



BLOG | STATE BUDGET

Five Fast Facts About the New York State Fiscal Year 2024 Executive Budget

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Governor Kathy Hochul released her Fiscal Year 2024 Executive Budget on February 1st. As with every budget, there is plenty to dig into. To begin to unpack the fiscal drivers and implications, CBC starts with five fast facts.

Fiscal Year 2023 Surplus

Fiscal year 2023 is projected to end with a reported \$8.7 billion surplus. The Executive Budget proposes to use this primarily to prepay planned reserve deposits and debt service costs:

- \$5.4 billion (62 percent) to accelerate planned Rainy Day Fund from fiscal years 2024 and 2025;
- \$1.0 billion (12 percent) to deposit in the debt management reserve;
- \$900 million (10 percent) to prepay fiscal year 2024 debt service and deposit;
- \$600 million (7 percent) to accelerate planned Retiree Health Benefit Trust deposits; and
- \$782 million (9 percent) in other prepayments.

Updated Receipts and Economic Forecast

While fiscal year 2023 revenues have remained strong, the Division of the Budget's updated economic forecast predicts a mild recession in 2023.

As a result, receipts projections were reduced in the Executive Budget by \$1.9 billion in fiscal year 2024, \$4.6 billion in fiscal year 2025, \$4.3 billion in fiscal year 2026, and \$889 million in fiscal year 2027. (See Table 1.) When added to previous downward revisions, receipt projections since the Enacted Fiscal Year 2023 Budget total \$3.6 billion, \$7.8 billion, \$7.4 billion, and \$6.8 billion, for fiscal years 2024 through 2027, respectively.

Table 1: Net Re-estimates in Total Tax Receipts Compared to FY 2023 Enacted Budget, by Financial Plan Event
(dollars in millions)

	FY 2024	FY 2025	FY 2026	FY 2027
FY23 First Quarterly Update	(\$1,899)	(\$3,434)	(\$3,394)	(\$6,071)
FY23 Midyear Update	\$200	\$200	\$200	\$200
FY24 Executive Budget	(\$1,922)	(\$4,552)	(\$4,229)	(\$889)
CUMULATIVE TOTAL	(\$3,621)	(\$7,786)	(\$7,423)	(\$6,760)

Notes: Re-estimates for the first quarterly update and midyear update are based on net changes in total All Funds tax receipts. Re-estimates for the Executive Budget are based on "base" re-estimates in the financial plan.

Source: New York State Division of the Budget, Fiscal Year 2024 New York State Executive Budget Financial Plan (February 2023), and prior editions, www.budget.ny.gov/pubs/archive/fy24/ex/fp/fy24fp-ex.pdf.

Spending Growth

The budget proposes approximately \$2.4 billion annually in recurring new spending, with roughly half for the Medicaid program. Additional one-time spending proposed for fiscal year 2024, such as funding for asylum seekers, State University of New York (SUNY) endowment funding, and transit subsidies, is offset in part by the final tranche of enhanced federal Medicaid funding associated with the COVID public health emergency.

CBC’s preliminary analysis of spending trends—which adjusts for payment timing, off-budget shifts, and temporary federal aids—finds that State Operating Funds spending growth is 3.6 percent in fiscal year 2024, higher than the reported 2.0 percent.¹ This follows growth of 12.2 percent from fiscal year 2022 to fiscal year 2023. From fiscal year 2024 to fiscal year 2027, the Executive Budget proposes spending growth of 4.3 percent annually.

Budget Gaps

Forecasted lower receipts and the addition of new recurring spending without offsetting savings increase out-year budget gaps. Prepayments from the fiscal year 2023 surplus and a proposal to

raise roughly \$1 billion by extending the temporary corporate tax increase for another three years provide additional resources in future years. However, they are not sufficient to offset existing gaps, new spending, and lower projected receipts. While the Executive Budget balanced fiscal year 2024, it widened out-year gaps to \$5.7 billion in fiscal year 2025, \$9.0 billion in fiscal year 2026, and \$7.5 billion in fiscal year 2027.

Rainy Day Reserves

Accelerating reserves deposits planned for fiscal year 2024 and 2025 would increase the State's principal reserves to more than \$19 billion by the end of fiscal year 2023. Because deposits and balances in the Rainy Day Fund 'lockbox' are limited by State law, these deposits would be made to the Economic Uncertainties Reserve fund.

Importantly, the Governor's Executive Budget proposes raising the balance and deposit caps on the Rainy Day Fund significantly and more appropriately tying it to State Operating Funds rather than the General Fund. This would allow savings to be better protected for use only during a downturn.

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Endnotes

- [1] These values reflect preliminary analysis of the financial plan. Adjustments are made for the timing of payments moved across fiscal years, for spending shifted off-budget or out of State Operating Funds, and for use of extraordinary federal aids that temporarily offset State costs in order to more accurately reflect year-to-year spending and State supported costs. See the methodology in Patrick Orecki, *Risky Business* (Citizens Budget Commission, March 2022), Appendix 2, <https://cbcny.org/research/risky-business>.