

NYC FY 11 Executive Budget Summary

The good news is that there are encouraging signs that the national economy has stabilized and NYC's economy has done better than previously forecasted. In particular, there have been some recent signs to indicate a NYC economy turnaround: Wall Street posted a record \$61 billion in profits in 2009, tourists continue to flock to the City, and labor markets have held up better than expected. However, we don't know if the turnaround is going to hold solid because Wall Street profits benefited from low federal interest rates which will likely go away in the future and the large federal stimulus programs. NYC's residential real estate market continues to decline but the commercial real estate market has picked up and now has the lowest vacancy rate of any large city.

The NYC FY11 Executive Budget is \$62.9 billion. While there is a FY 11 projected budget deficit of \$4.5 billion, the Mayor does not include any tax increase for residents and/or businesses. The Executive Budget also assumes/recognizes several important factors for this particular year:

- Because the State budget is late, the NYC Executive Budget assumes that the State will reduce funding to the City by \$1.3 billion in "Aid to Localities Funding" and an additional \$493 million reduction in educational funding.
- Executive Budget assumes a two- quarter extension of the increased federal participation in Medicaid, which is pending Congress.
- The City will jointly fund a major initiative to help the Health and Hospitals Corporation, HHC, address its crisis operating deficit through FY 2014 and its cash requirements in FY11.
- In light of the recent Times Square incident, the City will not reduce the police force as referenced in the FY11 Preliminary Budget. Instead it will fund a Midtown and Downtown Manhattan Security Initiative.

The NYC's FY11 Executive Budget follows through on the vast majority of harsh cuts predicted in the Preliminary Budget. The Mayor warns that even with these cuts enacted in FY11, the City will still face a budget gap of \$3.8 billion in FY 2012. The City will not see substantial revenue growth or be rewarded by the positive economic turnaround until FY13.

Citing that there is little overhead to cut, the Mayor makes drastic reductions in payroll cost. He emphasized that certain cost will continue to grow, naming the City's payouts to pension benefits for retirees and called for the development of a new pension tier for future employees. Overall, the City plans to reduce city employees by 11,000 in the following staffing/areas:

- 6,400 teachers
- 400 firefighters
- 500 corrections department workers
- 740 library workers
- 250 HIV/AIDS Services Administration case workers

City agencies programs to eliminate the gap (PEGs) include site closures at 15 day care centers, 4 firehouses, 10 libraries, and 50 senior centers. The Department of Homeless Services has over 11 program reductions, including a closure of a homeless shelter. Problematic to the health sector is the Department of Health and Mental Hygiene plans to eliminate or reduce the following programs/areas:

- Early Intervention Program by \$4.3 million
- Full time school nurse to 146 elementary schools
- Mental health, substance abuse, mental retardation/developmental disability contracts by \$6.4 million
- HIV contracts and services by \$800,000
- Two TB clinics in Jamaica and Bushwick

Also of concern in the FY11 Executive Budget is the continued practice of eliminating all "City Council Initiatives." Many health initiatives, including programs that fund health centers, are supported by City

Council Initiatives. For example, the City Council funds the childhood obesity prevention program for community health centers. Restoration will be particularly challenging during this year.

With the exception of the Policy Department and HHC, virtually every city agency was reduced in the FY11 Executive Budget. However, HHC receives increased financial support to conduct reforms in order to address structural deficits that are projected to grow to over \$1.3 billion by FY14. The City's increased support is pledged at \$82 million for FY11 and grows to \$300 million by FY13. In return, HHC pledges to implement a plan that will save over \$600 million by FY13. The following provisions are outlined in HHC's plan as referenced FY11 Executive Budget:

- A current hiring freeze of 1,300 FTEs, with additional attrition savings expected through next year
- Consolidating programs to match capacity with patient volume, reducing staffing and increasing physician productivity
- Staffing non-clinical services at industry benchmark levels and adopting further automation of business systems
- Care management programs to reduce inpatient length of stay for targeted conditions and achieving federally qualified health center (FQHC) status for large community-based health centers will increase rates to better match the cost of providing services