

October 28, 2023

MEMORANDUM

TO: Karen Persichilli Keogh, Secretary to the Governor

FROM: Blake Washington, New York State Director of the Division of the Budget

SUBJECT: Upcoming Mid-Year Update to the NYS Financial Plan

On Monday, October 30th, 2023, New York State Division of the Budget will publish the Mid-Year Update to the New York State Financial Plan. Through the hard work of our state agency commissioners, Division of Budget staff, and sound fiscal management, the report will reflect the projected budget gap for Fiscal Year 2025 has been reduced from \$9.1 billion to \$4.3 billion, and subsequently the out-year gaps have also been reduced by approximately \$5 billion each year.

While the State's fiscal position has strengthened over the past two years - which allowed the State to bolster reserves to historic levels, avoid costly debt, and commit additional funding to programs and services that had been held below inflation for a decade - a weakening economy has led to a reduction in tax receipts. Through September 2023, General Fund receipts, including transfers from other funds, were \$2.2 billion higher than estimated in the First Quarterly Update. However, personal income tax (PIT) estimated payments to date continue to fall below expectations. With this Mid-Year Update, the revised All Funds tax receipts forecast is now projected to decline by \$9.6 billion (8.5 percent) in FY 2024 compared to FY 2023 collections. This is a downward adjustment of approximately \$700 million from the July Update to the Financial Plan.

While we remain on solid fiscal footing, the State faces many headwinds. One of the most pressing is the ongoing request for financial assistance from the City of New York to assist in managing the large influx of asylum seekers and migrants arriving daily. The State committed \$1.5 billion to assist New York City in managing this crisis in the FY 2024 Enacted Budget, with an additional \$358 million included in the Mid-Year Update to cover rental and service costs at Floyd Bennett Field, additional resources for case management; and funding for infectious disease screenings and immunizations. Further, the Governor has committed to assist the City in provisioning shelter on a temporary basis at Floyd Bennett Field, Randall's Island and the Creedmoor Psychiatric Center.

With the continued influx of migrants, no promises of financial support from the Federal government, and no clear pathway to a wholesale policy change at the Federal level to address the situation, New York State can only shoulder this financial commitment for a limited duration without putting other areas of the State budget at risk, such as aid to public schools, support for our health delivery infrastructure, and the readiness of our National Guard. This is compounded by our need to address the remaining FY 2025 \$4.3 billion gap in partnership with the State Legislature. As we move forward, outside of fulfilling our existing commitments, we must consider limiting our assistance to targeted interventions such as legal services, case management and efforts to connect migrants and asylum seekers to jobs, as opposed to sharing in more costly services such as indefinite stays in hotel rooms.

New York's ability to pay for these programs is not unlimited. As you know, the Governor has publicly stated we are committed to balancing a budget without raising taxes or relying on one-time reserves to fund reoccurring obligations. This will require revisions to projected spending growth for existing programs which will make our ability to provide assistance to asylum seekers and migrants unsustainable. We must exercise fiscal prudence now, so that we can maintain our record level of investments to state programs and robust savings and continue our efforts to make New York more affordable, more livable, and safer for this generation and beyond.