

FISCAL YEAR

2024

**ENACTED BUDGET
FINANCIAL PLAN
FIRST QUARTERLY UPDATE**



July 2023

**Governor Kathy Hochul
Budget Director Robert L. Megna**



Introduction

This is the First Quarterly Update (the “Financial Plan”) to the Enacted Budget Financial Plan for Fiscal Year (FY) 2024, published June 9, 2023. The State’s FY 2024 began on April 1, 2023 and ends on March 31, 2024.

Revisions to economic indicators and the operating results through the first quarter of the fiscal year (April through June 30, 2023) are generally modest and do not provide an impetus for material revisions to annual projections of receipts and disbursements. As such, the annual projections in the Financial Plan (and the assumptions upon which they are based) remain unchanged from the FY 2024 Enacted Budget Financial Plan¹. The Division of the Budget (DOB) expects to update its Financial Plan projections of receipts and disbursements, as needed, following the close of the second quarter.

The Enacted Budget Financial Plan includes \$1 billion in funding to support New York City with shelter assistance to asylum seekers. The State has recently agreed to provide State-owned land for New York City to establish and operate an emergency shelter site for up to 1,000 adults, and the State will reimburse the City for the costs it incurs. These reimbursements will be in addition to the funding included in the Enacted Budget and will be reflected in a future Financial Plan update.

A summary of the updates to the economic outlook since the Enacted Budget Financial Plan and operating results through the first quarter of the fiscal year are described below.

Economic Outlook Update

The U.S. Economy

DOB’s updated U.S. economic outlook for the First Quarterly Update of the Financial Plan reflects stronger-than-expected near-term data in job gains, household balance sheets, and output growth, coupled with softer-than-expected price inflation. However, the longer-term economic outlook remains largely unchanged from the Enacted Budget forecast.

According to the revised estimate from the Bureau of Economic Analysis (BEA), U.S. real Gross Domestic Product (GDP) grew at a 2.0 percent annualized rate in the first quarter of 2023, significantly stronger than the advance estimate of 1.1 percent released in April. This upward revision to the first-quarter real GDP growth, combined with stronger-than-expected monthly indicators in the second quarter, suggests stronger momentum for 2023 than anticipated in the Enacted Budget forecast. As a result, DOB has increased the real GDP growth forecast for 2023 by 0.5 percentage point to 1.7 percent. In addition, DOB increased its forecast of U.S. total nonfarm employment growth by 0.3 percentage point to 2.2 percent in 2023, accounting for a still-tight labor market with 244,000 average monthly job gains during the second quarter of 2023,

¹ The FY 2024 Enacted Budget Financial Plan is available at [FY 2024 Enacted Budget Financial Plan](#)

DOB continues to expect a mild downturn to evolve in the second half of 2023, but fewer job losses are anticipated between the fourth quarter of 2023 and the first quarter of 2024. Total nonfarm employment is projected to grow 0.3 percent in 2024, compared to a 0.1 percent annual decline in the Enacted Budget forecast. Accordingly, the unemployment rate is expected to peak at 4.5 percent by mid-2024, slightly lower than the Enacted Budget forecast. The latest consumer price index report shows more progress toward the Federal Reserve's two-percent inflation target, as the 12-month change in headline Consumer Price Index (CPI) eased to 3.0 percent in June from 4.9 percent in April. Therefore, DOB revised the 2023 CPI inflation estimate down by 0.2 percentage point to 4.0 percent. The Federal Open Market Committee (FOMC) paused its policy rate hikes at its June meeting, as anticipated in the Enacted Budget forecast, but Chair Powell confirmed that more rate hikes are near certain in his testimony. On account of softer inflation and employment reports released after the June FOMC meeting, DOB anticipates an additional 25 basis-point rate increase in July to be the final rate hike in this monetary tightening cycle.

The New York State Economy

New York State continued its employment recovery towards pre-pandemic levels. According to Current Employment Statistics (CES) data, as of May 2023, State employment was 1.4 percent below its pre-pandemic level, whereas the nation had regained all of its job losses by June 2022. Labor shortages, persistently high inflation, a slowing global economy, and a likely downturn of the national economy are expected to significantly slow down the State's labor market recovery. Following growth of 5.0 percent in 2022, total State employment is projected to grow by 1.3 percent in 2023, 0.4 percentage point higher than estimated in the Enacted Budget forecast. State employment is projected to grow by only 0.1 percent in 2024, unchanged from the Enacted Budget forecast.

Despite a significant decline in bonuses, total wages managed to avoid a decline in the first quarter of 2023 based on preliminary Quarterly Census of Employment and Wages (QCEW) data, compared to a 1.5 percent decline estimated in the Enacted Budget forecast. Finance and insurance sector bonuses for FY 2023 were 5.0 percentage points lower than estimated in the Enacted Budget forecast due to weaker employment growth and more disappointing bonus growth in the sector in the first quarter of 2023. The boost to bonuses from our upward revision to equity market growth in 2023 is mitigated by the newly added expected rate hike in July. As a result, the growth rates of both finance and insurance bonuses and total bonuses for FY 2024 are revised up modestly by a 0.8 percentage point. However, due to the lower base in the previous year, total bonuses in FY 2024 are projected to be \$0.8 billion lower than projected in the Enacted Budget forecast. Slight upward revisions to State employment and bonuses growth lead to a 0.1 percentage point upward revision to FY 2024 wage growth to 2.5 percent compared to growth of 3.6 percent in FY 2023, 0.5 percentage point higher than in the Enacted Budget forecast. Due to an upward revision to wages, State personal income growth for FY 2023 is revised up by 0.1 percentage point to a growth of 1.4 percent despite a downward revision to non-wage income. State personal income growth projected for FY 2024 is revised down by 0.1 percentage point from the Enacted Budget forecast to 3.4 percent mainly due to a minor downward revision to non-wage income.



Year to Date Operating Results

This discussion provides a summary of operating results for April through June 2023 compared to: (1) the projections set forth in the FY 2024 Enacted Budget Financial Plan ("initial estimates") and (2) prior fiscal year results for the same period (April through June 2022).

Summary of General Fund Operating Results

The General Fund ended June 2023 with a balance of \$44.2 billion, \$1.3 billion above the initial estimate. The higher balance was driven by stronger than expected receipts (\$416 million) and lower disbursements (\$908 million) compared to the initial estimates.

GENERAL FUND OPERATING RESULTS				
FY 2024 April to June (millions of dollars)				
	Initial Estimate	Actuals	Variance Above/ (Below) Initial Estimate	
			\$	%
OPENING BALANCE	43,451	43,451	0	0.0%
Total Receipts	26,807	27,223	416	1.6%
Taxes:	25,289	25,755	466	1.8%
Personal Income Tax ¹	14,670	14,541	(129)	-0.9%
Consumption / Use Taxes ¹	4,516	4,552	36	0.8%
Business Taxes	2,724	2,993	269	9.9%
Pass Through Entity Tax	2,467	2,768	301	12.2%
Other Taxes ¹	912	901	(11)	-1.2%
Miscellaneous and Federal Receipts	941	988	47	5.0%
Transfers From Other Funds	577	480	(97)	-16.8%
Total Spending	27,398	26,490	(908)	-3.3%
Assistance and Grants	19,816	19,467	(349)	-1.8%
Agency Operations (including GSCs)	5,501	5,397	(104)	-1.9%
Transfers to Other Funds	2,081	1,626	(455)	-21.9%
Debt Service Transfer	38	38	0	0.0%
Capital Projects Transfer	764	331	(433)	-56.7%
SUNY Operations Transfer	769	768	(1)	-0.1%
All Other Transfers	510	489	(21)	-4.1%
Change in Operations	(591)	733	1,324	224.0%
CLOSING BALANCE	42,860	44,184	1,324	3.1%

¹ Includes transfers from other funds after debt service.



General Fund Receipts

Tax collections were \$466 million above the initial estimate comprised of stronger than expected tax collections for corporate franchise taxes, insurance taxes and consumption/use tax receipts, which partly offset lower personal income tax (PIT) receipts. PIT receipts were below the projections by \$129 million due to weaker than expected estimated payments for current tax year liability and higher than expected refunds paid, partly offset by stronger than expected withholding.

Non-tax receipts were lower than the initial estimates due to the timing of transfers from various State special revenue funds and the Dedicated Highway Bridge Trust Fund (DHBTF).

General Fund Spending

General Fund disbursements, including transfers to other funds, totaled \$26.5 billion, \$908 million (3.3 percent) below the initial estimate. Assistance and grants payments were \$349 million below the initial plan due primarily to timing related variances. Spending was lower across almost all functional areas with the largest variances occurring in mental hygiene, social services, higher education, and School Aid. Agency operations spending, including fringe benefits, was \$104 million below the initial estimate due primarily to lower than projected Social Security payments and a timing related variance in payments from the Employment Benefit Fund to certain Unions. Higher than projected reimbursement of fringe benefits supported by other funds also contributed to the variance. Transfers supporting capital projects were lower than initially projected due to the receipt of bond proceeds to reimburse Department of Transportation Consolidated Local Street and Highway Improvement Program spending earlier than planned.



Summary of All Governmental Funds Operating Results

All Governmental Funds ended June 2023 with a balance of \$70.8 billion, \$3.3 billion above the initial estimate driven primarily by higher receipts (\$2.9 billion), mainly Federal receipts, and lower spending (\$293 million).

ALL GOVERNMENTAL FUNDS COMPARED TO PLANS				
FY 2024 April to June				
(millions of dollars)				
	Initial Estimate	Actuals	Variance Above/ (Below) Initial Estimate	
			\$	%
OPENING BALANCE	65,955	65,956	1	0.0%
ALL FUNDS RECEIPTS:	60,468	63,397	2,929	4.8%
Total Taxes	27,179	27,630	451	1.7%
Personal Income Tax	14,666	14,538	(128)	-0.9%
Consumption / Use Tax	5,454	5,444	(10)	-0.2%
Business Taxes	3,618	3,945	327	9.0%
Pass Through Entity Tax	2,467	2,768	301	12.2%
Other Taxes	974	935	(39)	-4.0%
Miscellaneous Receipts	7,401	7,563	162	2.2%
Federal Receipts	25,888	28,204	2,316	8.9%
ALL FUNDS DISBURSEMENTS:	58,864	58,571	(293)	-0.5%
STATE OPERATING FUNDS	31,100	30,406	(694)	-2.2%
Assistance and Grants	23,056	22,602	(454)	-2.0%
School Aid	8,181	8,116	(65)	-0.8%
DOH Medicaid	9,354	9,386	32	0.3%
Higher Education	728	673	(55)	-7.6%
Transportation	1,075	1,066	(9)	-0.8%
Social Services	778	757	(21)	-2.7%
Mental Hygiene	1,644	1,383	(261)	-15.9%
All Other	1,296	1,221	(75)	-5.8%
State Operations	7,976	7,735	(241)	-3.0%
Agency Operations	4,675	4,540	(135)	-2.9%
Executive Agencies	2,193	2,189	(4)	-0.2%
University Systems	1,822	1,710	(112)	-6.1%
Elected Officials	660	641	(19)	-2.9%
Fringe Benefits/Fixed Costs	3,301	3,195	(106)	-3.2%
Pension Contribution	1,884	1,859	(25)	-1.3%
Health Insurance	1,065	1,088	23	2.2%
Other Fringe Benefits/Fixed Costs	352	248	(104)	-29.5%
Debt Service	68	69	1	1.5%
CAPITAL PROJECTS (State and Federal Funds)	3,284	2,997	(287)	-8.7%
FEDERAL OPERATING AID	24,480	25,168	688	2.8%
NET OTHER FINANCING SOURCES	(41)	(8)	33	80.5%
CHANGE IN OPERATIONS	1,563	4,818	3,255	208.3%
CLOSING BALANCE	67,518	70,774	3,256	4.8%



All Funds receipts totaled \$63.4 billion, exceeding initial estimates by \$2.9 billion, due to higher than initially projected tax collections (\$451 million) consistent with the General Fund summary of variances described earlier and higher Federal receipts (\$2.3 billion) due to the timing of Federal operating aid spending and reimbursements.

State Operating Funds spending was \$694 million below initial estimates. Lower spending attributable to variances in assistance and grants and agency operations spending are consistent with the General Fund operating results described earlier.

Capital projects spending was \$287 million below initial projections due to routine timing delays of various construction projects including large economic development projects and delays in the submission and processing of Smart Schools Bond Act claims.

Federal operating aid spending was \$688 million above initial projections driven by the earlier than projected draw down of Home and Community Based Services (HCBS) American Rescue Plan Act (ARPA) funding, and higher than planned Federal aid to localities pass-through reimbursement for previously incurred eligible COVID-19 expenses.



All Governmental Funds Results Compared to Prior Year

The June All Funds balance, totaling \$70.8 billion, was \$2.1 billion higher than the prior year due to a substantially larger opening balance in FY 2024 (\$12.4 billion), partly offset by lower receipts (\$1.3 billion) and higher spending (\$9 billion).

ALL GOVERNMENTAL FUNDS - RESULTS COMPARED TO PRIOR YEAR				
FY 2024 April to June				
(millions of dollars)				
	Actuals		Increase/(Decrease)	
	FY 2023	FY 2024	\$	%
OPENING BALANCE	53,549	65,956	12,407	23.2%
ALL FUNDS RECEIPTS:	64,669	63,397	(1,272)	-2.0%
Total Taxes	34,423	27,630	(6,793)	-19.7%
Personal Income Tax	21,639	14,538	(7,101)	-32.8%
Pass Through Entity Tax	2,913	2,768	(145)	-5.0%
All Other Taxes	9,871	10,324	453	4.6%
Miscellaneous Receipts	7,770	7,563	(207)	-2.7%
Federal Receipts	22,476	28,204	5,728	25.5%
Bond & Note Proceeds	0	0	0	0.0%
ALL FUNDS DISBURSEMENTS:	49,526	58,571	9,045	18.3%
STATE OPERATING FUNDS	27,356	30,406	3,050	11.1%
Assistance and Grants	18,958	22,602	3,644	19.2%
School Aid	7,408	8,116	708	9.6%
DOH Medicaid	6,550	9,386	2,836	43.3%
All Other	5,000	5,100	100	2.0%
State Operations	8,206	7,735	(471)	-5.7%
Agency Operations	4,853	4,540	(313)	-6.4%
Executive Agencies	2,679	2,189	(490)	-18.3%
University Systems	1,570	1,710	140	8.9%
Elected Officials	604	641	37	6.1%
Fringe Benefits/Fixed Costs	3,353	3,195	(158)	-4.7%
Pension Contribution	1,836	1,859	23	1.3%
Health Insurance	1,128	1,088	(40)	-3.5%
Other Fringe Benefits/Fixed Costs	389	248	(141)	-36.2%
Debt Service	192	69	(123)	-64.1%
CAPITAL PROJECTS (State and Federal Funds)	2,654	2,997	343	12.9%
FEDERAL OPERATING AID	19,516	25,168	5,652	29.0%
NET OTHER FINANCING SOURCES	(43)	(8)	35	81.4%
CHANGE IN OPERATIONS	15,100	4,818	(10,282)	-68.1%
CLOSING BALANCE	68,649	70,774	2,125	3.1%

All Funds Receipts

Tax collections through June were \$6.8 billion lower than through the same period in FY 2023. The annual decline in taxes is consistent with DOB's economic and receipts forecast. The decline is concentrated in PIT receipts and is partially offset by increases in all other taxes.

PIT receipts declined by \$7.1 billion due to a combination of lower extension payments, current year estimated payments, and final return payments. The lower payments were offset by increased withholding and delinquencies coupled with decreased total refunds, which was largely driven by advanced credit payments. The decrease in advanced credit payments was attributable to the expiration of the Homeowner's Tax Rebate Credit.

All other taxes growth includes consumption/use tax collections (\$302 million), mostly due to expected sales tax collections growth and other taxes collections (\$128 million) primarily due to one extraordinarily large estate tax payment. The growth is partly offset by annual declines in real estate transfer collections and PTET collections due to higher refunds in the current year.

Miscellaneous receipts (\$207 million) were lower due primarily to the timing of reimbursements for various capital programs (\$1.3 billion). The declines were partly offset by increased receipts mainly attributable to investment income (\$527 million): Health Care Reform Act (HCRA) (\$202 million), and State University of New York (SUNY) Operations (\$99 million).

Federal receipts through June 2023 were \$5.7 billion higher than the same period last year, consistent with Federal operating aid spending described below.

All Funds Spending

State Operating Funds spending totaled \$30.4 billion through June of FY 2024, an increase of \$3.1 billion (11.1 percent) as compared to the same period in FY 2023.

Assistance and grants spending through June was \$3.6 billion higher than the prior year and largely due to increases in Medicaid (\$2.8 billion), related to the timing of pharmacy transition payments as well as increases in claims, resulting from the Federal Public Health Emergency (PHE) restrictions on disenrollment, Directed Payment Template (DPT) payments, and a phase out of enhanced Federal matching rates, as well as School Aid (\$708 million higher) due to the planned General Aid increases related to the final year of the three-year phase-in of the full funding of Foundation Aid as reflected in a higher level of appropriated spending in the Enacted Budget.

Executive agency operations spending decreased by \$490 million from the prior year due largely to the Federal Emergency Management Agency (FEMA) reimbursement for prior year State costs incurred for pandemic response and recovery efforts (\$701 million). Excluding the FEMA reimbursement, operational spending increased due to salary increases pursuant to existing labor contracts and targeted increases for certain job titles including nurses, psychiatrists, and direct care staff. Annual fringe benefits spending declined (\$158 million) primarily due to lower fringe benefits spending in the areas of Health Insurance, Worker's Compensation and Employee Benefits due to the partial prepayment of these obligations in FY 2023.

Debt Service spending was \$123 million lower as the State continues to pay off older credits that traditionally had early annual payments in the fiscal year.

Federal operating spending increased by \$5.7 billion over the prior year due predominantly to the following:

- Medicaid (\$2.8 billion higher) primarily attributable to growth in enrollment and claims associated with the PHE restrictions which have been phased out and are expected to decline in later quarters, as well as the NYRx transition to Fee-for-Service that are expected to be offset by corresponding reductions to Managed Care rates that are in the process of being executed.
- Essential Plan (\$546 million higher) attributable to higher program participation as a result of the expansion of the eligible population for the program.
- School Aid (\$351 million higher) primarily due to the timing of Elementary and Secondary Education Act Title grants (\$292 million), the timing of COVID-19-related grants (\$30 million), and higher U.S. Department of Agriculture School Lunch Act spending (\$28 million).
- Office of Children and Families (\$299 million higher) driven by increased spending on Child Welfare Services (\$174 million) and Child Care (\$121 million).
- Temporary & Disability Assistance (\$651 million lower) due to decreased spending on the Emergency Rental Assistance Program (\$416 million), Flexible Fund for Family Services (\$95 million), Home Energy Assistance (\$74 million) and public assistance benefits (\$26 million).
- All Other Federal spending (\$2.4 billion higher) due to increased spending attributable to Federal reimbursements of pandemic related costs passed through to local entities (\$1.7 billion), FEMA reimbursement of COVID-19 test kits purchased in FY 2022 (\$701 million), and the Empire State Development Small Business Credit Assistance Initiative (\$151 million) to help disadvantaged and very small businesses to recover from the economic effects of COVID-19 and allow them the opportunity to succeed.