

OUR NEW YORK, OUR FUTURE

FY2025 NYS EXECUTIVE BUDGET | JANUARY 16, 2024

GOVERNOR **KATHY HOCHUL**
BUDGET DIRECTOR **BLAKE G. WASHINGTON**

FISCAL OVERVIEW

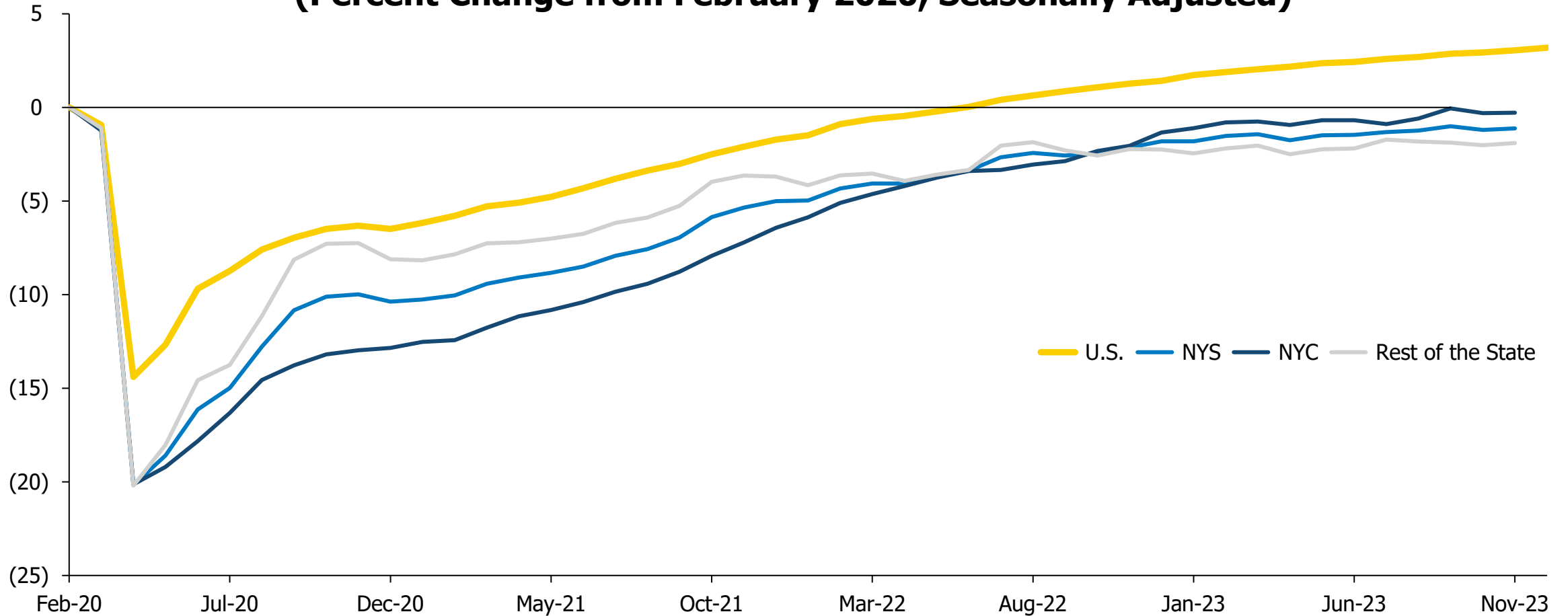
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ECONOMY

- Recession fears have receded
 - Real GDP growth will slow to 1.3 percent in 2024; with growth in the first half of the year below 1 percent.
 - Inflation has declined from its 2022 peak and will slow further to 2.8 percent.
 - Interest rates will take longer to come down as Fed will remain vigilant.
- Job growth has moderated since February 2022
 - Nonfarm employment growth will slow to 0.1 percent year over year in 2024 for NYS, following of 1.8 percent in the prior year. Nationally, the decline in growth will be from 2.3 to 0.9 percent.
 - Unemployment rate will stay in 4-4.5 percent range for US and NYS.
 - Personal income growth is expected to stabilize at roughly 4 percent in coming years.
- Uncertainties and risks still loom
 - Global economy could slow more than expected.
 - Geopolitical shocks could disrupt trade and financial flows.
 - Monetary policy may prevent growth.

EMPLOYMENT

Tracking Employment Recovery (Percent Change from February 2020, Seasonally Adjusted)



Source: Moody's Analytics; NYS Department of Labor.

REVENUES

- Growth in withholding and estimated payments will lead to an increase in PIT revenue in FY 2025.
- Consumption and use taxes will grow modestly as growth in consumer spending slows.
- We expect modest growth in business taxes receipts as the rate of economic growth slows.
- Miscellaneous receipts will decrease, driven by declining investment income.

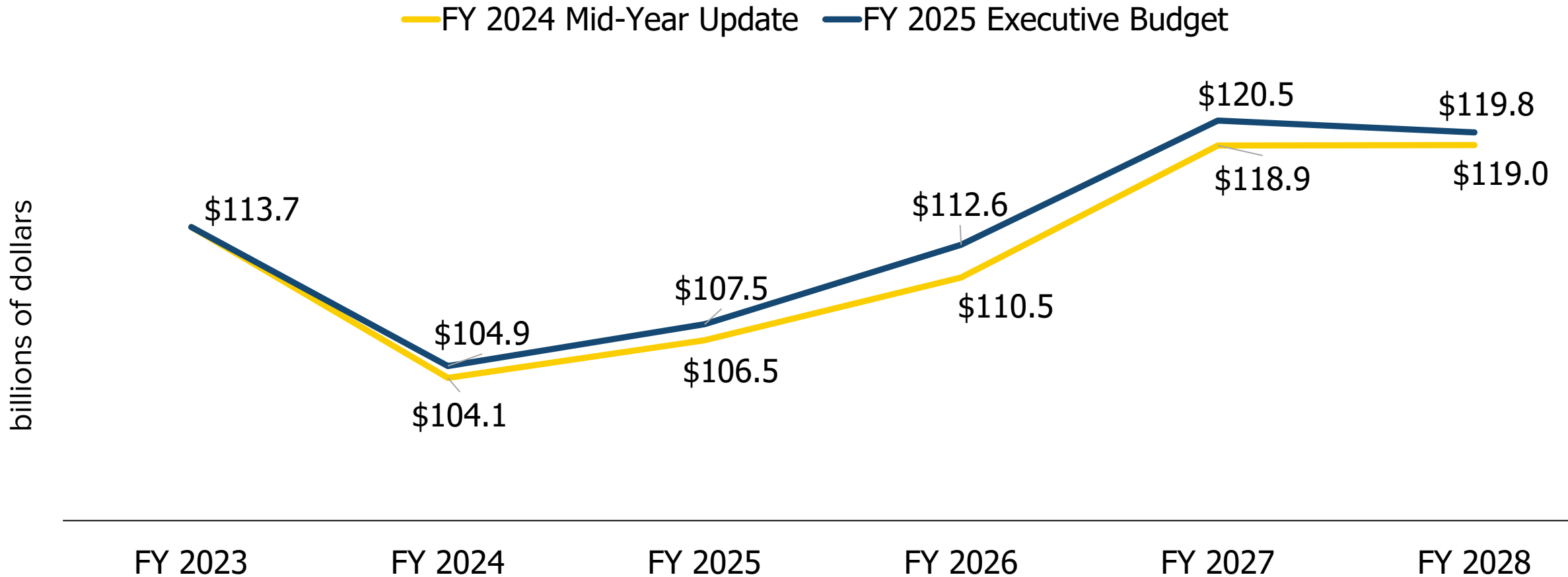
ALL FUNDS RECEIPTS (millions of dollars)			
	FY 2024 Projected	FY 2025 Projected	Change
Personal Income Tax (incl. PTET)	52,200	55,504	6.3%
Consumption/Use Taxes	21,936	22,431	2.3%
Business Taxes	27,167	27,544	1.4%
Other Taxes	3,076	2,501	-18.7%
Total State Taxes	104,379	107,980	3.4%
Miscellaneous Receipts	31,000	27,894	-10.0%
Federal Receipts	95,923	91,794	-4.3%
Total All Funds Receipts	231,302	227,668	-1.6%

NYS TOP PIT RATE COMPARED TO OTHER STATES

State	State-Only PIT Rate	State	Combined City & State PIT Rate
California	13.30%	New York	14.776%
Hawaii	11.00%	Oregon	13.90%
New York	10.90%	California	13.30%
New Jersey	10.75%	Hawaii	11.00%
District of Columbia	10.75%	New Jersey	10.75%
Oregon	9.90%	District of Columbia	10.75%
Minnesota	9.85%	Minnesota	9.85%
Massachusetts	9.00%	Massachusetts	9.00%
Vermont	8.75%	Maryland	8.95%
Wisconsin	7.65%	Vermont	8.75%

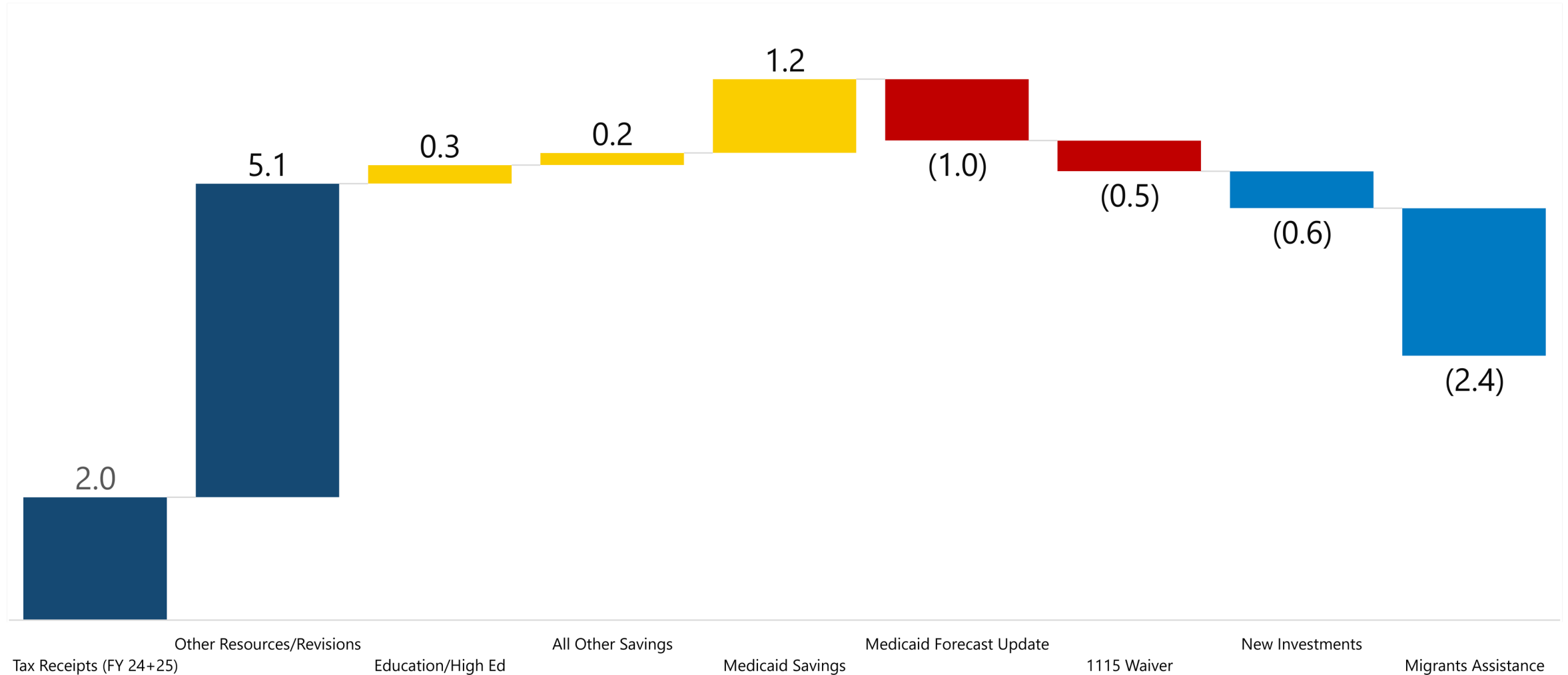
- Tax receipts reached a record high in 2022, largely driven by capital gains.
- NYS has the **highest combined top PIT rate** in the nation.
- Our **state-only top PIT rate ranks 3rd highest** across all states.
- NYS top PIT rate exceeds neighboring states of New Jersey, Connecticut, and Massachusetts.

ALL GOVERNMENTAL FUNDS TAX RECEIPTS (EXCLUDING PTET)

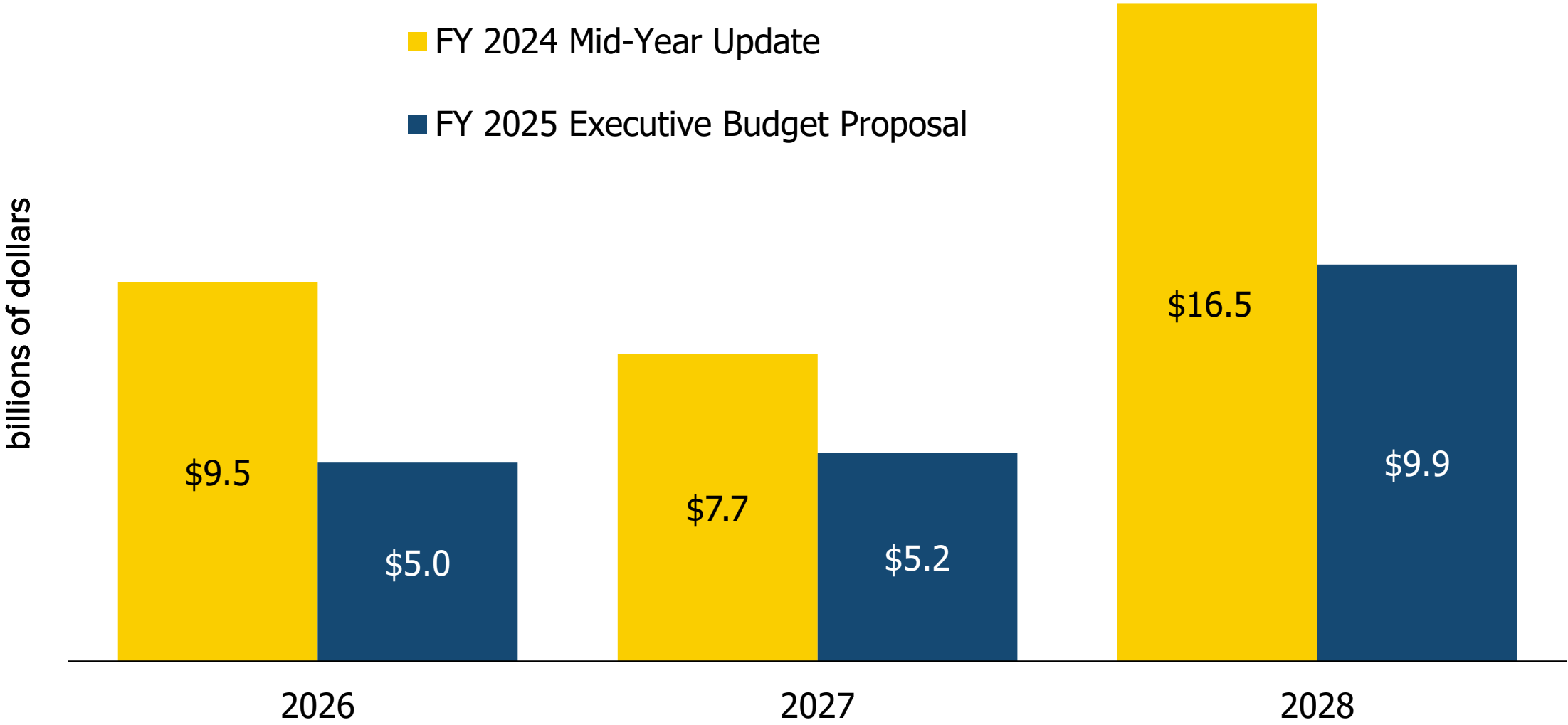


FY 2025 GENERAL FUND - \$4.3 BILLION GAP CLOSING PLAN

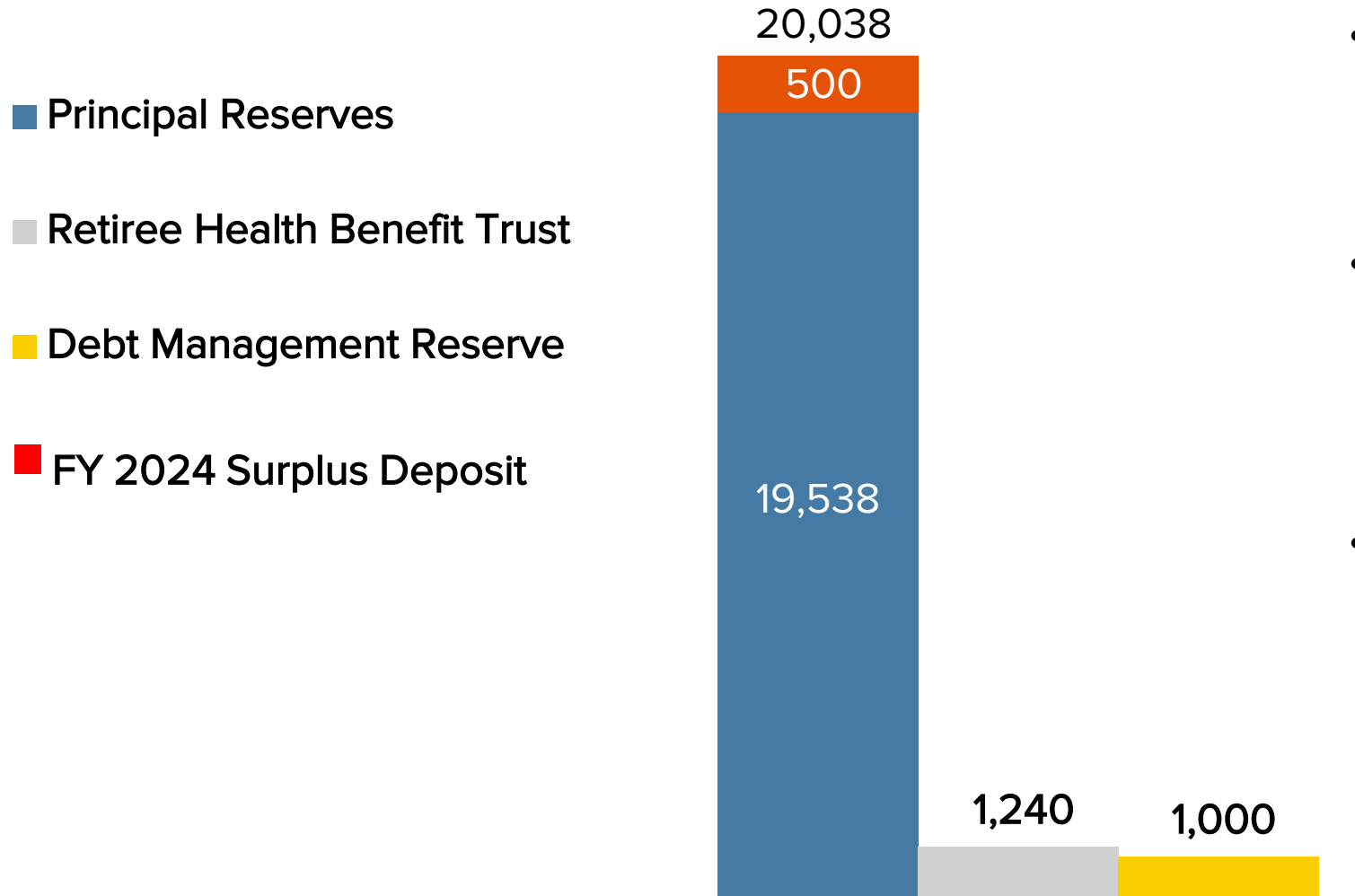
Savings/(Costs)
in billions



OUTYEAR BUDGET GAPS ARE LOWERED BY 50%

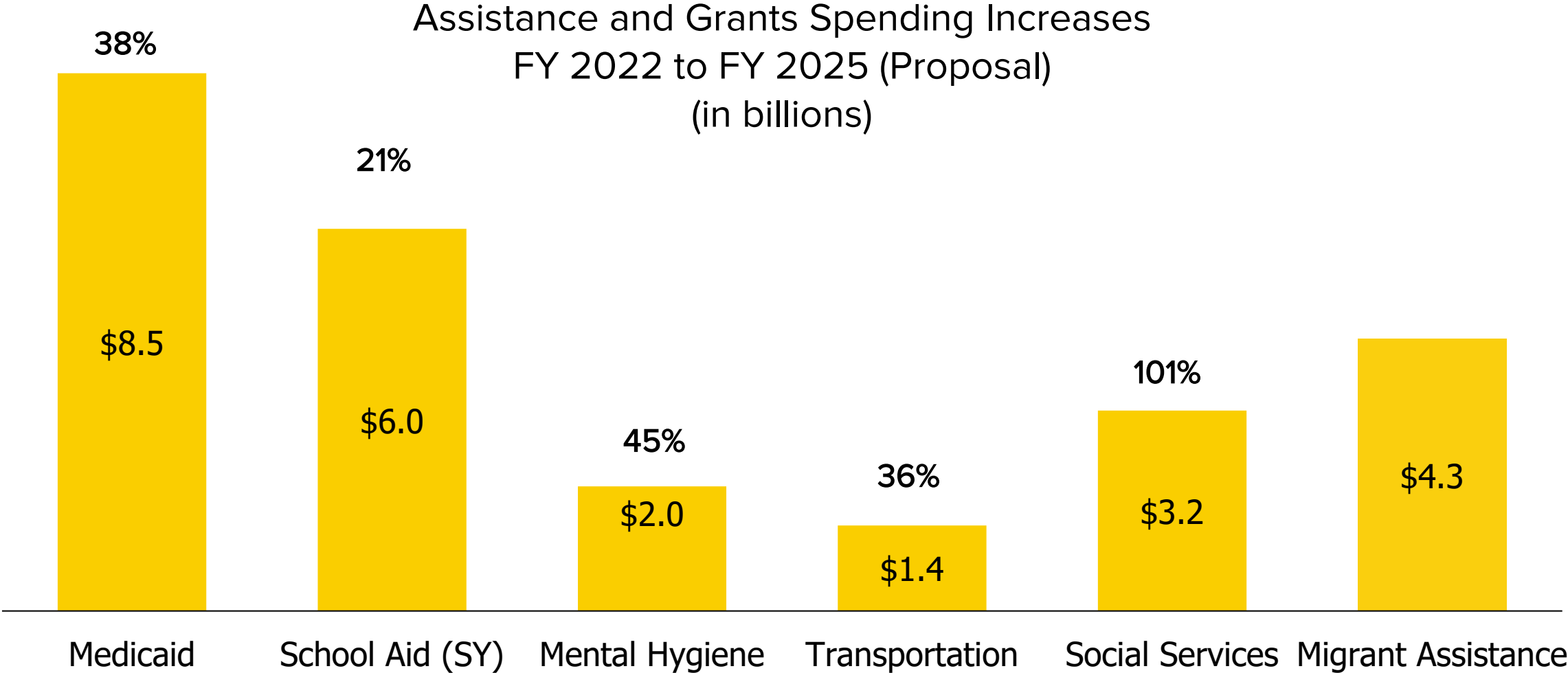


RESERVES TOTAL \$22 BILLION - 5 TIMES THE LEVEL 5 YEARS AGO



- **Principal Reserves** include the statutory Rainy Day Reserve Funds and the informal Reserve for Economic Uncertainties.
- The **Retiree Health Benefit Trust Fund** (excluded from the General Fund balance) is for health benefits of retired employees and their dependents.
- **Debt Management Reserve** is an informal reserve that can be used for any debt related purpose.

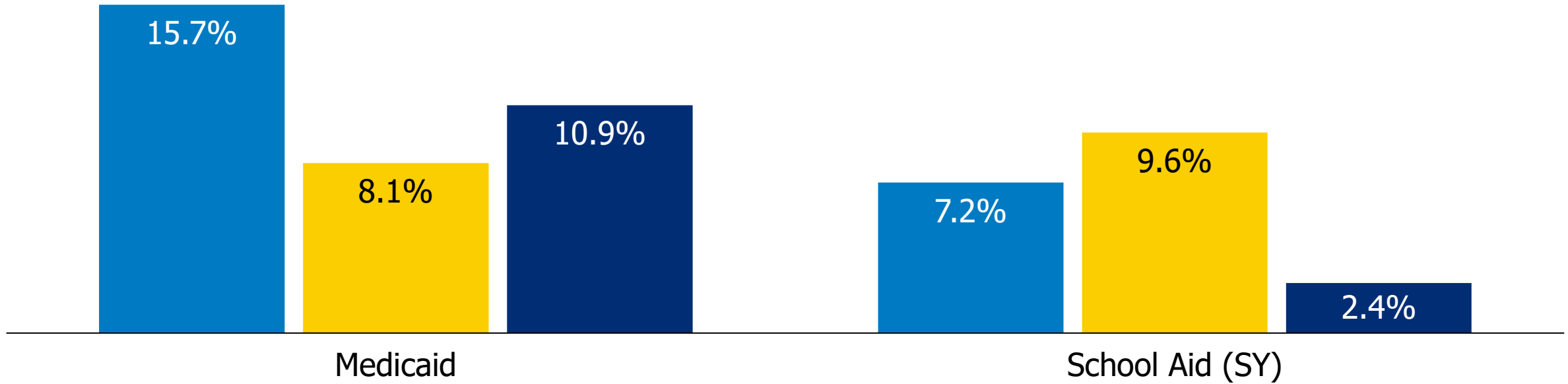
ASSISTANCE AND GRANTS SPENDING GROWTH - MAJOR PROGRAM AREAS



FY 2025 STATE OPERATING FUNDS SPENDING GROWTH

State Operating Funds Spending Growth

■ FY 2023 Actuals ■ FY 2024 Projected ■ FY 2025 Executive Budget Proposals



MAJOR CAPITAL INVESTMENTS

- ✔ DOT 5-Year Capital Plan \$32.9 billion
- ✔ MTA 5-Year Capital Plan (State share) \$3.1 billion
- ✔ 5-Year Housing Plan \$25 billion
- ✔ Environmental Bond Act \$4.2 billion
- ✔ Clean Water \$5.5 billion
- ✔ Economic Development \$2.6 billion
- ✔ Higher Education \$6 billion
- ✔ Mental Hygiene \$1 billion

AFFORDABILITY

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AFFORDABILITY MEASURES

- ✔ Incentives and Strategies to Increase the Housing Supply
- ✔ Bolster Child Care Affordability and Access
- ✔ Increased Minimum Wage & Workforce Development
- ✔ No New Taxes

PUBLIC SAFETY

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PUBLIC SAFETY COMMITMENTS

- ✔ \$347 million to Reduce and Prevent Gun Violence
- ✔ \$41 million to Prevent and Prosecute Domestic Violence
- ✔ \$40 million to Stop Organized Retail Theft
- ✔ \$35 million in Securing Communities Against Hate Crimes
- ✔ \$25 million to Strengthen Emergency Preparedness and Response
- ✔ \$5 million to Support Reentry and Reduce Recidivism

MENTAL HYGIENE

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MENTAL HYGIENE INVESTMENTS

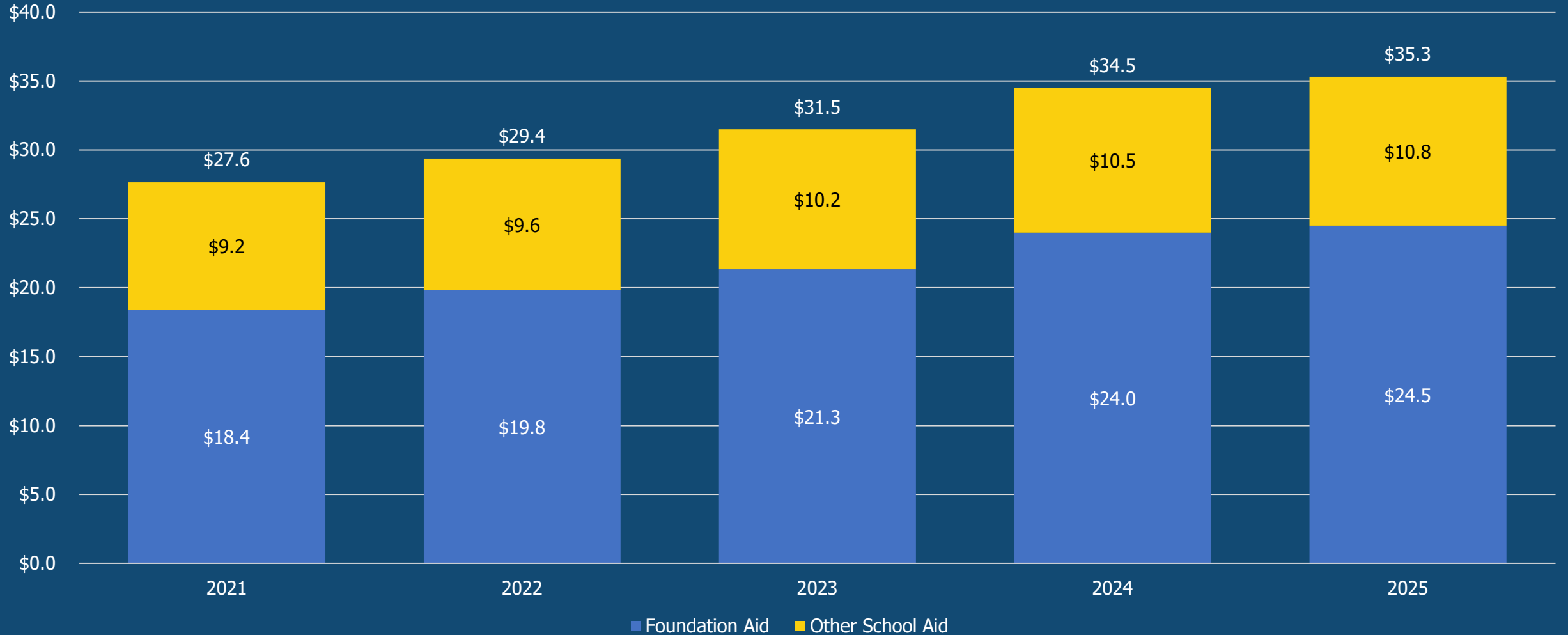
- ✔ New 1.5% COLA, bringing 3 year total to **\$1.3 billion**
- ✔ **45% growth** in mental health spending over 3 years
- ✔ **\$1 billion** in capital investments
- ✔ **\$172 million** for State of the State initiatives
- ✔ **200** additional inpatient beds

EDUCATION

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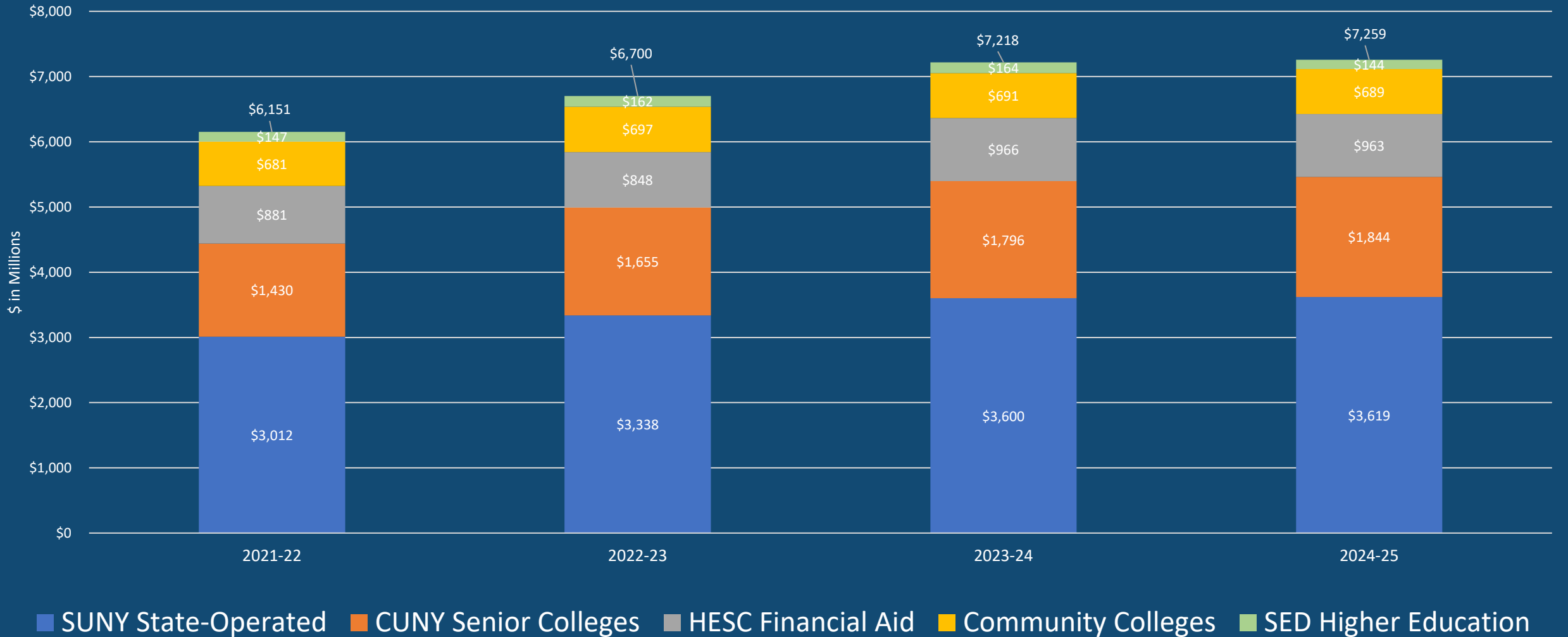
SCHOOL AID GROWTH

Total School Aid by School Year
(\$ in Billions)



INVESTING IN HIGHER EDUCATION

Higher Education State Operating Support, FY 2022 - FY 2025



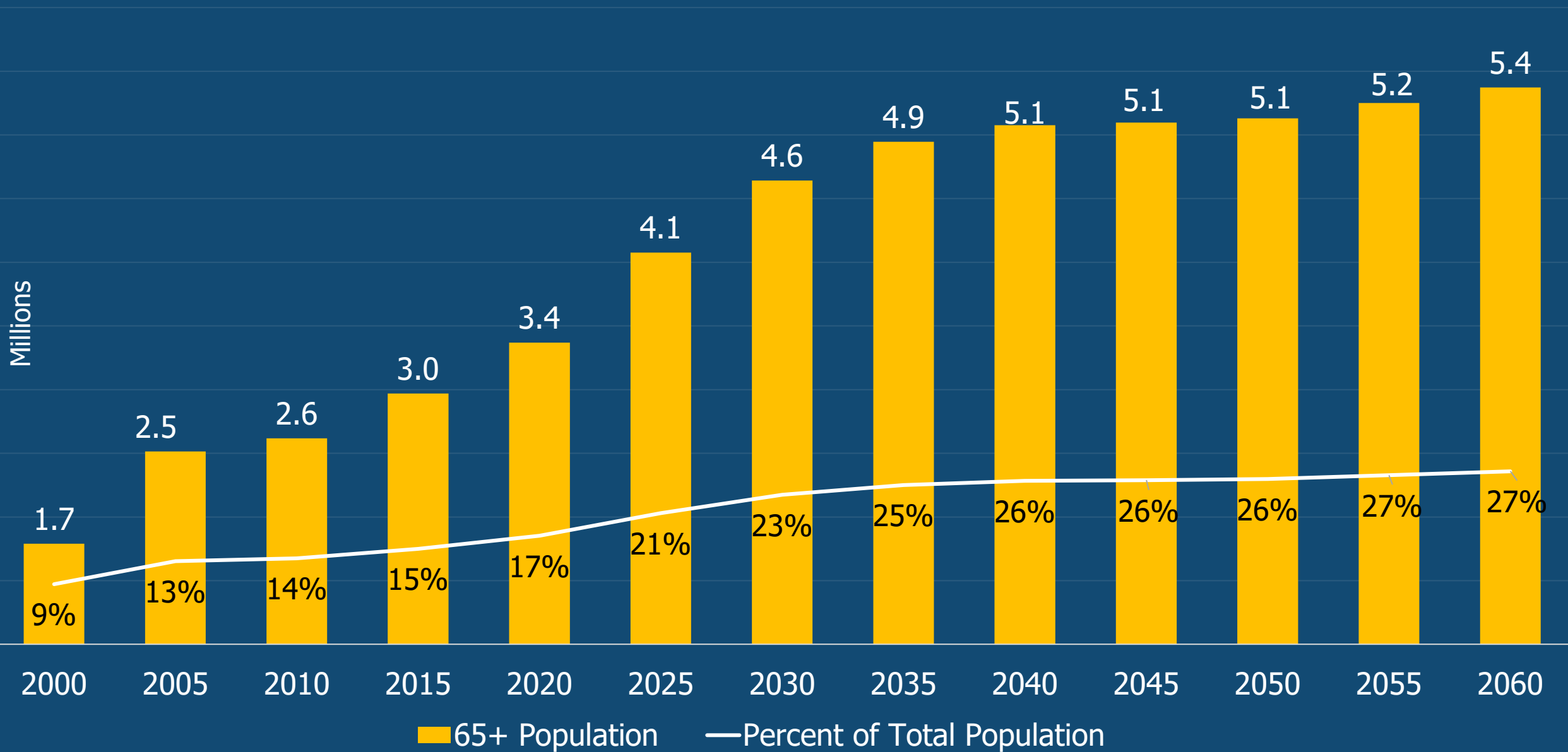
MEDICAID AND PUBLIC HEALTH

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NEW YORK HEALTH EQUITY REFORM (NYHER) 1115 WAIVER

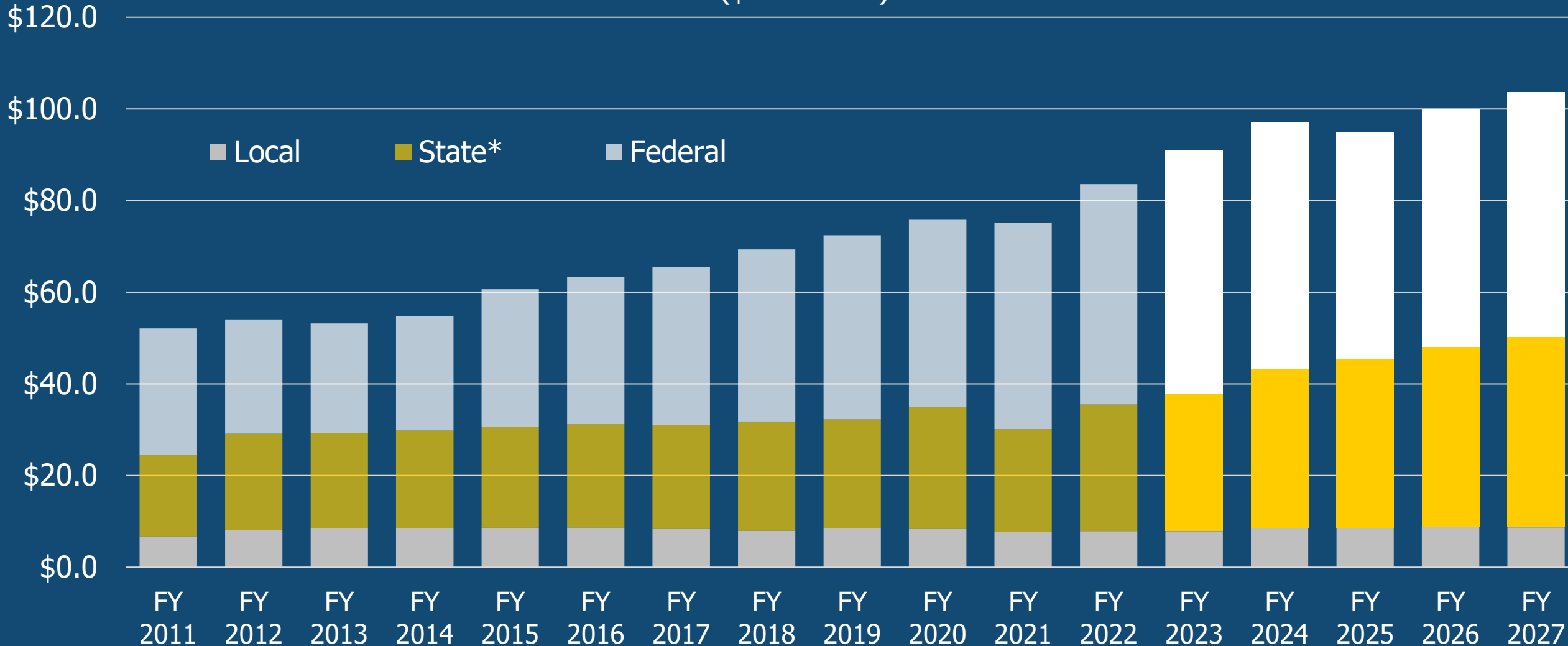
- Recently, the Federal Government approved a **\$7.5 billion** New York Health Equity Reform (NYHER) 1115 Waiver Amendment that includes nearly \$6 billion of federal funding.
- **Goal:** To advance health equity, reduce health disparities, and support the delivery of social care.
- **Focus:** To incentivize continued delivery system transformation, improve population health and quality, improve the integration of services, and advance health-related social need (HRSN) services.
- The waiver also includes **\$550 million** in annual funding to support the transition of distressed providers to a new model of care utilizing global budgeting.

THE GROWTH OF THE NYS 65+ POPULATION POSES LONG-TERM CHALLENGES



MEDICAID SPENDING GROWTH AFTER YEARS OF NEARLY FLAT STATE SPENDING

New York State All Funds Medicaid Spending
(\$ in billions)



*Includes DOH and OSA Medicaid spending, w/o EP.

THE HOCHUL ADMINISTRATION INVESTS IN HEALTHCARE

Historical Trend Factors	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24
Hospital Inpatient	0%	0%	0%	0%	0%	0%	0%	0%	0%	-1.5%	0%	1%	7.5%
Hospital Outpatient	0%	0%	0%	0%	0%	0%	0%	0%	0%	-1.5%	0%	1%	6.5%
Nursing Home	0%	0%	0%	0%	0%	0%	0%	0%	0%	-1.5%	0%	1%	7.5%
Assisted Living Program	0%	0%	0%	0%	0%	0%	0%	0%	0%	-1.5%	0%	1%	6.5%
All Other	0%	0%	0%	0%	0%	0%	0%	0%	0%	-1.5%	0%	1%	0.0%

*FY 24 Nursing Home 7.5% rate increase is pending Federal approval

HUMANITARIAN AID

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STATE RELIEF FOR NYC MIGRANT COSTS

The FY 2025 Budget provides an additional **\$2.4 billion** for:

- ✔ Humanitarian aid in NYC, including short term shelter services
- ✔ Costs associated with operating HERRCs at Creedmoor Psychiatric Center, Randall's Island, and Floyd Bennett Field
- ✔ Legal and case management services
- ✔ Communicable disease testing, immunizations, and health services
- ✔ Expenses related to the deployment of the National Guard

OTHER INVESTMENTS

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INCREASE THE HOUSING SUPPLY

- ✔ Continue the \$25 billion, five-year Housing Plan to create and preserve 100,000 affordable homes
- ✔ Prioritize \$650 million to pro-housing communities
- ✔ \$500 million to develop housing on State-owned land
- ✔ Provide NYC with tools requested to increase housing

CHILD CARE

- ✔ Nearly **\$1.8 billion** for child care assistance
- ✔ Part of the State's **\$7 billion** four-year plan
- ✔ Income eligibility at the Federal maximum
- ✔ Reimburse child care providers for quality improvements

**\$7.6
BILLION**

for Year 3 of the
DOT Capital Plan

**5.4%
INCREASE**

in spending for both
Upstate and Downstate
Non-MTA transit
systems

**IBX &
SECOND AVE
SUBWAY**

Research and planning
to advance these
transformative projects

ENVIRONMENT

- ✔ \$500 million for clean water infrastructure
- ✔ \$400 million for Environmental Protection Fund programs
- ✔ \$160 million for NY SWIMS
- ✔ \$47 million to plant 25 million trees by 2033
- ✔ \$300 million to maintain and enhance State Parks
- ✔ \$95 million to DEC to maintain and improve dams, campgrounds, fish hatcheries and more

ECONOMIC DEVELOPMENT

- ✔ Fund the State's **\$1 billion** commitment to support advanced semiconductor research, design and manufacturing
- ✔ **\$275 million** for Empire AI
- ✔ **\$200 million** for the ON-RAMP workforce development initiative



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