



JOINT REPORT
ON RECEIPTS AND DISBURSEMENTS
NOVEMBER 2023

Division of the Budget
Assembly Ways and Means Committee
Senate Finance Committee



QUICK START REPORT1
 Introduction.....2
 Overview.....2

JOINT REVIEW OF ECONOMIC AND FISCAL FACTORS.....3
 Economy and Revenues3
 Economic Context.....3
 Revenue Projections Comparison.....6

DISBURSEMENT PROJECTIONS COMPARISON8
 Medicaid10
 School Aid12
 Public Assistance13

FISCAL OUTLOOK..... 14



Quick Start Report

This report summarizes the results of the “quick start” forecasting process conducted by the Executive, Legislature and Comptroller, pursuant to Chapter 1 of the Laws of 2007. Specifically, this report meets the statutory requirement that by “not later than November 15, the Governor, the Temporary President of the Senate and the Speaker of the Assembly shall jointly prepare and make available on their internet websites a report on the actual, estimated, and projected State receipts and disbursements for the prior, current, and ensuing fiscal years, respectively, for all funds of the State.”

Introduction

“Quick start” brings the Executive and legislative fiscal staffs together along with the Office of the State Comptroller, well in advance of the Governor’s budget submission, to begin an open, public dialogue on the fiscal outlook for the upcoming year. By jump-starting the formal exchange of information and analysis, “quick start” is intended to stimulate timely discussion and analysis on economic and fiscal factors likely to shape the Fiscal Year (FY) 2025 budget deliberations.

As part of this process, each party that plays a role in the budget was invited to contribute an assessment of the State economic outlook, an estimate of State spending and receipts, and a forecast for the certain major programs -- School Aid, Medicaid, and Public Assistance, which combined represent half of total State Operating Funds spending.

The law directs the Executive, Senate, Assembly, and the State Comptroller to prepare separate “quick start” reports. The Executive and Legislature are then required to meet publicly shortly thereafter to discuss their findings, which occurred on November 14, 2023. In addition, the Executive, Assembly Majority and Senate Majority must issue a joint report on the actual, estimated, and projected State receipts and disbursements of the prior, current and ensuing fiscal years.

Overview

On October 30, 2023, the Division of the Budget (DOB) issued its Mid-Year Financial Plan updating the State’s official financial projections for the 2024 through 2027 fiscal years. The Mid-Year Financial Plan provides multi-year financial projections intended to assist discussions among the participants and the public.

In early November, the Senate Majority, Assembly Majority, Senate Minority, Assembly Minority and State Comptroller each submitted “quick start” reports. The Director of DOB and fiscal staff from the Senate Majority, Assembly Majority, Senate Minority, Assembly Minority and Comptroller’s Office met publicly on November 14, 2023 to review and discuss their individual forecasts. Though there are differences between the respective estimates, representatives of all parties agreed that the State’s economic situation has been better than originally forecasted in April with growth in real GDP, employment and income exceed expectations. The recession that had been feared will likely be avoided in Calendar Year (CY) 2023. While prospects of a recession have lessened, a slowdown is forecast in CY 2024. Still there are a range of external risks that could hasten the anticipated “soft landing” and have negative impacts on New York’s Financial plan in the coming year.

Joint Review of Economic and Fiscal Factors

The following sections highlight the discussions that took place with respect to the economy, receipts and disbursements projections, and the fiscal outlook.

Economy and Revenues

Economic Context

The Senate Majority, Assembly Majority, Senate Minority, Assembly Minority, and Executive all agree that the economic expansion is continuing and faster than originally forecasted. Estimated U.S. real GDP growth rates for CY 2023 range from 2.1 percent to 2.4 percent. All parties expect growth to slow in CY 2024 with estimates ranging from 1.3 to 2.0 percent and rebound in CY 2025.

All parties agree that the labor market continued to improve in 2023 but at a slower rate than experienced in 2022, with projected growth rates for nonfarm employment in the range of 2.3 to 2.4 percent. Personal income growth estimates range from 5.3 percent to 5.5 percent for 2023, faster than the 2.0 percent growth experienced in 2022. Income growth was driven by 6.4 percent growth in wages, its largest component. While the Assembly Majority estimates a 1.0 percent growth in corporate profits, other parties anticipate a decline in 2023 ranging from (0.6) to (1.0) percent. This is a sharp shift from the 9.8 percent growth observed in 2022.

Estimated growth rates in New York State employment for 2023 range from 1.6 percent to 2.5 percent. All parties expect employment growth to slow in 2024 with forecasts ranging from 0.2 to 0.9 percent. Estimated growth in personal income ranges 3.7 to 4.8 for 2023, with wage growth ranging from 3.6 percent to 5.5 percent. Wage growth is forecast to slow slightly for 2024 ranging 3.0 percent to 5.3 percent, and personal income growth projections range between 3.7 percent to 4.4 percent.

The U.S. economy faces downside risks that could result in a slowdown in the first half of 2024. Tightening credit conditions and increasing interest rates are raising borrowing costs for both consumers and businesses, discouraging consumption and investment. This will lead to a slowdown in production and hiring. Despite the Federal Reserve's aggressive monetary tightening policies since 2022, inflation rates remained elevated above the target rate of 2.0 percent. It appears that higher fed rates will be sustained through the first half of 2024 which will weigh on employment growth. While employment growth will slow, large and sustained job losses are not in the forecast. Elevated interest rates have also led to sharp declines in the housing market which will weigh on overall economic growth.

Other downside risks to the forecast include slower global economic growth particularly an economic slowdown in China, impacts on commodity and oil prices from an escalation of the Israel-Hamas and Russia-Ukraine wars, and sustained or long-lasting work stoppages in response to labor negotiations. All risks that are related to the financial sector are compounded for New York, due to the sector's importance to the State economy. The financial sector is also particularly exposed to global shocks. Additionally, the ongoing persistence of remote work and continued relocation of urban-based workers outside of the State remain long-run downside risks to total wages and employment.

U.S. FORECAST ANNUAL CALENDAR YEAR Percent Change				
	<u>CY 2022</u>	<u>CY 2023</u>	<u>CY 2024</u>	<u>CY 2025</u>
REAL U.S. GDP				
Assembly Majority	1.9	2.4	1.7	2.0
Assembly Minority	1.9	2.4	2.0	2.4
DOB	1.9	2.4	1.6	2.0
Senate Majority	1.9	2.1	1.3	1.8
Senate Minority	1.9	2.4	1.6	2.0
PERSONAL INCOME				
Assembly Majority	2.0	5.5	5.3	4.7
Assembly Minority	2.0	5.4	4.5	4.0
DOB	2.0	5.3	4.1	4.2
Senate Majority	2.0	5.4	4.5	4.0
Senate Minority	2.0	5.3	4.1	4.2
WAGES				
Assembly Majority	7.8	6.4	5.0	4.4
Assembly Minority	7.8	6.4	5.3	4.1
DOB	7.8	6.4	4.3	3.9
Senate Majority	7.8	6.4	5.3	4.1
Senate Minority	7.8	6.4	4.3	3.9
CORP PROFITS W/ IVA & CCA				
Assembly Majority	9.8	1.0	1.1	2.8
Assembly Minority	9.8	(0.6)	3.5	4.1
DOB	9.8	(1.0)	1.4	4.7
Senate Majority	9.8	(1.0)	1.5	4.3
Senate Minority	9.8	(1.0)	1.4	4.7
NONFARM EMPLOYMENT				
Assembly Majority	4.3	2.4	1.1	0.6
Assembly Minority	4.3	2.4	1.1	0.9
DOB	4.3	2.4	0.8	0.7
Senate Majority	4.3	2.3	0.6	0.4
Senate Minority	4.3	2.4	0.8	0.7
3-MONTH T-BILL RATE				
Assembly Majority	2.1	5.3	5.0	4.0
Assembly Minority	2.0	5.1	4.8	3.9
DOB	2.0	5.1	5.1	3.9
Senate Majority	2.0	5.1	4.8	3.9
Senate Minority	2.0	5.1	5.1	3.9



N.Y. FORECAST ANNUAL CALENDAR YEAR Percent Change				
	<u>CY 2022</u>	<u>CY 2023</u>	<u>CY 2024</u>	<u>CY 2025</u>
NONFARM EMPLOYMENT				
Assembly Majority*	5.0	2.5	0.9	0.8
Assembly Minority	5.1	1.9	0.6	0.3
DOB*	5.1	1.6	0.2	0.7
Senate Majority	5.1	1.9	0.6	0.3
Senate Minority	5.1	1.6	0.2	0.7
PERSONAL INCOME				
Assembly Majority*	(1.9)	4.4	3.7	4.2
Assembly Minority	(1.9)	4.8	4.4	3.5
DOB*	(1.9)	3.7	3.7	4.3
Senate Majority	(1.6)	4.8	4.4	3.5
Senate Minority	(1.9)	3.7	3.7	4.3
WAGES				
Assembly Majority*	6.9	4.7	3.0	3.8
Assembly Minority	6.9	5.5	5.3	3.9
DOB*	6.9	3.6	3.1	4.1
Senate Majority	7.1	5.5	5.3	3.8
Senate Minority	6.9	3.6	3.1	4.1

* Constructed based on QCEW data.

Revenue Projections Comparison

MID-YEAR REVENUE COMPARISON FY 2024					
(millions of dollars)					
	Executive Mid-Year Estimate	Senate Majority	Senate Minority	Assembly Majority	Assembly Minority
Personal Income Taxes	51,269	51,682	51,393	51,846	51,508
User Taxes and Fees	21,932	22,064	21,774	21,954	21,989
Business Taxes	25,915	25,915	26,975	26,020	26,054
Other Taxes	2,820	2,849	2,839	2,822	2,832
All Funds Taxes Subtotal	101,936	102,511	102,981	102,642	102,383
General Fund Misc. Rec. & Fed. Grants	6,401	6,401	6,401	6,411	6,401
Education Gaming	4,484	4,484	4,484	4,560	4,563
Total	112,821	113,396	113,866	113,613	113,347

MID-YEAR REVENUE COMPARISON FY 2025					
(millions of dollars)					
	Executive Mid-Year Estimate	Senate Majority	Senate Minority	Assembly Majority	Assembly Minority
Personal Income Taxes	55,538	55,973	55,538	56,206	55,531
User Taxes and Fees	22,427	22,285	22,427	22,458	22,680
Business Taxes	24,897	24,897	24,897	24,992	25,210
Other Taxes	2,509	2,526	2,509	2,534	2,531
All Funds Taxes Subtotal	105,371	105,682	105,371	106,190	105,952
General Fund Misc. Rec. & Fed. Grants	7,217	7,217	7,217	7,219	7,217
Education Gaming	4,321	4,418	4,321	4,459	4,329
Total	116,909	117,317	116,909	117,868	117,498

MID-YEAR REVENUE COMPARISON FY 2024 AND FY 2025 -- TWO-YEAR TOTAL (millions of dollars)					
	<u>Executive Mid-Year Estimate</u>	<u>Senate Majority</u>	<u>Senate Minority</u>	<u>Assembly Majority</u>	<u>Assembly Minority</u>
Personal Income Taxes	106,807	107,656	106,931	108,052	107,038
User Taxes and Fees	44,359	44,350	44,201	44,412	44,670
Business Taxes	50,812	50,812	51,872	51,012	51,264
Other Taxes	5,329	5,375	5,348	5,356	5,363
All Funds Taxes Subtotal	207,307	208,193	208,352	208,832	208,335
General Fund Misc. Rec.	13,618	13,618	13,618	13,630	13,618
Education Gaming	8,805	8,902	8,805	9,019	8,892
Total	229,730	230,713	230,775	231,481	230,845

Historically strong receipts performance in 2022 and 2023 was driven by economic support from the Federal government provided to offset the pandemic impacts and subsequent stimulus designed to speed up and strength the recovery and enhance U.S. global competitiveness. Receipts in FY 2024 have resumed the growth trends seen prior to the pandemic. The outlook for FY 2024-25 and the outyears is vulnerable to overall economic trends, especially with uncertainty related to the length and severity of the anticipated economic slowdown.

Revenue growth for the current and upcoming fiscal year remains dependent on several global, national, and statewide factors that could pose risks to the forecasts. These risks are:

- Although tax revenues are, in general, closely related to economic activity, the magnitude and timing of impacts on tax receipts represents a risk to the forecast. New York’s progressive personal income tax structure subjects revenues to more volatility with respect to business cycles.
- Continued inflationary pressures are forcing the Federal Reserve to pursue a tight monetary policy at this stage of the economic cycle that is designed to create a soft landing or slowdown, but could lead to an outright national economic recession.
- Prevalence of remote work, combined with outmigration, could permanently reduce the demand in commercial real estate and secondary industries such as leisure and hospitality, business services and entertainment in New York City and other large cities around the State.
- Financial sector bonus payments represent a significant portion of New York wages and are paid during a short period late in the fiscal year. Forecasts suggest that end of the year bonuses will be lower than FY 2023. Should the level of these payments be even lower than anticipated, income tax receipts may not meet expectations.

Disbursement Projections Comparison

The Mid-Year Financial Plan prepared by the Executive contains detailed forecasts of all major spending programs. The General Fund traditionally has been, and will continue to be, an important focus of State financial performance because State law requires it be balanced. State Operating Funds is a more inclusive measure that captures all spending financed by dedicated revenue sources and for servicing the State’s debt, excluding capital spending and Federal aid. All Governmental Funds includes spending for capital purposes and Federal grants.

The tables below summarize the State’s actual and projected disbursements for FY 2023 through FY 2025 as prepared by the Executive in the Mid-Year Financial Plan.

EXECUTIVE MID-YEAR SPENDING FORECAST (millions of dollars)			
	FY 2023 Actuals	FY 2024 Projected	FY 2025 Projected
State Operating Funds	\$123,751	\$123,840	\$130,863
<i>Annual Growth</i>	5.4%	0.1%	5.7%
General Fund (with transfers)	\$92,799	\$100,922	\$110,272
<i>Annual Growth</i>	4.4%	8.8%	9.3%
All Funds	\$220,462	\$227,664	\$230,600
<i>Annual Growth</i>	5.3%	3.3%	1.3%

The following tables summarize the comparison of State Operating Funds spending projections for FY 2024 and FY 2025 to the Executive projections in the Mid-Year Financial Plan.

MID-YEAR ESTIMATES - FY 2024 State Operating Funds (millions of dollars)					
	Executive Mid-Year Estimate	Estimates			
		Senate Majority	Senate Minority	Assembly Majority	Assembly Minority
School Aid (School Year)	34,388	34,388	34,388	34,359	34,327
Medicaid	27,747	27,747	27,747	27,747	27,747
Public Assistance	651	651	651	672	651
Subtotal	62,786	62,786	62,786	62,778	62,725
All Other Disbursements	61,054	61,054	61,054	61,054	61,054
Total Disbursements	123,840	123,840	123,840	123,832	123,779

FY 2025 State Operating Funds Estimates (millions of dollars)					
	Executive Mid-Year Estimate	Senate Majority	Senate Minority	Assembly Majority	Assembly Minority
Medicaid	30,658	30,658	30,658	30,658	30,658
Public Assistance	707	707	707	683	707
Subtotal	67,069	67,069	67,013	67,051	67,027
All Other Disbursements	63,794	63,794	63,794	63,847	63,794
Total Disbursements	130,863	130,863	130,807	130,898	130,821

Summary information for three key areas of State Operating Funds spending -- Medicaid, School Aid, and Public Assistance -- is provided below.

Medicaid

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through monthly premium payments to managed care plans that enroll Medicaid eligible individuals and direct payments to health care providers for services rendered to Medicaid enrollees. Medicaid services include inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care, and services provided in a variety of community-based settings (including personal care, mental health, substance abuse treatment, developmental disabilities services, school-based services, and foster care services).

The Medicaid program is financed by the Federal government, the State, and counties, including the City of New York. The counties share has been capped at calendar year 2015 levels is projected to save local districts a total of \$6.4 billion in FY 2024 -- roughly \$3.0 billion for counties outside the City of New York and \$3.4 billion for the City of New York.

DOB estimates that spending from all sources, including spending by local governments that is not part of the State's All Funds activity, will total \$107 billion in FY 2024. The following table shows the estimated disbursements by level of government and the total State share includes Department of Health and other State agency spending.

FY 2024 PROJECTED MEDICAID SPENDING ¹		
(millions of dollars)		
	<u>Spending</u>	<u>Share</u>
Federal	63,989	59.6%
State	34,901	32.5%
Local	8,505	7.9%
Total	107,395	100.0%
¹ Includes operational costs and the Essential Plan but excludes MSA payments deposited in the Medicaid Escrow Fund.		

The Executive’s projected Medicaid forecast involves an evaluation of all major service categories using a specific approach, depending on whether expenditures are based on monthly plan premiums or fee-for-service payments. The forecast uses category specific Medicaid Management Information System (MMIS) data. This includes detail on total paid claims and premiums, retroactive spending adjustments, caseload, and service utilization. This data is incorporated into mathematical models that are used to predict future expenditures based upon historical expenditure patterns and seasonal trends. The models also consider non-MMIS data (e.g., managed care enrollment, Federal Medicare premiums, and trends in the pharmaceutical industry) in certain areas to generate program specific expenditure projections. The forecast also recognizes the Public Health Emergency eFMAP benefit expiration at the end of calendar year 2023.

It should be noted that the forecasts provide a point-in-time estimate for program spending based on the most current data available and therefore are subject to considerable variance depending on several risks that could affect Medicaid spending and enrollment. These include natural disasters, economic fluctuations, shifts in demographic patterns, litigation and changes in State and Federal policies and statutes.

The Senate and Assembly's projections align with the Executive's forecast published in the Financial Plan. All parties concur there is risk to the Financial Plan if Medicaid enrollment declines at a slower pace than projected, which would result in spending above what is currently projected in these forecasts.

School Aid

The State Education Department (SED) releases school district specific data three times a year pursuant to §305 of the Education Law. The November 15 database update provides the first information on the projected upcoming school year. This data will continue to be updated on February 15 and May 15. Executive Budget estimates are based upon data reported from SED at the November 15 database.

Since this data for the School Year (SY) 2025 is not yet available, estimating School Aid for SY 2025 presents significant challenges. Expense-based aids (e.g., Transportation Aid, BOCES Aid, and Building Aid) can be volatile and difficult to project with a high level of certainty because they depend on individual school districts’ expenses and relative income and property wealth per pupil; for SY 2017 through SY 2020, for example, aid projections varied by approximately \$75 million to \$150 million from the time of Budget enactment through the following November database, while SY 2021 and SY 2022 projections fluctuated by over \$300 million due to the impact of the COVID-19 pandemic on district expenses. Additionally, SED’s initial projections of current law aid for SY 2025 in the November 2023 database will include a Foundation Aid increase up to the level necessary to keep the formula fully funded. The value of this increase depends on the formula’s full funding target, which is in turn impacted by annually updated factors such as inflation, enrollment, and levels of district wealth and student need.

The following table summarizes the School Aid projections reflected in the respective reports put forward by Executive, Senate, and Assembly staffs. The reports used different approaches to forecasting School Aid for SY 2025, with differing degrees of specificity; however, all incorporate a significant Foundation Aid increase to maintain the continued full funding of the formula under current law, as well as continued growth in expense-based aids. The projected SY 2025 increases all recognize the substantial impact that inflation continues to have on School Aid. The Senate Majority concurs with the Executive’s projections. The other parties’ reports merely differ in their assumptions regarding inflation, enrollment, and how the annual expense-based aid increase will compare to the average of prior years. However, all parties’ estimates of the School Aid increase for SY 2025 still fall within a relatively narrow range of less than \$100 million.

FY 2025 (\$ in Millions)	EXECUTIVE	SENATE MAJORITY	SENATE MINORITY	ASSEMBLY MAJORITY	ASSEMBLY MINORITY
School Aid Increase (School Year Basis)	1,316	1,316	1,260	1,351	1,335

Public Assistance

The Office of Temporary and Disability Assistance (OTDA) local assistance programs provide cash benefits and supportive services to low-income families, children and adults living in NYS. OTDA's public assistance (PA) program is comprised of the Family Assistance and Safety Net Assistance programs. The Family Assistance program, which is financed by Federal Temporary Assistance for Needy Families (TANF) funds, provides cash assistance to those families who have been on assistance for less than five years. The Safety Net Assistance program, financed by the State and counties, provides cash assistance to single adults, childless couples, and families who have exhausted their five-year Federal time-limit on TANF.

The following is a summary of public assistance disbursement projections as reflected in the respective reports put forward by Executive, Senate and Assembly staffs. Variances between disbursement estimates may be attributable to differing conclusions regarding the extent of caseload increases. However, because a portion of public assistance expenditures are for non-benefit payments such as diversion payments and transitional services, it is difficult to determine expenditures based solely on caseload.

The Executive FY 2024 forecast for the public assistance caseload is 558,000 (6.2 percent increase from FY 2023 actuals). Public assistance gross costs (Federal/State/local) are estimated at \$3.15 billion, a projected 9.4 percent increase from FY 2023 actuals, with State-funded costs estimated at \$651 million. All other parties agree with the Executive's FY 2024 forecast except for the Assembly Majority with a higher public assistance caseload estimate of 584,473 (8.1 percent increase over FY 2023 actuals) and State-funded costs estimated at \$672 million.

The Executive FY 2025 forecast for the public assistance caseload is 536,699 (3.8 percent decrease from FY 2024). Public assistance gross costs (Federal/State/local) are estimated at \$3.03 billion, a projected 3.8 percent decrease from FY 2024, with State-funded costs estimated at \$707 million. All other parties agree with the Executive's FY 2025 forecast except for the Assembly Majority with a higher public assistance caseload estimate of 590,708 (1.1 percent increase over FY 2024) and lower State-funded costs estimated at \$683 million.

Fiscal Outlook

The State's fiscal position strengthened over the past two years, driven by soaring tax collections, robust capital gains realizations, and tax increases enacted in FY 2022. Tax receipts grew by 27 percent in FY 2022 (the highest annual growth in 30 years) and nearly 9 percent in FY 2023. This extraordinary level of resources allowed the State to bolster reserves to historic levels, avoid costly debt, while committing additional resources to programs, services and assistance. Spending was increased substantially to fully fund Foundation Aid for schools; provide significant levels of additional assistance to hospitals and health care providers and workers; expand mental health access; address the solvency of the Metropolitan Transportation Authority (MTA); aid the City of New York for the provision of care for thousands of asylum seekers; and increase funding for many other programs.

A slowing economy and lower levels of tax receipts beginning in FY 2024 led to a reduction in the State's multi-year tax receipts forecast. The revenue decline experienced in New York has also been seen in the collections Federal government and other states with a personal income tax structure. Consequently, estimated spending growth exceeds the revised forecast for growth in the resources available to support such spending increases leading to projected General Fund budget gaps totaling \$4.3 billion in FY 2025, \$9.5 billion in FY 2026 and \$7.7 billion in FY 2027.

Despite the decline in receipts, State finances remain on solid footing, with favorable operating results recorded through the first half of FY 2024 and high interest yields on cash balances that remain at historically high levels inclusive of reserves that have been steadily built up over the last two years and reflect prudent fiscal and debt management practices that bolster liquidity.

Still risks to the State's revenue sources loom and funding pressures mount. While both the Executive and Legislative houses agree that updated U.S. and New York economic outlooks have improved with a milder than originally forecasted economic downturn, significant downside risks remain related to forecast risk for FY 2025. These risks include the potential for a weakening economy with continued price inflation, increasing oil prices, global unrest, continued wars and military action. Expenditure pressures are driven by additional asylum seeker assistance and another Federal spending deadline this month.

The Executive's projections are based on recent tax and expenditure results, updated forecasts for the State and US economy, and programmatic assumptions that the Executive believes are reasonable. They do not "factor in" potential economic and financial shocks, which are, by definition, unpredictable. Other key data that will impact the forecast include the November 15 School Aid database update as well as economic and spending performance over the next several months.

The Governor will propose a FY 2025 Executive Budget by January 16, 2024, that will include a plan to provide for balanced General Fund operations on a cash basis in FY 2025.