
Report on Estimated Receipts and Disbursements

State Fiscal Years 2019-20 through 2021-22



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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I. Overview

This Report on Estimated Receipts and Disbursements for State Fiscal Year (SFY) 2019-20 through SFY 2021-22, issued pursuant to Section 23 of the State Finance Law, is intended to enhance analysis and discussion of the State's economic condition and the State Budget.

The Office of the State Comptroller estimates that the State's tax revenues will grow by 7.6 percent in SFY 2019-20. Such revenues are projected to grow by 5.2 percent in SFY 2020-21, and to increase by 3.4 percent in SFY 2021-22.

The Office of the State Comptroller's projections for All Funds tax receipts are \$28 million higher than estimates from the Division of the Budget (DOB) for SFY 2019-20, \$155 million lower in SFY 2020-21 and \$643 million lower in SFY 2021-22. These and other comparisons to DOB projections in this report are based on DOB's projections from the First Quarterly Update to the SFY 2019-20 Enacted Budget Financial Plan (First Quarterly Update) issued in August 2019. Projections for overall All Funds receipts, which include tax receipts, miscellaneous receipts and federal grants, are \$28 million higher than estimates from DOB for SFY 2019-20, \$155 million lower in SFY 2020-21 and \$643 million lower in SFY 2021-22.

The Office of the State Comptroller's estimates for All Funds disbursements are \$198 million lower than estimates from DOB for SFY 2019-20, \$197 million lower in SFY 2020-21 and \$186 million lower in SFY 2021-22, based on DOB's most current projections from the First Quarterly Update. According to DOB, the figures in the First Quarterly Update do not reflect the structural imbalance DOB has identified within the indexed portion of the statutory cap on certain Medicaid spending known as the Global Cap (as discussed below); as a result, figures in this report do not reflect the structural imbalance identified by DOB. Discussion of the structural imbalance within the Global Cap appears within both the Disbursements and Risks sections of this report.

Background: “Quick Start” Financial Information Review Process

The State Finance Law requires the staffs of the Governor, the Temporary President of the Senate, the Speaker of the Assembly and the Comptroller to prepare and make available by November 5 of each year separate reports detailing estimates of “state receipts and state disbursements for the current and ensuing fiscal years.”¹ The Office of the State Comptroller interprets this provision as requiring estimates for the current and the next two ensuing fiscal years.

The receipts forecast must include, but is not limited to, estimates of tax collections on an All Funds basis, lottery receipts and General Fund miscellaneous receipts. The disbursements forecast is required to include, but is not limited to, estimates for spending on Medicaid, public assistance and elementary and secondary education (School Aid). The underlying factors and data upon which the disbursement estimates are based must be included as well. For purposes of providing estimates and projections on an All Funds basis, this Office’s figures reflect DOB’s projections for federal receipts and disbursements (except with respect to disbursements for public assistance).

By November 15, the Governor, the Temporary President of the Senate and the Speaker of the Assembly are directed to prepare jointly and make available on their respective internet websites a report on the actual, estimated and projected State receipts and disbursements for the prior, current and ensuing fiscal years.

The statute also requires a public meeting of the staffs of the Governor, the Temporary President of the Senate, the Speaker of the Assembly and the Comptroller to be held on or before November 15 to review financial information jointly, including the economic outlook, receipt forecasts, projected disbursements, and the impact of relevant State and federal statutory provisions on the State’s Financial Plan, to facilitate the timely adoption of a State Budget for the next fiscal year.

Office of the State Comptroller’s Estimates for Receipts and Disbursements

The Office of the State Comptroller maintains extensive data on receipts and disbursements, which reflect the flow of revenues and expenditures through New York’s Statewide Financial System (SFS), on which it issues monthly reports. This Office’s estimates are based on analysis of such data along with projections by DOB, recent and projected economic indicators and other information. Unless otherwise indicated, all projections reflect comparisons to the prior fiscal year.

Figures 1 and 2 below summarize the Office of the State Comptroller’s estimates compared to DOB’s estimates for receipts and disbursements as contained in the First Quarterly Update. This Office’s estimates for All Funds receipts and disbursements reflect a variety of factors, including current law that provides for caps on growth in Medicaid and School Aid spending.

¹ See Section 23(5) of the State Finance Law.

Estimates for State Operating Funds are also provided because the statutory cap on Medicaid disbursements applies to disbursements from that fund category.

Figure 1

Actual and Estimated Receipts and Disbursements, All Funds
SFY 2018-19 through SFY 2021-22
(in millions of dollars)

	2018-19	2019-20	Growth	2020-21	Growth	2021-22	Growth
Receipts							
Office of the State Comptroller	168,106	176,972	5.3%	176,021	-0.5%	179,729	2.1%
Division of the Budget	168,106	176,944	5.3%	176,176	-0.4%	180,372	2.4%
Difference	-	28		(155)		(643)	
Disbursements							
Office of the State Comptroller	170,875	175,919	3.0%	181,329	3.1%	184,675	1.8%
Division of the Budget	170,875	176,117	3.1%	181,526	3.1%	184,861	1.8%
Difference	-	(198)		(197)		(186)	

Sources: Office of the State Comptroller, Division of the Budget

Note: Figures may not total due to rounding.

Figure 2

Actual and Estimated Receipts and Disbursements, State Operating Funds
SFY 2018-19 through SFY 2021-22
(in millions of dollars)

	2018-19	2019-20	Growth	2020-21	Growth	2021-22	Growth
Receipts							
Office of the State Comptroller	97,702	101,018	3.4%	102,792	1.8%	105,907	3.0%
Division of the Budget	97,702	100,967	3.3%	102,935	1.9%	106,550	3.5%
Difference	-	51		(143)		(643)	
Disbursements							
Office of the State Comptroller	100,137	102,092	2.0%	107,886	5.7%	111,265	3.1%
Division of the Budget	100,137	102,153	2.0%	107,948	5.7%	111,326	3.1%
Difference	-	(61)		(62)		(61)	

Sources: Office of the State Comptroller, Division of the Budget

Note: Figures may not total due to rounding.

See the Appendix for more detailed estimates for All Funds and State Operating Funds.

II. Economic Overview

National Economy

By August 2019, the national economy had reached the longest economic expansion since the National Bureau of Economic Research started recording business cycle expansions and contractions in 1854. While the national economy's growth accelerated in the first quarter of the year following a lackluster fourth quarter in 2018, that momentum was not continued into the second quarter, when annualized real Gross Domestic Product (GDP) growth decelerated from 3.1 percent to 2.0 percent. Real annual GDP growth is estimated to continue to slow in the second half of the year, anticipated at less than 2 percent in each of the third and fourth quarters. Overall, the national economy is estimated to expand by 2.3 percent in 2019, slower than the 2.9 percent growth recorded in 2018. The probability of a recession starting within the next 12 months is forecast at 20 percent, according to IHS Markit, with the economy projected to continue to expand at a pace of 2.0 percent.²

Through September 2019, employment had increased by over 1.4 million jobs nationally, representing growth of 1.0 percent on a seasonally adjusted basis from December 2018. This was slower than the 1.3 percent growth from a year ago. The unemployment rate dropped from 3.9 percent to 3.5 percent over this period.

Employment is estimated to increase by 1.5 percent for all of 2019, slower than the 1.7 percent pace in 2018; growth is anticipated to further decelerate in 2020, to 1.0 percent. The unemployment rate is projected to stay at the current rate of 3.5 percent.

Wages are estimated to increase by 5.4 percent in 2019, an acceleration from 5.0 percent in 2018. Wage growth is projected to decelerate to 4.9 percent in 2020.

New York State Economy

In New York, key indicators including those for employment, wages and personal income are expected to show continued gains in 2019 and generally in each of the following three years, but with growth rates below national averages. Employment in the State is projected to be flat in 2022.

Through September 2019, the State had added 82,700 jobs on a seasonally adjusted basis from December 2018. This was a larger increase than the same period in 2018, which saw growth of 74,000 jobs. Job gains were primarily in the private sector, with only a slight increase in government employment. Over three-quarters of the job gains to date this year are concentrated in downstate regions. For all of 2019, employment is estimated to increase by 1.0 percent, below the 1.2 percent gain in 2018.

² For purposes of this report, projections of economic variables and events are primarily drawn from the IHS Markit Macroeconomic Forecast, October 2019.

According to the State Department of Labor's Quarterly Census of Employment and Wages, total wages paid in the first quarter of 2019 were 4.1 percent higher than those for the same quarter in 2018. IHS Markit estimates overall wage growth in 2019 at 5.3 percent, up from 5.0 percent in 2018. Along with the wage growth, personal income is estimated to increase by 4.0 percent in 2019, down from the 2018 rate of 4.3 percent.

Similar to the national employment trend, job growth in New York is projected to continue to slow in 2020, with an overall gain of 1.0 percent. Wages are also projected to increase in 2020, by 4.5 percent, slower than the 5.3 percent rate in 2019. Non-wage income, such as investment income, is projected to grow by 2.5 percent in 2020, a deceleration from the 3.7 percent rate in 2019. This contributes to the lower projected growth in personal income of 3.8 percent in 2020.

Figure 3 presents selected economic indicators at the State and national levels through 2022.

Figure 3

Selected Economic Indicators (Percentage Change)					
	UNITED STATES				
	2018	2019	2020	2021	2022
Real GDP	2.9	2.3	2.0	2.0	1.7
Employment	1.7	1.5	1.0	0.7	0.5
Wages	5.0	5.4	4.9	4.6	4.6
Personal Income	5.6	4.8	4.2	4.4	4.4
NEW YORK					
Employment	1.2	1.0	0.6	0.3	0.0
Wages	5.0	5.3	4.5	4.3	4.1
Personal Income	4.3	4.0	3.8	3.9	3.7

Source: IHS Markit, October 2019 U.S. and Regional Macroeconomic Forecast

Note: 2018 statistics are actual results, while those for all other years are projections.

III. Receipts

Overview

This section of the report includes the Office of the State Comptroller's estimate of All Funds tax receipts through the end of the current fiscal year, as well as projections for All Funds tax receipts for SFY 2020-21 and SFY 2021-22.

This forecast is consistent with a national economy that is projected to grow at or in excess of 2 percent in the current year and the next two years. Numerous variables affect the national and State economies, increasing the difficulty of forecasting tax collections. These factors include not only traditional influences such as trends in employment and wages, but the continued influence of taxpayer behavior in response to the federal Tax Cut and Jobs Act (TCJA) and retaliatory trade actions in response to recently imposed tariffs. As a result, the State's actual tax revenues could deviate from these estimates and from those of the Division of the Budget. Close monitoring is critical to identify deviations in a timely way so that corrective actions can be taken, if necessary.

In SFY 2018-19, All Funds tax receipts totaled \$75.6 billion, a decline of 4.7 percent from the previous year. Through the first six months of SFY 2019-20, total tax revenues were \$5.1 billion or 13.7 percent higher than the same period in SFY 2018-19. While tax receipts in the first half of the fiscal year are generally influenced by strong collections from the filing of annual personal income tax returns, receipts in the second half typically benefit from factors including holiday sales, bonus payments in the finance and insurance sector, and prepayments for business taxes. Total personal income tax (PIT) collections are estimated to increase by 8.4 percent in SFY 2019-20. This is primarily due to taxpayers shifting the payment of tax liability on 2018 income from estimated payments in the fourth quarter to those made with the filing of annual returns in April. In addition, with projected growth in corporate profits and increased holiday sales, as well as statutory changes made in the SFY 2019-20 Enacted Budget, business and consumption taxes are estimated to increase by a combined 7.0 percent in SFY 2019-20. Overall, total tax receipts are estimated to increase by 7.6 percent.

In SFY 2020-21, tax collections are projected to continue to grow, by 5.2 percent. This increase reflects expectations of continued growth in the overall economy, as well as the full year impact of revenue actions enacted in SFY 2019-20. Projected growth in collections is also enhanced by the reduction in the administrative cap on refunds made in the January through March period as well as the expiration of the Property Tax Relief Credit at the end of 2019.

For SFY 2021-22, tax collections are projected to grow by 3.4 percent, a slower pace than in SFY 2020-21. While the economy is projected to expand at the same pace as the previous fiscal year, the slower growth reflects the shift of \$500 million in PIT refunds.

Specific figures on projected receipts, and comparisons to DOB projections, appear in the Appendix.

Personal Income Tax

Personal income tax receipts are estimated to increase by \$4 billion, or 8.4 percent, in SFY 2019-20. This reflects the shift of certain estimated tax payments into the April filing period, as taxpayers change the timing of the remittance of their year-end tax liability as a result of the limit on federal itemized deductions for state and local taxes enacted as part of the TCJA.

Withholding tax collections in SFY 2019-20 are estimated to increase by 3.3 percent as a result of gains in both employment and wages. However, zero growth in bonus payments in the final quarter of the year is anticipated to constrain receipts. Collections from estimated payments and final returns in the current fiscal year are expected to increase by 22 percent, or \$3.7 billion, from SFY 2018-19 levels. This increase reflects the shift of estimated payments into the annual filing period as mentioned above, enhanced by growth in quarterly estimated payments due to an expectation of continued increases in non-wage income throughout the year.

In SFY 2020-21, PIT collections are projected to increase by \$3.3 billion, or 6.3 percent. This increase reflects continued employment and wage growth, as well as a moderate increase in estimated payments as collections reflect the new schedule of tax remittances. Refunds are projected to decline by 8.3 percent, resulting from the expiration of the Property Tax Relief Credit as well as a decrease in the fourth quarter cap on refunds from \$2.25 billion to \$1.75 billion. In SFY 2021-22, PIT collections are projected to increase by \$1.9 billion, or 3.5 percent. This lower growth reflects increased withholding collections as wages and employment are estimated to continue to grow, offset in part by the shift of \$500 million in refunds into April 2021.

Consumption and Use Taxes

Consumption and use tax receipts are estimated to increase by \$988 million, or 5.7 percent, in SFY 2019-20. This growth primarily reflects an estimated increase of 7.3 percent in the largest source of receipts in this category, sales tax collections, resulting from an expectation of continued gains in consumption and employment. The revenue growth is augmented by statutory changes made in the SFY 2019-20 Enacted Budget, including the requirement for internet marketplace providers to collect and remit State and local sales taxes. In addition, new excise taxes on e-cigarettes and opioids as well as an expansion of the auto rental tax contribute to overall growth in this category. The increase is partially offset by the continued decline in cigarette and tobacco tax receipts.

For SFY 2020-21, collections in consumption and use taxes are projected to exhibit slower growth, increasing by \$728 million, or 4.0 percent. While personal consumption is projected to continue to grow at the same rate as the previous year, collections also benefit from the full year impacts of the new taxes mentioned above. In SFY 2021-22, consumption and use tax collections are projected to grow moderately, by 2.5 percent, due to a continued increase in personal consumption.

Business Taxes

Business tax receipts are estimated to increase by \$779 million, or 9.8 percent, in SFY 2019-20. This growth, in part, reflects increased insurance tax collections resulting from the conversion of Fidelis to a for-profit health insurer. Continued audit collections from the repealed bank tax also contribute to the strong year-over-year growth.

In SFY 2020-21, growth in business tax receipts is projected to slow to 1.3 percent, or \$117 million. This reflects projected slower growth in corporate profits and no additional collections under the bank tax. Business tax receipts are projected to increase in SFY 2021-22 by \$330 million or 3.7 percent. This reflects continued corporate profit growth as well as increased insurance tax collections.

Other Taxes

Other Tax receipts are estimated to decrease by \$64 million, or 2.9 percent, in SFY 2019-20. Receipts from estate and gift taxes are projected to decline as a result of the increase in the exemption threshold from \$5.25 million to \$5.74 million at the beginning of 2019.

In SFY 2020-21, Other Tax collections are projected to increase by \$104 million, or 4.8 percent. This growth is primarily due to increases in estate and gift tax collections resulting from increased household net worth.

In SFY 2021-22, collections are projected to increase by \$206 million, or 9.1 percent. This increase reflects continued growth in both estate and real estate transfer taxes.

General Fund Miscellaneous Receipts and Lottery Receipts

Miscellaneous receipts include fees, fines, reimbursements, bond proceeds from public authorities, Lottery revenues, settlements and interest on State investments.

General Fund miscellaneous receipts are estimated to decline by \$696 million or 19.4 percent in SFY 2019-20, to \$2.9 billion, primarily because of the expected decrease in non-recurring monetary settlements from various financial institutions. Miscellaneous receipts in the General Fund are anticipated to decline by 29.1 percent or \$841 million in SFY 2020-21, again primarily due to an expectation of a continued decrease in monetary settlements. Miscellaneous receipts are anticipated to fall by 7.7 percent or \$157 million in SFY 2021-22.

All Funds estimates for miscellaneous receipts in SFY 2019-20 total \$29.3 billion (most of which is initially collected outside the General Fund), a decrease of \$1.8 billion or 5.9 percent, representing a decline in motor vehicle fees related in part to a shift of certain such fees off-budget, as well as the projected drop in monetary settlements. Miscellaneous receipts from Native American casinos collected in the Tribal State Compact fund are expected to total \$475 million in SFY 2019-20, including the resumption of payments from the Seneca Nation. Of that

amount, \$303.8 million is expected to be transferred to the General Fund after payments to local governments.³

All Funds miscellaneous receipts are projected to decrease by \$3.4 billion or 8.7 percent in SFY 2020-21, primarily in special revenue funds, although capital funds (bond proceeds) and General Fund declines are also significant. Miscellaneous receipts are anticipated to decline by 3.6 percent or \$921 million in SFY 2021-22, as proceeds from projected bond issuances continue to decline. Factors that may change such projections include the possibility of additional settlements from financial institutions as well as variance in reimbursements from bond proceeds, in part impacted by the amount of bonds issued.

Lottery revenues for education (not including administration) from traditional games are expected to increase by 18.1 percent to \$2.7 billion in SFY 2019-20, and revenues from video lottery terminals (VLTs) are expected to increase 7.5 percent to \$975 million. Total Lottery receipts are projected to hold steady near \$3.4 billion through SFY 2021-22. DOB projects revenue for education from commercial casinos will total \$122 million in SFY 2019-20, increasing to \$161 million in SFY 2021-22.

Federal Receipts

Federal grants support State spending for Medicaid, transportation, education, public health, and environmental and energy programs, as well as other activities. For the purpose of providing an All Funds receipts forecast, the Office of the State Comptroller's figures reflect DOB's federal receipts projections.

In SFY 2019-20, federal receipts are projected by DOB to increase by just under \$5 billion, or 8.1 percent, from SFY 2018-19. DOB projects federal receipts will decline by \$1.8 billion or 2.7 percent in SFY 2020-21, and will increase by \$1.7 billion or 2.6 percent in SFY 2021-22.

³ This funding is initially collected as a miscellaneous receipt in the Tribal State Compact special revenue fund (339.22169). After payments to localities that host the Native American casinos covered under the Tribal State Compact, the remaining revenue is transferred to the General Fund.

IV. Disbursements

Overview

This report includes forecasts for disbursements for SFY 2019-20 through SFY 2021-22. These estimates rely on a variety of data sources, including receipt and disbursement data from New York's Statewide Financial System (SFS) and information from State agencies, including the State Education Department (SED), DOB, the Department of Health (DOH), the Department of Labor (DOL), and the Office of Temporary and Disability Assistance (OTDA).

The SFY 2019-20 Enacted Budget – like the prior year's – included appropriations intended to reflect two years' worth of spending in Medicaid. The Budget also extended through SFY 2020-21 statutory limits on future spending growth for State-funded DOH Medicaid expenditures based on the ten-year average growth in the medical component of the Consumer Price Index (CPI). The basis of the statutory cap on annual School Aid increases was revised in this year's Enacted Budget from the prior year's rate of growth in personal income to the 10-year average annual change in personal income beginning in School Year (SY) 2020-21.⁴ The statutory cap for education assistance has no expiration date. As a result of these limitations, projected disbursements in two of the largest categories of spending in the Budget are intended to be constrained, absent action by the Executive and the Legislature to supersede the spending targets.

This report provides Medicaid and School Aid spending projections from the Financial Plan, including the effect of statutory spending caps. This report does not adjust for actual or planned actions that artificially and temporarily change growth rates, such as prepayments (which increase base year spending while decreasing subsequent year spending, thus resulting in lower reported growth).

For SFY 2019-20, the Office of the State Comptroller estimates that Medicaid, School Aid and public assistance spending from State Operating Funds will total just under \$49.5 billion, an increase of \$2.4 billion, or 5.1 percent, from SFY 2018-19 levels. Among other factors, this level of increase reflects the statutory limit on Medicaid enacted in SFY 2011-12 that was intended to constrain spending from State Operating Funds. All other State Operating Funds spending is projected to total \$52.6 billion, a decline of \$452 million, or 0.9 percent, compared to SFY 2018-19. All other spending includes such categories as debt service, General State Charges, Departmental Operations and local assistance grants outside of the categories listed above. It also reflects certain timing-related and other actions that limit reported spending growth.

Medicaid, School Aid and public assistance spending from All Funds is estimated to total \$96.2 billion in SFY 2019-20, which is \$4.9 billion, or 5.3 percent, higher than SFY 2018-19 levels.

⁴ For this purpose, personal income within New York State is measured on a State fiscal year basis.

For SFY 2020-21, Medicaid, School Aid and public assistance spending from State Operating Funds is projected to total \$51.5 billion, an increase of \$2.0 billion or 4.1 percent from estimated SFY 2019-20 expenditures. All other State Operating Funds spending is projected to increase \$3.8 billion or 7.1 percent to \$56.4 billion.

Medicaid, School Aid, and public assistance spending from All Funds is projected to total \$98.4 billion in SFY 2020-21, which is \$2.2 billion or 2.3 percent higher than projected SFY 2019-20 levels.

For SFY 2021-22, Medicaid, School Aid, and public assistance spending from State Operating Funds is projected to total \$53.5 billion, an increase of \$2 billion or 3.9 percent from the previous year. During this period, all other State Operating Funds spending is projected to increase \$1.4 billion or 2.4 percent to \$57.8 billion.

Medicaid, School Aid and public assistance spending from All Funds is projected to total \$102.0 billion in SFY 2021-22, which is \$3.6 billion or 3.7 percent higher than in SFY 2020-21.

Specific figures on projected disbursements, and comparisons to DOB projections, appear in the Appendix.

Supplemental Projections and Discussion

The following section contains certain supplemental projections and discussion for School Aid, Medicaid and public assistance.

School Aid

Projections for School Aid reflect increases consistent with enacted spending caps and other changes included in previous budgets. To provide an understanding of the impact of the spending cap on the Budget, this section also includes an illustrative chart to show what spending could be without the cap.

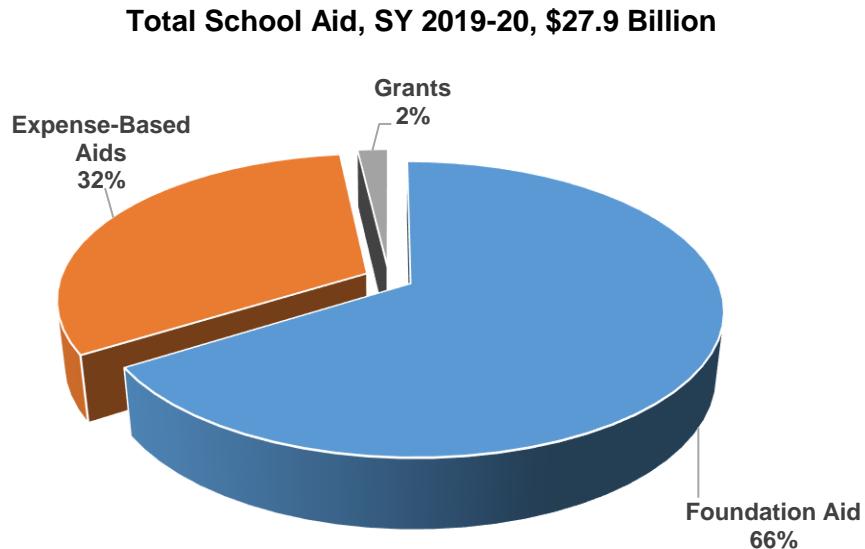
School Aid or General Support for Public Schools (GSPS) comprises a series of formulas that provide general operating support (for example, Foundation Aid) and reimbursement for a share of specific eligible expenses (for example, Building Aid or Excess Cost Aid), as well as grant programs that support specific activities for New York State's 674 major school districts.⁵ Factors that can affect School Aid growth include enrollment, school district property and income wealth, student demographics, and fluctuations in claims for various supported expenses. Claims and demographic data are generally updated three times annually.⁶ Policy makers also affect annual growth in School Aid through legislative changes, which are difficult to project. School Aid is generally negotiated and legislated on a school-year (SY) basis.

⁵ School districts receive support for certain programs outside of GSPS; funding for these programs is not a part of this forecast.

⁶ Pursuant to Section 305 of the Education Law, the State Education Department provides detailed School Aid data by district three times throughout the year – February 15, May 15 and November 15. November data is typically used to calculate aid in the Executive Budget proposal and February data is typically used to calculate aid for the Enacted Budget.

Because the school year begins on July 1 and ends on June 30, the State is funding portions of two school years in any given State fiscal year. Figure 4 shows the distribution of School Aid by category in the current school year.⁷

Figure 4



The SFY 2011-12 Enacted Budget included legislation limiting future growth in School Aid to growth in State personal income. School Aid growth in SFY 2012-13 was limited to the five-year average of personal income growth. The SFY 2012-13 Enacted Budget included an increase of 4.1 percent, equal to the calculated growth index. However, the six most recent enacted budgets before the SFY 2019-20 Enacted Budget have provided aid increases above the level set by the growth index. The School Aid increase in the SFY 2019-20 Enacted Budget was under the growth index. Since SFY 2013-14, when the limitation changed to one-year growth, the calculated limit has been below 4 percent and in some years below 2 percent. The SFY 2019-20 Enacted Budget changed the basis of the statutory cap from the prior year's growth in personal income to the 10-year average growth rate, with implementation of this change scheduled for School Year 2020-21.

The Office of the State Comptroller has relied on estimates provided by DOB that project School Aid spending from State Operating Funds will total \$27.4 billion in SFY 2019-20, which is an increase of \$1.1 billion or 4.1 percent over SFY 2018-19. This projection equates to \$27.9 billion on a school-year basis.

The Office of the State Comptroller has relied on DOB estimates that project School Aid spending from State Operating Funds would:

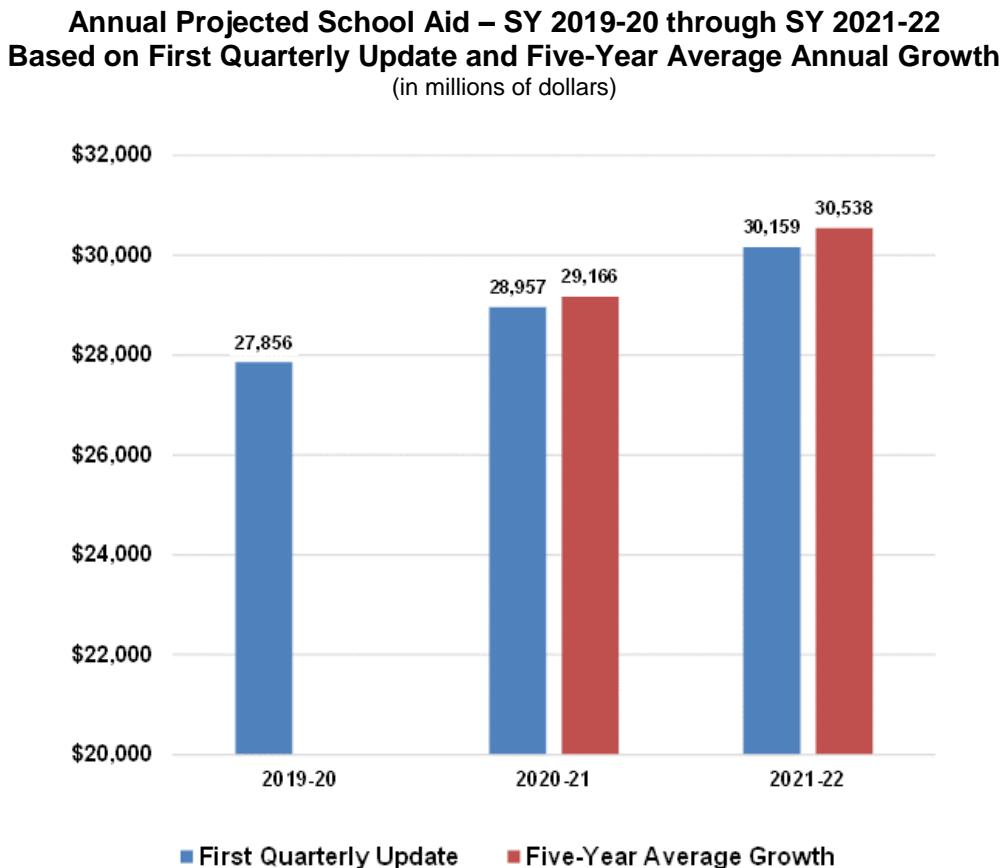
⁷ The figure reflects GSPS at the time of the Enacted Budget. For the purposes of this figure, certain other operating aids, including High Tax Aid and Universal Pre-Kindergarten, have been included in "Expense-Based Aids". "Grants" consists of \$234 million in competitive grants and all non-computerized aids.

- Increase to \$28.4 billion in SFY 2020-21, an increase of \$1.0 billion or 4.4 percent over SFY 2019-20. This equates to \$29.0 billion on a school-year basis.
- Increase to \$29.6 billion in SFY 2021-22, an increase of \$1.2 billion or 4.1 percent over SFY 2020-21. This equates to \$30.2 billion on a school-year basis.

DOB has indicated that the projections for SY 2020-21 through SY 2022-23 were consistent with projections for the personal income growth index. The November 15, 2019 School Aid data will provide the first estimates of GSPS for SY 2020-21 based on submitted claims and demographic information. It will also show revisions for the current school year. In some years, database revisions have resulted in significant changes in School Aid.

Figure 5 illustrates both the levels projected in DOB's First Quarterly Update and, for the coming two school years, levels that School Aid could reach if growth continued at the most recent five-year average annual growth rate of GSPS.⁸ These latter figures, which reflect certain legislative changes in recent years among other factors, differ from the Office of the State Comptroller projections above.

Figure 5



⁸ Office of the State Comptroller calculations using Division of the Budget and State Education Department data.

Medicaid

The SFY 2019-20 Enacted Budget again includes two years' authority for Medicaid spending by DOH (including administration costs), with a specific limit in State Operating Funds spending for each year.

Projections of Medicaid disbursements are currently complicated by developments in recent months that have affected the application of the statutory cap on certain Medicaid spending. In SFY 2011-12, legislation was enacted to limit the year-to-year growth in certain DOH State funds Medicaid spending to the ten-year rolling average of the medical component of the CPI (Global Cap). Some DOH State Medicaid spending is not subject to the indexed portion of the Global Cap, including a portion of funding for minimum wage increases and the State's takeover of certain local Medicaid costs, according to DOB. DOH has indicated that in certain previous years it has managed the timing of Medicaid payments across fiscal years to ensure compliance with the cap, including between SFY 2014-15 and SFY 2017-18 when such actions ranged from \$50 million to roughly \$435 million.

At the end of SFY 2018-19, DOH deferred \$1.7 billion in certain State-share Medicaid costs, including the final cycle payment to Medicaid Managed Care Organizations as well as other payments, for three business days.

Absent the deferral, Medicaid spending under the Global Cap would have exceeded the indexed portion of the cap for SFY 2018-19 of \$18.9 billion. DOH indicates the higher spending in SFY 2018-19 reflected growth in managed care and long-term managed care enrollment and utilization costs above projections, as well as certain savings actions and offsets that were not processed by year-end. However, the Executive has not provided detailed figures on these factors.

The First Quarter Update to the Financial Plan, issued in August, indicated that Medicaid spending in the current year will comply with the Global Cap (\$19.4 billion) but that spending continues to exceed projections. In its recent Update to the Annual Information Statement, DOB concludes that a "structural imbalance" exists within the Global Cap. This is based on factors including a review of price and utilization trends and results for SFY 2018-19. DOB defines structural imbalance as estimated growth in State-share Medicaid expenses, absent cost control measures, which exceeds the amount allowed under the indexed portion of the cap.

DOB estimates that the imbalance could be \$3 billion to \$4 billion in the current fiscal year, including the \$1.7 billion deferral from SFY 2018-19. DOB anticipates that management actions will be taken this year to limit Medicaid spending within the Global Cap, to the extent practicable. These actions are expected to include up to \$2 billion in current-year savings from moving the timing of certain payments, leaving an estimated imbalance this year of approximately \$1.5 billion.

According to DOB, other current-year actions could include the imposition of statutorily authorized cost controls (e.g., across-the-board reductions in rates paid to providers and health plans and reductions in discretionary payments).

DOB expects that additional actions to limit spending within the Global Cap will be needed in SFY 2020-21, but the magnitude of such actions is dependent, in part, upon steps taken to control costs in the current year.

DOB estimates allowable growth under the indexed portion of the Global Cap to be 3.0 percent in SFY 2019-20 and SFY 2020-21, and 2.9 percent in each of the subsequent two fiscal years (the cap was extended through SFY 2020-21 in the SFY 2019-20 Enacted Budget). DOB projects that ongoing cost-containment measures and other actions to address the imbalance in Medicaid spending will hold future spending growth to allowable increases under the DOH Medicaid Global Cap, although specific steps to attain this goal have not been identified. Statutory authority given to the Health Commissioner to reduce Medicaid spending administratively, if necessary to remain within targeted levels, expires at the end of SFY 2020-21.

The Medicaid disbursement estimates detailed below reflect figures provided by DOB. Such estimates are from DOB's First Quarterly Update to the Financial Plan, and according to DOB, do not reflect the impact of the Global Cap structural imbalance they have identified, nor any actions to address that imbalance. DOB expects to provide additional information in its Mid-Year Update to the SFY 2020 Financial Plan. The Risks section of this report provides further discussion of the implications of the structural imbalance within the Medicaid Global Cap.

The Office of the State Comptroller has relied on DOB estimates projecting that total DOH State Medicaid spending (including administrative costs) in SFY 2019-20 would total \$21.6 billion from State Operating Funds, and \$64.1 billion from All Funds.

The Office of the State Comptroller has relied on DOB estimates that project total Medicaid spending would:

- Increase in SFY 2020-21 to \$22.6 billion from State Operating Funds (up by 4.4 percent or \$955 million from the previous year) and to \$65.3 billion from All Funds (an increase of 1.8 percent or \$1.2 billion).
- Total \$23.4 billion from State Operating Funds in SFY 2021-22, a year-over-year increase of \$830 million or 3.7 percent, and \$67.7 billion from All Funds, representing an increase of \$2.4 billion or 3.7 percent.

DOB continues to use payments by tobacco manufacturers under the 1998 Master Settlement Agreement (MSA) to reduce reported Medicaid spending by depositing the MSA revenue directly to an off-budget account (Medicaid Management Information System Escrow Fund) where such revenue is spent without appropriation. DOB's current projections, as detailed above, reflect this plan. Reported spending in the First Quarterly Update is reduced by \$315

million in SFY 2019-20 and by \$371 million in SFY 2020-21 and beyond, compared to expected levels if such spending were not moved off-budget.

Public Assistance

Projections of public assistance caseloads and spending are sensitive to economic fluctuations. As unemployment increases and income falls, the number of persons in need of public assistance typically increases. While national and State unemployment rates have declined in recent years, such rates are not perfect measures of unemployment. For example, they do not capture people who are not actively looking for work or those who are employed in temporary or part-time positions which may be paying significantly less than full-time jobs.

According to the federal Bureau of Labor Statistics (BLS), approximately 37.6 percent of the U.S. unemployed population (16 and older) had been unemployed for 15 weeks or more as of September 2019. As of September 2019, the unemployment rate in New York on a seasonally adjusted basis was 3.9 percent.⁹ BLS produces a measure of labor market underutilization that includes the unemployed population that has actively looked for work in the past four weeks as well as the number of people who are employed part-time (not by choice) and those unemployed who have not actively looked for work. For New York, this measure was 7.6 percent for the third quarter of 2018 through the second quarter of 2019.¹⁰ This rate is the lowest since the Great Recession began in December 2007, and 7.3 percentage points lower than the last high of 14.9 percent for the period from the second quarter of 2010 through the first quarter of 2011. Still, it indicates labor market underutilization higher than that shown by the commonly cited unemployment rate.

Using historical trends for unemployment and employment, as well as caseloads and spending figures contained in monthly caseload reports issued by the Office of Temporary and Disability Assistance (OTDA), the Office of the State Comptroller estimates that in SFY 2019-20, All Funds spending for public assistance will total \$1.6 billion (including \$492 million from State Operating Funds), based on caseloads of 289,592 families and 184,662 single recipients.

For SFY 2020-21, public assistance spending from All Funds is projected to decline by \$15 million, or 0.9 percent, to \$1.59 billion (including \$493 million from State Operating Funds), based on caseloads of 286,696 families and 185,497 single recipients.

For SFY 2021-22, All Funds spending for public assistance is estimated to total \$1.58 billion (including \$495 million from State Operating Funds), a decline of \$6 million or 0.4 percent from the previous year, based on caseloads of 285,255 families and 186,920 single recipients.

⁹ New York State Department of Labor.

¹⁰ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics.

Figure 6

**Comparison of Actual and Projected Caseloads:
Temporary Assistance for Needy Families (TANF), Safety Net Families and Singles**

TANF Families	2018-19	2019-20	Change	2020-21	Change	2021-22	Change
Office of the State Comptroller	196,652	179,435	-8.8%	177,125	-1.3%	176,114	-0.6%
Division of the Budget	206,170	201,673	-2.2%	198,774	-1.4%	195,823	-1.5%
Difference	(9,518)	(22,238)		(21,649)		(19,709)	
Safety Net Families	2018-19	2019-20	Change	2020-21	Change	2021-22	Change
Office of the State Comptroller	116,637	110,157	-5.6%	109,571	-0.5%	109,141	-0.4%
Division of the Budget	120,580	117,775	-2.3%	115,903	-1.6%	114,041	-1.6%
Difference	(3,943)	(7,618)		(6,332)		(4,900)	
Safety Net Singles	2018-19	2019-20	Change	2020-21	Change	2021-22	Change
Office of the State Comptroller	195,656	184,662	-5.6%	185,497	0.5%	186,920	0.8%
Division of the Budget	211,438	212,716	0.6%	215,224	1.2%	217,332	1.0%
Difference	(15,782)	(28,054)		(29,727)		(30,412)	
Total Caseloads	2018-19	2019-20	Change	2020-21	Change	2021-22	Change
Office of the State Comptroller	508,945	474,254	-6.8%	472,193	-0.4%	472,175	0.0%
Division of the Budget	538,188	532,164	-1.1%	529,901	-0.4%	527,196	-0.5%
Difference	(29,243)	(57,910)		(57,708)		(55,021)	

Sources: Office of the State Comptroller, Division of the Budget, OTDA.

Note: SFY 2018-19 figures represent actual caseloads as per OTDA.

V. Risks

As with any financial plan, the SFY 2019-20 Enacted Budget Financial Plan and the projections in this report are subject to various risks and uncertainties.

As described earlier in this report, DOB has identified a structural imbalance within the category of Medicaid spending known as the indexed portion of the Global Cap. Certain State-share Medicaid spending could exceed the Global Cap by \$3 billion to \$4 billion in the current fiscal year, and by an unspecified amount in SFY 2020-21, according to DOB.

DOB anticipates that steps to address the imbalance during the current fiscal year will include changes in the timing of up to \$2 billion in certain unspecified payments. At the end of March 2019, the State deferred \$1.7 billion in payments from SFY 2018-19 to SFY 2019-20 (an amount included in the estimated structural imbalance for the current year). The scope of such delayed payments and the prospect of additional, even larger deferrals raise troubling questions as to whether the State may return to historical practices of allowing operating deficits to recur, and potentially increase, from year to year. Further concerns arise from the lack of detailed information about the causes of the imbalance and whether actions to fully address it will be identified and implemented during the current fiscal year or upon enactment of the SFY 2020-21 budget. The Executive should provide details on the specific causes of the imbalance, and clarify the State's expected response, as soon as possible.

From the broader budgetary perspective, the First Quarterly Update notes that actual results may differ materially and adversely from DOB's projections, and points to particular budget risks and uncertainties that could negatively affect the State's projections.

Among important areas of uncertainty, the Financial Plan notes that the State receives substantial amounts of federal aid for health care, education, transportation and other purposes, and that many programs that drive current funding levels may be subject to change based on budget and policy discussions in Washington. The State continues to face a variety of risks regarding federal funding in the coming years.

In the area of health care, these include potential reductions in federal aid for New York State's Essential Plan, continuing legal challenges to the Affordable Care Act, and others.

Questions remain over how federal tax changes from the Tax Cut and Jobs Act, enacted by Congress in late 2017, will affect the State's finances. Such uncertainty reinforces the importance of monitoring receipts carefully. In addition, New York relies heavily on revenues which may be volatile depending on economic conditions and other factors, such as its personal income tax. The U.S. economy is now in its 11th year of growth since the last recession, and economic cycles include both ups and downs. Under the current circumstances, exercising caution in projecting the State's revenues going forward is particularly advisable.

The SFY 2019-20 Enacted Budget includes several provisions that allow the Executive to reduce spending during the fiscal year, absent legislative action. The potential impact of these

provisions on the Financial Plan and on recipients of State funding under varying potential scenarios of federal aid reduction is unclear. Given the risk of such reductions, continued close monitoring of developments in Washington is essential. Federal funding reductions not already assumed in the Financial Plan could place significant strain on the State's budget, and force difficult decisions regarding the availability of other resources and the funding of important programs and services.

While the State's statutory budget reserves were enhanced with a \$250 million deposit to the Rainy Day Reserve Fund at the end of SFY 2018-19 and an additional deposit is planned at the end of the current fiscal year, such reserves remain at levels that may leave the State with limited flexibility to respond to economic downturns, catastrophic events or other budgetary risks. More robust reserve levels would provide a counterbalancing option to potentially reduce the need for drastic deficit reduction actions, including difficult spending cuts and/or significant tax increases, in case of an economic downturn or catastrophic event.

Appendix - Financial Projections

Projections Based on Current Law, Including Enacted Spending Caps

Office of the State Comptroller Estimates for Receipts and Disbursements
All Funds - State Fiscal Year 2019-20
 (in millions of dollars)

	Office of the State Comptroller	Division of the Budget	Difference
Receipts:			
Personal Income Tax	52,108	52,150	(42)
Consumer Taxes	18,345	18,308	37
Business Taxes	8,691	8,553	138
Other Taxes	2,157	2,262	(105)
<i>Total Taxes</i>	<i>81,301</i>	<i>81,273</i>	<i>28</i>
General Fund Miscellaneous Receipts	2,890	2,890	-
Lottery	3,684	3,684	-
Subtotal	87,875	87,847	28
Other Miscellaneous Receipts	22,773	22,773	-
Federal Grants	66,324	66,324	-
Total Receipts	176,972	176,944	28
Disbursements:			
Elementary and Secondary Education	30,484	30,484	-
DOH Medicaid (incl. administration)	64,091	64,091	-
Public Assistance	1,602	1,800	(198)
Subtotal	96,177	96,375	(198)
All Other Disbursements	79,742	79,742	-
Total Disbursements	175,919	176,117	(198)

Sources: Office of the State Comptroller, Division of the Budget

Note: Figures may not total due to rounding.

Office of the State Comptroller Estimates for Receipts and Disbursements

All Funds - State Fiscal Year 2020-21

(in millions of dollars)

	Office of the State Comptroller	Division of the Budget	Difference
Receipts:			
Personal Income Tax	55,389	55,376	13
Consumer Taxes	19,073	19,014	59
Business Taxes	8,808	8,934	(126)
Other Taxes	2,261	2,362	(101)
<i>Total Taxes</i>	<i>85,531</i>	<i>85,686</i>	<i>(155)</i>
General Fund Miscellaneous Receipts	2,049	2,049	-
Lottery	3,423	3,423	-
Subtotal	91,003	91,158	(155)
Other Miscellaneous Receipts	20,463	20,463	-
Federal Grants	64,555	64,555	-
Total Receipts	176,021	176,176	(155)
Disbursements:			
Elementary and Secondary Education	31,582	31,582	-
DOH Medicaid (incl. administration)	65,253	65,253	-
Public Assistance	1,587	1,784	(197)
Subtotal	98,422	98,619	(197)
All Other Disbursements	82,907	82,907	-
Total Disbursements	181,329	181,526	(197)

Sources: Office of the State Comptroller, Division of the Budget

Note: Figures may not total due to rounding.

Office of the State Comptroller Estimates for Receipts and Disbursements
All Funds - State Fiscal Year 2021-22
(in millions of dollars)

	Office of the State Comptroller	Division of the Budget	Difference
Receipts:			
Personal Income Tax	57,317	58,036	(719)
Consumer Taxes	19,540	19,548	(8)
Business Taxes	9,138	9,049	89
Other Taxes	2,467	2,472	(5)
<i>Total Taxes</i>	<i>88,462</i>	<i>89,105</i>	<i>(643)</i>
General Fund Miscellaneous Receipts	1,892	1,892	-
Lottery	3,418	3,418	-
Subtotal	93,772	94,415	(643)
Other Miscellaneous Receipts	19,704	19,704	-
Federal Grants	66,253	66,253	-
Total Receipts	179,729	180,372	(643)
Disbursements:			
Elementary and Secondary Education	32,756	32,756	-
DOH Medicaid (incl. administration)	67,688	67,688	-
Public Assistance	1,581	1,767	(186)
Subtotal	102,025	102,211	(186)
All Other Disbursements	82,650	82,650	-
Total Disbursements	184,675	184,861	(186)

Sources: Office of the State Comptroller, Division of the Budget

Note: Figures may not total due to rounding.

Office of the State Comptroller Estimates for Receipts and Disbursements

State Operating Funds - State Fiscal Year 2019-20

(in millions of dollars)

	Office of the State Comptroller	Division of the Budget	Difference
Receipts:			
Personal Income Tax	52,108	52,150	(42)
Consumer Taxes	17,747	17,672	75
Business Taxes	8,011	7,888	123
Other Taxes	2,038	2,143	(105)
<i>Total Taxes</i>	<i>79,904</i>	<i>79,853</i>	<i>51</i>
General Fund Miscellaneous Receipts	2,890	2,890	-
Lottery	3,684	3,684	-
Subtotal	86,478	86,427	51
Other Miscellaneous Receipts	14,465	14,465	-
Federal Grants	75	75	-
Total Receipts	101,018	100,967	51
Disbursements:			
Elementary and Secondary Education	27,337	27,337	-
DOH Medicaid (incl. administration)	21,642	21,642	-
Public Assistance	492	553	(61)
Subtotal	49,471	49,532	(61)
All Other Disbursements	52,621	52,621	-
Total Disbursements	102,092	102,153	(61)

Sources: Office of the State Comptroller, Division of the Budget

Note: Figures may not total due to rounding.

Office of the State Comptroller Estimates for Receipts and Disbursements
State Operating Funds - State Fiscal Year 2020-21
(in millions of dollars)

	Office of the State Comptroller	Division of the Budget	Difference
Receipts:			
Personal Income Tax	55,389	55,376	13
Consumer Taxes	18,446	18,376	70
Business Taxes	8,173	8,298	(125)
Other Taxes	2,142	2,243	(101)
<i>Total Taxes</i>	<i>84,150</i>	<i>84,293</i>	<i>(143)</i>
General Fund Miscellaneous Receipts	2,049	2,049	-
Lottery	3,423	3,423	-
Subtotal	89,622	89,765	(143)
Other Miscellaneous Receipts	13,096	13,096	-
Federal Grants	74	74	-
Total Receipts	102,792	102,935	(143)
Disbursements:			
Elementary and Secondary Education	28,416	28,416	-
DOH Medicaid (incl. administration)	22,597	22,597	-
Public Assistance	493	555	(62)
Subtotal	51,506	51,568	(62)
All Other Disbursements	56,380	56,380	-
Total Disbursements	107,886	107,948	(62)

Sources: Office of the State Comptroller, Division of the Budget
Note: Figures may not total due to rounding.

Office of the State Comptroller Estimates for Receipts and Disbursements
State Operating Funds - State Fiscal Year 2021-22
(in millions of dollars)

	Office of the State Comptroller	Division of the Budget	Difference
Receipts:			
Personal Income Tax	57,317	58,036	(719)
Consumer Taxes	18,907	18,906	1
Business Taxes	8,504	8,424	80
Other Taxes	2,348	2,353	(5)
<i>Total Taxes</i>	<i>87,076</i>	<i>87,719</i>	<i>(643)</i>
General Fund Miscellaneous Receipts	1,892	1,892	-
Lottery	3,418	3,418	-
Subtotal	92,386	93,029	(643)
Other Miscellaneous Receipts	13,448	13,448	-
Federal Grants	73	73	-
Total Receipts	105,907	106,550	(643)
Disbursements:			
Elementary and Secondary Education	29,590	29,590	-
DOH Medicaid (incl. administration)	23,427	23,427	-
Public Assistance	495	556	(61)
Subtotal	53,512	53,573	(61)
All Other Disbursements	57,753	57,753	-
Total Disbursements	111,265	111,326	(61)

Sources: Office of the State Comptroller, Division of the Budget

Note: Figures may not total due to rounding.

Contact

Office of the New York State Comptroller
110 State Street, 15th Floor
Albany, New York 12236

(518) 474-4015

www.osc.state.ny.us

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