

Briefing on Mayor Bloomberg's
Preliminary FY 2013
New York City Budget



A Fiscal Policy Institute Presentation
www.fiscalpolicy.org

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March 2012

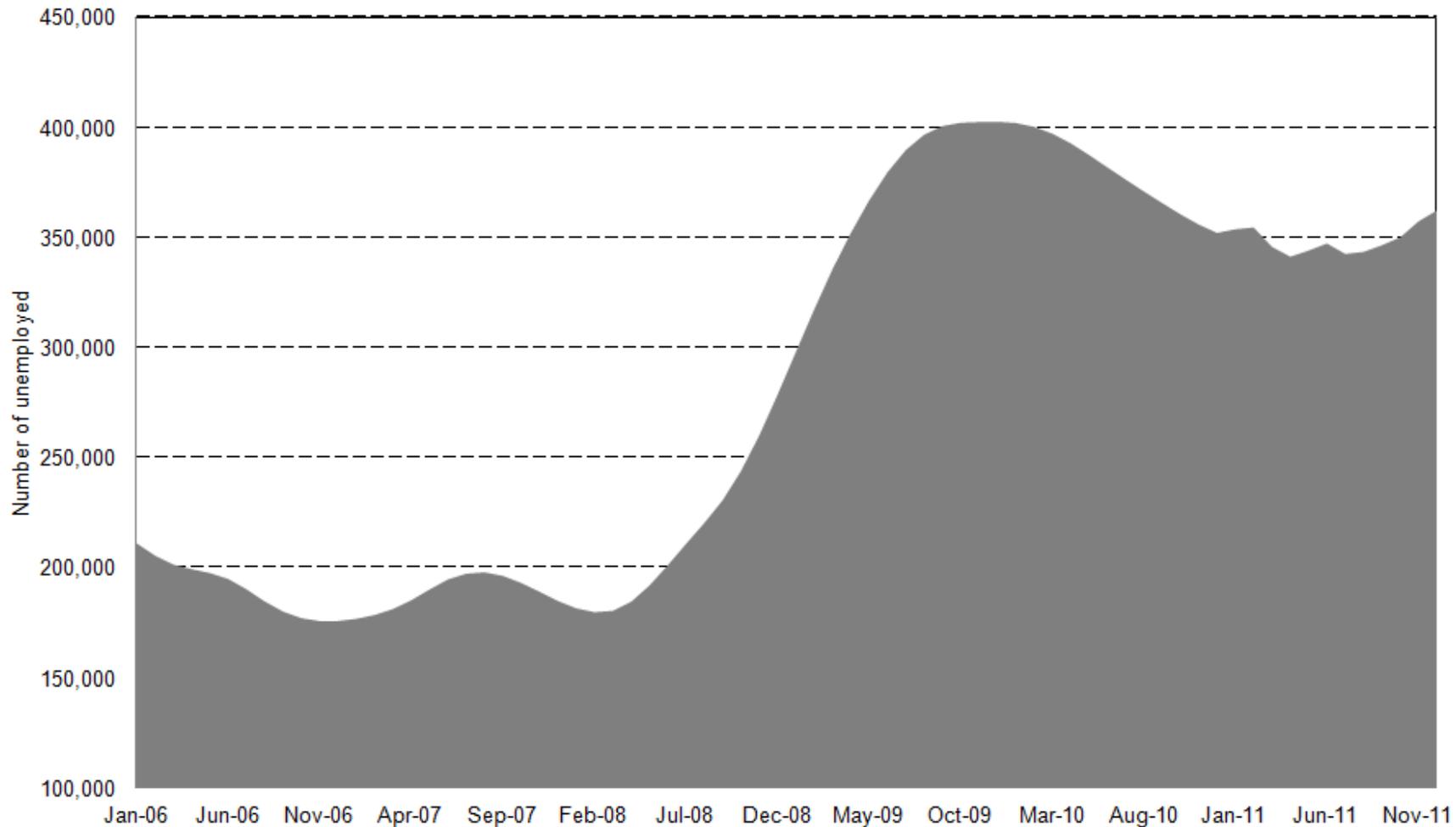
Overview

1. Unemployment remains very high in this historically weak “recovery.” NYC is no longer faring better than the U.S., and considerable hardships persist.
2. While NYC tax revenues have rebounded, federal and state aid is declining.
3. NYS budget choices and pressures continue to squeeze NYC; the December 2011 personal income tax “reform” raises less than the 2009-11 surcharge.
4. City-funded expenditures projected to increase 3.2% in the FY 2013 budget, with increases in debt service and health insurance. Most agency budgets are cut, especially Human Services. Staffing levels projected to decline by 8,000.
5. Over the past four years, in the midst of the Great Recession and its aftermath, NYC spending on human services has fallen by 10 percent.
6. The City budget has not responded to the hardships caused by the recession.
7. The City’s pension contribution burden needs to be put in perspective.
8. Renewed income concentration reflects economic changes and underscores the need for progressive tax reform.

1. The continuing unemployment crisis in the weakest recovery since the 1930s.

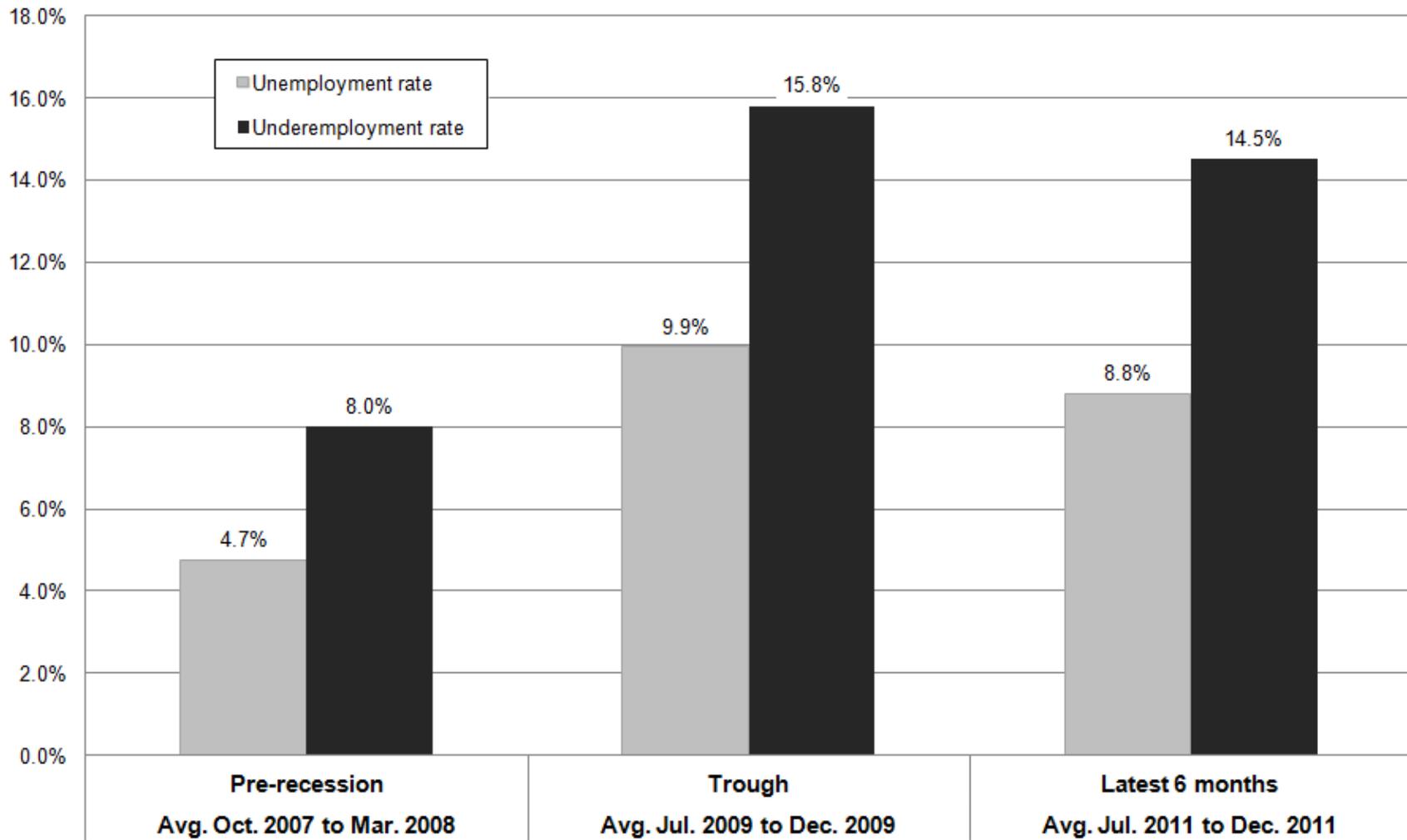
- The national recession officially ended more than two-and-a-half years ago in June 2009. The weak job market has limited consumer spending, housing problems are severe, and declines in state and local government spending have contributed to the weak GDP growth.
- Job growth through the first 10 quarters of this recovery has been only 1/10 of the job growth usually seen in a recovery. (See Appendix, p. 30)
- NYC job growth in 2010 matched the national rate, and while the pace picked up slightly in 2011, national job growth picked up more.
- Much of NYC's job growth has come in sectors with below-average wages. Tourism, restaurants and retail have done well, but construction, manufacturing and government continued to lose jobs in 2011. Some professional service jobs were re-gained, while Wall Street job cuts resumed after jobs were added in 2010.

NYC unemployment has been over 350,000 for nearly 3 years; it has come down only because discouraged workers have dropped out.



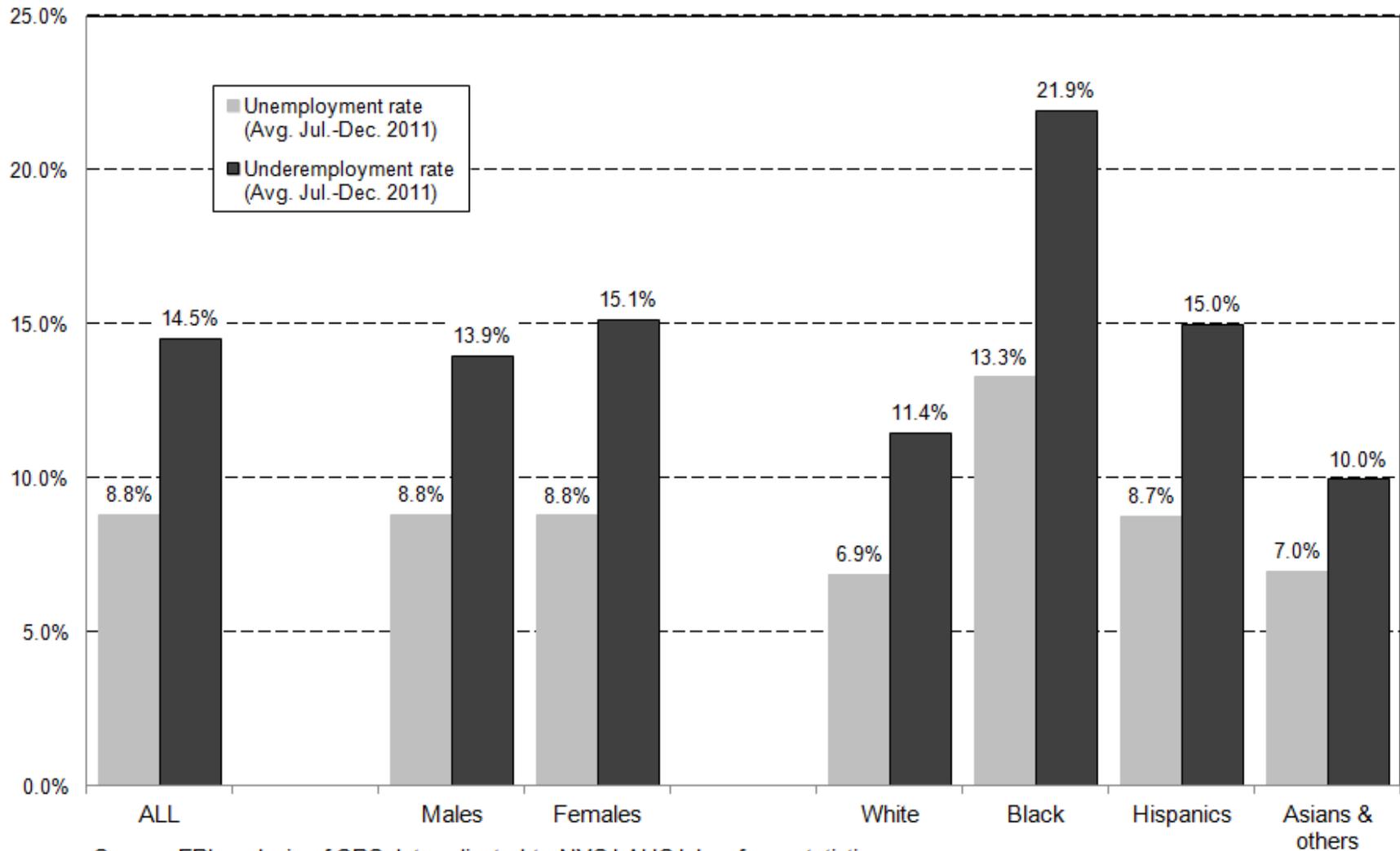
Source: New York State Department of Labor seasonally adjusted labor force statistics

NYC unemployment and underemployment rates have not come down very much despite two years of "recovery."

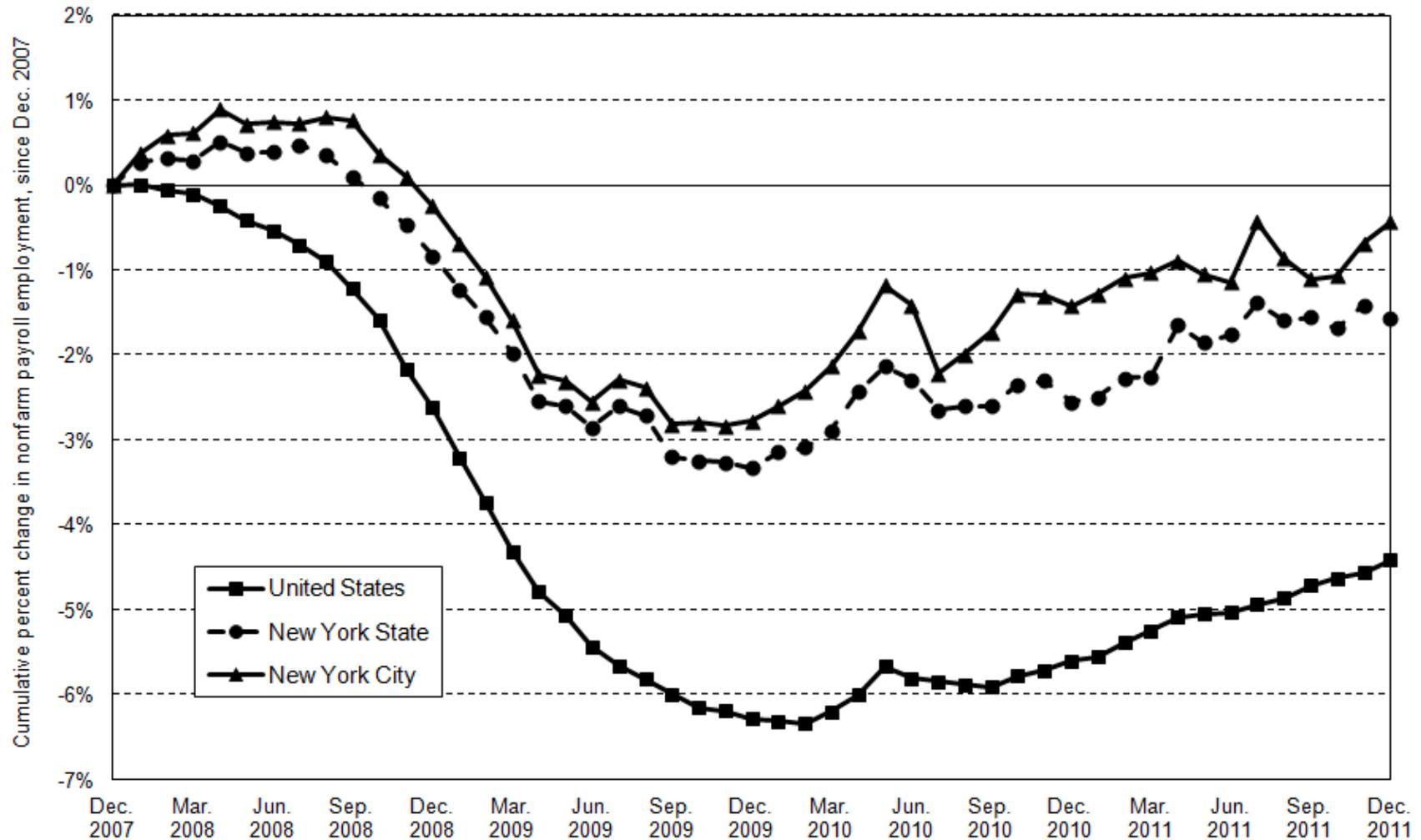


Source: FPI analysis of CPS data adjusted to NYS LAUS labor force statistics

Unemployment and underemployment are hitting particularly hard at Black and Hispanic workers in New York City.



Over the past year, the pace of job recovery has been slightly faster for the U.S, than for New York State and New York City.



Source: Bureau of Labor Statistics total non-farm employment data (seasonally adjusted).

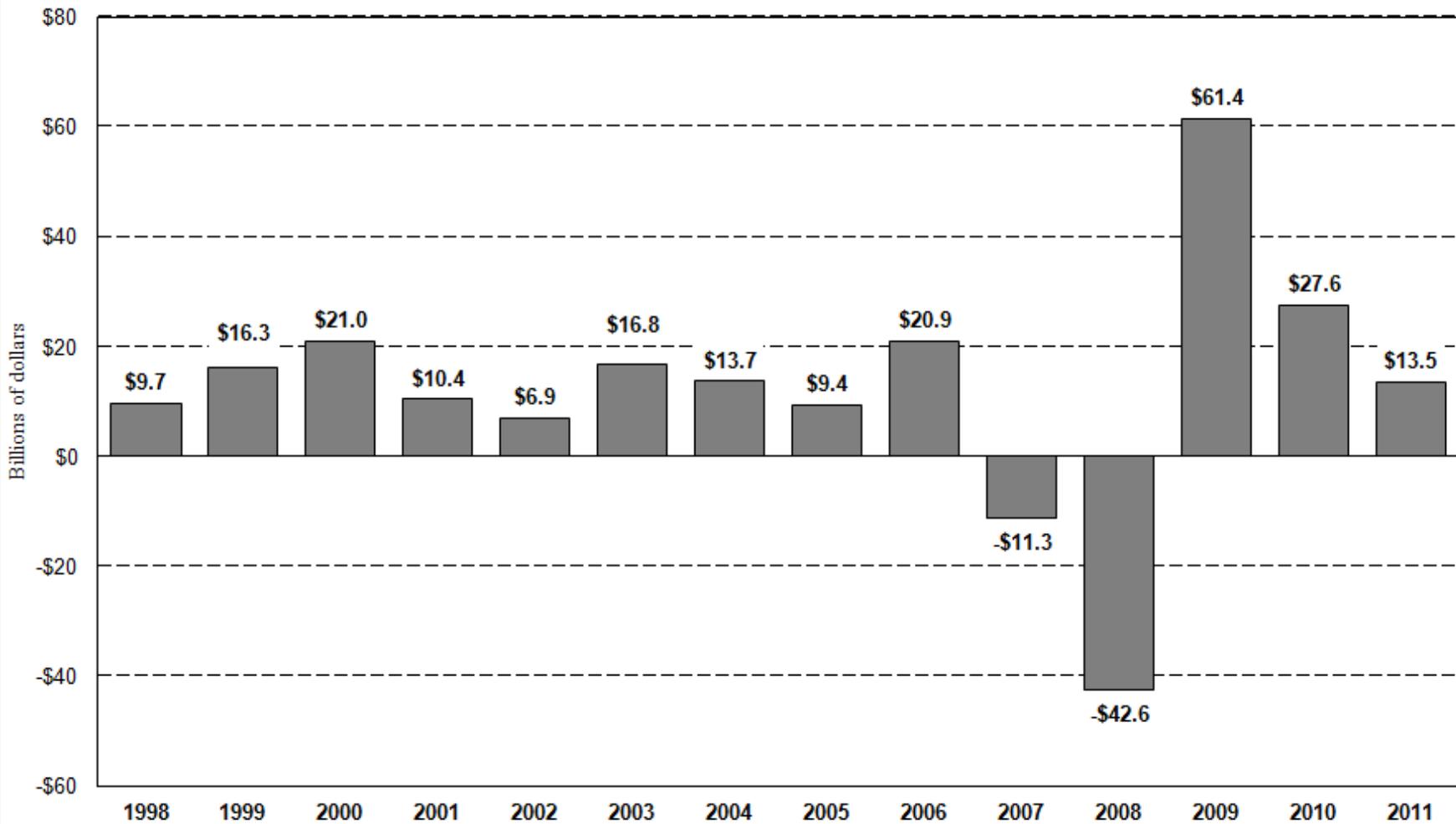
In New York City in 2011, job gains were led by professional services, educational service and retail trade

Selected industries	Total employment in December of each year					Absolute changes in employment					Percent changes in employment				
	2007	2008	2009	2010	2011	2007-2008	2008-2009	2009-2010	2010-2011	2007-2011	2007-2008	2008-2009	2009-2010	2010-2011	2007-2011
Total Nonfarm	3,839,400	3,829,000	3,731,000	3,758,000	3,794,600	-10,400	-98,000	27,000	36,600	-44,800	-0.3%	-2.6%	0.7%	1.0%	-1.2%
Total Private	3,276,000	3,262,100	3,171,000	3,210,100	3,249,000	-13,900	-91,100	39,100	38,900	-27,000	-0.4%	-2.8%	1.2%	1.2%	-0.8%
Construction	131,600	129,800	116,500	108,700	104,100	-1,800	-13,300	-7,800	-4,600	-27,500	-1.4%	-10.2%	-6.7%	-4.2%	-20.9%
Manufacturing	99,000	91,500	77,900	75,800	71,800	-7,500	-13,600	-2,100	-4,000	-27,200	-7.6%	-14.9%	-2.7%	-5.3%	-27.5%
<i>Durable Goods</i>	38,400	35,300	29,300	27,600	27,200	-3,100	-6,000	-1,700	-400	-11,200	-8.1%	-17.0%	-5.8%	-1.4%	-29.2%
<i>Non-Durable Goods</i>	60,600	56,200	48,600	48,200	44,600	-4,400	-7,600	-400	-3,600	-16,000	-7.3%	-13.5%	-0.8%	-7.5%	-26.4%
Wholesale Trade	152,000	147,000	137,800	137,900	140,400	-5,000	-9,200	100	2,500	-11,600	-3.3%	-6.3%	0.1%	1.8%	-7.6%
Retail Trade	315,900	312,000	311,600	312,900	326,700	-3,900	-400	1,300	13,800	10,800	-1.2%	-0.1%	0.4%	4.4%	3.4%
Transportation, Warehousing, and Utilities	129,400	129,800	124,100	121,700	121,400	400	-5,700	-2,400	-300	-8,000	0.3%	-4.4%	-1.9%	-0.2%	-6.2%
Utilities	15,600	16,200	16,100	15,800	15,700	600	-100	-300	-100	100	3.8%	-0.6%	-1.9%	-0.6%	0.6%
Information	170,500	171,400	165,800	165,900	161,000	900	-5,600	100	-4,900	-9,500	0.5%	-3.3%	0.1%	-3.0%	-5.6%
Finance and Insurance	350,300	335,300	309,600	315,700	314,800	-15,000	-25,700	6,100	-900	-35,500	-4.3%	-7.7%	2.0%	-0.3%	-10.1%
Real Estate and Rental and Leasing	123,000	122,100	118,600	116,200	117,500	-900	-3,500	-2,400	1,300	-5,500	-0.7%	-2.9%	-2.0%	1.1%	-4.5%
Professional, Scientific, and Technical Ser	343,500	344,000	318,200	325,500	341,400	500	-25,800	7,300	15,900	-2,100	0.1%	-7.5%	2.3%	4.9%	-0.6%
Management of Companies and Enterprise	61,100	63,100	62,500	64,500	67,700	2,000	-600	2,000	3,200	6,600	3.3%	-1.0%	3.2%	5.0%	10.8%
Administrative and Support Services	196,200	189,100	184,200	195,500	195,500	-7,100	-4,900	11,300	0	-700	-3.6%	-2.6%	6.1%	0.0%	-0.4%
Education and Health Services	725,800	742,700	758,500	777,000	786,900	16,900	15,800	18,500	9,900	61,100	2.3%	2.1%	2.4%	1.3%	8.4%
<i>Educational Services</i>	164,900	173,200	177,500	186,200	194,800	8,300	4,300	8,700	8,600	29,900	5.0%	2.5%	4.9%	4.6%	18.1%
<i>Health Care</i>	397,400	402,900	413,500	423,100	421,800	5,500	10,600	9,600	-1,300	24,400	1.4%	2.6%	2.3%	-0.3%	6.1%
<i>Social Assistance</i>	163,500	166,600	167,500	167,700	170,300	3,100	900	200	2,600	6,800	1.9%	0.5%	0.1%	1.6%	4.2%
Leisure and Hospitality	309,000	315,100	317,000	327,200	335,600	6,100	1,900	10,200	8,400	26,600	2.0%	0.6%	3.2%	2.6%	8.6%
<i>Arts, Entertainment, and Recreation</i>	68,100	70,500	68,700	66,000	67,200	2,400	-1,800	-2,700	1,200	-900	3.5%	-2.6%	-3.9%	1.8%	-1.3%
<i>Accommodation and Food Services</i>	240,900	244,600	248,300	261,200	268,400	3,700	3,700	12,900	7,200	27,500	1.5%	1.5%	5.2%	2.8%	11.4%
Other Services	160,400	162,200	162,300	158,900	157,400	1,800	100	-3,400	-1,500	-3,000	1.1%	0.1%	-2.1%	-0.9%	-1.9%
Government	563,400	566,900	560,000	547,900	545,600	3,500	-6,900	-12,100	-2,300	-17,800	0.6%	-1.2%	-2.2%	-0.4%	-3.2%
Federal Government	56,600	55,800	54,300	51,900	49,700	-800	-1,500	-2,400	-2,200	-6,900	-1.4%	-2.7%	-4.4%	-4.2%	-12.2%
State Government	48,900	49,500	48,900	46,600	45,700	600	-600	-2,300	-900	-3,200	1.2%	-1.2%	-4.7%	-1.9%	-6.5%
Local Government	457,900	461,600	456,800	449,400	450,200	3,700	-4,800	-7,400	800	-7,700	0.8%	-1.0%	-1.6%	0.2%	-1.7%

Note: Preliminary QCEW data suggest 2011 growth in educational services may be revised downward, while retail, restaurant, professional services, and durables manufacturing employment may be revised upward. It also appears that the benchmark revision will show a greater government employment decline.

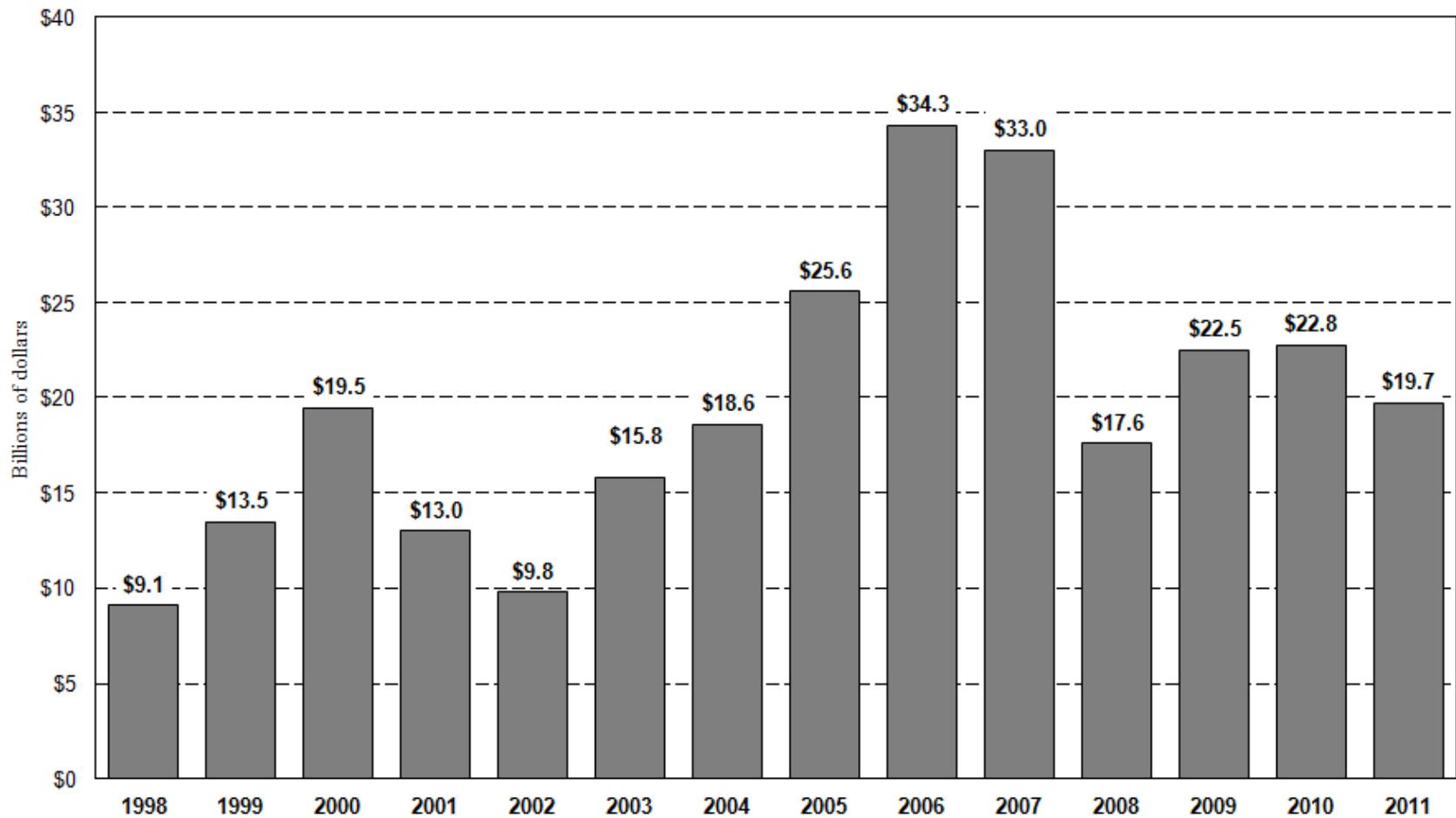
Source: New York State Department of Labor Current Employment Statistics (CES) state employment data (not seasonally adjusted)

Wall Street profits declined in 2011, but still equaled the average for the 1998-2006 period.



Source: New York Stock Exchange member firms' profits from NYSE; 2011 estimated by Office of the New York State Comptroller, Feb. 2012.

Wall Street cash bonuses since the 2008 crash have been lower than in 2005-2007, reflecting a shift toward higher base salaries and deferred compensation. Bonuses declined in 2011 much less than Wall Street profits.

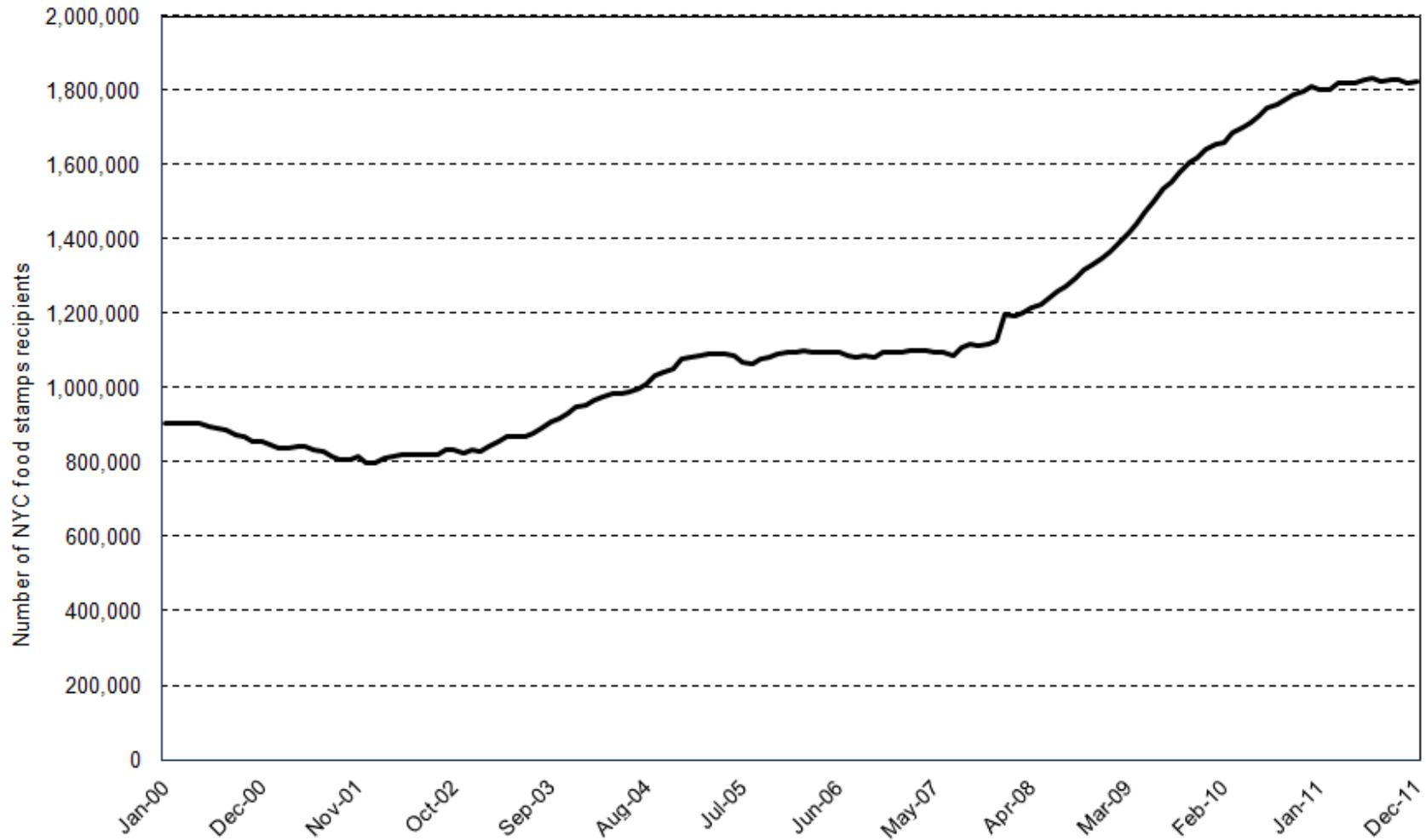


Source: New York City Securities industry bonuses from the Office of the State Comptroller, Feb. 2012

Significant economic hardships persist

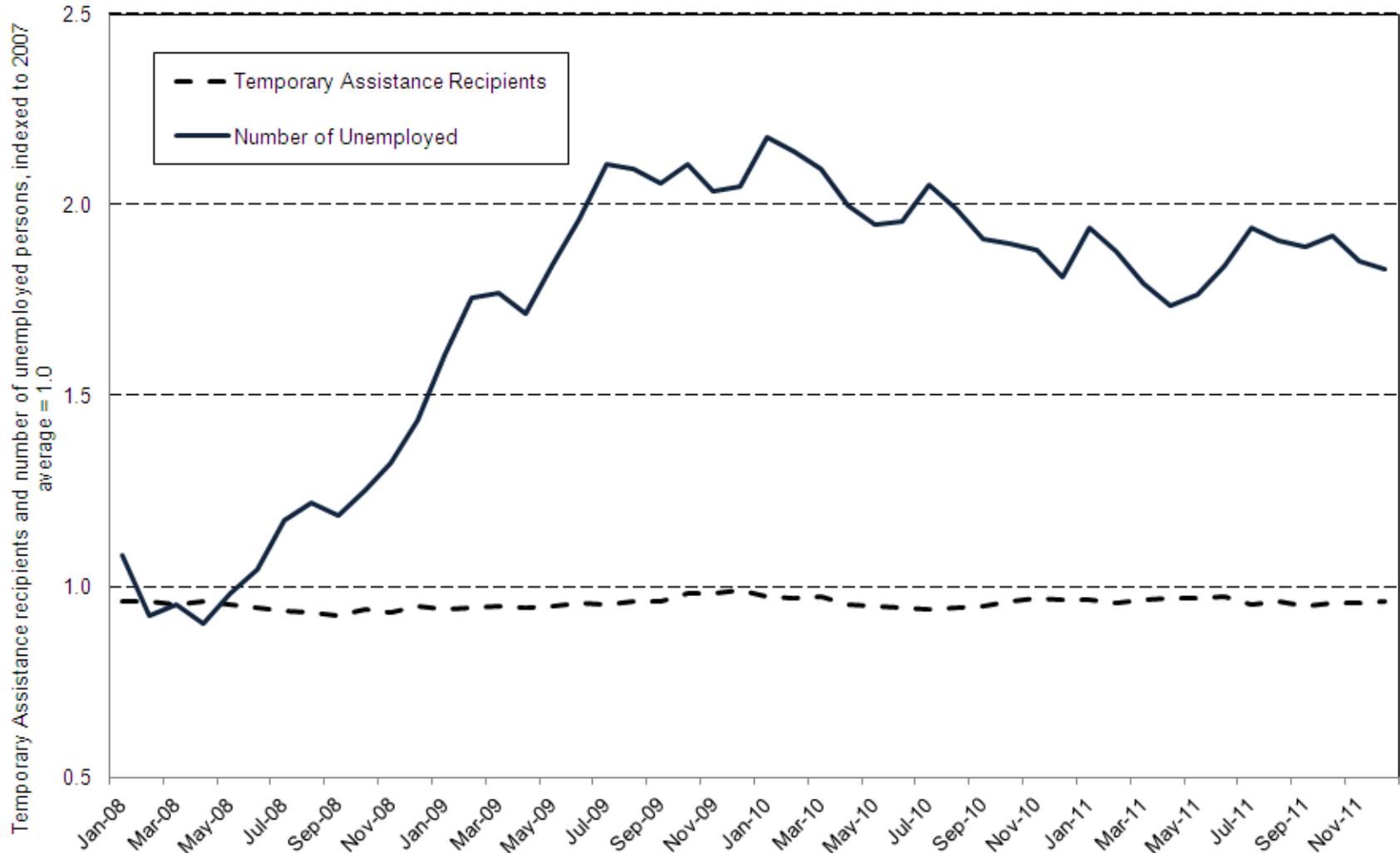
- The recession pushed more than 120,000 additional New Yorkers into poverty between 2008 and 2010, as the city's poverty rate rose from 18.2 percent to 20.1 percent in 2010. Another 20 percent have “near poverty” incomes (100-200% of poverty), for a total of 3.25 million city residents living in poverty or near poverty.
- Thirty percent of city children were below the poverty line in 2010, up from 26.5 percent in 2008. Over 53 percent of all children live in poverty or near poverty.
- The number of NYC residents qualifying for food stamps has increased by 700,000 (62 percent) since the recession began.
- The sharp drop in employer-provided health insurance since the recession began has helped to push up the number of city residents enrolled in Medicaid by 15 percent. Over one-third of city residents (3 million) now rely on Medicaid.
- Homelessness now affects 45,000 NYC residents, including 17,000 children each night, with over 41,000 men, women and children staying in municipal shelters.

Over 1.8 million New York City residents now receive food stamps, a number that has increased by 700,000 (62%) since the start of the recession.



Source: NYS Office of Temporary and Disability Assistance (<http://otda.ny.gov/resources/caseload/>).

Since 2008, unemployment in New York City has increased sharply, while the number of Temporary Assistance recipients is unchanged.



Source: FPI analysis of Office of Temporary Disability Assistance and New York State Department of Labor data.

2. NYC tax revenues have increased, but federal and state aid has declined.

- Total tax revenues are projected to increase by \$1.8 billion (4.5 percent) in FY 2012, and by \$1.7 billion in FY 2013 (4.0 percent.) Property tax, business and sales tax collections are expected to slow in FY 2013.
- A temporary increase in the hotel tax rate (from 5 to 5.875%) was extended for two more years until Nov. 30, 2013, raising \$70 million a year.
- NYC tax collections are projected to increase by \$8 billion (22%) from FY 2008-13. Both property taxes and economically-sensitive taxes each will increase by \$4 billion. About one-third (\$2.8 billion) of the increase is due to tax policy changes, mostly property tax (\$1.6B) and sales tax (\$900 M.)
- The winding down of federal stimulus fiscal relief (mainly education aid and Medicaid) reduces federal aid by \$2.2 billion in FY 2012 and FY 2013 compared to FYs 2010 and 2011. (Federal aid to NYS was 3 times greater.)
- NYS aid will be nearly \$800 million (6.5%) less in city FY 2013 than it was in FY2009. The reduction is mostly in school aid, but also human services.

3. NYS budget choices and pressures squeeze NYC

- The new 2012-14 state income tax surcharge enacted in December 2011 generates \$2.5-\$3B less than did the 2009-11 surcharge, making it difficult for the state to restore any of the \$20 billion in budget cuts enacted in 2009, 2010 and 2011. The Governor's budget makes further human service cuts.
- Because NYS has reduced its share of NYC's school budget since 2007, the City is spending about \$2 billion more than it would have. This increased funding burden and reduced state revenue sharing funds for NYC have severely squeezed other areas of NYC's budget, including many in human services.
- State budget cuts have also meant fewer resources for CUNY schools even though enrollment has jumped since the recession began, less money for the MTA, and lower funding for many nonprofits funded through state social service contracts (including less funding for employee cost of living increases.)

*For more on the Governor's budget proposal, see FPI's state budget briefing, **New York State Economic and Fiscal Outlook 2012-2013**, January 2012.*

4. Mayor's proposed FY 2013 budget—austerity by any name

- While City-funds expenditures are projected to increase by 3.2% in FY 2013, the only significant increases are in debt service and employee health insurance. Pension contributions start to level off.
- With few exceptions, the rest of the budget is profoundly austere. The DOE budget increases only 1%. Attrition will further reduce the number of teachers by 1,100. City funds for CUNY are reduced by 1%.
- The combined budgets of the four uniformed agencies are cut by 1.3%, with the Fire Department cut by 3%.
- Medicaid spending is projected to increase by 1.8%, but Public Assistance will be reduced by 4%.
- The six Human Service agencies (ACS, DFTA, DOHMH, DHS, DSS and DYCD) are targeted for \$222 million in cuts—an overall 8.1% reduction.
- And in keeping with the usual “budget dance” with the Council, Libraries, Cultural Affairs, and Parks are hit with sharp cuts in addition to ACS, Aging and DYCD.

Other aspects of note regarding the FY 2013 budget

- City-funded headcount to be cut by a total of 8,000, including 1,100 teachers and 6,900 staff outside of DOE, with the greatest proportionate reductions in Culturals, Libraries, Parks, DOT and DOHMH.
- The FY 2013 budget gap is closed with the help of \$1 billion from the Retiree Health Benefit Trust Fund that was set up with some of the last expansion's surplus, and an expected \$1 billion sale of taxi medallions.
- Also, the projected \$1.3 billion surplus for the current (FY 2012) year will be used to prepay a portion of debt service for 2013.
- There are no tax increases in the proposed budget, but tax collections have been revised up since last June's adoption of the FY 2012 budget by \$530 million for FY 2012 and 2013.
- However, the city's financial plan does not include funding for any wage increases for teachers (UFT) and school administrators (CSA) who still lack a contract for the 2008-2010 collective bargaining round. Other unions saw two 4% increases—a settlement along those lines would cost \$1.7 billion.

5. Several rounds of budget cuts since 2008 have hit hard at the City's six human service agencies

- Eleven PEG (Program to Eliminate the Gap) programs since early 2008 will generate recurring annual savings of over \$6 billion in FY 2013. The overwhelming majority of these savings are from spending cuts.
- From FY 2008 to FY 2012, City funds generated by NYC taxes and other local revenues increased by \$8.4 billion to \$49.1 billion. This was an increase of nearly 21 percent overall, about twice the rate of consumer inflation in the NY metropolitan area.
- Two areas accounted for slightly more than half of the City funds increase over this period: employee pension contributions and the Dept. of Education. Pension contributions increased by \$2.3 billion mainly to make up for investment losses suffered due to the 2008 financial crash. DOE spending increased by \$2.1 billion largely to make up for reduced state aid.
- Other areas where City funds increased by \$500-\$600 million include Police, Medicaid and debt service.

Although needs have grown in the wake of the recession, City human services funding dropped by 10% in real dollars

- The six human service agencies (ACS, DFTA, DOHMH, DHS, DSS, and DYCD) together are receiving \$2.7 billion in City funds this fiscal year (2012)—the same dollar amount as in FY 2008, but more than 10% less in constant dollars since inflation has increased by 10.7 percent 2008-12.
- See the table on the next page—DSS funding is shown exclusive of Medicaid and Public Assistance.
- Only Homeless Services had a slight inflation-adjusted increase in city funding. DYCD and ACS have both experienced sharp funding declines.
- These cuts are before the additional 8% spending cuts proposed for FY 2013.
- Medicaid spending increased by roughly \$500 million 2008-12. City-funded Public Assistance spending increased by \$113 million (26%) not because of an increase in caseloads, but as a result of the first increase in the basic grant in 20 years and due to an increased local share.

Change in City Funds for Major New York City Agencies, 2008 to 2012

(\$ in thousands)

Agency	2008 Actuals	2012 Forecast (Feb. 2012)	Change 2012	2008- Pct. change 2008- 2012
City Funds Total	\$40,741,809	\$49,115,626	\$8,373,817	20.6%
City Council	\$51,211	\$52,090	\$879	1.7%
Comptroller	\$56,906	\$58,361	\$1,455	2.6%
Correction, Dept. of	\$926,553	\$1,059,720	\$133,167	14.4%
Cultural Affairs, Dept. of	\$159,002	\$148,954	-\$10,048	-6.3%
CUNY	\$445,361	\$552,577	\$107,216	24.1%
Debt Service	\$4,689,989	\$5,144,358	\$454,369	9.7%
Education, Dept. of	\$6,997,793	\$9,127,359	\$2,129,566	30.4%
Environmental Protection, Dept. of	\$849,897	\$976,630	\$126,733	14.9%
Finance, Dept. of	\$210,240	\$223,781	\$13,541	6.4%
Fire Department	\$1,323,216	\$1,505,666	\$182,450	13.8%
Housing Preservation and Development, Dept. of	\$75,273	\$62,544	-\$12,729	-16.9%
Human Services (exc. Medicaid & Public Assistance)	\$2,736,522	\$2,735,782	-\$740	0.0%
Admin. for Children's Services (and Juvenile Justice)	\$927,966	\$848,547	-\$79,419	-8.6%
Aging, Dept. for the	\$139,140	\$141,554	\$2,414	1.7%
Health and Mental Hygiene, Dept. of	\$570,456	\$617,479	\$47,023	8.2%
Homeless Services, Dept. of	\$360,226	\$407,275	\$47,049	13.1%
Social Services, Dept. of (exc. Medicaid & Public Assistance)	\$479,366	\$508,778	\$29,412	6.1%
Youth & Community Development, Dept. of	\$259,368	\$212,149	-\$47,219	-18.2%
Information, Technology and Telecommunications	\$179,365	\$266,098	\$86,733	48.4%
Law Department	\$118,905	\$131,696	\$12,791	10.8%
Libraries	\$314,472	\$297,444	-\$17,028	-5.4%
Law Department	\$63,791	\$65,924	\$2,133	3.3%
Medicaid and Homecare	\$5,605,151	\$6,090,676	\$485,525	8.7%
Parks and Recreation, Dept. of	\$277,209	\$251,258	-\$25,951	-9.4%
Police Department	\$3,734,724	\$4,329,662	\$594,938	15.9%
Probation	\$64,131	\$60,018	-\$4,113	-6.4%
Public Assistance	\$441,040	\$554,379	\$113,339	25.7%
Sanitation, Dept. of	\$1,206,386	\$1,299,268	\$92,882	7.7%
Small Business Services, Dept. of	\$75,386	\$82,678	\$7,292	9.7%
Transportation, Dept. of	\$421,804	\$422,497	\$693	0.2%
Employee pension contributions	\$5,570,853	\$7,839,818	\$2,268,965	40.7%

Note: On a calendar year basis, OMB projects that the NY-NJ-CT-PA urban consumer price index will increase by 10.7 percent from 2008 to 2012

Source: Office of Management and Budget, *New York City Financial Plan Budget Function Analysis, FY 2012-2016*, Feb. 2012.

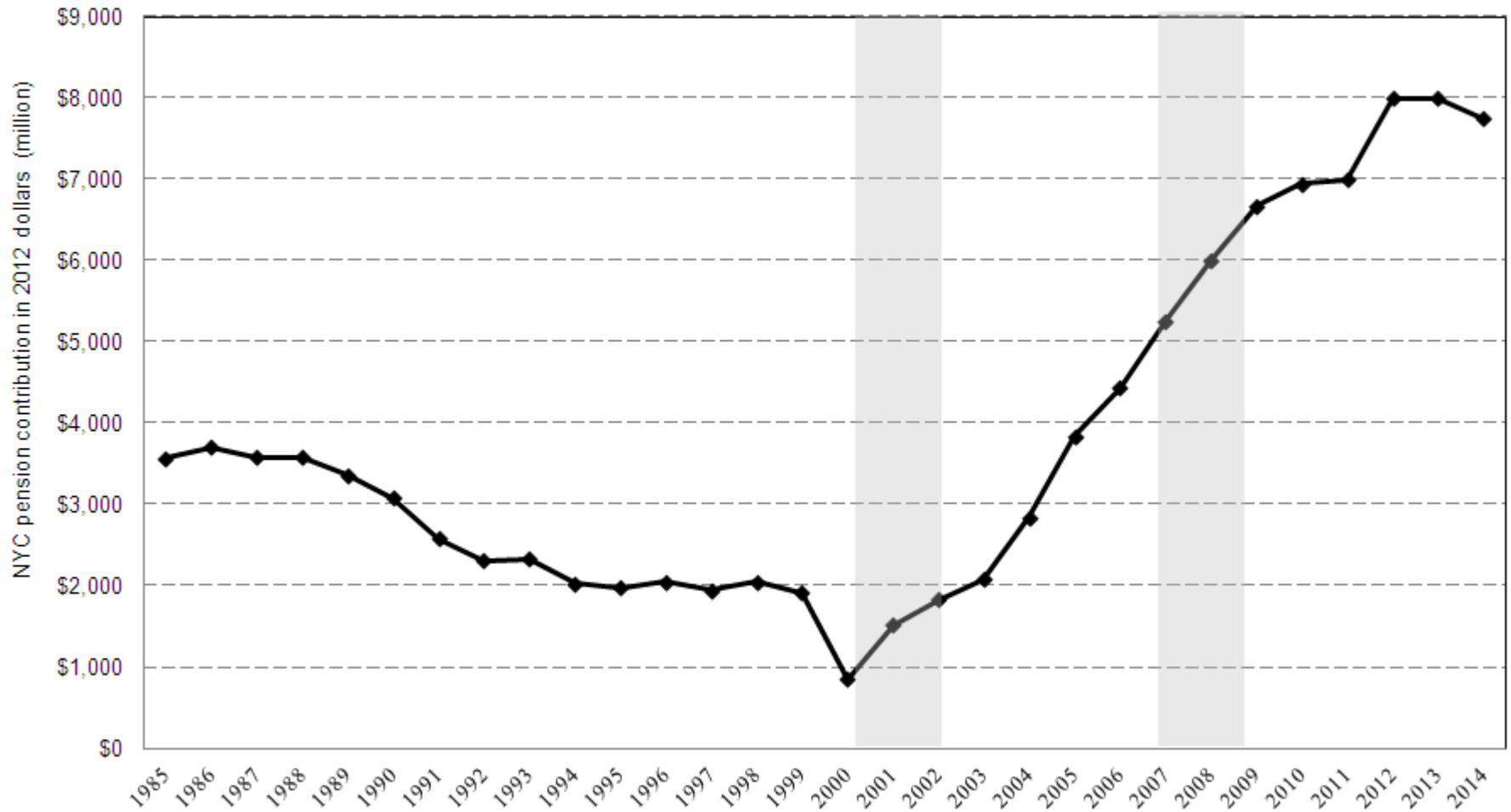
6. How is NYC responding to the continuing effects of the recession and weak recovery and increased poverty?

- In many respects, it's hard to tell from the proposed FY 2013 budget that NYC is still suffering from high unemployment, increased poverty and the adversity caused by the Great Recession.
- The City has not changed its policies regarding public assistance. Despite a doubling of unemployment since the recession began, public assistance rolls have not responded to increased economic hardship. In contrast, food stamp eligibility has soared by 700,000 or 62 percent.
- The City did not exploit opportunities created by stimulus funds—e.g., TANF Emergency Contingency Funds—to support more transitional employment opportunities or public service jobs to address high unemployment.
- The City has cut spending in a host of program areas serving low-income populations, including subsidized child care; Summer Youth Employment; after-school programs; senior centers, meals and services; and rental assistance for the homeless.

7. The City's pension contributions in perspective

- In his budget presentation, the Mayor has pointed to the dramatic 499 percent increase in city pension contributions since FY 2002, and he has voiced strong support for Governor Cuomo's proposed Tier VI pension reform.
- He underplays the extent to which pension contributions have grown in recent years to make up for the \$31 billion in losses the City's five pension funds suffered as a result of Wall Street's 2008 meltdown.
- The Governor's Tier VI proposal increases retirement age to 65, reduces the benefit multiplier from 2% to 1.67% per year of service, increases the employee contribution rate, and offers a defined contribution option instead of the current defined benefit approach.
 - These changes amount to a 40 percent reduction in pension value.
 - For a given amount of monthly pension, defined benefit pensions are 48% less costly than a defined contribution plan.
 - The typical non-uniformed NYC worker who is not a teacher receives an annual pension of about \$20,000.
- NYC pension contributions level off after 2013. Any Tier VI savings would not be realized for several years.

NYC pension contributions pushed up since 2002 in the wake of poor financial market performance, and are projected to decline slightly in constant dollars beginning next year.

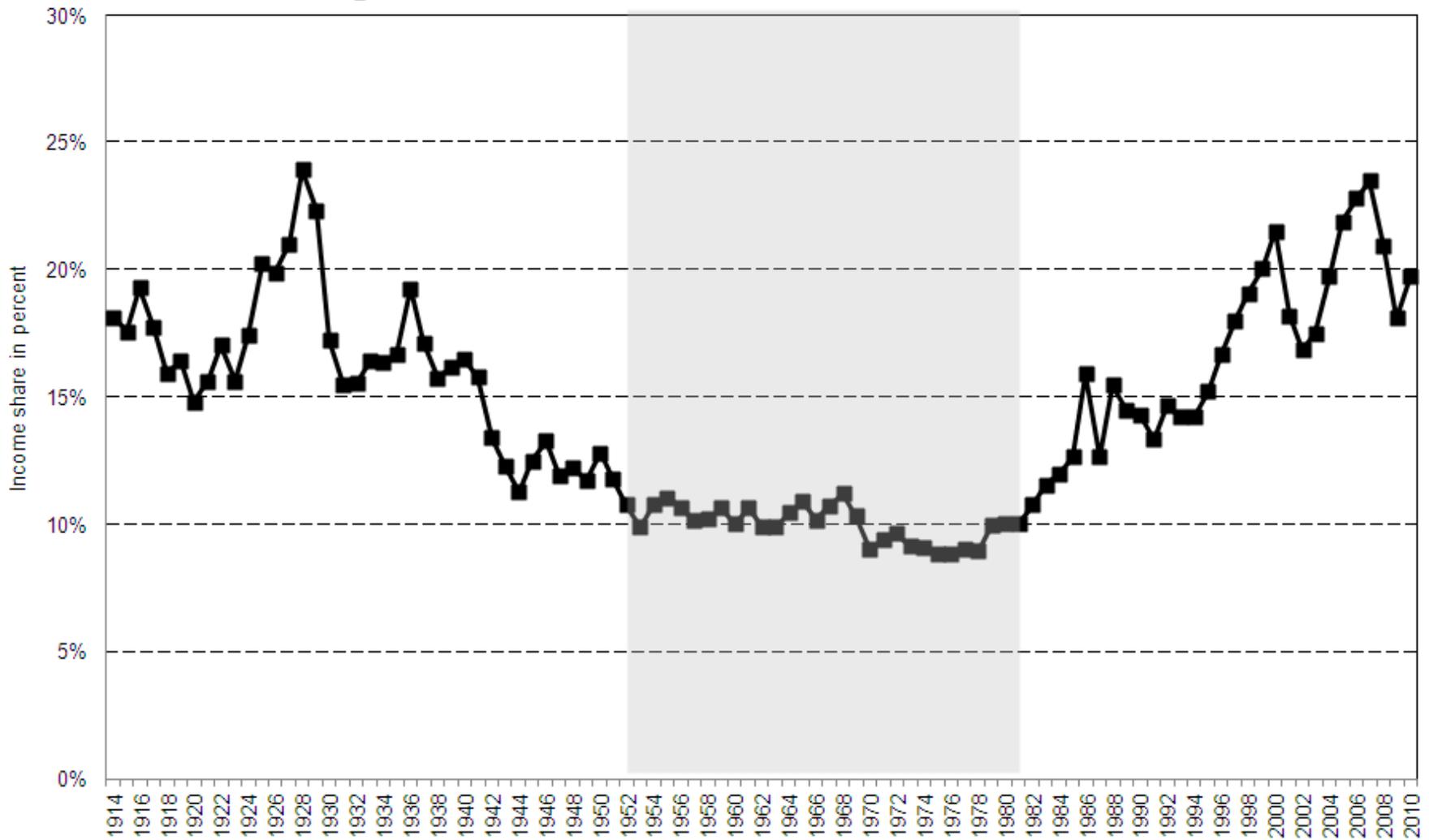


Source: NYC Comptroller Comprehensive Annual Financial Reports; projected FY 2011-2014 contributions from NYC Office of Management and Budget, Financial Plan, Feb. 2012; shaded area indicates years when market returns were more than 10% below assumed rate

8. Renewed income concentration reflects economic changes and underscores the need for progressive tax reform

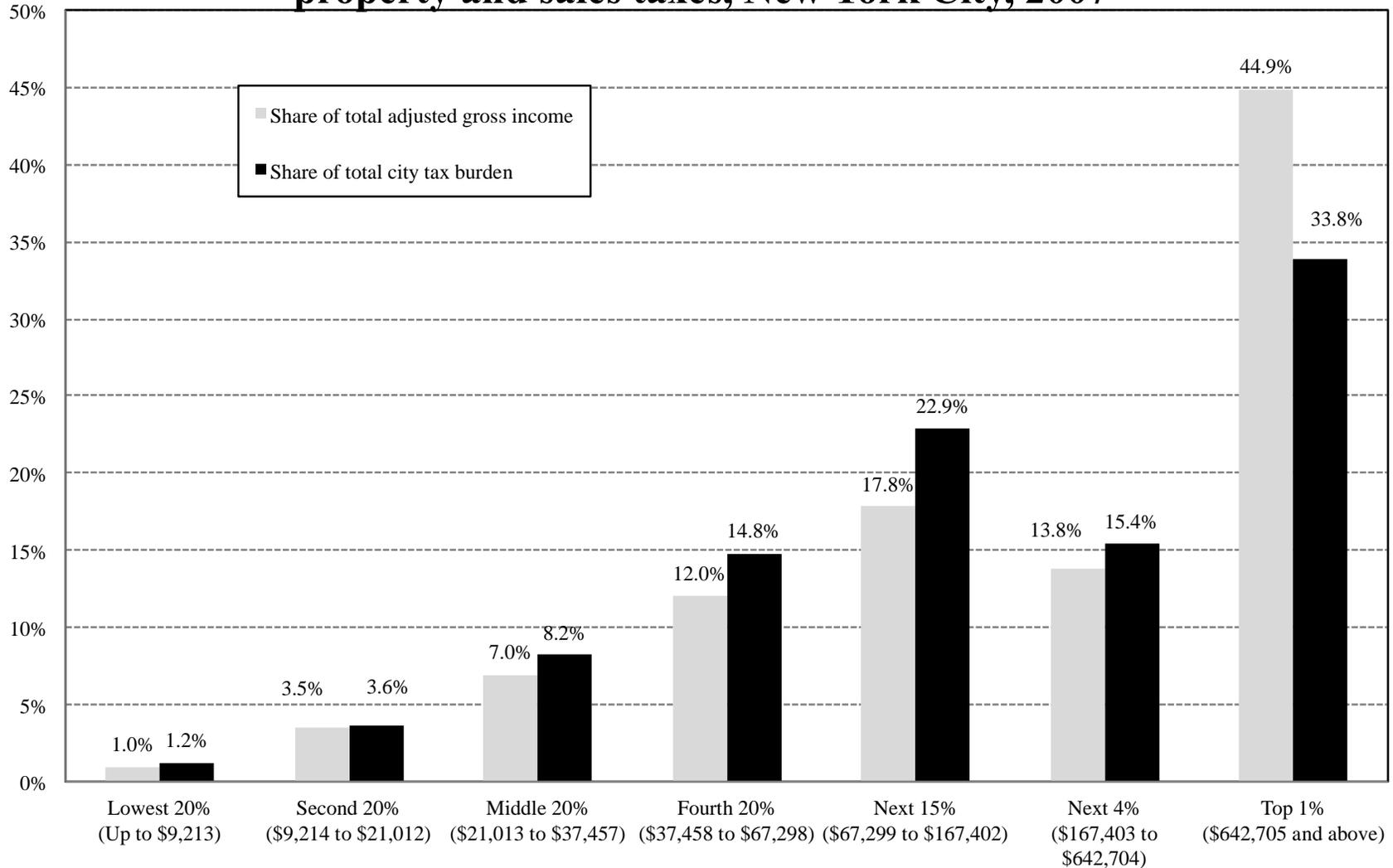
- Income concentration receded from its historic 2007 peak in the wake of the financial crash as capital gains plummeted. Since the top 1% receive half of dividends and 85% of capital gains, the resurgence in corporate profits and financial market gains mean that income concentration resumed in 2010.
- Workers were not sharing in the economy's growth or in the growth in productivity before the recession; the disparity has worsened since. The pronounced concentration of income is a drag on recovery. If there were strong consumer demand, businesses would be hiring and investing more.
- Given today's high income concentration, progressive tax reform can both stimulate economic growth and buttress government resources needed to ameliorate recession-related hardships, and increase employability and investments in worker skills.
- NYC tax changes (mainly sales and property tax increases) since 2007 have made the city's tax structure more regressive.

During the heyday of America's middle class (1950-80), the top 1% had about 10% of total income. It soared to 23% in 2007, fell in 2008 and 2009, but has started to rise again.



Source: Piketty and Saez's analysis of the US income share (<http://www.econ.berkeley.edu/~saez/index.html>)

Income group shares of city personal income, residential property and sales taxes, New York City, 2007



Source: FPI analysis of NYS Tax and Finance data.

Over the past decade, NYC business tax expenditures have risen two-and-a-half times as fast as overall tax collections.

(in millions)	NYC tax collections	NYC business tax expenditures*	Business tax expenditures share of NYC tax collections
FY 2001	\$23,248	\$919	4.0%
FY 2011	\$40,350	\$2,593	6.4%
Percent change 2001-2011	74%	182%	

If the 2001 business tax expenditures share of tax collection were held constant, 2011 business tax expenditures would have been \$1.6 billion, \$1 billion less than what they were (\$42mm in FY 2010).

* Excludes Industrial Development Agency tax expenditures other than the real property tax (\$42 million in FY 2010), and the Unincorporated Business Tax exemption for carried interest (\$200 million); comparable figures for FY 2001 are not available.

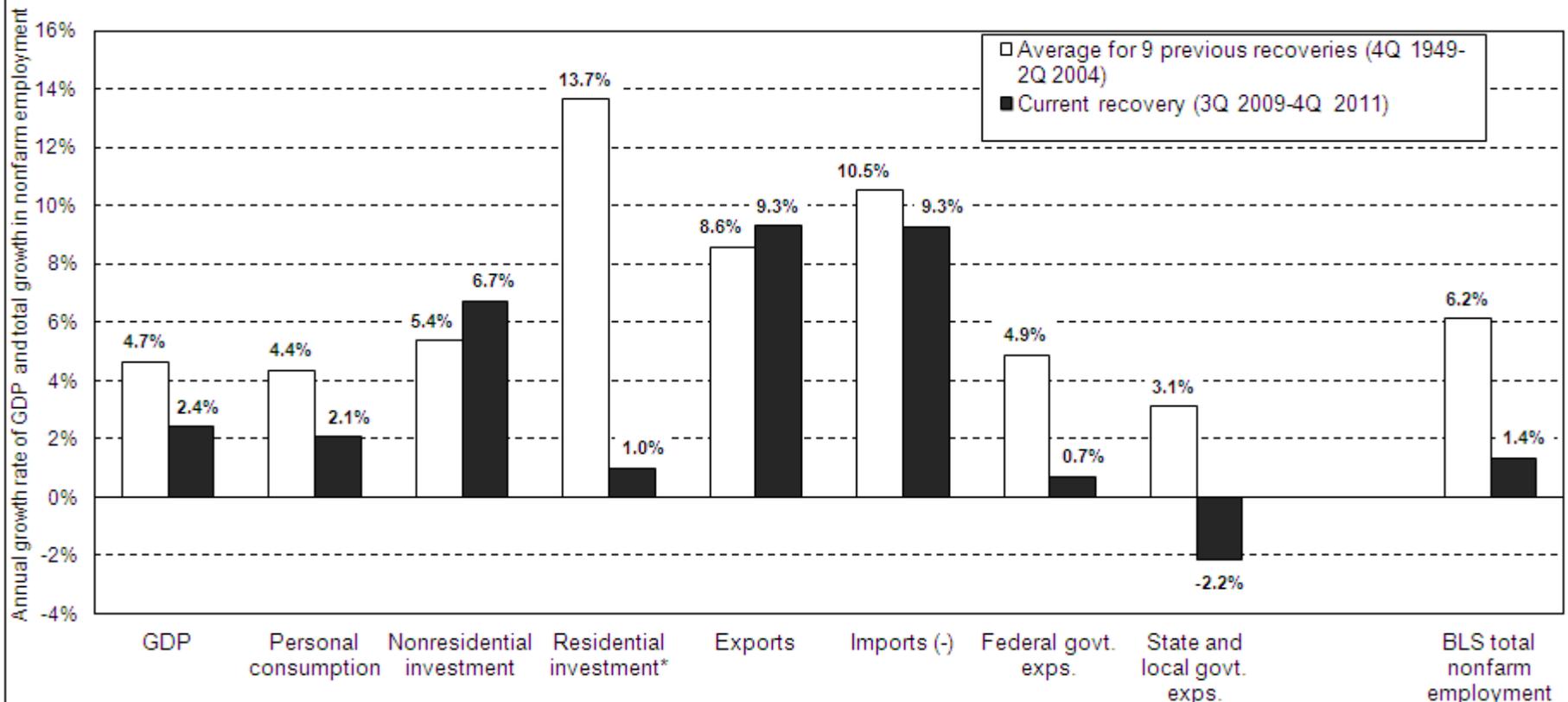
Source: NYC OMB and Department of Finance

NYC should begin to address several tax inequities to provide tax relief where it's needed and to strengthen its revenue base

- Because it hasn't adjusted its rate structure for inflation, NYC requires tens of thousands of low-income city residents who have no state or federal income tax liability to pay a NYC income tax. The City could enhance its Earned Income Tax Credit, Household Credit, or Child and Dependent Care Credit to provide tax relief to over a hundred thousand low income households. This would help offset the highly regressive effects of the 2009 sales tax rate increase.
- In the name of economic development, the City uses both as-of-right and discretionary programs to dispense a range of business tax breaks. There are almost no analyses regarding the value of these "back door" expenditures that drain tax revenues from the city. These rapidly increased in value over the past decade, mushrooming two-and-a-half times as fast as tax collections. For FY, 2011, NYC business tax expenditures exceeded \$2.8 billion.
- Commuters receive over a third of the wages (\$90 billion a year) from jobs located in NYC, yet they pay no taxes to support City services their jobs rely on. Within NYC's lucrative finance sector, non-resident commuters receive 48 percent of all wages paid. The City and the State need to figure out a way to address this inequity.
- NYC should eliminate the carried interest exemption on the city's unincorporated business tax (UBT) for private equity and hedge funds. These forms of financial operations have grown dramatically.

Appendix

National economic growth during the first two-and-half years of the current recovery (2Q 2009-4Q 2011) is less than half the pace of previous recoveries.

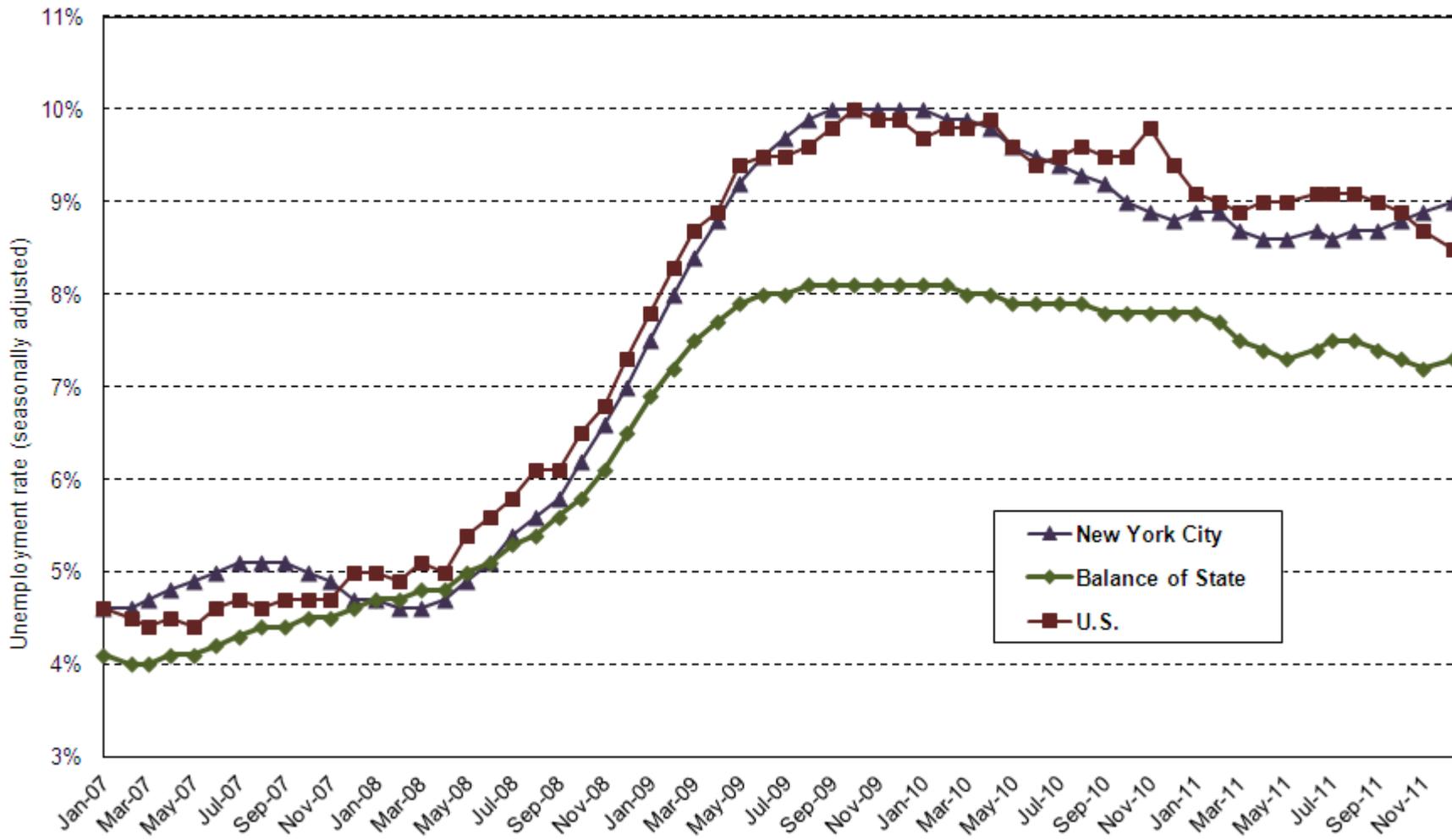


Average share of selected GDP components in current recovery (3Q 2009 through 4Q 2011):

GDP	Personal consumption	Nonresidential investment	Residential investment	Export	Import(-)	Federal govt. exps.	State & local govt. exps.
100.0%	70.7%	10.3%	2.5%	12.8%	-15.9%	8.1%	11.3%

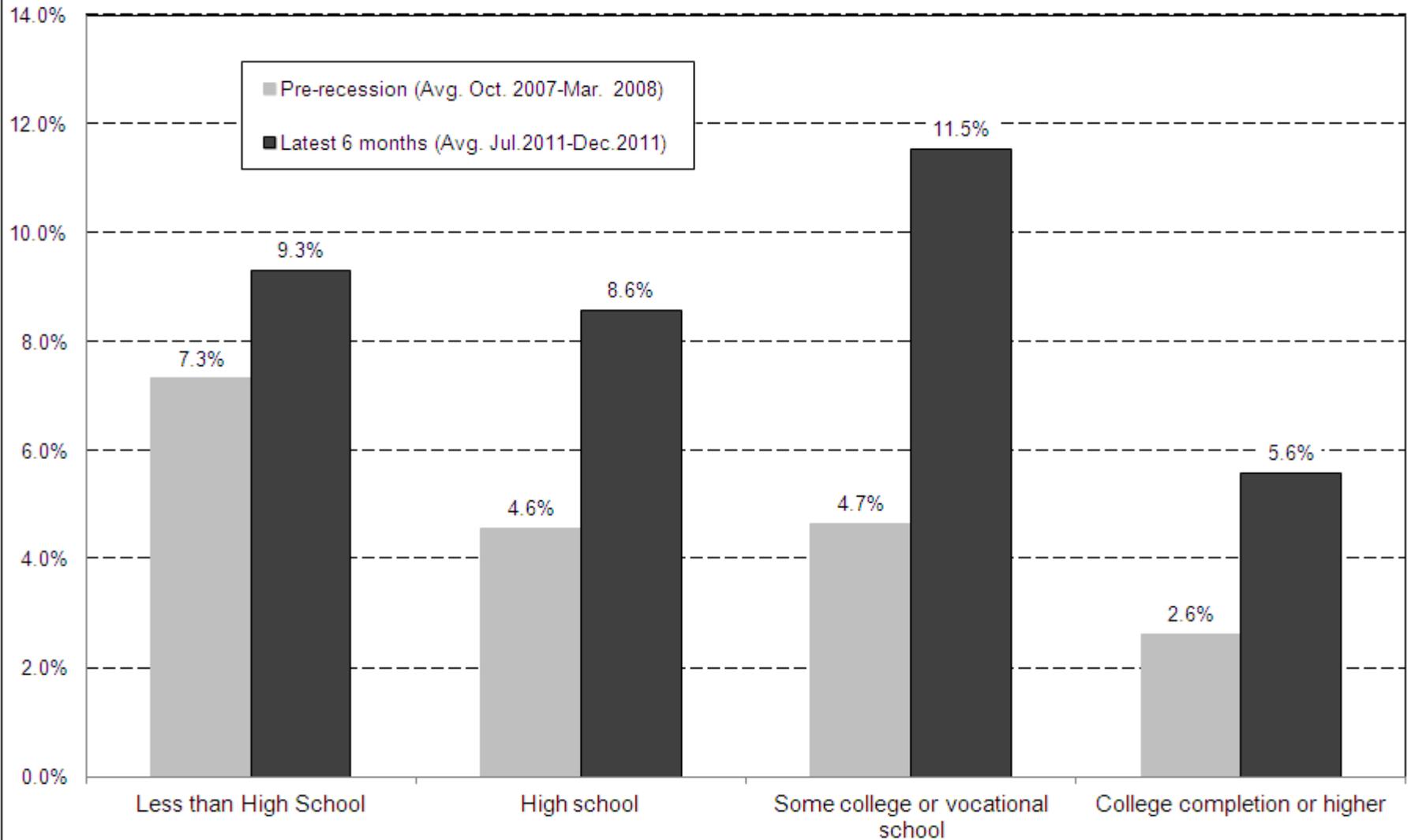
Note: The private residential investment share of GDP in the current recession is unusually small because of the depressed condition of the housing market. In the early 2000s recovery, the residential investment share of GDP was 5.6 percent.
 Source: BEA NIPA table 1.5.1 and 1.5.6 for GDP components and BLS CES employment data for total nonfarm employment level.

Unemployment in NYC has roughly tracked the nation overall. In the rest of the state, unemployment is lower, but has declined less.



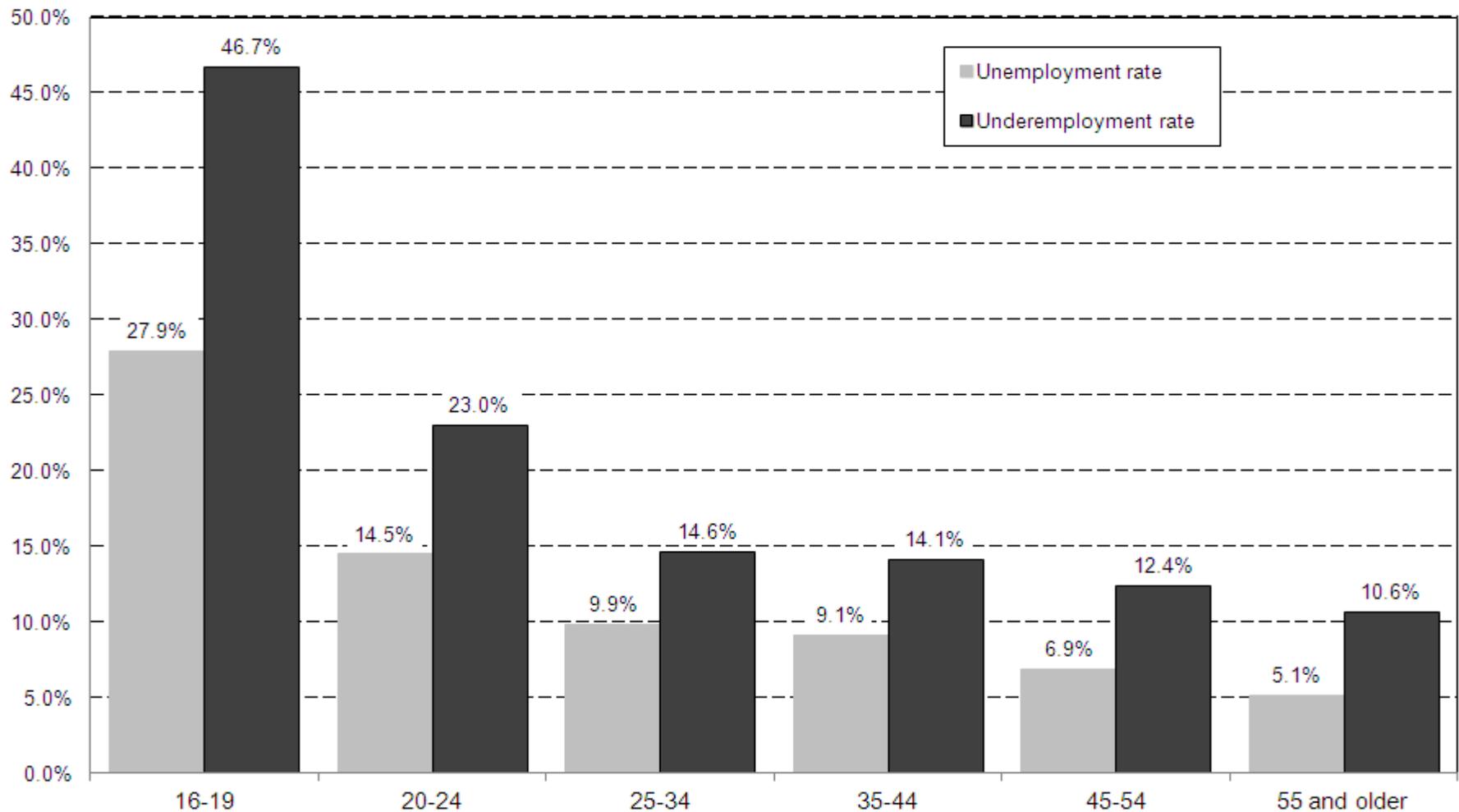
Source: Bureau of Labor Statistics and NYS Department of Labor.

The proportionate increase in unemployment rates since the recession began is greater for more educated New York City workers.



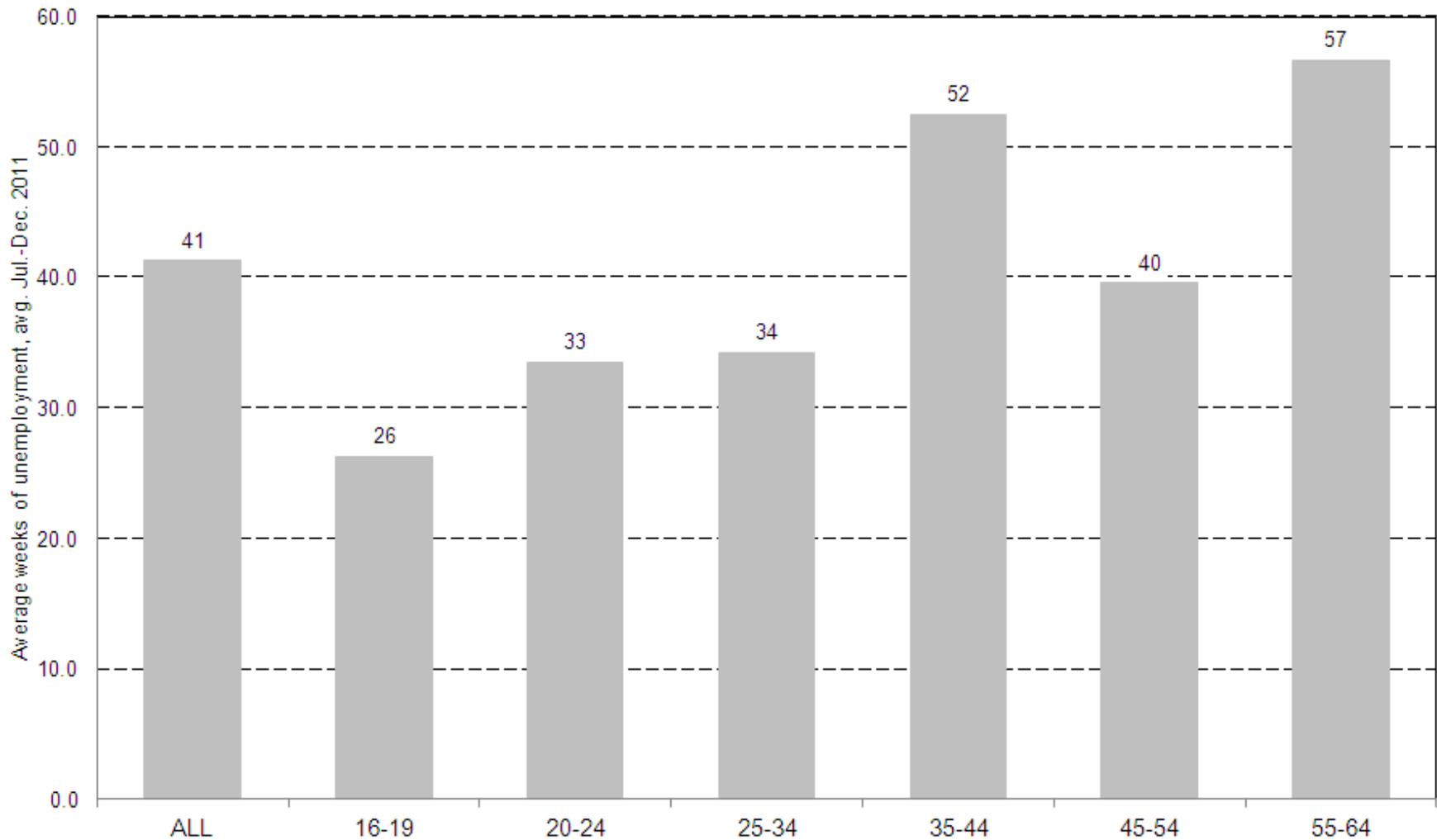
Source: FPI analysis of CPS data adjusted to NYS LAUS labor force statistics

Unemployment rates remain very high for New York City's young adult workers under age 25.



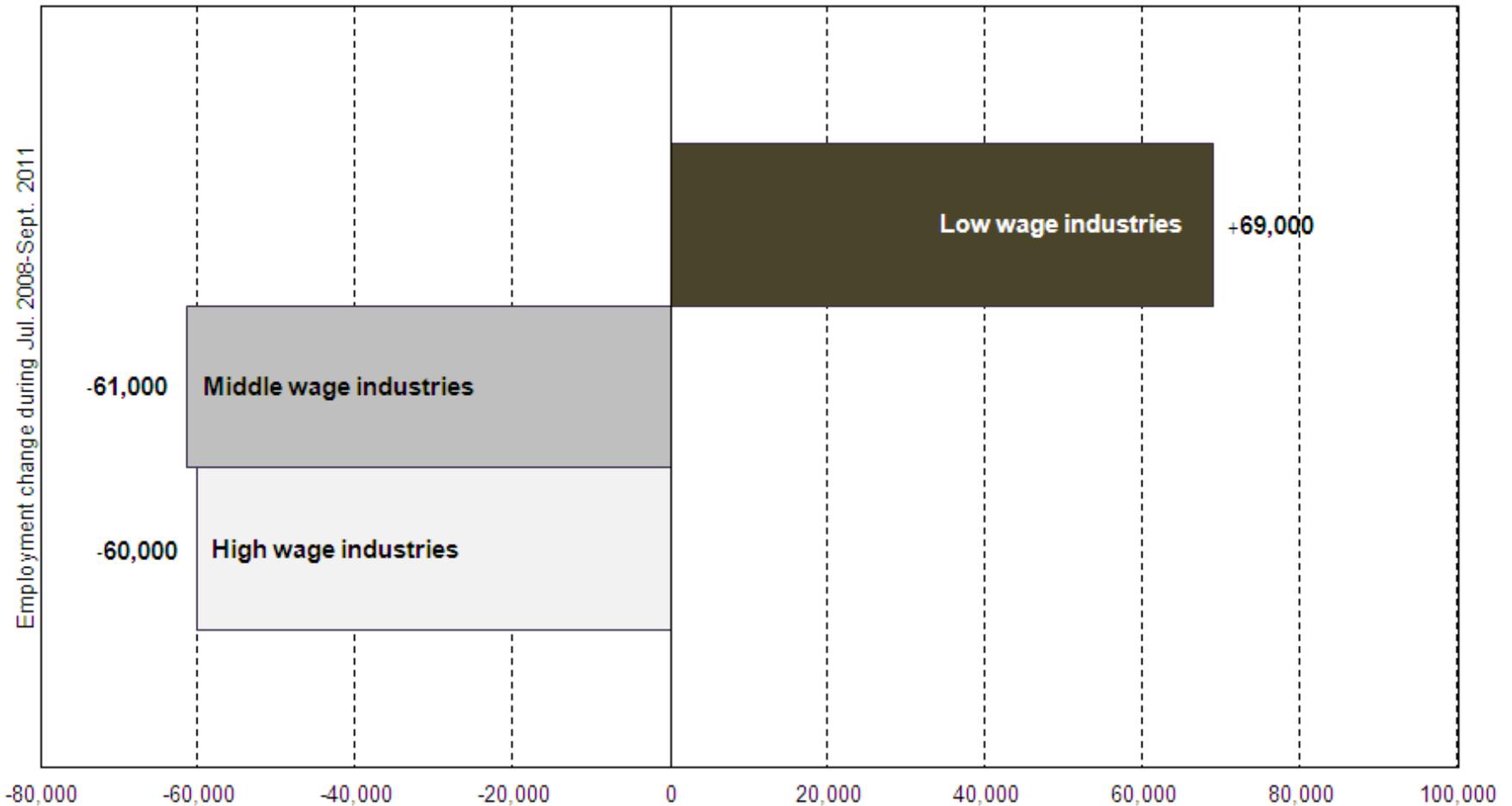
Source: FPI analysis of CPS data adjusted to NYS LAUS labor force statistics

The average duration of unemployment in New York City is 10 months; for older workers, age 55-64, it's more than a full year.



Source: FPI analysis of CPS data adjusted to NYS LAUS labor force statistics

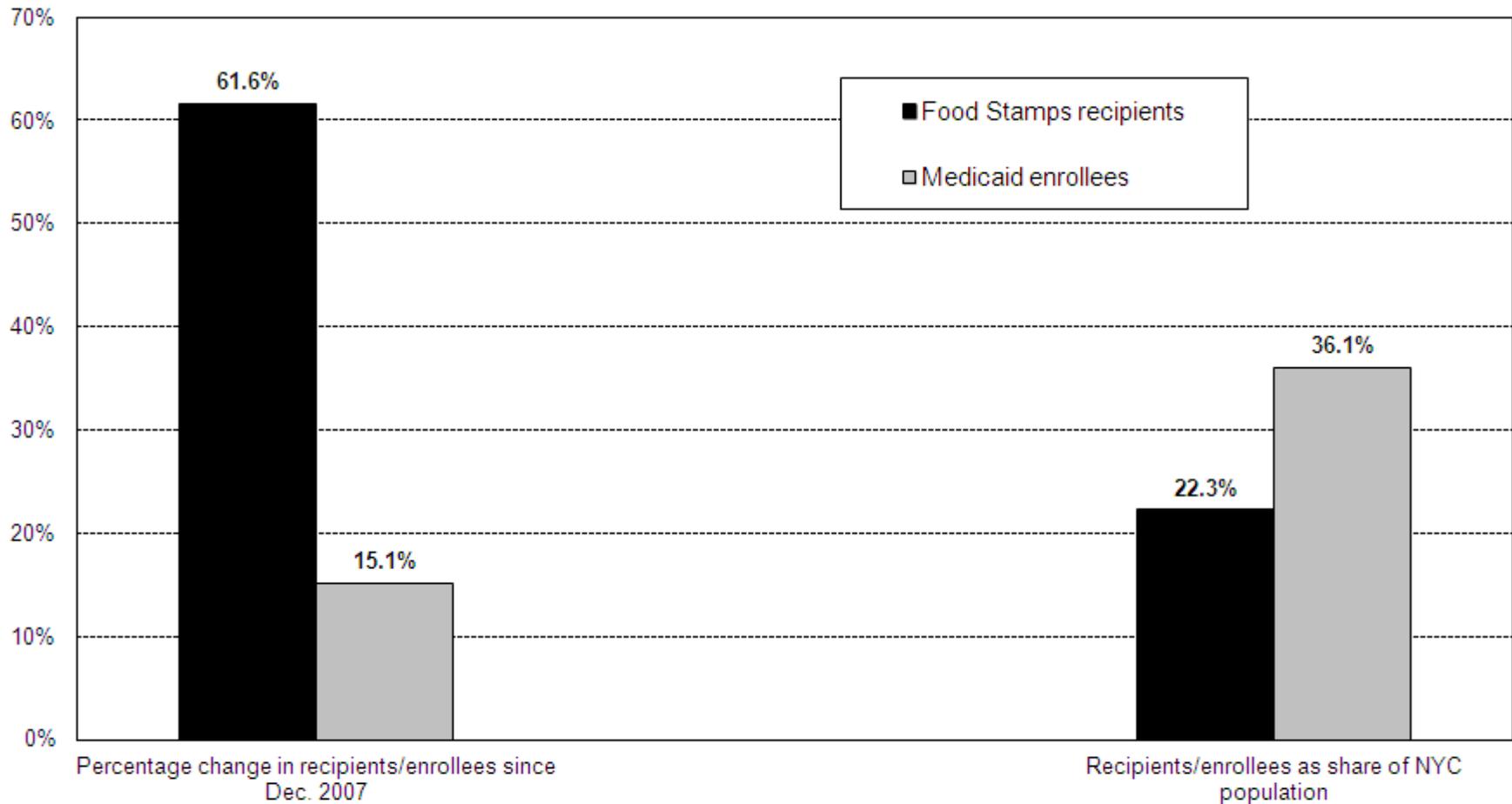
Since the recession began in New York City in mid-2008, only low-wage industries have had net job gains.



Note: Low wage industries are those whose annual average wage is below \$45,000. Middle wage industries have annual average wages of \$45,000-\$75,000. High wage industries are those whose annual average wage is above \$75,000.

Source: FPI's seasonal adjustment of CES employment data and QCEW annual average wage data from NYS DOL.

Participation in Food Stamps and Medicaid has risen during the Great Recession. More than one in five NYC residents now receive Food Stamps, and more than one in three are enrolled in Medicaid.



Source: FPI analysis of New York City Human Resource Administration data, December 2007 through December 2011.

New York City Budget

Feb. 2012 Financial Plan

After FY 2013 Gap Closing Program

(Millions of dollars)	FY 2012	FY 2013	FY 2014
REVENUES			
Taxes	\$42,162	\$43,858	\$45,065
Fees and other revenue	\$7,896	\$8,465	\$7,433
Less: Intro-City revenues	-\$1,791	-\$1,531	-\$1,533
Federal Categorical grants	\$7,734	\$6,592	\$6,491
State categorical grants	\$11,368	\$11,341	\$11,449
TOTAL REVENUES	\$67,369	\$68,725	\$68,905
EXPENDITURES			
Personal service (wages & fringes)	\$37,455	\$37,210	\$37,794
Medical Assistance	\$6,275	\$6,321	\$6,458
Public Assistance	\$1,409	\$1,345	\$1,365
All other OTPS	\$20,754	\$20,099	\$20,764
Debt Service	\$5,612	\$6,278	\$6,797
FY 2011 budget stabilization & transfers	-\$3,742	\$0	\$0
FY 2012 budget stabilization	\$1,297	-\$1,297	\$0
General Reserve	\$100	\$300	\$300
Less: Intra-City expenses	-\$1,791	-\$1,531	-\$1,533
TOTAL EXPENDITURES	\$67,369	\$68,725	\$71,945
Gap to be closed	---	---	-\$3,040

Source: February 2012 Financial Plan Fys 2012-2016, Feb. 2012.

New York City OMB's forecast calls for slower growth in New York City than in the U.S.

	Calendar years, annual percent changes								
	2008	2009	2010	2011	Forecast				
					2012	2013	2014	2015	2016
actual	actual	actual	est.						
United States									
Real Gross Domestic Product	-0.3	-3.5	3.0	1.7	2.1	2.5	3.4	3.2	2.7
Personal income	4.6	-4.3	3.7	4.7	3.5	4.0	5.2	5.3	5.1
Total wages	2.6	0.1	2.9	2.5	2.0	2.6	3.0	3.0	2.9
Employment	-0.6	-4.4	-0.7	1.0	1.3	1.7	1.9	1.9	1.6
New York City									
Real Gross City Product	-6.2	-4.0	6.9	0.6	-0.2	1.7	2.0	2.3	2.1
Personal income	1.9	-4.0	3.7	4.2	2.1	3.1	4.1	4.1	4.2
Total wages	0.3	-8.0	5.7	2.6	0.3	2.2	2.5	2.7	2.9
Employment	1.3	-2.7	0.4	0.9	0.7	1.2	1.2	1.4	1.0

Source: NYC Office of Management and Budget, *Monthly Report on Current Economic Conditions*, Jan. 10, 2012; *February 2012 Financial Plan, Fiscal Years 2012-2016*, Feb. 02, 2012