

The following table provides certain Financial Plan information for FY 2021 through FY 2023.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES (millions of dollars)			
	FY 2021 Actuals	FY 2022 Current Estimate	FY 2023 Executive Proposal
State Operating Funds Disbursements			
Size of Budget	\$104,207	\$115,218	\$118,839
Annual Growth	2.0%	10.6%	3.1%
Other Disbursement Measures			
General Fund (Including Transfers) ¹	\$74,095	\$90,686	\$95,486
Annual Growth	-4.4%	22.4%	5.3%
Capital Budget (Federal and State)	\$12,331	\$15,434	\$18,566
Annual Growth	2.8%	25.2%	20.3%
Federal Operating Aid	\$70,049	\$82,266	\$78,934
Annual Growth	19.1%	17.4%	-4.1%
All Funds	\$186,587	\$212,918	\$216,339
Annual Growth	7.9%	14.1%	1.6%
Inflation (CPI)	1.2%	5.7%	3.2%
All Funds Receipts			
Taxes ²	\$82,376	\$101,154	\$108,724
Annual Growth	-0.6%	22.8%	7.5%
Miscellaneous Receipts	\$30,772	\$25,956	\$27,514
Annual Growth	4.4%	-15.7%	6.0%
Federal Receipts (Operating and Capital)	\$78,152	\$99,621	\$84,855
Annual Growth	20.1%	27.5%	-14.8%
Total All Funds Receipts ²	\$191,300	\$226,731	\$221,093
Annual Growth	7.8%	18.5%	-2.5%
General Fund Cash Balance	\$9,161	\$30,513	\$27,674
Rainy Day Reserves	\$2,476	\$3,351	\$4,271
Economic Uncertainties	\$1,490	\$5,598	\$9,732
Extraordinary Monetary Settlements	\$2,083	\$2,035	\$1,741
Timing of PTET/PIT Credits	\$0	\$16,710	\$7,660
Reserve for Pandemic Assistance	\$0	\$2,000	\$2,000
All Other Reserves/Fund Balances	\$3,112	\$819	\$2,270
Debt			
Debt Service as % All Funds Receipts ²	4.6%	3.6%	2.7%
State-Related Debt Outstanding	\$58,881	\$62,880	\$69,270
Debt Outstanding as % Personal Income	4.1%	4.1%	4.6%

¹ Includes planned transfer of Extraordinary Monetary Settlements from the General Fund to other funds for designated purposes.

² Excludes the impact of the Pass Through Entity Tax program which is expected to have no net Financial Plan impact across fiscal years.

- Reserves are the best defense against a "repeat performance" in the next crisis. Accordingly, the Mid-Year Update committed to bringing the State's principal reserves (the rainy-day reserves and reserve for economic uncertainties) to 15 percent of State Operating Funds spending by FY 2025.
- After deposits to reach this goal, the Mid-Year Financial Plan showed balanced General Fund operations through FY 2025, the last year published in the Financial Plan, with no surpluses or budget gaps in any year. This was the first time that DOB published a Financial Plan with no budget gaps in any year.

Improved Financial Outlook

- Since the Mid-Year Update, forecast revisions to the "base-level forecast" provide new resources of \$5.0 billion in FY 2022, \$6.4 billion in FY 2023, \$5.3 billion in FY 2024, and \$5.5 billion in FY 2025. The improvement reflects strong tax receipts and reduced costs.
- The surplus position makes it possible to responsibly fund new commitments intended to address the unique and complex problems caused or exacerbated by the COVID-19 pandemic.

Executive Budget is Balanced Annually

The Executive Budget Financial Plan provides for balanced operations annually through FY 2027.

State Operating Funds spending grows by 3.1 percent in FY 2023, below projected inflation of 3.2 percent. All Funds grows by less than 2 percent.

The commitments proposed in the Executive Budget are sustainable. DOB estimates that over \$7 billion in proposed actions are non-recurring and will not add permanent costs, including:

- \$2 billion for property tax relief (FY 2023).
- \$2 billion for pandemic recovery initiatives (reserve funded in FY 2022).

EXECUTIVE SUMMARY

Building Reserves

- Since 2000, State finances have been badly damaged three times by sudden events: 9/11; the Great Recession; and COVID.
- These specific events were not "predictable" -- but unexpected events and fiscal shocks will continue to happen. Each time the State has found itself unprepared, with inadequate reserves. The outcome was that promises made in good times had to be broken or deferred.

- \$1 billion to enlarge the DOT capital plan (deployed over three years, FY 2023-FY 2025).
- \$1 billion for health care transformation (reserve funded from FY 2023 and 2024 operations).
- \$1.2 billion for bonuses for health care/frontline workers (paid in FY 2023).
- \$350 million for pandemic relief for businesses and theater/musical arts (paid in FY 2023 and FY 2024).

The Executive Budget reflects all planned reserve deposits.

SUMMARY

Update to Financial Estimates

In the Mid-Year Update, the Governor committed to bringing the balance of the State’s principal reserves (the rainy-day reserves and reserve for economic uncertainties) to 15 percent of projected State Operating Funds spending by FY 2025. At the time, it was noted that the State’s relatively low level of reserves left it vulnerable to the financial shocks that periodically upend State finances. Net of these planned reserves, the Mid-Year Update showed balanced General Fund operations through FY 2025, the last year published in the Financial Plan, with no surpluses or budget gaps in any year. This was the first time that DOB has published a Financial Plan with no budget gaps in any year.

Forecast revisions (the “base-level forecast”) since the Mid-Year Update have created new projected surpluses. On the strength of collections experience to date, the estimates for tax receipts have been increased by an average of \$4.9 billion annually compared to the Mid-Year forecast. Expense estimates have been reduced, as well, with significant savings in School Aid based on revised school district claims provided at the 2021 November database update, pensions, debt service, and payroll (the latter from the use of CRF to fund eligible payroll expenses). Pandemic-response measures partly offset the current-year savings but are expected to be reimbursed by the Federal government in future years of the Financial Plan.

The base-level forecast revisions leave surpluses of \$5.0 billion in FY 2022, \$6.4 billion in FY 2023, \$5.3 billion in FY 2024, and \$5.5 billion in FY 2025. The surpluses for FY 2026 and FY 2027, which are projected for the first time in this Executive Budget, are comparatively lower at \$3 billion and \$4.1 billion, respectively. This mainly reflects the final spend-down of ARP recovery aid in FY 2025.

The following table shows the base-level forecast revisions to the Mid-Year estimates before Executive Budget proposals.

FY 2023 EXECUTIVE BUDGET FINANCIAL PLAN GENERAL FUND REVISIONS TO MID-YEAR ESTIMATES (millions of dollars)				
	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected
MID-YEAR UPDATE SURPLUS/(GAP) ESTIMATE	0	0	0	0
Receipts Revisions	4,577	4,932	4,631	5,181
Tax Receipts	4,597	5,025	4,655	5,180
Other Receipts/Other Transfers	(20)	(93)	(24)	1
Disbursements Revisions	406	1,305	718	(86)
Local Assistance	108	1,267	81	(671)
Agency Operations	281	19	672	637
Transfers To Other Funds	17	19	(35)	(52)
UPDATED "BASE" BUDGET SURPLUS/(GAP) ESTIMATE	4,983	6,237	5,349	5,095

Notes: "Tax Receipts" excludes the impact of the Pass Through Entity Tax Program; table excludes any Financial Plan transactions that have no net impact within the year but change amounts reported within Financial Plan categories. Debt service changes that affect the amount of tax receipts to the General Fund are shown in "Other Receipts/Other Transfers" line.

The surplus position, in combination with the reserve deposits already planned, makes it possible both to maintain responsible reserve deposits and fund new commitments intended to address the unique and complex problems caused (or exacerbated) by the COVID-19 pandemic.

The current year surplus is expected to be reserved for future pandemic assistance and to provide relief for individuals and businesses, and bonuses for direct care workers.

FY 2023 EXECUTIVE BUDGET FINANCIAL PLAN

The Governor submitted the FY 2023 Executive Budget to the Legislature on January 18, 2022. The Executive Budget Financial Plan provides for balanced operations in each year of the Financial Plan. Spending growth is estimated at 3.1 percent, just below inflation.

The Executive Budget proposes initiatives considered essential to maintaining the State’s recovery. These include: tax relief for individuals and small businesses; investments to improve health care access, quality, and affordability; wage increases for workers

in the health, mental health, and social services sectors; rate increases for service providers; and funding increases for a range of other essential services.

In addition, State operations funding is increased to meet critical service needs and restore service capacity to pre-pandemic levels. Lastly, new capital commitments proposed in the budget are funded not only with bonds but with a significant level of cash resources, ensuring the State's debt burden remains affordable.

The following table summarizes the impact of the Executive proposals on General Fund operations, starting with the updated "base" estimates. It is followed by a summary of the significant actions with an emphasis on the projected fiscal impact for FY 2023.

FY 2023 EXECUTIVE BUDGET FINANCIAL PLAN (millions of dollars)					
	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
UPDATED "BASE" BUDGET SURPLUS/(GAP) ESTIMATE	6,436	5,349	5,520	2,966	4,070
Receipts	(2,562)	(1,057)	(461)	382	815
Tax Receipts	(2,583)	(1,153)	(559)	(261)	(238)
Homeowner Tax Rebate Credit	(2,200)	0	0	0	0
Middle Class Tax Cut Acceleration	(162)	(615)	(360)	(44)	0
Small Business Tax Relief Credit	(100)	(100)	(100)	(100)	(100)
Small Business Tax Relief Credit for COVID-19	0	(250)	0	0	0
Extend the NYC Musical & Theatrical Credit	0	(100)	0	0	0
All Other	(121)	(88)	(99)	(117)	(138)
Payment of Future Debt Service Costs	0	0	0	500	1,000
Other Receipts/Transfers	21	96	98	143	53
Disbursements	(4,840)	(5,258)	(5,635)	(4,208)	(4,885)
Local Assistance	(2,760)	(1,587)	(2,255)	(3,101)	(3,922)
Education	(233)	(284)	(285)	(280)	(282)
Medicaid ¹	(585)	370	(42)	(763)	(1,593)
eMAP Extension through June 30, 2022	746	0	0	0	0
Healthcare/Frontline Worker Bonus	(1,072)	0	0	0	0
Public Health/Aging ¹	(237)	(238)	(239)	(239)	(238)
Human Services/Mental Hygiene COLA	(256)	(256)	(256)	(256)	(256)
Mental Hygiene ¹	(323)	(345)	(302)	(292)	(282)
Social Welfare ¹	(167)	(221)	(614)	(758)	(758)
Economic Development	(186)	(136)	(79)	(79)	(79)
Higher Education	(236)	(280)	(242)	(237)	(237)
Public Safety	(89)	(89)	(89)	(89)	(89)
All Other	(122)	(108)	(107)	(108)	(108)
Agency Operations, including GSCs	(36)	(636)	(641)	(667)	(690)
Healthcare/Frontline Worker Bonus	(120)	0	0	0	0
Executive Agencies	147	(474)	(475)	(494)	(512)
Non-Executive Agencies	(108)	(113)	(118)	(123)	(128)
Fringe Benefits/Fixed Costs	45	(49)	(48)	(50)	(50)
Transfers to Other Funds	(2,044)	(3,035)	(2,739)	(440)	(273)
Capital Projects/PAYGO Capital	(1,339)	(2,372)	(2,535)	(287)	(99)
SUNY Operating	(103)	(100)	(83)	(83)	(83)
Health Care Transformation	(500)	(500)	0	0	0
All Other	(102)	(63)	(121)	(70)	(91)
Use of/(Deposit to) Reserves	966	966	576	860	0
Extraordinary Monetary Settlements	0	(1)	1	0	0
Debt Management	1,000	1,000	1,000	860	0
Economic Uncertainties	(34)	(33)	(425)	0	0
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATE	0	0	0	0	0

¹ Excludes Healthcare/Frontline Worker Bonus Pay and Human Services COLA which are shown separately.

EXECUTIVE SUMMARY

Tax Receipts. The Executive Budget proposes the following tax actions:

- Homeowner Tax Rebate Credit.** The proposed rebate program will provide low- and middle-income homeowners, as well as senior homeowners, with a rebate in the fall of 2022 to offset property taxes at a one-time State cost of \$2.2 billion.
- Middle-Class Tax Credit Acceleration.** The Budget accelerates the phase-in of the middle-class tax cut, which began in 2018 and was scheduled to fully phase in over eight years by 2025. The lower tax rates will now be fully phased in by 2023 which decreases tax receipts by \$162 million in FY 2023.
- Small Business Tax Relief Credit.** The Budget provides recurring tax relief to businesses through a revision to the income exclusion and expands the benefit to include pass-through entities with less than \$1.5 million in NY-source gross income.
- Small Business Tax Relief Credit for COVID-19 Expenses.** A new, one-time, capped refundable tax relief program will provide relief to businesses for eligible capital expenses.
- NYC Musical and Theatrical Tax Credit Extension.** The initial application deadline is extended to June 30, 2023 and the cap is doubled from \$100 million to \$200 million to provide one-time aid to eligible productions and revitalize tourism in New York City.
- Other Tax Actions.** The Executive Budget increases and extends existing tax credits, including credits for low income housing, clean energy, youth employment, and hiring veterans. It also proposes new tax credits to farmers to support and sustain food production. Other new tax actions include the imposition of sales tax on vacation rentals, as well as certain enforcement initiatives and reforms.
- Prepayments** of future debt service costs are increased by \$1.5 billion in FY 2022, to a total of \$2.9 billion. The increase will reduce costs in FY 2026 and later.
- Other Receipts/Transfers.** Debt service costs are revised to reflect the cost of funding Executive Budget capital adds and

initiatives, partially offset by savings from paying cash for capital projects that would otherwise have been funded with more costly taxable debt. In addition, the State expects to receive \$100 million over three years (FY 2022 through 2024) from Mashreqbank, PSC ("Mashreqbank" or the "Bank") in penalties pursuant to a Consent Order entered into with the New York State Department of Financial Services (DFS). The Executive Budget adds these funds to the Reserve for Economic Uncertainties, consistent with other recent settlements. The Budget also includes reductions to certain planned transfers due to the availability of revenues in other funds that have been earmarked to support new investments.

DISBURSEMENTS

Local Assistance

Education. The Executive Budget recommends \$31.2 billion in School Aid for school year (SY) 2023, an increase of \$2.1 billion (7.1 percent). This growth primarily reflects a \$1.6 billion (8.1 percent) Foundation Aid increase, including a 3 percent minimum annual increase to fully funded districts that would otherwise not receive a Foundation Aid increase under current law. Growth in School Aid largely reflects the second year of the three year phase-in of full funding of the current Foundation Aid formula and assumed growth in expense-based aids.

The Executive Budget also includes authorization for a cost-of-living adjustment (COLA) of 11 percent for SY 2023 special education provider tuition rates that will be partially reimbursed by the State, and continues funding for various education grants programs, including Teachers Centers, Public Broadcasting, Independent Living Centers and Public Libraries. In addition, funding is continued for arts and cultural organization pandemic recovery initiatives.

Medicaid. The Executive Budget proposes basing the Global Cap index on the five-year rolling average of Centers for Medicare & Medicaid Services (CMS) annual projections of health care spending. The CMS projections account for enrollment, including specific populations, such as the aging or disabled populations. The new index would account for enrollment and population changes, which are significant drivers of costs, and supports additional Medicaid spending growth of \$366 million in FY 2023, growing to \$3.1 billion in FY 2027. The total Global Cap spending growth in FY 2023 is estimated at \$966 million using the

new index (\$366 million above the existing cap). The increase in the allowable spending growth, another quarter of the Enhanced Federal Medical Assistance Percentage (eFMAP), and savings actions are sufficient to fund forecasted growth and new investments.

The Executive Budget proposes several investments in health care, including a restoration of the 1.5 percent across-the-board (ATB) reduction to fee-for-service providers implemented in the FY 2021 Budget, as well as an increase of 1 percent to all provider reimbursement rates. The increased rates recognize growth in service costs and will provide flexibility to respond to market needs and compete in the labor market to attract qualified workers. Funding is also proposed for hospitals, nursing homes, health professional schools, and other organizations as they seek to build the health workforce. Other investments include increased aid to safety-net hospitals to support urgent operating needs and address pandemic-related impacts, additional funding for nursing homes to adhere to minimum staffing requirements, increased reimbursement rates to promote primary care, children's behavioral health services investments, increases to orthotics and prosthetics rates, and funding to improve the quality of health care. The Financial Plan reserves \$1 billion of additional resources to further support multi-year investments in healthcare transformation and sustainability efforts.

The FY 2023 Budget proposes Medicaid savings actions including the maximization of Federal resources to provide enhanced pregnancy coverage and postpartum care; utilization of the temporary 10 percent increase to the Federal Medical Assistance Percentage (FMAP) for specific Medicaid Home and Community-Based Services (HCBS) to support workforce investments, capacity increases, and digital infrastructure; imposition of new procurement quality requirements for managed care contracts; elimination of the ability for providers to prescribe pharmaceutical drugs for purposes outside of the clinical criteria; and leveraging additional Federal resources for enhanced pregnancy coverage through the Children's Health Insurance Program.

eFMAP Extension. On January 14, 2022, the Federal government extended the public health emergency through June 30, 2022, which will authorize the eFMAP provisions through June 2022, the end of the quarter in which the emergency period is set to expire. Accordingly, the Executive Budget Financial Plan assumes an additional \$746



million in new resources, increasing the projected benefit in FY 2023 to nearly \$1 billion. In total, the benefit in FY 2022 is nearly \$3 billion, unchanged from the Mid-Year Update. The savings from eFMAP are partly offset by increased costs associated with Federal enrollment and program restructuring prohibitions.

Healthcare/Frontline Worker Bonus. The State will provide frontline healthcare workers a bonus payment of up to \$3,000 to incentivize the recruitment and retention of qualified frontline healthcare and direct support professionals. The amount of the bonus will be based on hours worked and length of time in service. Direct Care State employees will also receive bonuses. The total State cost is estimated at \$1.2 billion [\$1.07 billion for non-State employees; \$120 million for State employees].

Public Health/Aging. The Budget adds funding for public health programs including Nourish New York; General Public Health Work (GPHW) for counties including New York City, and outreach, education, and social services crisis management for COVID-19.

Human Services/Mental Hygiene Cost-of-Living Increase. Funding is included to support a 5.4 percent cost-of-living increase for human services workers.

Mental Hygiene. Executive Budget increases funding for mental health residential programs to assist providers with housing cost increases and establishes new teams of mental health professionals performing Critical Time Intervention (CTI) directly with homeless individuals to ensure access to services and housing. Additional funding is included in the Executive Budget to invest in OMH residential programs and establish CTI teams of mental health professionals to direct homeless individuals to services and housing. The Executive Budget also provides funding to implement a 988 crisis hotline, enhance crisis response services for children and families, and reinvest recoupments from managed care organizations for behavioral health services. In addition, prevention, treatment, and recovery efforts to reduce the opioid epidemic's toll are being funded outside the General Fund. Monies to support increased housing costs and develop new housing opportunities for people with developmental disabilities are also included.

Social Welfare. The Executive Budget provides funding to ensure continuity in the level of child care subsidies when the three year

rates established by the Federal government are reset in October 2022, expand eligibility for child care subsidies to more families, and increase wages for child care workers. Other significant proposals include new investments in adoption subsidies through modernization of the rate methodology, expanding the Healthy Families New York (HFNY) Home Visiting program through the use of Adoption Delinking funds, supporting the homeowner protection program, and creating an Eviction Prevention Legal Assistance Program to provide legal representation to tenants involved in eviction cases outside of New York City.

Economic Development. Proposed funding increases and new investments include one-time grants from Economic Development Fund for workforce development grants to facilitate job creation and/or retention; creating a state teacher residency program to provide matching funding for local districts to create two-year residency programs for graduate-level teacher candidates; expanding alternative teacher certification programs to make it easier and more appealing for professionals in other careers to become teachers; funding for the World University Games, and standardizing and centralizing Venture Competitions designed to connect startups with investors and help new innovation-sector businesses access funding.

Higher Education. The Executive Budget proposes expanding the Tuition Assistance Program (TAP) for part-time students in degree programs and community college students enrolled part-time in high-demand workforce credential programs; granting incarcerated individuals' access to TAP; accelerating the FY 2022 Enacted Budget TAP Gap funding plan at the City University of New York (CUNY) Senior College campuses; investing in full-time faculty at CUNY; establishing child care centers on SUNY and CUNY campuses; and increasing funding for higher education opportunity programs and training centers.

Public Safety. Proposed funding increases will support gun violence initiatives including gun-tracing efforts, improving crime data collection, violence interrupter programs such as the SNUG street outreach program, intervention programs including job training and community engagement, and pretrial services.

All Other Local Assistance. The Executive Budget includes funding increases for various programs administered by the Department of

FY 2023 EXECUTIVE BUDGET "PRINCIPAL" RESERVES (millions of dollars)				
	FY 2022	FY 2023	FY 2024	FY 2025
Planned Deposits	4,984	5,053	2,448	2,925
Rainy Day Reserves	875	920	915	950
Economic Uncertainties	4,109	4,133	1,533	1,975
Balance At Year-End	8,950	14,003	16,451	19,376
Rainy Day Reserves	3,351	4,271	5,186	6,136
Economic Uncertainties	5,599	9,732	11,265	13,240
Estimated SOF Spending	115,215	118,833	123,388	129,314
<i>Principal Reserves % SOF</i>	7.8%	11.8%	13.3%	15.0%

Agriculture and Markets, the Liberty Defense program, the Office for the New Americans, transit aid, and local government assistance.

Agency Operations

Executive Agencies. The growth in executive agency budgets reflects targeted increases to hire and retain mental hygiene direct care and clinical staff, expand Child and Adolescent Needs & Strengths (CANS) assessments to improve service delivery, replace outdated technology used to administer housing and community based services, and address increases in the cost of administering the Medicaid program. Funding is also provided, as needed, to restore operating capacity to pre-pandemic levels.

The Financial Plan continues to assume that the Federal government will fully fund the State's direct pandemic response costs, but timing differences between State outlays and FEMA reimbursements will occur. In addition, COVID expenses related to the purchase of test kits for local governments and schools are assumed to be fully eligible for FEMA reimbursement.

Non-Executive Agencies. The Executive Budget reflects budget requests submitted by the Legislature and Judiciary. The judiciary requested increases in annual operating spending to fund expected hiring, increased health insurance premium payments, three planned Court Officer Academy classes, and the addition of 14 new Supreme Court Judgeships as authorized by Chapter 188 of the Laws of 2021. Spending increases for the Legislature, OSC, and Department of Law mainly reflect projected increases in personal service and technology costs.

Fringe Benefits/Fixed Costs. Pension estimates reflect the planned payment of the full FY 2023 Employees' Retirement System (ERS)/ Police and Fire Retirement System (PFRS) pension bills in May 2022.

Transfer to Other Funds

Capital Projects. The Executive Budget proposes using \$6 billion of cash resources for pay-as-you-go (PAYGO) capital spending over the Financial Plan to reduce debt service costs, ensure the State stays within the debt limit, and allow for a larger DOT capital plan. The PAYGO will be targeted to primarily avoid higher cost taxable debt issuances. The increases are offset in part by using the Reserve for Debt Management that was previously set aside for this purpose. Other investments include projects to address health and safety at nonpublic school buildings, implement zero emission light utility State vehicles by 2035, and various economic development projects.

SUNY Operations. The Executive Budget reflects increases the State's subsidy payments to offset lost revenue via the tuition assistance program and fund various initiatives, including child care centers at all campuses.

Health Care Transformation. The Financial Plan reserves \$1 billion of additional resources to further support multi-year investments in healthcare transformation and sustainability.

Other Transfers. The Executive Budget increases transfers to the DHBTF to support the DOT five year capital plan, recruitment incentives for licensed drivers, and ongoing highway maintenance.

In addition, the Financial Plan sets aside \$2 billion of the current year surplus for pandemic relief assistance.

PRINCIPAL RESERVES

The State has three principal reserves to address operating risks: the Tax Stabilization Reserve, the Rainy Day Reserve, and amounts informally reserved for economic uncertainties. The first two, which are known collectively as the "Rainy Day Reserves," have specific

¹ The Tax Stabilization Reserve was created pursuant to State law to provide a reserve to finance a cash-basis operating deficit in the General Fund at the end of the fiscal year, and to make temporary loans to the General Fund during the year. Annual deposits may not exceed 0.2 percent of General Fund spending, and the balance may not exceed 2 percent of General Fund spending. These amounts may be borrowed by the General Fund temporarily and repaid within the same fiscal year. They may also be borrowed to cover an operating deficit at year end, but these loans must be repaid within six years in no fewer than three annual installments.

² The Rainy Day Reserve was created pursuant to State law to account for funds set aside for use during economic downturns or in response to a catastrophic event, as defined in the law. The economic downturn clause is triggered after five consecutive months of decline in the State's composite index of business cycle indicators. The reserve may have a maximum balance equal to 5 percent of projected General Fund spending during the fiscal year immediately following the then-current fiscal year.



statutory limits on how much can be deposited annually and specific conditions on when they can be used. The reserve for economic uncertainties is an informal designation of General Fund resources that was initiated in FY 2020 and is not subject to any statutory limitation as to size or restriction as to use. Together, these funds provide a prudent buffer against financial risks.

The Executive Budget maintains the commitment to leverage the increase in tax receipts to grow the balance of principal reserves annually to reach a target level of 15 percent of spending by FY 2025 and proposes amendments to the Rainy Day Reserve statute to allow for the increased deposits and balance limitations. The following table summarizes the planned increases to principal reserves.

PTET – FINANCIAL PLAN IMPACT

The U.S. Department of the Treasury (Treasury) and the Internal Revenue Service (IRS) have determined that State and local income taxes imposed on and paid by a partnership or an S corporation on its income, such as the Pass-through entity tax (PTET), are allowable as a Federal deduction to taxable income. In November 2020, the IRS released Notice 2020-75, which announced that the Treasury and IRS intend to issue clarifying regulations with respect to such pass-through taxes.

As part of the State's continuing response to Federal tax law changes, legislation was enacted in FY 2022 to allow an optional PTET on the New York-sourced income of partnerships and S corporations. Qualifying entities that elect to pay PTET will pay a tax of up to 10.9 percent on their taxable income at the partnership or corporation level, and their individual partners, members and shareholders will receive a refundable tax credit equal to the proportionate or pro rata share of taxes paid by the electing entity. Additionally, the program includes a resident tax credit that allows for reciprocity with other states that have implemented substantially similar taxes, which currently include Connecticut and New Jersey.

The Financial Plan did not previously include an estimate for PTET receipts or the corresponding decrease in PIT receipts as the number of electing entities and tax amounts paid would not be known until late 2021.

In December 2021, entities began making PTET payments that were recorded in business taxes and totaled an estimated \$11 billion. DOB expects the accompanying tax credits will impact PIT receipts beginning in April 2022, which would decrease PIT collections. DOB expects that the PTET will be revenue neutral for the State, however, because PTET payments will generally be received in the fiscal year prior to credit claiming, the PTET will not be revenue-neutral within each fiscal year. The FY 2023 Executive Budget Financial Plan now includes an estimate for PTET receipts in business taxes and the corresponding decrease in PIT receipts, as well as reserve of the PTET collections in FY 2022 for purposes of offsetting the decrease in PIT receipts expected in FY 2023. It is expected that the tax benefit accompanying the PTET program will cease upon the expiration of the State and Local Tax (SALT) cap in 2025. Therefore, the estimates in the Financial Plan reflect the likelihood that entities cease to participate beginning in 2026.

PIT credits may be claimed on the April tax return in the following fiscal year as a refund, or they can be reflected sooner through reductions in current estimated payments. In 2021, taxpayers could not reduce their current estimated PIT payments for PTET, because enrollment in the PTET was not completed until late 2021, but going forward some taxpayers are expected to choose this option. This effectively causes a "double-hit" against PIT in 2023. FY 2023 PIT is expected to be reduced by credits for both the full amount of 2021 PTET collections (through extensions and refunds) and a portion of 2022 PTET collections (through reductions in current estimated PIT payments).

The table below displays the impact of the PTET program on the General Fund Financial Plan. The PTET estimates are excluded from certain tabular presentations in the Financial Plan due to the size of the impact on specific financial plan categories and the overall Financial Plan neutrality. Tables that exclude PTET are noted.

FY 2023 EXECUTIVE BUDGET FINANCIAL PLAN GENERAL FUND IMPACT OF THE PASS THROUGH ENTITY TAX (millions of dollars)						
	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
General Fund Impact	0	0	0	0	0	0
Tax Receipts ¹	16,710	(9,050)	473	500	(4,183)	(4,450)
PIT Credits	0	(24,130)	(15,567)	(16,500)	(17,533)	(4,450)
PTET Collections (Business Taxes)	16,710	15,080	16,040	17,000	13,350	0
Use of/(Deposit to) Reserve for PTET Refunds	(16,710)	9,050	(473)	(500)	4,183	4,450

¹ The impact of the PTET on Revenue Bond Tax Fund (RBTf) receipts is 50 percent of the impact on total Tax Receipts.

STATE OPERATING FUNDS – SUMMARY OF ANNUAL SPENDING CHANGE

In FY 2023 State Operating Funds spending is estimated at \$118.8 billion, an increase of 3.1 percent from FY 2022.

STATE OPERATING FUNDS DISBURSEMENTS FY 2022 TO FY 2023 (millions of dollars)				
	FY 2022 Projected	FY 2023 Projected	Annual Change	
			\$	%
LOCAL ASSISTANCE	76,857	82,829	5,972	7.8%
School Aid (School Year Basis)	29,111	31,178	2,067	7.1%
STAR	1,939	1,831	(108)	-5.6%
DOH Medicaid ¹	24,976	26,555	1,579	6.3%
Temporary eFMAP Increase	(2,984)	(995)	1,989	66.7%
Mental Hygiene (Gross) ²	4,420	5,427	1,007	22.8%
Mental Hygiene - DOH Global Cap Adjustment ²	307	522	215	70.0%
Transportation	3,797	4,590	793	20.9%
Social Services	2,999	3,171	172	5.7%
Higher Education	2,736	2,999	263	9.6%
Other Education	2,404	2,500	96	4.0%
Excluded Workers Fund	2,100	0	(2,100)	-100.0%
Emergency Rental Assistance	250	0	(250)	-100.0%
Small Business Grants	825	0	(825)	-100.0%
Healthcare/Frontline Worker Bonus	0	1,072	1,072	0.0%
All Other ³	3,977	3,979	2	0.1%
STATE OPERATIONS/GENERAL STATE CHARGES	30,032	30,398	366	1.2%
State Operations	20,771	20,210	(561)	-2.7%
Executive Agencies	11,601	11,695	94	0.8%
University Systems	6,463	6,579	116	1.8%
Elected Officials	2,772	2,736	(36)	-1.3%
Fund Eligible Expenses from CRF	(1,065)	0	1,065	100.0%
FEMA Eligible Costs/(Reimbursement)	1,000	(800)	(1,800)	-180.0%
General State Charges	9,261	10,188	927	10.0%
Pension Contribution	2,525	2,369	(156)	-6.2%
Health Insurance	4,696	5,155	459	9.8%
Fund Eligible Expenses from CRF	(618)	0	618	100.0%
Other Fringe Benefits/Fixed Costs	2,658	2,664	6	0.2%
DEBT SERVICE	8,329	5,612	(2,717)	-32.6%
CAPITAL PROJECTS	0	0	0	0.0%
TOTAL STATE OPERATING FUNDS	115,218	118,839	3,621	3.1%
Capital Projects (State and Federal Funds)	15,434	18,566	3,132	20.3%
Federal Operating Aid	82,266	78,934	(3,332)	-4.1%
TOTAL ALL GOVERNMENTAL FUNDS	212,918	216,339	3,421	1.6%
<p>¹ Total State share Medicaid funding is reported prior to the spending offset from the application of Master Settlement Agreement (MSA) payments, which are deposited directly to a Medicaid Escrow Fund to cover a portion of the State's takeover of Medicaid costs for counties and New York City. The value of this offset is reported in "All Other" local assistance disbursements.</p> <p>² A portion of Mental Hygiene spending is funded via the Mental Hygiene Stabilization Fund under the DOH Medicaid Global Cap. This spending appears in DOH rather than Mental Hygiene.</p> <p>³ "All Other" includes spending for: certain recovery initiatives, various other functions; reclassifications between financial plan categories; a reconciliation between school year and State fiscal year spending for School Aid; and MSA payments deposited directly to a Medicaid Escrow Fund, which reduces reported disbursements.</p>				