

**New York State Senate
Democratic Majority Conference
Finance Committee**

**2023 Midyear Report
on Receipts and Disbursements**

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Senate Majority Conference

Finance Committee

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EXECUTIVE SUMMARY

The Senate Majority Conference Finance Committee has produced this mid-year report (known as “Quickstart”) pursuant to Chapter 1 of the Laws of 2007, which provides for representatives of the Executive, Senate, Assembly, and Comptroller to meet on or before November 15 to review financial and economic information and projections for the current and next State Fiscal Year (SFY). The goal of this process is to facilitate the timely adoption of the upcoming State budget. As part of the Quickstart process, each participating entity prepares a forecast of receipts and disbursements for the current and ensuing fiscal years.

Revenue Forecast Highlights

General Fund Receipts SFY 2023-24 and SFY 2024-25

The Senate Majority Conference Finance Committee staff conclude that the:

- SFY 2023-24 projection for General Fund receipts, inclusive of miscellaneous receipts and net of dedicated transfers to other funds, will total \$56.5 billion. This estimate represents a decrease of \$2.0 billion from SFY 2022-23 actuals. This estimate is \$566 million over the Executive estimate of \$55.9 billion.
- SFY 2024-25 projection for General Fund receipts, inclusive of miscellaneous receipts and net of dedicated transfers to other funds, is \$57.3 billion. This estimate represents an increase of \$842 million over the committee staff’s SFY 2023-24 estimate. This projection is \$417 million over the Executive projection of \$56.9 billion.

All Funds Receipts SFY 2023-24 and SFY 2024-25

The committee staff conclude that the:

- SFY 2023-24 estimate for All Funds receipts is \$130.4 billion. This estimate represents a decrease of \$15.2 billion from SFY 2022-23 actuals. This estimate is \$575 million over the Executive estimate of \$129.8 billion.
- SFY 2024-25 projection for All Funds receipts is \$133.9 billion. This forecast represents an increase of \$3.6 billion from the committee staff’s SFY 2023-24 estimate. This projection is \$408 million over the Executive forecast of \$133.5 billion.
- SFY 2023-24 estimate for All Funds receipts from Gaming is \$4.7 billion, reflecting an increase of \$92 million from SFY 2022-23. The Senate Majority Conference Finance Committee staff accepts the Executive estimate for SFY 2023-24.
- SFY 2024-25 projection for All Funds receipts for Gaming is \$4.7 billion, a decrease of \$22 million from the SFY 2023-24 estimate. This projection is \$97 million more than the Executive projection of \$4.6 billion.

REVENUE OUTLOOK

Revenues are primarily affected by economic changes and changes in Federal and State tax policies. The tax base is a measure of the State's ability to generate revenue. Among taxes through the Mid-Year Update for SFY 2023-2024, exclusive of federal receipts, personal income tax receipts make up the largest share of all funds receipts (39.6%), business taxes (19.9%) followed by consumer/use taxes (16.9 %), and other taxes (2.2%). Miscellaneous receipts, including licensing and motor vehicle fees, make up 21.4%.

The figures above, as well as the General Fund and All Fund estimates, include the Pass-Through Entity Tax (PTET). PTET is projected to be revenue neutral for the State over the duration of the tax but not within each fiscal year.

SFY 2023-24			
General Fund Taxes and Miscellaneous Receipts (amounts in millions of dollars)			
	Senate Majority Conference Estimate	Executive Estimate	Difference with Executive
Taxes			
Personal Income Tax	24,381	23,968	413
Withholdings	53,921	53,508	413
Estimated Payments	10,264	10,264	0
Final and Other Payments	5,139	5,139	0
Gross Collections	69,324	68,911	413
State/City Offset	(1,703)	(1,703)	0
Refunds	(15,939)	(15,939)	0
STAR (Dedicated Deposits)	(1,667)	(1,667)	0
RBTF (Dedicated Transfers)	(25,634)	(25,634)	0
Consumption/Use Taxes	10,024	9,900	124
Sales and Use Tax	18,776	18,652	124
Cigarette and Tobacco Taxes	265	265	0
Vapor Excise Tax	0	0	0
Motor Fuel Tax	0	0	0
Alcoholic Beverage Taxes	284	284	0
Opioid Excise Tax	25	25	0
Medical Cannabis Excise Tax	0	0	0
Adult-Use Cannabis Tax	0	0	0
Highway Use Tax	0	0	0
Auto Rental Tax	0	0	0
Peer to Peer Car Sharing Tax	0	0	0
Gross Consumption/Use Taxes	19,350	19,226	124
LGAC/STBF (Dedicated Transfers)	(9,326)	(9,326)	0
Business Taxes	16,272	16,272	0
Corporation Franchise Tax	7,066	7,066	0
Corporation and Utilities Tax	370	370	0
Insurance Taxes	2,446	2,446	0
Bank Tax	10	10	0
Pass Through Entity Tax	12,760	12,760	0
Petroleum Business Tax	0	0	0
Gross Business Taxes	22,652	22,652	0
RBTF (Dedicated Transfers)	(6,380)	(6,380)	0
Other Taxes	1,646	1,617	29
Estate Tax	1,642	1,597	45
Real Estate Transfer Tax	1,182	1,198	(16)
Employer Compensation Expense Program	10	10	0
Gift Tax	0	0	0
Real Property Gains Tax	0	0	0
Pari-Mutuel Taxes	13	13	0
Other Taxes	2	2	0
Gross Other Taxes	2,849	2,820	29
Real Estate Transfer Tax (Dedicated)	(1,198)	(1,198)	0
RBTF (Dedicated Transfers)	(5)	(5)	0
Total Taxes	52,323	51,757	566
Miscellaneous Receipts	4,151	4,151	0
Total Taxes and Miscellaneous Receipts	56,474	55,908	566

SFY 2024-25			
General Fund Taxes and Miscellaneous Receipts (amounts in millions of dollars)			
	Senate Majority Conference Estimate	Executive Estimate	Difference with Executive
Taxes			
Personal Income Tax	26,629	26,194	435
Withholdings	56,521	56,086	435
Estimated Payments	10,757	10,757	0
Final and Other Payments	5,095	5,095	0
Gross Collections	72,373	71,938	435
State/City Offset	(1,732)	(1,732)	0
Refunds	(14,668)	(14,668)	0
STAR (Dedicated Deposits)	(1,575)	(1,575)	0
RBTF (Dedicated Transfers)	(27,769)	(27,769)	0
Consumption/Use Taxes	9,976	10,109	(133)
Sales and Use Tax	18,941	19,074	(133)
Cigarette and Tobacco Taxes	258	258	0
Vapor Excise Tax	0	0	0
Motor Fuel Tax	0	0	0
Alcoholic Beverage Taxes	287	287	0
Opioid Excise Tax	25	25	0
Medical Cannabis Excise Tax	0	0	0
Adult-Use Cannabis Tax	0	0	0
Highway Use Tax	0	0	0
Auto Rental Tax	0	0	0
Peer to Peer Car Sharing Tax	2	2	0
Gross Consumption/Use Taxes	19,513	19,646	(133)
LGAC/STBF (Dedicated Transfers)	(9,537)	(9,537)	0
Business Taxes	15,719	15,719	0
Corporation Franchise Tax	6,879	6,879	0
Corporation and Utilities Tax	400	400	0
Insurance Taxes	2,468	2,468	0
Bank Tax	180	180	0
Pass Through Entity Tax	11,584	11,584	0
Petroleum Business Tax	0	0	0
Gross Business Taxes	21,511	21,511	0
RBTF (Dedicated Transfers)	(5,792)	(5,792)	0
Other Taxes	1,322	1,305	17
Estate Tax	1,321	1,285	36
Real Estate Transfer Tax	1,180	1,199	(19)
Employer Compensation Expense Program	10	10	0
Gift Tax	0	0	0
Real Property Gains Tax	0	0	0
Pari-Mutuel Taxes	13	13	0
Other Taxes	2	2	0
Gross Other Taxes	2,526	2,509	17
Real Estate Transfer Tax (Dedicated)	(1,199)	(1,199)	0
RBTF (Dedicated Transfers)	(5)	(5)	0
Total Taxes	53,647	53,327	320
Miscellaneous Receipts	3,669	3,572	97
Total Taxes and Miscellaneous Receipts	57,316	56,899	417

SFY 2023-24			
All Funds Taxes and Miscellaneous Receipts (amounts in millions of dollars)			
	Senate Majority Conference Forecast	Executive Estimate	Difference with Executive
Taxes			
Personal Income Tax	51,682	51,269	413
Withholdings	53,921	53,508	413
Estimated Payments	10,264	10,264	0
Final and Other Payments	5,139	5,139	0
Gross Collections	69,324	68,911	413
State/City Offset	(1,703)	(1,703)	0
Refunds	(15,939)	(15,939)	0
Consumption/Use Taxes	22,064	21,932	132
Sales and Use Tax	20,063	19,931	132
Cigarette and Tobacco Taxes	823	823	0
Vapor Excise Tax	25	25	0
Motor Fuel Tax	490	490	0
Alcoholic Beverage Taxes	284	284	0
Opioid Excise Tax	25	25	0
Medical Cannabis Excise Tax	12	12	0
Adult-Use Cannabis Tax	70	70	0
Highway Use Tax	141	141	0
Auto Rental Tax	131	131	0
Peer to Peer Car Sharing Tax	0	0	0
Business Taxes	25,915	25,915	0
Corporation Franchise Tax	8,818	8,818	0
Corporation and Utilities Tax	497	497	0
Insurance Taxes	2,723	2,723	0
Bank Tax	11	11	0
Pass Through Entity Tax	12,760	12,760	0
Petroleum Business Tax	1,106	1,106	0
Other Taxes	2,849	2,820	29
Estate Tax	1,642	1,597	45
Real Estate Transfer Tax	1,182	1,198	(16)
Employer Compensation Expense Program	10	10	0
Gift Tax	0	0	0
Real Property Gains Tax	0	0	0
Pari-Mutuel Taxes	13	13	0
Other Taxes	2	2	0
Total Taxes	102,511	101,936	575
Miscellaneous Receipts	27,858	27,858	0
Total Taxes and Miscellaneous Receipts	130,369	129,794	575
Total Receipts	130,369	129,794	575

SFY 2024-25			
All Funds Taxes and Miscellaneous Receipts (amounts in millions of dollars)			
	Senate Majority Conference Forecast	Executive Estimate	Difference with Executive
Taxes			
Personal Income Tax	55,973	55,538	435
Withholdings	56,521	56,086	435
Estimated Payments	10,757	10,757	0
Final and Other Payments	5,095	5,095	0
Gross Collections	72,373	71,938	435
State/City Offset	(1,732)	(1,732)	0
Refunds	(14,668)	(14,668)	0
Consumption/Use Taxes	22,285	22,427	(142)
Sales and Use Tax	20,235	20,377	(142)
Cigarette and Tobacco Taxes	783	783	0
Vapor Excise Tax	25	25	0
Motor Fuel Tax	491	491	0
Alcoholic Beverage Taxes	287	287	0
Opioid Excise Tax	25	25	0
Medical Cannabis Excise Tax	12	12	0
Adult-Use Cannabis Tax	158	158	0
Highway Use Tax	143	143	0
Auto Rental Tax	124	124	0
Peer to Peer Car Sharing Tax	2	2	0
Business Taxes	24,897	24,897	0
Corporation Franchise Tax	8,739	8,739	0
Corporation and Utilities Tax	520	520	0
Insurance Taxes	2,735	2,735	0
Bank Tax	212	212	0
Pass Through Entity Tax	11,584	11,584	0
Petroleum Business Tax	1,107	1,107	0
Other Taxes	2,526	2,509	17
Estate Tax	1,321	1,285	36
Real Estate Transfer Tax	1,180	1,199	(19)
Employer Compensation Expense Program	10	10	0
Gift Tax	0	0	0
Real Property Gains Tax	0	0	0
Pari-Mutuel Taxes	13	13	0
Other Taxes	2	2	0
Total Taxes	105,682	105,371	311
Miscellaneous Receipts	28,245	28,148	97
Total Taxes and Miscellaneous Receipts	133,927	133,519	408
Total Receipts	133,927	133,519	408

NEW YORK STATE ECONOMIC OUTLOOK

Overview and Sector Analysis

According to the Federal Reserve's October 2023 Beige Book, economic activity in New York weakened slightly during the latest reporting period. Despite inflationary pressures moderating slightly in recent weeks, conditions in the finance sector weakened and loan demand continued to decline. Labor market conditions remain solid with employers reporting moderate gains in employment and wage growth. Looking ahead many businesses expected modest improvement in the coming months.

Employment and Wages

The Federal Reserve reports that the job market has continued to increase modestly. Businesses continued to add workers, particularly in the finance, accounting, and information technology industries. Businesses noted that wage growth has been steady, although firms in wholesale trade reported greater wage increases. Many businesses plan to continue hiring in the months ahead.

Prices

Inflation remains a significant concern despite inflationary pressures moderating slightly in recent weeks. Businesses reported mixed experiences with input prices, service sector contacts reported a slowing in price increases, while manufacturing contacts reported that prices were relatively unchanged. Selling price increases slowed in recent months for both service and manufacturing firms, and fewer businesses expect rising prices going forward.

Consumer Spending

The Beige Book reports that consumer spending has increased at a slightly slower pace in recent weeks. Spending on apparel, interior furnishings, home electronics, and appliances grew at a steady pace after a period of stagnation. Following a strong summer period, spending on restaurants, travel, and entertainment slowed down, partially reflecting seasonal trends. Auto dealers reported moderate increases in sales, especially for new cars, as inventory continues to improve. However, sales remain well below pre-pandemic levels due to higher financing costs, leading some buyers to opt for more affordable options.

Manufacturing and Distribution

Manufacturing activity continued to decline slightly in recent weeks following a sharp decline in the prior reporting period, while wholesale trade businesses reported solid growth in business activities. Contacts reported that supply distributions remained unchanged after gradual improvement over the year, however, businesses report difficulty in obtaining high quality parts and products. Looking ahead to the next few months, companies in these sectors remain optimistic that conditions will improve.

Services

The service industry reported that activity has continued to weaken. Businesses engaged in leisure and hospitality, information, and business services reported declines in activity. These businesses have become less optimistic about the months ahead and expect little to no growth. Conversely, contacts in the education and health sectors reported some growth.

Tourism has continued to increase since the last report. In New York City, tourism has shown continued strength in September. Hotel occupancy rates were above 90 percent for parts of September which is, at or above pre-pandemic levels. Statue of Liberty visitors have surpassed pre-pandemic levels, indicating strong international visitor numbers.

Real Estate and Construction

Housing markets have continued to cool in recent weeks, where low inventory has continued to be a limiting factor across New York State. The rental market remained tight around the State. Rents continued to rise in Upstate New York and were at all-time highs in New York City, which is unchanged from the prior reporting period. Commercial real estate markets improved slightly. New York City saw the first protracted decline in office vacancy rates since the pandemic. Real estate contacts in Upstate New York reported a slight increase. Overall, construction contacts reported slow activity since the end of summer.

Banking and Finance

Banks across the State reported that loan demand declined across all loan segments, which was accompanied by lower rates of refinancing activity. Credit standards and loan spreads tightened for all loan types. Banks reported higher deposit rates and delinquency rates across all categories.

Economic Indicators Forecast – U.S. and New York State

Wage growth in New York State was slightly behind the U.S. with estimates at 5.5 percent in the State compared to 6.4 percent for the U.S. on a national level in CY 2023. The Consumer Price Index (CPI) is projected at 4.1 percent for CY 2023. In response to ongoing rate hikes, CPI is anticipated to decrease to 2.7 percent in CY 2024. There are additional concerns that may have negative economic impacts going forward in CY 2024. These include, but are not limited to, the continued aggressive monetary tightening policy implemented by the Federal Reserve and uncertainty over the Federal budget.

U.S. and New York State Economies Calendar Year (CY)		
U.S Economy	2023 Estimate	2024 Forecast
Real GDP	2.1	1.3
Personal Income	5.4	4.5
Consumer Price Index (CPI)	4.1	2.7
Wages	6.4	5.3
10-Year Treasury Yield	3.9	4.0
Corporate Profits	-1.0	1.5
New York State Economy		
Wages (Total)	5.5	5.3
Personal Income	4.8	4.4
Source: Moody's Analytics, Senate Majority Finance Committee staff calculations		

New York State Unemployment Rates

The State's unemployment rate is calculated by the U.S. Bureau of Labor Statistics (BLS). In September 2023, the statewide seasonally adjusted unemployment rate stood at 4 percent. New York City's unemployment rate was 5.3 percent. Outside of New York City, the unemployment rate was 3.1 percent. The total number of unemployed New Yorkers in September 2023 was 392,572.

Unemployed Rates: Year over Year Change		
	Sep-2022	Sep-2023
United States	3.5%	3.8%
New York State	4.0%	4.0%
New York City	4.9%	5.3%
Rest of State	3.4%	3.1%
Source: US Bureau of Labor Statistics Seasonally adjusted data. Preliminary and subject to change.		

U.S. Consumer Price Index (CPI)

According to the BLS, the Consumer Price Index for All Urban Consumers (CPI-U) increased 0.4 percent in September 2023 over the previous month on a seasonally adjusted basis. The all-items index increased 3.7 percent before seasonal adjustment over the last 12 months.

The index for shelter increased in September and contributed more than half of the monthly all items seasonally adjusted increase. The index for food rose 0.2 percent, with the index for food at home increasing 0.1 percent. The energy index increased 1.5 percent, while the gasoline index increased 2.1 percent.

The index for all items, excluding food and energy, rose 0.3 percent in September after increasing 0.3 percent in August. Along with the index for shelter, the indexes for motor vehicle insurance, recreation, personal care, and new vehicles also rose in September. The indexes for used cars and trucks, and for apparel both declined over the month.

The all-items index rose 3.7 percent for the 12 months ending in September, reflecting the same increase as the period ending in August. The index for all items, less food and energy increased 4.1 percent over the last 12 months. The energy index decreased 0.5 percent over the last 12 months, while the food index increased 3.7 percent over that same period.

DISBURSEMENT OUTLOOK

Education

Lottery Receipts and VLTs

The State finances School Aid from General Fund revenues and from Lottery Fund receipts, including Video Lottery Terminals (VLTs), which are accounted for and disbursed from dedicated revenue accounts. Since the State's fiscal year begins on April 1, the State disburses approximately 70 percent of the annual school year commitment during the State fiscal year in which it is enacted and pays the remaining 30 percent in the first three months of the following State fiscal year.

State Operating Funds spending for School Aid is projected to total approximately \$33.4 billion in SFY 2023-2024, an increase of \$3.1 billion or 10.3 percent from SFY 2022-2023. This increase includes the final year of the three-year phase-in of the full funding of Foundation Aid. In FY 2024, School Aid spending supported by mobile sports wagering receipts is projected to increase due to higher collections in FY 2023. School Aid spending supported from core lottery sales are anticipated to decrease in FY 2024 due to higher than anticipated collections in FY 2022 which supported increased disbursements in FY 2023. In addition to State aid, school districts received \$13 billion in Federal stimulus funds in 2021, these funds are available through fall of 2024.

Traditional (Core) Lottery Education Aid

For SFY 2023-2024, traditional lottery sales are projected to contribute \$2.3 billion for Aid to Education for New York State, which is a decrease of \$350 million or 13.2 percent from SFY 2022-23. The Senate Majority Conference Finance Committee staff accepts the Executive estimates and forecasts for current law spending for SFY 2023-2024.

Video Gaming (VLT) Lottery Education Aid

VLTs for SFY 2023-2024 are estimated to contribute \$1.0 billion in Aid to Education for New York State, reflecting a decrease of \$204 million or 16.5 percent, compared to SFY 2022-2023 collections. The Senate Majority Conference Finance Committee staff accepts the Executive estimates and forecasts for current law spending for SFY 2023-2024.

Mobile Sports Wagering Education Aid

Mobile Sports Betting (MSB) launched in New York on January 8, 2022. In SFY 2023-2024, MSB is projected to fund \$1.1 billion in Aid to Education. This reflects an increase of \$446 million or 72.5 percent over SFY 2022-23 collections. The Senate Majority Conference Finance Committee staff accepts the Executive estimates and forecasts for current law spending for SFY 2023-24.

Education Assistance

The State Education Department (SED) updates State Aid projections for school districts several times per year. These numbers are based on school district spending, as reported to SED, along with changes in funding and formulas approved by the Legislature and Governor. By releasing

updated State Aid projections, districts are better equipped to forecast future increases or decreases in funding and plan their school budgets accordingly.

The State Education Department provides statutorily mandated updates to State Aid projection in February, May, and November. These updates allow the legislative bodies to forecast future costs to the State based on changes in the Foundation Aid formula and changes in school district spending that could result in fluctuations in expense-based aid categories.

The SFY 2023-2024 Enacted Budget increased State Aid to school districts by \$3 billion or 9.6 percent, over the 2022-2023 school year. This increase comprises \$2.6 billion in Foundation Aid, \$225 million in expense-based aid, \$150 million in State-funded pre-kindergarten programming, and \$20 million in new competitive grants to support new Early College High School programs.

The Financial Plan out-year projections assume that School Aid growth will be in line with the School Aid Growth Cap of the 10-year average increase in personal income. The next two years assume increases of \$1.3 billion (3.8 percent) and \$1.4 billion (4 percent) respectively. The Financial Plan assumes adherence to the growth cap in FY 2025 and onward. The Senate Majority Conference Finance Committee staff accepts the Executive estimates and forecasts for current-law spending in SFY 2023-24 and SFY 2024-2025.

Medicaid

SFY 2023-24 Mid-Year Update

The 2023 Consolidated Appropriations Act included the phase out of the enhanced Federal-Medical Assistance Percentage (eFMAP) by the end of December 2023. The phase out reduced eFMAP to 5 percent from April 1 through June 30, to 2.5 percent from July 1 through September 30, and to 1.5 percent from October 1 through December 31. The estimated State benefit of the eFMAP was \$3.7 billion in SFY 2022-2023 and \$1.6 billion in SFY 2023-2024, respectively. The State savings from eFMAP have been, and will continue to be, used to offset increased costs associated with persistently elevated COVID-19 enrollment and lost Medicaid Redesign Team II (MRT II) savings due to Federal restrictions. The Senate Majority Conference Finance Committee staff accepts the Executive estimates for SFY 2023-2024.

SFY 2024-25 Forecast for Medicaid Spending

The SFY 2022-23 Enacted Budget implemented a new Global Cap index based on the five-year rolling average of the Centers of Medicare and Medicaid Services (CMS) annual projections of health care spending. This index accounts for factors not previously captured under the Global Cap and supports additional Medicaid spending growth of \$1.4 billion in SFY 2024-2025, increasing to \$3.9 billion in SFY 2026-2027.

The updated forecast for Medicaid spending subject to the Global Cap is estimated to total \$23.1 billion in SFY 2023-2024. This is an increase of \$1.4 billion from the prior year. Medicaid spending under the Global Cap is projected to remain within the indexed allowance through SFY 2024-2025 but will exceed the cap beginning in SFY 2025-2026 due to projected utilization and costs trends.

Enrollment in Medicaid is projected to decrease from 7,789,300 individuals in FY 2023 to 6,901,410 in FY 2024. Enrollment is subject to risks related to COVID-19 pandemic, among other factors. While the Senate Majority Conference Finance Committee staff accepts the Executive forecast for current law spending for SFY 2023-2024 and SFY 2024-2025, if Medicaid enrollment declines at a slower pace than projected in the current financial plan, it will be challenging to maintain projected spending levels.

Public Assistance

The Office of Temporary and Disability Assistance (OTDA) posts public assistance caseload data each month. The pattern of enrollee movement between case types and closed status is complex, with enrollees' statuses constantly changing.

Although the welfare caseload is volatile and difficult to predict, there is a strong relationship between the number of welfare enrollees and certain economic factors, such as employment and low wage work, unemployment rate and, entry-level employment. The New York State Division of the Budget (DOB) anticipates public assistance caseloads to total 558,000 recipients in SFY 2024-2025. Disbursements are projected to reach \$2.8 billion in SFY 2023-2024, which reflects an increase of \$744 million or 35.9 percent from the prior year. Disbursements are expected to decrease in SFY 2024-2025 to an estimated \$2.4 billion. The Senate Majority Conference Finance Committee staff accepts the Executive estimates and forecasts for current law spending for SFY 2023-2024 and SFY 2024-2025.