



New York State Budget Fiscal Year 2024

*Major Actions and Fiscal Risks
As of First Quarter Update*

Deteriorating Tax Receipts Landscape and Added Spending Widened Annual and Structural Gaps

- Out-year gaps grew during budget negotiations
 - FY 2025 gap increased from \$6.8 billion to \$9.1 billion
 - Long-term structural imbalance increased from \$12.5 billion to \$21.5 billion
 - Approximately one-quarter of structural gap growth due to added spending
- Contending with out-year gaps
 - State Executive Budget less than 6 months away
 - Spending restraint can close gaps
 - Moving reserves into lockbox should be immediate

Despite Out-Year Gaps, FY 2024 Enacted Budget Added Recurring Spending

FY 2024 Enacted Budget Re-estimates and Actions

(dollars in millions)

	FY 2024	FY 2025	FY 2026	FY 2027
Surplus/(Gap) Prior to Executive Budget	\$214	(\$6,813)	(\$7,418)	(\$5,465)
Reserves and Debt Service Prepayments	\$3,898	\$3,476	\$0	\$0
Major Re-estimates	(\$2,908)	(\$5,291)	(\$5,399)	(\$5,818)
PIT Receipts Re-estimate (June)	(\$5,623)	(\$5,291)	(\$5,399)	(\$5,818)
Investment Income	\$1,400	\$0	\$0	\$0
eFMAP Extension	\$1,315	\$0	\$0	\$0
Receipts Actions	(\$139)	\$823	\$565	(\$208)
Extend Corporate Tax Surcharge	\$0	\$810	\$1,100	\$729
All Other	(\$139)	\$13	(\$535)	(\$937)
Spending Actions	(\$1,438)	(\$1,748)	(\$2,296)	(\$2,772)
School Aid	\$56	\$410	\$28	\$18
Medicaid	(\$1,363)	(\$656)	(\$1,075)	(\$1,014)
Asylum Seekers	(\$1,106)	(\$355)	\$0	\$0
Health Care Bonuses and Wages	(\$847)	(\$597)	(\$605)	(\$964)
Executive Agency Operations	(\$100)	(\$532)	(\$497)	(\$486)
SUNY Endowment	(\$250)	(\$250)	\$0	\$0
All Other	\$510	\$13	\$61	\$67
Net Transfers	\$1,662	\$219	(\$208)	(\$393)
Use of/(Deposit to) Reserves	\$373	\$498	\$675	\$825
Surplus/(Gap) for Enacted Budget	\$0	(\$9,055)	(\$13,873)	(\$13,438)

State entered budget-making with out-year gaps of \$5.5 to \$7.4 billion

Majority of FY 2023 surplus (\$7.4 billion) used to prepay planned reserves and debt service

Re-estimate in June reduces receipts by \$5.3 to \$5.8 billion annually

Corporate Tax surcharge extended 3 years

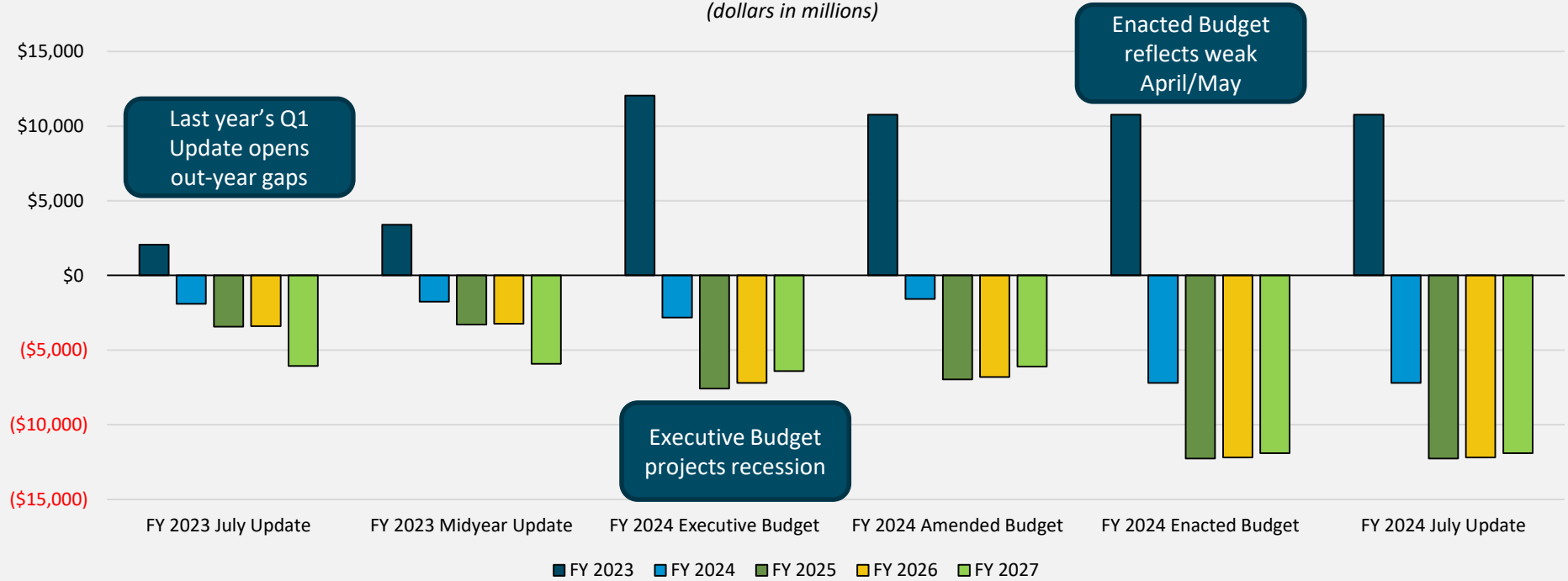
Recurring spending added, beginning at \$1.4 billion and growing to \$2.8 billion in out-years

Enacted gaps are \$9.1 to \$13.9 billion in out-years

July Update (abridged) does not change bottom line; expects “mild downturn” in second half of 2023.

Over the Past Year, Out-Year Tax Receipts Projections Have Been Reduced as much as \$12 billion Annually

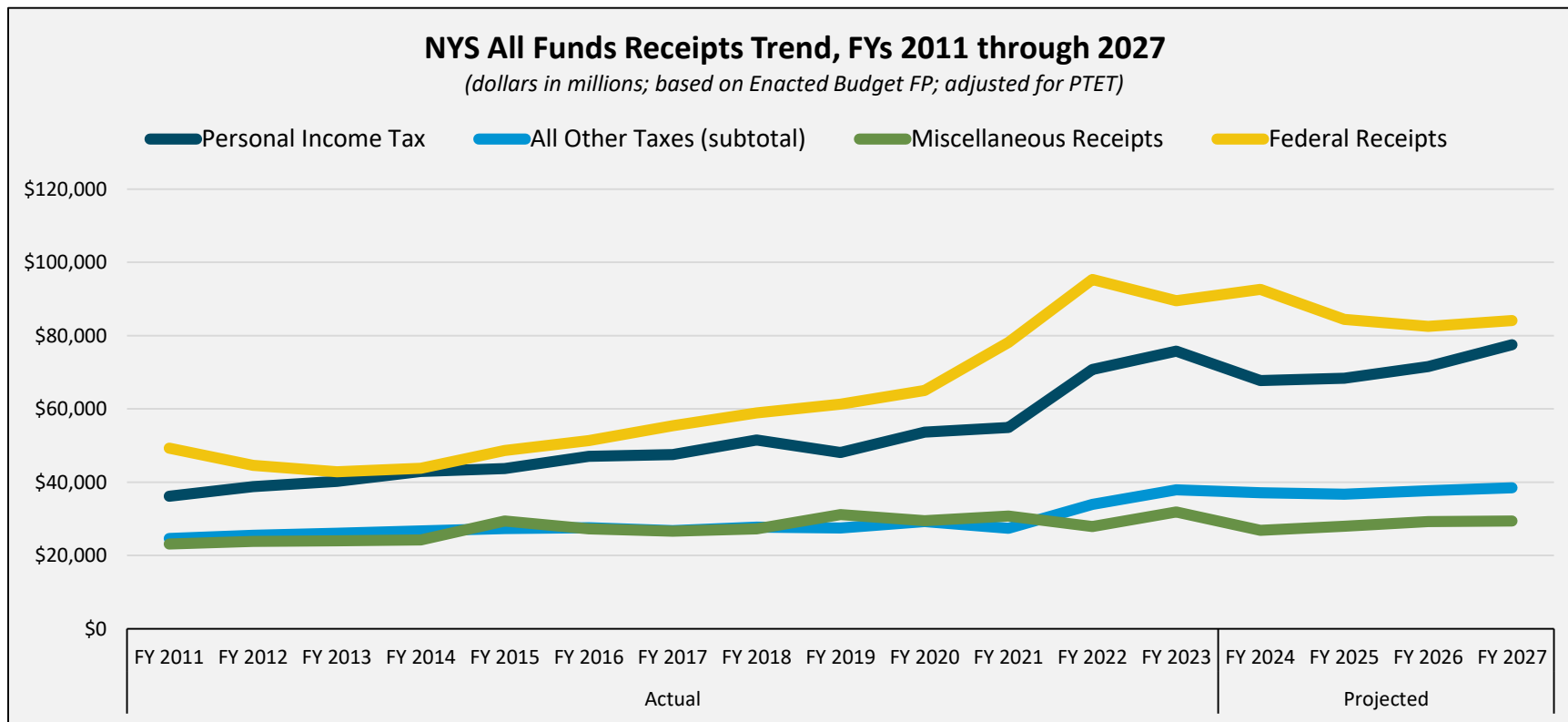
Cumulative Receipts Re-estimates Since FY 2023 Enacted Budget Balance, by Plan Event
(dollars in millions)



Notes: Values represent the change in total receipts from FY 2023 Enacted Financial Plan to each subsequent event.

Source: CBC staff analysis of New York State Division of the Budget, FY 2024 Enacted Budget Financial Plan First Quarterly Update (July 2023), and prior editions.

State Receipts Ballooned in COVID, Resetting in FY 2024 and Out-years



Notes: Personal Income Tax and All Other Taxes are adjusted for the amount and timing of Pass-Through Entity Tax (PTET) receipts.
 Source: CBC staff analysis of New York State Division of the Budget, FY 2024 Enacted Budget Financial Plan (June 2023), and prior editions.

State Operating Funds (adjusted) Spending Growth Accelerated to 9.1% in COVID, 4.4% Going Forward

State Operating Funds Spending, Reported and Adjusted

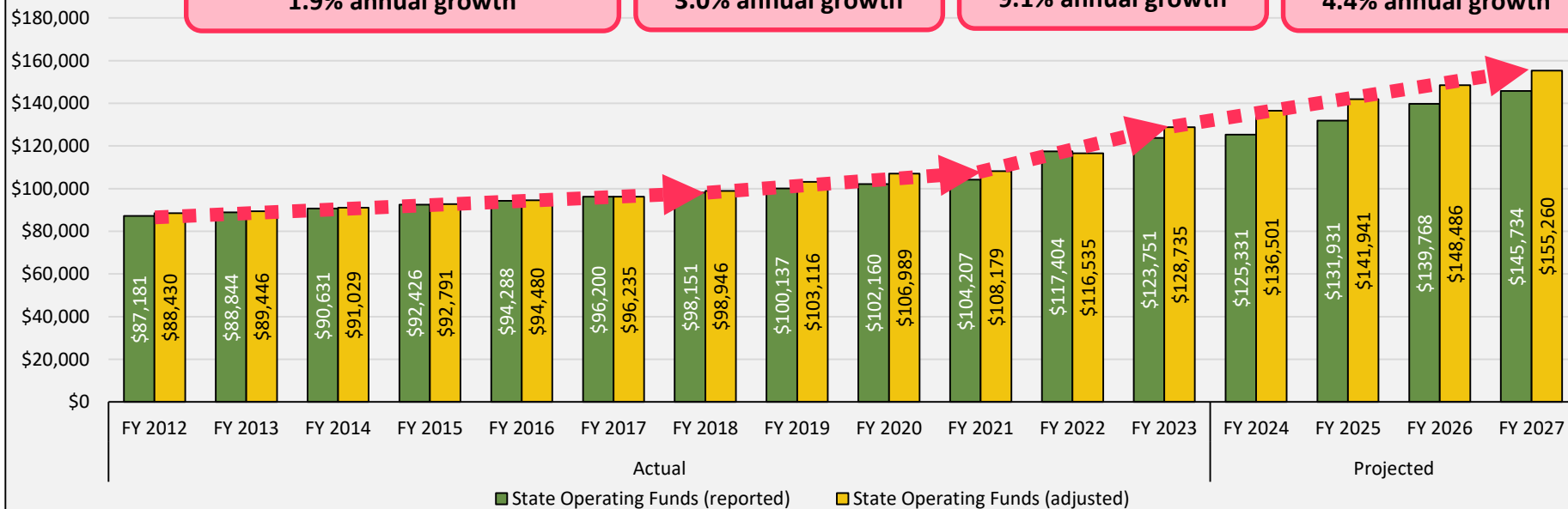
(dollars in millions)

FY 2012 to FY 2018:
1.9% annual growth

FY 2018 to FY 2021:
3.0% annual growth

FY 2021 to FY 2023:
9.1% annual growth

FY 2023 to FY 2027:
4.4% annual growth



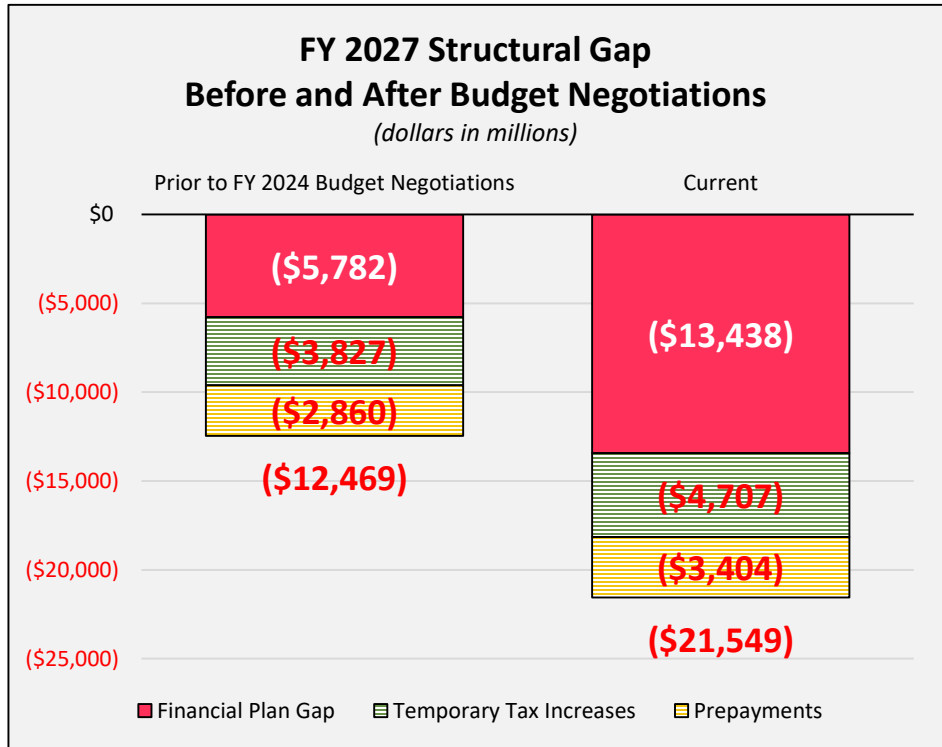
Notes: Average annual growth rates reflect adjusted SOF spending. Reported SOF figure are 2.0% for FY12 to FY18, 2.0% for FY18 to FY21, 9.0% for FY 21 to FY23, and 5.2% for FY 23 to FY27.

Source: CBC staff analysis of New York State Division of the Budget, *FY 2024 Enacted Budget Financial Plan* (June 2023), and prior editions.

Significant Fiscal and Economic Risks Persist; Spending Restraint and More Savings Required

1. \$22 Billion Structural Gap Looms
2. Reserves are Improved, but Insufficient
3. Medicaid Spending Outpaces Revenue Growth, Relies on Disenrollment
4. School Aid Increases Unsustainable and Lack System to Drive for Educational Benefits

\$22 Billion Structural Imbalance Looms

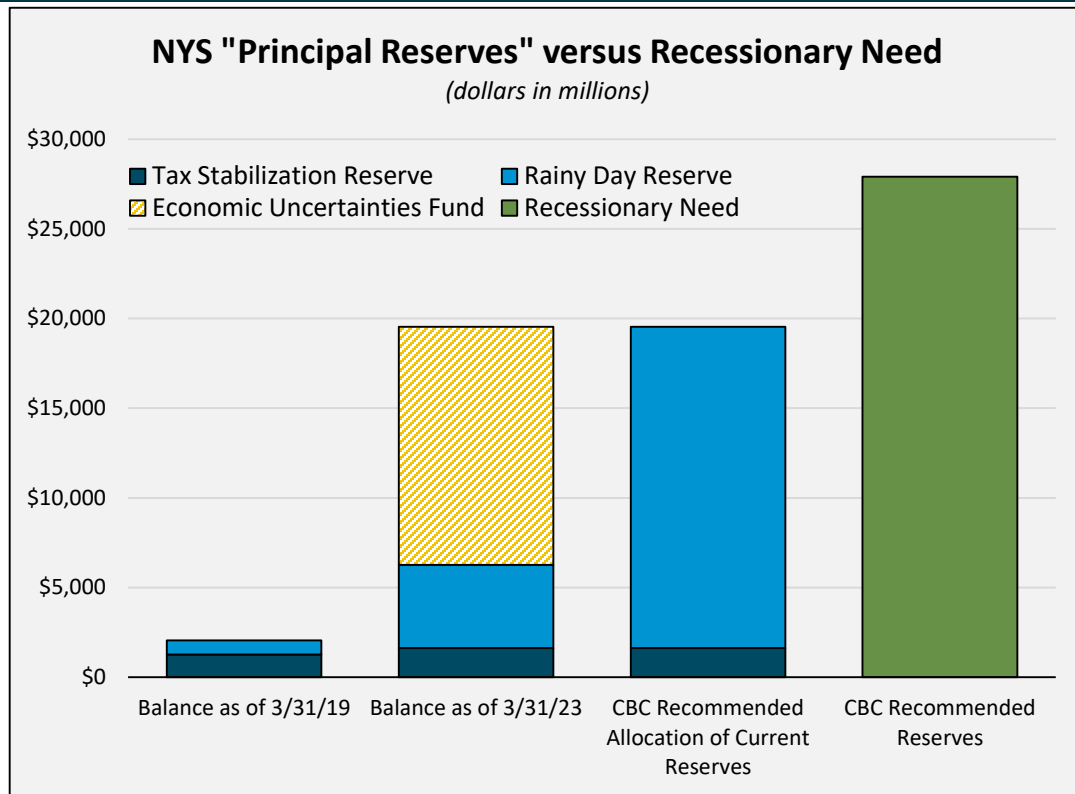


- Use of non-recurring resources means imbalance is larger than Financial Plan gaps
- Structural gap grew from \$12 billion to \$22 billion
 - Driven by lower receipts forecast, added spending

Source: New York State Division of the Budget, *FY 2023 Enacted Budget Financial Plan* (May 2022), pp. 14 and 21; Office of the New York State Comptroller, *State Fiscal Year 2022-23 Enacted Budget Financial Plan Report* (July 2022), p. 16.

Reserves Remain Unprotected and Insufficient for a Recession

- State increased “reserves” to \$19 billion
- Two-thirds of balance in unprotected EUF
- CBC recommends all funds be moved to lockbox
- Additional \$8 billion needed to address 2 years of a recession

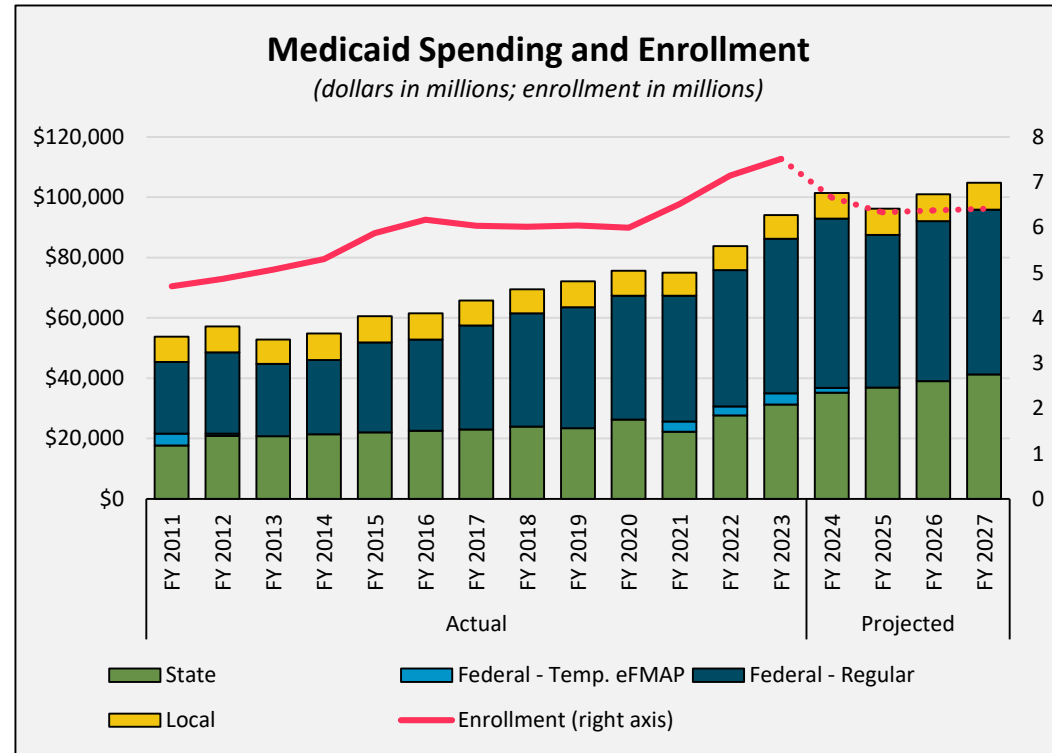


Notes: CBC calculates “Recessionary Need” based on average two-year recession impact on tax receipts plus two years’ growth of 1 percent in SOF spending.

Source: New York State Division of the Budget, *FY 2024 Enacted Budget Financial Plan* (June 2023), and prior editions.

Medicaid Cost Projections Include Disenrollment, Outpace Revenue Growth

- Medicaid in transition
 - About 1.2 million enrollees projected to shift off Medicaid
 - If only 50% disenroll, State cost is \$3-4 billion
- Out-year annual growth of 5.8 percent in State share costs
 - State doubled Medicaid Global Cap rate last year



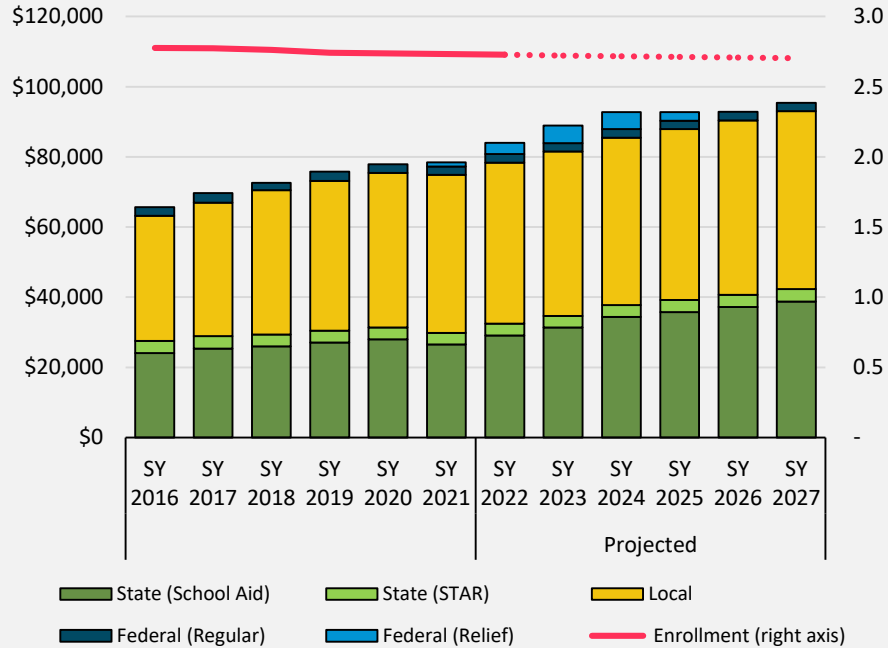
Notes: Enrollment is based on actual enrollment through December 2022 with out-year projections based on beneficiary projections from the Enacted Budget Financial Plan.

Source: New York State Division of the Budget, *FY 2024 Enacted Budget Financial Plan* (June 2023), and prior editions; and New York State Department of Health, "Medicaid Program Enrollment by Month Beginning 2009" (June 2023).

Rapidly Growing School Aid with \$3.3 billion Sent to Districts that Already Self-Fund SBE Without State Aid

Total School Aid Spending and Enrollment

(dollars in millions; enrollment in millions)



- State school spending increases \$3.0 billion next year (8.8%), and 5.4% annually through fiscal year 2027
 - Fiscal year 2024 will complete ‘phase-in’ of Foundation Aid formula
- Per pupil spending is \$34,783 this year
- \$3.3 billion provided to 167 districts that self-fund Sound Basic Education (SBE)
 - To improve fiscal sustainability, State should target spending to highest need districts and students
- Total school spending is up 46.0% over the last ten years as enrollment has declined 1.5%
- Funds added with minimal system to monitor or drive improvement in educational outcomes

Sources: New York State Division of the Budget, *FY 2024 Enacted Budget Financial Plan* (June 2023), and prior editions; New York State Education Department, Masterfile for 2019-20; “FY 2024 Enacted School Aid Files,” and prior editions.

Questions and Answers

Thank You!

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NYC Fiscal Year 2024 Adopted Budget and Outlook

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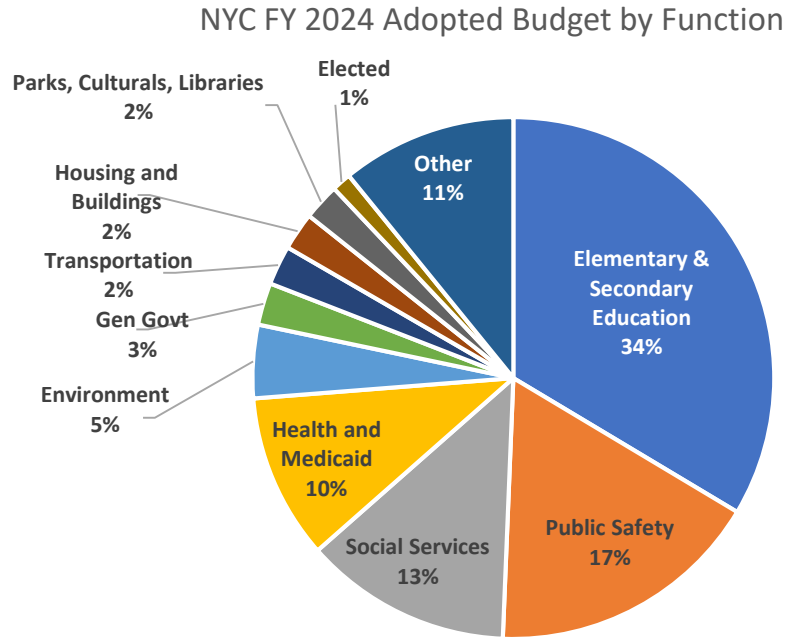
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Revenue Surge and Spending Choices During Pandemic Further Destabilized the City Budget

- Influx of non-recurring revenue
 - Federal COVID-related aid
 - Tax revenues due to Wall Street performance
- City made the short-term decisions
 - Funded recurring programs with surge of non-recurring revenue
 - Spending increased 16% between FY21 and FY23
 - Drove up expectation for higher baseline spending in future
- But led to long-term destabilization
 - Expenditure growth forecast to exceed revenue growth
 - Out-year gaps widen to over \$10 billion annually
- City faces challenges and risks
 - Economic restructuring and uncertainty; impact on commercial real estate
 - Managing City and federally-funded fiscal cliffs
 - Management and hiring challenges misperceived as budget problems
 - Fiscal challenges at the NYC Housing Authority and Health + Hospitals
 - Insufficient reserves that are inadequately protected

NYC's FY 2024 Budget is \$112.6 Billion

- \$112.6 billion is:
 - \$107.1 billion reported budget, *plus*
 - \$5.5 billion in FY24 bills prepaid in FY23
- Largest agencies:
 - Department of Education
 - New York Police Department
 - Department of Social Services
 - Fire Department



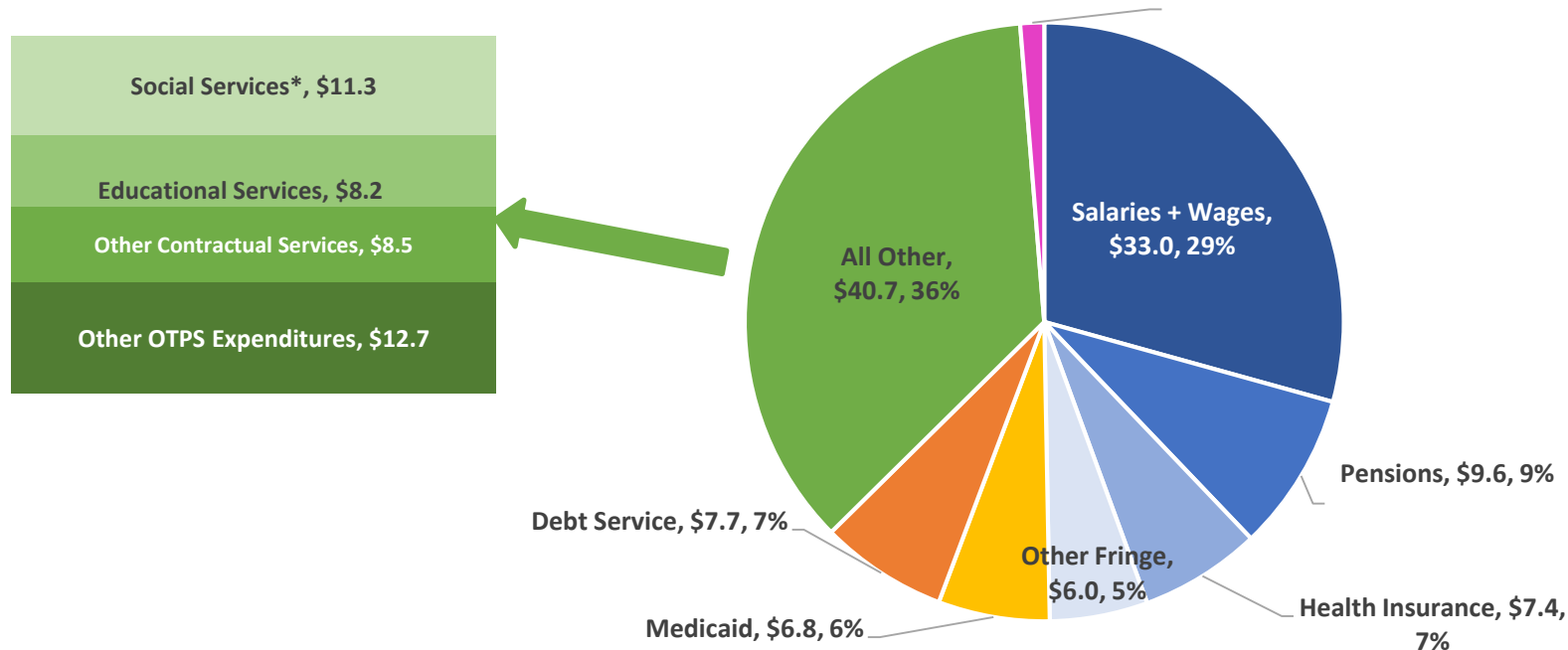
Source: City of New York, Office of Management and Budget, *Fiscal Year 2024 Adopted Financial Plan: Expense* (June 30, 2023), *Fiscal Year 2024 Adopted Financial Plan: Supporting Schedule* (July 3, 2023), and *Fiscal Year 2024 Executive Budget: Message of the Mayor* (April 26, 2023).

Note: Includes Inter-fund agreements.

Half the City's Budget Goes to Fund Employee Compensation and Benefits

NYC Fiscal Year 2024 Adopted Budget Expenditures By Object

(dollars in billions)

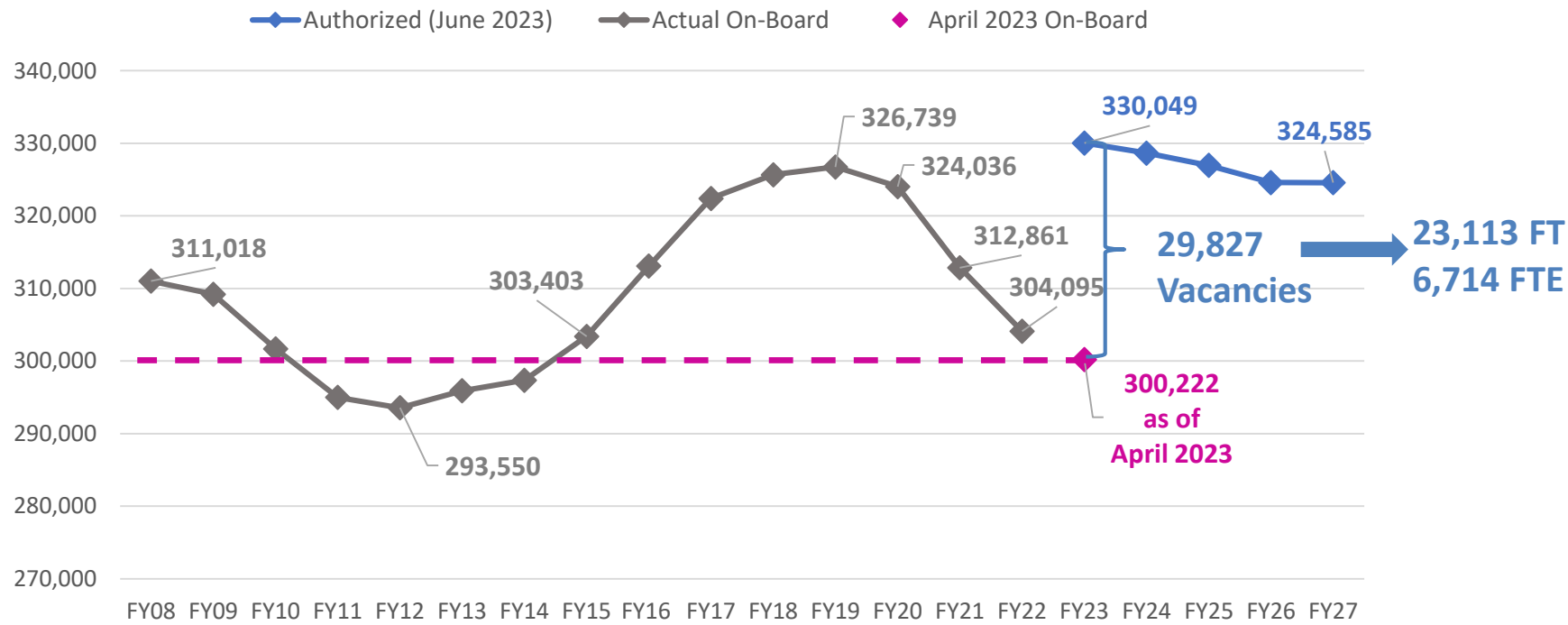


Source: City of New York, Office of Management and Budget, *Fiscal Year 2024 Adopted Financial Plan: Expense* (June 30, 2023), *Fiscal Year 2024 Adopted Financial Plan: Supporting Schedule* (July 3, 2023).

Note: Includes Inter-fund agreements. Social services includes both direct payments to individuals and contracted services provided by nonprofit organizations.

On-Board FT and FTE Headcount Down Nearly 27,000 From Pre-Pandemic Peak; About 30,000 Vacant Positions

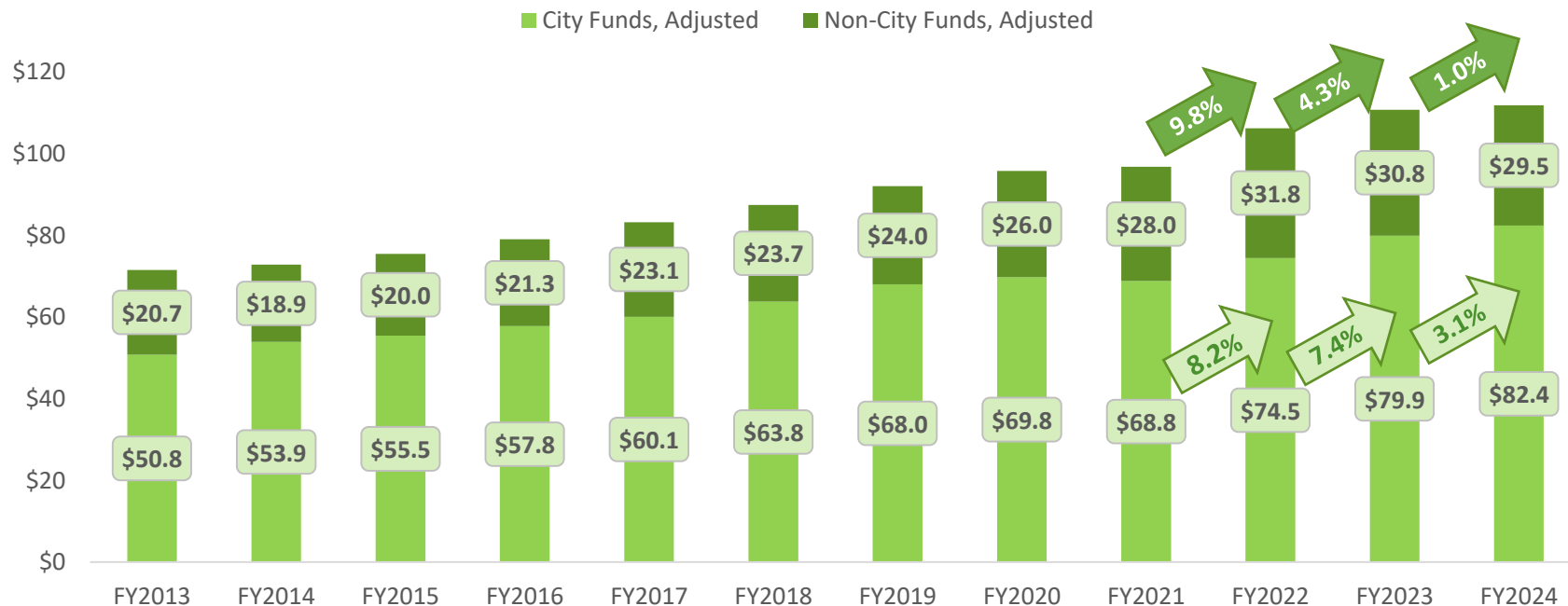
NYC Full-Time and FTE Headcount



Source: City of New York, Office of Management and Budget, *Fiscal Year 2024 Adopted Financial Plan: Full-Time and Full-Time Equivalent Headcount (June 30, 2022), April 2023 Full-Time and Full-Time Equivalent Headcount*, and June 2008 to June 2022 editions.

City Spending Growth Slows Following Rapid Growth During Pandemic

NYC Spending Growth, FY 2013 - FY 2024
(dollars in billions)

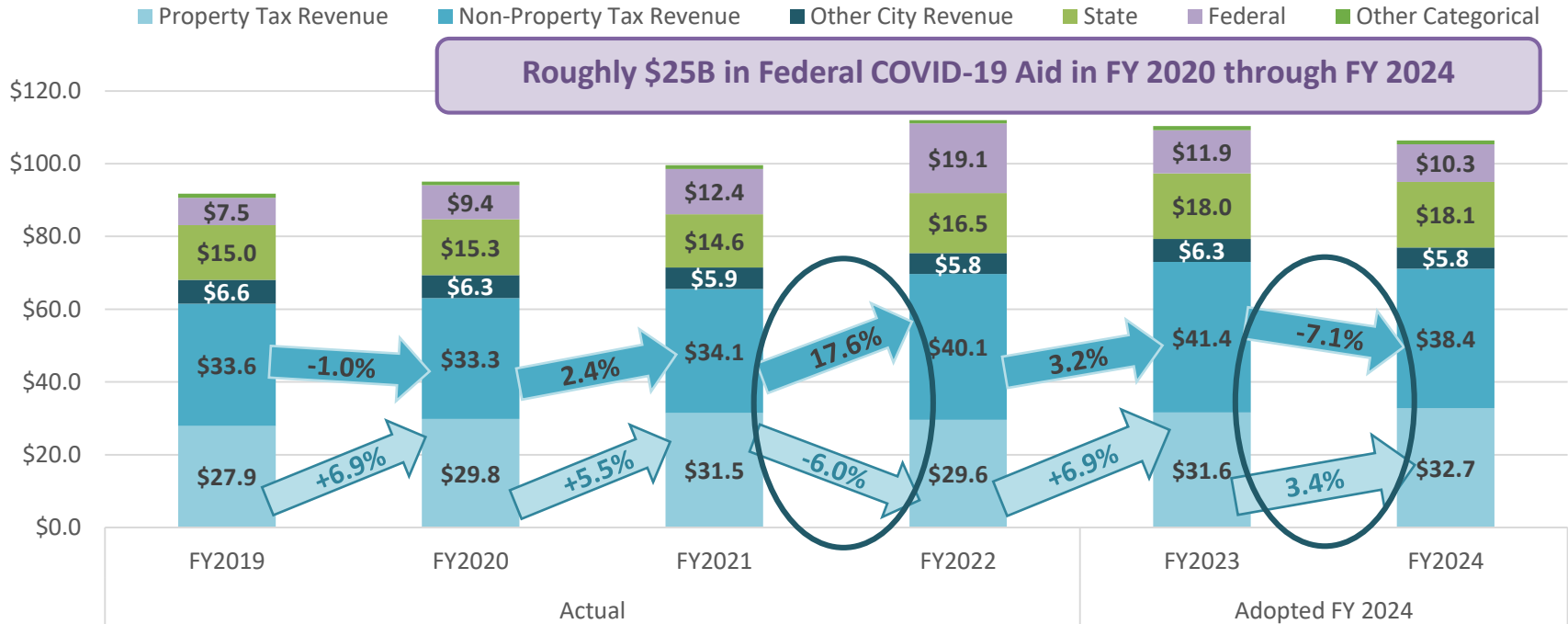


Source: City of New York, Office of Management and Budget, *Fiscal Year 2024 Adopted Financial Plan: Expense* (June 30, 2023); and Office of the NYC Comptroller, *Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022* (October 27, 2022), and fiscal year 2013 to 2021 editions.

Note: Excludes Inter-fund agreements, includes the General Reserve and Capital Stabilization Reserve in fiscal year 2024.

Strong Tax Revenues and Federal COVID-19 Aid Facilitated Growth

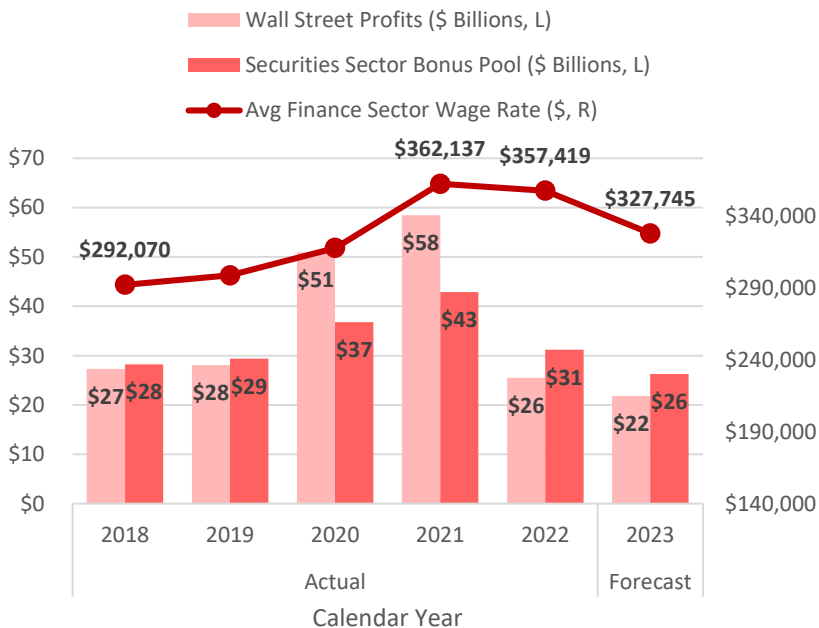
NYC Revenues, FY 2019 - FY 2024
(dollars in billions)



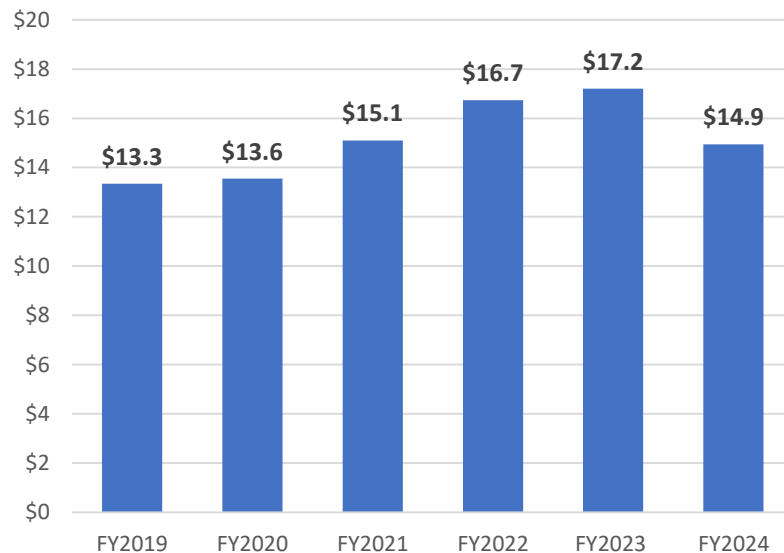
Source: City of New York, Office of Management and Budget, *Fiscal Year 2024 Adopted Financial Plan: Revenue* (June 30, 2023); and Office of the New York City Comptroller, *Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022* (October 27, 2022), and fiscal year 2019 to 2021 editions.

Wall Street Bonuses, Salaries, and Capital Gains Drove Extraordinary PIT Revenue

Wall Street Profits, Bonus Pool, and Finance Sector Average Wage, 2018 - 2023



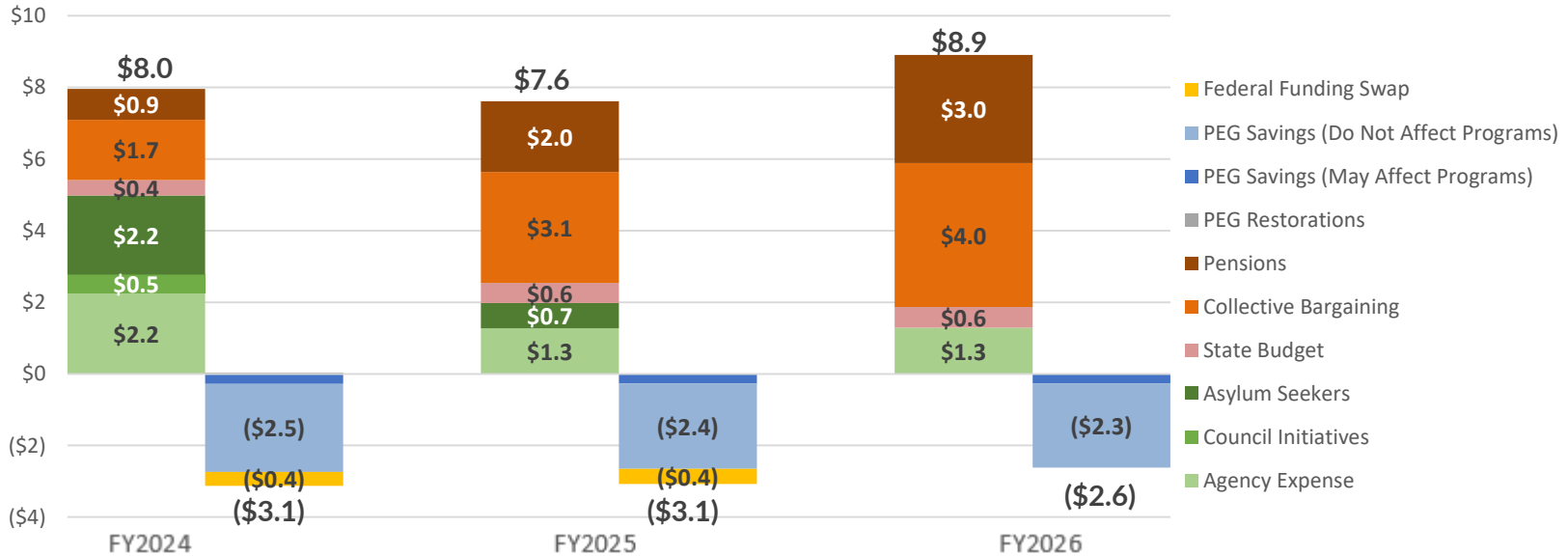
NYC Personal Income Tax Revenue
(dollars in billions)



Source: City of New York, Office of Management and Budget, *Fiscal Year 2024 Adopted Financial Plan: Expense* (June 30, 2023), *Fiscal Year 2024 Adopted Financial Plan: Supporting Schedule* (July 3, 2023), and *Fiscal Year 2024 Executive Budget: Message of the Mayor* (April 26, 2023).

Spending Increases Far Exceeded Savings

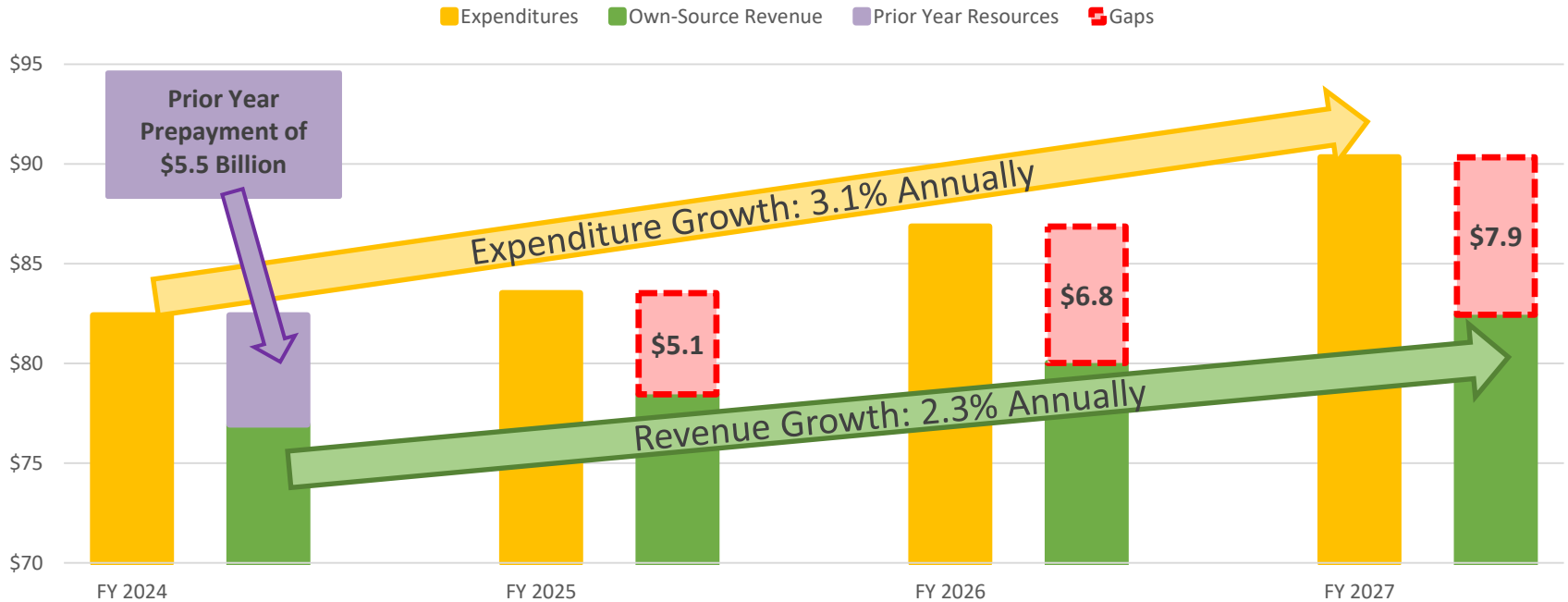
City-Funded Spending Changes in November 2022, January 2023, April 2023, and June 2023 Financial Plans, FY 2024 - FY 2026
(dollars in billions)



Source: City of New York, Office of Management and Budget, *Fiscal Year 2024 Adopted Budget: Financial Plan Update* (June 30, 2023), *Fiscal Year 2024 Executive Budget Plan: Mayor's Message* (April 26, 2023), *Fiscal Year 2024 Preliminary Budget: Financial Plan Detail* (January 12, 2023), and *November 2022 Financial Plan: Financial Plan Update* (November 15, 2022).

Out-Year Budget Gaps Substantial as Spending Growth Outpaces Tax Revenue Forecast

NYC Expenditures, Revenues, and Gaps, FY 2024 - FY 2027
(dollars in billions)



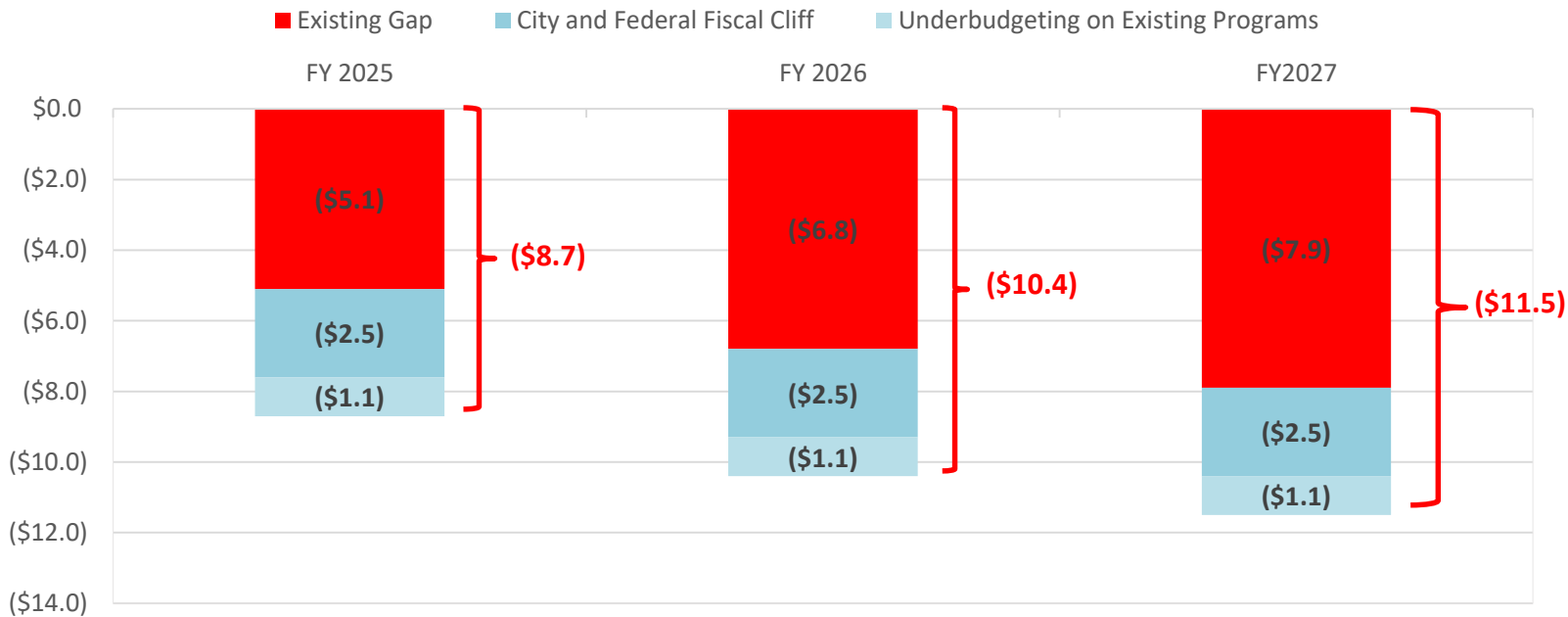
Source: City of New York, Office of Management and Budget, *Fiscal Year 2024 Adopted Budget: Financial Plan* (June 30, 2023).

Looming Fiscal Cliffs Threaten Budget Gaps or Service Reductions

- Fiscal cliffs
 - “Recurring” programs funded temporarily with non-recurring City and federal funds
 - FHEPs housing vouchers (at least \$400 million)
 - 3K Expansion (\$92 million)
 - Additional litter basket collection (\$22 million)
- FY 2025 estimate
 - City-funded cliff: \$1.8 billion
 - Federal cliff: \$750 million

Budget Gaps Could Widen to \$8.7 Billion Next Year and \$11.5 Billion in FY 2027

Potential NYC Budget Gaps Accounting For Fiscal Risks
(dollars in billions)



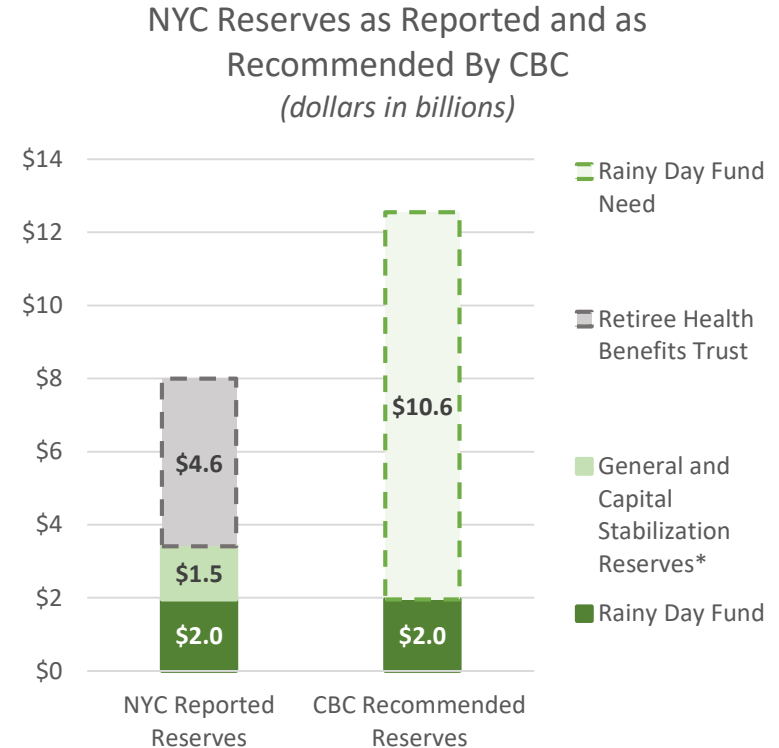
Source: CBC staff analysis; City of New York, Office of Management and Budget, *Fiscal Year 2024 Adopted Budget: Financial Plan* (June 30, 2023), Office of the State Comptroller, "Identifying Fiscal Cliffs in New York City's Financial Plan" (updated May 30, 2023, accessed July 20, 2023).

Budgetary Risks

- Managing fiscal cliffs as revenues return to trend
 - Continuing these programs without other offsetting savings could further enlarge budget gaps
- Additional spending pressures
 - Class size reduction mandate
 - Asylum seeker costs
 - FHEPS housing voucher expansion
- Fiscal challenges at the NYC Housing Authority and Health + Hospitals
 - NYCHA rent collection rate hovers at 62 percent
 - H+H and NYSNA collective bargaining agreement to cost \$725 million over financial plan window

Rainy Day Fund is Insufficiently Funded and Inadequately Protected

- City reported reserves: \$8.0 billion
- Rainy Day Fund (RDF) reserves:
 - Current balance is just \$2.0 billion
 - Recommended target: \$12.6 billion
- RDF should have:
 - Mandatory deposit rules
 - 75% of tax revenue growth in excess of 3%
 - Deposit would have been \$934 million this year
 - Stricter withdrawal rules
 - Recession or severe emergency with significant revenue loss or expenditure increase



Uncertainty Due to On-Going Economic Restructuring

- Regaining jobs overall
 - More in professional and business services, information
 - Fewer in food service and retail
- Impact of remote/hybrid work
 - Commercial real estate
 - Retail/restaurants in Central Business Districts
- Impact of AI?

Questions and Answers

Thank You!

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