

# Understanding New York City's Budget A Guide



*This guide is designed to help any interested New Yorker understand and participate in the city's budget process. It outlines the components of the city's budget, the timelines and processes for adopting it, and provides an overview of how the city raises revenues and how those revenues get spent. Guidance on where to find budget documents and a contact list of key players in the budget process will help readers figure out where to find answers to budget questions.*



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# IBO

New York City  
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# Glossary of Common Budget Terms

**Allocation** – A sum of money within an appropriation that is set aside for a specific purpose.

**Appropriation** – The amount of money identified in the budget for expenditure by an agency, generally divided into a number of smaller “units of appropriation.”

**Budget Gap** – The difference produced when planned spending exceeds planned revenues in a given fiscal year.

**Budget Surplus** – The difference produced when planned revenues exceed planned spending in a given fiscal year.

**Budget Modification** – A change in an amount in any portion of the Adopted Expense or Revenue Budget during the fiscal year (see also Modified Budget).

**Capital Appropriation** – The amount of money allocated to a specific budget line in the Capital Budget.

**Capital Commitments** – Capital commitments are awarded contracts for capital budget spending, frequently for a multi-year period, that have been registered with the City Comptroller.

**Debt Limit** – A limit on long-term borrowing imposed by the State Constitution and Local Finance Law.

**Debt Service** – Funds included in the Expense Budget for the payment of principal and interest on long-term and short-term debt.

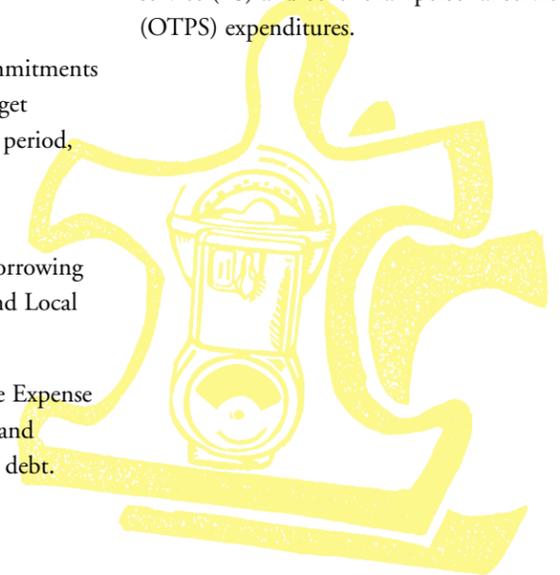
**Fiscal Year** – An accounting period of 12 months, which in New York City begins July 1 and ends the following June 30. By convention, each fiscal year is named for the calendar year in which it ends (fiscal year 2006 begins in July 2005 and ends in June 2006).

**Modified Budget** – The Adopted Expense or Revenue Budgets are modified when revenue projections change or expenditures are reallocated during a fiscal year.

**Other Than Personal Service (OTPS)** – Funding for expenses other than salaries, such as supplies, equipment, and contractual services.

**Personal Service (PS)** – Funding for salaries and fringe benefits of city employees.

**Unit Of Appropriation** – An agency’s operating budget is divided into a number of units of appropriation. These units of appropriation are further divided into personal service (PS) and other than personal service (OTPS) expenditures.



# City Budget Issues: Who To Call

## INTERNET

Some budget documents can be found on the New York City Office of Management and Budget's web site at [www.nyc.gov/html/omb](http://www.nyc.gov/html/omb).

## LIBRARIES

Budget books are available at the Municipal Reference and Research Center, (212) 788-8590, and the New York Public Library [www.nysl.org](http://www.nysl.org). Budget books may also be available through other local and university libraries.

## NY CITY STORE

Copies of the Adopted Budget can be purchased from the New York City Store. Call the City Store at (212) 380-8246 for details

**Borough Presidents** – During the budget process, Borough Presidents propose budget reallocations to meet local priorities. Bronx (718) 590-3500 ▲ Brooklyn (718) 802-3900 Manhattan (212) 669-8300 ▲ Queens (718) 286-3000 ▲ Staten Island (718) 816-2200.

**Community Boards** – Each of the city's 59 neighborhood Community Boards play an advisory role in the budget process by preparing budget priorities for their neighborhoods.

**Comptroller** – Responsible for auditing and investigating matters relating to city finances and agency operations. The Comptroller also prepares a statement of the debt service required for each fiscal year and analyzes the Preliminary and Executive Budgets. To contact the Comptroller's office, call (212) 380-3500. Web site: [www.comptroller.nyc.gov](http://www.comptroller.nyc.gov).

**Financial Control Board (FCB)** – Analyzes and reports on city budget documents. To contact FCB, call (212) 417-5046.

**The Independent Budget Office (IBO)** – Provides non-partisan budgetary, economic, and policy analysis for the residents of New York City and their elected officials, helping to increase New Yorkers' understanding of and participation in the budget process. IBO can be reached at (212) 442-0632. Web site: [www.ibo.nyc.ny.us](http://www.ibo.nyc.ny.us).

**The Mayor's Office of Management and Budget (OMB)** – Responsible for preparing the Mayor's Preliminary and Executive Budgets. OMB is also responsible for executing the adopted budget and advising the Mayor on policy issues affecting the city's fiscal stability and provision of services. To contact OMB, visit their Web site at [www.nyc.gov/html/omb](http://www.nyc.gov/html/omb) for current telephone numbers.

**The Mayor's Office of Operations** – Publishes the preliminary and final Mayor's Management Report (MMR), which reports on agency performance. To contact the Office of Operations, call (212) 788-1400. Web site: [www.nyc.gov/html/ops](http://www.nyc.gov/html/ops).

**New York City Council** – The city's legislative branch. There are 51 members, each representing one Council district. The Council enacts legislation, negotiates and approves the city budget, and provides oversight of city agencies. To contact the Council's Finance Division, call (212) 788-6921. Contact information for individual Council members is available on the Council's Web site: [www.council.nyc.ny.us](http://www.council.nyc.ny.us).

**Office of the State Deputy Comptroller for New York City (OSDC)** – Analyzes and reports on city budget documents. To contact the OSDC, call (212) 383-3900. Web site: [www.osc.state.ny.us/osdc](http://www.osc.state.ny.us/osdc).

**Public Advocate** – Assists city residents in resolving complaints about government and in accessing services. The Public Advocate also reviews the work of city agencies and monitors compliance with the City Charter. To reach the Public Advocate's Office, call (212) 380-7200. Web site: [www.pubadvocate.nyc.gov](http://www.pubadvocate.nyc.gov).

In addition, a wide variety of public interest organizations (non-profit, civic, business, and advocacy) also produce analyses of the city budget and specific policy proposals.

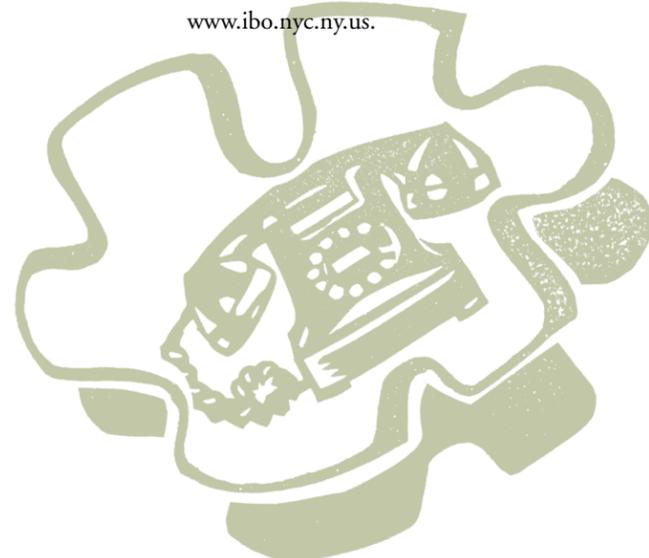
## INTRODUCTION



**W**ith more than \$50 billion in annual spending, New York City's budget is bigger than that of all but a handful of states. But it is more than size that makes the city budget so critical. The budget expresses all of our key policy decisions and priorities. It determines who we tax and how much, and where we choose to spend our money for programs and services in areas such as education, sanitation, public safety, libraries, social services, housing, and economic development. Because there is never enough money to do it all, the budget reflects the priorities of the city's elected representatives.

Making decisions about priorities is part of the give-and-take that drives the city's annual budget-making process. It is a process that involves the Mayor, City Council members, and other elected and appointed officials. Community activists, lobbyists, and other interested and concerned New Yorkers also play a role.

This guide is designed to help any interested New Yorker understand and participate in the city's budget process. Additional information on many of the topics discussed in the Guide can be found on IBO's Web site at [www.ibo.nyc.ny.us](http://www.ibo.nyc.ny.us) or by calling the IBO office at (212) 442-0632.



# What Is New York City's Budget ?

The New York City budget is the place where many of the city's policy decisions are made and where policy objectives are articulated and implemented in concrete terms. The scope of the budget includes all of the city government's revenues and expenditures—estimated at more than \$50 billion in 2006. More than an accounting device, the budget is arguably the single most important policy document produced by the Mayor and the City Council.

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## The Adopted Budget becomes a blueprint for:

### How the city government spends money.

What activities are funded in a particular year and at what level? How much does it spend in operating and capital expenses for education, sanitation, public safety, sports stadiums, and a wide range of other activities?

### How the city government pays for activities.

How much revenue is raised through, for example, different kinds of taxes, fees for services, and aid from the New York State and federal governments?

### Balancing the city's budget.

The city is required by law to balance its budget. The city runs surpluses when revenues are greater than spending. Conversely, gaps are projected when spending is expected to exceed revenues. The city adjusts revenues and/or spending plans in order to balance its budget.

The Adopted Budget covers one fiscal year, which in New York City begins on July 1st of each year and ends on June 30th of the following year.

# Main Types of Capital Financing

NYC DEBT OUTSTANDING

In 2006, NYC had over \$53.0 billion in debt outstanding — about \$6,523 per NYC resident.

This includes:

GO debt  
\$36.5 billion

TFA debt  
\$12.5 billion

Capital Lease Obligations  
\$2.7 billion

TSASC debt  
\$1.3 billion

**General Obligation (GO)** debt is backed by the general revenues (full faith and credit) of the city. That is, the city promises to use in good faith its general powers to collect sufficient revenues to make principal and interest payments on the debt as they become due. The amount of outstanding GO debt is limited by the State Constitution to 10 percent of the five-year average of the full value of taxable real property in the city, as determined by the state.

**Transitional Finance Authority (TFA)** issues debt backed by personal income tax revenue. When New York City's debt neared the constitutional limit in the late 1990s, it received approval from the State Legislature to create this authority which could issue debt using earmarked sources. This allowed the city to continue funding its capital program with debt that is not subject to the general debt limit of the city.

**Tobacco Settlement Asset Securitization Corporation (TSASC)** was created in 1999 to issue debt secured by a portion of the city's share of revenues from the settlement of claims against tobacco companies. Like TFA debt, TSASC debt is not subject to the general debt limit of the city.

**Municipal Assistance Corporation (MAC)** debt was backed by sales tax revenue. During the fiscal crisis of the mid-1970s, NYC was unable to issue debt in the public credit market. New York State created MAC to issue bonds and exchange MAC bonds for outstanding NYC notes. It no

longer issues new debt, and all outstanding debt liability to the city has been satisfied.

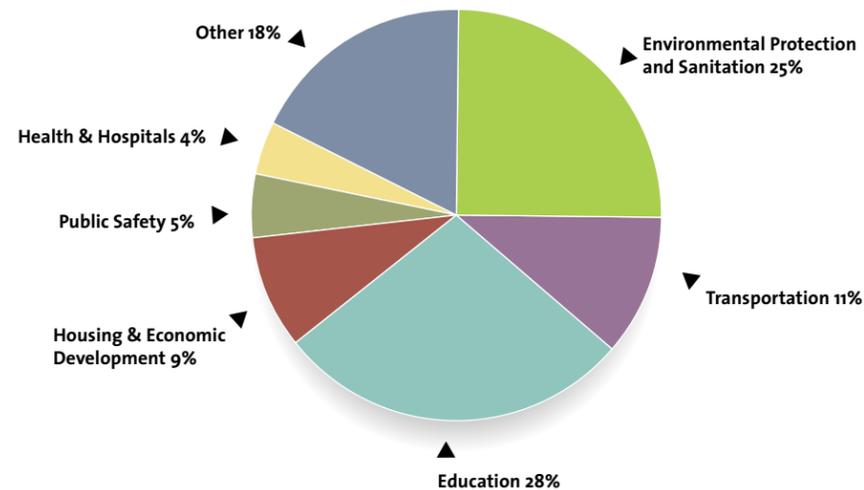
**Capital Lease Obligations** are an alternative to long-term debt financing. These obligations occur when the city enters into long-term lease agreements where another entity (such as a private company, quasi-public authority, or state agency) finances construction of a building or other capital asset. The city then makes annual lease payments that cover the debt service. Because the city does not issue the debt for the project, the city is able to meet capital needs while bypassing the constitutional debt limit. The annual lease payments are included in total debt outstanding, but not in calculations of the general debt limit.

**Pay-As-You-Go Capital** is another alternative to debt financing. Some capital projects are funded not by long-term debt but by current revenues, appropriated annually out of the Expense Budget. This is called Pay-As-You-Go, or PAYGO, capital spending. When the city has enjoyed substantial budget surpluses elected officials and others have advocated using a portion of the surpluses to supplement the debt-financed capital program with PAYGO capital. Using PAYGO to supplement the capital program helps the city meet its capital needs without adding to total debt outstanding.

# The Capital Budget

Most capital projects are debt-financed over a multi-year period with funds borrowed through the issuance of bonds. However, some projects are funded on a Pay-As-You-Go (PAYGO) basis directly out of the Expense Budget.

**Capital Commitment Plan 2005 – 2008 (All funds) Total \$39.7 billion**



## City Debt

The city generates long-term debt by issuing bonds to build, maintain, and improve the city's infrastructure and other capital assets.

Every year, a portion of the city's Expense Budget must be used to fund debt service—the payment of interest and principal on debt outstanding. The more the city spends on debt service, the less funds there are available for other city programs. Thus there is an important relationship between the Capital and Expense Budgets.

If investors believe the level of debt outstanding is too high compared with anticipated revenues, it can negatively affect the city's bond ratings and raise the interest rates the city pays on bond issues, thereby increasing debt service costs.

# Components of The City's Budget

## Key Dates

<b>JANUARY</b>	By January 16th, the Mayor releases the Preliminary Budget — proposed operating and capital expenditures, and forecast of revenues for the upcoming fiscal year, plus three subsequent years. The Council holds budget hearings with city agencies and the public.
<b>APRIL</b>	By April 26th, the Mayor presents the Council with the Executive Budget — a revised budget proposal for the upcoming year and a complete financial plan for the next three years. The Council again holds budget hearings and begins negotiations with the Administration.
<b>JUNE</b>	By June 5th, the City Council completes negotiations with the Administration and then votes to adopt a budget that will serve as the basis of government operations for the upcoming fiscal year.

## Expense Budget

The Expense Budget funds current city government services, including the salaries of government employees, pensions, debt service, and routine operating expenses such as copier paper, pens and pencils, printing services, rent and utilities, and contracts (see Contract Budget below). It is a legally binding commitment to a level of appropriations for a particular fiscal year. It is the Expense Budget that people generally think of as “the city budget.”

## Revenue Budget

The Revenue Budget contains an estimate of how much money the city government will take in during the fiscal year. This includes collections of taxes such as the general property tax, personal income tax, and sales tax; revenues generated by government agencies for services such as licenses, permits, and rental income; and categorical grants for specific programs or services received from the state and federal governments.

## Contract Budget

The Contract Budget is a subset of the items included in the Expense Budget that are related to agency contractual services. It includes those city services that government contracts with others to deliver (for example, foster care services and services delivered by community organizations), as well as contractual services used in operating city agencies (for example, telecommunications and cleaning services).

## Financial Plan

The Financial Plan accompanies the city budget and provides a multi-year perspective on city spending and revenues. The city's Financial Plan is not a legally binding commitment to appropriations in future years, but rather shows how the current-year budget would affect budgets in future years. The Mayor releases a financial plan four times each year—these are commonly referred to as the Adopted Plan (June), November Plan, January Plan, and Executive Plan (April). The first plan each fiscal year reflects anticipated revenue and spending based on the Adopted Budget.

## Capital Budget

The Capital Budget is a separate budget covering one fiscal year, funding physical infrastructure used either in support of government operations (such as government offices, schools, and fire stations) or for general public use (such as roads, bridges, libraries, and parks). Almost all state and local governments in the United States maintain a capital budget or plan distinct from their Expense Budget. To be included in the Capital Budget, individual projects must have a value of at least \$35,000 and a period of probable usefulness of at least five years.

## Capital Program

The Capital Program provides a multi-year plan detailing the funds needed for the current year and the next three fiscal years for projects already underway and new projects initiated in the Capital Budget.

## Ten-Year Capital Strategy

The Ten-Year Capital Strategy is issued by the Mayor by April 26th of each odd numbered year. The capital strategy details the city's plan for the development of capital facilities for the upcoming decade.

## Role of The Mayor

The Mayor's executive role in city management includes developing the annual Expense, Revenue, and Capital budgets, and implementing each year's Adopted Budget.

The Mayor is responsible for managing the executive branch of the city's government, including the management and delivery of government programs and services. This executive role in city management includes developing annual proposals to allocate the city's resources through the Expense, Revenue and Capital Budgets and accompanying Financial Plans, and implementing each year's Adopted Budget. The Mayor determines the non-property tax revenue forecast on which the City Council relies in setting the property tax rates for adopting a balanced budget.

### The Mayor

- ▲ empowers city agencies, under the direction of the Mayor's Office of the Management and Budget, to assess spending and revenue needs, and develop budget estimates for the upcoming fiscal year;
- ▲ issues the Preliminary and Executive Budgets and accompanying Financial Plans;
- ▲ negotiates with the City Council;
- ▲ implements the adopted Expense, Revenue and Capital Budgets; and
- ▲ proposes budget modifications over the course of each fiscal year.

## Role of The City Council

The City Council is the legislative branch of New York City's government and is composed of 51 members, each of whom represents a single district. The Council's responsibilities related to the budget are broad, including negotiation, review, modification, and oversight of the city's revenues—including taxes and expenditures such as operations, programs, services, and capital. The Council also has formal responsibility for setting property tax rates.

### The Council

- ▲ receives the Mayor's Preliminary and Executive Budgets;
- ▲ reviews and responds to the proposed budgets and holds hearings;
- ▲ negotiates among Council members and with the Administration;
- ▲ adopts the Expense, Revenue, and Capital Budgets; and
- ▲ accepts or rejects budget modifications proposed during the fiscal year.

City Council members' role in the budget process is broad, including negotiation, review, modification, and oversight of the city's revenues and expenditures.

### What conditions can result in budget modifications?

- ▲ Financial assumptions do not bear out due to changing economic conditions.
- ▲ Actual revenues are higher or lower than expected.
- ▲ Agency management needs such as reallocating some resources between or within agencies for administrative or programmatic purposes.
- ▲ Unexpected needs such as more snow (and snow removal) than expected.
- ▲ New needs where new tax or spending policies are adopted.
- ▲ Accounting for state and federal aid. Some categorical aid is not included in the budget until after it has actually been received. These modifications reflect accounting practices, not policy changes.

### Do budget modifications require Council approval?

Budget modifications are submitted to the Council for approval when based on substantive changes in policy or resource allocation—new needs, changing tax revenue estimates, shifts in funds within an agency that exceed a preset level, or shifts in funds between agencies. However, administrative modifications (such as accounting for state and federal aid, or smaller resource shifts) do not require Council approval.

## Fiscal Discipline Surpluses or Gaps

The city is required by law to balance its current-year budget. The Mayor and the Council must determine if the money they expect to receive will be enough to cover the amount they want to spend.

If spending exceeds revenues (a shortfall or gap), the Mayor and the Council might debate options such as reducing spending or raising additional revenues to close the gap. If revenues exceed spending (a surplus), they might debate how best to use these funds to increase spending or cut taxes.

For years the city has used budget surpluses to help close budget gaps. If these surpluses get smaller (or even end), future gaps will be increasingly difficult to close.

Pressure to close budget gaps may increase the temptation to seek short-term budget fixes such as one-time revenues (for example, selling real estate or other assets) that may add revenues to the current budget but do not recur in future years. Good fiscal planning, however, requires that recurring spending and tax cuts be funded with recurring revenues.

To maintain fiscal discipline in future years, the Financial Plan is the city's key tool—its early warning device—to ensure there is enough time to make the changes needed to bring future budgets into balance.

The budget is not a static document and must be responsive to changing circumstances over the fiscal year. In many ways the budget process simply begins with budget adoption.

# Accountability

To understand the city budget, it is not enough to know how the money is spent—we also need to know what results are achieved from the investment in city programs and services. Moreover, government spends significant amounts of taxpayer dollars to operate city services, so city government should be accountable for the performance of its services and the results achieved from year to year.

## City Council Oversight

Committee oversight hearings, held throughout the year, are the Council's main mechanism to monitor and provide input into agency performance and how agencies use resources to achieve results. In 2000, the Council conducted a citizen satisfaction survey as another way to gauge the quality of city-provided services.

During the budget process, the Council may attach performance-related terms and conditions to agency funds for programs and services. Oversight hearings may also be used to review an agency's progress toward meeting those requirements.

It is not enough to know how the money is spent, we also need to know what results are achieved.

## Mayor's Management Report

The *Mayor's Management Report (MMR)*, is issued twice yearly by the Mayor's Office of Operations. It is the city's main published source of information about government agency performance. The MMR provides narrative and statistical information on the activities of city departments and agencies. The Council holds hearings on the MMR each Fall.

## Audits

The City Comptroller's Office performs a variety of audits (financial, programmatic, operational, and compliance) of city agencies, public authorities, and outside contractors doing business with the city.

## Program Evaluation

Some city agencies measure and report on results separately from the MMR. In large part, however, these efforts are focused on informing internal agency management rather than the general public.

# Budgeting All Year Long

## Budget Modifications

The Adopted Budget establishes the starting point for the fiscal year, but the budget is managed and modified on an ongoing basis over the fiscal year in response to changing conditions.

Budget modifications occur year-round, with more emphasis placed on modifications associated with each quarterly Financial Plan.

# Tradeoffs

Each budget season is an opportunity to rethink how the city allocates its financial resources to achieve the goals and objectives of the Mayor and other elected officials. In the budget process for any given year, there will be more requests to fund programs or provide tax reductions than there is money to go around. As a result, policymakers face a wide variety of choices about allocating resources in the context of competing budget priorities.

## Competing Demands

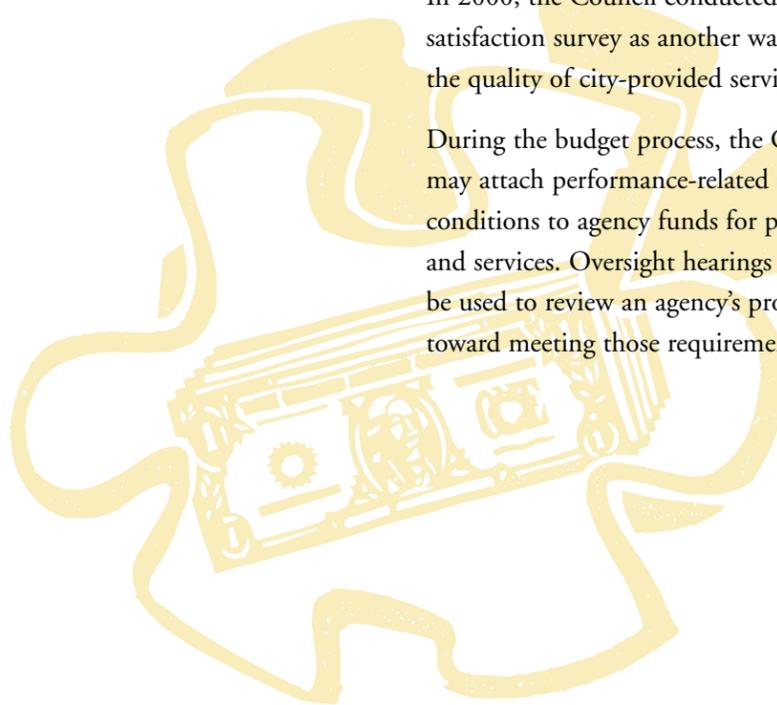
In addition to the goals and objectives of the Mayor, City Council members, and other elected officials, there is a considerable amount of pressure on policymakers from a wide range of interest groups. Some may be urging cuts in taxes while others are demanding increases in services. Some concerns may be very neighborhood specific, others citywide.

During the process of adopting the city budget for the upcoming fiscal year, the

City Council committees responsible for various programs and services hold public hearings. Commissioners of city agencies testify regarding their ability to meet changing demands for service delivery under the allocations contained in the Mayor's budget proposals. In addition, representatives of the Borough and Community Boards as well as lobbyists for various interest groups, advocates for a variety of programs and services, and the general public have the opportunity to testify and voice their opinions about community or citywide needs. Other elected officials, including the Comptroller, Public Advocate, and the five Borough Presidents may also express their budget concerns in various forums.

As City Council members determine their priorities and decide how to vote on the Mayor's budget proposals, they must weigh the competing demands alongside the need to keep the city's budget in balance. This means ensuring that there are recurring revenues available to support a level of spending necessary to deliver an acceptable level of services. Finding that balance—both in fiscal and political terms—is what tradeoffs are about.

In the budget process for any given year, there will be more requests to fund programs or provide tax relief than there is money to go around.



## Making Tradeoffs

# What \$10 Million Buys

In New York City's Budget \$10M could have funded any **one** of the following:

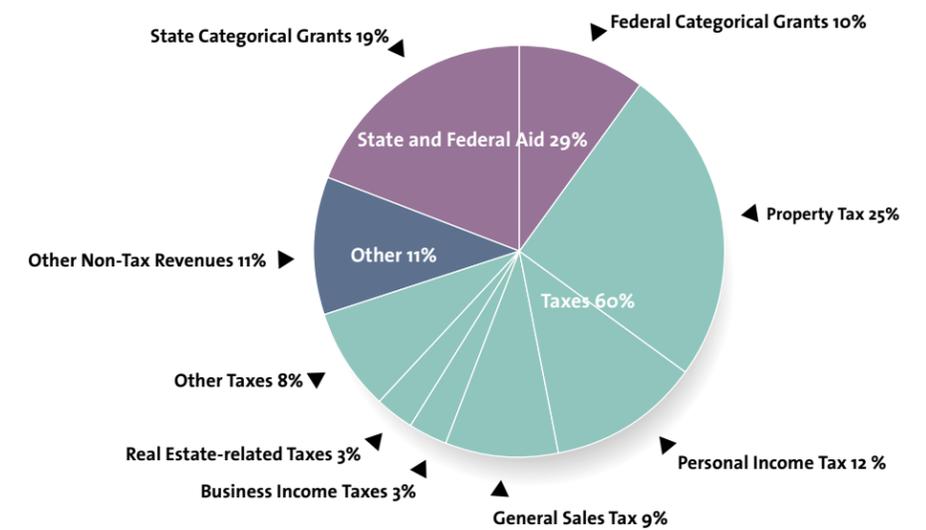
<b>Child Care</b>	1,300 subsidized day care slots (about 61,000 children enrolled in Administration for Children's Services programs)
<b>Education</b>	95 teachers (the city employs about 73,000 teachers)
<b>Employment</b>	8,700 summer jobs for youth (about 20 percent of all jobs)
<b>Fire</b>	23 new fire engines (there are a total of 205 fire engines)
<b>Health</b>	200 school nurses (the city employs about 1,000 school nurses)
<b>Homeless Services</b>	302 homeless family shelter units for a year (about 3 percent of the cost of sheltering families annually)
<b>Libraries</b>	193 librarians (total of 1,292 librarians employed throughout system)
<b>Parks</b>	250 city park workers (about 70 percent of full-time park maintenance workers)
<b>Police</b>	125 police officers per year (the city employs about 36,000 police officers)
<b>Prisons/Corrections</b>	Incarcerating the average daily population of roughly 14,000 inmates in city jails for about 3 days
<b>Public Assistance</b>	The city portion of the annual Family Assistance grant for 4,800 families of three (there are about 87,000 families receiving Family Assistance)
<b>Sanitation</b>	11 days of disposal of residential garbage
<b>Seniors</b>	1.4 million lunches at senior centers (about 20 percent of center lunches served annually)
<b>Street Resurfacing</b>	112 lane-miles of city streets (about 15 percent of total lane-miles resurfaced each year)
<b>Tax Relief</b>	Personal Income Tax (PIT) savings of \$4.80 per NYC taxpayer (on average)

Source: IBO.

Notes: All numbers are approximations based on current information available at the time of publication.

## Where Does The Money Come From?

Estimated Revenues NYC Budget 2006 Total \$50 billion



## Where Does The Money Go?

Estimated Spending NYC Budget 2006 Total \$50 billion

