

The City of New York
Executive Budget
Fiscal Year 2002

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Office of Management and Budget
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**Budget
Summary**

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Budget Summary

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Executive Budget Fiscal Year 2002

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Overview

Overview

The City's fiscal condition has markedly improved since 1994, with City funded headcount lower, taxes reduced, spending contained and record surpluses generated. With national economic growth slowing, the City must be especially vigilant in maintaining this hard-won fiscal discipline.

PRESERVING FISCAL DISCIPLINE

The Executive Budget for 2002 builds upon our success in strengthening the City's financial condition by presenting:

- City-funded spending decreases of 2.8% from 2001 to 2002;
- already enacted tax reductions worth \$3.2 billion and additional tax cuts totaling \$494 million next year, increasing to \$1.3 billion by 2005;
- economic assumptions that are realistic;
- a funded collective bargaining agreement with an historic merit pay component; and
- a Budget Stabilization Account for 2002 which will help protect the City's budget from any further weakening in the economy.

Overview

TARGETED INVESTMENTS IN CRITICAL AREAS

The prudent management of the City's resources allows investments in core City services. These investments include:

- continuing enforcement initiatives to reduce crime, including Operation Condor and targeted narcotics initiatives;
- creating HHC-Plus, an outpatient program providing health care access to needy families;
- enhancing funding for English and science education;
- expanding the number of school safety officers and crossing guards to protect children;
- accelerating capital funds to immediately begin construction of 12 new school buildings;
- establishing new commitments to public/private partnerships with cultural institutions, including the rehabilitation of Lincoln Center and the new downtown Guggenheim museum;
- transferring inspectors from the Buildings Department to the Fire Department; and
- establishing a new NYC.gov Portal to provide improved Internet access to City services.

Overview

TAX REDUCTIONS

The Executive Budget includes a substantial new tax reduction program that grows to \$1.3 billion by 2005. This program will improve the City's long-term economic competitiveness.

Highlights include:

- reducing the Personal Income Tax surcharge by an additional 25%;
- phasing out the Commercial Rent Tax;
- extending Co-op/Condo Property Tax Relief;
- eliminating the Sales Tax entirely on clothing and footwear;
- creating a resident S-Corp/PIT credit;
- repealing the \$2 a night tax on hotel rooms, with a tax reduction for Bed and Breakfast establishments;
- introducing a City Earned Income Tax Credit;
- business tax reform; and
- extending the Lower Manhattan Commercial Revitalization Program.

Overview

LABOR POLICY

The plan articulates a strategy whereby the workforce can be rewarded for excellence through an historic merit pay plan. This provision was a key accomplishment in the recently negotiated DC37 economic agreement. Under this plan, the City will select employees who will receive increases based on merit.

Contract negotiations are also underway with the remaining City unions. The new DC37 economic agreement, in concert with the recently negotiated agreements between the City and all of its unions on health benefits and pensions, will establish the basic parameters for collective bargaining agreements in this round of bargaining.

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Then and Now

Then and Now

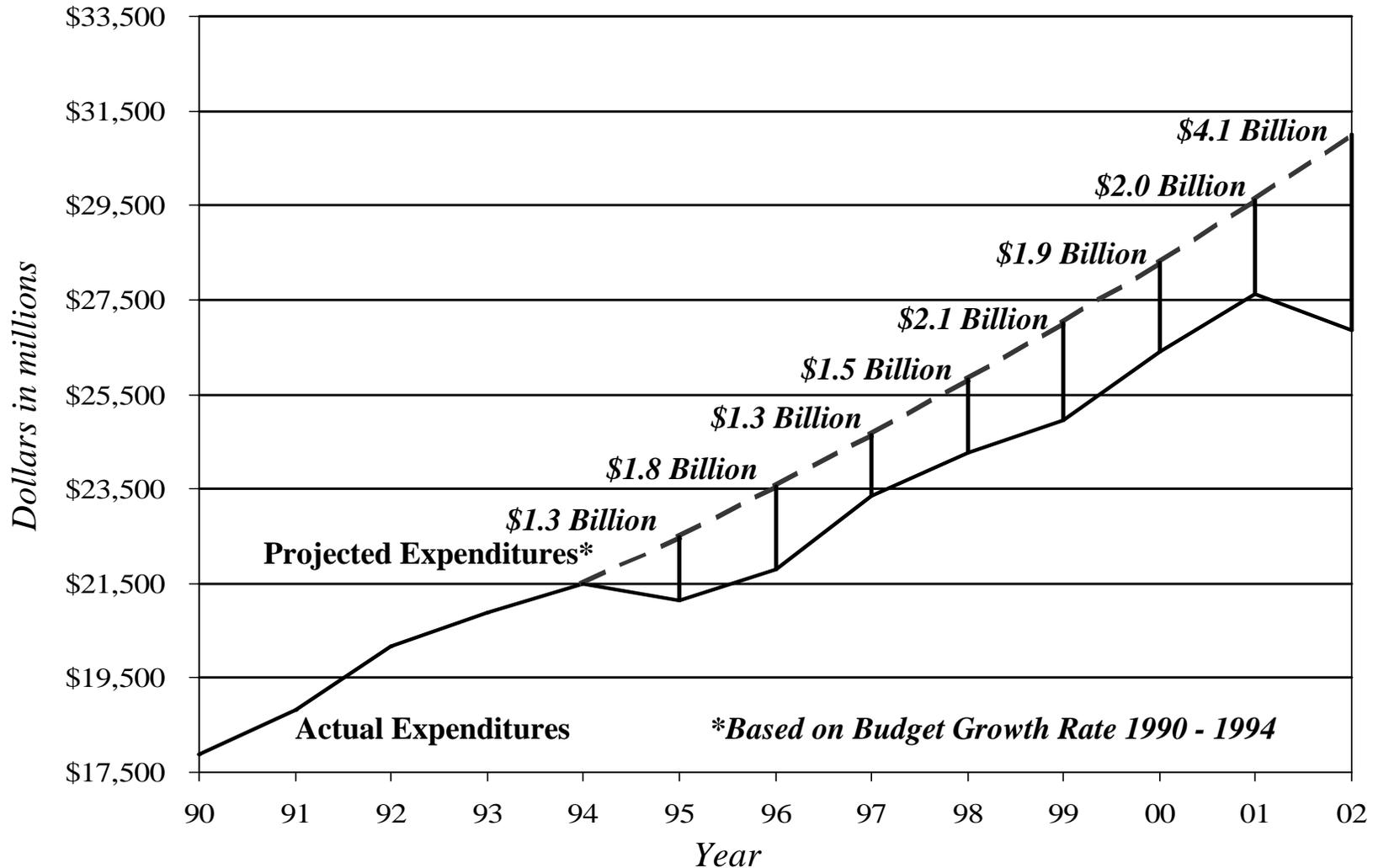
	<i>1993</i>	<i>2001</i>	<i>1993 - 2001</i>	
Population	7,329,079	8,008,278 *	9.3%	
Personal Income (billions)	\$202.9	\$302.5 *	49.1%	
Total Construction Permits	46,048	70,442 *	53.0%	
Private Employment (thousands)	2,703.6	3,152.6 *	16.6%	
Hotel Occupancy Rate	69.5%	84.6% *	21.7%	
Public Assistance Recipients	1,112,490	518,823 **	(53.4%)	
Unemployment Rate	10.4%	5.1% **	(51.0%)	
Tax Burden	8.8%	7.3%	(17.0%)	
Fresh Kills Landfill Average Daily Tonnage	14,911	0	(100%)	
Number of Full-Time City Funded Employees:	222,836	215,891	(3.1%)	
• Police - Uniformed	36,340	40,710	12.0%	
• Board of Education - Pedagogues	69,002	77,843	12.8%	
• All Others	117,494	97,338	(17.2%)	
Murders	1,946	673 *	(65.4%)	
Overall Crimes	600,346	288,368 *	(52.0%)	
Vehicle Thefts	112,464	35,847 *	(68.1%)	

* Data is through December 2000

** as of March 2001

Cumulative City Funded Savings Equals \$16.0 Billion

Executive Forecast



Rate of Growth of City Funded Spending

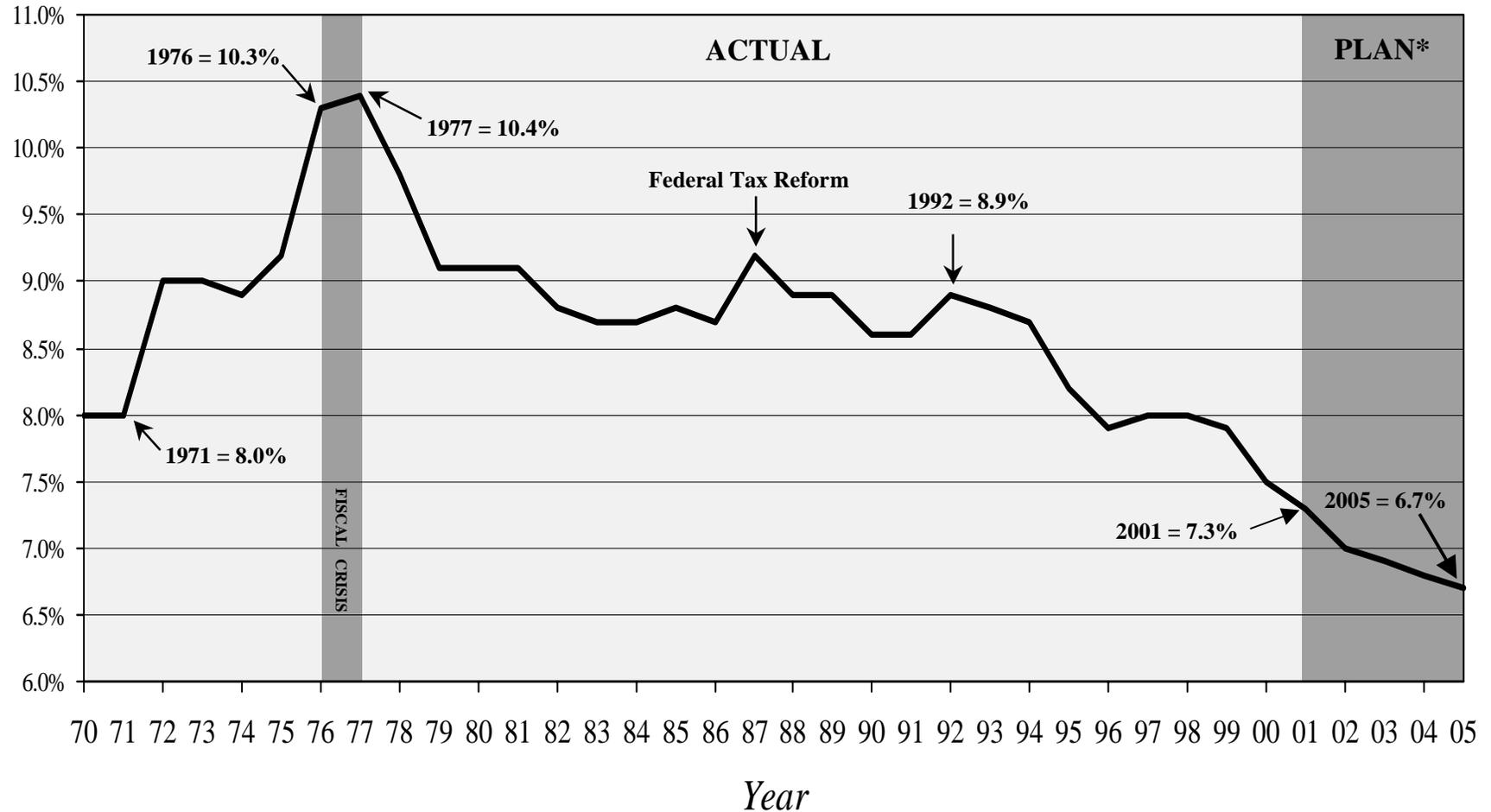
Significant Reduction in the Rate of Growth

Fiscal Year ⁽¹⁾	Total City-Funded Spending	Percent Change	
1982	\$10,096	-	
1983	10,813	7.1%	7.4%
1984	11,678	8.0	
1985	12,894	10.4	
1986	13,672	6.0	
1987	15,011	9.8	
1988	15,660	4.3	
1989	17,156	9.6	
1990	17,887	4.3	
1991	18,818	5.2	4.7%
1992	20,161	7.1	
1993	20,881	3.6	
1994	21,484	2.9	
1995	21,150	(1.6)	2.9%
1996	21,794	3.0	
1997	23,339	7.1	
1998	24,258	3.9	
1999	24,957	2.9	
2000	26,400	5.8	
2001	27,626	4.6	
2002	26,861	(2.8)	

Notes: (1) 1982 through 2000 are based upon Comptroller's actuals. 2001 and 2002 are based on the 2002 Executive Budget

New York City Tax Burden Lowest In Three Decades

City Tax Revenue as a Share of Personal Income



Note: 1999 through 2005 personal income and 2001 through 2005 tax revenue are forecast.

** Includes proposed tax cuts.*

Taxes Eliminated and Reduced

1994

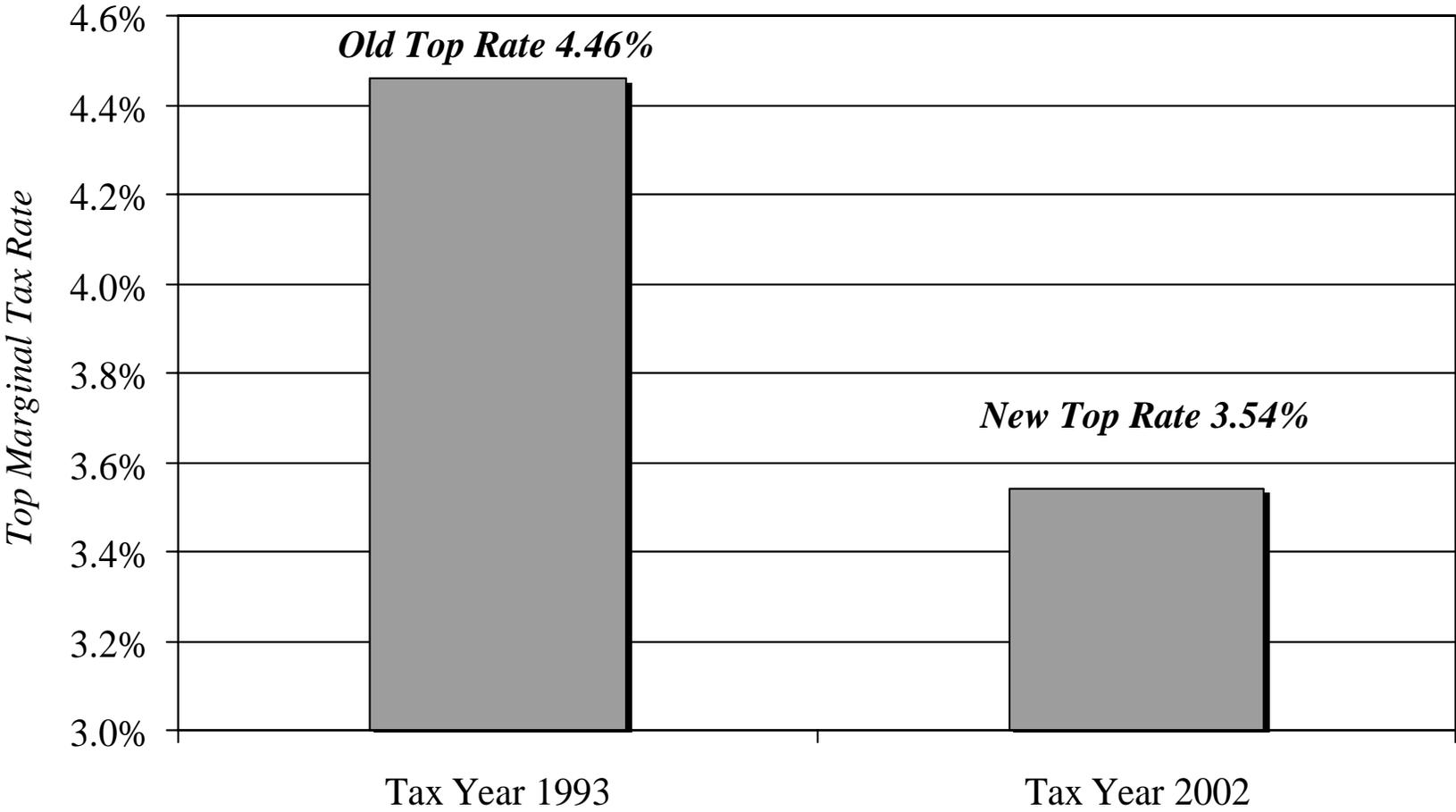
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2001

23 Taxes Reduced or Eliminated, including:

- Commercial Rent Tax eliminated in Outer Boroughs (*effective 1995*)
 - Vault Charge eliminated (*effective 1997*)
 - Coin-Operated Amusement Devices eliminated (*effective 1997*)
 - PIT 12.5% Surcharge eliminated (*effective 1999*)
 - Sales Tax on Clothing and Footwear under \$110 eliminated (*effective 2000*)
-

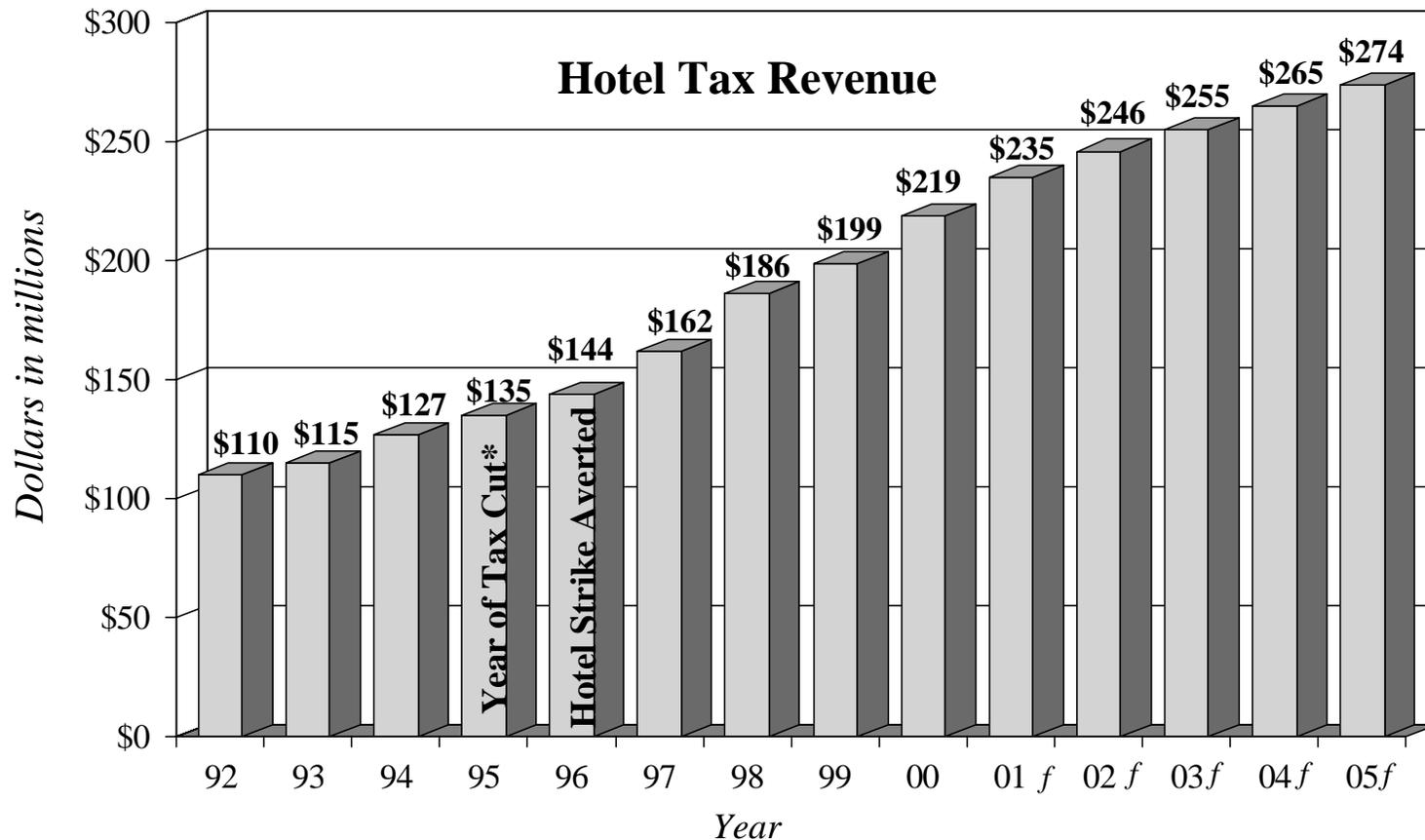
Personal Income Tax Cut By 21%



Notes: 12.5% Surcharge eliminated January 1, 1999
STAR Rate Cuts – Fully Phased in January 1, 2001
Surcharge Cut – Effective January 1, 2001
Surcharge Cut – Effective July 1, 2001

Results of 1994 Hotel Tax Cut

Hotel Occupancy and Tax Revenue have climbed since the State and City tax reductions in 1995.

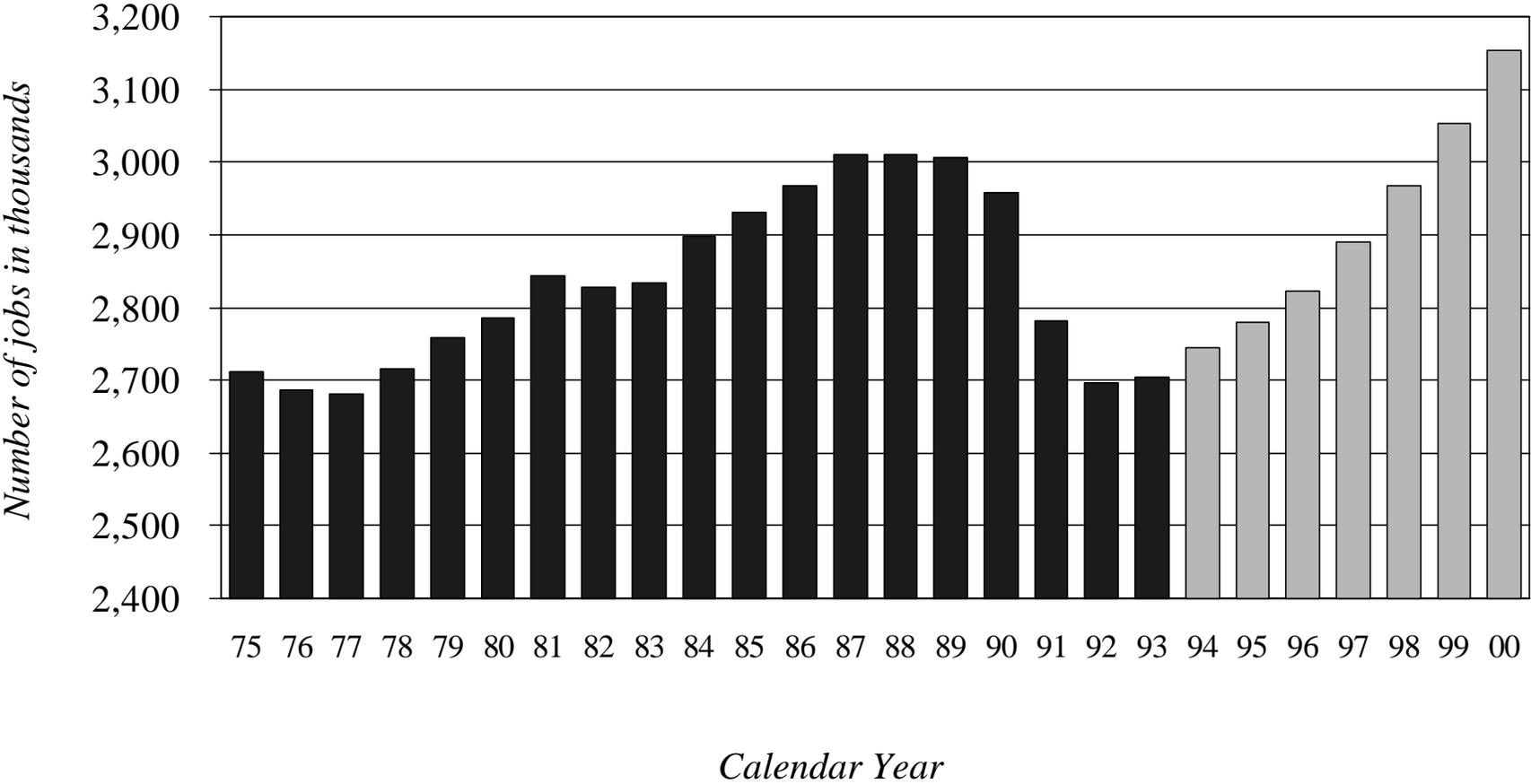


City tax rate reduced 1% on December 1, 1994, while the State 5% tax was eliminated on September 1, 1994.

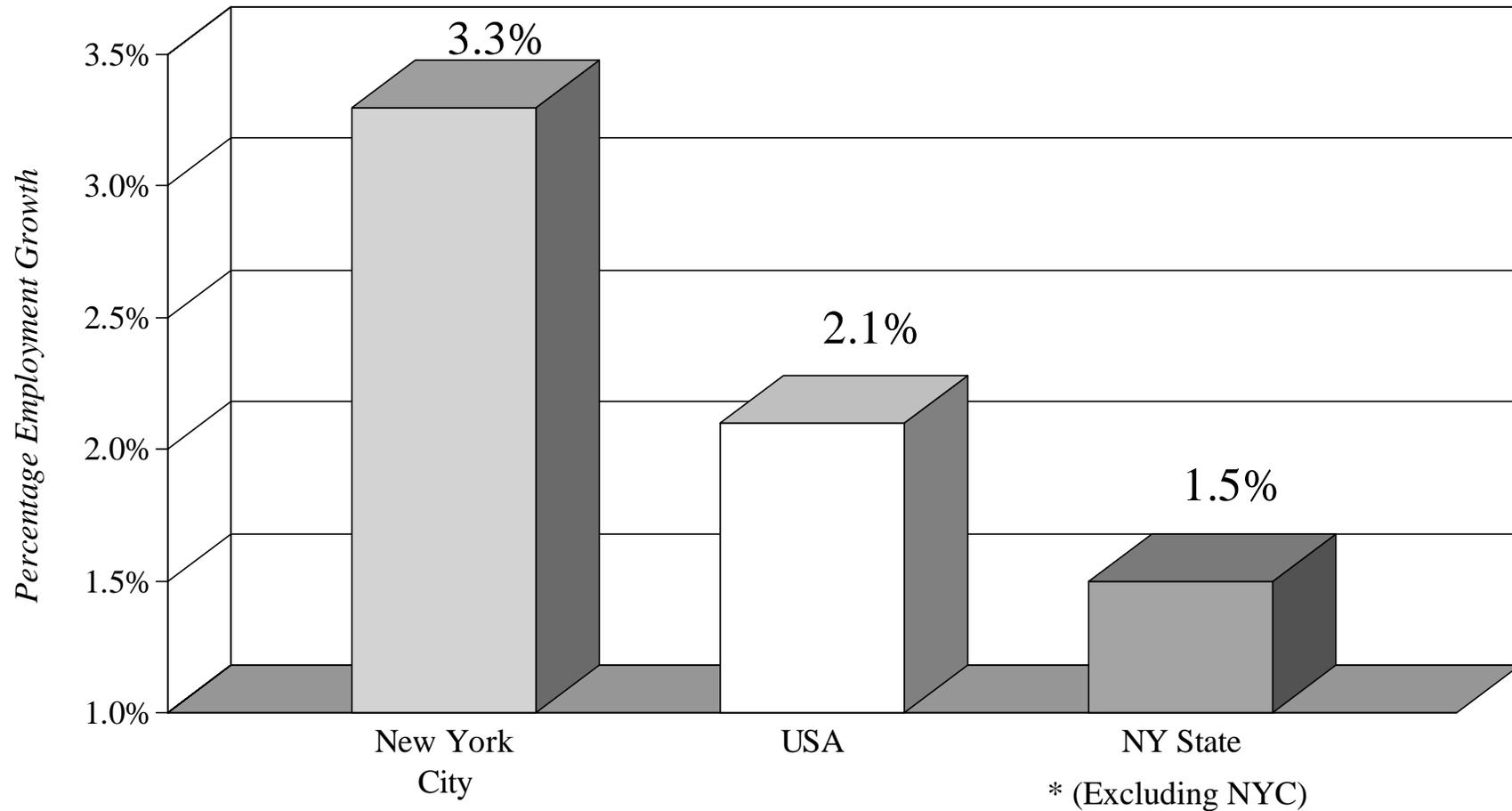
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New York City Achieved Historic Private Sector Job Growth In 2000

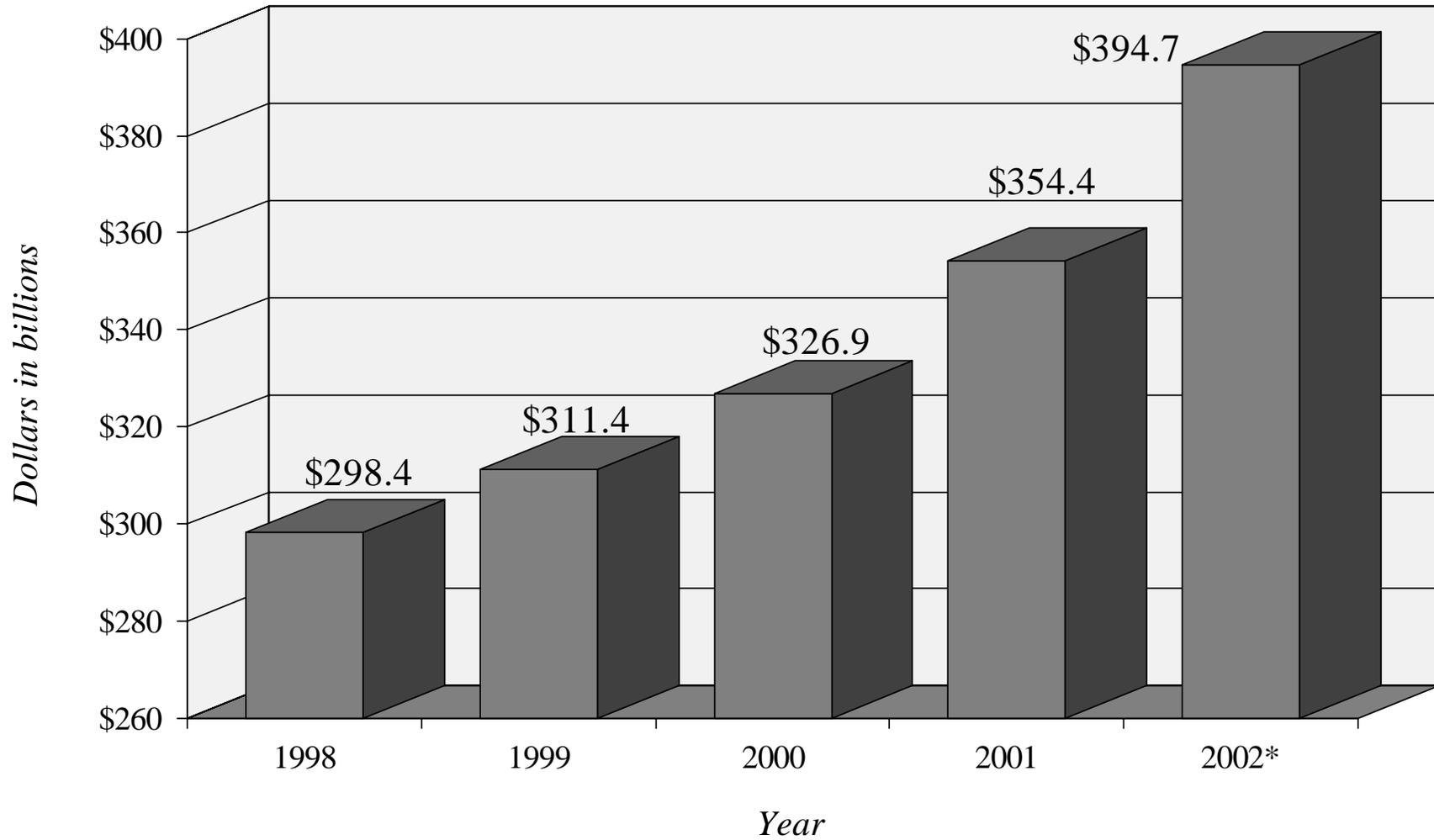
New York City Has Added 481,000 Private Sector Jobs Since December 1993



Private Sector Employment In New York City Grew Faster Than The Nation & The State* Once Again In 2000

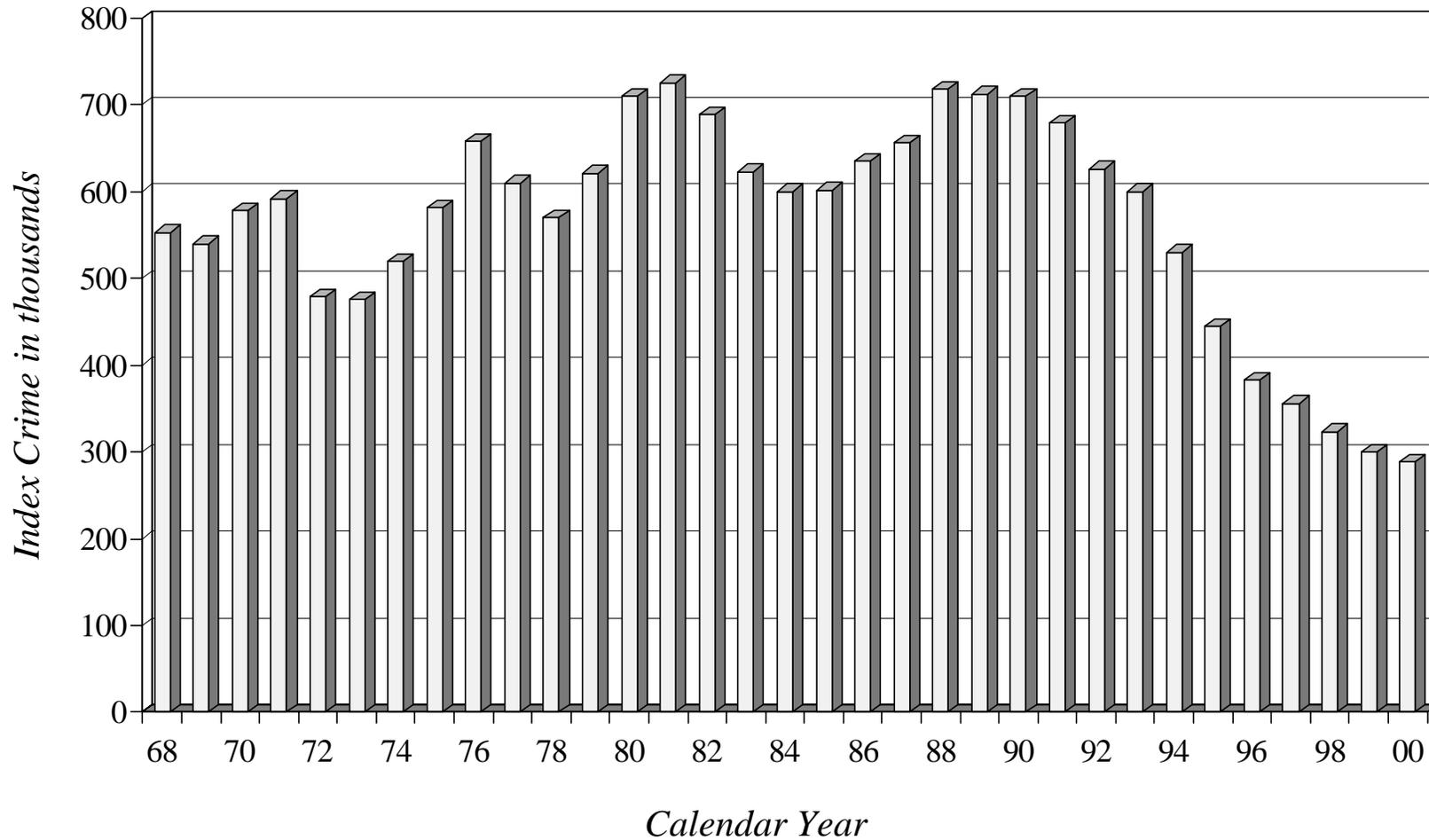


Property Values Have Grown 32% Since 1998



* Based on 2002 tentative roll.

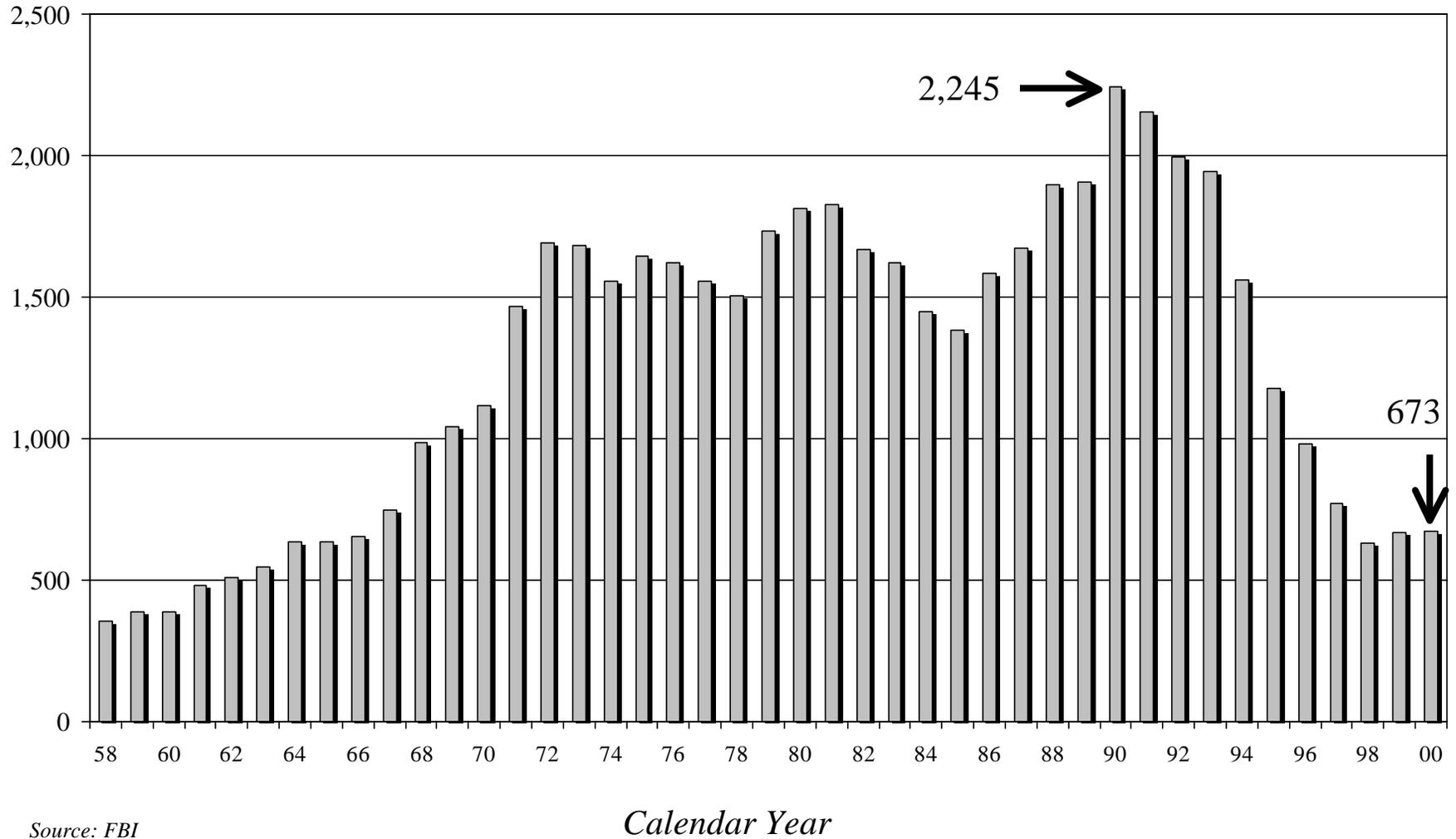
New York City Total Index Crime 1968 - 2000



Source: FBI

Note: Data prior to 1968 is not comparable due to changes in crime reporting methods.

Murders in New York City 1958 – 2000



Milestones for Success: Social Service Accomplishments 1994 to 2002

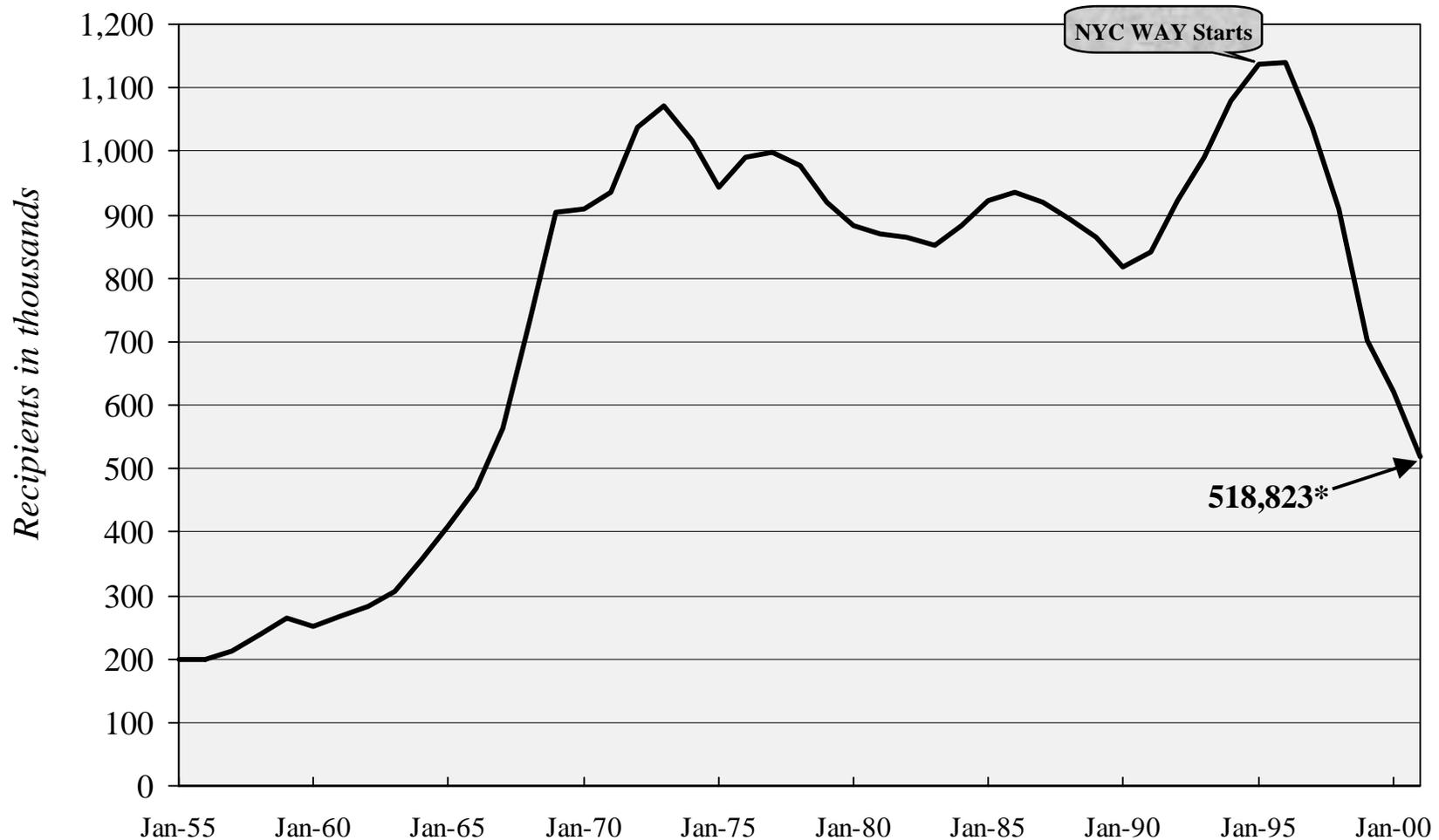
- Public Assistance caseload at lowest level since 1966;
- Re-engineering of Welfare Centers into Job Centers, engaging 100% of Public Assistance recipients in work activities;
- Implementation of subsidized jobs program and individual assessments for families nearing the TANF 5-year limit;
- Over 5,000 program shelter beds – nearly twice as many as in 1994 – for homeless adults with mental health, substance abuse and other special needs;
- Reduction of 35% in ACS foster care caseloads and achievement of over 27,000 adoptions;
- Increase of \$325 million in child care funding, nearly doubling Citywide spending;
- The City's spending for senior services including meals, homecare, senior centers, NORC's, and crime victim's assistance has almost doubled; and
- Youth program increase in Beacon schools from 39 sites to 81, ensuring at least one program in every Council district.

Milestones For Success: Health Care Accomplishments 1994 to 2002

- **H**HealthSTAT enrollment of over 96,000 children and families in Medicaid and Child Health Plus;
- **E**stablishment of comprehensive pest control (\$7.7 million) and vector control (\$6.3 million) programs;
- **A**dditional public health programs to reduce asthma (\$2.7 million) and lead poisoning (\$5.3 million) among children;
- **L**evel funding for daily nursing presence in all non-public schools (\$17 million);
- **T**argeted funding for cancer reduction programs (\$16 million); and
- **H**ospital renovations to improve access and services to New Yorkers (\$550 million).

New York City Public Assistance Recipients at Lowest Level Since 1966

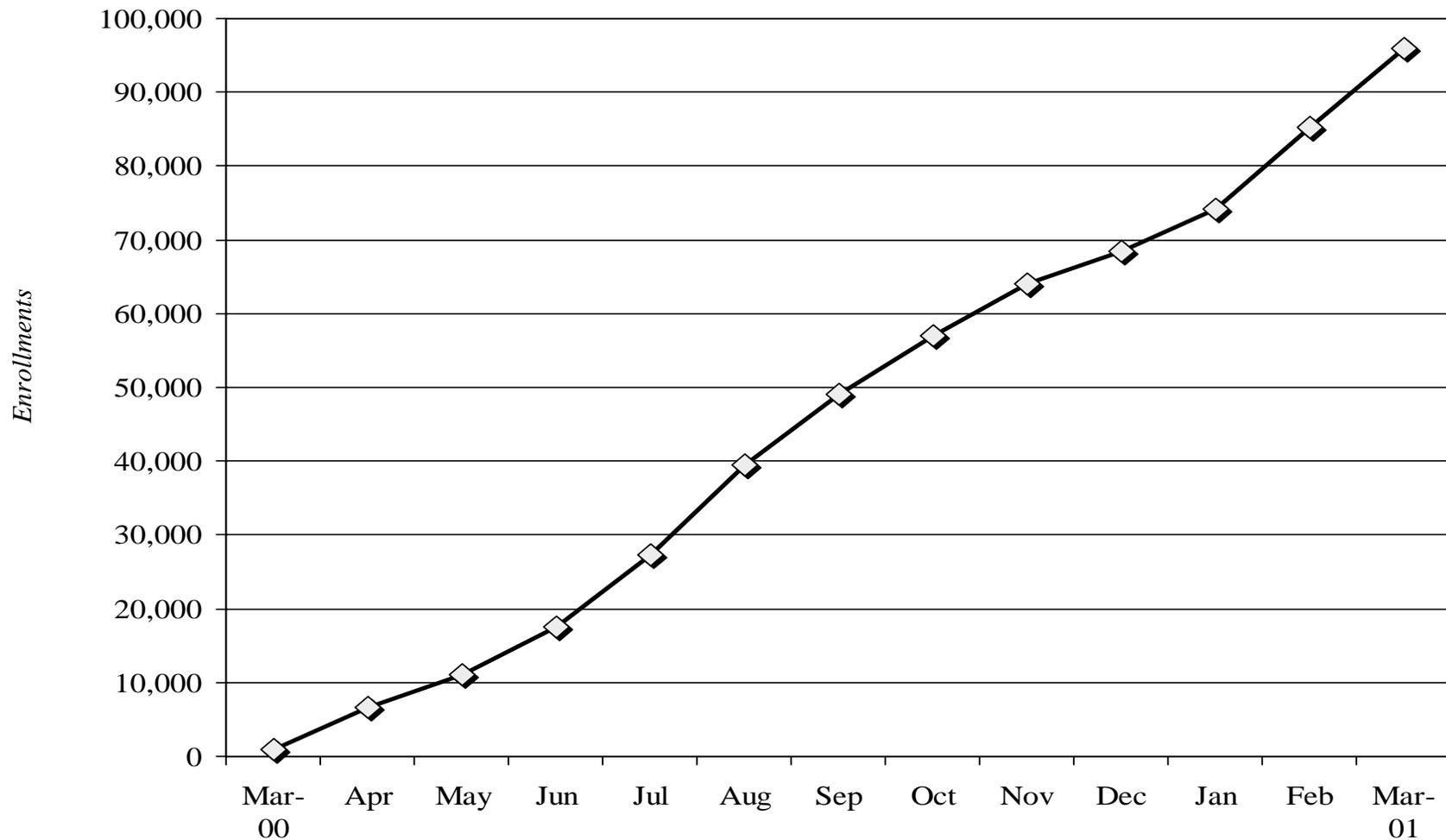
January 1955 to March 2001



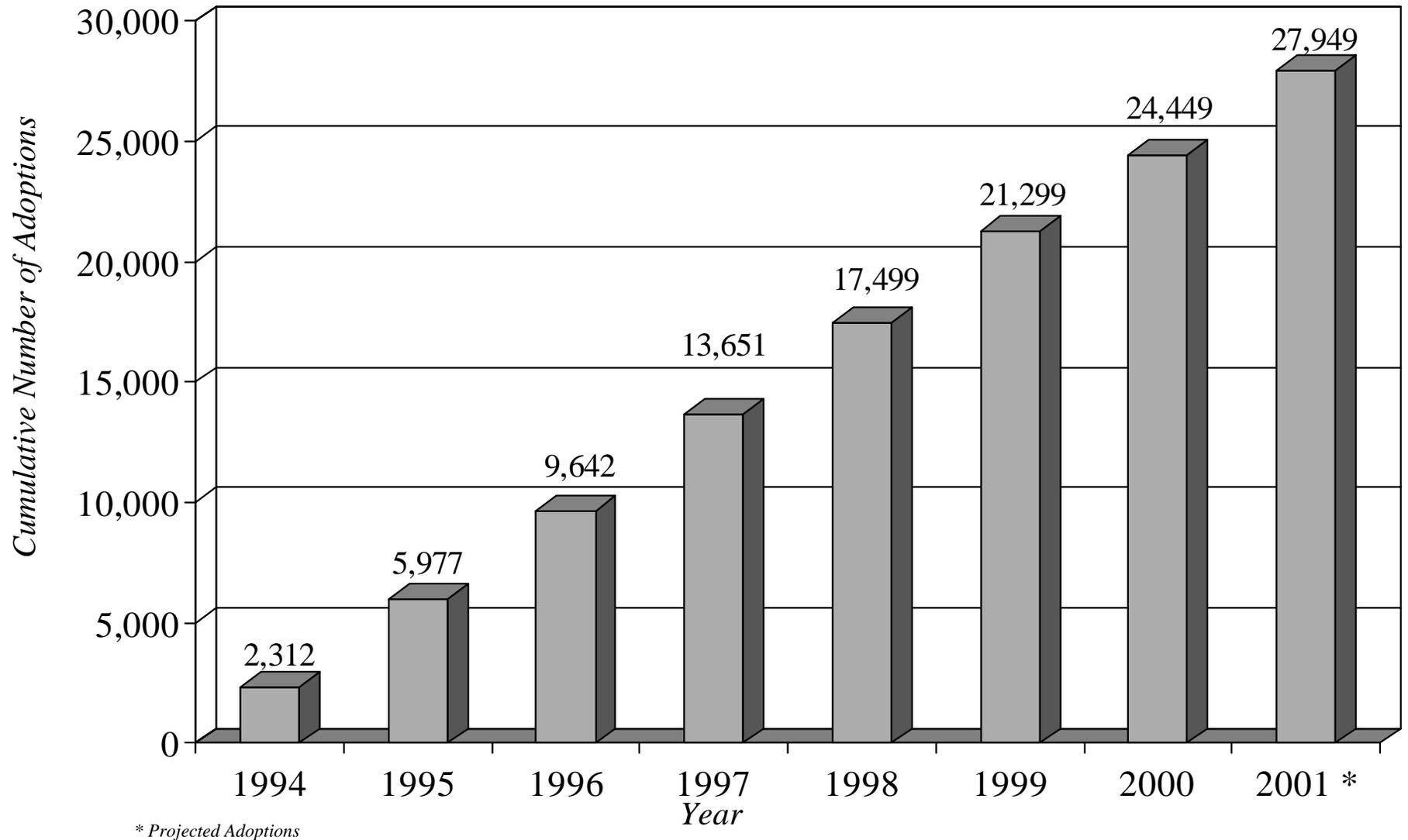
* as of March 2001

HealthSTAT Enrolls Over 96,000 Children and Families in Child Health Plus and Medicaid

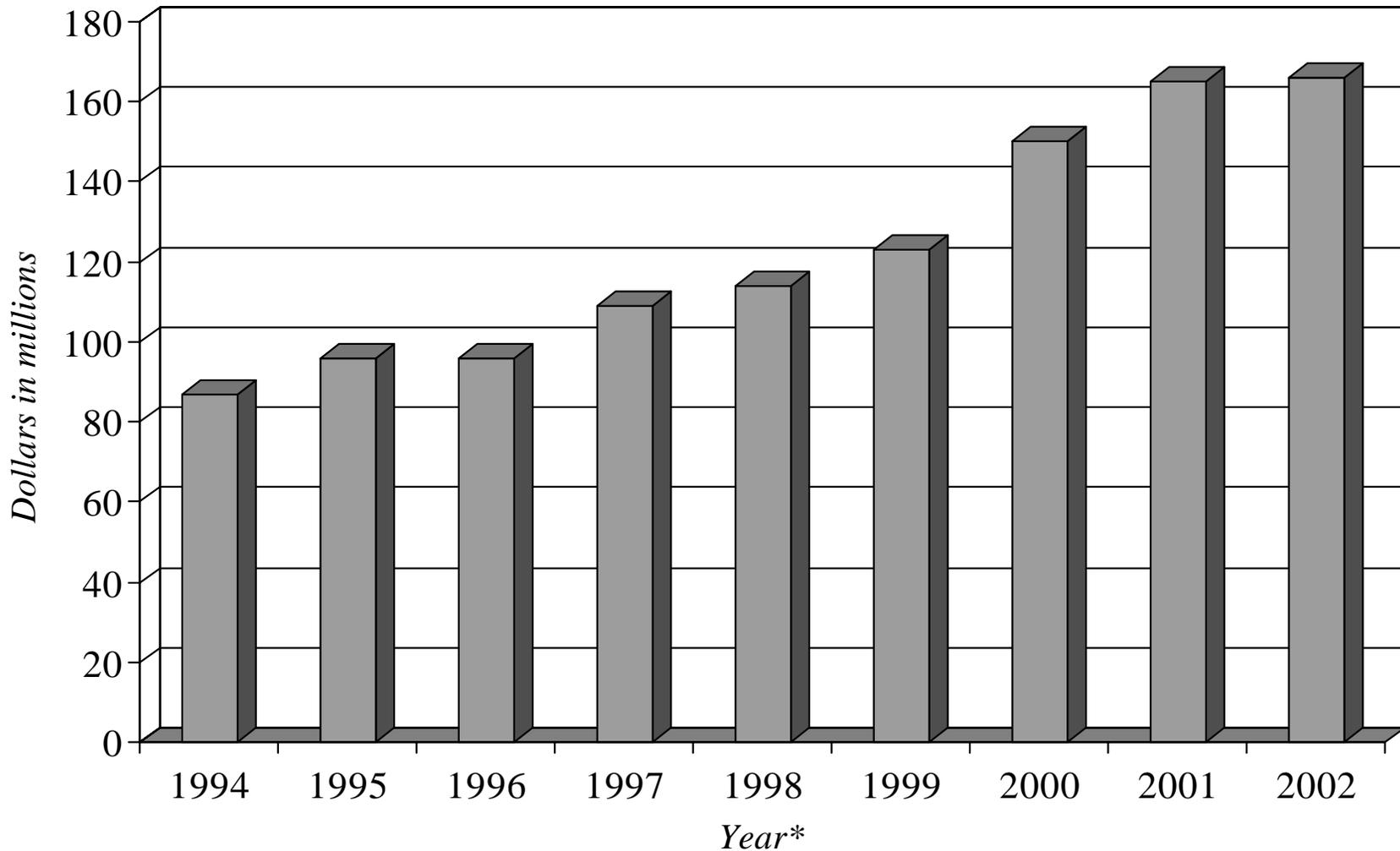
Cumulative Enrollments Since March 2000



27,949 Adoptions Will Have Been Achieved Since 1994

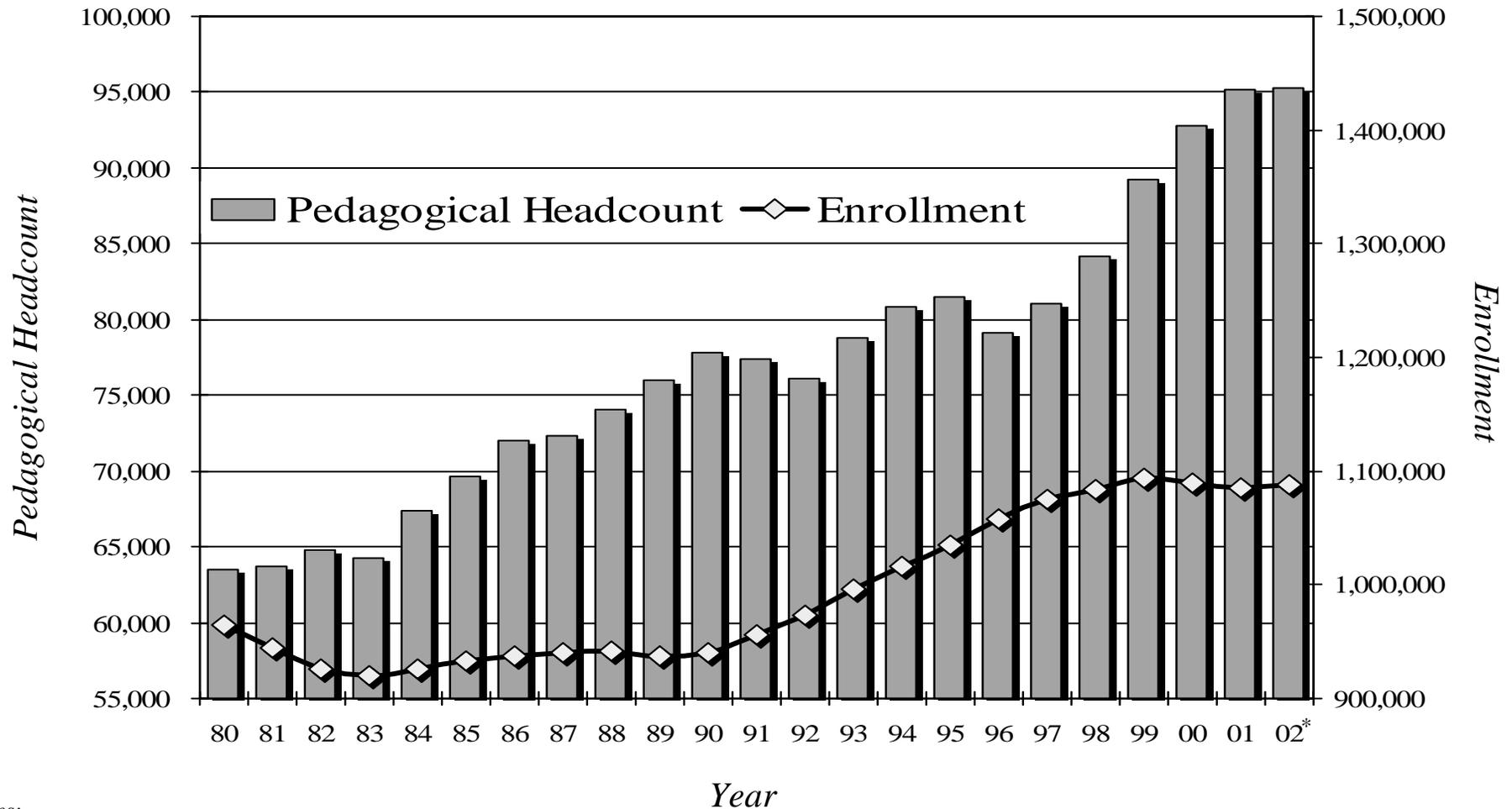


New York City's Spending on Services for Seniors Has Increased by Over 90%



**Actual Spending 1994 – 2000; Executive Budget Projections for 2001-2002*

Board of Education Pedagogical Headcount and Enrollment

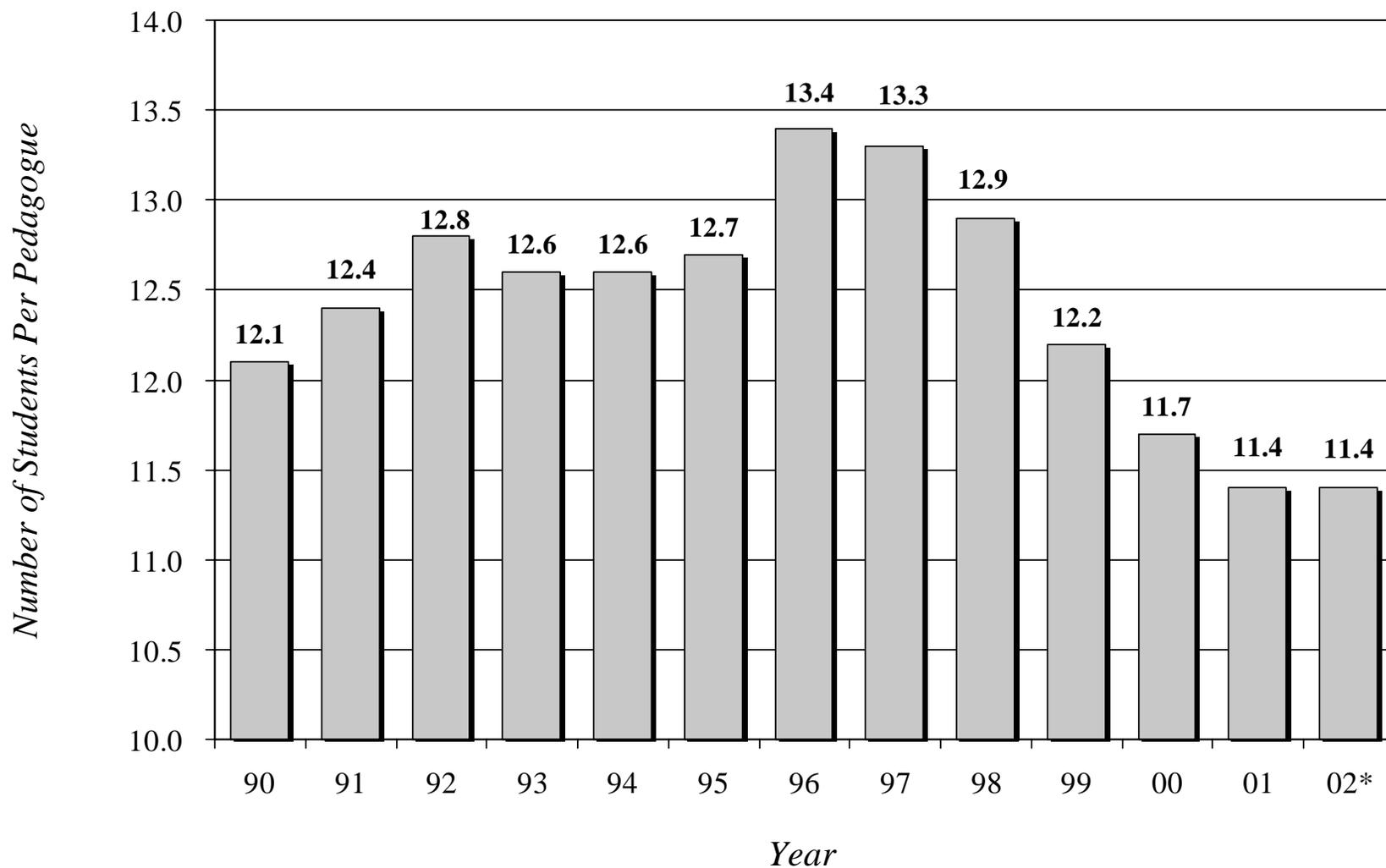


Notes:

1. Pedagogues include teachers, teacher trainers, principals, assistant principals, supervisors, guidance counselors, school social workers, school psychologists, school secretaries and other Board of Education licensed individuals.
2. Enrollment includes LTAs.

* As of 2002 Executive Budget

Board of Education Student:Pedagogue Ratio



* As of 2002 Executive Budget

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Financial Plan

2001 Changes Since Adoption

	<i>Dollars in millions</i>
Adopted Budget Stabilization Account	\$905
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<i>Additional Sources of Funds</i>	
● Revenues	\$1,519
● Agency Programs	527
● Tax Reductions Not Enacted	331
● Prior Payables	264
● General Reserve	158
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Total Additional Sources of Funds	<u>\$2,799</u>
<i>Additional Uses of Funds</i>	
● Collective Bargaining	(\$389)
● Pension Costs	(79)
● Medicaid	(140)
● Police	(166)
● Other Spending	(169)
<hr/>	
Total Additional Uses of Funds	<u>(\$943)</u>
FY 2001 Budget Stabilization Account	<u>\$2,761</u>

2002 Changes Since Adoption

Dollars in millions

Additional Sources of Funds

● FY 2001 Budget Stabilization Account	\$2,761
● Agency Programs	846
● FY 2002 Revenue Forecast	285
● OTB Privatization	250
● Reimbursement of Landfill Closure Costs	225
● Debt Service	150
● State and Federal Actions	150

Total Additional Sources of Funds	<u>\$4,667</u>
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Additional Uses of Funds

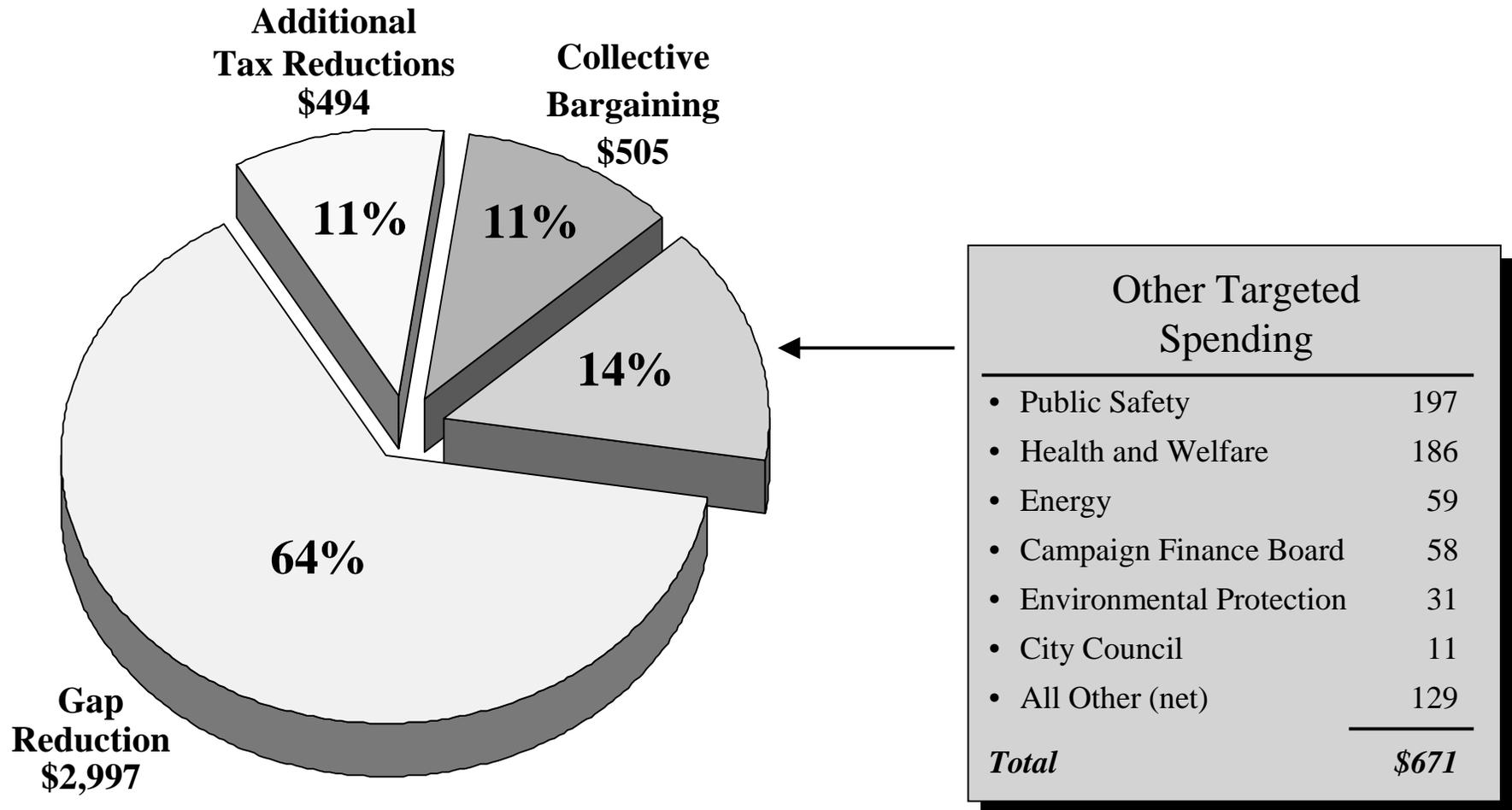
● Gap Reduction	(\$2,652)
● Collective Bargaining	(505)
● Other Targeted Spending	(671)
● Additional Tax Reductions	(494)
● Fund FY 2002 Budget Stabilization Account	(345)

Total Additional Uses of Funds	<u>(\$4,667)</u>
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Distribution of 2002 Changes

Dollars in millions



Five Year Financial Plan Revenues & Expenditures

Dollars in millions

Revenues	2001	2002	2003	2004	2005
Taxes:					
General Property Tax	\$8,136	\$8,643	\$9,100	\$9,536	\$9,970
Other Taxes	14,661	13,885	14,584	15,282	16,071
Tax Audit Revenue	399	487	426	427	427
Tax Reduction Program	-	(494)	(719)	(1,041)	(1,264)
Miscellaneous Revenues	4,794	4,600	3,979	4,046	4,032
Unrestricted Intergovernmental Aid	593	706	632	632	632
Other Categorical Grants	439	392	360	352	344
Less: Intra-City Revenue	(1,381)	(1,343)	(1,301)	(1,256)	(1,256)
Disallowances Against					
Categorical Grants	(15)	(15)	(15)	(15)	(15)
Subtotal City Funds	\$27,626	\$26,861	\$27,046	\$27,963	\$28,941
Inter-Fund Revenues	296	301	297	297	297
Total City Funds & Inter-Fund Revenues	\$27,922	\$27,162	\$27,343	\$28,260	\$29,238
Federal Categorical Grants	4,737	4,457	4,131	4,105	4,104
State Categorical Grants	7,824	7,913	8,012	8,101	8,179
Total Revenues	\$40,483	\$39,532	\$39,486	\$40,466	\$41,521
Expenditures					
Personal Service	\$21,176	\$21,865	\$22,375	\$22,693	\$23,129
Other Than Personal Service	17,462	17,391	17,389	17,687	17,976
Pay-As-You-Go Capital	162	150	150	150	120
Debt Service	261	924	2,964	3,401	3,583
Budget Stabilization & Other Prepayments *	2,761	345	-	-	-
MAC Debt Service	-	-	490	489	490
General Reserve	42	200	200	200	200
	\$41,864	\$40,875	\$43,568	\$44,620	\$45,498
Less: Intra-City Expenses	(1,381)	(1,343)	(1,301)	(1,256)	(1,256)
Total Expenditures	\$40,483	\$39,532	\$42,267	\$43,364	\$44,242
Gap To Be Closed	\$ -	\$ -	(\$2,781)	(\$2,898)	(\$2,721)

* Includes prepayments of MAC and lease debt service and certain Covered Organization subsidies.

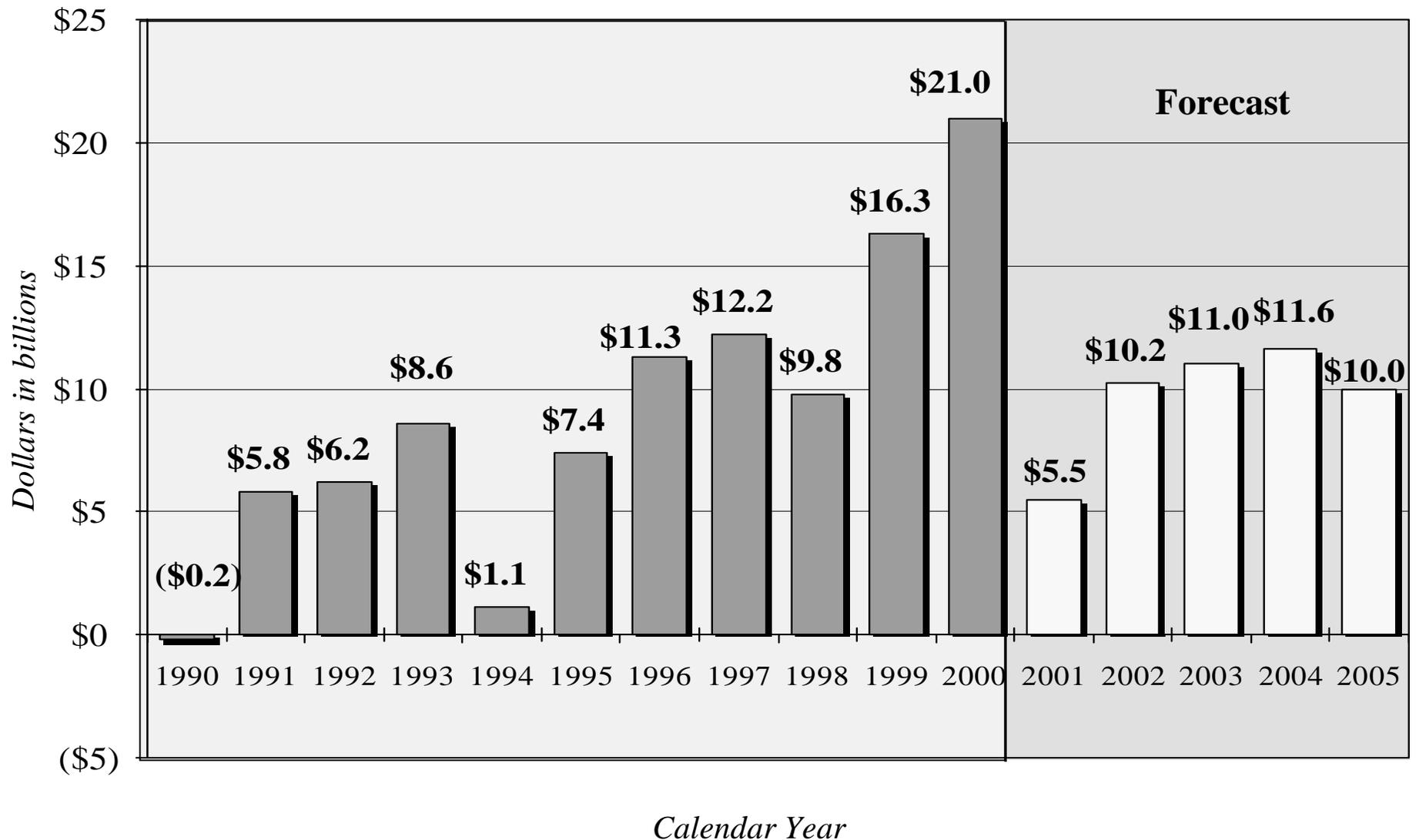
Financial Plan Update

	<i>Dollars in millions</i>				
	2001	2002	2003	2004	2005
Adopted Budget Surplus / (Gap) - Restated	\$1,236	(\$2,652)	(\$2,374)	(\$1,752)	(\$1,752)
Tax Revenues	1,367	676	811	985	2,207
Delay of Airport Arbitration	-	(350)	(35)	175	210
Other Revenues	152	(41)	(106)	(103)	(150)
Total Revenue Changes	\$1,519	\$285	\$670	\$1,057	\$2,267
Collective Bargaining	(\$389)	(\$505)	(\$744)	(\$802)	(\$902)
Other Expenditure Changes					
Pensions	(79)	(287)	(463)	(630)	(825)
Police	(166)	(176)	(46)	(59)	(56)
Debt Service	(20)	150	(80)	(39)	(224)
Campaign Finance Board	-	(58)	-	-	-
Other Spending	(289)	(150)	72	(168)	(498)
General Reserve	158	-	-	-	-
Prior Payables	264	-	-	-	-
Total Other Expenditure Changes	(\$132)	(\$521)	(\$517)	(\$896)	(\$1,603)
Budget Stabilization Account	(\$2,761)	\$2,416	345	-	-
Gap to Be Closed Executive Budget	(\$527)	(\$977)	(\$2,620)	(\$2,393)	(\$1,990)
Agency Program	527	846	408	386	383
Privatization of OTB	-	250	-	-	-
Reimbursement for Landfill Closure Costs	-	225	-	-	-
State and Federal Actions	-	150	150	150	150
Total Gap Closing Plan	\$527	\$1,471	\$558	\$536	\$533
Surplus / (Gap) Prior to New Tax Reduction Program	-	\$494	(\$2,062)	(\$1,857)	(\$1,457)
Tax Reduction Program	-	(\$494)	(\$719)	(\$1,041)	(\$1,264)
Remaining Gaps	-	-	(\$2,781)	(\$2,898)	(\$2,721)

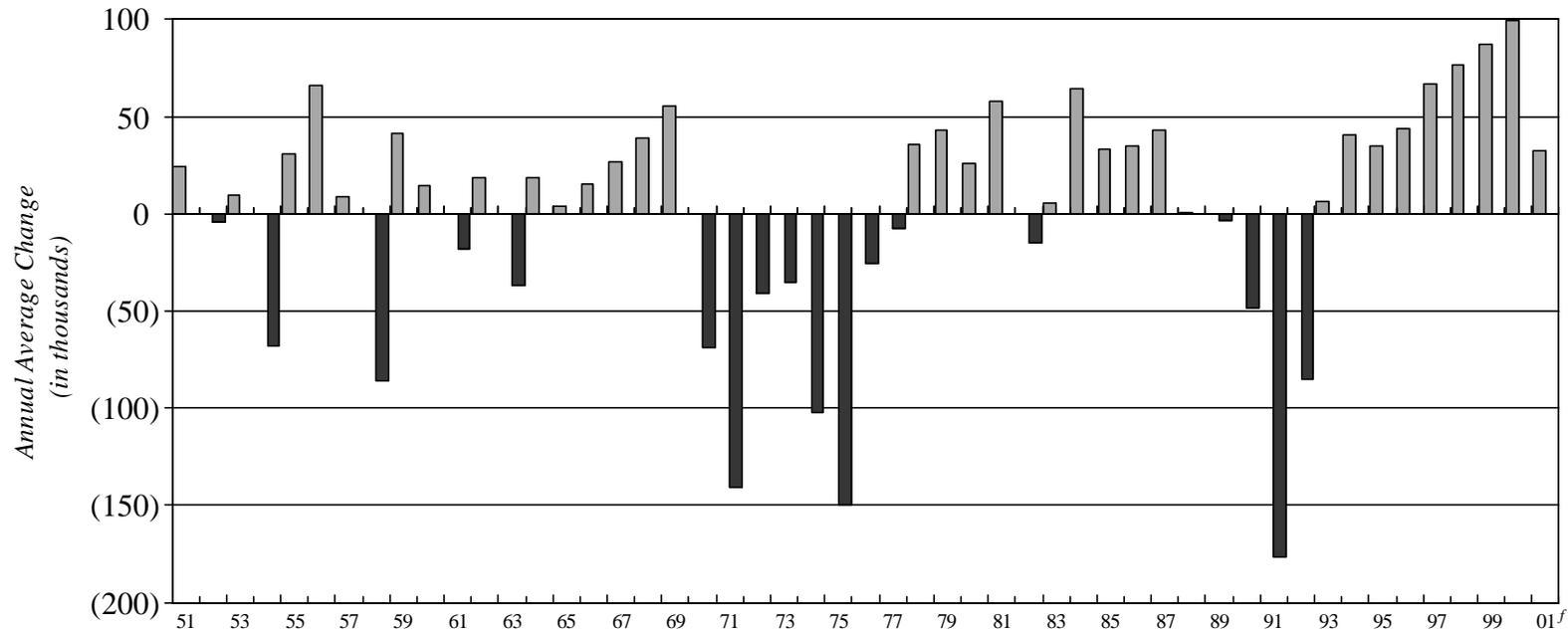
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Economic Assumptions

Anticipated Wall Street Profitability



In 2000, New York City Achieved Historic Private Sector Job Growth; Conservative Growth Is Forecast for 2001



1951	23.9	1958	(85.7)	1965	4.0	1972	(41.2)	1979	43.0	1986	35.3	1994	40.4
1952	(3.9)	1959	41.2	1966	15.1	1973	(35.7)	1980	26.2	1987	42.9	1995	35.2
1953	9.4	1960	14.6	1967	26.5	1974	(102.3)	1981	57.8	1988	0.4	1996	44.0
1954	(68.0)	1961	(18.5)	1968	38.7	1975	(149.9)	1982	(14.8)	1989	(3.3)	1997	67.1
1955	30.7	1962	18.8	1969	55.0	1976	(25.1)	1983	5.9	1990	(48.0)	1998	76.2
1956	65.6	1963	(37.3)	1970	(68.5)	1977	(7.3)	1984	64.3	1991	(176.6)	1999	86.8
1957	8.5	1964	18.3	1971	(140.6)	1978	35.6	1985	33.2	1992	(84.9)	2000	99.3
									1993	6.4	2001	32.7 ^f	

f = forecast

Tax Revenue Forecast

	<i>Dollars in millions</i>			
	<i>Actual</i>	<i>Projected</i>		
	<i>2000 Level</i>	<i>2001 Change</i>	<i>2002 Change</i>	<i>2002 Level</i>
Real Property	\$7,790	\$346	\$507	\$8,643
	<i>2.5%</i>	<i>4.4%</i>	<i>6.2%</i>	
Non-Property	13,793	363	(942)	13,214
	<i>5.8%</i>	<i>2.6%</i>	<i>(6.7%)</i>	
Commercial Rent	344	11	9	364
	<i>3.1%</i>	<i>3.2%</i>	<i>2.5%</i>	
Mortgage Recording	403	(37)	(41)	325
	<i>(1.1%)</i>	<i>(9.3%)</i>	<i>(11.2%)</i>	
Real Property Transfer	483	(44)	(35)	404
	<i>13.9%</i>	<i>(9.2%)</i>	<i>(8.0%)</i>	
Personal Income	5,153	245	(631)	4,766
	<i>(2.6%)</i>	<i>4.8%</i>	<i>(11.7%)</i>	
General Corporation	1,779	27	(316)	1,490
	<i>25.0%</i>	<i>1.5%</i>	<i>(17.5%)</i>	
Banking Corporation	347	10	2	359
	<i>(10.6%)</i>	<i>2.9%</i>	<i>0.6%</i>	
Unincorporated Business	805	(29)	2	778
	<i>22.6%</i>	<i>(3.6%)</i>	<i>0.3%</i>	
Sales	3,509	142	59	3,710
	<i>9.9%</i>	<i>4.0%</i>	<i>1.6%</i>	
Utility	247	13	(2)	258
	<i>11.3%</i>	<i>5.3%</i>	<i>(0.8%)</i>	
Other	723	25	11	760
	<i>3.6%</i>	<i>3.5%</i>	<i>1.5%</i>	
Audits	416	(17)	88	487
STAR Aid	260	245	166	670
Tax Program	---	0	(494)	(494)
Grand Total	\$22,259	\$937	(\$675)	\$22,521
	<i>4.6%</i>	<i>4.2%</i>	<i>(2.9%)</i>	

Totals may not add due to rounding

Out-Year Gaps

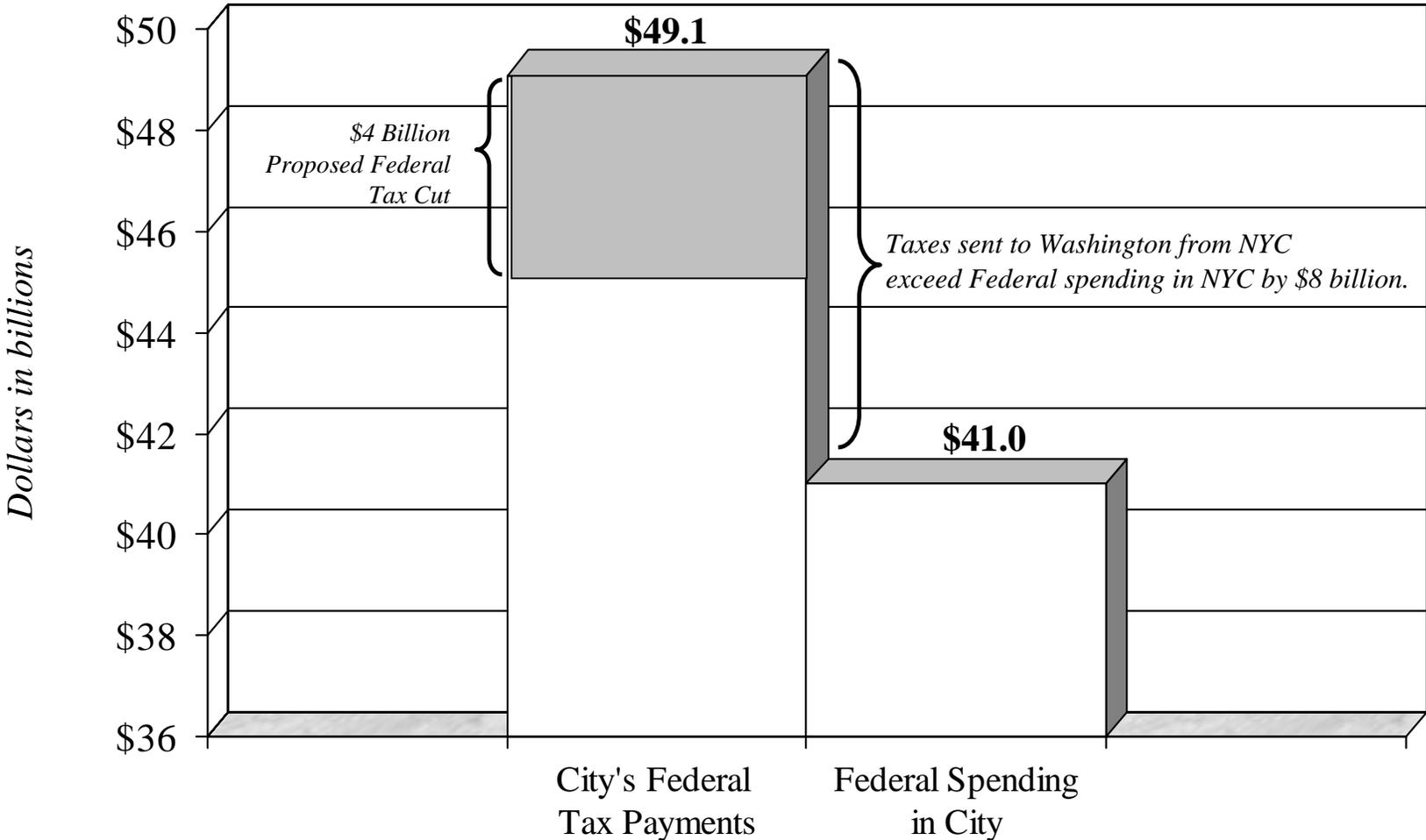
Tax Reductions Are Larger Than the Gaps

Dollars in millions

	2001	2002	2003	2004	2005
Remaining Gap Executive Budget	--	--	(\$2,781)	(\$2,898)	(\$2,721)
Enacted Tax Reductions	3,154	3,186	3,424	3,607	3,833
Proposed Tax Reductions	0	494	719	1,041	1,264
Surplus Without Tax Reductions	\$3,154	\$3,680	\$1,362	\$1,750	\$2,376

Governmental Balance of Payments

The President's Proposed Federal Tax Cut Could Improve the City's "Balance of Payments" Deficit with the U.S. By About \$4 Billion



Source: "The Federal Budget and the States" for Federal FY1999.

Financial Impact of Recent State Actions

	<i>Dollars in millions</i>			
	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Repeal of Commuter Tax	\$436	\$495	\$519	\$547
Permanent Pension COLA Increases	236	363	480	586
SFY00-01 Budget Actions*	88	88	88	88
State Imposed Tax Reduction **	31	63	110	200
Subtotal: Recent State Actions	\$791	\$1,009	\$1,197	\$1,421
Proposed Elimination of Stock Transfer Incentive Fund Payment	\$114	\$114	\$114	\$114
Grand Total:	\$905	\$1,123	\$1,311	\$1,535

* Includes Increase in Rent Stabilization Fees, Loss of Revenue Sharing Increase and PIT Administration.

** Includes Cost of Phase Out of Sales Tax on Utility Transmission and Distribution.

Impact to NYS Budget of Actions Taken by the City

Dollars in millions

Savings SFY 00-01

Increased PIT Revenues from Jobs Created	\$1,200
State Savings From NYC WAY	500
Prison Savings as a Result of Crime Reduction	218
<hr/>	
Total Increased Revenue to New York State	\$1,918

State and Federal Agenda

	<i>Dollars in millions</i>			
Federal Program	2002	2003	2004	2005
Full Reimbursement for Protection of Government Officials and Foreign Dignitaries	\$26	\$8	\$8	\$8
Increase in Medicaid Funding for Children	48	66	66	66
Funding for Emerging Public Health Crises	26	26	26	26
Federal Subtotal	\$100	\$100	\$100	\$100
State Program				
Increase in Revenue Sharing	\$30	\$30	\$30	\$30
E-911 Wireless Surcharge for Local Emergency Expenditures	5	10	10	10
Medicaid Fraud Prevention Initiatives	16	36	36	36
Reimbursement for Fresh Kills Landfill Closure Costs	75	0	0	0
Bond Act Funds for Municipal Recycling	25	0	0	0
Funding for PINS Mandate	7	10	10	10
Reduction in PIT Administrative Charge for Commuter Tax Repeal	20	20	20	20
State Subtotal	\$178	\$106	\$106	\$106
Grand Total	\$278	\$206	\$206	\$206

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Tax Reductions

Tax Reductions – Already Enacted

Dollars in millions

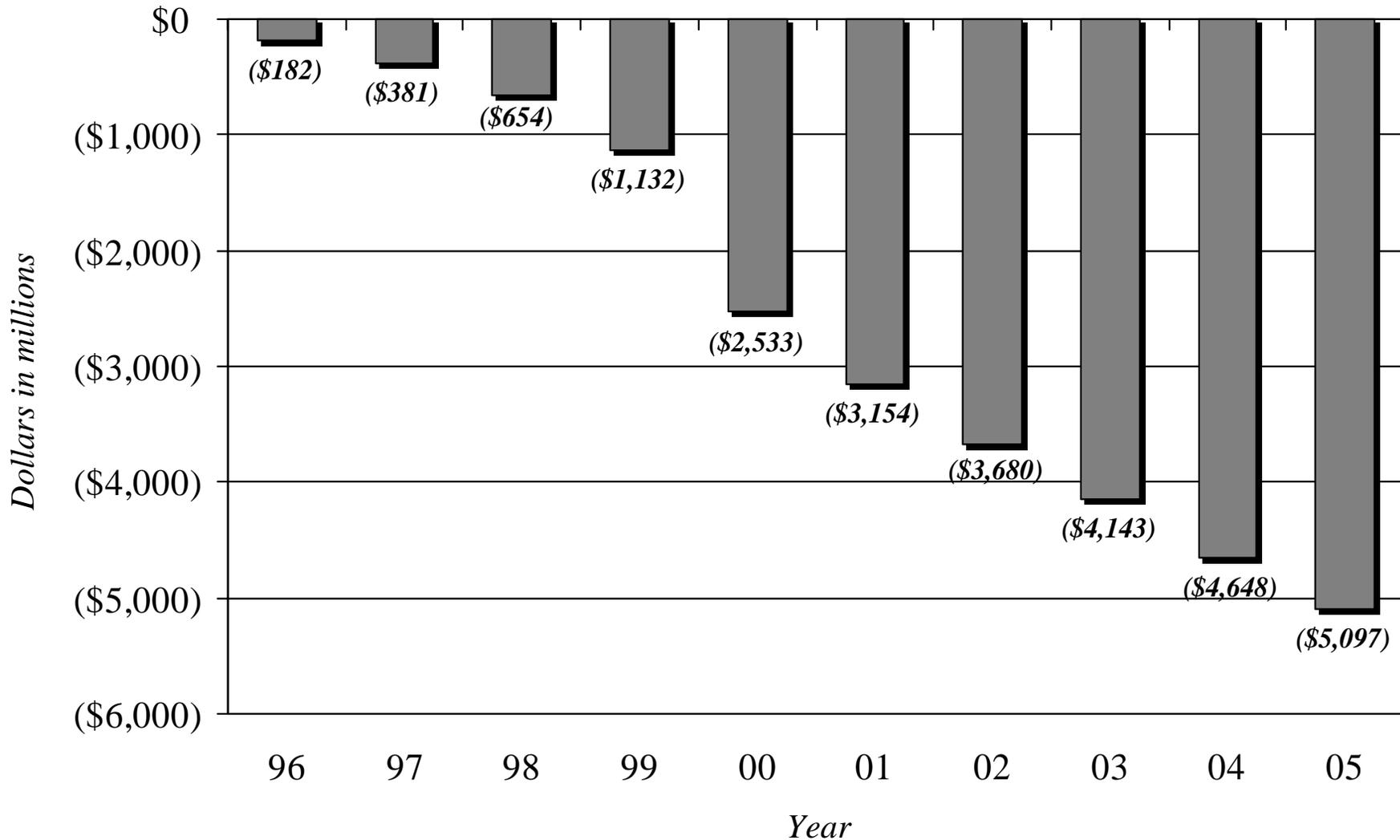
<u>Program Enacted</u>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
• Expiration of PIT 12.5% Surcharge	-	(\$192)	(\$772)	(\$821)	(\$807)	(\$858)	(\$913)	(\$973)
• Hotel Tax Cut	(20)	(22)	(24)	(26)	(27)	(28)	(29)	(30)
• Commercial Rent Tax Reductions	(331)	(375)	(400)	(413)	(428)	(434)	(439)	(440)
• Unincorporated Business Tax Reforms and Credits	(50)	(52)	(53)	(54)	(56)	(57)	(58)	(58)
• Commercial Revitalization Program	(15)	(24)	(35)	(45)	(41)	(32)	(22)	(15)
• SCRIE/SCHE Enhancements	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
• Co-op/Condo Property Tax Relief	(92)	(152)	(163)	(170)	-	-	-	-
• Business Tax Reform	(66)	(90)	(110)	(130)	(133)	(137)	(142)	(146)
• Sales Tax - Miscellaneous Exemptions	(22)	(41)	(44)	(45)	(47)	(47)	(47)	(47)
• Sales Tax - Clothing Exemptions	(17)	(20)	(99)	(244)	(250)	(256)	(263)	(270)
• Resident UBT/PIT Credit	(25)	(31)	(37)	(43)	(49)	(55)	(55)	(55)
• Real Property Transfer Tax								
Exemption for Assumable Mortgages	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
• Elimination of Vault Charge and the Tax on Coin-Operated Amusement Devices	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)
• Commuter Tax Repeal	-	-	(520)	(535)	(436)	(495)	(519)	(547)
• College Tuition Deduction /Credit (PIT)	-	-	-	-	(5)	(9)	(14)	(18)
• Marriage Penalty Reduction (PIT)	-	-	-	-	(7)	(21)	(28)	(29)
• Sales Tax Exemption on Utility Transmission & Distribution	-	-	-	(2)	(5)	(19)	(54)	(139)
• Sales Tax Exemption on Web Hosting & HDTV Equipment	-	-	-	(11)	(13)	(13)	(13)	(13)
• Bank Mutual Fund Companies (BCT)	-	-	-	(1)	(1)	(1)	(1)	(1)
• 25% Reduction in PIT 14% Surcharge (Effective January 2001)	-	-	-	(94)	(185)	(196)	(209)	(227)
• Borough Development Program	-	-	-	-	(10)	(11)	(14)	(13)
• STAR (Personal Income Tax)	-	(85)	(200)	(415)	(560)	(607)	(636)	(661)
• STAR (Property Tax)	-	(32)	(60)	(89)	(110)	(132)	(135)	(135)
<i>Subtotal</i>	(\$654)	(\$1,132)	(\$2,533)	(\$3,154)	(\$3,186)	(\$3,424)	(\$3,607)	(\$3,833)

Tax Reductions-Proposed

Proposed	<i>Dollars in millions</i>							
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
• Additional 25% Reduction in the PIT 14% Surcharge (effective July 2001)	-	-	-	-	(\$180)	(\$191)	(\$207)	(\$226)
• Elimination of the Commercial Rent Tax	-	-	-	-	(121)	(270)	(432)	(470)
• Extension of Co-op/Condo Property Tax Relief	-	-	-	-	(185)	(194)	(204)	(214)
• PIT Credit for “S” Corporations	-	-	-	-	-	(26)	(53)	(56)
• Earned Income Tax Credit*	-	-	-	-	-	-	(48)	(48)
• Repeal Hotel Tax \$2 Flat Fee with a reduction for Bed and Breakfast establishments	-	-	-	-	-	(19)	(39)	(40)
• Elimination of the Sales Tax on Clothing and Footwear entirely	-	-	-	-	-	-	(27)	(105)
• Business Tax Reform	-	-	-	-	-	-	-	(75)
• Lower Manhattan Revitalization Program – Extension (Excluding World Trade Center)	-	-	-	-	(8)	(19)	(31)	(30)
<i>Subtotal</i>	-	-	-	-	(\$494)	(\$719)	(\$1,041)	(\$1,264)
<i>Grand Total</i>	(\$654)	(\$1,132)	(\$2,533)	(\$3,154)	(\$3,680)	(\$4,143)	(\$4,648)	(\$5,097)

* Refundable EITC covered by TANF accounted for in expense budget.

Tax Reductions Rise from \$2.5 Billion in 2000 to \$5 Billion by 2005



Initiatives

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Public Safety Initiatives

Proposals to Continue Reducing Crime

- **Citywide Narcotics Initiative Expansion** - \$33 million to continue fighting drug trafficking crime in neighborhoods citywide.
- **Police Officer Recruitment Program** - \$4 million to increase advertising of police officer exams and attract qualified individuals by providing 22 exam administrations a year within the five boroughs, colleges within the New York State Region, and selected military bases across the country.
- **Operation Gun Stop** – Created to provide rewards to citizens who provide information on illegal gun possession and weapon trafficking.
- **Property Crime Initiative** - Create a property crime taskforce in precincts with the highest levels of property crime to continue to reduce the property crime in the areas of burglary, grand larceny and auto theft.
- **Operation Condor** - \$75 million to expand Operation Condor to further reduce crime. The number of tours has increased, from more than 800 tours per day to approximately 1,000 tours per day.
- **Parole Violator Taskforce** - Create a Parole Violator Taskforce and expand Joint Absconder Warrant Squad to apprehend every person that violates their conditions of parole.
- **Operation Discover** - \$4 million to expand the warrant squad to track down criminals associated with the 26,000 outstanding felony warrants to stop recidivism.

Expand Model Blocks Program to NYCHA Developments

- 24 hour uniform patrol of housing grounds.
- Install closed-circuit video cameras in five housing developments.

Education Initiatives

Enhance Instruction

- Project Science - 40 intensive weeks of weekend science instruction for 45,300 students (\$25 million);
- Project English - 20 intensive weeks of weekend English classes for 38,600 students (\$9 million);
- Summer school expansion - 50,000 more students for a total of 370,000 (\$23 million); and
- Classroom libraries - established in all 21,000 K-8 classrooms (\$31.5 million).

Make Schools Safe, Orderly and Drug-free

- 800 School Safety Officers and 400 Crossing Guards hired (\$12.3 million);
- Three Second Opportunity Schools created (\$3.5 million); and
- In-school suspension centers established (\$19 million).

Improve School Facilities and Equipment

- Accelerate \$359 million of funding for construction of 12 new school buildings;
- Accelerate \$300 million of funding for school building repair and reconstruction;
- Sell 110 Livingston Street and move BOE headquarters to a new, smaller building in downtown Brooklyn with a new, high-standards high school; and
- Provide \$100 million in a public/private partnership to expand Take the Field to all 52 athletic fields in need of repair.

Education Initiatives

Build a New System Based on Accountability, Competition and Choice

Board of Education

- Abolish the Board of Education;
- Provide incentives for community school districts to offer school choice;
- Install more private management of failing public schools – using an \$80 million escrow account for privatization;
- Enable charter schools to compete on a level playing field; and
- Reduce Central Administration spending and direct the savings to the classroom.

CUNY

City funding for CUNY will be conditioned on CUNY taking the following actions:

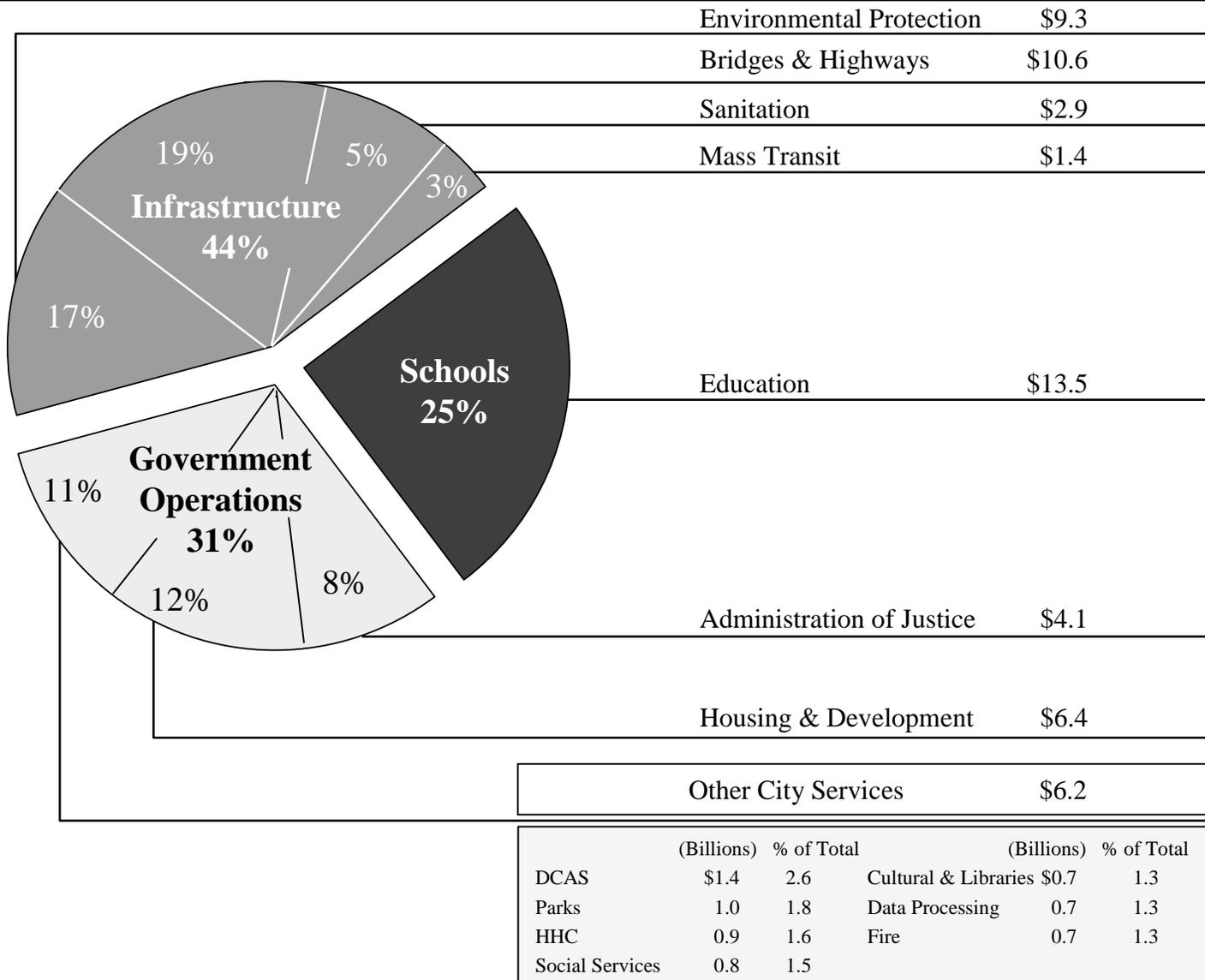
- Reduce Central Administration and direct the funding to CUNY's Honors College program in order to double the size of this year's class of Honors Students from 150 to 300;
- Privatize remediation for at least 1,000 incoming students; and
- Appoint outside reviewers to provide an independent assessment of the testing process to ensure that the implementation of higher standards is not diluted by lowering passing scores or the grade level of material tested.

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Capital

Ten Year Capital Strategy 2002-2011

Totals \$54.4 Billion in All Funds



Sources Financing the Ten-Year Capital Strategy 2002-2011

Total City Funds		\$51.9 Billion
	General Obligation	\$36.5 Billion
	New York Water Authority	\$8.9 Billion
	Transitional Finance Authority	\$3.1 Billion
	Dormitory Authority & Other Lease Financing	\$2.8 Billion
	Tobacco Settlement Financing	\$.6 Billion
Total Non-City Funds		\$2.5 Billion
	Federal	\$1.6 Billion
	State	\$.5 Billion
	Other Non-City Sources	\$.4 Billion
Total Ten-Year Capital Strategy		\$54.4 Billion

New York City's History of General Obligation Credit Ratings

Date	Moody's	S&P	Fitch	Date	Moody's	S&P	Fitch
January 1938	A	(NR)	(NR)	July 1985	Baa	BBB+	(NR)
January 1955	A	A	(NR)	December 1985	Baa1	BBB+	(NR)
July 1965	Baa	A	(NR)	November 1987	Baa1	A-	(NR)
April 1966	Baa	BBB	(NR)	May 1988	A	A-	(NR)
May 1968	Baa1	BBB	(NR)	February 1991	Baa1	A-	(NR)
December 1972	A	BBB	(NR)	July 1993	Baa1	A-	A-
December 1973	A	A	(NR)	July 1995	Baa1	BBB+	A-
April 1975	A	Suspended	(NR)	February 1998	A3	BBB+	A-
October 1975	Caa	Suspended	(NR)	July 1998	A3	A-	A-
May 1977	B	Suspended	(NR)	March 1999	A3	A-	A
March 1981	B	BBB	(NR)	August 2000	A2	A-	A
November 1981	Ba1	BBB	(NR)	September 2000	A2	A	A+
November 1983	Baa	BBB	(NR)	and Currently...	A2	A	A+

Note: (NR) means not rated

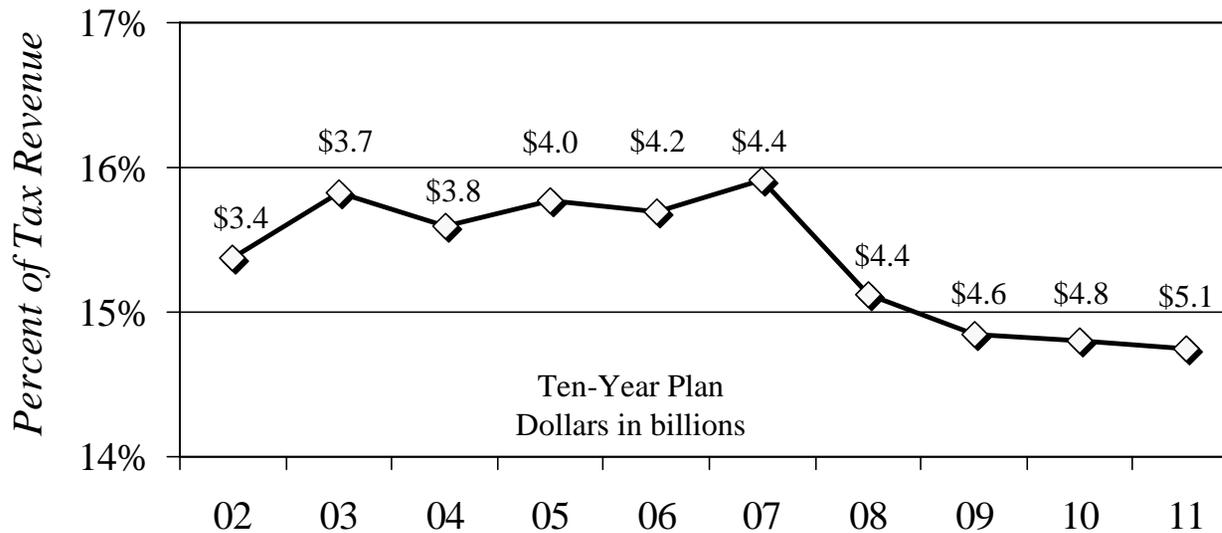
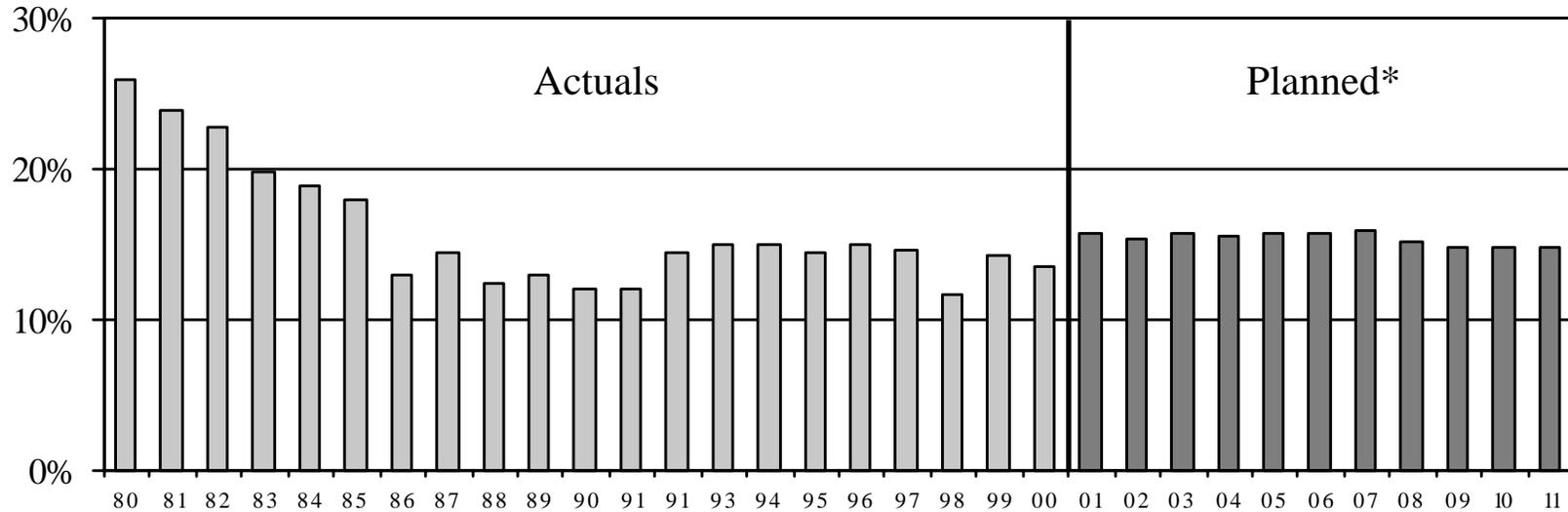
Source: Moody's Investors Service, Standard & Poor's and Fitch IBCA

Mayor's Debt and Investment Policy

- Debt service not to exceed 15% of the total City revenues or 20% of total City tax revenue, including GO, MAC and lease and appropriation debt;
- Limitations on short-term debt issuance currently contained in the Financial Emergency Act will not sunset in 2008;
- \$150 - \$200 million on Pay-As-You-Go financing from the operating budget for assets with lives of 3 and 4 years;
- Floating rate bonds not to exceed 20% of the City's outstanding debt;
- New conservative guidelines on Derivative Instruments and on investment of bond proceeds and of monies set aside to pay debt service;
- Extensive current reporting to taxpayers supplemented with a new Mayoral Annual Report of debt policy; and
- Campaign finance reform to prohibit underwriters and investment managers from making campaign contributions.

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Debt Service as a Percent of Tax Revenues



* Planned figures include General Obligation Bonds, Municipal Assistance Bonds and lease debt service. Amounts shown are net of prepayments and exclude water & sewer debt service.

Highlights of the Capital Plan

	<i>Dollars in millions</i>
BOE - School Construction and Reconstruction	\$15,723
Transit Subsidy for Subway and Buses (including 7 Train Extension)	1,456
East River Bridges Reconstruction	1,089
Third Water Tunnel, Stage Two	652
Court Complex at 330 Jay Street	598
Belt Parkway Bridge Reconstruction	499
Willis Avenue Replacement Bridge	305
Bronx Criminal Court Complex	283
St. George and Whitehall Ferry Terminals	254
DNA Lab	247
Bellevue Hospital Ambulatory Care Center	173
Kings County Diagnostic Center	136
Three New Staten Island Ferry Boats	130

Highlights of the Capital Plan

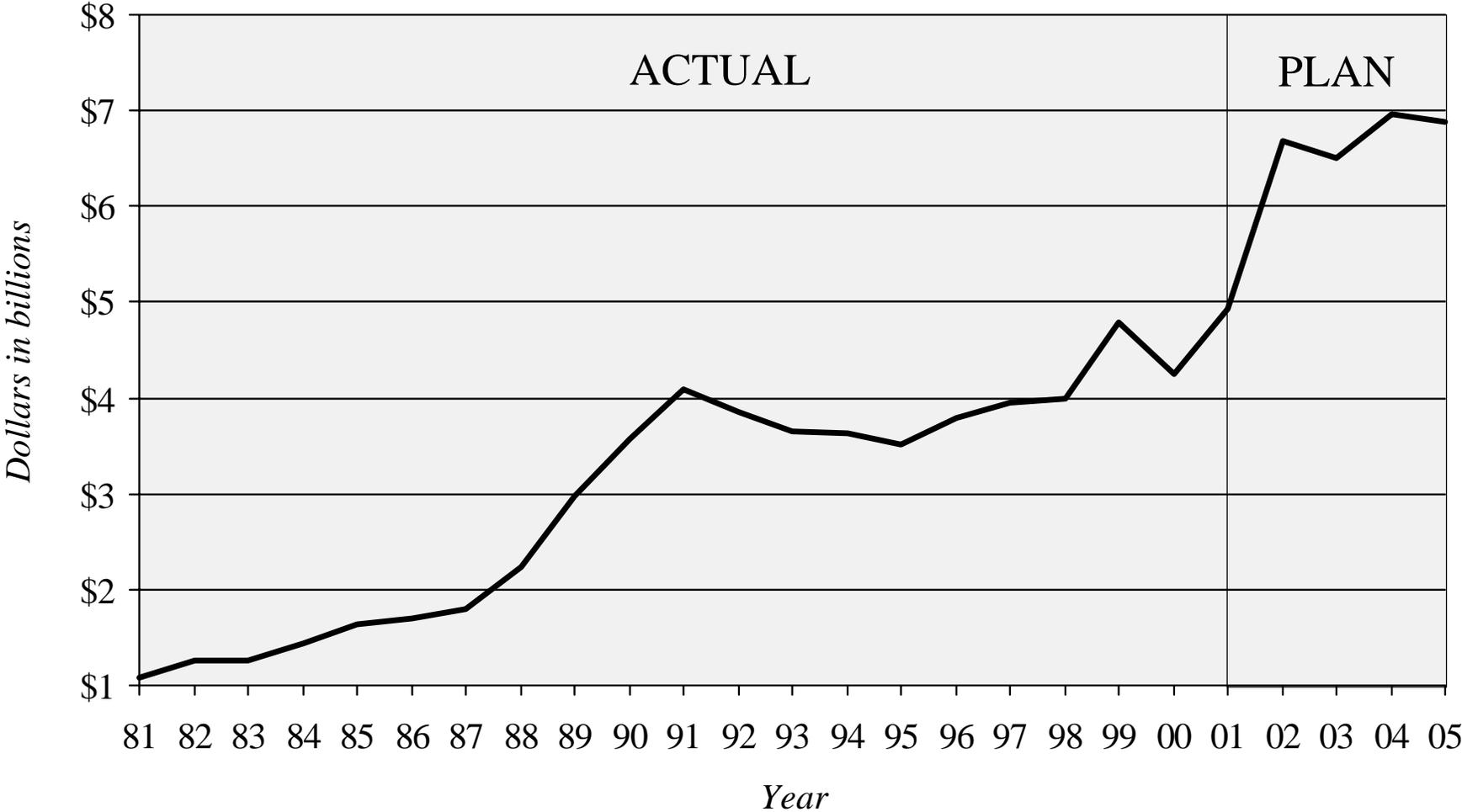
	<i>Dollars in millions</i>
Shore Road/ Hutchinson River Replacement Bridge	\$110
Springfield Gardens Flooding Problem, Queens	108
Hudson River Park	98
Fulton Fish Market Relocation to Hunts Point	75
Randall's Island Fire Department Training Facility	45
Brooklyn Bridge Park	44
Flushing Meadows Pool and Ice Skating Facility	32
Kingsbridge Armory	30
Fifth Avenue (Bay Ridge) Reconstruction, Brooklyn	30
Staten Island Export Facility	28
Pelham Parkway Reconstruction, the Bronx	25
East River Park Construction	17
Conference House Park	14
Bloomingdale Park, Staten Island	12

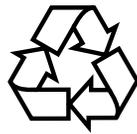
Major Cultural Initiatives in the Capital Plan

	<i>Dollars in millions</i>
Lincoln Center	\$240.0
Guggenheim – New Museum Downtown (including Land)	67.8
Museum of Modern Art	65.0
BAM LDC – Brooklyn Cultural District	50.0
Metropolitan Museum of Art	40.9
Center for Humanities at 42 nd St. Research Library	33.9
New York Aquarium	33.3
New York Botanical Garden	26.8
New York Public Library – Mid-Manhattan Branch	23.2
Museum of Jewish Heritage	22.0
Carnegie Hall-Third Stage Theater	20.6
Library for the Performing Arts	18.7
Jazz at Lincoln Center	16.7
Center for Jewish History	10.0
Alvin Ailey Dance	7.5

Capital Expenditures Remain Strong

Capital Expenditures (All Funds)





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