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Update: FY25 State Budget Gap Reflects Stable Fiscal Condition, Not Crisis

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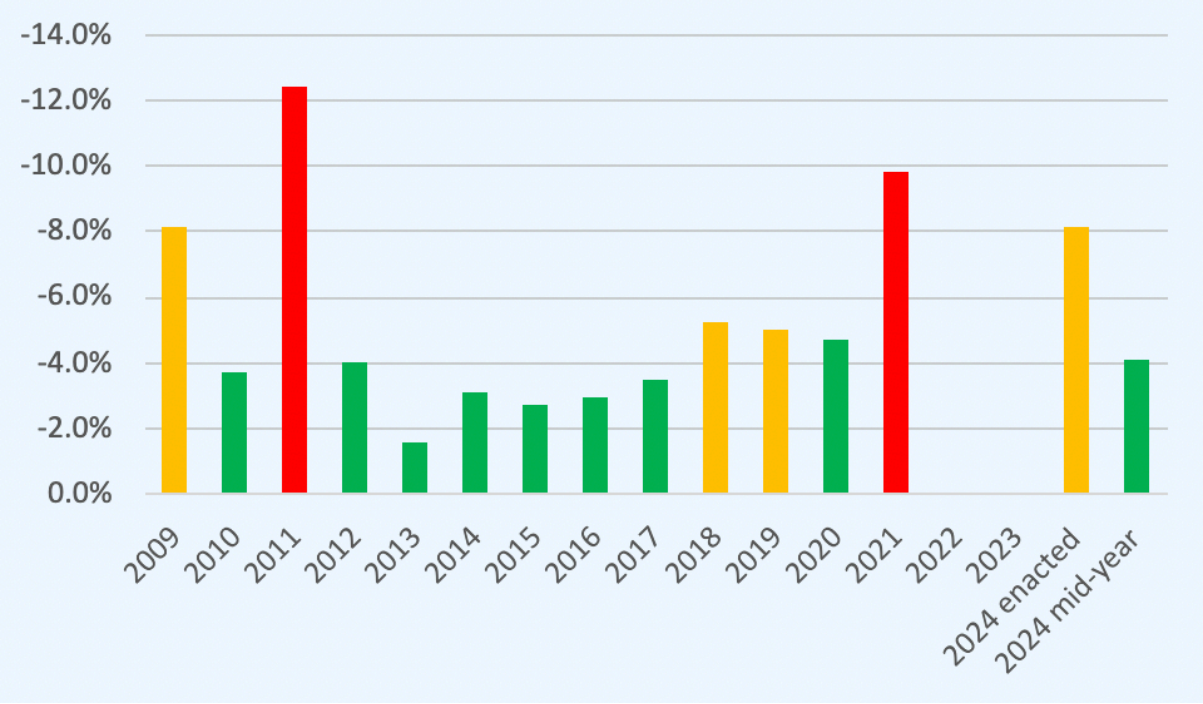
- The November financial plan[a] made significant revisions to the FY25 budget gap — shrinking the gap from $9.1 billion to $4.3 billion, resulting in more routine gaps.
- The current FY25 budget gap of $4.3 billion is a moderate, not extreme, budget gap.
- Moderate outyear budget gaps are generally the result of conservative revenue estimates intended to ensure fiscal stability.
- Conservative budget forecasting is a sound fiscal practice that protects against economic downturns — not a rationale for major policy interventions such as significant cuts or spending freezes.

FY25 Budget Gap in Historic Context

- In typical years, gaps projected in enacted budget financial plans for the first outyear are generally 2 – 6% of general fund spending.
- These routine gaps typically close without major policy intervention, as actual revenue exceeds projections and, to a lesser extent, spending is restrained below initial projections.
- The current budget gap of $4.3 billion is 4.1% of general fund spending — falling within historically routine gap sizes.

Size of First Outyear State Budget Gap

As percentage of general fund spending



- Projected outyear gaps are larger during recessions, or in the case of recent projected gaps, the anticipation of recession. In the aftermath of the 2008 financial crisis and Covid recession, projected gaps for the first outyear were 9% or higher. These elevated gaps have required substantial policy interventions to balance the budget.

Links

a https://www.budget.ny.gov/pubs/archive/fy24/en/fy24en-fp-myu.pdf