



Statement on the NYS Executive Budget for Fiscal Year 2024

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New York, NY – February 1, 2023 – Citizens Budget Commission (CBC) President Andrew S. Rein released this [statement](#) on behalf of the CBC:

“With State coffers temporarily bulging, but significant fiscal and economic risks looming, the Governor’s budget wisely accelerates and adds deposits to the State’s reserves and provides welcome support for migrant-related costs. While the reserve deposits help buttress New York against a recession, the budget also extends the temporary business tax surcharge and adds money for recurring programs without offsetting savings to support them in the future, setting the stage for potential future service cuts and unfortunately extending our nation-leading combined corporate tax rates.

The Governor rightly highlights the importance of New York’s livability and affordability, critically important as the threat to New York’s competitiveness for residents and business may well be more now than any time in the last 50 years. There must be a laser focus on delivering quality services, efficiently, at a reasonable cost, to produce measurable results, and supported by taxes that do not encourage people and business to leave the state.

The Governor’s proposal usually sets the floor in negotiations with the Legislature. All New York State leaders should focus not just on today, but on protecting generations of New Yorkers from a future downturn and self-made fiscal crises arising from unaffordable spending or counter-productive taxes. With a structural budget gap exceeding \$12 billion annually, New York should focus on aligning spending with revenues, and should not create new fiscal cliffs.

Details

Stabilizing the Metropolitan Transportation Authority’s (MTA) finances is important to New York’s competitiveness and quality of life. The Governor wisely chose to propose a long-run plan rather than kick the can down the road. A multi-pronged strategy is reasonable; however, one major prong should be savings from MTA management and labor. At least half of any stabilization plan should come from productivity improvements that reduce spending, which will require changes

agreed to with labor. The MTA also should follow through on planned fare increases.

The proposed strategies to boost housing production include many elements that will help solve our housing crisis, increase affordability, and keep New York attractive to residents. The Governor's Executive Budget wisely extends the construction deadline for existing 421-a projects to ensure that units in the pipeline are built. Ultimately, the enacted budget should include a well-crafted successor to 421-a, which is critical for New York City's production of affordable rental housing.

The budget proposes to increase the amount local governments will pay to support Medicaid costs. It is a step backwards to reverse the local share freeze, which was one of the State's most positive fiscal policy improvements. Even with this, State Medicaid spending is growing significantly, and efforts to restrain spending growth will be essential to the State's future fiscal stability.

Reflecting a projected mild recession in 2023, the budget is appropriately cautious and significantly reduces estimates of tax receipts in fiscal years 2025, 2026, and 2027. When combined with new spending, these widen projected gaps. Gaps are now \$5.7 billion in fiscal year 2025, \$9.0 billion in fiscal year 2026, and \$7.5 billion in fiscal year 2027, higher than the mid-year update by \$2.2 billion, \$5.7 billion, and \$1.5 billion, respectively.

Next Steps

Key details contained in the budget bills and the financial plan remain to be analyzed. That multi-billion-dollar budget gaps in the out-years are widening is concerning. Over the past three years, State Operating Funds spending has increased an average of 7.1 percent annually, including 12.8 percent growth this year. The State should close its gaps, stabilize its finances and services, and be better positioned to protect New Yorkers by restraining spending growth above its already high level to be in line with its recurring revenue."

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About Citizens Budget Commission

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