



# OUR NEW YORK, OUR FUTURE

FY 2025 NYS ENACTED BUDGET FINANCIAL PLAN  
FIRST QUARTERLY UPDATE

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JULY 2024





### Introduction

The State's FY 2025 began on April 1, 2024 and ends on March 31, 2025. The Enacted Budget Financial Plan for Fiscal Year (FY) 2025 was published on May 24, 2024.

On June 5, 2024, Governor Hochul announced that the implementation of congestion pricing in Manhattan, which had been expected to go into effect on June 30, 2024 to fund a portion of the MTA's 2020-24 Capital Plan, would be paused indefinitely. This action does not materially impact the State's FY 2025 Financial Plan. The Division of the Budget (DOB) expects that the revenue shortfall to the MTA will be temporary and, if not resolved sooner, would be addressed as part of the FY 2026 Budget process.

State operating results through the first quarter of the fiscal year (April through June 30, 2024) were generally modest and attributable to fluctuations in timing of transactions. All Funds tax receipts, excluding Pass-Through Entity Tax (PTET) business tax collections, were 0.9 percent higher than forecasted mainly due to positive personal income tax (PIT) estimated and refund performance. All Funds spending was \$942 million below the Enacted Budget estimates due primarily to routine timing delays of various capital construction projects, and assistance and grants spending across nearly all major functional and program areas.

The marginal receipts and timing related spending variances, coupled with minor revisions to economic indicators, do not provide an impetus for DOB to revise annual projections of receipts and disbursements. As such, the annual projections in the Financial Plan (and the general assumptions upon which they are based) remain unchanged from the FY 2025 Enacted Budget Financial Plan<sup>1</sup> in this First Quarterly Update (the "Financial Plan"). The DOB expects to review and update its Financial Plan projections of receipts and disbursements, as needed, following the close of the second quarter.

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 Update

The economic outlook for 2024 moderated after the strong growth performance of the U.S. economy in 2023 which reflected its resilience in the face of the Federal Reserve's tighter monetary policy. Labor markets started to slow in 2024 following their robust performance throughout the previous two years. Wage growth also slowed further in the first half of 2024. However, the first quarter readings of consumer price inflation were high, leading to a delay in the expected easing of monetary policy. As a result, the restraints on economic activity continued into the first half of 2024. New economic data released since the publication of the Enacted Budget suggest output and job gains in the first half of 2024 are slightly lower than initial forecasts.

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<sup>1</sup> The FY 2025 Enacted Budget Financial Plan is available at [FY 2025 Enacted Budget Financial Plan](#)

## U.S. Real GDP Growth

DOB's U.S. economic outlook for the First Quarterly Update of the Financial Plan reflects a slight downward revision to the annual economic growth rate for 2024 due to weaker than expected growth in the first quarter. U.S. real Gross Domestic Product (GDP) growth is projected to decelerate to 2.3 percent in 2024 -- a 0.1 percentage point downward revision from the Enacted Budget forecast -- from 2.5 percent in 2023. However, looking ahead, the growth momentum remains steady for the second half of 2024 and into 2025. The real GDP growth rate for 2025 is revised up slightly by 0.1 percentage point to 1.9 percent in 2025. Moreover, the longer-term economic outlook remains essentially unchanged from the Enacted Budget forecast. The downward revision to the economic growth forecast for 2024 is mainly driven by more tepid consumer spending and exports throughout the year. However, better than expected monthly indicators in the second quarter suggest a somewhat stronger economic growth momentum for the rest of 2024 than in the first half of the year.

## Employment and Income

**United States.** Labor market indicators suggest that U.S. labor demand and supply are moving into better balance, but the pace of the adjustment might be uneven and slower than previously projected. Monthly job gains of 177,300 on average in the second quarter of 2024 marked the lowest three-month average since the post-pandemic job recovery began. This suggests the moderation in wages and overall incomes is likely to continue amid falling inflation and eventually lower interest rates.

DOB's employment outlook for 2024 and 2025 is essentially unchanged from the Enacted Budget forecast. U.S. total nonfarm employment growth is estimated to continue decelerating gradually to 1.7 percent in 2024 from 2.3 percent in 2023. Employment is forecast to grow by 1.0 percent in 2025. The unemployment rate ticked up to 4.1 percent as of June 2024, slightly higher than projections in the Enacted Budget economic outlook. DOB expects the U.S. unemployment rate to remain around current levels and average 4.0 percent for 2024 compared to 3.6 percent in 2023, and slightly rising to 4.2 percent in 2025.

**New York State.** While the U.S. labor market outlook in the First Quarterly Update of the Financial Plan remains essentially the same as the one presented in the Enacted Budget, the outlook for New York State reflects a slight improvement for 2024 based on new data available from Current Employment Statistics (CES). Employment growth has been revised up by 0.1 percentage point (corresponding to about 13,600 jobs) and is now projected to grow by 0.9 percent in 2024 following 2.2 percent growth in 2023. However, employment growth is still expected to slow down to 0.6 percent in 2025, unchanged from the Enacted Budget forecast. DOB's long term employment projections reflect moderate economic growth and stagnant population levels in the State.

Slowing global and national economic growth and elevated interest rates will continue to pose challenges to the State's labor markets for the remainder of the year. Despite recent large monthly job gains, New York State labor markets have been generally lagging the national economy. Average job gains of 12,330 per month in 2023 were noticeably down from an average of 20,990

in 2022. More recently, monthly employment growth averaged 19,800 in the State through May 2024. However, the rise in employment has been concentrated in the Health Care and Social Assistance sector. In contrast, employment in the Information sector fell by 13,400 (-4.7 percent) over the last 12 months after peaking in July 2022. Since then, the industry has been losing jobs following a nationwide trend.

According to the Quarterly Census of Employment and Wages (QCEW) data, the latest available data for State wages through the last quarter of 2023 have been 0.5 percentage point higher than earlier estimates. This revision, coupled with a slightly stronger employment forecast for the first quarter of 2024, has resulted in an upward adjustment of FY 2024 wage growth from 3.4 percent in the Enacted Budget forecast to 3.5 percent. Additionally, the stronger employment forecast led to an increase in wage growth projections for FY 2025 from 4.0 percent to 4.1 percent. State personal income data for the first quarter of calendar year 2024 has recently been released, showing that non-wage personal income closely aligned with DOB's forecast, being only 0.05 percent higher than the projection in the Enacted Budget Financial Plan. Due to the upward revision in wages, the growth rate for FY 2024 personal income has been adjusted from 3.7 percent to 3.8 percent and is not expected to have a material effect on the receipts projections. However, the growth rate for FY 2025 has been revised downward by 0.1 percentage point to 4.4 percent, consistent with the revisions to the US non-wage personal income for that year.

### **Inflation and Monetary Policy**

The June 2024 Consumer Price Index (CPI) report suggests that the downward trend of price growth toward the Federal Reserve's 2 percent inflation target resumed in the second quarter of 2024 after a temporary interruption in the first quarter. The 12-month change in the headline CPI dropped to 3.0 percent in June from 3.5 percent in March. This was the lowest reading since March 2021. Accordingly, DOB revised down CPI inflation to 3.1 percent in 2024 and 2.4 percent in 2025, both of which are 0.1 percentage point below the Enacted Budget forecast.

Considering an improving inflation outlook and a cooling labor market, DOB expects the Federal Open Market Committee (FOMC) to start cutting rates in September 2024 (instead of July) with two rate cuts in 2024. Given longer term projections of the economy and interest rates, rate cuts are expected to end somewhat earlier than expected in 2027. This results in an upward revision to the projected path of the Federal funds rate between 2024 and 2028. In the meantime, longer-term interest rates were lower than expected, suggesting financial conditions may boost economic growth in 2024.



## First Quarter Operating Results

This discussion provides a summary of operating results for April through June 2024 compared to: (1) the projections set forth in the FY 2025 Enacted Budget Financial Plan ("estimate", "projection", or "plan") and (2) prior fiscal year results for the same period (April through June 2023).

## All Governmental Funds Results Compared to Plan

All Governmental Funds ended June 2024 with a balance of \$73.1 billion, \$1.8 billion above the initial estimate driven primarily by higher receipts (\$895 million), mainly Federal receipts, and lower spending (\$942 million).

ALL GOVERNMENTAL FUNDS COMPARED TO PLAN				
FY 2025 April to June				
(millions of dollars)				
	Initial Estimate	Actuals	Variance Above/ (Below)	
			Initial Estimate	
			\$	%
<b>OPENING BALANCE</b>	<b>65,912</b>	<b>65,912</b>	<b>0</b>	<b>0.0%</b>
<b>ALL FUNDS RECEIPTS:</b>	<b>61,263</b>	<b>62,158</b>	<b>895</b>	<b>1.5%</b>
<b>Total Taxes</b>	<b>29,280</b>	<b>29,874</b>	<b>594</b>	<b>2.0%</b>
Personal Income Tax	16,062	16,257	195	1.2%
Consumption / Use Tax	5,577	5,585	8	0.1%
Business Taxes	3,996	4,058	62	1.6%
Pass Through Entity Tax	2,925	3,281	356	12.2%
Other Taxes	720	693	(27)	-3.8%
<b>Miscellaneous Receipts</b>	<b>8,500</b>	<b>8,488</b>	<b>(12)</b>	<b>-0.1%</b>
<b>Federal Receipts</b>	<b>23,483</b>	<b>23,796</b>	<b>313</b>	<b>1.3%</b>
<b>ALL FUNDS DISBURSEMENTS:</b>	<b>55,896</b>	<b>54,954</b>	<b>(942)</b>	<b>-1.7%</b>
<b>STATE OPERATING FUNDS</b>	<b>31,875</b>	<b>30,756</b>	<b>(1,119)</b>	<b>-3.5%</b>
<b>Assistance and Grants</b>	<b>23,942</b>	<b>22,983</b>	<b>(959)</b>	<b>-4.0%</b>
School Aid	9,063	8,836	(227)	-2.5%
DOH Medicaid	9,523	8,746	(777)	-8.2%
Higher Education	793	760	(33)	-4.2%
Transportation	1,145	1,111	(34)	-3.0%
Social Services	1,160	939	(221)	-19.1%
Mental Hygiene	1,037	894	(143)	-13.8%
All Other	1,221	1,697	476	39.0%
<b>State Operations</b>	<b>7,880</b>	<b>7,719</b>	<b>(161)</b>	<b>-2.0%</b>
<b>Agency Operations</b>	<b>5,745</b>	<b>5,587</b>	<b>(158)</b>	<b>-2.8%</b>
Executive Agencies	3,086	3,070	(16)	-0.5%
University Systems	1,944	1,805	(139)	-7.2%
Elected Officials	715	712	(3)	-0.4%
<b>Fringe Benefits/Fixed Costs</b>	<b>2,135</b>	<b>2,132</b>	<b>(3)</b>	<b>-0.1%</b>
Pension Contribution	408	408	0	0.0%
Health Insurance	1,333	1,341	8	0.6%
Other Fringe Benefits/Fixed Costs	394	383	(11)	-2.8%
<b>Debt Service</b>	<b>53</b>	<b>54</b>	<b>1</b>	<b>1.9%</b>
<b>CAPITAL PROJECTS (State and Federal Funds)</b>	<b>3,951</b>	<b>2,746</b>	<b>(1,205)</b>	<b>-30.5%</b>
<b>FEDERAL OPERATING AID</b>	<b>20,070</b>	<b>21,452</b>	<b>1,382</b>	<b>6.9%</b>
<b>NET OTHER FINANCING SOURCES</b>	<b>(44)</b>	<b>(38)</b>	<b>6</b>	<b>13.6%</b>
<b>CHANGE IN OPERATIONS</b>	<b>5,323</b>	<b>7,166</b>	<b>1,843</b>	<b>34.6%</b>
<b>CLOSING BALANCE</b>	<b>71,235</b>	<b>73,078</b>	<b>1,843</b>	<b>2.6%</b>



**All Funds Receipts.** Higher receipts compared to plan were mainly comprised of positive variances in tax collections (\$594 million) of which 60 percent was due to PTET collections, and Federal receipts (\$313 million) generally due to the timing of Federal operating aid spending and reimbursements. Tax collections exceeded the estimate mainly driven by stronger than expected PTET collections, as well as PIT. Higher PIT receipts are comprised of higher estimated PIT payments and fewer than expected current year and prior year refunds, partially offset by weaker than expected delinquencies.

**All Funds Disbursements.** Lower All Funds disbursements compared to estimates through June 2024 were mainly driven by lower spending for State Operating Funds assistance and grants and capital projects State and Federal spending, partly offset by higher than estimated Federal operating aid spending.

State Operating Funds spending was \$1.1 billion lower than the estimate primarily due to routine timing related changes across all major program areas. The variance in assistance and grants was largely attributable to lower than projected Medicaid spending (\$777 million) due to the receipt of retroactive Federal credits for spending related to undocumented pregnant individuals previously funded by the State earlier than expected, as well as other timing delays associated with the disbursement of Health Care Worker Bonus payments. Agency Operations spending was \$161 million below the plan, driven largely by lower than projected non-personal service spending in State University of New York (SUNY's) General Operating and Hospital operations accounts.

Capital projects spending was \$1.2 billion below projections due to routine timing delays of various construction projects, mainly in the areas of economic development, housing, environment and transportation.

Federal operating spending was nearly \$1.4 billion above the projection driven by higher spending for health care, social services, and education.



## All Governmental Funds Results Compared to Prior Year

Through June, both receipts and spending fell below prior year levels.

ALL GOVERNMENTAL FUNDS - RESULTS COMPARED TO PRIOR YEAR				
FY 2025 April to June (millions of dollars)				
	Actuals		Increase/(Decrease)	
	FY 2024	FY 2025	\$	%
<b>OPENING BALANCE</b>	<b>65,956</b>	<b>65,912</b>	<b>(44)</b>	<b>-0.1%</b>
<b>ALL FUNDS RECEIPTS:</b>	<b>63,397</b>	<b>62,158</b>	<b>(1,239)</b>	<b>-2.0%</b>
<b>Total Taxes</b>	<b>27,630</b>	<b>29,874</b>	<b>2,244</b>	<b>8.1%</b>
Personal Income Tax	14,538	16,257	1,719	11.8%
Pass Through Entity Tax	2,768	3,281	513	18.5%
All Other Taxes	10,324	10,336	12	0.1%
<b>Miscellaneous Receipts</b>	<b>7,563</b>	<b>8,488</b>	<b>925</b>	<b>12.2%</b>
<b>Federal Receipts</b>	<b>28,204</b>	<b>23,796</b>	<b>(4,408)</b>	<b>-15.6%</b>
<b>ALL FUNDS DISBURSEMENTS:</b>	<b>58,572</b>	<b>54,954</b>	<b>(3,618)</b>	<b>-6.2%</b>
<b>STATE OPERATING FUNDS</b>	<b>30,406</b>	<b>30,756</b>	<b>350</b>	<b>1.2%</b>
<b>Assistance and Grants</b>	<b>22,602</b>	<b>22,983</b>	<b>381</b>	<b>1.7%</b>
School Aid	8,114	8,836	722	8.9%
DOH Medicaid (incl. admin and EP)	9,385	8,746	(639)	-6.8%
All Other	5,103	5,401	298	5.8%
<b>State Operations</b>	<b>7,735</b>	<b>7,719</b>	<b>(16)</b>	<b>-0.2%</b>
<b>Agency Operations</b>	<b>4,540</b>	<b>5,587</b>	<b>1,047</b>	<b>23.1%</b>
Executive Agencies	2,189	3,070	881	40.2%
University Systems	1,710	1,805	95	5.6%
Elected Officials	641	712	71	11.1%
<b>Fringe Benefits/Fixed Costs</b>	<b>3,195</b>	<b>2,132</b>	<b>(1,063)</b>	<b>-33.3%</b>
Pension Contribution	1,859	408	(1,451)	-78.1%
Health Insurance	1,088	1,341	253	23.3%
Other Fringe Benefits/Fixed Costs	248	383	135	54.4%
<b>Debt Service</b>	<b>69</b>	<b>54</b>	<b>(15)</b>	<b>-21.7%</b>
<b>CAPITAL PROJECTS (State and Federal Funds)</b>	<b>2,998</b>	<b>2,746</b>	<b>(252)</b>	<b>-8.4%</b>
<b>FEDERAL OPERATING AID</b>	<b>25,168</b>	<b>21,452</b>	<b>(3,716)</b>	<b>-14.8%</b>
<b>NET OTHER FINANCING SOURCES</b>	<b>(8)</b>	<b>(38)</b>	<b>(30)</b>	<b>-375.0%</b>
<b>CHANGE IN OPERATIONS</b>	<b>4,817</b>	<b>7,166</b>	<b>2,349</b>	<b>48.8%</b>
<b>CLOSING BALANCE</b>	<b>70,773</b>	<b>73,078</b>	<b>2,305</b>	<b>3.3%</b>

**All Funds Receipts.** Tax collections through June were \$2.2 billion higher than through the same period in FY 2024. The annual increase in taxes is consistent with DOB's economic and receipts forecast. The higher tax collections are concentrated in PIT and PTET receipts. PIT receipts increased by \$1.7 billion due to a combination of increased withholding, estimated payments and final returns, coupled with decreased prior year refunds and a decline in the State/City offset. PTET collections were \$513 million higher driven by larger estimated payments and lower refunds.

Miscellaneous receipts were \$925 million higher than the prior year driven by growth in various revenue sources with the most significant increases attributable to the timing of bond financed reimbursements for various capital programs, hospital patient income and other health care related receipts, and investment income.

Federal receipts decreased by \$4.4 billion due to the timing of Federal operating aid spending and reimbursements, as well as fluctuations in pass-through funding to non-State entities.

**All Funds Disbursements.** Spending through June 2024 were nearly \$3.6 billion below the same period last year and was almost entirely due to a drop in Federal operating spending.

State Operating Funds spending totaled \$30.8 billion through June 2024, an increase of \$350 million (1.2 percent) as compared to the prior year.

- Assistance and grants spending through the first quarter was \$381 million higher than the prior year and largely due to anticipated growth in education-related and migrant assistance spending that was partly offset by lower health and mental hygiene spending.
- Executive agency operations spending increased by \$881 million from the prior year due largely to significant Federal Emergency Management Agency (FEMA) reimbursements received in the prior year (FY 2024) for State costs incurred for COVID-19 pandemic response and recovery efforts. Operational spending also increased due to salary increases pursuant to existing labor contracts and targeted increases for certain job titles. University systems' agency operations spending increased by 5.6 percent from the prior year due largely to salary increases pursuant to existing labor contracts and increased funding for campus operations. Elected Officials operating costs are 11.1 percent higher through the first quarter compared to the prior year, driven by salary increases.
- Fringe benefits spending declined due mainly to the early payment of most of the FY 2025 pension bill in February and March 2024, which is partly offset by higher spending on social security and workers' compensation benefits commensurate with wage growth.

Capital Projects spending declined from the prior year due to routine timing related fluctuations of various construction projects.



Federal operating spending was \$3.7 billion lower than the prior year due primarily to Medicaid related transactions. Federal Medicaid spending was roughly \$3.2 billion lower in the first quarter compared to the prior year attributable to \$1.2 billion higher pharmacy spending in the first quarter of the prior year due to the lagged adjustment to Managed Care premium rates to reflect the removal of the pharmacy benefit under NYRx from Managed Care (MC) that was shifted to Fee-for-Service (FFS) in April 2023; a \$1.1 billion Direct Payment Template (DPT) payment made in June 2023; and \$1.1 billion in lower spending in the current year due to the phase-out of the COVID related enhanced Federal match.

### Summary of General Fund Operating Results

The General Fund ended June 2024 with a balance of \$49.6 billion, \$2.1 billion above the estimate. The higher balance was driven by stronger than expected receipts (\$628 million) and lower disbursements (\$1.4 billion) compared to the estimates.

GENERAL FUND OPERATING RESULTS				
FY 2025 April to June				
(millions of dollars)				
	Initial Estimate	Actuals	Variance Above/ (Below)	
			Initial Estimate	
			\$	%
<b>OPENING BALANCE</b>	<b>46,331</b>	<b>46,331</b>	<b>0</b>	<b>0.0%</b>
<b>Total Receipts</b>	<b>29,136</b>	<b>29,764</b>	<b>628</b>	<b>2.2%</b>
Taxes:	27,320	27,918	598	2.2%
Personal Income Tax <sup>1</sup>	16,061	16,265	204	1.3%
Consumption / Use Taxes <sup>1</sup>	4,626	4,654	28	0.6%
Business Taxes	3,024	3,059	35	1.2%
Pass Through Entity Tax	2,925	3,281	356	12.2%
Other Taxes <sup>1</sup>	684	659	(25)	-3.7%
Miscellaneous and Federal Receipts	1,089	1,217	128	11.8%
Transfers From Other Funds	727	629	(98)	-13.5%
<b>Total Spending</b>	<b>27,941</b>	<b>26,511</b>	<b>(1,430)</b>	<b>-5.1%</b>
Assistance and Grants	20,551	19,530	(1,021)	-5.0%
Agency Operations (including GSCs)	5,239	5,271	32	0.6%
Transfers to Other Funds	2,151	1,710	(441)	-20.5%
Debt Service Transfer	24	27	3	12.5%
Capital Projects Transfer	477	167	(310)	-65.0%
SUNY Operations Transfer	908	896	(12)	-1.3%
All Other Transfers	742	620	(122)	-16.4%
<b>Change in Operations</b>	<b>1,195</b>	<b>3,253</b>	<b>2,058</b>	<b>172.2%</b>
<b>CLOSING BALANCE</b>	<b>47,526</b>	<b>49,584</b>	<b>2,058</b>	<b>4.3%</b>

<sup>1</sup> Includes transfers from other funds after debt service.



**General Fund Receipts.** Including transfers from other funds, receipts totaled \$29.8 billion, \$628 million above the estimate. Tax receipts, including transfers from other funds, were \$598 million (2.2 percent) above the estimate mainly attributable to higher PIT and PTET collections, consistent with the All Funds results described earlier.

Miscellaneous receipts were higher than the estimates due to refunds, reimbursements and investment income exceeding projections. Transfers from other funds were below plan due to the timing of transactions from various State special revenue funds.

**General Fund Spending.** Including transfers to other funds, spending totaled \$26.5 billion, \$1.4 billion below the plan. Assistance and grants payments were \$1 billion lower than anticipated due primarily to timing related variances across almost all functional areas with the largest variances occurring in Medicaid, as described earlier. Agency operations spending, including fringe benefits, was generally in line with the estimates. Transfers supporting capital projects were lower than initially projected due to concurrent capital underspending, reducing the need for reimbursements from the General Fund.



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