



New York State Comptroller
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Report on the State Fiscal Year 2024-25 Enacted Budget Financial Plan

July 2024

Message from the Comptroller

July 2024

On May 24, 2024, the Division of the Budget (DOB) released the State Fiscal Year (SFY) 2024-25 Enacted Budget Financial Plan detailing the budgetary impact of changes adopted during budget negotiations and the economic and fiscal outlook for the next four years.



Due to ongoing economic growth, the State's financial condition has continued to improve, and allowed the State to close the prior fiscal year in a stronger position than anticipated during the Consensus Revenue Process. This allowed for the recognition of additional revenues and prepayments of expenses due in subsequent years. As a result, DOB-forecasted budget gaps over the Financial Plan period now total \$13.9 billion, down from the \$20.1 billion estimate from the prior forecast. Moreover, the Enacted Budget Financial Plan reflects the intent to make an additional \$1.5 billion of deposits to the State's Rainy Day Reserve Fund, which would bring statutorily restricted rainy day reserves to \$7.8 billion.

These are positive developments. Nonetheless, State finances will be challenged by many factors in the coming years, including concerning population and labor force trends, slowing projected economic growth, risks of revenue volatility related to the economy and looming federal and State tax policy decisions, and spending pressure from the largest State programs – Medicaid and School Aid.

In this environment, State policymakers should maintain focus on managing with a long-term perspective, including ensuring competitiveness of State tax policy, increasing transparency and use of data in budgeting, addressing spending pressure in Medicaid and School Aid, and reforming debt practices.

While economic conditions continue to remain favorable, policymakers have an opportunity to take further steps to improve the State's structural financial position, and to improve the performance of critical State programs. Steps should be taken to ensure that overall State spending is aligned with recurring revenues, to examine debt practices to ensure that capacity remains for costly capital improvement projects that are critical to the safety of New York's infrastructure and to ensure that well-funded programs are performing at the highest levels.

Thomas P. DiNapoli
State Comptroller

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Financial Plan Analysis

Spending and Revenue at a Glance

According to the Division of the Budget (DOB), All Funds disbursements in State Fiscal Year (SFY) 2024-25 are projected to total \$239.2 billion, compared to \$236.7 billion in All Funds receipts. On a year-over-year basis, this represents an increase in projected disbursements of \$4.3 billion, or 1.8 percent, while projected revenues increase by \$2.2 billion, or 0.9 percent.

As shown in Figure 1, DOB projections in the SFY 2024-25 Enacted Budget Financial Plan indicate growth in disbursements will far exceed growth in revenues over the course of the Financial Plan. State Operating Funds (SOF) spending is estimated to grow by more than 18.8 percent, compared to a projected increase in revenues of 4.2 percent. As detailed later in this report, the spending growth is driven by Medicaid and School Aid, the two largest spending areas in the Budget.

Figure 1
Change in Financial Plan Disbursements and Receipts, SFY 2023-24 – SFY 2027-28
(dollars in millions)

	SFY 2023-24 Actuals	SFY 2024-25 Projected	SFY 2025-26 Projected	SFY 2026-27 Projected	SFY 2027-28 Projected	SFY 2023-24 to SFY 2027-28 \$ Change	SFY 2023-24 to SFY 2027-28 % Change
General Fund Receipts	102,997	109,956	107,300	101,908	112,377	9,380	9.1%
General Fund Disbursements	100,117	107,772	113,782	118,729	124,009	23,892	23.9%
SOF Receipts	134,922	135,969	133,961	130,227	141,614	6,692	5.0%
SOF Disbursements	128,473	132,042	140,089	147,342	152,652	24,179	18.8%
All Funds Receipts	234,478	236,671	235,350	233,438	243,922	9,444	4.0%
All Funds Disbursements	234,867	239,168	242,775	250,804	256,051	21,184	9.0%

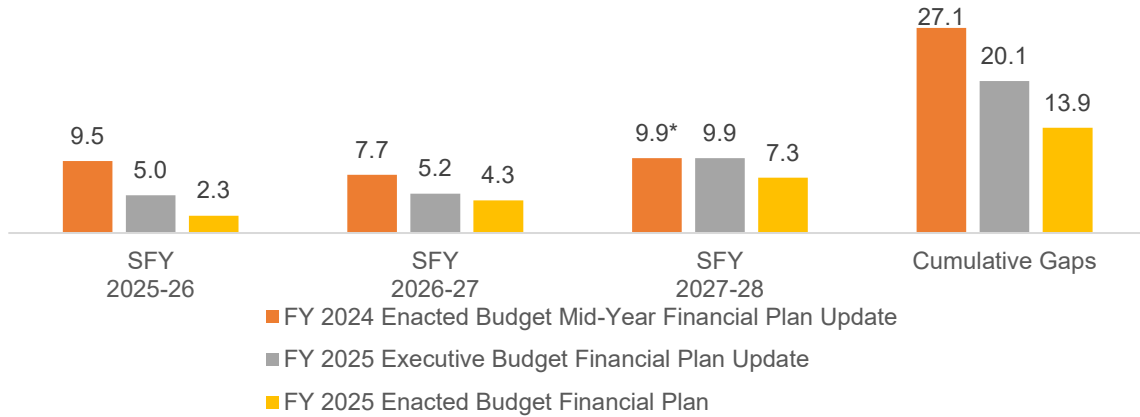
Note: According to the FY 2025 Enacted Budget Financial Plan, SFY 2023-24 figures are preliminary unaudited actuals.

Source: Division of the Budget

Projected Budget Gap Changes

The divergence in projected growth between receipts and disbursements results in a cumulative projected budget gap totaling \$13.9 billion between SFY 2025-26 and SFY 2027-28. This is lower than projected in DOB’s Financial Plan updates throughout SFY 2023-24. The cumulative budget gap reported in the FY 2024 Enacted Budget Mid-Year Financial Plan Update, released in October 2023, was \$27.1 billion over the three-year period of SFY 2025-26 through SFY 2027-28.¹ This cumulative gap decreased by \$7 billion in the FY 2025 Executive Budget Financial Plan Update from February 2024 and by another \$6.2 billion in the FY 2025 Enacted Budget Financial Plan over the three-year period, as shown in Figure 2.

Figure 2
General Fund Budget Gaps Projected by Financial Plan Release,
SFY 2025-26 – SFY 2027-28
(dollars in billions)



* The FY 2024 Enacted Budget Mid-Year Financial Plan Update did not include a budget gap for SFY 2027-28 due to the timing of when DOB makes initial estimates of out-year gaps. The \$9.9 billion gap for SFY 2027-28 was initially reported in the FY 2025 Executive Budget Financial Plan. It is shown here as part of the FY 2024 Enacted Budget Mid-Year Financial Plan for comparison purposes only.

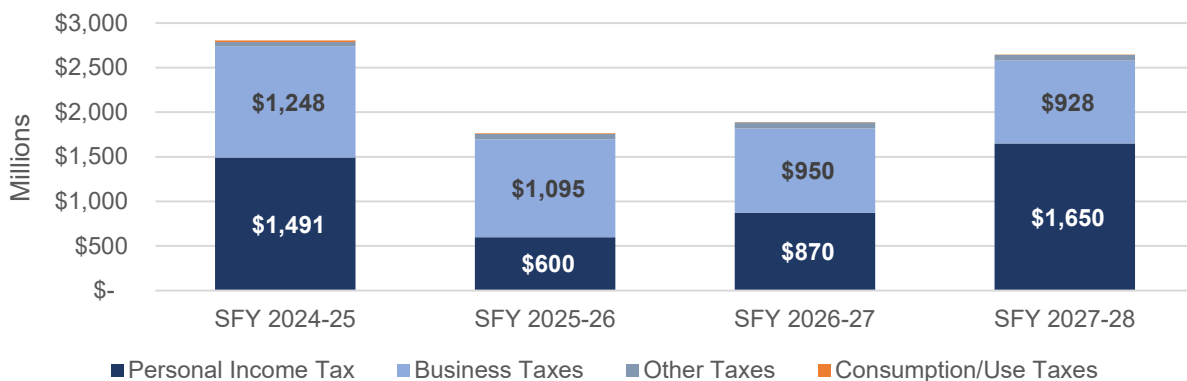
Source: Division of the Budget

DOB attributes the decrease in projected budget gaps to an updated economic forecast that results in upward revisions in projected receipts and downward revisions to spending estimates based, in part, on recent prior results.

Updated Revenue Projections

Since the release of the Executive Budget Financial Plan, DOB has revised its projection for All Funds tax receipts over the course of the Financial Plan by a total of \$9.1 billion. As shown in Figure 3, the upward revision is primarily in projected personal income tax (PIT) and business tax collections resulting from a stronger national economy, as well as increased projected wage growth. (See Economics and Revenue section.)

Figure 3
Revisions to Projected Tax Collections Between SFY 2024-25 Executive and Enacted
Financial Plans, SFY 2024-25 – SFY 2027-28



Source: Division of the Budget

Besides being over \$2 billion higher than estimates made by DOB at the time of the Executive Budget, collections were also higher than anticipated by the Consensus Economic and Revenue Forecast, which projected an additional \$1.35 billion over both the 2023-24 and 2024-25 Fiscal Years.

Spending Revisions

Figure 4
Projected General Fund Spending Compared to Actual General Fund Spending,
SFY 2023-24 – SFY 2027-28
(dollars in millions)

	SFY 2023-24	SFY 2024-25	SFY 2025-26	SFY 2026-27	SFY 2027-28
FY 2022 Enacted Budget Financial Plan	96,250	100,701	N/A	N/A	N/A
FY 2022 Enacted Budget Mid-Year Financial Plan Update	97,839	102,474	N/A	N/A	N/A
FY 2023 Enacted Budget Financial Plan	103,986	109,884	111,940	115,805	N/A
FY 2023 Enacted Budget Mid-Year Financial Plan Update	104,664	110,101	112,006	115,876	N/A
FY 2024 Enacted Budget Financial Plan	104,412	111,792	114,374	119,415	N/A
FY 2024 Enacted Budget Mid-Year Financial Plan Update	100,922	110,272	113,244	118,263	N/A
FY 2025 Enacted Budget Financial Plan	100,117	107,772	113,782	118,729	124,009
Change in Spending from FY 2024 Enacted Budget Mid-Year Financial Plan Update to FY 2025 Enacted Budget Financial Plan		(2,500)	538	466	N/A

Note: Green shaded amount indicates preliminary unaudited actual results according to the FY 2025 Enacted Budget Financial Plan. Initial projections for SFY 2027-28 are made with the SFY 2024-25 Enacted Budget Financial Plan.

Source: Division of the Budget

Figure 4 shows less spending in SFY 2023-24 than DOB projected in prior Financial Plans, and downward revisions for SFY 2024-25 as compared to the FY 2024 Enacted Budget Mid-Year Financial Plan Update, due in part to the prepayment of expenses.

Prepayments and Cash Management Actions

Due in part to reductions in projected spending and higher-than-anticipated revenues in SFY 2023-24, DOB was able to use more prepayments to manage outyear gaps (as well as deposits to various reserve funds). DOB makes several references to how prepayments affect spending growth projections, and, in the past fiscal year, has begun including “Unadjusted” and “Adjusted” State Operating Funds spending calculations that, for SFY 2024-25 alone, result in a difference of almost \$7.3 billion.² Unadjusted and Adjusted SOF spending calculations are not provided for all years of the Financial Plan.

Examples of prepayments and other cash management actions that alter the year-over-year growth picture include:

- Approximately \$1.6 billion in SFY 2024-25 pension payments made in SFY 2023-24;
- \$4.7 billion in debt service obligations prepaid in March 2024, which produces savings of \$1.5 billion in SFY 2024-25, with the remainder occurring during the following four fiscal years;

- Receiving repayment of approximately \$1.5 billion in hospital advances the State paid out in a prior year that DOB is projecting to receive in SFY 2024-25;³ and
- Receiving approximately \$500 million in Federal Emergency Management Agency (FEMA) reimbursements from prior year State-paid costs relating to COVID-19 spending.

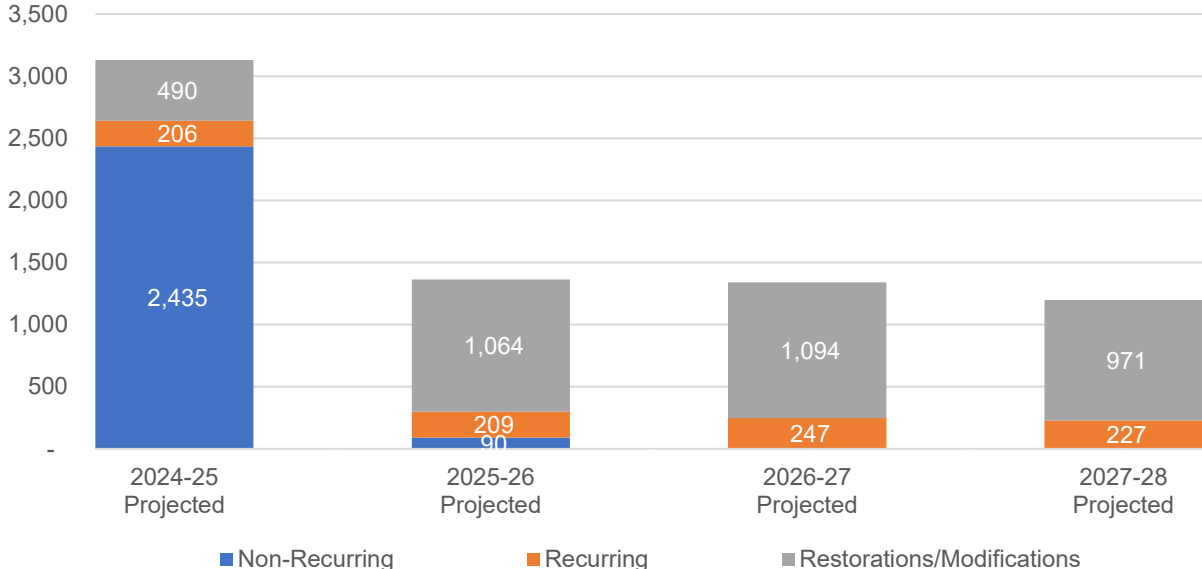
Another cash management action taken by DOB is the deferral of Medicaid spending from one year to another. DOB's stated impetus for this action was to remain within the Global Cap in FY 2019;⁴ however, the practice continues with a deferral of approximately \$1.4 billion in State-share costs that were due to be paid in March 2024 to April 1, 2024 (i.e., the beginning of SFY 2024-25). This action was taken despite the availability of sufficient resources to make these payments in a timely manner.

Spending Pressures Pose Risk to the Budget Gaps

While the decrease in the projected cumulative budget gap is positive, budget gaps could widen if State spending increases beyond DOB’s projections or if economic conditions weaken. Moreover, in the latter case, then there is likely to be an increase in demand for government services, which would create further pressure upon the estimated budget gaps.

As shown in Figure 5, DOB estimates that the Enacted Budget added a net \$3.1 billion in General Fund spending in SFY 2024-25 relative to the Executive Budget proposal, with over \$2.4 billion of that being non-recurring spending. For the outyears, an average of approximately \$1.3 billion is identified by DOB as either recurring spending or as restorations/modifications. Absent offsetting increases in projected tax receipts and other forecast revisions, this added spending would have further increased the outyear budget gaps.

Figure 5
New General Fund Spending in the Enacted Budget, SFY 2024-25 – SFY 2027-28
(dollars in millions)



Source: Division of the Budget

DOB identifies the largest recurring costs added to the Enacted Budget include a cost-of-living adjustment (COLA) for the human services program workforce from 1.5 percent to 2.84 percent; expanding tuition assistance program benefits and enhancing retirement benefits for Tier 6 employees. Some of the largest non-recurring costs identified by DOB are:

- \$500 million to assist distressed hospitals;
- \$450 million for funding a variety of program areas and organizations;

- \$350 million in supplemental payments to hospitals and nursing homes;
- \$350 million for a supplemental child tax credit;
- \$300 million for the Healthcare Safety Net Transformation Program; and
- \$50 million for temporary municipal assistance, which is for SFY 2024-25 as well as SFY 2025-26.

As described in previous reports by the Office of the State Comptroller, high spending growth in School Aid and Medicaid has driven overall General Fund spending growth.⁵ Spending on School Aid and Department of Health (DOH) Medicaid is forecasted to account for over 50 percent of all General Fund disbursements in SFY 2024-25, and the share is projected to grow to 52.3 percent, as seen in Figure 6. While the Executive Budget proposed actions to limit growth in School Aid and Medicaid, the Enacted Budgeted did not materially affect the rate of growth, particularly for DOH Medicaid, which is projected to grow more than 50 percent from SFY 2023-24 to SFY 2027-28 in General Fund disbursements.

Figure 6
General Fund Disbursements for School Aid, DOH Medicaid, and All Other
SFY 2023-24 – SFY 2027-28
(dollars in millions)

Category	SFY 2023-24	% of Total	SFY 2024-25	% of Total	SFY 2025-26	% of Total	SFY 2026-27	% of Total	SFY 2027-28	% of Total
School Aid	28,843	28.8%	30,282	28.1%	31,719	27.9%	32,757	27.6%	33,576	27.1%
DOH Medicaid	20,599	20.6%	24,046	22.3%	27,558	24.2%	29,517	24.9%	31,223	25.2%
All Other	50,675	50.6%	53,444	49.6%	54,505	47.9%	56,455	47.5%	59,210	47.7%
Total	100,117		107,772		113,782		118,729		124,009	

Note: According to the FY 2025 Enacted Budget Financial Plan, SFY 2023-24 figures are preliminary unaudited actuals.

Source: Division of the Budget

School Aid

Total General Fund growth in School Aid from DOB’s preliminary unaudited actuals in SFY 2023-24 to projected SFY 2027-28 disbursements is \$4.7 billion, or 16.4 percent, including growth of \$1.4 billion, or 5.0 percent, year-over-year for SFY 2024-25. DOB notes in the Financial Plan that, as compared to School Year (SY) 2014 levels, enrollment in State public schools has decreased by 231,000 students, an approximate decline of 9 percent. Still, funding for School Aid has increased significantly over the same period. SY 2014 School Aid totaled \$21.1 billion;⁶ for SY 2025, DOB is projecting SY 2025 School Aid to total \$35.9 billion, which would be an increase of almost \$14.8 billion, or over 70 percent in 12 years.

The Enacted Budget includes \$2 million of funding for a study of the Foundation Aid formula, specifically to “assess the current Foundation Aid formula and provide recommendations for its update and modification, with any proposed modifications to be fiscally sustainable for the State, local taxpayers, and school districts.”⁷ This report is due by December 1, 2024, and is expected to provide perspective regarding potential changes to the Foundation Aid formula.

Medicaid

On an All Funds basis, DOB projects Medicaid spending will total over \$100.7 billion in SFY 2024-25, as shown in Figure 7.

Figure 7
Projected All Funds Medicaid Spending, SFY 2023-24 – SFY 2027-28
(dollars in millions)

Category	SFY	SFY	SFY	SFY	SFY	Growth	
	2023-24	2024-25	2025-26	2026-27	2027-28	Dollars	Percent
Federal	57,009	55,496	54,359	56,090	56,269	(740)	-1.3%
State	35,860	36,607	40,249	42,526	44,539	8,679	24.2%
DOH	28,188	31,309	34,432	36,354	38,005	9,817	34.8%
Other Agencies	7,672	5,298	5,817	6,172	6,534	(1,138)	-14.8%
Local	8,505	8,638	8,838	8,838	8,838	333	3.9%
Total	101,374	100,741	103,446	107,454	109,646	8,272	8.2%

Note: The FY 2025 Enacted Budget Financial Plan includes a similar table, but DOB includes Essential Plan spending within Medicaid in that chart; this presentation removes the projected Essential Plan spending from the federal share to reflect Medicaid data only. According to the FY 2025 Enacted Budget Financial Plan, SFY 2023-24 figures are preliminary unaudited actuals.

Source: Division of the Budget; OSC Analysis

In addition to Medicaid spending through DOH, DOB accounts for other Medicaid spending under other agencies and, at times, through the Mental Hygiene Stabilization Fund (MHSF). For example, in SFY 2023-24, DOH Medicaid spending was \$28.2 billion (including a \$1.7 billion enhanced Federal Medical Assistance Percentage, or eFMAP, offset), but there was an additional \$7.7 billion in Other State Agency Medicaid Spending, including \$1.5 billion in the MHSF and/or due to the Local Share Adjustment (LSA). DOB explains its accounting as follows:

“Additional funding for distressed hospitals (\$500 million) and the Healthcare Safety Net Transformation Program (\$300 million) is excluded from Medicaid spending and the Global Cap and rather funded by the MHSF/Local Share Adjustment (LSA). Likewise, in FY 2024, a portion of Medicaid-related expenses of the Office for People with Developmental Disabilities (OPWDD) were funded outside of the DOH Global Cap to provide room to fund State-only hospital payments that are expected to be recouped in FY 2025. (pages 42 and 43, FY 2025 Enacted Budget Financial Plan).”

The practice of excluding select items of spending from the Medicaid global cap, and varying the practice on a year-to-year basis, comes at the expense of transparency and the ability to consistently evaluate the overall health of the Financial Plan. As a result, the Medicaid Global Cap, while perhaps offering a level of restraint, has become less effective over time, as shown in Figure 8.

Figure 8
DOH Medicaid and Other Agency Medicaid Spending, State-Share,
SFY 2016-17 – SFY 2023-24
(dollars in millions)

State Fiscal Year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
DOH Medicaid	18,235	19,441	20,293	21,963	19,571	22,227	25,791	28,188
Other State Agency Medicaid Spending	4,441	4,409	3,010	4,263	2,601	5,403	5,504	7,672
Total State-Share Medicaid (All Agencies)	22,676	23,850	23,303	26,226	22,172	27,630	31,295	35,860
Medicaid Global Cap	17,692	18,270	18,865	19,433	19,992	20,572	21,762	23,265
Actual DOH Medicaid Spending	18,235	19,441	20,293	21,963	19,571	22,227	25,791	28,188
DOH Medicaid Spending Above/Below Cap	3.1%	6.4%	7.6%	13.0%	-2.1%	8.0%	18.5%	21.2%
All Agencies Medicaid Spending Above/Below Cap	28.2%	30.5%	23.5%	35.0%	10.9%	34.3%	43.8%	54.1%

Note: According to the FY 2025 Enacted Budget Financial Plan, SFY 2023-24 figures are preliminary unaudited actuals.

Source: Division of the Budget

Considering that State-funded Medicaid is an increasing share of the Budget, understanding the principal drivers of its growth is critical. The Financial Plan is sparse on details about the growth in Medicaid, but one area that was identified as fast-growing was the Consumer Directed Personal Assistance Program (CDPAP); specifically, that the “cost of CDPAP has grown 1,200 percent since 2016, with State costs expected to continue to escalate at unsustainable levels.”⁸ The Financial Plan accounts for \$200 million in State Medicaid savings in SFY 2024-25 and \$504 million in annual outyear savings by transitioning CDPAP to a single statewide fiscal intermediary in October 2024. The Financial Plan assumes a total of \$4.2 billion in Medicaid savings from these and other budget actions through SFY 2027-28, reflecting enactment of approximately 61 percent of nearly \$7 billion in total Medicaid savings actions proposed by the Executive Budget. Despite these savings actions, the State-share projected Medicaid disbursements actually increased in the Enacted Budget Financial Plan as compared to the Executive Budget Financial Plan, as shown in Figure 9.

Figure 9
Change in State-Share Medicaid Disbursements, Enacted Budget Financial Plan
compared to the Executive Budget Financial Plan, SFY 2023-24 – SFY 2027-28
(dollars in millions)

	SFY 2023-24	SFY 2024-25	SFY 2025-26	SFY 2026-27	SFY 2027-28
FY 2025 Executive Budget Financial Plan	27,889	30,922	33,849	35,621	37,276
FY 2025 Enacted Budget Financial Plan	28,188	31,309	34,432	36,354	38,005
Difference	299	387	583	733	729
Other State Agency Medicaid Spending					
FY 2025 Executive Budget Financial Plan	8,264	4,529	5,478	5,833	6,195
FY 2025 Enacted Budget Financial Plan	7,672	5,298	5,817	6,172	6,534
Difference	-592	769	339	339	339
Total \$ Difference between Financial Plans	-293	1,156	922	1,072	1,068
Total % Difference between Financial Plans	-0.8%	3.3%	2.3%	2.6%	2.5%

Source: Division of the Budget

Moreover, despite record levels of cash on hand, the Financial Plan also continues to rely on distorting cash management actions to keep the Medicaid program from exceeding its global spending cap – such as deferring \$1.4 billion from SFY 2023-24 to SFY 2024-25 to limit allowable growth and to avoid further Medicaid savings actions should projected spending exceed the global cap.

The Financial Plan recognizes the issue of an increased number of Medicaid enrollees, an ongoing risk identified by the Office of the State Comptroller, including most recently in a December 2023 report entitled [“Unwinding” Continuous Enrollment in Medicaid Presents Coverage and Financial Risks](#). Medicaid enrollment was approximately 7.3 million according to DOB’s SFY 2023-24 preliminary unaudited actuals, which was almost 200,000 more than projected in the February 2024 FY 2025 NYS Executive Budget Financial Plan Update. Despite this increased enrollment in SFY 2023-24, however, DOB maintains their outyear enrollment estimates from the February 2024 Financial Plan Update. As with any forecasting error, higher Medicaid enrollment could result in additional Medicaid costs.

Resources to Address the Budget Gaps

The Office of the State Comptroller has long advocated for increasing statutory reserve levels and establishing criteria under which other informal reserves could be used.⁹ In recent years, the State’s formal and informal reserve levels have increased significantly and laws governing deposits to the Rainy Day funds have been improved, both of which are welcomed developments. A structurally imbalanced budget is already cause for concern, and the possibility of shifts in the economy or an unexpected increase in State spending further underscores the need for sufficient reserve funds.

The Financial Plan indicates plans for a one-time \$1.5 billion deposit to the Rainy Day Fund Reserve in SFY 2024-25 to bring the total of both the State’s statutory rainy day reserve funds to nearly \$7.8 billion; no other deposits are assumed. These resources will constitute less than 6 percent of SOF spending in the current fiscal year, declining to just over 5 percent in SFY 2027-28.

In addition to these resources, DOB has an informal reserve for “Economic Uncertainties” that it includes with the restricted, statutory reserves as “Principal Reserves.” Together, these reserves are at 16.3 percent of projected SOF spending for SFY 2024-25 but fall to 13.8 percent of projected SOF spending in SFY 2027-28.

Figure 10
“Principal Reserves” as a Share of State Operating Funds Disbursements,
SFY 2023-24 – SFY 2027-28
(dollars in millions)

State Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28
	Actuals	Projected	Projected	Projected	Projected
Rainy Day Reserves	6,256	7,756	7,756	7,756	7,756
Tax Stabilization Reserve Fund	1,618	1,618	1,618	1,618	1,618
Rainy Day Reserve Fund	4,638	6,138	6,138	6,138	6,138
Unrestricted Reserve for Economic Uncertainties	13,812	13,812	13,312	13,312	13,312
Total "Principal Reserves"	20,068	21,568	21,068	21,068	21,068
State Operating Funds (SOF) Spending	128,473	132,042	140,089	147,342	152,652
As a Percent of SOF Spending					
Rainy Day Reserves	4.9%	5.9%	5.5%	5.3%	5.1%
Principal Reserves	15.6%	16.3%	15.0%	14.3%	13.8%

Note: DOB characterizes “principal reserves” as the State’s statutory reserve funds and a portion of General Fund balance that is informally designated for use to address economic uncertainties. Only principal reserves are included in this chart. According to the FY 2025 Enacted Budget Financial Plan, SFY 2023-24 figures are preliminary unaudited actuals.

Source: Division of the Budget

At the close of SFY 2023-24, the General Fund had a cash balance of approximately \$46.3 billion,¹⁰ and the operating surplus in the General Fund for that year was almost \$2.9 billion. The State’s cash reserves are at record-high levels, and the “principal reserves” identified in Figure 10 are only a subset of the total restricted and unrestricted available reserves.

Aside from the statutory reserves, much of the remaining reserves are subject to administrative, and not statutory, utilization by the Executive. While this increases the flexibility in using these reserve funds, such flexibility also reduces the likelihood that the funds will be available for truly exigent economic circumstances or other emergencies. Moreover, without a repayment mechanism, any utilization of these reserves would not need to be refilled, which could undermine future State budgets and increase budgetary imbalance risks.

An example of this flexibility is demonstrated by DOB in the recent Financial Plan, where a footnote indicates that \$500 million in Principal Reserves is excluded from the \$21.1 billion balance because that money is set aside for utilization in SFY 2025-26 for asylum seeker assistance.¹¹ In other words, an informal, non-statutory reserve fund identified by DOB for “Economic Uncertainties” is planned to be used for a known expense in a future year. The balances in these informal, non-statutory reserve funds can be used at the Executive’s discretion regardless of the circumstances or intended use.

Resources to Address Long-Term Liabilities

Created in the SFY 2017-18 Enacted Budget, the Retiree Health Benefit Trust Fund (RHBTf) is a statutory reserve,¹² or “lock box,” to allow for savings related to State retiree benefits, including health care benefits. Contributions to the RHBTf are irrevocable (unless the State has satisfied all liabilities relating to retiree health benefits) and are solely dedicated to, and used solely for, providing retiree health benefits. While there is no repayment mechanism, the statute constrains the use of these funds for a specific purpose, in this case – retiree health costs – which is a prudent savings mechanism for a known on-going cost.

Through SFY 2023-24, the State has made three deposits to the RHBTf totaling \$1.49 billion. The Enacted Budget Financial Plan adds a new annual \$250 million deposit to the Retiree Health Benefit Trust Fund (RHBTf), but, according to DOB, it is dependent on “fiscal conditions.” Ideally, savings for known costs should be made on a more regular schedule and made automatically, when administratively possible.

Economics and Revenue

Stronger Economic Forecast

DOB’s forecast was revised from the Consensus Economic and Revenue Forecast Report (Consensus) published on March 1 to reflect higher economic and employment growth in 2024, as shown in Figure 11.¹³ For 2025, DOB now projects stronger employment gains both nationally and in New York. As of April 2024, New York had regained all the jobs lost in March and April 2020.

Figure 11
Forecasts of Select Economic Indicators, United States

U.S. ECONOMIC INDICATORS								
Annual Percentages								
	REAL GDP GROWTH		CONSUMER PRICE INDEX GROWTH		EMPLOYMENT GROWTH		UNEMPLOYMENT RATE	
	2024	2025	2024	2025	2024	2025	2024	2025
Enacted	2.4	1.8	3.2	2.5	1.7	0.9	4.0	4.2
Consensus	2.1	1.8	2.7	2.3	1.1	0.6	N/A	N/A
Blue Chip	2.3	1.8	3.1	2.4	N/A	N/A	4.0	4.2
S&P Global	2.4	1.6	3.0	2.1	1.6	0.6	4.0	4.4

Sources: Division of the Budget; FY 2025 Consensus Economic and Revenue Forecast Report; July 2024 Blue Chip Economic Indicators; S&P Global July 2024 National Forecast

DOB’s economic forecast shows national economic growth continuing at nearly the same pace in 2024 as in 2023; real Gross Domestic Product (GDP) is projected to increase by 2.4 percent after 2.5 percent growth last year. Inflation, as measured by the change in the Consumer Price Index (CPI), is forecasted to remain elevated, 3.2 percent, in 2024, due, in part, to higher projected employment growth and slightly lower unemployment than previously forecast.

For the current fiscal year, DOB is projecting a somewhat stronger New York economy compared to Consensus. (See Figure 12.)¹⁴ Both wages and personal income are forecasted to accelerate from their previous fiscal year levels. However, employment growth is projected to slow.

Figure 12
Comparison of Select Economic Indicators, New York

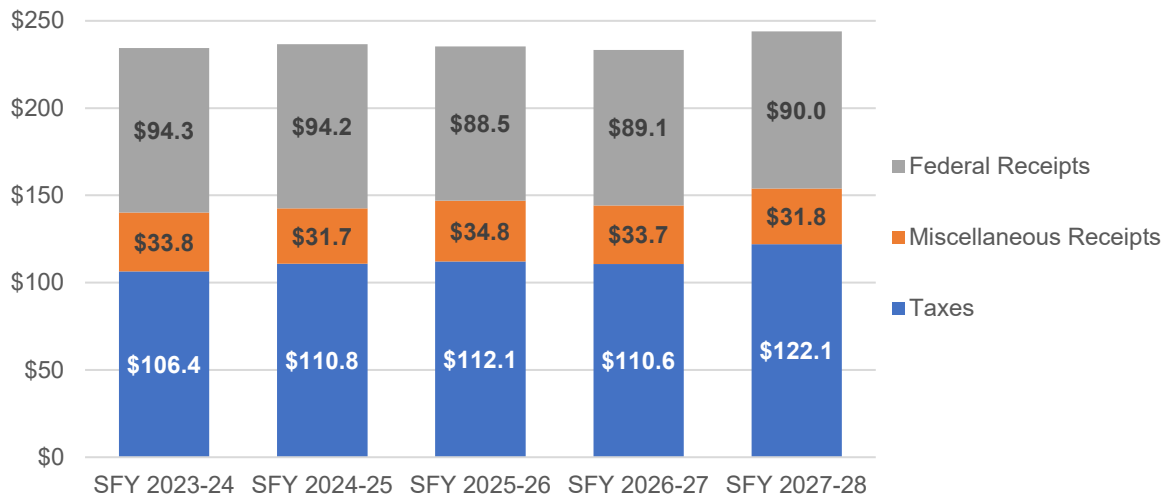
NEW YORK ECONOMIC INDICATORS						
(Annual Percentage Change)						
	PERSONAL INCOME		WAGES		EMPLOYMENT	
	SFY 23-24	SFY 24-25	SFY 23-24	SFY 24-25	SFY 23-24	SFY 24-25
Enacted	3.7	4.5	3.4	4.0	1.6	0.7
Consensus	3.8	4.2	3.8	4.0	1.4	0.4

Sources: Division of the Budget; FY 2025 Consensus Economic and Revenue Forecast Report

Evolving Revenue Landscape

Total All Funds revenues are projected to exhibit little growth over the Financial Plan period, an average of 1 percent annually. This growth is mainly attributable to increases in All Funds tax receipts, which are projected to be 14.8 percent higher by the end of the period, offset by declines in miscellaneous receipts and federal receipts in SFY 2027-28 relative to SFY 2023-24.

Figure 13
Projected All Funds Revenues by Source, SFY 2023-24 – SFY 2027-28
 (dollars in billions)



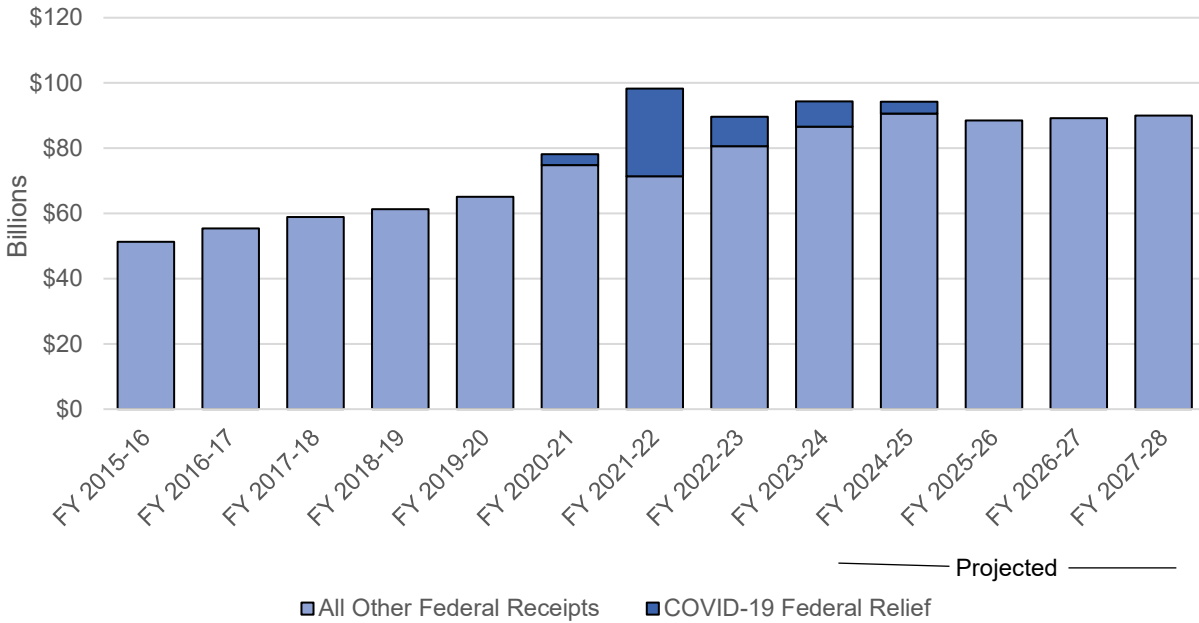
Note: According to the FY 2025 Enacted Budget Financial Plan, SFY 2023-24 figures are preliminary unaudited actuals.

Source: Division of the Budget

End of Extraordinary Federal Pandemic Aid

In the five fiscal years prior to the pandemic, federal receipts comprised, on average, just over one-third (35.5 percent) of All Funds revenues. By SFY 2021-22, the State was receiving over \$30 billion in additional funding from the Federal government, primarily through the various pandemic relief packages (see Figure 14). As a result, the State Budget became more reliant on federal funds, which comprised nearly 40 percent of total All Funds revenues, on average, through SFY 2023-24.

Figure 14
Federal Receipts, SFY 2015-16 to SFY 2027-28



Note: COVID Relief identified does not include receipts related to Federal disaster relief funds for the reimbursement of eligible State funding for highways, capital projects, and a range of services.

Sources: NYS Division of Budget, Office of the State Comptroller COVID-19 Relief Tracker

This higher reliance on the federal government is projected to continue in the current fiscal year; federal receipts are forecasted by DOB to total \$94.2 billion, just \$100 million lower than in SFY 2023-24. While projected to decrease by \$5.7 billion, to \$88.5 billion in SFY 2025-26, federal receipts are anticipated to remain elevated through most of the Financial Plan period as the State benefits from continued higher funding for Health and Medicaid as well as through the Infrastructure, Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA).

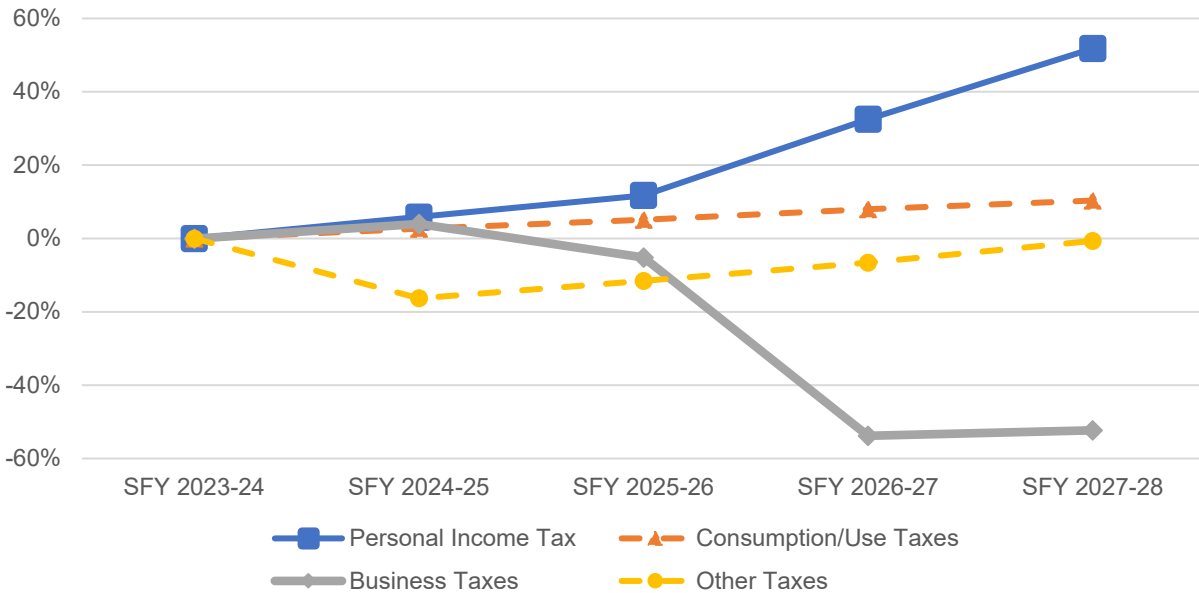
Outyear Tax Collections Could Be Influenced by Taxpayer Behavior in Response to Sunsets

All Funds tax collections for the current fiscal year are projected by DOB to increase by \$4.4 billion to \$110.8 billion. This reflects growth in most tax categories primarily due to the outlook for economic growth. The only category where receipts are projected to decline in SFY 2024-25 is in Other Taxes, primarily estate taxes. Collections under the estate tax in the past two fiscal years have been at historically high levels due to the larger number of high valued estates, as well as an increase in overall household net worth. As DOB projects the number of high value estates to decline, estate tax collections are anticipated to decrease by \$481 million, nearly 26 percent.

For the remainder of the Financial Plan period, DOB forecasts an \$11.3 billion (10.2 percent) increase in All Funds tax collections from SFY 2024-25, which is largely expected to occur from SFY 2026-27 to SFY 2027-28.

As shown in Figure 15, increased receipts from the PIT in the latter years of the Financial Plan are related to expectations of lower business taxes as participation in the Pass-Through Entity Tax (PTET) is expected to be greatly reduced. The limitation on itemized deductions for state and local taxes paid (SALT) is currently due to expire at the end of 2025, potentially limiting the usefulness of PTET to some entities.

Figure 15
Cumulative Growth in Projected All Funds Tax Revenues, SFY 2023-24 to SFY 2027-28



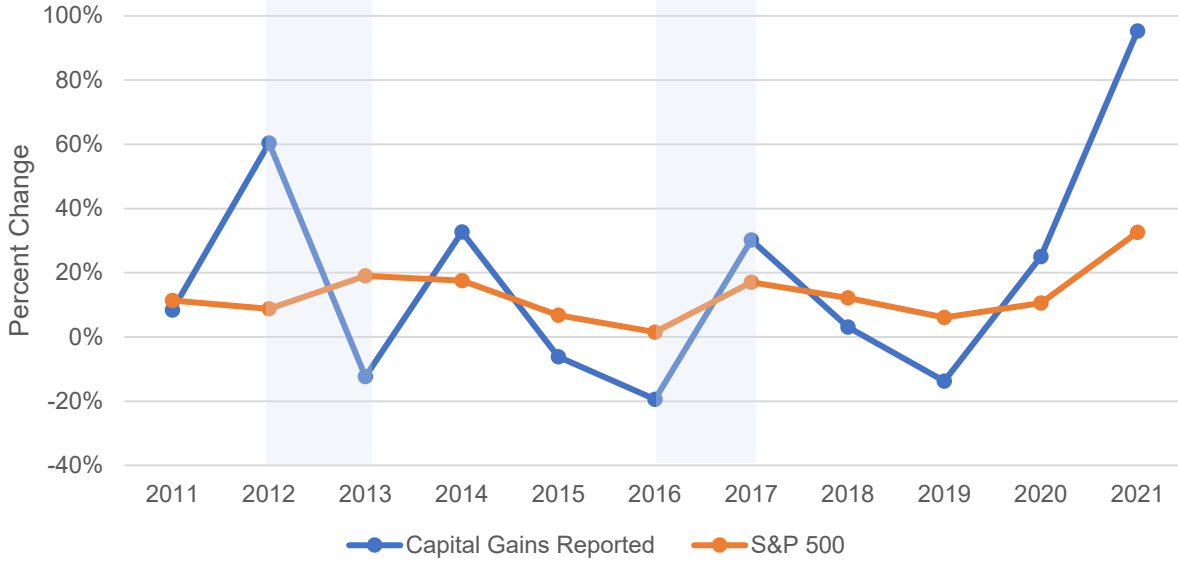
Note: Indexed to SFY 2023-24
 Source: NYS Division of Budget

In addition, the temporary tax rate increases under the State corporate franchise tax and PIT are also due to sunset on December 31, 2026 and December 31, 2027, respectively. While the expiration of the tax rates will naturally impact tax collections, taxpayer behavior in response to the changes will also affect such collections. This is particularly true for changes at the federal level and in relation to the realization of nonwage income (such as capital gains).

With a large share of total capital gains realizations reported from high-income taxpayers, tax increases at the higher income threshold have increased revenue reliance on this group.

As shown in Figure 16, when the federal tax cuts implemented under President George W. Bush were set to expire at the end of 2012, capital gains realizations increased by 60.4 percent in tax year 2012 as taxpayers accelerated such income to take advantage of lower tax rates; in turn, such income declined by 12.3 percent in 2013 despite the financial markets increasing by 19 percent that year.¹⁵

Figure 16
Comparison of Change in Net Capital Gains Reported and S&P 500, 2011-2021



Note: Shaded areas reflect years before and after federal personal income tax changes. Net capital gains are those reported by New York residents.

Source: Internal Revenue Service, Statistics of Income

Similar results can be seen between tax years 2016 and 2017. With the anticipation of lower tax rates to occur with the Tax Cuts and Jobs Act (TCJA), taxpayers slowed their realization of income in 2016, net capital gains decreased by 19.4 percent; in 2017, net capital gains reported increased by 30.2 percent.

Other things being equal, the potential sunset of the limit on itemized deductions for SALT would be similar to a federal tax cut. As a result, taxpayers may shift income realization from tax year 2025 into tax year 2026 to take advantage of the unlimited deduction, resulting in potentially lower estimated personal income tax collections in SFY 2025-26 and/or lower net settlement payments made in April 2026 (SFY 2026-27).

The combination of these tax policy sunsets at the federal and State levels during the Financial Plan period creates a period of significant uncertainty for State revenues.

Forecast Declines in Miscellaneous Receipts as Mobile Sports Betting Revenue Plateaus

All Funds miscellaneous receipts in SFY 2023-24 totaled over \$33.7 billion, an increase of \$1.9 billion (6.0 percent) from SFY 2022-23. This was due in large part to increased investment income resulting from higher interest rates and higher fund balances over the course of the year. Investment income is forecasted to remain at historically high levels in SFY 2024-25 as interest rates remain high, as do fund balances.

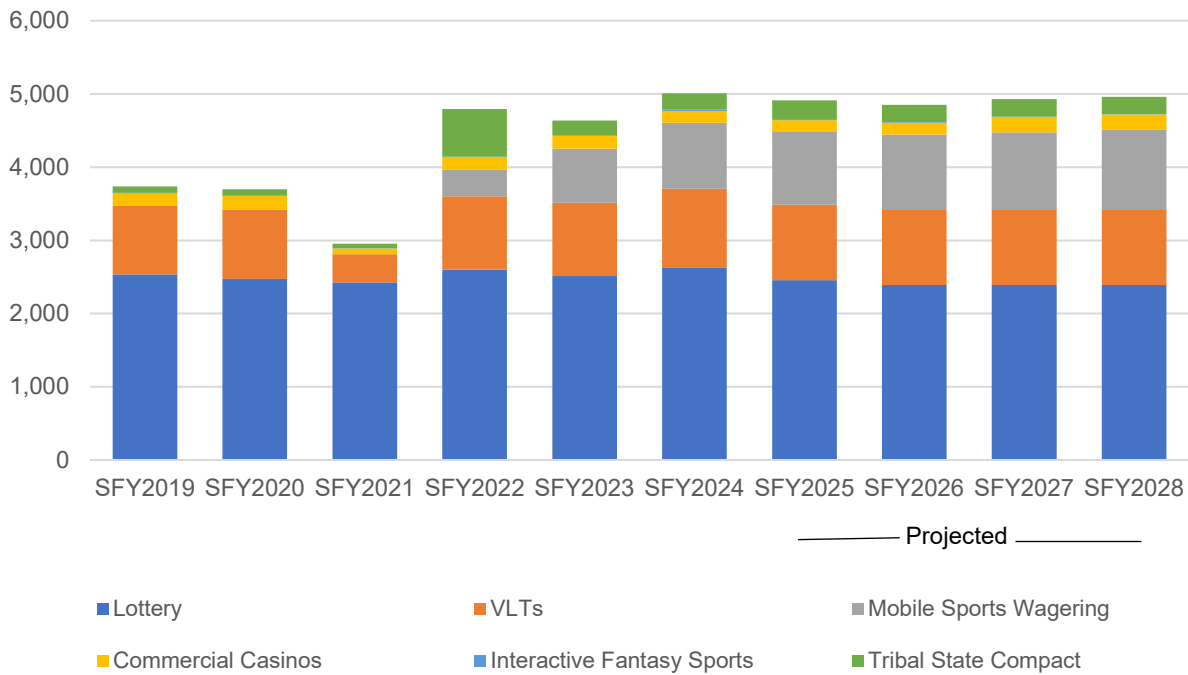
In SFY 2024-25, All Funds miscellaneous receipts are projected to decline by just over \$2.0 billion to \$31.7 billion, due to a projected decrease in various revenues received by the State which are deposited to special revenue funds. For the remainder of the Financial Plan period,

miscellaneous receipts are projected to increase to \$34.8 billion in SFY 2025-26 and then decline over the next two fiscal years, to \$31.8 billion in SFY 2027-28. Most components of miscellaneous receipts are forecasted to realize little change over the Financial Plan period; only bond proceeds are projected to have any significant growth. As fund balances as well as interest rates are anticipated to decline, investment income is forecasted to decrease considerably (by \$2 billion from SFY 2024-25 to SFY 2026-27) to more historical levels.

Revenues from gaming in the past two fiscal years have increased due to the authorization of mobile sports betting in the State; collections from this source more than doubled from \$361 million in SFY 2021-22 to \$900 million in SFY 2023-24.¹⁶ However, after SFY 2024-2025, DOB expects collections from the taxes on mobile sports betting to level out, growing just 3 percent annually, thereafter.

Total revenues from all gaming sources are forecasted to change little over the Financial Plan period, an increase of just \$50 million from SFY 2024-25 to SFY 2027-28 (see Figure 17). While the application process for the three downstate commercial casinos is currently ongoing, DOB has not included any revenues from these casinos in the Financial Plan.¹⁷

Figure 17
Actual and Projected Revenues by Type of Gaming, SFY 2019 to SFY 2028
(dollars in millions)



Note: Collections under the Tribal State Compacts in SFY 2021-22 reflect outstanding payments due for the year 2017 to 2021 made by the Seneca Nation.

Source: NYS Division of the Budget

State Debt

Prepayments Obscure Spending Growth, Target Short-Term Relief

DOB’s projected budget gaps would be greater if not for discretionary actions it took in prior fiscal years, related to anticipated costs and the timing of payments. Among the more prominent cash management actions in recent years has been the prepayment of expenses, such as pension obligations and debt service.

The prepayment of expenses using available fund balances is an effective cash management tool. However, this also distorts year-to-year spending growth calculations and makes the determination and tracking of structural budget gaps difficult. DOB has increasingly relied on debt service prepayments and defeasances as a budget management tool. In the past five fiscal years, debt service prepayment actions have totaled nearly \$22 billion, including \$4.7 billion in SFY 2023-24. The Enacted Budget Financial Plan also assumes an additional \$1.5 billion will be prepaid during SFY 2024-25. These prepayments may produce some modest interest cost savings, but generally result in lower payments over the near-term horizon that mask the rapidly growing trajectory of debt service requirements.

As shown in Figure 18, after adjusting to remove the distortion of prepayment actions, baseline debt service costs would rise by nearly 45 percent between SFY 2023-24 and SFY 2028-29. However, with the Enacted Budget Financial Plan, prepayments make debt service appear to decline by 4.6 percent over this period. This also reduces the levels of reported total SOF spending and growth during the Financial Plan period.

Figure 18
Projected Debt Service Costs Before and After Prepayments, SFY 2023-24 – SFY 2028-29
(dollars in millions)

	SFY 2024	SFY 2025	SFY 2026	SFY 2027	SFY 2028	SFY 2029	Growth \$	Growth %
Enacted Budget Debt Service	\$6,997	\$3,022	\$2,896	\$4,741	\$5,660	\$6,673	(\$324)	-4.6%
Prior Prepayments	(3,705)	(3,695)	(2,380)	(2,860)	(2,000)	-		
FY 2024 Prepayments	4,700	(1,500)	(500)	(200)	(500)	(2,000)		
FY 2025 Prepayments (Est.)	-	1,500	(1,500)	-	-	-		
Total Prepayments	\$995	(\$3,695)	(\$4,380)	(\$3,060)	(\$2,500)	(2,000)		
Baseline Debt Service (Adjusted for Prepayments)	\$6,002	\$6,717	\$7,276	\$7,801	\$8,160	\$8,673	\$2,671	44.5%

Note: SFY 2023-24 figures are not actual, audited results.

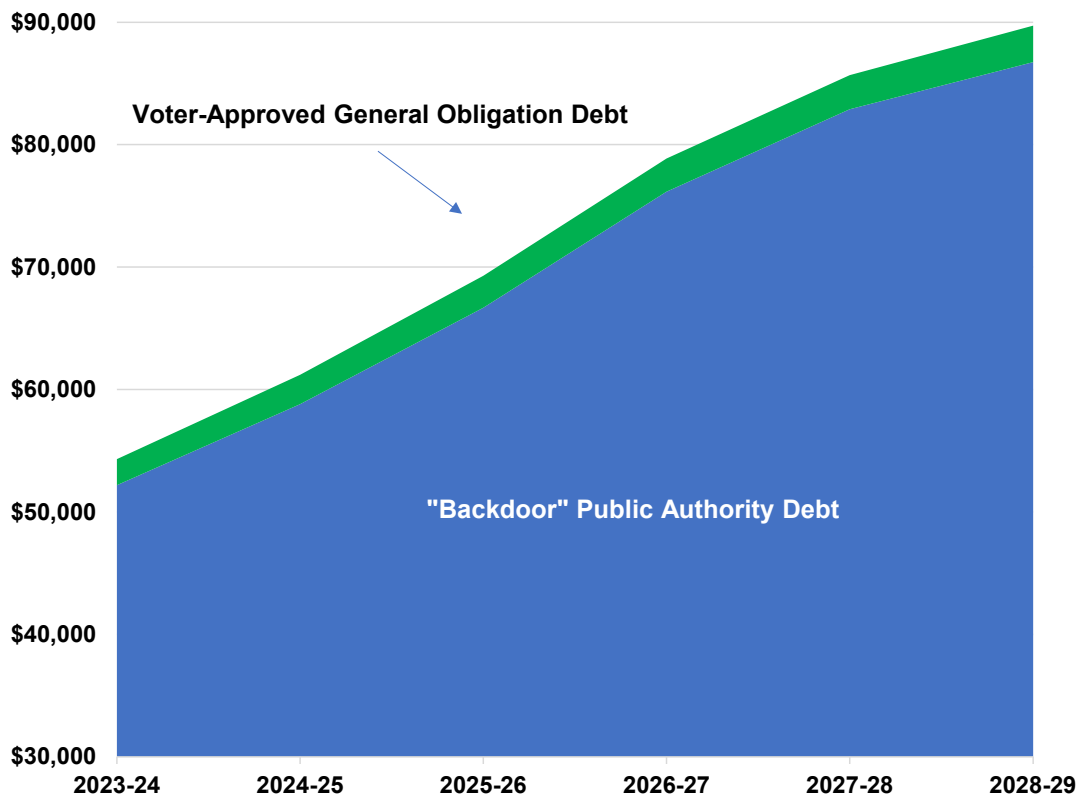
Source: Division of the Budget

Debt service prepayments are typically implemented in the closing days of each fiscal year, as available resources become better known. Debt service prepayments have largely prioritized near-term savings to reduce budget gaps over the relevant four-year Financial Plan horizon.

An alternative action would be to defease long-term debt to generate more substantial recurring savings over a medium- to long-term horizon and higher present value results, as was done in the past with the State’s Debt Reduction Reserve Fund (DRRF). By prioritizing long-term debt reduction, rather than more near-term budget management goals, this would also create additional capacity under the State’s debt cap.

According to Moody’s, New York’s debt burden is the second highest of all states in the nation.¹⁸ As displayed in Figure 19, total State-supported debt outstanding is projected to grow over 65 percent during the next five years, from \$54.3 billion to \$89.7 billion. Further, excess room under the State’s debt cap is projected to be just .04 percent by SFY 2028-29 under current projections. If such debt reduction efforts were done on a recurring multi-year basis, as has been done with prepayments in recent years, it could generate both long-term debt relief and better results for near-term budget management goals. For instance, the \$22 billion in recent years’ debt service prepayments is equivalent to over 40 percent of the total State-supported debt load, which has the potential for generating long-term recurring savings in excess of \$2 billion per year.

Figure 19
State-Supported Debt Outstanding, SFY 2023-24 – SFY 2028-29
(dollars in millions)



Note: SFY 2023-24 figures are not actual, audited results.

Source: Division of the Budget; OSC analysis

Managing with a Long-Term Perspective

New York State has emerged from the crisis budgeting of the pandemic to enter a period of relative fiscal stability. The growing national economy and strong performance by the stock market have increased State revenues, allowing the State to support increased spending on government programs and services, bolster rainy day and other reserves, and prepay future year expenses. These actions have reduced the estimated outyear budget gaps, but gaps nonetheless remain: the Financial Plan indicates growth in expenses is projected to outpace revenue growth for the foreseeable future. Action will need to be taken to balance future budgets.

In addition to these gaps, New York's finances will be challenged by a range of factors, some with a potentially immediate impact, most with a potential to diminish the State's economic competitiveness, fiscal health or ability to offer services effectively over the long term.

Some of these factors have been discussed in this report and in past reports by the Office of the State Comptroller, and include:

- **Concerning population and labor force trends.** While the national labor force is greater now than it was in 2019, New York has struggled to draw workers to the [labor force](#). At the end of 2023, there were still 185,600 fewer workers than pre-pandemic levels, and the workforce declined through the first four months of 2024. New York's labor participation rate of 61.3 percent remains below the national average of 62.5 percent.

Changes in population are a driving force for changes in the labor force. In 2023, the population was over 631,000, or 3.1 percent, lower than in 2020, the largest population decline of any state based on estimates from the U.S. Census Bureau. In comparison, there were over 3.4 million more people nationwide.

- **Slowing economic growth.** Economic growth in New York in 2023 was slower than the nation, with State real GDP growing just 0.7 percent, compared to a growth of 2.5 percent nationally, ranking New York 48th among states for economic growth. While the State recovered all jobs this year, it lagged the nation, which regained all jobs lost during the pandemic by the middle of 2022. The Financial Plan forecasts slowing employment growth in the current fiscal year. To the extent New York's economic growth continues to lag the rest of the nation, there will be negative implications for the State's tax base and the revenue picture may become more challenging.
- **Revenue volatility from sudden economic shocks or stock market changes.** With nearly a third of its GDP coming from the financial activities sector, New York's economy is vulnerable to shocks that cause volatility in the financial markets. Besides the bonuses paid to employees in the industry, shocks to the markets impact high-income taxpayers (those with over \$1 million in income). These taxpayers comprised just 1.6 percent of total PIT filers in 2021 but accounted for over three-quarters of the capital gains reported and nearly 45 percent of the total PIT liability paid. The PIT surcharges on high-income earners have increased the

State's revenue reliance on these earners, making PIT revenues more susceptible to volatility.

- **Looming federal and State tax policy actions.** The TCJA made many changes to the federal tax code that had a complex web of impacts on New Yorkers and New York businesses. As this legislation sunsets, how its provisions are reauthorized or changed may have a significant impact on New York's corporate and PIT filers.

In terms of State policy, the Budget is highly reliant on revenues from temporary tax increases to corporate franchise tax rates and PIT rates. Currently, top marginal State PIT rates, combined with the top rate of 3.876 percent in New York City, [are highest in the nation](#) (14.78 percent).

Increased corporate franchise tax rates will expire at the end of 2026.¹⁹ As a result of the sunset, tax revenues would decrease by approximately \$300 million in SFY 2026-27 and by over \$1.1 billion in SFY 2027-28. The actual fiscal impact of the expiration of PIT rates is harder to determine; it will be dependent upon the number of taxpayers and their income circumstances at the time. However, for tax year 2021 when the rates went into effect, PIT revenues increased by \$5.3 billion.

While the evidence on tax rates and taxpayer movement is mixed, [analysis](#) from the Office of the State Comptroller indicates that net out-migration rates from New York State increase at higher income levels. Most New Yorkers who move out take their income with them: [nearly two-thirds in 2021](#) retained no New York source of income after they left, suggesting a potential loss of economic activity.

- **Structural imbalance and spending pressures.** Spending overall is outpacing revenues and causing a structural imbalance. In recent years, increases in State spending have been driven by substantial increases in year-to-year spending on School Aid and Medicaid.

School Aid increases were driven by a desire to reach a goal: fully funding the Foundation Aid formula for all districts. Now that this objective has been met, the future of School Aid spending remains unclear. The State's per pupil spending is the highest in the nation. In the aggregate, enrollments have declined, but students have also suffered "generational" learning loss and mental health challenges through the pandemic that will require sustained commitment to address.

Attempts to limit Medicaid spending through the Global Spending Cap have proven increasingly illusive. Higher-than-expected enrollment as a result of the recertification process and struggles with safety net hospitals have contributed to increased costs in recent years.

While the SFY 2024-25 Executive Budget attempted to address some growth drivers in these areas, ultimately, the Enacted Budget failed to include changes that would meaningfully alter the trajectory of spending growth. However, the move to a single Fiscal Intermediary for the CDPAP and the inclusion of funding for a report on the Foundation Aid formula may produce long-term impacts.

- **Long-term liabilities.** The State has taken commendable actions to create and deposit funds into a Retiree Health Benefits Trust Fund; and to increase use of pay-as-you-go capital to an estimated \$10 billion over the next five years to reduce its reliance on borrowing. However, its liabilities for long-term debt and for post-employment benefits (OPEB) remain among the highest in the nation; the State's last Annual Comprehensive Financial Report (ACFR) reported net OPEB liability of \$56.7 billion and total debt outstanding of \$63.9 billion. Over time, meeting these important obligations to retirees and bondholders may impact the operating budget; absent prepayments, debt service disbursements would grow by nearly 45 percent over the next five years alone.

Through the first three months of the fiscal year, State tax collections were on pace with expectations in the Enacted Budget Financial Plan, surpassing estimates by \$594.0 million. The State also has \$6.3 billion in rainy day reserves, an even larger “reserve for economic uncertainty,” and a strong General Fund balance, indicating it should be able to withstand the earliest revenue effects of an economic downturn. With the State in a relatively stable position, the State should adopt a strategy for managing the Budget with an eye toward addressing its medium- and long-term challenges. Such a strategy should be founded on six principles:

- **Ensure competitiveness of State tax policy.** Significant decisions regarding tax policy must be made both at the State and federal level during the current multi-year Financial Plan period. With a tax burden among the highest in the nation, New York policymakers will need to carefully evaluate the combined impact of these decisions to ensure that the State's tax revenue is both adequate for long-term fiscal stability and reasonable to ensure economic competitiveness.
- **Increase transparency of reporting and use of data in budgeting.** DOB has begun recognizing the impact of prepayments on the Financial Plan, an improvement in transparency. While the addition of Unadjusted and Adjusted State Operating Funds spending helps understand how prepayments affect year-over-year growth, such data is also needed for the outyears to better understand true budget gaps and projected growth rates.

Several other areas – particularly Medicaid – need more transparency. The opaqueness surrounding Medicaid spending makes the Medicaid Global Cap weak and, to an extent, effectively undermines its original intent to limit growth. Moreover, the details of Medicaid spending – such as what is driving its tremendous growth – are rarely discussed in detail or, in the case of the changes to CDPAP, are included only when an action is taken after the fact. Better information is needed to guide understanding of the cost drivers of the program.

While the State is releasing an increasing amount of data in an accessible format, it can be challenging to obtain information related to some essential services and programs. Policymakers, stakeholders and others should be able to access key performance data on the State's essential programs and services and understand how the State's Financial Plans are making a measurable impact in the lives of New Yorkers. Data analysis could be particularly helpful in reviewing and making spending decisions relating to the Big 2 – Medicaid and School Aid – since these

programs increasingly account for a larger share of overall State spending. Increased focus on performance budgeting, data utilization and transparency has the potential to improve how effectively New York State government serves the people of the State.

- **Address spending pressures in the Big 2.** Placing School Aid and Medicaid programs on a sustainable fiscal path without compromising service quality will require a bold roadmap and stakeholder engagement and commitment.

Now that eFMAP related to the COVID-19 pandemic has ended and the State is close to concluding the “Unwinding” process with Medicaid enrollees, identifying reforms to Medicaid to better align projected growth rates with State revenues in a way that does not harm service quality should be a priority. Given the growing number of Medicaid enrollees and the importance of ensuring broad access to health care services, a robust, public discussion with all relevant stakeholders is critical to help address the State’s growing Medicaid costs.

The State has commissioned a study of the Foundation Aid formula to identify potential improvements. Changes to the formula should include using up-to-date inputs to ensure districts have adequate funding to meet today’s academic demands. In addition, funding levels should be on a sustainable trajectory while not inhibiting improvements in academic achievement.

- **Use one-time resources for the greatest long-term benefit.** The State has used its one-time “surplus” resources in a variety of ways: accommodating additional spending, prepaying debt service and other expenses and adding to the State’s rainy day reserves and other funds. Relying on one-time resources for recurring spending worsens the State’s structural budget imbalance. Priority should be placed on directing such resources for purposes that would help improve the State’s finances over the long term, such as retiring debt outstanding or bolstering the rainy day reserves.
- **Strengthen rainy day reserves and the Retiree Health Benefit Trust Fund.** The planned \$1.5 billion deposit to the Rainy Day Reserve Fund in SFY 2024-25 is a positive continuation of recent improvements to State reserve fund levels. States with more volatile tax bases should seek to have greater rainy day reserves available to ensure the stability of services in the event of an economic shock or downturn.²⁰

Rather than leave rainy day reserve deposits to the discretion of the Executive, the Comptroller has called for routine, monthly deposits as economic and financial conditions allow. In addition, the Comptroller has called for the establishment of criteria for use of the informal reserve for “Economic Uncertainties.” Currently, the Executive can use these funds for any purpose, without restriction and without any repayment mechanism.

Similarly, sticking to a schedule of deposits for the Retiree Health Benefit Trust Fund will help the State systematically tackle its large OPEB liability, and offers the

benefits of predictability for the Financial Plan and reassurance for future retirees who count on those benefits.

- **Reform Debt Practices.** The Office of the State Comptroller has discussed the State’s high and growing debt burden, its excessive reliance on “backdoor” borrowing, and use of debt gimmicks in numerous reports. Total State-Supported debt outstanding is projected by DOB to grow by 65 percent between SFY 2023-24 and SFY 2028-29—about 98 percent of this increase consists of backdoor borrowings by public authorities. The Financial Plan also does not count any of the estimated \$1.3 billion of Gateway debt in its projections of State-supported debt outstanding.²¹

As recommended in the Comptroller’s [Roadmap for State Debt Reform](#), policymakers should seek to restore prudent debt policies and enhance transparency and accountability by establishing comprehensive and binding constitutional debt limits. This will improve accountability to New York’s voters and provide responsible and sustainable best practices to appropriately govern the use of State debt.

Endnotes

- ¹ This presumes the gap for SFY 2027-28 was at \$9.9 billion. DOB only shows three outyear gaps, so SFY 2027-28's gap was not disclosed until the release of the FY 2025 Executive Budget Financial Plan.
- ² For example, see page 7 of the [FY 2025 NYS Enacted Budget Financial Plan](#) indicating FY 2025 Projected State Operating Fund (SOF) spending of either \$132.0 billion (Unadjusted) or \$139.3 billion (Adjusted), a difference of almost \$7.3 billion in SFY 2024-25 alone. DOB's note on this page indicates that "Spending growth is routinely impacted by planned prepayments, timing-related transactions and reimbursements. Adjusted State Operating Funds disbursements excludes these large transactions. Both unadjusted and adjusted spending includes non-recurring grants and aid, extraordinary assistance related to asylum seekers and migrants, and other one-time payments that drive growth in FY 2025."
- ³ According to DOB, the State advanced over \$2.2 billion in State-only payments to distressed providers for immediate cashflow relief due to delays in the Federal approval of planned SFY 2021-22 through SFY 2023-24 State directed payments. DOB is expecting provider reimbursements to the State to be delayed and is anticipating approximately \$1.5 billion in repayments in SFY 2024-25.
- ⁴ New York State Division of the Budget, [FY 2021 Enacted Budget Financial Plan](#), page 39 (accessed July 10, 2024).
- ⁵ See the [Enacted Budget Report State Fiscal Year 2024-25](#), [Report on Estimated Receipts and Disbursements State Fiscal Years 2023-24 through 2025-26](#), and [Report on the State Fiscal Year 2023-24 Enacted Budget Financial Plan](#) to name a few.
- ⁶ Data from New York State Division of the Budget, [FY 2015 Financial Plan Mid-Year Update](#), page 61 (accessed June 12, 2024).
- ⁷ New York State Division of the Budget, [FY 2025 NYS Enacted Budget Financial Plan](#), page 13 (accessed June 7, 2024).
- ⁸ Ibid, page 113 (accessed July 2, 2024).
- ⁹ See [The Case for Building New York State's Rainy Day Reserves](#).
- ¹⁰ For Fiscal Year 2025, New York has the highest fund balance of all the states. See the National Association of State Budget Officers' [Spring 2024 Fiscal Survey of States](#), page 75 (accessed July 10, 2024).
- ¹¹ New York State Division of the Budget, [FY 2025 NYS Enacted Budget Financial Plan](#), page 9 (accessed June 18, 2024).
- ¹² Section 22d of Part XXX of Chapter 59 of the Laws of 2017.
- ¹³ U.S. Bureau of Economic Analysis (BEA), [Data by Topic](#) (accessed July 11, 2024). According to the U.S. Bureau of Labor Statistics (BLS), national employment increased by 222,0000 jobs, on average, since the beginning of the year. See BLS, [Current Employment Statistics](#).
- ¹⁴ Blue Chip Consensus only reports on the U.S. economy. While S&P Global provides a forecast of the New York economy, it does so only on a calendar year basis.
- ¹⁵ Internal Revenue Service, [Statistics of Income \(SOI\) Tax Stats – Historic Table 2, Individual Income and Tax Data, by State and Size of Adjusted Gross Income](#) (accessed June 10, 2024). As measured by the average annual change in the S&P 500.
- ¹⁶ New York State Lottery, [Financial Statements and Supplementary Information, Years Ended March 31, 2023 and 2022](#) (accessed June 10, 2024).
- ¹⁷ Downstate casinos are those that may be located in New York City and/or the counties of Nassau, Putnam, Rockland, Suffolk or Westchester. Legislation (S.9673-A/A.10572) was passed by both houses at the end of the 2024 Legislative Session to accelerate the licensing of the downstate casinos; the bill has not yet been delivered to the Governor for her signature. However, on June 27, the Gaming Facility Location Board updated the Request for Applications schedule for the issuance of the downstate casino licenses with licenses to be issued by December 1, 2025.
- ¹⁸ Moody's Investors Service podcast, "States – US: Ability to Service Long-Term Liabilities and Fixed Costs Improves," September 26, 2023.
- ¹⁹ The corporate franchise tax is currently imposed at a rate of 7.25 percent on businesses with incomes over \$5 million for those that pay the tax on a net income basis. Those who determine tax liability on a capital base pay at a

rate of 0.1875 percent. These rates sunset on December 31, 2026, at which time, they will revert to rates of 6.5 percent and 0.0 percent, respectively.

²⁰ See discussions in Volker Alliance, “Reserve Funds,” <https://www.volkeralliance.org/public-finance/reserve-funds>; and Pew Charitable Trusts, “Rainy Day Funds: Best Practices to Mitigate Revenue Volatility,” June 30, 2021, <https://www.pewtrusts.org/en/research-and-analysis/articles/2017/06/rainy-day-funds-best-practices-to-mitigate-revenue-volatility>.

²¹ The Enacted Budget circumvents the State’s statutory debt cap by excluding the federal transportation loan to the Gateway Development Commission for the Hudson tunnel project for passenger rail, which is contractually repaid by the State. The Financial Plan relies upon a recently modified definition of State-related debt to misleadingly portray the Gateway loan as if it is not a portion of the State’s direct debt burden. Legislation authorizes up to \$2.85 billion for the Gateway loan, to be directly repaid by the State from a service contract. The Enacted Budget Capital Program and Financing Plan reflects a loan amount of only \$1.3 billion, consistent with the Gateway Development Commission’s January 2024 financial plan.

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