



Division of the Budget

KATHY HOCHUL
Governor

ROBERT F. MUJICA JR.
Director of the Budget

November 16, 2022

Dear Commissioners:

Under Governor Kathy Hochul's leadership, the FY 2024 Executive Budget will build on sound fiscal responsibility demonstrated this past year and a responsive, collaborative, transparent budget process that serves all New Yorkers.

The national economy is in transition and multiple fiscal stress points create difficulties for individuals, families, and the State. While New York State unemployment is near historical lows, inflation is at its highest rates across the same timeframe, nationwide. A national affordability crisis is hitting all Americans, and New Yorkers are no exception. Key critical expenses such as home prices, rent, home energy, automobiles, groceries and interest rates remain at high levels, squeezing budgets. In addition, as the Federal Reserve pursues aggressive efforts to subdue inflation, combined with global currency and geopolitical disturbances, the probability of an economic downturn has increased.

The acute phase of the COVID-19 pandemic appears to be behind us as we begin to transition to semblances of pre-COVID life: workers returning to offices, restaurants and theaters full of patrons, children full-time in schools, mask mandates lifted and a mostly vaccinated population. However, we must remain vigilant with the emergence of new variants, a new booster recently introduced, and the emergences of polio and monkeypox – both of whose future impacts are unclear.

Governor Hochul has responded to the economic challenges, both micro and macro, in numerous tangible ways. The FY 2023 Budget addresses affordability for individuals and families with bonuses for frontline healthcare workers, record investments in childcare, public education and housing, the acceleration of middle-class tax cuts, a new homeowner tax credit, and a variety of investments to help small businesses. The FY 2023 Budget also puts record levels of funds into rainy day reserves, with deposits reaching 15 percent of State Operating Funds by 2025 – a level never seen before in New York State.

Some of the immediate, critical relief noted above is funded as one-time investments using one-time federal aid. Much of it was enabled by higher than expected tax receipts last year, driven by a healthy financial sector. Neither of these conditions are expected at our disposal in the next fiscal year. Meanwhile, the national and state economies are

expected to soften further with major forecasters unable with certainty to determine how severe any downturn may be.

Other risks inserting uncertainty into the economy loom on the horizon. Despite aggressive measures to combat climate change, such as Governor Hochul's \$4.2 billion Environmental Bond Act, rising temperatures and sea levels are a global phenomenon and continue to wreak havoc on local economies with unpredictable and catastrophic storms. In addition, a migrant crisis comes with unpredictable local costs.

For the State's future fiscal health and to protect our ability to deliver for New Yorkers in times of unpredictable need, our commitment to continue reserve fund increases remains unwavering for FY 2024. Likewise, we cautiously allocated more than \$12 billion in federal Coronavirus State and Local Fiscal Recovery Funds over four fiscal years to avoid a fiscal cliff that would have occurred if all the aid was used in the short term.

Governor Hochul has set a high standard for the executive branch to pursue the best practices in innovation and transparency. In addition to requiring all agencies to draft and execute new transparency plans, there is an expectation that we make full use of the best available technologies for analysis and collaboration.

Commissioners must be mindful of Governor Hochul's commitment to deliver critical services for New Yorkers while protecting our state's fiscal health, as you develop agency budget requests, which should not exceed enacted FY 2023 funding levels, excluding one-time investments. All aspects of business should be reviewed for savings and efficiencies, and funding requests should articulate execution of this review. The effectiveness and efficiency of every program and every dollar spent should be closely evaluated; unnecessary duplication or overlap should be eliminated; energy- and material-saving measures afforded by technology should be pursued; opportunities to provide services and engage residents digitally should be seized; and attracting and retaining top talent must be a priority.

Agency budget requests are due no later than November 29, 2022. As always, DOB staff are available to assist and provide guidance. Please engage the Executive Chamber to ensure requests are consistent with Governor Hochul's policy objectives and what we collectively determine meets the needs of New Yorkers.

We have an opportunity and an obligation to respond to today's economic uncertainty with sure-footedness, agility and confidence as we deliver critical services and certainty to New Yorkers that their government is working for them.

Sincerely,



Robert F. Mujica, Jr.