Summer of

NEW YORK CITY COMPTROLLER
BRAD LANDER

The State of the City's Economy and Finances

BUREAU OF BUDGET

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I. Executive Summary

The Comptroller's Annual *State of the City's Economy and Finances* Report, released each year in December, is designed to provide a grounding for analysis as the City prepares to begin its annual budget process early in the new year. Such an effort involves a broad degree of uncertainty, as circumstances will inevitably shift by the time the City adopts the budget six months later in June, and significantly more so by the time the books on the fiscal year in question are closed.

At this moment, the level of uncertainty is higher than usual. The pandemic dramatically shook New York City's economy. Even though the city has recovered over 97 percent of pre-pandemic jobs, shifts in the organization of work, labor markets, and supply chains have yielded an economy far different than the pre-pandemic one. We are experiencing levels of inflation not seen in decades, and most economists predict a global economic slowdown as a result of the steps the Federal Reserve and other central banks are taking to control it.

The impact of these, along with other, long-term trends on New York City is difficult to predict with a high degree of confidence. Given this uncertainty, it is valuable for purposes of budget and policymaking to gather a wide range of perspectives on those questions. The Comptroller's Office engaged a diverse set of stakeholders to discuss the future of the New York City's economy, exchange ideas, and identify critical areas for growth and inclusiveness. The picture that emerged is that of a strong but incomplete economic recovery, with key areas of concern surrounding the cost of housing, the outlook for commercial real estate, and the need for the workforce development system to provide more training and better matching with employers. The finance and tech sectors are expected to face headwinds and job losses in 2023, which are expected to slow but not derail the City's economic growth.

The November 2022 Financial Plan

The November 2022 Financial Plan increased the FY 2023 Adopted Budget by $2.88 billion to $104.0 billion, driven by $1 billion in federal support for expenses related to the influx of asylum-seekers, an increase in Federal Categorical grants related to COVID ($813 million), and additional roll-over and acknowledgement of other federal and state reimbursement ($936 million) which is consistent with historical levels of adjustments. Federal support for the asylum-seekers is not confirmed, which is a noted risk for this fiscal year. The City has also not yet included over $1 billion in unspent Federal stimulus dollars from the prior fiscal year, which will likely be added in the Preliminary Budget.

The Plan includes the impact of a PEG program called for by the Mayor, which provided savings of nearly $1 billion in FY 23, $1.6 billion in FY 2024, $1.5 billion in FY 2025, and $1.5 billion in FY 2026. These initiatives fell across a variety of broad categories, including ones with program impact (such as the retrenchment of Universal 3K), PS savings, revenue shifts and new funding, debt service savings, and finally broad expense re-estimates. The information available is insufficient to discern exactly where and how these cuts will hit the City's core services. While

PEG programs are an essential, and sensible, part of addressing the City's sizable budget gaps, it is imperative that the administration provide sufficient detail so that the impact of these initiatives on services can be made clear, and the true fiscal impact can be measured.

Fiscal Year 2023 revenues remain strong due to the continued re-opening of the City's economy, and the Comptroller's office anticipates additional revenues above the City's projections. Most taxes, other than real-estate transaction taxes primarily, are expected to be higher. The net impact of these taxes relative to the forecast is $1.190 billion in FY 2023, growing to $1.464 billion in FY 2024, and then dropping to $1.273 billion and $1.293 billion in FYs 2025 and 2026 respectively. Despite the upward revision, non-property taxes are expected to fall 7.0 percent in FY 2023, far below the average growth rate of 4.9 percent in the previous six years. As such, no automatic minimum deposit into the City's long-term reserves would be required, based on the approach put forward by the Office of the Comptroller earlier this year. Miscellaneous revenues are also higher, primarily due to increases in camera fines and interest income, relative to the City's forecast.

On the expenditure side, large risks remain outside of the City's current financial plan. The City continues to chronically under-budget items such as: overtime, charter school tuition, pupil transportation, public assistance, rental assistance, and prevailing wages for shelter security guards. Fiscal cliffs, where a program budget appears fully funded in FY 2023 but drops off without any indication of a commensurate decline in expenditures, remain in the November Plan for 3K expansion (but to a much lesser degree due to the retrenchment outlined in the PEG program), as well as a variety of other programs. Many of these programs were started with stimulus funding but are unsupported by City funds once the stimulus funding ends. Newer risks are also included for foster care reimbursement, and a Rikers-related settlement (the Lynch class action suit). The net impact of these risks is $1.08 billion in FY 2023, $2.72 billion in FY 2024, $3.20 billion in FY 2025, and $3.80 billion in FY 2026.

Lastly, the City is facing an uncertain financial risk related to the influx of asylum-seekers since the summer. The City has included $1 billion in expenses for asylum seekers in FY 2023 funded entirely by federal support, with no costs planned for the outyears. The Comptroller's office is including the full amount of federal support that the City has assumed for asylum-seekers in FY 2023 as a revenue risk, given the lack of information confirming the Federal government's support. And although the number of asylum-seekers arriving from the border had slowed in recent weeks after a change in U.S. policy, that policy is now under a Federal judge's order to end on December 21st, suggesting much is unknown about what these trends portend for the coming months and years. Barring a strategic plan at the Federal, State and City level, the Comptroller's Office will assume a continued expense to the City of $1 billion.

Overall, the Comptroller's office projects, relative to the City's Plan, a $256 million surplus in FY 2023, with additional risks of $980 million in FY 2024, $1.77 billion in FY 2025, and $2.44 billion in FY 2026. Combined with the stated gaps from the November Financial Plan, the Comptroller's restated budgetary gaps are $3.87 billion in FY 2024, $6.35 billion in FY 2025, and $8.36 billion in FY 2026.

In addition to the risks quantified above, several others loom large. While the City has included a labor reserve to fund contractual wage increases of 1.25 percent per year for the next four years, the results of the current round of collective bargaining remain unknown. Also outstanding is the cost of the mandate to reduce class sizes beginning next year.

The City's Adopted Capital Plan for FYs 2023–2026, released in September, totals $79.97 billion in commitments, a $2.94 billion increase compared to the April 2022 Capital Plan for the same time period. As noted later in this report, as well as in both our recent Annual Report on Capital Debt and Obligations and latest monthly newsletter, the City has historically underspent its Capital Plan. With capital becoming more expensive, and fiscal constraints looming, careful financial planning is but one critical component of providing and maintaining NYC's public works. Several important improvement efforts are underway, in particular the Capital Process Reform Task Force, convened by outgoing First Deputy Mayor Lorraine Grillo, as well an anticipated launch of a uniform Capital Project Tracker required by Local Law 37. Fortunately, the City's debt burden remains relatively low – in fact at its lowest level in over 20 years – providing the City with some flexibility to invest in affordable housing, maintaining our bridges and roads, and environmental protections and transformations to face the climate crisis.

Overall, New York City stands on solid ground to face the economic headwinds of the next year. Our tax revenues continue to come in strong. But given the myriad challenges that lie ahead – to provide the care and shelter for our newest entrants, to retain the workforce needed to provide the core services that all of our businesses and residents depend on, and to invest in the long-term needs of the City – thoughtful, strategic and careful financial planning is needed to meet this moment.

Table 1. FY 2023 – FY 2026 Financial Plan

($ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	Change FYs 2023 –2026 Dollar	Percent
Revenues						
Taxes:						
General Property Tax	$31,421	$32,013	$32,146	$32,156	$735	2.3%
Other Taxes	35,607	35,653	37,206	38,640	3,033	8.5%
Tax Audit Revenues	721	721	721	721	0	0.0%
Subtotal: Taxes	**$67,749**	**$68,387**	**$70,073**	**$71,517**	**$3,768**	**5.6%**
Miscellaneous Revenues	7,480	7,296	7,299	7,315	(165)	(2.2%)
Unrestricted Intergovernmental Aid	252	0	0	0	(252)	(100.0%)
Less: Intra-City Revenues	(2,143)	(1,919)	(1,920)	(1,918)	225	(10.5%)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	0	0.0%
Subtotal: City-Funds	**$73,323**	**$73,749**	**$75,437**	**$76,899**	**$3,576**	**4.9%**
Other Categorical Grants	1,154	1,059	1,056	1,055	(99)	(8.6%)
Inter-Fund Revenues	741	736	736	736	(5)	(0.7%)
Federal Categorical Grants	11,811	9,019	7,731	7,024	(4,787)	(40.5%)
State Categorical Grants	16,974	16,931	17,170	17,223	249	1.5%
Total Revenues	**$104,003**	**$101,494**	**$102,130**	**$102,937**	**($1,066)**	**(1.0%)**
Expenditures						
Personal Service						
Salaries and Wages	$31,423	$31,636	$32,162	$32,852	1,429	4.5%
Pensions	9,414	9,563	9,783	9,951	537	5.7%
Fringe Benefits	12,614	13,616	14,499	15,242	2,628	20.8%
Subtotal-PS	**$53,451**	**$54,815**	**$56,444**	**$58,045**	**$4,594**	**8.6%**
Other Than Personal Service						
Medical Assistance	$6,564	$6,385	$6,385	$6,385	($179)	(2.7%)
Public Assistance	1,650	1,650	1,650	1,650	0	0.0%
All Other	40,430	34,753	34,266	34,037	(6,393)	(15.8%)
Subtotal-OTPS	**$48,644**	**$42,788**	**$42,301**	**$42,072**	**($6,572)**	**(13.5%)**
Debt Service						
Principal	$4,003	$4,161	$4,178	$4,193	$190	4.7%
Interest & Offsets	3,652	3,794	4,257	5,010	1,358	37.2%
Subtotal Debt Service	**$7,655**	**$7,955**	**$8,435**	**$9,203**	**$1,548**	**20.2%**
FY 2022 BSA and Discretionary Transfers	($6,114)	$0	$0	$0	$6,114	(100.0%)
FY 2023 BSA	$705	($705)	$0	$0	($705)	(100.0%)
Capital Stabilization Reserve	$250	$250	$250	$250	$0	0.0%
General Reserve	$1,555	$1,200	$1,200	$1,200	($355)	(22.8%)
Less: Intra-City Expenses	($2,143)	($1,919)	($1,920)	($1,918)	$225	(10.5%)
Total Expenditures	**$104,003**	**$104,384**	**$106,710**	**$108,852**	**$4,849**	**4.7%**
Gap to be Closed	**$0**	**($2,890)**	**($4,580)**	**($5,915)**	**($5,915)**	**NA**

NOTE: Numbers may not add to totals due to rounding.

Table 2. Plan-to-Plan Changes
November 2022 Plan vs. June 2022 Plan

($ in millions)	FY 2023	FY 2024	FY 2025	FY 2026
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	169	41	37	32
Unrestricted Intergovernmental Aid	0	0	0	0
Less: Intra-City Revenues	(169)	20	9	11
Disallowances Against Categorical Grants	0	0	0	0
Subtotal: City-Funds	**$0**	**$61**	**$46**	**$43**
Other Categorical Grants	125	43	41	43
Inter-Fund Revenues	5	4	5	5
Federal Categorical Grants	2,527	343	(227)	50
State Categorical Grants	222	41	36	35
Total Revenues	**$2,879**	**$492**	**($99)**	**$176**
Expenditures				
Personal Service				
Salaries and Wages	($245)	($337)	($291)	($198)
Pensions	0	861	1,969	3,018
Fringe Benefits	(26)	(140)	(221)	(195)
Subtotal-PS	**($271)**	**$384**	**$1,457**	**$2,625**
Other Than Personal Service				
Medical Assistance	$0	$0	$0	$0
Public Assistance	0	0	0	0
All Other	2,712	(396)	(537)	(354)
Subtotal-OTPS	**$2,712**	**($396)**	**($537)**	**($354)**
Debt Service				
Principal	$9	($60)	$87	$38
Interest & Offsets	(107)	(71)	(249)	(209)
Subtotal Debt Service	**($98)**	**($131)**	**($162)**	**($171)**
FY 2022 BSA and Discretionary Transfers	0	0	0	0
FY 2023 BSA	705	(705)	0	0
Capital Stabilization Reserve	0	0	0	0
General Reserve	0	0	0	0
Deposit to Rainy Day Fund	0	0	0	0
Less: Intra-City Expenses	(169)	20	9	11
Total Expenditures	**$2,879**	**($828)**	**$767**	**$2,111**
Gap to be Closed	**$0**	**$1,320**	**($866)**	**($1,935)**

NOTE Numbers may not add to totals due to rounding.

Table 3. Risks and Offsets to the November 2022 Financial Plan

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

	FY 2023	FY 2024	FY 2025	FY 2026
City Stated Gap	**$0**	**($2,890)**	**($4,580)**	**($5,915)**
Tax Revenues				
Property Tax	$319	$239	$622	$936
Personal Income Tax	192	541	350	520
Business Taxes	206	(2)	(119)	(301)
Sales Tax	322	321	325	213
Real Estate Transaction Taxes	(254)	(92)	(312)	(480)
All Other	155	207	156	155
Audit	250	250	250	250
Subtotal Tax Revenues	**$1,190**	**$1,464**	**$1,273**	**$1,293**
Non-Tax Revenues				
Miscellaneous Revenue	$221	$271	$151	$64
Federal Assistance – Asylum Seekers	(1,000)	0	0	0
ARP-State & Local Fiscal Recovery Funds	920	0	0	0
Subtotal Non-Tax Revenues	**$141**	**$271**	**$151**	**$64**
Expenditures				
Overtime	($691)	($250)	($250)	($250)
Charter School Tuition	0	(278)	(430)	(723)
Carter Cases	(475)	(475)	(475)	(475)
Pupil Transportation	0	(75)	(125)	(175)
3K Expansion	0	0	0	(93)
Special Ed Pre-K Expansion	0	0	(47)	(95)
DOE Mental Health Services	0	0	(37)	(86)
Community Schools Expansion/Sustainability	0	0	(27)	(54)
Summer Rising	0	0	(176)	(176)
DOE Contracted Nursing	0	0	(49)	(49)
Public Health Corps	0	0	(13)	(49)
FDNY Mental Health Response/B-HEARD	0	(37)	(37)	(37)
Public Assistance	(75)	(75)	(75)	(75)
Homeless Shelters	(19)	0	0	0
Rental Assistance	0	(237)	(237)	(229)
Paratransit Funding	(48)	(75)	(89)	(104)
Prevailing Wage for Shelter Security Guards	0	(64)	(64)	(64)
Foster Care Reimbursement Rate	(117)	(117)	(117)	(117)
Variable Rate Debt Service Savings	50	50	50	50
eFMAP Savings	300	0	0	0
Lynch Settlement	0	(82)	0	0
Asylum Seekers Expenses	0	(1,000)	(1,000)	(1,000)
Subtotal	**($1,075)**	**($2,715)**	**($3,198)**	**($3,800)**
Total (Risks)/Offsets	**$256**	**($980)**	**($1,774)**	**($2,443)**
Restated (Gap)/Surplus	**$256**	**($3,870)**	**($6,354)**	**($8,358)**

NOTE: Numbers may not add to totals due to rounding.

II. The State of the City's Economy

The Comptroller's Annual *State of the City's Economy and Finances* Report, released each year in December, is designed to provide a grounding for analysis as the City prepares to begin its annual budget process early in the new year. Such an effort involves a broad degree of uncertainty, as circumstances will inevitably shift by the time the City adopts the budget six months later in June, and significantly more so by the time the books on the fiscal year in question are closed, more than 18-20 months after the report is released.

At this moment, the level of uncertainty is higher than usual. The pandemic dramatically shook New York City's economy. Even though the city reached over 97% of pre-pandemic jobs, shifts in the organization of work, labor markets, and supply chains have yielded an economy far different than the pre-pandemic one. We are experiencing levels of inflation not seen in decades, and most economists predict a global economic slowdown as a result of the steps the Federal Reserve and other central banks are taking to control it.

The impact of these, along with other, long-term trends on New York City is difficult to predict with a high degree of confidence. Nonetheless, it is valuable for purposes of budget and policymaking to gather a wide range of perspectives on those questions. To provide context for the data presented in our Annual *State of the City's Economy and Finances*, therefore, the Comptroller's Office has engaged a diverse set of stakeholders to discuss the future of the New York City's economy, exchange ideas, and identify critical areas for growth and inclusiveness. The Office met with corporate executives, small business owners, labor and nonprofit leaders, education administrators, government officials, economists and policy analysts, and institutional investors, among others. This assortment of New Yorkers has substantial experience and expertise across industries including finance, technology, labor markets and workforce issues, housing and real estate, construction, retail, leisure and hospitality, clean energy, and health care. This section summarizes the main themes from those conversations.

Overall Sentiment

Toward the start of the pandemic, many observers were concerned that public health risks and new possibilities of remote work would fundamentally undermine New York City's appeal as a place to live, work, commute to, and visit. Two-and-a-half years later, those fears have mostly not been realized. Both people and jobs came back to the city. New York City has regained above 97% of its pre-pandemic job levels, and while some sectors like restaurants, hospitality, and arts and entertainment still stand well below their pre-pandemic peaks, others like information technology and health care are well above them. While rents plunged early in the pandemic, they subsequently surged and are now 20% above pre-pandemic levels.

Unfortunately, the recovery brought new concerns over housing affordability and inflation. And while these issues remain salient, a majority of economists now expect a recession in the next year. In light of this context, we asked our conversation partners for their thoughts on both the near-term and long-term outlook for their industry and for the city's economy as a whole.

Aside from the risk of recession, our conversation partners expressed concern over several headwinds facing New York City's economy. Housing affordability arose time and again. Cost of doing business amidst inflation, on top of New York City's already high costs, is also seen as a key issue across multiple industries. A leader in hospitality described it as "one of the biggest challenges for our industry." He continued, "most restaurants and venues are close to their pre-pandemic revenues, but skyrocketing costs mean their margins are much smaller."

The experts we spoke with pointed out interrelated concerns about potential outmigration, the City's ability to raise revenue, and the capacity to deliver key services in the coming years. "I think it's easy to dismiss out-migration risk for high income people," a policymaker remarked, "but among the $500,000 to several million [annual income] crowd, the economic incentives seem to be there. And that's a big part of the city's tax base." Concerns about outmigration patterns are longstanding, and opinions can line up more with perspectives than data, making it especially important to watch the numbers in the year to come. Even if wealthier individuals don't leave the metropolitan region, but instead live and work outside the five boroughs, the City could see a decline in revenue.

The City is also struggling to recruit and retain workers in key positions in the public workforce, as highlighted in the Comptroller's recent report, *Title Vacant*. "I do see the agencies are having a real talent problem," an economic development expert noted. "They're struggling to keep top talent in particular."

Concerns about public safety represent another risk factor for the city's economy. "Public safety is one of the main concerns in our industry," a construction industry leader noted. "If people don't feel safe living or working in the city, that's going to slow down development." Another contact in the hospitality industry explained "the biggest concern isn't with locals or foreign travelers, it's with visitors from the tri-state area—the people most likely to consume media that emphasizes the crime narrative." Several of our contacts noted the need to invest in the city's mental health continuum of care.

In spite of these headwinds, the vast majority of experts we talked to, across sectors, expressed optimism in New York City's underlying economic strength. "I continue to firmly believe New York City will remain a draw for top talent and companies," said an economic development executive. Several contacts emphasized the immense growth potential of industries like technology, health care (and other "care economy" jobs), construction, and clean energy and climate solutions.

In those sectors where growth is likely, however, the ongoing challenge remains to make sure growth in these industries "benefits local workers, especially from disadvantaged backgrounds." Increasingly, well-paying jobs require a college degree, which less than half of New Yorkers have.

Perspectives by Sector

Experts reported a mixed-to-positive outlook on the real estate and construction industry, despite high interest rates and commercial vacancies. "The [development] community is still very bullish, even on commercial development," a contact in the construction industry suggested, stemming from companies' desire to locate in "new, Class A modern buildings with good amenities." A real estate executive affirmed this idea, stating that "after Hudson Yards, One Vanderbilt, and similar developments, commercial tenants have realized they can demand better office space." She expects this demand to sustain a surge in new commercial construction—while leaving a wide swath of Class B and C office space vacant. Multiple contacts pointed out the construction industry's potential to create "well-paying, career path, union jobs" that can benefit lower-income New Yorkers.

The outlook on the financial industry was mixed. In the near term, companies and executives expect "sizeable layoffs in the next year" ahead of a possible recession. "Now that Goldman Sachs has announced layoffs," a financial industry contact told us in September, "many others will likely follow suit." In addition to layoffs, some financial institutions are relocating out of New York entirely. "We've seen quite a lot of asset management migration to Florida," a policymaker reported. However, this is not the norm for the industry as a whole, as "proximity [to other financial institutions in New York] is still fairly important to most firms."

Our conversation partners were optimistic on the technology sector's long-run growth prospects, though wary of near-term layoffs. According to a November 2022 report from trade group Tech:NYC and civic group Association for a Better New York, New York City's tech ecosystem has grown by 32% in the last decade, adding 91,000 new jobs—a quarter of the city's total job growth during this period. In recent months, however, the industry has faced significant layoffs, including by major New York City tech employers. Still, contacts expect that tech will continue to be a major source of economic growth for New York City. "The tech sector has grown faster than any other industry in New York, including health care, and we expect that to continue," the leader of a nonprofit in the field told us. "Tech is obviously a hot spot for our students," a CUNY administrator said.

On the "green economy" and climate-related jobs, contacts mostly held a positive outlook. An economic development executive expressed some skepticism on the sector's net job creation potential, asking "what do we mean when we talk about green jobs?" He continued, "there's solar installation and upskilling for green buildings. But I haven't heard a great answer on where else there is job density." Others pushed back on this idea, however. "A lot of jobs related to the clean energy transition are around software, equipment maintenance, and project management," explained the co-founder of a clean energy startup. Experts we spoke with also noted the job creation potential of recent climate-related infrastructure investments from the Infrastructure Investment and Jobs Act, the Inflation Reduction Act, and the New York State Environmental Bond Act, as well as from building retrofit work required by Local Law 97.

Finally, industry leaders indicated cautious optimism on the continued recovery of New York City's leisure and hospitality industry. The head of a leisure and hospitality trade group suggested "a real vibrancy is coming back to the city, like a heaviness has been lifted for the first time since COVID." Still, he expressed concern that extensive short staffing, along with a decline in foreign tourism to New York City, may dampen the industry's growth prospects in the near term.

The Future of NYC's Central Business Districts

The future of New York's central business districts remains uncertain. While there was broad optimism about Class A and especially "trophy buildings," most of the stakeholders we spoke with expressed a bearish outlook on Class B and C office space across the city. "The C Class buildings will empty out entirely," an economic development executive predicted, "and the B Class will really struggle." A real estate industry executive agreed: "a whole generation of that [Class B and C] office space is losing its competitive positioning." Contacts expect this trend to unfold in parallel to increasing demand for new Class A and AA office space.

While most contacts support the idea of adaptive reuse for vacant office space, they acknowledge significant financial and legal barriers to converting this space to new uses. In terms of residential conversion, a housing expert emphasized a range of regulatory barriers around use, bulk, density, and accessibility, among others, which need to be addressed before such conversions become viable. And this is before even considering affordability of the new units produced, which would require substantial subsidies to achieve.

Furthermore, as a real estate executive pointed out, "some buildings are physically too deep for residential use," with floor plates that do not let daylight into much of the interior. This is "especially likely for office buildings in Midtown built from 1945 to 1990." Still, some developers have already navigated this issue, going so far as to create interior courtyards for their buildings. Other experts we spoke with suggested encouraging the demolition of some Class B and C office buildings through residential upzoning, allowing significantly taller buildings that would help offset the cost of the common space lost in residential layouts.

Converting vacant office space to other commercial uses presents opportunities but also its own challenges. Life sciences hubs are emerging in Kips Bay, around the cluster of hospitals on Manhattan's far east side, and near the New York Blood Center. However, one commercial building expert, when asked about converting a swath of vacant office space to life sciences facilities, noted that "it may be possible, but sometimes the ceilings are too low to install the necessary duct work." Still, most contacts believe adaptive reuse of this space is possible and should be further investigated. There is unlikely to be a "one size fits all" model, like the (extremely subsidized) conversion of office to residential space in Lower Manhattan after 9/11.

Inclusive Economy and Workforce Development

In earlier phases of the pandemic, New Yorkers frequently noted how the COVID-19 crisis had shined a harsh spotlight on pre-existing inequalities. Low-income, immigrant, and BIPOC New Yorkers were more likely to be "essential workers" (often in the lowest paid of those positions) and were more likely to contract and to die from COVID-19. Many policymakers committed to try to build a more equitable economy on the other side of the crisis. In our conversations, experts brought up several overarching principles to support a more inclusive New York City economy in the years to come.

First, affordable housing must be recognized as a central component of equitable economic development. "We need to build more housing, sure," a housing expert told us, "but we also need real attention to fairness and planning. We need coordinated regional policies." Others noted that without tackling housing affordability, New York City's economy will grow increasingly unequal and stratified. While there was universal agreement among the people we talked to that an increase in housing supply is needed for the city to thrive in the long term, some also observed that it will do little for working-class New Yorkers in the nearer term. While rents have reached record levels especially in Manhattan and Brooklyn, the 7 top neighborhoods for eviction filings (and 8 of the top 10) are in the Bronx, likely driven by poverty and housing precarity at least as much as by rising rents. Other ideas advanced include housing vouchers, stronger tenant protections, expanded social housing, "housing first" approaches for homeless New Yorkers, and new models for homeownership for working-class families, who are currently largely locked out of homeownership opportunities in NYC.

Second, experts spoke of the need for efforts to expand the economic and social benefits of strong growth in certain sectors to a broader swath of the population. "We have high-growth sectors like tech, health care and the life sciences, climate transition jobs, even cannabis," said a workforce development advocate. "But we need to make the connection between nurturing these sectors and making sure workers from low-income and disadvantaged communities actually benefit from that growth." CUNY's key role in this work was cited by many.

Several contacts identified promising initiatives and pilot programs in their industries to expand access to well-paying jobs among lower-income and marginalized communities. In industries like construction and green technology, apprenticeship programs have become a useful career entry point for many individuals.

Still, contacts emphasize that the city's patchwork workforce development ecosystem has achieved nowhere near the scale necessary to structurally address inequitable access to well-paying career opportunities. "We're nowhere near where we need to be to get workforce training done at scale," a workforce development advocate told us. "There are lots of really good things happening, but the system itself is not working," she continued. "There are not enough resources, coordination, or wraparound support."

Aside from funding, experts noted a critical lack of good-quality, long-term data on workforce development initiatives. "Part of the problem is data—there is no good data in the workforce world," an economic development executive explained. "We need to provide funding for real, rigorous data gathering." A workforce development advocate elaborated further, noting "the impact of training on workforce outcomes might not emerge for years after it's finished, but almost all [workforce development] providers measure outcomes on a scale of 90 days or less."

Third, several of the people we spoke with argued that economic development must include "raising the floor" for workers. While wages have grown over the past several years, prices have grown even faster, eroding the purchasing power of low-wage workers. Some contacts spoke to the need to raise the minimum wage, an effort which will be underway in Albany in the new year. Some sectors, such as those in the "care economy" (i.e. health care, home care, child care, social workers) feature especially low wages. Federal efforts to fund and boost pay in these sectors were removed from the "Build Back Better" bill in Congress. While some state and local efforts have taken place, large disparities remain. "Enforcement is also one of the biggest issues in our industries," a construction industry contact explained. "Contractors who try to do the right thing feel that they get punished for it, because others get away with [violating labor protections]."

Finally, our partners spoke to the need for the city's economy to be supportive of small businesses, particularly minority- and women-owned business enterprises (MWBEs). "Our current workforce [development] system underserves small businesses," said a workforce development advocate. "The emphasis gets placed on jobs offered by huge employers, while it's the small businesses who more often hire people to take on multiple roles and build long-lasting career skills." Small business ownership is also a path to building wealth within low-income and historically marginalized communities.

Economic Forecast, 2022 – 2026[1]

After two consecutive declines in the first half of 2022, the U.S. economy expanded in the third quarter at an annualized rate of 2.9 percent. Despite weak GDP, the economy did not enter a recession and the labor market continued to expand, though at a slower pace in recent months.

Growth is expected to be weaker in the months ahead as the effect of higher interest rates and tighter financial conditions takes hold. The November Blue Chip consensus forecast for the fourth quarter of 2022 calls for GDP to grow just 0.4 percent, although tracking estimates such as those provided by the Federal Reserve Bank of Atlanta suggest a considerably faster pace.[2] The forecast calls for GPD growth to slow to 0.7 percent in 2023 and gradually rise to 3 percent by 2026. US job growth downshifts to 1.4 percent in 2023 and remains subdued in 2024 – 2026. The forecast assumes that the Federal Funds rate will start a gradual descent in late 2023 and end 2024 in the 3.5 – 3.75 percent range.[3] This is in the context of inflation, which has already come off the 40-years high recorded earlier in 2022, slowing down toward the Fed's 2 percent target.

The risk of a recession in 2023 looms large as the Federal Reserve tries to strike a delicate balance between reining in inflation and triggering employment and income losses.

The forecast also calls for the City's economy to slow its pace of recovery. The change in average annual payroll jobs is forecast to drop to 51.3 thousand in 2023 and 38.7 thousand in 2024, before picking up again in 2025 and 2026. Total wage earnings are also seen slowing to 2.5 percent in both 2023 and 2024 because of job losses in high-pay sectors of the economy and lower incentive compensation in the securities industry.

Residential and commercial real estate transactions are expected to drop further than previously anticipated and Wall Street profits are projected to drop 57 percent in 2022 and remain subdued

[1] The Office of the Comptroller is grateful to Michael Dardia for his work and advice on the economic and tax forecast.

2 As of December 9th, the GDPNow estimate stood at 3.2 percent.

[3] The path of the Fed's policy rate is consistent with consensus before the recent speech by Chair Powell which confirmed a slowdown in the pace of rate hikes but a higher terminal rate than in the forecast.

over the forecast horizon. A drop in office-using employment, the prevalence of hybrid schedules, and higher interest rates intensify the risks for the City's commercial real estate.

Table 4 summarizes Comptroller and OMB projections.

Table 4. Summary of Economic Forecasts

		2022	2023	2024	2025	2026
U.S. Economy						
Real GDP (2012 $, % Change)	Comptroller	1.8	0.7	2.1	2.7	3.0
	Mayor	1.7	0.8	1.3	1.9	2.0
Payroll Jobs, (% Change)	Comptroller	4.1	1.4	0.7	0.7	0.4
	Mayor	4.0	0.8	(0.5)	0.0	0.4
Fed Funds Rate, (Percent)	Comptroller	1.7	4.6	3.9	3.0	2.5
	Mayor	1.7	4.1	3.6	2.9	2.8
10-Year Treasury Notes, (Percent)	Comptroller	3.0	4.6	4.1	3.8	4.0
	Mayor	2.8	3.4	3.3	3.3	3.2
NYC Economy						
Payroll Jobs (Change in Thousands)	Comptroller	268.8	51.3	38.7	59.8	69.9
	Mayor	267.2	78.3	63.5	86.2	84.9
Wage Earnings, (% Change)	Comptroller	10.2	2.5	2.5	3.8	4.2
	Mayor	8.7	2.1	2.6	4.4	4.4
CPI NY Area	Comptroller	6.4	3.9	2.6	2.4	2.4
	Mayor	6.1	3.2	2.1	1.8	1.7

The National Economy

In September of 2021, the Federal Reserve was assessing the rise in inflation as temporary, driven by base effects (lower prices during the depths of the COVID-19 pandemic) and supply chain disruptions. As shown in Table 5, at that time the participants of the Federal Open Market Committee (FOMC) expected inflation to be 2.3 percent in 2022, close to the policy objective of 2 percent. The median projection also showed robust GDP growth (3.8 percent), low unemployment (3.8 percent), and the Federal Funds rate at 0.3 percent, barely above the then current 0 – 0.25 percent range. In January 2022, the Federal Reserve started an aggressive policy to tame still-rising inflation. Since March, the Fed's policy interest rate rose at every FOMC meeting and it is coming off four consecutive increases of 75 basis points. In addition, quantitative easing turned into quantitative tightening and the Fed's governors expressed their singular focus on inflation and willingness to accept the prospect of slower growth, higher unemployment, and the risk of a recession. By September 2022, the projections were much changed: the economy was seen expanding 0.2 percent in 2022 and 1.2 percent in 2023, inflation was above the policy target in both years (4.5 percent in 2022 and 3.1 percent in 2023, respectively), and the Federal Funds rate was expected to end the year at 4.4 percent and rise to

4.6 percent in 2023. At the same time, the projections started to incorporate a higher unemployment rate of 4.4 percent in 2023.

Table 5. FOMC Members' Economic Projections September 2021 and 2022 (medians)

		September 2021	September 2022	Difference
2022	GDP growth	3.8%	0.2%	(3.6%)
	Unemployment rate	3.8%	3.8%	0.0%
	Core PCE inflation	2.3%	4.5%	2.2%
	Federal Funds rate	0.3%	4.4%	4.1%
2023	GDP growth	2.5%	1.2%	(1.3%)
	Unemployment rate	3.5%	4.4%	0.9%
	Core PCE inflation	2.2%	3.1%	0.9%
	Federal Funds rate	1.0%	4.6%	3.6%

Source: Federal Reserve Board of Governors, Summary of Economic Projections.

The Federal Funds rate now stands at a range of 3.75 – 4.0 percent and is expected to increase by 50 basis points at the December meeting, around the time of the publication of this report. At least one further increase of 25 basis points is expected in February of next year, when the Fed might re-evaluate the economic situation. The drop in the Consumer Price Index to 7.1 percent in November was welcome news and signals that inflation may have peaked. Nonetheless, interest rates are expected to remain elevated, and risks are tilted to the upside: rates are more likely to increase than to decline after reaching the 4.5 – 4.75 percent range, as recently remarked by Fed Chair Powell.[4] Long-term rates may remain elevated even after the Fed reduces the Federal Funds rate, suppressing asset prices and slowing home sales for a prolonged period of time after inflation subsides. The quantitative easing program meant that the Fed was the primary purchaser of Treasury bonds in recent years; with holdings reaching approximately one third of all outstanding longer-term Treasuries (ten years or more). The switch to reducing accumulated holdings implies upward pressure on Treasury rates for the next several years.

The U.S. labor market remained strong despite the GDP contracting at an annual pace of -1.6 percent and -0.6 percent in the first and second quarter of 2022, respectively. On a seasonally adjusted basis, U.S. non-farm employment rose by 263,000 in November 2022, close to the pace of 282,000 monthly gains in the previous three months. In 2022 monthly job gains averaged 392,000, slower than the pace of 562,000 per month in 2021, when business restrictions were being lifted and COVID-19 vaccines became widely available. Similarly, the seasonally adjusted

4 See https://www.federalreserve.gov/newsevents/speech/powell20221130a.htm.

U.S. unemployment rate fell from 4.0 percent in January to 3.6 percent in March, and it remained between 3.5 percent and 3.7 percent, where it has been hovering since.[5]

U.S. inflation, as measured by the Consumer Price Index (CPI), fell to an annual rate of 7.1 percent in November, down from 8.2 percent in September and a 40-year high of 9.1 percent in June.[6] Some factors driving inflation in 2021 and earlier in 2022 have eased, particularly supply chain disruptions.[7] Rents have increased rapidly during the pandemic but they also appear to be decelerating. This will reduce CPI inflation over time as new rental contracts are signed.[8] On the other hand, the labor market remains tight, with job openings edging down but still vastly exceeding available workers.[9] Wage growth is robust (though below inflation): average hourly earnings grew 5.1 percent over the year in November. A combination of slower job growth, reduction in openings, and slower wage growth are necessary to bring inflation toward the Federal Reserve target of 2 percent.[10]

The forecast calls for CPI inflation to fall to 4.0 percent in 2023 and 2.4 percent in 2024, in line with the consensus. The shape of inflation expectations has driven short-term interest rates above long-term ones, with the difference between the 10-year and the 3-month treasuries (constant maturity) at its lowest on record.[11] A yield curve inversion is considered a leading indicator of recessions.[12]

Because of the speed and scale of tightening, the likelihood that the economy will slide into recession has risen. The consensus view among economists calls for GDP dropping in the first half of 2023. However, the declines are relatively mild at 0.6 percent and 0.3 percent in the first and second quarter, respectively.[13] The latest SIFMA economist roundtable survey summarizes well the consensus view: 83 percent of respondents believed the nation will enter in a recession and, if so, 89 percent believed it will be "mild."[14] These expectations are not all that dissimilar from the predominant soft-landing scenario of a few months ago.

The 30-year mortgage rate rose from 3.1 percent at the end of last year to peak at 7.08 percent in October, before falling to 6.5 percent at the beginning of December.[15] The recent decline most

[5] Unemployment Rate (UNRATE) | FRED | St. Louis Fed (stlouisfed.org)

[6] 12-month percentage change, Consumer Price Index, selected categories (bls.gov)

7 See the Federal Reserve Bank of New York's Global Supply Chain Pressure Index https://www.newyorkfed.org/research/policy/gscpi#/interactive.

8 See Adams et al. (2022) "Disentangling Rent Index Differences: Data, Methods, and Scope", BLS Working Paper 555, https://www.bls.gov/osmr/research-papers/2022/pdf/ec220100.pdf

[9] See https://www.bls.gov/news.release/pdf/jolts.pdf.

[10] See https://www.federalreserve.gov/newsevents/speech/powell20221130a.htm.

[11] https://fred.stlouisfed.org/series/T10Y3M

[12] https://www.newyorkfed.org/research/capital_markets/ycfaq#/

[13] To put into perspective GDP shrank at a faster clip in the first two quarters of 2022, as noted earlier in the report.

[14] See https://www.sifma.org/wp-content/uploads/2022/12/SIFMA-US-Economic-Survey-2H22.pdf.

15 30-Year Fixed Rate Mortgage Average in the United States (MORTGAGE30US) | FRED | St. Louis Fed (stlouisfed.org).

likely reflects perceptions that inflation is slowing, and that the Federal Reserve will slow and then pause interest rate increases. Despite the recent drop, rising interest rates have taken a toll on the housing markets, with existing home sales falling for nine straight months as of October. This is the longest streak of declines on record and a drop of 32 percent from the January peak. High interest rates coupled with limited supply, pushed home-buying affordability down. More recently, prices have started to decline[16] and transaction activity dropped significantly from the levels achieved in 2021.[17] Mortgage rates are largely driven by the ten-year Treasury rate, rather than the Fed Funds rate, so they may stay elevated beyond 2023.

The New York City Economy

Labor Markets

Seasonally adjusted private employment in New York City rose by 13,300 in October, the ninth straight monthly increase since last January's COVID surge. Monthly job gains in 2022 to date averaged 16.9 thousand, down from the 24.4 thousand average over the same period in 2021 when vaccinations replaced non-pharmaceutical public health intervention to limit the spread of COVID-19. In October, private employment had rebounded to 3.99 million, 97.2% of the pre-pandemic peak of February 2020, a gain of almost 830,000 jobs from the trough in April 2020. Employment in the Information, Professional and Business Services, and Healthcare and Social Assistance sectors has risen above pre-pandemic levels.

16 See https://fred.stlouisfed.org/series/CSUSHPINSA and https://fred.stlouisfed.org/series/SPCS10RSA.

17 See the Pending Home Sale Index provided by the National Association of Realtors: https://cdn.nar.realtor/sites/default/files/documents/phs-10-2022-pending-home-sales-11-30-2022.pdf.

Table 6. New York City Employment, Pre-pandemic vs Current

(in thousands)	Seasonally Adjusted NYC Employment				Oct. '22 Change From			Oct. '22 % of
Industry:	Feb. '20	Apr. '20	Sep. '22	Oct. '22.	Feb. '20	Apr. '20	Sep. '22	Feb. '20
Total Private	4,108.4	3,161.4	3,978.0	3,991.3	(117.0)	829.9	13.3	97.2%
Financial Activities	487.2	469.2	477.4	475.4	(11.7)	6.3	(1.9)	97.6%
Information	229.2	204.1	242.9	243.6	14.4	39.5	0.7	106.3%
Professional and Business Services	781.3	688.0	792.9	794.5	13.1	106.5	1.6	101.7%
Educational Services	256.4	229.4	243.3	236.2	(20.2)	6.8	(7.2)	92.1%
Health Care and Social Assistance	823.5	707.5	862.4	868.7	45.1	161.2	6.3	105.5%
Arts, Entertainment, and Recreation	95.7	50.7	84.1	86.3	(9.4)	35.6	2.2	90.1%
Accommodation and Food Services	374.4	105.8	313.5	323.2	(51.3)	217.4	9.6	86.3%
Other Services	196.1	129.2	180.0	180.2	(15.9)	51.0	0.2	91.9%
Retail Trade	346.1	230.2	307.4	307.3	(38.8)	77.1	(0.1)	88.8%
Wholesale Trade	139.8	108.2	129.0	128.6	(11.2)	20.3	(0.4)	92.0%
Transportation and Warehousing	135.0	98.8	132.5	133.5	(1.5)	34.6	1.0	98.9%
Construction	162.6	87.7	139.8	140.3	(22.3)	52.7	0.5	86.3%
Manufacturing	65.9	37.8	58.3	58.9	(7.0)	21.1	0.7	89.3%

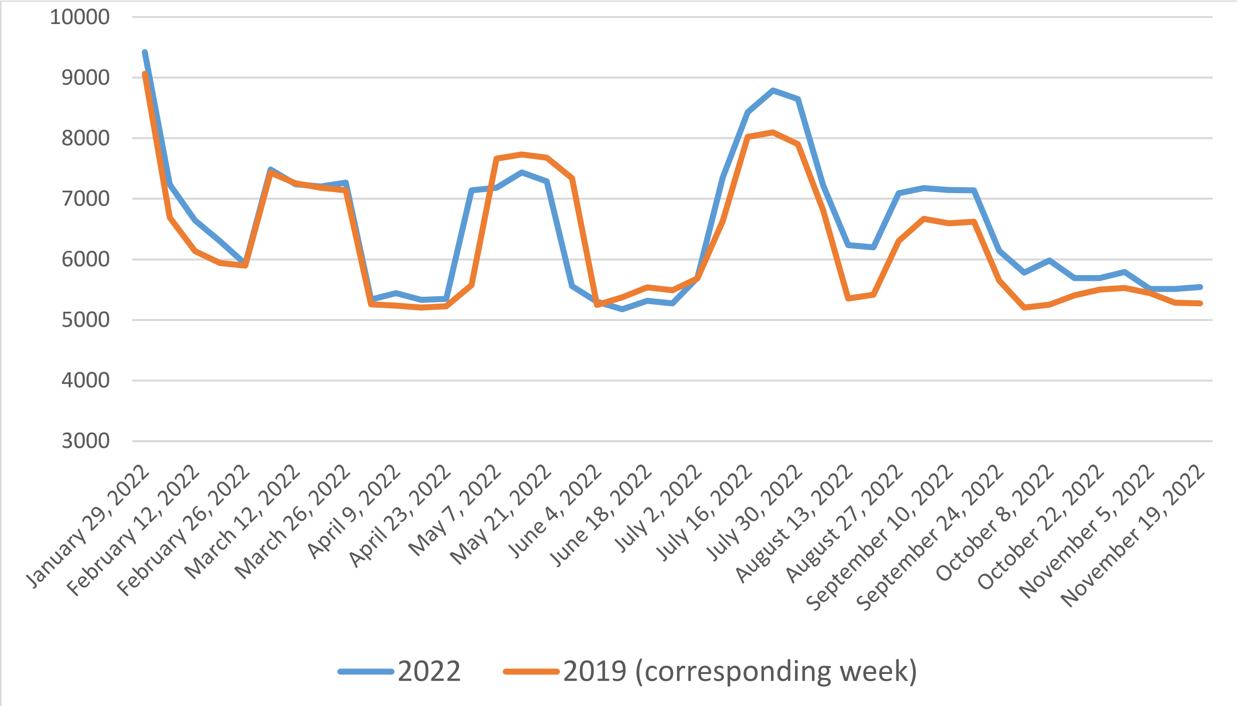
SOURCE: New York State Department of Labor, NYC OMB.

The healing of the NYC labor market can also be seen in the data on the flow into unemployment, reported in Table 6. In 2022, the four-week average of initial claims returned to the levels seen in 2019. State-level data on job openings indicates that there were 0.8 job seekers per job opening in September of 2022, lower than the ratio of 1.0 in February 2020.[18] The data are supported by surveys of businesses in New York State, New Jersey, and southwestern Connecticut, which continue to report difficulties in filling open positions.[19]

[18] See https://dol.ny.gov/unemployed-job-seekers-opening.

[19] See the Federal Reserve Bank of New York Business Leaders Survey, November 2022 https://www.newyorkfed.org/medialibrary/media/survey/business_leaders/2022/2022_11supplemental.pdf?la=en.

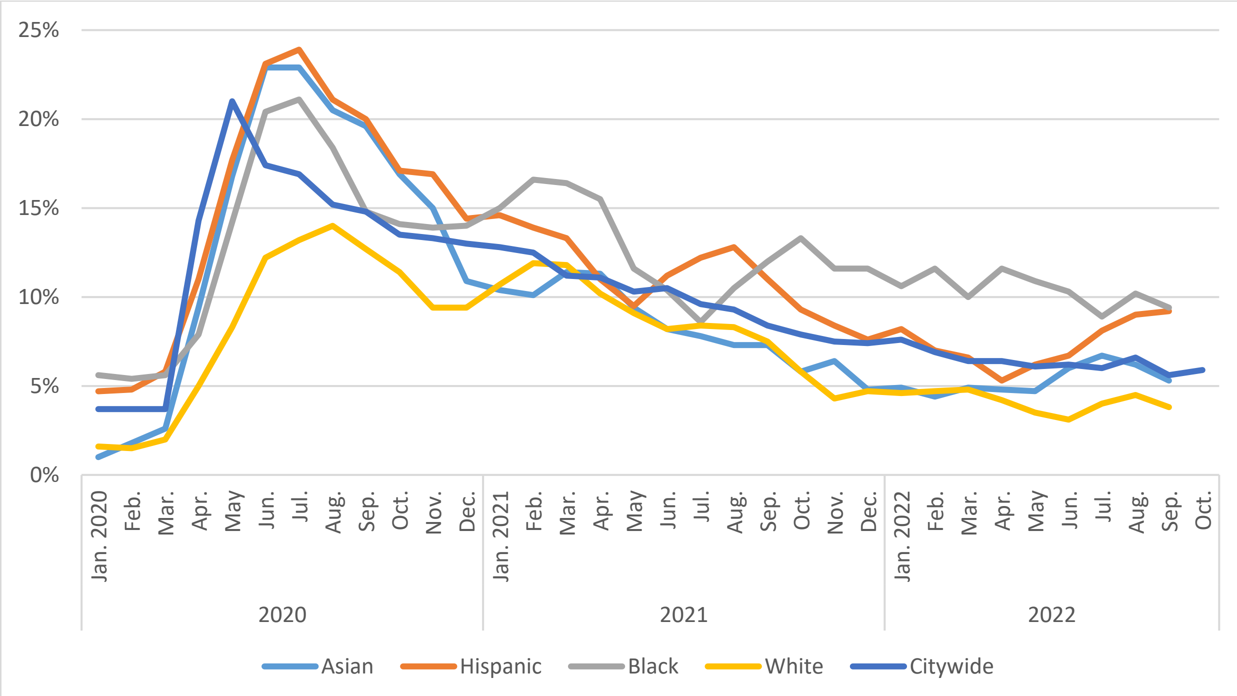
Chart 1. Initial Unemployment Claims in NYC



SOURCE: New York State Department of Labor.

New York City's seasonally adjusted unemployment rate has declined steadily from a peak of 21.0% in May of 2020, to 5.9% in October 2022. However, it remained well above the 3.7% achieved before the start of the pandemic, with a disproportionate impact on Black and Hispanic New York City residents, as shown in Chart 2.

Chart 2. NYC Unemployment Rate by Race and Ethnicity



Source: Bureau of Labor Statistics, Current Population Survey, Office of the NYC Comptroller.

Table 7 compares jobs in NYC and the US in the third quarter of 2021 and 2022, relative to their level in February 2020. The table also reports the difference between the percentage of jobs recovered in NYC and in the nation: negative numbers indicate a lag in the city's job recovery, and vice versa. Finally, the last column reports the relative yearly gain and loss: a positive number means that the City widened its lead or closed its lag relative to the nation; a negative number means that the City lost ground.

In contrast to the US as a whole, NYC has not yet returned to the pre-pandemic job peak. This is due to a confluence of factors, such as a deeper shock from the pandemic, population losses, changes in work patterns that disproportionately affect office-intensive industries, and a drop in commuting and visitation volumes. However, both total nonfarm and private sector jobs have been closing the gap with the nation at a steady pace of 1.7 percentage points (ppts) and around 2.0 ppts per year, respectively.

Office-using jobs[20] fell less during the COVID-19 recession and have returned to their pre-pandemic high of 1.5 million in NYC, but they lag the nation by 3.3 ppts and are closing the gap

[20] Office-using jobs are defined as the sum of Financial Activities, Professional and Business Services, and Information. The components are analyzed further down in the report. Starting in January 2023, the Bureau of Labor Statistics will revise the industry classification in the Current Employment Survey, updating from 2017 to 2022 North American Industry Classification System (NAICS). About 10 percent of employment will be reclassified, with expected major revisions in Retail Trade and Information. The full impact on NYC statistics will likely be evident with the release of re-benchmarked historical data in March of 2023.

at a slower rate than the overall job market. In contrast, Educational and Health Care and Social Assistance Services are leading the nation, and widening the lead at a steady 2.4 ppts per year.

Trade, Transportation, and Utilities and Leisure and Hospitality jobs are lagging the nation by wider margins, for different reasons. The former is slowed by the Retail Trade sector and the speed of catching up to the US also dropped, indicating that the wedge between NYC and the nation may be more long-lasting, and tied to the return of office workers to in-person attendance. Leisure and Hospitality continues to converge to the US trend and erased 6.4 ppts of its lag in the year ending in 2022Q3 (a slower speed than the blistering 12.2 ppts in the previous four quarters). However, neither NYC nor the US have fully regained Leisure and Hospitality jobs and their recovery appears to be structurally slower.

Table 7. The Job Recovery in NYC and the US: Major Aggregates

	NYC % of Feb. 2020	US % of Feb. 2020	NYC lead/lag (ppts)	NYC yearly gain/loss vs. US (ppts)
		Total nonfarm		
2021 Q3	91.3%	96.3%	(5.0)	1.7
2022 Q3	96.8%	100.2%	(3.3)	1.7
		Private		
2021 Q3	90.2%	96.3%	(6.1)	2.0
2022 Q3	96.6%	100.6%	(4.0)	2.1
		Office-using		
2021 Q3	94.2%	99.3%	(5.1)	(0.7)
2022 Q3	100.4%	103.7%	(3.3)	1.8
		Education and Health/Social Assistance Services		
2021 Q3	97.1%	96.4%	0.6	2.4
2022 Q3	102.9%	99.9%	3.0	2.4
		Trade, Transportation, and Utilities		
2021 Q3	87.0%	99.9%	(12.9)	1.4
2022 Q3	91.5%	103.4%	(11.9)	1.0
		Leisure and Hospitality		
2021 Q3	69.8%	85.0%	(15.2)	12.2
2022 Q3	84.1%	92.9%	(8.8)	6.4

Source: Bureau of Labor Statistics, New York State Department of Labor, NYC OMB, Office of the NYC Comptroller.

Table 8 provides detail on large sub-sectors that had not yet reached 90 percent of their pre-pandemic job level as of the third quarter of 2022: Retail Trade (part of Trade, Transportation, and Utilities), Arts and Entertainment (part of Leisure and Hospitality), Accommodation and Food Services (part of Leisure and Hospitality), and Construction.

US retail jobs were already close to February 2020 levels in the third quarter of 2021 and have grown moderately since. The impact of the pandemic in NYC on retail jobs was deeper and the recovery slower than for the city's private sector as a whole. Arts and Entertainment and Accommodation and Food Services jobs were lagging the nation by about 15 percentage points in the third quarter of 2021 and reduced the lag by 6 – 7 percentage points in the following year. Finally, as of the third quarter of 2022, the construction sector in NYC lost ground both in absolute terms and relative to the U.S. Going forward, the surge in permitted residential units in the first half of 2022 due to the expiration of the 421-a tax exemption program[21] and the overall projected increase in built area[22] should sustain job creation in the near term.

Table 8. The Job Recovery in NYC and the US: Lagging Sectors

	NYC % of Feb. 2020	US % of Feb. 2020	NYC lead/gap (ppts)	NYC yearly gain/(loss) vs. US (ppts)
		Retail Trade		
2021 Q3	85.2%	99.0%	(13.8)	0.7
2022 Q3	88.9%	101.4%	(12.5)	1.3
		Arts and Entertainment		
2021 Q3	66.4%	81.9%	(15.5)	2.3
2022 Q3	83.8%	92.3%	(8.5)	7.0
		Accommodation and Food		
2021 Q3	70.7%	85.5%	(14.8)	14.1
2022 Q3	84.2%	93.0%	(8.8)	6.0
		Construction		
2021 Q3	86.0%	97.1%	(11.1)	(3.4)
2022 Q3	85.4%	101.0%	(15.6)	(4.5)

Source: Bureau of Labor Statistics, New York State Department of Labor, NYC OMB, Office of the NYC Comptroller.

Within office-using sectors, Financial Activities jobs remain below February 2020, lag the US by 3.2 percentage points, and have grown at a similar pace as the nation. Within Financial Activities, jobs in the Securities industry have remained relatively stable. This is of great importance because the industry represented 5.0 percent of NYC's private sector jobs but it paid 22.0 percent of all private sector wages in 2021. However, unique among the sectors in the table, the job gap between the City and the US is widening.

After losing ground in 2021, Professional and Business services grew 3 ppts faster in the City than in the US in 2022. As measured by the Office of the State Deputy Comptroller, the tech sector

[21] See NYC DCP https://www.nyc.gov/assets/planning/download/pdf/planning-level/housing-economy/permitting-first-half-of-2022-info-brief.pdf.

[22] See New York Building Congress (2022) *NYC Construction Outlook 2022-2024*, https://www.buildingcongress.com/advocacy-and-reports/reports-and-analysis/NYC-Construction-Outlook-2022-2024.html.

represented 4.9% of private sector jobs in 2021 and nearly 10 percent of private sector wages.[23] Most of the sector is embedded within Professional, Scientific, and Technical Services and Information. Professional, Scientific, and Technical Services surpassed their pre-pandemic level but lag US trends by 6.7 ppts, and grew only slightly faster than in the US in 2022 (+0.5 ppts). Information in NYC lead the nation by 0.9 ppts in 2022Q3 and continued to widen the lead over the year, though at a slower speed (+2.0 ppts).

Table 9. The Job Recovery in NYC and the US: Office-using Sectors

	NYC % of Feb. 2020	US % of Feb. 2020	NYC lead/gap (ppts)	NYC yearly gain/(loss) vs. US (ppts)
		Financial Activities		
2021 Q3	95.5%	99.0%	(3.5)	(1.5)
2022 Q3	97.9%	101.1%	(3.2)	0.3
		Securities (part of Financial Activities)		
2021 Q3	99.0%	102.8%	(3.8)	(1.7)
2022 Q3	100.7%	108.0%	(7.3)	(3.5)
		Professional and Business Services		
2021 Q3	92.4%	99.6%	(7.2)	(1.4)
2022 Q3	100.6%	104.8%	(4.2)	3.0
		Professional, Scientific, and Technical Services (part of Professional and Business Services)		
2021 Q3	95.5%	102.8%	(7.2)	(2.5)
2022 Q3	101.8%	108.5%	(6.7)	0.5
		Information		
2021 Q3	97.5%	98.5%	(1.0)	4.8
2022 Q3	105.4%	104.4%	0.9	2.0

Source: Bureau of Labor Statistics, New York State Department of Labor, NYC OMB, Office of the NYC Comptroller.

The tech sector has been on a decade-long growth trajectory in NYC but multiple reports and announcements indicate that the industry is starting a round of layoffs and cost-cutting

[23] See NYS Comptroller (2022) The Technology Sector in New York City, October, https://www.osc.state.ny.us/files/reports/osdc/pdf/report-10-2023.pdf.

initiatives.[24] The layoffs have been announced by established profitable firms but job losses at startups may be delayed until later in the year. While tech firm market values have been volatile the sector only lost 4% of its jobs after the 2009 recession and gained over 13% since 2020. The forecast calls for the sector to lose more than 9,000 jobs in 2023, approximately half of the post-COVID gain.

Profits at New York Stock Exchange member firms ("Wall Street firms") skyrocketed during the pandemic from $28.1 billion in 2019, to $50.9 billion in 2020, and to $58.4 billion in 2021. Higher profits were accompanied by a larger pool for incentive compensation of $37.1 billion in 2020 and $45.0 billion in 2021.[25]

In 2022, financial markets and profits of Wall Street firms came off 2021 highs. The S&P 500 started declining from its January 3rd peak as the Federal Reserve started pivoting on its expansionary policy. By mid-June, the index had declined 23.6 percent. After a rally peaking in mid-August, equities slid again to bottom at 25.4 percent off the peak in October. A faster-than-expected decline in the October CPI report brought about a relief rally on the expectation that the Federal Reserve would slow its rate increases.

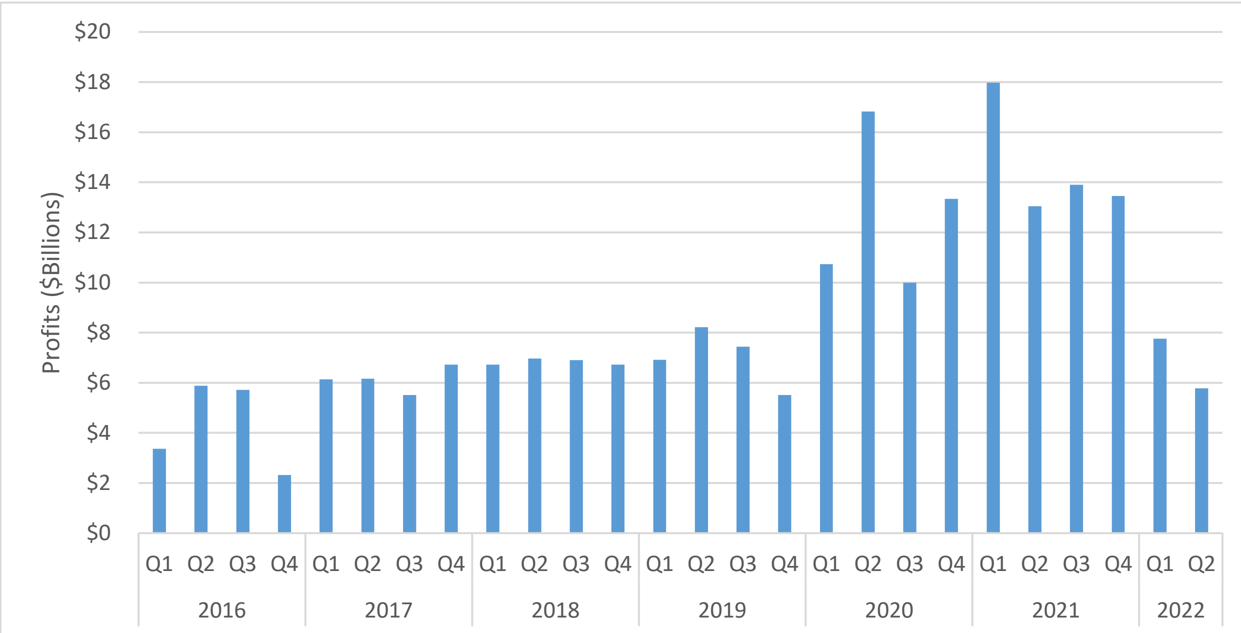
As shown in Chart 3, despite the declines in capital markets and a significant drop in deal-making,[26] Wall Street firms remained profitable, achieving profits of $19.3 billion in the first three quarters (-57.0 percent year over year), a level just $1 billion shy of the full-year average between 2010 and 2019, not adjusted for inflation. The profit forecast for 2022 is $25.1 billion (in line with the year-to-date decline), and the average for 2023-2026 is $19.6 billion, in line with historical standards. As a consequence of lower activity, the forecast calls for the securities industry to shed approximately 5,000 jobs in 2023. The sector did not add a meaningful number of jobs in recent years or during the post-COVID surge in profitability, so it appears likely that the impact of the drop in profits will largely be felt through smaller bonuses, reduced hiring and cost-cutting rather than through more substantial layoffs.

[24] See for instance https://about.fb.com/news/2022/11/mark-zuckerberg-layoff-message-to-employees/, https://www.npr.org/2022/11/14/1136659617/tech-layoffs-amazon-meta-twitter, https://www.cnn.com/2022/11/03/tech/lyft-layoffs/index.html.

25 See NYS Comptroller (2022) https://www.osc.state.ny.us/press/releases/2022/03/nys-comptroller-dinapoli-wall-streets-2021-bonuses-set-new-record.

26 Total US equity issuance as of the start of December, was down -78.2 percent year over year. IPOs were disproportionately affected, declining -94.3 percent.

Chart 3. Wall Street Firms Profits



Source: Intercontinental Exchange.

As noted by the compensation consulting firm Johnson Associates,[27] the bonus pool will also be lower in 2022. Incentive compensation is a substantial share of total wages in the Securities industry, reaching 47.7 percent in 2021[28] or more than 10 percent of total NYC private sector wages. The decline in bonuses will suppress the growth of overall wage earnings in 2023 and 2024, which is forecast at 2.5 percent in both years.

Inflation

NY-area CPI headline inflation peaked in June of 2022 at 6.7 percent before slowly declining to 6.0 percent in October. Core CPI inflation, which removes volatile food and energy items from the price index, is on a less steep trajectory but it may remain elevated as the cost of shelter (which represents 37.5 percent of the overall consumption basket) continues to grow.[29] Chart 4 shows that NY shelter inflation started growing steadily in the Summer of 2022 and was above 4 percent in October, nearly double the annual pace in June.

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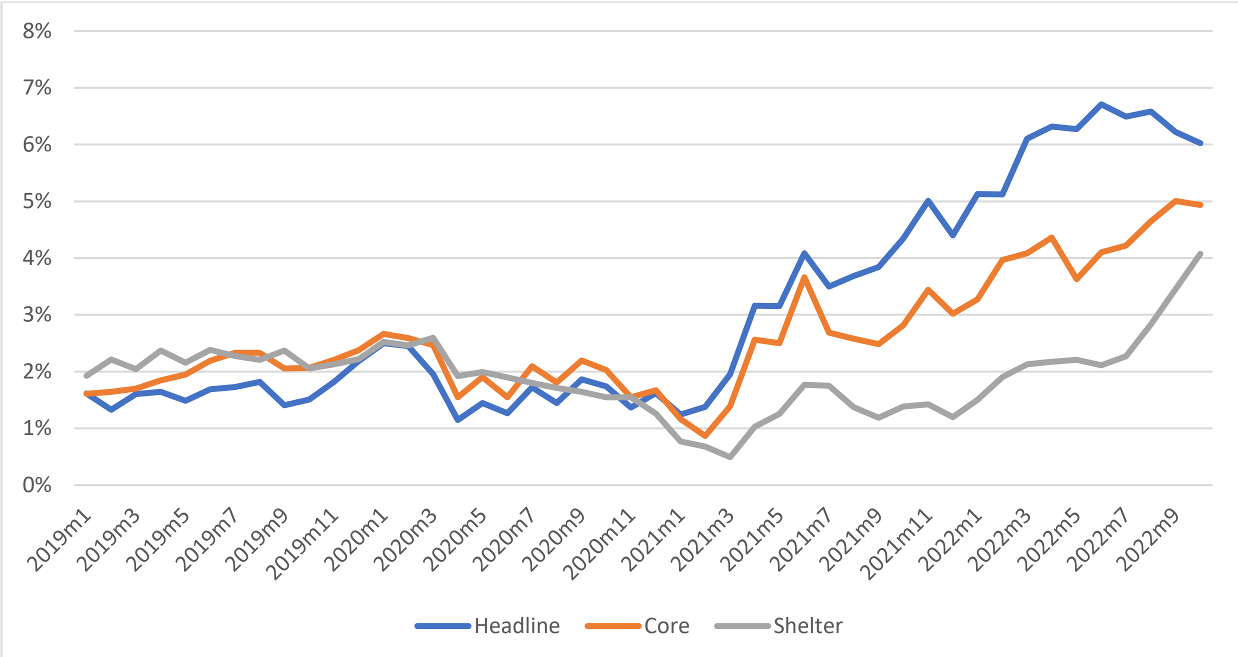
[27] See the latest survey available here https://johnsonassociates.com/wp-content/uploads/2022/11/Johnson-Associates-Q3-Comp-Estimates.pdf.

[28] Estimates of the bonus pool are from the Office of the NYS comptroller (https://www.osc.state.ny.us/press/releases/2022/03/nys-comptroller-dinapoli-wall-streets-2021-bonuses-set-new-record) while total wages are from the Quarterly Census of Employment and Wages, adjusted to shift first quarter wages (which contain the bonus payments) to the previous calendar year.

[29] Market rents appear to be slowing in recent months in NYC but CPI inflation reflects the City's market dynamics with a lag. See the May Economic Newsletter for an analysis.

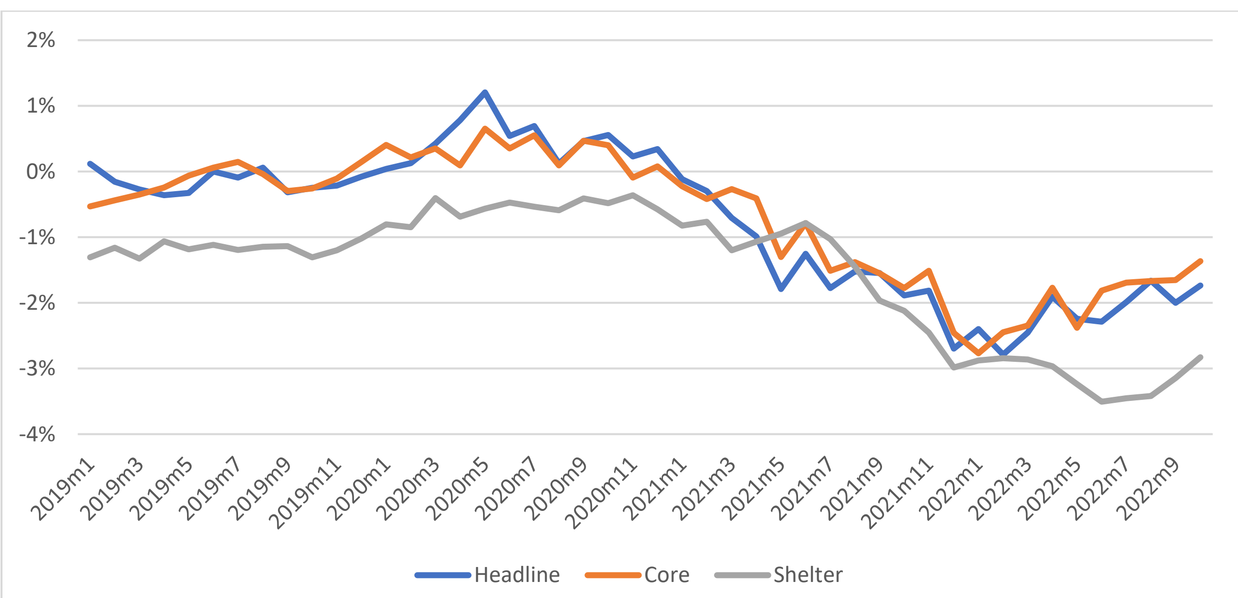
Chart 4. NY-area CPI Inflation (12-month % Change)



Source: Bureau of Labor Statistics.

CPI inflation in the NY-area tends to lag the US in periods of rapid price growth. Chart 5 shows that the headline and core inflation differential bottomed at -2.8 ppts in early 2022, whereas the shelter CPI differential bottomed in June at -3.5 ppts. Both NY-area and US inflation are expected to moderate and, as in previous cycles, the differential with the US is forecast to turn positive, if only slightly so.

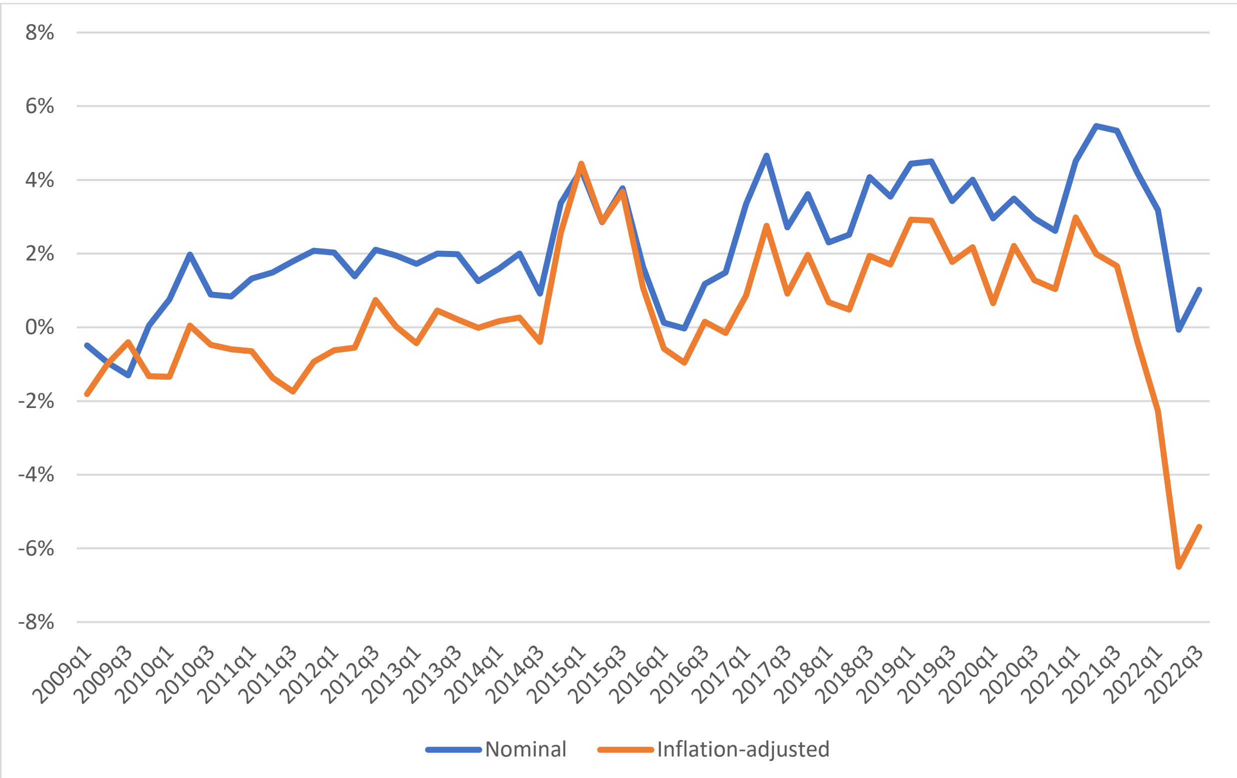
Chart 5. NY-US Inflation Differential



Source: Bureau of Labor Statistics.

Average hourly wages are not keeping pace with inflation in 2022. Hourly wages in NYC grew 3.0 percent in 2020 and 4.9 percent in 2021 but slowed to 1.5 percent in 2022 through October. This is in part due to the rebound in lower-paying jobs in service industries. As shown in Chart 6, once adjusted for headline NY-area CPI inflation, the growth in hourly wages peaked at 3.0% in the first quarter of 2021, also likely skewed by the unusually high share of high-paying jobs, and the impact of high Wall Street bonuses. Real hourly wages started decreasing in the fourth quarter of 2021 and growth bottomed at -6.5 percent in the second quarter of 2022.

Chart 6. NYC Average Hourly Wage Growth (12-month % change)



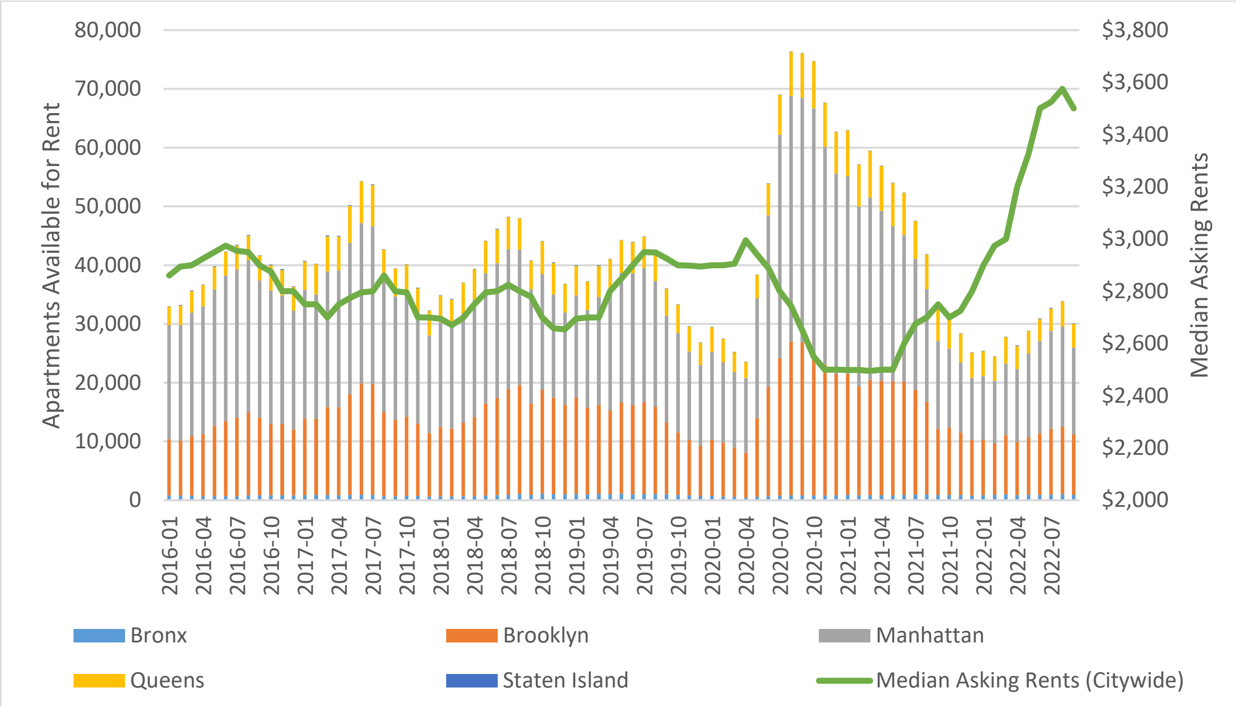
Source: Bureau of Labor Statistics, NYS Department of Labor.

Residential and Commercial Real Estate

The waning of the fully-remote office work era, the return to typical migration trends, and rising borrowing costs led to a surge in residential rents in 2022. Data from Streeteasy[30] shows median asking rents rose from pandemic lows of $2,500 to $3,500 in September 2022, an increase of 40 percent. The number of apartments available for rent fell by more than 60 percent from 80,000 at the height of the pandemic to closer to 30,000 in September.

[30] Streeteasy uses listing data for apartment rentals. The data has better coverage in Manhattan, Brooklyn, and areas of Queens.

Chart 7. Apartments Available for Rent and Median Asking Rents



Source: Streeteasy

The impact of the pandemic on the sales market was more muted, particularly if compared to the very fast growth taking place outside of NYC.[31] As documented in the tax revenues section of the report, transaction activity dropped dramatically in 2020, started exceeding pre-pandemic levels in 2021, and remained elevated until June 2022 as buyers rushed to close deals before further increases in interest rates. Since June, sales activity has slowed significantly and is projected to remain subdued through 2023.

Physical mobility in NYC remained well below pre-pandemic levels, as shown in Table 10. Google's mobility indexes through the third quarter of 2022 also showed that Manhattan continues to be disproportionally affected, with more time spent at home and fewer visits to workplaces, retail and entertainment venues, and transportation. Overall, the indexes are improving but significant gaps remain.[32] The impact of lower mobility on inflation-adjusted taxable sales is explored in the tax revenues section of the report.

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[31] See Abel J.R. et al. (2022) "A Look at the New York-Northern New Jersey Region's Pandemic Housing Boom," https://libertystreeteconomics.newyorkfed.org/2022/11/a-look-at-the-new-york-northern-new-jersey-regions-pandemic-housing-boom/.

[32] The data series were discontinued in October.

Table 10. Mobility Trends in NYC

Quarter	Workday Activity Relative to Pre-COVID-19 Baseline*							
	Visits to Workplaces		Visits to Retail		Visits to Transportation		Time Spent at Home	
	Manhattan	Rest of NYC	Manhattan	Rest of NYC	Manhattan	Rest of NYC	Manhattan	Rest of NYC
2020Q2	28.5	43.6	20.5	52.1	26.0	43.2	127.7	124.1
2020Q3	37.6	56.4	38.3	78.7	40.9	58.5	114.8	113.3
2020Q4	42.1	60.6	39.3	74.6	43.0	58.3	119.0	113.9
2021Q1	40.0	57.6	35.4	68.6	40.2	53.2	120.1	115.3
2021Q2	44.5	62.5	50.8	84.8	51.2	63.9	114.7	110.0
2021Q3	45.4	61.3	58.7	87.5	58.8	68.9	112.4	108.1
2021Q4	55.8	70.9	65.4	86.6	65.8	74.1	111.6	107.1
2022Q1	55.0	71.2	53.5	75.5	58.3	66.6	113.3	108.6
2022Q2	59.1	72.7	62.2	81.2	65.7	70.4	108.8	105.3
2022Q3	53.4	64.9	62.5	80.3	67.5	71.4	108.9	106.2

Source: Google Community Mobility reports, https://www.google.com/covid19/mobility .

The lower mobility in Manhattan is attributable to slow gains in office attendance. Table 11 reports office attendance based on two sources: security cards swipes at office buildings (from Kastle Systems) and employer surveys (from the Partnership for NYC – PFNYC). Security card data shows that office attendance in the New York area returned to 46.9 percent of pre-pandemic levels as of the end of October. This is roughly consistent with the Google mobility data and the survey conducted by the Partnership for NYC in August and September, which indicated that the average office worker spent half of their workweek in the office.[33] Gains in office attendance were also accompanied by increases in MTA ridership.

[33] The Kastle System data is an index relative to pre-pandemic levels. On any given day, even before COVID-19, office attendance would be less than 100 percent due to vacation, sick leave, and some remote work arrangements. Therefore, the Kastle Systems percentage should imply a lower in-person attendance than the PFNYC survey, which reports the percentage of workers by number of days in the office.

Table 11. Office Attendance and Workday Transportation Trends

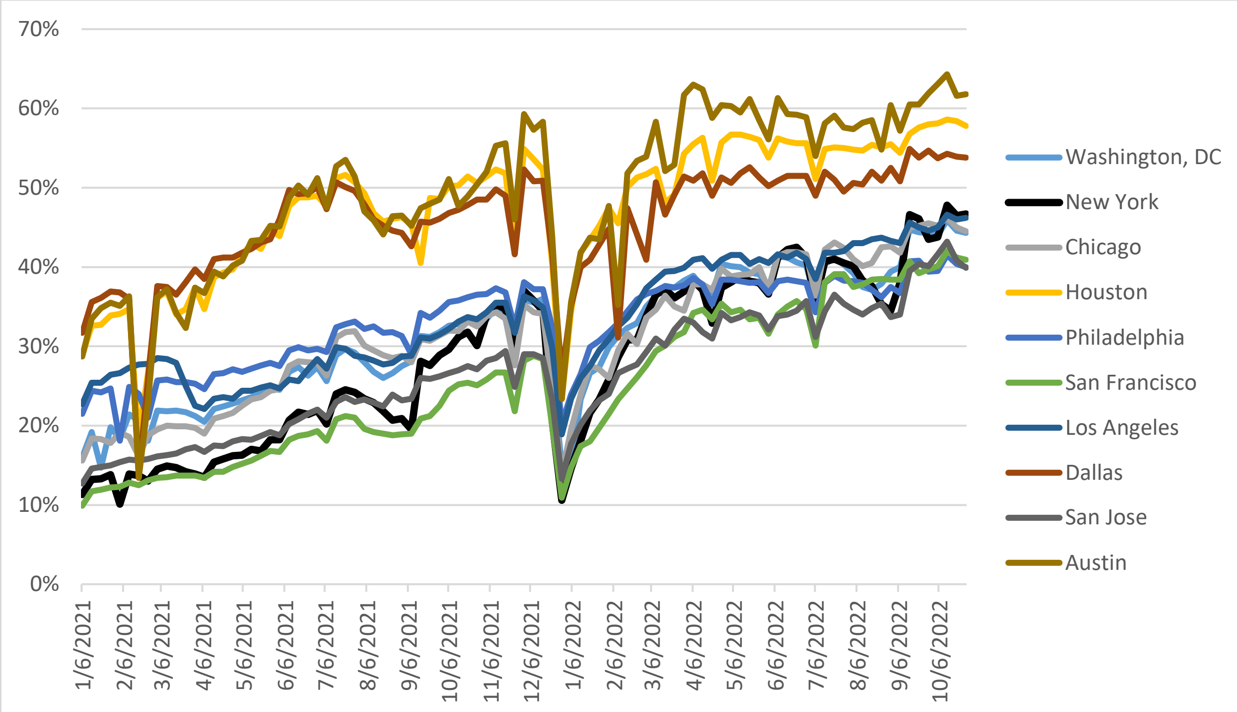
Quarter	Office Attendance		MTA Ridership Relative to Pre-COVID-19 Baseline* (%)				
	Kastle Systems	PFNYC Survey**					
	% OF Pre-Pandemic Baseline	% of Workers in the Office	Subway	Buses	LIRR	Metro North	Bridges and Tunnels
2020Q1	68.9	N/A	51.1	62.5			72.8
2020Q2	6.0	N/A	11.5	31.4	7.6	7.7	54.3
2020Q3	11.7	8.0	25.5	54.5	23.2	18.2	85.9
2020Q4	14.2	10.0	30.4	48.2	25.8	20.7	85.5
2021Q1	13.6	10.0	30.7	45.6	23.6	19.3	83.0
2021Q2	17.9	12.0	38.9	54.5	33.5	29.5	92.5
2021Q3	23.8	23.0	47.1	59.4	44.0	39.5	96.0
2021Q4	29.9	28.0	54.5	64.4	51.2	47.0	98.0
2022Q1	29.6	N/A	52.0	59.0	47.5	43.6	94.9
2022Q2	38.6	38.0	57.8	64.3	59.6	57.6	98.5
2022Q3	39.9	49.0	58.5	63.5	61.8	59.0	98.4
2022Q4	46.9	54.0***	61.5	64.2	66.6	66.6	98.8

*Data matched to workdays in the Kastle data up to 10/26/2022.
**PFNYC survey by date of publication: 8/20, 10/20, 3/21, 6/21, 8/21, 11/21, 5/22, 9/22
***PFNYC 2022Q4 is expected attendance by January 2023
Source: Kastle Systems, Partnership for New York City (PFNYC), MTA.

Chart 8 shows that office attendance in the NY area was at or above levels in the other major office markets in the US, with the exception of Austin, Dallas, and Houston.[34]

[34] A more detailed review of the NYC office market can be found in the August Economic Newsletter.

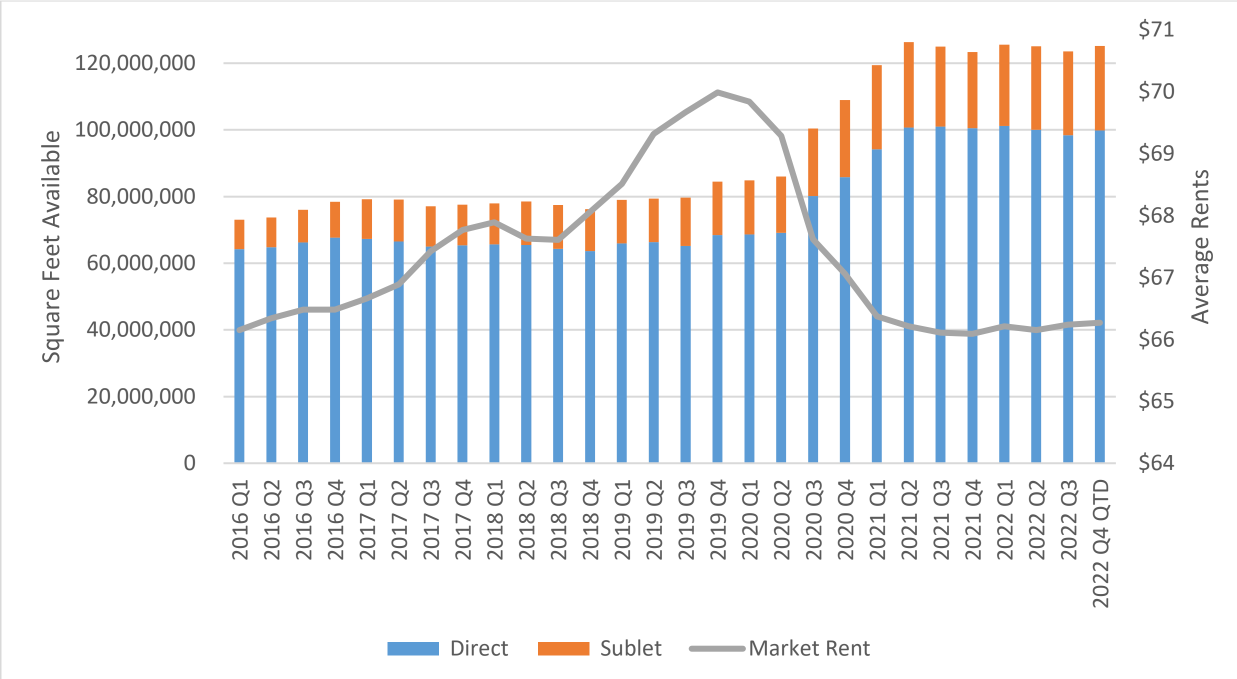
Chart 8. Office Attendance in New York's and Other Markets



Source: Kastle Systems.

The ongoing, and likely permanent, shift to hybrid work among office employees has had a lasting impact on New York City's office market. Office square footage available for lease rose from roughly 85 million square feet at the end of 2019 to a peak of 127 million square feet in the second quarter of 2021. This figure has slightly declined to 124 million square feet in the third quarter of 2022, but is still an increase of nearly 46 percent from the end of 2019. High availability will continue to exert downward pressure on office rents and valuations as additional long-term leases come up for renewal each year.

Chart 9. New York City Office Square Footage Available for Lease and Market Rents



Source: CoStar.

The outlook for office real estate is further complicated by two factors. First is the rapid increase in interest rates which is negatively affecting financing activity and raising the cost of renovations. Second, the tech sector will not provide the boost to leasing activity of previous years and might instead reduce its footprint.[35]

Travel and Tourism

In contrast, tourism has made a more complete recovery. Demand for hotel rooms surpassed 3.1 million in both September and October of 2022, the first time it has done so since the busy winter holiday season of 2019, after which room demand fell below 1 million monthly through much of 2020 and 2021. Revenue per available room (RevPAR) also surpassed $300 in September, a recent high, and a dramatic turnaround from the below-$50 levels recorded in 2020 and 2021.

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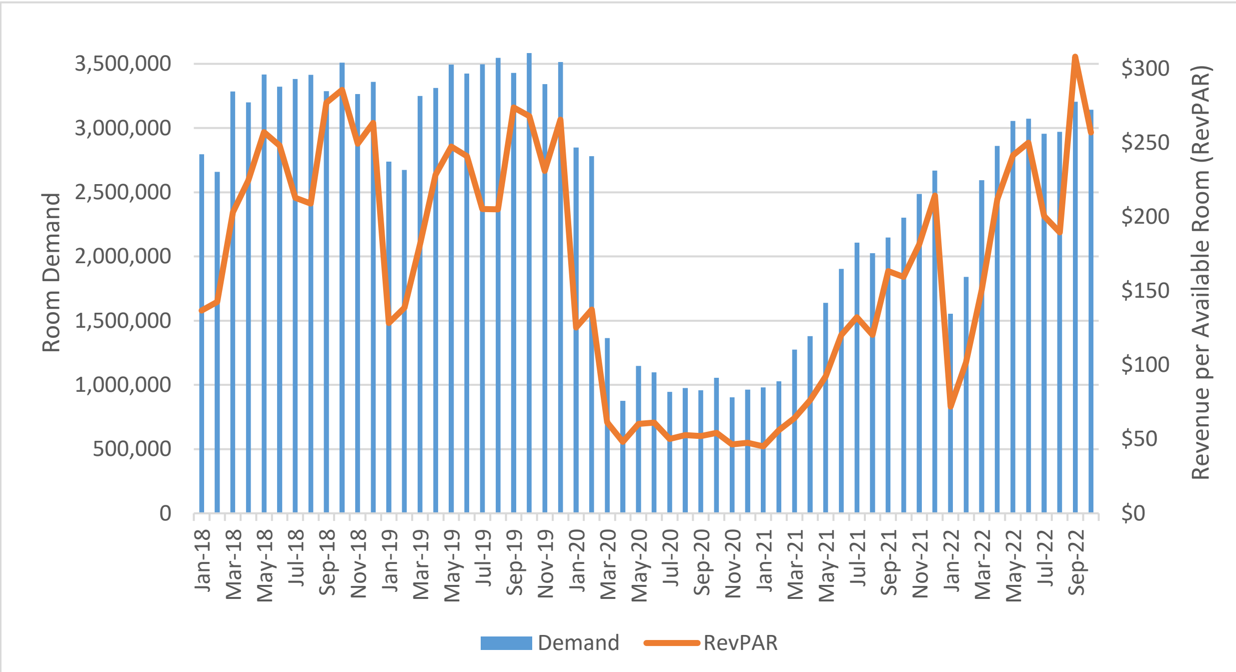
[35] See https://www.cnbc.com/2022/11/30/meta-is-downsizing-at-new-york-location-it-opened-in-2019.html.

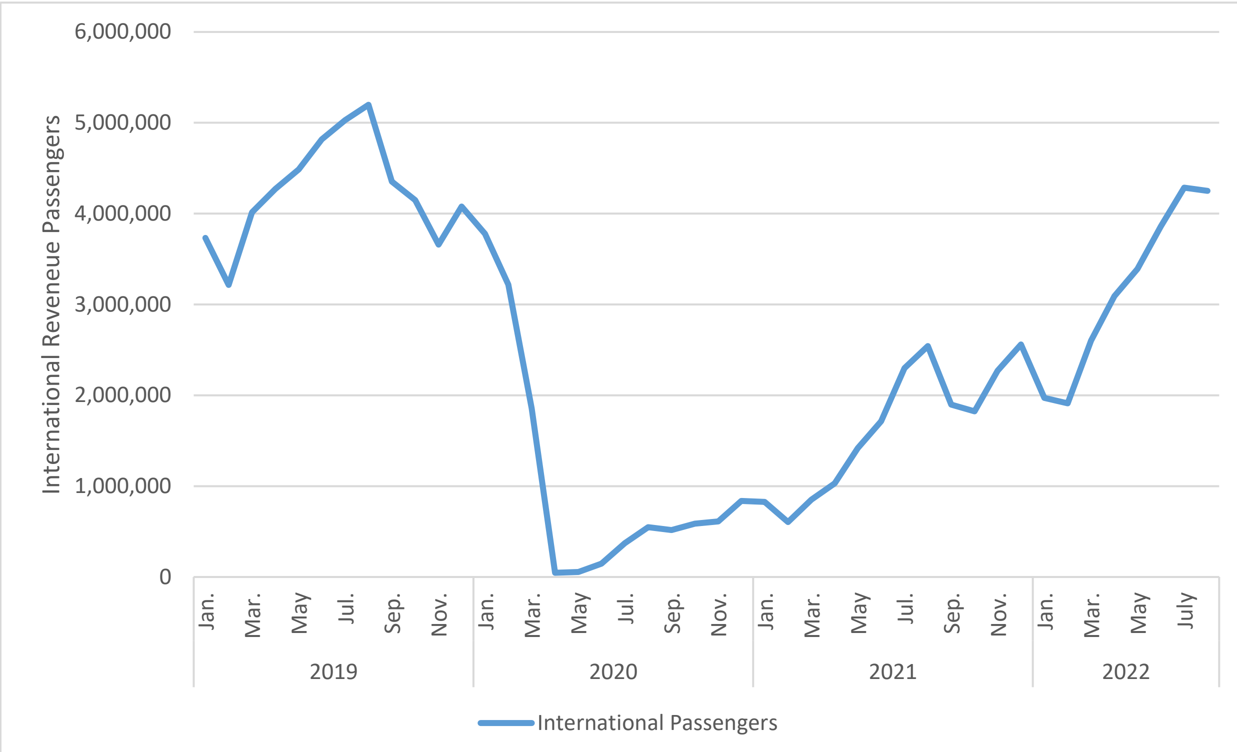
Chart 10. New York City Hotel Demand and Revenue per Available Room (RevPAR)



Source: STR via CoStar.

Part of this demand has been driven by a resurgence in international travel. Despite an increasingly strong dollar, ongoing COVID vaccination and testing requirements in many countries, and even quarantine requirements in countries such as China, international travel at New York City airports surged to over 4.25 million in July and August of 2022. International travel roughly doubled from the beginning of the year, and was up from a pandemic low of 46,508 in April 2020, bringing millions more international visitors to spend money at New York City hotels, restaurants and attractions.

Chart 11. International Air Travel to NYC Area Airports



Source: Port Authority of New York and New Jersey, international revenue passengers.

NYC&Co.'s recent outlook (reported in Table 12) calls for the number of visitors to reach 61.7 million in 2023, -7.4% relative to the peak of 66.6 million in 2019. The projection shows domestic visitors reaching 50.8 million (-4.3% from peak) and international visitors rising to 10.9 million (-19.3% from peak). As international visitation recovers, the share of domestic visitors is projected to drop to 82%, close to the share in 2019. The outlook for supply remains strong with room supply exceeding 124,000 in 2022 and a pipeline of 10,400 rooms, most of which are in Manhattan and Queens.

Table 12. NYC&Co.'s Tourism Outlook

	2019	2020	2021	2022(f)	2023(f)
Total Visitors (million)	66.6	22.3	32.9	56.4	61.7
Domestic	53.1	19.9	30.2	47.4	50.8
International	13.5	2.4	2.7	8.9	10.9
Overseas (not from North America)	12.0	2.1	2.2	7.9	9.6
Domestic Share	80%	89%	92%	84%	82%
Room Supply (000s)	128	88	118	124*	135**

*YTD as of NYC&Co October report

**2023-2024 forecast

Source: NYC&Co.

Risks to the Forecast

The main risk to the forecast remains a recession due to tightening interest rates. Forecasters have recently coalesced toward the idea of a "mild" recession but persisently higher inflation or a need to tighen further financial conditions could trigger a more pronounced downturn.

While wheat and energy prices are down from highs earlier in the year, both remain elevated; and the ongoing Russian invasion of Ukraine has the potential to result in further supply disruptions to world food and energy markets. Although Chinese authorities recently relaxed policies around testing and quarantine and appear poised to reduce restrictions over time, the return of an aggressive response to COVID outbreaks has the potential to disrupt Chinese manufacturing and supply chains.

At the City level, an additional risk derives from the possibility of deeper job losses in the securities and tech sectors, and in overall office-using employment. Higher interest rates (especially long-term rates) and stagnating or declining leasing activity could be a source of real financial stress for commercial real estate. Widespread monetary tightening and supply shocks could also slow the global economy beyond projections, slowing down the recovery of international travel and tourism spending.

The following are the main data releases that could affect the outlook up to the publication of the Preliminary Budget (expected in mid-January):

1. Outcome of the FOMC December meeting and market reaction;
2. Inflation data releases;
3. US December and NYC November jobs reports.

III. The State of the City's Finances

The November 2022 Financial Plan increased the FY 2023 Adopted Budget by $2.88 billion to $104.0 billion, driven by $1 billion in federal support for expenses related to the influx of asylum-seekers, an increase in Federal Categorical grants related to COVID ($813 million), and additional roll-over and acknowledgement of other federal and state reimbursement ($936 million) which is consistent with historical levels of adjustments. The City has not yet included over $1 billion in unspent Federal stimulus dollars from the last fiscal year, which will likely be added in the Preliminary Budget.

The City-funds budget, which excludes State, Federal, Other Categorical, and Inter-fund Agreement funding, totals $73.323 billion, staying the same as the Adopted Budget. The PEG program, which shows $1 billion in reduced City-funds, is offset by a variety of actions. The increase in miscellaneous revenue is offset by an intra-city revenue adjustment, which funds a variety of increases across the agencies. The City's PEG program frees up $800 million in reduced City-funded expenditures through a combination of expenditure reductions and funding shifts, which the City primarily uses to fund a $705 million pre-payment for FY 2024 debt service.

Table 13. Changes to FY 2023 City-Funds Estimates from the Adopted Plan

($ in millions)

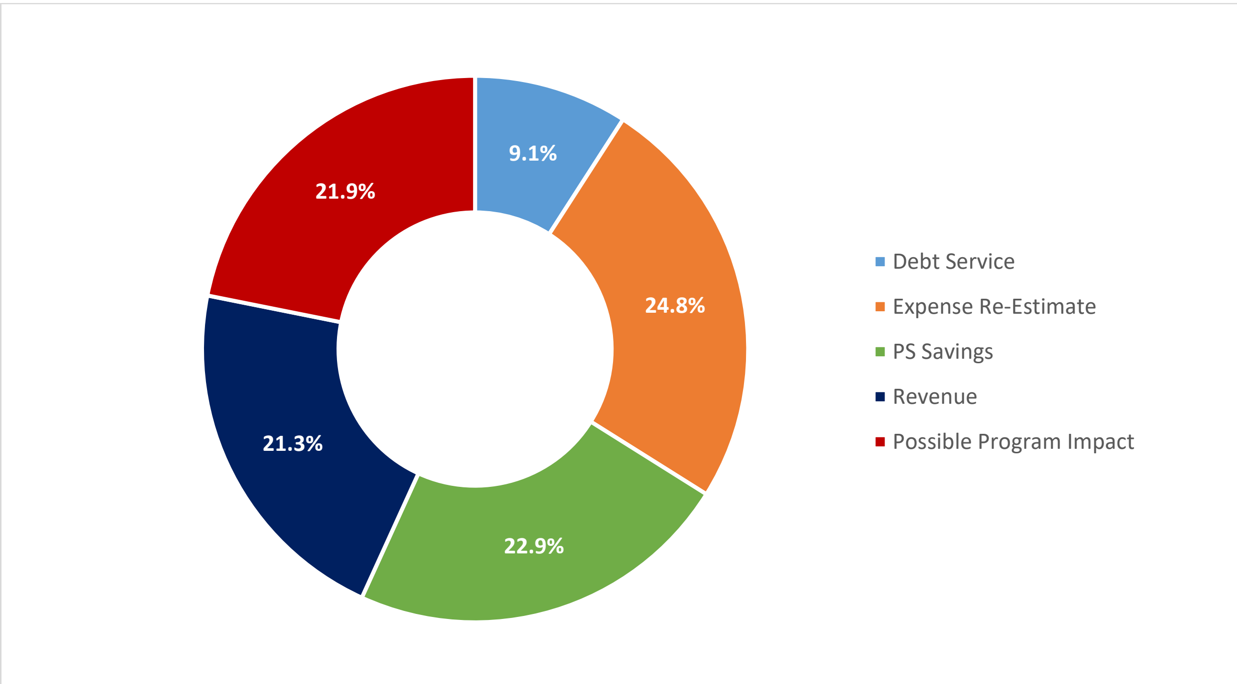
REVENUES		EXPENDITURES	
Property Tax	$0	Agency Expenses	$211
Non-Property Tax	0	Expense (PEG)	(833)
Miscellaneous Revenues	169	Debt Service	(83)
Intra-City Revenues	(169)	Pensions	0
Total	**$0**	**Subtotal**	**($705)**
		Prepayments of FY 2024 Debt Service	**$705**
		Total	**$0**

Program to Eliminate the Gap (PEG)

Overall, the November Plan PEG totals $5.55 billion over the four years of the Financial Plan Period: $916 million of savings in FY 2023, $1.61 billion in FY 2024, $1.52 billion in FY 2025, and $1.50 billion in FY 2026. The Comptroller's Office organized savings into the following categories, broken out in Chart 12: Personal Service Expenditures (PS), Possible Program Impact, Expense Re-estimates, Revenue, and Debt Service.

Chart 12. PEG Savings Over the Plan Period (FY 2023 – FY 2026)

($ in millions)



The City provided insufficient information for many PEG initiatives to discern budget re-alignments (more authorized funding than needed for a particular program based on historical spending) from actual program changes (a program cut resulting from either more efficient service or fewer services to be provided). A further description of the PEG and the five savings categories outlined above is included in the inset below.

Looking Under the Hood of New York City's November 2022

Financial Plan Program to Eliminate the Gap

In September, Mayor Eric Adams called for a mandatory citywide program to eliminate the gap (PEG) whereby city agencies were instructed to reduce FY 2023 City spending by 3% and FYs 2024, 2025, and 2026 by 4.75%. The recently announced November Plan Program to Eliminate the Gap (PEG) totals $5.55 billion over the four years of the Financial Plan period, with $916 million of savings in FY 2023, $1.61 billion in FY 2024, $1.52 billion in FY 2025, and $1.50 billion in FY 2026.[36] Outside of FY 2024, these targets fall slightly short of the Mayor's stated goal of $1 billion in FY 2023 cuts, and $1.6 billion in cuts throughout FY 2024 and the outyears, and most agencies fall short of their specific targets. The Office of Management and Budget (OMB) recently sent a second letter to agencies announcing additional cuts to existing vacancies, though it is as yet unclear how these new cuts interact with the savings that have already been announced and are discussed below.

The Comptroller's Office conducted a review and categorization of the PEG initiatives to highlight what is included in the savings program and whether the initiatives are feasible. The City's November 2022 Plan PEG initiatives were categorized as: savings in personal service expenditures (PS Savings), initiatives that may impact program delivery (Potential Program Impact), lower than anticipated spending (Expense Re-Estimates), revenue-boosting initiatives that reduce budget gaps (Revenue), and reductions in debt service payments (Debt Service). Many of the City's PEG items were presented with insufficient information to discern if a PEG item results from a budget re-alignment (more authorized funding than needed for a program) or an actual program impact (a program cut resulting from either more efficient service or fewer services to be provided). These opportunities for clarification are spread throughout the PEG items provided by the administration.

[36] The November 2022 Program to Eliminate the Gap is available here: Program to Eliminate the Gap (PEG) - November 2022 (nyc.gov)

The Major PEG Categories and Their Impacts

PS Savings

Savings associated with Personal Service (PS) expenditures, including staffing and fringe costs (unless fringe costs are offset by other revenue)

Category	FY 2023 Savings	FY 2024 Savings	FY 2025 Savings	FY 2026 Savings	Total Savings
PS Savings	($366,431,053)	($349,123,202)	($290,620,868)	($263,352,741)	($1,269,527,864)

- The PEG Plan includes $134.3 million in FY 2023 accruals (savings based on delayed hiring where agencies still anticipated being able to hire in the future).
    - The largest amount, $89.8 million, sits in the Department of Education (DOE), primarily pedagogical, which should not be impacted by OMB's most recent announcement in November. DOE's delays in hiring may have to do with the confusion and uncertainty caused by the school budget cuts over the summer.
    - The DOE also included a $23.8 million accrual for school safety officers (funded in the DOE budget and hired by the New York Police Department) and $13.1 million in FY 2024, due to delayed hiring.
    - The remaining accruals are smaller and spread across multiple agencies.
- The PEG Plan also included a number of nonspecific initiatives that reduced agency headcount by 714 positions, characterized as less than anticipated PS spending and/or vacancy reductions, with a collective savings of $45.9 million in FY 2023, $54.4 million in FY 2024, $54.4 million in FY 2025, and $54.5 million in FY 2026. The affected agencies currently have sufficient existing vacancies to cover these reductions and should be able to maintain their *current* levels of service without them. But because the program areas are generally unspecified, it is unclear whether specific program areas within an agency will bear the burden of these reductions, or whether current levels of service in these areas are adequate.
    - The largest reduction in planned agency positions is in the Parks Department (200 positions). The Police Department (NYPD) provided a reduction of 123 civilian positions, the Law Department submitted 93 reductions, and other agencies submitted smaller reductions. All of these reductions are feasible based on an analysis of agency vacancy numbers over the last two years.
- Other significant initiatives within the PS savings category have no associated position reductions, *yet* extend into the outyears of the plan ($122.3 million in FY 2023, $148.6 million in FY 2024, $111.4 million in FY 2025, and $86.3 million in FY 2026). It is unclear where these savings are coming from if not associated with reduced headcount, and whether these savings result from misaligned budgets, service reductions or efficiencies.

- Reductions of note include the NYPD (savings of $57.1 million in FY 2023, $91.1 million in FY 2024, $48.2 million in FY 2025, and $27.1 million in FY 2026), Department of Correction (DOC) ($42.4 million in FY 2023 and $34.4 million in each of the outyears), and Department of Health and Mental Hygiene (DoHMH) ($7.5 million in FY 2023 and $6.2 million in FY 2024 and 2025, and $2.2 million in FY 2026).

- And finally, a group of initiatives that sit within several of the uniformed agencies, have descriptions characterizing them as efficiency initiatives (overtime reductions, seasonal operational efficiencies, staffing uniform vs. non-uniformed roles appropriately). Interestingly, however, these same items are offset completely, also with City Funds, elsewhere within the Financial Plan documents. These PEGs will not actually reduce the gap in City funding. If these initiatives are expected to have a measurable impact on spending embedded within a larger budget code, agencies should provide clear and trackable metrics to ensure these savings targets are met. The values associated with these initiatives total $56.5 million in FY 2023, and $89.1 million in each of the outyears:
  - DOC has a “Staffing Efficiencies” PEG item at $12.2 million in FY 2023 and $24.4 million in FY 2024 and out, which is offset by a “Staffing Efficiencies Cost Avoidance” item of the same amounts.
  - The Department of Sanitation’s (DSNY’s) “Seasonal Operational Improvements” PEG item at $17.3 million in FY 2023 and $17.7 million in FY 2024 and out, which is offset by a “Seasonal Operational Improvements Cost Avoidance Offset” item in the same amounts.
  - The Fire Department (FDNY) has a number of similar scenarios: A “Discretionary Overtime Reduction” PEG item baselined for $3 million that is offset by a “Discretionary Overtime Cost Avoidance” item also baselined at $3 million per year. A “Full-Duty Off-The-Line Position Reduction” PEG item baselined at $14 million per year is likewise offset by a “Full-Duty Off-The Line Position Cost Avoidance Offset.” Lastly, the agency has a PEG item titled “Uniformed Availability Improvement” set at $10 million in FY 2023 and $30 million in FY 2024 and out, which is offset by an adjustment in the same amount.

Potential Program Impact

Reductions that may impact service delivery within specific programs. This category includes $1.21 billion in savings across the Financial Plan

Category	FY 2023 Savings	FY 2024 Savings	FY 2025 Savings	FY 2026 Savings	Total Savings
Potential Program Impact	($61,007,001)	($373,974,503)	($405,132,687)	($372,021,785)	($1,212,135,976)

In general, potential program impact reductions are items in which a specific programmatic change was announced, or a reduction in the program seems likely in order to achieve the savings target. These savings initiatives should be monitored both for potential impact on services and whether anticipated savings are achieved.

- City libraries all took a 3% hit to their operating subsidies in FY 2023 for a total of $13.6 million in cuts, growing to a $20.5 million reduction in the outyears. Thus far, service cuts have not been announced but it is unclear how the libraries can meet these targets.
- As part of the PEG initiative, the DOE is stepping back from the prior administration's commitment to universal preschool for 3-year-olds and has reduced the budgeted amount for the program by $284 million beginning in FY 2024. The remaining budgeted amount in FYs 2024-2026 is roughly the same as FY 2023 (approximately $712 million). In FY 2027 it drops to $619 million. This cut reduces the size of the outyear under-budgeted amount (fiscal cliff) to roughly $100 million, down from $376 million. In addition to this program reduction, the City is pulling $284 million forward to FY 2024 to reduce the City funds allocated to the program for one year, which we have characterized as a revenue shift below.
- The City's Behavioral Health Emergency Assistance Response Division (B-HEARD) initiative saw a budgeted reduction of $12.2 million in FY 2023, split across the Fire Department ($8.6 million) and Health + Hospitals (H+H) ($3.7 million). The FDNY savings is a reduction of the FY 2023 budgeted amount from $37 million to $28.5 million, with a commensurate reduction in headcount of 54, leaving 134 lines available. Note that the Financial Plan contains no outyear funding or headcount for this program within FDNY, and no positions were filled as of October, suggesting a possible retrenchment. The H+H savings amount is more consistent with a delay in hiring (similar to the accruals discussed in the above section).
- Other programmatic initiatives that are also showing reductions include Housing Preservation and Development's (HPD's) supportive housing program, the Housing Authority's (NYCHA's) non-personnel spending (that passes through HPD), a large amount ($29.3 million in each of the outyears) of Department of Youth and Community Development (DYCD) spending in unspecified programs, and the Young Men's Initiative (across several agencies).

Expense Re-Estimates

Lower than anticipated spending

Category	FY 2023 Savings	FY 2024 Savings	FY 2025 Savings	FY 2026 Savings	Total Savings
Expense Re-Estimate	($126,426,331)	($337,193,520)	($433,520,680)	($477,893,767)	($1,375,034,298)

Expense re-estimates are savings due to efficiencies resulting from the renegotiation of contract rates; delays or lower utilization than anticipated; or high-level adjustments in large spending categories in line with projected spending. Additionally, many of the savings initiatives were broadly characterized by the administration as savings resulting from less than anticipated spending – possibly fitting within one of the other categories but lacking any specificity or detail.

- Efficiencies include items where City agencies proactively pursued savings through contract re-negotiations and other methods of lowering costs on items not related to specific programs.
  - The City's November PEG includes $7.3 million of these savings in FY 2023, $14.7 million in FY 2024, $17.4 million in FY 2025, and $44.5 million in FY 2026, mostly in lower lease amounts, telecommunications contract renegotiations, and maintenance savings from system changes.
- Lower utilization of services covers items where costs were reduced, potentially due to a lower demand for services or a lower level of service provision for programmatic reasons or due to staffing shortages.
  - The DOE included lower than anticipated spending on staffing changes due to the department's vaccine mandate. Costs were $40 million lower in FY 2023 and are anticipated to be $97 million lower in FY 2024 and each of the outyears.
  - Other items included lower spending on client carfare, Career Compass and Career Advance employment contracts (all three submitted by the Department of Social Services), case management services (Department for the Aging), adoption subsidies (Administration for Children's Services), and elevator contracts (Department of Buildings).
- Re-estimates of spending, seemingly to align with historical spending and current service levels.
  - The biggest savings in this category is a reduction in health benefits expenditures at the DOE ($80 million in FY 2024 and $165 million in FYs 2025 and 2026), which is in line with prior year spending at lower than budgeted amounts.
  - DoHMH, Parks, and H+H all included re-estimates of other than personal service (OTPS) spending.
- Many agencies cited unspecified lower than anticipated spending, sometimes providing specific areas and generally in non-personnel spending, but sometimes inclusive of PS

savings as well. The descriptions are broad and do not include an underlying explanation for the savings.

  - Some of the larger savings can be found at Department of Transportation (DOT) ($13.2 million in FY 2024, $13.9 million in FY 2025, and $13.6 million in FY 2026), and Department of Citywide Administrative Services (DCAS) ($11.2 million in FY 2023, $1.7 million in FY 2024, and $1.5 million in the outyears).

- OMB reduced its outyear inflation adjustment for OTPS by $55.5 million, despite high current levels of inflation. This adjustment is how the Financial Plan accounts for increases in contractual spending as costs rise over time, particularly when contracts are renegotiated.

Revenue

Improvements in revenue that reduce the projected gap between revenues and expenses

Category	FY 2023 Savings	FY 2024 Savings	FY 2025 Savings	FY 2026 Savings	Total Savings
Revenue	($278,885,567)	($437,631,050)	($239,631,723)	($226,926,474)	($1,183,074,814)

The City often uses revenue PEGs to reflect increases in City funds revenue and/or offset City funds with State or Federal funding. These types of initiatives reduce the budget gap without impacting services but can be difficult to track. There are several different types of revenue initiatives in the Plan:

1. **Funding Shift**: In these cases, non-City or capital funding replaces City expense funds in a few different scenarios – grant funds are appropriately allocated to fund eligible expenses that had previously been budgeted with City-funds; personnel used on capital projects can be funded by the City's Inter Fund Agreement (IFA), a process by which the City transfers capital funds to the expense budget for qualifying items; or existing services can be covered by new sources of non-City funding.
   - Fringe adjustments for Administration of Children's Services (ACS) ($21.3 million in FY 2023), Social Services (DSS) ($18.5 million in both FY 2023 and FY 2024), FDNY ($3.3 million in FY 2023 and $2.9 million in FY 2024), and NYPD ($7.7 million in FY 2023) are included in this category instead of "PS Savings" as they are funding shifts from City funding to existing federal grant funding
   - ACS replaces $23.8 million in City-fund child care spending per year in FY 2024-2026 to the Child Care Block Grant.
   - A large outyear shift is seen in the Department of Homeless Services (DHS) of $119.6 million of behavioral health, vocational services, case management, access to permanent housing, and nutritional care and meals funding in both FY 2025 and FY 2026 to the NYS Medicaid Waiver program. This may require meeting rigorous programmatic and reporting requirements in order for the revenue to be collected.

- As noted above, the City moved $284 million in stimulus funds forward to replace City-funds as part of its "3-K rightsizing initiative." This initiative reduces the outyear allocations and eliminates a large portion of the FY 2026 fiscal cliff that had been noted as problematic in prior plans, but in doing so pulls back from the prior administration's commitment to provide universal 3K.

2. **Rate improvements and revenue maximization:**
   - The FDNY included an initiative to improve reimbursement rates for EMS.
   - ACS and DSS included an improved federal reimbursement rate for fringes, but only for one and two years, respectively. The City included three initiatives to maximize revenue, including a nearly $24 million revenue increase in FY 2024 and out through eligible child care claims under the Child Care Block Grant, and smaller $3 million annual increases at DYCD (Adult Literacy and School's Out NYC) and DoHMH (unspecified programs).
3. **Prior year funding**:
   - DSS, DoHMH and DYCD included prior year revenue PEGs of $161.3 million, $18.9 million and $15.5 million respectively in FY 2023. The Department for the Aging (DFTA) anticipates $15.3 million of prior year revenue in FY 2025. These PEGs are a way of budgeting for revenue that is anticipated for a prior year but had not previously been accrued for.
4. **Revenue re-estimates**:
   - The Fire Department and the Department of Health and Mental Hygiene both included broadly categorized "revenue re-estimates" for increased reimbursement for EMS and Medicaid respectively, relative to previously budgeted amounts.
5. **Increases in City revenue**:
   - The Department of Finance (DOF) is anticipating $12.5 million in FY 2024 and $9.5 million in the outyears in increased fees – primarily in real property income and expense late penalties due to the implementation of higher fines for repeat offenders and payment schedule updates related to parking violation fees.
   - DOT is anticipating $27.1 million in increased revenue from speed camera violations, revocable consent, and bikeshare, in FY 2024, dropping to $24.1 million in FY 2025 and $22.1 million in FY 2026.
   - A variety of other increases in fees and penalties (both increased fees and higher projected collection rates), property sales, and auction revenue for a total increase in revenue of $16.4 million in FY 2024, $9.1 million in FY 2025, and $8.5 million in FY 2026.

Debt Service

Projected reduction in debt service payments

Category	FY 2023 Savings	FY 2024 Savings	FY 2025 Savings	FY 2026 Savings	Total Savings
Debt Service	($83,297,519)	($116,163,806)	($147,652,118)	($158,593,298)	($505,706,741)

The City often includes reductions in Debt Service payments as part of its savings programs. The PEG program this year includes an overall reduction in debt service of $505.7 million across FYs 2023 – 2026, comprised of $316.6 million of Transitional Finance Authority (TFA) savings and $189.1 million in General Obligation (GO) bond savings.

- These savings are a combination of lower than anticipated borrowing costs due to assumed – or budgeted – interest rates being higher than actual borrowing rates year-to-date, and estimated bond issues being lower than initially projected; as well as savings from a TFA BARBs refunding.
- These reduced costs are offset by higher projected interest costs on variable rate bonds which have been factored in the above savings amounts.

Conclusion

PEG programs are an essential part of addressing the City's sizable budget gaps – gaps that have been recognized by this office previously, and that (even with the November Plan program) remain significant in the outyears. We agree that agency leaders are best placed to identify efficiencies within their own operations as well as other savings opportunities that are least likely to impact critical City services. Incorporating an ongoing PEG program into the annual budget process is the best way to ensure that the need for reductions doesn't build up to the point that they have a significant impact on operations. Additionally, eliminating vacancies that have been left unfilled for at least a year, as some of the November Plan PEG initiatives described here have done, is less likely to impact the current level of City service – though that level may still be inadequate compared to what the City needs.

But it appears that the City may be heading down a more risky path: OMB's recent vacancy reduction letter calls for a broad 50% reduction in civilian headcount across most of the City's agencies. We urge caution in applying such a blunt instrument to the positions that keep the City functioning. As the Comptroller's recent report on the citywide vacancy rate noted, eliminating currently vacant positions reduces headcount but does not take into account whether mission-critical services are adequately staffed.

We also support PEGs that encourage additional revenue to fund services, as well as the effort to realign budgets so that they portray a more accurate picture of the City's expense needs. Both actions are necessary to maximize scarce City resources. That said, we urge the City to be more forthcoming with details that are essential to understanding the impact of these initiatives on services and to enable a system that provides ongoing monitoring of initiative efforts over time. It is crucial that the program be evaluated, tracked, and monitored using a standard that allows the public to clearly see where cuts are being made, whether proposed cuts are achieved, and how cuts impact services.

Risks and Offsets

The Comptroller's Office review of the November Plan suggests a small surplus in FY 2023, but with growing gaps in the outyears compared to the City's estimated gaps. Revenue, including taxes, miscellaneous revenues and categorical grants, is anticipated to come in higher than the City's projections. In particular, most categories of tax revenue are anticipated to come in higher than OMB forecasts, other than real-estate transaction taxes in all years and business taxes beginning in FY 2024. The net impact of these taxes relative to the forecast is $1.190 billion in FY 2023, growing to $1.464 billion in FY 2024, and then dropping to $1.273 billion and $1.293 billion in FYs 2025 and 2026 respectively. Miscellaneous revenues are also estimated to be higher than the City's forecast, at $221 million in FY 2023 and $271 million in FY 2024, dropping to $151 million in FY 2025, and $64 million in FY 2026, primarily due to the increase in fines for camera-related violations and higher than budgeted interest income. The Comptroller's forecast for non-tax miscellaneous revenue also includes a risk for non-payment from the City's vendor for bus shelter advertising revenue, as described in the Miscellaneous Revenues section below. The Comptrollers' Office is including $920 million of unspent federal stimulus funds from FY 2022 that are not yet included in the Financial Plan as an offset in FY 2023.

On the expenditure side, the Comptroller's office is including $1.075 billion in FY 2023, $2.715 billion in FY 2024, $3.198 billion in FY 2025, and $3.80 billion in FY 2026 as additional risks. Many of these stem from chronically under-budgeted items that have been included in these reports before such as: overtime, Charter school tuition, pupil transportation, public assistance, rental assistance, and prevailing wages for shelter security guards. Fiscal cliffs, where a program budget appears fully funded in FY 23 but drops off without any indication of a commensurate decline in expenditures, remain in the November Plan for 3K expansion (but to a much lesser degree due to the retrenchment outlined in the PEG program), Special Ed Pre-K expansion, DOE mental health services, B-HEARD, Community Schools expansion and sustainability, Summer Rising, DOE contracted nursing, and Public Health Corps. Many of these programs began with stimulus funding but are unsupported by City funds in the outer years of the Plan, despite seeming to be continuing programs.

The Comptroller's Office is also including some newer risks that haven't yet been incorporated by OMB into their Financial Plan. Funding, estimated at $117 million per year, will likely be needed to cover foster care reimbursement costs associated with a new State requirement to pay 100% of the rates set by the State Office of Children and Family Services. In addition, New York City recently reached a settlement in the Lynch class action case on behalf of former detainees whose releases had been delayed for hours or days after they made bail. There are approximately 72,000 potential claimants with approximately 94,000 instances eligible for a settlement payment of $3,500. The Comptroller's office is assuming that approximately 25% of claimants will come forward; the settlement will be paid by the City in FY 2024.

Lastly, the City has included $1 billion in expenses for asylum seekers in FY 2023 funded entirely by federal support, with no costs planned for the outyears. The Comptroller's Office is including the full amount of federal support that the City has assumed for asylum-seekers in FY 2023 as a revenue risk, given the lack of information confirming the Federal government's support. And although the number of asylum-seekers arriving from the border has slowed in recent weeks after a change in U.S. policy, that policy is now under a Federal judge's order to end on December 21st, suggesting much is unknown about what these trends portend for the coming months and years.[37]. It is also highly unlikely that, even if the inflow of migrants were to diminish considerably in the coming months, the need for services for those already in the DHS and HERRC shelters would drop to zero at the turn of the fiscal year. Therefore, barring a strategic plan at the Federal, State and City level, the Comptroller's Office will assume a continued expense of $1 billion. It is quite possible this amount will be even higher in FY 2024 if the population continues to grow. Table 14 below shows the risk as a revenue risk in FY 2023, and as an expense risk in FYs 2024-FY 2026. The Comptroller's Office will continue to monitor both the continuing arrival of asylum-seekers as well as what is needed to assist them in finding more permanent homes.

The net impact of the above differences is an offset of $256 million in FY 2023, and additional risks of $980 million in FY 2024, $1.77 billion in FY 2025, and $2.44 billion in FY 2026. Combined with the stated gaps from the November Financial Plan, the Comptroller shows a surplus of $256 million in FY 2023, and gaps of $3.87 billion in FY 2024, $6.35 billion in FY 2025, and $8.36 billion in FY 2026.

In addition to the risks quantified above, several others loom large. While the City has included a labor reserve to fund contractual wage increases of 1.25 percent per year for the next four years, the results of the current round of collective bargaining remain unknown. Each additional percentage point increase would cost the City approximately $450 million. Also hanging over the City, is a mandate signed by the Governor in September, mandating class size reductions at NYC schools beginning next year. The City estimates that the additional cost could grow to $1 billion once fully implemented. Pending further details on these items, they are not included in the Risks and Offsets table below, but could contribute to the budgetary gap.

[37] https://www.npr.org/2022/12/08/1141499718/the-biden-administrations-appeal-on-the-title-42-ruling-revives-the-fight-on-asy

Table 14. Risks and Offsets to the November 2022 Financial Plan

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

	FY 2023	FY 2024	FY 2025	FY 2026
City Stated Gap	**$0**	**($2,890)**	**($4,580)**	**($5,915)**
Tax Revenues				
Property Tax	$319	$239	$622	$936
Personal Income Tax	192	541	350	520
Business Taxes	206	(2)	(119)	(301)
Sales Tax	322	321	325	213
Real Estate Transaction Taxes	(254)	(92)	(312)	(480)
All Other	155	207	156	155
Audit	250	250	250	250
Subtotal Tax Revenues	**$1,190**	**$1,464**	**$1,273**	**$1,293**
Non-Tax Revenues				
Miscellaneous Revenue	$221	$271	$151	$64
Federal Assistance – Asylum Seekers	(1,000)	0	0	0
ARP-State & Local Fiscal Recovery Funds	920	0	0	0
Subtotal Non-Tax Revenues	**$141**	**$271**	**$151**	**$64**
Expenditures				
Overtime	($691)	($250)	($250)	($250)
Charter School Tuition	0	(278	(430)	(723)
Carter Cases	(475)	(475)	(475)	(475)
Pupil Transportation	0	(75)	(125)	(175)
3K Expansion	0	0	0	(93)
Special Ed Pre-K Expansion	0	0	(47)	(95)
DOE Mental Health Services	0	0	(37)	(86)
Community Schools Expansion/Sustainability	0	0	(27)	(54)
Summer Rising	0	0	(176)	(176)
DOE Contracted Nursing	0	0	(49)	(49)
Public Health Corps	0	0	(13)	(49)
FDNY Mental Health Response/B-HEARD	0	(37)	(37)	(37)
Public Assistance	(75)	(75)	(75)	(75)
Homeless Shelters	(19)	0	0	0
Rental Assistance	0	(237)	(237)	(229)
Paratransit Funding	(48)	(75)	(89)	(104)
Prevailing Wage for Shelter Security Guards	0	(64)	(64)	(64)
Foster Care Reimbursement Rate	(117)	(117)	(117)	(117)
Variable Rate Debt Service Savings	50	50	50	50
eFMAP Savings	300	0	0	0
Lynch Settlement	0	(82)	0	0
Asylum Seekers Expenses	0	(1,000)	(1,000)	(1,000)
Subtotal	**($1,075)**	**($2,715)**	**($3,198)**	**($3,800)**
Total (Risks)/Offsets	**$256**	**($980)**	**($1,774)**	**($2,443)**
Restated (Gap)/Surplus	**$256**	**($3,870)**	**($6,354)**	**($8,358)**

NOTE: Numbers may not add to totals due to rounding.

Revenue Analysis

Tax Revenues

New York City tax revenues rose through the pandemic due to a few major factors. First, job losses were concentrated in relatively lower-paying service and trade industries. The impact on aggregate income and income tax revenues was therefore small in proportion to the job losses. Second, the extent of Federal transfers and assistance to households and businesses stemmed dramatic income declines throughout the economy. Third, financial markets rallied and activity in the finance sector boomed and the tech sector continued to expand. Finally, the composition of tax revenues is diversified and did not drop in synchronous fashion, as shown in Table 15: in FY 2020 and FY 2021 growth was supported by the property tax (which was set before the start of the pandemic) and income taxes. In FY 2022 as property tax revenues dropped because of lower assessments, all the other taxes soared as the economy reopened.

Table 15. Tax Revenues Growth FYs 2020-2022

	FY 2020	FY 2021	FY 2022
Property Tax	6.9%	5.5%	(6.0%)
PIT	1.6%	11.4%	10.5%
Other income taxes	6.0%	9.3%	10.8%
Sales and use taxes	(6.7%)	(10.3%)	31.6%
Other taxes	(11.2%)	(19.4%)	39.1%
Total	**2.6%**	**3.9%**	**6.2%**

Source: NYC Annual Comprehensive Financial Report FY 2022, p.400.

Tax revenues continued to surprise on the upside relative to the projections formulated by OMB in June 2022 for the Adopted Budget. The left panel of Table 16 shows that FY 2022 closed $1.0 billion above OMB's expectations (almost exactly the variance at the close of FY 2021). In August the Comptroller's Office called for $800 million of the variance to be deposited into the Revenue Stabilization Fund but no additional deposit was made. [38] The right panel of Table 16 shows the FY 2023 variance through October, also relative to the June 2022 projections. As of October, total tax revenues grew 10.0 percent from the same period in FY 2022 and were above expectations by $1.4 billion. Some of the strength is temporary, particularly in PIT due to an anomalous amount of State/City offsets received at the end of October that is expected to be reversed later in the year.[39] Even after correcting for this and other timing issues, non-property taxes grew 13.8 percent over the year, as noted at the bottom of the table.

[38] See https://comptroller.nyc.gov/newsroom/comptroller-lander-releases-analysis-of-new-york-citys-june-2022-financial-plan-and-fiscal-year-2023-adopted-budget/.

[39] According to the NYS Department of Taxation and Finance who administers the City's PIT, the anomaly is related to the accounting treatment of NYS Pass-Through Entity Tax (PTET) credit toward NYS PIT. PTET is discussed in more detail in the PIT section of this report.

Finally, the table reports OMB's full-year FY 2023 expected growth rate per the November Plan. Because the estimate of total tax revenues for the year did not change between June and November and FY 2022 ended up with a positive variance, the expected percentage decline for the year became larger: 2.7 percent decline for all taxes, and 9.2 percent decline for non-property taxes. Given the growth rate through October, the last column in Table 16 shows the implicit yearly rates of decline from November through the close of the fiscal year needed to meet OMB's assumptions.

Table 16. Tax Revenues FY 2022 and FY 2023 Relative to the Mayor's June 2022 Projections

	Collected ($m)	FY 2022 Variance from June 2022	% Change	Collected YTD October	Variance vs. June 2022 Plan	FY 2023 YTD % Change vs. FY2022	FY 2023 F % Change	Rest of FY 2023 F % Change
Total	$69,597	$1,030	6.2%	$27,952	$1,416	10.0%	(2.7%)	(9.9%)
Property Tax	$29,582	($61)	(5.5%)	$16,699	($109)	5.4%	6.2%	7.2%
Non-Property	$40,015	$1,113	16.9%	$11,253	$1,499	17.2%	(9.2%)	(19.7%)
PIT	$16,698	$146	10.6%	$4,728	$618	22.5%	(19.7%)	(32.4%)
Business	$8,229	$460	16.0%	$1,701	$319	2.2%	4.4%	5.0%
GCT/Bank Tax	$5,682	$281	13.2%	$1,229	$264	0.3%	(20.1%)	(25.8%)
UBT	$2,547	$179	22.6%	$472	$55	7.4%	(14.5%)	(19.0%)
PTET	$0	N/A	N/A	$0	N/A	N/A	N/A	N/A
Sales Tax	$8,544	$195	30.4%	$2,988	$318	18.6%	0.7%	(6.8%)
Real Estate-Related	$3,239	$168	66.8%	$929	$97	1.4%	(27.3%)	(38.6%)
RPTT	$1,903	$102	82.1%	$524	$42	1.4%	(26.7%)	(40.7%)
MRT	$1,336	$66	49.0%	$405	$55	1.4%	(28.1%)	(38.6%)
All Other	$2,457	$145	2.7%	$731	$146	49.0%	7.9%	(2.4%)
NYC DOF Audits	$849	($22)	(25.5%)	$175	$26	43.5%	(15.1%)	(24.9%)
Memo: PIT + PTET and Collections Adjustment				*$4,328*	*$218*	*12.2%*	*(8.5%)*	*(14.7%)*
Memo: Non-Property Taxes with Collections Adjustment				*$10,753*	*$999*	*13.8%*	*(9.2%)*	*(18.7%)*
* Growth rate includes PTET								

Source: NYC OMB, Office of the NYC Comptroller.

Based on collection trends and the economic outlook, the Comptroller's Office has revised its tax forecast upward for PIT and the Sales Tax, and adjusted business taxes and real-estate transaction taxes in FY 2023. Overall, tax revenues are projected to drop 0.9 percent in FY 2023 before resuming modest growth of 1.3 percent in FY 2024 and 2.1 percent in both FY 2025 and FY 2026.

The difference between the Comptroller's and OMB's tax revenues forecasts is reported in Table 17. The Comptroller's Office expects tax revenues will be higher than in OMB's estimates by $1.2 billion in FY 2023, $1.5 billion in FY 2024, and $1.3 billion in both FY 2025 and FY 2026, as shown in Table 17.[40]

[40] Alternative, more optimistic revenue estimates are available from the NYC Independent Budget Office and the NYC Council.

Table 17. Tax Revenues Risks and Offsets

	FY 2023	FY 2024	FY 2025	FY 2026
Property Tax	$319	$239	$622	$936
PIT/PTET	$192	$541	$350	$520
Business taxes	$206	($2)	($119)	($301)
Sales Tax	$322	$321	$325	$213
Real Estate-Related	($254)	($92)	($312)	($480)
Other	$155	$207	$156	$155
Audits	$250	$250	$250	$250
Total	**$1,190**	**$1,464**	**$1,273**	**$1,293**

Source: Office of the NYC Comptroller.

Tables 18 and 19 provide both levels and growth rates from the Comptroller's and OMB's forecasts. A discussion of the individual taxes follows.

Table 18. Comparison of Tax Revenue Projections: Growth Rates

	FY 2023	FY 2024	FY 2025	FY 2026	FYs 2022 – 2026 Average Annual Growth
Property					
Comptroller	7.3%	1.6%	1.6%	1.0%	2.8%
Mayor	6.2%	1.9%	0.4%	0.0%	2.1%
PIT/PTET					
Comptroller	(7.3%)	(0.6%)	2.8%	3.6%	(0.5%)
Mayor	(8.5%)	(2.9%)	4.2%	2.6%	(1.3%)
Business					
Comptroller	(15.9%)	(5.0%)	1.8%	2.9%	(4.4%)
Mayor	(18.4%)	(2.1%)	3.6%	5.5%	(3.3%)
Sales					
Comptroller	4.4%	4.1%	4.9%	4.3%	4.4%
Mayor	0.7%	4.3%	5.0%	5.6%	3.9%
Real Estate-Related					
Comptroller	(35.1%)	16.7%	(1.7%)	(3.5%)	(7.9%)
Mayor	(27.3%)	8.0%	7.0%	3.0%	(3.5%)
All Other					
Comptroller	14.2%	4.3%	0.6%	1.2%	4.9%
Mayor	7.9%	2.6%	2.5%	1.3%	3.5%
Audits					
Comptroller	14.4%	0.0%	0.0%	0.0%	3.4%
Mayor	(15.1%)	0.0%	0.0%	0.0%	(4.0%)
Total Tax					
Comptroller	(0.9%)	1.3%	2.1%	2.1%	1.1%
Mayor	(2.7%)	0.9%	2.5%	2.1%	0.7%

Table 19. Comparison of Tax Revenue Projection: Levels

		FY 2023	FY 2024	FY 2025	FY 2026
Property	Comptroller	$31,740	$32,252	$32,768	$33,092
	Mayor	31,421	32,013	32,146	32,156
PIT/PTET	Comptroller	15,476	15,385	15,812	16,389
	Mayor	15,284	14,844	15,462	15,869
Business Taxes	Comptroller	6,921	6,573	6,691	6,886
	Mayor	6,715	6,575	6,810	7,187
Sales Taxes	Comptroller	8,923	9,292	9,748	10,167
	Mayor	8,601	8,971	9,423	9,954
Real Estate-Related	Comptroller	2,102	2,452	2,411	2,326
	Mayor	2,356	2,544	2,723	2,806
Other	Comptroller	2,806	2,926	2,944	2,979
	Mayor	2,651	2,719	2,788	2,824
Audits	Comptroller	971	971	971	971
	Mayor	721	721	721	721
Total	Comptroller	$68,939	$69,851	$71,346	$72,810
	Mayor	$67,749	$68,387	$70,073	$71,517

Source: Office of the NYC Comptroller, NYC OMB.

Property Tax

Property tax collections through October are essentially on plan and the delinquency rate is on par with FY 2022 as of the same time (see table 20). The delinquency rate declines through the year and it is on track to reach 1.8 percent, as also reflected in OMB's forecast for FY 2023.

Table 20. Delinquency Rate to Date by Tax Class

	FY 2022	FY 2023
Class 1	5.2%	5.3%
Class 2	3.6%	3.9%
Class 3	0.8%	0.0%
Class 4	2.9%	2.6%
All Classes	3.4%	3.3%
End of FY	1.8%	1.8% (f)

Source: NYC DOF, NYC OMB. (f) denotes OMB's forecast.

Both the Mayor and the Comptroller Office will update the forecast for the property tax levy after the release of the tentative assessment roll for FY 2024 in early January. In the November plan, OMB made a few changes to the property tax reserve without changing its total. Table 21 reports the main components of the reserve starting in FY 2020 as a percent of the levy. The reserve amount was higher in FY 2022 relative to previous years for two main reasons. First is the increase of cancellations to 2.5 percent of the levy in FY 2022, from 1.6 percent in FY 2021. Second is the accrual of the $150 property tax rebate signed into legislation this past August to FY 2022 (worth 0.3 ppts). In FY 2023, the reserve is projected to lower property tax collections by 7.6 percent, mostly as a consequence of lower prior-year collections, and the lack of end-of-year reconciliation amounts (levy adjustment and a residual unexplained difference, which averaged approximately 1 percent of the levy in FY 2020-22). The City recently won a case, upholding assessments of special franchise property which represented a $1.3 billion risk on property tax refunds.

Table 21. Components of the Property Tax Reserve FYs 2020-2023

($ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	
				June	Nov
Net Tax Expenditures	(3.5%)	(3.7%)	(3.9%)	(3.9%)	(3.6%)
Cancellations	(2.2%)	(1.6%)	(2.5%)	(2.2%)	(2.2%)
Delinquencies	(1.8%)	(2.0%)	(1.8%)	(1.6%)	(1.8%)
Other Components Current Year	0.1%	(0.1%)	(0.1%)	0.0%	(0.1%)
Levy Adjustment/ Unexplained Difference	1.1%	1.0%	0.9%	0.0%	0.0%
Total Current Year Reserve	**(6.5%)**	**(6.5%)**	**(7.3%)**	**(7.8%)**	**(7.7%)**
Prior Year Collections	1.2%	1.4%	1.7%	0.9%	0.9%
Refunds	(1.1%)	(1.2%)	(1.6%)	(1.2%)	(1.2%)
Lien Sale Proceeds	0.3%	0.0%	0.3%	0.3%	0.3%
Other Components Prior Year	(0.2%)	0.1%	0.0%	0.1%	0.0%
Total Prior Year Reserve	**0.2%**	**0.3%**	**0.4%**	**0.2%**	**0.1%**
Total Reserve	**(6.3%)**	**(6.2%)**	**(7.0%)**	**(7.6%)**	**(7.6%)**

Source: NYC OMB.

The estimated revenue offset over the financial plan is due to a combination of higher levy (FY 2025 and FY 2026) and a lower assumption on the reserve rate which is based on the average of FY2020-22 actuals.

The main concern for the upcoming assessment roll is the valuation of commercial properties and the increased sensitivity of the tax levy to their valuation, as analyzed in the June Economic Newsletter. FY 2024 values will be based on income returns from calendar year 2021, trended to 2022 economic conditions which saw a combination of higher vacancy rates, weaker asking rents, and higher interest rates, which could be reflected in lower valuations. If not too large, assessment declines will be phased in over a five years.

Personal Income Tax

NYC Personal Income Tax (PIT) reached a new peak of $16.7 billion in FY 2022 due to a combination of job growth, wage gains, strong bonuses, and high non-wage income. As shown in Table 22, on a year-over-year basis, withholding revenues dropped between the second quarter of calendar year of 2020 and the first quarter of 2021 and have been growing strongly since then. In the calendar year through November 2022, the growth rate was 11.1 percent. Excluding the bonus season (December through March), withholding growth in 2022 was 9.9 percent, comparable to the pace of 10.1 percent established in 2021.

Table 22. PIT Withholding Trends

Calendar	2019-2020	2020- 2021	2021-2022
Q1	6.4%	(3.7%)	13.3%
Q2	(7.4%)	10.8%	9.8%
Q3	(5.5%)	6.3%	10.3%
Q4 (Oct-Nov)	(10.7%)	15.0%	9.5%
Jan-Nov	(2.8%)	4.9%	11.1%
April-Nov (non-bonus season)	(2.0%)	10.1%	9.9%

Source: Office of the NYC Comptroller.

On the other hand, so far in 2022, payments on non-wage income have trailed last year's due to the increase in interest rates and associated volatility in financial markets, as shown in Table 23.

Table 23. PIT Installment Payments

	Liability Quarter	Installment Payments	
		Amount ($m)	% Change (yoy)
January 2022	2021Q4	$942.4	(0.8%)
April 2022	2022Q1	$115.9	(63.9%)
June 2022	2022Q2	$350.4	(30.2%)
September 2022	2022Q3	$400.3	(31.4%)

Source: Office of the NYC Comptroller.

The trends in withholding and installments are evident also on a fiscal year basis, as shown in Table 24 Collections, mostly in October, from final 2021 returns grew strongly and are reflective of last year's liability. The City received a large amount of State/City offsets in October, around $400 million of which is expected to be reversed in the coming months. Collections are higher than anticipated in the new plan, mostly because of the lack of a reversal in November.

Table 24. PIT Collections through November (against the November Plan)

	FY 2023	FY 2022	Growth	Nov. Plan Variance
Withholding	$4,115.0	$3,743	9.9%	$22.7
Installments/Extension Payments	470.6	654	(28.1%)	(1.6)
Returns	214.7	117	83.6%	11.1
Assessments	90.0	87	3.6%	8.4
State/City Offsets	1,154.5	299	286.0%	290.8
Refunds	(238.2)	(217)	9.7%	42.2
Total Net of Admin Charges	$5,766.4	$4,643	24.2%	$373.7

Source: Office of the NYC Comptroller, NYC OMB.

PIT and Pass-Through Entity Tax

Going forward, installment payments will be much more difficult to interpret and forecast because of a new tax created in 2022: the NYC Pass-Through Entity Tax (NYC-PTET).

The Tax Cuts and Jobs Act (TCJA) of 2017 imposed a cap of $10,000 on State and Local Tax (SALT) deductions until the end of 2025. In general, the cap increases Federal individual income taxes on high income taxpayers, who tended to benefit disproportionately from SALT deductions.[41] Since the passage of TCJA, state governments have experimented with workarounds to bypass the cap. In November of 2020, the Internal Revenue Service, allowed one of them by allowing the deductibility of taxes on pass-through businesses ("entities") such as partnerships and S-corporations.[42] NYC-PTET is one example of this type of business tax.[43]

The income of pass-through entities is taxed by the Federal and state governments as individual income when it is distributed to their owners.[44] Therefore, state taxes on the income of pass-through entities would count against the SALT cap. However, TCJA only capped SALT deductions for individuals and not for businesses. In essence, the workaround consists of the following two steps:

1. Impose a state (or local in the case of NYC) pass-through business tax. IRS allowed the tax to be deductible against the Federal individual income tax.

[41] See, for instance, Congressional Research Service (2020) The SALT Cap: Overview and Analysis, https://crsreports.congress.gov/product/pdf/R/R46246

[42] See IRS Notice 2020-75 https://www.irs.gov/pub/irs-drop/n-20-75.pdf.

[43] Many states have adopted or proposed a version of the tax. See https://us.aicpa.org/content/dam/aicpa/advocacy/tax/downloadabledocuments/56175896-pte-map.pdf.

[44] NYC is an exception in so far as it taxes pass-through business income at the entity level through either the Unincorporated Business Tax (sole proprietors and partnerships) or the General Corporation Tax (S corporations).

2. Provide a state/local individual income tax credit equal to the amount of pass-through business income tax. This makes the new business tax revenue neutral at the state/local level.

After the creation of a NYS Pass-Through Entity Tax (NYS-PTET) in the NYS FY 2022 budget,[45] a NYC Pass-Through Entity Tax (NYC-PTET) was established in the NYS FY 2023 budget[46] for tax years 2023 and beyond. The legislation was subsequently amended to extend eligibility to tax years starting on January 1, 2022.[47]

NYC-PTET is an optional tax that partnership and city resident S-corporations that have opted in the NYS-PTET may elect to pay for tax years beginning on or after January 1, 2022. If an entity opts into NYC-PTET, its partners, members, or shareholders who are subject to NYC PIT are eligible to claim a credit against their NYC PIT liability.[48]

If opted into, NYC-PTET is imposed on the entity's income flowing through to NYC residents (and, therefore, their NYC PIT liability) that are the entity's direct partners, members, or shareholders. The tax rate is 3.876 percent (the highest marginal rate for NYC PIT). The tax is additional to any other taxes imposed on the entity and cannot be deducted from entire net income.

For tax year 2022, the deadline to opt into NYC-PTET is March 15, 2023, although the entity must have already opted in NYS-PTET in 2022. For tax years 2023 and beyond, the deadline is March 15 of each year.

An entity opting into NYC-PTET for the 2022 year may make a payment before December 31, 2022. However, NYC PIT payments on the estimated 2022 liability must continue to be made as if direct partners, members, and shareholders were not eligible for a NYC-PTET credit on their NYC PIT. In other words, entities that have already opted into NYS-PTET and also opt into NYC-PTET for 2022 (for which they have time until March 15, 2023) *will pay both NYC PIT and NYC-PTET amounts*, until they can claim the NYC-PTET tax credit against the NYC PIT returns filed in April 2023. Because NYC-PTET will reduce the amount of NYC PIT, its revenues are pledged toward Transitional Finance Authority (TFA) future tax secured bonds so that there is no change in the aggregate amount of bond coverage.

For 2023 and beyond, NYC-PTET estimated payments are due on March 15, June 15, September 15, and December 15. The NYC-PTET final return is due on March 15 of the following year.[49] There

[45] See https://www.nysenate.gov/legislation/bills/2021/S2509.

[46] See https://www.nysenate.gov/legislation/bills/2021/S8009.

[47] See https://www.nysenate.gov/legislation/bills/2021/S9454.

[48] Only full-time NYC residents (generally, those that reside in NYC for more than half of the year) are eligible for the NYC PIT credit. At least one partner needs to be a NYC resident and all shareholders in an S-corp are required to be NYC residents. For additional details see https://www.tax.ny.gov/bus/ptet/city.htm and https://www.tax.ny.gov/pdf/memos/ptet/m22-1c-1i.pdf.

[49] Each quarterly payment is at least 25 percent of an annual payment equal to the lesser of: 90 percent of the NYC-PTET amount for the year (to be shown in the final return) or 100 percent of the NYC-PTET from the preceding year (if the entity opted into NYC-PTET). The amount of NYC-PTET credit itself is added to PIT adjusted gross income and claimed in the annual PIT return.

is no duplicative payment going forward because taxpayers are expected to reduce the amount of PIT installments dollar-for-dollar.

NYC-PTET, like NYC PIT, will be administered by the NYS Department of Taxation and Finance. At the time of writing, it appears that the City will receive NYC-PTET collections toward the middle of the month following the payments, with daily information on combined NYC and NYS payments.

The Tax Cuts and Jobs Act cap on State and Local Tax (SALT) deductions is scheduled to expire at the end of 2025 and its expiration would render NYC-PTET (and NYS-PTET) economically irrelevant, potentially triggering another change in payment behavior.

Because NYC-PTET is structured to be revenue neutral for the City (but, obviously, not for the Federal government), its actual amount is not as relevant as the combined PIT/PTET tax liability. However, the new tax will scramble established, if volatile, collection patterns, make historical comparisons largely irrelevant, and introduce additional noise in forecasting. Table 25 summarizes the relevant PIT and NYC-PTET deadlines in the coming months, and their impact on PIT collections. The table is explained below.

1. Taxpayers that opted into NYS-PTET for tax year 2022 have already paid the April, June, and September NYC PIT installments on the estimated 2022 liability. They will also pay the January NYC-PIT installment on 2022 income.
2. Those taxpayers that opt into NYC-PTET, can make a NYC-PTET payment in December 2022 based on their estimate of their 2022 NYC-PTET liability. This payment is on the same income and in addition to the NYC PIT installment payments noted above. Loosely based on data from early NYS-PTET payments, OMB expects that the NYC-PTET liability will be $1.5 billion annually, and that the City will receive $1.5 billion from payments made in December 2022. The actual amount will be known in January 2023. To summarize, by the end of January, the City could have collected *twice the amount* of NYC PIT installments on 2022 income from those taxpayers opting into NYC-PTET.
3. In March 2023, taxpayers will file a NYC-PTET return for tax year 2022 and make the first installment on NYC-PTET tax for tax year 2023. OMB expects the revenue to be $75 million and it will be known in April
4. In April of 2023, taxpayers will claim the NYC-PTET credit against NYC PIT on their returns, reducing or eliminating the double-payment (it is possible that those that file a PIT extension payment will receive additional NYC-PTET credit in October of 2023). In other words, April PIT revenues from extensions will be very small.
5. In June of 2023, taxpayers will make either a NYC PIT or a NYC-PTET installment payment on their 2023 income. NYC OMB assumes that NYC-PTET payments on 2023 income will total $1.5 billion, which will reduce dollar-for-dollar NYC PIT payments.

Table 25. PIT and NYC-PTET Collections

		NYC PIT		NYC-PTET	
Month	Filing Deadline	NYC Collections	NYC-PTET Impact	Filing Deadline	NYC Collections
January	2022 Q4 installments	Daily	None	-	December 2022 payment on 2022 income
March	-	-	-	2022 returns + 2023 Q1 installments	-
April	2022 finals and extensions and 2023 Q1 installments	Daily	Reduced by Dec 2022 and Mar 2023 PTET payments	-	2022 returns + 2023 Q1 installments
June	2023 Q2 installments	Daily	Reduced by NYC-PTET 2023 Q2 installments	2023 Q2 installments	-
July	-	-	-	-	2023 Q2 installments
September	2023 Q3 installments	Daily	Reduced by NYC-PTET 2023 Q3 installments	2023 Q3 installments	-
October	Final 2022 Returns for those who filed an extension	Daily	True-up with NYC-PTET 2022 liability	-	2023 Q3 installments
December	-	-	-	2023 Q4 installments	-
January 2024	2023 Q4 installments	Daily	Reduced by NYC-PTET 2023 Q4 installments	-	2023 Q4 installments

Source: Office of the NYC Comptroller.

The Office of the Comptroller expects withholding growth to slow down in FY 2023 and FY 2024 to 3.7 percent, before growing by 4.5 percent in FY 2024 and 5.1 percent in FY 2026. For non-withholding components (inclusive of NYC-PTET) the expectation is of a decline of 28.1 percent in FY 2023, followed by a further 12.9 percent decline in FY 2024. Non-withholding components are expected to stabilize in the out years.

Business Taxes

Business taxes (the Business Corporation Tax, the General Corporation Tax, the Unincorporated Business Tax, and the remainder of the Bank Tax) grew 16 percent in FY 2022 and reached an all-time high of $8.2 billion. The Office of the Comptroller updated the forecast for business taxes for FY 2023 and the projection calls for a decline of 15.9 percent in FY 2023 and 5.0 percent in FY 2024 due to the fall in Wall Street profits and slower economic growth.

As shown in Table 26 tax payments from corporations fell slightly in the second and third quarter of calendar year 2022, while payments from unincorporated businesses continued to grow strongly. Overall, growth in business taxes payments slowed to 2.4 percent in 2022Q3.

Table 26. Business Taxes Payments

Calendar Year	Corporations		Unincorporated businesses		Total	
Quarter	Payments ($m)	Year Over Year % change	Payments ($m)	Year Over Year % change	Payments ($m)	Year Over Year % change
2020Q1	$1,319.0	(2.6%)	$754.1	(4.6%)	$2,073.2	(3.3%)
2020Q2	$972.0	(27.7%)	$558.8	(7.4%)	$1,530.8	(21.4%)
2020Q3	$1,227.8	1.3%	$536.9	22.4%	$1,764.7	6.9%
2020Q4	$1,190.7	(4.1%)	$318.8	101.2%	$1,509.5	7.8%
2021Q1	$1,501.8	13.9%	$801.0	6.2%	$2,302.7	11.1%
2021Q2	$1,776.0	82.7%	$654.3	17.1%	$2,430.4	58.8%
2021Q3	$1,435.8	16.9%	$507.2	(5.5%)	$1,943.0	10.1%
2021Q4	$1,420.5	19.3%	$392.5	23.1%	$1,813.0	20.1%
2022Q1	$1,694.6	12.8%	$997.6	24.6%	$2,692.3	16.9%
2022Q2	$1,750.1	(1.5%)	$781.0	19.4%	$2,531.1	4.1%
2022Q3	$1,410.4	(1.8%)	$579.0	14.1%	$1,989.4	2.4%

Source: NYC DOF.

Table 27 breaks down payments between the finance and the non-finance sectors. Payments from finance sector corporations declined sharply in the second and third quarter of calendar year 2022. Finance sector unincorporated businesses provided an offset to shrinking corporate payments but overall payments still declined 20.3 percent in 2022Q3, and are expected to continue their slide. On the other hand, non-finance sectors continued to grow strongly in 2022, bringing overall business taxes growth into positive territory. As has happened in the past, corporations can recover some of those collections on their final returns, which they can file within a period of three years. Growth in non-finance is expected to moderate going forward, in line with the economic forecast.

Table 27. Business Taxes Payments: Finance vs. Non-Finance

Sector	Quarter	Corporations Payments ($m)	Corporations Year Over Year % change	Unincorporated businesses Payments ($m)	Unincorporated businesses Year Over Year % change	Total Payments ($m)	Total Year Over Year % change
	2020Q1	$357.0	(12.5%)	$223.7	5.2%	$580.7	(6.4%)
	2020Q2	$435.2	(17.8%)	$207.1	17.1%	$642.3	(9.0%)
	2020Q3	$526.3	4.0%	$156.8	30.8%	$683.1	9.1%
	2020Q4	$460.0	5.5%	$55.8	39.7%	$515.8	8.4%
	2021Q1	$469.2	31.4%	$330.3	47.7%	$799.5	37.7%
Finance	2021Q2	$921.5	111.7%	$243.5	17.6%	$1,165.0	81.4%
	2021Q3	$698.5	32.7%	$185.2	18.1%	$883.7	29.4%
	2021Q4	$518.6	12.7%	$127.0	127.5%	$645.6	25.2%
	2022Q1	$520.0	10.8%	$428.7	29.8%	$948.7	18.7%
	2022Q2	$696.9	(24.4%)	$323.2	32.7%	$1,020.1	(12.4%)
	2022Q3	$490.7	(29.7%)	$213.9	15.5%	$704.7	(20.3%)
	2020Q1	$962.0	1.7%	$530.5	(8.2%)	$1,492.5	(2.0%)
	2020Q2	$536.8	(34.1%)	$351.7	(17.6%)	$888.5	(28.4%)
	2020Q3	$701.5	(0.6%)	$380.1	19.2%	$1,081.6	5.6%
	2020Q4	$730.7	(9.3%)	$262.9	122.0%	$993.7	7.5%
	2021Q1	$1,032.6	7.3%	$470.6	(11.3%)	$1,503.2	0.7%
Non-Finance	2021Q2	$854.6	59.2%	$410.8	16.8%	$1,265.4	42.4%
	2021Q3	$737.3	5.1%	$322.0	(15.3%)	$1,059.3	(2.1%)
	2021Q4	$901.9	23.4%	$265.4	0.9%	$1,167.3	17.5%
	2022Q1	$1,174.6	13.8%	$569.0	20.9%	$1,743.5	16.0%
	2022Q2	$1,053.2	23.2%	$457.8	11.4%	$1,510.9	19.4%
	2022Q3	$919.7	24.7%	$365.0	13.4%	$1,284.8	21.3%

Source: NYC DOF.

Sales Tax

After growing 30.4 percent in FY 2022, sales tax revenues grew by 18.6 percent in FY 2023 through October. As shown in the November Economic Newsletter, in the third quarter of 2022 taxable sales were not only above pre-pandemic level but were also only $1.3 billion (2.4 percent) shy of their pre-pandemic trend. This is due to a combination of strong consumption, the rebound in tourism, and higher inflation. The growth rate for the sales tax is projected to slow to an average of 4.3 percent over the plan period, supported by continued growth in aggregate income and continued growth in tourism.

Once taxable sales are adjusted for inflation, the impact of reduced mobility and office attendance becomes more visible. Taxable sales in the third quarter of calendar year 2022 were above their level three years prior by $0.5 billion but were $4.6 billion or 8.1% below where they would have been had they continued on their pre-pandemic trend.[50] Accommodation and Food

[50] Taxable sales data are preliminary and are likely to be revised upward in future data releases.

Services was the sector with the largest gap: $2.5 billion or 21.3 percent below trend, driven by restaurants and drinking places. On the other hand, retail sales were fully recovered because of online activity, and so were utilities and information (which includes software publishers, wireless telecommunication carriers, and other internet-focused services).

Table 28. NYC Taxable Sales

	Inflation-Adjusted Taxable Sales*					
	Pre- and Post-Pandemic Sales				Gap/growth relative to pre-pandemic trend	
	2022 Q3 ($b)	2019q3 ($b)	Change ($b)	% Change	Difference ($b)	% Difference
Total taxable sales	52.1	51.7	0.5	0.9%	(4.6)	(8.1%)
Retail	16.5	14.9	1.6	10.6%	0.5	3.0%
Online retail	2.9	1.4	1.5	112.3%	1.1	57.3%
Accommodation and food services	9.3	10.5	(1.2)	(11.3%)	(2.5)	(21.3%)
Restaurants and drinking places**	6.4	7.1	(0.7)	(9.4%)	(1.4)	(18.0%)
Transportation	1.4	1.4	0.0	0.9%	(0.3)	(17.2%)
Construction	1.5	1.7	(0.2)	(10.6%)	(0.4)	(22.1%)
Utilities & Information	7.4	7.3	0.1	2.0%	0.2	3.3%
Manufacturing	2.0	2.0	0.0	1.7%	(0.3)	(12.3%)
Other	14.0	14.0	0.0	0.4%	(1.8)	(11.3%)

* Inflation adjustment uses NY metro area CPI less shelter (not seasonally adjusted)

** Inflation adjustment for restaurants and drinking places uses NY metro area food away from home CPI (not seasonally adjusted).

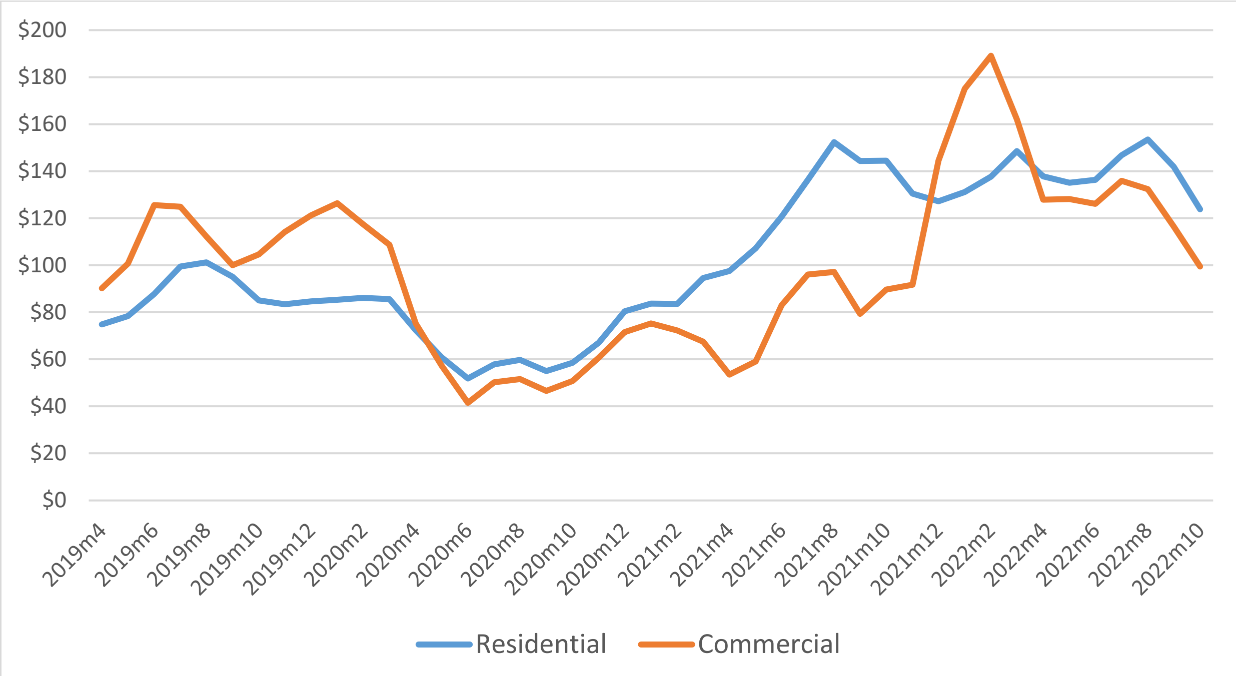
Source: NYS Department of Taxation and Finance, Bureau of Labor Statistics, Office of the NYC Comptroller.

Real Estate Transaction Taxes

Real estate transaction taxes rebounded in FY 2022 and grew 66.8 percent over the year. This was due to a combination of low rates and catch-up in transaction activity in the first half of the year, and to a rush to front interest rate increases in the second half. Chart 13 shows that transaction activity for residential property surpassed the pre-pandemic levels in FY 2021 and remained elevated through FY 2022. Commercial transactions (which include residential rentals as well as commercial buildings) are more volatile and spiked in December 2021 due to the sale of Manhattan Mini Storage for $3 billion but they also surpassed the pre-pandemic level in FY 2022.

Chart 13. Real Estate Transaction Taxes: Residential and Commercial

$ million, 3-month moving average



Source: NYC DOF, Office of the NYC Comptroller.

Because the collection of transaction taxes is delayed relative to sale and refinancing agreements, it can take a few months for collections to reflect fluctuations in deal activity. Between June and October 2022, transaction tax collections fell 42.9 percent, with a drop of 36.7 percent and 49.3 percent in the residential and commercial segments, respectively.[51] The total number of transactions fell by 23.9 percent (22.4 percent residential and 25.3 percent or commercial).

Through October, the City collected $97 million in excess of June projections. OMB projects revenues of $171 million in November, slightly lower than the $180.3 million collected in October (before accrual of $30.2 million to FY 2022) and $175.1 million per month for the rest of the fiscal year. The Comptroller revised the estimate for FY 2023 to a more pessimistic monthly average of $140 million starting in December due to a combination of lower transaction volume and prices as interest rates remain high and worries regarding commercial real estate continue to mount.

Other Tax Revenues

The Office of the Comptroller continues to expect $950 million annually in audit revenues for the duration of the plan. Minor adjustments to the Hotel Tax provide offsets of $150 million in FY 2023 and $100 million in FY 2024.

[51] Numbers are before a RPTT accrual of $30.2 million to FY 2022 that took place in October.

Risks to the Tax Revenues Forecast

The tax forecast is subject to the same elevated uncertainty as the economic outlook. Tax revenues still have a momentum that should lead to their upward revision in FY 2023 but conditions in FY 2024 are more speculative. Crucial to the forecast profile will be FY 2024 property tax assessments and the state of commercial real estate.

The following are the main data releases that could affect the outlook up to the publication of the Preliminary Budget:

1. The FY 2024 Property Tax tentative assessment roll;
2. Tax collections:
    a. Withholding collections around bonus payments (particularly the first week of January);
    b. December corporation taxes; and
    c. December real estate-related taxes.

Miscellaneous Revenues

In the November Plan, the FY 2023 miscellaneous revenue projection remains unchanged from the June Adopted Budget forecast of $5.337 billion, excluding intra-city revenues. Projections for the outyears of the Financial Plan were only slightly increased by $61 million in FY 2024, $46 million in FY 2025, and $43 million in FY 2026. Table 29 shows the City's November Plan projections for all categories of miscellaneous revenues. Total miscellaneous revenues are expected to remain stable and range from $5.3 billion to $5.4 billion over the plan period.[52]

[52] *Water and sewer revenues are mostly payments from the New York City Water Board for the operation and maintenance of the water delivery and sewer system, and therefore, not available for general operating purposes.*

Table 29. Miscellaneous Revenue Forecast November 2022 Plan

($ in millions)	FY 2023	FY 2024	FY 2025	FY 2026
Licenses, Permits & Franchises	$737	$698	$696	$701
Interest Income	107	161	195	217
Charges for Services	1,029	1,035	1,034	1,034
Water and Sewer Charges	1,801	1,752	1,739	1,733
Rental Income	250	252	252	252
Fines and Forfeitures	1,076	1,128	1,122	1,120
Other Miscellaneous	337	351	341	340
Total	**$5,337**	**$5,377**	**$5,379**	**$5,397**

The November Plan adjustments to the FYs 2024-2026 miscellaneous revenue forecast are entirely reflected in the City's PEG Program described earlier. These comprise small increases in outyear revenue projections for licenses, permits and franchises; charges for services, and rental income, as well as increases in outyear projections for fines and forfeitures, and other miscellaneous.

Revenue projections for licenses, permits and franchises increased by approximately $5 million in each of FYs 2024-26. These include annual increases of $2.6 million in revenues from taxi licenses due to changes in for-hire vehicle license operations and $2.1 million from Bikeshare revenue and revocable consents. The forecast for charges for services increased only slightly by $1.5 million annually beginning in FY 2024. This reflects primarily a $1.1 million increase in projected revenues from issuance of stormwater construction and maintenance permits. Projections for rental income increased by about $2 million annually - $1.7 million in commercial rent revenues from City properties and $0.5 million in additional rent revenues related to watershed land use.

The revenue forecast for fines and forfeitures increased by approximately $38 million in FY 2024, $32 million in FY 2025, and $30 million in FY 2026. The projection for revenue from speed camera fines increased by $25 million, $22 million, and $20 million respectively in FY's 2024-26. This revision reflects the expansion of the speed camera program to weekends and overnight. Projections for parking violation fines increased by $2.5 million annually in FYs 2024-2026. Finally, the City increased its projected revenues from Real Property Income and Expense (RPIE) late penalties by $10 million in FY 2024 and $7 million in each of FYs 2025-2026 due to the implementation of higher penalties for repeat offenders. Changes in the "other miscellaneous" revenue category totaled $15 million in FY 2024, $6 million in FY 2025 and $5 million in FY 2026. These revisions include additional revenues from real estate tax late payment interest, revenue from auction of City-owned vehicles, and additional proceeds from property sales.

The Comptroller's Office's miscellaneous revenue risk and offset analysis is based on the November Plan projections, which for FY 2023 remain unchanged from the June 2022 Plan, and collection trends. The Comptroller's Office projects total miscellaneous revenue will be above the City's current forecasts by $221 million in FY 2023, $271 million in FY 2024, $151 million in FY 2025, and $64 million in FY 2026.

The Comptroller projects that the City's bus stop franchise agreement with JCDecaux poses a risk of $108 million to FY 2023 revenues. According to the City's DOT, there is an ongoing dispute between the franchisee and the City: JCDecaux is seeking financial relief from its contractual obligations, equivalent in the company's view to those negotiated with Citybridge LLC in the third amendment of the LinkNYC franchise agreement approved in 2021. While JCDecaux's latest financial statements53 show advertising revenue on street furniture growing at double-digit rates in North America, and revenue above pre-pandemic levels, the company interrupted minimum guaranteed FY 2022 cash payments to the City for a total of $45.7 million (this amount was shifted to FY 2023 by OMB). In addition to the unpaid FY 2022 amount, contractual guaranteed minimum payments are $62.4 million in FY 2023, $64.2 million in FY 2024, $65.9 million in FY 2025, and $67.5 million in FY 2026. The franchisee missed payment deadlines in FY 2023 as well but continues to operate and maintain the bus shelters. DOT claims that the City and JCDecaux are negotiating a contract amendment with the objective of avoiding litigation. The Office of the Comptroller is not aware of financial or other reasons as to why the payment may be disputed in good faith by the franchisee.

Our projections for fine revenues are above the City's current forecast by a net $229.2 million in FY 2023, and $61 million in each of FYs 2024-2026. The Comptroller projects revenues from parking fines and camera violation fines will exceed current plan projections by $100 million and $120 million respectively in FY 2023, and at least a combined $53 million in each of the outyears of the plan period. The Comptroller's revenue projection for Environmental Control Board (ECB) fines is also above the City's projection by $8 million in each of FYs 2023-2026. Revenue projections for court fines and fines from the Department of Health and Mental Hygiene (DOHMH) are projected to be below the City's forecast by $3 million and $3.5 million respectively in FY 2023. Finally, based on current short-term interest rates, current collections, and the Comptroller's Office cash balance forecast, the Comptroller projects interest income will be above the city's current projections by $100 million in FY 2023, $210 million in FY 2024, $90 million in FY 2025, and $3 million in FY 2026. OMB indicated the January update to the Financial Plan will incorporate higher projections for these revenue sources.

[53] Available here: 03-11-22jcdecauxq32022uk.pdf

Federal and State Aid

The November Financial Plan projects total categorical Federal and State aid of $28.79 billion in FY 2023, supporting nearly 28 percent of the City's expenditure budget. Compared with the Adopted Budget, the City has reflected a net increase of $2.75 billion in the current year comprised of increases of $2.53 billion in Federal aid and $222 million in State grants.

The increased funding predominantly stems from new Federal revenue for asylum seekers of $1 billion and continued recognition of COVID-related grants of $813 million. While the City has not yet obtained any approved Federal funding, the November Modification has reflected a $1 billion outlay in agency spending related to the asylum-seekers—including $600 million for homeless and social services and $310 million for Health + Hospitals (H+H)—with the expectation that the Federal government will provide the resources to fully support these programs. Funding increases in COVID-related areas include $481 million in Federal Emergency Management Agency (FEMA) reimbursement for ongoing vaccination and testing activities under the Department of Health and Mental Health (DoHMH) and H+H, $157 million in Epidemiology and Laboratory Capacity grants and $175 million in all other categories. In addition, the November Plan reflects increases in all other Federal grant modifications totaling $714 million mostly attributable to the roll of unspent funds into the current year and recognition of prior year revenues, including $258 million in social services aid, $159 million in homeland security grants and $136 million in Community Development Block Grant. Overall, Federal fund changes contributed net savings of $158 million in the current year under the November Plan PEG program, mostly from the recognition of prior year revenues in social services.

The November Plan revisions raise total Federal COVID assistance anticipated by the City to $6.1 billion in FY 2023–FY 2026, as shown in Table 30. Together with grants already recognized in FY 2020 through FY 2022, which totaled about $18.89 billion, overall COVID assistance is expected to reach $25 billion. However, at present time, about $1.08 billion in American Rescue Plan-State and Local Fiscal Recovery Funds (ARP-SLFRF) remains unaccounted for in the November Plan (previously budgeted in FY 2022 but not spent, and not yet included in the November Plan in any year). The City indicates only $159 million of this total has been earmarked for eligible expenditures at H+H, which leaves a balance of $920 million in SLFRF money currently unassigned to specific projects. Similarly, DOE revenue assumptions are understated by $309 million in combined ARP and Coronavirus Response and Relief Supplemental Appropriations (CRRSA) education grants. Therefore, once these grants are fully reflected, the City should receive Federal COVID assistance in excess of $26 billion, based on current estimates. The largest components comprising this figure are FEMA reimbursement currently estimated at $7.61 billion (including unrestricted aid), ARP-CRRSA education grants totaling nearly $7 billion and ARP-SLFRF grants of $5.88 billion.

Table 30. Projected Federal COVID Assistance-November 2022 Plan

($ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	Total
ARP SLFRF	$345.4	$184.1	$409.4	$0.0	$938.8
ARP-CRRSA Education	1,771.3	1,667.9	245.8	0.0	3,685.1
FEMA	485.1	1.0	0.0	0.0	486.1
Epidemiology and Laboratory Capacity Grants	295.7	9.8	0.1	0.0	305.6
All Other	316.2	57.9	44.0	15.4	433.5
Subtotal	**$3,213.7**	**$1,920.6**	**$699.3**	**$15.4**	**$5,849.0**
Unrestricted Aid-FEMA	$251.6	$0.0	$0.0	$0.0	$251.6
Subtotal	**$251.6**	**$0.0**	**$0.0**	**$0.0**	**$251.6**
Grand Total	**$3,465.3**	**$1,920.6**	**$699.3**	**$15.4**	**$6,100.6**

Source: NYC Office of Management and Budget.

Under State Aid, the November Financial Plan added $222 million in FY 2023 - $41 million for social services, $42 million for education, $63 million to the Department of Health and Mental Hygiene and $76 million for all others. These increases include a $40 million adjustment for the Smart Schools Bond Act, $26.8 million for fringe benefits reimbursement, $10.7 million for Article 6 clinic reimbursement, and $6.5 million for asset forfeiture funding.

Over the remainder of the Plan, total Federal and State grants are projected to fall sequentially to $25.95 billion in FY 2024 and $24.90 billion in FY 2025 before reaching $24.25 billion in FY 2026, which mirrors the trend in Federal COVID grants and the absence of Federal migrant assistance in the latter years of the Plan. Moreover, the City anticipates only modest growth in State education aid over the outyears. As a result, overall State aid is expected to grow at an average annual rate of less than one percent, increasing from $16.97 billion in FY 2023 to $17.22 billion in FY 2026.

Expenditures Analysis

The November Financial Plan reflects $104.0 billion in spending in FY 2023 growing to $108.85 billion in FY 2026. However, FY 2023 benefits from net prior year adjustments which artificially lower expenditures by $5.41 billion. Excluding these adjustments and reserves, the FY 2023 expenditure budget of $107.61 will drop to $102.9 billion in FY 2024 before increasing to $105.26 billion in FY 2025 and $107.41 in FY 2026.

Increases to the budget compared to the Adopted Budget were driven by $1 billion in additional authority to pay for shelter and other services for the influx of asylum-seekers, though only in FY 2023, and for outyear adjustments in the pension reserves. The PEG program reduced city-funded expenditures by $916 million in FY 2023, $83 million of the savings are attributed to Debt Service Savings and $278 million to revenue offsets, as described in the overview above. Smaller new needs were introduced for emergency work at Rikers ($13 million in FY 2023), Shelter to Housing Action Plan ($5 million in FY 2023 and $9 million in FY 2024), and various Sanitation initiatives ($16.7 million in FY 2023 and $12.7 million in FY 2024).

The largest change in the expenditure budget over the financial plan is a decrease in the Other OTPS categories between FY 2023 and FY 2024. This is primarily explained by the $1 billion in migrant spending that is only included in the FY 2023 budget and a decline of $3.45 billion in COVID grant-related spending. Personnel expenditures grow by 8.7% over the life of the plan, primarily driven by headcount, pension and health insurance changes which are discussed further below.

Table 31. FY 2023 – FY 2026 Expenditure Growth Adjusted for Prepayments and Reserves

($ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	Growth FYs 23-26	Annual Growth
Personal Service						
Salaries and Wages	$31,028	$31,246	$31,767	$32,457	4.6%	1.5%
Pensions	9,301	9,451	9,671	9,839	5.8%	1.9%
Health Insurance	8,032	8,912	9,658	10,272	27.9%	8.5%
Other Fringe Benefits	4,482	4,603	4,740	4,871	8.7%	2.8%
Subtotal-PS	**$52,844**	**$54,213**	**$55,836**	**$57,438**	**8.7%**	**2.8%**
Other Than Personal Service						
Medicaid	$6,564	$6,385	$6,385	$6,385	(2.7%)	(0.9%)
Public Assistance	1,650	1,650	1,650	$1,650	0.0%	0.0%
Judgments and Claims	1,199	1,165	877	823	(31.4%)	(11.8%)
Other OTPS	37,696	32,271	32,076	31,901	(15.4%)	(5.4%)
Subtotal	**$47,109**	**$41,471**	**$40,988**	**$40,760**	**(13.5%)**	**(4.7%)**
Debt Service	**$7,654**	**$7,955**	**$8,435**	**$9,203**	**20.2%**	**6.3%**
Expenditures Excluding Prior Year Adjustments and Reserves	**$107,607**	**$103,638**	**$105,260**	**$107,401**	**(0.2%)**	**(0.1%)**
Prior Year Adjustment	($5,409)	($705)				
General Reserve	$1,555	$1,200	$1,200	$1,200		
Capital Stabilization Reserve	$250	$250	$250	$250		
Total Expenditures	**$104,003**	**$104,383**	**$106,710**	**$108,851**		

Note: Intra-city adjustments are reflected in each of their respective expense categories.

Headcount

The November Plan, as shown in Table 32, provides total full-time headcount of 306,594 for June 30, 2023, falling to 304,694 in FY 2024, falling further to 303,570 in FY 2025, and by more than 2,000 to 301,166 in FY 2026. Uniformed headcount is projected to remain relatively stable throughout the Plan, increasing slightly between FY 2023 and FY 2026. The overall decline in headcount is driven by lower projections for pedagogical and civilian employees. Pedagogical employee headcount is budgeted to decline by about 3 percent to 127,656 by FY 2026, and civilian headcount is budgeted to decrease by 2 percent to 112,813 employees by FY 2026.

Table 32. Total Funded Full-Time Year-End Headcount November 2022 Financial Plan

	FY 2023	FY 2024	FY 2025	FY 2026
Pedagogical				
Dept. of Education	126,892	126,075	125,186	123,367
City University	4,293	4,289	4,289	4,289
Subtotal	**131,185**	**130,364**	**129,475**	**127,656**
Uniformed				
Police	35,031	35,030	35,030	35,030
Fire	10,954	10,954	10,954	10,954
Correction	7,060	7,060	7,060	7,060
Sanitation	7,599	7,649	7,651	7,653
Subtotal	**60,644**	**60,693**	**60,695**	**60,697**
Civilian				
Dept. of Education	13,493	13,493	13,486	12,939
City University	1,902	1,891	1,891	1,891
Police	15,097	14,919	14,919	14,919
Fire	6,443	6,301	6,292	6,292
Correction	1,975	1,974	1,974	1,970
Sanitation	1,930	1,930	1,930	1,930
Admin. for Children's Services	7,073	7,073	7,073	7,073
Social Services	13,085	13,064	12,940	12,927
Homeless Services	2,058	2,027	2,012	1,994
Health and Mental Hygiene	6,145	5,984	5,902	5,895
Finance	1,992	1,992	1,992	1,992
Transportation	5,765	5,805	5,818	5,821
Parks and Recreation	4,716	4,641	4,644	4,644
All Other Civilians	33,091	32,543	32,527	32,526
Subtotal	**114,765**	**113,637**	**113,400**	**112,813**
Total	**306,594**	**304,694**	**303,570**	**301,166**

Compared to the June 2022 Plan, the November Headcount Plan shows a net increase in year-end headcount level of 292 in FY 2023 and net decreases in year-end headcount of 1,687 in FY 2024, 1,860 in FY 2025, and 410 in FY 2026 as shown in Table 33. New needs accounted for increases in headcount levels of 230 positions in FY 2023, 307 in FY 2024, and 311 in each of FY 2025 and FY 2026. These increases were offset by decreases in headcount levels due to PEG initiatives of 684 positions in FY 2023, 2,132 in FY 2024, 2160 in FY 2025, and 703 in FY 2026. Other adjustments resulted in an increase to headcount level of 746 positions in FY 2023 and 138 in FY 2024 and decreases of 11 positions in FY 2025 and 18 positions in FY 2026.

Table 33. Full-time Headcount Changes
November Financial Plan vs. June 2022 Financial Plan

	FY 2023	FY 2024	FY 2025	FY 2026
Pedagogical				
Dept. of Education	0	(947)	(965)	0
City University	(20)	(24)	(24)	(24)
Subtotal	**(20)**	**(971)**	**(989)**	**(24)**
Uniformed				
Police	1	0	0	0
Fire	2	2	2	2
Correction	0	0	0	0
Sanitation	150	201	201	201
Subtotal	**153**	**203**	**203**	**203**
Civilian				
Dept. of Education	21	(459)	(469)	21
City University	(44)	(55)	(55)	(55)
Police	55	(123)	(123)	(123)
Fire	(94)	(48)	(48)	(48)
Correction	1	0	0	0
Sanitation	(65)	(65)	(65)	(65)
Admin. For Children's Services	0	0	0	0
Social Services	62	125	1	1
Homeless Services	46	15	0	0
Health and Mental Hygiene	95	(43)	(53)	(60)
Finance	0	0	0	0
Transportation	57	67	71	73
Parks and Recreation	(114)	(201)	(201)	(201)
All Other Civilians	139	(132)	(132)	(132)
Subtotal	**159**	**(919)**	**(1,074)**	**(589)**
Total	**292**	**(1,687)**	**(1,860)**	**(410)**

The major new needs resulting in headcount changes are –

- Department of Sanitations projecting new needs of 76 positions for the Queens Residential Organics Pilot in FY 2023 at a cost of $1.3 million.
- Department of Sanitation projecting new needs of 77 positions in FY 2023 for Highway and Pedestrian Space Cleaning and illegal Dumping Enforcement at a cost of $2 million.
- Department of Transportation projecting new needs of 47 positions for IFA staffing
- Department of Education projecting new needs of 21 positions in FY 2023 for boilers modifications at a cost of $1.6 million.

Headcount PEG reductions of 684 in FY 2023 reflect lower authorized positions for nine agencies, as shown in Table 34, and further discussed in the PEG savings description above.

Table 34. PEG Reductions Full-time Headcount Changes

	FY 2023
Personnel Reductions	
Dept. of Parks & Recreation	200
Fire Department	96
Law Department	93
Police Department	87
Dept. of Sanitation	68
City University	64
Mayoralty	17
City Clerk	4
Board of Correction	1
B-HEARD Re-estimate	
Fire Department	54

Headcount increases in FY 2023 also reflect a net increase of 746 positions adjusted to align with the budget. About 664 of these positions had no spending impact as the budget for these headcounts were reflected in previous financial plans. Sixty-nine of these positions, however, represents additional headcount for the Department of Social Services and Department of Homeless Services in response to the restructuring of the Shelter to Housing Action Plan at a cost of $4.5 million for FY 2023.

Table 35 compares actual headcount on September 30, 2022 to the November Plan FY 2023 year-end headcount. September 30, 2022 headcount level shows a gap in planned hiring for FY 2023 of 24,881. The Comptroller's Office recently released a more detailed report, *Title Vacant*, on the citywide vacancy rate across agencies.

Table 35. September 30, 2022 Headcount vs. Planned June 30, 2023 Headcount

	FY 2023 Adopted Budget Plan	FY 2023 9/30/2022 Actuals	FY2023 6/30/2023 November Plan	Planned Change FY 2023 Adopted to Nov Plan 6/30/2023	Gap in Planned Hiring
Pedagogical					
Dept. of Education	126,892	117,133	126,892	0)	(9,759)
City University	4,313	4,273	4,293	(20)	(20)
Subtotal	**131,205**	**121,406**	**131,185**	**(20)**	**(9,779)**
Uniformed					
Police	35,030	33,994	35,031	1	(1,037)
Fire	10,952	10,816	10,954	2	(138)
Correction	7,060	6,817	7,060	0	(243)
Sanitation	7,449	7,928	7,599	150	329
Subtotal	**60,491**	**59,555**	**60,644**	**153**	**(1,089)**
Civilian					
Dept. of Education	13,472	12,537	13,493	21	(956)
City University	1,946	1,587	1,902	(44)	(315)
Police	15,042	13,786	15,097	55	(1,311)
Fire	6,537	6,146	6,443	(94)	(297)
Correction	1,974	1,492	1,975	1	(483)
Sanitation	1,995	1,881	1,930	(65)	(49)
Admin. For Children's Services	7,073	6,238	7,073	0	(835)
Social Services	13,023	10,586	13,085	62	(2,499)
Homeless Services	2,012	1,814	2,058	46	(244)
Health and Mental Hygiene	6,050	5,080	6,145	95	(1,065)
Finance	1,992	1,642	1,992	0	(350)
Transportation	5,708	4,991	5,765	57	(774)
Parks and Recreation	4,830	4,104	4,716	(114)	(612)
All Other Civilians	32,952	28,868	33,091	139	(4,223)
Subtotal	114,606	100,752	114,765	159	(14,013)
Total	**306,302**	**281,713**	**306,594**	**292**	**(24,881)**

Overtime

The November Plan includes $1.38 billion for FY 2023 overtime expenditures. This is $845 million, or 38 percent lower, than actual FY 2022 overtime costs of $2.22 billion. FY 2022 overtime costs were unusually high due to the City's response to increases in crime and the effects of COVID-19 on employees. But as the City continues to address higher levels of criminal activity, including within the subway system, and the challenges in hiring staff at many agencies, the upward pressure remains. The New York State Governor and the City's Mayor announced an enhanced subway safety strategy *Cops, Cameras, and Care*, in late October, which is aimed at curbing criminal activities within the system. This response includes outreach measures by uniformed police officers, clinicians, and housing and mental health employees encompassing several city agencies. The Police Department (NYPD) officers alone are expected to work an additional ten thousand hours or so per day patrolling the subway system. Including estimated overtime costs stemming from the enhanced platform coverage for four months, the Comptroller's Office projects that FY 2023 overtime cost could be at least $2.068 billion, posing a risk to the budget of $691 million.

Table 36. Projected Overtime Spending, FY 2023

($ in millions)	FY 23 Adopted Budget	November Plan Overtime	FY 2023 Comptroller's Projection	November Plan Risk
Uniformed				
Police	$372	$374	$640	($266)
Enhanced Subway Safety	NA	$0	$80	($80)
Fire	252	263	350	(87)
Correction	126	126	230	(104)
Sanitation	148	158	158	0
Total Uniformed	**$898**	**$921**	**$1,458**	($537)
Civilian				
Police-Civilian	80	$81	$100	($19)
Social Services	16	$57	$70	($13)
All Other Agencies	306	318	440	($122)
Total Civilians	**$402**	**$456**	**$610**	($154)
Total City	**$1,300**	**$1,377**	**$2,068**	**($691)**

Projected spending for uniformed overtime accounts for 78 percent of the overall overtime risk in FY 2023. Uniformed overtime projections increased by $23 million in the November Plan when compared to the FY 2023 Adopted Budget, primarily $11 million for the Fire Department (FDNY) and $10 million for the Department of Sanitation (DSNY). Through November 2023, five months into the fiscal year, the City has spent $596 million for uniformed overtime and is on pace to spend about $1.5 billion for the fiscal year. The Comptroller's Office estimates that uniformed overtime cost could exceed the City's estimate by $537 million in FY 2023.

The increase in projected overtime for the FDNY stems mainly from the recognition of Federal grants allocated to that cost. The City reflected certain homeland security grants from prior years to fund overtime costs. In addition, the department is functioning below optimal headcount level presently and at the same time experiencing a slightly higher sick leave usage than normal. As of September 30, 2022, there were 10,816 uniformed employees. The FDNY has an authorized uniformed headcount level of 10,954 for June 30, 2023. As the City hires additional firefighters, the department's reliance on overtime should ease. However, if overtime usage continues at a similar rate through the end of the fiscal year, the budget could face a risk of $87 million for FY 2023. Notably, as discussed in the PEG overview above, FDNY included a small overtime "efficiency reduction" as a savings, but because it is offset with City funds elsewhere in the budget it does not impact the Comptroller's risk above.

DSNY overtime budget was revised upward mainly to reflect additional funding in the budget for the City's new "Get Stuff Done" initiative. This initiative is expected to result in cleaner streets and improve the quality of life for residents. DSNY will be collaborating with other City agencies to implement most of these programs.

NYPD has spent $272 million on uniformed overtime through November FY 2023, which is more than 70 percent of the full year's budgeted amount of $374 million. The Comptroller's Office projects that NYPD's FY 2023 uniformed overtime expenses could reach $720 million, including $80 million in overtime costs stemming from the enhanced platform coverage on top of prior levels. It will cost the City an additional $20 million monthly for this initiative, which the Comptroller's Office expects to be in place for at least four months. Although the Governor has indicated that the State will reimburse the City for costs associated with the enhanced platform coverage, the level of reimbursement is still unclear. The NYPD, currently, is also experiencing challenges maintaining optimal headcount levels which is exerting additional pressure on the use of overtime.

The Department of Correction (DOC) continues to experience several challenges. Uniformed headcount has declined from 7,068 at the end of FY 2022 to 6,817 as of September 30, 2022. Moreover, the department continues to experience high staff absenteeism as well as unrest and disorder at its centers. Manhattan Federal prosecutor's office in the Spring of 2022 filed a report with the federal court raising the alarm at ongoing problems at Rikers Island, which is DOC's largest detention center. The City Comptroller recently expressed support for a federal receiver to oversee reforms at Rikers Island citing the lack of progress on key reforms and the continued rise in violence and deaths in custody. The Office has also created a dashboard to track the City's progress in addressing these issues and monitor various indicators around staffing and the jail population. The DOC relies on high overtime usage to manage and meet the day-to-day needs of the centers. Through November, the City has spent $98 million for DOC uniformed overtime and is on pace to spend $230 million for FY 2023; this is$104 million higher than projected by the City.

Projected spending for civilian overtime accounts for approximately one-third of the total FY 2023 overtime budget. Civilian overtime costs when compared to the total overtime expenditures have ranged between 30 percent to 36 percent in the past five fiscal years and averaged $605 million per year. Through November FY 2023, the City has spent $269 million for civilian overtime and is on target to spend about $610 million for FY 2023, exceeding the City's budget by $154 million.

Health Insurance

The November Plan projects employees' and retirees' pay-as-you-go health insurance costs of $7.24 billion for FY 2023, declining slightly from the FY 2022 costs of $7.49 billion. However, these projections reflect prepayments in the amounts of $792 million paid in FY 2022 for FY 2023 retiree health insurance cost. After netting out the impact from these actions, the FY 2023 health insurance costs are expected to be $8.03 billion, an increase of 7.28 percent over FY 2022 spending. The increase in health insurance expenses from FY 2022 reflect projected premium rate increases of 6.31 percent for active employees and pre-Medicare retirees. Senior care premiums are expected to remain flat.[54]

Health insurance costs are then projected to increase at 8.5 percent annually to $8.91 billion in FY 2024, to $9.66 billion in FY 2025 and to $10.27 billion in FY 2026. The projections reflect $1.3 billion in annual savings from the 2014 Health Savings Agreement and $600 million annually from the 2018 Health Savings Agreement, which is further discussed below. The outyear projections assume annual increases in health insurance premium rates for active employees and pre-Medicare retirees of 6 percent in FY 2024, 5.75 percent in FY 2025 and 5.5 percent in FY 2026. Premium rates for senior care health insurance are projected to increase by 4.8 percent for FY 2024 and 4.7 percent in FY 2025 and in FY 2026.

Table 37. Projected Pay-As-You-Go Health Expenditures

($ in millions)	FY 2023	FY 2024	FY 2025	FY 2026
Department of Education	$2,767	$3,259	$3,691	$3,999
CUNY	140	141	153	153
All Other	4,333	5,512	5,815	6,120
Sub-total	**7,240**	**8,912**	**9,659**	**10,272**
FY 2022 Retiree Health Prepayment	792			
PAYGO Health Insurance Costs	**$8,032**	**$8,912**	**$9,659**	**$10,272**

When compared to the FY 2023 Adopted budget, health insurance projections decreased by $33 million in FY 2023, $127 million in FY 2024, $213 million in FY 2025, and $193 million in FY 2026, mainly from a realignment of funding to confirm with historical spending for DOE employees submitted as part of the PEG program. Heath insurance costs were reduced for DOE employees by a net of $28 million in FY 2023, $117 million in FY 2024, $202 million in FY 2025, and $182 million in FY 2026.

Despite the savings achieved from the 2014 and 2018 Health Savings Agreements, health insurance expenditures continue to increase annually growing at an annual average rate of 4.35 percent between FY 2014 and FY 2022 from $5.32 billion to $7.49 billion. The continued growth

[54] The senior care rate is the premium the City pays to supplement shortfalls in Medicare benefits so that Medicare eligible retirees can maintain a similar level of benefits as active employees.

is primarily driven by the annual increases in health insurance premiums. As shown in Table 38, monthly health insurance premiums for individuals and families increased on average annually by 4.44 percent between FY 2014 and FY 2022. The senior care rate increased on average by 2.28 percent annually for the same period.

Table 38. Monthly Health Insurance Premiums FY 2014 – FY 2022

	Individual	Family	Senior Care
FY 2014	$579.04	$1,418.66	$160.34
FY 2015	$586.10	$1,435.95	$160.86
FY 2016	$603.02	$1,477.41	$160.75
FY 2017	$632.45	$1,549.50	$168.35
FY 2018	$680.52	$1,667.34	$172.42
FY 2019	$727.97	$1,783.60	$182.03
FY 2020	$753.40	$1,845.83	$188.20
FY 2021	$776.01	$1,901.23	$191.63
FY 2022	$819.68	$2,008.22	$192.08
FY 2023*	$871.42	$2,134.99	$192.08

* Projected

In July 2021, the City and the Municipal Labor Committee reached an agreement to implement the NYC Medicare Advantage Plus Program, replacing the current Senior Care program. This action is estimated to produce about $600 million of health care cost savings annually, earmarked for contribution to the Health Insurance Stabilization Fund.[55] The Medicare Advantage Plus Program was scheduled to be implemented on January 1st, 2022. In the Fall of 2021, a group of City retirees challenged the implementation of this program in court. Despite several hearings, the matter has yet to be resolved. Additionally, Alliance (Emblem/Anthem), the company selected to administer the program informed the City this past summer that the company was not willing to continue with the program. The City is now negotiating with Aetna on a replacement Medicare Advantage program.

To move forward with the program, the City and the MLC are lobbying City Council members to introduce legislation to amend the City's Administrative Code that governs health care provisions to active and retired City employees. The amendment would allow the City to establish more

[55] The Health Insurance Fund created in the mid 1980's paid the difference between the GHI and HIP health insurance premiums, essentially protecting employees and retirees from paying more to be covered by GHI. Currently, the City contributes $35 million to the fund annually. For several fiscal years, the GHI premium was lower than the HIP premium leading to a higher than anticipated balance in the fund. Over time, the City and unions were able to draw from the fund balance to offset wage increases and other benefits for employees. In recent years, however, GHI health insurance premiums have been about equal or higher than HIP premiums. This has led to a reduction in the balance of the fund and the likelihood that the fund will not be able to meet obligations in coming fiscal years.

than one benchmark health insurance plan, one for actives and non-Medicare retirees and the other for Medicare-eligible retirees paving the way for the Medicare Advantage Program.

Pensions

The November Plan projects pension contributions of $9.3 billion for FY 2023. Contributions are then expected to increase to $9.45 billion in FY 2024, to $9.67 billion in FY 2025, and to $9.84 billion by FY 2026. As shown in Table 39, pension contributions at budget adoption were projected to decline over the Plan primarily from the phase-in of FY 2021 investment gains. Pension investments experienced a combined investment gain of 25.8 percent for FY 2021 and a loss of 8.65 percent for FY 2022 reversing the trend from the prior year. The City's pension contributions are negatively impacted by the investment loss for FY 2022. As a result, the City has reserved $861 million in FY 2024, $1.97 billion in FY 2025, and $3.02 billion in FY 2026 over the Plan period to fund the additional costs to the pension systems. Pension contributions are projected based on the assumption that pension investments will earn the actuarial interest rate (AIRA) of 7 percent. Investment returns above or below the AIRA for a given fiscal year are phased in over a five-year period beginning the second fiscal year following the given fiscal year and amortized over fifteen years.

Table 39. Changes to City Pension Contributions

($ in millions)	FY 2023	FY 2024	FY 2025	FY 2026
Five Actuarial Systems	$9,001	$8,202	$7,287	$6,424
Reserve*	305	392	418	401
Other Systems	108	108	108	107
Less: Intra City Expense	(112)	(112)	(112)	(112)
Net Pension Expense Adopted Budget	**9,301**	**8,591**	**7,702**	**6,820**
FY 2022 Investment Losses below AIRA	0	861	1,969	3,018
Net Pension Expense November Plan	**$9,301**	**$9,452**	**$9,671**	**$9,838**

*The reserve is being held to accommodate expected changes resulting from the actuarial audit of the pension systems, changes in headcount, and valuation refinements.

Independent Actuarial Audit

The Comptroller's Office has engaged Milliman, Inc., pursuant to Section 96 of the New York City Charter, to conduct two consecutive biennial independent actuarial audit engagements. The engagements consist of experience studies of data through fiscal year-ends 2019 and 2021 to validate actuarial assumptions and an administrative review of the City's collection and processing of actuarial data. The audit process has begun and Milliman is expected to release final reports for the first engagement in the Spring of 2023. It is not expected that any final recommendations to modify assumptions will be put forward in the first engagements reports. The second engagement reports, due to be released by the beginning of 2024, will consist of final recommendations that may modify actuarial assumptions. Once final recommendations are released, the City's Chief Actuary reviews and make the final decision on whether any of the recommendations will be adopted. The City has reserved about $279 million annually to offset any additional costs that may arise due to changes in actuarial assumptions. Unless the Chief Actuary chooses to modify actuarial assumptions based on preliminary findings which would result in additional costs, the funding reserved in FY 2023 may not be needed.

Labor

The City maintains a labor reserve within the Financial Plan to cover anticipated expenses from collective bargaining agreements for contracts that are currently pending negotiation. The current balance in the labor reserve is $1.39 billion in FY 2023, $1.91 billion in FY 2024, $2.56 billion in FY 2025, and $3.23 billion in FY 2026. Funding in the labor reserve remained relatively unchanged when compared to the June Plan. There were transfers of $20 million in FY 2023 and about $16 million in each of FYs 2024 through FY 2026 to agencies for wage increases resulting from the last round of collective bargaining agreements.

The Patrolmen's Benevolent Association (PBA) is the only major union that has yet to reach a labor agreement with the City under the previous round of collective bargaining. Labor negotiations between the City and PBA were declared at an impasse by the New York State Public Employment Relations Board (PERB). Both parties have presented arguments before an arbitration panel and are currently awaiting a final ruling. The City has funded this contract based on the pattern established by the Uniformed Officers Coalition of 7.95 percent over three years. Through FY 2023, approximately $1.3 billion retroactive to August 2017 both through accruals and in the labor reserve has been allocated.

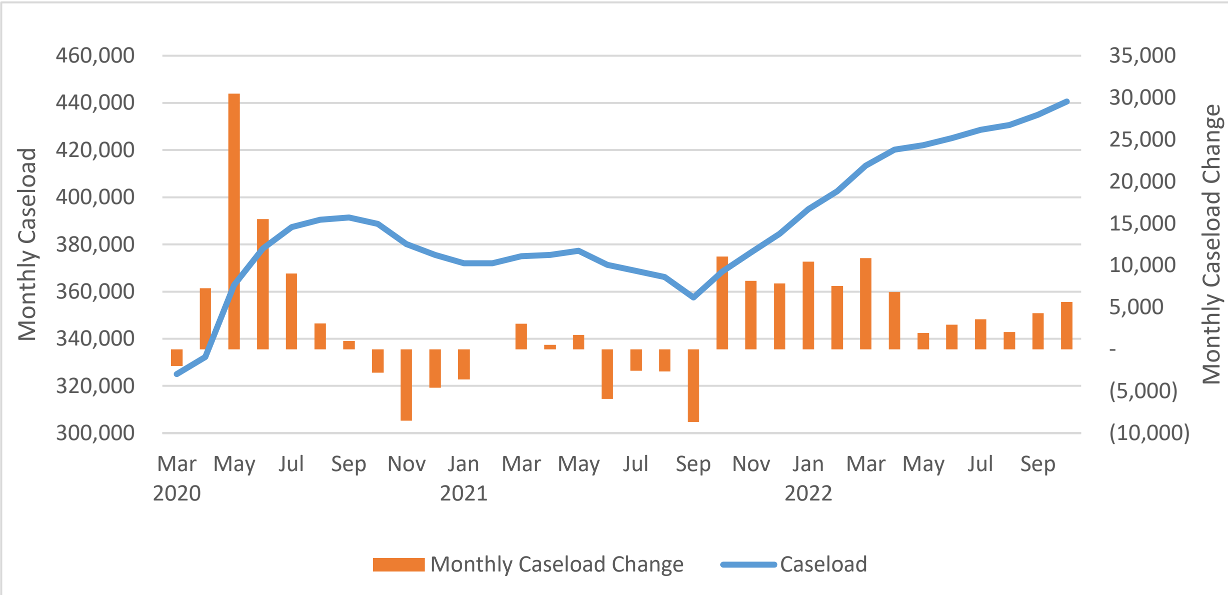
The balances in the labor reserve reflect the City's current position on wage increases for all employees for the next round of collective bargaining. Funds providing annual wage increases of 1.25 percent are reserved. Each full year one percent wage increase for all employees, including pensions, would cost approximately $450 million.

Public Assistance

Through October, the City's public assistance caseload has averaged 433,705 recipients per month in FY 2023. Over the same July-October period in the prior year, the caseload averaged only 365,240. The caseload average in the current year represents a nearly 19 percent spike over FY 2022. As shown in Chart 14, the caseload spike comes on the heels of the end of the Federal Pandemic Unemployment Compensation program in September 2021, which provided supplemental unemployment benefits dating back to the early phase of the COVID outbreak.

According to the City, between September 2021 and October 2022, there was a 71% percent increase in the average number of applicants per month compared to the final month in FY 2021. For applications received between September 2021 and August 2022, the average monthly case acceptance rate jumped to 45 percent from 35 percent in June 2021.

Chart 14. Public Assistance Caseload and Monthly Changes January 2020-October 2022



Source: NYC Department of Social Services

Though the City has not provided an update of its caseload projections, the November Plan maintains baseline grants expenditure estimates of approximately $1.48 billion in each of FY 2023–FY 2026. Given the surge in both caseload and monthly grant spending over the past year, it appears likely that spending will stabilize at higher levels for the foreseeable future at a monthly rate of more than $140 million. Therefore, the City will likely need to provide additional funding of at least $75 million annually in FY 2023–FY 2026 to meet its obligations for public assistance spending.

Department of Education

The November Modification projects a $30.96 billion budget for the Department of Education (DOE) in the current year (net of intra-city funds), reflecting a modest decline of $61 million since Adoption. Compared to the FY 2022 actuals of $31.48 billion, the current FY 2023 budget projection represents a decrease of 1.6 percent or $516 million. Key factors contributing to this decline are reduced stimulus funding in FY 2023 and PEG savings in the November Plan curbing the growth in City-funded support. In comparison, the FY 2022 budget rose by nearly $3 billion mainly from infusion of more than $3 billion in stimulus funding under ARP-CRRSA education grants and ARPA local recovery funding. The FY 2023 budget currently assumes only $1.77 billion in ARP-CRRSA education grants and $5 million in ARPA local recovery funds.

The November Modification reflects an increase of $73 million in non-city funds in the current year mainly from a roll of $51 million that include State Smart Schools bond proceeds and Community Development Block Grant, in addition to a $17 million increase in CARES Act funding. For City funds, the DOE would face savings actions of $154 million that are partly offset by $21 million in new need and other adjustments. PEG savings in the current year will stem almost exclusively from reductions in personnel expenditures, including about $90 million from delayed hiring savings, $24 million from lower school safety personnel spending and $40 million in funding originally set aside for higher salary costs anticipated from COVID-related staffing changes.

The FY 2023 budget will likely change significantly once the City fully reflects its stimulus revenue assumptions. The November Plan stimulus funding projections for DOE currently do not include about $309 million in education stimulus grants resulting from unspent funds in FY 2022. In addition, the DOE has committed to utilizing $200 million in stimulus funding to offset anticipated mid-year budget cuts for schools that have shown greater-than-projected enrollment declines in its preliminary register.

Over the outyears, the DOE budget is expected to fall in FY 2024 to $30.69 billion, a decline of about $272 million from the FY 2023 projection. Over the remainder of the plan, funding for the Department would rebound slightly to $30.87 billion in FY 2025 and $31.05 billion in FY 2026, reflecting modest increases of about $180 million annually. ARP and CRRSA grants assumed in the DOE budget would continue to taper beyond the current year, falling slightly from $1.77 billion in FY 2023 to $1.67 billion in FY 2024, before settling at $246 million in FY 2025 and disappearing by FY 2026. However, these assumptions are subject to change pending the aforementioned $309 million in stimulus funds currently not reflected in the November Plan.

The most significant changes in the outyears of the November Plan are additional PEG savings from re-sizing its 3K program and fringe benefits savings. Under the assumptions, the DOE would discontinue its 3K expansion effort beginning in FY 2024, effectively holding funding flat at the FY 2023 level of $712 million through FY 2025 before dropping down to $619 million in FY 2026. As part of this action, $284 million in stimulus funding would be moved forward from FY 2025 to FY 2024. Combined with reduced programmatic funding, previously projected at nearly $1 billion, the City would reap one-time net savings of $568 million in FY 2024. The PEG program also trims projected fringe benefits spending by $80 million in FY 2024 and $165 million annually in FY 2025 and FY 2026, citing the trend of health insurance costs in recent years as the basis for the reductions.

Many of the DOE baseline risks remain in place for the November Plan. The City indicates that unless the State provides dedicated funding to support charter school tuition rate increases, it could lead to potential funding shortfalls of $278 million in FY 2024, $430 million in FY 2025 and $723 million in FY 2026. In addition, the City has underbudgeted spending for special education Carter Cases in each year of the Plan. Since FY 2016, spending for Carter Cases has nearly tripled from $312 million to $918 million recognized in FY 2022. In order to maintain baseline funding similar to the FY 2022 spending level, the City will need to increase its Carter Cases budget by $475 million annually in FY 2023–FY 2026. Moreover, the DOE budget has likely underfunded pupil transportation costs in the outyears that could require additional City funding of $75 million to $175 million in each of FY 2024–FY 2026.

The City could also face risks for a number of core instructional and support initiatives upon the expiration of Federal COVID grants. Chief among these are the underfunding of 3K programmatic costs by $93 million in FY 2026, and respective needs of $176 million and $49 million for the continuation of Summer Rising and school nursing each year beginning in FY 2025. The City would also need to provide additional funding of $111 million in FY 2025 and $235 million in FY 2026 as ongoing support of special education pre-kindergarten expansion, mental health services and community schools programs unless these initiatives can be significantly curtailed or discontinued.

In addition, the November Plan does not reflect costs associated with recent measures approved by the State mandating new class size caps in FY 2024 through FY 2026. In September, Governor Hochul signed legislation that would impose stricter class size limits only on New York City starting in the next school year. Under the law, the City will need to phase in the reductions over a five-year period and achieve full compliance by September 2028. The City estimates that, once fully phased-in, the new mandate could lead to additional costs of $1 billion annually.

Homeless Services

Spending on adult and family shelter in the Department of Homeless Services (DHS) is the primary driver of the City's homeless expenses. However, funding for homeless assistance has historically, and increasingly, drawn from the budgets of other agencies, including the Department of Social Services, the Department of Youth and Community Development, the Department of Health and Mental Hygiene and the Department of Veterans Services. Table 40 details changes in total funding for seven major categories of homeless services across these agencies in the November modification. In October of this year, the Mayor added to the list of agencies involved by directing the public hospital system, Health + Hospitals (H+H), in coordination with other agencies, to establish and operate temporary Humanitarian Emergency Response and Relief Centers (HERRCs) for the growing population of asylum-seekers.[56] In the November Plan, the City added nearly $600 million to the DHS budget, as further discussed below, and $400 million for the HERRCs, primarily to H+H. Because the HERRCs are currently outside of the shelter system as part of the Mayor's Emergency Order, we address them separately later in this section.

[56] Emergency Executive Order 224 | City of New York (nyc.gov)

Table 40. Citywide Homeless Services Expenditures

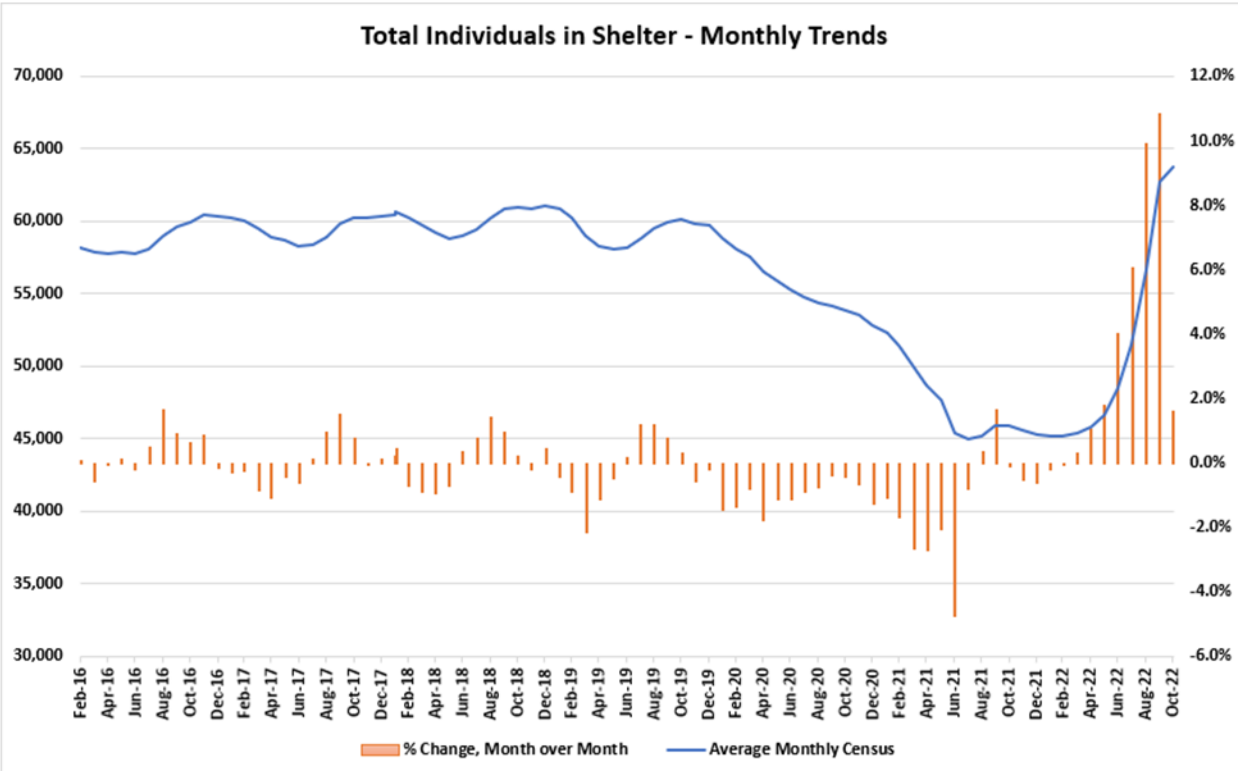
($ in millions)	Modified FY 2023	Adopted FY 2023	Change
Adult Shelter Operations	$893	$831	$62
Family Shelter Operations	$1,075	$1,114	($39)
Rental Assistance	$812	$814	($2)
Prevention, Diversion, Anti-Eviction & Aftercare	$524	$512	$11
Domestic Violence, Youth & Emergency Shelters	$112	$112	$0
Homeless Administration & Support	$1,039	$457	$582
Total Citywide Homeless Spending	**$4,456**	**$3,842**	**$615**

Numbers may not add due to rounding.

Excluding the HERRCs, total citywide homeless services expenditures for FY 2023 are now approximately $4.5 billion, with $615 million in total funds added in the November plan. This is largely propelled by the addition of $243.3 million for homeless individual services expenses and $252 million for homeless family services expenses, both of which fall under the DHS General Administration budget function. As noted above, this spending addresses the precipitous increase in the shelter census since budget adoption, which is associated with an estimated influx of over 30,000 asylum seekers to New York City, which has driven an historic surge in the City's shelter census since the start of FY 2023.

As the blue line in Chart 15 illustrates, the average monthly shelter census was 46,675 individuals by the end of June 2022 when the FY 2023 budget was adopted. By November, the last full month of available data, the average monthly shelter census had risen to 63,727 individuals, an increase of more than 36 percent or approximately 17,000 individuals since adoption. To contextualize the city shelter system's unusual pace of growth, the orange bars in Chart 15 plot month-over-month rates of change in the shelter census. As the chart illustrates, a reliable seasonal pattern was shocked by the pandemic in 2020 and then again by the influx of asylum seekers in 2022.

Chart 15. Total Individuals in Shelter – Monthly Trends



Source: NYC Open Data

While initially absorbing the influx of asylum-seekers in the DHS shelter system as noted above, the City ultimately issued the Emergency Order charging H+H with managing and operating the HERRCs. New arrivals are received and sheltered in these new facilities which sit outside the DHS system. The City has provided $400 million in new funding for the HERRCs, including $310 million for H+H, $50 million for NYC Emergency Management (NYCEM), $30 million at the Office of Technology and Innovation (OTI, formerly known as DoITT), and $10 million at the Department of Citywide Administrative Services

In total, the November Plan added $1 billion to the budget, only in FY 2023, to fund services for asylum-seekers. The modified budget anticipates Federal revenues will support these new expenses but a commitment from a projected Federal source has yet to be secured. The Comptroller's Office is including the full amount in the current fiscal year as a revenue risk. In addition, based on the current growth trajectory and the uncertainty around federal border policy, the Comptroller is including a risk of $1 billion annually in the outyears as an unfunded expense risk. Although in recent weeks, the number of buses arriving from border States had slowed due to a shift in the Biden administration's use of Title 42 (the Trump-era public health policy that allows asylum-seekers to be diverted at the border), a federal judge has ordered that the policy end as of December 21st. Barring a legislative fix, the influx of asylum-seekers is likely to continue. Without a sound strategy at the Federal, State and Local levels, it is possible that these expenses will grow even beyond the current need.

The modified budget also includes new funding for a number of smaller, critical homeless services programs across city agencies, beyond the larger increase for asylum-seekers. New expenditures for the City's Shelter to Housing Action Plan total approximately $5.1 million in FY 2023 and $10.2 million in FY 2024 at DHS and the Department of Social Services (DSS). The Emergency Housing Voucher program funded through the Department of Housing Preservation and Development (HPD) will receive an additional $14.7 million for FY 2023 in the November Plan while planned spending for the Homebase program administered by DSS will increase by $10 million in FY 2023.

There are also planned spending reductions in order to obtain agency savings. One notable Program to Eliminate the Gap in the November Plan is a reduction in spending for supportive housing expenses at HPD totaling $10.3 million in FY 2023, $5 million in FY 2024, $2.5 million in FY 2025 and $1.2 million in FY 2026. In addition, a large outyear shift was made to the Department of Homeless Services (DHS) budget of $119.6 million of behavioral health, vocational services, case management, access to permanent housing, and nutritional care and meals funding to the NYS Medicaid Waiver program in both FY 2025 and FY 2026. This may require meeting certain programmatic objectives and reporting requirements for the savings target to be met.

IV. Capital Budget and Financing Program

Capital Commitment Plan, FY 2023 – FY 2026

All-Funds Commitments

The FY 2023–FY 2026 Adopted Capital Plan, released in September 2022, totals $79.97 billion in all-funds authorized commitments, a $2.94 billion increase compared to the April 2022 Capital Plan over the same fiscal years. City-funds authorized commitments make up $76.22 billion of the total authorized commitments. After adjusting for the reserve for unattained commitments, all-funds planned commitments drop to $71.23 billion, as shown in Table 41. The City-funds commitments after adjusting for the reserve for unattained commitments drop to $67.48 billion. The Plan is somewhat front-loaded with 28 percent, or $22.12 billion, of the all-funds authorized commitments scheduled for FY 2023. When adjusted for the reserve for unattained commitments, the percentage drops to 22 percent. In the outyears of the Plan, commitments increase modestly to $22.91 billion in FY 2024, then decrease to $18.81 billion in FY 2025 and to $16.14 billion in FY 2026, resulting in an average of $19.99 billion per year over the period.

Following a similar pattern as past Plans, almost two-thirds of the Plan is in the four program areas of Education and CUNY, Environmental Protection (DEP), Dept. of Transportation (DOT) and Mass Transit, and Housing and Economic Development as shown in Table 41. Education and CUNY lead the way with 18.2 percent of the total, followed by Housing and Economic Development at 16.8 percent, DOT and Mass Transit at 15.6 percent, and DEP at 14.6 percent.

More than half of the $2.94 billion all-funds increase over FY 2023–FY 2026 is for the NYC Transit Authority. Planned commitments for MTA/NYC Transit increased by $1.51 billion, or 104 percent, from the April 2022 Plan. The DOE increased by $935 million, or 7 percent, from the April 2022 Plan. The Housing and Economic Development increase of $995 million is largely driven by rollovers of unmet commitments from FY 2022 into FY 2023–FY 2026.[57] FY 2022 commitments in the NYC Housing Authority fell short of planned commitments by $801 million, while Economic Development's commitments fell short by $213 million. FY 2022 actual commitments are discussed in greater detail in "FY 2022 Commitments" below.

The remaining net decrease of about $500 million over the period is comprised of increases to 22 project types totaling $1.24 billion, offset by a combined $1.74 billion decrease in 13 other project types. Notable decreases are within the DOT's highways and highway bridges project areas at $763 million and $437 million, respectively. These commitment amounts for DOT, however, are not eliminated, but pushed out to FY 2027-FY 2031.

[57] Notable increases for housing and economic development are to NYCHA-related projects of $699 million, and economic development projects of $297 million.

Table 41. FY 2023–FY 2026 Capital Commitments, All-Funds

Project Category - $ millions	FY 2023–FY 2026 Adopted Commitment Plan	Percent of Total	Change from April 2022 Plan
Education and CUNY	$14,524	18.2%	$882
Environmental Protection	11,666	14.6%	92
Dept. of Transportation and Mass Transit	12,448	15.6%	626
Housing and Economic Development	13,474	16.8%	995
Administration of Justice	8,843	11.1%	(151)
Resiliency, Technology and Equipment	5,440	6.8%	125
Parks Department	3,566	4.5%	(55)
Hospitals	2,577	3.2%	60
Other City Operations and Facilities	7,435	9.3%	364
Total Authorized Commitments	$79,973	100.0 %	$2,938
Reserve for Unattained Commitments	(8,742)	N/A	($4,948)
Total Net of Reserve for Unattained Commitments	$71,231	N/A	($2,010)

Source: NYC Office of Management and Budget, FY 2023–FY 2026 September Capital Commitment Plan, September 2022.
Note: Numbers may not add due to rounding.

FY 2022 Capital Commitments

FY 2022 actual capital commitments summed to $12.72 billion, or 71.3 percent of FY 2022 planned authorized commitments of $17.85 billion as shown in Table 42. Actual commitments were $2.67 billion higher than in FY 2021 and improved from the FY 2021 achievement rate of 61.7 percent. The FY 2022 achievement rate is about 12 percentage points higher than the average achievement rate of 59.4 percent over FY 2012 – FY 2021.

Fifteen agencies accounted for just under 97 percent of actual commitments, or $12.30 billion of the total.[58] Among the agencies with greater than $150 million in actual commitments, the Department of Education had the highest rate of achievement at 94.8 percent, followed by the Department. of Sanitation at 92.6 percent, NYC Transit at 91.8 percent, and the Department of Health and Mental Hygiene (DOHMH) at 89.8 percent. The NYC Housing Authority had the worst

[58] The agency tally of fifteen includes HPD and NYCHA counted separately.

achievement rate of 22.7 percent and the second-worst dollar shortfall from Plan in the amount of $801.2 million.

Eighteen of the 26 program agencies saw their achievement rates increase from the previous fiscal year. The five agencies with the largest percentage point increases are CUNY (+70.4 percent), the New York Public Library (+58.0 percent), NYC Transit (+49.3 percent), and DOHMH (+49.1 percent).

Eight agencies had poorer achievement rates than FY 2021, ranging from -53.7 percentage points to -3.6 percent. Among these agencies are the Police Department at -53.7 percent, Department for the Aging at -24.7 percent, the Human Resources Administration at -21.7 percent, and the Department of Information, Telecommunications & Technology at -16.9 percent.[59]

Table 42. FY 2022 Actual and Plan Commitments

($ in millions)	FY 2022 Executive Plan	FY 2022 Actuals	FY 2022 Achievement Rates	FY 2021 Actuals	FY 2022 vs. FY 2021
Research Libraries	$0.3	$0.3	104%	$0.0	0.3
DOE	$4,206	$3,989	95%	$2,702	1,287
Fire	$127	$119	94%	$115	$4
DOS	$184	$171	93%	$243	(72)
Transit	$841	$772	92%	$576	196
DOHMH	$277	$249	90%	$59	189
New York Public Library	$130	$109	84%	$17	92
Brooklyn Public Library	$22	$18	81%	$23	(5)
Police	$204	$162	79%	$192	(30)
CUNY	$55	$44	79%	$4	40
Cultural Affairs	$71	$56	79%	$126	(71)
Parks	$729	$538	74%	$483	55
Business Services/EDC	$702	$489	70%	$391	98
HHC	$791	$544	69%	$370	174
DEP	$2,345	$1,610	69%	$1,758	(149)
DCAS	$1,546	$1,035	67%	$762	273

[59] The Police Dept.'s high percentage point drop is due to an exceptionally high achievement rate of 133 percent in FY 2021.

($ in millions)	FY 2022 Executive Plan	FY 2022 Actuals	FY 2022 Achievement Rates	FY 2021 Actuals	FY 2022 vs. FY 2021
Queens Public Library	$23	$15	65%	$6	9
Homeless Services	$42	$27	64%	$20	7
DOC	$822	$499	61%	$62	437
HPD	$1,517	$916	60%	$1,034	(118)
DOITT	$310	$170	55%	$298	(128)
DOT	$1,721	$919	53%	$660	259
HRA	$55	$17	30%	$30	(13)
NYCHA	$1,036	235	23%	$103	132
ACS	$78	$16	20%	$10	6
DFTA	$14	$1	9%	$2	(1)
TOTAL	**$17,849**	**$12,718**	**71.3%**	**$10,047**	**$2,671**

Source: Office of Management and Budget, FY 2022 focus within the FY 2023 Executive Capital Commitment Plan, April 2022, and OMB sources for the FY 2022 and FY 2021 commitment actuals.[60]

Financing Program

Total projected borrowing in the November Plan for FY 2023 through FY 2026 is $1.35 billion less than the June 2022 Financial Plan's estimate. This is a result of decreases of $630 million in GO borrowing, $230 million in Transitional Finance Authority (TFA) Future Tax Secured (FTS) borrowing, and $492 million in New York City Municipal Water Finance Authority (NYW) borrowing over the four-year period. The reduction in overall borrowing, despite the increase of $2.94 billion in capital commitments from the April 2022 Capital Plan, stems from a combination of the $5.13 billion capital commitment shortfall in 2022 (FY 22 April Plan vs. Actuals) and other project deferrals to the outyears, both of which result in lower capital cash flow needs over FY 2023–FY 2026 from the June 2022 estimates. Estimated total borrowing ranges from $10.0 billion in FY 2023 to $13.99 billion in FY 2026, with an annual average of $12.16 billion over the period, down from $12.50 billion per year in the June 2022 Financial Plan. Excluding NYW borrowing, the GO/TFA borrowing averages are $10.50 billion per year in the November 2022 Plan over FY 2023–FY 2026 compared with $10.71 billion per year in the June 2022 Financial Plan.

[60] The data in the above table is from OMB's FY 2022 accounting of actual capital commitments. It includes proprietary OMB adjustments that are not present in the Financial Management System (FMS 2) reports available to the Office of the Comptroller. As a result, these figures differ from Table S1 in the recently released Spotlight contained in the December Economic Newsletter.

Table 43. November 2022 Plan Financing Program

($ in millions)	Estimated Borrowing and Funding Sources FY 2023 – FY 2026	Percent of Total
General Obligation Bonds	$21,530	44.3%
TFA FTS Bonds	20,455	42.0%
NYC Water Finance Authority	6,670	13.7%
TFA BARBs	0	0.0%
Total	**$48,655**	**100.0%**

Source: NYC Office of Management and Budget, FY 2023 November Financial Plan, November 2022.

Debt Service

As shown in Table 44, debt service, net of prepayments, in the November Plan totals $7.73 billion in FY 2023, $8.03 billion in FY 2024, $8.51 billion in FY 2025, and $9.27 billion in FY 2026.[61] These amounts represent decreases from the June 2022 Financial Plan of $98 million in FY 2023, $131 million in FY 2024, $161 million in FY 2025, and $170 million in FY 2026 for a total decrease of $561 million over the Plan period.[62] Between FY 2023 and FY 2026, total debt service is expected to increase by $1.54 billion, or by 20.2 percent. In addition, these estimates for debt-service represent an estimated annual average percent increase of 6.2 percent. These projections exclude debt service of the NYW, which is backed by water and sewer user fees, and the debt service of TFA BARBs, supported by State building aid.

Table 44. November 2022 Financial Plan Debt Service Estimates

$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	Change FY 2023 – FY 2026	Average Annual Growth
GO	$4,214	$4,482	$4,675	$4,930	$716	5.4%
TFA FTS[a]	3,295	3,354	3,643	4,157	862	8.1%
Lease-Purchase	146	118	117	116	(30)	(7.3)
TSASC, Inc.	76	76	76	69	(7)	(3.2)
TOTAL	**$7,731**	**$8,031**	**$8,511**	**$9,272**	**$1,541**	**6.2%**

Source: NYC Office of Management and Budget, FY 2023 November Financial Plan, November 2022.

Note: Debt service is adjusted for prepayments.

a Amounts do not include TFA BARBs

The $561 million reduction from the June Plan over FY 2023–FY 2026 is comprised of $317 million of TFA savings and $244 million in GO savings. TFA debt service reductions over the four-year period stem primarily from a combination of TFA-FTS lower YTD borrowing costs and decreased

[61] Includes GO, conduit debt, TFA-PIT bonds, and TSASC.

[62] These figures represent all-funds and thus differ from estimates in the City's PEG program.

borrowing assumptions generating an estimated $199 million in savings, along with refunding savings of $72 million, followed by $85 million in higher Building Aid retention revenues which can be used to offset TFA debt-service costs.[63] These savings are offset by a $39 million increase for Variable Rate Demand Bond (VRDB) interest cost estimates over FY 2023–FY 2026.

On the GO side, savings over FY 2023–FY 2026 are similarly driven by a drop in borrowing, which along with better than expected rates on actual FY 2023 borrowing is expected to produce savings of $258 million, along with $39 million of savings from lower estimated SWAP payments over the period. These savings estimates are offset by higher estimated VRDB interest costs of $51 million over the Financial Plan period along with $2 million of miscellaneous baseline adjustments.

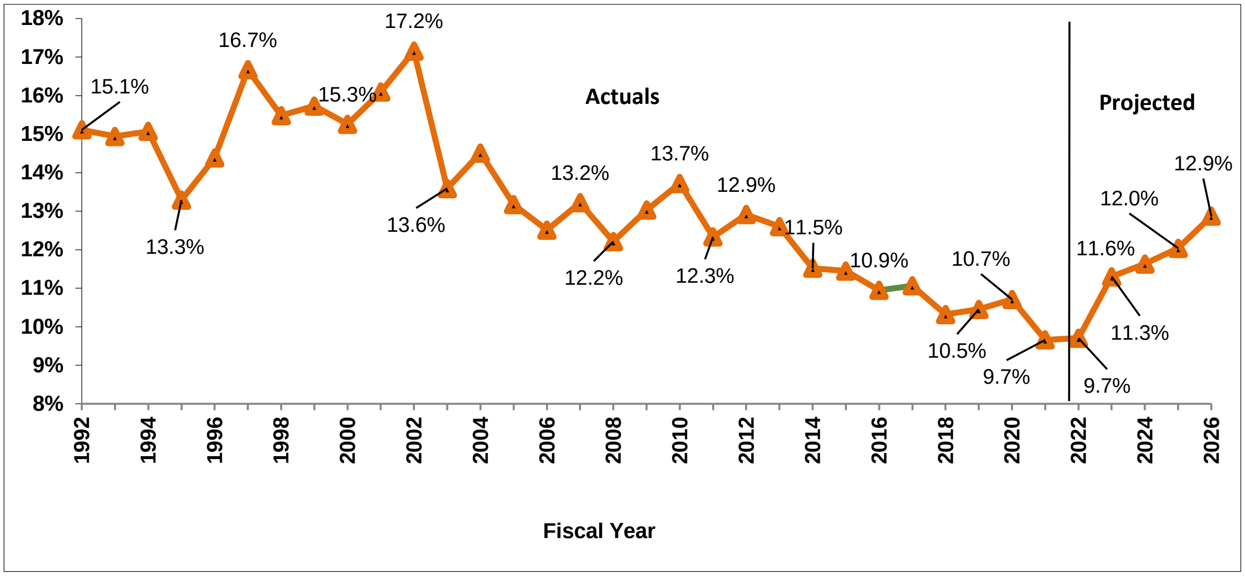
Debt Affordability

Debt affordability continues to be an important topic facing the City. Debt service as a percent of local tax revenues and as a percent of total-funds revenues are widely used measures of debt affordability.[64] In FY 2022, the City's debt service was 9.7 percent of local tax revenues, a continuation of FY 2021's historically low percentage. The November 2022 Plan projects debt service will consume 11.3 percent of local tax revenues in FY 2023, 11.6 percent in FY 2024, 12.0 percent in FY 2025, and 12.9 percent in FY 2026, as shown in Chart 16. The upward trend in the debt service to tax revenue ratio reflects the disparity between debt service and tax revenue growth rates over the Plan period. Debt service is projected to grow at an average annual rate of 6.3 percent from FY 2023 to FY 2026 while tax revenue during this period is projected to grow 1.8 percent annually.

[63] Most of the increase in Building Aid Retention revenues is due to savings from an FY 2023 TFA BARBs refunding.

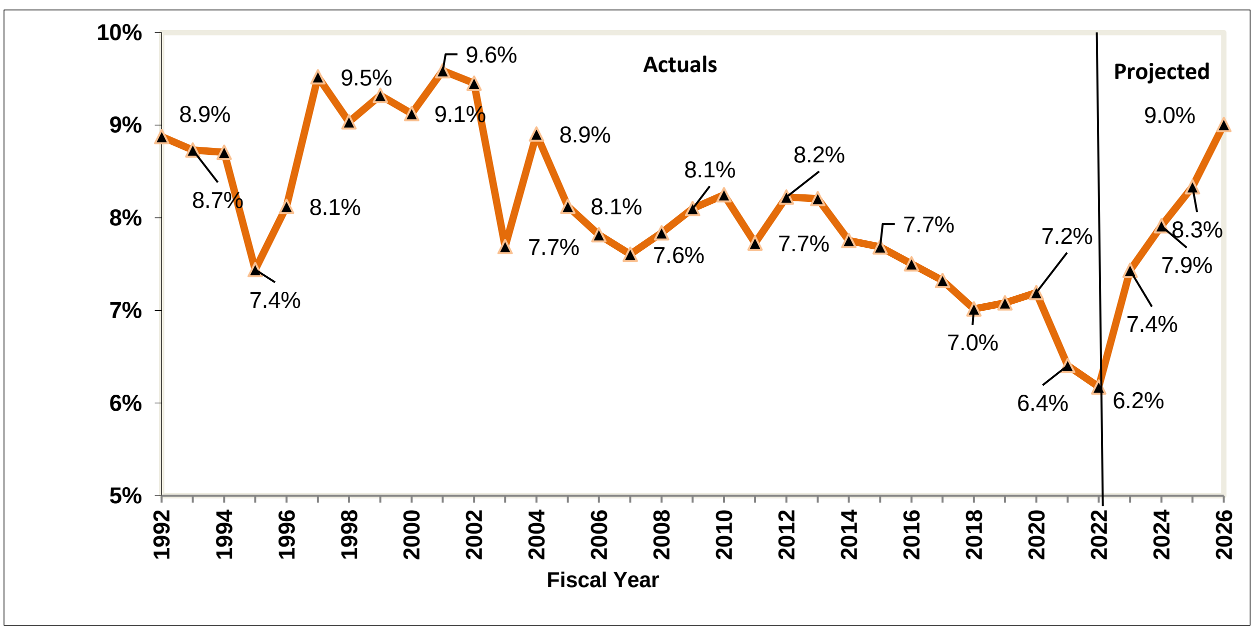
[64] Debt service in this discussion is adjusted to exclude prepayments. For additional analysis of the affordability of the City's debt, see Office of the New York City Comptroller, *Annual Report on Capital Debt and Obligations for FY 2023:* https://comptroller.nyc.gov/reports/annual-report-on-capital-debt-and-obligations/

Chart 16. NYC Debt Service as a Percent of Tax Revenues



Source: Office of the NYC Comptroller, Comprehensive Annual Financial Reports, FY 1992 – FY 2022 and NYC Office of Management and Budget, FY 2023 November Financial Plan, November 2022.

Chart 17. NYC Debt Service as a Percent of Total Revenues



Source: Office of the NYC Comptroller, Comprehensive Annual Financial Reports, FY 1992 – FY 2022 and NYC Office of Management and Budget, FY 2023 November Financial Plan, November 2022.

Debt service as a percent of total revenues was 6.2 percent in FY 2022. Due to the drop in total revenues in FY 2023, the November 2022 Plan projects debt service as a percent of total revenues will be 7.4 percent in FY 2023,7.9 percent in FY 2024, 8.3 percent in FY 2025, and 9.0 percent in FY 2026. This is driven by a 6.2 percent annual growth rate in debt service compared to a negative growth rate in revenues of -0.3 percent over the same period.

V. Appendix

Table A1. November 2022 Financial Plan Revenue Detail

($ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	Change FYs 2023– 2026 Dollars	Change FYs 2023– 2026 Percent	Annual Percent Change
Taxes:							
Real Property	$31,421	$32,013	$32,146	$32,156	$735	2.3%	0.8%
Personal Income Tax	15,284	14,844	15,462	15,869	585	3.8%	1.3%
General Corporation Tax	4,537	4,294	4,444	4,724	187	4.1%	1.4%
Unincorporated Business Tax	2,178	2,281	2,366	2,463	285	13.1%	4.2%
Sale and Use Tax	8,601	8,971	9,423	9,954	1,353	15.7%	5.0%
Real Property Transfer Tax	1,395	1,529	1,636	1,688	293	21.0%	6.6%
Mortgage Recording Tax	961	1,015	1,087	1,118	157	16.3%	5.2%
Commercial Rent	862	863	866	868	6	0.7%	0.2%
Utility	379	395	403	418	39	10.3%	3.3%
Hotel	468	620	679	699	231	49.4%	14.3%
Cigarette	18	17	16	16	(2)	(11.1%)	(3.9%)
All Other	924	824	824	823	(101)	(10.9%)	(3.8%)
Tax Audit Revenue	721	721	721	721	0	0.0%	0.0%
Total Taxes	**$67,749**	**$68,387**	**$70,073**	**$71,517**	**$3,768**	**5.6%**	**1.8%**
Miscellaneous Revenue:							
Licenses, Franchises, Etc.	$737	$698	$696	$701	($36)	(4.9%)	(1.7%)
Interest Income	107	161	195	217	110	102.8%	26.6%
Charges for Services	1,029	1,035	1,034	1,034	5	0.5%	0.2%
Water and Sewer Charges	1,801	1,752	1,739	1,733	(68)	(3.8%)	(1.3%)
Rental Income	250	252	252	252	2	0.8%	0.3%
Fines and Forfeitures	1,076	1,128	1,122	1,120	44	4.1%	1.3%
Miscellaneous	337	351	341	340	3	0.9%	0.3%
Intra-City Revenue	2,143	1,919	1,920	1,918	(225)	(10.5%)	(3.6%)
Total Miscellaneous Revenue	**$7,480**	**$7,296**	**$7,299**	**$7,315**	**($165)**	**(2.2%)**	**(0.7%)**
Unrestricted Intergovernmental Aid:							
Other Federal and State Aid	$252	$0	$0	$0	($252)	(100.0%)	(100.0%)
Total Unrestricted Intergovernmental Aid	**$252**	**$0**	**$0**	**$0**	**($252)**	**(100.0%)**	**(100.0%)**
Reserve for Disallowance of Categorical Grants	**($15)**	**($15)**	**($15)**	**($15)**	**$0**	**0.0%**	**0.0%**

($ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	Change FYs 2023– 2026 Dollars	Change FYs 2023– 2026 Percent	Annual Percent Change
Less: Intra-City Revenue	**($2,143)**	**($1,919)**	**($1,920)**	**($1,918)**	**$225**	**(10.5%)**	**(3.6%)**
TOTAL CITY-FUNDS	**$73,323**	**$73,749**	**$75,437**	**$76,899**	**$3,576**	**4.9%**	**1.6%**
Other Categorical Grants	**$1,154**	**$1,059**	**$1,056**	**$1,055**	**($99)**	**(8.6%)**	**(2.9%)**
Inter-Fund Agreements	**$741**	**$736**	**$736**	**$736**	**($5)**	**(0.7%)**	**(0.2%)**
Federal Categorical Grants:							
Community Development	$393	$252	$239	$239	($154)	(39.2%)	(15.3%)
Social Services	3,443	3,465	3,450	3,448	5	0.1%	0.0%
Education	3,727	3,607	2,147	1,901	(1,826)	(49.0%)	(20.1%)
Other	4,248	1,695	1,895	1,436	(2,812)	(66.2%)	(30.3%)
Total Federal Grants	**$11,811**	**$9,019**	**$7,731**	**$7,024**	**($4,787)**	**(40.5%)**	**(15.9%)**
State Categorical Grants:							
Social Services	$1,924	$1,868	$1,859	$1,852	($72)	(3.7%)	(1.3%)
Education	12,522	12,696	12,887	12,887	365	2.9%	1.0%
Higher Education	276	276	276	276	0	0.0%	0.0%
Department of Health and Mental Hygiene	603	605	605	606	3	0.5%	0.2%
Other	1,649	1,486	1,543	1,602	(47)	(2.9%)	(1.0%)
Total State Grants	**$16,974**	**$16,931**	**$17,170**	**$17,223**	**$249**	**1.5%**	**0.5%**
TOTAL REVENUES	**$104,003**	**$101,494**	**$102,130**	**$102,937**	**($1,066)**	**(1.0%)**	**(0.3%)**

Note: Numbers may not add due to rounding.

Table A2. November 2022 Financial Plan Expenditure Detail

($ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	Change FYs 2023 – 2026 Dollars	Change FYs 2023 – 2026 Percent	Annual Percent Change
Mayoralty	$196	$166	$164	$164	($32)	(16.2%)	(5.7%)
Board of Elections	206	137	137	137	(69)	(33.5%)	(12.7%)
Campaign Finance Board	78	14	14	14	(64)	(81.8%)	(43.3%)
Office of the Actuary	7	7	7	7	0	1.2%	0.4%
President, Borough of Manhattan	5	5	5	5	(0)	(8.2%)	(2.8%)
President, Borough of Bronx	6	6	6	6	(1)	(9.0%)	(3.1%)
President, Borough of Brooklyn	8	6	6	6	(1)	(15.3%)	(5.4%)
President, Borough of Queens	7	5	5	5	(2)	(23.8%)	(8.7%)
President, Borough of Staten Island	5	4	4	4	(0)	(6.4%)	(2.2%)
Office of the Comptroller	113	114	114	114	1	0.6%	0.2%
Dept. of Emergency Management	155	33	32	31	(124)	(79.8%)	(41.3%)
Office of Administrative Tax Appeals	6	6	6	6	(0)	(0.0%)	(0.0%)
Law Dept.	268	225	224	224	(44)	(16.3%)	(5.8%)
Dept. of City Planning	47	43	43	42	(4)	(8.8%)	(3.0%)
Dept. of Investigation	51	42	42	42	(9)	(18.2%)	(6.5%)
NY Public Library — Research	31	29	29	29	(2)	(5.4%)	(1.8%)
New York Public Library	161	150	150	150	(10)	(6.5%)	(2.2%)
Brooklyn Public Library	122	114	114	114	(8)	(6.3%)	(2.1%)
Queens Borough Public Library	126	118	118	118	(8)	(6.6%)	(2.3%)
Dept. of Education	30,961	30,689	30,867	31,049	87	0.3%	0.1%
City University	1,386	1,264	1,278	1,279	(108)	(7.8%)	(2.7%)
Civilian Complaint Review Board	23	22	22	22	(0)	(1.9%)	(0.6%)
Police Dept.	5,335	5,190	5,232	5,252	(84)	(1.6%)	(0.5%)
Fire Dept.	2,344	2,243	2,239	2,238	(106)	(4.5%)	(1.5%)
Dept. of Veterans' Services	6	6	6	6	(0)	(1.8%)	(0.6%)
Admin. for Children Services	2,747	2,693	2,687	2,666	(81)	(3.0%)	(1.0%)
Dept. of Social Services	11,301	10,690	10,651	10,626	(675)	(6.0%)	(2.0%)
Dept. of Homeless Services	3,009	2,331	2,210	2,191	(818)	(27.2%)	(10.0%)
Dept. of Correction	1,252	1,215	1,205	1,205	(47)	(3.8%)	(1.3%)
Board of Correction	3	3	3	3	0	7.0%	2.3%
Citywide Pension Contributions	9,301	9,451	9,671	9,839	537	5.8%	1.9%
Miscellaneous	14,149	15,025	15,831	16,957	2,807	19.8%	6.2%
Debt Service	4,360	4,600	4,792	5,046	686	15.7%	5.0%

($ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	Change FYs 2023 – 2026 Dollars	Change FYs 2023 – 2026 Percent	Annual Percent Change
T.F.A. Debt Service	3,295	3,354	3,643	4,157	862	26.2%	8.1%
FY 2022 BSA and Discretionary Transfers	(6,114)	0	0	0	6,114	(100.0%)	(100.0%)
FY 2023 BSA	705	(705)	0	0	(705)	(100.0%)	(100.0%)
Public Advocate	5	5	5	5	0	0.0%	0.0%
City Council	100	64	64	64	(36)	(35.8%)	(13.7%)
City Clerk	6	6	6	6	(0)	(5.9%)	(2.0%)
Dept. for the Aging	533	465	483	404	(129)	(24.2%)	(8.8%)
Dept. of Cultural Affairs	236	150	150	150	(87)	(36.6%)	(14.1%)
Financial Info. Serv. Agency	113	113	113	113	(0)	(0.1%)	(0.0%)
Office of Payroll Admin.	15	15	15	15	(0)	(0.4%)	(0.1%)
Independent Budget Office	6	6	6	6	(0)	(5.3%)	(1.8%)
Equal Employment Practices	1	1	1	1	0	8.4%	2.7%
Civil Service Commission	1	1	1	1	(0)	(1.9%)	(0.6%)
Landmarks Preservation Commission	7	7	7	7	(0)	(3.8%)	(1.3%)
Districting Commission	1	0	0	0	(1)	(100.0%)	(100.0%)
Taxi & Limousine Commission	173	55	54	54	(119)	(68.7%)	(32.1%)
Commission on Human Rights	15	14	14	14	(0)	(1.9%)	(0.6%)
Youth & Community Development	1,007	803	802	782	(225)	(22.3%)	(8.1%)
Conflicts of Interest Board	3	3	3	3	0	0.3%	0.1%
Office of Collective Bargaining	2	2	2	2	(0)	(0.0%)	(0.0%)
Community Boards (All)	20	20	20	20	(1)	(3.0%)	(1.0%)
Dept. of Probation	115	110	110	109	(7)	(5.7%)	(1.9%)
Dept. Small Business Services	334	166	175	147	(188)	(56.1%)	(24.0%)
Housing Preservation & Development	1,391	1,178	1,181	1,189	(202)	(14.5%)	(5.1%)
Dept. of Buildings	229	197	195	193	(36)	(15.5%)	(5.5%)
Dept. of Health & Mental Hygiene	2,829	2,031	2,002	1,971	(858)	(30.3%)	(11.3%)
NYC Health + Hospitals	1,463	826	823	787	(676)	(46.2%)	(18.7%)
Office of Administrative Trials & Hearings	66	65	65	65	(1)	(1.4%)	(0.5%)
Dept. of Environmental Protection	1,656	1,552	1,533	1,526	(131)	(7.9%)	(2.7%)
Dept. of Sanitation	1,880	1,818	1,826	1,820	(60)	(3.2%)	(1.1%)
Business Integrity Commission	9	9	9	9	(0)	(3.1%)	(1.1%)
Dept. of Finance	339	332	323	323	(15)	(4.6%)	(1.5%)

($ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	Change FYs 2023 – 2026 Dollars	Percent	Annual Percent Change
Dept. of Transportation	1,443	1,402	1,392	1,371	(72)	(5.0%)	(1.7%)
Dept. of Parks and Recreation	564	524	516	517	(47)	(8.4%)	(2.9%)
Dept. of Design & Construction	270	157	158	158	(112)	(41.6%)	(16.4%)
Dept. of Citywide Admin. Services	657	573	570	571	(86)	(13.2%)	(4.6%)
D.O.I.T.T.	683	569	583	556	(127)	(18.6%)	(6.6%)
Dept. of Record & Info. Services	17	17	17	17	(0)	(1.0%)	(0.3%)
Dept. of Consumer & Worker Protection	65	63	63	63	(2)	(3.1%)	(1.1%)
District Attorney - N.Y.	155	147	147	147	(8)	(5.4%)	(1.8%)
District Attorney – Bronx	102	99	99	99	(3)	(2.9%)	(1.0%)
District Attorney – Kings	133	130	130	130	(2)	(1.9%)	(0.6%)
District Attorney – Queens	87	86	86	86	(1)	(0.6%)	(0.2%)
District Attorney - Richmond	23	21	21	21	(2)	(6.6%)	(2.3%)
Office of Prosec. & Special Narc.	26	26	26	26	0	0.0%	0.0%
Public Administrator - N.Y.	1	1	1	1	0	5.0%	1.6%
Public Administrator - Bronx	1	1	1	1	0	3.1%	1.0%
Public Administrator - Brooklyn	1	1	1	1	0	0.0%	0.0%
Public Administrator - Queens	1	1	1	1	0	5.0%	1.6%
Public Administrator - Richmond	1	1	1	1	(0)	(4.0%)	(1.4%)
General Reserve	1,555	1,200	1,200	1,200	(355)	(22.8%)	(8.3%)
Energy Adjustment	0	10	7	99	99	N/A	N/A
Lease Adjustment	0	43	87	133	133	N/A	N/A
OTPS Inflation Adjustment	0	0	56	111	111	N/A	N/A
TOTAL EXPENDITURES	**$104,003**	**$104,383**	**$106,710**	**$108,851**	**$4,848**	**4.7%**	**1.5%**

Note: Numbers may not add due to rounding.

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