Fiscal Policy Institute
540 Broadway
Albany, NY 12207
fiscalpolicy.org

info@fiscalpolicy.org

State Fiscal Outlook Improves in Mid-Year Update to Financial Plan

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Media Contact: press@fiscalpolicy.org

As FPI projected earlier this month[a], Financial Plan update reduces projected FY 2025 budget gap by over 50 percent

If current revenue trends continue, next fiscal year's projected budget gap would further narrow

ALBANY, NY | October 31, 2023 — Following the release of the Mid-Year Update to the Fiscal Year 2024 Financial Plan this week, Fiscal Policy Institute Executive Director Nathan Gusdorf today released the following statement:

"The mid-year update to the State's financial plan narrows the projected budget gap for fiscal year 2025 from $9.1 billion to $4.3 billion. This improved fiscal outlook reflects stable tax receipts since May, as well as slightly lower spending than projected in the enacted budget. Nonetheless, these projections remain cautious. If current revenue trends continue, the projected budget gap for the next fiscal year would further narrow — or could even become negligible.

"As FPI noted earlier this month[a], State receipts to date have outperformed the enacted budget projections by 4.2 percent ($2.5 billion). Despite this trend, the mid-year update projects a revenue downturn in the final months of this fiscal year, with total receipts for the current fiscal year exceeding projections by only 0.5 percent ($569 million). Carrying this trend into fiscal year 2025, the State also projects revenue will only exceed projections in the enacted budget financial plan by 1.8 percent ($2.2 billion), thereby partly reducing the next fiscal year's projected budget gap.

"The State's improved fiscal outlook is also due to lower-than-expected spending. The mid-year update projects this trend forward, revising its estimate of expenditures for fiscal year 2025 downwards by 0.8 percent ($1.1 billion). Combined with the improved revenue outlook described above, as well as other fiscal measures, these changes to the Financial Plan result in more than a 50 percent reduction in the fiscal year 2025 projected budget gap.

"As these improved estimates still reflect cautious forecasting, and in light of the State's stable tax receipts and robust reserves, the State can consider providing additional funding for particularly urgent needs. In particular, more funding could be made available to offset the cost of aid to migrants in New York City. However, the State and City governments should use their bargaining power to maximize the impact of such funds by negotiating preferable terms for sheltering expenses and finding other cost efficiencies."

The Fiscal Policy Institute is a nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all.

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a https://fiscalpolicy.org/press/halfway-into-fiscal-year-tax-receipts-remain-stable-budget-gaps-likely-to-shrink