

What to Look for in New York State's Fiscal Year 2025 Executive Budget



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With Governor Kathy Hochul having delivered her State of the State address and the Legislature convened, attention in Albany now turns to the Fiscal Year 2025 Executive Budget—due in just a few days.

Despite economic conditions brightening, the State faces budget gaps that balloon to a \$16.8 billion structural budget gap in fiscal year 2028. State Operating Funds (SOF) spending increased 19 percent over the prior two years, and future spending is propped up with money that will go away. Furthermore, this year's Executive Budget comes at a time when the housing production and affordability crisis is intensifying and New York leads the nation in population loss.

Here are questions to ask about next week's Fiscal Year 2025 Executive Budget:

The Financial Plan

- **Is the budget balanced with reliable, recurring funding? Or with more one-time dollars?** The Governor is required to present a balanced budget for the coming year. NYS currently reports budget gaps of [\\$4.3 billion in fiscal year 2025](#) (followed by gaps of \$9.5 billion in fiscal year 2026 and \$7.7 billion in fiscal year 2027). While year-to-date receipts and an improving economic outlook may fill part of the gap, NYS is not out of the woods. Rising cost pressures from Medicaid and services for migrants and asylum seekers create fiscal stress. The methods to achieve budget balance are not all equal: Identifying savings will help reduce gaps and begin the multi-year process of achieving structural budget balance, while alternatives like rolling temporary resources from year-to-year and other stopgap measures simply postpone and exacerbate gaps.
- **Is spending brought back in line with revenues?** SOF spending grew as much in two years, from fiscal year 2021 to 2023, as it did in the prior decade ([nearly \\$20 billion](#)). Spending is currently projected to grow an average of 5.3 percent a year over the financial plan—far exceeding projected growth in receipts (3.4 percent), inflation (2.7 percent), and personal income (4.4 percent). The trajectory of State spending, inflated by the brief cash boon of federal aid and an extraordinary tax receipts windfall, needs to be brought back in line with long-term growth in receipts and the economy.
- **Are we on a path to structural budget balance?** Projected gaps would be much larger if not for the use of expiring federal aid, one-time prepayments, and temporary tax increases. The State's structural imbalance is really \$16.8 billion—fiscal year 2027's projected gap of \$7.7 billion, plus the expenses supported by \$9.1 billion in those non-recurring resources. With spending growing faster than receipts, non-recurring resources—while they last—are making up much of the difference. NYS needs to restrain SOF spending growth to 1 percent annually to close the structural gap by fiscal year 2027.

- **Will the Rainy Day Fund now be strong enough to ensure NYS can weather an economic storm?** The State’s principal reserves have [significantly improved](#) under Governor Hochul’s leadership and are now nearly \$20 billion, roughly ten times greater than pre-pandemic levels. This is still not enough—roughly \$28 billion would be needed to weather two years’ receipts losses and support spending growth in a downturn. Any fiscal year 2024 surpluses should be deposited into the Rainy Day Reserve. More concerning, too much of the current reserves are in unprotected accounts. Calls to tap the reserves to cover current fiscal stress illustrate the need for further improvements to the Rainy Day Reserve, especially mandatory deposits and protecting the full balance of reserves for a recession or true economic catastrophe.

Major Programs and Issues

- **Are Medicaid cost projections on target and affordable?** The State is in the midst of a massive health coverage enrollment shift—the “unwind,” in which 1.2 million Medicaid enrollees are expected to exit the program by May. If fewer Medicaid enrollees exit than projected, the Office of the State Comptroller estimates spending could be \$1.1 billion annually greater than budgeted, increasing existing budget gaps.¹ Even if the State hits its enrollment targets, Medicaid costs are projected to grow at nearly 6 percent annually through fiscal year 2027, faster than revenue growth and all other major programs. The sustainability of Medicaid spending rests on continued efforts to identify [cost savings opportunities](#).
- **Does school aid flow to districts based on need?** Given fiscal challenges facing New York, public dollars, especially State education aid, should be targeted based on needs. For example, this year the State is sending [\\$2.8 billion](#) to the wealthiest school districts that already fund a [sound basic education](#) locally before receiving any State funding. With the full “phase-in” of Foundation Aid complete, aid in future years should be better targeted based on district need, and the School Tax Relief (STAR) program should be ended.
- **What are the proposals to boost housing production and affordability?** Last year Governor Hochul championed a comprehensive strategy to boost housing production and affordability and to tackle the longstanding failure to build adequate housing in New York. The Governor’s State of the State referenced replacing the [421-a tax credit program](#), facilitating office-to-residential conversions, increasing floor area ratios, and allowing basement apartments. These and other [proven strategies](#) such as catalyzing transit-oriented development, legalizing accessory dwelling units, and amending [environmental reviews](#) are needed to boost production. Proposals that disincentivize production should be rejected.
- **Is revenue for transportation infrastructure sustainable and adequate?** The value of gas taxes, dedicated in part for capital investment in transportation infrastructure, [continues to erode](#). A longer-term solution is needed to maintain the State’s roads and bridges; the State should pilot a reliable funding stream such as [vehicle miles travelled fees](#).

The Budget Process

- **Is the State improving its budget transparency and fiscal management?** CBC recommended [12 actions to improve New York State’s budget and financial management](#). However, only one was fully implemented last year, and the State made [no progress on nine](#). Last year, CBC and other watchdogs recommended that lawmakers [hold a hearing](#) to inform comprehensive budget reforms. The Legislature did not hold that hearing in 2023.
- **Are there financial plan tables with one-house and enacted budgets?** The public and press deserve basic [financial plan tables](#) to understand the size, balance, and trajectory of spending plans.

- **Does the Executive Budget sidestep oversight and accountability?** Since 2020, executive budgets have [included provisions](#) that allow universal appropriation transfer authority, broad lump sum appropriations, or emergency borrowing authorities borne from the initial COVID-19 pandemic response. Today, those provisions only create fiscal risk and should not be proposed again.
- **Are appropriations exempted from Comptroller’s oversight and procurement rules?** Dozens of appropriations are explicitly [exempt from Comptroller’s oversight](#) and best-value procurement rules. This creates the risk of waste and corruption and should not be included in the budget.
- **How many lump sum appropriations are included?** [Lump sum appropriations](#) are often political, eschew sound fiscal management principles, and lack needed transparency. They should be omitted from the budget and transparency added to existing lump sums.
- **Will New York catch up to others by implementing public performance management?** New York is a leader in spending in most areas of the budget, but not a leader in performance in many areas. Establishment of a robust [public performance measurement and management](#) system is needed to provide the necessary sunlight and inform lawmakers on service provision.
- **Is an independent budget office established?** An [independent fiscal analysis office](#) is needed to provide additional insight on the state’s fiscal condition and the fiscal impacts of policy proposals. As with public performance management, New York lags behind other states and municipalities in this area.

Endnotes

- [1] Office of the New York State Comptroller, “Unwinding” Continuous Enrollment in Medicaid Presents Coverage and Financial Risks (January 2024), www.osc.ny.gov/files/reports/pdf/medicaid-unwinding-financial-plan-risk.pdf.