Update to
Annual Information Statement
State of New York

August 29, 2016

Table of Contents

Introduction

Introduction

This Annual Information Statement (AIS) Update (the "AIS Update") is dated August 29, 2016 and contains information only through that date. This AIS Update constitutes the official disclosure regarding the financial position of the State of New York (the "State") and related matters and is the first quarterly update to the AIS dated June 29, 2016 (the "AIS"). This AIS Update should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the First Quarterly Update to the Financial Plan for FY 2017 (the "Updated Financial Plan"), issued by the Division of the Budget (DOB). The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov) includes a summary of first quarter operating results for FY 2017 and updates to the State's official Financial Plan projections for FY 2017 through FY 2020[1]. Except for the specific revisions described in these extracts, the projections (and the assumptions upon which these are based) in the Updated Financial Plan are consistent with the projections set forth in the FY 2017 Enacted Budget Financial Plan (the "Enacted Budget Financial Plan") reflected in the AIS. Note that the Updated Financial Plan does not reflect the August 2016 consent order between the State Department of Financial Services (DFS) and Mega International Commercial Bank Co., Ltd. and Mega International Commercial Bank Co., Ltd. New York Branch (collectively "Mega Bank"), pursuant to which Mega Bank has paid a $180 million monetary penalty to the State for its failure to maintain effective complaint and compliance programs, its failure to report the discovery of certain misconduct, and for other violations of New York Banking Law. DOB next expects to update the State's multi-year financial projections in October 2016 with the Mid-Year Update to the Financial Plan.
2. A discussion of issues and risks that may affect the Updated Financial Plan during the State's current fiscal year or in future years (under the heading "Other Matters Affecting the State Financial Plan").
3. A summary of the Generally Accepted Accounting Principles (GAAP)-basis results for the prior three fiscal years.
4. Updated information regarding the State Retirement System.
5. Updated Information on certain public authorities of the State.
6. The status of significant litigation and arbitration that has the potential to adversely affect the State's finances.
7. Updated Financial Plan tables that summarize actual General Fund receipts and disbursements for fiscal year 2016 and projected receipts and disbursements for fiscal years 2017 through 2020 on a General Fund, State Operating Funds and All Governmental Funds basis.

[1] The State fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2017 ("FY 2017") is the fiscal year that began on April 1, 2016 and will end on March 31, 2017.

DOB is responsible for preparing the State's Updated Financial Plan and presenting the information that appears in this AIS Update on behalf of the State. In preparing this AIS Update, DOB has also relied on information drawn from other sources, including the Office of the State Comptroller (OSC). In particular, information contained in the section entitled "State Retirement System" has been furnished by OSC, while information relating to matters described in the section entitled "Litigation and Arbitration" has been furnished by the State Office of the Attorney General. DOB has not undertaken any independent verification of the information contained in these sections of this AIS Update.

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections, or other information relating to the State's financial position or condition, including potential operating results for the current fiscal year and projected budget gaps for future fiscal years, that may vary materially from the information provided in this AIS Update. Investors and other market participants should, however, refer to the AIS, as updated or supplemented, for the most current official information regarding the financial position of the State.

The factors affecting the State's financial condition are complex. This AIS Update contains forecasts, projections and estimates that are based on expectations and assumptions, which existed at the time they were prepared, and contains statements relating to future results and economic performance that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in this AIS Update of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. The forward-looking statements contained herein are based on the State's expectations and are necessarily dependent upon assumptions, estimates and data that it believes are reasonable as of the date made but that may be incorrect, incomplete or imprecise or not reflective of actual results. Forecasts, projections, and estimates are not intended as representations of fact or guarantees of results. The words "expects", "forecasts", "projects", "intends", "anticipates", "estimates", and analogous expressions are intended to identify forward-looking statements in this AIS Update. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Such risks and uncertainties include, among others, general economic and business conditions; changes in political, social, economic and environmental conditions, including climate change and extreme weather events; impediments to the implementation of gap-closing actions; regulatory initiatives and compliance with governmental regulations; litigation; actions by the Federal government to reduce or disallow expected aid, including Federal aid authorized or appropriated by Congress but subject to sequestration, administrative actions, or other actions that would reduce aid to the State; and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this AIS Update.

In addition to regularly scheduled quarterly updates to the AIS, the State may issue AIS supplements or other disclosure notices to the AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of the AIS, as updated or supplemented, in Official Statements or related disclosure documents for State or State-supported debt issuances. The

State has filed this AIS Update with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS Update can be accessed through EMMA at www.emma.msrb.org. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-2302.

OSC issued the State's Basic Financial Statements for FY 2016 (ended March 31, 2016) and the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting in accordance with the annual statutory deadline of July 29. Copies of this report may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements for FY 2016 can also be accessed through EMMA at www.emma.msrb.org.

Usage Notice

This AIS Update has been prepared and made available by the State pursuant to its contractual undertakings under various continuing disclosure agreements (CDAs) entered into by the State in connection with financings of the State, as well as certain issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payment of their respective bonds, notes or other obligations.

This AIS Update is available in electronic form on the DOB website at www.budget.ny.gov. Such availability does not imply that there have been no changes in the financial position of the State subsequent to the posting of this information. Maintenance of this AIS Update on the DOB website, or on the EMMA website, is not intended as a republication of the information therein on any date subsequent to its release date. No incorporation by reference or republication of any information contained on any website is intended or shall be deemed to have occurred as a result of the inclusion of any website address in this AIS Update.

Neither this AIS Update nor any portion thereof may be: (i) included in a Preliminary Official Statement, Official Statement, or other offering document, or incorporated by reference therein, unless DOB has expressly consented thereto following a written request to the State of New York, Division of the Budget, State Capitol, Albany, NY 12224, or (ii) considered to be continuing disclosure in connection with any offering unless a CDA relating to the series of bonds or notes has been executed by DOB. Any such use, or incorporation by reference, of this AIS Update or any portion thereof in a Preliminary Official Statement, Official Statement, or other offering document or continuing disclosure filing without such consent and agreement by DOB is unauthorized and the State expressly disclaims any responsibility with respect to the inclusion, intended use, and updating of this AIS Update if so misused.

Significant Budgetary/Accounting Practices

Significant Budgetary/Accounting Practices

Unless clearly noted otherwise, all financial information in this AIS Update is presented on a cash basis of accounting.

The State's **General Fund** receives the majority of State taxes and all income not earmarked for a particular program or activity. State law requires the Governor to submit, and the Legislature to enact, a General Fund budget that is balanced on a cash basis of accounting. The State Constitution and State Finance Law do not provide a precise definition of budget balance. In practice, the General Fund is considered balanced if sufficient resources are, or are expected to be, available during the fiscal year for the State to: (a) make all planned payments, including Personal Income Tax (PIT) refunds, without the issuance of deficit notes or bonds or extraordinary cash management actions, (b) restore the balances in the Tax Stabilization Reserve and Rainy Day Reserve to levels at or above the levels on deposit when the fiscal year began, and (c) maintain other reserves, as required by law. For purposes of calculating budget balance, the General Fund includes transfers to and from other funds.

The General Fund is the sole financing source for the School Tax Relief (STAR) fund, and is typically the financing source of last resort for the State's other major funds which include the Health Care Reform Act (HCRA) funds, the Dedicated Highway and Bridge Trust Fund (DHBTF), the Lottery Fund, and the mental hygiene program and patient income accounts. Therefore, the General Fund projections account for any estimated funding shortfalls in these funds. Since the General Fund is the fund that is required by law to be balanced, the focus of the State's budgetary and gap-closing discussion in this AIS Update is generally weighted toward the General Fund.

From time to time, DOB will informally designate unrestricted balances in the General Fund for specific policy goals (e.g., the payment of costs related to potential labor contracts covering prior contract periods). These amounts are typically identified with the phrase "reserved for" and are not held in distinct accounts within the General Fund and may be used for other purposes.

State Operating Funds is a broader measure of spending for operations (as distinct from capital purposes) that is funded with State resources. It includes financial activity not only in the General Fund, but also State-funded special revenue funds and debt service funds (spending from capital projects funds and Federal funds is excluded). As more financial activity occurred in funds outside of the General Fund, State Operating Funds became, in DOB's view, a more comprehensive measure of State-funded activities for operating purposes that are funded with State resources (e.g., taxes, assessments, fees, tuition). The State Operating Funds perspective has the advantage of eliminating certain distortions in operating activities that may be caused by, among other things, the State's complex fund structure, the transfer of money among funds, and the accounting of disbursements against appropriations in different funds. For example, the State funds its share of the Medicaid program from both the General Fund and HCRA Funds, the latter being State Special Revenue Funds. The State Operating Funds perspective captures Medicaid disbursements from both of these fund types, giving a more complete accounting of State-funded Medicaid disbursements. For such reasons, the discussion of disbursement projections often emphasizes the State Operating Funds perspective.

The State also reports disbursements and receipts activity for **All Governmental Funds** (All Funds), which includes spending from Capital Projects Funds and State and Federal operating funds, providing the most comprehensive view of the cash-basis financial operations of the State. The State accounts for receipts and disbursements by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as State Operations). The Updated Financial Plan tables present State projections and results by fund and category.

Fund types of the State include: the General Fund; State Special Revenue Funds, which receive certain dedicated taxes, fees and other revenues that are used for a specified purpose; Federal Special Revenue Funds, which receive certain Federal grants; State and Federal Capital Projects Funds, which account for costs incurred in the construction, maintenance and rehabilitation of roads, bridges, prisons, university facilities, and other infrastructure projects; and Debt Service Funds, which account for the payment of principal, interest, and related expenses for debt issued by the State and on the State's behalf by its public authorities.

State Finance Law also requires DOB to prepare a pro forma financial plan using, to the extent practicable, generally accepted accounting principles (GAAP), although this requirement is for informational purposes. The GAAP-basis financial plan is not used by DOB as a benchmark for managing State finances during the fiscal year and is not updated on a quarterly basis. The GAAP-basis financial plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by OSC in preparation of the audited Basic Financial Statements. However, GAAP is a financial reporting regime, not a budgeting system.

The Updated Financial Plan projections for future years may show budget gaps or budget surpluses in the General Fund. Budget gaps represent the difference between: (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain current services levels and specific commitments, and (b) the projected level of resources, including transfers from other funds, to pay for these disbursements. The General Fund projections are based on a number of assumptions and are developed by the DOB in conjunction with other State agencies. Some projections are based on specific, known information (e.g., a statutory requirement to increase payments to a prescribed level), while others are based on more uncertain or speculative information (e.g., the pace at which a new program will enroll recipients). In general, the Updated Financial Plan assumes that money appropriated in one fiscal year will continue to be appropriated in future years, even for programs that were not created in permanent law and that the State has no obligation to fund. Funding levels for nearly all State programs are reviewed annually, taking into account the current and projected fiscal position of the State. The Updated Financial Plan projections for FY 2018 and thereafter, set forth in this AIS Update, reflect the savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets that limit annual growth in State Operating Funds spending to no greater than 2 percent. Total disbursements in the Updated Financial Plan tables and narrative, contained in this AIS Update, do not reflect these assumed savings, which are instead reflected on a distinct line and labeled as "Adherence to 2 Percent Spending Benchmark." Updated Financial Plan projections are subject to many risks and uncertainties, as well as future budgetary decisions and other factors not known at this time. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Overview of the Updated Financial Plan

Overview of the Updated Financial Plan

The following table provides certain Updated Financial Plan information for FY 2016 and FY 2017.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES
(millions of dollars)

	FY 2016	FY 2017	
	Results	Enacted	First Quarterly Update
State Operating Funds Disbursements			
Size of Budget	$94,288	$96,180	$96,214
Annual Growth	2.0%	2.0%	2.0%
Other Disbursement Measures			
General Fund (Excluding Transfers)	$56,666	$59,681	$59,586
Annual Growth	4.4%	5.3%	5.2%
General Fund (Including Transfers)[1]	$68,042	$71,841	$71,113
Annual Growth	8.3%	5.6%	4.5%
State Funds (Including Capital)	$101,232	$106,302	$105,787
Annual Growth	3.1%	5.0%	4.5%
Capital Budget (Federal and State) *	$8,981	$11,920	$11,371
Annual Growth	19.0%	32.7%	26.6%
Federal Operating Aid (Excluding Extraordinary Aid) *	$40,601	$40,054	$40,169
Annual Growth	5.0%	-1.3%	-1.1%
All Funds (Excluding Extraordinary Aid) *	$143,870	$148,154	$147,754
Annual Growth	3.8%	3.0%	2.7%
Capital Budget (Including "Off-Budget"[2]) *	$9,549	$12,723	$12,174
Annual Growth	15.2%	33.2%	27.5%
All Funds (Including "Off-Budget"[2] Capital) *	$144,438	$148,957	$148,557
Annual Growth	3.6%	3.1%	2.9%
Inflation (CPI)	0.4%	1.4%	1.6%
All Funds Receipts			
Taxes	$74,673	$77,128	$76,502
Annual Growth	5.1%	3.3%	2.4%
Miscellaneous Receipts	$27,268	$23,567	$24,092
Annual Growth	-7.4%	-13.6%	-11.6%
Federal Grants *	$44,486	$43,700	$43,813
Annual Growth	2.5%	-1.8%	-1.5%
Total Receipts *	$146,427	$144,395	$144,407
Annual Growth	1.8%	-1.4%	-1.4%
General Fund Cash Balance	$8,934	$6,069	$6,489
Stabilization/Rainy Day Reserve Funds	$1,798	$1,798	$1,798
Monetary Settlements	$6,300	$3,547	$4,027
All Other Reserves/Fund Balances	$836	$724	$664
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	117,862	118,590	118,590
Debt			
Debt Service as % All Funds Receipts	4.0%	3.7%	3.9%
State-Related Debt Outstanding	$52,105	$52,555	$52,078
Debt Outstanding as % Personal Income	4.6%	4.4%	4.4%

1 Annual growth includes planned extraordinary transfer of monetary settlements from the General Fund to other funds.

2 Represents capital spending that occurs outside the All Funds budget financed directly from State-supported bond proceeds held by public authorities.

* All Funds, Federal Operating Funds and Capital Projects Funds receipts and disbursements exclude (a) Federal disaster aid for Superstorm Sandy and (b) additional Federal aid associated with Federal health care reform. Prior plans included an adjustment for spending funded from monetary settlements with financial institutions.

Overview of the Updated Financial Plan

Except for the specific revisions described herein, the projections (and the assumptions upon which these are based) in the Updated Financial Plan are consistent with the projections set forth in the FY 2017 Enacted Budget Financial Plan described in the AIS.

Summary

DOB reports that the Updated Financial Plan for FY 2017 remains in balance on a cash basis in the General Fund, with a significant downward revision to the annual estimate for tax receipts offset by expected savings in other areas of the Updated Financial Plan. Spending growth in State Operating Funds is expected to be held to 2 percent, consistent with the Enacted Budget Financial Plan, with spending increases related to the legislative session and recent labor settlements mitigated by lower spending across a range of Updated Financial Plan activities.

In the Enacted Budget Financial Plan, DOB lowered the forecast for General Fund tax receipts by $350 million in comparison to the FY 2017 Executive Budget Financial Plan, based on the relatively weak performance of the financial sector. At the time, DOB noted that "[additional] downward revisions to tax receipts [were] possible in the current year and future years if weakness persists." Such downward revisions now appear to be warranted. Through the first quarter of FY 2017, PIT collections in the General Fund (including transfers from other funds) fell $595 million below planned levels, with most of the variance concentrated in the estimated payment component of PIT. In light of these results and updated economic data, DOB is lowering the estimate for General Fund PIT tax receipts by $600 million in each year of the Updated Financial Plan. DOB will continue to monitor PIT receipts closely and further downward revisions cannot be ruled out during the remainder of FY 2017. Other taxes generally appear to be on track with the Enacted Budget Financial Plan estimates. The General Fund remains in balance in FY 2017, with the downward revision to tax receipts offset in its entirety by savings in other areas of the Updated Financial Plan. These include downward re-estimates to expected disbursements for local assistance, agency operations, and capital projects, and additional savings from the refunding of certain outstanding debt. Note that the Updated Financial Plan does not reflect the August 2016 consent order between DFS and Mega Bank, pursuant to which Mega Bank has paid a $180 million monetary penalty to the State for its failure to maintain effective complaint and compliance programs, its failure to report the discovery of certain misconduct, and for other violations of New York Banking Law.

In the regular legislative session that ended in June 2016, the Governor and Legislature approved an enhanced pension benefit for public sector veterans that enables eligible members to receive up to three years of extra pension service credit for their active military service, the cost of which DOB estimates will total roughly $400 million over the next five years. Legislation was also approved that repealed the sales and use tax on feminine hygiene products, which is expected to reduce General Fund receipts by approximately $5 million in FY 2017. Other bills with a fiscal impact were passed by the Legislature and are expected to be delivered to the Governor for his review in coming months. Any bills with a fiscal impact that are ultimately approved by the Governor will be reflected in future updates, as appropriate.

Overview of the Updated Financial Plan

Since enactment of the FY 2017 Budget, the State finalized labor agreements with the New York State Public Employees Federation (PEF) for FY 2016 and the New York State Police Investigators Association (NYSPIA) in the Division of State Police for the period of FY 2012 through FY 2018 that provide salary increases for PEF-represented employees in FY 2016 and for NYSPIA-represented employees in FYs 2015 - 2018. As a result, spending is expected to increase by approximately $150 million in FY 2017, covering both the costs of the retroactive increases and the current year costs of the salary increases, with $75 million in recurring spending annually thereafter. The retroactive costs will be covered with the General Fund balance set aside for this purpose, and the ongoing salary increases will be funded within agency operating budgets, consistent with the treatment of other negotiated salary increases covering the FY 2012 – FY 2016 period.

Pursuant to a partial settlement agreement entered into in June 2016 by the New York State Attorney General and other state attorneys general with Volkswagen AG, Audi and Porsche Affiliates (collectively, “Volkswagen”), Volkswagen will make a monetary payment to New York State of over $30 million to resolve certain claims as described with more particularity in the partial settlement agreement. In addition, subject to court approval, satisfaction of requirements contained within the United States Department of Justice Partial Consent Decree, and approval of a court-appointed trustee, the State will be eligible to receive up to approximately $117 million for eligible mitigation action expenditures as set forth in the United States Department of Justice Partial Consent Decree, and DOB expects that any such funds received by the State for eligible mitigation action expenditures will be administered outside of the State’s All Governmental Funds budget.

The Updated Financial Plan projections for FY 2018 and thereafter are based on an assumption that the current Administration will continue to propose, and the Legislature will continue to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The General Fund operating balance projections for FY 2018, FY 2019, and FY 2020 are calculated based on this assumption. DOB expects that specific proposals to limit spending growth to 2 percent will be included in future budget proposals.

First Quarter Operating Results

The State ended June 2016 with a General Fund cash balance of $7.2 billion, $976 million below the estimate in the Enacted Budget Financial Plan. General Fund receipts, including transfers from other funds, totaled $18.5 billion through June 2016, $415 million below Enacted Budget Financial Plan estimates. The lower receipts were due to lower than expected PIT collections through June 2016 ($595 million), partly offset by higher tax collections in all other major categories, as well as non-tax receipts. The weakness in PIT estimated payments is attributable to an unexpected decline in both the number of payments and the size of the average payments. Higher consumption and use tax receipts, than reflected with the Enacted Budget Financial Plan projections, were associated with stronger than expected June 2016 sales tax collections, which was partially associated with the timing of audit receipts.

General Fund disbursements, including transfers to other funds, totaled $20.3 billion through June 2016, $561 million higher than Enacted Budget Financial Plan projections, mainly due to the timing of planned payments for local assistance and agency operations. Higher spending for local assistance is primarily attributable to Medicaid payments that exceeded planned amounts due to delays in the receipt of certain offsets and audit recoveries planned through June 2016, which are now expected to be received in later months. In addition, the State incurred costs for the Essential Plan (EP), a health insurance program which receives Federal subsidies authorized through the Affordable Care Act (ACA), in the first quarter of FY 2017 due to timing fluctuations of Federal advances. Spending for agency operations was above planned levels as a result of higher overall State personal service (PS) costs, including overtime, and the delayed application of offsets to workers' compensation payments.

Multi-Year Financial Plan Revisions (FY 2017 and Outyears)

The following table summarizes the revisions to the FY 2017 Enacted Budget Financial Plan. Descriptions of the changes follow the table below.

SUMMARY OF REVISIONS TO ENACTED BUDGET FINANCIAL PLAN
GENERAL FUND BUDGETARY BASIS OF ACCOUNTING
SAVINGS/(COSTS)
(millions of dollars)

	FY 2017	FY 2018	FY 2019	FY 2020
ENACTED BUDGET SURPLUS/(GAPS) [1]	**0**	**355**	**(841)**	**(399)**
Receipts Revisions	**(308)**	**(603)**	**(606)**	**(590)**
Personal Income Tax	(600)	(600)	(600)	(600)
Sales Tax	(5)	(7)	(7)	(7)
Non-Tax Receipts	267	4	1	17
Volkswagen Settlement Payment	30	0	0	0
Disbursement Revisions	**728**	**(484)**	**(101)**	**(67)**
Local Assistance	188	119	55	46
Agency Operations	(93)	(118)	(122)	(78)
Transfers to Capital Projects Funds	651	(450)	0	0
Transfers to Other Funds	(18)	(35)	(34)	(35)
Change in Reserves	**(420)**	**450**	**0**	**0**
Use of Collective Bargaining Reserve	60	0	0	0
Set Aside Volkswagen Settlement	(30)	0	0	0
Timing of DIIF Transfers	(450)	450	0	0
Changes in Adherence to 2% Spending Benchmark	**0**	**75**	**76**	**34**
FIRST QUARTERLY UPDATE BUDGET SURPLUS/(GAPS)	**0**	**(207)**	**(1,472)**	**(1,022)**
Net Change from Enacted Budget Financial Plan	*0*	*(562)*	*(631)*	*(623)*

[1] Includes savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Receipts Revisions

General Fund receipts, including transfers from other funds, are projected to total $68.7 billion in FY 2017, a decrease of $308 million from the Enacted Budget Financial Plan projections.

- **PIT Receipts:** PIT receipts, mainly for withholding and estimated payments, through the first quarter of the fiscal year were considerably lower than expected, which has led to a downward adjustment to projected PIT receipts of $600 million in each year of the Updated Financial Plan. After accounting for potential timing issues, performance across most of the State's taxes has been consistent with Enacted Budget Financial Plan estimates. The exception was the shortfall in June 2016 PIT estimated payments which could indicate weakness in non-wage income growth.

- **Sales Tax Receipts:** Legislation has been passed which requires feminine hygiene products to be exempt from State and local sales and use taxes. The legislation will reduce State tax receipts by an estimated $5 million in FY 2017 and $7 million annually thereafter. It is expected that local government sales tax receipts will be reduced by a commensurate amount. The legislation makes the treatment of these products consistent with the treatment of other health care products.

- **Non-Tax Receipts:** Certain reimbursements and transfers from other State funds have been revised based on results to date, and updated programmatic forecasts and information. The most significant changes include a reduction in debt service costs due to the refunding of certain outstanding debt, expected later in FY 2017 to increase the transfer of PIT receipts back to the General Fund ($125 million) and to eliminate the need for a transfer to offset transaction risks based on updated information ($143 million).

- **Volkswagen Settlement Payment:** The State expects Volkswagen will pay over $30 million in monetary recoveries in accordance with a partial settlement agreement between the Office of the Attorney General (among others) and Volkswagen. This settlement agreement pertains to Volkswagen's violations of emissions standards and state consumer protection laws. These funds will be set aside, along with other settlements that have not yet been programmed, as an undesignated reserve.

Disbursements Revisions

General Fund disbursements, including transfers to other funds, are expected to total $71.1 billion in FY 2017, a decrease of $728 million from Enacted Budget Financial Plan projections.

- **Local Assistance:** Local assistance spending in the General Fund is expected to total $45.8 billion in FY 2017, a decrease of $188 million from the Enacted Budget Financial Plan estimate. The revision consists of increased costs related to the 2016 legislative session that are more than offset by a downward revision to expected disbursements. Spending reestimates include a reduction in the level of Tuition Assistance Program (TAP) payments expected in the current year and the General Fund impact of revisions to estimated lottery receipts in FY 2018 and beyond. In addition, certain DOH enrollment center cost increases to the Medicaid operations budget, as described below, will be offset by reduced local assistance support provided under the DOH Medicaid Global Cap. These reductions are partly offset by added funding for:

  – **East Ramapo Central School District:** A three-member monitoring team, to be appointed and assigned to the East Ramapo Central School District, to focus on improvements in its academic performance and the fiscal management of the school district.

  – **Child Health Insurance Plan Expanded Coverage for Newborns:** Funding is included for legislation that requires expanded coverage of newborns in the Child Health Insurance Plan, as amended for technical correction and approved in April 2016. Pursuant to this amended legislation, effective January 1, 2017 an eligible newborn child is to be enrolled on the first day of the calendar month in which the child is born, provided the application is submitted within sixty days of birth. Monthly capitation payments for Child Health Plus (CHP) enrollees are predicated on eligibility at the first day of each new calendar month. This technical correction provides eligible children who are born after the first day of each new calendar month with full coverage from birth.

  – **HIV/AIDS Services/Benefits to PA Recipients in NYC:** Beginning in September 2016, the population eligible for the enhanced shelter benefit provided by the HIV/AIDS Services Administration (HASA) is to be expanded to include all Public Assistance (PA) recipients living in New York City that have tested positive for HIV regardless of whether the recipient is symptomatic. This eligibility expansion is expected to result in $10 million in additional costs in FY 2017 and $31 million in additional costs annually thereafter.

  – **Zika Virus Preparedness:** Funding is added to the General Public Health Work (GPHW) program to reflect approximately $5 million in anticipated claims for State aid by local governments to fund enhanced mosquito surveillance and disease monitoring activities associated with Zika preparedness during FYs 2017 and 2018.

- **Local Government Assistance Payment to Rochester:** A one-time payment to the City of Rochester, originally scheduled for March 2016, was made in July 2016. This $6 million payment is to support services and expenses related to the Rochester/Monroe anti-poverty initiative as well as children and family related programs.

- **Agency Operations:** General Fund disbursement for agency operations, including fringe benefits, are expected to total $13.8 billion in FY 2017, an increase of $93 million from the Enacted Budget Financial Plan estimate. The increase mainly reflects the estimated FY 2017 costs of the veterans pension bill, retroactive labor settlements, and revisions to the funding for DOH enrollment centers, offset by modest downward revisions in other expenses.

  - **Veterans Pension Credit:** A new retirement system credit enables eligible veterans employed by the State and local governments to receive up to three years of active military service toward their retirement, regardless of when or where they served, as long as they were honorably discharged and have five years of retirement system service. Members must apply for and pay the employee share of such service credit prior to retirement. Based on the estimated number of eligible employees and participation rate to date, DOB estimates the cost of the credit will total roughly $400 million over the next five years for State employees and local government employees covered by Section 25 of the Retirement and Social Security Law. The State is required to fund the full present value of the benefit for these employees as members opt in to receiving the benefit. The law permits the State to amortize the first year cost over five years at an interest rate determined by the New York State Retirement System, which has indicated it would charge an annual rate of 7 percent. At this time, the State does not plan to amortize these costs.

  - **Labor Agreements:** The State and PEF finalized a one-year retroactive labor agreement to provide a 2 percent annual salary increase for the period April 1, 2015 through March 31, 2016. This agreement creates parity for PEF with most other State union contracts which have salary increases that concluded in FY 2016, including the Civil Service Employees Association (CSEA), United University Professions (UUP), the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), Council 82, District Council 37 (DC-37 Housing) and the Graduate Student Employees Union (GSEU). Total State spending is expected to increase by approximately $120 million in FY 2017 (covering FY 2016 and FY 2017) and $60 million annually thereafter.

    The State has also reached a seven year agreement with NYSPIA in the Division of State Police, which is consistent with the recent seven year contract with the Police Benevolent Association of New York State Troopers. The agreement includes a wage increase schedule that provides no increase from FY 2012 through FY 2014, 2 percent increases for each of FYs 2015 and 2016, and 1.5 percent increases for each of FYs 2017 and 2018. Total State spending is expected to increase by approximately $30 million in FY 2017 (covering FY 2012 through FY 2017) and approximately $15 million annually thereafter.

- **New York State of Health (NYSOH) Health Benefit Exchange Qualified Health Plan (QHP) Update:** The Updated Financial Plan reflects a $33 million State funds spending reduction in FY 2017 for the QHP portion of the NYSOH health benefit exchange, of which the majority of savings is attributable to an extension of Federal support through December 2016. Spending for the QHP operation is not managed within the Medicaid Global Cap, thus the associated savings materialize to the Updated Financial Plan at no impact to other program services.

- **DOH Enrollment Center Funding Increase:** DOH now estimates that the demand on Medicaid and other insurance program enrollment will necessitate a greater level of support from contract service providers as the local responsibility for these functions continues to be phased out. These cost increases will be offset by reduced local assistance support provided under the DOH Medicaid Global Cap, therefore eliminating any net impact to the General Fund balance and State Operating Funds spending estimates within the Updated Financial Plan.

- **Transfers to Capital Projects Funds:** General Fund transfers to Capital Projects Funds are expected to be $651 million lower than anticipated in the Enacted Budget Financial Plan. This is primarily attributable to an adjustment in the timing of General Fund transfers to the Dedicated Infrastructure Investment Fund (DIIF) for the *New* New York Bridge construction ($450 million). In May 2016, the New York State Thruway Authority ("Thruway Authority") issued bonds that will be used to pay for the costs of the bridge project. This funding will be used in advance of the Thruway Stabilization Program resources (in DIIF) being allocated, resulting in the General Fund transfers to DIIF declining in FY 2017 and increasing in FY 2018. In addition, General Fund transfers to Capital Projects Funds will be offset by higher than expected capital reimbursements from bond proceeds in FY 2017 ($200 million).

- **Transfers to Other Funds:** Certain reimbursements and transfers to other State funds have been reduced based on results to date and updated financing requirements.

Change in Reserves

- **Use of Collective Bargaining Reserve:** The Updated Financial Plan assumes that $60 million of the General Fund balance set aside for prior labor settlements will be used to fund the retroactive (i.e., FY 2016 and earlier) costs of the PEF and the Bureau of Criminal Investigation (BCI) labor agreements. The recurring costs will be covered by efficiencies within agency operating budgets, consistent with the practice for other labor agreements covering the FY 2011-16 period.

- **Set Aside Volkswagen Settlement:** Proceeds received by the State from the Volkswagen settlement are expected to be added to the existing balance of monetary settlements that have not been appropriated. After this addition, the total balance set aside is expected to total $695 million.

- **Timing of DIIF Transfers:** The timing of expected transfers from DIIF has been updated based on the anticipated funding needs of the Thruway Authority, as described herein.

Spending Changes

STATE OPERATING FUNDS SPENDING CHANGES SINCE THE ENACTED BUDGET INCREASE/(DECREASE) (millions of dollars)	FY 2017	FY 2018	FY 2019	FY 2020
ENACTED BUDGET	**96,180**	**101,059**	**104,700**	**108,565**
Total	**34**	**110**	**111**	**70**
Veterans Pension Credit	144	103	103	62
East Ramapo Central School District	1	0	0	0
Labor Agreements	73	0	0	0
CHP Expanded Coverage for Newborns	1	5	5	5
Zika Virus	4	1	0	0
HIV/AIDS Services/Benefits to PA Recipients in NYC	10	31	31	31
Local Government Assistance Payment to Rochester	6	0	0	0
Debt Service	(125)	0	0	0
NYSOH Health Benefit Exchange QHP Update	(33)	0	0	0
Transit Aid (Revenue Revision)	(21)	(24)	(26)	(31)
All Other	(26)	(6)	(2)	3
FIRST QUARTERLY UPDATE [1]	**96,214**	**101,169**	**104,811**	**108,635**

[1] Before savings estimated from limiting annual spending growth in future years to 2 percent.

In general, the disbursement changes in the General Fund described above have a corresponding impact on State Operating Funds, with two exceptions. First, a portion of the retroactive cost of labor settlements will be incurred outside the General Fund ($13 million, for a total State Operating Funds cost of $73 million). Secondly, a modest reestimate has been made to mobility tax collections based on collections to date. The State collects and remits the entire amount of mobility tax collections, and estimated disbursements are adjusted to correspond to changes in estimated collections.

Annual Spending Growth

DOB estimates that spending in State Operating Funds will grow at 2.0 percent from FY 2016 to FY 2017, consistent with the 2 percent spending benchmark adopted by the current Administration in FY 2012. All Funds spending, which includes spending from capital funds and Federal funds, is expected to increase by 2.7 percent from FY 2016 to FY 2017, excluding extraordinary Federal aid related to disaster-related costs, Federal health care transformation, and spending for infrastructure needs from monetary settlement funds.

TOTAL DISBURSEMENTS
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Annual Change	Annual % Change
STATE OPERATING FUNDS	**94,288**	**96,214**	**1,926**	**2.0%**
General Fund (excluding transfers)	56,666	59,586	2,920	5.2%
Other State Funds	31,987	31,511	(476)	-1.5%
Debt Service Funds	5,635	5,117	(518)	-9.2%
ALL GOVERNMENTAL FUNDS	**143,870**	**147,754**	**3,884**	**2.7%**
State Operating Funds	94,288	96,214	1,926	2.0%
Capital Projects Funds	8,981	11,371	2,390	26.6%
Federal Operating Funds	40,601	40,169	(432)	-1.1%
ALL GOVERNMENTAL FUNDS (INCL. EXTRAORDINARY AID)	**150,708**	**155,705**	**4,997**	**3.3%**
Federal Disaster Aid for Superstorm Sandy	1,165	1,160	(5)	-0.4%
Federal Health Care Reform	5,673	6,791	1,118	19.7%
GENERAL FUND (INCLUDING TRANSFERS)	**68,042**	**71,113**	**3,071**	**4.5%**
STATE FUNDS	**101,232**	**105,787**	**4,555**	**4.5%**

Overview of the Updated Financial Plan

The table below illustrates the major sources of annual change in State spending by major program, purpose, and fund perspective.

STATE SPENDING MEASURES
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**62,653**	**64,774**	**2,121**	**3.4%**
School Aid (School Year Basis)	23,290	24,797	1,507	6.5%
DOH Medicaid[1]	17,453	18,134	681	3.9%
Transportation	4,745	4,931	186	3.9%
STAR	3,335	3,228	(107)	-3.2%
Social Services	2,949	2,934	(15)	-0.5%
Higher Education	2,955	3,009	54	1.8%
Mental Hygiene	2,646	2,538	(108)	-4.1%
All Other[2]	5,280	5,203	(77)	-1.5%
STATE OPERATIONS/FRINGE BENEFITS	**26,035**	**26,359**	**324**	**1.2%**
State Operations	**18,583**	**18,650**	**67**	**0.4%**
Personal Service:	12,981	12,896	(85)	-0.7%
Executive Agencies	7,236	7,218	(18)	-0.2%
Extra Bi-Weekly Institutional Pay Period	163	0	(163)	n/a
University Systems	3,675	3,723	48	1.3%
Elected Officials	1,907	1,955	48	2.5%
Non-Personal Service:	5,602	5,754	152	2.7%
Executive Agencies	2,747	2,864	117	4.3%
University Systems	2,279	2,282	3	0.1%
Elected Officials	576	608	32	5.6%
Fringe Benefits/Fixed Costs	**7,452**	**7,709**	**257**	**3.4%**
Pension Contribution	2,225	2,496	271	12.2%
Health Insurance	3,465	3,720	255	7.4%
Other Fringe Benefits/Fixed Costs	1,762	1,493	(269)	-15.3%
DEBT SERVICE	**5,598**	**5,078**	**(520)**	**-9.3%**
CAPITAL PROJECTS	**2**	**3**	**1**	**50.0%**
TOTAL STATE OPERATING FUNDS	**94,288**	**96,214**	**1,926**	**2.0%**
Capital Projects (State and Federal Funds)	**8,981**	**11,371**	**2,390**	**26.6%**
Federal Operating Aid[3]	**40,601**	**40,169**	**(432)**	**-1.1%**
TOTAL ALL GOVERNMENTAL FUNDS[3]	**143,870**	**147,754**	**3,884**	**2.7%**

[1] Includes the Essential Plan (EP), which is an insurance plan for individuals who are not eligible for Medicaid and who meet certain income threshold standards. The Essential Plan is not a Medicaid program; however, State-funded support is managed within total DOH Medicaid Global Cap resources.

[2] "All Other" includes public health, other education, local government assistance, parks, environment, economic development, public safety, and reconciliation between school year and State fiscal year spending for School Aid. On a State Fiscal Year basis, School Aid is estimated to total $24.4 billion in FY 2017, an increase of $1.12 billion from FY 2016.

[3] Federal Operating Funds and All Funds disbursements exclude extraordinary aid for Federal health care reform and Superstorm Sandy. All Funds disbursements, including these purposes, are expected to total $155.7 billion in FY 2017, an increase of 3.3 percent.

FY 2017 Financial Plan

DOB estimates that the Updated Financial Plan provides for balanced operations in the General Fund in FY 2017. General Fund disbursements are projected to exceed receipts by $172 million. The difference is funded with $87 million from the FY 2016 undesignated General Fund balance, $75 million from the balance set aside for prior-year labor settlements, and $10 million from the Community Projects Fund.

The following table summarizes the projected annual change from FY 2016 to FY 2017 in General Fund receipts, disbursements, and fund balances, with and without the impact of monetary settlements.

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Annual Change Dollar	Annual Change Percent
Opening Fund Balance (Excluding Monetary Settlements)	2,633	2,634	1	0.0%
Total Receipts	66,336	68,620	2,284	3.4%
Taxes	62,581	64,639	2,058	3.3%
Miscellaneous Receipts/Federal Grants	2,800	2,778	(22)	-0.8%
Other Transfers	955	1,203	248	26.0%
Total Disbursements	66,335	68,792	2,457	3.7%
Local Assistance Grants	43,314	45,769	2,455	5.7%
Agency Operations	13,352	13,817	465	3.5%
Transfers to Other Funds[1]	9,669	9,206	(463)	-4.8%
Net Change in Operations	1	(172)	(173)	-17300.0%
Closing Fund Balance (Excluding Monetary Settlements)	2,634	2,462	(172)	-6.5%
Monetary Settlements				
Settlements on Hand as of April 1	4,667	6,300		
New Settlements Received	3,605	220		
Transfers/Uses	(1,972)	(2,493)		
Closing Fund Balance (Including Monetary Settlements)	8,934	6,489	(2,445)	-27.4%

[1] Excluded are transfers of monetary settlement receipts from the General Fund to (a) the Dedicated Infrastructure Investment Fund ($857 million in FY 2016 and $901 million in FY 2017); (b) the mental hygiene account to fund a portion of a Federal disallowance for the Office for People with Developmental Disabilities (OPWDD) ($850 million in FY 2016); (c) the Environmental Protection Fund ($120 million in FY 2017); and (d) the temporary use of settlement funds to make cash advances for certain capital programs in FY 2017 ($1.3 billion).

As shown in the table above, the State expects to end FY 2017 with a General Fund cash balance of $6.5 billion, a decrease of $2.4 billion from FY 2016 results. The decline is due to the change in monetary settlements on hand. DOB intends to make transfers of monetary settlements on an as-needed basis over the next five years as spending occurs. Legislation included with the FY 2017 Enacted Budget Financial Plan provides transfer authority from the General Fund to DIIF for five years.

Receipts (Excluding Monetary Settlements)

General Fund receipts, including transfers from other funds, are projected to total $68.6 billion in FY 2017, an increase of $2.3 billion (3.4 percent) from FY 2016 results. Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are estimated to total $64.6 billion in FY 2017, an increase of $2.1 billion (3.3 percent) from FY 2016 results.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to total $44.3 billion, an increase of $2.2 billion (5.2 percent) from FY 2016 results. This primarily reflects an increase in withholding and the acceleration of tax refund payments from FY 2017 into FY 2016.

General Fund consumption/use tax receipts, including transfers after payment of debt service on Local Government Assistance Corporation (LGAC) and Sales Tax Revenue Bonds, are estimated to total $12.6 billion in FY 2017, an increase of $292 million (2.4 percent) from FY 2016 results, reflecting projected growth in taxable consumption.

General Fund business tax receipts are estimated at $5.8 billion in FY 2017, an increase of $103 million (1.8 percent) from FY 2016 results. This estimate reflects increased bank tax receipts stemming from a reduced number of prior period adjustments, slightly offset by declines across all other statutorily imposed business tax components.

Other tax receipts in the General Fund are expected to total $2 billion in FY 2017, a decrease of $516 million (-20.5 percent) from FY 2016 results. This primarily reflects an extraordinary level of estate tax collections in FY 2016 that are not expected to recur.

General Fund non-tax receipts and transfers are estimated at $4 billion in FY 2017, an increase of $226 million from FY 2016 results. The increase is primarily due to transfers from a variety of accounts that have accumulated resources in prior years.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see “State Financial Plan Projections Fiscal Years 2017 Through 2020” herein.

Disbursements (Excluding Monetary Settlements)

General Fund disbursements, including transfers to other funds, are expected to total $68.8 billion in FY 2017, an increase of $2.5 billion (3.7 percent) from FY 2016[2]. Local assistance grants are expected to total $45.8 billion in FY 2017, an annual increase of $2.5 billion (5.7 percent) from FY 2016, including $968 million for School Aid (on a State fiscal year basis), $495 million for Medicaid and the EP, and $240 million for education programs outside of School Aid. Other increases reflect anticipated payments for a range of social services, public health, and general purpose aid programs, as well as accounting reclassifications that have the effect of moving spending between financial plan categories and across fund types.

Disbursements for agency operations, including fringe benefits and fixed costs, in the General Fund are expected to total $13.8 billion in FY 2017, an increase from FY 2016 of $465 million (3.5 percent). Most executive agencies are expected to hold spending at FY 2016 levels. This increase reflects expected increases for employee health insurance costs and the State's annual pension payment, as well as costs for DOH to operate the NYSOH health benefit exchange, continue the transition of administrative functions from local service districts to the State, and operate the new EP. In addition, operating costs for many agencies are charged to several funds, as well as affected by offsets and accounting reclassifications.

General Fund transfers to other funds are estimated to total $9.2 billion in FY 2017, a decrease of $463 million from FY 2016. This change is comprised mainly of a lower level of transfers for debt service, which is primarily due to FY 2016 payments of FY 2017 expenses.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year. For a more comprehensive discussion of the State's disbursements projections by major activity, presented on a State Operating Funds basis, see "State Financial Plan Projections Fiscal Years 2017 Through 2020" herein.

[2] Note that the State continues to adhere to a 2 percent annual growth in spending benchmark on a State Operating Funds basis.

Closing Balance for FY 2017

DOB projects that the State will end FY 2017 with a General Fund cash balance of $6.5 billion, a decrease of $2.4 billion from FY 2016. The balance from monetary settlements is expected to total $4 billion, a decrease of $2.3 billion from FY 2016. The decrease in the amount drawn from the monetary settlement balance reflects the timing of planned transfers to other funds from which monetary settlements will be spent. The General Fund cash balance excluding settlements is estimated to be $2.5 billion, or $172 million lower than FY 2016 results. The decline reflects use of Community Projects Fund resources ($10 million) to support estimated spending and the use of resources carried in from FY 2016 ($162 million).[3]

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund, are expected to remain unchanged in FY 2017.

The Updated Financial Plan maintains a reserve of $500 million for debt management purposes in FY 2017, unchanged from the level held at the end of FY 2016. DOB will decide on the use of these funds based on market conditions, Updated Financial Plan needs, and other factors.

TOTAL BALANCES
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Annual Change
TOTAL GENERAL FUND BALANCE	**8,934**	**6,489**	**(2,445)**
Statutory Reserves:			
"Rainy Day" Reserve Funds	1,798	1,798	0
Community Projects Fund	63	53	(10)
Contingency Reserve Fund	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements Prior to FY 2017	15	90	75
Undesignated Fund Balance	237	0	(237)
Monetary Settlements	6,300	4,027	(2,273)
Programmed	5,755	3,332	(2,423)
Unbudgeted	545	695	150

[3] The undesignated fund balance carried forward from FY 2016 totaled $237 million, of which $90 million is held in reserve for potential costs of prior year labor agreements and the remaining $147 million is planned for use in FY 2017.

Cash Flow

The State authorizes the General Fund to borrow money temporarily from available funds held in the Short-Term Investment Pool (STIP). Money may be borrowed for up to four months, or to the end of the fiscal year, whichever period is shorter. The State last used this authorization in April 2011 when the General Fund needed to borrow funds from STIP for a period of five days. The amount of resources that can be borrowed by the General Fund is limited to the available balances in STIP, as determined by the State Comptroller. Available balances include money in the State's governmental funds and a relatively small amount of other money belonging to the State. Several accounts in Debt Service Funds and Capital Projects Funds that are part of All Governmental Funds are excluded from the balances deemed available in STIP. These excluded funds consist of bond proceeds and money obligated for debt service payments.

DOB expects that the State will have sufficient liquidity in FY 2017 to make all planned payments as they become due. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

ALL FUNDS MONTH-END CASH BALANCES
FY 2017
(millions of dollars)

	General Fund	Other Funds	All Funds
April	10,893	3,337	14,230
May	7,751	4,338	12,089
June	7,210	5,010	12,220
July	6,742	5,722	12,464
August	6,450	5,645	12,095
September	9,914	3,690	13,604
October	8,936	3,954	12,890
November	7,010	3,405	10,415
December	9,916	3,122	13,038
January	11,217	4,187	15,404
February	11,228	4,292	15,520
March	6,489	2,508	8,997

Monetary Settlements

From FY 2015 through FY 2017, DOB estimates that the State will have received a total of $8.8 billion in monetary settlements with financial institutions and Volkswagen. The following table lists the settlements by firm and amount. Note that the Updated Financial Plan does not reflect the August 2016 consent order between DFS and Mega Bank, pursuant to which Mega Bank has paid a $180 million monetary penalty to the State for its failure to maintain effective complaint and compliance programs, its failure to report the discovery of certain misconduct, and for other violations of New York Banking Law.

SUMMARY OF RECEIPTS OF SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS (millions of dollars)

	FY 2015	FY 2016	FY 2017	Total
Monetary Settlements	**4,942**	**3,605**	**213**	**8,760**
BNP Paribas	2,243	1,348	0	3,591
Department of Financial Services (DFS)	2,243	0	0	2,243
Asset Forfeiture (DANY)	0	1,348	0	1,348
Deutsche Bank	0	800	0	800
Credit Suisse AG	715	30	0	745
Commerzbank	610	82	0	692
Barclays	0	670	0	670
Credit Agricole	0	459	0	459
Bank of Tokyo Mitsubishi	315	0	0	315
Bank of America	300	0	0	300
Standard Chartered Bank	300	0	0	300
Goldman Sachs	0	50	190	240
Morgan Stanley	0	150	0	150
Bank Leumi	130	0	0	130
Ocwen Financial	100	0	0	100
Citigroup (State Share)	92	0	0	92
MetLife Parties	50	0	0	50
American International Group, Inc.	35	0	0	35
PricewaterhouseCoopers	25	0	0	25
AXA Equitable Life Insurance Company	20	0	0	20
Promontory	0	15	0	15
New Day	0	1	0	1
Volkswagen	0	0	30	30
Other Settlements	7	0	(7)	0

Uses of Monetary Settlements

The Updated Financial Plan reflects the Executive's intention to continue applying the majority of the settlement resources to fund capital investments and nonrecurring expenditures. The Enacted Budget Financial Plan reflects the authorized transfer of monetary settlement funds over a five-year period to DIIF to finance various appropriated purposes ($6.4 billion), as well as $120 million to the Environmental Protection Fund (EPF).

As reflected in the table below, other uses include $850 million to resolve Federal Office for People with Developmental Disabilities (OPWDD) disallowances in FY 2016. A portion of the monetary settlements is being used to support General Fund operations, as previously planned, as well as operational costs of the Department of Law's Litigation Services Bureau.

DOB expects to use monetary settlement resources to fund projects and activities over several years, allowing the State to carry a large, by historical standards, cash balance available in FY 2017 and FY 2018. The State plans to use these resources to make cash advances for certain capital programs in FY 2017 ($1.3 billion) and FY 2018 ($500 million). The cash advances are expected to be reimbursed fully with bond proceeds by the end of FY 2019. These bond-financed programs include higher education, economic development, and transportation programs.

GENERAL FUND SUMMARY OF RECEIPTS AND USE/TRANSFER OF FUNDS FROM SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS
(millions of dollars)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Opening Settlement Balance in General Fund	**0**	**4,667**	**6,300**	**4,027**	**2,676**	**1,476**	**744**	**0**
Receipt of Settlement Payment	**4,942**	**3,605**	**213**	**0**	**0**	**0**	**0**	**8,760**
Use/Transfer of Funds	**275**	**1,972**	**2,486**	**1,351**	**1,200**	**732**	**49**	**8,065**
Capital Purposes:								
Transfer to Dedicated Infrastructure Investment Fund	0	857	901	2,151	1,700	732	49	6,390
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	120
Transfer to/(from) Capital Projects Fund	0	0	1,300	(800)	(500)	0	0	0
Other Purposes:								
Transfer to Audit Disallowance - Federal Settlement	0	850	0	0	0	0	0	850
Financial Plan - General Fund Operating Purposes	275	250	102	0	0	0	0	627
Department of Law - Litigation Services Operations	0	10	63	0	0	0	0	73
Transfer to OASAS Chemical Dependence Program	0	5	0	0	0	0	0	5
Closing Settlement Balance in General Fund	**4,667**	**6,300**	**4,027**	**2,676**	**1,476**	**744**	**695**	**695**

The following purposes will be funded with $6.5 billion of monetary settlement collections from capital appropriations[4]:

Thruway Stabilization ($2.0 billion): The Enacted Budget Financial Plan continues to reflect investments in Thruway infrastructure adding $700 million to last year's commitment of $1.3 billion. The investment will support both the *New* NY Bridge project and other transportation infrastructure needs for the rest of the Thruway system.

Upstate Revitalization Program ($1.7 billion): Funding for the Upstate Revitalization Initiative (URI). In 2015, $1.5 billion was awarded to the three Upstate regions selected as URI best plan awardees. The Enacted Budget Financial Plan includes an additional $200 million ($170 million from monetary settlements) to support projects in the remaining four eligible Upstate regions.

Affordable and Homeless Housing ($640 million): The Enacted Budget Financial Plan supports a multi-year investment in affordable housing services, and provides housing opportunities for individuals and families who are homeless or at risk of homelessness. Funds will be invested over the next five years to create new housing opportunities for individuals and families in need of supportive services, as well as to assist vulnerable populations in securing stable housing.

Broadband Initiative ($500 million): Funding is included in the Enacted Budget Financial Plan for the New NY Broadband Fund Program to expand the availability and capacity of broadband across the State, or development of other telecommunication infrastructure. This program is intended to expand the creation of high-speed networks and promote broadband adoption.

Health Care/Hospitals ($400 million): The Enacted Budget Financial Plan provides $355 million in grants to essential health care providers that facilitate mergers, consolidation, acquisition, or other significant corporate restructuring activities, to create a financially sustainable system of care intended to promote a patient-centered model of health care delivery. An essential health care provider is a hospital or hospital system that offers health services in a region deemed by the Health Commissioner to be underserved. Funding may be used to restructure debt obligations or fund capital improvements to facilitate mergers and consolidations of hospitals in rural communities. The Enacted Budget Financial Plan also funds capital expenses of the Roswell Park Cancer Institute ($15.5 million); a community health care revolving loan ($19.5 million); and IT and other infrastructure costs associated with the inclusion of behavioral health services in the Medicaid Managed Care benefit package ($10 million).

Penn Station Access ($250 million): The Metropolitan Transportation Authority (MTA) Penn Station Access project, which will open a new Metro-North link directly into Penn Station, is expected to provide enhanced system resiliency, improvement in regional mobility, and construction of four new Metro-North stations in the Bronx.

---

[4] The funding of $6.5 billion is reflected in the multi-year totals for transfers to the Dedicated Infrastructure Investment Fund ($6.39 billion) and the Environmental Protection Fund ($120 million).

Transportation Capital Plan ($200 million): The Enacted Budget Financial Plan allocates funds to transportation infrastructure projects across the State.

Municipal Restructuring and Consolidation Competition ($170 million): The Enacted Budget Financial Plan includes $20 million in funding for a new Municipal Consolidation Competition to encourage the reduction of costs through a competitive process to be administered by the Department of State (DOS). This funding is in addition to $150 million allocated last year to assist and encourage local governments and school districts to implement shared services, cooperation agreements, mergers, and other actions that permanently reduce operational costs and property tax burdens.

Resiliency, Mitigation, Security, and Emergency Response ($150 million): The Enacted Budget Financial Plan funds preparedness and response efforts related to severe weather events, as well as efforts to prevent, prepare for, and respond to acts of terrorism, other public safety and health emergencies, and natural and man-made disasters.

Transformative Economic Development Projects ($150 million): The Enacted Budget Financial Plan includes funds for investment that are intended to catalyze private investment, spurring significant economic development and job creation to help strengthen the economies in the communities in Nassau and Suffolk counties.

Infrastructure Improvements ($115 million): Funding is included in the Enacted Budget Financial Plan for infrastructure improvements to support transportation, upstate transit, rail, airport, port, and other projects.

Economic Development ($85 million): The Enacted Budget Financial plan continues to reflect funding for the economic development strategy of creating jobs, strengthening and diversifying economies, and generating economic opportunities across the State, including investments in infrastructure.

Southern Tier/Hudson Valley Farm Initiative ($50 million): Funding is included in the Enacted Budget Financial Plan to help landowners in the Southern Tier and Hudson Valley maintain and develop farming, agricultural, and related businesses.

Empire State Poverty Reduction Initiative (ESPRI) ($25 million): To combat poverty throughout the State, the Enacted Budget Financial Plan includes $25 million for the ESPRI. This program will bring together State and local government, nonprofits, and community groups to design and implement coordinated solutions for addressing poverty in 16 municipalities: Albany, Binghamton, the Bronx, Buffalo, Elmira, Hempstead, Jamestown, Newburgh, Niagara Falls, Oneonta, Oswego, Rochester, Syracuse, Troy, Utica, and Watertown.

Environmental Protection Fund (EPF) ($120 million): The Enacted Budget Financial Plan directs monetary settlement resources to the EPF. These and other EPF resources would provide dedicated funding to communities throughout New York State to improve the environment, combat climate change, and reduce greenhouse gas emissions.

Monetary settlement resources will be used as a temporary advance to: (i) meet initial funding requirements for the Javits expansion project and (ii) support $1.3 billion of bond-financed capital disbursements. The table below shows the schedule for these temporary uses.

TEMPORARY USE OF MONETARY SETTLEMENTS FOR CAPITAL PROJECTS FUNDS
(millions of dollars)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Total Settlement Funds Replenished/(Used)	**(1,300)**	**640**	**150**	**180**	**330**	**0**
Transfer to DIIF for Javits Center Expansion	0	(160)	(350)	(320)	(170)	(1,000)
Bond Proceed Receipts for Javits Center Expansion	0	0	0	500	500	1,000
Management of Debt Issuances	(1,300)	800	500	0	0	0

Javits Expansion: Spending for the Javits expansion will be supported by settlement funds in the first instance, beginning in FY 2018. Subsequently, these expenses will be reimbursed by proceeds from bonds that are planned to be issued in FYs 2020 and 2021.

Management of Debt Issuances: A total of $1.3 billion of capital spending for higher education, transportation and economic development will be funded initially from the settlement fund balances set aside in the General Fund. These funds will be made available for the projects appropriated from DIIF when the State reimburses the $1.3 billion of spending with bond proceeds anticipated in FY 2018 ($800 million) and FY 2019 ($500 million). As a result of these reimbursements, it is anticipated that transfers from the General Fund to support the Capital Projects Fund will be lower in FYs 2018 and 2019 by $800 million and $500 million, respectively.

April – June 2016
Operating Results

April – June 2016 Operating Results

This section provides a summary of operating results for April 2016 through June 2016 compared to (1) the initial projections set forth in the FY 2017 Enacted Budget Financial Plan; and (2) the results for the prior fiscal year (April 2015 through June 2015). The results below include monetary settlements.

General Fund Results

Monetary settlements continue to have a dramatic effect on the State's overall cash position and currently account for $6 billion of the $7.2 billion General Fund closing balance. The last sizeable monetary settlement payment received was $190 million in May 2016, of which $127 million was deposited into the General Fund.

In the General Fund, total receipts through June 2016 were below Enacted Budget Financial Plan projections by $415 million, while spending through June 2016 exceeded Enacted Budget Financial Plan projections by $561 million, resulting in a fund balance $976 million lower than Enacted Budget Financial Plan projections.

GENERAL FUND OPERATING RESULTS
APRIL THROUGH JUNE 2016
(millions of dollars)

	Enacted Plan	Results	Above/(Below) Variance
Opening Balance	**8,934**	**8,934**	**0**
Total Receipts	**18,955**	**18,540**	**(415)**
Taxes:	18,181	17,715	(466)
Personal Income Tax[1]	13,450	12,855	(595)
Consumption / Use Taxes[1]	3,164	3,246	82
Business Taxes	1,089	1,113	24
Other Taxes[1]	478	501	23
Receipts and Grants	733	758	25
Transfers From Other Funds	41	67	26
Total Spending	**19,703**	**20,264**	**561**
Local Assistance	11,993	12,350	357
Agency Operations (including GSCs)	4,829	4,996	167
Debt Service Transfer	242	240	(2)
Capital Projects Transfer	454	448	(6)
State Share of Mental Hygiene Medicaid Transfer	335	362	27
SUNY Operations Transfer	639	638	(1)
All Other Transfers	1,211	1,230	19
Change in Operations	**(748)**	**(1,724)**	**(976)**
Closing Balance	**8,186**	**7,210**	**(976)**

[1] Includes transfers from other funds after debt service.

Tax collections in total were $466 million lower than projected in the Enacted Budget Financial Plan. The lower PIT collections ($595 million) were primarily driven by weaker than expected baseline growth in PIT receipts, particularly estimated payments, as a result of an unexpected decline in both the number of payments and the size of average payments. Higher than projected consumption/use taxes ($82 million), relative to the Enacted Budget Financial Plan, were associated with stronger than anticipated June 2016 sales tax collections, which was partially associated with timing of audit receipts. The Updated Financial Plan includes forecast revisions which address the underlying weakness in base tax growth.

Through June 2016, General Fund disbursements, including transfers to other funds, were $561 million higher than initially projected, primarily due to local assistance ($357 million) and agency operations ($167 million).

Local assistance over-spending was primarily driven by Medicaid and EP payments, partly offset by under-spending for education, social services and other local assistance programs. Spending for Medicaid was higher than planned as a result of timing delays related to the receipt of certain offsets and audit recoveries planned through June 2016, which are now expected to be received in later months, as well as unanticipated State share costs for the EP to offset a shortfall in Federal funding during the first quarter of FY 2017 when enrollment for the program increased significantly. State share costs for the EP, after the utilization of available Federal funds, are managed within total available resources of the DOH Medicaid Global Cap.

Spending for agency operations was above planned levels as a result of slightly higher PS costs in several large agencies, including the Department of Corrections and Community Supervision (DOCCS) and Judiciary. GSC expenses were also higher than anticipated due to a one-month delay in the application of available offsets to workers' compensation payments, which will be corrected by September 2016, and higher fixed costs for litigation and court of claims payments.

State Operating Funds Results

The State ended June 2016 with a closing balance of $12.5 billion in State Operating Funds, or $782 million below the FY 2017 Enacted Budget Financial Plan projection. This variance is driven by lower receipts ($212 million) and higher spending ($630 million), partly offset by higher financing from other sources ($60 million).

STATE OPERATING FUNDS RESULTS
APRIL THROUGH JUNE 2016
(millions of dollars)

	Enacted Plan	Results	Above/(Below) Variance
Opening Balance	**12,641**	**12,641**	**0**
Total Receipts	**24,647**	**24,435**	**(212)**
Taxes:	19,974	19,526	(448)
Personal Income Tax	13,892	13,293	(599)
Consumption / Use Taxes	3,853	3,938	85
Business Taxes	1,425	1,466	41
Other Taxes	804	829	25
Miscellaneous/Federal Receipts	4,673	4,909	236
Total Spending	**24,060**	**24,690**	**630**
Local Assistance	15,794	16,190	396
Agency Operations (including GSCs)	7,900	8,134	234
Debt Service	366	366	0
Capital Projects	0	0	0
Other Financing Sources	**103**	**163**	**60**
Change in Operations	**690**	**(92)**	**(782)**
Closing Balance	**13,331**	**12,549**	**(782)**

Through June 2016, total receipts in State Operating Funds were $212 million lower than the FY 2017 Enacted Budget Financial Plan projections, including lower overall tax collections consistent with the General Fund explanation provided above. Higher miscellaneous receipts were driven by strong first quarter HCRA surcharge collections, reflecting continued growth in the utilization of health care services throughout the State. The growth in the utilization of health care services is, in part, a byproduct of expanded health insurance coverage provided under the ACA. The deposit of $63 million from unanticipated monetary settlement collections into the Attorney General's litigation special revenue account also drove higher receipts through June 2016.

Compared to the Enacted Budget Financial Plan projections, State Operating Funds spending was $630 million above plan, or 2.6 percent higher. Consistent with the General Fund explanations above, driving the majority of the State Operating Funds variance was spending associated with Medicaid and agency operations (including GSCs). In addition to the General Fund variances, higher local assistance spending was also driven by transit aid payments to the MTA, reflecting additional disbursements based on the timing of dedicated revenue deposits which were higher than planned in June 2016.

Total State operations' spending was $234 million higher than Enacted Budget Financial Plan projections, which, in addition to the General Fund factors described above, was largely driven by higher fringe and operational expenses of SUNY.

All Governmental Funds Results

The State ended June 2016 with an All Governmental Funds closing balance of $12.2 billion, $895 million below the initial projection. Lower receipts ($832 million) and higher spending ($71 million) primarily contributed to the variance.

All GOVERNMENTAL FUNDS RESULTS
APRIL THROUGH JUNE 2016
(millions of dollars)

	Enacted Plan	Results	Above/(Below) Variance
Opening Balance	**11,810**	**11,810**	**0**
Total Receipts	**39,252**	**38,421**	**(832)**
Taxes:	20,289	19,835	(455)
Personal Income Tax	13,892	13,293	(600)
Consumption / Use Taxes	4,005	4,089	84
Business Taxes	1,576	1,612	36
Other Taxes	816	841	25
Miscellaneous Receipts	5,974	5,904	(70)
Federal Grants	12,989	12,682	(307)
Total Spending	**37,929**	**38,000**	**71**
State Operating Funds:	24,060	24,690	630
Local Assistance	15,794	16,190	396
Agency Operations (including GSCs)	7,900	8,134	234
Debt Service	366	366	0
Capital Projects	0	0	0
Capital Projects Funds	2,158	1,923	(235)
Federal Operating Funds	11,711	11,387	(324)
Other Financing Sources	**(19)**	**(11)**	**8**
Change in Operations	**1,304**	**410**	**(895)**
Closing Balance	**13,114**	**12,220**	**(895)**

April – June 2016 Operating Results

Through June 2016, total All Funds receipts were $832 million lower than the FY 2017 Enacted Budget Financial Plan projections, mainly due to lower PIT, which is consistent with the explanations described earlier. The lower miscellaneous receipts reflect the combination of higher State Operating Funds resources, driven largely by HCRA and monetary settlement revenues, partly offset by lower bond proceeds collections in Capital Funds as a result of delayed bond sales and bond proceeds reimbursement to the DHBTF. Lower than anticipated Federal Grants are directly attributable to lower than anticipated Federal disbursements, as described in more detail below.

Through June 2016, All Funds spending was $71 million higher than planned. Offsetting the higher State Operating Funds spending was lower Capital Funds spending, as explained above, and lower Federal operating spending. Lower federal spending, as compared to the Enacted Budget Financial Plan projections, was primarily due to the timing of payments across a number of program areas, most notably in the areas of Medicaid, OTDA welfare, and Homeland Security for disaster assistance.

All Governmental Funds Annual Change

All Governmental Funds results, as compared to the same period during the prior year, include a higher opening balance ($2.5 billion), a decline in receipts ($784 million), and higher spending ($4.2 billion). The combination of these annual changes resulted in a $2.5 billion decline in overall balance.

All GOVERNMENTAL FUNDS RESULTS YEAR-OVER-YEAR
April through June
(millions of dollars)

	FY 2016 Results	FY 2017 Results	Increase/(Decrease) $	%
Opening Balance	**9,356**	**11,810**	**2,454**	
Total Receipts	**39,205**	**38,421**	**(784)**	**-2.0%**
Taxes:	20,633	19,835	(798)	-3.9%
Personal Income Tax	13,844	13,293	(552)	-4.0%
Consumption / Use Taxes	4,000	4,089	89	2.2%
Business Taxes	1,777	1,612	(165)	-9.3%
Other Taxes	1,012	841	(171)	-16.9%
Miscellaneous Receipts	7,566	5,904	(1,662)	-22.0%
Federal Grants	11,006	12,682	1,676	15.2%
Total Spending	**33,790**	**38,000**	**4,210**	**12.5%**
State Operating Funds:	21,809	24,690	2,881	13.2%
Local Assistance	15,014	16,190	1,176	7.8%
Agency Operations (including GSCs)	6,210	8,134	1,924	31.0%
Debt Service	585	366	(219)	-37.4%
Capital Projects	0	-	(0)	-100.0%
Capital Projects Funds	1,497	1,923	426	28.4%
Federal Operating Funds	10,484	11,387	903	8.6%
Other Financing Sources	**(7)**	**(11)**	**(4)**	
Change in Operations	**5,408**	**410**	**(4,998)**	
Closing Balance	**14,764**	**12,220**	**(2,544)**	

April – June 2016 Operating Results

All Funds tax receipts during the first quarter of FY 2017 were $784 million lower than the first quarter of FY 2016 results, including PIT collections ($552 million) due to decline in quarterly estimated tax payments, reflecting both the number of payments and the size of average payments. In total, PIT collections through the first quarter of FY 2017 are down 4 percent from the first quarter of FY 2016.

A year-over-year decline in first quarter business tax receipts ($165 million) primarily reflects lower gross receipts and lower receipts resulting from audits conducted by the State. Also contributing to the decline, corporation franchise taxpayers overpaid their liability in June 2015 due to the uncertainty concerning the first year of corporate tax reform.

The year-over-year decline in first quarter results for other taxes ($171 million) was primarily the result of three abnormally large estate tax payments occurring during the first quarter of FY 2016, while no such payments occurred during the first quarter of FY 2017.

Miscellaneous receipts during the first quarter of FY 2017 were $1.7 billion below the first quarter results of FY 2016, largely due to the receipt of one-time settlement proceeds in FY 2016, particularly $1.3 billion from BNP Paribas and $600 million from Deutsche Bank.

The $1.7 billion annual growth in Federal grants were driven by growth in spending related to the Medicaid and EP programs.

For the period of April through June 2016, All Funds spending was $4.2 billion higher than the same period of the prior year, which was comprised of growth in State Operating Funds ($2.9 billion), Federal Operating Funds ($903 million), and Capital Projects Funds ($426 million).

State Operating Funds spending for the first three months of FY 2017 exceeded spending in the same period in the prior year by $2.9 billion, or 13.2 percent. The largest contributor to this variance is the full payment of the State's $1.9 billion pension bill in April 2016, while full payment of the pension bill in the prior fiscal year was not completed until July 2015. In addition, School Aid spending increased by $336 million due to the increase enacted last year for the 2015-16 school year. Changes in the timing of certain Medicaid receivables, including anticipated audit recoveries and spending offsets that are now scheduled for later months, drive higher Medicaid costs above budget growth levels. Payment schedules, including payroll, and the advance payment of debt service and other expenses are the main contributors of the remaining year-to-year changes.

Federal spending growth was largely driven by higher Medicaid spending ($1.3 billion) consistent with budgeted growth and the impact of the ACA, which is further driven by the annualized impact of new spending for the EP. This growth was offset by reduced spending in Education ($159 million) and public assistance ($195 million) due to the timing of payments.

Growth in capital projects spending is primarily attributable to the Special Infrastructure spending from designated monetary settlement funds ($192 million), Empire State Development (ESD) ($69 million), and State and Municipal Facilities ($51 million).

Other Matters Affecting the Financial Plan

Other Matters Affecting the State Financial Plan

General

The State's Updated Financial Plan is subject to complex economic, social, financial, political, and environmental risks and uncertainties, many of which are outside the ability of the State to control. DOB believes that the projections of receipts and disbursements in the Updated Financial Plan are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from these projections. In certain fiscal years, actual receipts collections have fallen substantially below the levels forecasted. In addition, projections in future years are based on the assumption that annual growth in State Operating Funds spending is limited to 2 percent, and that all savings that result from the 2 percent limit will be made available to the General Fund.

DOB routinely executes cash management actions to manage the State's large and complex budget. These actions are intended for a variety of purposes that include improving the State's cash flow, managing resources within and across fiscal years, assisting in adherence to spending targets and better positioning the State to address future risks and unanticipated costs, such as economic downturns, unexpected revenue deterioration and unplanned expenditures. As such, the State regularly makes certain payments above those initially planned to maintain budget flexibility. All payments made above the planned amount are reflected in the year they occur and adhere to the limit of the State's 2 percent spending benchmark.

The Updated Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impacts of: national and international events; ongoing financial instability in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; major terrorist events, hostilities or war; climate change and extreme weather events; Federal statutory and regulatory changes concerning financial sector activities; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments which may adversely affect bonus income and capital gains realizations; the effect of household debt on consumer spending and State tax collections; and the outcome of litigation and other claims affecting the State.

Among other factors, the Updated Financial Plan is subject to various uncertainties and contingencies relating to: wage and benefit increases for State employees that exceed projected annual costs; changes in the size of the State's workforce; the realization of the projected rate of return for pension fund assets, and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid expected in the Updated Financial Plan; the ability of the State to implement cost reduction initiatives, including reductions in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to market securities successfully in the public credit markets. Some of these issues are described in more detail herein. The projections and assumptions contained in the Updated Financial Plan are subject to revisions which may result in substantial change. No assurance can be given that these estimates and projections, which depend in part upon actions the State expects to be taken but which are not within the State's control, will be realized.

Budget Risks and Uncertainties

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In some cases, the ability of the State to implement such actions requires the approval of the Legislature and cannot be implemented solely by action of the Governor.

The Updated Financial Plan projections for the outyears assume that School Aid and Medicaid disbursements will be limited to the annual growth in NYS personal income and the ten-year average growth of the medical component of the consumer price index (CPI), respectively. However, the budgets enacted for FYs 2014 through 2017 authorized spending for School Aid to increase above personal income growth that would otherwise be used to calculate the school year increases. The FY 2017 Enacted Budget Financial Plan includes a 6.5 percent School Aid increase, compared to personal income indexed rate of 3.9 percent.

State law grants the Commissioner of Health certain powers and authority to maintain Medicaid spending levels assumed in the Updated Financial Plan. Over the past five years, DOH State Funds Medicaid spending levels have been maintained at or below indexed levels. However, Medicaid program spending is sensitive to a number of factors including fluctuations in economic conditions, which may increase caseload. The Commissioner's powers are intended to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated for the current fiscal year, through actions which may include reducing rates to providers. However, these actions may be dependent upon timely Federal approvals and other elements of the program that govern implementation. It should further be noted that the Medicaid Cap, which is indexed to historical CPI Medical trends, applies to State Operating Funds and therefore General Fund spending remains sensitive to revenue performance in the State's HCRA fund (which finances approximately one-quarter of the DOH State-share costs of Medicaid).

The forecast contains specific transaction risks and other uncertainties including, but not limited to: receipt of certain payments from public authorities; receipt of miscellaneous revenues at the levels expected in the Updated Financial Plan, and achievement of cost-saving measures including, but not limited to, transfer of available fund balances to the General Fund at levels currently projected. Such risks and uncertainties, if they were to materialize, could adversely impact the Updated Financial Plan in current or future years.

In developing the Updated Financial Plan, DOB attempts to mitigate the financial risks from volatility, litigation, and unexpected costs, with a particular emphasis on the General Fund. It does this by, among other things, calculating total General Fund disbursements cautiously (i.e., to a level they are unlikely to reach) and managing the accumulation of financial resources that can be used to offset new costs (including, but not limited to, fund balances not needed in a given year, acceleration of tax refunds above the level budgeted in a given year, and prepayment of expenses). There can be no assurance that the tools available to mitigate risks are sufficient to address risks that may materialize in a given fiscal year.

Federal Issues

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to address response to, and recovery from, severe weather events and other disasters. Despite modest legislative adjustments to the budgetary caps contained in the Budget Control Act of 2011, the possibility for a reduction in Federal support is elevated so long as the caps remain in place. Any reduction in Federal funding levels could have a materially adverse impact on the Updated Financial Plan. In addition, the Updated Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. Issues of particular concern are described below.

Medicaid Redesign Team (MRT) Medicaid Waiver

The Federal Centers for Medicare & Medicaid Services (CMS) and the State have reached an agreement authorizing up to $8 billion in new Federal funding, over several years, to transform New York's health care system and ensure access to quality care for all Medicaid beneficiaries. This funding, provided through an amendment to the State's Partnership Plan 1115 Medicaid waiver, is divided among the Interim Access Assurance Fund (IAAF), the Delivery System Reform Incentive Payment (DSRIP) Program, Health Homes, and various other Medicaid redesign initiatives.

Since January 1, 2014, in accordance with provisions of the ACA, New York State has been eligible for enhanced Federal Medical Assistance Percentage (FMAP) funding associated with childless adults. The DOH continues to work with the CMS, and to refine the eligibility data systems to draw the appropriate amount of enhanced FMAP. This reconciliation may result in a modification of payments to the State and local governments.

Federal Debt Ceiling

In October 2013, an impasse in Congress caused a temporary Federal government shutdown and raised concern for a time that the Federal debt ceiling would not be raised in a timely manner. Including the temporary suspension of the debt limit that ended that standoff in 2013, Congress has passed three suspensions of the debt limit since then, the most recent extending through March of 2017.

A Federal government default on payments, particularly for a prolonged period, could have a materially adverse effect on the national and State economies, financial markets, and intergovernmental aid payments. The specific effects on the Updated Financial Plan of a future Federal government default are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default.

A payment default by the United States may adversely affect the municipal bond market. Municipal issuers, as well as the State, could face higher borrowing costs and impaired market access. This would jeopardize planned capital investments in transportation infrastructure, higher education facilities, hazardous waste remediation, environmental projects, and economic development projects. Additionally, the market for and market value of outstanding municipal obligations, including municipal obligations of the State, could be adversely affected.

ACA - Excise Tax on High-Cost Employer-Sponsored Health Coverage ("Cadillac Tax")

The "Cadillac Tax" is a 40 percent excise tax to be assessed on the portion of the premium for an employer-sponsored health insurance plan that exceeds a certain annual limit. The tax was passed into law in 2010 as a component of the Federal ACA. That law was amended in December 2015 to delay the effective date of the tax from calendar year 2018 to calendar year 2020. Final guidance from the Internal Revenue Service is pending. DOB has no current estimate as to the potential financial impact on the State from this Federal excise tax.

Current Labor Negotiations (Current Contract Period)

The State and NYSPIA recently achieved a multi-year collective bargaining agreement patterned after the State's 2015 legislative session deals with the State Police Troopers and Commissioned- and Non-Commissioned Officers. The recently enacted NYSPIA pay bill will provide the same schedule of general salary increases provided to NYSPBA members; specifically, a two percent general salary increase for each of FY 2015 and FY 2016, in their entirety, and a 1.5 percent general salary increase for each of FY 2017 and FY 2018, respectively. NYSPIA and NYSPBA are the only two unions with collectively negotiated agreements in place beyond FY 2016. The State is in active negotiations with all other employee unions.

The State also settled a one-year retroactive labor agreement, and a pay bill was enacted, authorizing payment of a 2 percent general salary increase to members of the New York State Public Employees Federation (PEF) for the period April 1, 2015 through March 31, 2016. This agreement makes PEF contracts consistent with most other State union contracts which have salary increases that concluded in FY 2016, including the Civil Service Employees Association (CSEA), United University Professions (UUP), the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), Council 82, District Council 37 (DC-37 Housing) and the Graduate Student Employees Union (GSEU). Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose last salary increase was at the end of FY 2015.

The State is prepared to negotiate fiscally responsible successor agreements with all of these unions. The State Operating Funds cost of providing a 1 percent general salary increase effective in FY 2017 for PEF, PBANYS, CSEA, UUP, NYSCOPBA, Council 82, DC-37 Housing and GSEU and unrepresented management/confidential (M/C) employees is approximately $130 million annually.

On June 27, 2016, the City University of New York (CUNY) Board of Trustees approved collective bargaining agreements between CUNY and unions representing almost all of the University's faculty and staff. For CUNY senior colleges, these agreements are estimated to cost approximately $250 million for retroactive payments and $150 million in ongoing annual costs. At the request of CUNY, to make resources available for retroactive payments in the academic year ending June 2017, the State expects to advance its planned payment, from October 2017 to June 2017, of approximately $250 million in planned State support for CUNY senior colleges.

Pension Amortization[5]

Background

Under legislation enacted in August 2010, the State and local governments may amortize (defer paying) a portion of their annual pension costs. Amortization temporarily reduces the pension costs that must be paid by public employers in a given fiscal year, but results in higher costs overall when repaid with interest.

In FY 2016, the State made a total pension payment to the New York State and Local Retirement System (NYSLRS) of $1.7 billion, and amortized $296.7 million (the maximum amount allowable). In addition, the State's Office of Court Administration (OCA) made a total pension payment of $263.6 million, and amortized $59.5 million (the maximum amount legally allowable). The total deferred amount of the FY 2016 pension payment — $356.2 million — will be repaid with interest over the next ten years, with the final payment being made in FY 2026.

The State is required to begin repayment on each new amortization in the fiscal year immediately following the year in which the deferral was made. The full amount of each amortization, with interest, must be repaid within ten years, but the amount can be paid off sooner. The annual interest rate on each new amortization is determined by OSC, and is fixed for the entire term of the deferral. Legislation included in the FY 2017 Enacted Budget authorizes the State to prepay annual installments of principal associated with an amortization, prior to the expiration of the amortization repayment schedule, and thus only be required to make the related interest payments during the subsequent fiscal years associated with such prepayments. This option does not allow the State to extend the ten-year repayment schedule, nor does it allow for the interest rate initially applied to the amortization amount to be modified.

[5] The information contained under this heading was prepared solely by DOB and reflects the budgetary aspects of pension amortization. The pension amortization information that appears later in this AIS Update, under the section entitled "State Retirement System" was furnished solely by OSC.

For amounts amortized in FY 2011 through FY 2016, the State Comptroller set interest rates of 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent and 3.21 percent, respectively. The normal annual employer contribution to the NYSLRS is based on rates established by the NYSLRS Actuary using the annual fund valuation and actuarially prescribed policies and procedures. Employer contribution rates are established for both the Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS). These rates are then applied to the State-employee salary base for each respective employee group. The State's normal annual contribution is the total bill, excluding payments for deficiency, group life, previous amortizations, incentive costs, administrative costs, and prior-year adjustments.

The amortization rates (i.e., the graded rates) for ERS and PFRS are determined by a formula enacted in the 2010 legislation. The respective graded rates always move toward their system's average normal rate by up to 1 percentage point per year. When the average normal rate is more than 1 percentage point greater than the graded rate, the use of the amortization program reduces the portion of the normal contribution that is payable immediately. The balance of the normal contribution may be amortized. However, when the graded rate equals or exceeds the normal average rate, amortization is not allowed. Additionally, when the graded rate is more than 1 percentage point greater than the average normal rate, the employer is required to pay the graded rate. Any additional contributions are first used to pay off existing amortizations. If all amortizations have been paid, any excess is deposited into a reserve account and used to offset future increases in contribution rates. The amortization threshold is projected to approximate the normal rate in upcoming fiscal years. Therefore, the Updated Financial Plan no longer assumes amortization of State and OCA pension costs beyond FY 2016.

For both the ERS and the PFRS, the following table provides: i) system average normal rates; and ii) amortization (graded) rates.

	New York State Employees' Retirement System (ERS)		New York State Police and Fire Retirement System (PFRS)	
Fiscal Year (FY)	Normal Rates (GLIP Portion)[1]	Graded Rates (does not apply to GLIP)	Normal Rates (GLIP Portion)	Graded Rates (does not apply to GLIP)
FY 2011	11.9 (0.4)	9.5	18.2 (0.1)	17.5
FY 2012	16.3 (0.4)	10.5	21.6 (0.0)	18.5
FY 2013	18.9 (0.4)	11.5	25.8 (0.1)	19.5
FY 2014	20.9 (0.4)	12.5	28.9 (0.0)	20.5
FY 2015	20.1 (0.4)	13.5	27.6 (0.1)	21.5
FY 2016	18.2 (0.5)	14.5	24.7 (0.0)	22.5
FY 2017	15.5 (0.4)	15.1	24.3 (0.0)	23.5

[1] Group Life Insurance Plan (GLIP) portion reflected in parenthesis along with normal rates.

Outyear Projections

All projections are based on projected market returns and numerous actuarial assumptions which, if unrealized, could change these projections materially.

During FY 2016, the NYSLRS (ERS and PFRS) updated its actuarial assumptions based on the results of the 2015 five-year experience study. In September 2015, the System announced that employer contribution rates would decrease for FY 2017 and the assumed rate of return would be lowered from 7.5 percent to 7 percent. The salary scale assumptions were also changed — for ERS the scale was reduced from 4.8 percent to 3.8 percent and for PFRS the scale was reduced from 5.4 percent to 4.5 percent. Factoring in these and other assumptions, the average contribution rate for ERS will decrease from 18.2 percent of payroll to 15.5 percent, or about 15 percent, while the average contribution rate for PFRS will decrease from 24.7 percent of payroll to 24.3 percent, or approximately 2 percent.

The FY 2017 ERS/PFRS pension payment estimate of $2.3 billion incorporates the most recent estimate prepared by OSC as of April 2016. This includes payment of prior amortizations totaling $432 million and additional interest savings from paying the non-Judiciary and Judiciary pension bills in April 2016. Total payment estimates include both the non-Judiciary and Judiciary components, and reflect payment of the entire pension bill, with no additional amortization.

The pension estimate also reflects changes to military service credit provisions enacted during the 2016 legislative session (chapter 41 of the laws of 2016), allowing all veterans who are members of a New York State or local retirement system to receive extra pension credit for up to three years of military service if they were honorably discharged, have achieved five years of service in a public retirement system, and agree to pay the employee share of such additional pension credit. Costs to the State for its employees will be incurred at the time each member purchases credit, as documented by OSC at the end of each calendar year. Additionally, under Section 25 of Retirement and Social Security Law (RSSL), the State is required to pay the ERS employer contributions associated with this credit on behalf of local governments who participate in that section of law. The State is also permitted to amortize the first year of past service costs associated with this credit; however, the State has not yet chosen this option as the application experience will not be documented until December 31, 2016, and there would be an interest rate of 7 percent applied to this amortization. DOB currently estimates the cost to the State (including the costs covered for local ERS) to be $144 million in FY 2017; $103 million in FYs 2018 and 2019; and $62 million in FY 2020.

The following table provides aggregate pension costs across all the various systems associated with State employees: i) ERS for both the Executive branch and Judiciary; ii) PFRS for the Executive; iii) Teachers' Retirement System (TRS) for both SUNY and the State Education Department (SED); iv) Optional Retirement Program (ORP) for both SUNY and SED; and v) NYS Voluntary Defined Contribution Plan (VDC). Amortization (graded) rates, deferrals and repayments are provided for ERS (Executive and Judiciary) and PFRS (Executive).

STATE PENSION COSTS AND AMORTIZATION SAVINGS
(millions of dollars)

	Amortization Thresholds (Graded Rate)		Statewide Pension Payments*			
Fiscal Year	ERS (%)	PFRS (%)	Gross Pension Costs	(Amortization Amount)/ Excess Contributions	Repayment of Amortization (incl. FY 2005 and FY 2006)	Total Statewide Pension Payments
2011	9.5	17.5	1,633	(250)	87	1,470
2012	10.5	18.5	2,140	(563)	119	1,696
2013	11.5	19.5	2,192	(779)	188	1,601
2014	12.5	20.5	2,744	(937)	279	2,086
2015	13.5	21.5	2,438	(713)	393	2,118
2016	14.5	22.5	2,189	(356)	392	2,225
2017	15.1	23.5	2,064	0	432	2,496
2018	15.1	23.8	2,133	0	432	2,565
2019	14.6	23.3	2,116	0	432	2,548
2020	14.8	23.5	2,130	0	432	2,562

*Includes ERS, PFRS, TRS, ORP and VDC.

The next table reflects projected pension contributions and amortizations exclusively for the Executive branch and Judiciary employees participating in the ERS and PFRS. The "Normal Costs" column shows the amount of the State's pension cost prior to amortization, as authorized in 2010. The "(Amortized) / Excess Contributions" column shows amounts deferred (i.e., amortized) or payments of outstanding contingencies. The "Amortization Payments" column provides the amount paid in a given fiscal year (principal and interest on deferrals) as authorized in 2010. The "Total" column provides the State's actual or planned pension contribution, net of amortization.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM[1]
IMPACTS OF AMORTIZATION ON PENSION CONTRIBUTIONS
(millions of dollars)

Fiscal Year	Normal Costs[2]	(Amortized)/Excess Contributions	Amortization Payments	Total
Results:				
2011	1,543.2	(249.6)	0.0	1,293.6
2012	2,037.5	(562.8)	32.3	1,507.0
2013	2,076.1	(778.5)	100.9	1,398.5
2014	2,633.8	(937.0)	192.1	1,888.9
2015	2,325.8	(713.1)	305.6	1,918.3
Projections:				
2016	1,972.2	(356.2)	389.9	2,005.9
2017	1,840.2	0.0	432.1	2,272.3
2018	1,904.9	0.0	432.1	2,337.0
2019	1,883.1	0.0	432.1	2,315.2
2020	1,892.2	0.0	432.1	2,324.3
2021	1,884.8	0.0	432.2	2,317.0
2022	1,977.9	0.0	399.8	2,377.7
2023	1,993.5	0.0	331.3	2,324.8
2024	2,009.1	0.0	240.1	2,249.2
2025	2,024.4	0.0	126.5	2,150.9
2026	2,039.6	0.0	42.2	2,081.8
2027	2,054.3	0.0	0.0	2,054.3
2028	2,068.9	0.0	0.0	2,068.9
2029	2,061.5	0.0	0.0	2,061.5
2030	2,052.1	0.0	0.0	2,052.1
2031	2,040.1	0.0	0.0	2,040.1

[1] Pension contribution values in this table do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension costs in other Financial Plan tables include such pension disbursements.

[2] Normal costs include payments from amortizations prior to FY 2011, which will end in FY 2016 as a result of early repayments.

Net Pension Liability

The State recognizes new Governmental Accounting Standards Board (GASB) Statement 68 (Accounting and Financial Reporting for Pensions), which replaces the requirements of GASB Statement 27 and GASB Statement 50, and is incorporated into the State's FY 2016 Basic Financial Statements. GASB Statement 68 requires governments providing defined pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The State's net pension liability related to the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System, as reported in the State's financial statements for FY 2016, is $1.6 billion ($1.4 billion for the State; $180 million for SUNY, and $2 million for Lottery). GASB Statement 68 is not expected to alter DOB's Updated Financial Plan projections for pension payments, and the DOB methodology for forecasting these costs over a multiyear period already incorporates factors and considerations consistent with the new actuarial methods and calculations required by the statement.

Other Post-Employment Benefits (OPEB)

State employees become eligible for post-employment benefits (e.g., health insurance) if they reach retirement while working for the State and are enrolled in the New York State Health Insurance Program (NYSHIP), or are enrolled in the NYSHIP opt-out program at the time they reach retirement and have at least ten years of eligible service for NYSHIP benefits. The cost of providing post-retirement health insurance is shared between the State and the retired employee. Contributions are established by law and may be amended by the Legislature. The State pays its share of costs on a Pay-As-You-Go (PAYGO) basis as required by law.

In accordance with the GASB Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2016, the State's Annual Required Contribution (ARC) represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for FY 2016, the unfunded actuarial accrued liability for FY 2016 is $77.9 billion ($63.426 billion for the State and $14.427 billion for SUNY), an increase of $494 million from FY 2015 (attributable entirely to SUNY). The unfunded actuarial accrued liability for FY 2016 used an actuarial valuation of OPEB liabilities as of April 1, 2014 for the State, and for SUNY. These valuations were determined using the Frozen Entry Age actuarial cost method, and are amortized over an open period of 30 years using the level percentage of projected payroll amortization method. Driving a significant portion of the annual growth in the State's unfunded actuarial accrued liability is the adoption of new generational mortality projection tables developed by the Society of Actuaries, reflecting an improvement in life expectancy in future years, and resulting in increases to accrued liabilities and the present value of projected benefits.

Also driving a portion of the annual growth are the expected increases in NYSHIP costs due to health care cost trends and utilization increases.

The actuarially determined annual OPEB cost for FY 2016 totaled $4.2 billion ($3.246 billion for the State and $926 million for SUNY), an increase of $1.166 billion from FY 2015 ($959 million for the State and $207 million for SUNY). The actuarially-determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. The actuarially determined cost was $2.567 billion ($1.905 billion for the State and $662 million for SUNY) greater than the cash payments for retiree costs made by the State in FY 2015. This difference between the State's PAYGO costs, and the actuarially-determined ARC under GASB Statement 45, reduced the State's net asset condition at the end of FY 2016 by $2.6 billion.

GASB does not require the additional costs to be funded on the State's budgetary (cash) basis, and no additional funding is assumed for this purpose in the Updated Financial Plan. The State continues to fund these costs, along with all other employee health care expenses, on a PAYGO basis.

There is no provision in the Updated Financial Plan to fund the ARC for OPEB. If the State began making a contribution, the additional cost above the PAYGO amounts would be lowered. However, it is not expected that the State will alter its current PAYGO funding practice.

The State is also currently examining GASB Statement 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions), which amends GASB Statement 45 and GASB Statement 57, and is expected to be incorporated into the State's FY 2019 financial statements. The GASB Statement 75 will alter the actuarial methods used to calculate OPEB liabilities, standardize asset smoothing and discount rates, and require the unfunded net OPEB obligation to be reported by the State. The inclusions of the remaining balance of the unfunded OPEB liability is expected to significantly increase the State's total long-term liabilities and act to lower the State's overall Net Position.

GASB Statement 75 is not expected to alter Updated Financial Plan projections for health insurance, as the DOB methodology for forecasting these costs over a multi-year period already incorporates factors and considerations consistent with the new actuarial methods and calculations required by the statement.

Litigation

Litigation against the State may include potential challenges to the constitutionality of various actions. The State may also be affected by adverse decisions that are the result of various lawsuits. Such adverse decisions may not meet the materiality threshold to warrant individual description but, in the aggregate, could still adversely affect the Updated Financial Plan.

Storm Recovery

In recent years, New York State has sustained damage from three powerful storms that crippled entire regions. In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various New York State counties. In September 2011, Tropical Storm Lee caused flooding in additional New York State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. On October 29, 2012, Superstorm Sandy struck the East Coast, causing widespread infrastructure damage and economic losses to the greater New York region. The frequency and intensity of these storms present economic and financial risks to the State. Reimbursement claims for costs of the immediate response are being processed, and both recovery and future mitigation efforts have begun, largely supported by Federal funds. In January 2013, the Federal government approved approximately $60 billion in Federal disaster aid for general recovery, rebuilding and mitigation activity nationwide. It is anticipated that New York State, MTA, and New York State localities may receive approximately one-half of this amount for response, recovery, and mitigation costs. To date, a total of $17 billion has been committed to repairing impacted homes and businesses, restoring community services, and mitigating future storm risks across New York State. There can be no assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities over the coming years.

Climate Change Adaptation

Climate change poses long-term threats to physical and biological systems. Potential hazards and risks related to climate change for the State include, among other things, rising sea levels, more severe coastal flooding and erosion hazards, and more intense storms. Storms in recent years, including Superstorm Sandy, Hurricane Irene, and Tropical Storm Lee, have demonstrated vulnerabilities in the State's infrastructure (including mass transit systems, power transmission and distribution systems, and other critical lifelines) to extreme weather events, including coastal flooding caused by storm surges. Significant long-term planning and investment by the Federal government, State, municipalities, and public utilities are expected to be needed for adapting existing infrastructure to climate change risks.

Financial Condition of New York State Localities

The financial demands on State aid may be affected by the fiscal conditions of New York City and potentially other localities, which rely in part on State aid to balance their budgets and meet their cash requirements. Certain localities outside New York City, including cities and counties, have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. In 2013, the Financial Restructuring Board for Local Governments was created to provide assistance to distressed local governments by performing comprehensive reviews, and providing grants and loans as a condition of implementing recommended efficiency initiatives. For additional details on the Restructuring Board, please visit www.frb.ny.gov.

Bond Market

Implementation of the Updated Financial Plan is dependent on the State's ability to market its bonds successfully. The State finances much of its capital spending in the first instance from the General Fund or the STIP, which it then reimburses with proceeds from the sale of bonds. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, the State's overall cash position and capital funding plan may be adversely affected. The success of projected public sales will be subject to prevailing market conditions, among other things. Future developments in the financial markets, including possible changes in Federal tax law relating to the taxation of interest on municipal bonds, as well as future developments concerning the State and public discussion of such developments generally, may affect the market for outstanding State-supported and State-related debt.

Debt Reform Act Limit

The Debt Reform Act of 2000 ("Debt Reform Act") restricts the issuance of State-supported debt to capital purposes only, and for maximum terms of 30 years. The Act limits the amount of new State-supported debt to 4 percent of State personal income, and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued since April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001, and was fully phased in at 4 percent of personal income during FY 2011. The cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001, and was fully phased in at 5 percent during FY 2014. The State was in compliance with the statutory caps in the most recent calculation period (FY 2015).

DOB projects that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $4.9

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2016	1,143,076	4.00%	45,723	40,814	4,909	3.57%	0.43%	9,415	50,229
FY 2017	1,193,755	4.00%	47,750	42,879	4,871	3.59%	0.41%	8,111	50,990
FY 2018	1,253,602	4.00%	50,144	48,067	2,077	3.83%	0.17%	6,813	54,880
FY 2019	1,315,073	4.00%	52,603	51,743	859	3.93%	0.07%	5,771	57,515
FY 2020	1,377,503	4.00%	55,100	54,795	305	3.98%	0.02%	4,895	59,690
FY 2021	1,441,044	4.00%	57,642	57,221	421	3.97%	0.03%	3,421	60,642

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity	Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
FY 2016	153,265	5.00%	7,663	4,087	3,576	2.67%	2.33%	1,492	5,579
FY 2017	152,357	5.00%	7,618	4,355	3,263	2.86%	2.14%	698	5,053
FY 2018	158,594	5.00%	7,930	4,757	3,173	3.00%	2.00%	1,485	6,242
FY 2019	159,556	5.00%	7,978	5,357	2,621	3.36%	1.64%	1,400	6,757
FY 2020	163,563	5.00%	8,178	5,832	2,347	3.57%	1.43%	1,386	7,218
FY 2021	170,216	5.00%	8,511	6,217	2,294	3.65%	1.35%	1,228	7,444

billion in FY 2016 to $305 million in FY 2020. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. Debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Bonds issued under the new SUNY Dormitory Facilities Revenue credit (which are not backed by a general obligation pledge of SUNY) are not included in the State's calculation of debt caps. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant.

The table below reflects the changes in State debt capacity under its statutory debt cap since the release of the Enacted Budget Financial Plan. In the Updated Financial Plan, DOB revised its forecast of personal income resulting in the loss of debt capacity ranging from $30 million to $130 million in FY 2019 to FY 2021. This loss in debt capacity is largely offset by lower capital spending estimates, based on capital activity to date and updated forecasts.

DEBT OUTSTANDING SUBJECT TO CAP REMAINING CAPACITY SUMMARY
(millions of dollars)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Enacted Budget Financial Plan	**4,885**	**4,747**	**1,889**	**645**	**105**	**284**
Personal Income Forecast Adjustment	24	22	90	(30)	(82)	(130)
Capital Reestimates	0	102	98	244	282	267
First Quarterly Update Financial Plan	**4,909**	**4,871**	**2,077**	**859**	**305**	**421**

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf, to pay for upgrading their primary health care facilities. In the event of revenue shortfalls to pay debt service on the Secured Hospital bonds, which include hospital payments made under loan agreements between the Dormitory Authority of the State of New York (DASNY) and the hospitals and certain reserve funds held by the applicable trustees for the bonds, the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by DASNY through the Secured Hospital Program. As of March 31, 2016, there were approximately $257 million of bonds outstanding for this program.

The financial condition of hospitals in the State's Secured Hospital Program continues to deteriorate. Of the remaining financially distressed hospitals, one is experiencing significant operating losses that have impaired its ability to remain current on its loan agreement with DASNY. In relation to the Secured Hospital Program, the State's contingent contractual obligation was invoked to pay debt service for the first time in FY 2014 when $12 million was paid, and again in FY 2015 and FY 2016 when $24 million and $19 million were paid, respectively. DASNY also estimates the State will pay debt service costs of approximately $25 million in FY 2017, and approximately $14 million annually in FY 2018 through FY 2021. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for the hospital that currently is not meeting the terms of its loan agreement with DASNY as mentioned above, a second financially distressed hospital whose debt service obligation was discharged in bankruptcy but is paying rent which offsets a portion of the debt service, and a third hospital that is now closed. The State has estimated additional exposure of up to $24 million annually, if all financially distressed hospitals failed to meet the terms of their agreements with DASNY and if available reserve funds were depleted.

SUNY Downstate Hospital and the Long Island College Hospital (LICH)

In May 2011, the New York State Supreme Court issued an order (the "May 2011 Order") that approved the transfer of real property and other assets of LICH to a New York State not-for-profit corporation (“Holdings”), the sole member of which is SUNY. Subsequent to such transfer, Holdings leased the LICH hospital facility to SUNY University Hospital at Brooklyn ("Downstate Hospital"). In 2012, DASNY issued tax exempt State PIT Revenue Bonds ("PIT Bonds"), to refund approximately $120 million in outstanding debt originally incurred by LICH and assumed by Holdings.

Pursuant to a court-approved settlement in 2014, SUNY, together with Holdings, issued a request for proposals (RFP) seeking a qualified party to provide or arrange to provide health care services at LICH and to purchase the LICH property. The structure of the settlement also increased the likelihood that sufficient proceeds from the transaction would be available to support defeasance of the PIT Bonds by setting a minimum purchase price.

In accordance with the settlement, Holdings has entered into a purchase and sale agreement with FPG Cobble Hill Acquisitions, LLC (the “Purchaser”), an affiliate of Fortis Property Group, LLC (“Fortis”) (also party to the agreement), which proposes to purchase the LICH property, and with NYU Hospitals Center which will provide both interim and long-term health care services. The Fortis affiliate plans to develop a mixed-use project. The agreement was approved by the Offices of the Attorney General and the State Comptroller, and the sale of all or substantially all of the assets of Holdings was approved by the State Supreme Court in Kings County. The initial closing was held as of September 1, 2015 and on September 3, 2015, sale proceeds of approximately $120 million were transferred to the trustee for the PIT Bonds which were paid and legally defeased from such proceeds. Title to 17 of the 20 properties was conveyed to the special purpose entities formed by the Purchaser to hold title.

The next closing, when title to the New Medical Site (NMS) portion of the LICH property is to be conveyed to NYU Hospitals Center (the NMS Closing) is anticipated to occur within 30 days after all buildings on the NMS are fully demolished and all environmental issues remediated by the Purchaser. The external demolition of the buildings had been the subject of a court ordered restraint that was removed as of October 29, 2015. In its efforts to complete the demolitions and environmental remediation, the Purchaser has continued to deal with challenges raised by adjoining property owners and community groups. These challenges have delayed, and may continue to delay, demolition and environmental remediation.

As the NMS Closing did not occur on or before June 30, 2016, NYU Hospitals Center has the right to terminate its obligations under the purchase and sale agreement upon 30 days prior notice to Purchaser and Holdings. There can be no assurance that NYU Hospitals Center will not exercise its right to terminate. If NYU Hospitals Center terminates its obligations under the purchase and sale agreement, it has the contractual right to close its interim emergency department services immediately, but that right would be subject to obtaining regulatory approval for the closure. Also, if NYU Hospitals Center terminates its obligations under the purchase and sale agreement, the Purchaser has the ability under the purchase and sale agreement to continue with the final closing if, among other things, the Purchaser can identify a replacement provider with a confirming letter of interest to provide certain of the healthcare services expected to be provided by NYU Hospitals Center.

To date, Holdings has received no indication that NYU Hospitals Center intends to terminate its obligations under the purchase and sale agreement. As an alternative to termination, in light of the delays, each of Holdings and NYU Hospitals Center has the contractual right at any time to take over and complete the demolition and environmental remediation at the Purchaser's sole cost and expense. If Holdings elects to take over the demolition and environmental remediation, it may do so directly or through a designee (i.e., a contractor).

The final closing is anticipated to occur within 36 months after the NMS Closing. At the final closing, title to the two remaining portions of the LICH properties will be conveyed to special purpose entities of Fortis, and Holdings will receive the balance of the purchase price, $120 million less the remaining down payment. The final closing is conditioned upon completion of the construction of the New Medical Building by NYU Hospitals Center and relocation of the emergency department to the New Medical Building.

There can be no assurance that the resolution of legal, financial, and regulatory issues surrounding LICH, including the payment of outstanding liabilities, will not have a materially adverse impact on SUNY.

State Financial Plan Projections Fiscal Years 2017 Through 2020

State Financial Plan Projections – FYs 2017 through 2020

Introduction

This section presents the State's multi-year Updated Financial Plan projections for receipts and disbursements, reflecting the impact of forecast revisions in FYs 2017 through FY 2020, with an emphasis on the FY 2017 projections.

The State's cash-basis budgeting system, complex fund structure, and practice of earmarking certain tax receipts for specific purposes complicate the discussion of the State's receipts and disbursements projections. Therefore, to minimize the distortions caused by these factors and, equally important, to highlight relevant aspects of the projections, DOB has adopted the following approaches in summarizing the projections:

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The State Funds perspective reflects estimated tax receipts before their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends, and forecast assumptions, by factoring out the distorting effects of earmarking certain tax receipts.

- **Disbursements:** Roughly 40 percent of projected State-financed spending for operating purposes (excluding transfers) is accounted for outside of the General Fund, concentrated primarily in the areas of health care, School Aid, higher education, transportation, and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis.

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish, the further removed such estimates and projections are from the date of this Updated Financial Plan. Accordingly, in terms of outyear projections, the first "outyear" of the FY 2017 budget, FY 2018, is the most relevant from a planning perspective.

State Financial Plan Projections Fiscal Years 2017 Through 2020

Summary

The Updated Financial Plan reflects a 2 percent annual growth in State Operating Funds, consistent with the expectation of adherence with a 2 percent spending benchmark.

The projections for FY 2018 and thereafter set forth in the Updated Financial Plan reflect the savings that DOB estimates would be realized if the current Administration continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The estimated savings are labeled on a distinct line in the Updated Financial Plan tables as "Adherence to 2 percent Spending Benchmark." The total disbursements in the Updated Financial Plan tables do not assume these savings. Such savings will be developed and proposed in future budgets. If the State exceeds the 2 percent State Operating Funds spending benchmark in FY 2017, FY 2018, FY 2019, and FY 2020, the projected budget gaps would be higher.

The following tables present the Updated Financial Plan multi-year projections for the General Fund and State Operating Funds, as well as reconciliation between the State Operating Funds projections and the General Fund budget gaps. The tables are followed by a summary of the multi-year receipts and disbursements forecasts.

General Fund Projections

GENERAL FUND PROJECTIONS (millions of dollars)	FY 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
RECEIPTS					
Taxes (After Debt Service)	62,581	64,638	67,596	67,700	70,421
Miscellaneous Receipts/Federal Grants	5,842	2,827	2,487	2,456	2,336
Other Transfers	1,253	1,203	751	750	734
Total Receipts	**69,676**	**68,668**	**70,834**	**70,906**	**73,491**
DISBURSEMENTS					
Local Assistance Grants	43,314	45,769	48,967	51,595	54,450
School Aid	20,133	21,101	22,579	23,896	25,211
Medicaid/EP	12,136	12,631	13,517	14,421	15,403
All Other	11,045	12,037	12,871	13,278	13,836
State Operations	7,955	8,265	8,681	8,530	8,668
Personal Service	6,011	6,012	6,068	6,104	6,166
Non-Personal Service	1,944	2,253	2,613	2,426	2,502
General State Charges	5,397	5,552	5,916	6,124	6,467
Transfers to Other Funds	11,376	11,527	11,860	12,039	12,191
Debt Service	1,196	706	1,260	1,182	1,076
Capital Projects	2,721	3,810	3,469	3,399	3,311
State Share of Mental Hygiene Medicaid	2,036	1,437	1,325	1,301	1,236
SUNY Operations	998	996	1,001	997	997
All Other	4,425	4,578	4,805	5,160	5,571
Total Disbursements	**68,042**	**71,113**	**75,424**	**78,288**	**81,776**
Adherence to 2% Spending Benchmark[1]	**n/a**	**n/a**	**3,031**	**4,710**	**6,532**
Use (Reservation) of Fund Balance:	**(1,634)**	**2,445**	**1,352**	**1,200**	**731**
Community Projects Fund	11	10	0	0	0
Labor Agreements Prior to FY 2017	35	75	0	0	0
Undesignated Fund Balance	(47)	87	0	0	0
Monetary Settlements[2]	(1,633)	2,273	1,352	1,200	731
Programmed	(1,088)	2,423	1,352	1,200	731
Unbudgeted	(545)	(150)	0	0	0
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**(207)**	**(1,472)**	**(1,022)**

[1] Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, Budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

[2] FY 2016 and FY 2017 reflect transfers of monetary settlement funds from the General Fund to the Dedicated Infrastructure Investment Fund ($857 million in FY 2016 and $901 million in FY 2017); the Environmental Protection Fund ($120 million in FY 2017); and the mental hygiene account for Federal disallowance repayment ($850 million in FY 2016).

State Operating Funds Projections

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)	FY 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
RECEIPTS					
Taxes	73,279	75,207	78,579	79,357	82,503
Miscellaneous Receipts/Federal Grants	23,328	19,232	18,650	18,838	18,553
Total Receipts	**96,607**	**94,439**	**97,229**	**98,195**	**101,056**
DISBURSEMENTS					
Local Assistance Grants	62,653	64,774	67,842	70,696	73,516
School Aid (School Year Basis)	23,290	24,797	25,906	27,219	28,599
DOH Medicaid	17,453	18,134	18,934	19,828	20,691
Transportation	4,745	4,931	5,016	5,071	5,161
STAR	3,335	3,228	2,977	2,921	2,869
Higher Education	2,955	3,009	3,097	3,158	3,195
Social Services	2,949	2,934	3,013	3,046	3,078
Mental Hygiene	2,646	2,538	3,132	3,494	3,738
All Other[1]	5,280	5,203	5,767	5,959	6,185
State Operations	18,583	18,650	18,936	18,933	19,082
Personal Service	12,981	12,896	12,887	13,005	13,106
Non-Personal Service	5,602	5,754	6,049	5,928	5,976
General State Charges	7,452	7,709	8,132	8,411	8,805
Pension Contribution	2,225	2,496	2,565	2,548	2,562
Health Insurance (Active Employees)	2,183	2,343	2,484	2,651	2,831
Health Insurance (Retired Employees)	1,282	1,376	1,459	1,557	1,663
All Other	1,762	1,493	1,623	1,654	1,750
Debt Service	5,598	5,078	6,257	6,771	7,232
Capital Projects	2	3	2	0	0
Total Disbursements	**94,288**	**96,214**	**101,169**	**104,811**	**108,635**
Net Other Financing Sources/(Uses)	432	(1,006)	(309)	(328)	(132)
Adherence to 2% Spending Benchmark[2]	**n/a**	**n/a**	**3,031**	**4,710**	**6,532**
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(2,751)	2,781	1,011	762	157
General Fund	(1,634)	2,445	1,352	1,200	731
Special Revenue Funds	(1,075)	426	(232)	(346)	(415)
Debt Service Funds	(42)	(90)	(109)	(92)	(159)
GENERAL FUND BUDGET SURPLUS/(GAP)	**0**	**0**	**(207)**	**(1,472)**	**(1,022)**

[1] All Other includes other education, parks, environment, economic development, public safety, and reconciliation between school year and State fiscal year spending on School aid.

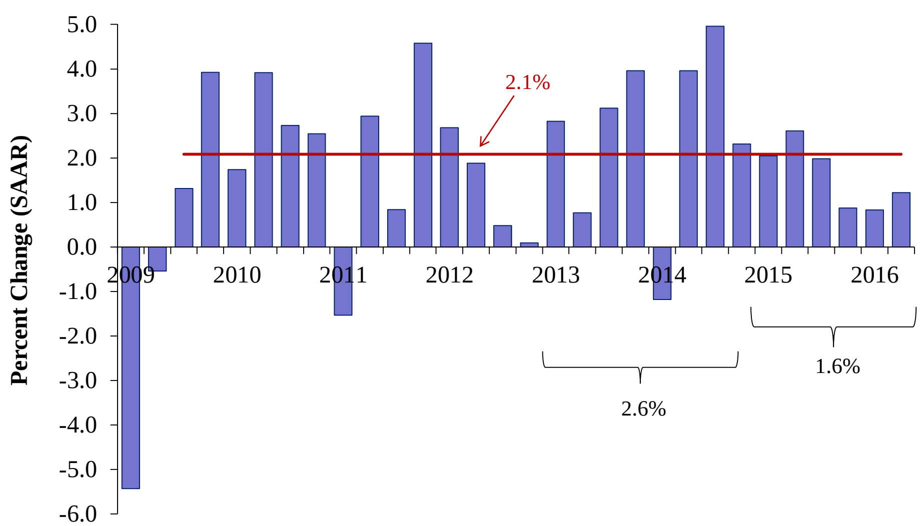
[2] Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, projected budget gaps would be higher.

Economic Backdrop

The U.S. Economy

The U.S. economy continues to struggle to exceed 2 percent growth. Based on the most recent U.S. Bureau of Economic Analysis (BEA) data, the economy grew by a disappointing 1.2 percent in the second quarter of calendar year 2016, following weak first quarter growth of 0.8 percent. Growth for both quarters combined was substantially below the Enacted Budget Financial Plan forecast. Household spending made a strong comeback in the second quarter, but both residential and nonresidential investment registered large declines, casting a pall over the remainder of calendar year 2016. Prospects for the second half are further clouded by a decelerating labor market, weak global trade, the U.K.'s pending exit from the European Union, and yet another dip in oil prices. DOB is now projecting economic growth of 1.6 percent for calendar year 2016, 0.2 percentage point below the Enacted Budget Financial Plan forecast.

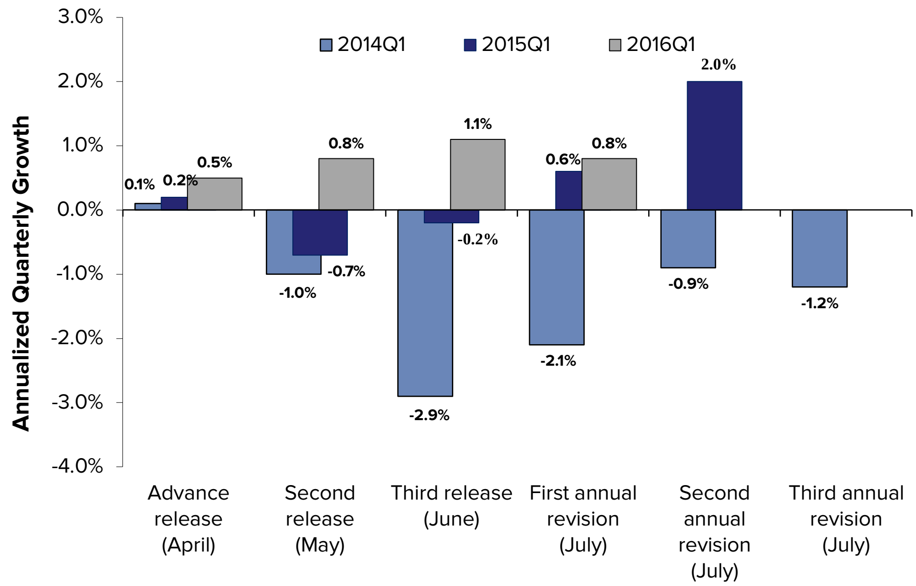
Figure 1: Real US GDP Growth Remains Stuck in Low Gear



Source: Moody's Analytics.

In a July 29th data release, BEA reported its annual revision to the National Income and Product Account data. In addition to reporting the first estimate of the second quarter of calendar year 2016, the July 29th report revisited the first quarter of 2016 and the prior three years of Gross Domestic Product (GDP) data. These estimates are updated based on more complete source data, such as IRS tax return data and Census Bureau annual survey data. In addition, with this year's revisions, BEA begins to implement its ongoing research to improve the seasonal adjustment process. The impact of the July 29th revisions appears in the following Figure. Based on this most recent and sixth estimate of the first quarter of calendar year 2014, the national economy contracted 1.2 percent during that quarter, indicating even more weakness than the prior estimate of a 0.9 percent decline. In contrast, the first quarter of 2015 was revised up from 0.6 percent growth to 2.0 percent growth and results in a much smoother pattern over the course of the year (see Figure 1). Finally, we note that average quarterly growth is now higher for 2013 and 2014, but lower for the period from the first quarter of 2015 through the first quarter of 2016. On balance, average quarterly growth over the life of the expansion remains unchanged at 2.1 percent, reinforcing that the current expansion has been the weakest of the postwar era.

Figure 2: The Evolution of BEA's Q1 Estimates



Source: U.S. Bureau of Economic Analysis.

The national labor market has decelerated markedly since the second half of 2015. Monthly private sector job gains averaged a still solid 167,000 over the first seven months of 2016, but down from 221,000 in 2015. Moreover, over 60 percent of the job growth in the first half of 2016 has been concentrated in three relatively low-wage/low productivity sectors: healthcare and social assistance; leisure and hospitality; and wholesale and retail trade. Slower job growth, combined with the composition of jobs created, is consistent with the weak output growth observed in the first half of 2016. Total nonagricultural employment is expected to grow a downwardly revised 1.7 percent for 2016, a deceleration from 2.1 percent growth in 2015. Although the implied projected pace of growth is consistent with further declines in the unemployment rate, it is also consistent with continued low rates of real GDP growth.

Consumer spending has shown remarkable improvement over the life of the current expansion and is likely to remain one of the economy's bright spots. After growing a weak 1.6 percent in the first quarter of 2016, real household spending rose an impressive 4.2 percent during the second quarter, a stronger rebound than expected. However, it is unlikely that second quarter growth is indicative of the trend going forward. Indeed, the outlook for the second half of 2016 is virtually unchanged from the Enacted Budget Financial Plan forecast, with growth expected to moderate going forward along with job growth and only small wage gains. The most recent light vehicle sales data continue to signal that unit sales likely peaked in the fall of 2015, averaging 17.4 million on an annualized basis over the first seven months of 2016 compared with an average of 17.9

million over the final six months of 2015. Real growth in household consumption of 2.7 percent is projected for 2016, representing a modest upward revision from the Enacted Budget Financial Plan forecast, but still down from 3.2 percent real growth in 2015.

Despite activist monetary policy actions around the globe, prospects for improving global growth remain dim. It appears likely that the U.K. economy will slow substantially and possibly fall into recession following the June 23rd, 2016 U.K. vote to leave the EU. Moreover, growth in the rest of Europe and China does not appear to be showing significant improvement. Thus, with U.S. growth outshining the rest of the developed world, the dollar is more likely to strengthen than weaken going forward. Consequently, real growth in U.S. exports has been revised down to 0.5 percent for 2016.

U.S. ECONOMIC INDICATORS
(Percent change from prior calendar year)

	2015 (Actual)	2016 (Forecast)	2017 (Forecast)
Real U.S. Gross Domestic Product	2.6	1.6	2.3
Consumer Price Index (CPI)	0.1	1.3	2.3
Personal Income	4.5	4.2	4.5
Nonagricultural Employment	2.1	1.7	1.4

Source: Moody's Analytics; DOB staff estimates.

Oil prices briefly rose above $50 per barrel in early June 2016, an almost doubling of its February 11, 2016 low of $26. That increase was sufficient to induce modest increases in both foreign and domestic energy production, resulting in a small increase in the nation's oil rig count in June 2016, the first in 10 months. However, fear that global growth may be too slow to absorb this increased supply has resulted in yet another dip in oil prices, which remain below $50. These most recent developments likely shut the door on any significant increase in investment related to energy mining and exploration. Equipment investment outside of the energy sector has also been exceedingly weak. DOB now estimates that non-residential fixed investment will contract 0.1 percent in 2016, representing a downward revision from the Enacted Budget Financial Plan forecast.

Outside of energy costs, consumer prices related to shelter, medical care, and education have been on the rise. DOB now estimates consumer price inflation of 1.3 percent for 2016, marginally above the Enacted Budget Financial Plan forecast. But with a more subdued outlook for both domestic and global growth, inflation expectations are still expected to remain below the Federal Reserve Board's target rate over the medium-term. With persistently weak business investment spending, significant risks from the global economy, only modest improvement in wage growth, and the 10-year Treasury yield remaining stubbornly below 2 percent, the Federal Reserve is now likely to implement only one federal funds rate hike during 2016, and DOB expects this is likely to occur in December 2016.

Although DOB calls for a subdued pace of growth going forward, there are still significant risks to this forecast. If the U.K. should fall into recession and global growth is even more sluggish than expected, slower export and corporate profits growth than reflected in this forecast could result and even weaker equity market growth could follow. If the labor market should slow more significantly and domestic demand decelerate further than anticipated, the current expansion's growth engine – the U.S. consumer – could run out of steam, compounding the drag from abroad. The U.S. presidential election continues to add yet one more layer of uncertainty. In contrast, if the actions of central banks around the globe to stimulate their economies, which have included negative interest rates and hopes for expanded use of fiscal policy, are more effective than expected, export, profits, and equity market growth could be stronger than projected. Finally, the response of both domestic and global financial markets to the unwinding of the Federal Reserve's unprecedentedly accommodative policies will continue to pose a risk, possibly resulting in a return of the extreme volatility observed in the first quarter of this year.

The New York State Economy

New York private sector labor market growth continues to hold steady, despite a weak national and global backdrop. The most recent detailed data indicate continued robust growth in professional and business services, transportation and warehousing, construction and real estate services, education, and health care. As a result, DOB's estimate for private sector job growth for 2016 remains virtually unchanged at 1.6 percent. Total employment growth for 2016 also remains unchanged from the Enacted Budget Financial Plan forecast of 1.4 percent.

Continued strong job growth leaves non-bonus wage growth unchanged at 5.0 percent for FY 2016, the strongest since the start of the State's most recent recession. Equity market prices finally surpassed their May 2015 peak during July 2016, but weakness in corporate earnings appears to have persisted through the second calendar-year quarter of 2016, which along with a subdued outlook for national and global economic growth, suggests very little further momentum for the remainder of 2016. As a result, DOB's forecast continues to call for weak finance and insurance sector bonus growth of 3.7 percent for FY 2017, following a decline of 6.3 percent for FY 2016. Overall wage growth for FY 2017 remains at 4.3 percent. However, the expectation that equity markets will fail to generate any significant momentum going forward has resulted in a downward revision to taxable capital gains realizations for the 2016 tax year to a decline of 3.1 percent.

NEW YORK STATE ECONOMIC INDICATORS
(Percent change from prior State fiscal year)

	FY 2015 (Actual)	FY 2016 (Estimated)	FY 2017 (Forecast)
Personal Income	3.5	4.3	4.7
Wages	4.4	4.6	4.3
Nonagricultural Employment	1.9	1.8	1.3

Source: Moody's Analytics; New York State Department of Labor; DOB staff estimates.

The performance of the State's private-sector labor market remains robust, but there are significant risks to the forecast. All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, both the volume of financial market activity and the volatility in equity markets pose a particularly large degree of uncertainty for New York. If equity market growth proves to be weaker than anticipated, bonus payouts for the 2016-17 bonus season could be much lower than anticipated. Moreover, under the still evolving regulatory environment, the pattern of Wall Street bonus payouts continues to shift, with payments now more widely dispersed throughout the year. Taxable payouts can represent both current-year awards and deferred payments from prior years, with the deferral ratio itself proving to be unstable. As a result, the uncertainty surrounding bonus projections remains substantial. Recent events also demonstrate how sensitive financial markets can be to shifting expectations surrounding energy prices, Federal Reserve policy, and global growth. The lead up to the central bank's December 2015 increase in its short-term interest rate target, the first in almost ten years, started a wave of volatility that resulted in a drop in equity market prices of more than 10 percent in the early part of 2016. Such financial market gyrations are likely to have a larger impact on the State economy than on the nation as a whole. Should financial and real estate markets be either weaker or stronger than we expect, both bonuses and taxable capital gains realizations could be correspondingly affected.

Receipts

Updated Financial Plan receipts include a variety of taxes, fees and assessments, charges for State-provided services, Federal grants, and other miscellaneous receipts, as well as collection of a payroll tax on businesses in the MTA region. The multi-year tax and miscellaneous receipts estimates are prepared by DOB with the assistance of the Department of Taxation and Finance (DTF) and other agencies which collect State receipts, and are predicated on economic analysis and forecasts.

Overall base growth in tax receipts is dependent on many factors. In general, base tax receipts growth rates are determined by economic changes including, but not limited to, changes in interest rates, prices, wages, employment, nonwage income, capital gains realizations, taxable consumption, corporate profits, household net worth, real estate prices and gasoline prices. Federal law changes can influence taxpayer behavior, which often alters base tax receipts. State taxes account for approximately half of total All Funds receipts.

The projections of Federal receipts generally correspond to the anticipated spending levels of a variety of programs including Medicaid, public assistance, mental hygiene, education, public health, and other activities, including extraordinary aid.

Where noted, certain tables in the following section display General Fund tax receipts that exclude amounts transferred to the General Fund in excess of amounts needed for certain debt service obligations (e.g., PIT receipts in excess of the amount transferred for debt service on revenue bonds).

Overview of the Receipts Forecast

All Funds receipts in FY 2017 are projected to total $152.4 billion, 0.6 percent below FY 2016 results.

ALL FUNDS RECEIPTS (millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
Personal Income Tax	47,055	48,864	3.8%	51,155	4.7%	51,134	0.0%	53,143	3.9%
Consumption/Use Taxes	15,725	16,125	2.5%	16,858	4.5%	17,445	3.5%	17,992	3.1%
Business Taxes	7,884	7,994	1.4%	8,323	4.1%	8,448	1.5%	8,863	4.9%
Other Taxes	2,703	2,183	-19.2%	2,175	-0.4%	2,191	0.7%	2,292	4.6%
Payroll Tax	1,306	1,336	2.3%	1,395	4.4%	1,462	4.8%	1,536	5.1%
Total State Taxes	**74,673**	**76,502**	**2.4%**	**79,906**	**4.4%**	**80,680**	**1.0%**	**83,826**	**3.9%**
Miscellaneous Receipts	27,268	24,092	-11.6%	25,918	7.6%	25,346	-2.2%	24,852	-1.9%
Federal Receipts	51,324	51,764	0.9%	52,773	1.9%	53,531	1.4%	54,888	2.5%
Total All Fund Receipts	**153,265**	**152,358**	**-0.6%**	**158,597**	**4.1%**	**159,557**	**0.6%**	**163,566**	**2.5%**

State tax receipts are expected to increase 2.4 percent in FY 2017. The increase in PIT receipts is primarily due to withholding growth and a decline in refunds, while the decline in other taxes is the result of one-time factors affecting FY 2016 and the continued phase-in of the estate tax cut. The miscellaneous receipts decline in FY 2017 is primarily due to the substantial decline in monetary settlement payments from financial institutions.

Consistent with the projected growth in the New York economy over the multi-year financial plan period beyond FY 2017, all tax categories are expected to exhibit growth. The "other taxes" category is expected to display a near term decline due to tax cuts enacted in 2014, but is expected to resume growth in the long term.

After controlling for the impact of tax law changes, base tax revenue increased 5.4 percent in FY 2016, and is projected to increase by 2.7 percent in FY 2017 and 5.3 percent in FY 2018.

Personal Income Tax

PERSONAL INCOME TAX
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**47,055**	**48,864**	**3.8%**	**51,155**	**4.7%**	**51,134**	**0.0%**	**53,143**	**3.9%**
Gross Collections	56,600	57,940	2.4%	61,295	5.8%	62,141	1.4%	65,491	5.4%
Refunds (Incl. State/City Offset)	(9,545)	(9,076)	4.9%	(10,140)	-11.7%	(11,007)	-8.6%	(12,348)	-12.2%
GENERAL FUND[1]	**31,957**	**33,420**	**4.6%**	**35,389**	**5.9%**	**35,429**	**0.1%**	**36,988**	**4.4%**
Gross Collections	56,600	57,940	2.4%	61,295	5.8%	62,141	1.4%	65,491	5.4%
Refunds (Incl. State/City Offset)	(9,545)	(9,076)	4.9%	(10,140)	-11.7%	(11,007)	-8.6%	(12,348)	-12.2%
STAR	(3,335)	(3,228)	3.2%	(2,977)	7.8%	(2,921)	1.9%	(2,869)	1.8%
RBTF	(11,763)	(12,216)	-3.9%	(12,789)	-4.7%	(12,784)	0.0%	(13,286)	-3.9%

[1]Excludes Transfers.

All Funds personal income tax receipts for FY 2017 are projected to be $48.9 billion, an increase of $1.8 billion (3.8 percent) from FY 2016 results. This increase includes growth in withholding, final returns, and delinquency collections, coupled with a moderate decline in total refunds related to the decrease of the administrative refund cap in January to March 2017. Growth in these categories is partially offset by a decline in extension payments attributable to the 2015 tax year and estimated payments related to the 2016 tax year.

The following table summarizes, by component, actual receipts for FY 2016 and forecast amounts through FY 2020.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS ALL FUNDS (millions of dollars)	FY 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Receipts					
Withholding	36,549	38,356	39,802	41,056	43,158
Estimated Payments	16,111	15,506	17,205	16,594	17,644
Current Year	11,561	11,445	12,559	11,502	12,552
Prior Year[1]	4,550	4,061	4,646	5,092	5,092
Final Returns	2,630	2,720	2,891	3,034	3,168
Current Year	269	280	292	292	292
Prior Year[1]	2,361	2,440	2,599	2,742	2,876
Delinquent	1,310	1,358	1,397	1,457	1,521
Gross Receipts	56,600	57,940	61,295	62,141	65,491
Refunds					
Prior Year[1]	5,130	5,037	6,366	6,608	7,556
Previous Years	618	718	689	714	744
Current Year[1]	2,551	1,750	1,750	1,750	1,750
Advanced Credit Payment	571	883	647	1,247	1,709
State/City Offset[1]	675	688	688	688	589
Total Refunds	9,545	9,076	10,140	11,007	12,348
Net Receipts	**47,055**	**48,864**	**51,155**	**51,134**	**53,143**

[1]These components, collectively, are known as the "settlement" on the prior year's tax liability.

Withholding in FY 2017 is estimated to be $1.8 billion (4.9 percent) higher than FY 2016 results, due mainly to moderate estimated wage growth. Extension payments related to tax year 2015 are estimated to decrease by $489 million (10.7 percent), primarily due to payment-timing differences relative to tax year 2014 payments (taxpayers paid a higher percentage of their tax year 2015 liability through estimated payments and a lower percentage through extensions). Estimated payments for tax year 2016 are projected to be $116 million (1 percent) lower, primarily due to the combination of a decline in net capital gain income and a correction for overpayment of tax year 2015-related estimate payments. Final return payments and delinquencies are projected to be $90 million (3.4 percent) higher and $48 million (3.7 percent) higher than FY 2016 results, respectively.

The projected decrease in total refunds of $469 million (4.9 percent) includes a $93 million decline (1.8 percent) in prior (tax year 2015) refunds, a $100 million (16.2 percent) increase in previous (tax year 2014 and earlier) refunds, an $801 million (31.4 percent) decline in current (tax year 2016) refunds (due to a decrease in the January to March 2017 administrative refund cap), a $312 million (54.6 percent) increase in advanced credit payments related to tax year 2016, and a $13 million (1.9 percent) increase in the state-city offset. The advanced credit payment forecast includes $98 million in payments attributable to the conversion of the STAR homeowners' benefit to a PIT credit.

General Fund PIT receipts are net of deposits to the STAR Fund, which provides property tax relief, and the Revenue Bond Tax Fund (RBTF), which supports debt service payments on State PIT revenue bonds. General Fund PIT receipts for FY 2017 of $33.4 billion are estimated to increase by $1.5 billion (4.6 percent) from FY 2016 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $12.2 billion and the STAR transfer is projected to be $3.2 billion.

All Funds PIT receipts for FY 2018 of $51.2 billion are projected to increase by $2.3 billion (4.7 percent) from FY 2017 estimates. Gross receipts are projected to increase 5.8 percent, reflecting withholding that is projected to grow by $1.4 billion (3.8 percent) and estimated payments related to tax year 2017 that are projected to grow by $1.1 billion (9.7 percent). The relatively weak growth in withholding is attributable to the combination of the newly-enacted middle income tax cuts and the scheduled decline of the current top marginal tax rate from 8.82 percent to 6.85 percent, both effective for tax year 2018. Payments from extensions for tax year 2016 are projected to increase by $585 million (14.4 percent) and final returns are expected to increase $171 million (6.3 percent). Delinquencies are projected to increase $39 million (2.9 percent) from the prior year. Total refunds are projected to increase by $1.1 billion (11.7 percent) from the prior year. The aforementioned figures include a $236 million reduction in withholding attributable to the PIT rate reductions, and a $281 million increase in total refunds attributable to the STAR program changes included with the FY 2017 Enacted Budget legislation.

General Fund PIT receipts for FY 2018 of $35.4 billion are projected to increase by $2 billion (5.9 percent). RBTF deposits are projected to be $12.8 billion, and the STAR transfer is projected to be $3 billion.

All Funds PIT receipts in FY 2019 are projected to decrease by $21 million to $51.1 billion, while General Fund PIT receipts are projected to total $35.4 billion. Projected near-flat growth in FY 2019 receipts is due to the aforementioned expiration of the current top income tax rate at the end of tax year 2017, combined with continued phase-in of the just enacted middle income tax cuts. Legislation included in the FY 2017 Enacted Budget is projected to result in the reduction to FY 2019 collections by $1.7 billion.

All Funds income tax receipts are projected to increase by $2 billion (3.9 percent) in FY 2020 to reach $53.1 billion, while General Fund receipts are projected to total $37 billion.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)									
	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**15,725**	**16,125**	**2.5%**	**16,858**	**4.5%**	**17,445**	**3.5%**	**17,992**	**3.1%**
Sales Tax	13,359	13,866	3.8%	14,567	5.1%	15,186	4.2%	15,772	3.9%
Cigarette and Tobacco Taxes	1,251	1,226	-2.0%	1,192	-2.8%	1,151	-3.4%	1,105	-4.0%
Motor Fuel Tax	503	494	-1.8%	491	-0.6%	486	-1.0%	483	-0.6%
Highway Use Tax	158	84	-46.8%	138	64.3%	140	1.4%	141	0.7%
Alcoholic Beverage Taxes	255	258	1.2%	263	1.9%	268	1.9%	273	1.9%
Medical Marihuana Excise Tax	0	4	0.0%	4	0.0%	4	0.0%	4	0.0%
Taxicab Surcharge	73	65	-11.0%	65	0.0%	65	0.0%	65	0.0%
Auto Rental Tax	126	128	1.6%	138	7.8%	145	5.1%	149	2.8%
GENERAL FUND[1]	**6,819**	**7,085**	**3.9%**	**7,421**	**4.7%**	**7,709**	**3.9%**	**7,979**	**3.5%**
Sales Tax	6,242	6,479	3.8%	6,813	5.2%	7,106	4.3%	7,382	3.9%
Cigarette and Tobacco Taxes	322	348	8.1%	345	-0.9%	335	-2.9%	324	-3.3%
Alcoholic Beverage Taxes	255	258	1.2%	263	1.9%	268	1.9%	273	1.9%

[1] Excludes Transfers.

All Funds consumption/use tax receipts for FY 2017 are estimated to be $16.1 billion, an increase of $400 million (2.5 percent) from FY 2016 results. Sales tax receipts are estimated to increase $507 million (3.8 percent) from the prior year, resulting from 3.8 percent base (i.e., absent law changes) growth. This base growth stems from estimated moderate disposable income, employment, and consumption growth. The estimate has been reduced to account for agreements between certain mobile telecommunications providers and the State to allow such providers to remit less sales tax for a period in lieu of receiving State refunds due to them under Tax Law Section 184. These agreements resulted from acknowledgement by DTF that a mobile telecommunications provider was not subject to the Tax Law Section 184 franchise tax imposed on them between 2005 and 2014. The estimate has also been reduced by $5 million to reflect legislation enacted post-Budget that exempts feminine hygiene products from the sales and use tax. Cigarette and tobacco tax collections are estimated to decline $25 million (2 percent), primarily reflecting trend declines in taxable cigarette consumption, partially offset by a decrease in cigar tax refunds resulting in part from a nonbinding Administrative Law Judge Determination (Matter of Davidoff of Geneva, Inc.). Highway use tax collections are expected to decrease by $74 million (46.8 percent) due to refunds resulting from the Independent Owner Operator Drivers Association v. New York Department of Taxation and Finance court decision as well as a reduction in continuing registration fees resulting from the same litigation. Motor fuel tax collections are expected to decrease $9 million (1.8 percent), reflecting an expected increase in refunds combined with a slight decline in taxable motor fuel consumption, partially offset by slight growth in diesel consumption. Taxicab surcharge receipts are estimated to decline by $8 million (11 percent) as the result of consumers choosing alternative transportation services not subject to the surcharge.

General Fund sales and use tax receipts are net of deposits to the Local Government Assistance Tax Fund (25 percent), and the Sales Tax Revenue Bond Fund (25 percent), which support debt service payments on State sales and use tax revenue bonds. Receipts in excess of the debt service requirements of the funds and the local assistance payments to New York City, or its assignee, are transferred back to the General Fund.

General Fund consumption/use tax receipts for FY 2017 are estimated to total nearly $7.1 billion, an increase of $266 million (3.9 percent) from FY 2016 results. This increase largely reflects the All Funds sales, cigarette, and tobacco tax trends noted previously.

All Funds consumption/use tax receipts for FY 2018 are projected to be $16.9 billion, an increase of $733 million (4.5 percent) from the current year. The projected $701 million (5.1 percent) increase in sales tax receipts reflects sales tax base growth of 4.2 percent, due to projected disposable income, employment, and consumption growth. The aforementioned legislation exempting feminine hygiene products is expected to reduce receipts by $7 million.

General Fund consumption/use tax receipts are projected to total $7.4 billion in FY 2018, a $336 million (4.7 percent) increase from the current year. The projected increase largely reflects the All Funds sales, cigarette, and tobacco tax trends noted above.

All Funds consumption/use tax receipts are projected to increase to $17.4 billion (3.5 percent growth) in FY 2019 and to $18 billion (3.1 percent growth) in FY 2020, largely representing base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections.

General Fund consumption/use tax receipts are projected to total $7.7 billion (3.9 percent growth) in FY 2019 and nearly $8 billion (3.5 percent growth) in FY 2020, reflecting the All Funds trends noted above.

Business Taxes

BUSINESS TAXES
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**7,884**	**7,994**	**1.4%**	**8,323**	**4.1%**	**8,448**	**1.5%**	**8,863**	**4.9%**
Corporate Franchise Tax	4,527	4,483	-1.0%	4,780	6.6%	4,822	0.9%	5,222	8.3%
Corporation and Utilities Tax	774	738	-4.7%	732	-0.8%	744	1.6%	754	1.3%
Insurance Tax	1,580	1,477	-6.5%	1,572	6.4%	1,701	8.2%	1,784	4.9%
Bank Tax	(121)	203	N/A	190	-6.4%	143	-24.7%	71	-50.3%
Petroleum Business Tax	1,124	1,093	-2.8%	1,049	-4.0%	1,038	-1.0%	1,032	-0.6%
GENERAL FUND	**5,647**	**5,750**	**1.8%**	**6,078**	**5.7%**	**6,155**	**1.3%**	**6,538**	**6.2%**
Corporate Franchise Tax	3,763	3,688	-2.0%	3,950	7.1%	3,949	0.0%	4,312	9.2%
Corporation and Utilities Tax	594	568	-4.4%	559	-1.6%	563	0.7%	569	1.1%
Insurance Tax	1,419	1,321	-6.9%	1,407	6.5%	1,521	8.1%	1,597	5.0%
Bank Tax	(129)	173	234.1%	162	-6.4%	122	-24.7%	60	-50.8%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2017 are estimated at $8 billion, an increase of $110 million (1.4 percent) from FY 2016 results. The estimate primarily reflects an increase in the bank tax of $324 million, partially offset by a combined decrease of $214 million among all other business taxes.

Corporation franchise tax receipts are estimated to decrease $44 million (1 percent) in FY 2017, reflecting additional elements of corporate tax reform (a reduction in the business income tax rate from 7.1 percent to 6.5 percent and the first year of the capital tax base phase-out). Offsetting the majority of this reduction is an increase in expected audit receipts of $454 million.

Corporation and utilities tax receipts are expected to decrease $36 million (4.7 percent) in FY 2017. Gross receipts are expected to increase from FY 2016 results, while audits are expected to decline. In FY 2016 several telecommunication audit cases were closed. This is not expected to recur in FY 2017.

Insurance tax receipts for FY 2017 are expected to decrease $103 million (6.5 percent) from FY 2016 results. Projected growth in insurance tax premiums and a positive prior period adjustment resulting from the resolution of an IRS case is more than offset by the first full year impact of the tax credit for assessments paid to the Life Insurance Guaranty Corporation (LIGC). It is expected that taxpayers will lower their 2016 estimated payments to reflect this non-refundable tax credit. The LIGC exists to protect policyholders from the insolvency of their insurers. Audits and refunds are expected to reflect historical trends.

Receipts from the repealed bank tax (all from prior liability periods) are estimated to increase by $324 million in FY 2017. The increase stems from an estimated reduction in prior period adjustments. Audit receipts are estimated to increase by $17 million from FY 2016 results.

Petroleum Business Tax (PBT) receipts are estimated to decrease $31 million (2.8 percent) in FY 2017, primarily due to the 5 percent decrease in the PBT rate index effective January 2016, and the estimated 5 percent decrease effective January 2017 and an estimated minor decline in taxable motor fuel consumption. These declines are partially offset by estimated slight growth in diesel fuel consumption.

General Fund business tax receipts for FY 2017 of $5.8 billion are estimated to increase $103 million (1.8 percent) from FY 2016 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2018 of $8.3 billion are projected to increase by $329 million (4.1 percent) from the current year. The increase in corporation franchise tax receipts of $297 million (6.6 percent) reflects projected growth in corporate profits following nearly full implementation of corporate tax reform changes. The corporation and utilities tax receipts decline of $6 million (0.8 percent) reflects lower telecommunications receipts partially offset by a modest increase in utility tax revenue.

Insurance tax receipts are projected to increase $95 million (6.4 percent) in FY 2018. Projected growth in insurance tax premiums combined with lower expected LIGC credit claims contribute to year-over-year growth. Bank tax receipts are projected to decrease by $13 million (6.4 percent) in FY 2018, due to lower projected audit receipts. PBT receipts are projected to decline $44 million (4 percent) in FY 2018, primarily due to the projected 5 percent decrease in the PBT rate index effective January 2017 noted above and projected modest declines in taxable motor fuel consumption, partially offset by projected growth in diesel fuel consumption.

General Fund business tax receipts for FY 2018 of $6.1 billion are projected to increase $328 million (5.7 percent), reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2019 and FY 2020 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. All Funds business tax receipts are projected to increase to over $8.4 billion (1.5 percent growth) in FY 2019, and increase to $8.9 billion (4.9 percent growth) in FY 2020. General Fund business tax receipts are expected to increase to $6.2 billion (1.3 percent growth) in FY 2019 and $6.5 billion (6.2 percent growth) in FY 2020.

Other Taxes

OTHER TAXES
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**2,703**	**2,183**	**-19.2%**	**2,175**	**-0.4%**	**2,191**	**0.7%**	**2,292**	**4.6%**
Estate Tax	1,521	1,024	-32.7%	950	-7.2%	912	-4.0%	963	5.6%
Real Estate Transfer Tax	1,163	1,138	-2.1%	1,204	5.8%	1,258	4.5%	1,308	4.0%
Pari-Mutuel Taxes	17	18	5.9%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	2	3	50.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND[1]	**1,540**	**1,045**	**-32.1%**	**971**	**-7.1%**	**933**	**-3.9%**	**984**	**5.5%**
Estate Tax	1,521	1,024	-32.7%	950	-7.2%	912	-4.0%	963	5.6%
Pari-Mutuel Taxes	17	18	5.9%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	2	3	50.0%	3	0.0%	3	0.0%	3	0.0%

[1] Excludes Transfers.

All Funds other tax receipts for FY 2017 are estimated to be slightly below $2.2 billion, a $520 million (19.2 percent) decrease from FY 2016 results. This largely reflects an estimated decline in estate tax receipts of $497 million (32.7 percent) from the continued phase-in of the increased filing threshold, and an expected decline in the number of super large payments (i.e., payments over $25 million) to historical levels. Additionally, real estate transfer tax receipts are projected to decrease $25 million (2.1 percent) due to the combination of a small estimated decrease in the volume of transactions in New York City and a large estimated decrease in housing starts statewide, partially offset by year-over-year price growth. The transaction decline is partially due to a building permit shift from FY 2017 into FY 2016 caused by the uncertainty that surrounded the extension of New York City property tax abatement legislation.

General Fund other tax receipts are expected to be slightly above $1 billion in FY 2017, a $495 million (32.1 percent) decrease from FY 2016 results, reflecting the decrease in estate tax receipts noted above.

All Funds other tax receipts for FY 2018 are projected to be just under $2.2 billion, an $8 million (0.4 percent) decrease. Estate tax receipts are projected to decrease by $74 million (7.2 percent) reflecting the continued phase-in of the increased filing threshold, partially offset by projected growth in household net worth. Real estate transfer tax receipts are projected to increase by $66 million (5.8 percent), reflecting projected growth in housing starts and prices.

General Fund other tax receipts for FY 2018 are projected to decrease by $74 million (7.1 percent), due to the projected decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2019 and FY 2020 reflect projected trends in household net worth, housing starts, housing prices and changes in the estate tax filing threshold. The incremental impact of the filing threshold change ends after FY 2019. All Funds other tax receipts are projected to increase by $16 million (0.7 percent) in FY 2019, and by $101 million (4.6 percent) in FY 2020. General Fund other tax receipt estimates for FY 2019 are projected to decrease by 3.9 percent and increase by 5.5 percent in FY 2020, respectively, due to the final change in the estate tax filing threshold affecting FY 2019.

Miscellaneous Receipts and Federal Grants

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, tribal-state compact revenue, monetary settlements and a variety of fees and licenses.

MISCELLANEOUS RECEIPTS
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
ALL FUNDS	**27,268**	**24,092**	**-11.6%**	**25,918**	**7.6%**	**25,346**	**-2.2%**	**24,852**	**-1.9%**
General Fund	5,842	2,826	-51.6%	2,486	-12.0%	2,455	-1.2%	2,335	-4.9%
Special Revenue Funds	17,117	16,092	-6.0%	15,840	-1.6%	16,063	1.4%	15,900	-1.0%
Capital Projects Funds	3,822	4,719	23.5%	7,127	51.0%	6,367	-10.7%	6,158	-3.3%
Debt Service Funds	487	455	-6.6%	465	2.2%	461	-0.9%	459	-0.4%

All Funds miscellaneous receipts are projected to total $24.1 billion in FY 2017, a decrease of 11.6 percent from FY 2016 results. This decrease is primarily due to the impact of extraordinary monetary settlements received in the General Fund during FY 2016, as described earlier in this AIS Update. In addition to the impact of monetary settlements, declining FY 2017 miscellaneous receipts are driven in part by year-to-year variations in health care surcharges and other HCRA resources, bond proceeds, and tuition income revenue.

All Funds miscellaneous receipts are projected to increase in FY 2018, largely reflecting the expected timing of bond proceed reimbursement for capital expenditures, and remain relatively flat in FY 2019 and FY 2020.

FEDERAL GRANTS (millions of dollars)									
	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
ALL FUNDS	**51,324**	**51,764**	**0.9%**	**52,773**	**1.9%**	**53,531**	**1.4%**	**54,888**	**2.5%**
General Fund	0	1	0.0%	1	0.0%	1	0.0%	1	0.0%
Special Revenue Funds	49,105	49,528	0.9%	50,606	2.2%	51,366	1.5%	52,667	2.5%
Capital Projects Funds	2,146	2,162	0.7%	2,093	-3.2%	2,091	-0.1%	2,147	2.7%
Debt Service Funds	73	73	0.0%	73	0.0%	73	0.0%	73	0.0%

Aid from the Federal government helps to pay for a variety of programs including Medicaid, public assistance, mental hygiene, school aid, public health, transportation, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically projects Federal reimbursements will be received in the State fiscal year in which spending occurs, but due to the variable timing of Federal grant receipts, actual results often differ from the projections.

All Funds Federal grants are expected to grow to $54.9 billion by FY 2020, primarily reflecting the continuation of growth in Federal Medicaid spending related to Federal health care transformation initiatives, partly offset by the projected phase-down of Federal disaster assistance aid. All Federal receipts are subject to continuing administration and Congressional authorization, appropriations and budget action.

Disbursements

Total disbursements in FY 2017 are estimated at $71.1 billion in the State's General Fund (including transfers) and $96.2 billion in total State Operating Funds. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of annual spending growth.

The multi-year disbursements projections take into account various factors, including statutorily-indexed rates, agency staffing levels, program caseloads, inflation, and funding formulas contained in State and Federal law. Factors that affect spending estimates vary by program. For example, public assistance spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends and projected economic conditions. Projections also account for the timing of payments, since not all of the amounts appropriated pursuant to an enacted budget are disbursed in the same fiscal year. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in State Special Revenue Funds have been adjusted downward in all fiscal years, based on typical spending patterns and the observed variance between estimated and actual results over time. A corresponding downward adjustment is also made to miscellaneous receipts.

Local Assistance Grants

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. Local assistance spending in State Operating Funds is estimated at $64.8 billion in FY 2017, approximately two-thirds of total State Operating Funds spending. Education and health care spending account for nearly three-quarters of State Operating Funds local assistance spending.

Certain major factors considered in preparing the spending projections for the State's major local assistance programs and activities are summarized below.

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES
(millions of dollars)

			Forecast		
	FY 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
MEDICAID					
Individuals Covered	6,168,006	6,320,438	6,408,439	6,451,522	6,474,592
- Essential Plan	468,370	472,815	476,091	479,390	482,711
- Child Health Plus (Caseload)	275,854	281,516	283,205	284,904	286,614
State Takeover of County/NYC Costs	$2,031	$2,360	$2,680	$2,989	$3,287
EDUCATION					
SY School Aid (Funding)	$23,290	$24,797	$25,906	$27,219	$28,599
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	573,555	573,555	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	301,554	301,869	N/A	N/A	N/A
PUBLIC ASSISTANCE CASELOAD					
Family Assistance Program	243,642	238,388	235,591	232,955	230,355
Safety Net Families Program	117,682	115,259	113,865	112,561	111,278
Safety Net Singles Program	203,114	203,512	203,920	206,266	208,355
Total Mental Hygiene Community Beds	98,323	101,541	104,790	108,056	109,117
- OMH Community Beds	42,151	44,323	46,716	49,166	49,366
- OPWDD Community Beds	42,314	43,144	43,934	44,709	45,520
- OASAS Community Beds	13,858	14,074	14,140	14,181	14,231
PRISON POPULATION (CORRECTIONS)	52,800	52,000	N/A	N/A	N/A

Education

School Aid

School Aid helps support elementary and secondary education for New York pupils enrolled in the 674 major school districts throughout the State. State funding is provided to districts based on statutory aid formulas and through reimbursement of categorical expenses such as prekindergarten programs, education of homeless children, and bilingual education. State funding for schools assists districts in meeting locally defined needs, supports the construction of school facilities, and finances school transportation for nearly three million students statewide.

School Year (July 1 -June 30)

School Aid is expected to increase by $1.51 billion (6.5 percent) in SY 2017. This increase includes $627 million for additional Foundation Aid and $434 million for full restoration of the Gap Elimination Adjustment (GEA) for all 674 school districts. In total, $175 million is provided to facilitate the transformation of schools in high-need districts into community hubs offering expanded services to children and their families, including $100 million as a set-aside within Foundation Aid and $75 million in new Community Schools Grants. The latter will be awarded to school districts with failing and persistently failing schools, based on a plan developed by SED, to support the operating and capital costs associated with the conversion of such schools into community schools. In addition, another $344 million supports increased reimbursement in expense-based aid programs such as transportation, Boards of Cooperative Educational Services (BOCES), school construction, and other miscellaneous aid categories.

The Updated Financial Plan also includes $28 million for new competitive grants, including $22 million to expand prekindergarten access for three-year-old children. In addition, the Updated Financial Plan reflects the continuation of $340 million in recurring annual funding to support the statewide Universal Full-Day Prekindergarten program.

School Aid is projected to increase by an additional $1.11 billion (4.5 percent) in SY 2018, consistent with the Personal Income Growth Index in statute. Actual School Aid increases approved by the Legislature have exceeded the index in the current and each of the last three school years.

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)
(millions of dollars)

	SY 2016	SY 2017	Change	SY 2018	Change	SY 2019	Change	SY 2020	Change
Total	**23,290**	**24,797**	**1,507**	**25,906**	**1,109**	**27,219**	**1,313**	**28,599**	**1,380**
			6.5%		4.5%		5.1%		5.1%

School year values reflected in table do not include aid for Statewide Universal Full-Day Prekindergarten programs.

State Fiscal Year

The State finances School Aid from General Fund and Lottery Fund receipts, including video lottery terminals (VLTs), which are accounted for and disbursed from a dedicated account. Because the State fiscal year begins on April 1, the State typically pays approximately 70 percent of the annual school year commitment during the State fiscal year in which the related budget is enacted, and pays the remaining 30 percent in the first three months of the following State fiscal year.

The table below summarizes the multi-year projected sources of spending on a State fiscal year basis.

SCHOOL AID - STATE FISCAL YEAR BASIS
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**23,302**	**24,422**	**4.8%**	**25,898**	**6.0%**	**27,196**	**5.0%**	**28,555**	**5.0%**
General Fund Local Assistance	20,133	21,101	4.8%	22,579	7.0%	23,896	5.8%	25,211	5.5%
Core Lottery Aid	2,219	2,360	6.4%	2,343	-0.7%	2,262	-3.5%	2,254	-0.4%
VLT Lottery Aid	950	961	1.2%	886	-7.8%	867	-2.1%	893	3.0%
Commercial Gaming - VLT Offset	0	0	0.0%	71	0.0%	89	25.4%	63	-29.2%
Commercial Gaming	0	0	0.0%	19	0.0%	82	331.6%	134	63.4%

State fiscal year spending for School Aid is projected to total $24.4 billion in FY 2017. In future years, receipts available to finance this category of aid from core lottery sales are projected to decline. In addition to State aid, school districts receive more than $3 billion annually in Federal aid.

It is expected that State aid payments for School Aid will be supplemented by commercial gaming revenues, beginning in FY 2017 with the State's receipt of one-time licensing fees, and continuing in FY 2018 and the outyears with gaming revenues shared with the State by commercial gaming facilities. Three casino resorts were recommended by the State's Gaming Facility Location Board (the "Location Board") in December 2014, and approved by the State Gaming Commission in December 2015. A fourth casino was recommended by the Location Board in October 2015. In the event that casino revenue resources do not materialize at the level expected, or as timely as expected, then the additional School Aid projected to be funded from casino revenue resources becomes a General Fund obligation. It is expected that the four casinos will be operational in FY 2018.

Other Education Funding

In addition to School Aid, the State provides funding and support for various other education-related programs. These include: special education services; programs administered by the Office of Prekindergarten through Grade 12 education; cultural education; higher and professional education programs; and adult career and continuing education services.

OTHER EDUCATION (millions of dollars)	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,085**	**2,328**	**11.7%**	**2,390**	**2.7%**	**2,520**	**5.4%**	**2,626**	**4.2%**
Special Education	1,317	1,437	9.1%	1,540	7.2%	1,657	7.6%	1,784	7.7%
All Other Education	768	891	16.0%	850	-4.6%	863	1.5%	842	-2.4%

The State helps fund special education services for approximately 500,000 students with disabilities, from ages 3 to 21. Major programs under the Office of Prekindergarten through Grade 12 address specialized student needs or reimburse school districts for education-related services, including the school breakfast and lunch programs, after-school programs and other educational grant programs. Cultural education includes aid for operating expenses for the major cultural institutions of the State Archives, the State Library, and the State Museum as well as support for the Office of Educational Television and Public Broadcasting. Higher and professional education programs monitor the quality and availability of post-secondary education programs, and license and regulate over 50 professions. Adult career and continuing education services focus on the education and employment needs of the State's adult citizens, ensuring that such individuals have access to a "one-stop" source for all their employment needs, and are made aware of the full range of services available in other agencies.

Special Education spending growth in FY 2017 is primarily the result of lower-than-expected preschool special education claims submitted during FY 2016, as well as rate increases given to private special education providers. The increase in All Other Education spending in FY 2017 is driven primarily by supplemental State payments to charter schools, investments in new programs such as the My Brother's Keeper initiative, increased funding for existing programs including nonpublic schools and higher education opportunity programs, and one-time costs associated with targeted aid and grants.

In FY 2018, the decrease in projected spending for all other education is primarily attributable to the expiration of a two-year appropriation provided to nonpublic schools to reimburse them for State-mandated services provided in prior years. However, this decrease is offset by projected increases in State reimbursement for special education programs, which are expected to continue to drive outyear growth.

School Tax Relief Program

The STAR program provides school tax relief to taxpayers by exempting the first $30,000 of every eligible homeowner's property value from the local school tax levy. It is expected that lower-income senior citizens will receive a $65,300 exemption in FY 2017. The DTF oversees local property assessment administration, and is responsible for establishing STAR property tax exemption amounts.

The three components of STAR and their approximate share of total spending in FY 2017 are: the basic school property tax exemption for homeowners with income under $500,000 (54 percent); the enhanced school property tax exemption for senior citizen homeowners with incomes under $84,550 (29 percent); and a flat refundable credit and rate reduction for income-eligible resident New York City personal income taxpayers (17 percent).

Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues. The STAR program will gradually shift from a spending program into a refundable pre-paid PIT credit, with this change applying to first-time homebuyers and to homeowners who move. Further reductions in STAR spending will be achieved by the conversion of the New York City PIT STAR credit into a New York State PIT credit. These changes have no impact on the STAR benefits received by homeowners.

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,335**	**3,228**	**-3.2%**	**2,977**	**-7.8%**	**2,921**	**-1.9%**	**2,869**	**-1.8%**
Basic Exemption	1,774	1,756	-1.0%	1,708	-2.7%	1,667	-2.4%	1,624	-2.6%
Enhanced (Seniors)	943	943	0.0%	916	-2.9%	895	-2.3%	872	-2.6%
New York City PIT	618	529	-14.4%	353	-33.3%	359	1.7%	373	3.9%

The following table illustrates total savings that result from the STAR tax credit conversions, after accounting for the impact of the estimated State PIT receipts.

STAR CONVERSION CREDIT
SAVINGS/(COSTS)
(millions of dollars)

	FY 2017	FY 2018	FY 2019	FY 2020
CONVERSION OF NEW YORK CITY PIT STAR CREDIT TO A STATE PIT CREDIT:				
PIT Receipts	0	(87)	(284)	(286)
STAR Spending	87	284	286	286
STAR BENEFIT INTO A TAX CREDIT FOR NEW HOMEOWNERS:				
PIT Receipts	(98)	(194)	(290)	(385)
STAR Spending	98	194	290	385
NET FINANCIAL PLAN IMPACT	**87**	**197**	**2**	**0**

Higher Education

Local assistance for higher education spending includes funding for CUNY, SUNY, and the Higher Education Services Corporation (HESC).

HIGHER EDUCATION (millions of dollars)	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,955**	**3,009**	**1.8%**	**3,097**	**2.9%**	**3,158**	**2.0%**	**3,195**	**1.2%**
City University	**1,429**	**1,454**	**1.7%**	**1,486**	**2.2%**	**1,527**	**2.8%**	**1,553**	**1.7%**
Senior Colleges	1,198	1,206	0.7%	1,243	3.1%	1,285	3.4%	1,311	2.0%
Community College	231	248	7.4%	243	-2.0%	242	-0.4%	242	0.0%
Higher Education Services	**1,025**	**1,046**	**2.0%**	**1,103**	**5.4%**	**1,123**	**1.8%**	**1,135**	**1.1%**
Tuition Assistance Program	966	956	-1.0%	991	3.7%	994	0.3%	994	0.0%
Scholarships/Awards	47	78	66.0%	100	28.2%	117	17.0%	129	10.3%
Aid for Part-Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	**501**	**509**	**1.6%**	**508**	**-0.2%**	**508**	**0.0%**	**507**	**-0.2%**
Community College	496	504	1.6%	503	-0.2%	503	0.0%	502	-0.2%
Other/Cornell	5	5	0.0%	5	0.0%	5	0.0%	5	0.0%

SUNY and CUNY administer 47 four-year colleges and graduate schools with a total enrollment of 396,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 333,000 students. State funds are used to support a significant portion of SUNY and CUNY operations, including employee fringe benefit costs. The State also provides a sizeable benefit to CUNY and SUNY through the debt service it pays on bond-financed capital projects at the universities. State debt service payments for capital projects at SUNY and CUNY are expected to total about $1.2 billion in FY 2017 (not reflected in annual spending totals for the universities).

HESC administers TAP, which provides financial awards to income-eligible students. It also provides centralized processing for other student financial aid programs, and offers prospective students information and guidance on how to finance a college education. The financial aid programs that HESC administers are funded by the State and the Federal governments.

In total, State Operating Funds local assistance spending is projected to increase by 1.8 percent from FY 2016 to FY 2017. This increase is distributed across SUNY, CUNY, and HESC programs and operations. Additional outyear growth is projected to be driven by spending in student financial assistance programs, largely the result of increasing enrollment in recent scholarship initiatives such as Science, Technology, Engineering and Math (STEM) and the Get On Your Feet Loan Forgiveness Program. CUNY Senior College spending is also projected to grow in the outyears due to employee benefits costs.

Health Care

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The State DOH works with local health departments and social services departments, including those located in New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but a number of programs are also supported through multi-agency efforts.

DOH is also engaged in a multi-year initiative to implement the Delivery System Reform Incentive Payment (DSRIP) program through an approved Federal waiver amendment to reinvest $8 billion in Federal savings generated by the MRT reforms. The DSRIP program will promote community-level collaborations and focus on system reform, specifically a goal to achieve 25 percent reduction in avoidable hospital use over five years. The Enacted Budget Financial Plan reflects the impact of the DSRIP program through additional Federal funds disbursements of more than $7 billion through FY 2020, with the remaining funds expected to be disbursed beyond FY 2020. A portion of DSRIP funding flows through the SUNY hospital system and other State-operated health care facilities.

Medicaid

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments. Eligible services include inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services and foster care services).

In FY 2012, legislation was enacted to limit the year-to-year growth in DOH State funds Medicaid spending to the ten-year rolling average of the medical component of the CPI. The statutory provisions of the Medicaid spending cap (or “Global Cap”) also allow for flexibility in adjusting Medicaid projections to meet unanticipated costs resulting from a disaster. Certain authorizations exist which allow the Governor to take actions to reduce Medicaid spending in order to maintain spending within the Global Cap limit.

The Updated Financial Plan reflects the continuation of the Medicaid spending cap through FY 2018, and the projections assume that statutory authority will be extended in subsequent years. Allowable growth under the cap for medical services is 3.4 percent for FY 2017. Reflecting projected CPI reductions, DOB currently forecasts allowable cap growth at 3.2 percent in FY 2018, 3.0 percent in FY 2019, and 2.8 percent in FY 2020.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Global Medicaid Cap[1]	**17,104**	**17,692**	**18,259**	**18,812**	**19,338**
Annual % Change		3.4%	3.2%	3.0%	2.8%

[1] Under the Global Cap, forecasted Medicaid services growth is indexed to the 10-year average of the medical component of the CPI.

The indexed provisions of the Global Cap apply to a majority of the State share of Medicaid spending that is budgeted and expended principally through DOH. However, the Global Cap is adjusted for State costs associated with the takeover of local Medicaid growth and the multi-year assumption of local Medicaid administration, increased Federal financial participation pursuant to the ACA that became effective in January 2014, as well as the statewide minimum wage increases authorized in the FY 2017 Enacted Budget. State share Medicaid spending also appears in the Updated Financial Plan estimates for other State agencies, including the mental hygiene agencies, child welfare programs, and education aid.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS[1] (millions of dollars)	FY 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Department of Health Medicaid	17,707	18,142	18,965	19,856	20,712
Local Assistance	17,434	17,800	18,589	19,473	20,326
State Operations	273	342	376	383	386
Other State Agency Medicaid Spending	4,883	4,504	4,952	5,199	5,394
Mental Hygiene	4,739	4,364	4,810	5,057	5,250
Foster Care	89	90	92	92	94
Education	55	50	50	50	50
Total State Share Medicaid (All Agencies)	**22,590**	**22,646**	**23,917**	**25,055**	**26,106**
Annual $ Change		56	1,271	1,138	1,051
Annual % Change		0.2%	5.6%	4.8%	4.2%
Essential Plan[2]	**32**	**382**	**385**	**395**	**406**

[1] DOH spending in the Financial Plan includes certain items that are excluded from the indexed provisions of the Medicaid Global Cap. This includes administrative costs, such as the takeover of local administrative responsibilities; the decision of Monroe County to participate in the Medicaid local cap program, rather than continuing the sales tax intercept option; and increased Federal Financial Participation that became effective in January 2014.

[2] The EP is not a Medicaid program; however, State-funded resources for the EP are managed under the Medicaid Global Cap.

The State share of DOH Medicaid spending is financed by a combination of the General Fund, HCRA resources, indigent care support, and provider assessment revenue. The following table provides information on the financing sources for State Medicaid spending (more information on HCRA can be found in the section entitled "HCRA Financial Plan").

DEPARTMENT OF HEALTH MEDICAID[1,2]
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE OPERATING FUNDS	**17,739**	**18,524**	**4.4%**	**19,350**	**4.5%**	**20,251**	**4.7%**	**21,118**	**4.3%**
General Fund - DOH Medicaid Local	12,117	12,297	1.5%	13,172	7.1%	14,066	6.8%	15,038	6.9%
DOH Medicaid	11,250	11,172	-0.7%	12,324	10.3%	13,262	7.6%	14,236	7.3%
Mental Hygiene - Global Cap Adjustment[3]	867	1,125	29.8%	848	-24.6%	804	-5.2%	802	-0.2%
General Fund - DOH Medicaid State Ops[4]	273	342	25.3%	376	9.9%	383	1.9%	386	0.8%
General Fund - Essential Plan	32	382	1093.8%	385	0.8%	395	2.6%	406	2.8%
Local Assistance	19	334	1657.9%	345	3.3%	355	2.9%	365	2.8%
State Operations	13	48	269.2%	40	-16.7%	40	0.0%	41	2.5%
Other State Funds - DOH Medicaid Local	5,317	5,503	3.5%	5,417	-1.6%	5,407	-0.2%	5,288	-2.2%
HCRA Financing	3,523	3,739	6.1%	3,713	-0.7%	3,703	-0.3%	3,584	-3.2%
Indigent Care Support	961	952	-0.9%	892	-6.3%	892	0.0%	892	0.0%
Provider Assessment Revenue	833	812	-2.5%	812	0.0%	812	0.0%	812	0.0%

1 The EP is not a Medicaid program; however, State funded resources for EP are managed under the Medicaid Global Cap.

2 Does not include Medicaid spending in other State agencies, transfers, or the local government share of total Medicaid program spending.

3 The DOH Medicaid budget includes resources to fund a portion of Medicaid-related Mental Hygiene program costs under the Global Cap.

4 Includes operating costs of the New York State of Health Exchange which are funded by DOH within the Medicaid Global Cap.

The Updated Financial Plan includes additional funding to support the increased cost of Medicaid associated with the regionally-based multi-year phase-in of statewide minimum wage increases. This initiative is expected to increase annual Medicaid spending, above previously forecasted Global Cap limits, by $13 million in FY 2017; $88 million in FY 2018; $253 million in FY 2019; and $411 million in FY 2020.

The Updated Financial Plan also reflects a continuation of the MRT initiative, which focuses on implementing various investments and efficiencies within the statewide Medicaid program in order to achieve improved health care service delivery and cost efficiency within the statutory spending limits of the Medicaid Global Cap. DOH proposes a number of initiatives to reduce spending within the Global Cap, including certain efficiencies in managed care program premiums; realigning the capital and operating components of the Supportive Housing program; and a new penalty for extreme generic drug pricing, in order to discourage such practices and limit cost increases.

The MRT savings initiatives are expected to offset a number of increased cost pressures and program investments within the Global Cap, including increases in Medicare Part D “clawback” expenses as a result of rising drug prices; Medicare Part B increases due to Federal requirements for states to hold certain beneficiaries harmless for premium increases when Cost-of-Living Adjustments (COLAs) are not included in Social Security plans; and additional funding for fiscally distressed hospitals. In total, the Enacted Budget Financial Plan included net savings of $44 million in FYs 2017 and 2018, which are expected through implementation of the various MRT initiatives, and in particular through the transfer of certain supportive housing costs to the Capital Projects Fund.

The Updated Financial Plan also reflects $33 million in reduced FY 2017 State Funds costs associated with operating the QHP portion of the NYSOH health benefit exchange, largely due to the expiration of offsetting Federal support for the exchange which has been extended from December 2015 to December 2016. Additional means to offset rising costs within the Medicaid Global Cap are available through the Medicaid integrity and efficiency initiative which was authorized in the FY 2017 Enacted Budget. Upon election by a local service district to participate in this initiative, DOH and such local service district may formulate a plan to achieve new audit recoveries, efficiencies and other cost avoidance measures to provide savings. The Updated Financial Plan savings associated with the Medicaid program are realized through the Mental Hygiene Global Cap Adjustment, which finances certain OPWDD-related Medicaid costs available under the Global Cap.

Fluctuation in enrollment, costs of provider health care services, and health care utilization levels are among the factors that drive higher Medicaid spending within the Global Cap. The number of Medicaid recipients exceeded 6.1 million by the end of FY 2016, a slight decrease from FY 2015 caseload of 6.2 million. This decline is mainly attributable to the transition from Medicaid to the EP of certain legally residing immigrants.

Essential Plan (EP)

The EP is a health insurance program which receives Federal subsidies authorized through the ACA. The FY 2015 Enacted Budget authorized the State to participate in the EP, which includes health insurance coverage for certain legally residing immigrants previously receiving State-only Medicaid coverage. Individuals who meet the EP eligibility standards are enrolled through the NYSOH health benefit exchange, with the cost of insurance premiums subsidized by the State and Federal governments. When fully implemented, approximately 85 percent of program expenditures are expected to be paid by the Federal government.

ESSENTIAL PLAN
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL ALL FUNDS SPENDING	**1,539**	**2,466**	**60.2%**	**2,535**	**2.8%**	**2,610**	**3.0%**	**2,683**	**2.8%**
State Operating Funds	**32**	**382**	**1093.8%**	**385**	**0.8%**	**395**	**2.6%**	**406**	**2.8%**
Local Assistance	19	334	1657.9%	345	3.3%	355	2.9%	365	2.8%
State Operations	13	48	269.2%	40	-16.7%	40	0.0%	41	2.5%
Federal Operating Funds	**1,507**	**2,084**	**38.3%**	**2,150**	**3.2%**	**2,215**	**3.0%**	**2,277**	**2.8%**

The Updated Financial Plan includes forecast estimates based on income level data associated with program enrollees. The State's program costs associated with the EP program, and related savings, are managed within the total available resources of the Medicaid Global Cap.

Public Health/Aging Programs

Public Health includes the CHP program that finances health insurance coverage for children of low-income families, up to the age of 19; the GPHW program that reimburses local health departments for the cost of providing certain public health services; the Elderly Pharmaceutical Insurance Coverage (EPIC) program that provides prescription drug insurance to seniors; and the Early Intervention (EI) program that pays for services to infants and toddlers under the age of three, with disabilities or developmental delays. Many public health programs, such as EI and GPHW programs, are run by county health departments that are reimbursed by the State for a share of program costs. The State spending projections do not include the county share of public health costs. In addition, a significant portion of HCRA spending is included under the Public Health budget.

The State Office for the Aging (SOFA) promotes and administers programs and services for New Yorkers 60 years of age and older. SOFA primarily oversees community-based services (including in-home services and nutrition assistance) provided through a network of county Area Agencies on Aging (AAA) and local providers.

PUBLIC HEALTH AND AGING (millions of dollars)									
	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,774**	**1,641**	**-7.5%**	**1,683**	**2.6%**	**1,716**	**2.0%**	**1,870**	**9.0%**
Public Health	**1,647**	**1,511**	**-8.3%**	**1,550**	**2.6%**	**1,578**	**1.8%**	**1,727**	**9.4%**
Child Health Plus	378	222	-41.3%	235	5.9%	250	6.4%	380	52.0%
General Public Health Work	194	203	4.6%	204	0.5%	206	1.0%	210	1.9%
EPIC	126	132	4.8%	133	0.8%	128	-3.8%	128	0.0%
Early Intervention	160	159	-0.6%	159	0.0%	159	0.0%	159	0.0%
HCRA Program	426	378	-11.3%	393	4.0%	397	1.0%	402	1.3%
All Other	363	417	14.8%	426	2.2%	438	2.9%	448	2.2%
Aging	**127**	**130**	**2.4%**	**133**	**2.3%**	**138**	**3.8%**	**143**	**3.6%**

The Updated Financial Plan includes approximately $106 million in savings, from the CHP program ($70 million) and HCRA Program account ($36 million), by leveraging enhanced Federal funding for children's health care programs serving populations that meet expanded income thresholds, thus lowering State costs. Growth in FY 2020 for the CHP program is driven mainly by the expirations of enhanced FMAP on September 30, 2019, which will shift a significant portion of support back to State funds. In the Updated Financial Plan, CHP spending estimates have been updated to reflect the enactment of legislation requiring retroactive coverage of newborns in CHP, driving increased costs of $1.1 million in FY 2017, $4.5 million in FYs 2018 and 2019 when fully annualized, and increasing to $5.4 million in FY 2020 when Federal support will expire.

Annual GPHW spending projections reflect recent claiming patterns, as well as increased funding related to protective measures in combatting the Zika Virus. The EPIC program growth reflects increasing pharmaceutical costs which impact Medicare Part D premium payment estimates.

HCRA Program spending is expected to decline in FY 2017, in part through the use of an available fund balance of $15 million in the Excess Medical Malpractice Liability Pool, and through the use of Federal funding sources as described above. From FY 2018 through FY 2020, HCRA Program spending is expected to remain relatively flat.

HCRA Financial Plan

HCRA was established in 1996 to help fund a portion of State health care activities. Extensions and modifications to HCRA have financed new health care programs, including Family Health Plus (FHP) and CHP. HCRA has also provided additional funding for the health care industry, including investments in worker recruitment and retention, and Doctors Across New York program. The HCRA authorization was extended through FY 2017, pursuant to legislation included in the FY 2015 Enacted Budget.

HCRA receipts include surcharges and assessments on hospital revenues, a "covered lives" assessment paid by insurance carriers, and a portion of cigarette tax revenues. In total, HCRA resources are used to fund roughly 25 percent of the State share of Medicaid, as well as CHP, the NYSOH, EPIC, Physician Excess Medical Malpractice Insurance, and Indigent Care payments (the latter of which provides funding to hospitals serving a disproportionate share of individuals without health insurance).

HCRA closed FY 2016 with a balance of $78 million, which is the result of an advanced deposit of April 2016 revenue into March 2016. This impact is a matter of timing, and will not impact total forecasted HCRA collections through FY 2017.

HCRA FINANCIAL PLAN FY 2016 THROUGH FY 2020
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
OPENING BALANCE	**14**	**78**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,655**	**5,538**	**5,529**	**5,554**	**5,576**
Surcharges	3,118	3,091	3,131	3,191	3,251
Covered Lives Assessment	1,112	1,079	1,045	1,045	1,045
Cigarette Tax Revenue	928	878	847	816	781
Hospital Assessments	397	404	424	424	424
NYC Cigarette Tax Transfer/Other	100	86	82	78	75
TOTAL DISBURSEMENTS	**5,591**	**5,616**	**5,529**	**5,554**	**5,576**
Medicaid Assistance Account[1]	3,523	3,739	3,713	3,704	3,584
Medicaid Costs	*3,326*	*3,542*	*3,516*	*3,507*	*3,387*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	961	952	892	892	892
HCRA Program Account	429	388	403	406	411
Child Health Plus	381	226	238	254	384
Elderly Pharmaceutical Insurance Coverage	137	144	145	140	140
SHIN-NY/APCD	42	30	0	0	0
All Other	118	137	138	158	165
ANNUAL OPERATING SURPLUS/(DEFICIT)	**64**	**(78)**	**0**	**0**	**0**
CLOSING BALANCE	**78**	**0**	**0**	**0**	**0**

[1] NYSOH spending will be financed with available HCRA resources through the Medicaid program.

After adjusting for the timing of receipts deposits advanced to March 2016, as noted above, total HCRA receipts are forecasted to grow moderately in FY 2017 in relation to higher surcharge collections generated from an increase to Upper Payment Limit (UPL) disbursements. The level of annual growth forecasted for HCRA receipts through the multi-year planning period mainly reflects anticipation of increased collections due to expanded health insurance coverage through the ACA, and increases consistent with historic collection patterns. Continued declines for cigarette tax collections, which is attributable to declining taxable consumption, reduces annual HCRA receipts growth.

HCRA spending is expected to total $5.6 billion in FY 2017. The most significant area of spending growth includes additional financing of the State share of Medicaid costs, which is partly offset by a significant decrease in spending for CHP as the availability of Federal resources through the ACA will increase. The Updated Financial Plan reflects a nonrecurring reduction in HCRA transfers to the Excess Medical Malpractice Liability Pool, which reimburses certain physicians and dentists for a secondary level of medical malpractice insurance coverage, by offsetting the State's FY 2017 subsidy level with existing fund balance availability. The Updated Financial Plan includes several revisions to the spending forecast, including $1 million annual downward revisions in FYs 2017 and 2018 for both the Aids Drug Assistance Program (ADAP) and Doctors Across New York programs based on recent spending patterns.

HCRA is expected to remain in balance over the multi-year projection period. Under the current HCRA appropriation structure, spending reductions will occur if resources are insufficient to meet spending levels. Any potential spending reductions could affect General Fund Medicaid funding or HCRA programs. Conversely, any unanticipated balances or excess resources in HCRA are expected to fund Medicaid costs that would otherwise be paid from the General Fund.

Mental Hygiene

The Department of Mental Hygiene is comprised of the OPWDD, Office of Mental Health (OMH), Office of Alcoholism and Substance Abuse Services (OASAS), the Developmental Disabilities Planning Council (DDPC), and the Justice Center for the Protection of People with Special Needs. Services are administered to adults with serious mental illness; children with serious emotional disturbances; individuals with developmental disabilities and their families; persons with chemical dependencies; and individuals with compulsive gambling problems.

These agencies provide services directly to their clients through State-operated facilities, and indirectly through community service providers. The costs associated with providing these services are supported by reimbursement from Medicaid, Medicare, third-party insurance and State funding. Patient care revenues are pledged first to the payment of debt service on outstanding mental hygiene bonds, which were issued to finance infrastructure improvements at State mental hygiene facilities, with the remaining revenue used to support State operating costs.

MENTAL HYGIENE (millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,646**	**2,538**	**-4.1%**	**3,132**	**23.4%**	**3,494**	**11.6%**	**3,738**	**7.0%**
People with Developmental Disabilities	**2,075**	**2,193**	**5.7%**	**2,362**	**7.7%**	**2,522**	**6.8%**	**2,688**	**6.6%**
Residential Services	1,386	1,465	5.7%	1,578	7.7%	1,685	6.8%	1,796	6.6%
Day Programs	604	638	5.6%	687	7.7%	734	6.8%	782	6.5%
Clinic	20	21	5.0%	23	9.5%	24	4.3%	26	8.3%
All Other Local/Resources	65	69	6.2%	74	7.2%	79	6.8%	84	6.3%
Mental Health	**1,135**	**1,191**	**4.9%**	**1,309**	**9.9%**	**1,446**	**10.5%**	**1,502**	**3.9%**
Adult Local Services	917	967	5.5%	1,063	9.9%	1,185	11.5%	1,224	3.3%
Children Local Services	218	224	2.8%	246	9.8%	261	6.1%	278	6.5%
Alcohol and Substance Abuse	**307**	**320**	**4.2%**	**350**	**9.4%**	**371**	**6.0%**	**391**	**5.4%**
Outpatient/Methadone	117	122	4.3%	134	9.8%	142	6.0%	149	4.9%
Residential	123	128	4.1%	140	9.4%	148	5.7%	156	5.4%
Prevention and Program Support	59	61	3.4%	67	9.8%	71	6.0%	75	5.6%
Crisis	8	9	12.5%	9	0.0%	10	11.1%	11	10.0%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**
SUBTOTAL BEFORE ADJUSTMENTS	**3,518**	**3,705**	**5.3%**	**4,022**	**8.6%**	**4,340**	**7.9%**	**4,582**	**5.6%**
Other Adjustments	**(872)**	**(1,167)**	**-33.8%**	**(890)**	**23.7%**	**(846)**	**4.9%**	**(844)**	**0.2%**
Global Cap Adjustment	(867)	(1,125)	-29.8%	(848)	24.6%	(804)	5.2%	(802)	0.2%
Other DOH Offsets	(42)	(42)	0.0%	(42)	0.0%	(42)	0.0%	(42)	0.0%
53rd Medicaid Cycle	37	0	-100.0%	0	0.0%	0	0.0%	0	0.0%

Local assistance spending accounts for over 40 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 9 percent annually. The main factor driving this level of growth is enhancement of community mental health services; enhancing community-based employment and residential opportunities for individuals with disabilities; maximizing payments from third-party payers; and providing cost-of-living increases and new funding to not-for-profit providers for the minimum wage increase authorized as part of the FY 2017 Enacted Budget agreement.

The FY 2017 Enacted Budget increases local assistance funding for mental hygiene agencies from $3.5 billion in FY 2016 to $3.7 billion in FY 2017. The spending increase is largely related to new community investments in OPWDD and OMH, as individuals are transitioned from State-operated services to community-integrated settings; new service investments in the OPWDD system; new residential beds opening in OMH; funding in OASAS for the package of heroin initiatives; and funding to support a 0.2 percent Human Services COLA for not-for-profit providers that deliver services on behalf of OPWDD, OMH and OASAS.

This funding increase is offset by technical adjustments to the Medicaid Global Cap ($258 million), as a greater share of OPWDD-related spending will be financed from Global Cap resources, and recognition of one-time costs in FY 2016 for a 53rd weekly Medicaid Cycle ($37 million). These technical adjustments have no impact on service delivery or operations of OMH, OPWDD, OASAS or the Justice Center.

The Updated Financial Plan also includes updated assumptions to reflect revised timelines for ongoing transformation efforts in the mental hygiene service delivery system, and the Federal government's extension of the timeframe to disburse funding from the Balancing Incentive Program (BIP). Authorized under the ACA, BIP is an optional program that provides additional Federal funding to qualifying states to encourage the shift from institutional to community services. It is expected that BIP will enable the State to engage a broad network of providers, advocates and community leaders to develop systematic improvements to delivery systems leading to enhanced community integration for individuals with intellectual and/or developmental disabilities and individuals with mental illness.

The Updated Financial Plan reflects a $33 million spending reduction in FY 2017 for the NYSOH health benefit exchange, the majority of which is attributable to a no-cost extension of Federal funding through December 2016. The impact of this extension shifts spending from State to Federal funds, providing financial plan relief of $33 million in FY 2017, as realized through the Mental Hygiene Global Cap Adjustment. This change has no impact on mental hygiene services.

Social Services

Office of Temporary and Disability Assistance (OTDA)

OTDA local assistance programs provide cash benefits and supportive services to low-income families. The State's three main programs include Family Assistance, Safety Net Assistance and Supplemental Security Income (SSI). The Family Assistance program, funded by the Federal government, provides time-limited cash assistance to eligible families. The Safety Net Assistance program, funded by the State and local districts, provides cash assistance for single adults, childless couples, and families that have exhausted their five-year limit on Family Assistance imposed by Federal law. The State SSI Supplementation program provides a supplement to the Federal SSI benefit for the elderly, visually handicapped, and disabled.

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,213**	**1,262**	**4.0%**	**1,312**	**4.0%**	**1,330**	**1.4%**	**1,340**	**0.8%**
SSI	641	655	2.2%	658	0.5%	661	0.5%	663	0.3%
Public Assistance Benefits	474	484	2.1%	526	8.7%	526	0.0%	526	0.0%
Public Assistance Initiatives	7	29	314.3%	27	-6.9%	36	33.3%	36	0.0%
All Other	91	94	3.3%	101	7.4%	107	5.9%	115	7.5%

OTDA spending for SSI is projected to increase between FY 2016 and FY 2017 and to continue to increase gradually over the course of the multi-year financial plan due to updated caseload projections. Public Assistance benefits spending is projected to increase from FY 2016 to FY 2017 based on an update to DOB's caseload models, with DOB projecting a total of 557,159 recipients in FY 2017. Approximately 238,388 families are expected to receive benefits through the Family Assistance program in FY 2017, a decrease of 2.2 percent from FY 2016. In the Safety Net program an average of 115,259 families are expected to be helped in FY 2017, a decrease of 2.1 percent from FY 2016. The caseload for single adults/childless couples supported through the Safety Net program is projected at 203,512 in FY 2017, an increase of 0.2 percent from FY 2016. Spending in Public Assistance and All Other Initiatives will increase from FY 2016 to FY 2017 due to the implementation of new programs including several to address homelessness, as well as the expansion of HASA benefits to all Public Assistance recipients living in New York City. Growth is expected to be more gradual in the outyears.

Office of Children and Family Services (OCFS)

OCFS provides funding for foster care, adoption, child protective services, preventive services, delinquency prevention, and child care. OCFS oversees the State's system of family support and child welfare services administered by local social services departments and community-based organizations. Specifically, child welfare services, which are financed jointly by the Federal government, the State, and local districts, are structured to encourage local governments to invest in preventive services for reducing out-of-home placement of children. In addition, the Child Care Block Grant, which is also financed by a combination of Federal, State and local sources, supports child care subsidies for public assistance and low-income families.

CHILDREN AND FAMILY SERVICES
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,736**	**1,672**	**-3.7%**	**1,701**	**1.7%**	**1,716**	**0.9%**	**1,738**	**1.3%**
Child Welfare Service	491	448	-8.8%	472	5.4%	482	2.1%	492	2.1%
Foster Care Block Grant	445	445	0.0%	455	2.2%	464	2.0%	472	1.7%
Adoption	152	154	1.3%	154	0.0%	154	0.0%	154	0.0%
Day Care	270	208	-23.0%	185	-11.1%	178	-3.8%	178	0.0%
Youth Programs	111	161	45.0%	154	-4.3%	153	-0.6%	153	0.0%
Medicaid	89	90	1.1%	92	2.2%	92	0.0%	94	2.2%
Committees on Special Education	45	39	-13.3%	41	5.1%	42	2.4%	44	4.8%
Adult Protective/Domestic Violence	35	32	-8.6%	33	3.1%	34	3.0%	34	0.0%
All Other	98	95	-3.1%	115	21.1%	117	1.7%	117	0.0%

OCFS State Operating Funds spending is projected to decline between FY 2016 and FY 2017, primarily due to the use of Federal Temporary Assistance for Needy Families (TANF) to maintain funding for child care subsidies. Spending is projected to increase after FY 2018 due to a variety of factors including a projected increase in child welfare services claims and increased costs to fund statutory Human Services COLA increases.

Transportation

In FY 2017, the State will provide approximately $4.9 billion in operating aid to mass transit systems. The aid is funded mainly from dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of the statewide mass transit operating aid. In addition, the MTA receives operating support from the MTA Financial Assistance Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District (MCTD). The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA. Pursuant to legislation enacted in December 2011, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund now provides additional annual support, subject to appropriation, to the MTA to make up the lost revenue.

TRANSPORTATION
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE OPERATING FUNDS SUPPORT	**4,745**	**4,931**	**3.9%**	**5,016**	**1.7%**	**5,071**	**1.1%**	**5,161**	**1.8%**
Mass Transit Operating Aid:	2,160	2,280	5.6%	2,280	0.0%	2,280	0.0%	2,280	0.0%
Metro Mass Transit Aid	2,030	2,152	6.0%	2,152	0.0%	2,152	0.0%	2,152	0.0%
Public Transit Aid	86	84	-2.3%	84	0.0%	84	0.0%	84	0.0%
18-b General Fund Aid	19	19	0.0%	19	0.0%	19	0.0%	19	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,851	1,929	4.2%	2,028	5.1%	2,087	2.9%	2,176	4.3%
Dedicated Mass Transit	666	661	-0.8%	651	-1.5%	647	-0.6%	649	0.3%
AMTAP	68	61	-10.3%	56	-8.2%	56	0.0%	56	0.0%
All Other	0	0	0.0%	1	0.0%	1	0.0%	0	-100.0%

Projected operating aid to the MTA and other transit systems reflects the current receipts forecast and timing associated with the availability of resources. The Updated Financial Plan includes revised spending estimates for transit assistance in each year to reflect the current receipts forecast.

Beginning in FY 2017, the portion of dedicated mass transit aid that supports capital-related spending will be shifted from State special revenue funds to capital financing sources.

Local Government Assistance

Direct aid to local governments includes the Aid and Incentives for Municipalities (AIM) program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams; miscellaneous financial assistance for certain counties, towns, and villages; and efficiency-based incentive grants provided to local governments.

LOCAL GOVERNMENT ASSISTANCE - AIM PROGRAM
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**728**	**715**	**-1.8%**	**763**	**6.7%**	**763**	**0.0%**	**763**	**0.0%**
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Restructuring/Efficiency	13	0	-100.0%	48	0.0%	48	0.0%	48	0.0%

State Operating Funds spending for AIM efficiency incentive grants will decline from FY 2016 to FY 2017 due to the timing of grants and the use of settlement money appropriated in DIIF for local government purposes.

Agency Operations

Agency operating costs consist of PS, Non-Personal Service (NPS), and General State Charges (GSCs). PS includes the salaries of State employees of the Executive, Legislative, and Judicial branches, as well as the salaries of temporary/seasonal employees. NPS includes real estate rentals, utilities, contractual payments (i.e., consultants, IT, and professional business services), supplies and materials, equipment, and telephone service. GSCs, which are discussed separately, reflect the cost of fringe benefits (i.e., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State, such as taxes on public lands and litigations. Certain agency operating costs of the Department of Transportation (DOT) and the Department of Motor Vehicles (DMV) are included in the capital projects fund type and are not reflected in State Operating Funds. The PS estimates reflect current negotiated collective bargaining agreements.

Approximately 94 percent of the State workforce is unionized. The largest unions include CSEA, which represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which represents professional and technical personnel (attorneys, nurses, accountants, engineers, social workers, and institution teachers); UUP, which represents faculty and nonteaching professional staff within the State University system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

The following table presents certain variables used in preparing the spending projections for agency operations.

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

			Forecast		
	FY 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Negotiated Base Salary Increases[1]					
CSEA/PEF/NYSCOPBA/Council 82/UUP/DC-37/GSEU	2%	TBD	TBD	TBD	TBD
NYSPBA/NYSPIA	2%	1.5%	1.5%	TBD	TBD
PBANYS	TBD	TBD	TBD	TBD	TBD
State Workforce[2]	117,862	118,590	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization[3]	18.9%	17.1%	16.3%	15.8%	15.7%
After Amortization[4]	19.3%	20.7%	20.2%	19.6%	19.4%
PFRS Contribution Rate					
Before Amortization[3]	25.5%	27.4%	25.4%	24.9%	24.4%
After Amortization[4]	27.6%	31.0%	29.5%	28.9%	28.4%
Employee/Retiree Health Insurance Growth Rates	5.1%	6.6%	5.8%	6.5%	6.5%
PS/Fringe as % of Receipts (All Funds Basis)	13.7%	13.9%	13.6%	13.8%	13.8%

[1] Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.
[2] Reflects workforce that is subject to direct Executive control.
[3] Before amortization contribution rate reflects normal and administrative costs, contributions for the Group Life Insurance Plan (GLIP), and Chapter 41 of 2016 veteran's pension credit legislation.
[4] After amortization contribution rate additionally includes new amortization, if any, and payments on prior amortizations.

Operating costs for PS/NPS are projected to grow modestly over the financial plan period from $18.6 billion in FY 2017 to $19.1 billion in FY 2020. Most executive agencies are expected to hold spending at FY 2016 levels. The annual increase reflects expected increases for employee health insurance costs and the State's annual pension payment, as well as costs for the DOH to operate the NYSOH health benefit exchange, continue the transition of administrative functions from local service districts to the State, and operate the new EP. The FY 2017 Enacted Budget includes costs from collective bargaining agreements (1.5 percent increases in FYs 2017 and 2018 for NYSPBA/NYSPIA and a 2 percent increase in FY 2016 for PEF), applicable lump sum payments, and repayment of a portion of the deficit reduction adjustment made to employee salaries.

Executive agency operational costs are expected to total $10.1 billion in FY 2017. In FY 2018 spending is expected to increase by $210 million mainly due to repayment to the New York Power Authority (NYPA). Beyond FY 2018, spending is projected to decrease. Agencies with growth include the Medicaid Admin/EP, attributable to the NYSOH benefit exchange and the new EP program; ITS; Corrections; State Police; Gaming; and Workers' Compensation.

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS (millions of dollars)	FY 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**10,145**	**10,080**	**10,290**	**10,162**	**10,200**
Mental Hygiene	2,824	2,738	2,733	2,775	2,816
Corrections and Community Supervision	2,618	2,626	2,633	2,636	2,643
State Police	693	685	697	697	697
Information Technology Services[1]	506	533	565	577	577
Public Health	403	383	377	377	378
Tax and Finance	336	328	329	329	329
Medicaid Admin/EP	286	390	416	422	426
Children and Family Services	263	245	247	254	254
Environmental Conservation	238	229	229	230	230
Financial Services	202	211	212	212	216
Parks, Recreation and Historic Preservation	181	177	177	175	175
General Services	157	163	161	161	161
Gaming	147	153	158	158	158
Temporary and Disability Assistance	147	130	125	125	125
Workers' Compensation Board	139	137	142	143	145
Extra Bi-Weekly Institutional Pay Period	163	0	0	0	0
New York Power Authority Repayment	21	21	236	22	0
All Other	821	931	853	869	870
UNIVERSITY SYSTEMS	**5,953**	**6,006**	**6,081**	**6,180**	**6,286**
State University	5,866	5,920	5,994	6,092	6,196
City University	87	86	87	88	90
INDEPENDENT AGENCIES	**310**	**319**	**320**	**321**	**324**
Law	169	172	173	174	177
Audit & Control (OSC)	141	147	147	147	147
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,408**	**16,405**	**16,691**	**16,663**	**16,810**
Judiciary	1,959	2,026	2,026	2,051	2,053
Legislature	216	219	219	219	219
Statewide Total	**18,583**	**18,650**	**18,936**	**18,933**	**19,082**
Personal Service	12,981	12,896	12,887	13,005	13,106
Non-Personal Service	5,602	5,754	6,049	5,928	5,976

[1] Reflects consolidation of IT costs from other agencies within ITS, which does not change total governmental spending.

The most significant changes include:

- **Medicaid Admin/EP:** Growth in Medicaid Admin/EP reflects the transitioning of certain functions from the local services districts to the State as part of the ongoing statewide Medicaid Admin takeover initiative, and the implementation of the NYSOH health benefit exchange, the State's centralized marketplace for health plan shopping and enrollment in accordance with the ACA.

- **Information Technology Services:** Increases in IT Services from FY 2017 to FY 2020 are attributable to agency transfers for the continuous statewide IT consolidation, which is offset by efficiencies realized through the IT consolidation.

- **Mental Hygiene:** Lower Mental Hygiene agency spending in FY 2017 is the result of there being 26 institutional payrolls in FY 2017 versus the 27 institutional payrolls that occurred in FY 2016.

- **NYPA Repayment:** Annual payments to NYPA are pursuant to funding schedules agreed upon by the State and NYPA, and are consistent with Enacted Budget Financial Plan assumptions.

- **State University:** Higher SUNY spending reflects anticipated operating needs at SUNY campuses and hospitals supported through campus revenues, State support and hospital revenues.

- **Judiciary:** Increases from FY 2017 to FY 2020 reflect salary increases authorized by the New York State Commission on Legislative, Judicial, and Executive Compensation.

Workforce

In FY 2017, $12.9 billion or 13.4 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 98,000 Full-Time Equivalent (FTE) employees under direct Executive control; individuals employed by SUNY and CUNY (43,982) and Independent Agencies (18,185); employees paid on a non-annual salaried basis; and overtime pay. Roughly 60 percent of all Executive agency PS spending occurs in three areas: SUNY, the mental hygiene agencies, and the Department of Corrections and Community Supervision (DOCCS).

STATE OPERATING FUNDS
FY 2017 FTEs[1] AND PERSONAL SERVICE SPENDING BY AGENCY
(millions of dollars)

	Dollars	FTEs
Subject to Direct Executive Control	**7,218**	**98,197**
Mental Hygiene Agencies	2,239	33,825
Corrections and Community Supervision	2,074	28,181
State Police	620	5,619
Tax and Finance	270	4,276
Health	255	3,743
Environmental Conservation	174	2,164
Children and Family Services	162	2,465
Financial Services	154	1,382
Parks, Recreation and Historic Preservation	132	1,528
All Other	1,138	15,014
University Systems	**3,723**	**43,982**
State University	3,678	43,667
City University[2]	45	315
Independent Agencies	**1,955**	**18,185**
Law	118	1,583
Audit & Control (OSC)	114	1,603
Judiciary	1,557	14,998
Legislature[3]	166	1
Total	**12,896**	**160,364**

[1] FTEs represent the number of annual-salaried full-time filled positions (e.g., one FTE may represent a single employee serving at 100 percent full-time or a combination of employees serving at less than full-time that, when combined, equal a full-time position). The reported FTEs do not include non-annual salaried positions, such as positions filled on an hourly, per-diem or seasonal basis.

[2] CUNY employees are funded primarily through an agency trust fund that supports an additional 13,330 FTEs, which are excluded from this table.

[3] Legislative employees are nonannual salaried and are excluded from this table, with the exception of the Lieutenant Governor, who serves as President of the Senate .

General State Charges

Employee fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, the State's employer-share of Social Security, health insurance, workers' compensation, unemployment insurance, survivors' benefits fund, employee benefits funds, and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations in the GSCs budget.[6] The Judiciary pays its fringe benefit costs directly.

Employee fringe benefits that are paid through GSCs are paid from the General Fund in the first instance, and then partially reimbursed by revenue collected from fringe benefit assessments. The largest General Fund reimbursement comes from the mental hygiene agencies.

GSCs also include fixed costs for several categories including State payments in lieu of taxes (PILOT), payments for local assessments on State-owned land, and judgments against the State pursuant to the Court of Claims Act.

GSCs are projected to increase at an average annual rate of 4.3 percent over the Updated Financial Plan period, driven primarily by cost increases for workers' compensation and the employer share of costs for employee and retiree health insurance benefits.

In FY 2017, State Operating Funds spending for GSCs is projected to increase by $258 million (3.5 percent). Health insurance increases are due to rising prescription drug costs, greater use of more expensive specialty drugs for chronic conditions, generic drug price inflation, increased outpatient utilization, and increased inpatient/outpatient utilization in Mental Health. Pension cost growth reflects the impact of higher graded rates, which increases the State's gross funding liability, and the repayment of prior-year amortizations, partially offset by an increase in lower cost Tier 6 entrants.

GENERAL STATE CHARGES
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,452**	**7,709**	**3.5%**	**8,132**	**5.5%**	**8,411**	**3.4%**	**8,805**	**4.7%**
Fringe Benefits	**7,045**	**7,301**	**3.6%**	**7,732**	**5.9%**	**8,007**	**3.6%**	**8,397**	**4.9%**
Health Insurance	3,465	3,720	7.4%	3,943	6.0%	4,209	6.7%	4,493	6.8%
Employee Health Insurance	2,183	2,343	7.4%	2,484	6.0%	2,651	6.7%	2,831	6.8%
Retiree Health Insurance	1,282	1,376	7.4%	1,459	6.0%	1,557	6.7%	1,663	6.8%
Pensions	2,225	2,496	12.2%	2,565	2.8%	2,548	-0.7%	2,562	0.5%
Social Security	981	966	-1.6%	971	0.6%	979	0.8%	984	0.5%
Worker's Compensation	476	320	-32.7%	432	34.8%	473	9.5%	583	23.2%
Employee Benefits	91	89	-2.3%	90	1.0%	91	1.0%	92	1.0%
Dental Insurance	59	65	10.1%	65	0.0%	65	0.0%	65	0.0%
Unemployment Insurance	15	17	16.5%	17	0.6%	17	0.0%	17	0.0%
All Other/Non-State Escrow	(268)	(372)	-38.8%	(352)	5.4%	(375)	-6.5%	(399)	-6.4%
Fixed Costs	**407**	**408**	**0.2%**	**399**	**-2.1%**	**404**	**1.0%**	**408**	**1.0%**

[6] As of July 2015, SUNY Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA- CREF) and other SUNY fringe benefit costs are no longer paid directly by SUNY, and have been shifted to the central statewide appropriation.

Growth in GSC base spending in FY 2017 has been offset by gap-closing savings of approximately $228 million. The savings are primarily driven by $140 million in lower projected workers' compensation payments, reflecting the use of available reserves which will be transferred directly to SIF; and approximately $79 million in interest savings achieved by paying the full State pension bill in April 2016, rather than on the due date of March 1, 2017.

In addition to the actions described above, fringe benefit and fixed cost spending estimates reflect a mix of increasing costs associated with updated baseline growth in health insurance rate renewals and workers' compensation liabilities, and other downward adjustments which reflect the shift of spending between the SUNY and GSC budgets, and the timing of certain payments from prior years.

The Updated Financial Plan reflects a current year increase of $144 million in pension expenses from new legislation which enables eligible members to receive up to three years of extra pension service credit for their active military service. These costs are for State employees and other employees who participate in Section 25 of the Retirement and Social Security Law, provided they were honorably discharged, have five years of creditable service, and agree to pay the employee share of such service credit prior to retirement. The State is required to fund the full present value of the benefit as members opt in. The law permits the State to amortize the first year cost over five years at an interest rate determined by the retirement system, which has been set at a rate of 7 percent, however at this time the State does not plan to amortize these costs.

Transfers to Other Funds (General Fund Basis)

General Fund transfers help finance the State's share of Medicaid costs for mental hygiene facilities, debt service for bonds that do not have dedicated revenues, SUNY operating costs, certain capital initiatives, and a range of other activities.

GENERAL FUND TRANSFERS TO OTHER FUNDS
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**11,376**	**11,527**	**11,860**	**12,039**	**12,191**
State Share of Mental Hygiene Medicaid[1]	**2,036**	**1,437**	**1,325**	**1,301**	**1,236**
Debt Service	**1,196**	**706**	**1,260**	**1,182**	**1,076**
SUNY University Operations	**998**	**996**	**1,001**	**997**	**997**
Capital Projects	**2,721**	**3,810**	**3,469**	**3,399**	**3,311**
Dedicated Highway and Bridge Trust Fund	681	602	711	692	974
Dedicated Infrastructure Investment Fund	857	901	2,151	1,701	732
Management of Debt Issuances	0	1,300	(800)	(500)	0
Environmental Protection Fund	23	146	28	28	28
All Other Capital	1,160	861	1,379	1,478	1,577
ALL OTHER TRANSFERS	**4,425**	**4,578**	**4,805**	**5,160**	**5,571**
Mental Hygiene	3,195	3,317	3,546	3,913	4,324
Department of Transportation (MTA Payroll Tax)	331	333	334	334	335
SUNY - Medicaid Reimbursement	355	282	282	282	282
Judiciary Funds	107	107	107	107	107
SUNY - Hospital Operations	88	88	69	69	69
Dedicated Mass Transportation Trust Fund	63	63	66	66	66
Banking Services	52	52	53	53	53
Indigent Legal Services	30	35	35	35	35
Mass Transportation Operating Assistance	21	37	38	38	38
Alcoholic Beverage Control	15	0	0	0	0
Information Technology Services	8	2	2	2	2
Public Transportation Systems	15	15	16	16	16
Correctional Industries	11	11	11	11	11
Spinal Cord Injury	9	9	9	9	9
Medical Marihuana Fund	7	5	5	5	5
All Other	118	222	232	220	219

[1] Includes transfers related to the multi-year OPWDD disallowance repayments, including the use of monetary settlement funds for the $850 million upfront repayment.

A significant portion of the capital and operating expenses of DOT and DMV are funded from DHBTF, which receives various dedicated tax and fee revenues, including statutory allocations of PBT, motor fuel tax, and highway use taxes. The Updated Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF, as the cumulative expenses of the fund (DOT and DMV capital and operating expenses, and certain debt service on transportation bonds) exceed current and projected revenue deposits and bond proceeds.

General Fund transfers to other funds are expected to total $11.5 billion in FY 2017, a $151 million increase from FY 2016. This growth is primarily due to transfers and uses of settlement money.

Debt Service

The State pays debt service on all outstanding State-supported bonds. These include General Obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as certain bonds issued by State public authorities, such as ESD, DASNY, and the New York State Thruway Authority, subject to appropriation. Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
General Fund	1,196	706	-41.0%	1,260	78.5%	1,182	-6.2%	1,076	-9.0%
Other State Support	4,402	4,372	-0.7%	4,997	14.3%	5,589	11.8%	6,156	10.1%
State Operating/All Funds Total	**5,598**	**5,078**	**-9.3%**	**6,257**	**23.2%**	**6,771**	**8.2%**	**7,232**	**6.8%**

Total State Operating/All Funds debt service is projected at $5.1 billion in FY 2017, of which approximately $706 million is paid from the General Fund via transfers, and $4.4 billion from other State funds supported by dedicated tax receipts. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service for the State's revenue bonds is paid directly from other State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds.

Updated Financial Plan estimates for debt service spending have been revised to reflect an additional $125 million in assumed refunding savings in FY 2017. Debt service spending in FY 2016 reflected prepayments of about $710 million due during FY 2017, and FY 2017 debt service spending estimates continue to assume the prepayment of $60 million of debt service due during FY 2018.

GAAP-Basis Results for Prior Fiscal Years

GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements and Other Supplementary Information on a GAAP basis for governments as promulgated by the GASB. The Basic Financial Statements and Other Supplementary Information, released in July each year, include a management discussion and analysis ("MD&A"); the Statements of Net Position and Activities; the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds; the Statements of Net Position, Revenues, Expenses and Changes in Fund Net Position and Cash Flows for the Enterprise Funds; the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position; the Combining Statements of Net Position and Activities for Discretely Presented Component Units; required Supplementary Information (unaudited) and Other Supplementary Information which includes individual fund combining statements. These statements are audited by independent certified public accountants. The State issued the Basic Financial Statements for FY 2016 on July 29, 2016. The Comptroller also prepares and issues a Comprehensive Annual Financial Report ("CAFR"), which, in addition to the components referenced to above, also includes an introductory section and a statistical section. The CAFR for the fiscal year ended March 31, 2016 is expected to be issued later in the current calendar year.

The following table summarizes recent governmental funds results on a GAAP basis.

COMPARISON OF ACTUAL GAAP-BASIS OPERATING RESULTS SURPLUS/(DEFICIT) (millions of dollars)

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2016	(978)	460	754	172	408	5,074
March 31, 2015	6,619	356	(697)	181	6,459	6,052
March 31, 2014	172	806	369	(146)	1,201	(567)

SUMMARY OF NET POSITION (millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2016	32,539	225	32,764
March 31, 2015	32,554	771	33,325
March 31, 2014	27,838	(841)	26,997

The Basic Financial Statements (including Other Supplementary Information) for the fiscal year ended March 31, 2016 and CAFRs related to prior fiscal years can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the Office of the State Comptroller's website at www.osc.state.ny.us. The Basic Financial Statements can also be accessed through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system website at www.emma.msrb.org.

Authorities and Localities

Authorities and Localities

Note that there are presently no updates to the State's financial disclosure concerning localities. As such, the following section provides updates only for the information related to public authorities. Please refer to the AIS dated June 29, 2016 for current financial disclosure information on localities.

Public Authorities

For the purposes of this section, "authorities" refer to public benefit corporations or public authorities, created pursuant to State law, which are reported in the State's CAFR. Authorities are not subject to the constitutional restrictions on the incurrence of debt that apply to the State itself and may issue bonds and notes within the amounts and restrictions set forth in legislative authorization. The State's access to the public credit markets through bond issuances constituting State-supported or State-related debt issuances by certain of its authorities could be impaired and the market price of the outstanding debt issued on its behalf may be materially and adversely affected if these authorities were to default on their respective State-supported or State-related debt issuances.

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. These entities generally pay their own operating expenses and debt service costs from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels; charges for public power, electric and gas utility services; tuition and fees; rentals charged for housing units; and charges for occupancy at medical care facilities. In addition, State legislation also authorizes several financing structures, which may be utilized for the financings.

There are statutory arrangements that, under certain circumstances, authorize State local assistance payments otherwise payable to localities to be made instead to the issuing public authorities in order to secure the payment of debt service on their revenue bonds and notes. However, the State has no constitutional or statutory obligation to provide assistance to localities beyond amounts that have been appropriated therefor in any given year. Some public authorities also receive monies from State appropriations to pay for the operating costs of certain programs.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

As of December 31, 2015 (with respect to Job Development Authority or "JDA" as of March 31, 2016), each of the 19 authorities listed in the following table had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $179 billion, only a portion of which constitutes State-supported or State-related debt. The following table summarizes the outstanding debt of these authorities.

OUTSTANDING DEBT OF CERTAIN AUTHORITIES[(1)]
AS OF DECEMBER 31, 2015[(2)]
(millions of dollars)

Authority	State-Related Debt Bonding	Authority and Conduit Bonding	Total
Dormitory Authority[(3)]	28,400	19,732	48,132
Metropolitan Transportation Authority	218	27,356	27,574
Port Authority of NY & NJ	0	24,929	24,929
Housing Finance Agency	502	13,485	13,987
UDC/ESD	11,973	837	12,810
Thruway Authority	6,085	4,924	11,009
Triborough Bridge and Tunnel Authority	0	8,334	8,334
Long Island Power Authority[(4)]	0	7,371	7,371
Job Development Authority[(2)]	6	6,800	6,806
Environmental Facilities Corporation	324	5,763	6,087
Energy Research and Development Authority	0	3,127	3,127
State of New York Mortgage Agency	0	2,496	2,496
Local Government Assistance Corporation	2,058	0	2,058
Power Authority	0	1,562	1,562
Tobacco Settlement Financing Corporation	1,378	0	1,378
Battery Park City Authority	0	1,009	1,009
Municipal Bond Bank Agency	234	240	474
Niagara Frontier Transportation Authority	0	122	122
Bridge Authority	0	104	104
TOTAL OUTSTANDING	51,178	128,191	179,369

Source: Compiled by the Office of the State Comptroller from data submitted by the Public Authorities. Debt classifications by DOB.

(1) Includes only authorities with $100 million or more in outstanding debt which are reported as component units or joint ventures of the State in the Comprehensive Annual Financial Report (CAFR). Includes short-term and long-term debt. Reflects original par amounts for bonds and financing arrangements or original gross proceeds in the case of capital appreciation bonds. Amounts outstanding do not reflect accretion of capital appreciation bonds or premiums received.

(2) All Job Development Authority (JDA) debt outstanding reported as of March 31, 2016. This includes $6.8 billion in conduit debt issued by JDA's blended component units consisting of $6.1 billion issued by New York Liberty Development Corporation ($1.2 billion of which is also included in the amount reported for Port Authority of NY and NJ), $509 million issued by the Brooklyn Arena Local Development Corporation and $167 million issued by the New York Transportation Development Corporation. In addition, JDA has $6 million in State-guaranteed bonds outstanding.

(3) Includes debt previously issued by New York State Medical Care Facilities Finance Agency, which was consolidated with the Dormitory Authority on September 1, 1995.

(4) Includes $2.92 billion of Utility Debt Securitization Authority (UDSA) bonds. Chapter 173 of the Laws of 2013 established UDSA for the sole purpose of retiring certain outstanding indebtedness of the Long Island Power Authority (LIPA) through the issuance of restructuring bonds. UDSA is reported as a blended component unit of LIPA in LIPA's audited financial statements.

State Retirement System

State Retirement System

THE INFORMATION THAT FOLLOWS UNDER THIS HEADING HAS BEEN PREPARED SOLELY BY OSC, AND DOB HAS NOT UNDERTAKEN ANY INDEPENDENT VERIFICATION OF SUCH INFORMATION.

General

This section summarizes key information regarding the New York State and Local Retirement System ("NYSLRS" or the "System") and the Common Retirement Fund ("CRF"). The System was established as a means to pay benefits to the System's participants. The CRF comprises a pooled investment vehicle designed to protect and enhance the long-term value of the System's assets.

Greater detail, including the independent auditor's report for the fiscal year ending March 31, 2015, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2015 and is available on the OSC website at the following link: www.osc.state.ny.us/retire/publications/. For the fiscal year ended March 31, 2016, the System's audited Financial Statements were available on the OSC website as of July 31, 2016 and the NYSLRS' CAFR and Asset listing will be available by September 30, 2016.

The Annual Reports to the Comptroller on Actuarial Assumptions from the Retirement System's Actuary - the contents of which explain the methodology used to determine employer contribution rates to the System - issued from 2007 through 2015 and benefit plan booklets describing how each of the System's tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications/.

The State Comptroller is the administrative head of NYSLRS, which has the powers and privileges of a corporation and comprises the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS"). The State Comptroller promulgates rules and regulations for the administration and transaction of the business of the System. Pursuant to the State's Retirement and Social Security Law and Insurance Law, NYSLRS is subject to the supervision of the Superintendent of the New York State Department of Financial Services.

The State Comptroller is also the trustee and custodian of the CRF, a trust created pursuant to the Retirement and Social Security Law to hold the System's assets, and, as such, is responsible for investing the assets of the System. Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management of the Office of the State Comptroller ("Division"). Division employees, outside advisors, consultants and legal counsel provide the State Comptroller with advice and oversight of investment decisions. Outside advisors and internal investment staff are part of the chain of approval that must recommend all investment decisions before final action by the State Comptroller. The Investment Advisory Committee and the Real Estate Advisory Committee, both made up of outside advisors, assist the State Comptroller in his investment duties.

The Investment Advisory Committee advises the State Comptroller on investment policies relating to the CRF, reviews the portfolio of the CRF and makes such recommendations as the Committee deems necessary. The Real Estate Advisory Committee reviews and must approve mortgage and real estate investments for consideration by the State Comptroller.

The System engages an independent auditor to conduct an audit of the System's annual financial statements. Furthermore, an Actuarial Advisory Committee meets annually to review the actuarial assumptions and the results of the actuarial valuation of the System. The Actuarial Advisory Committee is composed of current or retired senior actuaries from major insurance companies or pension plans. The System also engages the services of an outside actuarial consultant to perform a statutorily required quinquennial review. At least once every five years, NYSLRS is also examined by the New York State Department of Financial Services ("DFS"). The Comptroller has established within the Retirement System, the Pension Integrity Bureau, the purpose of which is to identify and prevent errors, fraud and abuse. The State Comptroller has also established an Office of Internal Audit to provide the Comptroller with independent and objective assurance and consulting services for the programs and operations of the Office of the State Comptroller, including programs and operations of NYSLRS. The Comptroller's Advisory Audit Committee, established in compliance with DFS regulations, meets three times per year to review the System's audited financial statements and the NYSLRS' CAFR, and to discuss a variety of financial and investment-related activities. Pursuant to DFS regulations, a fiduciary review of the System for the three year period ended March 31, 2015 was submitted on June 16, 2016.

The System

The System provides pension benefits to public employees of the State and its localities (except employees of New York City, and public school teachers and administrators, who are covered by separate plans). State employees made up about 32 percent of the membership during FY 2016. There were 3,040 other public employers participating in the System, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2016, 647,399 persons were members of the System and 440,943 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of the State Constitution considers membership in any State pension or retirement system to be "a contractual relationship, the benefits of which shall not be diminished or impaired."

Comparison of Benefits by Tier

The System's members are categorized into six tiers depending on date of membership. As of March 31, 2016, approximately 69 percent of ERS members were in Tiers 3 and 4 and approximately 78 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and included significant changes to the benefit structure for ERS members who joined on or after January 1, 2010 and PFRS members who joined on or after January 9, 2010. Tier 6 was enacted in 2012 and included further changes to the benefit structure for ERS and PFRS members who joined on or after April 1, 2012.

Benefits paid to members vary depending on tier. Tiers vary with respect to vesting, employee contributions, retirement age, reductions for early retirement, and calculation and limitation of "final average salary" – generally the average of an employee's three consecutive highest years' salary (for Tier 6 members, final average salary is determined by taking the average of an employee's five consecutive highest years' salary). ERS members in Tiers 3 and 4 can begin receiving full retirement benefits at age 62, or at age 55 with at least 30 years of service. The amount of the benefit is based on years of service, age at retirement and the final average salary earned. The majority of PFRS members in Tier 2 are in special plans that permit them to retire after 20 or 25 years regardless of age. Charts comparing the key benefits provided to members of ERS and PFRS in most of the tiers of the System can be accessed at:

http://www.osc.state.ny.us/retire/employers/tier-6/index.php.

Contributions and Funding

Contributions to the System are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 were required to contribute 3 percent of their salaries. A statutory change in 2000, however, limited the contributions to the first 10 years of membership, but did not authorize refunds where contributions had already exceeded 10 years. All ERS members joining after 2009 and prior to April 1, 2012, and all PFRS members joining after January 9, 2010 and prior to April 1, 2012, are members of Tier 5. All Tier 5 ERS members and 84 percent of the approximately 1,600 Tier 5 PFRS members are required to contribute 3 percent of their salaries for their career. Members joining on or after April 1, 2012 are in Tier 6, and are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages. Members in Tier 6 of both ERS and PFRS earning $45,000 or less are required to contribute 3 percent of their gross annual wages; members earning between $45,001 and $55,000 are required to contribute 3.5 percent; members earning between $55,001 and $75,000 are required to contribute 4.5 percent; members earning between $75,001 and $100,000 will contribute 5.75 percent; and, those earning in excess of $100,000 are required to contribute 6 percent of their gross annual salary.

In order to protect employers from potentially volatile contributions tied directly to the value of the System's assets held by the CRF, the System utilizes a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the System's Actuary, which is currently 7.0 percent.[7]

The current actuarial smoothing method recognizes annual gains and losses (investment returns above or below the 7.0 percent assumed return) over a 5-year period. The significant investment losses in FY 2009 substantially caused the increase in contribution rates for FY 2011, FY 2012,

[7] During 2015, the Retirement System's Actuary conducted the statutorily required quinquennial actuarial experience study of economic and demographic assumptions. The assumed investment rate of return is an influential factor in calculating employer contribution rates. In addition, the Chief Investment Officer conducted an asset allocation study. The resulting asset allocation and long-term asset allocation policy informed the Actuary's recommendation regarding the revision of the investment rate of return (discount rate). On September 4, 2015, the Comptroller announced the NYSLRS employer contribution rates decreased for fiscal year 2017 and the assumed rate of return for NYSLRS would be lowered from 7.5 percent to 7 percent.

FY 2013 and FY 2014. However, rates decreased for FY 2015, FY 2016 and FY 2017 due, in part, to investment gains in years following 2009.

The amount of future annual employer contribution rates will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the System as of each April 1. Final contribution rates for FY 2017 were released in September 2015. The average ERS rate decreased by 14.3 percent from 18.2 percent of salary in FY 2016 to 15.6 percent of salary in FY 2017, while the average PFRS rate decreased by 2.0 percent from 24.7 percent of salary in FY 2016 to 24.2 percent of salary in FY 2017. Information regarding average rates for FY 2017 may be found in the 2015 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at:

www.osc.state.ny.us/retire/publications.

Legislation enacted in May 2003 realigned the System's billing cycle to match participating local governments' budget cycles and also instituted a minimum annual payment of at least 4.5 percent of payroll every year. Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at 5 percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2016, the amortized amount receivable, including accrued interest, pursuant to Chapter 260 from participating employers is $2.7 million.

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by the State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013, FY 2014, FY 2015 and FY 2016, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent and 3.21 percent respectively. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, OSC expects that this will reduce the budgetary volatility of employer contributions. As of March 31, 2016, the amortized amount receivable, including accrued interest, for the 2011 amortization is $136.4 million from the State and $23.1 million from 40 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is $354.9 million from the State and $131.1 million from 113 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is $562.9 million from the State and $264.3 million from 131 participating employers; the amortized amount receivable, including accrued interest, for the 2014 amortization is $777.9 million for the State and $177.7 million from 99 participating employers; the amortized amount receivable including accrued interest, for the 2015 amortization is $653.1 million from the State and $134.0 million from 86 participating employers; and the amortized amount receivable, including accrued interest for the 2016 amortization, is $357.1 million from the State and $67.1 million from 53 participating employers.

The FY 2014 Enacted Budget included an alternate contribution program (the "Alternate Contribution Stabilization Program") that provides certain participating employers with a one-time election to amortize slightly more of their required contributions than would have been available for amortization under the 2010 legislation. In addition, the maximum payment period was increased from ten years to twelve years. The election is available to counties, cities, towns, villages, BOCES, school districts and the four public health care centers operated in the counties of Nassau, Westchester and Erie. The State is not eligible to participate in the Alternate Contribution Stabilization Program. As of March 31, 2016, the amortized amount receivable, including interest, from 26 participating employers for the 2014 amortization is $215.7 million. The amortized amount receivable, including interest, from 26 participating employers for the 2015 amortization is $182.8 million. The amortized amount receivable, including interest, from 23 participating employers for the 2016 amortization is $134.1 million.

Eligible employers had a one-time only option to elect to participate in the Alternate Contribution Stabilization Program, which began with FY 2014. For those eligible employers electing to participate in the Alternate Contribution Stabilization Program, the graded contribution rate for fiscal years ending 2014 and 2015 is 12 percent of salary for ERS and 20 percent of salary for PFRS. Thereafter, the graded contribution rate will increase one half of one percent per year towards the actuarially required rate. The 2016 amounts are 12.5 percent for ERS and 20.5 percent for PFRS. Electing employers may amortize the difference between the graded rate and the actuarially required rate over a twelve year period at an interpolated twelve year U.S. Treasury Security rate (3.76 percent for FY 2014, 3.50 percent for FY 2015 and 3.31 percent for FY 2016). As with the original Contribution Stabilization Program, when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elect to amortize under the alternate program will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future.

The total State payment (including Judiciary) due to NYSLRS for FY 2016 was approximately $2.476 billion. The State (including Judiciary) opted to amortize the maximum amount permitted, which reduced the required March 1, 2016 payment by $356.1 million.

The total State payment (including Judiciary) due to NYSLRS for FY 2017 is approximately $2.263 billion. Multiple prepayments to date, including interest credit, have reduced the outstanding balance to be paid on March 1, 2017 to $0. The maximum amount eligible for amortization for FY 2017 is $55.5 million. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF as further described below under "Pension Assets and Liabilities."

The FY 2017 Enacted Budget authorized the State, as an amortizing employer, to prepay to NYSLRS the total amount of principal due for its annual amortization installment or installments for a given fiscal year prior to the expiration of a ten-year amortization period.

Pension Assets and Liabilities

The System's assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the System are made by the State Comptroller as trustee of the CRF. The System reports that the net position restricted for pension benefits as of March 31, 2016 was $183.6 billion (including $6.2 billion in receivables, which consist of employer contributions, amortized amounts, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), a decrease of $5.8 billion or 3.0 percent from the FY 2015 level of $189.4 billion. The decrease in net position restricted for pension benefits from FY 2015 to FY 2016 reflects, in large part, equity market performance.[8] The System's audited Financial Statement reports an investment rate of return of 0.19 percent for FY 2016.

Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management. The purpose of this asset allocation strategy is to identify the optimal diversified mix of assets to meet the requirements of pension payment obligations to members. In the fiscal year ended March 31, 2010, an asset liability analysis was completed and a long-term policy allocation was adopted. The current long-term policy allocation seeks a mix that includes 51 percent equities (38 percent domestic and 13 percent international); 20 percent bonds, cash and mortgages; 2 percent inflation indexed bonds and 27 percent alternative investments (10 percent private equity, 8 percent real estate, 3 percent absolute return or hedge funds, 3 percent opportunistic and 3 percent real assets). Since the implementation of the long-term policy allocation will take several years, transition targets have been established to aid in the asset rebalancing process.[9]

The System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $216.4 billion on April 1, 2014 to $225.7 billion (including $107.7 billion for current retirees and beneficiaries) on April 1, 2015. The funding method used by the System anticipates that the plan net position, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. The valuation used by the Retirement Systems Actuary was based on audited net position restricted for pension benefits as of March 31, 2015. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from plan net position on April 1, 2015 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected loss for FY 2015, 40 percent of the unexpected gain for FY 2014, 60 percent of the unexpected gain for FY 2013, and 80 percent of the unexpected gain for FY 2012[10]. The asset valuation method smoothes gains

---

[8] On August 16, 2016, the State Comptroller released a statement indicating that the value of the System's invested assets posted a 2 percent return for the three-month period ended June 30, 2016. This report reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

[9] More detail on the CRF's asset allocation as of March 31, 2015, long-term policy allocation and transition target allocation can be found on page 88 of the NYSLRS' CAFR for the fiscal year ending March 31, 2015.

[10] The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.0 percent assumed investment rate of return over a 5-year period.

and losses based on the market value of all investments. Actuarial assets increased from $171.7 billion on April 1, 2014 to $184.2 billion on April 1, 2015. The ratio of the fiduciary net position to the total pension liability for ERS, as of March 31, 2015, calculated by the System's Actuary, was 97.9 percent. The ratio of the fiduciary net position to the total pension liability for PFRS, as of March 31, 2015, calculated by the System's Actuary, was 99.0 percent[11].

In June 2012, GASB approved two related Statements that change the accounting and financial reporting of pensions by state and local governments and pension plans. These statements impact neither the System's actuarial funding method nor the calculation of rates.

Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans, and replaced the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans and Statement No. 50, Pension Disclosures. Statement No. 67 mandates more extensive note disclosure and required supplementary information. The implementation of Statement No. 67 will have no impact on the System's Statement of Fiduciary Net Position, which measures the System's net position, restricted for pension benefits or Statement of Changes in Fiduciary Net Position. The System adopted Statement No. 67 in the March 31, 2015 Financial Statements.

Statement No. 68, Accounting and Financial Reporting for Pensions, replaced the requirements of Statement No. 27, Accounting for Pensions by State and Local Government Employers, and Statement No. 50, Pension Disclosures. Statement No. 68 establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. Statement No. 68 requires employers participating in the plans to report expanded information concerning pensions in their financial statements, as well as their proportionate share of the Net Pension Liability effective for fiscal years beginning after June 15, 2014. The Net Pension Liability is a measure of the amount by which the Total Pension Liability exceeds a pension system's Fiduciary Net Position.

As noted above, Statement No. 68 impacts neither the actuarial funding method nor the calculation of rates. The standards for employers were effective for fiscal years that began after June 15, 2014. For example, it would be effective for the State's fiscal year ending March 31, 2016. The System provided employers with the information required to comply with Statement No. 68 in August 2015, based on the System's measurement date of March 31, 2015. The Net Pension Liability is allocated to participating employers and reported pursuant to both Statements 67 and 68. Employers now have to recognize their proportionate share of the collective Net Pension Liability in their financial statements, as well as pension expense and deferred inflows and outflows.

---

[11] The System previously disclosed a funded ratio in accordance with GASB Statements 25 and 27, which, as discussed herein, have been amended by GASB Statements 67 and 68. The GASB Statements 67 and 68 amendments had the effect, among other things, of no longer requiring the disclosure of a funded ratio. GASB now requires the disclosure of the ratio of the fiduciary net position to the total pension liability. This ratio is not called a funded ratio and is not directly comparable to the funded ratio disclosed in prior years.

Detailed "Schedules of Employer Allocation" and "Schedules of Pension Amounts by Employer" can be found on the OSC website at the following link:

https://www.osc.state.ny.us/retire/about us/financial statements index.php#cafr.

The GASB 68 "Schedules of Employer Allocation" and "Schedules of Pension Amounts by Employer" as of March 31, 2016 have been posted to the OSC website.

The tables that follow show net assets, benefits paid and the actuarially determined contributions that have been made over the last ten years. See also "State Retirement System — Contributions and Funding" above.

CONTRIBUTIONS AND BENEFITS
NEW YORK STATE AND LOCAL RETIREMENT SYSTEM[1]
(millions of dollars)

Fiscal Year Ended March 31	Contributions Recorded: All Participating Employers[1][2]	Local Employers[1][2]	State[1][2]	Employees	Total Benefits Paid[3]
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012	4,585	2,799	1,786	273	8,938
2013	5,336	3,385	1,950	269	9,521
2014	6,064	3,691	2,373	281	9,978
2015	5,797	3,534	2,263	285	10,514
2016	5,140	3,182	1,958	307	11,060

Sources: State and Local Retirement System.

[1] Contributions recorded include the full amount of unpaid amortized contributions.

[2] The actuarily determined contribution (ADC) include the employers' normal costs, the Group Life Insurance Plan amounts, and other supplemental amounts.

[3] Includes payments from Group Life Insurance Plan, which funds the first $50,000 of any death benefit paid.

NET POSITION RESTRICTED FOR PENSION BENEFITS OF THE NEW YORK STATE AND LOCAL RETIREMENT SYSTEM [1]
(millions of dollars)

Fiscal Year Ended March 31	Net Assets	Percent Increase/ (Decrease) From Prior Year
2007	156,625	9.8%
2008	155,846	-0.5%
2009	110,938	-28.8%
2010	134,252	21.0%
2011	149,549	11.4%
2012	153,394	2.6%
2013	164,222	7.1%
2014	181,275	10.4%
2015	189,412	4.5%
2016	183,640	-3.0%

Sources: State and Local Retirement System.

[1] Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2016 includes approximately $6.2 billion of receivables.

Litigation and Arbitration

Litigation and Arbitration

Real Property Claims

There are several cases in which Native American tribes have asserted possessory interests in real property or sought monetary damages as a result of claims that certain transfers of property from the tribes or their predecessors-in-interest in the 18th and 19th centuries were illegal.

In Oneida *Indian Nation of New York v. State of New York*, 74-CV-187 (NDNY), the plaintiff, alleged successors-in-interest to the historic Oneida Indian Nation, sought a declaration that they hold a current possessory interest in approximately 250,000 acres of lands that the tribe sold to the State in a series of transactions that took place between 1795 and 1846, money damages, and the ejectment of the State and Madison and Oneida Counties from all publicly-held lands in the claim area. In 1998, the United States intervened in support of plaintiff.

During the pendency of this case, significant decisions were rendered by the United States Supreme Court and the Second Circuit Court of Appeals which changed the legal landscape pertaining to ancient land claims: *City of Sherrill v. Oneida Indian Nation of New York*, 544 U.S. 197 (2005), and *Cayuga Indian Nation of New York v. Pataki*, 413 F.3d 266 (2d Cir. 2005), cert. denied, 547 U.S. 1128 (2006). Taken together, these cases have made clear that the equitable doctrines of laches, acquiescence, and impossibility can bar ancient land claims.

Relying on these decisions, in *Oneida Indian Nation et al. v. County of Oneida et al*., 617 F.3d 114 (2d Cir. 2010), the Second Circuit Court of Appeals dismissed the Oneida land claim. On October 17, 2011, the United States Supreme Court denied plaintiffs' petitions for certiorari to review the decision of the Second Circuit. See 132 S. Ct. 452 (2011).

The Oneidas petitioned the US government to have the Department of the Interior (DOI) take lands into trust that it had purchased on the open market, which lie within the bounds of the former reservation. An administrative decision by the DOI granted this request, taking about 17,000 acres into trust. This administrative action was thereafter challenged in an affirmative federal Administrative Procedure Act (APA) action, *State of New York v. Jewell*, No. 08-cv-644 (N.D.N.Y.), by the State, the Counties, local governments, and some citizen's groups in a number of consolidated APA lawsuits. On May 16, 2013, the State, Madison and Oneida Counties, and the Oneida Indian Nation signed a settlement agreement covering many issues. As pertinent here, the agreement places a cap on the amount of land the tribe could reacquire and have taken into trust for its benefit by the United States. The agreement has been approved by the State Legislature, and was approved by the Federal Court on March 4, 2014 in *State of New York v. Jewell*, No. 08-cv-644, 2014 U.S. Dist. LEXIS 27042 (N.D.N.Y. Mar. 4, 2014).

There are three cases challenging the settlement agreement. In *Matter of Town of Verona, et al. v. Cuomo, et al*. (Sup. Ct., Albany Co.), the plaintiffs are citizen taxpayers, voters, and two towns. The defendants answered and moved for summary judgment which was granted in a Decision/Order/Judgment on June 27, 2014 dismissing all claims in the complaint and denying plaintiffs' cross-motion to amend. Plaintiffs filed a Notice of Appeal on March 17, 2015. In an opinion and order entered December 17, 2015, the Appellate Division, Third Department affirmed Supreme Court's judgment upholding the settlement agreement and dismissing the action. On March 1, 2016, the Appellate Division, Third Department denied plaintiffs' motion for reargument or leave to appeal. Plaintiffs thereafter moved in the Court of Appeals for leave to appeal. The Court of Appeals denied Plaintiff's motion for leave to appeal, with costs, on June 9, 2016.

In *Schulz v. New York State Executive, et al*., (Sup. Ct., Albany Co.), plaintiff seeks a declaratory judgment that the New York Gaming Act, the New York Tax Free Zones Act, and the Oneida, St. Regis Mohawk and Seneca Nation settlement agreements violate various provisions of the State Constitution. In a decision, order and judgment dated April 10, 2014, the court disposed of some of the constitutional challenges to the statutes and ordered that plaintiff serve the tribes and the Counties of Madison and Oneida within thirty days. The counties dispute whether they were properly served and the tribes appear to have invoked immunity from suit such that none of those parties answered the amended complaint by June 16, 2014 as directed by the court. On November 5, 2014, the court dismissed the remainder of the action in its entirety.

The petitioner appealed. By opinion and order entered April 7, 2016, the Appellate Division, Third Department affirmed the dismissal of the action. On May 2, 2016, petitioner appealed to the Court of Appeals, asserting a significant constitutional question. On June 23, 2016, the Court of Appeals dismissed the appeal on the ground that no substantial constitutional question is directly involved.

In *Kaplan v. State of New York* (Sup. Ct., Oneida Co), plaintiff is a citizen taxpayer and voter who claims that the settlement agreement violates the State Constitution by delegating the State's taxing power. On July 16, 2015, the State filed a motion to dismiss the complaint on several grounds, including laches, comity and failure to state a claim. Defendants' motion to dismiss was fully briefed and argued on September 16, 2015. The Oneida County Supreme Court dismissed the plaintiff's claims and issued declaratory judgment in favor of the State on February 19, 2016, finding that the State did not violate the State Constitution by contracting away its power to tax when it entered into the Oneida Settlement Agreement. On March 17, 2016, plaintiff filed a notice of appeal. Plaintiff filed his brief in the Appellate Division, Fourth Department, on June 14, 2016. The State's responding brief was filed August 17, 2016.

In *Canadian St. Regis Band of Mohawk Indians, et al. v. State of New York*, et al. ("NDNY"), plaintiffs seek ejectment and monetary damages for their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. The defendants' motion for judgment on the pleadings, relying on the decisions in *Sherrill*, *Cayuga*, and *Oneida* was granted in great part through decisions on July 8, 2013 and July 23, 2013, holding that all claims are dismissed except for claims over the area known as the Hogansburg Triangle and a right of way claim against Niagara Mohawk Power Corporation, which will now proceed through discovery and additional motion practice.

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe's land claim. The land claim has been stayed through at least September 13, 2016 to allow for settlement negotiations.

On May 28, 2014, the State, the New York Power Authority and St. Lawrence County signed a memorandum of understanding with the St. Regis Mohawk Tribe endorsing a general framework for a settlement, subject to further negotiation. The memorandum of understanding does not address all claims by all parties and will require a formal written settlement agreement. Any formal settlement agreement will also require additional local, State and Congressional approval.

In *Shinnecock Indian Nation v. State of New York*, et al. (EDNY), plaintiff seeks ejectment, monetary damages, and declaratory and injunctive relief for its claim that approximately 3,600 acres in the Town of Southampton were illegally transferred from its predecessors-in-interest. On December 5, 2006, the District Court granted defendants' motion to dismiss, based on the *Sherrill* and *Cayuga* decisions. Plaintiff moved for reconsideration before the District Court and also appealed to the Second Circuit Court of Appeals. The *Shinnecock* appeal to the Second Circuit was reinstated and, on October 28, 2015, the Second Circuit affirmed the District Court's decision dismissing plaintiff's claim. On March 25, 2016, plaintiff filed a petition for a writ of certiorari in the United States Supreme Court from the Second Circuit's decision. On June 27, 2016, the Supreme Court denied plaintiff's petition for certiorari.

Medicaid Nursing Home Rate Methodology

In *Kateri Residence v. Novello (Sup. Ct., New York Co.)* and several other cases, the plaintiffs challenge several nursing home rate methodologies, including the "reserve bed patient day adjustment", which regulates payments to nursing homes when long term care patients are receiving off-site care. Supreme Court, New York County, granted partial summary judgment to plaintiffs in *Kateri*, holding that the reserve bed patient day adjustment rate methodology was improper. The Appellate Division, First Department affirmed Supreme Court's partial summary judgment decision on interlocutory appeal and remanded the case to Supreme Court for further proceedings. The Court of Appeals denied leave to appeal on the grounds that the decision was not final. Supreme Court directed the defendant to re-compute Medicaid rates for the plaintiff's facilities, and that re-computation was completed in October 2013. The parties are presently conducting discovery. Plaintiffs brought a motion, returnable March 5, 2014, to compel payment of the impacted Medicaid rates computed thus far by Department of Health staff, resulting from application of the reserve bed day methodology. On June 3, 2014, the court granted this motion to the extent of directing payment of $6.5 million out of the $49 million sought by plaintiff. The State has filed both a notice of appeal and a motion to renew or reargue that motion. Plaintiffs also brought a motion to consolidate over two hundred additional Medicaid rate cases into the present case, which was returnable May 16, 2014. The motion has been granted and the State has filed a notice of appeal.

In April and May 2015, the Supreme Court, New York County, administratively consolidated many of the reserved bed day *Kateri* matters under the new caption of *Bayberry, et al*. With respect to a portion of the newly consolidated cases, at the end of April 2015, as ordered, DOH performed additional rate calculations that incorporated Petitioners' reserved bed day interpretation and similar calculations by DOH for additionally consolidated cases, referred to under the heading of the Lead Petitioner (Cabrini), were also performed by DOH. Document discovery closed on July 1, 2015; a court status conference was adjourned to March 2, 2016, pending ongoing settlement negotiations.

In March 2016, over 600 nursing home facilities, including all of the *Kateri* plaintiffs, entered a "universal settlement" with the State, resolving all issues concerning nursing home rate reimbursement unless specifically excluded from the settlement by agreement of the parties. The *Kateri* plaintiffs and the State agreed to exclude one issue, called "facility specific rebasing claims," and agreed to cap potential liability for that issue at no more than $15 million inclusive of all fees and costs. The parties filed a stipulation on June 22, 2016 setting forth a proposed briefing schedule for a motion to determine that issue with all papers due by August 12, 2016, and the next scheduled court conference adjourned to September 21, 2016. Pending settlement discussions of the remaining "facility specific rebasing claims" issue, the parties anticipate agreeing to defer the briefing schedule by an additional four weeks, but the next court date remains September 21, 2016.

Insurance Department Assessments

In New *York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.),* several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs of the Insurance Department. By decision and order dated March 25, 2015, plaintiffs' motion for summary judgment was denied, defendant's motion for summary judgment was granted, and plaintiffs' third amended complaint was dismissed. On March 27, 2015, the State received plaintiffs' notice of appeal. The appeal is fully perfected and will be argued on September 16, 2016 before the Appellate Division, Third Department.

The State has entered into a settlement with the intervenor-plaintiffs pursuant to which it has agreed to reduce the amount of the challenged assessments by $120 million over the next ten years. On May 14, 2015, a stipulation of discontinuance of the action by the intervenor plaintiffs was filed.

Canal System Financing

American Trucking Association v. New York State Thruway Authority, 13-CV-8123 (SDNY), is a purported class action by a trucking industry trade association and three trucking companies against the Thruway Authority, the Canal Corporation and individual officers and board members of both entities, claiming violations of the Commerce Clause and the Privileges and Immunities Clauses of the United States Constitution because of the Thruway Authority's use of revenues from Thruway Authority tolls to maintain and improve the State's canal system. The District Court granted defendant's motion to dismiss the complaint for failure to join the State as a necessary party. On August 4, 2015, the Second Circuit Court of Appeals reversed the judgment of the District Court dismissing the complaint and remanded the case to District Court for further proceedings.

Following the Second Circuit's remand, plaintiffs filed a motion for partial summary judgment on December 9, 2015. Defendants filed an opposition and cross-motion for summary judgment on February 15, 2016. Briefing on the motion and cross-motion were fully submitted as of April 1, 2016. In an August 10, 2016 decision, the District Court concluded that the claims were not barred by limitations or laches and that, to the extent that the tolls collected from interstate truckers were used to maintain the canal system, the incorporation of those expenses into the Thruway's toll rates, and their collection from the plaintiffs, violates the dormant commerce clause of the United States Constitution.

Discovery is currently underway. Plaintiffs' motion for class action certification must be filed with the District Court by September 6, 2016. Defendants' response is due by October 7, 2016 and plaintiffs' reply, if any, is due by October 14, 2016. A trial on the issue of damages is scheduled to begin in March 2017.

Financial Plan Tables

Financial Plan Tables

The cash financial plan tables listed below appear on the following pages and summarize actual General Fund receipts and disbursements for fiscal year 2016 and projected receipts and disbursements for fiscal years 2017 through 2020 on a General Fund, State Operating Funds and All Governmental Funds basis. The Updated Financial Plan projections for FY 2017 and thereafter, set forth in this AIS Update, reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in spending from State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Updated Financial Plan tables as "Adherence to 2% State Operating Funds Spending Benchmark". Total disbursements in the Updated Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps would be higher.

CASH FINANCIAL PLAN
GENERAL FUND
ANNUAL CHANGE FROM CURRENT YEAR
(millions of dollars)

	FY 2016 Results	FY 2017 First Quarter	Annual $ Change	Annual % Change
Opening Fund Balance	7,300	8,934	1,634	22.4%
Receipts:				
Taxes:				
Personal Income Tax	31,957	33,420	1,463	4.6%
Consumption/Use Taxes	6,819	7,085	266	3.9%
Business Taxes	5,647	5,750	103	1.8%
Other Taxes	1,540	1,045	(495)	-32.1%
Miscellaneous Receipts	5,842	2,826	(3,016)	-51.6%
Federal Receipts	0	1	1	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,159	10,874	715	7.0%
Sales Tax in Excess of LGAC	2,728	2,867	139	5.1%
Sales Tax in Excess of Revenue Bond Debt Service	2,759	2,646	(113)	-4.1%
Real Estate Taxes in Excess of CW/CA Debt Service	972	951	(21)	-2.2%
All Other	1,253	1,203	(50)	-4.0%
Total Receipts	69,676	68,668	(1,008)	-1.4%
Disbursements:				
Local Assistance Grants	43,314	45,769	2,455	5.7%
Departmental Operations:				
Personal Service	6,011	6,012	1	0.0%
Non-Personal Service	1,944	2,253	309	15.9%
General State Charges	5,397	5,552	155	2.9%
Transfers to Other Funds:				
Debt Service	1,196	706	(490)	-41.0%
Capital Projects	2,721	3,810	1,089	40.0%
State Share of Mental Hygiene Medicaid	2,036	1,437	(599)	-29.4%
SUNY Operations	998	996	(2)	-0.2%
Other Purposes	4,425	4,578	153	3.5%
Total Disbursements	68,042	71,113	3,071	4.5%
Excess (Deficiency) of Receipts Over Disbursements	1,634	(2,445)	(4,079)	-249.6%
Closing Fund Balance	8,934	6,489	(2,445)	-27.4%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,258	1,258	0	
Rainy Day Reserve Fund	540	540	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	63	53	(10)	
Reserved For				
Labor Agreements Prior to FY 2017	15	90	75	
Debt Management	500	500	0	
Undesignated Fund Balance[1]	237	0	(237)	
Monetary Settlements	6,300	4,027	(2,273)	
Programmed	5,755	3,332	(2,423)	
Unbudgeted	545	695	150	

[1] The undesignated fund balance carried forward from FY 2016 totaled $237 million of which $90 million is held in reserve for potential costs of prior year labor agreements and the remaining $162 million is used in FY 2017.

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2017 through FY 2020
(millions of dollars)

	FY 2017 First Quarter	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Receipts:				
Taxes:				
Personal Income Tax	33,420	35,389	35,429	36,988
Consumption/Use Taxes	7,085	7,421	7,709	7,979
Business Taxes	5,750	6,078	6,155	6,538
Other Taxes	1,045	971	933	984
Miscellaneous Receipts	2,826	2,486	2,455	2,335
Federal Receipts	1	1	1	1
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,874	10,883	10,442	10,501
Sales Tax in Excess of LGAC	2,867	3,115	3,156	3,294
Sales Tax in Excess of Revenue Bond Debt Service	2,646	2,718	2,800	3,009
Real Estate Taxes in Excess of CW/CA Debt Service	951	1,021	1,076	1,128
All Other	1,203	751	750	734
Total Receipts	68,668	70,834	70,906	73,491
Disbursements:				
Local Assistance Grants	45,769	48,967	51,595	54,450
Departmental Operations:				
Personal Service	6,012	6,068	6,104	6,166
Non-Personal Service	2,253	2,613	2,426	2,502
General State Charges	5,552	5,916	6,124	6,467
Transfers to Other Funds:				
Debt Service	706	1,260	1,182	1,076
Capital Projects	3,810	3,469	3,399	3,311
State Share of Mental Hygiene Medicaid	1,437	1,325	1,301	1,236
SUNY Operations	996	1,001	997	997
Other Purposes	4,578	4,805	5,160	5,571
Total Disbursements	71,113	75,424	78,288	81,776
Use (Reservation) of Fund Balance:				
Community Projects Fund	10	0	0	0
Labor Agreements Prior to FY 2017	75	0	0	0
Undesignated Fund Balance	87	0	0	0
Monetary Settlements	2,273	1,352	1,200	731
Programmed	2,423	1,352	1,200	731
Unbudgeted	(150)	0	0	0
Total Use (Reservation) of Fund Balance	2,445	1,352	1,200	731
Adherence to 2% Spending Benchmark*	0	3,031	4,710	6,532
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	0	(207)	(1,472)	(1,022)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2017
(millions of dollars)

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	33,870	(450)	33,420
Consumption/Use Taxes	7,087	(2)	7,085
Business Taxes	5,750	0	5,750
Other Taxes	1,045	0	1,045
Miscellaneous Receipts	2,813	13	2,826
Federal Receipts	0	1	1
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	10,899	(25)	10,874
Sales Tax in Excess of LGAC	2,868	(1)	2,867
Sales Tax in Excess of Revenue Bond Debt Service	2,647	(1)	2,646
Real Estate Taxes in Excess of CW/CA Debt Service	951	0	951
All Other	1,046	157	1,203
Total Receipts	68,976	(308)	68,668
Disbursements:			
Local Assistance Grants	45,957	(188)	45,769
Departmental Operations:			
Personal Service	6,054	(42)	6,012
Non-Personal Service	2,245	8	2,253
General State Charges	5,425	127	5,552
Transfers to Other Funds:			
Debt Service	706	0	706
Capital Projects	4,461	(651)	3,810
State Share of Mental Hygiene Medicaid	1,437	0	1,437
SUNY Operations	996	0	996
Other Purposes	4,560	18	4,578
Total Disbursements	71,841	(728)	71,113
Use (Reservation) of Fund Balance:			
Community Projects Fund	10	0	10
Labor Agreements Prior to FY 2017	15	60	75
Undesignated Fund Balance	87	0	87
Monetary Settlements	2,753	(480)	2,273
Programmed	2,873	(450)	2,423
Unbudgeted	(120)	(30)	(150)
Total Use (Reservation) of Fund Balance	2,865	(420)	2,445
Adherence to 2% Spending Benchmark*	0	0	0
Net General Fund Surplus (Deficit)	0	0	0

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2018
(millions of dollars)

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	35,839	(450)	35,389
Consumption/Use Taxes	7,424	(3)	7,421
Business Taxes	6,078	0	6,078
Other Taxes	970	1	971
Miscellaneous Receipts	2,486	0	2,486
Federal Receipts	0	1	1
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	11,033	(150)	10,883
Sales Tax in Excess of LGAC	3,117	(2)	3,115
Sales Tax in Excess of Revenue Bond Debt Service	2,719	(1)	2,718
Real Estate Taxes in Excess of CW/CA Debt Service	1,021	0	1,021
All Other	750	1	751
Total Receipts	71,437	(603)	70,834
Disbursements:			
Local Assistance Grants	49,086	(119)	48,967
Departmental Operations:			
Personal Service	6,097	(29)	6,068
Non-Personal Service	2,558	55	2,613
General State Charges	5,824	92	5,916
Transfers to Other Funds:			
Debt Service	1,260	0	1,260
Capital Projects	3,019	450	3,469
State Share of Mental Hygiene Medicaid	1,325	0	1,325
SUNY Operations	1,001	0	1,001
Other Purposes	4,770	35	4,805
Total Disbursements	74,940	484	75,424
Use (Reservation) of Fund Balance:			
Monetary Settlements	902	450	1,352
Programmed	902	450	1,352
Unbudgeted	0	0	0
Total Use (Reservation) of Fund Balance	902	450	1,352
Adherence to 2% Spending Benchmark*	2,956	75	3,031
Net General Fund Surplus (Deficit)	355	(562)	(207)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN GENERAL FUND FY 2019 (millions of dollars)			
	Enacted	**Change**	**First Quarter**
Receipts:			
Taxes:			
Personal Income Tax	35,879	(450)	35,429
Consumption/Use Taxes	7,712	(3)	7,709
Business Taxes	6,155	0	6,155
Other Taxes	933	0	933
Miscellaneous Receipts	2,455	0	2,455
Federal Receipts	0	1	1
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	10,592	(150)	10,442
Sales Tax in Excess of LGAC	3,158	(2)	3,156
Sales Tax in Excess of Revenue Bond Debt Service	2,802	(2)	2,800
Real Estate Taxes in Excess of CW/CA Debt Service	1,076	0	1,076
All Other	750	0	750
Total Receipts	71,512	(606)	70,906
Disbursements:			
Local Assistance Grants	51,650	(55)	51,595
Departmental Operations:			
Personal Service	6,135	(31)	6,104
Non-Personal Service	2,364	62	2,426
General State Charges	6,033	91	6,124
Transfers to Other Funds:			
Debt Service	1,182	0	1,182
Capital Projects	3,399	0	3,399
State Share of Mental Hygiene Medicaid	1,301	0	1,301
SUNY Operations	997	0	997
Other Purposes	5,126	34	5,160
Total Disbursements	78,187	101	78,288
Use (Reservation) of Fund Balance:			
Monetary Settlements	1,200	0	1,200
Programmed	1,200	0	1,200
Unbudgeted	0	0	0
Total Use (Reservation) of Fund Balance	1,200	0	1,200
Adherence to 2% Spending Benchmark*	4,634	76	4,710
Net General Fund Surplus (Deficit)	(841)	(631)	(1,472)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2020
(millions of dollars)

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	37,438	(450)	36,988
Consumption/Use Taxes	7,983	(4)	7,979
Business Taxes	6,538	0	6,538
Other Taxes	984	0	984
Miscellaneous Receipts	2,318	17	2,335
Federal Receipts	0	1	1
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	10,651	(150)	10,501
Sales Tax in Excess of LGAC	3,296	(2)	3,294
Sales Tax in Excess of Revenue Bond Debt Service	3,011	(2)	3,009
Real Estate Taxes in Excess of CW/CA Debt Service	1,128	0	1,128
All Other	734	0	734
Total Receipts	74,081	(590)	73,491
Disbursements:			
Local Assistance Grants	54,496	(46)	54,450
Departmental Operations:			
Personal Service	6,189	(23)	6,166
Non-Personal Service	2,451	51	2,502
General State Charges	6,417	50	6,467
Transfers to Other Funds:			
Debt Service	1,076	0	1,076
Capital Projects	3,311	0	3,311
State Share of Mental Hygiene Medicaid	1,236	0	1,236
SUNY Operations	997	0	997
Other Purposes	5,536	35	5,571
Total Disbursements	81,709	67	81,776
Use (Reservation) of Fund Balance:			
Monetary Settlements	731	0	731
Programmed	731	0	731
Unbudgeted	0	0	0
Total Use (Reservation) of Fund Balance	731	0	731
Adherence to 2% Spending Benchmark*	6,498	34	6,532
Net General Fund Surplus (Deficit)	(399)	(623)	(1,022)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
FY 2017 THROUGH FY 2020
(millions of dollars)

	FY 2017 First Quarter	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Taxes:				
Withholdings	38,356	39,802	41,056	43,158
Estimated Payments	15,506	17,205	16,594	17,644
Final Payments	2,720	2,891	3,034	3,168
Other Payments	1,358	1,397	1,457	1,521
Gross Collections	57,940	61,295	62,141	65,491
State/City Offset	(688)	(688)	(688)	(589)
Refunds	(8,388)	(9,452)	(10,319)	(11,759)
Reported Tax Collections	48,864	51,155	51,134	53,143
STAR (Dedicated Deposits)	(3,228)	(2,977)	(2,921)	(2,869)
RBTF (Dedicated Transfers)	(12,216)	(12,789)	(12,784)	(13,286)
Personal Income Tax	33,420	35,389	35,429	36,988
Sales and Use Tax	12,958	13,626	14,212	14,764
Cigarette and Tobacco Taxes	348	345	335	324
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	258	263	268	273
Medical Marihuana Excise Tax	0	0	0	0
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	13,564	14,234	14,815	15,361
LGAC/STBF (Dedicated Transfers)	(6,479)	(6,813)	(7,106)	(7,382)
Consumption/Use Taxes	7,085	7,421	7,709	7,979
Corporation Franchise Tax	3,688	3,950	3,949	4,312
Corporation and Utilities Tax	568	559	563	569
Insurance Taxes	1,321	1,407	1,521	1,597
Bank Tax	173	162	122	60
Petroleum Business Tax	0	0	0	0
Business Taxes	5,750	6,078	6,155	6,538
Estate Tax	1,024	950	912	963
Real Estate Transfer Tax	1,138	1,204	1,258	1,308
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	18	18	18	18
Other Taxes	3	3	3	3
Gross Other Taxes	2,183	2,175	2,191	2,292
Real Estate Transfer Tax (Dedicated)	(1,138)	(1,204)	(1,258)	(1,308)
Other Taxes	1,045	971	933	984
Payroll Tax	0	0	0	0
Total Taxes	47,300	49,859	50,226	52,489
Licenses, Fees, Etc.	639	661	634	666
Abandoned Property	525	525	525	525
Motor Vehicle Fees	183	233	246	258
ABC License Fee	63	60	66	62
Reimbursements	263	298	280	303
Investment Income	15	13	8	8
Other Transactions	1,138	696	696	513
Miscellaneous Receipts	2,826	2,486	2,455	2,335
Federal Receipts	1	1	1	1
Total	50,127	52,346	52,682	54,825

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2017
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	8,934	3,547	160	12,641
Receipts:				
Taxes	47,300	8,193	19,714	75,207
Miscellaneous Receipts	2,826	15,876	455	19,157
Federal Receipts	1	1	73	75
Total Receipts	50,127	24,070	20,242	94,439
Disbursements:				
Local Assistance Grants	45,769	19,005	0	64,774
Departmental Operations:				
Personal Service	6,012	6,884	0	12,896
Non-Personal Service	2,253	3,462	39	5,754
General State Charges	5,552	2,157	0	7,709
Debt Service	0	0	5,078	5,078
Capital Projects	0	3	0	3
Total Disbursements	59,586	31,511	5,117	96,214
Other Financing Sources (Uses):				
Transfers from Other Funds	18,541	7,870	3,262	29,673
Transfers to Other Funds	(11,527)	(855)	(18,297)	(30,679)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,014	7,015	(15,035)	(1,006)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,445)	(426)	90	(2,781)
Closing Fund Balance	6,489	3,121	250	9,860

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2018
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	49,859	8,033	20,687	78,579
Miscellaneous Receipts	2,486	15,624	465	18,575
Federal Receipts	1	1	73	75
Total Receipts	52,346	23,658	21,225	97,229
Disbursements:				
Local Assistance Grants	48,967	18,875	0	67,842
Departmental Operations:				
Personal Service	6,068	6,819	0	12,887
Non-Personal Service	2,613	3,387	49	6,049
General State Charges	5,916	2,216	0	8,132
Debt Service	0	0	6,257	6,257
Capital Projects	0	2	0	2
Total Disbursements	63,564	31,299	6,306	101,169
Other Financing Sources (Uses):				
Transfers from Other Funds	18,488	8,078	3,976	30,542
Transfers to Other Funds	(11,860)	(205)	(18,786)	(30,851)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,628	7,873	(14,810)	(309)
Use (Reservation) of Fund Balance:				
Monetary Settlements	1,352	0	0	1,352
Programmed	1,352	0	0	1,352
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	1,352	0	0	1,352
Adherence to 2% Spending Benchmark*	3,031	0	0	3,031
Net Surplus (Deficit)	(207)	232	109	134

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2019
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	50,226	8,102	21,029	79,357
Miscellaneous Receipts	2,455	15,847	461	18,763
Federal Receipts	1	1	73	75
Total Receipts	52,682	23,950	21,563	98,195
Disbursements:				
Local Assistance Grants	51,595	19,101	0	70,696
Departmental Operations:				
Personal Service	6,104	6,901	0	13,005
Non-Personal Service	2,426	3,453	49	5,928
General State Charges	6,124	2,287	0	8,411
Debt Service	0	0	6,771	6,771
Capital Projects	0	0	0	0
Total Disbursements	66,249	31,742	6,820	104,811
Other Financing Sources (Uses):				
Transfers from Other Funds	18,224	8,354	3,821	30,399
Transfers to Other Funds	(12,039)	(216)	(18,472)	(30,727)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,185	8,138	(14,651)	(328)
Use (Reservation) of Fund Balance:				
Monetary Settlements	1,200	0	0	1,200
Programmed	1,200	0	0	1,200
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	1,200	0	0	1,200
Adherence to 2% Spending Benchmark*	4,710	0	0	4,710
Net Surplus (Deficit)	(1,472)	346	92	(1,034)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2020
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	52,489	8,157	21,857	82,503
Miscellaneous Receipts	2,335	15,684	459	18,478
Federal Receipts	1	1	73	75
Total Receipts	54,825	23,842	22,389	101,056
Disbursements:				
Local Assistance Grants	54,450	19,066	0	73,516
Departmental Operations:				
Personal Service	6,166	6,940	0	13,106
Non-Personal Service	2,502	3,425	49	5,976
General State Charges	6,467	2,338	0	8,805
Debt Service	0	0	7,232	7,232
Capital Projects	0	0	0	0
Total Disbursements	69,585	31,769	7,281	108,635
Other Financing Sources (Uses):				
Transfers from Other Funds	18,666	8,555	3,837	31,058
Transfers to Other Funds	(12,191)	(213)	(18,786)	(31,190)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,475	8,342	(14,949)	(132)
Use (Reservation) of Fund Balance:				
Monetary Settlements	731	0	0	731
Programmed	731	0	0	731
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	731	0	0	731
Adherence to 2% Spending Benchmark*	6,532	0	0	6,532
Net Surplus (Deficit)	(1,022)	415	159	(448)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

ALL GOVERNMENTAL FUNDS
FY 2017
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	8,934	3,607	(891)	160	11,810
Receipts:					
Taxes	47,300	8,193	1,295	19,714	76,502
Miscellaneous Receipts	2,826	16,092	4,719	455	24,092
Federal Receipts	1	49,528	2,162	73	51,764
Total Receipts	50,127	73,813	8,176	20,242	152,358
Disbursements:					
Local Assistance Grants	45,769	64,873	4,136	0	114,778
Departmental Operations:					
Personal Service	6,012	7,571	0	0	13,583
Non-Personal Service	2,253	4,692	0	39	6,984
General State Charges	5,552	2,492	0	0	8,044
Debt Service	0	0	0	5,078	5,078
Capital Projects	0	3	7,235	0	7,238
Total Disbursements	59,586	79,631	11,371	5,117	155,705
Other Financing Sources (Uses):					
Transfers from Other Funds	18,541	7,870	4,107	3,262	33,780
Transfers to Other Funds	(11,527)	(2,574)	(1,457)	(18,297)	(33,855)
Bond and Note Proceeds	0	0	609	0	609
Net Other Financing Sources (Uses)	7,014	5,296	3,259	(15,035)	534
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,445)	(522)	64	90	(2,813)
Closing Fund Balance	6,489	3,085	(827)	250	8,997

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2018
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	49,859	8,033	1,327	20,687	79,906
Miscellaneous Receipts	2,486	15,840	7,127	465	25,918
Federal Receipts	1	50,606	2,093	73	52,773
Total Receipts	52,346	74,479	10,547	21,225	158,597
Disbursements:					
Local Assistance Grants	48,967	65,657	4,856	0	119,480
Departmental Operations:					
Personal Service	6,068	7,491	0	0	13,559
Non-Personal Service	2,613	4,596	0	49	7,258
General State Charges	5,916	2,550	0	0	8,466
Debt Service	0	0	0	6,257	6,257
Capital Projects	0	2	8,518	0	8,520
Total Disbursements	63,564	80,296	13,374	6,306	163,540
Other Financing Sources (Uses):					
Transfers from Other Funds	18,488	8,078	3,598	3,976	34,140
Transfers to Other Funds	(11,860)	(2,081)	(1,506)	(18,786)	(34,233)
Bond and Note Proceeds	0	0	728	0	728
Net Other Financing Sources (Uses)	6,628	5,997	2,820	(14,810)	635
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,352	0	0	0	1,352
Programmed	1,352	0	0	0	1,352
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	1,352	0	0	0	1,352
Adherence to 2% Spending Benchmark*	3,031	0	0	0	3,031
Net Surplus (Deficit)	(207)	180	(7)	109	75

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2019
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	50,226	8,102	1,323	21,029	80,680
Miscellaneous Receipts	2,455	16,063	6,367	461	25,346
Federal Receipts	1	51,366	2,091	73	53,531
Total Receipts	52,682	75,531	9,781	21,563	159,557
Disbursements:					
Local Assistance Grants	51,595	66,674	4,244	0	122,513
Departmental Operations:					
Personal Service	6,104	7,580	0	0	13,684
Non-Personal Service	2,426	4,641	0	49	7,116
General State Charges	6,124	2,625	0	0	8,749
Debt Service	0	0	0	6,771	6,771
Capital Projects	0	0	7,986	0	7,986
Total Disbursements	66,249	81,520	12,230	6,820	166,819
Other Financing Sources (Uses):					
Transfers from Other Funds	18,224	8,354	3,527	3,821	33,926
Transfers to Other Funds	(12,039)	(2,042)	(1,479)	(18,472)	(34,032)
Bond and Note Proceeds	0	0	681	0	681
Net Other Financing Sources (Uses)	6,185	6,312	2,729	(14,651)	575
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,200	0	0	0	1,200
Programmed	1,200	0	0	0	1,200
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	1,200	0	0	0	1,200
Adherence to 2% Spending Benchmark*	4,710	0	0	0	4,710
Net Surplus (Deficit)	(1,472)	323	280	92	(777)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2020
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	52,489	8,157	1,323	21,857	83,826
Miscellaneous Receipts	2,335	15,900	6,158	459	24,852
Federal Receipts	1	52,667	2,147	73	54,888
Total Receipts	54,825	76,724	9,628	22,389	163,566
Disbursements:					
Local Assistance Grants	54,450	68,009	4,101	0	126,560
Departmental Operations:					
Personal Service	6,166	7,621	0	0	13,787
Non-Personal Service	2,502	4,632	0	49	7,183
General State Charges	6,467	2,677	0	0	9,144
Debt Service	0	0	0	7,232	7,232
Capital Projects	0	0	7,561	0	7,561
Total Disbursements	69,585	82,939	11,662	7,281	171,467
Other Financing Sources (Uses):					
Transfers from Other Funds	18,666	8,555	3,412	3,837	34,470
Transfers to Other Funds	(12,191)	(1,885)	(1,711)	(18,786)	(34,573)
Bond and Note Proceeds	0	0	415	0	415
Net Other Financing Sources (Uses)	6,475	6,670	2,116	(14,949)	312
Use (Reservation) of Fund Balance:					
Monetary Settlements	731	0	0	0	731
Programmed	731	0	0	0	731
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	731	0	0	0	731
Adherence to 2% Spending Benchmark*	6,532	0	0	0	6,532
Net Surplus (Deficit)	(1,022)	455	82	159	(326)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2017
(dollars in millions)

	2016 April Results	May Results	June Results	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2017 January Projected	February Projected	March Projected	Total
OPENING BALANCE	8,934	10,893	7,751	7,210	6,742	6,450	9,914	8,936	7,010	9,916	11,217	11,228	8,934
RECEIPTS:													
Personal Income Tax	4,787	1,639	3,123	1,926	2,279	3,658	1,713	1,940	3,740	3,309	2,615	2,691	33,420
Consumption/Use Taxes	547	523	711	558	541	676	550	553	718	572	466	670	7,085
Business Taxes	158	84	871	66	(43)	945	86	104	1,201	180	98	2,000	5,750
Other Taxes	75	108	79	79	89	89	88	88	88	87	87	88	1,045
Total Taxes	5,567	2,354	4,784	2,629	2,866	5,368	2,437	2,685	5,747	4,148	3,266	5,449	47,300
Abandoned Property	0	0	0	0	0	20	25	120	25	40	20	275	525
ABC License Fee	6	5	4	4	6	6	6	5	5	5	5	6	63
Investment Income	2	2	2	1	1	1	1	1	1	1	1	1	15
Licenses, Fees, etc.	22	70	54	49	55	65	45	50	65	45	60	59	639
Motor Vehicle Fees	17	16	26	(4)	21	19	16	15	13	14	14	16	183
Reimbursements	6	16	36	6	8	45	3	20	40	14	25	44	263
Other Transactions	16	404	54	28	33	238	35	58	78	56	35	103	1,138
Total Miscellaneous Receipts	69	518	176	84	124	394	131	269	227	175	160	504	2,826
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	1	1
PIT in Excess of Revenue Bond Debt Service	1,594	531	1,181	473	290	1,493	572	371	1,288	692	614	1,775	10,874
Tax in Excess of LGAC	247	111	453	249	209	309	249	250	333	257	3	197	2,867
Sales Tax Bond Fund	196	184	274	196	194	277	190	191	274	198	156	316	2,646
Real Estate Taxes in Excess of CW/CA Debt Service	74	74	91	94	81	83	82	73	77	84	74	64	951
All Other	5	39	23	5	1	54	6	1	1	44	85	939	1,203
Total Transfers from Other Funds	2,116	939	2,022	1,107	775	2,216	1,099	886	1,973	1,275	932	3,291	18,541
TOTAL RECEIPTS	7,752	3,806	6,982	3,730	3,765	7,978	3,667	3,840	7,947	5,598	4,358	9,245	68,668
DISBURSEMENTS:													
School Aid	754	2,900	1,898	50	597	1,641	891	1,548	1,852	783	475	7,712	21,101
Higher Education	19	25	648	217	134	192	349	46	210	40	362	767	3,009
All Other Education	52	118	514	148	50	367	45	30	238	97	194	462	2,315
Medicaid - DOH	998	1,267	1,441	1,087	1,115	506	794	1,359	737	910	914	1,503	12,631
Public Health	20	207	52	56	34	55	49	63	41	64	50	53	744
Mental Hygiene	3	1	202	2	2	242	2	1	270	12	74	152	963
Children and Families	27	33	271	190	99	123	99	102	234	99	115	277	1,669
Temporary & Disability Assistance	95	94	156	93	101	102	102	101	101	102	102	18	1,262
Transportation	0	23	11	0	24	0	0	24	11	0	13	0	106
Unrestricted Aid	0	11	389	9	0	98	7	0	182	0	0	64	760
All Other	9	19	93	42	45	48	2	183	183	188	196	201	1,209
Total Local Assistance Grants	1,977	4,698	5,675	1,894	2,201	3,374	2,340	3,457	4,059	2,295	2,495	11,304	45,769
Personal Service	475	488	609	476	496	540	459	596	470	459	456	488	6,012
Non-Personal Service	103	135	162	132	176	183	184	191	185	188	208	406	2,253
Total Departmental Operations	578	623	771	608	672	723	643	787	655	647	664	894	8,265
General State Charges	2,440	193	391	403	194	193	415	311	61	439	294	218	5,552
Debt Service	245	(2)	(3)	157	(3)	(71)	103	0	(2)	332	(20)	(40)	706
Capital Projects	162	179	107	344	375	97	373	383	32	443	772	543	3,810
State Share Medicaid	95	105	162	127	133	143	154	97	149	116	93	63	1,437
SUNY Operations	218	218	212	179	0	0	0	179	0	0	0	0	996
Other Purposes	83	939	208	476	485	55	617	552	87	25	49	1,002	4,578
Total Transfers to Other Funds	798	1,434	686	1,293	990	224	1,247	1,211	266	916	894	1,568	11,527
TOTAL DISBURSEMENTS	5,793	6,948	7,523	4,198	4,057	4,514	4,645	5,766	5,041	4,297	4,347	13,984	71,113
Excess/(Deficiency) of Receipts over Disbursements	1,959	(3,142)	(541)	(468)	(292)	3,464	(978)	(1,926)	2,906	1,301	11	(4,739)	(2,445)
CLOSING BALANCE	10,893	7,751	7,210	6,742	6,450	9,914	8,936	7,010	9,916	11,217	11,228	6,489	6,489

Source: NYS DOB.