



FY 21 Executive Budget Presentation

Today Governor Cuomo presented his plans for this year's budget followed by a Q&A held by Director of the Department of Budget, Robert Mujica. Both the Governor and Director Mujica highlighted the major impact of the COVID-19 Pandemic on the State's economy with \$63 billion in lost revenue, general funds & executive budget losses, and lost tax receipts.

ECONOMIC OUTLOOK FOR 2021

Director Mujica stated that there 1.9 million jobs lost during the pandemic and only half of those were restored as of November, stating that he "sees a long road" for restoring employment levels. Estimating numbers to be restored to normal by 2023. Director Mujica reiterated the need for Federal funding as there was an \$8.2 billion revenue shortfall this year. The real GDP of the states is projected to return to normal levels by the second half of this year. Currently the State is facing a \$14.9 billion deficit. The revenues into next year will be lower than they were in FY 2020.

RISKS

Currently the state will have to overcome multiple hindrances and setbacks from the ongoing pandemic and other factors. The current SALT caps and uncertainty of commercial real estate as there was an 18% drop in 2020. There is also a pocket recession as the result of low ridership in the MTA, closure of clothing retail and restaurants. The State is also concerned with those who left New York during the pandemic, unsure if or when they will return.

FY GAP CLOSING PLAN

Currently the budget presents two options to the Federal government, one in which the State is provided \$15 billion in aid and one in which the state is only delivered \$6 billion in aid. However, the Governor briefly mentioned a possible third option which would be to pursue litigation to receive more aid. Director Mujica clarified that the lawsuit is based on the impact of SALT on the state and whether or not taking SALT away from only a few states was fair. Both the Governor and Director Mujica believe that requesting \$15 billion from the Federal government is fair as New York was impacted the most by the COVID-19 pandemic and is one of the top donor states. The \$15 billion would be spread over the current Fiscal Year and the one after, which Director Mujica stated is not even half of the revenue loss.

The State would also revisit the current COVID-19 recovery plans in place if the State does not receive at least \$6 billion in Federal aid. Currently the State has only used \$2.5 billion from the coronavirus relief fund and \$500 million from Federal Medicaid Assistance Percentage (FMAP), which came from an increased reimbursement for Medicaid.

The State is also looking into new sources of revenue, mainly mobile sports betting and adult-use cannabis. Mobile sports betting is estimated to generate \$500 million in revenue and adult-use cannabis is estimated to generate an \$300 million in revenue.

SCHOOL FUNDING

Schools were one of the areas which the state were able to somewhat protect from budget cuts as this past year set a record for school funding. Director Mujica took a moment to mention that there is now a possibility to use the Medicaid 1115 Waiver, which would allow the State to use Federal Medicaid and CHIP funds to prevent further education and health care cuts. This was not previously used as the Trump administration had been hostile towards most proposals. Currently the State is planning for every district to either receive flat-funding or an increase in funding. If the State receives the requested \$15 billion in aid, most districts will receive an increase in funding.

SMALL BUSINESS TAX CREDIT

Director Mujica took a moment to explain how the small business tax credit would function. Businesses would receive \$5,000 in credit per employee and \$50,000 per business for rehiring. Advance funding will be provided to restaurants in areas where there are still restrictions in place.