



**JOINT REPORT
ON RECEIPTS AND DISBURSEMENTS
NOVEMBER 2024**

**Division of the Budget
Assembly Ways and Means Committee
Senate Finance Committee**



QUICK START REPORT 1
Introduction 2
Overview..... 2

JOINT REVIEW OF ECONOMIC AND FISCAL FACTORS 3
Economy and Revenues..... 3
Economic Context 3
Revenue Projections Comparison 6

DISBURSEMENT PROJECTIONS COMPARISON 8
Medicaid 10
School Aid 12
Public Assistance..... 13

FISCAL OUTLOOK..... 14

Quick Start Report

This report summarizes the results of the “quick start” forecasting process conducted by the Executive, Legislature, and Comptroller, pursuant to Chapter 1 of the Laws of 2007. Specifically, this report meets the statutory requirement that by “not later than November 15, the Governor, the Temporary President of the Senate and the Speaker of the Assembly shall jointly prepare and make available on their internet websites a report on the actual, estimated, and projected State receipts and disbursements for the prior, current, and ensuing fiscal years, respectively, for all funds of the State.”

Introduction

“Quick start” brings the Executive and Legislative fiscal staffs together along with the Office of the State Comptroller, well in advance of the Governor’s budget submission, to begin an open, public dialogue on the fiscal outlook for the upcoming year. By jump-starting the formal exchange of information and analysis, “quick start” is intended to stimulate timely discussion and analysis on economic and fiscal factors likely to shape the upcoming budget year deliberations.

As part of this process, each party that plays a role in the budget was invited to contribute an assessment of the State economic outlook, an estimate of State spending and receipts, and a forecast for the certain major programs – School Aid, Medicaid, and Public Assistance, which combined represent a significant share of total State Operating Funds spending.

The law directs the Executive, Senate, Assembly, and the State Comptroller to prepare separate “quick start” reports. The Executive and Legislature are then required to meet publicly shortly thereafter to discuss their findings, on or before November 15. In addition, the Executive, Assembly Majority, and Senate Majority must issue a joint report on the actual, estimated, and projected State receipts and disbursements of the prior, current, and ensuing fiscal years.

Overview

On October 29, 2024, the Division of the Budget (DOB) issued its Mid-Year Financial Plan updating the State’s official financial projections for the current year, upcoming budget year, and two outyears and is the basis for discussions among the participants and the public.

In early November, the Senate Majority, Assembly Majority, Senate Minority, Assembly Minority, and State Comptroller each submitted “quick start” reports. The Director of DOB and fiscal staff from the Senate Majority, Assembly Majority, Senate Minority, Assembly Minority, and Office of the State Comptroller met publicly on November 15, 2024 to review and discuss their individual forecasts. Though there are differences between the respective estimates, representatives of all parties agreed that the State’s economic situation has been better than originally forecasted in April with growth in real GDP, employment, and income exceeding expectations. Economic growth is expected to continue in CY 2025 albeit at a slower rate than experienced in 2024. The labor market will continue to cool in CY 2025 as growth slows.

Joint Review of Economic and Fiscal Factors

The following sections highlight the discussions that took place with respect to the economy, receipts and disbursements projections, and the fiscal outlook.

Economy and Revenues

Economic Context

The Senate Majority, Assembly Majority, Senate Minority, Assembly Minority, and Executive all agree that the economic expansion is continuing and faster than originally forecasted. Estimated U.S. real GDP growth rates for CY 2024 range from 2.7 to 2.9 percent. All parties expect growth to slow in CY 2025 with estimates ranging from 2.3 to 2.4 percent and decline slightly again in CY 2026.

All parties agree the labor market continued to grow in 2024 but at a slower rate than experienced in 2023. Projected growth rates for nonfarm employment for CY 2024 are in the range of 1.6 to 1.7 percent. Personal income growth estimates range from 5.7 to 5.9 percent for 2024, similar to the 5.9 percent growth experienced in 2023. The forecasted wage growth for CY 2024 ranged from 6.5 to 6.8 percent. All parties estimate strong growth in CY 2024 in corporate profits ranging from 6.2 to 7.9 percent. All parties but the Senate Majority estimated stronger performance in CY 2024 than 2023 and all parties anticipate slower profit growth in CY 2025.

Estimated growth rates in New York State employment for 2024 range from 1.3 to 1.6 percent. All parties expect employment growth to slow in 2025 with forecasts ranging from 0.8 to 1.0 percent. Estimated growth in personal income ranges 5.0 to 5.7 for 2024, with wage growth ranging from 4.5 to 6.1 percent. Wage growth is forecast to slow for 2025 ranging 4.3 to 4.5 percent, and personal income growth projections range between 4.1 to 4.6 percent.

While U.S. economic growth is likely to be maintained above 2 percent in the medium term, there are risks and uncertainties that could weigh on the resiliency of consumer spending and business investment that underlies such growth. Downside risks include slower global growth, ongoing labor disputes, geopolitical risks, and policy uncertainties. Effects of slower global economic growth, volatility in commodity and oil prices, and wide fluctuations in equity markets may create outsized impacts on the State economy. Additionally, the ongoing persistence of remote work and continued relocation of urban-based workers outside of the State remain long-run downside risks to total wages and employment. A persistently strong U.S. dollar might dampen job growth in sectors reliant on international tourism and exports in the State.

Global risks, including climate change and natural disasters as well as geopolitical risks could weigh on both the national and State economic outlook. Escalating tensions in the Middle East introduce upward pressure on inflation with the risk of high oil prices, thus making it difficult for the Federal Reserve to continue cutting interest rates. Extreme volatilities in the current Chinese stock market and weakness in the Euro Area economy could introduce additional uncertainties in international trade, dollar exchange rates, and global financial markets.

U.S. FORECAST				
ANNUAL CALENDAR YEAR				
Percent Change				
	<u>CY 2023</u>	<u>CY 2024</u>	<u>CY 2025</u>	<u>CY 2026</u>
REAL U.S. GDP				
Assembly Majority	2.9	2.7	2.3	2.2
Assembly Minority	2.9	2.9	2.4	2.1
DOB	2.9	2.8	2.3	2.1
Senate Majority	2.9	2.7	2.3	2.1
Senate Minority	2.9	2.8	2.3	2.1
PERSONAL INCOME				
Assembly Majority	5.9	5.9	5.0	5.0
Assembly Minority	5.9	5.8	4.5	4.4
DOB	5.9	5.7	4.0	3.9
Senate Majority	5.9	5.8	4.5	4.4
Senate Minority	5.9	5.7	4.0	3.9
WAGES				
Assembly Majority	5.4	6.8	5.2	4.8
Assembly Minority	5.4	6.6	4.7	4.1
DOB	5.4	6.5	4.1	3.6
Senate Majority	5.4	6.6	4.7	4.1
Senate Minority	5.4	6.5	4.1	3.6
CORP PROFITS W/ IVA & CCA				
Assembly Majority	6.9	7.5	2.8	0.9
Assembly Minority	6.9	7.9	4.5	4.9
DOB	6.9	7.8	3.8	4.2
Senate Majority	6.9	6.2	3.6	3.3
Senate Minority	6.9	7.8	3.8	4.2
NONFARM EMPLOYMENT				
Assembly Majority	2.3	1.6	1.0	0.8
Assembly Minority	2.3	1.7	1.2	0.9
DOB	2.3	1.6	0.9	0.5
Senate Majority	2.3	1.6	0.9	0.5
Senate Minority	2.3	1.6	0.9	0.5
3-MONTH T-BILL RATE				
Assembly Majority	5.3	5.2	3.9	3.1
Assembly Minority	5.1	5.0	3.8	3.0
DOB	5.1	5.0	3.8	3.0
Senate Majority	5.1	5.0	3.8	3.0
Senate Minority	5.1	5.0	3.8	3.0

N.Y. FORECAST ANNUAL CALENDAR YEAR Percent Change				
	<u>CY 2023</u>	<u>CY 2024</u>	<u>CY 2025</u>	<u>CY 2026</u>
NONFARM EMPLOYMENT				
Assembly Majority*	2.3	1.6	1.0	0.9
Assembly Minority	2.2	1.6	0.9	0.6
DOB*	2.2	1.3	0.8	0.6
Senate Majority	2.1	1.6	0.9	0.2
Senate Minority	2.2	1.3	0.8	0.6
PERSONAL INCOME				
Assembly Majority*	5.4	5.6	4.6	4.6
Assembly Minority	5.4	5.3	4.4	3.9
DOB*	5.4	5.0	4.2	4.0
Senate Majority	5.7	5.7	4.1	3.9
Senate Minority	5.4	5.0	4.2	4.0
WAGES				
Assembly Majority*	4.2	5.6	4.5	4.5
Assembly Minority	4.3	5.0	4.5	3.7
DOB*	4.3	4.5	4.3	3.8
Senate Majority	4.8	6.1	4.4	3.7
Senate Minority	4.3	4.5	4.3	3.8
* Constructed based on QCEW data.				



Revenue Projections Comparison

MID-YEAR REVENUE ESTIMATES COMPARISON FY 2025 (millions of dollars)					
	Executive Mid-Year Estimate	Senate Majority	Senate Minority	Assembly Majority	Assembly Minority
Personal Income Taxes	59,545	60,115	59,974	60,266	59,921
User Taxes and Fees	22,443	22,456	22,527	22,521	22,544
Business Taxes	29,074	29,184	29,057	29,159	29,090
Other Taxes	2,551	2,571	2,553	2,564	2,556
All Funds Taxes Subtotal	113,613	114,325	114,111	114,509	114,111
General Fund Misc. Rec & Fed. Grants	8,328	8,328	8,328	8,322	8,328
Education Gaming	4,603	4,578	4,603	4,760	4,683
Total Receipts	126,544	127,230	127,042	127,591	127,122

MID-YEAR REVENUE ESTIMATES COMPARISON FY 2026 (millions of dollars)					
	Executive Mid-Year Estimate	Senate Majority	Senate Minority	Assembly Majority	Assembly Minority
Personal Income Taxes	61,668	62,273	62,018	62,600	62,136
User Taxes and Fees	22,988	23,027	23,093	23,077	23,099
Business Taxes	26,891	27,014	26,873	26,944	26,923
Other Taxes	2,696	2,718	2,698	2,708	2,698
All Funds Taxes Subtotal	114,243	115,031	114,682	115,329	114,856
General Fund Misc. Rec & Fed. Grants	4,112	4,112	4,112	4,106	4,112
Education Gaming	4,570	4,654	4,570	4,731	4,675
Total Receipts	122,925	123,797	123,364	124,166	123,643

Receipts in FY 2024 declined after two years of historically strong receipts performance driven by economic support from the Federal government. Receipts have now resumed the growth trends seen prior to the pandemic, however the outlook for FY 2025 and the outyears is vulnerable to overall economic trends. Personal income tax collections, the state's largest source of tax revenue, are dependent on the health of the state's labor market and other sources of income such as capital gains. User taxes and fees are driven by consumer spending and business tax collections are tied to the health of the State's businesses.

Revenue growth for the current and upcoming fiscal year remains dependent on several global, national, and statewide factors that could pose risks to the forecasts. These risks are:

- Financial sector bonus payments represent a significant portion of New York wages and are paid during a short period late in the fiscal year. Financial sector activity has been strong in CY 2024 and forecasts suggest that end of the year bonuses will be stronger than FY 2024. Should the level of these payments be even lower than anticipated, income tax receipts may not meet expectations. Conversely, if bonuses outperform the forecasted level, there is upside potential for personal income tax receipts.
- Although tax revenues are, in general, closely related to economic activity, the magnitude and timing of impacts on tax receipts represents a risk to the forecast. New York's progressive personal income tax structure subjects revenues to more volatility with respect to business cycles.
- Prevalence of remote work, combined with outmigration, could permanently reduce the demand in commercial real estate and secondary industries such as leisure and hospitality, business services and entertainment in New York City and other large cities around the State.

Beyond the current and next fiscal year, revenue risks include potential changes to the Federal Internal Revenue Code. Many provisions of the Tax Cuts and Jobs Act of 2017 are set to expire by the end of 2025, setting the stage for a reconsideration of the federal tax system. Changes to the definitions of taxable income, deductions, and credits at the Federal level could have impacts that pass through to the State.

Disbursement Projections Comparison

The Mid-Year Financial Plan prepared by the Executive contains detailed forecasts of all major spending programs. The General Fund traditionally has been, and will continue to be, an important focus of State financial performance, in part due to the statutory balance requirement. State Operating Funds is a more inclusive measure that captures all spending financed by dedicated revenue sources and for servicing the State’s debt, excluding capital spending and Federal aid. All Governmental Funds includes spending for capital purposes and Federal grants.

The tables below summarize the State’s actual and projected disbursements for prior year actuals, and projections for the current year and budget year as prepared by the Executive in the Mid-Year Financial Plan.

EXECUTIVE MID-YEAR SPENDING FORECAST (millions of dollars)			
	FY 2024 Actuals	FY 2025 Projected	FY 2026 Projected
State Operating Funds	\$128,473	\$134,054	\$139,775
<i>Annual Growth</i>	3.8%	4.3%	4.3%
General Fund (with transfers)	\$100,117	\$109,344	\$115,063
<i>Annual Growth</i>	7.9%	9.2%	5.3%
All Funds	\$234,867	\$239,942	\$241,190
<i>Annual Growth</i>	6.5%	2.2%	0.5%

The following tables summarize the comparison of State Operating Funds spending projections for current year and budget year to the Executive projections in the Mid-Year Financial Plan.

MID-YEAR ESTIMATES - FY 2025 State Operating Funds (millions of dollars)					
	Executive Mid-Year Estimate	Estimates			
		Senate Majority	Senate Minority	Assembly Majority	Assembly Minority
School Aid (School Year)	35,889	35,889	35,889	35,895	35,688
Medicaid	31,309	31,309	31,309	31,309	31,309
Public Assistance	774	774	774	767	818
Subtotal	67,972	67,972	67,972	67,971	67,815
All Other Disbursements	66,082	66,082	66,082	66,082	66,082
Total Disbursements	134,054	134,054	134,054	134,053	133,897

FY 2026 State Operating Funds Estimates (millions of dollars)					
	Executive Mid-Year Estimate	Senate Majority	Senate Minority	Assembly Majority	Assembly Minority
Medicaid	35,059	35,059	35,059	35,059	35,059
Public Assistance	795	795	795	782	861
Subtotal	72,737	72,737	72,860	72,741	72,648
All Other Disbursements	67,038	67,038	67,038	67,038	67,038
Total Disbursements	139,775	139,775	139,898	139,779	139,686

Summary information for three key areas of State Operating Funds spending – Medicaid, School Aid, and Public Assistance – is provided below.

Medicaid

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through monthly premium payments to managed care plans that enroll Medicaid eligible individuals and direct payments to health care providers for services rendered to Medicaid enrollees. Medicaid services include inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care, and services provided in a variety of community-based settings (including personal care, mental health, substance abuse treatment, developmental disabilities services, school-based services, and foster care services).

The Medicaid program is financed by the Federal government, the State, and counties, including the City of New York. The counties share has been capped at CY 2015 levels and is projected to save local districts a total of \$7.4 billion in the current year - roughly \$3.4 billion for counties outside the City of New York and \$4.0 billion for the City of New York.

DOB estimates that spending from all sources, including spending by local governments that is not part of the State's All Funds activity, will total over \$113 billion in the current year. The following table shows the estimated disbursements by level of government and the total State share includes Department of Health and other State agency spending.

FY 2025 Projected Medicaid Spending* (millions of dollars)		
	Spending	Share
Federal (includes Essential Plan)	67,173	59.2%
State (DOH)	31,309	27.6%
State (Other Agencies)	6,308	5.6%
Local	8,638	7.6%
Total	113,428	

*Includes operational costs

The Executive's projected Medicaid forecast involves an evaluation of all major service categories using a specific approach depending on whether expenditures are based on monthly plan premiums or fee-for-service payments. The forecast uses category specific Medicaid Management Information System (MMIS) data. This includes detail on total paid claims and premiums, retroactive spending adjustments, caseload, and service utilization. This data is incorporated into mathematical models that are used to predict future expenditures based upon historical expenditure patterns and seasonal trends. The models also consider non-MMIS data (e.g., managed care enrollment, Federal Medicare premiums, and trends in the pharmaceutical industry) in certain areas to generate program specific expenditure projections.

It should be noted that the forecasts provide a point-in-time estimate for program spending based on the most current data available and therefore are subject to considerable variance depending on several risks that could affect Medicaid spending and enrollment. These include natural disasters, economic fluctuations, shifts in demographic patterns, litigation, and changes in State and Federal policies and statutes.

The Senate and Assembly's projections align with the Executive's forecast published in the Financial Plan. All parties concur there is risk to these Financial Plan estimates, as current Medicaid enrollment remains above pre-pandemic levels and long-term care costs continue to grow as the State's population ages. Any material deviations from the Financial Plan's enrollment forecast would result in spending above what is currently projected in these forecasts.

School Aid

The State Education Department (SED) releases school district specific data three times a year pursuant to §305 of the Education Law. The November 15 database update provides the first information on the projected upcoming school year. This data will continue to be updated on February 15 and May 15. The forthcoming Executive Budget estimates will be based upon data reported from SED at the November 15 database.

Since this data for the School Year (SY) 2026 is not yet available, estimating School Aid for upcoming SY presents significant challenges. Expense-based aids (e.g., Transportation Aid, BOCES Aid, and Building Aid) can be volatile and difficult to project with a high level of certainty because they depend on individual school districts’ expenses and relative income and property wealth per pupil; for SY 2017 through SY 2020, for example, aid projections varied by approximately \$75 million to \$150 million from the time of Budget enactment through the following November database, while SY 2021 and SY 2022 projections fluctuated by over \$300 million due to the impact of the COVID-19 pandemic on district expenses. Additionally, SED’s initial projections of current law aid for SY 2026 in the November 2024 database will include a Foundation Aid increase up to the level necessary to keep the formula fully funded. The value of this increase depends on the formula’s full funding target, which is in turn impacted by annually updated factors such as inflation, enrollment, and levels of district wealth and student need.

The following table summarizes the School Aid projections reflected in the respective reports put forward by Executive, Senate, and Assembly staffs. The reports used different approaches to forecasting School Aid for upcoming SY, with differing degrees of specificity; however, all incorporate a significant Foundation Aid increase to maintain the continued full funding of the formula under current law, as well as continued growth in expense-based aids. The projected SY 2026 increases all recognize the substantial impact that inflation continues to have on School Aid. The Senate Majority concurs with the Executive’s projections. The other parties’ reports merely differ in their assumptions regarding inflation, enrollment, and how the annual expense-based aid increase will compare to the average of prior years. However, all parties’ estimates of the School Aid increase fall within a relatively narrow range of less than \$125 million.

FY 2026 (\$ in Millions)	EXECUTIVE	SENATE MAJORITY	SENATE MINORITY	ASSEMBLY MAJORITY	ASSEMBLY MINORITY
School Aid Increase (School Year Basis)	994	994	1,117	1,005	1,040

Public Assistance

The Office of Temporary and Disability Assistance (OTDA) local assistance programs provide cash benefits and supportive services to low-income families, children and adults living in NYS. OTDA's public assistance (PA) program is comprised of the Family Assistance and Safety Net Assistance programs. The Family Assistance program, which is financed by Federal Temporary Assistance for Needy Families (TANF) funds, provides cash assistance to those families who have been on assistance for less than five years. The Safety Net Assistance program, financed by the State and counties, provides cash assistance to single adults, childless couples, and families who have exhausted their five-year Federal time-limit on TANF.

The following is a summary of public assistance disbursement projections as reflected in the respective reports put forward by Executive, Senate, and Assembly staffs. Variances between disbursement estimates may be attributable to differing conclusions regarding the extent of caseload increases. However, because a portion of public assistance expenditures are for non-benefit payments such as diversion payments and transitional services, it is difficult to determine expenditures based solely on caseload.

The Executive current year forecast for the public assistance caseload is 663,461 (13.3 percent increase from prior year actuals). Public assistance gross costs (Federal/State/local) are estimated at \$3.72 billion, a projected 13.5 percent increase from prior year actuals, with State-funded costs estimated at \$774 million. The Senate Majority and Minority agree with the Executive's forecast. The Assembly Majority forecast a higher public assistance caseload of 665,473 and State-funded costs at \$767 million. The Assembly Minority has also estimated higher State-funded costs at \$818 million.

The Executive budget year forecast for the public assistance caseload is 688,153 (3.7 percent increase from the current year). Public assistance gross costs (Federal/State/local) are estimated at \$3.87 billion, a projected 4.0 percent increase from the current year, with State-funded costs estimated at \$795 million. The Senate Majority and Minority agree with the Executive's upcoming budget year forecast, but the Assembly Majority forecast a lower public assistance caseload estimate of 668,310 and lower State-funded costs estimated at \$782.4 million. The Assembly Minority has estimated higher State-funded costs of \$861 million.

Fiscal Outlook

Over the past few years, the State has made significant new investments in services and programs, substantially increasing assistance to schools and health care providers, while expanding and adding funds in nearly every other area of the budget. State finances remain on solid footing with favorable operating results recorded through the first half of FY 2025 and an improved economic outlook. The economy continues to show strength as employment and wage growth exceeds previous forecasts and inflation moderates. The economic outlook in the outyears is strong with output growth and labor indicators slowing compared to recent years but avoiding a contraction. Immediate concerns about a recession have eased.

The State's fiscal position has strengthened. General Fund receipts have been higher than originally estimated driven by strength in personal income tax and Pass-Through Entity Tax (PTET) collections. The receipts forecast for all years have been revised upward by more than \$2 billion annually. Spending estimates across all years of the Financial Plan have also been revised upward mainly due to changes to estimated Medicaid spending. The revisions are driven by elevated enrollment levels, higher utilization and costs forecasts, and delayed Federal approvals required to effectuation savings initiatives and recoveries, resulting in Medicaid spending projections that exceed the Global Cap spending allowance by \$2.2 billion in FY 2026 and roughly \$3 billion in subsequent years. The cumulative outyear budget gaps are projected to total \$1 billion in FY 2026, \$6.2 billion in FY 2027, and \$7.1 billion in FY 2028.

While both the Executive and Legislative houses agree that updated U.S. and New York economic outlooks have improved with a previously forecasted economic downturn likely avoided, uncertainty remains related to forecast risk for FY 2026. The outcome of the Presidential election is now known, but the policy priorities of the incoming Trump administration and their impacts on New York remain to be seen. Other risks include potential increasing oil prices, global unrest, continued wars, and military action. Spending pressures facing the State include continued Medicaid spending growth, potential revisions to the Foundation Aid formula used to fund the State's schools, and the MTA proposed \$68 billion capital plan.

The Executive's projections are based on recent tax and expenditure results, updated forecasts for the State and US economy, and programmatic assumptions that the Executive believes are reasonable. They do not "factor in" potential economic and financial shocks, which are, by definition, unpredictable. Other key data that will impact the forecast include the November 15 School Aid database update as well as economic and spending performance over the next several months.

The Governor will propose a FY 2026 Executive Budget by January 21, 2025, that will include a plan to provide for balanced General Fund operations on a cash basis in FY 2026.