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February 28, 2022

Dear Colleagues:

I am pleased to provide you with the New York State Assembly Ways and Means Committee's Economic and Revenue Report for 2022. This report continues our commitment to provide clear and accurate information to the public by offering overviews of the national and state economies, as well as the state's revenue forecast for State Fiscal Years (SFY) 2021-22 and 2022-23.

The Committee forecasts that the state and national economies will continue their recovery from the COVID-19 recession. However, risks to the forecast remain high, especially as they relate to the continued impact of the pandemic on certain businesses and the uncertainties regarding global supply chains and other inflationary pressures.

The Committee projects that total All Funds receipts will reach $244.988 billion in SFY 2021-22, which represents an increase of $53.688 billion, or 28.1 percent, from SFY 2020-21. The Committee's estimate is $1.14 billion above the Executive's estimate for SFY 2021-22. The Committee projects that All Funds receipts will total $212.723 billion in SFY 2022-23, a decrease of $32.265 billion, or 13.2 percent, from SFY 2021-22. The Committee's forecast is $1.085 billion above the Executive's forecast for SFY 2022-23. These differences are largely attributable to differences in economic projections and how these translate into tax receipts.

The assessments and projections presented in this report are reviewed by an independent panel of economists. Assembly Speaker Carl Heastie and I would like to express our appreciation to the members of our Board of Economic Advisors. Their dedication and expertise continue to be an invaluable resource to refine and improve our forecasts. While the Board has served to make the work of our staff the best in the state, they are not responsible for the numbers or views expressed in this document.

I wish to acknowledge the dedicated and talented staff of the Assembly Ways and Means Committee and the many hours of work that went into producing this report. They play a vital role in our state's budget process.

As we continue our efforts toward enacting an on-time budget that is fair and equitable for all New Yorkers, I look forward to working with each of you.

Sincerely,

Helene E. Weinstein

HELENE E. WEINSTEIN

NEW YORK STATE ECONOMIC AND REVENUE REPORT

FISCAL YEARS 2021-22 AND 2022-23

February 2022

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ECONOMIC FORECAST HIGHLIGHTS

United States

- After contracting 3.4 percent amid the COVID-19 pandemic in 2020, the U.S. economy, as measured by inflation-adjusted **Gross Domestic Product,** rebounded by an estimated 5.7 percent in 2021. The recovery has been helped by the availability of vaccines as well as a series of massive fiscal stimulus programs and aggressively accommodative monetary policy. The Committee expects the recovery to continue in 2022 and 2023, but the pace of yearly growth is poised to slow as the economy is faced with various headwinds including recurrent waves of coronavirus infections, persistent supply chain disruptions, and receding federal income support programs. The Committee forecasts U.S. output growth to slow to 3.9 percent in 2022 and 2.6 percent in 2023.

- **Personal consumption spending**, adjusted for inflation, grew an estimated 7.9 percent in 2021, following a decline of 3.8 percent in 2020. The increase in consumer spending was primarily in response to the release of pent-up demand as state and local governments lifted directives that were adopted to limit the spread of COVID-19. Rising labor income, large savings from the prior year, and additional fiscal stimulus from the federal government have bolstered consumer spending. The Committee projects growth of consumption spending to slow to 3.3 percent in 2022 and to 2.5 percent in 2023, as pandemic-related government social benefits dissipate, and overall economic growth continues to slow.

- **Private business investment spending** rebounded by an estimated 9.6 percent in 2021, after declining 5.5 percent in 2020. The Committee expects business spending to continue to recover in 2022, although unevenly across the sectors due to the global supply chain issues as well as the long-term impacts of the pandemic. Overall private investment spending is forecast to grow 9.2 percent in 2022 and 3.6 percent in 2023.

- **Growth of total government spending** slowed to an estimated 0.4 percent in 2021, from 2.5 percent in 2020, as initiatives taken by the federal government to thwart the economic fallout from the pandemic expired. The Committee forecasts total government spending to increase by 0.9 percent in 2022 and 1.8 percent in 2023, as infrastructure spending by state and local governments accelerates and overall state tax collections rise.

- U.S. economic growth continued to outpace many trading partners in 2021, resulting in U.S. exports growing slower than imports. U.S. **exports** grew an estimated 4.6 percent, compared to 14.0 percent for **imports** in 2021. With the U.S. dollar expected to start depreciating in the second half of 2022 and the global economy expected to continue to grow, the Committee projects U.S. trade to be less of a drag to U.S. economic growth in the forecast period. Exports are forecast to grow 6.7 percent in 2022 and 6.2 percent in 2023. Imports are forecast to grow 5.9 percent in 2022 before slowing to 4.9 percent in 2023.

- After increasing 6.6 percent in 2020, **U.S. personal income** grew an estimated 7.2 percent in 2021, supported by rising wages and salaries and another round of federal stimulus payments. In 2020, growth in personal income was primarily related to various fiscal stimulus benefits provided to households and businesses. Although upward pressure on wages is anticipated to persist, personal income growth is projected to slow to 1.6 percent in 2022 as pandemic-related government assistance dissipates. However, personal income is forecast to grow 4.8 percent in 2023, as other components that influence income continue to grow.

- **Wages and salaries**, the largest component of U.S. personal income, are estimated to have increased 9.1 percent in 2021, following 1.3 percent growth in 2020, as more people returned to work. Despite the reopening of many businesses, schools, hospitals, and government agencies, employers have had difficulty filling job openings. The labor shortage has forced employers to increase compensation to attract prospective employees. The Committee forecasts wages and salaries to continue to rise over the forecast period, increasing 8.7 percent in 2022 and 5.6 percent in 2023.

- In 2020, **corporate profits** decreased 5.2 percent, as sales plummeted from the initial blow of the pandemic. Subsidies from the federal government as well as strong recovery in sales revenue helped corporate profits increase an estimated 25.2 percent in 2021. With the federal subsidies set to recede and sales growth expected to decelerate, the Committee forecasts growth in corporate earnings to slow to 6.5 percent in 2022 and 2.2 percent in 2023.

- Nonfarm payroll **employment** increased by an estimated 2.8 percent in 2021, reflecting the continued job recovery from stay-in-place orders, social distancing recommendations, and business closures in 2020. Employment growth is being adversely affected by labor supply issues, but as they subside, employment is forecast to increase by 3.8 percent in 2022 and 1.9 percent in 2023.

- With the economy growing at above-trend rates, employment continuing to recover and inflation expectations remaining at elevated levels, the Federal Reserve has begun unwinding its accommodative **monetary policy**. The Fed started to taper its asset purchase programs in November 2021, and it is widely expected to start hiking its federal funds rate target in the spring of 2022. These Fed moves, in combination with enlarged federal budget deficits, will likely put upward pressure on long-term interest rates. On a yearly average basis, the ten-year **Treasury yield** is forecast to rise to 1.99 percent in 2022 and 2.46 percent in 2023, from an estimated 1.44 percent in 2021.

- After slowing to 1.2 percent in 2020, **consumer price inflation** accelerated to 4.7 percent in 2021, as consumer and business spending gained steam while the U.S. economy faced various supply shortage problems. It was the fastest yearly rate of consumer price growth since 1990. With the supply shortage issues expected to persist, the Committee forecasts consumer price inflation to increase to 5.2 percent in 2022, before slowing to 2.1 percent in 2023.

- After increasing 10.5 percent in 2020, the **S&P 500 Stock Price Index** posted a strong 32.6 percent gain in 2021. However, as inflation expectations remain elevated and economic growth is poised to slow, gains in stock prices will likely slow in 2022. The prospect of the Federal Reserve's monetary policy normalization will also likely restrain gains in equity prices in 2022. The yearly average growth in the S&P 500 Stock Price Index is forecast to slow to 5.8 percent in 2022. The Committee projects the equity price index to decline 2.1 percent in 2023.

- COVID-19 pandemic and global supply chain issues present major **risks** to the Committee's economic forecast, and thus, the Committee's receipts outlook. Should the spread of any new variants lead to widespread imposition of social distancing restrictions or lockdowns, the economic growth outlook for 2022 and 2023 would be less optimistic than called for in the current forecast. Also, should the global supply chain problems persist longer than assumed, inflation expectations would rise faster, tempting the Federal Reserve to start raising its policy rate target sooner and faster than assumed in the current forecast; in that case, growth in consumer and business spending would be less optimistic and the equity market would likely go through corrections earlier than called for in the current forecast.

National Forecast Comparisons

- The NYS Assembly Ways and Means Committee forecast for U.S. economic growth for 2022 is 3.9 percent. The Committee's forecast is the same as the Division of Budget's. It is also the same as the Blue Chip Consensus forecast; 0.2 percentage point above Moody's Analytics forecast; and 0.2 percentage point above IHS Markit forecast.

U.S. Real GDP Forecast Comparison

	Actual 2020	Estimate 2021	Forecast 2022	Forecast 2023
Ways and Means	(3.4)	5.7	3.9	2.6
Division of the Budget	(3.4)	5.7	3.9	2.6
Blue Chip Consensus	N/A	N/A	3.9	2.6
Moody's Analytics	(3.4)	5.7	3.7	3.0
IHS Markit	(3.4)	5.7	3.7	2.7

Sources: NYS Assembly Ways and Means Committee; NYS Division of Budget, NYS FY 2023 Executive Budget Financial Plan, Updated for the Governor's Amendments and Forecast Revisions, February 2022; Blue Chip Economic Indicators, January 2022; Moody's Analytics, February 2022; IHS Markit, February 2022.

- The NYS Assembly Ways and Means Committee forecast for national economic growth for 2023 is 2.6 percent. The Committee's forecast is the same as the Division of Budget and the Blue Chip Consensus projections. The Committee's forecast is 0.1 percentage point below IHS Markit forecast; and 0.4 percentage point below Moody's Analytics forecast.

New York State

- **Total nonfarm employment** in the State fell sharply by 12.6 percent in State Fiscal Year (SFY) 2020-21, as the COVID-19 pandemic brought U.S. and New York State economies into a deep recession in 2020. As the economy recovers, nonfarm employment is estimated to grow 7.2 percent in SFY 2021-22 and forecast to grow further by 4.8 percent in SFY 2022-23 and 1.7 percent in SFY 2023-24.

- **Personal income** in the State grew by 8.5 percent in SFY 2020-21, supported by large transfer payments from the federal government to individuals and businesses. Without such payments, personal income would have fallen by 2.0 percent in SFY 2020-21. In SFY 2021-22, despite solid recovery in other categories of income, growth in overall personal income is estimated to slow to 1.6 percent, as various pandemic-related government support programs recede. With the unwinding of transfer receipts from the federal government expected to continue in 2022, the Committee projects overall personal income growth to remain low, at 1.9 percent in SFY 2022-23.

- Almost two million jobs were lost in the State during the pandemic. As a result, **wages** fell 2.0 percent in SFY 2020-2021. With the economy adding more jobs, total wages in New York State are estimated to grow solidly by 12.0 percent in SFY 2021-22. Total wages are forecast to grow further by 4.2 percent in SFY 2022-23 and 4.0 percent in SFY 2023-24.

- After growing 6.5 percent in SFY 2019-20, **variable wages** continued to grow in SFY 2020-21 as activities in financial market remained robust despite the recession. Variable wages are estimated to grow strongly at 27.7 percent in SFY 2021-22 as financial activities continue to be strong. With financial markets expected to cool down, variable wages are forecast to fall by 4.3 percent in SFY 2022-23. As employment recovery continues and the labor market remains tight, base wages are estimated to grow 9.7 percent in SFY 2021-22 and forecast to grow another 5.7 percent in SFY 2022-23 and 4.7 percent in SFY 2023-24.

- Realized **capital gains** are projected to have increased 38.7 percent in 2021, following an estimated increase of 34.0 percent in 2020 as equity and home prices grew strongly. The Committee projects growth in capital gains realization to slow to 11.7 percent in 2022 as the Federal Reserve begins to raise interest rates, with the likely impact on equity prices initially being relatively small, as interest rates are at historic lows. However, capital gains are projected to slow further in 2023, as interest rates are expected to continue to rise, causing equity prices to retreat.

- The current economic climate presents particular challenges and **risks to the New York State forecast**. The key risks to the national economy also apply to the State forecast. In addition, Wall Street and the financial markets play a central role in the State economy. As such, ongoing technological changes as well as pandemic-driven structural changes have critical implications for the economic and fiscal health of the State.

State Forecast Comparisons

- The NYS Assembly Ways and Means Committee forecasts the State's total nonfarm payroll employment to grow 7.2 percent in SFY 2021-22, which is equal to the Division of Budget's forecast. The Committee's forecast for wage growth for SFY 2021-22 is 12.0 percent and is 0.1 percentage point lower the Division of Budget forecast.

New York State Economic Forecast Comparison (Percent change from prior State Fiscal Year)			
	Actual SFY 2020-21	**Estimate SFY 2021-22**	**Forecast SFY 2022-23**
Employment			
Ways and Means	(12.6)	7.2	4.8
Division of the Budget	(12.6)	7.2	4.3
Wages			
Ways and Means	(2.0)	12.0	4.2
Division of the Budget	(2.0)	12.1	3.0

Sources: NYS Assembly Ways and Means Committee staff; NYS Division of Budget, NYS FY 2023 Executive Budget Financial Plan, Updated for Governor's Amendments and Forecast Revisions, February 2022.

- The NYS Assembly Ways and Means Committee's forecast for total nonfarm payroll employment growth for SFY 2022-23 is 4.8 percent, 0.5 percentage point higher than the forecast of the Division of Budget. The Committee's forecast for wage growth for SFY 2022-23 is 4.2 percent, which is 1.2 percentage points higher than the Division of Budget forecast.

REVENUE FORECAST HIGHLIGHTS

All Funds Tax Receipts State Fiscal Year 2021-22

- **All Funds revenues** are estimated to total $244.988 billion in State Fiscal Year (SFY) 2021-22 with year-to-year growth of 28.1 percent, or an increase of $53.688 billion, related to the receipt of extraordinary federal aid and robust growth across all major tax categories.

- The Assembly Ways and Means Committee projection of **All Funds tax revenue** for SFY 2021-22 is $118.991 billion, representing an increase of 44.4 percent, or $36.615 billion, from SFY 2020-21.

- The increase in tax receipts is primarily related to a $13.606 billion increase in **Personal Income Tax (PIT) collections**, a $3.328 billion increase in **User Tax collections**, a $19.232 billion increase in **Business Tax collections**, and a $448 million increase in **Other Tax collections**. The Committee's Business Tax projections include an increase of $16.71 billion related to the first year of collections under the pass-through entity tax **(PTET)**, which was enacted as part of the SFY 2021-22 budget.

- The Committee's estimates reflect the continued recovery from the recession caused by the COVID-19 pandemic, which severely limited the State's economic activity and, at its peak, resulted in the loss of almost two million jobs in New York State.

- The Committee's All Funds revenue estimate is $1.14 billion above the Executive's estimates.

All Funds Tax Receipts State Fiscal Year 2022-23

- The Committee expects **All Funds revenues** to decrease by 13.2 percent, for a total of $212.723 billion, in SFY 2022-23, primarily related to a $18.85 billion decrease in **PIT collections** and a $15.516 billion decrease in **Federal Funds Receipts**.

- The Committee expects a 15.3 percent decrease in **All Funds tax receipts** in SFY 2022-23, for a total of $100.742 billion.

- The forecast decrease in PIT collections reflects the timing of credits and changes in taxpayer behavior related to the PTET, which are projected to reduce PIT collections by $24.13 billion in SFY 2022-23.

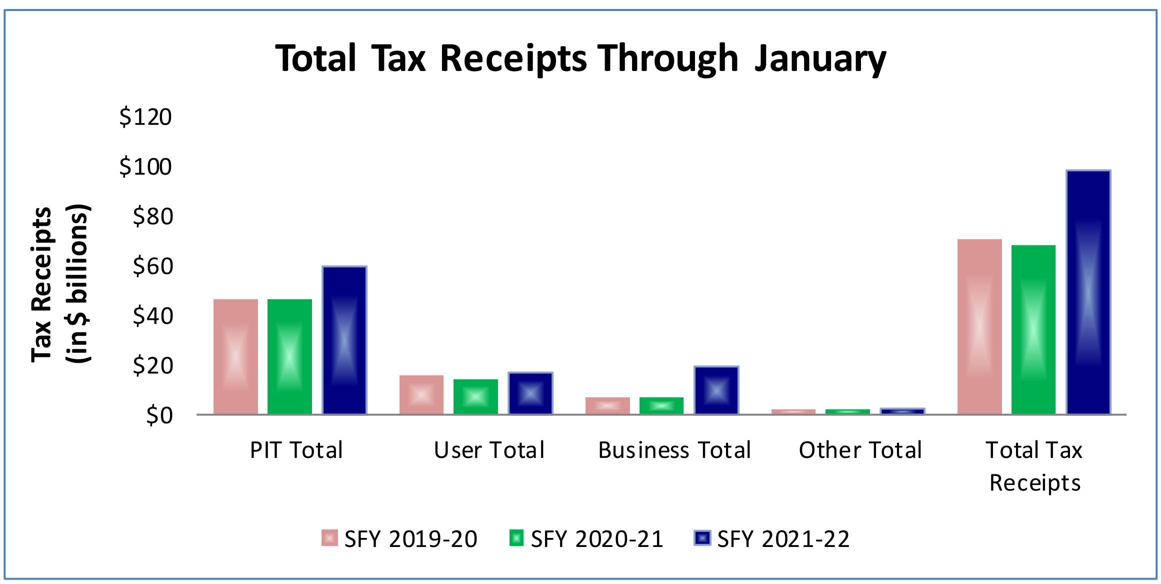
- The Committee's All Funds revenue forecast is $1.085 billion above the Executive's estimates.

Year-To-Date Tax Receipts

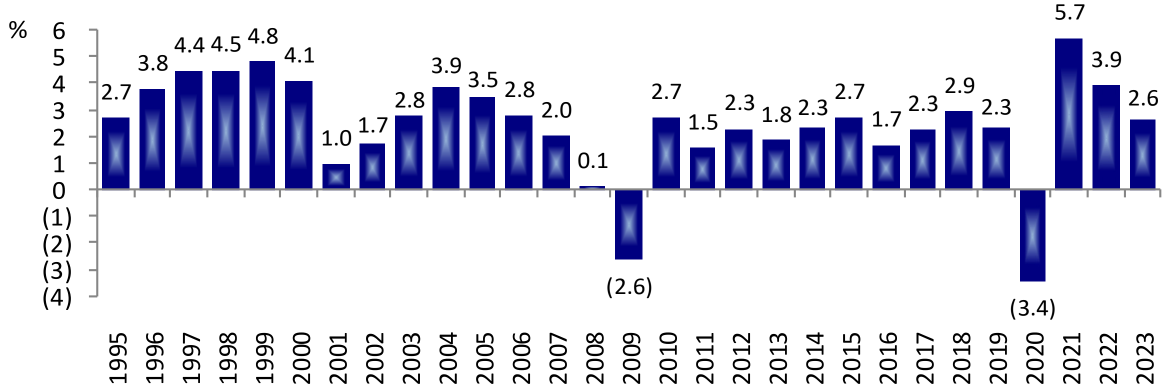
- Year-to-date tax receipts through January have recovered from the losses experienced in SFY 2020-21, which represents the peak of the economic disruptions caused by the COVID-19 pandemic. When compared to the SFY 2019-20 level, this fiscal year's tax collections reflect a continuation of the strong growth in overall collections that had occurred prior to the pandemic.

- Through January 2022, All Funds tax revenue has increased by 44.1 percent over the SFY 2020-21 levels, and 40 percent over the SFY 2019-20 pre-pandemic level. Adjusting for PTET collections, tax collections are 27.8 percent over SFY 2020-21 levels and 24.2 percent over SFY 2019-20 levels.

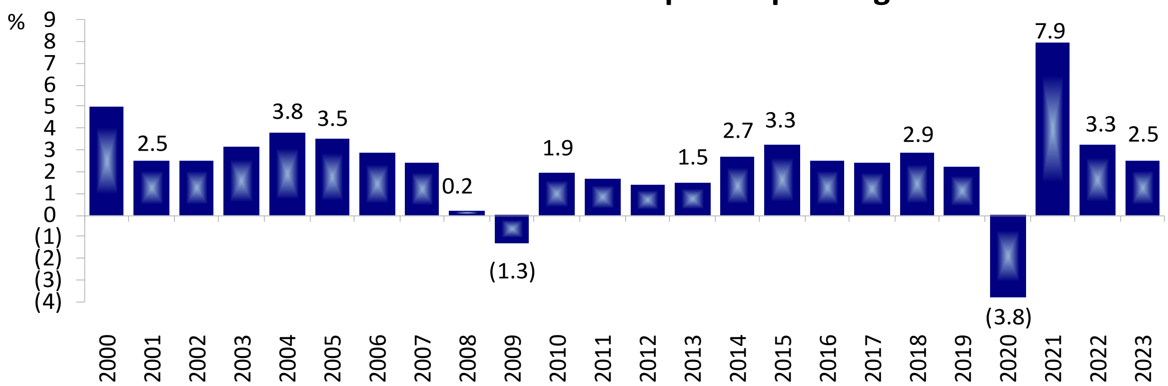
- Even with the tax changes enacted the 2021-22 budget, the increase in year-to-date collections is primarily related to robust growth in total wages, consumer demand, and corporate profits (see economic outlook section).



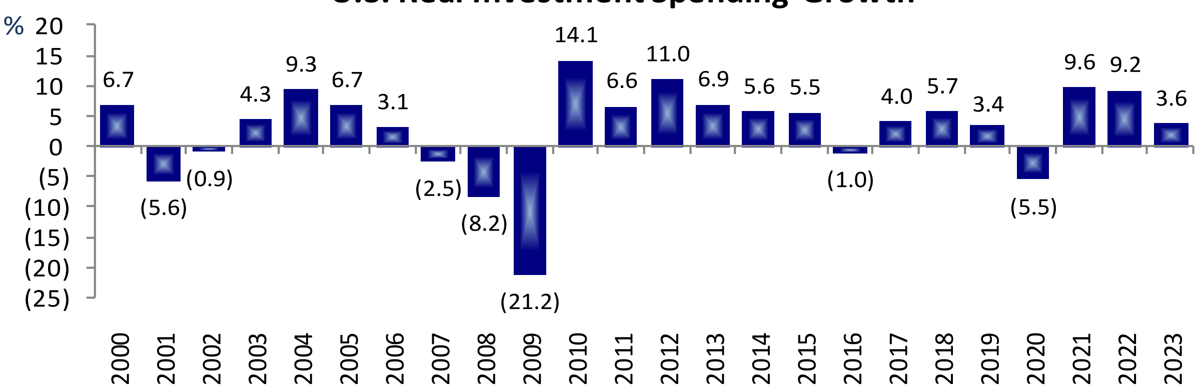
U.S. ECONOMIC FORECAST AT A GLANCE



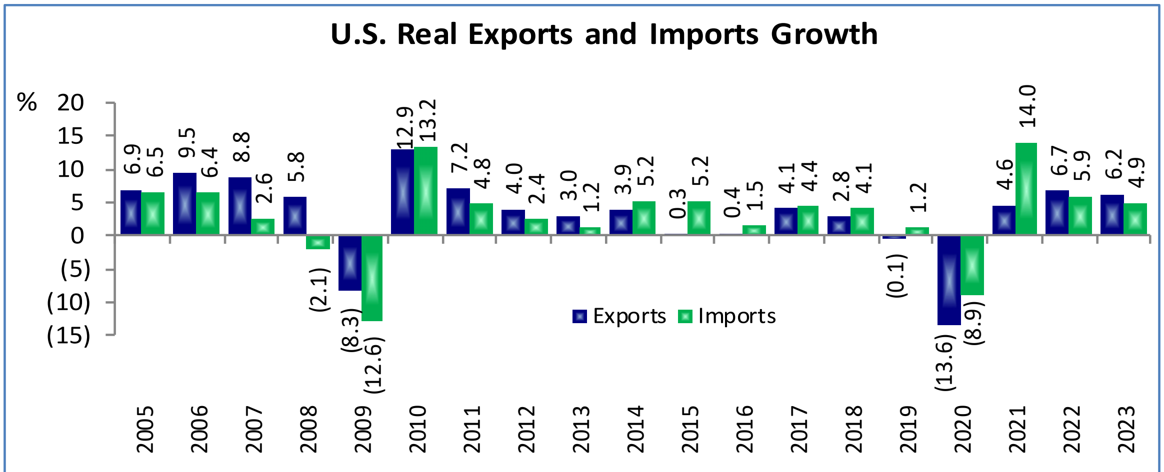
Note: Data for 2021 are estimated; 2022 and 2023 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.



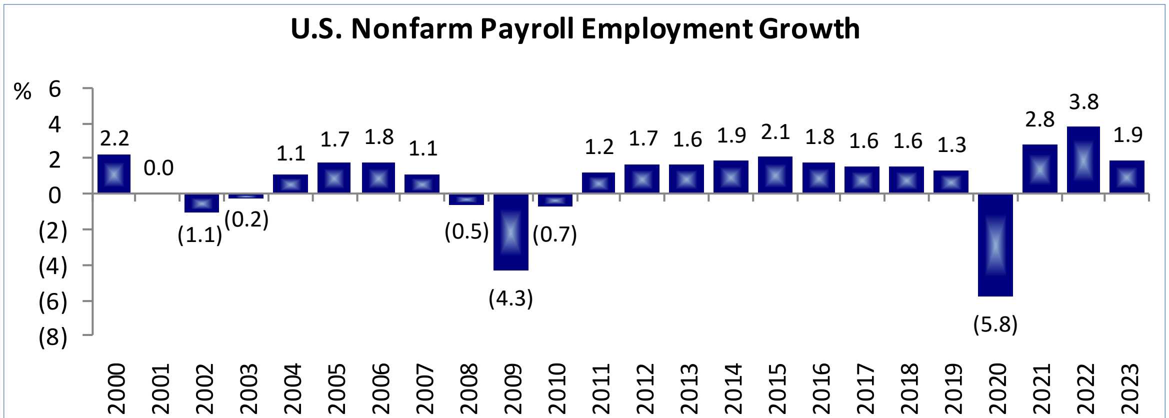
Note: Data for 2021 are estimated; 2022 and 2023 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.



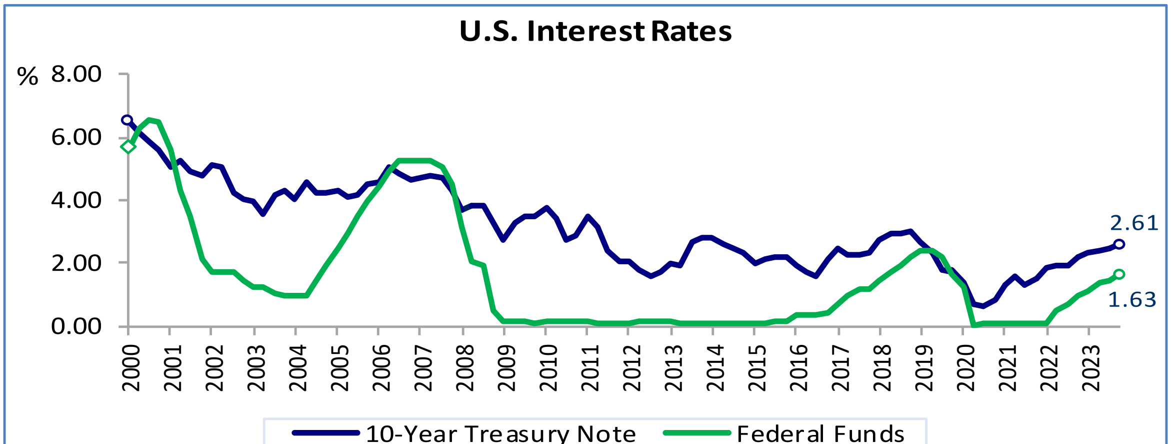
Note: Data for 2021 are estimated; 2022 and 2023 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.



Note: Data for 2021 are estimated; 2022 and 2023 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

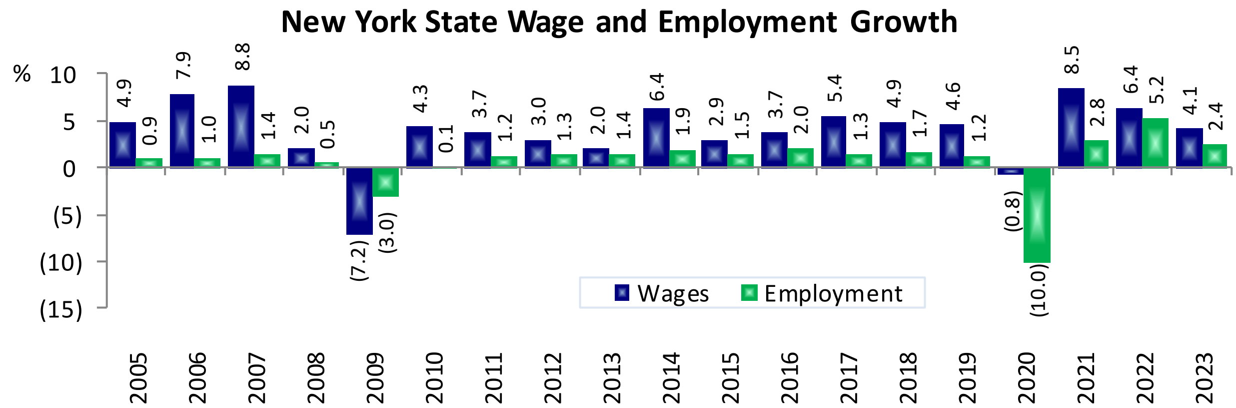


Note: Data for 2021 are actual; 2022 and 2023 are forecasts.
Sources: U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

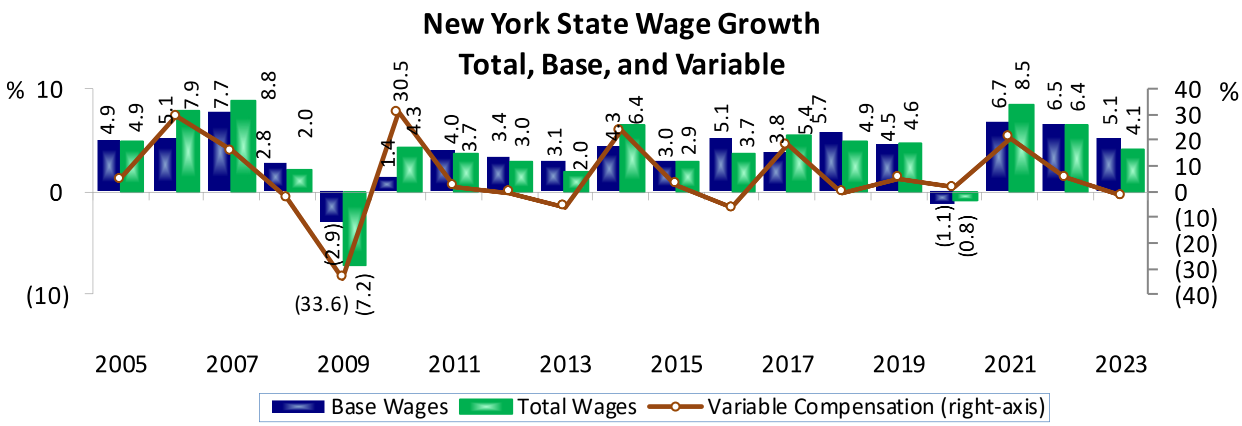


Note: Data are quarterly through 2023:Q4; the first forecast period is 2022:Q1.
Sources: Federal Reserve; NYS Assembly Ways and Means Committee staff.

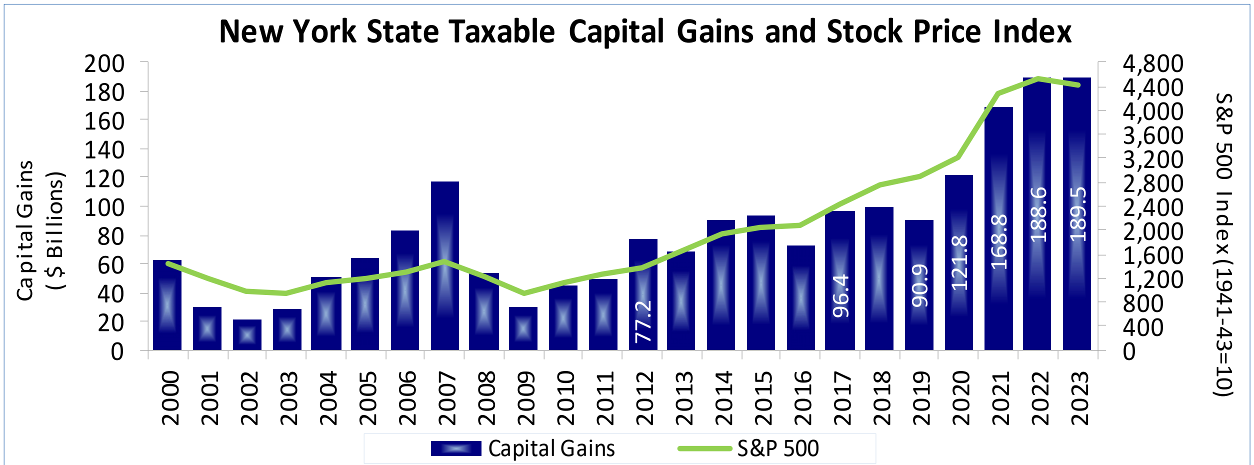
N.Y.S. ECONOMIC FORECAST AT A GLANCE



Note: Data for 2021 are estimated; 2022 and 2023 are forecasts.
Sources: New York State Department of Labor; NYS Assembly Ways and Means Committee staff.



Note: Total wage data for 2021 are estimated; 2022 and 2023 are forecasts. Base wages and variable compensation are estimated by the NYS Assembly Ways and Means Committee staff and their levels sum to total wages.
Sources: NYS Department of Labor; NYS Assembly Ways and Means Committee staff.



Note: Data for 2020 are estimated; 2021, 2022, and 2023 are forecasts.
Sources: Standard & Poor's; NYS Department of Taxation and Finance; NYS Assembly Ways and Means Committee staff.

REVENUE FORECAST AT A GLANCE

SFY 2021-22 All Funds Estimate Summary ($ in Millions)	2020-21 Actual	2021-22 Estimate	Change	Growth	Diff. Exec.
Personal Income Tax	54,967	68,573	13,606	24.8%	451
User Taxes	16,117	19,445	3,328	20.7%	187
Business Taxes	8,792	28,024	19,232	218.7%	305
Other Taxes	2,500	2,948	448	17.9%	176
Total Tax Collections	**82,376**	**118,991**	**36,615**	**44.4%**	**1,120**
All Funds Miscellaneous Receipts	27,884	22,002	(5,882)	(21.1%)	39
Gaming	2,888	4,036	1,148	39.7%	(18)
Total w/Miscellaneous Receipts & Gaming	**113,148**	**145,028**	**31,880**	**28.2%**	**1,140**
Federal Funds	78,152	99,960	21,808	27.9%	-
Total All Funds Receipts	**191,300**	**244,988**	**53,688**	**28.1%**	**1,140**

* Totals may not add up due to rounding.

SFY 2022-23 All Funds Forecast Summary ($ in Millions)	2021-22 Estimate	2022-23 Forecast	Change	Growth	Diff. Exec.
Personal Income Tax	68,573	49,723	(18,850)	(27.5%)	697
User Taxes	19,445	20,302	857	4.4%	95
Business Taxes	28,024	27,932	(92)	(0.3%)	62
Other Taxes	2,948	2,785	(164)	(5.6%)	208
Total Tax Collections	**118,991**	**100,742**	**(18,249)**	**(15.3%)**	**1,062**
All Funds Miscellaneous Receipts	22,002	23,556	1,555	7.1%	79
Gaming	4,036	3,981	(55)	(1.4%)	(56)
Total w/Miscellaneous Receipts & Gaming	**145,028**	**128,279**	**(16,749)**	**(11.5%)**	**1,085**
Federal Funds	99,960	84,444	(15,516)	(15.5%)	-
Total All Funds Receipts	**244,988**	**212,723**	**(32,265)**	**(13.2%)**	**1,085**

* Totals may not add up due to rounding.

U.S. ECONOMIC FORECAST TABLE

U.S. Economic Outlook (Percent Change)	Actual 2019	Actual 2020	Estimate 2021	Forecast 2022	Forecast 2023
Real GDP	2.3	(3.4)	5.7	3.9	2.6
Consumption	2.2	(3.8)	7.9	3.3	2.5
Investment	3.4	(5.5)	9.6	9.2	3.6
Exports	(0.1)	(13.6)	4.6	6.7	6.2
Imports	1.2	(8.9)	14.0	5.9	4.9
Government	2.2	2.5	0.5	0.9	1.8
Federal	3.8	5.0	0.6	(1.8)	(0.3)
State and Local	1.3	0.9	0.3	2.7	3.2
Personal Income	4.1	6.5	7.3	1.6	4.8
Wages & Salaries	4.8	1.3	9.1	8.7	5.6
Corporate Profits	2.7	(5.2)	25.2	6.5	2.2
Productivity	2.0	2.4	1.7	1.7	1.6
Employment	1.3	(5.8)	2.8	3.8	1.9
Unemployment Rate*	3.7	8.1	5.4	3.8	3.5
CPI-Urban	1.8	1.2	4.7	5.2	2.1
S&P 500 Stock Price	6.1	10.5	32.6	5.8	(2.1)
Treasury Bill Rate (3-month)*	2.1	0.4	0.0	0.6	1.3
Treasury Note Rate (10-year)*	2.1	0.9	1.4	2.0	2.5

* Annual average rate.

Note: Personal income and corporate profits growth rates are based on nominal values.

Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; Federal Reserve; Standard & Poor's; NYS Assembly Ways and Means Committee staff.

N.Y.S. ECONOMIC FORECAST TABLES

New York State Economic Outlook (Percent Change)	Actual 2019	Actual 2020	Estimate 2021	Forecast 2022	Forecast 2023
Employment	1.2	(10.0)	2.8	5.2	2.4
Personal Income	3.4	6.0	5.6	0.1	3.8
Total Wages	4.6	(0.8)	8.5	6.4	4.1
Base Wages	4.5	(1.1)	6.7	6.5	5.1
Variable Compensation	5.0	1.5	20.9	5.6	(1.7)
New York Area CPI	1.7	1.7	3.3	4.0	1.9

Note: Base wages and variable compensation are estimated by the NYS Assembly Ways and Means Committee staff and sum to total wages. New York area CPI is based on the New York-Northern NJ-Long Island, NY-NJ-CT-PA CPI-U series from the U.S. Bureau of Labor Statistics.

Sources: U.S. Bureau of Economic Analysis; NYS Department of Labor; U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

New York State Economic Outlook State Fiscal Year		Actual 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
Employment	Percent Change	(12.6)	7.2	4.8	1.7
	Level (Thousands)	8,325.2	8,923.2	9,354.7	9,515.1
Personal Income	Percent Change	8.5	1.6	1.9	3.6
	Level (Billions)	1,465.5	1,488.5	1,517.1	1,572.0
Total Wages	Percent Change	(2.0)	12.0	4.2	4.0
	Level (Billions)	711.4	797.0	830.3	863.3
Base Wages	Percent Change	(2.5)	9.7	5.7	4.7
	Level (Billions)	619.1	679.0	717.4	751.5
Variable Compensation	Percent Change	1.7	27.7	(4.3)	(0.9)
	Level (Billions)	92.3	117.9	112.9	111.8
New York Area CPI	Percent Change	1.5	4.2	3.3	1.9
	Index Level (1982-84=100)	284.0	295.9	305.6	311.4

Note: Employment level is in thousands; wage and personal income levels are in billions of dollars.

Sources: U.S. Bureau of Economic Analysis; NYS Department of Labor, QCEW; U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

U.S. ECONOMIC FORECAST ANALYSIS

Recovery from the Recession of 2020

The U.S. economy has rebounded from the sharp recession of 2020 that was abruptly brought on by the COVID-19 pandemic. The recovery was helped by the Federal Reserve's accommodative monetary policy and a series of federal fiscal stimulus programs.

National output, as measured by real GDP (or inflation-adjusted Gross Domestic Product), reclaimed its pre-pandemic peak level in the third quarter of 2021 and grew an estimated 5.7 percent for the year, following a 3.4 percent decline in 2020. Spending by consumers, businesses and governments all contributed to this recovery in national output. As of the fourth quarter of 2021, consumer spending, business spending, and government spending exceeded their respective pre-pandemic peak level by 4.5 percent, 11.8 percent, and 1.2 percent (see Figure 1).

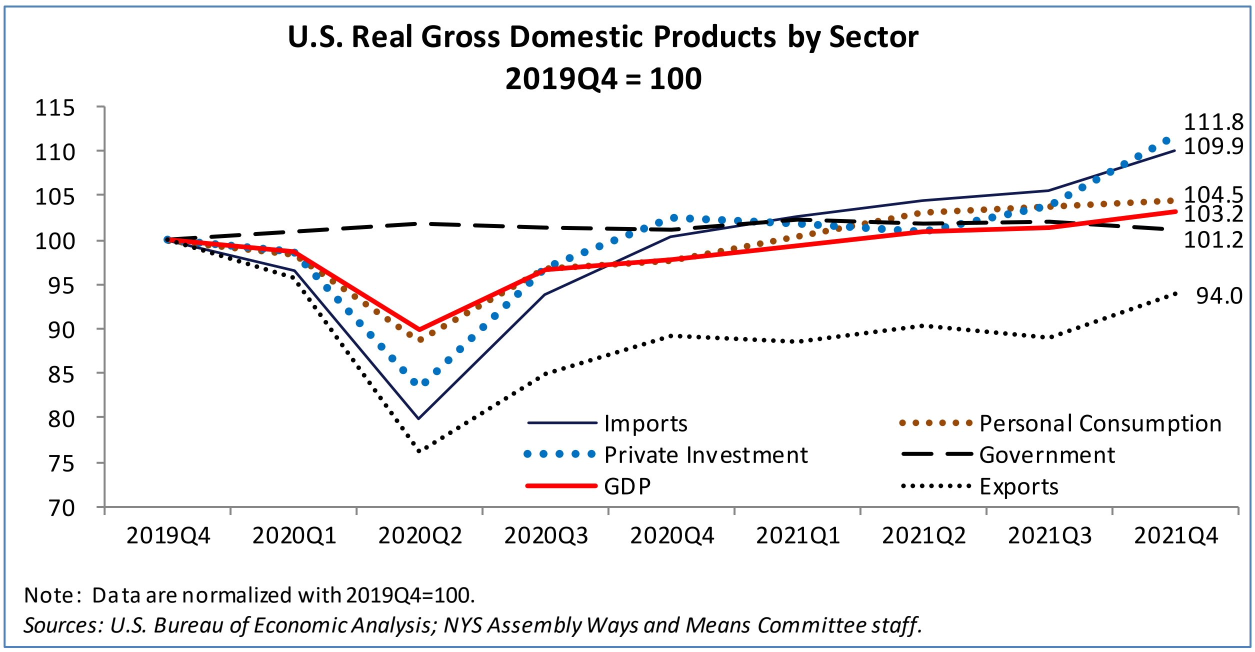
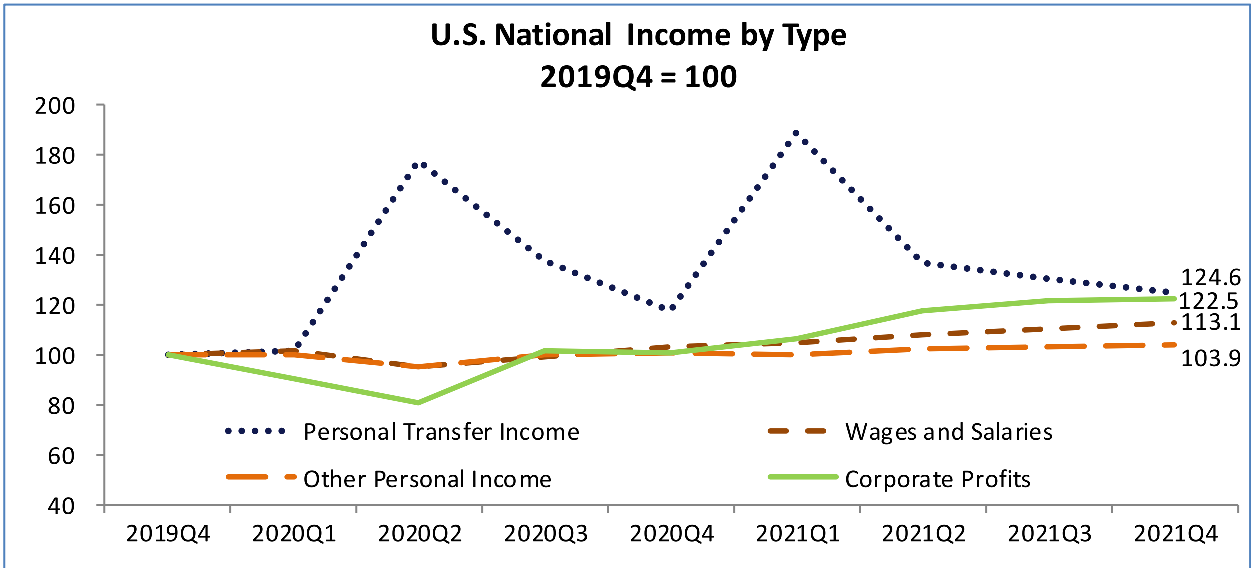


Figure 1

During the current recovery, U.S. imports (net of exports), which are a negative contributor in national output accounting, have been a bigger drag to U.S. economic growth than before the pandemic. This is because expenditures by U.S. households, businesses and governments all have increased strongly, well beyond the level U.S. output alone could have accommodated, causing U.S. imports to rebound strongly by 9.9 percent (see Figure 1).[1] On the other hand, foreign demand for U.S. exports, which decreased the most among all the sectors during the recent pandemic, has recovered so little that its fourth quarter 2021 level was still 6.0 percent below its pre-pandemic peak level. As a result, U.S. net imports jumped up by 72.7 percent from the trough, exceeding its pre-pandemic level by 57.9 percent, as of the fourth quarter of 2021.

National income has also improved steadily during the current recovery. As of the fourth quarter of 2021, corporate profits were 22.5 percent above the pre-pandemic peak level, while personal income was up 12.1 percent although various pandemic-related stimulus payments from the federal government were receding fast (see Figure 2). The recovery in personal income has been broad-based. As of the fourth quarter of 2021, wages and salaries, the largest component of personal income, were 13.1 percent above the pre-pandemic peak level, and personal income excluding transfer receipts and wages and salaries was also up 3.9 percent.



Note: Data for 2021 are estimated; 2022 and 2023 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 2

The labor markets have also been recovering steadily, but the progress has been relatively slow. As of January 2022, the U.S. jobless rate stood at 4.0 percent, with 1.1 percent, or 1.7 million fewer Americans working today, than in February 2020. Although the recent jobless rate has come close to the 3.5 percent rate of February 2020, this improvement is

[1] This is a sense in which U.S. fiscal stimulus policies have not only stimulated the U.S. economy but also assisted its trade partners in the world.

somewhat deceptive, as it is due largely to the U.S. labor force participation rate remaining depressed. The percent of U.S. working age population that is participating in the labor force either as employed or as a job seeker has been nearly flat at 61.4 to 62.2 percent for more than a year, significantly lower than the 63.4 percent seen before the pandemic.

Unequal Recovery in Employment

Due to the nature of the COVID-19 pandemic, not only its impact on the economy but also the recovery has been unequal. Industries where social distancing is relatively easier to achieve and companies that benefit from people working from home suffered less from the pandemic's initial blow and have recovered faster. As economic activities in these industries have been facilitated by advanced information/communications technology, firms that are specialized in such technology have also benefited from the pandemic. On the other hand, the service industries that are not easily adaptable to social distancing and benefit little from those who work from home—accommodations and food services; arts, entertainment and recreation; administrative and waste services; personal services, repair and maintenance, and other services—were hit hardest by the pandemic.

As a result, these service-providing industries, which are among the lowest paying sectors, lost 11.4 million jobs in March and April of 2020, accounting for more than half of all the jobs lost in the national private sector. As of January 2022, payroll employment in these service-providing industries was still 2.1 million, or 6.4 percent, below its pre-pandemic peak level. On the other hand, finance and insurance and professional and technical services, which are concentrated with higher-paying jobs, together lost 569,000 jobs, accounting for 2.7 percent of all the private sector jobs lost in March and April of 2020. These industries recovered relatively faster, with their payroll employment exceeding its pre-pandemic peak level by 592,000, or 3.7 percent.

Unequal Recovery in Consumer and Business Spending

The impact on personal consumption expenditures has also been unequal. Although overall consumer spending has been one of the main drivers of the current recovery, spending on services was still 0.4 percent below its pre-pandemic peak level, as of the fourth quarter of 2021. In comparison, spending on durable goods such as automobiles and digital devices and on nondurable goods such as food and household supplies exceeded its pre-pandemic level by 15.7 percent.

The sectors in the business investment spending category have also contributed unequally to the economic recovery from the pandemic. Business spending on information-processing equipment such as computers did not decline, even during the early months of 2020, but grew strongly throughout the recent quarters. Its fourth quarter 2021 level was 26.2 percent above the pre-pandemic level. In comparison, business spending on other categories of equipment, which had declined 27.7 percent during the pandemic, was still 7.8 percent below its pre-pandemic peak level, as of the fourth quarter of 2021.

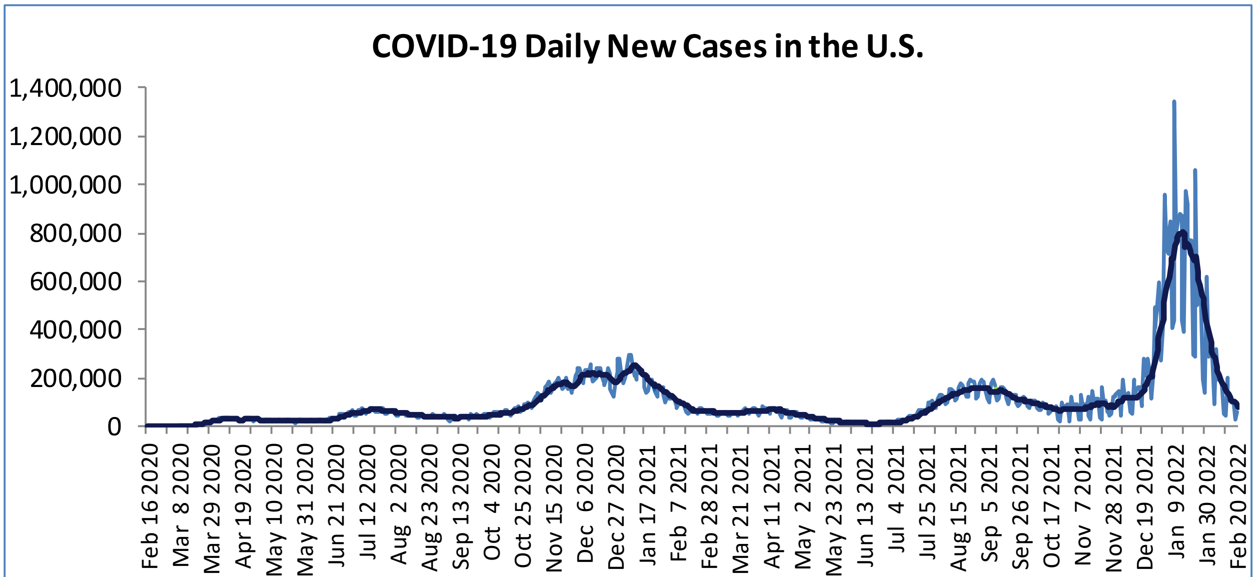
Business spending on industrial and commercial structures has declined in eight out of the recent nine quarters, as online shopping and telecommuting trends have weakened the demand for office and commercial/industrial space. As of the fourth quarter of 2021, business spending on structures was 22.3 percent below its pre-pandemic peak level. On the other hand, as the pandemic ignited a sudden change in residential preferences from shared urban housing to suburban single family housing, residential permits, starts, and sales rebounded quickly from the initial blow of the pandemic, reaching the highest levels since 2006. Historically low mortgage interest rates have also helped drive strong growth in residential construction and sales activities. Consequently, despite its recent softening, residential investment spending exceeded its pre-pandemic peak level by 13.9 percent as of the fourth quarter of 2021.

Domestic Spending Growth Outpaces Domestic Output Growth

During the current recovery, fueled by fiscal stimulus checks and other income support programs, growth in U.S. domestic spending has outpaced growth in U.S. domestic output, leading to large increases in imports as well as large drawdowns of inventories. As of the fourth quarter of 2021, U.S. imports net of exports were up $490.4 billion and inventories were down $309.0 billion from their respective fourth quarter 2019 level. During that eight-quarter period, their negative impacts on U.S. GDP growth amounted to 2.6 percentage points and 1.6 percentage points, respectively. In other words, had the levels of U.S. net imports and inventories remained constant at their respective fourth quarter 2019 level, U.S. output growth between 2019 and 2021 would have been 4.2 percentage points higher than the actual 3.2 percent rate.

The Omicron Variant

As the Omicron variant of the coronavirus spread quickly in January 2022, the daily number of new COVID-19 infection cases shot up to the highest levels since the pandemic started two years prior (see Figure 3).[2] The resulting rise in concerns has weighed on consumer and business sentiments, restraining business and consumer spending, particularly, on services such as travel and dining out. But it is encouraging that the number of new daily cases has been declining as fast as it was increasing a few weeks ago. Equally encouraging is the clinical evidence that the COVID symptoms are generally mild for those who are fully vaccinated.



Note: The dark line is a seven-day moving average. The latest data point is February 21, 2021.

Figure 3

Global Supply Chain Issues

The global supply chain issues and logistic constraints that first emerged in the early spring of 2021 have turned out to be more persistent than initially expected, negatively impacting the production, transportation, and international trade of various goods. In particular, the global shortage of semiconductor chips and raw materials has resulted in a low inventory and short supply of automobiles, household appliances, personal digital devices, and business equipment. In the housing market, the shortage of building materials as well as buildable lots also persists. This has led to fast increases in consumer and producer prices, particularly, prices of homes and automobiles.

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[2] https://covid.cdc.gov/covid-data-tracker/#trends_dailycases.

Shortage of Labor Supply

In addition to the shortage of raw materials and intermediate inputs, there has been a shortage of labor supply. During the Great Recession, 88.6 percent of the 8.4 million Americans who lost a job remained in the labor market, seeking reemployment. In comparison, during the recent COVID-19 downturn, only 67.6 percent of the 25.5 million Americans who lost a job remained in the labor force, with the remaining 32.4 percent giving up their job search. Furthermore, during the recent twenty-month period since April 2020, the labor force recovered only 71.7 percent of its loss, although 88.7 percent of the Americans who had lost a job found a job. This suggests that Americans have been returning to the labor force during the current recovery at a much lower rate than implied by the availability of employment opportunities. In comparison, during the comparable twenty-month period following the Great Recession, the labor force recovered 68.2 percent of its loss, although only 23.1 percent of the Americans who had lost a job found a job. This suggests that during the recovery following the Great Recession, Americans were returning to the labor force at a much higher rate than implied by the availability of employment opportunities. It appears that the relatively slow recovery in the labor force during the current recovery has been caused in part by the expanded availability of emergency unemployment insurance benefits, as well as the trend of earlier-than-planned retirement due to concerns over COVID-19 risk in the work environment.

Like the global supply chain issues, the recent slow recovery in the labor force has been constraining economic growth during the current cycle. For example, a shortage of child care workers has hindered many workers in other sectors from returning to work. The labor supply shortage has also caused relatively fast wage increases during the current recovery. During the six-quarter period since the second quarter of 2020, wages and salaries in the U.S. private sector increased at an average annualized rate of 12.4 percent per quarter. In comparison, labor income increased at a much slower rate of 2.3 percent per quarter during the comparable six-quarter period after the end of the Great Recession.

Assumptions for the Forecast

Due to these headwinds, the pace of economic recovery will likely slow in the near term. But the current forecast assumes that the supply chain constraints will start easing in the second half of 2022, facilitating the production and sales of goods. Once global supply chains return to normal, businesses will also rebuild their inventories, which have fallen below a range that is deemed consistent with the recent trend in sales of goods. The current forecast also assumes that the pace of recovery in the U.S. labor force will pick up in the coming months, as various emergency and expanded unemployment insurance benefits have expired and more people become vaccinated.

Although the daily number of new COVID-19 cases remains elevated due to the rapid spread of the Omicron variant, the current forecast assumes that the recent Omicron wave is behind us and the spread of any new variants will not lead to widespread imposition of social distancing restrictions or lockdowns. The pandemic is expected to be contained to a more manageable state with the help of vaccination efforts and other medical advances. But given the highly unpredictable nature of the virus, risks to the forecast remain large.

Contributing to this near-term slowdown is the waning income support to personal consumption spending as most of the pandemic-related stimulus programs have come to an end. As large federal pandemic-related payments to state and local governments begin to dissipate, state and local government spending will get a new boost from appropriations made in the $1 trillion Infrastructure Investment and Jobs Act (IIJA) of 2021. "Build Back Better" legislation is not reflected in the current forecast, as its size and composition remain uncertain.

As part of the accommodative monetary policy that it adopted at the beginning of the COVID-19 pandemic, the Federal Reserve purchased $80 billion of Treasury securities and $40 billion of mortgage-backed securities a month through most of 2021. But with the economy growing at above-trend rates, employment continuing to recover and inflation expectations remaining at elevated levels, the Federal Reserve has started normalizing its accommodative monetary policy stance. The Fed's first move has been to "taper" its purchases of securities, which began in November 2021. The current forecast assumes that the Fed will also start raising its target for the federal funds rate, which is the overnight interbank rate, in the spring of 2022, with a total of 75 basis point hikes in 2022 and additional 75 basis point hikes in 2023.

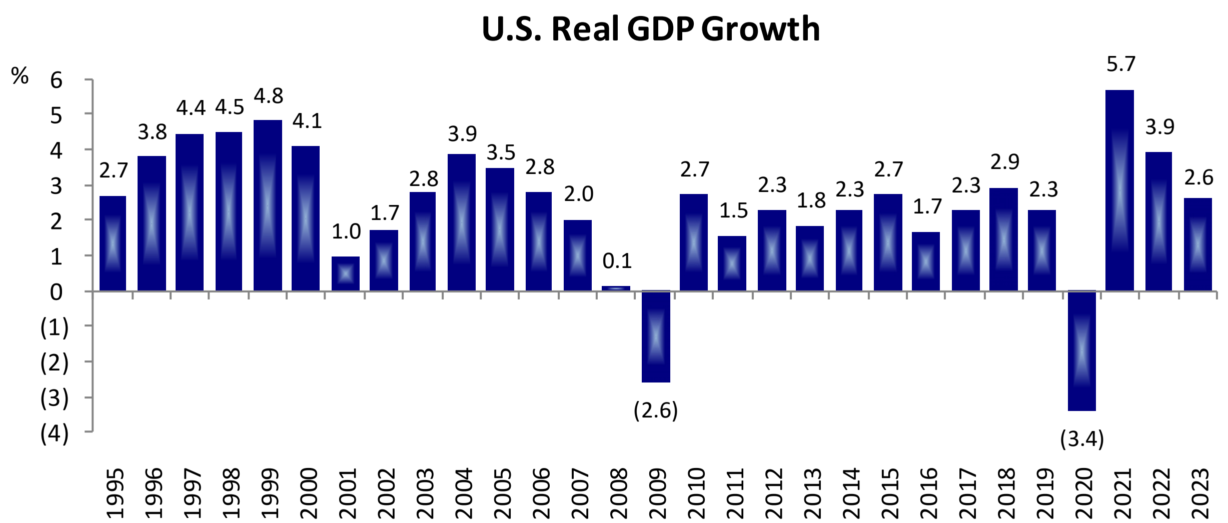
The current forecast assumes that in tandem with economic recovery in the U.S., the global economy will also continue to recover from the economic impacts of COVID-19 in the next two years, but the pace of growth will gradually slow. The value of the U.S. dollar is expected to depreciate from its pandemic highs during the forecast period.

Outlook

Against this backdrop and under the set of assumptions described above, the U.S. economy is expected to continue to recover, but the pace of growth will likely slow during the forecast period. Growth in national output, measured by inflation-adjusted GDP, is forecast to decelerate to 3.9 percent in 2022, following an estimated 5.7 percent rebound in 2021 from a

3.4 percent decline in 2020 (see Figure 4). U.S. economic growth will further slow to 2.6 percent in 2023, as the economy approaches its trend growth line.

The recovery will be broad-based, supported by robust growth in spending by households, businesses and governments. Helped by further progress in vaccinations and other medical treatments for COVID-19, even consumer spending on the services that are the most subject to social distancing is expected to reach its pre-pandemic peak level by the first quarter of 2022. Rebuilding of inventories will also support overall business investment spending. Growth in state and local government spending is forecast to accelerate to 2.7 percent in 2022 and 3.2 percent in 2023 from an anemic estimated 0.3 percent growth in 2021.



Note: Data for 2021 are estimated; 2022 and 2023 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 4

As sales and output recover, payroll employment recovery is also expected to continue during the forecast period. After increasing to 2.8 percent in 2021 from negative 5.8 percent in 2020, employment growth is forecast to accelerate to 3.8 percent in 2022, as recovery in the labor market continues in full swing. With the economy expected to approach full employment in 2023, employment growth will slow to a more sustainable rate of 1.9 percent.

As massive amounts of transfer payments received from the government during 2020 and 2021 are diminished, growth in personal income is forecast to decelerate to a mere 1.6 percent in 2022, from a healthy 7.2 percent gain in 2021. In 2023, with the pandemic-related volatility in personal transfer receipts set to recede, growth in personal income is forecast to increase to 4.8 percent, a rate close to its longer-term trend.

With the acceleration of sales growth as well as the pandemic-related subsidies received from the federal government, corporate profits increased by an estimated 25.2 percent in 2021, after declining 5.2 percent in 2020. As sales growth is expected to slow and subsidies to recede, growth in corporate profits is forecast to slow to 6.5 percent in 2022 and 2.2 percent in 2023.

In 2021, consumer and business spending surged with the help of various fiscal stimulus programs and easy credit terms, but the global economy faced various supply chain issues ranging from the shortage of semiconductor chips to building materials to agricultural supplies. As a result, the headline inflation of consumer prices accelerated to 4.7 percent in 2021, the fastest yearly rate of growth since 1990. With the supply constraints expected to persist at least through the first half of this year, growth in the prices of consumer goods and services is forecast to increase to 5.2 percent in 2022. With the pace of global economic recovery expected to slow and global supply shortage issues to recede, consumer price inflation will decelerate to 2.1 percent in 2023.

The expected normalization of the Fed's monetary policy will likely put upward pressure on long-term interest rates. Continuing economic recovery and mounting federal debts will also weigh on the bond market, driving interest rates higher in 2022. On a yearly average basis, the ten-year yield is expected to rise to 1.99 percent in 2022 and 2.46 percent in 2023, from an estimated 1.44 percent in 2021.

Consumer Spending

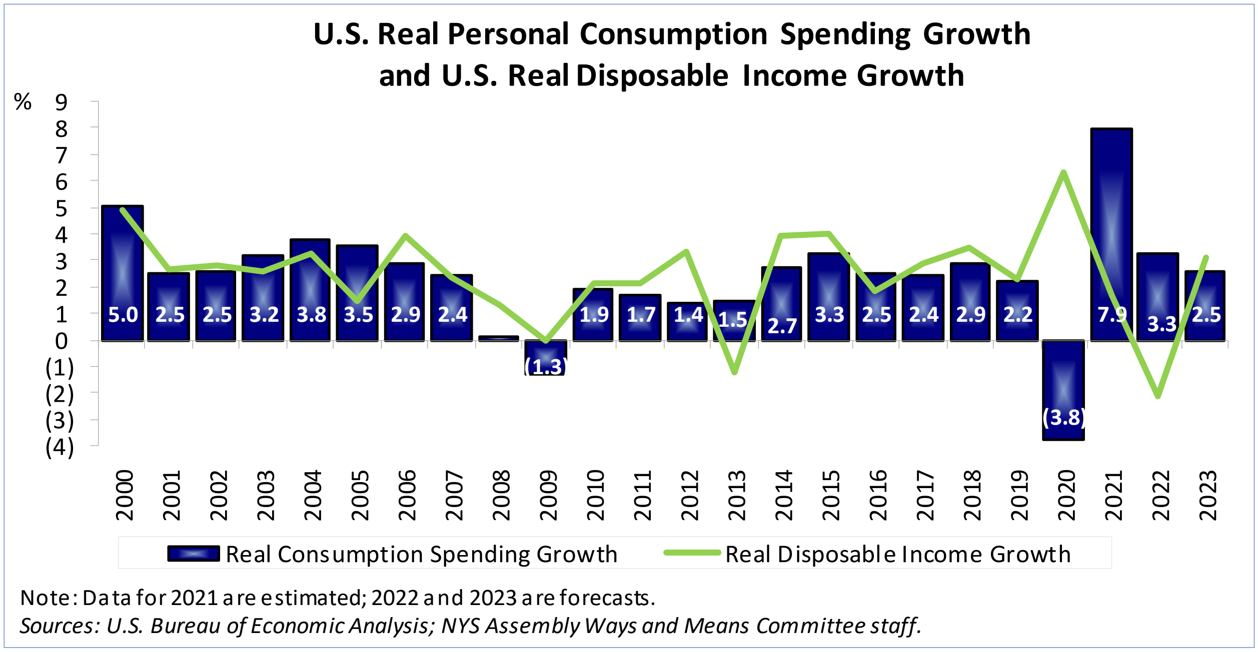


Figure 5

Key Points

- **Consumer spending is a bright spot in the economy, though supply chain disruptions have caused some weakness particularly in spending on durable goods.**
- **Following a decline of 3.8 percent in 2020, consumer spending, adjusted for inflation, increased an estimated 7.9 percent in 2021, supported by federal fiscal stimulus. This is the largest yearly increase since the 1940s.**
- **Over the forecast period, consumer spending will be bolstered by higher wages and household net worth as transfer receipts wane.**

Consumer spending plummeted in March and April of 2020, hitting its lowest level since August 2011. Generally, spending on big-ticket items is curtailed in tandem with an economic downturn, while spending on services lags. In the recent pandemic-caused recession, the massive amount of government payouts to households as well as the nature of the COVID-19 pandemic may have caused a shift in the dynamics of consumer spending. Spending on services was especially hard hit due to business closures and social distancing requirements. Although consumer spending on services has rebounded, it is not expected to surpass its pre-pandemic peak level until the first quarter of 2022. In contrast, spending on durable goods has rebounded more rapidly, exceeding its prior peak in June 2020. During the Great Recession of 2007-09, it took thirty-one months for consumer spending to surpass its prior peak after it began to fall in December 2009. Consumer spending fully recovered its pandemic-related losses in the first quarter of 2021. Consumer spending on services fell by less than one percent in 2009, compared to a decline of over seven percent in 2020, but it took nineteen months to reach its prior peak level. On the other hand, it took more than three years for spending on durable goods to surpass its prior peak during the Great Recession.

In the first half of 2021, consumers, flushed with cash from the various government social benefits and higher earnings, splurged on automobiles, furniture, other goods, and certain services.[3] Rising household wealth and the easing of social distancing directives also helped. Spending on durable goods rose at an annualized rate of 50.0 percent in the first quarter of the year and by another 11.6 percent in the second quarter. Spending on non-durable goods and services also had strong growth, regaining some of the spending that the pandemic had obliterated in 2020.

Growth in consumer spending slowed to an estimated 7.1 percent in the second half of 2021, after averaging 8.8 percent in the first half of the year. Federal unemployment benefits expired in September 2021, and the impact of other fiscal stimulus payments continued to wane. Consumers' confidence wilted as infection cases and fatalities rose due to the rapid spread of the Delta variant of the coronavirus. Shaken sentiment caused consumers to refrain from spending. Supply chain disruptions ranging from delays of freight containers to shortages of raw materials surfaced causing supply shortages to develop particularly for motor vehicles and parts. As a result, consumer spending on durable goods fell 24.6 percent in the third quarter and by another 1.6 percent in the fourth quarter of 2021. In addition, the scarcity of consumer goods has caused prices to increase. Overall, consumer prices increased an estimated 3.9 percent in 2021, compared to the same period a year earlier. The average prices for motor vehicles and parts rose 13.2 percent, and 34.2 percent for gasoline and other energy goods in 2021. Despite these constraints, personal consumption spending, adjusted for inflation, grew an estimated 7.9 percent in 2021, following a decline of 3.8 percent in 2020. This was the largest annual increase in consumer spending since 1946.

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[3] See the CARES Act, Public Law 116-136, 116th Congress of the United States, passed on March 27, 2020; the Consolidated Appropriation Act, 2021 and Other Extensions Act, Public Law 116-260, 116th Congress of the U.S., passed on December 27, 2020; and the American Rescue Plan, Public Law 117-2, 117th Congress of the United States., passed on March 11, 2021.

Infections and hospitalizations from the Omicron variant of the coronavirus increased rapidly in January 2022, restraining economic activity. As a result, consumer spending is expected to slow in the first quarter of 2022, its growth slowing to an estimated 2.4 percent from 3.3 percent in the fourth quarter of 2021. Although a tight labor market will continue to support solid growth in wages and salaries, supply disruptions are anticipated to continue into 2022 and prices on consumer goods to remain elevated. Hence, the Committee forecasts consumer spending growth to decelerate to 3.3 percent in 2022.

Beyond 2022, the consumer spending outlook faces significant downside risks, including the uncertainty stemming from the evolution of the coronavirus, the effectiveness of the vaccines against other variants, the pace at which supply chain and logistical issues ease, and the duration of higher prices on consumer goods and services. Nonetheless, recovery in consumer spending is projected to continue into 2023 as supply chains normalize and consumer prices moderate. In addition, household net worth is expected to continue to support consumer spending. Growth in personal consumption spending is forecast to decelerate further to 2.5 percent in 2023 (see Figure 5).

Pandemic relief impact on disposable income growth

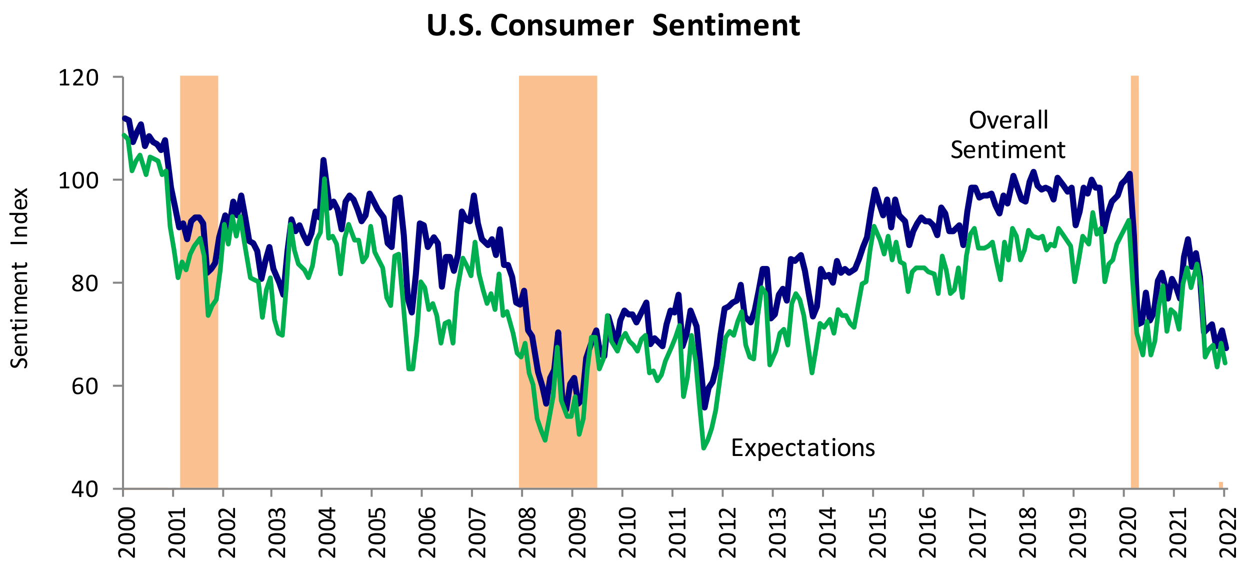
In 2020, disposable personal income, adjusted for inflation, grew 6.3 percent due to record transfer receipts from pandemic-related federal income support programs. As these fiscal stimulus benefits tapered and price pressure increased, growth in real disposable income slowed to an estimated 2.2 percent in 2021. With no additional benefits authorized from the federal government in 2022, disposable income is projected to decline, before stabilizing in 2023. Despite this outlook for disposable income, consumer spending is expected to grow over the forecast period, though at a rate slower than in 2021, helped by elevated household savings.

The pandemic has taken its toll on sentiment

Consumer sentiment fell to its lowest level in a decade in November 2021, as prolonged inflationary pressures eroded living standards (see Figure 6). Consumers were less optimistic about their current and future economic well-being.[4] Primarily, households were concerned about higher gas prices, rising food prices, and that income gains were subsiding. In addition,

[4] See Final Results for November 21: Surveys of Consumer University of Michigan, November 2021, www.sca.isv.umich.edu.

some consumers became discouraged with the realization that getting "back to normal" may be further down the road than they had anticipated. With consumer sentiments well below pre-pandemic levels and prices rising fast, consumer spending will be more measured over the forecast period.



Note: Data are monthly through January 2022. Shaded areas represent recessions.
Source: Reuters/University of Michigan ICS.

Figure 6

Household wealth has been increasing but at a slower pace

The overall progression of the pandemic and the federal government policy response continue to elicit big swings in equity markets. Despite the volatility in financial markets, stock prices rose sharply, resulting in the net worth of households increasing 20.2 percent or by $23.7 trillion in the first three quarters of 2021 over the same period in 2020. Real estate holdings of households grew 12.9 percent or $4.5 trillion over the same period. Financial assets rose 20.9 percent or by $19.3 trillion. With household finances in a better position, growth of overall household liabilities remained subdued, increasing by less than $1.0 trillion over the same period. Increased market volatility will pare financial gains in the stock market over the forecast period. As a result, growth in households' net worth is anticipated to slow. However, household net worth will remain a buffer for consumer spending growth.

Households' financial position remains healthy

The true picture of households' financial position may be blurred by the pandemic-related relief that bolstered their income. It is estimated that the U.S. poverty rate may have fallen to its lowest level on record in 2021 due to these federal transfer payouts to individuals.[5] The debt-to-income ratio, which has been gradually falling since the second quarter of 2007, dropped steeply in the second quarter of 2020 as pandemic-related assistance boosted household income (see Figure 7). Delinquency rates were at a historic low in the second quarter of 2021, likely due to requirements placed on banks to waive mortgage and student loan payments as part of pandemic-related relief to individuals. Similarly, the financial obligation ratio, which measures the percentage of disposable income obligated to debt payment, fell to 12.6 percent in the first quarter of 2021, the lowest rate on record; subsequently the ratio has risen but remains low by historical standards. Since March 2020, consumers reined in their use of credit cards. Credit card balances had fallen twelve of fourteen months until June 2021, while long-term loans, which include mortgages, have steadily risen. In November 2021, credit card balances remained below the series high that occurred in February 2020.

Consumers' financial situation is expected to remain strong, at least short-term, buffered by higher savings rates, as much of the fiscal relief that households received from the federal government dissipates. Households will likely transition to lower consumption levels of other goods and services as moratoriums on student loans and mortgage payments end in January 2022. Nonetheless, the improving trend in households' financial position that was in place before the pandemic will help households to withstand, at least short-term, COVID-19 related uncertainties and support consumption spending.

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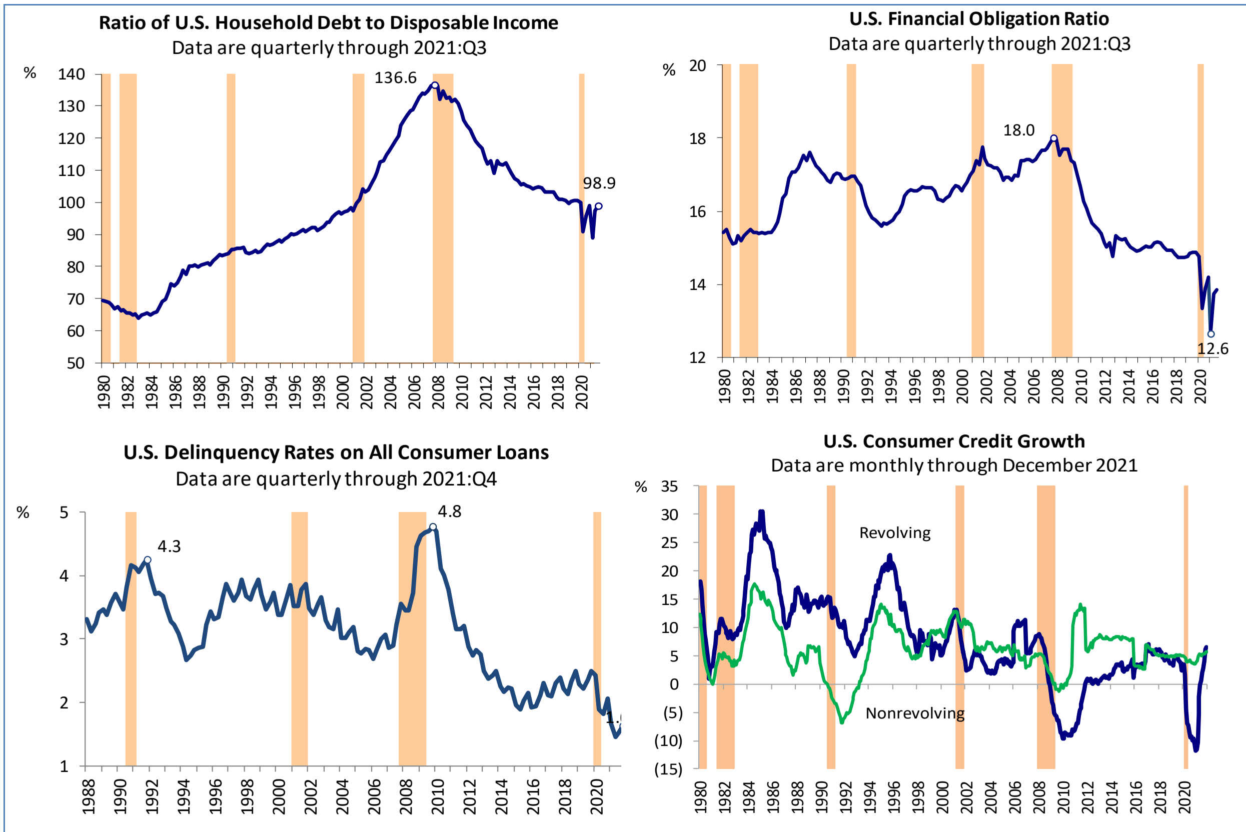
[5] The poverty rate for the U.S. is projected to fall to 8.5 percent in 2021. See Zachary Parolin, Sophie Collyer, Megan Curran and Christopher Winer, "The Potential Poverty Reduction Effect of the American Rescue Plan," Poverty & Social Policy Fact Sheet, Center on Poverty and Social Policy at Columbia University, March 11 2021, https://www.povertycenter.columbia.edu/s/Poverty-Reduction-Analysis-American-Rescue-Plan-CPSP-2021.pdf; and another report suggested the poverty rate could be 7.7 percent. See Laura Wheaton, Linda Giannarelli, Ilham Dehry, "2021 Poverty Projections: Assessing the Impact of Benefits and Stimulus Measures, Urban Institute, July 2021, https://www.urban.org/research/publication/2021-poverty-projections-assessing-impact-benefits-and-stimulus-measures/view/full_report.



Note: The U.S. financial obligation ratio measures the percentage of household disposable income obligated to debt payments. U.S. Delinquent loans are those past due thirty days or more and still accruing interest as well as those in nonaccrual status. They are measured as a percentage of end-of-period loans. Consumer Credit Growth is year-over-year.

Sources: Federal Reserve; U.S. Bureau of Economic Analysis.

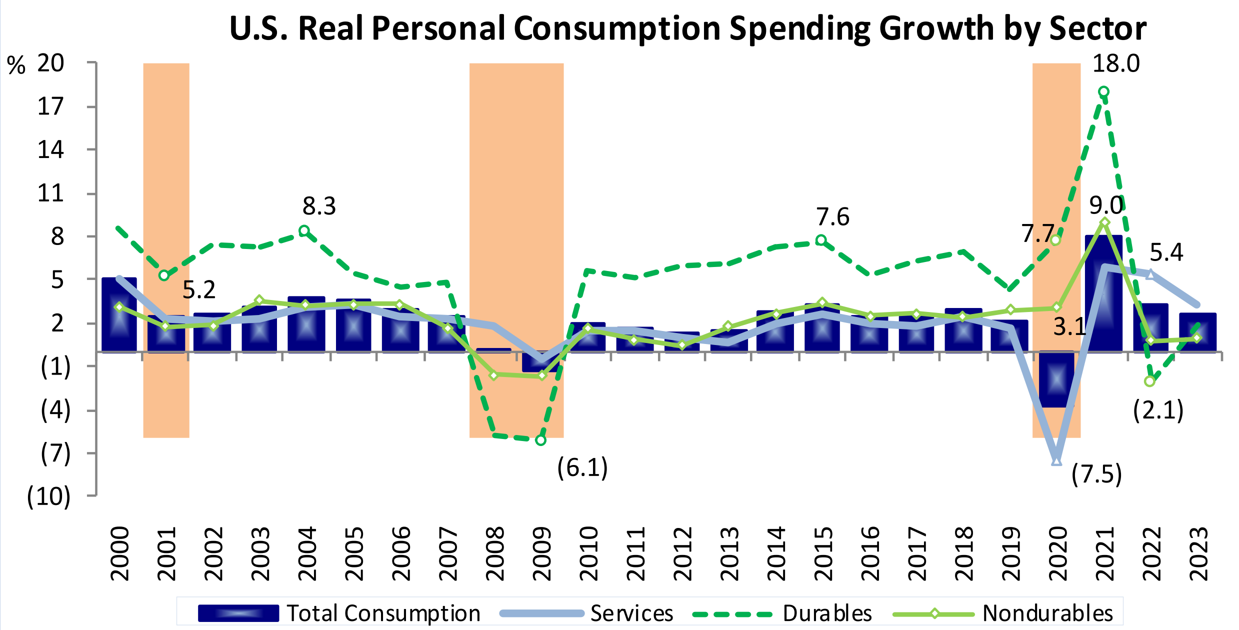
Figure 7

Overall consumer spending outlook

Though consumer spending remains a bright spot supporting overall economic growth, some weakness particularly in durable goods spending has been observed, due primarily to supply chain challenges. Spending on durable goods grew 50.0 percent in the first quarter of 2021, and by another 11.6 percent in the second quarter, as pent-up demand for vehicles was released and consumers used some of their savings to make down payments. However, shortages in semi-conductor chips and other supply chain issues have caused a slowdown in the production of light vehicles.[6] Retail sales at motor vehicles and parts dealers declined in five of the recent eight months. Spending on durable goods declined 24.6 percent in the third quarter of 2021. In the fourth quarter of 2021, spending on durable goods is estimated to have

[6] See Reuters, "Chip Supply, testing woes to curb light vehicle production in 2021 – IHS Markit," September 16, 2021, https://www.reuters.com/business/autos-transportation/chip-supply-testing-woes-further-curb-light-vehicle-production-2021-ihs-markit-2021-09-16/.

increased 1.6 percent, partly attributable to higher prices, instead of an increase in the number of vehicles purchased. In fact, new vehicle sales fell 4.1 percent compared to the third quarter of 2021, while total car and truck sales declined 2.8 percent over the same period. The shortage of vehicles has driven up prices of new and used vehicles. Overall, spending on durable goods grew an estimated 18.0 percent in 2021, following a 7.7 percent increase in 2020. In 2022, the Committee forecasts spending on durable goods to fall 2.1 percent as supply chain issues persist. However, as the challenges over the prior two years subside, durable goods spending is projected to increase 1.9 percent in 2023, restrained by higher vehicle prices.



Note: Data for 2021 are estimated; 2022 and 2023 are forecasts. Shaded areas represent recessions.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 8

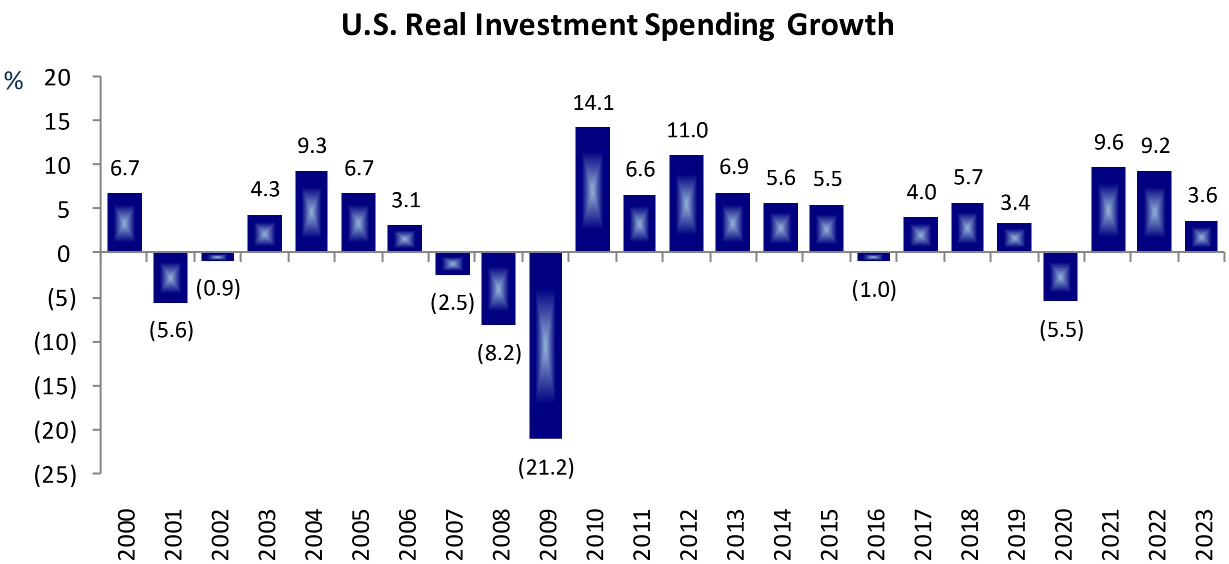
Higher food and energy prices will curtail spending on non-durable goods. Spending on nondurable goods grew an estimated 9.0 percent in 2021, as consumers resumed shopping and driving after severely restricting these habits in 2020. Growth is projected to decelerate to 0.8 percent in 2022 and 0.9 percent in 2023.

Spending on services was disproportionately impacted by the pandemic because of social-distance recommendations, stay-at-home orders, remote learning and work, and the closure of nonessential businesses. Spending on services plummeted in the first half of 2020, as travel services came to a near standstill, restaurant and hotels closed, and other social activities ceased. Almost two years later, with many of these restrictions lifted, spending on services is projected to surpass its pre-pandemic levels in the first quarter of 2022.

In 2021, with directives lifted, not surprisingly, the only components of consumer spending on services that had surpassed their pre-pandemic levels had been spending on housing, utilities, and financial services, components that required little to no contact with other individuals. Spending on food services and accommodations, and transportation services was severely impacted by the pandemic. Consumers continued to restrict their recreational activities especially as infection cases rose from Delta variant and by the end of the year the Omicron variant. Spending on healthcare services had steadily risen but with many people getting infected with variants of COVID-19 in many states, selective procedures once again have been placed on hold as patients postpone procedures and as health care resources are redirected to the infected patients.

While the presence of these concerns will not be muted over the forecast period, the main driver of overall personal consumption spending will be spending on services, as supply shortages curb spending on durable goods. Higher overall prices on essential goods and services will mean consumers have less income for other nonessential purchases, which are also experiencing higher prices. Hence, as COVID-related concerns continue to ease, pent-up demand for travel, recreation, food services and accommodations, and demand for housing and household utilities and health care will support overall spending on services. The Committee projects consumer spending on services to grow 5.4 percent in 2022 and then by 3.3 percent in 2023, following an estimated 5.9 percent growth in 2021 (see Figure 8).

Business Investment Spending



Note: Data for 2021 are estimated; 2022 and 2023 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 9

Key Points

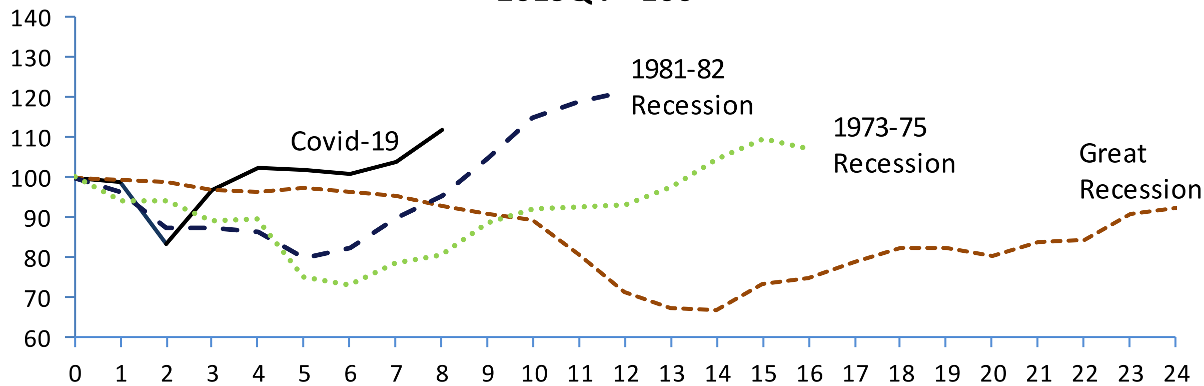
- **After a sharp decline caused by the COVID-19 pandemic in the second quarter of 2020, private investment spending has since rebounded strongly.**
- **Recovery is expected to continue in the forecast period, although unevenly across the sectors due to the global supply chain issues as well as the long-term impacts of the pandemic.**

From the initial impact of the COVID-19 pandemic, U.S. business investment spending suffered a hard hit in the second quarter of 2020. Although it started rebounding in the following quarter, overall business spending (after adjusted for price changes) declined 5.5 percent in 2020 on a yearly average basis (see Figure 9). It rebounded to an estimated 9.6 percent growth in 2021.

Compared to some recent U.S. recession episodes including the 2007-2009 Great Recession, the contraction of overall business spending in 2020 was not only relatively mild but also followed by a relatively quick recovery. For example, during the 2007-2009 Great Recession, U.S. business spending contracted for more than three years and fell more than

30 percent from the peak to the trough (see Figure 10). In contrast, the 2020 contraction only lasted for two quarters and the depth of decline was relatively small at 16.5 percent.

Impact of Covid-19 on U.S. Business Investment Spending
2019Q4 = 100

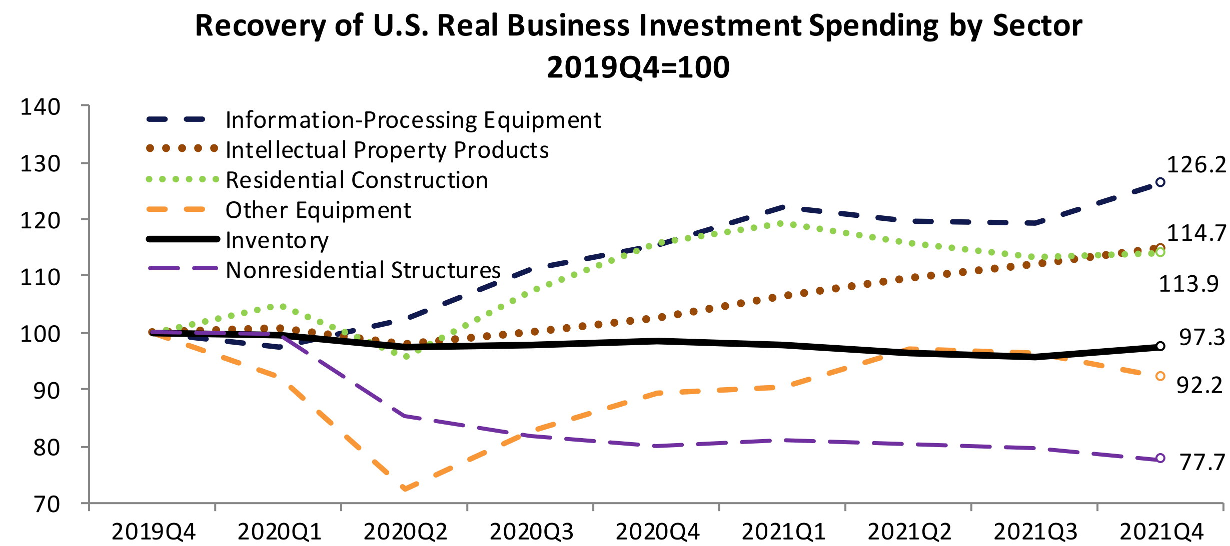


Note: Data are quarterly and the peak level before each recession began was normalized to 100. Quarter 0 refers to the quarter for the prerecession peak and Quarter 12 refers to the quarter three years after each recession began.
Sources: U.S. Bureau of Economic Anaysis; NYS Assembly Ways and Means Committee staff.

Figure 10

Due to its unique nature, however, the COVID-19 pandemic has impacted business investment spending unevenly across the sectors. As sheltering at home as well as working from home has encouraged demand for virtual office equipment, business spending on computers and other information-processing equipment did not even decline during the early months of 2020 but grew strongly throughout the recent quarters. Its fourth quarter 2021 level was 26.2 percent above the pre-pandemic level. In comparison, business spending on transportation, industrial and other categories of equipment declined 27.7 percent from the peak to the trough during the recent recession. Although recovering since then, it was still 7.8 percent below its pre-pandemic peak level as of the fourth quarter of 2021 (see Figure 11).

Business spending on industrial and commercial structures has declined steadily (except for one quarter) since the third quarter of 2019, as online shopping and telecommuting trends have dampened the demand for office and commercial/industrial space. In particular, new-office construction activity has moderated considerably as an increasing number of firms reevaluate their need for office space. Lodging construction activity has also softened as travel remains much restrained by the pandemic. Tightened lending conditions for commercial real-estate loans have also weighed on business spending on structures. As of the fourth quarter of 2021, business spending on structures was 22.3 percent below its pre-pandemic peak level.



Note: Data are normalized with 2019Q4=100.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 11

On the other hand, as the pandemic sparked a renewed change in residential preferences from shared urban housing to suburban single-family housing, residential permits, starts, and sales rebounded quickly and strongly from the initial blow of the pandemic, reaching the highest levels since 2006. The historic low levels of mortgage interest rates also helped drive strong growth in residential construction, sales, and home improvement projects. Consequently, despite its recent softening, residential investment spending exceeded its pre-pandemic peak level by 13.9 percent as of the fourth quarter of 2021.

With strong demand for up-to-date information technology and computer software in a changing work environment, business spending on computer software and research and development has also posted a solid gain after a relatively small decline in the second quarter of 2020. As of the fourth quarter of 2021, this category of business investment spending was up 14.7 percent above its pre-pandemic peak level.

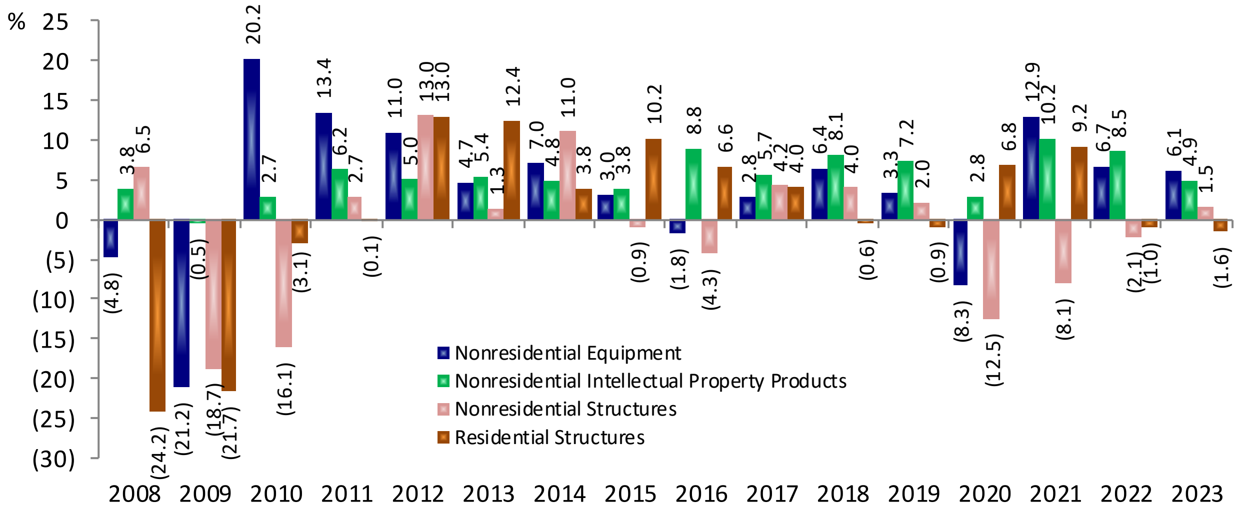
When growth in U.S. domestic spending outpaces growth in U.S. domestic output, the supply shortage is usually met with imports. But during the current recovery the global supply chain issues and logistic constraints have negatively impacted the production as well as international flow of goods, exacerbating the supply shortage situation in the U.S. As a result, businesses have had to draw down their existing inventories to accommodate consumer demand. As of the fourth quarter of 2021, business inventories were 2.7 percent below the pre-pandemic peak level. The global supply chain issues will likely persist in the first half of 2022, but inventory investment will gradually improve during 2022, as businesses are expected to begin rebuilding their inventories which have fallen below a range that is deemed consistent with the recent trend in sales of goods. Business spending on inventory restocking alone is projected to add 0.7 percentage points to overall GDP growth in 2022.

The continued, though slowing, recovery in final sales and output will support growth in overall business investment spending during the forecast period. The expectation that the threat of the pandemic will be reined in to a more manageable state will also support economic growth and the recovery of overall business spending in the forecast period. As firms start calling their workers back to the office, the demand for commercial and industrial space will likely improve. Once consumers resume traveling and other recreational activities, business spending on transportation equipment and lodging construction will pick up at a robust pace. The information-processing equipment sector will continue to benefit from increasing demand for newer technology-based equipment. In addition, as global energy prices have recovered from the pandemic lows, gas and oil field activity has also been steadily recovering, pointing to an improving outlook for expenditures on drilling equipment and structures.

But the near-term outlook for residential investment spending is not bright. Permits for single-family homes have been on a downward trend since December 2020, signaling further declines in housing starts. The shortage of building materials as well as buildable lots also persists. The recent sharp increases in home prices weigh on home buyer affordability, likely causing the demand for residential housing to weaken.

The Committee forecasts overall private investment spending to continue to recover in 2022 at a yearly rate of 9.2 percent, following an estimated 9.6 percent rebound in 2021. A big part of the growth in 2022 is attributed to an expected strong gain in inventory investment from a dismal level in 2021. As such, in 2022, growth in business investment spending outside inventory investment is forecast to be a more moderate 4.3 percent, supported by an 8.5 percent increase in spending on intellectual property products and a 6.7 percent increase in equipment spending (see Figure 12). For the reasons mentioned above, spending on residential structures will likely retreat in the forecast period, declining 1.0 percent in 2022 and 1.6 percent in 2023 after two consecutive years of robust growth in 2020 and 2021. In 2023, business capital spending will continue to improve, but overall business spending growth will moderate to 3.6 percent as the pace of inventory rebuilding is expected to slow.

U.S. Real Fixed Investment Spending Growth by Sector



Note: Data for 2021 are estimated; 2022 and 2023 are forecasts.

Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 12

Government Spending

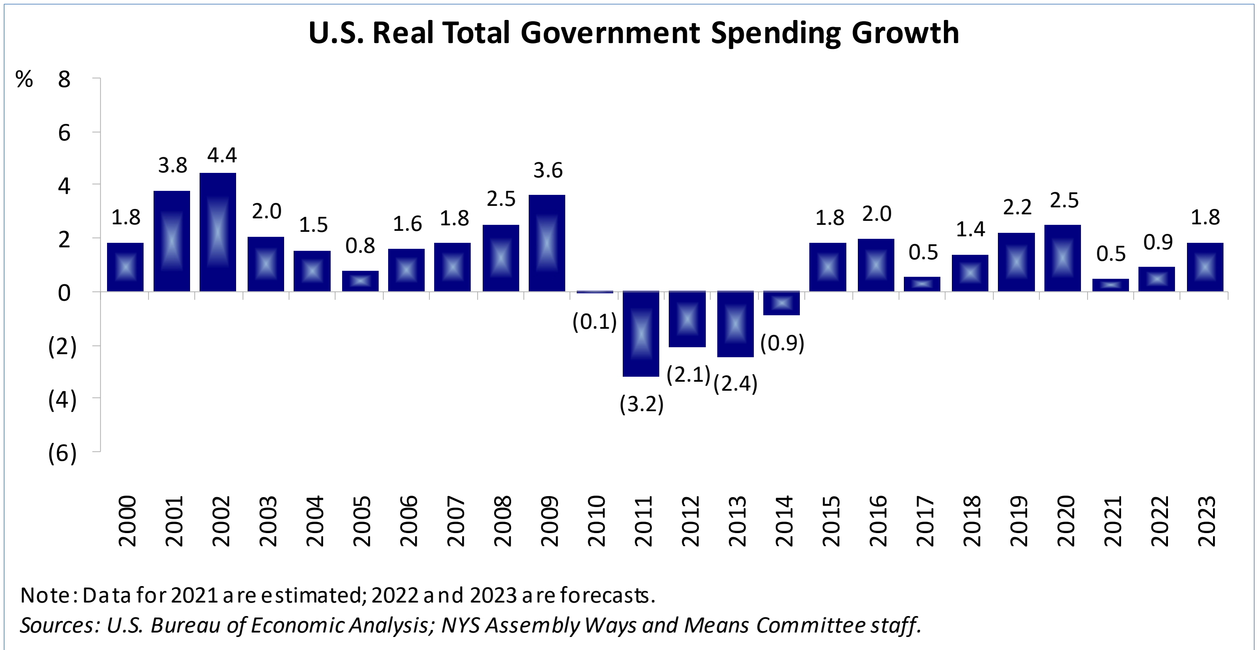


Figure 13

Key Points

- **Growth in federal government spending is expected to soften during the forecast period as various pandemic-related fiscal stimulus programs recede.**
- **State and local government spending will be bolstered by infrastructure spending funded by the federal government and the higher tax revenues fostered by overall economic growth over the forecast period.**

To a large extent, federal government actions mitigated the economic fallout from the impact of the coronavirus pandemic. The actions resulted in trillions of dollars being distributed to individuals, businesses, and state and local governments. As a result of the associated administrative costs and pandemic-related purchases of goods and services, nondefense federal government spending rose considerably in the first half of 2020 and again in the first quarter of 2021. State and local governments also benefitted from the federal funds initially provided to help combat the virus. Thus, total government spending, after adjusted for inflation, grew 2.5 percent in 2020, the only component in the U.S. national accounts that increased in 2020 (see Figure 13). Growth in total government spending slowed to an estimated 0.5 percent in 2021.

The Infrastructure Investment and Jobs Act (IIJA) of 2021 provides the largest infusion of funding in over a decade to state and local governments for public infrastructure spending.[7] The IIJA includes close to $550 billion in new spending over five years, on top of the recurring funding authorizations for highway and other infrastructure investments (see Table 1). The greatest impact on spending comes in the initial years. In addition, the IIJA increased highway and transit "contract authority" by $90 billion through federal fiscal year 2026. As a result, total government spending will be bolstered by spending by state and local governments as pandemic-related spending by the federal government dissipates. The Committee projects growth in total government spending to rise to 0.9 percent in 2022 and to 1.8 percent in 2023.

Table 1

Components of the Bipartisan Infrastructure Investment and Jobs Act

	$ Billions
Roads, Bridges, and Major Projects	110
Passenger and Freight Rail	66
Public Transit	39
Airports	25
Ports and Waterways	17
Electric and Low Emissions Vehicles	15
Road Safety	11
Reconnecting Communities	1
Total Transportation and Infrastructure Spending	***284***
Power Infrastructure	73
Broadband	65
Water Infrastructure (including lead pipes)	55
Resiliency and Western Water Shortages	50
Environmental Remediation	21
Total Other Core Infrastructure	***264***
Total Spending	**548**

Source: Committee for Responsible Federal Budget.

[7] The Infrastructure Investment and Jobs Act includes funds for repairing roads and bridges, ensuring broadband expansion, electrifying vehicles, boosting public transit and freight rail, replacing lead pipes and a host of other provisions. See The Infrastructure Investment and Jobs Act, Public Law 117-58, 117th Congress of the U.S., signed into law on November 15, 2021.

Federal government spending

Federal government spending is estimated to have grown more slowly at 0.6 percent in 2021, after accelerating 5.0 percent in 2020 to meet the economic fallout of the pandemic (see Figure 14). While still hefty, non-defense federal spending on intermediate services grew at a slower pace in the first half of 2021 than in the same period of 2020. Administrative costs for the various massive pandemic relief packages accelerated federal government spending.[8] The federal government also spent substantially on goods such as ventilators in the first half of 2020, and this type of spending disappeared in 2021.

Over the forecast period, the federal government turns its fiscal policy focus towards the Biden Administration's agenda of improving the nation's transportation infrastructure and other core infrastructure such as: broadband, power, and water and environmental remediation. The "Build Back Better" agenda continues to face roadblocks, with the greater portion of the agenda remaining uncertain. If Congress can pass budget resolutions on outlays regarding this part of the agenda, then the current forecast for government spending would improve. In 2022, the Committee forecasts federal government spending to fall by 1.8 percent as the unwinding of the coronavirus relief packages continues, and decline another 0.3 percent in 2023 as the federal government restrains spending.

[8] Spending on nondefense intermediate services by the federal government increased an eye popping 468.5 percent in the second quarter of 2020, following an increase of 4.0 percent in the previous quarter; and increase of 339.9 percent in the first quarter of 2021 from a decline of 31.0 percent in the fourth quarter of 2020. See U.S. Bureau of Analysis, *Table 3.10.1. : Percent Change From Preceding Period in Real Government Consumption Expenditures and General Government Gross Output, https://apps.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=2&isuri=1&1921=survey; accessed September 22, 2021*.

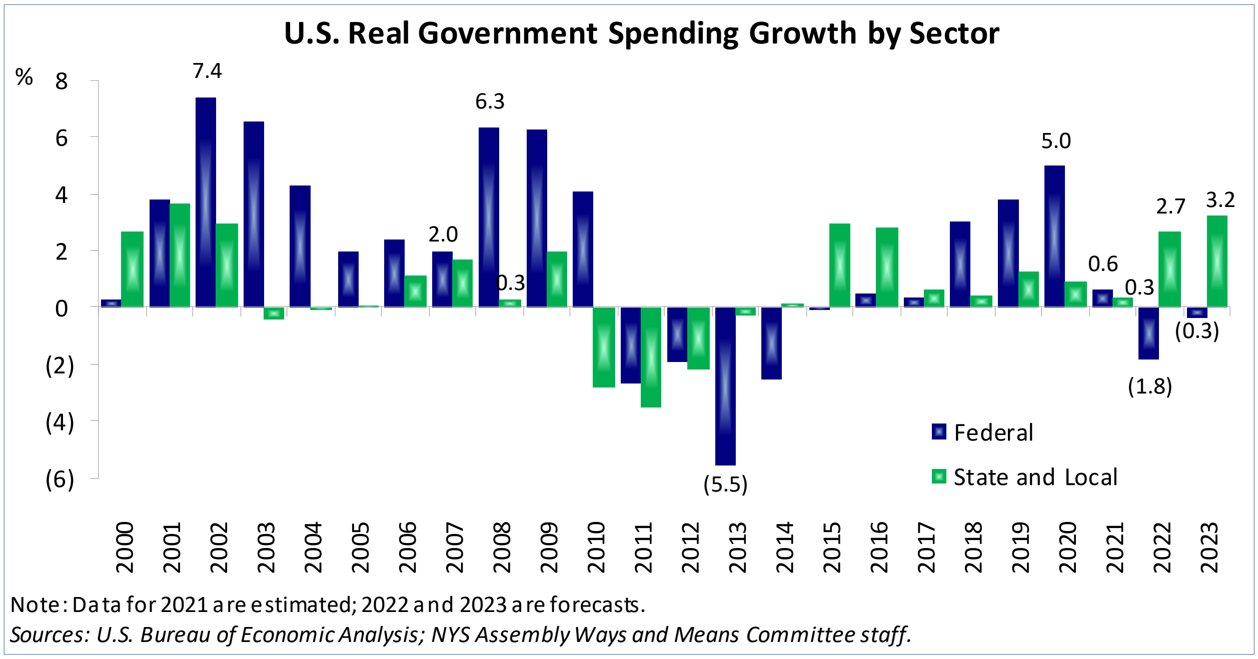


Figure 14

The persistent accumulation of deficits has led to a total national debt of over $30 trillion. Trillions of dollars in stimulus payments to households, unemployment insurance assistance, loans to businesses, and grants to states pushed the budget deficit to over $3.1 trillion in fiscal year 2020, or 14.9 percent of GDP, the largest deficit ever recorded. The budget gap in federal fiscal year 2021 was $2.8 trillion or 13.4 percent relative to the size of the economy (see Figure 15).[9] The Congressional Budget Office (CBO) projects that the budget deficit will decline to 4.7 percent of GDP in fiscal year 2022 as the federal government reduces extraordinary spending.[10]

The federal government accrual of more debt raises concerns about federal spending on interest payments and the impact on economic growth over time. According to the CBO, rising debt will likely lead to higher inflation and higher borrowing costs as interest rates rise.[11] As more federal funds are diverted toward interest payments, the federal government has less flexibility to address fiscal crises, resulting in a decline in the value of Treasury securities.

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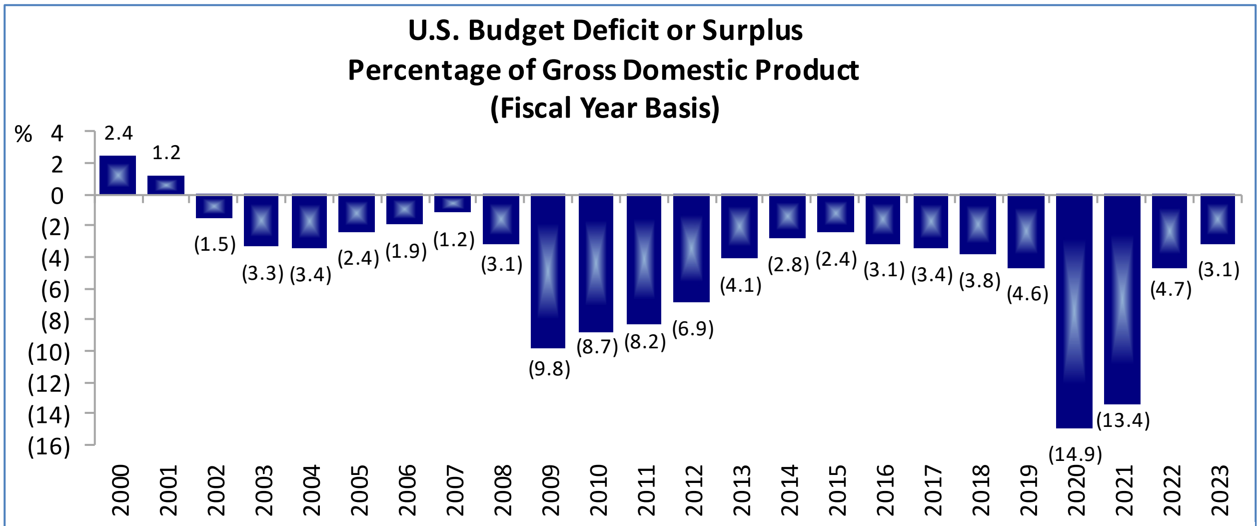
[9] See U.S. Department of Treasury, *Monthly Statement of the Public Debt of the United States, January 31, 2022,* Bureau of the Fiscal Service, January 31, 2022, https://www.treasurydirect.gov/govt/reports/pd/mspd/2022/2022_Jan.html.

[10] See Congressional Budget Office, *Additional Information About the Updated Budget and Economic Outlook: 2021-2031*, July 2021, https://www.cbo.gov/publication/57263.

[11] Ibid 10.



Note: Data for fiscal years 2022 and 2023 are estimates. The federal fiscal year starts October 1 and ends September 30 of the next calendar year. Therefore, fiscal year 2021 is from October 1, 2020, through September 30, 2021. The Congressional Budget Office assumes current laws.

Source: Congressional Budget Office.

Figure 15

State and local government spending

State and local government finances have benefited from infusions of pandemic relief funds as well as the economic recovery being stronger and faster than anticipated. In 2020, federal grants-in-aid to states rose by 44.5 percent from 2019. At the heights of the pandemic in the second quarter of 2020, federal grants-in-aid grew 129.3 percent from a year earlier. Federal aid to states and localities increased 23.9 percent in 2021, following an increase of 44.5 percent in 2020. Revenues were boosted by healthy gains in the financial markets as states collected taxes on realized capital gains, as well as higher earned income from personal income tax collections. Furthermore, states and localities benefitted from funds earmarked in the American Rescue Plan and the IIJA.[12] Funds allocated from the IIJA will likely become available to states and localities in 2022 and beyond with the largest impact to spending growth being in the initial years.

In 2021, personal income tax collections were 15.2 percent higher than in 2020 as wages grew strongly. Sales tax collections were 11.3 percent higher, as personal consumption spending, unadjusted for inflation, grew a robust 7.9 percent in 2021 from the prior year. Corporate tax receipts rose 28.0 percent 2021 compared to 2020 as corporate profits improved

[12] See The American Rescue Plan Act of 2021, Public Law 117-2, 117th Congress of the U.S., signed into law March 11, 2021, Congress of the U.S; See also Ibid 7.

with the reopening of businesses. Property taxes continued to provide financial support to local governments as home prices had solid growth despite the pandemic. Property tax collections were 4.8 percent above pre-pandemic levels in the third quarter of 2021.

State employment remained below its February 2020 peak level by 101,000 jobs in January 2022. Local government employment declined by 1.3 million jobs from its February 2020 peak to its trough in June 2020. In December 2021, local government employment remained 647,000 jobs below its pre-pandemic peak. Most of the gain in employment was from education, as schools reopened after moving to virtual classroom at the start of the pandemic. Worker shortages will continue to slow the pace of state and local government employment recovery, as they compete with the private sector for available workers. In January 2022, state government employment fell for the fourth consecutive month. The private sector is much more flexible at adjusting pay schedules than the public sector. Furthermore, vaccination mandates in many states will likely force many out of the workforce.

State and local government spending is estimated to have increased 0.3 percent in 2021, after increasing 0.9 percent in 2020 (see Figure 14). Going forward, state and local governments will invest incoming funds from the federal government for one-time projects or to fast-track capital projects that were already in the pipeline. Therefore, the Committee forecasts state and local government spending to increase by 2.7 percent in 2022, and 3.2 percent in 2023.

Exports and Imports

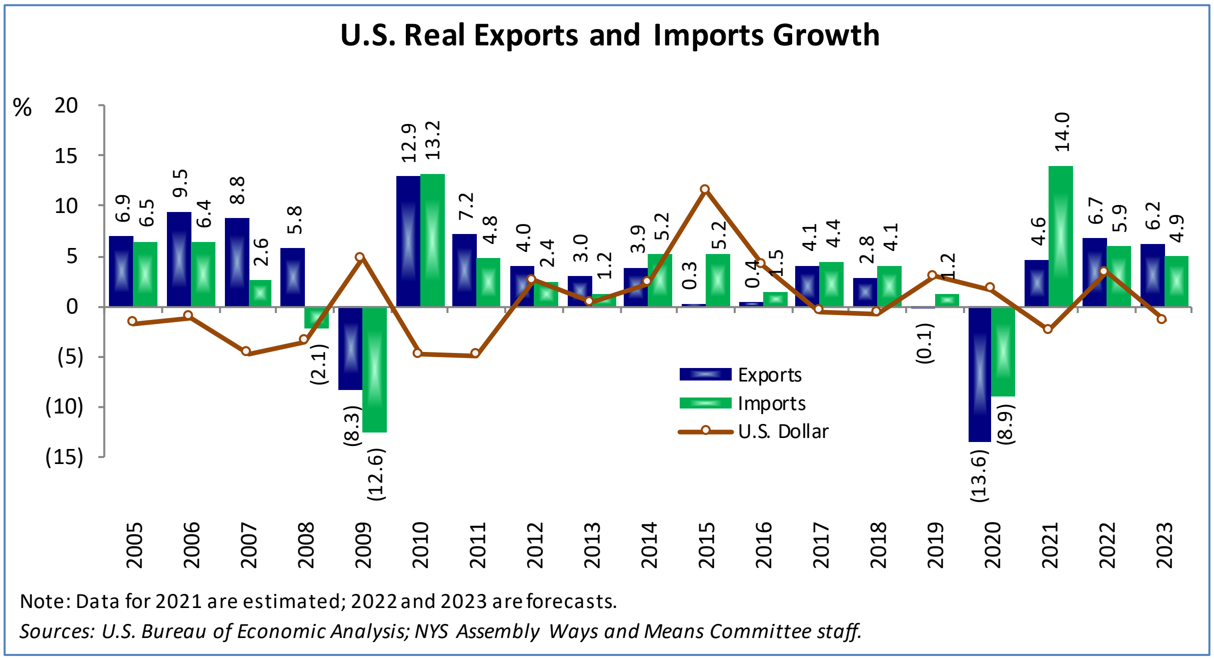


Figure 16

Key Point

- **As the pandemic brought the world into the deepest recession since the Second World War, global merchandise trade plunged in 2020; however, world trade has recovered strongly since the recession.**
- **With the U.S. dollar expected to start depreciating in the second half of 2022 and the global economy expected to continue to grow, U.S. trade is projected to be less of a drag to U.S. economic growth in the forecast period.**

Global growth and the value of the U.S. dollar are the two main factors that affect U.S. exports. If the economies of our trading partners expand, their demand for U.S. exports will increase. If the U.S. dollar gets stronger, demand for United States exports will fall as its goods become more expensive to foreigners. In addition, a stronger domestic demand in the U.S., all else equal, would support a stronger increase in imports to the United States.

The COVID-19 pandemic plunged the world economy to its deepest recession since the Second World War

The COVID-19 pandemic and the economic shutdown across the globe disrupted economic activities worldwide, and plunged the world into recession in 2020. According to the World Bank, the global economy contracted 3.4 percent in 2020, after growing 2.6 percent in 2019. This was the deepest recession since the Second World War.[13] Most economies around the world rebounded strongly in 2021, especially in advanced economies where vaccines were more readily available. The situations in many developing countries worsened in the second quarter of 2021 but have since improved as vaccines have become more widely available and more people have been vaccinated. Even though the Omicron variant has emerged and the number of infection cases has increased rapidly in many countries, in many cases the symptoms are reported to be mild. As a result, it has not caused major disruptions in economic activity and countries have not imposed strong restrictive policies, as they did earlier in the pandemic. Thus, economic activities around the globe are expected to continue to expand throughout the forecast period.

Impact of COVID-19 pandemic on world trade

International trade declined sharply in the first half of 2020, as the COVID-19 pandemic disrupted the global economy and brought the world into recession. World merchandise exports fell 14.0 percent in the first half of 2020 from the same period of 2019. The steepest declines were recorded in North America (by 17.4 percent) and Europe (by 14.3 percent), while Asia was relatively less affected with an 8.6 percent decline. This is, however, milder than the collapse of international trade during the Great Recession, when world trade fell by 21.5 percent during the fourth quarter of 2008 and the first quarter of 2009 over the same period of the prior year.

Global merchandise trade has rebounded strongly since the second half of 2020 and has well surpassed its pre-pandemic peak (see Figure 17). Despite supply chain disruptions and shortages of production inputs, it is expected that world merchandise trade will continue on an upward trend.[14]

[13] World Bank, Global Economic Prospects, January 2022.

[14] World Trade Organization, “Merchandise trade volume declined in Q3 while trade values continued to rise,” December 20, 2021, https://www.wto.org/english/news_e/news21_e/stat_20dec21_e.htm.

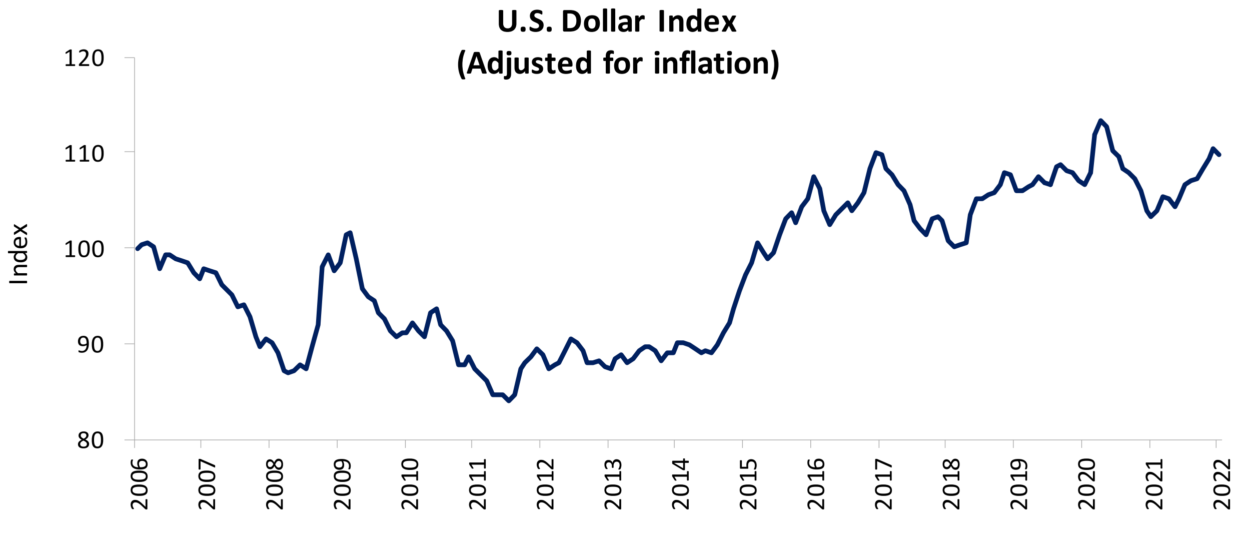
Note: Data are quarterly from 2006Q1 to 2021Q3.
Source: World Trade Organization.

Figure 17

U.S. dollar soared during the pandemic

During the early phase of the COVID-19 pandemic when uncertainty was mounting around the globe, investors shifted their investment from riskier assets like stocks and bonds to dollar denominated assets, which are considered as safe haven assets. As a result, demand for the U.S. dollar appreciated strongly in early 2020, gaining 6.7 percent from January to April to the highest level in 17 years. Since then, the U.S. dollar lost some of its value through the end of the year as the number of Covid-19 cases in the United States rose. The dollar bounced back again in 2021 as the COVID-19 crisis hit emerging economies and the Omicron variant emerged (see Figure 18).

The U.S. dollar will likely remain strong in the first half of this year, as global uncertainty rises. The U.S. dollar is expected to gain 3.4 percent in 2022 before falling 1.5 percent in 2023 as vaccines become more accessible globally and the pandemic subsides.



Note: Data are monthly through January 2022; January 2006=100.
Source: Federal Reserve.

Figure 18

As the world was in a recession, U.S. trade fell in 2020. Exports fell by 13.6 percent, while imports decreased by a relatively small 8.9 percent, as the U.S. economy rebounded faster than the economy of most of our trading partners.

U.S. economic growth outpaced many trading partners in 2021, as a result, exports are estimated to have grown slower than imports at 4.6 percent, compared to 14.0 percent for imports. With the U.S. dollar expected to start depreciating in the second half of 2022 and the global economy expected to continue to grow, U.S. exports are projected to improve. Exports are forecast to grow 6.7 percent in 2022 and 6.2 percent in 2023. Imports are forecast to grow 5.9 percent in 2022 before slowing to 4.9 percent in 2023 (see Figure 16).

Employment

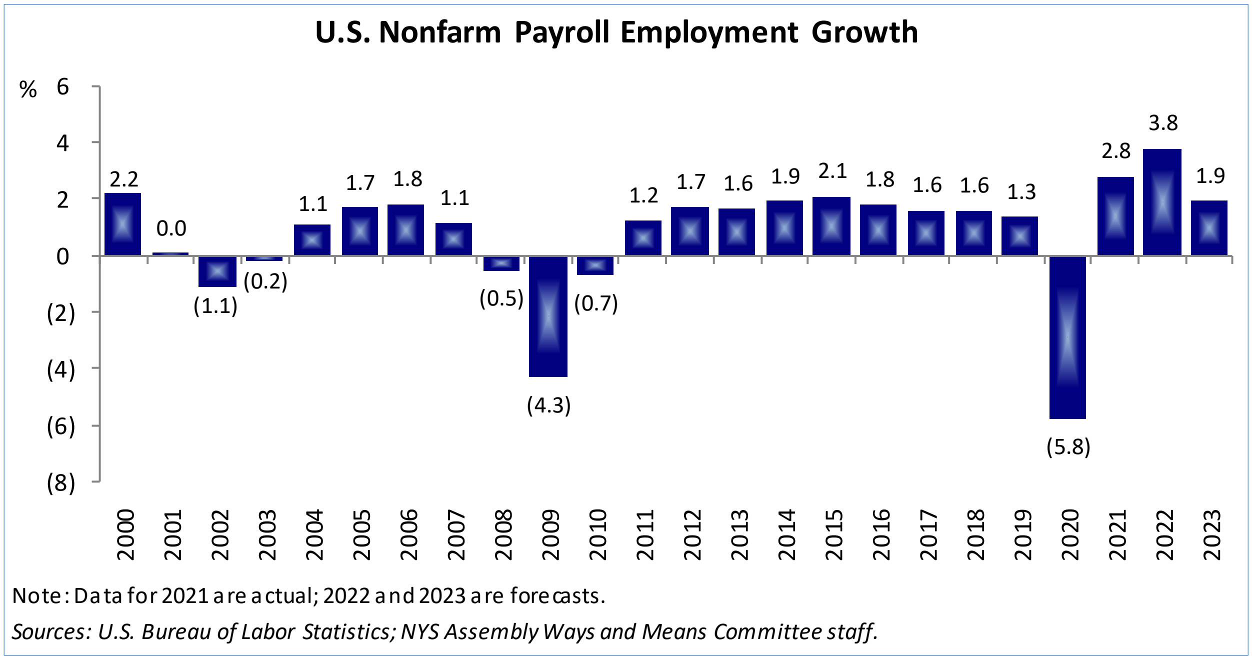


Figure 19

Key Points

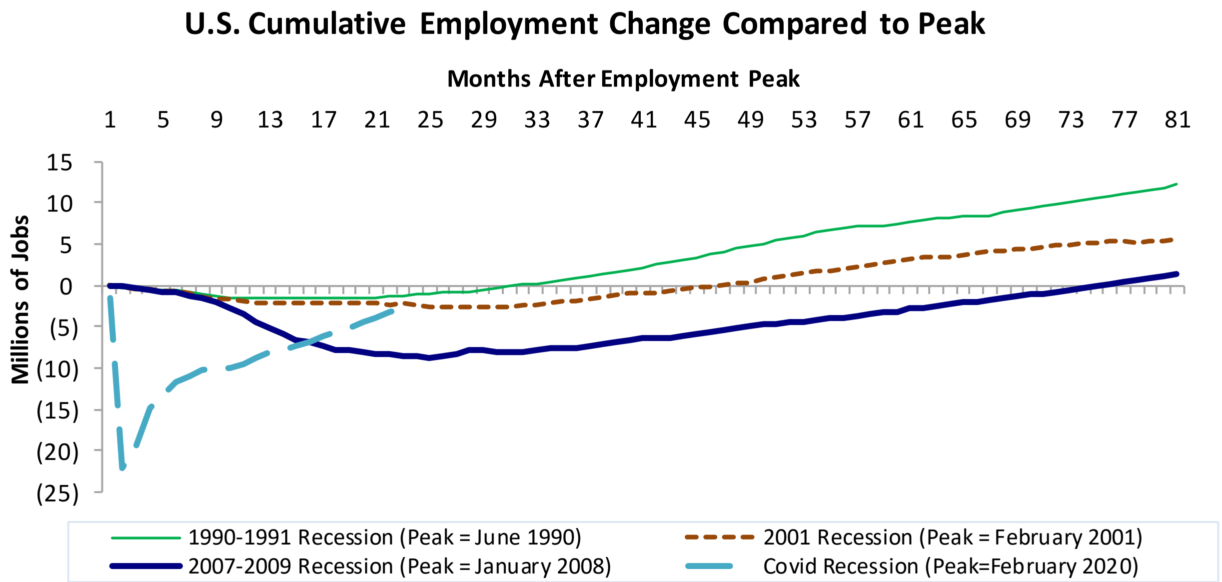
- **Payroll employment growth over the forecast period will be determined mainly by the continued recovery in service-providing industries.**
- **So far, the only industries that have surpassed job losses from 2020 are finance and insurance, professional and technical services, retail trade, and transportation and utilities. However, employment in all other industries, except for the federal government, is expected to continue to grow and surpass pre-pandemic levels by 2023.**

Since the beginning of the employment recovery in 2020, job gains have been inconsistent. While employment has grown, it has not been steady. Many people have left the labor force or are waiting longer to find a better matched or higher paying job. The occurrence of multiple variants of the coronavirus in different parts of the year has also discouraged prospective job applicants, dampening the revival of the labor market. Federal unemployment benefits, which were more generous and covered workers who would not have otherwise qualified for such payments, may have played a role in how quickly people began working again. However, these program extensions ended in early September 2021. With many employers competing for a smaller pool of workers, wages have been rising fast.

Payroll employment increased 2.8 percent in 2021, following a decline of 5.8 percent in 2020 (see Figure 19). As more people become vaccinated, the service-providing industries that have been most impacted by the pandemic will continue to hire, as demand for the respective services increases. While employment in the service-providing sector has improved, jobs have been regained at a slower pace than they were shed. Not surprisingly, social distancing protocols and the spread of the variants of the COVID-19 create challenges for businesses to move forward, as many of these businesses relied on attendee capacity to generate a profit. In addition, these employers are having difficulty finding workers. The Institute for Supply Management (ISM) Employment Index for January 2022, a leading indicator of employment growth, implies that employment will grow at a faster pace in 2022, but logistical issues from transportation bottlenecks and supply disruptions caused by the coronavirus will constrain growth. Employment is projected to fully recover the losses from 2020 by the third quarter of 2022, as businesses, employees, and customers adapt to new norms. Thus, the Committee forecasts payroll employment to grow 3.8 percent in 2022, but at a slower pace of 1.9 percent in 2023 as overall economic growth is expected to approach its long-term trend.

The labor market recovery

The COVID-19 recession in which businesses shuttered and nonessential workers were sent home resulted in one of the sharpest declines in employment in U.S. history; but as companies reopened and people went back to work, employment sharply rebounded. The service sector was particularly hard hit as many jobs require face-to-face interaction. Industries that were especially adversely impacted by the pandemic included leisure and hospitality, retail trade, transportation and utilities, manufacturing, and other services. After falling by 22 million jobs between February and April 2020 from its peak in February 2020, more than 19.1 million jobs have been regained twenty-one months later. Though employment remained 2.9 million jobs below its February 2020 peak in January 2022, the pace of monthly job gains has been one of the fastest in history when compared to other recessions (see Figure 20). During the Great Recession, job losses totaled 8.7 million from peak to trough over a twenty-five-month period and took another fifty-one months to recover all the jobs lost. In the 2001 Recession, the total jobs lost were 2.6 million over thirty months, and took another eighteen months to recover all the job losses

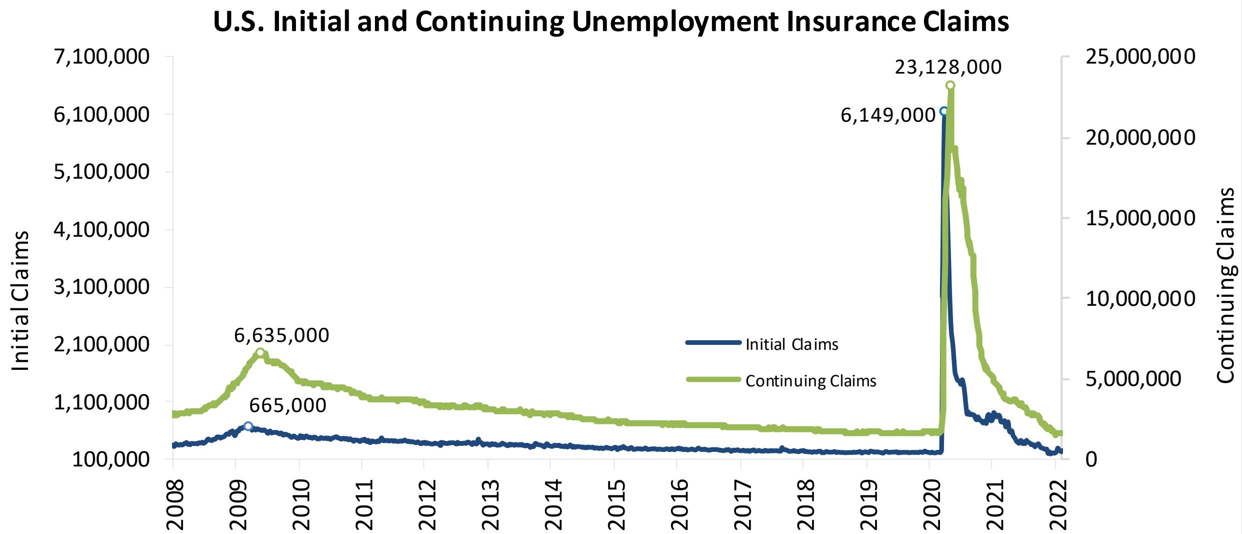


Note: Data are monthly through January 2022.

Source: U.S. Bureau of Labor Statistics.

Figure 20

The expiration of the federal emergency unemployment insurance benefits in September 2021 likely accelerated the decline in the number of people filing claims. The number of people collecting unemployment insurance benefits for the first time has fallen sharply, surpassing the lower pre-pandemic levels, reaching 188,000 for the week ending December 4, 2021. This was the lowest level in 52 years, but did not last long as the level has since remained above that level with the appearance of the Omicron variant which has caused infections and hospitalizations to rise dramatically. At the heights of the pandemic in 2020, the number of workers filing for unemployment insurance benefits for the first time surged to 6.1 million in the last week of March 2020 (see Figure 21). Since the pandemic began, over 94 million people had filed for benefits for the first time, that is, more than half of the U.S. civilian labor force. At the peak in the first week of May 2020, more than 23.1 million people were collecting benefits once they were made available. Now, for the week ending February 5, 2022, 1.6 million people were collecting benefits, lower than pre-pandemic levels. Correspondingly, during the Great Recession, 6.6 million people collected benefits once they had been made available in the last week of May 2009.



Note: Data are weekly and seasonally adjusted through the week ending February 12, 2022 for initial claims and the week ending February 5, 2022 for continuing claims.
Source: U.S. Employment and Training Administration.

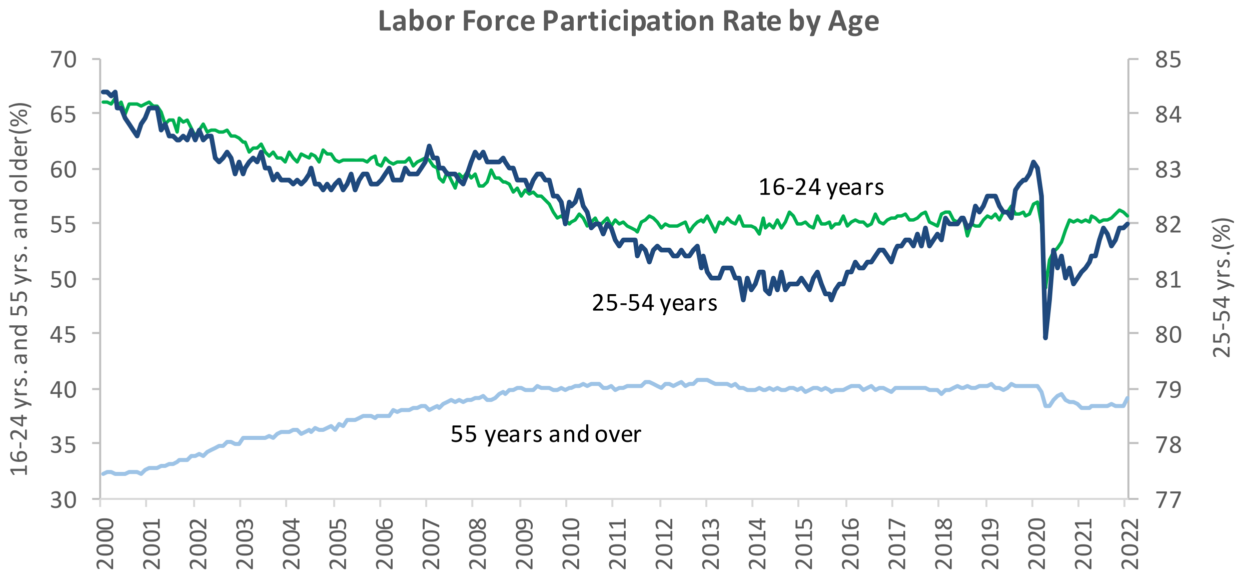
Figure 21

Similarly, the unemployment rate has fallen considerably from a high of 14.7 percent in April 2020 to 4.0 percent in January 2022 -- still above pre-pandemic rates. The pace at which the unemployment rate falls will be determined largely by the effectiveness of controlling the spread of any emerging variant of the coronavirus. On a yearly average basis, the unemployment rate fell to 5.4 percent in 2021 from 8.1 percent in 2020, trending closer to its pre-pandemic rates in 2023 (see Figure 23). The number of full-time and part-time workers remains below its pre-pandemic levels. Underemployment, referring to the workers who are marginally attached to the labor force and those working part-time for economic reasons, spiked in April 2020, reaching a historic high of 22.9 percent. The underemployment rate has also fallen sharply but remained slightly elevated at 7.1 percent as of January 2022.

Labor supply appears to be a critical issue in the labor market. Employers are having difficulty finding qualified workers or, in some cases, any workers at all. The problem has persisted even as employers have raised wages to attract more workers. Inflation-adjusted non-farm average hourly wages are growing at the fastest pace since the 1980s. One possibility is that the generous federal government unemployment benefits have discouraged work, placing employers, particularly those in low-wage industries, in a precarious position. In addition, the pandemic may have hastened people leaving the labor force for various reasons. Almost one in three-hundred sixty people in the U.S. have died due to COVID-19.[15] Others have retired or left the labor force because of child- or sick- or elder care constraints, and health issues that arose due to the pandemic. It is also likely that the structural dynamics of the labor market have changed so that people are not willing to take a job if work-from-home is not an option, especially as child-care is even more of an intractable issue, as COVID-19 has decimated this industry. Subsequently, some employers have had to close their businesses because they cannot find people to work, or they are unable to pay the higher wages necessary to attract workers.

Labor market indicators suggest that prospective workers are in no rush to head back to work in person or that the pool of workers has shrunk for the foreseeable future. The employment-to-population ratio, which measures the number of civilian people who have a job as a ratio to the entire working-age population, stood at 59.7 percent in January 2022, below the 61.1 percent in February 2020. The labor force participation rate, which measures the number of civilians in the labor force as a ratio to the total working age population, was 62.2 percent in January 2022, well below the 63.4 in January 2020. The participation rate of prime-working age individuals fell to 79.9 percent in April 2020, the lowest rate recorded. While this rate has improved, reaching 82.0 percent in January 2022, it is below the 83.1 percent in January 2020. For workers aged 16 to 24 years, their labor force participation rate declined to 49.2 percent in April 2020 percent from a peak of 57.0 percent in February 2020 (see Figure 22). Expectantly, this group saw the steepest drop in labor force participation because generally these individuals work in the services sector which was hit hard by the many directives to abate the pandemic. The participation rate of individuals 55 years or older was 38.5 percent in April 2020, after falling from 40.3 percent in February 2020. The rate has struggled to consistently stay above April 2020 rate, posting 39.1 percent in January 2022. The likely reason is that workers retiring have affected the participation rate of this group. In addition, the death rate in this age-group due to the pandemic was much higher than other groups.

[15] This is according to data collected by John Hopkins University of Medicine Coronavirus Resource Center, https://coronavirus.jhu.edu/data.



Note: Data are monthly through January 2022.
Source: U.S. Bureau of Labor.

Figure 22

Job openings have escalated in the past several months, far surpassing levels prior to the pandemic. Quit rates indicate that workers are more inclined to leave a job more quickly than before the recession. In addition, employers are hiring at a faster pace but are hindered by labor supply constraints. The ratio of job openings to hires, which is a measure of labor market tightness, was 1.7 in December 2021, an all-time high. Prior to the pandemic, the ratio was 1.1.[16]

[16] When the job openings to hire ratio is greater than one, this implies labor market tightness, that is, difficulty filling jobs. Conversely, when the ratio is below one, prospective workers are generally having a hard time finding a job, that is, labor market slackness.

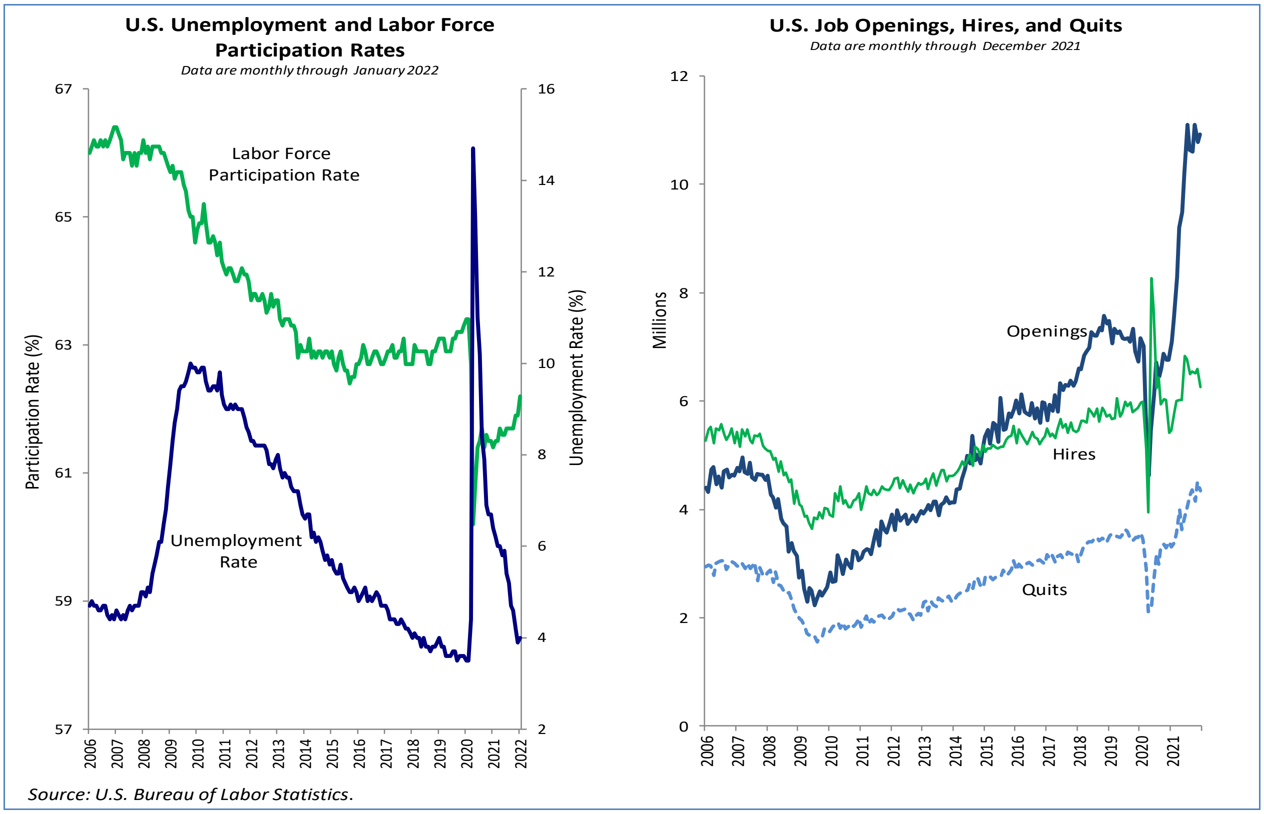


Figure 23

Sectoral allocation of jobs provides insights into future labor market

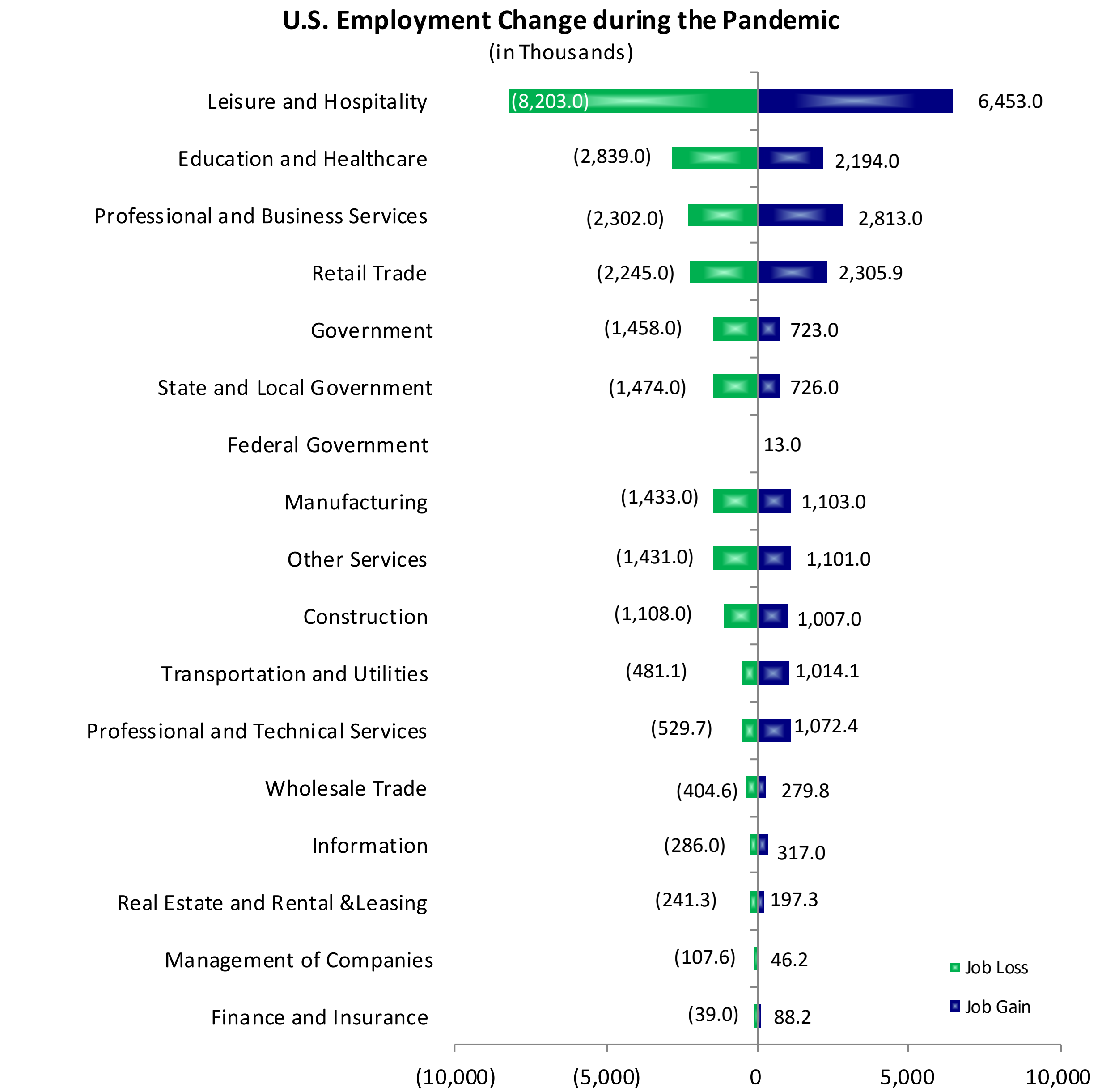
The industries that fared better during the pandemic were those that were able to transition quickly to remote work. These industries were generally high-waged and where contact with customers could be done online or by phone. Of all industries, the professional and technical services, transportation and utilities, and finance and insurance are the only industries that have surpassed their job loss that occurred between March and April 2020. These industries accounted for 5.9 percent of the total service-providing sector job loss. The service-providing sector lost 19.5 million jobs or 88.4 percent of the total job loss between March and April 2020. Employment growth in the finance and insurance industry slowed to 0.5 percent in 2021 from 0.9 percent in 2020 and is projected to continue to steadily grow over the forecast horizon. The other two industries are projected to have healthy job gains going forward.

To a large extent, the recovery in employment will primarily depend on how quickly industries defined as low wage paying will be able to hire and retain workers. The leisure and hospitality industry lost 8.2 million jobs or 42.2 percent of the job losses in the service-providing sector (see Figure 24). Though the industry has regained more than seventy-eight percent of the jobs lost, many of these businesses continue to struggle to find workers to hire. In addition, many of these jobs are permanently gone because companies have shuttered. However, as countries continue to ease travel restrictions and infection cases taper, leisure and hospitality industry employment will accelerate. Employment in leisure and hospitality increased 7.4 percent in 2021 after plummeting 20.8 percent in 2020. In 2022, the Committee predicts growth to be a robust 11.8 percent, although still constrained by the Omicron variant. The entire number of jobs lost in 2020 is projected to be recovered in the fourth quarter of 2023.

The education and healthcare industry shed 2.8 million jobs or 14.6 percent of total service-providing employment, and had recouped 77.3 percent of job losses by January 2022, as schools moved back to in-class lessons and healthcare facilities were able to begin elective treatments and surgeries again. The industry's employment grew 1.7 percent in 2021, following a decline of 3.7 percent in 2020. Employment growth is projected to increase by 2.6 percent in 2022 and another 2.1 percent in 2023 (see Table 2).

Retail trade was also hit hard, losing 2.2 million jobs, as stores from auto dealers to department stores sent home employees. Online stores have fared better, as many consumers shifted to shopping online while they were mandated to stay at home. Retail trade employment surpassed its job losses in January 2022. Employment in retail trade increased 3.6 percent in 2021 after falling the prior three consecutive years. Growth is forecast to slow over the forecast period, increasing 2.1 percent in 2022 and 0.6 percent in 2023.

Employment losses in the government sector were driven by losses in state and local government employment, especially local government. State and local governments had to make cuts to their budgets because of the adverse economic impact of the pandemic on tax collections, which resulted in a reduction in their labor force. State government employment was still 101,000 jobs below its February 2020 level in January 2022, while local government employment was 647,000 jobs below its February 2020 peak. Replacing workers is difficult for government entities in a tight labor market with rising wages as pay schedules may not be as flexible as in the private sector. State and local government employment rose 0.3 percent in 2021, and is projected to grow by 1.7 percent in 2022 and in 2023. Hiring for the 2020 Census boosted federal government employment in 2020, resulting in employment not falling in the sector until the fourth quarter of 2020. As a result, federal government employment grew 3.6 percent in 2020 but fell 1.6 percent in 2021, with continued weakness expected over the forecast period (see Table 2).



Note: Data cover February 2020 through January 2022; Industries are ranked by the number of jobs lossed.
Source: U.S. Bureau of Labor Statistics.

Figure 24

The goods-producing sector employment loss was 2.5 million, which was accrued by the construction and manufacturing sectors. Both industries have regained a total of 2.1 million jobs. Over the forecast period, employment in the construction and manufacturing sectors is expected to steadily grow even with raw material supply issues. Construction employment is expected to surpass its pre-COVID-19 levels in the second quarter of 2022.

Table 2

U.S. Employment by Sector (Percent Change)	Actual 2019	Actual 2020	Estimate 2021	Forecast 2022	Forecast 2023
Total	**1.3**	**(5.8)**	**2.8**	**3.8**	**1.9**
Leisure & Hospitality	1.8	(20.8)	7.4	11.8	4.8
Transportation & Utilities[3]	3.9	(0.6)	7.3	5.6	2.2
Professional Services	2.7	(1.1)	4.7	5.2	2.4
Real Estate, Rental, & Leasing	3.0	(4.5)	1.9	4.3	1.5
Other Services[1]	0.6	(8.9)	4.5	4.3	1.6
Information	0.9	(5.0)	4.0	4.7	1.3
Construction	2.8	(3.2)	2.1	2.7	1.5
Manufacturing[4]	1.0	(5.7)	1.1	3.2	1.6
Education and Health Care[2]	2.2	(3.7)	1.7	2.6	2.1
Wholesale Trade	0.8	(4.3)	0.8	2.4	1.1
Retail Trade	(1.0)	(4.7)	3.6	2.1	0.6
Management of Companies	1.9	(2.9)	(0.5)	1.8	1.0
Government	0.7	(2.8)	0.1	1.4	1.5
State and Local	0.6	(3.7)	0.3	1.7	1.7
Federal	1.1	3.6	(1.6)	(0.6)	(0.3)
Finance & Insurance	1.5	0.9	0.5	1.1	0.7

[1] Including administrative, support, and waste management services.

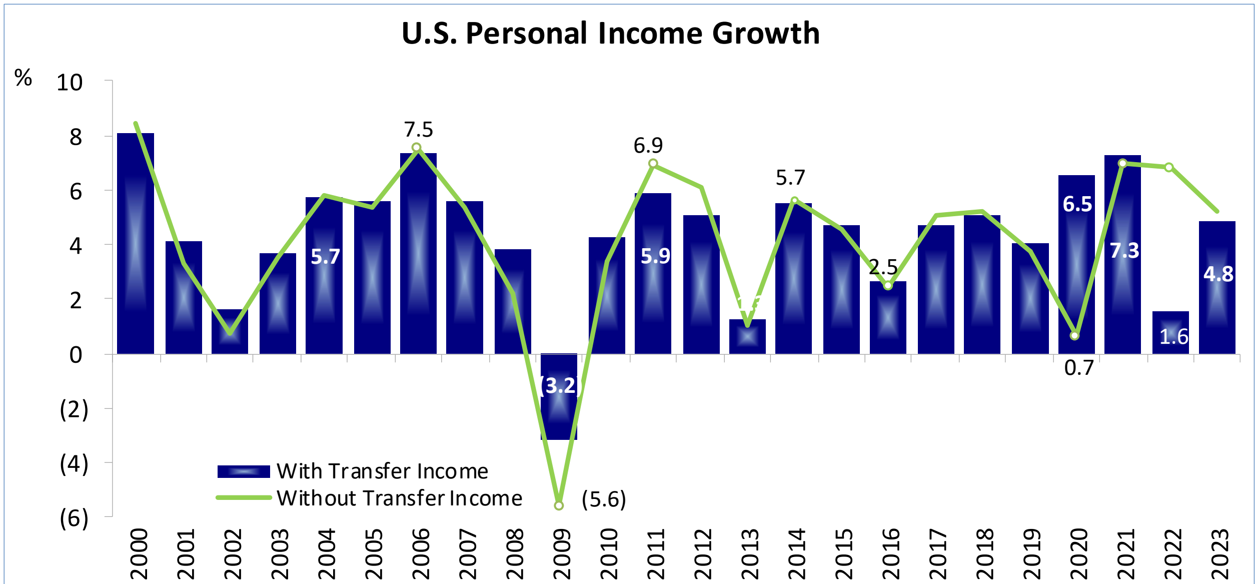
[2] Includes only private employment. Public education and health care employment is included in the government sector.

[3] Transportation, warehousing, and utilities.

[4] Including mining and logging.

Sources: U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

Personal Income



Note: Data for 2021 are estimated; 2022 and 2023 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 25

Key Points

- **With transfer receipts set to fade, personal income growth will be supported primarily by rising wages and salaries over the forecast period, as employers compete for the limited pool of available workers.**

Personal income grew an estimated 7.2 percent in 2021, primarily related to higher wages and salaries (see Figure 25). A tight labor market has put upward pressure on wages and salaries. Employers have had to compete for a much smaller pool of workers since the economic recovery began, as the labor force participation rate remains below pre-pandemic levels. In 2020, personal income grew by 6.6 percent and was supported by almost $2 trillion in transfer payments, from the federal government to individuals and businesses, as part of the response to the economic fallout from the coronavirus pandemic. The American Rescue Plan (ARP) Act of 2021 extended many of these federal transfer payments programs from 2020 and expanded others in 2021.[17] Personal income with transfer payments excluded grew only

[17] See *Effects of Selected Federal Pandemic Response Program on Personal Income, July 2021*, U.S. Bureau of Economic Analysis, September 22, 2021, https://www.bea.gov/recovery; also see *The Coronavirus Aid, Relief, and*

0.7 percent in 2020. In 2021, the impact of transfer receipts on personal income growth is much smaller, contributing only an estimated 0.3 percentage point. Personal income without transfer receipts is estimated to have grown a healthy 7.0 percent in 2021.

Upward pressure on wages is expected to persist over the forecast period but waning transfer receipts will restrain personal income growth. As a result, the Committee projects personal income growth to slow to 1.6 percent in 2022. Personal income is forecast to increase 4.8 percent in 2023 as all components of personal income increase.

Wages and salaries, the largest component of personal income, are expected to have increased 9.1 percent in 2021, following 1.3 percent growth in 2020, as more people have returned to work. Despite many businesses, schools, hospitals, and government agencies reopening, employers have had difficulty filling job openings. The labor shortage has forced employers to increase compensation to sway prospective employees. In the leisure and hospitality industry, one of the sectors hardest hit by the pandemic, average weekly wages rose 10.5 percent in 2021. The wholesale trade, transportation and warehousing industries have seen average weekly wages rise significantly compared to other industries. The labor supply issues stem from many workers leaving, or waiting before they rejoin, the labor force. Baby-boomers had begun to retire, and the pandemic may have accelerated that process. In 2022, wages and salaries are forecast to increase another 8.7 percent, but to slow to 5.6 percent in 2023 as employment growth and wage pressures moderate.

The massive transfer payments to households by the federal government resulted in transfer income growing 35.1 percent in 2020, a record high. Provisions in the ARP helped to bolster transfer payouts in 2021 (see Table 3). Subsequently, transfer income rose an estimated 8.3 percent in 2021, but is projected to fall 17.2 percent in 2022 as fiscal stimulus diminishes. Transfer income is predicted to grow 2.9 percent in 2023, as government receipts get back on more normal footing.

The substantial transfer payouts between 2020 and 2021 by the federal government to individuals helped many households rise out of poverty in 2021. In 2020, the official poverty

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Economic Security Act, Public Law 116-136, 116th Congress of the United States; the Consolidated Appropriation Act of 2021 and Other Extensions Act, Public Law 116-260, 116th Congress of the United States; which includes an additional $600 per person, extend unemployment benefits of up to $300 per week,$25 billion in emergency assistance to renters, and $13 billion for nutrition assistance for food-insecure households; the American Rescue Act of 2021, Public Law 117-2, 117th Congress of the United States.

rate from the U.S. Census Bureau was 11.4 percent, an increase from the 10.5 percent in 2019. This was the first increase in the poverty rate after it had declined for the prior five years. It is estimated that without households receiving the assistance earmarked in the CARES Act, the poverty rate would be 13.6 percent in 2021. Furthermore, with the additional transfer of income from the ARP Act, the poverty rate is estimated to fall to 8.5 percent.[18,19]

Proprietors' income is estimated to have increased 10.3 percent in 2021, following growth of 3.2 percent in 2020. Proprietors' income was boosted by the Paycheck Protection Program (PPP) which provided forgivable loans to assist small businesses and nonprofit institutions as they dealt with the economic fallout from the coronavirus pandemic (see Table 3).[20] In 2022, the Committee projects proprietors' income growth to slow to 3.6 percent as the impact of the PPP dissipates. Proprietors' income is forecast to increase by 4.2 percent in 2023 as overall economic growth facilitates business activities spurring profits.

Dividend income increased an estimated 0.2 percent in 2021, following a decline of 1.4 percent in 2020, as companies were able to make a profit after the economic fallout from the COVID-19 pandemic. Dividend income is forecast to grow 6.5 percent in 2022 and 4.8 percent in 2023 as corporate profits continues to rise.

Rising long-term interest rates underpin an estimated 1.6 percent increase in interest income in 2021, after falling 2.3 percent in 2020. Over the forecast period, interest income is forecast to continue to grow as both long-term and short-term interest rates rise.

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[18] See Zachary Parolin, Sophie Collyer, Megan Curran, and Christopher Wimer, "The Potential Poverty Reduction Effect of the American Rescue Plan," Center of Poverty and Social Policy at Columbia University, March 11. 2021, https://www.povertycenter.columbia.edu/news-internal/2021/presidential-policy/biden-economic-relief-proposal-poverty-impact/.

[19] Another study suggests that the poverty rate could be as low as 7.7 percent in 2021. However, this estimate is based on methodology that is somewhat different for the official measure method. See Laura Wheaton, Linda Gianaranelli, Ilham Dehry, "2021 Poverty Projections: Assessing the Impact of Benefits and Stimulus Measures," Research Report, Urban Institute, July 28, 2021, https://www.urban.org/research/publication/2021-poverty-projections-assessing-impact-benefits-and-stimulus-measures/.

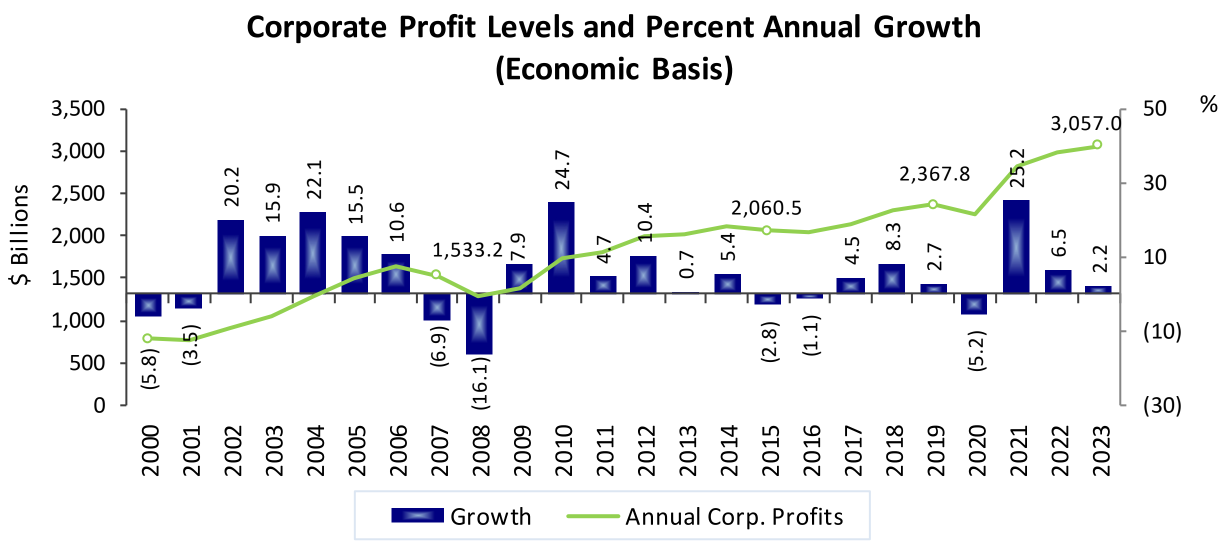
[20] Ibid 17; see also the Paycheck Protection Program and Healthcare Enhancement Act of 2020, Public Law 116-139, 116th Congress of the United States, signed into law April 24, 2020.

Table 3

Distribution of Selected Federal Pandemic Relief Programs on Personal Income	
	$ Billions
Coronavirus Aid Relief and Security (CARES) Act (March 2020)	
Coronavirus Food Assistance Program	25
Paycheck Protection Program (PPP)	349
Increase in Medicare Reimbursements	17
Unemployment Benefits	268
Recovery Rebate: $1200 per individual in qualifying households plus $500 per child	293
Housing Support	12
Student Loan Forbearance	30
Total	**1,260**
Paycheck Protection Program and Healthcare Enhancement Act (April 2020)	
Paycheck Protection Program (PPP)	**321**
Coronavirus Response and Relief Supplemental Appropriations Act (December 2020)[1]	
Food Assistance Programs	26
Recovery Rebate: $600 per individual in qualifying households	166
Extended Unemployment Insurance Benefit of $300 through March 24, 2021	121
PPP Loans Forgiveness	261
Emergency Rental Assistance	25
Total	**599**
American Rescue Plan (ARP) Act (March 2021)	
Recovery Rebate: $1400 per individual in qualifying households	465
Extended Unemployment Insurance Benefit of $400 through September 2021	350
Expand Refundable Child Tax Credit	120
Support for Rent and Small Landords	30
Total	**965**

[1]This is part of the Consolidated Appropriation Act of 2021, Public Law 116-260, December 27, 2020.
Source: Committee for a Responsible Federal Budget.

Corporate Profits



Note: Data for 2021 are estimated; 2022 and 2023 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 26

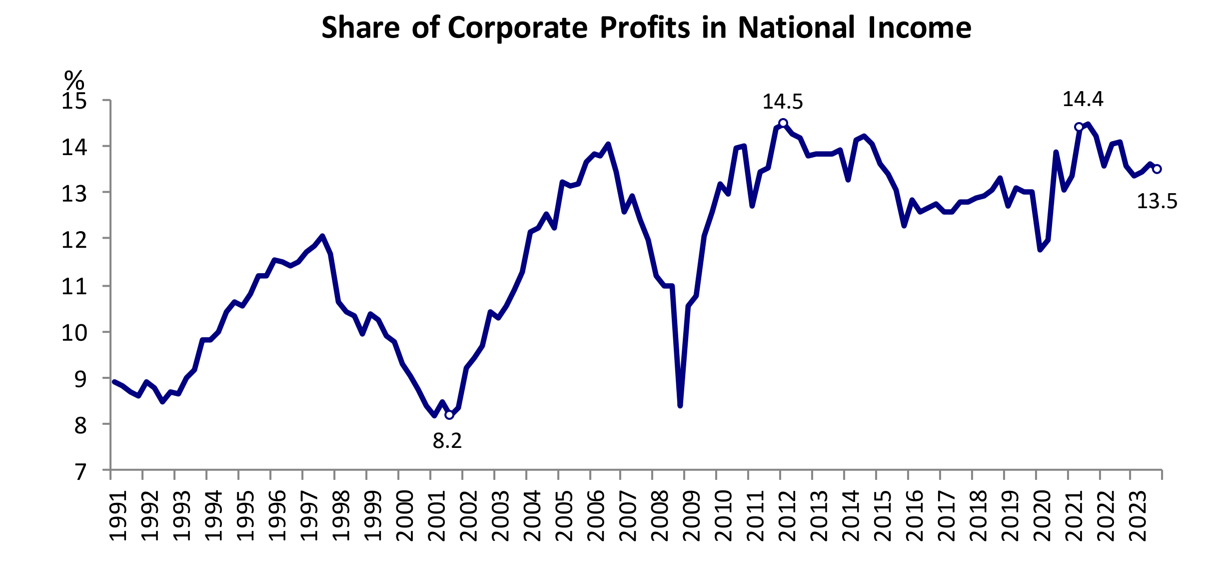
Key Points

- **On account of the strong recovery in sales revenue, corporate profits increased an estimated 25.2 percent in 2021, following a 5.2 percent decline in 2020. With federal subsidies set to recede and sales growth expected to decelerate, growth in corporate earnings is forecast to slow to 6.5 percent in 2022 and 2.2 percent in 2023.**
- **Corporate profits' share of national income was on a downward trend between 2011 and 2020, but it rose to a nine-year high in the second quarter of 2021 and will remain elevated during the current forecast period.**

Despite the pandemic-related subsidies from the federal government, corporate profits decreased 5.2 percent in 2020 after three straight years of growth (see Figure 26). Contributing to the decline was not only plummeting output from the initial blow of the pandemic but severely weakened pricing power. Also responsible was the fact that the costs of production, particularly wages and other labor costs, did not decline as much as sales declined.

With a strong rebound in national output and large advances in prices, corporate profits increased an estimated 25.2 percent in 2021. An additional round of federal subsidies also helped the strong recovery of corporate earnings. As sales growth is expected to decelerate and federal subsidies are set to recede, the Committee forecasts growth in corporate earnings to slow to 6.5 percent in 2022 and 2.2 percent in 2023.

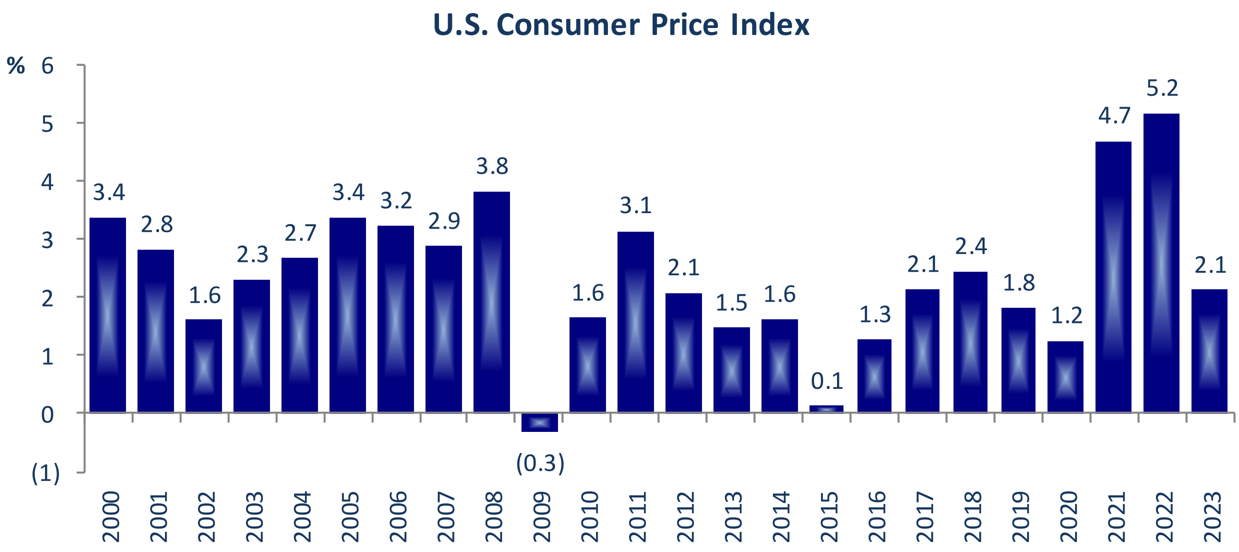
The share of corporate profits in national income trended upward after 1990, quickly regaining ground after each recession. It peaked at 14.5 percent in the first quarter of 2012, which was the highest on record (see Figure 27). But the profits share had since been on a downward trend until the most recent recession, reaching an eleven-year low of 11.1 percent in the first quarter of 2020, owing to a sharp decline in corporate profits during the initial stage of the pandemic. On account of federal subsidies as well as a strong recovery in sales revenues, the corporate profits share has since rebounded, reclaiming the historic high in the second quarter of 2021. The Committee projects the corporate share to remain elevated, although gradually declining, during the current forecast period.



Note: Data are quarterly through 2023:Q4; the first forecast period is 2021:Q4.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 27

Consumer Prices



Note: Data for for 2022 and 2023 are forecasts.
Sources: U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

Figure 28

Key Points

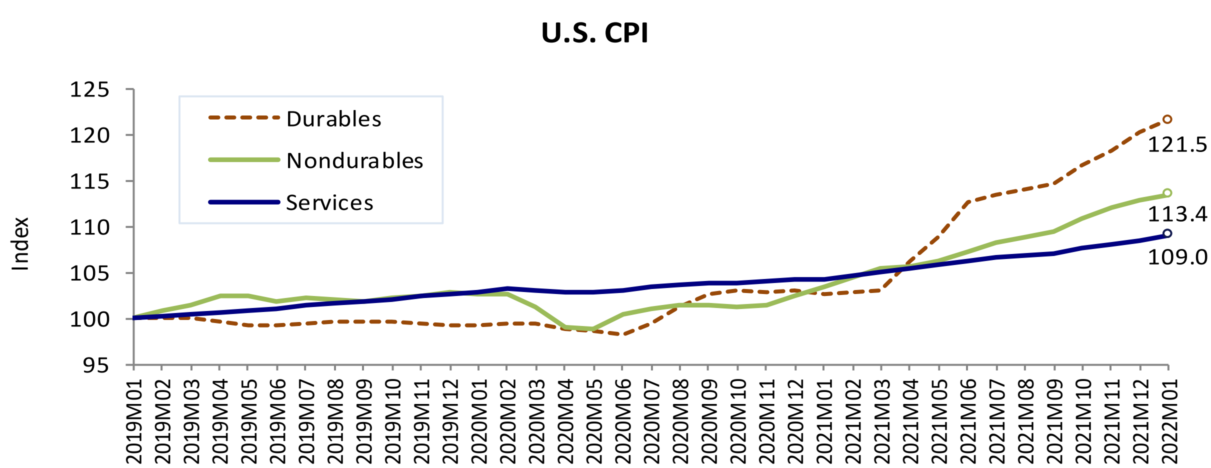
- **Consumer price inflation slowed amid the COVID-19 pandemic in 2020, but it has since been accelerating as spending by consumers and businesses has gained steam, while the U.S. economy has faced various supply shortage issues.**
- **With the supply constraints expected to remain in place until the first half of 2022, overall consumer prices are forecast to accelerate further in 2022, before starting to slow in 2023.**

From 1991 to 2008, the Consumer Price Index (CPI) grew at an average yearly rate of 2.7 percent. However, until 2019 following the Great Recession of 2007-09, the CPI inflation slowed to 1.8 percent per year (see Figure 28). This downshift in overall CPI inflation was due to slower growth in the prices of food, medical care services, and shelter as well as a decline in global energy prices.

As the demand for goods and services plummeted during the COVID-19 pandemic, the prices of not only finished goods and services but also commodities including gas and oil fell sharply in the early months of 2020. The services component of the CPI, which accounts for 63.7 percent of total CPI, was increasing at a steady pace until 2019, but the upward trend turned flat in early 2020 as demand for services declined sharply in the wake of the pandemic (see Figure 29). The nondurable goods component, which accounts for 27 percent of total CPI, declined sharply in early 2020, after moving almost sideways in the prior two years. The durable goods component continued its long-term downward decline until the first half of 2020. As a result, overall consumer prices only grew 1.2 percent in 2020, a significant slowdown from the 1.8 percent in 2019.

Consumer prices have since been advancing at an accelerating rate. As of January 2022, the prices of consumer durables and nondurables increased by 21.5 percent and 13.4 percent respectively, from their January 2019 levels (see Figure 29). One of the main causes has been the supply-demand imbalances that surfaced in mid-2021. Spending by consumers and businesses has gained steam with the help of various fiscal stimulus programs and easy credit terms, while supply has been constrained by various global supply chain issues ranging from the shortage of semiconductor chips to construction materials to agricultural supplies. Labor supply shortages have also led to the upward pressure on wages, which have partially been passed down to the prices charged to consumers. Also, as the U.S. dollar value has retreated from the recent highs in 2019, the prices of imported goods have advanced fast. Consequently, the headline inflation of consumer prices accelerated to an estimated 4.7 percent in 2021, the fastest yearly rate of growth since 1990.

With the supply shortage issues expected to remain in place at least until the first half of 2022, overall consumer price inflation is forecast to increase to 5.2 percent in 2022. As the pace of global economic recovery is expected to slow and the supply shortage issues to recede, the Committee forecasts growth in the prices of consumer goods and services to decelerate to 2.1 percent in 2023.



Note: Data are seasonally adjusted. Data are monthly from January 2000 to January 2022. January 2019 = 100.
Source: U.S. Bureau of Labor Statistics. NYS Ways and Means Committee staff.

Figure 29

Equity Markets

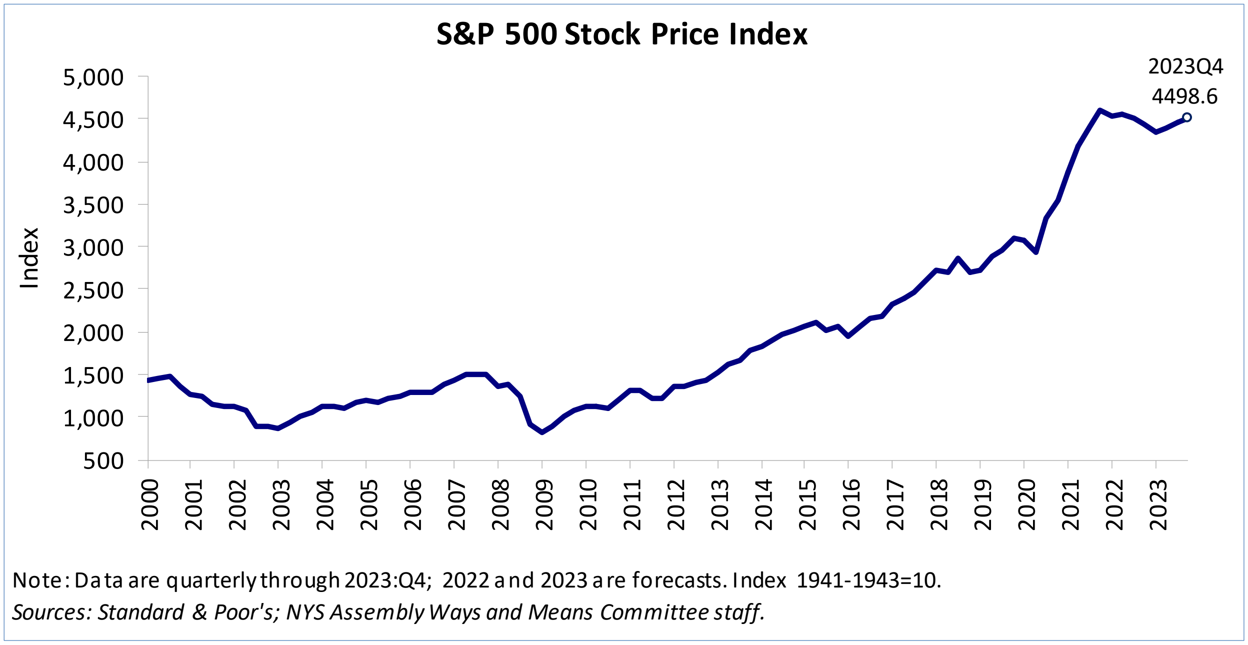


Figure 30

Key Point

- **The record-low interest rate environment as well as the prospect of a strong recovery from the pandemic has driven stock prices to record high levels since the late spring of 2020.**
- **During the forecast period, the equity market will face several headwinds including the Fed's monetary policy normalization and the risk of rising inflation expectations.**

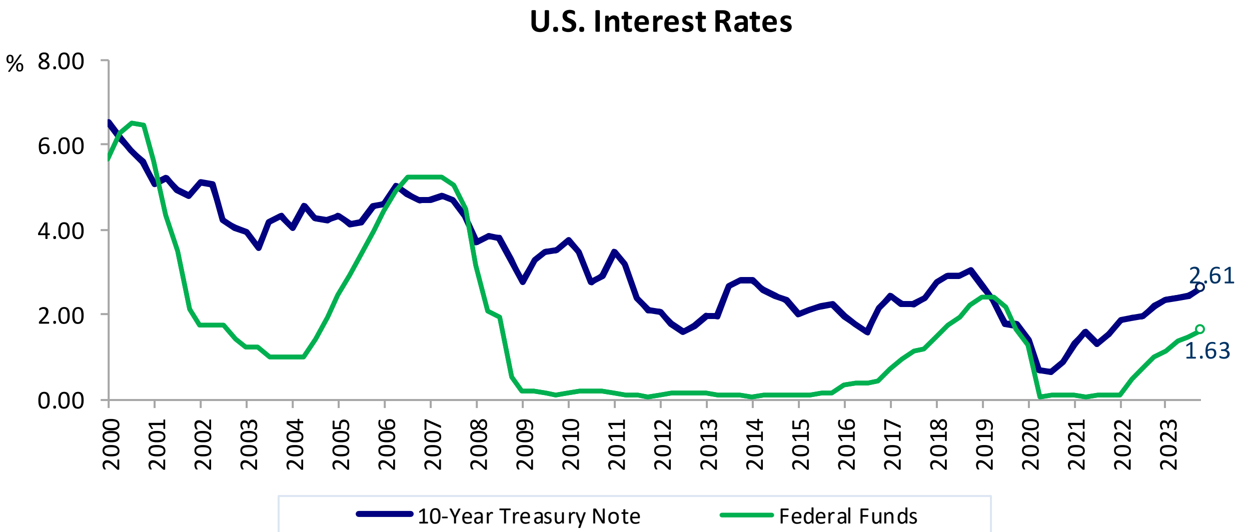
In March 2020, the S&P 500 Stock Price Index plunged 19.1 percent from its January pre-pandemic peak. From there, stock prices have steeply rebounded to record high levels, betting initially on the wish that the virus would miraculously recede with the arrival of warm weather, later on the hope that massive fiscal stimulus packages would mend the wounds and the discovery of vaccines would put the virus under control. The record-low interest rate environment as well as a strong recovery in corporate earnings has also supported the recent rally. As of December 2021, the S&P 500 Index rose 76.2 percent from its pandemic low (see Figure 30).

Compared to some earlier episodes, this recent run in the stock price has been relatively fast at an annualized rate of 38.2 percent per month on average, with the price/earnings (P/E) ratio rising to around 30 in the fourth quarter of 2021. During the 10-year bull market in the 1990's, the S&P 500 Stock Price Index rose 17.4 percent on an annualized monthly average basis prior to a 56 percent crash in 2000. The P/E ratio, which hovers around the high teens in normal times, reached 28 prior to the crash of 2000. The 2003-2007 bull market ended with a 51 percent crash after gaining 13.9 percent on an annualized monthly average basis.

As inflation expectations remain elevated and economic growth is poised to slow, gains in stock prices will likely slow in the next two years. The prospect of the Federal Reserve's monetary policy normalization will also likely restrain gains in equity prices.

The Committee projects the yearly average growth in the S&P 500 Stock Price Index to slow to 5.8 percent in 2022, from 10.5 percent in 2020 and 32.6 percent in 2021. The equity price index is forecast to decline 2.1 percent in 2023.

Interest Rates and Monetary Policy



Note: Data are quarterly through 2023:Q4; the first forecast period is 2022:Q1.
Sources: Federal Reserve; NYS Assembly Ways and Means Committee staff.

Figure 31

Key Points

- **The Federal Reserve has begun unwinding its accommodative monetary policy stance, starting to taper its asset purchase programs in November 2021.**
- **The forecast assumes that the Fed will start raising its target rate in the spring of 2022.**
- **These Fed moves will likely put upward pressure on long-term interest rates.**

In the early months of the COVID-19 pandemic, the Federal Reserve proactively responded with a revival of the Great Recession-era policy tools. To support the smooth functioning of financial markets, the Fed slashed the overnight interbank interest rate to near zero percent and pumped liquidity into the market through various lending facilities. To encourage spending by consumers and businesses by keeping longer-term interest rates low, the Federal Reserve also aggressively implemented the quantitative easing programs that purchased large amounts of long-term Treasury securities as well as mortgage-backed securities.

During the pandemic, the Federal Reserve purchased $80 billion of Treasury securities and $40 billion of mortgage-backed securities a month as part of its accommodative monetary policy. But given the economy growing at above-trend rates, employment continuing to recover and inflation expectations remaining at elevated levels, the Federal Reserve has begun normalizing the accommodative monetary policy stance. The Fed's first move has been to "taper" its purchases of securities, which began in November 2021. The current forecast assumes that the Fed will also start raising its target rate in the spring of 2022, with a total of 75 basis point hikes in 2022 and additional 75 basis point hikes in 2023.

These monetary policy changes will eventually put upward pressure on long-term interest rates. Continuing economic recovery and mounting federal debts will also weigh on the bond market, driving interest rates higher in 2022. On a yearly average basis, the ten-year yield is expected to rise to 1.99 percent in 2022 and 2.46 percent in 2023 from an estimated 1.44 percent in 2021 (see Figure 31).

NEW YORK STATE ECONOMIC FORECAST ANALYSIS

New York is the third largest state economy in the United States (behind California and Texas). The State's real Gross Domestic Product (GDP) was $1.5 trillion in 2019. As the U.S. went into recession in 2020 due to the COVID-19 pandemic, real GDP decreased in all 50 states and the District of Columbia. New York State's real GDP fell to $1.4 trillion in 2020.[21]

The State’s total non-farm employment is spread over all sectors, with the highest concentrations in education and health, government, and finance and insurance. Employment in New York State had been growing steadily since the end of the Great Recession until the pandemic hit in March, 2020. The State’s total non-farm employment was at a record-high 9.5 million in 2019. The same was also true for wages. However, as COVID-19 hit New York particularly hard in early 2020 and strict measures were implemented to contain the spreading of the disease, economic activity was brought to a near standstill. As a result, employment and wages in the State fell sharply during the pandemic. Although the recession was very brief and the initial recovery was strong, both employment and wages fell in 2020 on a yearly average basis. As millions of workers lost their jobs during the pandemic, many were discouraged and dropped out of the labor force. As a result, the labor force in the State fell sharply during the pandemic, and the unemployment rate rose rapidly.

Personal income grew through the pandemic due to enormous transfer payments from the federal government to individuals and businesses. Employment and wages rebounded in 2021 and are forecast to grow further throughout the forecast period, although at a slowing pace (see Table 4).

The State incurred a larger rate of employment loss than the nation during the pandemic in most sectors, unlike during the Great Recession when New York State suffered less than the rest of the nation. Employment in the State fell by 10.0 percent in 2020, compared to a 5.8 percent loss for the nation, and its recovery has been slower. As of December 2021, employment in the State was still 7.5 percent below its pre-pandemic peak level, compared to a 2.3 percent shortage for the nation. Although employment in the State is expected to grow

[21] U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, http://www.bea.gov/regional/index.htm, last accessed: September 27, 2021.

faster than in the nation during the forecast period, the State is expected to lag behind the nation in wage growth, due to a slower employment growth in several high wage sectors.

Table 4

U.S. and New York State Economic Outlook (Percent Change)	2020		2021		2022		2023	
	NYS	U.S.	NYS	U.S.	NYS	U.S.	NYS	U.S.
Employment	(10.0)	(5.8)	2.8	2.8	5.2	3.8	2.4	1.9
Personal Income	6.0	6.5	5.6	7.3	0.1	1.6	3.8	4.8
Total Wages	(0.8)	1.3	8.5	9.1	6.4	8.7	4.1	5.6
CPI	1.7	1.2	3.3	4.7	4.0	5.2	1.9	2.1
Unemployment Rate	10.1	8.1	7.6	5.4	5.7	3.8	4.8	3.5

Note: CPI for New York State is based on the New York-Northern NJ-Long Island, NY-NJ-CT-PA CPI-U series from the U.S. Bureau of Labor Statistics. Unemployment rate is in percent.

Sources: U.S. Bureau of Economic Analysis; NYS Department of Labor; U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

Employment

Total nonfarm employment in the State had been growing steadily for ten years from 2010 to 2019. Employment continued to perform well in the beginning of 2020 until the COVID-19 pandemic hit the State in March 2020. In response to the pandemic, many non-essential workers were laid off as businesses were temporarily suspended to slow the spread of the disease. As a result, almost two million jobs were lost in the State from February 2020 to April 2020. Although the early stage of the recovery was strong, on an annual average basis, total nonfarm employment in the State fell by 10.0 percent in 2020.

Recovery in employment has been steady and robust, but it remains well below the previous peak. Although the Omicron variant has emerged and the number of COVID-19 cases remain elevated, it is not expected that restrictive policies will be implemented as in the earlier phase of the pandemic. Thus, economic activities are expected to continue to expand and employment in all sectors is expected to continue to grow throughout the forecast period. Nonfarm employment is estimated to have grown 2.8 percent in 2021 and forecast to grow further by 5.2 percent in 2022 and 2.4 percent in 2023. New York State employment is not expected to surpass its pre-pandemic employment level through the forecast period.

Among all sectors, the hardest hit were leisure and hospitality, and retail trade. The leisure and hospitality sector lost a significant number of jobs during the pandemic due to social distancing, travel bans and mandated closures of nonessential businesses. Employment in this sector fell more than 60 percent from February 2020 to April 2020. Although employment in this sector has since rebounded strongly, on an annual average basis, the sector still lost 33.8 percent of its employment in 2020. As travel services resumed, employment in this sector is estimated to have grown solidly at 13.8 percent in 2021 and forecast to grow another 20.3 percent in 2022 before slowing to 7.6 percent in 2023.

Even before the pandemic, employment in the retail trade sector fell for two consecutive years in 2018 and 2019 due in part to the increase in online sales. With retail stores closed during the pandemic, even more people turned to online shopping. Online sales accounted for less than five percent of total retail sales in the third quarter of 2011. This share increased to 11.8 percent in the first quarter of 2020, jumping to 16.1 percent in the second quarter of 2020 during the peak of the pandemic. The share of e-commerce sales fell to 13.0 percent in the third quarter of 2021 as stores reopened and economic activity getting back to normal.[22] E-commerce is less labor intensive than physical store retailing, hence rising online sales have had a net negative effect on retail trade employment. In addition, many retailers have filed bankruptcies or closed stores in response. As a result, retail trade employment fell 12.4 percent in 2020 and is not expected to rebound as strongly as the leisure and hospitality sector. Employment in the retail trade sector is estimated to have grown 3.2 percent in 2021, and projected to grow 2.7 percent in 2022 and by another 1.0 percent in 2023 (see Table 5).

Table 5

New York State Nonfarm Employment by Sector (Percent Change)

	Great Recession 2009	Pandemic 2020	Estimated 2021	Forecast 2022	Forecast 2023
Total	**(3.0)**	**(10.0)**	**2.8**	**5.2**	**2.4**
Leisure & Hospitality	(0.9)	(33.8)	13.8	20.3	7.6
Transportation & Utilities[1]	(4.2)	(10.4)	7.0	8.0	2.7
Information	(4.0)	(3.5)	4.1	5.4	1.4
Other Services[2]	(5.0)	(16.9)	4.0	8.4	4.3
Construction	(10.0)	(10.8)	3.4	2.6	1.4
Retail Trade	(3.8)	(12.4)	3.2	2.7	1.0
Education & Health Care[3]	1.7	(5.5)	2.0	4.2	2.4
Manufacturing[4]	(10.9)	(8.5)	1.5	3.2	1.5
Management of Companies	(0.7)	(9.8)	1.1	4.8	1.9
Professional Services	(4.3)	(3.4)	0.9	3.6	1.3
Wholesale Trade	(6.3)	(9.7)	0.2	2.9	1.1
Real Estate, Rental, & Leasing	(3.8)	(6.7)	(0.5)	3.0	0.9
Government	(0.2)	(3.0)	(0.9)	2.2	1.5
Finance & Insurance	(7.2)	(1.5)	(1.3)	0.4	0.4

Note: Industries are ranked by 2021 employment growth; rankings are based on two decimal places.
[1] Transportation, warehousing, and utilities.
[2] Including administrative, support, and waste management services.
[3] Includes only private employment. Public education and health care employment is included in the government sector.
[4] Including mining.
Sources: NYS Department of Labor; NYS Assembly Ways and Means Committee staff.

The construction sector also lost a large number of jobs during the pandemic, almost 40 percent from February to April of 2020. Although employment in this sector recovered quickly as activities in the residential market rebounded strongly following the peak of the

[22] U.S. Census Bureau, "Quarterly E-Commerce Report," various years, https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf, last accessed: January 20, 2022.

pandemic, on an annual average basis, construction employment fell 10.8 percent in 2020. Employment in the construction sector is estimated to have grown 3.4 percent in 2021 as the economy rebounded. Although companies might continue to have some of their employees working from home as a perk to attract workers and low inventory should support residential construction activities, remote working might result in less demand for office space. In addition, rising mortgage rates and housing prices, as well as supply constraints will put downward pressure on construction activities. As a result, construction employment is forecast to grow slower at 2.6 percent in 2022 and 1.4 percent in 2023.

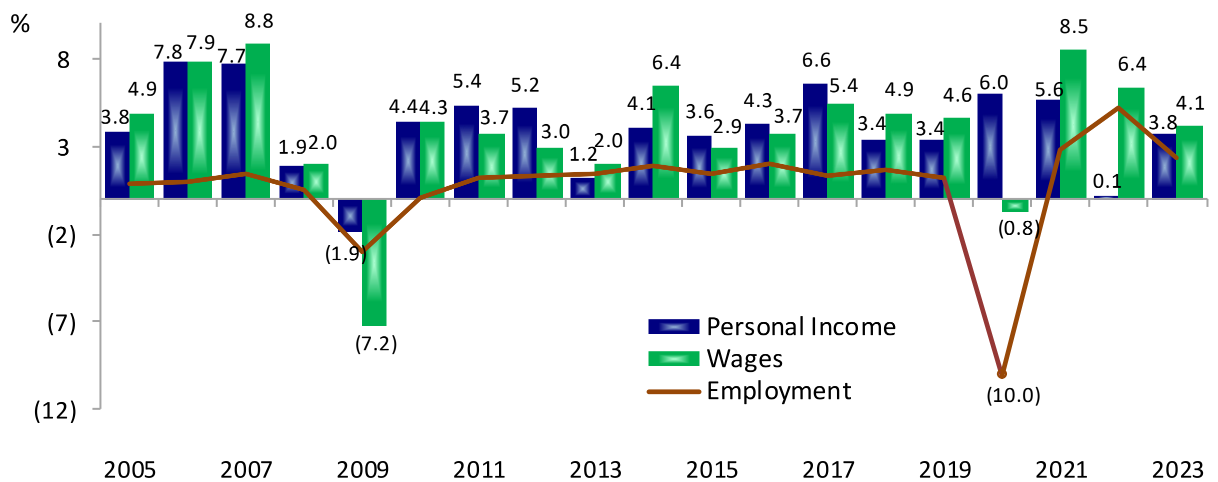
The education and health care sector, the largest sector in the State, was the only sector that gained employment during the Great Recession, supported by the growing demand for healthcare from aging baby boomers. This sector was not immune during the pandemic, as many healthcare facilities and schools were closed or operated at a lower capacity. Employment in the education and health care sector rebounded 2.0 percent in 2021, after falling 5.5 percent in 2020, and is forecast to grow further by 4.2 percent in 2022 and 2.4 percent in 2023.

Finance and insurance was among the sectors that were hit the hardest during the Great Recession. The sector, however, suffered the least during the pandemic as demand for financial services remained strong. Finance and insurance employment fell 1.5 percent in 2020, compared to 7.2 percent during the Great Recession. The U.S. and global economies are expected to continue to recover, which should help support demand for financial services. Thus, employment in this sector is expected to grow throughout the forecast period.

Personal Income and Wages

Although business closures and social distancing brought economic activity to a near standstill, personal income grew by 6.0 percent in 2020 due to enormous transfer payments from the federal government to individuals and businesses. Without such payments, personal income would have fallen by 1.1 percent in 2020. Personal income is estimated to have grown 5.6 percent in 2021, as wages grow strongly and another round of federal stimulus payments supported personal transfer receipts. Personal income growth is forecast to slow to 0.1 percent in 2022, as most of the pandemic-related government support programs come to an end (see Figure 32).

New York State Income, Employment, and Wages Growth



Note: Data for 2021 are estimated; 2022 and 2023 are forecasts.

Sources: NYS Department of Labor; U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 32

Wages and salaries, the largest component of New York State's personal income, accounted for about half of personal income in 2020 and is the key to the State's fiscal outlook. The State has typically benefitted from strong growth in variable wages (bonuses) in the financial sector, as their increases help drive total wage growth.

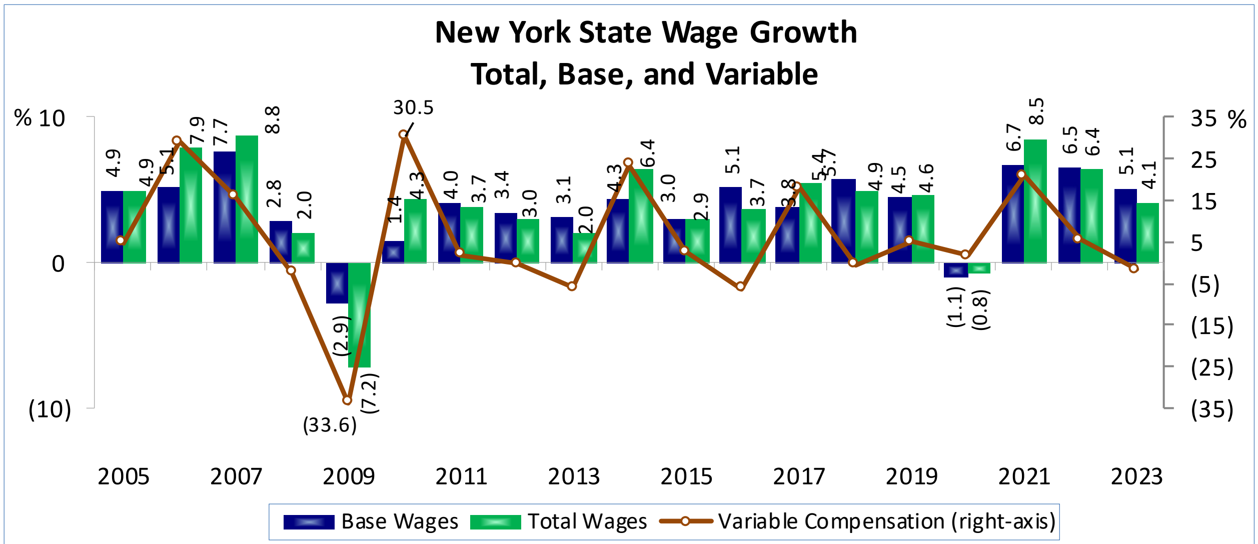
The COVID-19 pandemic and the resulting lockdown caused a loss of almost two million jobs in 2020. However, as most of the jobs lost were in low-paying sectors, overall wages fell just 0.8 percent in 2020, compared to a decline of 10.0 percent in employment. As the economy continued to recover from the recession and more people got their jobs back, wages are estimated to have grown strongly at 8.5 percent in 2021. Wages are forecast to grow solidly at 6.4 percent in 2022 and 4.1 percent in 2023, driven by growth in both base wages and variable wages.

Much of New York State's variable compensation is concentrated in the financial sector, particularly the securities industry. The percentage of the State's total variable compensation paid in the securities industry peaked in 2007, at over 50 percent, but has since fallen to less than 40 percent in 2020.

The COVID-19 pandemic triggered unprecedented layoffs and furloughs. However, the rate of decline in wages was much slower than employment, as employment losses during the pandemic were disproportionately concentrated in lower-paying industries such as leisure and hospitality. In addition, employment loss in the finance and insurance sector was minimal during the pandemic as the industry benefited from record-low interest rates and strong demand for financial services. As a result, its fee revenues increased sharply, and this translated into bonuses given to workers. Thus, despite the recession, variable wages grew 1.5 percent in 2020, while base wages fell 1.1 percent.

Financial activities continued to be strong in 2021, which led to near record high profits and growing compensation expenses.[23] As a result, variable wages are estimated to have grown a solid 20.9 percent in 2021, compared to 6.7 percent for base wages. Base wages and variable wages are forecast to grow further in 2022 at 6.5 percent and 5.6 percent, respectively, as employment recovery and economic growth are projected to continue. Variable wages are forecast to decline slightly in 2023 while base wages are projected to grow as activities in the financial market are expected to slow down (see Figure 33).

[23] Office of the New York State Comptroller, The Securities Industry in New York City, October 2021, https://www.osc.state.ny.us/files/reports/osdc/2021/pdf/report-12-2022.pdf.



Note: Total wage data for 2021 are estimated; 2022 and 2023 are forecasts. Base wages and variable compensation are estimated by the NYS Assembly Ways and Means Committee staff and their levels sum to total wages.
Sources: NYS Department of Labor; NYS Assembly Ways and Means Committee staff.

Figure 33

After growing 7.2 percent in 2019, personal transfer income, which is current transfer receipts from governments and businesses, jumped 40.3 percent in 2020 as receipts from the federal government rose significantly due to various pandemic-related government assistance programs. Personal transfer income is estimated to have grown slower at 4.8 percent in 2021 due to the expiration of many of these stimulus programs. Transfer income in the State is forecast to fall 17.2 percent in 2022, as all the government assistance programs come to an end. Transfer income is expected to grow 2.5 percent in 2023, as federal transfer payments return to a normal level (see Figure 34).

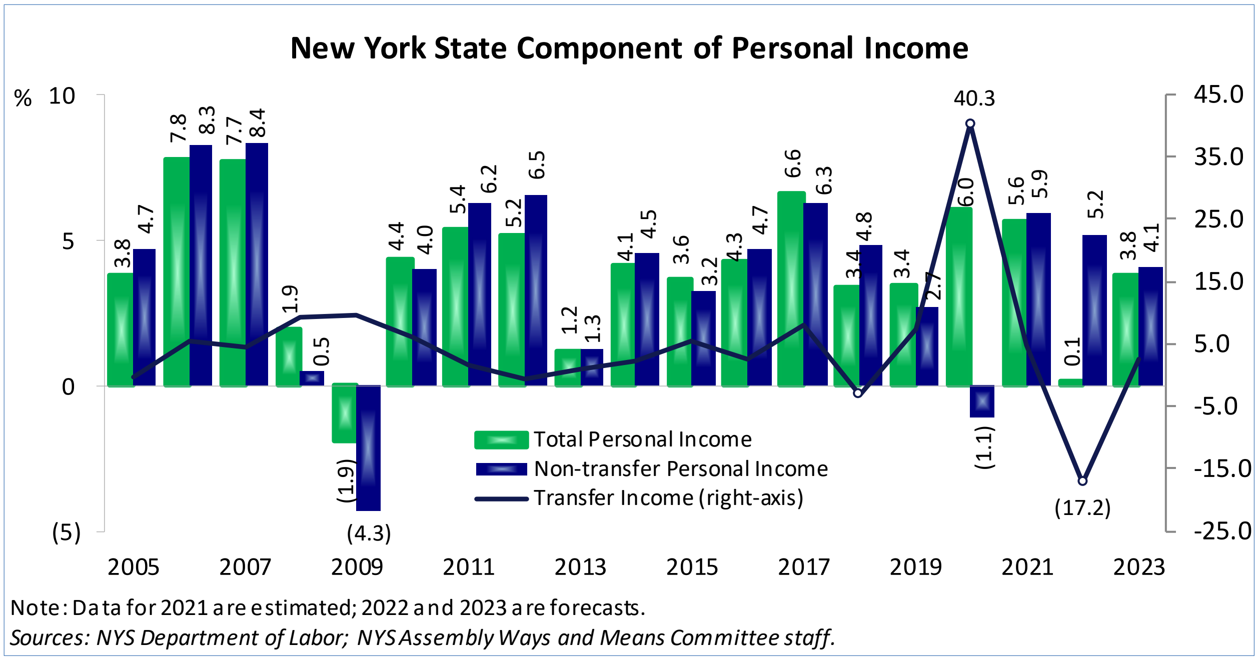


Figure 34

All other components of personal income fell in 2020. Dividend, interest and rental income, the second largest component of personal income at about 17 percent, fell by 1.4 percent in 2020 due to record-low interest rates and weakened corporate profits and dividends. Dividend, interest and rental income is estimated to have grown 1.6 percent in 2021 as corporate profits returned to growth and long-term interest rates increased. It is forecast to grow further at 4.7 percent in 2022 and 3.9 percent in 2023, as corporate profits continue to grow and interest rates continue to rise.

Proprietors' income is estimated to have grown 5.0 percent in 2021 after falling 1.5 percent in 2020. This is partly due to the support of the Paycheck Protection Program (PPP), which provided loans to small businesses to help them navigate the pandemic. As PPP officially ended, proprietors' income growth is expected to slow to 2.3 percent in 2022 and 3.4 percent in 2023.

Capital Gains

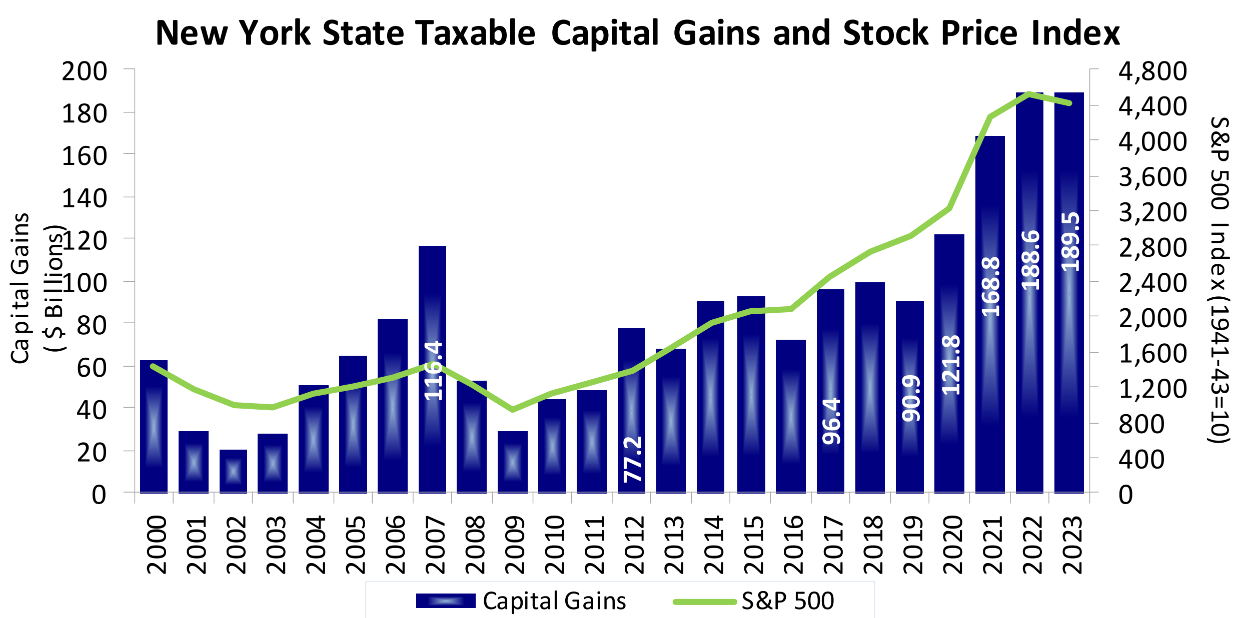
Capital gains are generally contingent upon the performance of the financial and housing markets and the overall economy. Gains are only realized when an asset is sold for more than its acquisition cost. Households' assets may include their homes, other real estate, stocks, government and corporate bonds, mutual funds, and privately owned businesses. Upon selling an asset, households may be liable to pay taxes on realized gains or, conversely, they may be entitled to a tax deduction in case of a capital loss. Consequently, they may choose to advance or delay the disposition of an asset depending on the economic outlook or announced change in the tax environment. For example, if households anticipate higher future tax rates on capital gains realizations, they have an incentive to exercise the option of taking gains in the year before the higher tax rates become effective. Conversely, if households expect lower rates in the future, they have an incentive to delay realizing capital gains until after the rates are implemented.

The onset of the coronavirus pandemic sent financial markets into a tailspin resulting in declines in the first and second quarters of 2020 in the Standard and Poor's 500 Index (S&P 500). Consumer and business sentiments dropped, corporate profits fell, and many economic activities came to a near standstill. As state and local governments began lifting mandates, and the federal government poured trillions of dollars in assistance to households and companies, the financial market responded positively. In fact, equity prices as measured by the S&P 500 Index grew 65.5 percent in the third quarter of 2020, then another 31.1 percent in the fourth quarter; and grew 10.5 percent on an annual average basis. Meanwhile, the housing market held up well, supported by low mortgage interest rates, even as banks tightened lending standards. With interest rates at historic lows, investors flocked to the stock market seeking higher returns. Higher-than-normal trading volumes in the stock market in spite of an all-encompassing public health emergency was indicative of investors taking short term gains. As a result, capital gains are estimated to have increased 34.0 percent to $121.8 billion in 2020 as equity prices edged higher.

In 2021, stock market volatility remained a force as the Delta variant wreaked havoc across the U.S. The S&P 500 grew 32.6 percent, on an annual average basis, the fastest pace since 1983. Home prices also grew an estimated 12.1 percent in 2021.[24] Hence, realized capital

[24] Home prices are measured by the Freddie Mac House Price Index, http//www.freddiemac.com/research/indices/house-price-index.page.

gains are projected to have increased 38.7 percent to $170.5 billion in 2021. The Federal Reserve has announced that it would begin to raise interest rates in 2022. Since interest rates are relatively low, the adverse impact on equity prices will likely be small in 2022; however, as interest rate continue to rise, the impact may be more pronounced depending on how quickly rates are increasing. Therefore, the Committee forecasts growth in capital gains realization to slow to 11.7 percent 2022, and further down to near flat in 2023 as equity prices decline and home prices moderate (see Figure 35).



Note: Data for 2020 are estimated; 2021, 2022 and 2023 are forecasts.

Sources: Standard & Poor's; NYS Department of Taxation and Finance; NYS Assembly Ways and Means Committee staff.

Figure 35

Finance and Insurance Sector

Although employment in the finance and insurance sector has declined in the past decades, it remains a significant sector in the New York State economy. While representing only 5.4 percent of the State's nonfarm employment, the sector accounted for 18.2 percent of the State's total wages and 49.5 percent of variable wages in 2020.

Employment in this sector fell sharply during the Great Recession, and has not recovered fully due largely to structural changes such as automation in the industry and the migration of many activities to other states. Although employment in this sector fell during the COVID-19 pandemic, it declined at a much slower rate than most sectors. As of December 2021, employment in this sector remained 3.8 percent below its pre-pandemic level (see Figure 36).

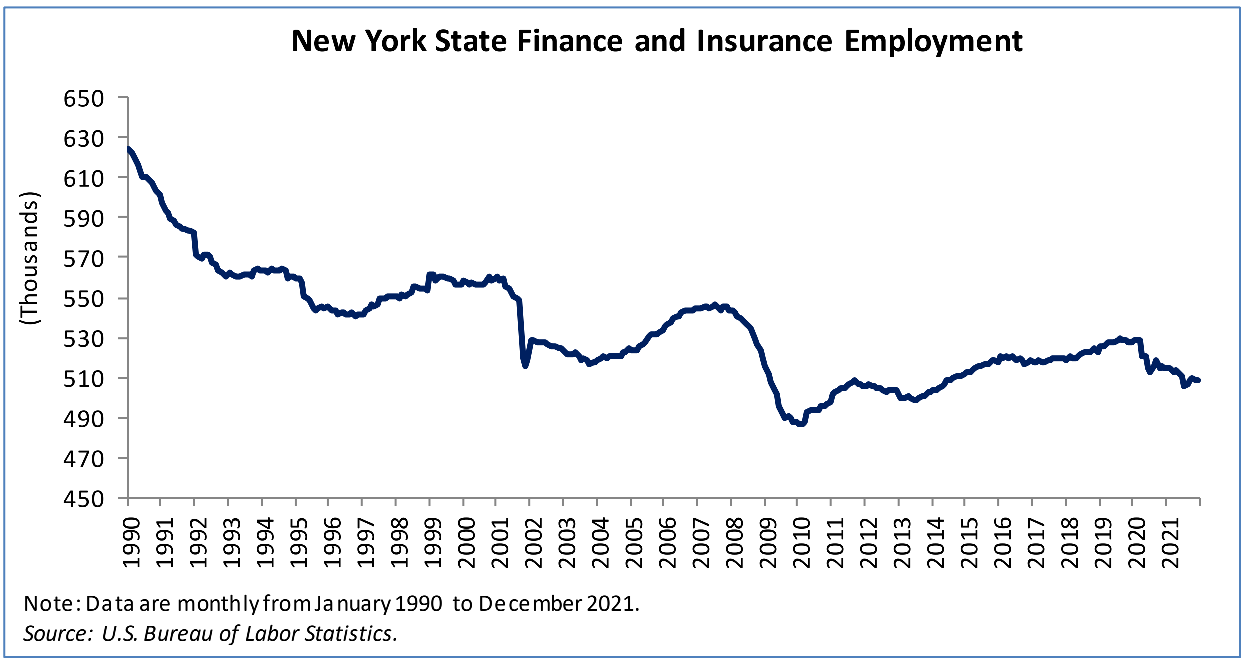


Figure 36

The COVID-19 pandemic has led to increased uncertainty in the global financial market and left many businesses strapped for cash. Faced with financial strain from the COVID-19 pandemic, some companies have issued debt to shield themselves while others have gone public. This led to record corporate debt issuance in 2020. Global initial public offerings (IPO) were also strong in 2020, with the activity totaling $222.3 billion, a 25 percent increase compared to 2019 and the strongest year for global IPOs since 2014.[25] Worldwide mergers and acquisitions (M&A) activity, however, fell 5 percent in 2020.[26] As a result, investment banking fees rose 18 percent in 2020 and reached a record $127.5 billion.[27] This led to a record profit for the industry. The Office of the New York State Comptroller estimated that the bonus for New York City securities industry workers totaled $31.7 billion in the 2020 bonus season that ran from December to March, a 6.8 percent increase from $29.7 billion in 2019.[28]

Financial activities continued to be strong in 2021, with M&A, IPO, and investment banking fees all setting new record highs. Global IPO totaled $413 billion in 2021, more than double year-ago levels.[29] Similarly, worldwide M&A activity totaled $5.9 trillion in 2021, an increase of 64 percent from $3.6 trillion in 2020. These were the strongest opening period for both IPO and M&A since the records began in 1980.[30] As a result, investment banking fees reached $159.4 billion in 2021, a 22 percent increase from 2020 and the strongest since the records began in 2000.[31] According to the Office of the New York State Comptroller, securities industry pretax profits totaled $31 billion in the first six months of 2021, a near record level. As revenues increased, compensation expenses also rose. The industry's compensation expenses rose 16.8 percent in the first half of 2021 from the same period in 2020. [32]

[25] Thomson Reuters Deals Intelligence, Global Equity Capital Market Review, Full Year 2020.

[26] Thomson Reuters Deals Intelligence, Global Mergers & Acquisitions Review, Full Year 2020.

[27] Thomson Reuters Deals Intelligence, Global Investment Banking Review, Full Year 2020.

[28] Office of the New York State Comptroller, "Wall Street's 2020 Bonuses Rose Amid Volatility," March 26, 2021, https://www.osc.state.ny.us/press/releases/2021/03/nys-comptroller-dinapoli-wall-streets-2020-bonuses-rose-amid-volatility.

[29] Thomson Reuters Deals Intelligence, Global Equity Capital Market Review, Full Year 2021.

[30] Thomson Reuters Deals Intelligence, Global Mergers & Acquisitions Review, Full Year 2021.

[31] Thomson Reuters Deals Intelligence, Global Investment Banking Review, Full Year 2021.

[32] Office of the New York State Comptroller, The Securities Industry in New York City, October, 2021, https://www.osc.state.ny.us/files/reports/osdc/2021/pdf/report-12-2022.pdf.

RISKS TO THE FORECAST

The Committee's economic forecast is subject to several major risks, including uncertainties surrounding COVID-19, global supply chain problems, and geopolitical conflicts such as a Russian invasion of Ukraine. The daily number of new COVID-19 infection cases shot up to record high levels in January as the Omicron variant spread quickly. The resulting rise in concerns has weighed on consumer and business sentiments, restraining business and consumer spending, particularly, spending on services such as travel and dining out. But the current forecast assumes that the pandemic will be contained to a more manageable state with the help of vaccination efforts and other medical advances in 2022. Should the spread of any new variants lead to widespread imposition of social distancing restrictions or lockdowns, the economic growth outlook for 2022 and 2023 would be less optimistic than called for in the current forecast.

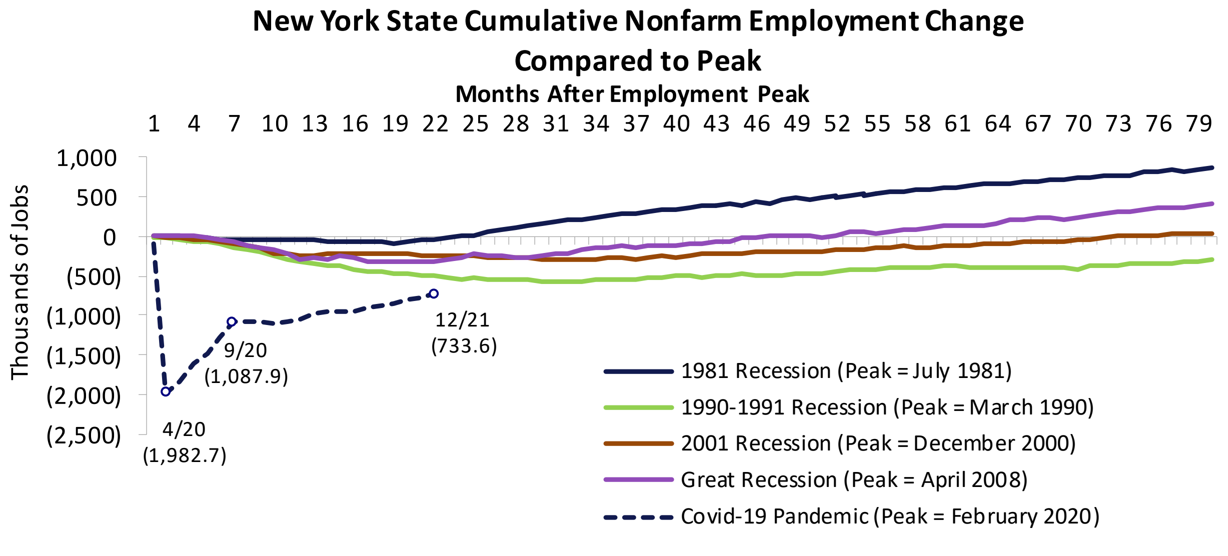
The global supply chain issues and logistic constraints that first emerged in the early spring of 2021 have turned out to be more persistent than initially expected, negatively impacting the production, transportation, and international trade of various goods. Consequently, fast increases in consumer and producer prices have ensued. The current forecast assumes that the supply chain issues will start receding in the second half of 2022, facilitating the production and supply of goods and thereby alleviating inflation pressures. Should the supply problems persist longer than assumed, inflation expectations would rise faster, tempting the Federal Reserve to start raising its policy rate target sooner than assumed in the current forecast; in that case, growth in consumer and business spending would be less optimistic and the equity market would likely go through corrections earlier than called for in the current forecast.

Due to a series of massive fiscal stimulus programs in 2020 and 2021, the U.S. federal government recorded $3.1 trillion worth of deficits in fiscal year 2020 and again racked up a deficit of $2.8 trillion in fiscal year 2021. Moreover, new fiscal actions such as the Build Back Better agenda are expected to add to the existing debts in the coming years. The deteriorating fiscal position of the U.S. government has led to concern among investors, which will potentially put upward pressure on the yields on U.S. Treasury securities once the pandemic recedes.

NEW YORK STATE EMPLOYMENT AND WAGES BY INDUSTRY AND REGION

Total nonfarm employment in the State had been growing steadily since 2010 until the COVID-19 pandemic hit in March 2020. As the virus spread quickly, states implemented social distancing protocols, bringing the U.S. and NYS economies into a recession. As a result, employment in both the State and the nation fell sharply during the peak of the pandemic. However, with New York being among the states that were hit the hardest by the pandemic, employment in the State declined more steeply than the rest of the nation in almost all sectors.

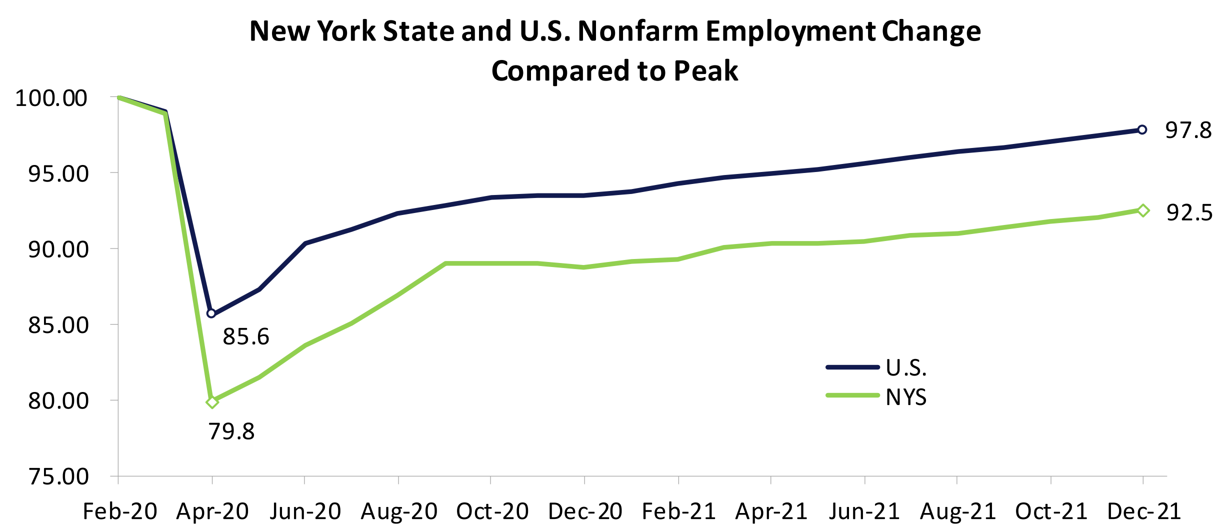
From February to April 2020, nonfarm employment in the State fell by almost two million or 20.2 percent. This was the worst employment loss among the last four recession episodes, but the initial recovery was faster than the previous recoveries. From April to September 2020, almost 900,000 jobs or 45.1 percent of all the jobs loss were regained. However, the recovery has been slow since then. From September 2020 to December 2021, New York State added only 345,300 jobs with total nonfarm employment still 733,600 or 7.5 percent below its peak in February 2020 (see Figure 37). After the 2001 recession, it took 73 months to recover all the 298,000 jobs that were lost during the downturn. The employment recovery following the 1990-1991 recession was even slower; after over 100 months, nonfarm employment in the State was still below its prior peak.



Note: Data for the COVID-19 recession are through December 2021.
Source: U.S. Bureau of Labor Statistics.

Figure 37

Employment loss during the pandemic was much faster and more severe than during the Great Recession, especially in New York State. While New York fared better than the nation during the Great Recession, the State incurred a larger rate of employment loss than the nation during the pandemic. Nonfarm employment in the State fell by 20.2 percent, compared to 14.7 percent for the nation. New York State also recovered more slowly than the nation. From the trough in April 2020 to December 2021, the State gained 63.0 percent of employment loss, compared to 84.0 percent gained nationwide. As of December 2021, New York State employment remained 7.5 percent below its pre-pandemic level in February 2020, while employment in the nation was only 2.2 percent below its February 2020 level (See Figure 38).



Note: Data are normalized with February 2020 = 100. Data are monthly through December 2021.
Source: U.S. Bureau of Labor Statistics.

Figure 38

Employment by Industry

Social distancing requirements, the mandated closures of non-essential businesses, and travel bans forced leisure venues to close and caused demand for travel services to plunge. As a result, the leisure and hospitality sector was hit the hardest during the pandemic, both in New York State and in the nation. The construction, other services, and retail trade sectors were also hit hard as many of the workers were considered nonessential.

The leisure and hospitality, education and healthcare, and other services sectors lost the most jobs and accounted for over half the State's total employment loss. From February to April 2020, the leisure and hospitality sector lost almost 600,000 jobs, or 61.9 percent, and accounted for 30.2 percent of the State's total nonfarm employment loss. The sector was also the fastest to recover, having added 385,200 jobs from April 2020 to December 2021, accounting for 64.4 percent of the loss. Employment in this sector, however, remained 22 percent below its peak in February 2020.

The pandemic led to more wide-spread job loss than during the Great Recession. For example, the education and healthcare and government sectors were spared during the Great Recession, but lost jobs during the pandemic. In addition, most sectors lost a larger number of jobs during the pandemic than during the Great Recession, with the exception of the finance and insurance sector. Unlike during the Great Recession, when the majority of jobs lost were in relatively high paying sectors, most job losses during the pandemic were in low-paying sectors such as leisure and hospitality, retail trade, and other services. The finance and insurance sector, the highest paying sector in the State, lost the least number of jobs at 16,900 or 3.2 percent from its peak in February 2020 to its trough in July 2020 (see Table 6). It was mainly because most jobs in this sector are easily transitioned to remote working. As a result, wages in the State fell slower during the pandemic than during the Great Recession.

All sectors gained jobs since the trough in April 2020. As they lost the highest percentage of their workforce during the pandemic, the leisure and hospitality, construction, other services, and retail trade sectors rebounded the strongest. From April 2020 to December 2021, these sectors added more than 785,000 jobs and accounted for almost 70 percent of all nonfarm employment gained in the State during this period.

Table 6

New York State vs. U.S. Employment Change by Sector (Percent Change)

	Average Wage 2020	Employment Loss: The Great Recession New York State	Employment Loss: The Great Recession U.S.	Employment Loss: The Pandemic New York State	Employment Loss: The Pandemic U.S.	Employment Recovery 20 Months Since: The Great Recession New York State	Employment Recovery 20 Months Since: The Great Recession U.S.	Employment Recovery 20 Months Since: The Pandemic New York State	Employment Recovery 20 Months Since: The Pandemic U.S.
Total Nonfarm	**83,242**	**(3.8)**	**(6.3)**	**(20.2)**	**(14.4)**	**2.2**	**2.1**	**15.9**	**14.3**
Private	*84,904*	*(4.3)*	*(7.6)*	*(23.0)*	*(16.2)*	*2.8*	*2.9*	*19.5*	*17.0*
Goods Producing	*NA*	*(13.2)*	*(19.7)*	*(28.3)*	*(12.0)*	*(1.6)*	*3.1*	*30.0*	*11.4*
Service Providing	*NA*	*(2.7)*	*(3.8)*	*(19.4)*	*(14.8)*	*2.6*	*1.9*	*14.7*	*14.8*
Leisure & Hospitality	36,962	(0.3)	(4.5)	(61.9)	(48.3)	5.8	3.9	104.5	71.8
Construction	78,280	(12.9)	(26.4)	(38.5)	(14.5)	(2.8)	1.5	45.8	15.5
Other Services[1]	57,634	(5.1)	(9.2)	(28.3)	(20.4)	(5.1)	(8.1)	25.8	22.7
Retail Trade	41,825	(3.9)	(7.5)	(28.1)	(14.4)	3.4	2.4	28.5	16.8
Transportation & Utilities[2]	65,612	(5.1)	(8.1)	(22.3)	(8.0)	0.6	3.9	22.7	16.9
Manufacturing[3]	73,079	(13.3)	(16.6)	(18.9)	(10.7)	(0.8)	2.8	18.8	9.8
Wholesale Trade	94,452	(7.9)	(9.9)	(17.2)	(6.9)	2.0	2.1	10.0	4.8
Education & Health Care[4]	58,938	2.4	4.5	(13.8)	(11.5)	3.1	2.9	9.6	9.9
Management	164,233	(2.6)	(2.4)	(13.5)	(4.4)	2.6	5.3	0.2	1.3
Real Estate, Rental, &	81,863	(4.7)	(9.5)	(13.4)	(10.2)	(0.1)	(1.4)	2.1	9.0
Information	154,282	(5.7)	(9.5)	(13.3)	(10.2)	0.2	(2.2)	8.7	10.4
Government	74,587	(1.3)	0.4	(10.5)	(6.4)	(0.3)	(2.2)	(0.2)	1.0
Federal Government	*81,012*	*(0.9)*	*4.9*	*(0.5)*	*0.5*	*(3.7)*	*(0.9)*	*(4.2)*	*0.0*
State Government	*73,593*	*(2.3)*	*(0.0)*	*(1.5)*	*(4.4)*	*(0.2)*	*(1.5)*	*(6.1)*	*2.5*
Local Government	*74,003*	*(1.2)*	*(0.3)*	*(13.7)*	*(8.5)*	*0.0*	*(2.7)*	*1.6*	*0.6*
Professional Services	129,628	(7.0)	(5.0)	(8.0)	(5.5)	5.1	4.0	7.7	11.2
Finance & Insurance	253,374	(4.9)	(5.7)	(3.0)	(0.6)	3.0	(0.0)	(2.3)	1.3

Note: Industries ranked by percent employment lost during pandemic. During the Pandemic, nonfarm employment in both the U.S. and New York State peaked in February 2020 and the lowest was in April 2020. During the Great Recession, nonfarm employment in the U.S. peaked in January 2008 and the lowest was in February 2010. In New York State, nonfarm employment peaked in July 2008 and the lowest was in October 2009.

[1] Does not include administrative, support, and waste

[2] Transportation, warehousing, and utilities.

[3] Does not include mining.

[4] Includes only private employment. Public education and health care employment is included in the government sector.

Source: Bureau of Labor Statistics.

Despite the recovery, as of December 2021, employment in all sectors in the State remained below their pre-pandemic level in February 2020. State employment also performed worse than the national average in all sectors (see Figure 39).

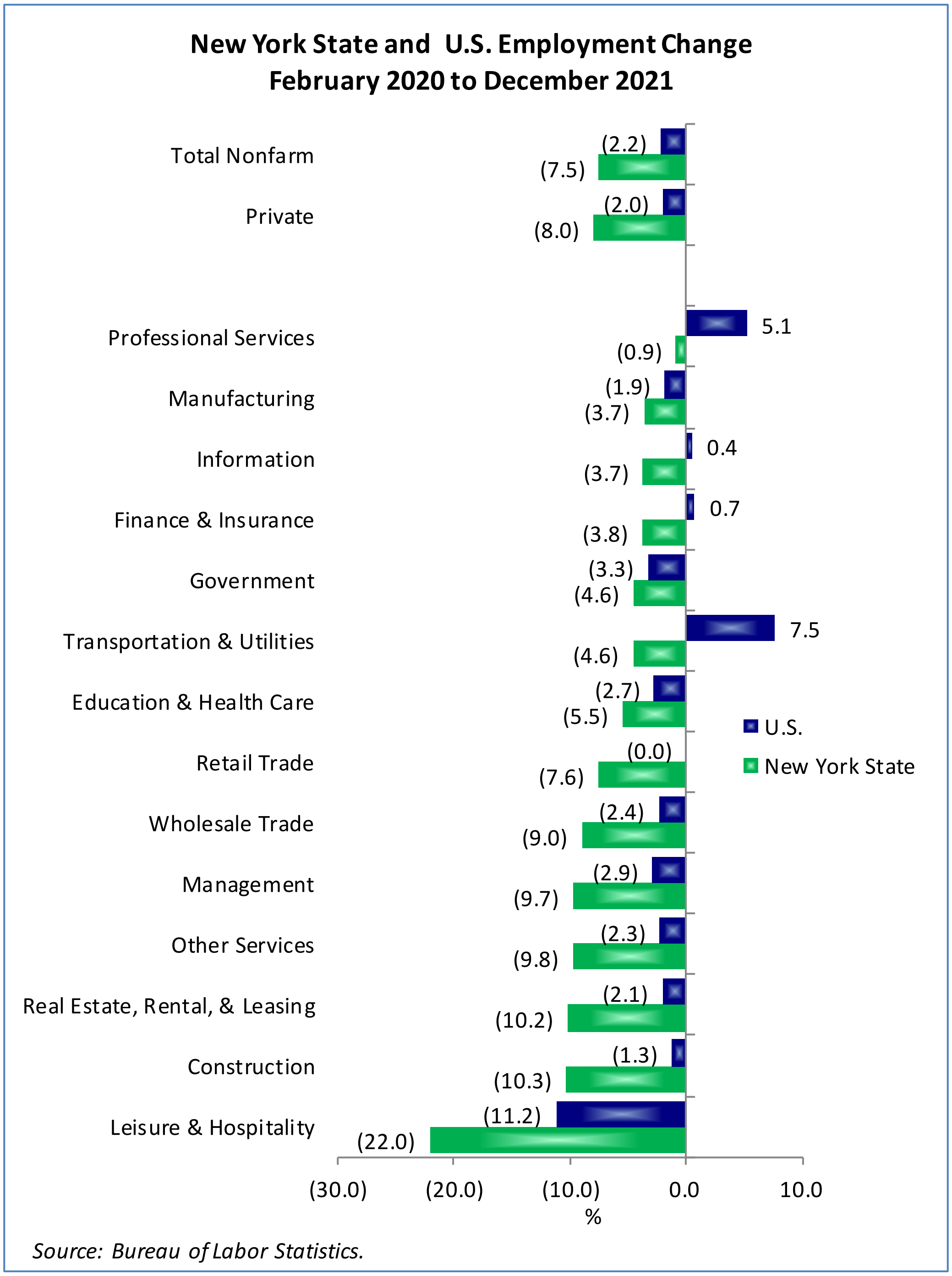
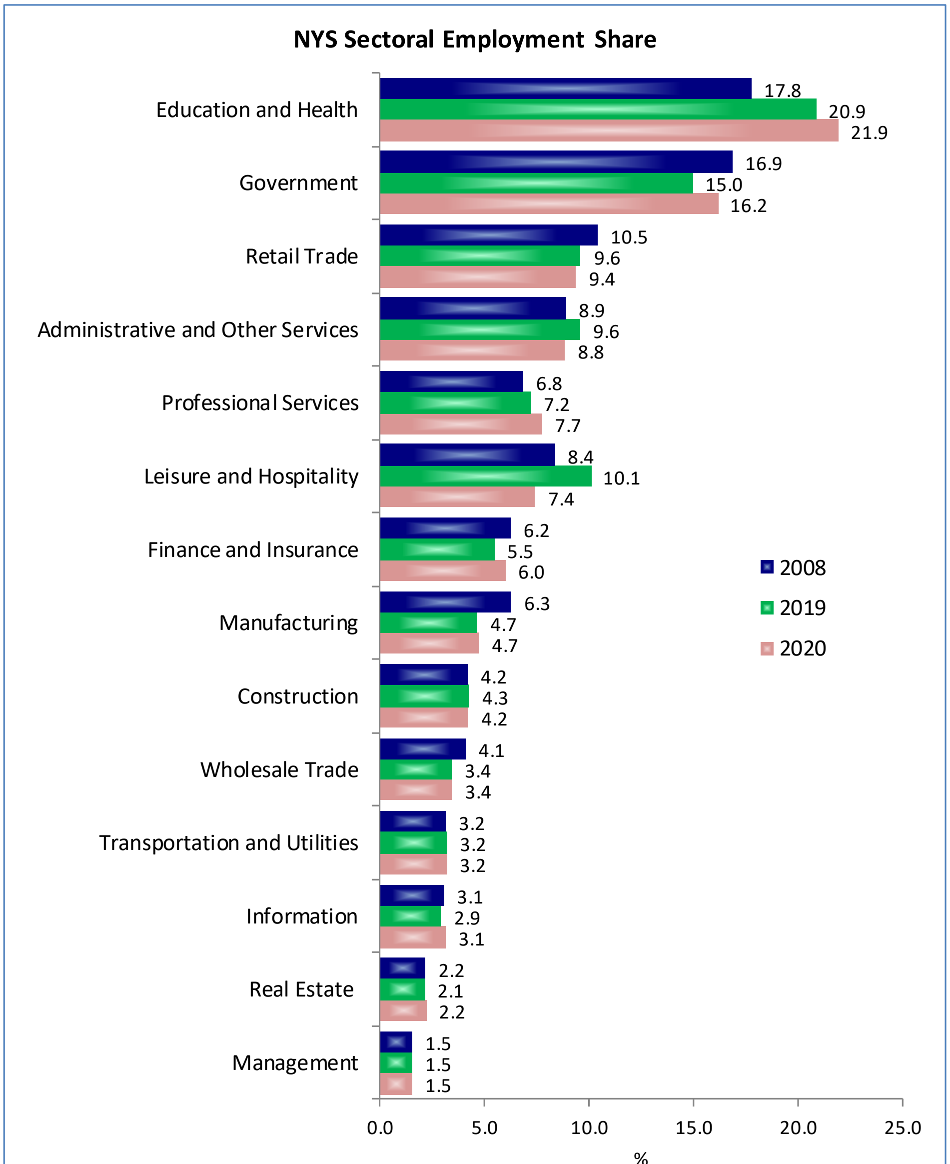


Figure 39

Leisure and hospitality employment had grown more rapidly following the Great Recession than any other sectors and had become one of the main drivers of New York State's employment growth in recent years until the pandemic hit. From 2008 to 2019, employment in this sector grew the fastest, 33.8 percent, and contributed over one-quarter of New York State's employment growth. As a result, the share of leisure and hospitality employment increased from 8.4 percent in 2008 to 10.1 percent in 2019, with the sector's rank moving up from fifth to third. The sector, however, was hit the hardest during the pandemic and its share fell from 10.1 percent in 2019, to 7.4 percent in 2020.

Unlike the leisure and hospitality sector, employment in retail trade has been on a downward trend for the past few years due to an increase in online shopping. As a result, the share of retail trade employment fell from 10.5 percent in 2008 to 9.6 percent in 2019. The share fell further to 9.4 percent in 2020 as stay-at-home policies caused even more people to shop online and retail trade employment continued to decline (see Figure 40).



Source: New York State Department of Labor.

Figure 40

Employment by Region

With over four million jobs, New York City is the largest region in the State, accounting for 46.7 percent of the State's total nonfarm employment in 2020. The North Country, with 147,000 nonfarm jobs, had the smallest regional employment. Across regions, most jobs are concentrated in education, health, and government, while the smallest numbers are found in management of companies, real estate, rental, and leasing industries.

Downstate regions were hit harder during the pandemic

Downstate regions were hit harder than upstate regions during the pandemic, similar to during the Great Recession. From 2019 to 2020, downstate lost 704,300 nonfarm jobs or 10.5 percent, compared to 8.7 percent in upstate. New York City led the State in employment loss with 485,200 nonfarm jobs or 10.8 percent of its nonfarm employment, followed by the Long Island Region at 10.0 percent. The Western New York Region suffered the most among upstate regions, losing 9.8 percent of its nonfarm jobs from 2019 to 2020 (see Table 7). As it lost employment at a higher rate than other regions, New York City's share of State employment fell from 47.1 percent in 2019 to 46.7 percent in 2020.

Table 7

New York State Nonfarm Employment Change by Region

	Total Nonfarm Employment (Thousands)		The Great Recession 2008-2009		The Pandemic 2019-2020	
	2019	2020	Level Thousand	Percent	Level Thousand	Percent
New York State	**9,517**	**8,561**	**(261.6)**	**(3.1)**	**(955.8)**	**(10.0)**
Downstate	**6,709**	**6,005**	**(182.6)**	**(3.2)**	**(704.3)**	**(10.5)**
New York City	4,482	3,996	(109.0)	(3.0)	(485.2)	(10.8)
Long Island	1,293	1,164	(41.7)	(3.4)	(129.6)	(10.0)
Mid Hudson	934	845	(31.9)	(3.6)	(89.5)	(9.6)
Upstate	**2,650**	**2,419**	**(75.2)**	**(2.8)**	**(230.8)**	**(8.7)**
Western New York	632	570	(18.2)	(2.9)	(61.7)	(9.8)
Finger Lakes	554	505	(15.8)	(2.9)	(48.4)	(8.7)
Mohawk Valley	168	154	(4.3)	(2.5)	(14.5)	(8.6)
Southern Tier	279	255	(10.0)	(3.4)	(23.9)	(8.6)
Central New York	344	315	(11.1)	(3.2)	(29.4)	(8.5)
North Country	147	135	(3.8)	(2.5)	(12.0)	(8.2)
Capital	526	154	(12.0)	(2.4)	(40.8)	(7.8)

Source: New York State Department of Labor.

On an annual average basis, every sector in all of the regions in the State lost jobs during the pandemic, with the exception of the management sector in Central New York and the government sector in New York City. The largest job loss in every region was in the leisure and hospitality sector, while finance and insurance lost the least percentage of jobs in most regions. Western New York suffered the most in upstate as it lost the highest percentage of jobs in several large sectors like leisure and hospitality and retail trade sectors. The Capital Region outperformed all other regions during the pandemic due to relatively smaller employment losses across sectors (see Table 8).

Table 8

New York State Employment Change by Region and Sector
2019 to 2020 (Percent Change)

	New York State	New York City	Long Island	Mid Hudson	Capital	Mohawk Valley	North Country	Central New York	Southern Tier	Western New York	Finger Lakes
Total Nonfarm	**(10.0)**	**(10.8)**	**(10.0)**	**(9.6)**	**(7.8)**	**(8.6)**	**(8.2)**	**(8.5)**	**(8.6)**	**(9.8)**	**(8.7)**
Private	*(11.3)*	*(12.4)*	*(11.0)*	*(10.6)*	*(8.8)*	*(9.3)*	*(9.1)*	*(9.3)*	*(9.1)*	*(10.7)*	*(9.1)*
Leisure & Hospitality	**(33.8)**	**(40.8)**	**(24.7)**	**(28.4)**	**(28.8)**	**(25.6)**	**(23.6)**	**(27.7)**	**(28.4)**	**(28.9)**	**(27.6)**
Other Services[1]	**(16.9)**	**(20.8)**	**(14.0)**	**(12.7)**	**(13.6)**	**(12.8)**	**(14.0)**	**(11.6)**	**(14.6)**	**(14.0)**	**(13.9)**
Retail Trade	**(12.4)**	(17.2)	**(12.8)**	(10.0)	(7.2)	(3.3)	(5.2)	(7.5)	(5.6)	(8.3)	(7.1)
Construction	(10.8)	(13.7)	(11.0)	(10.0)	(3.4)	(2.9)	(5.2)	(5.6)	(8.4)	(8.5)	(6.8)
Transportation & Utilities[2]	(10.4)	(13.3)	(10.4)	**(13.7)**	(2.4)	(5.6)	(4.8)	(1.1)	(1.3)	(6.4)	(2.4)
Management	(9.8)	(13.6)	(7.0)	(3.6)	(4.2)	(7.0)	(2.5)	0.9	(6.6)	(11.9)	(4.6)
Wholesale Trade	(9.6)	(12.7)	(9.5)	(5.7)	(4.5)	(10.8)	(9.1)	(10.2)	(12.8)	(5.0)	(5.0)
Manufacturing[3]	(8.5)	**(20.6)**	(7.7)	(6.6)	(2.9)	(11.6)	(9.9)	(4.9)	(6.9)	(6.5)	(4.8)
Real Estate, Rental, & Leasing	(6.7)	(6.1)	(6.2)	(6.7)	**(8.3)**	(9.2)	(10.3)	(7.5)	**(24.1)**	(9.7)	(8.7)
Education & Health Care[4]	(5.5)	(4.1)	(7.2)	(7.0)	(6.1)	(7.6)	(4.9)	(8.0)	(4.1)	(7.4)	(6.2)
Information	(3.5)	(1.1)	(8.1)	(7.8)	(4.5)	**(14.2)**	**(15.8)**	**(14.4)**	(8.0)	**(12.9)**	**(15.0)**
Professional Services	(3.4)	(2.0)	(5.8)	(3.6)	(3.0)	(1.7)	(0.3)	(3.2)	(2.7)	(5.4)	(5.0)
Government	(3.0)	0.1	(4.3)	(4.2)	(4.2)	(6.5)	(6.0)	(5.1)	(6.2)	(5.5)	(6.9)
Finance & Insurance	(1.5)	(1.6)	(2.3)	(2.4)	(2.0)	(2.0)	(2.1)	(0.2)	(2.1)	(2.0)	(1.9)

Note: Industries ranked by New York State percent employment lost during pandemic. The three sectors that lost the most jobs in each region are bolded.

[1] Does not include administrative, support, and waste management services.

[2] Transportation, warehousing, and utilities.

[3] Does not include mining.

[4] Includes only private employment. Public education and health care employment is included in the government sector.

Source: Bureau of Labor Statistics.

Regional unemployment

Historically, the rate of unemployment in New York City has consistently been higher than in the rest of the State. The unemployment rate in all regions in New York State rose rapidly during the outbreak. Since then, the unemployment rate has been falling. As New York City became the epicenter of America's COVID-19 epidemic early on, its unemployment rate jumped to 20.2 percent in May 2020, and has since fallen to 7.9 percent in December 2021. Similarly, the unemployment rate in Long Island and the Hudson Valley, two other regions in downstate, fell from their recent peaks of over 15 percent to 2.6 percent and 2.7 percent in December 2021, respectively. The unemployment rate in the Capital and the Long Island regions were the lowest in the State at 2.6 percent in December 2021.

Wages by Industry

Average wages in New York State vary widely across sectors. The average wage for nonfarm workers in New York State was $75,458 in 2019, an increase of 24.8 percent from $60,471 in 2008. At the same time, the average wage for the private sector in New York State rose 22.3 percent from $62,305 to $76,175. The five highest paying sectors in New York State in 2019, before the pandemic hit, were finance and insurance, management of companies, information, professional services, and wholesale trade. The two lowest paying sectors were the retail trade and leisure and hospitality sectors. The finance and insurance sector had the highest average wage of $236,479 in 2019, while the leisure and hospitality sector had the lowest average pay of only $35,843.

Unlike during the Great Recession, when total nonfarm wages fell more than 7 percent, total nonfarm wages in the State fell only slightly in 2020. This is due in part to the fact that the recession caused by the pandemic was very brief and most of the jobs lost were in low-paying sectors. The leisure and hospitality sector, the sector with the lowest average wage, suffered the most during the pandemic. On the other hand, the finance and insurance sector, the sector with the highest average wage, was hit the hardest during the Great Recession. As a result, nonfarm wages in New York State fell only 0.8 percent in 2020, compared to the loss of 7.2 percent during the Great Recession. Average wages in all sectors continued to grow in 2020, while average wages in most sectors fell during the Great Recession (see Table 9).

Table 9

New York State Average Wage by Sector								
	Average Wage						Total Wages Change (%)	
	Level				Change (%)		Great Recession	Pandemic
	2008 ($)	2009 ($)	2019 ($)	2020 ($)	2008-2009	2019-2020	2008 - 2009	2019-2020
Nonfarm	**60,471**	**57,874**	**75,458**	**83,242**	**(4.3)**	**10.3**	**(7.2)**	**(0.8)**
Private	**62,305**	**58,982**	**76,175**	**84,904**	**(5.3)**	**11.5**	**(8.8)**	**(1.1)**
Finance & Insurance	207,410	173,899	236,479	253,374	(16.2)	7.1	(22.2)	5.6
Management of Companies	133,192	119,804	155,094	164,233	(10.1)	5.9	(10.7)	(4.5)
Information	88,260	87,970	135,888	154,282	(0.3)	13.5	(4.3)	9.6
Professional Services	88,234	87,137	120,134	129,628	(1.2)	7.9	(5.5)	4.2
Wholesale Trade	69,450	69,282	88,330	94,452	(0.2)	6.9	(6.5)	(3.4)
Real Estate, Rental, & Leasing	55,100	52,417	76,746	81,863	(4.9)	6.7	(8.5)	(0.5)
Construction	59,119	59,834	75,669	78,280	1.2	3.5	(8.9)	(7.7)
Government	51,421	52,594	71,371	74,587	2.3	4.5	2.0	1.4
Manufacturing[1]	57,259	57,131	69,175	73,079	(0.2)	5.6	(11.1)	(3.4)
Transportation & Utilities[2]	50,222	50,083	62,155	65,612	(0.3)	5.6	(4.5)	(5.4)
Education & Health Care[3]	43,407	44,605	54,642	58,938	2.8	7.9	4.5	2.0
Other Services[4]	37,712	37,477	52,355	57,634	(0.6)	10.1	(5.6)	(8.5)
Retail Trade	29,516	29,202	38,457	41,825	(1.1)	8.8	(4.8)	(4.7)
Leisure & Hospitality	26,385	25,857	35,843	36,962	(2.0)	3.1	(2.9)	(31.8)

Note: Industries are ranked by 2020 average wage.
[1] Including mining.
[2] Transportation, warehousing, and utilities.
[3] Includes only private employment. Public education and health care employment is included in the government sector.
[4] Including administrative, support, and waste management services.
Source: NYS Department of Labor.

As with the average wage, contributions to the total amount of wages paid in New York State also varied across industries. In 2019, prior to the pandemic, the finance and insurance sector contributed the most to the State's total wages, accounting for 17.1 percent. The education and health sector was the second with 15.1 percent, then government at 14.1 percent. The remaining industries contributed 53.7 percent of the State's total wages.

The sectoral contribution to the State's total wages remained relatively unchanged after the pandemic, with the exception of the leisure and hospitality sector. The leisure and hospitality sector's share in the State's total wages was down by almost one third after the pandemic, falling from 4.8 percent in 2019 to 3.3 percent in 2020 (see Figure 41).

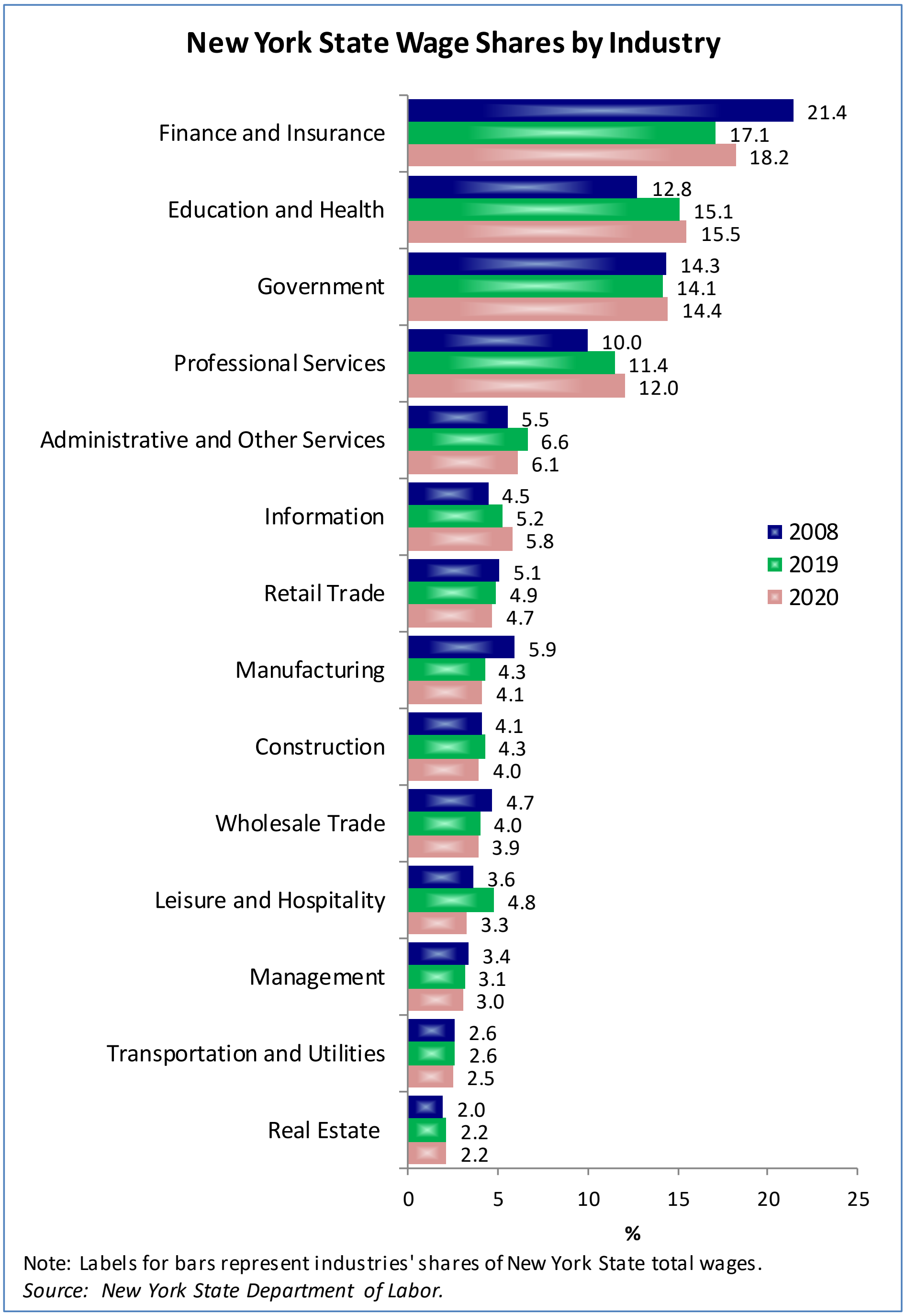

New York State Wage Shares by Industry
Finance and Insurance
21.4
17.1
18.2
Education and Health
12.8
15.1
15.5
Government
14.3
14.1
14.4
Professional Services
10.0
11.4
12.0
Administrative and Other Services
5.5
6.6
6.1
Information
4.5
5.2
5.8
Retail Trade
5.1
4.9
4.7
Manufacturing
5.9
4.3
4.1
Construction
4.1
4.3
4.0
Wholesale Trade
4.7
4.0
3.9
Leisure and Hospitality
3.6
4.8
3.3
Management
3.4
3.1
3.0
Transportation and Utilities
2.6
2.6
2.5
Real Estate
2.0
2.2
2.2
2008
2019
2020
0
5
10
15
20
25
%
Note: Labels for bars represent industries' shares of New York State total wages.
Source: New York State Department of Labor.

Figure 41

Wages by Region

Annual average wages in New York City have always been the highest in the State due to the concentration of high-paying jobs in the finance and insurance and professional services sectors. Prior to the Great Recession, the average wage in New York City was over $80,000, more than double the average wage in most upstate regions (with the exception of the Capital and Finger Lakes regions). In 2019, prior to the pandemic, the average wage in New York City was $95,636. The region with the lowest average wage in 2019 was the Mohawk Valley at $43,827. Annual average wages grew in all regions in 2020 and the pattern of the average wage across regions remained relatively unchanged after the pandemic (see Figure 42).

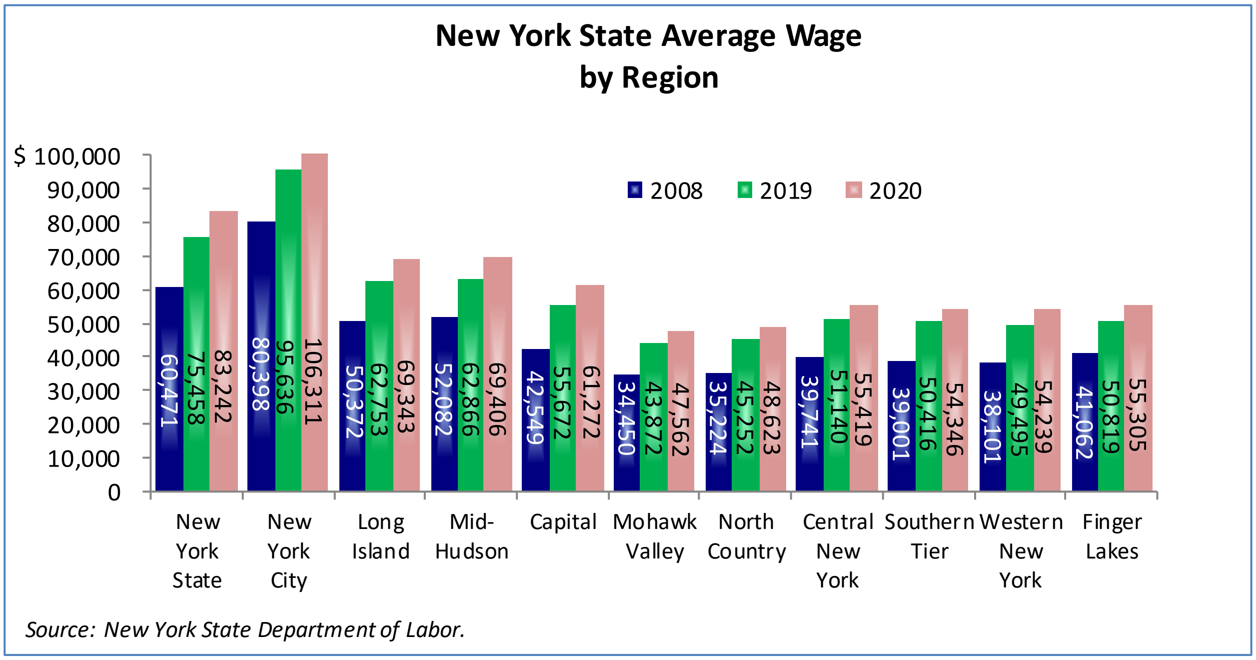


Figure 42

As most of the jobs lost was in low paying sectors, wages were less affected by the pandemic. The Southern Tier was hit the hardest during the pandemic in terms of wages. The region lost $523 million in wages, or 1.4 percent of its total nonfarm wages from 2019 to 2020. Wages in the Capital Region were impacted the least by the pandemic and continue to grow in 2020. This was due partly to its large share of government and education and health sectors, which have performed relatively well during this crisis, as well as a strong wage growth in the manufacturing sector (see Table 10).

Table 10

New York State Wages Change by Region and Sector 2019 to 2020 (Percent Change)											
	New York State	**New York City**	**Long Island**	**Mid Hudson**	**Capital**	**Mohawk Valley**	**North Country**	**Central New York**	**Southern Tier**	**Western New York**	**Finger Lakes**
Total Nonfarm	**(0.8)**	**(0.9)**	**(0.6)**	**(0.2)**	**1.5**	**(0.9)**	**(1.3)**	**(0.9)**	**(1.4)**	**(1.1)**	**(0.7)**
Private	*(1.1)*	*(1.3)*	*(0.8)*	*(0.4)*	*1.8*	*(0.9)*	*(1.2)*	*(1.2)*	*(1.8)*	*(1.6)*	*(0.7)*
Leisure & Hospitality	**(31.8)**	**(38.1)**	**(18.2)**	**(22.5)**	**(24.6)**	**(24.2)**	**(17.9)**	**(20.4)**	**(24.0)**	**(17.6)**	**(21.8)**
Other Services[1]	**(8.5)**	**(11.4)**	(3.5)	(5.8)	**(2.7)**	(4.1)	(0.4)	(3.2)	(6.4)	(3.6)	**(10.0)**
Construction	**(7.7)**	(10.5)	**(8.7)**	**(8.6)**	2.1	4.6	0.7	3.5	(2.9)	(1.1)	0.3
Transportation & Utilities[2]	(5.4)	(9.8)	(3.0)	(7.6)	6.2	7.9	(2.1)	7.8	4.1	(1.6)	6.2
Retail Trade	(4.7)	(9.7)	(3.8)	(1.0)	2.1	6.0	4.6	1.9	3.1	2.2	2.6
Management	(4.5)	(5.1)	(1.1)	**(9.0)**	5.9	(2.8)	(1.0)	6.6	**(10.9)**	**(11.0)**	4.1
Wholesale Trade	(3.4)	(5.3)	**(4.7)**	(3.0)	1.3	**(7.9)**	**(4.3)**	**(4.7)**	(7.9)	8.9	4.4
Manufacturing[3]	(3.4)	**(15.8)**	(2.5)	(1.0)	11.8	(5.5)	**(5.2)**	(3.9)	(2.5)	**(4.0)**	(2.4)
Real Estate, Rental, &	(0.5)	(1.7)	2.1	4.2	1.5	0.9	(2.3)	(0.0)	**(20.7)**	0.8	8.6
Government	1.4	2.6	0.7	0.8	0.6	(1.1)	(1.5)	0.2	(0.0)	0.6	(0.4)
Education & Health Care[4]	2.0	2.6	1.9	0.9	1.9	0.7	0.1	(2.7)	3.1	0.6	1.1
Professional Services	4.2	4.3	(2.3)	24.0	2.8	2.4	7.4	0.3	(3.0)	0.2	1.8
Finance & Insurance	5.6	4.8	19.2	1.6	5.0	4.1	5.4	8.1	5.9	5.6	4.9
Information	9.6	11.4	5.0	4.1	**(5.5)**	**(6.1)**	(0.0)	**(5.0)**	(3.8)	(4.0)	**(8.1)**

Note: Industries ranked by New York State percent employment lost during pandemic. The three sectors that lost the most jobs in each region are bolded.

[1] Does not include administrative, support, and waste management services.
[2] Transportation, warehousing, and utilities.
[3] Does not include mining.
[4] Includes only private employment. Public education and health care employment is included in the government sector.

Source: Bureau of Labor Statistics.

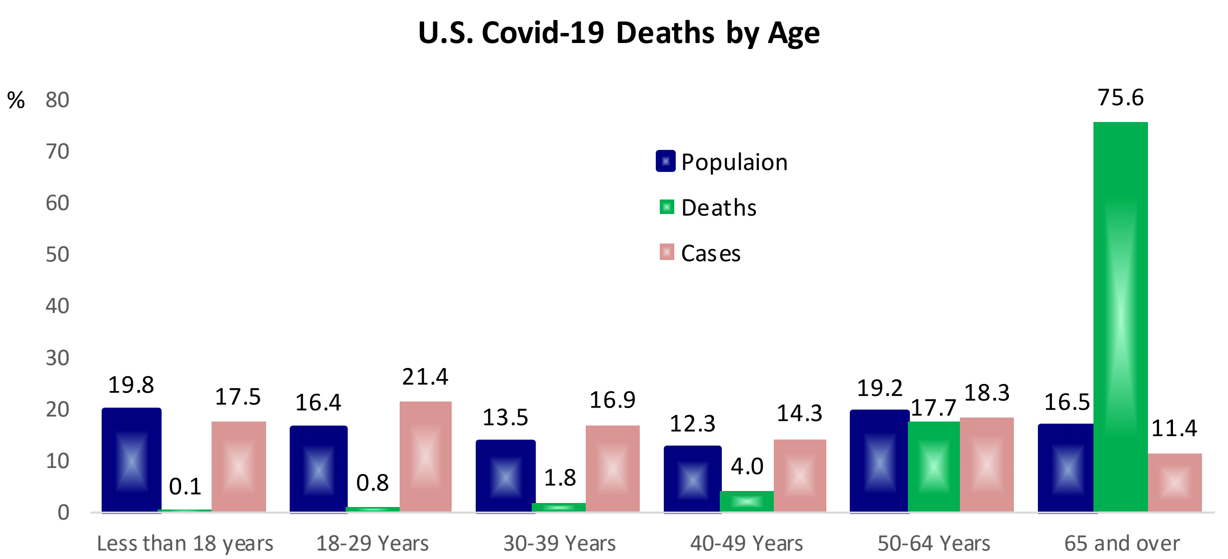
COVID-19 AND THE NEW YORK STATE ECONOMY

The COVID-19 pandemic has caused a devastating loss of lives. The United States lead the world in both number of cases and fatalities with over 70 million infections and more than 900,000 deaths. New York ranked fourth behind California, Texas, and Florida, with more than 4.5 million cases and over 65,000 fatalities. The pandemic caused disruption in everyday life as mobility was limited and many activities were banned. It also had a significant impact on the economy and its population as many jobs were lost.

This section looks at the impact of the COVID-19 pandemic on the State's economy. However, as the Census data for 2020 are limited, this section only focuses on the impact of the pandemic on employment, tourism, and office-space market.

COVID-19 Disparities

People with underlying medical conditions and the elderly are more vulnerable to COVID-19. Although the elderly accounted for a significantly lower proportion of the infections due to a high rate of vaccination, people over the age of 65 had the highest rate of mortality (see Figure 43).

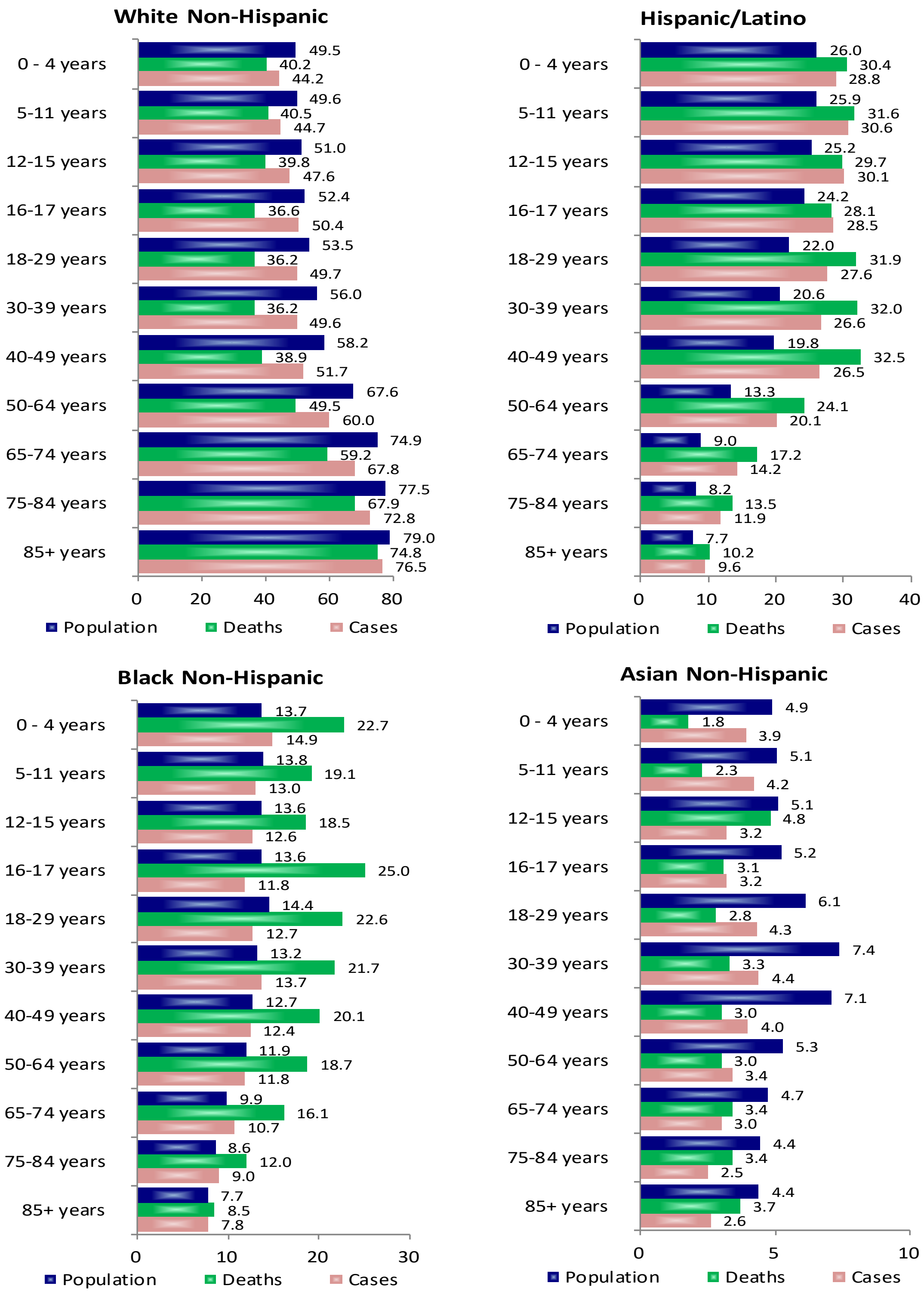


Note: Data as of February 14, 2022.
Source: Centers for Disease Control and Prevention.

Figure 43

There are evidences that racial and ethnic minorities are disproportionately affected by COVID-19. The incidents and the death rates of the disease for the same age group were higher among Hispanic/Latinos and African Americans population. Nationally, exceptionally high infections were observed among Hispanic/Latino population, while African American tended to have higher mortality rates than their White and Asian counterpart (see Figure 44)

U.S. Population, Covid-19 Cases and Deaths by Age, Race & Ethnicity, %

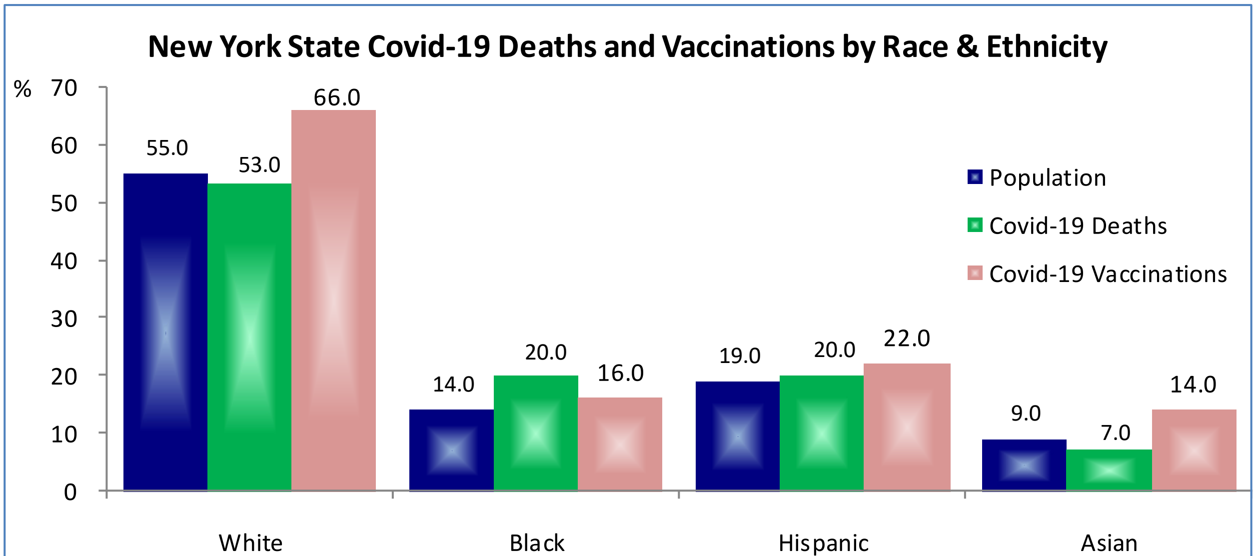


Note: Data as of February 14, 2022.

Source: Centers for Disease Control and Prevention.

Figure 44

The COVID-19 infection in the State exhibited similar pattern to that of the nation. The African American population tended to have a higher death rate than White and Asian populations. While accounting for 14 percent of State's population, the African American population accounted for 20.0 percent of deaths. In contrast, Whites accounted for 53 percent of population but 53 percent of all COVID-19 fatalities. On the contrary, the vaccination rate for Whites and Asians were disproportionally higher, compared to African Americans. While accounting for 9.0 percent of the U.S. population, Asians accounted for 14 percent of those who have been vaccinated (see Figure 45).



Note: Race categories also include Hispanic Individual. New York State does not report racial breakdown of COVID-19 infection. Data as of February 14, 2022.
Source: Kaiser Family Foundation.

Figure 45

Population, Labor Force, and Employment

Total population growth has been on a downward trend for both the State and the nation in the past several years. The COVID-19 pandemic appears to have made matters worse. The U.S. population grew only 0.4 percent in 2020, the slowest pace since World War II in 1944 and 1945 when the U.S. population declined 0.5 percent. New York State fared much worse than the nation. The State's population has been declining since 2015 and fell more sharply in 2020 at 0.6 percent, the slowest since 1978 (see Figure 46)

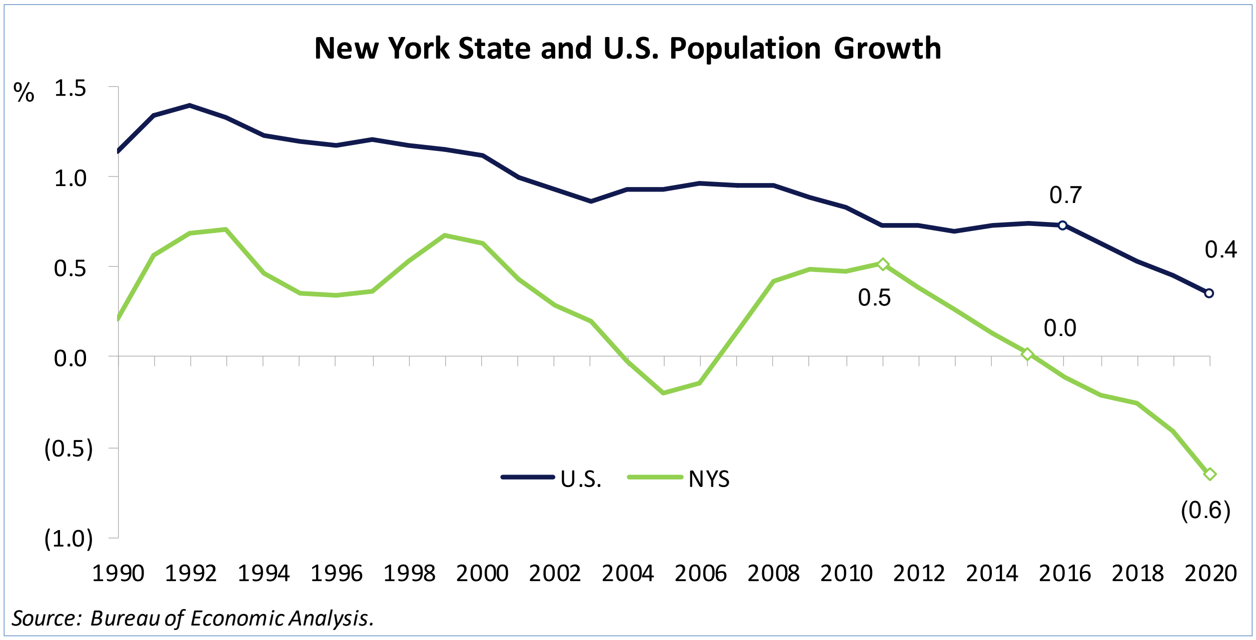
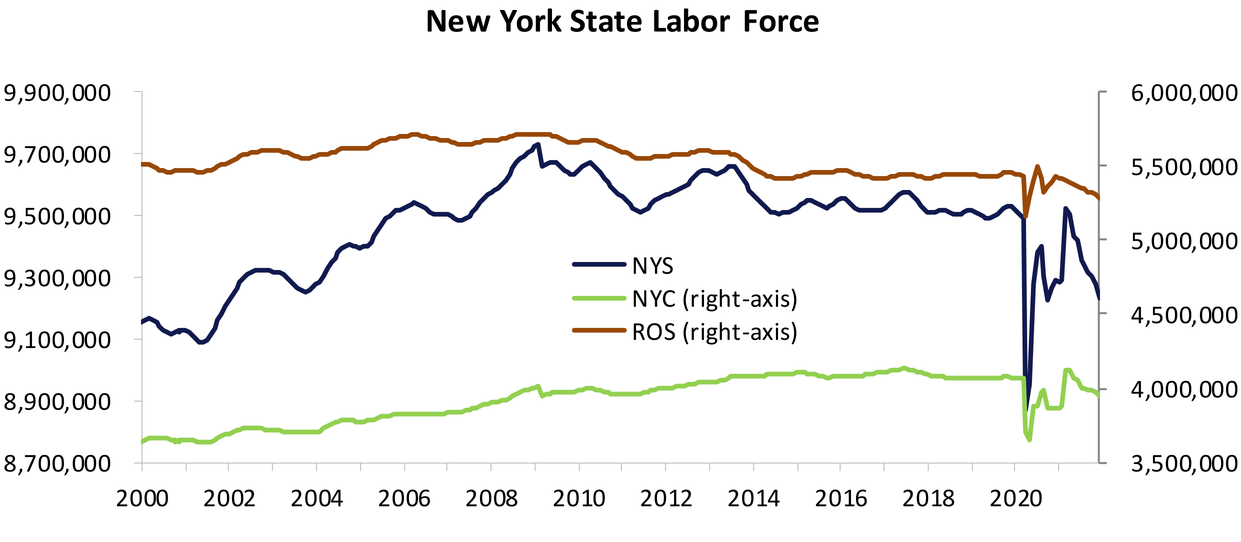


Figure 46

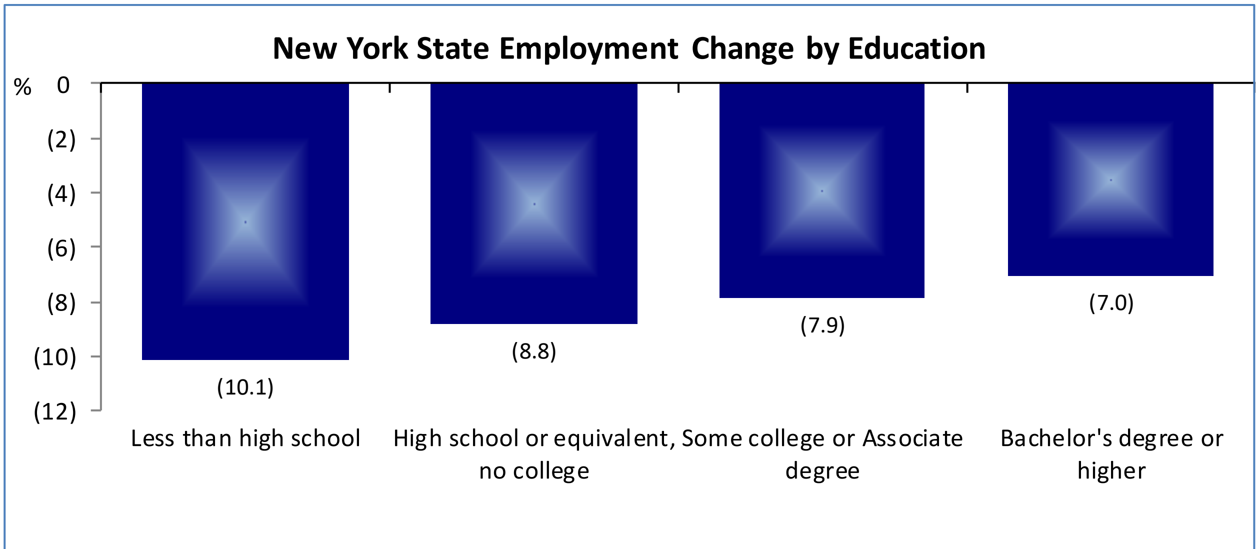
Unlike population, the labor force in the State has been relatively stable for the past several years. As millions of workers lost their jobs during the pandemic, many have been discouraged and have dropped out of the labor force because they did not believe that they could find a suitable job. As a result, the labor force in the State fell sharply during the pandemic. The State's labor force dropped by more than 600,000 from the pre-pandemic level in February 2020 to April 2020, or 6.7 percent. This decline was much more severe than during the Great Recession (see Figure 47). The decline in the labor force is more notable in New York City, where the labor force declined by 10.1 percent from February 2020 to April 2020. The labor force for the rest of the State fell by much less at 5.0 percent. Although the State's labor force has rebounded following the pandemic, it started to trend downward again in the recent months. As of December 2021, the labor force in both New York City and the rest of the State remained 2.9 percent below their pre-pandemic level in February 2020.



Note: Data are in thousands. Data are monthly from January 2000 to December 2021.
Source: U.S. Bureau of Labor Statistics.

Figure 47

Employment declined sharply in the second quarter of 2020 as the pandemic hit in the State. However, the rate of jobs loss was lower for individuals with a higher level of education, because these people generally had jobs that transitioned well to work-from-home. From the second quarter of 2019 to the second quarter of 2020, 10.1 percent of people without a high school diploma lost their jobs, while only 7.0 percent of workers who has a bachelor's degree or higher did (see Figure 48).



Note: Data represent the changes from 2019:Q2 to 2020:Q2.
Source: U.S.Census Bureau.

Figure 48

In New York State, Asian workers lost their jobs at a higher rate than other races. From the second quarter of 2019 to the second quarter of 2020, Asian workers lost 10.6 percent of their jobs, compared to 9.3 percent for White workers and 8.6 percent for Black workers (see Figure 49). This is due in part to the fact that Asians have a higher rate of employment in the accommodation and food services sector, which was hit particularly hard during the pandemic.

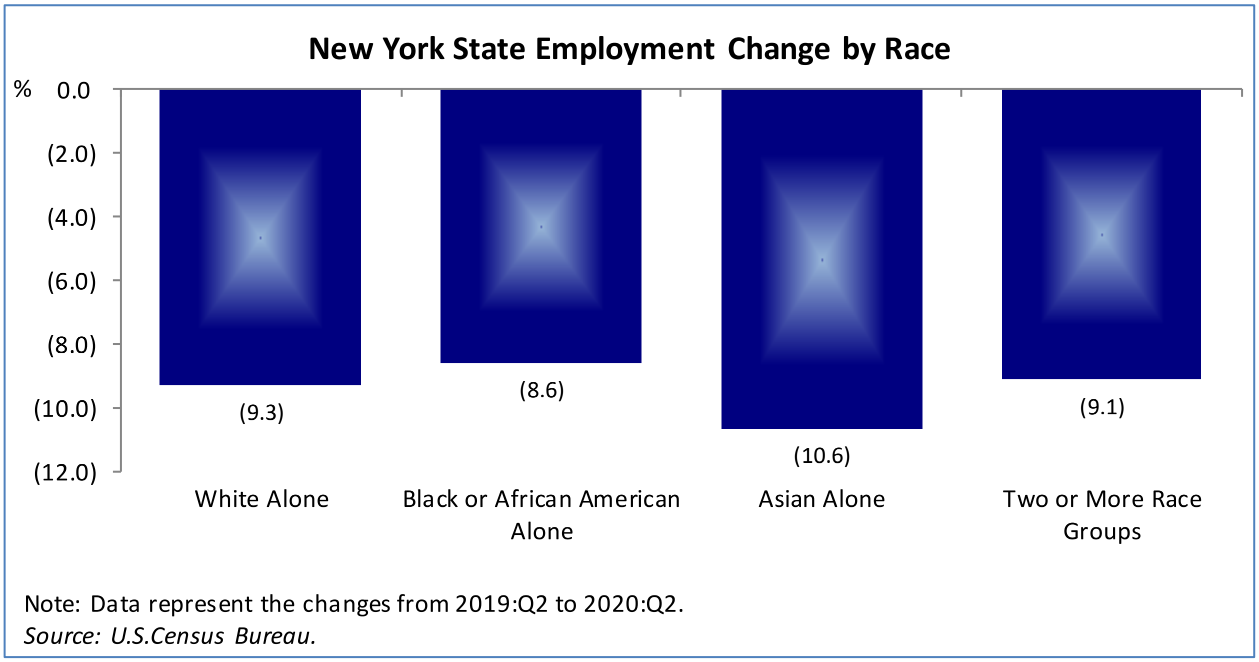


Figure 49

Younger workers have had disproportionately high job loss, in part, because of their concentration in the accommodation and food services and retail trade sectors, which are the two sectors that were adversely impacted the most by COVID-19. Almost 30 percent of those under the age of 18 lost their jobs from the second quarter of 2019 to the second quarter of 2020, while only 6.8 percent of workers between the ages of 35 to 44 years did during the same period (see Figure 50).

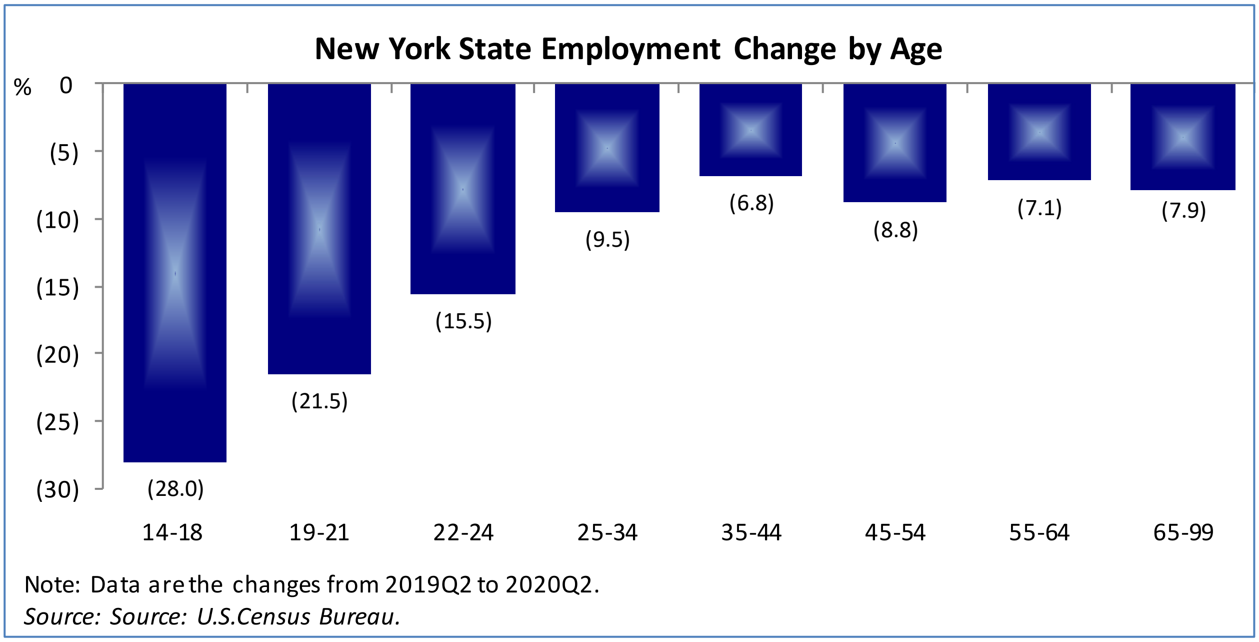

New York State Employment Change by Age
%
0
(5)
(10)
(15)
(20)
(25)
(30)
(28.0)
(21.5)
(15.5)
(9.5)
(6.8)
(8.8)
(7.1)
(7.9)
14-18
19-21
22-24
25-34
35-44
45-54
55-64
65-99
Note: Data are the changes from 2019Q2 to 2020Q2.
Source: Source: U.S.Census Bureau.

Figure 50

Tourism

Travel and tourism is an important sector in the State. It is estimated that travel and tourism generated more than $16.4 billion in tax revenue, and supported over 544,500 jobs, or about 5.7 percent of the State's total private employment in 2019, most of which are in New York City.[33] The falling number of tourists led to massive job cuts in the hotel industry. According to the American Hotel and Lodging Association, New York State has lost over 470,000 hotel supported jobs and about $1.3 billion in tax revenue due to the pandemic.[34,35]

Within the State, Manhattan was particularly hard hit by the decline of tourism. New York City is one of the major tourist destinations in the world. The number of visitors to New York City has been increasing every year since 2010. In 2019, over 66 million people visited New York City, of which 13.5 million were international visitors. Almost 40 million hotel nights were sold in New York City in 2019, a 2.3 percent increase from 2018. The demand for hotel rooms in the City remained strong in the first two months of 2020, with a total of 5.7 million hotel nights sold, an increase of 6.9 percent from the same period in 2019.[36]

All of that ended in March 2020 when the pandemic hit the City. To contain the spread of the disease, New York State and nations around the globe implemented measures that limited mobility and resulted in a decrease in economic activity that led to a huge drop in the demand for travel. As a result, both foreign and domestic visitors to New York City fell sharply by 44.3 percent from 66.6 million in 2019 to 22.3 million in 2020 (see Figure 51).

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[33] U.S. Travel Association, The economic impact of the travel industry: New York State, https://www.ustravel.org/sites/default/files/media_root/economic-impact-map/states/current/Travel_Impact_NY.pdf, last access September 30, 2021.

[34] American Hotel and Lodging Association, STATE-BY-STATE JOB LOSS: COVID-19 CONTINUES TO DEVASTATE HOTEL INDUSTRY, https://www.ahla.com/sites/default/files/Fact%20Sheet_2021%20State%20COVID19%20Impact.pdf.

[35] American Hotel and Lodging Association, $16.8 billion LOSS IN STATE, LOCAL TAX REVENUE FROM HOTELS IN 2020 DUE TO COVID-19, https://www.ahla.com/press-release/report-168-billion-loss-state-local-tax-revenue-hotels-2020-due-COVID-19.

[36] NYC & Company, NYC Hotel Occupancy, ADR & Room Demand - 5 Year Trend Report, https://assets.simpleviewinc.com/simpleview/image/upload/v1/clients/newyorkcity/FYI_HotelPerformance_5Year_22821_dk_82d984c7-b953-4b74-a906-0db91402564b.pdf.

Source: NYC & Company.

Figure 51

As the number of visitors dropped, hotel industry performance in Manhattan also deteriorated significantly in 2020 as the demand for hotel rooms in the City plunged. Total hotel room nights sold fell sharply by almost 60 percent from 38.8 million to 16.4 million. The hotel occupancy rate in Manhattan fell from 87.5 percent in 2019 to 44.1 percent in 2020. Similarly, the average daily rate in Manhattan fell by almost half from $285 in 2019 to $144 in 2020. Faced with low demand, many hotels decided to close their doors. As a result, the average annual inventory fell 26.7 percent from 121,500 rooms in 2019 to 89,000 in 2020. Although hotel industry performance improved in 2021 amid increase demand, all indicators remained below their pre-pandemic level (see Figure 52).[37]

The decline in travel demand has caused an adverse impact on the local economy. According to the Office of the New York State Comptroller, visitors spending dropped from $47.4 billion in 2019 to an estimated $13.0 billion in 2020, a 72.6 percent decline. This led to a decline in tax revenue of $1.2 billion.[38] As foreign countries reopen their economies, travel and

[37] NYC & Company, NYC Hotel Occupancy, ADR & Room Demand - 5 Year Trend Report, https://assets.simpleviewinc.com/simpleview/image/upload/v1/clients/newyorkcity/FYI_HotelPerformance_5Year_22821_dk_82d984c7-b953-4b74-a906-0db91402564b.pdf.

[38] Office of the State Comptroller, The Tourism Industry in New York City: Reigniting the Return, https://www.osc.state.ny.us/files/reports/osdc/pdf/report-2-2022.pdf.

tourism activities will continue to grow. NYC & Company forecasted that the total number of visitors to New York City will not return to the pre-pandemic level until 2024.[39]

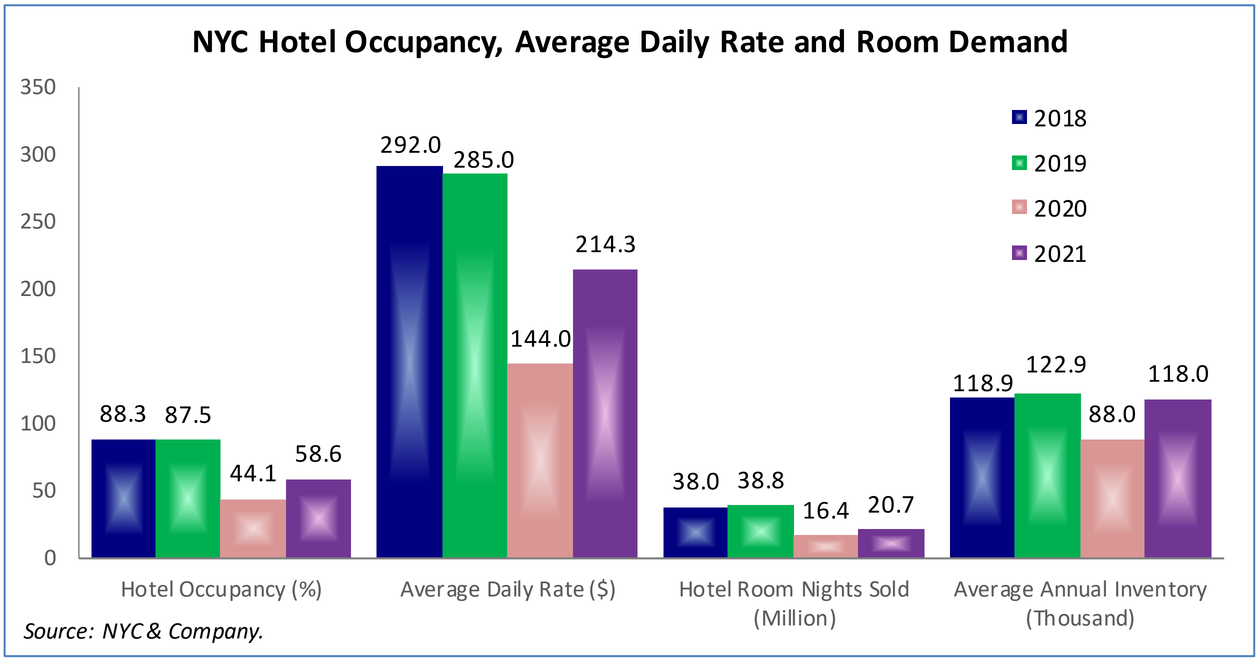


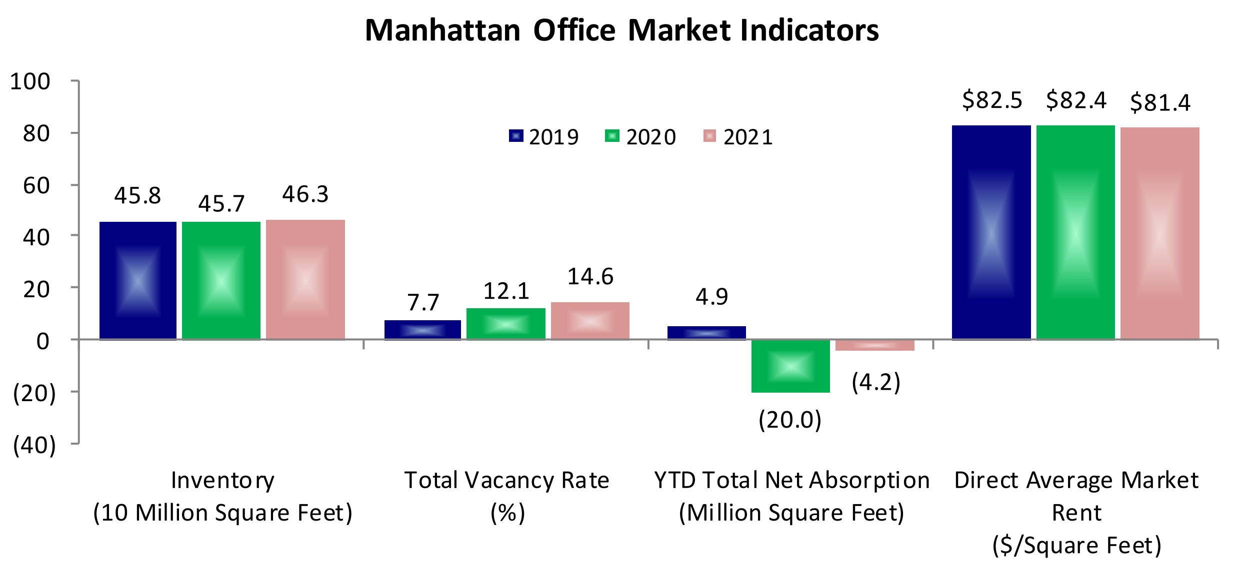
Figure 52

[39] NYC & Company, NYC Travel Trend Outlook 2020-2024, https://assets.simpleviewinc.com/simpleview/image/upload/v1/clients/newyorkcity/NYC_Travel_Trend_Outlook_2020_final_dc3bbb51-6ae4-4694-9914-25eb7f85941b.pdf.

Office Market

The office market was also impacted heavily during the pandemic as companies were forced to lay off their workers or move staff to work from home. As a result, demand for office space fell sharply. As the largest office market in the United States, with over 460 million square feet of office space, Manhattan's office market suffered severely during the pandemic.[40]

After a strong leasing year in 2019 with net absorption of 4.9 million square feet,[41] office leasing activity in Manhattan has fallen sharply since the pandemic started. Net absorption for office space in Manhattan was negative 20 million square feet in 2020. Although the leasing activities have rebounded, net absorption remained at negative 4.2 million square feet in 2021. In addition, more than three million square feet of space has been added in 2021. As a result, overall Manhattan office vacancy rate rose from 7.7 percent in 2019 to 12.1 percent in 2020 and rose further to 14.6 percent in 2021. Despite rising vacancy rate, the direct average market rent in Manhattan remains stable at around $81-$82 per square foot (see Figure 53). [42]



Source: Jones Lang LaSalle.

Figure 53

[40] Jones Lang LaSalle, United States Office Outlook – Q2 2021.

[41] Net absorption is the total amount of space that tenants physically moved into minus total amount of space that tenants physically moved out of.

[42] Jones Lang LaSalle, New York Office Insight – Q4 2021.

Although employment in most sectors is expected to grow in the next few years, this recovery does not necessarily translate to an increase in office space leasing. If workers can be as productive working from home, some firms might permanently shift their workers to work from home at least partially to reduce office expenses. According to the Survey of Working Arrangements and Attitudes, about 55.6 percent of U.S. workers will be working fully on site after the end of the pandemic, while 29 percent will be working hybrid and another 15.4 percent will be working fully from home.[43] This will reduce demand for office space even as office employment rises, which may have an adverse impact on New York City, especially when there are over 20 million square feet of additional office space currently under construction.

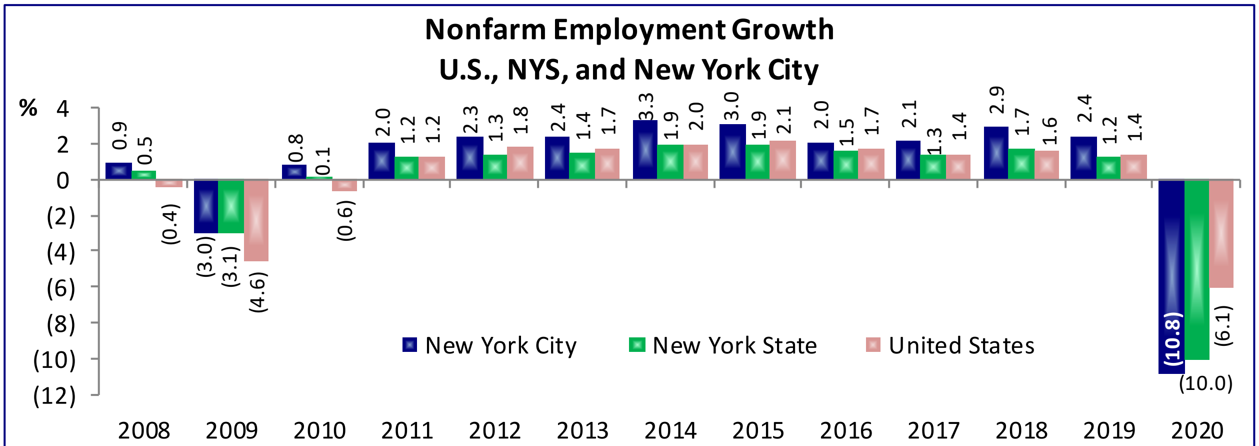
[43] WFH Research, SWAA January 2022 Updates , https://wfhresearch.com/wp-content/uploads/2022/01/WFHResearch_updates_January2022.pdf

NEW YORK STATE REGIONAL SNAPSHOTS

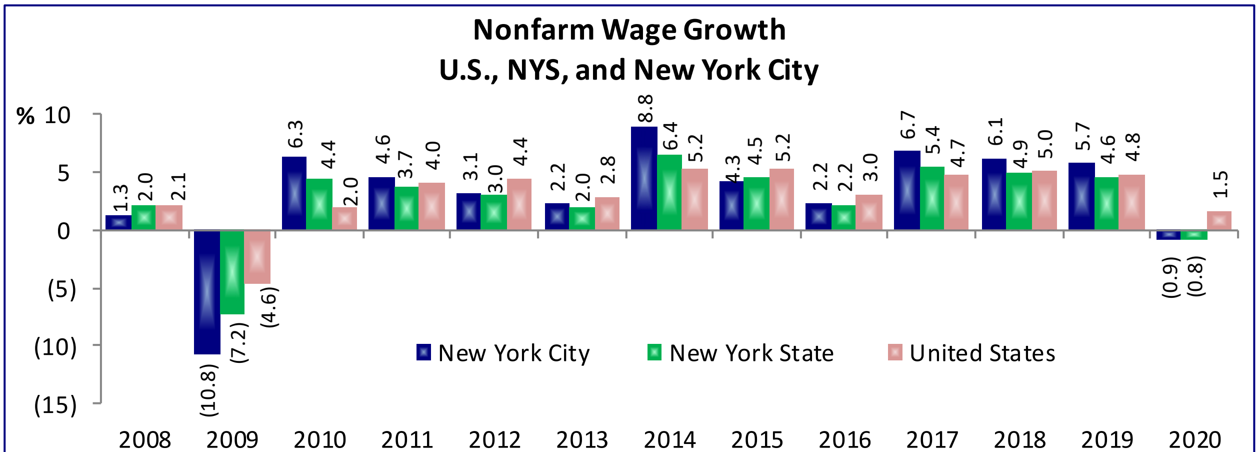
New York City

Key Economic Indicators 2020			
Employment (million)	3.996	Share of State Personal Income (%)	47.1
Share of State Employment (%)	46.7	Per Capita Personal Income	$82,097
Unemployment Rate (12/2021) (%)	7.9	Population (million)	8.25
Total Wages (billion)	$424.9	Share of State Population (%)	42.7
Share of State Wages (%)	59.6	Population Growth (%)	(1.1)
Average Wage	$106,311	Persons in Poverty	1,311,496
Personal Income (billion)	$677.6	Poverty Rate (%)	15.9

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

New York City

Employment and Wages Change by Sector									
	Average Wage 2020	Employment				Wages			
		The Great Recession		The Pandemic		The Great Recession		The Pandemic	
		Level	%	Level	%	Million $	%	Million $	%
Total Nonfarm	**$106,311**	**(108,973)**	**(3.0)**	**(485,164)**	**(10.8)**	**(31,855)**	**(10.8)**	**(3,736)**	**(0.9)**
Private	$110,143	(107,225)	(3.4)	(485,647)	(12.4)	(32,441)	(12.2)	(4,974)	(1.3)
Leisure & Hospitality	$49,006	(1,674)	(0.5)	(188,705)	(40.8)	(198)	(1.8)	(8,252)	(38.1)
Other Services[1]	$71,466	(12,875)	(3.9)	(93,620)	(20.8)	(951)	(6.3)	(3,263)	(11.4)
Manufacturing[2]	$67,876	(13,743)	(14.4)	(13,703)	(20.6)	(832)	(16.5)	(675)	(15.8)
Retail Trade	$50,879	(8,695)	(2.9)	(58,813)	(17.2)	(585)	(5.6)	(1,542)	(9.7)
Construction	$87,212	(11,502)	(8.9)	(21,438)	(13.7)	(670)	(7.6)	(1,378)	(10.5)
Management	$216,011	(1,820)	(3.0)	(9,922)	(13.6)	(1,695)	(15.7)	(733)	(5.1)
Transportation & Utilities[3]	$69,116	(4,465)	(3.6)	(19,323)	(13.3)	(265)	(4.1)	(952)	(9.8)
Wholesale Trade	$105,463	(9,165)	(6.6)	(16,566)	(12.7)	(852)	(8.1)	(667)	(5.3)
Real Estate, Rental, & Leasing	$90,039	(3,663)	(3.1)	(8,173)	(6.1)	(693)	(9.3)	(198)	(1.7)
Education & Health Care[4]	$60,516	12,920	1.9	(40,346)	(4.1)	1,344	4.2	1,418	2.6
Professional Services	$151,057	(18,775)	(5.6)	(8,192)	(2.0)	(2,643)	(7.4)	2,521	4.3
Finance & Insurance	$325,372	(27,473)	(8.1)	(5,359)	(1.6)	(23,109)	(24.4)	4,991	4.8
Information	$174,721	(8,460)	(5.4)	(2,231)	(1.1)	(1,361)	(8.2)	3,602	11.4
Government	$83,580	(1,748)	(0.3)	483	0.1	587	2.0	1,238	2.6

Note: Industries ranked by percent employment lost during pandemic.

[1] Does not include administrative, support, and waste

[2] Does not include mining.

[3] Transportation, warehousing, and utilities.

[4] Includes only private employment. Public education and health care employment is included in the government sector.

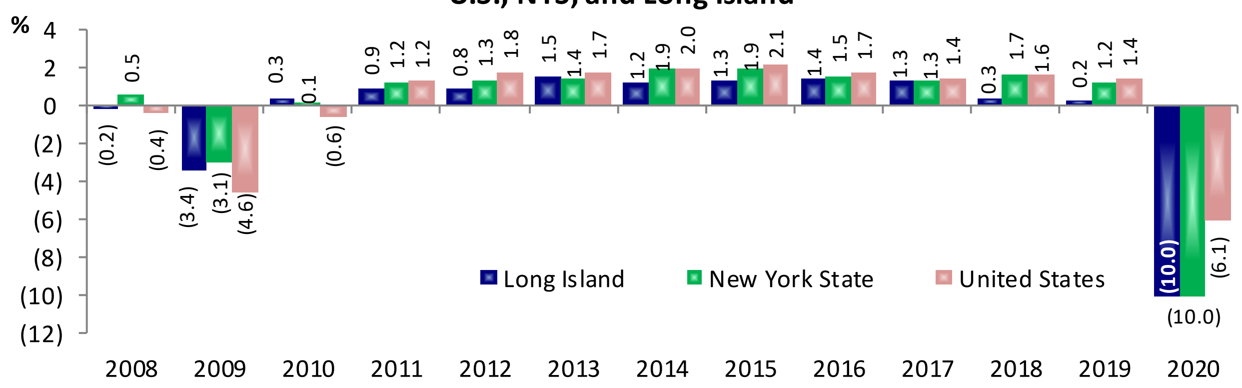
Source: Bureau of Labor Statistics.

Long Island

Key Economic Indicators 2020			
Employment (million)	1.164	Share of State Personal Income (%)	16.7
Share of State Employment (%)	13.6	Per Capita Personal Income	$86,058
Unemployment Rate (12/2021) (%)	2.6	Population (million)	2.83
Total Wages (billion)	$80.7	Share of State Population (%)	14.6
Share of State Wages (%)	11.3	Population Growth (%)	(1.1)
Average Wage	$69,343	Persons in Poverty	163,320
Personal Income (billion)	$243.2	Poverty Rate (%)	5.8

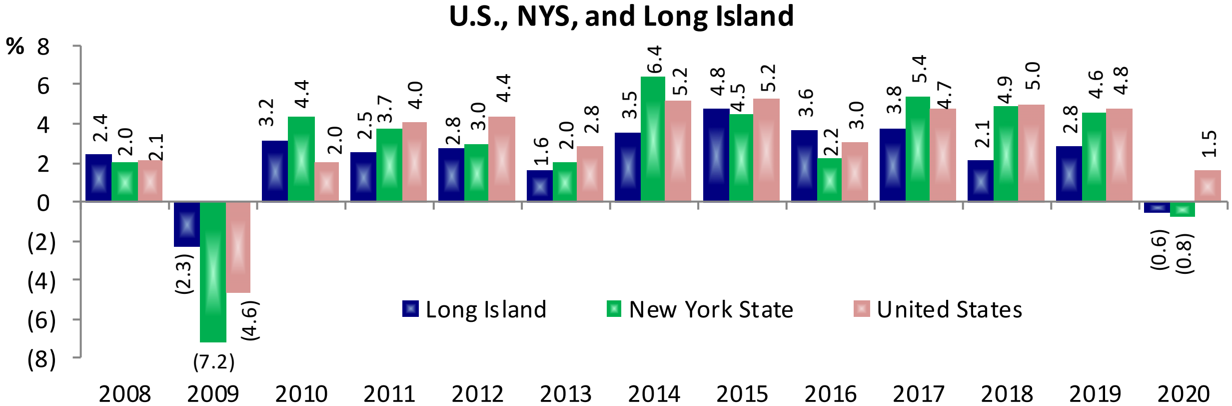
Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.

Nonfarm Employment Growth
U.S., NYS, and Long Island



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Nonfarm Wage Growth
U.S., NYS, and Long Island



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Long Island

Employment and Wages Change by Sector									
	Average Wage 2020	Employment				Wages			
		The Great Recession		The Pandemic		The Great Recession		The Pandemic	
		Level	%	Level	%	Million $	%	Million $	%
Total Nonfarm	**$69,343**	**(41,722)**	**(3.4)**	**(129,621)**	**(10.0)**	**(1,421.1)**	**(2.3)**	**(466.6)**	**(0.6)**
Private	$67,145	(41,597)	(4.0)	(121,837)	(11.0)	(1,664.2)	(3.3)	(563.9)	(0.8)
Leisure & Hospitality	$30,835	(1,399)	(1.4)	(31,462)	(24.7)	(107.9)	(4.9)	(659.7)	(18.2)
Other Services[1]	$48,495	(7,714)	(6.6)	(17,931)	(14.0)	(241.4)	(6.1)	(191.9)	(3.5)
Retail Trade	$41,542	(8,743)	(5.4)	(20,107)	(12.8)	(279.7)	(5.8)	(222.1)	(3.8)
Construction	$78,944	(7,865)	(11.1)	(8,970)	(11.0)	(369.8)	(8.9)	(545.4)	(8.7)
Transportation & Utilities[2]	$65,372	(1,963)	(5.3)	(4,281)	(10.4)	(119.1)	(6.4)	(75.6)	(3.0)
Wholesale Trade	$87,679	(4,371)	(6.6)	(5,947)	(9.5)	(262.3)	(5.9)	(243.5)	(4.7)
Information	$107,315	523	2.0	(1,225)	(8.1)	194.6	10.8	70.9	5.0
Manufacturing[3]	$73,354	(6,434)	(8.0)	(5,435)	(7.7)	(283.5)	(6.2)	(121.0)	(2.5)
Education & Health Care[4]	$65,348	3,578	1.7	(19,185)	(7.2)	501.9	5.3	295.2	1.9
Management	$123,134	224	1.4	(966)	(7.0)	(39.8)	(2.8)	(17.9)	(1.1)
Real Estate, Rental, & Leasing	$76,184	(908)	(5.3)	(1,099)	(6.2)	(97.5)	(10.5)	26.7	2.1
Professional Services	$87,678	(2,903)	(4.0)	(4,364)	(5.8)	(84.5)	(1.8)	(146.3)	(2.3)
Government	$81,756	(125)	(0.1)	(7,784)	(4.3)	243.2	2.1	97.3	0.7
Finance & Insurance	$157,149	(4,497)	(7.9)	(1,110)	(2.3)	(510.1)	(9.0)	1,204.8	19.2

Note: Industries ranked by percent employment lost during pandemic.

[1] Does not include administrative, support, and waste

[2] Transportation, warehousing, and utilities.

[3] Does not include mining.

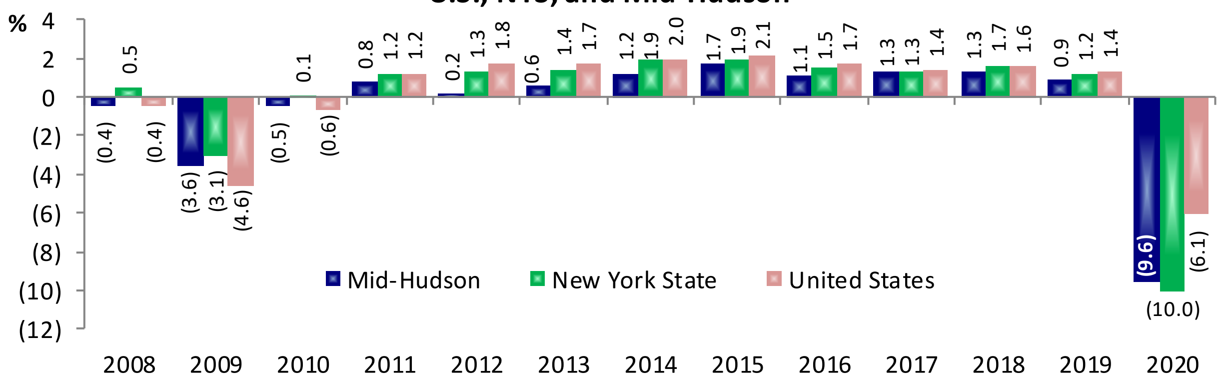
[4] Includes only private employment. Public education and health care employment is included in the government sector.

Source: Bureau of Labor Statistics.

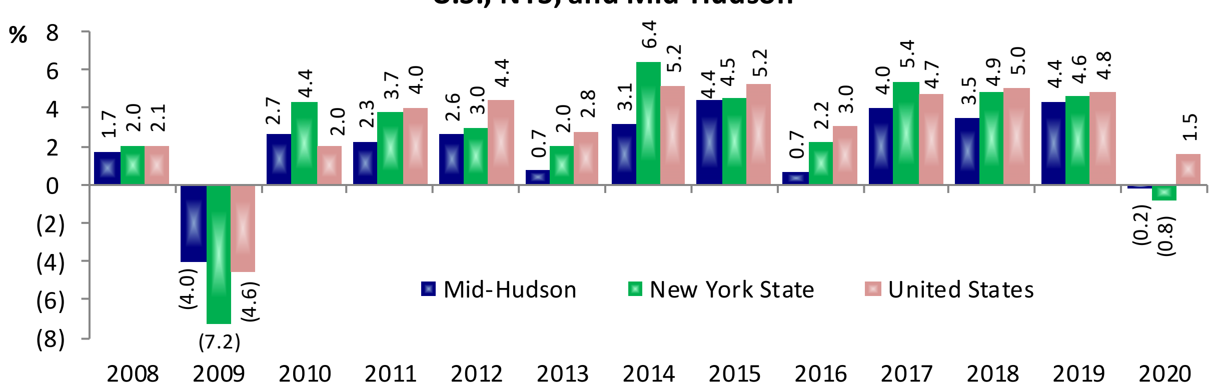
Mid-Hudson

Key Economic Indicators 2020			
Employment (million)	0.845	Share of State Personal Income (%)	13.5
Share of State Employment (%)	9.9	Per Capita Personal Income	$77,722
Unemployment Rate (12/2021) (%)	2.7	Population (million)	2.32
Total Wages (billion)	$58.6	Share of State Population (%)	12.0
Share of State Wages (%)	8.2	Population Growth (%)	(0.1)
Average Wage	$69,406	Persons in Poverty	217,446
Personal Income (billion)	$180.5	Poverty Rate (%)	9.4

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Mid-Hudson

Employment and Wages Change by Sector									
	Average Wage 2020	Employment				Wages			
		The Great Recession		The Pandemic		The Great Recession		The Pandemic	
		Level	%	Level	%	Million $	%	Million $	%
Total Nonfarm	**$69,406**	**(31,858)**	**(3.6)**	**(89,518)**	**(9.6)**	**(1,865.4)**	**(4.0)**	**(103.0)**	**(0.2)**
Private	$67,491	(30,878)	(4.2)	(83,307)	(10.6)	(2,127)	(5.7)	(189)	(0.4)
Leisure & Hospitality	$30,287	(1,315)	(1.8)	(26,774)	(28.4)	(45.1)	(2.9)	(595.0)	(22.5)
Transportation & Utilities[1]	$70,444	(813)	(2.7)	(4,442)	(13.7)	(40.4)	(2.5)	(161.6)	(7.6)
Other Services[2]	$45,648	(4,103)	(5.3)	(11,664)	(12.7)	(117.6)	(4.6)	(227.1)	(5.8)
Construction	$74,021	(7,770)	(15.4)	(5,616)	(10.0)	(449.1)	(15.4)	(349.3)	(8.6)
Retail Trade	$38,932	(5,584)	(4.9)	(11,184)	(10.0)	(167.3)	(5.1)	(38.4)	(1.0)
Information	$94,507	(2,015)	(9.6)	(1,112)	(7.8)	(106.6)	(7.0)	48.6	4.1
Education & Health Care[3]	$57,956	2,504	1.5	(14,340)	(7.0)	261.7	3.7	99.4	0.9
Real Estate, Rental, & Leasing	$72,484	(729)	(4.6)	(1,125)	(6.7)	(47.7)	(6.1)	45.6	4.2
Manufacturing[4]	$88,901	(5,411)	(9.5)	(2,873)	(6.6)	(462.3)	(10.3)	(37.3)	(1.0)
Wholesale Trade	$83,712	(2,010)	(6.1)	(1,744)	(5.7)	(167.9)	(7.1)	(74.0)	(3.0)
Government	$78,919	(980)	(0.6)	(6,211)	(4.2)	261.6	2.9	86.5	0.8
Management	$164,136	(222)	(1.7)	(466)	(3.6)	(183.8)	(8.4)	(199.6)	(9.0)
Professional Services	$140,340	(1,599)	(3.7)	(1,656)	(3.6)	(84.9)	(2.6)	1,203.6	24.0
Finance & Insurance	$155,298	(2,067)	(6.4)	(673)	(2.4)	(522.6)	(14.9)	64.8	1.6

Note: Industries ranked by percent employment lost during pandemic.

[1] Transportation, warehousing, and utilities.

[2] Does not include administrative, support, and waste

[3] Includes only private employment. Public education and health care employment is included in the government sector.

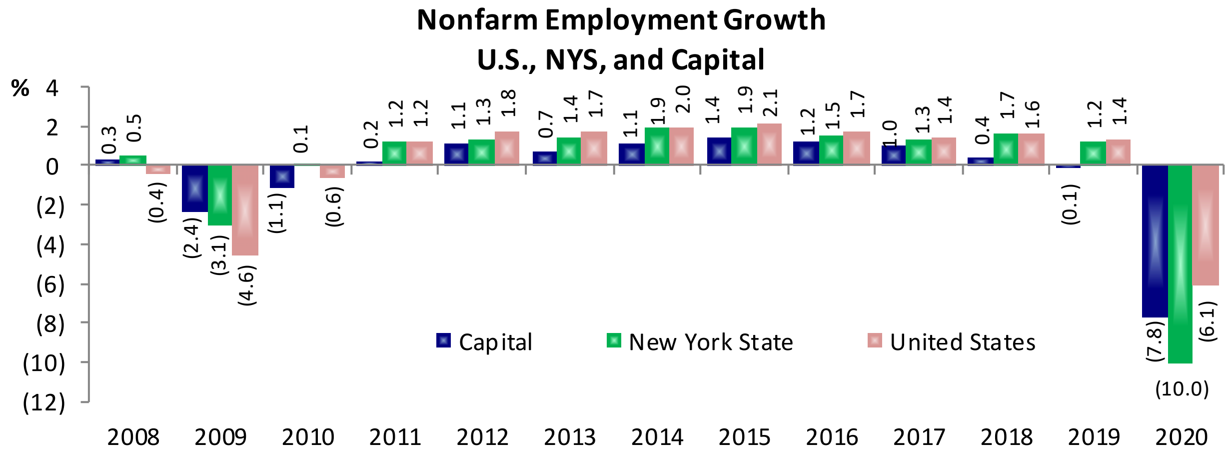
[4] Does not include mining.

Source: Bureau of Labor Statistics.

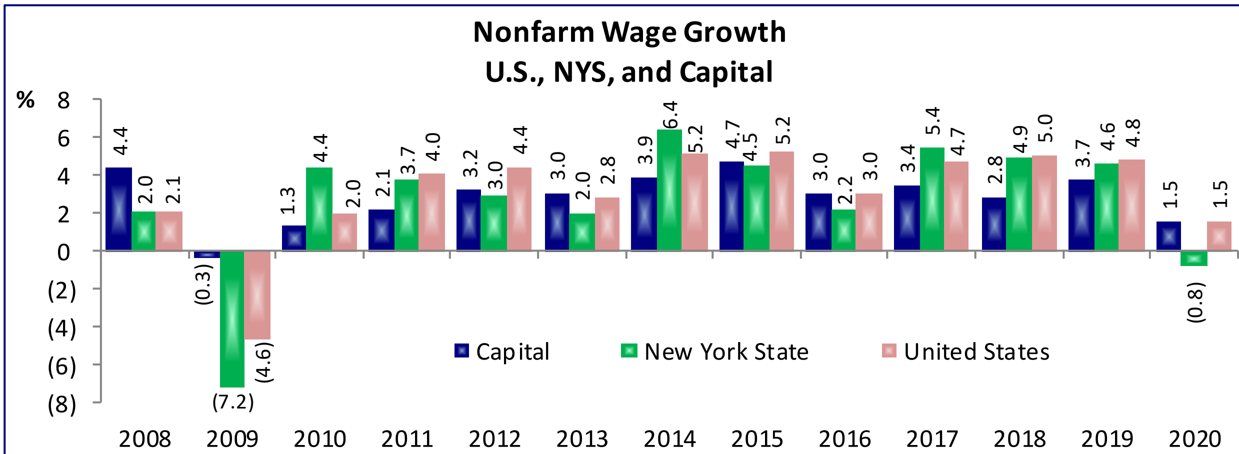
Capital District

Key Economic Indicators 2020			
Employment (million)	0.485	Share of State Personal Income (%)	4.6
Share of State Employment (%)	5.7	Per Capita Personal Income	$63,475
Unemployment Rate (12/2021) (%)	2.6	Population (million)	1.08
Total Wages (billion)	$29.7	Share of State Population (%)	5.6
Share of State Wages (%)	4.2	Population Growth (%)	(0.2)
Average Wage	$61,272	Persons in Poverty	102,434
Personal Income (billion)	$68.5	Poverty Rate (%)	9.5

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Capital District

Employment and Wages Change by Sector									
	Average Wage 2020	Employment				Wages			
		The Great Recession		The Pandemic		The Great Recession		The Pandemic	
		Level	%	Level	%	Million $	%	Million $	%
Total Nonfarm	**$61,272**	**(11,956)**	**(2.4)**	**(40,843)**	**(7.8)**	**(68.7)**	**(0.3)**	**442.0**	**1.5**
Private	$60,291	(11,355)	(2.9)	(36,077)	(8.8)	(185)	(1.2)	401	1.8
Leisure & Hospitality	$24,917	(379)	(0.9)	(15,017)	(28.8)	(14.3)	(2.0)	(300.8)	(24.6)
Other Services[1]	$42,602	(2,458)	(6.4)	(5,487)	(13.6)	(43.4)	(3.9)	(41.8)	(2.7)
Real Estate, Rental, & Leasing	$56,284	(519)	(8.5)	(551)	(8.3)	(9.6)	(4.7)	5.1	1.5
Retail Trade	$35,660	(2,497)	(4.2)	(4,096)	(7.2)	(63.6)	(4.1)	38.3	2.1
Education & Health Care[2]	$53,484	1,030	1.2	(6,010)	(6.1)	187.5	5.7	91.1	1.9
Wholesale Trade	$81,207	(391)	(2.7)	(677)	(4.5)	(24.9)	(2.9)	15.7	1.3
Information	$83,534	(250)	(2.3)	(399)	(4.5)	(19.2)	(3.1)	(42.0)	(5.5)
Management	$92,669	(455)	(5.9)	(310)	(4.2)	(27.4)	(5.7)	36.1	5.9
Government	$64,663	(601)	(0.5)	(4,766)	(4.2)	116.3	2.0	41.3	0.6
Construction	$72,851	(1,387)	(6.6)	(750)	(3.4)	(31.9)	(3.1)	31.0	2.1
Professional Services	$92,744	(639)	(2.0)	(965)	(3.0)	(5.3)	(0.2)	80.2	2.8
Manufacturing[3]	$91,091	(2,875)	(8.9)	(1,033)	(2.9)	(149.7)	(8.1)	328.0	11.8
Transportation & Utilities[4]	$60,800	(78)	(0.6)	(363)	(2.4)	(2.5)	(0.4)	51.4	6.2
Finance & Insurance	$98,303	(500)	(2.3)	(443)	(2.0)	21.3	1.6	101.2	5.0

Note: Industries ranked by percent employment lost during pandemic.

[1] Does not include administrative, support, and waste

[2] Includes only private employment. Public education and health care employment is included in the government sector.

[3] Does not include mining.

[4] Transportation, warehousing, and utilities.

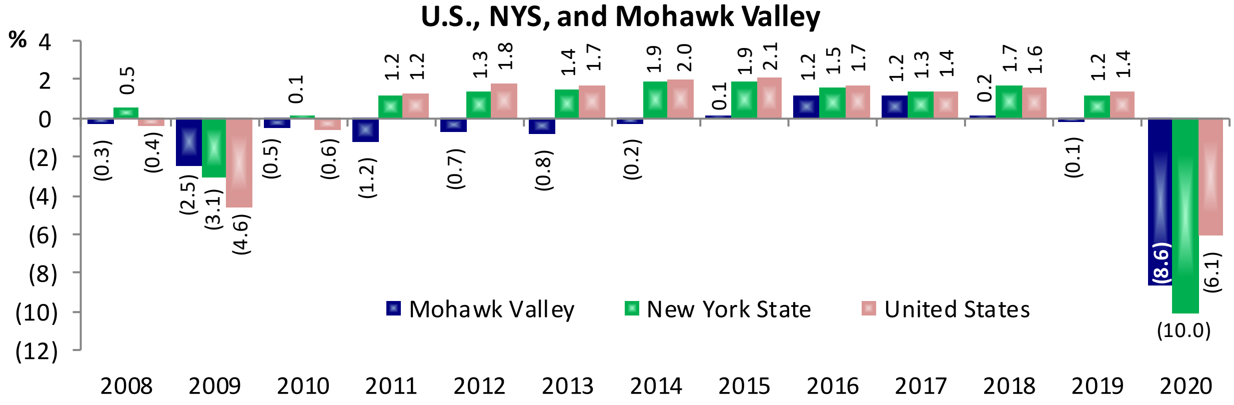
Source: Bureau of Labor Statistics.

Mohawk Valley

Key Economic Indicators 2020			
Employment (million)	0.154	Share of State Personal Income (%)	1.4
Share of State Employment (%)	1.8	Per Capita Personal Income	$49,007
Unemployment Rate (12/2021) (%)	3.2	Population (million)	0.43
Total Wages (billion)	$7.3	Share of State Population (%)	2.2
Share of State Wages (%)	1.0	Population Growth (%)	(0.5)
Average Wage	$47,562	Persons in Poverty	50,430
Personal Income (billion)	$20.9	Poverty Rate (%)	11.8

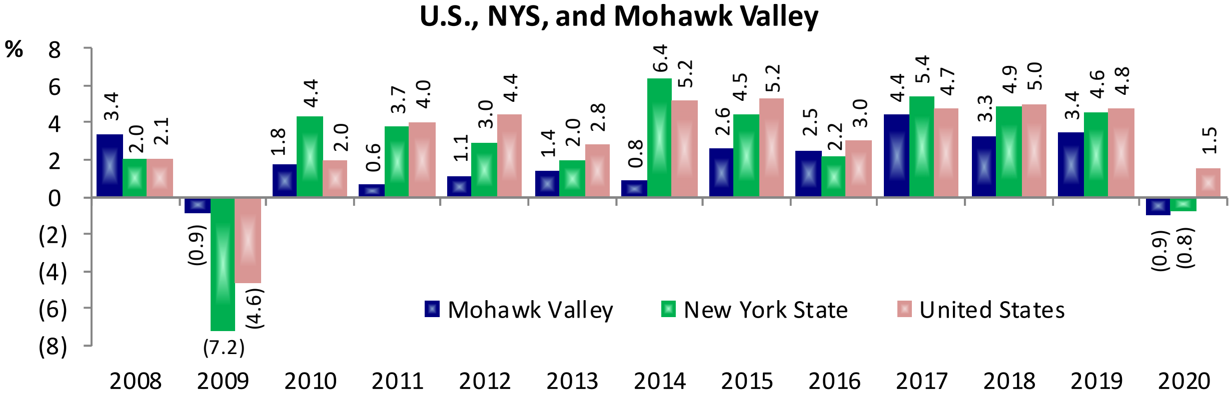
Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.

Nonfarm Employment Growth
U.S., NYS, and Mohawk Valley



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Nonfarm Wage Growth
U.S., NYS, and Mohawk Valley



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Mohawk Valley

Employment and Wages Change by Sector									
	Average Wage 2020	Employment				Wages			
		The Great Recession		The Pandemic		The Great Recession		The Pandemic	
		Level	%	Level	%	Million $	%	Million $	%
Total Nonfarm	**$47,562**	**(4,286)**	**(2.5)**	**(14,500)**	**(8.6)**	**(51.2)**	**(0.9)**	**(67.9)**	**(0.9)**
Private	$45,444	(3,711)	(2.8)	(11,876)	(9.3)	(76)	(1.8)	(46)	(0.9)
Leisure & Hospitality	$21,721	39	0.3	(3,839)	(25.6)	4.0	2.3	(77.2)	(24.2)
Information	$54,832	(151)	(4.8)	(211)	(14.2)	(8.6)	(6.8)	(4.5)	(6.1)
Other Services[1]	$34,097	(943)	(9.3)	(1,158)	(12.8)	(17.7)	(7.7)	(11.6)	(4.1)
Manufacturing[2]	$56,103	(1,784)	(9.5)	(1,954)	(11.6)	(57.3)	(7.6)	(49.2)	(5.5)
Wholesale Trade	$57,377	(54)	(1.3)	(423)	(10.8)	(7.0)	(3.8)	(17.3)	(7.9)
Real Estate, Rental, & Leasing	$40,144	(115)	(8.6)	(85)	(9.2)	(3.7)	(10.4)	0.3	0.9
Education & Health Care[3]	$45,440	949	2.9	(2,761)	(7.6)	65.9	6.1	11.2	0.7
Management	$72,193	(62)	(5.1)	(62)	(7.0)	(0.3)	(0.5)	(1.7)	(2.8)
Government	$54,153	(575)	(1.3)	(2,624)	(6.5)	24.6	1.4	(21.7)	(1.1)
Transportation & Utilities[4]	$54,125	(364)	(4.3)	(468)	(5.6)	(6.5)	(2.0)	31.2	7.9
Retail Trade	$32,356	(696)	(3.3)	(632)	(3.3)	(13.7)	(2.8)	34.0	6.0
Construction	$59,228	(354)	(7.0)	(136)	(2.9)	(9.8)	(4.5)	11.8	4.6
Finance & Insurance	$67,097	(416)	(5.5)	(138)	(2.0)	(19.6)	(5.4)	18.4	4.1
Professional Services	$66,408	200	4.4	(73)	(1.7)	(2.1)	(0.9)	6.6	2.4

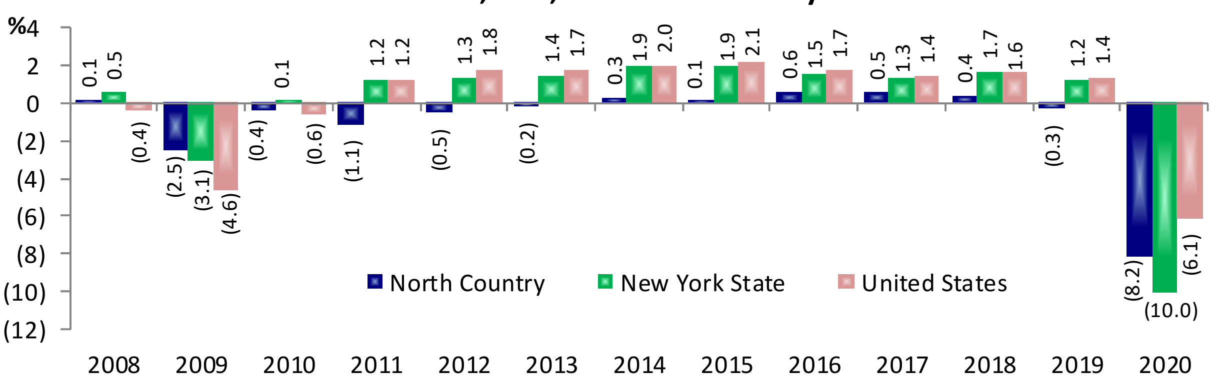
Note: Industries ranked by percent employment lost during pandemic.
[1] Does not include administrative, support, and waste
[2] Does not include mining.
[3] Includes only private employment. Public education and health care employment is included in the government sector.
[4] Transportation, warehousing, and utilities.
Source: Bureau of Labor Statistics.

North Country

Key Economic Indicators 2020			
Employment (million)	0.135	Share of State Personal Income (%)	1.3
Share of State Employment (%)	1.6	Per Capita Personal Income	$48,174
Unemployment Rate (12/2021) (%)	3.2	Population (million)	0.41
Total Wages (billion)	$6.6	Share of State Population (%)	2.1
Share of State Wages (%)	0.9	Population Growth (%)	(0.8)
Average Wage	$48,623	Persons in Poverty	49,385
Personal Income (billion)	$19.7	Poverty Rate (%)	12.1

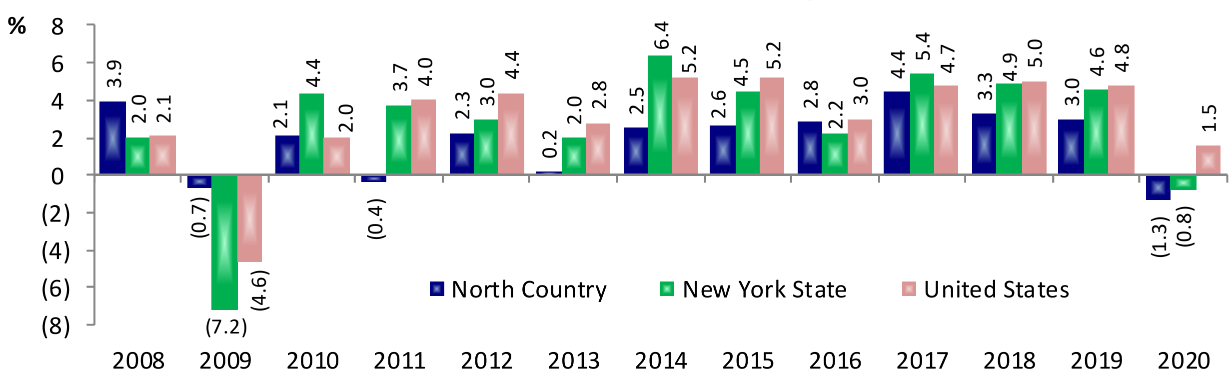
Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.

Nonfarm Employment Growth
U.S., NYS, and North Country



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Nonfarm Wage Growth
U.S., NYS, and North Country



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

North Country

Employment and Wages Change by Sector									
	Average Wage 2020	Employment				Wages			
		The Great Recession		The Pandemic		The Great Recession		The Pandemic	
		Level	%	Level	%	Million $	%	Million $	%
Total Nonfarm	**$48,623**	**(3,840)**	**(2.5)**	**(12,008)**	**(8.2)**	**(36.2)**	**(0.7)**	**(88.2)**	**(1.3)**
Private	$44,960	(3,889)	(3.6)	(9,380)	(9.1)	(59)	(1.7)	(52)	(1.2)
Leisure & Hospitality	$22,618	(307)	(2.2)	(3,674)	(23.6)	0.4	0.2	(58.8)	(17.9)
Information	$54,208	(72)	(3.6)	(263)	(15.8)	(1.6)	(2.2)	(0.0)	(0.0)
Other Services[1]	$35,188	(768)	(9.0)	(1,105)	(14.0)	(14.4)	(7.4)	(1.0)	(0.4)
Real Estate, Rental, & Leasing	$36,786	(13)	(0.9)	(149)	(10.3)	0.6	1.5	(1.1)	(2.3)
Manufacturing[2]	$59,205	(1,711)	(12.5)	(1,027)	(9.9)	(57.8)	(8.8)	(30.3)	(5.2)
Wholesale Trade	$53,408	(181)	(5.8)	(236)	(9.1)	(10.3)	(8.1)	(5.6)	(4.3)
Government	$56,905	49	0.1	(2,628)	(6.0)	22.8	1.2	(35.8)	(1.5)
Construction	$63,962	(445)	(6.8)	(297)	(5.2)	(5.5)	(1.9)	2.5	0.7
Retail Trade	$32,463	(382)	(1.8)	(1,030)	(5.2)	(2.6)	(0.5)	26.9	4.6
Education & Health Care[3]	$52,417	339	1.4	(1,334)	(4.9)	44.1	5.0	0.9	0.1
Transportation & Utilities[4]	$52,665	(160)	(3.7)	(188)	(4.8)	(4.7)	(2.6)	(4.2)	(2.1)
Management	$65,094	30	2.9	(27)	(2.5)	(2.9)	(5.5)	(0.7)	(1.0)
Finance & Insurance	$62,386	(58)	(2.3)	(49)	(2.1)	(3.1)	(2.9)	7.4	5.4
Professional Services	$52,748	(178)	(6.1)	(8)	(0.3)	(1.3)	(1.1)	10.7	7.4

Note: Industries ranked by percent employment lost during pandemic.

[1] Does not include administrative, support, and waste

[2] Does not include mining.

[3] Includes only private employment. Public education and health care employment is included in the government sector.

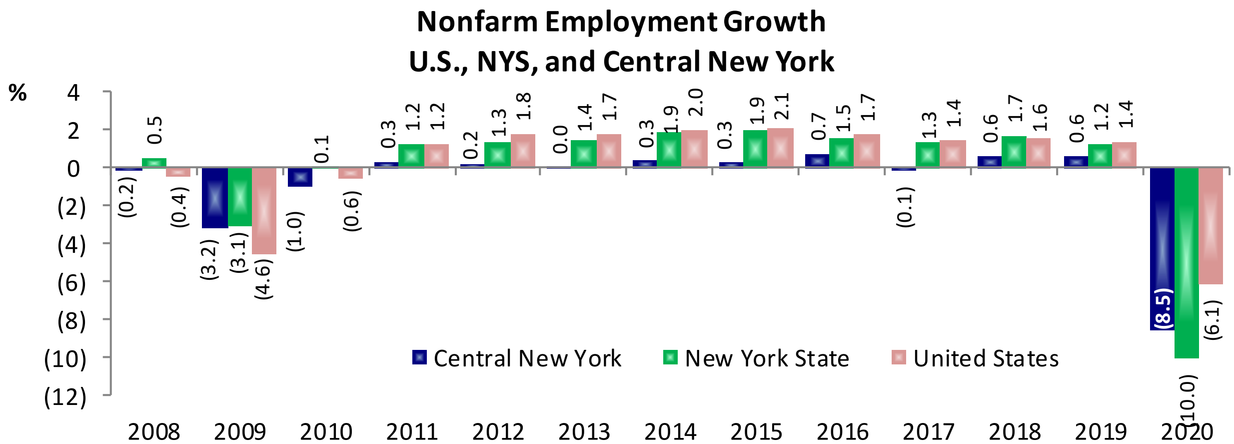
[4] Transportation, warehousing, and utilities.

Source: Bureau of Labor Statistics.

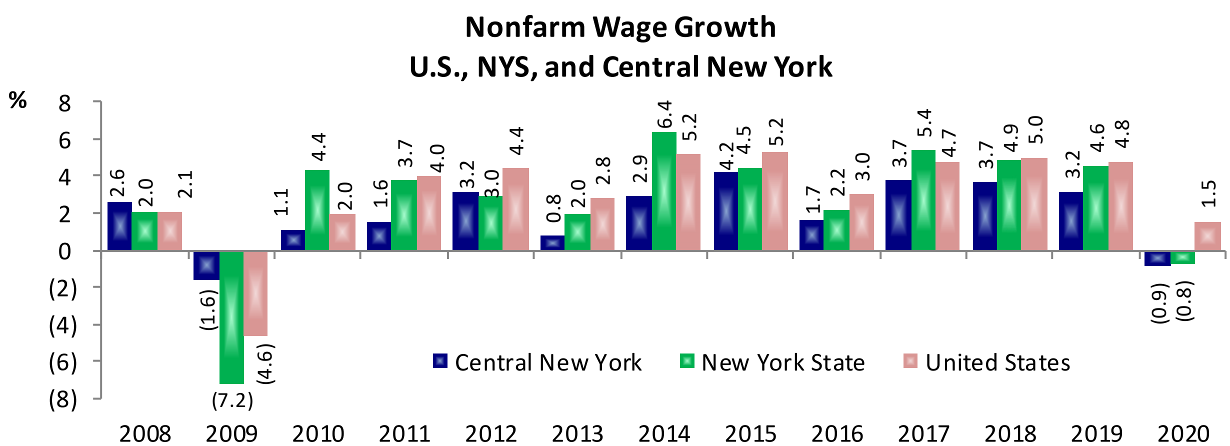
Central New York

Key Economic Indicators 2020			
Employment (million)	0.315	Share of State Personal Income (%)	2.8
Share of State Employment (%)	3.7	Per Capita Personal Income	$54,273
Unemployment Rate (12/2021) (%)	3.0	Population (million)	0.77
Total Wages (billion)	$17.4	Share of State Population (%)	4.0
Share of State Wages (%)	2.4	Population Growth (%)	(0.4)
Average Wage	$55,419	Persons in Poverty	93,215
Personal Income (billion)	$41.7	Poverty Rate (%)	12.1

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Central New York

Employment and Wages Change by Sector									
	Average Wage 2020	Employment				Wages			
		The Great Recession		The Pandemic		The Great Recession		The Pandemic	
		Level	%	Level	%	Million $	%	Million $	%
Total Nonfarm	**$55,419**	**(11,127)**	**(3.2)**	**(29,353)**	**(8.5)**	**(227.0)**	**(1.6)**	**(154.3)**	**(0.9)**
Private	$54,199	(11,327)	(4.0)	(26,082)	(9.3)	(311)	(2.8)	(163)	(1.2)
Leisure & Hospitality	$21,715	(42)	(0.1)	(9,532)	(27.7)	13.8	3.2	(138.3)	(20.4)
Information	$63,035	(515)	(8.8)	(642)	(14.4)	(20.5)	(7.1)	(12.7)	(5.0)
Other Services[1]	$38,874	(1,843)	(6.4)	(3,148)	(11.6)	(22.8)	(2.9)	(30.9)	(3.2)
Wholesale Trade	$71,992	(378)	(2.4)	(1,376)	(10.2)	(0.9)	(0.1)	(43.0)	(4.7)
Education & Health Care[2]	$52,237	151	0.3	(5,236)	(8.0)	65.5	3.0	(85.9)	(2.7)
Retail Trade	$33,759	(1,776)	(4.3)	(2,884)	(7.5)	(29.5)	(3.0)	22.4	1.9
Real Estate, Rental, & Leasing	$48,082	(298)	(6.7)	(304)	(7.5)	(7.6)	(5.4)	(0.1)	(0.0)
Construction	$65,827	(1,056)	(7.4)	(798)	(5.6)	(42.2)	(6.3)	30.0	3.5
Government	$60,504	201	0.3	(3,271)	(5.1)	84.2	3.2	8.4	0.2
Manufacturing[3]	$70,316	(4,186)	(11.1)	(1,551)	(4.9)	(227.8)	(10.7)	(85.5)	(3.9)
Professional Services	$76,370	(268)	(1.7)	(543)	(3.2)	10.9	1.2	4.0	0.3
Transportation & Utilities[4]	$72,632	(703)	(5.0)	(154)	(1.1)	(27.6)	(3.6)	74.6	7.8
Finance & Insurance	$87,251	(739)	(5.1)	(18)	(0.2)	(63.0)	(7.4)	69.0	8.1
Management	$94,370	261	6.7	44	0.9	39.5	15.3	27.8	6.6

Note: Industries ranked by percent employment lost during pandemic.

[1] Does not include administrative, support, and waste

[2] Includes only private employment. Public education and health care employment is included in the government sector.

[3] Does not include mining.

[4] Transportation, warehousing, and utilities.

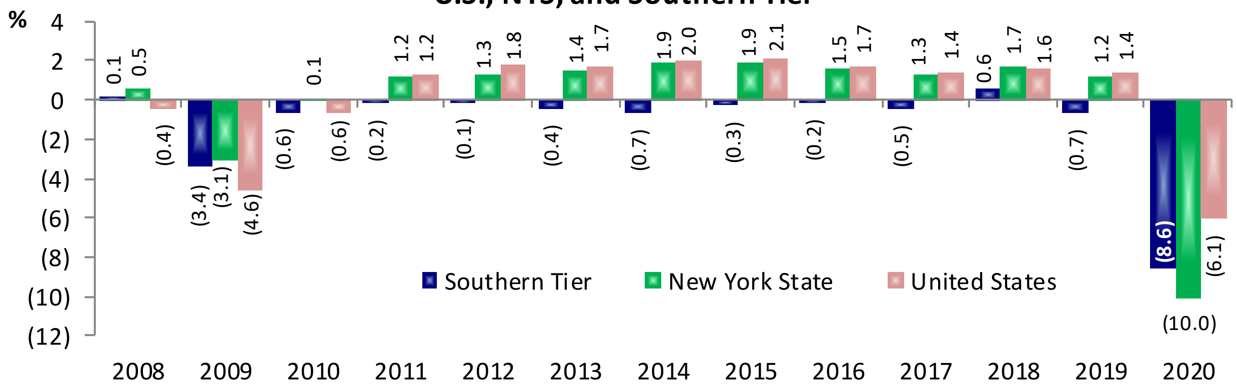
Source: Bureau of Labor Statistics.

Southern Tier

Key Economic Indicators 2020			
Employment (million)	0.255	Share of State Personal Income (%)	2.3
Share of State Employment (%)	3.0	Per Capita Personal Income	$49,224
Unemployment Rate (12/2021) (%)	2.9	Population (million)	0.68
Total Wages (billion)	$13.9	Share of State Population (%)	3.5
Share of State Wages (%)	1.9	Population Growth (%)	(0.8)
Average Wage	$54,346	Persons in Poverty	177,970
Personal Income (billion)	$33.6	Poverty Rate (%)	26.1

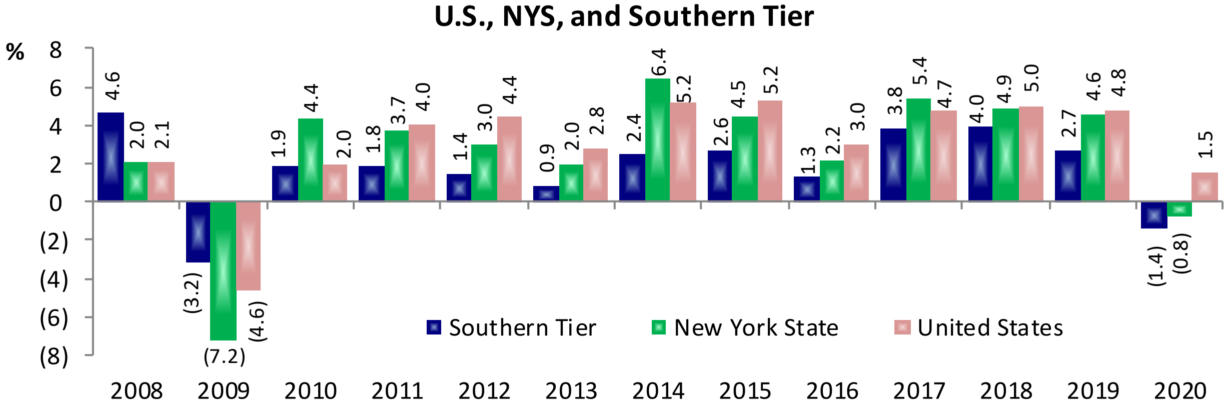
Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.

Nonfarm Employment Growth
U.S., NYS, and Southern Tier



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Nonfarm Wage Growth
U.S., NYS, and Southern Tier



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Southern Tier

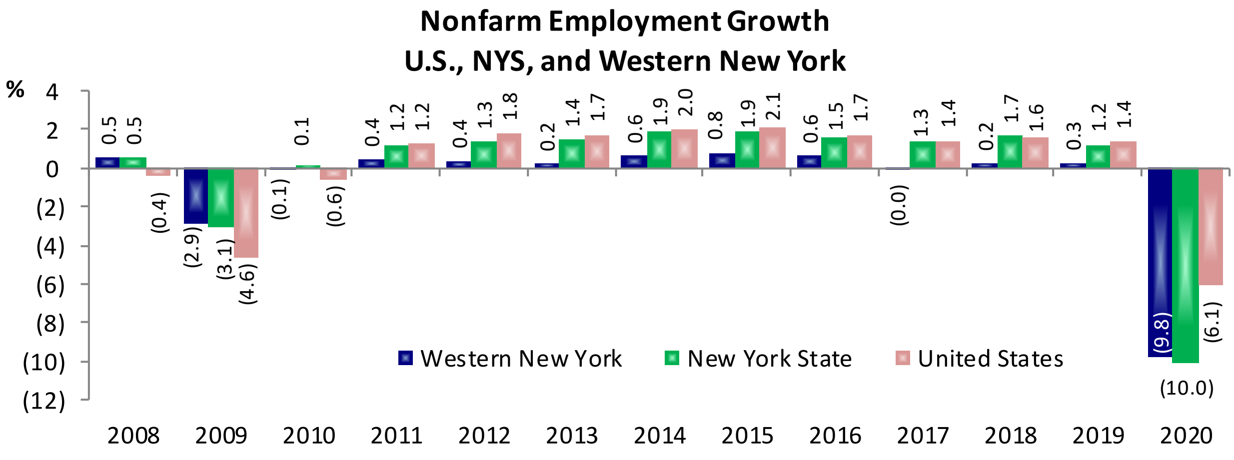
Employment and Wages Change by Sector									
	Average Wage 2020	Employment				Wages			
		The Great Recession		The Pandemic		The Great Recession		The Pandemic	
		Level	%	Level	%	Million $	%	Million $	%
Total Nonfarm	**$54,346**	**(10,041)**	**(3.4)**	**(23,931)**	**(8.6)**	**(371.6)**	**(3.2)**	**(202.4)**	**(1.4)**
Private	$54,450	(10,463)	(4.4)	(20,531)	(9.1)	(394)	(4.2)	(202)	(1.8)
Leisure & Hospitality	$22,422	(323)	(1.3)	(7,996)	(28.4)	2.2	0.6	(142.7)	(24.0)
Real Estate, Rental, & Leasing	$41,131	(199)	(7.3)	(703)	(24.1)	(3.2)	(4.2)	(23.7)	(20.7)
Other Services[1]	$34,812	(1,028)	(5.5)	(2,535)	(14.6)	(37.4)	(7.7)	(35.5)	(6.4)
Wholesale Trade	$60,778	(538)	(7.0)	(895)	(12.8)	(19.7)	(6.2)	(31.8)	(7.9)
Construction	$60,239	(472)	(5.1)	(718)	(8.4)	0.5	0.1	(14.0)	(2.9)
Information	$52,756	(306)	(6.9)	(285)	(8.0)	(9.5)	(5.3)	(6.9)	(3.8)
Manufacturing[2]	$73,268	(5,095)	(11.3)	(2,418)	(6.9)	(198.1)	(8.1)	(60.6)	(2.5)
Management	$122,415	(289)	(11.8)	(201)	(6.6)	(74.7)	(25.7)	(42.7)	(10.9)
Government	$53,929	422	0.7	(3,400)	(6.2)	22.1	0.9	(0.8)	(0.0)
Retail Trade	$31,715	(1,272)	(3.6)	(1,775)	(5.6)	(21.7)	(2.8)	28.5	3.1
Education & Health Care[3]	$58,870	167	0.3	(2,562)	(4.1)	82.2	3.3	104.9	3.1
Professional Services	$86,536	(445)	(4.2)	(292)	(2.7)	(76.6)	(11.7)	(28.5)	(3.0)
Finance & Insurance	$72,985	(323)	(3.5)	(159)	(2.1)	(12.4)	(2.6)	30.0	5.9
Transportation & Utilities[4]	$57,742	(355)	(5.4)	(95)	(1.3)	(25.9)	(8.2)	15.9	4.1

Note: Industries ranked by percent employment lost during pandemic.
[1] Does not include administrative, support, and waste
[2] Does not include mining.
[3] Includes only private employment. Public education and health care employment is included in the government sector.
[4] Transportation, warehousing, and utilities.
Source: Bureau of Labor Statistics.

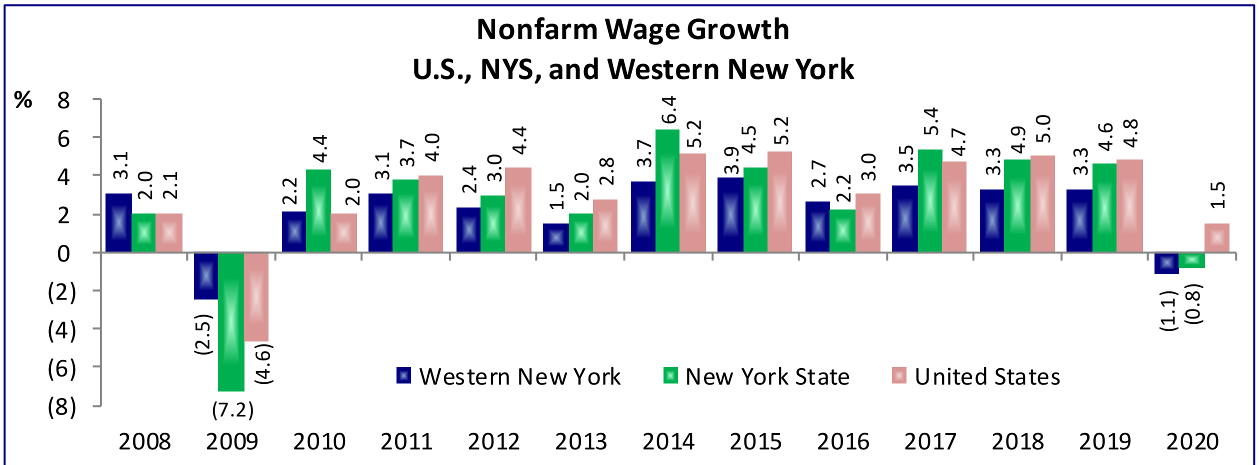
Western New York

Key Economic Indicators 2020			
Employment (million)	0.570	Share of State Personal Income (%)	5.0
Share of State Employment (%)	6.7	Per Capita Personal Income	$53,740
Unemployment Rate (12/2021) (%)	3.3	Population (million)	1.37
Total Wages (billion)	$30.9	Share of State Population (%)	7.1
Share of State Wages (%)	4.3	Population Growth (%)	(0.3)
Average Wage	$54,239	Persons in Poverty	144,842
Personal Income (billion)	$73.8	Poverty Rate (%)	10.5

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Western New York

Employment and Wages Change by Sector									
	Average Wage 2020	Employment				Wages			
		The Great Recession		The Pandemic		The Great Recession		The Pandemic	
		Level	%	Level	%	Million $	%	Million $	%
Total Nonfarm	**$54,239**	**(18,183)**	**(2.9)**	**(61,743)**	**(9.8)**	**(587.4)**	**(2.5)**	**(352.0)**	**(1.1)**
Private	$52,224	(17,986)	(3.5)	(55,784)	(10.7)	(638)	(3.4)	(394)	(1.6)
Leisure & Hospitality	$28,580	(116)	(0.2)	(20,242)	(28.9)	9.6	0.9	(304.7)	(17.6)
Other Services[1]	$37,902	(2,568)	(4.4)	(7,562)	(14.0)	8.3	0.5	(65.3)	(3.6)
Information	$71,139	(316)	(3.4)	(950)	(12.9)	0.2	0.1	(18.8)	(4.0)
Management	$91,181	1,347	12.9	(1,640)	(11.9)	85.9	12.8	(137.0)	(11.0)
Real Estate, Rental, & Leasing	$50,052	(89)	(1.2)	(767)	(9.7)	2.3	1.0	3.0	0.8
Construction	$63,884	(1,597)	(7.1)	(1,950)	(8.5)	(55.7)	(5.4)	(15.1)	(1.1)
Retail Trade	$32,246	(1,776)	(2.4)	(5,745)	(8.3)	(12.6)	(0.8)	44.7	2.2
Education & Health Care[2]	$48,834	2,090	2.2	(8,201)	(7.4)	199.2	6.1	29.7	0.6
Manufacturing[3]	$67,635	(9,282)	(12.1)	(4,279)	(6.5)	(596.2)	(14.3)	(172.1)	(4.0)
Transportation & Utilities[4]	$50,020	(1,847)	(9.6)	(1,288)	(6.4)	(84.7)	(10.3)	(15.7)	(1.6)
Government	$63,430	(197)	(0.2)	(5,959)	(5.5)	50.2	1.0	41.7	0.6
Professional Services	$71,454	(386)	(1.4)	(1,562)	(5.4)	1.4	0.1	4.6	0.2
Wholesale Trade	$75,380	(2,113)	(8.8)	(1,060)	(5.0)	(84.2)	(7.1)	123.8	8.9
Finance & Insurance	$77,538	(1,293)	(4.7)	(583)	(2.0)	(111.3)	(7.2)	120.7	5.6

Note: Industries ranked by percent employment lost during pandemic.

[1] Does not include administrative, support, and waste

[2] Includes only private employment. Public education and health care employment is included in the government sector.

[3] Does not include mining.

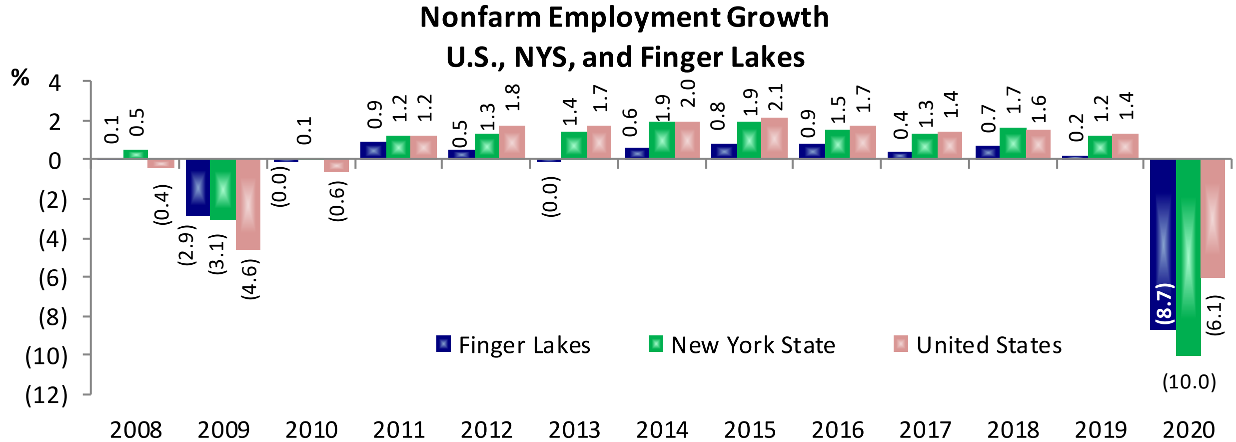
[4] Transportation, warehousing, and utilities.

Source: Bureau of Labor Statistics.

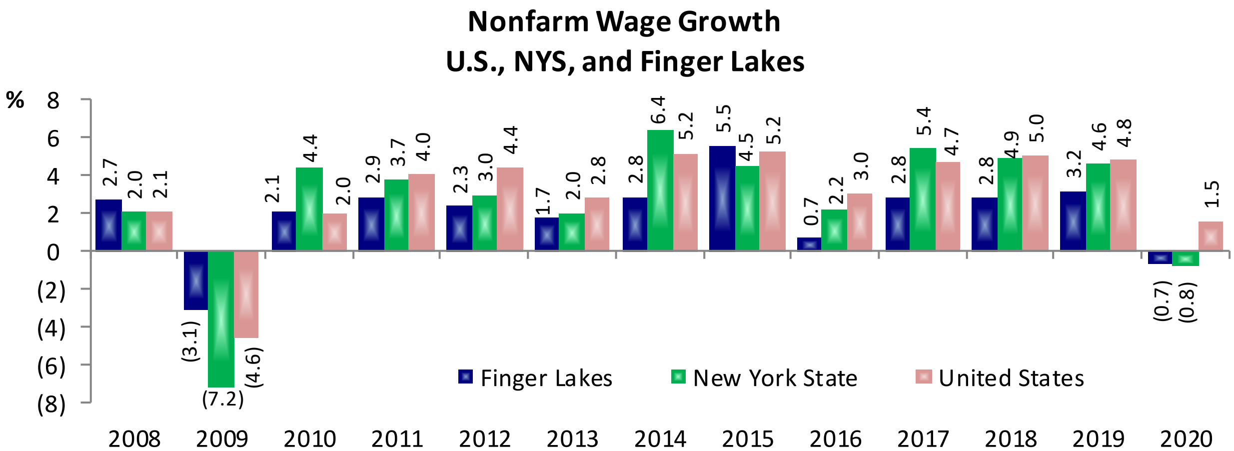
Finger Lakes

Key Economic Indicators 2020			
Employment (million)	0.505	Share of State Personal Income (%)	4.5
Share of State Employment (%)	5.9	Per Capita Personal Income	$55,490
Unemployment Rate (12/2021) (%)	2.9	Population (million)	1.20
Total Wages (billion)	$27.9	Share of State Population (%)	6.2
Share of State Wages (%)	3.9	Population Growth (%)	(0.3)
Average Wage	$55,305	Persons in Poverty	149,335
Personal Income (billion)	$66.5	Poverty Rate (%)	12.5

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Finger Lakes

Employment and Wages Change by Sector									
	Average Wage 2020	Employment				Wages			
		The Great Recession		The Pandemic		The Great Recession		The Pandemic	
		Level	%	Level	%	Million $	%	Million $	%
Total Nonfarm	**$55,305**	**(15,787)**	**(2.9)**	**(48,394)**	**(8.7)**	**(680.2)**	**(3.1)**	**(191.9)**	**(0.7)**
Private	$54,981	(15,863)	(3.5)	(42,384)	(9.1)	(779)	(4.2)	(172)	(0.7)
Leisure & Hospitality	$21,786	(10)	(0.0)	(14,515)	(27.6)	(1.6)	(0.2)	(231.5)	(21.8)
Information	$72,637	(525)	(5.0)	(1,162)	(15.0)	(24.4)	(4.3)	(42.0)	(8.1)
Other Services[1]	$39,677	(2,515)	(5.5)	(6,618)	(13.9)	(83.0)	(6.5)	(180.9)	(10.0)
Real Estate, Rental, & Leasing	$58,963	(198)	(2.8)	(649)	(8.7)	0.8	0.3	31.8	8.6
Retail Trade	$32,897	(2,179)	(3.5)	(4,177)	(7.1)	(58.1)	(4.0)	45.8	2.6
Government	$56,998	76	0.1	(6,010)	(6.9)	99.2	2.6	(20.3)	(0.4)
Construction	$66,167	(1,622)	(8.1)	(1,561)	(6.8)	(69.5)	(7.2)	3.6	0.3
Education & Health Care[2]	$54,215	1,712	1.7	(7,429)	(6.2)	187.8	4.8	65.0	1.1
Wholesale Trade	$79,304	(905)	(4.8)	(867)	(5.0)	(40.0)	(3.6)	54.1	4.4
Professional Services	$77,915	(525)	(2.2)	(1,383)	(5.0)	(37.3)	(2.9)	35.9	1.8
Manufacturing[3]	$68,395	(7,713)	(9.9)	(3,076)	(4.8)	(537.5)	(12.0)	(103.9)	(2.4)
Management	$104,245	(204)	(1.6)	(467)	(4.6)	(45.7)	(4.5)	40.2	4.1
Transportation & Utilities[4]	$55,325	(623)	(5.4)	(316)	(2.4)	(25.4)	(5.1)	41.5	6.2
Finance & Insurance	$88,941	(594)	(3.9)	(290)	(1.9)	(48.0)	(5.2)	62.1	4.9

Note: Industries ranked by percent employment lost during pandemic.

[1] Does not include administrative, support, and waste

[2] Includes only private employment. Public education and health care employment is included in the government sector.

[3] Does not include mining.

[4] Transportation, warehousing, and utilities.

Source: Bureau of Labor Statistics.

REVENUE FORECAST

Overview – Revenue Summary

State Fiscal Year 2021-22

All Funds Revenues

The NYS Assembly Ways and Means Committee estimates that All Funds revenues will total $244.988 billion in State Fiscal Year (SFY) 2021-22, an increase of 28.1 percent, or $53.688 billion, largely attributable to an increase in federal funds receipts, related to the extraordinary federal actions taken in response to the COVID-19 pandemic; the timing of collections under the new pass-through entity tax; and the continued growth in overall tax receipts as the economy continues to recover from the COVID-19-induced recession.

All Funds Tax Receipts

The NYS Assembly Ways and Means Committee's All Funds tax revenue estimate for SFY 2021-22 is $118.991 billion, representing an increase of 44.4 percent, or $36.615 billion, from SFY 2020-21 (see Table 11).

The Committee's All Funds tax revenue estimate is $1.12 billion above the Executive's estimate. This variance is related to higher revenue estimates across all the major categories of taxes.

Table 11

SFY 2021-22 All Funds Estimate Summary
($ in Millions)

	2020-21 Actual	2021-22 Estimate	Change	Growth	Diff. Exec.
Personal Income Tax	54,967	68,573	13,606	24.8%	451
User Taxes	16,117	19,445	3,328	20.7%	187
Business Taxes	8,792	28,024	19,232	218.7%	305
Other Taxes	2,500	2,948	448	17.9%	176
Total Tax Collections	**82,376**	**118,991**	**36,615**	**44.4%**	**1,120**
All Funds Miscellaneous Receipts	27,884	22,002	(5,882)	(21.1%)	39
Gaming	2,888	4,036	1,148	39.7%	(18)
Total w/Miscellaneous Receipts & Gaming	**113,148**	**145,028**	**31,880**	**28.2%**	**1,140**
Federal Funds	78,152	99,960	21,808	27.9%	-
Total All Funds Receipts	**191,300**	**244,988**	**53,688**	**28.1%**	**1,140**

* Totals may not add up due to rounding.

Personal Income Taxes

The NYS Assembly Ways and Means Committee estimates that PIT receipts will total $68.573 billion in SFY 2021-22, representing an increase of 24.8 percent, or $13.606 billion, above last year's level. Gross receipts are expected to increase by 21.7 percent, or $14.209 billion, from SFY 2020-21, including a 31 percent, or $5.105 billion, increase in estimated payments. Total refunds are anticipated to increase by 5.7 percent, or $603 million, primarily related to a $813 million increase in current year refunds.

PIT receipts have been dramatically affected by the COVID-19 pandemic which, at its peak, resulted in almost two million New Yorkers losing their jobs. The SFY 2021-22 estimates reflect the strong resurgence of the economy following the COVID-19 recession. Year-to-date PIT collections through January have increased by 28.6 percent, and, as stock market values continue to grow and business profits increase, the State has seen a 31.4 percent increase in estimated payments.

PIT receipts are also supported by a new progressive high-income surcharge, which was enacted as part of the SFY 2021-22 budget. This new surcharge, which is effective for tax years 2021 to 2027, would apply to taxpayers with annual incomes over $5 million, by increasing the previous 8.82 percent rate to 9.65 percent and establishing two new brackets as follows: 10.30 percent for taxpayers between $5 million and $25 million and 10.90 percent for taxpayers over $25 million. This action is projected to increase PIT collections by $2.8 billion in SFY 2021-22 and $3.3 billion in SFY 2022-23.

User Taxes

User taxes are estimated to total $19.445 billion in SFY 2021-22, an increase of 20.7 percent, or $3.328 billion from SFY 2020-21 levels. Sales tax revenue is estimated to increase by $3.272 billion, or 23.1 percent, as consumer demand recovers from the impacts of the COVID-19 pandemic.

Consumer spending declined substantially in the second quarter of 2020, related to stay-at-home orders, social distancing recommendations, and some business closures. In addition, most nonessential businesses moved employees to work remotely, which further depressed economic activity. Consumer demand, especially for durable goods, has recovered strongly over the remainder of 2020, and this growth has continued into 2021, as most of these restrictions were lifted. This rebound in consumer demand has supported a 22 percent year-to-date increase in user tax collections.

Business Taxes

Overall, business taxes are estimated to increase by 218.7 percent, or $19.232 billion, from SFY 2020-21 levels, primarily related to the first year of collections from the pass-through entity tax (PTET), which was enacted as part of the SFY 2021-22 budget, and accounts for $16.71 billion in additional receipts. Corporate franchise taxes are also estimated to increase by $2.252 billion, or 45.5 percent, and insurance taxes are projected to increase by $227 million.

The SFY 2021-22 budget increased the corporate tax rate from 6.5 percent to 7.25 percent for corporate franchise taxpayers with net incomes over $5 million, and reinstated the capital base tax at 0.1875 percent for businesses that are not categorized as small businesses (with net incomes less than $390,000 and less than 100 employees) or co-operative apartments. This action is projected to increase business tax collections by $750 million in SFY 2021-22 and $1.1 billion in SFY 2022-23.

The Committee accepts the Executive's assumptions with regard to audit collections as well as the impact of recent tax law changes.

Other Taxes

Other taxes are estimated to total $2.948 billion, an increase of $448 million, or 17.9 percent over SFY 2020-21 levels. This increase reflects a $669 million, or 70.5 percent increase in real estate transfer tax collections, partially offset by a $235 million, or 15.3 percent, reduction in estate and gift tax collections.

Gaming

The Committee anticipates an overall fiscal year increase in gaming receipts of $1.147 billion, or 39.7 percent, for a total of $4.036 billion, predominantly related to the lifting of occupancy restrictions placed on casinos and video lottery terminal facilities in response to the COVID-19 pandemic, and the authorization of mobile sports wagering within New York State.

Revenue Table, State Current Fiscal Year 2021-22

Table 12

All Funds Collections SFY 2021-22 ($ in Millions)					
	2020-21 Actual	2021-22 Estimate	Change	Growth	Diff. Exec.
Personal Income Tax	**54,967**	**68,573**	**13,606**	**24.8%**	**451**
Gross Receipts	**65,531**	**79,740**	**14,209**	**21.7%**	**385**
Withholding	44,218	52,089	7,871	17.8%	594
Estimated Payments	16,441	21,546	5,105	31.0%	(449)
Vouchers	10,930	14,008	3,078	28.2%	(450)
IT 370s	5,511	7,538	2,027	36.8%	1
Final Payments	3,572	4,539	967	27.1%	157
Delinquencies	1,300	1,567	267	20.5%	84
Total Refunds	**10,564**	**11,167**	**603**	**5.7%**	**(66)**
Net Collections	**54,967**	**68,573**	**13,606**	**24.8%**	**451**
User Taxes and Fees	**16,117**	**19,445**	**3,328**	**20.7%**	**187**
Sales and Use Tax	14,145	17,417	3,272	23.1%	191
Motor Fuel Tax	425	483	58	13.6%	(2)
Cigarette & Tobacco Tax	1,006	951	(55)	(5.4%)	(13)
Vapor Tax	32	29	(3)	(10.4%)	2
Highway Use Tax	135	142	7	5.2%	(2)
Alcoholic Beverage Tax	271	278	7	2.5%	4
Opioid Tax	30	29	(1)	-4.5%	3
Medical Cannabis Excise Tax	9	13	4	43.9%	(0)
Adult Use Cannabis Tax	0	0	0	100.0%	-
Auto Rental Tax**	64	104	40	62.4%	5
Business Taxes	**8,792**	**28,024**	**19,232**	**218.7%**	**305**
Corporate Franchise Tax	4,954	7,206	2,252	45.5%	193
Utility Tax	550	508	(42)	(7.5%)	(21)
Insurance Tax	2,190	2,417	227	10.3%	136
Bank Tax	156	151	(5)	(3.2%)	-
Pass-Through Entity Tax	0	16,710	0	100.0%	-
Petroleum Business Tax	942	1,032	90	9.5%	(3)
Other Taxes	**2,500**	**2,948**	**448**	**17.9%**	**176**
Estate and Gift Tax	1,538	1,303	(235)	(15.3%)	32
Real Estate Transfer Tax	949	1,618	669	70.5%	145
Employer Compensation Expense Program	3	13	10	333.3%	-
Pari Mutuel Tax	10	13	3	30.0%	-
Other Taxes	0	2	2	100.0%	-
Total All Funds Taxes	**82,376**	**118,991**	**36,615**	**44.4%**	**1,120**
All Funds Miscellaneous Receipts**	27,884	22,002	(5,882)	(21.1%)	39
Gaming	2,888	4,036	1,148	39.7%	(18)
Total Taxes & Gaming & Miscellaneous Receipts	**113,148**	**145,028**	**31,880**	**28.2%**	**1,140**
Federal Funds	78,152	99,960	21,808	0	0
Total All Funds Receipts	**191,300**	**244,988**	**53,688**	**28.1%**	**1,140**

* Totals may not add up due to rounding

**The SFY 2020-21 budget provided a portion of these revenues directly to the MTA.

State Fiscal Year 2022-23

Key economic indicators point to an ongoing but slowing recovery from the COVID-19 pandemic. Following a 3.4 percent decrease in 2020, the Committee projects GDP to grow by 5.7 percent in 2021 and 3.9 percent in 2022 (see the Economy section).

All Funds Revenues

The Committee expects a 13.2 percent decrease in All Funds revenues for SFY 2022-23, reflecting a $18.85 billion decrease in PIT collections and a $15.516 billion decrease in federal funds.

Including estimates for miscellaneous receipts and federal grants, the total receipts for SFY 2022-23 are forecast at $212.723 billion. The Committee's forecast is $1.085 billion above the Executive's forecast.

All Funds Tax Receipts

The Committee expects a 15.3 percent decrease in All Funds tax receipts in SFY 2022-23, for a total of $100.742 billion. The Committee's tax receipts forecast is $1.062 billion above the Executive's forecast. The Committee's net personal income tax (PIT) forecast is $697 million above the Executive's PIT forecast.

Table 13

SFY 2022-23 All Funds Forecast Summary
($ in Millions)

	2021-22 Estimate	2022-23 Forecast	Change	Growth	Diff. Exec.
Personal Income Tax	68,573	49,723	(18,850)	(27.5%)	697
User Taxes	19,445	20,302	857	4.4%	95
Business Taxes	28,024	27,932	(92)	(0.3%)	62
Other Taxes	2,948	2,785	(164)	(5.6%)	208
Total Tax Collections	**118,991**	**100,742**	**(18,249)**	**(15.3%)**	**1,062**
All Funds Miscellaneous Receipts	22,002	23,556	1,555	7.1%	79
Gaming	4,036	3,981	(55)	(1.4%)	(56)
Total w/Miscellaneous Receipts & Gaming	**145,028**	**128,279**	**(16,749)**	**(11.5%)**	**1,085**
Federal Funds	99,960	84,444	(15,516)	(15.5%)	-
Total All Funds Receipts	**244,988**	**212,723**	**(32,265)**	**(13.2%)**	**1,085**

* Totals may not add up due to rounding.

Personal Income Taxes

Overall, personal income taxes, the largest component of all tax collections, are forecast to total $49.723 billion, which is $18.85 billion, or 27.5 percent, below the SFY 2021-22 estimates.

This year-to-year reduction in PIT collections is primarily the result of the new PTET, which provides individual partners, members, and shareholders of a pass-through entity with a refundable tax credit on their New York State income tax return equal to the proportionate or pro rata share of taxes paid by the electing entity. These credits are projected to reduce PIT collections by $24.13 billion in SFY 2022-23, which reflects $13 billion in credits related to PTET payments that taxpayers made in SFY 2021-22 and $11.13 billion related to an ongoing reduction in quarterly estimated PIT payments for PTET filers.

Without the effects of these credits, PIT receipts would have been forecast to increase by $5.271 billion, or 7.7 percent, in SFY 2022-23, including a 27.7 percent increase in estimated payments. Total New York State wages are forecast to grow at 4.2 percent in SFY 2022-23, and variable wages (bonuses) are expected to decrease by 4.3 percent.

To maintain comparability with the Executive forecast, the Committee adjusts its PIT forecast down by $2.462 billion, related to the Executive Budget proposals that would accelerate the middle-class tax cuts ($162 million); expand the small business subtraction modification ($100 million); and establish a homeowner tax rebate credit ($2.2 billion).

User Taxes

All Funds user taxes are forecast to total $20.302 billion, which is 4.4 percent above the SFY 2021-22 estimates. This forecast reflects the Committee's projection that consumer spending growth will slow as pandemic-related federal stimulus benefits dissipate.

Business Taxes

Business taxes are forecast to total $27.932 billion in SFY 2022-23, a decrease of $92 million from the current year closeout on an All Funds basis. This decrease is primarily related to a $1.63 billion reduction in PTET collections, partially offset by a $1.444 billion increase in corporate franchise tax receipts and a $161 million cumulative increase in collections from insurance taxes, utility taxes and petroleum business taxes.

Other Taxes

Other taxes, which consist primarily of the estate tax and real estate transfer taxes, are forecast to decrease by 5.6 percent in SFY 2022-23, to a level of $2.785 billion, primarily related to a $158 million reduction in real estate transfer tax collections and a $7 million reduction in estate and gift tax collections.

Gaming

Gaming receipts are forecast to decrease by 1.4 percent, or $55 million, in SFY 2022-23 for a total of $3.981 billion. Lottery receipts are expected to decrease by 2.1 percent; video lottery terminal revenues are projected to decrease by $13 million, or 1.3 percent; and casino revenues are projected to increase by 1.7 percent, to $136 million. Mobile sports wagering receipts are projected to increase by $10.5 million, or 2.8 percent, reflecting the first full year of collections in SFY 2022-23.

Revenue Table, Upcoming Fiscal Year 2022-23

Table 14

All Funds Collections SFY 2022-23 ($ in Millions)

	2021-22 Estimate	2022-23 Forecast	Change	Growth	Diff. Exec.
Personal Income Tax	**68,573**	**49,723**	**(18,850)**	**(27.5%)**	**697**
Gross Receipts	**79,740**	**68,953**	**(10,787)**	**(13.5%)**	**716**
Withholding	52,089	52,649	560	1.1%	1,011
Estimated Payments	21,546	9,920	(11,626)	(54.0%)	(482)
Vouchers	14,008	4,487	(9,521)	(68.0%)	43
IT 370s	7,538	5,433	(2,105)	(27.9%)	(525)
Final Payments	4,539	4,706	167	3.7%	42
Delinquencies	1,567	1,677	111	7.1%	144
Total Refunds	**11,167**	**19,230**	**8,063**	**72.2%**	**19**
Net Collections	**68,573**	**49,723**	**(18,850)**	**(27.5%)**	**697**
User Taxes and Fees	**19,445**	**20,302**	**857**	**4.4%**	**95**
Sales and Use Tax	17,417	18,229	812	4.7%	92
Motor Fuel Tax	483	488	5	1.0%	3
Cigarette & Tobacco Tax	951	921	(30)	(3.1%)	(23)
Vapor Tax	29	29	0	0.0%	2
Highway Use Tax	142	144	2	1.5%	0
Alcoholic Beverage Tax	278	282	5	1.7%	5
Opioid Tax	29	29	0	0.0%	3
Medical Cannabis Excise Tax	13	19	5.6	43.3%	6
Adult Use Cannabis	0	56	56.0	100.0%	-
Auto Rental Tax	104	106	2	1.7%	8
Business Taxes	**28,024**	**27,932**	**(92)**	**(0.3%)**	**62**
Corporate Franchise Tax	7,206	8,650	1,444	20.0%	(47)
Utility Tax	508	561	52	10.3%	(9)
Insurance Tax	2,417	2,451	34	1.4%	93
Bank Tax	151	84	(67)	(44.4%)	-
Pass-Through Entity Tax	16,710	15,080	(1,630)	(9.8%)	-
Petroleum Business Tax	1,032	1,106	75	7.2%	25
Other Taxes	**2,948**	**2,785**	**(164)**	**(5.6%)**	**208**
Estate and Gift Tax	1,303	1,296	(7)	(0.5%)	30
Real Estate Transfer Tax	1,618	1,460	(158)	(9.8%)	178
Employer Compensation Expense Program	13	14	1	7.7%	-
Pari Mutuel Tax	13	13	0	0.0%	-
Other Taxes	2	2	0	0.0%	-
Total All Funds Taxes	**118,991**	**100,742**	**(18,249)**	**(15.3%)**	**1,062**
All Funds Miscellaneous Receipts	22,002	23,556	1,555	7.1%	79
Gaming	4,036	3,981	(55)	(1.4%)	(56)
Total Taxes & Gaming & Miscellaneous Receipts	**145,028**	**128,279**	**(16,749)**	**(11.5%)**	**1,085**
Federal Funds	99,960	84,444	(15,516)	(15.5%)	-
Total All Funds Receipts	**244,988**	**212,723**	**(32,265)**	**(13.2%)**	**1,085**

* Totals may not add up due to rounding

RISKS TO THE REVENUE FORECAST

The current forecast for revenues is predicated on certain key assumptions related to fiscal and monetary policy, as well as global economic and geopolitical fundamentals as enunciated in the Economy section of this report.

As with the economic forecast, the Committee's revenue projections are largely dependent on the State's ability to mitigate the impacts of COVID-19, including the continued containment of the virus. In addition, there are a variety of federal programs, which were implemented in response to the pandemic, which have expired in 2021 or are scheduled to expire in the near future. The expiration of these programs could put additional pressure on the State's revenue outlook.

The Federal tax reforms enacted in December 2017 implemented a fundamental transformation of corporate and personal income taxation in the U.S., and continue to present numerous challenges to the State related to conformity with its key provisions. The State has also experienced some changes in taxpayer behavior as a result of the federal tax reform, especially those related to the limitation on State and local tax (SALT) deductions. The Committee's forecast assumes that the recent changes in the timing of collections have stabilized. However, the federal government is currently considering a wide variety of additional changes to the federal Internal Revenue Code, which could impact the State's tax collections.

EXECUTIVE REVENUE ACTIONS

Personal Income Tax (PIT) Proposals

- **Accelerate the Implementation of the Middle-Class PIT Cut:** The Executive proposes to accelerate the phase-in of the middle-class PIT cut, which began in 2018 and is scheduled to be fully phased-in by tax year 2025, to instead have the reduced tax rates take effect in tax year 2023 (Table 15).

Table 15

Proposed 2023 PIT Rates - Married Filing Jointly Filers		
New York Taxable Income:	**Current Law**	**Proposal**
Not over $17,150	4.00%	4.00%
$17,150 to $23,600	4.50%	4.50%
$23,600 to $27,900	5.25%	5.25%
$27,900 to $161,550	**5.73%**	**5.50%**
$161,550 to $323,200	**6.17%**	**6.00%**
$323,201 to $2,155,350	6.85%	6.85%
$2,155,350 to $5,000,000	9.65%	9.65%
$5,000,001 to $25,000,000	10.30%	10.30%
Over $25,000,001	10.90%	10.90%

- **Enhance Tax Credits for Farmers:** The Executive proposes to increase the investment tax credit for farmers that are actively engaged in farming and agriculture, from the current four or five percent credit, to a 20 percent credit; extend the farm workforce retention credit through the 2025 tax year, and to double such credit from $600 to $1,200 per eligible employee; and establish a new refundable tax credit to offset any overtime hours paid by farm employers, which would be available if the Department of Labor reduces the overtime threshold for farm employees below the current threshold of 60 hours of work in any calendar week.

- **Establish a Tax Exemption for Student Loan Forgiveness Awards:** The Executive proposes to exclude loan forgiveness awards under programs administered by the Higher Education Services Corporation from the State taxation.

- **Increase the State Low-Income Housing Tax Credit Aggregate Cap Growth:** The Executive proposes to increase the yearly aggregate amount allocable for the State's low-income housing tax credit, by $7 million per year for each of the next four years.

- **Extend the Clean Heating Fuel Tax Credit:** The Executive proposes to extend the expiration dates for corporate and personal income tax credits available for purchasing bio-heating fuel for residential purposes for three years, from January 1, 2023, to January 1, 2026.

- **Require S-Corporation Conformity with Federal Returns:** The Executive proposal would require that all corporations that are treated as subchapter S corporations for Federal tax purposes, be similarly treated as subchapter S corporations for New York tax purposes. Currently, only Federal S corporations with investment income above 50 percent of Federal gross income are treated as New York S corporations.

- **Modify the Withholding Table and Quarterly Interest Rate Publication:** The Executive proposes to modify the public notice requirements related to withholding tables and quarterly interest rates for overpayment and underpayment of taxes, to allow the Department of Taxation and Finance to publish this information on the Department's website, instead of requiring the full publication of this information as regulations in the State Register.

- **Extend the Alternative Fuels and Electric Vehicle Recharging Property Credit:** The Executive proposes to extend the alternative fuels and electric vehicle recharging property credit for five years, from December 31, 2022, to December 31, 2027.

- **Expand the Financial Institution Data Management Program:** The Executive proposes to include virtual currency businesses licensed by the Department of Financial Services in the definition of "financial institution" as it relates to the Financial Institution Data Management Program.

Property Tax Proposals

- **Homeowner Tax Rebate Credit:** The Executive proposes to establish a one-year, $2.2 billion property tax relief credit for households that are eligible for STAR or Enhanced STAR, and that have incomes at or below $250,000. This credit would be calculated on a sliding scale based on household income and would be equal to a percentage of a homeowner's current STAR benefit. The credit would be provided as an advanced payment in the fall of 2022; however, no credit would be provided where the calculated benefit is less than $100.

Table 16

Homeowner Tax Rebate Credit Calculation			
		Percentage of STAR Benefit	
STAR Eligibility	**Income Level**	**Outside of NYC**	**NYC**
Basic STAR	$0 to $75,000	163%	125%
	$75,001 to $150,000	115%	115%
	$150,001 to $200,000	66%	105%
	$200,001 to $250,000	18%	100%
	Over $250,000	0%	0%
Enhanced STAR	$0 to $90,550	66%	110%

*No rebate would be provided if the calculated benefit is less than $100.

- **Modify Challenges to Solar and Wind Valuation Program:** The Executive proposes to modify the process for a taxpayer to challenge a property tax assessment based on the Tax Department's solar and wind valuation model, to only allow challenges to the local board of assessment review concerning the model inputs that are used by local assessors, instead of challenges on the validity of the model itself; which would only be conducted under Article 78 of the New York Civil Practice Law and Rules.

- **Extend and Modify the Telecommunications Assessment Ceiling Program:** The Executive proposes to extend the telecommunications assessment ceiling program for four years, from January 1, 2023, to January 1, 2027, and to modify the process by which assessments are challenged under the program to, at local option, consolidate any local assessment challenge with the challenge to the State's ceiling value for the same property.

- **ELFA Part II – The Affordable Neighborhoods for New Yorkers Tax Incentive Program:** The Executive proposes to replace the Affordable New York program enacted under section 421-a of the Real Property Tax Law, which is scheduled to expire on June 15, 2022, with the Affordable Neighborhoods for New Yorkers Tax Incentive program. The new program would modify affordability requirements, tax benefits, geography, and labor requirements, such as:

    - reducing the number of affordability options from seven to three;

- requiring that all rental projects with over 30 units maintain their affordability restrictions permanently and rental projects with under 30 units maintain affordability for 35 years;

- requiring that all affordable rental units be permanently subject to rent stabilization;

- providing co-op and condominium projects under the program with a full tax exemption for 40 years, instead of 14 years;

- providing all rental projects under the program a full tax exemption for 25 years, followed by a partial tax exemption for an additional 10 years, instead of having distinct benefit schedules based on the number of units;

- replacing wage requirements for construction workers with a new wage structure, depending on the scope and location of the project.

➢ **TED Part XX – Hudson River-Black River Regulating District (HRBRRD) Real Property Tax Obligation:** The Executive proposes to shift the responsibility for payment of real property taxes on State-owned land managed from HRBRRD to the State of New York.

School Tax Relief (STAR) Program

➢ **Modify STAR Administration:** The Executive proposes to make various administrative and technical changes to the STAR Program, including proposals to:

- Authorize the Tax Department to mail STAR checks directly to a taxpayer, in the event they had a late application for the STAR Exemption program;

- require that property owners who want to switch from the STAR exemption to the STAR credit must do so by no later than 45 days prior to the filing date of the final assessment roll, instead of 15 days prior, under current law;

- clarify that the second most recent income tax year should be used to determine for the Basic STAR Credit program;

- authorize the Tax Department to share lists of STAR Credit recipients with assessment officials outside of New York State, under certain circumstances;

- authorize the Tax Department to provide reports of deceased persons to local assessors directly, instead of only providing such information to the county property tax director; and

- establish a formal mechanism for an executor, heir, or other responsible party to notify local officials directly of a property owner's death.

Consumption and Use Tax Proposals

- **Modify Taxation of the Vacation Rental Industry:** The Executive proposes to impose existing sales taxes on vacation rentals; make vacation rentals in New York City subject to the same use fee paid on hotel stays; and require vacation rental marketplace providers to collect sales tax on the vacation rentals that they facilitate.

- **Make Local Sales Tax Rate Authorizations Permanent:** The Executive proposes to make permanent all current law local sales tax rate authorizations and provide the 57 counties outside of New York City, and the five cities that currently have additional tax rates, with permanent authority to impose a one percent additional rate of sales tax or their currently authorized rate, whichever is higher. These localities would be required to pass a local law every two years authorizing their additional sales tax rate.

- **Provide Tax Credits for the Phase Out of a Certain Grade of Fuel Oil:** The Executive proposes to establish a refundable tax credit equal to 50 percent of the cost of converting a building or facility, located outside of NYC, from the use of No. 6 fuel oil to biodiesel heating fuel or a geothermal system. The credit would be capped at $500,000 per municipality.

- **Exempt Certain Water Vessels from the Petroleum Business Tax:** The Executive proposes to exempt motor fuel, diesel motor fuel, or residual petroleum products used by tugboats and towboats from the petroleum business tax, and to allow such vessels to apply for reimbursement where the tax has already been paid.

- **HMH Part CC – Distressed Hospital Funding Pool:** The Executive proposes to permanently extend the Distressed Provider Relief Fund, which supports financially distressed healthcare facilities in the state through the intercept of a portion of sales tax revenue from counties and New York City, generating $250 million in designated funding annually.

- **PPGG Part X – Resume General Fund AIM for Towns and Villages:** The Executive proposes to resume General Fund support for towns and villages through the traditional AIM program, instead of the current $59.1 million intercept of county sales tax collections.

Business Tax Proposals

- **Establish a Tax Credit for Small COVID-19 Related Expenses:** The Executive proposes to establish a $250 million refundable tax credit program to support small business capital expenses resulting from the COVID-19 pandemic. Under this program, small businesses with $2.5 million or less of gross receipts would be eligible for a credit of 50 percent of their qualifying costs, up to $25,000.

- **Provide Small Business Tax Relief:** The Executive proposes to increase the small business subtraction modification from 5 to 15 percent of net business income or farm income, and to expand this benefit to include pass-through entities with less than $1.5 million in New York source gross income.

- **Modify the New York City Musical and Theatrical Production Tax Credit:** The Executive proposes various changes to the NYC Musical and Theatrical Production Tax Credit, including proposals to:

    - extend the $3 million per production cap to productions that have their first performance prior to January 1, 2023;

    - extend the initial application deadline from December 31, 2022, to June 30, 2023;

    - double the overall cap on this program from $100 million to $200 million;

    - modify the allowable purposes for funds that are contributed by theatrical productions to the New York State Council on the Arts Cultural Programs Fund; and

    - make a technical correction to ensure that successful production companies are required to make contributions to the New York State Council on the Arts Cultural Programs Fund until December 31, 2025.

- **Establish a Permanent Rate for the Article 9-A MTA Surcharge:** The Executive proposes to establish a permanent 30 percent tax rate for the Article 9-A MTA surcharge beginning with the 2023 tax year.

- **Extend and Enhance the Hire-A-Vet Credit:** The Executive proposes to extend the Hire-A-Vet Credit for an additional three years; expand eligibility to all veterans; allow the credit for part-time employment; remove the distinction between disabled and non-disabled veterans; and to increase the credit to fifteen percent of the wages paid to the qualified veterans hired.

- **Extend the Tax Credit for Companies who Provide Transportation to Individuals with Disabilities:** The Executive proposes to extend the corporate franchise tax credit for companies who provide transportation to individuals with disabilities for six years, through 2028.

- **Extend the Film Tax Credit:** The Executive proposes to extend the Empire State Film Production Credit and Empire State Film Post-Production Credit for an additional three years, until January 1, 2030; increase the required contribution to the Empire State Entertainment Diversity Job Training Fund from 0.25 percent to 0.5 percent; and require future applicants to file a diversity plan with the State.

- **Extend and Modify the New York Youth Jobs Program Tax Credit:** The Executive proposes to extend the New York Youth Jobs Program tax credit for an additional five years, through 2027.

- **Extend the Empire State Apprenticeship Tax Credit:** The Executive proposes to extend the Empire State Apprenticeship tax credit program for an additional five years, through 2027.

- **Extend the Workers with Disabilities Tax Credit:** The Executive proposes to extend the Workers with Disabilities tax credit for an additional six years, through 2029.

- **Eliminate the Investment Tax Credit for Production of Master Tapes:** The Executive proposes to exclude tangible personal property used in the production or duplication of a master or any visual or audio recording, including films, television shows or commercials, from being eligible for the investment tax credit.

- **TED Part LL – Extend and Modify the Brownfield Cleanup Program:** The Executive proposes to extend and modify the Brownfield Cleanup Program by providing new categories of eligibility for tangible property credits; establish a $50,000 program fee to defray the cost of State staff; and extend the site preparation and groundwater remediation credits for sites that may have been unable to complete work due to the COVID-19 pandemic.

Gaming Proposals

- **Downstate Casino Authorization:** The Executive proposes to remove the current restriction on casinos being located in Zone One (Downstate) and to authorize the Gaming Facility Location Board to issue a request for application for up to three unawarded casino licenses.

- **Extend Authorized Use of Capital Funds by Certain Off-Track Betting Corporations:** The Executive proposes to extend for one year the authorized use of the capital acquisition funds by the Capital Off-Track Betting (OTB) corporation.

- **Extend Pari-Mutuel Tax Rate and Simulcast Provisions:** The Executive proposes to extend the current pari-mutuel tax rate structure and other racing-related provisions for one year.

Other Tax Proposals

- **TED Part II – Authorize a Social Equity Fund for Retail Cannabis Dispensaries:** The Executive proposes to authorize a private debt or equity fund to be created for use in providing financial assistance to socially and economically disadvantaged individuals in relation to the establishment of retail cannabis dispensaries.

- **TED Part PP - Modify the Disposition of the Real Estate Transfer Tax:** The Executive proposes to increase the amount of real estate transfer tax collections that are used to support the Environmental Protection Fund, from $119.1 million to $257.4 million.

Table 17

SFY 2022-23: Tax and Other Revenue Actions ($ in Millions)	General Fund		All Funds	
	FY2023	FY2024	FY2023	FY2024
Responding to COVID-19	(2,462)	(1,081)	(2,462)	(1,081)
Accelerate the Implementation of the Middle-Class Tax Cut	(162)	(615)	(162)	(615)
Create a Tax Credit for Small Businesses COVID-19 Related Expenses	-	(250)	-	(250)
Extend the New York City Musical and Theatrical Production Tax Credit	-	(100)	-	(100)
Create and Expand Tax Credits for Farms	-	(16)	-	(16)
Provide Small Business Tax Relief	(100)	(100)	(100)	(100)
Provide a Homeowner Tax Rebate Credit	(2,200)	-	(2,200)	-
Other Tax Cuts and Credits	-	(8)	-	(8)
Extend the Clean-Heating Fuel Credit	-	-	-	-
Extend the Alternative Fuels and Electric Vehicle Recharging Property Credit	-	-	-	-
Extend the Credit for Companies Providing Transportation to Individuals with Disabilities	-	-	-	-
Extend the New York Youth Jobs Program Tax Credit	-	-	-	-
Extend the Empire State Apprenticeship Tax Credit	-	-	-	-
Extend and Modify the Film Tax Credit	-	-	-	-
Extend and Modify the Telecommunications Assessment Ceiling Programs	-	-	-	-
Extend and Modify the Brownfields Program	-	-	-	-
Extend the Credit for Employment of Persons with Disabilities	-	-	-	-
Increase the Aggregate Dollar Amount of the Low-Income Housing Credits	-	(7)	-	(7)
Extend and Modify the Hire-A-Vet Credit	-	-	-	-
Provide Tax Credits for the Phase Out of a Certain Grade of Fuel Oil	-	-	-	-
Create a Tax Exemption for Student Loan Forgiveness Awards	-	(1)	-	(1)
Reform and Simplification Actions	20	53	21	54
Streamline the Withholding Table and Quarterly Interest Rate Publication Process	-	-	-	-
Solar and Wind Valuation Program Technical Corrections	-	-	-	-
STAR Administrative Changes	-	-	-	-
Require S-Corporation Conformity with Federal Return	-	13	-	13
Eliminate the Investment Tax Credit for Production of Master Tapes	-	-	-	-
Establish a Permanent Rate for the Article 9-A MTA Surcharge	-	-	-	-
Modify Taxation of the Vacation Rental Industry	20	40	22	43
Make Local Sales Tax Rate Authorizations Permanent	-	-	-	-
Exempt Certain Water Vessels from the Petroleum Business Tax	-	-	(1)	(2)
Enforcement Initiatives	-	25	-	25
Expand the Financial Institution Data Management Program	-	25	-	25
Gaming Initiatives	-	-	-	-
Authorize Casino Licenses	-	-	-	-
Extend Pari-Mutuel Tax Rates and Simulcast Provisions	-	-	-	-
Extend Authorized use of Capital Funds by Certain Off-Track Betting Corporations	-	-	-	-
Fee Actions	-	-	5	20
Extend the Waste Tire Management Fee	-	-	5	20
TOTAL REVENUE ACTIONS	(2,442)	(1,011)	(2,436)	(990)

TAX ANALYSIS

Personal Income Tax

Table 18

Personal Income Tax Collections Forecasts by State Fiscal Year ($ in Millions)						
	2021-22			2022-23		
	WAM Estimate	Percent Growth	Diff. Exec	WAM Forecast	Percent Growth	Diff. Exec.
Personal Income Tax	**$68,573**	**24.8%**	**$451**	**$49,723**	**(27.5%)**	**$697**
Gross Receipts	**79,740**	**21.7%**	**385**	**68,953**	**(13.5%)**	**716**
Withholding	52,089	17.8%	594	52,649	1.1%	1,011
Estimated Payments	21,546	31.0%	(449)	9,920	(54.0%)	(482)
Vouchers	14,008	28.2%	(450)	4,487	(68.0%)	43
IT 370s	7,538	36.8%	1	5,433	(27.9%)	(525)
Final Payments	4,539	27.1%	157	4,706	3.7%	42
Delinquencies	1,567	20.5%	84	1,677	7.1%	144
Total Refunds	**11,167**	**5.7%**	**(66)**	**19,230**	**72.2%**	**19**
Prior Year Refunds	5,498	(9.1%)	9	11,064	101.3%	24
Current Refunds	3,000	37.2%	-	3,000	0.0%	-
Advance Credit Payments	665	12.2%	14	3,022	354.1%	-
Previous Refunds	704	29.5%	(90)	720	2.1%	(5)
State/City Offsets	1,299	9.0%	-	1,424	9.6%	-
Collections	**68,573**	**24.8%**	**451**	**49,723**	**(27.5%)**	**697**
Transfers to STAR	(1,939)	(4.3%)	**-**	(1,831)	(5.6%)	-
Transfers to DRRF/RBTF	(34,287)	24.8%	(229)	(24,861)	**(27.5%)**	(349)
General Fund PIT Collections	**$32,348**	**27.1%**	**$223**	**$23,030**	**(28.8%)**	**$347**

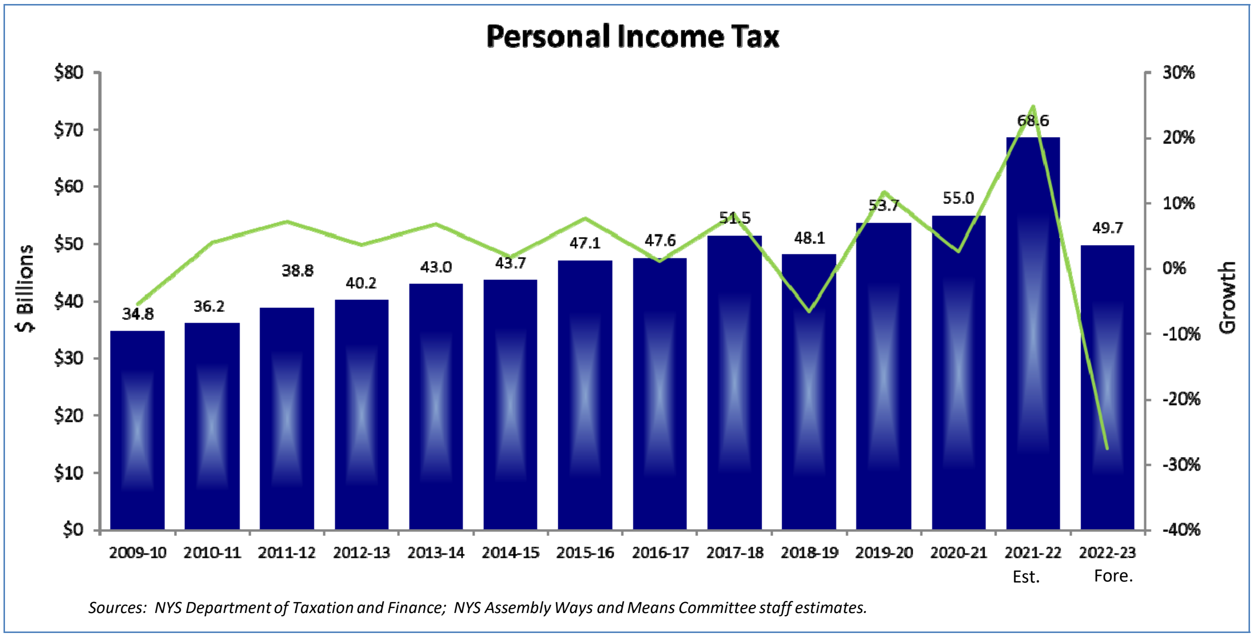


Figure 54

Article 22 of the Tax Law imposes a tax on the income of individuals, estates and trusts residing or located in New York State. Personal Income Tax (PIT) receipts contribute approximately 57 percent of all tax collections deposited into the General Fund. PIT receipts are received through employee withholdings, estimated tax payments, payments accompanying annual tax returns, late payments, and audits and assessments. Withholding is the single largest component, comprising over 65 percent of gross PIT receipts.

New York's definition of income closely follows federal rules, which include wages, salaries, capital gains, unemployment compensation, as well as interest and dividend income. For residents, these components equal the federal adjusted gross income (AGI). AGI is calculated starting with the federal AGI as a base and then modifying it with certain subtractions or additions as permitted or required under State law. Additions include tax-exempt bonds issued outside of New York. Social security benefits, pension, and annuity income are generally excluded. A taxpayer's AGI is then reduced by subtracting the New York standard deduction, which varies according to the taxpayer's filing status, or New York itemized deductions.

Taxpayers may itemize their deductions on their New York State returns if the aggregate of such deductions, minus state and local income taxes and certain other modifications, exceed the New York standard deduction. However, the availability of itemized deductions is limited for certain high-income taxpayers. The high-income deduction limitation begins at different levels depending upon the taxpayer's taxable income. A 25 percent reduction begins to phase in for income exceeding $100,000 of AGI for single filers, above $200,000 for married filers, and

$250,000 for head of household filers. A 50 percent limitation on itemized deductions begins to phase in for all filers at $475,000.

For New York taxpayers whose AGI exceeds $1 million, itemized deductions are fully excluded, and only 50 percent of charitable contributions may be deducted for the purposes of calculating tax liability. For taxpayers with AGI over $10 million, the charitable contributions deduction is limited to 25 percent.

Either the State standard deduction or itemized deductions, in addition to exemptions claimed on New York taxes, are subtracted from NYAGI to arrive at New York taxable income. Taxable income is then multiplied by the appropriate tax rate. A taxpayer's tax rate is partially determined by their filing status. The tax rate is then determined by the level of taxable income.

The SFY 2021-22 Enacted Budget established a new progressive PIT surcharge on taxpayers with incomes over $5 million, by increasing the previous 8.82 percent rate to 9.65 percent and establishing two new brackets as follows: 10.30 percent for taxpayers between $5 million and $25 million and 10.90 percent for taxpayers over $25 million. These actions are projected to increase PIT collections by $2.8 billion in SFY 2021-22 and $3.3 billion in SFY 2022-23.

The SFY 2021-22 budget also established a new pass-through entity tax (PTET), which is expected to have substantial impact on future PIT collections. Under the PTET, certain partnerships and S corporations have the option of electing to pay an entity level tax on their New York sourced income. The individual partners, members, and shareholders of an electing pass-through entity would be eligible for a refundable tax credit on their New York State income tax return equal to the proportionate or pro rata share of taxes paid by the electing entity.

Net Collections

Year-to-Date (YTD) Through January 2022

Through January 2022, net personal income tax collections have increased by 28.6 percent, or $13.220 billion, with gross collections increasing by 23.6 percent, or $12.797 billion, year-to-date.

Table 19

Net Collections ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$59,472	28.6%	$68,573	24.8%	$68,122	$451
2022-23			$49,723	(27.5%)	$49,026	$697

State Fiscal Year 2021-22

Net personal income tax collections in SFY 2021-22 are estimated to total $68.573 billion, which represents an increase of $13.606 billion, or 24.8 percent, from the prior fiscal year. Gross collections are expected to increase by 21.7 percent and the Committee anticipates a 5.7 percent increase in refunds.

This increase in estimated net collections can be attributed to the actions taken in the SFY 2021-22 enacted budget described above, as well as an increase in labor market activity that has generated robust personal income growth as the economy continues to add jobs and further rebound from the COVID-19 pandemic.

The Committee's net PIT collections estimate is $451 million above the Executive's estimate.

State Fiscal Year 2022-23

Net personal income tax collections in SFY 2022-23 are forecast to total $49.723 billion, a decrease of $18.85 billion, or 27.5 percent, from the SFY 2021-22 estimates. Gross collections are forecast to decrease by $10.787 billion, a decrease of 13.5 percent, with an increase in total refunds of $8.063 billion, or 72.2 percent.

This year-to-year reduction in PIT collections reflects the impacts of the PTET, which is described above, and which is projected to reduce PIT collections by $24.13 billion in SFY 2022-23, which reflects $13 billion in credits related to PTET payments that taxpayers made in SFY 2021-22 and $11.13 billion related to an ongoing reduction in quarterly estimated PIT payments for PTET filers.

Without the effects of these credits, PIT receipts would have been forecast to increase by $5.271 billion, or 7.7 percent, in SFY 2022-23, including a 27.7 percent increase in estimated payments.

To maintain comparability with the Executive forecast, the Committee adjusts its PIT forecast down by $2.462 billion, related to the Executive Budget proposals that would accelerate the middle-class tax cuts ($162 million); expand the small business subtraction modification ($100 million); and establish a homeowner tax rebate credit ($2.2 billion).

The Committee's net collection forecast is $697 million above the Executive's forecast.

Withholding

Employers are required to withhold an amount from employees' paychecks, which is used at the end of the year to help settle taxpayer liability. Withholding has a slight lag from the period in which it is withheld to the time the State receives the payment from the employer, but is closely correlated to wages and salaries received during any given quarter. In addition, individuals receiving unemployment insurance payments can elect to have taxes withheld.

YTD through January 2022

Through January, withholding collections are up $6.608 billion, or 19.5 percent, compared to the prior year.

This increase in year-to-date collections can be partially attributed to an increase in the withholding rate on supplemental wages — from 9.62 percent to 13.78 percent — which became effective on July 1, 2021, in response to the tax rate increase enacted in the SFY 2021-22 budget. Supplemental wages consist of additional earnings such as bonuses, commissions, overtime pay, etc., and this new rate was in effect until December 31, 2021. Beginning on January 1, 2022, the new withholding rate on supplemental wages is 11.70 percent, which will continue to generate higher withholding collections compared to prior years.

Table 20

Withholding ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$40,470	19.5%	$52,089	17.8%	$51,495	$594
2022-23			$52,649	1.1%	$51,638	$1,011

State Fiscal Year 2021-22

The Committee estimates withholding collections will total $52.089 billion, an increase of $7.871 billion, or 17.8 percent, from the prior fiscal year. The Committee estimate is $594 million above the Executive's estimate.

State Fiscal Year 2022-23

Withholding collections are projected to increase by 1.1 percent, or $560 million, in SFY 2022-23, for a total of $52.649 billion. This forecast is $1.011 billion above the Executive's forecast, and is premised on continued wage growth.

Quarterly Estimated Payments

Individuals make estimated payments if the tax they will owe for the year is significantly more than the amount of tax being withheld from their wages. Individuals who have large amounts of non-wage income (self-employment income, interest, dividends, or capital gains) generally make these quarterly payments. Estimated tax payments are usually due on the 15th of April, June, September, and January. In 2020, in response to the COVID-19 pandemic, the April payment date was delayed until July. In addition, there were additional changes to PIT filing dates in 2021, including a federal delay in the tax filing deadline for 2020 taxes from April 15th to May 17th, as well as, a delay of certain tax filings that were due October 15, 2021, until January 3, 2022, for individuals impacted by Post-Tropical Depression Ida.

YTD through January 2022

Through January, estimated payments, excluding extensions, have increased by 28.9 percent, or $3.078 billion compared to the prior fiscal year. Through the same period, prior year estimated payments have increased by 36.4 percent compared to SFY 2020-21.

Table 21

Quarterly Estimated Payments ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$13,746	28.9%	$14,008	28.2%	$14,458	($450)
2022-23			$4,487	(68.0%)	$4,444	$43

Table 22

Prior Year Estimated Payments ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$7,487	36.4%	$7,538	36.8%	$7,537	$1
2022-23			$5,433	(27.9%)	$5,958	($525)

State Fiscal Year 2021-22

The Committee estimates that estimated payments will total $21.546 billion, an increase of 31.0 percent, or $5.105 billion, from SFY 2020-21. The Committee's estimate is $449 million below the Executive's estimate.

There have been some changes in taxpayer behavior related to the Federal Tax Cuts and Jobs Act of 2017, which implemented a $10,000 annual limit on the federal deductibility of state and local taxes. This change has led many taxpayers to shift capital gains realization and other income payments from the normal quarterly payments to their April settlement payments. Due to administrative changes made to estimated payment deadlines in both 2020 and 2021, monthly estimated payment totals will vary greatly when SFY 2021-22 is compared to SFY 2020-21

State Fiscal Year 2022-23

Estimated payment collections are projected to decrease 54.0 percent, or $11.626 billion, in SFY 2022-23, for a total of $9.920 billion. This substantial decrease is related to the effects of the PTET, which is projected to decrease current year estimated payments by $11.13 billion and prior year estimated payments by $6.5 billion. Without these effects total estimated payment would be projects to increase by $5.982 billion, or 27.7 percent. This forecast is $482 million below the Executive's forecast.

Realized capital gains increased 38.7 percent in tax year 2021, followed by a projected increase of 11.7 percent in tax year 2022.

Refunds

YTD through January 2022

Prior year refunds are issued by the State between April 1st and December 31st. These refunds are associated with the most recently completed calendar year liability. Previous year refunds are refunds issued for liability years prior to the year most recently completed. This component, like delinquencies, cannot be specifically connected to a particular liability year.

Year-to-date, prior year refunds have decreased by 9.5 percent, while previous year refunds have increased by 41.1 percent. Total refunds, including State/City offsets, have decreased 5.3 percent year-to-date, relative to the same period of last fiscal year.

Table 23

Prior Year Refunds ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$5,442	(9.5%)	$5,498	(9.1%)	$5,489	$9
2022-23			$11,064	101.3%	$11,040	$24

Table 24

Previous Year Refunds ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$550	41.1%	$704	29.5%	$794	($90)
2022-23			$720	2.1%	$725	($5)

State Fiscal Year 2021-22

The Committee anticipates that SFY 2021-22 will conclude with $5.498 billion in prior year refunds and $704 million in previous year refund distributions. The Committee's estimate for prior year refunds is $9 million above the Executive's estimate, and reflects a 9.1 percent decrease from SFY 2020-21.

The closeout for previous year refunds represents a 29.5 percent increase relative to the last fiscal year. The Committee's estimate is $90 million below the Executive's estimate.

Total refunds are projected at $11.167 billion, an increase of 5.7 percent, or $603 million, from SFY 2020-21.

State Fiscal Year 2022-23

The Committee projects a prior year refund total of $11.064 billion, an increase of 101.3 percent, or $5.566 billion, over the SFY 2021-22 estimates. This increase is primarily related to $6.5 billion in additional refunds issued to individual partners, members, and shareholders of pass-through entities that elected to participate in the PTET.

Previous refunds are forecast to total $720 million, representing an increase of 2.1 percent, or $15 million, over SFY 2021-22.

Advanced credit payments are expected to total $3.022 billion, an increase of $2.357 billion, or 354.1 percent, over SFY 2021-22, related to the proposed Homeowner Tax Rebate Credit that was included in the SFY 2022-23 Executive Budget.

Total refunds are projected at $19.230 billion, an increase of 72.2 percent, or $8.063 billion, from SFY 2021-22.

Fund Distribution

Table 25

Personal Income Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2021-22	$32,348	$1,939	$34,287	-	$68,573
2022-23	$23,030	$1,831	$24,861	-	$49,723

The Committee estimates General Fund personal income tax receipts of $32.348 billion in SFY 2021-22. In SFY 2022-23, General Fund collections are forecast to total $33.030 billion.

A statutory amount of 50 percent of net personal income tax collections is allocated to the Revenue Bond Tax Fund (RBTF). Starting with SFY 2018-19 budget, the contribution to this fund was increased this amount from 25 percent to 50 percent.

The STAR fund consists of revenue that is used to reimburse school districts for STAR school property exemptions, as well as New York City for their STAR personal income tax rate reduction. The Executive estimates that the STAR program will cost $1.939 billion in SFY 2021-22 and $1.831 billion in SFY 2022-23

Property Tax Relief Programs

The SFY 2021-22 budget established a property tax circuit breaker program, which would provide a PIT credit to taxpayers with incomes under $250,000 that have property tax burdens that exceed six percent of their income. These benefits will be provided on a sliding scale, which will be based on a taxpayer's income, and will be capped at a maximum of $350 per year. This action is projected to reduce PIT collections by $382 million in SFY 2022-23.

The SFY 2022-23 Executive Budget includes a proposal to establish a one-year, $2.2 billion property tax relief credit for households that are eligible for STAR or Enhanced STAR, and that have incomes at or below $250,000. This credit would be calculated on a sliding scale based on household income and would be equal to a percentage of a homeowner's current STAR benefit. The credit would be provided as an advanced payment in the fall of 2022; however, no credit would be provided where the calculated benefit is less than $100.

User Taxes and Fees

Table 26

User Tax Collections Forecasts by State Fiscal Year ($ in Millions)						
	SFY 2021-22	**Growth**	**Diff. Exec.**	**SFY 2022-23**	**Growth**	**Diff. Exec.**
User Taxes and Fees	**$19,445**	**20.7%**	**$187**	**$20,302**	**4.4%**	**$95**
Sales and Use Tax	17,417	23.1%	191	18,229	4.7%	92
Motor Fuel Tax	483	13.6%	(2)	488	1.0%	3
Cigarette Tax	951	(5.4%)	(13)	921	(3.1%)	(23)
Vapor Tax	29	(10.4%)	2	29	0.0%	2
Highway Use Tax	142	5.2%	(2)	144	1.5%	0
Alcoholic Beverage Tax	278	2.5%	4	282	1.7%	5
Opioid Tax	29	(4.5%)	3	29	0.0%	3
Medical Cannabis Excise Tax	13	43.9%	(0)	19	43.3%	6
Adult Use Cannabis	0	0.0%	0	56	100.0%	0
Auto Rental Tax*	104	62.4%	5	106	1.7%	8

*MCTD supplemental surcharge revenues are excluded, as these are now directly provided to the MTA.

Sales and Use Tax

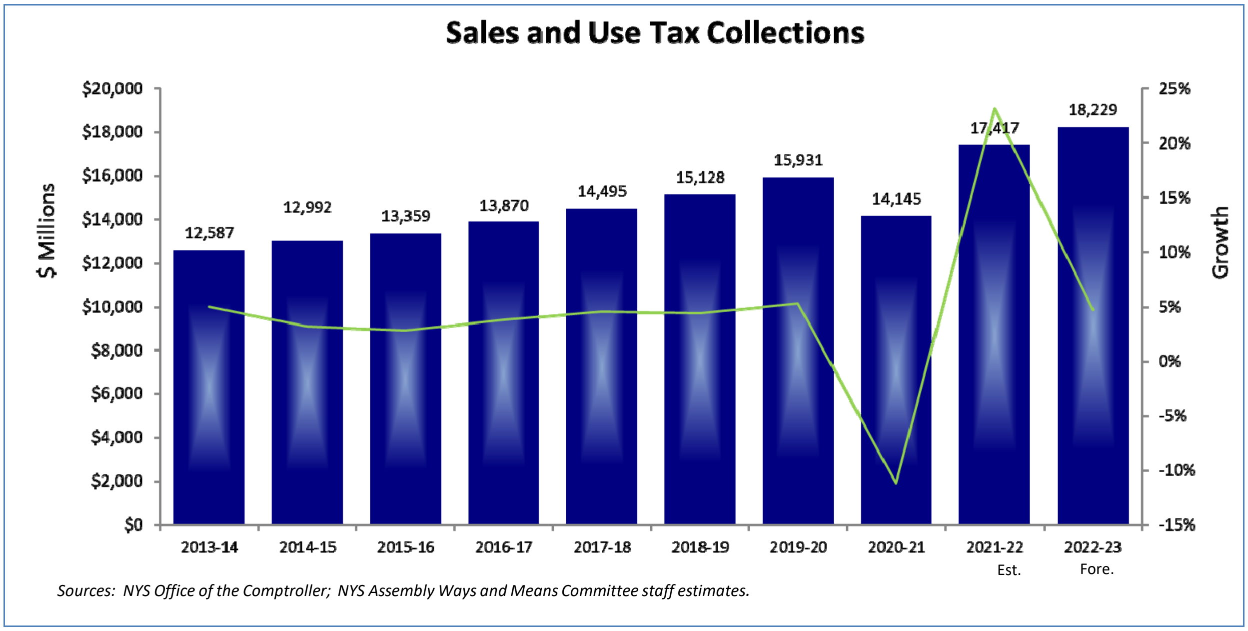


Figure 55

The sales and compensating use tax, imposed by Article 28 of the Tax Law, is a four percent broad-based consumption tax levied on the sale of tangible personal property, excluding items such as food, medicine, products used in manufacturing, and items purchased for resale. A limited number of services such as cleaning, parking, and interior design are also subject to this tax. Non-profit and charitable organizations are exempt from paying sales tax on purchases. Sales taxes are generally paid to, and collected by, the vendor at the time of purchase. Vendors remit sales tax collections annually, quarterly, or monthly depending upon their level of taxable sales. Vendors are required to remit their sales tax liability electronically to the State if they are able.

Sales tax collections are deposited into the General Fund, the Local Government Assistance Tax Fund, the Mass Transportation Operating Assistance Fund (MTOAF), and the Sales Tax Revenue Bond Fund (STBF). In 1981, the MTOAF was created to help finance the State's public transportation system. A portion of the MTOAF revenue is derived from a separate sales tax rate of three-eighths of one percent that is imposed in the Metropolitan Commuter Transportation District (MCTD). The MCTD encompasses all the counties served by the Metropolitan Transportation Authority: counties in the city of New York – Manhattan, Bronx, Queens, Kings, and Richmond – and the counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester.

Receipts from one percentage point of the four percent State sales tax are dedicated to the Local Government Assistance Corporation (LGAC), which was created in 1990 to eliminate annual spring borrowing for State expenses. Once the LGAC debt service obligations are paid, excess revenues are transferred back to the General Fund. LGAC's remaining obligations were fully retired on April 1, 2021.

The Sales Tax Revenue Bond Fund (STBF) became effective April 1, 2013. One-quarter of the State's sales tax collections are directed to this fund. Now that the LGAC bonds have been retired, collections from two percent of the State's four percent sales tax rate will be dedicated to the STBF. As with the LGAC, all receipts more than the STBF debt service requirements will be transferred to the General Fund.

Table 27

Quarterly Sales Tax Growth

	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
Western NY	7.4%	(16.7%)	3.7%	0.9%	3.1%	45.5%	9.9%	13.7%
Finger Lakes	7.0%	(15.7%)	3.6%	(0.4%)	4.0%	45.8%	10.9%	14.3%
Southern Tier	18.5%	(20.5%)	(0.1%)	1.5%	2.4%	48.9%	14.9%	14.6%
Central NY	5.7%	(15.9%)	3.9%	5.4%	7.7%	49.1%	12.0%	10.4%
Mohawk Valley	(2.2%)	(14.0%)	5.6%	6.1%	8.2%	46.1%	10.7%	9.8%
North Country	8.4%	(9.2%)	4.6%	4.3%	9.7%	42.7%	11.1%	11.1%
Capital Region	5.0%	(18.7%)	(0.4%)	4.8%	6.0%	46.3%	15.4%	13.4%
Mid-Hudson	14.3%	(17.4%)	3.6%	4.2%	6.3%	56.6%	16.5%	15.1%
NYC	1.3%	(34.9%)	(21.9%)	(18.5%)	(13.2%)	44.6%	27.9%	26.3%
Long Island	5.3%	(24.0%)	0.8%	8.1%	5.9%	60.3%	16.3%	10.9%

Note: Growth rates shown represent the growth of the quarter over the same quarter in the previous year.
Sources: NYS Department of Taxation and Finance; NYS Assembly Ways and Means Committee staff.

Regional sales tax collections for the first quarter of 2020 through the fourth quarter of 2021 are shown above. New York City accounts for the largest portion of collections each quarter, with approximately half of total collections coming from the City due to its large population and popularity as a tourism destination. As a result of this dependence on tourism, the City has seen a disproportionately large impact from the COVID-19 pandemic, as shutdown orders and travel restrictions have severely impacted its economy. The significant growth in the Mid-Hudson region reflects a one percent increase in the Westchester County sales tax rate that took effect on August 1, 2019.

The limitations on business activity related to the COVID-19 pandemic resulted in a dramatic decrease in statewide sales tax collections in quarter two of calendar year 2020. Sales tax receipts have rebounded over the remainder of the first three quarters of 2021, following the gradual reopening of the economy. However, as New York City continues to struggle with limitations on business activity and depressed tourist activity, its sales tax collections have lagged the rest of the State. Furthermore, the New York City Comptroller's Office has projected a loss of $111 million annually due to behavioral changes related to working from home.

Sales tax collections have benefitted from language included in the SFY 2019-20 budget to tax additional internet sales. This change has resulted in approximately $160 million in additional State sales tax collections each quarter, with a commensurate amount for local governments.

YTD through January

Statewide collections through January have increased by 24.8 percent over SFY 2021-22, for a year-to-date total of $14.693 billion.

Table 28

Sales Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$14,693	24.8%	$17,417	23.1%	$17,226	$191
2022-23			$18,229	4.7%	$18,137	$92

State Fiscal Year 2021-22

The Committee estimates sales tax receipts will total $17.417 billion in SFY 2021-22, an increase of 23.1 percent, or $3.272 billion, from SFY 2020-21. Prior to the pandemic, sales tax collections had shown dramatic growth, driven by continued consumer spending growth as well as the expansion of the sales tax base to include most internet marketplace sales. Post pandemic sales taxes have rebounded due to prior economic stimulus and are expected to increase 15 percent for the remainder of the year.

The Committee's estimate is $191 million above the Executive's estimate.

State Fiscal Year 2022-23

The Committee forecasts that sales tax receipts will total $18.229 billion, an increase of 4.7 percent, over SFY 2021-22 estimates. Sales tax growth is projected to slow as the impacts of federal stimulus wane and consumer demand returns to its long-term trend. The Committee's forecast is $92 million above the Executive's forecast.

Fund Distribution

Table 29

Sales Tax Fund Distribution ($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2021-22	$4,046	$1,101	$12,270	-	$17,417
2022-23	$8,536	$1,157	$8,536	-	$18,229

With the remaining LGAC debt fully retired on April 1, 2021, there is a statutorily required change in the distribution of sales tax's collections for SFY 2021-22, SFY 2022-23, and annually thereafter.

For SFY 2021-22 the portion of sales tax receipts initially deposited to the LGAC Fund will remain at 25 percent, while the portion deposited into the STRBF will increase, from 25 percent to 50 percent, and the portion deposited to the General Fund will be reduced from 50 percent to 25 percent.

In SFY 2022-23, and annually thereafter, the 25 percent share of sales tax receipts that was initially deposited to the LGAC Fund will be eliminated, the portion deposited into the STRBF will remain at 50 percent and the portion deposited in the General Fund will revert to 50 percent.

Excess receipts above the debt service requirements of these funds and the local assistance payments to New York City, or its assignee, are subsequently transferred to the General Fund.

Medical Cannabis Excise Tax

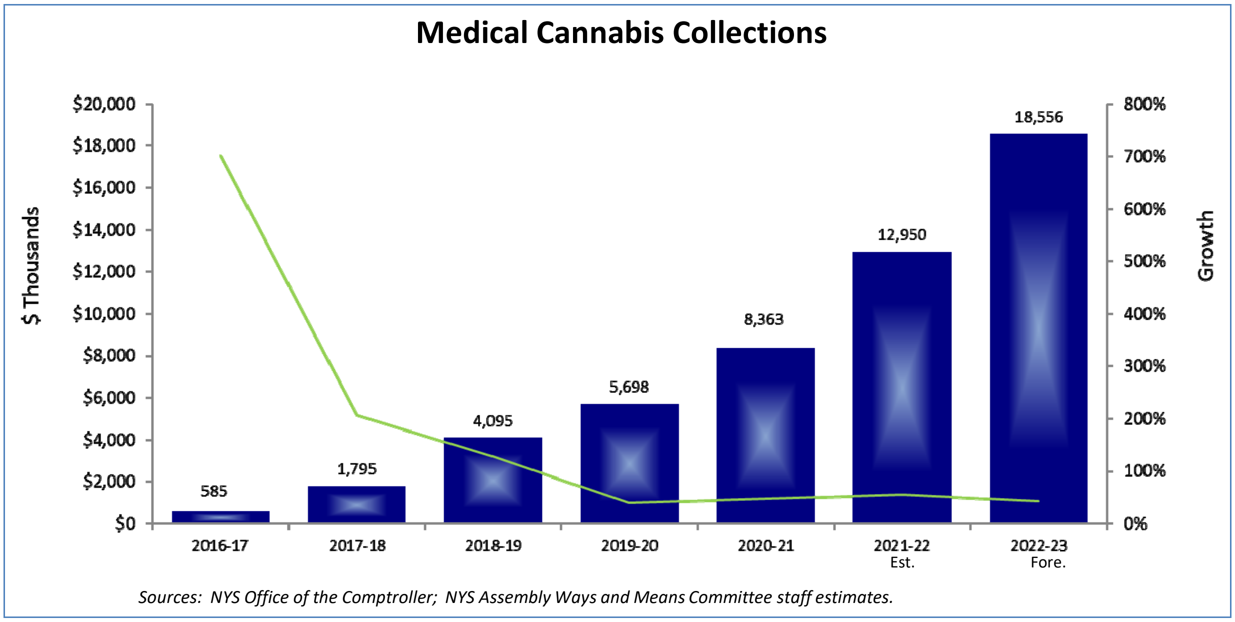


Figure 56

Pursuant to Article 20-B of the Tax Law, the State imposes an excise tax on medical cannabis which is prescribed for the treatment of a variety of conditions. Patients were first able to purchase medical cannabis in the State in January of 2016. In mid-June of 2018, the Department of Health expanded the Medical Cannabis Program to include opioid use as a qualifying condition. There has also been a recent expansion of the conditions that are eligible for medical marihuana prescriptions to include post-traumatic stress disorder (PTSD), substance use disorder, and as an alternative to opioid treatment. On September 22, 2021, the Cannabis Control Board expanded the list of who can prescribe medical marijuana and allowed medical marihuana dispensaries to sell flower.

Upon the sale of the product from a New York State licensed dispensary to a patient or designated caregiver, a seven percent excise tax is levied and remitted by the dispensary. There are currently ten registered organizations authorized to manufacture and dispense medical cannabis. As of February 15, 2022, there are 3,511 registered practitioners and 124,872 certified patients in the New York State Medical Cannabis Program.

Of the revenues received from the State medical cannabis excise tax, 45 percent is dedicated to the Medical Cannabis Trust Fund and the remaining 55 percent is allocated in the following manner:

- 22.5 percent is remitted to the counties in which a medical cannabis manufacturer is based, in proportion to the gross sales in each county;

- 22.5 percent is remitted to the counties in which the medical cannabis was dispensed, in proportion to the gross sales in each county;

- five percent is remitted to the Office of Alcoholism and Substance Abuse Services for the purposes of drug abuse prevention, counseling, and treatment services; and

- five percent is remitted to the Division of Criminal Justice Services to provide discretionary grants to State and local law enforcement agencies.

YTD through January

Through January, medical cannabis excise tax collections have totaled $11 million, an increase of 54.2 over the same period of SFY 2020-21. This increase is largely due to the recent expansion of the Medical Cannabis Program.

Table 30

Medical Cannabis Excise Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$11	54.2%	$13	43.9%	$13	($0)
2022-23			$19	43.3%	$13	$6

State Fiscal Year 2021-22

The Committee estimates that revenues from the medical marihuana excise tax will total $13 million in SFY 2021-22, a 43.9 percent increase from SFY 2020-21. The Committee's estimate is the same as the Executive's forecast.

State Fiscal Year 2022-23

For SFY 2022-23, the Committee forecasts collections of $19 million, a 43.3 percent increase from SFY 2021-22 estimates. The Committee's forecast is $6 million above the Executive's forecast of $13 million.

Adult-Use Cannabis Tax

The Marihuana Regulation & Taxation Act (MRTA) was signed into law on March 31, 2021 (Chapter 92 of the Laws of 2021) and legalized the adult-use of cannabis (also known as marihuana) in New York State. The legislation created a new Office of Cannabis Management (OCM) governed by a Cannabis Control Board (CCB) to regulate adult-use, medical, and hemp cannabis. The OCM will issue licenses and develop regulations outlining how and when business can participate in the new industry.

The MRTA established a three tier tax structure for adult-use cannabis. There is a tax on the sale from a wholesaler to a retail dispensary, based on the milligrams (mg) of total Tetrahydrocannabinol (THC) in the cannabis product. The tax rate would be based on the type of product, as follows:

- edibles (i.e., food and beverages) are taxed at $0.03 per mg of THC;
- concentrates (i.e., vaporization oil, wax, shatter, and resin) are taxed at $0.008 per mg of THC; and
- cannabis flower (i.e., loose flower, pre-rolls, or shake) are taxed at $0.005 per mg of THC

There is also a State and local tax imposed on the retail sale of cannabis by a dispensary to the consumer, as follows:

- a 9 percent State excise tax; and
- a 4 percent local excise tax, of which 1 percent will be retained by the county of sale and 3 percent will be distributed to the town, village or city where the sale occurs.

All State cannabis taxes are deposited in the New York State Cannabis Revenue Fund. Revenue deposited to the Fund would support the reasonable costs to administer the program and implement the law. The remaining funding is distributed as follows:

- 40 percent to the State Lottery Fund to support additional grants to school districts;
- 40 percent to a Community Grants Reinvestment Fund; and
- 20 percent to a Drug Treatment and Public Education Fund.

State Fiscal Year 2021-22

The Committee estimates that there will be no tax collections in SFY 2021-22. This estimate is equivalent to the Executive's forecast.

State Fiscal Year 2022-23

The Committee forecasts that collections for SFY 2022-23 will total $56 million. This estimate is equivalent to the Executive’s forecast.

Opioid Excise Tax

The SFY 2019-20 Budget enacted an Opioid Excise Tax that would be imposed on the first sale of an opioid unit by a registrant. A first sale is any transfer of title to an opioid unit for consideration where actual or constructive possession of such opioid unit is transferred by a registrant holding title to such opioid unit to a purchaser or its designee in New York State, for the first time. A qualifying sale does not include the dispensing of an opioid unit pursuant to a prescription to an ultimate consumer, or the transfer of title to an opioid unit from a manufacturer in the State to a purchaser outside of the State when such opioid unit will be used or consumed outside New York. It is presumed that every sale by a registrant in this State is the first sale unless it is established otherwise, and the burden of proving that a sale does not qualify as a first sale is on the registrant.

The Tax Law establishes two tax rates:

- A $0.0025 on each morphine milligram equivalent with a wholesale acquisition cost of less than $0.50 per unit;
- A $0.015 on each morphine milligram equivalent with a wholesale acquisition cost of $0.50 or more per unit.

Table 31

Opioid Excise Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$29	(4.7%)	$29	(4.5%)	$26	$3
2022-23			$29	0.0%	$26	$3

State Fiscal Year 2021-22

The Committee estimates that statewide collections for SFY 2021-22 will total $29 million, a decrease of 4.5 percent of the previous fiscal year. This estimate is $3 million higher than the Executive projection of $26 million.

State Fiscal Year 2022-23

The Committee forecasts that statewide collections for SFY 2022-23 will total $29 million, which is $3 million above the Executive's forecast of $26 million.

Auto Rental Tax

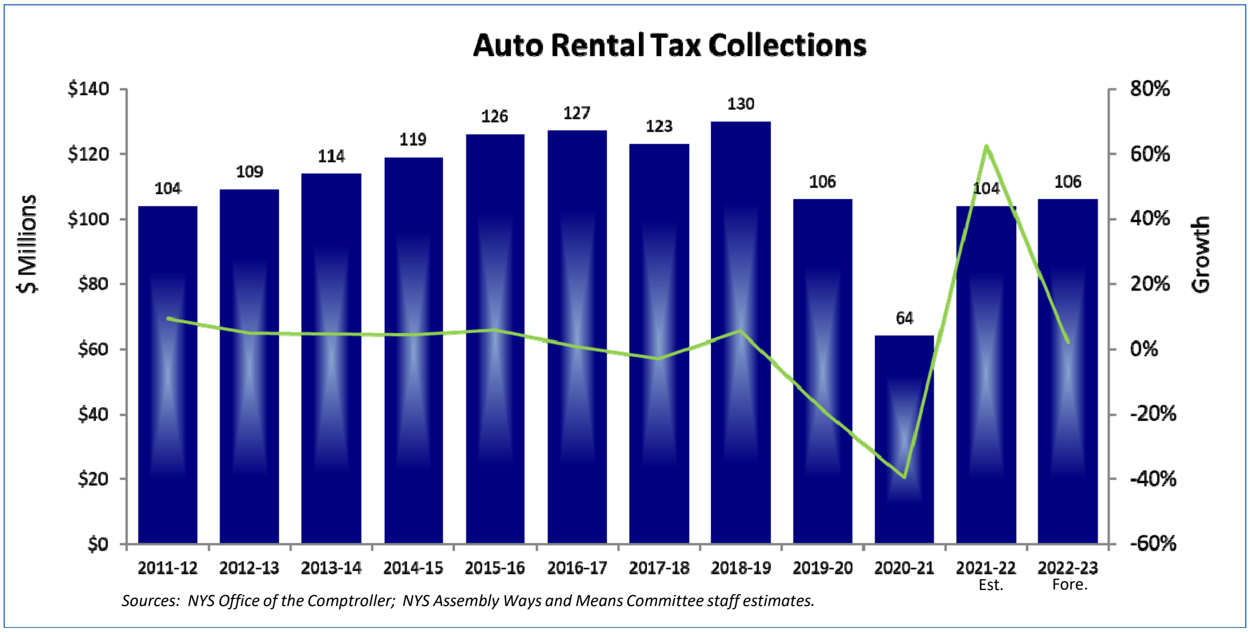


Figure 57

The auto rental tax, imposed by Article 28-A of the Tax Law, applies to the rental of any passenger car with a gross vehicle weight of 9,000 pounds or less that can seat a maximum of nine passengers. The statewide auto rental tax is imposed at a rate of six percent.

On June 1st, 2019, the supplemental surcharge tax of five percent imposed on auto rental sales made within the metropolitan commuter transportation district (MCTD) was increased to six percent and expanded to apply to auto rentals made in the rest of the State. However, revenue previously received from the MCTD supplemental surcharge will now be remitted directly to the Metropolitan Transportation Authority (MTA). Revenue from the new upstate supplemental surcharge will be used to fund upstate transportation systems. The taxes do not apply to leases of one year or more. Expanding the supplemental surcharge to upstate is expected to raise State revenue by $22 million in SFY 2021-22, and $24 million in SFY 2022-23.

Table 32

Auto Rental Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$87	72.3%	$104	62.4%	$99	$5
2022-23			$106	1.7%	$98	$8

YTD through January

Year-to-date, auto rental tax collections are $87 million, representing an increase of 72.3 percent compared to the same period in SFY 2020-21. This increase can be attributed to more people traveling as the economy begins to rebound from the COVID-19 pandemic.

State Fiscal Year 2021-22

The Committee estimates auto rental tax collections will total $104 million in SFY 2021-22, representing an increase of 62.4 percent from SFY 2020-21, as the economy continues to rebound from the COVID-19 pandemic. The Committee's estimate is $5 million above the Executive's estimate.

State Fiscal Year 2022-23

The Committee forecasts auto rental tax collections will total $106 million in SFY 2022-23. This is an increase of 1.7 percent, or $2 million over SFY 2021-22 estimates. The Committee's forecast is $8 million above the Executive's forecast.

Fund Distribution

Table 33

Auto Rental Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2021-22	-	$22	-	$82	$104
2022-23	-	$24	-	$82	$106

Motor Fuel Tax

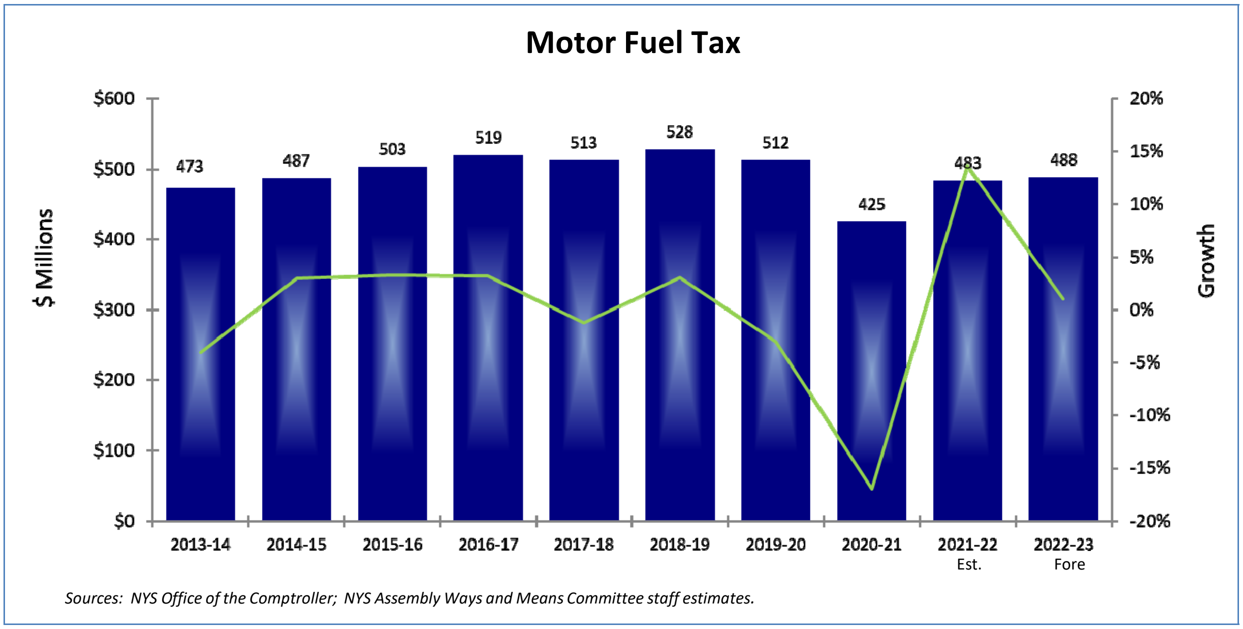


Figure 58

Article 12-A of the Tax Law imposes an eight-cents-per-gallon tax on motor and diesel fuel upon importation into New York or production within the State. The motor fuel tax has three components: a regular tax of four cents per gallon, an additional tax of three cents per gallon, and a supplemental tax of one cent per gallon. Motor fuel receipts are split between the Dedicated Highway and Bridge Trust Fund (81.5 percent) and the Dedicated Mass Transportation Trust Fund (18.5 percent). Diesel receipts are split between the Dedicated Highway and Bridge Trust fund (63 percent) and the Dedicated Mass Transportation Trust Fund (37 percent).

Table 34

Motor Fuel Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$412	14.7%	$483	13.6%	$485	($2)
2022-23			$488	1.0%	$485	$3

YTD through January

Through January, motor fuel tax collections have increased by 14.7 percent compared to last year, totaling $412 million.

State Fiscal Year 2021-22

The Committee estimates that motor fuel tax collections will total $483 million in SFY 2021-22, or an increase of 13.6 percent, from SFY 2020-21. Gasoline tax collections are expected to increase by 13.4 percent in SFY 2021-22, while diesel tax collections are expected to increase 15.0 percent. The Committee's estimate is $2 million below the Executive's estimate of $485 million.

State Fiscal Year 2022-23

Gasoline consumption is forecast to increase by 0.8 percent in SFY 2022-23 and diesel consumption is forecast to increase 2 percent. These forecasts are the basis for the Committee's revenue forecast of $488 million in motor fuel tax receipts in SFY 2022-23, which is an increase of 1.0 percent from the previous year. The Committee's forecast is $3 million above the Executive's forecast of $485 million.

Fund Distribution

Table 35

Motor Fuel Tax Fund Distribution
($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2021-22	-	$103	-	$380	$483
2022-23	-	$104	-	$384	$488

Highway Use Tax

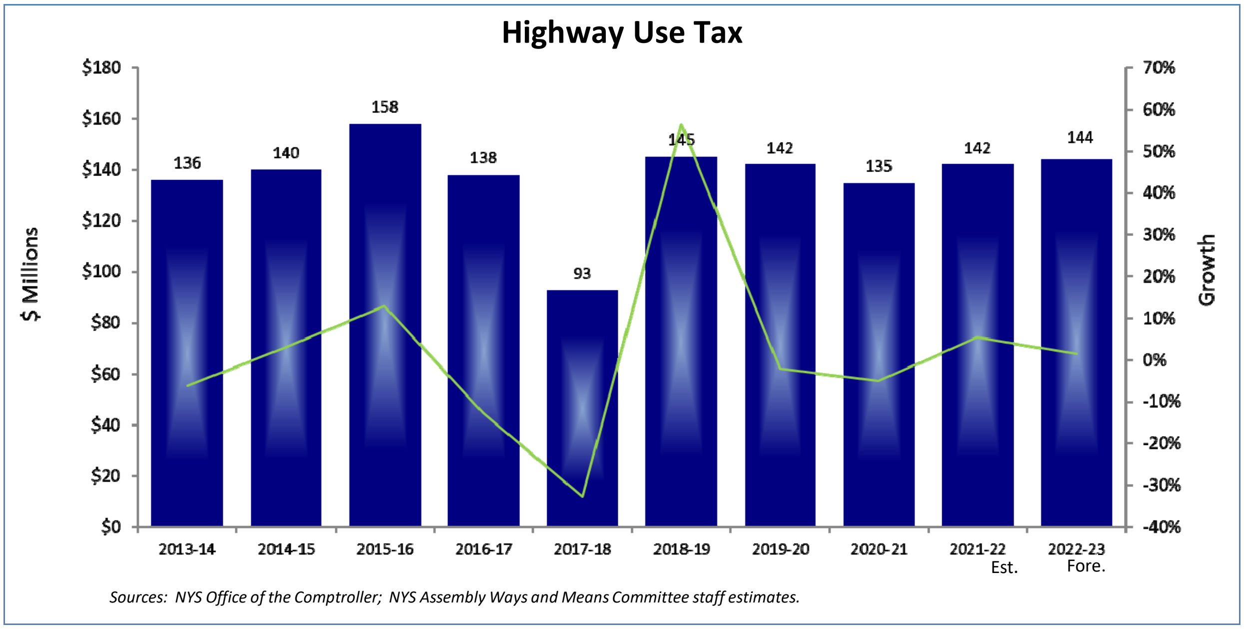


Figure 59

Articles 21 and 21-A of the Tax Law impose a Highway Use Tax (HUT) on truck mileage and fuel use, respectively, for the privilege of operating a commercial vehicle on public highways. Additionally, there is a permit fee collected from taxpayers required to pay the tax.

The truck mileage tax is levied on commercial vehicles having a loaded gross weight of more than 18,000 pounds, or an unloaded weight over 8,000 pounds for trucks and 4,000 pounds for tractors. The tax is calculated by multiplying the number of miles operated on New York State public highways, excluding miles on New York Thruways, by the appropriate graduated rate. Rates are determined according to the gross, laden or un-laden weight.

Highway use permits are mandatory for owners of vehicles subject to the HUT. Beginning December 1, 2013, vehicles subject to the HUT are required to display a decal indicating ownership of a highway use permit. The fee, due every three years, for the registration and decal combined is $1.50. This change was made after a 2015 New York Supreme Court case ruled the previous $19 combined fee unconstitutional.

The fuel use tax applies to commercial vehicles that purchase fuel outside New York State, but consume the fuel while traveling on New York highways. The International Fuel Tax

Agreement (IFTA) is used to simplify fuel use reporting for motor carriers. A carrier will report and pay in its home jurisdiction all fuel taxes owed to IFTA members; IFTA then distributes the payments to its members' jurisdictions. The aggregate fuel use tax rate is the sum of the motor fuel tax rate and the sales tax rate. The sales tax rate has two components: the state sales tax rate, four percent, and the lowest county sales tax rate at the time, currently three percent. The sales tax rates are applied to the capped price of $2 per gallon. All HUT receipts are dedicated to the Dedicated Highway and Bridge Trust Fund.

YTD through January

Through January, collections have totaled $123 million, an increase of 7.5 percent from the last fiscal year.

Table 36

Highway Use Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$123	7.5%	$142	5.2%	$144	($2)
2022-23			$144	1.5%	$144	$0

State Fiscal Year 2021-22

Collections are estimated to total $142 million, an increase of 5.2 percent compared to the previous fiscal year. The Committee's estimates are $2 million below the Executive's estimate of $144 million.

State Fiscal Year 2022-23

Highway use tax collections are expected to increase by 1.5 percent, to $144 million, in SFY 2022-23. This is equal to the Executive's forecast of $144 million.

Fund Distribution

Table 37

Highway Use Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2021-22	-	$1	-	$141	$142
2022-23	-	$0	-	$144	$144

Cigarette and Tobacco Taxes

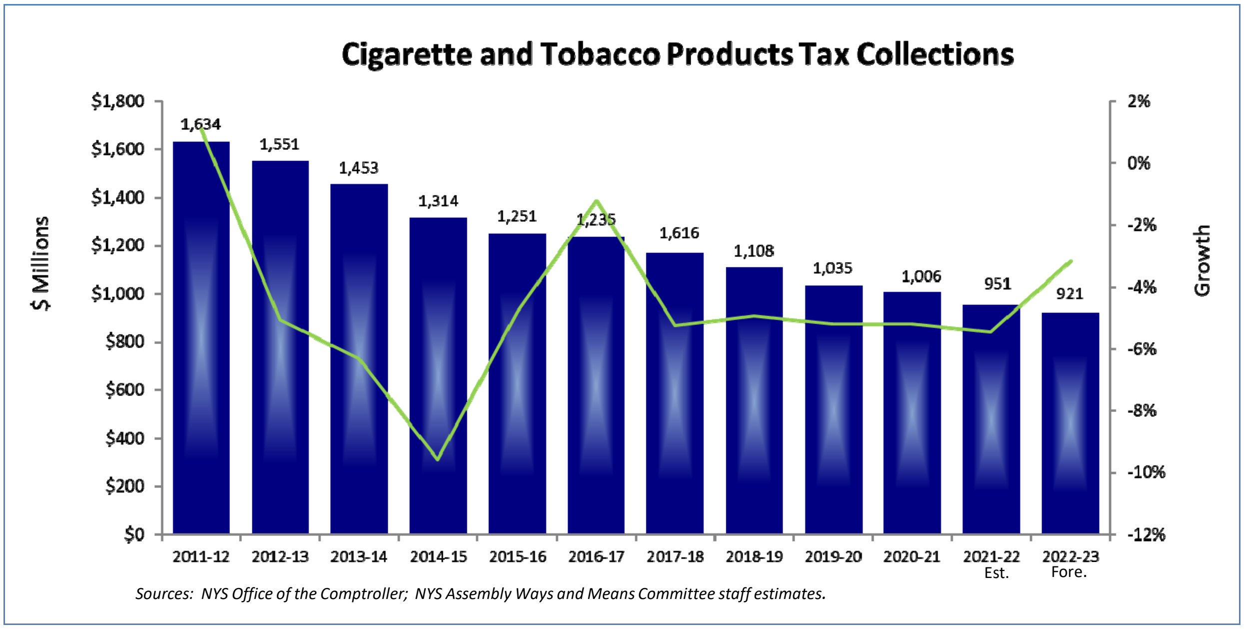


Figure 60

The State cigarette excise tax has been imposed by Article 20 of the Tax Law since 1939. This rate is currently $4.35 for a package of 20 cigarettes. The Commissioner of Taxation and Finance is authorized to make provisions for the sale of tax stamps and currently licenses agents to sell stamps for the payment of tax on cigarettes. The agent retains some of the revenues from the sale as commission according to guidelines established by the Tax Commissioner. The Commissioner is also authorized to prescribe a schedule of commissions, not exceeding five percent, to agents for buying and affixing stamps. The schedule shall be uniform with respect to the different types of stamps used, and may be on a graduated scale with respect to the number of stamps purchased. The City of New York applies an additional excise tax of $1.50 per package of 20 cigarettes.

The State also imposes a tax on tobacco products at a rate of 75 percent of the wholesale price of cigars and tobacco products other than little cigars and snuff. Little cigars are taxed at the same rate as cigarettes, $4.35 for a package of 20. One package of snuff which weighs an ounce or less is taxed at $2 per container, for packages weighing more than one ounce a proportional amount is levied on the snuff in excess of one ounce.

Table 38

Cigarette and Tobacco Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$840	(5.7%)	$951	(5.4%)	$964	($13)
2022-23			$921	(3.1%)	$944	($23)

YTD through January

Through January, cigarette and tobacco products tax collections totaled $840 million, for a decrease of 5.7 percent from the same period in SFY 2020-21.

State Fiscal Year 2021-22

The Committee estimates SFY 2021-22 collections for cigarette and tobacco taxes will total $951 million, a decline of 5.4 percent. This estimate is based on year-to-date collections and historical collection patterns. The Committee's estimate is $13 million below the Executive's SFY 2021-22 projections.

State Fiscal Year 2022-23

The Committee's cigarette and tobacco tax collections forecast for SFY 2022-23 is $921 million, a decline of 3.1 percent from SFY 2021-22. The Committee's forecast is $23 million below the Executive's estimates of $944 million.

Fund Distribution

Approximately 70 percent of cigarette and tobacco taxes are distributed to the Health Care Reform Act (HCRA) revenue pool which offsets State Medicaid spending.

Table 39

Cigarette and Tobacco Taxes Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2021-22	$289	$662	-	-	$951
2022-23	$296	$626	-	-	$921

Vapor Excise Tax

Pursuant to Article 28-C, effective December 1, 2019, a twenty percent excise tax applied to the retail sale of vapor products in New York. A vapor product is a noncombustible liquid and/or gel (with or without nicotine) manufactured into a finished product for use in an electronic cigarette, cigar, cigarillo, or pipe, vaping or hookah pen, or similar device. Vapor products do not include any product approved by the United States Food and Drug Administration as a drug or medical device, or manufactured and dispensed as medical marijuana.[44] The tax is imposed on the purchaser and collected by the vapor products dealer.

YTD through January

Through January, vapor product tax collections totaled $23 million, a decrease of 11 percent or $3 million from the same period in SFY 2020-21.

Table 40

Vapor Excise Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$23	(11.0%)	$29	(10.4%)	$27	$2
2022-23			$29	0.0%	$27	$2

State Fiscal Year 2021-22

The Committee estimates that collections in SFY 2021-22 will total $29 million, a decrease of 10.4 percent from SFY 2020-21. The Committee's estimate is $2 million above the Executive's projection of $27 million.

[44] Public Health Law, Article 33, Title 5-A

State Fiscal Year 2022-23

The Committee forecasts that collections for SFY 2022-23 will total $29 million, which is unchanged from SFY 2021-22. The Committee's estimate is $2 million above the Executive's forecast of $27 million.

Alcoholic Beverage Control License Fees

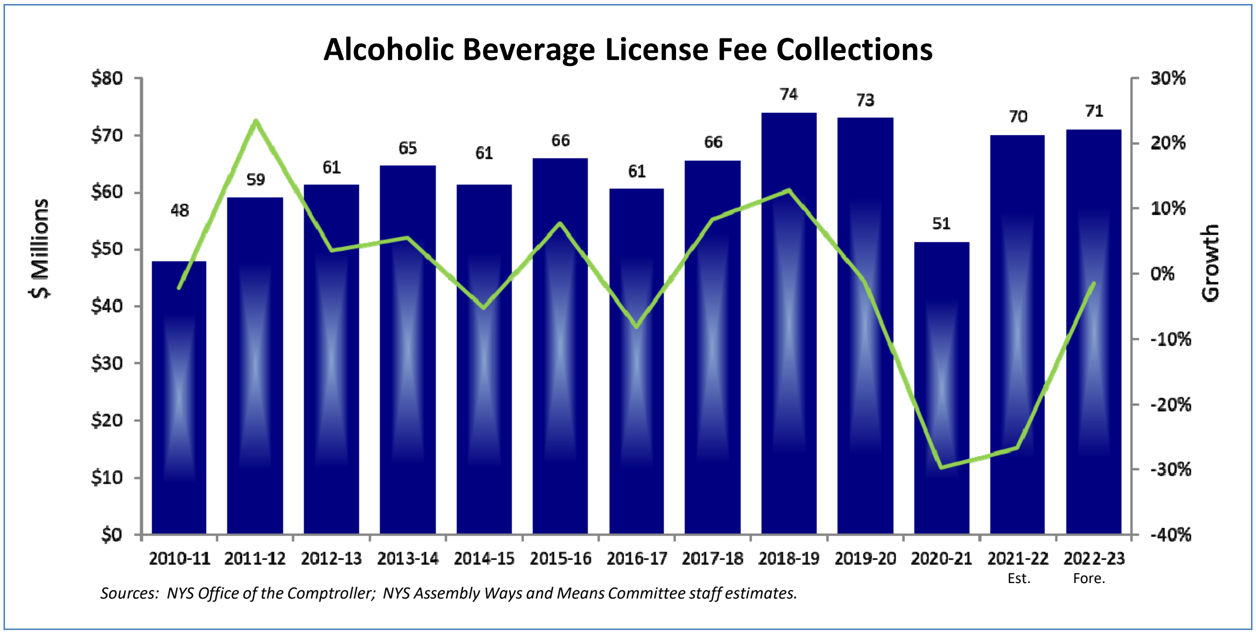


Figure 61

The New York State Alcoholic Beverage Control Law imposes permit fees on licenses for alcohol manufactures like distillers, brewers, wineries, as well as wholesalers and retailers. License fees vary according to three major factors: (1) the type of license which is issued; (2) the population of the locality where the establishment is located (for retail licenses only); and (3) the class of beverage for which the license is issued, namely liquor, beer, and wine. The State Liquor Authority oversees nearly 70,000 licenses and permits Statewide each year. The most expensive licenses are for distillers.

On September 7, 2016, a new law took effect allowing holders of on premise consumption licenses to serve alcoholic beverages starting at 10 a.m. on Sundays. Prior to the law, alcoholic beverages could not be served for on-premises consumption until noon on Sundays.

Table 41

Alcoholic Beverage Control License Fees ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$59	47.7%	$70	38.0%	$69	$1
2022-23			$71	1.3%	$67	$4

YTD through January

Year-to-date, Alcoholic Beverage Control License Fees collections are $59 million, a 47.7 percent increase over the same period in SFY 2020-21.

State Fiscal Year 2021-22

The Committee estimates revenues from Alcoholic Beverage Control License Fees will total $70 million in SFY 2021-22, a 38 percent increase from the previous year. This increase can be attributed to growth in licensing activity, as the economy rebounds from the COVID-19 pandemic. The Committee's estimate is $1 million over the Executive's projections.

State Fiscal Year 2022-23

The Committee forecasts collections of $71 million, an increase of 1.3 percent from SFY 2021-22 collections. The Committee's forecast is $4 million above the Executive's forecast.

Alcoholic Beverage Tax

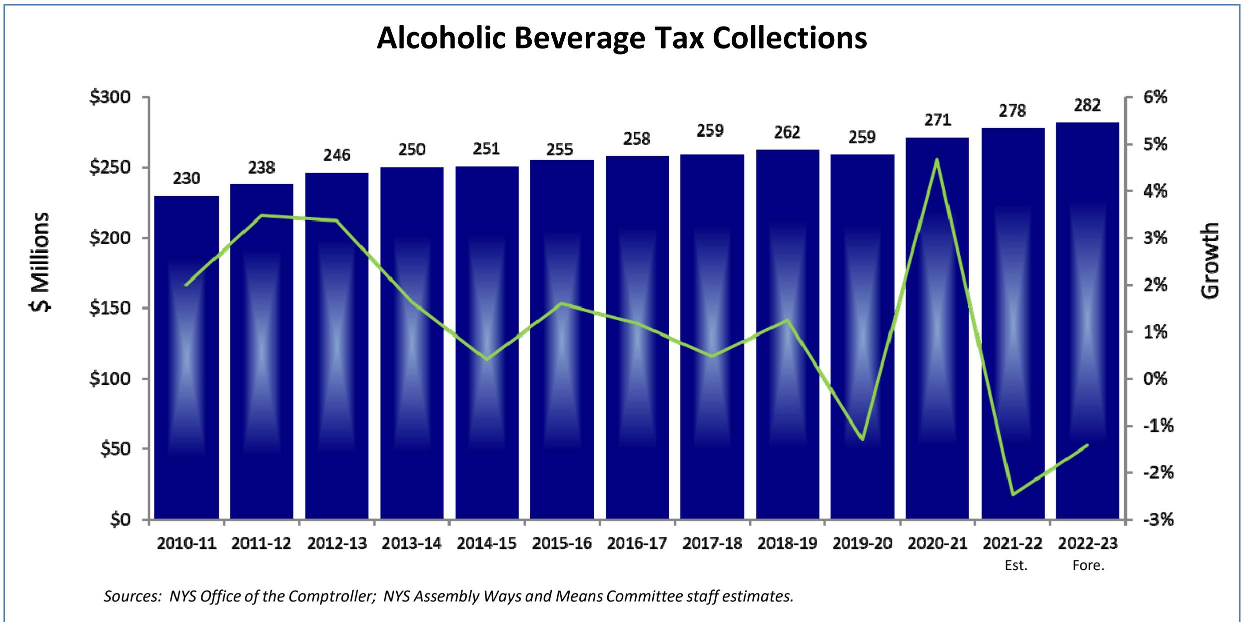


Figure 62

Article 18 of the New York State Tax Law levies a tax on alcoholic beverages at different rates based on the content of alcohol by volume and the type of beverage. The tax is imposed on the distributor or non-commercial importer of alcoholic beverages below illustrates the current State rates, as well as the alcoholic beverage taxes imposed by New York City (see Table 42).

Table 42

New York State and New York City Alcoholic Beverage Tax Rates (dollars per unit of measure)

	New York State	New York City
Beer and other similar fermented malt beverages	$0.14 per gallon	$0.12 per gallon
Cider	0.0379 per gallon	None
Natural and artificially carbonated sparkling wine	0.30 per gallon	None
Still wine, including wine coolers	0.30 per gallon	None
Liquor containing more than 24 percent alcohol by volume	1.70 per liter	0.264 per liter
Liquor containing more than 2 percent but not more than 24 percent alcohol by volume	0.67 per liter	None
Liquor containing 2 percent or less alcohol by volume	None	None

Table 43

Alcoholic Beverage Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$245	2.9%	$278	2.5%	$274	$4
2022-23			$282	1.7%	$277	$5

YTD through January

Year-to-date, alcoholic beverage tax receipts are currently $245 million, a 2.9 percent increase over the same period in SFY 2021-22.

State Fiscal Year 2021-22

The Committee estimates alcoholic beverage tax receipts will total $278 million in SFY 2021-22, for growth of 2.5 percent from SFY 2020-21. The Committee's estimate is $4 million above the Executive's projection.

State Fiscal Year 2022-23

The Committee forecasts alcoholic beverage tax collections in SFY 2022-23 of $282 million, or 1.7 percent over SFY 2021-22 collections. The Committee's forecast is $5 million above the Executive's forecast.

Business Taxes

Table 44

Business Taxes Forecasts by State Fiscal Year ($ in Millions)						
	SFY 2021-22	**Growth**	**Diff. Exec.**	**SFY 2022-23**	**Growth**	**Diff. Exec.**
Business Taxes	**$28,024**	**218.7%**	**$305**	**$27,932**	**(0.3%)**	**$62**
Corporate Franchise	7,206	45.5%	193	8,650	20.0%	(47)
Utility Tax	508	(7.5%)	(21)	561	10.3%	(9)
Insurance Tax	2,417	10.3%	136	2,451	1.4%	93
Bank Tax	151	(3.2%)	-	84	(44.4%)	-
Pass-Through Entity Tax	16,710	100.0%	-	15,080	(9.8%)	-
Petroleum Business Tax	1,032	9.5%	(3)	1,106	7.2%	25

Corporate Franchise Tax

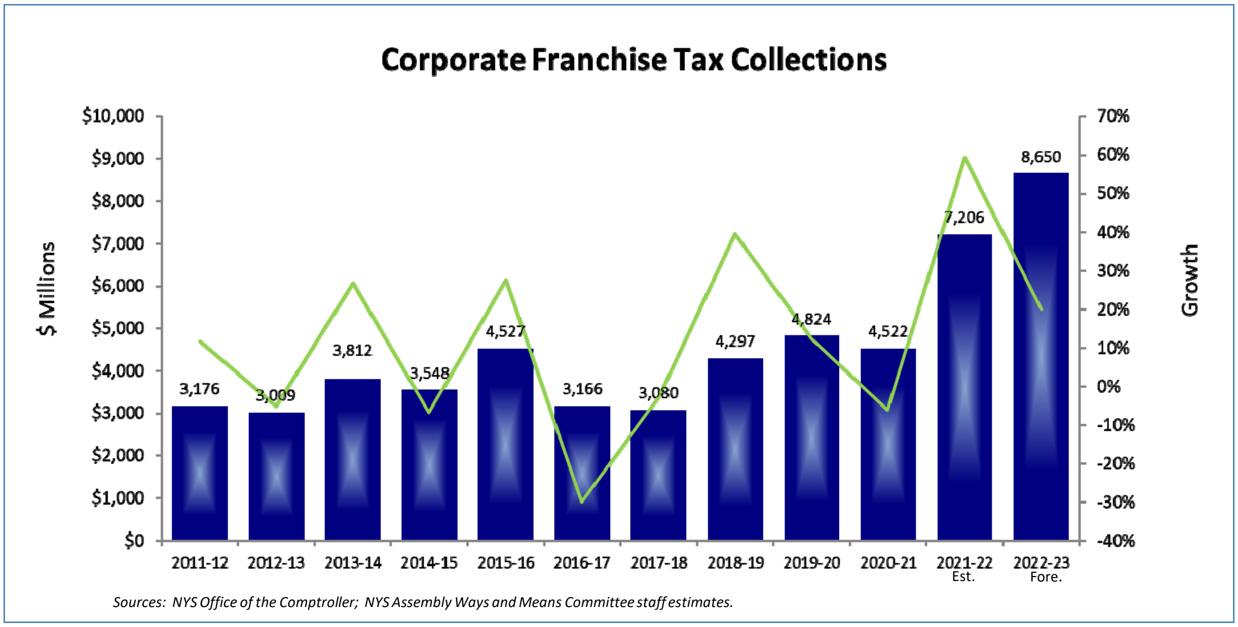


Figure 63

Taxes are imposed on every domestic or foreign corporation, under Article 9-A of the Tax Law, "for the privilege of exercising its corporate franchise, or of doing business, or of employing capital, or of owning or leasing property in a corporate or organized capacity, or of maintaining an office in this State".

The SFY 2021-22 budget increased the corporate tax rate from 6.5 percent to 7.25 percent for corporate franchise taxpayers with net incomes over $5 million, and reinstated the capital base tax at 0.1875 percent for businesses that are not categorized as small businesses (net incomes less than $390,000 and less than 100 employees) or co-operative apartments. This action is projected to increase corporate franchise tax collections by $750 million in SFY 2021-22 and $1.1 billion in SFY 2022-23.

The SFY 2021-22 budget also established a restaurant return-to-work tax credit and a New York City musical and theatrical production tax credit. These actions are projected to reduce corporate franchise tax collections by $20 million in SFY 2021-22 and $40 million in SFY 2022-23.

Table 45

Corporate Franchise Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$5,691	58.0%	$7,206	45.5%	$7,013	$193
2022-23			$8,650	20.0%	$8,697	($47)

YTD through January

All Funds cumulative collections through January were $5.691 billion, an increase of 58.0 percent, or $2.090 billion, from prior year collections.

Audit collections through January totaled $314 million, a decrease of $89 million or 22.1 percent compared to the previous fiscal year. Growth without audits is 68.1 percent above that of the prior fiscal year.

State Fiscal Year 2021-22

The Committee estimates SFY 2021-22 corporate franchise tax collections to total $7.206 billion, an increase of 45.5 percent, or $2.252 billion, from the previous fiscal year. To reach this level, remaining collections are expected to increase by 12.0 percent above collections received over the same period in SFY 2020-21. The Committee's estimate is $193 million above the Executive's projection of $7.013 billion.

State Fiscal Year 2022-23

The Committee forecasts corporate tax receipts to increase by 20.0 percent, or $1.444 billion, for a total of $8.650 billion in SFY 2022-23. This estimate is $47 million below the Executive's forecast of $8.697 billion.

Fund Distribution

All corporate franchise tax receipts are deposited into the General Fund except for the Metropolitan Commuter Transportation District (MCTD) surcharge, which is deposited into the Mass Transportation Operating Assistance Fund (MTOAF) Special Revenue Fund. In SFY 2021-22, the Committee expects General Fund receipts to total $5.731 billion.

In SFY 2022-23, the Committee's forecasts an increase of 20.7 percent in the General Fund with collections of $6.917 billion.

Table 46

Corporate Franchise Tax Fund Distribution ($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2021-22	$5,731	$1,476	-	-	$7,206
2022-23	$6,917	$1,734	-	-	$8,650

Bank Tax

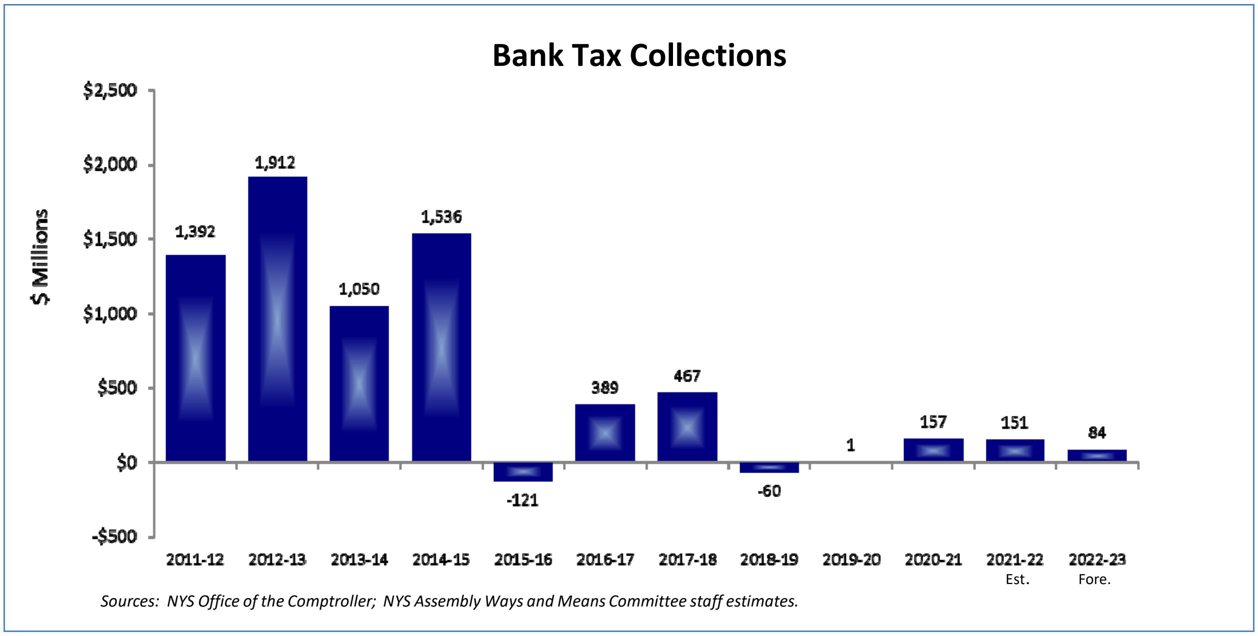


Figure 64

As of January 1, 2015, the Bank Tax has been merged with the Corporate Tax pursuant to the 2014 corporate tax reform. Current collections from this tax arise from audits and other related activity in tax years prior to corporate tax reform.

Table 47

Bank Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$16	(89.6%)	$151	(3.2%)	$151	$0
2022-23			$84	(44.4%)	$84	$0

YTD through January

Through January, bank tax collections are $16 million, a decrease of $131 million over the same period last fiscal year.

State Fiscal Year 2021-22

The Committee expects bank tax collections to total $151 million this fiscal year, a decrease of $6 million from the prior year. This estimate is equivalent to the Executive's estimate.

State Fiscal Year 2022-23

The Committee expects bank tax collections to total $84 million in SFY 2022-23. This is equivalent to the Executive's forecast.

Fund Distribution

All bank tax receipts are deposited into the General Fund except for the Metropolitan Commuter Transportation District (MCTD) surcharge, which is deposited into the Metropolitan Transportation Operating Assistance Fund (MTOAF).

In SFY 2021-22, the Committee expects General Fund receipts of $125 million. In SFY 2022-23 the Committee expects $70 million General Fund receipts.

Table 48

Bank Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2021-22	$125	$26	-	-	$151
2022-23	$70	$14	-	-	$84

Insurance Tax

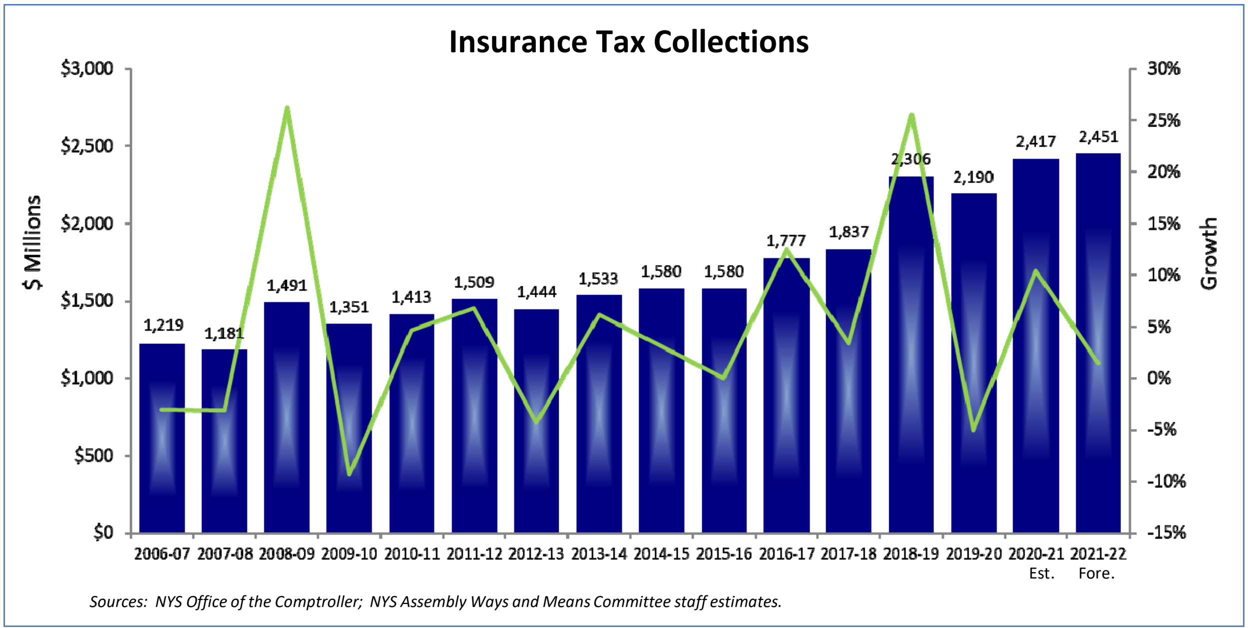


Figure 65

Taxes on insurance companies in New York State are administered by two separate agencies, the Department of Taxation and Finance and the Department of Financial Services. Pursuant to Article 33 of the Tax Law, the Department of Taxation and Finance administers income and or premiums taxes on insurance companies. The Department of Financial Services administers taxes on insurance companies' premiums pursuant to Articles 11 and 21 of the Insurance Law.

Table 49

Insurance Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$1,528	14.8%	$2,417	10.3%	$2,281	$136
2022-23			$2,451	1.4%	$2,358	$93

YTD through January

Year-to-date insurance tax collections are $1.528 billion, an increase of $198 million, or 14.8 percent, from the prior fiscal year.

State Fiscal Year 2021-22

The Committee expects collections to total $2.417 billion in SFY 2021-22, an increase of $227 million, or 10.3 percent, over the prior fiscal year. Collections are expected to increase 3.4 percent over the remainder of the fiscal year. The Committee’s estimate is $136 million above the Executive’s estimate of $2.281 billion.

State Fiscal Year 2022-23

The Committee forecasts insurance collections to total $2.451 billion in SFY 2022-23, an increase of $34 million, or 1.4 percent, above the current fiscal year. The Executive forecasts collections to be $2.358 billion in SFY 2022-23, an increase of 3.4 percent, or $77 million. This estimate is $93 million below the Committee’s forecast.

Fund Distribution

All insurance tax receipts are deposited into the General Fund except for the Metropolitan Commuter Transportation District (MCTD) surcharge, which is deposited into the Metropolitan Transportation Operating Assistance Fund (MTOAF).

In SFY 2021-22, the Committee projects General Fund receipts to reach $2.178 billion. In SFY 2022-23 the Committee projects the General Fund to increase $34 million to $2.212 billion.

Table 50

Insurance Tax Fund Distribution
($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2021-22	$2,178	$238	-	-	$2,417
2022-23	$2,212	$239	-	-	$2,451

Corporate Utility Tax

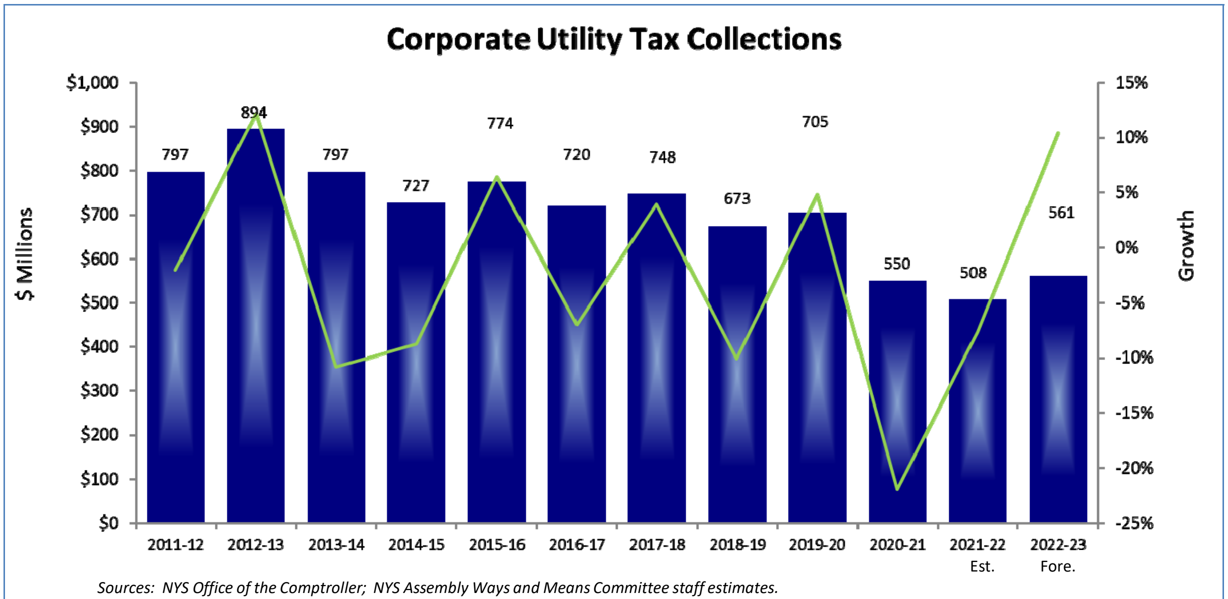


Figure 66

All transportation and transmission companies exercising their corporate franchise, doing business, employing capital, owning or leasing property in the State in a corporate or organized capacity, or maintaining an office in New York are subject to a franchise tax under Article 9 of the Tax Law.

Transportation and transmission companies pay a tax of the greater of:

1. $75;
2. 1.5 mills per dollar of net value of issued capital stock; or,
3. if dividends are paid on the par value of any stock during any calendar year amount to six percent or more, 0.375 mills per dollar for each 1 percent of dividends paid, computed at par value of the stock.

The excise tax on the sale of telecommunication services is imposed at the rate of 2.5 percent of gross receipts from:

1. intrastate telecommunication services;
2. interstate and international telecommunication services (other than interstate and international private telecommunication services) that originate or terminate in New York State and that are charged to a service address in New York State; and,
3. interstate and international private telecommunication services.

Table 51

Corporate Utility Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$333	(8.6%)	$508	(7.5%)	$529	($21)
2022-23			$561	10.3%	$570	($9)

YTD through January

Through January, cumulative utility tax collections are $333 million, a decline of $31 million, or 8.6 percent, from the prior fiscal year.

State Fiscal Year 2021-22

The Committee expects collections for SFY 2021-22 to be $508 million, a decrease of 7.5 percent, or $42 million, from the previous fiscal year. To reach this estimate, collections over the remainder of the year will need to decline 5.5 percent. The Committee's estimate is $21 million below the Executive's estimate of $529 million.

State Fiscal Year 2022-23

The Committee expects utility tax collections to increase by $53 million or 10.3 percent to a level of $561 million in SFY 2022-23. The Executive is expecting an increase of 7.8 percent to $570 million in collections next fiscal year. The Committee's estimate is $9 million lower than the Executive's forecast.

Fund Distribution

Eighty percent of the tax receipts from sections 183 and 184 of the Tax Law are deposited into the Mass Transportation Operating Assistance Fund (MTOAF) and the remainder is deposited into the Dedicated Highway Bridge and Trust Fund (DHBTF).

The Metropolitan Commuter Transportation District (MCTD) surcharge of 17 percent on a company's liability attributable to the MCTD is deposited into the MTOAF.

For SFY 2021-22, the Committee expect General Funds to total $385 million and Special Revenue Funds to be $112 million. Capital Projects Funds are estimated to total $11 million.

For SFY 2022-23, the Committee expect General Funds to increase to $413 million and Special Revenue Funds to increase to $134 million. Capital Projects Funds are forecast to be $14 million.

Table 52

Corporate Utililty Tax Fund Distribution ($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2021-22	$385	$112	-	$11	$508
2022-23	$413	$134	-	$14	$561

Pass-Through Entity Tax

In response to recent Federal tax law changes that limit the deductibility of state and local taxes from federal personal income taxes (PIT), the SFY 2021-22 budget enacted an optional pass-through entity tax (PTET) on the New York sourced income of partnerships and S corporations that are comprised solely of individual partners or shareholders. The Committee expects that the PTET will be revenue-neutral for the State over the multi-year State Financial Plan, although the timing of certain payments could result individual fiscal years experiencing revenue gains or losses.

For each tax year beginning on or after January 1, 2021, the PTET is imposed on each electing entity's PTE taxable income. The tax is in addition to any other taxes imposed on the entity under the Tax Law and is determined as follows:

Table 53

PASS-THROUGH ENTITY TAX RATES	
If the PTE taxable income is:	**then the PTET due is:**
$2 million or less	6.85% of PTE taxable income
greater than $2 million but less than or equal to $5 million	$137,000 plus 9.65% of the excess of PTE taxable income greater than $2 million
greater than $5 million but less than or equal to $25 million	$426,500 plus 10.30% of the excess of PTE taxable income greater than $5 million
Greater than $25 million	$2,486,500 plus 10.90% of the excess of PTE taxable income greater than $25 million

Beginning January 1, 2021, qualifying entities that elect to pay PTET will pay a progressive tax rate of up 10.9 percent on their taxable income at the partnership or corporation level, and their individual partners, members and shareholders who are subject to tax under Article 22 may receive a refundable tax credit on their New York State income tax return equal to the proportionate or pro rata share of taxes paid by the electing entity. The program includes a resident tax credit that allows for reciprocity with other states that have implemented substantially similar taxes.

For tax years beginning on January 1, 2022, and thereafter, qualifying entities may opt into the PTET on or after January 1 but not later than March 15 for each tax year, and the election to opt in is required to be made online on an annual basis and will be irrevocable. Electing entities must make quarterly tax payments in an amount equal to at least 25 percent of their required annual payment for the taxable year. The required annual payment is the lesser of:

- 90 percent of the PTET required to be shown on the return of the electing entity for the taxable year; or

- 100 percent of the of the PTET shown on the return of the electing entity for the preceding PTET taxable year.

State Fiscal Year 2021-22

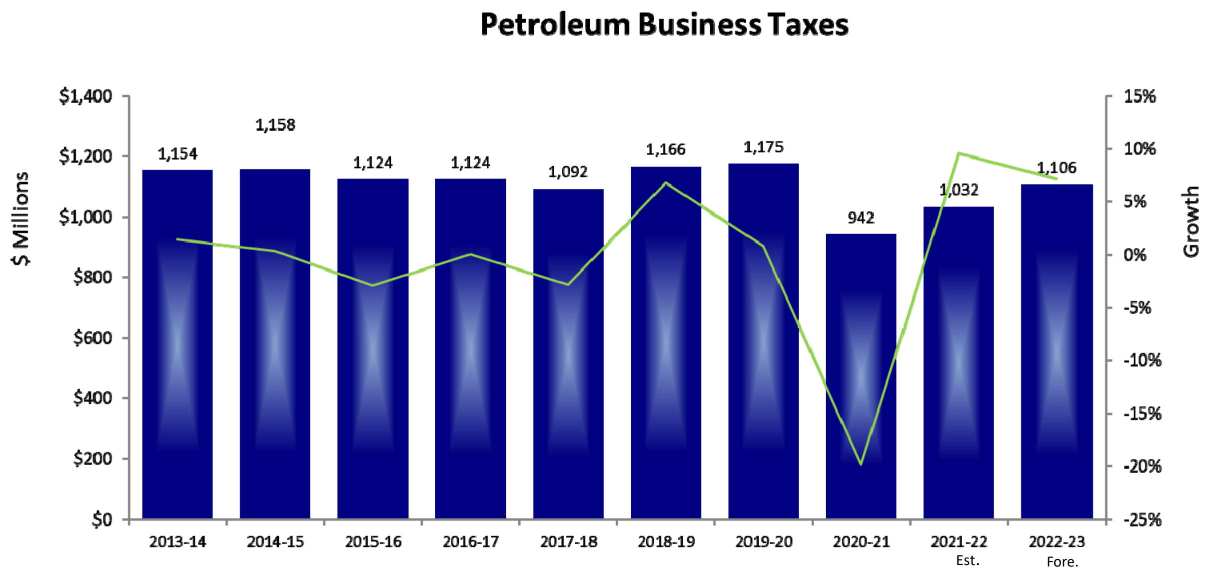
The Committee estimates that collections for SFY 2021-22 will total $16.7 billion. This estimate is equivalent to the Executive’s forecast.

State Fiscal Year 2022-23

The Committee forecasts that collections for SFY 2022-23 will total $15.1 billion, which is equivalent to the Executive’s forecast. The projected decrease in collections is related to the timing of tax year 2021 payments, as SFY 2021-22 collections contain more than a full year of collections.

PIT collections are adjusted downwards $24.13 billion in SFY 2022-23 as the result of the PTET, which includes a $13 billion reduction related to PTET payments that taxpayers made in SFY 2021-12 and $11.13 billion related to an ongoing reduction in quarterly estimated payments for PTET filers.

Petroleum Business Tax



Sources: NYS Office of the Comptroller; NYS Assembly Ways and Means Committee staff estimates.

Figure 67

Article 13-A of the Tax Law imposes the Petroleum Business Tax on every petroleum business for the privilege of engaging in business, employing capital, owning or leasing property, or maintaining an office in the State. Gasoline is subject to tax at the time it is imported, while diesel is taxable upon the first sale. The Petroleum Business Tax also applies to the fuel that motor carriers purchase outside of New York State, but consume within the State.

Petroleum Business Tax rates are subject to annual adjustments on the first of January each year to reflect the change in the Producer Price Index (PPI) for refined petroleum products for the twelve months ending August 31 of the immediately preceding year. The petroleum PPI is published by the U.S. Bureau of Labor Statistics. The rates of tax are rounded to the nearest tenth of one cent and limited to a five percent annual change.

The Petroleum Business Tax consists of a base tax, a supplemental tax, and a tax on carriers. All revenues from the base tax are dedicated as follows: 19.7 percent to the Mass Transportation Operating Assistance Fund; and 80.3 percent to a dedicated funds pool. The supplemental tax and the tax on carriers are deposited entirely into that dedicated fund pool. The dedicated funds pool is split between the Dedicated Mass Transportation Trust Fund, (37 percent), and the Dedicated Highway and Bridge Trust Fund (63 percent).

Table 54

Petroleum Business Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$873	9.5%	$1,032	9.5%	$1,035	($3)
2022-23			$1,106	7.2%	$1,081	$25

YTD through January

Through January, petroleum business tax (PBT) collections have increased by 9.5 percent over last fiscal year, for a total of $873 million year-to-date.

State Fiscal Year 2021-22

The Committee expects collections for SFY 2021-22 to total $1.032 billion, an increase of 9.5 percent, or $90 million, from the previous fiscal year. The Committee expects collections for the remainder of the year to increase by 9.5 percent compared to SFY 2021-22. The increase is attributed to the continued recovery of economic activity following the COVID-19 recession and a projected 5 percent rate increase in 2022. The Committee's estimate is $3 million below the Executive's estimate of $1.035 billion.

State Fiscal Year 2022-23

The Committee forecasts PBT collections to increase by 7.2 percent, to a level of $1.106 billion, in SFY 2022-23. The Executive is forecasting $1.081 billion in collections for the next fiscal year. The Committee's estimate is $25 million above the Executive's projection.

Fund Distribution

Table 55

Petroleum Business Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2021-22	-	$454	-	$578	$1,032
2022-23	-	$487	-	$619	$1,106

Other Taxes

Table 56

Other Taxes Forecasts by State Fiscal Year ($ in Millions)						
	SFY 2021-22	**Growth**	**Diff. Exec.**	**SFY 2022-23**	**Growth**	**Diff. Exec.**
Other	**$2,948**	**17.9%**	**$176**	**$2,785**	**(5.6%)**	**$208**
Estate and Gift Tax	1,303	(15.3%)	32	1,296	(0.5%)	30
Real Estate Transfer Tax	1,618	70.5%	145	1,460	(9.8%)	178
Employer Compensation Expense Program	13	333.3%	0	14	7.7%	0
Pari Mutuel	13	30.0%	0	13	0.0%	0
Other	2	100.0%	0	2	0.0%	0

Estate Tax

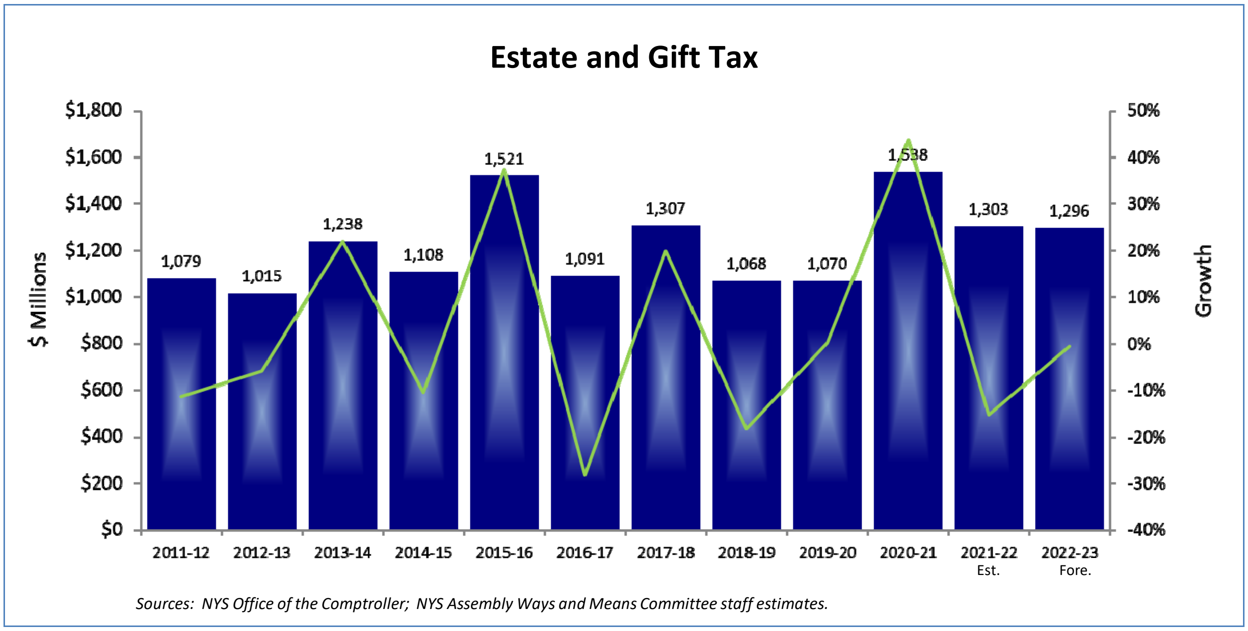


Figure 68

Article 26 of the Tax Law imposes a tax on the transfer of deceased individual's property known as the estate tax for residents of the State. In 2022, the estate tax is applied to an estate whose value exceeds an exemption level of $6.11 million for single filers and $12.22 million for couples. The tax applies to non-charitable transfers made by people who own real estate or tangible personal property located in New York, as well as intangible property upon death. Nonresidents are subject to the tax if the transfer real estate or tangible personal property is located within the State. Estate taxes must be filed within nine months of the decedent's death.

Table 57

Estate and Gift Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$1,169	(6.5%)	$1,303	(15.3%)	$1,271	$32
2022-23			$1,296	(0.5%)	$1,266	$30

YTD through January

Year-to-date, Estate and Gift tax collections are $1.169 billion, a 6.5 percent decrease from the same period in SFY 2020-21.

State Fiscal Year 2021-22

The Committee estimates estate and gift tax collections will total $1.303 billion in SFY 2021-22. This reflects a 15.3 percent decrease from SFY 2020-21. The Committee's estimate is $32 million above the Executive's estimate.

State Fiscal Year 2022-23

The Committee projects estate and gift tax collections to decrease by 0.5 percent, or $7 million, in SFY 2022-23, for a total of $1.296 billion. The Committee's forecast is $30 million above the Executive's forecast.

Fund Distribution

Table 58

Estate and Gift Tax Fund Distribution
($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2021-22	1,303	-	-	-	1,303
2022-23	1,296	-	-	-	1,296

Real Estate Transfer Tax

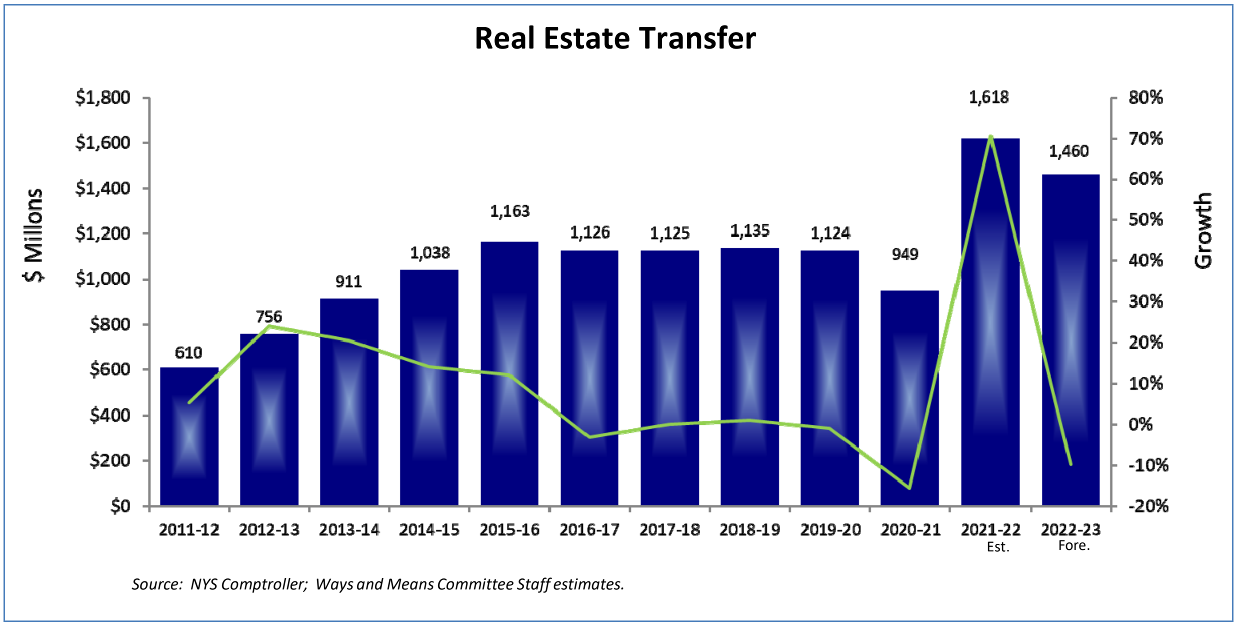


Figure 69

The real property transfer tax is administered pursuant to Article 31 of the New York State Tax Law, and it is levied on real property transfers where the value of the interest conveyed exceeds $500. The tax is paid by the grantor, the party selling the property, and is imposed on the conveyance of real property, either by deed or economic interest, at a rate of $2 for each $500 of sales price. An additional tax of one percent is applied to residential transfers when the value of the property is over $1 million; this additional tax is commonly called the mansion tax. This additional tax is paid by the grantee, the party purchasing the property.

Real estate transfer tax (RETT) receipts rely on the climate of the housing market in New York State, and especially in New York City. Historically, New York City accounts for over 50 percent of total RETT receipts, while Long Island accounts for around 15 percent of receipts.

The SFY 2019-20 budget established two additional RETT provisions on transfers occurring in New York City, which will support the MTA, including an expansion of the existing transfer tax, which implemented a progressive rate structure ranging from 1.25 percent on transfers valued at $2 million to 3.9 percent on sales valued over $25 million; and an additional 0.25 percent RETT on residential transactions valued over $3 million and commercial transactions valued over $2 million. Since these taxes are remitted to the Central Business District Tolling Capital Lockbox, they are not reflected in the Committee's projections of State receipts.

Table 59

Real Estate Transfer Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$1,377	78.9%	$1,618	70.5%	$1,473	$145
2022-23			$1,460	(9.8%)	$1,282	$178

YTD through January

Through January, RETT collections are $1.377 billion, which represents a 78.9 percent increase from the same period in SFY 2020-21. This increase can be attributed to the economy rebounding from the COVID-19 pandemic, coupled with historically low mortgage interest rates, which has led to a sharp increase in housing market prices and activity.

State Fiscal Year 2021-2022

The Committee estimates that RETT receipts will total $1.618 billion in SFY 2021-22, for an increase of 70.5 percent over SFY 2020-21. This increase be attributed to the real estate market continuing to rebound from the COVID-19 pandemic. The Executive estimates a total of $1.473 billion in collections, which is $145 million below the Committee's estimate.

State Fiscal Year 2022-23

The Committee anticipates RETT receipts will total $1.460 billion in SFY 2022-23 for a year-over-year decrease of 9.8 percent. The Committee's forecast is $178 million above the Executive's forecast.

Fund Distribution

Table 60

Real Estate Transfer Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2021-22	-	-	$1,499	$119	$1,618
2022-23	-	-	$1,203	$257	$1,460

A statutory amount of $119 million is deposited into the Environmental Protection Fund (EPF) from RETT collections, and the remaining is deposited into the Clean Water/Clean Air Fund (CW/CA) for Debt Service. When the CW/CA obligation is paid, the excess revenue is transferred to the General Fund. The Executive budget includes language that would increase the deposits to the EPF by $138 million, to $257 million.

Pari-Mutuel

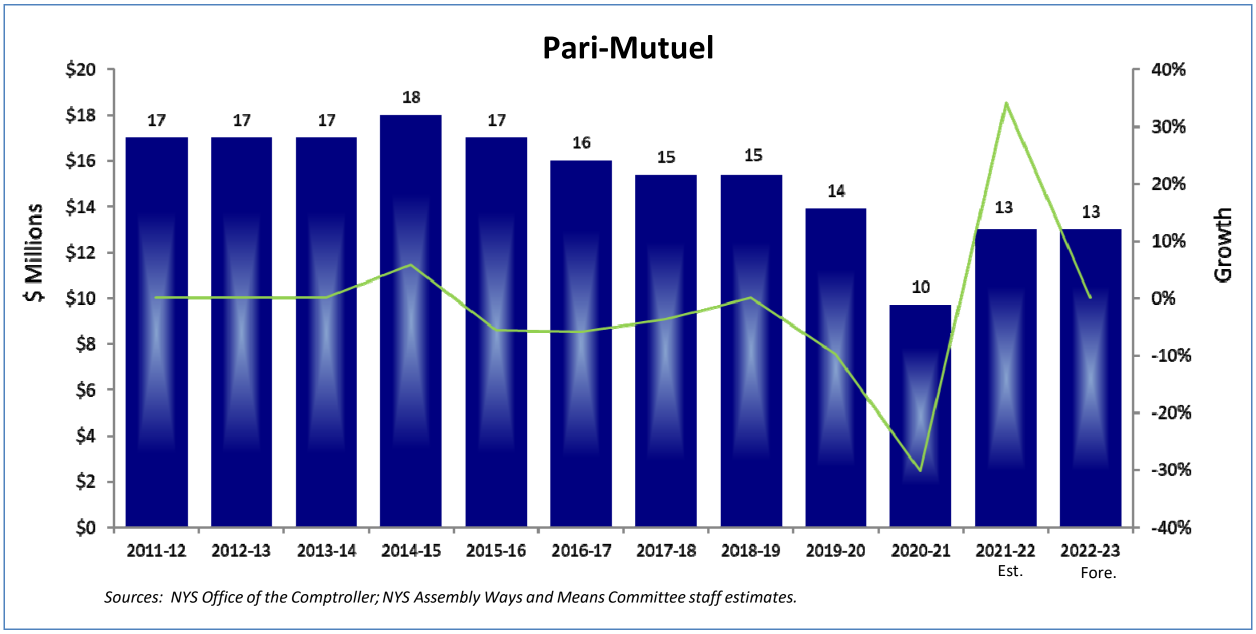


Figure 70

Under the Racing, Pari-Mutuel Wagering and Breeding Law, a tax is imposed on horseracing pari-mutuel bets placed at racetracks, simulcast theaters and Off-Track Betting (OTB) facilities. Pari-mutuel betting, also known as pool betting, is a unique form of betting. Instead of placing wagers against a bookmaker, you place wagers against other bettors who have placed wagers on the same event.

Horse racing businesses that are authorized to conduct pari-mutuel betting must deposit net betting revenue into a pari-mutuel pool. These pools are taxed at rates between 14 and 20 percent for regular on-track bets, 16 percent and 22 percent for multiple on-track bets, 20 percent and 30 percent for exotic on-track bets, 20 percent and 36 percent for super exotic on-track bets, while the breaks are taxed at 55 percent. The breaks are the odd cents or dollars in a payoff, over a scaled rounded value. For example, for a payoff of $1.67, the break would be two cents, but for a payoff of $270 the break would be $20.

In addition to the pool taxes, businesses must pay a tax on the amount that is retained by the business. These rates vary based on the type of bet the revenue originates from. The rates are as follows: 1 percent for revenue from regular bets, 1.5 percent for multiple bets, 6.75 percent for exotic bets, and 7.75 percent for super exotic bets. The above rates will be increased by 0.25 percent on all on-track bets for racing corporations that did not expend at least 0.5 percent of its on-track bets during the following calendar year for enhancements, repairs, structures and equipment used in its operations.

These businesses will receive a credit, against the tax imposed, in an amount equal to 0.4 percent of total daily pools resulting from the simulcasting of events under the condition that 60 percent of the credit be used for increasing purses for overnight races conducted by such organizations.

The horse racing business must also pay the Gaming Commission a regulatory fee of 0.6 percent of the total daily on-track pari-mutuel pools.

Table 61

Pari-Mutuel Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$12	39.1%	$13	30.0%	$13	$0
2022-23			$13	0.0%	$13	$0

YTD through January

Year-to-date, pari-mutuel tax receipts are currently $12 million, a 39.1 percent increase over the same period in SFY 2020-21. This increase reflects more people attending pari-mutuel betting facilities compared to last fiscal year, as the economy rebounds from the COVID-19 pandemic.

State Fiscal Year 2021-22

The Committee estimates pari-mutuel receipts will total $13 million in SFY 2021-22, an increase of 30.0 percent compared to SFY 2020-21. This increase can be attributed to the economy continuing to rebound from the COVID-19 pandemic. The Committee's estimate is equal to the Executive's projections.

State Fiscal Year 2022-23

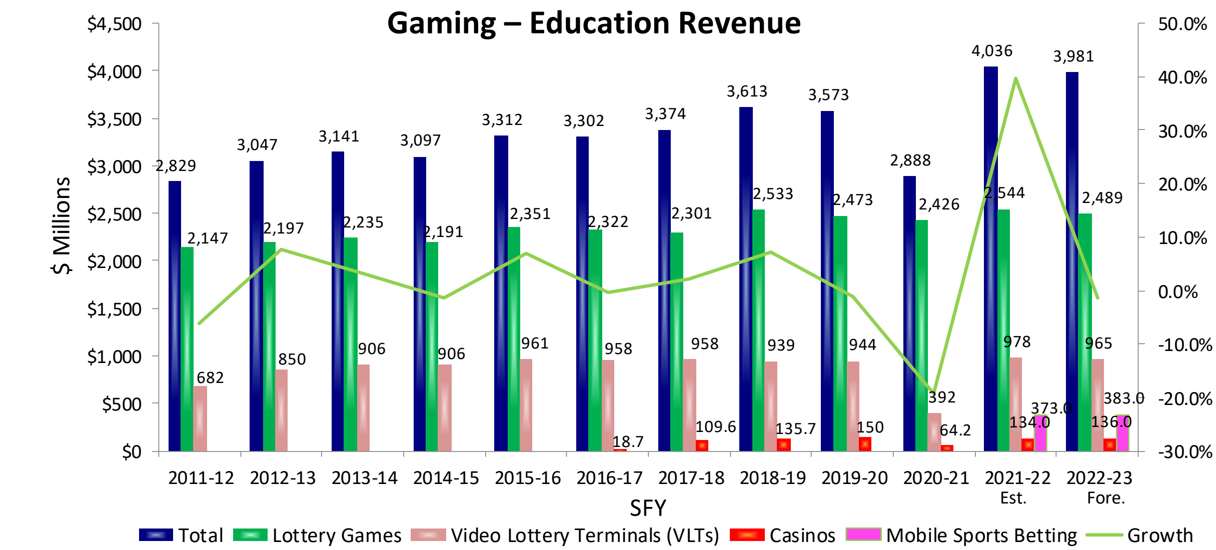
The Committee's forecast for SFY 2022-23 is $13 million, which is equal to the prior fiscal year. The Committee's forecast is the same as the Executive's forecast.

Fund Distribution

Table 62

Pari-Mutuel Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2021-22	$13	-	-	-	$13
2022-23	$13	-	-	-	$13

Gaming



Sources: NYS Office of the Comptroller; NYS Assembly Ways and Means Committee staff estimates.
Note: Interactive fantasy sports tax collections are included in the total.

Figure 71

The New York State Lottery was established by a Constitutional Amendment in 1966 for the express purpose of raising revenues for education. The New York State Gaming Commission operates a number of lottery games like jackpot games, and instant scratch-off games. A predetermined percentage of sales from each game is dedicated to fund education. Depending on the type of the lottery game, between 10 to 45 percent of sales are dedicated to education funding. Daily games contribute an average of 33 percent, jackpot games contribute an average of 35 percent, and instant scratch-off games contribute an average of 15 percent.

Video lottery terminal (VLT) facilities began operating in New York State in 2004, and ten video lottery terminals (VLTs) facilities exist today. These facilities contributed $392 million in revenue to education in SFY 2020-21. On average, VLTs contributed 45 percent of their Net Machine Income to education in SFY 2020-21.[45]

The law permitting the licensing, regulation and taxation of non-tribal casinos was enacted in 2013. There are currently four commercial gaming facilities in operation: Tioga Downs, Del Lago Resort, Rivers Casino and Resort, and Resorts World.

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https://gaming.ny.gov/gaming/index.php?ID=1

All commercial casinos must pay a tax of ten percent on the gross table game revenue, but the tax rate varies for revenue from electronic table games (ETGs) and slot machines based on the region in which the casino is located. Additionally, the SFY 2021-22 Enacted Budget enabled commercial casinos to petition for a temporarily reduced slot tax rate of no lower than 30 percent, pursuant to them fulfilling certain conditions. As of October 2021, Rivers Casino and Resorts World Catskills are the only facilities to have successfully petitioned for lower slot tax rate for Fiscal Years 2022 through 2026. The tax rates on these receipts are as follows: 30 percent at Resorts World; 30 percent at Rivers; and 37 percent at Del Lago and Tioga. This tax is distributed in the following manner: 80 percent to education and property tax relief, ten percent split equally between the host municipality and the host county, and ten percent split among non-host counties within the region on a per capita basis. Facilities must also pay an annual license fee of $500 for each slot machine and table game that the Gaming Commission approves for use at the facility.

Legislation to permit, regulate and tax interactive fantasy sports was enacted in 2016. The tax is a 15 percent rate on gross revenue, as well as an additional 0.5 percent tax that is not to exceed $50,000 dollars annually.

As part of the SFY 2021-22 Enacted Budget, mobile sports betting was authorized throughout the State. Mobile Sports Betting is estimated to increase gaming revenue by $373 million in SFY 2021-22, and $383 million in SFY 2022-23.

Table 63

Gaming
($ in Millions)

	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2021-22	$3,381	49.9%	$4,036	39.7%	$4,054	($18)
2022-23			$3,981	(1.4%)	$4,037	($56)

YTD through January

Year-to-date, gaming revenue totaled $3.054 billion, a 52.9 percent increase over the same period in SFY 2020-21. This increase can be attributed to more people attending gaming facilities as the economy rebounds from the COVID-19 pandemic and capacity regulations are lifted, as well as the legalization of mobile sports wagering within the State.

State Fiscal Year 2021-22

The Committee estimates total gaming receipts of $4.036 billion, an increase of 39.7 percent, or $1.147 billion over SFY 2020-21 collections. The Committee's estimate is $18 million below the Executive's estimate.

The Committee estimates lottery games receipts will total $2.544 billion for an increase of 4.8 percent over SFY 2020-2021.

The Committee estimates that VLT receipts will total $978 million, an increase of 149.6 percent over SFY 2020-21. The Committee estimates that casino receipts will total $134 million, an increase of 108.7 percent over SFY 2020-21. This increase in VLT and casino reflects increased economic activity at these facilities, after they were closed for several months last fiscal year due to the COVID-19 pandemic.

The Committee estimates mobile sports betting receipts will total $373 million, of which $2.0 million will be directed to and split evenly between youth sports funding and problem gambling education and treatment services. Of this total, $200 million is related to one-time license fee revenue.

The Committee estimates that interactive fantasy sports tax receipts will total $7.0 million, an increase of $1.0 million over SFY 2020-21.

State Fiscal Year 2022-23

The Committee projects that combined gaming revenue will total $3.981 billion in SFY 2022-23. This represents a decrease of 1.4 percent, or $55 million, from SFY 2021-22 collections. This estimate is $56 million below the Executive's forecast.

The Committee forecasts that lottery game revenue receipts will total $2.489 billion, a decrease of 2.1 percent from SFY 2021-22.

VLT receipts are expected to total $965 billion, a decrease of 1.3 percent from SFY 2021-22.

Casino receipts are forecast to total $136 million, an increase of 1.7 percent over SFY 2021-22.

Mobile sports betting receipts are forecast to total $383 million, an increase of 2.8 percent, or $10.5 million, over SFY 2021-22. Of this revenue $6 million will be directed to problem gambling education and treatment services, and $5 million will be directed to youth sports funding. This increase can be attributed to the anticipation that the mobile sports betting market will be up and running for the entire 2022-23 fiscal year.

Fantasy sports betting receipts are forecast to total $7.0 million, which is unchanged from the previous fiscal year.

Miscellaneous Receipts

Miscellaneous Receipts – All Funds

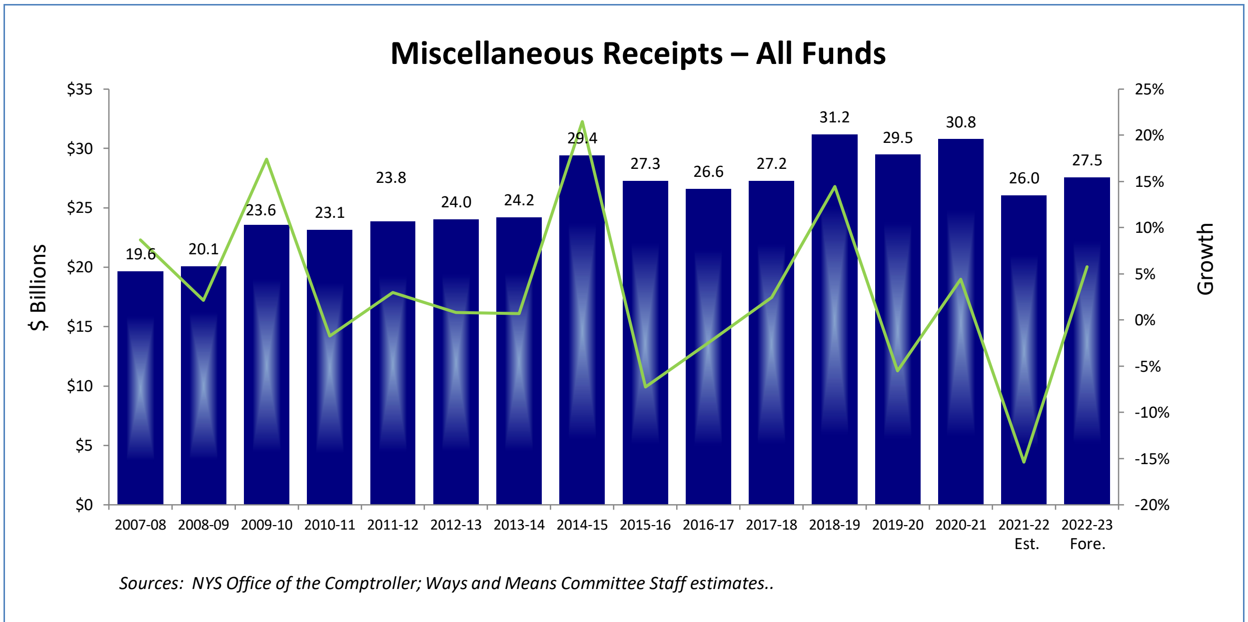
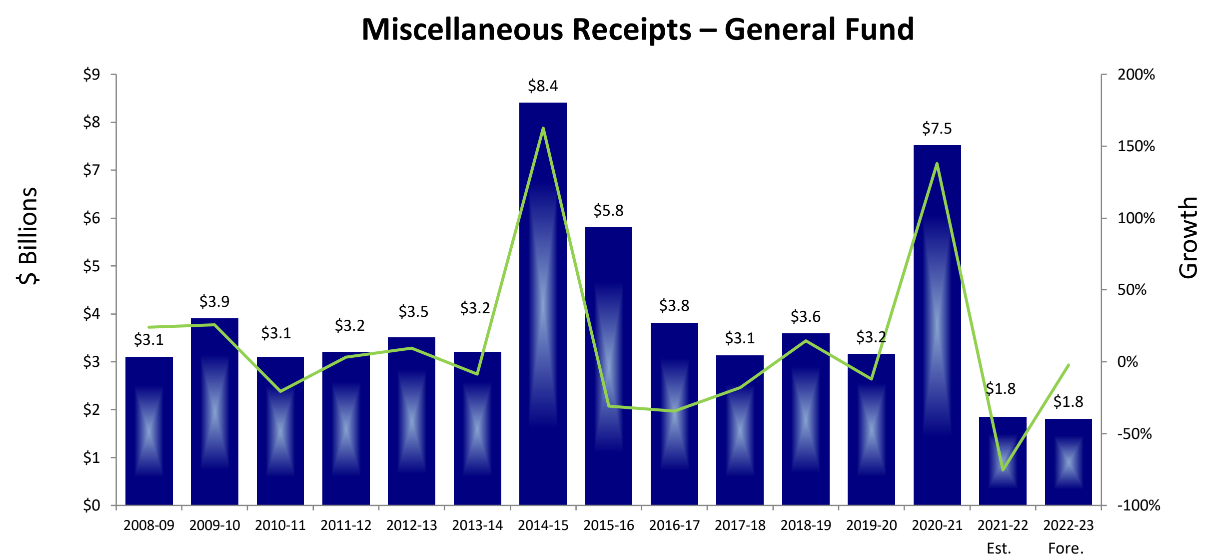


Figure 72

All Funds Miscellaneous Receipts consist of funds received from Health Care Reform Act (HCRA) financing sources, State University of New York (SUNY) tuition and patient income, lottery receipts for education, assessments on regulated industries, motor vehicles fees and a variety of fees and licenses.

On an All Funds basis, Miscellaneous Receipts are estimated to total $26.037 billion in SFY 2021-22 and $27.537 billion in SFY 2022-23.

Miscellaneous Receipts – General Fund



Sources: NYS Office of the Comptroller; Ways and Means Committee Staff estimates..

Figure 73

General Fund collections are more volatile as a result of one-time deposits and settlements, which peaked in SFY 2014-15 and have trended lower thereafter.

SFYs 2021-22 & 2022-23

General Fund Miscellaneous Receipts totaled $7.515 billion in SFY 2020-21 and are estimated to decrease to $1.849 billion in SFY 2021-22 and $1.805 billion in SFY 2022-23. The substantial increase in SFY 2020-21 receipts was related to extraordinary bond proceeds, authorized in response to the COVID-19 pandemic.

Key Components

General Fund Miscellaneous Receipts contain revenues from multitude of sources. They include:

- licenses and fees;
- abandoned property;
- reimbursements;
- investment income;
- alcoholic beverage control license fees; and
- motor vehicle fees.

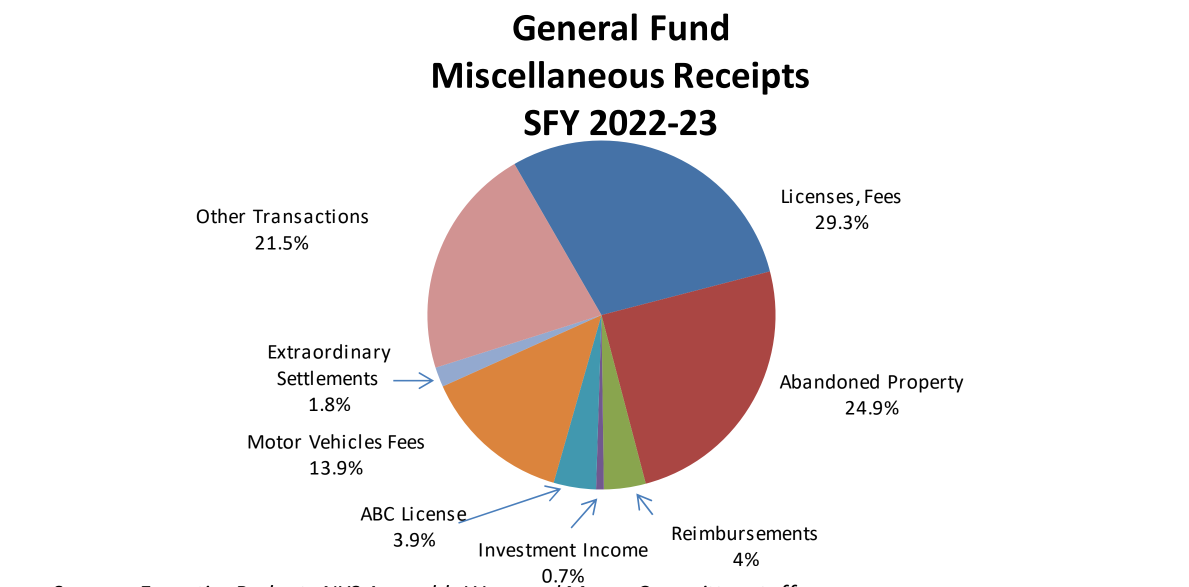
Other transactions include but are not limited to: temporary utility assessment, extraordinary settlements, the medical provider assessment, settlement proceeds from state regulatory agencies and District Attorney's offices, Bottle Bill proceeds, bond issuance charges, the State of New York Mortgage Authority supplemental wireless surcharge, New York Power Authority, civil recoveries, short term interest on bank accounts, Housing Finance Agency receipts, and released State Insurance Fund Reserves.

Table 64

Miscellaneous Receipts - General Fund ($ in Millions)

	2020-21 Actual	2021-22 Estimated	2022-23 Projected	Change	Percent Change
Licenses, Fees	497	530	529	(1)	(0.2%)
Abandoned Property	575	450	450	0	-
Reimbursements	423	70	70	0	-
Investment Income	38	24	13	(11)	(45.8%)
ABC License	51	70	71	1	1.4%
Motor Vehicles Fees	362	255	250	(5)	(1.9%)
Extraordinary Settlements	600	33	33	0	-
Other Transactions	4,969	417	389	(28)	(6.7%)
Total	**7,515**	**1,849**	**1,805**	**(44)**	**(2.4%)**

Sources: Executive Budget; NYS Assembly Ways and Means Committee staff.



Sources: Executive Budget; NYS Assembly Ways and Means Committee staff.

Figure 74

Miscellaneous Receipts – Special Revenue Funds

SFY 2021-22

The Committee estimates Special Revenue funds to total $15.793 billion in SFY 2021-22, whereas Capital Projects are expected to total $8.029 billion, and Debt Service is anticipated to receive $371 million in receipts.

SFY 2022-23

The Committee estimates Special Revenue funds to total $15.483 billion in SFY 2022-23, with Capital Projects expected to total $9.867 billion and Debt Service anticipated to receive $382 million in receipts.

Key Components

State Funds Miscellaneous Receipts consist of Special Revenue Funds, Capital Projects, and Debt Services. Special Revenue receipts are comprised of the following:

Health Care Reform Act (HCRA)

Receipts include surcharges, assessments on hospitals and assessments on certain insurance providers, a portion of cigarette tax revenues, and other dedicated proceeds.

HCRA receipts are used to finance New York's Medicaid program, Family Health Plus, workforce recruitment and retention, the Elderly Pharmaceutical Insurance Coverage, Child Health Plus, Graduate Medical Education, AIDS programs, and other public health initiatives.

<u>Medicaid</u>

State Medicaid costs are financed by the General Fund and other various Special Revenue funds. The key contributions are partially-reimbursable assessments to nursing home, hospital, and home care revenues.

State University Income

Receipts into the State University Income Fund are from the operation of SUNY from tuition, patient revenue, and user fees. Tuition is sourced from the sixty-four SUNY campuses while patient revenues come from SUNY's teaching hospitals at Brooklyn, Stony Brook, Syracuse, as well as the Long Island Veterans' Home. SUNY user fees, interest earning, and fringe benefits account for the remaining collections.

Lottery

Sale of lottery tickets and Video Lottery Terminals (VLTs) are used to support public education and Lottery administrative operating costs.

Motor Vehicle Fees

Motor vehicle fees are derived from a list of fees imposed by the Vehicle Traffic Law. License fees, registration revenue, inspection fees, emission stickers, repair shop certificates, as well as insurance civil penalties all contribute. Motor Vehicle Fee revenues are dedicated to various trust funds which cover infrastructure funding and administrative costs.

Capital Projects

Capital Projects spending is funded from two sources: authority bond proceeds which support spending financed through Public Authority Bonds; and Miscellaneous Receipts which finance state pay-as-you-go spending to support the State Capital Plan.

Debt Service

Miscellaneous Receipts in the Debt Service Fund are comprised of Mental Hygiene service providers that receive payments from Medicare and insurance companies; dormitory room rental fees and associated fees from SUNY students; and from patient care revenues of hospitals and certain veterans' homes from payments of Medicaid, Medicare, insurance, and individuals.

Industry Assessments and All Other

Receipts comprising Industry Assessments and All Other are from reimbursements of regulated industries to fund the administrative costs of the state agencies. Receipts may consist of fees, licenses, and assessments. The Department of Financial Services, the Department of Public Service, and the Workers' Compensation Board are all fully funded by assessments of their respective regulated industry. The following agencies account for the largest collections in this category: Health; Environmental Conservation; Tribal State Compact; State Police; Higher Education Service Corporation; Education; City University of New York (CUNY); Children and Family Services; Homeland Security and Emergency Services.