



**Division of  
the Budget**

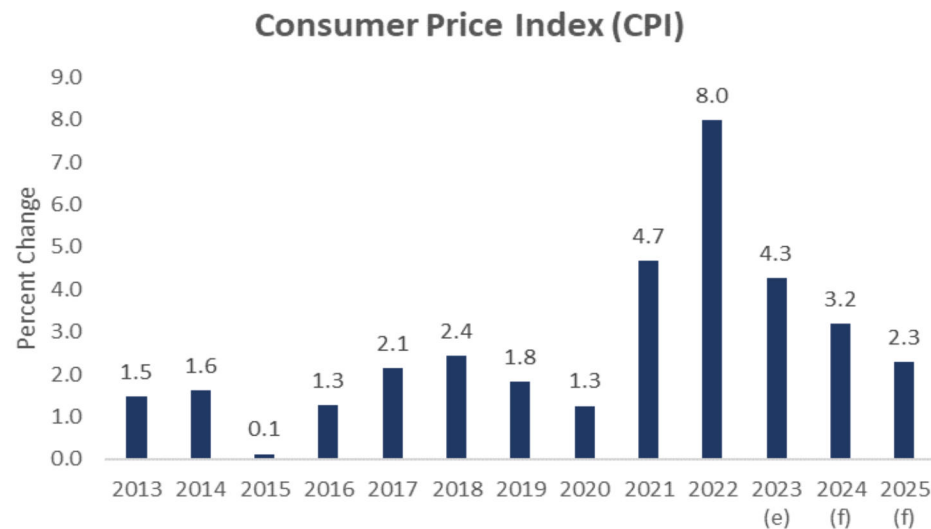
# **NYS Commission on Legislative, Judicial, and Executive Compensation**

**Blake G. Washington**

October 13, 2023

# Economic Climate

- The US has avoided a recession to date, but a soft landing is not guaranteed.
- Inflation peaked in mid-2022, but is still well above the Federal Reserve's target.
- Additional Fed rate hikes are likely in final months of 2023.



Note: (e) indicates estimate and (f) indicates a forecast  
Source: Haver Analytics/BLS: DOB staff estimates

- US GDP Growth
  - 2.4% in 2023 (estimate)
  - 1.6% in 2024 (forecast)
- Inflation
  - 3.7% September CPI
  - 2.0% Fed Target

# Economic Climate: Employment

- Labor market is cooling after high levels of post-pandemic growth
- New York labor market recovery is lagging the US.
- Personal Income growth will stabilize in the coming years.

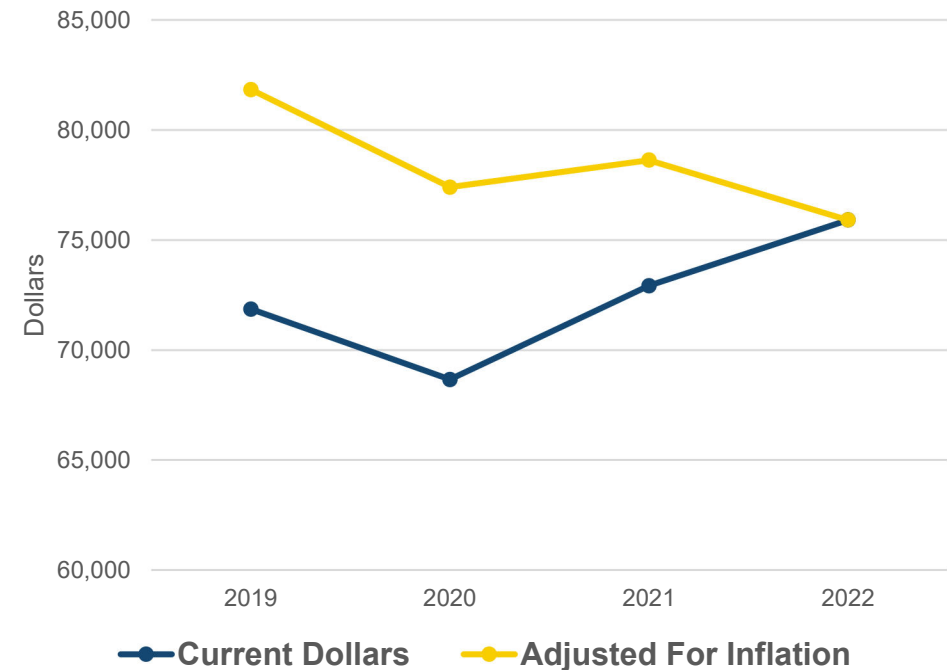
- US Employment Growth
  - 2.4% in 2023 (estimate)
  - 0.8% in 2024 (forecast)
- NY Employment Growth
  - 1.6% in 2023 (estimate)
  - 0.2% in 2024 (forecast)
- Personal Income Growth 2024 (forecast)
  - 4.1% US
  - 3.7% NY

# Financial Pressures

- **7.2 percent less purchasing power in 2022 compared to 2019.**
- **36.1 percent of wages spent on housing costs in 2022 compared to 26.1 percent in 2019.**
- **7.3 percent increase in rental expenses.**
- **24.5 percent increase in food and beverage prices between 2019 and 2023.**
- **14.4 percent increase in childcare costs.**

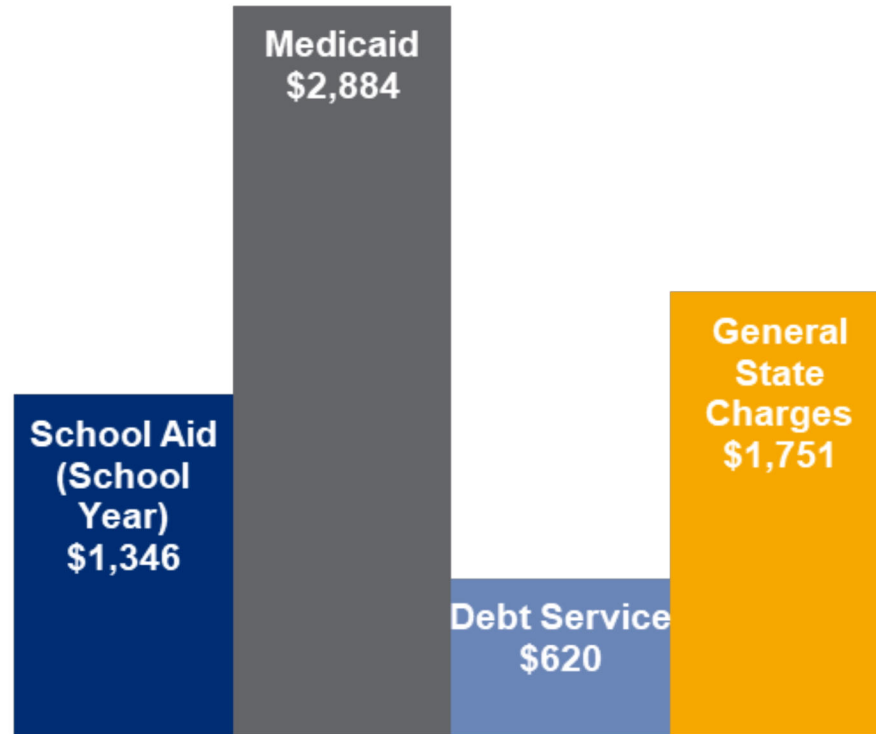
# Facing New Yorkers

**Median Household Income in New York**



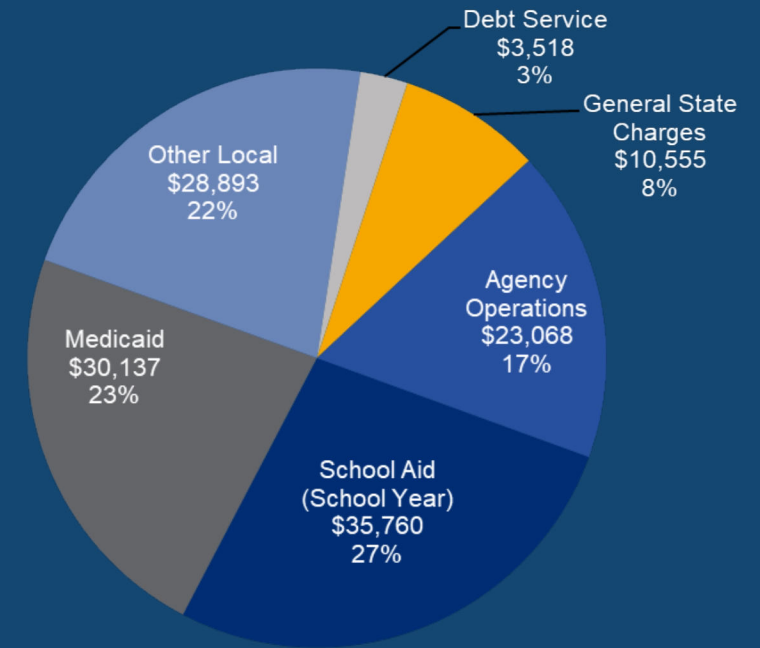
# FY 2025 Spending

**Spending Projected to Increase \$6.6B (5.3%)**



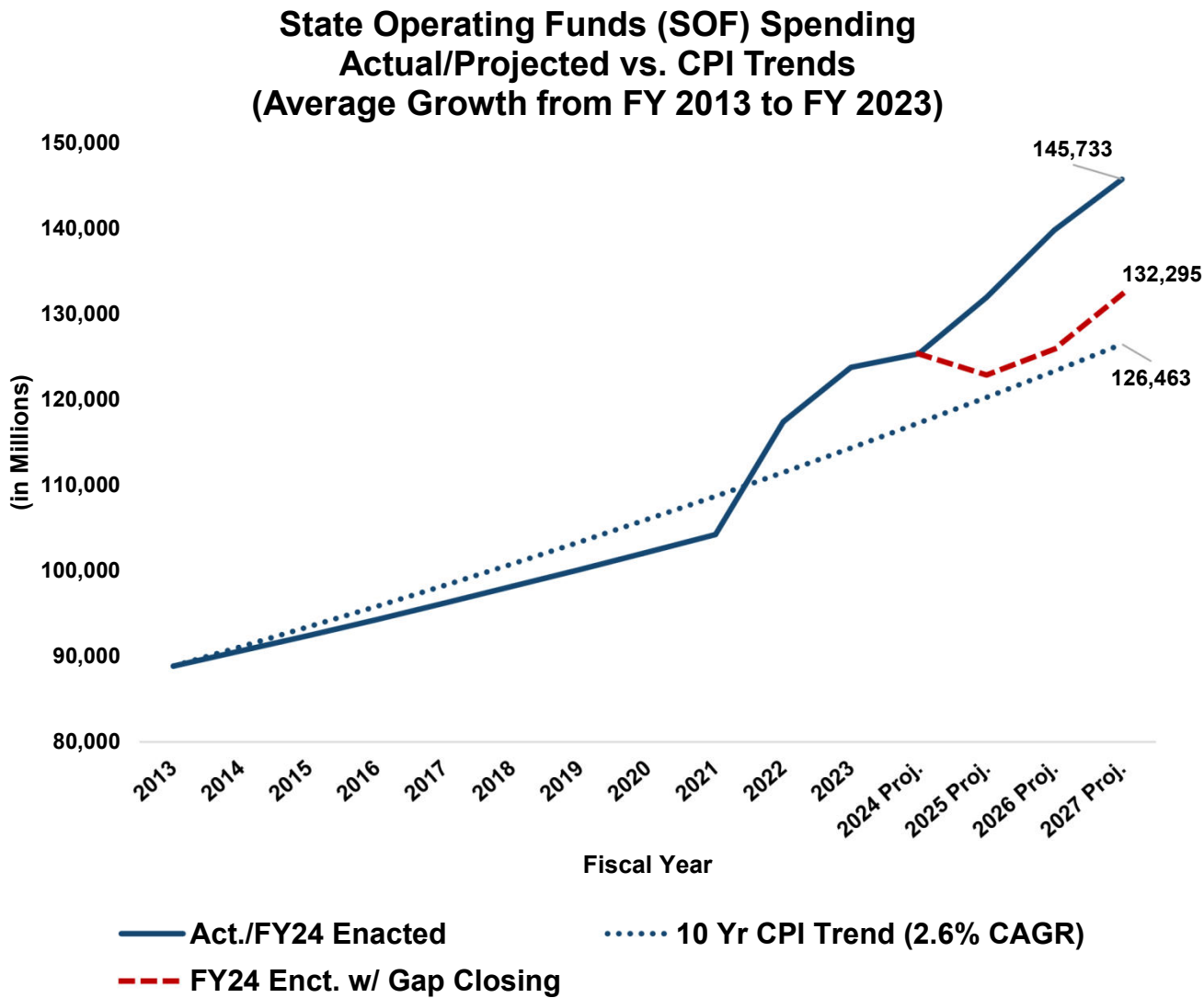
\$ in millions

**Total Spending = \$132B**



- Medicaid includes Global Cap index as well as home care and minimum wage, and local takeover growth.
- Fixed costs (debt service and fringe benefits) are difficult to reduce in short-term.

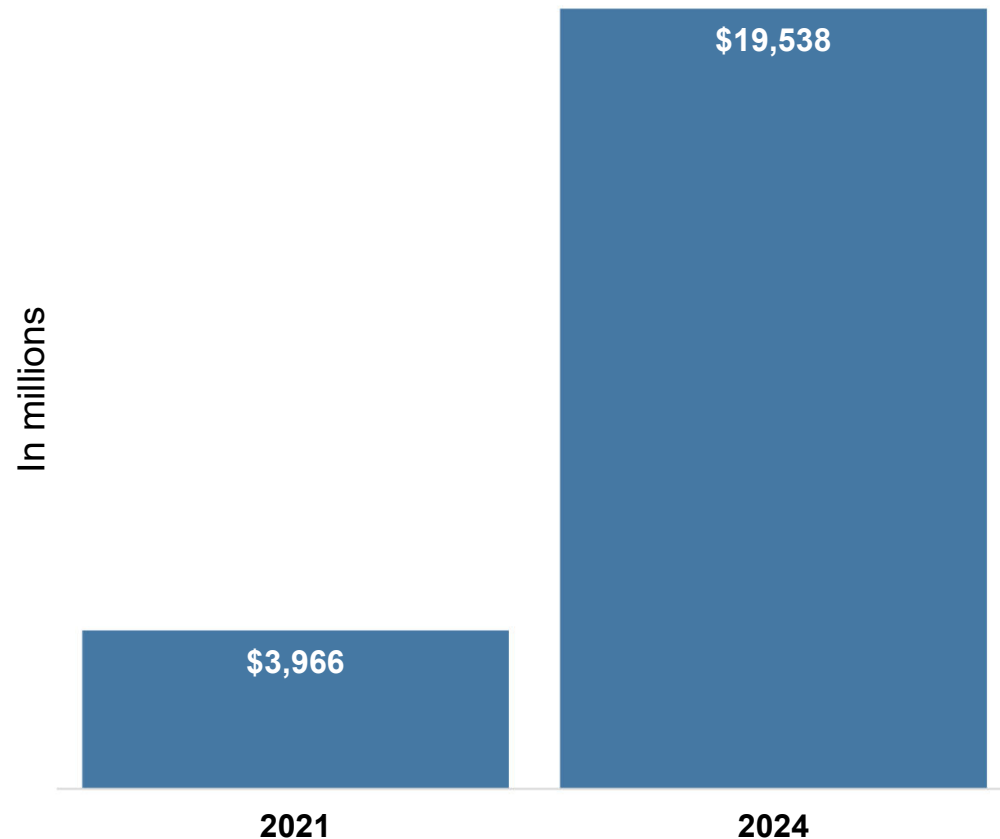
# SOF Spending Trends



## Spending History (\$ in billions)

State FY	Spending	Growth
2014	\$90.6	2.0%
2015	\$92.4	2.0%
2016	\$94.3	2.0%
2017	\$96.2	2.0%
2018	\$98.2	2.0%
2019	\$100.1	2.0%
2020	\$102.2	2.0%
2021	\$104.2	2.0%
2022	\$117.4	12.7%
2023	\$123.8	5.4%
2024	\$125.3	1.3%
Average Annual Change		3.3%

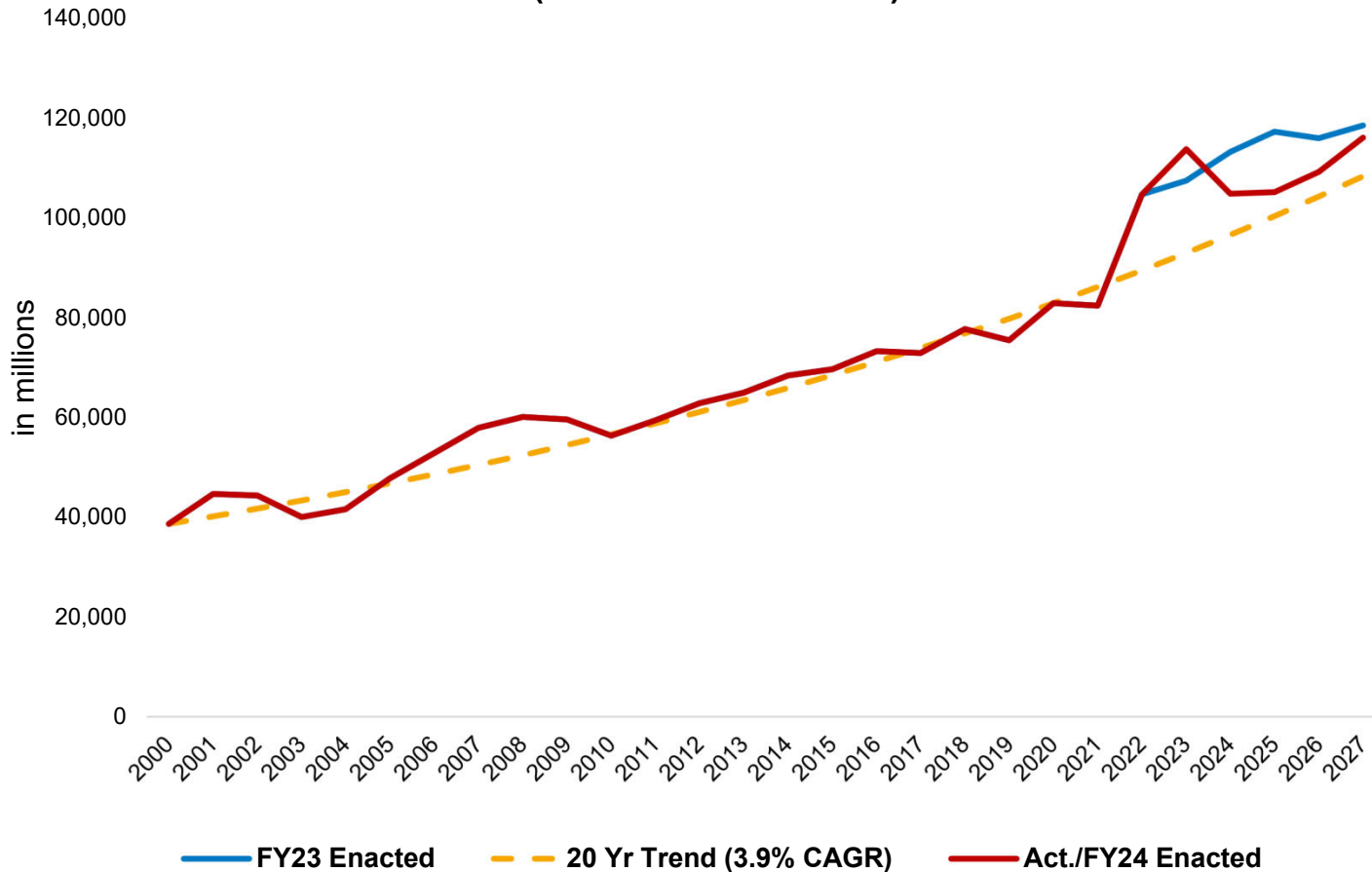
## Protecting our Future: Historic Reserves



- Nearly **\$16 billion** added to the State's Principal Reserves over two years.
- Reserves equal 16 percent of spending compared to 4 percent in FY 2021.
- Reserves prepare NYS to withstand unforeseen emergencies or significant economic downturns.
- **Reserves are not intended to fund new or existing recurring expenses.**

# All Funds Tax Receipts Decline

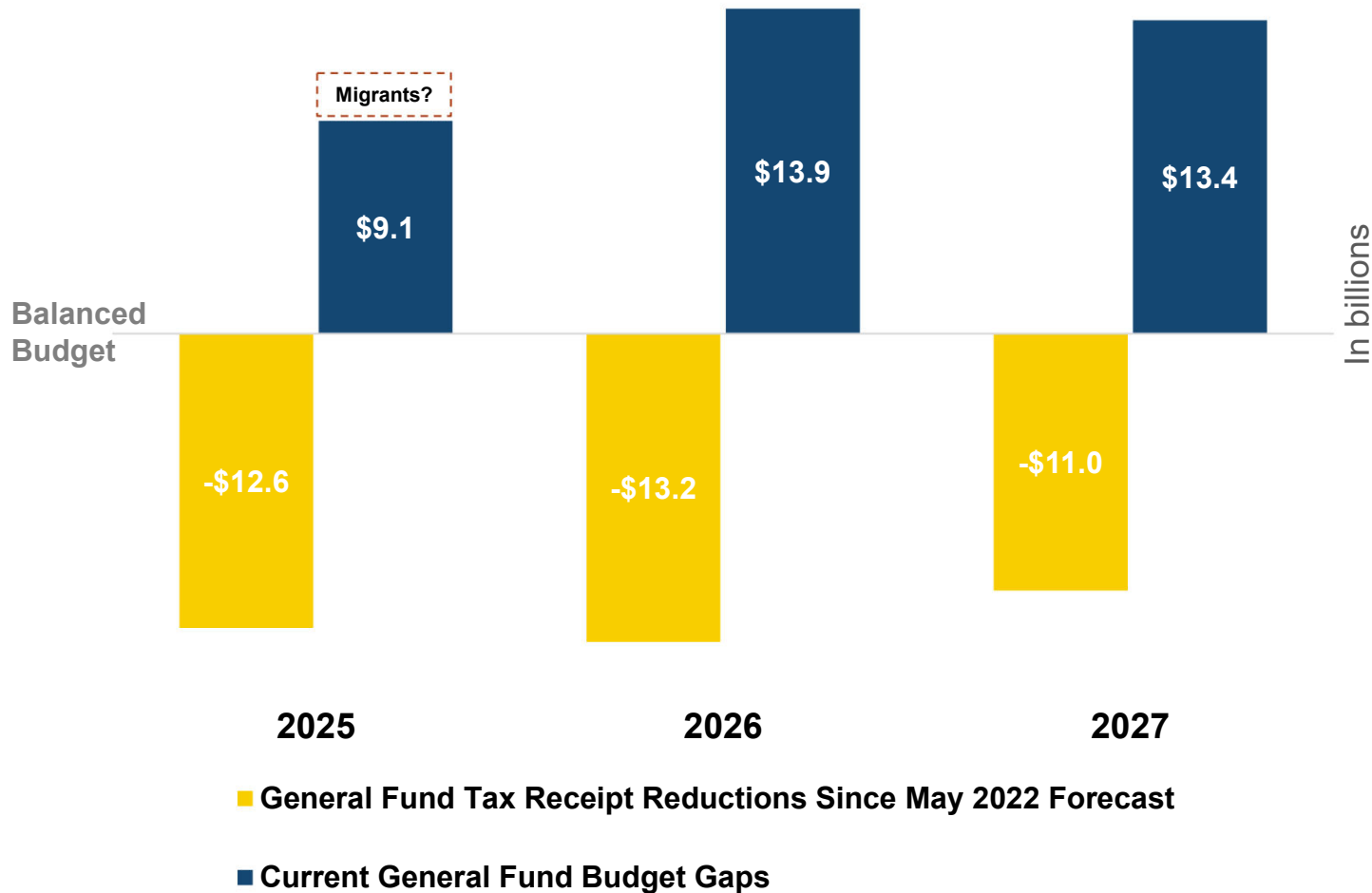
Actual/Projected Taxes v. 20-Yr Pre-COVID Trend  
(excl. PTET and PMT)



- In FY 2022 and 2023, NYS experienced extraordinary tax receipts growth driven by a combination of a strong COVID rebound, capital gains growth and tax increases enacted in FY 2022.
- The April 2023 downward revisions to receipt projections were more severe than projected -- an additional downward revision in annual tax receipts of **\$5 to \$6 billion** annually was reflected in the FY 2024 Enacted Budget.



# Weakened Receipts Drive General Fund Budget Gaps



Confidential Policy Advice

- Receipts are expected to be significantly lower over the next 3 Fiscal Years, fueling out year budget gaps.
- Prudence calls for reserves to be maintained for an economic downturn or unexpected disaster.

# NYS Top PIT Rate Compared to Other States

State	State-Only PIT Rate	State	Combined City & State PIT Rate
California	13.300%	<b>New York</b>	<b>14.776%</b>
Hawaii	11.000%	Oregon	13.900%
<b>New York</b>	<b>10.900%</b>	California	13.300%
New Jersey	10.750%	Hawaii	11.000%
District of Columbia	10.750%	New Jersey	10.750%
Oregon	9.900%	District of Columbia	10.750%
Minnesota	9.850%	Minnesota	9.850%
Massachusetts	9.000%	Massachusetts	9.000%
Vermont	8.750%	Maryland	8.950%
Wisconsin	7.650%	Vermont	8.750%

- NYS has the **highest combined top PIT rate** in the nation.
- Our **state-only** top PIT rate **rank 3<sup>rd</sup> highest** across all states.
- NYS top PIT rate exceeds neighboring states New Jersey, Connecticut, and Massachusetts.

# Immediate Risks

- Future Budget Gaps/Imbalance and Preservation of Critical Services/Programs
- Migrant Crisis
- Recession/Prolonged Economic Downturn
- Out migration

## Ongoing Risks:

**MTA Fiscal Condition**

**Distressed Hospitals**

**Health Insurance Cost Increases**

**Pension System Pressure/Rate Increases**

**Counties/Local Governments**

**Pending Federal Medicaid Approvals  
and Waivers**

**Climate Change/CLCPA Implementation**

