2021 Joint Report On Receipts and Disbursements

November 15, 2021

Division of the Budget
Assembly Ways and Means Committee
Senate Finance Committee

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Quick Start Report

This report summarizes the results of the “quick start” forecasting process conducted by the Executive, Legislature and Comptroller, pursuant to Chapter 1 of the Laws of 2007. Specifically, this report meets the statutory requirement that by “not later than November 15, the Governor, the temporary president of the Senate and the Speaker of the Assembly shall jointly prepare and make available on their internet websites a report on the actual, estimated, and projected State receipts and disbursements for the prior, current, and ensuing fiscal years, respectively, for all funds of the State.”

Introduction

"Quick start" brings together the Executive and legislative fiscal staffs, and the Office of the State Comptroller, well in advance of the Governor's budget submission to begin an open, public dialogue on the fiscal outlook for the upcoming year. By jump-starting the formal exchange of information and analysis, "quick start" is intended to stimulate timely discussion and analysis of economic and fiscal factors likely to shape the Fiscal Year 2023 budget deliberations.

As part of this process, each party that plays a role in the budget was invited to contribute an assessment of the State economic outlook, an estimate of State spending and receipts, and a forecast for several of the State's major programs, including School Aid, Medicaid, and Public Assistance, which combine for 51% of state operations spending.

The law directs the Executive, Senate, Assembly, and the State Comptroller to prepare separate "quick start" reports by November 5. The Executive and Legislature are then required to meet publicly shortly thereafter to discuss their reports, which occurred on November 12, 2021. By November 15, the Executive, Assembly Majority and Senate Majority must issue a joint report on the actual, estimated, and projected State receipts and disbursements of the prior, current and ensuing fiscal years.

Overview

On October 29, 2021, the Division of the Budget (DOB) issued its Mid-Year Financial Plan updating the State's official financial projections for the 2022 through 2025 fiscal years; as well as its Methodology Report that describes the assumptions and models it uses in developing its economic, revenue and spending forecasts. The Mid-Year Financial Plan and the Methodology Report provide multi-year financial projections intended to assist discussions among the participants and the public.

In early November, the Senate Majority, Assembly Majority, Senate Minority, Assembly Minority and State Comptroller each submitted public "quick start" reports. The reports are available on the respective websites. The Director of DOB and fiscal staff from the Senate Majority, Assembly Majority, Senate Minority, Assembly Minority and Comptroller's Office met publicly on November 12 to review and discuss their individual forecasts. Though there are differences between the respective estimates, representatives of all parties agreed that the State's economic recovery is proceeding in an upward direction, yet remains vulnerable to a range of risks.

Joint Review of Economic and Fiscal Factors

The following sections highlight the discussions that took place with respect to the economy, receipts and disbursements projections, and the fiscal outlook.

Economy and Revenues

Economic Context

The Senate Majority, Assembly Majority, Senate Minority, Assembly Minority, and Executive all agree that the economic recovery is continuing. Estimated real U.S. GDP growth for 2021 ranges from 5.5 percent to 5.8 percent (see Table 1), while growth for 2022 ranges from 4.1 percent to 4.4 percent. All parties expect the labor market to continue to improve, with projected growth rates for nonfarm employment ranging from 2.7 percent to 2.8 percent for 2021. Consistent with this outlook, personal income growth is projected to range from 6.3 percent to 6.4 percent for 2021, with growth in its largest component, wages, ranging from 7.7 percent to 8.0 percent. Projected growth in U.S. corporate profits ranges from 19.1 percent to 22.4 percent for 2021.

Estimated growth rates in New York State employment for 2021 range from 1.9 percent to 3.5 percent, following a decline of 10.0 percent for 2020 (see Table 2). Employment projections for 2022 range from 4.2 percent to 5.3 percent. Projected growth in personal income ranges from 4.3 percent to 5.8 percent for 2021, with wage growth ranging from 6.5 percent to 8.1 percent. Although wage growth for 2022 ranges from 4.5 percent to 6.8 percent, personal income growth projections range between a decline of 1.3 percent and an increase of 0.5 percent. All parties agree that State income growth for next year is likely to be well below historical averages, reflecting fading fiscal stimulus.

The worst of the COVID-19 pandemic appears to be behind us, thanks to the widespread availability of vaccines and therapeutics. However, if a rapid increase in COVID cases leads to broader government restrictions or a significant reduction in consumer activity, then prolonged business and labor market disruptions would slowdown the national economic growth. Continued supply chain disruptions could lead to further input shortages for production, as well as shortages of consumption and investment 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 economic growth further. Other downside risks to the forecast include slower global economic growth, an acceleration in commodity and oil price increases, a stock market correction, and further elevated Federal budget deficits and a mounting debt burden. All risks that are related to the financial sector are compounded for New York, due to the sectors importance to the State economy.

TABLE 1
U.S. FORECAST
ANNUAL CALENDAR YEAR
(Percent Change)

	CY 2020	CY 2021	CY 2022	CY 2023
Real U.S. GDP				
Assembly Majority	(3.4)	5.5	4.1	2.7
Assembly Minority	(3.4)	5.8	4.3	2.4
Executive	(3.4)	5.6	4.4	2.6
Senate Majority	(3.4)	5.6	4.4	2.6
Senate Minority	(3.4)	5.6	4.4	2.6
Personal Income				
Assembly Majority	6.6	6.4	0.5	4.7
Assembly Minority	6.5	6.4	0.2	4.8
Executive	6.5	6.3	(0.2)	4.3
Senate Majority	6.5	6.3	(0.2)	4.3
Senate Minority	6.5	6.3	(0.2)	4.3
Wages				
Assembly Majority	1.3	7.9	7.0	5.4
Assembly Minority	1.3	7.7	5.1	5.0
Executive	1.3	8.0	6.1	4.7
Senate Majority	1.3	8.0	6.1	4.7
Senate Minority	1.3	8.0	6.1	4.7
Corp Profits with IVA & CCA				
Assembly Majority	(5.2)	19.1	5.3	2.9
Assembly Minority	(5.2)	22.4	4.3	5.9
Executive	(5.2)	21.7	5.0	3.0
Senate Majority	(5.2)	21.7	5.0	3.0
Senate Minority	(5.2)	21.7	5.0	3.0
Nonfarm Employment				
Assembly Majority	(5.7)	2.7	3.5	1.9
Assembly Minority	(5.7)	2.8	3.9	1.5
Executive	(5.7)	2.7	3.4	1.7
Senate Majority	(5.7)	2.7	3.4	1.7
Senate Minority	(5.7)	2.7	3.4	1.7
3-Month T-Bill Rate				
Assembly Majority	0.4	0.0	0.1	0.7
Assembly Minority	0.4	0.0	0.2	0.7
Executive	0.4	0.0	0.1	0.5
Senate Majority	0.4	0.0	0.1	0.5
Senate Minority	0.4	0.0	0.1	0.5

TABLE 2
N.Y. FORECAST ANNUAL CALENDAR YEAR
(percent change)

	CY 2020	CY 2021	CY 2022	CY 2023
Nonfarm Employment				
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
Personal Income				
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
Wages				
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 Projections Comparison

MID-YEAR REVENUE COMPARISON FY 2022
(millions of dollars)

	Executive Mid-Year Estimate	Differences from 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)
All Funds Taxes Subtotal	**97,234**	**993**	**1,858**	**4,373**	**561**
General Fund Misc. Rec.	1,802	0	0	40	0
Education Gaming	3,849	0	0	(13)	62
Total	**102,885**	**993**	**1,858**	**4,400**	**623**

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)
All Funds Taxes Subtotal	**106,032**	**(187)**	**479**	**333**	**1,083**
General Fund Misc. Rec.	1,752	0	0	29	0
Education Gaming	4,031	0	0	115	204
Total	**111,815**	**(187)**	**479**	**477**	**1,287**

MID-YEAR REVENUE COMPARISON FY 2022 AND FY 2023 TWO-YEAR TOTAL
(millions of dollars)

	Executive Mid-Year Estimate	Differences from Executive Estimates: Senate Majority	Senate Minority	Assembly Majority	Assembly Minority
Personal Income Taxes	137,042	731	1,443	2,827	1,274
User Taxes and Fees	37,968	184	1,189	776	189
Business Taxes	23,294	(109)	(508)	401	235
Other Taxes	4,962	0	213	702	(53)
All Funds Taxes Subtotal	**203,266**	**806**	**2,337**	**4,706**	**1,644**
General Fund Misc. Rec.	3,554	0	0	69	0
Education Gaming	7,880	0	0	102	266
Total	**214,700**	**806**	**2,337**	**4,877**	**1,910**

The recovery that followed the sharp declines due to the pandemic has generated robust fiscal year growth to date for all major tax areas. While the economic recovery is projected to continue, significant questions remain as to its pace, strength, and sustainability as explained earlier in this document.

Revenue growth for the current and upcoming fiscal year remains dependent on several global, national, and statewide factors that could pose risks to the forecasts. These risks are:

- Although tax revenues are, in general, closely related to economic activity, the degree and, importantly, timing of concomitant tax receipts represents a risk to the forecast.
- Continued supply chain disruptions could lead to input shortages for production, as well as shortages of consumption goods, resulting in slower growth and higher inflation. In addition, continuing labor shortages could lead to further wage inflation, creating additional price pressures. Higher inflation may lead to earlier monetary tightening by the Fed, slowing down the economy further.
- 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 and real output.
- 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.
- Financial sector bonus payments represent a significant portion of New York wages and are paid during a short period late in the fiscal year. Should the level of these payments be lower than anticipated, especially due to post-COVID relocations of financial sector employees out of the State, income tax receipts could be lower than expected.

Disbursement Projections Comparison

The Mid-Year Financial Plan prepared by the Executive contains detailed forecasts of all major spending programs. The General Fund traditionally has been, and will continue to be, an important focus of State financial performance because State law requires it be balanced. State Operating Funds is a more inclusive measure that captures all spending financed by dedicated revenue sources and for servicing the State's debt, excluding capital spending and Federal aid. All Governmental Funds includes spending for capital purposes and Federal grants.

The table below summarizes the State's actual and projected disbursements for FY 2021 through FY 2023 as prepared by the Executive in the Mid-Year Financial Plan.

EXECUTIVE MID-YEAR SPENDING FORECAST (millions of dollars)

	FY 2021 Actuals	FY 2022 Projected	FY 2023 Projected
State Operating Funds	$104,207	$113,057	$116,282
Annual Growth	*2.0%*	*8.5%*	*2.9%*
General Fund (with transfers)	$74,095	$90,517	$92,320
Annual Growth	*-4.4%*	*22.2%*	*2.0%*
State Funds	$114,902	$126,764	$130,301
Annual Growth	*2.3%*	*10.3%*	*2.8%*
All Funds	$186,587	$210,509	$204,713
Annual Growth	*7.9%*	*12.8%*	*-2.8%*

The following table summarizes the comparison of State Operating Funds spending projections for FY 2023 to the Executive projections in the Mid-Year Financial Plan.

MID-YEAR COMPARISON FY 2023 State Operating Funds (millions of dollars)				
	Above/(Below) Executive Estimates			
	Senate Majority	Senate Minority	Assembly Majority	Assembly Minority
School Aid (School Year)	0	(768)	(755)	(748)
Medicaid	0	0	0	0
Public Assistance	0	0	(40)	(49)
Subtotal	0	(768)	(795)	(797)
All Other Disbursements	0	0	0	0
Total Disbursements	0	(768)	(795)	(797)

Summary information for three key areas of spending -- Medicaid, School Aid, and Public Assistance – is provided below.

Medicaid

Medicaid -- jointly financed by the Federal government, the State, and local governments (i.e., counties and New York City) -- provides health care services for low income, mentally-ill, disabled, and elderly individuals. Prior to 2006, for most services the non-Federal share of Medicaid costs was shared between the State and local governments. Beginning in January 2006, counties' Medicaid cost contributions were capped based on 2005 expenditures that were indexed at a growth rate of 3.5 percent in 2006, 3.25 percent in 2007, and 3 percent per year thereafter. In FY 2013, the State committed to phasing out over a three-year period all growth in the local share of Medicaid costs. The State takeover capped local districts' Medicaid costs at calendar year 2015 levels.

In 2011, the Medicaid Redesign Team ("MRT") was established to address structural imbalances in the Medicaid program which had experienced successive years of unsustainable spending. The uncontrolled growth was putting the State at risk for being unable to pay the State share of Medicaid costs, a risk that was not sustainable as the State was still recovering from the 2008 recession that caused an increase in Medicaid enrollment due to rising unemployment.

In FY 2012 the Medicaid Global Cap was established, which is a spending limit placed on non-Federal Medicaid expenses that is computed based on the ten-year rolling average of the medical component of the Consumer Price Index as published by the United States Department of Labor, Bureau of Labor Statistics. The Global Cap legislation authorizes the

Department of Health Commissioner and the Director of DOB to exercise cost-saving measures, called a Medicaid savings allocation plan, if the Budget Director determines the Medicaid program is projected to exceed the Global Cap. Actions can include: across the board or targeted spending reductions, reimbursement reductions, and/or new opportunities for more Federal financial participation among other things.

In estimating Medicaid spending the parties use somewhat different projection models. The Executive's projected Medicaid forecast involves an evaluation of all major service categories using a specific approach, depending on whether expenditures are based on monthly plan premiums or fee-for-service payments. The forecast uses category specific Medicaid Management Information System (MMIS) data. This includes detail on total paid claims and premiums, retroactive spending adjustments, caseload, and service utilization. This data is incorporated into mathematical models that are used to predict future expenditures based upon historical expenditure patterns and seasonal trends. The models also consider non-MMIS data (e.g., managed care enrollment, Federal Medicare premiums, and trends in the pharmaceutical industry) in certain areas to generate program specific expenditure projections.

The Senate and Assembly's projections align with the Executive's forecast published in the Financial Plan. Therefore, their methodology is assumed to be comparable to the Executive's.

There are no variances amongst the spending projections. It should be noted that the forecasts provide a point-in-time estimate for program spending based on the most current data available and therefore are subject to considerable variance depending on several risks that could affect Medicaid spending and enrollment. These include natural disasters, economic fluctuations, shifts in demographic patterns, litigation and changes in State and Federal policies and statutes.

Below is a summary of the Medicaid State Operating Funds spending projections included in the respective “quick start” reports issued by the Executive and Legislature.

FY 2021

FY 2021 Medicaid State Operating Funds spending totaled $19.6 billion, which included a benefit of $3.4 billion in savings from enhanced Federal Medicaid Assistance Percentages (eFMAP) authorized in the Families First Coronavirus Relief Act (FFCRA). Spending declined from $22.0 billion in FY 2020, driven primarily by the enhanced FMAP received in FY 2021 (the FFCRA eFMAP benefit received in FY 2021 included the retroactive amount associated with January through March 2020). Removing the benefit from eFMAP, FY 2021 State Operating Funds spending would have increased over FY 2020 spending by 4.6 percent, inclusive of spending not subject to the statutorily indexed growth provisions of the State’s Medicaid Global Cap (e.g., minimum wage, local growth takeover). A portion of the eFMAP benefit was used to support increased Medicaid costs in FY 2021 due to increased program enrollment attributable to the COVID-19 pandemic and maintenance of effort (MOE) requirements included in the FFCRA legislation requiring 12-month continuous coverage for all new enrollees during the Federal Public Health Emergency (PHE) period.

FY 2022

In FY 2022, the Executive projects Medicaid spending of $15.7 billion on a General Fund basis, $21.9 billion on State Operating Funds basis, and $89.4 billion on an All Funds basis. Both General Fund and State Funds numbers are reduced by $3.0 billion due to the eFMAP benefit.

With the eFMAP benefit removed, this projected spending forecast reflects an increase over actual FY 2021 State Operating Funds spending of approximately 8.1 percent, inclusive of spending not subject to the statutorily indexed growth provisions of the State’s Medicaid Global cap (e.g., minimum wage, local growth takeover). A portion of the eFMAP benefit was used to support increased Medicaid costs in FY 2022 due to increased program enrollment attributable to the COVID-19 pandemic and maintenance of effort (MOE) requirements included in the FFCRA legislation requiring 12-month continuous coverage for all new enrollees during the Federal Public Health Emergency (PHE) period.

The FY 2022 estimates for both houses (majority and minority) are consistent with the Executive estimate.

FY 2023

In FY 2023, the Executive projects Medicaid spending of $19.4 billion on a General Fund basis, $25.3 billion on a State Operating Funds basis, and $89.9 billion on an All Funds basis. Both General Fund and State Operating Funds spending estimates are reduced by $249 million due to the eFMAP benefit, which is the result of a one-month timing lag associated with the currently authorized eFMAP benefit through March 2022.
The FY 2023 estimates for both houses (majority and minority) are consistent with the Executive estimate.

Both houses also raise the possibility of risk to the Financial Plan if Medicaid enrollment declines at a slower pace than projected, which would result in higher spending.

Medicaid spending with and without the benefit of enhanced FMAP for FY 2022 and FY 2023 is presented below.

COMPARISON OF EXECUTIVE, ASSEMBLY, AND SENATE MEDICAID STATE OPERATING FUNDS SPENDING (in millions)

	With FMAP Benefit			Without FMAP Benefit		
	FY 2022	FY 2023	% Change	FY 2022	FY 2023	% Change
Assembly Majority	21,933	25,345	15.6%	24,917	25,594	2.7%
Assembly Minority	21,933	25,345	15.6%	24,917	25,594	2.7%
Executive	21,933	25,345	15.6%	24,917	25,594	2.7%
Senate Majority	21,933	25,345	15.6%	24,917	25,594	2.7%
Senate Minority	21,933	25,345	15.6%	24,917	25,594	2.7%

School Aid

The State Education Department (SED) releases school district specific data three times a year pursuant to §305 of the Education Law. The November 15 database update provides the first information on the projected upcoming school year. This data will continue to be updated on February 15 and May 15. Executive Budget estimates are based upon data reported from SED at the November 15 database.

Since this data for the School Year (SY) 2023 is not yet available, estimating School Aid for SY 2023 presents significant challenges. Expense-based aids (e.g., Transportation Aid, BOCES Aid, and Building Aid) can be volatile and difficult to project with a high level of certainty because they depend on individual school districts' expenses and relative income and property wealth per pupil; for SY 2017 through SY 2019, for example, aid projections varied by approximately $75 million to $150 million from the time of Budget enactment through the following November database, while SY 2021 projections fluctuated by over $300 million due to the impact of the COVID-19 pandemic on district expenses. In addition, due to the FY 2022 Enacted Budget requirement to phase in full funding of the Foundation Aid formula by SY 2024, the November 2021 database will mark the first time in over a decade that SED's initial projections of aid for the upcoming school year under current law will include an increase in Foundation Aid; the value of this increase depends on the formula's full funding target, which is in turn impacted by annually updated factors such as inflation and levels of district wealth and student need.

The following table summarizes the School Aid projections reflected in the respective reports put forward by Executive, Senate, and Assembly staffs. The reports used different approaches to forecasting School Aid for SY 2023, with differing degrees of specificity; however, all incorporate a significant Foundation Aid increase due to statutory provisions enacted with the FY 2022 Budget, as well as continued growth in expense-based aids under current law. The Executive's projected SY 2023 increase, with which the Senate Majority report concurred, recognizes the substantial impact that the pandemic and higher inflation could potentially have on School Aid. The projections in the other parties' reports are in comparison based on the size of the SY 2022 Foundation Aid increase ($1.4 billion) and analyses of the average annual expense-based aid increase in prior years.

FY 2023 ($ in Millions)	EXECUTIVE	ASSEMBLY MAJORITY	SENATE MAJORITY	ASSEMBLY MINORITY	SENATE MINORITY
School Aid Increase (School Year Basis)	2,408	1,653	2,408	1,660	1,640

Public Assistance

The Office of Temporary and Disability Assistance (OTDA) local assistance programs provide cash benefits and supportive services to low-income families, children and adults living in NYS. OTDA's public assistance (PA) program is comprised of the Family Assistance and Safety Net Assistance programs. The Family Assistance program, which is financed by Federal Temporary Assistance for Needy Families (TANF) funds, provides cash assistance to those families who have been on assistance for less than five years. The Safety Net Assistance program, financed by the State and counties, provides cash assistance to single adults, childless couples, and families who have exhausted their five-year Federal time-limit on TANF.

The following is a summary of public assistance disbursement projections as reflected in the respective reports put forward by Executive, Senate and Assembly staffs. Variances between disbursement estimates may be attributable to differing conclusions regarding the extent of caseload increases. However, because a portion of public assistance expenditures are for non-benefit payments such as diversion payments and transitional services, it is difficult to determine expenditures based solely on caseload.

<u>FY 2021</u>

The FY 2021 public assistance caseload was 489,002, with associated gross costs (Federal/State/local) of $3.06 billion. While the actual caseload increased by 4.4 percent, the gross costs increased by 9.8 percent, over FY 2020.

<u>FY 2022</u>

The Executive FY 2022 forecast for the public assistance caseload is 558,000, a projected 14.1 percent increase from FY 2021. Public assistance gross costs are estimated at $3.43 billion, a projected 12 percent increase from FY 2021.

The Senate majority and minority agree with the Executive FY 2022 forecast.

The Assembly FY 2022 forecast for the public assistance caseload is 458,549, a projected 6.3 percent decrease from FY 2021. Public assistance gross costs are estimated at $2.87 billion, a projected 5.4 percent decrease from reported FY 2021 actuals.

The Assembly Minority FY 2022 forecast for the public assistance caseload is 450,472, a projected 7.9 percent decrease from FY 2021. Public assistance gross costs are estimated at $2.68 billion, a projected 11.6 percent decrease from reported FY 2021 actuals.

FY 2023

The Executive FY 2023 forecast for the public assistance caseload is 536,699, a projected 3.8 percent decrease from its FY 2022 projection. Public assistance gross costs are estimated at $3.29 billion, a 4.0 percent decrease from its FY 2022 projections.

The Senate majority and minority agree with the Executive FY 2022 forecast.

The Assembly FY 2023 forecast for the public assistance caseload is 471,826, a projected 2.9 percent increase from its FY 2022 caseload projection. Public assistance gross costs are estimated at $2.95 billion, a projected 2.9 percent increase from its FY 2022 projections.

The Assembly Minority FY 2023 forecast for the public assistance caseload is 436,464, a projected 3.1 percent decrease from its FY 2022 caseload projection. Public assistance gross costs are estimated at $2.69 billion, a projected 0.4 percent increase from its FY 2022 projections.

Fiscal Outlook

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 related to health care, recently enacted legislation, and targeted investments, as well as a projected deficit in the Medicaid Global Cap beginning in FY 2023. These changes, which would be more notable in a typical quarterly update, are completely overshadowed by the substantial revisions to tax receipts.

The bottom-line impact is that the Executive now projects General Fund surpluses, before the reserve deposits outlined below, in each year of the Financial Plan. The surpluses are estimated at $3.3 billion in FY 2022, $5.3 billion in FY 2023, $3.7 billion in FY 2024, and $4.1 billion in FY 2025.

These projections are based on recent tax and expenditure results, updated forecasts for the State and US economy, and programmatic assumptions that the Executive believes are reasonable. They do not “factor in” potential economic and financial shocks, which are, by definition, unpredictable. They also do not account for the real but hard to quantify risks created by COVID. Other key data that will impact the forecast include the November 15 School Aid database update as well as revised economic and spending performance over the next several months.

Reserves are the most practical and effective defense against such unpredictable risks. Accordingly, the Mid-Year Financial Plan reserves most of the projected surpluses to bring principal reserves to 15 percent of State Operating Funds spending by the end of FY 2025. The 15 percent target is equal to about $19 billon of State spending -- or roughly half the revenue replacement that could be needed, over three years, at the low end of a potential recession. The reserve deposits are calibrated to bring the State's principal reserves from 5 percent to 8 percent in FY 2022. They are then increased to 12 percent in FY 2023, 13 percent in FY 2024, and reach 15 percent by FY 2025. The resources remaining after these planned deposits are earmarked to maintain and improve the affordability of the State's debt.