

Risks to the New York State Budget



How do we think about risks?



Why Should We Care About Risks?

- **State provides important services and a social safety net**
- **Latest budget has expanded commitments**
- **If revenues fall short choices need to be made:**
 - Cuts
 - Increased revenue
 - Efficiencies



Risks Aren't Theoretical

- **2008 Financial Crisis**
 - DOB revised current year revenue projections down by \$4.1 billion by September of 2008
 - NY increased taxes
 - Effects were still being seen in SFY 2011 with budget cuts
 - Personal income in the state decreased over two fiscal years (SFY 2009 and 2010)
 - Tax Receipts Decreased in SFYs 2009 & 2010
 - Federal funds partially backfilled



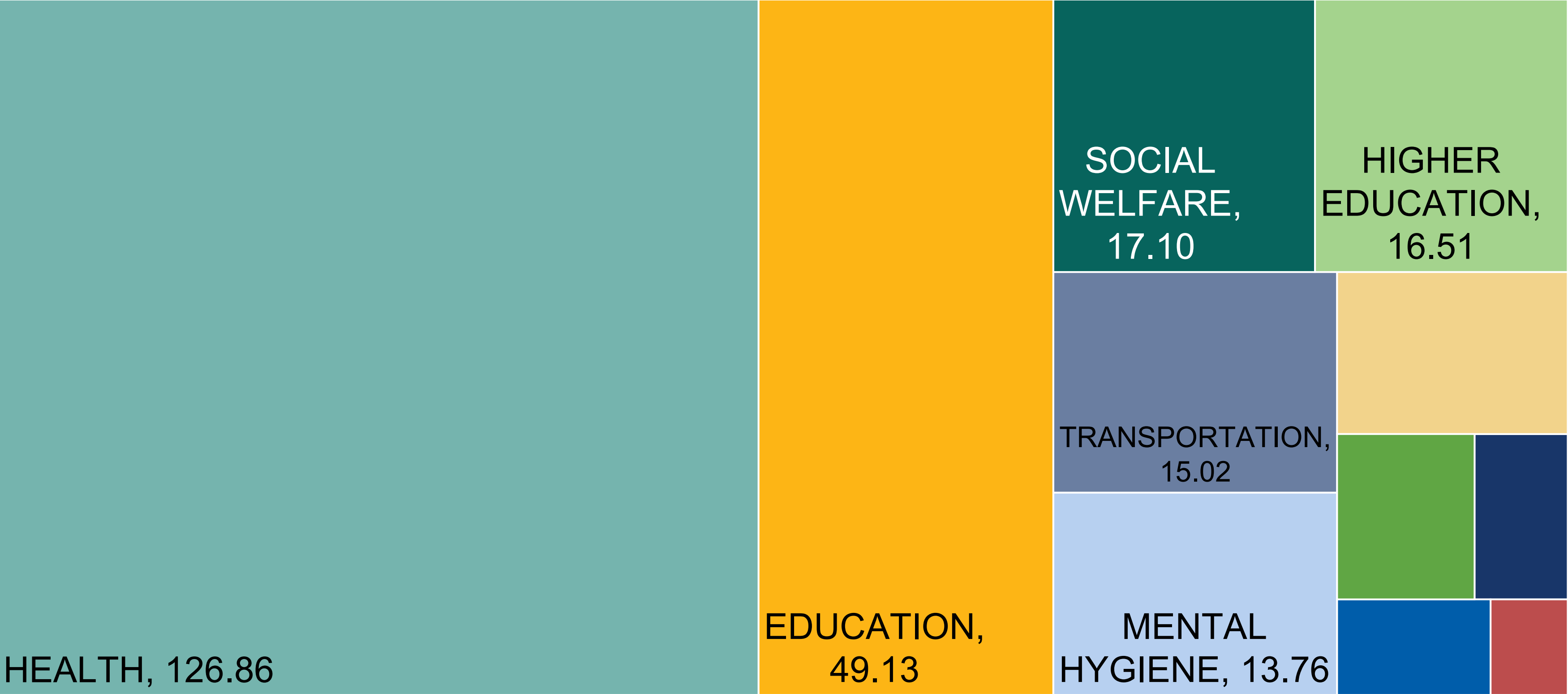
Risks Aren't Theoretical

- **2020 COVID-19 Pandemic**
 - Expected major revenue losses
 - Budget passed during uncertain time
 - Federal support



State Financial Plan Overview – SFY 2027 DOB Estimates

All Funds Expenditures (in billions)



State Financial Plan Overview – SFY 2027 DOB Estimates

All Funds Revenues (in millions)



DOB's Financial Plan Economic Outlook

MAJOR ECONOMIC INDICATORS			
	Calendar Year Growth (%)		
	CY 2025 Actual	CY 2026 Estimated**	CY 2027 Forecast**
Real U.S. Gross Domestic Product (GDP)	2.1	1.9	1.6
Nonfarm Employment			
U.S.	0.5	0.2	0.1
New York State	0.9	0.2	0.1
U.S. Wages	4.6	4.1	3.1
U.S. Personal Income	4.8	3.7	3.5
U.S. Consumer Price Index (CPI)	2.7	3.6	2.7
Civilian Unemployment Rate			
U.S.	4.3	4.5	4.7
New York State	4.3	4.5	4.6
	State Fiscal Year Growth (%)		
	FY 2025 Actual	FY 2026 Estimated**	FY 2027 Forecast**
Personal Income			
U.S.	5.4	4.4	3.6
New York State*	5.3	4.7	3.9
Wages			
U.S.	5.4	4.2	3.8
New York State	7.3	5.1	4.1
Nonfarm Employment			
U.S.	1.0	0.3	0.1
New York State	2.3	0.6	0.1
Note: * New York State personal income is constructed by using QCEW wages and BEA non-wage income. ** Estimated and forecast values are based on the DOB forecast as of May 11, 2026.			
Source: Haver Analytics; Moody's Analytics; New York State Department of Labor; DOB staff estimates.			

Major Risks

- **Federal Changes / Uncertainty**
- **Economy**
- **Structure of the State's Budget**
- **Climate Change**
- **Changing Demographics**



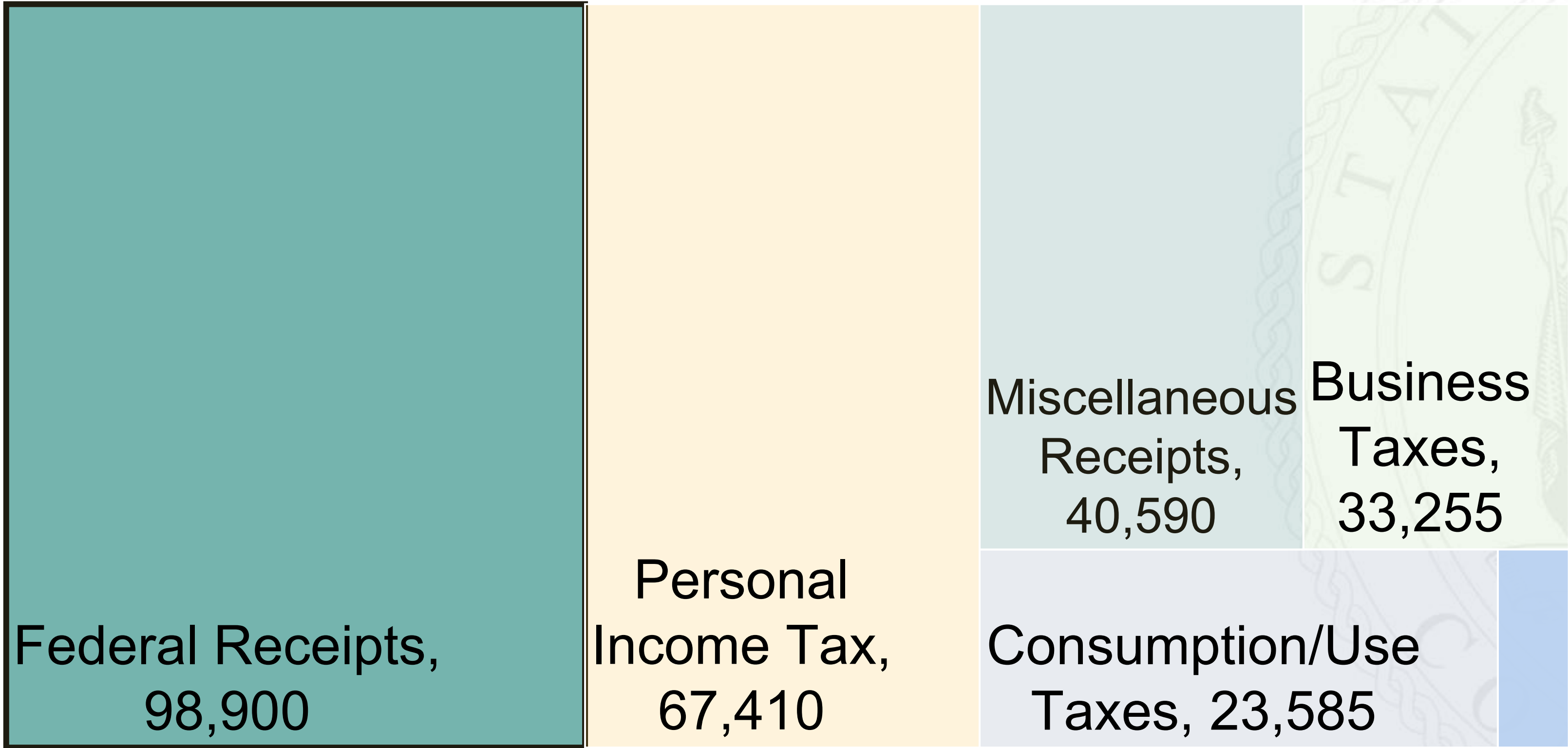
New Federal Environment

- **P.L. 119-21**
 - Reduced federal funding
 - Reduced safety-net
- **Increased Uncertainty**
 - Grant cancellations
 - New Office of Management and Budget Guidance
 - Tariffs

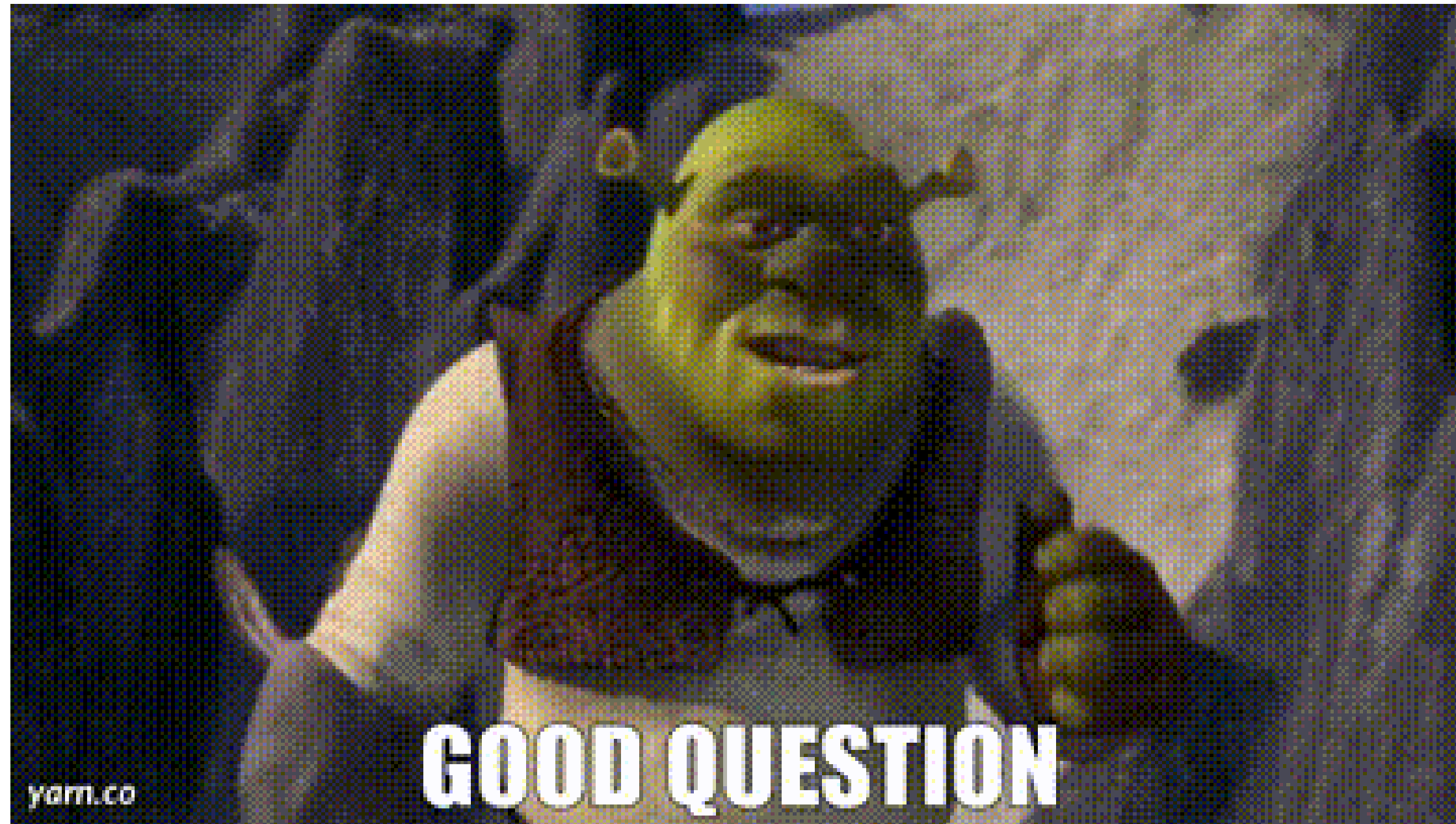


State Financial Plan Overview – SFY 2027 DOB Estimates

All Funds Revenues (in millions)



Will the Federal Government Continue to be a Reliable Partner?



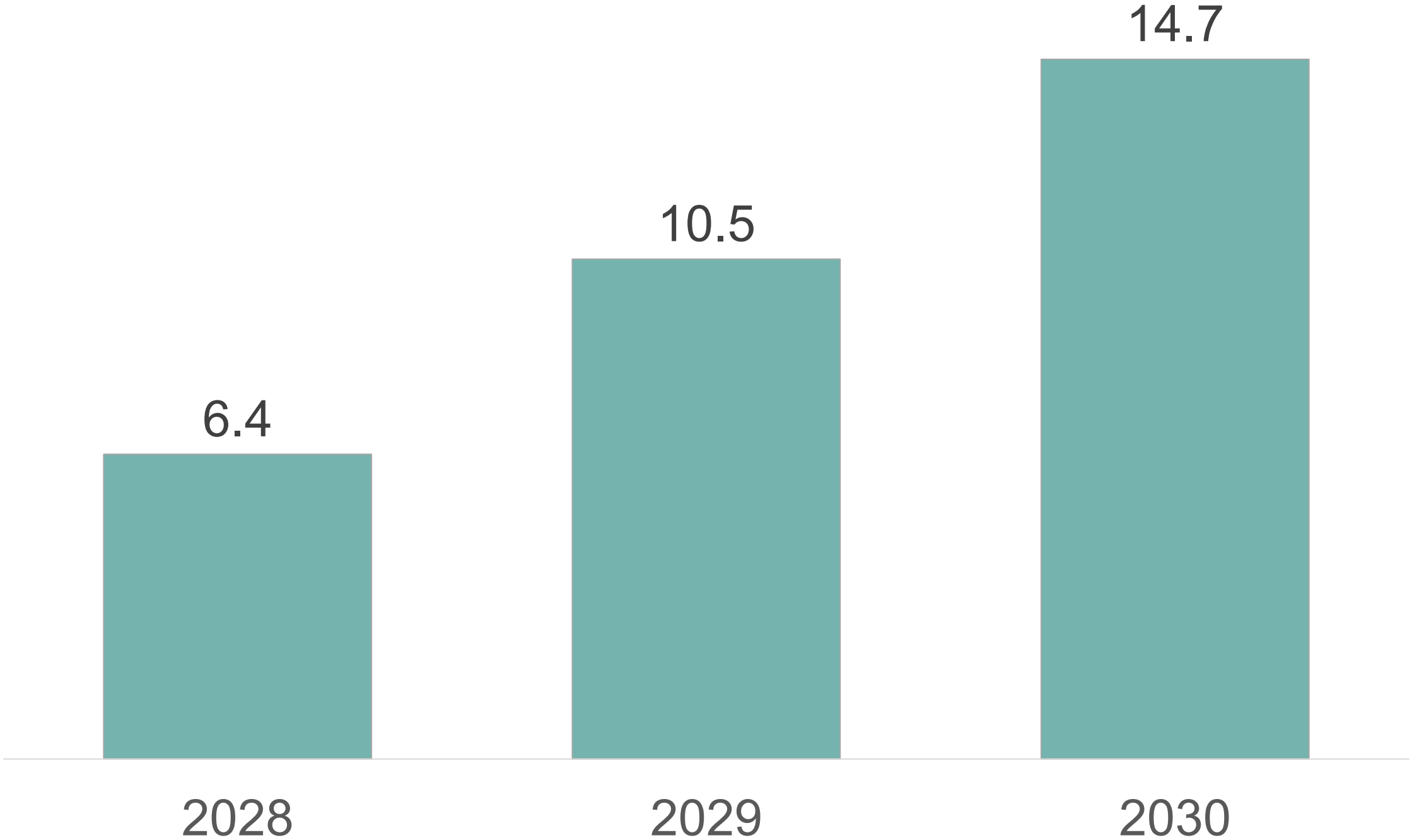
Economy

- **Income tax dependence**
 - Wall Street
 - Economy's heavy concentration in AI
- **Job losses**
- **Inflation concerns**
- **Entitlement costs**



State Budget Imbalance

**DOB Projected Outyear Budget Gaps by SFY
(in billions)**



Climate Change

- **Major storms**
 - Economic Disruption
 - Property Damage



Changing Demographics

- **Aging Population**
- **Immigration Policy Changes / Population Loss**
- **Taxpayer Migration**
- **Loss of federal representation**



Mitigating Risks

- **DOB uses conservative estimates when putting together financial plan**

lottery/gaming receipts) available in other funds. Projected spending also reflects DOB's conservative estimates of disbursements, a practice that provides a cushion for potential receipts shortfalls and unanticipated costs. Consequently, programmatic spending presented on a State

State Budget Reserves

- **\$9.2 Billion Rainy Day**
- **Record Rainy Day reserves!**
- **Stays stable while budget is growing**
- **May not be sufficient**



Risk Monitoring and Response

- **Comptroller's monthly cash report**
- **DOB updates financial plan quarterly**
- **Budget Director has the ability to propose a plan to reduce spending if budget is out of balance**
- **Legislature has the ability to modify plan**

Pulling it all Together

- **Relatively Large Budget Provides Important Services**
- **Changing Federal Landscape**
- **Tax Structure Dependent on High Earners**
- **Reserves Can Cushion Some Shocks**



Additional Resources (page 1 of 2)

Federal Funding and New York

The budget resolutions passed by the 119th Congress will lead to a dramatic restructuring of the federal-state relationship. This online resource focuses on federal funding and how it supports services in the State of New York.

Introduction

Federal Revenues in the State Budget ▾

Federal Support of the State's Safety Net ▾

Federal Funds to New York City ▾

Federal Balance of Payments

Federal Employees in New York State ▾

Federal Impact on Higher Education

New York State Farming and Agriculture

Federal Impact: Travel and Tourism to New York

Economic Impact of Tariffs

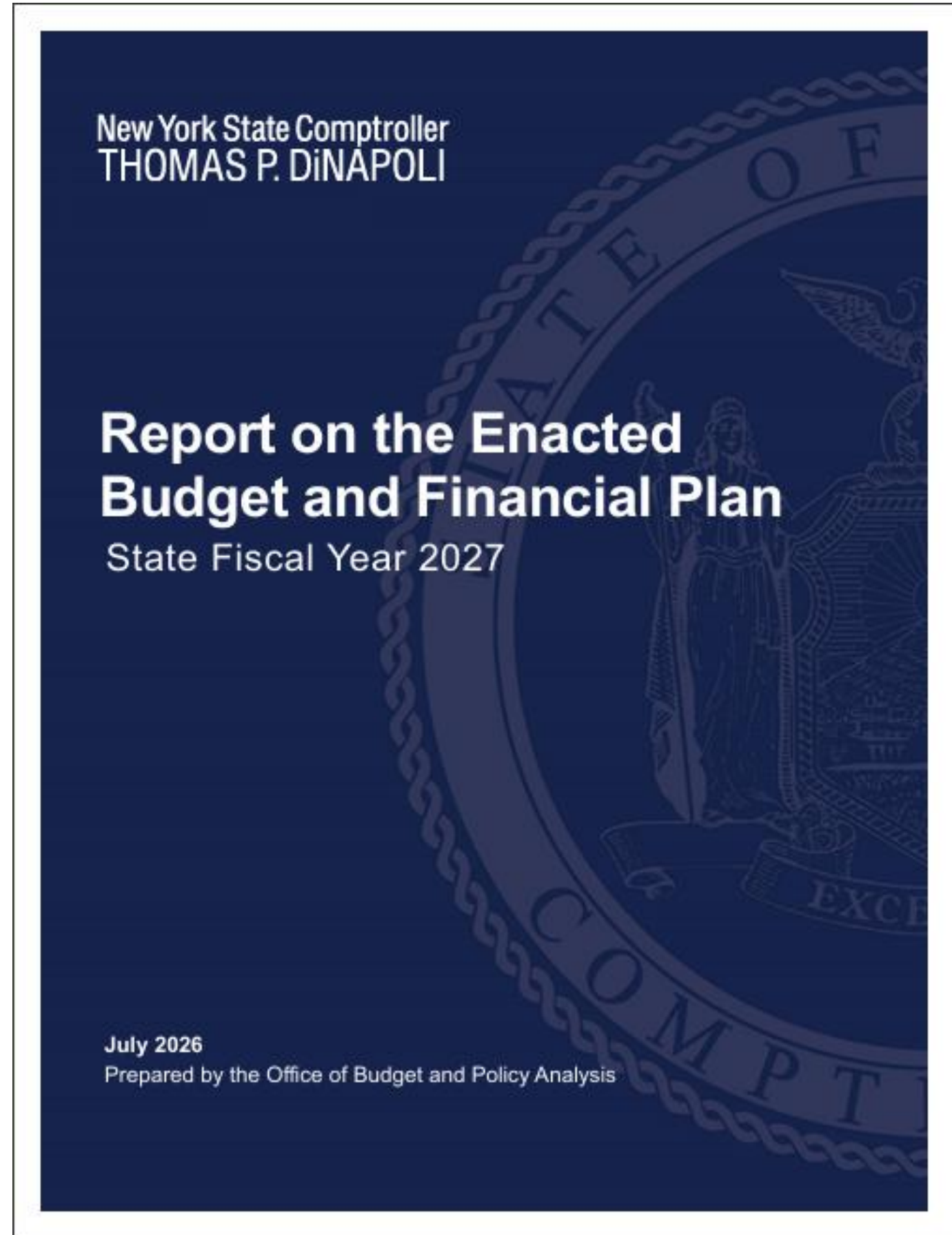


“New Yorkers rely on federal funding for everything from paving the highways they drive on to work to bolstering the schools their children attend to helping to put food on their tables.

Understanding how New Yorkers are impacted by federal dollars will be essential to understanding how future changes to federal spending will impact our residents and communities.”

- Thomas P. DiNapoli

Additional Resources (page 2 of 2)



Thank you.

