



**Division of  
the Budget**

# **Quick Start Public Meeting**

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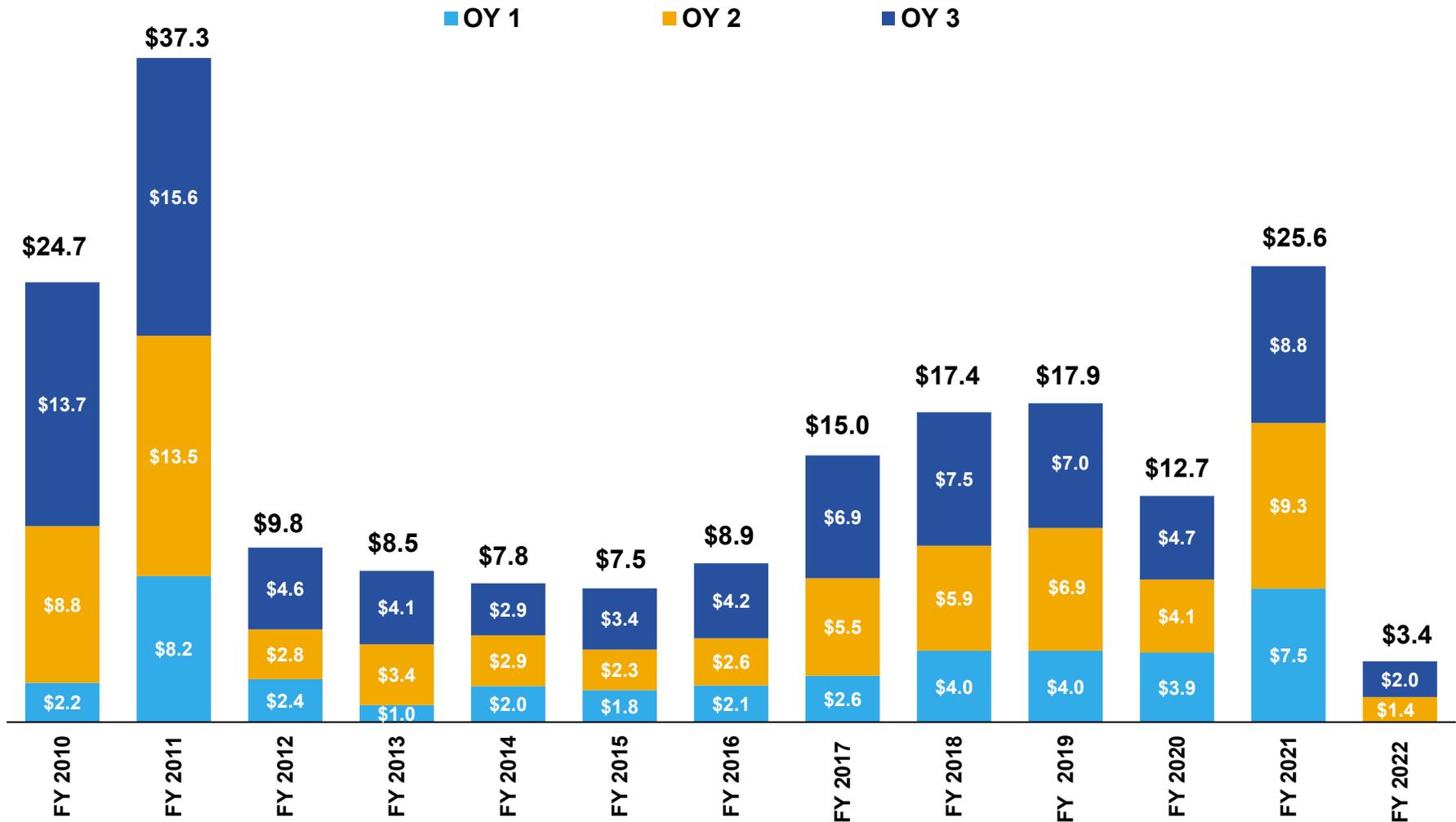
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Director of the Budget

November 2021

# Quick Start Budget Process

- DOB, Senate, Assembly, and OSC each submit separate revenue and expenditure estimates no later than November 5.
- Hold public hearing on the estimates.
- DOB and Legislature publish joint Quick Start report no later than November 15.
- Seeks to foster productive dialogue on fiscal issues well before release of January Executive Budget.

# Outyear Budget Gaps At Enacted Budget



Dollars in billions.

Outyear budget gaps projected with Enacted Budget Financial Plan for each specified year.

# FY 2022 Mid-Year Financial Plan Update



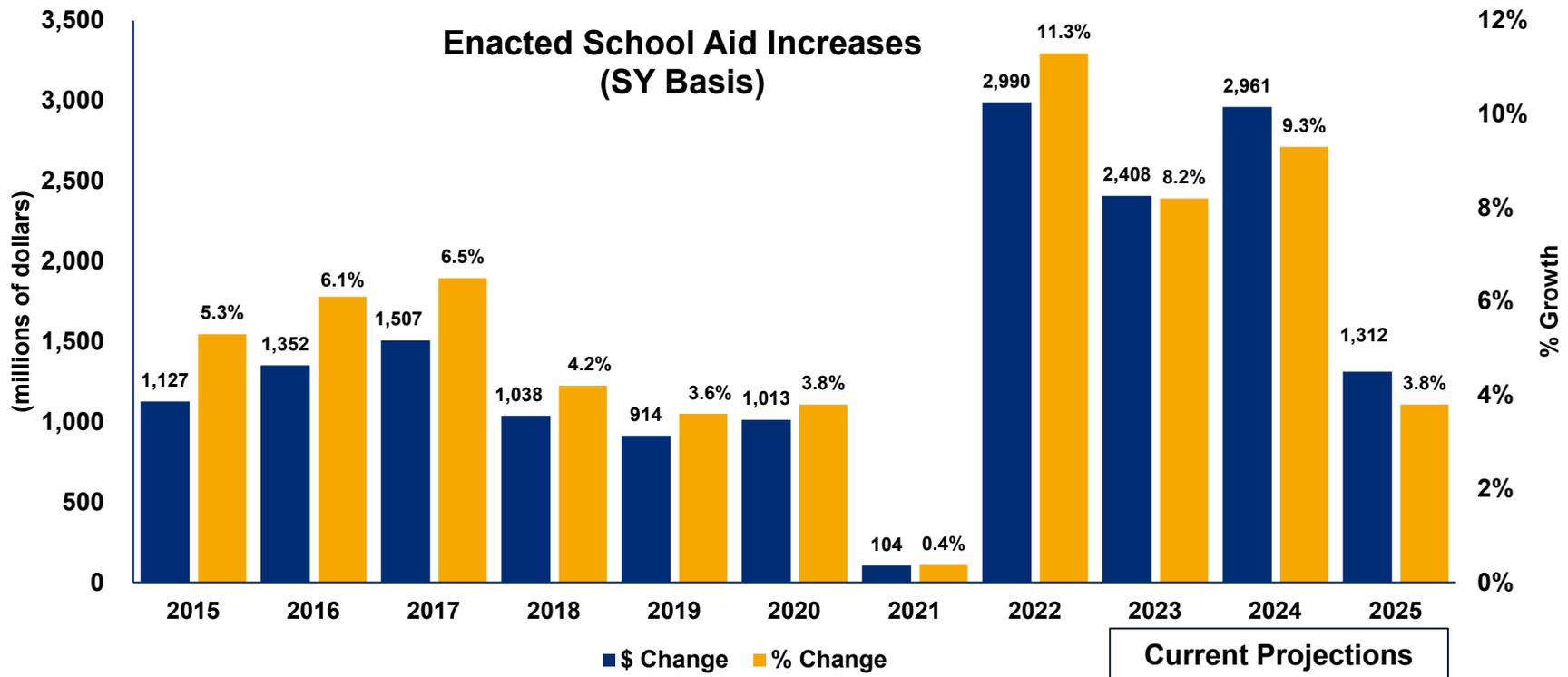
FY 2022 MID-YEAR UPDATE GENERAL FUND REVISIONS (millions of dollars)				
	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected
<b>FIRST QUARTERLY UPDATE SURPLUS/(GAP) ESTIMATE</b>	<b>0</b>	<b>0</b>	<b>(247)</b>	<b>(1,176)</b>
<b>Receipts</b>	<b>3,789</b>	<b>6,116</b>	<b>5,401</b>	<b>5,994</b>
Tax Receipts	3,803	6,111	5,414	6,011
Non-Tax Receipts/Transfers	(14)	5	(13)	(17)
<b>Disbursements</b>	<b>(449)</b>	<b>(811)</b>	<b>(1,658)</b>	<b>(1,895)</b>
Local Assistance	(222)	(792)	(1,268)	(1,501)
Agency Operations	(28)	(25)	(26)	(26)
All Other	(199)	6	(364)	(368)
<b>Use of/(Deposit to) Reserves</b>	<b>(3,340)</b>	<b>(5,305)</b>	<b>(3,496)</b>	<b>(2,923)</b>
Community Projects	(15)	0	0	1
Rainy Day Reserve	(50)	(150)	(915)	(950)
Debt Management	0	(1,855)	(1,081)	(424)
Economic Uncertainties	(3,275)	(3,300)	(1,500)	(1,550)
<b>MID-YEAR UPDATE SURPLUS/(GAP) ESTIMATE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

- The Mid-Year Update shows balanced operations for four years, the first time that DOB has ever published a Financial Plan with no budget gaps in any year.

# Mid-Year Spending Forecast: Executive Financial Plan

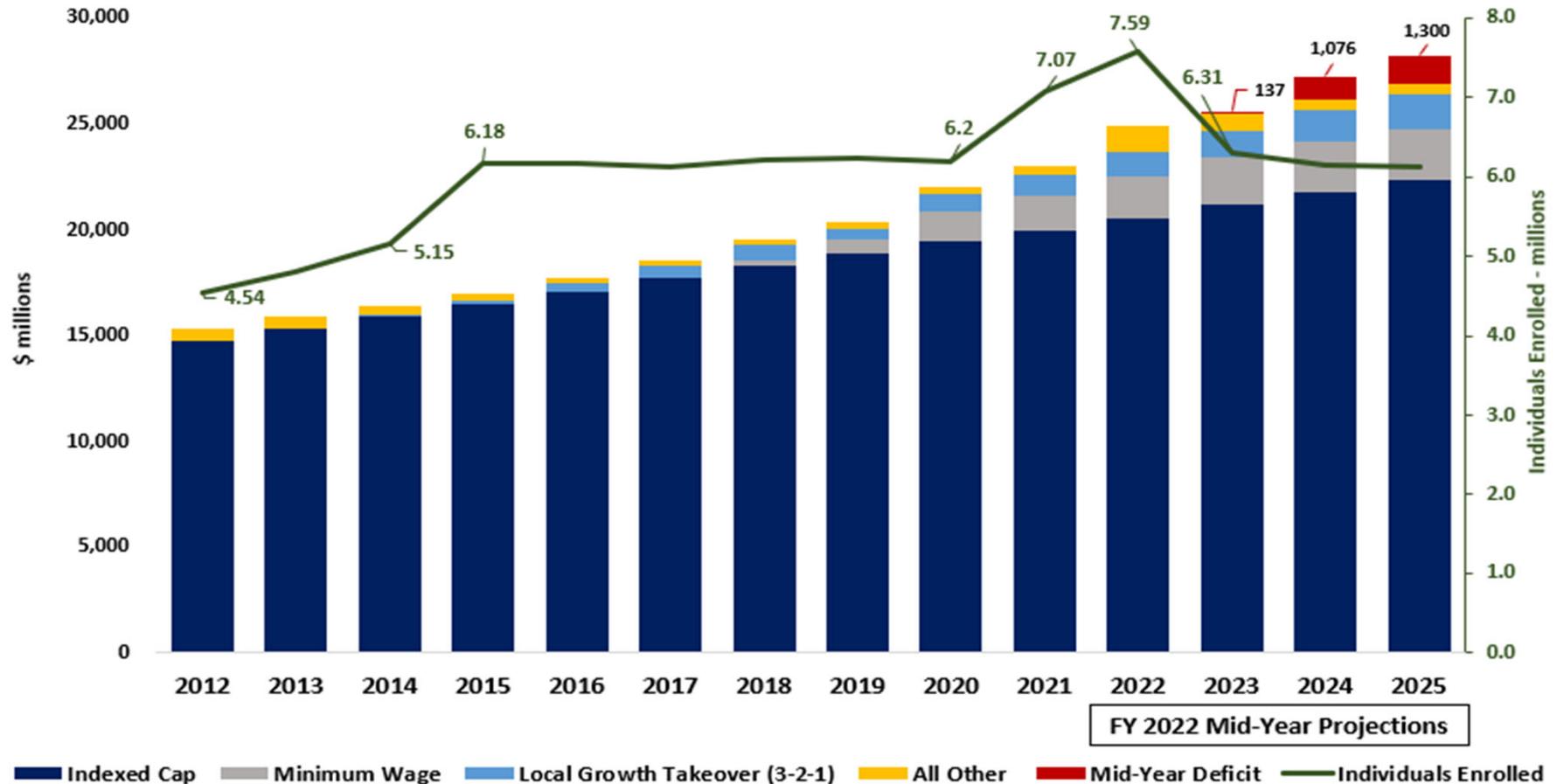
<b>EXECUTIVE MID-YEAR SPENDING FORECAST</b> (millions of dollars)			
	<b>FY 2021</b> <b>Actuals</b>	<b>FY 2022</b> <b>Projected</b>	<b>FY 2023</b> <b>Projected</b>
<b>State Operating Funds</b>	\$104,207	\$113,057	\$116,282
<i>Annual Growth</i>	2.0%	8.5%	2.9%
<b>General Fund (with transfers)</b>	\$74,095	\$90,517	\$92,320
<i>Annual Growth</i>	-4.4%	22.2%	2.0%
<b>State Funds</b>	\$114,902	\$126,764	\$130,301
<i>Annual Growth</i>	2.3%	10.3%	2.8%
<b>All Funds</b>	\$186,587	\$210,509	\$204,713
<i>Annual Growth</i>	7.9%	12.8%	-2.8%

# SY 2022 State School Aid Increase \$3 Billion (11.3 Percent) – Largest Increase in History



- SY 2021 includes \$1.1 billion in Federal CARES Act funding. Outyear projections do not include \$13 billion in Federal CRRSA and ARP funds that will be provided directly to school districts.
- SY 2022 total State support = \$29.5 billion, an increase of 11.3 percent (vs. PIGI = 4.3 percent) and includes \$1.4 billion increase for Foundation Aid.
- In SY 2023 and SY 2024, projected School Aid growth largely reflects funding for Foundation Aid.
- In SY 2025, School Aid is projected to increase consistent with the rate allowed under the personal income growth cap.
- Increased aid levels in recent years have allowed most school districts to live within the property tax cap.

# Medicaid State-Share Spending\* and Enrollment

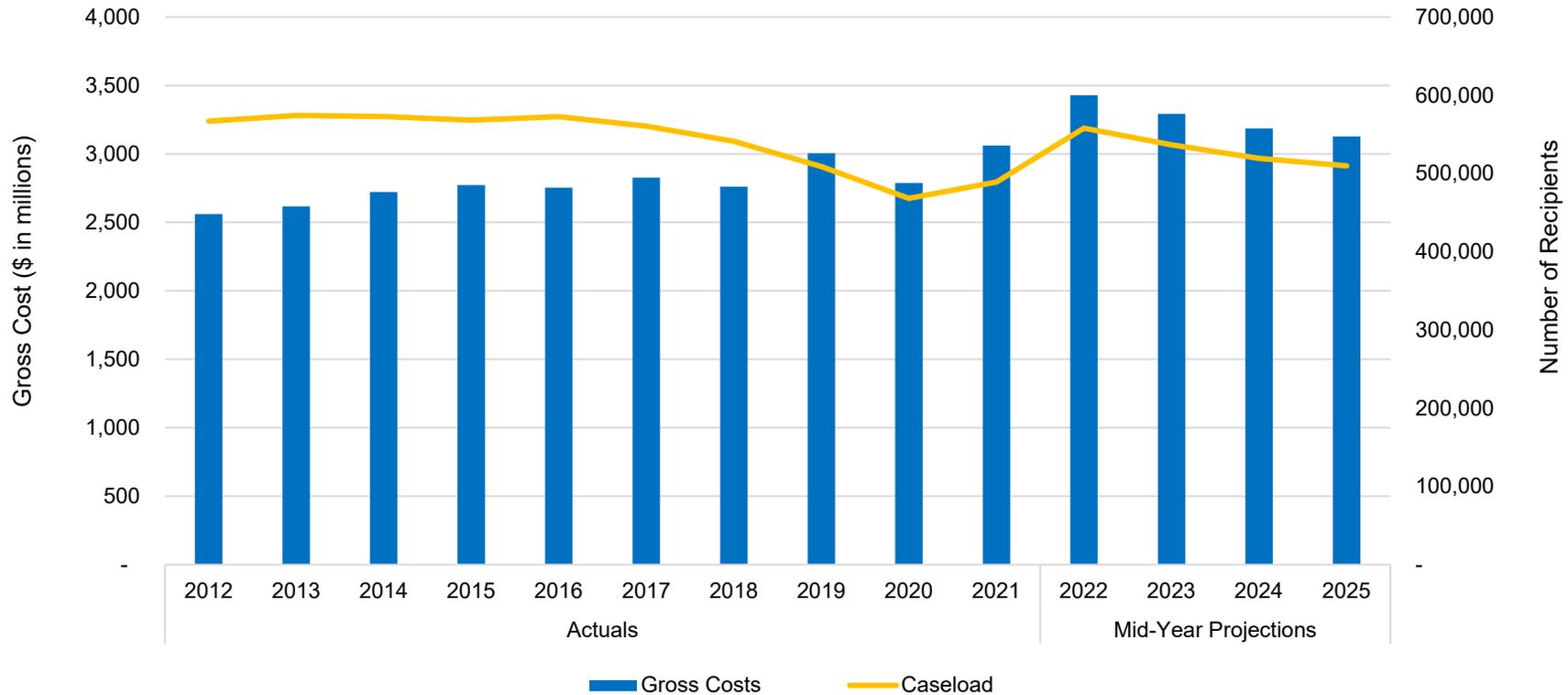


\*FY's 2021 through FY 2023 have been adjusted to show gross spending prior to eFMAP savings, totaling \$3.4 billion, \$2.9 billion and \$249 million, respectively.

- FY 2022 DOH Medicaid spending is estimated to increase \$1.9 billion from FY 2021, including an increase of \$580 million (2.9 percent) under the DOH Global Cap indexed portion.
- Medicaid enrollment from FY 2020 to FY 2021 increased by nearly 1 million, driven by the effects of COVID-19, including increased unemployment and mandatory enrollment periods to qualify for eFMAP. Medicaid enrollment and related expenses are expected to begin declining in FY 2023 and trend towards pre-pandemic levels by the end of FY 2024.
- Despite the enrollment decline, growth in service utilization among higher cost long-term care populations, as well as reimbursement to providers for minimum wage expenses and payments to distressed providers, is expected to drive increased spending.

# Public Assistance

## Public Assistance Gross Costs and Caseload



- Family Assistance (FA) provides cash assistance to eligible needy families that include a minor child. Safety Net Assistance (SNA) provides cash assistance to eligible needy individuals and families who are not eligible for FA (single adults, childless couples, and families who have exceeded the TANF time limits).
- Following the Great Recession, PA caseload peaked in FY 2013 at 574,000 recipients, and did not begin to consistently decline until FY 2017. In FY 2020, there were approximately 468,000 individuals in receipt of Public Assistance (PA), a historically low caseload.
- Although caseload had decreased over the last ten years, spending continues to increase, particularly in NYC, as a result of the ongoing homeless crisis and high shelter utilization, the expansion of shelter supplement programs, and the provision of additional benefits to an expanded population of individuals in living with HIV/AIDS.
- The rise in unemployment and decrease in family income during the pandemic have resulted in increased public assistance caseloads, particularly in New York City. In addition to existing family and safety net assistance programs, the Updated Financial Plan includes time-limited emergency rental assistance using Federal resources and a recurring State-funded rent supplement program to assist individuals and families most impacted by the pandemic. The Updated Financial Plan assumes the public assistance caseload will return to pre-pandemic levels after FY 2024.

# Spending Estimates Comparison

<b>MID-YEAR COMPARISON FY 2023 State Operating Funds</b>					
<b>(millions of dollars)</b>					
		<b>Estimates</b>			
	<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>	31,913	31,913	31,145	31,158	31,165
<b>Medicaid</b>	25,345	25,345	25,345	25,345	31,500
<b>Public Assistance</b>	583	583	583	543	534
<b>Subtotal</b>	57,841	57,841	57,073	57,046	63,199
<b>All Other Disbursements</b>	58,441	58,441	58,441	58,441	58,441
<b>Total Disbursements</b>	116,282	116,282	115,514	115,487	121,640

# Spending Difference from Executive

<b>MID-YEAR COMPARISON FY 2023 State Operating Funds</b>					
<b>(millions of dollars)</b>					
	<b>Executive Mid-Year Estimate</b>	<b>Above/(Below) Executive Estimates</b>			
		<b>Senate Majority</b>	<b>Senate Minority</b>	<b>Assembly Majority</b>	<b>Assembly Minority</b>
<b>School Aid (School Year)</b>	31,913	0	(768)	(755)	(748)
<b>Medicaid</b>	25,345	0	0	0	6,155
<b>Public Assistance</b>	583	0	0	(40)	(49)
<b>Subtotal</b>	57,841	0	(768)	(795)	5,358
<b>All Other Disbursements</b>	58,441	0	0	0	0
<b>Total Disbursements</b>	116,282	0	(768)	(795)	5,358

# NY Employment Forecast Comparison

<b>N.Y. FORECAST ANNUAL CALENDAR YEAR</b>				
<b>(percent change)</b>				
	<u>CY 2020</u>	<u>CY 2021</u>	<u>CY 2022</u>	<u>CY 2023</u>
<b>Nonfarm Employment</b>				
Assembly Majority	(10.0)	3.5	5.3	2.8
Assembly Minority	(10.0)	1.9	4.2	1.9
Executive	(10.0)	2.9	5.3	1.6
Senate Majority	(10.0)	2.9	5.3	1.6
Senate Minority	(10.0)	2.9	5.3	1.6
<b>Personal Income</b>				
Assembly Majority	6.0	5.1	0.4	4.4
Assembly Minority	6.1	5.8	0.5	4.3
Executive	6.1	4.3	(1.3)	4.3
Senate Majority	6.1	4.3	(1.3)	4.3
Senate Minority	6.1	4.3	(1.3)	4.3
<b>Wages</b>				
Assembly Majority	(0.8)	6.5	6.8	5.0
Assembly Minority	(0.7)	8.1	4.5	4.8
Executive	(0.7)	6.8	5.3	4.3
Senate Majority	(0.7)	6.8	5.3	4.3
Senate Minority	(0.7)	6.8	5.3	4.3

# Revenue Comparison – FY 2022

## MID-YEAR REVENUE COMPARISON FY 2022

(millions of dollars)

	Executive Mid-Year Estimate	Above/(Below) Executive Estimates			
		Senate Majority	Senate Minority	Assembly Majority	Assembly Minority
Personal Income Taxes	65,373	581	1,528	2,567	429
User Taxes and Fees	18,525	150	543	699	55
Business Taxes	10,844	262	(203)	698	98
Other Taxes	2,492	0	(10)	409	(20)
<b>All Funds Taxes Subtotal</b>	<b>97,234</b>	<b>993</b>	<b>1,858</b>	<b>4,373</b>	<b>561</b>
General Fund Misc. Rec.	1,802	0	0	40	0
Education Gaming	3,849	0	0	(13)	62
<b>Total</b>	<b>102,885</b>	<b>993</b>	<b>1,858</b>	<b>4,400</b>	<b>623</b>

# Revenue Comparison – FY 2023

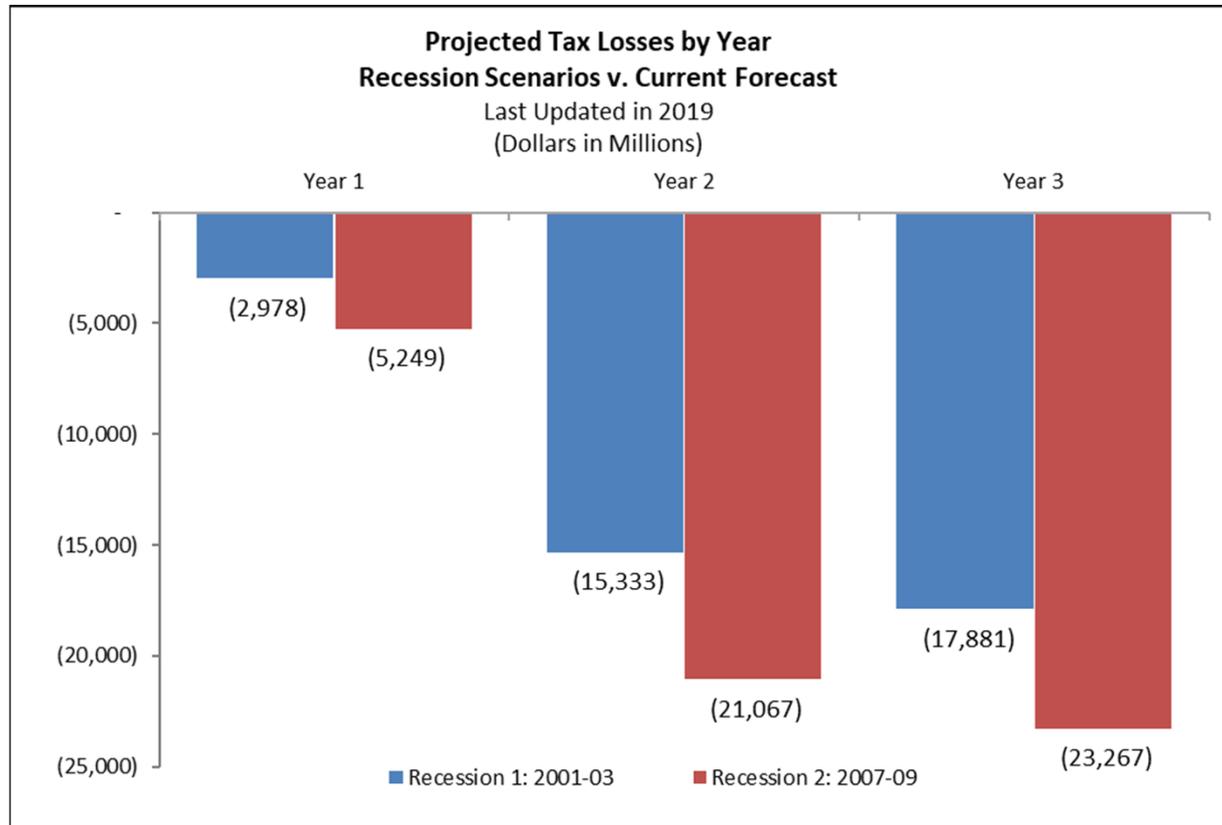
## MID-YEAR COMPARISON FY 2023 (millions of dollars)

	Executive Mid-Year Estimate	Differences from Executive Estimates			
		Senate Majority	Senate Minority	Assembly Majority	Assembly Minority
Personal Income Taxes	71,669	150	(85)	260	845
User Taxes and Fees	19,443	34	646	77	134
Business Taxes	12,450	(371)	(305)	(297)	137
Other Taxes	2,470	0	223	293	(33)
<b>All Funds Taxes Subtotal</b>	<b>106,032</b>	<b>(187)</b>	<b>479</b>	<b>333</b>	<b>1,083</b>
General Fund Misc. Rec.	1,752	0	0	29	0
Education Gaming	4,031	0	0	115	204
<b>Total</b>	<b>111,815</b>	<b>(187)</b>	<b>479</b>	<b>477</b>	<b>1,287</b>

# Forecast Risks

- The spread of new COVID variants could lead to broader government restrictions or less risk-taking behavior among consumers resulting in prolonged business and labor market disruptions and suppressed consumption, investment and real output.
- Continued supply chain disruptions could lead to further input shortages for production, as well as shortages of consumption goods, resulting in slower growth and higher inflation.
- Continuing labor shortages may lead to higher-than-expected wage inflation.
- Higher inflation, in turn, may lead to earlier monetary tightening by the Fed, slowing down the economy further.
- Other downside risks to the forecast include anemic global economic growth, acceleration in commodity and oil price increases, a stock market correction, and further elevated Federal budget deficit and mounting debt burden.
- All risks related to the financial sector are compounded for New York due to their importance to the State economy.
- Prevalence of remote work could reduce the demand for retail trade and eating and drinking places and commercial real estate in New York City and other large cities around the State.

# Hypothetical Recession Scenarios



- The simulation of prior recessions would result in a tax receipts losses in the range of \$36 to \$50 billion over a three-year period.
- The size of the losses illustrates the challenge of setting aside reserves to "weather a downturn."
- Even covering half the low range three-year loss would require \$18 billion in reserves, an amount equal to about 15 percent of State Operating Funds spending.

# Mid-Year Update: Planned Reserve Deposits to Achieve 15% Goal

<b>FY 2022 MID-YEAR UPDATE</b>				
<b>GENERAL FUND PRINCIPAL RESERVES</b>				
<b>(millions of dollars)</b>				
	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
<b>First Quarterly Update</b>	<b>5,591</b>	<b>7,161</b>	<b>7,161</b>	<b>7,161</b>
Rainy Day Reserves	3,301	4,071	4,071	4,071
Economic Uncertainties	2,290	3,090	3,090	3,090
<b>Increased Deposits</b>	<b>3,325</b>	<b>3,450</b>	<b>2,415</b>	<b>2,500</b>
Rainy Day Reserves	50	150	915	950
Economic Uncertainties	3,275	3,300	1,500	1,550
<b>Mid-Year Update</b>	<b>8,916</b>	<b>13,936</b>	<b>16,351</b>	<b>18,851</b>
Rainy Day Reserves	3,351	4,271	5,186	6,136
Economic Uncertainties	5,565	9,665	11,165	12,715
<b>Estimated Spending</b>	<b>113,057</b>	<b>116,282</b>	<b>121,548</b>	<b>126,693</b>
<i>Principal Reserves % SOF</i>	<i>8%</i>	<i>12%</i>	<i>13%</i>	<i>15%</i>

# Conclusion

- New York, like many other states, is experiencing an unanticipated surge in tax receipts as economic activity, propelled by extraordinary Federal stimulus measures, rebounds from the COVID-19 recession.
- At the same time, there has been increased but manageable pressure on General Fund disbursements: health care, recently approved legislation and targeted investments, as well as a projected deficit in the Medicaid Global Cap beginning in FY 2023.
- The increases in spending are more than offset by the significant increase in tax projections, as DOB is now projecting surpluses through FY 2025.
- Reserves bolstered to mitigate any potential risks to the Financial Plan.