

THE COUNCIL OF THE CITY OF NEW YORK

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Committee on Contracts



Hearing on the Fiscal Year 2013 Executive Budget Committee on Contracts

June 6, 2012

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Fiscal Year 2013 Contract Budget

The New York City Charter mandates the preparation of a Contract Budget to identify expenditures for contractual services.¹ The Charter defines "contractual services" as any *technical, consultant or personal service* provided to the City by means of a contract. The Contract Budget is a subset of the Other Than Personal Services (OTPS) portion of the City's Expense Budget. The Administration prepares a Contract Budget twice each fiscal year and submits it to the Council with the Preliminary and Executive Budgets. The Council adopts the entire budget (Expense, Revenue, Contract and Capital) before the end of each fiscal year.

The Contract Budget sets forth anticipated contractual spending for each agency by unit of appropriation, broken down by object codes, and shows the number of contracts per category and the corresponding dollar value anticipated to be expended in each category. The Contract Budget is a plan -- an agency's blueprint or forecast of what services it anticipates it will need to purchase during the next fiscal year.

The Fiscal 2013 Executive Contract Budget proposes spending approximately \$10.64 billion on 17,171 contracts. These planned contract expenditures constitute 15.5 percent of the total Fiscal 2013 Executive Budget of \$68.7 billion. Overall, the Fiscal 2013 Executive Contract Budget is \$130.3 million or 1.2 percent more than the Fiscal 2012 Adopted Contract Budget of \$10.51 billion.

The Fiscal 2012 Adopted Contract Budget totaled approximately \$10.51 billion for 17,335 contracts. The Fiscal 2012 Contract Budget, as of the February 2012 Financial Plan was \$11.2 billion – an increase of \$687 million, or 6.1 percent, over the Adopted Contract Budget. Such change is common due to the recognition of State and Federal Categorical Grants during the course of the year, which fund significant portions of a number of contracts, particularly in the social services area.

Contract Budget Highlights

The table on page four "Contract Budget by Category" presents the Fiscal 2012 Adopted and Modified Contract Budgets, and the Fiscal 2013 Executive Contract Budget, compared with the Fiscal 2012 Adopted Contract Budget. The contract categories include groups of related Object Codes. Several observations are worthy of note:

- The largest category of contract spending is for education-related purposes, which totals \$4.8 billion or 45 percent of the total Contract Budget.
- The largest spending increase is for Payments to Contract Schools (object code 670). The vast majority of spending is for payments to charter schools, which will total \$828.4 million in Fiscal 2013. The remainder is mostly spending by the Department of Education for tuition charges for students with special educational needs enrolled in private schools. In addition it includes some funding for universal pre-kindergarten and summer instructional high school programs. The growth in this category from Fiscal 2012 to Fiscal 2013 is \$183.6 million.
- Contractual spending on equipment maintenance and repair is budgeted to increase in Fiscal 2013 compared to the Fiscal 2012 Adopted Budget by 28 percent. It is noteworthy that the Fiscal 2012 budget for this category grew by \$154.3 million, or 35 percent, between Adoption and the February Financial Plan, particularly in the area of "Maintenance and Operation of Infrastructure" (object code 676).

¹ City Charter §§100.h and 104.

- Some categories of contract spending decline from Fiscal 2012 to Fiscal 2013 because City Council initiatives are not baselined. Several prominent examples are “Payments to Cultural Institutions” (object code 667), which shows a decline of 49 percent, or \$20.4 million and “Youth Programs” (object code 695), which shows a decline of 34 percent or \$59.7 million.
- Spending in the Personal Services category for legal services, auditing and accounting, computer consultants, security guards, temporary workers and cleaning services is projected to increase by 1.9 percent next year compared to Fiscal 2012 Adopted Budget or \$11.04 million. Again, however, the increase between the Adopted budget and the February Financial Plan level is quite significant at \$177.9 million, or 32 percent. Nearly half of the increase comes in the “Professional Services – Other” (object code 686) category.

Contract Budget by Category

Dollars in Thousands

Obj. Code	Category	Fiscal 2012 Adopted	Fiscal 2012 Modified	Fiscal 2013 Executive	Change from Fiscal 2012 Adopted	
EDUCATION-RELATED						
668	Bus Transportation-Reimbursable	\$59	\$59	\$59	\$0	0.00%
669	Transportation of Pupils	1,126,435	1,112,023	1,178,419	51,984	4.61%
670	Payments to Contract Schools	2,180,273	2,148,335	2,363,919	183,646	8.42%
678	Payments to Delegate Agencies	342,012	352,809	281,464	(60,548)	-17.70%
685	Professional Services-Education	844,776	829,378	940,069	95,293	11.28%
689	Prov. Svcs Curriculum & Development	32,677	33,241	31,153	(1,524)	-4.66%
	Subtotal	\$4,526,231	\$4,475,845	\$4,795,083	\$268,852	5.94%
EQUIPMENT						
602	Telecommunications Maintenance	\$49,304	\$48,274	\$59,513	\$10,209	20.71%
607	Maint. & Repairs Motor Vehicles	14,007	15,911	14,034	\$27	0.19%
608	Maintenance & Repairs General	103,991	157,926	169,218	\$65,227	62.72%
612	Office Equipment Maintenance	14,275	15,364	14,306	\$31	0.22%
613	Data Processing Equipment	141,771	166,177	164,702	\$22,931	16.17%
676	Maintenance & Oper. of Infrastructure	123,028	197,027	150,058	\$27,030	21.97%
	Subtotal	\$446,376	\$600,679	\$571,831	\$125,455	28.11%
GENERAL and OTHER						
600	Contractual Services-General	\$463,083	\$689,271	\$381,445	(\$81,638)	-17.63%
615	Printing Contracts	31,327	36,479	31,095	(\$232)	-0.74%
620	Municipal Waste Export	304,986	301,693	309,759	\$4,773	1.56%
629	In-Rem Maintenance	2,147	1,979	863	(\$1,284)	-59.80%
633	Transportation Expenditures	15,395	18,362	13,768	(\$1,627)	-10.57%
665	Legal Aid Society	94,900	92,800	98,109	\$3,209	3.38%
667	Payment to Cultural Institutions	41,418	43,046	20,971	(\$20,447)	-49.37%
671	Training for City Employees	14,232	23,045	14,072	(\$160)	-1.12%
	Subtotal	\$967,487	\$1,206,674	\$870,082	-\$97,405	-10.07%

Contract Budget by Category*Dollars in Thousands*

Obj. Code	Category	Fiscal 2012 Adopted	Fiscal 2012 Modified	Fiscal 2013 Executive	Change from Fiscal 2012 Adopted	
FINANCING and INVESTMENT COSTS						
617	Payments to Counterparties	\$107,754	\$64,971	\$70,767	(\$36,987)	-34.33%
618	Financing Contracts	69,068	78,189	79,504	\$10,436	15.11%
626	Investment Costs	7,779	7,715	7,779	(\$0)	0.00%
	Subtotal	\$184,602	\$150,874	\$158,050	-\$26,552	-14.38%
PERSONAL SERVICES						
619	Security Services	\$81,160	\$102,501	\$90,786	\$9,626	11.86%
622	Temporary Services	33,951	47,663	32,835	(\$1,116)	-3.29%
624	Cleaning Services	20,327	26,420	20,228	(\$99)	-0.49%
681	Prof Services Accounting/Auditing	24,768	26,064	25,253	\$485	1.96%
682	Professional Services-Legal	101,379	101,475	101,002	(\$377)	-0.37%
683	Professional Services-Engineering	3,398	18,440	18,002	\$14,604	429.71%
684	Professional Services-Computers	146,546	180,548	112,604	(\$33,942)	-23.16%
686	Professional Services-Other	148,294	234,646	170,154	\$21,860	14.74%
	Subtotal	\$559,824	\$737,756	\$570,864	\$11,040	1.97%
SOCIAL SERVICES						
616	Community Consultants	\$20,676	\$28,388	\$17,394	(\$3,282)	-15.88%
640	Social Services-General	0	2	0	\$0	0.00%
641	Protective Services For Adults	19,472	19,472	19,606	\$134	0.69%
642	Children's Charitable Institutions	489,742	494,555	459,929	(\$29,813)	-6.09%
643	Child Welfare Services	211,601	223,968	212,199	\$598	0.28%
647	Home Care Services	263,407	328,555	263,407	\$0	0.00%
648	Homemaking Services	17,699	18,486	18,486	\$787	4.45%
649	Non-Grant Charges	12,414	12,414	11,139	(\$1,275)	-10.27%
650	Homeless Family Services	350,793	405,833	352,660	\$1,867	0.53%
651	Aids Services	281,498	243,427	264,191	(\$17,307)	-6.15%
652	Day Care of Children	668,855	706,906	615,501	(\$53,354)	-7.98%
653	Head Start	132,557	155,281	132,557	\$0	0.00%
655	Mental Hygiene Services	636,958	630,172	609,654	(\$27,304)	-4.29%
657	Hospital Contracts	127,229	127,049	130,536	\$3,307	2.60%
658	Special Clinical Services	7,996	7,995	10,879	\$2,883	36.06%
659	Homeless Individual Services	257,848	273,494	263,980	\$6,132	2.38%
660	Economic Development	3,821	15,505	27,332	\$23,511	615.39%
662	Employment Services	149,347	157,924	151,047	\$1,700	1.14%
688	Bank Charges Public Assistance Account	395	435	395	(\$0)	-0.09%
695	Youth Programs	174,177	176,347	114,494	(\$59,683)	-34.27%
	Subtotal	\$3,826,486	\$4,026,209	\$3,675,386	(\$151,100)	-3.95%
	Total	\$10,511,006	\$11,198,038	\$10,641,296	\$130,290	1.24%

Largest Contract Budget Categories

The following table shows the ten Contract Budget object codes with the greatest projected spending levels for Fiscal 2013. These contract categories constitute over 70 percent of the total contract budget. The largest single category is Payments to Contract Schools, approximately \$2.4 billion, which constitutes nearly 22 percent of the budget and is entirely within the Department of Education. The Department of Education is also responsible for the second and third largest contract categories, Transportation of Pupils (\$1.2 billion) and Professional Services -Education (\$940) million.

Other large contract categories include Mental Hygiene Services, in the Department of Health and Mental Hygiene (DOHMH); Day Care of Children, in the Administration of Children Services (ACS); Children's Charitable Institutions (foster care placements) in ACS; Homeless Family Services; Municipal Waste Export contracts in the Department of Sanitation; and Payments to Delegate Agencies in the Miscellaneous budget. The seventh largest category is Contractual Services – General; many agencies account for spending in this category, with the ACS' contracts accounting for roughly one-fifth of the total.

Largest Contract Budget Categories

Dollars in Thousands

Obj. Code	Category	Contract Budget	% of Total Contract Budget	Major Agency/ies
670	Payments to Contract Schools	\$2,363,919	22.21%	DOE
669	Transportation of Pupils	1,178,419	11.07%	DOE
685	Professional Services-Education	940,069	8.83%	DOE
652	Day Care of Children	615,501	5.78%	ACS
655	Mental Hygiene Services	609,654	5.73%	DOHMH
642	Children's Charitable Institutions	459,929	4.32%	Various
600	Contractual Services-General	381,445	3.58%	ACS
650	Homeless Family Services	352,660	3.31%	DHS
620	Municipal Waste Export	309,758	2.91%	DSNY
678	Payments to Delegate Agencies	281,464	2.65%	Various
Total		\$7,492,818	70.41%	
Total Fiscal 2013 Executive Contract Budget		\$10,641,296	100.00%	

Largest Contract Budget Agencies

In the Fiscal 2013 Executive Budget ten agencies constitute 92 percent of the total Contract Budget. The Department of Education alone accounts for 45 percent of the total. Below is a list of the top ten agency contract budgets, which total approximately \$9.8 billion.

Ten Largest Agency Contract Budgets, FY 2013

Dollars in Thousands

Agency Code	Agency	Contract Budget	% of Total Contract Budget
40	Department of Education	\$4,813,693	45%
68	Administration for Children's Services	\$1,519,511	14%
816	Department of Health & Mental Hygiene	\$939,789	9%
69	Department of Social Services	\$704,895	7%
71	Department of Homeless Services	\$621,275	6%
827	Department of Sanitation	\$367,237	3%
098/099	Miscellaneous/Debt Service	\$363,563	3%
260	Department of Youth and Community Development	\$176,324	2%
125	Department for the Aging	\$176,281	2%
858	Department of Transportation	\$155,784	1%
	Total	\$9,838,352	92%
Total Fiscal 2013 Executive Contract Budget		\$10,641,296	100%

Appendix A: Contract Budget by Object Code, 2011-2013

<i>Dollars in Thousands</i>	2011 Actual	2012 Adopted	2012 Modified	2013 Executive	Difference 2012 v 2013
600- Contractual Services-General	\$551,070	\$463,083	\$689,271	\$381,445	(\$81,638)
602- Telecommunications Maintenance	38,311	49,304	48,274	59,513	\$10,209
607- Maint. & Repairs Motor Vehicles	15,645	14,007	15,911	14,034	\$27
608- Maintenance & Repairs General	141,314	103,991	157,926	169,218	\$65,227
612- Office Equipment Maintenance	8,954	14,275	15,364	14,306	\$31
613- Data Processing Equipment	177,896	141,771	166,177	164,702	\$22,931
615- Printing Contracts	39,448	31,327	36,479	31,095	(\$232)
616- Community Consultants	28,726	20,676	28,388	17,394	(\$3,282)
617- Payments to Counterparties	39,747	107,754	64,971	70,767	(\$36,987)
618- Financing Contracts	69,953	69,068	78,189	79,504	\$10,436
619- Security Services	133,904	81,160	102,501	90,786	\$9,626
620- Municipal Waste Export	300,100	304,986	301,693	309,759	\$4,773
622- Temporary Services	47,898	33,951	47,663	32,835	(\$1,116)
624- Cleaning Services	28,672	20,327	26,420	20,228	(\$99)
626- Investment Costs	7,725	7,779	7,715	7,779	(\$0)
629- In-Rem Maintenance	4,059	2,147	1,979	863	(\$1,284)
633- Transportation Expenditures	13,604	15,395	18,362	13,768	(\$1,627)
640- Social Services-General	3	0	2	0	\$0
641- Protective Services For Adults	17,431	19,472	19,472	19,606	\$134
642- Children's Charitable Institutions	515,343	489,742	494,555	459,929	(\$29,813)
643- Child Welfare Services	198,508	211,601	223,968	212,199	\$598
647- Home Care Services	265,451	263,407	328,555	263,407	\$0
648- Homemaking Services	18,767	17,699	18,486	18,486	\$787
649- Non-Grant Charges	10,854	12,414	12,414	11,139	(\$1,275)
650- Homeless Family Services	572,894	350,793	405,833	352,660	\$1,867
651- Aids Services	249,485	281,498	243,427	264,191	(\$17,307)
652- Day Care of Children	716,957	668,855	706,906	615,501	(\$53,354)
653- Head Start	166,118	132,557	155,281	132,557	\$0
655- Mental Hygiene Services	641,206	636,958	630,172	609,654	(\$27,304)

<i>Dollars in Thousands</i>	2011 Actual	2012 Adopted	2012 Modified	2013 Executive	Difference 2012 v 2013
657- Hospital Contracts	121,909	127,229	127,049	130,536	\$3,307
658- Special Clinical Services	7,159	7,996	7,995	10,879	\$2,883
659- Homeless Individual Services	255,349	257,848	273,494	263,980	\$6,132
660- Economic Development	15,968	3,821	15,505	27,332	\$23,511
662- Employment Services	169,280	149,347	157,924	151,047	\$1,700
665- Legal Aid Society	88,589	94,900	92,800	98,109	\$3,209
667- Payment to Cultural Institutions	39,562	41,418	43,046	20,971	(\$20,447)
668- Bus Transportation-Reimbursable	0	59	59	59	\$0
669- Transportation of Pupils	1,046,350	1,126,435	1,112,023	1,178,419	\$51,984
670- Payments to Contract Schools	1,731,971	2,180,273	2,148,335	2,363,919	\$183,646
671- Training for City Employees	28,986	14,232	23,045	14,072	(\$160)
676- Maintenance & Oper. of Infrastructure	272,316	123,028	197,027	150,058	\$27,030
678- Payments to Delegate Agencies	354,998	342,012	352,809	281,464	(\$60,548)
681- Prof Services Accounting/Auditing	16,528	24,768	26,064	25,253	\$485
682- Professional Services-Legal	79,273	101,379	101,475	101,002	(\$377)
683- Professional Services-Engineering	12,305	3,398	18,440	18,002	\$14,604
684- Professional Services-Computers	162,543	146,546	180,548	112,604	(\$33,942)
685- Professional Services-Education	937,833	844,776	829,378	940,069	\$95,293
686- Professional Services-Other	277,306	148,294	234,646	170,154	\$21,860
688- Bank Charges Public Assistance Account	334	395	435	395	\$0
689- Prov. Svcs Curriculum & Development	93,724	32,677	33,241	31,153	(\$1,524)
695- Youth Programs	193,586	174,177	176,347	114,494	(\$59,683)
Total Contract Budget	\$10,925,912	\$10,511,006	\$11,198,038	\$10,641,296	\$130,290

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