

THE COUNCIL

REPORT OF THE COMMITTEE ON FINANCE

RESOLUTION APPROVING A MODIFICATION (MN-4) PURSUANT TO SECTION 107(e) OF THE CHARTER OF THE CITY OF NEW YORK

The Committee on Finance, to which was referred the above-captioned resolution, respectfully submits to the Council of the City of New York the following:

REPORT

Introduction. At the meeting of the Committee on Finance of the City Council on April 14, 2022, the Council considered a communication from the Office of Management and Budget of the Mayor, dated March 15, 2022, of a proposed request to modify, pursuant to Section 107(e) of the Charter of the City of New York, the Fiscal 2022 Expense Budget Plan, and the revenue estimate related thereto prepared by the Mayor as of March 15, 2022.

Analysis. The Council annually adopts the City's budget covering expenditures pursuant to Section 254 of the Charter. On June 30, 2021, the Council adopted the expense budget for fiscal year 2022 (the "Fiscal 2022 Expense Budget"). On December 15, 2021, the Council adopted MN-1, modifying the Fiscal 2022 Expense Budget, and MN-2, which appropriated new revenues. On March 15, 2022, the Mayor submitted to the Council MN-3, modifying the Fiscal 2022 Expense Budget. On March 15, 2022, the Mayor submitted to the Council a revenue estimate MN-4, related to the Fiscal 2022 Expense Budget.

Circumstances have changed since the Council last adopted the Fiscal 2022 Expense Budget.

Section 107(e) provides one mechanism for the Mayor and the Council to amend the Expense Budget and related revenue estimate to reflect changes in circumstances that occur after adoption of a budget. Section 107(e) permits the modification of the budget in order to create new units of appropriation, to appropriate new revenues from any source other than categorical federal, state and private funding, or to use previously unappropriated funds received from any source.

Discussion of Above-captioned Resolution. The above-captioned resolution would authorize the modifications to the Fiscal 2022 Expense Budget and related revenue estimate requested in the communication.

The Expense Modification (MN-3) and this Revenue Modification (MN-4) work in conjunction to move funds from Fiscal 2022 to Fiscal 2023. In Fiscal 2022, the General Reserve initially contains \$300 million, as described in the November 2021 Financial Plan. MN-3 adds \$380 million to the General Reserve, increasing the Reserve to \$680 million. MN-4, in turn, draws down the General Reserve by \$430 million, reducing the General Reserve to \$250 million, as described in the February 2022 Financial Plan. This \$430 million drawdown from the General Reserve is used to supplement the \$1.94 billion in additional revenues and the \$400 million in Prior Year Payables

to furnish a total of \$2.77 billion to be added to the Budget Stabilization Account. The Budget Stabilization Account will use these Fiscal 2022 funds to prepay expenses in Fiscal 2023.

MN-4 seeks to increase revenues in the net amount of \$1.94 billion compared to the November 2021 Financial Plan, including \$1.6 billion in tax revenue, \$41.7 million in miscellaneous revenue, and \$294 million in unrestricted intergovernmental aid. This represents an increase in City funds of approximately 2.8 percent.

Tax revenues increased by \$1.6 billion since the November 2021 Financial Plan. The majority of the increase, \$428 million, came from personal income tax. Additional tax revenues included \$281 million in real property transfer and \$265 million in sales tax. Business taxes also came stronger than expected with \$215 million in unincorporated and \$189 million in general corporation.

Miscellaneous revenues increased by \$41.7 million since the November 2021 Financial Plan. This included \$28.4 million in fines and forfeitures, \$15.0 million in licenses, franchises, etc. and \$14.5 million water sewage charges. Offsetting these increases was \$22.3 million in reduced revenues from charges for services.

Unrestricted intergovernmental aid increased by \$294 million since the November 2021 Financial Plan.

The resolution would also direct the City Clerk to forward a certified copy thereof to the Mayor and the Comptroller so that the Mayor, the Comptroller and the City Clerk may certify the Fiscal 2022 Expense Budget as amended thereby as the budget for the remainder of the fiscal year. The above-captioned resolution would take effect as of the date adopted.