**Revenue and Economics Forecast Update**

**Fiscal 2022 Preliminary Plan Fact Sheet**

**FY22 Size of Budget**

$92.3 Billion

$1.4 Billion less than Fiscal 2021 November Plan

**FY22 Tax Revenue (OMB)**

$62.2 Billion

$1.6 Billion less than Fiscal 2021 November Plan

**Real GCP Forecast**

2020: -6.1%
2021: +4.0%

IHS Markit

**NYC Private Employment**

2021 Baseline: +4.2%
2021 Pessimistic: +1.0%

NYCC Finance Division

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**Current Economic Situation**

**National Economy**

- Real GDP: Gains of 33.4% in 3Q & 4.0% in 4Q - following losses of -5.0% in 1Q & -31.4% in 2Q.
- Output is still 2.5% below its level before COVID-19.
- Employment dropped by 227,000 in December due to a second wave of Covid-19.
  - Gained only 49,000 jobs in January.
- Unemployment: 6.3% as of January.

**City Economy**

- Net job loss of 12.9% between February and December.
  - Twice the share as the 6.5% job loss in the U.S.
- Employment fell by 20,500 in December (sea. adj.).
- Unemployment: 11.4% as of December.
  - 70% higher than the U.S.

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**NYC Year-to-Date (YTD) Tax Collection**

- YTD collections for Fiscal 2021 declined by 3.3%, or -$1.3 billion, compared to the same period in Fiscal 2020.
- Sharp declines in all but property taxes, which historically provides a resilient source of revenue stability.
- YTD collections, however, are about $200 million over OMB’s Preliminary Plan.

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**Overview of Forecast Scenarios**

1. **Baseline: “Follow the Rules”**
   - Rising COVID cases contained by social distancing and shutdowns in hotspots.
   - Vaccine brings relief in summer.
   - Continued economic expansion.

2. **Pessimistic: “COVID Upturn Slows Recovery”**
   - COVID cases soar, peaking in early 2021.
   - Containment measures re-imposed because of more infectious strains.
   - Rising cases reduce consumer spending and slows growth in first half of 2021.
   - Vaccine brings relief in summer.
Baseline: Characterized by a steady and stronger “swoosh-shaped” economic recovery. As new cases become manageable and vaccines distribution continues, the remaining constraints on economic activities are removed, raising GDP and reducing unemployment.

The current baseline forecast for 2021 represents an upward adjustment, as year-over-year GDP growth has been raised from 4% to 5.7%. The adjustment reflects projected boost to the economy from enactment of The Consolidated Appropriations Act in December and the American Rescue Plan currently under consideration by Congress.

Pessimistic: Economic growth continues, but at a slower pace than baseline. GDP growth decelerates in each of the first two quarters of 2021, as consumer spending declines because of vaccine distribution problems, new strains of COVID, and new restrictions. Accelerated vaccine campaign in the summer leads to a rebound in 21Q3 and beyond. Unemployment drops slowly.

Baseline Scenario: Declining Covid-19 cases and ongoing vaccination campaign accelerates rehiring, as restrictions are lifted. Job levels grow at 4.2% in 2021 and accelerates to 6.3% in 2022. However, employment does not return to pre-pandemic level until Q4 of 2023.

Pessimistic Scenario: Slower pace of job recovery than baseline, as consumer spending declines due to high cases and vaccine problems. Job growth declines 13% in 21Q1 but ends the full year with a 1% growth over the prior year. Job growth accelerates by 2022 spurred by an intensified vaccination campaign. As a result, employment returns to pre-pandemic level by last quarter of 2025.
**Baseline Scenario**
The Finance Division expects a 1.7% fall in tax revenues in Fiscal 2021. The decline reflects the severe shrinkage of the City's tax base from the response to the pandemic.

The current forecast represents an upward revision from the Division's November forecast, which expected total tax revenues to drop by 3%.

The upward revision can be attributed to expected increase in personal and business income tax. A stronger financial market and further federal stimulus aid are expected to provide a larger boost to the economy than the Division projected in November.

Collections are expected to rebound with a 1.5% growth in Fiscal 2022.

Fiscal 2022 collections will be dragged down by a 5% drop property taxes, as property values are severely affected by Covid-19. Property values are expected to decline for the first time since 1996.

**City Taxes Annual Growth Rate**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Baseline</th>
<th>Pessimistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY20 (Actual)</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>FY21</td>
<td>-1.7%</td>
<td>-3.7%</td>
</tr>
<tr>
<td>FY22</td>
<td>1.5%</td>
<td>0.7%</td>
</tr>
<tr>
<td>FY23</td>
<td>5.1%</td>
<td>3.1%</td>
</tr>
<tr>
<td>FY24</td>
<td>4.1%</td>
<td>6.4%</td>
</tr>
<tr>
<td>FY25</td>
<td>2.5%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

**Pessimistic Scenario**
Fiscal 2021 collections are expected to decline 3.7%, as a more severe wave of Covid-19 causes further retrenchment in economic activity.

The Division’s current pessimistic forecast represents an upwards revision from the 6% decline it forecasted in November's pessimistic forecast scenario.

Collections are expected to rebound in Fiscal 2022, albeit at a slower pace than the baseline forecast.
### Differences from OMB’s January 2021 Financial Plan

<table>
<thead>
<tr>
<th>Forecasts ($ Million)</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>+$904</td>
<td>+$669</td>
<td>+$1,259</td>
<td>+$2,027</td>
<td>+$1,943</td>
</tr>
<tr>
<td>Pessimistic</td>
<td>($310)</td>
<td>($1,050)</td>
<td>($1,755)</td>
<td>($1,698)</td>
<td>($1,820)</td>
</tr>
</tbody>
</table>

- The Finance Division’s baseline forecast is nearly $1.6 billion higher than OMB’s Preliminary Plan for Fiscal 2021 and 2022.
  - Most of that difference can be attributed to differences in property and sales taxes.

- The pessimistic forecast is about $1.4 billion below OMB’s Preliminary Plan for Fiscal 2021 and 2022.
  - Largely reflects differences in property, personal income and business taxes.

### Risks to the Forecast

**Federal Stimulus:** This forecast assumes the passage of the Biden Administration’s proposed American Recovery Plan proposed, which includes substantial aid to states and localities. If Congress fails to pass the plan or passes a smaller package, economic growth would be weaker than projected. States and localities would continue to struggle to balance their budgets, further weakening the economic recovery.

**Vaccine Challenges:** Slower than expected rollout of vaccine, higher reluctance to be vaccinated and the challenges with new strains could hamper economic recovery in the U.S. and the world. The World Bank projects that the global economy could grow 4% in 2021 if vaccines are readily available. Otherwise, it would only grow 1%.

**Property Tax Assessments:** The inherit lag in the Real Property Income and Expense (RPIE) statements, filed by most Class 2 and 4 properties, pose a major risk to the accuracy of property tax assessments for FY22 and FY23. The income and expense data in RPIE filings are used in determining the values of those properties. The timing of RPIE filings means that the income and expense data filed by owners are from calendar year 2019, prior to the pandemic. However, DOF has moved towards using economic indicators to estimate current income and expenses to account for the impact of COVID-19. While this is the most reasonable method to update income and expenses to current conditions, not having any real time data makes unclear the accuracy of this year’s adjustment. The same issue will likely occur in Fiscal 2023.

**Corporate & Small Business Bankruptcies:** Non-financial firms have undertaken extensive borrowing, often to buy stock. Servicing this debt under current conditions will be difficult for some firm. The impact of defaults and bankruptcies could weaken the recovery.