NEW YORK CITY COMPTROLLER
SCOTT M. STRINGER

Bureau of Budget

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Comments on New York City's Fiscal Year 2022 Adopted Budget

1 Centre Street, New York, NY 10007 • (212) 669-3500 • www.comptroller.nyc.gov • @NYCComptroller

SCOTT M. STRINGER
Comptroller

Deputy Comptroller for Budget
Preston Niblack

Bureau Chief
Eng-Kai Tan

Project Coordinator
Manny Kwan

Director, Economic Research
Andrew McWilliam

Director, Budget Research
Tammy Gamerman

Director, Revenues
Steven Giachetti

Director, Cash Analysis
Irina Livshits

Staff

Kettly Bastien
Rosa Charles
Stephen Corson
Selcuk Eren
Peter E. Flynn
Michele Griffin

Michael Hecht
Dahong Huang
Marcia Murphy
Andrew Rosenthal
Orlando Vasquez

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I. Executive Summary

In the year since the June 2020 plan was released in the midst of the pandemic, both the national and local economic outlooks have improved dramatically. The economy grew at an annualized rate of 6.5 percent in the second quarter of 2021, as more restrictions were lifted with the ebbing of COVID cases, allowing for greater reopening of businesses which in turn led to more Americans returning to work. U.S. employment increased to a seasonally adjusted 145.7 million in June 2021, an increase of 850,000 from May, and up 15.6 million from a pandemic low of 130.1 million in April 2020. Employment, however, remains 6.8 million below the pre-pandemic peak of 152.5 million in February 2020.

Both employment and GDP growth were boosted by over $6 trillion in Federal COVID relief that included supplemental unemployment insurance, and aid to restaurants, performance venues, other industries, and to state and local governments. While both the economy and local governments benefited from Federal stimulus, the unprecedented amounts of Federal aid brings some risk of overheating the economy. June 2021 consumer prices rose 5.4 percent from a year ago, reflecting last year's temporary swoon in energy prices, which rose 24.5 percent over the year, but also reflecting a rapid rebound in consumer demand for goods and services.

Locally, the New York City economy continues to rebound from one of the most dramatic crises in City history. Seasonally adjusted private employment rose to 3.6 million in June 2021, up 33,000 from May, and up 426,000 from pandemic lows of April 2020. June employment gains were led by an increase of 16,000 leisure and hospitality jobs, as New York City residents and visitors continue to return to city hotels, restaurants, and cultural attractions.

While the economy has improved, vaccine hesitancy, combined with the rapid spread of the Delta variant of the COVID virus in many parts of the country pose a near-term risk to the ongoing recovery. A COVID resurgence has the potential to once again compel local governments to impose restrictions on local businesses and everyday activities, jeopardizing the economic resurgence, particularly in industries such as travel, tourism and entertainment that require large numbers of people in close proximity.

The $98.72 billion FY 2022 Adopted Budget reflects the recovery in the local economy and the improving fiscal outlook of the City from both the economic outlook and from budget relief provided by Federal stimulus funding. The Budget closes a $4.18 billion gap projected in June 2020, due to a FY 2021 prepayment of $6.11 billion of FY 2022 expenditures. In addition to closing the gap, the prepayment allowed the City to support a $1.42 billion downward revision in City-funds revenues and a first-time Rainy Day Fund deposit of $500 million. The drop in tax revenues is driven by a much steeper and quicker decline in property values from the pandemic than anticipated, resulting in a downward revision of $2.57 billion to the FY 2022 property tax revenue forecast. Upward revisions to non-property tax revenues offset some of the decline in property tax revenues.

Total-funds revenues are $5.07 billion above the June 2020 estimate, stemming primarily from grants from the American Rescue Plan Act (ARPA) and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA). ARPA and CRRSA grants account for $6.29 billion of the $13.70 billion Federal categorical grants in FY 2022. Overall, the City expects to receive $13.16 billion in ARPA and CRRSA grants across FY 2021 – FY 2025, with almost two-thirds expected in FY 2021 and FY 2022.

While the FY 2022 budget is balanced, the June 2021 Financial Plan projects budget gaps of $4.05 billion in FY 2023, $3.84 billion in FY 2024, and $4.07 billion in FY 2025. Over this period, revenues are projected to grow by 2.3 percent from $98.72 billion in FY 2022 to $100.96 billion in FY 2025 while expenditures are projected to grow by 6.4 percent to $105.03 billion. However, FY 2022 expenditures are reduced by the FY 2021 prepayments of FY 2022 expenses. Adjusted for prepayments, expenditures before reserves are projected to remain relatively flat, with a marginal growth of 0.2 percent over the Plan period. The low growth can be attributed to the assumption of unspecified labor savings of $1 billion annually beginning in FY 2023, and the winding down of COVID-related spending. Net of the unspecified labor savings and COVID-related spending, expenditures before reserves in the Plan are projected to grow by 5.2 percent between FY 2022 and FY 2025.

The Comptroller's Office's analysis of the FY 2022 Adopted Budget and Financial Plan shows net additional resources of $1.13 billion in FY 2022, $166 million in FY 2024 and $763 million in FY 2025, and a net risk of $427 million in FY 2023. The net additional resources are due to the Comptroller's Office's tax revenue forecast which is higher than the Plan forecast in each year of the Plan period. In FY 2022 through FY 2024, risks to spending assumptions identified by the Comptroller's Office offset some of the higher revenue forecast, with expenditure risks exceeding the gain from the higher forecast in FY 2023. However, the Comptroller's Office estimates that expenditures could be less than the Plan estimate in FY 2025, adding to the gain from higher tax revenue forecast. As a result, the Comptroller's Office projects a budget surplus of $1.13 billion in FY 2022 and smaller budget gaps of $3.67 billion in FY 2024 and $3.31 billion in FY 2025 and a larger gap of $4.48 billion in FY 2023.

Table 1. FY 2022 – FY 2025 Financial Plan

($ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	Change FYs 2022–2025 Dollar	Change FYs 2022–2025 Percent
Revenues						
Taxes:						
General Property Tax	$29,432	$30,192	$30,619	$31,027	$1,595	5.4%
Other Taxes	32,003	34,524	36,224	37,687	5,684	17.8%
Tax Audit Revenues	921	721	721	721	(200)	(21.7%)
Subtotal: Taxes	**$62,356**	**$65,437**	**$67,564**	**$69,435**	**$7,079**	**11.4%**
Miscellaneous Revenues	6,873	6,472	6,461	6,474	(399)	(5.8%)
Less: Intra-City Revenues	(1,891)	(1,440)	(1,439)	(1,434)	457	(24.2%)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	0	0.0%
Subtotal: City-Funds	**$67,323**	**$70,454**	**$72,571**	**$74,460**	**$7,137**	**10.6%**
Other Categorical Grants	1,025	993	991	990	(35)	(3.4%)
Inter-Fund Revenues	725	725	725	725	0	0.0%
Federal Categorical Grants	13,697	9,244	8,603	7,908	(5,789)	(42.3%)
State Categorical Grants	15,953	16,308	16,626	16,877	924	5.8%
Total Revenues	**$98,723**	**$97,724**	**$99,516**	**$100,960**	**$2,237**	**2.3%**
Expenditures						
Personal Service						
Salaries and Wages	$31,423	$30,811	$30,946	$31,228	($195)	(0.6%)
Pensions	10,037	10,469	10,660	10,597	560	5.6%
Fringe Benefits	12,377	11,839	12,933	13,890	1,513	12.2%
Subtotal-PS	**$53,837**	**$53,119**	**$54,539**	**$55,715**	**$1,878**	**3.5%**
Other Than Personal Service						
Medical Assistance	$6,546	$6,494	$6,494	$6,494	($52)	(0.8%)
Public Assistance	1,651	1,650	1,650	1,650	(1)	(0.1%)
All Other	36,858	32,311	32,070	32,001	(4,857)	(13.2%)
Subtotal-OTPS	**$45,055**	**$40,455**	**$40,214**	**$40,145**	**($4,910)**	**(10.9%)**
Debt Service						
Principal	$3,503	$3,838	$4,301	$4,080	$577	16.5%
Interest & Offsets	3,526	4,553	4,488	5,273	$1,747	49.5%
Subtotal Debt Service	**$7,029**	**$8,391**	**$8,789**	**$9,353**	**$2,324**	**33.1%**
FY 2021 BSA and Discretionary Transfers	($6,107)	$0	$0	$0	$6,107	(100.0%)
Capital Stabilization Reserve	$0	$250	$250	$250	$250	NA
General Reserve	$300	$1,000	$1,000	$1,000	$700	233.3%
Deposit to the Rainy Day Fund	$500	$0	$0	$0	($500)	(100.0%)
Less: Intra-City Expenses	($1,891)	($1,440)	($1,439)	($1,434)	$457	(24.2%)
Total Expenditures	**$98,723**	**$101,775**	**$103,353**	**$105,029**	**$6,306**	**6.4%**
Gap To Be Closed	**$0**	**($4,051)**	**($3,837)**	**($4,069)**	**($4,069)**	**NA**

NOTE: Totals may not add due to rounding.

Table 2. Plan-to-Plan Changes
June 2021 Plan vs. April 2021 Plan

($ in millions)	FY 2022	FY 2023	FY 2024	FY 2025
Revenues				
Taxes:				
General Property Tax	$0	$0	$0	$0
Other Taxes	0	0	0	0
Tax Audit Revenues	0	0	0	0
Subtotal: Taxes	**$0**	**$0**	**$0**	**$0**
Miscellaneous Revenues	0	(415)	(417)	(417)
Less: Intra-City Revenues	0	418	419	419
Disallowances Against Categorical Grants	0	0	0	0
Subtotal: City-Funds	**$0**	**$3**	**$2**	**$2**
Other Categorical Grants	0	0	0	0
Inter-Fund Revenues	0	0	0	0
Federal Categorical Grants	131	87	5	4
State Categorical Grants	32	3	2	3
Total Revenues	**$163**	**$93**	**$9**	**$9**
Expenditures				
Personal Service				
Salaries and Wages	$337	$71	$71	$70
Pensions	(226)	1	0	0
Fringe Benefits	(5)	(7)	(7)	(7)
Subtotal-PS	**$106**	**$65**	**$64**	**$63**
Other Than Personal Service				
Medical Assistance	$128	$0	$0	$0
Public Assistance	0	0	0	0
All Other	1,967	(244)	(338)	(341)
Subtotal-OTPS	**$2,095**	**($244)**	**($338)**	**($341)**
Debt Service				
Principal	($215)	($105)	$248	$39
Interest & Offsets	156	105	(247)	(38)
Subtotal Debt Service	**($59)**	**$0**	**$1**	**$1**
FY 2021 BSA and Discretionary Transfers	($2,479)	$0	$0	$0
Capital Stabilization Reserve	$0	$0	$0	$0
General Reserve	$0	$0	$0	$0
Deposit to the Rainy Day Fund	$500	$0	$0	$0
Less: Intra-City Expenses	$0	$418	$419	$419
Total Expenditures	**$163**	**$239**	**$146**	**$142**
Gap To Be Closed	**$0**	**($146)**	**($137)**	**($133)**

NOTE: Totals may not add due to rounding.

Table 3. Plan-to-Plan Changes
June 2021 Plan vs. January 2021 Plan

($ in millions)	FY 2022	FY 2023	FY 2024	FY 2025
Revenues				
Taxes:				
General Property Tax	($90)	$0	$0	$0
Other Taxes	254	633	820	857
Tax Audit Revenues	0	0	0	0
Subtotal: Taxes	**$164**	**$633**	**$820**	**$857**
Miscellaneous Revenues	83	(305)	(316)	(301)
Less: Intra-City Revenues	(80)	367	367	372
Disallowances Against Categorical Grants	0	0	0	0
Subtotal: City-Funds	**$167**	**$695**	**$871**	**$928**
Other Categorical Grants	5	5	5	5
Inter-Fund Revenues	19	69	69	69
Federal Categorical Grants	6,621	2,298	1,674	984
State Categorical Grants	(374)	(457)	(188)	63
Total Revenues	**$6,438**	**$2,610**	**$2,431**	**$2,049**
Expenditures				
Personal Service				
Salaries and Wages	$1,739	$794	$658	$477
Pensions	(226)	1	0	0
Fringe Benefits	798	(403)	(112)	71
Retiree Health Benefits Trust	0	0	0	0
Subtotal-PS	**$2,311**	**$392**	**$546**	**$548**
Other Than Personal Service				
Medical Assistance	$631	$579	$579	$579
Public Assistance	0	0	0	0
All Other	5,954	1,104	616	367
Subtotal-OTPS	**$6,585**	**$1,683**	**$1,195**	**$946**
Debt Service				
Principal	($262)	($387)	$191	$1,682
Interest & Offsets	(67)	295	(223)	(1,708)
Subtotal Debt Service	**($329)**	**($92)**	**($33)**	**($26)**
FY 2021 BSA and Discretionary Transfers	($2,749)	$0	$0	$0
Capital Stabilization Reserve	$0	$0	$0	$0
General Reserve	$200	$0	$0	$0
Deposit to the Rainy Day Fund	$500	$0	$0	$0
Less: Intra-City Expenses	($80)	$367	$367	$372
Total Expenditures	**$6,438**	**$2,350**	**$2,075**	**$1,840**
Gap To Be Closed	**$0**	**$260**	**$356**	**$209**

NOTE: Totals may not add due to rounding.

Table 4. Plan-to-Plan Changes
June 2021 Plan vs. June 2020 Plan

($ in millions)	FY 2022	FY 2023	FY 2024
Revenues			
Taxes:			
General Property Tax	($2,569)	($2,671)	($2,607)
Other Taxes	977	1,445	2,229
Tax Audit Revenues	200	0	0
Subtotal: Taxes	**($1,392)**	**($1,226)**	**($378)**
Miscellaneous Revenues	29	(357)	(368)
Less: Intra-City Revenues	(54)	394	395
Disallowances Against Categorical Grants	0	0	0
Subtotal: City-Funds	**($1,417)**	**($1,189)**	**($351)**
Other Categorical Grants	36	5	5
Inter-Fund Revenues	50	50	50
Federal Categorical Grants	6,731	2,322	1,686
State Categorical Grants	(331)	(431)	(162)
Total Revenues	**$5,069**	**$757**	**$1,228**
Expenditures			
Personal Service			
Salaries and Wages	$1,451	$275	$131
Pensions	(445)	95	590
Fringe Benefits	921	(416)	(127)
Retiree Health Benefits Trust	0	0	0
Subtotal-PS	**$1,927**	**($46)**	**$594**
Other Than Personal Service			
Medical Assistance	$631	$579	$579
Public Assistance	0	0	0
All Other	5,919	1,158	671
Subtotal-OTPS	**$6,550**	**$1,737**	**$1,250**
Debt Service			
Principal	($465)	($240)	$234
Interest & Offsets	(512)	(80)	(590)
Subtotal Debt Service	**($977)**	**($320)**	**($356)**
FY 2021 BSA and Discretionary Transfers	($6,107)	$0	$0
Capital Stabilization Reserve	($250)	$0	$0
General Reserve	($700)	$0	$0
Less: Intra-City Expenses	($54)	$394	$395
Total Expenditures	**$889**	**$1,765**	**$1,883**
Gap To Be Closed	**$4,180**	**($1,008)**	**($655)**

NOTE: Totals may not add due to rounding.

Table 5. Risks and Offsets to the June 2021 Financial Plan

($ in millions, positive numbers decrease the gap and negative numbers increase the gap)

	FY 2022	FY 2023	FY 2024	FY 2025
City Stated Gap	**$0**	**($4,051)**	**($3,837)**	**($4,069)**
Revenues				
Property Tax	$236	$242	$245	$254
Personal Income Tax	529	(58)	94	133
Business Taxes	157	(64)	(176)	(166)
Sales Tax	291	164	142	81
Real Estate Transaction Taxes	162	(113)	(281)	(417)
All Other	8	(6)	(7)	(11)
Audit	79	279	279	279
Subtotal Tax Revenues	**$1,462**	**$444**	**$296**	**$153**
Expenditures				
Overtime	($130)	($130)	($130)	($130)
Fair Fares	(47)	(100)	(100)	(100)
Homeless Shelters	(147)	(147)	(147)	(147)
Rental Assistance	0	(202)	(202)	(202)
Labor Savings	0	(1,000)	(1,000)	(1,000)
Paratransit Funding	(81)	(111)	(130)	(150)
Prevailing Wage for Shelter Security Guards	0	(41)	(41)	(41)
Pension Contributions	0	760	1,520	2,280
VRDB Interest Savings	75	100	100	100
Subtotal Expenditures	**($330)**	**($871)**	**($130)**	**$610**
Total (Risks)/Offsets	**$1,132**	**($427)**	**$166**	**$763**
Restated (Gap)/Surplus	**$1,132**	**($4,478)**	**($3,671)**	**($3,306)**

II. The State of the City's Economy

New York City's economic recovery continues, with employment growing steadily and the housing market stabilizing – although employment remains well below pre-pandemic levels and the City's commercial property market continues to suffer. The pace of continuing economic recovery will be dictated by the extent to which office workers return to in-person work; the success with which City schools can return to full in-person learning, facilitating parents' return to work; the successful reopening of the full array of City cultural institutions; and the return of tourists and other visitors from around the country and the world. All of these depend on the continuing progress against the COVID pandemic, progress that is threatened by the highly contagious Delta variant and slowing progress in vaccination.

U.S. Economic Performance

The U.S. economy grew at an annualized rate of 6.5 percent in the second quarter of 2021, as the waning of the COVID pandemic allowed greater reopening and more Americans got back to work. U.S. employment increased to a seasonally adjusted 145.8 million in June 2021, an increase of 850,000 from May, and up 15.6 million from a pandemic low of 130.2 million in April 2020. Employment, however, remains 6.8 million below the pre-pandemic peak of 152.5 million in February 2020.

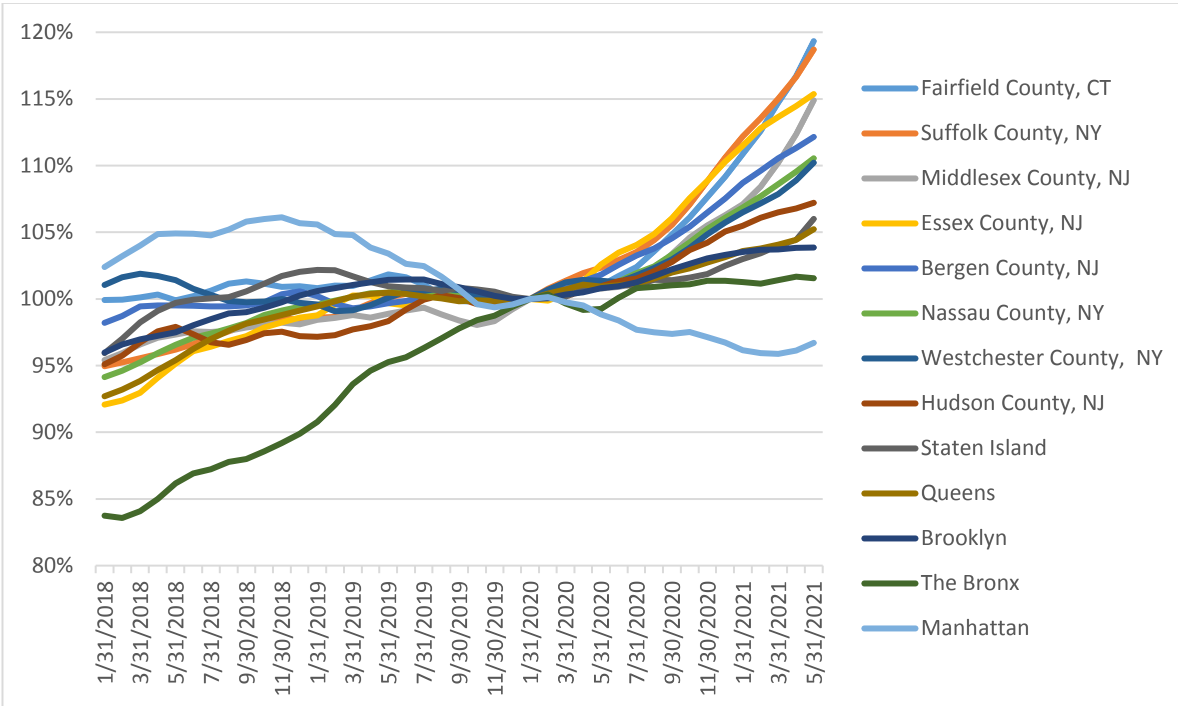
Both employment and GDP growth were accelerated by over $6 trillion in Federal COVID relief that included supplemental unemployment insurance, aid to restaurants, performance venues, other industries, and to state and local governments.

The unprecedented amounts of Federal aid brings some risk of overheating the economy. June 2021 consumer prices rose 5.4 percent from a year ago, reflecting last year's temporary swoon in energy prices, which rose 24.5 percent over the year, but also reflecting a rapid rebound in consumer demand for goods and services, which the economy has struggled to meet. Used car and truck prices, for example, are up 45.2 percent from a year ago.

There are also signs of tightness in labor markets, with demand for workers outpacing supply. The seasonally adjusted U.S. labor force participation rate fell from 63.3 percent in February 2020, to 60.2 percent in April 2020, and remains at 61.6 percent as of June 2021. Many workers, particularly those providing in person goods and services, reevaluated their willingness to expose themselves to COVID infection, struggled with childcare issues, and gained some financial flexibility from pandemic relief such as supplemental unemployment insurance. As of early July, U.S. job postings on Indeed.com had risen to 36 percent above pre-pandemic levels on a seasonally adjusted basis, and anecdotes of employers being unable to find workers are widespread.

The combination of rising demand and constrained supply has also led to rapidly rising home prices. Both the Case-Schiller and Zillow indices show U.S. home prices rising by about 17 percent over the last year. These increases have occurred disproportionally in rural and suburban areas of the country, likely driven by increased telecommuting, as shown in Chart 1 below.

Chart 1. Changes in New York City Area Home Prices -- Urban and Suburban Counties (January 2020 = 100)



SOURCE: Zillow.com

The rise in home prices has in part been fueled by continued low borrowing costs. Despite a very large Federal budget deficit, and some signs of rising inflation, interest rates remain low. Thirty-year mortgage rates, for example, while up from December lows, remain below 3 percent.

The greatest near-term risk to the nation's ongoing economic recovery is vaccine hesitancy, combined with the rapid spread of the Delta variant of COVID virus in many parts of the country, especially those where a smaller percentage of Americans has taken advantage of vaccination. Although a COVID resurgence is likely to affect some parts of the country more than others, it has the potential to cause local business closures and create more cautious consumers, which could jeopardize economic resurgence, particularly in industries such as travel, tourism and entertainment that require large numbers of people in close proximity.

New York City's Economic Performance in 2021

The New York City economy continues to rebound from one of the most dramatic crises in City history. Seasonally adjusted private employment rose to 3.6 million in June 2021, up 33,000 from May, and up 426,000 from pandemic lows of April 2020. June employment gains were led by an increase of 16,000 leisure and hospitality jobs, as New York City residents and visitors continue to return to city hotels, restaurants, and cultural attractions.

Table 6. June 2021 New York City Employment and Changes, by Industry (Seasonally Adjusted)

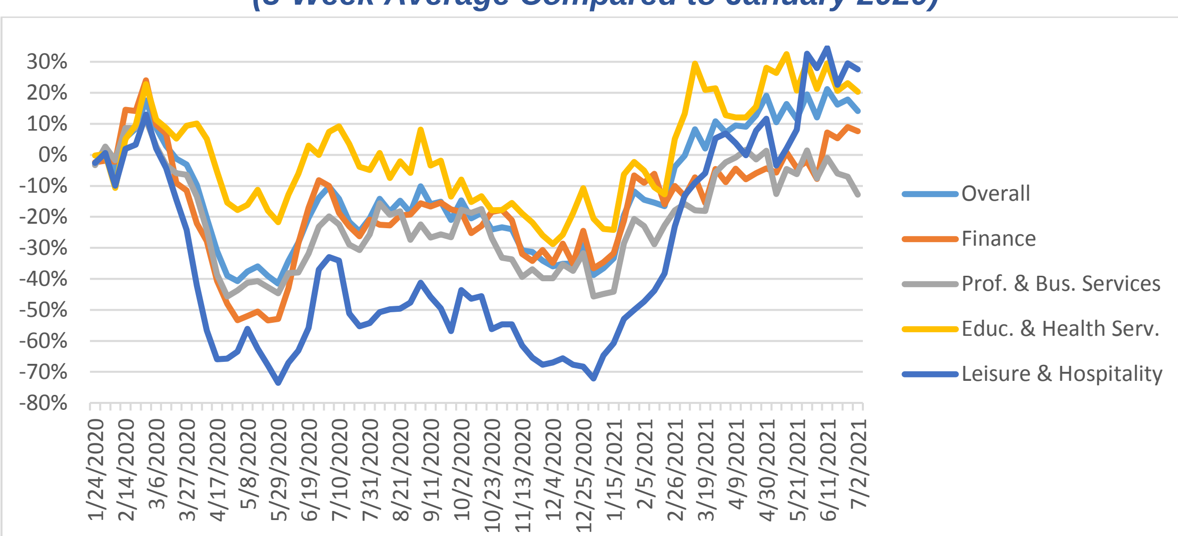
('000s)	Seasonally Adjusted NYC Employment				Jun. '21 Change from		
Industry:	**Feb. 20**	**Apr. 20**	**May 21**	**Jun 21**	**Feb. 20**	**Apr. 20**	**May 21**
Total Private	4,095	3,173	3,566	3,600	(496)	426	33
Financial Activities	487	469	463	462	(25)	(7)	(1)
Information	229	205	214	217	(12)	12	3
Prof. and Bus. Serv.	778	688	718	722	(56)	34	5
Educational Services	256	230	229	234	(22)	4	5
Health Care and Soc. Assist.	819	711	797	801	(18)	90	5
Leisure and Hospitality	469	160	260	276	(193)	116	16
Other Services	195	130	157	158	(38)	28	0
Retail Trade	345	231	291	294	(52)	63	3
Wholesale Trade	139	109	121	119	(20)	11	(1)
Trans. and Warehousing	135	99	111	110	(25)	11	0
Construction	162	88	140	139	(23)	52	0
Manufacturing	65	39	53	53	(12)	14	0

SOURCE: New York Department of Labor, Seasonally Adjusted by New York City OMB

Despite the ongoing recovery, private employment remains 495,000 below the pre-pandemic peak of 4.1 million in February 2020; 193,000 of those lost jobs are in the leisure and hospitality industry, which remains the sector of the economy furthest from a full recovery.

Nonetheless, demand for workers is strong, with overall job ads in New York City 14 percent above pre-pandemic levels, as of early July, with job ads in the leisure and hospitality sector 28 percent above pre-pandemic levels, and 8 percent higher in finance (Chart 2). As in other parts of the country, New Yorkers' willingness to work has likely been impacted by COVID risks from in-person work, childcare availability, and the financial flexibility afforded by supplemental unemployment insurance.

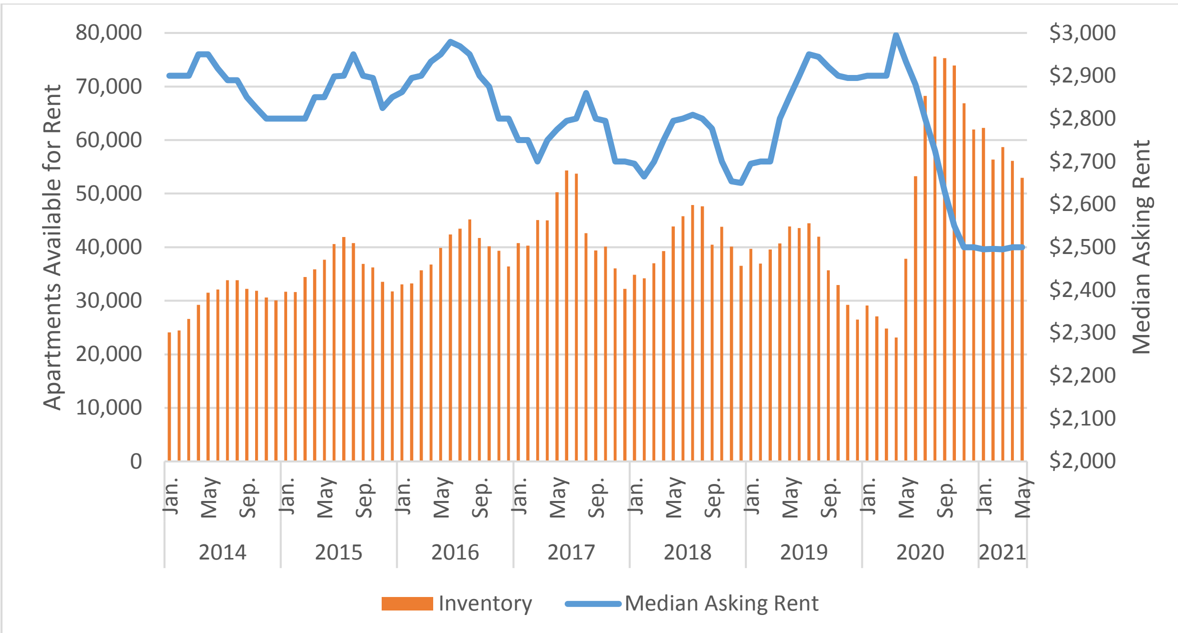
Chart 2. Burning Glass — New York City Job Ads by Sector (3-Week Average Compared to January 2020)



SOURCE: Burning Glass, via Tracktherecovery.org

Job losses notwithstanding, New York City home prices weathered the pandemic quite well, albeit with prices holding steady, rather than surging as in many other areas of the country (see Chart 1 above). In contrast, the New York City apartment rental market saw an initial surge of inventory, to over 75,000 units in August 2020, and steep declines in asking rents. However, as shown in Chart 3, since last August, inventories have fallen steadily and median asking rents have been steady since November, an indication that the market has bottomed out.

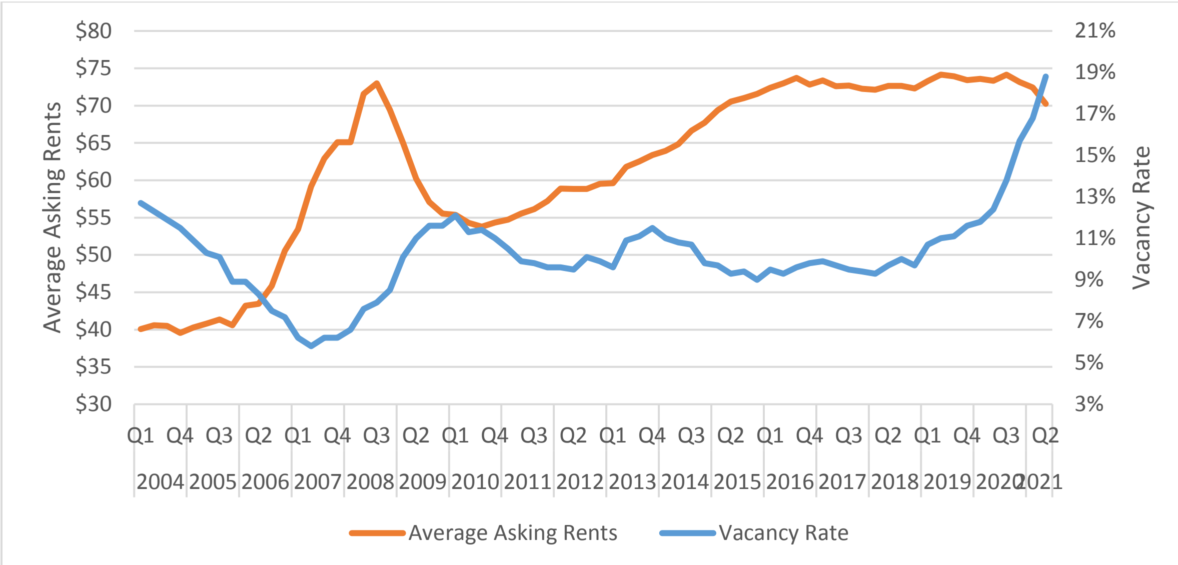
Chart 3. Available Apartment Rental Inventories and Median Asking Rents



SOURCE: Streeteasy.com

That is not the case for commercial property. Although the pandemic resulted in very limited loss of office jobs, the surge in remote work has dramatically reduced demand for office space. While the switch to telecommuting was originally driven by the need to contain the spread of COVID, remote working has remained common even as the pandemic has waned. Even as many larger New York City employers have committed to a full return to the office, data from Cushman Wakefield shows Manhattan office vacancies continue to grow, reaching over 18 percent in the second quarter of 2021, up from 11 percent in the first quarter of 2020. Asking rents have fallen for three straight quarters (Chart 4).

Chart 4. Manhattan Office Building Vacancy Rate and Average Asking Rents

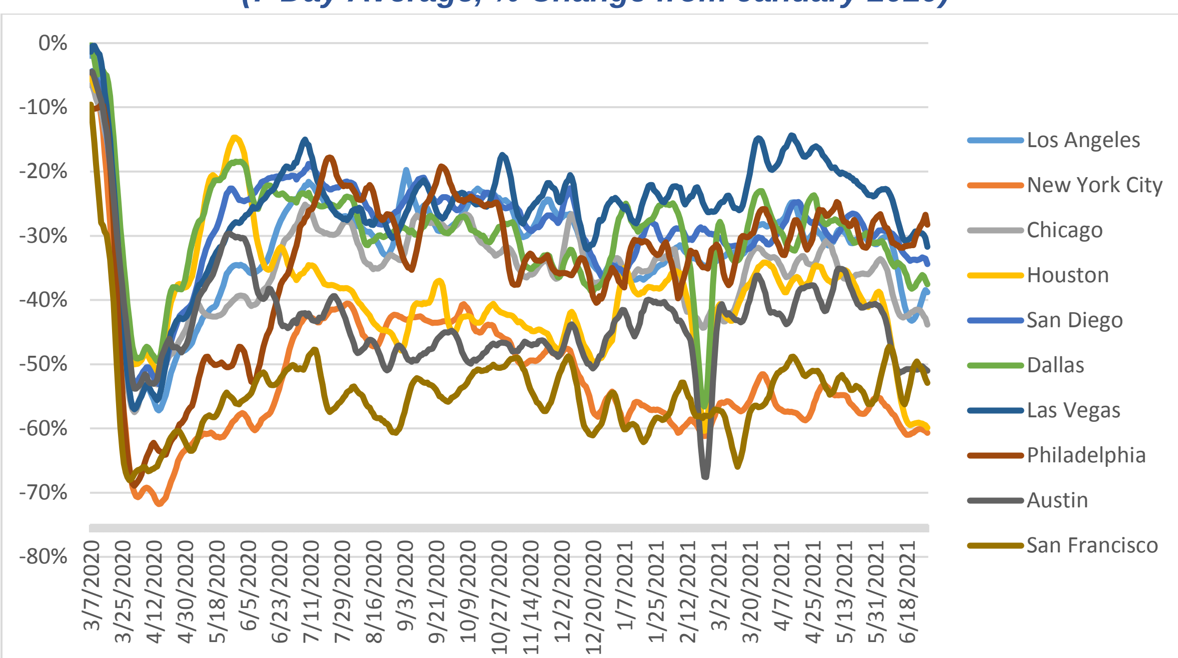


SOURCE: Cushman Wakefield

New York City's tourism industry faces similar struggles, as many cultural institutions have yet to fully reopen, and U.S. travel remains difficult for those from many other parts of the world. According to the American Hotel and Lodging Association, New York City hotel revenue per available hotel room remained depressed at $95 in May 2021, down from $249 in May 2019, a larger decline than in any other U.S. city.

With so many commuters and tourists staying home, the local businesses that serve them continue to struggle. As of the end of June, New York City small business revenue remains down 61 percent from pre-pandemic levels.

Chart 5. Small Business Revenue, by City
(7-Day Average, % Change from January 2020)



The Economic Outlook

In our forecast, New York City's economy is expected to continue growing as more workers return to the office, tourism continues to rebound, and a fall resumption of full in-person schooling, combined with the expiration of supplemental unemployment insurance benefits, encourages more New Yorkers to return to work. Nonetheless, a resurgence of the COVID Delta variant remains a threat, especially in areas of the City with lower vaccination rates, even though New York City COVID vaccination rates are high in comparison to most countries and most regions of the U.S. Even a resurgence limited to other countries, or other parts of this country, is likely to put a damper on tourism, and delay a full New York City economic recovery.

Table 7 provides summary projections for seven NYC and U.S. indicators from 2021 to 2025 comparing the Mayor's April forecast with the Comptroller's Office forecast.

Table 7. Selected Economic Indicators, Annual Averages Comptroller's and Mayor's Forecasts, 2021 – 2025

		2021	2022	2023	2024	2025
Selected US Economic Indicators (Annual Averages)						
Real GDP (2012 $, % Change)	Comptroller	5.4	3.0	3.4	3.1	2.1
	Mayor	5.7	4.1	2.5	2.5	2.4
Payroll Jobs (Change In Millions)	Comptroller	3.1	3.2	3.1	1.6	1.3
	Mayor	3.4	4.9	2.7	1.7	1.1
Fed Funds Rate (Percent)	Comptroller	0.1	0.1	0.5	1.3	2.2
	Mayor	0.1	0.1	0.1	0.3	0.5
10-Year Treasury Notes (Percent)	Comptroller	1.7	2.1	2.7	3.1	3.5
	Mayor	1.8	2.3	2.4	2.6	2.9
Selected NYC Economic Indicators (Annual Averages)						
Real GCP (2012 $, % Change)	Comptroller	2.4	2.7	2.9	1.8	0.9
	Mayor	5.1	6.4	3.8	2.5	2.2
Payroll Jobs (Change In Thousands)	Comptroller	122.1	320.8	100.9	104.5	108.2
	Mayor	151.3	292.5	147.5	64.3	72.2
Wage-Rate Growth (Percent)	Comptroller	0.1	1.0	2.1	1.4	2.2
	Mayor	1.9	2.5	3.1	2.8	2.6

SOURCE: Comptroller=forecast by the NYC Comptroller's Office. GCP=Gross City Product. Mayor= forecast by the NYC Office of Management and Budget in the April 2020 Financial Plan. NA=not available.

III. The FY 2022 Adopted Budget

Overview

On June 30th, the City adopted a $98.72 billion budget which reflects the recovery in the local economy and the improving fiscal outlook of the City from both the economic outlook and from budget relief provided by Federal stimulus funding. The FY 2022 Adopted Budget closes a $4.18 billion gap projected in June 2020, when New York City was still in the midst of the pandemic.

Overall, the Adopted Budget shows only a marginal increase of $163 million from the Executive Budget. Revisions to Federal categorical grants account for $132 million of the increase, of which $120 million is due to an increase in COVID assistance. In total, the June Plan assumes $19.85 billion in Federal COVID assistance across FY 2021 – FY 2025, $517 million more than estimated in the April Plan. About three-quarters, or $14.90 billion, of this total is expected in FY 2021 and FY 2022.

City-funds revenues in the Adopted Budget remain unchanged from the Executive Budget despite an increase of $2.07 billion from the April Plan in the FY 2021 tax revenue forecast. This increase along with a net reduction of $413 million in the FY 2021 expenditures result in an increase of $2.48 billion in the FY 2021 budget surplus.[1] The additional budget surplus increased the City's prepayments of FY 2022 expenses, allowing the City to fund additional spending of $2.48 billion in FY 2022, including a first-time $500 million Rainy Day Fund deposit, as shown in Table 8.

Table 8. Changes to FY 2022 City-Funds Expenditures from the Executive Budget

($ in millions)

Agency Expenses	$1,178
Rollovers from FY 2021	556
City Council Initiatives	516
Temporary Restoration of Hiring and Attrition Management	262
Rainy Day Fund Deposit	500
Pensions	(226)
Debt Service	(59)
Citywide Savings Program	(37)
Medicaid Reimbursement	(210)
Total	**$2,480**
FY 2021 Prepayments	**($2,480)**

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Spending and Funding in FY 2022

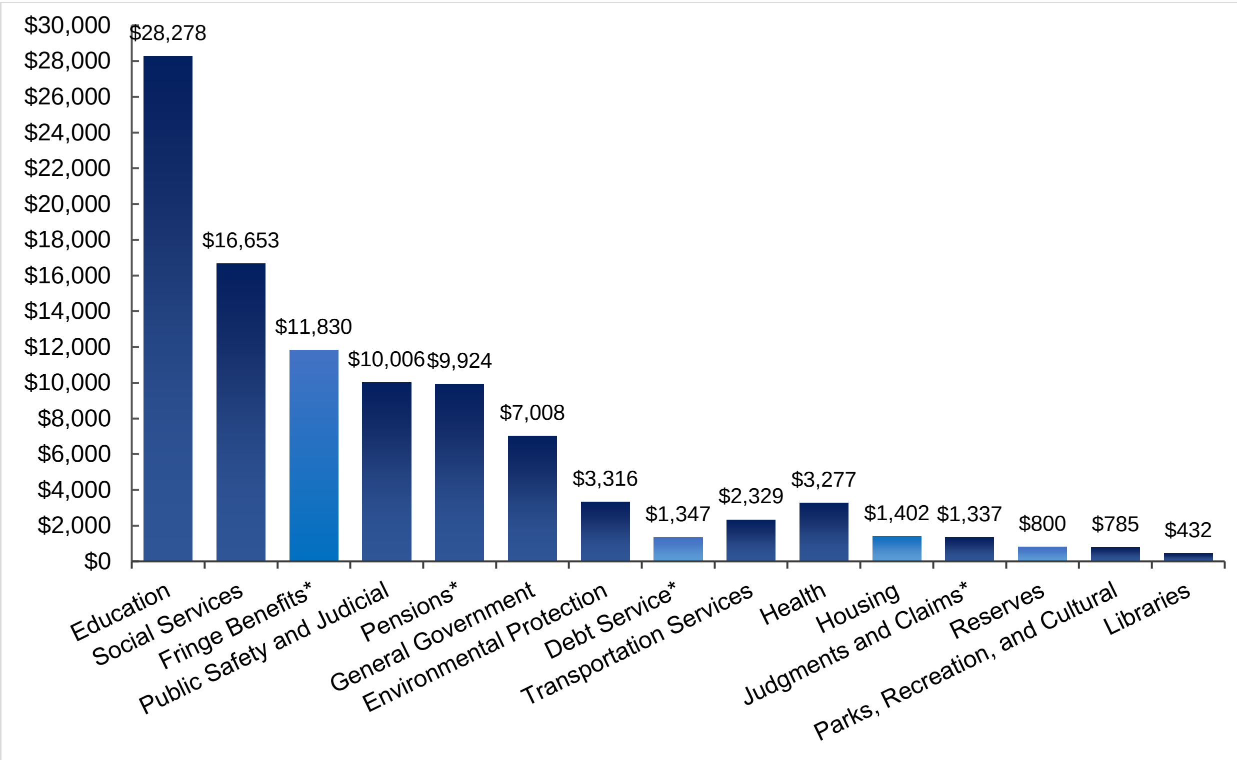
More than three-quarters of the FY 2022 budget is allocated for education, social services, fringe benefits, public safety and judicial, and pensions, which together consume $83.70 billion of the budget. Spending on general government, including the Mayor's Office, the Office of the Comptroller, the City Council, Department of Finance and Department of Citywide Administrative Services, accounts for about seven

[1] The FY 2021 budget surplus was used to fund the Budget Stabilization Account (BSA) and discretionary transfers. The additional budget surplus brought the FY 2021 BSA and discretionary transfers to $6.107 billion and which was subsequently used to prepay FY 2022 GO debt service of $3 billion, FY 2022 TFA-FTS debt service of $2.682 billion and FY 2022 Retiree Health Benefits of $425 million.

percent of the budget. The Adopted Budget includes for the first time a $500 million Rainy Day Fund deposit.[2] However, the General Reserve in the budget remains unchanged from the Executive Budget at $300 million, which together with the planned Rainy Day Fund deposit is less than the budgeted reserves of $1.25 billion in each of the outyears ($1 billion in the General Reserve and $250 million in the Capital Stabilization Reserve). Chart 6 shows the allocation of the FY 2022 budget by service areas and centrally budgeted expenditures such as fringe benefits, debt service and pension contributions.

Chart 6. FY 2022 Budget by Service Areas and Centrally Budgeted Expenditures

($ in millions)



* Centrally Budgeted Expenditures

More than two-thirds of the budget is supported by City-generated revenues of $67.32 billion. Tax revenues, which are projected to total $62.36 billion, account for the bulk of City-generated revenues, as shown in Chart 7. Real property and personal income tax (PIT) revenues account for almost 70 percent of total tax revenues, with property tax revenues making up 47 percent of total tax revenues and PIT revenues contributing another 22 percent. City generated non-tax revenues include revenues from licenses, permits and franchises; interest income; charges for services; water and sewer payments from the New York City Water Board; fines and forfeitures; and miscellaneous other non-tax revenues. Revenues from charges for services ($1.02 billion), fines and forfeitures ($1.07 billion), and New York City Water Board payments ($1.64 billion) account for about three quarters of City-generated non-tax revenues.[3]

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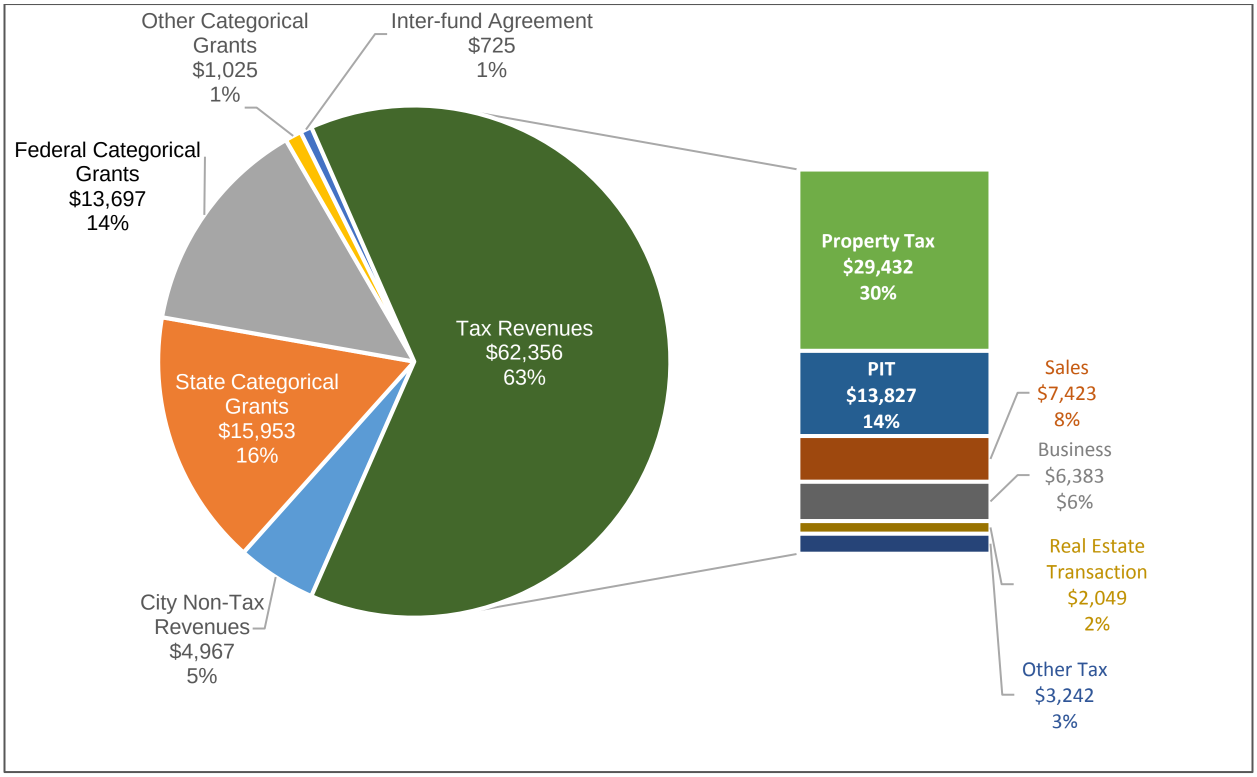
[2] The Rainy Day Fund deposit will be added to the committed fund balance in the City's balance sheet, which currently has a balance of $493 million.

[3] Payments from the New York City Water Board are used for operation and maintenance of the water and sewer system.

Chart 7. Funding Sources, FY 2022 Budget

($ in millions)



State categorical grants, which support many mandated programs, are estimated at $15.95 billion, accounting for a little more than 50 percent of non-City revenues. More than two-thirds of State categorical grants are for education and account for almost 40 percent of the education budget.

Federal categorical grants account for another $13.70 billion of non-City revenues of which $6.63 billion are from Federal COVID assistance grants including $4.93 billion from the American Rescue Plan Act (ARPA) and $1.36 billion from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA). Approximately 40 percent of the ARPA grants ($1.96 billion) and all the CRRSA grants in FY 2022 will be used to fund education. Another $1.03 billion will be used to fund fringe benefits, with $1 billion being used to supplant unspecified FY 2022 labor savings.[4] Overall, almost two-thirds of the FY 2022 Federal categorical grants are for education and social services with about 38 percent going towards education and 26 percent towards social services. A significant portion of the budgets of the City's social services agencies rely on Federal funding, including 38 percent of the budget for the Administration for Children's Services (ACS), 29 percent of the budget for the Department of Homeless Services (DHS), 22 percent of the budget for the Department for the Aging (DFTA), and 16 percent of the budget for the Department of Social Services/Human Resources Administration (HRA).

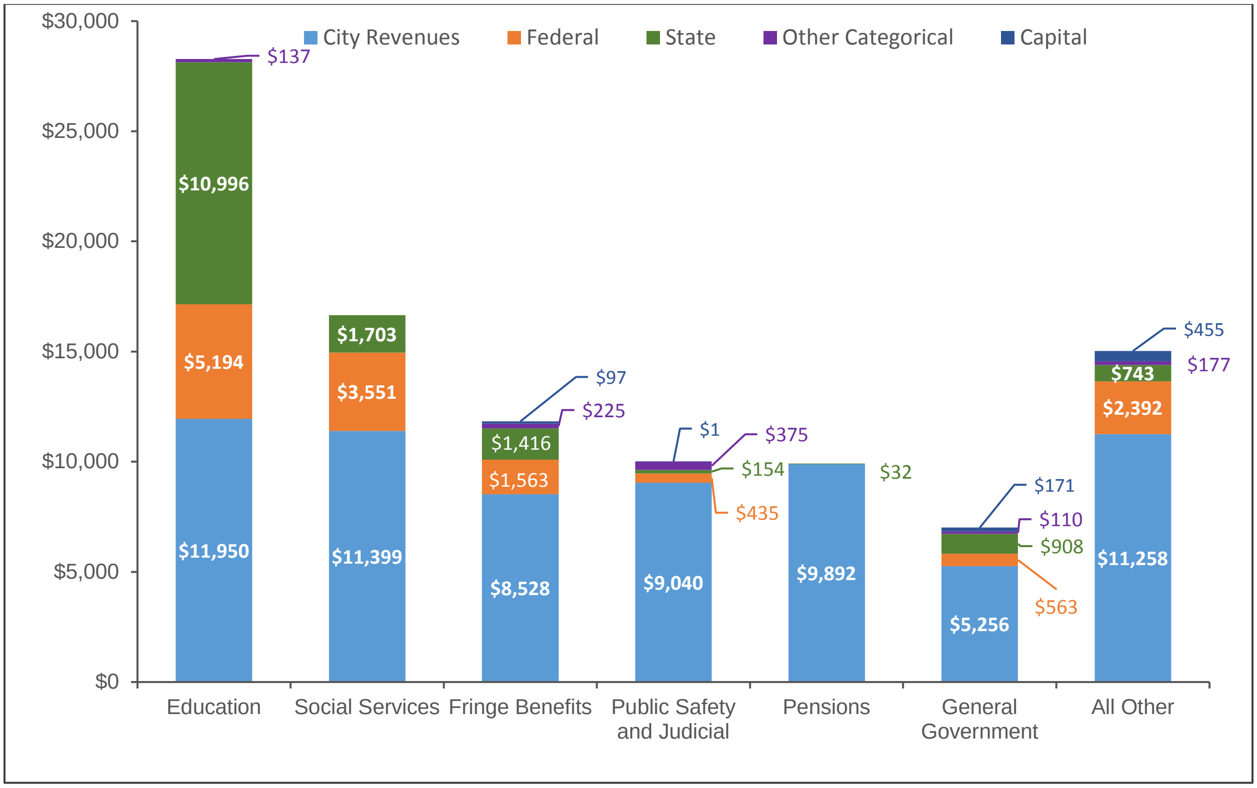
Other categorical grants and inter-fund agreement (IFA) revenues round out the remaining non-City generated revenues. Other categorical grants consist primarily of reimbursements to the Fire Department

[4] The City had previously assumed $1 billion of unspecified labor savings in each FY 2021 to FY 2025. The savings were budgeted as a reduction in health insurance cost in the June 2020 Financial Plan. Subsequently the City negotiated with the labor unions to defer $730 million of FY 2021 lump sum and welfare fund payments to FY 2022, crediting the deferral as part of the $1 billion labor savings in FY 2021. The modified FY 2021 budget and June 2021 Financial Plan assume the use of ARPA grants to fund the residual $270 million and $1 billion health insurance reductions in FY 2021 and FY 2022.

for emergency medical services; reimbursements for health benefits from the Health Stabilization Fund; reimbursements to the City from NYC Health + Hospitals (H + H) for fringe benefits, judgments and claims, and energy costs; interest exchange agreements; and private grants from foundations and other sources. IFA revenues are reimbursements from the Capital Fund for expense budget costs related to capital projects such as planning, design and construction supervision. Chart 8 shows the funding allocation among the different service areas of the budget.

Chart 8. Funding Allocation by Service Areas and Centrally Budgeted Expenditures for FY 2022

($ in millions)



Changes from FY 2021

As shown in Table 9, the FY 2022 Adopted Budget is $4.38 billion less than the modified FY 2021 budget, a drop of almost 4.2 percent. The decline in revenues is due to a projected $2.07 billion drop in non-City-funds revenues and $2.31 billion in City-funds revenues. The drop in non-City-funds revenues is driven primarily by a reduction of $2.96 billion in Federal categorical grants, stemming from a drop in COVID assistance from the Coronavirus Aid, Relief, and Economic Security Act (CARES) and Federal Emergency Management Agency (FEMA) support as the City recovers from the pandemic. Overall, Federal COVID assistance is projected to drop by $1.63 billion to $6.63 billion in FY 2022, with ARPA and CRRSA grants accounting for $6.29 billion of the Federal COVID assistance.

The decline in City-funds revenues is driven by a $2.15 billion drop in tax revenues, led by a drop of $1.68 billion in property tax. The drop in property tax revenues reflects the FY 2022 tentative roll released by the Department of Finance on January 15th which showed a sharp decline in value for most property types. The decline in non-property revenues is due to a 6.6 percent upward revision of $2.07 billion from the April Plan forecast, which raised FY 2021 non-property revenues above the FY 2022 forecast. In April, non-tax revenues were projected to grow by 5.1 percent in FY 2022. While the current modified FY 2021 budget increased the FY 2021 non-tax revenue estimate, the forecasts for non-tax revenues in FY 2022 through FY 2025 in the June Financial Plan remain unchanged, resulting in the FY 2022 non-tax revenue forecast falling below that of FY 2021.

Table 9. Change FY 2021 – FY 2022

($ in millions)	FY 2021	FY 2022	$ Change	% Change
Revenues				
Taxes				
General Property Tax	$31,108	$29,432	($1,676)	(5.4%)
Other Taxes	32,226	32,003	(223)	(0.7%)
Tax Audit Revenues	1,171	921	(250)	(21.3%)
Subtotal Taxes	**$64,505**	**$62,356**	**($2,149)**	**(3.3%)**
Miscellaneous Revenues	7,265	6,873	(392)	(5.4%)
Unrestricted Intergovernmental Aid	1	0	(1)	(100.0%)
Less: Intra-City Revenues	(2,123)	(1,891)	232	(10.9%)
Disallowances Against Categorical Grants	(15)	(15)	0	0.0%
Subtotal City-Funds	**$69,633**	**$67,323**	**($2,310)**	**(3.3%)**
Other Categorical Grants	1,146	1,025	(121)	(10.6%)
Inter-Fund Revenues	633	725	92	14.5%
Federal Categorical Grants	16,658	13,697	(2,961)	(17.8%)
State Categorical Grants	15,029	15,953	924	6.1%
Total Revenues	**$103,099**	**$98,723**	**($4,376)**	**(4.2%)**
Expenditures				
Personal Services				
Salaries and Wages	$29,601	$31,423	$1,822	6.2%
Pensions	9,465	10,037	572	6.0%
Fringe Benefits	11,256	12,377	1,121	10.0%
Subtotal PS	**$50,322**	**$53,837**	**$3,515**	**7.0%**
Other Than Personal Service				
Medical Assistance	$5,665	$6,546	$881	15.6%
Public Assistance	1,604	1,651	47	2.9%
All Other	38,991	36,858	(2,133)	(5.5%)
Subtotal OTPS	**$46,260**	**$45,055**	**($1,205)**	**(2.6%)**
Debt Service				
Principal	$3,329	$3,503	$174	5.2%
Interest & Offsets	3,003	3,526	523	17.4%
Subtotal Debt Service	**$6,332**	**$7,029**	**$697**	**11.0%**
FY 2020 BSA	($3,819)	$0	$3,819	(100.0%)
FY 2021 BSA & Discretionary Transfer	$6,107	($6,107)	($12,214)	(200.0%)
General Reserve	$20	$300	$280	1,400.0%
Deposit to the Rainy Fund	$0	$500	$500	NA
Less: Intra-City Expenses	($2,123)	($1,891)	$232	(10.9%)
Total Expenditures	**$103,099**	**$98,723**	**($4,376)**	**(4.2%)**

NOTE: Totals may not add due to rounding.

Expenditures as presented in the FY 2022 Adopted Budget are reduced by FY 2021 prepayments. In contrast, the FY 2021 Modified Budget is increased by the net impact of FY 2020 and FY 2021 prepayments. After netting out the impact of prepayments, expenditures before reserves and prior-year adjustments total $104.83 billion, an increase of $2.82 billion, or 2.8 percent, as shown in Table 10. More than half of this increase is in salaries and wages, $730 million of which is from the deferral of FY 2021 lump sum and welfare payments into FY 2022 which were credited as part of the FY 2021 labor savings. The remaining increase in salaries and wages reflects salary increases and headcount changes.

Table 10. FY 2022 Expenditures vs. FY 2021 Expenditures Adjusted for Prepayments

($ in millions)	FY 2021	FY 2022	$ Change	% Change
Salaries and Wages	$29,206	$30,999	$1,793	6.1%
Medicaid	5,665	6,546	881	15.6%
Debt Service	6,332	7,029	697	11.0%
J & C	582	1,337	755	129.7%
Health Insurance	7,081	7,666	585	8.3%
Other Fringe Benefits	4,063	4,597	534	13.1%
Pensions	9,353	9,924	571	6.1%
Public Assistance	1,604	1,651	47	2.9%
Contractual Services	21,118	19,629	(1,489)	(7.1%)
Other OTPS	16,207	14,653	(1,554)	(9.6%)
Expenditures Before Reserves	**$101,212**	**$104,030**	**$2,818**	**2.8%**
Prior Year Adjustment	($421)	$0	$421	(100.0%)
Rainy Day Fund Deposit	$0	$500	$500	NA
General Reserve	$20	$300	$280	1400.0%
Total Expenditures	**$100,811**	**$104,830**	**$4,019**	**4.0%**

*Excludes contractual services for debt service and Medicaid

NOTE: Totals may not add due to rounding.

Other significant expenditure increases include $881 million in Medicaid spending, $755 million in judgments and claims (J&C) cost and $697 million in debt service expenditures. The increase in Medicaid spending reflects the reduction in eFMAP savings enacted under the Families First Coronavirus Response Act and the rollover of $452 million in H+H supplemental Medicaid costs from FY 2021 into FY 2022. The increase in judgment and claims cost stems from an increase of $450 million in the claim reserve appropriation in anticipation of settling a number of large claims as the courts, which had been closed last year due to the pandemic, are now reopening and may push for resolving cases.

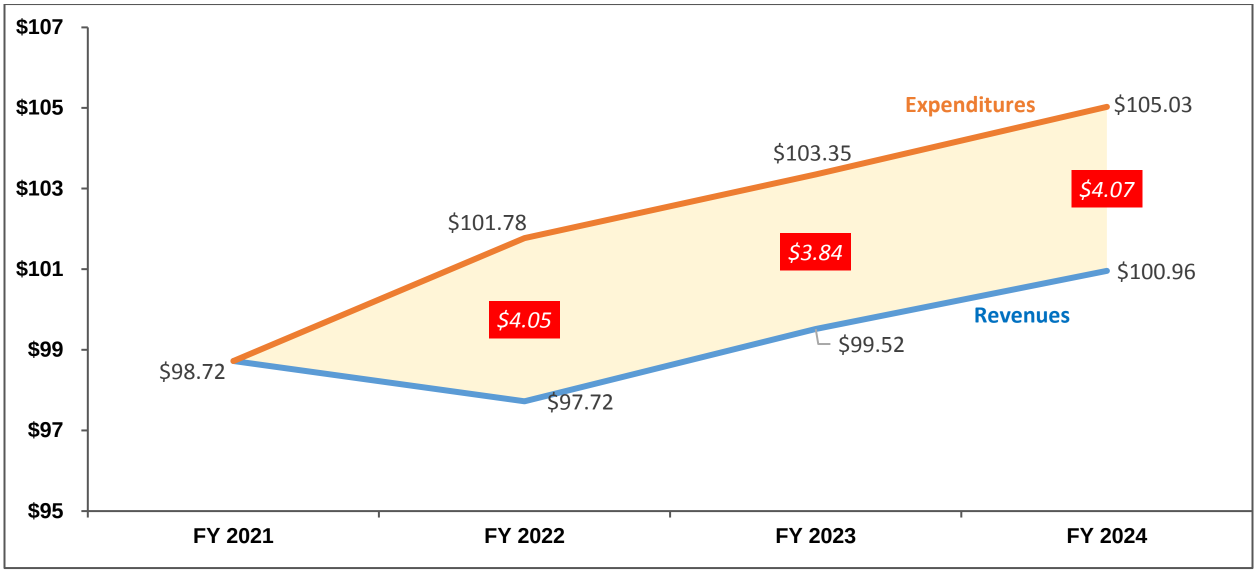
Spending on contractual services and other OTPS are projected to decline by a combined $3.04 billion, or 8.2 percent in FY 2022, due largely to a drop in COVID-related spending. Net of COVID-related expenditures, spending on contractual and other OTPS shows a modest 1.1 percent decline of $351 million.

The Outyears

While the FY 2022 budget is balanced, the June 2021 Financial Plan projects budget gaps of $4.05 billion in FY 2023, $3.84 billion in FY 2024, and $4.07 billion in FY 2025, as shown in Chart 9. Over this period, revenues are projected to grow by 2.3 percent from $98.72 billion in FY 2022 to $100.96 billion in FY 2025 while expenditures are projected to grow by 6.4 percent to $105.03 billion.

Chart 9. June Financial Plan Revenues, Expenditures and Budget Gaps

($ in billions)



As shown in Table 11, revenues are projected to grow at an average annual rate of 0.7 percent in the outyears of the Plan. The growth is driven by tax revenues, which account for about two-thirds of overall revenues, which are projected to grow by 11.4 percent from FY 2022 to FY 2025. Overall revenue growth is dampened by the 42.3 percent decline in Federal categorical grants, due in large part to the tapering off of Federal COVID assistance which is expected to drop from $6.63 billion in FY 2022 to $2.30 billion in FY 2023 and to $982 million in the last year of the Financial Plan.

Table 11. FY 2022 – FY 2025 Revenue Growth

($ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	Growth FYs 22-25	Annual Growth
General Property Tax	$29,432	$30,192	$30,619	$31,027	5.4%	1.8%
Non-Property Tax	32,924	35,245	36,945	38,408	16.7%	5.3%
Subtotal Tax Revenues	**$62,356**	**$65,437**	**$67,564**	**$69,435**	**11.4%**	**3.6%**
Non-Tax Revenues	4,967	5,017	5,007	5,025	1.2%	0.4%
Subtotal City-Funds	**$67,323**	**$70,454**	**$72,571**	**$74,460**	**10.6%**	**3.4%**
Federal Categorical Grants	$13,697	$9,244	$8,603	$7,908	(42.3%)	(16.7%)
State Categorical Grants	15,953	16,308	16,626	16,877	5.8%	1.9%
Other Categorical Grants	1,025	993	991	990	(3.4%)	(1.2%)
IFA Revenues	725	725	725	725	0.0%	0.0%
Subtotal Non-City-Funds	**$31,400**	**$27,270**	**$26,945**	**$26,500**	**(15.6%)**	**(5.5%)**
Total	**$98,723**	**$97,724**	**$99,516**	**$100,960**	**2.3%**	**0.7%**

As discussed above, FY 2022 expenditures are reduced by the FY 2021 prepayments of FY 2022 expenses. Adjusted for prepayments, expenditures before reserves in the Financial Plan are projected to remain relatively flat, with a marginal growth of 0.2 percent over the Plan period, as shown in Table 12. The low growth can be attributed to the assumption of unspecified labor savings of $1 billion annually beginning in FY 2023, and the winding down of COVID-related spending. Net of the unspecified labor savings and COVID-related spending, expenditures before reserves in the Plan are projected to grow by 5.2 percent between FY 2022 and FY 2025.

Table 12. FY 2022 – FY 2025 Expenditure Growth Adjusted for Prepayments

(in millions)	FY 2022	FY 2023	FY 2024	FY 2025	Growth FYs 22-25	Annual Growth
Debt Service	$7,029	$8,391	$8,789	$9,353	33.1%	10.0%
Health Insurance	7,666	7,281	8,248	9,081	18.5%	5.8%
Other Fringe Benefits	4,597	4,558	4,685	4,809	4.6%	1.5%
Pensions	9,924	10,357	10,548	10,484	5.6%	1.8%
Subtotal	**$29,216**	**$30,587**	**$32,271**	**$33,728**	**15.4%**	**4.9%**
Salaries and Wages	$30,999	$30,687	$30,823	$31,110	0.4%	0.1%
Medicaid	6,546	6,494	6,494	6,494	(0.8%)	(0.3%)
Public Assistance	1,651	1,650	1,650	1,650	(0.0%)	(0.0%)
J & C	1,337	758	775	791	(40.8%)	(16.1%)
Contractual Services	19,629	18,034	18,034	17,953	(8.5%)	(2.9%)
Other OTPS	14,653	12,314	12,057	12,052	(17.8%)	(6.3%)
Subtotal	**$74,815**	**$69,938**	**$69,833**	**$70,051**	**(6.4%)**	**(2.2%)**
Expenditures Before Reserves	**$104,030**	**$100,525**	**$102,103**	**$103,779**	**(0.2%)**	**(0.1%)**
Rainy Day Fund Deposit	$500	$0	$0	$0		
General Reserve	$300	$1,000	$1,000	$1,000		
Capital Stabilization Reserve	$0	$250	$250	$250		
Total	**$104,830**	**$101,775**	**$103,353**	**$105,029**	**0.2%**	**0.1%**

*Excludes contractual services for debt service and Medicaid.

Risks and Offsets

The Comptroller's Office's analysis of the FY 2022 Adopted Budget and Financial Plan shows net additional resources of $1.13 billion in FY 2022, $166 million in FY 2024 and $763 million in FY 2025, and a net risk of $427 million in FY 2023, as shown in Table 13. The net additional resources are due to the Comptroller's Office's tax revenue forecast which is higher than the Plan forecast in each year of the Plan period. In FY 2022 through FY 2024, risks to spending assumptions identified by the Comptroller's Office offset some of the higher revenue forecast, with expenditure risks exceeding the gain from the higher forecast in FY 2023. However, the Comptroller's Office estimates that expenditures could be less than the Plan estimate in FY 2025, adding to the gain from higher tax revenue forecast. As a result, the Comptroller's Office projects a budget surplus of $1.13 billion in FY 2022 and smaller budget gaps of $3.67 billion in FY 2024 and $3.31 billion in FY 2025 and a larger gap of $4.48 billion in FY 2023.

Table 13. Risks and Offsets to the June 2021 Financial Plan

($ in millions, positive numbers decrease the gap and negative numbers increase the gap)

	FY 2022	FY 2023	FY 2024	FY 2025
City Stated Gap	**$0**	**($4,051)**	**($3,837)**	**($4,069)**
Revenues				
Property Tax	$236	$242	$245	$254
Personal Income Tax	529	(58)	94	133
Business Taxes	157	(64)	(176)	(166)
Sales Tax	291	164	142	81
Real Estate Transaction Taxes	162	(113)	(281)	(417)
All Other	8	(6)	(7)	(11)
Audit	79	279	279	279
Subtotal Tax Revenues	**$1,462**	**$444**	**$296**	**$153**
Expenditures				
Overtime	($130)	($130)	($130)	($130)
Fair Fares	(47)	(100)	(100)	(100)
Homeless Shelters	(147)	(147)	(147)	(147)
Rental Assistance	0	(202)	(202)	(202)
Labor Savings	0	(1,000)	(1,000)	(1,000)
Paratransit Funding	(81)	(111)	(130)	(150)
Prevailing Wage for Shelter Security Guards	0	(41)	(41)	(41)
Pension Contributions	0	760	1,520	2,280
VRDB Interest Savings	75	100	100	100
Subtotal Expenditures	**($330)**	**($871)**	**($130)**	**$610**
Total (Risks)/Offsets	**$1,132**	**($427)**	**$166**	**$763**
Restated (Gap)/Surplus	**$1,132**	**($4,478)**	**($3,671)**	**($3,306)**

Revenues

Both the Comptroller's Office and the City have increased estimates of FY 2021 tax revenues since the Executive Budget as a result of stronger than expected collections, particularly in the personal and business income taxes. The City, however, did not carry forward any of the near-term strength in these taxes to the subsequent years leaving the overall forecast for tax revenues unchanged through the Plan period from FY 2022 through FY 2025. The Comptroller's Office forecast, while recognizing that most of the near-term strength is likely volatile and related to the stock market, increases the PIT forecast throughout the Plan period by $300 million. Overall, the most significant difference in the two forecasts is in FY 2022, where the Comptroller anticipates that revenues could exceed the City's forecast by over $1.4 billion. In the outyears of the Plan, the Comptroller's Office's tax forecast exceeds the City's by $444 million in FY 2023, $296 million in FY 2024 and $153 million in FY 2025.

Expenditures

Risks to the City's expenditure estimates stem from risks to the Plan's funding for overtime, the Fair Fares program, homeless shelters, rental assistance and the assumption of unspecified labor savings. Savings from pension investment returns in excess of the actuarial interest rate assumption (AIRA) of seven percent, which is not yet reflected in the City's pension contributions projections, provides some offsets against these expenditure risks in FY 2023 and FY 2024 and exceeds the total expenditure risks in FY 2025.

The City's actuarial pension systems earned a combined return of 25.8 percent in FY 2021. The Comptroller's Office estimates that the phase-in of the recognition of gains above the AIRA will reduce pension contributions by $760 million in FY 2023, $1.52 billion in FY 2024 and $2.28 billion in FY 2025. Overall, the Comptroller's Office estimates that expenditures could be higher than the Plan projections by

$330 million in FY 2022, $871 million in FY 2023, and $130 million in FY 2024, and lower by $610 million in FY 2025.

NEW YORK CITY COMPTROLLER
SCOTT M. STRINGER

1 Centre Street, New York, NY 10007

(212) 669-3500 • comptroller.nyc.gov

@NYCComptroller