

# New York State Budget Quick Start 2009

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## **Office of the State Comptroller**

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State Comptroller

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# **Fiscal Challenges Facing New York**

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## **Structural imbalance in the State budget and significant projected out-year gaps.**

- The Division of the Budget projects that General Fund spending will grow 37.0 percent through SFY 2012-13 while revenues are only projected to increase 3.4 percent.
- This is not just because of the economy. Nearly two-thirds of the gap closing measures enacted in April were either temporary or non-recurring and did little to address the State's long-term structural imbalance
- As a result, the State facing a \$4.1 billion deficit in the current fiscal year, \$7.8 billion in SFY 2010-11 and \$15.7 billion in SFY2011-12 for a 3 year cumulative total of \$27.5 billion.



# Fiscal Challenges

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## **Reliance on debt, use of reserves and non-recurring resources to address budget imbalance.**

- Since 2002-03, the State has relied on over \$24.5 billion in non-recurring resources and one-shots to pay for recurring expenses.
- Over 18 percent or \$10.4 billion of New York's State-funded debt outstanding was issued to provide budget relief or deficit financing.
- DOB projects that room under the State's cap on debt outstanding will decrease from \$6.8 billion in SFY 2009-10 to just \$53 million in SFY 2012-13, limiting the State's ability to meet future critical capital needs.



# Fiscal Challenges

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## **Economic uncertainty.**

- The significant revenue declines experienced by New York continue to pose a challenge to the State Budget.
- Revenue may be slow to recover due to the State's reliance on employment and consumption revenue, such as personal income and sales and use taxes, which account for 60 percent and 25 percent of New York's tax base respectively. As of September, 2009, New York State has incurred a loss of approximately 275,000 jobs.
- Much discussion has focused on a recovering national economy. However, the signals have been mixed. The Office of the State Comptroller remains concerned about the amount, type and allocation of bonus income in December and January. In addition, concerns remain about the financial health of the nation's commercial real estate industry. Finally, the restructuring of the financial markets and the net effect on employment and salaries in New York State still has not been resolved completely.

# Fiscal Challenges

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## Potential cash shortfalls.

- The Division of the Budget projects that the General Fund could end the month of December with over \$1 billion in deficit. The DOB projects there will only be \$36 million available in All Governmental Funds at the end of December.
- Significant risk remains that, given current revenue trends, the deficit will continue to grow and the magnitude of these shortfalls will increase.
- New York State faces a potential cash flow crisis in December 2009. Significant payments are scheduled, such as \$2.5 billion for STAR, \$1.6 billion for school aid and five Wednesdays which generally coincide with Medicaid cycle payments averaging approximately \$400 million each. Unrestricted funds in the State's Short Term Investment Pool (STIP) may not be able to meet these cash flow needs.

# Comptroller Revenue Estimates

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**The Comptroller's Office projects revenue collections will be lower than current estimates by nearly \$4.3 billion through SFY 2011-12.**

| <b>All Funds Receipts</b>       | <b><u>2009-10</u></b> | <b><u>2010-11</u></b> | <b><u>2011-12</u></b> |
|---------------------------------|-----------------------|-----------------------|-----------------------|
| Office of the State Comptroller | 127,830               | 131,999               | 129,036               |
| Division of the Budget          | <u>128,855</u>        | <u>133,599</u>        | <u>130,661</u>        |
| Difference                      | (1,025)               | (1,600)               | (1,625)               |



# Comptroller Revenue Estimates

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**For SFY 2009-10 tax receipts are expected to decline by 3.3 percent despite the recently enacted tax changes.**

- Personal income tax receipts in SFY 2009-10 are now forecast to decline by \$2.66 billion over the prior year, or 7.2 percent.
- Consumption tax receipts are forecast to decline 1.5 percent in SFY 2009-10.
- After rising dramatically in SFY 2006-07 (18.5 percent) and in SFY 2007-08 (36.5 percent), business tax receipts declined by 7.6 percent in SFY 2008-09 and are expected to decline 0.2 percent in SFY 2009-10.
- Other tax receipts are expected to increase by 47.9 percent in SFY 2009-10. The increase is due to the enactment of the Metropolitan Commuter Transportation Mobility Tax.

# Comptroller Spending Estimates

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**The Comptroller's Office projects spending will exceed DOB's estimates by \$1.6 billion through SFY 2011-12.**

| <b>All Funds Disbursements</b>  | <b><u>2009-10</u></b> | <b><u>2010-11</u></b> | <b><u>2011-12</u></b> |
|---------------------------------|-----------------------|-----------------------|-----------------------|
| Office of the State Comptroller | 133,575               | 141,345               | 146,529               |
| Division of the Budget          | <u>133,185</u>        | <u>140,890</u>        | <u>145,761</u>        |
| Difference                      | 390                   | 455                   | 768                   |



# Medicaid Spending

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**The Comptroller's Office projects Medicaid spending will exceed DOB projections by \$539 million through SFY 2011-12.**

- All Funds spending on Medicaid is projected to total \$36.6 billion in SFY 2009-10, representing an increase of 12.9 percent over SFY 2008-09.
- Medicaid spending is projected to increase to \$39.1 billion in SFY 2010-11, an increase of 7.0 percent.
- Medicaid spending is expected to increase to \$42.3 billion in SFY 2011-12, representing an increase of 8.1 percent.
- Medicaid growth is primarily due to increased utilization and costs associated with home care, nursing homes and pharmaceuticals.



# Public Assistance Spending

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**The Comptroller's Office projects State and Federal Public Assistance spending will exceed DOB projections by \$1 billion through SFY 2011-12.**

- Public Assistance caseloads are projected to increase to 565,138 for the remainder of SFY 2009-10, driving a cost of \$1.6 billion.
- Monthly caseloads are expected to average 679,599 in SFY 2010-11 with a cost of \$1.9 billion.
- Monthly caseloads are projected to average 705,102 in SFY 2011-12 with a cost of \$2.0 billion.
- Projected caseload growth is driven primarily by recent and current economic conditions. Caseload projections could be significantly affected by additional federal actions.



# Education and Secondary Education Spending

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**The Comptroller's Office projects School Aid spending will exceed DOB projections by \$57 million through SFY 2011-12.**

- School Aid is projected to grow 7.2 percent to \$24.8 billion in SFY 2009-10, or \$22 billion for School Year 2009-10.
- School Aid is projected to grow 2.1 percent to \$26.4 billion in SFY 2010-11 or \$22.5 billion in SY 2010-11.
- School Aid is projected to decline to \$26.3 billion, or 0.2 percent, in SFY 2011-12, or \$26.3 billion in SY 2011-12.
- Growth in School Aid is driven primarily by increases in computerized aids.



# **Projected Outyear Gaps**

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**The Office of the State Comptroller Projects that cumulative General Fund gaps will total \$27.5 billion through SFY 2011-12, approximately \$3.6 billion higher than DOB estimates.**



# OSC Revenue and Spending Estimates

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**Revenue: The Office of the State Comptroller uses a revenue forecast model of New York State taxes.**

- Revenue model was developed with the State University of New York, University at Buffalo's Center of Excellence on Human Capital, Technology Transfer and Economic Development.

**Spending: The Office of the State Comptroller used data from the following sources:**

- Office of the State Comptroller
- NYS Department of Health
- NYS Education Department
- NYS Office of Temporary and Disability Services
- NYS Division of the Budget
- NYS Department of Labor
- IHS Global Insight