

New York State Budget Financial Plan Overview and Risks

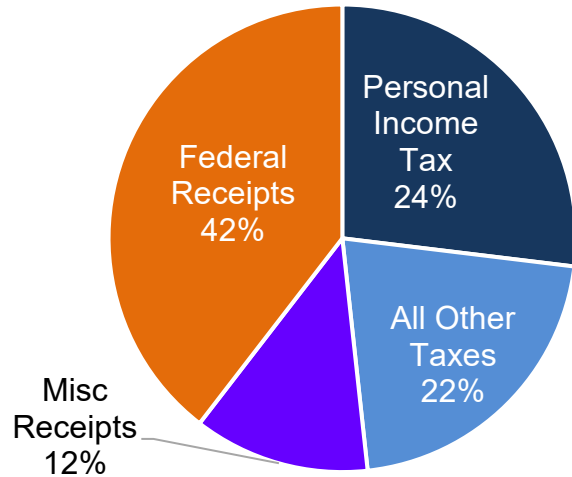
October 2023



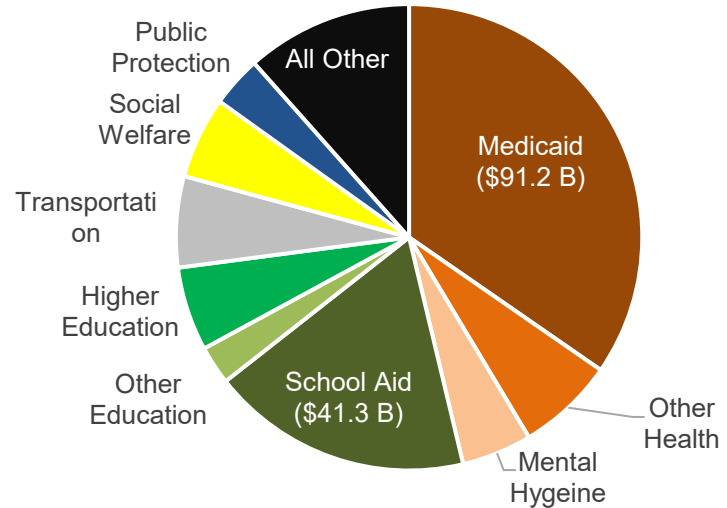
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All Funds Budget FY24

Receipts: \$224.3 Billion



Disbursements: \$229.0 Billion



Source: Division of the Budget



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General Fund Budget Gaps

(dollars in billions)

- FY24: \$0
- FY25: \$9.1 billion (was \$5.1 billion)
- FY26: \$13.9 billion (was \$8.6 billion)
- FY27: \$13.4 billion (was \$7.2 billion)

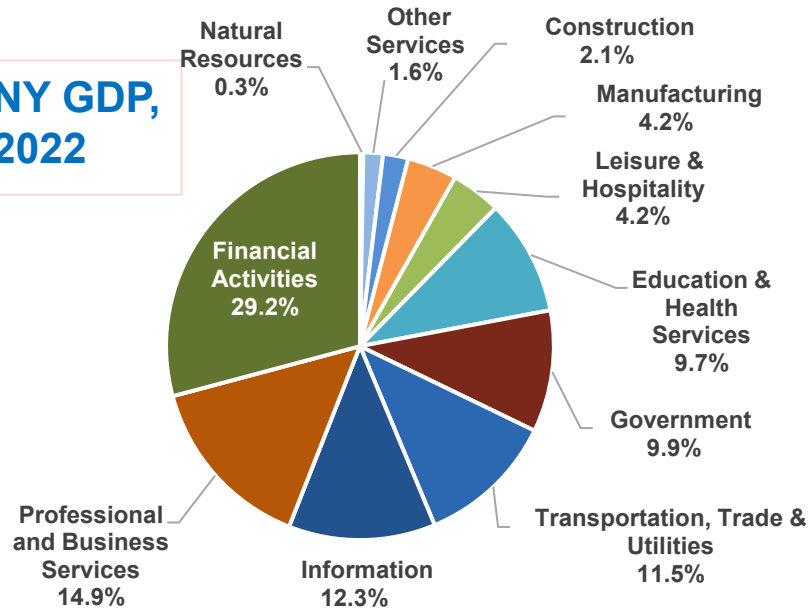
Source: Division of the Budget



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Economic Assumptions Affect Revenue Projections

NY GDP,
2022



- Through August, NYS has recovered only 94% of jobs lost; rest of nation fully recovered
- DOB projects slow economic growth nationally in CY2023
- DOB projects NY wage and employment to slow; continued decline in finance & insurance bonuses for FY2024
- Tax projections reduced by over \$22 billion through the financial plan period

Source: US BEA



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Significant Economic Risks

These risks include:

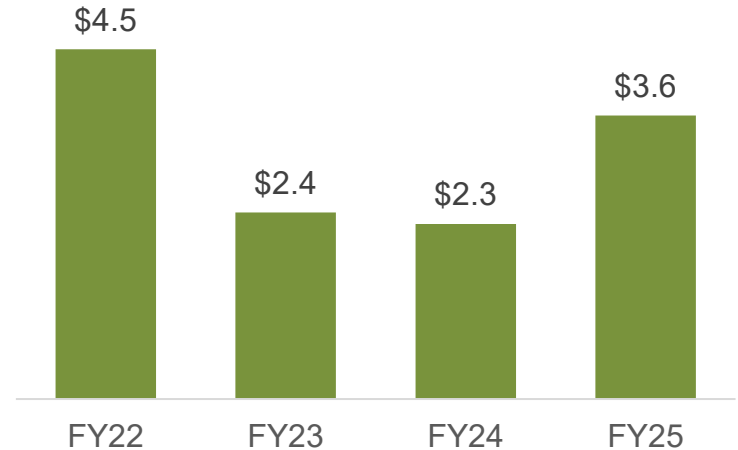
- Continued high inflation and interest rate hikes
- Federal government shutdown and labor strikes
- Severity/duration of recession
- Long-term workforce decline; low participation rates
- Taxpayer migration



Federal Relief Aid is Waning

- More than \$350 billion in federal pandemic aid provided to NY governments, businesses and individuals
- \$53 billion flowed through State financial plan
 - Significant source of relief – \$11.6 billion – from Enhanced Federal Medical Assistance Percentage (eFMAP) ends December 2023
- In addition, \$12.7 billion in State and Local Fiscal Recovery Aid provided under the American Rescue Plan
 - Little transparency on uses of funds

State's Planned Use of \$12.7 Billion
in ARP Federal Relief Funds

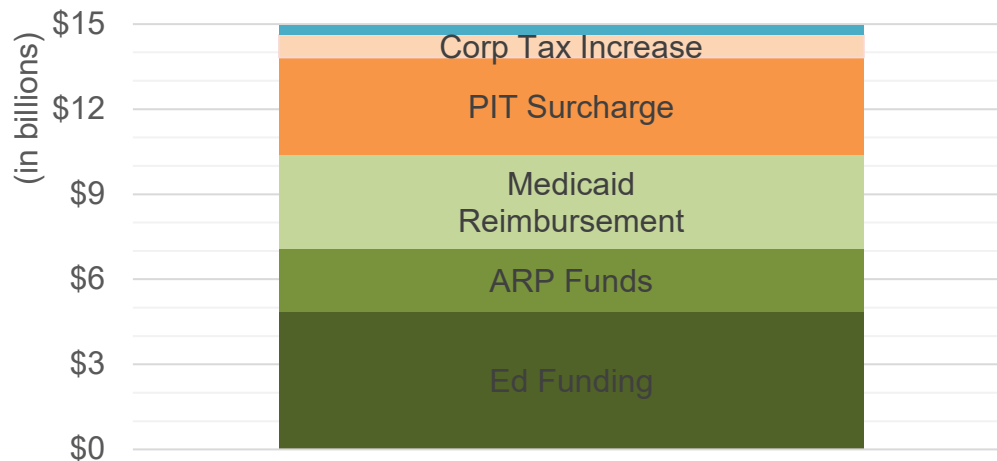


Source: Division of the Budget



Loss of Federal Resources Contributes to Budget Gaps; Reliance on Temporary Resources Widens Structural Imbalance

Almost \$15 Billion in Temporary and Non-Recurring Resources in FY24

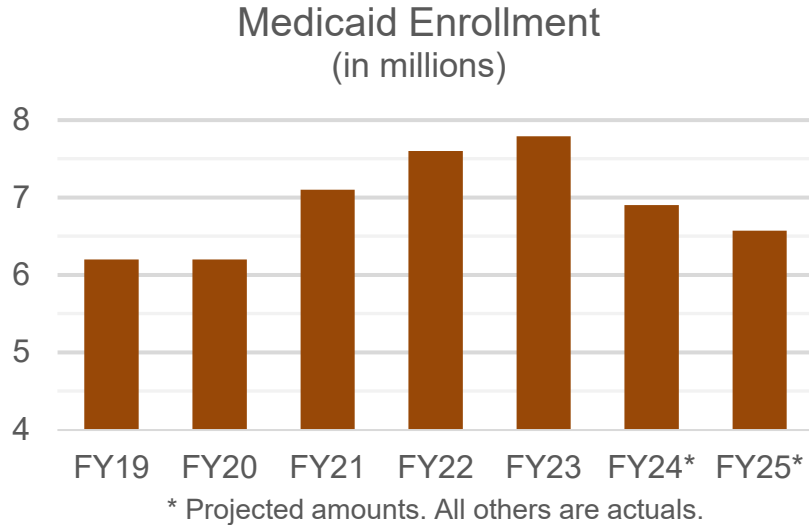


Source: Division of the Budget; OSC Analysis



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Spending Risks Include Medicaid Enrollment



- Federally mandated “continuous enrollment” provisions have ended
- State began redetermining eligibility in June 2023
- Enrollment projections assume decline of nearly 1 million within a single fiscal year
- If enrollment declines less or more slowly, could produce billions in unbudgeted costs

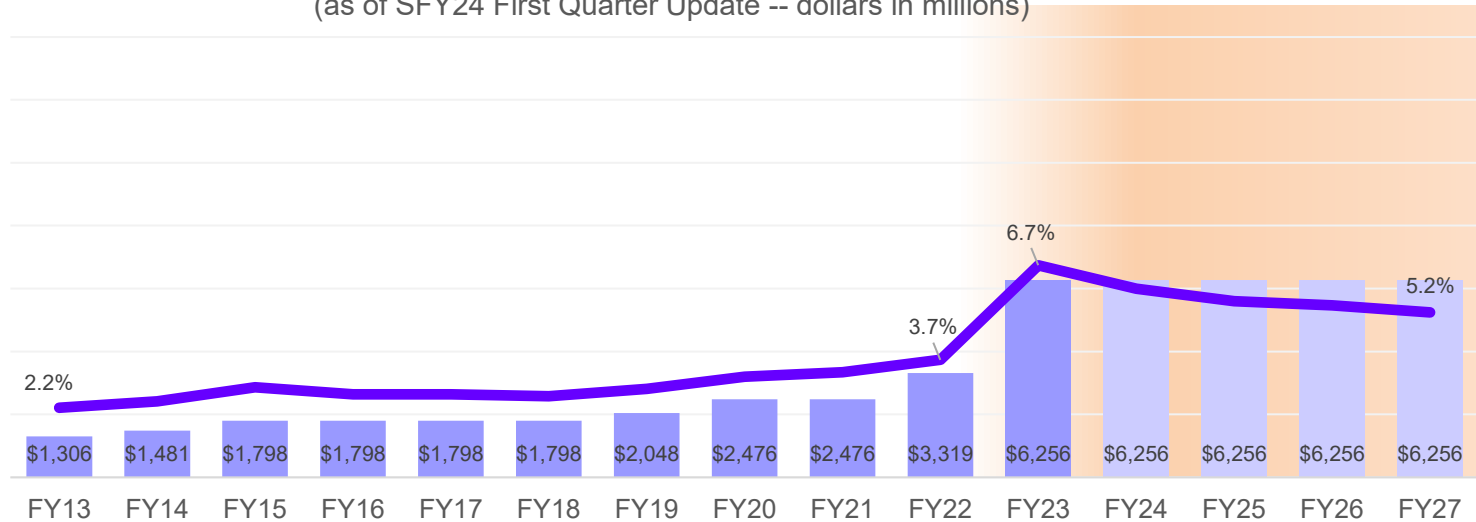
Source: Division of the Budget



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Building Reserves

Rainy Day Reserves as a Share of GF Disbursements
(as of SFY24 First Quarter Update -- dollars in millions)



Note: Rainy day reserves include the Tax Stabilization Reserve and the Rainy Day Reserve. Actual year-end balances through FY23; FY24-FY27 are projected by DOB.
Source: Division of the Budget; OSC Analysis



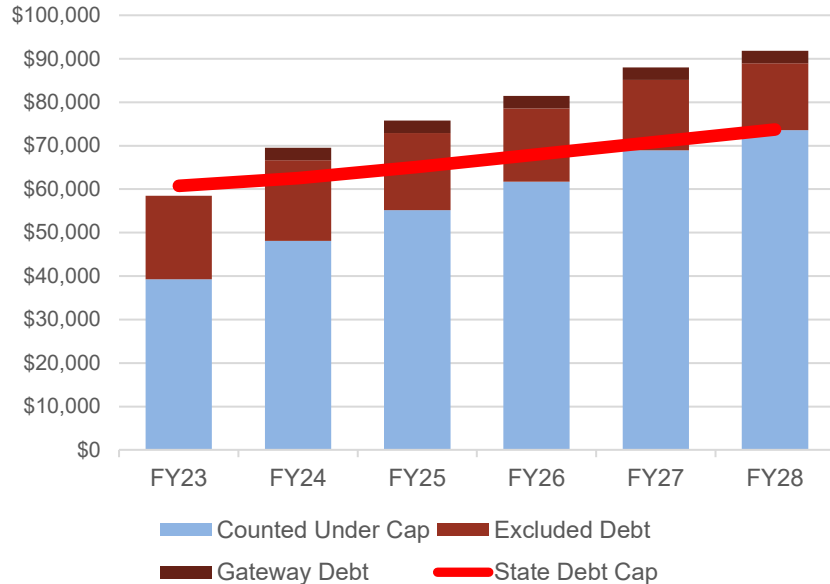
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Building Reserves – Recent Statutory Changes

- The FY 24 Enacted Budget includes legislation that authorizes the State to increase the maximum allowable balance for the Rainy Day Reserve from 15 percent to 25 percent of projected General Fund spending in the current year
 - For FY 24, this would allow the Rainy Day Reserve to have a maximum balance of \$26.1 billion, as opposed to the prior value of \$15.7 billion (an increase of \$7.4 billion)
- In addition, the FY 24 Enacted Budget increases the maximum annual deposit from 3 percent to 15 percent of projected General Fund spending in the current year
 - For FY 24, this would allow a maximum deposit of \$15.7 billion, as opposed to the prior value of \$3.1 billion (an increase of \$12.6 billion)
- A December 2019 report issued by OSC recommended changes to the State's Rainy Day Reserves



Unfavorable Debt Practices Persist and Underscore Need for Reform



“New York State needs to embrace debt policies and practices that are **comprehensive** and **binding**, ensure **affordability**, provide **flexibility** in times of emergency, and restore **accountability** to voters.”



Thank You!

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