

Budget Briefing on New York State & New York City



June 13, 2016

Overview

- Budget Calendars
- Economic Indicators
- New York State
- New York City

State and City Budget Calendars

New York State

Fiscal year begins April 1

- January– Executive Budget
- March– Adopted Budget
- July– First Quarterly Update
- October– Mid-year Update

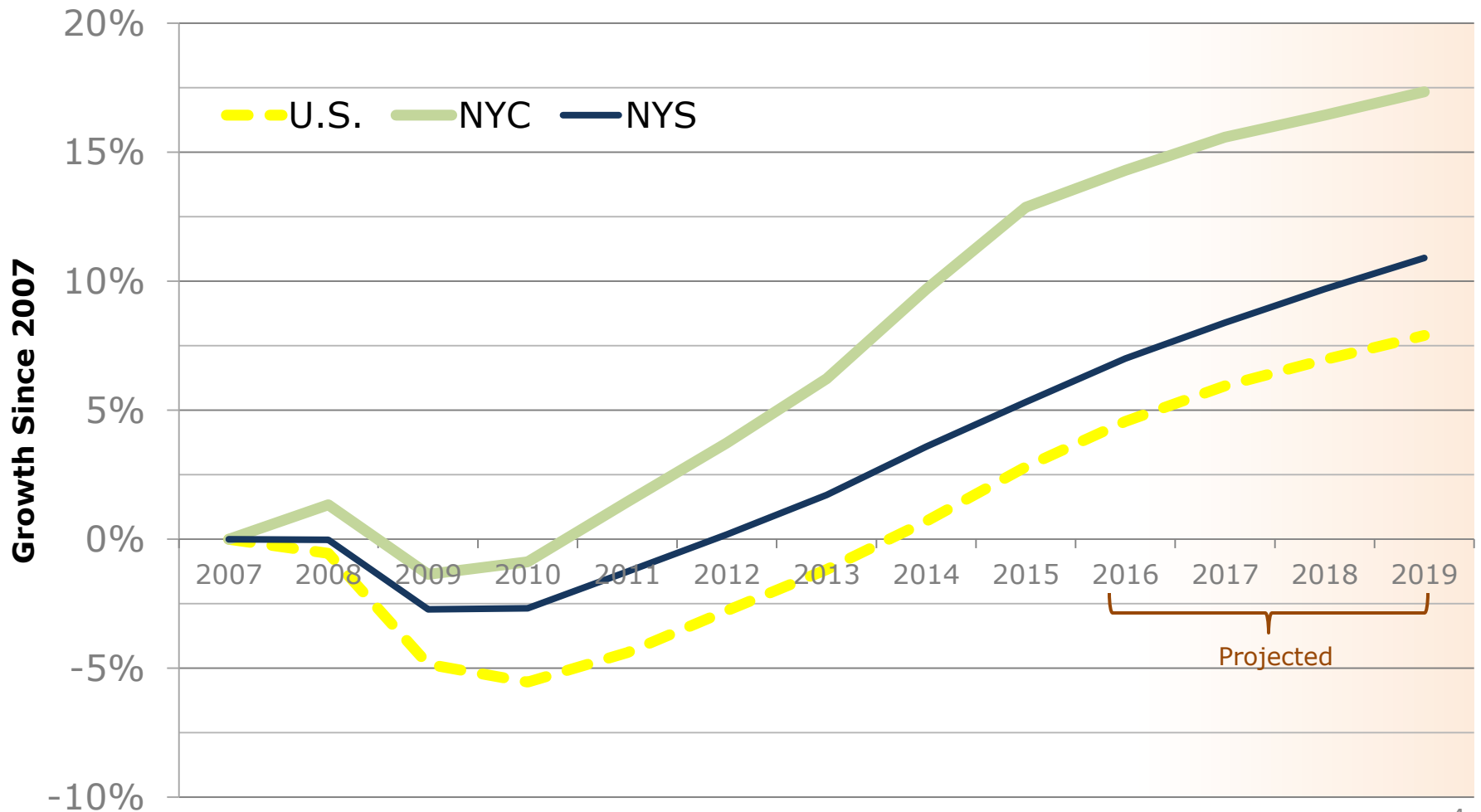
New York City

Fiscal year begins July 1

- January– Preliminary Budget
- May– Executive Budget
- June– Adopted Budget
- November– Quarterly Modification

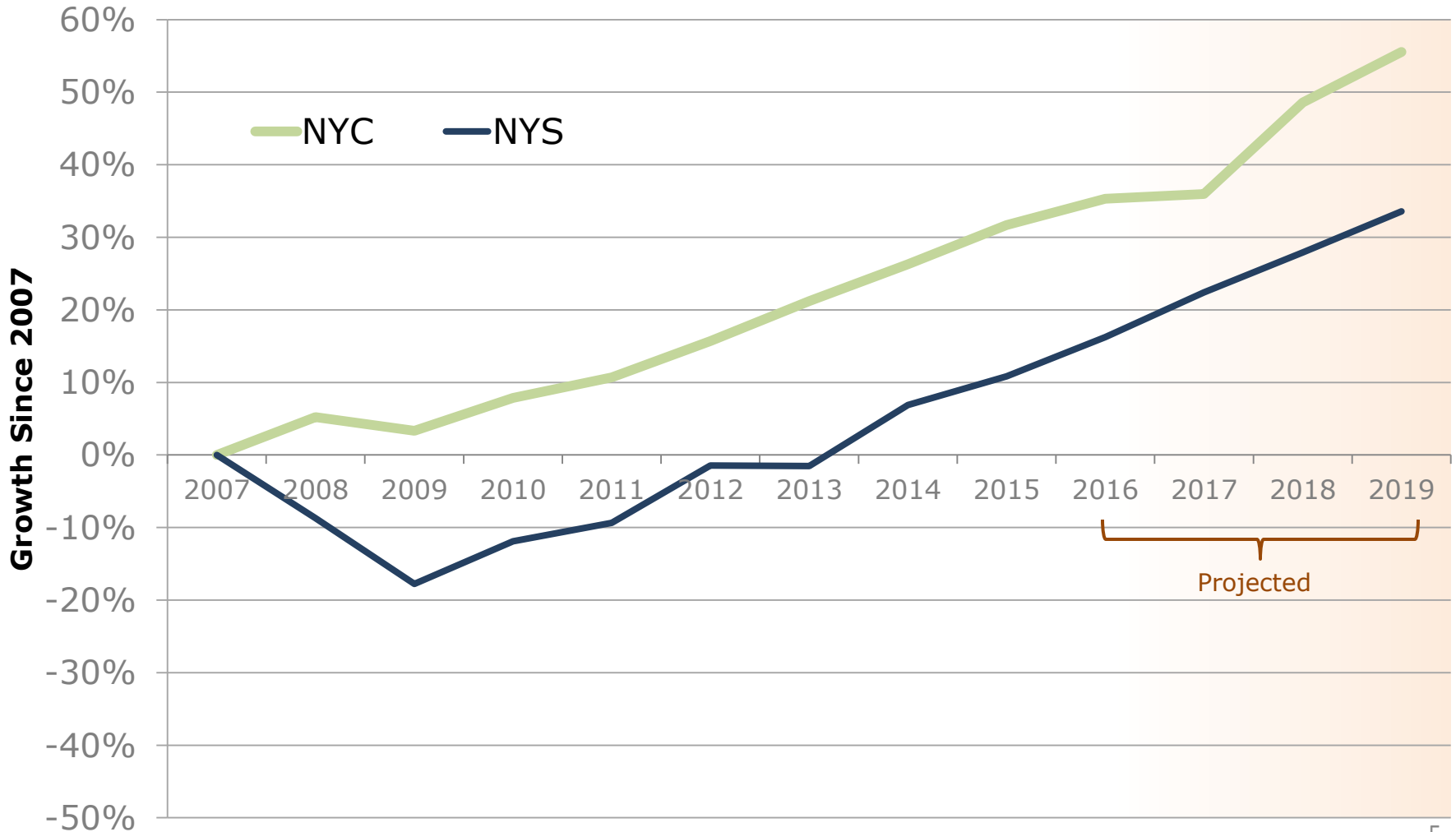
Strong Jobs Growth Continues in NYC, but Rest of State Still Lags

Total Employment



Strong Personal Income Growth Projected to Continue

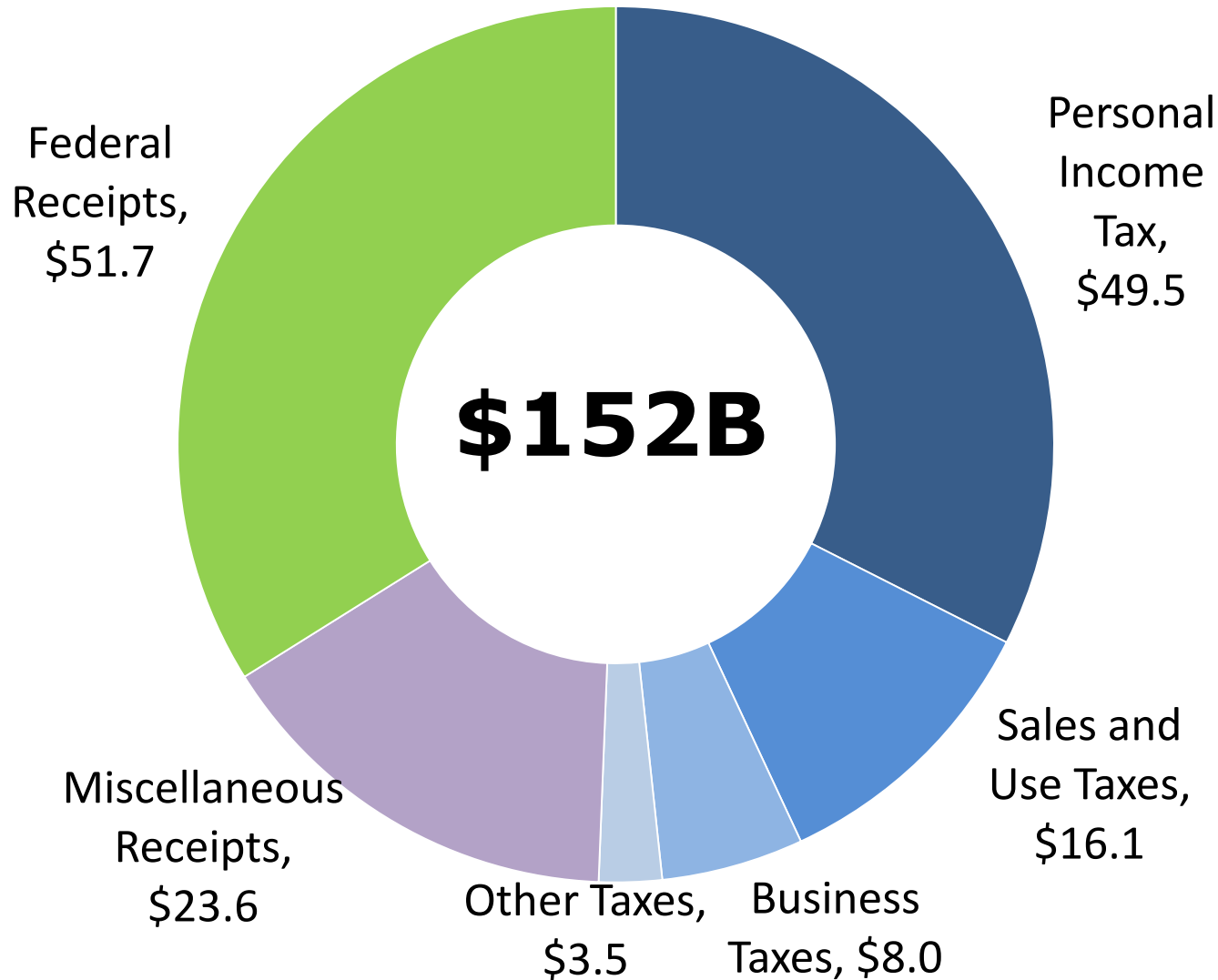
Personal Income



New York State Budget

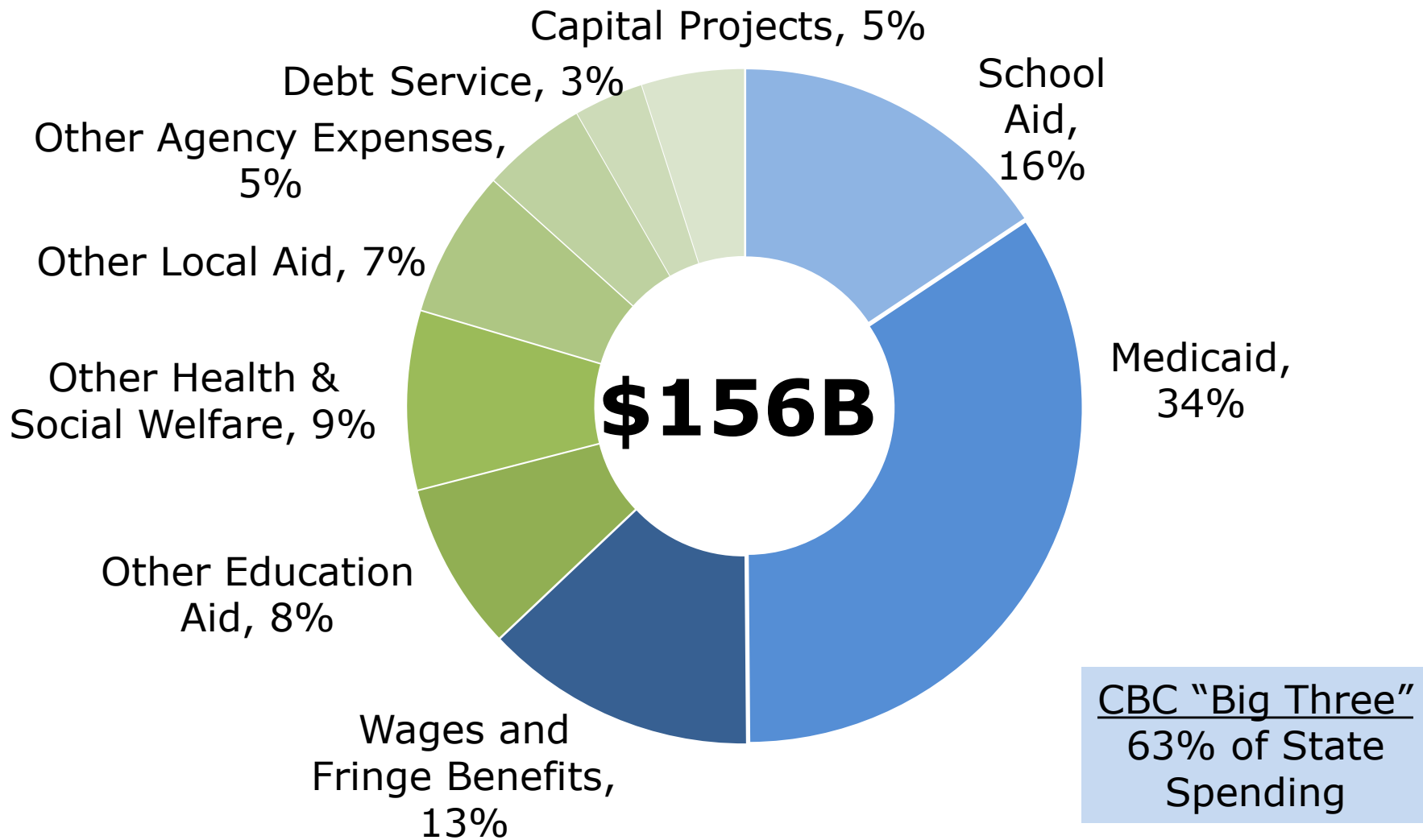
Composition of NYS Receipts

Fiscal Year 2017 (\$ in Billions)

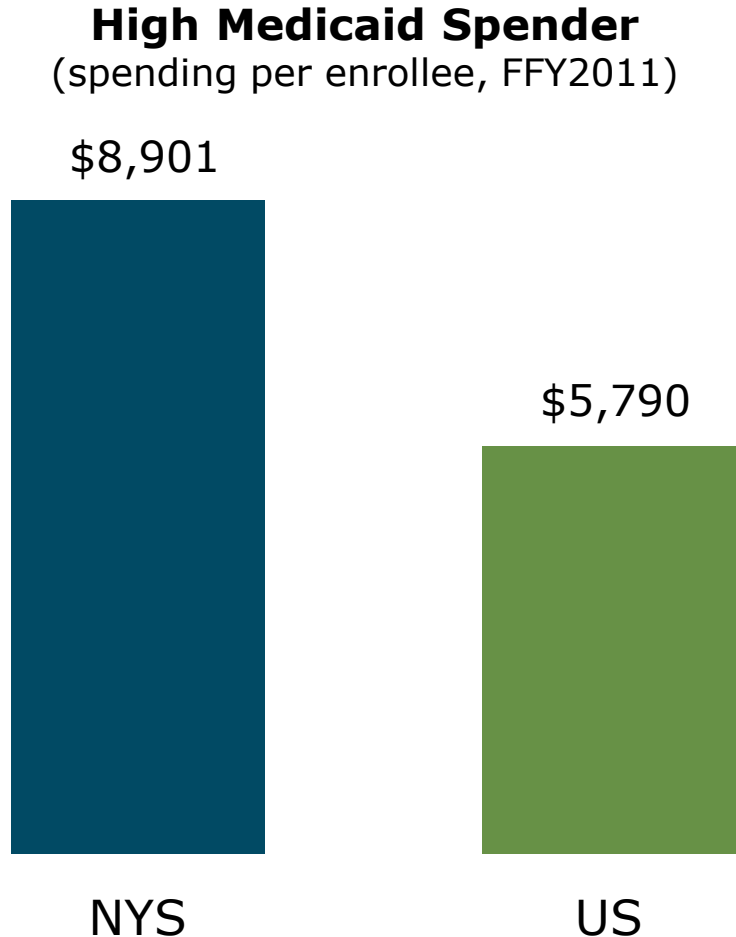


Composition of NYS Spending

Fiscal Year 2017 (\$ in Billions)



High Medicaid Spending with Average Outcomes



Average Health Outcomes

13

50-State Rank

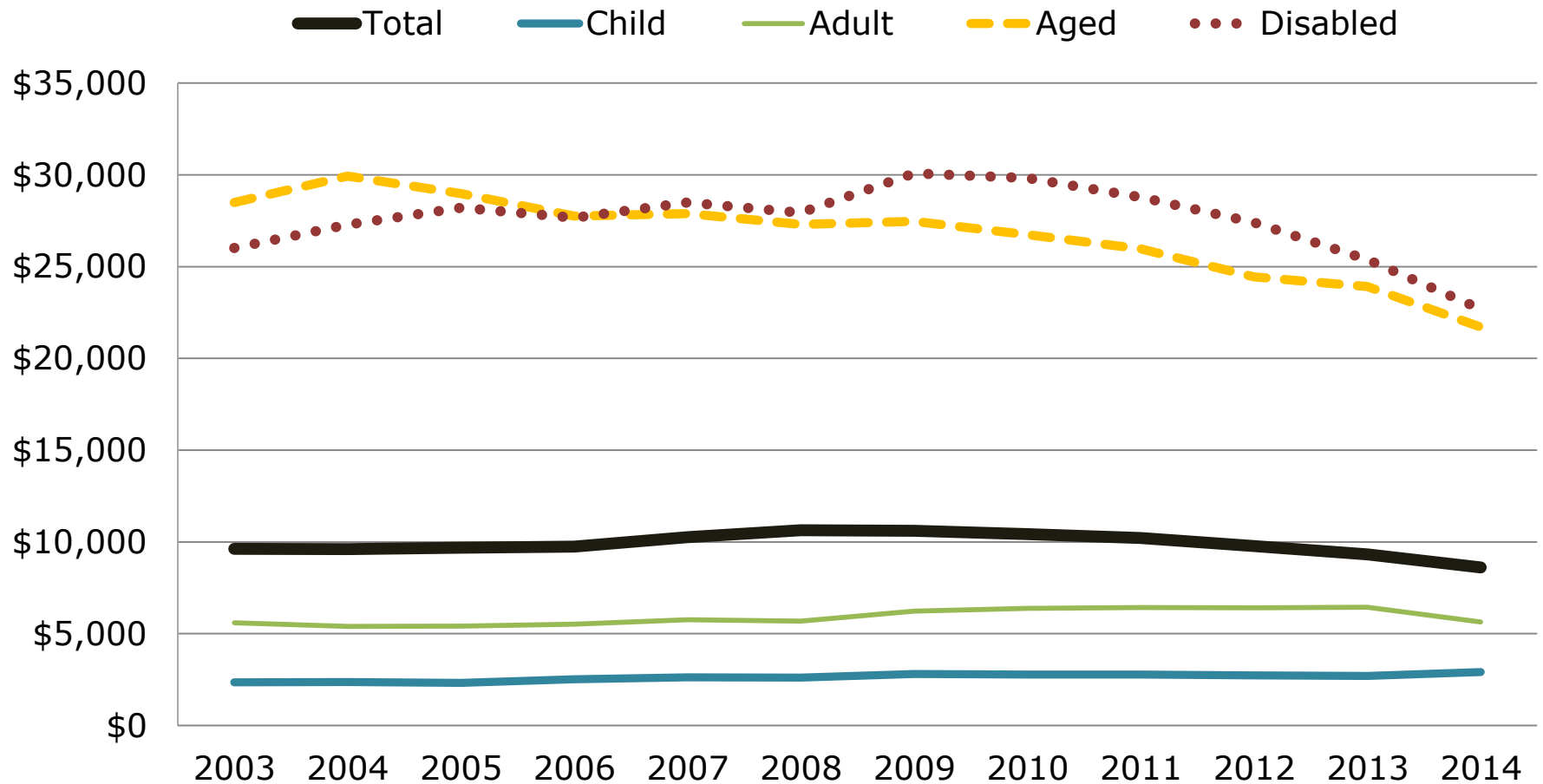
*(Commonwealth Fund State Health System
Performance, 2014)*

**5 Million
Enrollees**

*(New York State Department of Health, Quarterly
Medicaid Reports)*

Total Medicaid Spending Growing More Slowly As Per Enrollee Costs Decline

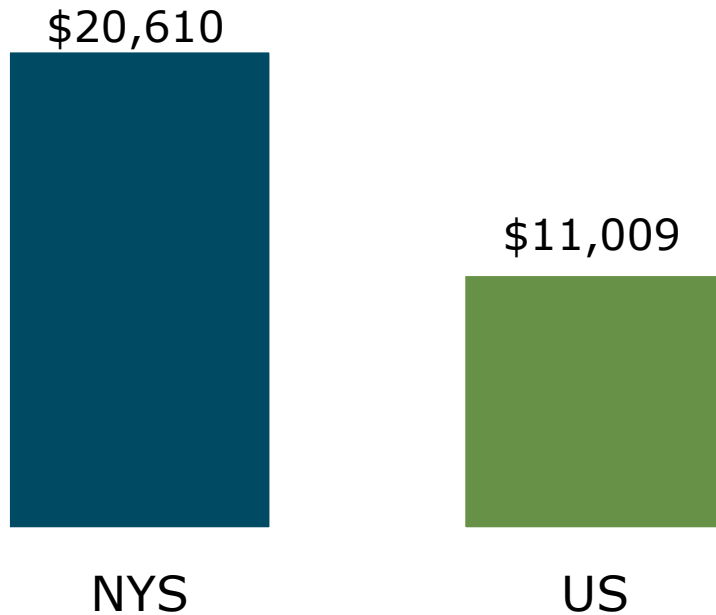
NYS Medicaid Spending Per Enrollee by Eligibility Type, 2003-2014



Highest Education Spending in the Nation; Outcomes Only Average

High Education Spender

(public preK-12 spending per pupil, SY2014)



Average Education Outcomes

27th
in Achievement

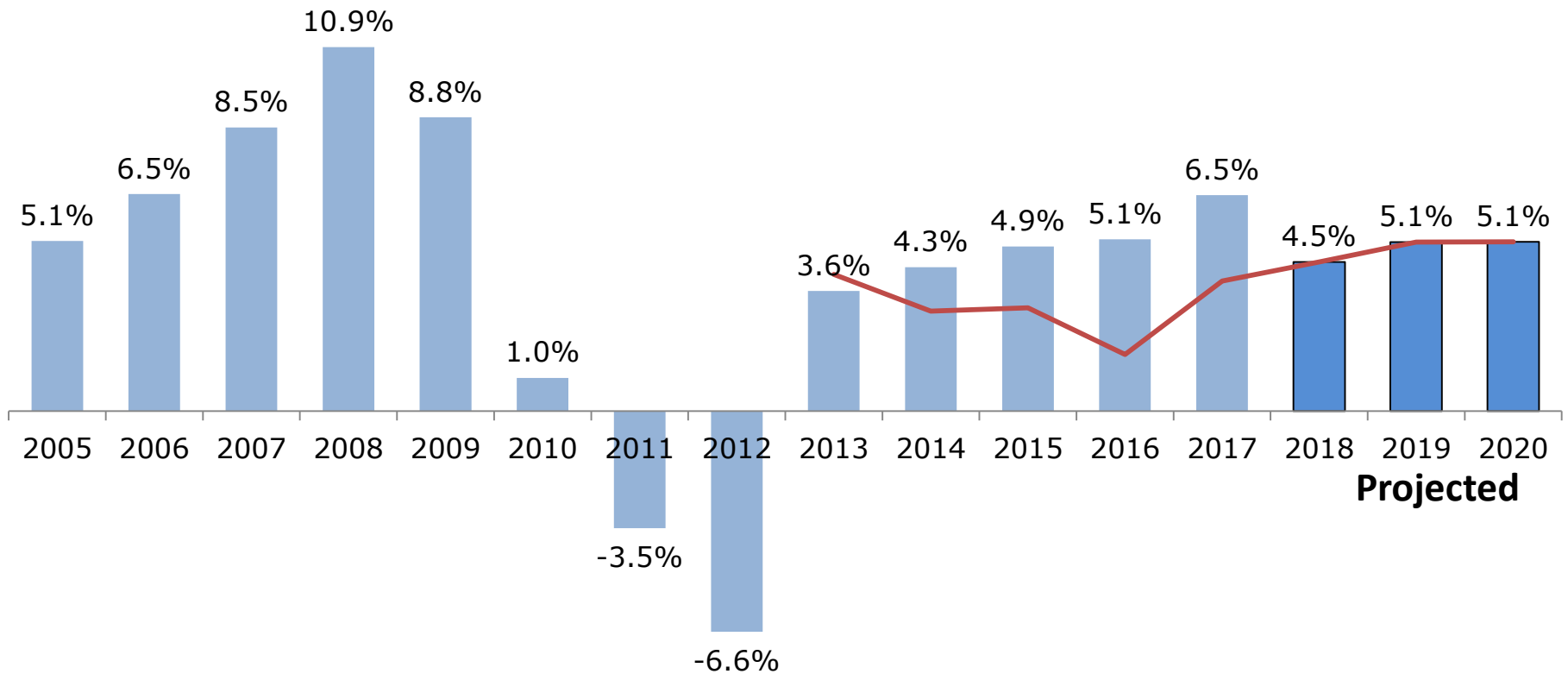
(C-)

(Education Week 2016)

High Growth in School Aid Despite "Cap"

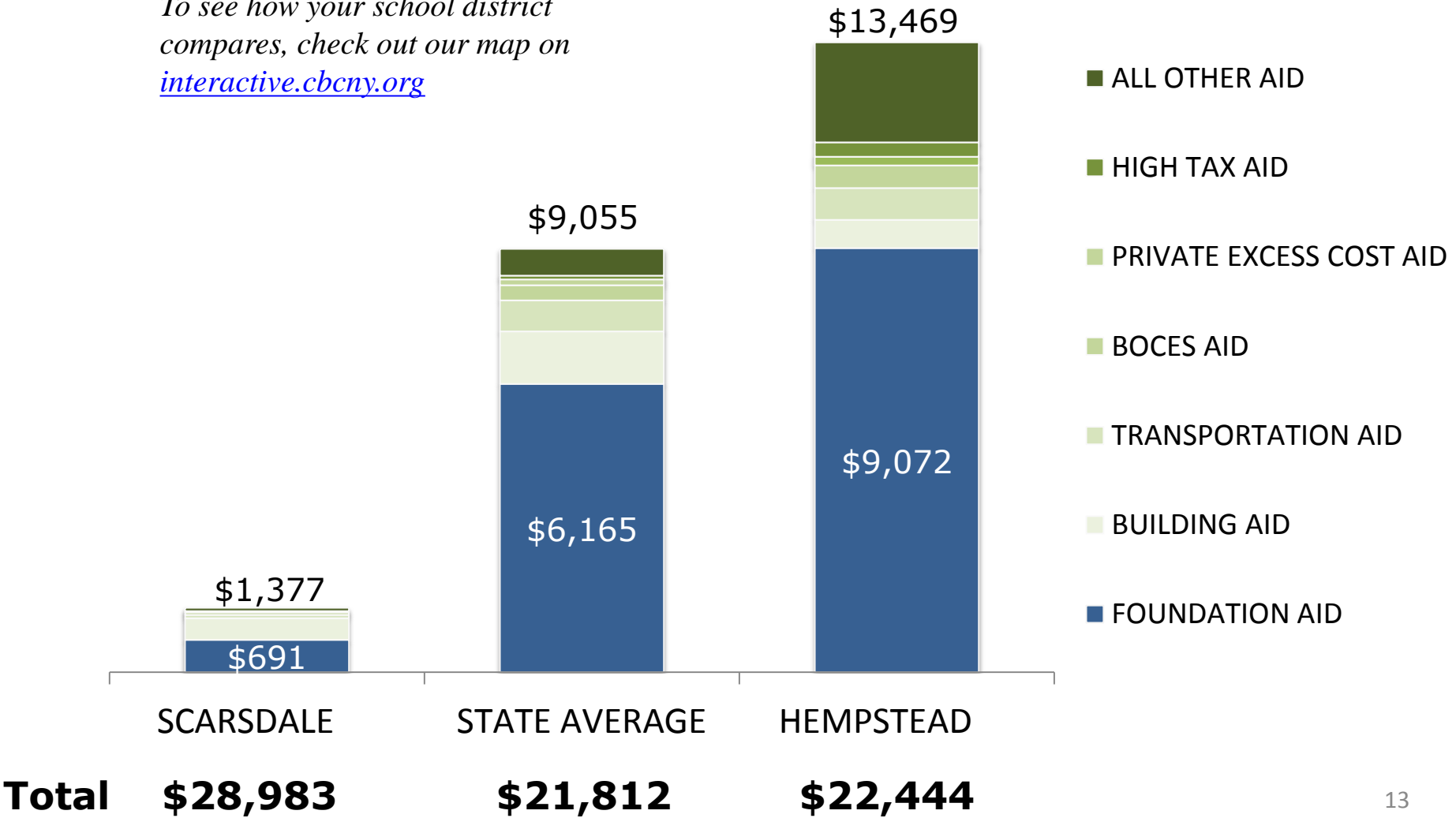
Annual Percent Change in School Aid, School Year Basis

Actual/Projected Growth Cap



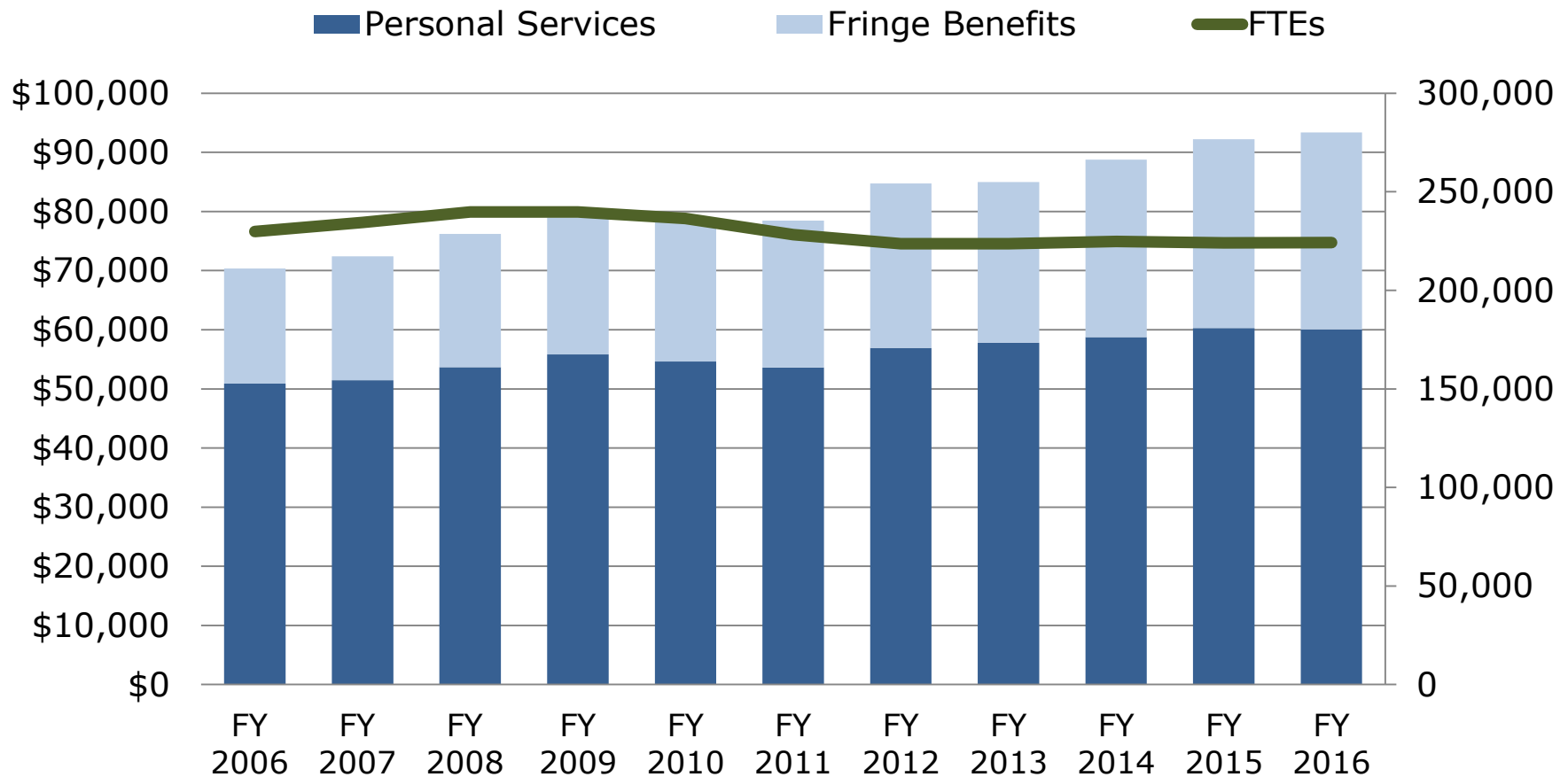
2016-17 School Aid Variability Per Pupil

To see how your school district compares, check out our map on interactive.cbcny.org



State Agencies Shrink as Per Employee Compensation Costs Continue to Grow

Cost Per State Full-Time Equivalent Employee and Number of FTEs, FY2006-2016



Personal Income Tax Cuts: Affordable?

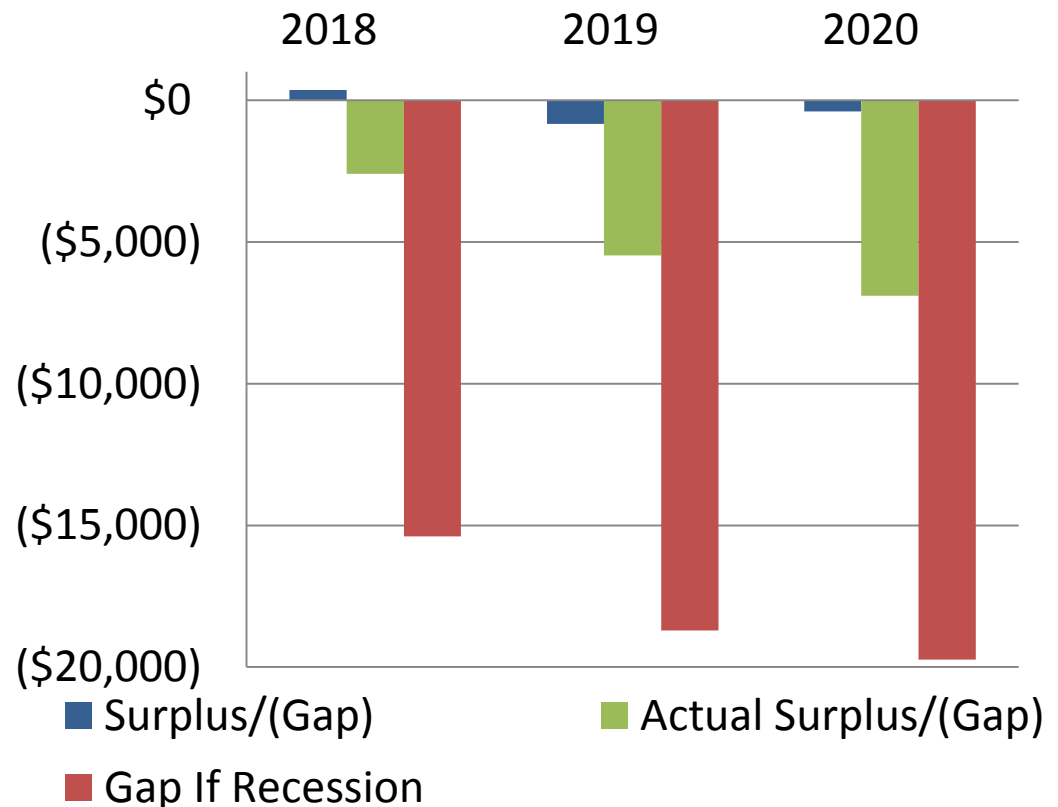
- Do not take effect until 2018, fully effective in 2025
- Take effect same year that PIT surcharge expires
- Estimated to decrease revenues by \$236M in FY 2018 and \$4.2B when fully effective

Married Filing Joint Tax Rates			
New York Taxable Income		2017 Rates	2025 Rates
\$0	\$16,000	4.00%	4.00%
\$16,000	\$22,000	4.50%	4.50%
\$22,000	\$26,000	5.25%	5.25%
\$26,000	\$40,000	5.90%	5.50%
\$40,000	\$150,000	6.85%	5.50%
\$150,000	\$300,000	6.85%	6.00%
\$300,000	\$2,000,000	6.85%	6.85%
\$2,000,000+	-	8.82%	6.85%

Unspecified Savings Mask Deficits, and Deficits Could be Far Larger

- Financial plan shows small 2018 surplus and small outyear deficits
- Projections depend on unspecified savings from maintaining 2% state spending growth—without these savings, large budget gaps
- A recession could potentially more than double the size of the outyear gaps

“Surplus” vs. Potential Gaps
(dollars in millions)



Questionable Priorities for Settlements Windfall Again

Mostly one-time uses, but many unclear investments

Unresolved issues with broader plans

- \$700M for Thruway Authority
- \$200M for Department of Transportation
- \$1B Javits

Broadly-defined and undefined uses

- \$170M Upstate Revitalization Fund
- \$120M for Environmental Protection Fund
- \$640M for Affordable/Homeless Housing
- \$85M Undefined Economic Development
- \$25M Empire State Poverty Initiative
- \$20M Government Consolidations

Major Capital Investments Planned, But Details Lacking

- Non-MTA Transportation- \$27.1B included in the capital plan
- MTA- \$28B included in plan, including state's commitment of \$8.3B
- Affordable and Homeless Housing- \$20B, but only about \$2B in new capital appropriations
- LaGuardia- \$4B project, no state funding
- Javitz- \$1B in Settlement Funds

Large Sums on Questionable Economic Development Programs

Program Description	2016	2017
Upstate Revitalization Initiative (Winners and Losers)	\$1,500	\$170
Loans and Grants for Javits Center	\$0	\$1,000
High Tech Manufacturing in Chatauqua and Erie County	\$0	\$686
Nano Utica	\$0	\$638
New NY Broadband Initiative	\$500	\$0
Projects outside Buffalo and URI winners (private firms)	\$400	\$30
Appropriations under \$50 M	\$155	\$193
Regional Economic Development Councils	\$150	\$150
New York Works Economic Development Fund	\$45	\$199
SUNY/CUNY Challenge Grants	\$110	\$110
Long Island Investments	\$150	\$0
Industrial Scale R&D for SUNY PI Clinton County	\$0	\$125
Other	\$0	\$85
Tourism Promotion and Eco Dev	\$0	\$67
Southern Tier Agriculture	\$50	\$0
Total (dollars in millions)	\$3,060	\$3,282

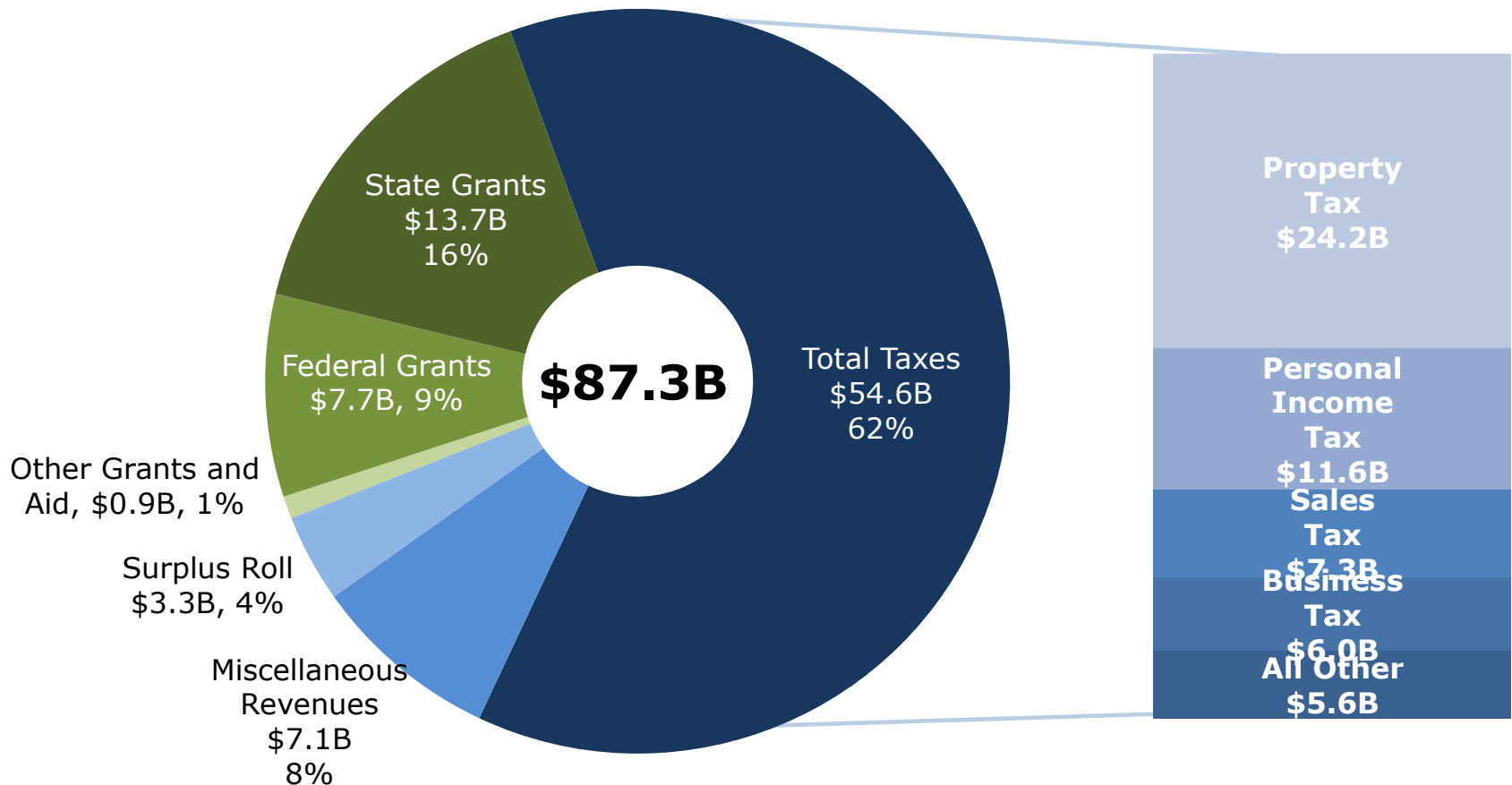
CBC's Concerns

- Challenges of continuing reforms in Medicaid
- Large increases in school aid without reforms to funding formulas
- Unrealistic expectations of holding down employee/retiree costs
- Misleading presentation of “surplus” and desire to spend it
- Potential impact of a recession
- Dubious approved and future uses of large financial settlements
- Growth in economic development spending despite lack of documented success

New York City Budget

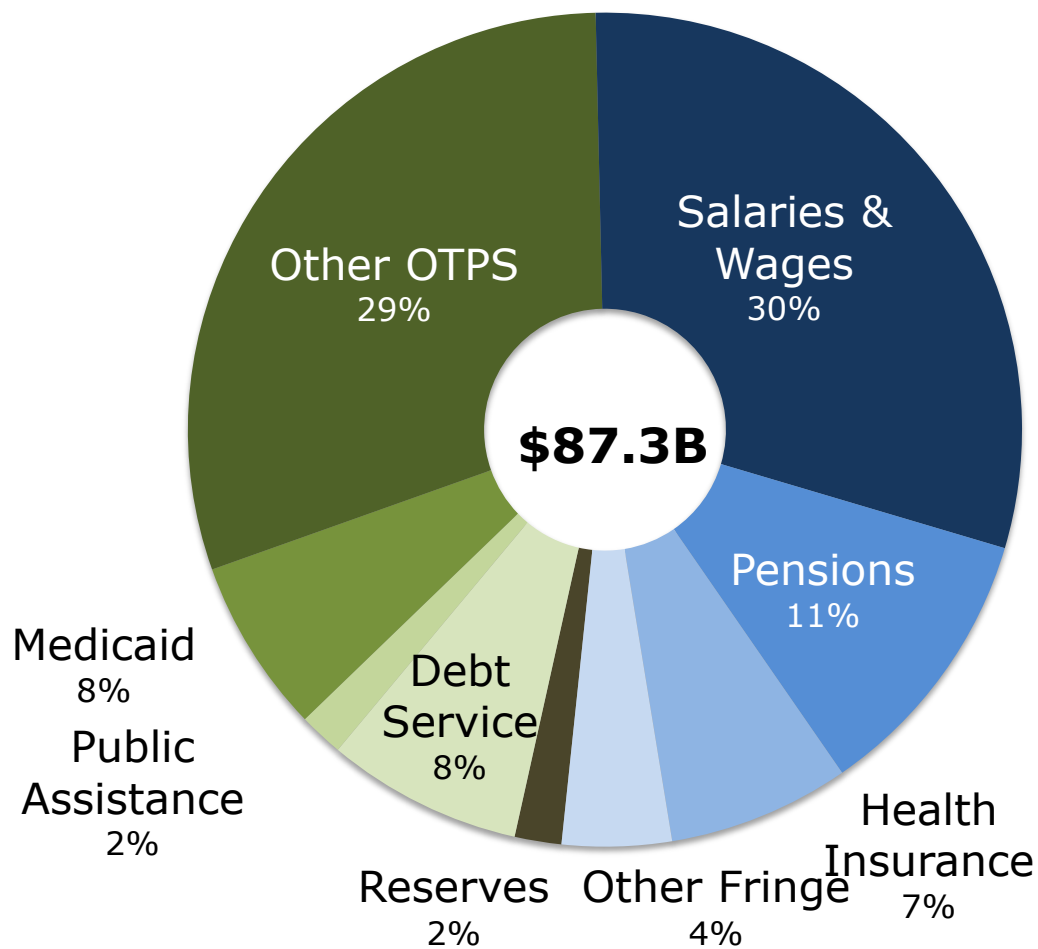
Composition of NYC Revenues

Executive Budget for Fiscal Year 2017

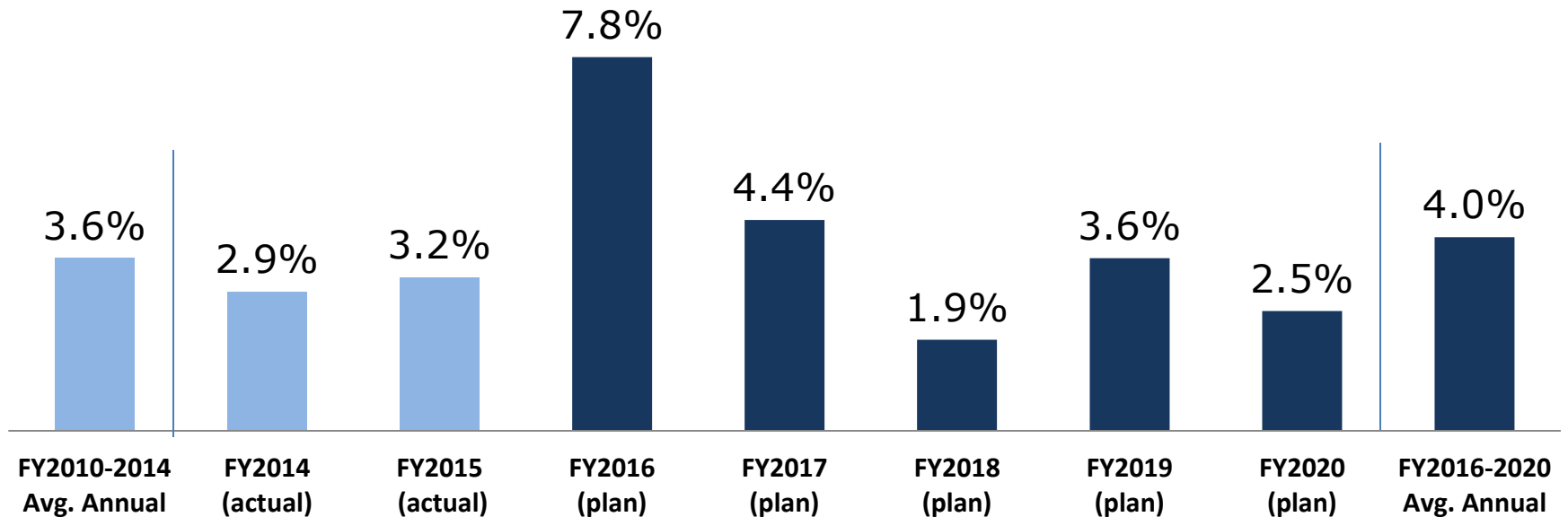


Composition of NYC Expenditures

Executive Budget for Fiscal Year 2017



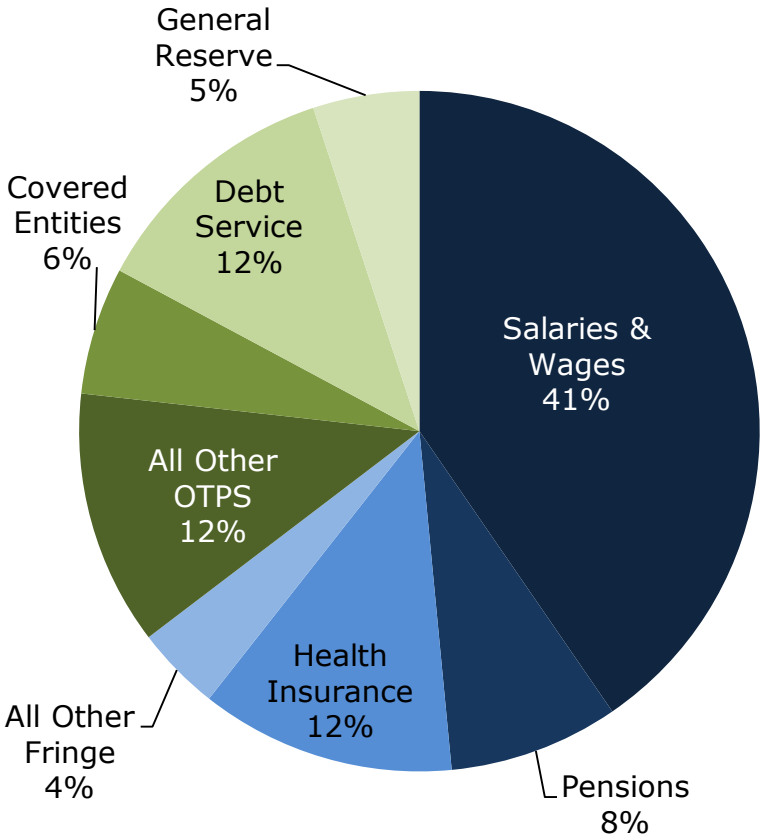
Annual Expenditure Growth Rates



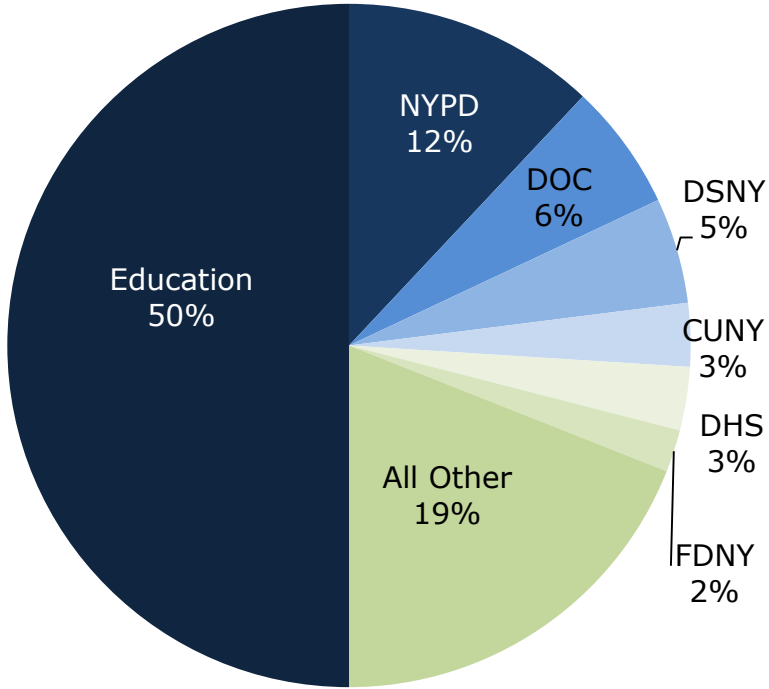
Note: Adjusted for surplus roll and RHBT drawdowns/funding.

Drivers of Spending Growth

By Object

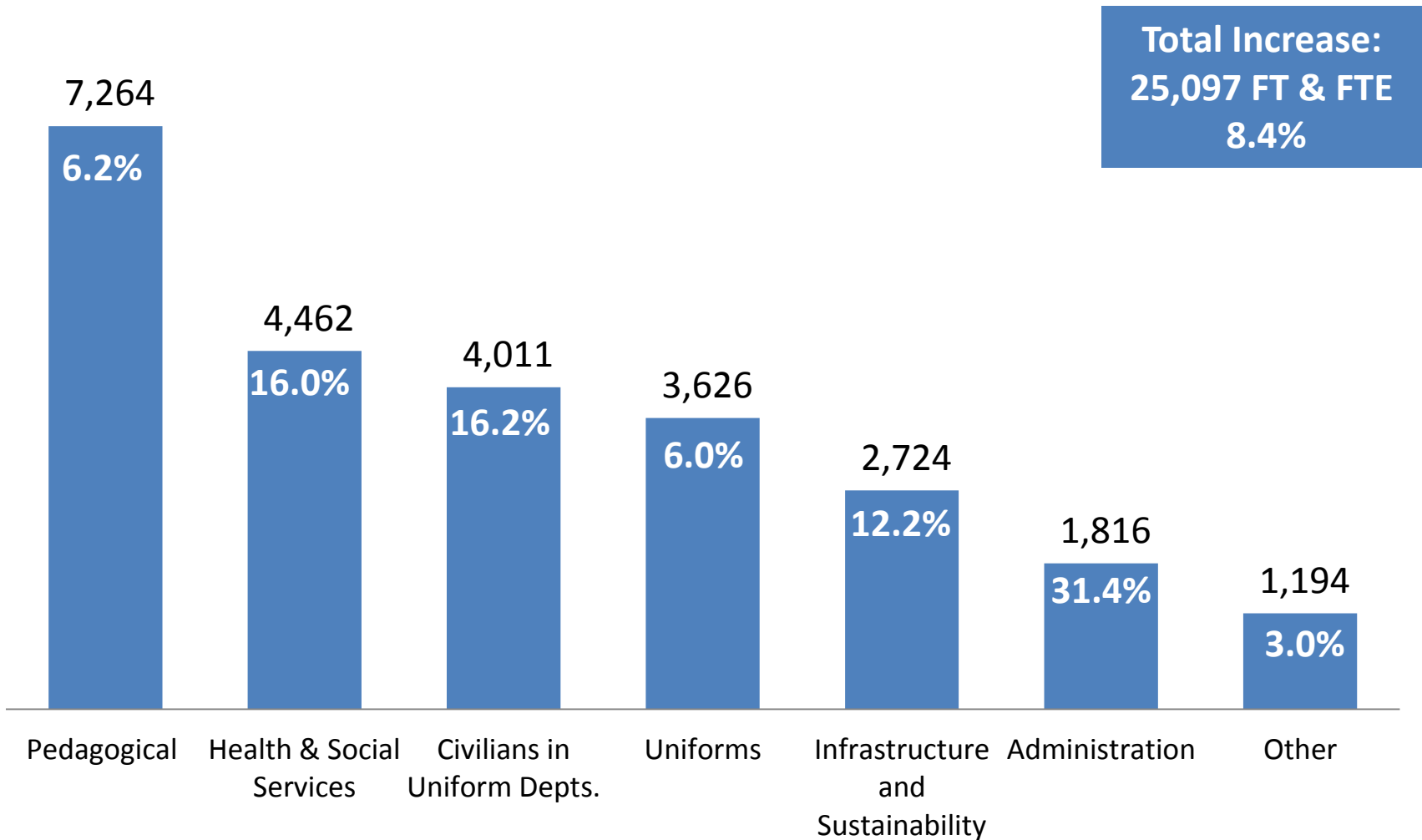


By Agency (City-Funded Expenditures)



Headcount Reaches All-Time High

From FY2014 (actual) to FY2017 (plan)

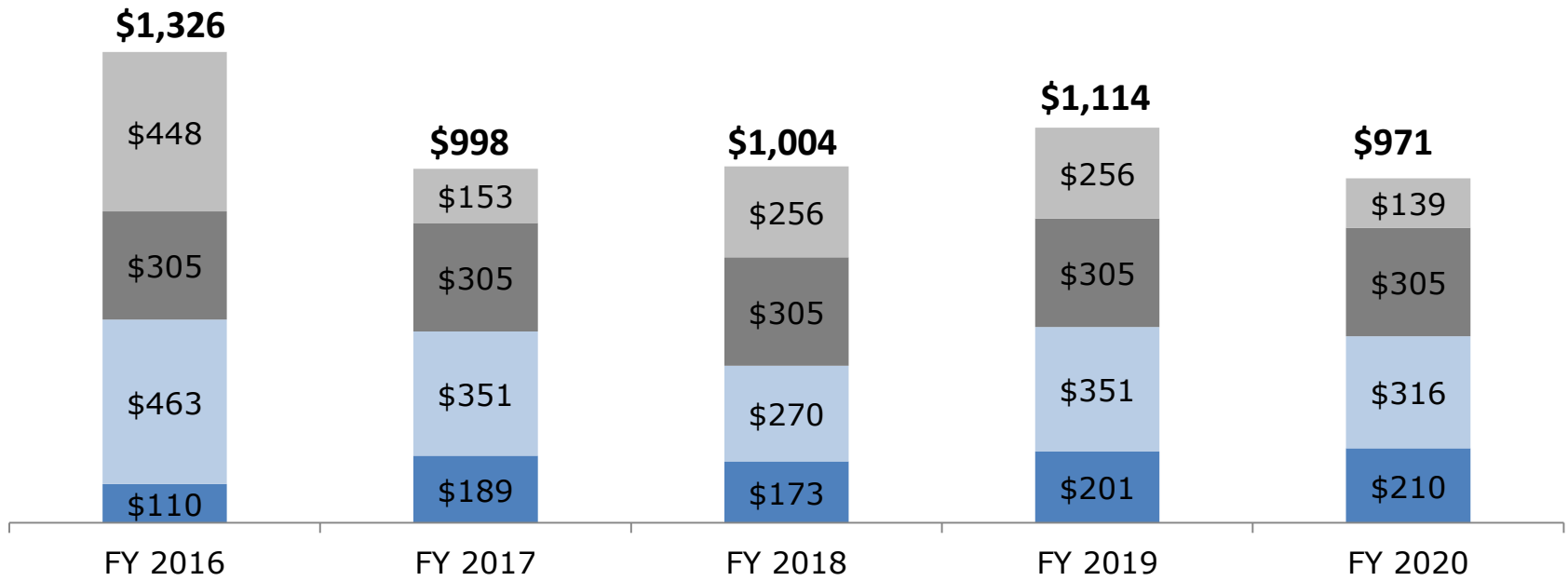


Citywide Savings Plan Features Few Initiatives to Improve Agency Productivity

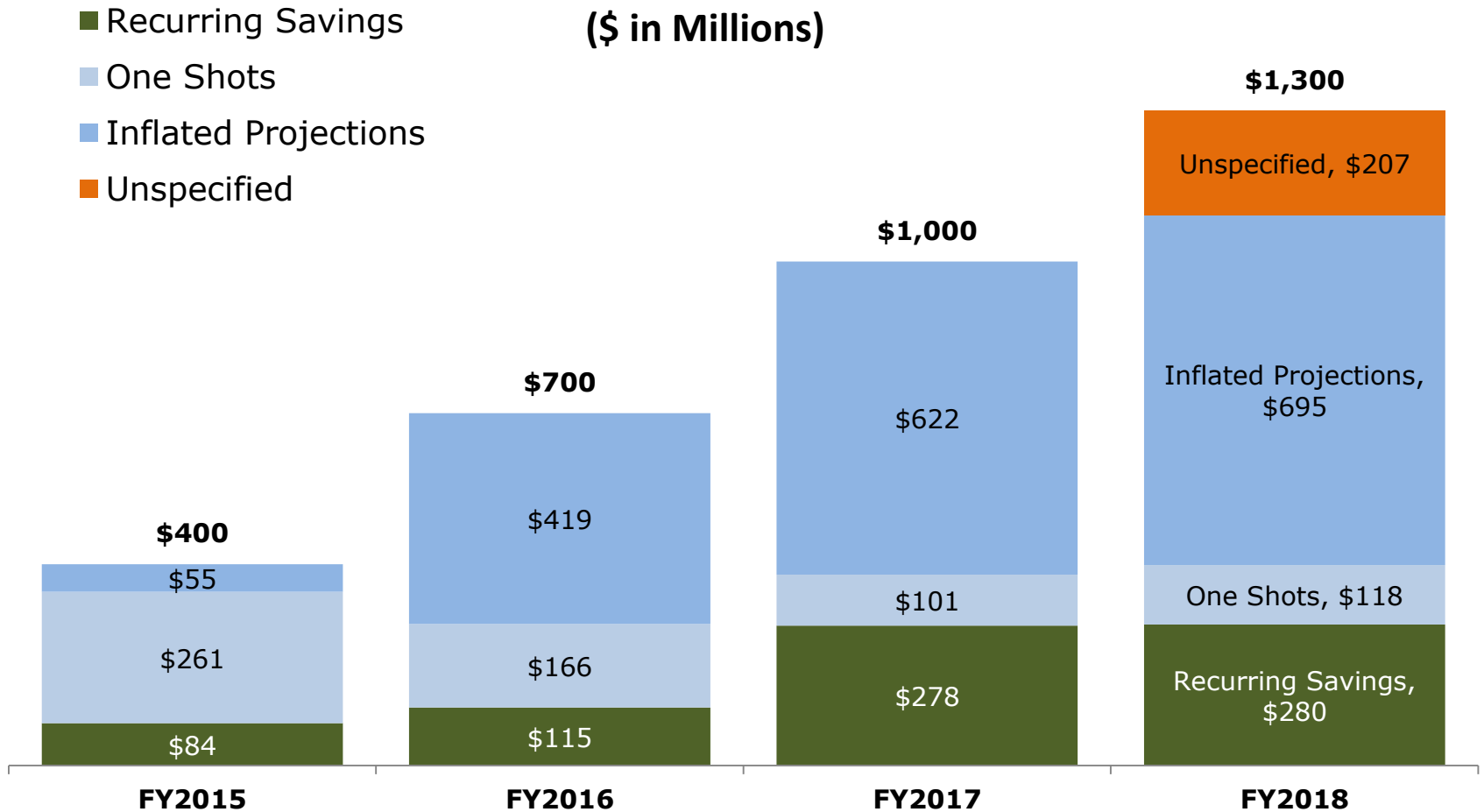
Citywide Savings Plan by Fiscal Year

(\$ in millions)

- Real Efficiencies
- Medicaid Re-estimate
- Other Re-estimates
- Debt Service and Procurement Savings

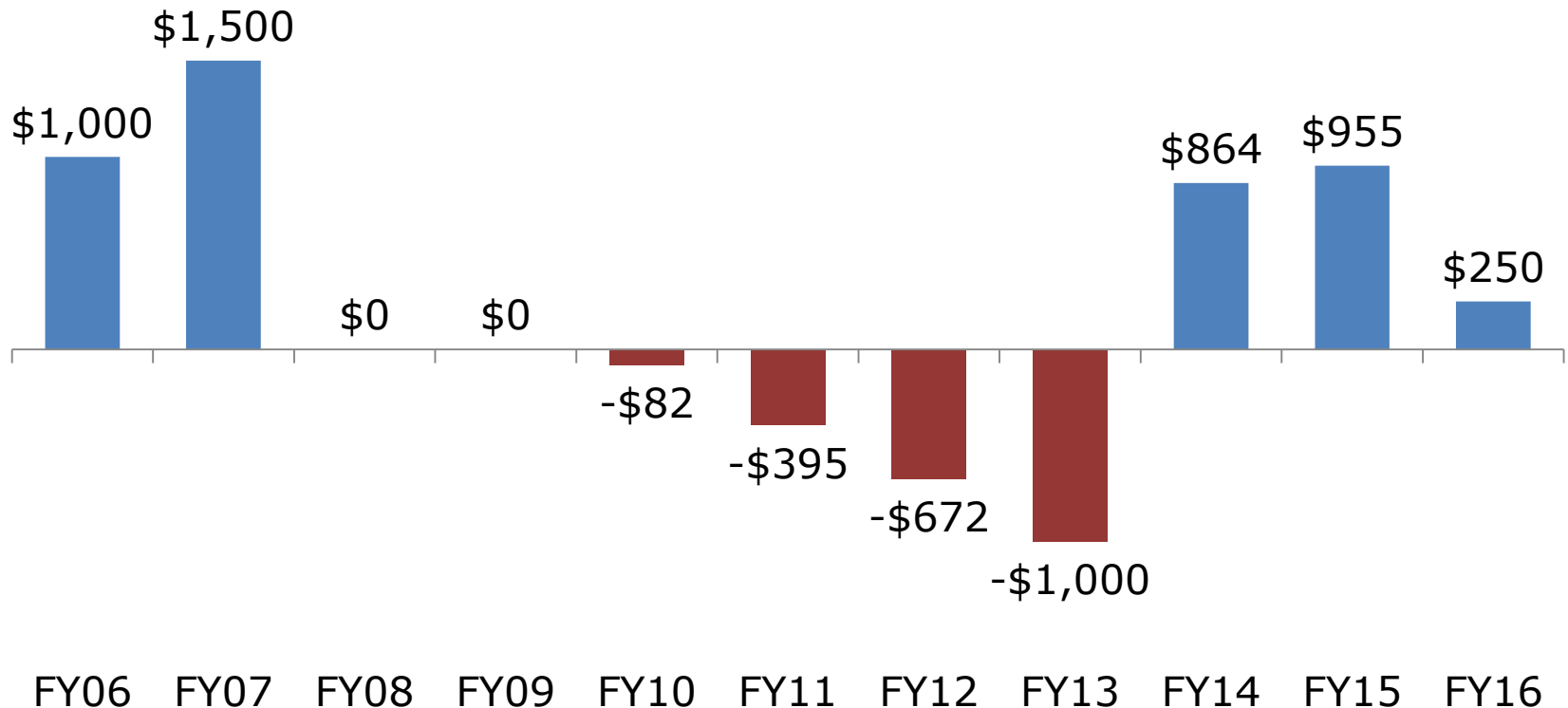


Health Care Savings Do Little to “Bend the Cost Curve”



Highest Retiree Trust Fund Balance, But Guidelines Needed

General Fund Deposits/(Withdrawals) from RHBT
(\$ in millions)

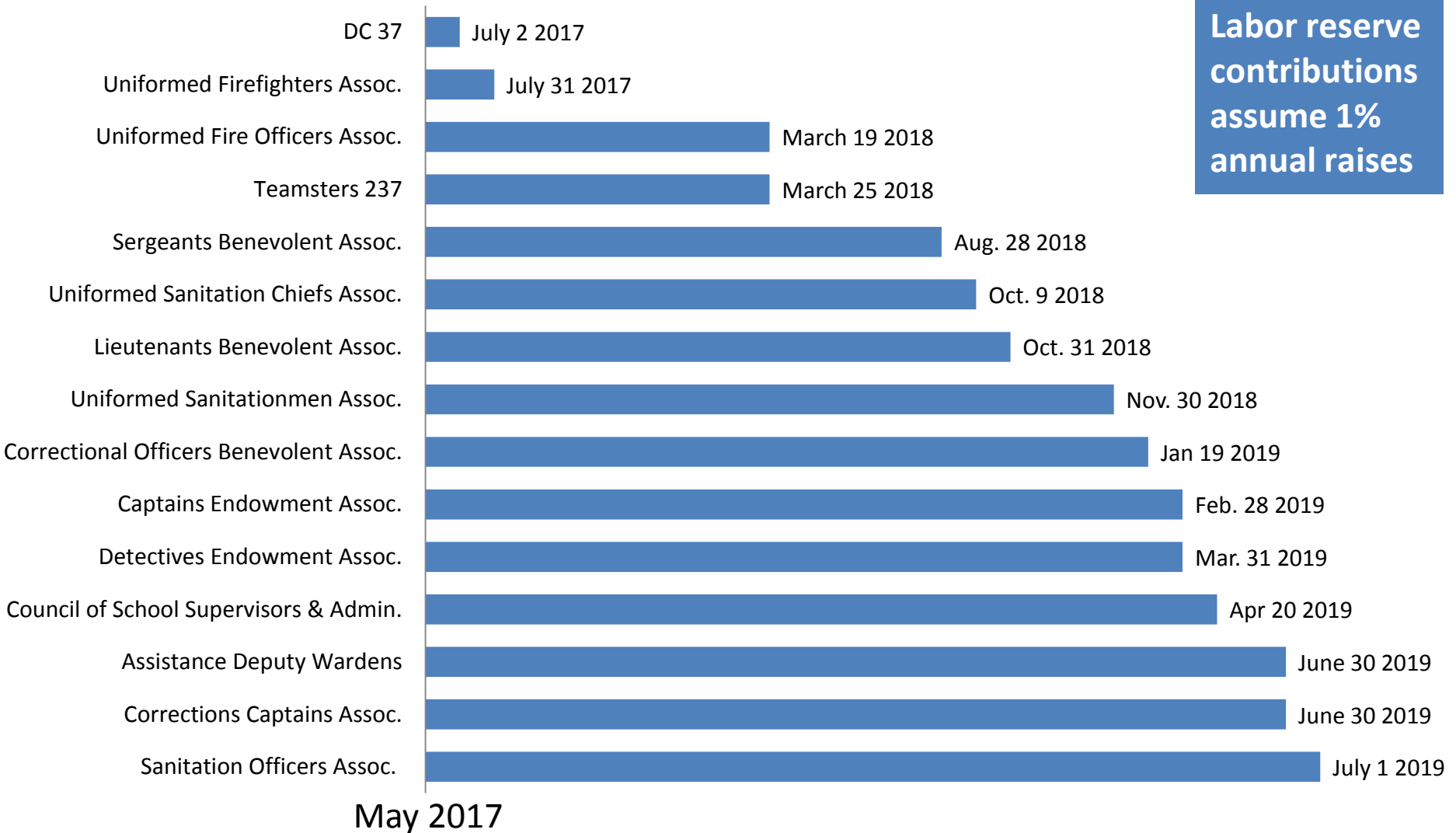


Risks Could Potentially Expand Budget Gaps Significantly

(\$ in millions)	FY2017	FY2018	FY2019	FY2020
Projected Gap	\$ -	\$ (2,735)	\$ (2,977)	\$ (2,269)
Medicaid Revenues	(305)	(305)	(305)	(305)
Special Ed. Reimbursement	(30)	(80)	(80)	(80)
Taxi Medallion Sales		(107)	(257)	(367)
Overtime	(302)	(250)	(250)	(250)
Pension Returns (6% returns)		(20)	(40)	(60)
DHS		(130)	(130)	(130)
Labor Reserve Risk (2% raises)		(400)	(800)	(1,200)
NYC Health + Hospitals	(365)	(415)	(465)	(515)
Potential Gaps	\$ (1,002)	\$ (4,442)	\$ (5,304)	\$ (5,176)
Potential Recession Impact	\$ (4,030)	\$ (6,600)	\$ (4,300)	\$ 40
Potential Gaps	\$ (5,032)	\$ (11,042)	\$ (9,604)	\$ (5,136)

Looming Labor Contract Expiration

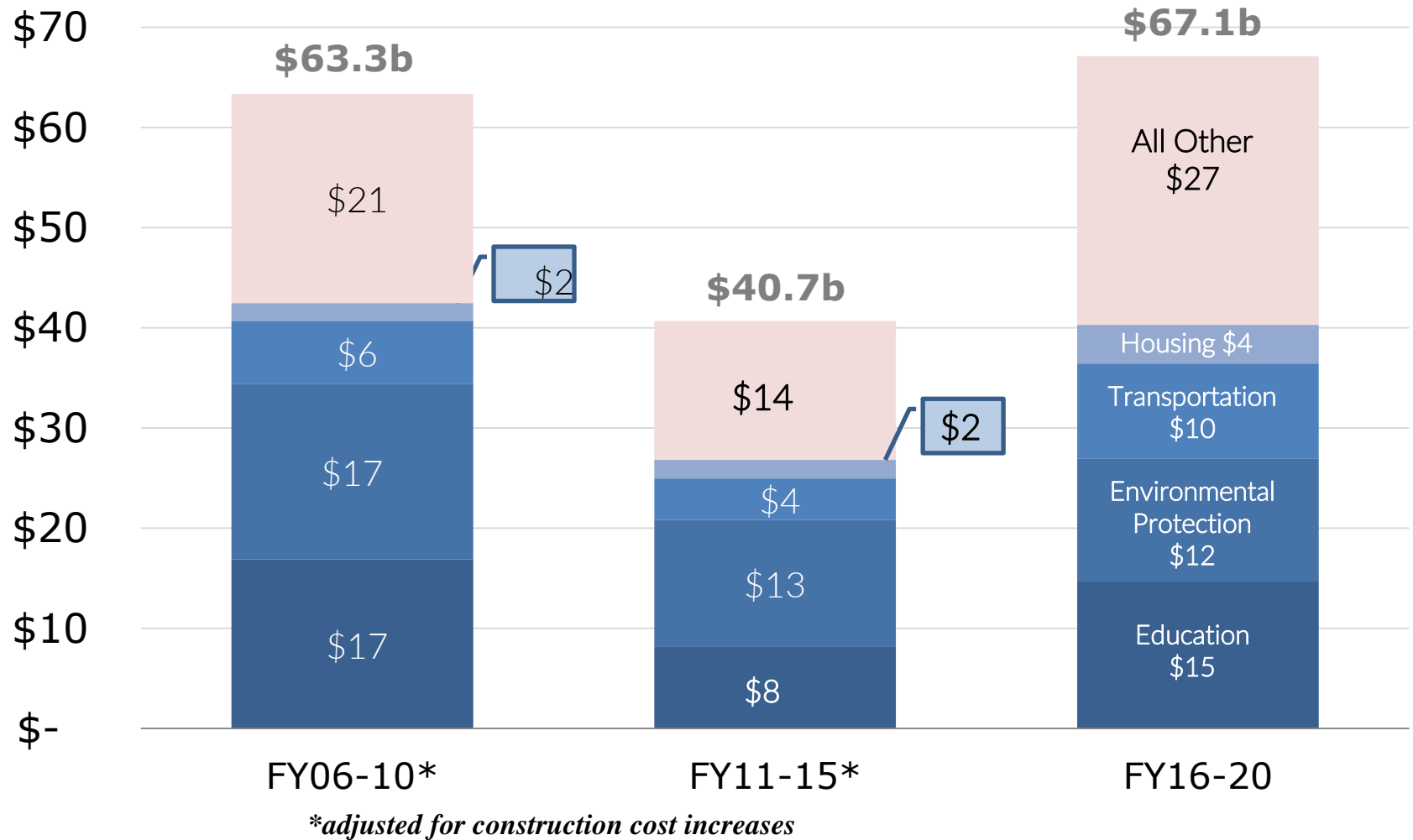
Labor reserve contributions assume 1% annual raises



H+H: Questionable Transformation Plan

(dollars in millions)	FY2016	FY2017	FY2018	FY2019	FY2020
Revenues	\$ 7,179	\$ 7,090	\$ 6,511	\$ 6,267	\$ 6,308
Expenses	\$ 7,758	\$ 7,876	\$ 7,810	\$ 7,915	\$ 8,073
Income/(Loss)	\$ (579)	\$ (786)	\$ (1,299)	\$ (1,648)	\$ (1,765)
Revenue Generating Initiatives	\$ 155	\$ 661	\$ 903	\$ 1,099	\$ 1,101
Expense Reduction Initiatives	\$ -	\$ 118	\$ 404	\$ 569	\$ 698
Income/(Loss) after Gap Closing Initiatives	\$ (424)	\$ (7)	\$ 8	\$ 20	\$ 34

Large Increase in Capital Commitment Plans



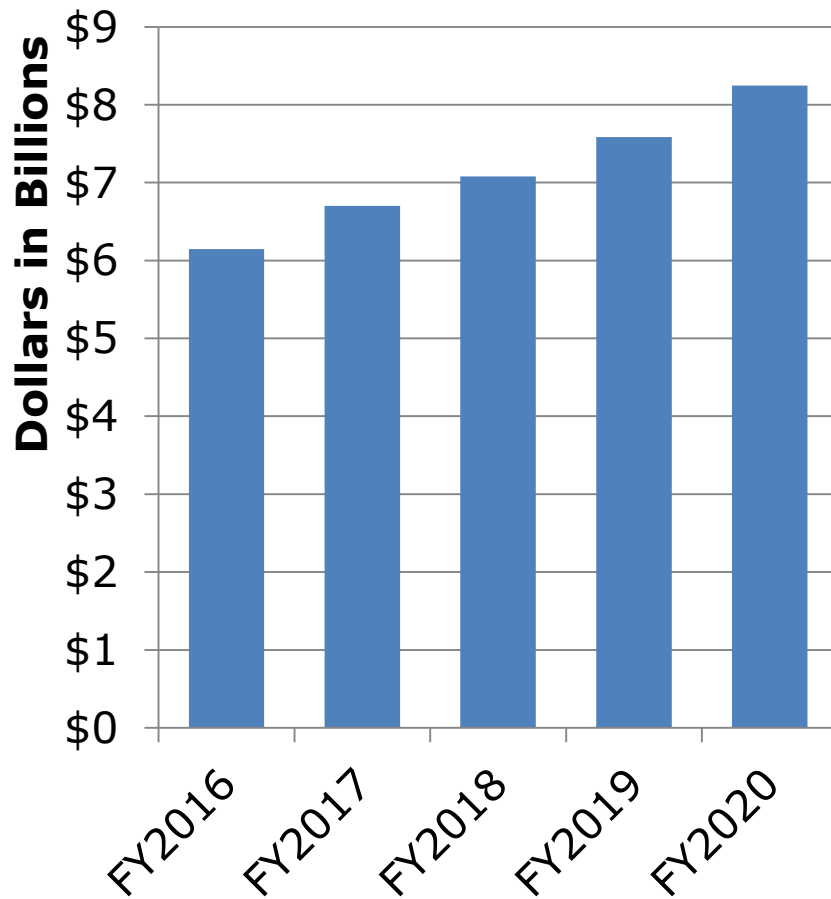
Non-Infrastructure Spending Up Significantly

Extensive Construction and Renovation of Public Buildings and Facilities

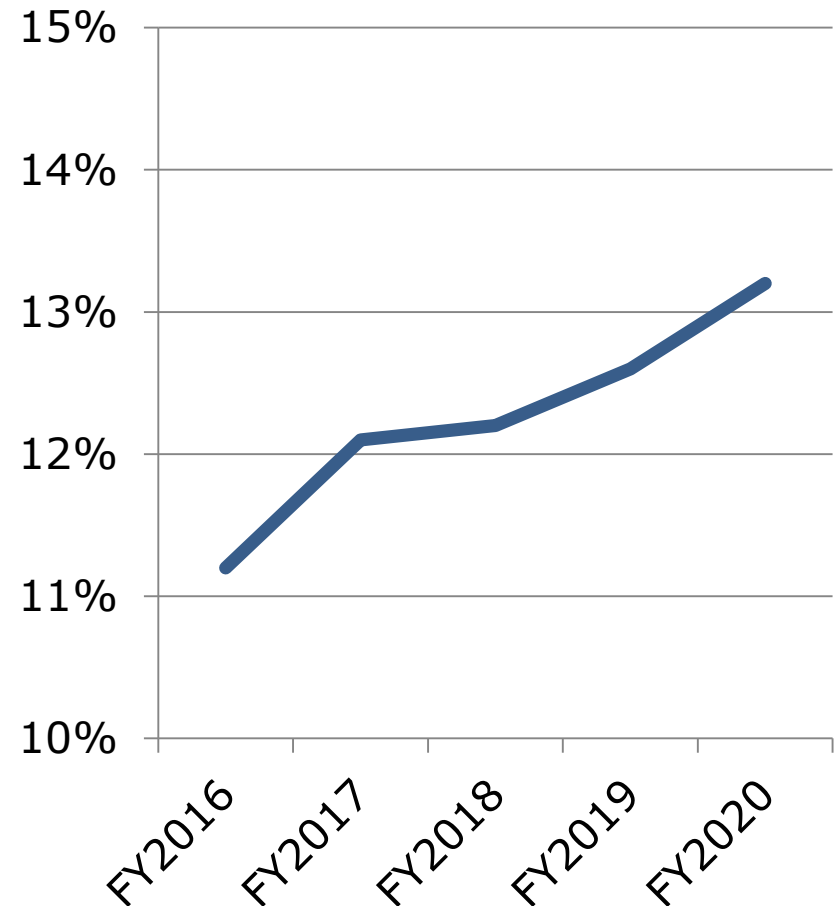
- Courts (\$1 billion)
- DOC facility upgrades (\$817 million)
- DSNY new garages (\$650 million)
- DOC new detention center (\$500 million)
- NYPD property clerk warehouse (\$366 million)
- DCAS public building renovations (\$300 million)
- FDNY firehouse renovations (\$169 million)
- ACS renovation of secure facilities for juveniles (\$162 million)
- DOH renovation of Public Health Lab (\$127 million)

Debt Is Rising

Debt Service to Grow by 34%



Debt as a Share of Tax Revenue



Takeaways

1. Economic uncertainty poses risk to revenues
2. New spending inadequately balanced with building reserves
3. The Retiree Health Benefit Trust Fund needs a withdrawal policy
4. Citywide Savings Plan relies too heavily on re-estimates and one-time savings
5. Expense side risks: H+H, labor settlements, and more
6. City-funded capital commitment plan may be too large