



ACHIEVING THE NEW YORK DREAM

FY2024 NYS EXECUTIVE BUDGET | FEBRUARY 1, 2023

GOVERNOR **KATHY HOCHUL**

ACTING BUDGET DIRECTOR **SANDRA L. BEATTIE**



LOOKING BACK

TO

2022

REMEMBER: JANUARY 2022

- Winter surge in COVID-19 cases.
- Strong growth in US output.
- Rebounding tax receipts collections.
- A second year of emergency COVID-19 spending.
- Balanced operations over the multi-year (FY 2023 to FY 2027) Financial Plan.
- Influx of federal recovery aid.

- Recession fears fueling uncertainty ahead.
- Weakening economic activity expected to become apparent in tax collections driving outyear budget gaps.
- Continued COVID-19 recovery and end of public health emergency.
- Pressing issues facing the State such as MTA solvency, assistance to thousands of asylum seekers coming to the State, barriers to mental health access, and public safety concerns.
- Inflationary increases that are particularly burdensome for minimum wage earners.



ECONOMIC OUTLOOK

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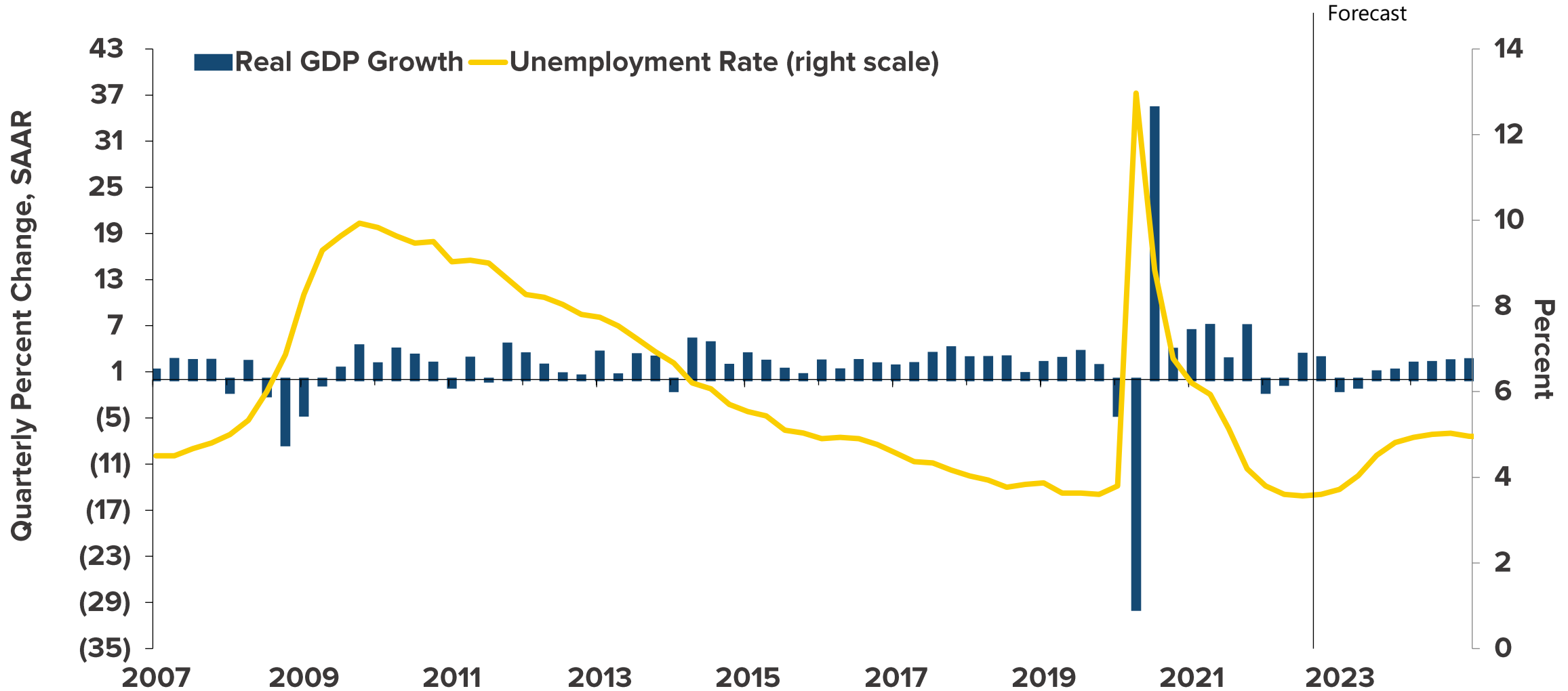
U.S. ECONOMIC OUTLOOK

- U.S. real GDP fell two consecutive quarters in the first half of 2022, triggering concerns that the economy might already be in a recession.
- Recession fears continue to loom over the national economy as the Federal Reserve tightens monetary policy at the fastest pace on record.
- **The U.S. economy is expected to enter a mild downturn in 2023**, with an estimated annual average GDP growth of 0.5 percent.
- Inflation hit its highest level in over 40 years, with year-over-year Consumer Price Index (CPI) growth peaking at 9.1 percent in June 2022. The CPI is projected to ease to 3.9 percent in 2023.
- The U.S. labor market held up well throughout 2022. Total nonfarm employment recovered all its pandemic-era job losses as of August 2022.
- However, softening labor demand is expected to ease labor market tightness in 2023. Employment is projected to grow by 0.9 percent in 2023, following 4.1 percent growth in 2022.

NEW YORK ECONOMIC OUTLOOK

- New York's economy is not immune to national trends. With a mild recession projected for early 2023, New York's employment and wages will also see a slowdown in growth.
- As of December 2022, New York State's economy had regained 87.7 percent of the private sector jobs lost in March and April 2020. The State's total employment is projected to grow by only 0.2 percent in FY 2024.
- The State's total wages grew by 12.4 percent in FY 2022 due to the significant number of jobs recovered, high inflation, and strong equity market growth. However, wages are estimated to increase by a more modest 2.4 percent in FY 2023 due to a slowdown in hiring and a substantial decline in bonuses.

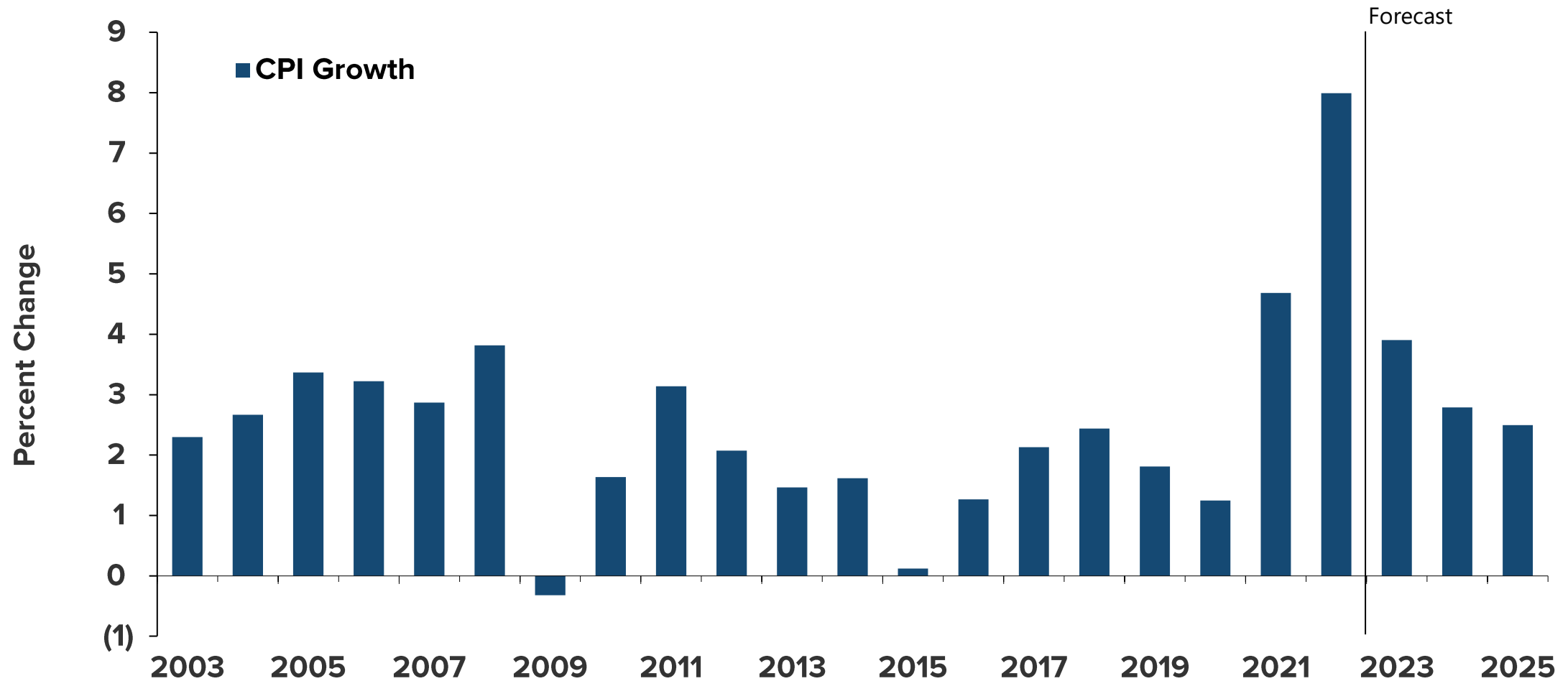
REAL U.S. GDP GROWTH AND UNEMPLOYMENT RATE



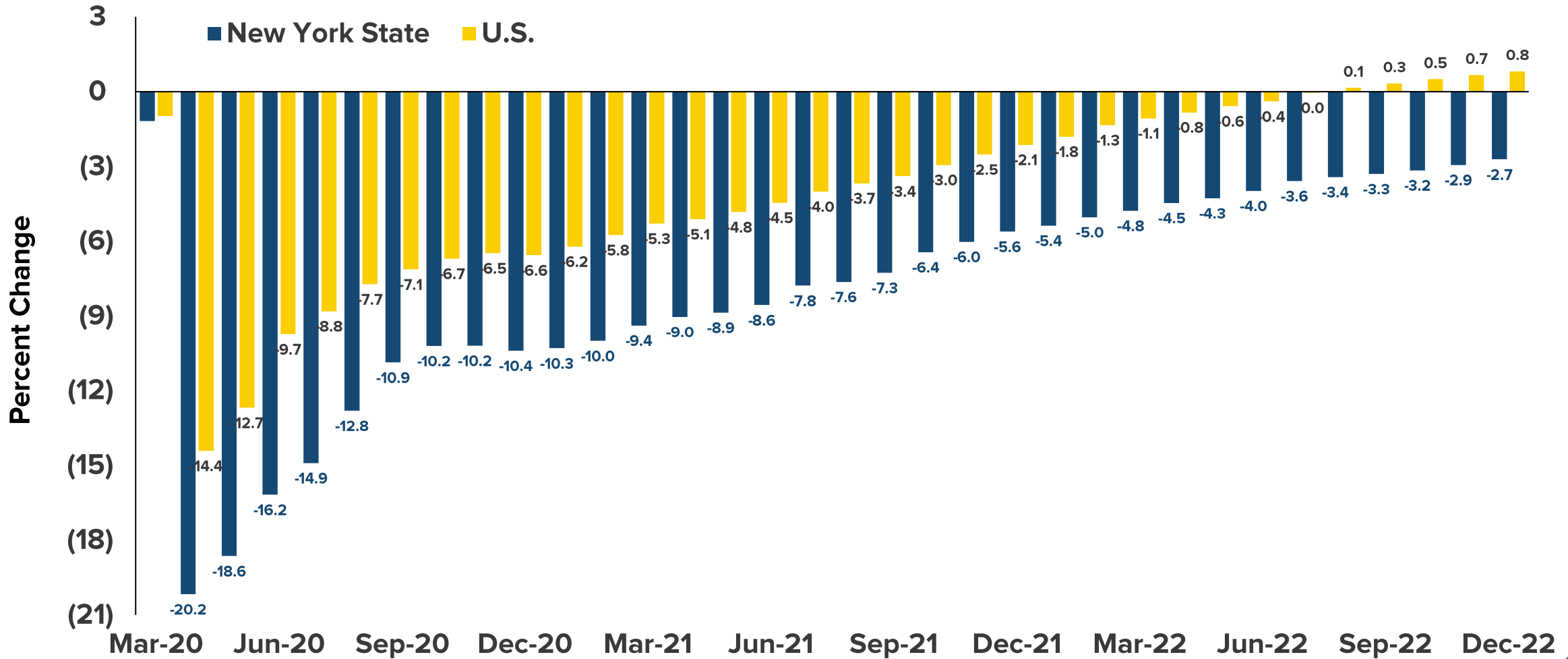
Source: Haver Analytics/BEA, BLS; DOB staff estimates.



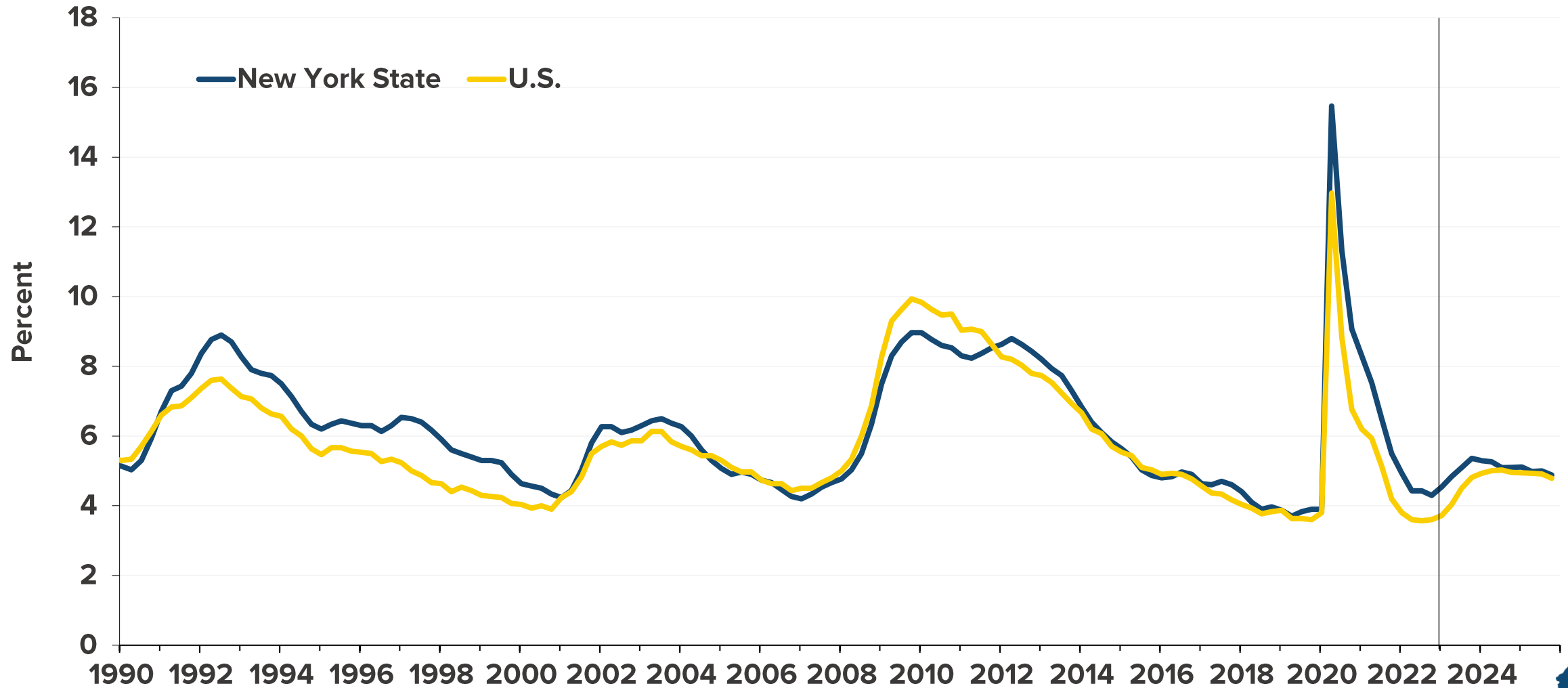
CONSUMER PRICE INDEX (CPI)



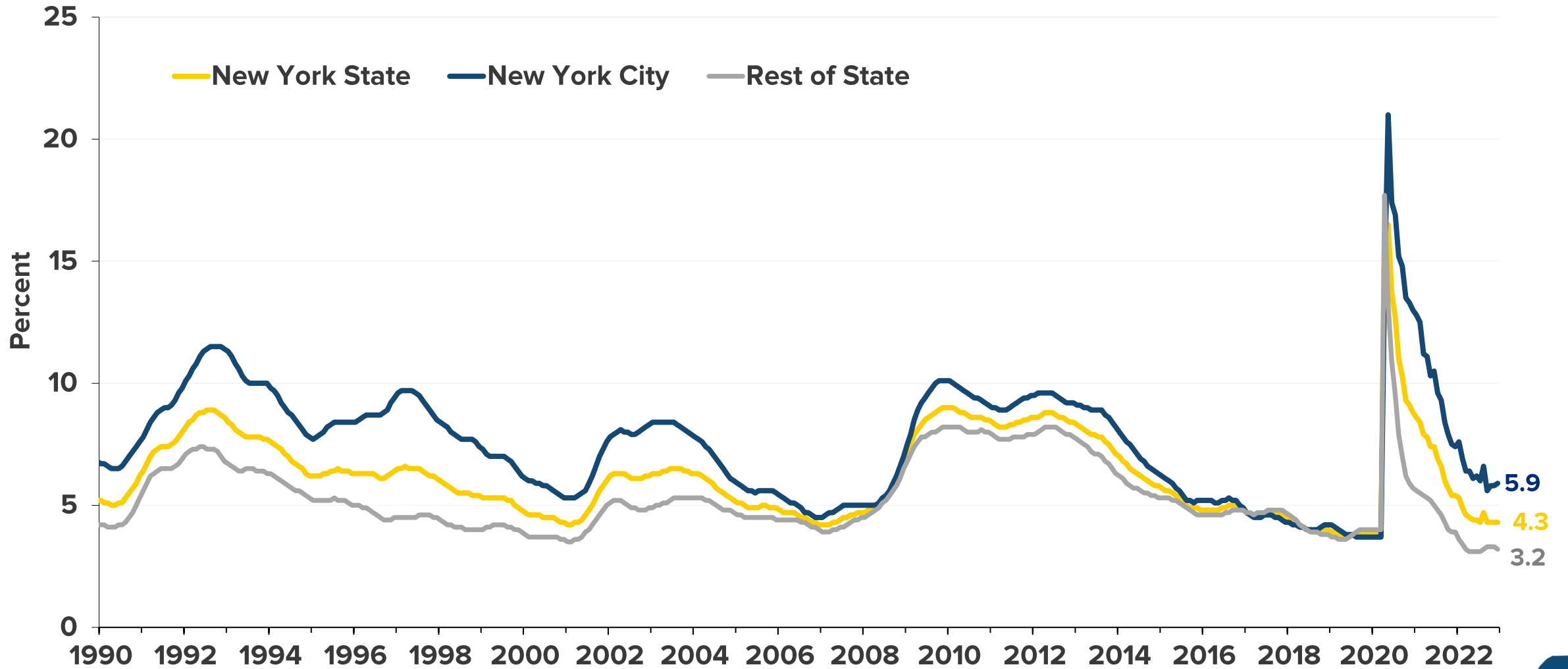
PERCENT CHANGE IN EMPLOYMENT SINCE FEBRUARY 2020



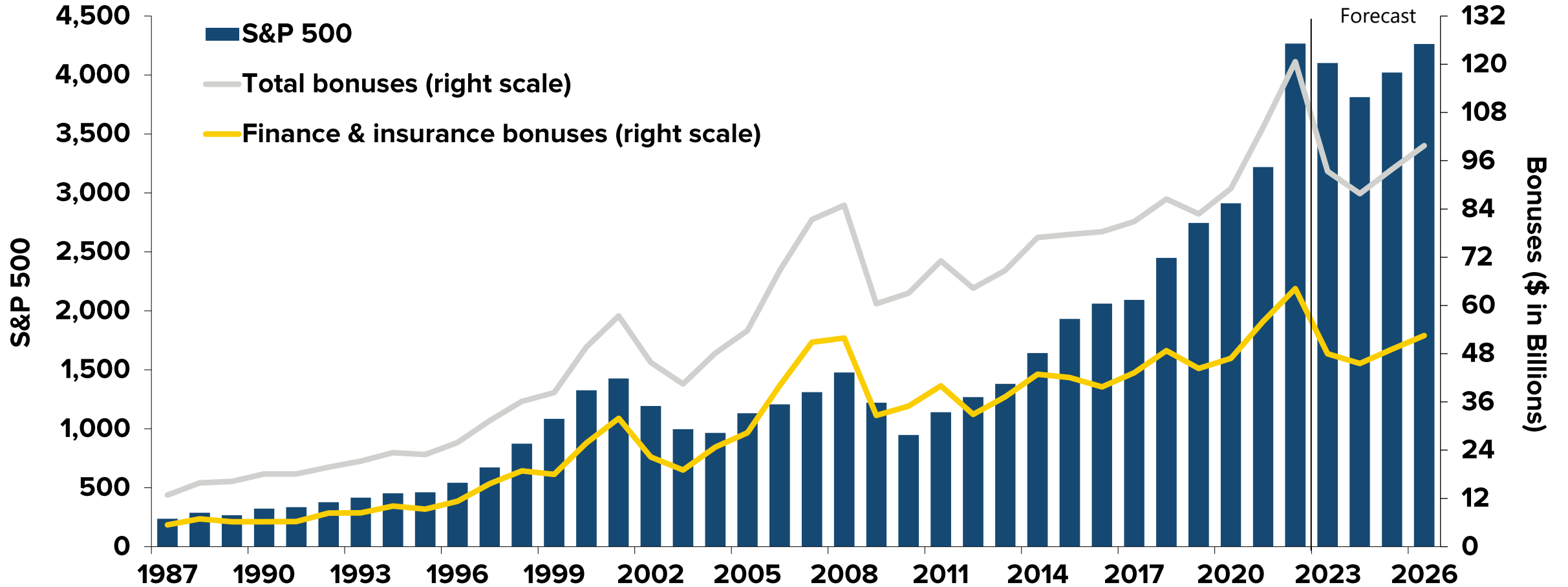
NEW YORK STATE UNEMPLOYMENT RATE



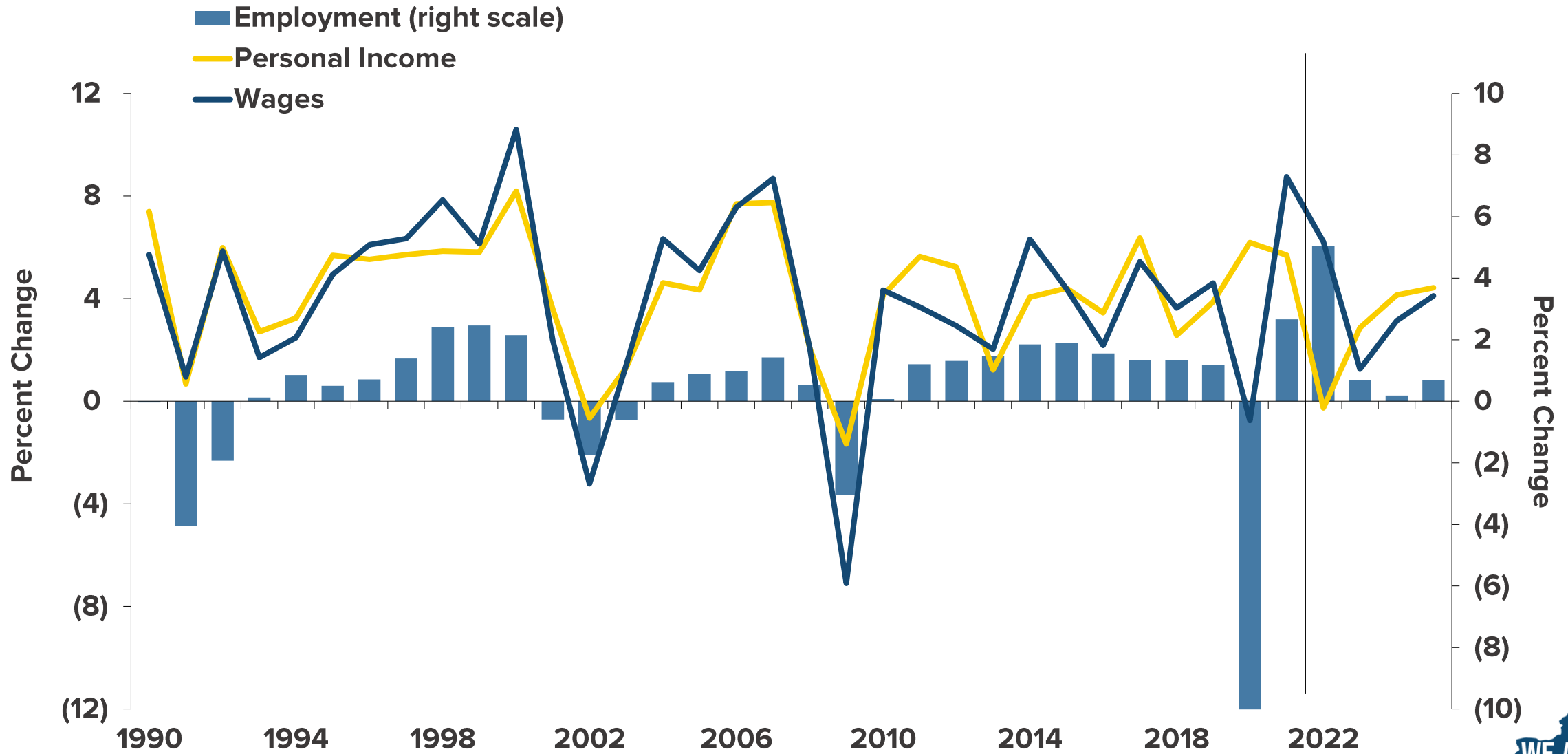
NEW YORK CITY UNEMPLOYMENT RATE



NEW YORK STATE BONUSES VS. S&P 500



NEW YORK STATE INCOME AND EMPLOYMENT OUTLOOK





FY 2024 FINANCIAL PLAN

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“Quick start”

stimulates timely discussion and analysis on economic and fiscal factors for FY 2024 budget deliberations.

The Joint Report

discusses in detail the current state of fiscal affairs, as well as projections for the upcoming State Fiscal Year.

Though there are differences between the two estimates, representatives of all parties agreed that the State's **economic recovery has slowed and remains vulnerable to a range of risks.**

CURRENT YEAR SURPLUS

\$8.7
billion

FY 2023 surplus

Every dollar has been earmarked to strengthen the State's capacity to respond to economic downturns, future fiscal shocks, and emergencies. The surplus will be used to:

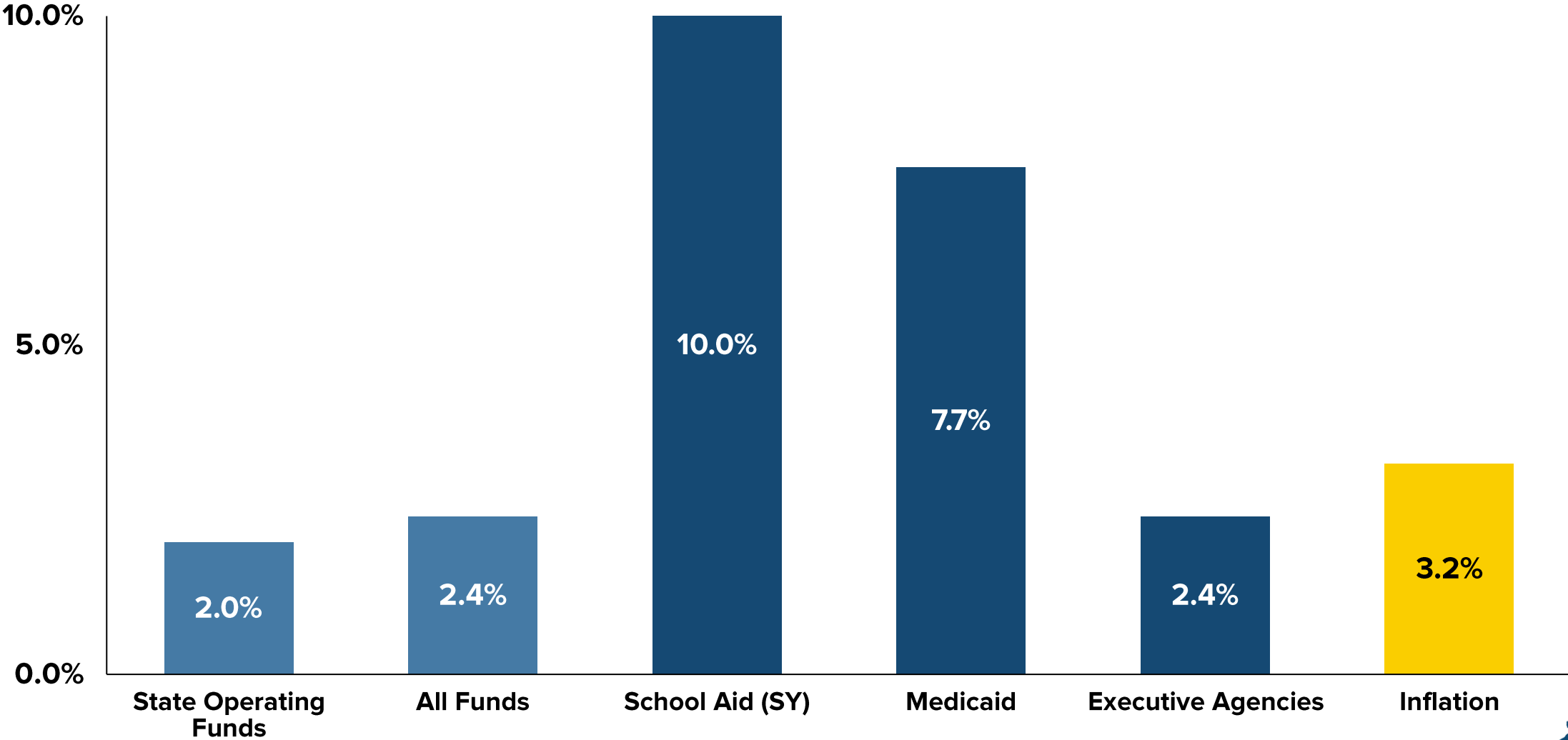
- Accelerate deposits to **principal reserves** two years ahead of schedule;
- Fund deposits to the **Retiree Health Trust Fund** that were scheduled for later years;
- Recapitalize the **debt reduction reserve**;
- Pay an additional \$900 million of **future debt service costs**; and
- Reduce **outyear gaps**.

\$125
billion

FY 2024 State
Operating Funds
Spending Total

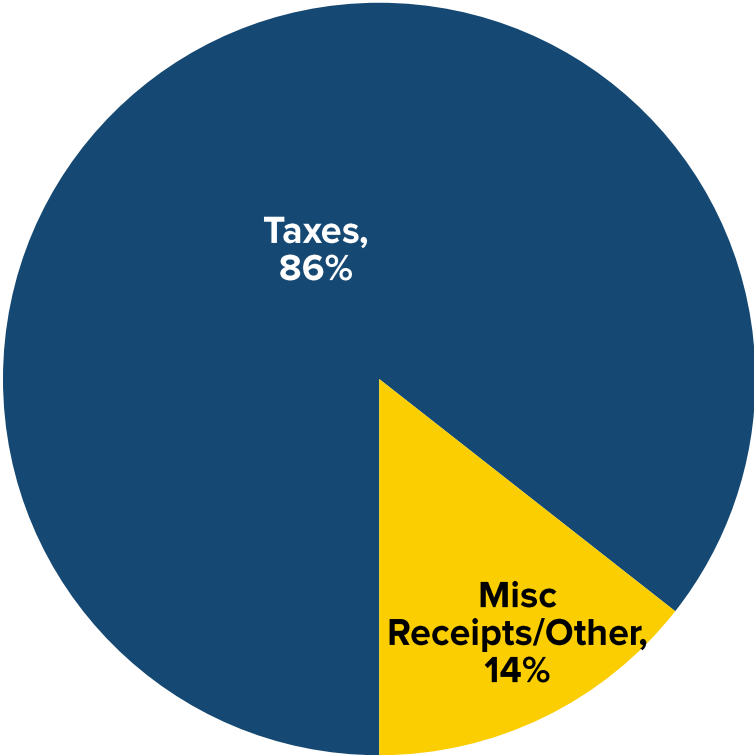
- The Governor's Executive Budget addresses the State's most pressing issues:
 - **MTA:** Advancing the MTA's comprehensive funding plan
 - **Health Care:** Making a historic investment in Medicaid and driving health care transformation
 - **Asylum Seekers:** Providing help to local governments who are meeting asylum seeker needs
- The Governor's Executive Budget also funds State of the State priorities, including:
 - Expanded **mental health inpatient, outpatient, and supportive services;**
 - Matching funds to **increase the State University center's endowments;**
 - Indexing the **minimum wage for inflation;** and
 - Providing a **monthly discount on electric utility bills** for moderate-income customers.

FY 2024 EXECUTIVE BUDGET SPENDING GROWTH

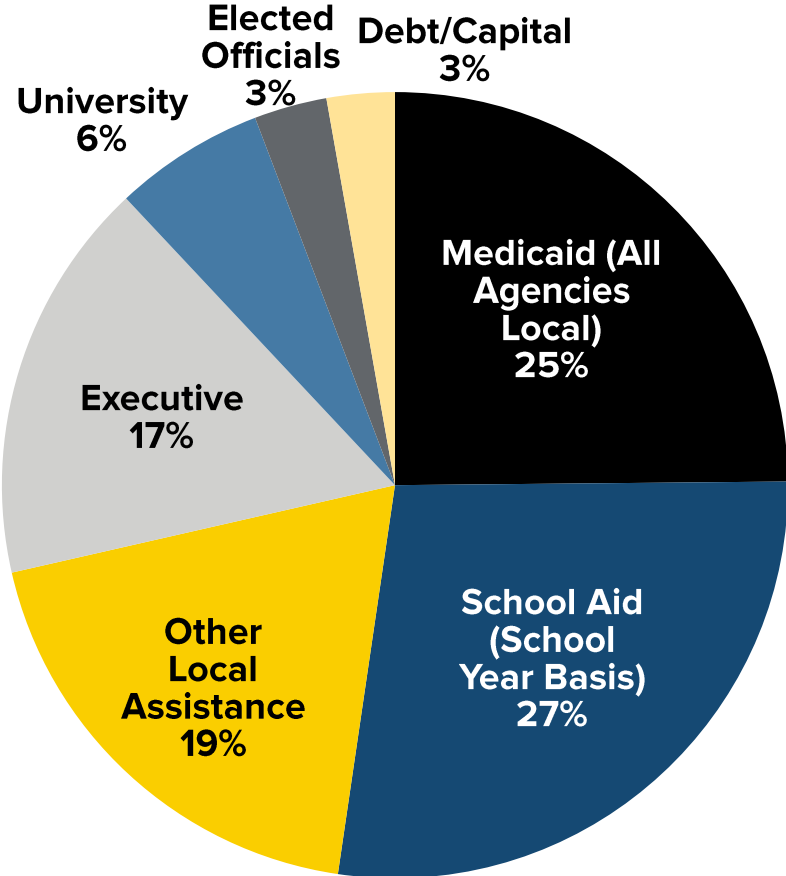


STATE OPERATING FUNDS: FY 2024 EXECUTIVE BUDGET - \$125 BILLION

Where it Comes From*



Where it Goes

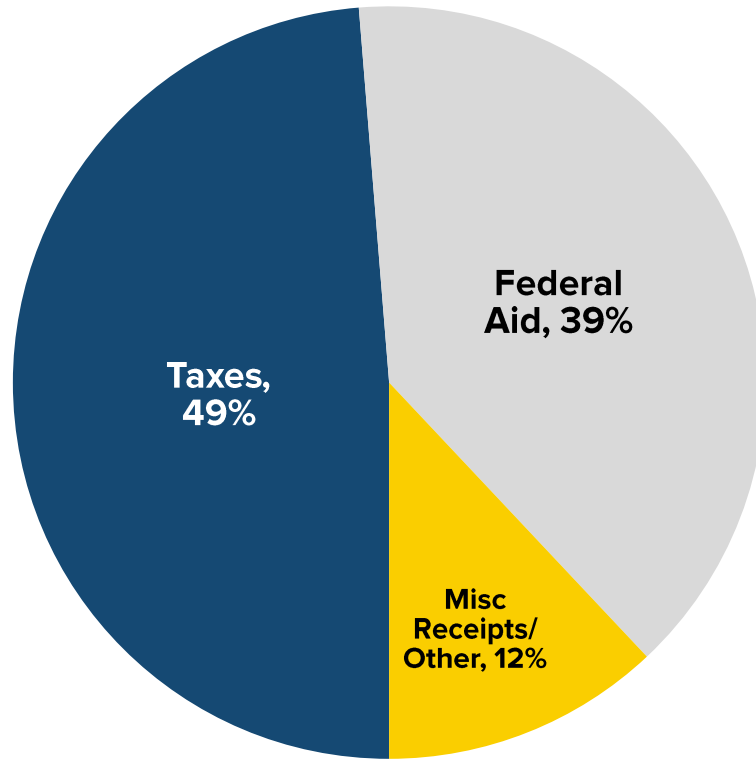


* Excludes impact of Pass Through Entity Tax

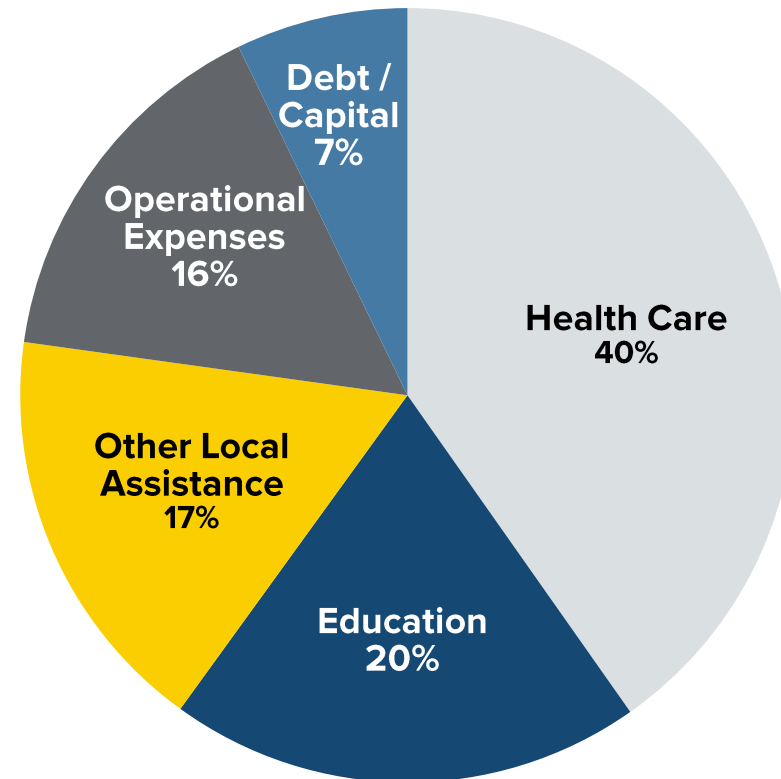


ALL GOVERNMENTAL FUNDS: FY 2024 EXECUTIVE BUDGET - \$227 BILLION

Where it Comes From*



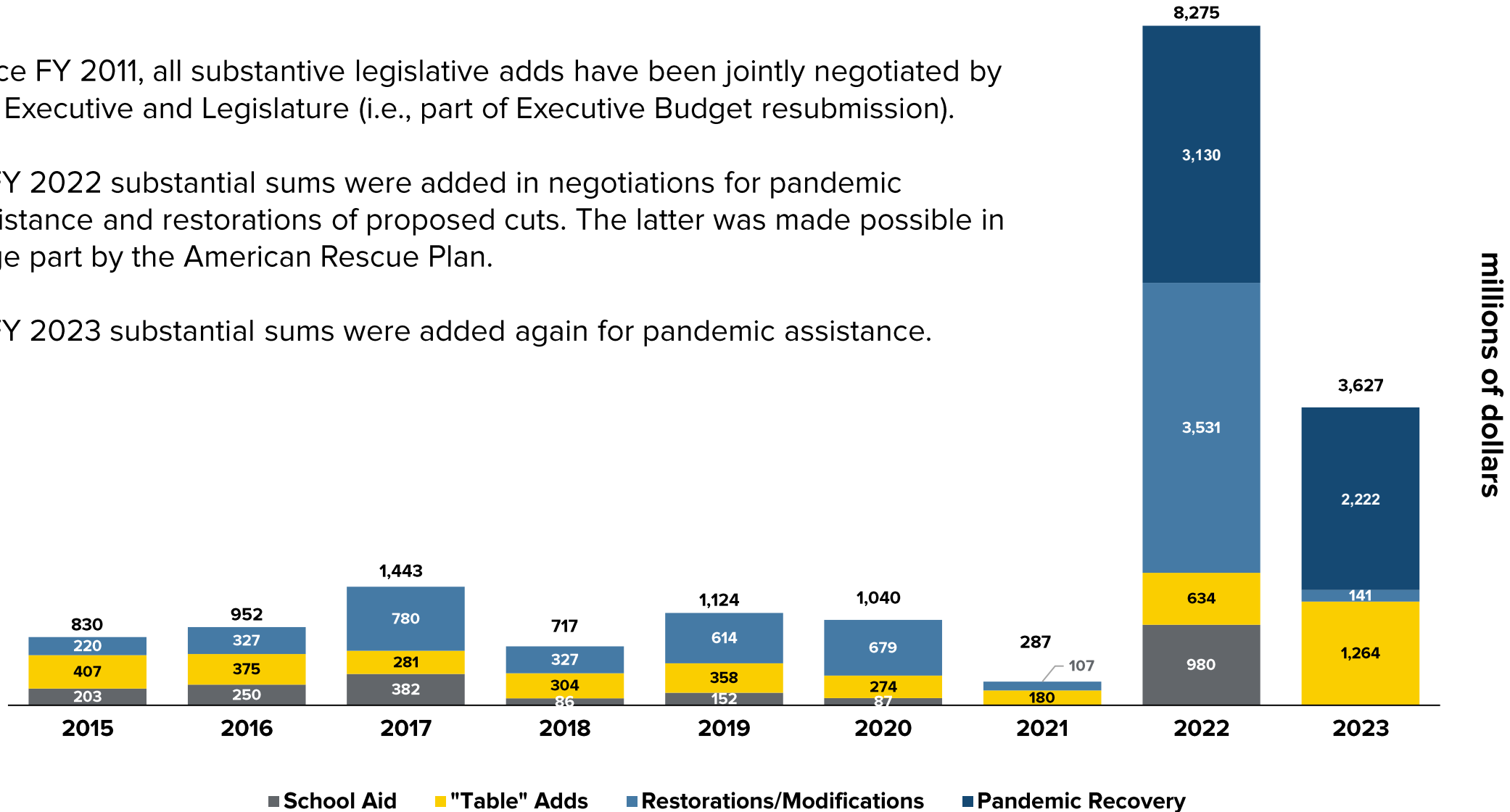
Where it Goes



* Excludes impact of the PassThrough Entity Tax

LEGISLATIVE ADDS TO EXECUTIVE BUDGET

- Since FY 2011, all substantive legislative adds have been jointly negotiated by the Executive and Legislature (i.e., part of Executive Budget resubmission).
- In FY 2022 substantial sums were added in negotiations for pandemic assistance and restorations of proposed cuts. The latter was made possible in large part by the American Rescue Plan.
- In FY 2023 substantial sums were added again for pandemic assistance.

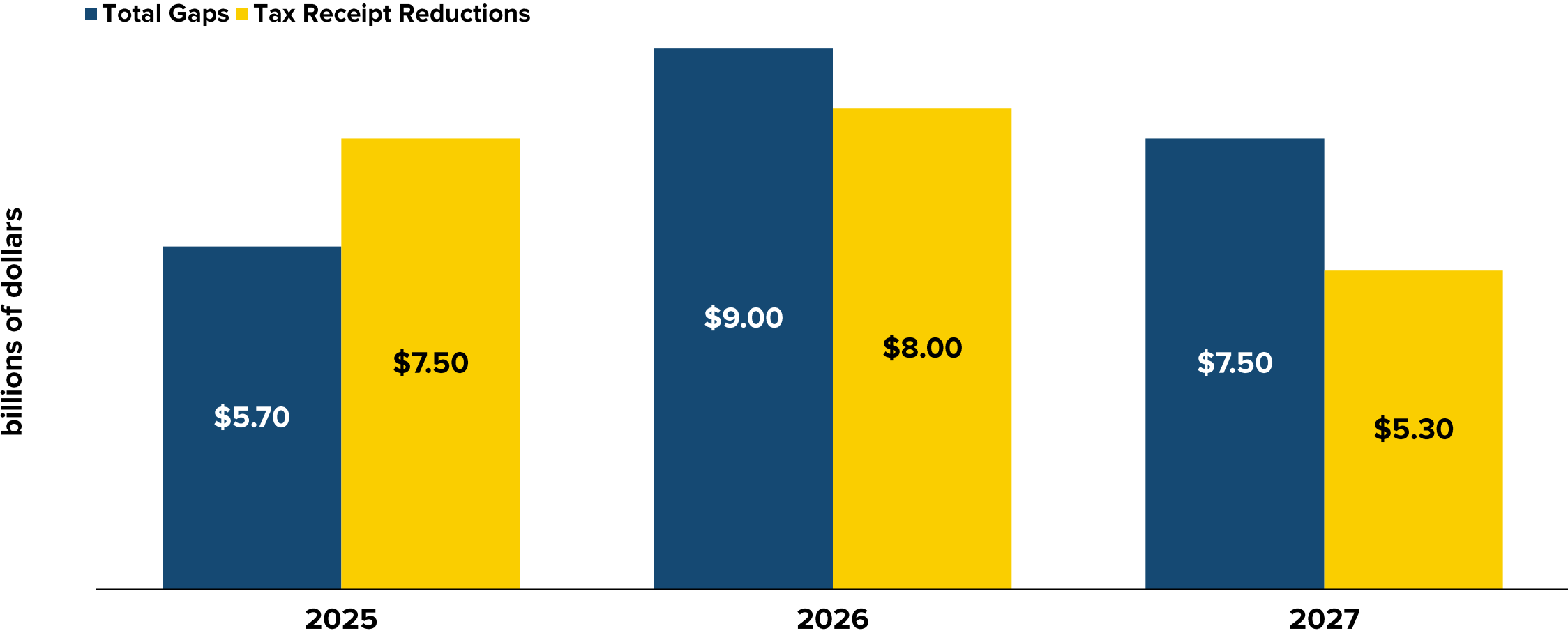


NON-RECURRING SPENDING

The Executive Budget, includes several proposed actions that will not add to permanent costs, the largest of which include:

- Over \$1.5 billion to assist New York City with migrant assistance and services.
- \$500 million to match philanthropic contributions to the endowments of SUNY's University Centers.
- \$300 million to assist the MTA in restoring structural operations.
- \$200 million for monthly electric and gas bill credits for income-eligible consumers.
- \$75 million for SUNY to support innovation and help meet future workforce needs.

OUTYEAR BUDGET GAPS AND TAX RECEIPTS REDUCTIONS





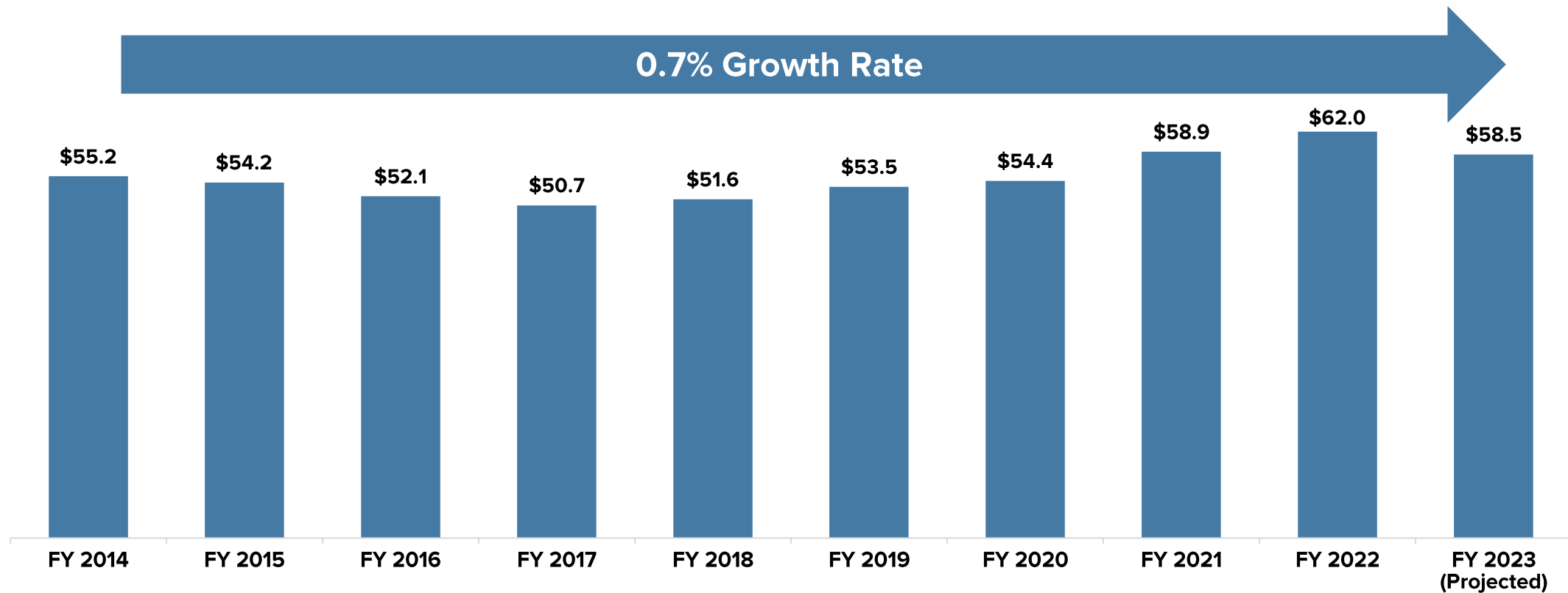
DEBT METRICS

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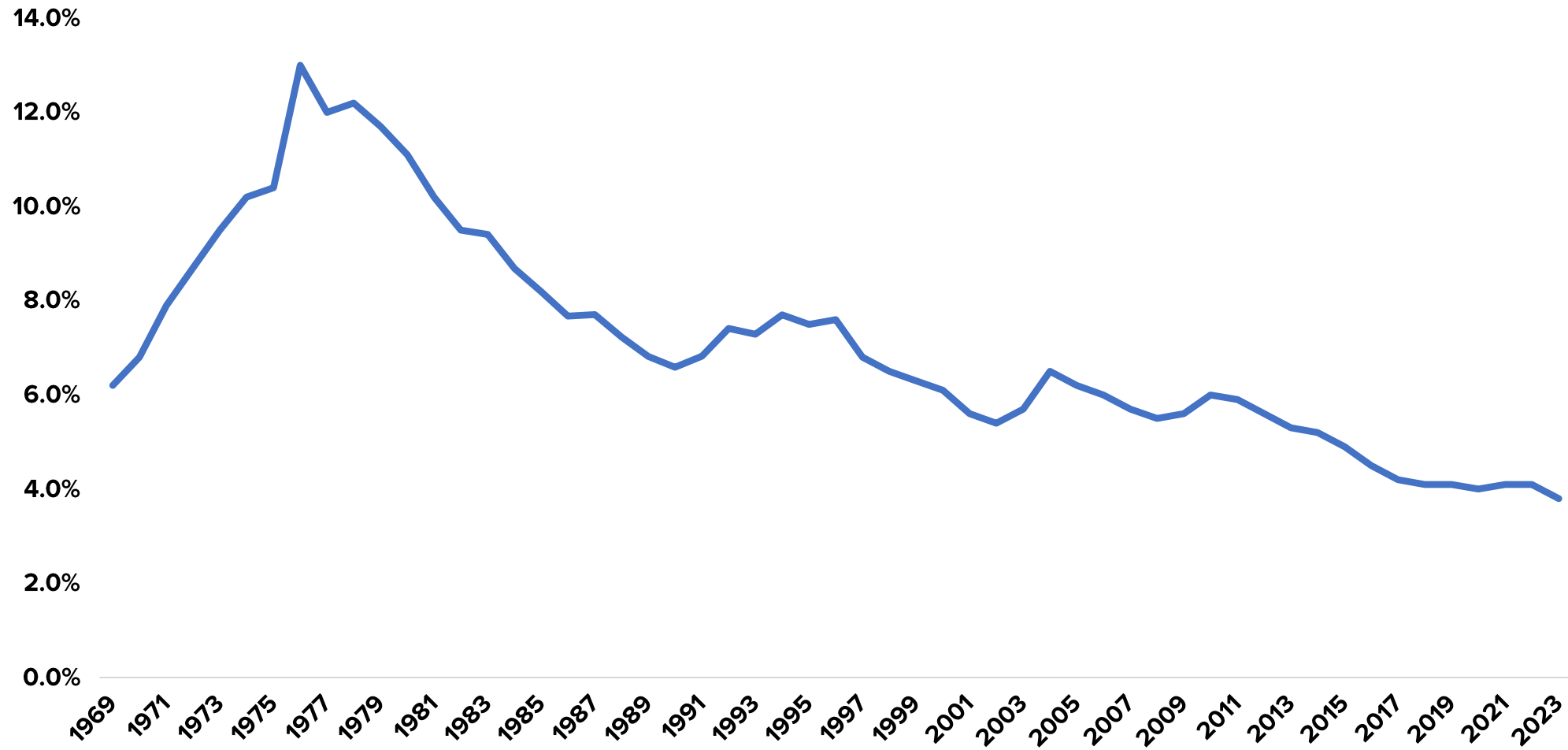
AFFORDABLE DEBT LEVELS

State debt has grown at an affordable level over the past 10 years.

State Debt Outstanding
(in billions)



DEBT BURDEN HAS STEADILY DECLINED TO LOWEST LEVEL SINCE THE 1960S

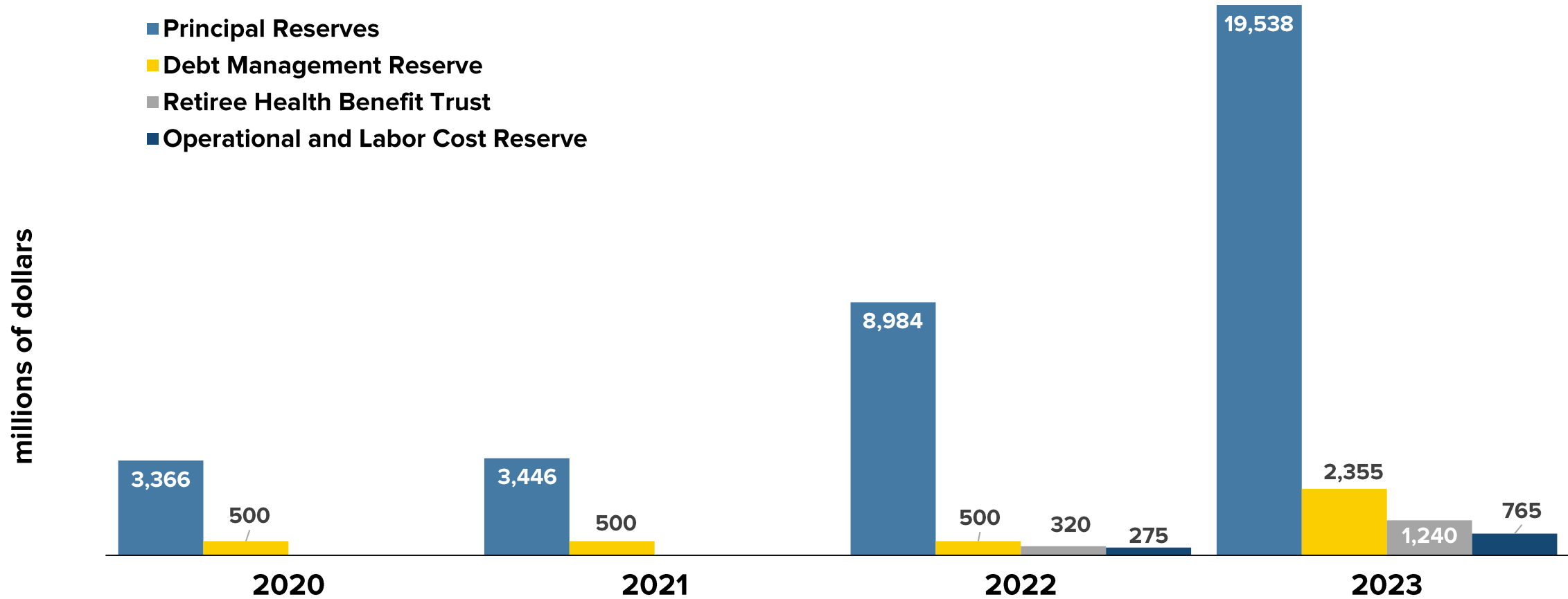




ROAD AHEAD

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\$20 BILLION ADDED TO RESERVES SINCE 2020



- Principal reserves include the statutory Rainy-Day Reserves and the informal reserve for economic uncertainties.
- The Retiree Health Benefit Trust Fund is a trust fund for the payment of health benefits of retired employees and their dependents and is not included in the General Fund balance.
- Other statutory reserves for dedicated purposes, PTET, pandemic assistance, and undesignated fund balance are excluded.

PRINCIPAL RESERVES

FY 2024 Executive “Principal” Reserves (millions of dollars)

	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Planned Deposits (Uses)	5,018	10,554	0	0
Rainy Day Reserves	843	3,149	0	0
Economic Uncertainties	4,175	7,405	0	0
Balance At Year-End	8,984	19,538	19,538	19,538
Rainy Day Reserves	3,319	6,468	6,468	6,468
Economic Uncertainties	5,665	13,070	13,070	13,070
Estimated SOF Spending	117,404	122,703	125,184	131,497
<i>Principal Reserves % SOF</i>	<i>8%</i>	<i>16%</i>	<i>16%</i>	<i>15%</i>

More than half of the current year surplus will be used to accelerate the deposits to principal reserves that had been planned for FY 2024 (\$2.4 billion) and FY 2025 (\$2.9 billion), bringing the balance held in principal reserves to more than 15 percent of spending by March 31, 2023 — two years ahead of schedule.

FINANCIAL PLAN RISKS

- Recession (Worse than Projected)
- Authorities, local governments and other essential entities seeking State support
- Spending Pressures:
 - Pending Federal approval of Medicaid savings actions and bonus payments (Federal share)
 - Medicaid Global Cap pressures – already record high
 - School Aid – already record high
- Major New Commitments from Legislature without New Funding Sources
- Continuing Population Loss
- Climate Change and Implementation of CLCPA
- Outyear budget gaps



WE ARE NEW YORK

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A BUDGET TO SUPPORT ALL NEW YORKERS



**\$8.1
BILLION**

in spending in **public
safety in FY 2024**



**7.2%
INCREASE**

in spending in **mental
hygiene in FY 2024**



**800,000
NEW HOMES**

Over the **next 10 years**

\$200 M

In utility support,
energy affordability
and retrofitting



Enhancing our **SUNY**
and **CUNY** campuses

↑ 10%

Providing a **\$3.1 billion**
School Aid increase, the
largest increase in history,
for a **record total of \$34.5**
billion



Creating an employer-supported **Child Care Pilot** and **incentives for employer-based child care**

\$90 M

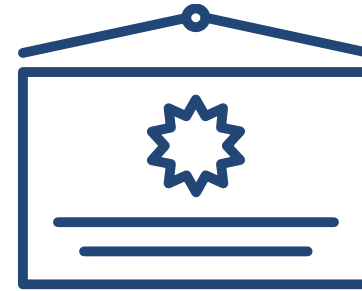
In **capital investments for better outdoors**



Supporting access to high-quality health care through a historic **\$34.7 billion investment in health care workforce and Medicaid**

INVESTING IN ALL NEW YORKERS

Ease access to **public services** including child care, and the elimination of food scarcity in our communities.



Creation of new **Centers for Careers in Government** to strategically meet New Yorkers where they are



Indexing the **minimum wage to inflation**

**CRAFTING A STATE BUDGET IS
NEVER JUST ABOUT NUMBERS.**

IT IS ABOUT PEOPLE.

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PLEASE STAND BY FOR

**FY 2024 NYS EXECUTIVE BUDGET
Q&A**



