Receivable Corporation bonds.

The Comptroller's Office revised its current year tax revenue forecasts as well as its projections for the remainder of the Financial Plan period. The Comptroller projects total tax revenue to grow 2.5 percent in FY 2017, just one-tenth of a percentage point above the Administration's 2.4 percent growth forecast. For FY 2018, the Comptroller forecasts a faster 4.4 percent growth in tax revenues compared to the City's 3.9 percent reflecting the Comptroller's more optimistic revenue projections for property tax, PIT, and the real estate-related taxes. In the outyears, for FYs 2019 and 2021, the Comptroller's growth projections are slightly lower. Over the Plan period, both the Comptroller's Office and the City project average annual growth in total tax revenues of 4.3 percent.

Property Taxes

Growth projections for property tax revenue remains strong throughout the Plan period. Property tax revenue is expected to grow by 5.9 percent in FY 2018 to $25.83 billion. This growth is supported by strong billable value growth of 8.45 percent in the FY 2018 tentative assessment roll. Total market value of all City properties is assessed at $1.157 trillion, an 8.74 percent increase from FY 2017. Billable assessed value on the final roll is forecast to grow 6.7 percent (before accounting for veterans' and STAR exemptions). Over the Financial Plan period, property tax revenue growth is expected to surpass growth in non-property tax revenues and average 5.4 percent annually, reflecting steady growth in projected property values and the phase-in of the pipeline of previous assessments.

The Comptroller expects property tax revenue to grow at an average annual rate of 6.0 percent over the Plan period compared to the 5.4 percent growth anticipated by the City. In FY 2018, the Comptroller is assuming a slightly lower reduction from the tentative roll to the final roll, resulting in net property tax revenue growth after reserves of 6.0 percent in FY 2018 compared to the City's 5.9 percent projection. The Comptroller forecasts that growth in property tax revenue will begin to taper off over the forecast period as higher interest rates begin to put downward pressure on market and assessment values. Property tax revenue growth is expected to decline from the 7.4 percent forecast in FY 2018 to 4.8 percent by FY 2021. Although the City expects a similar downward growth pattern to occur, the Comptroller's forecasts remain slightly higher, resulting in offsets increasing from $34 million in FY 2018 to $673 million in FY 2021.

Personal Income Taxes

PIT revenue growth is expected to tick up in FY 2017 and register a modest 2.8 percent increase in FY 2018 to reach $11.83 billion. The sluggish growth in projected PIT revenue reflects the City's anticipation of continued decline in estimated payments in FY 2018. Withholding collections are expected to grow 6.2 percent while estimated payments are expected to decline 1.6 percent in FY 2018. Over the Plan period, PIT revenue growth is projected to average 3.8 percent annually.

The Comptroller's Office projects PIT revenue to grow at an average annual rate of 3.4 percent from FY 2017 to FY 2021, marginally lower than the City's forecast of 3.8 percent. Although growth over the Plan period is similar, the Comptroller's forecast assumes stronger near-term growth in FY 2017 and FY 2018, and conversely lower growth in the outyears compared to the City. The major source for this different pattern of growth is the non-wage component of income, primarily associated with capital gains realizations. The Comptroller anticipates that the recent uptick in the stock market that occurred in late 2016 will contribute to strong growth in non-wage income in the near term. Of particular importance for the City's income tax revenue is the appreciation in stock values of financial services firms. Stock incentive options that were issued at the height of the market in 2007, are, for the first time in many years, in the money, providing a financial incentive to exercise them.[10] Since these incentive options generally expire after ten years, they will need to be exercised in the near term, contributing to an uptick in non-wage income. In addition, proposed changes to Federal individual income tax law and the expectation of lower marginal tax rates on ordinary and capital gains income, likely resulted in taxpayers shifting income from tax year 2016 into tax year 2017 as evidenced by collections seen in January 2017. Estimated quarterly payments, based on tax year 2017 liability, are expected to continue to grow until 2019. The Comptroller therefore anticipates growth in non-wage income to average nearly 5.0 percent in FY 2017 and FY 2018, compared to the City's average forecast decline of 1.4 percent over the same period. Thereafter, as growth in the economy slows due to the

[10] Stock incentive options give rise to both wage income and capital gains income. We assume that most of the tax revenue is related to the non-wage component that is treated as capital gains income.

diminished effects of the fiscal stimulus and higher interest rates, the Comptroller is anticipating a slowdown in growth of non-wage income to only 1.5 percent on average, lower than the City's estimate of 2.4 percent. This results in a higher near term forecast compared to the City, with offsets of $48 million in FY 2017, growing to $258 million in FY 2018, diminishing to $90 million in FY 2019, and thereafter risks of $105 million and $157 million, respectively in FYs 2020 and 2021.[11.]

Business Taxes

Business tax revenues (unincorporated business tax and business corporation tax), are expected to recover in FY 2017 and grow by 4.9 percent thanks to stronger collections from the business corporation tax anticipated for the second half of the fiscal year. In FY 2018, the City expects growth in total business tax revenues to slow to 1.8 percent, with revenues growing to $6.05 billion. The slower growth projected for FY 2018 is due to a projected decline in Wall Street profits in calendar year 2017, which will weaken collections from the business corporation tax in FY 2018. Revenues from the UBT are expected to grow 4.2 percent in FY 2018, while growth in the business corporation tax revenue is expected to be nearly flat at just 0.5 percent. Average annual growth in the combined business tax revenues is projected at 2.7 percent in FYs 2017-2021.

Compared to the City's overall forecast for the combined business taxes, the Comptroller's Office expects a $56 million risk in FY 2017, followed by offsets of $76 million in FY 2018, $95 million in FY 2019, $123 million in FY 2020, and $68 million in FY 2021. Most of the difference between the Comptroller and the City's forecasts is due to projections for the business corporation tax. In FY 2017, the City anticipates a very strong rebound of 6.8 percent in collections from the business corporation tax. This is due to anticipated strong liability in tax year 2016, which is expected to reverse weak payments that occurred in FY 2016 and the first half of FY 2017 following overpayments and credits generated in tax year 2015. The Comptroller's Office also expects strong payments from the business corporation tax in the second half of FY 2017, but not quite as high as the City, with growth projected at 5.5 percent. Beginning in FY 2018, the City anticipates growth in the business corporation tax to drop significantly, averaging only 1.5 percent growth per year in FY 2018 through FY 2021. The Comptroller's Office expects growth in the business corporation tax to average 2.5 percent a year over the same period, a more gradual decline, mirroring growth in the overall economy.

Sales Tax

The January Plan assumes sales tax revenue growth will slow to 1.9 percent in FY 2017 before picking up pace in FY 2018. The FY 2017 forecast is net of $150 million

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[11] Neither the Comptroller's nor the City's estimates include proposed legislative changes that were introduced as part of the Governor's budget in January. These include child care tax credits that would impact New York City PIT revenue. Beginning in January 2018 Paid Family Legislation that was enacted last year could also have an impact on PIT revenue. At this time we expect the impact to be minimal.

in State revenue intercept the City anticipates in the current fiscal year.[12] Since the Plan does not recognize any further intercept in FYs 2018-2019, projected growth in sales tax revenues accelerates to 7.4 percent in FY 2018 and averages 5.1 percent annually over the Plan period. While the City reflects a State intercept of only $150 million in FY 2017, the State plans to recoup $550 million over FYs 2017-2019.

The Comptroller's Office believes the unrecognized sales tax revenue intercept of $50 million, $200 million, and $150 million in FYs 2017-2019, respectively, represents a risk to the City's forecast. However, the Comptroller's Office projections of employment and local economic growth are slightly better than the City's assumptions resulting in a higher forecast in baseline sales tax revenues in FYs 2017-2019. Consequently, the Comptroller's Office projects net risks of $132 million in FY 2018 and $119 million in FY 2019. For FYs 2020-2021, although no intercept is expected, the Comptroller believes sales tax revenues will be slightly below the City's forecasts, producing risks of $65 million and $106 million respectively.

The State Executive budget includes a proposal to expand sales tax collections to online third-party vendors. The State projects City's sales tax revenues would increase by $41 million in FY 2018. This assumption is not included in either the City's or the Comptroller's Office's forecast.

Real Estate-Related Taxes

The City projects a significant decline of 16.8 percent in aggregate revenues from real estate-related taxes in FY 2017. Revenues from the Real Property Transfer Tax (RPTT) and the Mortgage Recording Tax (MRT) are both expected to fall in the current fiscal year driven by a decline in commercial real estate sales. In FY 2018, aggregate real estate-related taxes are expected to drop another 1.0 percent to $2.48 billion. MRT revenues are expected to decline 6.3 percent while collections from RPTT are projected to rise 2.8 percent in FY 2018, supported by increased activity in the residential real-estate market as new condominium units reach the market. Aggregate real estate-related tax revenue is expected to average 3.5 percent growth annually over the forecast period.

The Comptroller projects a 13.0 percent decline in the combined revenues from RPTT and MRT in FY 2017. These revenues are expected to stay nearly flat over the Plan period. After a record year of revenues from these two taxes in FY 2016 (a combined $3.0 billion), collections cooled off during the first six months of the current fiscal year, declining by 15 percent compared to FY 2016. The Comptroller forecasts aggregate real estate-related tax revenues to be $2.6 billion in the current fiscal year and then remain flat over the Plan period. The Comptroller forecasts that the positive effects from increased employment and wages will be offset by higher interest rates. This contributes to a stable outlook in both the residential market and the commercial markets.

[12] In the April Plan, the Administration recognized reductions in sales tax revenues of $50 million in FY 2016 and $150 million in FY 2017 to account for revenue intercept by New York State associated with the Sales Tax Asset Receivable Corporation (STARC) refinancing from which the City generated $650 million in savings.

Overall, revenues are expected to hover around $2.6 billion throughout the Plan. In contrast, the City expects that these revenues will nearly recover to the FY 2016 level by the end of the Plan period. This difference results in offsets of $112 million in FY 2017 and $131 million in FY 2018, followed by risks in the outyears that grow from $109 million in FY 2019 to $272 million in FY 2021.

As shown in Table 10, the Comptroller's Office projects net offsets in every year of the Plan period. The offset in FY 2017 is driven by higher forecasts of PIT and real estate-related tax revenues. The projected offsets in FYs 2019-2021, are driven primarily by higher property tax revenue forecasts. Net non-property tax revenue forecasts are lower than the City's in each of FYs 2019 through 2021.

The Comptroller identifies offsets of $104 million in FY 2017, $367 million in FY 2018, $242 million in FY 2019, $247 million in FY 2020, and $206 million in FY 2021.

Table 10. Risks and Offsets to the City's Tax Revenue Projections

($ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Property	$0	$34	$285	$572	$673
PIT	48	258	90	(105)	(157)
Business	(56)	76	95	123	68
Sales	50	68	31	(65)	(106)
State Sales Intercept	(50)	(200)	(150)	0	0
Real Estate-Related	112	131	(109)	(278)	(272)
Total	**$104**	**$367**	**$242**	**$247**	**$206**

Miscellaneous Revenues

In the January 2017 Financial Plan, the City raised its FY 2017 miscellaneous revenue projection by a net $133 million to $4.80 billion. The increase reflects mainly higher than expected collections through the first half of the fiscal year. The revised forecast, however, represents a $261 million decline in miscellaneous revenue compared to the previous fiscal year. This is mostly due to lower revenue projections for "other miscellaneous" revenue category, including asset sales, restitution and other non-recurring revenues in FY 2017.[13]

The FY 2018 Preliminary Budget includes a miscellaneous revenue projection of $4.58 billion, $220 million lower than the FY 2017 projection. The year-over-year change reflects small declines in projected revenues from licenses and franchises, charges for services, water and sewer revenues, rental income, fines and forfeitures and other miscellaneous revenues in FY 2018. The current FY 2018 miscellaneous revenue forecast is also $88 million lower than the forecast included in the November 2016 Plan.

Table 11 shows the changes in the FY 2018 miscellaneous revenue projections since the November 2016 Plan. With the exception of a downward revision of

[13] Miscellaneous revenue analysis excludes private grants and intra-City revenues.

$107 million in the “other miscellaneous” category, revisions to the remaining categories were minor. The category “other miscellaneous” includes non-recurring revenues such as asset sales, refunds of prior-year expenditures and restitutions. The lower projection in this category reflects the City’s decision to once again delay the sale of taxi medallions another year, spreading out the $731 million in expected proceeds over FYs 2019-2021 instead of FYs 2018-2020. Despite the current unfavorable environment for medallion prices due to the rise of the rideshare industry, the City has not revised its revenue projection for medallion sales.

Table 11. Changes in FY 2018 Estimates
November 2016 vs. January 2017

($ in millions)

	November	January	Change
Licenses, Franchises, Etc.	$644	$645	$1
Interest Income	105	110	5
Charges for Services	975	977	2
Water and Sewer Charges	1,357	1,361	4
Rental Income	225	225	0
Fines and Forfeitures	895	902	7
Other Miscellaneous	463	356	(107)
Total	**$4,664**	**$4,576**	**($88)**

Miscellaneous revenue projections for the outyears reflect changes associated with the delay in anticipated proceeds from medallion sales and minor adjustments to other categories including an increase in anticipated interest income as a result of higher estimated cash balances. The City expects total miscellaneous revenue to decline by 4.6 percent in FY 2018 and then grow by 5.4 percent in FY 2019, 4.1 percent in FY 2020 and remain flat in FY 2021.

The Comptroller’s Office believes that given market conditions, and uncertainty surrounding future taxi medallion auctions, the $731 million in anticipated revenues from medallion sales represents a risk to the City’s Financial Plan.

Based on collection trend in recent years, the Comptroller’s Office expects revenues from fines to be above the City’s forecast by $17 million in FY 2017 and $34 million annually in FYs 2018-2021. The Comptroller believes revenues from Environmental Control Board (ECB) fines could generate an additional $12 million in FY 2017 and $24 million annually over the Plan period. Motor vehicle fines could be higher by $5 million annually starting in FY 2018, while penalties from the Department of Buildings (DOB) are likely to exceed the City’s current forecast by $5 million annually in FYs 2017-2021.

Federal and State Aid

The January Financial Plan projects total Federal and State aid of $23.24 billion in FY 2017, supporting about 27 percent of the City’s expenditure budget. Compared with the November Plan, the City’s intergovernmental aid assumptions for the current year have risen by $579 million, which include increases of $292 million in Federal aid and

$287 million in State grants. A significant portion of the Federal aid increase stems from greater support for social services of $195 million that mainly reflects homeless shelter cost re-estimates ($61 million) various enhanced fringe benefits reimbursement ($57 million) and prior-year revenue adjustments ($53 million). The January Plan also shows an additional $30 million in Community Development Block Grants (CDBG) for Disaster Recovery and other Sandy-related reimbursement, bringing the total for total Sandy-related reimbursement to nearly $1.45 billion in FY 2017. In addition, the City recognizes an additional $29 million in prior year Federal homeland security grants.

The Preliminary Budget projects $21.56 billion in Federal and State aid for FY 2018, showing increases of $213 million in Federal grants and $156 million in State grants since the November Plan. About 83 percent of this total is expected to support education and social services spending. Federal and State grants are expected to support about 26 percent of total spending in FY 2018. The decline in the size of the Federal and State support of the City's budget in FY 2018 is attributable both to the slowdown in the pace of Sandy-related reimbursement and more conservative estimates of certain Federal grants, which together contribute to a decline of about $1.8 billion between FY 2017 and FY 2018. About $1.3 billion of the decline is attributable to the winding down of Federal funding for Sandy relief and rebuilding efforts.

Of the $287 million increase in FY 2017 State aid from the November Plan, $190 million is due to an increase in social services grants. Almost $79 million of the additional social service grants is due to a one-time recognition of prior-year revenue for State child welfare services that did not have an associated receivable. Other significant increases in social services include additional State reimbursements for the Department of Social Services and Administration for Children's Services fringe benefits totaling $62 million. These additional reimbursements are included in the Citywide Savings Program as offsets to City-funds spending.

Since the Adopted FY 2017 Budget, OMB has increased projected State revenues by $744 million in FY 2017 and $253 million in FY 2018. A significant portion of these State aid increases has been counted in the Citywide Savings Program (CSP) — $448 million in FY 2017 and $177 million in FY 2018. The FY 2018 Preliminary Budget CSP includes $105 million in FY 2017 from one-time State revenues for prior-year receivables for social services and $95 million in recurring savings from higher State aid projections in each of FY 2018 through FY 2021. The FY 2018 Preliminary Budget estimates $14.5 billion in State aid in FY 2018, with about three-quarters dedicated to education and 12 percent for social services.

Actual State revenues will be impacted by negotiations between the Governor and the Legislature over the State's budget for the fiscal year beginning April 1. While the Legislature typically increases funds for education in the State Enacted Budget, the City's current projection for formula-based school aid in FY 2018 is $264 million higher than the State Executive Budget proposal. The City would also face higher costs for charter school tuition and rent totaling about $200 million per year. The State Executive Budget as proposed also contains several proposals that would shift roughly $100 million in funding responsibility to the City for public health, foster care, special education, and traffic violations in FY 2017 and FY 2018. Additionally, under a State Executive Budget proposal, the City would be subject to a $50 million penalty if the City's Department of Education fails to produce a plan by June to increase its Federal Medicaid claims for special education services by $100 million and submit a plan for $50 million in Medicaid savings. While the City has proposed continued investments to improve its claims system, previous efforts have so far failed to produce results. The City could also face additional State aid reductions under a proposed expansion of Executive budgetary powers. The State Executive Budget proposes to authorize the State Division of Budget to decrease local aid appropriations if State receipts, including federal aid, are less than planned.

B. EXPENDITURES ANALYSIS

Total-funds expenditures in the January Financial Plan is projected to decline slightly from $84.8 billion in FY 2017 to $84.7 billion in FY 2018, a decline of one tenth of a percent. However, both the FY 2017 and FY 2018 includes prepayments which lower debt service expenditures in these fiscal years. In addition, expenditures in FY 2017 are further reduced by the take-down of the general reserve and the re-estimates of prior-year payables and receivables. After adjusting for prepayments and other prior-year actions, and excluding re-estimates of prior-year receivables and payables and reserves, expenditures are projected to grow from $85.9 billion to $94.3 billion in 2021, a growth of 9.8 percent, as shown in Table 12.

Expenditure growth over the Plan period is driven by spending on wages and salaries, debt service, health insurance, other fringe benefits excluding pensions, and judgments and claims. The combined spending in these areas is projected to grow by 18.6 percent over the Plan period, averaging 5.3 percent annually. All other expenditures, net of the General Reserve, Capital Stabilization reserve, and prior-year re-estimates, are projected to remain relatively flat over the same period, with a projected annual average decline of under 1.0 percent.

Table 12. FY 2017 – FY 2021 Expenditure Growth
Adjusted for Prepayments and prior-year actions

($ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Growth FYs 17-21	Annual Growth
Salaries and Wages	$25,453	$26,950	$28,430	$29,268	$29,855	17.3%	4.1%
Debt Service	$6,389	$6,582	$7,301	$7,960	$8,372	31.1%	7.0%
Health Insurance	$5,976	$6,465	$6,958	$7,505	$8,164	36.6%	8.1%
Other Fringe Benefits	$3,531	$3,689	$3,913	$4,298	$4,421	25.2%	5.8%
Subtotal	**$41,348**	**$43,686**	**$46,602**	**$49,030**	**$50,812**	**18.6%**	**5.3%**
Pensions	$9,301	$9,706	$9,987	$10,040	$10,058	8.1%	2.0%
Medicaid	5,915	5,915	5,915	5,915	5,915	0.0%	0.0%
Public Assistance	1,584	1,594	1,605	1,617	1,617	2.0%	0.5%
Judgments and Claims	676	692	707	725	740	9.5%	2.3%
Other OTPS	27,074	24,879	25,102	24,999	25,190	(7.0%)	(1.8%)
Subtotal	**$44,549**	**$42,787**	**$43,316**	**$43,295**	**$43,519**	**(2.3%)**	**(0.6%)**
Expenditures Before Reserves and Prior-Year Re-estimates	**$85,897**	**$86,473**	**$89,918**	**$92,325**	**$94,331**	**9.8%**	**2.4%**
Prior-Year Receivables and Payables Re-estimate	**($400)**	**$0**	**$0**	**$0**	**$0**	**(100.0%)**	**(100.0%)**
General Reserve	**$300**	**$1,000**	**$1,000**	**$1,000**	**$1,000**	**233.3%**	**35.1%**
Capital Stabilization Reserve	**$0**	**$250**	**$250**	**$250**	**$250**		
Total	**$85,797**	**$87,723**	**$91,168**	**$93,575**	**$95,581**	**11.4%**	**2.7%**

Headcount

The January 2017 Financial Plan projects total-funded full-time headcount of 300,703 for fiscal year-end 2017, an increase of 13,701 or 4.8 percent from the FY 2016 year-end level. The outyear headcount plan reverses a trend of increasing growth that began in FY 2015, when full-time headcount increased by 5,406 followed by an increase of 9,829 in FY 2016. Plan headcount in the outyears remains relatively steady, around the 300,000 level, as shown in Table 13.

Table 13. Total Funded Full-Time Year-End Headcount Projections – January 2017 Financial Plan

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Pedagogical					
Dept. of Education	119,278	120,153	120,923	120,794	121,936
City University	4,441	4,441	4,441	4,441	4,441
Subtotal	**123,719**	**124,594**	**125,364**	**125,235**	**126,377**
Uniformed					
Police	35,822	35,822	35,822	35,822	35,822
Fire	10,884	10,910	10,938	10,938	10,938
Correction	10,336	10,420	10,459	10,475	10,475
Sanitation	7,445	7,505	7,569	7,569	7,569
Subtotal	**64,487**	**64,657**	**64,788**	**64,804**	**64,804**
Civilian					
Dept. of Education	11,225	11,254	11,264	11,268	11,922
City University	1,907	1,924	1,941	1,945	1,945
Police	16,058	15,971	15,971	15,971	15,971
Fire	5,977	5,980	5,980	5,980	5,980
Correction	2,188	2,172	2,172	2,172	2,172
Sanitation	2,250	2,269	2,293	2,293	2,293
Admin. for Children's Services	7,116	7,112	7,112	7,111	7,111
Social Services	15,084	14,699	14,704	14,708	14,708
Homeless Services	2,367	2,393	2,393	2,393	2,393
Health and Mental Hygiene	5,550	5,337	5,329	5,325	5,325
Finance	2,169	2,164	2,164	2,164	2,164
Transportation	5,244	5,181	5,153	5,145	5,145
Parks and Recreation	4,326	4,243	4,243	4,231	4,228
All Other Civilians	31,036	30,501	30,420	30,375	30,432
Subtotal	**112,497**	**111,200**	**111,139**	**111,081**	**111,789**
Total	**300,703**	**300,451**	**301,291**	**301,120**	**302,970**

The January headcount plan, as shown in Table 14, shows a net increase of 100 in FY 2017 year-end headcount from the November 2016 Financial Plan. Major net increases as compared to the November Plan as shown in Table 14 include 75 in the Department of Social Services which adds $3.7 million to the agency's expense in FY 2017 and $5.1 million annually, beginning in FY 2018; 69 in the Department of Homeless Services which adds $4.0 million to the agency's FY 2017 expenses and $4.3 million annually, beginning in FY 2018 (including 61 for Shelter Intake Staffing, which accounts for $3.2 million of the agency's increase in FY 2017 and $3.6 million annually, beginning in FY 2018); and 46 in the Department of Transportation which adds $514,275 to the agency's FY 2017 expenses and $2.3 million annually, beginning in FY 2018.

There is a planned decrease of 277 in the Department of Health and Mental Hygiene for year-end 2017. While these positions were included in prior headcount plans, they were not previously funded in the expense budget, and thus the elimination of these positions has no financial impact on the agency's budget.

Table 14. Plan-to-Plan Comparison
November 2016 Financial Plan vs. January 2017 Financial Plan Full-time Headcount

	FY 2017	FY 2018	FY 2019	FY 2020
Pedagogical				
Dept. of Education	0	0	0	0
City University	0	0	0	0
Subtotal	**0**	**0**	**0**	**0**
Uniformed				
Police	42	42	42	42
Fire	0	0	0	0
Correction	0	46	46	46
Sanitation	0	0	0	0
Subtotal	**42**	**88**	**88**	**88**
Civilian				
Dept. of Education	49	91	97	97
City University	0	0	0	0
Police	(16)	(43)	(43)	(43)
Fire	24	35	35	35
Correction	0	0	0	0
Sanitation	0	0	0	0
Admin. for Children's Services	0	0	0	0
Social Services	75	70	70	70
Homeless Services	69	158	158	158
Health and Mental Hygiene	(277)	(60)	(60)	(60)
Finance	0	0	0	0
Transportation	46	67	86	67
Parks and Recreation	28	27	27	27
All Other Civilians	60	158	161	161
Subtotal	**58**	**503**	**531**	**512**
Total	**100**	**591**	**619**	**600**

Table 15 compares actual headcount on December 31, 2016 to the planned FY 2017 year-end headcount. The headcount Plan shows an expected net increase of 13,701 full-time employees Citywide, from June 30, 2016. As of December 31, 2016, half way through the fiscal year, Citywide headcount has shown a net increase of only 5,416, less than 40 percent of the planned increase.

The pace of increase suggests that the City may once again not be able to meet its headcount target for the year. This suggests that there could be additional personal services accrual savings in the budget in the latter part of the fiscal year. Several agencies with significant planned increases are well short of the pace needed to meet their end target. This includes:

- The Police Department which has added only 146 of the planned 1,705 increase in civilian headcount.

- The Administration for Children's Services which has added only 246 of the planned 1,144 increase.

- The Department of Social Services which has experienced a decrease of 95 employees despite a planned increase of 1,820.

- The Department of Health and Mental Hygiene which has added only 349 of the planned 1,042 increase.

Despite planned reductions, headcount in the Department of Homeless Services and uniformed headcount in the NYPD, FDNY and Department of Sanitation have increased since June 30, 2016. Collectively, these headcounts are nearly 1,000 positions above plan.

Table 15. December 31, 2016 Headcount vs. Planned June 30, 2017 Headcount

	6/30/2016 Actuals	12/31/2016 Actuals	Jan Plan 6/30/2017 Plan	Change 6/30/2016 Actuals to 12/31/2016 Actuals	Planned Change 6/30/2016 to 6/30/2017	Percent of Planned Change Achieved
Pedagogical						
Dept. of Education	115,799	117,960	119,278	2,161	3,479	62.12%
City University	4,232	4,283	4,441	51	209	24.40%
Subtotal	**120,031**	**122,243**	**123,719**	**2,212**	**3,688**	**59.98%**
Uniformed						
Police	35,990	36,243	35,822	253	(168)	(150.60)%
Fire	10,945	11,040	10,884	95	(61)	(155.74)%
Correction	9,832	10,181	10,336	349	504	69.25%
Sanitation	7,465	7,700	7,445	235	(20)	(1,175.00%)
Subtotal	**64,232**	**65,164**	**64,487**	**932**	**255**	365.49%
Civilian						
Dept. of Education	12,248	12,412	11,225	164	(1,023)	(16.03)%
City University	1,917	1,879	1,907	(38)	(10)	380.00%
Police	14,353	14,499	16,058	146	1,705	8.56%
Fire	5,813	6,066	5,977	253	164	154.27%
Correction	1,569	1,669	2,188	100	619	16.16%
Sanitation	2,104	2,112	2,250	8	146	5.48%
Admin. for Children's Services	5,972	6,218	7,116	246	1,144	21.50%
Social Services	13,264	13,169	15,084	(95)	1,820	(5.22)%
Homeless Services	2,404	2,524	2,367	120	(37)	(324.32)%
Health and Mental Hygiene	4,508	4,857	5,550	349	1,042	33.49%
Finance	1,882	1,897	2,169	15	287	5.23%
Transportation	4,633	4,713	5,244	80	611	13.09%
Parks and Recreation	4,043	4,185	4,326	142	283	50.18%
All Other Civilians	28,029	28,811	31,036	782	3,007	26.01%
Subtotal	**102,739**	**105,011**	**112,497**	**2,272**	**9,758**	*23.28%*
Total	**287,002**	**292,418**	**300,703**	**5,416**	**13,701**	**39.53%**

Overtime

The FY 2018 Preliminary Budget includes $1.324 billion for overtime expenditures, a modest decline of $42 million or 3 percent when compared to the current FY 2017 overtime projection of $1.366 billion. The City has increased uniformed headcount levels at the Police and Fire Departments and the Department of Corrections which has alleviated some of the reliance on overtime usage. Additionally, the FY 2018 Preliminary Budget includes civilian overtime savings of $14 million. Despite these positive developments, overtime projections appear optimistic when compared to actual overtime expenditures of almost $1.7 billion in FYs 2015 and 2016. Consequently, the Comptroller's Office projects that FYs 2017 and 2018 overtime spending would likely exceed the Financial Plan's overtime projections by $276 million and $215 million, respectively, as shown in Table 16.

Table 16. Projected Overtime Spending, FY 2017 and FY 2018

($ in millions)

	City Planned Overtime FY 2017	Comptroller's Projected Overtime FY 2017	FY 2017 Risk	City Planned Overtime FY 2018	Comptroller's Projected Overtime FY 2018	FY 2018 Risk
Uniformed						
Police	$502	$580	($78)	$505	$560	($55)
Fire	282	282	0	237	237	0
Correction	133	245	(112)	165	220	(55)
Sanitation	105	105	0	106	106	0
Total Uniformed	$1,022	$1,212	($190)	$1,013	$1,123	($110)
Others						
Police-Civilian	$89	$100	$(11)	$87	$100	$(13)
Admin for Child Svcs	18	30	(12)	18	30	(12)
Environmental Protection	23	40	(17)	23	40	(17)
Transportation	53	60	(7)	50	60	(10)
All Other Agencies	161	200	(39)	147	200	(53)
Total Civilians	$344	$430	($86)	$325	$430	($105)
Overtime Civilian Savings				(14)	(14)	0
Total City	**$1,366**	**$1,642**	**($276)**	**$1,324**	**$1,539**	**($215)**

The FY 2017 overtime budget in the January Plan is $73 million more than the November Plan. Uniformed personnel overtime spending is revised upward by $57 million driven primarily by an increase of $53 million in the Fire Department (FDNY). Through January, the department has spent $153 million for uniformed overtime and the Plan assumes that overtime spending for the current fiscal year will total $282 million. Civilian overtime projections increased by $16 million, reflecting increases of about $11 million for the Department of Transportation and $3 million for the NYPD.

Overtime projections for FY 2018 are revised upwards by $153 million or 13 percent from the November Plan. Approximately 97 percent of the increase is attributable to additional uniformed overtime spending of $78 million for the FDNY and $71 million for the DOC. The increases in the FDNY FYs 2017 and 2018 uniformed overtime budgets bring them in line with recent spending trends and should be sufficient to fund overtime needs in these fiscal years.

However, the Comptroller's Office expects uniformed overtime spending in DOC and NYPD to exceed their budgeted amounts by a combined $190 million in FY 2017 and $110 million in FY 2018. The Comptroller's Office estimates that uniformed overtime spending in DOC will total $245 million in FY 2017 and $220 million in FY 2018. This declining trend reflects increases in uniformed headcount which alleviate the need for overtime. While the Comptroller's Office's estimate for FY 2017 is only moderately lower than the $255 million spent in FY 2016, the City is estimating a sharper drop to $133 million followed by a moderate increase to $165 million in FY 2018. However, overtime spending through January is already at $136 million, $3 million more than budgeted for the full year. Consequently, the Comptroller's Office is projecting risks of $112 million in FY 2017 and $55 million in FY 2018 in DOC's uniformed overtime estimates.

In the Police Department, uniformed overtime spending of $326 million through January 2017 is slightly below the $339 million spent over the same period last fiscal year. Uniformed headcount levels at the NYPD have also increased since the end of FY 2015. If not for the department providing security and handling the protests leading up to and following the President's inauguration, overtime spending may have been even lower. Given current spending trend, the Comptroller's Office estimates that overtime spending for FY 2017 will be $580 million, relatively unchanged from the $575 million spent in FY 2016. The current Financial Plan assumes Police uniformed spending of $502 million in FY 2017 and $505 million in FY 2018, resulting in risks of $78 million and $55 million in FYs 2017 and 2018, respectively.

The City has spent $289 million through January for civilian overtime in FY 2017 and is on pace to spend at least $430 million for the entire fiscal year. Civilian overtime cost, which accounts for about 30 percent of total overtime expenditures, has grown steadily for several years with the average cost per full-time civilian employee increasing from $3,266 in FY 2006 to $4,867 in FY 2016.[14] To address this growing concern, the City has proposed initiatives in the January Plan aimed at reducing civilian overtime cost, particularly for trade titles. Under these initiatives, overtime caps will be implemented for skilled trade titles and all other civilians, with expected annual savings of $10 million and $8 million, respectively.[15] Waiver requests to go beyond overtime caps will be reviewed before being approved. Civilian overtime will likely exceed the budgeted amount by $86 million for FY 2017 and $105 million for FY 2018.

Health Insurance

The FY 2018 Preliminary Budget includes $6.465 billion for employees' and retirees' pay-as-you-go health insurance, a net increase of $22 million from the November Plan and $489 million higher than budgeted for FY 2017. The increase from FY 2017 reflects a premium rate increase of 7.84 percent for active employees and pre-

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[14] Civilian overtime expenditures divided by total-funds full-time civilian headcount, excluding pedagogical.

[15] Estimated overtime savings for other civilians in FY 2018 is $4 million, suggesting only a half year of savings.

Medicare retirees. This rate is significantly higher than the increases in recent years which ranged from 1.22 percent in FY 2015 to 4.88 percent for FY 2017. The senior-care rate, which remained relatively flat between FYs 2015 and 2017, is projected to increase by 8 percent for FY 2018.

As shown in Table 17, health insurance costs are projected to increase to $6.958 billion in FY 2019, $7.505 billion in FY 2020 and $8.164 billion by FY 2021, an average annual increase of just over 8 percent. The outyear projections assume annual increases in health insurance premium rates of 7 percent in FY 2019, 6.5 percent in FY 2020 and 6 percent in FY 2021. Senior-care rates are projected to increase by 5 percent annually for FY 2019 to FY 2021.

Table 17. Pay-As-You-Go Health Expenditures

($ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Department of Education	$2,238	$2,371	$2,540	$2,771	$3,088
CUNY	84	114	122	130	143
All Other	3,654	3,980	4,296	4,604	4,933
Total Pay-As-You-Go Health Insurance Costs	$5,976	$6,465	$6,958	$7,505	$8,164

The current health insurance projections incorporate savings agreed to in the Healthcare Reform Agreement between the City and the Municipal Labor Committee (MLC).[16] Thus far, as shown in Table 18, the City has achieved cumulative savings of $1.1 billion in FYs 2015 and 2016 and has outlined expected savings of $1 billion for FY 2017. The City has indicated that recurring savings from the initiatives implemented will result in savings of $1.1 billion for FY 2018 and that the additional $150 million needed to realize the FY 2018 targeted amount should be achievable.

So far, most of the savings being achieved results from lower than projected premium rates. This accounted for approximately 60 percent of the FY 2016 savings and is expected to account for 63 percent of the FY 2017 savings. It is likely that most of the savings for FY 2018 will also result from lower than budgeted premium rates. The City had previously projected a premium rate increase of 9 percent for active and pre-Medicare employees compared to the actual rate of 7.84 percent. The senior-care rate is projected to increase by 8 percent in FY 2018. Senior-care rates remained relatively flat between FYs 2012 and 2016 and increased by 4.73 percent for FY 2017 and it is likely that the actual rate increase will again be lower than projected.

[16] In May 2014, the City and the MLC reached an agreement on healthcare reform for savings of $400 million in FY 2015, $700 million in FY 2016, $1 billion in FY 2017, and $1.3 billion annually in FY 2018 and beyond. The savings are earmarked to offset some of the cost of the current round of collective bargaining.

Table 18. Health Reform Savings

($ in millions)

	FY 2015	FY 2016	FY 2017
HIP Premium Rate Savings	$17	$343	$544
GHI Senior-Care Premium Savings	38	77	100
Dependent Eligibility Verification Audit (DEVA)	108	110	103
Mental Health Parity "Relief"	148	0	0
Funding Structure Change in GHI Plan	58	61	41
GHI CBP Program Changes	0	0	85
HIP HMO Preferred Plan	0	3	63
Changes to Care Management Program	19	38	39
Specialty Drugs (PICA) Program Changes	8	32	32
Reduction in Empire Blue Cross Blue Shield Admin Charges	4	0	0
Lower Radiology Fees	0	3	20
Lower Durable Medical Equipment (DME) Fees	0	0	1
Out-Of-Network Pricing Adjustment – Behavioral Mgmt. Program	0	0	3
Diabetes Case Management	0	1	1
Buy-Out Waiver Incentive Pilot Program	0	(3)	(3)
Stabilization Fund Adjustment	0	36	0
Total	**$400**	**$700**	**$1,028**

SOURCE: NYC Office of Labor Relations.

Pensions

Pension contributions are projected to grow moderately over the Financial Plan period, increasing from $9.301 billion in FY 2017 to $10.058 billion by FY 2021. The average annual growth of 2.0 percent in pension contributions is below total expenditure growth of 3 percent. The projected contributions include funds in reserve for the additional cost resulting from lower than projected FY 2016 actual investment returns, headcount changes, and other minor adjustments. Projected pension contributions in the January Plan are relatively unchanged from the November Plan as shown in Table 19. The January Plan incorporates the impact of the restatement of Board of Education Retirement System's (BERS) assets effective June 30, 2015, which lowers projected pension contribution by $9 million annually.

Table 19. FY 2017 – FY 2021 City Pension Contributions

($ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Five Actuarial Systems	$9,232	$9,411	$9,540	$9,464	$9,539
Reserve for Expected Adjustments*	26	242	389	513	456
Non-Actuarial Systems	70	75	80	83	83
Non-City Systems	85	89	91	92	92
Less: Intra City-Expense	(112)	(112)	(112)	(112)	(112)
Net Pension Expense January Plan	9,301	9,706	9,987	10,040	10,058
Net Pension Expense November Plan	9,310	9,718	9,997	10,049	10,067
Net Change	**($9)**	**($12)**	**($10)**	**($9)**	**($9)**

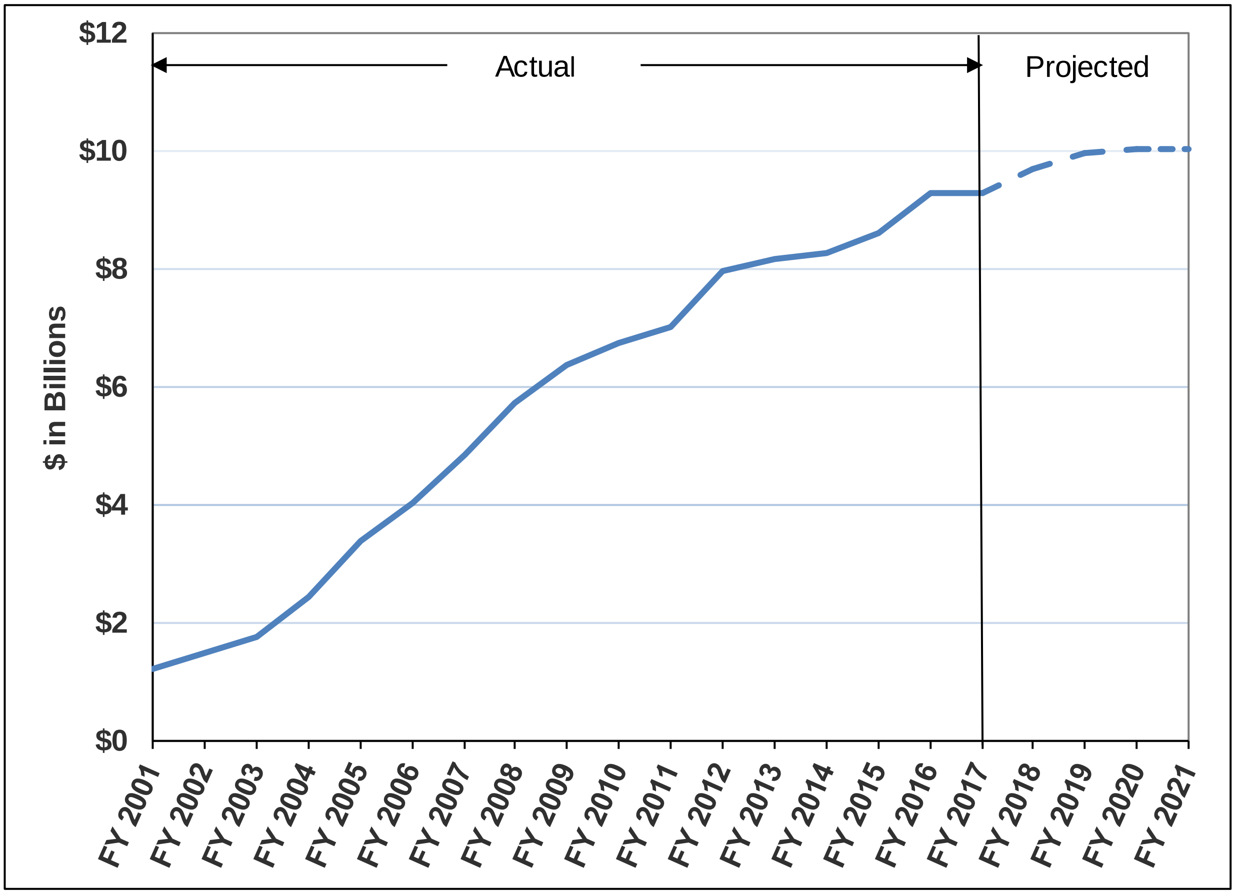
*The reserve is being held to accommodate expected changes in headcount, valuation refinements, and salary adjustments.
**Totals may not add up due to rounding.

Through January 31, 2017, preliminary figures indicate that the pension funds have experienced investment gains of about 6 percent. The Financial Plan projections are based on the assumption that pension investments will earn the actuarial interest rate assumption (AIRA) of 7 percent.[17] Each percentage point in investment return above or below the AIRA in FY 2017 will, respectively, lower or increase pension contributions by approximately $22 million in FY 2019, $44 million in FY 2020, and $66 million in FY 2021.

As shown in Chart 4, the City's expenditures for pension contributions grew at an average annual rate of almost 19 percent between FY 2001 and FY 2012. This was due primarily to lower than assumed investment returns and benefit enhancements. Beginning in FY 2012, the implementation of new actuarial assumptions and methodologies and the introduction of less expensive pension plans for new employees, together with an average investment return of 8.4 percent for July 1, 2012 to June 30, 2016, slowed the growth of pension contributions. For that period pension expenditures grew at an average annual rate of approximately 4 percent. Pension contributions are projected to increase at an annual average rate of 1.6 percent between FYs 2016 and 2021, even after incorporating the costs resulting from recent labor-settlements for employees and the introduction in FY 2016 of new sets of probability tables of post-retirement mortality.

[17] Returns above or below the AIRA for a given fiscal year are phased in to the Actuarial Asset Value over a six-year period in accordance with the Actuary's Actuarial Asset Valuation Methodology (AAVM).

***Chart 4*. City's Pension Expenditures**



Independent Actuarial Audit

Pursuant to Section 96 of the New York City Charter, the Comptroller's Office has engaged Bolton Partners, Inc. ("Bolton") to conduct two consecutive biennial independent actuarial audit engagements. The engagements consist of audits of employer contributions for FY 2016 and FY 2018 to validate actuarial calculations and methods, experience studies of data through fiscal year-ends of 2015 and 2017 to validate actuarial assumptions, and administrative reviews of the City's collection and processing of actuarial data. The audit process has begun and Bolton is expected to release final reports for their second engagement in 2019.

Labor

On February 27, 2017, the Patrolmen's Benevolent Association (PBA) announced the ratification of a labor contract with the City covering a five-year period from August 1, 2012 to July 31, 2017. This contract period follows the two-year period from August 1, 2010 to July 31, 2012 for which the New York State Public Employment Relations Board (PERB) rendered a final decision for annual wage increases. The contract grants wage increases of 9 percent and brings the PBA in line with the pattern established by other uniformed settlements for the current round of collective bargaining. Together with the previous two-year contract, PBA members will receive wage increases totaling 11 percent by the end of the contract period.

The contract also includes a 2.25 percent differential for officers' community policing work, effective March 15, 2017. The City agreed to this differential to compensate for the additional responsibilities of police officers following the implementation of community policing. Over the Plan period, this additional cost will be partially offset by a modification to the salary schedules of new officers. Table 20 below compares the current salary adjusted for proposed wage increases with the proposed salary for officers hired after March 15, 2017. Over a five and a half year period, base salaries earned by these officers will be approximately 11 percent less than that earned under the current salary schedule adjusted for wage proposed increases.[18] As a result, while there will be additional cost associated with the 2.25 percent differential in the first four years of the Plan period, the cost will be offset by FY 2021 and the new schedule will generate net savings thereafter. We estimate the cost over the first four years to be $12 million in FY 2017, $32 million in FY 2018, $43 million in FY 2019 and $28 million in FY 2020.

Table 20. Proposed Five and a Half-Year Salary Schedule

	Current Salary Schedule (a)	Proposed Salary Schedule (b)	Current Salary Schedule Adjusted for Wage Increases (c)
First 1.5 Years	$42,819	$42,500	$46,805
After 1.5 Years	$44,521	$45,000	$48,666
After 2.5 Years	$49,760	$46,000	$54,394
After 3.5 Years	$54,341	$47,000	$59,401
After 4.5 Years	$57,747	$51,000	$63,125
After 5.5 Years	$78,026	$85,292	$85,292

Other highlights of the contract include:

- The City has agreed to support State legislation to improve accidental disability retirement benefits for police officers hired beginning July 1, 2009 and thereafter.[19] This benefit will enable the officers to qualify for a non-taxable disability allowance equal to three-quarters of final average salary (FAS). The agreement with the PBA includes provisions for affected officers to partially fund this benefit through a contribution of an additional 1.0 percent of their salary.

[18] Base salary over the period excludes longevity, holiday and other non-wage compensation.

[19] Following Governor Paterson's veto of Tier II legislation extending Tier II accidental disability benefits to uniformed employees hired during the upcoming fiscal year, accidental disability benefits for uniformed employees hired on or after July 1, 2009 were reduced from 75 percent to 50 percent of final average salary, offset by 50 percent of Social Security disability benefits.

The City and the PBA have agreed to expand the use of body cameras. Under a pilot program, the NYPD currently has 1,000 cameras being used in 20 precincts. The agreement calls for increasing that amount to 5,000 by July 2018 and to have all patrol officers outfitted by the end of 2019.

The contract will cost the City approximately $530 million through the end of the contract. Some of this cost will be offset by health insurance cost savings resulting in a net cost of $337 million. The Financial Plan includes funding for the PBA's contract based on the pattern of the contracts with other uniformed employees. Since the effective dates of the wage increases negotiated in this contract differ from the dates used in calculating the funding in the Plan, for FY 2017 it will cost an additional $30 million in retroactive payments, excluding the additional cost associated with the 2.25 percent differential. Several of the current labor contracts will expire in FY 2018 and FY 2019, as shown in Table 21. The labor reserve contains funds for a 1.0 percent increase annually for the entire workforce beyond the current round. The current balance in the labor reserve is $261 million in FY 2017, $946 million in FY 2018, $1.911 billion in FY 2019, $2.268 billion in FY 2020, and $2.713 billion in FY 2021.

Table 21. Labor Contracts Expiring in FY 2018 and FY 2019

	Expiration Dates
District Council 37	07/02/2017
Uniformed Firefighters Association	07/31/2017
Patrolmen's Benevolent Association*	07/31/2017
Organization of Staff Analyst	08/24/2017
Uniformed Fire Officers Association	03/19/2018
Communications Workers of America	05/05/2018
Sergeants Benevolent Association	08/29/2018
Uniformed Sanitation Chiefs Association	10/09/2018
Lieutenants Benevolent Association	10/31/2018
United Federation of Teachers	11/30/2018
United Sanitationmen's Association	01/19/2019
Correction Officers' Benevolent Association	02/28/2019
Detectives' Endowment Association	03/31/2019
Council of School Supervisors and Administrators	04/20/2019
Captains Endowment Association	04/30/2019

Public Assistance

Through January 2017, the City's public assistance caseload has averaged 371,753 recipients per month in the current year. The average monthly caseload thus far in FY 2017 has increased by roughly one percent, or 4,031 recipients compared to average monthly caseload of 367,722 over the same period in FY 2016. Since rebounding from a low of 336,403 in May 2014, the number of public assistance recipients has largely fluctuated within a range of 367,000-375,000 recipients per month over the past twelve months. Thus far, public assistance grants spending has averaged about $119 million per month in the current fiscal year, showing a modest increase from the average for the same period in FY 2016.

The City's Financial Plan maintains caseload projections at monthly averages of 386,610 for FY 2017 and 388,600 over the remainder of the plan period, unchanged since the June Plan. Total baseline grants expenditures are projected at approximately $1.48 billion in FY 2017 and $1.49 billion in each of FYs 2018-2020. Both caseload and grants levels are currently running below the City's projections, which may result in offsets of $15 million in FY 2017 and $10 million annually in each of the outyears.

Homeless Services

The City's homeless services spending is primarily driven by the Department of Homeless Services (DHS). However, funding for homeless assistance is also drawn from the budgets of other agencies, including the Department of Social Services (DSS) and the Department of Youth and Community Development (DYCD). Table 22 details funding for seven major categories of homeless services across these three agencies.

Table 22. Citywide Funding by Major Categories for Homeless Services

($ in millions)

	FY 2014	FY 2017	FY 2018	FY 2019	FY 2020
Adult Shelter Operations	$326	$509	$374	$364	$353
Family Shelter Operations	$505	$807	$791	$791	$790
Rental Assistance	$23	$189	$233	$274	$317
Prevention, Diversion, Anti-Eviction & Aftercare	$82	$400	$354	$354	$347
Domestic Violence, Youth & Emergency Shelters	$88	$123	$154	$158	$158
Homeless Administration & Support	$151	$268	$247	$254	$261
Total Citywide Homeless Spending	**$1,175**	**$2,295**	**$2,153**	**$2,195**	**$2,227**

Citywide homeless services expenses in the January Plan are set to drop by 6.2 percent from $2.295 billion in FY 2017 to $2.153 billion in FY 2018. This decline follows a remarkable 95 percent escalation in recent homeless services spending, from $1.175 billion in FY 2014 to $2.295 billion in FY 2017. Rental assistance expenditures are among the most prominent drivers of the City's homeless services budget, with total FY 2018 spending anticipated to be more than ten times greater than the FY 2014 amount. However, substantial spending increases for shelter operations, prevention and aftercare, emergency shelters and administrative costs have also been contributing factors. In FY 2018, it is anticipated that 79 percent of adult shelter operation expenses and 37 percent of family shelter operation expenses will be funded by the City, with Federal and State funding accounting for the remainder.

Notable among the programmatic increases in the homeless services budget is spending for a new cohort of the Living in Communities (LINC) program which has an explicit public housing element. The City has budgeted an initial $9 million for "NYCHA LINC" rental assistance in FY 2017, which will increase to $18.4 million by FY 2018. Ultimately, the City plans to more than quadruple its first-year spending on NYCHA LINC by FY 2020. Other rental assistance expenditures in the January Plan, including the original LINC programs, City Family Eviction Prevention Supplement (FEPS) and Tenant Based Rental Assistance are set to stabilize in FYs 2018-2020, relative to FY 2017 levels.

One programmatic area that the City has likely underfunded is adult shelter operations, which are set to decline by 26.5 percent from $509.4 million in FY 2017 to $374.3 million in FY 2018. The Comptroller's Office estimates that a single adult shelter census reduction of more than 3,700 people would be required in order for DHS to realize its planned 26.5 percent funding reduction in FY 2018. This will be an ambitious challenge given that the single adult shelter population has been persistently increasing. The single adult shelter population has risen by 6.5 percent since the start of FY 2017 and by 38 percent since January 1, 2014. In the absence of swift and successful new policies or programming to supplement the City's existing efforts to reduce the adult shelter population, the planned reduction of $135 million for adult shelter operations in FY 2018 appears to be implausible. Reduced expenses for prevention and aftercare, driven largely by cuts to HomeBase funding in FY 2018, are also cause for concern. The City considers HomeBase to be "a cornerstone of its homelessness prevention efforts" and data provided to the Comptroller's Office by DHS indicate that household enrollments at HomeBase have steadily increased since the start of FY 2015. If a decline in demand for HomeBase services does not materialize in FY 2018, it could pose an additional risk to projected spending amounts for prevention and aftercare. With these and other factors considered, the Comptroller's Office projects a net City-funds risk of $132 million each year beginning FY 2018.

Department of Education

The January Modification shows a net increase of $57 million in the Department of Education's (DOE) FY 2017 budget. The DOE budget now totals $23.27 billion in FY 2017, an increase of 4 percent or $895 million above actual FY 2016 spending of $22.37 billion. The funding increase in the January Modification for the current year includes new needs totaling $41 million mainly for broadband and data center upgrades to provide high-speed internet access in the schools ($24 million) and enhancements for the Department's Special Education Student Information System ($13 million). Other major changes include adjustments for collective bargaining of $9 million for the Fashion Institute of Technology, fringe benefits costs of $15 million and a roll of $5 million in Federal Community Development Block Grants (CDBG). In addition, the City anticipates savings of $15 million from a recent State law change that improves claiming processes for special education itinerant services and funding shifts of $43 million from increased funding for career education and academic improvement. These two actions represent the DOE portion of the Citywide Savings Program at $58 million in FY 2017.

The FY 2018 Preliminary Budget projects DOE funding of $24.32 billion, representing an increase of $1.05 billion or 4.5 percent from the FY 2017 budget. Compared to the November Plan, the Preliminary Budget reflects a net increase of $65 million. The majority of the changes are continuation of initiatives reflected in FY 2017, with incremental increases of $10 million in new needs mainly attributable to expansion of the Summer in the City program and $3 million in Federal CDBG funds, partly offset by an additional $5 million in information technology savings.

With regard to the State Executive Budget, the Governor has proposed to increase formula-based school aids by $295 million to the City in the upcoming school year, including $241 million in Foundation Aid. While the proposed school aids fall short by $264 million compared with the City's assumptions, the Legislature has traditionally provided additional aid to school districts during budget adoption. In addition, as outlined in the Mayor's testimony to the Legislature, the State budget also includes a number of education proposals that could prove costly to the City if enacted by the Legislature. Foremost among these proposals is the potential increase in tuition rates paid to charter schools which according to City estimates could negatively impact its financial plan by nearly $200 million in FY 2018.

Over the remainder of the Plan, the DOE budget is projected to rise to $25.19 billion in FY 2019 and $25.72 billion in FY 2020, before reaching $26.3 billion in FY 2021. Compared to FY 2017 funding levels, the Department's budget reflects growth of 13 percent, or roughly $3 billion, over the outyears of the Plan. Additional State support is expected to comprise about $1.54 billion or 51 percent of the total growth over this period, with City-funds almost exclusively making up the remainder of the increase.

The Department will likely continue to face risks from its assumptions of Federal Medicaid reimbursement in the January Plan. The DOE estimates it will realize $41 million in Medicaid reimbursement of special education related services costs in FY 2017 and $97 million annually in the outyears. The Department realized only $18 million in Medicaid revenue in FY 2016 and an annual average of $16 million over the past five years. Therefore, the Comptroller's Office projects DOE Medicaid revenue risks of $20 million in FY 2017 and $70 million in each of FYs 2018-2021. The City also faces additional pressure from a State proposal that threatens to reduce reimbursement for Medicaid administration to the City by $50 million unless the DOE can increase Medicaid collections by $100 million beginning next year, as well as identify $50 million in Medicaid Savings.

Debt Service

As shown in Table 23, debt service in the January 2017 Plan, net of prepayment adjustments, is projected to grow from $6.46 billion in FY 2017 to $8.45 billion in FY 2021, an increase of $1.99 billion, or an average annual growth of 6.9 percent.[20]

[20] Includes debt service on General Obligation (GO), Transitional Finance Authority (TFA), and TSASC bonds as well as lease-purchase debt.

Table 23. January 2017 Financial Plan Debt Service Estimates

($ in millions)

Debt Service Category	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Change from FYs 2017 – 2021
GO[a]	$3,971	$4,134	$4,209	$4,537	$4,695	$724
TFA[b]	2,187	2,225	2,848	3,127	3,381	1,194
Lease-Purchase Debt	230	223	244	297	296	66
TSASC, Inc.	74	82	82	82	82	8
Total	**$6,462**	**$6,664**	**$7,383**	**$8,043**	**$8,454**	**$1,992**

SOURCE: January 2017 Financial Plan.
NOTE: Debt service is adjusted for prepayments.
[a] Includes long-term GO debt service.
[b] Amounts do not include TFA BARBs.

These projections represent decreases from the November 2016 Financial Plan of $85 million in FY 2017, $334 million in FY 2018, $83 million in FY 2019, and $72 million in FY 2020.[21]

The decrease in planned FY 2017 debt service is the result of a $48 million reduction in GO debt service, and $37 million in estimated TFA savings. Of the $48 million decline in GO debt service, $66 million is the result of lowering estimates for current year interest costs for GO Variable Rate Demand Bonds (VDRBs), partially offset by $16 million of debt service costs due to an acceleration of projected GO borrowing in the first-half of FY 2017. As a result, the City does not anticipate further GO borrowing in the second-half of FY 2017. The $37 million savings for TFA is a result of lower projected VRDB interest costs.

The reduction in estimated debt service from the November 2016 Plan for FY 2018 is comprised of GO debt service savings of $85 million and TFA savings of $249 million. GO savings in FY 2018 result primarily from the elimination of short-term note borrowing and the attendant $75 million interest cost along with $11 million of other miscellaneous baseline adjustments. The $249 million decrease in TFA debt service costs in FY 2018 comes from the use of excess building aid revenue retention for BARBs purposes in prior years, and availing those resources to pay TFA Future Tax Secured (FTS) debt service.[22]

The FYs 2019 and 2020 decreases from the November Plan of $83 million and $72 million, respectively, come primarily from the elimination of short-term note borrowing over the Plan period.

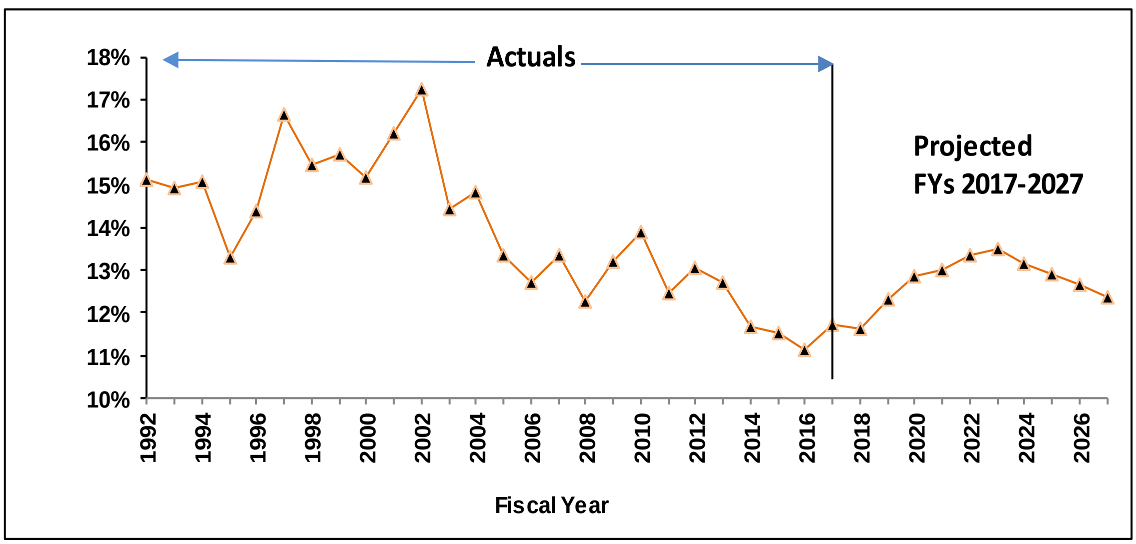
[21] There was no published estimate for FY 2021 in either the June or November 2016 Plans.

[22] BARBs debt service is not carried in the City's General Fund budget, whereas TFA Future Tax Secured (FTS) debt service is included in the City's General Fund budget. Decreases in TFA FTS debt service directly benefit the General Fund budget.

Debt Affordability

Debt service as a percent of local tax revenues is a useful measure of debt affordability used by the financial sector and government officials alike. The January 2017 Plan projects that debt service will consume 11.7 percent of local tax revenues in FY 2017, 11.6 percent in FY 2018, 12.3 percent in FY 2019, 12.8 percent in FY 2020 and 13.0 percent in FY 2021, as shown in Chart 5.[23] The increasing ratio is the result of the City's debt service growing at a faster rate than its tax revenues. Between FY 2017 and FY 2021 the City's debt service is estimated to grow by 31 percent, resulting in an annual growth rate of 6.9 percent over the Financial Plan period. In contrast, the estimated annual tax revenue growth for the same period is 4.3 percent. Beyond FY 2021, the ratio declines to 12.2 percent by FY 2027 as borrowing tapers off due to a less-defined capital plan.[24] If capital commitments and expenditures remain higher in the later years, and if annual tax revenue growth were to average less than the assumed 4.5 percent, the debt service ratio would not decline as quickly as projected in the Ten-Year Capital Strategy (TYCS).

***Chart 5*. Debt Service as a Percentage of Tax Revenues, 1992 – 2027**



SOURCE: NYC Office of Management and Budget, January 2017 Financial Plan.

Financing Program

The January 2017 Financial Plan contains $47.8 billion of planned City and State supported borrowing in FYs 2017 – 2021, as shown in Table 24. GO and TFA FTS borrowing account for over 78 percent of total borrowing over this period. Planned TFA bonds total $19.25 billion while estimated GO borrowing totals $18.33 billion.

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[23] Includes TSASC debt service and revenues.

[24] The Plan assumes a tax revenue growth rate of 4.5 percent per annum after FY 2021.

Planned borrowing over FYs 2017 – 2020 is $619 million higher than the November Plan, attributable to increased TFA/GO borrowing of $290 million along with $317 million increase in New York City Municipal Water Finance Authority (NYW) borrowing.[25]

Planned NYW FYs 2017 – 2021 borrowing of $8.94 billion accounts for a significant 18.7 percent of the City's capital borrowing plan during this period. However, unlike other debt that is financed by revenues derived from collection of the property tax and other General Fund revenues, NYW debt service is funded by water and sewer user fees that are collected directly by the NYC Water Board. As a result, neither the water and sewer user fees nor the NYW debt service is included in the City's General Fund.

While total borrowing averages $8.2 billion over FY 2017 and FY 2018, it does increase to an annual average of $10.47 billion over FYs 2019-2021, or an increase of 28 percent. More specifically, GO/TFA averages $6.09 billion in FYs 2017 and 2018, then increases to $8.47 billion per year from FYs 2019-2021, or an increase of 39 percent.

Table 24. January 2017 Financing Program, FYs 2017 – 2021

($ millions)

Description:	**Estimated Borrowing and Funding Sources FYs 2017-2021**	**Percent of Total**
General Obligation Bonds	$18,331	38.3%
TFA – PIT Bonds	19,250	40.3
NYC Water Finance Authority	8,941	18.7
TFA – BARBs	1,285	2.7
Total	**$47,807**	**100.0%**

SOURCE: NYC Office of Management and Budget, January 2017 Financial Plan.

Low market interest rates have allowed the City to realize debt service savings over the past several years. At the current planned GO and TFA FTS borrowing levels of $6.70 billion in FY 2018, $8.44 billion in FY 2019, $8.70 billion in FY 2020, and $8.26 billion in FY 2021, every one percentage point increase to current rates would reduce savings by $34 million in FY 2018, $109 million in FY 2019, $195 million in FY 2020, and $280 million in FY 2021.

Capital Commitment Plan

The January 2017 Capital Commitment Plan for FYs 2017 – 2020 contains $64.05 billion in authorized all-funds commitments, as shown in Table 25.[26] City-funds

[25] Changes described are from FYs 2017-2020 as FY 2021 was not yet in the November 2016 Financial Plan.

[26] The Commitment Plan is a schedule of anticipated capital contract registrations. The January 2017 Commitment Plan contains forecasts for FYs 2017 – 2020 only. FY 2021 will appear at the time of the Executive Budget.

commitments account for $57.29 billion of the total, as shown in Table 26. All-funds commitments increased by $4.21 billion, or 7 percent, from the October 2016 Commitment Plan.

All-Funds Commitments

All-funds commitments, after adjusting for the $6.52 billion reserve for unattained commitments, totals $57.53 billion. The authorized Plan is somewhat front-loaded with 31.3 percent of all-funds commitments scheduled for FY 2017.

As is typical, capital commitments for DOE and CUNY, the Department of Environmental Protection (DEP), the Department of Transportation (DOT) and Mass Transit, and Housing and Economic Development account for 65.4 percent of all-funds commitments.[27]

Table 25. FYs 2017 – 2020 Capital Commitments, All-Funds

($ in millions)

Project Category	**January FYs 2017– 2020 Commitment Plan**	**Percent of Total**
Education and CUNY	$12,556	19.6%
Environmental Protection	11,637	18.2
Dept. of Transportation and Mass Transit	10,389	16.2
Housing and Economic Development	7,326	11.4
Administration of Justice	4,987	7.8
Resiliency, Technology and Equipment	3,690	5.8
Parks Department	4,095	6.4
Hospitals	2,324	3.6
Other City Operations and Facilities	7,042	11.0
Total	**$64,046**	**100.0%**
Reserve for Unattained Commitments	($6,515)	N/A
Adjusted Total	**$57,531**	**N/A**

SOURCE: NYC Office of Management and Budget, FYs 2017 – 2020 January Capital Commitment Plan, January 2017.

The net increase of $4.21 billion from the October 2016 Plan is comprised of increases of $785 million in FY 2017, $776 million in FY 2018, $1.14 billion in FY 2019, and $1.51 billion in FY 2020.

A significant portion of the FY 2017 increase stems from increases in highways and bridges related projects in the amount of $291 million, water pollution control projects for $119 million, and the Parks Department with an increase of $112 million.

The addition of $776 million in FY 2018 is driven by increases of $124 million in economic development projects, $112 million in the Parks Department, $112 million in public buildings projects, and $111 million to the Police Department.

[27] This percentage assumes all DOT project types, not just bridges and highways.

The increase of $1.14 billion in FY 2019 is driven by a $296 million increase in highways and street related projects. In addition, there is an increase of $227 million to the Parks Department, $222 million for the Police Department driven primarily by the new Firearms training facility, along with $146 million of economic development projects, and $143 million for sewers related projects.

The additional $1.51 billion in FY 2020 is driven by increases of $307 million in water pollution control projects, $238 million for sewer projects, $215 million for water mains, and $146 million for highways and streets related projects.

City-Funds Commitments

City-funds commitments in the January 2017 Capital Commitment Plan totals $57.29 billion, an increase of $4.19 billion from the Adopted Commitment Plan over FYs 2017 – 2020. After adjusting for the reserve for unattained commitments of $6.52 billion, City-funds commitments total $50.77 billion, as shown in Table 26. DEP, Education and CUNY, DOT and Mass Transit, along with Housing and Economic Development (Business Services) account for 66.2 percent of City-funds commitments over the FYs 2017-2020 period.

Major increases from the Adopted Commitment Plan include:

- An increase of $1.1 billion in DEP for Water Mains ($410 million), sewer projects ($389 million), and water pollution control related projects ($302 million).
- A $540 million increase to the Parks Department including $82 million for Street and Park Tree Planting, and $55 million for site acquisition to enable the creation of Bushwick Inlet Park.
- An increase of $530 million in DOT for highway construction and reconstruction projects, including increased street repaving and resurfacing efforts ($146 million).
- An increase of $346 million in the Police Department, including $275 million for the rehabilitation of the Rodman’s Neck site in the Bronx for a new firearms and tactical training facility.

Table 26. FYs 2017 – 2020 Capital Commitments, City-Funds

($ in millions)

Project Category	January FYs 2017– 2020 Commitment Plan	Percent of Total
Environmental Protection	$11,362	19.8%
Education and CUNY	11,178	19.5
Dept. of Transportation and Mass Transit	8,608	15.0
Housing and Economic Development	6,831	11.9
Administration of Justice	4,848	8.5
Resiliency, Technology and Equipment	3,248	5.7
Parks Department	3,566	6.2
Hospitals	1,011	1.8
Other City Operations and Facilities	6,637	11.6
Total	**$57,289**	**100.0%**
Reserve for Unattained Commitments	($6,515)	N/A
Adjusted Total	**$50,774**	**N/A**

SOURCE: NYC Office of Management and Budget, FYs 2017-2020 February Capital Commitment Plan, January 2017.

Preliminary Ten-Year Capital Strategy

The City is required by Sections 215 and 234 of the City Charter to issue a Preliminary Ten-Year Capital Strategy (the Preliminary Strategy) every odd calendar year. The Preliminary Ten-Year Capital Strategy for FYs 2018 – 2027 totals $89.56 billion – $83.26 billion of City-funds and $6.3 billion in non-City funds. This is a $5.78 billion, or 6.9 percent, increase from the last Ten-Year Capital Strategy published in May 2015, as shown on Table 27.

Table 27. Preliminary Ten-Year Capital Strategy, FYs 2018 – 2027, January 2017, Comparison to the 2015 Ten-Year Capital Strategy, May 2015

($ in millions)

	May 2015 Capital Strategy – City-Funds	May 2015 Capital Strategy – All-Funds	January 2017 Capital Strategy – City-Funds	January 2017 Capital Strategy – All-Funds	Change in City-Funds	Change in All-Funds
Education (DOE and CUNY)	$20,749	$23,435	$18,590	$20,764	($2,159)	($2,671)
Environmental Protection	14,381	14,688	17,453	17,651	3,073	2,962
DOT and Transit	10,978	13,422	13,453	15,306	2,475	1,884
Housing (HPD and NYCHA)	7,773	8,357	8,904	9,231	1,131	874
Business Services	3,289	3,380	2,793	2,946	(495)	(434)
All Other	18,329	20,496	22,067	23,658	3,737	3,163
Total	**$75,499**	**$83,778**	**$83,261**	**$89,556**	**$7,762**	**$5,778**

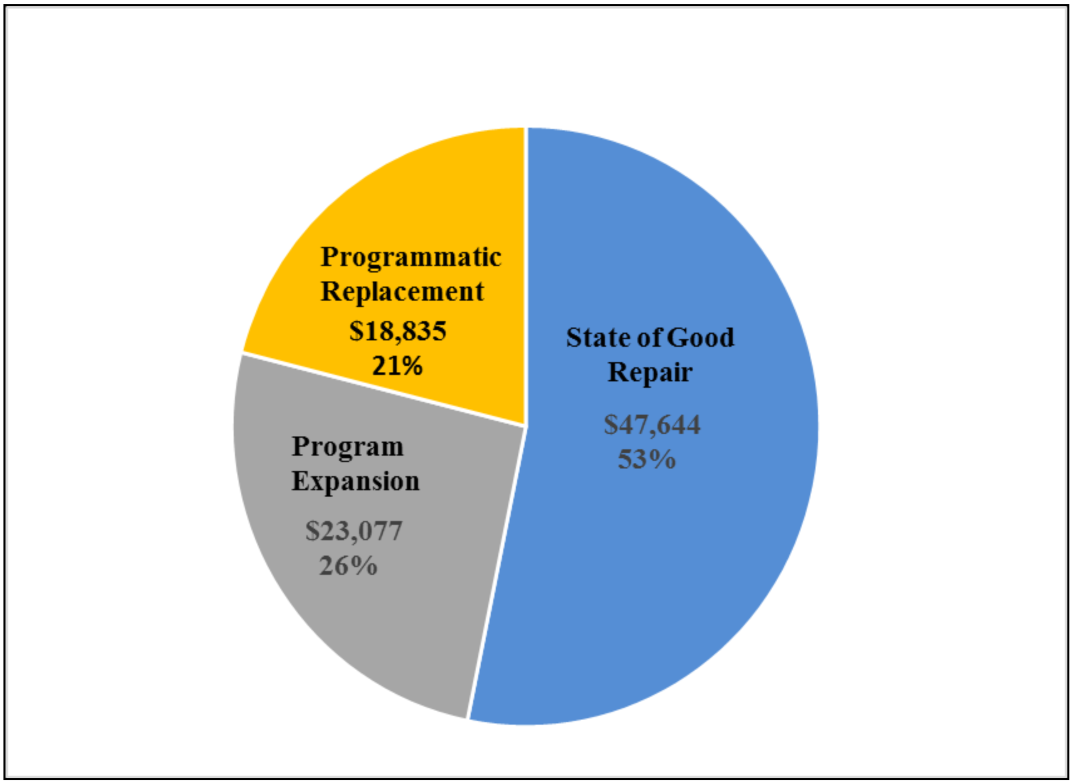
SOURCE: Preliminary Ten-Year Capital Strategy, Fiscal Years 2018-2027, January 2017 and the Ten-Year Capital Strategy, FYs 2016-2025, May 2015.

Similar to patterns of other Ten-Year Strategies, all-funds projects for Education, DEP, Housing (including NYCHA), and DOT/Transit constitute 70.3 percent of the current preliminary Strategy. The categories with the largest changes from the prior capital strategy are a decrease of $2.67 billion in Education (DOE), and increases of $2.96 billion in DEP, $1.88 billion in DOT/Transit, and $874 million in HPD and NYCHA, with NYCHA increasing its City-funds commitments by $715 million.

In addition, the current capital strategy contains three major "lifecycle" project categories: State of Good Repair which involves fixing and repairing facilities and infrastructure, Program Expansion which involves adding new or expanding current facilities and infrastructure, and Programmatic Replacement which involves replacing facilities or equipment. Those capital efforts entitled State of Good Repair are allocated $47.6 billion followed by $23.1 billion for Program Expansion, and $18.8 billion for Programmatic Replacement as shown in Chart 6.

***Chart 6*. Ten-Year Capital Strategy, FYs 2018-2027, All Funds**

($ in millions)



Source: NYC OMB, January 2017 Ten-Year Capital Strategy.

Examples of state of good repair projects are $12.4 billion for the reconstruction of schools; $8.2 billion for East River and other Bridge reconstruction; and $5.4 billion for the reconstruction and resurfacing of streets and highways.

Some examples of program expansion projects include $7.6 billion for new school construction and expansion, which includes the construction of new schools at a cost of $4.5 billion and an additional 38,487 seats, and $3.1 billion for improvements to leased facilities, athletic fields and playgrounds and building additions; $4.5 billion for new and special needs housing; and $2.2 billion for the construction of the third water tunnel, including the Kensico City Tunnel.

Programmatic replacement projects include such items as $3.6 billion of upgrades to water pollution control plants; $2.5 billion for water main replacements and dam safety programs; and $2.0 billion for citywide information systems and equipment.

Major Programmatic Agencies

Education

The Department of Education (DOE) and CUNY capital programs account for $20.76 billion in all-funds, or 23.2 percent of the Preliminary Strategy. DOE programs include:

- Rehabilitation of School Components with a forecast total of $7.66 billion over the period. This area of work is dedicated to keeping major building and playground components in a state of good repair, including roofs, parapets and new windows.
- System Expansion with $4.51 billion to create new seats.
- Other System Expansion with $3.13 billion for the renovation of leased space, building additions, new athletic fields and playgrounds.
- $3.13 billion for the category of Emergency, Inspection, and Miscellaneous, which is comprised of mayoral/council program, administrative costs, emergency projects, research and development, along with funds to complete prior plan projects.
- $1.27 billion for Educational Enhancements. This category is technology driven, with eligible computer purchases, network upgrades, approved software enhancements, along with re-wiring projects to better access the internet. Upgrades and replacements of science labs are part of this category as well.
- $390 million from the Smart Schools Bond Act approved by voters in November 2014 from an original allocation of $783 million. This allocation will be used for technological enhancements, additional pre-kindergarten capacity, along with removal of transportable classroom units. The remaining $393 million is expected to be committed in FY 2017, pending State approval.
- $331 million allocated for safety and security projects which include security systems, emergency lighting, and miscellaneous code compliance projects.

Total commitments for Education are $2.7 billion less than the May 2015 Ten-Year Capital Strategy. The decrease stems primarily from a $2.98 billion decrease in DOE's Rehabilitation of School Components. Other changes include:

- An increase of $832 million for System Expansion – New Schools.
- An increase of $1.37 billion for System Expansion - Other.
- An increase of $195 million for Emergency, Unspecified, and Miscellaneous projects.
- A decrease of $1.42 billion for Educational Enhancements.
- A decrease $390 million in the Smart Schools Bond Act (Another $390 million is in FY 2017).
- A decrease of $236 million in the Safety and Security category.

Department of Environmental Protection

The Department of Environmental Protection (DEP) capital programs account for $17.65 billion in all-funds, or 19.7 percent of the Preliminary Strategy total. DEP capital projects are divided into five program areas: water pollution control; water mains, sources and treatment; sewer related projects; water supply; and equipment purchases.

Water pollution control projects total $6.61 billion and involve capital work at wastewater treatment plants, including projects to improve storm water capture, and conform to water quality mandates. These projects include:

- Plant Upgrading and Reconstruction, which constitutes 54 percent of water pollution control projects at $3.56 billion. The primary charge of this category is the reconstruction or replacement of components, or related conveyance infrastructure at in-City wastewater treatment plants, including $538 million for plant upgrades that will reduce carbon emissions and make plants more energy efficient, and $360 million for upgrades to the North River Wastewater Treatment Plant.
- $1.86 billion for capital projects related to water quality mandates. The majority of the funding will be used for measures to prevent combined-sewer overflow (CSO) into local harbor waters, including $735 million for CSO storage tanks at the Gowanus Canal in Brooklyn.
- The Green Infrastructure program is funded at $909 million. To assist in reducing CSO issues, this program is seeking natural water absorption strategies through the use of constructed wetlands, bioswales, tree pits, green roofs, and permeable pavement projects throughout the City.

The water mains, sources, and treatment program area, which has been allocated $4.02 billion in the Preliminary Strategy, is dedicated to the upkeep of the water supply at its source and its related distribution systems. These projects include:

- The category of Trunk and Distribution Main replacement, which is funded at $1.59 billion, including $650 million for a variety of state-of-good repair projects citywide, as well as $404 million for water main replacement in conjunction with DOT street reconstruction and coordinating Vision Zero initiatives, and $237 million for emergency water main work.

- The category of Water Quality Preservation programs for which $947 million of resources are dedicated. This includes $145 million for the reconstruction of the New Croton Dam and $126 million for the continued rehabilitation of the Catskill Aqueduct between the Kensico and Hillview reservoirs in Westchester County.
- The Dam Safety program of $878 million, primarily made up of the $733 million rehabilitation of the Ashokan Reservoir upstate.
- Two programs totaling $33 million, the Bluebelt program and Water for the Future, which will provide resources to connect natural storm water drainage corridors along with Water for the Future projects to allow for the temporary shutdown of the Delaware Aqueduct.

Sewer related projects throughout the City contain $4.26 billion in the Preliminary Strategy. Included in this are:

- A $1.42 billion allocation for the Replacement or Augmentation of Existing Systems. Included in this category is $535 million for the continued sewer build-out in Southeast Queens, $329 million for the provision of sewer infrastructure to accommodate rezoning in coordination with the Department of City Planning. Another $217 million is scheduled for sewer replacement in partnership with DOT street reconstruction and Vision Zero projects.
- $1.07 billion for the Replacement of Chronically Failing Components to address malfunctioning or collapsed combined sewers. About $635 million of this allocation is reserved for emergency work citywide, along with $107 million of sewer replacement in concert with DOT priorities.
- $799 million for Programmatic Replacement and Reconstruction for the reconstruction of storm and sanitary sewers with an emphasis on Southeast Queens ($740 million).
- Just over $350 million for the Bluebelt program for storm water management plan focused in mid Staten Island.

The Water Supply program was allocated $2.36 billion over the Preliminary Strategy period. This includes:

- $339.5 million for City Water Tunnel No. 3, Stage 1, which will modify the gate chambers at the Hillview reservoir.
- $1.18 billion for the Kensico-Eastview connection tunnel. This redundancy creating tunnel will connect the Kensico reservoir with the Catskill/Delaware Ultraviolet light facility, both of which are located in Westchester County.
- $650 million for City Water Tunnel No. 3, Stage 2, which will provide DEP the ability to bypass tunnels 1 and 2 and allow inspection of those tunnels for the first time since they were introduced.
- Water for the Future related projects totaling $146 million that will enable the increase of capacity in the upper Catskill Aqueduct. Projects will include new

chemical addition facilities at the Ashokan reservoir and a new de-chlorination facility.

DEP equipment programs sum to $405 million over the FYs 2018 – 2027 period. This includes utility relocation related sewer and water main projects along with DEP field operations and select administrative offices comprise the majority of the resources in this category. A projected $134 million is provided to pay for 51 percent of the cost of gas utility work that is impacted by water and sewer projects. Another $89 million is for the reconstruction and rehabilitation of field operations facilities and DEP administrative offices.

Department of Transportation (DOT) and Mass Transit

The Preliminary Ten-Year Capital Strategy contains $15.3 billion over FYs 2018 – 2027, or 17.1 percent of the all-funds total, for NYC DOT and mass transit projects. DOT projects, which include Bridges, Highways, Traffic, Ferries, and Equipment are allocated $14.65 billion, and $655 million is allocated to New York City Transit infrastructure projects.

The Bridges program area contains both East River crossings and highway bridges citywide. $8.20 billion is allocated in this category. This includes:

- $3.55 billion for reconstruction of about 60 bridge structures rated “fair” and “good”. Two large projects account for over 50 percent of this category with $1.5 billion allocated to the Brooklyn-Queens Expressway Triple Cantilever Bridge and $344 million for the Shore Road Bridge over the Hutchinson River.
- $3.15 billion for the category of Bridge Life Extension is for about 40 bridge structures rated “fair” or “good” that require upgrades to their current condition. Highlights include $147 million for the Broadway Bridge over the Harlem River and $66 million for the Woodhaven Blvd. Bridge over Queens Blvd.
- Just over $1.0 billion for East River bridges, with $330 million of the total allocated to the Ed Koch Queensboro Bridge in FY 2018 for an upper roadway replacement.

The Highways program area totals $5.42 billion over the ten-year period and is comprised primarily of $1.6 billion for approximately 7,640 lane-miles of street resurfacing and $2.4 billion for approximately 598 lane-miles of street reconstruction. About $300 million of the street reconstruction allocation is dedicated to Vision Zero projects with another $230 million to improve drainage conditions in Southeast Queens.

The Traffic program area within DOT sums to $628 million over the period and contains $275 million for signal installation of computerization, $192 million for lampposts and luminaries, and $66 million for an estimated 101 million linear feet of thermoplastic reflectorized pavement markings.

The program area of Ferries contains $336 million over the period, of which $219 million is for improvements and rehabilitation of terminal buildings, slips, and racks at both St. George and Whitehall terminals.

The Ten-Year Plan category of transportation equipment contains $72 million over the ten-year period and includes $39 million for automotive and other equipment along with $33 million for data processing equipment.

The Ten-Year Plan category of Transit (MTA) contains $655 million with $251 million for miscellaneous track improvements and the ongoing inter-fund agreements (IFA) Transit Infrastructure projects totaling $350 million.

Housing and Economic Development

This program area includes capital projects for HPD, NYCHA, and Small Business Services agencies. The Preliminary Strategy allocates $12.18 billion, or 13.6 percent of the total Ten-Year Plan, to this area. Housing for HPD and NYCHA comprises $9.23 billion of the total amount, with Business Services/EDC at $2.95 billion. The housing component's primary objective is to support the "Housing New York" program whose goal is to create 200,000 units of affordable housing between FY 2014 and FY 2024. According to the February 2017 Preliminary Mayor's Management Report, there have been over 55,000 housing starts.

HPD spearheads this program area with $7.92 billion over the FYs 2018 – 2027 period. Three HPD categories comprise 92 percent of the allocation:

- Preservation, at $2.75 billion, will address the preservation of the existing affordable housing stock and assist in the creation of long-term affordability.
- The new construction category contains $2.43 billion to finance new affordable housing units as part of the Housing New York's goal to build 200,000 new units by FY 2024.
- The Special Needs category provides $2.08 billion for both the construction and preservation of housing for seniors, the disabled, and formerly homeless households citywide.

NYCHA with $1.3 billion in all-funds over the period, will largely address roof replacements along with elevator replacements at various NYCHA developments. This is a net increase of $407 million from the prior Ten-Year Capital Strategy driven by a $715 million increase in City-funds offset by a transfer of $308 million in CDBG-DR funds to the HPD expense budget for NYCHA purposes.

The Department of Small Business services, in conjunction with NYC Economic Development Corporation, has an allocation of $2.95 billion from FYs 2018 – 2027. The Plan for SBS is heavily front-loaded with 78 percent of estimated commitments in the first four years. Four Ten-Year Plan categories make up 88 percent of the agency total. These include Neighborhood Revitalization, Waterfront Development, Commercial Development, and Industrial Development:

- The category of Neighborhood Revitalization contains planned projects of $1.63 billion. Specific neighborhood projects are not enumerated in this particular component.
- Waterfront Development contains $352 million of resources over the period. Primary objectives are the expansion and preservation of public waterfront locations throughout the City for transportation and recreational purposes, as well as ferry purchases for a new Citywide Ferry System.
- The Preliminary Strategy allocates $343 million for Commercial Development of the life sciences industry in the City. Overall, the goals of the category are to foster the growth of new industries and new retail opportunities.
- The Preliminary Strategy allocates $252 million to Industrial Development which continues to focus on City-owned or operated industrial real estate at the Brooklyn Navy Yard, the Brooklyn Army Terminal, and Bush Terminal in Brooklyn. Capital project objectives include infrastructure improvements along with bringing assets to a state-of-good repair.

IV. Appendix

Table A1. *January 2017 Financial Plan Revenue Detail*

($ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Change FYs 2017 – 2021 Dollars	Change FYs 2017 – 2021 Percent	Annual Percent Change
Taxes:								
Real Property	$24,400	$25,831	$27,492	$28,816	$30,126	$5,726	23.5%	5.4%
Personal Income Tax	$11,507	$11,826	$12,223	$12,829	$13,340	$1,833	15.9%	3.8%
General Corporation Tax	$3,904	$3,890	$3,982	$4,004	$4,113	$209	5.4%	1.3%
Banking Corporation Tax	($35)	$0	$0	$0	$0	$35	(100.0%)	(100.0%)
Unincorporated Business Tax	$2,069	$2,155	$2,265	$2,388	$2,483	$414	20.0%	4.7%
Sale and Use Tax	$7,044	$7,564	$7,910	$8,289	$8,592	$1,548	22.0%	5.1%
Real Property Transfer	$1,444	$1,485	$1,580	$1,685	$1,717	$273	18.9%	4.4%
Mortgage Recording Tax	$1,061	$994	$1,063	$1,140	$1,158	$97	9.1%	2.2%
Commercial Rent	$816	$848	$884	$919	$955	$139	17.0%	4.0%
Utility	$365	$377	$380	$388	$398	$33	9.0%	2.2%
Hotel	$568	$575	$587	$602	$620	$52	9.2%	2.2%
Cigarette	$44	$42	$41	$40	$39	($5)	(11.4%)	(3.0%)
All Other	$655	$598	$597	$597	$597	($58)	(8.9%)	(2.3%)
Tax Audit Revenue	$1,041	$850	$721	$721	$721	($320)	(30.7%)	(8.8%)
Total Taxes	**$54,883**	**$57,034**	**$59,725**	**$62,418**	**$64,859**	**$9,976**	**18.2%**	**4.3%**
Miscellaneous Revenue:								
Licenses, Franchises, Etc.	$731	$645	$639	$644	$641	($90)	(12.3%)	(3.2%)
Interest Income	$75	$110	$177	$241	$246	$171	228.0%	34.6%
Charges for Services	$996	$977	$980	$980	$980	($16)	(1.6%)	(0.4%)
Water and Sewer Charges	$1,407	$1,361	$1,347	$1,336	$1,337	($70)	(5.0%)	(1.3%)
Rental Income	$235	$225	$224	$224	$224	($11)	(4.7%)	(1.2%)
Fines and Forfeitures	$923	$902	$891	$880	$870	($53)	(5.7%)	(1.5%)
Miscellaneous	$429	$356	$563	$712	$722	$293	68.3%	13.9%
Intra-City Revenue	$2,039	$1,786	$1,781	$1,787	$1,787	($252)	(12.4%)	(3.2%)
Total Miscellaneous Revenue	**$6,835**	**$6,362**	**$6,602**	**$6,804**	**$6,807**	**($28)**	**(0.4%)**	**(0.1%)**
Unrestricted Intergovernmental Aid:								
Other Federal and State Aid	$57	$0	$0	$0	$0	($57)	(100.0%)	(100.0%)
Total Unrestricted Intergovernmental Aid	**$57**	**$0**	**$0**	**$0**	**$0**	**($57)**	**(100.0%)**	**(100.0%)**
Reserve for Disallowance of Categorical Grants	**$200**	**($15)**	**($15)**	**($15)**	**($15)**	**($215)**	**(107.5%)**	**N/A**
Less: Intra-City Revenue	**($2,039)**	**($1,786)**	**($1,781)**	**($1,787)**	**($1,787)**	**$252**	**(12.4%)**	**(3.2%)**
TOTAL CITY-FUNDS	**$59,936**	**$61,595**	**$64,531**	**$67,420**	**$69,864**	**$9,928**	**16.6%**	**3.9%**
Other Categorical Grants	**$980**	**$856**	**$847**	**$837**	**$833**	**($147)**	**(15.0%)**	**(4.0%)**
Inter-Fund Agreements	**$655**	**$658**	**$658**	**$595**	**$593**	**($62)**	**(9.5%)**	**(2.5%)**

Table A1 (Con't). *January 2017 Financial Plan Revenue Detail*

($ in millions)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Change FYs 2017 – 2021 Dollars	Change FYs 2017 – 2021 Percent	Annual Percent Change
Federal Categorical Grants:								
Community Development	$1,623	$396	$253	$257	$232	($1,391)	(85.7%)	(38.5%)
Welfare	$3,666	$3,486	$3,481	$3,482	$3,482	($184)	(5.0%)	(1.3%)
Education	$1,702	$1,776	$1,776	$1,776	$1,776	$74	4.3%	1.1%
Other	$1,835	$1,354	$1,301	$1,294	$1,291	($544)	(29.6%)	(8.4%)
Total Federal Grants	**$8,826**	**$7,012**	**$6,811**	**$6,809**	**$6,781**	**($2,045)**	**(23.2%)**	**(6.4%)**
State Categorical Grants								
Social Services	$1,858	$1,744	$1,757	$1,763	$1,763	($95)	(5.1%)	(1.3%)
Education	$10,319	$10,813	$11,245	$11,593	$11,860	$1,541	14.9%	3.5%
Higher Education	$286	$286	$286	$286	$286	$0	0.0%	0.0%
Department of Health and Mental Hygiene	$584	$552	$535	$535	$535	($49)	(8.4%)	(2.2%)
Other	$1,370	$1,151	$1,185	$1,227	$1,274	($96)	(7.0%)	(1.8%)
Total State Grants	**$14,417**	**$14,546**	**$15,008**	**$15,404**	**$15,718**	**$1,301**	**9.0%**	**2.2%**
TOTAL REVENUES	**$84,814**	**$84,667**	**$87,855**	**$91,065**	**$93,789**	**$8,975**	**10.6%**	**2.5%**

Table A2. *January 2017 Financial Plan Expenditure Detail*

($ in thousands)

	FY 2017	FY` 2018	FY 2019	FY 2020	FY 2021	Change FYs 2017 - 2021 Dollars	Change FYs 2017 - 2021 Percent	Annual Percent Change
Mayoralty	$134,897	$137,755	$135,935	$131,923	$119,827	($15,070)	(11.2%)	(2.9%)
Board of Elections	$132,424	$98,616	$94,919	$96,370	$94,176	($38,248)	(28.9%)	(8.2%)
Campaign Finance Board	$16,205	$14,014	$14,015	$14,015	$14,015	($2,190)	(13.5%)	(3.6%)
Office of the Actuary	$7,190	$7,354	$7,354	$7,354	$7,354	$164	2.3%	0.6%
President, Borough of Manhattan	$4,839	$4,583	$4,583	$4,583	$4,583	($256)	(5.3%)	(1.3%)
President, Borough of Bronx	$5,799	$5,450	$5,450	$5,450	$5,450	($349)	(6.0%)	(1.5%)
President, Borough of Brooklyn	$6,399	$5,694	$5,694	$5,694	$5,694	($705)	(11.0%)	(2.9%)
President, Borough of Queens	$5,326	$4,743	$4,743	$4,743	$4,743	($583)	(10.9%)	(2.9%)
President, Borough of Staten Island	$4,429	$4,243	$4,243	$4,243	$4,243	($186)	(4.2%)	(1.1%)
Office of the Comptroller	$104,849	$105,418	$105,424	$105,424	$105,424	$575	0.5%	0.1%
Dept. of Emergency Management	$69,309	$24,088	$24,318	$24,730	$24,761	($44,548)	(64.3%)	(22.7%)
Office of Administrative Tax Appeals	$5,057	$5,061	$5,061	$5,061	$5,061	$4	0.1%	0.0%
Law Dept.	$220,922	$202,701	$201,628	$201,478	$201,478	($19,444)	(8.8%)	(2.3%)
Dept. of City Planning	$47,108	$42,537	$40,189	$39,348	$39,348	($7,760)	(16.5%)	(4.4%)
Dept. of Investigation	$50,417	$35,843	$35,554	$32,957	$32,957	($17,460)	(34.6%)	(10.1%)
NY Public Library — Research	$27,463	$27,559	$27,559	$27,559	$27,559	$96	0.3%	0.1%
New York Public Library	$135,468	$135,388	$135,388	$135,388	$135,388	($80)	(0.1%)	(0.0%)
Brooklyn Public Library	$100,721	$100,719	$100,720	$100,720	$100,720	($1)	(0.0%)	(0.0%)
Queens Borough Public Library	$102,532	$102,430	$102,431	$102,431	$102,431	($101)	(0.1%)	(0.0%)
Dept. of Education	$23,268,681	$24,316,442	$25,190,125	$25,717,469	$26,302,003	$3,033,322	13.0%	3.1%
City University	$1,110,492	$1,093,842	$1,122,830	$1,130,917	$1,144,070	$33,578	3.0%	0.7%
Civilian Complaint Review Board	$16,176	$16,484	$16,484	$16,484	$16,484	$308	1.9%	0.5%
Police Dept.	$5,168,596	$4,999,482	$5,029,701	$5,033,924	$5,032,806	($135,790)	(2.6%)	(0.7%)
Fire Dept.	$2,056,864	$1,980,530	$1,955,853	$1,981,818	$1,981,818	($75,046)	(3.6%)	(0.9%)
Dept. of Veterans' Services	$3,952	$3,634	$3,634	$3,634	$3,634	($318)	(8.0%)	(2.1%)
Admin. for Children Services	$2,954,264	$2,956,949	$2,983,619	$2,987,902	$2,989,939	$35,675	1.2%	0.3%
Dept. of Social Services	$9,701,025	$9,822,106	$9,859,330	$9,914,983	$9,914,983	$213,958	2.2%	0.5%
Dept. of Homeless Services	$1,680,208	$1,431,033	$1,427,403	$1,420,498	$1,420,498	($259,710)	(15.5%)	(4.1%)
Dept. of Correction	$1,401,399	$1,440,678	$1,437,918	$1,453,306	$1,463,916	$62,517	4.5%	1.1%
Board of Correction	$3,037	$2,997	$2,997	$2,997	$2,997	($40)	(1.3%)	(0.3%)
Citywide Pension Contribution	$9,300,607	$9,706,324	$9,987,352	$10,039,885	$10,057,652	$757,045	8.1%	2.0%
Miscellaneous	$8,913,625	$10,400,671	$11,932,961	$12,834,273	$13,799,797	$4,886,172	54.8%	11.5%
Debt Service	$4,201,285	$4,356,732	$4,452,888	$4,833,299	$4,991,782	$790,497	18.8%	4.4%
T.F.A. Debt Service	$2,187,200	$2,224,540	$2,847,830	$3,126,540	$3,380,670	$1,193,470	54.6%	11.5%
FY 2016 BSA and Discretionary Transfers	($4,037,505)	$0	$0	$0	$0	$4,037,505	(100.0%)	(100.0%)
FY 2017 BSA	$3,054,660	($3,054,660)	$0	$0	$0	($3,054,660)	(100.0%)	(100.0%)
Public Advocate	$3,600	$3,619	$3,619	$3,619	$3,619	$19	0.5%	0.1%
City Council	$64,077	$54,200	$54,200	$54,200	$54,200	($9,877)	(15.4%)	(4.1%)
City Clerk	$5,985	$5,557	$5,557	$5,557	$5,557	($428)	(7.2%)	(1.8%)
Dept. for the Aging	$338,842	$306,097	$307,007	$309,836	$309,836	($29,006)	(8.6%)	(2.2%)
Dept. of Cultural Affairs	$181,727	$143,481	$143,481	$143,481	$143,481	($38,246)	(21.0%)	(5.7%)
Financial Info. Serv. Agency	$103,611	$109,777	$110,421	$111,065	$111,065	$7,454	7.2%	1.8%
Office of Payroll Admin.	$16,533	$17,347	$17,348	$17,348	$17,348	$815	4.9%	1.2%
Independent Budget Office	$6,126	$7,001	$6,671	$6,670	$5,158	($968)	(15.8%)	(4.2%)
Equal Employment Practices Commission	$1,125	$1,132	$1,132	$1,132	$1,132	$7	0.6%	0.2%

Table A2 (Con't). *January 2017 Financial Plan Expenditure Detail*

($ in thousands)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Change FYs 2017 - 2021 Dollars	Percent	Annual Percent Change
Civil Service Commission	$1,086	$1,094	$1,092	$1,092	$1,092	$6	0.6%	0.1%
Landmarks Preservation Commission	$6,193	$6,348	$6,159	$6,148	$6,168	($25)	(0.4%)	(0.1%)
Taxi & Limousine Commission	$70,590	$58,208	$58,058	$51,051	$51,051	($19,539)	(27.7%)	(7.8%)
Commission on Human Rights	$12,124	$11,443	$11,444	$11,444	$11,444	($680)	(5.6%)	(1.4%)
Youth & Community Development	$590,302	$471,184	$475,333	$482,947	$482,947	($107,355)	(18.2%)	(4.9%)
Conflicts of Interest Board	$2,561	$2,580	$2,581	$2,581	$2,581	$20	0.8%	0.2%
Office of Collective Bargaining	$2,418	$2,322	$2,322	$2,322	$2,322	($96)	(4.0%)	(1.0%)
Community Boards (All)	$18,167	$17,331	$17,331	$17,331	$17,331	($836)	(4.6%)	(1.2%)
Dept. of Probation	$93,081	$94,302	$94,186	$94,215	$94,215	$1,134	1.2%	0.3%
Dept. Small Business Services	$313,372	$147,004	$132,372	$126,307	$126,344	($187,028)	(59.7%)	(20.3%)
Housing Preservation & Development	$1,335,511	$900,957	$741,678	$739,940	$739,940	($595,571)	(44.6%)	(13.7%)
Dept. of Buildings	$170,202	$157,628	$153,499	$152,212	$152,212	($17,990)	(10.6%)	(2.8%)
Dept. of Health & Mental Hygiene	$1,582,397	$1,506,105	$1,518,219	$1,517,172	$1,517,189	($65,208)	(4.1%)	(1.0%)
NYC Health + Hospitals	$699,506	$767,177	$787,756	$891,034	$791,034	$91,528	13.1%	3.1%
Office of Administrative Trials & Hearings	$42,004	$44,397	$44,809	$44,809	$44,809	$2,805	6.7%	1.6%
Dept. of Environmental Protection	$1,581,303	$1,216,279	$1,196,979	$1,184,805	$1,185,713	($395,590)	(25.0%)	(6.9%)
Dept. of Sanitation	$1,613,459	$1,664,409	$1,690,965	$1,695,306	$1,693,056	$79,597	4.9%	1.2%
Business Integrity Commission	$10,303	$8,462	$8,462	$8,462	$8,462	($1,841)	(17.9%)	(4.8%)
Dept. of Finance	$273,762	$281,644	$281,119	$281,333	$281,333	$7,571	2.8%	0.7%
Dept. of Transportation	$994,680	$953,595	$954,264	$907,313	$909,375	($85,305)	(8.6%)	(2.2%)
Dept. of Parks and Recreation	$494,637	$437,320	$435,140	$433,489	$431,906	($62,731)	(12.7%)	(3.3%)
Dept. of Design & Construction	$630,574	$148,258	$150,261	$156,990	$144,302	($486,272)	(77.1%)	(30.8%)
Dept. of Citywide Admin. Services	$472,486	$419,315	$407,359	$408,398	$409,428	($63,058)	(13.3%)	(3.5%)
D.O.I.T.T.	$555,948	$468,162	$458,349	$456,255	$456,255	($99,693)	(17.9%)	(4.8%)
Dept. of Record & Info. Services	$8,239	$7,048	$7,049	$7,049	$7,049	($1,190)	(14.4%)	(3.8%)
Dept. of Consumer Affairs	$38,274	$38,998	$38,916	$38,916	$38,916	$642	1.7%	0.4%
District Attorney - N.Y.	$124,040	$102,613	$102,928	$102,932	$102,932	($21,108)	(17.0%)	(4.6%)
District Attorney – Bronx	$73,357	$71,375	$71,496	$71,494	$71,494	($1,863)	(2.5%)	(0.6%)
District Attorney – Kings	$99,919	$97,109	$97,357	$97,347	$97,347	($2,572)	(2.6%)	(0.6%)
District Attorney -Queens	$65,741	$63,576	$63,810	$63,818	$63,818	($1,923)	(2.9%)	(0.7%)
District Attorney - Richmond	$13,949	$13,954	$13,989	$13,990	$13,990	$41	0.3%	0.1%
Office of Prosec. & Special Narc.	$22,121	$22,353	$22,453	$22,458	$22,458	$337	1.5%	0.4%
Public Administrator - N.Y.	$1,786	$1,718	$1,731	$1,731	$1,731	($55)	(3.1%)	(0.8%)
Public Administrator - Bronx	$728	$692	$704	$704	$704	($24)	(3.3%)	(0.8%)
Public Administrator - Brooklyn	$859	$823	$835	$835	$835	($24)	(2.8%)	(0.7%)
Public Administrator - Queens	$612	$620	$632	$632	$632	$20	3.3%	0.8%
Public Administrator - Richmond	$514	$518	$530	$530	$530	$16	3.1%	0.8%
Prior Payable Adjustment	($400,000)	$0	$0	$0	$0	$400,000	(100.0%)	(100.0%)
General Reserve	$300,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$700,000	233.3%	35.1%
Citywide Savings Initiatives	$0	($30,700)	($42,000)	($47,000)	($44,000)	($44,000)	N/A	N/A
Energy Adjustment	$9,981	$49,446	$81,364	$115,577	$151,063	$141,082	1413.5%	97.2%
Lease Adjustment	$0	$32,217	$65,400	$99,579	$134,783	$134,783	N/A	N/A
OTPS Inflation Adjustment	$0	$0	$55,519	$111,038	$166,557	$166,557	N/A	N/A
TOTAL EXPENDITURES	**$84,814,332**	**$84,668,075**	**$91,168,019**	**$93,574,894**	**$95,581,005**	**$10,766,673**	**12.7%**	**3.0%**

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Focus On:
The Preliminary Budget

New York City Independent Budget Office

March 2017

Analysis of the Mayor's 2018 Preliminary Budget and Financial Plan Through 2021: An Overview

In November 2016 the de Blasio Administration released its first quarter modification to the city's financial plan. At the time IBO described the financial plan as a placeholder, noting that it recognized some new expenditure needs and new revenues and found some additional savings, but did not account for any potential changes that could be brought about by the new administration in Washington nor by the potential for changes in Albany. The Preliminary Budget for Fiscal Year 2018 and Financial Plan Through 2021 released in January largely maintains this holding pattern, waiting for greater clarity on federal fiscal and regulatory policy changes that could bring major disruptions to the city. With relatively modest spending increases peppered throughout various agencies, a recognition of slightly more revenue, primarily from the state and federal governments, and an additional savings program that actually lowers planned expenditures in the current year even adjusting for the effect of prepayment of other year expenses in the current year, the preliminary budget still leaves the city's budget plans very much in wait and see mode.

The following overview presents highlights from IBO's analysis of the de Blasio Administration's preliminary budget for 2018 and the financial plan for the current year through 2021.

IBO Estimates Moderately Smaller Out-Year Gaps. IBO projects an additional $133 million of resources in 2017 (all years are fiscal years unless otherwise noted), as a result of our re-estimates of expenditure projections in the January plan. These reductions in projected expenditures, coupled with IBO's estimate of $118 million more tax revenue than the Mayor's financial plan assumes, yield a total of $250 million in additional resources in 2017. These additional resources would increase the budget surplus for 2017 from $3.06 billion to $3.31 billion; barring a new need emerging in the remaining months of the fiscal year, the increased surplus estimated by IBO would be used to reduce future year budget gaps.

While the 2018 budget as presented in the January financial plan is balanced, IBO estimates that planned expenditures will exceed revenues for 2018 by $47 million.

Total Revenue and Expenditure Projections
Dollars in millions

	2017	2018	2019	2020	2021	Average Change
Total Revenue	**$85,024**	**$85,306**	**$88,557**	**$92,037**	**$95,258**	**2.9%**
Total Taxes	54,445	56,761	59,517	62,480	65,420	4.7%
Total Expenditures	**$84,774**	**$85,306**	**$91,823**	**$94,476**	**$96,483**	**3.3%**
IBO Surplus/(Gap) Projections	**$250**	**$0**	**($3,266)**	**($2,439)**	**($1,225)**	
Adjusted for Prepayments and Debt Defeasances						
Total Expenditures	$85,757	$88,361	$91,823	$94,476	$96,483	3.0%
City-Funded Expenditures	$60,786	$64,959	$68,324	$70,452	$72,179	4.4%

NOTES: IBO projects a surplus of $3.305 billion for 2017, $250 million above the de Blasio Administration's forecast. The surplus is used to prepay some 2018 expenditures, leaving 2017 with a balanced budget. Figures may not add due to rounding.

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Pricing Differences Between IBO and the de Blasio Administration *Items that Affect the Gap* *Dollars in millions*					
	2017	**2018**	**2019**	**2020**	**2021**
Gaps as Estimated by the Mayor	**-**	**-**	**($3,313)**	**($2,510)**	**($1,793)**
Revenue					
Taxes					
Property	$71	$479	$499	$813	$1,117
Personal Income	29	33	87	45	192
General Sales	(99)	(389)	(395)	(334)	(342)
General Corporation	(15)	6	40	94	61
Unincorporated Business	(12)	(28)	(64)	(119)	(106)
Real Property Transfer	61	50	41	32	71
Mortgage Recording	52	65	67	14	43
Utility	9	8	13	17	15
Hotel Occupancy	19	36	47	56	61
Commercial Rent	4	3	(8)	(20)	(16)
Cigarette	(2)	(2)	(3)	(4)	(4)
Other Taxes and Audits	-	-	-	-	-
Total Taxes	**$118**	**$262**	**$324**	**$593**	**$1,091**
TOTAL REVENUE	**$118**	**$262**	**$324**	**$593**	**$1,091**
Expenditures					
Debt Service	$83	$113	$0	$0	$0
Miscellaneous	40	-	-	-	-
Education	(25)	(101)	(128)	(159)	(191)
Homeless Services	-	(165)	(175)	(186)	(186)
Social Services	33	26	27	26	26
Police	(25)	(50)	(50)	(50)	(50)
Fire	-	(25)	(50)	(50)	(50)
Board of Elections	-	(25)	(25)	(25)	(25)
Housing	52	(3)	(41)	(41)	(11)
Small Business Services	(15)	(27)	(27)	(27)	(27)
Correction	(10)	-	-	-	-
Parks	-	(11)	(11)	(11)	(11)
Campaign Finance Board	-	(40)	-	-	-
TOTAL EXPENDITURES	**$133**	**($308)**	**($480)**	**($523)**	**($525)**
TOTAL IBO PRICING DIFFERENCES	**$250**	**($47)**	**($156)**	**$71**	**$568**
IBO Prepayment Adjustment 2017/2018	(250)	47	203	-	-
IBO SURPLUS/(GAP) PROJECTIONS	**$-**	**$-**	**($3,266)**	**($2,439)**	**($1,225)**

NOTES: Negative pricing differences (in parentheses) widen the gaps, while positive pricing differences narrow the gaps. Remaining banking corporation tax revenues reported with general corporation tax. Figures may not add due to rounding.

New York City Independent Budget Office

IBO estimates $308 million in additional expenditure needs, primarily in education and homeless services. The additional spending is partially offset by IBO's projection that tax revenues will be $262 million greater than the de Blasio Administration is forecasting. This difference would be easily covered if the city followed standard practice and used the $250 million additional surplus that IBO estimates for 2017 to prepay 2018 expenses.

In 2019, IBO's expenditure re-estimates add $480 million to the city-funded budget, which is offset by $324 million in additional tax revenue and the use of the remainder of the 2017 surplus, $203 million, to pay for 2019 expenses. The net result of these actions is a relatively small, $47 million reduction of the 2019 gap as presented in the January financial plan, from $3.31 billion to $3.27 billion.

IBO's re-estimates of agency expenditures increase the planned expenditures by $523 million and $525 million in 2020 and 2021, respectively. These additional expenditures are offset by IBO's increased revenue forecasts of $593 million and $1.1 billion for 2020 and 2021. As a result, IBO estimates another relatively small, $71 million reduction in the 2020 gap and a slightly larger $568 million reduction in the gap for 2021. The additional resources IBO estimates would reduce the gaps stated in the January financial plan from $2.5 billion to $2.4 billion in 2020 and from $1.8 billion to $1.2 billion in 2021.

The Ecomomy and Tax Revenue

IBO's general outlook for the U.S. economy is little changed from our forecast in December. Economic growth is expected to accelerate from the 1.6 percent real GDP growth in calendar year 2016—the slowest in five years—to 2.4 percent in 2017 and 2.6 percent in 2018, sustained by consumer spending and growth in real wages as unemployment remains below 5 percent. Our forecast also assumes that the Federal Reserve successfully navigates the monetary policy challenge of gradually raising interest rates without cutting off the current expansion which is now in its eighth year. For now we have made few adjustments to our forecasts to account for potential adjustments to fiscal and monetary policy that may result from changes enacted by President Trump and the Republican-led Congress. There is little clarity on the timing and specifics of potential changes to tax policy, health care, trade, immigration, infrastructure investment, and other federal spending priorities. We have assumed that some combination of tax policy and new spending initiatives will provide a fiscal stimulus beginning later this year and continuing into 2018. But policy uncertainties and potential missteps, such as over-heating the economy through the stimulus or large reductions in trade resulting from renouncing or reworking trade agreements, make the forecast for 2018 and beyond even more tentative than usual.

The local economy is also expected to continue expanding, although job growth has slowed from its torrid pace of a few years ago, and is not expected to rebound during the forecast period. After adding 136,500 jobs in calendar year 2014, measured by gains over the 12 months, job growth slowed to 94,200 in 2015, and shrank again to an estimated 70,100 in 2016. IBO forecasts continued slowing of local job growth through 2021 when it is expected to total 41,300. As job growth has slowed, real average wages have been flat or falling, continuing a downward trend underway since 2008. Our forecast calls for modest wage gains in 2017 through 2021. The policy uncertainty emanating from Washington creates significant downside risks for our outlook, particularly in the areas of health care, trade, and immigration. But there are also some potential upsides for the local economy, depending on the choices made regarding regulation of financial markets and firms (Dodd-Frank) and tax policy, which could boost earnings and profits for securities and investment firms, and tax revenue for the city.

IBO's Forecast of Tax Revenues Exceeds OMB's. IBO's lower estimates for the budget gaps than those projected by the Mayor's Office of Management (OMB) are primarily the result of our somewhat more robust outlook for tax revenues. Overall, IBO's tax revenue forecasts exceed the Mayor's by just 0.2 percent in 2017, 0.5 percent in 2018, 0.6 percent in 2019, 1.0 percent in 2020, and 1.7 percent in 2021. While IBO's forecast is higher in each year, the differences are now notably smaller than they have been in previous IBO preliminary budget analyses. While IBO's tax revenue forecast for 2017 is now $507 million over what OMB had planned when the budget was adopted, much of the growth in expected tax revenue for the current year is the product of increased estimates in revenue from tax audits, which increased by $300 million. Revenue from tax audits, unlike traditional tax revenue, is not easily forecast and is often not correlated with current economic conditions.

In particular, IBO sees more vigorous growth in property tax collections than forecast by OMB. IBO estimates that the city will see higher property tax revenue each year, with the difference growing from $71 million in 2017, to $479 million in 2018, and reaching $1.1 billion in 2021. The higher property tax revenue reflects both IBO's projection of higher taxable values and an assumption of smaller offsets for delinquencies, cancellations, and refunds in the property tax reserve.

IBO sees only slightly higher personal income tax collections above what is currently forecast by OMB in the first years of the financial plan period, with the gap widening modestly in the out-years. Our forecasts exceed OMB's estimates for personal income tax collections by $29 million (0.3 percent) in 2017 and $33 million (0.3 percent) in 2018; the difference reaches $192 million (1.5 percent) in 2021.

IBO's forecast for real-estate related taxes exceeds OMB's forecast by 3.5 percent in both 2017 and 2018, an additional $117 million for 2017 and $118 million for 2018. The differences are slightly smaller in the last years of the plan, declining to $98 million in 2021 (2.6 percent).

IBO's business tax revenue projections are lower than OMB's for each year of the financial plan, although the differences are quite small. IBO is also projecting less sales tax revenue, although in this case the differences are more substantial, ranging from $99 million in 2017 to $395 million in 2019. Some of these differences are due to IBO's assumption that the state will continue with plans to divert a total of $400 million in city sales tax revenue in 2017 through 2019 to recover savings the city reaped by refinancing sales tax-backed bonds.

Spending

In the latest financial plan for 2017, spending totals $84.8 billion, an increase of $1.4 billion over the November plan and $2.7 billion greater than the plan at adoption last June (total citywide expenditures do not include expenses paid by one agency to another). The impression that the current year's budget is actually growing is a misconception, however. Though expenditures for 2017 as presented in the adopted financial plan in June 2016 were dampened by the use of nearly $4 billion of surplus revenues from the prior year to pay for this year's expenditures. Adjusting for the effect of these prepayments gives a more accurate view of the size of the current year's budget. After adjusting for the prepayment, the 2017 expense budget has actually decreased by $313 million since adoption and nearly $1.3 billion since November.

Have Planned Expenditures Increased Since Adoption? The January financial plan includes minimal expenditure increases in the out-years of the financial plan, after adjusting for the effects of prepayments. Since last June, total expenditures for 2018 through 2020 have grown by less than 1 percent. Over the plan period, 2017 through 2021, year-over-year spending increases by an average of 3.0 percent in the financial plan.

For a more appropriate expenditure comparison, though, it is necessary to adjust not only for the prepayment of future-year expenses with current-year revenues (more commonly known as the surplus roll) but also for any funds set aside as reserves and the restatement of expenses and revenues that were accrued in prior years (often referred to as prior-year payables). Adjusting for these items, IBO estimates the average annual growth in expenditures from 2017 through 2021 is 2.6 percent.

Most of the increase in out-year expenditures is attributable to increased recognition of state and federal funding. Each additional dollar of state and federal revenue increases overall budgeted expenditures by a dollar, without affecting the amount of city funds in the budget. Since adoption an additional $1.1 billion of federal and $744 million of state revenue has been recognized for 2017, with another $1.36 billion of federal funding and $523 million in state funding recognized in 2018 through 2020.

Increases in city-funded expenditures (expenditures funded by revenue the city generates from taxes, fees, fines and other local sources) in the January plan are primarily the result of the funding of $250 million in the capital stabilization reserve, a reserve set aside to provide funding for capital projects if interest rates spike or the city encounters other financing challenges, in each of the out-years of the plan. In prior financial plans funding for the capital reserve was budgeted at $500 million, but only for the current year.

Fringe Benefits & Debt Service Drive Spending Growth. Agency expenditures include all costs related to personal services, including salaries, fringe benefits (other than pension costs), funds held in reserve for the costs associated with future labor settlements, and any other than personal service (OTPS) costs related to agency functions. Based on the January financial plan, IBO estimates that agency expenditures will total $70.7 billion in 2017 and rise modestly to $71.9 billion in 2018 before reaching $77.3 billion in 2021. Annual increases in agency expenditures over the plan period will average 2.3 percent. Growth in agency spending is primarily driven by expected increases in the annual cost of fringe benefits, which rise from $9.6 billion in 2017 to $12.7 billion by 2021, an average annual increase of 7.2 percent.

Health insurance costs, the largest component of fringe benefits, are budgeted to increase at an even faster rate, averaging 8.2 percent per year over the plan period. This annual rate of increase in spending on health insurance is 1 percentage point above the rate projected at this time last year.

Non-agency expenditures, driven primarily by the increase in the cost of the city's debt service, are growing at a much faster rate than agency expenditures in the financial plan. From 2017 through 2021, planned debt service expenditures (adjusted for prepayments) grow from $6.3 billion to $8.4 billion, averaging 7.3 percent annual growth. Pension costs, the other major component of non-agency expenditures, are projected to grow somewhat slower than the budget as a whole. Pension costs in 2017 total $9.4 billion and are forecast to increase to $10.2 billion by 2021, average growth of 2.0 percent per year.

Budget Stabilization Account

While 2019 through 2021 are out of balance in the January financial plan as presented by the Mayor, expenditures and revenues for 2017 and 2018 are equal, as the city is required to show the current and subsequent year in balance. In order to bring 2018 into balance, the January plan includes the prepayment of certain 2018 expenses with surplus resources from 2017. OMB expects current-year expenditures to exceed current-year revenues by $3.1 billion. The preliminary budget for 2018 would use $3.1 billion of excess 2017 funds, also known as the Budget Stabilization Account (BSA), to prepay some of 2018's expenses, typically debt service costs. The preliminary budget increased the BSA by $2.6 billion since the November plan. Without the BSA funds available for prepayment of 2018 expenses, next year's budget would be out of balance and the city would be required to find other means of bringing the budget into balance.

How the BSA Has Been Funded. New York ended 2016 with just over $4 billion in surplus funds, which were used to prepay debt service costs, contribute to a reserve to pay for retiree health insurances costs, and provide a subsidy to Health + Hospitals for 2017. The BSA has been an important part of balancing the city's budget for over a decade. While the current BSA of nearly $3.1 billion, as presented in the January financial plan, is comparable in size to prior years, the way in which the city has accrued these funds is different. IBO estimates the current BSA includes just $356 million of greater-than-expected or 'excess' tax revenues, which account for less than 11 percent of the BSA for 2017. The largest share of IBO's estimated 2017 BSA, $1.2 billion, amounting to nearly 36 percent of this year's total, is derived from reserve funds in the current-year budget that are expected to be uneeded. In contrast, in 2013 through 2016, excess tax revenues averaged $2.4 billion a year and accounted for an average of 78 percent of the BSA, while funds released from current-year reserves averaged $720 million, or 23 percent. The savings programs initiated by OMB provide an additional $1.1 billion of resources towards the BSA. The 2017 BSA also includes $400 million of resources from the recognition of funds payable to the city from prior years that were not accounted for in those years. In the previous five years, prior-year payables accounted for an average of $519 million of the BSA.

OMB decided to use a portion of the current year's surplus to fund $405 million of current-year agency expenses. We estimate agency spending will be $49 million less this year, reducing OMB's cost estimate to $356 million. In prior years a portion of the surplus funds were used not only for prepayment and to pay for additional agency costs, but also pension costs and additional funding for the Retiree Health Benefit Trust fund.

While the 2017 BSA is comparable in size to recent years, its reliance on expenditure savings rather than excess revenue could be a troubling sign for future years. If the city were to continue to see little to no growth in taxes and other revenue above what is forecast in the out-years of the financial plan, it would need to rely more heavily on reductions in expenditures to close the budget gaps and bring the budget into balance.

How the Budget Stabilization Account Is Funded, Fiscal Years 2012 through 2017
Dollars in millions

	2012	2013	2014	2015	2016	2017
Tax Revenue	$5	$2,049	$2,979	$3,129	$1,570	$356
Non-Tax Revenue	874	(691)	714	13	599	404
Debt Service Savings	242	97	642	449	198	168
Citywide Savings Program	465	436	-	589	1,550	1,121
Reserve Funds	260	260	410	730	1,480	1,200
Retiree Health Benefits Trust	-	-	(1,864)	(955)	(500)	-
Prior-Year Payables	500	500	$993	100	500	400
Agency Expenses	(382)	144	(1,972)	(752)	(810)	(356)
Pension	454	(124)	(18)	44	(535)	9
Miscellaneous	44	11	125	254	(15)	3
Surplus from Prior Years	-	124	-	-	-	-
Budget Stabilization Account	**$2,462**	**$2,806**	**$2,009**	**$3,601**	**$4,037**	**$3,305**

SOURCE: IBO analysis of Mayor's Office of Managment and Budget data; Comptroller's Comprehensive Annual Financial Reports
NOTE: 2017 Budget Stabilization Account totals include IBO estimates of revenues and expenses, including $118 million in additional tax revenue, $83 million in additional debt service savings, and $49 million in reduced agency expenses.

New York City Independent Budget Office

Cost & Savings Re-Estimates

IBO's analysis of the January financial plan finds that the de Blasio Administration is over-estimating total expenditures, including state and federal funds, for 2017 by $31 million, but under-estimating expenditures by nearly $685 million in 2018, $858 million in 2019, $901 million in 2020, and $903 million in 2021. While underestimates of noncity-funded expenditures do not increase budget gaps, they can result in service cuts if the missing funds are not replaced.

IBO projects that the de Blasio Administration has overestimated city-funded expenditures in 2017 by $133 million, while it underestimates city-funded expenditures by $308 million in 2018, $480 million in 2019, $523 million in 2020, and $525 million in 2021.

Some highlights of IBO's cost and saving adjustments:

Homeless Services: In the January financial plan $140 million ($71 million of city funds) were added to the Department of Homeless Services' (DHS) 2017 budget for the provision of shelter for homeless individuals and families, in addition to $115 million ($52 million of city funds) added in the November plan. IBO's analysis of current spending and caseload trends indicates that the de Blasio Administration's actions bring the 2017 budget to a level sufficient to accomodate the current shelter population. With the shelter population at an all-time high and few signs of an imminent decline in the census, however, IBO believes that costs related to the provision of shelter in 2018 and beyond are greatly underestimated and that additional city funds of $165 million will be required in 2018, $175 million in 2019, and $186 million in 2020 and 2021. IBO's revised cost estimates assume modest increases in the shelter population through 2018.

Along with the higher city-funded spending, IBO assumes an additional $25 million of federal and state funding in 2018 through 2021 for the increased cost of shelter services.

Department of Education: IBO's estimates of charter school enrollment exceed those assumed by the Department of Education (DOE) for each year of the financial plan. Our projection is based on the current number of charter seats for this year and expected growth as existing charters reach their full complement of authorized grades in future years. Each additional charter school student results in a per student payment from the DOE to the charter school. For the current year, we estimate that greater-than-expected enrollment in charter schools will cost the city an additional $7.4 million. The difference between IBO's and OMB's forecasts of charter school enrollment grow each year, increasing the cost to the city by nearly $45 million in 2018, $72 million in 2019, $103 million in 2020, and $135 million in 2021.

Additionally, IBO projects that DOE's estimates for Medicaid reimbursement from the federal government are overstated in the plan. DOE continues to struggle to implement the new computer system needed to meet federal requirements for processing Medicaid reimbursement claims for certain special education services. The system, which was implemented in 2013 and is currently undergoing extensive re-engineering, is still unable to meet the needs of the DOE. The Mayor's budget office has assumed that the DOE will be able to generate about $41 million in Medicaid reimbursements for 2017, but through January the agency had claimed less than $1 million of expenses for reimbursement. IBO estimates that this revenue will be roughly $18 million lower-than-budgeted in the current year and $56 million lower in each year from 2018 through 2021. In order to avoid cuts in services, lower reimbursements from the federal government will need to be offset by an equal amount of city dollars.

Debt Service: The January financial plan includes an $85 million reduction of debt service costs for 2017, much of which results from lowering the assumed rate of interest on variable rate debt from 3.3 percent (tax-exempt) and 4.6 percent (taxable) to 2.5 percent (tax -exempt) and 3.3 percent (taxable). IBO believes, however, that these rate assumptions are still well above what the actual rates will be for the year. Taking into account the relation of the variable interest rates paid by the city to the federal funds rate (the interest rate at which banks lend reserve balances to other banks overnight), IBO projects that the city will pay 1.2 percent interest on its outstanding variable rate tax-exempt debt and 2.1 percent on its outstanding variable rate taxable debt in 2017, even though we expect the Federal Reserve to raise the funds rate later this year. These changes would reduce debt service costs by $83 million in the current year. Similarly, IBO expects variable interest rates of 2.6 percent for tax-exempt debt and 4.5 percent for taxable debt in 2018, well below the rates forecast by the Mayor's Office of Management and Budget. These lower rates would reduce the cost of debt service in 2018 by $113 million.

Police Department: The New York Police Department (NYPD) has historically overspent its budgeted overtime allocation. While the department has made a concerted effort to reduce overtime, IBO expects that the current budgeted amounts will still be inadequate to cover overtime expenses. IBO estimates that the agency will require an additional $25 million in 2017 and $50 million in 2018 through 2021.

IBO's analysis of the department's federally funded budget assumes that the agency will receive additional funding in 2017 through 2021. In 2014 through 2016, the NYPD received an average of nearly $300 million in federal funds per year. Assuming that the city will receive similar levels of federal funding in the coming years, IBO estimates that the NYPD will receive an additional $75 million in federal funds for 2017 and $200 million more in federal funding for each year 2018 through 2021. This estimate does not include any assumption about additional federal funding to cover security costs associated with protecting President Trump's private residence at Trump Tower.

Fire Department: Similar to the NYPD, the fire department historically underbudgets for overtime expenses. IBO estimates that the department will require an additional $25 million in 2018 and $50 million each year from 2019 through 2021.

IBO estimates the department's federal-funds budget will be $50 million greater in 2017 and $100 million greater in each year from 2018 through 2021. These additional funds bring those years more in line with the recent average annual federal-funds expenditure of $171 million.

Human Resources Administration: The January financial plan includes approximately $1.6 billion each year of the plan period for public assistance spending. Based on our forecast of public assistance caseloads, IBO estimates that the agency will spend $48 million less in 2017 and $38 million less in each subsequent year of the financial plan. This would result in lower city-funded spending of $33 million in 2017 and $26 million annually in 2018 through 2021.

Board of Elections: The city typically underbudgets the Board of Elections (BOE) for the out-years of the financial plan. While the agency's 2017 city-funds budget is currently $130 million, its budget for each of the out-years of the plan is below $100 million. Based on average spending levels in previous years, IBO estimates that the agency will require an additional $25 million in each year from 2018 through 2021.

Campaign Finance Board: The agency's budget for 2018 totals $14 million, slightly less than the current budget for the agency. The Campaign Finance Board incurs much larger costs in citywide election years than in other years. With 2018 being a citywide election year, IBO estimates that the board will require an additional $40 million to bring the agency's budget into line with expenditures in 2014, the last citywide election year.

Citywide Savings Program

Over the last few years the de Blasio Administration has begun to formalize an internal budgetary process that invites agencies to present expenditure savings or revenue realization initiatives for inclusion in the recently designated Citywide Savings Program (CSP). The CSP presented in the January financial plan expands upon the savings plan put forward in the November financial plan. The January CSP identifies $515 million of new reductions in expenditures and increased revenue for 2017 and $581 million for 2018. These are in addition to the savings accrued in the CSP that accompanied the November plan. The combined total of the Citywide Savings Program across both the November and January financial plans is $1.2 billion in 2017, $894 million in 2018, $686 million in 2019, $690 million in 2020 and an estimated $671 million in 2021. (OMB did not present savings in 2021 as part of the November CSP. To estimate the combined savings plan for 2021, IBO derived the value of savings in the November CSP for 2021 by projecting from that plan's 2020 savings levels.)

Naturally Occurring Savings. Based on IBO's analysis, much of the savings presented in the CSP would have occurred as part of the typical budget process and did not require any efficiency or productivity improvements by the agencies. IBO estimates that 11 percent of the total savings presented in the CSP for 2017 and 2018 is the result of agency efficiencies or productivity improvements and that share increases to 19 percent for the plan period as a whole. In contrast, 41 percent of the $2.1 billion in savings presented for 2017 and 2018 is the result of modifications to debt service cost estimates or technical accounting adjustments. IBO estimates that an additional 43 percent of the CSP for 2017 and 2018 results from realizing new revenue, funding swaps (replacing city funds with funds from other sources), and spending re-estimates.

While nearly three-quarters of the initiatives presented in the Citywide Savings Program accrue savings through the entire financial plan period, IBO estimates that $546 million—26 percent of the value of the initiatives in 2017 and 2018—produce savings only in the first two years of the plan. Excluding the value of the debt service cost savings that are primarily the product of reductions in interest rate assumptions rather than the result of actions taken by the Mayor, IBO estimates that 61 percent of the estimated $4.1

billion of savings for 2017 through 2021 as presented in the November and January CSPs provide recurring savings.

The current iteration of the Citywide Savings Program differs from previous savings programs aimed at eliminating budget gaps or increasing surpluses. Past savings programs usually included a percentage target for each agency to produce either new revenue or reduce expenditures. In contrast, the current CSP encourages agencies to come up with initiatives but does not assign specific targets. Prior savings programs often included proposals that had effects on the agency's provision of service, created efficiencies, or increased productivity, often through reductions in headcount, or service cutback or elimination. While many of these savings programs were implemented during times of declining revenue and large budget shortfalls, some were done in relatively flush periods as an exercise in trimming city spending. The Mayor has indicated that the executive budget, due in April, will include another CSP with an additional $500 million in newly identified savings.

The single largest category of savings in the CSP, accounting for over $603 million of savings in 2017 and 2018 are reductions in debt service costs. These savings account for nearly 29 percent of the plan in the current and next year and 25 percent of the savings in 2017 through 2021. The assumption of new or increased revenue streams, such as from the sale of city property or from increased reimbursement rates, accounts for the second largest savings category, 19 percent of the savings in 2017 and 2018. Re-estimates of what it would cost for the city to provide certain services accounts for 13 percent of the savings in the current and next fiscal year and nearly 15 percent of the savings through the entire plan period. Other categories of savings in the CSP include $258 million in 2017 for the recognition of revenue from prior years, $53 million of reduced expenditures from accruals (savings from planned expenses that will not be needed, primarily in the current year), over $217 million in savings in 2017 and 2018 from funding swaps, $29 million in savings in the current and next fiscal year through the elimination of budgeted positions that are currently vacant, $15 million in annual savings as a result of a change in the law that allows the city to reduce mandated staffing levels, and $4 million in savings in 2017 and 2018 resulting from a delay in expenditures.

Uncertainty Still Abounds

We are over a month into the Trump presidency and there still is very little clarity on how changes in policies in Washington could affect New York City's budget. OMB is assuming $8.8 billion in revenue from the federal government for 2017. While federal revenue assumptions for the remainder of the plan period are lower than for the current year, the Mayor's budget office is still estimating approximately $7 billion of revenue flowing from Washington in each year of the plan.

President Trump recently issued an executive order that allows federal agencies to withhold grants from municipalities if these cities refuse to cooperate with

Citywide Savings Program, Fiscal Years 2017 through 2021
Dollars in millions

	2017	2018	2019	2020	2021*	Total	Percent of 2017-2018	Percent of 2017-2021
Debt Service Savings	($235.4)	($367.7)	($155.7)	($155.5)	($136.5)	($1,050.7)	28.7%	25.3%
New Revenue	(275.3)	(123.7)	(122.1)	(122.1)	(122.1)	(765.2)	19.0%	18.5%
Spending Re-estimate	(178.0)	(102.7)	(109.8)	(107.5)	(107.5)	(605.5)	13.4%	14.6%
Prior-Year Revenue	(258.4)	-	-	-	-	(258.4)	12.3%	6.2%
Efficiency/Productivity	(48.2)	(171.6)	(179.3)	(186.1)	(186.4)	(771.7)	10.5%	18.6%
Funding Swap	(125.2)	(92.6)	(92.6)	(92.1)	(92.1)	(494.6)	10.4%	11.9%
Accruals	(52.8)	(4.3)	(0.6)	(0.6)	(0.6)	(58.8)	2.7%	1.4%
Law Change	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(75.0)	1.4%	1.8%
Vacancies	(13.2)	(16.0)	(11.0)	(11.0)	(11.0)	(62.1)	1.4%	1.5%
Expenditure Delay	(3.8)	(0.4)	(0.4)	(0.4)	(0.4)	(5.2)	0.2%	0.1%
TOTAL	**($1,205.3)**	**($893.8)**	**($686.4)**	**($690.3)**	**($671.5)**	**($4,147.3)**		

SOURCE: IBO analysis of Mayor's Office of Managment and Budget data
NOTE: *The Mayor's Office of Managment did not present savings in 2021 as part of the November plan savings program. To estimate the combined savings plan for 2021, IBO derived the value of savings initiatives in the November plan for 2021 by projecting from that plan's 2020 savings levels. Figures may not sum due to rounding

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federal immigration authorities' requests to transfer undocumented immigrants held in local custody to federal agencies. While the legality of such an order and how it would be implemented continues to be debated, the threat of any loss of federal funding still looms over the city's budget process. Grants for law enforcement and public safety may be the most at risk as their close connection to immigration enforcement would make it easier for the Trump Administration to argue that the cut in federal funds is related to immigration enforcement. Any decrease in federal funding would result in a decline in service provision or would necessitate additional city funding to continue the provision of services at current levels. While unlikely, if the Trump Administration were to withdraw all federal funds from the city in 2018, maintaining city services at current levels would require an 11 percent increase in total city funds.

Throughout his campaign and into his presidency, President Trump has made a series of policy pronouncements that, if implemented, could jeopardize funding for the city. Trump's support of block grants, his plans for large-scale changes in tax policy (including capping tax deductions), and his goal to eliminate the Affordable Care Act are just a few of the policies that could have major repercussions on New York City's budget. Currently there is very little understanding of how or when such policy changes will affect the city's finances.

Growing Reserves, But Are They Sufficient? The de Blasio Administration has embraced the budget strategy of maintaining robust reserves in the event of declines in revenues or increases in spending. The 2018 budget includes $1 billion of general reserve funds and $250 million of capital reserve funds. These funds are not allocated for specific expenditures and so can be used to cover agency expenses for which revenues may not be available. In addition to these budgeted reserves, the city can tap over $4 billion in funds set aside to cover costs of health benefits for future city retirees. While these funds are only authorized to be spent on costs related to retiree health benefits, their use would free up other resources.

Although these reserve funds would enable the city to weather a small budgetary storm they would not buttress against a much longer budgetary event. Nor could the existing reserve funds replace the loss of all current federal funding.

Financial Pressures Exist Locally as Well. While the primary source of budgetary pressure is likely to come from the federal level, there are also concerns about circumstances closer to home that could threaten budget balance. The continued slowdown in employment growth and weakness in real wage growth could prove to be more severe than IBO forecasts and missteps in fiscal policy could trigger higher-than-expected inflation that could cut off growth in the U.S. economy leading to declines in current tax revenue.

Later this year the Mayor and entire City Council (as well as the Public Advocate, Comptroller, and Borough Presidents) will be up for election. While there has so far been little "election-year" funding of new and enhanced programs, there is the potential for elected officials to push for large-scale funding of such items in the future.

The Mayor and City Council have already announced one new program since the release of the preliminary budget. The proposal, to provide free legal services to low-income tenants facing eviction proceedings in New York City Housing Court, would cost an additional $93 million a year when fully implemented.

Recent appeals by members of the City Council for a subsidy to reduce the cost of the subway and bus fare for low-income riders have received support from many local officials. While Mayor de Blasio believes this subsidy should be paid for by the state, he has been rebuffed at every turn. Transit advocacy groups estimate that this plan would cost approximately $200 million per year.

The de Blasio Administration touts the fact that nearly 100 percent of the city's labor force is currently working under existing contracts. Yet the city will soon need to begin contract negotiations for a new round of collective bargaining. The city's contract with one of its largest unions, District Council 37 (DC 37), which represents over 84,000 municipal employees, will expire in July 2017. In 2018 contracts with many of the other large municipal unions, including the United Federation of Teachers, will expire. Labor negotiations are complicated affairs and this round will likely be no exception. Further complicating matters is the fact that the first negotiations will occur during an election year. A contract settlement with DC 37 would likely set the pattern for the contracts with each of the other city unions. While the de Blasio Administration has stated that any increases in compensation above the raises of 1 percent a year that are currently budgeted in the city's labor reserve would need to be paid for by reductions in the cost of health care, the ability to achieve this goal is uncertain.

Cautious Enough? The preliminary budget and financial plan released by the de Blasio Administration in January 2017 reflects an even greater level of uncertainty than most. The financial plan takes a cautious approach towards dealing with these uncertainties, with conservative estimates of revenue growth, few new expense needs, a citywide savings plan and increased reserve funds. IBO's analysis concludes that in certain areas the plan underestimates the potential cost of service provision while in others the plan underestimates certain revenue streams.

With tax revenue hewing close to projections when the budget was adopted, rather than surplus revenue, the Mayor has been forced to rely primarily on expenditure reductions to balance the budget and reduce out-year gaps.

In the coming months, the lack of confidence in the continuity of federal funding and the potential economic and financial consequences of federal policy changes may compel the city to take a more aggressive approach towards savings programs. Future savings programs may require increased reliance on efficiency and productivity savings allowing the city to avoid actual reductions in service provision or tax increases.

IBO Expenditure Projections
Dollars in millions

	2017	2018	2019	2020	2021	Average Change
Agency Expenditures	**60,742**	**60,626**	**61,309**	**61,619**	**61,931**	**0.5%**
Fringe Benefits	9,606	10,258	10,981	11,920	12,701	7.2%
Labor Reserve	343	1,030	1,999	2,358	2,713	n/a
Total Agency Expenditures	**$70,691**	**$71,914**	**$74,289**	**$75,897**	**$77,345**	**2.3%**
Other Expenditures						
Debt Service	$5,723	$3,366	$7,098	$7,960	$8,372	7.3%*
Pensions	9,413	9,819	10,100	10,152	10,170	2.0%
Judgments and Claims	676	692	707	725	725	1.8%
General Reserve	300	1,000	1,000	1,000	1,000	n/a
Capital Stabilization Reserve	-	250	250	250	250	n/a
Expenditure Adjustments	10	51	160	279	408	n/a
Subtotal	**$86,813**	**$87,092**	**$93,604**	**$96,263**	**$98,270**	**3.1%**
Less: Intra-City Expenditures	($2,039)	($1,786)	($1,781)	($1,787)	($1,787)	n/a
TOTAL EXPENDITURES	**$84,774**	**$85,306**	**$91,823**	**$94,476**	**$96,483**	**3.3%**

NOTES: *Represents the annual average change after adjusting for prepayments and debt defeasances. Expenditure adjustments include energy, lease, and non-labor inflation adjustments. Expenditure totals are inclusive of intra-city expenses. Figures may not add due to rounding.

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IBO Revenue Projections
Dollars in millions

	2017	2018	2019	2020	2021	Average Change
Tax Revenue						
Property	$24,267	$26,108	$27,791	$29,430	$31,046	6.4%
Personal Income	11,184	11,526	11,977	12,541	13,199	4.2%
General Sales	6,945	7,175	7,515	7,955	8,250	4.4%
General Corporation	3,853	3,896	4,022	4,098	4,174	2.0%
Unincorporated Business	2,057	2,127	2,201	2,269	2,377	3.7%
Real Property Transfer	1,505	1,535	1,621	1,717	1,788	4.4%
Mortgage Recording	1,113	1,059	1,130	1,154	1,201	1.9%
Utility	374	385	393	405	413	2.5%
Hotel Occupancy	587	611	634	658	681	3.8%
Commercial Rent	820	851	876	899	939	3.4%
Cigarette	42	40	38	36	35	-4.5%
Other Taxes and Audits	1,696	1,447	1,318	1,318	1,318	-6.1%
Total Taxes	**$54,445**	**$56,761**	**$59,517**	**$62,480**	**$65,420**	**4.7%**
Other Revenue						
STaR Reimbursement	$556	$535	$533	$531	$529	-1.2%
Miscellaneous Revenue	6,835	6,362	6,602	6,804	6,807	-0.1%
Unrestricted Intergovernmental Aid	57	-	-	-	-	n/a
Less: Intra-City Revenue	(2,039)	(1,786)	(1,781)	(1,787)	(1,787)	n/a
Disallowances	200	(15)	(15)	(15)	(15)	n/a
Total Other Revenue	**$5,609**	**$5,096**	**$5,339**	**$5,533**	**$5,534**	**-0.3%**
TOTAL CITY-FUNDED REVENUE	**$60,054**	**$61,857**	**$64,856**	**$68,013**	**$70,954**	**4.3%**
State Categorical Grants	$14,369	$14,518	$14,979	$15,376	$15,690	2.2%
Federal Categorical Grants	8,947	7,371	7,171	7,168	7,140	-5.5%
Other Categorical Aid	999	902	893	884	880	-3.1%
Interfund Revenue	655	658	658	596	594	-2.4%
TOTAL REVENUE	**$85,024**	**$85,306**	**$88,557**	**$92,037**	**$95,258**	**2.9%**

NOTES: Remaining banking corporation tax revenues reported with general corporation tax. Figures may not add due to rounding.

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IBO versus Mayor's Office of Management and Budget Economic Forecasts	2016	2017	2018	2019	2020	2021
National Economy						
Real GDP Growth						
IBO	1.6	2.4	2.6	2.3	1.9	1.7
OMB	1.6	2.3	2.6	2.4	2.1	2.2
Inflation Rate						
IBO	1.3	2.8	2.7	3.1	2.8	2.2
OMB	1.3	2.5	2.4	2.5	2.7	2.6
Personal Income Growth						
IBO	3.5	4.7	5.4	5.3	4.7	3.7
OMB	3.6	4.8	5.2	5.3	4.9	4.7
Unemployment Rate						
IBO	4.9	4.7	4.5	4.3	4.6	5.1
OMB	4.9	4.6	4.3	4.1	4.2	4.3
10-Year Treasury Bond Rate						
IBO	1.8	2.9	3.7	4.3	4.3	4.1
OMB	1.8	2.8	3.4	3.9	4.1	4.1
Federal Funds Rate						
IBO	0.4	1.0	1.9	3.4	3.7	3.3
OMB	0.4	0.9	1.7	2.6	3.0	3.0
New York City Economy						
Nonfarm New Jobs (thousands)						
IBO (cumulative)	70.1	61.1	55.0	49.3	45.9	41.3
IBO (annual average)	91.9	54.5	55.5	52.6	44.3	44.0
OMB (annual average)	88.8	55.5	37.5	34.1	32.4	29.6
Nonfarm Employment Growth						
IBO (cumulative)	1.6	1.4	1.3	1.1	1.0	1.0
IBO (annual average)	2.2	1.3	1.3	1.2	1.0	1.0
OMB (annual average)	2.1	1.3	0.9	0.8	0.7	0.7
Inflation Rate (CPI-U-NY)						
IBO	1.1	2.7	2.9	3.2	3.0	2.5
OMB	1.1	2.5	2.4	2.5	2.7	2.6
Personal Income ($ billions)						
IBO	557.8	583.2	605.8	629.0	654.0	680.2
OMB	556.9	578.6	601.4	625.8	650.9	675.7
Personal Income Growth						
IBO	3.2	4.5	3.9	3.8	4.0	4.0
OMB	3.1	3.9	3.9	4.1	4.0	3.8
Manhattan Office Rents ($/sq.ft)						
IBO	78.2	80.7	81.5	82.3	83.1	83.9
OMB	79.6	80.5	79.5	79.8	80.0	80.0

SOURCE: IBO; Mayor's Office of Management and Budget
NOTES: Rates reflect year-over-year percentage changes except for unemployment, 10-Year Treasury Bond Rate, Federal Funds Rate, and Manhattan Office Rents. The local price indexfor urban consumers (CPI-U-NY) covers the New York/Northern New Jersey region. Personal income is nominal.

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Greg Berman . Director

Center for Court Innovation Testimony
New York City Council
Committee on Finance Preliminary Budget Hearing
March 2, 2017

Good afternoon Chair Ferreras-Copeland and esteemed members of the City Council. My name is **Sharese Crouther** and I am the **Strategic Partnership Specialist** at the Center for Court Innovation. Thank you for the opportunity to speak today.

I am here to urge the Council to support continued funding for the Center for Court Innovation and its groundbreaking efforts to improve public safety, promote and expand the use of community-based alternatives to incarceration, and increase equal access to justice for vulnerable New Yorkers. The Center for Court Innovation is seeking City Council support of $700,000 for fiscal year 2018, which includes a continuation of its current $500,000 to support ongoing core operations in communities around the city, and an enhancement of $200,000 to expand alternatives to incarceration in several key neighborhoods.

Community Justice

The Center for Court Innovation works to create a more effective and humane justice system in New York City. Beginning with the Midtown Community Court, the Center has created 28 neighborhood-based projects in all five boroughs, bringing together community members and criminal justice stakeholders to respond to local problems. Independent evaluators have documented the success of our work in decreasing violence, improving public safety, aiding victims, reducing the use of jail, and transforming neighborhoods. Through projects such as Bronx Community Solutions, Red Hook Community Justice Center, Queens Youth Justice Center, Brownsville Community Justice Center, and the Crown Heights Community Mediation Center, we have worked to improve the lives of New Yorkers in need, including immigrants, the poor, young people, women, the LGBTQ community, and communities of color.

Alternatives to Incarceration

We are providing young people across New York City with opportunities to avoid Rikers Island and, in many cases, a trip to court. Through both court and community-based programs, such as Project Reset, our adolescent and young adult diversion courts in Manhattan and Brooklyn, and Youth Justice Centers in Queens and Staten Island, we provide judges, prosecutors, and police with meaningful alternatives to business as usual. This includes linking teens to counseling, tutoring, and community restitution projects. We currently serve thousands of teenagers each a year through these programs. With the Council's support, we could serve hundreds more.

Community Stabilization

In addition to helping divert New Yorkers out of the justice system, we are working to help people transition back to community life after spending time behind bars. One such project is the Harlem Community Justice Center, which, together with its faith-based community partners, provides support to hundreds of individuals who are released from prison each year. Council support would allow us to to increase the number of individuals served by 30 percent.

The City Council's support has been invaluable to the success of the Center for Court Innovation, helping us maintain core operations and expand our demonstration projects throughout New York City. The Center for Court Innovation looks forward to continuing to work with the New York City Council to improve public safety and to create new alternatives to incarceration that result in a fairer, more accessible system of justice for all New Yorkers. We respectfully urge you to continue to support our work and thank again for the opportunity to speak. I would be happy to answer any questions you may have.

Testimony to the NYC Council Committee on Finance
Carla Rabinowitz, Advocacy Coordinator, Community Access
March 2, 2017, NYC City Council Chambers

Good afternoon. Thank you to the members of this committee for hearing testimony today.

My name is Carla Rabinowitz, I work as the Advocacy Coordinator for Community Access, a forty-three year old health and housing agency in NYC. We offers over 1,300 units of supportive housing, as well as supported employment and education, crisis respite, rehabilitation, and advocacy services in Manhattan, Brooklyn, and the Bronx. We are committed to promoting the recovery of individuals who experience mental health conditions and the social conditions that often contribute to decline including homelessness, unemployment, lack of community integration, and health insecurity.

We are here today to join our colleagues across the city who support the health, safety, resiliency, security, and recovery of our most vulnerable neighbors, and along with the Human Services Council, to request a 12% across the board human services investment. The scope of the need for this investment cannot be overstated.

Crumbling infrastructure and decades of underinvestment have led to agencies like Community Access stretching all available resources to ensure quality site and services for our participants. And yet our efforts cannot keep pace with the rising demands on our hardworking staff, who are forced to meet ever-increasing needs of participants as well as new system changes that necessitate new skills (like working with electronic health records, care management organizations, and integrated health assessments and treatment).

Every year our agency and hundreds of others like Community Access make compromises for what we can invest in: for example, will we make the much-needed repair to the room of our 70-unit supportive housing building, or will we offer a 2% COLA to our frontline staff? Will we invest in the assessment tool that could identify and prevent serious health issues for our housing participants, or will we hire additional service coordinators to lighten the high caseloads of current staff? These compromises jeopardize the safety of staff and therefore our ability to retain them, and most importantly, hurts the participants we are dedicated to supporting.

Half of our staff members make under $15 an hour. Many of them face their own economic, housing, and health insecurity, while being asked to put their energy toward supporting our participants in stressful jobs. Our ability to retain highly qualified staff is diminished as other employment sectors set attractive pay rates for less stressful work. Here are a few quotes from Community Access staff members to demonstrate the need:

" As a single parent working as a direct service provider with all the fees for childcare and the stressors of everyday life, our current salary does not provide much to live on. It's a struggle to get a second job as this one is already demanding and tends to make up more than its fair share of time. A direct service worker is overlooked as we are down in the trenches with our residents giving so much of ourselves to help them achieve their daily goals, that the salary is not as rewarding. As any direct service worker I love my job and those I provide for however with the quick turnover rate due to lack of funds, it causes more of a headache and burden on those of us raising a family." – Service Coordinator, Manhattan

"Direct service workers help create possibilities for people that many others would marginalize or ignore. We spend 8 (often more) hours a day supporting people in achieving their goals, while it is difficult to make ends meet ourselves. Between my rent, Student loans, and all sorts of bills and expenses, I'm hardly saving money each month. It is difficult for me to imagine starting a family or buying property on my income. The salaries in this field need to be reconsidered to reflect the value and importance in our work." – Service Coordinator, Manhattan

These testimonials demonstrate the direct impact on NYS underfunding of human service nonprofits. There are tens of thousands of direct service workers who experience the exact same stress. They cannot afford to invest in their own lives or in the market that drives NYC.

We greatly appreciate the Mayor's investment in our workforce, both in the previous COLA/wage floor and in his announcement in the January

Plan of a 6 percent COLA spread over three years. However, we have asked for an increase not just for our workforce – who certainly need critical investments - but for the full contracts. Our contracts last upwards of 10 years, with no cost-escalators to account for increasing costs, on contracts that are already underfunded. This lack of investment on our full contracts has a real impact on our ability to deliver quality programs and invest appropriately in our staff.

We ask the City Council to include in their budget response a request for the Mayor to shore up human services providers by providing a 12% across-the-board increase on our contracts. The sector is united in this ask and it is our number one priority.

Thank you.

Call to Action

Vote to provide $50.5 million per year for five years within the mental health system to support the impact of the incremental increases to the minimum wage that were approved during the last legislative session.

Cost of Living for Mental Health Direct Service Workers in New York City

Data below is based on the average salary of $33,814.33[1] for a family comprising of one adult female and one teenage boy residing in a two bedroom apartment.

Living Expenses (Excluding Rent)	*Median Rent by Borough[2] (2 Bedroom)*	*Remaining Income**
Total: $1,239.77 Utilities[3]: $127 Metro Pass: $116.50 Groceries[4]: $557.10 Phone[5]: $79.17 Laundry: $20 Internet: $40 School Supplies: $10 Savings/Retirement: $100 Emergency[6]: $100 Entertainment: $0	Bronx: $1,142 Brooklyn: $1,283 Manhattan: $1,305 Queens: $1,497 Staten Island: $1,374	$33,814.33 x 32.69%[7] = $26,058 annual $26,058 / 12 = $2,171.50 per month (Income) - (Living Expenses + Rent) Bronx: (-$210.27) Brooklyn: (-$351.27) Manhattan: (-$373.27) Queens: (-$565.27) Staten Island: (-$442.27) *Please note costs of benefits and other fringe expenses are not calculated into this income calculation as the plans employees may choose are widely varied.

A note about rental prices:

Consistent rent statistics in New York City are challenging to find but we believe the Furman Center to be a reliable reporter. However, anecdotal evidence indicates that the median rent for most families in the five boroughs is much higher than that which we are reporting here. For example, MNS Real Impact Real Estate lists average rents as high as $4,226 in Manhattan, $3,355 in Brooklyn and $2,606 in Queens for January 2017.

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1 Salary average is based on the direct service position titles of Service Coordinator, Career Coach, Harm Reduction Specialist, Care Coordinator and Supported Education Specialist

2 Rental data based on statistics gathered by the Furman Center for their 2015 City, Borough, and Community District Data Report

3 Con Edison cost is reflective of the average taxes, surcharges and service fees of consumers in NYC based on data provided by a Con Edison customer service representative on 2/22/17

4 Grocery budget based on USDA guidelines for "moderate" level budgets for a family of one adult female and one teenage male

5 Average cost of a 2-line family plan between Cricket, Verizon, AT&T, Sprint, Republic and Metro PCS.

6 The "Emergency" line is to reflect occasional emergency needs such as medical care/co-pays, apartment expenses and other unforeseen costs each month.

7 Marginal tax calculated: Federal, FICA, State and Local taxes

Testimonials by Direct Service Workers

- "A key component of my healthcare routine, and something that allows me to perform my job to the best of my abilities, is seeing a talk therapist on a weekly basis. Although a portion of my sessions are covered by insurance, our low salary makes it increasingly difficult to cover the remaining cost. Whenever other health issues arise (which I imagine will increase as I get older) therapy is the first "extra" expense to go. I'm certain my performance at work would improve if I were able to regularly attend therapy without such a large financial strain and its accompanying stress."

  - Service Coordinator, Manhattan

- "Direct service workers help create possibilities for people that many others would marginalize or ignore. We spend 8 (often more) hours a day supporting people in achieving their goals, while it is difficult to make ends meet ourselves. Between my rent, student loans, and all sorts of bills and expenses, I'm hardly saving money each month. It is difficult for me to imagine starting a family or buying property on my income. The salaries in this field need to be reconsidered to reflect the value and importance in our work."

  - Service Coordinator, Manhattan

- "I have been working as a Service Coordinator for a little over two years. During my time as a Service Coordinator, I have learned and honed many skills that have allowed me to help my tenants. The day to day work involved with being a Service Coordinator is always different. One day I may have to meet with five tenants and write five progress notes and help acquire medical services for a tenant. Another day, I may have to visit three different tenants at three different hospitals on opposite sides of town. The tasks taken on by Service Coordinators change as well as increase every day. In addition to keeping timely progress notes, we are there to lend an ear for our tenants, connect them with hospitals, connect them with doctors, connect them with community activities, as well as conduct groups 2-3 times a month.

  The salary, as well as the rent in NYC, does not make for a livable wage. We are literally working to live; nearly half or more of a Service Coordinator's check goes strictly towards paying rent. The salary is not commensurate with the time, energy, patience, and work that is required."

  - Service Coordinator, Manhattan

- "As a single parent working as a direct service provider with all the fees for childcare and the stressors of everyday life, our current salary does not provide much to live on. It's a struggle to get a second job as this one is already demanding and tends to take up more than its fair share of time. A direct service worker is overlooked as we are down in the trenches with our residents giving so much of ourselves to help them achieve their daily goals, that the salary is not as rewarding. As any direct service worker I love my job and those I provide for however with the quick turnover rate due to lack of funds causes more of a headache and burden on those of us raising a family."

  - Service Coordinator, Manhattan

New York City Council
FY 2018 Preliminary Finance Budget Hearing
March 2, 2017
Local 1757 Testimony

Good afternoon members of the City Council Finance Committee. My name is Fran Schloss and I am President of DC 37 Local 1757, which represents City Assessors. I was one of them until my retirement on February 23, 2017.

I am going to speak with regard to the critical need for the hiring of more Assessors and Assistant Assessors as an integral part of the Department of Finance's budget for the coming fiscal year.

The dearth of these professionals within the ranks of the Department of Finance, Property Division, is one of the leading causes of the continuation of uncollected revenue. Assessors are responsible for overseeing the valuation of approximately 1,051,000 properties within the City of New York. The revenue collected from real property assessments help to provide services such as police and sanitation.

The hiring of eighty additional assessors would not merely back fill the fifteen vacant districts but would also serve to create smaller, more manageable districts. The City has lost hundreds of millions of tax dollars due to the limited number of inspections that can be made of parcels with new construction and major alterations. Presently, 14,000 parcels were seen whereas 32, 000 parcels filed permits with the Department of Buildings.

The increased number of assessors would also allow for the detailed analysis of owner filed Real Property Income and Expense (RPIE) statements by passing a modeling system that is flawed. This modeling system was meant to be a tool, however, management continues in its attempt to have it take the place of the assessor. This is at the expense of fairness and transparency for taxpayers, as well as collection of proper revenue dollars for the City.

It is projected that taking into account a new employee's learning curve and the cost of salaries and benefits, an additional 100,000,000 dollars in property tax revenue would be generated the first year and it would be sustainable.

In addition to what I have just stated, Local 1757 is urging a stringent review of real property tax exemptions. A tightening of the statute regarding specific exemptions is strongly suggested. Currently, sixty percent of all property in the City of New York receives some form of real property tax exemption. Exemptions in reality are subsidies. The granting of exemptions, as it exists today, diminishes the tax base. The tax rate, therefore, must be increased to fund the required revenue.

At this juncture, the Local wishes to call attention to the granting of property tax exemptions to the nonprofit sector. A review as to what qualifies as a charitable and/or educational entity should be undertaken. Moreover, the financial need of a charitable or educational institution should be a deciding factor. Cases in point are the exemptions granted to Columbia University and New York University. Each has considerable endowments. Compare this to the personal Senior Citizens Homeowners Exemption that pivots largely on annual income.

In conclusion, the hiring of additional assessors and the re-examination and reform of the granting of property tax exemptions are two aspects pertaining to the City's budget that warrant consideration for this coming fiscal year's budget and for future city budgets.

Local 1757 thanks you for your consideration. I will be happy to answer any questions you may have.

TESTIMONY
New York City Council
Committee on Finance
Preliminary Budget Hearing
Thursday, March 2, 2017

Submitted by
Michelle Jackson
Deputy Director and General Counsel
Human Services Council of New York

Introduction

Good afternoon, Chairperson Ferreras-Copeland, and good afternoon to the members of the New York City Council Finance Committee. My name Michelle Jackson and I am the Deputy Director of the Human Services Council, a membership organization representing over 170 human services providers in NYC. HSC strengthens New York's nonprofit human services sector, ensuring all New Yorkers, across diverse neighborhoods, cultures, and generations reach their full potential.

Our mission feels even more critical this year, as our sector is in desperate need of investment at a time when we are being called upon to be on the frontlines of defending New York as a sanctuary for all.

You will hear from many providers and coalitions today about the state of the sector and our need for funding, many are groups you hear from every year. Let me be clear, this is not like previous years; the nonprofit human services sector is in crisis. Across the State, providers are reporting large deficits stemming from inadequate government reimbursement levels and an inability to fundraise their way out of the gap. Many are considering downsizing or closing if no significant changes are made.

A group of 218 organizations sent a letter to the Mayor in December requesting a 12% increase on our contracts (attached). These organizations serve 1.5 million new Yorkers each year and provide over $5 billion in human services in NYC. We are calling for this immediate investment on our contracts to stop the closure of essential services that make New York a safe, diverse, and inclusive sanctuary for all. This ask is the sector's number one priority. We cannot continue to do more with less, and we need the support of the Council to begin to make inroads on the chronic underinvestment of the sector that has left us on the brink of collapse.

State of the Sector

Nonprofits provide a myriad of services on behalf of government - many of them mandated - and the sector is able to leverage private and philanthropic dollars and funding from the City, State, and federal government, to create dynamic programs at a bargain. For example, in NYC these organizations collectively serve:

- 60,000 individuals in homeless shelters
- 55,000 older adults in senior centers, NORCs, adult day programs
- 10,000 kids in foster care

This is just a sampling of the services at stake if the nonprofit human services financial crisis is not addressed. The underfunding of contracts strips money from providers in a number of ways, thereby harming those who rely on government for help:

1. Contracts can be generally underfunded for the program, asking for an outright match from providers, or with a low rate per service unit, where providers must make up the difference.

2. Contracts do not provide an appropriate indirect cost reimbursement rate. The Stanford Innovation Fund estimates that the average nonprofit indirect cost rate is between 15-25 percent – still substantially lower than the private sector, where the lowest rates start at 30 percent – but government contracts rarely even pay 10 percent, and many pay well below 10 percent.

3. Contracts neither provide for cost escalations on the OTPS (other-than-personal services) side, nor cost-of-living increases on the PS (personnel services) side. Contracts with government are often for five to seven year terms, and even longer when RFPs are delayed, but providers are unable to account for unforeseen rising costs, such as a spike in electricity and water prices or an exceptionally cold winter, nor is there a mechanism to accommodate rising rent, health insurance, or other costs when contracts need to be extended.

These are not new issues, nor is government unaware that these are real concerns with which nonprofits grapple each month. A string of recent reports outlines this underfunding clearly, with survey data, anecdotal information from the sector, and by looking at the numbers in actual contracts and financial reports.

One of the most alarming pieces of information comes from the *SeaChange Capital Partners/Oliver Wyman* report, which found that **18 percent of New York City human services providers are insolvent,** based solely on IRS 990 data.[i] This means that their liabilities exceed their assets, and many have less than a month of cash on hand. **Fifty percent of New York City human services nonprofits have less than two months of cash on hand and operating reserves**, meaning that one late payment can impact payroll, and one unforeseen event can put the provider out of business. Government relies on these providers to ensure that our communities have programs that promote wellbeing.

The *SeaChange* report also points out that the financial health of the sector is government's problem. **Eighty percent of the largest human services organizations have budgets that are 90 percent or more dependent on government funding.** The largest 5 percent of nonprofits provide almost 50 percent of services in New York City, and are also mostly dependent on government funding. If these organizations fail, it will be difficult for the network of providers to pick up these contracts; government is uniquely responsible for the fiscal viability of these organizations.

The sector's health is in severe crisis, and providers report that underfunded contracts are the main driver of their financial struggles. Fifty-two percent of New York nonprofits report that local contracts do not cover the full cost of the services they are required to provide, and **56 percent report receiving indirect rates at 9 percent or less, with 91 percent reporting receiving 15 percent or less.**[ii]

In the child welfare sector, a recent study of over 80 child welfare providers in New York offers a stark picture that resonates across the full human services sector.

> "Ninety-five percent of respondent organizations reported receiving a government contract that fails to pay the full cost of providing the contracted services. Eighty-six percent of respondents stated that they use their private fundraising to offset the deficits their government contracts create. In addition, 83% report that they cut program costs to make up the deficits of government contracts. Even while taking these measures, **69% of the organizations in our sample stated that they simply run these programs at a deficit;** presumably, they are hoping they will be able to raise necessary private funds eventually and are loathe to cut off their needy clients. Finally, the organizational impact of running chronic program deficits is both widespread and widely acknowledged among New York's child welfare nonprofits: **67% report they anticipate a year-end organizational deficit** that can only be made up with private fundraising."[iii]

With a number of high profile nonprofits merging or closing in recent years, the sector itself came together in the *Call to Action* report, citing government underfunding as the main obstacle in planning for risk, and finding that government contracts were themselves a great risk to human services providers. The report drew upon the experience of sector leaders, and concluded that the underfunding of government contracts, including inadequate overhead, lack of cost-escalators, and low rates per unit, were main drivers to unstable organizations.[iv]

Deficits in Government Contracts

In an effort to better understand and demonstrate the government contract funding gap, HSC administered a survey to 21 organizations to determine (1) the difference between actual program costs and what the government pays for these services, and (2) the extent to which increases in costs such as rent and health insurance have affected these organizations. Separately, HSC also examined program cost and contract data from homeless services providers to determine the extent of funding deficits in this subsector. Together this data helps illustrate the government funding gaps nonprofits are struggling with.

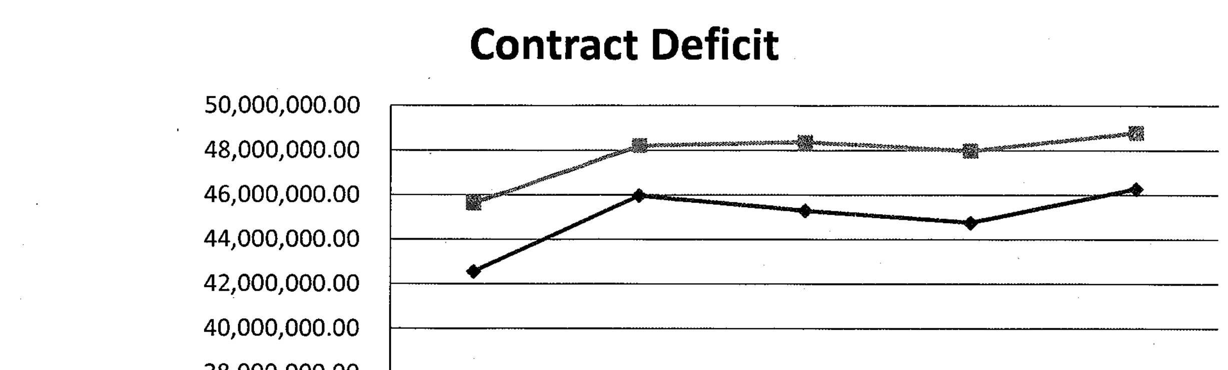
Before we can draw conclusions from this data, it is important to understand the challenges in collecting and analyzing nonprofit human services financial information. Because standard definitions for direct, indirect, and overhead costs do not exist and are inconsistent[v], making an apples to apples comparison is nearly impossible. What's considered a program cost by one organization may be absorbed into an overhead rate by another. Furthermore, because allowable indirect rates are inadequate on government contracts, many costs that support the programs run by the organization –such as HR, technology, janitorial services, etc. - are not calculated as part of the "government contract deficit," making the deficits artificially lower than they actually are . In addition, nonprofits vary significantly in size and scope of services. As such, an indirect cost rate that is appropriate for one organization might be completely inappropriate for another.

This data challenge is important to keep in mind when looking at the responses from providers regarding their "government contract deficit" since what providers count as program costs vary. Nonetheless, the survey showed government program funding deficits across the board. All 21 of the organizations had government contract deficits in fiscal year 2016 and are projecting deficits for fiscal year 2017. For fiscal year 2016, the deficits ranged from $40,000 to $8.4 million, with an average of $2.631 million. For fiscal year 2017, the projected deficits range from $100,000 to $8.8 million, with an average of $2.935 million. While each organization's budget size, funding sources, and fundraising capacity vary, even $40,000 is a big hole for a nonprofit to fill. It is important to note that the overwhelming majority of their budgets come from government sources, making government the driving force behind the operating deficits of these nonprofits.

Below is a table showing all of the survey results:

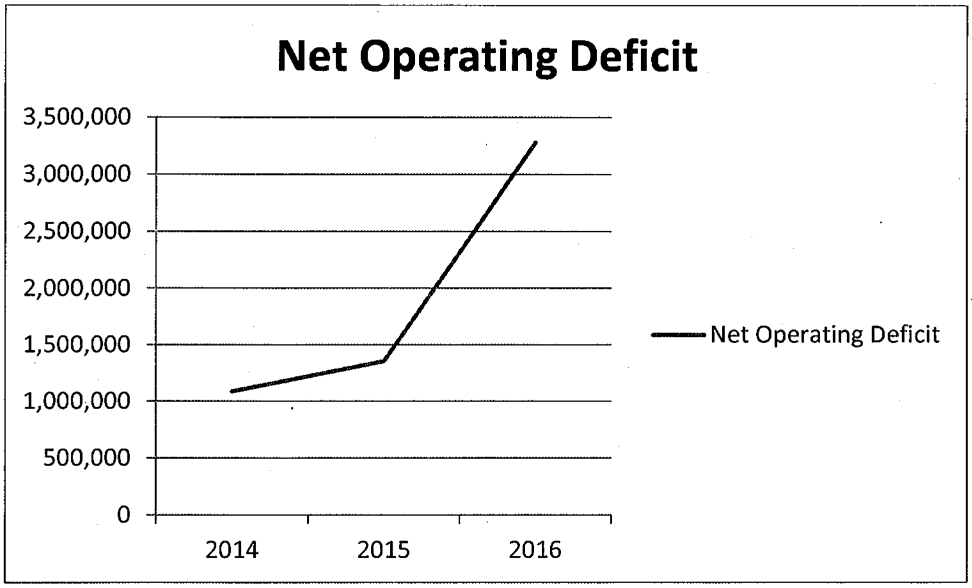
Fiscal Year 2016 Human Services Funding and Deficits (in $Millions)				
Organization	**Government Contract Deficit**	**Government Funding**	**Overall Budget**	**Percentage of Budget Not Covered by Government**
1	0.040	3.307	3.474	5%
2	0.040	3.307	3.470	5%
3	0.067	Not indicated	19.100	Unavailable
4	0.074	1.317	1.320	<1%
5	0.379	8.400	8.699	3%
6	0.500	17.700	18.500	4%
7	0.590	8.398	Not indicated	Unavailable
8	0.626	19.888	42.000	53%
9	1.593	44.920	54.540	18%
10	1.700	231.000	241.000	4%
11	2.000	74.500	81.000	8%
12	2.382	19.566	27.700	29%
13	2.800	61.600	70.400	13%
14	2.892	119.000	131.250	9%
15	3.000	22.000	25.000	12%
16	3.743	22.457	26.200	14%
17	4.037	14.440	16.000	10%
18	4.413	48.000	58.000	17%
19	8.000	Not indicated	50.700	Unavailable
20	8.072	9.461	103.048	91%
21	8.400	72.500	90.400	20%
Average	2.631	42.198	63.460	18%

One organization provided detailed data regarding its City contract deficits from fiscal years 2012 to 2016. The deficit ranged from $2.244 million to $3.218 million, while costs rose steadily during the same period (see the next section for the cost escalation data).



	FY2012	FY2013	FY2014	FY2015	FY2016
NET PROGRAM REVENUE	42,566,565.00	45,971,539.00	45,300,542.00	44,766,462.00	46,279,147.00
PROGRAM EXPENSES	45,631,227.48	48,215,841.50	48,380,914.43	47,984,349.62	48,790,446.88

Another organization that provides supportive housing experienced a sharp increase in its overall organizational deficit in fiscal year 2016. The chart below shows this alarming gap.



A Deeper Look through Homeless Services

To understand the true cost of providing services and better appreciate indirect / overhead rate costs, HSC looked comprehensively at a few budgets of nonprofit homeless services providers. Through this process, the nonprofits allocated all of their agency costs across programs. Two examples of our findings are shown in the tables below.

Fiscal Year 2016 Actual Cost vs. Contract Funding

	Actual Cost ($mil)	Contract Amount ($mil)	Deficit ($mil)	Deficit (%)
Organization 1	2.506	1.954	**0.552**	**22%**
Organization 2	4.564	3.446	**1.118**	**24%**

Fiscal Year 2016 Actual Indirect Cost Rate vs. Contract Indirect Cost Rate			
	Actual Indirect Cost Rate	**City (DHS) Indirect Cost Rate**	**Deficit (%)**
Organization 1	49.61%	8%	**42%**
Organization 2	19.92%	8%	**12%**

As the table shows, Organization 1 received $1.954 million from City contracts in Fiscal Year 2016, but the actual cost of their services was $2.506 million. This left the organization with a debilitating $552,000 shortfall to make up. Furthermore, this organization's actual indirect cost rate was 49.61 percent, whereas the City paid an 8% indirect cost rate, forcing the organization to find alternatives for funding their legitimate indirect costs. This nearly 50 percent indirect rate may seem high, but for smaller organizations being honest about all of their costs to run the business, this rate makes sense. Organization 2, which is larger in size, receives only 75 cents on the dollar from the City for the cost of their services. This organization's actual indirect cost rate is 19.92 percent, while the City reimburses these costs at a rate of just 8 percent.

These gaps are not only a problem for the nonprofits individually, but add up to big numbers collectively. In the area of homeless services alone this gap could be as big as $250 million when you consider that contracts only pay about 75 cents on the dollar when true costs are factored in and the City spends roughly $1 billion on nonprofits homeless services contracts. This means nonprofits are spending $250 million to support the provision of basic services to homeless New Yorkers; funding that could be used on innovative approaches, supplemental program supports, or quality improvements.

Dealing with Rising Costs without Contract Increases

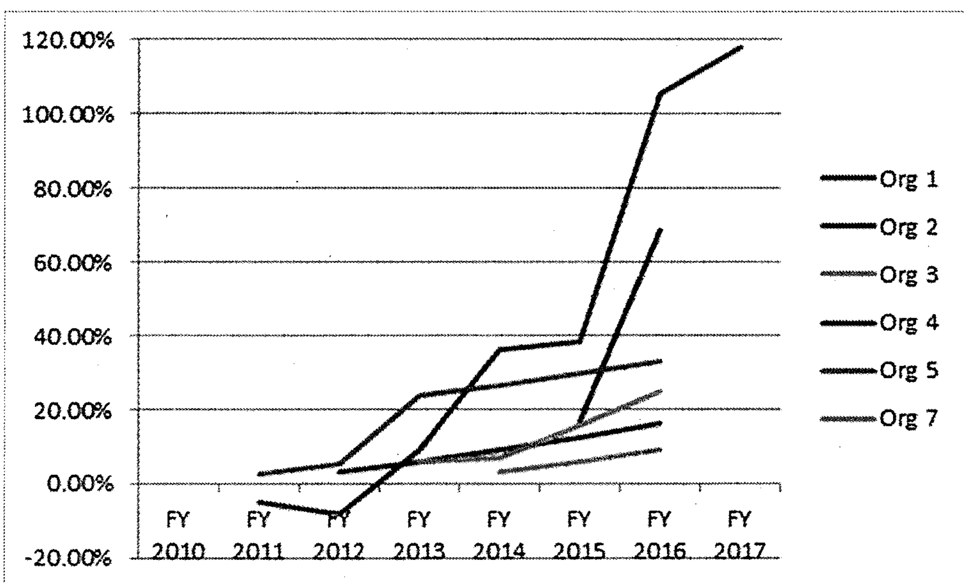
The deficit amounts themselves are striking, but the actions taken by nonprofits in order to shore up budgets because of government deficits are more worrisome.

- Eleven organizations passed along increased health insurance costs to staff—a workforce that is already underpaid—while many switched plans to offset increases in health insurance costs.
- Twelve organizations delayed infrastructure repairs and upgrades to their existing facilities, including roof repairs, technology upgrades, and routine maintenance.
- Six organizations closed programs or program components to address deficits.

- Three organizations used private development funds to cover the cost of increased administrative expenses.

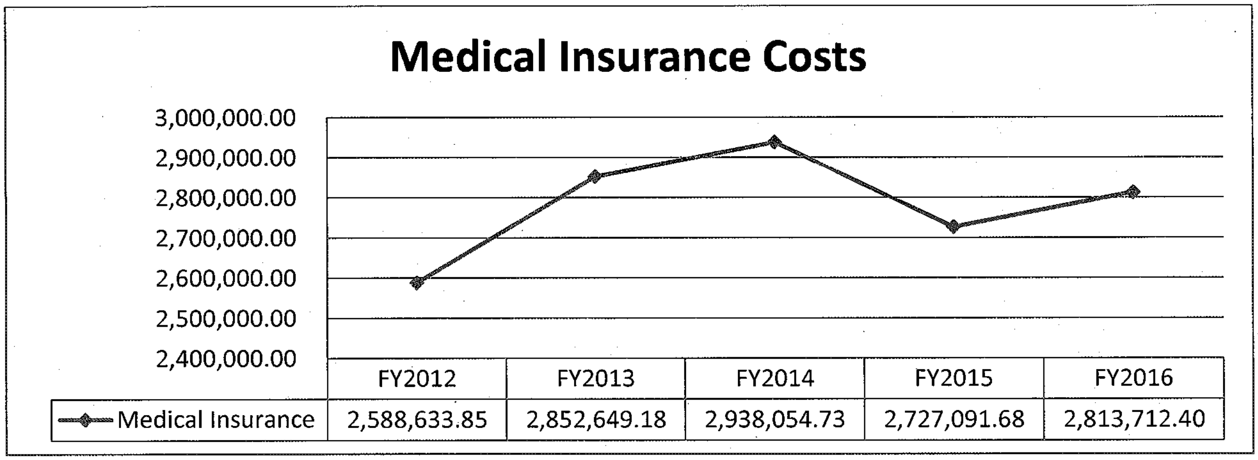
Rent and employee health insurance are two costs that have risen dramatically over the past decade. For human services organizations that lease space, skyrocketing rents pose a grave threat. Of the 21 organizations surveyed, 13 reported substantial increases in rent. For the organizations that provided data for fiscal year 2010 to fiscal year 2017, the average increase in rental costs was $1,278,185 over that time. Some organizations saw more significant spikes. One organization's rent increased 118% from fiscal years 2010 to 2017 while government contract increases over that time were very small in comparison. Another organization's rent expenses rose by approximately $1.5 million between 2014 and 2017, and a third organization saw an increase of $2.6 million—or 46 percent—from 2012 to 2016. In the most extreme example, one organization's rent expenses increased by $14.7 million from 2010 to 2016. This increase was due in part to the acquisition of new shelters, but the fact that rent now accounts for 45 percent of the organization's operating budget is alarming. Many lease agreements contain escalation clauses, but as HSC has repeatedly stressed, City contracts do not contain provisions to cover these automatic rent increases. The graph below shows increases in rent and utility costs for six organizations.

Rent and Utilities[vi]



Health-related insurance costs (health, dental, vision) rose an average of $865,996 from fiscal year 2010 to fiscal year 2017. As with rent, some organizations saw especially pronounced spikes. From fiscal year 2011 to fiscal year 2017, one organization saw its insurance expenses increase by $1 million. Another saw its health-related insurance costs rise $3.5 million from 2012 to 2016. Yet another saw a dramatic leap in just one year, with an increase of $760,000 from fiscal year 2016 to fiscal year 2017.

To address these high costs many nonprofits downgrade plans and /or pass costs on to employees. One organization was forced to move from employer-paid health insurance to partial employee-funded health insurance for the first time in thirty-five years and another showed an approximate $300 monthly increase in health premiums for families. These increases show no signs of slowing, and they are not sustainable under the current City contracting model. Below is an example of one organization's medical costs over time.



In addition to rent and health insurance, other cost increases are affecting organizational vitality. One organization reported a 95% increase in workman's compensation insurance costs from 2011 to 2016 while their liability insurance also increased 52% during the same time period. This organization reduced benefits and increased health insurance copays to manage costs.

In addition to health insurance, every organization reported reducing the compensation of their workforce, either through the reduction of benefits, deferring cost-of-living adjustments or raises, reducing staff hours, or reducing salaries for new hires.

While those are the trends, organizations also reported the following:

- Reducing program activities;
- Leaving defined benefit plans for other alternatives;
- More closely scrutinizing—and declining to respond to—RFPs;
- Giving back contracts that are not financially viable; and,
- Reducing or furloughing staff.

Conclusion

Government and the nonprofit human services sector partner on the delivery of approximately $5 billion worth of services to New York communities. This mutually beneficial relationship is in jeopardy. The data affirms what the sector has been describing to government partners; a nonprofit human services crisis of epic size and severity. The gaps created by inadequate government reimbursement rates are real and growing. We must act now to ensure NYC maintains its ability to provide services to homeless families, children, victims of violence, the elderly, disabled, mentally ill, and impoverished.

The signs are all there. Organizations are passing along government deficits to their employees through low wages and increased benefits costs. The sector is not able to make the necessary repairs and maintenance to buildings that the people coming through our doors deserve for quality programs. Providers are closing programs or not competing for programs, leaving communities without necessary services. And finally, nonprofits are cutting administrative processes and staff, leaving them unable to adequately measure outcomes to understand if they are having an impact, undermining their ability to plan for the long-term, and preventing them from investing in career ladders for emerging talent.

Every nonprofit is uniquely constructed with different funding streams, assets, and liabilities and each has taken a different set of actions to reduce the risks and realities of their deficits. Some organizations have chosen to provide staff cost-of-living adjustments through fundraising, but have forgone important capital projects. Others have been able to make repairs by dipping into endowments (which have legal restrictions regarding their use), but have passed along increased benefit costs to employees. All have made different decisions about how to manage more with less.

These individualized funding patterns call for a flexible solution that allows each nonprofit to address the areas in their business model in need of investment. The parts of the budget in need of support differ depending on the circumstance and, include crucial building and technology upgrades, staff benefits and salaries, insurance costs, rent, and program enhancements. The sector is at a critical juncture, and the reports from academics, partners, and the sector express the gravity of the situation; without immediate investment, NYC will not have the services necessary to make New York a safe, diverse and inclusive sanctuary for all. Now is the time to repair the nonprofit human services partnership with government.

Thank you for providing me with this opportunity to testify about the state of the human services sector. We greatly value our partnership with the City Council, and know you stand with us in our call for critical investment to sustain our sanctuary.

Michelle Jackson

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[i] http://seachangecap.org/wp-content/uploads/2016/03/SeaChange-Oliver-Wyman-Risk-Report.pdf
[ii] http://survey.nonprofitfinancefund.org/
[iii]
https://www.researchgate.net/publication/269103151_A_Deficit_Model_of_Collaborative_Governance_Government-Nonprofit_Fiscal_Relations_in_the_Provision_of_Child_Welfare_Services?enrichId=rgreq-e79c7ca8a17894b9c2034939bf6a8ed0-XXX&enrichSource=Y292ZXJQYWdlOzI2OTEwMzE1MTtBUzoxNzU3NTI5NzY4MDU4OTBAMTQxODkxNDE4MzE0NQ%3D%3D&el=1_x_2&_esc=publicationCoverPdf
[iv] http://www.humanservicescouncil.org/Commission/HSCCommissionReport.pdf
[v] See Seachange and Oliver Wyman report on this topic: http://seachangecap.org/wp-content/uploads/2016/12/Overhead-for-Trustees.pdf
[vi] Each point on the vertical axis (percentage) is the increase over the base year (not the previous year).

UJA Federation NEW YORK 20 17 / 19 17

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TESTIMONY March 2, 2017

Thank you Chairperson Ferreras-Copeland, and good afternoon to the members of the New York City Council Finance Committee. Thank you for this opportunity to testify. My name is Louisa Chafee and I am Senior Vice President for External Relations and Public Policy at UJA-Federation of New York.

Established 100 years ago, UJA is one of the nation's largest local philanthropies. Central to UJA's mission is to care for those in need by:

- Identifying and meeting the needs of New Yorkers of all backgrounds and Jews everywhere;
- Connecting people to their communities and responding to crises in New York, Israel and around the world; and
- Supporting nearly 100 nonprofit organizations, serving those that are most vulnerable and in need of programs and services.

Forty three of these nonprofits receive government funding-- from large organizations such as The Jewish Board, JCCA, JASA and Selfhelp Community Services, to community based organization operating in settlement house model, such as JCC of Staten Island, Educational Alliance in Manhattan, Bronx House in the Bronx and Sam Field Y in Queens. UJA works with 22 JCCs across the Greater Metropolitan Region.

While, UJA greatly appreciates the Mayor's investment in the sector's workforce, both in the previous COLA/wage floor and in his announcement in the January Plan of a six- percent COLA spread over three years. Today, I would like to discuss the ongoing underfunding of the human service sector through New York City government contracts, as there have not been annual or one time increases for Other Than Personal Services (OTPS) or the Indirect rate. This has direct fiscal impacts:

- As the annual rent/real estate occupancy costs go up– central to effective homeless shelter provision, day care and senior center operation--our organizations are not funded to cover increases;
- When insurance rates rise, our organizations are not funded to cover these changes;
- As food costs --so critical to home delivered meals --rise, the increases are not funded.

This lack of investment in human service contracts has further consequences: our organizations cannot take on necessary major issues like better information technology/computer systems – or even improved security. Further, costs, like health insurance, are transferred to workers and retirement plan options reduced.

UJA recognizes and appreciates the leadership of the City Council in your support of an increase in OTPS last year. We ask that you include in your budget response a request for the Mayor to shore up human services providers by providing an across-the-board increase in human service contracts. The sector is united in this ask and it is our number one priority.

Thank you for the support, attention and opportunity to speak.

JCCA

Repair the world
child by child

TESTIMONY
New York City Council
Committee on Finance
Preliminary Budget Hearing
Thursday, March 2, 2017
Submitted by Ronald E. Richter, CEO

Good afternoon, Chair Ferreras-Copeland and members of the New York City Council Finance Committee. Thank you for the opportunity to testify at today's hearing. My name is Ronald E. Richter and I represent JCCA as the Chief Executive Officer. JCCA provides comprehensive care to thousands of children, young people and families who come from New York's most economically challenged communities, from Brownsville to Hunts Point. Since 1822, we have embraced those who need us most — abused, neglected and traumatized children and young people who are struggling with poverty, developmental disabilities and complex mental illness. Our programs include **foster** and residential care, educational assistance and remediation, case management for young people with mental health challenges and services to families to help parents reduce the risk of abuse and neglect, known as preventive services. JCCA offers safety, stability and lifesaving support to help our clients reclaim a more stable and independent future.

Normally, I would be here sharing news of the successes of the amazing young people and families whose lives have been touched and improved by JCCA.

But instead today I join my nonprofit colleagues in a request to the City Council to ensure the survival of human service providers, large and small, by including an across-the-board increase on contracts in your budget response to the Mayor. The sector is united in this ask and it is our number one priority. While we will discuss programmatic priorities throughout the budget season, we want to emphasize that this increase is the foundation our agencies require for stability and compassionate, responsible service delivery. NYC is a leader in the country in our commitment to promote the well-being of all of our citizens and this commitment is increasingly important given world events.

JCCA, like many other human services organization, is able to leverage private and philanthropic dollars to address the gap between our city funding and the cost of providing quality services. However, year-after-year deficits combined with an ongoing need to cut programs and staffing levels is demoralizing for staff, has a deleterious impact on the overall quality of our care and may also lead to a crisis of confidence among our dedicated Trustees and funders. Like many organizations, the JCCA Board of Trustees takes its fiduciary duties seriously, and along with foundation officers who support our work demands certain financial performance and outcomes. As recently as two evenings ago, our Board of Trustees directed me to identify $1M in personnel savings, after I delivered $800K in savings last year. And we have a $105M budget. We have had to take a hard look at our current city contracts and the impact of their chronic underfunding. We recently decided we could no longer provide services pursuant to two contracts with DOP and one contract with ACS. Chronic underfunding of government contracts, and what it means for organizations like ours, are undermining the Mayor's efforts to address the disparity between the "two New York Cities." As long as the Administration underfunds non-profits, needy New Yorkers will lack the opportunity to progress from poverty into the lower-middle and middle classes.

We greatly appreciate the Mayor's investment in our workforce, both in the previous COLA/wage floor and in his announcement in the January Plan of a 6 percent COLA spread over three years. However, we have asked for an increase not just for our workforce – who certainly need critical investments - but for the full contracts. The **reality** is that in order for direct care staff to be successful in serving the neediest and most vulnerable children in this great city, they need the support of organizational infrastructure in the form of human resources, quality improvement, government contracts, staff development, facilities, information technology and finance departments.

JCCA would use an across-the-board increase to invest in facility maintenance, IT infrastructure, staff recruitment, retention and training. This investment is crucial now more than ever. My organization has already made tough decisions about where to cut because of the recession, years of underinvestment and lack of increases. These decisions have not been easy, but our financial health matters to the 900+ employees and over 17,000 children and families we currently serve. We cannot, will not and our Board of Trustees will ensure that we **do not**, join the growing number of organizations that have had to close their doors by continuing to accept underfunded contracts.

Thank you again for providing me with this opportunity to testify, and for your partnership on all the issues impacting our community.

Please do not hesitate to contact me at richterr@jccany.org or 212-558-9905 or Harriet Lessel, Director of Government Contracts and Advocacy at lesselh@jccany.org or 917-808-4824 for additional information.

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eliminating racism
empowering women
ywca
New York City

FOR THE RECORD

TESTIMONY
New York City Council
Committee on Finance
Preliminary Budget Hearing
Thursday, March 2, 2017
Submitted by
Dr, Danielle Moss Lee, President and CEO
YWCA of the City of New York

Good afternoon, Chairperson Ferreras-Copeland, and good afternoon to the members of the New York City Council Finance Committee. My name is Dr. Danielle Moss Lee and I am the President and CEO of the YWCA of the City of New York (YWCA NYC). YWCA NYC is one of the oldest and largest membership organizations in the world. It is independently owned and operated, but connected to a worldwide network of sister YWCAs that serve 25 million people, in more than 100 countries. The YW stands for the elimination of racism and the empowerment of women.

The New York nonprofit human services sector has long been sounding the alarm about the impact of chronic underfunding of government contracts, and we have reached a breaking point. Without a crucial investment on our current contracts, my organization will have to re-evaluate how we can engage with the City to provide crucial services to our communities; we simply can no longer carry the deficit of our City contracts.

We ask the City Council to include in their budget response a request for the Mayor to shore up human services providers by providing an across-the-board increase on our contracts. The sector is united in this ask and it is our number one priority. While we will discuss program priorities throughout the budget season, we want to emphasize that this increase is essential to us keeping our doors open to even provide the services we will be discussing in more detail over the coming months. Without this investment, we will not be able to provide critical interventions, promote well-being, and most alarmingly, will not be able to provide the services essential to New York being a sanctuary.

The YW focuses its resources on helping communities in need, with three affordable high-quality childcare centers in Manhattan and Brooklyn, and after-school programs in lower

Manhattan, Coney Island and Brownsville, Brooklyn. We serve 2,514 children and families on City contracts.

We are a great bargain for government, as we are able to leverage private and philanthropic dollars, as well as State and federal contracts, but the gap between what the City funds on their contracts and what we can supplement has grown too wide.
In December, my organization along with over 210 New York City providers – totaling over $5 billion in human services programming in NYC - wrote to the Mayor requesting a 12 percent across-the- board increase on our contracts. The Administration has settled many contract negotiations with similar percentages, but our sector has been left behind. Besides the 2.5 percent cost-of-living adjustment and wage floor, our sector has seen no increase in almost 10 years.

We greatly appreciate the Mayor's investment in our workforce, both in the previous COLA/wage floor and in his announcement in the January Plan of a 6 percent COLA spread over three years. However, we have asked for an increase not just for our workforce – who certainly need critical investments - but for the full contracts. Our contracts last upwards of 10 years, with no cost-escalators to account for increasing costs, on contracts that are already underfunded. This lack of investment on our full contracts has a real impact on our ability to deliver quality programs and invest appropriately in our staff. Due to the gaps in funding, and lack of cost-escalators in our City contracts, we have had to take the following actions: passing health insurance costs along to staff, reducing benefits, layoffs, program closures, and spending down investments to cover overhead costs.

We need an across-the-board increase to help us shore up overhead and cover unrestricted funds.

This investment is crucial now more than ever. My organization has already made tough decisions about where to cut because of the recession, years of underinvestment and lack of increases. Looking at the commitment of this Administration and the City Council to ensuring our City remains a sanctuary, we are ill-prepared to be on the frontlines where we are needed. We cannot serve our communities in the face of potential cuts and realized policies around immigration, LGBTQ issues, health, education, and more that impact the people we serve. We are very concerned about what is to come in the near terms and do not feel prepared to be the sanctuary our communities need in this moment of national uncertainly.

My organization has begun to look at our contracts that provide insufficient rates and will have to make difficult decisions about what contracts are viable and those we must turn away. These decisions will not be easy, but our financial health matters to the 169 number of employees and 2514 number of clients we currently serve, and we cannot join the growing number of organizations that have had to close their doors.

Thank you again for providing me with this opportunity to testify, and for your partnership on all the issues impacting our community.

Sincerely,

Danielle M. Lee

Dr. Danielle Moss Lee
President and CEO

urban pathways
for homeless new yorkers, the way home.

TESTIMONY
New York City Council Finance Committee, Preliminary Budget Hearing
Submitted by Ronald Abad, Chief Operating Officer, Urban Pathways
March 2, 2017

Good Afternoon, Chairperson Julissa Ferreras-Copeland and members of the New York City Council Finance Committee, my name is Ron Abad. I am the Chief Operating Officer of Urban Pathways. Thank you for holding this oversight hearing on the Fiscal Year (FY) 2018 Preliminary City Budget and the opportunity to testify.

I will testify on an issue that Urban Pathways has consistently encountered in serving homeless adults in New York City - chronic City under investment in its contracts with human services providers. I will also provide a recommendation for ensuring the FY 2018 budget begins to reverse this disinvestment.

About Urban Pathways

Since 1975, Urban Pathways has worked to engage the City's most vulnerable – chronically homeless individuals – and provide them with "a way home". Our continuum of services in four of the five boroughs includes the following: 6 street outreach programs; the Olivieri Drop-in Center; 105th Street, Hegeman and Travelers Safe Havens; Fairmount Residence for Veterans; 8 supportive housing residences; and nearly 200 scattered-site supportive housing units.

Background

In the past decade, City human services nonprofits and their workforce have experienced consistent underfunding. The City has only granted one increase in its human services contracts in this period. Also, our dedicated workforce worked 7 years without a cost of living adjustment (COLA) increase, from FY 2009 to FY 2016, despite the economic recovery and the increased cost of living in New York.

The City has begun to reverse its underinvestment in our workforce, rewarding a long neglected labor force essential to serving vulnerable New Yorkers. The FY 2016 budget included a 2.5 percent COLA and an $11.50 per hour wage floor. Last year, the City announced a City-financed $15 minimum wage floor for the workforce. The January Plan also included a 6 percent COLA over 3 years. We thank the Administration and the City Council for these needed investments, which lift up thousands of New Yorkers, a majority of whom are women and persons of color.

However, as we approach the FY 2018 budget, the City has more to do. It is time to follow these workforce investments with an across-the-board increase in City human services contracts. A contract increase will act in concert with these workforce investments. It will ensure we have human services organizations to employ the workers now deservedly earning a higher wage. In 2013, nearly 1 in 5 City human services providers operated in the red, an indicator of potential closure.

An across-the-board increase will also enable us to adequately train our staff and provide the affordable benefits they deserve. Years of flat City funding amid the rising costs of health care, for example, complicates our ability to manage. This year, Urban Pathways endured another double-digit increase in our health care costs for our over 300 employees. Flat contract funding forces us to split these double-digit increases with our staff, resulting in increased employee co-pays and obligating us to modify our health insurance carrier.

An increase in City contracts will also reverse the tide of consistently underfunded contracts. A consistent challenge Urban Pathways faces in operating our alternatives to shelter for homeless adults - Olivieri Drop-In Center and 105th Street, Hegeman and Travelers Safe Haven - is an underfunded Other Than Personal Services (OTPS) line. OTPS constitutes a significant line in the budgets of our Drop-In Center and Safe Havens. We draw on it to feed the 500 clients we annually serve at these programs so they have access to healthy food amid their low incomes. We use it to ensure our staff receives benefits and development to counter high turnover in our sector. We also rely on it to upgrade antiquated technology and make capital repairs so infrastructure remains sound. Safe Havens, like any other housing, break and need to be repaired.

An across-the-board City contract increase will also yield contracts that resemble the actual cost of doing business in New York. City human services contracts, which last upwards, at a minimum, of a five year base with a four year renewal , lack cost-escalators, particularly rent escalations, to account for the increasing costs.. For example, Urban Pathways' budgets are devoid of rent escalations. We receive the same amount for rent in the first year as we do in the fourth year or the ninth year, despite the rent increasing, in some instances, 3-4% each or every other year. The City has corrected this for its new scattered-site portfolio, based on the FMR, which we appreciate, and we urge it to do the same for all City contracts.

We can no longer carry the deficit of our City contracts. The gap between what the City funds on its contracts and what we need to serve our clients has grown too wide. As a result, in December 2016, Urban Pathways, with over 210 New York City human services providers – totaling over $5 billion in human services programming in NYC - wrote to the Mayor, requesting a 12 percent across-the-board increase in our contracts. The Administration has settled many contract negotiations with similar percentages, but the human services sector has been left behind.

Without this across-the-board investment, Urban Pathways will have to reevaluate how we engage with the City to provide crucial services to homeless adults. We have begun to look at our City contracts that provide insufficient rates and will have to make difficult decisions about what contracts are viable and those we must turn away. These decisions will not be easy, but our financial health is paramount to our over 300 employees and the nearly 2,000 homeless single adults we serve each year.

Recommendations

In light of the lack of City investment in our contracts, we make the following recommendation to ensure that the FY 2018 City Budget begins to turn the tide.

The City Council Should Include, in Its Budget Response, a Request for an Across-the-Board Increase in City Contracts with Human Services Providers.

We ask the Council to include in its budget response a request for the Mayor to shore up human services providers by providing an across-the-board increase in our City contracts. This increase is essential to us providing the services adults experiencing homelessness.

Conclusion

Thank you for the opportunity to testify and for your partnership on the critical issues impacting our sector and, in turn, our communities and vulnerable New Yorkers.

Ron Abad
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The Children's Aid Society
www.childrensaidsociety.org

Testimony of Yolanda McBride, Director of Public Policy, Children's Aid
Oversight Hearing on Preliminary FY 18 Budget
Committee on Finance, New York City Council
Thursday, March 2, 2017

Good Afternoon. My name is Yolanda McBride, the director of public policy for Children's Aid. I would like to thank Chair Julissa Ferreras-Copeland and the members of the Finance Committee for the opportunity to testify on the city's preliminary FY 18 budget released by the administration in February.

For more than 160 years, Children's Aid has been committed to ensuring that there are no boundaries to the aspirations of young people, and no limits to their potential. We are leading a comprehensive counterattack on the obstacles that threaten kids' achievements in school and in life. Success and strong well-being are contingent upon positive outcomes in four life domains: education, health and wellness, social-emotional development, and family stabilization. At Children's Aid, we are teachers and social workers, coaches and health care providers. We know what it takes to ensure children grow up strong and healthy, and ready to thrive in school and life. We have also constructed a continuum of services, positioned every step of the way throughout childhood that builds well-being and prepares young people to succeed at every level of education and every milestone of life.

Poverty is extraordinarily complicated. The challenges confronting kids and their families evolve, and Children's Aid changes with them. We constantly evaluate our practices and seek steady improvement in our results. Today our over 2,000 full and part time staff members empower nearly 50,000 children, youth and their families through our network of more than 50 locations including early childhood education centers, public schools, community centers and community health clinics in four New York City neighborhoods – Harlem, Washington Heights, the South Bronx and the north shore of Staten. Our FY 17 annual budget is $124.7 million, nearly two-thirds of which comes from government contracts.

Children's Aid is a member of many coalitions and we partner with government on multiple initiatives. For example, Phoebe Boyer, our president and CEO, is a member of the Mayor's Non Profit Resiliency Committee and co-chair the Service and Program Design group, which is one of the three areas of focus of the committee.

Today I am here to talk with you about the city's investment in the nonprofit sector, a sector that serves 2.5 million clients a year, employs 180,000 people and is an essential part of what makes New York the great city it is. For many years, the nonprofit sector has been sounding the alarm about the challenges that we have been experiencing due to the chronic underfunding of government contracts even as costs increase year after year. Besides the recent 2.5% cost-of-living adjustment and wage floor increase, our sector has seen no increase in almost 10 years. Yet our costs increase each year. We have leveraged state and federal funding as well as philanthropic support, however our sector is at a breaking point and nonprofits, large and small can no longer carry the deficit of our city contracts.

In December, Children's Aid, along with more than 210 New York City providers, wrote to the Mayor requesting a 12% across-the-board increase on our city contracts. We are asking the City Council to support our request to the Mayor. While Children's Aid and agencies like us will testify during this current budget season about programmatic budget asks, please know that this is our primary priority. This investment will be critical to Children's Aid, and the nonprofit sector overall, being able to *deliver* the high-quality programs we provide in the communities we serve.

To help illustrate the impact of underfunded contracts over the course of many years, I offer some data and a couple of examples from Children's Aid as to why we need an across-the-board increase to our contracts to help us shore up our infrastructure, technology, benefits...etc.

- Children's Aid currently has 115 government contracts; 73 of those contracts, or 63%, are through the City – totaling $60 million or one half of our total budget.

- In FY 16 we had a $12.5 million deficit on our city contracts, which is 10% of the deficit to our overall budget. In FY 17, we anticipate this deficit could grow as high as 15% of the deficit to our overall budget. We have tried to fill the gap through private fundraising, cost cutting and investment from our reserves, but we are at a tipping point. We face the difficult decision of having to return contracts because they're just not viable for us to operate anymore.

- One of the reasons for the deficit is insufficient reimbursement for indirect costs. We have a federally approved indirect rate of 13.2%, well within the 15% "best in class" standard that has been established by the New York State government and private organizations such as Charity Navigator. This rate covers critical support functions such fiscal, human resources, facilities operations and information technology – that are essential to a well-functioning organization.

  However, not one of our city cost-reimbursement contracts accepts this rate. We are capped at 10% for indirect costs, but often at even lower rates. And some of our contracts have no allowance for indirect costs at all. How are we supposed to pay for all of the supports that ensure our programs are high quality, which includes ensuring that our staff has the tools and support to be as effective as they can be?

- While we are appreciative of the Mayor's steps to address the need for regular cost-of-living adjustments (COLAs) for wages and salaries through the 2.5% COLA last year, the wage floor increase and the 6% COLA spread over three years announced in the January plan, this is not enough and we need this type of investment across our entire contracts. COLA increases are essential for staff recruitment and retention, but without addressing COLAs for non-personnel costs, the sector will not have the funds to properly train and develop its workforce because of the inevitable cost increases in areas such as rent, utilities, health benefits, supplies, and insurance. Contract COLAs must be broader than just wages and salaries.

- At Children's Aid, just over the last seven years, our rent, occupancy costs and health insurance costs have increased by $6.1 million without an increase in our contracts.

- As you know, a typical human services contract can run nine years or more so that over the life of a contract the purchasing power of the funds paid to the provider drops significantly. As expenses go up, we are locked into the same funding as when the contract began. Just looking at the years 2012-2016 for our city contracts, the lack of cost escalators has resulted in uncovered core expenses, such as insurance and rent, totaling approximately $7 million.

Over the last number of years, we have laid off staff, reduced program hours, postponed necessary repairs to buildings, and staff have had to bear more of the burden of health insurance costs.

These are just some examples of the issues and challenges facing Children's Aid and so many of our fellow nonprofit colleagues. Continued failure to address these issues will result in a nonprofit sector that is even more distressed than it is today. And, ultimately, the people in need that we all serve, and whom the city depends on us to serve, are the ones who will lose out. Because without meaningful investment, the abilities of even the strongest and most dedicated nonprofit human services providers will ultimately be stretched too far.

I do want to add that we are not just advocating at the city level for these investments. We also participate in the Restore Opportunity Now Campaign, a statewide effort to bring together human services organizations to demonstrate the need for crucial investments in the nonprofit sector.

I want to thank the City Council for the opportunity to testify today, and hope that the Council has a greater understanding that the financial health and stability of the nonprofit sector is at stake. Please know that Children's Aid is eager to be a partner in addressing these issues. I am happy to address any questions you may have. Thank you.

SHELTERING
18 ARMS 31
Children and Family Services

TESTIMONY
New York City Council, Committee on Finance
Preliminary Budget Hearing, Thursday, March 2, 2017
Submitted by Elizabeth McCarthy, CEO, Sheltering Arms Children and Family Services

Good afternoon, Chairperson Ferreras-Copeland, and good afternoon to the members of the New York City Council Finance Committee. My name is Elizabeth McCarthy and I'm the CEO of Sheltering Arms Children and Family Services. We're one of the City's leading providers of education, youth development, and mental health and wellbeing programs.

Over the past several years, we have responded to the City's call for new and innovative programming that improve the lives of disenfranchised New Yorkers. We expanded Early Childhood Education and afterschool, helped to launch Close to Home, introduced City-wide mental health services in a wide variety of settings, and created a community violence prevention program that has received full support and recognition from the City Council.

Throughout that time, we have raised our voice about the impact of chronic underfunding of government contracts, and finally, we have reached a breaking point. In spite of our long history of meeting the City's most pressing needs, my organization is being forced to re-evaluate how we can partner with the City. Without a significant investment on our current contracts, we won't be able to carry deficits any longer, and the people of our City will be left to deal with the consequences.

As the City Council prepares a budget responded to the Mayor, we ask you to request an across-the-board increase in our contracts. I stand alongside leaders across our sector in establishing this urgent request. The sustainability of our sector is a paramount need. If we're incapable of hiring and retaining the right staff, building a 21st century infrastructure, and ultimately keeping the doors open, then we can't fulfill the City's promise to support the most vulnerable children, adults, and families.

Throughout our history, we have been there for New Yorkers during their greatest moments of need. Across the Bronx, Queens, Manhattan, and Brooklyn, we help people to maximize their potential. Our city-funded programs include 11 Early Childhood Education centers, eight afterschool programs, foster care and adoption, preventive, runaway and homeless youth, nine Juvenile Justice and Close to Home residences, and several new initiatives: Community Schools, a ThriveNYC Connections to Care program, and Cure Violence.

In spite of a long history of insufficiently funded contracts, we have frequently stepped up to support our City. For instance, in the past five years we doubled the size of our Early Childhood Education program, in light of national and local recognition pointing to the impact of this work. Through a holistic program that incorporates a wide range of innovations, such as embedded mental health services, comprehensive family support, and trauma-informed social-emotional development, we have helped over 90% of our children to meet or exceed developmental standards ever year.

However, none of those value-added services are sufficiently funded by city contracts. Our staff haven't received salary increases anywhere close to those given to Department of Education teachers. The resulting impact on our culture is enormous, with consequences ranging from our teachers reluctantly moving to DOE positions, to our employing people who are living in conditions of poverty that are perilously close to the families with whom they work.

We have raised private and philanthropic dollars to cover deficits in Early Childhood Education and beyond, which have reached amounts greater than $500,000 a year in the past. Unfortunately, the gap between the City's funding and what we can supplement on our own has grown too wide.

In December, my organization along with over 210 New York City providers – totaling over $5 billion in human services programming in NYC - wrote to the Mayor requesting a 12 percent across-the- board increase on our contracts. The Administration has settled many contract negotiations with similar percentages, but our sector has been left behind. Besides the 2.5 percent cost-of-living adjustment and wage floor, our sector has seen no increase in almost 10 years.

The Mayor's recent investment in our workforce, with a focus on COLA improvements, is appreciated and sheds light on the value of our people. Nevertheless, we are asking for an increase on full contracts. Our contracts last upwards of 10 years, with no cost-escalators to account for increasing costs, such as health insurance and property costs, on contracts that are already underfunded. Due to limited funding, we have been forced to make a wide range of difficult decisions that do not benefit our organization, the sector, or the people we serve. For instance, we are constantly squeezed on the benefits we can provide to staff; we aren't able to keep pace with maintaining support infrastructure; our buildings are in constant need of repair support; and in some cases, we have closed down vital community programs.

The funding gap facing our sector cannot continue. In a City that promotes equity, we simply cannot continue to ask organizations like mine to do more with less. We have already streamlined operations to the breaking point as a result of the recession and years of underinvestment. Meanwhile, policies related to immigration, LGBTQ rights, health, education, and more are raising the alarm for children, adults, and families across the City. Without an increase in funding, our sector will be ill-prepared to provide the support and sanctuary our City deserves. This is a moment of national uncertainty, but our City has always taken the lead in showing support for those in need. That starts with an across-the-board funding increase so that our sector can continue to answer the call.

We don't want to respond to this important moment in our history burdened by a reality that our financial health is in jeopardy, which in turn limits the impact of the 1,000+ employees at Sheltering Arms and the potential of the 24,000+ children and families we serve. Our City's challenges are simply too important for any of us to fall short.

Thank you again for providing me with this opportunity to testify, and for your partnership on all the issues impacting our community.

Contact Information:
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Chief Development Officer, Sheltering Arms Children and Family Services
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212-886-5604

Testimony
New York City Council
Committee on Finance
Preliminary Budget Hearing
Thursday March 2, 2017

Submitted By
Christopher Hanway, Executive Director
Jacob A. Riis Neighborhood Settlement

Good afternoon Chairperson Ferreras-Copeland, Majority Leader Van Bramer, and all of the esteemed members of the New York City Council Finance Committee. Thank you for your time and attention on what must be a very long day. My name is Christopher Hanway, and I represent Jacob A. Riis Neighborhood Settlement, a 127-year-old community based organization serving the children, youth, seniors, and families of Western Queens, many of whom are low-income and/or immigrants and the majority of whom are residents of public housing.

I intend to be brief today, but in short, I am here to reiterate and support the request made by my colleagues in the Human Services sector that the Council include in its budget response a 12% across-the-board increase on our New York City contracts. Besides the recent cost of living-adjustments and wage floor, for which we are very grateful, our sector has not received contractual increases in over 10 years. This is despite the fact that the city has negotiated similar increases with other sectors as part of collective bargaining agreements.

At Riis Settlement, this situation has had significant consequences on the individuals and families we serve. We provide after-school, summer camps, violence prevention, and job and college readiness services to children and youth; allow older adults to age in place and maintain their health and independence, and work with immigrants from around the world to help them build educational, economic, and civic self-sufficiency through over 20 city contracts from five discreet government agencies. But the chronic gaps in funding and lack of cost-escalators in these contracts have forced us to take the following actions, among others:

- Holding back on hiring crucial support and administrative staff that undergird the services we support to the community, and, in at least three instances of which I am aware, laying off members of our team;
- Reducing instructional hours in our essential English Language classes for speakers of other languages, which help new New Yorkers find work and navigate life in their new country;
- Passing on an increasingly large share of health insurance costs to staff members, most of whom simply cannot bear such increases, and;
- Bypassing vital infrastructure and technology improvements that would allow us to increase efficiency and overall service and, in the long run, save money.

These actions have direct effects both on the 135 individuals we employ and the almost 3,000 residents of Long Island City, Astoria, and Western Queens who rely on Riis Settlement's services every single year. Far too many of our fellow social services organization have closed their doors or are in severe financial distress and, now more than ever, the residents of the Queensbridge and

Ravenswood Houses cannot afford for neighborhood institutions like Riis Settlement to founder because of chronically inadequate funding.

I thank you once again for the opportunity to speak, for your ongoing partnership, and for your advocacy on behalf of the underserved residents of New York City.

Christopher Hanway
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Catholic Charities
Community Services

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Testimony
New York City Council
Committee on Finance
Preliminary Budget Hearing
Thursday, March 2, 2017

Submitted by
Beatriz Diaz Taveras

Good afternoon, Chairperson Ferreras-Copeland and good afternoon to the members of the New York City Council Finance Committee. I am Beatriz Diaz Taveras, Executive Director of Catholic Charities Community Services, Archdiocese of New York. I am pleased to speak about the work of Catholic Charities in the delivery of social services and the current challenges we, as providers, face.

We ask the City Council to include in their budget response a request for the Mayor to support human services providers by providing an across-the-board increase on our contracts. The sector is united in this ask and it is our number one priority. While we will discuss program priorities throughout the budget season, we want to emphasize that this increase is essential for us to keep our doors open to those in need of our services. Without this investment, we will not be able to provide critical interventions, promote well-being, and most alarmingly, will not be able to provide the services essential to New Yorkers.

Catholic Charities Community Services (CCCS) is an integral part of the social service network in New York City and the Lower Hudson Valley. We are proud of our partnership with government and works closely with our partners in local government to build a more just and compassionate society through the provision of quality services and the development of sound public policies, especially on behalf of the poor and vulnerable. Our professional case management staff works with families to resolve immediate crises and develop plans for long-term stability. Our targeted interventions help to ensure improved quality of life. We seek to meet every human need with dignity and without discrimination and we help New Yorkers in need understand and access the services to which they need. Our model emphasizes a holistic approach which begins with the engagement of the client in a supportive environment. Last year, CCCS helped 1,828 individuals with emergency financial assistance to meet urgent needs for medicine, transportation, and infant needs and furniture. 3,388 people were assisted with critically needed social services funded partially through our DYCD Healthy Families and Housing contracts.

In coordination with our housing programs, CCCS provides homelessness prevention case management services, including advocacy and financial assistance to support families in need through times of crisis. Through our DHS HomeBase contracts, last year, we prevented the eviction of 4,034 families and 1,310 individuals received job training, job placement and retention support. CCCS works not only to intervene in an emergency, but also to guide and educate families with employment resources, budget counseling and financial literacy to prevent future crises.

Through our Alianza Services, we are committed to the development of every child and youth –whether newcomer or native-born. We serve more 4,000 youth annually with developmental, enrichment, cultural and educational programs in Washington Heights, Inwood, Central Harlem and the Highbridge section of the Bronx. We are funded through both the DYCD and DOE to provide after-school and community programs, drop-out prevention services, and youth employment programs. Through our Beacons and

Cornerstones, we provide a save, supervised environment for youth to go for recreation, cultural activities, homework help, tutoring and counseling.

CCCS supports families struggling with food insecurity via a network of forty-one emergency food programs including food pantries, soup kitchens, mobile food pantries, and senior centers. We continue to engage in SNAP (Supplemental Nutritional Outreach Program) outreach and enrollment, community gardening projects and nutrition education. Case management is also an essential component of our emergency food program, so that families and individuals received the immediate food they need, but also the long term guidance and support to keep them from returning week after week. Last year, we provided over 4.1 million meals throughout our network to over 42,000 individuals and families.

In December, my organization was one of over 210 New York City providers who wrote to the Mayor requesting a 12 percent across-the-board increase on our contracts. All together, we provide over $5 billion in human services programming in NYC. The administration has settled many contract negotiations with similar percentages, but our sector has been left behind. Besides the 2.5 percent cost-of-living adjustment and wage floor, our sector has not seen an increase in almost 10 years.

We take great pride in providing quality services, however we continue to struggle to support our programs with adequate and sufficient resources. Our contracts awards are stagnate and do not cover the true cost of providing the services to New Yorkers in need. We are faced with increases in rents, utilities, telephone, meals for clients, even office supplies. We continue to struggle with increased costs, and underfunding. Unfortunately, we are faced with the choice of turning away government contracts for much needed services as we lack the resources to subsidize these contracts.

Thank you again for providing me with this opportunity to testify and for your partnership on all issues impacting our community

TESTIMONY
New York City Council
Committee on Finance
Preliminary Budget Hearing
Thursday, March 2, 2017

Submitted by

Patricia C. Jordan
Chair, Board of Directors

William S. Witherspoon
Executive Director

Good afternoon, Chairperson Ferreras-Copeland, and good afternoon to the members of the New York City Council Finance Committee. Thank you for the opportunity to testify today. My name is Patricia C. Jordan. I am the Chairperson of Upper Manhattan Mental Health Center, Inc., also known as the Emma L. Bowen Community Service Center. With me today is our Executive Director William Witherspoon.

We ask the City Council to include in their budget response a request for the Mayor to shore up human services providers by providing a 12% across-the-board increase on our contracts. The sector is united in this ask and it is our number one priority. While we will discuss program priorities throughout the budget season, we want to emphasize that this increase is essential to us keeping our doors open to even provide the services we will be discussing in more detail over the coming months. Without this investment, we will not be able to provide critical interventions, promote well-being, and most alarmingly, will not be able to provide the services essential to New York being a sanctuary. As I provide testimony today about behavioral health services, I want to emphasize that chronic underfunding on our contracts has made it difficult for our organization to adequately pay our staff, make infrastructure upgrades, purchase equipment, and sometimes even keep programs open. Therefore, it is imperative that as we discuss these services, we need across-the-board investment to chip away at decades of underfunding that impact our ability to deliver quality programs and best serve the community.

The Emma L. Bowen Community Service Center also known as Upper Manhattan Mental Health Center, Inc. is a community based behavioral health organization providing long-term critical comprehensive integrated care for pre-school children, adolescents, adults and the elderly. For children, ages 3-5 with emotional and developmental problems we provide an intensive all day therapeutic pre-school that gives 98% of the children in the program an opportunity to enter kindergarten as mainstream students; our school-age children and their families struggling with the problems of adolescence and at-risk behaviors receive on-going therapy; the adults, including the elderly suffering with mental illness are provided with continuing therapy, home visits are also made to the isolated homebound elderly, and a job-focused program is provided with opportunities for adults preparing to integrate back into the community as productive adults; for individuals struggling with alcohol and substance abuse, we provide residential care and comprehensive outpatient treatment services, and for families and individuals in the Central Harlem and Northern Manhattan communities below the poverty level, they are able to receive nutritious food through our pantry program. This is also an opportunity to help those who need physical or behavioral health services to get the services they need. Overall, we see roughly 30,000 people annually.

The New York nonprofit human services sector has long been sounding the alarm about the impact of chronic underfunding of government contracts, and we have reached a breaking point. Without a crucial investment on our current contracts, my organization will have to re-evaluate how we can engage with the City to provide crucial services to our communities; we simply can no longer carry the deficit of our City contracts.

Two (2) of our city contracts that are critical to the needs of our Northern Manhattan community are the Clubhouse and Care Management. The Clubhouse provides services to the serious and persistent mentally ill by re-engaging them in services they so desperately need, and by providing them with a range of activities, including structured work experience, that move them towards a stable lifestyle. Our Care Management program provides services to the isolated, homebound elderly and to individuals suffering from depression and a range of physical illnesses.

We are a great bargain for government, but the gap between what the City funds on their contracts and what we can supplement has grown too wide.

We greatly appreciate the Mayor's investment in our workforce, both in the previous COLA/wage floor and in his announcement in the January Plan of a 6 percent COLA spread over three years. However, we have asked for an increase not just for our workforce – who certainly need critical investments - but for the full contracts. Our contracts last upwards of 10 years, with no cost-escalators to account for increasing costs, on contracts that are already underfunded. This lack of investment on our full contracts has a real impact on our ability to deliver quality programs and invest appropriately in our staff. We like so many other organizations, have been underfunded year after year and, more recently due to revenue restructuring, under reimbursed. We have had to cut our health insurance costs substantially and pass along some of these costs to our employees. We have been unable to fill important IT and clinical positions and have not been able to upgrade our salaries to competitive levels. We need an across-the-board increase to help us shore up our wages, technology and infrastructure.

This investment is crucial now more than ever. Our organization has already made tough decisions about where to cut because of the recession, years of underinvestment and lack of increases. Looking at the commitment of this Administration and the City Council to ensuring our City remains a sanctuary, we are ill-prepared to be on the frontlines where we are needed.

Thank you again for providing me with this opportunity to testify, and for your partnership on all the issues impacting our community.

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the children's village

The New York City Council

Committee on Finance
Preliminary Budget Hearing

March 2, 2017

Testimony of
Daniela Pogue, LCAT, MSW
Director, Adoption and Foster Care

Good Afternoon, Chairperson Ferreras-Copeland, and good afternoon to the members of the New York City Finance Committee. My name is Daniela Pogue, I am the Director of Adoption and Foster Care at The Children's Village, Harlem Dowling and Inwood House – three organizations founded in Manhattan in the early and mid-1800s. Together we serve over 15,000 of New York City's families most at risk for harm.

Today we provide one of the broadest continuums of care in New York. From preventive services that allow children to remain in the care of their families; to adoption and foster care and juvenile justice programming that includes evidence-based diversion programs to keep at-risk teens safe and with families.

Our long history and recent experience confirm what research has shown, well-funded and managed programs are critical to engaging children and family and they are non-negotiable when we look at long-term success.

Working toward this success has become increasingly challenging as the cost to provide services continues to increase, along with the expectations of our contractors despite continued underfunding.

As the Director of Adoption and Foster Care, I have seen truly dedicated staff make the difficult decision to leave the field of child welfare due to insufficient salary structures. The instances with which I have seen this occur correlates to the organizational changes and program adjustments that have been made after years of underinvestment and lack of budget increases. Simply stated, after years of increased demands and increased accountability, without increased salaries, people are moving on.

The result of increased staff turnover compromises our ability to maintain high quality dedicated staff, to cultivate trusting relationships with children and families, and our ability to consistently ensure safety.

We currently provide 22 services in 14 neighborhoods through New York City contracts. These are demanding services aimed to keep children safe and often, families together. Until now, our generous donors and philanthropy have made-up for the City's persistent underfunding however; they can no longer continue to subsidize NYC at the levels needed.

In December 2016, The Children's Village along with over 210 New York City providers –totaling over $5 billion in human services programming in NYC- wrote to Mayor De Blasio requesting a 12 percent across the board increase on our contracts. The Administration has settled many contract negotiations with similar percentages, but our sector has been left behind. In the last 10 years our sector has seen only a 2.5 percent cost of living adjustment and wage floor.

We appreciate the Mayor's support in the previous COLA/Wage floor and investment plans for a 6 percent COLA spread out over 3 years. However, we must ask for consideration not just for our workforce who need and deserve these investments, but for full contracts as well. Our current contracts last upwards of ten years without account for increasing costs to maintain programming.

We ask the City Council to include in their budget response a request of the Mayor to support our agencies and our critically needed programs by providing the across the board increase to our contracts. Our commitment to children and families and communities is unwavering. Without this investment the fate of our programs is at stake.

Thank you for providing me with this opportunity to testify, and for your partnership.

Daniela Pogue, LCAT, MSW –Director of Adoption and Foster Care
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New York City Council
Committee on Finance
Preliminary Budget Hearing
Thursday, March 2, 2017

Submitted by
Basil Webster

Good afternoon, Chairperson Ferreras-Copeland, and good afternoon to the members of the New York City Council Finance Committee. My name is Basil Webster and I am the Chief Financial Officer of Graham Windham. During this Fiscal year, in partnership with the Administration of Children's Services and the New York City Department of Youth and Community Development, Graham will serve, throughout many poverty stricken neighborhoods in the Bronx, Brooklyn and Manhattan, approximately 900 youth in Family Foster Care, 250 Residential Foster Care students, 500 families in Preventive Services, 500 Article 31 Mental Health clients and around 1,800 children and their families in our Beacon After-School programs and the Harlem Cornerstone Community Center.

I am certain that often times, whether through these hearings or through the news media, or through various critical financial analyses done by private sector firms, you have heard about the poor financial health of the New York nonprofit human services sector. Each year, due to the fact that most government contracts come with built in deficits, agencies are forced to do a high wire act balancing financial risk with the programmatic rewards that workers get from performing what they see as a just and even divine cause. Time and time again, the nonprofit sector finds itself explaining to government officials that agencies are not paid the full cost of contracts. Not to mention disallowances, through audits and stringent line item billings, of money that has already been spent during a year. No wonder agencies are becoming insolvent and most have low cash flow.

So it is with grave concern that I testify today to ask the City Council, in its budget response to the Mayor, to help the Human Services Council and its member agencies to get a favorable across the board increase in funding in order to prevent agencies from getting to the point of distress. Costs are escalating in every area and yet we only sometimes see a planned direct services COLA in the Mayor's budget presentations. While we are very appreciative of any investment the Mayor offers, surely, we all must recognize that there are badly needed services for property maintenance and building administration, fiscal, human resource, information technology, critical training, policy and planning support, and other costs outside of personnel services without which none of the agency programs can efficiently operate. While the work nonprofit agencies do might not be very glamorous and therefore are at the bottom of the funding totem pole, I am sure you will all agree that it is the aim of government to ensure high quality care for the less fortunate members of our society. Therefore, the services provided by committed nonprofit staff should be valued and rewarded. Currently, given the low level of funding, especially in low paying afterschool programs, staff doesn't see any growth path in their careers. Government investments are very much needed to make a difference not just in the lives of clients but also in the lives of the very workers who serve them. This year, in one Central Harlem Community Cornerstone program Graham will have to privately fundraise close to $300k (31% of annual operational costs) to provide critically needed services and bring this center up to community expectations and reasonable operating standards. This program is a safety hub for children, teens and adults in the community who instead of spending time in the streets, where there is a possibility of getting into trouble, spend their time, Monday through Saturday, in classrooms and engaged in various activities (basketball, dance, playing chest, cheerleading etc.). Clearly this center is helping people pursue their goals and lead productive lives, which is good for our city's future socially and economically. Graham's private investment is necessary to keep staffing ratios at mandated levels, provide supplies, added security during operating hours, cleaning services and repair and maintenance for a City owned building. In the communities Graham serves (Bronx Districts 2, 15 and 17, Brooklyn District 3 and Manhattan District 7, 9 and 10) this type of philanthropic fundraising effort should be spent on trying new things and adding even more value to the services being provided instead of supplementing underfunded government contracts.

Recently, the Human Service Council and its more than 200 New York City supporting agencies, which are a major part of the NYC workforce and thus a critical component of its economy, appealed to the Mayor for a 12 percent across-the- board increase on our contracts in order to obtain financial stability. The Mayor has invested in other sectors of the NYC workforce, and now is the time for the non-profit sector. You can do that by paying the dollars agencies need to keep their doors open. Each year, it is an ongoing challenge to identify budget areas where we can cut costs in order to keep deficits at a manageable level. This year, faced with rising health care costs (the current insurer began the negotiations with a request for a $1.5M increase) the agency found it necessary to use significant cost sharing measures and even after restructuring the plan still ended with a 20% increase. In the face of rising real estate costs, Graham also deferred over $1.1M of much needed infrastructure work in order to curtail deficits and for the first time had to draw down $1M from our line of credit and used some portfolio dollars to maintain a suitable cash flow. This is due to years of deficit spending for government contracts.

For the upcoming fiscal year, as a part of our annual budget planning to support our strategic vision, Graham will have to decide whether to close down programs that carry a heavy financial burden. It is simply a matter of responsible financial planning. So where the risks of big deficits tremendously outweigh the programmatic rewards, we will have to stop serving that particular population. Needless to say, that should never be the case and clients should not have to worry if agencies will discontinue services.

Therefore, the nonprofit community is appealing to this City Council to take action and support this sector to obtain sorely needed funding so many agencies can keep the lights on and continue to provide critically needed services to the many diverse communities in New York City.

Thank you for providing me with this opportunity to testify and for all the support you have provided for the nonprofit community throughout the years. With great appreciation we are hopeful that positive results will be attained from today's hearing and the people of NYC will get the high quality services they so richly deserve.
Thanks again.

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Building communities one life at a time

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Thursday, March 2, 2017

Submitted by Mosholu Montefiore Community Center (MMCC)

Good afternoon, Chairperson Ferreras-Copeland, and members of the New York City Council. My name is Nelly Peñaranda and I am the CFO of Mosholu Montefiore Community Center, one of the largest non-profits in the Bronx, providing support, education and enrichment programs to more than 35,000 children, teens, adults and senior citizens per year.

Chronic underfunding on government contracts is one of our main challenges, and we agree with other NY non-profits that we have reached a breaking point. Our CEO, Rita Santelia, wanted me to share how my fiscal department is struggling to cover the increasing cost of running our programs for such a large number of clients, whether that concerns our health insurance costs (which have seen increases of up to 20% over one year) or increased bills for ConEd, water, rent, heat, and everyday necessities like soap – or even toilet paper.

A crucial investment in our current contracts is necessary, as we can no longer carry the deficit of our City contracts. Therefore, we ask the City Council to include in their budget response a request for the Mayor to support human services providers through an across-the-board increase of 12% on our contracts. The Administration has settled many contract negotiations with similar percentages, but our sector has been left behind. Besides a 2.5 % COLA and wage floor, our sector has seen no increase in almost 10 years.

We greatly appreciate the Mayor's investment in our workforce, including COLA increases. However, we have asked for an increase not just for our workforce but for our full contracts. Our contracts last up to 10 years, with no additional funding to account for increasing costs, on contracts that are already underfunded. Due to the gaps in funding, we had to delay making repairs to our buildings, were unable to make technology upgrades, and have difficulty keeping qualified staff as our salaries and benefits are not competitive enough.

This investment is crucial now more than ever. MMCC has begun to look at our contracts that provide insufficient rates and will have to make difficult decisions to ensure our agency's financial health.

Thank you for this opportunity to testify, and for your partnership on all issues impacting our community.

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Testimony before the New York City Council Finance Committee
Susan Matloff-Nieves, Executive Director
Regarding the New York City proposed budget for FY 2018
March 2, 2017

Good afternoon and thank you for the opportunity to present testimony. I am Susan Matloff-Nieves, Executive Director of Lincoln Square Neighborhood Center (LSNC). We are a small organization with a budget of under $2 million which almost went out of business last year.

Our agency provides life-changing and life-saving services for the poorest residents of the Upper West Side area behind Lincoln Center. We are a settlement house (community center) which provides comprehensive social and educational services to the residents of Amsterdam Houses and the Amsterdam Addition, NYC public housing developments, and other primarily low income residents. The average income of our center members is $26,000 and surrounded as they are by wealth and cultural resources, they are isolated from opportunities and supports. LSNC provides meals, socialization, health screening and promotion to older adults through our senior center and services; daycare to children ages 2 to 5; and after school, summer and evening programs for children and youth.

The costs of providing these essential services have increased exponentially. Last year, we faced a 30% increase in the cost of basic health insurance for our staff members. Our cost of providing meals has doubled in the past three years. Telephone and internet cost more and more to maintain. Even maintenance costs – lightbulbs, toilet paper, soap – continue to rise steeply. This is without the modest salary increases granted to staff, as required by law with the increases in minimum wage and to maintain the subsistence of our staff. We keep trying to do more with less by eliminating positions, delaying repairs, utilizing volunteers and doubling up on responsibilities but at this point it is unsustainable.

Even with generous support from foundations and individual donors, our agency has suffered a growing annual deficit, and would have had to close our doors last year. The people who would suffer from this loss of services include 600 older adults, 135 children, and 90 teens and young adults. Short term relief resulted from our merger with a larger organization, Goddard Riverside Community Center, which has stabilized our financial situation temporarily. But even this larger organization with a budget of $32 million and broad program reach cannot absorb our deficit for the long term. Infrastructure necessary to sustain operations – payroll, information technology, fiscal compliance, human resources – is stretched beyond the limit. As we are subjected to increasing compliance demands and reporting requirements, as our staff are facing a rising cost of living in necessities such as food, shelter and medical care, our agency budgets simply do not cover the costs of staying in business. We are truly in danger as a city of watching huge holes develop in the safety net for our city's most vulnerable residents.

I join with my colleagues in urging you to call on the Mayor to address this urgent situation now by making an immediate 12% investment in New York City's human services providers. This will "catch up" to over a decade without contract increases and stabilize our sector which is critical to the survival of our most vulnerable New Yorkers.

Thank you for the opportunity to provide this testimony.

FOR THE RECORD

FPWA

Fulfilling the promise of opportunity

TESTIMONY of FPWA

Before the
New York City Council Finance Committee

Budget Hearing on the Mayor's Preliminary Budget for Fiscal Year 2017-2018

March 2nd, 2017

Prepared By:

Carlyn Cowen, Policy Analyst

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Executive Director/CEO

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My name is Carlyn Cowen and I am a Policy Analyst at the Federation of Protestant Welfare Agencies (FPWA). I would like to thank Chair Ferraras and the members of the Finance Committee for the opportunity to testify before you today and for your leadership on issues that deeply affect New Yorkers.

FPWA is an anti-poverty, policy and advocacy nonprofit with a membership network of nearly 200 human service and faith-based organizations. FPWA has been a prominent force in New York City's social services system for more than 94 years, advocating for fair public policies, collaborating with partner agencies, and growing its community-based membership network to meet the needs of New Yorkers. Each year, through its network of member agencies, FPWA reaches close to 1.5 million New Yorkers of all ages, ethnicities, and denominations.

FPWA strives to build a city of equal opportunity that reduces poverty, promotes upward mobility, and creates shared prosperity for all New Yorkers. In order to fulfill these goals, FPWA encourages the City Council to fund several initiatives that support upward mobility for New Yorkers by building and developing the workforce, ensuring safety and dignity for workers in New York, increasing access to health care, and strengthening the organizations that serve New Yorkers in need. We urge the City Council to:

- **Include in your budget response a request for the mayor to shore up human services providers by providing a $500 million, or 12% increase in existing human services contracts to help meet costs of providing services for New Yorkers in need.**
- **Support worker cooperatives, which provide higher wages and job stability to individual workers and communities, by enhancing to $3.2 million.**
- **Invest $1.8 million in the Day Laborer Workforce Initiative, to provide New York's neediest workers with safer employment options and workforce development services.**
- **Enhance funding for Access Health NYC to $5 million, which will help hard-to-reach and underserved populations access information and health care coverage.**
- **Support baselining $15.7 million for DFTA core services and invest $117.1 million over five years to address service gaps in services for older adults**

FPWA supports these initiatives as keys to upward mobility and poverty reduction in the future, and at the same time we also recognize that critical services must be delivered to New Yorkers facing poverty now. **To this end, FPWA encourages the City Council to invest in human services ranging from early childhood education to afterschool programs to programs for older adults.**

Nonprofit Resiliency

Human services providers that contract with the city to provide essential services are struggling with underfunded contracts that fail to keep up with the rising costs of doing business and provide inadequate wages and support for the workforce. Just as the city has increasingly become an expensive place to live, it has also become an increasingly expensive place to do business, especially for human services organizations, whose business is caring for people. Without the ability to raise prices on services, and without increases in government funding, nonprofits have been significantly weakened-- from a chronically underpaid and under-resourced workforce, to rising costs for rent, insurance and other expenses, to underfunding of overhead and indirect expenses, and insufficient funding to deliver programs that meet the needs in communities. These challenges play off and exacerbate one another, making service delivery increasingly difficult. Fully 18% of human services nonprofits in New York are insolvent.

Despite the funded minimum wage increase, which has helped lift thousands of workers out of poverty, chronic low wages and benefits in the human services sector mean that many workers are eligible for the same public benefits as their clients. At the same time similar positions in government and the private sector can pay tens of thousands more for lower caseloads and fewer hours, forcing nonprofit employees to make the tough choice between serving communities and making ends meet. This leads to high turnover rates (nearly 1 in 3 workers annually in many positions), creating instability in service delivery and draining nonprofit resources.

While costs like rent, utilities, general liability coverage and others increase every year, contracts don't keep up with those increases, making it harder each year for nonprofits to do their work. When long term contracts are flat funded, often rent increases will eat into so much of the contract dollars that there are none left for actual services.

Indirect expenses are the backbone of a fully functioning and successful organization, covering key administrative, security, and facilities staff, infrastructure and technology supports. A recent survey FPWA conducted showed that while organizations had an actual indirect rate of 17% on their New York City contracts, they were only reimbursed at a rate of 8% by the City, leaving deficits from $0.5 million to over $5 million on their city contracts, forcing organizations to try to fill the gap or run at reduced capacity.

In order to revive a sector on the brink of collapse, steps must be taken to fund the full costs of doing business to ensure nonprofit human service providers can effectively New Yorkers in need. **We ask the City Council to include in their budget response a request for the Mayor to shore up human services providers by providing a 12% across-the-board increase on our contracts. This 12% increase, or $500 million, would begin to pay for better compensated staff, lower caseloads, infrastructure repairs, client data management, increased cost of rent, and other necessary expenditures to allow the sector to continue serving New York's communities.** In the long term, solutions must be developed to ensure the sustainability of nonprofits and the people that work there, securing the strength of the sector that is the first line of defense for New Yorkers in need.

Worker Cooperatives

Over one in five New Yorkers are trapped in poverty as a result of enduring economic barriers. Minimum and low-wage jobs do not provide these New Yorkers the income, growth opportunities, or stable, quality employment they would need to achieve upward mobility. Worker cooperatives—small businesses owned and managed democratically by their employees—offer entrepreneurs control over their working conditions and the fruits of their labor by providing higher wages, more benefits and better job stability. Worker cooperatives root wealth in New York City by allowing worker-owners to build both individual and community assets, and they give discouraged workers the opportunity for greater economic mobility.

We urge the City Council to continue this positive momentum by enhancing the Worker Cooperative Business Development Initiative to $3.2 million for FY 2017. This investment will have a positive impact on long-term unemployment as well as the growing numbers of underemployed individuals. This enhancement will allow The Worker Cooperative Coalition to scale our impact considerably by continuing to add 38 new worker cooperatives in FY18, assist existing cooperatives, provide for outreach to 2,224 cooperative entrepreneurs, and train 20 new incubators to grow the coop support network in NYC.

Day Laborer Workforce Initiative

FPWA urges the City Council to invest $1.8 million in the Day Laborer Workforce Initiative. The Day Laborer Workforce Initiative supports the expansion and development of Day Laborer Centers across the five boroughs. There are four main day laborer centers in New York City: Bay Parkway Community Job Center and Williamsburg Community Job Center, in Brooklyn (run and operated by Worker's Justice Project), NICE

Worker's Center in Queens (run and operated by New Immigrant Community Empowerment), and Staten Island Community Job Center.

There are currently 8,000-10,000 day laborers in New York City. They are primarily comprised of recently arrived immigrant men and women. As members of the city's underground workforce, day laborers experience rampant wage theft, pervasive construction accidents, workforce hazards, lack of access to workforce development training and lack of infrastructure. We ask that New York City commit to support the expansion and development of Day Laborer Centers across the five boroughs. Consequently, these centers will provide job placement and workforce development services to these neediest of workers. The Day Laborer Workforce Initiative, through the existing day laborer centers in Brooklyn, Queens and Staten Island and the development of new centers, supports five services: 1) Job Referral, 2) Wage Theft Legal Clinics 3) Know Your Rights Trainings 4) Referral Services to Critical Services 5) Workplace Development.

In FY18, the initiative aims to open two new day laborer centers and build the capacity of existing centers to better serve New York City's 8,000-10,000 estimated day laborers. With the necessary funding the Initiative also plans on training day laborers to respond to city-wide emergencies and disasters, acting as "secondary responders" to assist with clean, demolition, and construction in the aftermath of natural disasters.

Access Health NYC

Access Health NYC is a citywide initiative to fund community-based organizations (CBOs) to provide education, outreach and assistance to all New Yorkers about how to access health care and coverage. Access Health NYC builds capacity, amplifies existing efforts and supports community based organizations by targeting individuals and families who face barriers to accessing health care or seeking information about health coverage options, such New Yorkers who are uninsured, limited English proficient, disabled, LGBTQ, formerly incarcerated, and/or homeless.

Health care is complicated in New York. Currently, New York State Department of Health does not fund contracted Navigator organizations to conduct community education, outreach and post-enrollment assistance. Underserved communities look to CBOs for culturally competent and accurate information about free or low-cost programs and services. CBOs need funding, support and training to help them ensure that every New Yorker understands how to access health care coverage and services. Better access to insurance coverage and to primary and preventive care will reduce health care costs for families and safety net providers like the Health and Hospitals Corporation (HCC) and will improve health outcomes for all New Yorkers.

The Initiative partners (FPWA, Coalition for Asian American Children and Families, Community Service Society, New York Immigrant Coalition and the People's Budget Coalition for Public Health) received $1 million in funding last year to train, monitor/evaluate, and provide technical assistance to 12 designated CBO's as well as support a consumer helpline.

FPWA urges an enhancement to $5.0 million for this initiative in FY18. This will enhance funding for the 12 designated CBO's to increase their scope of work. It will also allow this initiative to increase the number of CBOs involved, which is important because the 12 designated CBOs work largely with immigrant populations and limited English proficiency populations, and increasing the number of CBOs involved will reach other key underserved populations, including those living with HIV/AIDS and formerly incarcerated. In addition, because of uncertainty about healthcare on the federal level, enhancing this initiative will serve as a critical resource for New Yorkers who are unsure about what may happen to their healthcare.

Enhancing funding will allow Access Health NYC to assist even more target communities and improve health care access and outcomes for New Yorkers.

Human Service Budget

FPWA is very concerned about some pressing needs that were not addressed in the Mayor's Executive budget. These issues affect some of the most vulnerable New Yorkers.

Early Childhood Education/Child Care

Mayor de Blasio's Preliminary Budget maintains his commitment to pre-kindergarten for four-year olds and includes a new investment in mental health services for young children in early childhood education programs.

Unfortunately, however, the Preliminary Budget failed to include any of the investments needed to strengthen or expand either the early childhood system, such as salary parity for teachers in community based child care programs.

To ensure child care programs can operate without significant deficits and that programs can provide safe, high-quality care, the following must be funded in Fiscal Year 2018:

- Ensure ACS has sufficient resources for the **upcoming EarlyLearn RFP** to expand capacity for **children ages 0-3** and to reimburse **providers at a rate** that funds quality programs and builds on efforts to bring salary parity for staff.
- Provide funding for **Family Child Care coaches** at a ratio of 1 to 12.
- Fund **Early Childhood Liaisons** at Homeless shelters.
- Create an Office of Early Childhood as its own

Afterschool Programs

Afterschool programs provide quality youth development opportunities to school-age children and youth. These programs offer a broad range of educational, recreational and culturally age-appropriate activities that integrate school day experiences. In addition, they allow working parents to go to work each day, sure that their child is safe and learning.

To maintain the strength of the after-school system, the following must be funded in Fiscal Year 2018:

- **Baseline** the $15.0 million added in the Preliminary Budget for **summer** programs for 22,800 middle school students. Restore and baseline full funding so all SONYC middle school participants can have summer programming.
- Restore $16 million of one-year funding to preserve elementary after-school program capacity. Expand capacity to serve **elementary school children after school** and during the **summer** months by adding at least 10,000 more slots.
- Add **$8.8 million** to make the rate for all elementary after-school programs the same and then increase the rate for all elementary school programs.

Adult Literacy

In order to support adults in gaining critical literacy skills that allow them to participate in the workforce and achieve upward mobility, we urge that the Council **restore the Adult Literacy fund at $12.0 million.**

Conclusion

We thank the City Council for the opportunity to testify. We hope that you will consider our budget priorities and recommendations during this year's budget negotiation process, and look forward to continue working closely with you to ensure hard working individuals and families receive sufficient services needed for them to live and strive in their communities.

United Neighborhood Houses

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www.unhny.org

Testimony of United Neighborhood Houses Before the New York City Council Committee on Finance Honorable Julissa Ferreras-Copeland, Chair At the FY 2018 Preliminary Budget Hearing

Presented by Gregory Brender
Co-Director of Policy & Advocacy

March 2nd, 2017

Good afternoon Chair Ferreras-Copeland and members of the New York City Council Committee on Finance for the opportunity to testify. I am here on behalf of United Neighborhood Houses, New York City's federation of settlement houses and community centers. Rooted in the history and values of the settlement house movement begun over 100 years ago, UNH promotes and strengthens the neighborhood-based, multiservice approach to improving the lives of New Yorkers in need and the communities in which they live. UNH's membership includes 37 organizations employing 10,000 people at more than 600 sites across the five boroughs to provide high quality services and activities to over 500,000 New Yorkers each year. Settlement house provide a broad range of services including early childhood education, after-school programs, youth employment programs, adult literacy, workforce development, legal services and services for older adults.

UNH has worked closely with the City Council for years to ensure the stability of core services for New York City's neighborhoods. We are grateful for your work and your partnership to preserve and expand critical services for New York's communities. This year we need to work with you both to preserve critical services and to stabilize the nonprofit organizations that provide these services. For that reason, our first and most urgent request is that the City Council include in its budget response a request the that the Mayor fund an across-the-board increase of 12% for all human services contracts.

The gaps in funding and the lack of cost escalators in human services contracts have a direct impact on the services that providers can offer. Examples of the steps that nonprofits have had to take in order to address shortfalls from underfunded contracts include:

- DFTA funded Naturally Occurring Retirement Communities (NORC) have struggled to meet requirements for three days per week of nursing services.
- Child care centers have been forced to collapse classrooms bring children from one classroom to another during pickup time so that they do not have to pay staff to be in both classrooms, depend on parent volunteers to meet ratios of adults in the classroom or eliminate art and music programs.
- Adult Literacy programs have been unable to hire full-time teachers, forcing them to instead rely on a patchwork of part-time staff, which prevents the programs from retaining experienced educators.
- After-school programs have assigned a single education director to cover programs at five or more sites.
- Providers of home-delivered meals for older adults are unable to make ends meet when they struggle to hire enough staff to deliver the required meals in their service area.

The underfunding of city contracts is forcing nonprofits to make difficult decisions about whether to apply for funding and offer services that neighborhoods need. For example, this recently had implications regarding workforce programs. HRA released three RFP's for workforce programs under the CareerPathways banner, none of which were funded at a price point high enough to be viable for settlement houses and other organizations with well-established credibility in their community. As such, many of these organizations did not apply.

In December, UNH joined over 200 organizations in a letter to Mayor de Blasio calling for a 12% across the board increase in human services contracts. This investment is needed now more than ever. New York's community infrastructure- its settlement houses and community based organizations- is the only thing that can ensure our City can be the sanctuary it needs to be to protect New Yorkers against policies aimed at our communities.

At the same time, critical services are at risk in this budget cycle. The Preliminary Budget did not include funding for many priority areas for settlement houses and without further action neighborhoods will lose services for older adults, adult literacy programs, youth employment programs, mental health services, after-school programs and child care centers. UNH urges the City to take the following actions:

Nonprofit Human Services Sector

- Increase all City human services contracts by 12% to address the longstanding underfunding of human services contracts and shore up human services providers.

Older Adult Services

- Baseline $13.5 million for core services that are either funded by the City Council or funded by the administration only in FY 2017: DFTA Core Services Enhancement ($660,000), Elder Abuse Enhancement ($335,000), Naturally Occurring Retirement Communities ($3,850,000), Senior Centers for Immigrant Populations ($1,5000,000), Senior Centers, Programs and Service Enhancement ($3,578,000), Social Adult Day Care ($950,000), 6th Congregate Weekend Meal ($600,000) and Home Care ($2,000,000).

Early Childhood Education

- Restore $6.9 million to preserve 16 child care centers that are funded though the City Council.

After-School Programs

- Baseline $20.3 million to fund summer camp for 34,000 middle school students ensuring that every SONYC After-School slot has a summer component.
- Restore $16 million to preserve 9,600 COMPASS After-School slots for elementary school students and expand COMPASS Elementary programs by at least 10,000 slots.
- Invest $8.8 million to standardize rates for COMPASS After-School slots for elementary school students at $3,200 per student.

Youth Employment Programs

- Support the Mayor's proposal for baselined funding 65,000 summer jobs through the Summer Youth Employment Program in FY 2018.
- Expand Services to connect Out of School Out of Work youth to education and employment, including an investment of $3 million in Young Adult Internship Program Plus.
- Baseline and expand Work, Learn and Grow, a year-round employment program, at $53.7 million with 250 slots for Out of School Out of Work Youth.

Mental Health Services

- Restore $1.83 million for Geriatric Mental Health Initiative (GMHI)
- Restore $1.0002 million for Children Under 5 Mental Health Initiative (CU5)
- Restore $3.31 million for Autism Awareness Initiative

Immigrant Services- Literacy and Legal Services

- Restore and baseline at $12 million for adult literacy programs in order to insure immigrant have the English proficiency necessary to educate themselves and their families about their rights and opportunities.
- Fund new family literacy initiative at $5 million, which would capitalize on existing city investments in early childhood education, afterschool and adult literacy, by focusing on the success of whole families.
- Restore, expand, and baseline immigrant legal services at $20.4 million, including $13m for the Immigrant Opportunities Initiative and $7.1m for the New York Immigrant Family Unity Project.

We thank you again for the opportunity to testify and look forward to working with you on behalf of New York City's communities.

Testimony to the New York City Council Finance Committee
March 2, 2017
Jeremy L. Kaplan, Senior Director for Schools and Community Education
Phipps Neighborhoods
Jkaplan@phippsny.org

Thank you Chairperson Ferreras-Copeland, and Good afternoon to the New York City Council Finance Committee. My name is Jeremy Kaplan and I represent Phipps Neighborhoods.

Phipps Neighborhoods serves over 10,000 participants per year . We offer a diverse range of programs including Tier 2 shelters, Pre-Kindergarten, Beacons and Cornerstones, Adult Literacy Courses, Community Schools, and many more city funded services.

We have an organization budget of $25 Million, 80% of which is funded directly by City contracts.

The vast majority of our participants are black and brown people and a large number of them are foreign immigrants. Many of our staff members come from the very communities and Neighborhoods they serve. Our mission is to help families rise above poverty.

Phipps Neighborhoods, like many other of the City's social service providers is at a breaking point. The needs of our participants become more complex every year, and despite the mandate from City agencies to provide more services to more people, most of our operating budgets have flat lined.

The effects of this flat line are debilitating and we have been forced to use competitive private dollars to fund the most basic operating expenses.

Many of the buildings where we do this work are deteriorating. As youth development practitioners well know, a young person's physical and supportive environment is critical to healthy development.

What kind of message is the City of New York sending to its children and the adults who work with them, when the very spaces where they learn and get social services are falling a part and overrun with challenges.

What kind of messages are we sending to the world when we know the vast majority of participants who are subjected to these conditions are black, brown, immigrant and otherwise marginalized people?

What kind of message are we sending to our social service employees – many of whom are living on or just above the poverty line themselves – when New York City won't compensate at a level that allows them to live without fear of homelessness and hunger?

Because of our commitment to our employees, last year, Phipps Neighborhoods covered $700K, well above what our contracts would pay for basic medical and pension benefits. This is one of many expenses that come at the cost of precious lifesaving services to our communities.

Our dedicated staff members deserve better. The City gets a great deal by contracting services to nonprofits. We do the same work that would cost much more in sectors that don't serve black and brown people living in poverty.

Nonprofit organizations should not have to use private dollars to pay rent, keep the lights on, maintain the buildings or fund staff benefits – those costs should be covered by our contracts so we can in turn use preciously donated private funds for program innovation.

New York City Nonprofits are at a crossroads. We cannot continue to operate under these oppressive conditions.

Phipps Neighborhoods believes in New York City and as a sanctuary city, we can do better. It is imperative that New York City increase nonprofit operating budgets by 12% so we can put our money where our mouths are and truly come closer to Equity for All.

New York City Council Finance Committee Budget Hearing
Thursday, March 2, 2017
Care for the Homeless Testimony
Jeff Foreman, Care for the Homeless Director of Policy

Good afternoon. Thank you, Chairperson Ferreas-Copeland and Members of the City Council Finance Committee for the opportunity to testify today. My name is Jeff Foreman. I am the Director of Policy at Care for the Homeless.

Care for the Homeless is New York City's largest and oldest provider of healthcare exclusively to New Yorkers experiencing homelessness. We provide healthcare to at least 8-to-10,000 discrete individuals annually in over 35,000 medical and mental health appointments at our health center sites located in the Bronx, Brooklyn, Manhattan and Queens, and through our mobile health clinic and our outreach efforts in those same four boroughs.

We also operate a shelter for 200 medically frail and mentally ill residents in the Bronx; deliver health education and social service programs, and work every day to fight, prevent and end homelessness in our city.

New York City, and state and local governments across our country, depend on nonprofit organizations like ours every day to provide critical human services to meet vital community needs. And we do provide healthcare, shelter, serve meals, run outreach programs and provide those vital services day-in and day-out.

That's our mission- that's why we exist. But as years go by with the state and the city failing to increase nonprofit funding, and very rarely providing a Cost of Living Allowance, it becomes harder and harder to meet our mission while being fair to our employees. Year after year of flat funding devalues programs that, just like cities, face increased costs every year.

That's why Care for the Homeless is joining with many other human service providers in testifying about our sector's need for a significant across-the-board increase in funding. With the exception of a single 2.5% COLA, most nonprofits on city contracts haven't received an increase in almost ten years, despite increases in most everything we need in order to operate.

Care for the Homeless has worked hard to raise additional funds, and we supplement our government contracts from those funds to maintain high-quality and patient-centered operations. We also know many of our nonprofit colleagues in the human service sector have not been able to consistently do that. Some of them may be in danger of having to close their doors, cease some operations, or even cease to exist without some "catch-up" increase in funding.

Nonprofit service providers are a real bargain for government and our communities. We provide services more efficiently, and at lower cost, than either government or the "for profit" world could.

Because we are mission driven we won't cut quality corners even as funding may run short. We leverage private and philanthropic funds to fill gaps and keep us going.

We will, of course, continue to do that, and continue to meet our mission. But New York City, and governments at every level, must recognize that even as your own costs increase year-over-year, so do ours. In December, Care for the Homeless joined with over 210 nonprofits in a letter to Mayor de Blasio asking for support of this desperately needed funding. Today we ask you. It's the right and fair thing to do.

HARLEM RBI | DREAM
PLAY • LEARN • GROW | CHARTER SCHOOL

Testimony before the New York City Council Finance Committee
Felicia Crump, Chief of Staff, Harlem RBI | DREAM Charter School
Regarding the New York City proposed budget for FY18
March 2, 2017

Good afternoon. I am Felicia Crump, Chief of Staff at Harlem RBI and DREAM Charter School. Harlem RBI, is a 25-year-old community-based organization headquartered in East Harlem, New York. Harlem RBI's mission is to provide inner-city youth with opportunities to Play, Learn and Grow. The organization uses the power of teams to Coach, Teach and Inspire youth to recognize their potential and realize their dreams. We provide academic, enrichment and sports programming to East Harlem and South Bronx youth during after-school and summer hours. Harlem RBI's on- and off-the-field activities consist of a series of age-appropriate, team-based programs that adapt over time as participants grow. These programs enable youth to achieve positive outcomes such as academic achievement, healthy social and emotional development, high school graduation, college matriculation and avoidance of risk behaviors. In 2008, Harlem RBI opened DREAM Charter School, whose mission is to prepare students for high-performing high schools, colleges and beyond through a rigorous academic program that develops critical thinkers who demonstrate a love of learning, strong character and a commitment to wellness and active citizenship. DREAM Charter School currently serves 500 youth in grades pre-K-8.

As a proud member of the New York nonprofit human services sector we have long been sounding the alarm about chronic underfunding of government contracts and unfortunately, have reached a new breaking point. Through the years, we have partnered with the City to provide critical and necessary services and opportunities to the youth and families of the communities that we serve. And, without significant and crucial investments in our current contracts, Harlem RBI like so many other organizations will have no choice but to re-evaluate whether or not we can continue offering comprehensive support to our communities that make New York City the beacon of hope for so many people especially during a time of such national uncertainty.

I am here today to ask the City Council to include in their budget response a request for the Mayor to strengthen its support to human service providers by providing across the board increases in our contracts. I am here in unity with the sector. Collectively, this is our number one priority as we will not be able to provide the same level of consistent and essential services.

Harlem RBI is a recipient of 7 government grants, one of which is run by the NYC Department of Youth and Community Development. These grants provide a vital and stable source of funding for our organization, giving our youth and their families access to supports and services that are often otherwise unavailable. Over 75% of our participants are impacted by our government contracts; without this funding, they would not receive the same programmatic opportunities they do today.

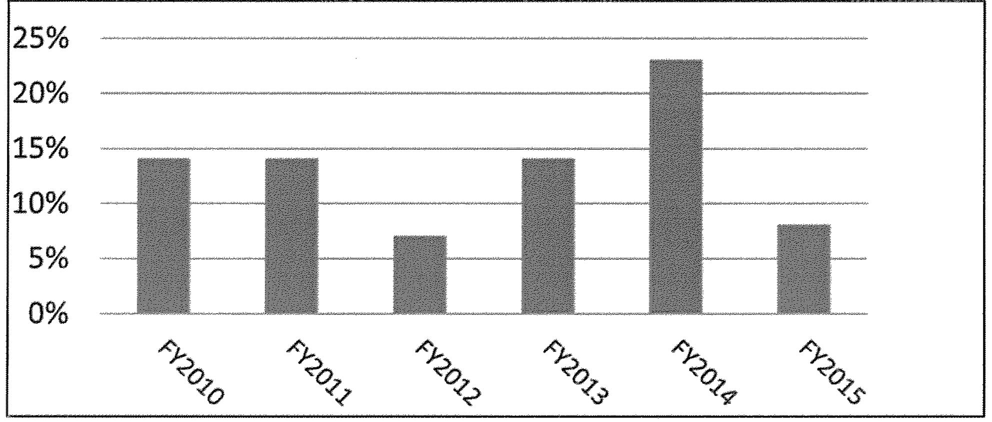
While we are able to leverage private and philanthropic dollars and state funds in support of our work, we simply cannot survive, long term unless the funding for programs is appropriately responsive to the economic climate, responsible and realistic.

In December, my organization along with over 210 New York City providers – totaling over $5 billion in human services programming in NYC - wrote to the Mayor requesting a 12 percent across-the-board increase on our contracts. The Administration has settled many contract negotiations with similar percentages, but our sector has been left behind. Besides the 2.5 percent cost-of-living adjustment and wage floor, our sector has seen no increase in almost 10 years.

Of course, we greatly appreciate the Mayor's investment in our workforce; both in the previous COLA/wage floor and in his announcement in the January Plan of a 6 percent COLA spread over three years. However, we have asked for an increase not just for our workforce – who certainly need critical investments - but also for the full contracts. The lack of investments in our full contracts has a real impact on our ability to deliver quality programs and invest appropriately in our work force. While, we have not yet had to reduce or alter our services because of flat funding, we have had to make really tough decisions around investing in our staff that are directly responsible for providing services to our communities. I have real concerns for how much longer our organization can maintain or grow our impact in New York City's communities without a more substantial investment from the city – this City's support is more crucial than ever.

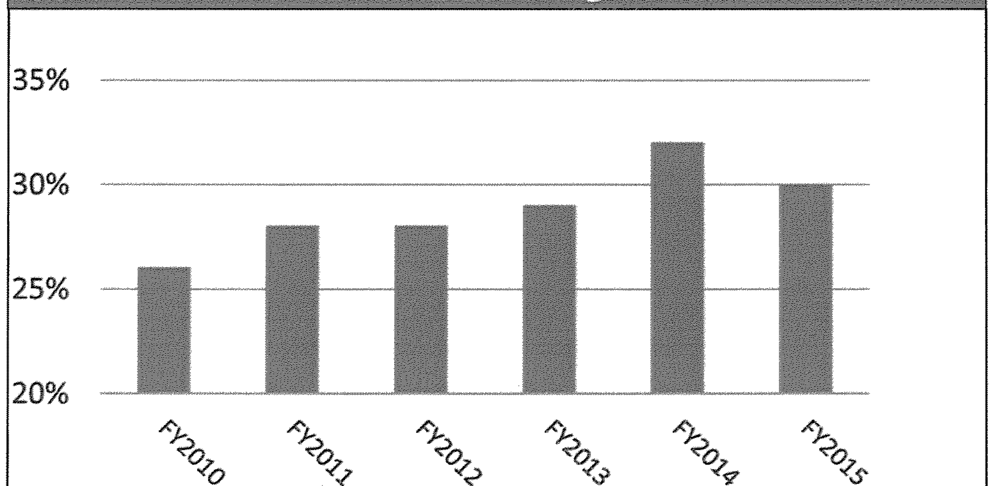
Other Than Personnel Services (OTPS) costs rise significantly each year

Health Care – Plan Costs



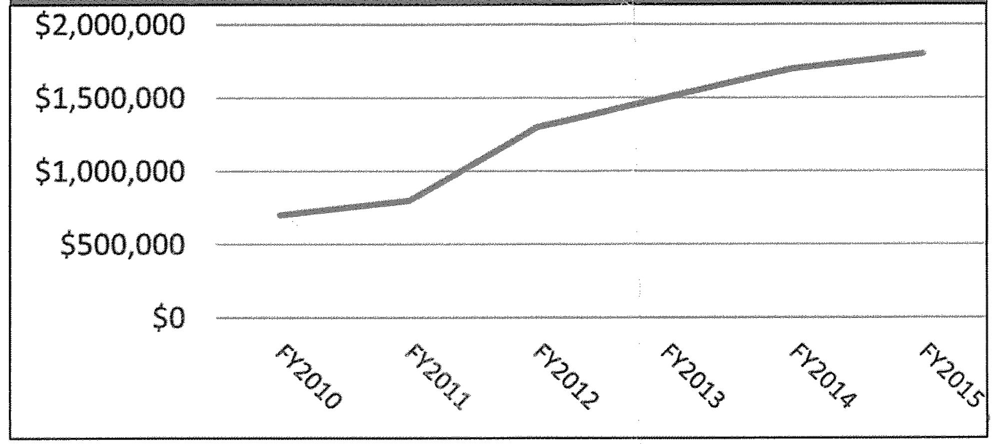
Annual health care increases are in spite of using brokers, going to market, and making plan changes

Health Care – Fringe Rates



Fringe benefit costs have increased from $9m to $14m in this time frame

Liability Insurance



Space

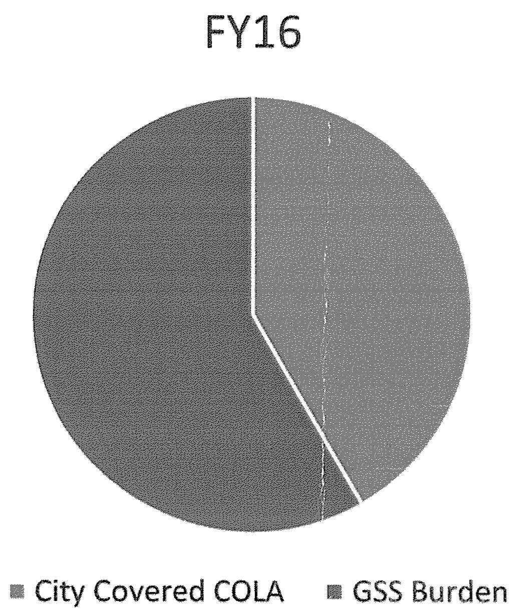
More than 85% of GSS' 17+ leased properties (annual lease costs of more than $2.3m) have an annual rent increase of 2% to 4%

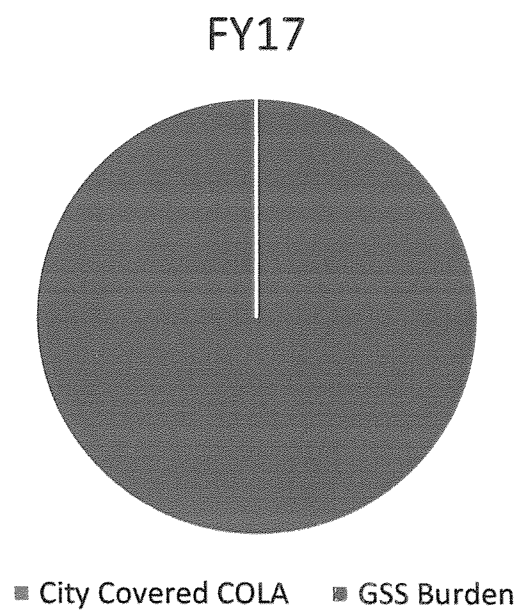
Repairs and Maintenance

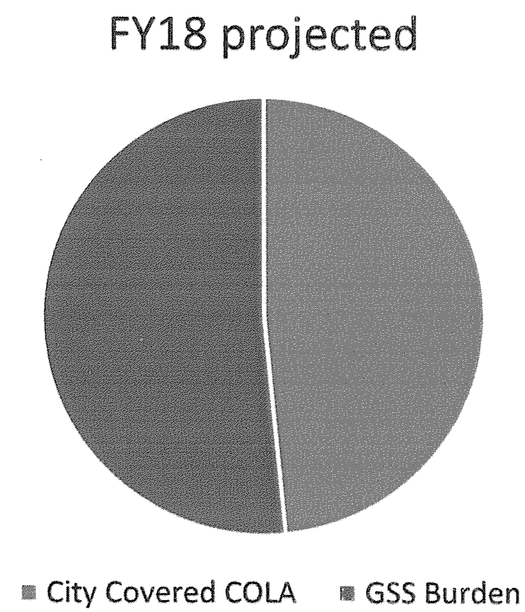
Repairs and maintenance (including staff) costs surpass $3.5m annually, and that does not include much needed deferred maintenance on residential facilities

City-funded COLA covers less than half of actual cost; GSS must raise the difference

GOOD SHEPHERD SERVICES
We see what can be.







$611k for 6 months implementation COLA and one-time payments – 58% must be covered by scarce private fundraising dollars

No city funds provided

$1.1m for annual agency implementation, 52% must be covered by scarce private fundraising dollars

March 2, 2017
New York City Council Committee on Finance
FY18 Preliminary Budget Hearing

Remarks on behalf of JASA by Kathryn Haslanger, Chief Executive Officer, JASA

Good afternoon, Chairperson Ferreras-Copeland and members of the New York City Council Finance Committee. My name is Kathryn Haslanger and I am the Chief Executive Officer for JASA, the Jewish Association Serving the Aging. Established in 1968, JASA is one of New York's largest and most trusted not-for-profits serving the needs of older New Yorkers in the Bronx, Brooklyn, Manhattan, Queens and Long Island. JASA fights hunger, isolation, and injustice with programs and services to promote independence, safety, wellness, community participation and an enhanced quality of life for New York's seniors.

Serving tens of thousands of older New Yorkers through subsidized senior housing, licensed home care agencies and a rich array of services ranging from senior centers to legal services to case management to home delivered meals to adult protective and community guardian services, JASA has been a leader among New York's not-for-profit organizations for decades. In total, we have a consolidated annual budget of nearly $115 million and approximately 2,000 staff. Through good times and lean times, JASA and its extraordinary staff have provided support, assistance and varied programming to New York's seniors. Today, however, the not-for-profit sector in New York City is at a cross-roads. The gap between the funding we receive from government to provide services and the cost of providing those services as required by our government funders is large and growing. The interest of private foundations and individual donors in providing funds to fill that gap is waning. And left in the middle are the not-for-profits, like JASA, struggling to serve clients in need, with insufficient funds and demoralized staff.

Size does not mitigate these problems – larger not-for-profits like ours simply face larger gaps for which to raise funds. Quite simply, the structure of government funding for human services today does not work. Left at risk are a broad network of not-for-profit organizations and, more importantly, the hundreds of thousands of people who rely on them for support and assistance.

We ask the City Council to include in their budget response a request for the Mayor to shore up human services providers by providing an across-the-board increase on our contracts. The sector is united in this ask and it is our number one priority. While we will discuss program priorities throughout the budget season, we want to emphasize that this increase is essential to us keeping our doors open to even provide the services we will be discussing in more detail over the coming months. Without this investment, we will not be able to provide critical interventions, promote well-being, and most alarmingly, will not be able to provide the services essential to New York being a sanctuary.

It has been accepted wisdom in the not-for-profit world that organizations relying on government contracts for their funding will not receive sufficient administrative cost reimbursement. Government pays for services and does not take into account fully the additional costs every organization must shoulder: rent; utilities; payroll; insurance; compliance; information technology; managing human resources functions; purchasing; facilities, etc. At JASA, even with an infrastructure too lean to meet our needs, our administrative costs (estimated at 14% of the current services budget) outpace the 10% reimbursement we receive, leaving a shortfall of $1.5 million for which we must fundraise each year. This has been a concern for more years than any of us can remember. And now in 2017, we must pursue outside funding to pay for our operational core and we must also raise private funds to cover the very real gaps in government funding for the direct cost of providing services. As a result, JASA has turned back contracts and tapped into our dwindling endowment to make ends meet.

Some of the core services JASA provides, services for which we are known throughout the city, exemplify the gaps I am describing. JASA staff deliver more than 500,000 individual meals to homebound elderly each year. Often, the drivers and meal assistants that deliver those meals are the only people these seniors see all day. The annual budget from the Department for the Aging for providing this core, valuable service exceeds $5 million. This is an extraordinary commitment of public resources to help keep seniors in their homes. And yet, it is insufficient to cover the actual cost of these meals. This year, JASA is projected to lose more than $360,000 on its home delivered meals program, approximately 9% of the program's budgeted government revenue. A significant portion of that loss results from serving a disproportionate number of kosher meals to seniors requiring them, in neighborhoods like Coney Island, Brighton Beach and Manhattan Beach. This year's projected loss is an improvement over prior years, when our program losses for meals reached $500,000, because last year the City, in response to a coalition of providers and advocates including JASA and the UJA-Federation of Jewish Philanthropies, agreed to adjust the meal rates it pays based on providers' average complement of clients, helping to account for cultural differences. We appreciate the City's willingness to make this adjustment. And yet, providers are still subsidizing the government's program.

JASA runs 22 senior centers in New York City through contracts with the City's Department for the Aging. Our centers are hubs of activity, socialization, learning and dining, known throughout the city by seniors, elected officials and other not-for-profit providers. We are proud of these programs and are known as an innovative leader in senior center programming. We run these programs with limited staffing – the average center has a director, a group work assistant, a part-time kitchen technician and a part-time community aide. And yet, our senior centers are projected to run a combined deficit of more than $423,000 this year, approximately 5% of its annual budget.

The trend is clear and increasingly insurmountable. Program by program, we are covering 3, 4, 5 percent of the direct cost of running programs, plus anywhere from a quarter to half of the cost of running an administration to support those programs.

And this does not tell the whole story. Because the only way that we – and many not-for-profit organizations – can provide the services government contracts with us to provide at even close to what the government pays (and that frequently remains flat year after year) is by containing salary costs of the men and women providing those services throughout our communities. Our obligation to ensure that JASA remains a viable and operating not-for-profit has resulted in our falling farther and farther behind the market in salaries. In a particularly notable instance, the workers we employ to provide Adult Protective Services to those at risk due to physical or mental incapacity, earn $34,500 on average, 14% less than the City employees providing the very same service. These gaps in salary leads to high turnover, recruitment difficulties and demoralized staff.

We appreciate last year's cost of living increase for human service contract providers and the proposed 2% increase for 2018. But after years of limited or no increases, these modest steps cannot stem the tide of turnover and malaise among a workforce that understandably feels undervalued. When professionals with master's degrees in social work are earning salaries in the low $40,000 range, it is hard to convince them that a 2% increase is meaningful to their lives. We seek for our staff what we seek for our clients – that they be able to live in the city in which they work with dignity, earning a livable wage for the extraordinary commitment they make.

Like all the providers and advocates that come before you, JASA brings experience and conviction to arguing for more total funding for meals, for legal services, for elder abuse prevention and case management services and for senior centers, among others, as these are critical services helping seniors live rich and fulfilling lives in the community. We understand, however, that, like us, government only has so much to spend. All we ask, then, is that government pay for what government asks us to provide. When our funding agencies contract with us to deliver $100 or $1,000 or $1,000,000 of service, those agencies should pay the full cost of the service provided. If funding to cover the full cost is unavailable, then we understand that we may be required to reduce the level of service we provide to meet the available funding and we are willing to work with government to reach the achievable levels. But it is unreasonable to expect the not-for-profit community to make up the difference that government can't or won't pay.

We cannot cover a portion of every service, and private funders are not interested in funding what government will not. More importantly, asking us to do so puts our entire sector at risk, because we cannot, any of us, expect to remain in business with year-after-year losses. All we ask is fair funding to provide quality service. With that support in hand, JASA looks forward to the next 50 years of serving aging New Yorkers, working with the City's agencies and elected officials to make New York a good place to grow old.

Thank you for your attention today and for your leadership and commitment to addressing the needs of individuals who live and work in New York City.

Kathryn Haslanger
CEO, JASA
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TESTIMONY BEFORE THE NEW YORK CITY COUNCIL COMMITTEE ON FINANCE

OVERSIGHT HEARING ON THE MAYOR'S PRELIMINARY BUDGET

JESSICA WALKER
PRESIDENT AND CEO

THURSDAY, MARCH 2, 2017

The Manhattan Chamber of Commerce is an organization that drives broad economic prosperity by helping businesses of all sizes to succeed in New York.

Escalating rents are threatening the survival of many small businesses in Manhattan. And the Commercial Rent Tax is only making the problem worse. We urge the City Council and the Mayor to include relief from this burdensome tax in this year's budget. Councilman Garodnick's legislation (Int. 799) is a promising first step in this regard, as it would raise the threshold at which businesses are captured. We hope that this proposal will be included in the final budget which is now being negotiated.

Currently, tenants are exempt from the tax if their annual base rent falls below $250,000. That may sound like it's only aimed at large companies and major national chains. But that's not true. Rents jumped 42% in Manhattan between 2012 and 2015, so more and more businesses are now subject to the tax.

Last year the Chamber issued a report showing that more and more businesses are being captured by the tax. In 2003, the city collected nearly $388 million from 5,858 businesses. By 2015, 7,354 businesses were on the hook for the tax, paying $720 million to the city. That's 86% more than in 2003.

The average CRT liability per taxpayer also increased in that time period, growing from approximately $80,000 to $100,000. That's on top of the growing number of well-intended yet expensive government mandates such as increased wages, paid sick leave and health care requirements.

Unfortunately, many unprofitable businesses are paying the tax. The city's Department of Finance used aggregate data to compare taxpayers' net income in 2012 with their CRT tax liability in 2014. They found that approximately 1,200 businesses with very low profit margins in 2012 — less than $100,000 each — earned a combined $14 million in net income but together paid $19 million in 2014 CRT tax. This disparity was particularly pronounced among the retail businesses that elected officials are trying to save.

Exempting these businesses from the tax will help them survive and hopefully grow here. They are counting on you. And the Chamber stands ready to work with you to enact the right solution. Thank you.

Leadership, voice and vision for child welfare in New York State

TESTIMONY SUBMITTED TO
THE NEW YORK CITY COUNCIL
COMMITTEE ON FINANCE
PRELIMINARY BUDGET HEARING
Thursday, March 2, 2017

Jim Purcell

CEO

Council of Family and Child Caring Agencies

Good afternoon, Chairperson Ferreras-Copeland and members of the New York City Council Finance Committee. My name is Jim Purcell and I represent the Council of Family and Child Caring agencies, also known as COFCCA. COFCCA represents over fifty New York City child welfare agencies, organizations that provide foster care and child maltreatment prevention services to many thousands of families. Our members range from large multiservice agencies to small community-based preventive services programs in community districts around the city.

We ask the City Council to include in their budget response a request for the Mayor to shore up human services providers by providing a 12% across-the-board increase on our contracts. The sector is united in this ask and it is our number one priority. While we will discuss program priorities throughout the budget season, we want to emphasize that this increase is essential to us keeping our doors open to even provide the services we will be discussing in more detail over the coming months. Without this investment, we will not be able to provide critical interventions, promote well-being, and most alarmingly, will not be able to provide the services essential to New York being a sanctuary. As I provide testimony today about child welfare services, I want to emphasize that chronic underfunding on our contracts has made it difficult for our member organizations to adequately pay staff, make infrastructure upgrades, purchase equipment, and sometimes even keep programs open. Therefore, it is imperative that as we discuss child welfare, we need this across-the-board investment to chip away at decades of underfunding that impact agencies' ability to deliver quality programs and best serve their communities.

As the economy improved since the Great Recession, agencies' costs have risen. Agencies that provide prevention programs are still being paid the *same rates* that were set in 2008; I do not believe many New Yorkers are paying the same rent, same insurance premiums, or same utility prices or subway fares as they paid in 2008. When the City contracts with agencies to provide services to the city's children and families, it is only fair that the contracts pay the agencies the full cost of providing those contracted services.

At the same time, the child welfare agencies have done their part in better supporting families (while, incidentally, saving the City money) by expanding the use of preventive services throughout the five boroughs. These programs are "preventive" in two respects: preventing child abuse and maltreatment while preventing placement of children in foster care. We know of no other state or community in the nation that has invested in preventive programs to the extent New York City does, even though these programs provide vital protective services, reduce trauma to families and children, and strengthen families – all at a much lower cost than foster care placement. We are certain New York City's continued reduction in foster care placements, and foster care costs, is due in large part to the extensive network of preventive services the City has supported. We will be discussing the needs of the preventive and foster care programs in more depth at the General Welfare hearing later this month.

Finally, agencies with preventive and foster care programs struggle to find the funds to recruit and retain workers. Human services work, and child welfare work in particular, depend upon skilled case planners who can create and maintain relationships with parents, other familial adults, teens, and children. These individuals may be resistant, rebellious, withdrawn, traumatized, or any combination of the four. It takes casework talent and time to build these relationships, and if programs are paying too low to attract the right people, or are not paying enough to retain the right people, these relationships are severed and the family will have to start over when the new case planner is hired. In preventive programs, the average starting salary for a case planner with a Bachelor's degree is $36,000 – or about $10,000-$12,000 less than a Bachelors-level position at ACS, or Health and Hospitals, or Probation. It is no surprise our survey from 2015 showed turnover at 35% for these positions. By underfunding child welfare programs, we are undermining the serious work these case planners do: building strong families, preventing maltreatment, and keeping children out of foster care.

We at COFCCA would be happy to answer any questions the Council members may have, or to arrange for members to see their local child welfare agencies in action. We thank you for allowing us to submit our testimony.

~~~~~~

Contact Information:

James F. Purcell, CEO

Council of Family and Child Caring Agencies
254 West 31st Street, Fifth Floor, New York, NY 10001
Phone: (212) 929-2626 / Fax: (212) 929-0870

www.cofcca.org
~~~~~~

THE COUNCIL
THE CITY OF NEW YORK

Public

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: 3/2/17

(PLEASE PRINT)

Name: Ralph Palladino
Address: 125 Barclay St NY NY 10007
I represent: 2nd Vice President, L.1549, DC37
Address:

THE COUNCIL
THE CITY OF NEW YORK

Public

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: 3/2/17

(PLEASE PRINT)

Name: Fran Schloss
Address: 125 Barclay Street NY NY 10007
I represent: President, L.1757, DC37
Address: (City Assessors)

THE COUNCIL
THE CITY OF NEW YORK

Public

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: 3/2/17

(PLEASE PRINT)

Name: Sharese Crouther
Address: 520 8th Avenue, 18th Flr, NY, NY 10018
I represent: Center for Court Innovation
Address:

Please complete this card and return to the Sergeant-at-Arms

The Council of the City of New York

Committee on Oversight & Investigations

Date:____________________________________

Int.____ ____ ____ ____ **Res.**____ ____ ____ ____ **M-**____ ____ ____

Oversight Subject:____

____

Council Member	Present	Yes	No	Abstain	Yes	No	Abstain
Gentile							
Dromm							
Constantinides							
Deutsch							
Lancman							
Rosenthal							
Total Present							

Time of Adjournment:______________

Other Council Members Attending:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________

☐ in favor ☐ in opposition

Date: 3/2/17

(PLEASE PRINT)

Name: Larian Angelo management

Address: Office of Management & Budget

I represent: Dean Fuleihan

Address:

THE COUNCIL
THE CITY OF NEW YORK

12%
Human
Services

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________

☑ in favor ☐ in opposition

Date: 3/2/17

(PLEASE PRINT)

Name: RON ACAD

Address: 575 8TH AVE

I represent: URBAN PATHWAYS

Address: 575 8TH AVE

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________

☐ in favor ☐ in opposition

Date: ________

(PLEASE PRINT)

Name: SR. PAULETTE LOMONACO

Address: GOOD SHEPHERD SERVICES

I represent:

Address: Need for 12% investment in non-profit human service contracts,

Please complete this card and return to the Sergeant-at-Arms

The Council of the City of New York

Committee on Oversight & Investigations

Date:____________________________________

Int.____ ____ ____ ____ **Res.**____ ____ ____ ____ **M-**____ ____ ____

Oversight Subject:____

____

Council Member	Present	Yes	No	Abstain	Yes	No	Abstain
Gentile							
Dromm							
Constantinides							
Deutsch							
Lancman							
Rosenthal							
Total Present							

Time of Adjournment:_____________
Other Council Members Attending:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: 3/2/17

(PLEASE PRINT)

Name: Dean Fuleihan

Address: Office of Management & Budget

I represent: ______

Address: ______

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: ______

(PLEASE PRINT)

Name: Samara Karasyk, Assistant Commissioner

Address: One Centre St 22nd Floor

I represent: NYC Dept of Finance

Address: ______

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: ______

(PLEASE PRINT)

Name: Michael Hyman, First Deputy Commissioner

Address: One Centre St. 5th Floor

I represent: NYC, Dept. of Finance

Address: ______

Please complete this card and return to the Sergeant-at-Arms

The Council of the City of New York

Committee on Oversight & Investigations

Date:_________________________________

Int.____ ____ ____ ____ **Res.**____ ____ ____ ____ **M-**____ ____ ____

Oversight Subject:____

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Council Member	Present	Yes	No	Abstain	Yes	No	Abstain
Gentile							
Dromm							
Constantinides							
Deutsch							
Lancman							
Rosenthal							
Total Present							

Time of Adjournment:____________

Other Council Members Attending:

THE COUNCIL Human Servcs
THE CITY OF NEW YORK 12% ↑

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________
☐ in favor ☐ in opposition

Date: ________

(PLEASE PRINT)

Name: Michelle Jackson

Address: ________

I represent: Human Services Council

Address: 130 East 59 St NY NY 10022

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________
☐ in favor ☐ in opposition

Date: ________

(PLEASE PRINT)

Name: Jeffrey Shear, Deputy Commissioner

Address: One Centre Street, 5th Floor

I represent: NYC, Dept of Finance

Address: ________

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________
☐ in favor ☐ in opposition

Date: 3/2/2017

(PLEASE PRINT)

Name: Carla Rabinowitz

Address: Community Access

I represent: 2 Washington Street, 9th Flr

Address: New York, NY 10004

Please complete this card and return to the Sergeant-at-Arms

The Council of the City of New York

Committee on Oversight & Investigations

Date:____________________________________

Int.____ ____ ____ ____ **Res.**____ ____ ____ ____ **M-**____ ____ ____

Oversight Subject:____

____

Council Member	Present	Yes	No	Abstain	Yes	No	Abstain
Gentile							
Dromm							
Constantinides							
Deutsch							
Lancman							
Rosenthal							
Total Present							

Time of Adjournment:______________
Other Council Members Attending:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________
☒ in favor ☐ in opposition

Date: 3/2/2017

(PLEASE PRINT)

Name: Nelly Penaranda
Address: 3450 DeKalb Ave Bx NY 10467
I represent: MMCC
Address: 3450 DeKalb Ave, Bx NY 10467

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________
☐ in favor ☐ in opposition

Date: 3/2/17

(PLEASE PRINT)

Name: Jeff Foreman
Address: 30 E. 33rd St., NY, NY 10016
I represent: Care for the Homeless
Address: 30 E. 33rd St., NY, NY 10016

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________
☒ in favor ☐ in opposition

Date: 3/2/2017

(PLEASE PRINT)

Name: Johanna Dehler
Address: ~~3450 DeKalb~~ 253 87th St. Brooklyn, NY 11209
I represent: MMCC
Address: 3450 DeKalb Ave, Bronx, 10467

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The Council of the City of New York

Committee on Oversight & Investigations

Date:______________________________________

Int.____ ____ ____ ____ **Res.**____ ____ ____ ____ **M-**____ ____ ____

Oversight Subject:____

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Council Member	Present	Yes	No	Abstain	Yes	No	Abstain
Gentile							
Dromm							
Constantinides							
Deutsch							
Lancman							
Rosenthal							
Total Present							

Time of Adjournment:______________
Other Council Members Attending:

12%

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________

☐ in favor ☐ in opposition

Date: 03/02/16

(PLEASE PRINT)

Name: Dr. Danielle Moss Lee

Address: 50 Bway NYC 10004

I represent: YWCA of the City of New York

Address: 50 Broadway, 13th Fl NYC

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________

☐ in favor ☐ in opposition

Date: ________

(PLEASE PRINT)

Name: YOLANDA McBride Human Service Council

Address: ________

I represent: The Children's Aid Society

Address: 711 Third Avenue, Suite 700, NYC 10017

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________

☐ in favor ☐ in opposition

Date: 3/2/17

(PLEASE PRINT)

Name: Daniela Pogue

Address: 400 East Fordham Road Bronx NY

I represent: The Childrens Village

Address: 1 Echo Hills. Dobbs Ferry N.Y.

Please complete this card and return to the Sergeant-at-Arms

The Council of the City of New York

Committee on Oversight & Investigations

Date:____________________________________

Int.____ ____ ____ ____ **Res.**____ ____ ____ ____ **M-**____ ____ ____

Oversight Subject:____

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Council Member	**Present**	**Yes**	**No**	**Abstain**	**Yes**	**No**	**Abstain**
Gentile							
Dromm							
Constantinides							
Deutsch							
Lancman							
Rosenthal							
Total Present							

Time of Adjournment:_____________

Other Council Members Attending:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: 3/2/2017

(PLEASE PRINT)

Name: Jeremy Kaplan
Address: 200 Jefferson Ave #3
I represent: Phipps Neighborhoods
Address: 902 Broadway

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

12%

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: 3/2/2017

(PLEASE PRINT)

Name: Ben Thomases
Address: 108-25 62nd Drive Forest Hills 11375
I represent: Queens Community House
Address: Same as Above

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: ______

(PLEASE PRINT)

Name: Christopher Hanway
Address: 59 W 127 St, #1 NY, NY
I represent: Jacob A. Riis Neighborhood Settlement
Address: 10-25 41st Ave, LIC, NY

Please complete this card and return to the Sergeant-at-Arms

The Council of the City of New York

Committee on Oversight & Investigations

Date:___________________________________

Int.____ ____ ____ ____ **Res.**____ ____ ____ ____ **M-**____ ____ ____

Oversight Subject:____

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Council Member	Present	Yes	No	Abstain	Yes	No	Abstain
Gentile							
Dromm							
Constantinides							
Deutsch							
Lancman							
Rosenthal							
Total Present							

Time of Adjournment:_____________

Other Council Members Attending:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: ______

(PLEASE PRINT)

Name: BASIL WEBSTER
Address: 9318 Ave N, Bklyn NY 11236
I represent: GRAHAM WINDHAM
Address: 1 Pierrepont Plaza, Bklyn NY 1120'

THE COUNCIL 12%
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 12% Res. No. ______
☐ in favor ☐ in opposition

Date: 3/2/17

(PLEASE PRINT)

Name: Ronald E Richter
Address: 120 Wall St NY NY 10005
I represent: JCCA
Address: 120 Wall St NY NY 10005

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☑ in favor ☐ in opposition
12% Increase to Human Svcs contracts

Date: ______

(PLEASE PRINT)

Name: Elizabeth McCarthy
Address: 305 7th Ave NY NY 10001
I represent: Sheltering Arms
Address: 305 7th Ave NY NY 10001

Please complete this card and return to the Sergeant-at-Arms

The Council of the City of New York

Committee on Oversight & Investigations

Date:___________________________________

Int.____ ____ ____ ____ **Res.**____ ____ ____ ____ **M-**____ ____ ____

Oversight Subject:____

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Council Member	Present	Yes	No	Abstain	Yes	No	Abstain
Gentile							
Dromm							
Constantinides							
Deutsch							
Lancman							
Rosenthal							
Total Present							

Time of Adjournment:_____________
Other Council Members Attending:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______

☐ in favor ☐ in opposition

Date: 3/2/17

(PLEASE PRINT)

Name: William Witherspoon

Address: 1727 Amsterdam Ave

I represent: Upper Manhattan Mental Health Center

Address:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______

☐ in favor ☐ in opposition

Date: 3/27/17

(PLEASE PRINT)

Name: PATRICIA C. JORDAN

Address: 500 W 147TH ST, NY NY 10025

I represent: Upper Manhattan Mental Health Center Inc

Address: 1727 Amsterdam Avenue NY NY

THE COUNCIL

12%

THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______

☐ in favor ☐ in opposition

Date: ______

(PLEASE PRINT)

Name: Beatriz Diaz Taveras

Address: 1011 1st ave NY NY 10022

I represent: Catholic Charities Community Svces, Arch NY

Address:

Please complete this card and return to the Sergeant-at-Arms

The Council of the City of New York

Committee on Oversight & Investigations

Date:______________________________

Int.____ ____ ____ ____ **Res.**____ ____ ____ ____ **M-**____ ____ ____

Oversight Subject:______________________________________

____

Council Member	Present	Yes	No	Abstain	Yes	No	Abstain
Gentile							
Dromm							
Constantinides							
Deutsch							
Lancman							
Rosenthal							
Total Present							

Time of Adjournment:_____________

Other Council Members Attending:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________
☐ in favor ☐ in opposition

Date: ________

(PLEASE PRINT)

Name: Felicia Crump
Address: 1991 Second Avenue
I represent: Harlem RBI + DREAM Charter School
Address: ________

THE COUNCIL
THE CITY OF NEW YORK 12%

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________
☑ in favor ☐ in opposition

Date: 3/2/17

(PLEASE PRINT)

Name: Steven Jones
Address: 112 41 178 ST Jamaica NY 11433
I represent: HSC
Address: ________

THE COUNCIL 12%
THE CITY OF NEW YORK human services

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________
☐ in favor ☐ in opposition

Date: ________

(PLEASE PRINT)

Name: Louisa Chafee
Address: ________
I represent: UJA Federation of NY
Address: 130 East 59th St. NY NY 10022

Please complete this card and return to the Sergeant-at-Arms

The Council of the City of New York

Committee on Oversight & Investigations

Date:____________________________________

Int.____ ____ ____ ____ **Res.**____ ____ ____ ____ **M-**____ ____ ____

Oversight Subject:____

____

Council Member	Present	Yes	No	Abstain	Yes	No	Abstain
Gentile							
Dromm							
Constantinides							
Deutsch							
Lancman							
Rosenthal							
Total Present							

Time of Adjournment:_____________
Other Council Members Attending:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________

☐ in favor ☐ in opposition

Date: ________

(PLEASE PRINT)

Name: Susan Matloff-Nieck S

Address: 250 West 65 Street, NY, NY 10023

I represent: Lincoln Square Neighborhood Center

Address: same

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________

☐ in favor ☐ in opposition

Date: 3/2/17

(PLEASE PRINT)

Name: George Sweeting

Address:

I represent: Independent Budget Office

Address:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________

☐ in favor ☐ in opposition

Date: ________

(PLEASE PRINT)

Name: Ronnie Lowenstein

Address: NYC IBO

I represent: IBO

Address: 110 William St

Please complete this card and return to the Sergeant-at-Arms

The Council of the City of New York

Committee on Oversight & Investigations

Date:____________________________________

Int.____ ____ ____ ____ **Res.**____ ____ ____ ____ **M-**____ ____ ____

Oversight Subject:____

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Council Member	**Present**	**Yes**	**No**	**Abstain**	**Yes**	**No**	**Abstain**
Gentile							
Dromm							
Constantinides							
Deutsch							
Lancman							
Rosenthal							
Total Present							

Time of Adjournment:______________
Other Council Members Attending:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________

☐ in favor ☐ in opposition

Date: 3/2/2017

(PLEASE PRINT)

Name: Sheriff Joe Fucito

Address: 30-10 Starr Ave LIC NY

I represent: NYC Sheriff

Address:

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________

☐ in favor ☐ in opposition

Date: ________

(PLEASE PRINT)

Name: Gregory Brender

Address:

I represent: United Neighborhood Houses

Address: 70 West 36th Street

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________

☐ in favor ☐ in opposition

Date: ________

(PLEASE PRINT)

Name: Mary Gotsopoulis

Address:

I represent: DOF

Address: 66 John St NYC NY

Please complete this card and return to the Sergeant-at-Arms

The Council of the City of New York

Committee on Oversight & Investigations

Date:____________________________________

Int.____ ____ ____ ____ **Res.**____ ____ ____ ____ **M-**____ ____ ____

Oversight Subject:____

____

Council Member	Present	Yes	No	Abstain	Yes	No	Abstain
Gentile							
Dromm							
Constantinides							
Deutsch							
Lancman							
Rosenthal							
Total Present							

Time of Adjournment:_____________
Other Council Members Attending: