

The Pew Charitable Trusts' 2023 report "Tools for Sustainable State Budgeting" examines whether and how states are using long-term budget assessments and budget stress tests to measure and strengthen their fiscal outlooks.¹ This is one of 20 fact sheets describing the approaches of and opportunities to improve for each state that produces at least one of these analyses.²



New York: Tools for Sustainable State Budgeting

Long-term budget assessment: ✓

Report: "Other Matters Affecting the Financial Plan" and "State Financial Plan Multi-Year Projections," in "Fiscal Year 2024 Enacted Budget Financial Plan"³

Office: Division of the Budget

Budget stress test: ✓

Report: "Preparing for the Next Financial Shock" section in "FY 2022 Mid-Year Update"⁴

Office: Division of the Budget

Analyses

Five times a year, New York's Division of the Budget (DOB) publishes a voluminous report known as the "Financial Plan," which provides data and analysis of the governor's fiscal proposals, the most recent enacted budget, the latest revenue forecasts, and the state's long-term fiscal position.⁵

The DOB includes a key measure of New York's fiscal health in the plan: the projected size of future budget gaps based on projected revenue and spending.⁶ The spending projections for this analysis account for the cost to maintain current service levels, helping to show whether New York's budget is on a sustainable path.⁷ Usually,

the analysis finds that the budget is not on that path: The June 2023 report showed combined gaps of \$36 billion from fiscal 2025 through fiscal 2027.⁸

The reports also include a section describing risks that could cause the state's budget situation to be worse than expected.⁹ For example, recent editions describe how pandemic-induced ridership declines have put financial pressure on New York's Metropolitan Transportation Authority, leading the state to increase aid to the transit system.¹⁰

The DOB also periodically analyzes how a recession would affect the state's budget.¹¹ The department's approach is to use New York's previous experiences—including the 2007-09 Great Recession and the recession after the 9/11 terrorist attacks—to approximate the effects of future downturns. For example, the fall 2021 edition of the "Financial Plan" concluded that "the State's principal reserves today are not sufficient to avoid steep reductions in current services spending during a 'typical' recession."¹² The DOB does not usually publish the results of these stress tests; the 2021 summary was an exception.¹³

Policy impact

The "Financial Plan" plays a key role in the development of New York's budget, allowing the DOB and lawmakers to consider the state's long-term situation when making fiscal decisions.¹⁴ The budget gap projections are particularly influential, garnering substantial media attention and shaping the public conversation about the budget.¹⁵

Next steps

The DOB should begin publishing stress tests regularly to allow policymakers and the public to track whether New York's recession preparedness is improving.

Additionally, the "Financial Plan" could identify and analyze policy options for closing future gaps, providing a starting point for legislators and the governor to enact solutions.

Endnotes

- 1 The Pew Charitable Trusts, "Tools for Sustainable State Budgeting" (2023), <https://www.pewtrusts.org/en/research-and-analysis/reports/2023/11/tools-for-sustainable-state-budgeting>.
- 2 The Pew Charitable Trusts, "States' Use of Sustainable Budgeting Tools" (2023), <https://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2023/11/states-use-of-sustainable-budgeting-tools>.
- 3 New York State Division of the Budget, "Fiscal Year 2024 Enacted Budget Financial Plan" (2023), 47-126, <https://www.budget.ny.gov/pubs/archive/fy24/en/fy24en-fp.pdf>.
- 4 New York State Division of the Budget, "FY 2022 Mid-Year Update" (2021), 9-10, <https://www.budget.ny.gov/pubs/archive/fy22/en/fy22en-fp-myu.pdf>.
- 5 New York State Division of the Budget, "Financial Plans," accessed Sept. 13, 2023, <https://www.budget.ny.gov/pubs/financial-plans/index.html>; New York State Division of the Budget, "Fiscal Year 2024 Enacted Budget Financial Plan."
- 6 New York State Division of the Budget, "Fiscal Year 2024 Enacted Budget Financial Plan," 70.
- 7 *Ibid.*, 3.
- 8 *Ibid.*, 70.
- 9 *Ibid.*, 47-66.
- 10 *Ibid.*, 61-62.
- 11 D. Colafati and J. Slane (co-executive director; assistant chief budget examiner, New York State Division of the Budget), interview with The Pew Charitable Trusts, May 22, 2023.
- 12 New York State Division of the Budget, "FY 2022 Mid-Year Update," 9-10.
- 13 Colafati and Slane, interview.
- 14 *Ibid.*
- 15 See for example, J. Spector and H. Bah, "New York's Next Big Budget Problem," *Politico*, June 16, 2023, <https://www.politico.com/newsletters/new-york-playbook/2023/06/16/new-york-fiscal-budget-deficit-gaps-problem-00102362>.

For more information, please visit: pewtrusts.org/fiscaltools

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