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NEW YORK CITY COUNCIL
FINANCE DIVISION

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Report to the Committee on Finance Fiscal 2023 Preliminary Plan and the Fiscal 2022 Mayor's Management Report: Engineering a Soft Landing

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Introduction

Both the National and City economies continue their recoveries. Each has crossed an important threshold, income as measured by Gross Domestic Product (GDP) and Gross City Product (GCP) has surpassed its pre-COVID level. For GDP this occurred in the second quarter of 2021 while for GCP this occurred in the fourth quarter of 2021,[1] or half a year later. For the City's fiscal health this is important, since our tax base depends on the economic activity in the City. The Finance Division believes this expansion will continue throughout the forecast period. Growth, however, will slow as the Federal Reserve works to control inflation and engineer a soft landing for the economy.

Employment tends to lag income growth. For the national economy, we do not expect payroll employment to surpass the pre-COVID level until the third quarter of 2023. In the City, this will not occur until the third quarter of 2025.

As for tax revenue, the Finance Division's forecast for Fiscal 2022 is up a bit from the forecast released in December, with stronger property transactions taxes offsetting weaker business taxes. The Division's forecast for Fiscal 2022 is $1.6 billion above OMB's Preliminary Budget forecast. For Fiscal 2023, the Division's forecast is significantly above its December forecast, mostly due to a much higher than expected tentative property tax assessments released by the Department of Finance. The Division's forecast is $2.8 billion over OMB's Preliminary Budget Forecast.

For the last two years, forecasting and budgeting has been a risky activity. Paul Krugman recently wrote, referring to those of us in the business of making predictions: "The coronavirus has made fools of all of us."[2] What it does next will matter. There is more to risk than just the virus. At the City level, the pace of return to Manhattan offices is hard to call. At the national level fighting inflation while engineering a soft landing for the economy is an art; the Federal Reserve could make a mistake at a large cost to the economy. For the global economy the conflict between Russia and Ukraine threatens disruptions to energy and financial markets.

United State Economy

A Soft Landing: Inflation and Interest Rates

COVID-19 produced problems on the supply side of the economy that have reduced access to goods and services, resulting in price increases. These problems are not specific to the United States, indeed they are found among all OECD members.[3] Many of these bottlenecks are about industry specific problems. For example, a shortage of semiconductors has curtailed automobile production.[4] However, there is evidence that the economy is approaching overall capacity and the current rapid rate of growth is unsustainable. There is a need to slow its growth to avoid accelerating inflation.[5] Managing this kind of slowdown is a normal part of the Federal Reserve's responsibilities and it does so in most expansions. The art is to slow the economy, keep inflation from accelerating, without

[1]IHS Markit "Regional Forecast" February 2022.
[2] Paul Krugman, "COVID's Economic Mutations", New York Review of Books, Volume 69 #4, March 10, 2022.
[3] Federal Reserve Bank of New York : The Global Supply Side of Inflationary Pressure", Liberty Street Economics January 28, 2022, https://libertystreeteconomics.newyorkfed.org/2022/01/the-global-supply-side-of-inflationary-pressures/
[4] Why is there a chip shortage? - BBC News https://www.bbc.com/news/business-58230388
[5] Finance Division has looked at supply chain problems and inflation in its December Revenue Note "Economic and Tax Revenue Forecast: Supply Side Issues Slow the Economy'. Those interested in how this all works should consult it,

stopping economic growth. This is sometimes called a soft landing for the economy. The Federal Reserve's principal tool is raising the Federal Funds rate, a short-term interest rate that influences other interest rates. It also may reduce its portfolio of longer-term assets, which will impact longer-term interest rates.

The Council's national economy forecaster, IHS Markit, expects the Federal Reserve to raise its target for the Federal Funds rate four times during 2022, ending the year at a rate a bit over 1 percent. By the end of 2026 rates should be up around 2.6 percent. Longer-term rates should also rise, with Baa corporate bonds rising from 3.7 percent to a bit over 5 percent by end of 2026. Rates more familiar to consumers, such those on credit cards, auto loans and home mortgages should also rise.[6]

Federal Reserve policy indirectly affects the City economy through its impact on the national economy. However, it also more directly affects the City's economy and tax base through its impact on certain key industries, most importantly real estate, tourism, and financial services. In the usual textbook description, higher interest rates increase the cost of borrowing, in turn reducing the willingness of firms to spend on things like new plant and equipment and for households to spend on buying homes, automobiles, and large appliances. This slows the economy and may relieve some of the pressure on prices. For the City, the direct impact would be in the real estate industry and would show up in a reduction in the two transactions taxes associated with the sale of real estate. It also could impact on the price of real estate. Lower sales prices could impact on capital gains realizations that are taxed on the income tax. The property tax is so convoluted that it is hard to say when or if lower real estate prices would impact on revenue - still it is a possibility. [7]

Rising U.S. interest rates would make dollar denominated assets more attractive causing the dollar to rise in value relative to other currencies. This makes New York more expensive for overseas visitors. Big spending foreign tourists are important for city hotels, restaurants, and cultural attractions, which in turn makes them a key driver in the City's hotel and sales taxes.

Finally, interest rates have an effect on financial assets. As interest rates go up, the price of bonds falls. As bonds get cheaper, equities have to get cheaper in order to compete. This would cause indexes like the S&P 500 to fall in value. The relationship between financial asset prices and the investment bank bonuses and the realized capital gains is complex. But basically, Finance Division has found that a falling S&P 500 index is not good for City Personal Income collections.

All of this is subject to that great economic assumption "all other things being equal." Of course, all other things are never equal in the real world. There are multiple changes going on all of the time. In some areas, notably real estate and tourism, the Finance Division expects other factors to dominate. For real estate, strong demand for housing should keep the industry going. For tourism, a rebalancing of spending from goods towards consumer services like tourism will dominate any exchange rate effect and despite the rising interest rates, IHS Markit does not expect the dollar to rise in value. Still, these interest rate affects are headwinds slowing City economic and tax revenue growth.

What will all of this mean for inflation? After all, interest rate increases do not reduce COVID infections, relieve supply chain bottlenecks or address labor supply issues. At the risk of

[6] IHS Markit "Executive Summary: US Economic Outlook" February 2022.

[7] This paragraph and the two that follow draw upon: Peter N. Ireland, "The Monetary Transmission Mechanism" Federal Reserve Bank of Boston Working Paper No. 06-1, November 2005. Application of the channels to the City is attributable to the Finance Division.

oversimplifying, many economists believe that long-run inflation depends upon what people expect it to be. Weaker demand will have some impact on price rises, even when its cause is supply side. The notion that the Federal Reserve is taking action and bottlenecks are working their way out will help keep inflationary expectations from rising too much.

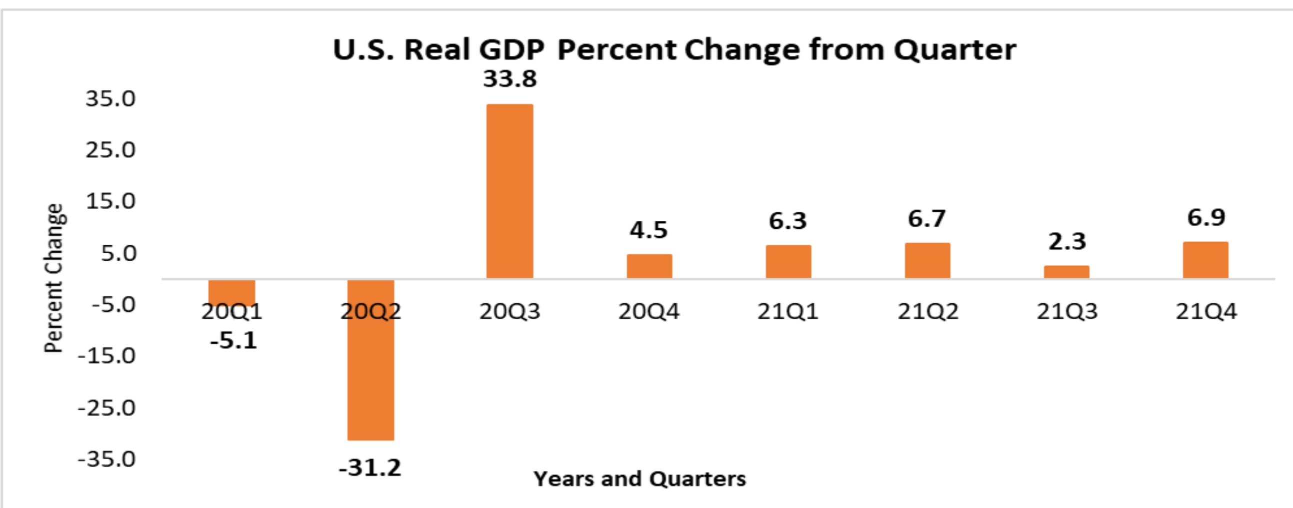
Other economists theorize that inflation is driven by conflicts over the distribution of income. Once again, at the risk of oversimplifying, workers push for higher wages and benefits, and firms try to maintain profit margins, passing on the higher costs. Workers then try to offset the higher costs of goods with still higher wages,[8] setting up a vicious cycle. Slowing the growth of labor demand and the working out of bottlenecks helps keep this conflict from getting out of hand.

Note that by either theory a soft landing depends on bottlenecks working their way out in reasonable time.

The Finance Division believes that the Federal Reserve will be successful in slowing inflation, and economic growth will slow down to a level sustainable in the long run. While there are risks, we believe the interest rate increases will not be damaging to the City's economy or fiscal health.

Current Conditions: GDP, Omicron and Employment

National economic growth accelerated in the fourth quarter of 2021 to a 7.0 percent annualized rate, an increase from 2.3 percent the previous quarter, as the economy continued to recover from the effects of the COVID-19 pandemic.[9] Fourth quarter GDP was entirely accounted for by increased inventory investment and service spending. Personal consumption increased 3.1 percent, pushed higher by a 3.5 percent recovery in services spending.



Source: *U.S. Bureau of Economic Analysis, January 27, 2022*

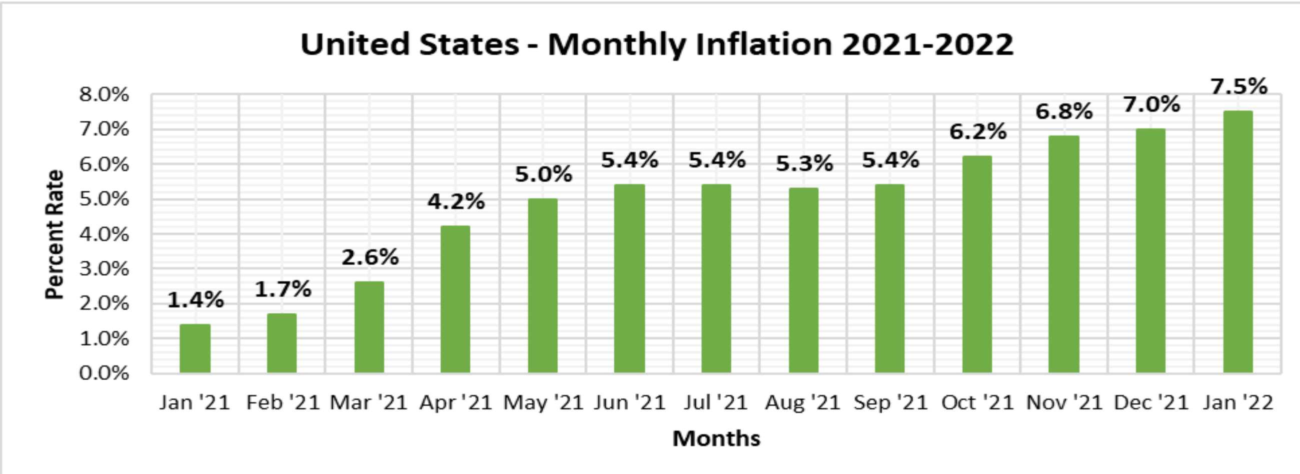
One of the biggest constraints on the economy in the fourth quarter was the Omicron variant of COVID-19, which peaked in parts of the country. Monthly data indicate that restaurant spending stalled in the quarter and roughly normalized, but other in-person services like travel and live entertainment have remained depressed. The dynamics of COVID-19, in the U.S. is becoming

[8] Matías Vernengo "Money and Inflation: A Taxonomy", University of Utah Working Paper 2005-14, p. 17

[9] U.S. Bureau of Economic Analysis (BEA), Fourth Quarter: February 24, 2022

increasingly inured to the virus, and booster shots should all help reduce some of the constraints the virus has placed on the economy in the upcoming months.

On the other hand, annual inflation rate in the U.S. accelerated to 7.5 percent in January of 2022, the highest since February of 1982.[10] The number one cause of today's high inflation is COVID-inflicted shortages and high energy prices, which has been elaborated upon in the previous section "A Soft Landing: Inflation and Interest Rates."



U.S. employment growth increased sharply by 467,000 jobs in January, a big improvement from prior employment growth.[11] As of January 2022, payroll employment recovered 19.1 million positions since April 2020, but remains 2.9 million jobs (1.9 percent) below the pre-pandemic level in February 2020 (seasonally adjusted). The unemployment rate has fallen to 4.0 percent as of January 2022 from 6.3 percent a year ago. Additionally, the labor force participation rate has held at 62.2 percent in January and the employment-population ratio was little changed at 59.7 percent. Both measures are up over the year but remain below their February 2020 levels.

Looking forward, the vaccination effort has demonstrated that it is a crucial step for U.S. economic recovery. As of January 2022, the Center for Disease Control and Prevention (CDC) reported that only about 64.7 percent of the total U.S. population was fully vaccinated.[12] The economy may well continue to be fragile until the vaccination rate hits much higher levels, making people more comfortable in returning to their pre-pandemic lifestyles, and helping prevent future flare-ups in infections.

National Forecast

The U.S. economy continues to face persistent global supply chain disruptions due to the pandemic, which has softened economic output and pushed up inflation. However, there is reason to expect growth to pick-up in the second quarter of 2022, as Omicron infections subside, and improved

[10] U.S Bureau of Labor Statistic, Consumer Price Index Summary: February 10, 2022: https://www.bls.gov/news.release/cpi.nr0.htm

[11] U.S Bureau of Labor Statistics: Friday, February 4th,2022; https://www.bls.gov/news.release/pdf/empsit.pdf

[12] Center for Disease Control and Prevention: https://covid.cdc.gov/covid-data-tracker/#vaccinations_vacc-people-onedose-pop-5yr

weather facilitates safe, outdoor activities. It is likely, however, that overall GDP growth will slow in 2022 because the level of federal fiscal support is smaller and because the economy is much closer to maximum employment. Council Finance expects GDP to grow by 3.7 percent in 2022, and then decelerate to 2.7 percent in 2023 and 2.6 percent in 2024. The economic growth will bring the unemployment rate down to an estimated pre-pandemic 3.6 percent in 2022, faster than anticipated in the prior forecast. In addition, vaccinations continue to reduce the threat of the virus, thereby enabling more Americans to engage in the kinds of social interaction that enhance working and spending.

Calendar Year	2021	2022	2023	2024	2025	2026
Real GDP	5.7%	3.7%	2.7%	2.6%	2.5%	2.5%
Unemployment Rate	5.4%	3.6%	3.5%	3.7 %	3.9%	4.0%

Source: *IHS Markit, 'Executive Summary,' February 2022*

New York City Economy

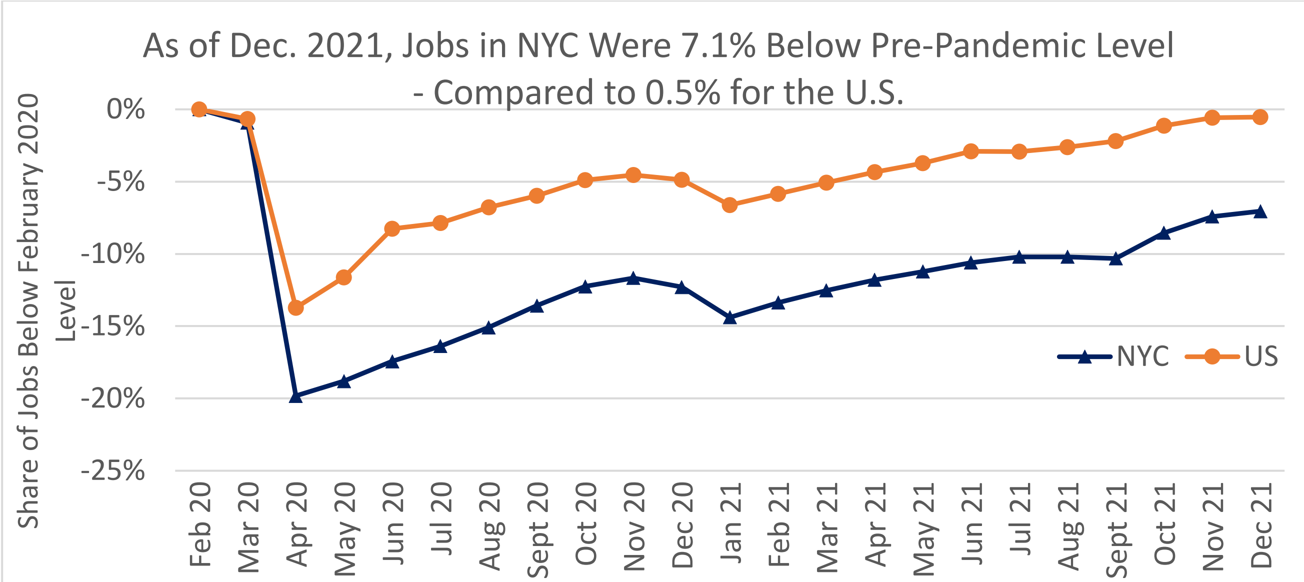
Current NYC Conditions: Income Has Recovered, Employment has a Way to Go

The pandemic disrupted more than a decade of steady economic growth in the City. Like the rest of the country, income in the City – measured by real gross city product (GCP) tumbled after the economy was largely shutdown as infections and hospitalizations were at their peak. National real GDP dropped 19.2 percent between the fourth quarter of 2019 and the second quarter of 2020, while the City's real GCP fell by 21.1 percent between the same quarters (annual rates). Since then, the national and City economies have benefited from a combination of fiscal support from the federal government, record high stock market, pent-up consumer demand and an improving labor market. The national and City GDP have both surpassed their pre-pandemic levels as of the second and fourth quarters of 2021, respectively.

While income levels have fully recovered, employment in the City still has some way to go to return to pre-pandemic levels. With the majority of COVID-related containment measures lifted, the City's labor market continued to show signs of strengthening in 2021, as it added 205,000 jobs during the course of the year. The leisure and hospitality sector, which was eviscerated by the pandemic, has been the driving force behind the City's jobs recovery, adding back over 104,000 positions in 2021.

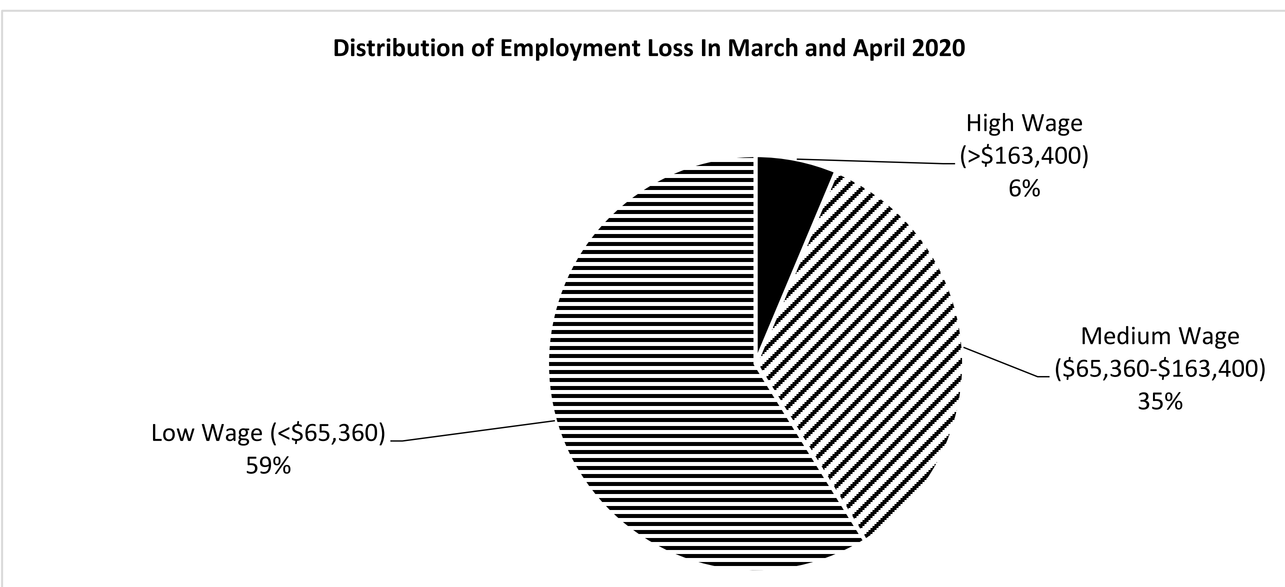
Despite these gains, the pace of job recovery in the City still trails that of the rest of the country. While New York City had recovered 64.4 percent of the pandemic-related job losses as of December 2021, the U.S. had recovered 96.1 percent its lost jobs (not seasonally adjusted). As of December 2021, total employment in the City remained 7.1 percent or 330,000 positions below the pre-pandemic level in February 2020. In contrast, total employment in the U.S. was only half of a percent shy of its pre-pandemic level. The City's slower pace of recovery reflects how severely it was impacted by the pandemic compared to the rest of the country. Being the epicenter of the virus, and given its population density, the City has had to reopen more slowly and cautiously.

The composition of employment in the City has also contributed to its slower pace of jobs recovery. Compared to the rest of the country, the City relies heavily on service producing industries that entail person-to-person interactions. Jobs in those industries were disproportionately affected by the pandemic and have recovered much slower than the rest of the country. Employment in accommodation and food services, arts, entertainment events, retail, wholesale and management are still significantly below their pre-pandemic levels.

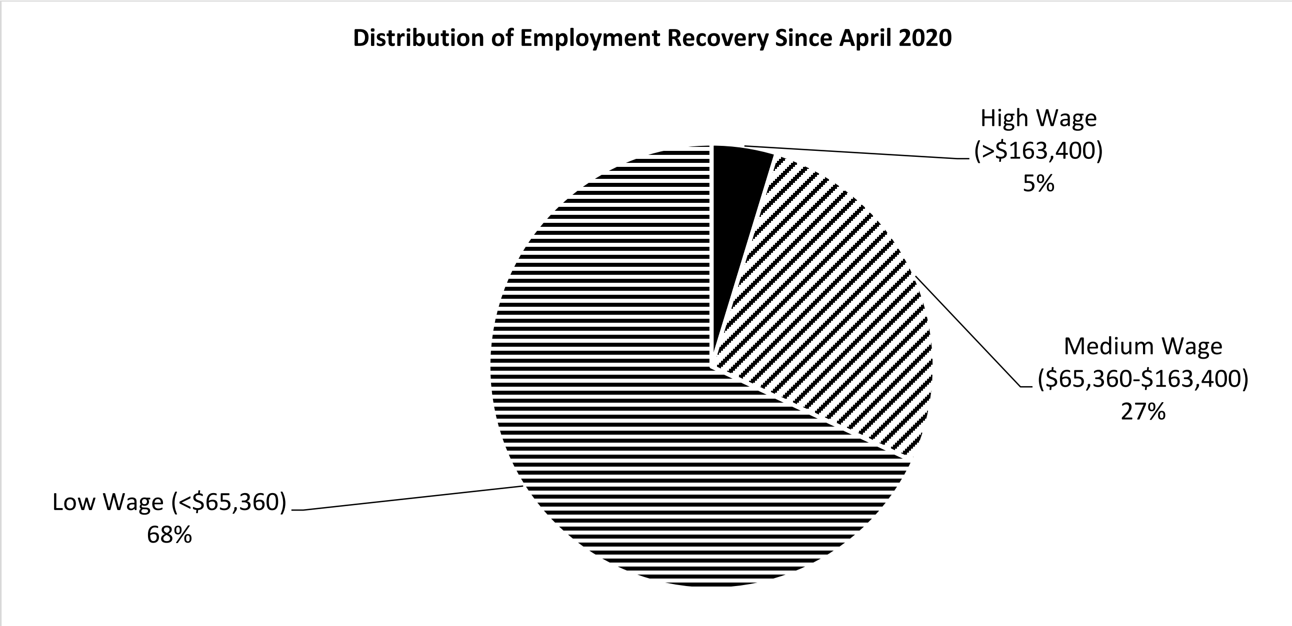


Source: *New York State Department of Labor; Bureau of Labor Statistics, December 2021 - not seasonally adjusted.*

A large portion of the pandemic-induced job losses were concentrated in low paying industries that entail person-to-person contact. Of the 927,000 jobs that were lost in March and April of 2020, 59 percent came from low wage industries with salaries under $65,360.[16] That share increases when self-employed and gig workers are included. Approximately 35 percent of the total job losses were from medium-wage industries, while only six percent were from high paying industries with salaries over $163,400. Consequently, the recovery so far has been mainly driven by rapidly returning low paying jobs. About 68 percent of the 596,000 positions recovered as of December 2021 came from low wage industries. An estimated 27 percent of the recovered jobs were from medium wage industries, with only five percent coming from high wage jobs.



Source: *New York State Department of Labor, 'Current Employment Statistics' (CES), and Quarterly Census of Employment and Wages (QCEW), December 2021 - not seasonally adjusted.*



Source: *New York State Department of Labor, 'Current Employment Statistics' (CES), and Quarterly Census of Employment and Wages (QCEW), December 2021 - not seasonally adjusted.*

After rising as high as 20 percent at the height of the pandemic, the City's unemployment rate has steadily declined each month, falling to 8.8 percent in December 2021. While the falling jobless rate is pleasant news, the decline in recent months has been partially caused by a dwindling labor force. The labor force has declined by approximately 165,490 since April 2021, when the size of the City's labor force eclipsed the pre-pandemic level. The City's unemployment rate in December was also more than double the U.S. rate of 3.9 percent.

In 2020, the private sector average wage climbed 11.7 percent - not from actual salary gains, but from the disproportionate elimination of low-wage positions from the COVID-19 lockdown, shifting greater weight on the remaining high-wage positions. Moving to 2021, average wage growth is estimated as having remained strong at 7.3 percent, being fueled by salary hikes, due to unmet demand for scarce workers, a bumper year in the securities industry, and climbing inflation. In 2022, average wage growth is expected to soften, as slowly returning low-wage workers, exert downward pressure on the weighted average wage.

The City's hotel industry was decimated by the pandemic. By April 2020, occupancy rates had plummeted to 35.9 percent from 89.2 percent in April 2019.[13] As of early January, average occupancy rates have only crawled back to 43.9 percent.[14] The appearance of the Omicron variant in December was a setback to nascent signs of recovery in the hotel industry and tourism. NYC & Company, the City's tourism arm, forecasts that the tourism industry is not expected to fully return to pre-pandemic levels before 2025.[15]

Residential sales "remained relatively strong in the final weeks of 2021," according to the Federal Reserve."[16] Year-over-year, sales of co-ops, condos and 1-3 family houses in Manhattan, Brooklyn and

[13] NYC & Company.

[14] NYC & Company, 'Weekly Indicators' January 8, 2022.

[15] Tourism May Not Fully Recover in NYC Until 2025 Due to Coronavirus Pandemic - The New York Times

[16] Federal Reserve Bank, 'The Beige Book,' January 12, 2022, pg B-2.

Queens, soared by 86.4 percent, 19.4 percent, and 18.7 percent respectively. Median prices climbed by 11.0 percent, 7.5 percent, and 7.5 percent respectively.[17] Home prices exceeded pre-pandemic levels by double-digits, driven by lean inventories. The rental market also continued to rebound, with median rents rising in Manhattan, Brooklyn and Queens by 18.3 percent, 7.7 percent, and 19.4 percent respectively.[18]

Manhattan office leasing finally "recorded a steady improvement" in the second half of 2021. Fourth quarter leasing reached a two-year quarterly high of 7.4 million square feet (msf). For all of 2021, total leasing reached 18.6 msf, a 45 percent increase over 2020, but well below the 2017-2019 average of 33.7 msf. Despite the surge in leasing, Manhattan's overall vacancy rate ended the year at a historic high of 20.4 percent, contributed to by an additional 16 blocks, each greater than 100,000 square feet, entering the market in the fourth quarter alone, following 13 blocks in the third quarter.[19]

Inflation in New York Metropolitan Area

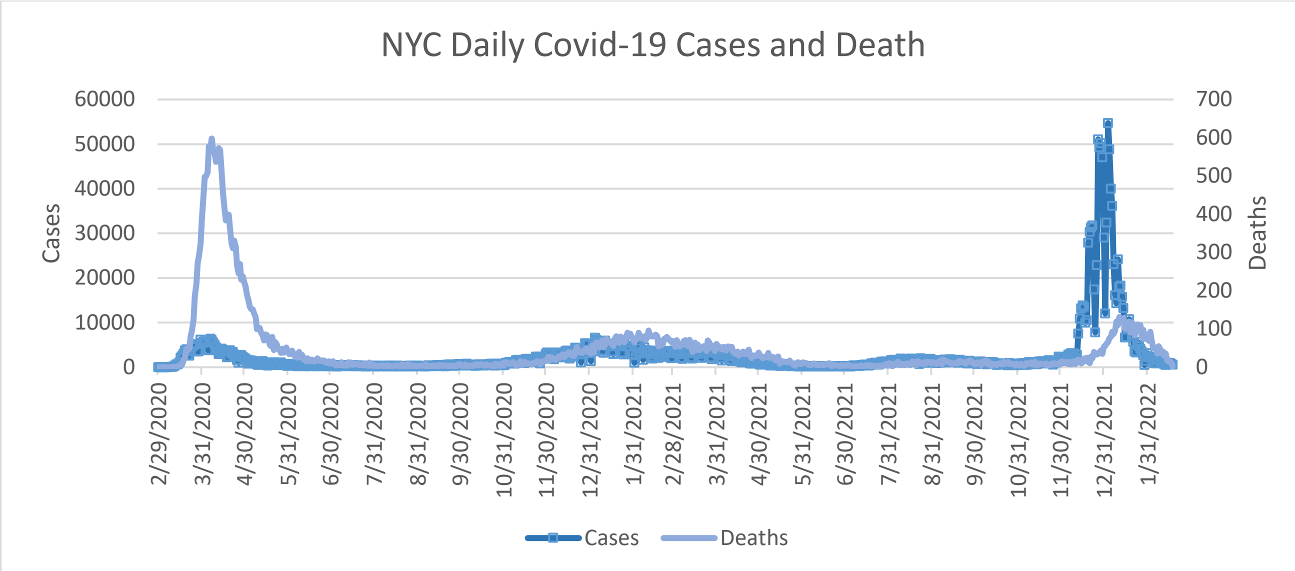
The cost of day-to-day life in New York City has increased significantly in the last couple of months. Prices overall in the New York City area rose 5.1 percent from January 2021 to January 2022. While most of that increase can be attributed to skyrocketing energy prices (especially gasoline), the prices of necessities also rose significantly. Food prices rose 7.5 percent over the year, with prices for food at home increasing 7.6 percent, driven by higher prices for meats, poultry, fish, and eggs. Housing prices grew 3.4 percent over the 12-month period, steered mainly by a surge in household energy prices and a slight increase in rent.[20]

The rapidly rising cost of food and housing in the City is of paramount concern as they tend to especially harm the poor. Those households typically spend a larger portion of their after-tax incomes on food, clothing and shelter.

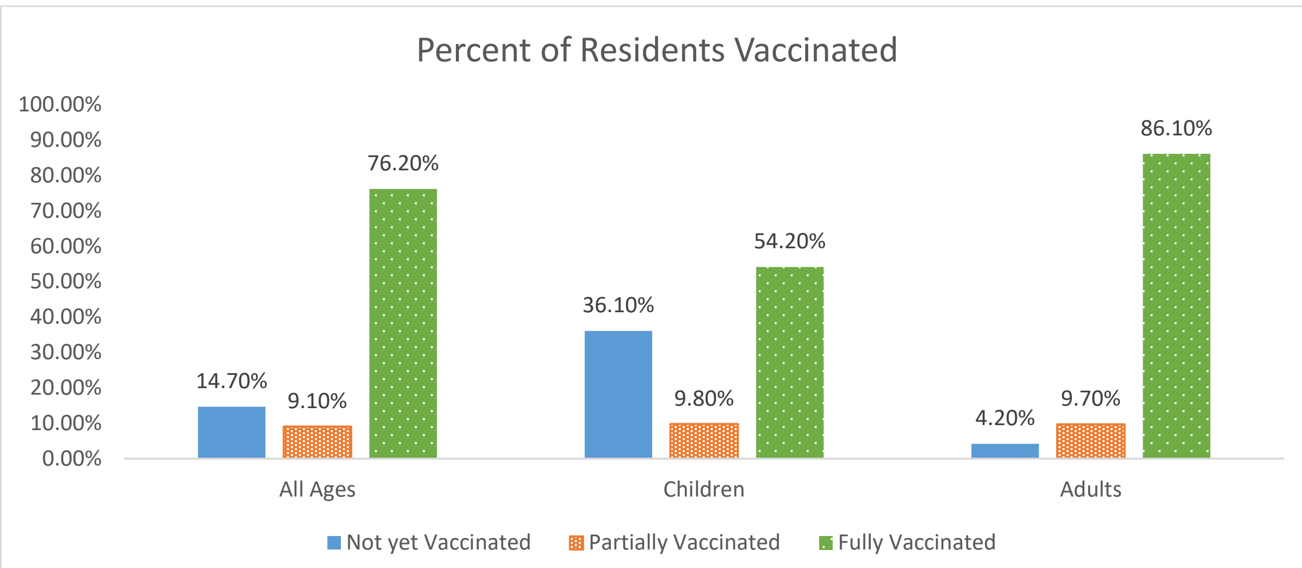
COVID-19 in New York City

Around Christmas time, New York City saw a massive wave of Covid-19 infections that were fueled by the highly contagious Omicron variant. However, the number of daily cases and deaths has declined significantly since then. As of February 21, 2022, the United States had 78.3 million cases in total, with nearly 2.3 million in New York City. While the rate of deaths among those infected with the virus reached 1.2 percent in the United States, the City's rate reached 1.7 percent.

[17] Elliman Report, 'Manhattan, Brooklyn and Queens Sales, 4Q 2021.'
[18] Elliman Report, 'Manhattan, Brooklyn and Queens Rentals, January 2022.'
[19] Cushman & Wakefield, 'Marketbeat Manhattan Office Q4 2021.'
[20] U.S Bureau of Labor Statistic, Consumer Price Index, New York-Newark-Jersey City – January 2022: https://www.bls.gov/regions/new-york-new-jersey/news-release/pdf/consumerpriceindex_newyorkarea.pdf



Source: *NYC Department of Health, February 18, 2022*



Source: *NYC Department of Health, February 18, 2022*

IHS Markit expects that the U.S. will move from pandemic to endemic as more people get vaccinated and the country moves towards managing the risks of living alongside the virus.[21] As of February 21, 2022, about 85.3 percent of New Yorkers had at least one dose.

On February 10, 2022 Governor Kathy Hochul lifted all mask or vaccine mandates in New York State for indoor businesses. However, the decision remains optional for businesses, cities, and counties. Masks will still be required in hospitals, nursing homes, shelters, transportation and other related entities. Mask mandates in schools continue and will be revaluated in early March.

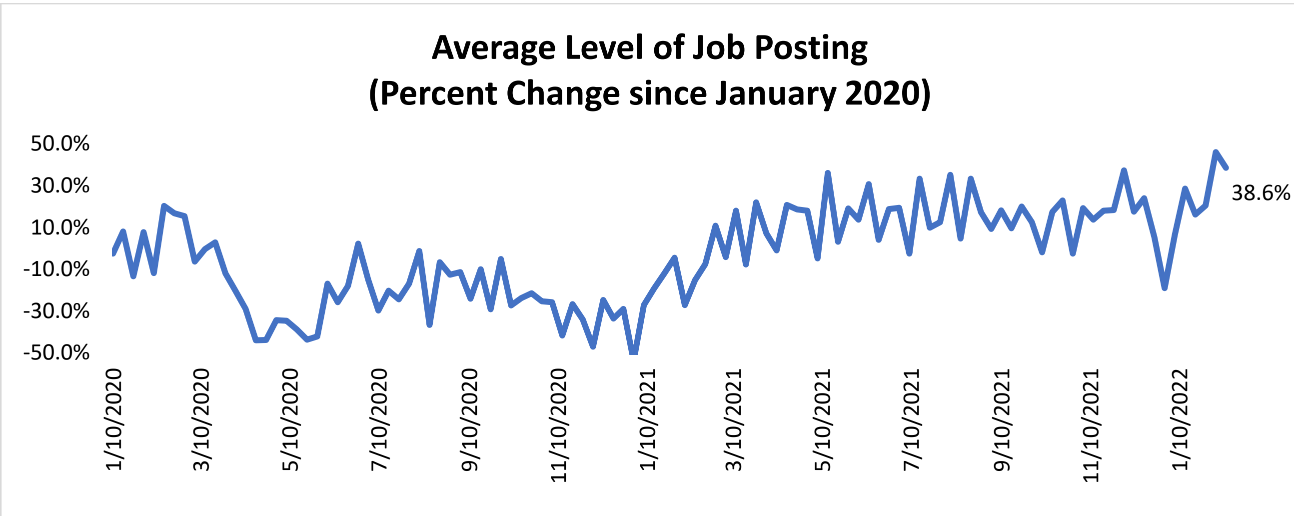
[21] IHS Markit, "U.S. Executive Summary: US Economic Outlook", February 2022.

New York City Businesses

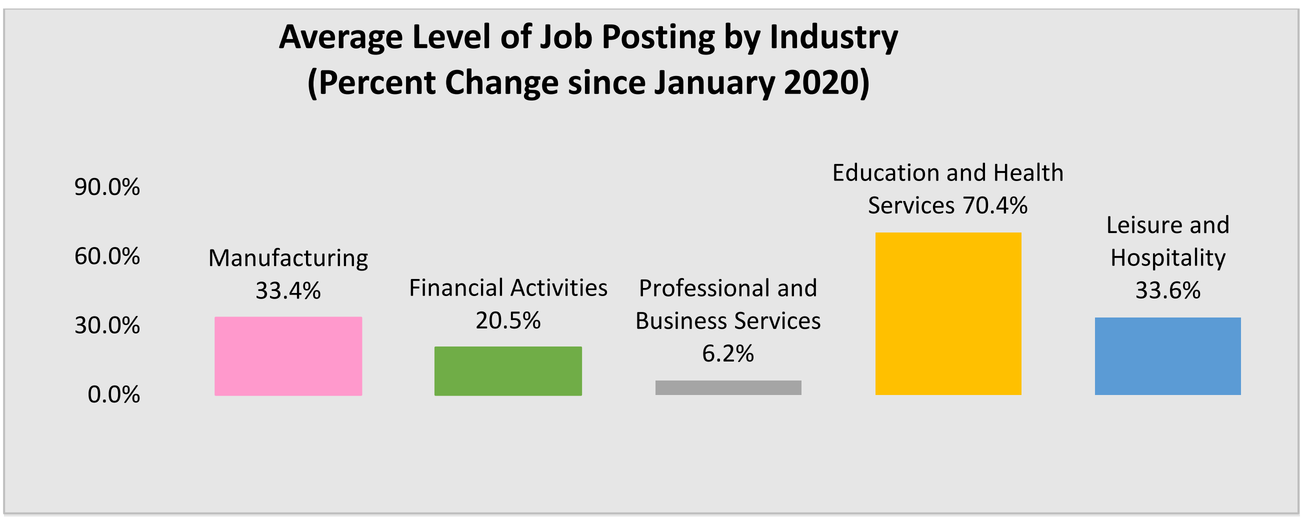
Employers in the City of New York are facing challenges filing job openings. This is because the pandemic has changed the job market, perhaps permanently. Overall, there were 38.6 percent more job openings in New York City on February 11, 2022, compared to January 2020.

All industries have seen an increase in job postings when compared to January 2020. The highest jump was in the education and health services industry, which increased by 70.4 percent during this period.

In order to address its gender wage gap, starting May 15, 2022, New York City will provide more transparency by requiring all job postings to list the minimum and maximum salary for each position. Many believe that this bill could make the process of finding a job much easier.



Source: *Opportunity Insights, Economic Tracker, January 10 to February 11, 2022*

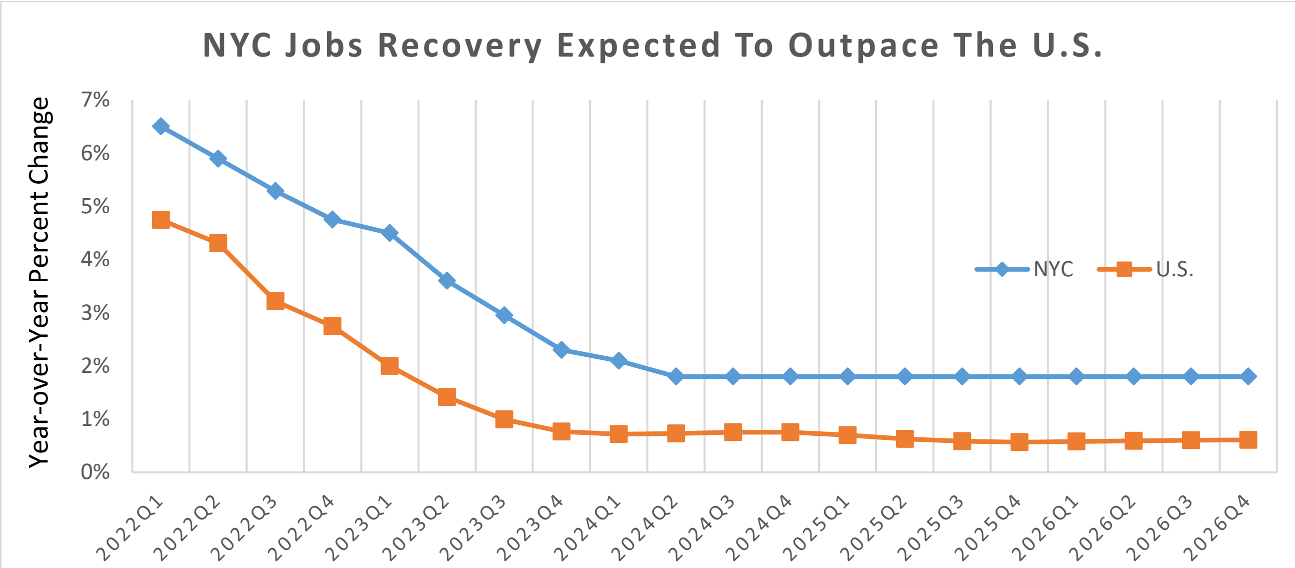


Source: *Opportunity Insights, Economic Tracker, February 11, 2022.*

New York City Economic Forecast

The Finance Division expects the City's labor market to continue to strengthen going forward. Private sector jobs are expected to grow by just over 200,000 in 2022, reflecting an overall stronger economy driven by an aggressive vaccination campaign and relaxation of any remaining restrictions. Beyond this year, employment levels are expected to increase steadily throughout the forecast period, with the City adding an average of 127,600 positions each year.

Job recovery in the City is expected to outpace the rest of the country throughout the forecast period. The number of new cases and spread of the Omicron variant are expected to remain under control, allowing the City to ease remaining restrictions on businesses. This will encourage employers to bring workers back to offices and tourists to attend events at entertainment venues.



Source: *New York State Department of Labor; Bureau of Labor Statistics, October 2021.*

Nonetheless, the road to full recovery is expected to be slow and protracted going forward. The Finance Division's current forecast projects that employment in the City will not return to the pre-pandemic level until the third quarter of 2025. As mentioned before, the tourism industry, a crucial component of the City's economy, is not expected to fully return to pre-pandemic levels until 2025. The ongoing inflationary pressures, labor shortages and possibly new COVID-19 variants will continue to pose a major threat that could derail the labor market in the coming months. As such, the Finance Division estimates private sector payroll employment to grow by 5.6 percent in 2022, decelerate to 3.3 percent in 2023, and slow further in the outyears, averaging 1.8 percent.

As mentioned above, many low-wage workers, who had disproportionately lost their livelihood during the pandemic, are expected to return to work. Their lower wages will exert downward pressure on weighted average wage growth. The Finance Division forecasts the private sector average wage to grow by a moderate 3.1 percent in 2022, 3.0 percent in 2023 and average 2.4 percent in the outyears. The lackluster growth in the outyears reflects expected weaker Wall Street profits and compensation.

Forecast of Selected Economic Indicators: National and New York City, CY2021-2026						
	CY21	**CY22**	**CY23**	**CY24**	**CY25**	**CY26**
NATIONAL ECONOMY*						
Real GDP %	5.7	3.7	2.7	2.6	2.5	2.5
Total Employment						
Level Change, '000	3,950	5,446	2,353	1,213	909	900
Percent Change, %	2.8	3.7	1.6	0.8	0.6	0.6
Unemployment Rate, %	5.4	3.6	3.5	3.7	3.9	4.0
Total Wages %	4.0	5.8	4.9	4.1	4.0	3.9
Interest rates %						
3-Month Treasury Bill	0.0	0.6	1.2	1.6	1.9	2.2
30-Year Conventional Mortgage Fixed	3.0	3.6	4.2	4.5	4.7	4.8
NEW YORK CITY ECONOMY						
Real GCP %*	6.4	5.0	2.9	3.0	2.9	2.6
Private Employment						
Level Change, '000	45	201	126	73	72	73
Percent Change, %	1.3	5.6	3.3	1.9	1.8	1.8
Average Private Wages %	7.3	3.1	3.0	2.6	2.4	2.3
Total Private Wages %	7.5	8.9	6.4	4.5	4.2	4.2
NYSE Member Firms %						
Total Revenue	7.3	16.1	(1.2)	0.5	2.1	3.7
Total Compensation	13.7	4.6	(0.7)	(0.2)	0.3	0.9

Source: *IHS Markit, February 2022; New York City Council Finance Division (City)*

** Calculated by IHS Markit*

Risks to the Forecast

COVID-19 remains the primary risk to our current forecast. There are risks associated with the unwinding of supply bottlenecks. There are risks associated with Federal Reserve policy and there are risks associated with the conflict between Russia and Ukraine.

Currently around 35 percent of the world's population has not been vaccinated at all. In Africa the percentage is closer to 85 percent.[22] This poses a substantial risk. To quote from the Proceedings of the National Academy of Science: "An unvaccinated pool of individuals provides a reservoir for the virus to continue to grow and multiply, and therefore more opportunities for such variants to emerge. When this occurs within a background of a largely vaccinated population, natural selection will favor a variant that is resistant to the vaccine."[23] The Finance Division assumes in this forecast that the pandemic is transitioning to an epidemic and COVID related restrictions will continue to be relaxed. This could be wrong.

The Finance Division's forecast assumes a gradual unwinding of supply side bottlenecks. If this does not happen GDP and GCP growth will be less and inflation higher.

[22] Covid World Vaccination Tracker - The New York Times (nytimes.com) consulted February 21, 2021. https://www.nytimes.com/interactive/2021/world/covid-vaccinations-tracker.html

[23] How the unvaccinated threaten the vaccinated for COVID-19: A Darwinian perspective | PNAS Proceedings of the National Academy of Science, September 28, 2021. https://www.pnas.org/content/118/39/e2114279118

Emerging markets pose a risk to the Federal Reserve's policy. These countries have been hit hard by COVID and like the U.S. have accumulated a lot of debt to help manage the crisis. Rising U.S. interest rates can provoke capital outflow that threaten asset markets and the growth of these economies. Since they constitute close to half of global GDP, widespread problems here could force the Federal Reserve to change policy and have the potential to slow U.S. growth.[24]

Escalations in the conflict between Russia and Ukraine have the potential to disrupt energy and financial markets. Depending on the scale of the disruptions this is a major downside risk.

City Tax Revenues

Collections

Tax collections totaled $65.5 billion for Fiscal 2021, $2.4 billion more than Fiscal 2020, and $1.0 billion ahead of the Financial Plan at Adoption. Strong Personal Income Tax (PIT) extension payments in Fiscal 2021 provided a timely boost to offset worsening declines in Sales and Hotel Tax collections in the midst of a sizable contraction in consumer outdoor shopping and the City's tourism industry due to COVID-19. The pandemic also impacted real estate purchasing in the City, significantly reducing Real Estate Transaction Tax collections. On the other hand, growth in real estate market values provided the necessary momentum for the Property Tax Assessments to continue increasing into Fiscal 2021, affording an added level of stability to overall tax collections.

So far in Fiscal 2022, collections total $41.4 billion, about $895 million above expectations in the November Financial Plan, and about $1,508 million or 3.8 percent greater than the same point last year. Notable taxes contributing to growth over last year include the Sales, Real Estate Transaction taxes, Business taxes and Personal Income, jointly contributing slightly more than $2.8 billion to collections growth so far in Fiscal 2022. This growth, however, is offset by a $1,443 million reduction in Real Property tax collections, the result of a sharp decline in commercial assessments.

Forecast

The Finance Division's tax forecast expects almost flat 0.1 percent growth in Fiscal 2022, increasing annual collections by only around $80 million from the previous year. This contrasts with Fiscal 2021, when total collections grew by 3.9 percent, bringing in an additional $2.4 billion. The main contributors to growth in Fiscal 2022 collections are the Sales Tax, the two Real Estate Transaction Taxes, and the Hotel Tax. Offsetting this growth are declines in collections from the Real Property Tax, Personal Income Tax and Business Corporate Tax. This current fiscal year is characterized by offsetting economic and behavioral influences. Vaccinated consumers have become generally less anxious in patronizing stores and restaurants than the year before, despite a slight setback from Omicron. Employment and wages have been on the increase. On the other hand, real property valuation, particularly commercial, has been challenged by an increased preference for work-at-home lifestyles. There will be less revenue from tax extensions than were enjoyed in last year's exceptional spike. The massive federal stimulus support to households and businesses a year ago, has now waned, as reflected in business profits. The recent arrival of high inflation and expectations of higher interest costs are additional headwinds.

[24] As emerging markets' economic prospects darken, US policymakers should pay attention | TheHill https://thehill.com/opinion/finance/589013-as-emerging-markets-economic-prospects-darken-us-policymakers-should-pay

In Fiscal 2023, the Finance Division expects revenue growth to recover at a healthy 4.7 percent, expanding collections by $3.1 billion. Decent revenue growth will return to the Real Property Tax and the Personal Income Tax. Revenue growth from the Sales Tax and the two Real Estate Transaction Taxes, will still be strong, though less sensational than the previous year's rebound. Business tax collections will still be weak, due to the impact from a higher interest rate regime.

The Finance Division expects tax revenues to continue to grow, but more slowly, between Fiscal 2024 and 2026, averaging 3.3 percent annual growth. This moderate growth pattern will be broad-based among the taxes. Inflation is expected to subside by then, but higher interest rates will still constrain stronger growth.

Provided below is a more detailed description of how individual taxes are projected to perform, and the underlying economic and behavioral causations.

New York City Council Finance Division - Tax Revenue Growth Rates

	FY21	FY22	FY23	FY24	FY25	FY26
Real Property	5.6%	(5.2%)	5.8%	3.3%	2.3%	4.5%
Personal Income	11.4%	(4.0%)	5.2%	3.5%	3.2%	3.1%
Business Corporate	11.3%	(2.1%)	(0.3%)	0.6%	1.3%	2.1%
Unincorporated	7.1%	4.1%	1.6%	1.0%	1.0%	1.0%
Sales	(11.1%)	24.5%	6.7%	5.6%	4.7%	3.3%
Commercial Rent	0.6%	5.8%	6.7%	4.6%	3.4%	2.9%
Real Property Transfer	(7.9%)	54.2%	10.9%	6.2%	3.8%	3.0%
Mortgage Recording	(8.0%)	25.1%	4.6%	2.1%	1.3%	1.0%
Utility	0.0%	8.1%	2.0%	2.2%	3.0%	2.9%
Hotels	(81.9%)	216.6%	65.2%	25.5%	20.8%	7.7%
All Others	(13.1%)	(6.9%)	(1.3%)	(0.3%)	(0.3%)	(0.2%)
Audits	11.1%	(21.0%)	(11.1%)	0.0%	0.0%	0.0%
Total Taxes (including City Tax Programs)	**3.9%**	**0.1%**	**4.7%**	**3.5%**	**2.9%**	**3.6%**

Source: New York City Council Finance Division, Fiscal 2023 Preliminary Financial Plan

Real Property Tax (RPT)

DOF's Fiscal 2023 Tentative Roll, published on January 18, has property tax assessments growing 8.1 percent in Fiscal 2023. After accounting for reductions by tax commission actions, and other adjustments, the Finance Division forecasts these new assessments will result in a 5.8 percent ($1.7 billion) growth in Property Tax revenue in Fiscal 2023. This growth is enough to offset the assessment declines that occurred in Fiscal 2022, bringing property tax collections to slightly above pre-pandemic levels. The Finance Division expects RPT revenue to grow at an average pace of 3.4 percent between Fiscal 2024-2026.

Reviewing the notable changes in the City's assessment roll in the last year, DOF's Fiscal 2022 assessment roll represented the first assessments influenced by the pandemic's impact, resulting in an abrupt 5.6 percent decline in total market value[25]. Much of the decline was localized in classes Two[26] and Four[27] (C24) which together represent roughly 80 percent of the tax.

The sudden severity of the market value declines flowed through to corresponding C24 assessed values, prompting many of them to be taxed on the more volatile actual assessed value, rather than

[25] Fiscal 2022 decline in total market value marks the largest decrease since 1994.

[26] Class 2 is composed of residential properties with 4 or more units, which are mostly rentals, coops & condos.

[27] Class 4 is composed of commercial properties, including office, retail, hotels, and industrial space.

the smoothed transitional value in Fiscal 2022[28]. The market value growth in the Fiscal 2023 Tentative Roll provides the necessary conditions to put C24 assessments back onto the transitional assessment growth track, a promising indication of restored balance in property assessments as the City comes into the endemic phase of COVID-19.

The Finance Division assumes decelerated but consistent income growth for C24 properties over the forecast period, helping to brace market values ahead of rate hikes expected by the Federal Reserve to begin later this year. Stable market value projections in Fiscal 2023 and confidence in the consistency of near-term property incomes create a stable lane to guide C24 assessments out of the pandemic on a gradual and predictable trend.

The Finance Division does not expect any notable changes to the reserve for uncollectable RPT payments in either Fiscal 2022 or 2023. The marginal nature of changes in the delinquency rate over the course of the pandemic provides a general indication that C24 property owners will continue making scheduled payments in the forecast period.

Personal Income Tax

The personal income tax (PIT) experienced a major boost in collections in Fiscal 2021 as revenues soared 11.4 percent compared to the prior year. These strong collections were caused by an unexpected surge in estimated payments resulting from the record high performance of the stock market. While the two estimated payments components – installments and extensions – experienced significant increases, extension payments far exceeded expectations that year.

For Fiscal 2022, the Finance Division expects PIT collections to decline 4.0 percent, as substantial declines in estimated payments and settlements are slightly offset by resurging withholdings. The projected decline in PIT represents a return to more normal levels of collections compared to the highs we saw last year.

Estimated payments, after rising 37.5 percent last fiscal year, are expected to drop 12.5 percent in Fiscal 2022. The projected decline can be attributed to an anticipated decline in extension payments. Extensions, which soared 42 percent last fiscal year, are expected to return to normal levels in Fiscal 2022, pulling down total estimated payments.

PIT settlements are also expected to experience huge declines in Fiscal 2022, driven by steep declines in offsets and final returns.

Withholdings, on the other hand, are expected to rebound by 9.3 percent in Fiscal 2022 after the pandemic's effects on jobs caused collections to drop last fiscal year. The projected increase in withholdings can be attributed to a continuously improving labor market and rising wages. Wall Street bonuses are also expected to provide a timely boost to withholdings.

PIT collections will maintain decent growth at 5.2 percent in Fiscal 2023, as withholdings and estimated payments continue to diverge. Withholdings will increase more than 7 percent, reflecting continued growth in employment and wages in the City. Estimated payments will drop a further 1.4 percent as the projected increase in interest rates is expected to pull back stock prices and capital gain realizations.

[28] C24 properties get taxed on the lesser of the actual or transitional assessed value. The property tax system sets the actual assessed value at 45 percent of the market value, while transitional assessed value phases in assessment changes over a five-year period. Consequently, a property's actual assessed value responds immediately to shifts in market value, while its transitional assessed value lags market value variance, diluting its influence on assessment growth.

PIT collections will grow at an average rate of 3.4 percent in the outyears, with both withholdings and estimated payments experiencing increases in collections.

Business Taxes

After experiencing outstanding 10 percent growth last fiscal year, business tax growth is expected to decelerate to a modest 1.4 percent growth in Fiscal 2022. Collections from the two business taxes – business corporations and unincorporated business taxes – will move in opposite directions that year. Collections are also projected to maintain the same growth rate in Fiscal 2023.

Business Corporation Tax (BCT). BCT collections grew by a remarkable 11.3 percent last fiscal year, as revenues reached an all-time high. The strong collections last year were attributable to a surge in corporate profits driven by a strong equities market and the pandemic-related stimulus provided by the federal government to businesses. However, the Finance Division expects BCT collections to weaken in Fiscal 2022, with revenues dropping 2.1 percent. Without the federal stimulus, corporate profits are expected to return to normal levels of growth, reducing tax liabilities for the rest of the fiscal year.

For Fiscal 2023, BCT collections are expected to retract by 0.3 percent. The anticipated rate hikes by the Federal Reserve will negatively affect corporate earnings and therefore reduce liabilities.

Collections are expected to rebound in the outyears, growing at an average rate of 1.4 percent.

Unincorporated Business Tax (UBT). Following a 7.0 percent increase in last fiscal year, UBT collections are expected to grow another 4.1 percent in Fiscal 2022. The projected increase in collections will be driven by an overall stronger City economy compared to the previous fiscal year. The vibrant stock market will continue to boost collections from the finance sector.

For Fiscal 2023, UBT growth is expected to decelerate to 1.6 percent, reflecting a slower but still improving City economy. UBT revenues will grow at an average rate of 1.0 percent in the outyears.

Sales Tax

Strong consumer spending, in addition to rising cost of goods and better levels of tourism are the main reason why sales tax collections for Fiscal 2022 are estimated to increase by 24.5 percent over the year before.[29] As of December 2021, sales tax collections were 26.5 percent higher than last fiscal year. A high percentage of Sales Tax comes from industries such as restaurants, hotels, arts, entertainment and recreation. Consumer spending in these industries increased to levels surpassing pre-pandemic levels. In Fiscal 2023, the Finance Division projects that collections will jump 6.7

[29] This includes the MTA State Intercept and the Distressed Provider Assistance Account intercept. The NYS Education, Labor and Family Assistance (ELFA) Budget (S. 7056-B PART ZZ) legislates that NYS will intercept a portion of NYC sales tax collections and redirect them to the New York State Agency Trust Fund, under a Distressed Provider Assistance Account, for the purpose of relief for financially distressed hospitals and nursing home facilities. This is in addition to the monthly MTA sales tax intercept that is placed into the NYS Agency Trust Fund which is already in effect. The Comptroller will withhold a portion of sales tax collections, penalties, and fees, in the amounts of $200M in quarterly installments on January 15, April 15, July 15, and October 15. The comptroller will defer withholding the total value of the withholdings that would have occurred on April 15, 2020, July 15, 2020, October 15, 2020, and January 15, 2021, until January 15, 2021. At which time, the full $200M will be withheld and the normal quarterly installments will occur thereafter. The cost to City revenue will be $250 million in 2021 and $150 million in 2022, for a total cost of $400 million. This act shall end two years after the effective date. Without the MTA and the Distressed Provider Assistance Account intercepts, sales tax collection growth is 4.1 percent.

percent. For Fiscal 2024, Fiscal 2025, and Fiscal 2026, collections will increase 5.6 percent, 4.7 percent, and 3.3 percent year-over-year, respectively.

Utility Tax

The recent increase in the commodity prices of petroleum, natural gas and electricity has increased utility prices, increasing Utility Tax revenue in the near term. The current high coal and gas prices are not the result of a single “shock event” on the demand or supply side. Rather, they resulted from a combination of supply and demand factors that gradually tightened prices over the course of several years. The Utility Tax is forecast to increase by a substantial 8.1 percent in Fiscal 2022 and by 2.0 percent in 2023. In the outyears, Utility Tax revenue is expected to increase at an average annual rate of 2.7 percent through 2026.

Real Property Transfer Tax

The Finance Division’s forecast expects Real Property Transfer Tax (RPTT) collections to grow by around 54 percent in Fiscal 2022, on the assumption that pent-up real estate demand continues to drive property transactions through the end of the fiscal year. As of January, both commercial and residential buying activity continues to build strong RPTT collections for Fiscal 2022, with commercial and residential collections up roughly 120 percent and 74 percent, respectfully, from the same period last year.

Across the rest of the forecast period, the Finance Division projects RPTT collections to grow at an average of 6 percent per year, reflecting the current strength in real estate demand and gradual impacts on property values responding to Federal Reserve rate hikes expected to begin this year.

Mortgage Recording Tax

With the remaining reserve of pandemic, pent-up real estate demand in the current fiscal year, the Finance Division expects 25 percent growth in Fiscal 2022 Mortgage Recording Tax (MRT) collections, bringing the MRT back to pre-pandemic levels. Assuming a gradual impact on mortgage values and a drawback on refinancing activity from Federal Reserve rate hikes, the Finance Division expects collections to grow at an average of 2.2 percent from Fiscal 2023-2026.

Commercial Rent Tax

Although COVID-19 forced many changes in workplace policy, one important aspect of the City’s commercial real estate market that is slow to adapt is the long-term nature of commercial leases, providing a critical buffer to the Commercial Rent Tax (CRT) base. For this reason, the Finance Division anticipates CRT collections to continue a steady trajectory over the forecast period, growing at an average 4.7 percent through Fiscal 2026.

Further beyond the boundaries of the forecast period, however, growing popularity of remote-hybrid work options puts the tax base at risk. With workers successfully pushing more on work-from-home flexibility, several important aspects of commercial leasing critical to the CRT base hang in the balance, including lease periods and asking rents.

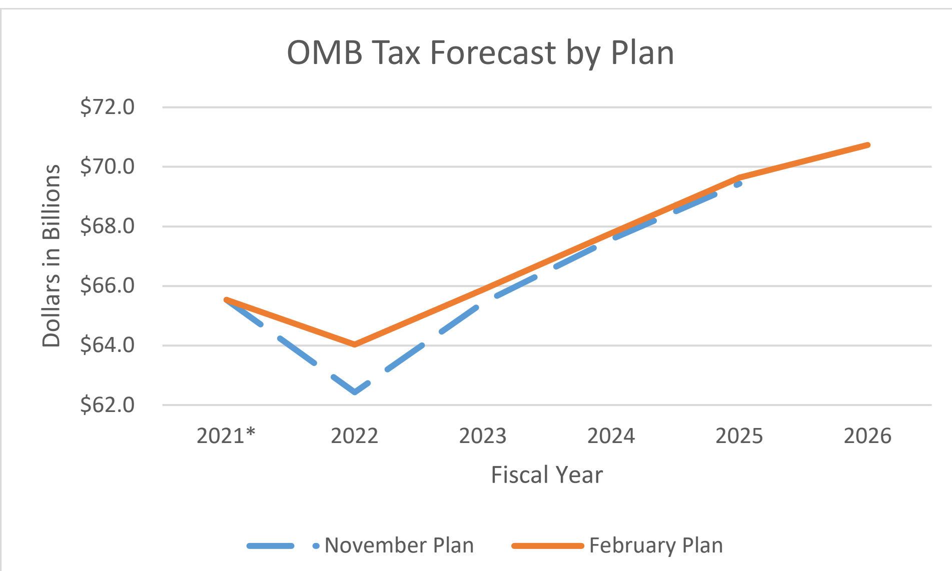
New York City Council Finance Division - Tax Revenue Difference From OMB
Dollars in Millions

	FY22	FY23	FY24	FY25	FY26
Real Property	$264	$489	$1,278	$1,854	$3,269
Personal Income	316	510	451	323	527
Business Corporate	303	344	398	348	199
Unincorporated	(13)	(25)	(73)	(128)	(178)
Sales	442	561	360	195	242
Commercial Rent	25	54	73	79	89
Real Property Transfer	123	452	488	485	507
Mortgage Recording	121	253	226	189	164
Utility	9	14	13	19	23
Hotels	13	93	36	41	73
All Others	0	0	0	0	0
Audits	(21)	79	79	79	79
Total Taxes	**$1,583**	**$2,823**	**$3,329**	**$3,485**	**$4,993**

Source: *New York City Council Finance Division, NYC Office of Management and Budget, Fiscal 2023 Preliminary Financial Plan*

OMB Tax Forecast

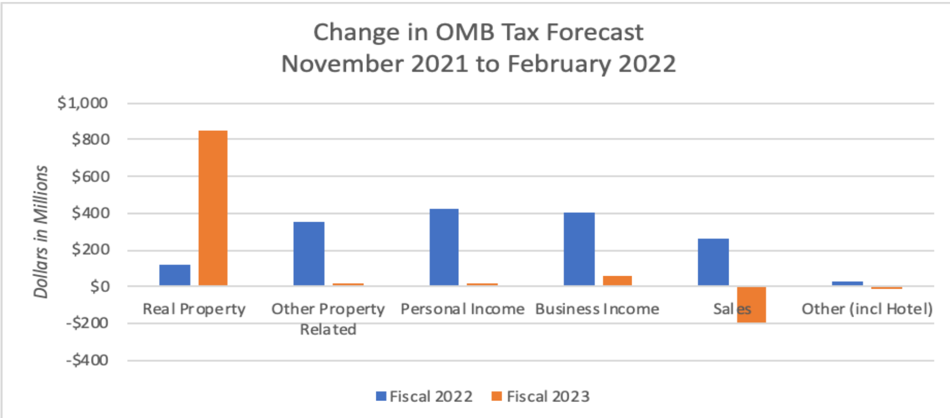
OMB's forecast projects Fiscal 2022 tax collections to decline from Fiscal 2021, though strengthening economic conditions have led OMB to predict a smaller decline than they had originally predicted. This moderation in the expected revenue decline means that OMB is expecting $1.6 billion more tax revenue in Fiscal 2022 and $735 million more in Fiscal 2023. Fiscals 2024 and 2025 show much more modest increases of around $200 million.



OMB attributes the decline in tax revenues from Fiscal 2021 to 2022 to the withdrawal of federal economic supports. Fiscal 2021 was greatly buoyed by federal stimulus, including transfers to individuals, and loosened monetary policy which led strong Wall Street profits. Indeed, despite being in the midst of a recession, Fiscal 2021 tax collections ended up totaling $65.5 billion, a mere 0.12% less than what OMB had been projecting in their last forecast prior to the recession[30].

[30] The January 2020 Financial Plan Forecast

However, stronger than expected economic activity in the first half of Fiscal 2022 has led OMB to up the projections for this year. However, the forecast also projects that the Omicron variant will moderate this increased activity in the second half of the current fiscal year. This implies that there is an upside risk to OMB's forecast if the Omicron variant has a smaller impact on economic activity than initially expected, which may be evident prior to the adoption of the Fiscal 2023 budget in June.



As evident from the chart above, OMB has raised its Fiscal 2022 projections for most taxes, as a result of the aforementioned stronger economic conditions. However, with the exception of the property tax, these increase barely carry over into Fiscal 2023, and in the case of the Sales tax actually sees a decline.

The only major shift in Fiscal 2023 is OMB's property tax projections. This reflects the release of the tentative assessment roll, which saw Citywide assessments increase by 8.1 percent. Typically, final assessments are reduced by about 1.1 percent[31] due to tax commission appeals and DOF revisions. However, OMB is expecting a record reduction of 2.9 percent by the time the final assessment roll is released in late May. As such, OMB's forecast moderates the strong assessment growth into a 5.0 percent growth in property tax revenues in Fiscal 2023.

Absent the property tax's strong growth in Fiscal 2023, OMB's forecast would be lower than its November projections.

One final change to OMB's tax forecast is the addition of three tax policy proposals that OMB estimates would cost roughly $300 million per year, beginning in Fiscal 2023. All three proposals would require State legislative approval.

The first proposal is to increase the City's Earned Income Tax Credit (EITC) on the Personal Income Tax (PIT). This is a refundable tax credit that provides support to low-income working families and individuals. The credit was initially begun by the Federal government in 1975, and in 2004 the City adopted its program, but pegged City benefits at 5 percent of the Federal program. It has remained at that level since its inception. The most recent cost estimate places the current program at $91 million. Mayor Adams has proposed increasing the expenditure by $250 million, to provide up to 30 percent of the Federal benefit.

Two further proposals would provide tax breaks intended to expand childcare options in the City. The first would provide an estimated $25 million in property tax abatements to property owners to refit their buildings to provide childcare. The abatement would reimburse owners for the cost of the

[31] This is the average tentative to final reduction from 2000 to 2021. The largest decrease in that period was 2.2%.

retrofits over a five-year period. The second childcare proposal would provide a non-refundable business tax credit to businesses who provide to their employees qualified low or no cost childcare at their place of business. This credit is also estimated to cost $25 million per year, starting in Fiscal 2023.

While broad outlines of these programs have been presented, details remain to be released by the Administration, meaning that cost estimates might change.

OMB Fiscal 2023 Preliminary Financial Plan - Tax Revenue Levels
Dollars in Millions

	FY22	FY23	FY24	FY25	FY26
Real Property	$29,408	$30,890	$31,149	$31,326	$31,388
Other Real Property	3,382	3,181	3,333	3,489	3,584
Personal Income	14,182	14,741	15,329	15,958	16,265
Business Taxes	6,783	6,772	6,815	7,009	7,338
Sales	7,715	8,143	8,827	9,426	9,700
Other Taxes	1,639	1,724	1,900	2,013	2,039
Audits	921	721	721	721	721
City Tax Programs		(300)	(300)	(300)	(300)
Total Taxes	**$64,030**	**$65,872**	**$67,774**	**$69,642**	**$70,735**

Source: *OMB Fiscal 2023 Preliminary Financial Plan*

As a result of these updates, OMB's tax revenue forecast now shows modest growth of roughly 2.9 percent per year for Fiscal 2023 through Fiscal 2025, falling to 1.6 percent growth in Fiscal 2026. This compares to an average tax revenue growth of 5.2 percent during the last economic expansion period of Fiscals 2009 to 2021. In other words, while OMB expects decent growth to return, they do not yet foresee a return to tax revenue growth patterns that were enjoyed by the prior Administration in its first six years.

Appendix

New York City Council Finance Division - Tax Revenue Levels
Dollars in Millions

	FY21*	FY22	FY23	FY24	FY25	FY26
Real Property	$31,311	$29,672	$31,379	$32,427	$33,180	$34,657
Personal Income	15,101	14,498	15,251	15,780	16,281	16,792
Business Corporate	5,019	4,912	4,896	4,924	4,990	5,097
Unincorporated	2,077	2,161	2,195	2,216	2,239	2,262
Sales	6,552	8,157	8,704	9,187	9,621	9,942
Commercial Rent	869	919	981	1,026	1,060	1,092
Real Property Transfer	1,045	1,611	1,787	1,897	1,969	2,027
Mortgage Recording	896	1,121	1,172	1,197	1,213	1,225
Utility	356	385	393	401	413	425
Hotels	85	268	443	556	671	723
All Others	1,082	1,008	995	992	989	987
Audits	1,139	900	800	800	800	800
			(300)	(300)	(300)	(300)
Total Taxes	**$65,534**	**$65,613**	**$68,695**	**$71,103**	**$73,127**	**$75,728**

**Actuals*
Source: New York City Council Finance Division, Fiscal 2023 Preliminary Budget

Fiscal 2023 Preliminary Financial Plan - OMB Revenue Plan					
Dollars in Millions	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Real Property	$29,408	$30,890	$31,149	$31,326	$31,388
Sales	7,715	8,143	8,827	9,426	9,700
Mortgage Recording	1000	919	971	1024	1,061
Personal Income	14,182	14,741	15,329	15,958	16,265
General Corporation	4,609	4,552	4,526	4,642	4,898
Banking Corporation	0	0	0	0	0
Unincorporated Business	2,174	2,220	2,289	2,367	2,440
Utility	376	379	388	394	402
Hotel	255	350	520	630	650
Commercial Rent	894	927	953	981	1003
Real Property Transfer	1488	1,335	1,409	1,484	1,520
Cigarette	20	18	17	16	16
All Other	842	833	833	833	833
Audit	921	721	721	721	721
Tax Program	0	(300)	(300)	(300)	(300)
STAR	146	144	142	140	138
Total Taxes	**$64,030**	**$65,872**	**$67,774**	**$69,642**	**$70,735**
Federal Categorical Grants	**$18,014**	**$9,385**	**$8,644**	**$7,928**	**$6,902**
State Categorical Grants	**$16,490**	**$16,417**	**$16,642**	**$16,888**	**$16,943**
Non-Governmental Grants (Other Cat.)	**$1,879**	**$1,747**	**$1,738**	**$1,736**	**$1,732**
Unrest. / Anticipated State & Federal Aid	**$1,044**	**$0**	**$0**	**$0**	**$0**
Miscellaneous Revenue					
Charges for Services	$1,002	$1,029	$1,033	$1,033	$1,033
Water and Sewer Charges	1,682	1,674	1,657	1,656	1,656
Licenses, Permits, Franchises	672	690	692	690	695
Rental Income	246	246	247	246	246
Fines and Forfeitures	1093	1,076	1,090	1,090	1,090
Other Miscellaneous	393	340	339	338	338
Interest Income	9	75	130	174	196
Intra City	2,153	1,850	1,848	1,838	1,838
Total Miscellaneous	**$7,250**	**$6,980**	**$7,036**	**$7,065**	**$7,092**
Net Disallowances & Transfers	**($2,168)**	**($1,865)**	**($1,863)**	**($1,853)**	**($1,853)**
Total Revenue	**$106,539**	**$98,536**	**$99,971**	**$101,406**	**$101,551**
City Funds	**$70,156**	**$70,987**	**$72,947**	**$74,854**	**$75,974**
Federal & State Revenue	**$34,504**	**$25,802**	**$25,286**	**$24,816**	**$23,845**
Federal & State as a Percent of Total	**32.39%**	**26.19%**	**25.29%**	**24.47%**	**23.48%**
City Funds as a Percent of Total Revenue	**65.85%**	**72.04%**	**72.97%**	**73.82%**	**74.81%**

Source: *OMB Fiscal 2023 Preliminary Financial Plan*

Fiscal 2023 Preliminary Financial Plan - Changes from the November Plan				
Dollars in Millions	**FY22**	**FY23**	**FY24**	**FY25**
Taxes				
Real Property	$124	$848	$678	$445
Sales	265	(196)	(165)	(75)
Mortgage Recording	61	0	0	0
Personal Income	428	13	49	109
General Corporation	189	(56)	(155)	(77)
Banking Corporation	0	0	0	0
Unincorported Business	215	115	88	90
Utility	(1)	3	5	(1)
Hotel	33	0	0	0
Commercial Rent	10	14	16	22
Real Property Transfer	281	0	0	0
Cigarette	0	0	0	0
All Other	0	0	0	0
Audit	0	0	0	0
Tax Program	0	(300)	(300)	(300)
STAR	(2)	(6)	(6)	(6)
Total Taxes	**$1,603**	**$435**	**$210**	**$207**
Federal Categorical Grants	**$1,500**	**$101**	**$31**	**$13**
State Categorical Grants	**$224**	**$5**	**$5**	**$1**
Non-Governmental Grants (Other Cat.)	**$30**	**$22**	**$17**	**$16**
Unrest. / Anticipated State & Federal Aid	**$294**	**$0**	**$0**	**$0**
Miscellaneous Revenue				
Charges for Services	($22)	($13)	($13)	($13)
Water and Sewer Charges	14	13	14	15
Licenses, Permits, Franchises	15	6	6	6
Rental Income	(2)	(2)	(1)	(2)
Fines and Forfeitures	28	(18)	(4)	(4)
Other Miscellaneous	8	(3)	(3)	(3)
Interest Income	0	65	101	105
Intra City	69	401	398	394
Total Miscellaneous	**$110**	**$449**	**$498**	**$498**
Net Disallowances & Transfers	**($23)**	**$5**	**$5**	**$5**
Total Revenue	**$3,031**	**($1,384)**	**($1,838)**	**($1,189)**
City Funds	**$1,886**	**($1,582)**	**($1,886)**	**($1,226)**
Federal & State Revenue	**$1,078**	**$124**	**$48**	**$37**

Source: *OMB Fiscal 2023 Preliminary Financial Plan and Fiscal 2022 November Financial Plan*