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ALBANY

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February 28, 2024

Dear Colleagues:

I am pleased to provide you with the New York State Assembly Ways and Means Committee's Economic and Revenue Report for 2024. This report continues our commitment to provide clear and accurate information to the public by offering overviews of the national and state economies, as well as the state's revenue forecast for State Fiscal Years (SFY) 2023-24 and 2024-25.

The Committee forecasts that the state and national economies will continue to grow in employment and income during the next fiscal year while inflationary pressures continue to ease. But this forecast is subject to various risks, including heightened geopolitical tensions and uncertain monetary and fiscal policies.

The Committee projects that total All Funds receipts will reach $232.3 billion in SFY 2023-24, which represents a decrease of $758 million or 0.3 percent, from SFY 2022-23. The Committee's estimate is $1.0 billion above the Executive's estimate for SFY 2023-24. The Committee projects that All Funds receipts will total $228.8 billion in SFY 2024-25, a decrease of $3.5 billion or 1.5 percent, from SFY 2023-24. The Committee's forecast is $931 million above the Executive's forecast for SFY 2024-25. These differences are largely attributable to differences in economic projections and how these translate into tax receipts.

The assessments and projections presented in this report are reviewed by an independent panel of economists. Assembly Speaker Carl Heastie and I would like to express our appreciation to the members of our Board of Economic Advisors. Their dedication and expertise continue to be an invaluable resource to refine and improve our forecasts. While the Board has served to make the work of our staff the best in the state, they are not responsible for the numbers or views expressed in this document.

I wish to acknowledge the dedicated and talented staff of the Assembly Ways and Means Committee and the many hours of work that went into producing this report. They play a vital role in our state's budget process.

As we continue our efforts toward enacting an on-time budget that is fair and equitable for all New Yorkers, I look forward to working with each of you.

Sincerely,

Helene E. Weinstein

HELENE E. WEINSTEIN

NEW YORK STATE ECONOMIC AND REVENUE REPORT

FISCAL YEARS 2023-24 AND 2024-25

February 2024

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ECONOMIC FORECAST HIGHLIGHTS

United States

- The U.S. economy performed well at full employment in 2023. The yearly average growth of national output, measured with inflation-adjusted **Gross Domestic Product** (GDP), increased to 2.5 percent from 1.9 percent in 2022. The main driver of this above-potential growth was resilient consumer spending. However, as households and businesses are faced with elevated costs of credit and thus anticipated to cut back on their spending, growth of national output is forecast to slow to 2.2 percent in 2024 and 2.0 percent in 2025.

- **Personal consumption spending growth**, adjusted for inflation, grew 2.2 percent in 2023, following a 2.5 percent increase in 2022, supported by healthy income growth, savings, and higher credit card debt. Growth of consumption spending is projected to slow to 2.1 percent in 2024, due to tightened lending standards, higher interest rates, and moderating employment growth. In 2025, consumption spending is forecast to grow by another 2.1 percent, as interest rates ease and prices normalize.

- Restrained by rising costs of credit and slowing sales growth, overall **private investment spending** has weakened, with residential investment spending particularly hard hit by declining affordability. However, with residential construction activity and inventory stocking expected to stabilize, overall private investment spending, adjusted for inflation, is forecast to return to growth in the forecast period, after declining 1.2 percent in 2023. But the pace is expected to remain modest at a yearly average rate of 2.6 percent in 2024 before improving to 3.3 percent in 2025.

- **Total government spending**, adjusted for inflation, increased 4.0 percent in 2023, following a decline of 0.9 percent in 2022, reflective of robust spending on public infrastructure and educational services, higher compensation for state and local government and non-defense employees, and strong growth in spending on military and state and local government equipment. In 2024, inflation-adjusted total government spending is projected to increase by 1.9 percent and forecast to grow slower at 0.6 percent in 2025, as federal spending caps take their toll and pandemic-related infrastructure investment funds taper.

- The tightening of monetary policy around the world has weakened **global economic growth**. As the U.S. dollar value also remained elevated, U.S. exports grew slower at 2.7 percent in 2023, after growing 7.0 percent in 2022. Softening growth of personal consumption and private investment spending caused U.S. imports to fall 1.7 percent in 2023. With the U.S. dollar expected to soften during the forecast period and investment expected to rebound, U.S. exports are forecast to increase 3.1 percent in 2024 and 3.9 percent in 2025. U.S. imports are forecast to grow 2.7 percent in 2024 and 4.1 percent in 2025.

- Nonfarm payroll **employment growth** slowed to 2.3 percent in 2023, following 4.3 percent in 2022. The slowdown was due to a tight labor market persisting with employers still facing difficulty finding qualified workers. With sales growth expected to moderate over the forecast period, businesses will adjust down their pace of hiring accordingly. Employment growth is forecast to slow to 1.3 percent in 2024 and decelerate further in 2025 to 0.6 percent.

- After growing 2.0 percent in 2022, **U.S. personal income growth** accelerated to 5.2 percent in 2023, due largely to personal transfer receipts returning to trend growth from pandemic-related volatility. Helped by continued strong gains in interest income, and robust growth wages, personal income is projected to continue to experience strong growth of 4.8 percent in 2024. Growth in personal income is forecast to decelerate to 4.6 percent in 2025, as employment and wage growth slows.

- **Wages and salaries**, the largest component of personal income, grew 6.2 percent in 2023, following a 7.8 percent increase in 2022, as the labor market remained tight, and workers demanded higher wages as inflationary pressures persisted. Growth in wages and salaries is forecast to decelerate to 4.9 percent in 2024 and 4.2 percent in 2025, as employment growth and inflation expectations continue to moderate.

- As sales growth slowed and cost pressures remained elevated, growth of **corporate profits** weakened in 2023 to an estimated 1.9 percent on an annual average basis, after two consecutive years of strong recovery in 2021 and 2022. With sales growth expected to soften further, gains in corporate profits are forecast to remain modest in the next two years. Corporate profits' share of national income increased to a nine-year high in the third quarter of 2021, but it has since been declining and will likely decline further in the next two years.

- As supply shortages eased, the headline **inflation of consumer prices** decelerated to 4.1 percent in 2023, after a sharp jump to a four-decade-high 8.0 percent in 2022. With the pace of economic growth likely to slow and the supply-demand imbalance in the labor market expected to improve, growth of the prices of consumer goods and services is forecast to decelerate further to 2.7 percent in 2024 and 2.3 percent in 2025.

- As inflation pressures continue to ease, the current forecast assumes that the **Federal Reserve** will pause rate hikes for the current policy cycle and maintain the current target range of 5.25-5.50 percent until the second quarter of 2024. The Federal Reserve is assumed to start cutting rates gradually thereafter. Reflecting this expected monetary policy change as well as improving inflation expectations, **yields on 10-year and 3-month Treasury securities** are forecast to decline gradually over the forecast period from their 16-year-high and 23-year-high quarterly average levels seen in the fourth quarter of 2023, respectively.

- **Equity prices**, measured by the S&P 500 Composite Price Index, increased 4.5 percent on a yearly average basis in 2023 after declining 3.9 percent in 2022. Over the forecast period, the equity market faces several headwinds including uncertain outlook on economic growth, rising federal budget deficit, and increasing geopolitical tensions. However, supported by continued moderation of inflationary pressures and the prospect of Federal Reserve's rate cuts starting in early summer of this year, equity prices are forecast to gain 11.0 percent on a yearly average basis in 2024. The yearly average of the S&P 500 index is forecast to increase by a more sustainable rate of 3.5 percent in 2025.

- **Risks to the current economic forecast** are weighted more toward the downside. As the central bank is widely expected to tighten its monetary policy further, interest rates will likely remain high in the first half of 2024. Should the sentiments of households and businesses turn sour abruptly, consumer and business spending could cool more sharply than called for in the current forecast. Consequently, the odds of the economy falling into a recession would increase further. Other downside risks include a faster-than-expected cool-off in hiring, heightened geopolitical uncertainties, another round of potential banking crisis, and the deteriorating financial position of the federal government.

National Forecast Comparisons

- The NYS Assembly Ways and Means Committee's forecast for overall national economic growth for 2024 is 2.2 percent. The Committee's forecast is 0.9 percentage point above the forecast of the Division of the Budget. The Committee's forecast is 0.2 percentage point below S&P Global's forecast and 0.1 percentage point below Moody's Analytics' projection; and 0.1 percentage point above the forecast of the Blue Chip Consensus.

U.S. Real GDP Forecast Comparison

	Actual 2022	Actual 2023	Forecast 2024	Forecast 2025
Ways and Means	1.9	2.5	2.2	2.0
Division of the Budget	1.9	2.5	1.3	1.9
Blue Chip Consensus	1.9	2.5	2.1	2.3
Moody's Analytics	1.9	2.4	2.3	1.6
S&P Global	1.9	2.5	2.4	1.6

Sources: NYS Assembly Ways and Means Committee; NYS Division of Budget, FY 2025 Executive Budget Financial Plan Updated for Governor's Amendments and Forecast Revisions, February 2024; Blue Chip Economic Indicators, February 2024; Moody's Analytics, February 2024; S&P Global Market Intelligence, February 2024.

- The NYS Assembly Ways and Means Committee's forecast for overall national economic growth for 2025 is 2.0 percent. The forecast is 0.1 percentage point above the forecast of the Division of Budget. The Committee's forecast is 0.4 percentage point above the Moody's Analytics' forecast and the S&P Global's forecast; and 0.3 percentage point below the forecast of the Blue Chip Consensus.

New York State

- Total nonfarm **employment** in the State grew 4.3 percent in State Fiscal Year (SFY) 2022-23, as the economy continued to recover from the pandemic-led recession. Nonfarm employment is estimated to grow slower at 1.8 percent in SFY 2023-24 due to a tight labor market and slowing labor force growth. With sales growth expected to soften, businesses will adjust down their hiring plans further in SFY 2024-25, causing the growth of nonfarm employment to decelerate to 0.8 percent.

- Overall **personal income** growth in the State slowed sharply to 0.8 percent in SFY 2022-23, as various pandemic-related government support programs ended. Personal income growth in the State is estimated to rebound to 3.8 percent in SFY 2023-24, due largely to personal transfer receipts returning to growth after the pandemic-related volatility in the previous two years. Personal income growth is forecast to improve to 4.4 percent in SFY 2024-25 as growth of wages and other incomes is expected to improve.

- Total nonfarm **wages and salaries** in the State grew solidly at 5.1 percent in SFY 2022-23 supported by a continued robust growth in employment and base wages. As employment growth is expected to slow and bonuses are anticipated to decline, the growth of total wages is estimated to slow to 3.6 percent in SFY 2023-24. Total wages are forecast to grow faster at 4.3 percent in SFY 2024-25 as variable wages are expected to rebound.

- **Variable wages** (including bonuses) fell 11.8 percent in SFY 2022-23 as activities in the financial market slowed markedly. Variable wages are estimated to fall another 0.5 percent in SFY 2023-24, as financial market activities continue to weaken. With the financial market performance expected to improve over the forecast period, variable wages are forecast to rebound and grow 6.3 percent in SFY 2024-25. As the employment growth softens, growth of **base wages** is estimated to moderate to 4.1 percent in SFY 2023-24 from 7.8 percent in the prior year. The growth is forecast to slow further to 4.0 percent in SFY 2024-25 as employment growth continues to decelerate.

- The current economic climate presents challenges and risks to the New York State economic and revenue forecast. The key risks to the national economy also apply to the State's forecast. Wall Street and the financial markets play a central role in the State economy and revenue. Should the Federal Reserve remain restrictive in its monetary policy longer than expected and financial market volatility worsen, consumer and business spending could cool abruptly and have critical implications for the economic and fiscal health of the State.

State Forecast Comparisons

- The NYS Assembly Ways and Means Committee forecasts the State's total nonfarm payroll employment to grow 1.8 percent in SFY 2023-24, which is 0.8 percentage points above the Division of the Budget's forecast. The Committee's forecast for wage growth for SFY 2023-24 is 3.6 percent and is 0.4 percentage points above the Division of the Budget's forecast. The Committee's estimate of personal income growth is 3.8 percent in SFY 2023-24, which is 0.3 percentage points higher than projection of the Division of the Budget.

New York State Economic Forecast Comparison

	Actual SFY 2022-23	Estimate SFY 2023-24	Forecast SFY 2024-25
Employment			
Ways and Means	4.3	1.8	0.8
Division of the Budget	4.3	1.0	0.2
Wages			
Ways and Means	5.1	3.6	4.3
Division of the Budget	5.1	3.2	3.8
Personal Income			
Ways and Means	0.8	3.8	4.4
Division of the Budget	0.7	3.5	4.0

Sources: NYS Assembly Ways and Means Committee staff; NYS Division of the Budget, FY 2025 Executive Budget Financial Plan Updated for Governor's Amendments and Forecast Revisions, February 2024.

- The NYS Assembly Ways and Means Committee's forecast for total nonfarm payroll employment growth for SFY 2024-25 is 0.8 percent, which is 0.6 percentage points higher than the forecast of Division of the Budget. The Committee's forecast for wage growth in SFY 2024-25 is 4.3 percent, which is 0.5 percentage points above the Division of the Budget's forecast. The Committee's forecast for personal income growth for SFY 2024-25 is 4.4 percent, which is 0.4 percentage points higher than the forecast of the Division of the Budget.

REVENUE FORECAST HIGHLIGHTS

All Funds Tax Receipts State Fiscal Year 2023-24

- All Funds revenues are estimated to total $232.3 billion in State Fiscal Year (SFY) 2023-24 for a year-to-year decline of 0.3 percent or $758 million, mainly attributed to a decline in personal income tax (PIT) collections.

- The Assembly Ways and Means Committee projection of All Funds tax revenue for SFY 2023-24 is $105.2 billion, representing a decrease of 5.8 percent or $6.5 billion, from SFY 2022-23.

- The decrease in overall tax receipts is primarily related to a $6.0 billion decrease in net PIT collections due to a 41.5 percent decline in estimated payments. In addition, a $1.4 billion decrease in business taxes primarily due to a $1.1 billion decline in pass-through entity tax (PTET) collections. This overall decrease is partially offset by a $1.4 billion increase in sales and use tax collections, and a $382 million increase in gaming collections.

- The Committee's All Funds revenue estimate is $1.0 billion above the Executive's estimates.

All Funds Tax Receipts State Fiscal Year 2024-25

- The Committee expects All Funds revenues to decrease by 1.5 percent, for a total of $228.8 billion in SFY 2024-25. This decrease is primarily related to a $3.0 billion decline in miscellaneous receipts and a $4.0 billion decrease in Federal funds receipts, which is partially offset by a $3.1 billion increase in net PIT collections.

- The Committee expects a 3.4 percent increase in All Funds tax receipts in SFY 2024-25, for a total of $108.8 billion.

- The Committee's All Funds revenue forecast is $931 million above the Executive's estimates.

- The Committee's forecasts reflect ongoing economic uncertainty at the state and national levels, as well as continued unpredictability in taxpayer behavior in response to the PTET, which makes forecasting tax collections difficult.

Year-To-Date Tax Receipts

- Year-to-date tax receipts through January reflect steady growth over the ten-month period for SFY 2023-24. When compared to the SFY 2022-23 level, this fiscal year's tax collections indicate a 11.7 percent decline in year-to-date net PIT collections with moderate growth in all other tax collection categories (see Figure 1).

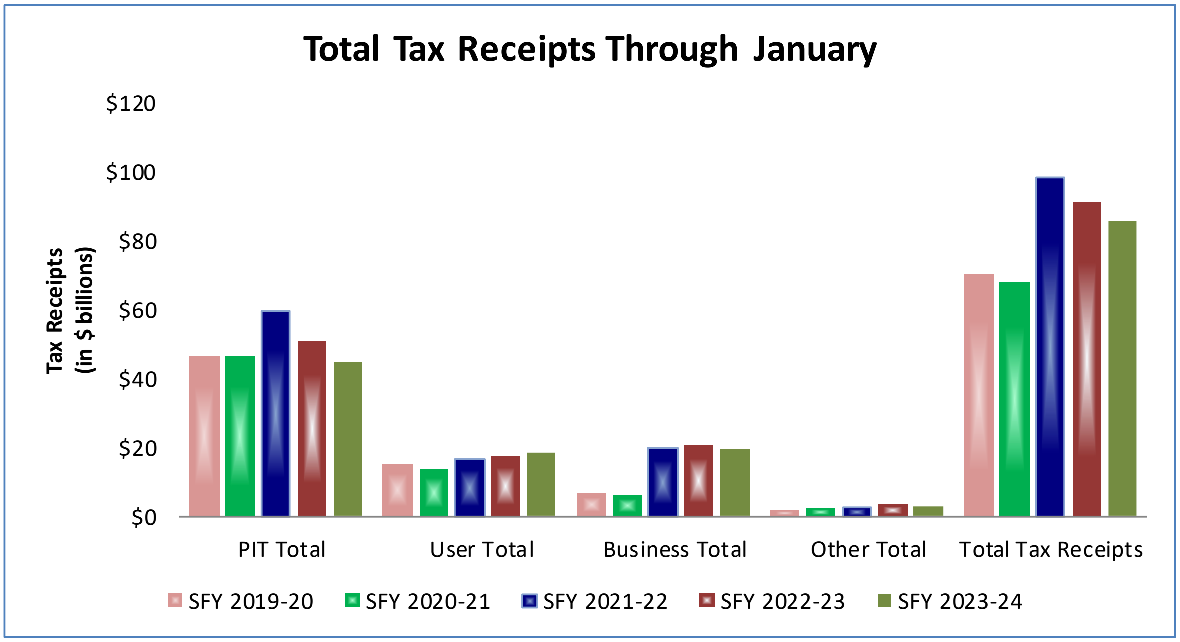
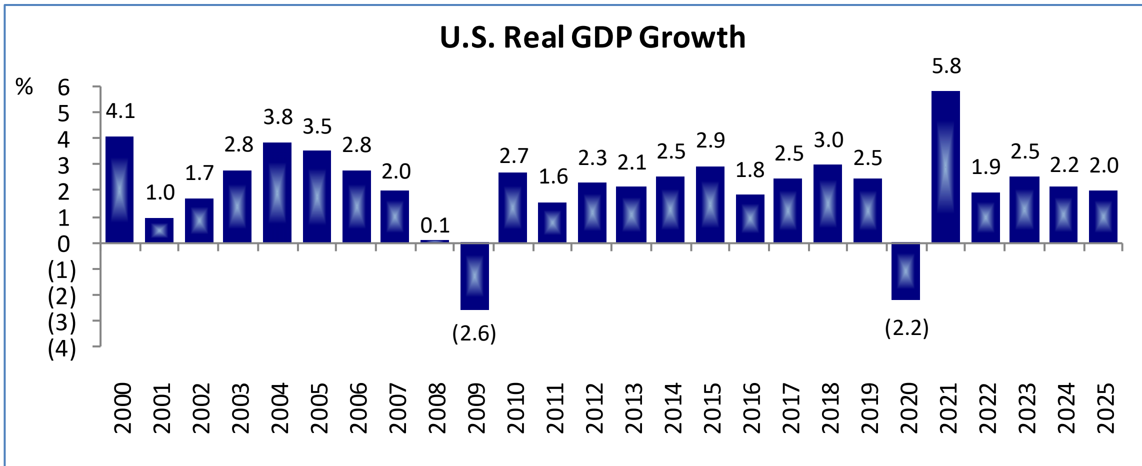


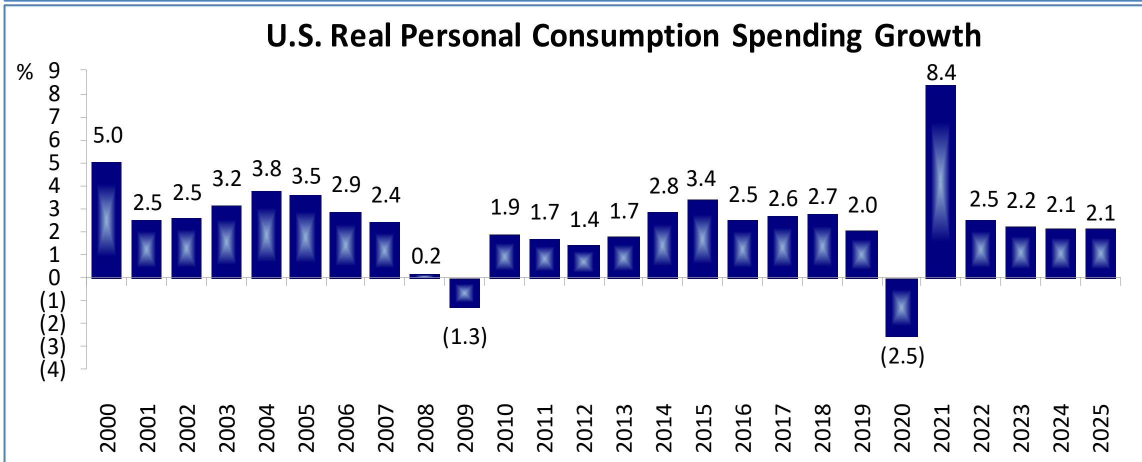
Figure 1

- Through January 2024, All Funds tax revenue has decreased by 6.3 percent over the same period in SFY 2022-23.

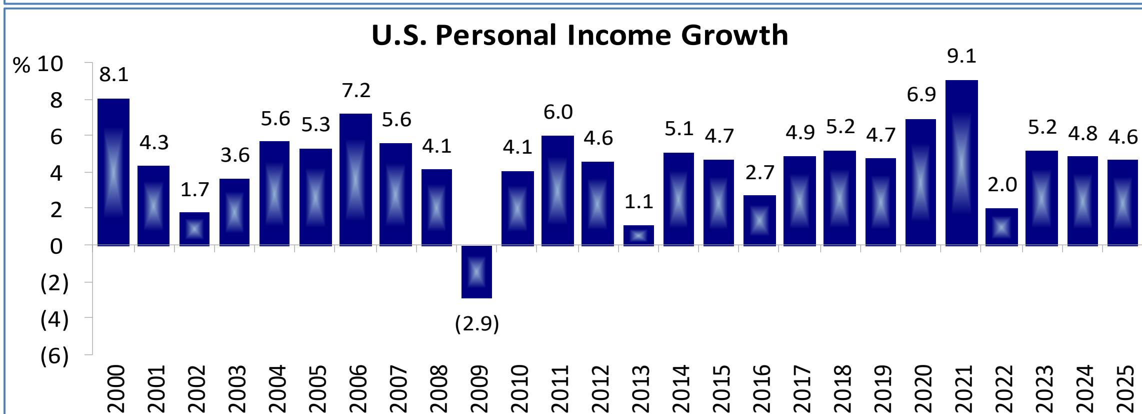
U.S. ECONOMIC FORECAST AT A GLANCE



Note: Data for 2024 and 2025 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

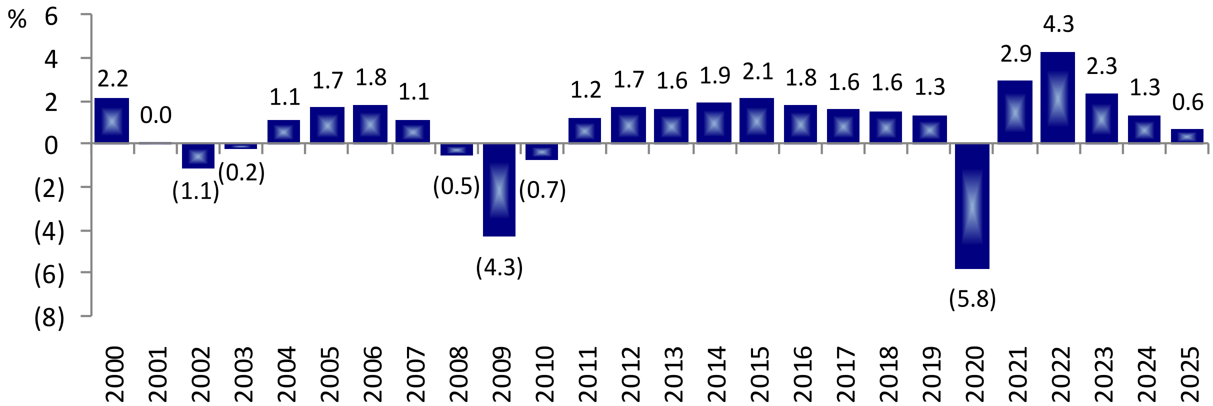


Note: Data for 2024 and 2025 are forecasts.
Sources: U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.



Note: Data for 2024 and 2025 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

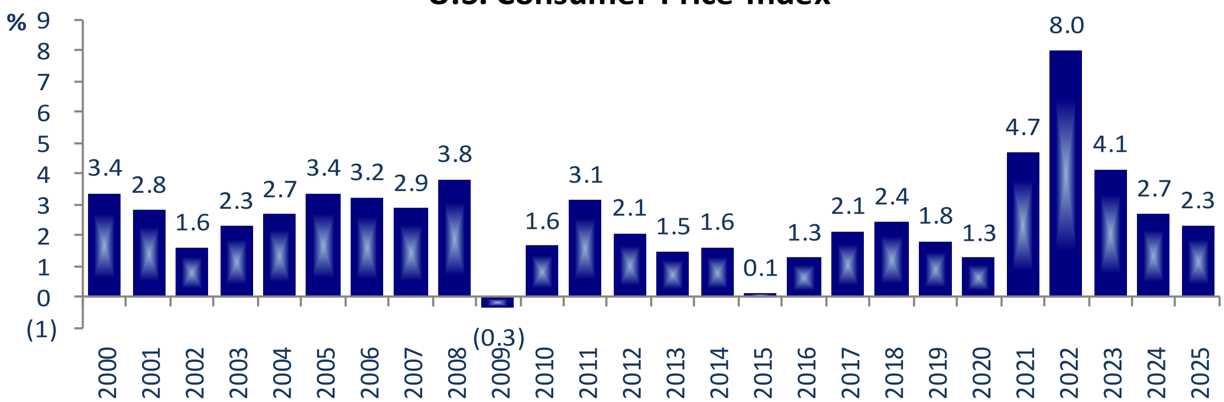
U.S. Nonfarm Payroll Employment Growth



Note: Data for 2024 and 2025 are forecasts.

Sources: U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

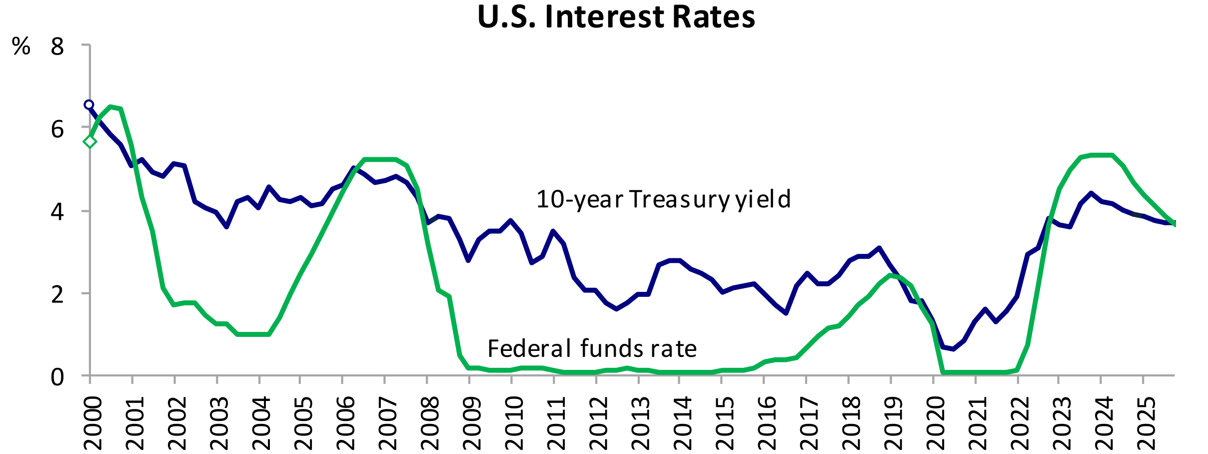
U.S. Consumer Price Index



Note: Data for 2024 and 2025 are forecasts.

Sources: U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

U.S. Interest Rates



Note: Data are quarterly through 2025:Q4; the first forecast period is 2024:Q1.

Sources: Federal Reserve; NYS Assembly Ways and Means Committee staff.

U.S. Economic Outlook (Percent Change)	Actual 2021	Actual 2022	Actual 2023	Forecast 2024	Forecast 2025
Real GDP	5.8	1.9	2.5	2.2	2.0
Consumption	8.4	2.5	2.2	2.1	2.1
Investment	8.7	4.8	(1.2)	2.6	3.3
Exports	6.3	7.0	2.7	3.1	3.9
Imports	14.5	8.6	(1.7)	2.7	4.1
Government	(0.3)	(0.9)	4.0	1.9	0.6
Federal	1.4	(2.8)	4.2	1.5	0.8
State and Local	(1.3)	0.2	3.8	2.1	0.5
Personal Income	9.1	2.0	5.2	4.8	4.6
Wages & Salaries	9.0	7.8	6.2	4.9	4.2
Corporate Profits	22.6	9.8	1.9	4.4	2.2
Productivity	1.6	(1.9)	1.3	2.3	2.6
Employment	2.9	4.3	2.3	1.3	0.6
Unemployment Rate*	5.4	3.6	3.6	3.8	4.0
CPI-Urban	4.7	8.0	4.1	2.7	2.3
S&P 500 Stock Price	32.6	(3.9)	4.5	11.0	3.5
Treasury Bill Rate (3-month)*	0.0	2.1	5.3	4.9	3.8
Treasury Note Rate (10-year)*	1.4	3.0	4.0	4.1	3.8

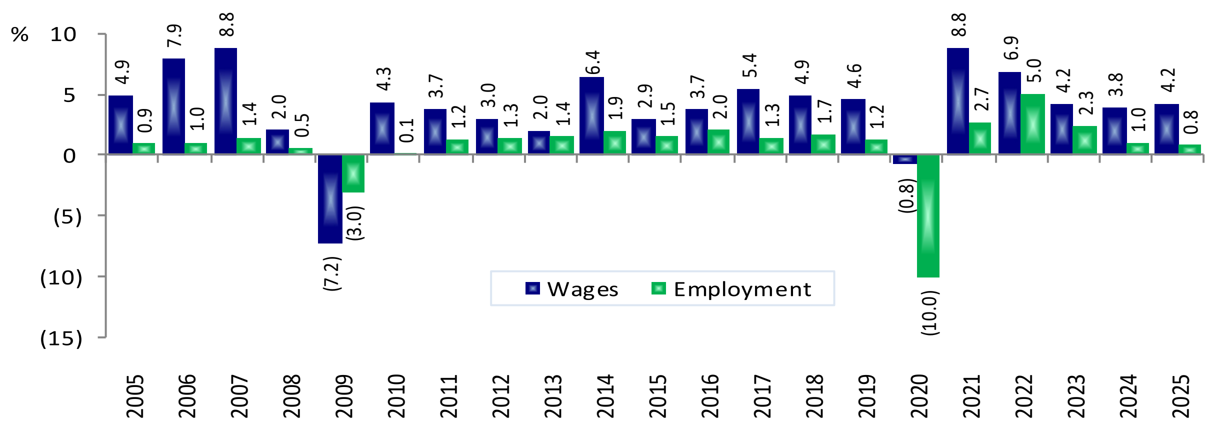
* Annual average rate.

Note: Personal income and corporate profits growth rates are based on nominal values.

Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; Federal Reserve; Standard & Poor's; NYS Assembly Ways and Means Committee staff.

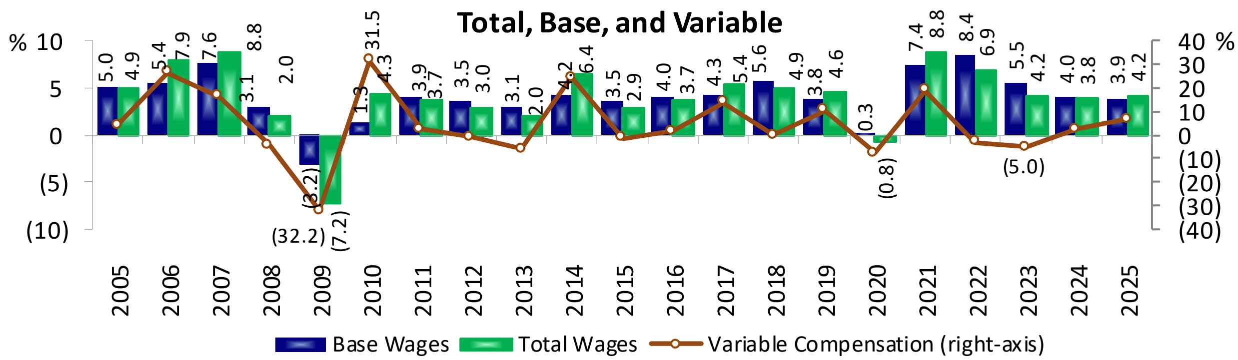
N.Y.S. ECONOMIC FORECAST AT A GLANCE

New York State Wage and Employment Growth



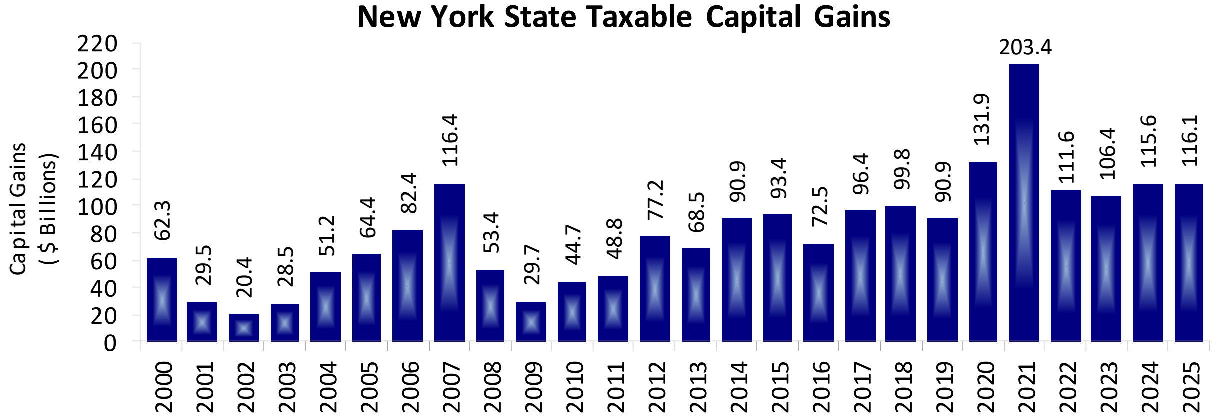
Note: Data for 2024 and 2025 are forecasts.
Sources: New York State Department of Labor; NYS Assembly Ways and Means Committee staff.

New York State Wage Growth
Total, Base, and Variable



Note: Total wage data for 2024 and 2025 are forecasts. Base wages and variable compensation are estimated by the NYS Assembly Ways and Means Committee staff and their levels sum to total wages.
Sources: NYS Department of Labor; NYS Assembly Ways and Means Committee staff.

New York State Taxable Capital Gains



Note: Data for 2022 are estimated; 2023, 2024, and 2025 are forecasts.
Sources: NYS Department of Taxation and Finance; NYS Assembly Ways and Means Committee staff.

New York State Economic Outlook (Percent Change)					
	Actual 2021	Actual 2022	Estimate 2023	Forecast 2024	Forecast 2025
Employment	2.7	5.0	2.3	1.0	0.8
Personal Income	7.4	(1.9)	4.2	4.0	4.3
Total Wages	8.8	6.9	4.2	3.8	4.2
Base Wages	7.4	8.4	5.5	4.0	3.9
Variable Compensation	18.8	(3.2)	(5.0)	2.5	6.6
New York Area CPI	3.3	6.1	3.8	2.6	2.2

Note: Base wages and variable compensation are estimated by the NYS Assembly Ways and Means Committee staff and sum to total wages. New York area CPI is based on the New York-Northern NJ-Long Island, NY-NJ-CT-PA CPI-U series from the U.S. Bureau of Labor Statistics.

Sources: U.S. Bureau of Economic Analysis; NYS Department of Labor; U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

New York State Economic Outlook State Fiscal Year					
		Actual 2022-23	Estimate 2023-24	Forecast 2024-25	Forecast 2025-26
Employment	Percent Change	4.3	1.8	0.8	1.0
	Level (Thousands)	9,299.3	9,469.8	9,542.6	9,634.1
Personal Income	Percent Change	0.8	3.8	4.4	4.2
	Level (Billions)	1,477.4	1,534.1	1,601.9	1,668.8
Total Wages	Percent Change	5.1	3.6	4.3	4.2
	Level (Billions)	841.0	871.1	908.5	946.5
Base Wages	Percent Change	7.8	4.1	4.0	4.0
	Level (Billions)	744.2	774.7	806.0	837.9
Variable Compensation	Percent Change	(11.8)	(0.5)	6.3	6.0
	Level (Billions)	96.8	96.4	102.5	108.6
New York Area CPI	Percent Change	6.1	3.1	2.4	2.2
	Index Level (1982-84=100)	314.3	324.2	332.1	339.2

Note: Employment level is in thousands; wage and personal income levels are in billions of dollars.

Sources: U.S. Bureau of Economic Analysis; NYS Department of Labor, QCEW; U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

REVENUE FORECAST AT A GLANCE

SFY 2023-24 All Funds Estimate Summary ($ in Millions)	2022-23 Actual	2023-24 Estimate	Change	Growth	Diff. Exec.
Personal Income Tax	58,776	52,800	(5,976)	(10.2%)	600
User Taxes	20,584	21,969	1,385	6.7%	33
Business Taxes	28,617	27,256	(1,361)	(4.8%)	89
Other Taxes	3,679	3,179	(500)	(13.6%)	103
Total Tax Collections	**111,656**	**105,204**	**(6,451)**	**(5.8%)**	**825**
All Funds Miscellaneous Receipts	27,454	26,406	(1,048)	(3.8%)	80
Gaming	4,388	4,770	382	8.7%	96
Total w/Miscellaneous Receipts & Gaming	**143,498**	**136,380**	**(7,118)**	**(5.0%)**	**1,001**
Federal Funds	89,563	95,923	6,360	7.1%	-
Total All Funds Receipts	**233,061**	**232,303**	**(757)**	**(0.3%)**	**1,001**

* Totals may not add up due to rounding.

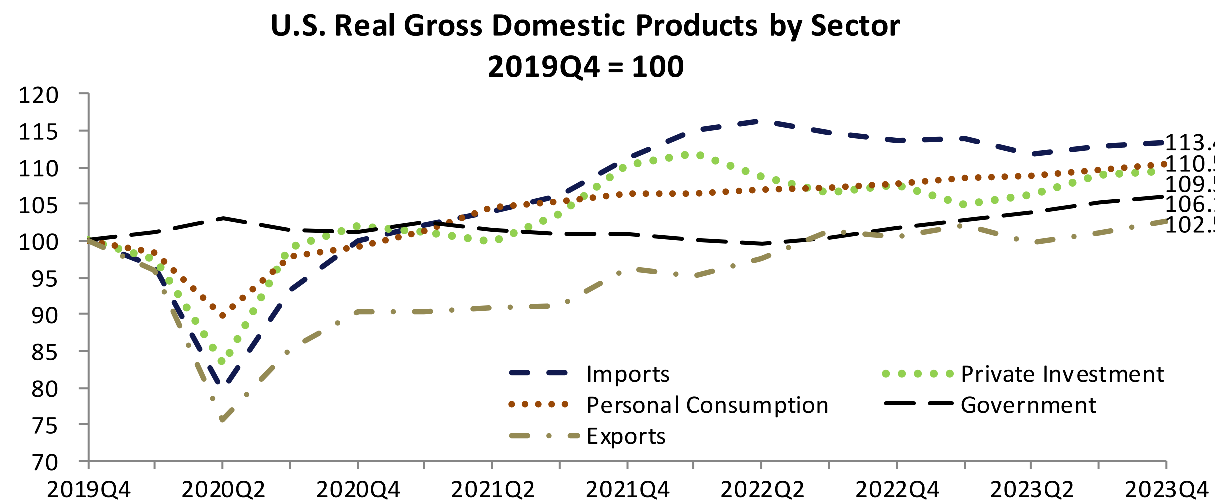
SFY 2024-25 All Funds Forecast Summary ($ in Millions)	2023-24 Estimate	2024-25 Forecast	Change	Growth	Diff. Exec.
Personal Income Tax	52,800	55,902	3,101	5.9%	398
User Taxes	21,969	22,520	551	2.5%	89
Business Taxes	27,256	27,759	504	1.8%	215
Other Taxes	3,179	2,572	(607)	(19.1%)	71
Total Tax Collections	**105,204**	**108,753**	**3,550**	**3.4%**	**773**
All Funds Miscellaneous Receipts	26,406	23,689	(2,717)	(10.3%)	96
Gaming	4,770	4,464	(307)	(6.4%)	63
Total w/Miscellaneous Receipts & Gaming	**136,380**	**136,905**	**525**	**0.4%**	**931**
Federal Funds	95,923	91,894	(4,029)	(4.2%)	-
Total All Funds Receipts	**232,303**	**228,798**	**(3,505)**	**(1.5%)**	**931**

* Totals may not add up due to rounding.

U.S. ECONOMIC FORECAST ANALYSIS

The U.S. economy remains resilient

The U.S. economy performed well in 2023. The rate of unemployment, although ticking up in recent months, was still at record lows. The growth of national output, measured with inflation-adjusted Gross Domestic Product (GDP), accelerated to 2.5 percent, on an annual average basis, after slowing to 1.9 percent in 2022. The main driver of this above-potential growth was resilient consumer spending, which accelerated at an average quarterly rate of 2.6 percent in 2023, after growing on average a mere 1.2 percent per quarter in 2022. As of the fourth quarter of 2023, GDP and consumer spending were 8.2 percent and 10.5 percent above their respective pre-pandemic peak level (see Figure 2).



Note: Data are normalized with 2019Q4 = 100.

Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 2

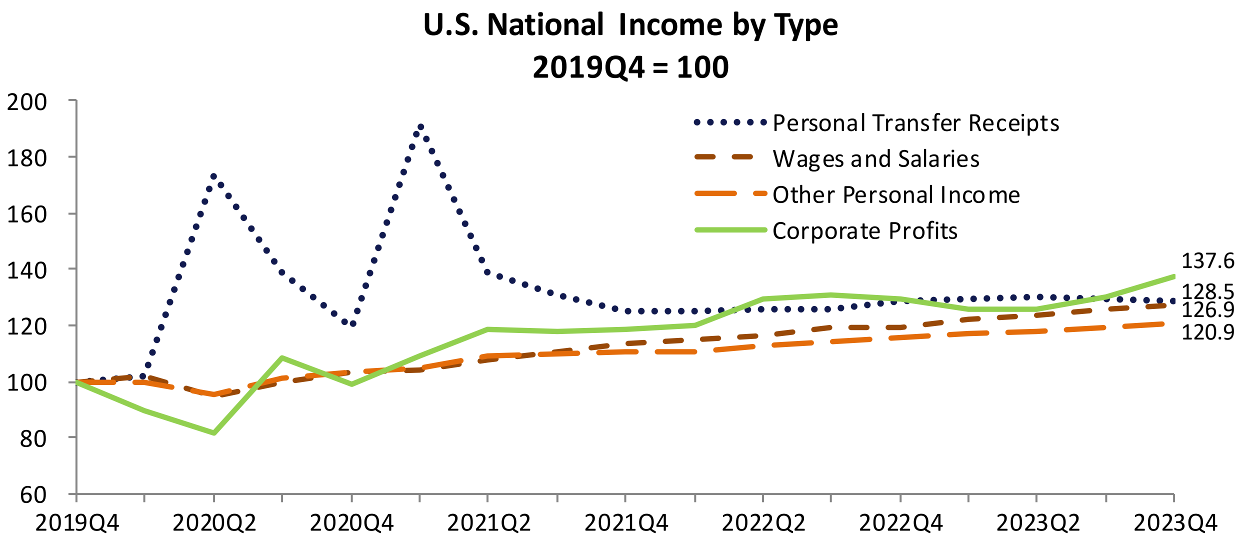
Business capital spending grew at a robust yearly average rate of 4.4 percent in 2023, although slower than the 5.2 percent in 2022. This robust growth in business investment spending is attributed mainly to large gains in spending on transportation equipment and nonresidential structures. Residential construction spending was still in correction in the first two quarters of 2023, but the pace of contraction slowed significantly to an average quarterly rate of 1.3 percent from the 17.4 percent during 2022. As of the fourth quarter of 2023, total private investment spending, including inventory investment spending, was 9.5 percent above its pre-pandemic peak level.

U.S. trade deficit more than doubled from an annualized $553.0 billion in the second quarter of 2020 to $1,141.1 billion in the first quarter of 2022. This was the result of U.S. exports suffering more than imports from weakened global economic growth in 2020 and U.S. imports rebounding more strongly than exports during the post-pandemic recovery in 2021. The growth of U.S. imports has since softened, in line with the slowing growth of household and business spending. At the same time, U.S. exports have benefited from the post-pandemic recovery of the global economy as well as the global supply disruptions caused by the Russian invasion of Ukraine. As of the fourth quarter of 2023, the trade gap improved to $908.2 billion.

The public sector was a drag on U.S. economic growth in most of 2021 and in the first half of 2022, as the fiscal stimulus from the pandemic years was diminishing. But federal as well as state and local government spending, after adjusted for inflation, has since been increasing, supported by the Infrastructure and Jobs Act of 2021, the Inflation Reduction Act of 2022, and the CHIPS Act of 2022. As of the fourth quarter of 2023, U.S. total government spending was 6.1 percent above its fourth-quarter 2019 pre-pandemic level. This upward trend should continue in 2024 and 2025, although at a slower pace.

Growth of personal income increases, supporting consumer spending

Personal income increased 5.2 percent in 2023 on a yearly average basis, more than double the 2.0 percent growth in 2022. The seemingly outsized improvement in personal income is mainly a result of transfer receipts, which were subject to large swings in the last three years, returning to trend growth (see Figure 3). Even with transfer receipts excluded, personal income grew at a robust rate of 5.8 percent in 2023, with its fourth-quarter 2023 level 24.6 percent above its pre-pandemic peak level. The main driver of this robust growth in non-transfer personal income in 2023 was the wages and salaries component. Its growth accelerated from an average quarterly rate of 5.2 percent, on an annualized rate basis, in 2022 to 6.3 percent during 2023. The fourth-quarter 2023 level of wages and salaries income was 26.9 percent above its fourth-quarter 2019 level.



Note: Data are normalized with 2019Q4 = 100. Data for corporate profits for 2023Q4 is an estimate.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 3

Labor market cools with supply-demand imbalance easing

The labor market has cooled in recent months. Although still higher than its pre-pandemic levels, the number of job openings, a demand-side metric of labor market dynamics, has been on a downward trend since March 2022. The number of hires, another labor-demand metric, has declined from the two-decade highs in 2021 and 2022 to the levels seen before the pandemic. So has the number of quits. Because workers usually quit their current job when they are confident enough to find a better-matching job elsewhere, the declining number of quits is indicative of softening demand for labor.

The sum of employed workers and job openings, which measures the size of demand in the labor market, has slowed in its monthly gains in recent months, indicative of weakening demand for labor. The average monthly change in 2023 was a negative 27,000, compared to a positive 219,000 during 2022. On the other hand, the size of labor supply measured by the labor force continues to increase at a robust pace in recent months, due in part to the resurgence of immigration and the continued reentry into the labor market by those who left the labor force during the pandemic years. During 2023 the average monthly gain in the labor force was 204,000, about the same as 213,000 during 2022. Consequently, the excess demand for labor, or the gap between demand and supply, declined from a three-month moving average of 5.7 million in March 2022 to 2.6 million in December 2023.

This shrinking imbalance in the labor market has helped keep labor cost growth in check in recent months. During the early recovery from the pandemic, labor costs increased rapidly, reflecting supply shortages in the labor market. The quarterly growth of total compensation index for all private industry workers increased to an annualized rate of 6.0 percent in the third quarter of 2021. The quarterly growth rate has since slowed gradually, down to 3.5 percent in the fourth quarter of 2023. Excluding benefits, the wages and salaries index has also decreased in quarter-to-quarter growth from 6.5 percent in the third quarter of 2021 to 3.7 percent in the fourth quarter of 2023.

Inflation has eased but remains elevated

Helped by the slowing pace of labor cost growth as well as improving global supply chain problems, inflation has eased and continues to move in the right direction. On a year-over-year basis, the growth of the Consumer Price Index (CPI) continued to slow in 2023, from 6.3 percent in January to 3.3 percent in December, although the downward trend was bumpy due to the volatility in energy prices. The growth of core CPI, which excludes volatile food and energy prices, has steadily declined from 5.6 percent in January to 3.9 percent in December, after peaking at 6.6 percent in September 2022.

The slow pace of improvement in overall or core CPI inflation has to do with the persistently high, though slowing, rate of growth of services prices, which still stood at 4.9 percent in December 2023. At a more disaggregated level, the shelter component of services prices remains one of the main drivers of overall CPI inflation. Shelter accounts for 34.8 percent of total CPI, and its year-over-year growth in December was 6.2 percent. In comparison, durable goods prices have declined at an average monthly rate of 2.0 percent on an annualized rate basis since June 2022, as global supply chain problems have eased and consumer spending growth has cooled. Nondurable goods prices also declined at an average monthly rate of 1.3 percent between June 2022 and June 2023, before rising again in recent months. Durable and nondurable goods together account for 38.3 percent of overall CPI.

Monetary policy remains restrictive

To tackle rampant inflation, the Federal Reserve has aggressively raised interest rates since March 2022. Currently, the Fed's target range for the federal funds rate, an interbank overnight interest rate, stands at 5.25-5.50 percent, the highest since early 2001. Additionally, the Federal Reserve has been conducting quantitative tightening, allowing its holdings of long-term Treasury securities and mortgage-backed assets to mature or selling them outright in the secondary market. This restrictive monetary policy stance is widely anticipated to persist in the coming months, as the Federal Reserve remains committed to steering inflation back towards its sustainable target rate of two percent.

Consequently, short-term interest rates are likely to remain high at least until the early summer of this year. Long-term Treasury yields and mortgage interest rates will also face upward pressure, although other factors such as inflation expectations and fiscal policy can also influence the movement of these interest rates.

Economic growth is likely to slow in the coming months

On a yearly average basis, the growth of household spending on durable and nondurable goods improved from a near-flat 0.3 percent in 2022 to 2.1 percent in 2023, but that pace is well below the average yearly growth of 3.5 percent during the ten-year period following the Great Recession. The yearly growth of consumer spending on services also decelerated to 2.3 percent in 2023 from 3.7 percent in 2022. This downshifting in consumer spending growth will likely continue into the forecast period, as headwinds from high interest rates, elevated inflation, and slowing employment growth keep household spending under downward pressure.

Residential investment spending had been declining for the past nine consecutive quarters, as of the second quarter of 2023. Although the rate of decline slowed in the first half of 2023, and the trend was even reversed in the third quarter, this recent improvement will likely be limited, as the shortage of buildable lots persists. Also, home prices and rents keep rising and mortgage interest rates remain elevated, weighing on home buyer affordability and the demand for residential housing.

Spending on manufacturing structures has been increasing rapidly in recent months, supported by various fiscal policy initiatives including tax incentives that promote the domestic production of semiconductor chips, electric vehicles and batteries, and renewable energy. Spending on mining exploration, shafts and wells has also recovered strongly. But spending on other nonresidential structures, including commercial, healthcare, power, and communication, remains depressed with its fourth quarter 2023 level still 15.4 percent below its 2019 year-end level. Some of these sectors, such as retail, office, and warehousing, suffer from their long-term downward trends as well as the long-term consequences of the pandemic. For example, as online sales increase steadily and workers still prefer to work remotely, businesses accordingly reassess their retail space and office need.

In December, the Conference Board's Leading Economic Index, a composite of ten economic indicators, declined for the 21^{st} consecutive month. The only comparable stretch of declines that occurred in U.S. history is the one leading up to the Great Recession. The magnitude of cumulative decline before the onset of the Great Recession was 6.4 points, less than a half of the 14.5 points during the current cycle. This marks both the longest and deepest decline of the index in U.S. history without the economy falling into a recession. The index may well still point to a recession in the next few months. But the current forecast does not call for a recession in the next two years. Instead, if the index's signal is right, it may be pointing to a recession in the residential construction sector, which has been in correction for the past nine consecutive quarters, and the nonresidential structures sector, which suffered six consecutive quarters of decline before starting to recover in the fourth quarter of 2022.

Slower employment growth is anticipated but a downright decline will likely be avoided

Faced with a dimming outlook for the demand for their products and services, businesses will be forced to reassess their hiring plans. Therefore, further slowing of payroll employment growth is anticipated in the forecast period.

Although the labor force has been growing at a healthy pace in the past several months, the pace of growth will be limited by the long-term demographic trends resulting from the continued retirement of the baby boomer generation. This labor supply constraint should effectively keep the pace of employment gains in check over the forecast period, even if the demand for labor does not cool off.

Given the demographic trends, however, a downright decline in payroll jobs is not likely, as businesses are keen to retain their work force. Businesses will likely deal with slowing demand for their products and services by cutting back on hours worked and temporary hires, instead of large layoffs.

Labor income growth has slowed but its purchasing power remains mostly intact

The growth of personal income from wages and salaries moderated in 2023, after a strong rebound in two previous years. This moderation in growth of wages and salaries reflects slowing payroll employment growth as well as easing inflationary pressures on wages. But as inflation has declined faster than wages and salaries, the purchasing power of the wages and salaries income has increased.

Over the current forecast period, income from wages and salaries is forecast to moderate further in tandem with the anticipated deceleration of payroll employment growth. But as inflation is expected to continue to ease at a rate that is faster than the growth of wages and salaries, the purchasing power of labor income will remain mostly intact, helping keep consumer spending growth from overly deteriorating in the forecast period.

Recent gains in productivity help support output growth and ease inflationary pressures

Typically, when a national economy operates above its potential growth trend, inflationary pressures ensue as national output grows at a rate that is above what the national production capacity can accommodate. But those inflationary pressures could be alleviated by increases in productivity, without necessarily causing a recession. That is because higher productivity can shift up the potential growth trend without necessarily requiring labor input to increase or causing labor cost to accelerate.

Labor productivity, which is measured by nonfarm output per hour worked, returned to growth in the second quarter of 2023 after a yearlong slump in 2022. Although it is premature to tell if this marks the beginning of a new uptrend, productivity has gained further in the second half of 2023, driven by ongoing robust business capital spending and public infrastructure spending. In addition, the record-high rates of quits during the post-pandemic recovery have resulted in a better-matching work environment for both workers and businesses, in terms of skills as well as personal interests and lifestyles. This better matching should also lead to increased efficiency and thus higher productivity.

Household finance remains healthy

Rising interest rates have led to higher financing costs and higher interest burdens to households, straining the growth of household spending. But the negative impact of rising interest rates on household finance has been limited, as higher interest rates have also led to strong growth in personal interest income in the recent two years. As households are net lenders, the rising interest rates have a net positive effect on household interest income, further supporting household spending.

In addition, most of homeowners with mortgages locked in record-low fixed rates during the post-pandemic housing boom in 2021 and early 2022. Consequently, the delinquency rate on mortgages is overall at record lows, although it has started rising on the mortgages held by low-income households. Also, as only about 10 percent of all household debt is in adjustable-rate terms, most of households are well insulated from rising interest rates. The ratio of overall household debt to income has increased in recent months but remains well below the levels seen in the months leading up to the Great Recession. The percentage of disposable personal income obligated to debt payment is also well below its pre-pandemic levels. Although the level of credit card debt is rising and so are credit card defaults, rising defaults appear to be mostly concentrated among low-income households, according to a recent report by the Federal Reserve Bank of New York.

Households still hold excess savings from the pandemic years

According to an estimate by Moody's Analytics, which reflects the U.S. Bureau of Economic Analysis's 2023 comprehensive revision of U.S. National Income and Product Accounts data, U.S. households still hold $1.8 trillion of excess savings as of August 2023. Given an estimated peak amount of $2.6 trillion in November 2021, that means households have withdrawn a total of $724 billion from the excess savings, or at an average monthly rate of $34 billion.

Two implications follow. First, this slow rate of drawdown implies that consumers have not splurged quickly on the excess resources but have instead utilized them to maintain a smooth long-term consumption pattern. Indeed, the rate of yearly growth of consumer spending during the four-year period between 2019 and 2023 averaged to 2.6 percent, nearly the same as an average of 2.7 percent per year during the six-year period immediately before the pandemic. The second implication is that the remaining excess savings will continue to support growth of consumer spending during the current forecast period.

Assumptions for the Forecast

The current forecast assumes that the Federal Reserve will maintain the overnight policy rate within the current target range until the second quarter of 2024, before starting to cut the rates gradually for the rest of the forecast period. Although done with rate hikes for the current policy cycle, the Federal Reserve is assumed to continue its quantitative tightening, which allows the Fed to let its holdings of Treasury securities and mortgage-backed assets to mature or sell them outright in the secondary market. This policy tightening will continue to put upward pressure on longer-term Treasury yields and mortgage interest rates.

As economic growth moderates and interest payment burdens rise, the federal budget deficit is expected to increase further in the next two years from the $1.7 trillion in fiscal year 2023, which is 6.3 percent of U.S. GDP. Consequently, the national debt-to-GDP ratio, which is near 100 percent in 2023, is expected to rise steadily during the forecast period. Increases in the issuance of new Treasury securities to deal with the rising federal budget deficit will put upward pressure on longer-term Treasury yields.

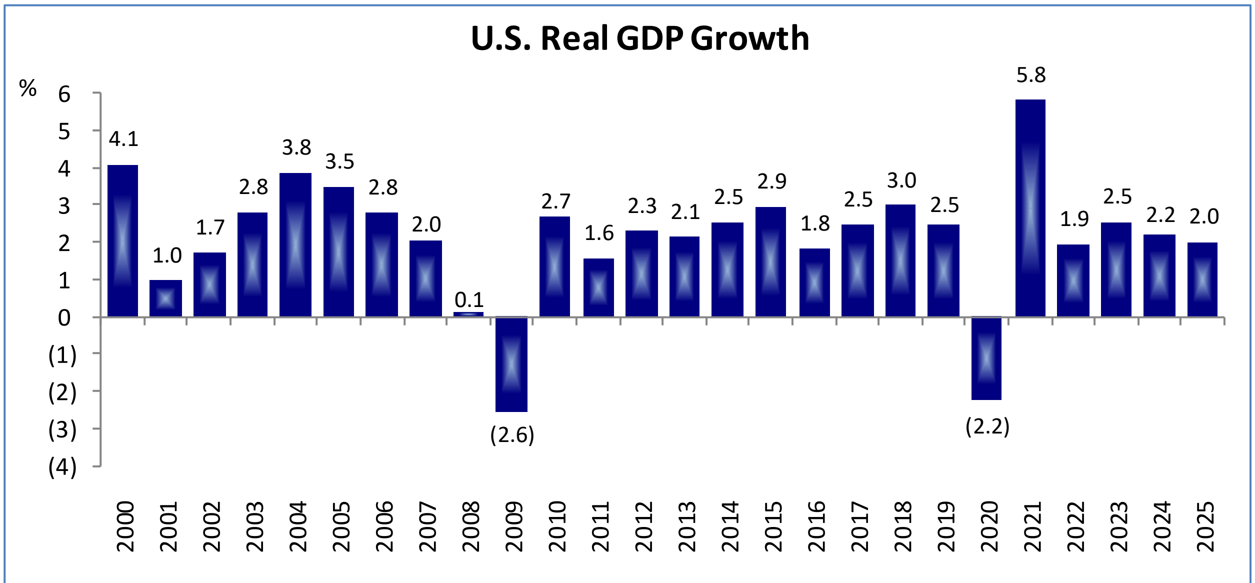
After the 2024 election, fiscal policy will potentially undergo significant changes, including the expiration of the tax cuts enacted in the Tax Cuts and Jobs Act of 2017 and the Obama health insurance subsidies that were extended in the Inflation Reduction Act of 2022. None of these potential fiscal policy changes is reflected in the current forecast.

The Russia-Ukraine War is not likely to end any time soon and the Israel-Gaza War adds to geopolitical uncertainties. Reflecting the impact of these increased uncertainties on the world economy and commodity markets, the current forecast assumes that the global prices of crude oil and other commodities will undergo volatility and increase above their current levels in the near term.

According to the data from the U.S. Centers for Disease Control and Prevention, the daily number of COVID-19-related infections has increased in recent months. But as households and businesses are getting accustomed to dealing with the virus, the pandemic is expected to become less disruptive to the economy. Given the unpredictable nature of the virus, however, risks to the economic and State revenue forecasts remain.

Outlook

Against this backdrop and under the assumptions described above, U.S. economic growth, after adjusted for inflation, is forecast to slow to 2.2 percent in 2024 and 2.0 percent in 2025 from 2.5 percent in 2023 (see Figure 4). The deceleration of growth will be broad-based, ranging from household spending to business capital spending.



Note: Data for 2024 and 2025 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 4

After decelerating to 2.3 percent in 2023 from 4.3 percent in 2022, payroll employment growth is forecast to weaken further to 1.3 percent in 2024 and 0.6 percent in 2025, as the growth of sales and output is expected to soften, and the growth of labor force is constrained by long-term demographic changes.

After accelerating to an average yearly rate of 7.6 percent in the past three years, the growth of wages and salaries income is forecast to moderate to 4.9 percent in 2024 and 4.2 percent in 2025. The growth of overall personal income is also forecast to moderate from 5.2 percent in 2023 to 4.8 percent in 2024 and 4.6 percent in 2025. With sales growth and pricing power expected to weaken, the growth of corporate profits decelerated to an estimated mere 1.9 percent in 2023, after two consecutive years of strong growth, and is forecast to remain modest at 4.4 percent in 2024 and 2.2 percent in 2025.

With the growth of employment and income moderating and interest rates elevated, consumer spending is forecast to grow by a modest 2.1 percent each in 2024 and in 2025. Restrained by rising costs of credit and moderating sales growth, overall private investment spending is forecast to return to growth in 2024 after declining 1.2 percent in 2023, but the pace is expected to remain modest at 2.6 percent in 2024 before improving to 3.3 percent in 2025. With U.S. interest rates expected to start coming down later this year, the U.S. dollar value is likely to depreciate from its recent highs, thus helping support the foreign demand for U.S. exports in 2024. However, as U.S. imports are forecast to return to growth after declining 1.7 percent year-over-year in 2023, U.S. trade deficit will likely increase in the next two years, becoming more of a drag to U.S. economic growth.

On a yearly average basis, the yield on 3-month Treasury bills is forecast to decrease to 4.93 percent in 2024 and 3.81 percent in 2025, from 5.28 percent in 2023, in tandem with the expected gradual cuts in the federal funds rate in the second half of 2024 through 2025. However, as the Federal Reserve is widely expected to tighten its monetary policy stance further in the coming months, longer-term interest rates will face more upward pressure. The recent increases in the issuance of new Treasury securities to deal with a rising federal budget deficit have also put upward pressure on longer-term Treasury yields. Despite these upward pressures, the 10-year Treasury yield is forecast to decline gradually over the forecast period from the fourth quarter 2023 average of 4.44 percent, reflecting improving inflation expectations and the expected decline in future short-term yields. The yearly average of the 10-year Treasury yield is forecast to be 4.06 percent in 2024 and 3.75 percent in 2025.

With spending growth slowing and global supply chain problems receding, demand-supply imbalances are improving. Thus, the current forecast calls for the growth of overall consumer prices to decelerate to 2.7 percent in 2024 and further to 2.3 percent in 2025, from the four-decade-high 8.0 percent in 2022 and 4.1 percent in 2023.

Consumer Spending

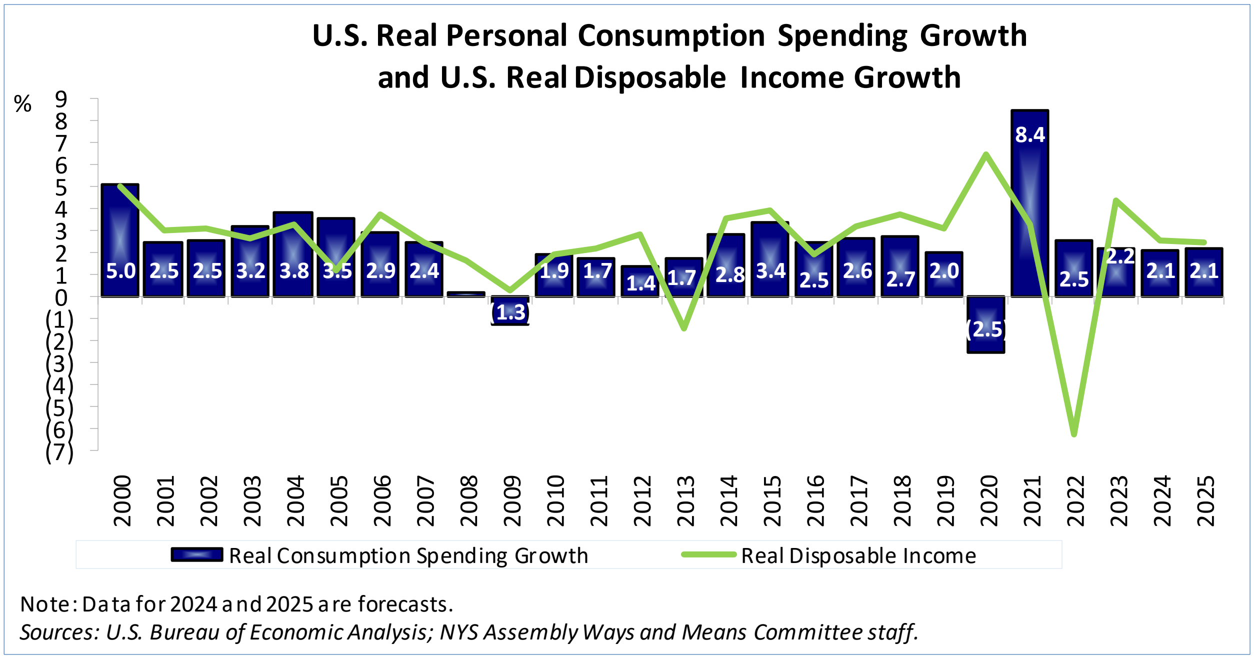


Figure 5

Key Points

- **Consumer spending, adjusted for inflation, grew 2.2 percent in 2023, following a 2.5 percent increase in 2022, supported by healthy income growth, savings, and higher credit card debt.**
- **Consumption spending is projected to increase 2.1 percent in 2024, supported by strong, though slowing, wage growth and weaker price inflation. In 2025, consumption spending is forecast to grow by another 2.1 percent, as interest rates ease and prices normalize.**

Personal consumption spending, adjusted for inflation, grew at a robust rate of 2.2 percent in 2023, following a 2.5 percent increase in 2022. This resiliency in consumer spending was supported by solid income growth. In particular, wages increased at a rate faster than inflation, supporting the purchasing power of consumers and thus their spending.

Consumer spending growth was also supported by the continued drawdown of the savings that were accumulated during the pandemic. Savings consisted of the pandemic relief funds that were doled out to households by the federal government in 2020 and 2021 and the portion of households' regular income that was not spent because government mandates restricted many of their activities. In addition, consumer spending was propped up by households' increasing reliance on their credit cards to make purchases.

However, headwinds persist and will likely restrain consumer spending over the forecast period. Banks have been tightening their lending standards as households' financial positions have been weakening. Rising mortgage rates have made home purchasing less accessible, particularly for interest sensitive households. The loss of potential home purchases dampens spending on home furnishing, residential equipment, and financial services. Monetary and fiscal policy uncertainties and weakening economic outlook cause volatility in the stock market that impact consumer sentiment. As employers adjust hiring concurrently with slowing sales, employment growth is expected to soften, adversely impacting wage gains. Though global supply chain issues seem less of a concern, higher prices on some consumer goods and services persist.

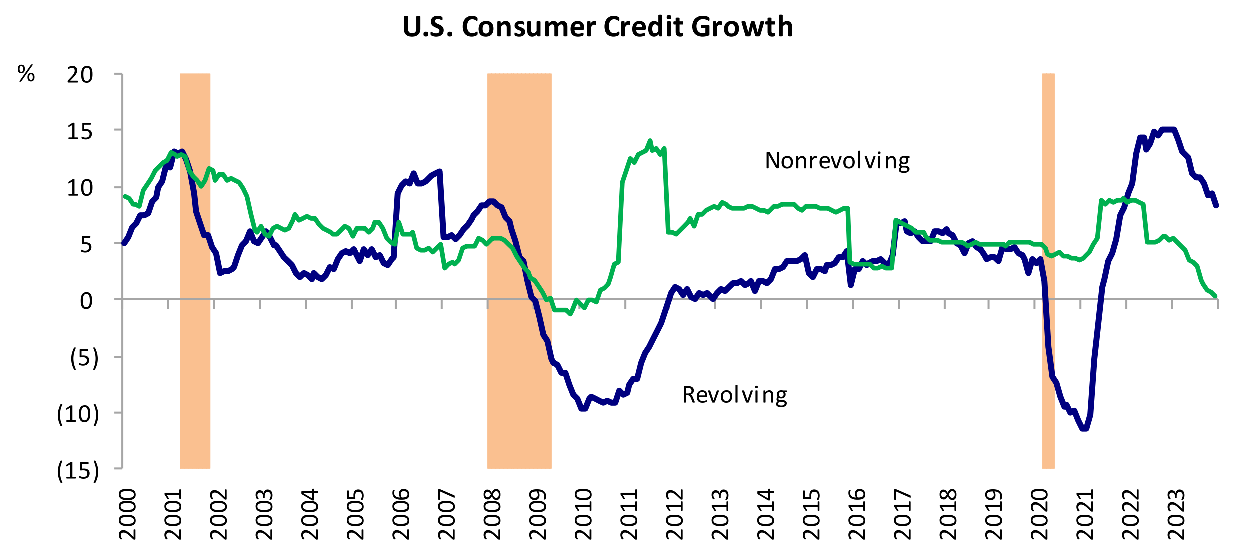
Despite these drawbacks, consumer spending will be propped up by slower but healthy wage growth. Furthermore, the expectation of lower interest rates and the fall off in consumer prices particularly of gasoline has contributed to greater optimism. Consumption spending growth is projected to increase 2.1 percent in 2024. In 2025, consumption spending is forecast to grow another 2.1 percent, as interest rates continue to ease and prices normalize (see Figure 5).

Real disposable personal income growth has slowed

As a result of continued healthy growth in wages and other personal income components, disposable personal income, adjusted for inflation, grew 4.4 percent in 2023, following a decline of 6.3 percent in 2022. As price pressures moderate and wage growth slows over the forecast period, inflation-adjusted disposable income is projected to grow 2.7 percent in 2024 and another 2.5 percent in 2025 (see Figure 5). Disposable personal income is anticipated to support measured growth in consumer spending over the forecast period.

Credit card purchases have supported spending but at an unsustainable pace

Households have relied more on credit card usage to maintain short-term consumer spending (see Figure 6). In 2023, revolving credit rose by another 11.4 percent. Over the same period from a year earlier, households' revolving credit rose by 13.6 percent up from consecutive yearly declines of 1.1 percent in 2021 and 5.7 percent in 2020. Pre-pandemic, revolving credit averaged under 5.0 percent on an average annualized basis. Meanwhile, growth in longer-term loans, including mortgages, vehicle, and student loans, has slowed as interest rates have risen. Higher interest rates have made these loans more formidable particularly as the prices of motor vehicles and homes continue to increase. With income growth slowing, and credit card usage far surpassing the growth in disposable income, consumers' reliance on credit card loans for spending is not sustainable.

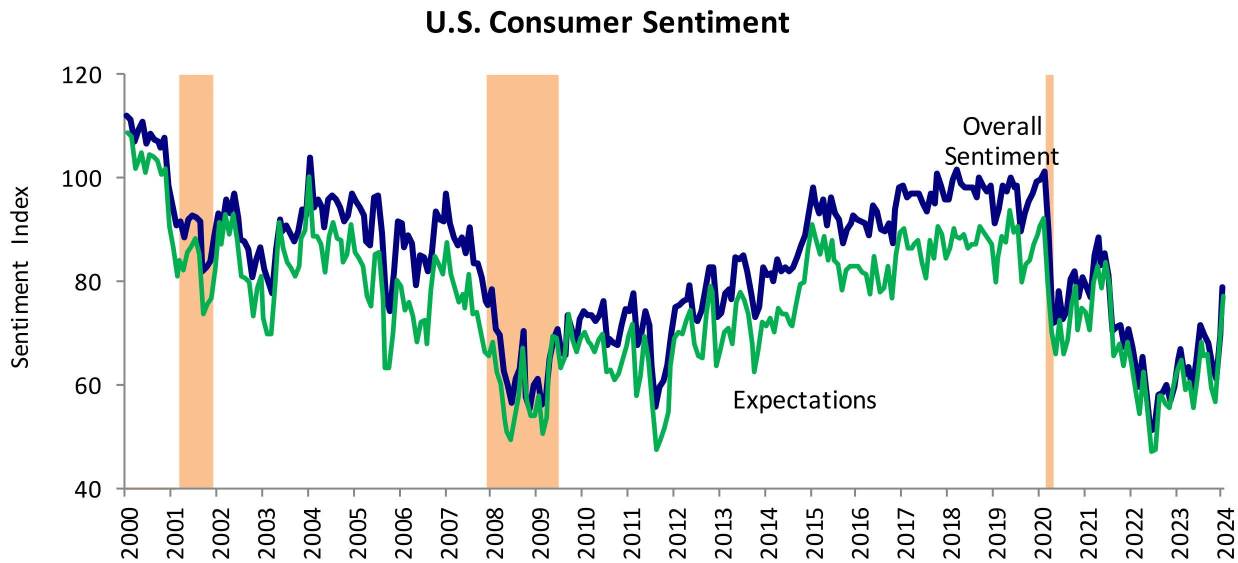


Notes: Data are monthly through December 2023. Growth is year-over-year. Shaded areas represent recessions.
Source: Federal Reserve.

Figure 6

As prices fall, consumers have become less pessimistic

Consumers have become less tentative about their economic well-being and financial situation as their concern about the impact of inflation on the purchasing power of their incomes starts to ease (see Figure 7). In recent months, consumer prices on goods, particularly gasoline prices, have declined. Consumers have a more positive view of the labor market, despite glimmers of some softening. In addition, consumers have become less anxious about global conflicts, the U.S. political landscape, and interest rate hikes as the media "noise" has lessened. With consumers favorability ratings well below pre-pandemic level, however, the expectation is that consumers will exhibit restraint in their spending over the forecast period.

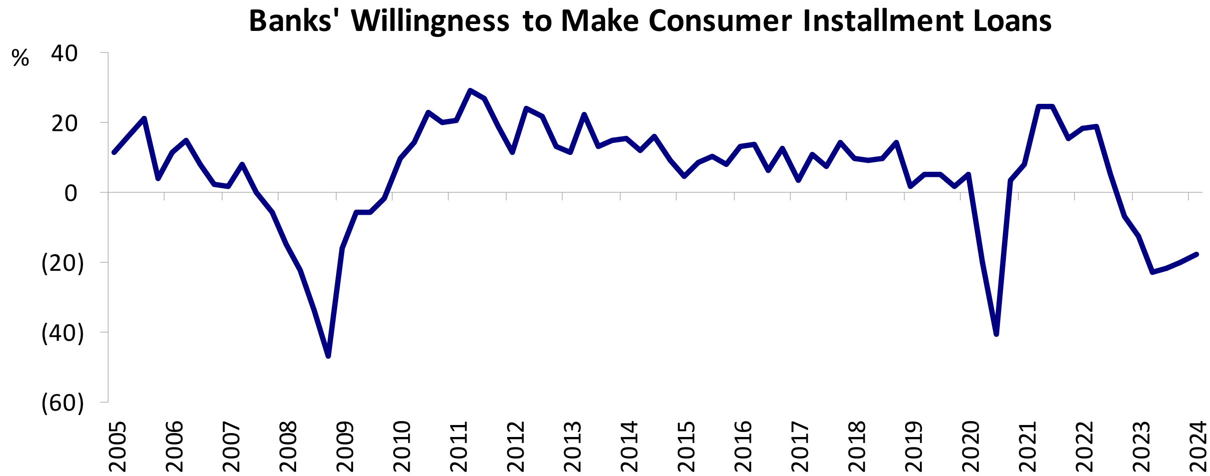


Note: Data are monthly through January 2024. Shaded areas represent recessions.
Source: Reuters/University of Michigan ICS.

Figure 7

Many potential borrowers face difficulty getting long-term loans

Banks' lending standards have tightened for seven consecutive quarters as interest rates and household liabilities have risen. With delinquency rates trickling up, banks have become less willing to make loans (see Figure 8). Tightening loan standards means that it will become more difficult for consumers to qualify for mortgages, motor vehicle, and other big ticket item loans mainly for borrowers with less than stellar credit ratings. Less access to credit will curb consumer spending overtime.



Note: Data are quarterly through 2024:Q1. Bank data were taken from a survey of approximately fifty to seventy-two domestic banks and nineteen to twenty-eight U.S. branches and agencies of foreign banks. The percentage is the fraction of banks that reported increased willingness to make consumer installment loans from the previous three months.
Source: Federal Reserve.

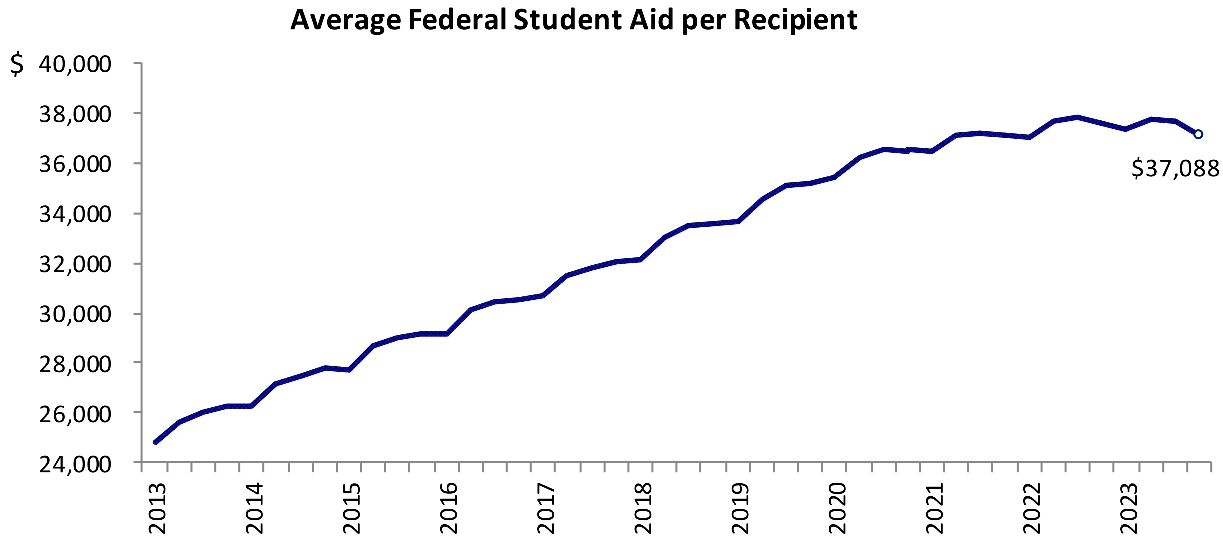
Figure 8

Federal government policy on student loans

The Biden Administration initiated a student loan forgiveness program that reduced or eliminated student loans for qualifying individuals.[1] However, litigation of the program resulted in the moratorium on payments during the pandemic being lifted where interest on student loans restarted on September 1, 2023, with payments that began on October 1, 2023. However, the Administration has established other programs that have led to billions of dollars in loan forgiveness for many borrowers.

The growth in average student loan has steadily declined since the first quarter of 2020. Then, the average student loan grew 5.2 percent from the first quarter of 2020 compared to a year earlier. In the fourth quarter of 2023, the average student loan growth had fallen 1.3 percent over the same period in 2022. The average student loan was $37,477 in 2023, a 0.2 percent decrease from a year earlier (see Figure 9). The Biden Administration policies on loan forgiveness or payments will help buffer consumer spending, for those borrowers. However, with over $1.6 trillion in student loan debt outstanding, the resumption of payments will steer money away from purchases of consumer goods and services, though the impact on overall spending will likely be small.

[1] However, a U.S. appeals court has issued an injunction barring the U.S. Department of Education from eliminating the student debt. See Reuters, "U.S. court extends block on Biden's student loan forgiveness plan," November 14, 2022.



Note: Data are quarterly through 2023:Q4.
Source: National Student Loan Data System (NSLDS).

Figure 9

Higher interest rates have negatively impacted households' net worth

Gains in households' net worth has been stymied by rising interest rates, as the Federal Reserve sought to stave off inflation. Household net worth slowed dramatically in the second quarter of 2022, after the Federal Reserve began to raise interest rate at the end of the first quarter of 2022 (see Figure 10). Thereafter, household net worth declined from the third quarter of 2022 to the first quarter of 2023. Financial assets, which include corporate equities, were primarily responsible for the significant decline as the value of corporate equities in household's portfolio experienced double-digit decreases. Similarly, as interest rates rose, mortgage rates also increased, which caused the growth in the value of real estate held by households to fall. However, by the second quarter of 2023, net worth rose as the Federal Reserve held off on further interest rate increases.

High-income households are usually the primary recipients of most of the gains and losses in the stock markets. While they are less price sensitive than their lower-income counterparts, they are more responsive to disturbances in the financial markets. As a result, if high-income households feel less wealthy, it is likely that that they will delay purchases, particularly of luxury goods, until later in the forecast period.

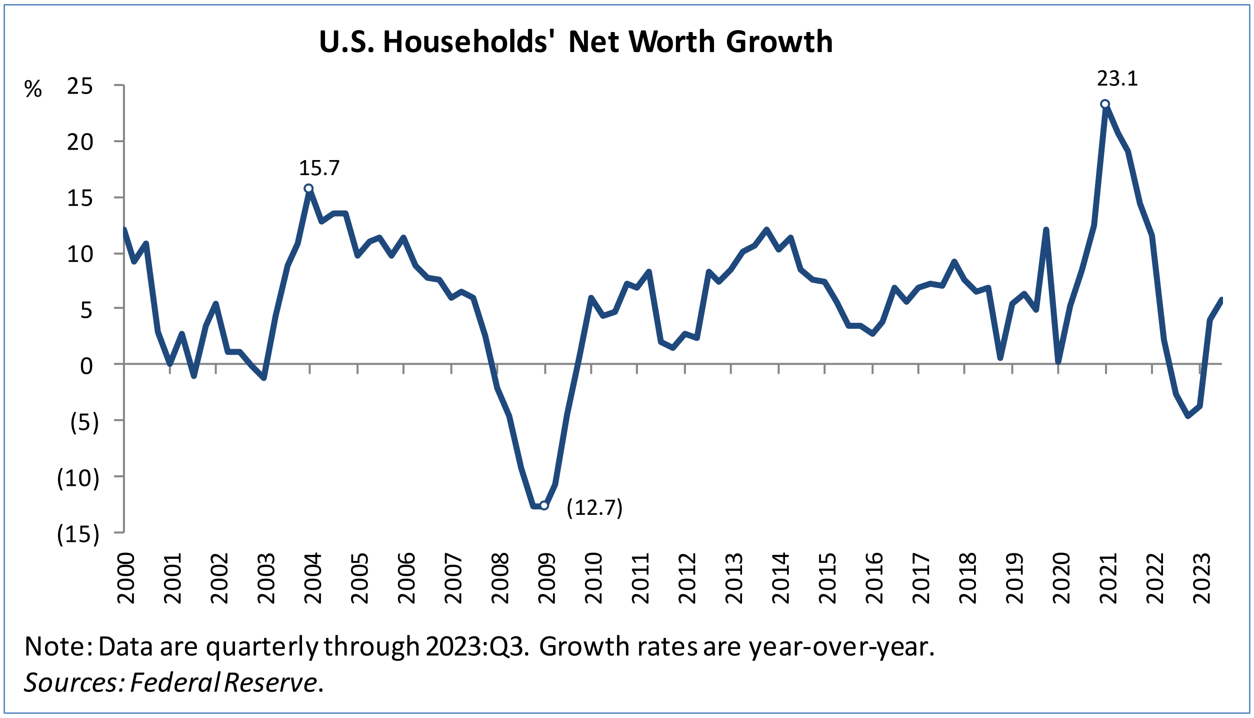


Figure 10

Households' financial position has softened but remains well-grounded

As prices rose rapidly, consumers depended on the savings accumulated during the pandemic to facilitate their spending. The U.S. personal saving rate plummeted from 32.0 percent in April 2020 and stood at 3.7 percent in December 2023 (see Figure 11). The revised income data from the Bureau of Economic Analysis suggested that the excess liquidity held by households were far higher than previously estimated. In fact, the Federal Reserve Bank of San Francisco estimated earlier that of the $2.1 trillion in excess savings accumulated over the pandemic, less than $190 billion was left in June 2023.[2] The revised data indicated that excess savings peaked at about $2.6 trillion, of which about over $1 trillion was still left to be

[2] The Federal Reserve Bank of San Francisco estimated that of the $2.1 trillion in excess savings accumulated over the pandemic, an estimated $190 billion was held by household in June. See Hamza Abdelrahman and Luiz E. Oliviera, "Excess No More? Dwindling Pandemic Savings," SF FED BLOG, Federal Reserve Bank of San Francisco, August 16, 2023, https://www.frbsf.org/our-district/about/sf-fed-blog/excess-no-more-dwindling-pandemic-savings/.

drawn down.[3] The evidence indicates that most of this excess liquidity is being held by high-income households. Thus, as savings have dwindled, especially for cash-strapped households who have exhausted their excess savings, consumer debt has risen. The increase in household debt burden has been heightened due to rising interest rates, implying a higher share of disposable income must be reserved for debt payment. Households that have drawn down these savings more slowly will continue to use the remainder to smooth out their consumption spending in the coming months.

U.S. households' debt-to-income ratio has risen above its pre-pandemic levels but remains below the highs prior to the Great Recession. Also, the financial obligation ratio, which measures the percentage of disposable income obligated to debt payment, though rising, remains below its pre-pandemic levels (see Figure 11). The delinquency rate on consumer loans has been increasing in recent months and surpassed pre-pandemic levels in the third quarter of 2023. In particular, the delinquency rate on mortgages is at record lows, as most homeowners with mortgages locked in record-low fixed rates during the post-pandemic housing boom in 2021 and early 2022.

Overall, households' financial position is predicated on where on the income-distribution they lie. Households at the lower end of the income scale have likely exhausted all their excess liquidity accumulated over the pandemic years and have become more reliant on debt, carrying over bigger balances on credit cards with their household income not keeping pace. For this population, a larger debt load may prove restrictive to consumption spending over the forecast period. On the other hand, households that have pulled down their excess liquidity more slowly are more likely to have a buffer to maintain their consumption spending.

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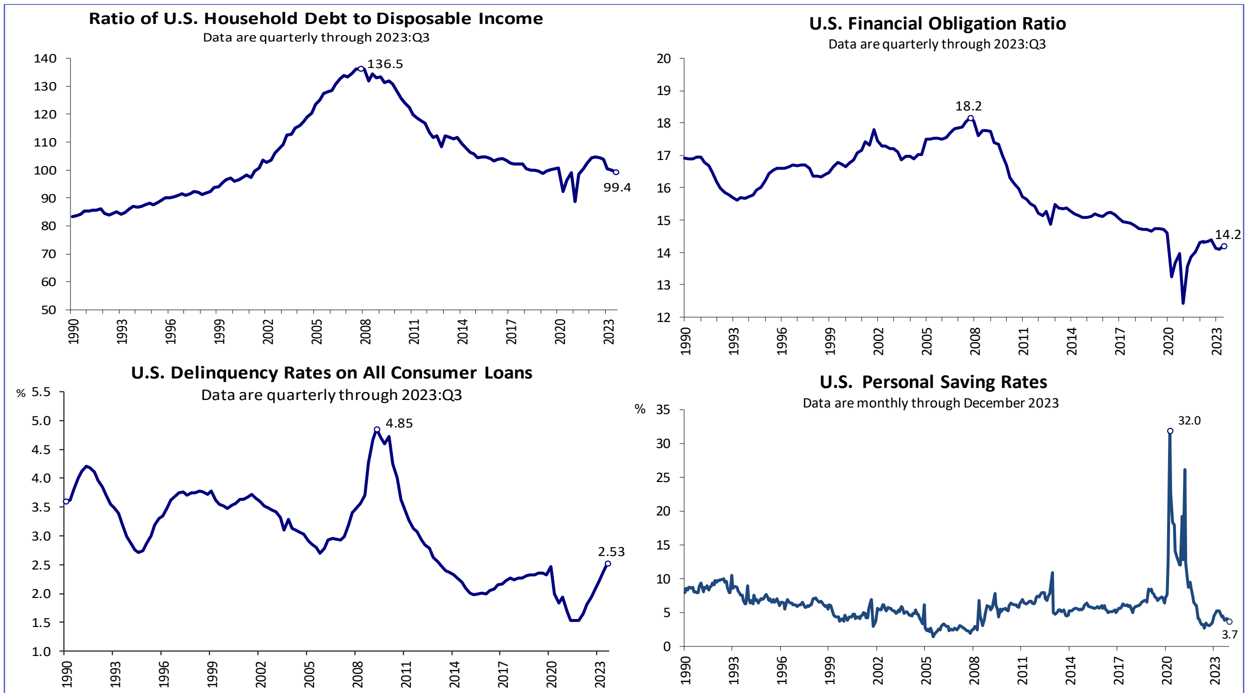
[3] See Scott Hoyt, "The Savings Question:Deeper Pocket," Moody's Analytics, October 5, 2023, http://www.economy.com/economicview/analysis/398764; Tim Quilan, Shannon Seery, and Jeremiah Kohl, *Time to Rethink Excess Savings*, Special Commentary, Wells Fargo Economics, October 5, 2023, http://wellsfargo.bluematrix.com/links2/html/d90e5f00-049f-4129-8aa0-cdd93bb9300b; Bloomberg News, "Americans saved hundreds of billions more than previously thought," Investment News, October 10,2023, https://www.investmentnews.com/americans-saved-hundreds-of-billions-more-than-previously-thought-244353.



Notes: Delinquent loans are those past due thirty days or more and still accruing interest as well as those in nonaccrual status. They are measured as a percentage of end-of-period loans.
Sources: Federal Reserve; U.S. Bureau of Economic Analysis; Ways and Means Committee staff.

Figure 11

Consumer spending outlook

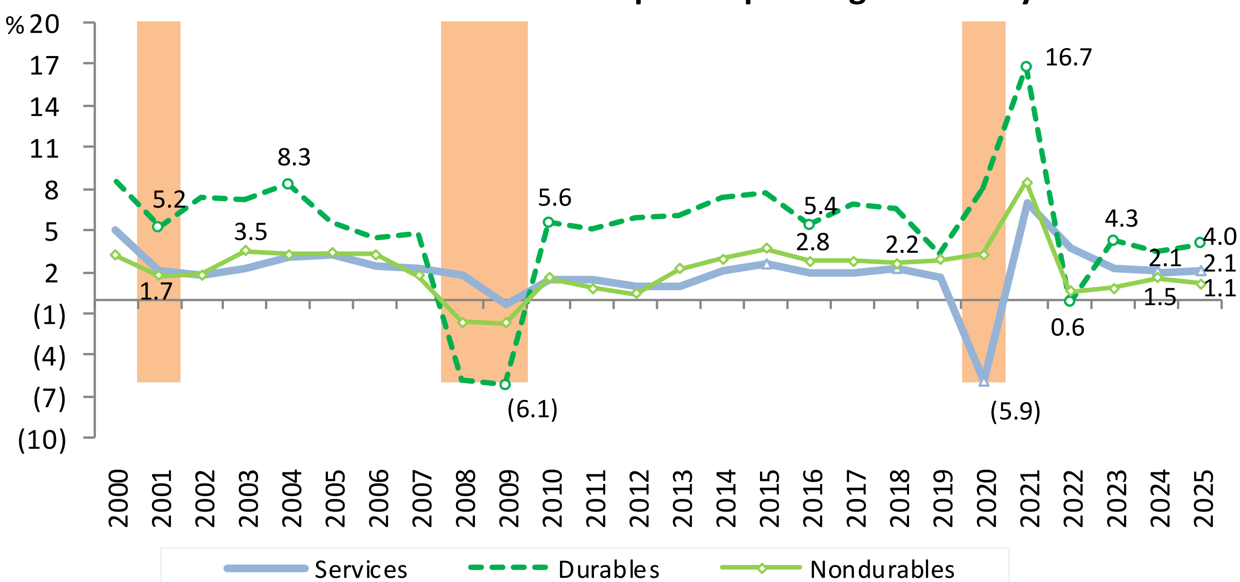
All components of consumer spending outperformed expectations in 2023. The shift in consumer spending from goods to services observed when prices surged in 2022 persisted, as prices remained sticky on many goods and businesses continued to keep a lean inventory-to-sales margin.[4] Price and budget sensitive consumers continued to respond by choosing necessities and their substitutes over higher-priced nonessential goods.

Spending on durable goods increased sharply in the first quarter of 2023, after declining for most of 2022, as prices soared on motor vehicles and parts and home furnishing and durable household equipment. Higher interest rates and supply constraints pushed prices on these goods higher, particularly for motor vehicles. As prices have declined, spending on motor vehicles and parts grew significantly in the first half of 2023 due mainly to spillover effects of pent-up demand

[4] Since June 2022, businesses have been keeping less than one and a half months worth of inventories in stock. At the end of November 2023, the inventory-to-sales ratio was 1.37 compared to 1.38 at the end of November 2022. See, Manufacturing and Trade Inventories and Sales: November 2023, U.S. Census Bureau, January 17, 2024, https://www.census.gov/mtis/current/index.html.

from the pandemic, prolonged supply chain challenges, and aged vehicles. In 2023, the average age of cars and light trucks was 12.2 years.[5]

In 2023, total vehicle sales rose 4.5 percent compared to a 3.3 percent in 2022 and 22.5 percent in 2021. However, new orders of durable goods, a leading indicator of consumer spending on these goods, growth has been declining since August 2023 compared to 2022, suggesting slower spending on consumer durables over the forecast period. In 2023, spending on durable goods grew 4.3 percent, following a decline of 0.3 percent in 2022, due to a falloff in prices. However, higher interest rates, slower disposable income growth, and preference for necessities imply slower growth in durable goods spending in 2024 of 3.5 percent. Though spending on durable goods improves in 2025 as interest rates moderate and price pressures ease further, growth is projected to increase by only 4.0 percent (see Figure 12).



Note: Data for 2024 and 2025 are forecasts. Shaded areas represent recessions.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 12

While gasoline and other energy prices have fallen sharply from 2022, they remain well above pre-pandemic levels. On the other hand, the prices of food and beverage purchased to be used at home, clothing and footwear, and other non-durable goods have been increasing.

[5] The average age of a car was 13.6 years, while the average age of light trucks was 11.8 years in 2023. See *The Average Age Of Automobiles and Trucks in Operation in the United States*, U.S. Department of Transportation, https://www.bts.gov/content/average-age-automobiles-and-trucks-operation-united-states.

Consequently, spending on clothing and footwear grew only 0.7 percent in 2023, following growth of 1.7 percent in 2022 and 25.1 percent in 2021. Clothing and footwear prices rose another 2.6 percent in 2023, after a 5.2 percent increase in 2022. Spending on food and beverage fell 1.4 percent in 2023 as prices rose by another 5.0 percent. In 2022, spending on these goods declined 1.9 percent as their prices accelerated 10.3 percent. However, spending on gasoline grew 2.2 percent as its prices fell 10.2 percent. The prices of gasoline and other energy goods accelerated in 2022 by 32.3 percent and spending on these goods were flat. Hence, spending on non-durable goods grew 0.9 percent in 2023 as some price stickiness persisted. In 2024, growth in spending on non-durable goods is forecast to increase to 1.5 percent, as prices are normalized and by 1.1 percent in 2025.

Prices on consumer services were unyielding, growing an annual average of 5.1 percent in 2023 from 5.4 percent in 2022. Despite higher prices on services, spending on services has been robust because many services, such as doctor’s visit, electricity, and housing, are essential and cannot be replaced or substituted. Thus, consumers will pay for the service if they cannot delay or forego its consumption.

Since spending on services is the largest component in overall personal consumption spending, higher overall prices on essential goods and services will mean consumers have less income for other nonessential purchases. Hence, spending on services will be supported by the higher spending on housing and household utilities, transportation services, and health care. Consumer spending on services grew 2.3 percent in 2023, following an increase of 3.7 percent in 2022. In 2024, spending on services is projected to grow 2.1 percent in 2024, followed by a 2.1 percent increase in 2025 (see Figure 12).

Residential and Business Investment Spending

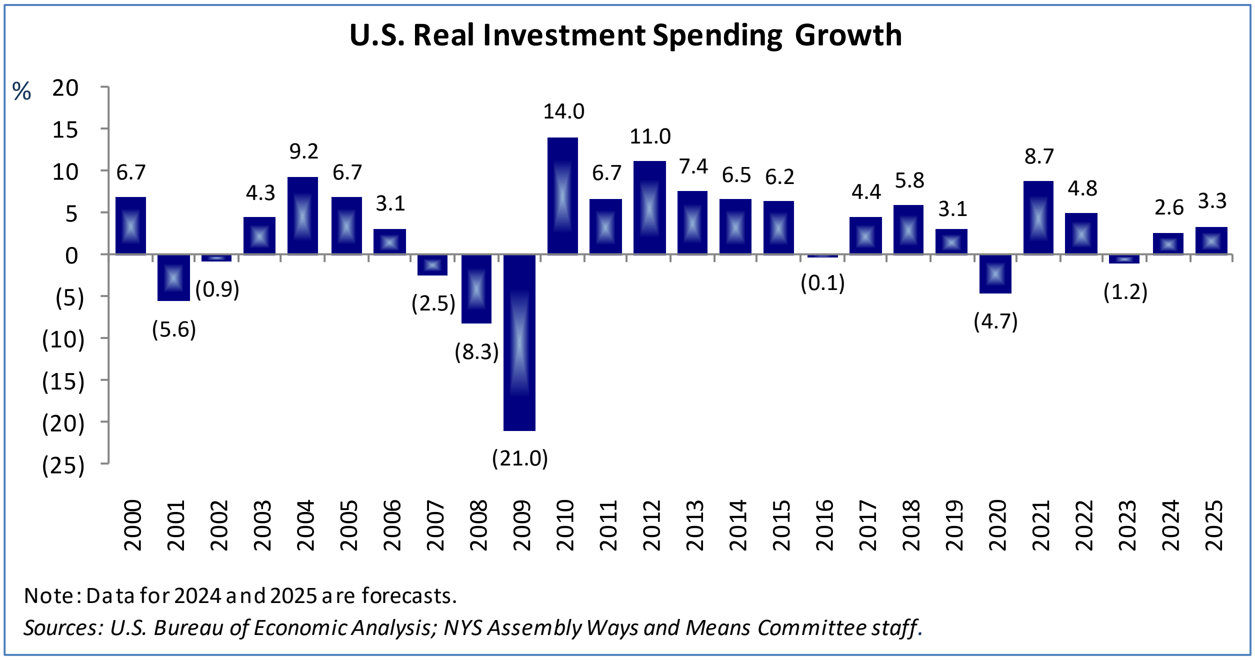


Figure 13

Key Points

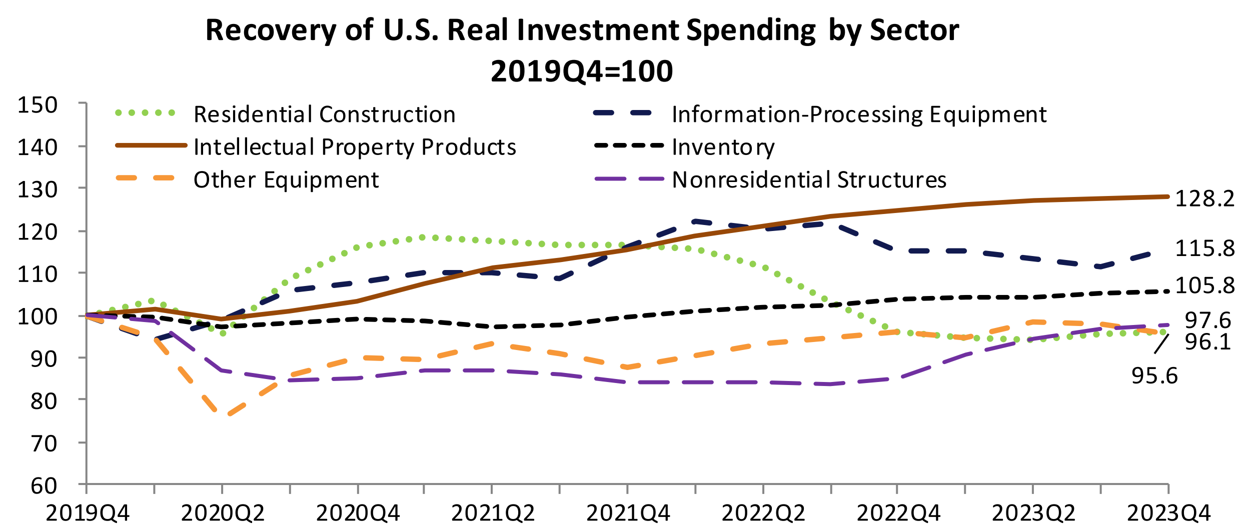
- **Restrained by rising costs of credit and slowing sales growth, overall private investment spending has weakened, with residential investment spending particularly hard hit by declining affordability.**
- **With residential construction activity expected to stabilize, overall private investment spending will likely return to growth in the forecast period, after declining 1.2 percent on a yearly average basis in 2023. But the pace is expected to remain modest.**

After rebounding to a strong yearly average of 8.7 percent (after adjusted for price changes) in 2021 and 4.8 percent in 2022, growth of overall private investment spending weakened to a 1.2 percent decline in 2023 (see Figure 13). Although some sectors have shown improvement in the past few quarters, growth of overall private investment spending is likely to remain modest, under the weight of elevated interest rates and moderating sales growth.

Nonresidential structures spending has turned to growth, but the pace will remain moderate

After declining for six consecutive quarters, business spending on nonresidential structures turned to growth in the fourth quarter of 2022, and the growth gained momentum in 2023. The recent improvement in nonresidential structure spending has been largely led by spending on manufacturing structures, which grew 115.6 percent between the third quarter of 2020 and the fourth quarter of 2023. But overall nonresidential structure spending was still 2.4 percent below its pre-pandemic peak level, as of the fourth quarter of 2023 (see Figure 14).

The recent strong rally in manufacturing structure spending has been supported by various tax incentives in the CHIPS and Science Act of 2022 and the Inflation Reduction Act of 2022. As these legislations promote the revival of domestic research and manufacturing, especially of semiconductor chips, electric vehicles and batteries, and renewable energy, growth of spending on manufacturing structures will likely continue in the current forecast period.



Note: Data are normalized with 2019Q4 = 100.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 14

Spending on mining exploration, shafts and wells has also recovered strongly. After declining almost 50 percent during the first three quarters of 2020, it has steadily increased, reclaiming its pre-pandemic peak level in the first quarter of 2023. Spending on other nonresidential structures, including commercial, healthcare, power, and communication, has also shown some improvement in the past few quarters. But it remains depressed with its fourth quarter 2023 level still 15.4 percent below its 2019 year-end level. Some of these sectors, such as retail, office, and warehousing, suffer from their long-term downward trends as well as the long-term consequences of the pandemic. For example, as online sales increase steadily and workers still prefer to work remotely, businesses accordingly reassess their retail space and office need.

Residential investment spending is not out of the woods yet

As the COVID-19 pandemic sparked a renewed preference for suburban single-family housing over urban shared housing, residential construction activity rebounded strongly in the latter part of 2020 through the first half of 2021, from the initial blow of the pandemic. However, rapidly rising home prices and mortgage interest rates have undermined affordability, turning the trend of housing starts and sales downwardly. Consequently, residential investment spending declined for nine consecutive quarters, between the second quarter of 2021 and the second quarter of 2023 (see Figure 14). Especially hard hit are real estate brokers' commissions as well as the construction of single-family homes, manufactured homes, dormitories, and home improvements.

The rate of decline in residential investment spending slowed in the first half of 2023, and the trend was even reversed in the third quarter. This recent improvement has been helped by healthy gains in single-family home construction. As rising mortgage interest rates have discouraged homeowners from selling their homes, the inventory of existing single-family homes for sale has dwindled, consequently inducing home buyers and builders to turn to new homes. But the recent improvement in residential investment spending will likely be limited, as the shortage of buildable lots persists. Also, home prices and rents keep rising and mortgage interest rates remain elevated, weighing on home buyer affordability and the demand for residential housing.

Spending on intellectual property products continues to grow but the pace has moderated

With a renewed surge in demand for up-to-date information technology during the recent pandemic years, business spending on computer software has increased rapidly, accounting for 52.2 percent of total intellectual property products spending in the fourth quarter of 2023. During the three-year period ending in the fourth quarter of 2022, software spending grew at an average quarterly rate of 12.3 percent, on an annualized rate basis. But its growth slowed to an average quarterly rate of 6.6 percent in 2023. The main cause was a correction in the tech sector after overinvestment during the earlier years of the recent pandemic. Spending on research and development and intellectual property products other than software has also slowed markedly in the recent quarters. This moderation in growth in spending on intellectual property products is likely to persist in the next two years, due to softening economic growth outlook and elevated costs of financing. This will put a damper on the growth of overall private investment spending in the next two years, as the intellectual property products sector represents more than 40 percent of total fixed investment spending.

Business spending on equipment has been recovering, but only at a modest rate

As sheltering at home as well as working from home encouraged the demand for virtual office, business spending on computers and other information-processing equipment increased strongly in 2020 and 2021, with its first quarter 2022 level up 22.3 percent above its pre-pandemic peak level. Spending on this category of equipment has since declined at an average quarterly rate of 5.3 percent, on an annualized rate basis. The main cause of this decline was initially the global shortage of semiconductor chips and was later compounded by the tech sector's correction. But business spending on the information-processing equipment is likely to improve in 2024, as indicated by the recent turnaround in global semiconductor billings since February 2023. The pace of recovery will be measured, though, due to a hesitant reversal from the correction in a slowing economic growth environment.

Transportation equipment spending has not reclaimed its pre-pandemic peak level yet, as of the fourth quarter of 2023. However, as traveling has recovered from the pandemic lows, the replacement and pent-up demand for transportation equipment, such as aircraft and rental vehicles, has been on an upward trend since the fourth quarter of 2021. Transportation equipment spending has also been helped by improvement in the global shortage of semiconductor chips that hampered the production of cars and trucks in 2021. But the pace of recovery in transportation equipment spending is likely to remain modest during the current forecast period, restrained by the elevated costs of financing and the dimming outlook for economic and employment growth.

Along with overall economic recovery, business spending on industrial and other categories of equipment has rebounded from its pandemic lows, surpassing its pre-pandemic peak level in the fourth quarter of 2021. But it has since been declining at an average quarterly rate of 1.9 percent, on an annualized rate basis, due to slowing sales growth and rising costs of credit.

Spending on inventory investment has slowed

During the post-pandemic recovery in 2021, global supply chain issues and logistic constraints negatively impacted the production as well as international flow of goods, exacerbating the supply shortage in the U.S. As a result, businesses had to draw down sharply their existing inventories to accommodate the demand that was growing strongly in 2020 and 2021. After two consecutive years of decline, inventory investment spending rebounded in 2022, making large contributions to national output growth. Excluding the inventory investment, national output grew a mere 1.3 percent in 2022.

Reflecting on the overstocking during 2022, businesses sharply cut back on their inventory stocking plans in 2023. With slower sales growth expected, this trend of lean inventory stocking will likely continue in the next two years, with inventory investment spending making little contribution to overall investment spending and national output growth.

Declining capacity utilization rate and softening corporate earnings outlook

The rate of capacity utilization has been on a downward trend since September 2022. Since declining utilization generally reduces the need for new equipment and structures, this will put an additional damper on the growth of spending on commercial structures as well as industrial equipment.

After a strong rebound in 2021 and 2022, growth of corporate net earnings softened in 2023, to an estimated yearly average of a mere 1.9 percent. Since businesses typically tap into cash flow from their own earnings when the costs of external financing rise rapidly, weakening corporate earnings will likely dampen growth of business capital spending.

Outlook

Against this backdrop, overall private investment spending is forecast to return to growth during the current forecast period, after declining 1.2 percent in 2023. But the pace is expected to remain modest at a yearly average rate of 2.6 percent in 2024, before improving to 3.3 percent in 2025.

A big part of the weakness in 2023 is attributed to a 10.7 percent yearly contraction in residential investment spending, which marks the second consecutive yearly decline (see Figure 15). As housing market activity has stabilized and is expected to improve further, residential construction spending on a yearly average basis is forecast to turn to growth of 1.9 percent in 2024, followed by 3.8 percent in 2025.

After a 5.0 percent decline in 2023, which marks the first yearly contraction since 2009, business spending on information-processing equipment is forecast to improve in the forecast period, supporting overall equipment spending. On a yearly average basis, overall business equipment spending, which remained near flat in 2023, is forecast to grow 2.2 percent in 2024 and 3.1 percent in 2025.

After accelerating to 10.4 percent in 2021 and 9.1 percent 2022, growth of intellectual property products spending slowed to a yearly average rate of 4.3 percent in 2023. The growth is forecast to slow further to 2.1 percent in 2024 and 4.0 percent in 2025.

After three consecutive years of contraction, spending on nonresidential structures returned to growth in 2023, increasing 12.7 percent on a yearly average basis. The recovery is forecast to continue in 2024, but the yearly average growth is expected to moderate to 3.9 percent in 2024 and 1.0 percent in 2025, as fiscal stimulus on manufacturing structure spending is set to wane.

Although up from an annual rate of $50.6 billion in 2023, inventory investment is forecast to remain modest at $53.6 billion in 2024 and $61.1 billion in 2025, making little contribution to overall economic growth.

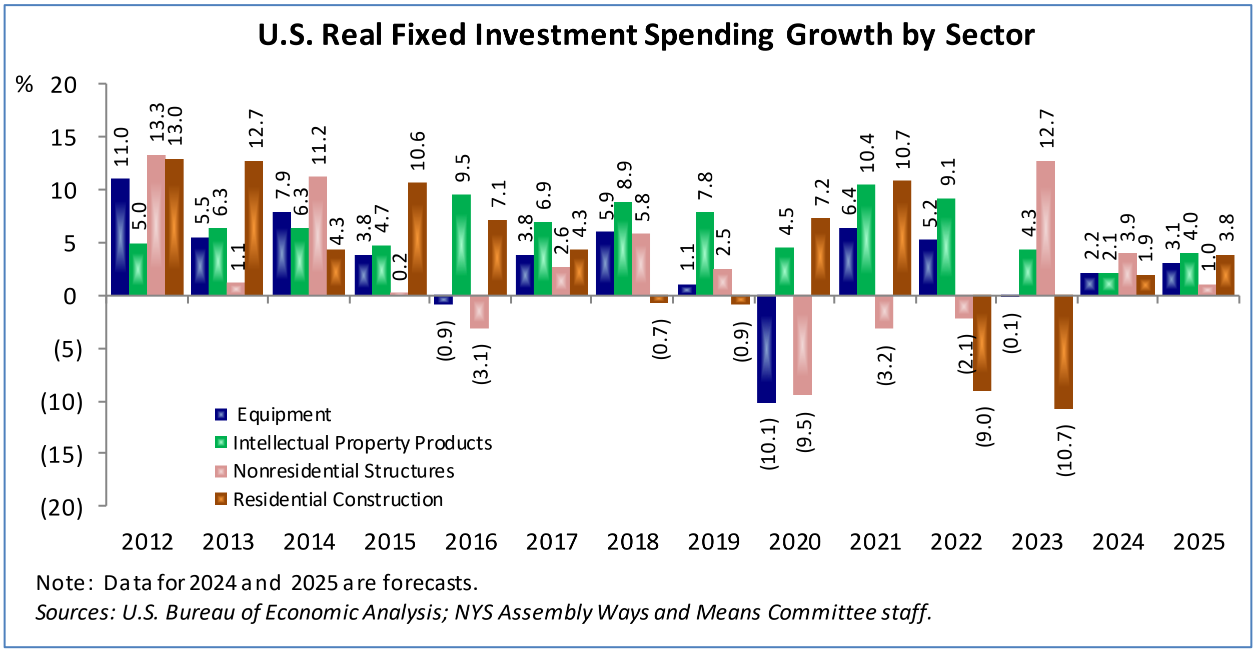
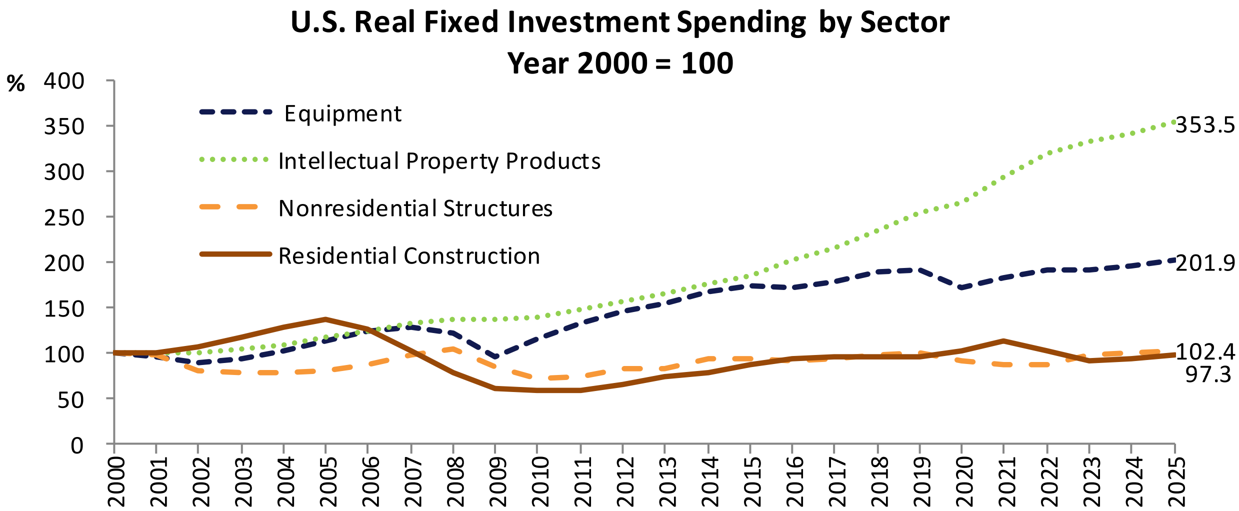


Figure 15

From a longer perspective, as of 2023, inflation-adjusted business spending on equipment and intellectual property products has almost doubled and more than tripled since 2000, respectively, and each is expected to grow further during the current forecast period (see Figure 16).

In comparison, inflation-adjusted spending on residential construction has been below its 2000 level in the past two decades, except for the great housing boom leading up to the Great Recession and a brief strengthening during the recent post-pandemic boom. Spending on nonresidential structures has been even more persistently below its 2000 level in the past two decades. The long-term stagnation in nonresidential structure spending reflects various long-term structural changes that have negatively impacted the U.S. economy. For example, increased global competition has forced many U.S. manufacturing structures. The introduction of efficient inventory management technology has enabled businesses to maintain lean inventories and thus reduce the need for warehousing and storage space. The emergence of e-commerce has also reduced businesses' need to build and maintain traditional retail facilities.



Note: Data for 2024 and 2025 are forecasts.

Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 16

Government Spending

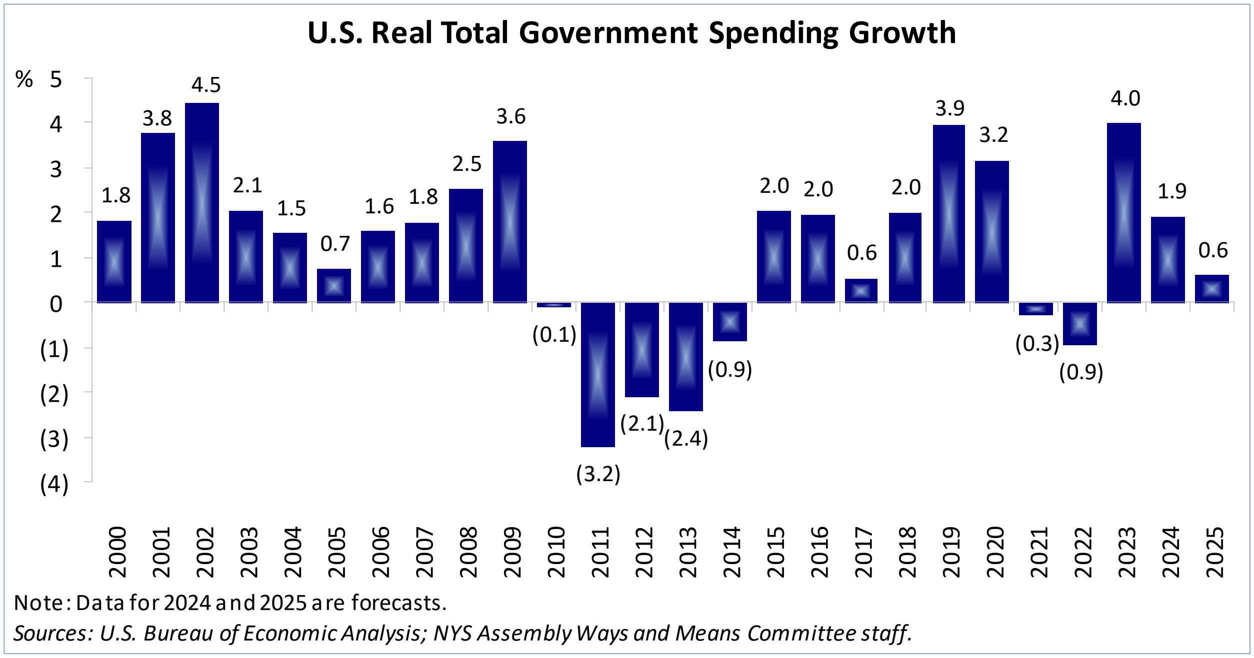


Figure 17

Key Points

- **Federal government spending was supported by spending on services provided by the military, higher compensation of non-defense employees and spending on structures, equipment, and software for both the military and non-defense sector in 2023.**

- **However, federal government spending will be restrained by the Fiscal Responsibility Act of 2023 which sets limits on discretionary spending over the forecast period.**

- **State and local government spending will be bolstered by the infrastructure spending funded by the federal government and higher compensation over the forecast period.**

Total government spending, adjusted for inflation, grew 4.0 percent in 2023, following a decline of 0.9 percent in 2022. The strong increase in government spending was reflective of robust spending on public infrastructure and educational services, higher compensation for state and local government and non-defense employees, and strong growth in spending on military and state and local government equipment. Spending on public infrastructure was boosted by funds allocated in the Infrastructure Investment and Jobs Act (IIJA), which provided the largest infusion of funding in over a decade to state and local governments to update and invest in public infrastructure (see Table 1).[6]

Over the forecast period, total government spending slows significantly as spending limits take effect at the federal level associated with Fiscal Responsibility Act of 2023, and state and local governments rein in spending as they seek to balance their budgets.[7] In 2024, real total government spending is projected to increase by 1.9 percent, and slow further to 0.6 percent in 2025 (see Figure 17).

Table 1

Components of the Infrastructure Investment and Jobs Act	
	$ Billions
Roads, Bridges, and Major Projects	110
Passenger and Freight Rail	66
Public Transit	39
Airports	25
Ports and Waterways	17
Electric and Low Emissions Vehicles	15
Road Safety	11
Reconnecting Communities	1
Total Transportation and Infrastructure Spending	***284***
Power Infrastructure	73
Broadband	65
Water Infrastructure (including lead pipes)	55
Resiliency and Western Water Shortages	50
Environmental Remediation	21
Total Other Core Infrastructure	***264***
Total Spending	**548**

Source: Committee for Responsible Federal Budget.

[6] The Infrastructure Investment and Jobs Act includes funds for repairing roads and bridges, ensuring broadband expansion, electrifying vehicles, boosting public transit and freight rail, replacing lead pipes and a host of other provisions. See The Infrastructure Investment and Jobs Act, Public Law 117-58, 117th Congress of the United States, signed into law on November 15, 2021.

[7] See The Fiscal Responsibility Act of 2023, Public Law 118-5, 118th Congress of the United States, signed into law on June 3, 2023.

Federal government spending

In 2023, federal government spending was primarily driven by spending on services provided by the military, and defense and nondefense spending on structures, equipment, and software. In addition, federal government spending was also supported by higher compensation of non-defense employees. As a result, federal government spending, adjusted for inflation, increased 4.2 percent, following a 2.8 percent decline in 2022. The decline in 2022 came on the heels of the unwinding of the pandemic-related relief packages that were doled out by the federal government in the prior two years.

In June 2023, the Fiscal Responsibility Act of 2023 (FRA) suspended the limit on the debt ceiling until January 1, 2025. Also, FRA limits the expansion of discretionary spending by the federal government for both defense and non-defense spending. The mandated cap on defense spending for federal fiscal year (FFY) 2024 is $886 billion, which is about a 1.0 percent increase from FFY 2023 when adjusted for inflation. In nominal terms, both defense and nondefense spending are 1.0 percent higher in FFY 2025 than in FFY 2024. However, with funding capped at $895 billion, adjusted for inflation, defense spending would fall by 1.0 percent from FFY 2024. Over the ten-year period 2024-2033, the FRA reduces the federal deficit by a projected $1.5 trillion.[8] Similarly, the Inflation Reduction Act of 2022 (IRA) was projected to reduce the federal deficit by $238 billion over the ten-year period 2022 to 2031.[9]

Hence, over the forecast period, compensation of civilian and non-civilian employees, public infrastructure spending, and spending on goods and services provided by the federal government are anticipated to slow. Federal government spending is forecast to increase only 1.5 percent in 2024 and continue to slow in 2025 to 0.8 percent, as mandated spending limits rein in federal government spending (see Figure 18).

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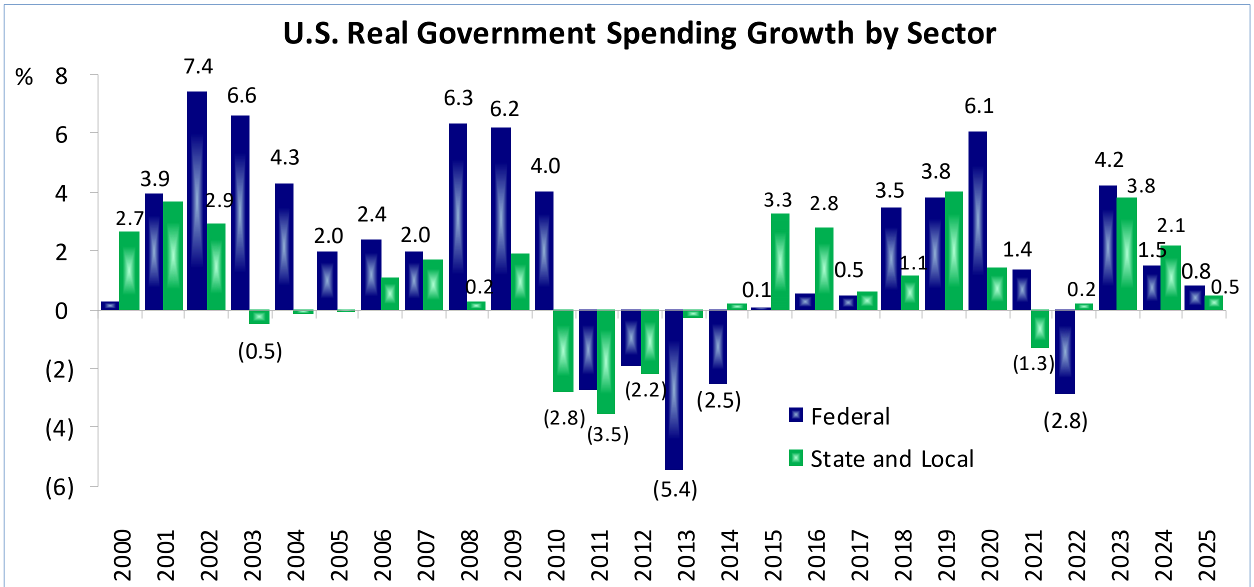
[8] See "*How the Fiscal Responsibility Act of 2023 Affects CBO's Projections of Federal Debt*," Congressional Budget Office, June 9,2023, https://www.cbo.gov/publication/59235.

[9] See *Cost Estimate-Estimated Budgetary Effects of Public Law 117-169, to Provide for Reconciliation Pursuant to Title II,* Congressional Budget Office, September 7,2022.



Note: Data for 2024 and 2025 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 18

Billions of dollars in stimulus payments to households, unemployment insurance assistance, loans to businesses, and grants to states pushed the budget deficit to over $3.1 trillion in federal fiscal year (FFY) 2020, or 14.9 percent of GDP, the largest deficit recorded. The budget gap in federal fiscal year 2021 was $2.8 trillion or 12.4 percent relative to the size of the economy (see Figure 19). For fiscal year 2022, the budget deficit fell to $1.4 trillion mainly due to diminished stimulus payments.[10] The deficit rose to $1.7 trillion in federal fiscal year 2023 or 6.2 percent of GDP.[11] The Congressional Budget Office (CBO) projects that the budget deficit will be $1.6 trillion in FFY 2024 or 5.6 percent of GDP and $1.8 trillion in FFY 2025 or 6.1 percent of GDP.[12]

The federal government accrual of debt raises concerns about federal spending on interest payments and the impact on economic growth over time. According to the CBO, rising

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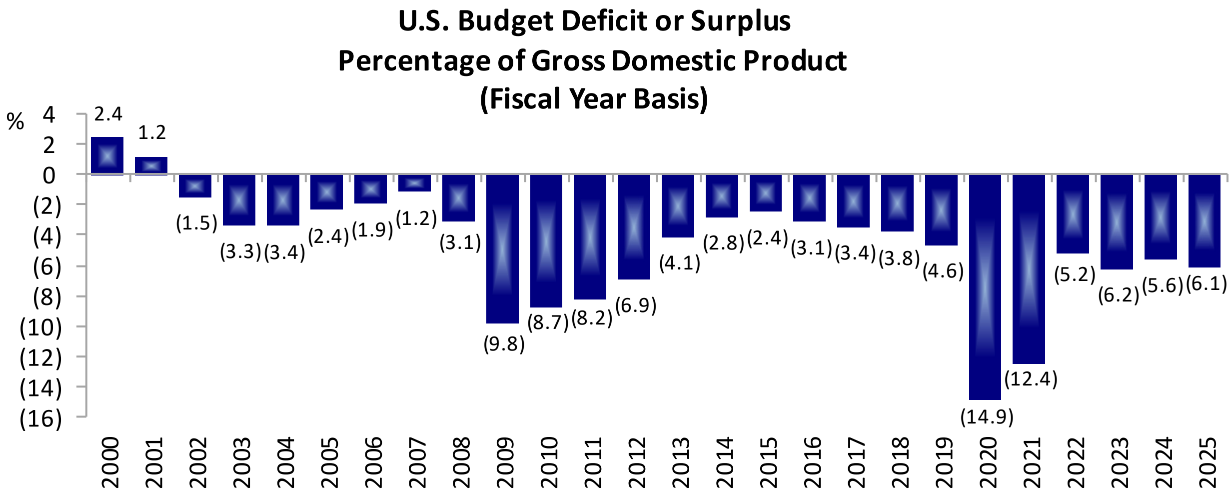
[10] See U.S. Department of Treasury, *Financial Report of the United States Government For Fiscal Year 2022,* Bureau of the Fiscal Service, February 2023, https://www.fiscal.treasury.gov/reports-statements/financial-report/current-report.html.

[11] See U.S. Department of Treasury, *Final Monthly Treasury Statement, Receipts and Outlays of the United States Government, Fiscal Year 2023 Through September 30, 2023 and other periods*, Bureau of the Fiscal Service, October 2023, https://www.fiscal.treasury.gov/reports-statements/mts/current.html.

[12] See Congressional Budget Office, *The Budget and Economic Outlook: 2024-2034*, February 2024, https://www.cbo.gov/publication/59710; and see also "CBO's Projections of Federal Receipts and Expenditures in the National Income and Product Accounts: 2023 to 2033," September 6, 2023, https://www.cbo.gov/publication/59457.

debt will likely lead to higher inflation and higher borrowing costs as interest rates rise. In 2023, higher interest rates push interest payments by the federal government to $659 billion, 38.7 percent higher than in FFY 2022.[13] As more federal funds are steered toward interest payments, the federal government has less flexibility to address fiscal crises, resulting in a decline in the value of Treasury securities.



Note: Data for fiscal years 2024 and 2025 are estimates. The federal fiscal year starts October 1 and ends September 30 of the next calendar year. Therefore, fiscal year 2023 is from October 1, 2022, through September 30, 2023. The Congressional Budget Office assumes current laws.

Source: Congressional Budget Office.

Figure 19

State and local government spending

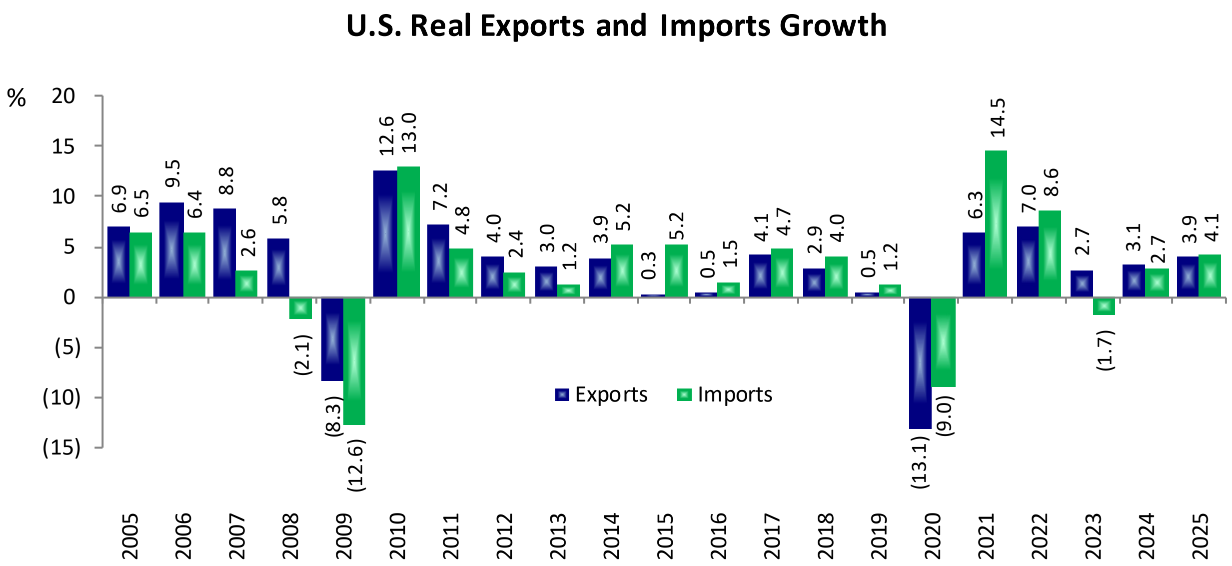
State and local government spending, adjusted for inflation, grew 3.8 percent in 2023, following an increase of 0.2 percent in 2022. The acceleration in state and local government spending growth stemmed primarily from the IIJA which allocated funds for spending on infrastructures, equipment, and software (see Table 1). States have a windfall of funds that were accumulated from federal government payouts and higher revenues that were driven by rapid wage growth, higher prices on goods and services, and corporate income tax collection from the prior two years. Public investment spending began to grow strongly in the third quarter of 2022 and continued in 2023, increasing by 11.5 percent in the first quarter of 2023, 18.7 percent in the second quarter, then by another 16.0 percent in the third quarter, and by 9.3 percent in the fourth quarter. As a result, public investment spending grew 11.7 percent in 2023. In addition, state and local government spending on goods and services outpaced 2022 in 2023.

[13] Ibid 11.

State and local government spending was also supported by higher compensation of employees despite states and localities slow employment gains following the pandemic. State government employment surpassed its February 2020 peak level in November 2023. Local government employment declined by 1.2 million from its peak in February 2020 to its trough in May 2020; its employment surpassed its pre-pandemic peak in December 2023. Worker shortage will continue to slow the pace of state and local government employment growth, as they compete with the private sector for available workers. The private sector tends to offer higher wages and is much more flexible at adjusting pay schedules than the public sector.

With economic growth expected to slow over the forecast period, and tax collection growth to decelerate, the pace of state and local government spending is anticipated to slowdown in 2024 and 2025. In 2023, personal income tax collection declined 11.5 percent compared to the same period in 2022; though sales tax collection rose 3.4 percent, while property tax collection increased 3.9 percent, over the same period. For the first three quarters of 2023, corporate profits tax collection fell 0.4 percent, compared to the same period in 2022. Many states used pandemic-related funds to fund long-term projects. Since these funds are non-recurring, these states find that to maintain a balanced budget they will have to curb spending or seek out other revenue sources. Hence, growth in state and local government spending is forecast to slow to 2.1 percent in 2024 and then to 0.5 percent in 2025 (see Figure 18).

Exports and Imports



Note: Data for 2024 and 2025 are forecasts.

Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 20

Key Points

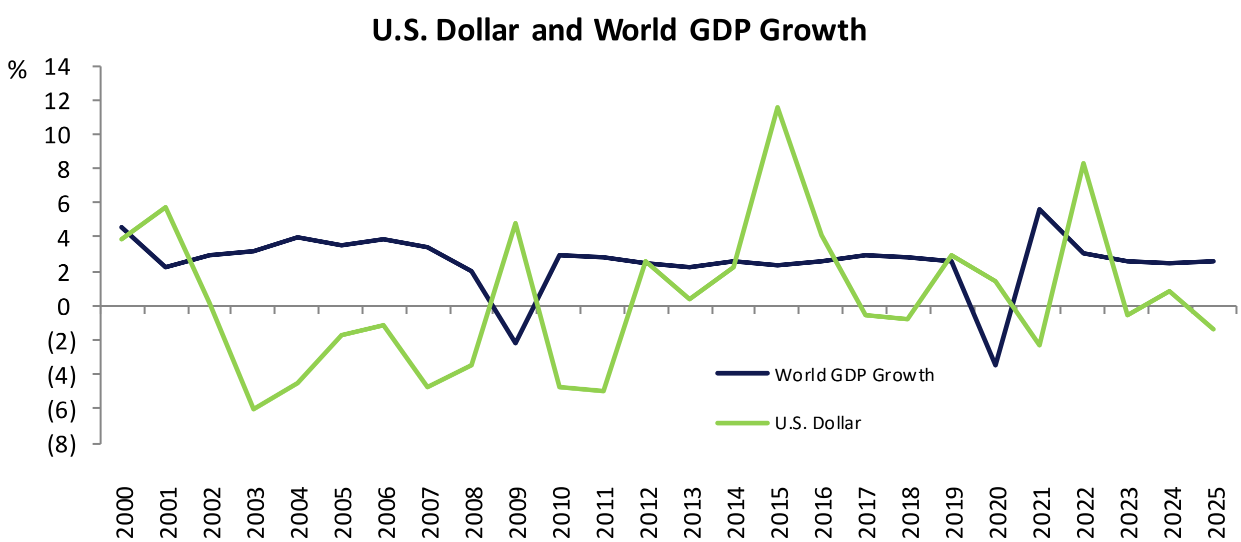
- **U.S. exports growth decelerated in 2023, as global economic growth slowed and the U.S. dollar value remained high.**
- **Weakened private consumption and investment spending put downward pressure on imports in 2023.**
- **With the U.S. dollar expected to soften and private investment expenditures forecast to return to growth, the growth of both exports and imports are forecast to improve in 2024 and 2025.**

Global economic growth and the value of the U.S. dollar are the two main factors that affect U.S. exports. If the economies of U.S. trading partners expand, their demand for U.S. exports will increase. If the U.S. dollar gets stronger, then the demand for U.S. exports will fall, because U.S. goods become more expensive to foreigners. In addition, stronger domestic demand, all else equal, would support a stronger increase in U.S. imports.

Tightening monetary policy around the world, China's economic slowdown, and the wars in Ukraine and Gaza put downward pressure on global economic growth

After growing solidly at 7.0 percent in 2022, U.S. exports grew at a slower rate of 2.7 percent in 2023, as tight monetary policy and more restrictive credit conditions caused global economic growth to soften, while the U.S. dollar value remained elevated. Although several countries have grown faster than previously anticipated, the slowdown in China's economy and the wars in Ukraine and Gaza weighted on the global economy. Thus, global economic growth decelerated from 3.1 percent in 2022 to 2.6 percent in 2023.

With the headwinds continuing into 2024, global economic growth is expected to remain modest in 2024. Global economic growth is forecast to improve in 2025, as advanced as well as developing economies are projected to benefit from expected cuts in interest rates around the world in 2025. Global economic growth is forecast to grow 2.4 percent in 2024 before rising to 2.7 percent in 2025 (see Figure 21).



Note: Data for 2024 and 2025 are forecasts.
Sources: Federal Reserve; World Bank; NYS Assembly Ways and Means Committee staff.

Figure 21

As consumer spending weakened and private investment expenditures declined, U.S. imports fell in 2023 after strong growth of 8.6 percent in 2022. In 2023, U.S. imports of consumer goods, industrial supplies excluding petroleum, and capital goods, which accounted for more than two-thirds of total U.S. imports, fell compared to 2022 (see Figure 22). As a result, U.S. imports declined 1.7 percent in 2023.

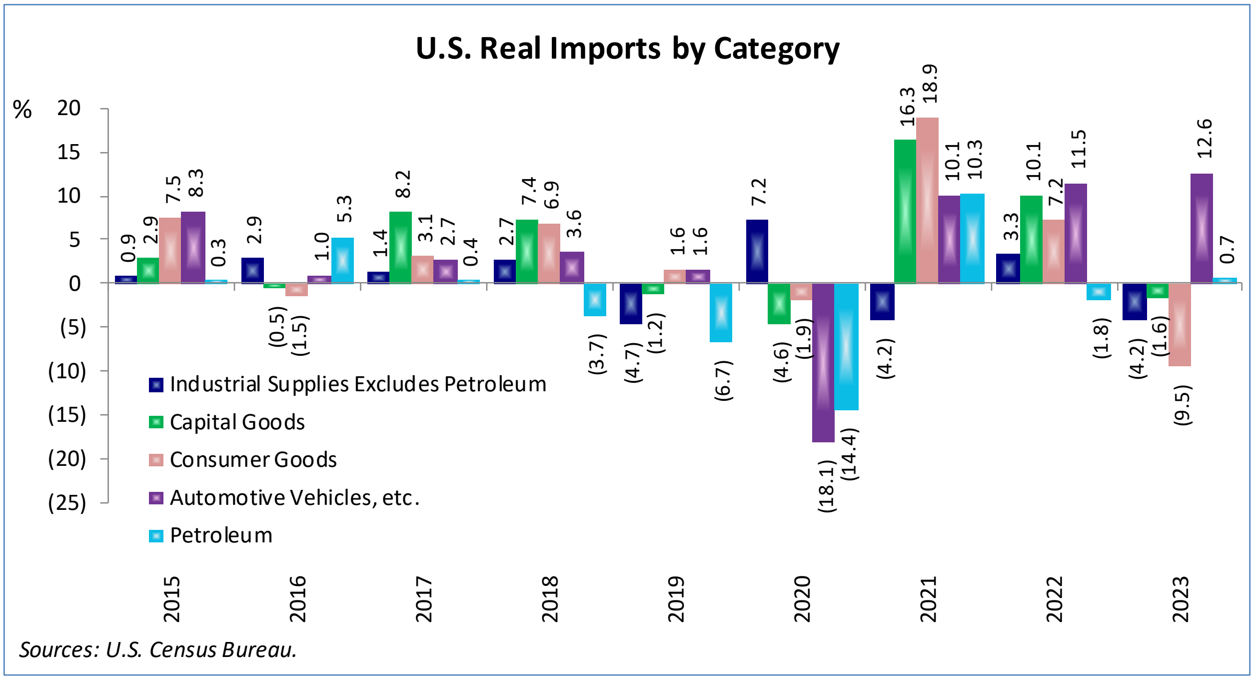


Figure 22

U.S. dollar has softened but remains elevated

The U.S. dollar has long been considered as a safe haven currency during global turmoil. When the levels of uncertainty escalate, investors shift their investments to U.S. dollar denominated assets, which are considered to be more secure. As a result, the demand for the U.S. dollar rises, causing its value to appreciate. After rising sharply during the early phase of the Ukraine-Russia War to the highest level in more than three decades in October 2022, the value of the dollar has been on a downward trend recently (see Figure 23) Consequently, the U.S dollar value fell 0.5 percent in 2023.

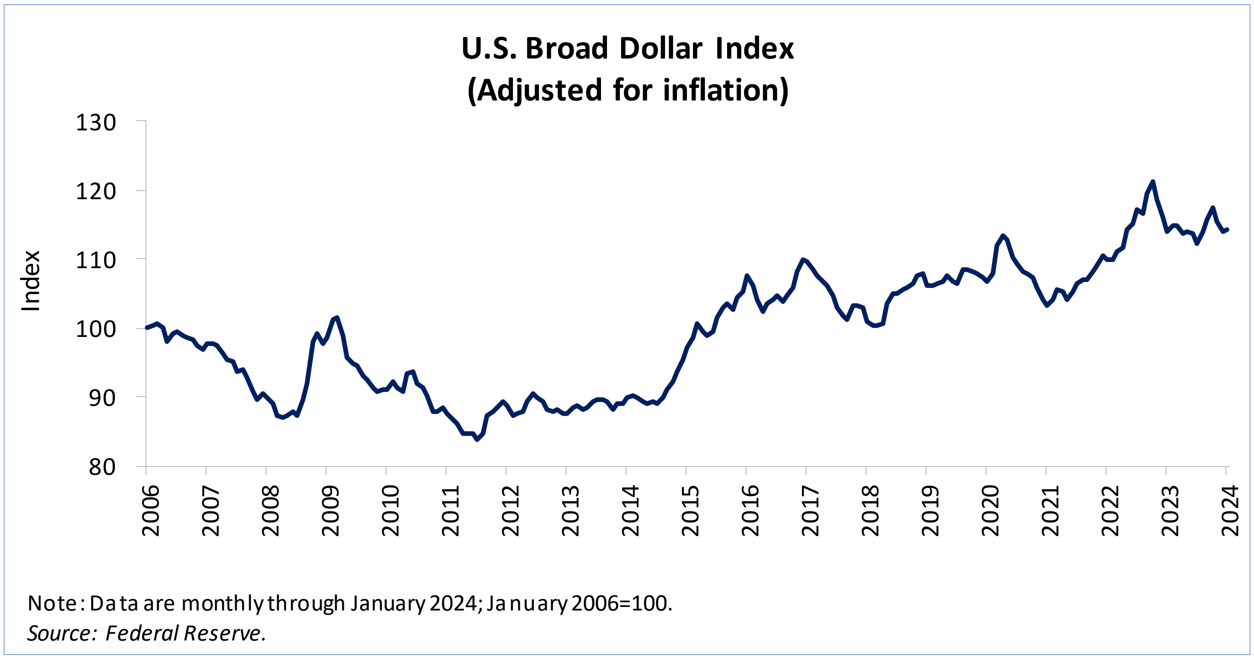


Figure 23

Looking forward, high government debts will likely put downward pressure on the value of the U.S. dollar. At the same time, geopolitical tensions will put upward pressure on the dollar's value. The U.S. dollar value is expected to appreciate by 0.9 percent in 2024 but is forecast to decline 1.3 percent in 2025 (see Figure 21).

U.S. exports are anticipated to continue to grow during the forecast period as global economic growth is expected to improve and the U.S. dollar is expected to weaken. Similarly, an increase in investment spending will help lift imports. Exports are forecast to grow another 3.1 percent in 2024, while imports are expected to rebound and increase by 2.7 percent. With the U.S. dollar expected to depreciate and the global economy to improve, U.S. exports are projected to further at 3.9 percent in 2025, while imports are anticipated to grow by 4.1 percent (see Figure 20).

Employment

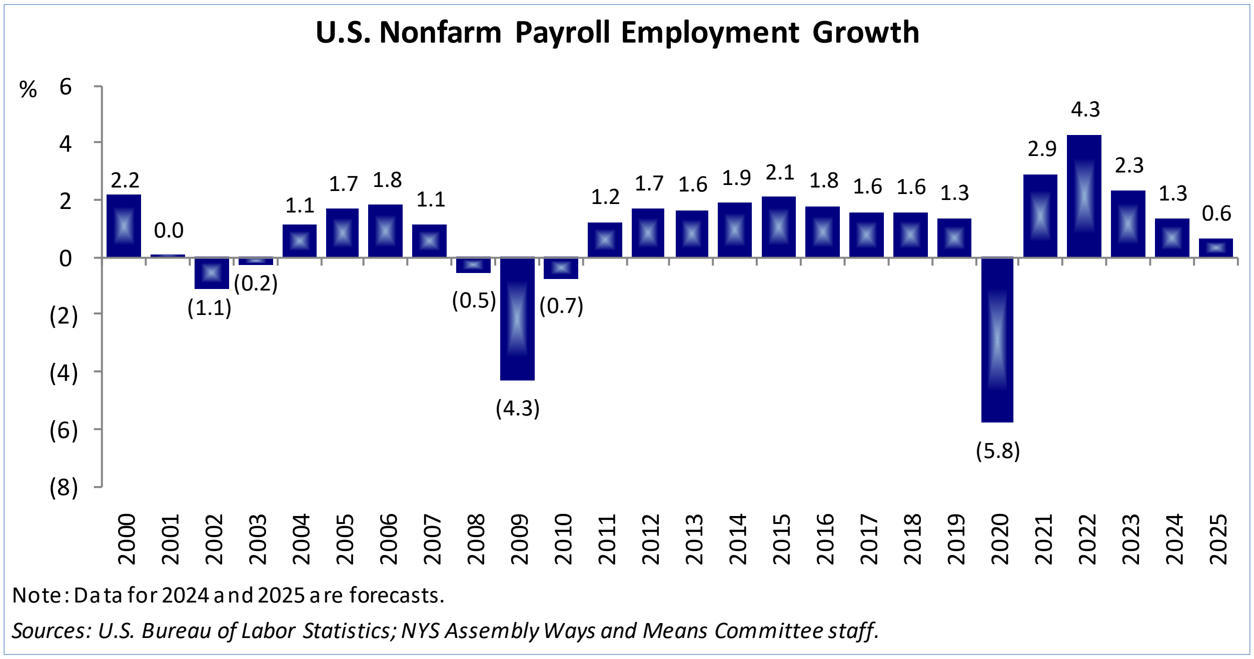


Figure 24

Key Points

- **The U.S. economy is operating at full employment with the unemployment rate near record lows. Despite the Federal Reserve's tightening, the labor market remains tight although there are some signs of easing.**

- **Labor supply shortage and slowing economic growth will curb employment growth in 2024 and 2025.**

- **Payroll employment growth over the forecast period will be determined mainly by the continued, though slowing, job gains in service-providing industries.**

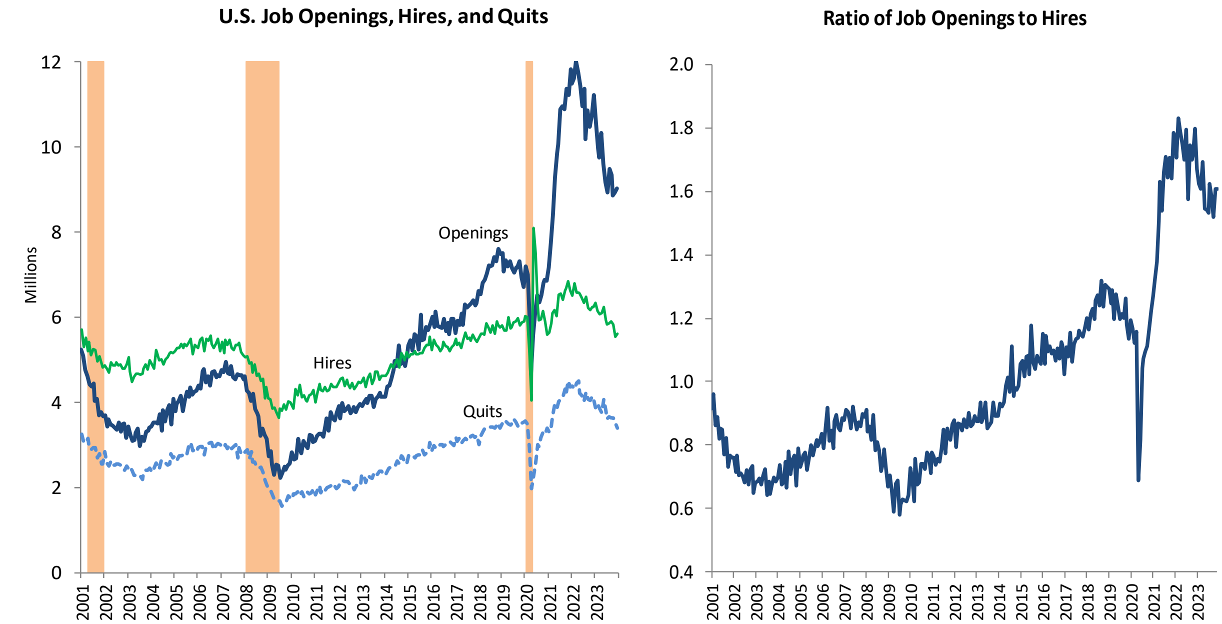
After plummeting between March and April 2020, payroll employment recovered at a robust pace, surpassing its pre-pandemic peak level in June 2022. This hiring boom, combined with a slower recovery in the pool of workers available, led to a tight labor market and fast increases in wages. However, as the economy is at full employment and the pool of workers available for hire becomes increasingly limited, payroll job growth has been slowing after peaking at the yearly rate of 4.3 percent in 2022. Total nonfarm employment growth declined to 2.3 percent in 2023. With the demand for workers expected to moderate due to slower sales growth, payroll employment growth is projected to decelerate further to 1.3 percent in 2024 and 0.6 percent in 2025 (see Figure 24).

The labor market is showing some signs of easing

Despite the Federal Reserve's restrictive monetary policy, the U.S. labor market remains tight but has shown some signs of easing. The job openings to hires ratio, was 1.52 in October 2023, the lowest since April 2021, down from 1.83 in March 2022 when job openings were at an all-time high (see Figure 25).[14] In 2023, the job openings to hire ratio averaged 1.60, lower than the 1.73 over the same period in 2022. In December of 2023, job openings fell by 3.1 million from its peak in March 2022 while hires declined by 2.5 million from its peak in May 2020. While the number of hires have fallen below pre-pandemic levels, job openings remain elevated. The discrepancy between the number of job openings and hires likely suggests that employers are still having a difficult time finding qualified workers. With economic growth expected to slow, hires will likely fall as employers adjust their payroll employment to align with sales while trying to keep their workforce intact. The number of people quitting their jobs has fallen within pre-pandemic levels, after peaking in November 2021. As economic conditions weaken, the tightness in the labor market should ease somewhat bringing the index closer to pre-pandemic average of about 1.20.

The unemployment rate remains low by historical standards and suggests that people who had left the labor force during the pandemic years are coming back to the labor market looking for jobs. Between August 2023 and January 2024, the unemployment rate averaged 3.8 percent, which is higher than the average of 3.5 percent during the first seven months of 2023. Similarly, the underemployment rate averaged 7.1 percent between August 2023 and January 2024, while the average for the first seven months of 2023 was 6.7 percent (see Figure 26). Rising unemployment rates, even if slowly, are indicative of some easing in the labor market.

[14] When the job openings to hire ratio is greater than one, this implies labor market tightness, that is, difficulty filling jobs. Conversely, when the ratio is below one, prospective workers are generally having a hard time finding a job, that is, labor market slackness.



Note: Data are monthly through December 2023. Shaded areas represent recessions.
Sources: U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee.

Figure 25

Other emerging signs that portend that the labor market may be easing were that in January 2024, the Institute for Supply Management (ISM) Manufacturing Employment Index signaled that employment in the manufacturing sector had contracted for four consecutive months. Similarly, the ISM Services Employment Index indicated that employment in the services sector contracted sharply in December 2023, but expanded in January 2024 even after eight industries reported a decline in employment while seven others reported no change. Construction, accommodation and food services, and public administration were the only industries to report gains in employment.[15] In addition, the Employment Cost Index (ECI), which measures the hourly labor cost to employers over time, indicated that labor costs, though growing at a healthy pace, had slowed. In the third quarter of 2023, compensation cost slowed to 4.8 percent for private industry workers from 6.4 percent in third quarter of 2022. Slower compensation growth points to smaller gains in employment.

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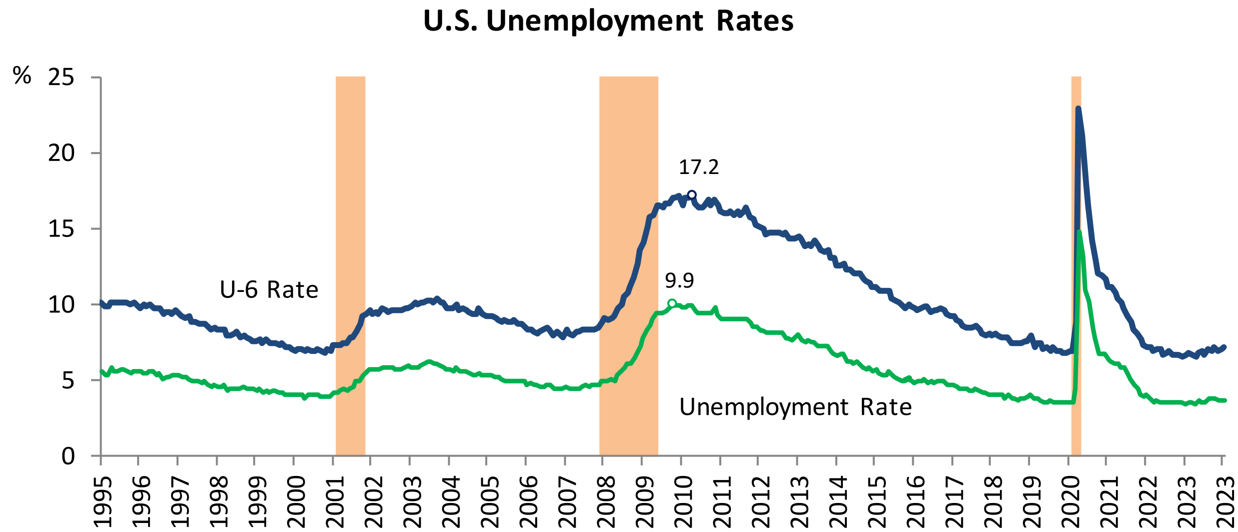
[15] See January 2024 Services ISM Report on Business, Institute for Supply and Management, January 4, 2024, https://www.ismworld.org/supply-managment-news-and-reports/reports/ism-report-on-business/services/January.



Note: The U-6 Rate includes all marginally attached workers plus total employed part-time for economic reasons. Data are monthly through January 2024. Shaded areas represent recessions.
Source: U.S Bureau of Labor Statistics.

Figure 26

Changing work patterns may curb employment growth

Since the pandemic, more people have been seeking job flexibility, choosing to work part-time for either economic or non-economic reasons.[16] Employers have had to adjust to this new trend by likely shifting work that was once deemed full-time into multiple part-time positions as they struggle to fill their job openings. The number of part-time workers is trending above pre-pandemic levels and growing at a much faster pace than in 2022. In 2023, the number of people employed part-time rose by 3.6 percent, compared to 2.4 percent over the same period in 2022. Conversely, the growth in the number of people working full-time slowed to 1.4 percent in 2023, compared to 4.0 percent in 2022. In addition, the number of unemployed people looking for full-time work rose 1.4 percent in 2023, following significant declines in the prior two years after increasing 111.0 percent in 2020. However, the number of unemployed looking for part-time work advanced 2.9 percent in 2023, following dramatic declines over the same period in the prior two years from a pandemic high. Prior to the pandemic, the growth in the number of unemployed looking for part-time work had steadily declined.

[16] See Alana Semuels, "Why Americans want to Work Part-time Jobs Again," Time, June 2, 2023, https://time.com/6284414/part-time-jobs-report/.

The structural changes in the labor market suggest slower employment growth

The U.S. population has been aging with more than 10,000 baby-boomers reaching age 65 each day. Furthermore, by 2034 people 65 years and older will outnumber those 18 years and under.[17] Mass retirement shrinks the size of the labor force if not mitigated by younger or immigrant workers joining the workforce. Since 2016, net international migration was on a downward trend which was exacerbated by the pandemic due to government travel restrictions.[18] U.S. net international migration surpassed its pre-pandemic peak in 2022 and will likely increase further in the current forecast period. In addition, college enrollment has increased, but remains below pre-pandemic levels. However, college enrollment had also been trending down since 2010.

Other changing structural dynamics in the labor market have emerged since the pandemic. The care of the elderly and children has increasingly become an issue as people leave and stay out of the labor force for non-economic reasons. More than 1.1 million people in the U.S., or more than one in every three-hundred people, have died due to COVID-19 as of January 2024.[19] Some people are less willing to take a job if work-from-home is not an option, while others are choosing to work part-time.

The employment-to-population ratio, which is defined as the number of civilian people who have a job divided by the entire working-age population, stood at 60.2 percent in January 2024, which is below its pre-pandemic levels (see Figure 27). The ratio has improved significantly as people rejoined the labor force following mandated restrictions during the pandemic. However, as population growth has been declining over the last several decades and baby-boomers continue to retire, the expansion of the labor force will be limited.

Similarly, the labor force participation rate, which is defined as the number of civilians in the labor force divided by the total working age population, was unchanged in January at

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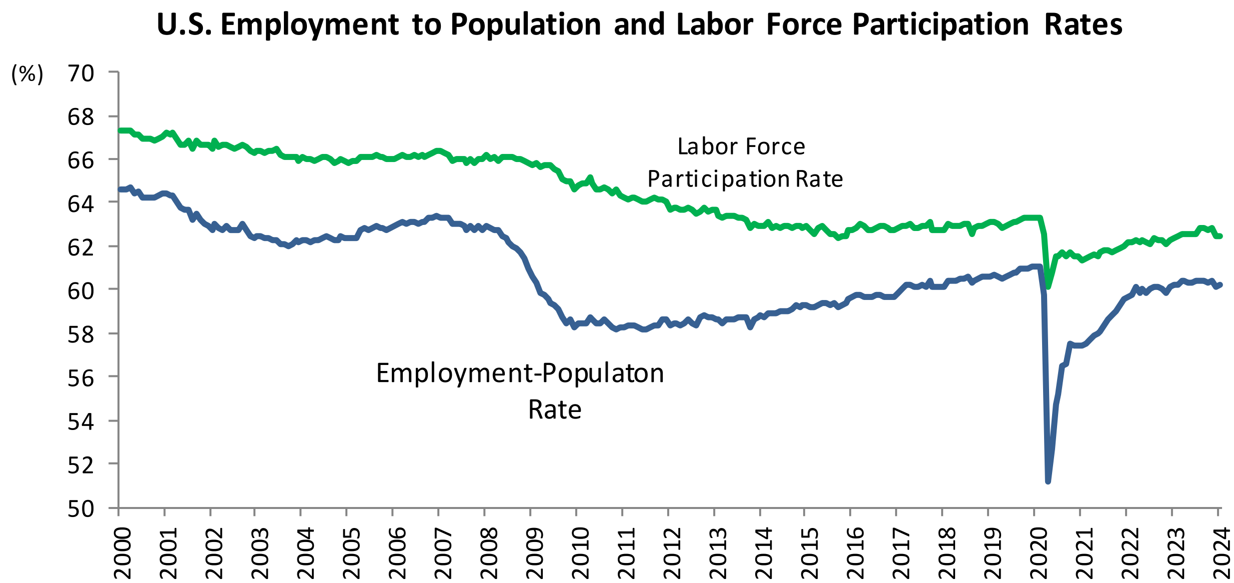
[17] See American Counts Staff, "2020 Census Will Help Policymakers Prepare for the Incoming Wave of Aging Boomers," U.S. Census Bureau, December 10, 2019, https://www.census.gov/library/stories/2019/12/by-2030-all-baby-boomers-will-be-age-65-or-older.html.

[18] Anthony Knapp and Tiangeng Lu, "Net Migration Between the United States and Abroad in 2022 Reaches Highest Level Since 2017," Census Bureau, December 22, 2022, https://www.census.gov/library/stories/2022/12/net-international-migration-returns-to-pre-pandemic-levels.html.

[19] See Centers for Disease Control and Prevention, COVID Data Tracker, https://covid.cdc.gov/covid-data-tracker/#datatracker-home.

62.5 percent from December 2023. From August to November 2023, the labor force participation rate averaged 62.8 percent. The rate remained below pre-pandemic levels and the yearly average of 62.6 percent in 2023, but was above the 2022 average of 62.2 percent (see Figure 27). This suggests that some people left the labor force at a rate that could not be mitigated by the increase in the working age population.



Note: Data are monthly through January 2024.
Source: U.S. Bureau of Labor Statistics.

Figure 27

Part of the reason that the overall labor force participation rate has not fully recovered is that the labor force participation rates of both men and women 55 years and older are noticeably below their prior peak. In fact, the number of people not in the labor force remained above its pre-pandemic level in January 2024 (see Figure 28). Similarly, while the participation rate for men between 16 and 24 years has improved markedly, its level remain below its pre-pandemic level in January 2024. The labor force participation rate for women between 16 and 24 years surpassed its pre-pandemic peak in January. In addition, the participation rate of prime-working age men was particularly slow to recover, compared to their female counterpart. The participation rate of prime-aged men, men 25-54 years, did not fully recover from its pandemic losses until September 2023 but has since fallen. On the other hand, the participation rate of prime-aged women surpassed its pre-pandemic peak in August 2022. Indeed, the participation rate of primed-aged women has remained consistently above the pre-pandemic high of 77.0 percent since February 2023 (see Figure 28).

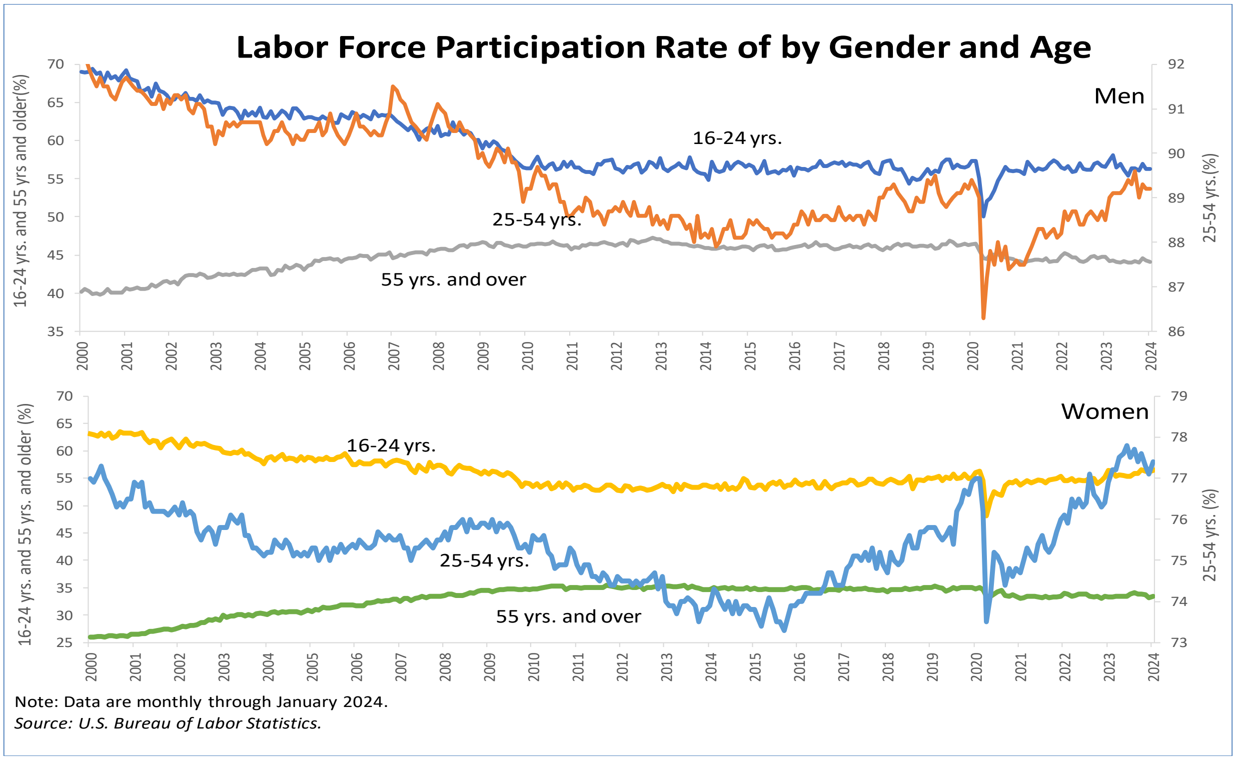


Figure 28

Sectoral allocation of jobs provides insights into future labor market

Though total nonfarm employment surpassed its pre-pandemic peak in June 2022, of all industries, the leisure and hospitality, mining and logging, other services sectors have not fully recovered their job losses (see Figure 29). In the government sector, state and local government employment surpassed its pre-pandemic level in December 2023. In 2023, 40.7 percent of the total jobs added were attributed to these industries.

Though the leisure and hospitality industry still needs to add 75,000 jobs to recoup the 8.2 million jobs lost during March and April 2020, the expectation is that the industry will fully recover its pandemic-related job losses in the second quarter of 2024. As travel restrictions were lifted in the aftermath of the worse parts of the pandemic, the travel industry grew robustly with air travel and hotel occupancy increasing significantly, driving up the demand for labor in the industry. Similarly, other recreational activities, for example concerts, were in high demand. As a result, employment growth in leisure and hospitality grew 11.9 percent in 2022, following a 7.6 percent increase in 2021. This industry struggled to find workers to hire as many of their prior workers moved on to higher-paying jobs in other industries. In 2023, employment growth in this industry decelerated to 4.9 percent, slowing further to a projected 2.3 percent in 2024 and 1.4 percent in 2025, with individuals having appeased some of their appetite for leisure, the expectation that the economy will slow over the forecast period, and an even smaller pool of workers from which to choose.

Though the government sector surpassed it pre-pandemic peak in October 2023, state and local government employment overtook its February 2020 level in December 2023 (see Figure 29). Replacing and retaining workers continues to be challenging for government entities, especially in a tight labor market as pay schedules may not be as flexible as in the private sector or wages as high. State and local government employment increased 2.7 percent in 2023, following growth of 1.3 percent in 2022. In 2024, state and local government employment is projected to rise by 2.1 percent, and by 1.1 percent in 2025. Following a decrease of 0.7 percent in 2022, federal government employment increased 2.0 percent in 2023. In 2024, federal government employment is anticipated to grow 1.7 percent, and by 0.7 percent in 2025 as federal spending budgetary caps take their toll (see Table 2).

The professional services industry has already added more than 1.5 million jobs over its pre-pandemic peak in January 2024, after losing almost 2.3 million jobs between March and April 2020. The job gains in this sector were responsible for 5.6 percent of the total jobs added in 2023. Growth in employment in this sector increased to 3.1 percent in 2023 and is projected to slow over the forecast period as the demand for legal, accounting, consulting, and other technical services fall.

Other services employment remained below its pre-pandemic peak by 73,000 jobs as of January 2024 but accounted for 3.1 percent of the total employment gained in 2023 partly driven by temporary help services employment. Temporary help services, a leading indicator of employment growth and a subsector of administrative and support services, peaked in March 2022 and has since been on trending down. Hence, after growing 4.9 percent in 2022, following an increase of 4.8 percent in 2021, other services employment grew by 0.4 percent in 2023, and then is projected to decline over the forecast horizon (see Table 2).

Employment in the finance and insurance industry was almost 235,000 jobs over its most recent peak in March 2020 in January 2024 (see Figure 29). Over the pandemic, job losses in this sector were significantly lower than other sectors because employees were able to transition more easily to virtual work and working from home. As the industry faced weakening profitability in a high interest rate environment in 2023, however, the average monthly employment gain declined from 8,300 in 2022 to 4,600 in the first six months of 2023 and further down to a mere 200 in the last six months of 2023. The industry's increasing adoption of new technologies has also been partly contributing to its trend of declining employment growth. Employment in the finance and insurance sector is projected to decline 0.5 percent in 2024 and 0.4 percent in 2025, after growing 0.8 percent in 2023 and 2.0 percent in 2022.

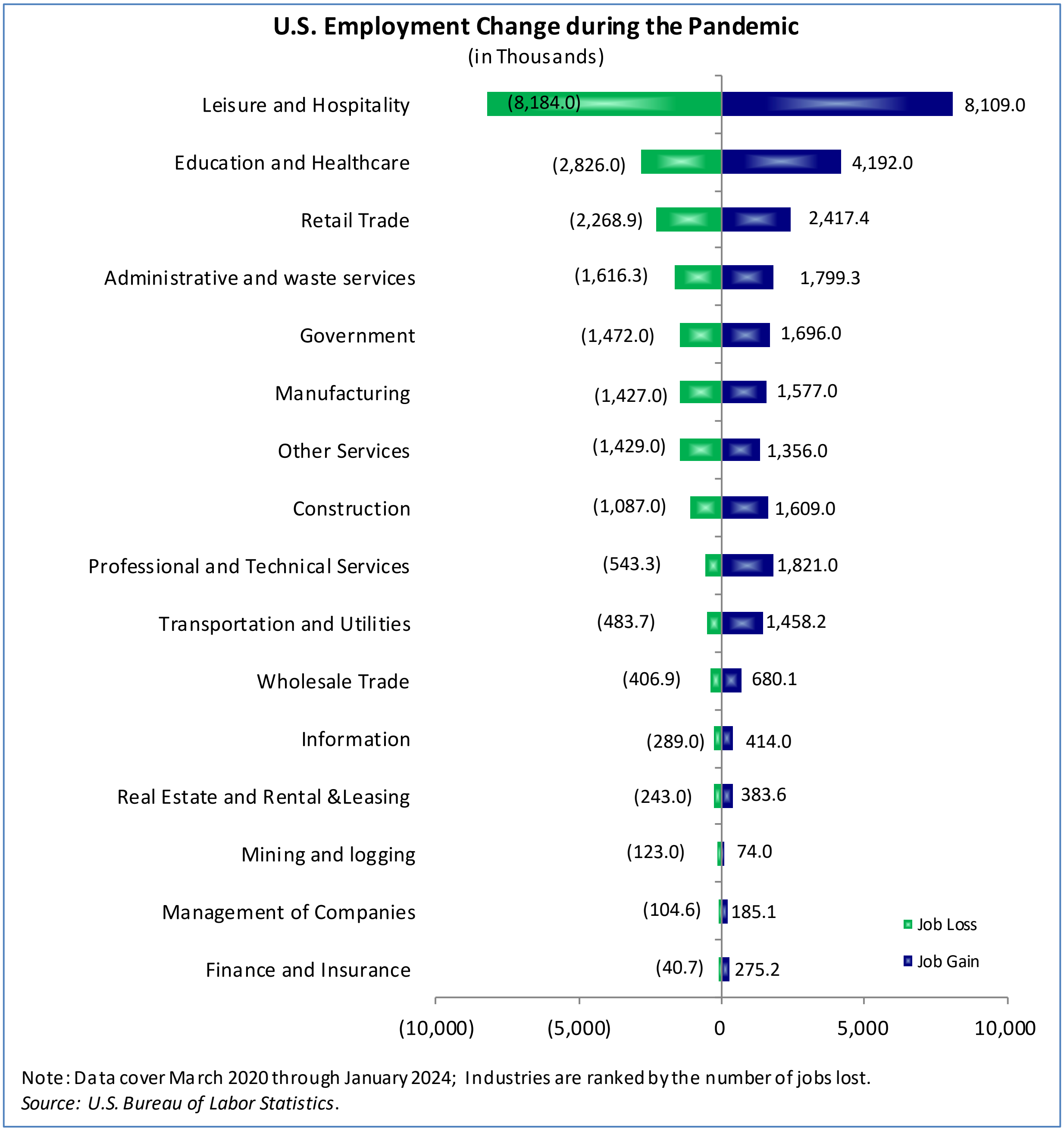


Figure 29

Employment in the education and healthcare industry surpassed its previous peak in October 2022, after shedding more than 2.8 million jobs or 14.6 percent of total service-providing sector employment loss between March and April 2020. In 2023, this sector was responsible for 34.6 percent of the total jobs gained. The industry's employment grew

4.1 percent in 2023, following a 2.9 percent increase in 2022. Employment growth is projected to slow to 3.3 percent in 2024 and further down to 2.0 percent in 2025 (see Table 2).

The transportation and utilities industry was crucial in navigating the U.S. consumption demands during the pandemic. As a result, employment in this industry surpassed its prior peak in November 2020 as many households switched to online shopping circumventing face-to-face contact in stores. The need for transportation and warehousing soared, and employment in the transportation and utilities grew a robust 8.2 percent in 2021, then by another 7.2 percent in 2022. As businesses have aligned sales with inventory, employment growth declined 0.3 percent in 2023. Over the forecast period, transportation and warehousing employment growth is projected to continue to fall as businesses adjust to slowing sales as the U.S. economy weakens, requiring less need for transportation and warehousing.

Employment growth in the retail trade industry slowed to 0.6 percent in 2023, following an increase of 1.5 percent in 2022 mainly attributed to the rise in e-commerce and many 'big-box' stores closing their doors. Many stores have also automated their sales with the rise of e-commerce thereby requiring less staff. Employment growth in the retail trade industry will continue to trend down as more retailers incorporate online sales into their business model. Consequently, coupled with the expectation of a slowdown in household spending, retail trade employment growth is forecast to decline over the forecast period. Similarly, wholesale trade employment grew 2.3 percent in 2023, from 4.7 percent in 2022. Wholesale trade employment growth is projected to continue to decelerate into 2025.

The goods-producing sector's employment loss in 2020 was more than 2.6 million jobs, accrued mainly by construction and manufacturing industries. Both industries had regained almost 3.2 million jobs in January 2024. Employment in the construction and manufacturing sectors continued to grow into 2023 though at a slower pace than in 2022. However, while construction employment is projected to slow over the forecast period, employment in the manufacturing sector is projected to fall as business and consumer demand slows and economic growth shrinks. However, over the forecast period, several federal government policies that boost spending in infrastructure, clean energy, and semi-conductor manufacturing should help mitigate the falloff in these industries.[20]

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[20] See Infrastructure and Investment Act, Public Law, 117-58, 117th Congress of the United States, signed into law November 15, 2021; Inflation Reduction Act of 2022, Public Law 117-169, 117th Congress of the United States, signed into Law August 16, 2022; and The CHIPS and Science Act, Public Law 117-167, 117th Congress of the United States, August 9, 2022.

Table 2

U.S. Employment by Sector (Percent Change)	Actual 2021	Actual 2022	Actual 2023	Forecast 2024	Forecast 2025
Total	**2.9**	**4.3**	**2.3**	**1.3**	**0.6**
Leisure & Hospitality	7.6	11.9	4.9	2.3	1.4
Education and Health Care[2]	1.6	2.9	4.1	3.3	2.0
Real Estate, Rental, & Leasing	2.1	5.4	3.5	1.8	0.8
Construction	2.5	4.4	3.3	2.1	1.3
Professional Services	5.0	5.6	3.1	1.9	1.3
Government	(0.1)	1.0	2.6	2.0	1.0
Federal	(1.5)	(0.7)	2.0	1.7	0.7
State and Local	0.2	1.3	2.7	2.1	1.1
Wholesale Trade	1.4	4.7	2.3	0.4	(1.0)
Management of Companies	0.2	3.6	2.2	0.2	(0.2)
Manufacturing[4]	1.2	3.9	1.2	0.1	(0.2)
Finance & Insurance	0.8	2.0	0.8	(0.1)	(0.2)
Retail Trade	3.0	1.5	0.6	(0.0)	(0.5)
Other Services[1]	4.8	4.9	0.4	(0.3)	(0.4)
Transportation & Utilities[3]	8.2	7.2	(0.3)	(0.6)	(0.5)
Information	5.0	7.2	(1.1)	0.4	0.5

Notes: Data are ranked by 2023 growth rates.

[1] Including administrative, support, and waste management services.

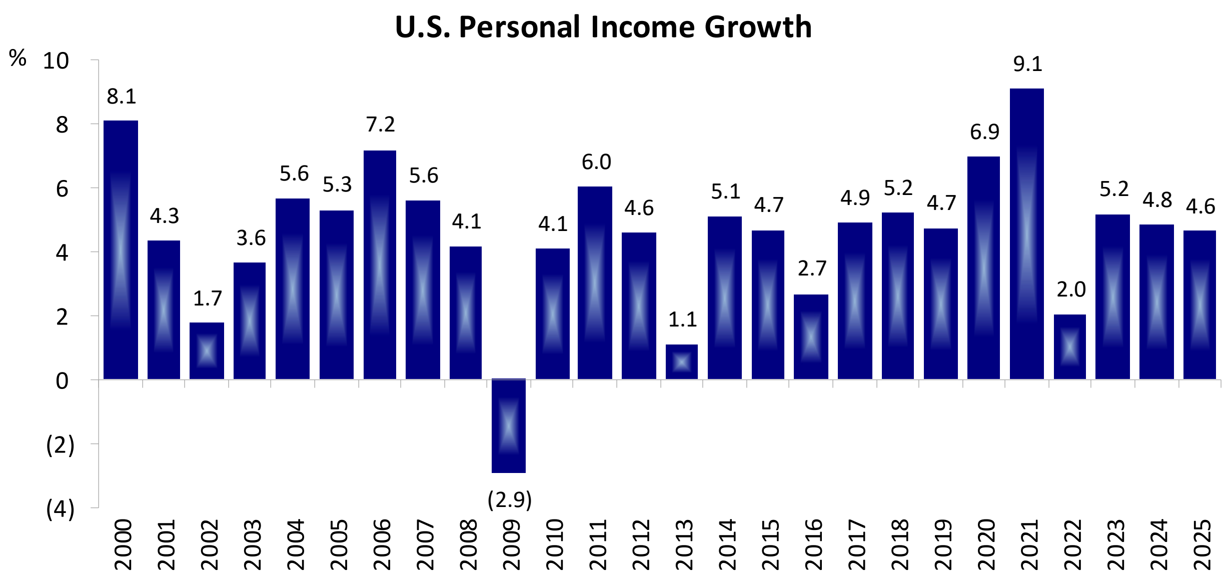
[2] Includes only private employment. Public education and health care employment is included in the government sector.

[3] Transportation, warehousing, and utilities.

[4] Including mining and logging.

Sources: U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

Personal Income



Note: Data for 2024 and 2025 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 30

Key Points

- **Overall personal income growth will primarily be supported by strong gains in interest income and continued robust growth in wages and salaries over the forecast period.**

Personal income increased by 5.2 percent in 2023, following an increase of 2.0 percent in 2022 from 9.1 percent in 2021 (see Figure 30). The increase in 2023 was primarily reflective of transfer income growth normalizing after having significant fluctuations due to pandemic related payments in 2020 and 2021 and following by a dramatic fall off in 2022. In addition, robust growth in wages and salaries, interest income, and rental income also supported the solid growth in personal income in 2023.

As the demand for labor weakens over the forecast period, wage growth will begin to moderate. Falling prices will also dampen the growth of wages. Personal income is projected to increase by 4.8 percent in 2024. Falling interest rates will slow the growth of interest income in 2025 contributing to personal income growth slowing further to 4.6 percent.

Wages and salaries, the largest component of personal income, rose at a slower though robust 6.2 percent in 2023, following a 7.8 percent growth in 2022, as employment though also slowing, experienced healthy growth. Average hourly compensation in the business sector grew only 4.5 percent in 2023 compared to 5.4 percent over the same period in 2022. In 2023, 71.9 percent of total jobs added to payroll employment have been in the leisure and hospitality, state and local government, and health care and education industries; all of which are not high-paying sectors, hence slower growth of total wages. Inflationary pressures have kept nominal wage growth strong, but as price pressure tempers, wage growth will slow even more. In addition, slower employment growth over the forecast period will restrain the growth in wages. As a result, in 2024, wages and salaries are forecast to increase 4.9 percent then slowing further to 4.2 percent in 2025.

After plunging 13.8 percent in 2022 as fiscal stimulus diminished, personal transfer receipts, generally payment made by the government to individuals, grew 2.4 percent in 2023. Households received several sizable payouts from the federal government in pandemic-related benefits that resulted in transfer income growing 34.5 percent in 2020, a record high, and by another 9.7 percent in 2021. Future changes in transfer payments are more likely to be cost-of-living adjustments to government social benefits' programs, and people being added to Social Security and Medicare rolls as baby-boomer cohort retires. Going forward, with higher unemployment rates expected in the next two years, unemployment insurance benefits claims will increase in 2024 and 2025. Hence, personal transfer income is predicted to grow 2.8 percent in 2024 and 5.0 percent in 2025.

Dividend income grew a mere 2.0 percent in 2023, following an increase of 6.2 percent in 2022 and 21.1 percent in 2021 as corporate profits growth slowed significantly. Many corporations were still able to pay out dividends even in a low profit environment because they had amassed significant cash-holdings over the past several years. Also, rising interest rates made borrowing more costly, which discouraged companies from borrowing to make dividend payouts as they did in the past even in the face of lower profits. Dividend income is forecast to increase 2.8 percent in 2024 as business profits improve. In 2025, dividend income is projected to grow by 3.2 percent as interest rates moderate and corporations curb costs due to weaker sales growth and slower profit growth amid a slowing economy.

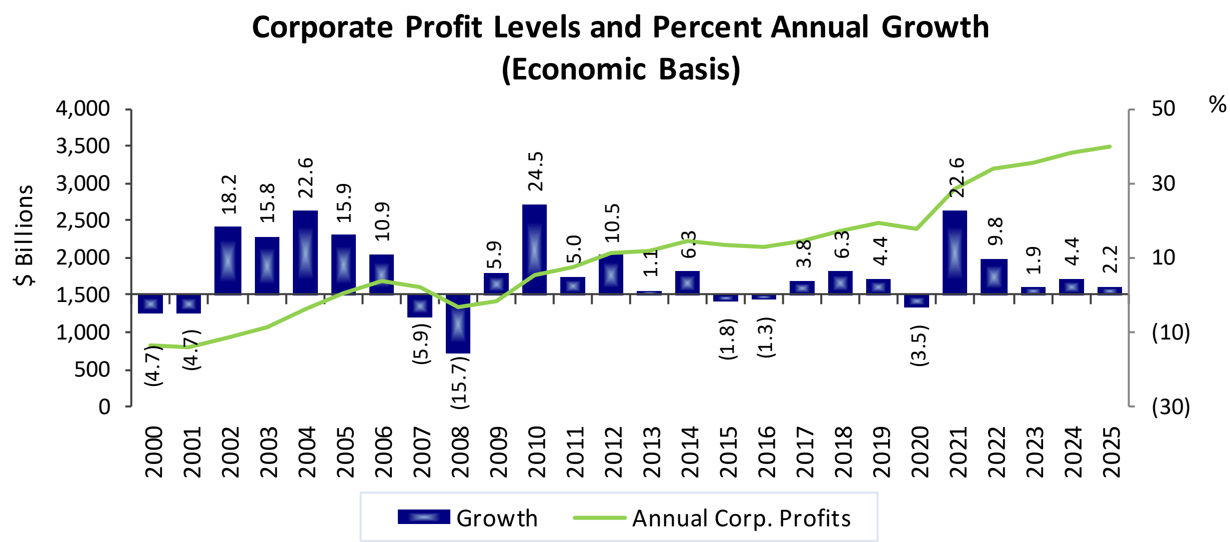
Rising short- and long-term interest rates underpin a 8.9 percent surge in personal interest income in 2023, after increasing 7.4 percent in 2022. Interest income will continue to benefit from the Fed's monetary policy tightening. Over the forecast period, interest income is forecast to accelerate by another 10.5 percent in 2024 as interest rates remain elevated and investors adjust their portfolios to include more interest-bearing investments. With interest rates anticipated to start falling in the second half of 2024, interest income growth is projected to slow to 7.3 percent in 2025.

Rental income has experienced robust growth over the past several years and grew even stronger in 2023. Rising interest rates have made owning a home more costly and have made homeownership less accessible for many potential homeowners. As the demand for rental properties has increased and home prices have accelerated, rental prices have also risen. In 2023, rental income rose by 10.1 percent, after a 7.9 percent increase in 2022. As interest rates and home prices moderate, rental income growth is forecast to slow to 5.4 percent in 2024 and 4.5 percent in 2025.

Proprietors' income increased 3.3 percent in 2023, following growth of 2.4 percent in 2022 and 10.4 percent in 2021. Proprietors' income was boosted by the Paycheck Protection Program (PPP) which provided forgivable loans to assist small businesses and nonprofit institutions as they dealt with the economic fallout from the coronavirus pandemic in 2020 and 2021.[21] In 2022, federal funds dissipated. In the absence of pandemic-related volatilities, proprietors' income is forecast to increase at a rate close to its trend growth in the next two years, growing 5.4 percent in 2024 and another 5.3 percent in 2025.

[21] See also the Paycheck Protection Program and Healthcare Enhancement Act of 2020, Public Law 116-139, 116th Congress of the United States, signed into law April 24, 2020.

Corporate Profits



Note: Data for 2023 are estimated; 2024 and 2025 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 31

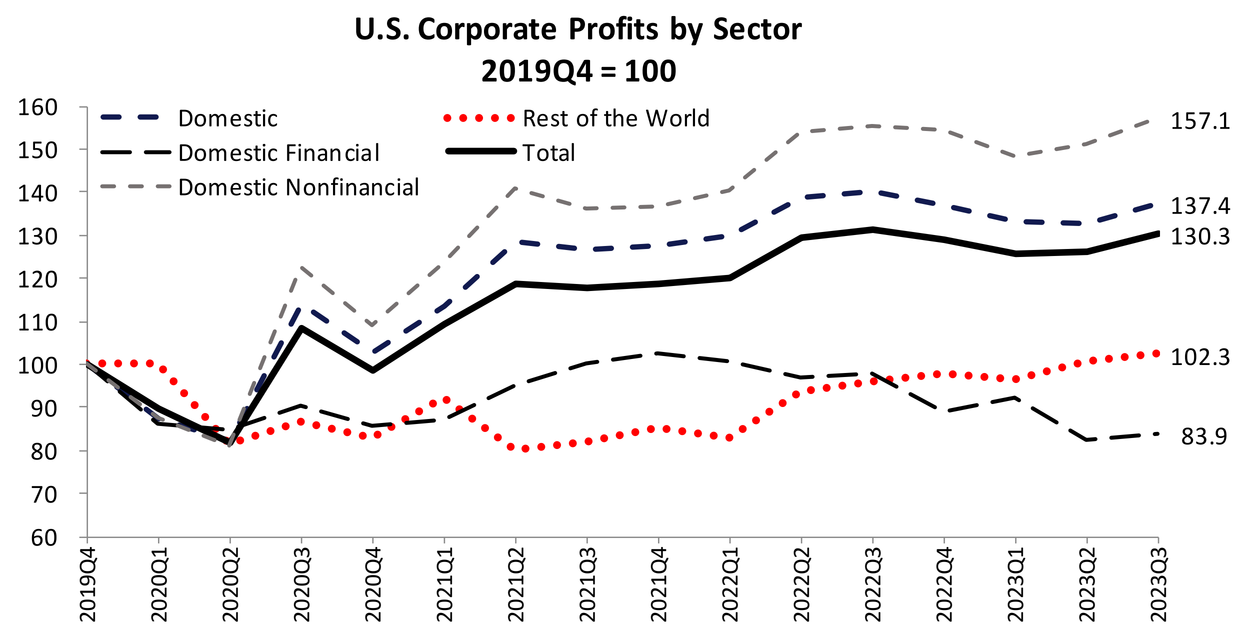
Key Points

- **With pricing power retreating and cost pressures elevated, corporate earnings growth weakened in 2023 to 1.9 percent on an annual average basis. With sales growth expected to soften, gains in corporate profits are forecast to remain modest in the next two years.**
- **Corporate profits' share of national income increased to a nine-year high in the third quarter of 2021, but it has since been declining and will likely decline further in the next two years.**

With the help of strong recovery in sales and pricing power, corporate profits grew solidly in 2021 and 2022, after declining 3.5 percent in 2020 during the COVID-19 pandemic. (see Figure 31). Federal subsidies also helped the strong recovery of corporate earnings in those two years.

With pricing power retreating and cost pressures elevated, corporate earnings growth weakened in 2023 to an estimated 1.9 percent on an annual average basis. With sales growth expected to slow further, gains in corporate profits are forecast to remain modest in the next two years. Corporate profits are forecast to grow 4.4 percent in 2024 before increasing 2.2 percent in 2025.

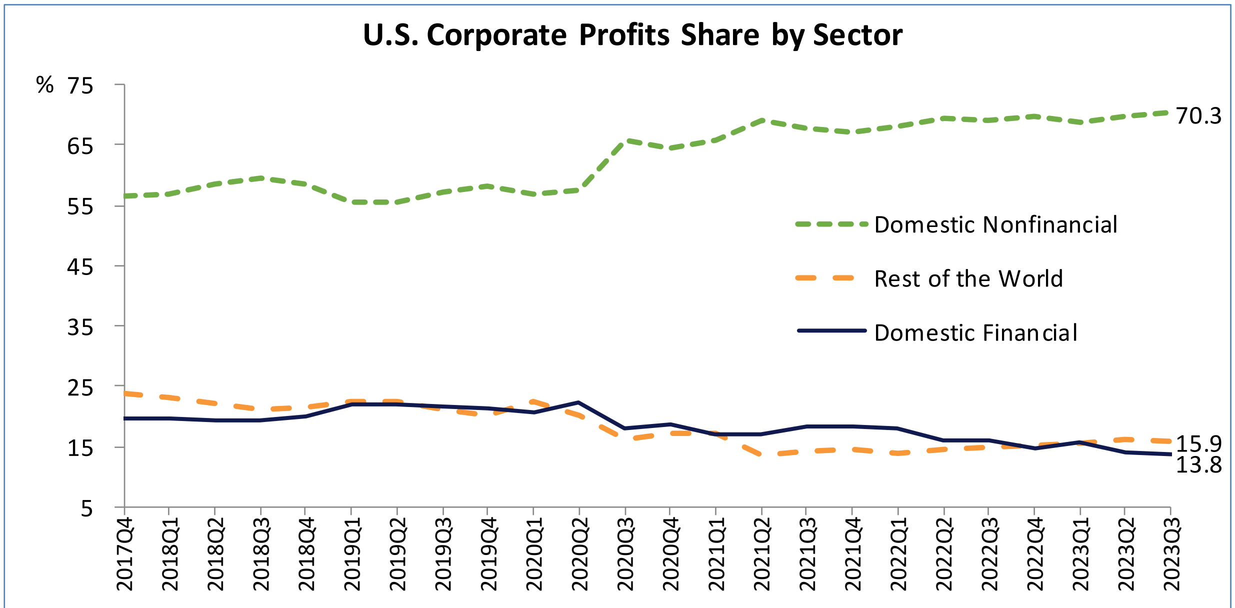
As of the third quarter of 2023, U.S. total corporate profits were 30.3 percent higher than the level seen in the fourth quarter of 2019 (see Figure 32). At a disaggregated level, the net earnings of domestic corporations have fared much better in the past four years than the net earnings from overseas operations have. As of the third quarter of 2023, U.S. domestic corporate net earnings were up 37.4 percent, compared to their fourth quarter 2019 level, whereas overseas corporate net earnings were up a mere 2.3 percent. But within the domestic side the financial industry's corporate profits have been weakening since the end of 2021, as financial markets underwent large corrections in 2022 and investment banking activity has suffered from rapid increases in interest rates. On the other hand, the earnings of nonfinancial corporations have benefitted from resilient household spending and rising prices. Consequently, the profits of domestic financial corporations fell 16.1 percent between the fourth quarter of 2019 and the third quarter of 2023, whereas the profits of domestic nonfinancial corporations increased 57.1 percent during the same period.



Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 32

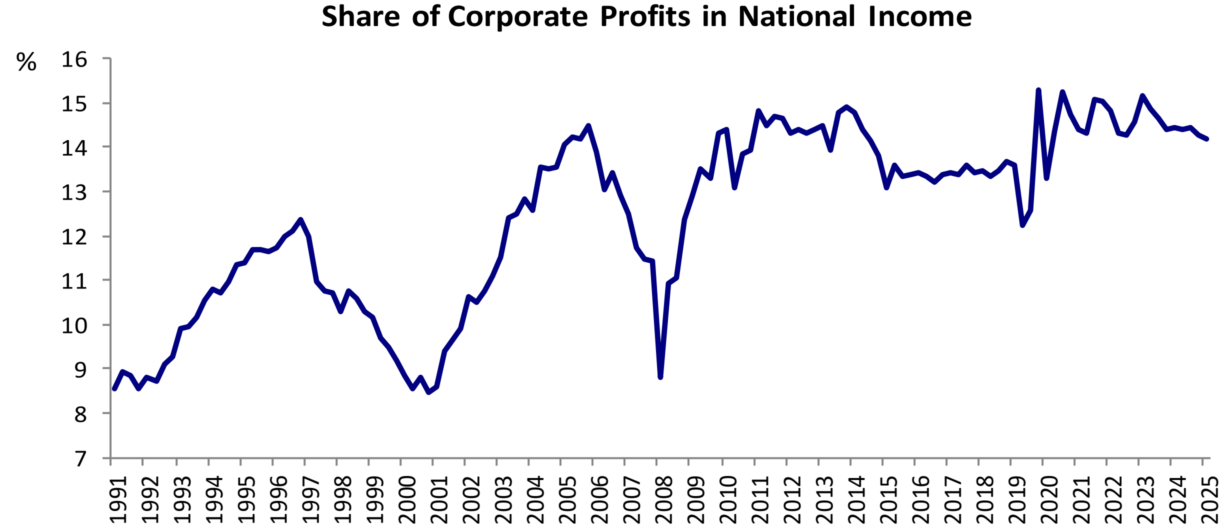
The financial sector's share in total U.S. corporate earnings has steadily declined to 13.8 percent, as of the third quarter of 2023, after rising to a recent peak of 22.2 percent in the second quarter of 2020 (see Figure 33). In contrast, the nonfinancial sector's share increased from the 56.4 percent in the fourth quarter of 2017, which was the lowest since 2011, to 70.3 percent, as of the third quarter of 2023.



Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 33

The share of corporate profits in national income trended upward after 1990, quickly regaining ground after each recession. It peaked at 14.8 percent in the fourth quarter of 2011, which was the highest on record (see Figure 34). But the profits share had since been on a downward trend until the most recent recession, reaching an eleven-year low of 12.0 percent in the first quarter of 2020. A sharp decline in corporate profits during the initial stage of the pandemic was the main cause. Thanks to federal subsidies as well as strong recovery in sales revenues, the corporate profits share rebounded in 2021, coming close to the historic high in the third quarter of that year. But it has since been trending downward, as gains in profits soften while gains in wages remain steady.

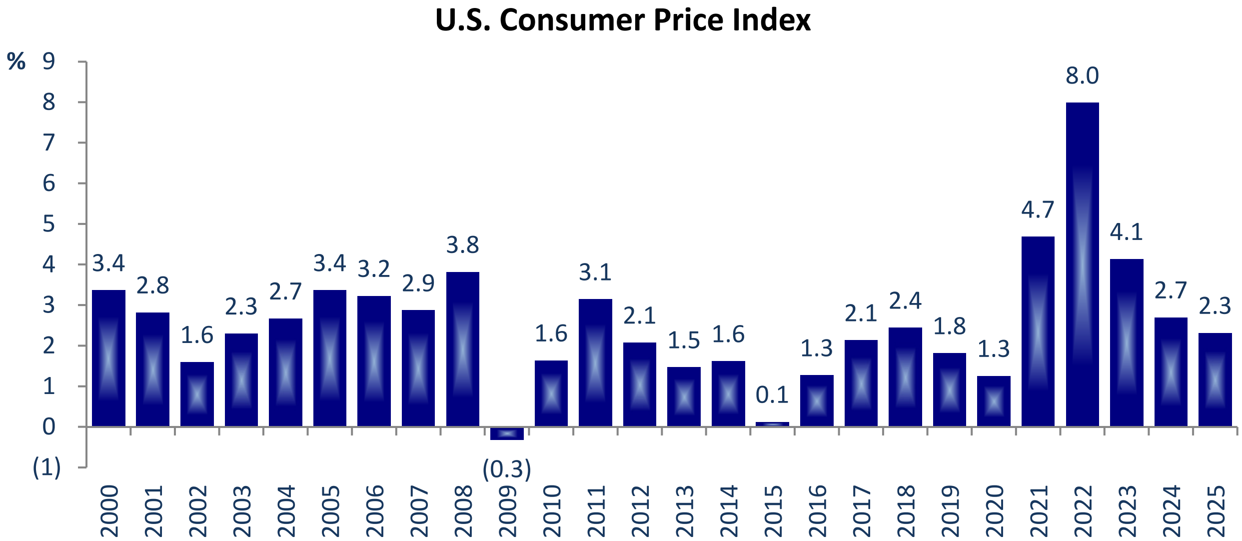


Note: Data are quarterly through 2025:Q4; the first forecast period is 2023:Q4.

Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 34

Consumer Prices



Note: Data for 2024 and 2025 are forecasts.

Sources: U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

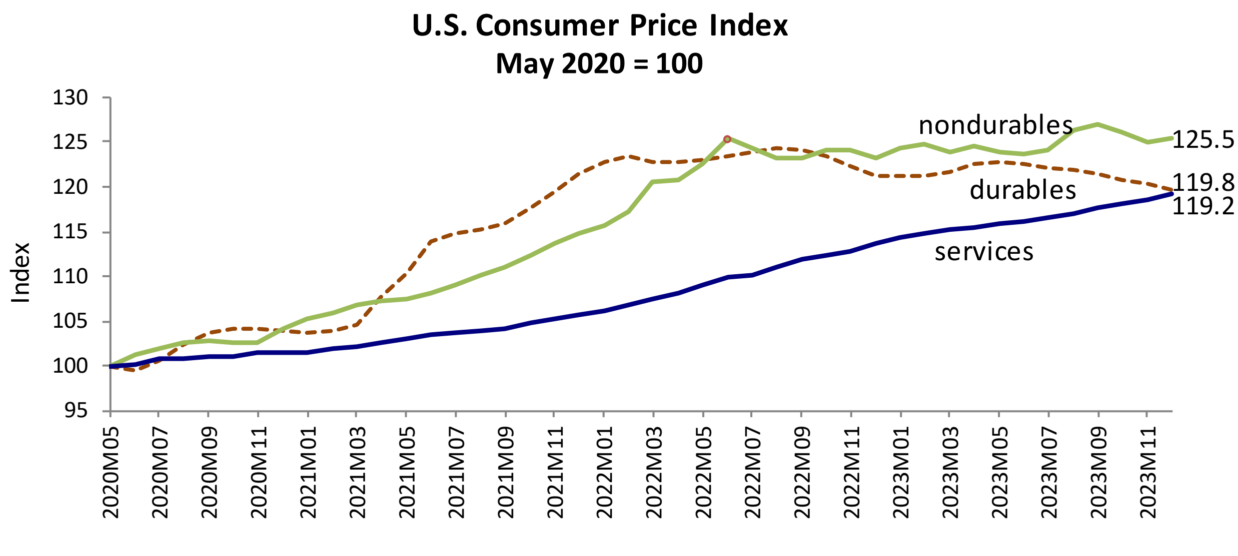
Figure 35

Key Points

- **As supply shortages ease, the headline inflation of consumer prices decelerated to 4.1 percent in 2023, after a sharp jump to a four-decade-high 8.0 percent in 2022.**
- **With the pace of economic growth likely to slow and the supply-demand imbalance in the labor market expected to improve, growth of the prices of consumer goods and services is forecast to decelerate further to 2.7 percent in 2024 and to 2.3 percent in 2025.**

After decades of mild inflation, the Consumer Price Index (CPI) advanced rapidly in 2021 and 2022 (see Figure 35). The cause was two-fold. On the demand side, spending by consumers and businesses gained steam with the help of various fiscal stimulus programs and easy credit terms. On the supply side, there were labor shortages and global supply chain issues ranging from the shortage of semiconductor chips to construction materials to agricultural supplies. Global supply chain problems were made worse by various other factors including the Ukraine-Russia war, heat waves, floods, and a severe outbreak of bird flu and plant diseases.

At a disaggregated level, the supply-demand imbalances have had diverse impacts on consumer prices. While the prices of consumer goods, both durable and nondurable, started to rise fast early on during the recovery from the pandemic, the growth of the prices of consumer services did not start to accelerate until late 2021 (see Figure 36). The prices of consumer nondurable goods, which account for 25.8 percent of total CPI, increased at an average monthly rate of 11.4 percent, on an annualized rate basis, between May 2020 and June 2022. The prices of durable goods also rose fast, at a comparable average monthly rate of 10.8 percent during the same period. As the service sector, which accounts for 61.7 percent of total CPI, started to catch up in recovery and the effects of the rapidly growing goods prices started to spill over, the prices of consumer services added to overall CPI inflation. But consumer service prices, which are one of lagging economic indicators, increased at a relatively mild average quarterly rate of 4.6 percent between May 2020 and June 2022.

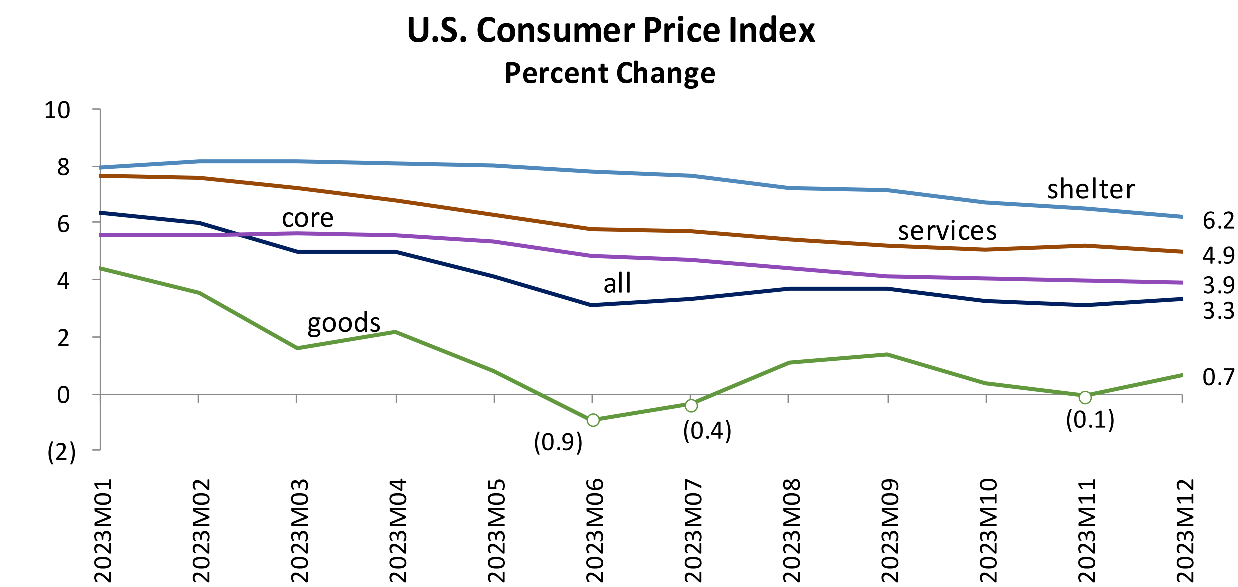


Note: Data are seasonally adjusted.
Sources: U.S. Bureau of Labor Statistics, NYS Assembly Ways and Means Committee staff.

Figure 36

The growth of consumer service prices has accelerated to an average monthly rate of 5.6 percent on an annualized rate basis since June 2022. On the other hand, the prices of consumer goods, both durable and nondurable, started to retreat in the second half of 2022, as global supply chain problems eased and spending growth cooled. Nondurable goods prices declined at an average monthly rate of 1.3 percent, on an annualized rate basis, between June 2022 and June 2023, before rising again in recent months. The recent reversal of the trend of nondurable goods prices is due largely to the volatility of global commodity prices. Durable goods prices have also declined at an average monthly rate of 2.0 percent since June 2022. For example, used car and truck prices declined 11.1 percent between January 2022 and December 2023, after increasing 54.7 percent between May 2020 and January 2022.

On a year-over-year basis, growth of overall CPI continued to slow in 2023, from 6.3 percent in January to 3.3 percent in December (see Figure 37). The downward trend was bumpy in the middle of the year, but that was largely due to the volatility in energy prices caused by oil production cuts by OPEC and Russia. Growth of core CPI, which excludes volatile food and energy prices, steadily declined from 5.6 percent in January to 3.9 percent in December, after peaking at 6.6 percent in September 2022. The slow pace of improvement in overall or core CPI inflation has to do with the persistently high, though slowing, rate of growth of services prices, which still stood at 4.9 percent in December. At a more disaggregated level, the shelter component of service prices remains one of the main drivers of overall CPI inflation. Shelter accounts for 34.8 percent of total CPI, and its year-over-year growth in December was 6.2 percent.

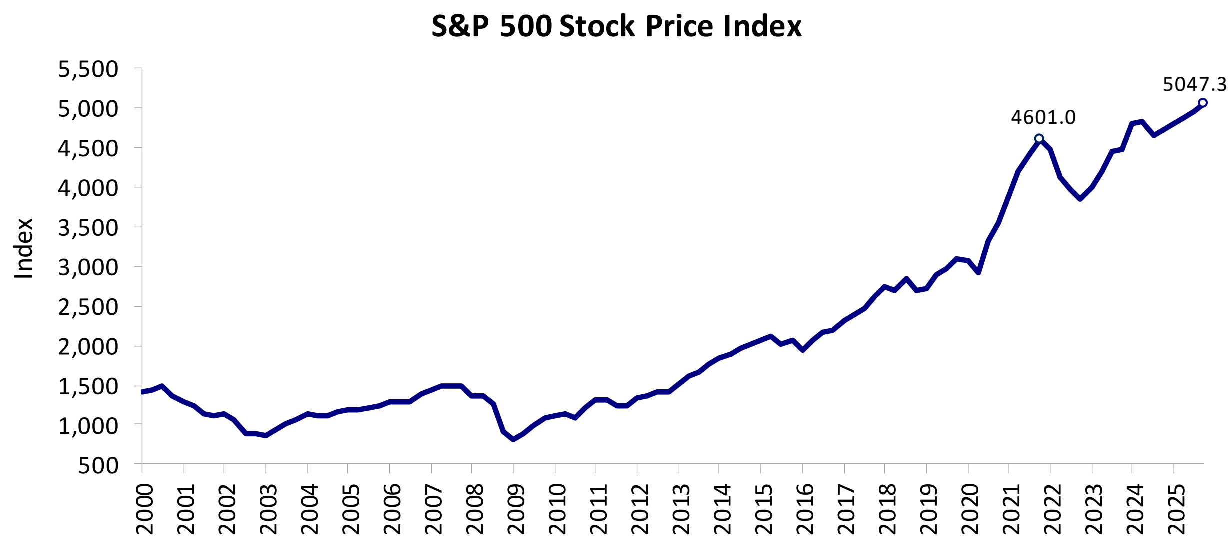


Note: The percent changes are over the same month of the previous year.
Sources: U.S. Bureau of Labor Statistics, NYS Ways and Means Committee staff.

Figure 37

With the pace of economic growth likely to slow further and the supply-demand imbalance in the labor market expected to improve, growth of the prices of consumer goods and services is forecast to decelerate from 4.1 percent in 2023 to 2.7 percent in 2024 and moderate further to 2.3 percent in 2025. However, due to the volatility of energy and food prices caused by uncertainties surrounding climate change and geopolitical tensions, the risk of high inflation persisting into the current forecasting period remains.

Equity Markets



Note: Data are quarterly through 2025:Q4; 2024:Q1-2025:Q4 are forecasts. Index 1941-1943=10.
Sources: Standard & Poor's; NYS Assembly Ways and Means Committee staff.

Figure 38

Key Point

- **The equity market faces several headwinds including an uncertain economic growth outlook and a rising federal budget deficit. Increased geopolitical tensions and a possible government shutdown also add to near-term volatility.**
- **However, supported by continued moderation of inflationary pressures and the prospect of Federal Reserve's rate cuts starting in early summer of this year, equity prices are forecast to gain 11.0 percent in 2024 and 3.5 percent in 2025, on a yearly average basis.**

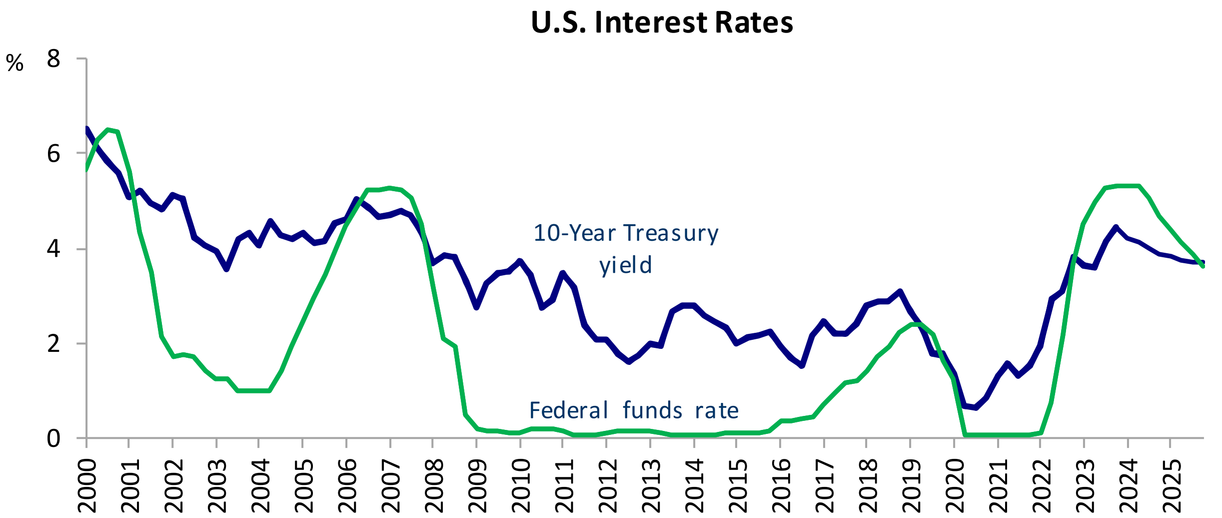
In 2022, as the Federal Reserve aggressively tightened its monetary policy to rein in four-decade high inflation, interest rates rose steeply. Consequently, economic growth outlook deteriorated, stirring a worry of the U.S. economy falling into recession. Large losses ensued in the stock market, with the S&P 500 index falling 16.3 percent, on a monthly average basis, from its post-pandemic peak in December 2021 to December 2022 (see Figure 38).

In the first half of 2023, investors were surprised by the better-than-expected performance of the U.S. economy and quickly brushed off recession worries. Inflation starting to moderate from its four-decade-high levels was also welcome news to investors as well as the

Federal Reserve. The Fed's pause-and-wait decision fanned among investors more optimism on inflation outlook. Consequently, stock prices rebounded rapidly, with the S&P 500 index increasing 19.7 percent on a monthly average basis from December 2022 to December 2023.

Over the forecast period, the equity market faces several headwinds including an uncertain economic growth outlook and a rising federal budget deficit. Increased geopolitical tensions also pose near-term challenges to the equity market and add to the volatility of equity prices. However, supported by continued moderation of inflationary pressures and the prospect of Federal Reserve's rate cuts starting in early summer of this year, equity prices are forecast to gain 11.0 percent on a yearly average basis in 2024. The yearly average of the S&P 500 index is forecast to increase by a more sustainable rate of 3.5 percent in 2025.

Interest Rates and Monetary Policy



Note: Data are quarterly through 2025:Q4; the first forecast period is 2024:Q1.

Sources: Federal Reserve; NYS Assembly Ways and Means Committee staff.

Figure 39

Key Points

- **To bring inflation down toward its two percent target, the Federal Reserve remains restrictive on its policy stance.**
- **The current forecast assumes that the Federal Reserve will pause rate hikes for the current policy cycle and maintain the current target range until the second quarter of 2024, before starting to cut rates gradually thereafter.**
- **These Fed policy expectations will likely put continued strains on households, businesses, and financial markets.**

As inflation accelerated in 2021 and early 2022, the Federal Reserve started to raise its policy interest rates in March 2022, after keeping them near zero percent for nearly two years. The Federal Reserve has since raised rates nine more times, by a total of 5 percentage points as of December 2023. The current target range for the federal funds rate, an inter-bank overnight interest rate, is 5.25-5.50 percent, the highest since early 2001 (see Figure 39). The Fed has also been conducting quantitative tightening, which involves cutting back its holdings of Treasury securities and mortgage-backed assets in the amount of about $100 billion per month by selling them in the secondary market or not purchasing new securities that would replace maturing ones.

As a result of this aggressive reversal of monetary policy, the yield on 3-month Treasury bills rose to a monthly average of 5.60 percent in October 2023 from 0.06 percent in December 2021. The yield on constant-maturity 10-year Treasury notes also increased sharply to a monthly average of 4.80 percent in October from 1.47 percent in December 2021. According to the Mortgage Bankers Association, the 30-year fixed mortgage interest rate with a 20 percent down payment rose by 4.90 percentage points from a monthly average of 3.10 percent in December 2021 to 8.00 percent in October 2023.

As inflation has eased, the Federal Reserve has paused rate hikes in recent months. At the same time, the Federal Reserve has made it clear that it is firm on bringing inflation back toward its 2 percent target. The current forecast assumes that the Fed is done with rate hikes for the current policy cycle but will maintain the current target range until the second quarter of 2024, before starting to cut rates gradually for the rest of the forecast period. The Federal Reserve is also assumed to continue its quantitative tightening. These monetary policies will continue to put upward pressure on longer-term Treasury yields and mortgage interest rates. The recent increases in the issuance of new Treasury securities to deal with rising federal budget deficits have also put upward pressure on longer-term Treasury yields.

These policy expectations will continue to exert strains on households, businesses, and financial markets, at least in the near term. As the odds of the economy falling into a recession remain elevated, investors will likely increase their demand for longer-term Treasury securities, thereby causing the term structure of Treasury yields to remain inverted. The yield on 10-year Treasuries has been lower than the yields on 6-month to 7-year Treasuries since mid-July 2022 and the yields on 3-month Treasuries since late October 2022. In U.S. history, an inverted yield curve is typically a precursor of an economic downturn. But the current inversion of the Treasury yield curve may be more of a reflection of investors' optimistic outlook on inflation, as such optimism would put downward pressure on longer-term yields, helping keep the yield curve inverted. In fact, as inflation expectations have improved in the past few months, the spread between the 3-month Treasury yield and the 10-year Treasury yield has jumped from 80 basis points in October 2023 to 142 basis points in December.

On a yearly average basis, the yield on 3-month Treasury bills is forecast to decrease to 4.93 percent in 2024 and 3.81 percent in 2025, from 5.28 percent in 2023, in tandem with the expected gradual cuts in the federal funds rate in the second half of 2024 through 2025.

Despite an upward pressure from the Federal Reserve's continuing quantitative tightening and widening federal budget deficits, the 10-year Treasury yield is forecast to decline gradually over the forecast period from the fourth quarter 2023 average of 4.44 percent, reflecting improving inflation expectations and the expected decline in future short-term yields. The yearly average of the 10-year Treasury yield is forecast to be 4.06 percent in 2024 and 3.75 percent in 2025.

NEW YORK STATE ECONOMIC FORECAST ANALYSIS

With a population of almost twenty million and about 9.3 million nonfarm employment, New York State accounted for 5.9 percent of the U.S. population and 5.1 percent of national employment. The State was the fourth largest state in the United States in terms of population and employment in 2022, behind California, Texas, and Florida. While it accounted for less than six percent of total U.S. population and employment, the State’s contribution to the national economy and wages was disproportionally higher at 8.1 percent and 7.9 percent, respectively. In terms of Gross Domestic Products, New York State is the third largest economy in the U.S. with $1.8 trillion after California and Texas.

New York State generally lagged the nation in employment and population growth. This trend in employment growth reverted in 2022, with employment in the State growing 5.0 percent, compared to 4.3 percent nationally, due largely to faster growth of employment in State’s large sectors such as education and health, leisure and hospitality, and other services that experienced much larger losses during the pandemic. Like the nation, the State’s Labor market has been tight and employers in the State are having difficulty finding workers to fill job openings. The ratio of job openings to hires for New York State, which is a measure of labor market tightness, was at its peak of 2.2 in November 2021. While the ratio fell to 1.6 in December 2023, it remained high, compared to its historical average. As a result, nonfarm employment growth in the State is estimated to have decelerated to 2.3 percent in 2023, the same rate as in the nation. Unlike employment, the State continued to lag the nation in wage growth in 2023 due to slower employment growth in high-wage sectors. State's total wages are estimated to have grown 4.2 percent in 2023, compared to 6.2 percent nationwide. The State also continues to lag the nation in population growth.

Growth of employment in the State is forecast to decelerate further to 1.0 percent in 2024 and 0.8 percent in 2025 as the labor market is expected to remain tight and businesses will likely adjust down their hiring plans in tandem with slowing sales growth. Consequently, personal income and total wages are also expected to grow slower in 2024 at 4.0 percent and 3.8 percent, respectively. Despite slower growth in employment, the growth of personal income and wages is forecast to improve in 2025, as variable wages are expected to grow at a faster rate. Personal income is forecast to grow 4.3 percent in 2025, while wages are expected to grow 4.2 percent (see Table 3).

Table 3

U.S. and New York State Economic Outlook (Percent Change)										
	2021		2022		2023		2024		2025	
	NYS	U.S.	NYS	U.S.	NYS	U.S.	NYS	U.S.	NYS	U.S.
Employment	2.7	2.9	5.0	4.3	2.3	2.3	1.0	1.3	0.8	0.6
Personal Income	7.4	9.1	(1.9)	2.0	4.2	5.2	4.0	4.8	4.3	4.6
Total Wages	8.8	9.0	6.9	7.8	4.2	6.2	3.8	4.9	4.2	4.2
CPI	3.3	4.7	6.1	8.0	3.8	4.1	2.6	2.7	2.2	2.3
Unemployment Rate	7.0	5.4	4.3	3.6	4.0	3.6	4.1	3.8	4.3	4.0

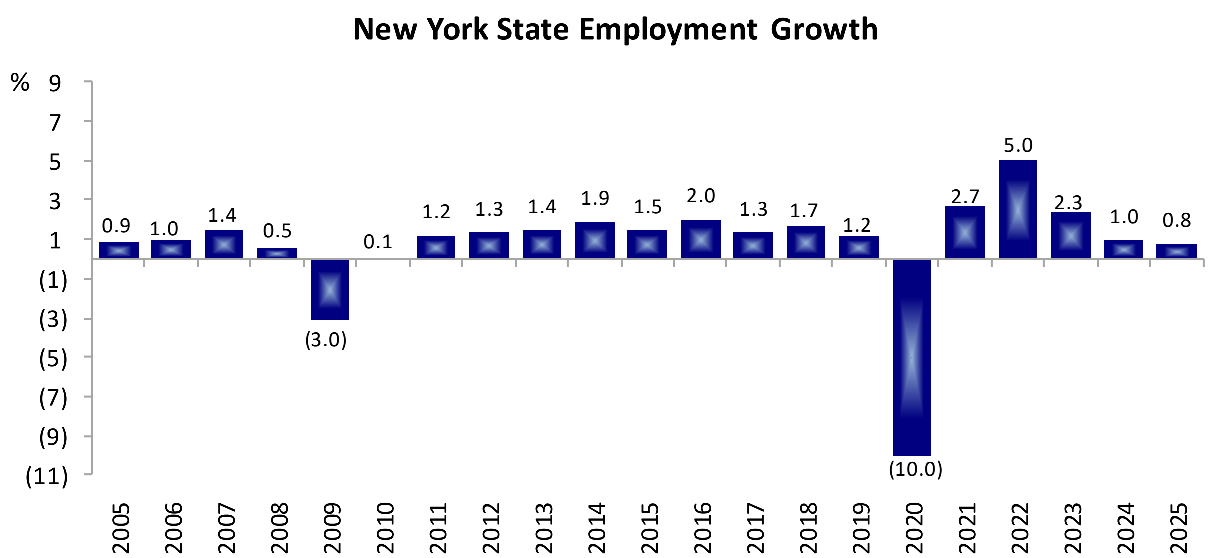
Note: CPI for New York State is based on the New York-Northern NJ-Long Island, NY-NJ-CT-PA CPI-U series from the U.S. Bureau of Labor Statistics. Unemployment rate is in percent.

Sources: U.S. Bureau of Economic Analysis; NYS Department of Labor; U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

While national employment has already far exceeded its previous peak, employment in the State remains below its pre-pandemic peak. This is because New York State experienced a much higher rate of job loss than the nation during the pandemic. With the labor market expected to continue to improve, though at a slowing pace, New York State employment is expected to surpass its pre-pandemic peak in late 2024.

Employment

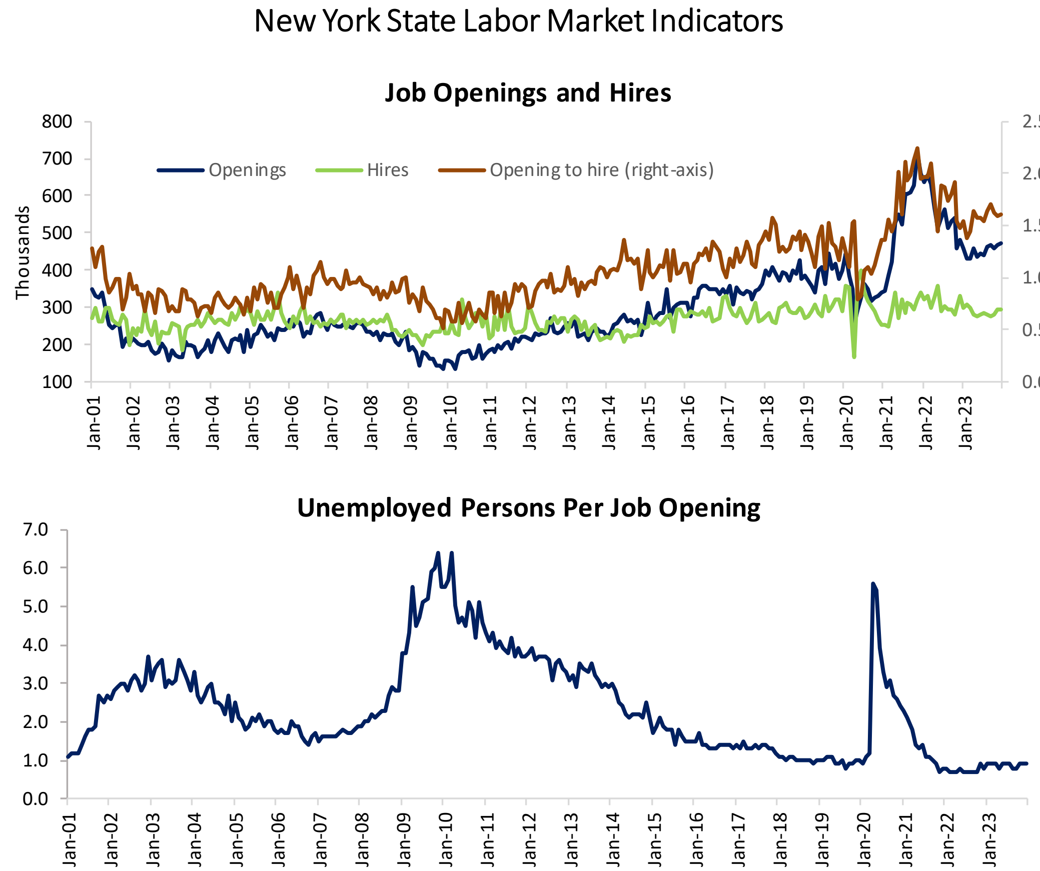
New York State nonfarm employment grew a solid 5.0 percent in 2022, after growing 2.7 percent in 2021, driven by strong growth in large sectors such as leisure and hospitality and other services. With a tight labor market, employment is expected to grow at a slower pace in 2023. State employment growth is estimated to have decelerated to 2.3 percent in 2023 with employment in most sectors growing slower. Nonfarm employment growth is forecast to decelerate further to 1.0 percent in 2024 and 0.8 percent in 2025, as the overall economy is expected to soften, and the available indicators suggest that the labor market will remain tight over the period (see Figure 40).



Note: Data for 2023 and 2024 are forecasts.
Sources: NYS Department of Labor; U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 40

New York State's ratio of job openings to hires, one measure of labor market tightness, was 1.6 in December 2023. This is relatively high compared to its historical average. In addition, the number of unemployed persons per job opening stood at 0.9 in December 2023, much lower than the long-term average of over 2.0 (see Figure 41). As the State continues to add jobs, nonfarm employment in the State is expected to surpass its pre-pandemic level in 2024.



Note: Data are monthly from January 2001 to December 2023.
Source: U.S. Bureau of Labor Statistics.

Figure 41

While overall employment in the State is not expected to reach its pre-pandemic level until later this year, employment in a few sectors such as education and healthcare, professional services, finance and insurance, and management of companies have already surpassed their previous peaks. On the contrary, employment in some other sectors including retail trade, manufacturing, wholesale trade, and government are not expected to reach their pre-pandemic peaks during the forecast period.

After losing the most jobs during the pandemic, the leisure and hospitality sector led job growth in 2021 and 2022 as businesses reopened and travel services resumed. The sector continued to have grown the fastest in 2023 at an estimate of 5.2 percent as the travel industry continued to recover. As U.S. economic growth is expected to slow down, leisure and hospitality employment is forecast to grow slower at 1.5 percent in 2024 and another

1.4 percent in 2025. Despite this continued growth, however, employment in this industry is not expected to reach its pre-pandemic level during the forecast period.

Employment in the retail trade sector has been on a downward trend since 2018 due in part to the increase in online sales and was exacerbated by the pandemic. E-commerce is less labor intensive than physical store retailing, hence rising online sales have a net negative effect on retail trade employment. Employment in this sector has not rebounded as strongly as the leisure and hospitality sector as people continue to shop online. Moreover, many stores have adopted automation to support their customers since the pandemic, thereby reducing staffing needs. Employment in the retail trade sector is estimated to have fallen 0.3 percent in 2023 as overall consumption weakens. With consumption spending expected to soften further, employment in this sector is forecast to continue to fall throughout the forecast period. Employment in this sector is not anticipated to return to its pre-pandemic level in the near future.

Growing preference for online shopping has created additional demand for transportation and warehousing. In addition, the rebound in the tourism industry has also lifted the demand for transportation services. Consequently, employment in the transportation and utilities sector grew strongly in 2021 and 2022. Employment in this sector is estimated to have grown slower at 0.6 percent in 2023 and is forecast to fall throughout the forecast period as sales decline and businesses make adjustments to their inventory which may result in less need for transportation and storage.

Employment in the education and health care sector, the largest sector in the State, has been growing for the last several decades, even during the recessions. Education and health care employment declined for the first time in over 40 years in 2020, losing 5.5 percent of its workforce. Employment in this sector has consistently recovered following the pandemic and has topped its pre-pandemic level since 2021. Education and health care employment is estimated to have grown 5.0 percent in 2023 and is forecast to grow further throughout the forecast period supported by strong employment growth in health care and social assistance due to the aging of the U.S. population.

As more businesses expand their operations to online platforms and the economy moves toward a more technology-driven society, the demand for employment in professional, scientific, and technical services has also increased. Professional, scientific, and technical services employment grew solidly at 5.6 percent and exceeded its previous peak in 2022. Employment growth in this sector is estimated to have decelerated to 1.9 percent in 2023 and is forecast to grow slowly during the forecast period as consumption and investment spending weakens.

The finance and insurance sector experienced the lowest rate of job loss during the pandemic as the demand for financial services remained strong. Employment in this sector rebounded and surpassed its previous peak in 2022. Finance and insurance employment is estimated to have grown 2.5 percent in 2023 and forecast to grow slower during the forecast period as overall economic activities as well as activities in financial markets are expected to slow (see Table 4).

Table 4

New York State Nonfarm Employment by Sector
(Percent Change)

	Pandemic 2020	Actual 2022	Estimated 2023	Forecast 2024	Forecast 2025
Total	**(10.0)**	**5.0**	**2.3**	**1.0**	**0.8**
Leisure & Hospitality	(33.8)	19.4	5.2	1.5	1.4
Education & Health Care[1]	(5.5)	3.6	5.0	2.9	2.2
Management of Companies	(9.8)	4.6	2.6	0.5	0.7
Finance & Insurance	(1.5)	2.7	2.5	0.7	0.4
Other Services[2]	(16.9)	7.0	2.1	(0.0)	0.3
Professional Services	(3.4)	5.6	1.9	1.0	1.3
Real Estate, Rental, & Leasing	(6.7)	4.3	1.7	0.6	0.7
Construction	(10.8)	2.6	1.5	0.3	0.1
Government	(3.0)	(0.0)	1.2	0.8	0.6
Wholesale Trade	(9.7)	4.2	0.9	(0.8)	(1.6)
Transportation & Utilities[3]	(10.4)	7.9	0.6	(1.1)	(0.2)
Manufacturing[4]	(8.5)	3.2	(0.1)	(0.5)	(0.4)
Retail Trade	(12.4)	2.4	(0.3)	(0.8)	(0.9)
Information	(3.5)	5.2	(3.5)	2.8	0.7

Note: Industries are ranked by 2023 employment growth; rankings are based on two decimal places.

[1] Includes only private employment. Public education and health care employment is included in the government sector.

[2] Including administrative, support, and waste management services.

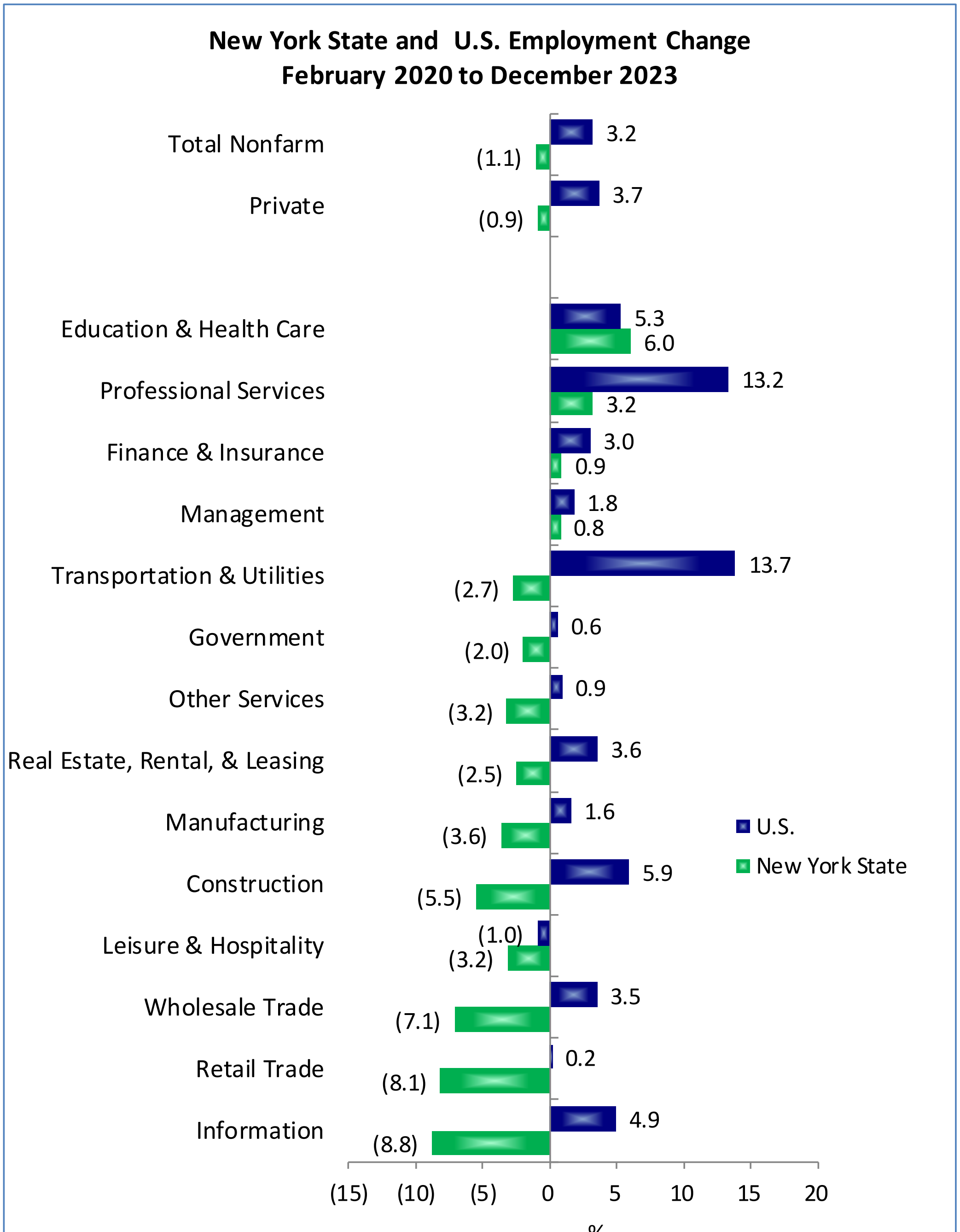
[3] Transportation, warehousing, and utilities.

[4] Does not include mining.

Sources: NYS Department of Labor; NYS Assembly Ways and Means Committee staff.

Growth of nonfarm employment in the State tended to lag the nation over the past few decades. Nonfarm employment in the State, however, has grown faster than the nation in

2022. After lagging the nation from 2019 to 2021, State nonfarm employment grew 5.0 percent in 2022, compared to 4.3 percent nationwide. Despite the recent improvement, employment in the State remains below its pre-pandemic peak in most sectors, while the national employment has surpassed its previous peak in all sectors, except for the leisure and hospitality and other services sectors (see Figure 42).



Source: Bureau of Labor Statistics.

Figure 42

Personal Income and Wages

Personal income, its major components consisting of wages and salaries, dividends, interest, and rental income, proprietors' income, and transfer income, was heavily influenced by transfer payments and other financial support from various federal stimulus programs during the pandemic. Consequently, personal income exhibited abnormal patterns during 2020 to 2022. As the federal stimulus ended, personal income returns to its normal trend in 2023.

Although wages and other incomes grew solidly in 2022, personal income growth declined as transfer income fell sharply at 17.8 percent in the absence of pandemic-related government support programs. As the volatility caused by federal stimulus payments dissipated, personal income is estimated to have grown at a more normal pace of 4.2 percent in 2023, supported by growth in wages and other incomes. Personal income growth is expected to slow to 4.0 percent in 2024 due mainly to slow wages growth. Personal income growth is forecast to improve to 4.3 percent in 2025, as growth of wages expected to increase (see Figure 43).

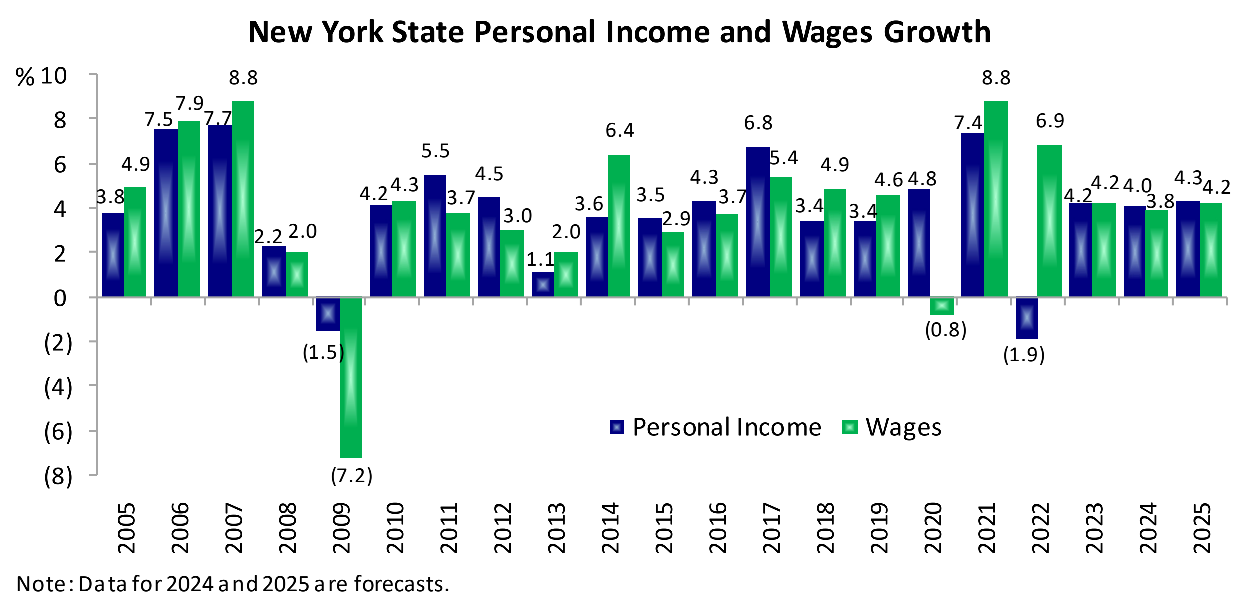


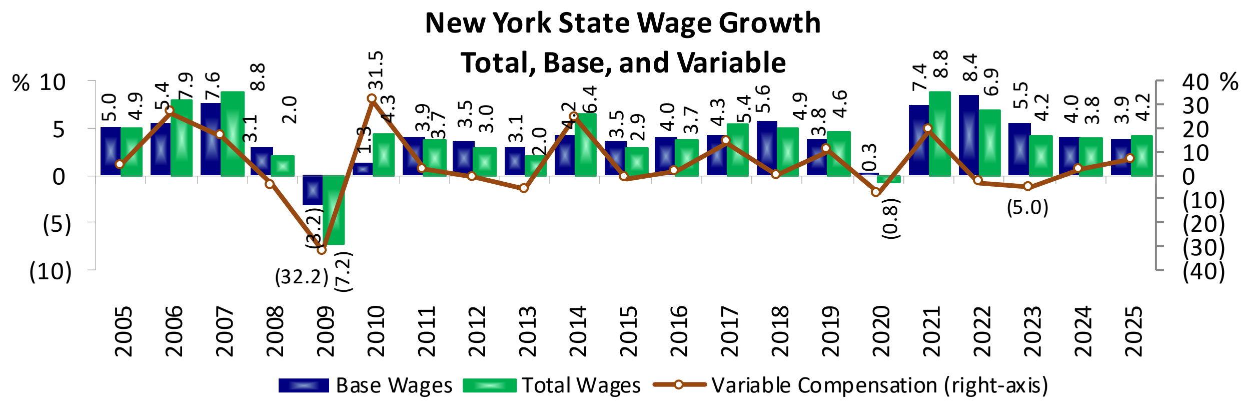
Figure 43

Wages and salaries income, consisting of base wages and variable wages, is the largest component of New York State's personal income. It accounted for more than half of total personal income in 2022 and is the key to the State's economic and fiscal outlook. Base wages are a predetermined amount an employee regularly earns, as a result, base wages are considered guaranteed and tend to be stable over time. The growth of base wages is generally related to employment growth and inflation. Variable wages, on the other hand, are performance-based and vary greatly from year to year depending on employees' performance as well as firms' profits.

Total wages in the State grew solidly in 2021 and 2022 as the economy recovered from the recession and more people returned to work. Growth in total wages is estimated to have moderated to 4.2 percent in 2023 and is forecast to decelerate further to 3.8 percent in 2024, as base wages growth slows down.

Much of New York State's variable compensation is concentrated in the financial sector, particularly the securities industry. As a result, the State's total variable compensation depends heavily on the performance of the financial market. Financial activities slowed markedly in 2022; consequently, variable wages fell 3.2 percent after a solid 18.8 percent increase in 2021. Variable wages are estimated to have declined another 5.0 percent in 2023 as activities in the financial markets continued to weaken.

Employment growth is projected to slow down significantly during the forecast period. Accordingly, growth of base wages is projected to slow to 4.0 percent in 2024, while variable wages are forecast rebound and grow 2.5 percent as activities in financial markets are expected to improve. With employment growth expected to remain slow and inflation anticipated to continue to cool, growth of base wages is forecast to remain modest at 3.9 percent in 2025, while variable wages are forecast to grow 6.6 percent as the condition in the financial market continues to improve (see Figure 44).

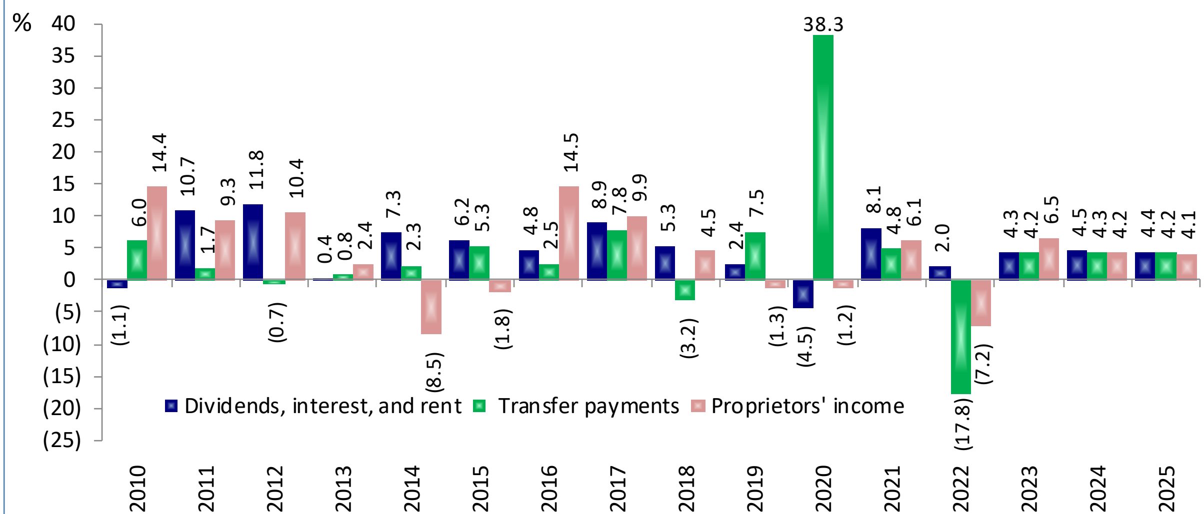


Note: Total wage data for 2024 and 2025 are forecasts. Base wages and variable compensation are estimated by the NYS Assembly Ways and Means Committee staff and their levels sum to total wages.
Sources: NYS Department of Labor; NYS Assembly Ways and Means Committee staff.

Figure 44

After falling 17.8 percent in 2022 due to the absence of fiscal stimulus, personal transfer receipts from governments and businesses are estimated to have grown at a more normal pace of 4.2 percent in 2023 and forecast to grow further by 4.3 percent in 2024. Dividend, interest, and rental income, the second largest component of personal income at about 19.8 percent of total personal income in 2022, is estimated to have grown 4.3 percent in 2023 as rental prices and interest rates rose. It is forecast to grow further by 4.5 percent in 2024 and another 4.4 percent in 2025, as rental prices and interest rates are expected to remain high. After falling at 7.2 percent in 2022, in the absence of the Paycheck Protection Program, proprietors' income is estimated to have rebounded and grew 6.5 percent in 2023 and is forecast to grow another 4.2 percent in 2024 as the volatility from the federal stimulus dissipates (see Figure 45).

New York State Personal Income by Category



Note: Data for 2024 and 2025 are forecasts.

Sources: NYS Department of Labor; NYS Assembly Ways and Means Committee staff.

Figure 45

Capital Gains

Capital gains are generally contingent upon the performance of the financial and housing markets and the overall economy. Gains are only realized when an asset is sold for more than its acquisition cost. Households' assets may include their homes, other real estate, stocks, government and corporate bonds, mutual funds, and privately owned businesses. Upon selling an asset, households may be liable to pay taxes on realized gains or, conversely, they may be entitled to a tax deduction in case of a capital loss. Consequently, they may choose to advance or delay the disposition of an asset depending on the economic outlook or announced change in the tax environment. For example, if households anticipate higher future tax rates on capital gains realizations, they have an incentive to exercise the option of taking gains in the year before the higher tax rates become effective. Conversely, if households expect lower rates in the future, they have an incentive to delay realizing capital gains until after the rates are implemented.

Capital gains are estimated to have declined 45.2 percent in 2022 to $111.6 billion, following an increase of 54.3 percent in 2021 and 45.2 percent in 2020. In 2022, the Federal Reserve began raising interest rates sharply to tame rapid inflation. As a result, on an annual average basis, the S&P 500 fell 3.9 percent in 2022, following a 32.6 percent increase in 2021. The decline in equity value contributed to the decrease in capital gains in 2022. In addition, while home prices increased, home sales declined significantly depressing overall capital gains in the housing market.

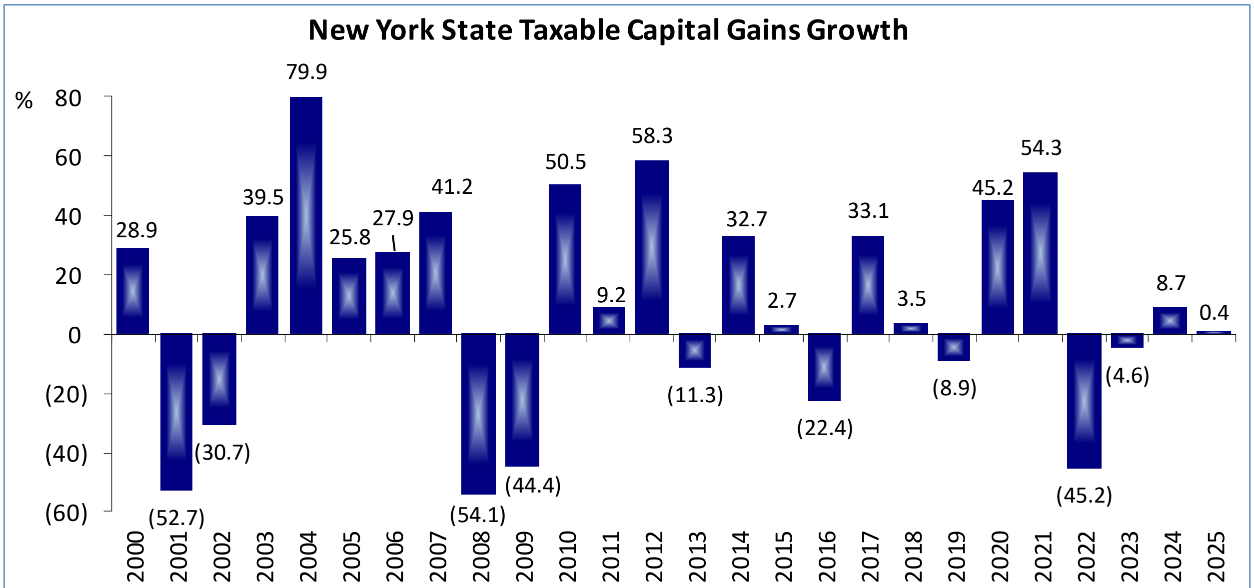
The inventory of homes for sale has been low, leading to higher home prices.[22] Homeowners are staying in place and potential homeowners have had to delay home purchases because of affordability issues, as rising mortgage rates have made the cost of homeownership more expensive. Home prices grew more slowly in 2023, increasing only 3.8 percent, compared to 11.4 percent in 2022. However, home sales continued to slide at a faster pace than 2022. In addition, high volatility in equity markets led to a 9.3 percent decrease in the value of households' corporate equity holdings in the first quarter of 2023 as stock price decreased 10.4 percent from a year earlier. As recession concerns tapered, inflation moderated, and the Federal Reserve took on a wait-and-see approach to interest rate

[22] Home prices data are as measured by Freddie Mac House Price Index; see https://www.freddiemac.com/research/indices/house-price-index.

increases, stock prices increased for the rest of 2023. Despite the increase in equity prices, trading volume plummeted by 13.4 percent from 2022. Hence, though stock prices rose 4.5 percent on a yearly average basis in 2023, realized capital gains are forecast to decline another 4.6 percent in 2023.

The S&P 500 is forecast to grow 11.0 percent on an average annual basis as inflation and interest rate hike concerns taper. Realized capital gains are projected to increase 8.7 percent in 2024. With the performance of equity markets anticipated to have only modest gains in 2025 as interest rates are likely to fall and the overall economy to slow, realized capital gains are forecast to increase a mere 0.4 percent (see Figure 46).

In general, capital gains or losses are mostly accrued by wealthiest households. These households typically have more of their assets tied to equities. According to data from the Federal Reserve, the top ten percent of U.S. households held 93 percent of all stocks in 2023. Hence, these households significantly contribute to the tax revenue derived from capital gains. But these households have also become more mobile across states in recent years, presenting risks to the State's capital gains tax receipts.



Note: Data for 2022 are estimated; the first forecast period is 2023.

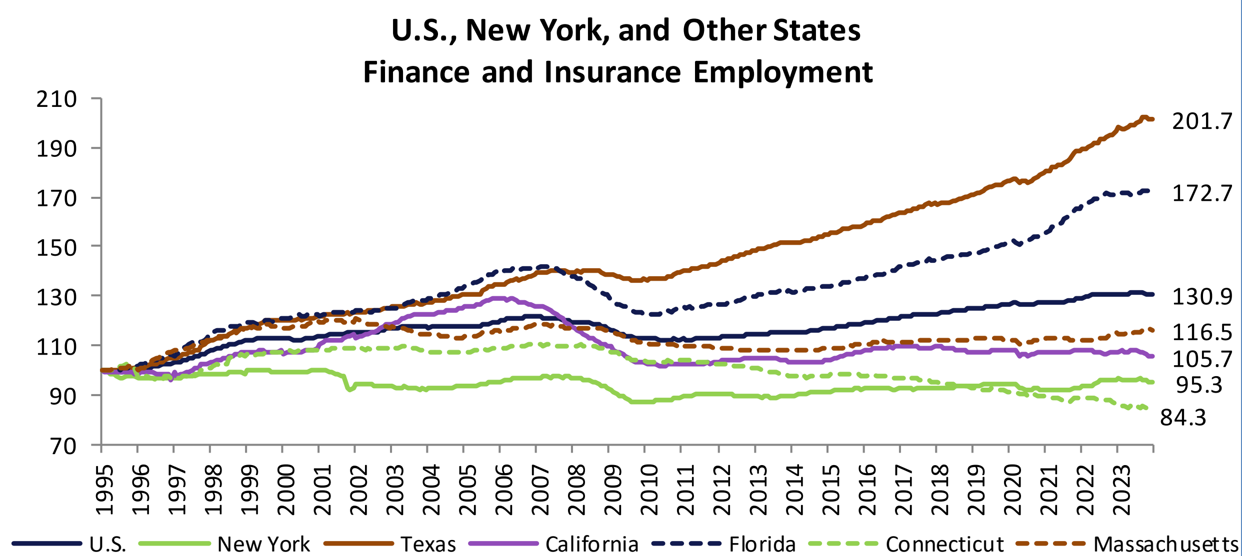
Sources: NYS Department of Taxation and Finance; NYS Assembly Ways and Means Committee staff.

Figure 46

Finance and Insurance Sector

Although finance and insurance employment in the State has been relatively flat during the past few decades, the sector remains important to the New York State economy due to its high wages. The average wage in the finance and insurance sector was $286,200 in 2022, the highest among all sectors and more than three times the overall State average wage of $89,800. As a result, while representing only 5.6 percent of the State's nonfarm payroll employment, the sector accounted for 18.0 percent of the State's total wages and 49.3 percent of variable wages in 2022.

Finance and insurance employment was on a slightly upward trend nationally during the past decades. However, the experience has not been the same for all states. For example, some states such as Texas and Florida have gained finance and insurance jobs, while others like Connecticut have lost these jobs. In New York State, as of December 2023, total finance and insurance employment was down 4.7 percent from its January 1995 level (see Figure 47).



Note: Data are monthly from January 1995 to December 2023. Data are indexed with January 1995 = 100.
Source: U.S. Bureau of Labor Statistics.

Figure 47

New technologies such as machine learning algorithms, blockchain, data science, and app-based services have reduced the need for in-person financial services. There is also evidence that firms continue to offer remote working to staff, at least partially, as an incentive to retain and attract workers. According to the Empire State Manufacturing Survey, as of

August 2023, 68.0 percent of service firms and 57.0 percent of manufacturers reported positive impacts of remote work on employee retention, and about half indicated that offering remote work helped with recruiting. According to the survey, about 32 percent of all service work and 6 percent of all manufacturing work are currently being done at least partially remote and this pattern is expected to continue for the next year.[23] A more recent survey by the Conference Board indicated that the top internal priority for business leaders is to attract and retain talent. Only a small fraction of U.S. CEOs (4 percent) planned to prioritize bringing workers back to the office full time.[24] Remote work has allowed workers to keep their jobs while relocating to live in less expensive areas, which may have an adverse impact on finance and insurance jobs in the State.

In addition, cities across the country have offered economic incentives to companies to have them relocate to their jurisdictions. These factors led to the migration of many financial activities from New York to other states. However, the data have indicated that the reason for the muted growth in finance and insurance employment was due to the positions being eliminated rather than the migration of jobs to other states. From 2001 to 2022, except for during the recessions, New York State experienced positive net inflow of finance and insurance jobs from other states despite the lack of job growth[25] (see Figure 48). Regardless of the reason, as the finance and insurance sector account for a large share of the State's total wages, the lack of employment growth in this sector could have a significant impact on the State's fiscal outlook.

[23] Federal Reserve Bank of New York, Empire State Manufacturing Survey/Business Leaders Survey, Supplemental Survey Report: Businesses Expect Current Amount of Remote Work to Persist into Next Year, August 2023, http://www.newyorkfed.org/survey/business_leaders/Supplemental_Survey_Report.

[24] The Conference Board, C-Suite Outlook Leading for Tomorrow: Winning through change and disruption, January 2024, https://www.conference-board.org/topics/c-suite-outlook/press/c-suite-outlook-2024.

[25] Net flow of finance and insurance jobs is defined as the number of employees that are hired from other State to finance and insurance sector in New York State minus the number of workers that separate from employers in finance and insurance sector in the State and move to other States.

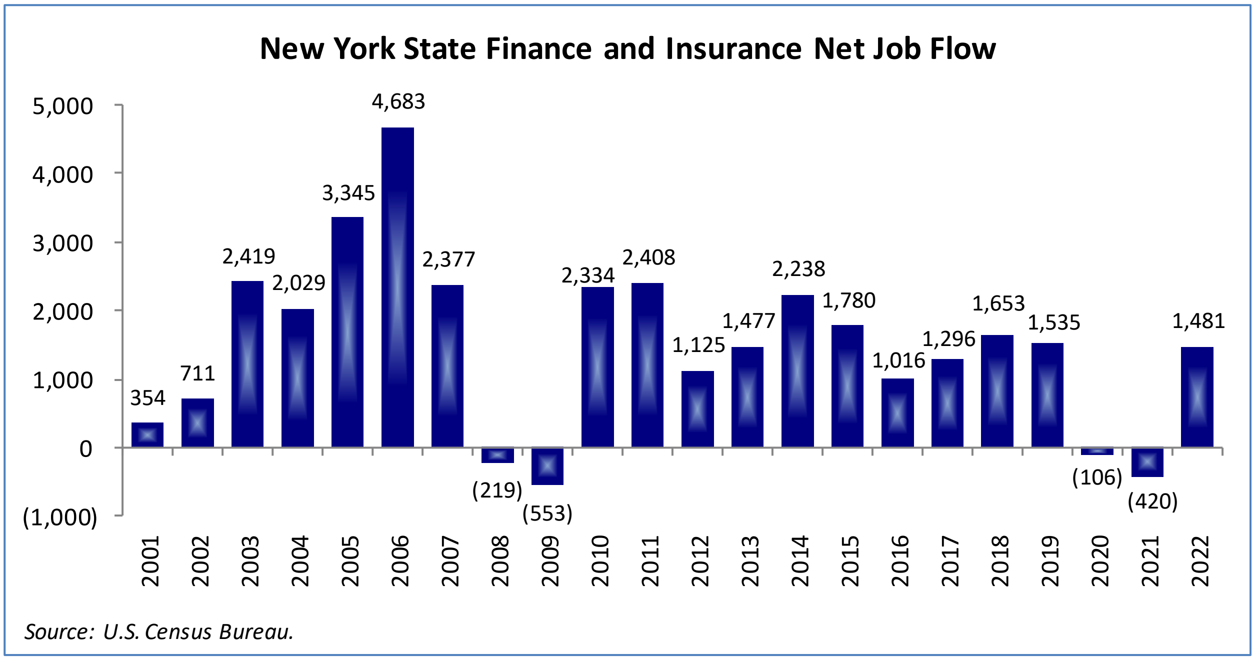


Figure 48

New York County has been most impacted by the lack of growth in finance and insurance employment, since the sector employment is heavily concentrated in this area. While State finance and insurance employment has been relatively stable during the past several decades, finance and insurance employment in New York County has been on a downward trend. One factor that has helped to mitigate the impact of this loss on New York County's total employment is the growing employment of other high paying jobs in the "tech sector" in the County.[26] While the County lost 9.2 percent of its finance and insurance jobs from 2001 to 2021, its tech sector jobs grew by 131.1 percent during this period. Although the average wage in the "tech sector" is relatively high, it is still much lower than the average wages in the finance and insurance sector. Thus, increasing "tech sector" employment is likely to only partially mitigate the economic and fiscal impact of the lack of employment growth in the finance and insurance sector.

Activities in the financial market slowed markedly in 2022 and continued into 2023. Global initial public offerings (IPOs), excluding special purpose acquisition companies, totaled \$112.5 billion in 2023, a decline of 24.0 percent from 2022.[27] Similarly, worldwide mergers and

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[26] Tech sector includes the following industries: Computer Manufacturing, Electronic Shopping, Software Publishing, Data Processing & Hosting, Internet Publishing & Broadcasting & Web Search Portals, Computer Systems Design, and Scientific R&D Services.

[27] Thomson Reuters Deals Intelligence, Global Equity Capital Market Review, Full Year 2023.

acquisitions (M&A) activities fell 16.7 percent in 2023.[28] Global investment banking fees, however, fell slower at 7.4 percent in 2023, supported by the increase in revenue from the bonds and equity market.[29] Fees revenues for the top ten banks, as reported by the New York Times, decreased by 8.0 percent in 2023.[30]

The slowdown in financial market activities is also evident in the State. According to a report by the Office of the New York State Comptroller (OSC), New York Stock Exchange (NYSE) member firms' profits during the first half of 2023 were $13 billion, a decline of 4.3 percent from the same period in 2022.[31] As a result, variable wages in the State are estimated to have fallen in 2023.

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[28] Thomson Reuters Deals Intelligence, Global Mergers & Acquisitions Review, Full Year 2023.

[29] Thomson Reuters Deals Intelligence, Global Investment Banking Review, Full Year 2023.

[30] Full Year, League Tables, https://markets.ft.com/data/league-tables/tables-and-trends, last accessed January 28, 2024.

[31] Office of the New York State Comptroller, The Securities Industry in New York City, https://www.osc.state.ny.us/files/reports/osdc/pdf/report-10-2024.pdf, October 2023.

RISKS TO THE ECONOMIC FORECAST

Consumer sentiment is sensitive to changes in expectations on jobs and inflation and various shocks to the economy. An unexpected increase in financial market volatility, a possible government shutdown, and geopolitical tensions can also quickly cool consumer sentiment. Should consumer sentiment turn sour, consumers would retrench in spending and the fallout would cascade to businesses' hiring plans. Historically, when consumer sentiment declines 20 points or more in a three-month period, the U.S. economy enters a contraction in six months or so.

Should the Federal Reserve remain restrictive longer than expected, financial market volatility could worsen abruptly, negatively impacting the economic and fiscal health of the State, as Wall Street and financial markets play a central role in the State economy and revenue. Also, investors could overreact to the federal Reserve Action and sharply increase their demand for longer-term Treasury securities. This would cause the term structure of Treasury yields to be inverted more steeply than it has already been. In U.S. history, an inverted yield curve typically precedes an economic downturn.

Fiscal policy will potentially undergo significant changes after the 2024 election. The Trump-era tax cuts that were enacted in the Tax Cuts and Jobs Act of 2017 and the Obama health insurance subsidies that were extended in the Inflation Reduction Act of 2022 are both set to expire on December 31, 2025. Should these tax cuts and subsidies not be extended or renewed, that could have significant negative impact on household spending in FY 2025-26 and after. The expiration of the tax cuts could also trigger investors and taxpayers to shift their investment decisions and other taxable economic activity from 2026 to 2025 in anticipation of the policy changes. This could cause volatility in economic activity and tax revenue stream. None of these potential fiscal policy changes is reflected in the current forecast.

As banks typically borrow short and lend long, a financial market environment with an inverted yield curve puts banks under stress. Much of the banking crisis that rattled the financial market in early 2023 is behind us, and the banking system has prepared itself for future crises. But if a steepening yield curve inversion should persist, longer-term rates would fall further below short-term rates, thereby further squeezing the profitability of smaller banks and thus causing another round of banking crisis to flare up. This would cause more volatility in the financial markets.

Due to a series of massive fiscal stimulus programs during the pandemic years, the U.S. federal government recorded more than $3 trillion deficits in fiscal years 2020 and 2021. With rising interest rates, the government again racked up a deficit of $1.7 trillion in fiscal year 2023. The deteriorating fiscal position of the U.S. government has led to a downgrade of U.S. Treasury securities and concern among investors. This is putting upward pressure on Treasury yields, which could cascade to higher costs of financing in the private sector, constraining household and business spending.

Geopolitical uncertainties abound, potentially threatening to destabilize the prices of oil, food, and other commodities in the world market. Should this happen, the expected moderation of inflationary pressures would be hampered, and the Federal Reserve and other central banks around the world would be forced to take a more restrictive policy stance. Faced with persistent inflation and higher costs of financing, households and businesses could be forced to curtail their plans for spending and hiring more sharply than called for in the current forecast.

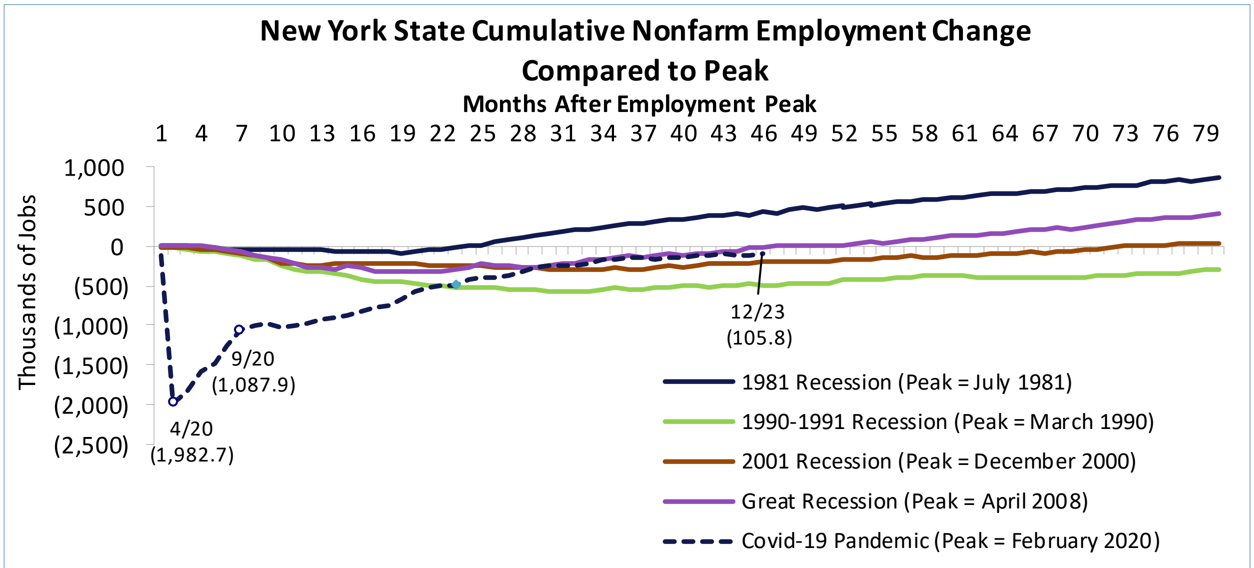
NEW YORK STATE ECONOMY AND TAXATION

New York State has seen significant changes in its economy during the past several decades as a result of structural changes in the economy as well as other economic and demographic factors. Many sectors have remained relatively stable for decades, while others have declined or have grown. Recessions have also had an impact on the composition of the State's economy with each segment of the economy being affected differently. As a result, the sectoral shares and their contributions to the State's total employment and wages have also changed over the years, especially following the recessions. Therefore, some sectors have become less vital while others have become more significant.

The State economy varies significantly across regions with regard to their size, sectoral component, and other characteristics. This section provides more details on the State economy and taxation.

Employment and Labor Force

Although it officially lasted just for two months, the pandemic driven recession of 2020 was the deepest recession in U.S. history since the Great Depression. The recovery has been fast, compared to previous recoveries, but nonfarm employment in the State remained at 105,800 or 1.1 percent below its February 2020 peak, as of December 2023, 46 months into the recovery. While much fewer jobs were lost than during the pandemic, it took 52 months after the Great Recession and 73 months after the 2001 recession for the State's employment to reclaim its respective pre-recession level. The employment recovery following the 1990-1991 recession was even slower; after 80 months, nonfarm employment in the State was still below its prior peak (see Figure 49).



Note: Data for the COVID-19 recession are through December 2023.
Source: Bureau of Labor Statistics.

Figure 49

Employment by Industry

As of December 2023, New York State employment remained 1.1 percent below its February 2020 peak, while national employment had already surpassed its pre-pandemic peak level. Many sectors in New York State, remain below their pre-pandemic peak employment levels, except for education and health, professional services, finance and insurance, and management of company and enterprise sectors (see Table 5).

Table 5

New York State vs. U.S. Employment by Sector (Percent Change)

	NYS Average Wage 2022	Employment Changes (%) From February 2020 to December 2023		Share of Total Nonfarm 2022	
		NYS	U.S.	NYS	U.S.
Total Nonfarm	**89,858**	**(1.1)**	**3.2**	**100.0**	**100.0**
Private	91,043	(0.9)	3.7	84.9	85.5
Goods Producing	78,772	(4.5)	2.9	8.6	13.9
Service Providing	92,025	(0.8)	3.2	91.4	86.1
Education & Health Care[1]	63,615	6.0	5.3	22.5	16.0
Government	83,295	(2.0)	0.6	15.1	14.5
Other Services[2]	59,969	(3.2)	0.9	9.4	10.0
Leisure & Hospitality	42,052	(3.2)	(1.0)	9.1	10.4
Retail Trade	46,677	(8.1)	0.2	8.9	10.1
Professional Services	141,871	3.2	13.2	7.5	6.9
Finance & Insurance	287,678	0.9	3.0	5.6	4.4
Manufacturing[3]	78,017	(3.6)	1.6	4.5	8.4
Construction	82,317	(5.5)	5.9	4.1	5.1
Transportation & Utilities[4]	70,271	(2.7)	13.7	3.4	4.7
Wholesale Trade	105,027	(7.1)	3.5	3.3	3.9
Information	166,016	(8.8)	4.9	3.1	2.0
Real Estate, Rental, & Leasing	88,245	(2.5)	3.6	2.1	1.6
Management	176,167	0.8	1.8	1.5	1.6

Note: Industries ranked by NYS share of total nonfarm in 2022.

[1] Includes only private employment. Public education and health care employment is included in the government sector.

[2] Does not include administrative, support, and waste

[3] Does not include mining.

[4] Transportation, warehousing, and utilities.

Source: Bureau of Labor Statistics.

New York State experienced net job outflow during the past few decades.[32] Most sectors experienced gains in some years and losses in others. The retail trade, administrative and support and waste management and remediation services, and accommodation and food services sectors, however, have been persistently losing jobs to other states during the last two decades. The retail trade and accommodation and food services sectors have led the State in job losses since 2001.

In 2019, there were a net outflow of 7,218 jobs from New York State led by the retail trade sector. The finance and insurance sector, however, had a net inflow of 1,547 jobs as

[32] Job outflow is defined as number of jobs that are hired from other state to New York State minus number of jobs that separate from New York State employers and move to other states.

17,341 jobs were lost from New York State to other states, while 18,888 jobs were hired into the State. But this net gain turned to a net loss of 133 jobs to other states in 2020 and another 307 jobs were lost in 2021. Similarly, the State gained 988 professional, scientific, and technical services workers from other states in 2019 before losing 1,380 workers in 2020 and another 308 workers in 2021. This trend has reversed in 2022, and both sectors have gained employment from other states (see Table 6).

Table 6

Job Flow to and from New York State by Industry

	2019			2020			2021			2022		
	Hire from NYS	Hire to NYS	Net	Hire from NYS	Hire to NYS	Net	Hire from NYS	Hire to NYS	Net	Hire from NYS	Hire to NYS	Net
Agriculture, Forestry, Fishing and Hunting	1,319	1,294	(25)	1,205	1,146	(59)	1,370	1,148	(222)	1,345	1,218	(127)
Mining, Quarrying, and Oil and Gas Extraction	181	201	20	141	141	0	177	207	30	203	226	23
Utilities	452	605	153	331	447	116	464	671	206	656	1,067	411
Construction	23,975	24,747	773	16,480	17,539	1,058	19,210	19,378	168	21,880	21,560	(320)
Manufacturing	14,268	15,726	1,458	10,456	11,578	1,123	14,032	15,678	1,646	16,157	17,700	1,543
Wholesale Trade	12,377	12,867	490	8,968	8,723	(245)	11,271	11,996	724	12,747	13,878	1,132
Retail Trade	52,658	44,559	(8,099)	35,281	31,490	(3,791)	48,522	39,206	(9,316)	52,235	42,519	(9,716)
Transportation and Warehousing	12,760	14,180	1,420	10,610	12,012	1,402	14,343	14,899	556	17,781	18,138	357
Information	14,462	16,555	2,093	10,895	10,719	(176)	14,282	15,971	1,690	15,888	17,884	1,996
Finance and Insurance	17,341	18,888	1,547	13,437	13,304	(133)	19,495	19,188	(307)	20,867	23,721	2,854
Real Estate and Rental and Leasing	6,658	7,609	951	5,030	5,014	(16)	6,284	6,518	235	7,512	8,196	684
Professional, Scientific, and Technical Services	32,260	33,248	988	23,660	22,281	(1,380)	33,410	33,102	(308)	36,241	37,791	1,550
Management of Companies and Enterprises	6,274	6,661	388	4,771	4,453	(318)	5,994	6,362	369	6,759	7,274	514
Administrative and Support and Waste Management and Remediation Services	46,285	40,609	(5,676)	31,166	28,501	(2,665)	38,759	33,848	(4,912)	45,453	40,238	(5,215)
Educational Services	22,049	22,258	209	16,162	13,974	(2,188)	19,816	20,910	1,095	24,298	25,104	806
Health Care and Social Assistance	54,601	57,655	3,054	42,469	44,351	1,882	55,478	52,051	(3,428)	59,648	60,967	1,319
Arts, Entertainment, and Recreation	10,084	9,332	(752)	5,978	3,959	(2,020)	6,925	7,387	462	9,553	9,658	105
Accommodation and Food Services	54,922	47,462	(7,460)	30,920	21,548	(9,372)	42,062	38,956	(3,106)	53,056	46,174	(6,882)
Other Services (except Public Administration)	13,209	12,744	(465)	8,673	7,722	(951)	11,200	10,855	(345)	13,575	13,381	(194)
Public Administration	6,803	8,519	1,716	4,963	5,022	59	5,664	6,862	1,198	7,390	8,615	1,226
Total	**402,936**	**395,718**	**(7,218)**	**281,593**	**263,920**	**(17,673)**	**368,757**	**355,191**	**(13,565)**	**423,242**	**415,305**	**(7,936)**

Source: U.S.Census Bureau.

Employment by Region

With over four million jobs, New York City is the largest region in the State, accounting for 50.3 percent of the State's total nonfarm employment in 2022. The North Country, with 140,000 nonfarm jobs, had the smallest employment (see Table 7). Across regions, most jobs are concentrated in the education and healthcare, and government sectors, while the smallest sectors were management of companies and real estate, rental, and leasing.

Table 7

New York State Nonfarm Employment and Wages by Region								
	Employment				Wages			
	Level (Thousands)		Share of State Total (%)		Level (Billion $)		Share of State Total (%)	
	2019	2022	2019	2022	2019	2022	2019	2022
New York State	**9,359**	**9,016**	**100.0**	**100.0**	**702.9**	**804.1**	**100.0**	**100.0**
Downstate	**6,709**	**6,495**	**71.7**	**72.0**	**568.5**	**650.4**	**80.9**	**80.9**
New York City	4,482	4,328	47.9	50.3	428.6	491.7	61.0	61.1
Long Island	1,293	1,263	13.8	14.0	81.1	92.3	11.5	11.5
Mid Hudson	934	904	10.0	10.0	58.7	66.5	8.4	8.3
Upstate	**2,650**	**2,521**	**28.3**	**28.0**	**134.4**	**153.7**	**19.1**	**19.1**
Western New York	632	598	6.7	6.9	31.3	35.2	4.4	4.7
Finger Lakes	554	528	5.9	6.1	28.1	31.6	4.0	4.2
Mohawk Valley	168	158	1.8	1.8	7.4	8.5	1.1	1.1
Southern Tier	279	263	3.0	3.1	14.1	15.8	2.0	2.1
Central New York	344	329	3.7	3.6	17.6	20.2	2.5	2.5
North Country	147	140	1.6	1.6	6.7	7.7	0.9	1.0
Capital	526	505	5.6	5.6	29.3	34.7	4.2	4.3

Note: New York State total does not include unclassified data.
Source: New York State Department of Labor.

Although employment in the State has rebounded steadily following the pandemic, as of 2022, employment in most sectors in all regions remained below their pre-pandemic peaks. The sector that employment has surpassed its previous peak in most regions was the transportation and utilities sector, as its employment has been boosted by the additional demand generated from on-line shopping and a rebound in tourism activities. Employment in the information sector was the most depressed in almost all regions (see Table 8).

Table 8

New York State Employment Change by Region and Sector 2019 to 2022 (Percent Change)											
	New York State	**New York City**	**Long Island**	**Mid Hudson**	**Capital**	**Mohawk Valley**	**North Country**	**Central New York**	**Southern Tier**	**Western New York**	**Finger Lakes**
Total Nonfarm	**(3.1)**	**(3.4)**	**(2.3)**	**(3.3)**	**(3.9)**	**(6.1)**	**(4.7)**	**(4.5)**	**(6.0)**	**(5.3)**	**(4.7)**
Private	*(2.8)*	*(3.4)*	*(2.3)*	*(3.1)*	*(3.4)*	*(5.6)*	*(3.4)*	*(4.4)*	*(5.8)*	*(5.3)*	*(4.2)*
Information	5.6	**9.6**	(8.2)	(10.2)	(7.0)	(21.5)	(16.6)	(12.9)	(11.8)	(16.3)	(20.7)
Transportation & Utilities[1]	3.5	(1.3)	**2.1**	**0.2**	**21.2**	**7.6**	**8.5**	**15.4**	**9.6**	**10.9**	**14.4**
Professional Services	3.2	**3.9**	0.9	**5.2**	0.1	(0.2)	3.3	(5.4)	**0.8**	(5.5)	(2.0)
Finance & Insurance	0.2	(0.1)	(2.8)	(3.1)	(5.3)	(10.0)	(8.0)	(7.4)	(8.0)	(12.2)	(2.2)
Education & Health Care[2]	(0.4)	**4.5**	(1.7)	(4.9)	(8.9)	(11.1)	(7.3)	(10.5)	(7.6)	(8.6)	(4.9)
Real Estate, Rental, & Leasing	(3.1)	(4.3)	**3.7**	(2.9)	(6.9)	(0.5)	**3.7**	(4.8)	(20.0)	(3.2)	(0.0)
Manufacturing[3]	(4.0)	(14.6)	(2.8)	(2.9)	**2.7**	(2.6)	(7.8)	(2.1)	(4.9)	**(1.1)**	(3.2)
Management	(4.3)	(9.8)	**3.1**	(4.1)	(5.8)	**0.4**	(0.8)	**7.1**	(4.5)	(11.4)	**9.2**
Government	(4.6)	(3.9)	(2.5)	(4.1)	(5.8)	(7.8)	(7.7)	(4.9)	(6.9)	(5.3)	(7.3)
Construction	(5.4)	(12.1)	(3.8)	**(1.1)**	**1.2**	(3.1)	**3.5**	**0.6**	(4.9)	**(0.1)**	**3.6**
Wholesale Trade	(5.6)	(8.0)	(8.1)	(3.0)	(2.9)	(6.5)	(2.5)	(4.8)	(12.2)	(5.0)	(6.6)
Other Services[4]	(7.5)	(13.4)	(1.8)	(3.0)	(3.5)	(10.1)	(3.6)	(4.2)	(8.1)	(1.7)	(12.6)
Retail Trade	(7.6)	(12.6)	(7.4)	(5.0)	(3.4)	**1.4**	(1.1)	(3.3)	**(2.7)**	(5.1)	(3.5)
Leisure & Hospitality	(10.3)	(14.5)	(1.4)	(6.8)	(8.3)	(10.5)	(3.9)	(7.3)	(9.1)	(10.5)	(9.0)

Note: Industries ranked by New York State percent employment gained during the recovery. The three sectors that gain the most jobs or lost the least jobs in each region are bolded.
[1] Transportation, warehousing, and utilities.
[2] Includes only private employment. Public education and health care employment is included in the government sector.
[3] Does not include mining.
[4] Does not include administrative, support, and waste management services.
Source: Bureau of Labor Statistics.

Labor Force

Although the State's labor force has rebounded following the pandemic, it remains below the pre-pandemic level. As of December 2023, the labor force in New York City and the State overall remained below their February 2020 pre-pandemic level. The labor force in the rest of the State has already exceeded its pre-pandemic level.

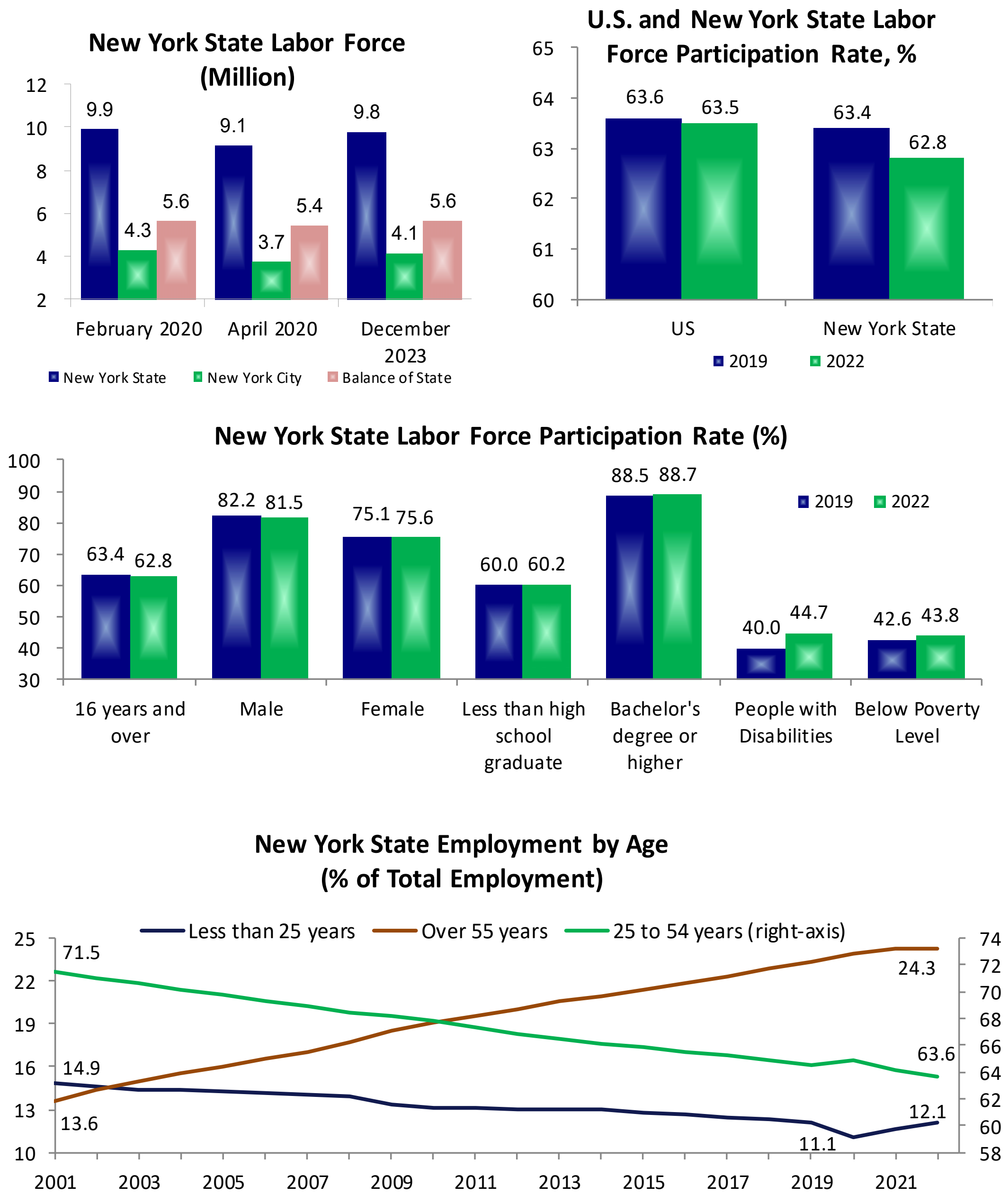
The labor force participation rate in New York State has been lower than in the nation in recent years. In 2019, prior to the pandemic, the labor force participation rate in the State was 63.4 percent, compared to 63.6 percent nationally. The labor force participation rate fell in both the State and the nation during the pandemic and remained below their respective pre-pandemic level in 2022 with the rate in New York State at 62.8 percent, compared to 63.5 percent nationwide. The labor force participation rate of people with disabilities and people whose income is below the poverty level, however, increased following the pandemic.

The share of younger and prime-working-age workers in the State has been declining over the past few decades, while the share of aging workers has been steadily increasing.[33] In 2001, workers whose age was less than 25 years accounted for 14.9 percent of total State's labor force. This share fell to 11.1 percent in 2020 before rebounding to 12.1 percent in 2022. At least in the near future, the share of these young workers will likely continue to be low, as young people tend to work in the service sectors such as leisure and hospitality and retail trade, which have been slow to recover and employment in these sectors remains depressed.

The share of workers in their prime work years, aged 25 to 54, was also on a downward trend, falling from 71.5 percent in 2001 to 63.6 percent in 2022. In contrast, the share of aging workers, those who are 55 years or over, increased from 13.6 percent to 24.3 percent during this period (see Figure 50).

[33] Young workers defined as those age less than 25 years, prime-working-age are workers ages 25 to 54 years. Aging workers refer to those age 55 years and over.

New York State Employment and Labor Force

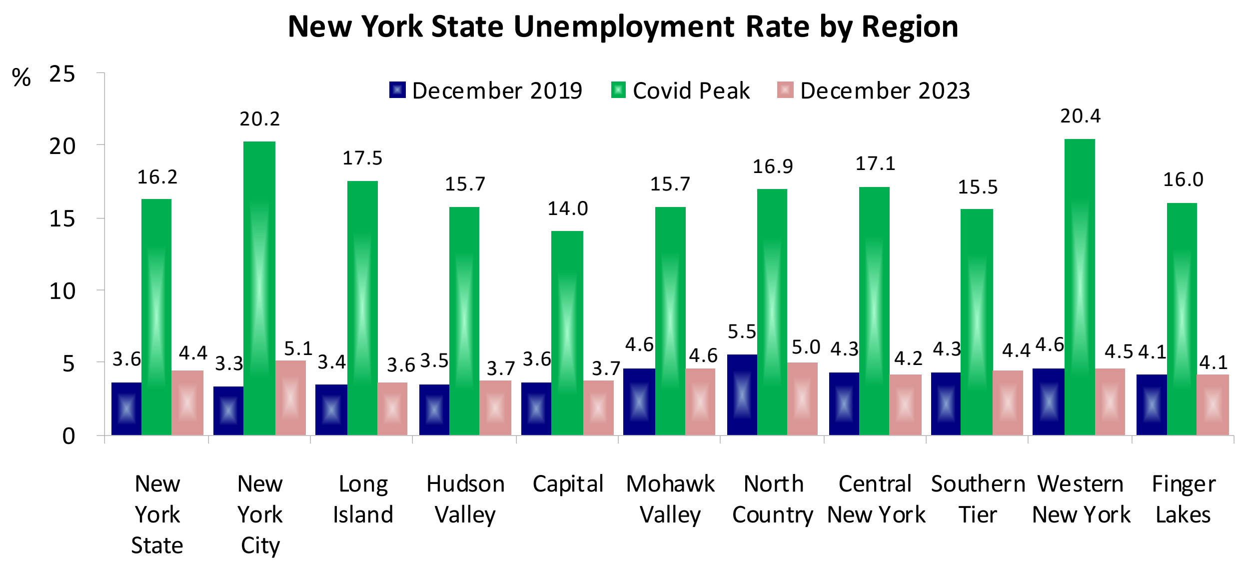


Sources: U.S. Census Bureau; U.S. Bureau of Labor Statistics.

Figure 50

Unemployment

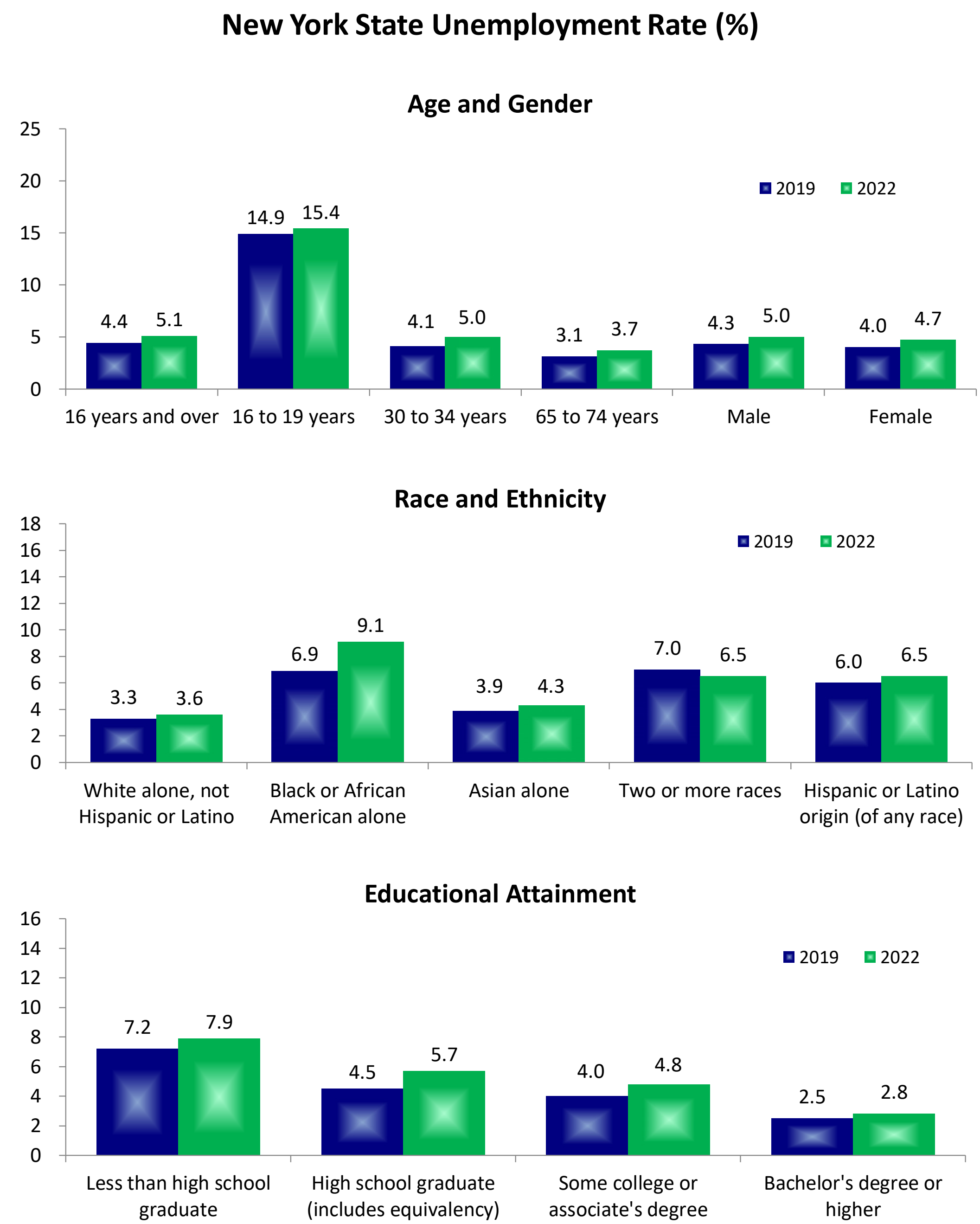
After rising sharply during the pandemic, the unemployment rate has fallen but remained higher than its pre-pandemic level in all regions, except for the North County region. The unemployment rate in New York City was the highest among all regions at 5.1 percent as of December 2023. The unemployment rate in New York State was 4.4 percent, above its pre-pandemic level of 3.8 percent (see Figure 51).



Note: Data are not seasonally adjusted.
Source: Bureau of Labor Statistics; New York State Department of Labor.

Figure 51

The unemployment rates vary widely across different types of workers, but the pattern remained mostly unchanged before and after the pandemic. The unemployment rate of female workers tended to be lower than for their male counterpart. Younger workers and those less educated are more likely to be unemployed than older workers or those with higher education. The unemployment rate for white workers were the lowest among all races or ethnicity (see Figure 52).



Source: U.S. Census Bureau.

Figure 52

Wages, Income, and Debts

Wages by Industry

Average wages in New York State vary widely across sectors. The State's nonfarm workers earned an average of $89,779 in 2022, an increase of 19.0 percent from the pre-pandemic average of $75,458. Similarly, the average wage in the private sector rose 19.3 percent from $76,175 to $90,898 during this period. The five highest paying sectors in New York State in 2022 were finance and insurance, management of companies and enterprises, information, professional services, and wholesale trade. The two lowest paying sectors were the retail trade and leisure and hospitality. The finance and insurance sector had the highest average wage among all sectors at $286,206 in 2022, while the leisure and hospitality sector had the lowest average pay of only $42,215.

Both total and average wages grew in 2022. With wages growing solidly in all sectors, total wages in the State increased 15.3 percent from pre-pandemic to 2022. Total wages grew strongest in the leisure and hospitality, information, and finance and insurance sectors, while the slowest growth was in the construction sector.

The contributions to the total wages paid in New York State also varied across industries. In 2019, prior to the pandemic, the finance and insurance sector contributed the most to the State's total wages, accounting for 17.1 percent. The education and health sector was second with 15.1 percent followed by the government sector at 14.1 percent. The remaining industries contributed 53.7 percent to the State's total wages.

The ranking of sectors in their contribution to the State's total wages remained largely unchanged before and after the pandemic. However, as the rate of wage loss and recovery vary widely among sectors, their contributions to the State's total wages have changed after the pandemic. The finance and insurance sector was affected the least during the pandemic and continued to grow following the pandemic. As a result, its share of total State wages rose from 17.1 percent in 2019 to 18.0 percent in 2022. Similarly, the share of total State wages of the professional services sector rose from 11.4 percent in 2019 to 12.1 percent in 2022 as employment in this sector rebounded strongly. The leisure and hospitality sector, on the other hand, was hit the hardest and its share in the State's total wages went down from 4.8 percent in 2019 to 4.4 percent in 2022 (see Table 9).

Table 9

New York State Wage by Sector					
	Average Wage ($)		Total Wages		
			Change (%)	Share (%)	
	2019	2022	2019-2022	2019	2022
Nonfarm	**75,458**	**89,779**	**15.3**	**100.0**	**100**
Private	**76,175**	**90,898**	**16.0**	**85.9**	**86.4**
Finance & Insurance	236,479	286,206	21.3	17.1	18.0
Management of Companies	155,094	175,920	8.6	3.1	3.0
Information	135,888	165,864	28.9	5.2	5.9
Professional Services	120,134	141,872	21.9	11.4	12.1
Wholesale Trade	88,330	105,036	12.3	4.0	3.9
Real Estate, Rental, & Leasing	76,746	88,147	11.3	2.2	2.1
Government	71,371	83,282	11.4	14.1	13.6
Construction	75,669	82,437	3.1	4.3	3.8
Manufacturing[1]	69,175	78,016	8.2	4.3	4.0
Transportation & Utilities[2]	62,155	70,287	17.0	2.6	2.7
Education & Health Care[3]	54,642	63,641	16.0	15.1	15.1
Other Services[4]	52,355	59,975	6.0	6.6	6.1
Retail Trade	38,457	46,692	12.2	4.9	4.8
Leisure & Hospitality	35,843	42,215	5.6	4.8	4.4

Note: Industries are ranked by 2022 average wage.
[1] Including mining.
[2] Transportation, warehousing, and utilities.
[3] Includes only private employment. Public education and health care employment is included in the government sector.
[4] Including administrative, support, and waste management services.
Source: New York State Department of Labor.

Wages by Region

Annual average wages in New York City have always been the highest in the State due to the concentration of high-paying jobs in the finance and insurance and professional services sectors. Annual average wages grew in all regions during and following the pandemic. As a result, the pattern of average wage across regions remains relatively unchanged. In 2022, the average wage in New York City was $113,603, the highest in the State. The region with the lowest average wage was the Mohawk Valley at $53,558 (see Figure 53).

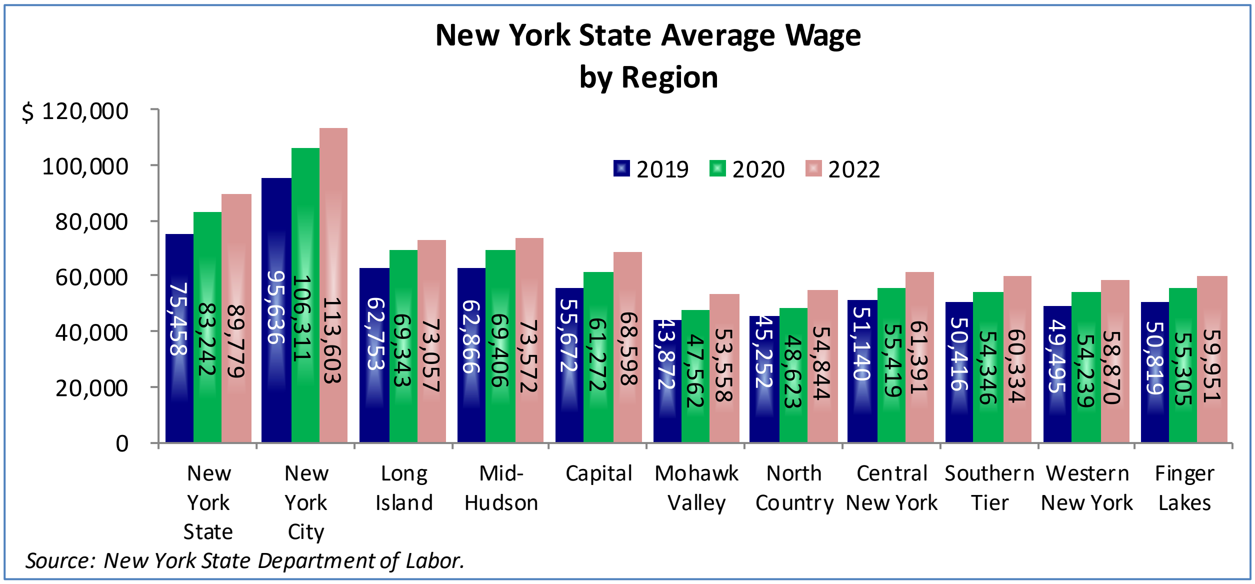


Figure 53

Unlike employment, total wages in the State and all regions have well surpassed their pre-pandemic levels. In addition, wages in most sectors have exceeded their pre-pandemic level in most regions (see Table 10).

Table 10

New York State Wages Change by Region and Sector
2019 to 2022 (Percent Change)

	New York State	New York City	Long Island	Mid Hudson	Capital	Mohawk Valley	North Country	Central New York	Southern Tier	Western New York	Finger Lakes
Total Nonfarm	**15.3**	**14.7**	**13.7**	**13.2**	**18.4**	**14.7**	**15.5**	**14.7**	**12.5**	**12.6**	**12.5**
Private	*16.0*	*15.6*	*14.9*	*13.1*	*16.4*	*13.8*	*15.6*	*12.8*	*11.6*	*12.1*	*12.3*
Information	**28.9**	**30.6**	8.6	**16.4**	(0.8)	(9.7)	(3.5)	16.3	5.8	(2.0)	(11.0)
Professional Services	**21.9**	**22.6**	12.6	**30.5**	13.2	18.8	**23.0**	6.1	16.6	8.1	15.3
Finance & Insurance	**21.3**	**21.8**	16.9	6.0	10.1	7.9	4.6	8.7	6.7	6.2	10.3
Transportation & Utilities[1]	17.0	14.3	15.2	8.8	**34.1**	**33.4**	22.6	**28.6**	**23.4**	**18.4**	**31.1**
Education & Health Care[2]	16.0	17.7	**18.4**	12.5	11.2	10.7	9.4	5.4	13.3	8.5	13.9
Wholesale Trade	12.3	11.1	6.6	9.0	14.6	12.4	21.0	12.3	6.8	**19.0**	17.5
Retail Trade	12.2	4.8	14.7	**18.3**	18.7	**23.3**	18.8	19.5	**20.6**	18.1	18.9
Government	11.4	7.6	8.0	13.6	**24.9**	16.9	15.4	**21.7**	16.2	14.4	13.1
Real Estate, Rental, & Leasing	11.3	8.6	24.5	12.3	7.2	20.9	30.1	16.4	(3.2)	14.6	**25.7**
Management	8.6	7.1	11.3	(4.1)	14.8	**28.5**	**33.6**	**22.1**	**18.5**	0.3	**20.2**
Manufacturing[3]	8.2	(4.1)	9.7	10.0	**30.0**	12.4	5.5	7.3	3.9	8.5	4.4
Other Services[4]	6.0	(6.2)	**22.3**	13.6	23.7	14.0	**54.5**	18.1	14.0	**33.9**	2.0
Leisure & Hospitality	5.6	0.6	**19.0**	11.9	13.3	(1.6)	17.9	17.6	10.2	12.6	10.5
Construction	3.1	(3.9)	4.1	6.0	13.3	7.9	13.2	22.6	5.9	12.7	16.4

Note: Industries ranked by New York State wages growth. The three sectors that gain the most wages in each region are bolded.
[1] Transportation, warehousing, and utilities.
[2] Includes only private employment. Public education and health care employment
[3] Does not include mining.
[4] Does not include administrative, support, and waste management services.
Source: Bureau of Labor Statistics.

Income and Debts

Per capita personal income in New York State has been persistently higher than in the nation due to the concentration of high wage sectors such as finance and insurance and information. Per capita personal income in the State was $78,089 in 2022, compared to $65,423 nationally. The State's per capita personal income grew at a similar rate as the nation. Per capita personal income in the State grew by 1.7 percent in 2022, compared to a growth of 2.0 percent nationwide.

While a New Yorker enjoyed a much higher income per capita than the nation, their debts per capita were similar to the national average. On average, New Yorkers owed $57,690 in debt in the fourth quarter of 2023, compared to $61,040 nationally.[34] This is due, in part, to the fact that New York State has one of the lowest homeownership rate in the nation. According to data from the U.S. Census Bureau, the State homeownership rate was the second lowest in the nation, behind the District of Columbia, at 51.2 percent in the fourth quarter of 2023, compared to the national average of 65.7 percent.[35]

Household debts have been on an upward trend for the past few years in both the State and the nation. The majority of personal debts in New York State are mortgages, which have been relatively stable recently and stood at $40,110 per person in the fourth quarter of 2023. After falling in 2020 as people used their stimulus checks to pay their debts, credit card debts have been increasing. Auto loans have also been increasing recently as the average cost of new cars has increased (see Figure 54).

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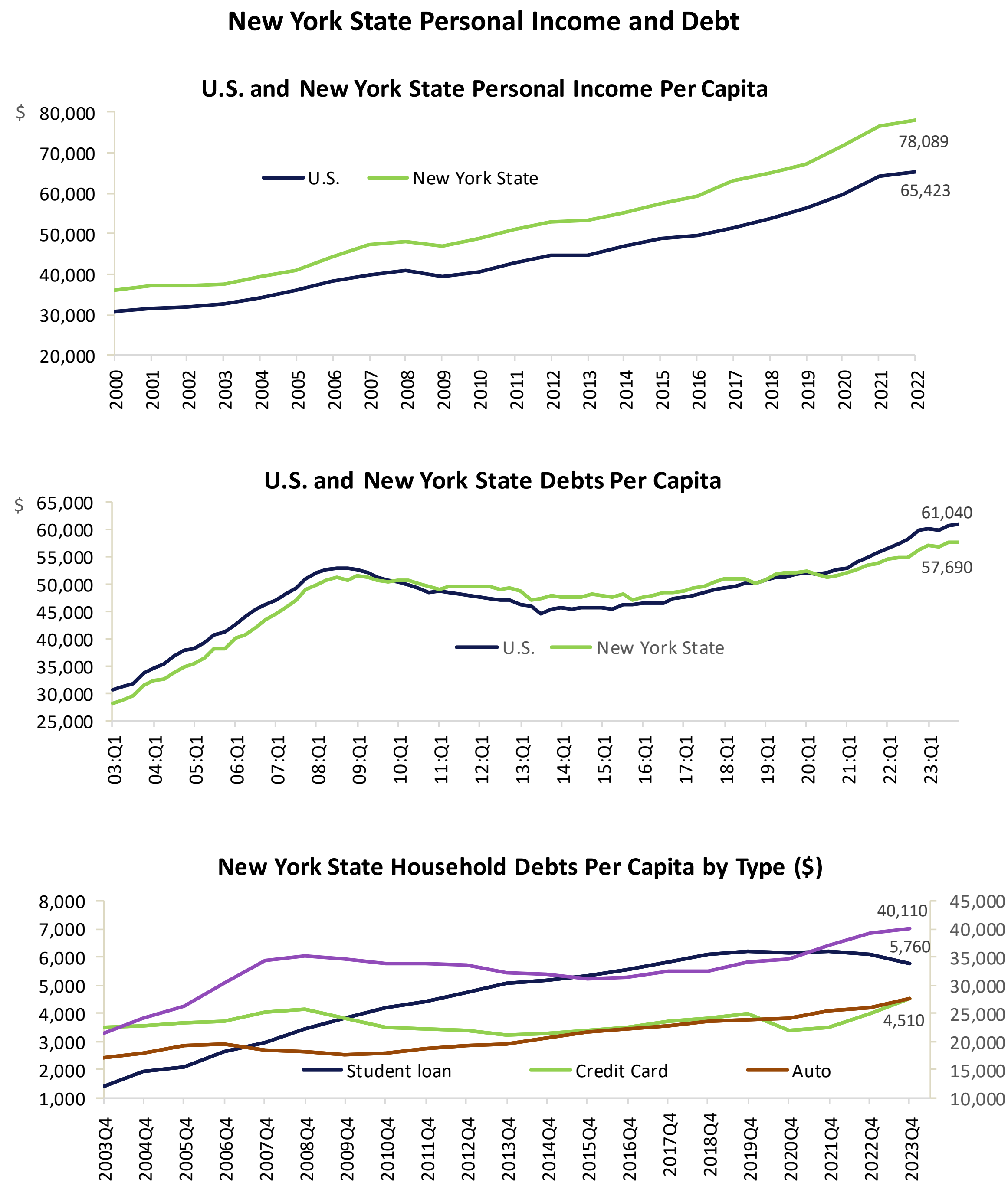
[34] Federal Reserve Bank of New York, Quarterly Report on Household Debt and Credit 2023:Q4, released February 2024.

[35] United States Census Bureau, Housing Vacancies and Homeownership Survey, last accessed February 13, 2024.



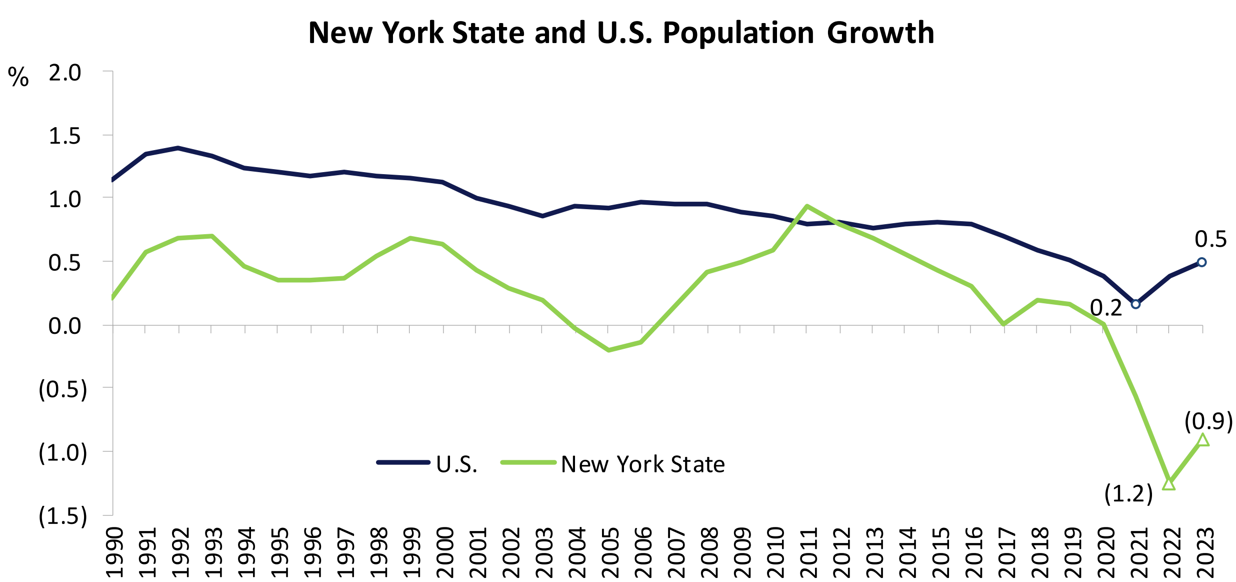
Sources: U.S. Bureau of Economic Analysis; Federal Reserve Bank of New York.

Figure 54

Population and Migration

Population

Total population growth has been on a downward trend for both the State and the nation in the past several years. The COVID-19 pandemic has made matters worse. The U.S. population grew only, 0.2 percent in 2021, 0.4 percent in 2022, and 0.5 percent in 2023. This is the slowest pace since 1945 when the U.S. population declined 0.5 percent. New York State fared much worse than the nation. The State's population has declined for three consecutive years by 0.6 percent in 2021, 1.2 percent in 2022, and another 0.9 percent in 2023 (see Figure 55).



Source: Bureau of Economic Analysis.

Figure 55

Population change is affected by birth rates, death rates, and migration. In New York State, the main reason for declining population is outmigration, as the natural population change (the number of births less the number of deaths) in the State remains positive although slowing significantly since the pandemic. From July 2018 to July 2019, prior to the pandemic, there were 223,378 births and 162,158 deaths in New York State, resulting in a net natural population gain of 61,220. From July 2019 to July 2020, which includes the early phase of the pandemic, the natural population gain in the State fell to 42,773. The net natural population gain in the State continued to fall further to 28,326 from July 2020 to July 2021, as the deaths increased significantly due to the COVID-19, before increasing recently (see Figure 56).

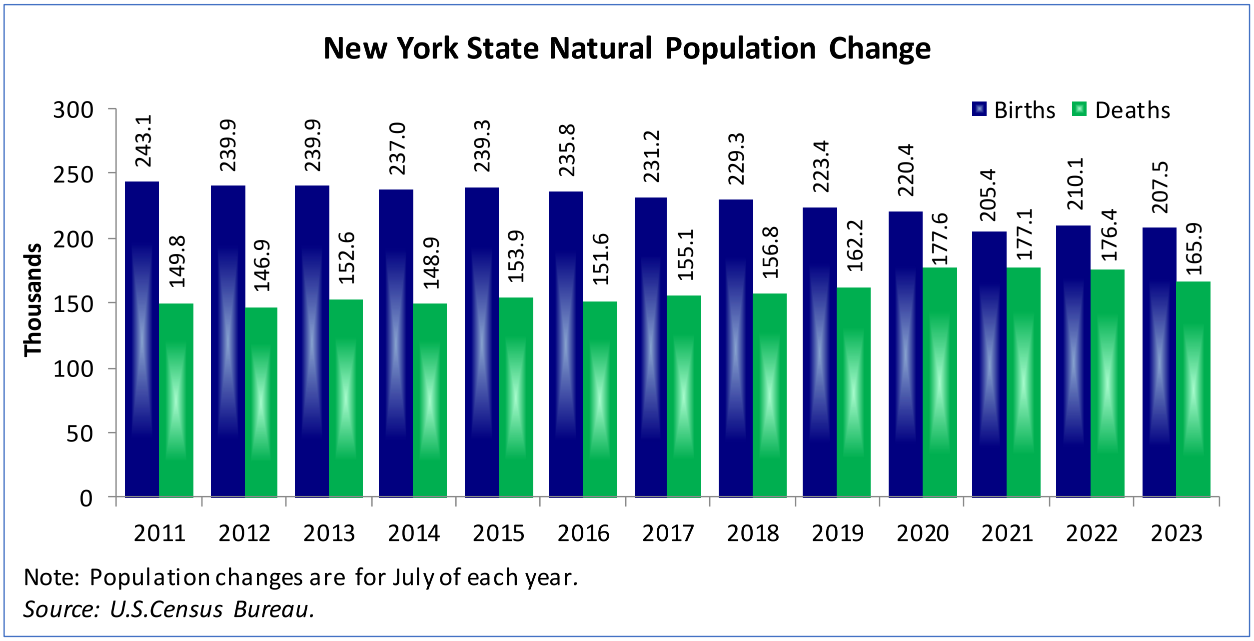
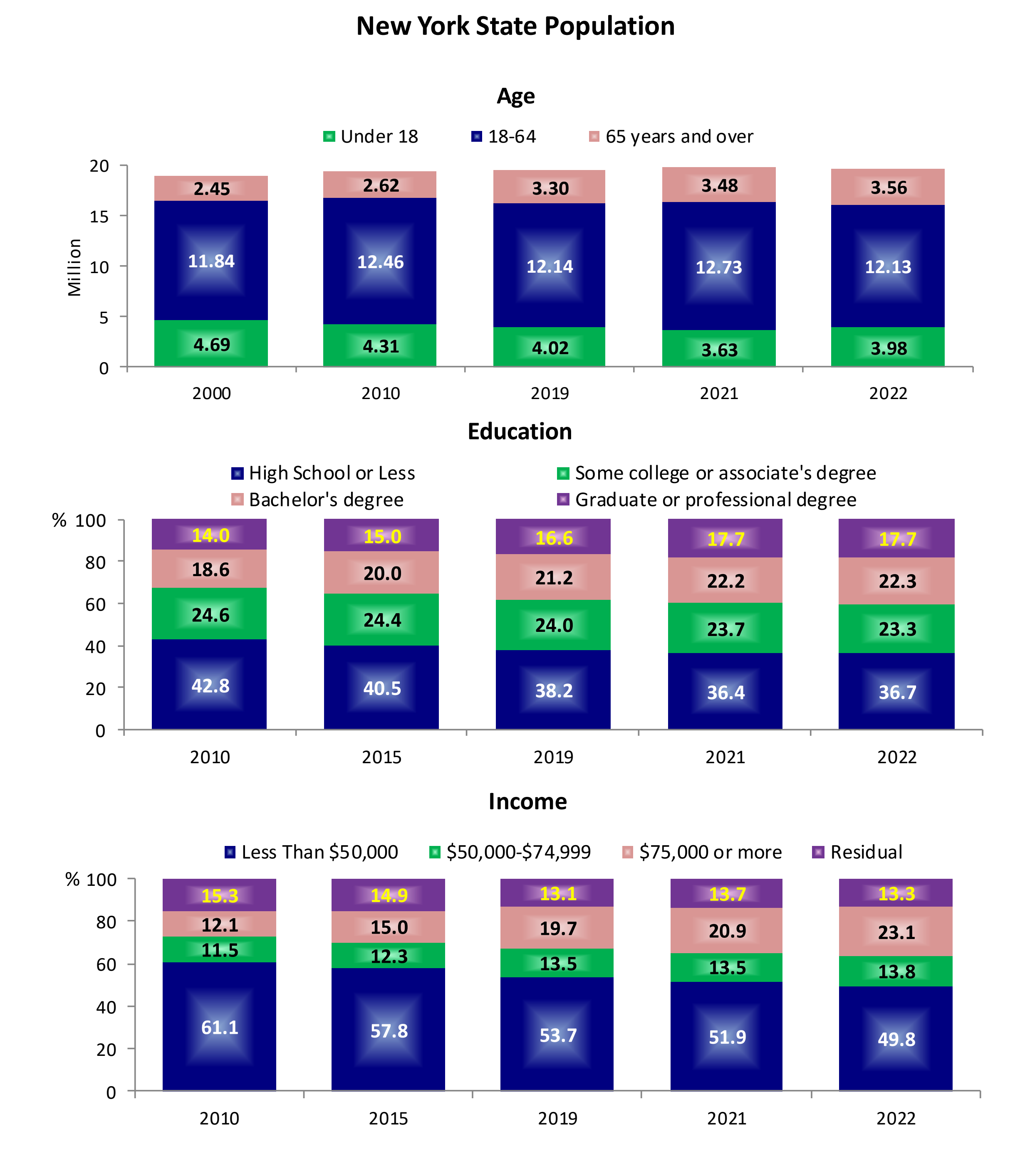


Figure 56

While the State's population growth has slowed over the past decades, the proportion of older population has been rising. In 2000, there were 2.45 million people over the age of 65 in New York State, accounting for 12.9 percent of the total population. This particular population grew to 3.56 million or 18.1 percent in 2022.

The share of the population with a bachelor's degree or higher in New York State has been on an increasing trend. It increased from 32.6 percent in 2010 to 40.0 percent in 2022. In contrast, the share of the population with less than a bachelor's degree fell from 67.4 percent to 60.0 percent during this period.

The proportion of New Yorkers with income over $75,000 increased during the last decade and through the pandemic. In 2010, 12.1 percent of the State's population earned more than $75,000. This proportion increased to 19.7 percent in 2019, prior to the pandemic and increased further to 23.1 percent in 2022. The share of people who earned less than $75,000, on the other hand, fell from 72.6 percent in 2010 to 63.6 percent in 2022 (see Figure 57).



Source: U.S. Census Bureau.

Figure 57

The proportion of aging population in New York State has persistently been higher than the nation. As a result, the median age of the population in New York State is also higher than that of the nation and is increasing. In 2005, the median age in New York State was 37.5 years, compared to 36.4 years nationwide. The median age increased to 40 years in New York State in 2022, while it rose to 39 years nationally. As the aging population increased much faster than the population age 18 to 64, the old-age dependency ratio, defined as the size of the population over the age of 65 years relative to the size of the population age 18 to 64 years, also rose. The old-age dependency ratio in New York State increased from 20.2 percent in 2005 to 29.4 percent in 2022. The old-age dependency ratio for the nation also increased during this period but remained below the level seen in New York State (see Figure 58).

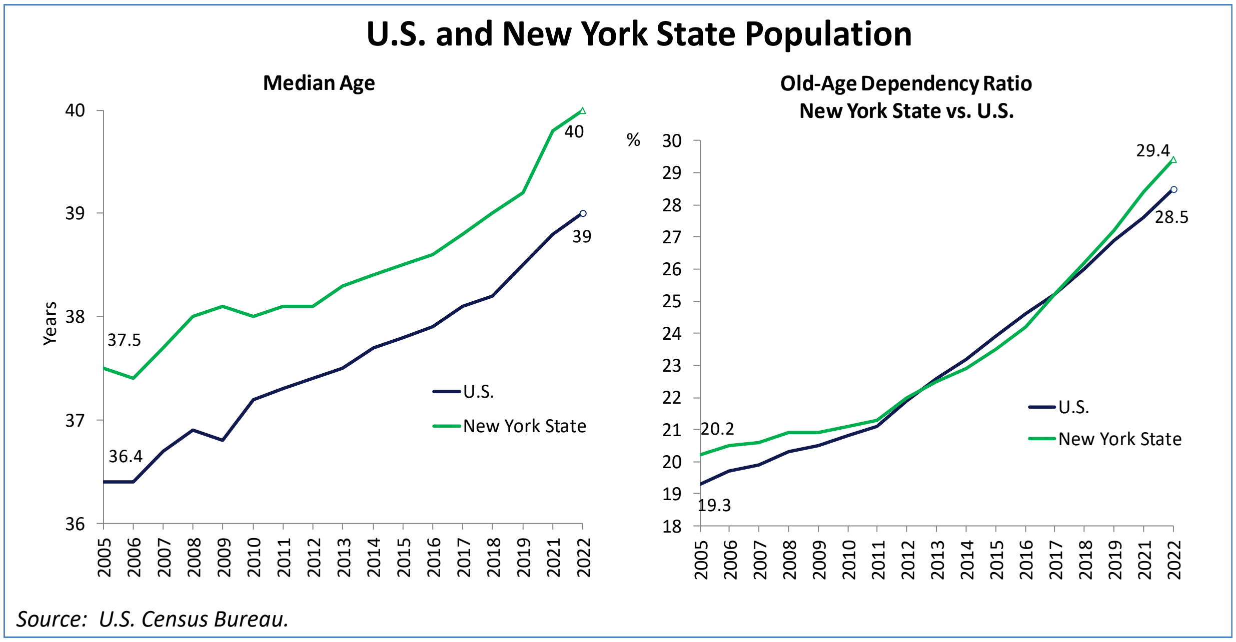
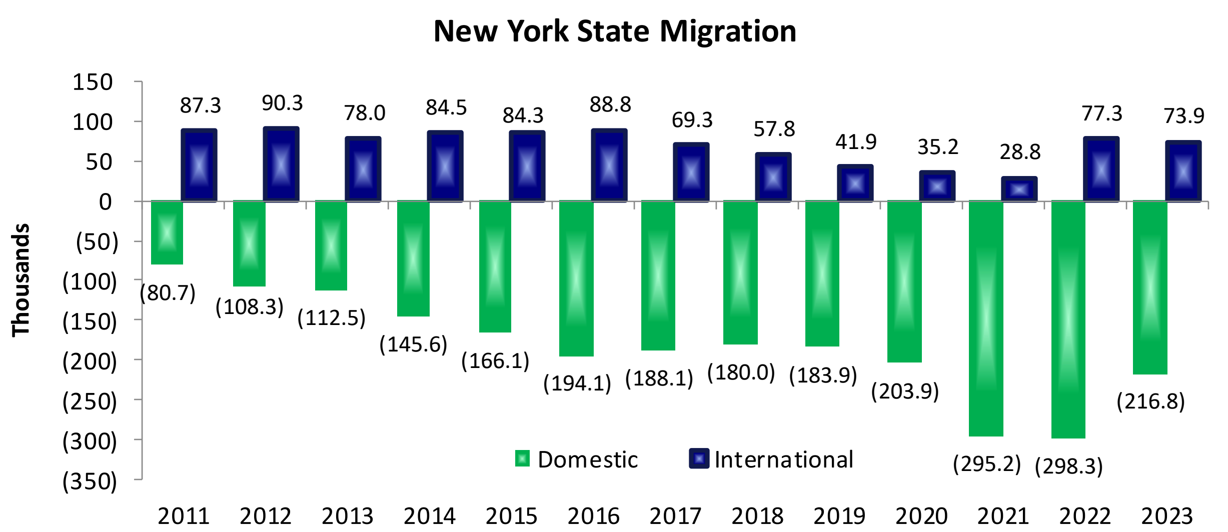


Figure 58

Migration

Negative net migration has been the major contributor to the decline in New York State's population. Although New York State has been persistently losing population to migration since 2012, it has been benefiting from the large influx of foreign migrants. International migration was, however, on the downward trend since prior to the pandemic. The number of foreigners who moved into New York State fell for three years in a row from 2017 to 2019. The pandemic aggravated the State's net outmigration problem as travel bans and lockdowns restricted international migration. In addition, as companies moved to remote work, many employees relocated to be closer to family or to take advantage of lower cost of living. As a result, the State's net outmigration jumped significantly during the pandemic. From July 2018 to July 2019, prior to the pandemic, the State lost 141,988 residents to migration. Net out-migration rose to 168,712 during July 2019 to July 2020 and increased further to

266,390 between July 2020 and July 2021. As international migration rebounded, net out-migration fell in 2022 and 2023 but remained much higher than its pre-pandemic levels due to the elevated level of domestic outmigration (see Figure 59).

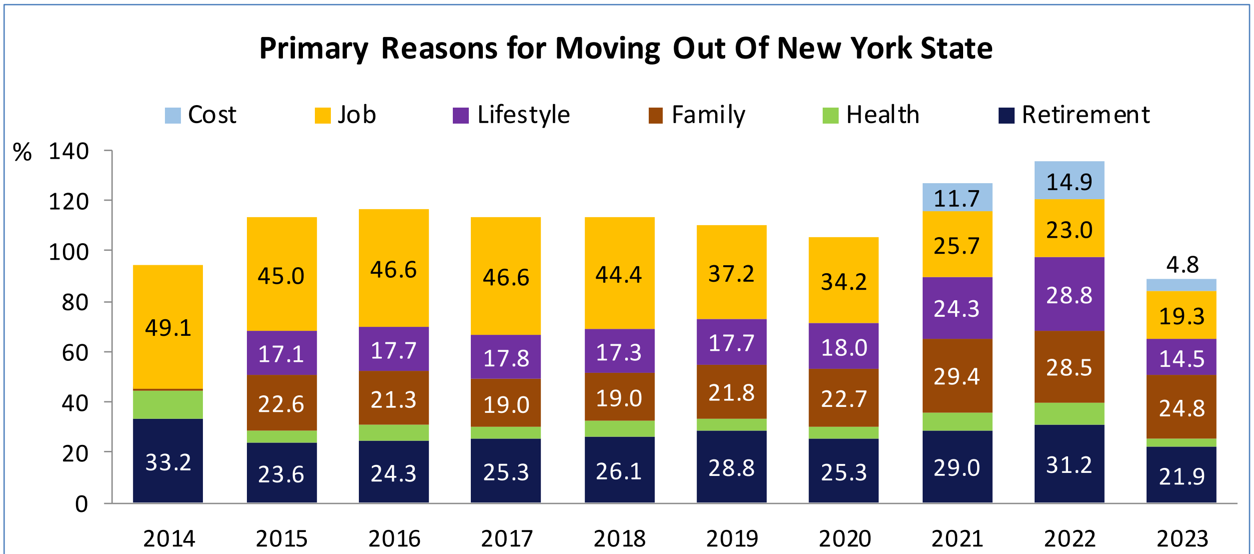


Note: Migration data are for July of each year.
Source: U.S. Census Bureau.

Figure 59

According to the United Van Lines, the main reasons for people leaving New York State have shifted in recent years. Prior to the pandemic, most people moved out of the State for job-related reasons. However, in the last few years, family and retirement have become the top factors for relocation. According to 2023 data, family accounted for 24.8 percent of the moves, followed by retirement at 21.9 percent, job at 19.3 percent, lifestyle at 14.5 percent, cost at 4.5 percent, and health at 3.7 percent[36] (see Figure 60).

[36] United Van Lines, Annual National Manual Movers Study, https://unitedvanlines.com/newsroom/movers-study-2023.



Note: The percentage may not added up to 100 percent due to the fact that respondents can select more than one reasons. The factor "Cost" was not available prior to 2021.

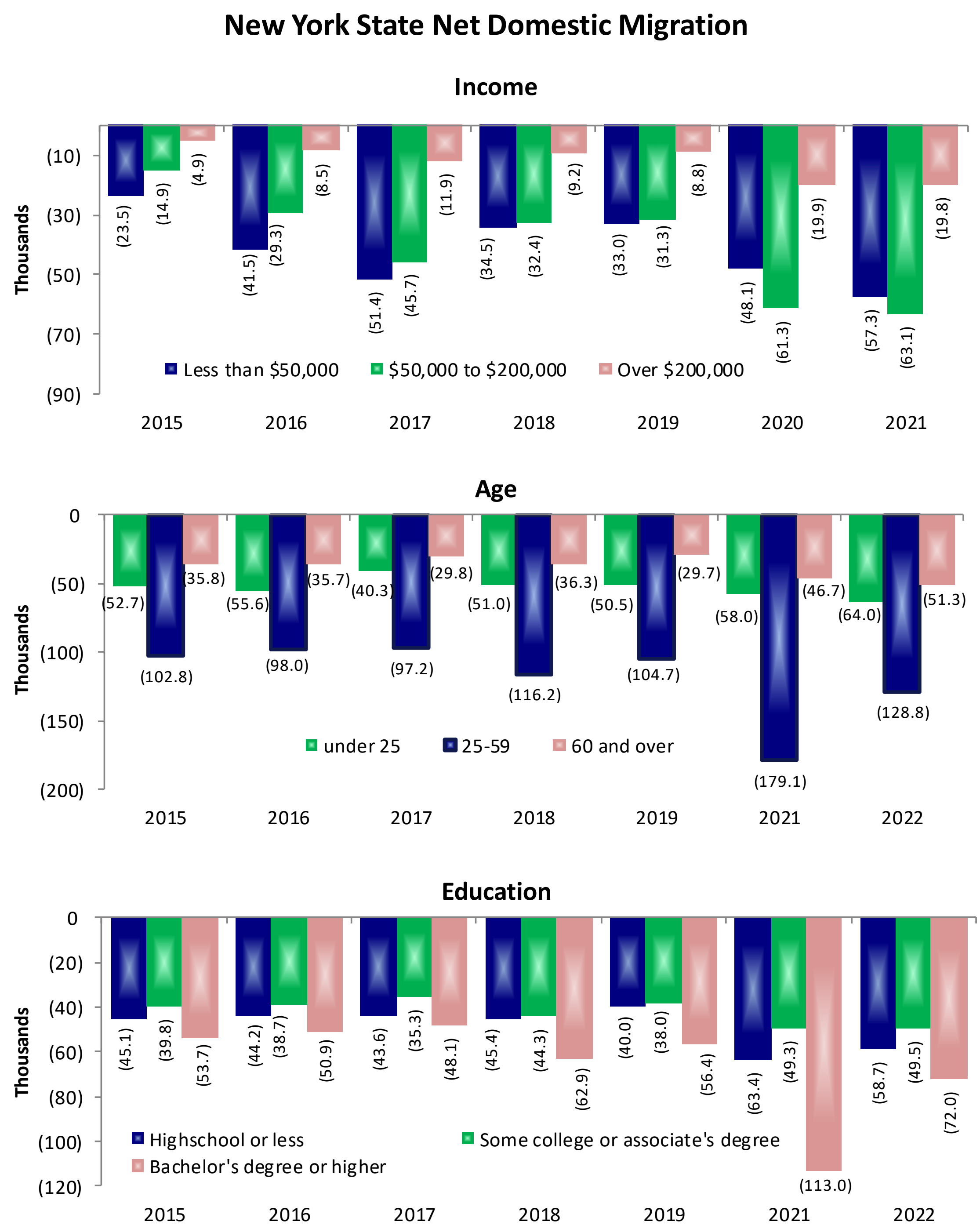
Source: United Van Lines.

Figure 60

Prior to the pandemic, New York State tended to lose more people with lower income. This trend has changed, however, during and following the pandemic. Based on the data from the Internal Revenue Service (IRS), the State lost more people who had federal adjusted gross income between $50,000 to $200,000 than those who earned less than $50,000 in 2020 and 2021. Lately, the State also lost a greater number of high-income earners, those who had federal adjusted gross income more than $200,000. This is due in part to net job outflows from the State in high paying sectors.

New York State has been losing population in all age groups, especially prime-aged workers. According to the Census data, the net out-migration of individuals age 25 to 59 years was the highest among all age groups since 2015.

Prior to the COVID-19 pandemic, the State lost more people with less than a bachelor's degree than those who had a bachelor's degree or higher. In 2021, following the pandemic, the net out-migration of people with a bachelor's degree or higher rose rapidly and outpaced all other educational attainment groups. In 2022, this pattern reversed and the out-migration of people with a bachelor's degree or more slowed down significantly (see Figure 61).



Sources: Internal Revenue Service; U.S. Census Bureau.

Figure 61

Real Estate Market

Housing Market

Elevated home prices and rising mortgage rates have caused the State's housing market to cool down markedly in 2022 and 2023. After a strong rebound in 2021, closed sales fell 11.3 percent in 2022 and by another 20.2 percent in 2023. Median home prices in New York State increased by 41.4 percent from $270,100 in 2019 to $382,000 in 2022,[37] while median household income was only up by 10.3 percent during the same period.[38] Despite a large decline in home sales, the median sale price rose 0.1 percent in 2023 due to low inventory.

As home prices in the State have grown much faster than household income, housing has become less affordable. Rising home prices also put upward pressure on rental prices and the housing cost burden on New Yorkers.[39] As a result, the proportion of both homeowners and renters in the State who paid more than 30 percent of their income on housing have increased in recent years. In New York State, renters are more likely to face housing cost burden than homeowners. Overall, the proportion of homeowners who paid more than 30 percent of their income on housing rose from 25.8 percent in 2019 to 27.8 percent in 2022. In comparison, about 47.3 percent of renters paid more than 30 percent of their income on housing in 2019 and increased to 49.4 percent in 2022.

The housing market is very regional and varies widely across the State. Each area has experienced different levels of competition and affordability. Housing in upstate has long been more affordable than downstate, and many areas in upstate were among the most affordable in the nation. Rapid home price growth and rising interest rates have reduced housing affordability across the State, albeit to varying degrees. All metro areas in the State have seen their affordability, as measured by the Housing Opportunity Index,[40] fall in the recent years. Nassau County-Suffolk County was the least affordable area in the State with only 9.5 percent

[37] New York State Association of REALTORS, Housing Market Reports, various years.

[38] U.S. Census Bureau, American Community Survey 1-Year Estimates, various years.

[39] Housing cost burden is defined following the U.S. Department of Housing and Urban Development (HUD) definition as those who pay more than 30 percent of their income for housing.

[40] According to the National Association of Home Builders The NAHB/Wells Fargo Housing Opportunity Index (HOI) for a given area is defined as the share of homes sold in that area that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria, https://www.nahb.org/news-and-economics/housing-economics/indices/housing-opportunity-index.

of homes sold in the fourth quarter of 2023 that were affordable to median income households, followed by New York-Jersey City-White Plains at 13.1 percent (see Table 11).

Despite falling affordability, most upstate metros continued to rank among the top fifty most affordable out of 241 metros nationwide.[41] However, in some areas, especially in downstate areas, low affordability might lead to higher economic inequality, increasing homelessness, and the relocation of those middle-income and low-income households out of those areas.

Table 11

New York State Housing Affordabilty

	2019			2022		2023Q4	
	Owners Housing Cost Burden	Renters Housing Cost Burden	2019Q4 Housing Opportunity Index	Owners Housing Cost Burden	Renters Housing Cost Burden	Housing Opportunity Index	National Rank
Metropolitian Statistical Area							
Albany-Schenectady-Troy	17.9	41.1	85.5	18.0	48.6	61.3	51
Binghamton	18.4	48.3	90.0	16.3	48.3	79.7	6
Buffalo-Cheektowaga	17.0	44.6	84.9	19.0	46.3	64.3	46
Elmira	25.8	42.4	93.1	27.8	43.7	88.1	2
Glens Falls	21.1	42.1	80.2	24.0	47.3	56.2	67
Ithaca	17.8	55.0	77.6	16.1	48.6	66.9	40
Kingston	26.6	49.7	72.6	28.4	51.3	41.2	115
Nassau County-Suffolk County	NA	NA	56.2	NA	NA	9.5	230
New York-Jersey City-White Plains	30.9	47.5	36.4	31.6	49.9	13.1	216
Rochester	20.5	47.6	84.0	20.5	49.7	68.4	35
Syracuse	19.1	45.4	89.2	19.1	46.5	66.8	41
Uitca-Rome	17.1	40.2	88.3	17.1	42.1	75.3	16
Watertown-Fort Drum	21.9	39.7	80.1	21.9	49.1	73.5	20

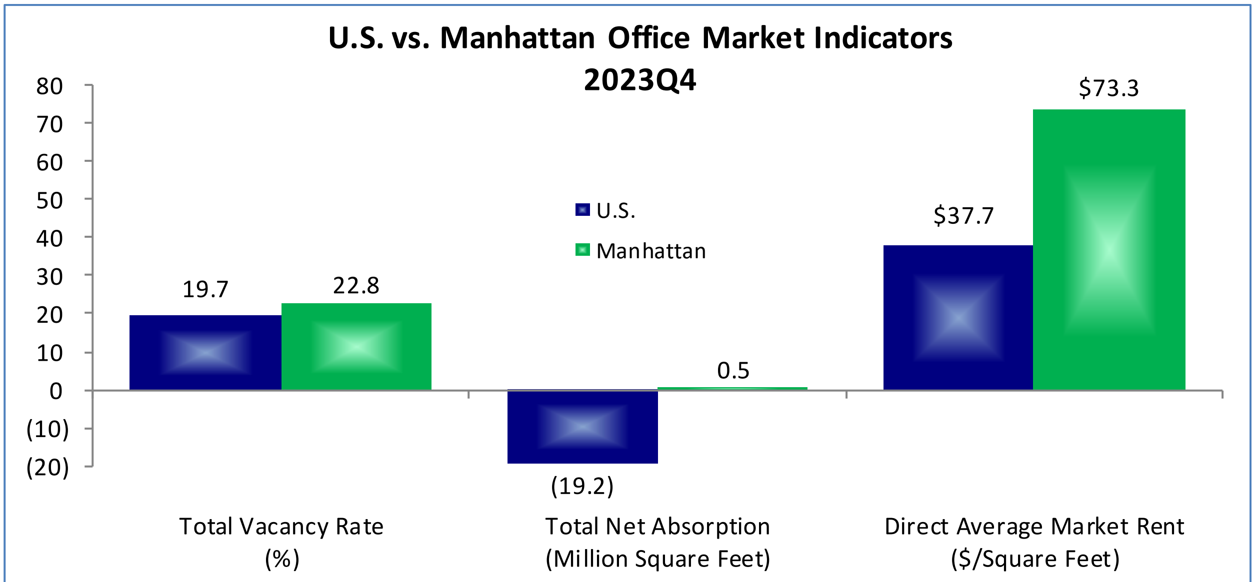
Note: The Housing Opportunity Index is defined as the share of homes sold in the area that would have been affordable to a family earning the median income (i.e., the total monthly payment is less than 28 percent of the monthly median household income). The ranking was outof 241 metros.
Sources: U.S. Census Bureau; National Association of Home Builders.

Office Market

With 418 million square feet of office space in the fourth quarter of 2023, Manhattan is the largest office market in the nation and plays an important role in the New York City's economy. Historically, Manhattan's office market tended to outperform the national average, prior to the pandemic with higher rental prices and lower vacancy rates.

[41] National Association of Home Builders, Housing Opportunity Index: 4th Quarter 2023.

After falling sharply, employment in most office-using sectors rebounded following the pandemic. However, this does not bring much relief to the office market as firms continue to have their employees working remotely, at least partially. The total net absorption rate continued to be negative in the nation,[42] and the total vacancy rate continued to elevate in both Manhattan and the nation in the fourth quarter of 2023. Although the net absorption rate in Manhattan was positive in the fourth quarter of 2023, the total vacancy rate continued to rise as more spaces became available. Despite a rising vacancy rate, the direct average market rent in Manhattan remained relatively stable at $73.3 per square foot in the fourth quarter of 2024, compared to $73.41 per square foot in the fourth quarter of 2019 (see Figure 62).



Source: Cushman & Wakefield.

Figure 62

Employment in most sectors, including office using sectors, are expected to grow in 2024 and 2025. The recovery of office employment, however, does not necessarily translate to an increase in the demand for office space. If firms continue to practice remote working, this may reduce the need for office space. As a result, the demand for office space might not increase even when office employment rises. In addition, there are over 5 million square feet of office space currently under construction in Manhattan.[43] This may have an adverse impact on New York City's office market and economy.

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[42] Net absorption is defined as the sum of square feet that became occupied minus the sum of square feet that became vacant during a specific period.

[43] Cushman & Wakefield, Market Beat: Manhattan office-Q4 2023.

Tourism

Tourism is an important sector in the State, especially for New York City, which is one of the major tourist destinations in the world. After falling sharply in 2020, the number of visitors to New York City has been increasing. This trend is expected to continue. However, according to the New York City Tourism + Conventions, the number of visitors is not expected to reach its pre-pandemic level until 2024 (see Figure 63).

Source: New York City Tourism + Conventions.

Figure 63

As tourism activities have rebounded, the industry's performance has also improved. With 33.6 million room nights sold in 2022, the hotel occupancy rate in New York City rose to an average of 74.4 percent at the end of 2022. This trend has continued into 2023. For the first five months of 2023, 18.9 million hotel rooms have been sold, an increase of 23.0 percent from the same period in 2022. Similarly, the hotel occupancy rate increased to 76.5 percent during the first five months of 2023. Despite the recent increase in the demand for hotel rooms, total hotel rooms sold remained 6.0 percent below its 2019 level.

With the global economy expected to continue to improve, travel and tourism activities are expected to grow further. The NYC & Company forecasts that the total number of visitors to New York City will return to the pre-pandemic level in 2024.[44]

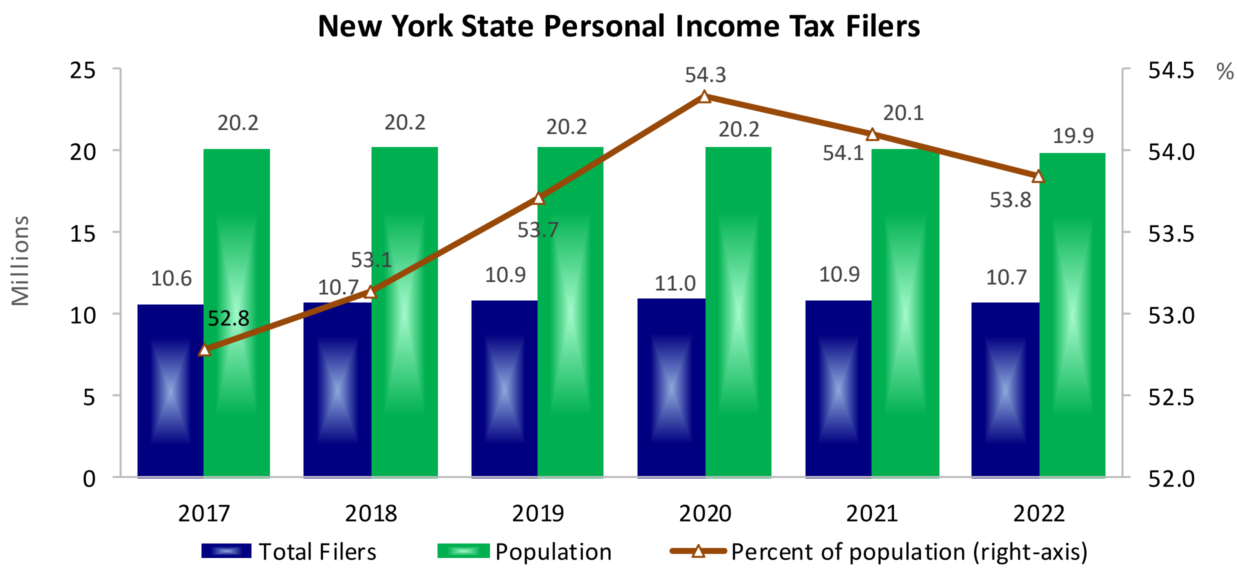
Taxation

Taxes represent the largest source of revenue for state and local governments. There are many factors that impact tax collections, such as changes in personal income, economic activity, and tax law changes. As a result, tax collections fluctuate from year to year. In New York State, personal income tax, corporation and business taxes, and sales, excise, and user taxes are the State's three main tax revenues.

Personal income tax has long been the main source of the State's revenue. In SFY 1992-93, personal income taxes accounted for 52.4 percent in total State's tax revenue. This share has increased and reached a peak of 67.8 percent in SFY 2017-18 before falling to 52.6 percent in SFY 2022-23. This is due to the decline in bonuses in the financial services industry and the claiming of credits related to the Pass-Through Entity Tax (PTET). The share of corporate and business taxes grew from 18.7 percent in SFY 1992-93 to 25.6 percent in SFY 2022-23, as a result of the PTET that began on January 1, 2021, the continued growth in corporate profits, as well a significant revenue from audits. The share of sales, excise, and user taxes has fallen from 25.1 percent in 1993 to 18.4 percent in SFY 2022-23.

The total number of personal income tax filers in the State has been relatively stable recently. From 2017 to 2022, there were approximately 11 million personal income tax filers in the State each year. This accounted for approximately 54 percent of the State's total population (see Figure 64).

[44] New York City Tourism + Conventions, NYC Travel & Tourism Outlook - 2023, https://assets.ctfassets.net/1aemqu6a6t65/2Y8QEeyL0WPqNNSp2PF4tb/749947588ff25aed4bf119e6f9764420/2023_Travel_Tourism_Outlook_v3_f94a9a4a-c5dd-4a3d-bcfa-e5e13c2fe8d2.pdf, last accessed February 7, 2024.



Source: New York State Department of Taxation and Finance.

Figure 64

The progressive personal income tax system, where high-income earners pay taxes at disproportionately higher tax rates than their lower-income counterparts, imposes a lower tax burden on low-income taxpayers. Of all the personal income tax collected in the State in 2022, the top two hundred taxpayers paid 6.7 percent and over 40 percent were paid by 84,295 tax filers with income of $1 million or more. The top 50 percent of taxpayers paid 99.7 percent of total personal income taxes in the State in 2022 (see Figure 65).

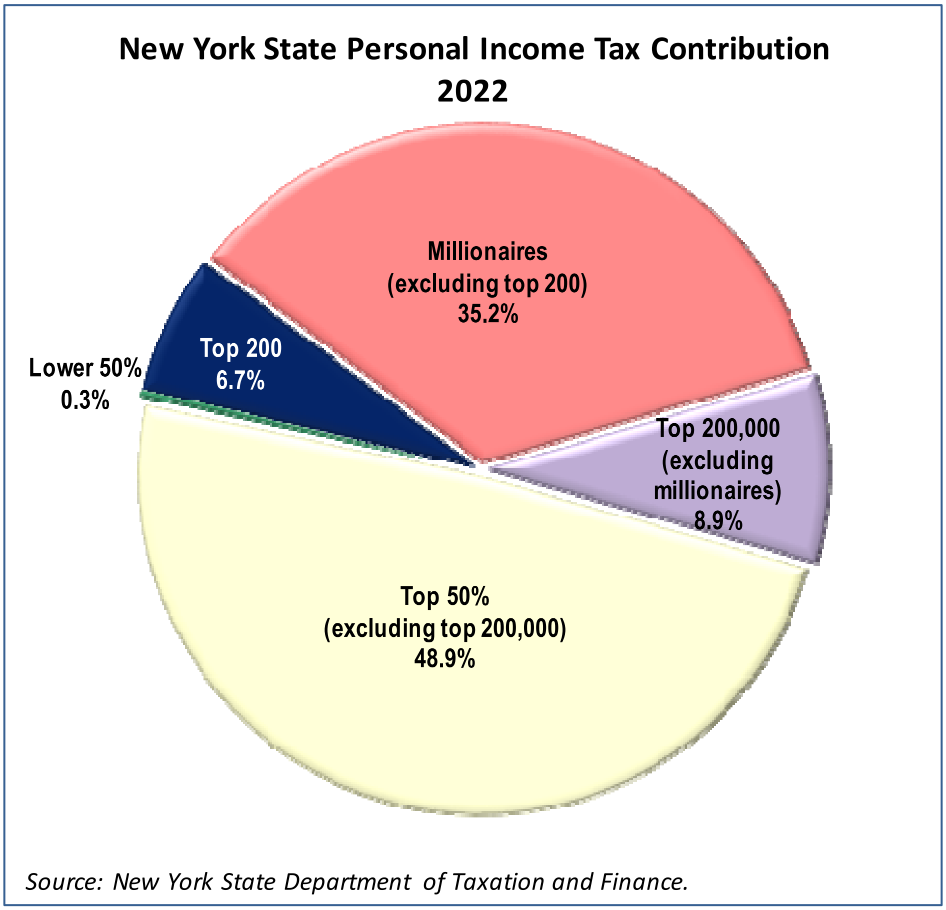


Figure 65

Millionaires

The number of tax returns reporting income of $1 million or more in New York State has been relatively stable from 2018 to 2020. During this period, approximately 70,000 of total tax filers in the State, about 0.63 percent, reported income of $1 million or more. Despite an increase in the personal income tax rates and a large number of out-migration, the number of millionaire filers as well as the share of millionaire filers increased in 2021, the latest period where data are available. The number of those with a taxable income of at least $1 million rose 30.0 percent from 69,688 filers in 2020 to 90,579 filers in 2021. This is the highest number in recent New York State history.[45] Similarly, the share of millionaire filers rose from 0.63 percent of total filers in 2020 to 0.83 percent in 2021. The preliminary data indicated that the number of millionaire filers fell in 2022 (see Figure 66).

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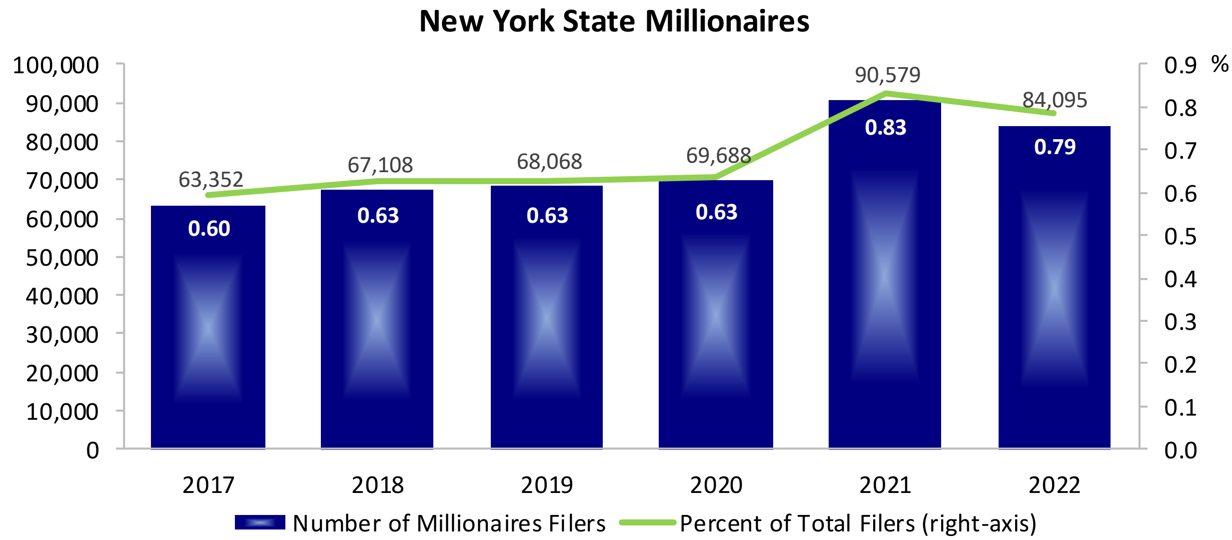
[45] Department of Taxation and Finance, Tax Facts: Personal income tax, page last reviewed or updated February 13, 2024, https://www.tax.ny.gov/data/stats/taxfacts/personal-income-tax.htm

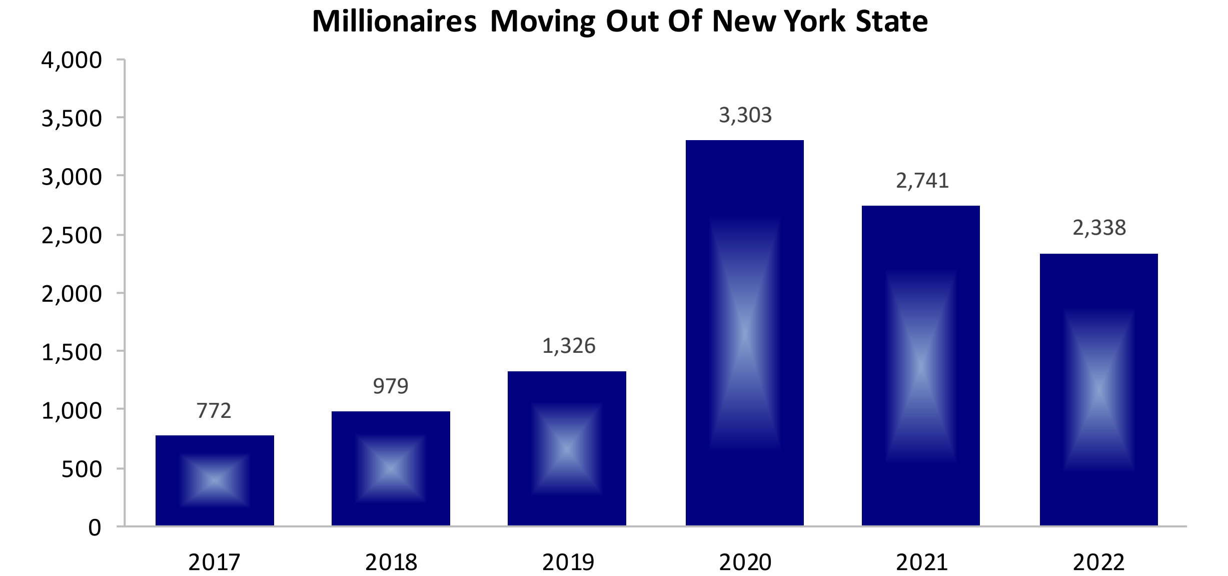


Note: Data for 2022 are preliminary.
Source: New York State Department of Taxation and Finance.

Figure 66

According to the Department of Taxation and Finance, there were 772 millionaires, or 1.7 percent of all millionaires, who changed their address to other states in 2017. This number increased to 1,326 (2.5 percent) in 2019 and jumped to 3,303 (6.1 percent) during the pandemic in 2020 before falling to 2,741 (5.1 percent) in 2021, and 2,338 (3.3 percent) in 2022 (see Figure 67). Although the out-migration of millionaires declined in 2021, the data show that the wealthiest ones, those with incomes greater than $25 million, have relocated at a high rate.[46] This number, however, dropped significantly in 2022. There are no data on millionaires who might have moved into New York State, thus, no information is available on the net migration of millionaires.

[46] Department of Taxation and Finance, Tax Facts: Migration, page last reviewed or updated: February 14, 2024, https://www.tax.ny.gov/data/stats/taxfacts/migration.htm.



Source: New York State Department of Taxation and Finance.

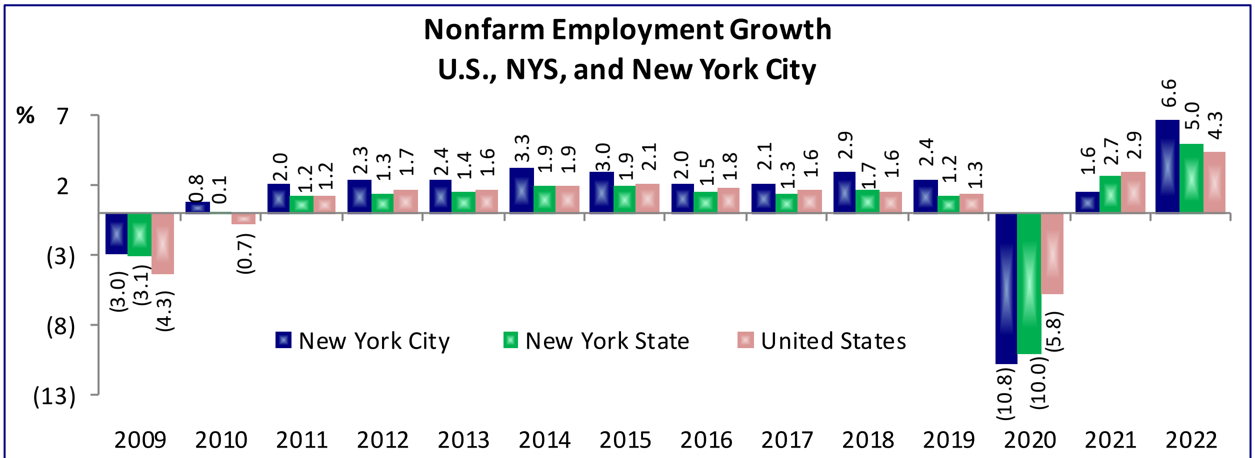
Figure 67

NEW YORK STATE REGIONAL SNAPSHOTS

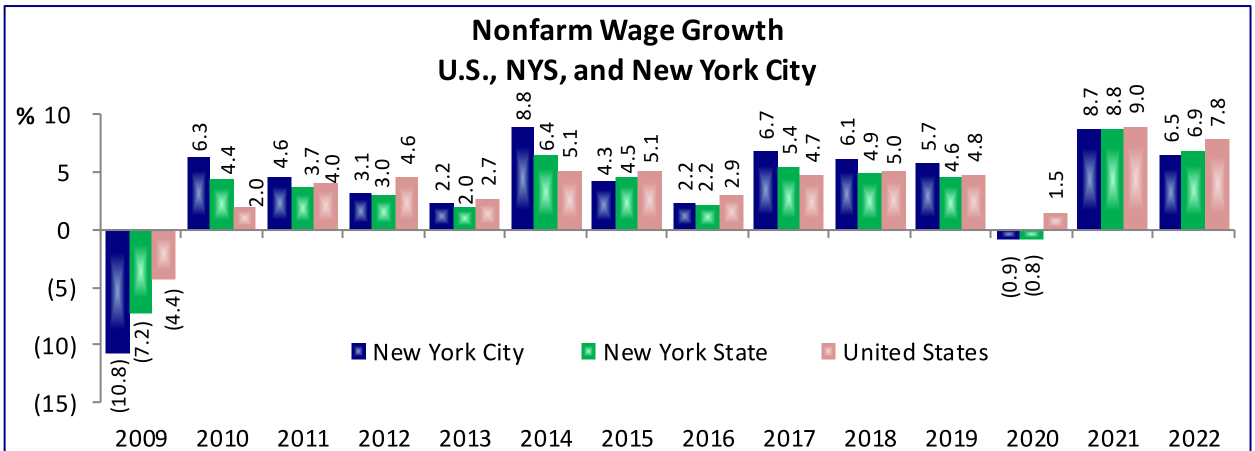
New York City

Key Economic Indicators 2022			
Employment (million)	4.328	Share of State Personal Income (%)	44.8
Share of State Employment (%)	46.9	Per Capita Personal Income	$79,719
Unemployment Rate (12/2023) (%)	5.1	Population (million)	8.34
Total Wages (billion)	491.7	Share of State Population (%)	42.4
Share of State Wages (%)	59.4	Population Growth (%)	(1.5)
Average Wage	$113,603	Persons in Poverty	1,497,134
Personal Income (billion)	$664.5	Poverty Rate (%)	18.0

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

New York City

New York City Unemployment Rate (%) 2018-2022 American Community Survey Five-Year Estimate			
	New York City	**New York State**	**United States**
Total, 16 years and over	**7.6**	**6.2**	**4.3**
By gender:			
Male	7.9	6.5	4.0
Female	7.2	5.9	4.0
By age group:			
16-24	17.2	13.3	11.4
25-34	7.4	6.6	5.5
35-44	6.2	5.0	4.1
45-54	6.2	4.7	3.8
55+	6.1	4.8	4.0
By race or ethnicity:			
White, Including Hispanics or Latinos	5.5	4.9	3.4
Black or African American, Including Hispanics or Latinos	9.9	9.3	7.6
Asian, Including Hispanics or Latinos	6.1	5.6	3.5
Other Race, Including Hispanics or Latinos	9.8	8.7	5.2
Hispanic or Latino	9.4	8.2	5.0
By educational attainment:			
Total (25-64 year olds)	6.6	5.3	3.5
Less than high school graduate	10.1	9.1	6.5
High school graduate	8.5	7.0	4.9
Some college or associate's degree	8.2	5.9	3.7
Bachelor's degree or higher	4.4	3.6	2.1

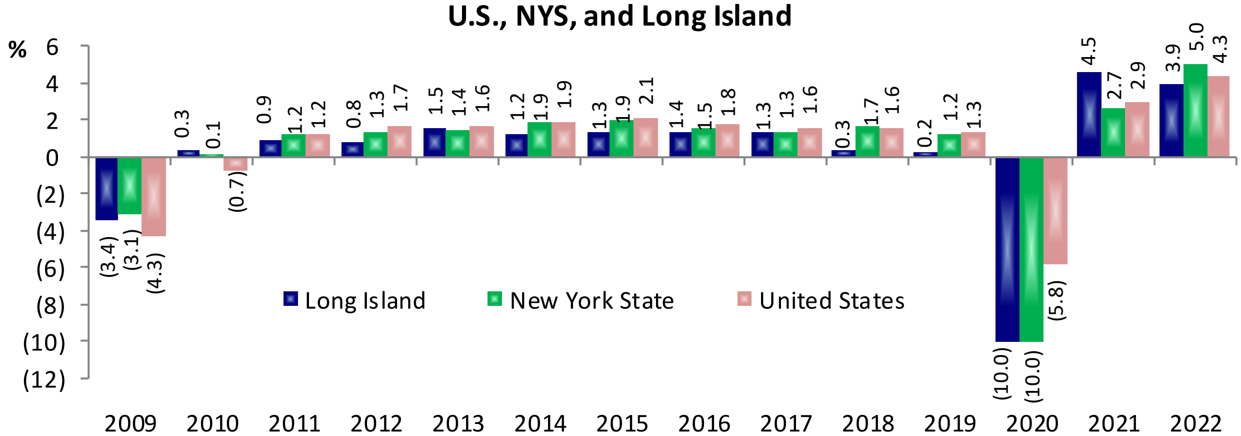
Note: The above estimates are based on survey data collected over a rolling five-year period, from 2018-2022. Numbers above reflect an average over this period, which provides a more reliable result than single-year estimates.
Sources: New York State Department of Labor; U.S. Census Bureau.

Long Island

Key Economic Indicators 2022			
Employment (million)	1.263	Share of State Personal Income (%)	18.0
Share of State Employment (%)	13.7	Per Capita Personal Income	$91,651
Unemployment Rate (12/2023) (%)	3.6	Population (million)	2.91
Total Wages (billion)	92.3	Share of State Population (%)	14.8
Share of State Wages (%)	11.1	Population Growth (%)	(0.5)
Average Wage	$73,057	Persons in Poverty	176,721
Personal Income (billion)	$266.6	Poverty Rate (%)	6.1

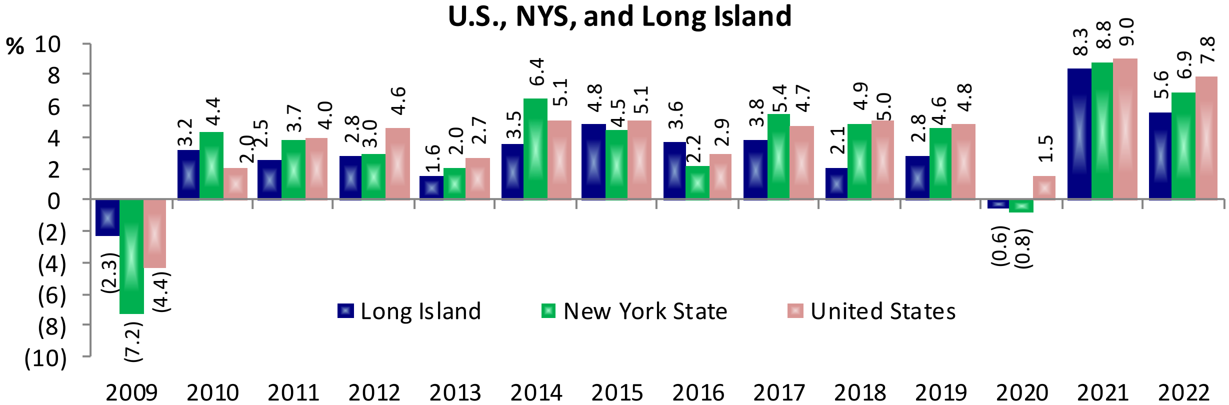
Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.

Nonfarm Employment Growth
U.S., NYS, and Long Island



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Nonfarm Wage Growth
U.S., NYS, and Long Island



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Long Island

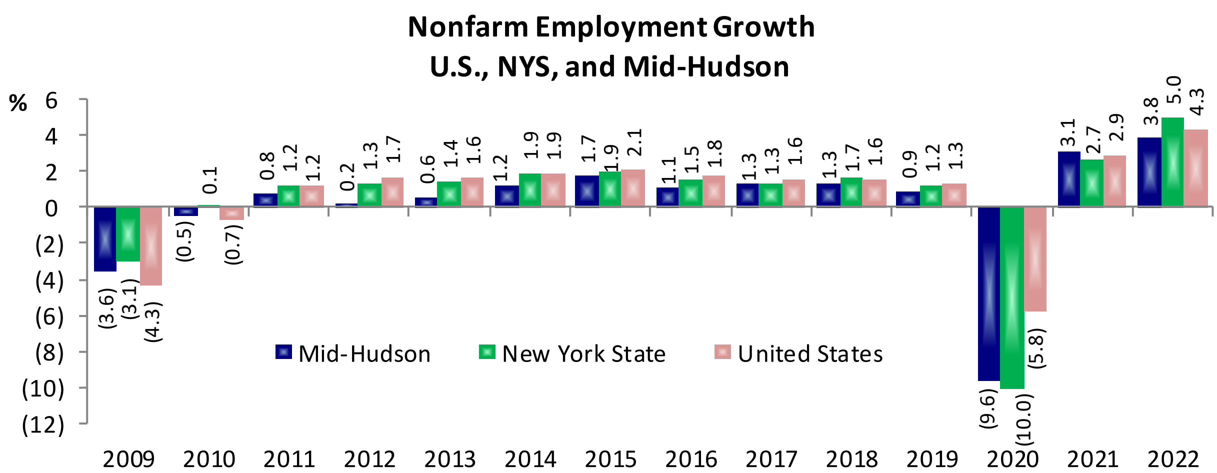
Long Island Unemployment Rate (%) 2018-2022 American Community Survey Five-Year Estimate			
	Long Island	**New York State**	**United States**
Total, 16 years and over	**4.7**	**6.2**	**4.3**
By gender:			
Male	4.9	6.5	4.0
Female	4.5	5.9	4.0
By age group:			
16-24	10.9	13.3	11.4
25-34	5.1	6.6	5.5
35-44	3.2	5.0	4.1
45-54	3.4	4.7	3.8
55+	3.9	4.8	4.0
By race or ethnicity:			
White, Including Hispanics or Latinos	4.4	4.9	3.4
Black or African American, Including Hispanics or Latinos	6.3	9.3	7.6
Asian, Including Hispanics or Latinos	3.8	5.6	3.5
Other Race, Including Hispanics or Latinos	5.3	8.7	5.2
Hispanic or Latino	4.6	8.2	5.0
By educational attainment:			
Total (25-64 year olds)	3.8	5.3	3.5
Less than high school graduate	5.2	9.1	6.5
High school graduate	5.1	7.0	4.9
Some college or associate's degree	4.5	5.9	3.7
Bachelor's degree or higher	2.8	3.6	2.1

Note: The above estimates are based on survey data collected over a rolling five-year period, from 2018-2022. Numbers above reflect an average over this period, which provides a more reliable result than single-year estimates.
Sources: New York State Department of Labor; U.S. Census Bureau.

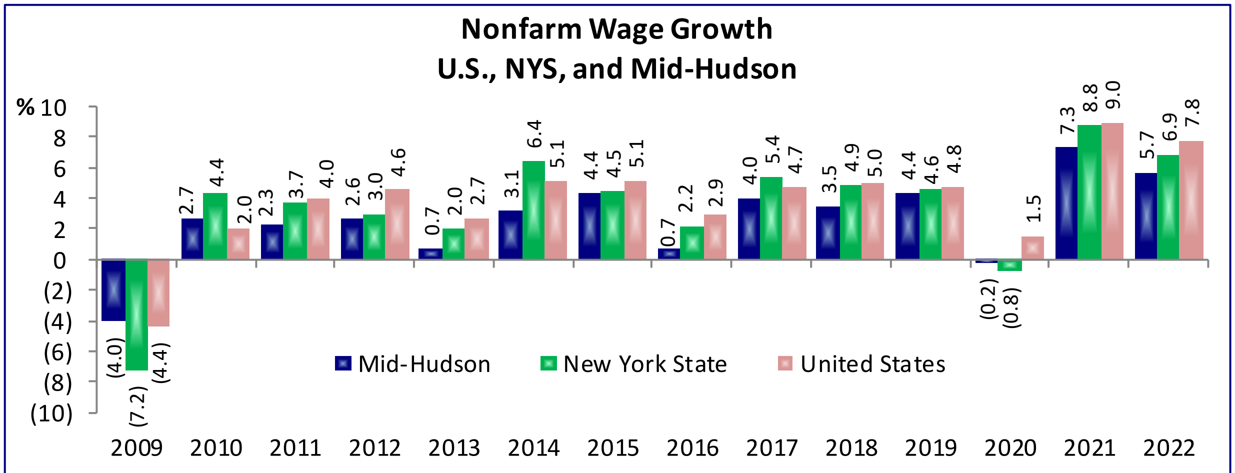
Mid-Hudson

Key Economic Indicators 2022			
Employment (million)	0.904	Share of State Personal Income (%)	14.4
Share of State Employment (%)	9.8	Per Capita Personal Income	$89,173
Unemployment Rate (12/2023) (%)	3.7	Population (million)	2.39
Total Wages (billion)	66.5	Share of State Population (%)	12.2
Share of State Wages (%)	8.0	Population Growth (%)	(0.4)
Average Wage	$73,572	Persons in Poverty	267,865
Personal Income (billion)	$213.4	Poverty Rate (%)	11.2

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Mid-Hudson

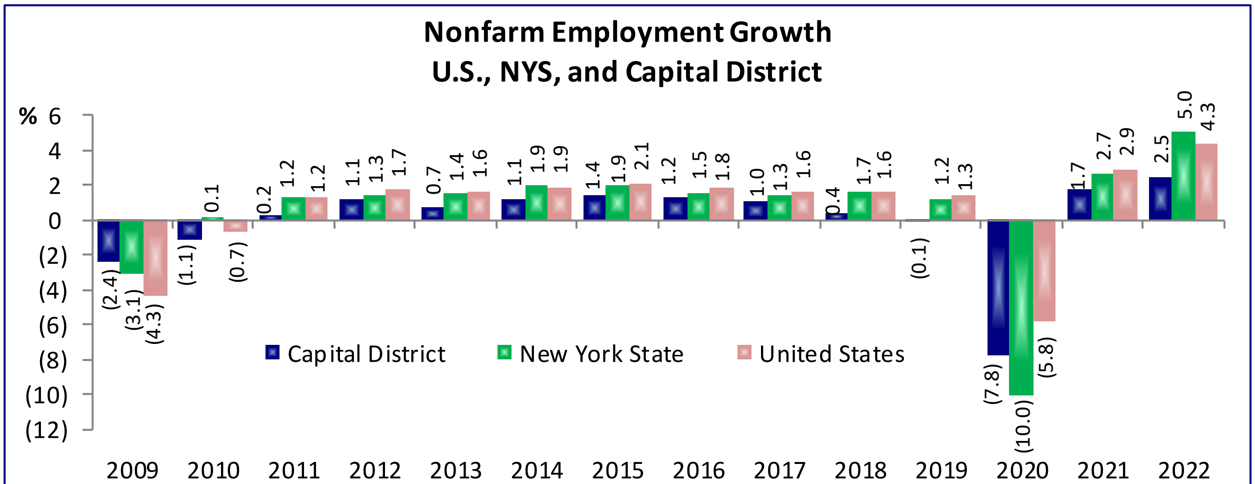
Hudson Valley Unemployment Rate (%) 2018-2022 American Community Survey Five-Year Estimate			
	Hudson Valley	**New York State**	**United States**
Total, 16 years and over	**5.7**	**6.2**	**4.3**
By gender:			
Male	5.9	6.5	4.0
Female	5.5	5.9	4.0
By age group:			
16-24	13.1	13.3	11.4
25-34	6.5	6.6	5.5
35-44	4.0	5.0	4.1
45-54	3.8	4.7	3.8
55+	4.6	4.8	4.0
By race or ethnicity:			
White, Including Hispanics or Latinos	5.2	4.9	3.4
Black or African American, Including Hispanics or Latinos	7.3	9.3	7.6
Asian, Including Hispanics or Latinos	4.8	5.6	3.5
Other Race, Including Hispanics or Latinos	6.8	8.7	5.2
Hispanic or Latino	6.7	8.2	5.0
By educational attainment:			
Total (25-64 year olds)	4.7	5.3	3.5
Less than high school graduate	6.4	9.1	6.5
High school graduate	6.1	7.0	4.9
Some college or associate's degree	5.4	5.9	3.7
Bachelor's degree or higher	3.5	3.6	2.1

Note: The above estimates are based on survey data collected over a rolling five-year period, from 2018-2022. Numbers above reflect an average over this period, which provides a more reliable result than single-year estimates.
Sources: New York State Department of Labor; U.S. Census Bureau.

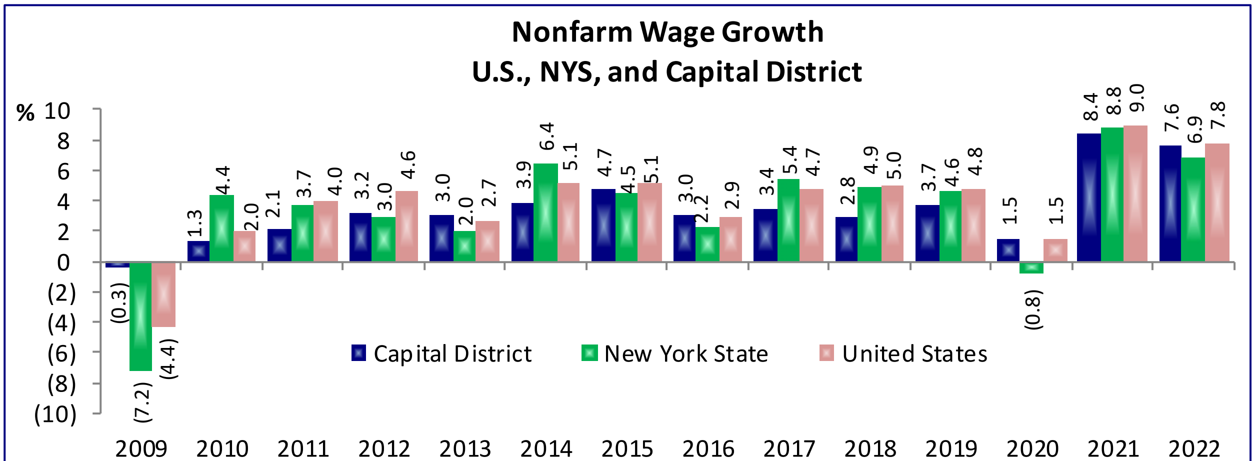
Capital District

Key Economic Indicators 2022			
Employment (million)	0.505	Share of State Personal Income (%)	4.9
Share of State Employment (%)	5.5	Per Capita Personal Income	$65,688
Unemployment Rate (12/2023) (%)	3.7	Population (million)	1.11
Total Wages (billion)	34.7	Share of State Population (%)	5.6
Share of State Wages (%)	4.2	Population Growth (%)	(0.2)
Average Wage	$68,598	Persons in Poverty	116,665
Personal Income (billion)	$72.9	Poverty Rate (%)	10.5

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Capital District

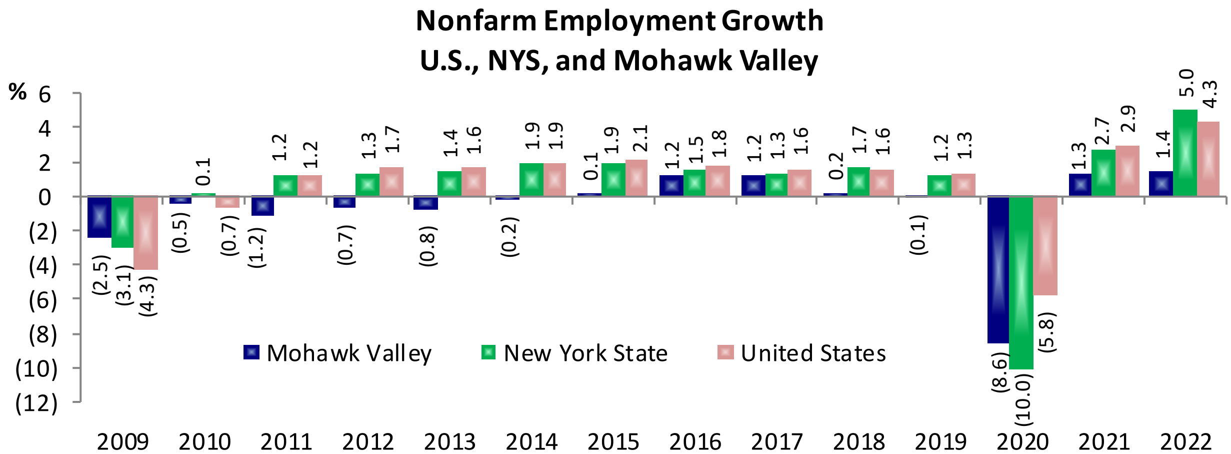
Capital District Unemployment Rate (%) 2018-2022 American Community Survey Five-Year Estimate			
	Capital District	New York State	United States
Total, 16 years and over	**4.9**	**6.2**	**4.3**
By gender:			
Male	5.1	6.5	4.0
Female	4.7	5.9	4.0
By age group:			
16-24	11.5	13.3	11.4
25-34	5.1	6.6	5.5
35-44	3.7	5.0	4.1
45-54	2.8	4.7	3.8
55+	3.4	4.8	4.0
By race or ethnicity:			
White, Including Hispanics or Latinos	4.2	4.9	3.4
Black or African American, Including Hispanics or Latinos	11.2	9.3	7.6
Asian, Including Hispanics or Latinos	4.0	5.6	3.5
Other Race, Including Hispanics or Latinos	8.2	8.7	5.2
Hispanic or Latino	8.1	8.2	5.0
By educational attainment:			
Total (25-64 year olds)	5.3	5.3	3.5
Less than high school graduate	9.1	9.1	6.5
High school graduate	7.0	7.0	4.9
Some college or associate's degree	5.9	5.9	3.7
Bachelor's degree or higher	3.6	3.6	2.1

Note: The above estimates are based on survey data collected over a rolling five-year period, from 2018-2022. Numbers above reflect an average over this period, which provides a more reliable result than single-year estimates.
Sources: New York State Department of Labor; U.S. Census Bureau.

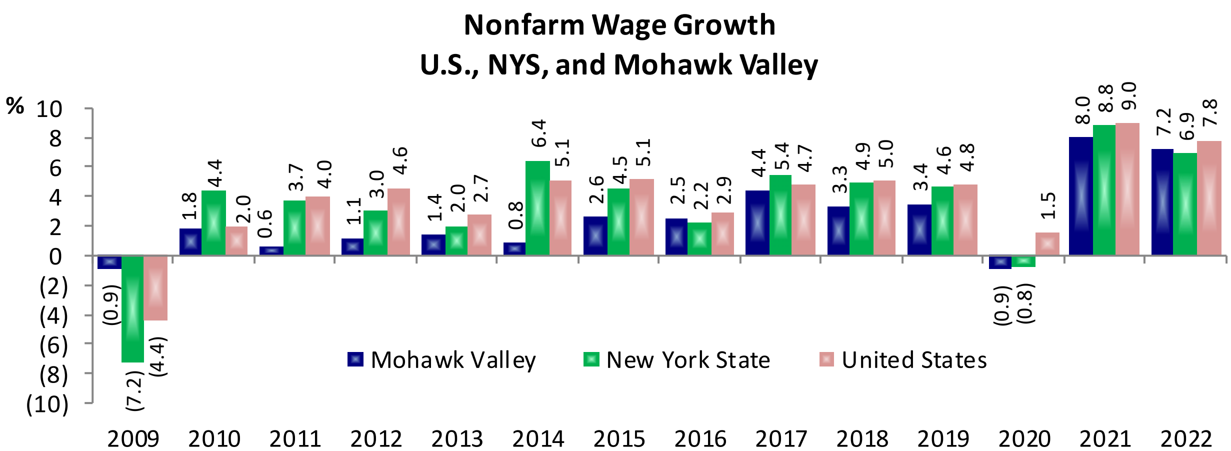
Mohawk Valley

Key Economic Indicators 2022			
Employment (million)	0.158	Share of State Personal Income (%)	1.4
Share of State Employment (%)	1.7	Per Capita Personal Income	$50,468
Unemployment Rate (12/2023) (%)	4.6	Population (million)	0.43
Total Wages (billion)	8.5	Share of State Population (%)	2.2
Share of State Wages (%)	1.0	Population Growth (%)	(0.4)
Average Wage	$53,558	Persons in Poverty	58,297
Personal Income (billion)	$21.5	Poverty Rate (%)	13.7

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Mohawk Valley

Mohawk Valley Unemployment Rate (%) 2018-2022 American Community Survey Five-Year Estimate			
	Mohawk Valley	**New York State**	**United States**
Total, 16 years and over	**4.7**	**6.2**	**4.3**
By gender:			
Male	5.1	6.5	4.0
Female	4.2	5.9	4.0
By age group:			
16-24	9.3	13.3	11.4
25-34	5.4	6.6	5.5
35-44	4.0	5.0	4.1
45-54	3.1	4.7	3.8
55+	3.2	4.8	4.0
By race or ethnicity:			
White, Including Hispanics or Latinos	4.3	4.9	3.4
Black or African American, Including Hispanics or Latinos	10.2	9.3	7.6
Asian, Including Hispanics or Latinos	NA	5.6	3.5
Other Race, Including Hispanics or Latinos	8.0	8.7	5.2
Hispanic or Latino	9.1	8.2	5.0
By educational attainment:			
Total (25-64 year olds)	3.9	5.3	3.5
Less than high school graduate	7.2	9.1	6.5
High school graduate	5.8	7.0	4.9
Some college or associate's degree	3.3	5.9	3.7
Bachelor's degree or higher	2.1	3.6	2.1

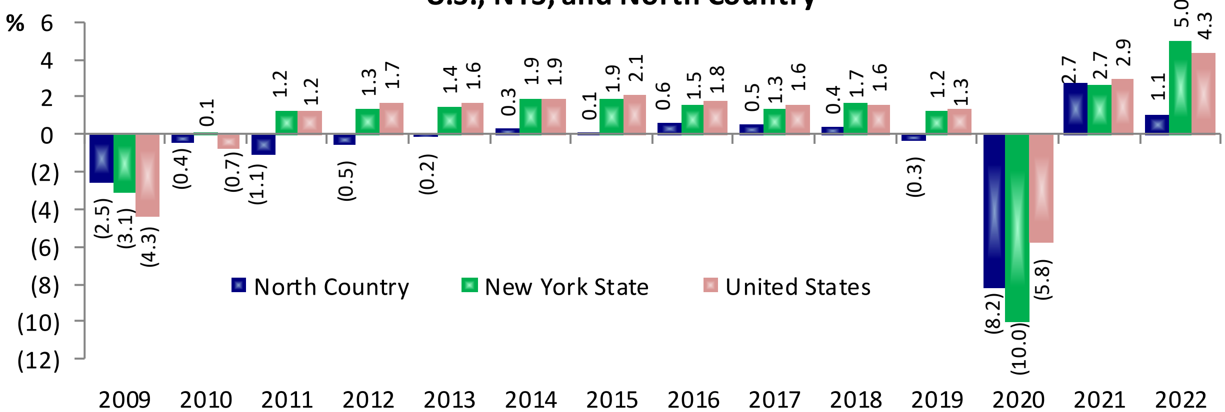
Note: The above estimates are based on survey data collected over a rolling five-year period, from 2018-2022. Numbers above reflect an average over this period, which provides a more reliable result than single-year estimates.
Sources: New York State Department of Labor; U.S. Census Bureau.

North Country

Key Economic Indicators 2022			
Employment (million)	0.140	Share of State Personal Income (%)	1.4
Share of State Employment (%)	1.5	Per Capita Personal Income	$49,718
Unemployment Rate (12/2023) (%)	5.0	Population (million)	0.41
Total Wages (billion)	7.7	Share of State Population (%)	2.1
Share of State Wages (%)	0.9	Population Growth (%)	(1.0)
Average Wage	$54,844	Persons in Poverty	57,558
Personal Income (billion)	$20.5	Poverty Rate (%)	13.9

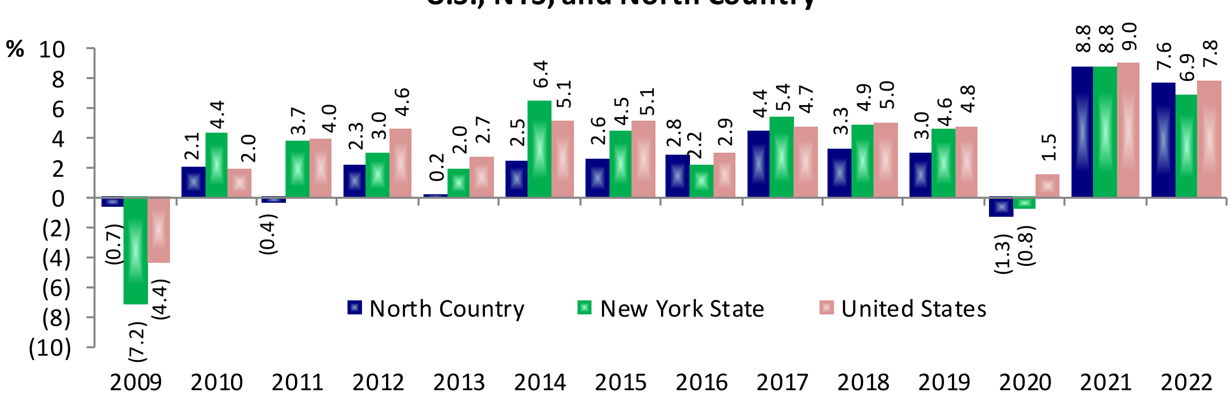
Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.

Nonfarm Employment Growth
U.S., NYS, and North Country



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Nonfarm Wage Growth
U.S., NYS, and North Country



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

North Country

North Country Unemployment Rate (%) 2018-2022 American Community Survey Five-Year Estimate			
	North Country	**New York State**	**United States**
Total, 16 years and over	**5.6**	**6.2**	**4.3**
By gender:			
Male	5.9	6.5	4.0
Female	5.4	5.9	4.0
By age group:			
16-24	10.6	13.3	11.4
25-34	6.6	6.6	5.5
35-44	4.4	5.0	4.1
45-54	4.1	4.7	3.8
55+	3.9	4.8	4.0
By race or ethnicity:			
White, Including Hispanics or Latinos	5.4	4.9	3.4
Black or African American, Including Hispanics or Latinos	8.7	9.3	7.6
Asian, Including Hispanics or Latinos	NA	5.6	3.5
Other Race, Including Hispanics or Latinos	8.2	8.7	5.2
Hispanic or Latino	7.4	8.2	5.0
By educational attainment:			
Total (25-64 year olds)	4.8	5.3	3.5
Less than high school graduate	10.2	9.1	6.5
High school graduate	6.7	7.0	4.9
Some college or associate's degree	4.0	5.9	3.7
Bachelor's degree or higher	2.8	3.6	2.1

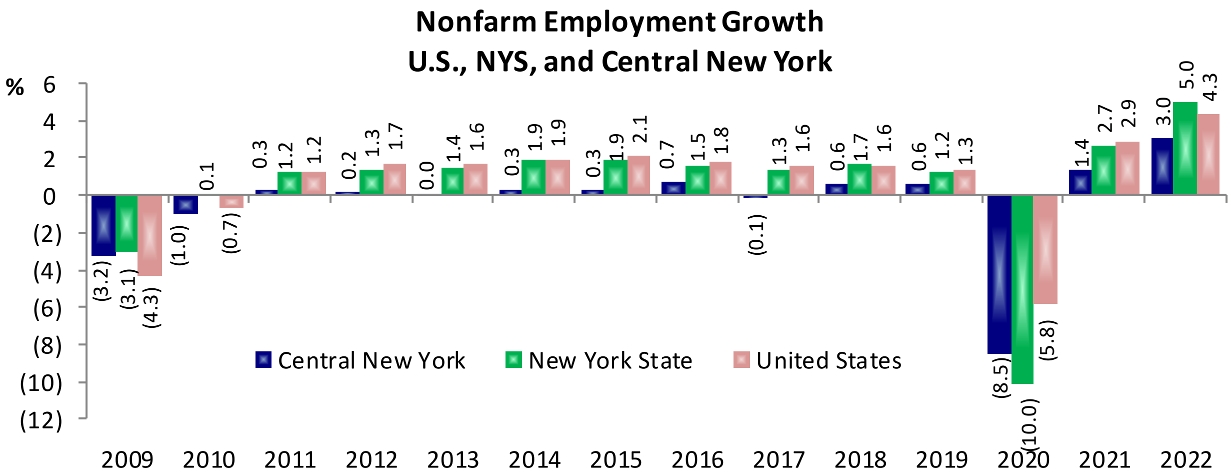
Note: The above estimates are based on survey data collected over a rolling five-year period, from 2018-2022. Numbers above reflect an average over this period, which provides a more reliable result than single-year estimates.

Sources: New York State Department of Labor; U.S. Census Bureau.

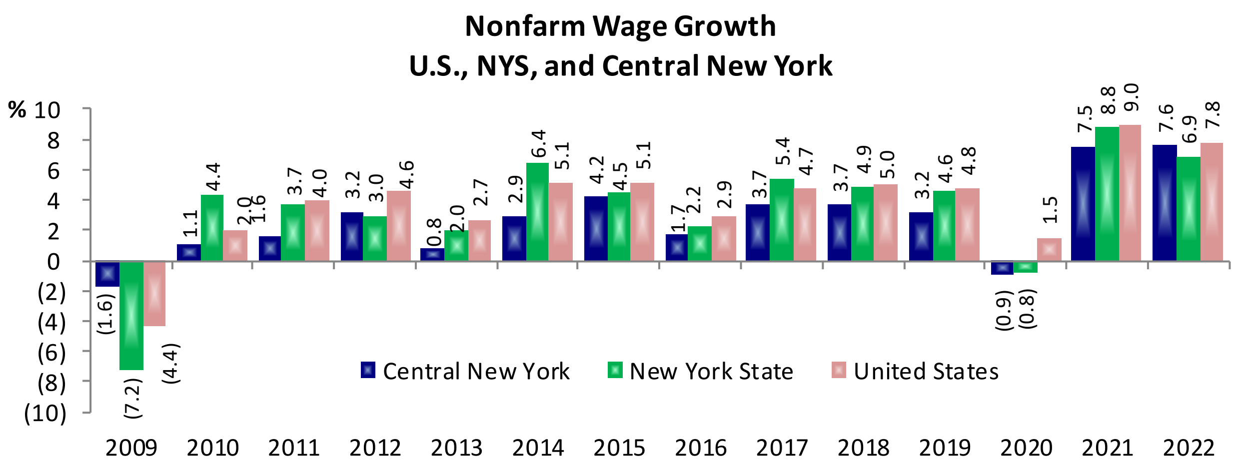
Central New York

Key Economic Indicators 2022			
Employment (million)	0.329	Share of State Personal Income (%)	2.9
Share of State Employment (%)	3.6	Per Capita Personal Income	$56,418
Unemployment Rate (12/2023) (%)	4.2	Population (million)	0.77
Total Wages (billion)	20.2	Share of State Population (%)	3.9
Share of State Wages (%)	2.4	Population Growth (%)	(0.7)
Average Wage	$61,391	Persons in Poverty	103,537
Personal Income (billion)	$43.7	Poverty Rate (%)	13.4

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Central New York

Central New York Unemployment Rate (%) 2018-2022 American Community Survey Five-Year Estimate			
	Central New York	New York State	United States
Total, 16 years and over	**5.6**	**6.2**	**4.3**
By gender:			
Male	5.8	6.5	4.0
Female	5.4	5.9	4.0
By age group:			
16-24	11.2	13.3	11.4
25-34	5.7	6.6	5.5
35-44	5.1	5.0	4.1
45-54	3.7	4.7	3.8
55+	4.2	4.8	4.0
By race or ethnicity:			
White, Including Hispanics or Latinos	5.0	4.9	3.4
Black or African American, Including Hispanics or Latinos	11.3	9.3	7.6
Asian, Including Hispanics or Latinos	7.8	5.6	3.5
Other Race, Including Hispanics or Latinos	7.6	8.7	5.2
Hispanic or Latino	9.2	8.2	5.0
By educational attainment:			
Total (25-64 year olds)	4.7	5.3	3.5
Less than high school graduate	12.2	9.1	6.5
High school graduate	6.8	7.0	4.9
Some college or associate's degree	4.6	5.9	3.7
Bachelor's degree or higher	2.4	3.6	2.1

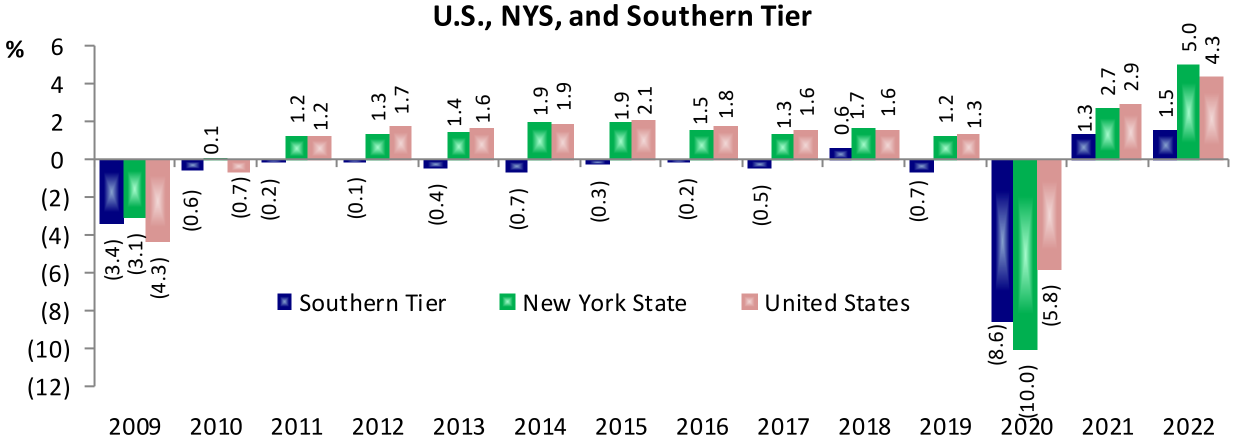
Note: The above estimates are based on survey data collected over a rolling five-year period, from 2018-2022. Numbers above reflect an average over this period, which provides a more reliable result than single-year estimates.
Sources: New York State Department of Labor; U.S. Census Bureau.

Southern Tier

Key Economic Indicators 2022			
Employment (million)	0.263	Share of State Personal Income (%)	2.3
Share of State Employment (%)	2.8	Per Capita Personal Income	$50,283
Unemployment Rate (12/2023) (%)	4.4	Population (million)	0.69
Total Wages (billion)	15.8	Share of State Population (%)	3.5
Share of State Wages (%)	1.9	Population Growth (%)	(0.8)
Average Wage	$60,334	Persons in Poverty	193,482
Personal Income (billion)	$34.9	Poverty Rate (%)	27.9

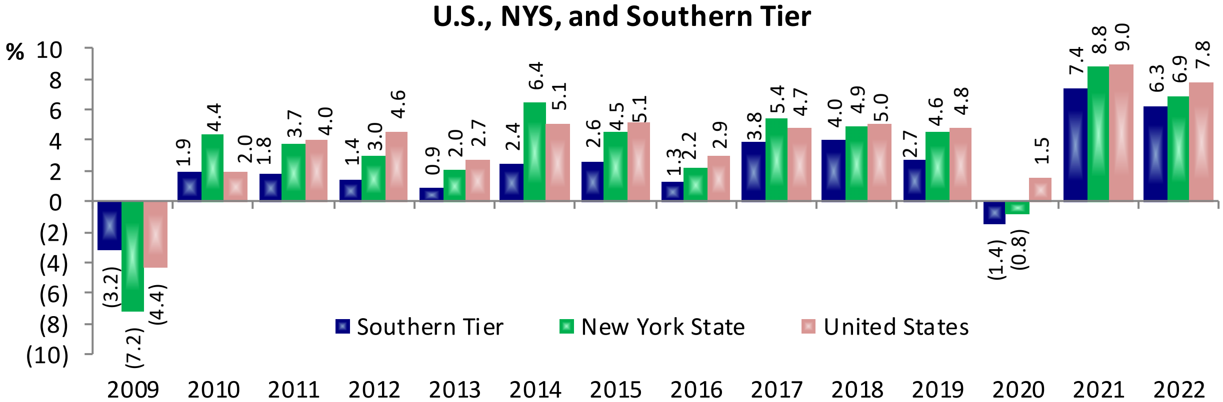
Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.

Nonfarm Employment Growth
U.S., NYS, and Southern Tier



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Nonfarm Wage Growth
U.S., NYS, and Southern Tier



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Southern Tier

Southern Tier Unemployment Rate (%) 2018-2022 American Community Survey Five-Year Estimate			
	Southern Tier	**New York State**	**United States**
Total, 16 years and over	**6.2**	**6.2**	**4.3**
By gender:			
Male	6.9	6.5	4.0
Female	5.4	5.9	4.0
By age group:			
16-24	12.4	13.3	11.4
25-34	7.2	6.6	5.5
35-44	5.3	5.0	4.1
45-54	4.4	4.7	3.8
55+	3.6	4.8	4.0
By race or ethnicity:			
White, Including Hispanics or Latinos	5.8	4.9	3.4
Black or African American, Including Hispanics or Latinos	15.1	9.3	7.6
Asian, Including Hispanics or Latinos	4.1	5.6	3.5
Other Race, Including Hispanics or Latinos	10.0	8.7	5.2
Hispanic or Latino	10.0	8.2	5.0
By educational attainment:			
Total (25-64 year olds)	5.1	5.3	3.5
Less than high school graduate	11.0	9.1	6.5
High school graduate	7.5	7.0	4.9
Some college or associate's degree	4.7	5.9	3.7
Bachelor's degree or higher	2.8	3.6	2.1

Note: The above estimates are based on survey data collected over a rolling five-year period, from 2018-2022. Numbers above reflect an average over this period, which provides a more reliable result than single-year estimates.

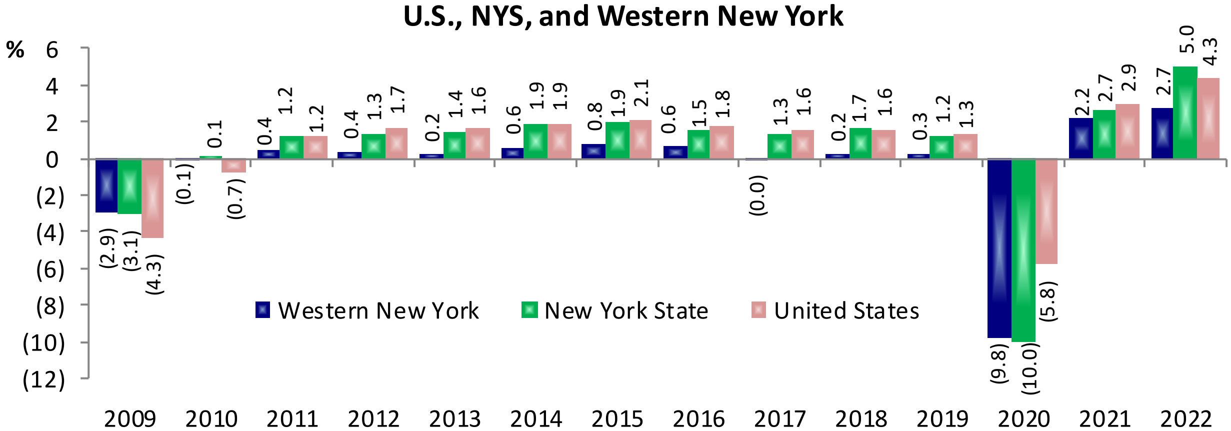
Sources: New York State Department of Labor; U.S. Census Bureau.

Western New York

Key Economic Indicators 2022			
Employment (million)	0.598	Share of State Personal Income (%)	5.2
Share of State Employment (%)	6.5	Per Capita Personal Income	$54,420
Unemployment Rate (12/2023) (%)	4.5	Population (million)	1.41
Total Wages (billion)	35.2	Share of State Population (%)	7.2
Share of State Wages (%)	4.3	Population Growth (%)	(0.4)
Average Wage	$58,870	Persons in Poverty	149,622
Personal Income (billion)	$76.8	Poverty Rate (%)	10.6

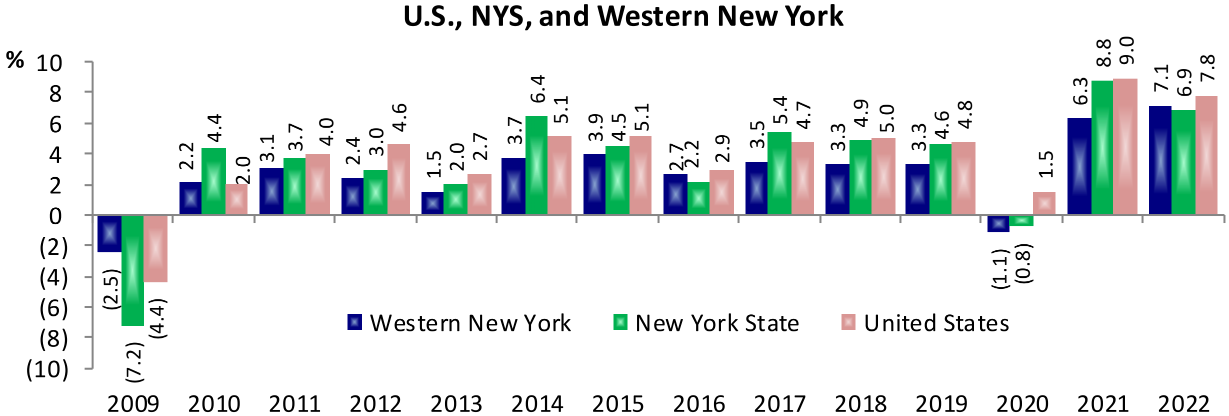
Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.

Nonfarm Employment Growth
U.S., NYS, and Western New York



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Nonfarm Wage Growth
U.S., NYS, and Western New York



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Western New York

Western New York Unemployment Rate (%) 2018-2022 American Community Survey Five-Year Estimate			
	Western New York	**New York State**	**United States**
Total, 16 years and over	**5.2**	**6.2**	**4.3**
By gender:			
Male	5.6	6.5	4.0
Female	4.8	5.9	4.0
By age group:			
16-24	9.8	13.3	11.4
25-34	5.8	6.6	5.5
35-44	4.1	5.0	4.1
45-54	4.1	4.7	3.8
55+	3.8	4.8	4.0
By race or ethnicity:			
White, Including Hispanics or Latinos	4.7	4.9	3.4
Black or African American, Including Hispanics or Latinos	9.1	9.3	7.6
Asian, Including Hispanics or Latinos	4.8	5.6	3.5
Other Race, Including Hispanics or Latinos	7.2	8.7	5.2
Hispanic or Latino	6.6	8.2	5.0
By educational attainment:			
Total (25-64 year olds)	4.5	5.3	3.5
Less than high school graduate	9.8	9.1	6.5
High school graduate	6.5	7.0	4.9
Some college or associate's degree	4.7	5.9	3.7
Bachelor's degree or higher	2.5	3.6	2.1

Note: The above estimates are based on survey data collected over a rolling five-year period, from 2018-2022. Numbers above reflect an average over this period, which provides a more reliable result than single-year estimates.

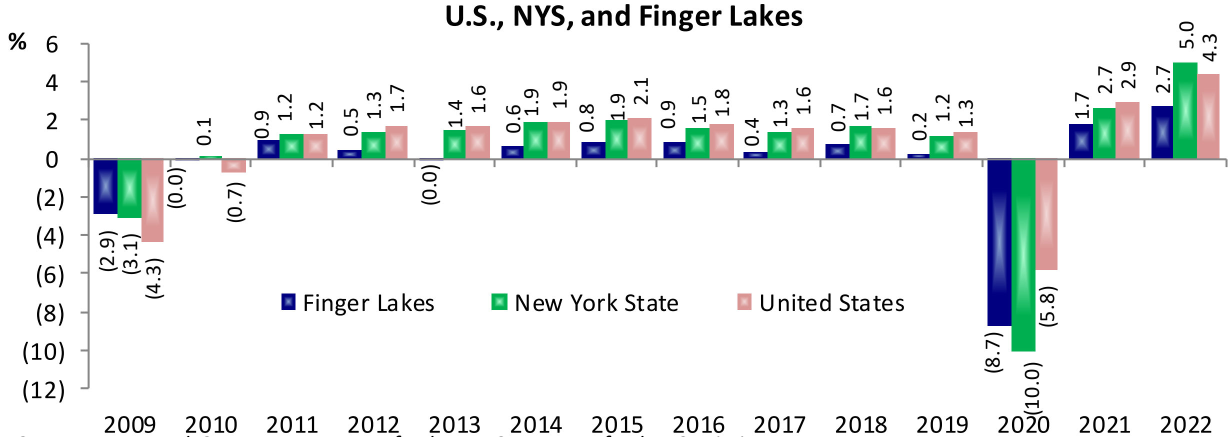
Sources: New York State Department of Labor; U.S. Census Bureau.

Finger Lakes

Key Economic Indicators 2022			
Employment (million)	0.528	Share of State Personal Income (%)	4.6
Share of State Employment (%)	5.7	Per Capita Personal Income	$56,934
Unemployment Rate (11/2023) (%)	3.6	Population (million)	1.21
Total Wages (billion)	31.6	Share of State Population (%)	6.2
Share of State Wages (%)	3.8	Population Growth (%)	(0.6)
Average Wage	$59,951	Persons in Poverty	149,622
Personal Income (billion)	$69.0	Poverty Rate (%)	12.4

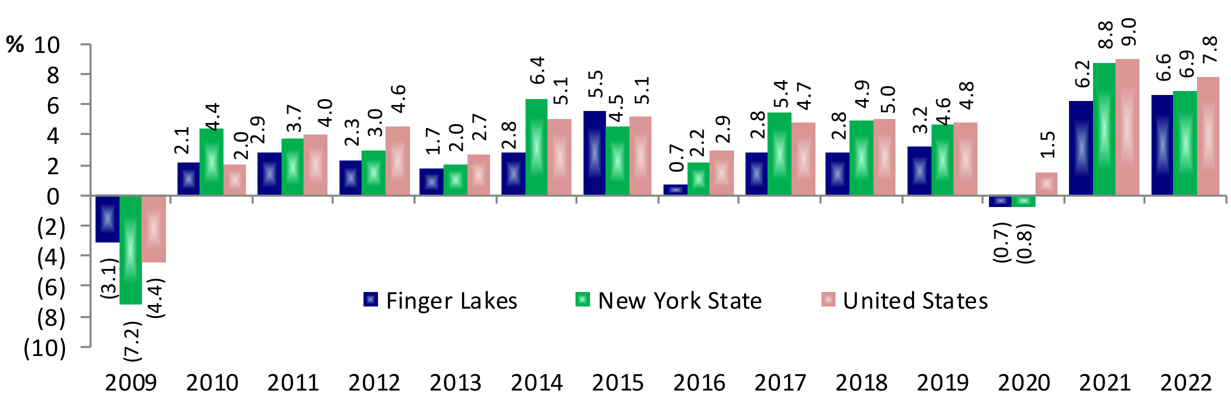
Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.

Nonfarm Employment Growth
U.S., NYS, and Finger Lakes



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Nonfarm Wage Growth
U.S., NYS, and Finger Lakes



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Finger Lakes

Finger Lakes Unemployment Rate (%) 2018-2022 American Community Survey Five-Year Estimate			
	Finger Lakes	**New York State**	**United States**
Total, 16 years and over	**5.0**	**6.2**	**4.3**
By gender:			
Male	5.5	6.5	4.0
Female	4.4	5.9	4.0
By age group:			
16-24	10.7	13.3	11.4
25-34	5.4	6.6	5.5
35-44	4.0	5.0	4.1
45-54	3.2	4.7	3.8
55+	3.5	4.8	4.0
By race or ethnicity:			
White, Including Hispanics or Latinos	4.0	4.9	3.4
Black or African American, Including Hispanics or Latinos	10.3	9.3	7.6
Asian, Including Hispanics or Latinos	3.6	5.6	3.5
Other Race, Including Hispanics or Latinos	9.7	8.7	5.2
Hispanic or Latino	10.1	8.2	5.0
By educational attainment:			
Total (25-64 year olds)	4.0	5.3	3.5
Less than high school graduate	9.8	9.1	6.5
High school graduate	5.0	7.0	4.9
Some college or associate's degree	4.5	5.9	3.7
Bachelor's degree or higher	2.2	3.6	2.1

Note: The above estimates are based on survey data collected over a rolling five-year period, from 2018-2022. Numbers above reflect an average over this period, which provides a more reliable result than single-year estimates.
Sources: New York State Department of Labor; U.S. Census Bureau.

REVENUE FORECAST

Overview – Revenue Summary

State Fiscal Year 2023-24

All Funds Revenues

The NYS Assembly Ways and Means Committee estimates that All Funds revenues will total $232.3 billion in State Fiscal Year (SFY) 2023-24, a decrease of 0.3 percent or $758 million, mainly attributed to a decrease in personal income tax (PIT) and business tax collections. This reduction is partially offset by an increase in Federal aid and user tax collections.

All Funds Tax Receipts

The NYS Assembly Ways and Means Committee's All Funds tax revenue estimate for SFY 2023-24 is $105.2 billion, representing a decrease of 5.8 percent or $6.5 billion, from SFY 2022-23 (see Table 12). The Committee's All Funds tax revenue estimate is $825 million above the Executive's estimate. This variance is primarily related to higher revenue estimates in PIT and sales tax collections.

Table 12

SFY 2023-24 All Funds Estimate Summary
($ in Millions)

	2022-23 Actual	2023-24 Estimate	Change	Growth	Diff. Exec.
Personal Income Tax	58,776	52,800	(5,975)	(10.2%)	600
User Taxes	20,584	21,969	1,385	6.7%	33
Business Taxes	28,617	27,256	(1,361)	(4.8%)	89
Other Taxes	3,679	3,179	(500)	(13.6%)	103
Total Tax Collections	**111,656**	**105,204**	**(6,452)**	**(5.8%)**	**825**
All Funds Miscellaneous Receipts	27,454	26,406	(1,048)	(3.8%)	80
Gaming	4,388	4,770	382	8.7%	96
Total w/Miscellaneous Receipts & Gaming	**143,498**	**136,380**	**(7,118)**	**(5.0%)**	**1,001**
Federal Funds	89,563	95,923	6,360	7.1%	-
Total All Funds Receipts	**233,061**	**232,303**	**(758)**	**(0.3%)**	**1,001**

* Totals may not add up due to rounding.

Personal Income Taxes

The NYS Assembly Ways and Means Committee estimates that PIT receipts will total $52.8 billion in SFY 2023-24, representing a decrease of 10.2 percent or $6.0 billion, below last year's level. Gross receipts are expected to decrease by 10.0 percent or $7.8 billion, from SFY 2022-23, including a 41.5 percent or $7.6 billion, decrease in estimated payments. Total refunds are anticipated to also decrease by 9.5 percent or $1.9 billion, primarily related to a $1.9 billion decrease in advanced credit refunds.

The decrease in overall PIT receipts is essentially related to changes in taxpayer behavior in response to the pass-through entity tax (PTET). The PTET provides individual partners, members, and shareholders of a pass-through entity with a refundable tax credit on their New York State income tax return equal to the proportionate or pro rata share of taxes paid by the electing entity. These credits are projected to reduce PIT collections by $14.4 billion in SFY 2023-24.

The expiration of one-time inflation relief actions enacted in the SFY 2022-23 budget has led to a significant decline in PIT refunds. These actions include the Homeowner Tax Rebate Credit ($2.1 billion), the Supplemental Empire State Child Credit ($287 million), and the Supplemental Earned Income Tax Credit ($188 million).

PIT receipts are further reduced by the acceleration of the middle-class tax cuts, effectuated by the SFY 2022-23 Enacted State budget. Originally scheduled to be fully phased-in by 2025, they will instead be fully phased-in for tax year 2023. This action is projected to reduce PIT collections by $615 million in SFY 2023-24.

User Taxes

User taxes are estimated to total $22.0 billion in SFY 2023-24, an increase of 6.7 percent or $1.4 billion from SFY 2022-23 levels. Sales tax revenue is estimated to increase by $1.0 billion or 5.4 percent, driven by strong growth in consumer demand coupled with an increase in the nominal prices of goods and services due to inflation.

Business Taxes

Overall, business taxes are estimated to decrease by 4.8 percent or $1.4 billion for a total of $27.3 billion. This decrease is primarily related to a $1.1 billion decrease in PTET collections.

The Committee accepts the Executive's assumptions with regard to audit collections.

Other Taxes

Other taxes are estimated to total $3.2 billion, a decrease of $500 million or 13.6 percent over SFY 2022-23 levels. This decrease reflects a $213 million or 9.7 percent decrease in estate and gift tax collections, and a $294 million or 20.0 percent, reduction in real estate transfer tax collections.

Gaming

The Committee anticipates an overall fiscal year increase in gaming receipts of $382 million or 8.7 percent, for a total of $4.8 billion. This growth is bolstered by continuously strong mobile sports wagering receipts of $875 million, an increase of $146 million or 20.0 percent over prior year collections.

Revenue Table, State Current Fiscal Year 2023-24

Table 13

All Funds Collections SFY 2023-24 ($ in Millions)	2022-23 Actual	2023-24 Estimate	Change	Growth	Diff. Exec.
Personal Income Tax	**58,776**	**52,800**	**(5,975)**	**(10.2%)**	**600**
Gross Receipts	**78,151**	**70,325**	**(7,825)**	**(10.0%)**	**763**
Withholding	52,477	54,031	1,555	3.0%	223
Estimated Payments	18,428	10,779	(7,649)	(41.5%)	515
Vouchers	8,158	6,319	(1,839)	(22.5%)	512
IT 370s	10,270	4,460	(5,810)	(56.6%)	3
Final Payments	5,367	3,624	(1,743)	(32.5%)	(6)
Delinquencies	1,879	1,891	12	0.6%	31
Total Refunds	**19,375**	**17,525**	**(1,850)**	**(9.5%)**	**163**
Net Collections	**58,776**	**52,800**	**(5,975)**	**(10.2%)**	**600**
User Taxes and Fees	**20,584**	**21,969**	**1,385**	**6.7%**	**33**
Sales and Use Tax	18,933	19,954	1,021	5.4%	23
Motor Fuel Tax	179	496	317	177.3%	5
Cigarette & Tobacco Tax	858	841	(17)	(2.0%)	5
Vapor Tax	25	26	1	3.1%	1
Highway Use Tax	143	144	1	0.7%	-
Alcoholic Beverage Tax	282	277	(5)	(1.9%)	1
Opioid Tax	27	24	(3)	(11.1%)	1
Medical Cannabis Excise Tax	13	10	(3)	(23.1%)	1
Adult Use Cannabis Tax	0	70	70	100.0%	-
Auto Rental Tax**	122	128	6	4.5%	(4)
Peer to Peer Car Sharing Tax	2	0	(2)	(100.0%)	-
Business Taxes	**28,617**	**27,256**	**(1,361)**	**(4.8%)**	**89**
Corporate Franchise Tax	9,017	8,961	(56)	(0.6%)	10
Utility Tax	525	522	(4)	(0.7%)	4
Insurance Tax	2,681	2,763	82	3.0%	53
Bank Tax	355	(9)	(364)	(102.5%)	-
Pass-Through Entity Tax	14,944	13,882	(1,062)	(7.1%)	-
Petroleum Business Tax	1,095	1,137	42	3.9%	22
Other Taxes	**3,679**	**3,179**	**(500)**	**(13.6%)**	**103**
Estate Tax	2,185	1,972	(213)	(9.7%)	90
Real Estate Transfer Tax	1,472	1,178	(294)	(20.0%)	12
Employer Compensation Expense Program	7	14	7	100.0%	-
Pari Mutuel Tax	13	13	0	0.0%	1
Other Taxes	2	2	0	0.0%	-
Total All Funds Taxes	**111,656**	**105,204**	**(6,452)**	**(5.8%)**	**825**
All Funds Miscellaneous Receipts**	27,454	26,406	(1,048)	(3.8%)	80
Gaming	4,388	4,770	382	8.7%	96
Total Taxes, Miscellaneous Receipts & Gaming	**143,498**	**136,380**	**(7,118)**	**(5.0%)**	**1,001**
Federal Funds	89,563	95,923	6,360	0	0
Total All Funds Receipts	**233,061**	**232,303**	**(758)**	**(0.3%)**	**1,001**

* Totals may not add up due to rounding.

**The SFY 2020-21 budget provided a portion of these revenues directly to the MTA.

State Fiscal Year 2024-25

The yearly average growth of national output, measured with inflation-adjusted Gross Domestic Product (GDP), increased to 2.5 percent from 1.9 percent in 2022. The main driver of this above-potential growth was resilient consumer spending. However, as households and businesses are faced with elevated costs of credit and thus anticipated to cut back on their spending, growth of national output is forecast to slow to 2.2 percent in 2024 and 2.0 percent in 2025 (see Economic section).

All Funds Revenues

The Committee expects a 1.5 percent or $3.5 billion, decline in All Funds revenues for SFY 2024-25, totaling $228.8 billion. Of this amount, increases in PIT collections ($3.1 billion) and business taxes ($504 million) are partially offset by a decline in miscellaneous receipts ($3.0 billion).

All Funds Tax Receipts

The Committee expects a 3.4 percent or $3.5 billion, increase in All Funds tax receipts in SFY 2024-25, for a total of $108.8 billion.

The Committee's tax receipts forecast is $931 million above the Executive's forecast. The Committee's net PIT forecast is $398 million above the Executive's forecast.

Table 14

SFY 2024-25 All Funds Forecast Summary ($ in Millions)	2023-24 Estimate	2024-25 Forecast	Change	Growth	Diff. Exec.
Personal Income Tax	52,800	55,902	3,101	5.9%	398
User Taxes	21,969	22,520	551	2.5%	89
Business Taxes	27,256	27,759	504	1.8%	215
Other Taxes	3,179	2,572	(607)	(19.1%)	71
Total Tax Collections	**105,204**	**108,753**	**3,550**	**3.4%**	**773**
All Funds Miscellaneous Receipts	26,406	23,689	(2,717)	(10.3%)	96
Gaming	4,770	4,464	(307)	(6.4%)	63
Total w/Miscellaneous Receipts & Gaming	**136,380**	**136,905**	**525**	**0.4%**	**931**
Federal Funds	95,923	91,894	(4,029)	(4.2%)	-
Total All Funds Receipts	**232,303**	**228,798**	**(3,505)**	**(1.5%)**	**931**

* Totals may not add up due to rounding.

Personal Income Taxes

Overall, personal income taxes, the largest component of all tax collections, are forecast to total $55.9 billion, which is $3.1 billion or 5.9 percent, above the SFY 2023-24 estimates.

This year-to-year increase in PIT collections is primarily the result of the PTET's impact on collections, as well as a rebound in capital gains income. However, the credits associated with the PTET are still forecast to reduce PIT collections by $14.0 billion in SFY 2024-25.

Total refunds are expected to increase, primarily due to projected growth in advanced credit payments and State City offsets. This growth in refunds would slightly offset the projected increase in year-over-year net PIT collections.

The acceleration of the middle-class tax cuts effectuated by the SFY 2022-23 Enacted Budget is expected to reduce net PIT collections by $360 million in SFY 2024-25.

User Taxes

All Funds user taxes are forecast to total $22.5 billion, which is 2.5 percent above the SFY 2023-24 estimates. The modest increase in year-over-year user tax growth is consistent with the Committee's projections that inflation will continue to ease, resulting in a decline in the nominal prices of goods and services, and that consumer spending returns to its long-term trend.

Business Taxes

Business taxes are forecast to total $27.8 billion in SFY 2024-25, an increase of $504 million from the current year closeout on an All Funds basis. This increase is primarily related to a $598 million increase in PTET receipts, slightly offset by a $338 million decrease in corporate franchise tax collections. The decline in corporate franchise tax collections is primarily attributed to a projected increase in refunds.

Other Taxes

Other taxes, which consist primarily of the estate tax and real estate transfer tax, are forecast to decrease by 19.1 percent in SFY 2024-25, to a level of $2.6 billion. This decrease is primarily related to a $617 million reduction in estate and gift tax collections, slightly offset by a $9 million increase in real estate transfer tax collections.

Gaming

Gaming receipts are forecast to decrease by 6.4 percent or $307 million, in SFY 2024-25 for a total of $4.5 billion. Lottery receipts are expected to decrease by $285 million or 10.6 percent; video lottery terminal revenues are projected to decrease by $42 million or 3.9 percent; and casino revenues are projected to increase by $2 million or 1.6 percent to $130 million. Mobile sports wagering receipts are projected to increase by $18 million or 2.1 percent, to a level of $893 million reflecting continued strength of collections in SFY 2024-25.

Revenue Table, Upcoming Fiscal Year 2024-25

Table 15

All Funds Collections SFY 2024-25
($ in Millions)

	2023-24 Estimate	2024-25 Forecast	Change	Growth	Diff. Exec.
Personal Income Tax	**52,800**	**55,902**	**3,101**	**5.9%**	**398**
Gross Receipts	**70,325**	**73,805**	**3,480**	**4.9%**	**567**
Withholding	54,031	56,680	2,648	4.9%	294
Estimated Payments	10,779	11,651	872	8.1%	494
Vouchers	6,319	6,521	202	3.2%	474
IT 370s	4,460	5,130	670	15.0%	20
Final Payments	3,624	3,775	151	4.2%	(6)
Delinquencies	1,891	1,700	(191)	(10.1%)	(214)
Total Refunds	**17,525**	**17,904**	**379**	**2.2%**	**170**
Net Collections	**52,800**	**55,902**	**3,101**	**5.9%**	**398**
User Taxes and Fees	**21,969**	**22,520**	**551**	**2.5%**	**89**
Sales and Use Tax	19,954	20,423	469	2.3%	43
Motor Fuel Tax	496	494	(3)	(0.6%)	3
Cigarette & Tobacco Tax	841	821	(19)	(2.3%)	23
Vapor Tax	26	27	1	4.7%	2
Highway Use Tax	144	144	0	0.0%	1
Alcoholic Beverage Tax	277	281	4	1.4%	3
Opioid Tax	24	24	0	0.0%	1
Medical Cannabis Excise Tax	10	9	(1)	(13.0%)	(0)
Adult Use Cannabis	70	170	100	100.0%	12
Auto Rental Tax	128	127	(1)	(0.8%)	3
Peer to Peer Car Sharing Tax	0	2	2	100.0%	-
Business Taxes	**27,256**	**27,759**	**504**	**1.8%**	**215**
Corporate Franchise Tax	8,961	8,623	(338)	(3.8%)	88
Utility Tax	522	552	30	5.8%	13
Insurance Tax	2,763	2,768	5	0.2%	58
Bank Tax	(9)	212	221	2455.6%	-
Pass-Through Entity Tax	13,882	14,480	598	4.3%	-
Petroleum Business Tax	1,137	1,125	(13)	(1.1%)	57
Other Taxes	**3,179**	**2,572**	**(607)**	**(19.1%)**	**71**
Estate Tax	1,972	1,355	(617)	(31.3%)	30
Real Estate Transfer Tax	1,178	1,187	9	0.8%	40
Employer Compensation Expense Program	14	15	1	7.1%	-
Pari Mutuel Tax	13	13	0	0.0%	1
Other Taxes	2	2	-	0.0%	-
Total All Funds Taxes	**105,204**	**108,753**	**3,549**	**3.4%**	**773**
All Funds Miscellaneous Receipts	26,406	23,689	(2,718)	(10.3%)	96
Gaming	4,770	4,464	(307)	(6.4%)	63
Total Taxes & Gaming & Miscellaneous Receipts	**136,380**	**136,905**	**525**	**0.4%**	**931**
Federal Funds	95,923	91,894	(4,029)	(4.2%)	-
Total All Funds Receipts	**232,303**	**228,799**	**(3,504)**	**(1.5%)**	**931**

* Totals may not add up due to rounding.

RISKS TO THE REVENUE FORECAST

The current forecast for revenues is predicated on certain key assumptions related to fiscal and monetary policy, as well as global economic and geopolitical fundamentals as enunciated in the economic section of this report.

As with the economic forecast, the Committee's revenue projections are largely dependent on the State's ability to respond to various factors such as adjustments to the Federal Reserve's monetary policy as they continue to address inflationary concerns, volatility in the financial markets and key economic indicators, as well as any unpredicted major disruptions to supply chains due to geopolitical conflicts, which would negatively impact the growth of consumer spending. Given New York's unique position in the financial sector, other considerations such as capital gains and levels of compensation plays a disproportionate role in revenue projection trends.

In addition, the State has experienced some changes in taxpayer behavior because of the Federal tax reforms enacted in December 2017, especially those related to the limitation on State and local tax (SALT) deductions. The Committee's forecast assumes that the changes in the timing of collections have stabilized.

EXECUTIVE REVENUE ACTIONS

Personal Income Tax (PIT) Proposals

- **Permanently Extend the Itemized Deduction Limit on High Income Filers:** The Executive proposes to make permanent the personal income tax limitation on charitable contribution deductions for taxpayers with incomes above $10 million. This action would maintain the current state deduction limit for these taxpayers, which is 25 percent of the federal deduction.

- **Permanently Extend the Tax Shelter Provisions:** The Executive proposes to make permanent the current tax shelter reporting provisions and penalties. This action would maintain current penalties imposed on tax preparers who do not sign returns, take unreasonable positions on returns, or are unregistered tax preparers.

- **Close the Amended Return Loophole for Personal Income and Corporation Franchise Taxes:** The Executive proposes to allow the Department of Taxation and Finance to act on amended returns filed by taxpayers if the taxpayer petitioned to the Division of Tax Appeals during the same taxable year. Petitions would include a request of a redetermination of a deficiency or a challenge of a refund denial. Under current law, any such petitions filed to the Division of Tax Appeals prevents the Department of Taxation and Finance from acting on amended returns filed for the same taxable year.

Property Tax Proposals

- **Clarify Taxable Status of Telecommunications Property:** The Executive proposes to clarify that property used primarily or exclusively for the transmission of radio, television, or cable television shall not be considered taxable real property.

- **Return Tax Foreclosure Surplus to Property Owner**: The Executive proposes to amend the Real Property Tax Law to ensure that surplus funds resulting from tax foreclosure sales are returned to the former owner, thereby addressing the recent Supreme Court ruling, *Tyler v Hennepin County,* 598 U.S. 631 (2023).

- **ELFA Part R – Authorize Tax Incentive Benefits for Converting Commercial Property to Affordable Housing:** The Executive proposes to establish a real property tax incentive program for the conversion of commercial buildings to affordable housing. At least 20 percent of the units would need to be affordable at 80 percent of area median income (AMI), at least five percent of the units would need to be affordable at 40 percent of AMI, and all affordable units would need to be rent stabilized for the duration of the benefit period.

- **ELFA Part T – Extend the Project Completion Deadline for Vested Projects in Real Property Tax Law 421-a:** The Executive proposes to extend the completion deadline for projects vested in the expired 421-a program for five years, from June 15, 2026 to June 15, 2030. For a project to be considered vested, construction must have commenced on or before June 15, 2022.

- **ELFA Part U – Create a New Tax Abatement for Rental Housing Construction:** The Executive proposes to establish a new property tax incentive program in New York City to incentivize the construction of new rental housing, contingent upon a memorandum of understanding between the largest real estate trade developer association and the largest building, and construction worker trade association.

Consumption and Use Tax Proposals

- **Permanently Extend Authorization to Manage Delinquent Sales Tax Vendors:** The Executive proposes to permanently extend provisions of law that requires vendors to deposit sales tax revenue into segregated accounts on a weekly basis, as well as, providing authorization for the Commissioner of Taxation and Finance to revoke a vendor's license for failing to comply with the segregated account program's requirements or the regulations established in the Tax Law.

- **Provide for the Filing of Amended Sales Tax Returns:** The Executive proposes to establish a time frame to correct errors made in the filing of sales tax returns. This provision would treat the amended returns similarly to other tax filings and allow vendors to amend their returns up to three years after the return due date or two years after the vendor made their original payment. For amended returns that alter fixed and final tax liabilities, vendors are given up to 180 days to correct any errors from their original tax filings. A penalty of $1,000 will be levied against filers who willingly include erroneous information in their amended sales tax returns.

- **Extend Certain Sales Tax Exemptions Related to the Dodd-Frank Protection Act for Three Years:** The Executive proposes to extend sales tax exemptions for transfers of assets between financial institutions and their subsidiaries for three years, from June 30, 2024, to June 30, 2027. For binding contracts entered on or before June 30, 2027, this proposal extends exemptions for three years, to June 30, 2030.

- **Extend the Sales Tax Vending Machine Exemption for One Year**: The Executive proposes to extend the existing sales tax exemption for certain food and drink purchased from a vending machine for one year, through May 31, 2025.

- **Modernize the Tax Law to Include the Vacation Rental Industry:** The Executive proposes subjecting all vacation rentals to state and local sales taxes, including the $1.50 per unit NYC Convention Center fee. This proposal also repeals the "bungalow rule," which allows rentals of furnished units to be exempt from sales tax.

- **Repeal and Replace the Cannabis Potency Tax**: The Executive proposes to repeal the wholesale Tetrahydrocannabinol (THC) potency tax which is based on THC per milligram for each product and replace it with a single wholesale excise tax of 9.0 percent. The state retail excise tax rate would remain at 9.0 percent and the local retail excise tax rate would remain at 4.0 percent.

Business Tax Proposals

- **Establish the Commercial Security Tax Credit:** The Executive proposes implementing a $3,000 tax credit for small businesses whose retail theft prevention expenses exceed $12,000. The aggregate amount of available credit would be capped at $5 million each year and would be offered for tax years 2024 and 2025.

Gaming Proposals

- **Extend Authorized Use of Capital Funds by a Certain OTB Corporation for One Year:** The Executive proposes to extend for one year the authorized use of the capital acquisition funds by the Capital Off-Track Betting (OTB) Corporation, through March 31, 2025.

- **Extend Pari-Mutuel Tax Rates and Simulcast Provisions for One Year**: The Executive proposes to extend the current pari-mutuel tax rate structure and other racing-related provisions for one year through June 13, 2025.

Other Proposals

- **Make Technical Corrections to the Metropolitan Commuter Transportation Mobility Tax (MCTMT) Rate:** The Executive proposes to make technical corrections to apply the MCTMT tax rate of 0.34 percent to certain self-employed individuals in the suburban region of the Metropolitan Commuter Transportation District (MCTD), which includes the counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester. This change would be consistent with other provisions included in the SFY 2023-24 Enacted Budget.

- **Permanently Extend the Mandatory Electronic Filing and Payment Requirements:** The Executive proposes making permanent the Department of Taxation and Finance's electronic filing and payment mandates. Legacy e-filing statutes would also be repealed by this proposal.

Table 16

SFY 2024-25: Tax and Other Revenue Actions ($ in Millions)	General Fund		All Funds	
	FY2025	FY2026	FY2025	FY2026
Reform, Simplification and Other Actions	3	214	3	214
Establish the Commercial Security Tax Credit	-	(5)	-	(5)
Permanently Extend Authorization to Manage Delinquent Sales Tax Vendors	-	-	-	-
Extend Certain Sales Tax Exemptions Related to the Dodd-Frank Protection Act for Three Years	-	-	-	-
Extend the Sales Tax Vending Machine Exemption for One Year	(8)	(2)	(8)	(2)
Modernize the Tax Law to Include the Vacation Rental Industry	8	16	8	16
Repeal and Replace the Cannabis Potency Tax	-	-	-	-
Provide for the Filing of Amended Sales Tax Returns	3	10	3	10
Permanently Extend the Itemized Deduction Limit on High Income Filers	-	175	-	175
Close the Amended Return Loophole for Personal Income and Corporation Franchise Taxes	-	20	-	20
Make Technical Corrections to the Metropolitan Commuter Transportation Mobility Tax (MCTMT)	-	-	-	-
Return Tax Foreclosure Surplus to Property Owner	-	-	-	-
Clarify Taxable Status of Telecommunications Property	-	-	-	-
Permanently Extend the Mandatory Electronic Filing and Payment Requirements	-	-	-	-
Permanently Extend Tax Shelter Provisions	-	-	-	-
Gaming Initiatives	-	-	-	-
Extend Authorized Use of Capital Funds by a Certain OTB Corporation for One Year	-	-	-	-
Extend Pari-Mutuel Tax Rates and Simulcast Provisions for One Year	-	-	-	-
TOTAL REVENUE ACTIONS	3	214	3	214

TAX ANALYSIS

Personal Income Tax

Table 17

Personal Income Tax Collections Forecasts by State Fiscal Year ($ in Millions)						
	2023-24 WAM Estimate	**Growth**	**Diff. Exec**	**2024-25 WAM Forecast**	**Growth**	**Diff. Exec.**
Personal Income Tax	**$52,800**	**(10.2%)**	**$600**	**$55,902**	**5.9%**	**$398**
Gross Receipts	**70,325**	**(10.0%)**	**763**	**73,805**	**4.9%**	**567**
Withholding	54,031	3.0%	223	56,680	4.9%	294
Estimated Payments	10,779	(41.5%)	515	11,651	8.1%	494
Vouchers	6,319	(22.5%)	512	6,521	3.2%	474
IT 370s	4,460	(56.6%)	3	5,130	15.0%	20
Final Payments	3,624	(32.5%)	(6)	3,775	4.2%	(6)
Delinquencies	1,891	0.6%	31	1,700	(10.1%)	(214)
Total Refunds	**17,525**	**(9.5%)**	**163**	**17,904**	**2.2%**	**170**
Prior Year Refunds	10,034	2.7%	(20)	9,954	(0.8%)	(20)
Current Refunds	3,000	0.0%	-	3,000	0.0%	-
Advance Credit Payments	826	(69.5%)	(2)	1,002	21.4%	-
Previous Refunds	2,463	30.1%	186	2,516	2.2%	190
State/City Offsets	1,203	(40.1%)	-	1,432	19.0%	-
Collections	**52,800**	**(10.2%)**	**600**	**55,902**	**5.9%**	**398**
Transfers to STAR	(1,617)	(9.2%)	-	(1,575)	(2.6%)	-
Transfers to DRRF/RBTF	(26,400)	(10.2%)	(300)	(27,951)	5.9%	(199)
General Fund PIT Collections	**$24,783**	**(10.2%)**	**$300**	**$26,376**	**6.4%**	**$199**

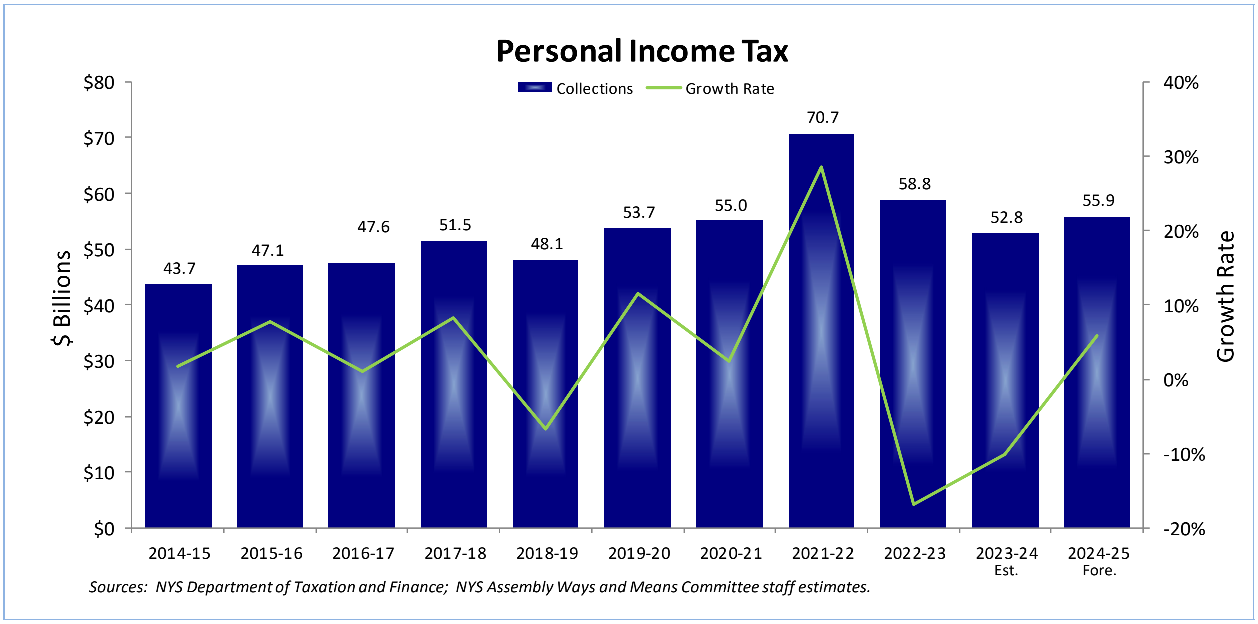


Figure 68

Article 22 of the Tax Law imposes a tax on the income of individuals, estates and trusts residing or located in New York State. Personal Income Tax (PIT) receipts contribute approximately 57 percent of all tax collections deposited into the General Fund. PIT receipts are received through employee withholdings, estimated tax payments, payments accompanying annual tax returns, late payments, and audits and assessments. Withholding is the single largest component, comprising over two-thirds percent of gross PIT receipts.

New York's definition of income closely follows federal rules, which include wages, salaries, capital gains, unemployment compensation, as well as interest and dividend income. For residents, these components equal the federal adjusted gross income (AGI). AGI is calculated starting with the federal AGI as a base and then modifying it with certain subtractions or additions as permitted or required under State law. Additions include tax-exempt bonds issued outside of New York. Social security benefits, pension, and annuity income are generally excluded. A taxpayer's AGI is then reduced by subtracting the New York standard deduction, which varies according to the taxpayer's filing status, or New York itemized deductions.

Taxpayers may itemize their deductions on their New York State returns if the aggregate of such deductions, minus state and local income taxes and certain other modifications, exceed the New York standard deduction. However, the availability of itemized deductions is limited for certain high-income taxpayers. The high-income deduction limitation begins at different levels depending upon the taxpayer's taxable income. A 25 percent reduction begins to phase in for income exceeding $100,000 of AGI for single filers, above $200,000 for married filers, and $150,000 for head of household filers. A 50 percent limitation on itemized deductions begins to phase in for all filers at $525,000.

For New York taxpayers whose AGI exceeds $1 million, itemized deductions are fully excluded, and only 50 percent of charitable contributions may be deducted for the purposes of calculating tax liability. For taxpayers with AGI over $10 million, the charitable contributions deduction is limited to 25 percent.

Either the State standard deduction or itemized deductions, in addition to exemptions claimed on New York taxes, are subtracted from NYAGI to arrive at New York taxable income. Taxable income is then multiplied by the appropriate tax rate. A taxpayer's tax rate is partially determined by their filing status. The tax rate is then determined by the level of taxable income.

The SFY 2021-22 Enacted Budget established a new progressive PIT surcharge on taxpayers with incomes over $5 million, by increasing the previous 8.82 percent rate to 9.6 percent and establishing two new brackets as follows: 10.3 percent for taxpayers between $5 million and $25 million and 10.9 percent for taxpayers over $25 million.

The SFY 2021-22 Enacted Budget also established a new pass-through entity tax (PTET), which is expected to have substantial impact on anticipated PIT collections. Under the PTET, certain partnerships and S corporations have the option of electing to pay an entity level tax on their New York sourced income. The individual partners, members, and shareholders of an electing pass-through entity would be eligible for a refundable tax credit on their New York State income tax return equal to the proportionate or pro rata share of taxes paid by the electing entity.

Net Collections

Year-to-Date (YTD) Through January 2024

Through January 2024, net personal income tax collections have decreased by 11.7 percent, or $5.9 billion, with gross collections decreasing by 11.1 percent or $7.3 billion, year-to-date (see Table 18).

Table 18

Net Collections ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$44,505	(11.7%)	$52,800	(10.2%)	$52,200	$600
2024-25			$55,902	5.9%	$55,504	$398

State Fiscal Year 2023-24

Net personal income tax collections in SFY 2023-24 are estimated to total $52.8 billion, which represents a decrease of $6.0 billion or 10.2 percent, from the prior fiscal year. Gross collections are expected to decrease by 10.0 percent and the Committee anticipates a 9.5 percent decrease in total refunds.

This decrease in projected net PIT collections is primarily attributed to a sharp decline in estimated payments, due to an extraordinary weakness in capital gains income during Tax Year 2022. The projected decline in net PIT collections is also partially attributed to the establishment of the Pass-Through Entity Tax (PTET) in the SFY 2021-22 Enacted Budget. PTET is an optional tax on the New York sourced income of partnerships and S corporations that are comprised solely of individual partners or shareholders. Qualifying entities who elect to pay PTET will pay a progressive tax of up to 10.9 percent of their taxable income at the partnership or corporation level, with individual partners, members, and shareholders receiving a refundable New York State personal income tax credit equal to the proportionate or pro rata share of taxes paid by the electing entity.

The decline in total refunds is primarily the result of the expiration of one-time actions effectuated by the SFY 2022-23 budget, such as the supplemental Earned Income Tax Credit ($188 million); the supplemental Empire Child Tax Credit ($287 million); and the Homeowner Tax Rebate Credit ($2.1 billion).

The Committee's net PIT collections estimate is $600 million above the Executive's estimate.

State Fiscal Year 2024-25

Net personal income tax collections in SFY 2024-25 are forecast to total $55.9 billion, an increase of $3.1 billion or 5.9 percent, from the SFY 2023-24 estimates. Gross collections are forecast to increase by $3.5 billion, an increase of 4.9 percent, with an increase in total refunds of $379 million or 2.2 percent.

This year-to-year increase in PIT collections largely reflects the Committee's expectation of continued growth in withholding and a rebound in capital gains income. Additionally, taxpayer behavior related to the PTET is projected to lead to an increase in total refunds, which would have a negative impact on overall net PIT collections.

The Committee's net collection forecast is $398 million above the Executive's forecast.

Withholding

Employers are required to withhold an amount from employees' paychecks, which is used at the end of the year to help settle taxpayer liability. Withholding has a slight lag from the period in which it is withheld to the time the State receives the payment from the employer, but is closely correlated to wages and salaries received during any given quarter. In addition, individuals receiving unemployment insurance payments can elect to have taxes withheld.

YTD through January 2024

Through January, withholding collections are up $2.0 billion or 5.0 percent, compared to the prior year (see Table 19). This increase in year-to-date collections is mainly attributed to the steady growth in New York State employment and total wages that has occurred in 2023.

Table 19

Withholding ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$42,398	5.0%	$54,031	3.0%	$53,808	$223
2024-25			$56,680	4.9%	$56,386	$294

State Fiscal Year 2023-24

The Committee estimates withholding collections will total $54.0 billion, an increase of $1.6 billion or 3.0 percent, from the prior fiscal year. Withholding collections are expected to increase 3.0 percent over the remainder of the fiscal year, due to continued growth in employment and total wages. The Committee estimate is $223 million above the Executive's estimate.

State Fiscal Year 2024-25

Withholding collections are projected to increase by 4.9 percent or $2.6 billion, in SFY 2024-25, for a total of $56.7 billion. This forecast is $294 million above the Executive's forecast and is premised on sustained total wage and employment growth.

Quarterly Estimated Payments

Individuals make estimated payments if the tax they will owe for the year is significantly more than the amount of tax being withheld from their wages. Individuals who have large amounts of non-wage income (self-employment income, interest, dividends, or capital gains) generally make these quarterly payments. Estimated tax payments are usually due on the 15th of April, June, September, and January.

YTD through January 2024

Through January, estimated payments, excluding extensions, have decreased by 22.8 percent or $5.8 billion compared to the prior fiscal year (see Table 20). Through the same period, prior year estimated payments have decreased by 56.8 percent compared to SFY 2022-23 (see Table 21). These extraordinary swings over the prior fiscal year are the result of changes in taxpayer behavior related to the PTET and an estimated significant decline in capital gains income for tax years 2022 and 2023.

Table 20

Quarterly Estimated Payments ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$6,161	(22.8%)	$6,319	(22.5%)	$5,807	$512
2024-25			$6,521	3.2%	$6,047	$474

Table 21

Prior Year Estimated Payments ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$4,421	(56.8%)	$4,460	(56.6%)	$4,457	$3
2024-25			$5,130	15.0%	$5,110	$20

Table 22

Total Estimated Payments ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$10,581	(41.9%)	$10,779	(41.5%)	$10,264	$515
2024-25			$11,651	8.1%	$11,157	$494

State Fiscal Year 2023-24

The Committee projects that total estimated payments will equal $10.8 billion, a decrease of 41.5 percent or $7.6 billion, from SFY 2022-23 (see Table 22). This projected decrease primarily reflects the reasons noted above. The Committee's estimate is $515 million above the Executive's estimate.

State Fiscal Year 2024-25

Total estimated payment collections are forecast to increase 8.1 percent or 872 million, in SFY 2024-25, for a total of $11.7 billion. This forecast is predicated on the expectation that taxpayer behavior related to PTET will have less of a negative impact on estimated payments, and that there is a rebound in capital gains income and bonus wages within the forecast year.

Realized capital gains are expected to decrease 4.6 percent in tax year 2023, followed by a projected increase of 8.7 percent in tax year 2024, and a 0.4 percent increase in tax year 2025.

Refunds

YTD through January 2024

Prior year refunds are issued by the State between April 1st and December 31st. These refunds are associated with the most recently completed calendar year liability. Previous year refunds are refunds issued for liability years prior to the year most recently completed. This component, like delinquencies, cannot be specifically connected to a particular liability year.

Year-to-date, prior year refunds have increased by 2.9 percent (see Table 23), while previous year refunds have increased by 207.2 percent (see Table 24). Total refunds, including state/city offsets, have decreased 9.3 percent year-to-date, relative to the same period of last fiscal year.

Table 23

Prior Year Refunds ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$9,932	2.9%	$10,034	2.7%	$10,054	($20)
2024-25			$9,954	(0.8%)	$9,974	($20)

Table 24

Previous Year Refunds ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$1,508	207.2%	$2,463	30.1%	$2,277	$186
2024-25			$2,516	2.2%	$2,326	$190

State Fiscal Year 2023-24

The Committee anticipates that SFY 2023-24 will conclude with $10.0 billion in prior year refunds and $2.5 billion in previous year refund distributions. The Committee's estimate for prior year refunds is $20 million below the Executive's estimate and reflects a 2.7 percent increase from SFY 2022-23.

The closeout for previous year refunds represents a 30.1 percent increase relative to the last State Fiscal Year (see Table 24). This increase is primarily attributed to refunds paid for Tax Year 2021 PTET credits. The Committee's estimate is $186 million above the Executive's estimate.

Total refunds are projected at $17.5 billion, a decrease of 9.5 percent or $1.8 billion, from SFY 2022-23. As noted above, the decline in refunds is mainly due to the expiration of one-time actions enacted in the SFY 2022-23 budget, partially offset by an increase in refunds for tax years prior to 2022.

State Fiscal Year 2024-25

The Committee projects a prior year refund total of $10.0 billion, a decrease of 0.8 percent or $80 million, from the SFY 2023-24 estimates.

Previous refunds are forecast to total $2.5 billion, representing an increase of 2.2 percent or $54 million, above SFY 2023-24.

Advanced credit payments are expected to total $1.0 billion, an increase of $176 million or 21.4 percent, above SFY 2023-24.

Total refunds are projected at $17.9 billion, an increase of 2.2 percent or $379 million, from SFY 2023-24. This increase is largely attributed to the expected PTET credit realization behavior noted above, partially offset by an increase in costs related to the Empire State Child Credit, which was expanded in the SFY 2023-24 Enacted Budget to include children under the age of four.

Fund Distribution

Table 25

Personal Income Tax Fund Distribution
($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2023-24	$24,783	$1,617	$26,400	-	$52,800
2024-25	$26,376	$1,575	$27,951	-	$55,902

The Committee estimates General Fund personal income tax receipts of $24.8 billion in SFY 2023-24. In SFY 2024-25, General Fund collections are forecast to total $26.4 billion (see Table 25).

A statutory amount of 50 percent of net personal income tax collections is allocated to the Revenue Bond Tax Fund (RBTF). Starting with SFY 2018-19 budget, the contribution to this fund was increased this amount from 25 percent to 50 percent.

Revenue used for the School Tax Relief (STAR) Program is distributed to a special revenue fund. These funds are used to reimburse school districts for STAR school property exemptions, as well as New York City for their STAR personal income tax rate reduction.

The Executive estimates that the special revenue fund for the STAR program will require $1.6 billion in funding in SFY 2023-24 and $1.6 billion in SFY 2024-25.

Property Tax Relief Programs

The SFY 2021-22 budget established a property tax circuit breaker program, which provides a PIT credit to taxpayers with incomes under $250,000 that have property tax burdens that exceed six percent of their income. These benefits will be provided on a sliding scale, which will be based on a taxpayer's income, and will be capped at a maximum of $350 per year. This action is projected to reduce PIT collections by $403 million in SFY 2023-24, and $411 million in SFY 2024-25.

User Taxes and Fees

Table 26

User Tax Collections Forecasts by State Fiscal Year ($ in Millions)						
	SFY 2023-24	**Growth**	**Diff. Exec.**	**SFY 2024-25**	**Growth**	**Diff. Exec.**
User Taxes and Fees	**$21,969**	**6.7%**	**$33**	**$22,520**	**2.5%**	**$89**
Sales and Use Tax	19,954	5.4%	23	20,423	2.3%	43
Motor Fuel Tax	496	177.3%	5	494	(0.6%)	3
Cigarette Tax	841	(2.0%)	5	821	(2.3%)	23
Vapor Tax	26	3.1%	1	27	4.7%	2
Highway Use Tax	144	0.7%	0	144	0.0%	1
Alcoholic Beverage Tax	277	(1.9%)	1	281	1.4%	3
Opioid Tax	24	(11.1%)	1	24	0.0%	1
Medical Cannabis Excise Tax	10	(23.1%)	1	9	(13.0%)	(0)
Adult Use Cannabis	70	100.0%	0	170	142.9%	12
Auto Rental Tax*	128	4.5%	(4)	127	(0.8%)	3
Peer to Peer Car Sharing Tax	0	(100.0%)	0	2	100.0%	0

*MCTD supplemental surcharge revenues are excluded, as these are now directly provided to the MTA.

Sales and Use Tax

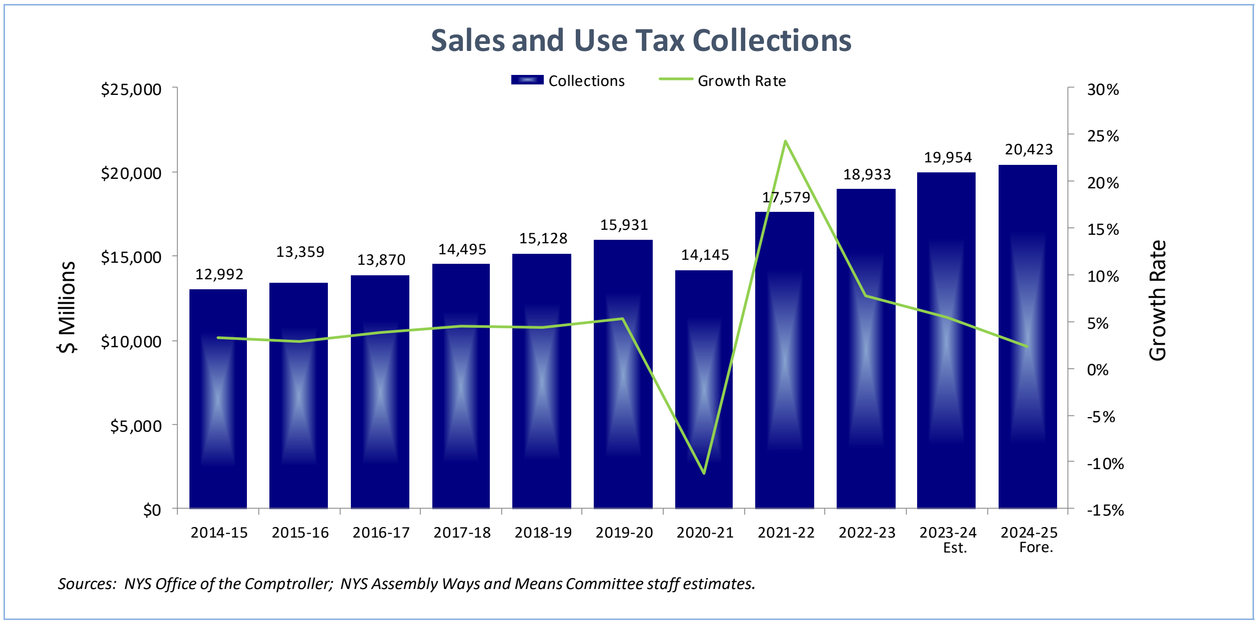


Figure 69

The sales and compensating use tax, imposed by Article 28 of the Tax Law, is a four percent broad-based consumption tax levied on the sale of tangible personal property, excluding items such as food, medicine, products used in manufacturing, and items purchased for resale. A limited number of services such as cleaning, parking, and interior design are also subject to this tax. Non-profit and charitable organizations are exempt from paying sales tax on purchases. Sales taxes are generally paid to, and collected by, the vendor at the time of purchase. Vendors remit sales tax collections annually, quarterly, or monthly depending upon their level of taxable sales. Vendors are required to remit their sales tax liability electronically to the State if they are able.

Sales tax collections are deposited into the General Fund, the Mass Transportation Operating Assistance Fund (MTOAF), and the Sales Tax Revenue Bond Fund (STBF). In 1981, the MTOAF was created to help finance the State's public transportation system. A portion of the MTOAF revenue is derived from a separate sales tax rate of three-eighths of one percent that is imposed in the Metropolitan Commuter Transportation District (MCTD). The MCTD encompasses all the counties served by the Metropolitan Transportation Authority: counties in the city of New York – Manhattan, Bronx, Queens, Kings, and Richmond – and the counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester.

The Sales Tax Revenue Bond Fund (STBF) became effective April 1, 2013. One-half of the State's sales tax collections are directed to this fund. All receipts that exceed the STBF debt service requirements will be transferred to the General Fund.

Table 27

Quarterly Sales Tax Growth

	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Western NY	16.4%	0.7%	5.1%	3.9%	6.0%	2.8%	3.1%	1.7%
Finger Lakes	15.6%	0.8%	2.4%	6.4%	4.9%	0.5%	6.3%	(3.2%)
Southern Tier	18.9%	(3.0%)	6.8%	6.0%	2.4%	7.2%	2.6%	0.3%
Central NY	13.3%	(1.6%)	5.9%	5.4%	5.0%	6.0%	3.9%	4.4%
Mohawk Valley	13.4%	(0.6%)	7.7%	8.1%	6.3%	4.2%	5.4%	3.7%
North Country	11.2%	(2.1%)	9.1%	8.3%	6.7%	4.5%	(0.3%)	0.8%
Capital Region	14.2%	6.2%	6.2%	6.9%	7.1%	(0.4%)	5.3%	1.5%
Mid-Hudson	15.5%	5.3%	6.2%	2.7%	(1.8%)	2.4%	1.5%	3.3%
NYC	28.5%	24.9%	16.8%	14.2%	11.3%	3.7%	4.9%	4.4%
Long Island	15.0%	3.7%	4.4%	3.5%	3.4%	1.6%	0.5%	1.8%

Note: Growth rates shown represent the growth of the quarter over the same quarter in the previous year.
Sources: NYS Department of Taxation and Finance; NYS Assembly Ways and Means Committee staff.

Regional sales tax collections for the first quarter of 2022 through the fourth quarter of 2023 are shown above. New York City accounts for the largest portion of collections each quarter, with approximately half of total collections coming from the City due to its large population and popularity as a tourism destination. As a result of this dependence on tourism, the City saw a disproportionately large impact from the COVID-19 pandemic, as shutdown orders and travel restrictions severely impacted its economy. The significant growth seen in all regions of the State, particularly during 2022 and the beginning part of 2023, reflect an increase in consumer spending coupled with an increase in the nominal prices of goods and services due to high levels of inflation.

Sales tax collections have benefitted from language included in the SFY 2019-20 budget to tax additional internet sales. This change has resulted in approximately $170 million in additional State sales tax collections each quarter, with a commensurate amount for local governments.

YTD through January 2024

Statewide collections through January have increased by 5.4 percent from SFY 2022-23, for a year-to-date total of $16.7 billion (see Table 28).

Table 28

Sales Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$16,729	5.4%	$19,954	5.4%	$19,931	$23
2024-25			$20,423	2.3%	$20,380	$43

State Fiscal Year 2023-24

The Committee estimates sales tax receipts will total $20.0 billion in SFY 2023-24, an increase of 5.4 percent or $1.0 billion, from SFY 2022-23. Prior to the pandemic, sales tax collections had shown strong growth, driven by continued consumer spending growth, as well as the expansion of the sales tax base to include most internet marketplace sales. Post pandemic sales taxes have rebounded due to prior economic stimulus and an increase in nominal prices, and are expected to increase 5.4 percent for the remainder of the year.

The Committee's estimate is $23 million above the Executive's estimate.

State Fiscal Year 2024-25

The Committee forecasts that sales tax receipts will total $20.4 billion, an increase of 2.3 percent or $469 million, over SFY 2023-24 estimates. Sales tax growth is projected to slow due to an expected decline in nominal prices and as consumer demand returns to its long-term trend. The Committee's forecast is $43 million above the Executive's forecast of $20.4 billion.

Fund Distribution

Table 29

Sales Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2023-24	$9,977	$9,977	$0	-	$19,954
2024-25	$10,211	$10,211	$0	-	$20,423

With the remaining Local Government Assistance Corporation (LGAC) debt fully retired on April 1, 2021, there is a statutorily required change in the distribution of sales tax's collections. In SFY 2022-23, and annually thereafter, the 25 percent share of sales tax receipts that was initially deposited to the LGAC Fund will be eliminated, the portion deposited into the STRBF will remain at 50 percent and the portion deposited in the General Fund will revert to 50 percent.

Excess receipts above the debt service requirements of these funds and the local assistance payments to New York City, or its assignee, are subsequently transferred to the General Fund.

Medical Cannabis Excise Tax

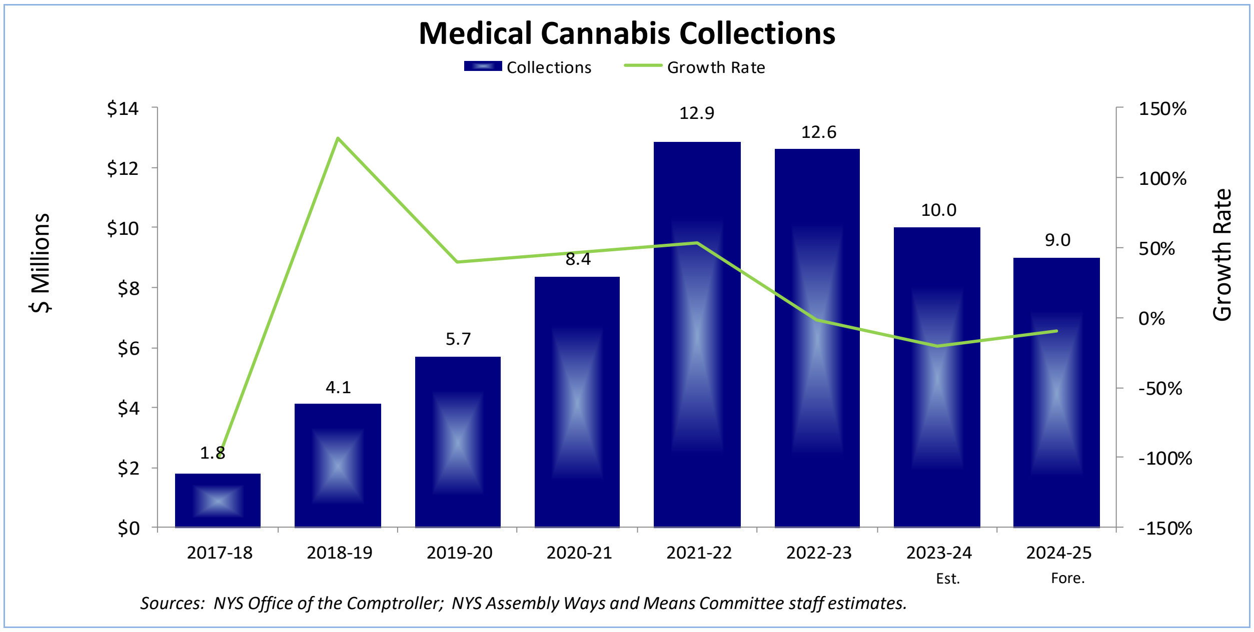


Figure 70

Pursuant to Article 20-B of the Tax Law, the State imposes an excise tax on medical cannabis, which is prescribed for the treatment of a variety of conditions. Patients were first able to purchase medical cannabis in the State in January of 2016. In mid-June of 2018, the Department of Health expanded the Medical Cannabis Program to include opioid use as a qualifying condition. There has also been a recent expansion of the conditions that are eligible for medical marihuana prescriptions to include post-traumatic stress disorder (PTSD), substance use disorder, and as an alternative to opioid treatment. On September 22, 2021, the Cannabis Control Board expanded the list of who can prescribe medical marijuana and allowed medical marijuana dispensaries to sell flower.

Upon the sale of the product from a New York State licensed dispensary to a patient or designated caregiver, a seven percent excise tax is levied and remitted by the dispensary. Currently, 10 registered organizations are authorized to manufacture and dispense medical cannabis. As of February 1, 2024, there are 4,265 certified practitioners and 118,954 patients in the New York State Medical Cannabis Program.

Of the revenues received from the State medical cannabis excise tax, 45 percent is dedicated to the Medical Cannabis Trust Fund and the remaining collections are allocated in the following manner:

- 22.5 percent is remitted to the counties in which a medical cannabis manufacturer is based, in proportion to the gross sales in each county;

- 22.5 percent is remitted to the counties in which the medical cannabis was dispensed, in proportion to the gross sales in each county;

- 5 percent is remitted to the Office of Alcoholism and Substance Abuse Services for the purposes of drug abuse prevention, counseling, and treatment services; and

- 5 percent is remitted to the Division of Criminal Justice Services to provide discretionary grants to State and local law enforcement agencies.

YTD through January 2024

Through January, medical cannabis excise tax collections have totaled $7.5 million, a decrease of 25.3 percent from the same period of SFY 2022-23 (see Table 30).

Table 30

Medical Cannabis Excise Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$7	(25.3%)	$10	(23.1%)	$9	$1
2024-25			$9	(13.0%)	$9	($0)

State Fiscal Year 2023-24

The Committee estimates that revenues from the medical cannabis excise tax will total $10 million in SFY 2023-24, presenting a decrease of 23.1 percent from SFY 2022-23. This decrease is due to a decline in registered patients. The Committee’s estimate is $1 million over the Executive’s projection.

State Fiscal Year 2024-25

For SFY 2024-25, the Committee forecasts collections to decrease to $9 million. The Committee’s forecast is equivalent to the Executive’s forecast of $9 million.

Adult-Use Cannabis Tax

The Marihuana Regulation & Taxation Act (MRTA) was signed into law on March 31, 2021 (Chapter 92 of the Laws of 2021) and legalized the adult-use of cannabis (also known as marihuana) in New York State. The legislation created an Office of Cannabis Management (OCM) governed by a Cannabis Control Board (CCB) to regulate adult-use, medical, and hemp cannabis. The OCM issues licenses and develops regulations outlining how and when businesses can participate in the cannabis industry. New York's first retail dispensaries opened in late 2022. The first retail dispensary licensees were expected to receive funding from New York's Cannabis Social Equity Fund, enacted in the SFY 2022-23 budget, providing financing for leasing and equipping up to 150 conditional adult-use retail dispensaries operated by individuals who have been impacted by the inequitable enforcement of cannabis laws. However, starting in October 2023, the OCM began issuing licenses to a wider range of applicants.

The MRTA established a three-tier tax structure for adult-use cannabis. There is a tax on the sale from a wholesaler to a retail dispensary, based on the milligrams (mg) of total Tetrahydrocannabinol (THC) in the cannabis product. The tax rate would be based on the type of product, as follows:

- edibles (i.e., food and beverages) are taxed at $0.03 per mg of THC;
- concentrates (i.e., vaporization oil, wax, shatter, and resin) are taxed at $0.008 per mg of THC; and
- cannabis flower (i.e., loose flower, pre-rolls, or shake) are taxed at $0.005 per mg of THC.

There is also a State and local tax imposed on the retail sale of cannabis by a dispensary to the consumer, as follows:

- a 9 percent State excise tax; and
- a 4 percent local excise tax, of which one percent will be retained by the county of sale and 3 percent will be distributed to the town, village or city where the sale occurs.

All State cannabis taxes are deposited into the New York State Cannabis Revenue Fund, and would support the reasonable costs to administer the program. The remaining funding is distributed as follows:

- 40 percent to the State Lottery Fund to support additional grants to school districts;
- 40 percent to a Community Grants Reinvestment Fund; and
- 20 percent to a Drug Treatment and Public Education Fund.

State Fiscal Year 2023-24

The Committee estimates that collections in SFY 2023-24 will total $70 million. This estimate is equivalent to the Executive's projection.

State Fiscal Year 2024-25

The Committee forecasts that collections for SFY 2024-25 will increase to $170 million. This estimate is $12 million above the Executive's forecast.

Opioid Excise Tax

The SFY 2019-20 Budget enacted an Opioid Excise Tax that would be imposed on the first sale of an opioid unit by a registrant. A first sale is any transfer of title to an opioid unit for consideration where actual or constructive possession of such opioid unit is transferred by a registrant holding title to such opioid unit to a purchaser or its designee in New York State, for the first time. A qualifying sale does not include the dispensing of an opioid unit pursuant to a prescription to an ultimate consumer, or the transfer of title to an opioid unit from a manufacturer in the State to a purchaser outside of the state when such opioid unit will be used or consumed outside New York. It is presumed that every sale by a registrant in this state is the first sale unless it is established otherwise, and the burden of proving that a sale does not qualify as a first sale is on the registrant.

The Tax Law establishes two tax rates:

- a $0.0025 on each morphine milligram equivalent with a wholesale acquisition cost of less than $0.50 per unit; and
- a $0.015 on each morphine milligram equivalent with a wholesale acquisition cost of $0.50 or more per unit.

Table 31

Opioid Excise Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$22	(15.4%)	$24	(11.1%)	$23	$1
2024-25			$24	0.0%	$23	$1

YTD through January 2024

Year-to-date, opioid excise tax receipts are $21.9 million, a 15.4 percent decrease from the same period in SFY 2022-23 (see Table 31).

State Fiscal Year 2023-24

The Committee estimates that statewide collections for SFY 2023-24 will total $24 million, a decrease of 11.1 percent from the previous fiscal year. This estimate is $1 million over the Executive's projection of $23 million.

State Fiscal Year 2024-25

The Committee forecasts that statewide collections for SFY 2023-24 will remain at the same level as SFY 2023-24, at $24 million. The Committee forecasts is $1 million above the Executive's forecast of $23 million.

Auto Rental Tax

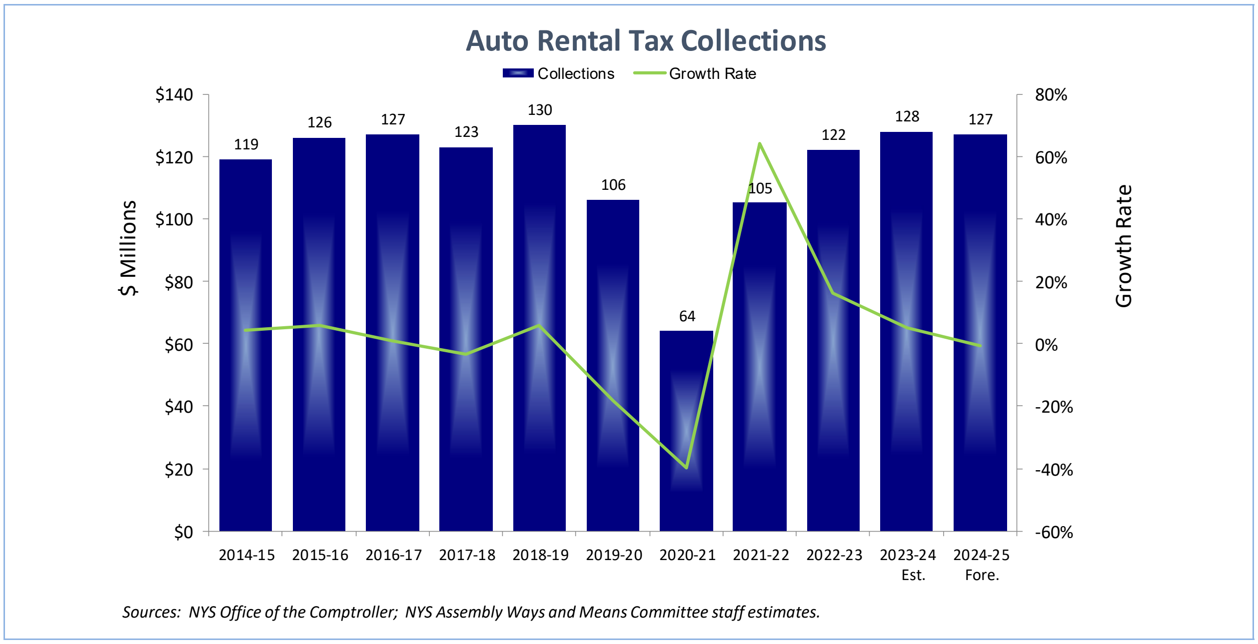


Figure 71

The auto rental tax, imposed by Article 28-A of the Tax Law, applies to the rental of any passenger car with a gross vehicle weight of 9,000 pounds or less that can seat a maximum of nine passengers. The statewide auto rental tax is imposed at a rate of six percent.

On June 1st, 2019, the supplemental surcharge tax of five percent imposed on auto rental sales made within the metropolitan commuter transportation district (MCTD) was increased to six percent and expanded to apply to auto rentals made in the rest of the State. However, revenue previously received from the MCTD supplemental surcharge will now be remitted directly to the Metropolitan Transportation Authority (MTA). Revenue from the new upstate supplemental surcharge will be used to fund upstate transportation systems. The taxes do not apply to leases of one year or more. Expanding the supplemental surcharge to upstate is expected to raise State revenue by $31 million in SFY 2023-24, and $31 million in SFY 2024-25.

Table 32

Auto Rental Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$113	4.3%	$128	4.5%	$131	($4)
2024-25			$127	(0.8%)	$124	$3

YTD through January 2024

Year-to-date, auto rental tax collections are $113 million, representing an increase of 4.3 percent compared to the same period in SFY 2022-23. This increase can be attributed to the travel industry returning to pre-pandemic levels (see Table 32).

State Fiscal Year 2023-24

The Committee estimates auto rental tax collections will total $128 million in SFY 2023-24, representing an increase of 4.5 percent from SFY 2022-23. The Committee's estimate is $4 million below the Executive's estimate of $131 million.

State Fiscal Year 2024-25

The Committee forecasts auto rental tax collections will total $127 million in SFY 2024-25. This is a decrease of 0.8 percent or $1 million below SFY 2023-24 estimates. The Committee's forecast is $3 million above the Executive's forecast of $124 million.

Fund Distribution

Table 33

Auto Rental Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2023-24	-	$31	-	$97	$128
2024-25	-	$32	-	$95	$127

Auto Rental tax collections from the base tax are deposited into the Dedicated Highway Bridge and Trust Fund (DHBTF) for Capital Projects, while the Upstate supplemental tax collections are deposited into the Public Transformation Systems Operating Assistance (PTSOA) Special Revenue Fund. The supplemental tax collected within the Metropolitan Commuter Transportation District (MCTD) is directed to the MTA.

Motor Fuel Tax

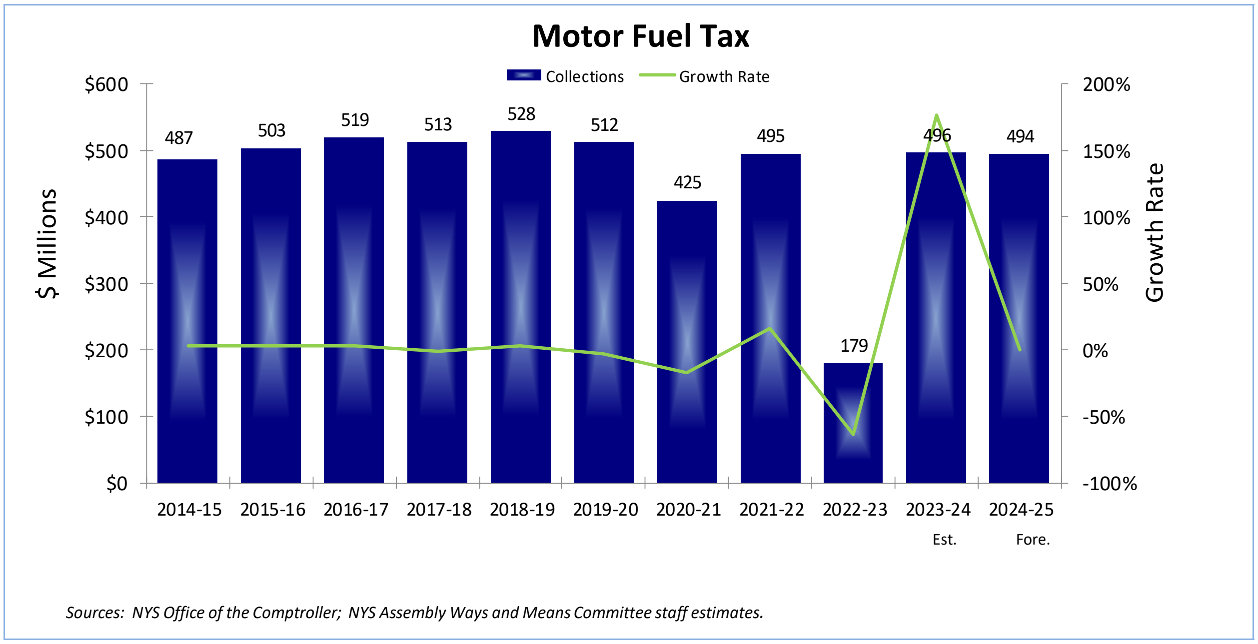


Figure 72

Article 12-A of the Tax Law imposes an eight-cents-per-gallon tax on motor and diesel fuel upon importation into New York or production within the State. The motor fuel tax has three components: a regular tax of four cents per gallon, an additional tax of three cents per gallon, and a supplemental tax of one cent per gallon.

Table 34

Motor Fuel Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$416	306.2%	$496	177.3%	$491	$5
2024-25			$494	(0.6%)	$491	$3

YTD through January 2024

Through January, motor fuel tax collections have increased by 306.2 percent compared to last year, totaling $416 million (see Table 34). This increase mainly reflects the expiration of the temporary suspension of the eight-cents-per-gallon tax on motor and diesel fuel purchases that was in effect from June 1, 2022 until December 31, 2022, as effectuated by the SFY 2022-23 Enacted Budget.

State Fiscal Year 2023-24

The Committee estimates that motor fuel tax collections will total $496.4 million in SFY 2023-24 or an increase of 177.3 percent, from SFY 2022-23. This increase primarily reflects the expiration of the temporary suspension of the eight-cents-per-gallon tax on motor and diesel purchases noted above. Gasoline tax collections are expected to increase by 175 percent in SFY 2023-24, while diesel tax collections are expected to increase 190 percent. The Committee's estimate is $5 million above the Executive's estimate of $491 million.

State Fiscal Year 2024-25

The Committee forecasts revenue of $493.5 million in motor fuel tax receipts in SFY 2024-25, which is a decrease of 0.6 percent from the previous year. The Committee's forecast is $3 million above the Executive's forecast of $491 million.

Fund Distribution

Table 35

Motor Fuel Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2023-24	-	$106	-	$390	$496
2024-25	-	$106	-	$388	$494

Motor fuel receipts are split between the Dedicated Highway and Bridge Trust Fund (81.5 percent) and the Dedicated Mass Transportation Trust Fund (18.5 percent). Diesel receipts are split between the Dedicated Highway and Bridge Trust fund (63 percent) and the Dedicated Mass Transportation Trust Fund (37 percent).

Highway Use Tax

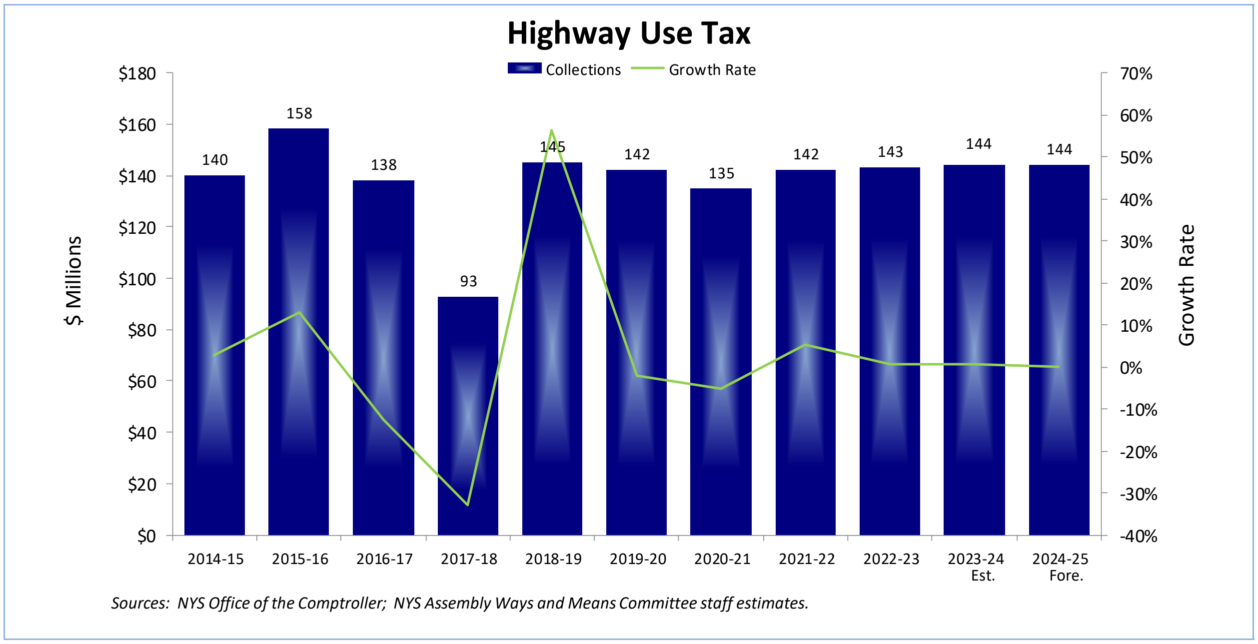


Figure 73

Articles 21 and 21-A of the Tax Law impose a Highway Use Tax (HUT) on truck mileage and fuel use, respectively, for the privilege of operating a commercial vehicle on public highways. Additionally, there is a permit fee collected from taxpayers required to pay the tax.

The truck mileage tax is levied on commercial vehicles having a loaded gross weight of more than 18,000 pounds, or an unloaded weight over 8,000 pounds for trucks and 4,000 pounds for tractors. The tax is calculated by multiplying the number of miles operated on New York State public highways, excluding miles on New York Thruways, by the appropriate graduated rate. Rates are determined according to the gross, laden or un-laden weight.

Highway use permits are mandatory for owners of vehicles subject to the HUT. Beginning December 1, 2013, vehicles subject to the HUT are required to display a decal indicating ownership of a highway use permit. The fee, due every three years, for the registration and decal combined is $1.50. This change was made after a 2015 New York Supreme Court case ruled the previous $19 combined fee unconstitutional.

The fuel use tax applies to commercial vehicles that purchase fuel outside New York State, but consume the fuel while traveling on New York highways. The International Fuel Tax

Agreement (IFTA) is used to simplify fuel use reporting for motor carriers. A carrier will report and pay in its home jurisdiction all fuel taxes owed to IFTA members; IFTA then distributes the payments to its members' jurisdictions. The aggregate fuel use tax rate is the sum of the motor fuel tax rate and the sales tax rate. The sales tax rate has two components: the state sales tax rate, four percent, and the lowest county sales tax rate at the time, currently three percent. The sales tax rates are applied to the capped price of $2 per gallon. All HUT receipts are dedicated to the Dedicated Highway and Bridge Trust Fund.

YTD through January 2024

Through January, collections have totaled $119.2 million, representing a 0.3 percent decrease from the same period last fiscal year (see Table 36).

Table 36

Highway Use Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$119	(0.3%)	$144	0.7%	$144	$0
2024-25			$144	0.0%	$143	$1

State Fiscal Year 2023-24

Collections are estimated to total $144 million, an increase of 0.7 percent compared to the previous fiscal year. This is equivalent to the Executive's estimate.

State Fiscal Year 2024-25

Highway use tax collections are expected to remain at $144 million, in SFY 2024-25. This is $1 million above the Executive's forecast of $143 million.

Cigarette and Tobacco Taxes

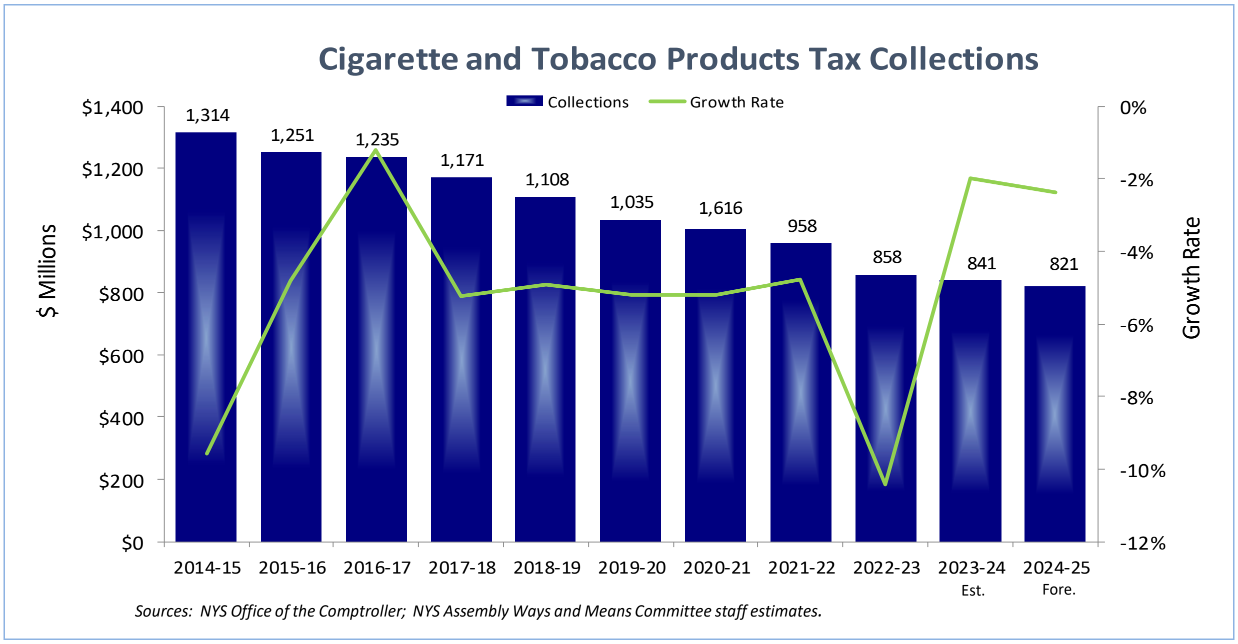


Figure 74

The State cigarette excise tax has been imposed by Article 20 of the Tax Law since 1939. Prior to September 1, 2023 the rate was $4.35 for a package of 20 cigarettes. However, as part of the SFY 2023-24 Enacted Budget, the rate was increased by $1.00, to $5.35 for a package of 20 cigarettes, beginning September 1, 2023. The Commissioner of Taxation and Finance is authorized to make provisions for the sale of tax stamps and currently licenses agents to sell stamps for the payment of tax on cigarettes. The agent retains some of the revenues from the sale as commission according to guidelines established by the Tax Commissioner. The Commissioner is also authorized to prescribe a schedule of commissions, not exceeding five percent, to agents for buying and affixing stamps. The schedule shall be uniform with respect to the different types of stamps used, and may be on a graduated scale with respect to the number of stamps purchased. The City of New York applies an additional excise tax of $1.50 per package of 20 cigarettes.

The State also imposes a tax on tobacco products at a rate of 75 percent of the wholesale price of cigars and tobacco products other than little cigars and snuff. Little cigars are taxed at the same rate as cigarettes, $5.35 for a package of 20. One package of snuff which weighs an ounce or less is taxed at $2 per container, for packages weighing more than one ounce a proportional amount is levied on the snuff in excess of one ounce.

Table 37

Cigarette and Tobacco Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$765	(1.6%)	$841	(2.0%)	$836	$5
2024-25			$821	(2.3%)	$798	$23

YTD through January 2024

Through January, cigarette and tobacco products tax collections totaled $764.7 million, for a decrease of 1.6 percent from the same period in SFY 2022-23 (see Table 37).

State Fiscal Year 2023-24

The Committee estimates SFY 2023-24 collections for cigarette and tobacco taxes will total $841 million, a decline of 2.0 percent from SFY 2022-23 collections. This estimate is based on year-to-date collections and historical collection patterns. The Committee's estimate is $5 million over the Executive's projection.

State Fiscal Year 2024-25

The Committee's cigarette and tobacco tax collections forecast for SFY 2024-25 is $821 million, a decline of 2.3 percent from SFY 2023-24. The Committee's forecast is $23 million above the Executive's forecast of $798 million.

Fund Distribution

Approximately 70 percent of cigarette and tobacco taxes are distributed to the Health Care Reform Act (HCRA) revenue pool which offsets State Medicaid spending (see Table 38).

Table 38

Cigarette and Tobacco Taxes Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2023-24	$261	$579	-	-	$841
2024-25	$260	$561	-	-	$821

Vapor Excise Tax

Pursuant to Article 28-C, effective December 1, 2019, a 20 percent excise tax is applied to the retail sale of vapor products in New York. A vapor product is a noncombustible liquid and/or gel (with or without nicotine) manufactured into a finished product for use in an electronic cigarette, cigar, cigarillo, or pipe, vaping or hookah pen, or similar device. Vapor products do not include any product approved by the United States Food and Drug Administration as a drug or medical device, or manufactured and dispensed as medical marijuana.[47] The tax is imposed on the purchaser and collected by the vapor products dealer.

YTD through January 2024

Through January, vapor product tax collections totaled $19 million, an increase of 0.5 percent from the same period in SFY 2022-23 (see Table 39).

Table 39

Vapor Excise Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$19	0.5%	$26	3.1%	$25	$1
2024-25			$27	4.7%	$25	$2

State Fiscal Year 2023-24

The Committee estimates that vapor tax collections in SFY 2023-24 will total $26 million, an increase of $1 million over the SFY 2022-23. The Committee's estimate is $1 million over the Executive's projection.

State Fiscal Year 2024-25

The Committee forecasts that collections for SFY 2024-25 will total $27 million, an increase of $1 million over the SFY 2023-24. The Committee's estimate is $2 million over the Executive's forecast of $25 million.

[47] Public Health Law, Article 33, Title 5-A

Alcoholic Beverage Control License Fees

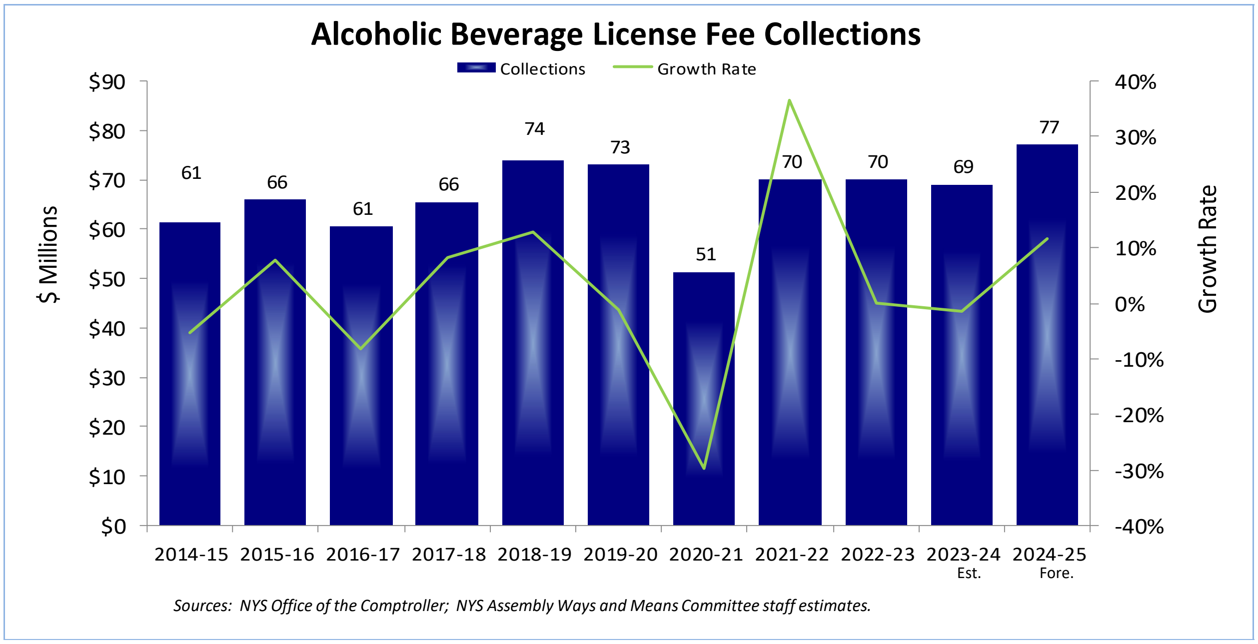


Figure 75

The New York State Alcoholic Beverage Control Law imposes permit fees on licenses for alcohol manufactures like distillers, brewers, wineries, as well as wholesalers and retailers. License fees vary according to three major factors: (1) the type of license which is issued; (2) the population of the locality where the establishment is located (for retail licenses only); and (3) the class of beverage for which the license is issued, namely liquor, beer, and wine. The State Liquor Authority oversees nearly 70,000 licenses and permits Statewide each year. The most expensive licenses are for distillers.

On September 7, 2016, a new law took effect allowing holders of on premise consumption licenses to serve alcoholic beverages starting at 10 a.m. on Sundays. Prior to the law, alcoholic beverages could not be served for on-premises consumption until noon on Sundays.

Recent legislation enacted in October 2023 further expended Sunday alcohol sales for liquor store businesses, allowing such stores to open as early as 10 a.m. Prior to the law, liquor store licensees could not open until at least 12 p.m., noon on Sundays.

Table 40

Alcoholic Beverage Control License Fees ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$50	(14.2%)	$69	(1.4%)	$65	$4
2024-25			$77	10.9%	$72	$5

YTD through January 2024

Year-to-date, Alcoholic Beverage Control License Fees collections are $50.1 million, a 14.2 percent decrease from the same period in SFY 2022-23 (see Table 40).

State Fiscal Year 2023-24

The Committee estimates revenues from Alcoholic Beverage Control License Fees will total $69 million in SFY 2023-24, a 1.4 percent decrease from the previous year. The Committee's estimate is $4 million above the Executive's projection of $65 million.

State Fiscal Year 2024-25

The Committee forecasts collections of $77 million, an increase of 10.9 percent from SFY 2023-24 collections. This increase reflects more licenses being up for renewal. The Committee's forecast is $5 million above the Executive's forecast.

Alcoholic Beverage Tax

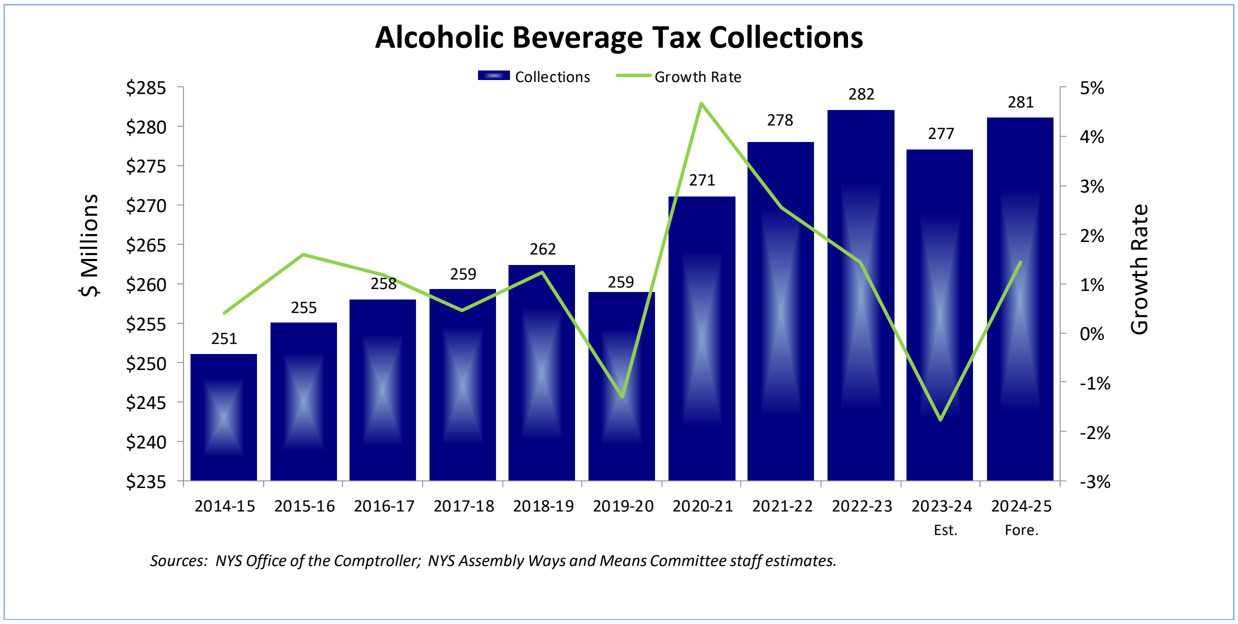


Figure 76

Article 18 of the New York State Tax Law levies a tax on alcoholic beverages at different rates based on the content of alcohol by volume and the type of beverage. The tax is imposed on the distributor or non-commercial importer of alcoholic beverages. The table below illustrates the current State rates, as well as the alcoholic beverage taxes imposed by New York City (see Table 41).

Table 41

New York State and New York City Alcoholic Beverage Tax Rates (dollars per unit of measure)		
	New York State	New York City
Beer and other similar fermented malt beverages	$0.14 per gallon	$0.12 per gallon
Cider	0.0379 per gallon	None
Natural and artificially carbonated sparkling wine	0.30 per gallon	None
Still wine, including wine coolers	0.30 per gallon	None
Liquor containing more than 24 percent alcohol by volume	1.70 per liter	0.264 per liter
Liquor containing more than 2 percent but not more than 24 percent alcohol by volume	0.67 per liter	None
Liquor containing 2 percent or less alcohol by volume	None	None

Table 42

Alcoholic Beverage Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$242	(2.1%)	$277	(1.9%)	$276	$1
2024-25			$281	1.4%	$278	$3

YTD through January 2024

Year-to-date, alcoholic beverage tax receipts are $241.7 million, a 2.1 percent decrease over the same period in SFY 2022-23 (see Table 42).

State Fiscal Year 2023-24

The Committee estimates alcoholic beverage tax receipts will total $277 million in SFY 2023-24, for a decrease of 1.9 percent from SFY 2022-23. The Committee's estimate is $1 million above the Executive's projection of $276 million.

State Fiscal Year 2024-25

The Committee forecasts alcoholic beverage tax collections in SFY 2024-25 of $281 million or a 1.4 percent increase over SFY 2023-24 collections. The Committee's forecast is $3 million above the Executive's forecast of $278 million.

Peer-to-Peer Car Sharing Tax

The statewide peer-to-peer car sharing tax is imposed at a rate of three percent. Additionally, transactions that occur in the Metropolitan Commuter Transportation District (MCTD) are subject to a supplemental three percent tax. Transactions taking place outside of the MCTD are subject to a regional supplemental tax of their own, also a three percent rate.

Revenues collected from the statewide peer-to-peer car sharing tax are deposited into the General Fund of the state, while revenues collected from the supplemental tax imposed in the MCTD are distributed to the Metropolitan Transportation Authority Special Assistance Fund. Revenues collected from the supplemental tax outside of the MCTD are deposited to the Public Transportation Systems Operating Assistance Account.

State Fiscal Year 2023-24

Due to the relatively new concept of peer-to-peer car sharing, the Committee estimates peer-to-peer car sharing tax collections to be negligible in SFY 2023-24. The Committee's estimate is equivalent to the Executive's projection.

State Fiscal Year 2024-25

The Committee estimates peer-to-peer car sharing tax collections of $2 million in SFY 2024-25, which represents an increase of $2 million from SFY 2023-24. This is due to an expected increase in use of peer-to-peer car sharing. The Committee's estimate is equivalent to the Executive's forecast.

Business Taxes

Table 43

Business Taxes Forecasts by State Fiscal Year ($ in Millions)	SFY 2023-24	Growth	Diff. Exec.	SFY 2024-25	Growth	Diff. Exec.
Business Taxes	**$27,256**	**(4.8%)**	**$89**	**$27,759**	**1.8%**	**$215**
Corporate Franchise	8,961	(0.6%)	10	8,623	(3.8%)	88
Utility Tax	522	(0.7%)	4	552	5.8%	13
Insurance Tax	2,763	3.0%	53	2,768	0.2%	58
Bank Tax	(9)	(102.5%)	-	212	2455.6%	-
Pass-Through Entity Tax	13,882	(7.1%)	-	14,480	4.3%	-
Petroleum Business Tax	1,137	3.9%	22	1,125	(1.1%)	57

Corporate Franchise Tax

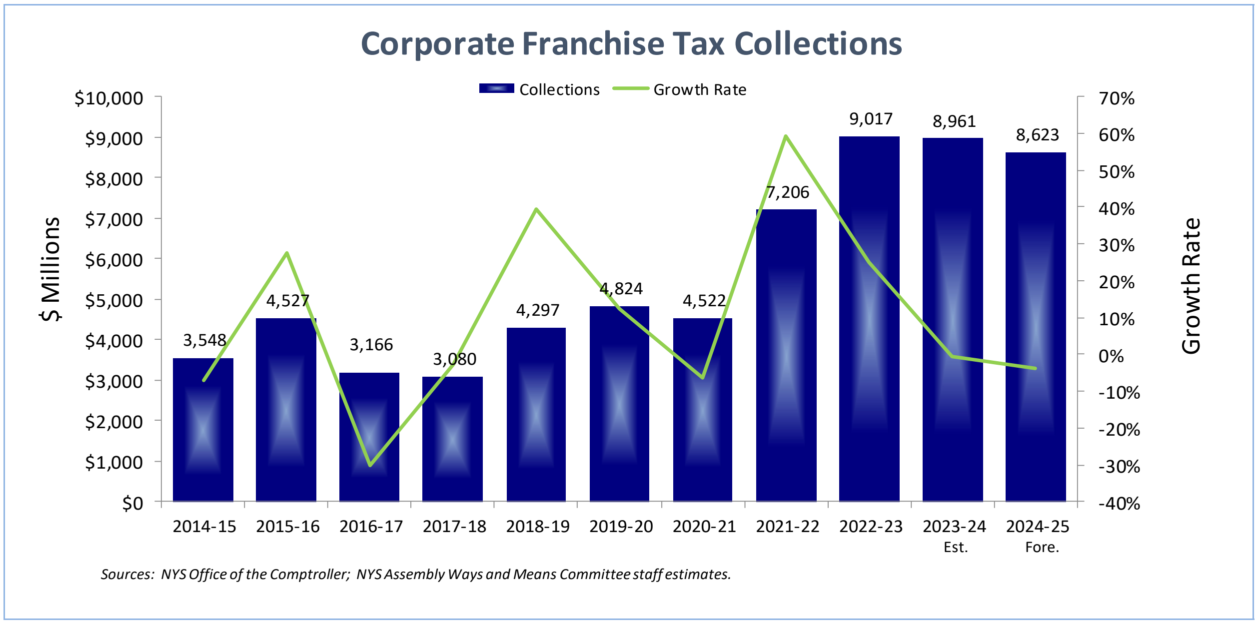


Figure 77

Taxes are imposed on every domestic or foreign corporation, under Article 9-A of the Tax Law, "for the privilege of exercising its corporate franchise, or of doing business, or of employing capital, or of owning or leasing property in a corporate or organized capacity, or of maintaining an office in this state."

The SFY 2021-22 Enacted Budget increased the corporate tax rate from 6.5 percent to 7.25 percent for corporate franchise taxpayers with net incomes over $5 million and reinstated the capital base tax at 0.2 percent for businesses that are not categorized as small businesses (net incomes less than $390,000 and less than 100 employees) or co-operative apartments. The SFY 2023-24 Enacted Budget extended these increased rates for an additional three years, through Tax Year 2026, which is expected to increase corporate franchise tax collections by $810 million in SFY 2024-25 and $1.2 billion in SFY 2025-26.

Table 44

Corporate Franchise Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$7,054	(0.7%)	$8,961	(0.6%)	$8,951	$10
2024-25			$8,623	(3.8%)	$8,535	$88

YTD through January 2024

All Funds cumulative collections through January were $7.1 billion, a decrease of 0.7 percent, or $47.4 million, from prior year collections (see Table 44).

Audit collections through January totaled $351 million, a decrease of $389 million or 52.6 percent compared to the previous fiscal year. When excluding audit receipts, year-to-date corporate franchise tax collections have increased 5.3 percent compared to the same period in SFY 2022-23.

State Fiscal Year 2023-24

The Committee estimates SFY 2023-24 corporate franchise tax collections to total $9.0 billion, a decrease of 0.6 percent or $56 million, from the previous fiscal year. Collections are expected to decrease 0.5 percent over the remainder of the fiscal year, compared to the same period in SFY 2022-23, mainly due to a continued decline in audit receipts. The Committee‘s estimate is $10 million above the Executive’s projection of $9.0 billion.

State Fiscal Year 2024-25

The Committee forecasts corporate tax receipts to decrease by 3.8 percent or $338 million, for a total of $8.6 billion in SFY 2024-25. This estimate is $88 million above the Executive’s forecast of $8.5 billion.

Fund Distribution

All corporate franchise tax receipts are deposited into the General Fund except for the Metropolitan Commuter Transportation District (MCTD) surcharge, which is deposited into the Mass Transportation Operating Assistance Fund (MTOAF) Special Revenue Fund. In SFY 2023-24, the Committee expects General Fund receipts to total $7.3 billion (see Table 45).

In SFY 2024-25, the Committee's forecasts a decrease of 2.8 percent in the General Fund with collections of $6.9 billion.

Table 45

Corporate Franchise Tax Fund Distribution ($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2023-24	$7,299	$1,662	-	-	$8,961
2024-25	$6,861	$1,762	-	-	$8,623

Bank Tax

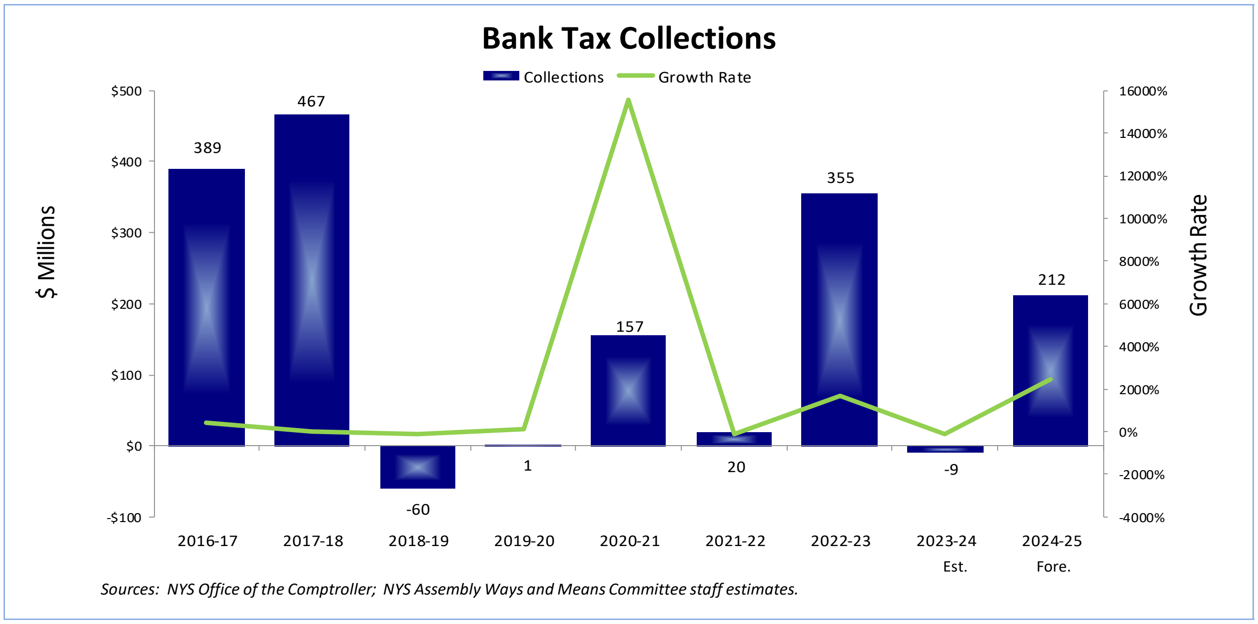


Figure 78

As of January 1, 2015, the Bank Tax has been merged with the Corporate Tax pursuant to the 2014 corporate tax reform. Current collections from this tax arise from audits and other related activity in tax years prior to corporate tax reform.

Table 46

Bank Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$1	123.8%	($9)	(102.5%)	($9)	$0
2024-25			$212	2455.6%	$212	$0

YTD through January 2024

Through January, bank tax collections are $1 million, primarily due to refunds from prior years being paid out (see Table 46).

State Fiscal Year 2023-24

The Committee expects bank tax net collections to lose $9 million this fiscal year, a decrease of $364 million from the prior year. This decrease can be attributed to an expected significant decline in audits, and this estimate is equivalent to the Executive's estimate.

State Fiscal Year 2024-25

The Committee expects bank tax collections to total $212 million in SFY 2024-25, for an increase of $221 million from SFY 2023-24, due to a projected increase in audit receipts. The Committee's forecast is equivalent to the Executive's forecast.

Fund Distribution

All bank tax receipts are deposited into the General Fund except for the Metropolitan Commuter Transportation District (MCTD) surcharge, which is deposited into the Metropolitan Transportation Operating Assistance Fund (MTOAF).

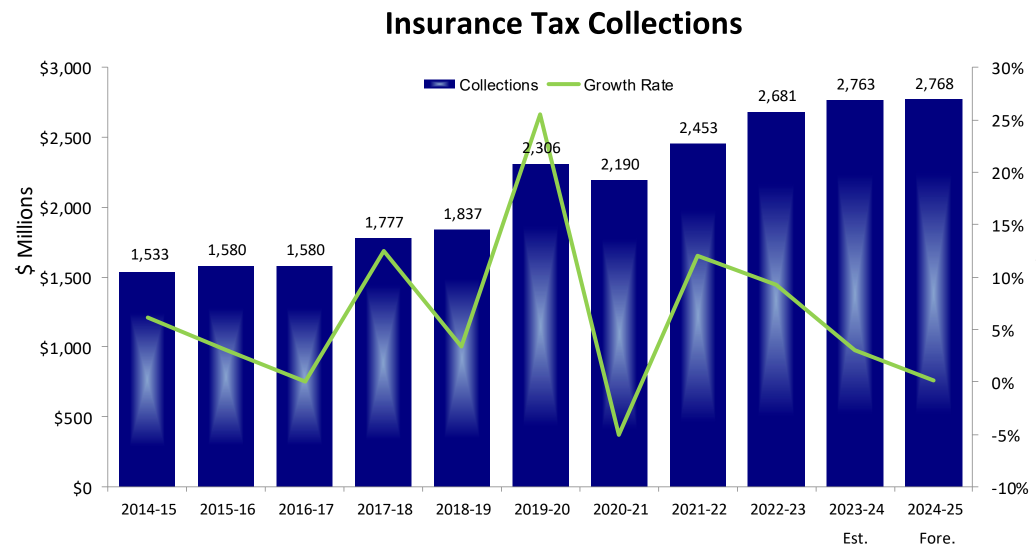
In SFY 2023-24, the Committee expects General Fund net receipts to lose $7 million. In SFY 2024-25 the Committee expects $180 million in General Fund receipts (see Table 47).

Table 47

Bank Tax Fund Distribution ($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2023-24	($7)	($2)	-	-	($9)
2024-25	$180	$32	-	-	$212

Insurance Tax



Sources: NYS Office of the Comptroller; NYS Assembly Ways and Means Committee staff estimates.

Figure 79

Taxes on insurance companies in New York State are administered by two separate agencies, the Department of Taxation and Finance and the Department of Financial Services. Pursuant to Article 33 of the Tax Law, the Department of Taxation and Finance administers income and or premiums taxes on insurance companies. The Department of Financial Services administers taxes on insurance companies' premiums pursuant to Articles 11 and 21 of the Insurance Law.

Table 48

Insurance Tax ($ in Millions)

	Year to Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$1,769	4.4%	$2,763	3.0%	$2,710	$53
2024-25			$2,768	0.2%	$2,710	$58

YTD through January 2024

Year-to-date insurance tax collections are $1.8 billion, an increase of $74.6 million or 4.4 percent, from the prior fiscal year (see Table 48).

State Fiscal Year 2023-24

The Committee expects collections to total $2.8 billion in SFY 2023-24, an increase of $82 million or 3.0 percent, over the prior fiscal year. Collections are expected to increase over the remainder of the fiscal year at a level consistent to the same period last fiscal year. The Committee's estimate is $53 million above the Executive's estimate of $2.7 billion.

State Fiscal Year 2024-25

The Committee forecasts insurance collections to total $2.8 billion in SFY 2024-25, an increase of $5 million or 0.2 percent above the current fiscal year. The Executive forecast is $58 million below the Committee's forecast.

Fund Distribution

All insurance tax receipts are deposited into the General Fund except for the Metropolitan Commuter Transportation District (MCTD) surcharge, which is deposited into the Metropolitan Transportation Operating Assistance Fund (MTOAF).

In SFY 2023-24, the Committee projects General Fund receipts to reach $2.5 billion (see Table 49). In SFY 2024-25 the Committee projects the General Fund to increase $13 million to $2.5 billion.

Table 49

Insurance Tax Fund Distribution ($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2023-24	$2,475	$287	-	-	$2,763
2024-25	$2,488	$280	-	-	$2,768

Corporate Utility Tax

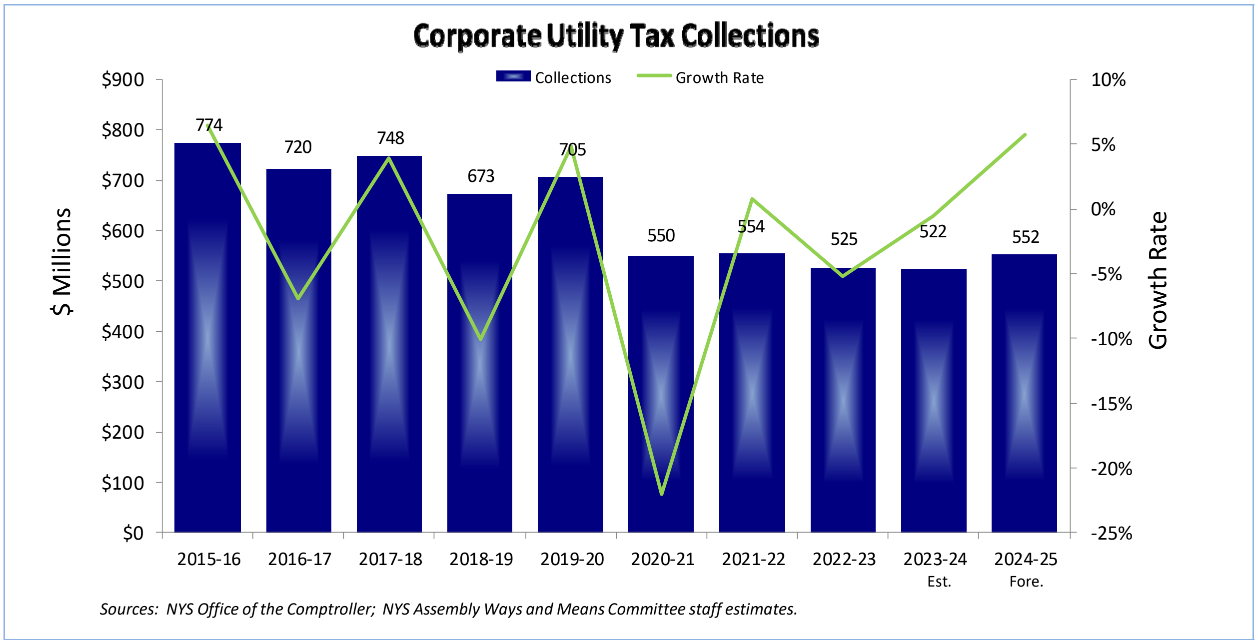


Figure 80

All transportation and transmission companies exercising their corporate franchise, doing business, employing capital, owning or leasing property in the state in a corporate or organized capacity, or maintaining an office in New York are subject to a franchise tax under Article 9 of the Tax Law.

Transportation and transmission companies pay a tax of the greater of:

1. $75;
2. 1.5 mills per dollar of net value of issued capital stock; or
3. if dividends are paid on the par value of any stock during any calendar year amount to six percent or more, 0.375 mills per dollar for each 1 percent of dividends paid, computed at par value of the stock.

The excise tax on the sale of telecommunication services is imposed at the rate of 2.5 percent of gross receipts from:

1. intrastate telecommunication services;
2. interstate and international telecommunication services (other than interstate and international private telecommunication services) that originate or terminate in New York State and that are charged to a service address in New York State; and
3. interstate and international private telecommunication services.

Table 50

Corporate Utility Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$375	12.9%	$522	(0.7%)	$518	$4
2024-25			$552	5.8%	$539	$13

YTD through January 2024

Through January, cumulative utility tax collections are $375 million, an increase of $43.0 million or 12.9 percent, from the prior fiscal year (see Table 50).

State Fiscal Year 2023-24

The Committee expects collections for SFY 2023-24 to be $522 million, a decrease of 0.7 percent or $4 million, from the previous fiscal year. This slight decrease can be attributed to the COVID-19 Utility Debt Relief Tax Credit offset by growth in receipts from the telecommunication sector. Collections are expected to decrease by 24 percent over the remainder of the fiscal year, compared to the same period in SFY 2022-23. The Committee's estimate is $4 million above the Executive's estimate of $518 million.

State Fiscal Year 2024-25

The Committee expects utility tax collections to increase by $30 million or 5.8 percent, to a level of $552 million in SFY 2024-25. The Executive is expecting an increase of 4.1 percent, for a total of $539 million in collections in the next fiscal year. The Committee's estimate is $13 million above the Executive's forecast.

Fund Distribution

Eighty percent of the tax receipts from sections 183 and 184 of the Tax Law are deposited into the Mass Transportation Operating Assistance Fund (MTOAF) and the remainder is deposited into the Dedicated Highway Bridge and Trust Fund (DHBTF).

The Metropolitan Commuter Transportation District (MCTD) surcharge of 17 percent on a company's liability attributable to the MCTD is deposited into the MTOAF.

For SFY 2023-24, the Committee expect General Funds to total $389 million and Special Revenue Funds to be $119 million (see Table 51). Capital Projects Funds are estimated to total $14 million.

For SFY 2024-25, the Committee expect General Funds to increase to $424 million and Special Revenue Funds to decrease to $117 million. Capital Projects Funds are forecast to be $11 million.

Table 51

Corporate Utililty Tax Fund Distribution
($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2023-24	$389	$119	-	$14	$522
2024-25	$424	$117	-	$11	$552

Pass-Through Entity Tax

In response to recent Federal tax law changes that limit the deductibility of state and local taxes from federal personal income taxes (PIT), the SFY 2021-22 budget enacted an optional pass-through entity tax (PTET) on the New York sourced income of partnerships and S corporations that are comprised solely of individual partners or shareholders. The Committee expects that the PTET will be revenue-neutral for the State over the multi-year State Financial Plan, although the timing of certain payments could result individual fiscal years experiencing revenue gains or losses.

For each tax year beginning on or after January 1, 2021, the PTET is imposed on each electing entity's PTE taxable income. The tax is in addition to any other taxes imposed on the entity under the Tax Law and is determined as follows:

Table 52

PASS-THROUGH ENTITY TAX RATES	
If the PTE taxable income is:	**then the PTET due is:**
$2 million or less	6.85% of PTE taxable income
greater than $2 million but less than or equal to $5 million	$137,000 plus 9.65% of the excess of PTE taxable income greater than $2 million
greater than $5 million but less than or equal to $25 million	$426,500 plus 10.30% of the excess of PTE taxable income greater than $5 million
Greater than $25 million	$2,486,500 plus 10.90% of the excess of PTE taxable income greater than $25 million

Beginning January 1, 2021, qualifying entities that elect to pay PTET will pay a progressive tax rate of up 10.9 percent on their taxable income at the partnership or corporation level, and their individual partners, members and shareholders who are subject to tax under Article 22 may receive a refundable tax credit on their New York State income tax return equal to the proportionate or pro rata share of taxes paid by the electing entity. The program includes a resident tax credit that allows for reciprocity with other states that have implemented substantially similar taxes.

For tax years beginning on January 1, 2022, and thereafter, qualifying entities may opt into the PTET on or after January 1 but not later than March 15 for each tax year, and the election to opt in is required to be made online on an annual basis and will be irrevocable. Electing entities must make quarterly tax payments in an amount equal to at least 25 percent of their required annual payment for the taxable year. The required annual payment is the lesser of:

- 90 percent of the PTET required to be shown on the return of the electing entity for the taxable year; or
- 100 percent of the of the PTET shown on the return of the electing entity for the preceding PTET taxable year.

State Fiscal Year 2023-24

The Committee estimates that collections for SFY 2023-24 will total $13.9 billion, which is equivalent to the Executive's estimate.

State Fiscal Year 2024-25

The Committee forecasts that collections for SFY 2024-25 will total $14.5 billion, which is equivalent to the Executive's forecast.

Petroleum Business Tax

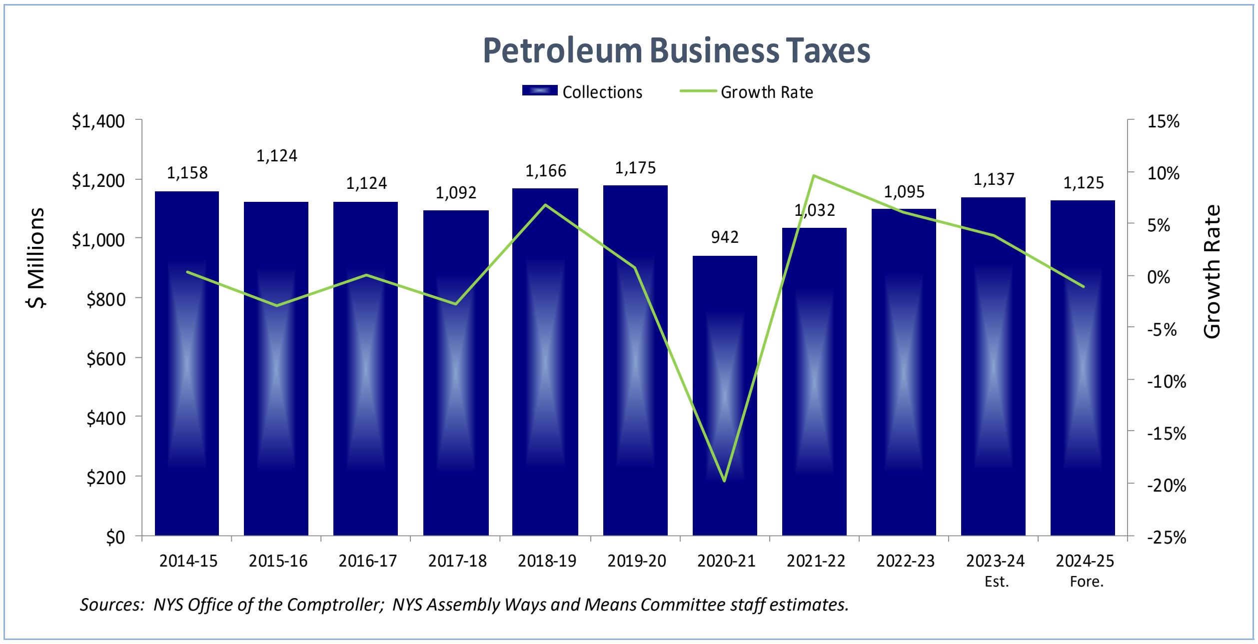


Figure 81

Article 13-A of the Tax Law imposes the Petroleum Business Tax (PBT) on every petroleum business for the privilege of engaging in business, employing capital, owning or leasing property, or maintaining an office in the State. Gasoline is subject to tax at the time it is imported, while diesel is taxable upon the first sale. The Petroleum Business Tax also applies to the fuel that motor carriers purchase outside of New York State, but consume within the State.

Petroleum Business Tax rates are subject to annual adjustments on the first of January each year to reflect the change in the Producer Price Index (PPI) for refined petroleum products for the twelve months ending August 31 of the immediately preceding year. The petroleum PPI is published by the U.S. Bureau of Labor Statistics. The rates of tax are rounded to the nearest tenth of one cent and limited to a five percent annual change.

Table 53

Petroleum Business Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$949	3.8%	$1,137	3.9%	$1,115	$22
2024-25			$1,125	(1.1%)	$1,068	$57

YTD through January 2024

Through January, PBT collections have increased by 3.8 percent over last fiscal year, for a total of $949.4 million year-to-date (see Table 53).

State Fiscal Year 2023-24

The Committee expects collections for SFY 2023-24 to total $1.1 billion, an increase of 3.9 percent or $42 million, from the previous fiscal year. The Committee expects collections for the remainder of the year to increase by 3.9 percent compared to SFY 2022-23. The increase is mainly attributed to the net impact of a 5.0 percent rate increase in 2023. The Committee's estimate is $22 million above the Executive's estimate of $1.1 billion.

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State Fiscal Year 2024-25

The Committee forecasts PBT collections to decrease by 1.1 percent, to a level of $1.1 billion in SFY 2024-25, primarily related to the net impact of a projected 4.6 percent rate decrease effective January 1, 2024. The Executive is forecasting $1.1 billion in collections for the next fiscal year. The Committee's forecast is $57 million above the Executive's projection.

Fund Distribution

Table 54

Petroleum Business Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2023-24	-	$499	-	$639	$1,137
2024-25	-	$496	-	$629	$1,125

The Petroleum Business Tax consists of a base tax, a supplemental tax, and a tax on carriers. All revenues from the base tax are dedicated as follows: 19.7 percent to the Mass Transportation Operating Assistance Fund; and 80.3 percent to a dedicated funds pool. The supplemental tax and the tax on carriers are deposited entirely into that dedicated fund pool. The dedicated funds pool is split between the Dedicated Mass Transportation Trust Fund, (34 percent), the Dedicated Highway and Bridge Trust Fund (63 percent), and non-MTA transit systems statewide (3 percent).

Other Taxes

Table 55

Other Taxes Forecasts by State Fiscal Year ($ in Millions)						
	SFY 2023-24	Growth	Diff. Exec.	SFY 2024-25	Growth	Diff. Exec.
Other	**$3,179**	**(13.6%)**	**$103**	**$2,572**	**(19.1%)**	**$71**
Estate Tax	1,972	(9.7%)	90	1,355	(31.3%)	30
Real Estate Transfer Tax	1,178	(20.0%)	12	1,187	0.8%	40
Employer Compensation Expense Program	14	100.0%	0	15	7.1%	0
Pari Mutuel	13	0.0%	1	13	0.0%	1
Other	2	0.0%	0	2	0.0%	0

Estate Tax

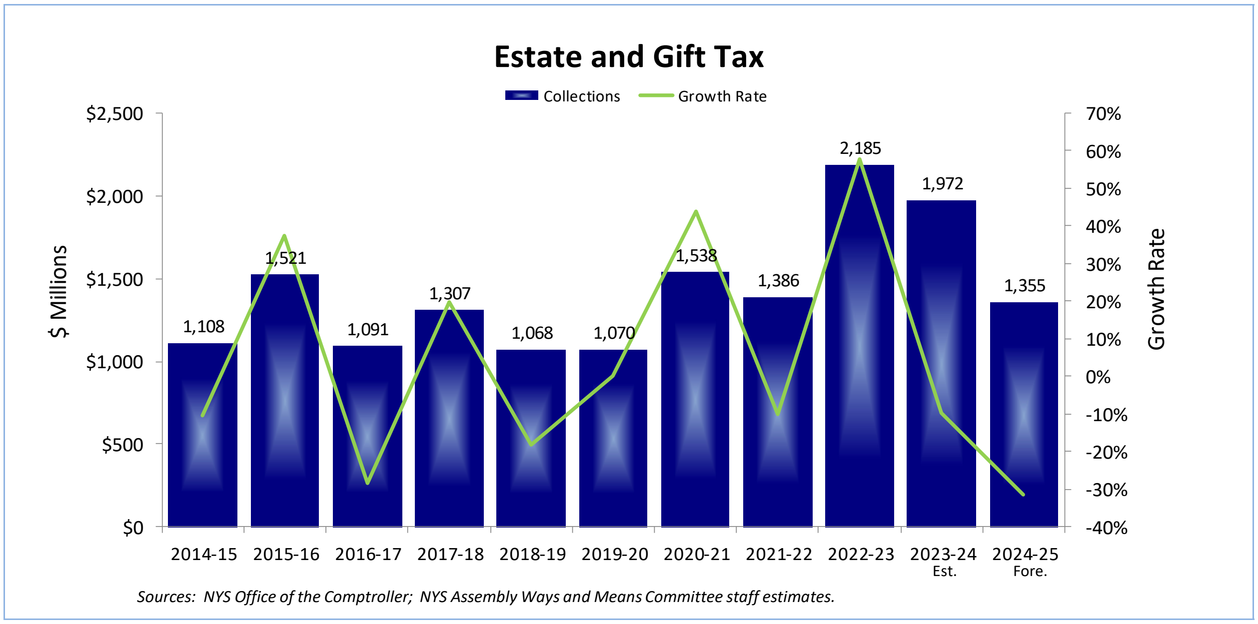


Figure 82

Article 26 of the Tax Law imposes a tax on the transfer of deceased individual's property known as the estate tax for residents of the state. Beginning in Tax Year 2023, the estate tax is applied to an estate whose value exceeds an exemption level of $6.6 million for single filers and $13.2 million for couples. The tax applies to non-charitable transfers made by people who own real estate or tangible personal property located in New York, as well as intangible property upon death. Nonresidents are subject to the tax if the transfer real estate or tangible personal property is located within the State. Estate taxes must be filed within nine months of the decedent's death.

Table 56

Estate Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$1,713	(3.8%)	$1,972	(9.7%)	$1,882	$90
2024-25			$1,355	(31.3%)	$1,325	$30

YTD through January 2024

Year-to-date, Estate and Gift tax collections are $1.7 billion, a 3.8 percent decrease from the same period in SFY 2022-23 (see Table 56).

State Fiscal Year 2023-24

The Committee estimates estate and gift tax collections will total $2.0 billion or a 9.7 percent decrease from SFY 2022-23. This decrease primarily reflects a reduced amount of super-large estate tax payments in excess of $100 million, after an unusually large number of such payments in SFY 2022-23. The Committee's estimate is $90 million above the Executive's estimate.

State Fiscal Year 2024-25

The Committee projects estate and gift tax collections to decrease by 31.3 percent or $617 million, for a total of $1.4 billion. The Committee's forecast is $30 million above the Executive's forecast.

Real Estate Transfer Tax

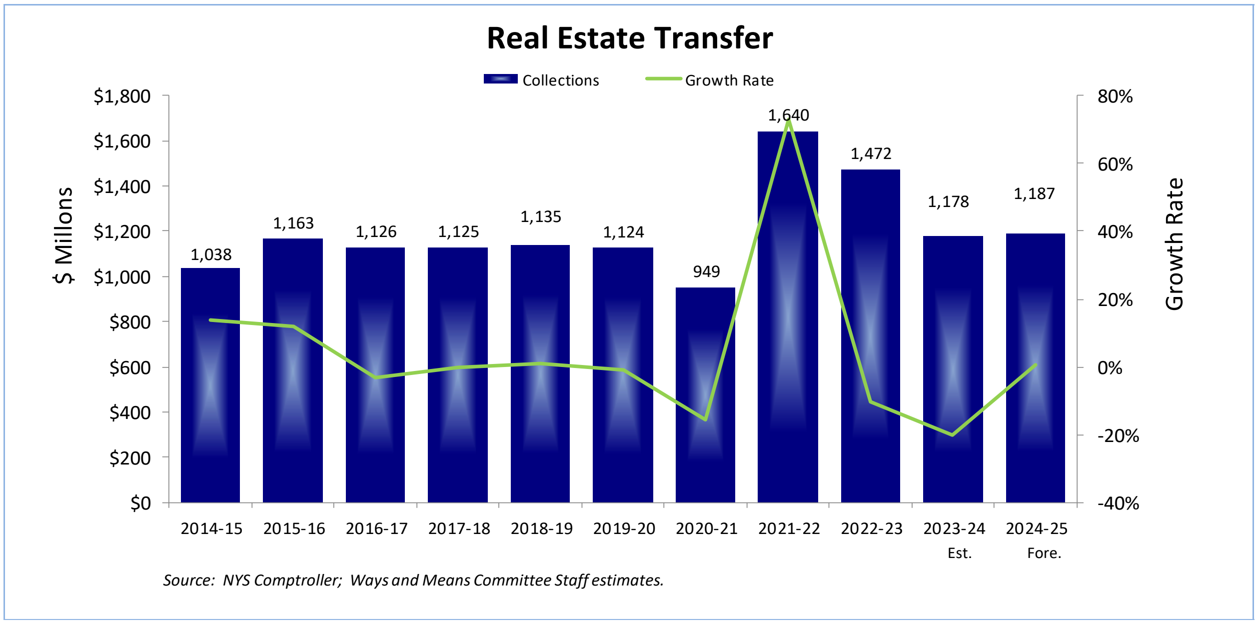


Figure 83

The real property transfer tax is administered pursuant to Article 31 of the New York State Tax Law, and it is levied on real property transfers where the value of the interest conveyed exceeds $500. The tax is paid by the grantor, the party selling the property, and is imposed on the conveyance of real property, either by deed or economic interest, at a rate of $2 for each $500 of sales price. An additional tax of one percent is applied to residential transfers when the value of the property is over $1 million; this additional tax is commonly called the mansion tax. This additional tax is paid by the grantee, the party purchasing the property.

Real estate transfer tax (RETT) receipts rely on the climate of the housing market in New York State, and especially in New York City. Historically, New York City accounts for over 50 percent of total RETT receipts, while Long Island accounts for around 15 percent of receipts.

The SFY 2019-20 budget established two additional RETT provisions on transfers occurring in New York City, which will support the MTA, including an expansion of the existing transfer tax, which implemented a progressive rate structure ranging from 1.25 percent on transfers valued at $2 million to 3.9 percent on sales valued over $25 million; and an additional 0.25 percent RETT on residential transactions valued over $3 million and commercial transactions valued over $2 million. Since these taxes are remitted to the Central Business

District Tolling Capital Lockbox, they are not reflected in the Committee's projections of State receipts.

Table 57

Real Estate Transfer Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$990	(24.2%)	$1,178	(20.0%)	$1,166	$12
2024-25			$1,187	0.8%	$1,147	$40

YTD through January 2024

Through January, RETT collections are $989.8 million, which represents a 24 percent decrease from the same period in SFY 2022-23 (see Table 57).

State Fiscal Year 2023-2024

The Committee estimates that RETT receipts will total $1.2 billion in SFY 2023-24, for a decrease of 20 percent from SFY 2022-23. This decrease can be attributed to the decline in housing market activity as mortgage interest rates have risen to multi-decade record highs. The Executive estimates a total of $1.2 billion in collections, which is $12 million above the Committee's estimate.

State Fiscal Year 2024-25

The Committee anticipates RETT receipts will total $1.2 billion in SFY 2024-25 for a year-over-year increase of 0.8 percent. The Committee's forecast is $40 million above the Executive's forecast.

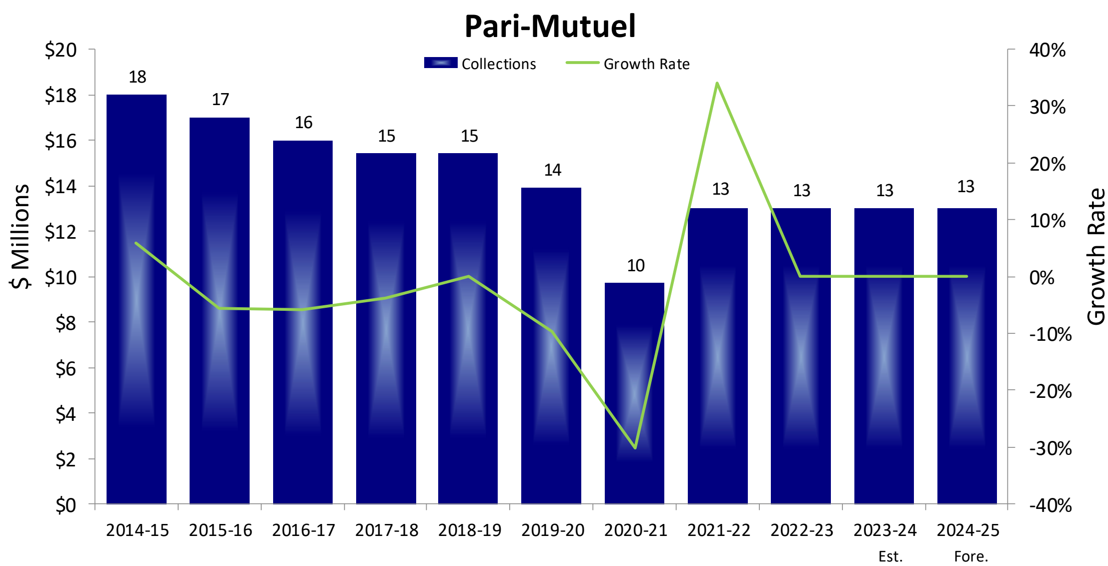
Fund Distribution

Table 58

Real Estate Transfer Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2023-24	$0	$0	$921	$257	$1,178
2024-25	$0	$0	$930	$257	$1,187

A statutory amount of $257 million, increased from $119 million as part of the SFY 2022-23 Enacted Budged, is deposited into the Environmental Protection Fund (EPF) from RETT collections, and the remaining is deposited into the Clean Water/Clean Air Fund (CW/CA) for Debt Service. When the CW/CA obligation is paid, the excess revenue is transferred to the General Fund.

Pari-Mutuel



Sources: NYS Office of the Comptroller; NYS Assembly Ways and Means Committee staff estimates.

Figure 84

Under the Racing, Pari-Mutuel Wagering and Breeding Law, a tax is imposed on horseracing pari-mutuel bets placed at racetracks, simulcast theaters and Off-Track Betting (OTB) facilities. Pari-mutuel betting, also known as pool betting, is a unique form of betting. Instead of placing wagers against a bookmaker, one places wagers against other bettors who have placed wagers on the same event.

Horse racing businesses that are authorized to conduct pari-mutuel betting must deposit net betting revenue into a pari-mutuel pool. These pools are taxed at rates between 14 and 20 percent for regular on-track bets, 16 percent and 22 percent for multiple on-track bets, 20 percent and 30 percent for exotic on-track bets, 20 percent and 36 percent for super exotic on-track bets, while the breaks are taxed at 55 percent. The breaks are the odd cents or dollars in a payoff, over a scaled rounded value. For example, for a payoff of $1.67, the break would be two cents, but for a payoff of $270 the break would be $20.

In addition to the pool taxes, businesses must pay a tax on the amount that is retained by the business. These rates vary and based on the type of bet and the business where bets originate. The rates are as follows: one percent for revenue from regular bets, 1.5 percent for multiple bets, 6.75 percent for exotic bets, and 7.75 percent for super exotic bets. The above rates will be increased by 0.25 percent on all on-track bets for racing corporations that did not expend at least 0.5 percent of its on-track bets during the following calendar year for enhancements, repairs, structures and equipment used in its operations.

These businesses will receive a credit, against the tax imposed, in an amount equal to 0.4 percent of total daily pools resulting from the simulcasting of events under the condition that 60 percent of the credit be used for increasing purses for overnight races conducted by such organizations.

The horse racing business must also pay the Gaming Commission a regulatory fee of 0.6 percent of the total daily on-track pari-mutuel pools.

Table 59

Pari-Mutuel Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$11	(5.8%)	$13	0.0%	$12	$1
2024-25			$13	0.0%	$12	$1

YTD through January 2024

Year-to-date, pari-mutuel tax receipts are currently $11.4 million, a 5.8 percent decrease from the same period in SFY 2022-23 (see Table 59). This decrease reflects less people attending pari-mutuel betting facilities compared to same period last fiscal year.

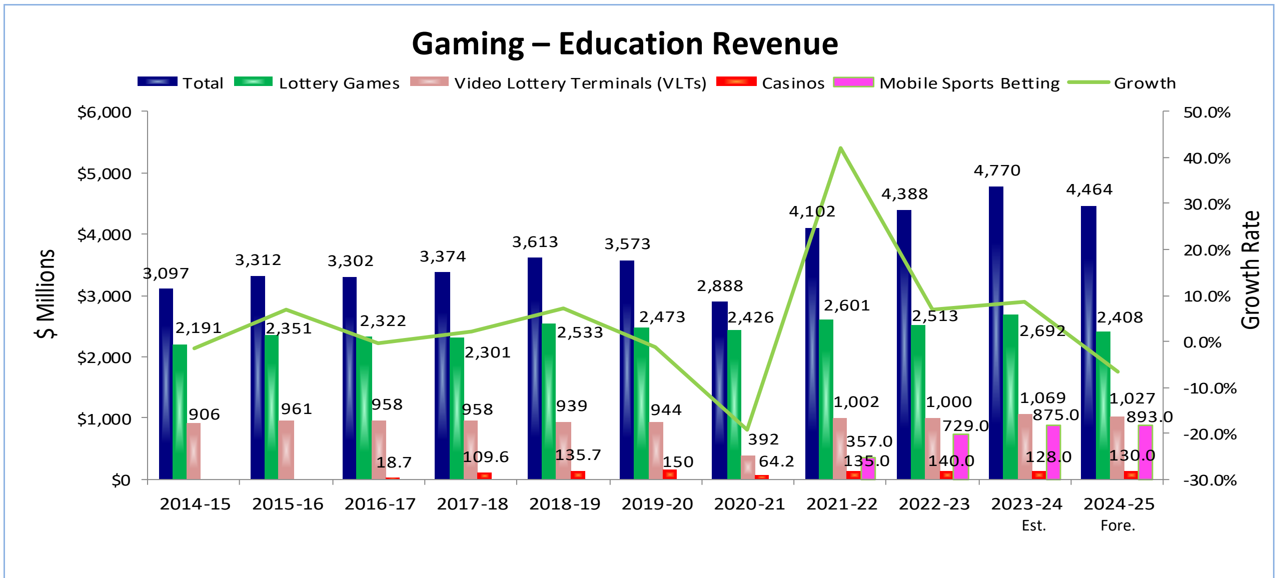
State Fiscal Year 2023-24

The Committee estimates pari-mutuel receipts will total $13 million in SFY 2023-24. The Committee's estimate is $1 million above the Executive's projection.

State Fiscal Year 2024-25

The Committee's forecast for SFY 2024-25 is $13 million, which is the same as SFY 2023-24. The Committee's forecast is $1 million above the Executive's forecast.

Gaming



Sources: NYS Office of the Comptroller; NYS Assembly Ways and Means Committee staff estimates.
Note: Interactive fantasy sports tax collections are included in the total.

Figure 85

The New York State Lottery was established by a Constitutional Amendment in 1966 for the express purpose of raising revenues for education. The New York State Gaming Commission operates a number of lottery games like jackpot games, and instant scratch-off games. A predetermined percentage of sales from each game is dedicated to fund education. Depending on the type of the lottery game, between 10 to 45 percent of sales are dedicated to education funding. Daily games contribute an average of 33 percent, jackpot games contribute an average of 35 percent, and instant scratch-off games contribute an average of 15 percent.

Video lottery terminal (VLT) facilities began operating in New York State in 2004, and ten video lottery terminals (VLTs) facilities exist today, including Resorts World Hudson Valley Casino which began operations in December 2022. These facilities contributed $1.0 billion in revenue to education in SFY 2022-23. On average, VLTs contributed 45 percent of their Net Machine Income to education in SFY 2022-23.[48]

The law permitting the licensing, regulation and taxation of non-tribal casinos was enacted in 2013. There are currently four commercial gaming facilities in operation: Tioga Downs, Del Lago Resort, Rivers Casino and Resort, and Resorts World.

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https://gaming.ny.gov/gaming/index.php?ID=1

All commercial casinos must pay a tax of 10 percent on the gross table game revenue, but the tax rate varies for revenue from electronic table games (ETGs) and slot machines based on the region in which the casino is located. Additionally, the SFY 2021-22 Enacted Budget enabled commercial casinos to petition for a temporarily reduced slot tax rate of no lower than 30 percent, pursuant to them fulfilling certain conditions. As of October 2023, all four commercial casinos have been granted a lower slot machine tax rate for Fiscal Years 2024 through 2026. The tax rates on these receipts are as follows: 30 percent at Resorts World; 30 percent at Rivers; 30 percent at Del Lago; and 30 percent at Tioga. This tax is distributed in the following manner: 80 percent to education and property tax relief, 10 percent split equally between the host municipality and the host county, and ten percent split among non-host counties within the region on a per capita basis. Facilities must also pay an annual license fee of $500 for each slot machine and table game that the Gaming Commission approves for use at the facility.

There are three unawarded commercial casino licenses remaining in New York State and an agreement between the Legislature and the Executive was reached as part of the SFY 2022-23 Enacted Budget to allow the Gaming Facility Location Board to issue a request for applications (RFA) no later than January 2023. However, before the Board may consider any application, the applicant would have to be approved by a Local Community Advisory Committee as well as comply with all applicable local zoning requirements. The additional casino facilities will be allowed statewide, however, no more than three casinos could be located in the downstate zone (NYC, Nassau, Suffolk, Putnam, Rockland, and Westchester counties). The license fee and tax rates will ultimately be determined pursuant to the open-bidding process, and no license is expected to be awarded until sometime in 2024 at the earliest.

In addition, the SFY 2023-24 Enacted Budget took substantial steps to provide financial relief to the Metropolitan Transportation Authority (MTA). These actions included directing 100 percent of any future license fee revenue to the MTA, and directing a portion of future recurring revenues from newly licensed casinos to the MTA.

Legislation to permit, regulate and tax interactive fantasy sports was enacted in 2016. The tax is a 15 percent rate on gross revenue, as well as an additional 0.5 percent tax that is not to exceed $50,000 dollars annually.

As part of the SFY 2021-22 Enacted Budget, mobile sports betting was authorized throughout the State. Mobile Sports Betting is estimated to increase gaming revenue by $875 million in SFY 2023-24, and $893 million in SFY 2024-25.

Table 60

Gaming ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2023-24	$3,652	26.6%	$4,770	8.7%	$4,674	$96
2024-25			$4,464	(6.4%)	$4,401	$63

YTD through January 2024

Year-to-date, gaming revenue totaled $3.7 billion, a 26.6 percent increase over the same period in SFY 2022-23 (see Table 60). This increase is largely attributed to an increase in mobile sports betting.

State Fiscal Year 2023-24

The Committee estimates total gaming receipts of $4.8 billion, an increase of 8.7 percent or $382 million over SFY 2022-23 collections. The Committee's estimate is $96 million over the Executive's estimate of $4.7 billion.

The Committee estimates lottery games receipts will total $2.7 billion for an increase of 7.1 percent over SFY 2022-2023.

The Committee estimates that VLT receipts will total $1.1 billion, an increase of 6.9 percent over SFY 2022-23. The Committee estimates that casino receipts will total $128 million, a decrease of 8.6 percent from SFY 2022-23.

The Committee estimates mobile sports betting receipts will total $875 million, an increase of 20.0 percent or $146 million over SFY 2022-23. Of this revenue $6 million will be directed to problem gambling education and treatment services, and $5 million will be directed to youth sports funding.

The Committee estimates that interactive fantasy sports tax receipts will total $6.0 million, equivalent to SFY 2022-23.

State Fiscal Year 2024-25

The Committee projects that combined gaming revenue will total $4.5 billion in SFY 2024-25. This represents a decrease of 6.4 percent or $307 million, from SFY 2023-24 collections. This estimate is $63 million above the Executive's forecast of $4.4 billion.

The Committee forecasts that lottery game revenue receipts will total $2.4 billion, a decrease of 10.6 percent from SFY 2023-24.

VLT receipts are expected to total $1.0 billion, a decrease of 3.9 percent from SFY 2023-24.

Casino receipts are forecast to total $130 million, an increase of 1.6 percent over SFY 2023-24.

Mobile sports betting receipts are forecast to total $893 million, an increase of 2.1 percent or $18 million, over SFY 2023-24. Of this revenue $6 million will be directed to problem gambling education and treatment services, and $5 million will be directed to youth sports funding.

Fantasy sports betting receipts are forecast to total $6 million, which is unchanged from the previous fiscal year.

Miscellaneous Receipts

Miscellaneous Receipts – All Funds

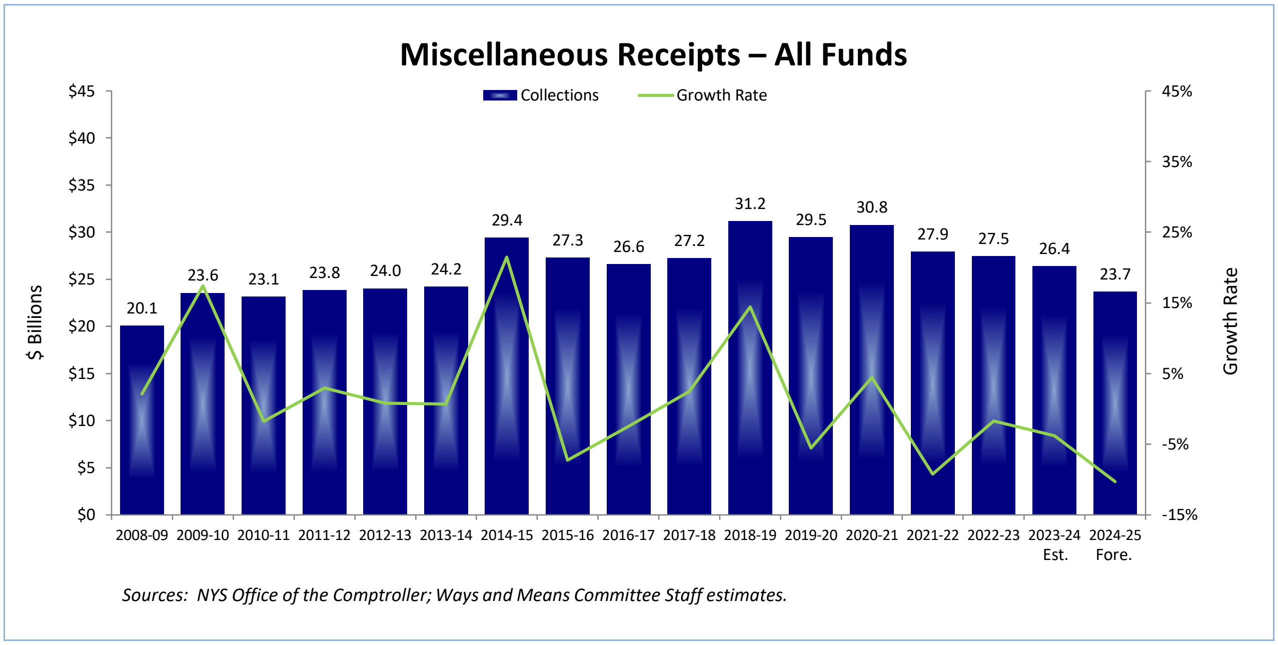


Figure 86

All Funds Miscellaneous Receipts consist of funds received from Health Care Reform Act (HCRA) financing sources, State University of New York (SUNY) tuition and patient income, lottery receipts for education, assessments on regulated industries, motor vehicles fees and a variety of fees and licenses.

On an All Funds basis, Miscellaneous Receipts are estimated to total $26.4 billion in SFY 2023-24 and $23.7 billion in SFY 2024-25 (see Figure 86).

Miscellaneous Receipts – General Fund

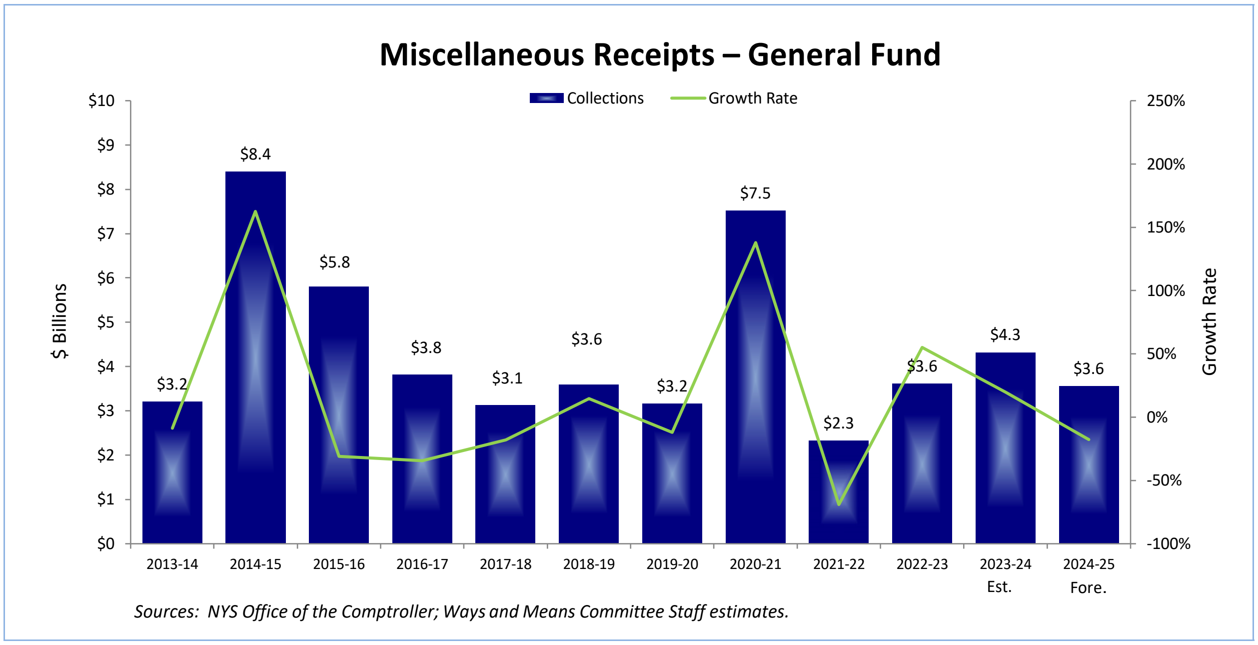


Figure 87

General Fund collections are more volatile as a result of one-time deposits and bank settlements, which peaked in SFY 2014-15 and have trended lower thereafter. In addition, there was a substantial increase in SFY 2020-21 receipts that was related to extraordinary bond proceeds, authorized in response to the COVID-19 pandemic.

State Fiscal Years 2023-24 and 2024-25

General Fund Miscellaneous Receipts totaled $3.6 billion in SFY 2022-23 and are estimated to increase to $4.3 billion in SFY 2023-24 and then decrease to $3.6 billion in SFY 2024-25 (see Figure 87).

Key Components

General Fund Miscellaneous Receipts contain revenues from multitude of sources (see Table 61). They include:

- licenses and fees;
- abandoned property;

- reimbursements;
- investment income;
- alcoholic beverage control license fees; and
- motor vehicle fees.

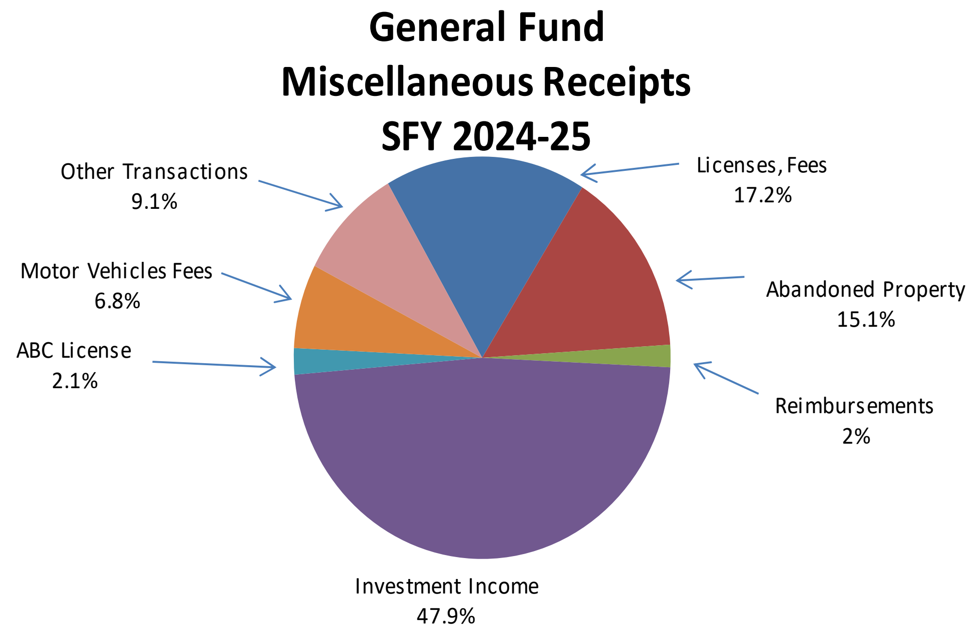
Other transactions include but are not limited to: temporary utility assessment, extraordinary settlements, the medical provider assessment, settlement proceeds from state regulatory agencies and District Attorney's offices, Bottle Bill proceeds, bond issuance charges, the State of New York Mortgage Authority supplemental wireless surcharge, New York Power Authority, civil recoveries, short term interest on bank accounts, Housing Finance Agency receipts, and released State Insurance Fund Reserves.

Table 61

Miscellaneous Receipts - General Fund
($ in Millions)

	2022-23 Actual	2023-24 Estimated	2024-25 Projected	Change	Percent Change
Licenses, Fees	574	730	630	(100)	(13.7%)
Abandoned Property	714	450	550	100	22.2%
Reimbursements	323	66	66	0	-
Investment Income	1,085	2,350	1,750	(600)	(25.5%)
ABC License	70	69	77	8	11.6%
Motor Vehicles Fees	280	240	248	8	3.3%
Extraordinary Settlements	160	33	0	(33)	-
Other Transactions	403	376	333	(43)	(11.4%)
Total	**3,609**	**4,314**	**3,654**	**(660)**	**(15.3%)**

Sources: Executive Budget; NYS Assembly Ways and Means Committee staff.



Sources: Executive Budget; NYS Assembly Ways and Means Committee staff.

Figure 88

Miscellaneous Receipts – Special Revenue Funds

SFY 2023-24

The Committee estimates Special Revenue funds to total $16.3 billion in SFY 2023-24, whereas Capital Projects are expected to total $6.3 billion, and Debt Service is anticipated to receive $1.1 billion in receipts.

SFY 2024-25

The Committee estimates Special Revenue funds to total $15.5 billion in SFY 2024-25, with Capital Projects expected to total $8.5 billion and Debt Service anticipated to receive $426 million in receipts.

Key Components

State Funds Miscellaneous Receipts consist of Special Revenue Funds, Capital Projects, and Debt Services. Special Revenue receipts are comprised of the following:

Health Care Reform Act (HCRA)

Receipts include surcharges, assessments on hospitals and assessments on certain insurance providers, a portion of cigarette tax revenues, and other dedicated proceeds.

HCRA receipts are used to finance New York's Medicaid program, Family Health Plus, workforce recruitment and retention, the Elderly Pharmaceutical Insurance Coverage, Child Health Plus, Graduate Medical Education, AIDS programs, and other public health initiatives.

Medicaid

State Medicaid costs are financed by the General Fund and other various Special Revenue funds. The key contributions are partially-reimbursable assessments to nursing home, hospital, and home care revenues.

State University Income

Receipts into the State University Income Fund are from the operation of SUNY from tuition, patient revenue, and user fees. Tuition is sourced from the sixty-four SUNY campuses while patient revenues come from SUNY's teaching hospitals at Brooklyn, Stony Brook, Syracuse, as well as the Long Island Veterans' Home. SUNY user fees, interest earning, and fringe benefits account for the remaining collections.

Lottery

Sale of lottery tickets and Video Lottery Terminals (VLTs) are used to support public education and Lottery administrative operating costs.

Motor Vehicle Fees

Motor vehicle fees are derived from a list of fees imposed by the Vehicle Traffic Law. License fees, registration revenue, inspection fees, emission stickers, repair shop certificates, as well as insurance civil penalties all contribute to motor vehicle fees. Such revenues are dedicated to various trust funds which cover infrastructure funding and administrative costs.

Capital Projects

Capital Projects spending is funded from two sources: authority bond proceeds which support spending financed through Public Authority Bonds; and Miscellaneous Receipts which finance state pay-as-you-go spending to support the State Capital Plan.

Debt Service

Miscellaneous Receipts in the Debt Service Fund are comprised of Mental Hygiene service providers that receive payments from Medicare and insurance companies; dormitory room rental fees and associated fees from SUNY students; and from patient care revenues of hospitals and certain veterans' homes from payments of Medicaid, Medicare, insurance, and individuals.

Industry Assessments and All Other

Receipts comprising Industry Assessments and All Other are from reimbursements of regulated industries to fund the administrative costs of the state agencies. Receipts may consist of fees, licenses, and assessments. The Department of Financial Services, the Department of Public Service, and the Workers' Compensation Board are all fully funded by assessments of their respective regulated industry. The following agencies account for the largest collections in this category: Health; Environmental Conservation; Tribal State Compact; State Police; Higher Education Service Corporation; Education; City University of New York (CUNY); Children and Family Services; Homeland Security and Emergency Services.