FINANCE DIVISION
NEW YORK CITY COUNCIL

FISCAL OUTLOOK

New York City Council
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Adapting to Inflation

Inflationary Headwinds Will Constrain the City's Budget

For the first time in a generation, the City's budget needs to be adapted to a significant level of inflation. Between 2000 and 2020 the average annual rate of inflation was 2.1 percent. Between the first quarter of 2021 and the second quarter of 2022, it has averaged 7.8 percent.[1] This poses challenges to the City budget in two major ways.

The first challenge to the City's budget involves the City's current round of collective bargaining with its workforce. The recent high levels of inflation will likely force the City's labor unions to push for greater than typical increases in salaries for their members, in order to recover some of their members' lost purchasing power. The labor unions representing the workforce are unlikely to settle for the annual 1.25 percent wage increases that are set aside in the current financial plan. Labor settlements with the city's unions will likely require substantial additional resources. Based on other recent municipal labor settlements, it is not implausible that the annual cost to the City would be nearly $2 billion per year.

Further complicating collective bargaining is the delay of the City's and the Municipal Labor Committees' (MLC) attempt to find savings related to health insurance. The City, along with the unions, sought to institute a Medicare Advantage plan for Medicare eligible retirees. More than a year ago, a number of retirees filed a lawsuit against the city, challenging the requirement that retirees would have to pay for their existing Senior Care plan if they did not accept the City's offered Medicare Advantage plan. The lower court sided with the retirees, and the City has appealed that lower court decision to the State's Appellate Division. The full risk to the City's budget from this health insurance litigation is unclear, but it could be as much or even more than the $600 million of estimated annual savings that the aforementioned plan would have generated.

The second major challenge to the City's budget related to recent levels of inflation is how inflation impacts the economy. The Federal Reserve Bank's response to stubbornly high levels of inflation has been to raise interest rates. But higher interest rates, while perhaps anti-inflationary, also tend to negatively impact the financial markets. This in turn has had two effects on the City's budget.

The steep decline in the financial markets resulting from inflation and higher interest rates has caused shortfalls in the expected value of the City's Pension Systems. These shortfalls, which have to be compensated for by the City between now and Fiscal 2042 will cost the City approximately $1 billion in Fiscal 2024 growing to as much as $3 billion in Fiscal 2026.

Additionally, higher interest rates will further impede the relatively slow economic growth, adversely affecting local employment and tax revenues. As a result of these confounding factors, the New York City Council Finance Division (Finance Division) believes the economy will stall, with a mild recession occurring in the spring of 2023 for both the nation and the City.

Despite this dire economic outlook, the updated Finance Division forecast projects higher tax revenues than the City's Office of Management and Budget (OMB) forecast in its most recent financial plan. This may seem counterintuitive but reflects the fact that Fiscal 2022 tax collections have come in around $980 million higher than were expected when the budget was adopted in mid-June. This sets a higher base of tax revenue expectations which is carried forward in the Finance Division's forecast. As a result, the Finance Division estimates that the City will collect approximately $2.26 billion more in Fiscal 2023 tax revenue and $2.82 billion in Fiscal 2024 than currently planned (See Part II of this document for details on this forecast).

[1] U.S. Department of Labor, Consumer Price Index – Urban Consumers

While this sounds dramatically positive at first glance, the sober reality is that even the Finance Division's higher tax revenue estimates do not keep pace with expected inflation. This means the real purchasing power of the City's tax revenues is expected to decline during the financial plan, which will further create pressures on the City's budget going forward.

As required by law, the Financial Plan adopted in June 2022 presents a balanced budget for Fiscal 2023, with budget gaps in the outyears of the financial plan period. However, the plan includes roughly $1.8 billion allocated to the general and capital stabilization reserve funds for Fiscal 2023 and $1.4 billion in each of the fiscal years from 2024 through 2026. Since these reserve accounts are not tied to any actual expenses, backing them out gives a more appropriate representation of planned spending and how it differs from the total resources available to fund that spending. Removing the reserve fund expenditures from total planned expenditures results in a net surplus of $1.8 billion in Fiscal 2023 and smaller, historically manageable net gaps of less than $3 billion in each of the outyears (see "Net (Gap) or Surplus" line in the table below).

Potential Financial Plan Gaps

Dollars in Billions	**FY23**	**FY24**	**FY25**	**FY26**
Gap as Stated in Financial Plan	**$0.0**	**($4.2)**	**($3.7)**	**($4.0)**
General Reserve	$1.6	$1.2	$1.2	$1.2
Capital Stabilization Reserve	$0.3	$0.3	$0.3	$0.3
Net (Gap) or Surplus	**$1.8**	**($2.8)**	**($2.3)**	**($2.5)**
Collective Bargaining	($1.8)	($1.6)	($2.4)	($2.4)
Pensions	$0.0	($1.0)	($2.0)	($3.0)
Health Insurance	?	?	?	?
Finance Division Forecast[2]	$3.2	$2.8	$2.9	$3.1
Potential (Gap) or Surplus	**$3.2**	**($2.6)**	**($3.8)**	**($4.8)**

Sources: *New York City Council Finance Division, NYC OMB June 2022 Financial Plan*

Applying the previously enumerated inflationary risks as well as the Finance Division's most recent tax forecast, we estimate that Fiscal 2023 could end with a surplus of approximately $3.2 billion. This surplus could be rolled into Fiscal 2024 to cover the gap (estimated at $2.6 billion) in that year, but beyond Fiscal 2024, budget gaps approach and exceed $4 billion and will be harder to close.

Further compounding these budgetary difficulties are the non-inflationary budget risks that this analysis does not cover. Some of those risks include perennial budgetary issues such as underfunding of uniformed overtime costs, and agency specific issues such as spending on Carter Cases at the Department of Education. But there are also unexpected costs that will likely arise, such as the need to address the influx of new immigrants seeking asylum from Central and South American countries.

With this fiscal outlook in mind, OMB recently called for agencies to implement a Program to Eliminate the Gap (PEG). The PEG requires agencies to reduce their City-funded expenditures by 3 percent in Fiscal 2023 and 4.75 percent in each of Fiscal 2024 through Fiscal 2026. While specific targets for savings were enumerated to agencies, it is unclear how much of these savings will be accepted and implemented by OMB. As such, it remains to be seen if this PEG exercise will balance the budget.

Part I of this document provides more background on the major expense budget risks outlined in this introduction, while Part II provides the Finance Division's updated economic and tax forecast.

[2] Fiscal 2023 combines extra revenue found in the Finance Division's forecast for Fiscal 2022 and Fiscal 2023.

Part I: Major Expense Budget Risks

Collective Bargaining

The upcoming round of collective bargaining poses a major risk to the City's financial plan. In the June 2022 Financial Plan, the City provided funding to the labor reserve to account for assumed annual wage increases of 1.25 percent. Most of the City's existing labor agreements with its unions will have expired by the end of calendar year 2022. With the recent historically high levels of inflation it is nearly certain that in the current round of collective bargaining, the City's labor unions will seek annual salary increases that greatly exceed the amount set aside in the labor reserve.

Furthermore, a pattern has begun to emerge from other collective bargaining agreements negotiated by some of New York State's municipal labor unions. Those agreements included a combination of signing bonuses and annual raises ranging between two and three percent. For example, New York State and the Civil Service Employees Association agreed to a contract that included a signing bonus of $3,000 per employee, with a two percent annual raise in the first two years of the agreement, and three percent annual increases in each of the succeeding four years. Other unions representing state employees had similar agreements, including 1199 SEIU and the League of Voluntary Hospitals and Homes of New York which signed contracts that include a $3,000 signing bonus, a two percent raise in the first year and three percent raises afterwards.[3]

The Finance Division assumes contracts with the City's unions in this round of negotiations will resemble the patterns described above – including a $3,000 signing bonus and three percent annual raises. The Finance Division estimates that in the first year, a three percent annual raise would cost the City an additional $790 million, while the signing bonus would cost approximately $1 billion. These labor costs could appear in the City's budget as early as the next Preliminary Plan, if a labor agreement is reached in the fall, with the fiscal impact beginning in Fiscal 2023.

Estimated Additional Cost From Impending Collective Bargaining Pattern				
Dollars in Millions	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026
$3,000 Signing Bonus	$1,000	-	-	-
3% Annual Wage Increase	790	1,580	2,370	2,370
Total Collective Bargaining	**$1,790**	**$1,580**	**$2,370**	**$2,370**

Source: New York City Council Finance Division

Health Insurance

Another significant budgetary issue for the City is the rising cost of health insurance. The City's cost to provide health insurance for its active and pre-Medicare retirees is dictated by two plans – HIP HMO and GHI CBP. The two plans provide insurance for the vast majority of the recipients, with over 75 percent of them on GHI alone. The City provides funding for health insurance for its workforce, equal to the cost of providing the HIP premium rate for all recipients. When other plans' premiums exceed that of the HIP rate the recipient is normally responsible for covering the additional cost. However, to ensure that health insurance remains premium-free for the vast majority of recipients, the City makes annual deposits into the Health Insurance Premium Stabilization Fund ("HISF") and uses the fund to cover the difference in premiums for members of the GHI plan whenever GHI rates exceed HIP rates.

For many years, the HIP rate exceeded the GHI rate, which allowed the HISF to accrue large balances. However, recently, the GHI rates have risen much faster and in Fiscals 2021 and 2022 surpassed the HIP rate. As a result, the City had to withdraw funds from the HISF to cover the extra GHI cost, causing the HISF to deplete faster than

[3] https://www.1199seiu.org/application/files/2716/6199/1950/2021-2024_League_CBA_Booklet_PDF_1.pdf

expected. Over the years the City and the unions have agreed to draw down the large surpluses in the HISF to cover the cost of certain employee and retiree benefits, including the City's program that covers the provision of certain injectable drugs and other benefits provided by union welfare funds. The depletion of the HISF to cover the rising cost of the GHI rate jeopardizes the provision of these other employee benefits, and calls into question how and if these benefits will be funded in the future.

Health insurance savings has been an integral part of collective bargaining since 2014. The de Blasio Administration negotiated two collective bargaining agreements between the City and the Municipal Labor Committee (representing the City's unionized workforce), the first for the period ranging from Fiscal 2015 to Fiscal 2018 and the second for Fiscal 2019 through Fiscal 2021. These agreements provided wage increases which were partially funded by healthcare savings. The healthcare savings agreements included ways of achieving these savings as well as a monitoring process and an arbitration process if these savings were not achieved. The demise of the HISF poses a problem for this process. Health insurance savings that impact on the HIP rate, lower that rate and the savings goes directly to the City's budget (as the City's healthcare expenditure is pegged to the HIP rate). This is not the case with savings related to GHI. GHI savings accrue to the HISF which assist in offsetting certain costs that could be borne by the City. If the HISF is depleted, it is unclear how the City realizes the savings. [4]

In an attempt to find an alternative funding source to cover the rising costs of health insurance and to keep the HISF solvent, the City and Municipal Labor Committee designed a Medicare Advantage Plus Plan (the Plan). The Plan would have shifted supplemental Medicare cost for retirees to the federal government, reducing the City's retiree health care costs by an estimated $600 million a year. The City agreed to allocate this savings to the HISF to replenish its funding level. However, an ongoing court case against the Plan has prevented it from taking effect, and thus the savings has not yet materialized, further jeopardizing the HISF. Without the savings derived from Medicare Advantage the City and the MLC will have to go back to the drawing board to find another way to address the HISF's funding issues. How this will interact with the City's budget, with benefits provided to City employees and retirees, and with the ongoing round of collective bargaining is unclear.

Pensions

The City's pension system's funding levels are determined through the implementation of various actuarial assumptions and methods. The calculation provides a level of funding which is adequate to satisfy the system's ability to pay its beneficiaries in perpetuity. The most notable actuarial assumption of the City's pension system is that the system's investments will achieve a 7 percent annual rate of return.

At the close of Fiscal 2022, the pension system's investments had lost 10 percent of their value from the prior year. This left the pension system with nearly $45.2 billion less in assets than it would have had if it met the actuary's 7 percent target. State law requires that the City make up any shortfall from the assumed rate of return in the pension system's assets. To minimize the impact of market volatility on the pension system, State law requires the City to recognize over a five year period and amortize recognized gains and losses over a 15-year period. Accordingly, the table below details the additional City contributions needed to keep the pension system on track with the actuary's funding schedule, after factoring in the asset losses experienced in Fiscal 2022. Pension system returns at the close of Fiscal 2023 will determine the degree to which this level of new funding needs to remain in the financial plan.

[4] The City of New York, Office of Labor Relations, "Final Report of the FY19-FY21 Health Care Savings", December 27, 2021.

City's Annual Payments to Cover Fiscal's 2022 $45.2 Billion Shortfall in Pension Returns *Dollars in Billions*								
FY24	FY25	FY26	FY27	FY28-38	FY39	FY40	FY41	FY42
$1.0	$2.0	$3.0	$4.0	$5.0	$4.0	$3.0	$2.0	$1.0

Other Expense Budget Issues

On September 12, 2022, OMB called for the implementation of a PEG requiring agencies to reduce City-funded expenditures by 3 percent in Fiscal 2023 and 4.75 percent in each of Fiscal 2024 through Fiscal 2026. OMB directed agencies that these savings proposals could not include layoffs nor the imposition of new fines or fees, and that they could not have an adverse impact on services unless the service is underutilized. Agencies are required to submit their savings proposals to OMB by September 30. Except for public safety and public health, agencies may not hire new staff with City-funding until OMB approves their savings proposals. These expense reductions will be presented as part of the November Financial Plan. It is not known how these spending cuts may affect the provision of services.

Another issue that threatens the City's budgetary stability is the recent influx of new immigrants seeking asylum from Central and South American countries. According to the Department of Social Services, as of September 15, 2022, more than 11,000 asylum seekers have entered the City in recent months, and about 8,500 remained in City homeless shelters. Among these asylum seekers, 1,700 are school-aged children. The full risk to the City's budget from the asylum seekers entering New York City is still unclear.

Part II: Finance Division's Economic & Tax Forecast

It's a common adage among economists that if a forecast turns out to be accurate, it's an accident. The vast array of unknowns - many geopolitical or science-driven, dictate a humbling margin of error, all the more so during turning points in the economy from expansion to a recession or vice versa. The Finance Division is currently forecasting a 'mild recession,' but because of all the uncertainty this forecast could turn out to be extremely wrong in either a positive or negative direction.

The United States economy is currently not in recession, as is evidenced by continued strong employment growth. There are, however, signs of slower economic growth in consumer activity, and in reduced business investment in inventories and equipment. Federal Reserve Chair Jerome Powell was uncharacteristically blunt that "restoring price stability will likely require maintaining a restrictive policy stance for some time." He warned that the Fed's interest rate hikes "will also bring some pain to households and businesses."[5] Putting together the trajectory of economic indicators and the impact from significantly higher interest rates, the Finance Division is estimating a mild recession in the first quarter of calendar year 2023 (unless otherwise noted in this section years refer to calendar years), with reduced employment through the first quarter of 2024.

For the New York City economy, we currently also see sustained employment expansion, as well as a recovery of the City's vital tourism sector. However, the Finance Division anticipates employment loss from early 2023 through early 2024, though at a much milder scale than for the U.S. as a whole.

The Finance Division forecast projects tax revenues to experience flat to below trend growth through the years of the Financial Plan. However, the current tax forecast is stronger than OMB's forecast at Adoption and the Finance Division's forecast from May of this year. Nevertheless, once our forecast is adjusted for the high rate

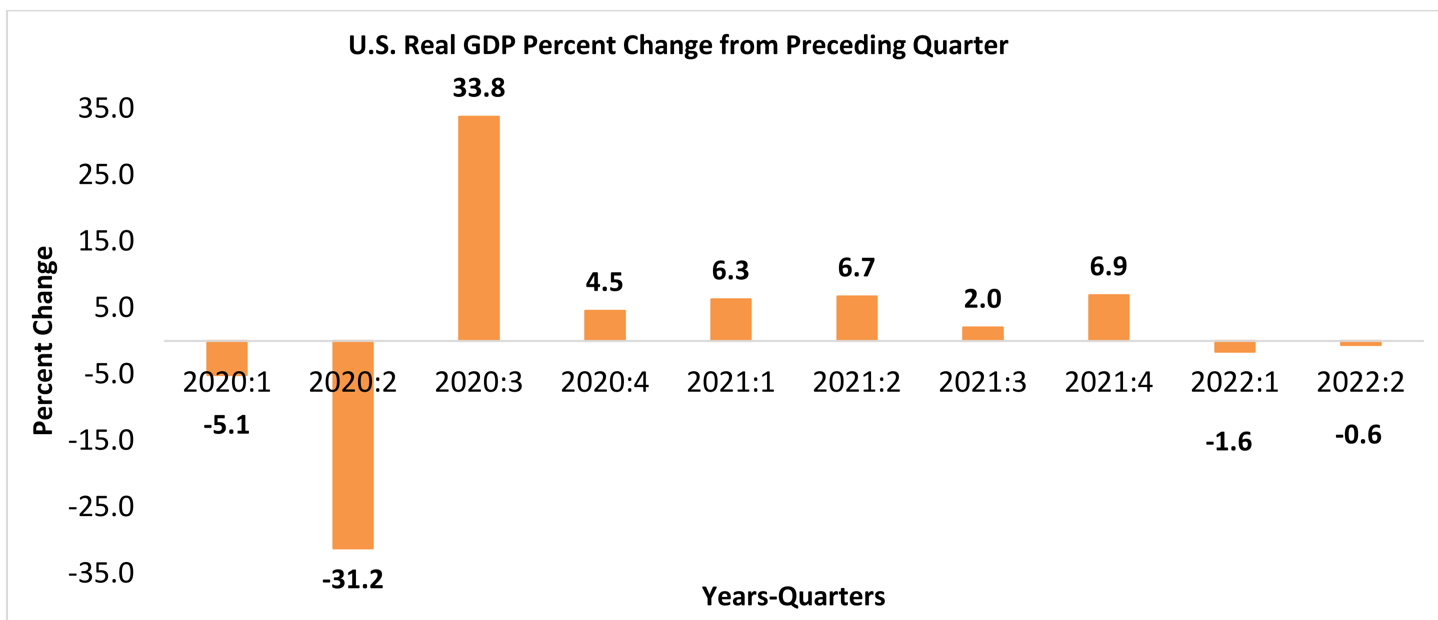
[5] Federal Reserve Chair Jerome Powell's speech at economic policy symposium at Jackson Hole, Wyoming, August 26, 2022

of inflation, it projects negative to flat revenue growth through Fiscal 2026, reflecting reduced capacity to meet expenditure demands.

National Economy

Current Conditions

U.S. real Gross Domestic Product (GDP) declined in the first and second quarters of 2022 at annual rates of 1.6 percent and 0.6 percent, respectively.[6] The two straight quarterly decreases in GDP meet the popular definition of a recession. Nevertheless, the contraction in GDP is misleading given the large role played by import consumption in the first quarter and inventories in the second quarter. Imports soared at an 18.4 percent annual rate in the first quarter, fueled by pent-up consumer demand. Imports subtract from GDP, and in the first quarter subtracted an especially large 2.6 percentage points. Inventory investment sharply declined in the second quarter, subtracting 1.91 percentage points from GDP. The inventory cycle, however, is not an accurate measure of the level of goods consumers ultimately purchase.



Source: *U.S Bureau of Economic Analysis*

An alternative measure of growth, gross domestic income (GDI), increased at a 0.8 percent annual rate in the first quarter of 2022 and 0.1 percent in the second quarter. GDI measures the economy's performance from the income side, versus GDP which measures it from the output or spending side.[7] GDI is calculated using wages, other compensation, capital gains, business profits and dividends.

Two of the biggest constraints on the economy in the first and second quarter of 2022 appear to be the Russia-Ukraine war and continued supply chain disruptions which have fostered additional inflationary pressures, increased downside risks to economic growth outlook, and quickened the expected pace of monetary tightening.

Most economic indicators, particularly those measuring labor markets, provide strong evidence that the U.S. economy did not fall into a recession in the first or second quarter of 2022. The U.S. economy continues to add

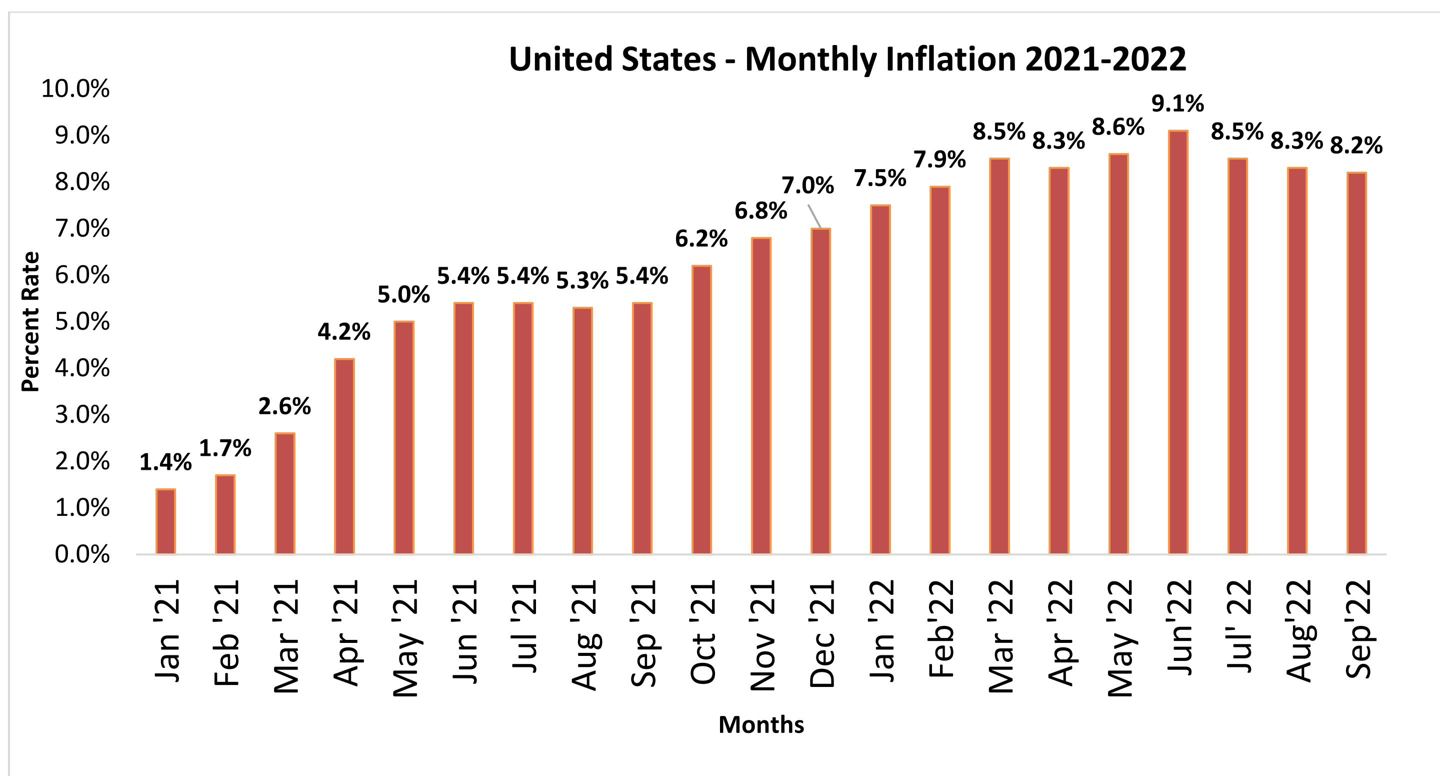
[6] U.S Bureau of Economic Analysis: Real Gross Domestic Product, Second Quarter 2022, Third Revision.

[7] U.S Bureau of Economic Analysis, ibid

jobs at a faster pace than over the last two pre-pandemic years, despite having now surpassed its February 2020 level by a half a million positions (seasonally adjusted). Nonfarm payroll employment growth slowed to 263,000 in September 2022, compared to the 420,000 monthly average so far this year. However, it remained far stronger than the monthly averages of 164,000 in 2019 and 191,000 in 2018.[8]

The unemployment rate has dropped to its pre-pandemic record low of 3.5 percent as of September 2022, falling from 4.8 percent a year ago. Additionally, the labor force participation rate has increased to 62.3 percent in September from 61.6 percent a year ago, though still lower than the 63.4 percent level from pre-COVID February 2020.[9]

The annual U.S. inflation rate slowed to 8.2 percent in September year-over-year from 8.3 percent in August, and 8.5 percent in July, after peaking at 9.1 percent in June.[10] However, the most relevant measure is not year-over-year, but rather month-to-month changes to inflation. By the monthly measure, inflation resumed its upward trend, increasing by 0.4 percent in September and by 0.1 percent in August, after showing no increase in July. This dampened hopes of immediately arresting further price increases. The primary causes of today's high inflation are the COVID-19 pandemic and its resulting supply chain disruption and high-energy prices. There were signs that inflation would start to ease in August due to the decline in the energy index which fell 5.0 percent over the month. But this was offset by an 11.4 percent increase in food costs, the largest increase since 1979, and a 6.2 percent increase in shelter costs, the most since 1984. Meanwhile, core Consumer Price Index (CPI), which excludes volatile energy and food prices, increased to 6.6 percent year-over-year in September, up markedly from 6.3 percent in August and 5.9 percent in both June and July.



Source: *U.S Bureau of Labor Statistics, Consumer Price Index – Urban Consumers*

[8] U.S. Bureau of Labor Statistics, 'The Employment Situation - September 2022': https://www.bls.gov/news.release/pdf/empsit.pdf

[9] U.S. Bureau of Labor Statistics, 'The Employment Situation - September 2022,' ibid

[10] U.S. Bureau of Labor Statistics, 'Consumer Price Index - Urban Consumers, September 2022.

Adapting to Inflation

While inflation is expected to continue decelerating, the medium-term outlook is uncertain as core CPI continues to increase and the Russia-Ukraine conflict plods on. Such factors can influence the inflation rate in the near-term. The rise in commodity prices would increase production costs in many industries, particularly manufacturing and energy, and this will further intensify inflationary pressures in 2022. Inflation is unlikely to fall to pre-pandemic levels any time soon, and will remain above the Fed's 2 percent target for a long time as supply disruptions persist and energy and food prices remain elevated.

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. The conflict between Russia and Ukraine has further intensified these inflationary pressures. However, despite the GDP contraction of 1.6 percent in the first quarter and 0.6 percent in the second quarter of 2022, third quarter output is expected to rebound by a modest 1.3 percent.[11] Moving forward, real GDP growth is expected to slow around 1.1 percent in 2022 and then contract 0.2 percent in 2023.

The economic contraction in 2023 is mostly due to a more hawkish monetary policy, that will help to cool inflation over the coming quarters but tip the U.S. economy into a broad-based recession. This contraction will impact extremely tight labor markets and drive the unemployment rate higher to 5.5 percent by 2023 and 6.6 percent in 2024.[12] We expect the coming recession to be relatively short and somewhat mild, but that the U.S. economy will emerge from the slowdown in 2023 still grappling with inflation well above the Fed's 2-percent target.

Economic Variable Forecast

Calendar Year	2022	2023	2024	2025	2026
Consumer Price Index	8.4%	5.3%	1.9%	1.5%	1.6%
Real GDP	1.1%	-0.2%	1.3%	2.1%	2.3%
Unemployment Rate	3.9%	5.5%	6.6%	6.4%	5.7%

Source: *IHS Markit, August 2022 (pessimistic scenario)*

New York City Economy

Current Conditions

New York City's labor market has remained robust so far this year, as its job recovery efforts continue. With the pandemic seemingly behind us, employers have continued to bring back positions that were lost during the pandemic. Total employment in the City grew by 22,300 in September (seasonally adjusted), remarkably the same as the 22,000 average monthly gains over the previous 12 months.[13]

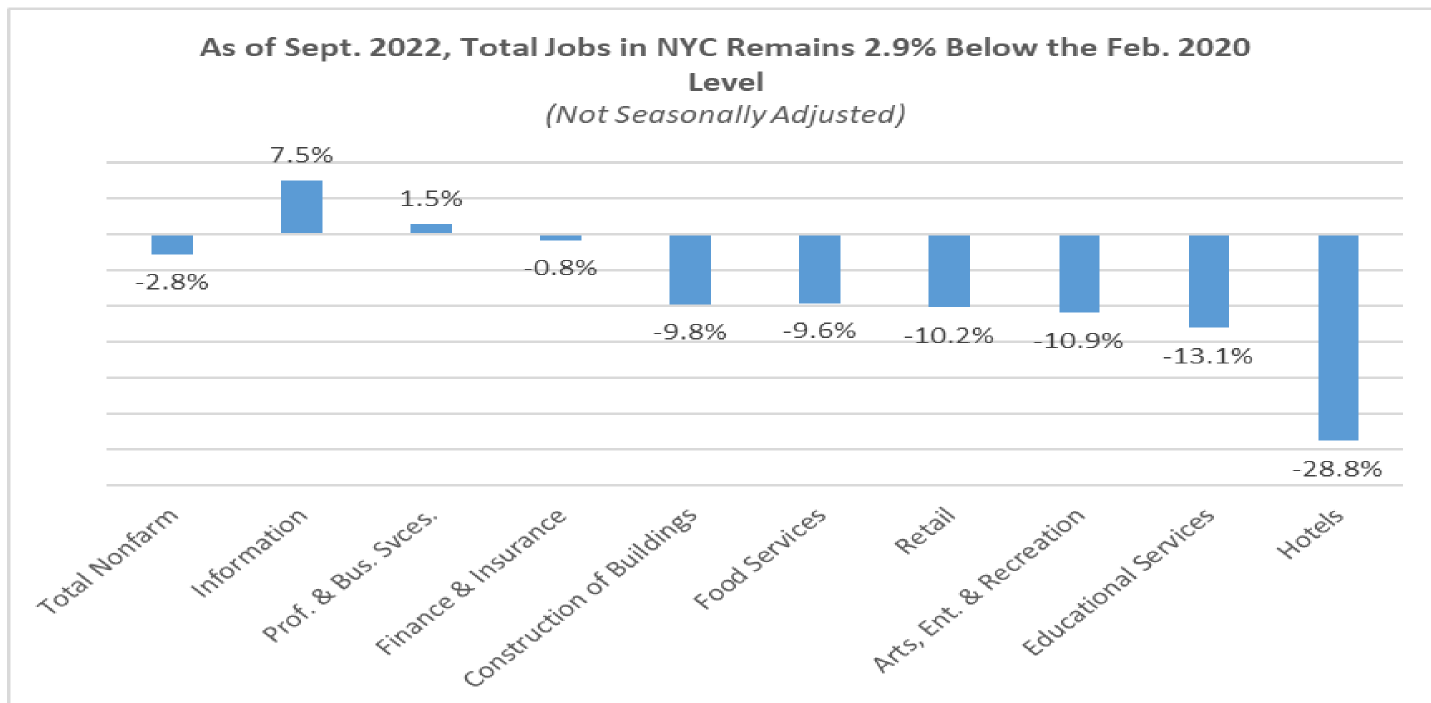
Despite the persevering gains, the pace of job recovery in the City still lags behind that of the rest of the country. While New York City recovered close to 85.5 percent of the pandemic-related job losses as of September 2022, the U.S. recovered 2.3 percent above the number of its lost jobs (seasonally adjusted). As of September 2022, total payroll employment in the City remained 3.0 percent or 141,000 positions below the pre-pandemic level in February 2020. In contrast, total employment in the U.S. had exceeded its pre-pandemic level by 0.3 percent. The City's slower pace of recovery reflects how severely it was impacted by the pandemic compared to the rest

[11] Federal Reserve Bank of Philadelphia: August 25, 2022: https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/spf-q3-2022

[12] IHS Executive United States National Forecast: August, 2022

[13] New York State Department of Labor, 'Current Employment Statistics,' September 2022.

of the country. Being the epicenter of the virus, and given its population density, the City has had to reopen more slowly and cautiously.



Source: *New York State Department of Labor, 'Current Employment Statistics,' September 2022*

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 more 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 more slowly than the rest of the country. Employment in accommodation and food services, arts, entertainment events, retail, wholesale and management are still disproportionately below their pre-pandemic levels. For example, as of September 2022, food services employment was 9.6 percent below pre-pandemic levels, retail was still down 10.2 percent, and the hotel industry down 28.8 percent (not seasonally adjusted).

The unemployment rate in the City has continuously declined since it shot up to 21.0 percent at the height of the pandemic. As of September 2022, the jobless rate had dropped to 5.6 percent. The declining unemployment rate has been partially caused by a shrunken labor force, which reduces the number of unemployed who are looking for work. As of September 2022, the City's labor force was still 318,600 smaller than the pre-pandemic level.

The City's labor force participation rate in September 2022 was 60.4 percent, very close to the pre-pandemic rate of 60.6 percent. A sharp drop in the City's working population has reduced both the labor force and the overall population by roughly the same proportions.[14]

Residential real estate markets have significantly softened during the summer. In the City "home sales tapered off, and the inventory of available homes, though still very low, edged higher," according to the Federal Reserve.[15] As of the second quarter of 2022, year-over-year sales of co-ops, condos and 1-3 family houses in Brooklyn increased by 8.7 percent - down from a soaring 29.9 percent increase in the first quarter. Median home

[14] Working population is the total number of non-incarcerated civilians who are at least sixteen years old.

[15] Federal Reserve Bank, 'The Beige Book,' September 7, 2022, pg B-2.

prices in Brooklyn increased by 8.2 percent year-over-year in the second quarter.[16] The rental market, on the other hand, strengthened, with median rents rising in Manhattan, Brooklyn and Queens by 29.4 percent, 18.3 percent, and 10.4 percent respectively.[17] Vacancy rates citywide are near a 20-year low.

New Manhattan office leasing slumped in the second quarter of 2022 to 5.2 million square feet (msf), down from an average of 7.3 msf in the previous two quarters. The vacancy rate ticked-up 40 basis points to a record 21.5 percent in the second quarter. Contributing to the higher vacancy rate were three new properties – 50 Hudson Yards, 1245 Broadway and 124 East 14th Street – which added over 1.0 msf of vacant space to the market.[18]

The hotel industry and tourism are experiencing a gradual recovery, driven largely by domestic travelers. After plummeting to 35.9 percent in April 2020, hotel occupancy rates have crawled back to 77.4 percent as of July 2022.[19] The onset of the Omicron variant from December to February was a temporary setback to the nascent recovery in the hotel industry and tourism.

Forecast

We forecast that the City's labor market will maintain its momentum for the rest of the year, with private employment growth averaging 5.7 percent in the last two quarters. Overall, private sector jobs are projected to grow by a healthy 6.8 percent in 2022, adding more than 250,300 positions (year-over-year). The projected job growth reflects a still tight labor market conditions despite the ongoing inflationary pressures and the Fed's rate hikes in response.

Beyond this year, the job market will begin to cool down a bit, as the aggressive interest rate increases take some steam out of the City's jobs recovery efforts. Eventually, private sector employment will contract mildly in the first quarter of 2023 through the first quarter of 2024. Over those five quarters, the City will lose an average of 9,400 private sector jobs (seasonally adjusted), with the peak of the losses coming in the third quarter of 2023.

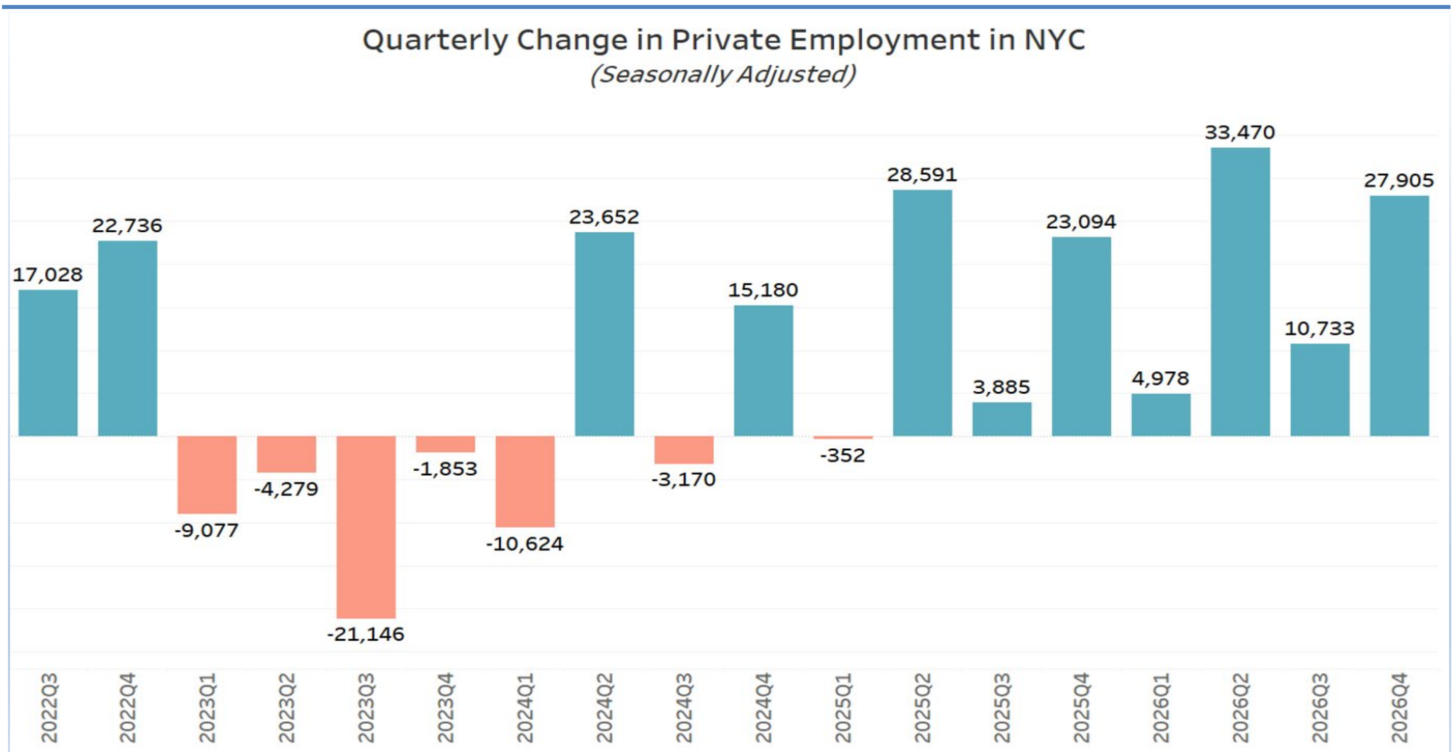
Weak employment growth will resume in the latter half of 2024 and will gradually pick up momentum, as hirings respond to lower interest rates. By the end of 2026, employment is projected to return to 1.9 percent year-over-year growth – on par with pre-pandemic job growth rates.

[16] Elliman Report, 'Brooklyn Sales, 2Q 2022.'

[17] Elliman Report, 'Brooklyn Rentals, July 2022.'

[18] Cushman & Wakefield, 'Marketbeat Manhattan Office Q2 2022.'

[19] NYC & Company, 'NYC Hotel Occupancy, ADR & Room Demand, 'August 18, 2022.



Source: *New York City Council Finance Division's forecast of private-sector payroll employment*

The road to full recovery remains slow and prolonged for the City's labor market. The Finance Division projects that employment in the City will return to pre-pandemic levels in the fourth quarter of 2026. The ongoing inflationary pressures, labor shortage, and the ramifications of the Fed's responses to those issues will continue to pose a significant threat to the labor market.

The Finance Division forecasts that average wage growth in the private sector will decelerate to 3.9 percent in 2022 and 3.1 percent in 2023, reflecting weakness in a now struggling securities industry, and downward pressure imposed on the average wage by the rapid recovery of low-wage jobs. Offsetting this is upward wage pressure from continuing labor shortages and rising prices. Wage growth will average 3.0 percent in the outyears.

The ratcheting-up of interest rates will continue to weaken real estate markets. Climbing home prices have already become unaffordable for many New Yorkers, and with mortgage rates on the rise, there is an increasing shift from purchasing to renting.

The commercial real estate market will continue to be challenged by the increasing appetite for remote work, and businesses increasingly feeling the pinch of higher borrowing costs. On the other hand, Cushman & Wakefield maintains, "an abundance of high-quality space fueled by new construction should continue to generate healthy leasing activity."[20]

In 2019, there were 66.6 million visitors to the City – 53.1 million domestic and 13.5 million international. When COVID struck in 2020, the level of visitors plummeted to 19.9 million, with 22.3 million domestic and only 2.4 million foreign. Since 2021, visitors have been returning to the City, but the increase is occurring primarily with domestic tourism. NYC & Company forecasts that in 2023, there will be 52.3 million domestic visitors - almost reaching pre-pandemic levels, and 11.4 million foreign visitors.[21]

[20] Cushman & Wakefield, ibid.

[21] NYC & Company, 'NYC Travel & Tourism Outlook,' June 2022.

Forecast of Selected Economic Indicators: National and New York City, CY2021-2026						
	CY21	CY22	CY23	CY24	CY25	CY26
NATIONAL ECONOMY*						
Real GDP %	5.7	1.1	(0.2)	1.3	2.1	2.3
Total Employment						
Level Change, '000	3,956	5,457	(427)	(1,782)	339	1,515
Percent Change, %	2.8	3.7	(0.3)	(1.2)	0.2	1.0
Unemployment Rate, %	5.4	3.9	5.5	6.6	6.4	5.7
Total Wages %	9.5	10.1	5.5	4.1	4.1	4.1
Consumer Price Index	4.7	8.4	5.3	1.9	1.5	1.6
Interest rates %						
3-Month Treasury Bill	0.0	1.7	2.4	1.2	0.6	0.6
30-Year Conventional Mortgage Fixed	3.0	4.9	5.1	4.4	4.1	4.0
NEW YORK CITY ECONOMY						
Real GCP %*	5.9	2.7	1.1	1.8	2.7	2.2
Private Employment						
Level Change, '000	98	250	25	(4)	45	69
Percent Change, %	3.0	6.8	1.0	-	1.1	2.0
Average Private Sector Wage %	7.9	4.0	3.0	2.9	3.0	3.1
Total Private Wages %	9.7	11.2	4.0	2.8	4.2	5.0
NYSE Member Firms %						
Total Revenue	6.1	(8.0)	7.3	2.0	4.2	7.2
Total Compensation	14.2	1.0	7.5	4.0	5.7	7.2

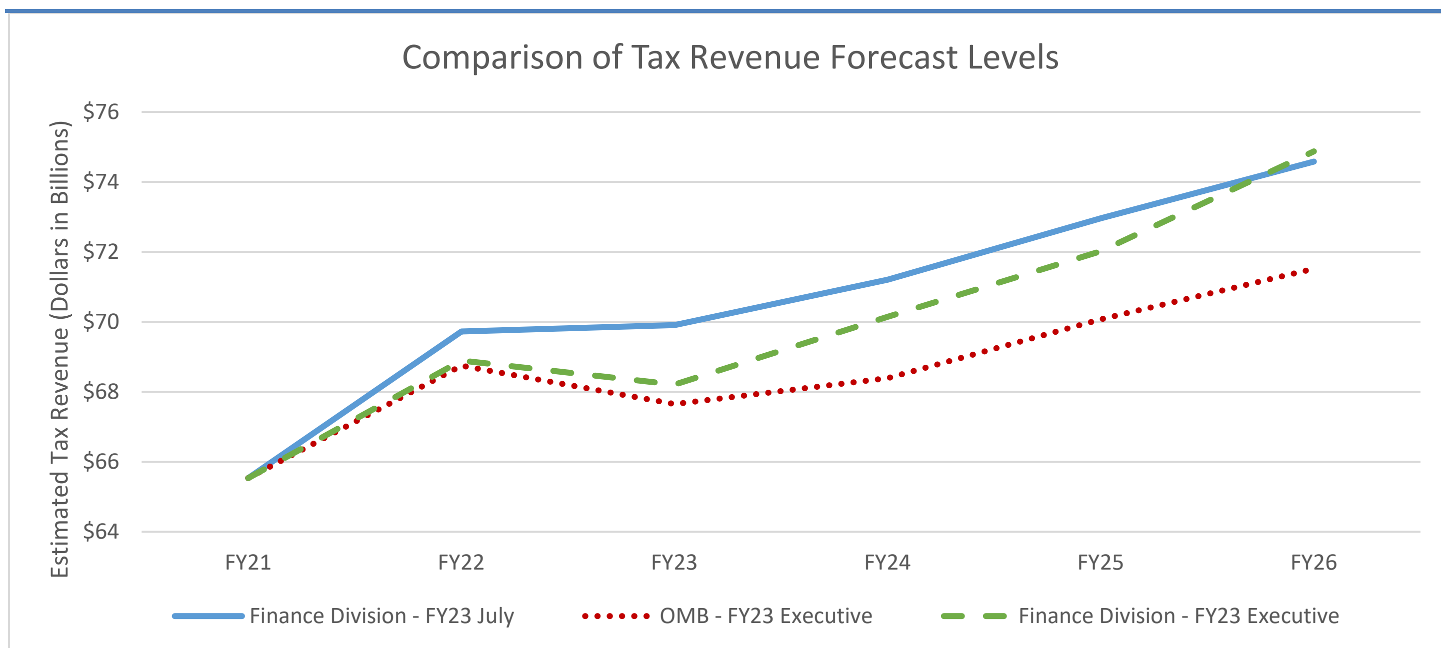
Source: *IHS Markit, August 2022 (pessimistic scenario); New York City Council Finance Division (City)*

** Calculated by IHS Markit*

Tax Revenue Forecast

The Finance Division's July tax revenue forecast exceeds OMB's Adopted Plan by $980 million in Fiscal 2022, and by over $2.2 billion in Fiscal 2023. The Finance Division's July forecast also exceeds its own May forecast by $659 million in Fiscal 2022, $1.8 billion in Fiscal 2023 and $568 million on average in the outyears. The Finance Division's current projections reflect increased expectations from the higher-than-expected collections that are materializing. However, this rosier forecast does not keep pace with inflation. In effect this means, that even with a stronger forecast, the Finance Division expects the purchasing power of the City's tax revenues to remain below Fiscal 2021's level throughout the financial plan; a worrisome development.

Adapting to Inflation



Source: *New York City Council Finance Division, July-September and May 2022, and NYC Office of Management and Budget, Fiscal 2023 Executive Financial Plan*

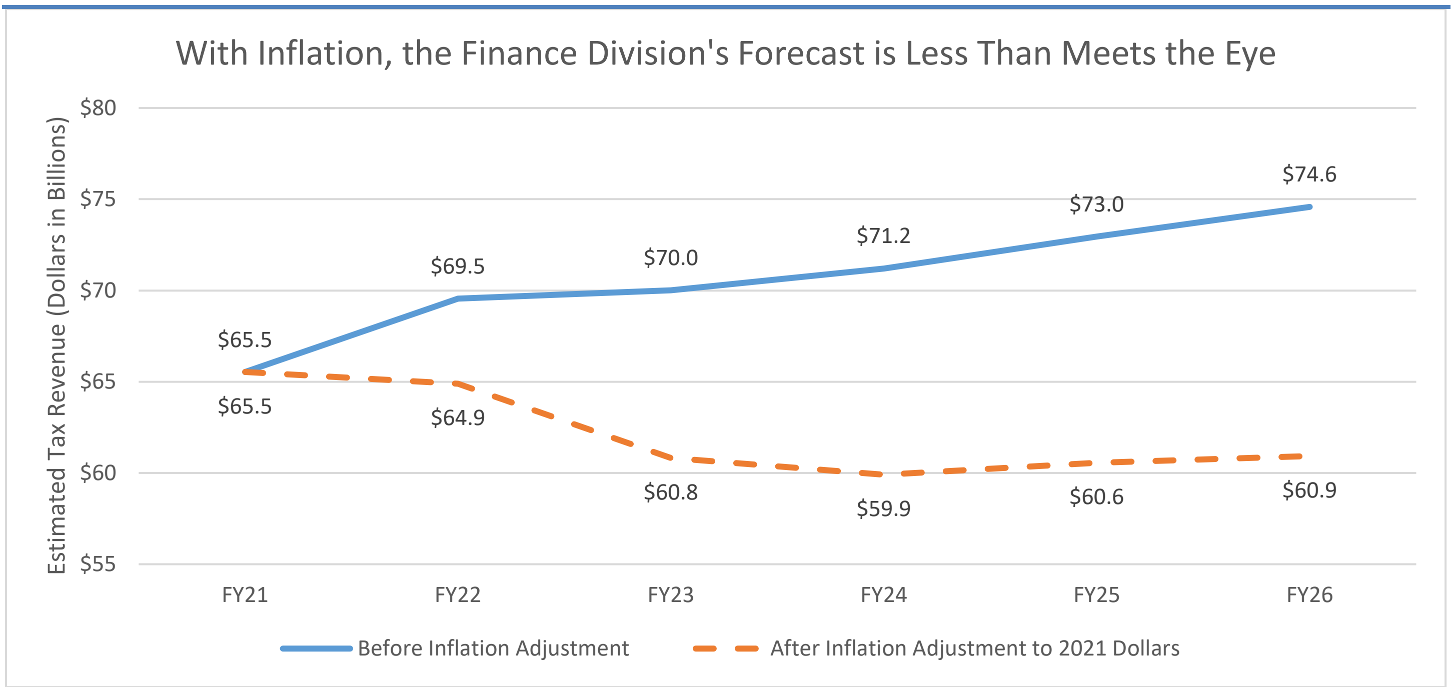
The Finance Division has significantly upwardly-revised its tax revenue forecast for Fiscal 2022 since the Executive Budget from 5.1 percent growth to 6.1 percent, increasing annual collections by $4.0 billion over the previous year. The revision is driven by much stronger-than-expected collections in Fiscal 2022. Main contributors to growth in Fiscal 2022 include the Personal Income Tax (PIT), Sales Tax, the two Real Estate Transaction taxes, the two business taxes and the Hotel Tax. Partially offsetting the increase in revenues are reduced collections from the Real Property Tax.

In Fiscal 2023, the Finance Division expects only 0.7 percent growth ($460 million) compared to Fiscal 2022. The slowdown in tax revenue collections in Fiscal 2023 is driven by lower PIT and Business taxes collections.

The Finance Division expects tax revenues to continue to grow, but more moderately, averaging 2.2 percent in Fiscal 2024, 2025, and 2026. Inflation is expected to subside by then, but higher interest rates will have constrained stronger growth.

Even though the Finance Division forecasts mild growth through Fiscal 2026, tax revenue collections do not keep up with inflation. In Fiscal 2021 the City ended the year with $65.5 billion in tax revenue. By the Finance Division’s forecast Fiscal 2024 collections would be $71.2 billion, an increase of $5.7 billion over Fiscal 2021. However, adjusting for inflation, that $71.2 billion of tax revenue in Fiscal 2024 would buy the same amount that $59.9 billion would have bought in Fiscal 2021. As a result, purchasing power is actually down by $5.6 billion over this period. Inflation is eating up the purchasing power of the City’s tax revenues. Corrected for inflation, taxes don’t return to the Fiscal 2021 level in the forecast period.

Adapting to Inflation



Tax Revenue Changes When Adjusting for Inflation	FY22	FY23	FY24	FY25	FY26
Before Adjustment	6.1%	0.7%	1.7%	2.5%	2.2%
After Adjustment	-1.0%	-6.3%	-1.5%	1.1%	0.6%

Source: *New York City Council Finance Division, July-September 2022, HIS Markit's forecast of Consumer Price Index, August 2022 (pessimistic scenario)*

Provided below is a more detailed description of how the Finance Division projects individual taxes to perform, and the underlying economic and behavioral causations. This will elaborate on why the Finance Division forecasts a higher level of revenues than its Executive Budget forecast and OMB's forecast at Adoption.

New York City Council Finance Division - Tax Revenue Growth Rates

	FY21	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Real Property	5.6%	(5.5%)	7.1%	3.7%	3.1%	2.2%
Personal Income and PTET	11.4%	10.1%	(8.3%)	(1.1%)	1.9%	2.0%
Business Corporate	11.3%	12.8%	(16.3%)	(1.4%)	(0.0%)	0.2%
Unincorporated	7.1%	22.1%	(8.3%)	0.2%	2.6%	2.8%
Sales	(11.1%)	30.2%	4.3%	2.8%	3.1%	4.0%
Commercial Rent	0.6%	(1.3%)	5.6%	0.4%	1.8%	5.1%
Real Property Transfer	(7.9%)	79.1%	4.7%	2.1%	1.2%	1.8%
Mortgage Recording	(8.0%)	49.2%	7.3%	0.6%	0.1%	0.3%
Utility	0.0%	10.8%	(8.9%)	0.4%	2.2%	1.0%
Hotels	(81.9%)	302.3%	62.6%	10.9%	9.0%	4.3%
All Others	(13.0%)	(10.0%)	11.4%	(9.5%)	(0.3%)	(0.2%)
Audits	11.1%	(21.0%)	(11.1%)	0.0%	0.0%	5.0%
Total Taxes	**3.9%**	**6.1%**	**0.7%**	**1.7%**	**2.5%**	**2.2%**

Source: *New York City Council Finance Division, September 2022, Fiscal 2023*

New York City Council Finance Division - Tax Revenue Difference From OMB					
Dollars in Millions	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Real Property	$100	$417	$986	$1,867	$2,598
Personal Income and PTET	79	(41)	234	(99)	(201)
Business Corporate	262	202	381	231	(41)
Unincorporated	169	148	49	24	(5)
Sales	185	303	183	18	(133)
Commercial Rent	(2)	44	47	60	105
Real Property Transfer	71	565	472	390	374
Mortgage Recording	67	474	429	358	331
Utility	3	(19)	(34)	(34)	(45)
Hotels	18	86	(6)	(10)	(1)
All Others	0	0	0	0	0
Audits	29	79	79	79	79
Total Taxes	**$980**	**$2,259**	**$2,820**	**$2,884**	**$3,063**

Source: *New York City Council Finance Division, September 2022, NYC Office of Management and Budget, Fiscal 2023*

Real Property Tax (RPT)

The Finance Division's RPT revenue forecast outlines a lackluster trajectory characterized by short-term optimism for the City's Fiscal 2023 budget, followed by decelerated growth through the end of the financial plan period.

The Finance Division expects Fiscal 2023 RPT revenue to grow 7.1 percent, a fairly secure assumption guaranteed by the fact that the City fixes property assessments at the start of each fiscal year. However, when viewed within the context of the 5.5 percent decline in RPT revenue in Fiscal 2022, the Fiscal 2023 growth in the forecast does little more than bring the property tax roll out of decline. Beyond Fiscal 2023, the decline in RPT revenues in Fiscal 2022 reverberates through the forecast period, causing unusually long-lasting weakness in the growth of the tax.

Nearly 80 percent of the City's property tax base originates from large Class 2 multifamily residential and Class 4 commercial properties. This is an important consideration in the outyears of the forecast since assessment growth on these properties continue to carry the burden of the pandemic's disruption on the property tax roll. The City assesses these properties by phasing in market value changes from the preceding five years. This means that the damaging market value declines in Class 2 (-8.2 percent) and Class 4 (-17.4 percent) properties registered in Fiscal 2022 linger to counteract growth potential for assessments of these properties across the financial plan period.

Compounding the aforementioned issues in Fiscal 2022, the City's commercial real estate market now enters a period characterized by abnormally high vacancies and growing popularity of hybrid employment. The forecast projects subdued market value growth for Class 4 commercial properties, with growth averaging 2.9 percent between Fiscal 2024-2026. Even Class 2 rental properties achieve only mild market value growth in the forecast, averaging 4.7 percent, as increasing interest rates begin to eat away at higher property incomes made possible by growing rents in future periods.

The stunted growth in assessments means that RPT revenue grows at an historically weak average rate of three percent in the outyears of the forecast. By comparison, between Fiscal 2000 and 2020, RPT revenue grew at 6.8 percent on average, with only four years recognizing revenue growth below four percent. Within context of

the Financial Plan, decelerating tax revenue growth in the City's largest tax would need to support an expanded need for new expenses to fund additional pension contributions, retiree health benefits, and emerging collective bargaining patterns.

Personal Income Tax

The City's Personal Income Tax (PIT) experienced a second consecutive year of double-digit growth, as collections soared by 10.6 percent in Fiscal 2022. The phenomenal PIT growth can mainly be attributed to a sharp rebound in withholdings, which grew 11.1 percent, following a 1.4 percent decline the prior fiscal year. The extension component of estimated payments also played a significant role, as it set a new record in April 2021.

For Fiscal 2023, PIT revenues are expected to suffer a massive decline, with collections dropping by 8.3 percent, year-over-year. Withholding will continue to grow, albeit at a slower pace, sustained by projected increases in total wages, even as the Fed's tightening of monetary policy causes Wall Street bonuses to decline.

Estimated payments, on the other hand, will fall by 15.9 percent before applying the PTET credit[22] in Fiscal 2023. Following two consecutive years of record setting payments, extensions payments will retreat to normal levels next April. The Fed's aggressive rate hikes will also pull-down capital gains realizations in 2023, resulting in lower installment payments in Fiscal 2023.

Collections will decline a further one percent in Fiscal 2024, reflecting significant declines in offsets and final returns coupled with a slight drop in estimated payments, caused by the lingering effect on the Fed's tightening of monetary policy. The projected drop in employment in the second half of 2023 and first half of 2024 will slowdown withholding growth and contribute to a decline in total PIT.

However, PIT collections are expected to bounce back in Fiscal 2025 and Fiscal 2026, growing at an average rate of 2.8 percent. Collections will benefit from employment in the City returning to pre-pandemic levels by the end of 2026, declining inflation, and a resurging stock market.

Business Taxes

Collections from the two business taxes – Business Corporation (BCT) and Unincorporated Business (UBT) – have far exceeded expectations in Fiscal 2022. With one month of accruals in collections left, year-to-date business tax collections are up 15.3 percent compared to the prior fiscal year. BCT collections were buoyed by robust corporate profits, driven by pandemic-related stimulus from the federal government and a vibrant stock market in the first half of the fiscal year. UBT collections, on the other hand, have been propelled by an overall stronger City economy with COVID restrictions on business activities removed.

Going forward, the Finance Division expects the two business taxes to experience sharp declines in collections in Fiscal 2023. BCT collections are expected to plummet by 16.3 percent that fiscal year, reflecting a weakened stock market and a projected contraction in corporate profits resulting from the Fed's aggressive rate hikes. UBT collections will fall by 8.3 percent in Fiscal 2023, as businesses are affected by an underperforming stock market and an overall weaker economy. The current Fiscal 2023 forecast represents a significant downwards adjustment compared to the 13.4 percent decline in BCT collection and the 0.8 percent decline in UBT collections the Finance Division forecasted in May.

[22] The PTET (Pass Through Entity Tax) credit allows owners of pass-through entity firms to deduct the local tax on their federal income taxes as a business expense, by transferring the tax liability from the City personal income tax to a business tax. New York State has its own counterpart for deducting state tax liability.

Business tax collections will pick up slightly in the outyears, as BCT revenues stay flat and UBT revenues grow at an average rate of 2 percent. Collections will be boosted by a recovering stock market, improved corporate profits and an overall stronger economy, resulting from a slowdown in inflation.

Sales Tax

Strong consumer spending, in addition to rising costs of goods and increasing levels of tourism, are the main reason why sales tax collections for Fiscal 2022 increased by 30.4 percent over the year before.[23] Sales tax collections for July 2022 were 24.3 percent higher than the same month last year, showing no sign of consumer spending slowing down. A high percentage of Sales Tax comes from industries such as restaurants, hotels, arts, entertainment and recreation. Combined consumer spending in these industries has surpassed pre-pandemic levels. In Fiscal 2023, the Finance Division projects that the soaring rebound in collections will decelerate to a still healthy 4.3 percent. For Fiscal 2024 through 2026, collections will increase at an average annual rate of 3.3 percent.

Hotel Tax

The emergence of the Omicron variant caused a temporary disruption in the recovery of the hotel industry from December 2021 to February 2022. However, the hotel industry seems to be recovering faster than initially anticipated. Hotel tax collection for Fiscal 2022 increased 303.8 percent compared to the previous fiscal year.[24] The Finance Division projects that collections for Fiscal 2023 will be 62.6 percent higher than the year before. For Fiscal 2024 through 2026, collections will increase at an average annual rate of 13.9 percent. The Finance Division estimates the hotel room occupancy tax will reach pre-pandemic levels by Fiscal 2025.

Real Estate Transaction Taxes

With the remaining reserve of the City's pandemic-deferred real estate demand expected to materialize in the current fiscal year, the Finance Division expects collections from the Transaction Taxes to grow 5.8 percent in Fiscal 2023. Beyond Fiscal 2023, however, several factors obstruct the lane for continued gains in collections of these two taxes at such a magnitude. The Federal Reserve's ongoing schedule for rate hikes signals a gradual impact on mortgage and property values and a drawback on refinancing activity over the forecast period, all while pandemic-deferred real estate demand continues to dissipate quickly throughout the City. For these

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[23] The 2019-2020 New York State Enacted Budget legislation appropriates a portion of sales tax revenue generated from legislation that requires remote sellers making $500,000 in sales or 100 transactions (as New York State aligns the SCOUTS Wayfair v. South Dakota decision), as well as online marketplaces such as Amazon (Part G of the 2019-2020 New York State Enacted Budget), to collect and remit sales tax on sales to NYS residents for the purpose of the MTA, retroactive June 21, 2018. The amounts to be intercepted by the State are $127.5 million in SFY20, $170 million in SFY21 and increase 1 percent annually from SFY22 onward, and is taken in monthly installments.

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 $200 million 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 $200 million 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 was recently revised in the 2022-23 NYS Enacted Budget, in the Health and Mental Hygiene Bill (Chapter 57– 2022, Part RR), which extends the withholdings an additional three years, with quarterly installments amounting to $150 million annually.

[24] From June 1, 2021 to August 31, 2021 New York City offered a tax holiday eliminating the 5.875 percent hotel room occupancy tax rate in order to boost tourism. The estimated cost of this tax holiday to the City was $60 million.

reasons, the Finance Division's forecast projects collections to grow by 1.2 percent on average from Fiscal 2024 through the end of the forecast period.

Commercial Rent Tax

Although COVID-19 forced many changes in workplace policy, one important aspect of the City's commercial real estate market slow to adapt was the long-term nature of commercial leases, providing a critical buffer to the Commercial Rent Tax (CRT) base. Correspondingly, the Finance Division anticipates CRT collections to continue an upward trajectory over the forecast period, growing at an average of 3.2 percent through Fiscal 2026.

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, commercial vacancies, and asking rents.

Risks to the Forecast

This is a time of extreme uncertainty which makes forecasting the economy and tax revenue more than usually difficult. COVID-19 remains the primary risk to our current forecast. The conflict between Russia and Ukraine has further intensified inflationary pressures and economic instability and is also a top risk. This raises two questions for our economic forecast. The first is will the Fed engineer a soft landing or how much will it depart from it? The second is what will the new normal look like, and will the pandemic or the conflict in Europe result in long-term damage to the economy. In addition, there are major risks that are not related the future behavior of the virus or geopolitical tensions.

- Global economic growth is projected to slow down. Fitch Ratings has cut growth forecasts sharply and widely since the June Global Economic Outlook (GEO). Global growth is now expected to be 2.4 percent in 2022 – revised down from 2.9 percent – and 1.7 percent in 2023 – revised down from 2.7 percent.[25]
- Persistent high inflation would spur the Federal Reserve to increase the increments and duration of federal funds rate hikes. This would weaken economic growth more than expected.
- The extent to which supply shortages are constraining current growth, and how quickly those shortages will resolve. One result of supply shortages is the sharp drawdown of inventories that has pushed the aggregate inventory/sales ratio to record low levels.
- Financial market volatility and a falling stock market could hurt wealth creation, which would slow down consumer spending. It would also make it more difficult for businesses to raise capital, which would harm investment spending.
- Congress will have to increase the debt ceiling. The Bipartisan Policy Center projected the U.S. Treasury will most likely have insufficient cash to meet all its financial obligations sometime around the third quarter of 2023. An extreme politicization of the budget could risk default and its adverse economic consequences.

Budget Reserves

The City's revenues historically vary with the ups and downs of the economy. Therefore, as the domestic economy continues facing uncertainty and inflationary pressure it is important for the city to maintain and make

[25] Fitch Rating Forecast Outlook; September 2022: https://www.fitchratings.com/research/sovereigns/global-economic-outlook-september-2022-14-09-2022

good use of high levels of reserves, as the economic outlook is being reduced. In the Adopted Financial Plan, end of year reserves for Fiscal 2022 total $11 billion compared to $10.3 billion from Executive Plan, an increase from the $10.4 billion on hand at the end of Fiscal 2021. In Fiscal 2023, reserves levels currently stand at $6.6 billion. However, it is normal practice for reserves to start low at the beginning of a fiscal year, and then be replenished from Preliminary to Adopted Plan. For example, while the City ended Fiscal 2022 with $11 billion in reserves, it only had $5.7 billion at this same point last year. Considering that the City currently has $900 million more in reserves than it did at this point last year, there is a good chance, albeit not a full guarantee, that the City will end the year with the same or higher level of reserves.

Reserve Components ($ in billions)	**Year-End-Reserves Fiscal 2021**	**Year-End-Reserves Fiscal 2022**	**Fiscal 2023 at Adopt Plan**
Roll/ Budget Stabilization Account	$6.1	$6.1	$-
RHBT	3.8	3.4	3.4
General Reserve	-	0.20	1.5
Rainy Day Fund	0.50	1.4	1.4
Capital Stabilization Reserve	-	-	0.25
Total Reserves	**$10.4**	**$11.0**	**$6.6**

The chart above, which breaks out the various reserve components, provides a map of how the City manages to replenish its reserve level in the Adopted Financial Plan. The plan currently shows an increase in the amount of funds in the Rainy Day Fund (RDF). However, as the year progresses, additional resources will be freed up from the City's practice of conservative budgeting.

In prior years, resources were added to either the BSA or RHBT. However, in early 2020, the City established the Rainy Day Fund, the City's first dedicated multi-year budgetary reserve vehicle. As a result, this year the City has three options of where to deposit the additional resources that will be freed up as the year comes to a close. In fact, the City added $900 million to the Rainy Day Fund as part of the Adopted Plan, an increase of $200 million compared to the Preliminary Plan, which bodes well for reserves as the economy continues to face challenges including inflationary pressure.

Appendix

New York City Council Finance Division - Tax Revenue Levels					
Dollars in Millions	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Real Property	$29,597	$31,695	$32,857	$33,873	$34,616
Personal Income and PTET	16,631	15,243	15,078	15,363	15,668
Business Corporate	5,662	4,739	4,675	4,675	4,683
Unincorporated	2,537	2,326	2,330	2,390	2,458
Sales	8,534	8,904	9,154	9,441	9,821
Commercial Rent	858	906	910	926	973
Real Property Transfer	1,872	1,960	2,001	2,026	2,062
Mortgage Recording	1,337	1,435	1,444	1,445	1,449
Utility	395	360	361	369	373
Hotels	341	554	614	669	698
All Others	975	1,085	982	979	977
Audits	900	800	800	800	800
City Tax Programs - Property Tax Rebate	(90)				
Total Taxes	**$69,548**	**$70,008**	**$71,206**	**$72,956**	**$74,580**

Source: *New York City Council Finance Division, September 2022, Fiscal 2023*

OMB Fiscal 2023 Financial Plan at Adoption- Tax Revenue Levels					
Dollars in Millions	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
Real Property	$29,497	$31,278	$31,871	$32,006	$32,018
Real Property Transfer	$3,931	$3,218	$3,407	$3,589	$3,674
Personal Income and PTET	$16,552	$15,284	$14,844	$15,462	$15,869
Business Taxes	$7,768	$6,715	$6,575	$6,810	$7,187
Sales	$8,349	$8,601	$8,971	$9,423	$9,954
Other Taxes	$1,690	$1,932	$1,997	$2,061	$2,094
Audits	$871	$721	$721	$721	$721
City Tax Programs - Property Tax Rebate	($90)				
Total Taxes	**$68,567**	**$67,749**	**$68,387**	**$70,073**	**$71,517**

Source: *OMB Adopted 2023 Financial Plan*