



**Division of  
the Budget**

November 2023

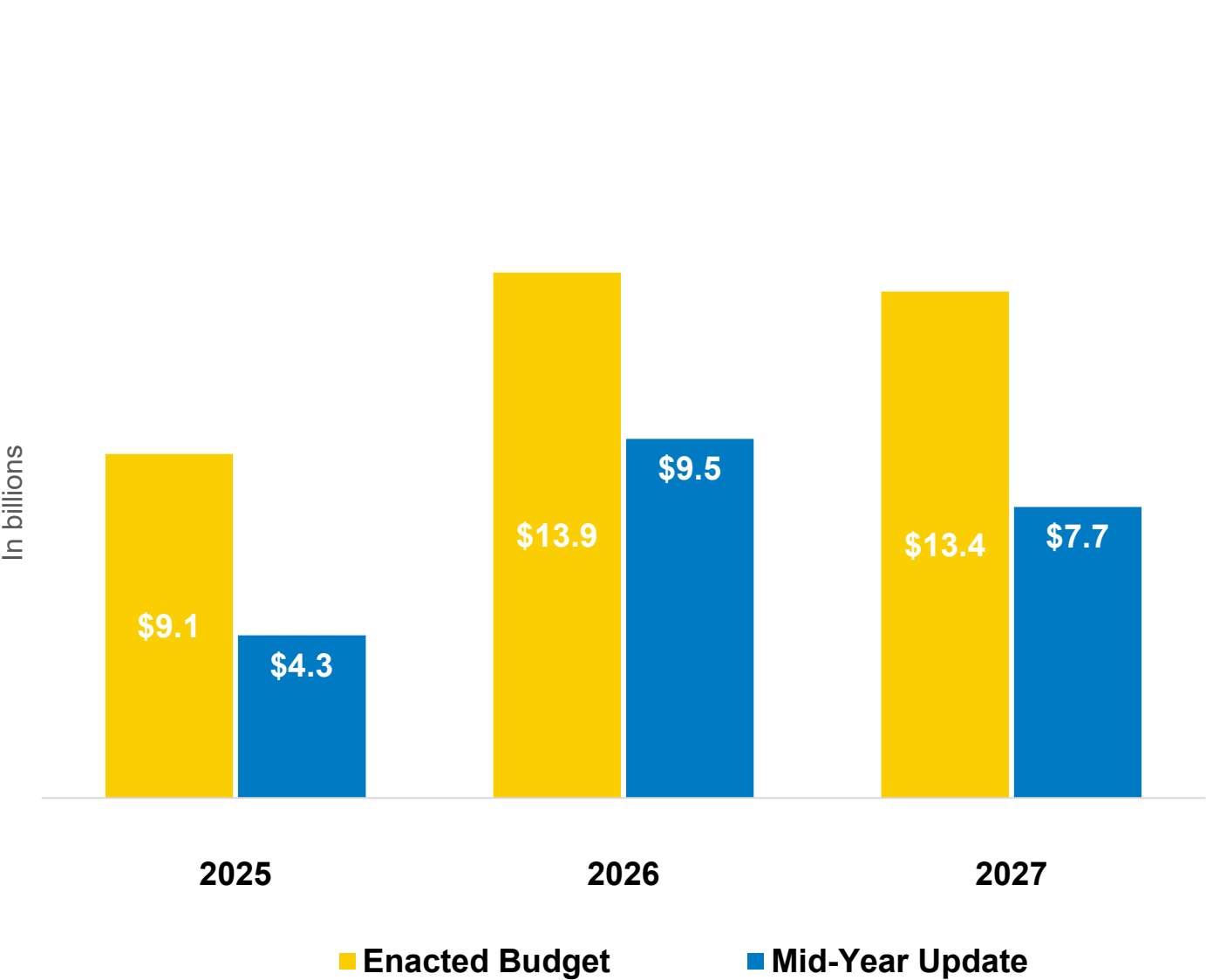
# **Quick Start Public Meeting**

**Blake G. Washington**  
Director of the Budget

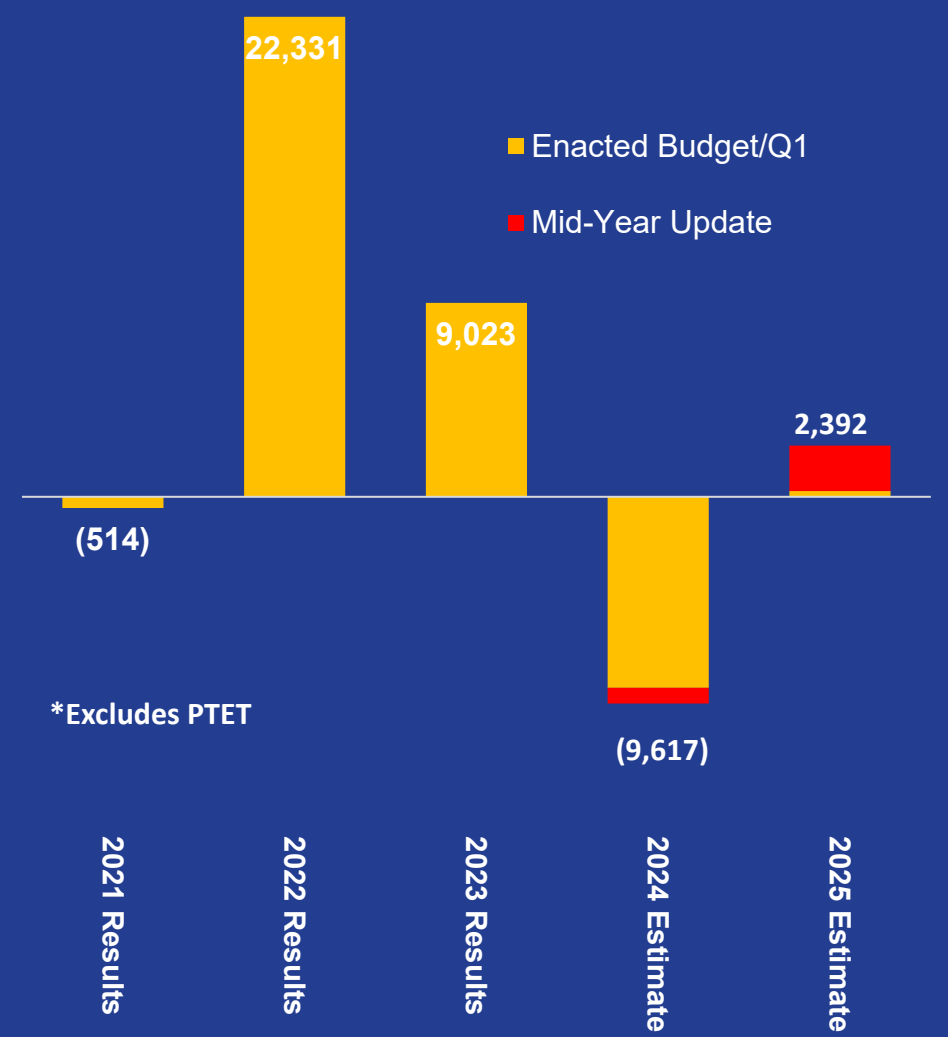
# Quick Start Budget Process

- DOB, Senate, Assembly, and OSC each submit separate revenue and expenditure estimates.
- Hold public hearing on the estimates with a focus on tax receipts and three major spending areas – Medicaid, School Aid and Public Assistance.
- DOB and Legislature publish Quick Start report by November 15.
- Seeks to foster productive dialogue on fiscal issues well before release of January Executive Budget.

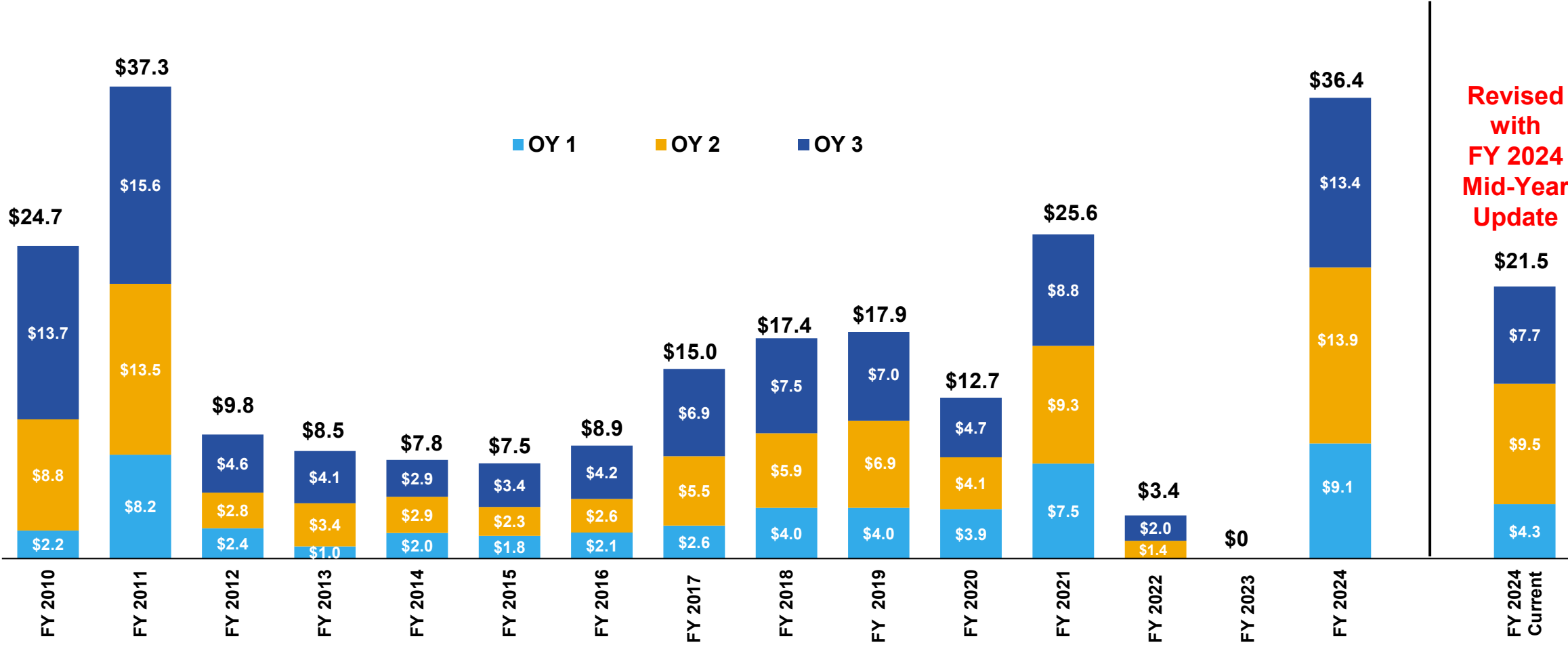
# General Fund Budget Gaps



# All Funds Tax Receipts Annual Change\*

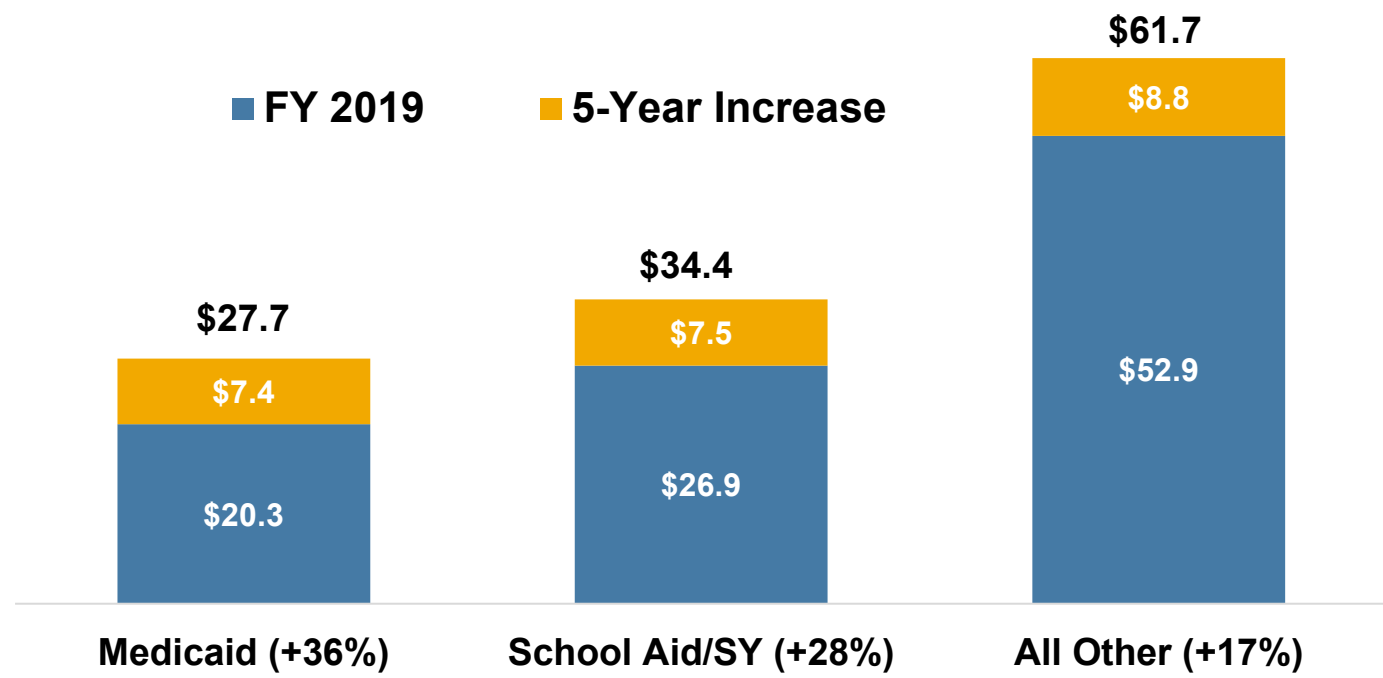


# Outyear Budget Gaps at Enacted (\$ Billions)

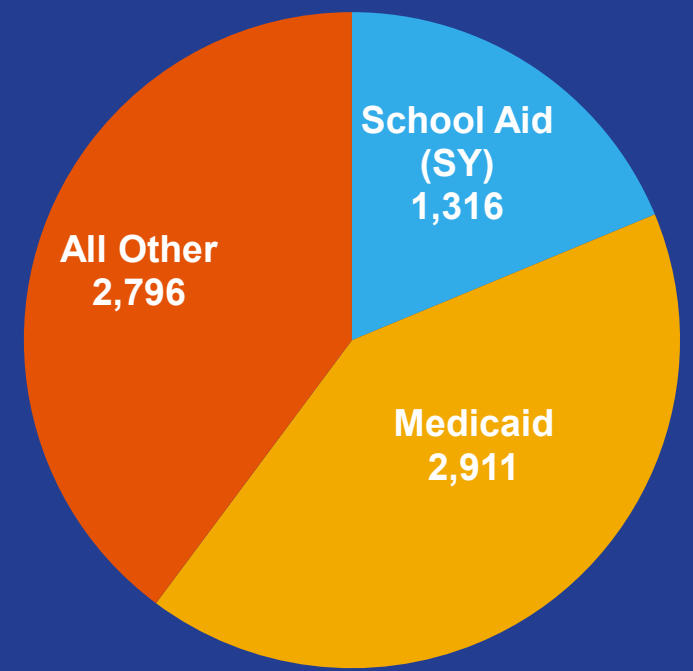


# FY 2024 Spending Growth

**State Operating Funds – 5 Years +\$24 Billion**  
**FY 2024 = \$124 Billion**  
**FY 2019 = \$100 Billion**

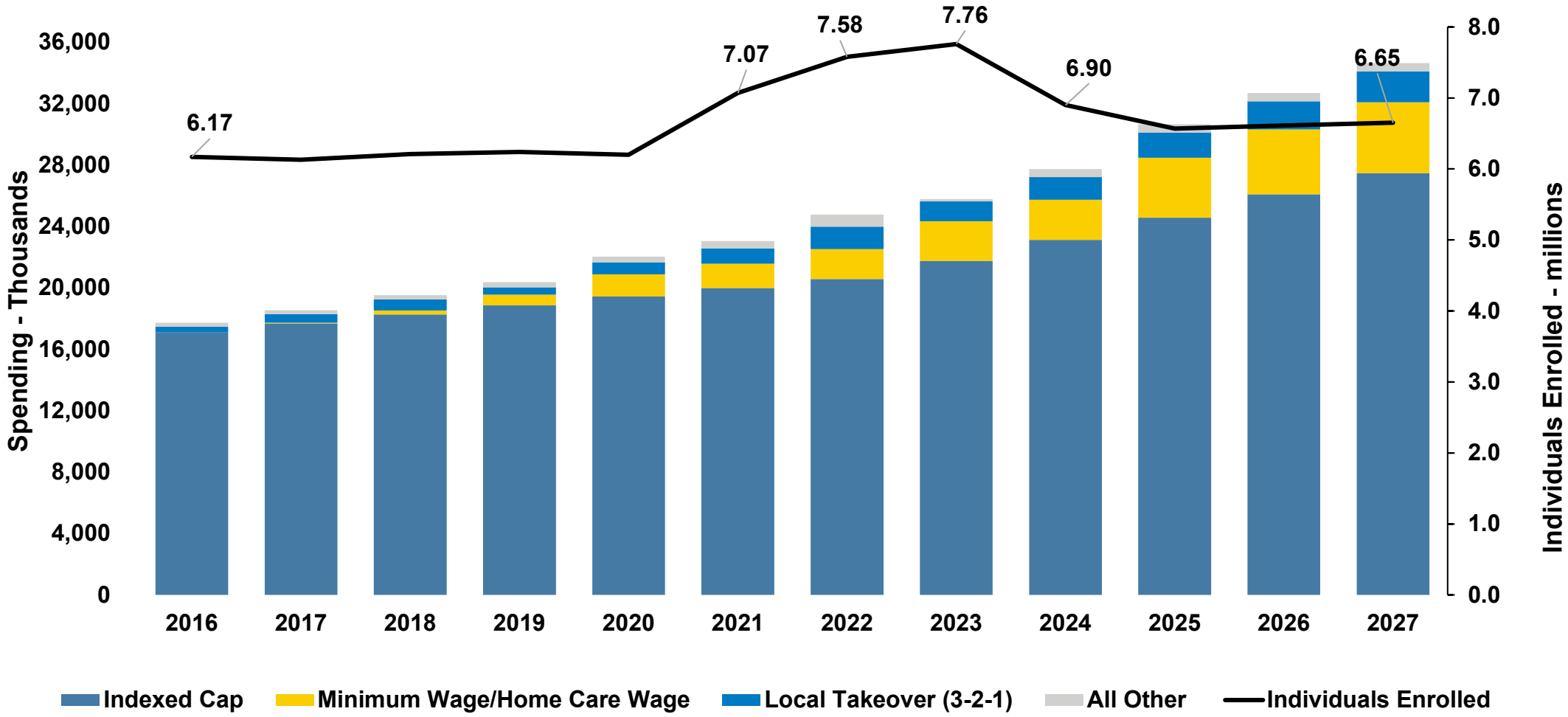


**FY 2025 Estimated Spending = \$131 Billion**  
**Shares of +\$7 Billion (5.7%) Growth**



**Medicaid +10.5%**  
**School Aid (SY) +3.8%**  
**All Other +4.5%**

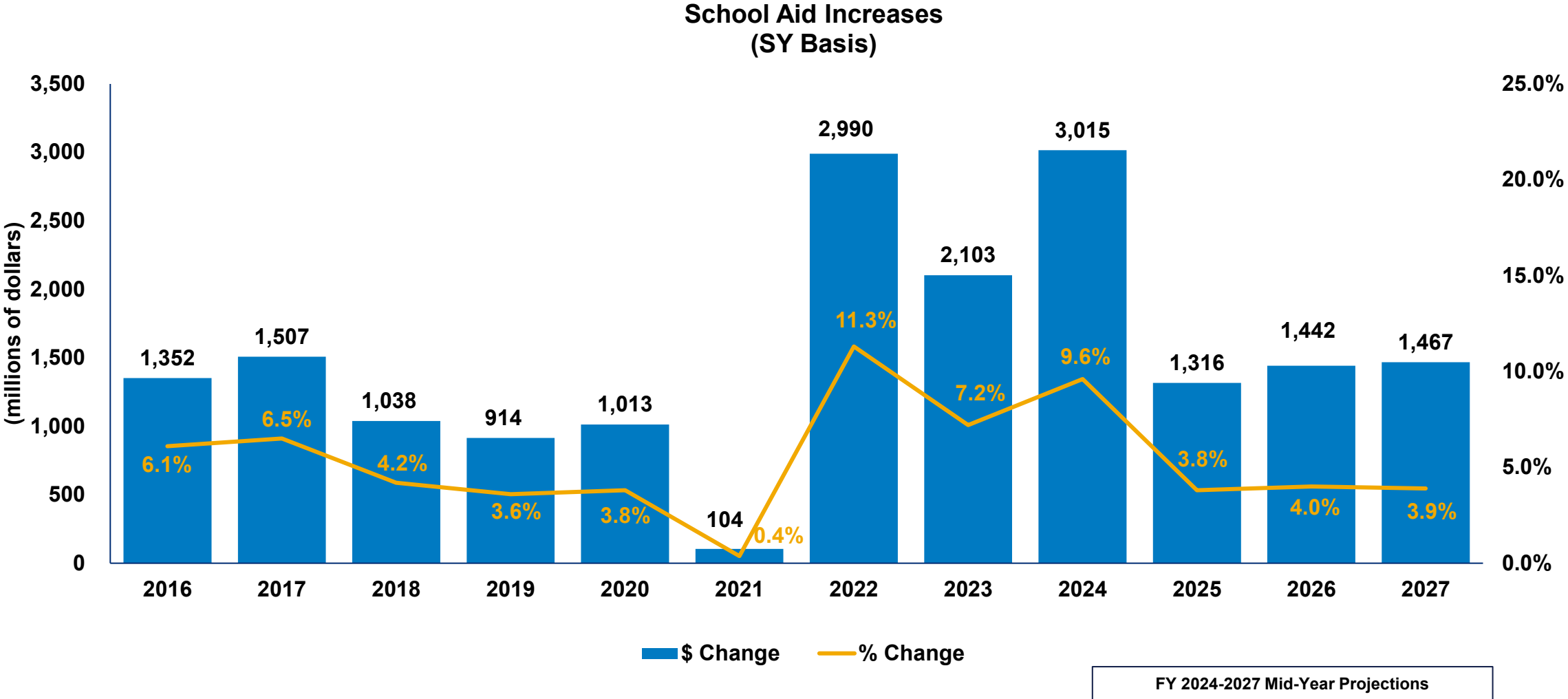
# Medicaid State-Share Spending and Enrollment



FY 2024-2027 Mid-Year Projections

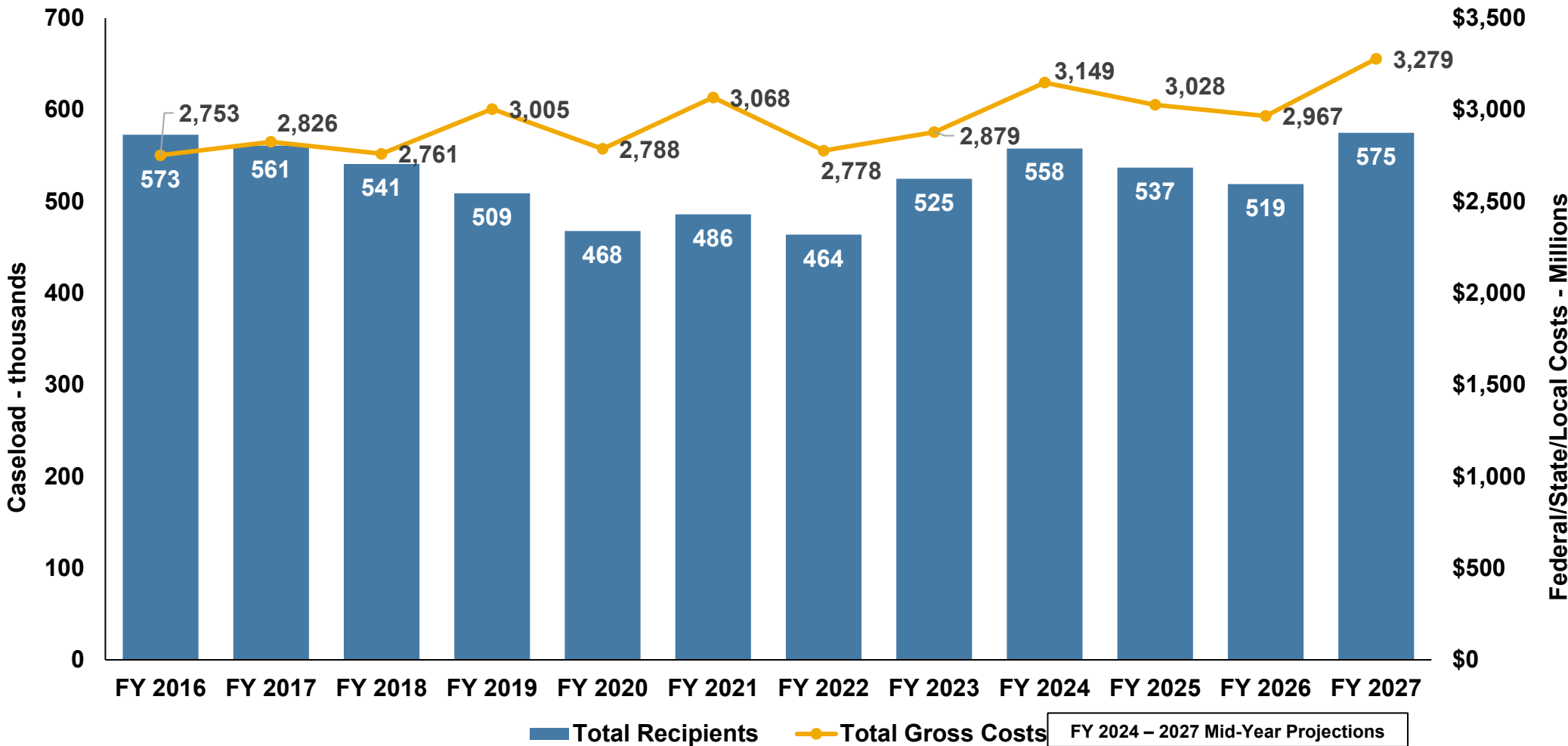
- Medicaid enrollment is expected to begin declining in FY 2024 to pre-pandemic levels.
- A slower than anticipated enrollment decline poses a risk to the current forecasts.

# State School Aid Increases



- SY 2024 reflects the final year of the phase-in of full funding of the current Foundation Aid formula for the first time in its history.

# Public Assistance Spending and Caseload



- The expiration of pandemic related assistance has led to increased Public Assistance caseloads.
- Caseloads are expected to increase over the course of the Financial Plan.



# Spending Estimates – FY 2025

FY 2025 State Operating Funds Estimates (millions of dollars)					
	<b>Executive Mid-Year Estimate</b>	<b>Senate Majority</b>	<b>Senate Minority</b>	<b>Assembly Majority</b>	<b>Assembly Minority</b>
<b>School Aid (School Year)</b>	35,704	35,704	35,648	35,710	35,662
<b>Medicaid</b>	30,658	30,658	30,658	30,658	30,658
<b>Public Assistance</b>	707	707	707	683	707
<b>Subtotal</b>	67,069	67,069	67,013	67,051	67,027
<b>All Other Disbursements</b>	63,794	63,794	63,794	63,847	63,794
<b>Total Disbursements</b>	130,863	130,863	130,807	130,898	130,821

- Total Disbursements for FY 2025 range from \$130,807 to \$130,898 million.
- Differences are mainly driven by estimates in School Aid Funding.

# US Economics Forecast Comparison

- While the US economy will likely avoid a recession, a slowdown is expected in CY 2024.
- Employment growth slowed in 2023 and is forecast to grow at a slower rate in coming years.
- Interest rates increased in 2023 and are expected to remain elevated in 2024.

U.S. FORECAST ANNUAL CALENDAR YEAR Percent Change				
	<u>CY 2022</u>	<u>CY 2023</u>	<u>CY 2024</u>	<u>CY 2025</u>
<b>REAL U.S. GDP</b>				
Assembly Majority	1.9	2.4	1.7	2.0
Assembly Minority	1.9	2.4	2.0	2.4
DOB	1.9	2.4	1.6	2.0
Senate Majority	1.9	2.1	1.3	1.8
Senate Minority	1.9	2.4	1.6	2.0
<b>PERSONAL INCOME</b>				
Assembly Majority	2.0	5.5	5.3	4.7
Assembly Minority	2.0	5.4	4.5	4.0
DOB	2.0	5.3	4.1	4.2
Senate Majority	2.0	5.4	4.5	4.0
Senate Minority	2.0	5.3	4.1	4.2
<b>WAGES</b>				
Assembly Majority	7.8	6.4	5.0	4.4
Assembly Minority	7.8	6.4	5.3	4.1
DOB	7.8	6.4	4.3	3.9
Senate Majority	7.8	6.4	5.3	4.1
Senate Minority	7.8	6.4	4.3	3.9
<b>CORP PROFITS W/ IVA &amp; CCA</b>				
Assembly Majority	9.8	1.0	1.1	2.8
Assembly Minority	9.8	(0.6)	3.5	4.1
DOB	9.8	(1.0)	1.4	4.7
Senate Majority	9.8	(1.0)	1.5	4.3
Senate Minority	9.8	(1.0)	1.4	4.7
<b>NONFARM EMPLOYMENT</b>				
Assembly Majority	4.3	2.4	1.1	0.6
Assembly Minority	4.3	2.4	1.1	0.9
DOB	4.3	2.4	0.8	0.7
Senate Majority	4.3	2.3	0.6	0.4
Senate Minority	4.3	2.4	0.8	0.7
<b>3-MONTH T-BILL RATE</b>				
Assembly Majority	2.1	5.3	5.0	4.0
Assembly Minority	2.0	5.1	4.8	3.9
DOB	2.0	5.1	5.1	3.9
Senate Majority	2.0	5.1	4.8	3.9
Senate Minority	2.0	5.1	5.1	3.9

# NY Employment Forecast Comparison

N.Y. FORECAST				
ANNUAL CALENDAR YEAR				
Percent Change				
	<u>CY 2022</u>	<u>CY 2023</u>	<u>CY 2024</u>	<u>CY 2025</u>
<b>NONFARM EMPLOYMENT</b>				
Assembly Majority*	5.0	2.5	0.9	0.8
Assembly Minority	5.1	1.9	0.6	0.3
DOB*	5.1	1.6	0.2	0.7
Senate Majority	5.1	1.9	0.6	0.3
Senate Minority	5.1	1.6	0.2	0.7
<b>PERSONAL INCOME</b>				
Assembly Majority*	(1.9)	4.4	3.7	4.2
Assembly Minority	(1.9)	4.8	4.4	3.5
DOB*	(1.9)	3.7	3.7	4.3
Senate Majority	(1.6)	4.8	4.4	3.5
Senate Minority	(1.9)	3.7	3.7	4.3
<b>WAGES</b>				
Assembly Majority*	6.9	4.7	3.0	3.8
Assembly Minority	6.9	5.5	5.3	3.9
DOB*	6.9	3.6	3.1	4.1
Senate Majority	7.1	5.5	5.3	3.8
Senate Minority	6.9	3.6	3.1	4.1

\* Constructed based on QCEW data.

- New York's employment, personal income, and wage growth is expected to slow in CY 2024 and 2025.
- Growth in revenue from Personal Income Taxes, Consumption and User, and Business Taxes is also expected to slow.

# Revenue Comparison – FY 2024

MID-YEAR REVENUE COMPARISON FY 2024 (millions of dollars)					
	<u>Executive Mid-Year Estimate</u>	<u>Senate Majority</u>	<u>Senate Minority</u>	<u>Assembly Majority</u>	<u>Assembly Minority</u>
Personal Income Taxes	51,269	51,682	51,393	51,846	51,508
User Taxes and Fees	21,932	22,064	21,774	21,954	21,989
Business Taxes	25,915	25,915	26,975	26,020	26,054
Other Taxes	2,820	2,849	2,839	2,822	2,832
<b>All Funds Taxes Subtotal</b>	<b>101,936</b>	<b>102,511</b>	<b>102,981</b>	<b>102,642</b>	<b>102,383</b>
General Fund Misc. Rec. & Fed. Grants	6,401	6,401	6,401	6,411	6,401
Education Gaming	4,484	4,484	4,484	4,560	4,563
<b>Total</b>	<b>112,821</b>	<b>113,396</b>	<b>113,866</b>	<b>113,613</b>	<b>113,347</b>

# Revenue Comparison – FY 2025

MID-YEAR REVENUE COMPARISON FY 2025 (millions of dollars)					
	<u>Executive Mid-Year Estimate</u>	<u>Senate Majority</u>	<u>Senate Minority</u>	<u>Assembly Majority</u>	<u>Assembly Minority</u>
Personal Income Taxes	55,538	55,973	55,538	56,206	55,531
User Taxes and Fees	22,427	22,285	22,427	22,458	22,680
Business Taxes	24,897	24,897	24,897	24,992	25,210
Other Taxes	2,509	2,526	2,509	2,534	2,531
<b>All Funds Taxes Subtotal</b>	<b>105,371</b>	<b>105,682</b>	<b>105,371</b>	<b>106,190</b>	<b>105,952</b>
General Fund Misc. Rec. & Fed. Grants	7,217	7,217	7,217	7,219	7,217
Education Gaming	4,321	4,418	4,321	4,459	4,329
<b>Total</b>	<b>116,909</b>	<b>117,317</b>	<b>116,909</b>	<b>117,868</b>	<b>117,498</b>

# Economic and Tax Forecast Risks

- Although tax revenues are, in general, closely related to economic activity, the magnitude and timing of impacts on tax receipts represents a risk to the forecast.
- Additionally, as New York's tax structure is made more progressive, there is, by definition, increased volatility with respect to the economic cycle.
- Continued inflationary pressures are forcing the Federal Reserve to pursue a more aggressive path through interest rate increases that are designed to create a soft landing or slowdown, but could lead to an outright national economic recession.
- Prevalence of remote work, combined with outmigration, could permanently reduce the demand in commercial real estate and secondary industries such as leisure and hospitality and business services in New York City and other large cities around the State.
- Financial sector bonus payments represent a significant portion of New York wages and are paid during a short period late in the fiscal year. Forecasts suggest that end of the year bonuses will be lower than FY 2023. Should the level of these payments be even lower than anticipated, income tax receipts may not meet expectations.
- All risks related to the financial sector are compounded for New York due to its importance to the State economy.

# Conclusion

- The State's fiscal position has been strengthened by historic levels of tax receipts in FY 2022 and FY 2023 that allowed the state to bolster reserves, avoid costly debt, and expand programs, services and assistance.
- Record revenues allowed the State to make investments after years of spending that did not keep pace with economic growth and inflation.
- In FY 2024, the economy's expansion has slowed resulting in a reduction of the multi-year tax receipts forecast. Still the State's finances remain on solid footing.
- At the same time, the State must honor the important recurring spending commitments and investments in education, health care, and other areas that were made over the past several years.
- Moving forward, the State must prepare itself for revenues to return to historical growth trends, as economic growth slows in coming years and position itself to weather potential economic and financial shocks.
- Those commitments will be put at risk if the State finds itself unprepared for a national recession by overextending itself with costly new promises.