

NEWS / HEALTH / CORONAVIRUS

How the COVID-19 virus has impacted New York state finances



A man walks by a Coach storefront that is boarded up in the Soho neighborhood on April 23 in Manhattan. Credit: Getty Images/David Dee Delgado

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ALBANY — New York isn't broke, as Gov. Andrew M. Cuomo likes to say.

But with revenue plunging, without further help, it might have to make spending cuts quickly and dramatically — \$10 billion or more. Or raise taxes.

A [463-page document](#) released by Cuomo's budget division outlines how the state is staying afloat through workplace shutdowns caused by the coronavirus that have sent the economy tumbling. It shows dire projections about the tax revenue decline across categories such as sales taxes (nearly 20%), lottery (21%) and gaming (34%).

Revenue	Decline	%
Income Tax	\$4.6B	14%
Sales tax	\$2.5B	20%
Business tax	\$39M	10%
Lottery	\$293M	12%
Video lottery	\$387M	41%
Gaming	\$63M	34%
Total	\$8.1B	14%

The report, called the "Enacted Budget Financial Plan," says the governor might slash aid to localities — including school districts, colleges, transportation systems and health care — by \$8.2 billion as soon as mid-May.

It predicts the state's finances might hit a "trough" in June and begin a slow and grinding recovery: It may take until January 2023 to return to where the New York economy was in January 2020. It warns of steep spending cuts this year.

"Unlike the federal government, New York State must balance its budget and in the absence of federal assistance, we will have to make deep cuts which could impact a broad range of services," Robert Mujica, Cuomo's budget director, said.

Here's a look at some of the key points:

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NY is NOT broke

"I'm broke ... I don't have two nickels to rub together," Cuomo said on April 14, a remark he's made in different ways since the virus hit, revenue plunged and states began asking Washington for help.

In fact, the state ended its fiscal year (March 31) with \$8.9 billion cash on hand, which is more than officials expected because the economy had been going strong in 2020. Despite the closing of so many businesses, cash is still coming in from withholding taxes from pay checks and purchases, though not at the same rate.

That said, state Comptroller Tom DiNapoli recently warned the "state's strong cash position will quickly erode in the coming weeks. We must manage cash carefully."

Part of the reason is the state has spent about \$2.8 billion so far combating the virus, according to Cuomo. Another is the pushback of income-tax filing date to July 15.

The budget looks the same size, but it isn't

The \$178 billion plan the Legislature and Cuomo approved April 3 reflects a 2.6% increase over last year's budget, and is close to the figure Cuomo proposed in January. But a closer look reveals a key difference.

Money for the budget comes from state and federal funds. The state's share has been cut to \$95 billion from \$105 billion based on expected revenue shortfall stemming from the pandemic.

The reason the overall \$178 billion total stays the same is because of money from two atypical sources: Congress has authorized \$5.1 billion for New York in pandemic expenses and the state plans to issue \$4.5 billion in short-term bonds to cover the lag in income-tax payments.

While these two pots of money help cover gaps most directly related to the pandemic, they don't offset the sharp drop-off in revenue from the usual sources that sustain state spending annually — things such as sales taxes, fuel taxes and lottery revenue. The decline in these sources is why spending will have to be cut, the governor says, unless Congress sends New York more money.

Cuts could happen soon

If he moves to reduce spending, Cuomo's financial plan suggests a 10% cut for state agencies; and an \$8.2 billion cut in direct "aid to localities" — a broad category that includes K-12 education, higher education, transportation/public transit and health care/Medicaid.

How soon could it happen? In a new step for New York, the Legislature granted the governor emergency power to make budget adjustments during the fiscal year. The first window to make changes opened Friday.

Category	Reduction
K-12 School Aid	TBD
Medicaid/Health	TBD
Higher Education	TBD
Social Services	TBD
Mental Hygiene	TBD
Transportation	TBD
State agencies	10%

The Enacted Budget Financial Plan said the administration is "preparing a detailed plan itemizing the specific appropriations and disbursements that will be reduced or withheld, and expects to transmit the plan to both houses of the Legislature in May."

The shutdown has impacted most revenue streams, but some more than others

It's not just income and business tax collections that have slowed. Changing behavior has altered how much the state is receiving in a variety of ways.

Cigarette and tobacco tax collections are projected to drop \$64 million (6%) – but alcohol is up \$7 million (3%).

Category	Projected change in consumption/use	Taxes
Sales tax	-16%	-\$2.4B
Cig./tobacco	-6%	-\$64M
Motor fuel	-11%	-\$58M
Highway use	-7.70%	-\$11M
Auto rental	-16%	-\$17M
Alcohol	2.70%	\$7M
Opioid*	321%	\$61M
Vapor*	40%	\$4M
*New in 2020		

Greatly reduced driving means motor fuel taxes should drop about \$58 million (11%) and automobile rental taxes \$17 million (16%).

Gambling will decline too. Officials expect a \$680 million (21%) dip in lottery and video lottery revenue and another \$63 million in gaming taxes.

More federal help, cut spending or raise taxes

Like other states, New York says federal help is needed.

"To be blunt, we are struggling to find a path forward for our state and local governments to continue to operate without considerable financial assistance from our federal government," Assembly Speaker Carl Heastie (D-Bronx) said in a letter to the state's congressional delegation.

Budget watchdogs agreed New York is in a tough position, but contend more money isn't the only solution.

"I think it's as bad as Cuomo says it is," said E.J. McMahon, research director at the Empire Center think tank in Albany. "But to say he needs \$10 billion is to assume he can't do anything, he can't cut anything. He's done nothing to actually reduce spending."

Progressive groups are urging lawmakers to raise taxes on the ultra rich rather than reduce spending on schools and Medicaid. Cuomo has been opposed to the idea, but a top Democrat said it's not out of the question.

We don't want to balance budgets on our students, on our already hard-hit communities, our middle class," Senate Majority Leader Andrea Stewart-Cousins (D-Yonkers) said in a recent radio interview. "I think everything has to be looked at."

Projected decline in wages, jobs	
Private sector jobs	- 7.5% (630,000)
Total wages	-7.20%
Finance/insurance bonuses	-50%

Even if NY reduces spending now, big future shortfalls projected

2022: \$7.5B

2023: \$9.3B

2024: \$8.8B

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