

# Fiscal 2005 Preliminary Budget Response

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## Part V Highlights

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Speaker of the Council

Hon. David I. Weprin, Chair  
Finance Committee

New York City Council  
Finance Division  
Larian Angelo, Director

March 2004

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# City Council Budget Response

The Council Alternative Financial Plan adds \$1 billion in resources to Fiscal 2005 with;

- \$202 million in efficiencies

- \$581 million in projected additional tax revenue collections

- \$250 million in resources made available through the rejection of the Administration's property tax rebate.

The Council will allocate this additional \$1 billion in resources as follows;

- \$344 million in proposed tax cuts

- \$145 million to fund franchise bus service for fiscal year 2005

- \$292 million in restorations and enhancements

- \$97 million in new initiatives

The Council plan generates a total surplus of \$474 million in Fiscal 2005;

- \$100 million will be placed in a proposed rainy day fund

- \$374 million will be used to reduce the gap in Fiscal year 2006.

# City Council Alternative Financial Plan

	2004	2005	2006	2007
<b>REMAINING GAP IN JANUARY PLAN</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$2,018)</b>	<b>(\$2,875)</b>
<b>COUNCIL RESOURCES</b>	<b>\$319</b>	<b>\$1,033</b>	<b>\$1,217</b>	<b>\$1,202</b>
Agency Program		202	190	204
Tax Revenue	319	581	768	735
Reject Property Tax Rebate		250	259	263
<b>COUNCIL RESTORATIONS &amp; INITIATIVES</b>	<b>\$0</b>	<b>(\$878)</b>	<b>(\$760)</b>	<b>(\$793)</b>
<b>Restorations Not Baselined in Fiscal 2005 &amp; Enhancements</b>		<b>(292)</b>	<b>(282)</b>	<b>(282)</b>
<b>Private Bus Franchise</b>		<b>(145)</b>		
<b>New Initiatives</b>	<b>\$0</b>	<b>(\$97)</b>	<b>(\$122)</b>	<b>(\$140)</b>
Reduce Class Size K-3		(38)	(42)	(60)
Special Ed Teacher Development		(6)	(6)	(6)
Pre-K Pilot		(2)	(2)	(2)
Restore 6-7 Day Library Service		(30)	(40)	(40)
Preserving Fire Safety		(8)	(9)	(9)
Roll Back of PVB Fines and Amnesty Program		(6)	(16)	(16)
District Attorneys Enhancement		(5)	(5)	(5)
Expand Outer Borough Supplemental Basket		(2)	(2)	(2)
<b>Tax Cuts</b>	<b>\$0</b>	<b>(\$344)</b>	<b>(\$356)</b>	<b>(\$371)</b>
Across the Board 2% Property Tax Cut		(236)	(246)	(256)
Senior Property Tax Cut		(50)	(51)	(53)
Earned Income Tax Credit		(11)	(11)	(11)
Deepen Coop-Condo Abatement		(11)	(11)	(12)
Tree Pruning Credit		(5)	(5)	(5)
Bar & Restaurant Tax Reduction		(11)	(11)	(12)
Lower Manhattan Sales Tax Free Week		(10)		
Good Neighbor / Good Landlord		(10)	(21)	(22)
<b>SURPLUS / (GAP)</b>	<b>\$319</b>	<b>\$155</b>	<b>(\$1,562)</b>	<b>(\$2,466)</b>
Fiscal 2004 Additional Roll	(319)	319		
<b>Total Surplus Roll</b>	<b>\$0</b>	<b>\$474</b>		
Rainy Day Fund		(100)		
Fiscal 2005 Roll		(374)	374	
<b>RESTATED GAP</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$1,188)</b>	<b>(\$2,466)</b>

# Council Restorations and Enhancements

<b>AGENCY NAME/PROGRAM (in thousands)</b>	<b>Restorations/ Enhancements</b>
<b>LIBRARIES</b>	<b>\$11,802</b>
Operating Subsidy	\$11,802
<b>CULTURAL AFFAIRS</b>	<b>\$12,518</b>
Programs	\$1,548
Cultural Institution Groups (CIGs)	\$10,970
<b>EDUCATION</b>	<b>\$17,600</b>
Teacher's Choice	\$17,600
<b>CUNY</b>	<b>\$18,888</b>
Peter Vallone Scholarship	\$6,050
Community Colleges	\$12,167
Adult literacy, bridge to medicine, MWBE	\$535
Hunter Campus School	\$136
<b>ECONOMIC DEVELOPMENT</b>	<b>\$2,932</b>
Commercial Revitalization	\$1,005
MWBE Staff at DSBS	\$110
NYC and Company	\$447
Garment Industrial Development Corp	\$370
Training for the Long-Term Unemployed	\$1,000
<b>PARKS AND RECREATION</b>	<b>\$14,230</b>
Seasonal Workers	\$6,915
Zoo Subsidy	\$5,280
Tree Pruning	\$2,035
<b>SANITATION</b>	<b>\$3,767</b>
Roosevelt Island AVAC Collection	\$500
Supplemental Basket Collection	\$1,400
Self-Help Centers	\$867
Waste Prevention Coordinators	\$1,000
<b>HEALTH</b>	<b>\$32,881</b>
HIV AIDS	\$3,520
Infant Mortality	\$3,080
Cancer Initiatives	\$859
Asthma Control Program	\$490
School-based clinics	\$590
Community Healthcare Network	\$176
Outpatient Medication Program	\$1,375
Child Health Clinics	\$5,821
Family Planning	\$583
Consolidation of TB Clinics	\$307
School Nurses	\$11,000
Other across-the-board programs	\$5,081

# Restorations & Enhancements

## Cont.

<b>MENTAL HEALTH</b>	<b>\$13,765</b>
HHC MH/Substance Abuse Programs	\$3,614
HHC Mental Health/Hygiene Programs	\$2,884
Suicide Prevention	\$194
Mental Health - Voluntary Sector	\$303
Alcoholism/Substance Abuse -Voluntary Sector	\$1,331
Mental Retardation	\$1,430
Mental Health Contracts	\$1,363
Other across-the-board programs	\$2,648
<b>EMPLOYMENT/YOUTH</b>	<b>\$11,000</b>
Summer Jobs (SYEP)	\$11,000
<b>AGING</b>	<b>\$19,559</b>
Senior Center Closures	\$429
Weekend Meals	\$1,870
Extended Service Contracts	\$1,760
Borough President Discretionary Funds	\$7,500
Meals Program (social services restructuring)	\$8,000
<b>YOUTH</b>	<b>\$33,965</b>
Immigrant Initiative	\$5,000
Discretionary Funds	\$3,199
Beacons	\$8,906
After-Three Corporation	\$2,749
Other Programs	\$2,098
Neighborhood Youth Alliance/Street Outreach	\$1,065
Drug Prevention/Runaway&Homeless Youth	\$837
YDDP (social services restructuring)	\$10,000
Youthlink	\$112
<b>HOUSING</b>	<b>\$5,265</b>
Community Consultants	\$1,161
Landlord Training contract reduction	\$220
Neighborhood Preservation Consultants	\$749
Citywide Task Force on Housing Court	\$385
Legal Services	\$2,750
<b>HOMELESS</b>	<b>\$990</b>
Adult Rental Assistance Program	\$990

# Restorations & Enhancements Cont.

<b>CHILD CARE / WELFARE</b>	<b>\$58,696</b>
Child Care Slots	\$9,907
Preventive Services (including Beacons)	\$8,648
Child Care Fees Surcharge	\$2,090
Foster Care Rates	\$13,042
Substance Abuse	\$8,360
Project CONNECT	\$1,100
Independent Living	\$550
Child Care (social services restructuring)	\$15,000
<b>CORRECTION</b>	<b>\$55</b>
WomenCare	\$55
<b>BOARD OF CORRECTION</b>	<b>\$85</b>
Clerical Staff	\$33
Correction Review Specialist	\$52
<b>JUVENILE JUSTICE</b>	<b>\$550</b>
Community Based Intervention Programs	\$550
<b>CCRB</b>	<b>\$1,100</b>
Investigator Positions	\$1,100
<b>POLICE</b>	<b>\$10,755</b>
School Crossing Guards	\$674
Civilian Headcount	\$10,081
<b>MISCELLANEOUS</b>	<b>\$14,960</b>
Alternatives to Incarceration (ATI's)	\$6,160
Neighborhood Defender Service (NDS)	\$2,530
Office of the Appellate Defender	\$1,650
Legal Aid - Citywide Civil Legal Services	\$1,513
LSNY - Citywide Civil Legal Services	\$1,513
LSNY - Keeping Families Together	\$550
Legal Services for Domestic Violence Victims	\$1,045
<b>BOROUGH PRESIDENTS</b>	<b>\$2,741</b>
PS/OTPS	\$2,741
<b>PUBLIC ADVOCATE</b>	<b>\$562</b>
PS/OTPS	\$562
<b>DISTRICT ATTORNEYS</b>	<b>\$2,750</b>
Across-the-Board Budget	\$2,750
<b>CONFLICTS OF INTEREST BOARD</b>	<b>\$157</b>
Training Unit	\$157
<b>GRAND TOTAL</b>	<b>\$291,574</b>

# Council Tax Revenue Forecast

## Compared to the Preliminary Budget

	2004	2005	2006	2007	2008
(in millions)					
Real Property	\$0	\$9	\$82	\$124	\$229
Personal Income	157	256	333	408	389
General Corporation	59	105	98	114	98
Banking Corporation	32	34	75	(47)	(37)
Unincorporated Business	24	32	36	53	66
Sales	19	50	59	36	45
Commercial Rent	8	7	7	7	14
Real Property Transfer	(10)	23	19	4	(8)
Mortgage Recording	37	63	52	30	18
Utility	(4)	6	8	7	13
Hotel	(3)	(4)	(1)	(1)	13
<b>Total Taxes</b>	<b>\$319</b>	<b>\$581</b>	<b>\$768</b>	<b>\$735</b>	<b>\$840</b>

# Council Tax Program

	2005	2006	2007
(in millions)			
Across the Board 2% Property Tax Cut	(236)	(246)	(256)
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Earned Income Tax Credit	(11)	(11)	(11)
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Bar & Resturant Tax Reduction	(11)	(11)	(12)
Lower Manhattan Sales Tax Free Week	(10)		
Good Neighbor / Good Landlord Tax Relief	(10)	(21)	(22)
<b>Total Tax Program</b>	<b>(\$344)</b>	<b>(\$356)</b>	<b>(\$371)</b>

# Council Re-Estimates

<b>Agency</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
(in millions)				
Police Department	(\$75)	(\$75)	(\$75)	(\$75)
Citywide Administrative Services	(50)	(50)	(50)	(50)
Fire Department	(45)	(45)	(45)	(45)
Campaign Finance Board	(14)	0	(14)	0
Department of Education	(9)	(9)	(9)	(9)
Administration for Children Service	(7)	(8)	(9)	(9)
Homeless Services	(2)	(2)	(2)	(2)
<b>TOTAL</b>	<b>(\$202)</b>	<b>(\$190)</b>	<b>(\$204)</b>	<b>(\$191)</b>

# Council Capital Budget Adjustments For Fiscal 2005

City Funds (\$'s in millions)	Mayor's Preliminary Plan	Council's Proposed Commitment Plan	Variance	Percent Variance
Transportation	\$819	\$801	(\$18)	-2.23%
Courts	\$682	\$54	(\$628)	-92.08%
HHC	\$18	\$18	\$0	0.00%
Transit Authority	\$72	\$72	\$0	0.00%
Police	\$84	\$116	\$32	38.57%
Fire	\$69	\$85	\$16	23.19%
Corrections	\$106	\$82	(\$24)	-22.64%
Health	\$44	\$74	\$30	68.18%
Public Buildings	\$123	\$123	\$0	0.00%
Sanitation	\$662	\$662	\$0	0.00%
Economic Development	\$120	\$245	\$125	104.17%
HPD	\$254	\$304	\$50	19.69%
Housing Authority	\$10	\$10	\$0	0.00%
Education	\$1,319	\$1,319	\$0	0.00%
CUNY	\$21	\$185	\$164	780.00%
Parks	\$140	\$280	\$140	100.00%
Culturals	\$82	\$157	\$75	91.46%
Libraries	\$49	\$149	\$100	204.08%
Environmental Protection	\$2,271	\$2,271	\$0	0.00%
Other Agencies	\$165	\$103	(\$62)	-37.58%
<b>Citywide Total</b>	<b>\$7,110</b>	<b>\$7,110</b>	<b>(\$0)</b>	<b>0.00%</b>

# Fair Share Commuter Reimbursement Program

- Since the State eliminated New York City's modest "commuter tax" in 1999, the approximately 800,000 non-resident workers who come to the City each day to earn their living, pay no tax to the City on income they earn.
- Likewise, the 140,000 City residents who leave the City each day to work in neighboring New York counties do not contribute to the tax base of those jurisdictions.
- The commuter tax/reverse commuter reimbursement program:
  - (1) Re-imposes the commuter tax on non-resident workers in New York City at a rate of 1.1 percent.
  - (2) Reimburses suburban counties in the State for the services used by City residents who work in those counties at a rate of 1.1 percent.
- In Fiscal 2005, the program would raise \$1.102 billion for New York City, offset by the \$75 million that would reimburse the neighboring counties on Long Island and to the north of the City.
- From the approximately \$1 billion in revenue, \$600 million will be dedicated to finance debt for education capital needs. The remaining \$400 million would be dedicated to financing affordable housing.

## **SALES TAX ON CLOTHING**

- Governor Pataki proposes to permanently eliminate the City Council approved sales tax exemption on clothing and footwear selling for less than \$110. If enacted, this tax would cost New York City residents and visitors at least \$319 million in Fiscal 2005.
- The City Council fought for this exemption as it particularly benefits lower income residents of New York City. The Governor's proposal to institute four sales-tax-free weeks for clothing and footwear under \$500 is a poor substitute for the exemption. The City Council opposes the Governor's proposal.
- Lower income New York City residents typically spend 11 percent of their income on clothing and footwear, most of it items under \$110.

## **STAR CREDIT FOR LOW-INCOME RENTERS**

- Renters receive no benefit from the State's School Tax Relief (STAR) program yet they make up the majority of New York City residents, while City homeowners get STAR property tax relief of nearly \$230.
- New Yorkers get only 24 percent of the \$3 billion STAR benefits yet the City's children make up 36 percent of the State's public secondary school enrollment.
- The STAR program would provide tax relief to renters with household incomes under \$30,000 with children under 18 living at home, who pay property taxes indirectly through their rents.
- Proposal offers a refundable credit of 3 percent of annual rent against the personal income tax for 102,000 low-income renters living in rent-regulated apartments for an average benefit of \$283.

# The Administration's Plan

Assumes that Fiscal Year 2004 will close with a \$1.4 billion surplus. This surplus will contribute to gap closing in Fiscal Years 2005 and 2006.

Tax revenue for Fiscal Year 2004 was revised upward by \$765 million since adoption and other non-tax revenues were revised upward by \$290 million.

Higher revenue projections and an agency program of \$324 million in Fiscal Year 2005 contribute to closing the next year's gap.

A proposed \$250 million tax rebate and a \$200 million Pay-As-You-Go capital program will together add \$450 to next year's gap.

The Administration will also rely on \$300 million in Federal actions and \$400 million in state actions to close the Fiscal 2005 gap.

# Administration's Financial Plan – Gap Closing

	2004	2005	2006	2007
<b>PREPAYMENTS / BSA</b>	<b>(\$1,390)</b>	<b>\$695</b>	<b>\$695</b>	
<b>GAP AS OF JANUARY 2004</b>	<b>(\$227)</b>	<b>(\$574)</b>	<b>(\$2,454)</b>	<b>(\$3,306)</b>
AGENCY PROGRAM	\$327	\$324	\$195	\$194
FEDERAL	--	\$300	\$300	\$300
STATE	--	\$400	\$400	\$400
PROPERTY TAX REBATE		(\$250)	(\$259)	(\$263)
PAY-GO CAPITAL	(\$100)	(\$200)	(\$200)	(\$200)
<b>REMAINING GAP</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$2,018)</b>	<b>(\$2,875)</b>