

THE BOND BUYER

COVID-19 may add \$7 billion to New York State's revenue hole

By

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The economic fallout caused by COVID-19 could result in New York State falling billions below revenue estimates in next year's budget, according to State Comptroller Thomas DiNapoli.

DiNapoli released updated state revenue [projections](#) Tuesday showing New York would be at least \$4 billion under estimates in Gov. Andrew Cuomo's proposed \$87.9 billion budget. An alternative scenario leading to "a more severe recession" or steeper stock market decline would potentially lower tax revenues by more than \$7 billion, DiNapoli said.

"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," DiNapoli wrote in a letter to Cuomo. "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."



"Significant fluctuations with an overall downward trend in economic conditions continue on a daily basis," said New York State Comptroller Thomas DiNapoli.

Office of the New York State Comptroller

Cuomo [requested](#) revised revenue estimates from DiNapoli last week reflecting the COVID-19 pandemic to help assist lawmakers with preparing a final 2021 fiscal year budget before the March 31 deadline. The state was already [facing](#) a \$6.1 billion budget shortfall stemming from a \$4 billion rise in Medicaid costs.

More than 1,300 confirmed COVID-19 cases were reported cases statewide as of Tuesday. Cuomo ordered all gyms, movie theaters and casinos to close indefinitely starting at 8 p.m. Monday in an effort to stop spreading the virus. The Democratic governor is also limiting bars and restaurants to takeout services.

DiNapoli said in addition to tax revenue risks, New York could also be hurt by lost state gambling receipts while casinos are shuttered. Cuomo's budget plan projected \$1.1 billion of total receipts from casinos and video lottery terminals.

Citizen Budget Commission president Andrew Rein urged state leaders Tuesday to adopt a “bare bones” budget that supports estimated costs associated with the COVID-19 response. He also said the state should hold off on tax increases and be prepared to make necessary adjustments to any fiscal plan adopted, which could ultimately include a short-term “extender” budget option.

“The immediate challenge for New York’s elected leaders is to quickly pass a budget that sustains essential public services, provides for emergency responses to the growing pandemic, and prepares New York for an economically uncertain future,” said Rein in a statement. “The uncertain environment in which these decisions must be made suggests the budget will need revision in the coming months, and plans for timely reconsideration including adjustment to the legislative calendar should be made.”

New York’s general obligation bonds are rated Aa1 by Moody’s and AA-plus by S&P Global Ratings, Fitch Ratings and Kroll Bond Rating Agency.

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