



Division of the Budget

Quick Start Public Meeting

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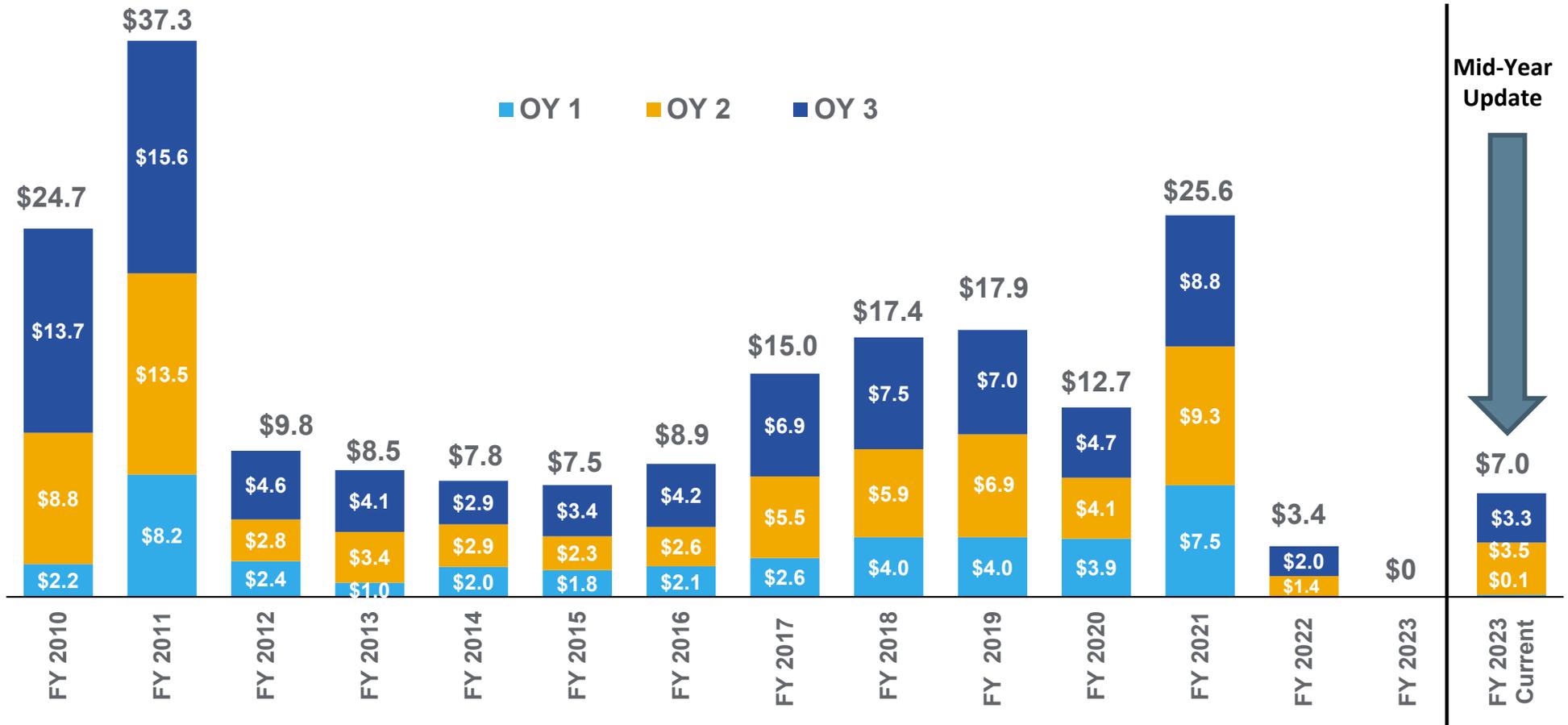
November 2022

QUICK START BUDGET PROCESS

- DOB, Senate, Assembly, and OSC each submit separate revenue and expenditure estimates.
- Hold public hearing on the estimates.
- 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.



OUTYEAR BUDGET GAPS AT ENACTED (\$Billions)



- FY 2022 Enacted Budget outyear cumulative budget gaps would have been \$11.7 billion absent Federal ARP aid.
- The FY 2023 Enacted Budget showed balanced operations through FY 2027, but projected tax receipts were revised in the Q1 and Q2 Updates, creating gaps. The FY 2024 gap at Mid-Year is \$148 million or \$2.4 billion excluding the application of the FY 2023 surplus.



CURRENT GAP PROJECTIONS (MID-YEAR)

FY 2023 MID-YEAR UPDATE GENERAL FUND REVISIONS SAVINGS/(COSTS) (millions of dollars)						
	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	Total Gaps
FIRST QUARTERLY UPDATE SURPLUS/(GAP) ESTIMATE	0	(310)	(3,587)	(3,546)	(6,219)	(13,662)
Receipts	(739)	150	150	150	150	(139)
Taxes	910	150	150	150	150	1,510
Debt Service	0	0	0	0	0	0
Miscellaneous/Federal	427	0	0	0	0	427
Transfers from Other Funds	(2,076)	0	0	0	0	(2,076)
Disbursements	816	12	(62)	85	81	932
Local Assistance	913	49	(27)	121	113	1,169
Agency Operations	(80)	(37)	(35)	(36)	(32)	(220)
Transfers to Other Funds	(17)	0	0	0	0	(17)
Use of/(Deposit to) Reserves	(77)	0	0	0	0	(77)
Rainy Day Reserve	0	0	0	0	0	0
Tax Stabilization Reserve	0	0	0	0	0	0
Contingency Reserve	0	0	0	0	0	0
Community Projects Reserve	0	0	0	0	0	0
Other Reserves	(77)	0	0	0	0	(77)
MID-YEAR UPDATE SURPLUS/(GAP) ESTIMATE	0	(148)	(3,499)	(3,311)	(5,988)	(12,946)



SY 2023 STATE SCHOOL AID INCREASE \$2.1 BILLION (7.2 PERCENT)

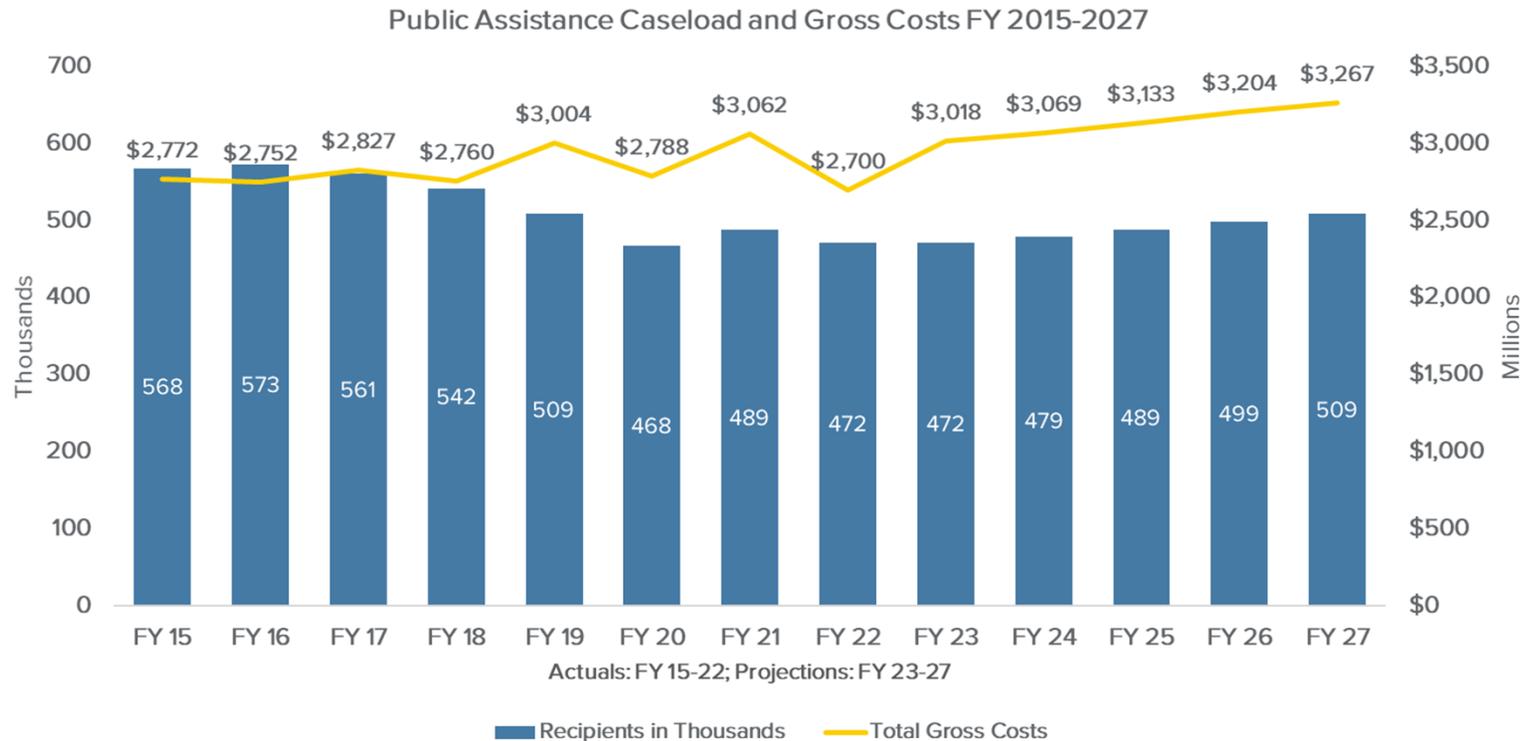
Enacted School Aid Increases
(SY Basis)



- School Year (SY) 2021 included \$1.1 billion in Federal CARES Act funding. SY 2022, SY 2023, and outyear projections do not include \$13 billion in Federal CRRSA and ARP funds allocated to school districts in the FY 2022 Enacted Budget.
- SY 2023 total State support = \$31.4 billion, an increase of 7.2 percent (vs. PIGI = 4.5 percent) and includes a \$1.5 billion increase for Foundation Aid.
- In SY 2022 through SY 2024, actual and projected School Aid growth largely reflects the phase-in of full funding for Foundation Aid.
- In SY 2025 and beyond, School Aid is projected to increase consistent with the rate allowed under the personal income growth cap.



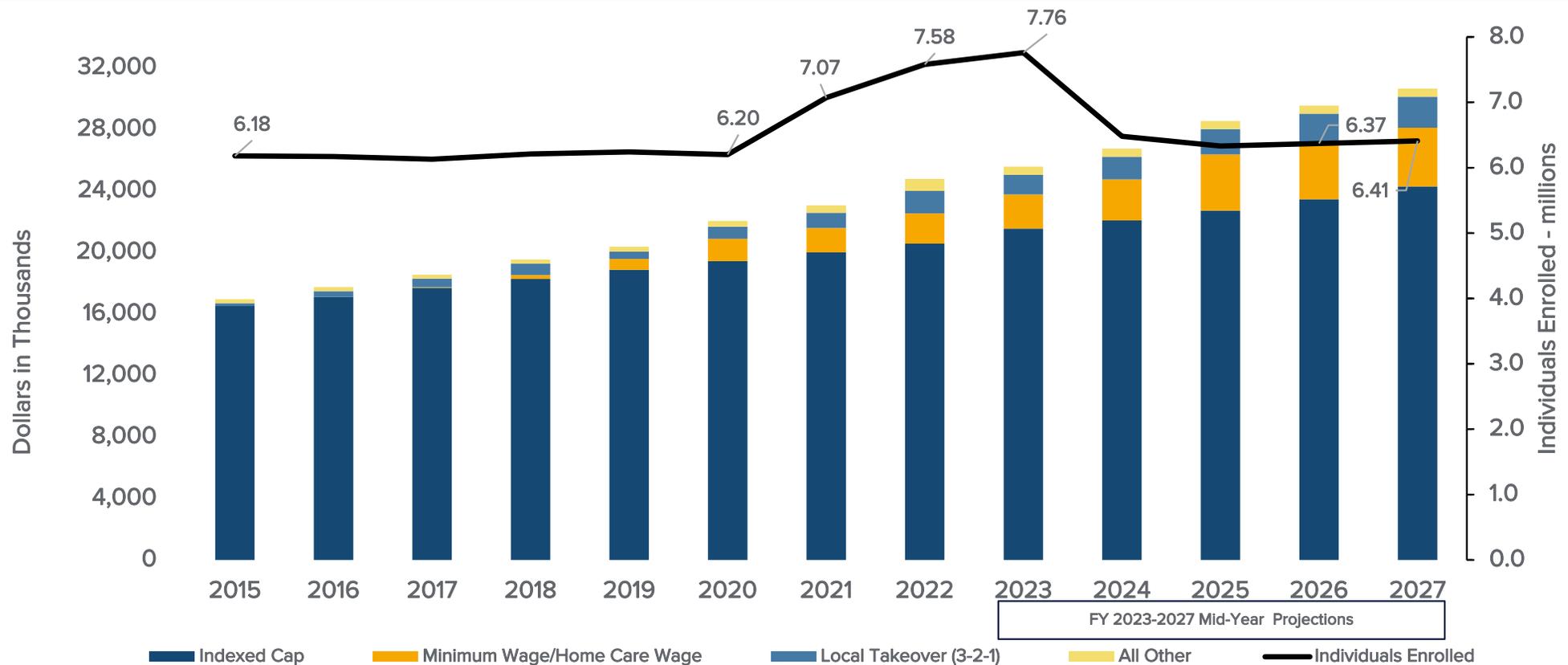
PUBLIC ASSISTANCE



- Cash assistance is provided to eligible needy families that include a minor child through Family Assistance (FA) and to individuals and families who are not eligible for FA (single adults, childless couples, and families who have exceeded the TANF time limits) via Safety Net Assistance (SNA).
- Following the Great Recession, PA caseload peaked in FY 2013 at 574,000 recipients, and did not begin declining until FY 2017. In FY 2020, there were approximately 468,000 individuals in receipt of Public Assistance (PA), a historically low caseload.
- Despite declining caseload over the last ten years, spending continues to increase, particularly in NYC, as a result of the ongoing homeless crisis and high shelter utilization, and the expansion of shelter supplement programs.
- The rise in unemployment and decrease in family income during the pandemic resulted in increased public assistance caseloads, particularly in New York City. In addition to existing public assistance programs, time-limited emergency rental assistance supported by Federal resources and a recurring State-funded rent supplement program is available to assist individuals and families most impacted by the pandemic.



MEDICAID STATE-SHARE SPENDING* AND ENROLLMENT



- The FY 2023 Enacted Budget implemented a new Global Cap index based on the five-year rolling average of CMS annual projections of health care spending. The CMS projections account for enrollment and population changes, including aging and disabled populations, which are significant drivers of costs. The new index supports additional spending growth of \$366 million in FY 2023 (\$966 million total) growing to \$3.1 billion in FY 2027.
- Medicaid enrollment has increased by nearly 1.6 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 2024 and trend towards pre-pandemic levels by the end of FY 2025.
- Despite the enrollment decline beginning in FY 2024, 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.
- FYs 2021 through FY 2024 include eFMAP savings totaling \$3.4 billion, \$3 billion, \$3.5 billion and \$267 million, respectively. FY 2021 and a majority of FY 2022 flowed directly through Medicaid budget as opposed to the MHSF due to impacts related to enrollment.



SPENDING ESTIMATES COMPARISON

MID-YEAR COMPARISON FY 2024 State Operating Funds (millions of dollars)

	Executive Mid-Year Estimate	Estimates			
		Senate Majority	Senate Minority	Assembly Majority	Assembly Minority
School Aid (School Year)	34,707	34,707	34,674	34,769	34,964
Medicaid	27,317	27,317	27,317	27,317	27,317
Public Assistance	600	600	600	571	602
Subtotal	62,624	62,624	62,591	62,657	62,883
All Other Disbursements	62,218	62,218	62,218	62,185	62,218
Total Disbursements	124,842	124,842	124,809	124,842	125,101



SPENDING DIFFERENCE FROM EXECUTIVE

MID-YEAR COMPARISON FY 2024 State Operating Funds (millions of dollars)					
	Executive Mid-Year Estimate	Above/(Below) Executive Estimates			
		Senate Majority	Senate Minority	Assembly Majority	Assembly Minority
School Aid (School Year)	34,707	0	(33)	62	257
Medicaid	27,317	0	0	0	0
Public Assistance	600	0	0	(29)	2
Subtotal	62,624	0	(33)	33	259
All Other Disbursements	62,218	0	0	(33)	0
Total Disbursements	124,842	0	(33)	(0)	259



NY EMPLOYMENT FORECAST COMPARISON

N.Y. FORECAST ANNUAL CALENDAR YEAR Percent Change				
	<u>CY 2021</u>	<u>CY 2022</u>	<u>CY 2023</u>	<u>CY 2024</u>
NONFARM EMPLOYMENT				
Assembly Majority*	2.7	5.1	1.3	0.7
Assembly Minority	2.6	4.5	1.6	1.0
DOB*	2.6	4.2	0.8	0.9
Senate Majority	2.8	4.1	1.4	0.7
Senate Minority	2.6	4.2	0.8	0.9
PERSONAL INCOME				
Assembly Majority*	5.7	0.6	3.0	3.9
Assembly Minority	5.7	0.5	3.3	4.3
DOB*	5.7	(0.1)	3.0	4.4
Senate Majority	5.6	0.9	4.1	4.3
Senate Minority	5.7	(0.1)	3.0	4.4
WAGES				
Assembly Majority*	8.8	7.8	2.6	3.4
Assembly Minority	8.7	6.0	3.4	5.7
DOB*	8.7	5.9	3.0	4.0
Senate Majority	8.6	6.5	3.7	4.6
Senate Minority	8.7	5.9	3.0	4.0
* Constructed based on QCEW data.				



REVENUE COMPARISON – FY 2023

MID-YEAR REVENUE COMPARISON FY 2023
(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	48,950	49,172	48,450	52,980	49,052
User Taxes and Fees	20,219	20,550	20,219	20,705	20,480
Business Taxes	28,088	28,088	27,958	28,085	28,106
Other Taxes	3,138	3,435	2,828	3,187	3,145
All Funds Taxes Subtotal	100,395	101,245	99,455	104,958	100,783
General Fund Misc. Rec. & Fed. Grants	4,545	4,545	4,545	4,541	4,545
Education Gaming	4,253	4,371	4,253	4,283	4,333
Total	109,193	110,161	108,253	113,782	109,661



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	59,710	59,749	59,710	60,469	59,799
User Taxes and Fees	21,140	21,286	21,140	21,234	21,386
Business Taxes	27,511	27,511	27,311	27,322	27,540
Other Taxes	2,787	2,797	2,787	2,894	2,803
All Funds Taxes Subtotal	111,148	111,343	110,948	111,918	111,527
General Fund Misc. Rec. & Fed. Grants	4,064	4,064	4,064	4,060	4,064
Education Gaming	4,329	4,633	4,329	4,300	4,419
Total	119,541	120,040	119,341	120,278	120,010



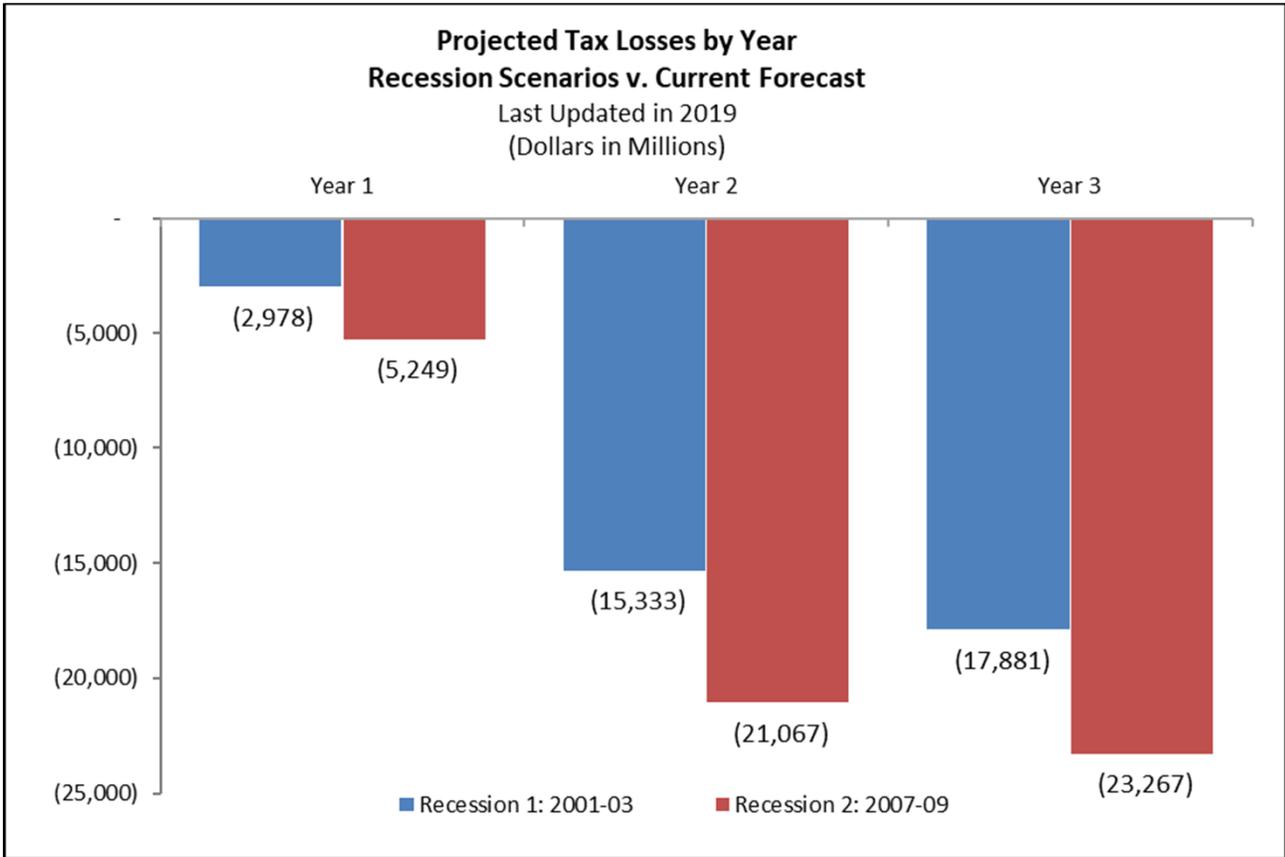
FORECAST RISKS

- Persistent inflationary pressures could force the Federal Reserve to pursue a more aggressive path to interest rate increases that could lead to an outright national economic recession.
- A higher-than-anticipated rise in interest rates could further raise consumer and business borrowing costs and lead to even sharper declines in the housing market.
- Slower global economic growth, continued supply chain disruptions and rising borrowing costs could lead to significant job losses, weakening household incomes and consumption.
- Prevalence of remote work, combined with outmigration, could permanently reduce the demand in leisure and hospitality and commercial real estate sectors 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 a more severe economic slowdown or an outright national recession, income tax receipts could be lower than expected.
- All risks related to the financial sector are compounded for New York due to its importance to the State economy.



HYPOTHETICAL RECESSION SCENARIOS

- The simulation of prior recessions would result in tax receipts losses in the range of \$35 to \$50 billion over a three-year period.
- The size of the losses illustrates the need for setting aside reserves to "weather a downturn."
- Reserves equal to 15 percent of spending totaling over \$19 billion by FY 2025 would cover roughly half the low range three-year loss scenario.



MID-YEAR UPDATE: PLANNED RESERVE DEPOSITS TO ACHIEVE 15 PERCENT GOAL

FY 2023 MID-YEAR UPDATE "PRINCIPAL" RESERVES (millions of dollars)				
	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Planned Deposits (Uses)	5,018	5,131	2,448	2,925
Rainy Day Reserves	843	3,149	3,308	3,494
Economic Uncertainties	4,175	1,982	(860)	(569)
Balance At Year-End	8,984	14,115	16,563	19,488
Rainy Day Reserves	3,319	6,468	9,776	13,270
Economic Uncertainties	5,665	7,647	6,787	6,218
Estimated SOF Spending	117,404	121,832	124,842	129,528
<i>Principal Reserves % SOF</i>	<i>7.7%</i>	<i>11.6%</i>	<i>13.3%</i>	<i>15.0%</i>



CONCLUSION

- As the United States returns to “normalcy” after the initial disruption caused by COVID, New York’s finances are on stable footing.
- During the acute phase of COVID, the State stepped up to provide extraordinary aid to the businesses and families whose lives were upended.
- In FY 2024, the need for such extraordinary programs has greatly diminished.
- At the same time, the State must honor the important recurring spending commitments in education, health care, and other areas that were made in FY 2022 and FY 2023.
- Those commitments will be put at risk if the State finds itself unprepared for a national recession by overextending itself with costly new promises.

