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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

March 17, 2020

Honorable Andrew M. Cuomo  
Governor of the State of New York  
The Capitol  
Albany, NY 12224

Dear Governor Cuomo:

In response to your March 10, 2020 letter, the Office of the State Comptroller has analyzed the economic and revenue outlook for the remainder of the current fiscal year and for the next fiscal year. Based on information as of March 13, 2020, the most optimistic revenue scenario is that All Funds tax revenues in State Fiscal Year 2020-21 will be at least \$4 billion below projections of \$87.9 billion in the Executive Budget. However, given deteriorating conditions and the potential likelihood of a deep recession in the coming fiscal year, one alternative scenario suggests that tax revenues in SFY 2020-21 could be more than \$7 billion below the Executive Budget forecast.

The Division of the Budget and the Legislature's fiscal committee staffs developed their economic and revenue forecasts in the days and weeks leading up to the February 27 Consensus Forecasting Conference. Since those forecasts were finalized, the spread of the coronavirus and other developments have led to dramatic deterioration in the economic and revenue outlook.

In assessing risks to the March 1 revenue consensus, we examined recent developments and relevant indicators including sharp declines and continuing volatility in the stock markets; monetary policy efforts by the Federal Reserve to bolster the economy; and widespread developments that will limit consumer spending and other economic activity.

Definitive estimates of the COVID-19 impact on the economy and State revenues are not possible, in part because the ultimate health and social impacts of the virus are currently unknowable. Most available economic forecasts have not yet caught up with recent events, although projections have broadly weakened.

Significant fluctuations with an overall downward trend in economic conditions continue on a daily basis, contributing to an extraordinarily high level of uncertainty looking forward. Given this, precise projections of key indicators such as gross domestic product, employment, wages, and financial sector bonuses cannot be made with confidence.

Revenue projections are inherently subject to risk, and the need for caution this year is elevated further by the extraordinary economic uncertainty. With that perspective, the Office of the State Comptroller's estimate of a minimum \$4 billion decline in state tax receipts from the Executive Budget assumes a mild recession. Economic forecasters are currently unable to rule out a more severe recession or sharper stock market declines; if either occurs, the revenue outlook could be significantly worse.

It is important to note that other developments are likely to have material impacts on the Financial Plan in the coming year, and perhaps beyond.

Congress is considering legislation that would bolster unemployment insurance, make paid sick leave and family leave more widely available, and temporarily increase the federal share of states' Medicaid costs under certain circumstances. Such provisions would be expected to have a positive economic impact that is not yet possible to quantify with specificity. Additional federal funding for Medicaid would benefit the State Financial Plan. Discussions of further federal stimulus efforts are underway. While the impact of such federal fiscal relief on the State Financial Plan cannot be forecast with confidence, significant offsets to the revenue deterioration described above are possible.

The federal government is also considering delaying tax filing deadlines, which could result in billions of dollars of New York tax payments being delayed as well. This raises concern regarding the State's cash flow in the coming fiscal year.

In addition to the tax revenue impacts discussed above, the State faces other risks. State gaming receipts from video-lottery facilities and commercial casinos will be depressed by recent events including actions taken to limit public gatherings, although any specific estimate currently is not possible. The Executive Budget Financial Plan projects receipts from VLTs and casinos to total \$1.1 billion in SFY 2020-21. Other non-tax revenue sources could be at risk as well.

The Legislature has authorized \$40 million to address costs related to COVID-19, including personal services, equipment, supplies or training. Other costs not currently expected, and difficult to estimate, may arise due to a variety of factors related to the outbreak and its economic impact.

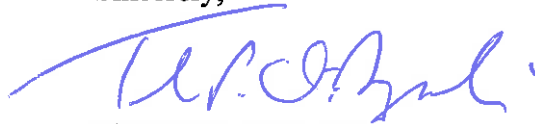
While estimates for State Fiscal Year 2021-22 and later years are beyond the scope of your request and of our analysis, we should expect the new economic reality to produce significant negative impacts on out-year revenue projections as well.

Multiple steps should be considered to effectively address the revenue risks and other issues outlined above. Spending decisions should reflect economic and fiscal realities. I urge the Division of the Budget and the Legislature's fiscal committees to conduct quarterly or more frequent meetings similar to the Consensus Forecasting Conference held annually in late February. Public review and analysis of developments in the global, national and State economic outlook, and their potential impact on the Financial Plan, would enhance fiscal transparency during a time of heightened uncertainty and concern.

The current economic challenge serves as a reminder that the State must make a firm and ongoing commitment to strengthening its rainy day reserves. Beyond that, the planned deposit of \$428 million to the Rainy Day Reserve Fund at the end of the current fiscal year, which should go forward, would bring combined rainy day reserves to approximately \$2.5 billion. The Division of the Budget has identified an additional \$890 million as being informally reserved for economic uncertainties. Whether these resources should be used as part of the State's response to any near-term economic downturn, or formally added to the statutory reserves, will depend in part on the magnitude of additional federal assistance yet to be determined. In addition, a substantial amount of recent years' monetary settlement resources has been designated for certain purposes but not yet spent. To the extent that these funds are not needed for originally anticipated purposes, or that such purposes may be less than essential, certain additional resources may reasonably be available for the coming year.

Thank you for your leadership during these difficult times. The resources of my Office are available to assist your efforts and those of the Legislature as needed.

Sincerely,



Thomas P. DiNapoli  
State Comptroller

cc: Honorable Andrea Stewart-Cousins  
Honorable Carl E. Heastie  
Honorable John J. Flanagan  
Honorable William A. Barclay