**T H E C O U N C I L**

**REPORT OF THE COMMITTEE ON FINANCE**

**RESOLUTION APPROVING A MODIFICATION (MN-4) PURSUANT TO SECTION 107(E) OF THE CHARTER OF THE CITY OF NEW YORK**

 The Committee on Finance, to which was referred the above-captioned resolution, respectfully submits to the Council of the City of New York the following:

# R E P O R T

Introduction. At the meeting of the Committee on Finance of the City Council on February 27, 2020, the Council considered a communication from the Office of Management and Budget of the Mayor, dated February 26, 2020, of a proposed request to modify, pursuant to Section 107(e) of the Charter of the City of New York, the Fiscal 2020 Expense Budget Plan, and the revenue estimate related thereto prepared by the Mayor as of February 26, 2020.

Analysis. The Council annually adopts the City's budget covering expenditures pursuant to Section 254 of the Charter. On June 19, 2019, the Council adopted the expense budget for fiscal year 2020 (the "Fiscal 2020 Expense Budget"). On December 19, 2019, the Council adopted MN-1, modifying the Fiscal 2020 Expense Budget, and MN-2, which appropriated new revenues. On February 26, 2020, the Mayor submitted to the Council MN-3, modifying the Fiscal 2020 Expense Budget. On February 26, 2020, the Mayor submitted to the Council a revenue estimate MN-4, related to the Fiscal 2020 Expense Budget.

Circumstances have changed since the Council adopted the Fiscal 2020 Expense Budget.

Section 107(e) provides one mechanism for the Mayor and the Council to amend the Expense Budget and related revenue estimate to reflect changes in circumstances that occur after adoption of a budget. Section 107(e) permits the modification of the budget in order to create new units of appropriation, to appropriate new revenues from any source other than categorical federal, state and private funding, or to use previously unappropriated funds received from any source.

Discussion of Above-captioned Resolution. The above-captioned resolution would authorize the modifications to the Fiscal 2020 Expense Budget and related revenue estimate requested in the communication.

This modification (MN-4) seeks to increase revenues in the net amount of $677.6 million compared to the most recent Revenue Budget Modification (MN-2). This represents an increase in City funds of approximately 1.0 percent.

MN-4 is the second revenue modification of Fiscal 2020 and it reflects changes since the November 2019 Financial Plan.

MN-4 recognizes $677.6 million in increased revenues, including $448.7 million in tax revenue, $118.1 million in miscellaneous revenue, and $110.8 million in unrestricted intergovernmental aid.

Tax revenues increased by $448.7 million since the November 2019 Financial Plan. The majority of the increase, $297 million, came from general corporation tax collections, which benefited from strong corporate profits. Additional tax revenues included $118 in personal income tax and $63 million in sales tax. Offsetting these increases was $120 in reduced revenues from the real property transfer.

Miscellaneous revenues increased by $118.1 million since the November 2019 Financial Plan. This included $51.9 million in water sewage charges and $47.5 in Fines and Forfeitures.

Unrestricted intergovernmental aid increased by $110.8 million since the November 2019 Financial Plan.

This budget modification adds $2.17 billion to the Budget Stabilization Account, which will prepay debt service for Fiscal 2021. This addition is funded by the $677.6 million increase in revenues, $400 million in Prior Year Payables, an $850 million reduction of the General Reserves, and other resources.

The resolution would also direct the City Clerk to forward a certified copy thereof to the Mayor and the Comptroller so that the Mayor, the Comptroller and the City Clerk may certify the Fiscal 2020 Expense Budget as amended thereby as the budget for the remainder of the fiscal year. The above-captioned resolution would take effect as of the date adopted.