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The Hon. James S. Oddo, Minority Leader
Council of the City of New York
City Hall
New York, NY 10007

Dear Council Member Oddo:

In response to your request of September 2 for information on Department of Buildings (DOB), IBO has prepared a table of DOB expenses and revenue for fiscal years 2004 through 2009 (see below). Total DOB revenue has exceeded spending each year from 2004 through 2009, although growth in total department spending has outpaced growth in revenue over the same period. Spending has increased 85 percent since 2004, growing from \$57.9 million to \$107.3 million, while revenues increased by 23 percent.

For 2009, DOB spending is budgeted to increase by 7 percent to reach \$107.3 million, while revenue is projected to decrease by 16 percent. According to the Office of Management and Budget (OMB), revenue collected by the department in fiscal year 2008 was unusually high. Unlike 2004 through 2007, when revenue increases were driven by growth in construction permit revenue, in 2008 the main driver was growth in revenue from other sources.

Due to a strong construction market, revenue from construction permits grew at an average of 14 percent per year between 2004 and 2007. However, with the construction market cooling, revenue from construction permits leveled off in 2008 and OMB is expecting fewer construction permits and lower construction permit revenue for 2009.

Other revenue sources increased substantially in 2008, growing by 26 percent. Revenue from after-hours variances grew by 118 percent, with some of the increase due to builders rushing to start projects to qualify for the old 421-a property tax exemption benefits. DOB expects less revenue from after-hours variances in 2009.

Revenue from fines for construction work without a permit also increased in 2008. The City Council passed legislation in November 2006 to increase penalties for working without a permit. With the number of fines paid staying relatively constant over the last few years, the increase in revenue in 2008 is attributable to the higher fines. The Department projects that revenue from fines for work without a permit will decrease in 2009, based on the assumption that increased penalties will increase compliance with permitting laws.

The figures in the accompanying table compare revenues collected by DOB to spending within the department. It should be noted that as with most agencies, spending on fringe benefits for the Department's employees are not recorded in the agency's budget but instead are budgeted centrally. Also, the city contends that there are additional costs to the department that are budgeted in other agencies. There are 14 central agencies, such as the Law Department, Office of Labor Relations, Office of Management and Budget, and the Department of Finance, that service the other city agencies. The Office of Management and Budget surveys these 14 agencies regarding the time and spending allotted to provide services to other city agencies, like DOB. Including DOB's share of the centrally budgeted cost of fringe benefits and central agency support would increase projected spending for DOB to \$145.7 million in 2009, an amount that would exceed revenue.

In response to your second question, essentially all revenue (including taxes, fees, fines, interest, rent, asset sales, etc.) collected by city agencies goes into the city's general fund and agencies' (including DOB's) operating budgets are appropriated from that same general fund. Thus, DOB is not directly funding its operations with the revenue it generates. As a practical matter, to the extent that revenue collected by an agency is greater than an agency's spending, the excess revenue can be viewed as supporting spending elsewhere in the city budget.

Department of Buildings Spending and Revenues for Fiscal Years 2004 - 2009						
<i>Dollars in millions</i>						
	2004	2005	2006	2007	2008	2009
Spending						
Inspection / Examination	\$21.3	\$23.2	\$22.7	\$25.3	\$34.1	\$38.8
Investigation / Enforcement	3.8	4.1	4.7	6.0	6.3	6.7
Safety	3.2	3.8	5.0	6.2	5.8	5.8
Administration	19.6	21.8	26.6	34.1	39.7	38.4
Unallocated OTPS	10.0	11.3	22.5	15.6	14.1	17.5
Total, DOB Spending	\$57.9	\$64.3	\$81.5	\$87.2	\$100.1	\$107.3
Revenue						
Construction Permits	\$56.7	\$67.7	\$78.2	\$84.3	\$85.0	\$80.0
All Other Revenue	42.7	46.7	46.2	48.7	61.3	42.5
Total, Revenue	\$99.4	\$114.4	\$124.5	\$133.0	\$146.3	\$122.5
SOURCES: IBO; Office of Management and Budget.						
NOTES: Spending does not include fringe benefits, which are budgeted centrally, or costs of central agencies that service the department. Actual revenue and spending shown from 2004-2006. Figures for 2008 reflect current modified budget and for 2009 reflect the budget as adopted.						

I hope you find this information helpful. If you have further questions on this or any other matter, please feel free to contact me or Brendan Cheney (brendanc@ibo.nyc.ny.us, 212-442-8640) who prepared this analysis.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronnie".

Ronnie Lowenstein
Director