Update to
Annual Information Statement
State of New York

December 19, 2016

Table of Contents

Introduction

Introduction

This Annual Information Statement (AIS) Update (the "AIS Update") is dated December 19, 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 second 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 Mid-Year 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 operating results through the second quarter of 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. DOB next expects to update the State's multi-year financial projections in January 2017 with the Governor's Executive Budget 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 on certain public authorities and localities of the State.
5. Updated information regarding the State Retirement System.
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.

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.

[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.

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.

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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. References to web site addresses presented herein are for informational purposes only and may be in the form of a web site address solely for the reader's convenience.

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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 Quarter	Mid-Year
State Operating Funds Disbursements				
Size of Budget	$94,288	$96,180	$96,214	$96,156
Annual Growth	2.0%	2.0%	2.0%	2.0%
Other Disbursement Measures				
General Fund (Excluding Transfers)	$56,666	$59,681	$59,586	$59,205
Annual Growth	4.4%	5.3%	5.2%	4.5%
General Fund (Including Transfers)[1]	$68,042	$71,841	$71,113	$70,320
Annual Growth	8.3%	5.6%	4.5%	3.3%
State Funds (Including Capital)	$101,232	$106,302	$105,787	$105,767
Annual Growth	3.1%	5.0%	4.5%	4.5%
Capital Budget (Federal and State)	$8,981	$11,920	$11,371	$11,410
Annual Growth	19.0%	32.7%	26.6%	27.0%
Federal Operating Aid (Excluding Extraordinary Aid) *	$40,601	$40,054	$40,169	$40,158
Annual Growth	5.0%	-1.3%	-1.1%	-1.1%
All Funds (Excluding Extraordinary Aid) *	$143,870	$148,154	$147,754	$147,724
Annual Growth	3.8%	3.0%	2.7%	2.7%
Capital Budget (Including "Off-Budget" Capital[2])	$9,549	$12,723	$12,174	$12,213
Annual Growth	15.2%	33.2%	27.5%	27.9%
All Funds (Including "Off-Budget" Capital[2]) *	$144,438	$148,957	$148,557	$148,527
Annual Growth	3.6%	3.1%	2.9%	2.8%
Inflation (CPI)	0.4%	1.4%	1.6%	1.5%
All Funds Receipts				
Taxes	$74,673	$77,128	$76,502	$75,763
Annual Growth	5.1%	3.3%	2.4%	1.5%
Miscellaneous Receipts	$27,268	$23,567	$24,092	$25,033
Annual Growth	-7.4%	-13.6%	-11.6%	-8.2%
Federal Grants *	$44,486	$43,700	$43,813	$44,197
Annual Growth	2.5%	-1.8%	-1.5%	-0.6%
Total Receipts *	$146,427	$144,395	$144,407	$144,993
Annual Growth	1.8%	-1.4%	-1.4%	-1.0%
General Fund Cash Balance	$8,934	$6,069	$6,489	$6,884
Stabilization/Rainy Day Reserve	$1,798	$1,798	$1,798	$1,798
Monetary Settlements	$6,300	$3,547	$4,027	$4,422
All Other Reserves/Fund Balances	$836	$724	$664	$664
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	117,862	118,590	118,590	118,646
Debt				
Debt Service as % All Funds Receipts	4.0%	3.7%	3.9%	3.8%
State-Related Debt Outstanding	$52,105	$52,555	$52,078	$51,754
Debt Outstanding as % Personal Income	4.5%	4.4%	4.4%	4.3%

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 and Federal Operating 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 Enacted Budget Financial Plan described in the AIS.

Summary

DOB estimates that the General Fund will remain balanced on a cash basis in the current fiscal year, FY 2017. The Updated Financial Plan reflects a reduction in expected tax collections that is fully offset in the current year by lower estimated spending and an increase in available resources. Consistent with the Enacted Budget Financial Plan, the General Fund is expected to maintain $1.8 billion in rainy day reserves, $500 million for debt management, and smaller balances in other reserves. In addition, the General Fund reserves $4.4 billion from monetary settlements, including $1.1 billion that has not yet been appropriated, an increase of $395 million compared to the First Quarterly Update to the Financial Plan, and an increase of $425 million compared to the Enacted Budget Financial Plan. DOB expects that the FY 2018 Executive Budget proposal will include a plan for the use of these settlement resources.

Receipts

In the First Quarterly Update to the Financial Plan, DOB reduced the estimate for General Fund PIT collections by $600 million in each year of the Financial Plan. The PIT collections have continued to be lower than forecasted, with actual General Fund PIT collections through September 2016 falling $404 million below the estimate in the First Quarterly Update to the Financial Plan, and more than $1.2 billion below the estimate in the Enacted Budget Financial Plan. Weakness in PIT collections has been observed in both the withholding component, which largely comes from current wages, and the estimated payment component, which is typically from investment and business income. Accordingly, with the Updated Financial Plan, DOB again lowered its estimates for PIT collections in each year of the Financial Plan, based on both actual experience and updated economic information. In the current fiscal year, FY 2017, the annual estimate for PIT collections has been reduced by an additional $775 million since the First Quarterly Update to the Financial Plan, and a total of $1.4 billion since the Enacted Budget Financial Plan. Collections growing from a lower FY 2017 tax base resulted in additional corresponding outyear reductions since the First Quarterly Update to the Financial Plan in projected PIT receipts of $826 million in FY 2018, $883 million in FY 2019, and $938 million in FY 2020. Other taxes are generally on track with initial projections and no substantive revisions to the annual estimates are included in the Updated Financial Plan.

Disbursements

The downward revisions to estimated PIT tax receipts are offset by substantial downward revisions to General Fund disbursements, including General Fund transfers to Other Funds. Based on a review of operating results through the first half of FY 2017 and updated data on State programs and activities, DOB has lowered its spending estimates in several areas, including mental hygiene, preschool special education, and higher education. General Fund disbursements in the current year are also being reduced across Financial Plan categories, reflecting the refinement of estimates included with the First Quarterly Update to the Financial Plan to create an informal reserve against risks such as those that appear to be materializing with tax receipts. In addition, expected General

Fund transfers to the Capital Projects Fund have been reduced, reflecting both lower capital spending for the year to date, and the reimbursement of bond-eligible costs from prior years with bond proceeds. Medicaid is expected to remain within the limits set by the Medicaid Global Spending Cap (the "Global Cap"), with State-share costs from growth in Essential Plan (EP) enrollment to date expected to be offset later in the current fiscal year with Federal reimbursement.

Other Notable Developments

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 prospective 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.

The State and PEF have reached an agreement on a three-year labor contract that has been ratified by PEF members, and which now must be approved by the Legislature (in the form of a pay bill). The ratified agreement provides for a 2 percent annual increase in general salary for FY 2017, FY 2018 and FY 2019. DOB estimates that the contract, if approved by the Legislature in separate legislation to increase pay that is referred to as a "pay bill", would increase costs by $75 million in the first year of the contract, $151 million in the second year, and $229 million in the third year and each year thereafter. The Updated Financial Plan identifies $90 million in the General Fund balance available for potential labor contracts. If a pay bill is passed, a revised estimate of financial impacts will be reflected in the Updated Financial Plan to be issued in January 2017.

The State is in active negotiations with all other employee unions whose contracts 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. For illustrative purposes, DOB estimates that if the terms of the ratified PEF contract were to be applied to all of the State's employee unions and unrepresented management/confidential (M/C) employees, it would result in new costs of $270 million in the first year of the contract, $537 million in the second year, and $820 million in the third year and each year thereafter. These estimates include the cost of the PEF agreement discussed above.

Overview of the Updated Financial Plan

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.

The Legislature continues to deliver bills passed in the 2016 legislative session to the Governor for his review. On September 6, 2016, the Governor approved legislation that requires periodic testing of drinking water in public schools for lead contamination and authorizes additional State aid to reimburse school districts for a portion of the expenses associated with testing and remediation. The Updated Financial Plan assumes that the costs of such investment will be accommodated within the currently planned level of School Aid. A limited number of other bills with a potential fiscal impact are expected to be delivered to the Governor in the coming months, and any that are approved will be reflected in future Financial Plan updates, as appropriate.

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 made a monetary payment to New York State of over $30 million to resolve certain claims related to violations of emissions standards and State consumer protection laws 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 reflects State receipts from two recent monetary settlements. In August 2016, pursuant to a consent order entered into by 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”), Mega Bank paid the State $180 million in monetary penalties. This consent order pertains to Mega Bank’s 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 November 2016, pursuant to a consent order entered into by DFS and the Agricultural Bank of China Limited and Agricultural Bank of China, New York Branch (collectively “Agricultural Bank of China”), the Agricultural Bank of China has paid the State $215 million in civil monetary penalties. This consent order pertains to the Agricultural Bank of China’s serious and persistent compliance failures. Note that the Updated Financial Plan does not reflect the November 2016 consent order between DFS and PHH Mortgage Corporation, pursuant to which PHH Mortgage Corporation has paid the State a $28 million fine for violations of Federal and State laws designed to protect homeowners from fraudulent mortgage origination and servicing practices. The Updated Financial Plan also does not reflect the December 2016 settlements between the State DFS and Intesa Sanpaola and between the Office of the Attorney General of the State of New York and Deutsche Bank Securities Inc.

The presidential election in the United States took place on November 8, 2016. A new presidential administration will take office on January 20, 2017. It is not possible at this time to assess the potential fiscal impact of policies that may be proposed and adopted by the new presidential administration and Congress. Certain financial projections concerning Federal aid, and the assumptions on which they are based, are subject to significant revision in future Financial Plan updates as more information becomes available about the new administration's proposals for health care, infrastructure, and other activities.

State Spending

State Operating Funds spending for FY 2017 is expected to remain at a level that is 2 percent greater than State Operating Funds spending results for FY 2016, consistent with the spending benchmark. DOB will continue to manage expenses with the goal of maintaining spending at the 2 percent benchmark.

The Updated Financial Plan projections for FY 2018 and thereafter are based on an assumption that the Governor 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 projections for FY 2018, FY 2019, and FY 2020 are calculated based on this assumption. The spending benchmark is calculated using the cash basis of accounting, as described elsewhere in this AIS Update. It is therefore affected by the prepayment of expenses across fiscal years.

Current projections reflect a General Fund budget gap of $689 million in FY 2018, $2.1 billion in FY 2019 and $1.7 billion in FY 2020 if State spending growth were to continue at a rate of 2 percent in future years. The higher projected budget gaps in FY 2019 and FY 2020 are due to several factors, including the planned reversion of the top PIT rate to 6.85 percent from the current rate of 8.82 percent at the end of calendar year 2017, and the multi-year income tax reductions for middle-class taxpayers enacted in FY 2017. Since the adoption of the Enacted Budget Financial Plan, the projected General Fund budget balances in the outyears have declined by $1.0 billion in FY 2018, $1.2 billion in FY 2019 and $1.3 billion in FY 2020. The changes, since the Enacted Budget Financial Plan, to the level of projected General Fund budget balance in the outyears is largely driven by downward revisions in projected PIT tax receipts.

The Governor is expected to propose an Executive Budget for FY 2018 in January 2017 that will be balanced on a cash basis in the General Fund, as required by law, and limit the projected growth in State Operating Funds spending to 2 percent, consistent with the spending growth benchmark.

Mid-Year Operating Results

General Fund receipts, including transfers from other funds, totaled $34 billion through September 2016. Receipts through September 2016 were $836 million below the Enacted Budget Financial Plan estimate. Tax collections were $963 million below the Enacted Budget Financial Plan estimate, with a $1.2 billion shortfall in PIT receipts offset in part by stronger results in other taxes. All other receipts have been slightly better than expected.

General Fund disbursements, including transfers to other funds, totaled $33.4 billion through September 2016. Spending for the six months of FY 2017 has been higher than expected in the Enacted Budget Financial Plan, due almost exclusively to timing associated with the Medicaid and EP programs that are expected to neutralize in the remaining months of FY 2017. In the First Quarterly Update to the Financial Plan, DOB lowered the annual estimate for disbursements in FY 2017 by $728 million compared to the Enacted Budget Financial Plan. Of this amount, $450 million was due to a change in the timing of a planned transfer of settlement money to the New York State Thruway Authority (originally planned in the current year but now expected in FY 2018) and the remaining amount reflected downward revisions to a range of spending estimates.

The State ended September 2016 with a General Fund closing balance of $9.6 billion, approximately $1.2 billion below the Enacted Budget Financial Plan estimate, largely due to lower PIT receipt collections than estimated in the Enacted Budget Financial Plan. Monetary settlements accounted for $6.2 billion of the $9.6 billion General Fund balance.

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)**
Tax Receipts	(605)	(607)	(607)	(607)
Non-Tax Receipts	267	4	1	17
Volkswagen Settlement Payment	30	0	0	0
Disbursements 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 SURPLUS/(GAPS) [1]	**0**	**(207)**	**(1,472)**	**(1,022)**
Receipts Revisions	**(398)**	**(810)**	**(952)**	**(989)**
Tax Receipts	(750)	(833)	(890)	(945)
Non-Tax Receipts [2]	(43)	23	(62)	(44)
Mega Bank Settlement Payment	180	0	0	0
Agricultural Bank of China Settlement Payment	215	0	0	0
Disbursement Revisions	**793**	**515**	**12**	**(392)**
Local Assistance:	390	478	196	42
Health Care Revenue [3]	140	70	70	70
Special Education	92	164	177	191
OPWDD	81	67	59	53
Higher Education	24	71	75	72
Lottery/VLT/Gaming Revenue [3]	13	161	118	84
Minimum Wage	(31)	(167)	(326)	(427)
All Other Local Assistance	71	112	23	(1)
Agency Operations	(9)	(219)	(386)	(515)
Public Safety	(49)	(81)	(81)	(82)
Other Agency Operations	38	(54)	(56)	(63)
Fringe Benefits/Fixed Costs	2	(84)	(249)	(370)
Transfers to Capital Projects Funds	191	31	3	(28)
Transfers to Other Funds [2]	221	225	199	109
Change in Reserves	**(395)**	**0**	**0**	**0**
Set Aside Bank Settlement Payments	(395)	0	0	0
Changes in Adherence to 2% Spending Benchmark	**0**	**(187)**	**349**	**688**
MID-YEAR UPDATE BUDGET SURPLUS/(GAPS)	**0**	**(689)**	**(2,063)**	**(1,715)**
Net Change from Enacted Budget Financial Plan	*0*	*(1,044)*	*(1,222)*	*(1,316)*

[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.

[2] Includes revisions to mental hygiene related transfers from and to the General Fund that do not change the General Fund in total.

[3] Includes savings estimated from higher resources available to fund cost outside of the General Fund with no impact on State Operating Funds spending.

Receipts Revisions

The following describe the notable receipts revisions since the Enacted Budget Financial Plan.

- **Tax Receipts:** PIT receipts through the first half of the fiscal year were considerably lower than expected, mainly for withholding and estimated payments, which has led to a downward adjustment to projected PIT receipts of $1.4 billion in the current year and similar, but larger, reductions in the following years of the plan. After accounting for potential timing issues, performance across most of the State's other taxes has been consistent with Enacted Budget Financial Plan estimates, thus requiring only modest changes. The largest change is an upward revision of $25 million in business taxes for FY 2017 only.

- **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 actual bond sale results to date and the refunding of certain outstanding debt that will increase the transfer of PIT receipts back to the General Fund in FY 2018 and fund sweeps from other funds with available balances based on updated information.

- **Bank Settlements:** The following settlements, occurring during FY 2017, have been set aside, along with other settlements that have not yet been appropriated, as an undesignated reserve in the General Fund.
  - Volkswagen paid the State over $30 million in monetary recoveries in accordance with a partial settlement agreement entered into in June 2016 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.
  - Mega Bank paid the State a $180 million monetary penalty in accordance with an August 19, 2016 consent order between DFS and Mega Bank. This consent order pertains to Mega Bank's 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.
  - The Agricultural Bank of China has paid the State a $215 million civil monetary penalty in accordance with a November 4, 2016 consent order between DFS and the Bank. This consent order pertains to the Agricultural Bank of China's serious and persistent compliance failures which indicate a fundamental lack of recognition of the need for vigorous compliance infrastructure, and inadequate attention to the state of compliance.

Disbursements Revisions

The revisions to General Fund disbursements are based on a review of operating results to date and updated information on programs and activities. Significant revisions are summarized below by Financial Plan category.

Local Assistance: Projected General Fund disbursements for local assistance have been lowered in each year of the Financial Plan, with significant downward revisions in FY 2017 and FY 2018 in a number of areas gradually offset by costs in health care related to the scheduled increases in the minimum wage. The notable recent revisions reflect DOB's cautious estimation of General Fund disbursements and include:

- **Health Care Revenue:** Based on experience to date and trends in health care use, the estimates for hospital surcharge and provider assessment revenue have been revised upward in each year of the Financial Plan, which permits an increase in Medicaid costs that can be funded from HCRA instead of the General Fund.
- **Preschool Special Education:** Costs are growing more slowly than expected. This is primarily the result of lower than expected utilization of the program.
- **Office for People with Developmental Disabilities (OPWDD):** Downward revisions reflect increased recoupments from providers due to retroactive implementation of Intermediate Care Facility rates, which were pending with the Federal government beyond the effective date.
- **Higher Education:** Projected spending has been revised downward due to updated enrollment and participation data for the State University of New York (SUNY) community colleges and the Higher Education Services Corporation (HESC) administered programs including the Tuition Assistance Program (TAP), certain scholarships, and loan forgiveness programs.
- **Lottery/Video Lottery Terminal (VLT)/Gaming Revenue:** Based on experience to date and upward revisions to projected revenues, a higher share of the education costs can be funded outside of the General Fund.
- **Minimum Wage:** The Updated Financial Plan estimates for the direct State costs of the minimum wage reflect the impact of legislation (Chapter 56 of the Laws of 2016) which ensures that rates for the total compensation for home health care workers in Westchester, New York, Nassau, and Suffolk counties will be increased commensurate to the schedule of statutory minimum wage increases.[2] In addition, an updated analysis of wage data within the health care sector, including a review of actual experience, demonstrates a need for additional funding to support higher levels of incremental wage growth.

[2] Home health care workers in these counties receive a benefit portion of total compensation in addition to their wage-based compensation rate levels ($4.09 for New York; $3.22 for Westchester, Nassau, and Suffolk), resulting in total compensation which would have otherwise exceeded minimum wage levels and therefore was not factored into previous cost analysis. The impact of this legislation, however, effectively exempts the benefit portion of total compensation from the minimum wage calculation and ensures that home health care workers in these counties will receive incremental growth in wage compensation commensurate to the new minimum wage schedule.

In addition, the estimated cost of the human services Cost-of-Living Adjustment (COLA) has been revised downward, based on updated inflation data, affecting the local aid estimates for mental hygiene, health care, and social service agencies.

- **Agency Operations (including Fringe Benefits):** Projected General Fund disbursements for agency operations, including fringe benefits, have been increased in each year of the Financial Plan. The increase in operations in FY 2017 and FY 2018 is mainly due to the recurring cost of new public safety initiatives. Growth in FY 2019 and FY 2020 reflects updated costs for pensions and judgments and claims.
  - **Public Safety:** The increased costs reflect the addition of new recruits to the March 2016 and October 2016 State Police Academy classes, and heightened security at bridges, tunnels, and airports.
  - **Fringe Benefits/Fixed Costs:** The October 2016 pension bill was higher than projected for FY 2017 and the FY 2018 estimate. Pension costs are projected to grow in the later years of the Plan, reflecting DOB's expectations concerning the salary base and investment returns. These additional costs are partly offset by lower health care spending in FY 2017 and FY 2018. The cost estimate for the Veterans' Pension Credit has also been revised downward to reflect a two-year lag in the billing of the Police and Fire Retirement System (PFRS) normal costs, rather than an upfront payment of the past service liability, as well as an updated schedule of veterans opting into the credit based on experience to date. Court settlements are also expected to be higher than planned based on updated information from the Attorney General's Office.

- **Transfers to Capital Projects Funds:** General Fund transfers to Capital Projects Funds are expected to be $191 million lower than anticipated in the First Quarterly Update to the Financial Plan, mainly due to higher than expected capital reimbursements from bond proceeds in FY 2017 and reduced levels of spending. This decrease is partly offset by an increase to support Department of Transportation (DOT) operations in FY 2018 and beyond, including costs related to rest area maintenance, and snow and ice management. Additionally, capital spending has been added for City of Newburgh water contamination and remediation, the purchase of homes in the Mohawk Valley that were damaged by flooding, and a grant program intended to assist business impacted by the attempted terrorist bombing in New York City to be administered by the Department of Homeland Security & Emergency Services (DHSES).

- **Transfers to Other Funds:** Federal revenue was increased to reflect Medicaid rate adjustments for services to individuals with intellectual and/or developmental disabilities. As a result of the new Federal revenue, General Fund operating transfers to support OPWDD services will decline by a commensurate amount. Additionally, based on a recent OPWDD provider survey, there was a modest reduction in the direct cost of minimum wage for OPWDD-funded voluntary service providers. In addition, a reduction in debt service costs due to actual bond sale results to date and the refunding of certain outstanding debt will decrease transfers in FY 2018 and 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 Dedicated Infrastructure and Investment Fund (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.

- **Set Aside Mega Bank and Agricultural Bank of China Settlements:** Proceeds received by the State from the Mega Bank and Agricultural Bank of China settlements 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 $1.1 billion.

Spending Changes

Many of the disbursement changes in the General Fund described above have a corresponding impact on State Operating Funds, with the exception of the transfers to the Mental Hygiene program due to increased Federal revenue. The table below summarizes the spending changes.

STATE OPERATING FUNDS SPENDING CHANGES SINCE THE ENACTED BUDGET FINANCIAL PLAN UPDATE
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 Revisions)	(21)	(24)	(26)	(31)
All Other	(26)	(6)	(2)	3
FIRST QUARTERLY UPDATE[1]	**96,214**	**101,169**	**104,811**	**108,635**
Total	**(58)**	**(246)**	**289**	**627**
Special Education	(90)	(150)	(162)	(175)
Higher Education	(24)	(104)	(104)	(100)
Fringe Benefits/Fixed Costs	(2)	84	249	370
Public Safety	34	75	74	75
Child Care/Child Welfare	38	(20)	20	32
Human Services Cost of Living Adjustment	0	(92)	(92)	(92)
Minimum Wage	31	167	326	427
Debt Service	(3)	(132)	(2)	(2)
Mental Hygiene	(57)	(45)	(19)	17
All Other Changes	15	(29)	(1)	75
MID-YEAR UPDATE [1]	**96,156**	**100,923**	**105,100**	**109,262**

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

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 growth benchmark adopted by the current Administration in FY 2012. 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**	**64,657**	**2,004**	**3.2%**
School Aid (School Year Basis)	23,290	24,797	1,507	6.5%
DOH Medicaid[1]	17,453	18,171	718	4.1%
Transportation	4,745	4,934	189	4.0%
STAR	3,335	3,228	(107)	-3.2%
Social Services	2,949	2,973	24	0.8%
Higher Education	2,955	2,985	30	1.0%
Mental Hygiene	2,646	2,466	(180)	-6.8%
All Other[2]	5,280	5,103	(177)	-3.4%
STATE OPERATIONS/FRINGE BENEFITS	**26,035**	**26,421**	**386**	**1.5%**
Agency Operations	**18,583**	**18,714**	**131**	**0.7%**
Personal Service:	12,981	12,941	(40)	-0.3%
Executive Agencies	7,236	7,257	21	0.3%
Extra Bi-Weekly Institutional Pay Period	163	0	(163)	n/a
University Systems	3,675	3,728	53	1.4%
Elected Officials	1,907	1,956	49	2.6%
Non-Personal Service:	5,602	5,773	171	3.1%
Executive Agencies	2,747	2,883	136	5.0%
University Systems	2,279	2,282	3	0.1%
Elected Officials	576	608	32	5.6%
Fringe Benefits/Fixed Costs	**7,452**	**7,707**	**255**	**3.4%**
Pension Contribution	2,225	2,464	239	10.7%
Health Insurance	3,465	3,683	218	6.3%
Other Fringe Benefits/Fixed Costs	1,762	1,560	(202)	-11.5%
DEBT SERVICE	**5,598**	**5,075**	**(523)**	**-9.3%**
CAPITAL PROJECTS	**2**	**3**	**1**	**50.0%**
TOTAL STATE OPERATING FUNDS	**94,288**	**96,156**	**1,868**	**2.0%**
Capital Projects (State and Federal Funds)	**8,981**	**11,410**	**2,429**	**27.0%**
Federal Operating Aid[3]	**40,601**	**40,158**	**(443)**	**-1.1%**
TOTAL ALL GOVERNMENTAL FUNDS[3]	**143,870**	**147,724**	**3,854**	**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 $156.5 billion in FY 2017, an increase of 3.8 percent.

Overview of the Updated Financial Plan

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 and Federal health care transformation.

TOTAL DISBURSEMENTS
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Annual Change	Annual % Change
STATE OPERATING FUNDS	**94,288**	**96,156**	**1,868**	**2.0%**
General Fund (excluding transfers)	56,666	59,205	2,539	4.5%
Other State Funds	31,987	31,837	(150)	-0.5%
Debt Service Funds	5,635	5,114	(521)	-9.2%
ALL GOVERNMENTAL FUNDS	**143,870**	**147,724**	**3,854**	**2.7%**
State Operating Funds	94,288	96,156	1,868	2.0%
Capital Projects Funds	8,981	11,410	2,429	27.0%
Federal Operating Funds (Excluding Extraordinary Aid)	40,601	40,158	(443)	-1.1%
ALL GOVERNMENTAL FUNDS (INCL. EXTRAORDINARY AID)	**150,708**	**156,480**	**5,772**	**3.8%**
Federal Disaster Aid for Superstorm Sandy	1,165	1,160	(5)	-0.4%
Federal Health Care Reform	5,673	7,596	1,923	33.9%
GENERAL FUND (INCLUDING TRANSFERS)	**68,042**	**70,320**	**2,278**	**3.3%**
STATE FUNDS	**101,232**	**105,767**	**4,535**	**4.5%**

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	67,827	1,491	2.2%
Taxes	62,581	63,865	1,284	2.1%
Miscellaneous Receipts/Federal Grants	2,800	2,744	(56)	-2.0%
Other Transfers	955	1,218	263	27.5%
Total Disbursements	66,335	67,999	1,664	2.5%
Local Assistance Grants	43,314	45,379	2,065	4.8%
Agency Operations	13,352	13,826	474	3.6%
Transfers to Other Funds[1]	9,669	8,794	(875)	-9.0%
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	608		
Transfers/Uses	(1,972)	(2,486)		
Closing Fund Balance (Including Monetary Settlements)	8,934	6,884	(2,050)	-22.9%

[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 $6.9 billion, a decrease of $2 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 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 $67.8 billion in FY 2017, an increase of $1.5 billion (2.2 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 $63.9 billion in FY 2017, an increase of $1.3 billion (2.1 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 $43.5 billion, an increase of $1.4 billion (3.2 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 $306 million (2.5 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 $128 million (2.3 percent) from FY 2016 results. The 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 $507 million (20.2 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 $4.0 billion in FY 2017, an increase of $207 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 billion in FY 2017, an increase of $1.7 billion (2.5 percent) from FY 2016[3]. Local assistance grants are expected to total $45.4 billion in FY 2017, an annual increase of $2.1 billion (4.8 percent) from FY 2016, including $955 million for School Aid (on a State fiscal year basis), $395 million for Medicaid and the EP, and $148 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 $474 million (3.6 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 the Department of Health (DOH) to operate the New York State of Health (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 $8.8 billion in FY 2017, a decrease of $875 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.

[3] 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 $6.9 billion, a decrease of $2 billion from FY 2016. The balance from monetary settlements is expected to total $4.4 billion, a decrease of $1.9 billion from FY 2016. The decrease reflects the expected pace of disbursements for initiatives funded with settlements. The General Fund cash balance excluding settlements is estimated to be $2.5 billion, or $172 million lower than FY 2016 results. The change reflects use of Community Projects Fund resources to support estimated spending ($10 million), balance set aside for prior-year labor settlements ($75 million) and resources carried forward from FY 2016 ($87 million).[4]

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve and the Rainy Day Reserve, 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. The Fund balance for labor agreements is likely to be used if a pay bill is passed by the Legislature, following the recent ratification of the PEF agreement.

TOTAL BALANCES
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Annual Change
TOTAL GENERAL FUND BALANCE	**8,934**	**6,884**	**(2,050)**
Statutory Reserves:			
"Rainy Day" Reserve	1,798	1,798	0
Community Projects	63	53	(10)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements	15	90	75
Undesignated Fund Balance	237	0	(237)
Monetary Settlements	6,300	4,422	(1,878)
Programmed	5,755	3,332	(2,423)
Unbudgeted	545	1,090	545

[4] The undesignated fund balance carried forward from FY 2016 totaled $237 million of which $87 million was planned for use in FY 2017 and $150 million was set aside for potential costs of labor agreements ($60 million has been used leaving $90 million remaining).

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[1]
FY 2017
(millions of dollars)

	General Fund	Other Funds	All Funds
April	10,893	3,338	14,231
May	7,751	4,339	12,090
June	7,210	5,010	12,220
July	6,765	5,734	12,499
August	6,229	5,959	12,188
September	9,566	3,861	13,427
October	8,877	4,171	13,048
November	7,126	3,391	10,517
December	9,152	3,561	12,713
January	10,444	5,538	15,982
February	10,878	4,759	15,637
March	6,884	2,729	9,613

1 The balances reported for April through September are results as reported by OSC. The balances for October through March are DOB estimates.

Monetary Settlements

From FY 2015 through FY 2017, DOB estimates that the State will have received a total of $9.2 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 following recent settlement agreements:

- November 2016 consent order between the State DFS and PHH Mortgage Corporation, pursuant to which PHH Mortgage Corporation has paid the State a $28 million fine for violations of Federal and State laws designed to protect homeowners from fraudulent mortgage origination and servicing practices.
- December 2016 consent order between the State DFS and Intesa Sanpaola S.p.A. and Intesa Sanpaola S.p.A. New York Branch (collectively "Intesa Bank"), wherein Intesa Bank has agreed to pay a $235 million civil monetary penalty for compliance failures in 2005-2006 and over the past several years, and Intesa Bank's use of non-transparent practices from 2002-2006 to process payments on behalf of Iranian clients and other entities.
- December 2016 settlement between Deutsche Bank Securities Inc. ("Deutsche Bank") and the Office of the Attorney General of the State of New York, wherein Deutsche Bank has agreed to pay the State a $18.5 million monetary penalty pertaining to Deutsche Bank's material misstatements and omissions in various written materials disseminated to clients and potential clients with respect to Deutsche Bank's routing technology.

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**	**608**	**9,155**
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
Mega Bank	0	0	180	180
Agricultural Bank of China	0	0	215	215
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 settlements to fund capital investments and nonrecurring expenditures, consistent with the Enacted Budget Financial Plan. The Enacted Budget Financial Plan reflects the authorized transfer of monetary settlements 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). The Updated Financial Plan does not reflect any changes to how these funds have been programmed with the Enacted Budget Financial Plan.

As reflected in the table below, other uses include $850 million to resolve Federal OPWDD disallowances in FY 2016 and 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.

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**	**4,422**	**3,071**	**1,871**	**1,139**	**0**
Receipt of Settlement Payment	**4,942**	**3,605**	**608**	**0**	**0**	**0**	**0**	**9,155**
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**	**4,422**	**3,071**	**1,871**	**1,139**	**1,090**	**1,090**

DOB expects to use monetary settlements received to date 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.

The following purposes will be funded with $6.5 billion of monetary settlement collections from capital appropriations.[5]

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.

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[5] 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.

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.

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.

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 – September 2016
Operating Results

April – September 2016 Operating Results

This section provides a summary of operating results for April 2016 through September 2016 compared to (1) the initial projections set forth in the FY 2017 Enacted Budget Financial Plan; (2) the revised projections of the First Quarterly Update to the Financial Plan; and (3) the results for the prior fiscal year (April 2015 through September 2015). The results below include monetary settlements.

General Fund Results

General Fund receipts, including transfers from other funds, totaled $34 billion through September 2016. Receipts through September 2016 were $836 million below the Enacted Budget Financial Plan estimate. As shown in the table below, tax collections were $963 million below the Enacted Budget Financial Plan estimate, with a $1.2 billion shortfall in PIT receipts that was primarily driven by weaker than expected estimated payments and withholding growth through September 2016, offset in part by stronger results in other taxes. All other tax receipts have been slightly better than expected, with stronger than expected sales tax collections related to the timing of refunds. DOB lowered the annual estimate for tax receipts by $600 million for FY 2017 in the First Quarterly Update to the Financial Plan, primarily reflected in PIT receipts due to underlying weakness in base tax growth.

General Fund disbursements, including transfers to other funds, totaled $33.4 billion through September 2016. Spending during the six month period has been higher than expected in the Enacted Budget Financial Plan, due almost exclusively to timing associated with the Medicaid and EP programs that are expected to neutralize in the remaining months of the fiscal year. In the First Quarterly Update to the Financial Plan, DOB lowered the annual estimate for disbursements in FY 2017 by $728 million compared to the Enacted Budget Financial Plan. Of this amount, $450 million was due to a change in the timing of a planned transfer of settlement money to the New York State Thruway Authority (originally planned in the current year but now expected in FY 2018), and the balance reflecting downward revisions to a range of spending estimates.

The State ended September 2016 with a General Fund closing balance of $9.6 billion, approximately $1.2 billion below the Enacted Budget Financial plan estimate, largely due to lower PIT receipt collections than estimated in the Enacted Budget Financial Plan. Monetary settlements accounted for $6.2 billion of the $9.6 billion General Fund balance. The amount includes the August 2016 payment of $180 million from Mega Bank described earlier in this AIS Update.

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

	Enacted Plan	Revised Plan	Results	Above/(Below) Variance Enacted Plan $	Enacted Plan %	Revised Plan $	Revised Plan %
Opening Balance	**8,934**	**8,934**	**8,934**	**0**	**0.0%**	**0**	**0.0%**
Total Receipts	**34,861**	**34,013**	**34,025**	**(836)**	**-2.4%**	**12**	**0.0%**
Taxes:	33,424	32,526	32,461	(963)	-2.9%	(65)	-0.2%
Personal Income Tax[1]	23,788	22,974	22,570	(1,218)	-5.1%	(404)	-1.8%
Consumption / Use Taxes[1]	6,418	6,455	6,534	116	1.8%	79	1.2%
Business Taxes	2,229	2,081	2,305	76	3.4%	224	10.8%
Other Taxes[1]	989	1,016	1,052	63	6.4%	36	3.5%
Receipts and Grants	1,340	1,360	1,447	107	8.0%	87	6.4%
Transfers From Other Funds	97	127	117	20	20.6%	(10)	-7.9%
Total Spending	**32,980**	**33,033**	**33,393**	**413**	**1.3%**	**360**	**1.1%**
Local Assistance	19,233	19,819	20,462	1,229	6.4%	643	3.2%
Agency Operations (including GSCs)	7,665	7,789	7,798	133	1.7%	9	0.1%
Debt Service Transfer	321	333	309	(12)	-3.7%	(24)	-7.2%
Capital Projects Transfer	2,041	1,264	1,126	(915)	-44.8%	(138)	-10.9%
State Share of Medicaid Transfer	676	765	639	(37)	-5.5%	(126)	-16.5%
SUNY Operations Transfer	818	817	817	(1)	-0.1%	-	0.0%
All Other Transfers	2,226	2,246	2,242	16	0.7%	(4)	-0.2%
Change in Operations	**1,881**	**980**	**632**	**(1,249)**	**-66.4%**	**(348)**	**-35.5%**
Closing Balance	**10,815**	**9,914**	**9,566**	**(1,249)**	**-11.5%**	**(348)**	**-3.5%**

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

Compared to the revised projections in the First Quarterly Update to the Financial Plan, PIT receipts continued to fall below projections ($404 million), driven by the same factors noted above.

Through September 2016, General Fund disbursements, including transfers to other funds, were $413 million higher than initially projected, reflecting the net impact of higher spending for local assistance ($1.2 billion) and agency operations ($133 million), partly offset by lower transfers to other funds ($949 million).

Local assistance spending above plan was primarily driven by Medicaid and EP payments, partly offset by lower spending for education, social services and other local aid programs. Spending for Medicaid was above planned levels through September in part due to routine variances in the receipt of certain offsets and audit recoveries, which are now expected to be received in later months. In addition, costs for the EP, which is funded in the first instance with Federal money, has been higher than expected due to both the increase in enrollment and the timing of Federal reimbursement. In total, State costs for both Medicaid and the EP are expected to be managed within the Medicaid Global Cap, consistent with the Enacted Budget Financial Plan.

Higher agency operations spending includes retroactive salary payments associated with the PEF and the Bureau of Criminal Investigation (New York State Police Investigators Association) (BCI) prior year collective bargaining agreements approved earlier this year, as well as higher fixed costs related to court of claims expenses.

Transfers to other funds were lower than initially planned primarily due to Capital transfers related to the timing of the utilization of bond proceeds for Thruway projects including the New NY Bridge, as well as reduced need due to underspending across the economic development, transportation, and higher education functional areas.

In the First Quarterly Update to the Financial Plan, projected General Fund spending was reduced by $728 million, primarily for lower transfers to capital projects in relation to the updated timing assumptions for Thruway New NY Bridge financing as noted above.

Compared to the revised projections, spending was $360 million higher, largely due to higher Medicaid spending within the DOH Global Cap driven by the continued EP enrollment increases, and additional timing related factors.

April–September 2016 Operating Results

The results below show General Fund operations with and without monetary settlements. For a summary discussion of operating results that exclude monetary settlements, see the earlier discussion of the FY 2017 General Fund.

GENERAL FUND OPERATING RESULTS APRIL THROUGH SEPTEMBER 2016 (millions of dollars)	Results Excluding Monetary Settlements	Monetary Settlements	Reported Results
Opening Balance	**2,634**	**6,300**	**8,934**
Total Receipts	**33,725**	**300**	**34,025**
Taxes:	32,461	0	32,461
Personal Income Tax[1]	22,570	0	22,570
Consumption / Use Taxes[1]	6,534	0	6,534
Business Taxes	2,305	0	2,305
Other Taxes[1]	1,052	0	1,052
Receipts and Grants	1,147	300	1,447
Transfers From Other Funds	117	0	117
Total Spending	**33,000**	**393**	**33,393**
Local Assistance	20,462	0	20,462
Agency Operations (including GSCs)	7,798	0	7,798
Debt Service Transfer	309	0	309
Capital Projects Transfer	733	393	1,126
State Share of Medicaid Transfer	639	0	639
SUNY Operations Transfer	817	0	817
All Other Transfers	2,242	0	2,242
Change in Operations	**725**	**(93)**	**632**
Closing Balance	**3,359**	**6,207**	**9,566**

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

State Operating Funds Results

The State ended September 2016 with a closing balance of $13.9 billion in State Operating Funds, or $698 million below the initial projection reflected in the Enacted Budget Financial Plan. The lower balance is comprised of lower receipts ($358 million), higher spending ($1.4 billion), and higher financing from other sources ($1.1 billion). Compared to projections in the First Quarterly Update to the Financial Plan, the closing balance in State Operating Funds was $235 million below plan.

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

				Above/(Below) Variance			
				Enacted Plan		Revised Plan	
	Enacted Plan	Revised Plan	Results	$	%	$	%
Opening Balance	**12,641**	**12,641**	**12,641**	**0**	**0.0%**	**0**	**0.0%**
Total Receipts	**46,946**	**46,217**	**46,588**	**(358)**	**-0.8%**	**371**	**0.8%**
Taxes:	37,117	36,179	36,165	(952)	-2.6%	(14)	0.0%
Personal Income Tax	24,740	23,922	23,499	(1,241)	-5.0%	(423)	-1.8%
Consumption / Use Taxes	7,825	7,854	7,928	103	1.3%	74	0.9%
Business Taxes	2,923	2,761	3,043	120	4.1%	282	10.2%
Other Taxes	1,629	1,642	1,695	66	4.1%	53	3.2%
Miscellaneous/Federal Receipts	9,829	10,038	10,423	594	6.0%	385	3.8%
Total Spending	**44,036**	**44,799**	**45,445**	**1,409**	**3.2%**	**646**	**1.4%**
Local Assistance	28,771	29,329	29,958	1,187	4.1%	629	2.1%
Agency Operations (including GSCs)	13,771	13,979	14,022	251	1.8%	43	0.3%
Debt Service	1,494	1,491	1,463	(31)	-2.1%	(28)	-1.9%
Capital Projects	0	0	2	2	0.0%	2	0.0%
Other Financing Sources	**(951)**	**78**	**118**	**1,069**	**112.4%**	**40**	**51.3%**
Change in Operations	**1,959**	**1,496**	**1,261**	**(698)**	**-35.6%**	**(235)**	**-15.7%**
Closing Balance	**14,600**	**14,137**	**13,902**	**(698)**	**-4.8%**	**(235)**	**-1.7%**

Through September 2016, total receipts were $358 million lower than the Enacted Budget Financial Plan. Tax collections were $952 million below the Enacted Budget Financial Plan, consistent with the General Fund results described earlier. Miscellaneous receipts exceeded Enacted Budget Financial Plan projections due to the monetary settlement payment from Mega Bank ($180 million), higher hospital surcharge collections in HCRA ($133 million) being driven by increasing levels of health care service utilization, and higher than anticipated SUNY revenue levels ($129 million).

April–September 2016 Operating Results

In the First Quarterly Update to the Financial Plan, projected State Operating Funds receipts were revised downward by $200 million, largely due to reduced PIT tax collections, partly offset by the monetary settlements from Mega Bank. Compared to these revised estimates, total State Operating Funds receipts were $371 million higher than planned. State Operating Funds spending was $1.4 billion above the Enacted Budget Financial Plan primarily due to higher spending in both local assistance ($1.2 billion) and agency operations ($251 million) and are consistent with the General Fund results described above.

In addition to the General Fund variances described above, STAR payments were lower than anticipated due to updated claiming from school districts ($91 million), as well as typical variances across all program areas.

In the First Quarterly Update to the Financial Plan, projected State Operating Funds spending projections were revised upward by $34 million.

Compared to the revised projections, State Operating Funds spending was $646 million above plan, resulting mainly from higher Medicaid spending consistent with the General Fund results described above.

Other Financing Sources, which represent the difference between transfers to and from State Operating Funds, were $1.1 billion above initial estimates due to lower transfers from the General Fund to Capital Projects Funds driven by updated spending assumptions and the timing of the utilization of bond financing for New York State Thruway Authority projects.

All Governmental Funds Results

The State ended September 2016 with an All Governmental Funds closing balance of $13.4 billion, $727 million below the amount projected in the Enacted Budget Financial Plan, reflecting the net impact of lower receipts ($975 million) and lower net spending ($257 million). Compared to the revised projection, the All Governmental Funds closing balance was $177 million lower than planned.

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

	Enacted Plan	Revised Plan	Results	Above/(Below) Variance Enacted Plan $	Enacted Plan %	Revised Plan $	Revised Plan %
Opening Balance	**11,810**	**11,810**	**11,810**	**0**	**0.0%**	**0**	**0.0%**
Total Receipts	**76,014**	**75,378**	**75,040**	**(975)**	**-1.3%**	**(339)**	**-0.4%**
Taxes:	37,774	36,844	36,855	(920)	-2.4%	11	0.0%
Personal Income Tax	24,740	23,922	23,499	(1,242)	-5.0%	(424)	-1.8%
Consumption / Use Taxes	8,121	8,153	8,249	128	1.6%	96	1.2%
Business Taxes	3,236	3,079	3,364	128	4.0%	285	9.3%
Other Taxes	1,677	1,690	1,743	66	3.9%	53	3.1%
Miscellaneous Receipts	11,646	12,016	12,270	624	5.4%	254	2.1%
Federal Grants	26,594	26,518	25,915	(679)	-2.6%	(603)	-2.3%
Total Spending	**73,656**	**73,580**	**73,399**	**(257)**	**-0.3%**	**(181)**	**-0.2%**
State Operating Funds:	44,036	44,799	45,445	1,409	3.2%	646	1.4%
Local Assistance	28,771	29,329	29,958	1,187	4.1%	629	2.1%
Agency Operations (including GSCs)	13,771	13,979	14,022	251	1.8%	43	0.3%
Debt Service	1,494	1,491	1,463	(31)	-2.1%	(28)	-1.9%
Capital Projects	0	0	2	2	0.0%	2	0.0%
Capital Projects Funds	5,272	4,548	4,495	(777)	-14.7%	(53)	-1.2%
Federal Operating Funds	24,348	24,233	23,459	(889)	-3.7%	(774)	-3.2%
Other Financing Sources	**(14)**	**(4)**	**(24)**	**(10)**	**-71.4%**	**(20)**	**-500.0%**
Change in Operations	**2,344**	**1,794**	**1,617**	**(727)**	**-31.0%**	**(177)**	**-9.9%**
Closing Balance	**14,154**	**13,604**	**13,427**	**(727)**	**-5.1%**	**(177)**	**-1.3%**

Through September 2016, total All Governmental Funds receipts were $975 million below the initial projections, reflecting the lower PIT collections as described above, as well as lower receipts from Federal Grants, which is directly attributable to lower Federal spending described in more detail below.

Through September 2016, All Funds spending was $257 million lower than planned. Lower spending for both Capital Projects, as explained above, and Federal operating assistance was partly offset by the higher State Operating Funds spending variance. The largest areas of Federal underspending were Medicaid ($563 million), which was in part driven by delayed rate approvals which have temporarily shifted spending for Medicaid spending Federal funds to State funds, and delayed Federal education payments related to the timing claim from submissions ($416 million).

Compared to the First Quarterly Update to the Financial Plan, All Governmental Funds spending was $181 million lower than projections, which in addition to the State Operating Funds and Capital Projects variances described above, included lower spending for Federal Medicaid ($936 million) and Education ($303 million), offset by higher than projected disbursements in Federal Public Assistance programs ($231 million).

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 ($164 million), and higher spending ($1.2 billion). The combination of these annual changes resulted in $1.1 billion increase in overall balance.

All GOVERNMENTAL FUNDS RESULTS YEAR-OVER-YEAR
APRIL THROUGH SEPTEMBER
(millions of dollars)

	FY 2016 Results	FY 2017 Results	Increase/(Decrease) $	Increase/(Decrease) %
Opening Balance	**9,356**	**11,810**	**2,454**	**26.2%**
Total Receipts	**75,203**	**75,040**	**(164)**	**-0.2%**
Taxes:	38,192	36,855	(1,337)	-3.5%
Personal Income Tax	24,234	23,499	(735)	-3.0%
Consumption / Use Taxes	8,119	8,249	131	1.6%
Business Taxes	3,729	3,364	(365)	-9.8%
Other Taxes	2,110	1,743	(367)	-17.4%
Miscellaneous Receipts	13,285	12,270	(1,015)	-7.6%
Federal Grants	23,726	25,915	2,189	9.2%
Total Spending	**72,178**	**73,399**	**1,221**	**1.7%**
State Operating Funds:	45,628	45,445	(183)	-0.4%
Local Assistance	30,166	29,958	(208)	-0.7%
Agency Operations (including GSCs)	13,786	14,022	236	1.7%
Debt Service	1,675	1,463	(212)	-12.7%
Capital Projects	1	2	1	233.3%
Capital Projects Funds	4,119	4,495	376	9.1%
Federal Operating Funds	22,431	23,459	1,028	4.6%
Other Financing Sources	**(54)**	**(24)**	**30**	**-55.6%**
Change in Operations	**2,972**	**1,617**	**(1,355)**	**-45.6%**
Closing Balance	**12,328**	**13,427**	**1,099**	**8.9%**

April–September 2016 Operating Results

All Funds tax receipts during the time period of April 2016 through September 2016 were $1.3 billion lower than results for the same time period of the prior year, primarily as the result of lower PIT receipts ($735 million) due to declines in tax year 2015 extension payments and quarterly estimated tax payments. Business taxes declined ($365 million) due primarily to tax cuts enacted as part of corporate tax reform. The year-over-year decline for Other Taxes ($367 million) was primarily the result of the continued phase-in of the estate tax cut enacted in 2014 and an unusual number of non-recurring super-large (over $25 million) estate tax payments in FY 2016.

Miscellaneous receipts were $1 billion below the prior year, largely due to the receipt of one-time settlement proceeds in FY 2016, including over $1.3 billion from BNP Paribas alone.

Federal grants were $2.2 billion higher than last year and are consistent with Federal spending described in more detail below.

Through September 2016, All Funds spending was $1.2 billion higher than the prior year, which was comprised of higher spending for both Federal Operating Funds ($1 billion) and Capital Projects Funds ($376 million), partly offset by a reduction in State Operating Funds ($183 million).

State Operating Funds spending for the first half of FY 2017 was $183 million or 0.4 percent lower than the same period in the prior year. The largest contributor to this variance is the conversion to an updated financial management system in October 2015, which required the acceleration of certain payments into the month of September, including School Aid and Debt Service, to ensure obligations were met in accordance with statute. Absent this unique timing impact, spending in certain program areas has grown, with Medicaid driving the majority of the growth. Medicaid spending growth was largely driven by significant increases in EP enrollment levels, a program covered within the Medicaid Global Cap, and the other timing variances described earlier which have driven higher State Funds expenses through the first six months of the current fiscal year.

Federal spending growth is largely driven by Medicaid spending ($1.3 billion), consistent with budgeted growth and the escalating cost impact of associated various Federal health care transformation initiatives (including new spending for the EP). Significant spending declines relative to FY 2016 are Education ($292 million) and Public Assistance ($284 million).

Growth in capital projects spending is primarily attributable to the continued implementation of several projects funded from DIIF, where initial spending did not occur until July 2016.

Other Matters Affecting the State 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 growth 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; cybersecurity attacks, 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. Many of the policies that drive this Federal aid are subject to change when a new presidential administration and Congress begin in January of 2017. It is not possible at this time to assess the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress. However, certain financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision in future Financial Plan updates as more information becomes available about the proposals for health care, infrastructure, taxation, the Budget Control Act of 2011 (as amended) and other issues that may be addressed by the next administration and Congress.

Reductions 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. Current 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 Affordable Care Act (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)

PEF ratified a three-year labor agreement that includes general salary increases of 2 percent in each year (FY 2017, FY 2018 and FY 2019). This agreement follows the one-year retroactive labor agreement authorizing payment of a 2 percent general salary increase to members for the period April 1, 2015 through March 31, 2016.

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 The Police Benevolent Association of the New York State Troopers (NYSPBA) members; specifically, a 2 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.

The State is in active negotiations with all other employee unions, whose contracts concluded in FY 2016, including the CSEA, UUP, the NYSCOPBA, Council 82, DC-37 Housing and GSEU. Negotiations also continue with the 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 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 planned State support for CUNY senior colleges.

Pension Amortization[6]

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.

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.

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 New York State and Local Retirement System (NYSLRS) is based on rates established by the NYSLRS Actuary using the annual fund valuation and actuarially

[6] 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.

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 one 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 one 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 the Office of Court Administration (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)	System Average Normal Rates (GLIP Portion)*	System Graded Rates (does not apply to GLIP)	System Average Normal Rates (GLIP Portion)*	System Graded Rates (does not apply to GLIP)
2011	11.9 (0.4)	9.5	18.2 (0.1)	17.5
2012	16.3 (0.4)	10.5	21.6 (0.0)	18.5
2013	18.9 (0.4)	11.5	25.8 (0.1)	19.5
2014	20.9 (0.4)	12.5	28.9 (0.0)	20.5
2015	20.1 (0.4)	13.5	27.6 (0.1)	21.5
2016	18.2 (0.5)	14.5	24.7 (0.0)	22.5
2017	15.5 (0.4)	15.1	24.3 (0.0)	23.5
2018	15.3 (0.4)	14.9	24.4 (0.1)	24.3

* 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.

The FY 2017 ERS/PFRS pension estimate of $2.2 billion incorporates the most recent estimate prepared by OSC as of October 2016. This includes payment of prior amortizations totaling $432 million and additional interest savings from paying the majority of 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 employees in ERS will be incurred at the time each member purchases credit, as documented by OSC at the end of each calendar year, while costs for employees in PFRS will be distributed across system employers and billed on a two-year lag (e.g., FY 2017 costs will be billed in FY 2019). 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. 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 for ERS (including the costs covered for local ERS) to be $82 million in FY 2017; $100 million in FY 2018; $79 million in FY 2019; and $49 million in FY 2020. Additionally, the State expects ongoing costs of $7 million beginning in FY 2021 as new cohorts of veterans become eligible to purchase the credit.

The preliminary FY 2018 ERS/PFRS pension estimate is impacted by FY 2016 investment returns of 0.2 percent, which was significantly below the Comptroller's assumed rate of return of 7 percent. However, the past year's underperformance is expected to be offset by stronger investment returns in the previous four years and growth in the number of lower cost Tier 6 members. As a result, the average contribution rate for ERS will decrease slightly from 15.5 percent of payroll to 15.3 percent (a decrease of approximately 1.3 percent), while the average contribution rate for PFRS will increase slightly from 24.3 percent of payroll to 24.4 percent (an increase of approximately 0.4 percent).

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	2,032	0	432	2,464
2018	14.9	24.3	2,172	0	432	2,604
2019	15.6	25.3	2,214	0	432	2,646
2020	16.6	26.3	2,329	0	432	2,761

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

The following 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)	100.8	1,398.4
2014	2,633.8	(937.0)	192.0	1,888.8
2015	2,325.8	(713.1)	305.6	1,918.3
Projections:				
2016	1,972.2	(356.2)	389.9	2,005.9
2017	1,799.5	0.0	432.1	2,231.6
2018	1,944.2	0.0	432.1	2,376.3
2019	1,982.6	0.0	432.1	2,414.7
2020	2,093.0	0.0	432.1	2,525.1
2021	2,316.7	0.0	432.1	2,748.8
2022	2,484.4	0.0	399.8	2,884.2
2023	2,510.4	0.0	331.3	2,841.7
2024	2,536.5	0.0	240.1	2,776.6
2025	2,562.8	0.0	126.4	2,689.2
2026	2,588.8	0.0	42.2	2,631.0
2027	2,614.9	0.0	0.0	2,614.9
2028	2,641.0	0.0	0.0	2,641.0
2029	2,650.0	0.0	0.0	2,650.0
2030	2,657.4	0.0	0.0	2,657.4
2031	2,663.1	0.0	0.0	2,663.1

[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 ended 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 ERS and the New York State and Local PFRS, 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 2016. 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 statute requires that the limitations on the amount of State-supported debt and debt service costs be calculated by October 31 of each year and reported in the Mid-Year Financial Plan. If the actual amount of new State-supported debt outstanding and debt service costs for the prior fiscal year are below the caps at this time, State-supported debt may continue to be issued. However, if either the debt outstanding or debt service caps are met or exceeded, the State would be precluded from issuing new State-supported debt until the next annual cap calculation is made and debt is found to be within the applicable limitations.

For FY 2016, the cumulative debt outstanding and debt service caps are 4.00 and 5.00 percent, respectively. As shown in the following tables, the actual levels of debt outstanding and debt service costs continue to remain below the statutory caps. From April 1, 2000 through March 31, 2016, the State has issued new debt resulting in $40.8 billion of debt outstanding applicable to the debt reform cap. This is about $5.6 billion below the statutory debt outstanding limitation. In addition, the debt service costs on this new debt totaled $4.1 billion in FY 2016, or roughly $3.5 billion below the statutory debt service limitation.

DEBT OUTSTANDING CAP (millions of dollars)	Dollar	Percent
Personal Income (CY 2015)[1]	1,161,414	
Max. Allowable Debt Outstanding	46,457	4.00%
Debt Outstanding Subject to Cap	40,814	3.51%
Remaining Capacity	5,642	0.49%

[1] Bureau of Economic Analysis (BEA).

DEBT SERVICE CAP (millions of dollars)	Dollar	Percent
All Funds Receipts (FY 2016)	153,265	
Max. Allowable Debt Service	7,663	5.00%
Debt Service Subject to Cap	4,147	2.71%
Remaining Capacity	3,516	2.29%

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 $5.9 billion in FY 2017 to $1.5 billion in FY 2020. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. In addition, the projected room under the debt cap is dependent on the expected growth rate for personal income. The available capacity under the debt outstanding cap increased since the first quarterly update to the AIS as a result of an increase in personal income forecasted, and the realization of a lower amount of State-supported bond issuance through the first six months of FY 2017. 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.

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	1,161,414	4.00%	46,457	40,814	5,642	3.51%	0.49%	9,415	50,229
FY 2017	1,213,259	4.00%	48,530	42,637	5,893	3.51%	0.49%	8,030	50,667
FY 2018	1,273,398	4.00%	50,936	47,866	3,070	3.76%	0.24%	6,801	54,667
FY 2019	1,336,862	4.00%	53,474	51,539	1,935	3.86%	0.14%	5,760	57,299
FY 2020	1,401,620	4.00%	56,065	54,563	1,502	3.89%	0.11%	4,885	59,449
FY 2021	1,467,375	4.00%	58,695	57,004	1,691	3.88%	0.12%	3,413	60,417

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	4,147	3,516	2.71%	2.29%	1,432	5,579
FY 2017	153,748	5.00%	7,687	4,300	3,388	2.80%	2.20%	750	5,050
FY 2018	159,664	5.00%	7,983	4,701	3,282	2.94%	2.06%	1,409	6,110
FY 2019	160,832	5.00%	8,042	5,348	2,693	3.33%	1.67%	1,407	6,755
FY 2020	164,935	5.00%	8,247	5,848	2,399	3.55%	1.45%	1,368	7,216
FY 2021	171,721	5.00%	8,586	6,189	2,397	3.60%	1.40%	1,253	7,442

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 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. 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 – Fiscal Years 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.

Summary

The Updated Financial Plan reflects a 2 percent annual growth in State Operating Funds, consistent with the expectation of adherence to a 2 percent spending growth 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	63,865	66,822	66,791	69,469
Miscellaneous Receipts/Federal Grants	5,842	3,187	2,486	2,448	2,334
Other Transfers	1,253	1,218	716	715	699
Total Receipts	**69,676**	**68,270**	**70,024**	**69,954**	**72,502**
DISBURSEMENTS					
Local Assistance Grants	43,314	45,379	48,489	51,399	54,408
School Aid	20,133	21,088	22,418	23,778	25,128
Medicaid/EP	12,136	12,531	13,622	14,696	15,799
All Other	11,045	11,760	12,449	12,925	13,481
State Operations	7,955	8,259	8,806	8,656	8,802
Personal Service	6,011	6,055	6,174	6,211	6,280
Non-Personal Service	1,944	2,204	2,632	2,445	2,522
General State Charges	5,397	5,567	6,010	6,384	6,848
Transfers to Other Funds	11,376	11,115	11,604	11,837	12,110
Debt Service	1,196	703	1,257	1,181	1,058
Capital Projects	2,721	3,619	3,438	3,396	3,339
State Share of Mental Hygiene Medicaid	2,036	1,432	1,303	1,242	1,129
SUNY Operations	998	996	1,001	997	997
All Other	4,425	4,365	4,605	5,021	5,587
Total Disbursements	**68,042**	**70,320**	**74,909**	**78,276**	**82,168**
Adherence to 2% Spending Benchmark[1]	**n/a**	**n/a**	**2,844**	**5,059**	**7,220**
Use (Reservation) of Fund Balance:	**(1,634)**	**2,050**	**1,352**	**1,200**	**731**
Community Projects	11	10	0	0	0
Labor Agreements	35	75	0	0	0
Undesignated Fund Balance	(47)	87	0	0	0
Monetary Settlements[2]	(1,633)	1,878	1,352	1,200	731
Programmed	(1,088)	2,423	1,352	1,200	731
Unbudgeted	(545)	(545)	0	0	0
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**(689)**	**(2,063)**	**(1,715)**

[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	74,461	77,755	78,496	81,587
Miscellaneous Receipts/Federal Grants	23,328	19,967	18,823	18,960	18,677
Total Receipts	**96,607**	**94,428**	**96,578**	**97,456**	**100,264**
DISBURSEMENTS					
Local Assistance Grants	62,653	64,657	67,454	70,573	73,600
School Aid (School Year Basis)	23,290	24,797	25,906	27,219	28,599
DOH Medicaid	17,453	18,171	19,107	20,174	21,157
Transportation	4,745	4,934	5,023	5,090	5,181
STAR	3,335	3,228	2,977	2,921	2,869
Higher Education	2,955	2,985	2,994	3,055	3,095
Social Services	2,949	2,973	2,986	3,058	3,096
Mental Hygiene	2,646	2,466	2,944	3,359	3,635
All Other[1]	5,280	5,103	5,517	5,697	5,968
State Operations	18,583	18,714	19,100	19,079	19,232
Personal Service	12,981	12,941	13,006	13,109	13,216
Non-Personal Service	5,602	5,773	6,094	5,970	6,016
General State Charges	7,452	7,707	8,242	8,679	9,200
Pension Contribution	2,225	2,464	2,604	2,647	2,761
Health Insurance	3,465	3,683	3,931	4,268	4,556
All Other	1,762	1,560	1,708	1,765	1,883
Debt Service	5,598	5,075	6,125	6,769	7,230
Capital Projects	2	3	2	0	0
Total Disbursements	**94,288**	**96,156**	**100,923**	**105,100**	**109,262**
Net Other Financing Sources/(Uses)	432	(774)	(245)	(250)	(133)
Adherence to 2% Spending Benchmark[2]	**n/a**	**n/a**	**2,844**	**5,059**	**7,220**
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(2,751)	2,502	1,057	772	196
General Fund	(1,634)	2,050	1,352	1,200	731
Special Revenue Funds	(1,075)	485	(186)	(334)	(374)
Debt Service Funds	(42)	(33)	(109)	(94)	(161)
GENERAL FUND BUDGET SURPLUS/(GAP)	**0**	**0**	**(689)**	**(2,063)**	**(1,715)**

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.

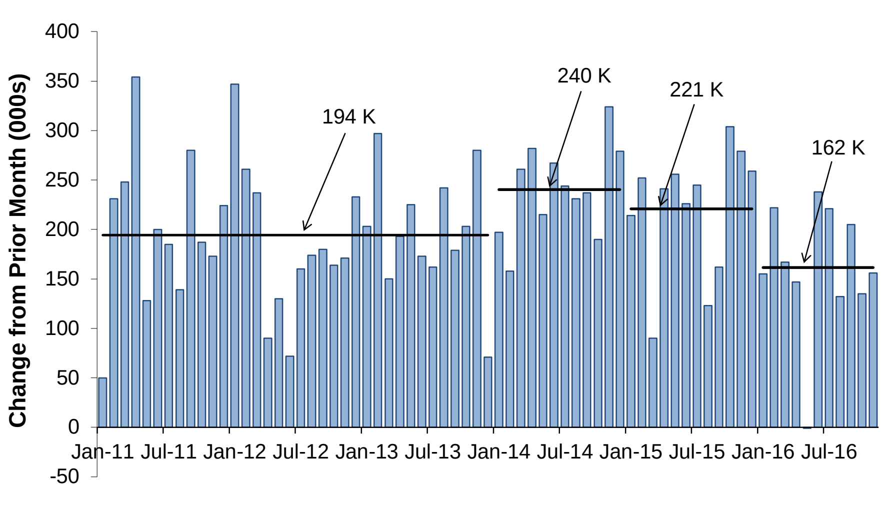
2 Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. 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 staged a modest rebound in the third quarter of calendar year 2016, growing 3.2 percent following three quarters of sub-par growth averaging a mere 1.0 percent. However, the most recent data reveal a pullback in household spending, declines in both residential and business equipment investment, and a one-time anomaly in the export data, all of which suggest that growth in the neighborhood of 3 percent is not sustainable. A strong dollar and slowing job and housing markets suggest slower growth over the near-term. DOB projects growth closer to 2 percent for the fourth quarter and 1.5 percent for calendar year 2016, 0.3 of a percentage point below the Enacted Budget Financial Plan forecast.

Slowing Private Job Gains Signal Continued Slow Growth



Source: Moody's Analytics.

The most recent data reinforce the slowdown in the national labor market since the second half of calendar year 2015. Monthly private sector job gains averaged a still solid 162,000 over the first eleven months of 2016, but down from 221,000 in 2015. However, the job numbers tell only a part of the story. Forty-six percent of the job growth thus far in 2016 has been concentrated in three relatively low-wage/low productivity sectors: healthcare and social assistance; leisure and hospitality; and wholesale and retail trade; their share of recent gains far outstrips their 39 percent share of the workforce overall. Moreover, the share of the workforce employed part-time remains elevated relative to pre-recession levels. These labor market characteristics are consistent with the weak output growth observed since the fourth quarter of 2015. DOB's outlook calls for total nonagricultural employment growth of 1.7 percent for 2016, a significant deceleration from 2.1 percent growth in 2015.

Consumer spending has shown improvement over the life of the current economic expansion, but that improvement has been insufficient to propel overall economic growth much beyond 2 percent on a sustained basis. After two weak quarters, real growth in household spending rebounded to an impressive 4.3 percent during the second quarter of 2016, followed by 2.8 percent in the third quarter of 2016. Currently, real household spending growth of 2.6 percent is estimated for the entire calendar year 2016. The most recent light vehicle sales data signal that unit sales are likely to be flat at best relative to 2015. DOB expects moderate growth averaging about 2.4 percent going forward, consistent with solid but slowing job growth and measured wage gains of just above 4 percent.

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

	2015 (Actual)	2016 (Estimated)	2017 (Forecast)
Real U.S. Gross Domestic Product	2.6	1.5	2.4
Consumer Price Index (CPI)	0.1	1.2	2.2
Personal Income	4.4	3.4	4.3
Nonagricultural Employment	2.1	1.7	1.4

Source: Moody's Analytics; DOB staff estimates.

After a prolonged period of activist monetary policy around the globe, there are signs that global growth prospects have stabilized. Legal developments could stall the anticipated adverse impact of Brexit on both the UK and EU economies, while the deceleration in the growth of the Chinese economy appears to have subsided. Real growth in U.S. exports for 2016 is estimated at 0.5 percent, following 0.1 percent growth in 2015. The post-election strengthening of the U.S. dollar is likely to put further downward pressure on global demand for U.S. exports going forward. Consistent with weak export growth and oil prices hovering close to $45 per barrel for much of the year, DOB estimates that real non-residential fixed investment will have contracted 0.1 percent in 2016. However, recent coordinated action among the world's oil producers, both within and outside of OPEC, creates upside risk to both oil prices and investment spending within the nation's own domestic energy sector.

Consumer prices related to shelter, medical care, and education have been on the rise. DOB now estimates consumer price inflation of 1.2 percent for 2016, marginally below the Enacted Budget Financial Plan forecast. But with the outlook for both domestic and global growth still tepid, inflation expectations are still expected to remain, on average, below the Federal Reserve Board's target rate over the medium-term. Indeed, the Federal Reserve's well-anticipated December 2016 federal funds rate hike was the first in 12 months. With persistently weak business investment spending, a slow-growing global economy, only modest improvement in wage growth, DOB expects the Federal Reserve to implement only two rate hikes in 2017.

Although DOB expects a subdued pace of growth going forward, there are still significant risks to this forecast. If the value of the U.S. dollar remains at current levels, 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 impact from slow growth abroad. Impacts of the future policies of the new presidential administration adds further uncertainty. In contrast, if the actions of central banks around the globe to stimulate their economies are more effective than expected, export, profits, and equity market growth could be stronger than currently 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 2016.

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 transportation and warehousing, construction and real estate services, health care, education, and professional and business services. As a result, DOB has revised the estimate for private sector job growth for 2016 slightly upward to 1.7 percent. With the most recent data indicating stronger than expected public sector job growth, total employment growth for 2016 was also revised upward to 1.6 percent.

Continued strong job growth leaves non-bonus wage growth virtually unchanged at 4.3 percent for FY 2017, but recent financial market turbulence has altered the near-term bonus outlook. Financial market conditions deteriorated substantially before exhibiting a post-election rebound. Moreover, policy-related uncertainty is likely to result in even more volatility going forward, making the current environment less auspicious for initial public offerings (IPOs) and other critical revenue generating activity. Consequently, DOB has revised FY 2017 bonus growth downward to 0.6 percent, following a decline of 8.4 percent for FY 2016. Overall wage growth for FY 2017 has been correspondingly revised down to 4.1 percent.

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

	FY 2016 (Actual)	FY 2017 (Estimated)	FY 2018 (Forecast)
Personal Income	3.8	4.6	5.0
Wages	4.3	4.1	4.4
Nonagricultural Employment	1.9	1.4	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 and finance industry revenue growth prove 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.

Finally, events leading up to and immediately following the presidential election demonstrate how sensitive financial markets can be to shifting expectations surrounding future fiscal and monetary policy, the regulatory environment, and national and global economic growth. These events further heighten the uncertainty surrounding bonus projections for FY 2017.

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 mobility 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 $153.7 billion, 0.3 percent below FY 2016 results.

ALL FUNDS RECEIPTS
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
Personal Income Tax	47,055	48,089	2.2%	50,328	4.7%	50,251	-0.2%	52,205	3.9%
Consumption/Use Taxes	15,725	16,128	2.6%	16,863	4.6%	17,451	3.5%	17,997	3.1%
Business Taxes	7,884	8,018	1.7%	8,340	4.0%	8,506	2.0%	8,918	4.8%
Other Taxes	2,703	2,192	-18.9%	2,174	-0.8%	2,190	0.7%	2,291	4.6%
Payroll Mobility Tax	1,306	1,336	2.3%	1,395	4.4%	1,462	4.8%	1,536	5.1%
Total State Taxes	**74,673**	**75,763**	**1.5%**	**79,100**	**4.4%**	**79,860**	**1.0%**	**82,947**	**3.9%**
Miscellaneous Receipts	27,268	25,033	-8.2%	26,097	4.3%	25,474	-2.4%	24,982	-1.9%
Federal Receipts	51,324	52,953	3.2%	54,467	2.9%	55,498	1.9%	57,009	2.7%
Total All Fund Receipts	**153,265**	**153,749**	**0.3%**	**159,664**	**3.8%**	**160,832**	**0.7%**	**164,938**	**2.6%**

State tax receipts are expected to increase 1.5 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 projected 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 5.5 percent in FY 2016, and is projected to increase by 1.8 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 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**47,055**	**48,089**	**2.2%**	**50,328**	**4.7%**	**50,251**	**-0.2%**	**52,205**	**3.9%**
Gross Collections	56,600	57,255	1.2%	60,583	5.8%	61,398	1.3%	64,718	5.4%
Refunds (Incl. State/City Offset)	(9,545)	(9,166)	4.0%	(10,255)	-11.9%	(11,147)	-8.7%	(12,513)	-12.3%
GENERAL FUND[1]	**31,957**	**32,839**	**2.8%**	**34,769**	**5.9%**	**34,767**	**0.0%**	**36,285**	**4.4%**
Gross Collections	56,600	57,255	1.2%	60,583	5.8%	61,398	1.3%	64,718	5.4%
Refunds (Incl. State/City Offset)	(9,545)	(9,166)	4.0%	(10,255)	-11.9%	(11,147)	-8.7%	(12,513)	-12.3%
STAR	(3,335)	(3,228)	3.2%	(2,977)	7.8%	(2,921)	1.9%	(2,869)	1.8%
RBTF	(11,763)	(12,022)	-2.2%	(12,582)	-4.7%	(12,563)	0.2%	(13,051)	-3.9%

[1] Excludes Transfers.

All Funds personal income tax receipts for FY 2017 are projected to be $48.1 billion, an increase of $1 billion (2.2 percent) from FY 2016 results. This increase includes growth in withholding 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 declines in final returns, 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	38,021	39,391	40,548	42,605
Estimated Payments	16,111	15,256	16,955	16,344	17,394
Current Year	11,561	11,195	12,309	11,252	12,302
Prior Year[1]	4,550	4,061	4,646	5,092	5,092
Final Returns	2,630	2,620	2,841	3,049	3,198
Current Year	269	280	292	307	322
Prior Year[1]	2,361	2,340	2,549	2,742	2,876
Delinquent	1,310	1,358	1,396	1,457	1,521
Gross Receipts	56,600	57,255	60,583	61,398	64,718
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	778	803	828	754
Total Refunds	9,545	9,166	10,255	11,147	12,513
Net Receipts	**47,055**	**48,089**	**50,328**	**50,251**	**52,205**

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

Withholding in FY 2017 is estimated to be $38 billion (4 percent) higher than FY 2016 results, driven by moderate 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 $366 million (3.2 percent) lower, primarily due to the combination of a decline in net capital gains income and a correction for overpayment of tax year 2015-related estimated payments. Final return payments and delinquencies are projected to be $10 million (0.4 percent) lower and $48 million (3.7 percent) higher than FY 2016 results, respectively.

The projected decrease in total refunds of $379 million (4 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 $103 million (15.3 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 $32.8 billion are estimated to increase by $882 million (2.8 percent) from FY 2016 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $12 billion and the STAR transfer is projected to be $3.2 billion.

All Funds PIT receipts for FY 2018 of $50.3 billion are projected to increase by $2.2 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 (3.6 percent) and estimated payments related to tax year 2017 that are projected to grow by $1.1 billion (10 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 $221 million (8.4 percent). Delinquencies are projected to increase $38 million (2.8 percent) from the prior year. Total refunds are projected to increase by $1.1 billion (11.9 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 $34.8 billion are projected to increase by $1.9 billion (5.9 percent). RBTF deposits are projected to be $12.6 billion, and the STAR transfer is projected to be $3 billion.

All Funds PIT receipts in FY 2019 are projected to decrease by $77 million to $50.3 billion, while General Fund PIT receipts are projected to total $34.8 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 reduce 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 $52.2 billion, while General Fund receipts are projected to total $36.3 billion.

Consumption/Use Taxes

CONSUMPTION/USE TAXES
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**15,725**	**16,128**	**2.6%**	**16,863**	**4.6%**	**17,451**	**3.5%**	**17,997**	**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	1,221	-2.4%	1,190	-2.5%	1,149	-3.4%	1,103	-4.0%
Motor Fuel Tax	503	506	0.6%	505	-0.2%	501	-0.8%	496	-1.0%
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	1	N/A	1	0.0%	1	0.0%	1	0.0%
Taxicab Surcharge	73	65	-11.0%	65	0.0%	65	0.0%	65	0.0%
Auto Rental Tax	126	127	0.8%	134	5.5%	141	5.2%	146	3.5%
GENERAL FUND[1]	**6,819**	**7,076**	**3.8%**	**7,415**	**4.8%**	**7,703**	**3.9%**	**7,973**	**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	339	5.3%	339	0.0%	329	-2.9%	318	-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 $403 million (2.6 percent) from FY 2016 results. Sales tax receipts are estimated to increase $507 million (3.8 percent) from the prior year, resulting from 4.7 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. Cigarette and tobacco tax collections are estimated to decline $30 million (2.4 percent), primarily reflecting trend declines in taxable cigarette consumption, partially offset by a decrease in cigar tax refunds resulting in part from an Administrative Law Judge Determination (Matter of Davidoff of Geneva, Inc.). Highway use tax collections are estimated 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 estimated to increase $3 million (0.6 percent), reflecting slight growth in both taxable motor fuel consumption and diesel fuel 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 $257 million (3.8 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 nearly $16.9 billion, an increase of $735 million (4.6 percent) from the current year. The projected $701 million (5.1 percent) increase in sales tax receipts reflects sales tax base growth of 3.5 percent, due to projected disposable income, employment, and consumption growth. The All Funds consumption/use tax receipts increase is offset slightly by trend declines in cigarette tax collections.

General Fund consumption/use tax receipts are projected to total $7.4 billion in FY 2018, a $339 million (4.8 percent) increase from the current year. The projected increase largely reflects the All Funds sales and cigarette tax trends noted above.

All Funds consumption/use tax receipts are projected to increase to nearly $17.5 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 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**7,884**	**8,018**	**1.7%**	**8,340**	**4.0%**	**8,506**	**2.0%**	**8,918**	**4.8%**
Corporate Franchise Tax	4,527	4,303	-4.9%	4,780	11.1%	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	1,502	-4.9%	1,572	4.7%	1,701	8.2%	1,784	4.9%
Bank Tax	(121)	383	416.5%	190	-50.4%	143	-24.7%	71	-50.3%
Petroleum Business Tax	1,124	1,092	-2.8%	1,066	-2.4%	1,096	2.8%	1,087	-0.8%
GENERAL FUND	**5,647**	**5,775**	**2.3%**	**6,078**	**5.2%**	**6,155**	**1.3%**	**6,538**	**6.2%**
Corporate Franchise Tax	3,763	3,538	-6.0%	3,950	11.6%	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	1,346	-5.1%	1,407	4.5%	1,521	8.1%	1,597	5.0%
Bank Tax	(129)	323	350.4%	162	-49.8%	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 $134 million (1.7 percent) from FY 2016 results. The estimate primarily reflects an increase in the bank tax of $504 million, partially offset by a combined decrease of $370 million among all other business taxes.

Corporation franchise tax receipts are estimated to decrease $224 million (4.9 percent) in FY 2017, primarily reflecting tax year 2016 corporate tax reform tax cuts: 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. These reductions are partially offset by an increase in expected audit receipts of $274 million.

Corporation and utilities tax receipts are estimated 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 estimated to decrease $78 million (4.9 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 life 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 $504 million in FY 2017. The increase stems from an estimated reduction in prior period adjustments and an increase in audit receipts ($197 million) from FY 2016 results.

Petroleum Business Tax (PBT) receipts are estimated to decrease $32 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. These declines are partially offset by estimated slight growth in both taxable motor fuel and diesel fuel consumption.

General Fund business tax receipts for FY 2017 of $5.8 billion are estimated to increase $128 million (2.3 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 $322 million (4 percent) from the current year. The increase in corporation franchise tax receipts of $477 million (11.1 percent) reflects projected growth in corporate profits following nearly full implementation of corporate tax reform changes as well as higher audit receipts. 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 for FY 2018 of $1.6 billion are projected to increase $70 million (4.7 percent) from the current year. 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 $193 million (50.4 percent), due to lower projected audit receipts. PBT receipts are projected to decline $26 million (2.4 percent) in FY 2018, primarily due to the estimated 5 percent decrease in the PBT rate index effective January 2017 noted above and a projected slight decline in taxable motor fuel consumption, partially offset by the projected 5 percent increase in the PBT rate index effective January 2018 and projected growth in diesel fuel consumption.

General Fund business tax receipts for FY 2018 of $6.1 billion are projected to increase $303 million (5.2 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 $8.5 billion (2 percent growth) in FY 2019, and increase to $8.9 billion (4.8 percent growth) in FY 2020. General Fund business tax receipts are projected 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 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**2,703**	**2,192**	**-18.9%**	**2,174**	**-0.8%**	**2,190**	**0.7%**	**2,291**	**4.6%**
Estate Tax	1,521	1,034	-32.0%	950	-8.1%	912	-4.0%	963	5.6%
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
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	17	0.0%	17	0.0%	17	0.0%	17	0.0%
All Other Taxes	2	3	50.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND[1]	**1,540**	**1,054**	**-31.6%**	**970**	**-8.0%**	**932**	**-3.9%**	**983**	**5.5%**
Estate Tax	1,521	1,034	-32.0%	950	-8.1%	912	-4.0%	963	5.6%
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	17	17	0.0%	17	0.0%	17	0.0%	17	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 $511 million (18.9 percent) decrease from FY 2016 results. This largely reflects an estimated decline in estate tax receipts of $487 million (32 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) primarily 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. 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 estimated to be slightly above $1 billion in FY 2017, a $486 million (31.6 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 $18 million (0.8 percent) decrease from the current year. Estate tax receipts are projected to decrease by $84 million (8.1 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 prices.

General Fund other tax receipts for FY 2018 are projected to decrease by $84 million (8 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 increase) in FY 2019, and by $101 million (4.6 percent increase) 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**	**25,033**	**-8.2%**	**26,097**	**4.3%**	**25,474**	**-2.4%**	**24,982**	**-1.9%**
General Fund	5,842	3,187	-45.4%	2,486	-22.0%	2,448	-1.5%	2,334	-4.7%
Special Revenue Funds	17,117	16,437	-4.0%	16,024	-2.5%	16,200	1.1%	16,030	-1.0%
Capital Projects Funds	3,822	4,924	28.8%	7,132	44.8%	6,372	-10.7%	6,163	-3.3%
Debt Service Funds	487	485	-0.4%	455	-6.2%	454	-0.2%	455	0.2%

All Funds miscellaneous receipts are projected to total $25 billion in FY 2017, a decrease of 8.2 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 by $1.1 billion (4.3 percent) in FY 2018, largely reflecting the projected 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**	**52,953**	**3.2%**	**54,467**	**2.9%**	**55,498**	**1.9%**	**57,009**	**2.7%**
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	49,105	50,718	3.3%	52,301	3.1%	53,334	2.0%	54,789	2.7%
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 $57 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.

Many of the policies that drive Federal aid are subject to change when a new presidential administration and Congress begin in January 2017. It is not possible at this time to assess the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress.

Disbursements

Total disbursements in FY 2017 are estimated at $70.3 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 $64.7 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)

	FY 2016 Results	FY 2017 Updated	Forecast FY 2018 Projected	Forecast FY 2019 Projected	Forecast FY 2020 Projected
MEDICAID					
Individuals Covered	6,168,006	6,217,239	6,284,551	6,318,208	6,335,036
- Essential Plan	466,614	713,091	723,020	727,880	730,483
- Child Health Plus (Caseload)	275,854	305,560	309,866	314,232	318,659
State Takeover of County/NYC Costs	$2,031	$2,360	$2,680	$2,989	$3,287
EDUCATION					
School Aid (School Year Basis Funding)	$23,290	$24,797	$25,906	$27,219	$28,599
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	573,555	562,800	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	289,600	285,900	N/A	N/A	N/A
PUBLIC ASSISTANCE					
Family Assistance Program (Caseload)	246,080	238,388	235,591	232,955	230,355
Safety Net Program (Families)	124,487	115,259	113,865	112,561	111,278
Safety Net Program (Singles)	202,153	203,512	203,920	206,266	208,355
MENTAL HYGIENE					
OMH Community Beds	42,151	43,385	44,674	47,105	48,005
OPWDD Community Beds	42,314	42,737	43,165	43,596	44,032
OASAS Community Beds	13,858	14,074	14,140	14,181	14,231
Total	98,323	100,196	101,979	104,882	106,268
PRISON POPULATION	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. School Year growth in the level of School Aid funding approved by the Legislature with the State budgets enacted between Fiscal Years 2014 - 2017 exceeded the Personal Income Growth Index.

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%**	**25,865**	**5.9%**	**27,144**	**4.9%**	**28,532**	**5.1%**
General Fund Local Assistance	20,133	21,088	4.7%	22,418	6.3%	23,778	6.1%	25,128	5.7%
Core Lottery Aid	2,219	2,360	6.4%	2,395	1.5%	2,294	-4.2%	2,288	-0.3%
VLT Lottery Aid	950	953	0.3%	848	-11.0%	812	-4.2%	856	5.4%
Commercial Gaming - VLT Offset	0	8	N/A	118	1375.0%	144	22.0%	102	-29.2%
Commercial Gaming	0	13	N/A	86	561.5%	116	34.9%	158	36.2%

*School Aid spending in FY 2017 is partly financed by $120.8 million in one-time commercial gaming licensing fees received in FY 2016.

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 in FY 2017 following the State's receipt of one-time licensing fees in FY 2016. These receipts are expected to increase 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, and approved by the State Gaming Commission in August 2016. 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. One casino opened in FY 2017, and it is expected that the remaining three 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**	**2,236**	**7.2%**	**2,226**	**-0.4%**	**2,343**	**5.3%**	**2,435**	**3.9%**
Special Education	1,317	1,345	2.1%	1,376	2.3%	1,480	7.6%	1,593	7.6%
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.

Projected FY 2017 and FY 2018 Special Education spending is below historical growth rates primarily due to a moderation in cost and enrollment growth for the preschool special education program in the last three claim years. 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 total projected other education spending 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. This decrease in nonpublic school spending is largely 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. Lower-income senior citizens 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 exemption 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%

Higher Education

Local assistance for higher education spending includes funding for CUNY, SUNY, and 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**	**2,985**	**1.0%**	**2,994**	**0.3%**	**3,055**	**2.0%**	**3,095**	**1.3%**
City University	**1,429**	**1,454**	**1.7%**	**1,490**	**2.5%**	**1,528**	**2.6%**	**1,553**	**1.6%**
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%	247	-0.4%	243	-1.6%	242	-0.4%
Higher Education Services	**1,025**	**1,022**	**-0.3%**	**1,031**	**0.9%**	**1,048**	**1.6%**	**1,063**	**1.4%**
Tuition Assistance Program	966	954	-1.2%	958	0.4%	968	1.0%	978	1.0%
Scholarships/Awards	47	56	19.1%	61	8.9%	68	11.5%	73	7.4%
Aid for Part-Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	**501**	**509**	**1.6%**	**473**	**-7.1%**	**479**	**1.3%**	**479**	**0.0%**
Community College	496	504	1.6%	468	-7.1%	474	1.3%	474	0.0%
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 403,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 324,000 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 the 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 1.0 percent from FY 2016 to FY 2017. This increase is distributed across CUNY and SUNY programs with HESC projecting a slight decline in spending from FY 2016 to FY 2017 based on revised TAP participation projections and a moderation in projected spending on certain scholarship and loan forgiveness programs. Spending on these programs is projected to grow in the outyears as participation increases. CUNY Senior College spending is also projected to grow in the outyears due to employee benefits costs. Spending for SUNY community colleges is expected to decrease in FY 2018 as enrollment continues to decline.

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 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 medical CPI growth, DOB currently forecasts allowable cap growth at 3.2 percent in FY 2018, and has updated forecast projections to assume growth of 3.1 percent in FY 2019 and 2.9 percent in FY 2020. The revised medical CPI projections included in the Updated Financial Plan will raise the statutory spending limits by $14 million and $33 million in FY 2019 and FY 2020, respectively.

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**	**18,826**	**19,371**
Annual % Change		3.4%	3.2%	3.1%	2.9%

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	17,842	19,046	20,194	21,171
Local Assistance	17,434	17,505	18,676	19,819	20,792
State Operations	273	337	370	375	379
Other State Agency Medicaid Spending	4,883	4,463	4,951	5,187	5,394
Mental Hygiene	4,739	4,316	4,804	5,036	5,238
Foster Care	89	97	97	101	106
Education	55	50	50	50	50
Total State Share Medicaid (All Agencies)	**22,590**	**22,305**	**23,997**	**25,381**	**26,565**
Annual $ Change		(285)	1,692	1,384	1,184
Annual % Change		-1.3%	7.6%	5.8%	4.7%
Essential Plan[2]	**32**	**714**	**471**	**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**	**18,556**	**4.6%**	**19,517**	**5.2%**	**20,589**	**5.5%**	**21,577**	**4.8%**
General Fund - DOH Medicaid Local	12,117	11,865	-2.1%	13,191	11.2%	14,341	8.7%	15,434	7.6%
DOH Medicaid	11,250	10,740	-4.5%	12,343	14.9%	13,537	9.7%	14,632	8.1%
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	337	23.4%	370	9.8%	375	1.4%	379	1.1%
General Fund - Essential Plan	32	714	2131.3%	471	-34.0%	395	-16.1%	406	2.8%
Local Assistance	19	666	3405.3%	431	-35.3%	355	-17.6%	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	5,640	6.1%	5,485	-2.7%	5,478	-0.1%	5,358	-2.2%
HCRA Financing	3,523	3,836	8.9%	3,761	-2.0%	3,754	-0.2%	3,634	-3.2%
Indigent Care Support	961	952	-0.9%	892	-6.3%	892	0.0%	892	0.0%
Provider Assessment Revenue	833	852	2.3%	832	-2.3%	832	0.0%	832	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 Enacted Budget Financial Plan included additional funding to support the increased cost of Medicaid associated with the regionally-based multi-year phase-in of statewide minimum wage increases, with total cost assumptions revised as part of the Updated Financial Plan. DOB has updated its estimates for the direct State costs of the minimum wage to reflect the impact of legislation (Chapter 56 of the Laws of 2016) which ensures that rates for the total compensation for home health care workers in Westchester, New York, Nassau, and Suffolk counties will be increased commensurate to the schedule of statutory minimum wage increases.[7] In addition, an updated analysis of wage data within the health care sector, including a review of actual experience, demonstrates a need for additional funding to support higher levels of incremental wage growth. Minimum wage initiatives, inclusive of revised forecast assumptions, are expected to increase annual Medicaid spending above statutory Global Cap limits by $44 million in FY 2017; $255 million in FY 2018; $579 million in FY 2019; and $838 million in FY 2020.

The FY 2017 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 within the managed care program; realigning the

[7] Home health care workers in these counties receive a benefit portion of total compensation in addition to their wage-based compensation rate levels ($4.09 for New York; $3.22 for Westchester, Nassau, and Suffolk), resulting in total compensation which would have otherwise exceeded minimum wage levels and therefore was not factored into previous cost analysis. The impact of this legislation, however, effectively exempts the benefit portion of total compensation from the minimum wage calculation and ensures that home health care workers in these counties will receive incremental growth in wage compensation commensurate to the new minimum wage schedule.

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 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.

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. 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 nearly 6.2 million. This decline is mainly attributable to the transition from Medicaid to the EP of certain legally residing immigrants

Many of the policies that drive Federal aid are subject to change when a new presidential administration and Congress begin in January 2017. It is not possible at this time to assess the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress.

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 90 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	3,731	142.4%	4,218	13.1%	4,500	6.7%	4,884	8.5%
State Operating Funds	32	714	2131.3%	471	-34.0%	395	-16.1%	406	2.8%
Local Assistance	19	666	3405.3%	431	-35.3%	355	-17.6%	365	2.8%
State Operations	13	48	269.2%	40	-16.7%	40	0.0%	41	2.5%
Federal Operating Funds	1,507	3,017	100.2%	3,747	24.2%	4,105	9.6%	4,478	9.1%

The Updated Financial Plan includes increased program spending due to increased enrollment levels, including State Funds cost increases under the Global Cap of $332 million in FY 2017 and $87 million in FY 2019. Based on experience to date, the program enrollment timeline is expected to both accelerate and result in an enrollment base nearly twice that of previously forecasted levels. These increased program costs are anticipated to be partially or fully offset in future years as growth in the NYSOH index premium that is linked to Federal Basic Health Plan Trust Fund contribution is expected to exceed the growth rate of State-funded EP premium reimbursement, thus further reducing the need for additional State funds support for EP.

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. This includes a portion of spending associated with increasing EP enrollment, reflecting the transition of certain individuals from the Medicaid program to the EP program based on changes in income levels.

Many of the policies that drive Federal aid are subject to change when a new presidential administration and Congress begin in January 2017. It is not possible at this time to assess the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress.

Public Health/Aging Programs

Public Health includes the Child Health Plus (CHP) program that finances health insurance coverage for children of low-income families, up to the age of 19; the General Public Health Work (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**	**1,634**	**-7.9%**	**1,671**	**2.3%**	**1,700**	**1.7%**	**1,853**	**9.0%**
Public Health	**1,647**	**1,507**	**-8.5%**	**1,544**	**2.5%**	**1,568**	**1.6%**	**1,716**	**9.4%**
Child Health Plus	378	222	-41.3%	235	5.9%	250	6.4%	380	52.0%
General Public Health Work	194	194	0.0%	198	2.1%	200	1.0%	204	2.0%
EPIC	126	132	4.8%	133	0.8%	128	-3.8%	128	0.0%
Early Intervention	160	173	8.1%	175	1.2%	173	-1.1%	173	0.0%
HCRA Program	426	384	-9.9%	399	3.9%	401	0.5%	405	1.0%
All Other	363	402	10.6%	404	0.5%	416	3.0%	426	2.4%
Aging	**127**	**127**	**0.0%**	**127**	**0.0%**	**132**	**3.9%**	**137**	**3.8%**

The Enacted Budget Financial Plan included $106 million in savings, from the CHP program ($70 million) and HCRA program ($36 million), by leveraging enhanced Federal funding for children's health care programs serving populations meeting expanded income thresholds.

The Updated Financial Plan includes approximately $14 million in increased funding for the EI Program in FY 2017. The increase in funding for the EI program is related to growing enrollment as well as an increase in service costs. From FY 2014 to FY 2016, the EI program increased spending by 12 percent on children with autism spectrum disorder.

Annual GPHW spending projections, which includes funding related to protective measures in combatting the Zika virus and other emerging health care needs, reflects current core service claiming patterns.

HCRA Program spending, which is declining overall in FY 2017 in part through the use of $15 million in available balances in the Excess Medicaid Malpractice Liability Pool, has been updated to reflect full utilization of State and Federal costs sharing opportunities for Diagnostic and Treatment Centers (D&TCs) related to uncompensated care costs incurred by clinics.

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 is reflected in current Financial Plan estimates.

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**	**5,641**	**5,582**	**5,607**	**5,630**
Surcharges	3,118	3,191	3,181	3,241	3,301
Covered Lives Assessment	1,112	1,079	1,045	1,045	1,045
Cigarette Tax Revenue	928	882	851	820	785
Hospital Assessments	397	404	424	424	424
NYC Cigarette Tax Transfer/Other	100	85	81	77	75
TOTAL DISBURSEMENTS	**5,591**	**5,719**	**5,582**	**5,607**	**5,630**
Medicaid Assistance Account[1]	3,523	3,836	3,761	3,754	3,634
Medicaid Costs	*3,326*	*3,639*	*3,564*	*3,557*	*3,437*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	961	952	892	892	892
HCRA Program Account	429	393	408	410	415
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	138	138	157	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 significantly in FY 2017 in relation to higher surcharge collections generated from an increase of Upper Payment Limit (UPL) disbursements, as well as continued growth in utilization levels. Relative to previous assumptions, and based on experience to date, this growth has been reflected as part of the Mid-Year Financial Plan update to recognize additional surcharge collections of $100 million in FY 2017, and more modest assumptions of $50 million annually thereafter. Cigarette taxes have been revised upward by $4 million in each year based on collections to date. The level of annual growth forecasted for total HCRA revenue through the remainder of 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 $5.7 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. HCRA Program Account spending is expected to increase in FY 2017 to reflect full utilization of State and Federal funding for D&TCs related to uncompensated care costs incurred by clinics. To receive the maximum Federal match, full appropriated value of the D&TC Bad Debt and Charity Care (BDCC) program is being leveraged.

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**	**2,466**	**-6.8%**	**2,944**	**19.4%**	**3,359**	**14.1%**	**3,635**	**8.2%**
People with Developmental Disabilities	**2,075**	**2,127**	**2.5%**	**2,285**	**7.4%**	**2,456**	**7.5%**	**2,625**	**6.9%**
Residential Services	1,386	1,421	2.5%	1,527	7.5%	1,641	7.5%	1,754	6.9%
Day Programs	604	619	2.5%	665	7.4%	714	7.4%	764	7.0%
Clinic	20	20	0.0%	22	10.0%	24	9.1%	25	4.2%
All Other Local/Resources	65	67	3.1%	71	6.0%	77	8.5%	82	6.5%
Mental Health	**1,135**	**1,191**	**4.9%**	**1,208**	**1.4%**	**1,391**	**15.1%**	**1,476**	**6.1%**
Adult Local Services	917	967	5.5%	977	1.0%	1,139	16.6%	1,204	5.7%
Children Local Services	218	224	2.8%	231	3.1%	252	9.1%	272	7.9%
Alcohol and Substance Abuse	**307**	**314**	**2.3%**	**340**	**8.3%**	**357**	**5.0%**	**377**	**5.6%**
Outpatient/Methadone	117	120	2.6%	130	8.3%	136	4.6%	144	5.9%
Residential	123	126	2.4%	136	7.9%	143	5.1%	151	5.6%
Prevention and Program Support	59	60	1.7%	65	8.3%	68	4.6%	72	5.9%
Crisis	8	8	0.0%	9	12.5%	10	11.1%	10	0.0%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**
SUBTOTAL BEFORE ADJUSTMENTS	**3,518**	**3,633**	**3.3%**	**3,834**	**5.5%**	**4,205**	**9.7%**	**4,479**	**6.5%**
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 provided approximately $200 million in increased local assistance funding for mental hygiene agencies. 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 and funding in OASAS for the package of heroin initiatives.

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.

As part of the Mid-Year Financial Plan Update, the Human Services COLA trend rate was updated from 2.5 percent to 0.8 percent based on Bureau of Labor Statistics Consumer Price Index - Urban (CPIU) for the 12 month period ending in July 2016, reducing estimated costs for the mental hygiene agencies by approximately $73 million in FY 2018 through FY 2020. In addition, estimated direct costs for minimum wage have been revised slightly downward to reflect provider survey information collected by OPWDD.

The Updated Financial Plan reflects $39 million in savings in FY 2018 and $17 million in FY 2019 due to enhancing the OMH payment reconciliation and recoupment process. Additional savings of $69 million in FY 2017 and $15 million in FY 2018 result from prior year provider rate adjustments for services delivered by OPWDD.

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 HIV/AIDS Services Administration (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**	**1,711**	**-1.4%**	**1,674**	**-2.2%**	**1,728**	**3.2%**	**1,756**	**1.6%**
Child Welfare Service	491	482	-1.8%	472	-2.1%	482	2.1%	492	2.1%
Foster Care Block Grant	445	445	0.0%	450	1.1%	459	2.0%	466	1.5%
Adoption	152	149	-2.0%	144	-3.4%	143	-0.7%	141	-1.4%
Day Care	270	208	-23.0%	206	-1.0%	199	-3.4%	199	0.0%
Youth Programs	113	154	36.3%	143	-7.1%	142	-0.7%	142	0.0%
Medicaid	89	97	9.0%	97	0.0%	101	4.1%	106	5.0%
Committees on Special Education	45	44	-2.2%	45	2.3%	46	2.2%	51	10.9%
Adult Protective/Domestic Violence	35	32	-8.6%	33	3.1%	34	3.0%	36	5.9%
All Other	96	100	4.2%	84	-16.0%	122	45.2%	123	0.8%

OCFS State Operating Funds spending is projected to decline from FY 2016 through FY 2018, primarily due to the use of Federal Temporary Assistance for Needy Families (TANF) to maintain funding for child care subsidies, a statutory reduction in the FY 2018 Human Services COLA, as well as revised projections in the Pay For Success program in FY 2018. Spending is projected to increase beginning in FY 2019 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**	**4,934**	**4.0%**	**5,023**	**1.8%**	**5,090**	**1.3%**	**5,181**	**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%
Payroll Mobility Tax and MTA Aid Trust	1,851	1,929	4.2%	2,027	5.1%	2,086	2.9%	2,176	4.3%
Dedicated Mass Transit	666	664	-0.3%	660	-0.6%	668	1.2%	668	0.0%
AMTAP	68	61	-10.3%	56	-8.2%	56	0.0%	56	0.0%
All Other	0	0	0.0%	0	0.0%	0	0.0%	1	0.0%

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%**	**733**	**2.5%**	**763**	**4.1%**	**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%	18	N/A	48	166.7%	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 Personal Service (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/NYSCOPBA/Council 82/UUP/DC-37/GSEU	2%	TBD	TBD	TBD	TBD
PEF	2%	2%	2%	2%	TBD
NYSPBA/NYSPIA	2%	1.5%	1.5%	TBD	TBD
PBANYS	TBD	TBD	TBD	TBD	TBD
State Workforce[2]	117,862	118,646	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization[3]	18.9%	16.7%	16.7%	16.3%	17.0%
After Amortization[4]	19.3%	20.3%	20.5%	20.5%	21.1%
PFRS Contribution Rate					
Before Amortization[3]	25.5%	25.1%	25.3%	25.7%	27.1%
After Amortization[4]	27.6%	28.5%	28.3%	29.3%	30.7%
Employee/Retiree Health Insurance Growth Rates	4.6%	6.3%	6.7%	8.6%	6.7%
PS/Fringe as % of Receipts (All Funds Basis)	13.7%	13.7%	13.6%	13.9%	13.9%

[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 $18.7 billion in FY 2017 to $19.2 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 State and the New York State PEF reached a three-year labor agreement that has been ratified by PEF members that includes general salary increases of 2 percent in each year (FY 2017, FY 2018 and FY 2019). This agreement follows the one-year retroactive labor agreement authorizing payment of a 2 percent general salary increase to members for the period April 1, 2015 through March 31, 2016. If a pay bill is passed, a revised estimate of financial impacts will be reflected with the Updated Financial Plan to be issued in January 2017.

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 2 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.

The State is in active negotiations with all other employee unions whose contracts concluded in FY 2016, including the CSEA, UUP, the NYSCOPBA, Council 82, DC-37 Housing and the GSEU. Negotiations also continue with the 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 M/C employees is approximately $130 million annually.

On June 27, 2016, the 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 planned State support for CUNY senior colleges.

Executive agency operational costs are expected to total $10.1 billion in FY 2017. In FY 2018 spending is expected to increase by $316 million mainly due to increased costs in Medicaid Administration and EP and the Department of Corrections and Community Supervision (DOCCS), and repayment to the New York Power Authority (NYPA). Higher costs in ITS are the result of the continued statewide IT consolidation.

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**	**10,138**	**10,454**	**10,308**	**10,350**
Mental Hygiene	2,824	2,765	2,781	2,802	2,839
Corrections and Community Supervision	2,618	2,632	2,655	2,658	2,665
State Police	693	734	733	732	732
Information Technology Services[1]	506	537	565	577	577
Public Health	403	386	377	377	378
Tax and Finance	336	332	329	329	329
Medicaid Admin/EP	286	385	410	416	420
Children and Family Services	263	247	247	254	254
Environmental Conservation	238	231	233	233	234
Financial Services	202	213	212	212	216
Parks, Recreation and Historic Preservation	181	177	180	180	182
General Services	157	164	161	161	161
Gaming	147	153	158	158	158
Temporary and Disability Assistance	147	132	125	125	132
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	892	910	929	928
UNIVERSITY SYSTEMS	**5,953**	**6,011**	**6,081**	**6,180**	**6,286**
State University	5,866	5,925	5,994	6,092	6,196
City University	87	86	87	88	90
INDEPENDENT AGENCIES	**310**	**320**	**320**	**321**	**324**
Law	169	172	173	174	177
Audit & Control (OSC)	141	148	147	147	147
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,408**	**16,469**	**16,855**	**16,809**	**16,960**
Judiciary	1,959	2,026	2,026	2,051	2,053
Legislature	216	219	219	219	219
Statewide Total	**18,583**	**18,714**	**19,100**	**19,079**	**19,232**
Personal Service	12,981	12,941	13,006	13,109	13,216
Non-Personal Service	5,602	5,773	6,094	5,970	6,016

[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.

- **State Police:** Additional State Police spending is driven by the addition of recruits to the March 2016 and October 2016 State Police Academy classes and overtime costs related to the deployment of additional troopers to New York City for enhanced bridge and tunnel security.

- **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.

- **Division of Military and Naval Affairs (DMNA):** Increases in DMNA reflect increased security at bridges, tunnels, and airports and the activation of additional National Guard soldiers as a temporary "surge" response to the Chelsea bombing.

Workforce

In FY 2017, $13 billion or 13.5 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 (18,276); 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	**7,257**	**98,253**
Mental Hygiene Agencies	2,257	33,825
Corrections and Community Supervision	2,080	28,181
State Police	660	5,675
Tax and Finance	274	4,276
Information Technology Services	290	3,585
Health	253	3,743
Environmental Conservation	176	2,164
Children and Family Services	164	2,465
Financial Services	156	1,382
Parks, Recreation and Historic Preservation	132	1,528
All Other	815	11,429
University Systems	**3,728**	**43,982**
State University	3,683	43,667
City University[2]	45	315
Independent Agencies	**1,956**	**18,276**
Law	118	1,583
Audit & Control (OSC)	115	1,603
Judiciary	1,557	15,089
Legislature[3]	166	1
Total	**12,941**	**160,511**

[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.[8] 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 5.4 percent over the Updated Financial Plan period, driven primarily by cost increases for workers' compensation, growing pension contribution levels, 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 $255 million (3.4 percent). Health insurance increases reflect 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 increases are driven by actual and forecasted salary base assumptions 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 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,452**	**7,707**	**3.4%**	**8,242**	**6.9%**	**8,679**	**5.3%**	**9,200**	**6.0%**
Fringe Benefits	**7,045**	**7,257**	**3.0%**	**7,815**	**7.7%**	**8,245**	**5.5%**	**8,760**	**6.2%**
Health Insurance	3,465	3,683	6.3%	3,931	6.7%	4,268	8.6%	4,556	6.7%
Employee Health Insurance	2,183	2,320	6.3%	2,476	6.7%	2,689	8.6%	2,870	6.7%
Retiree Health Insurance	1,282	1,363	6.3%	1,454	6.7%	1,579	8.6%	1,686	6.7%
Pensions	2,225	2,464	10.7%	2,604	5.6%	2,647	1.6%	2,761	4.3%
Social Security	981	984	0.3%	987	0.3%	995	0.7%	1,003	0.8%
Worker's Compensation	476	319	-32.9%	439	37.6%	484	10.2%	599	23.7%
Employee Benefits	91	95	4.7%	95	0.0%	95	0.0%	95	0.0%
Dental Insurance	59	64	8.4%	65	1.0%	65	1.0%	66	1.0%
Unemployment Insurance	15	15	1.0%	15	0.0%	15	0.0%	15	0.0%
All Other/Non-State Escrow	(268)	(368)	-37.3%	(320)	13.0%	(323)	-0.9%	(335)	-3.7%
Fixed Costs	**407**	**450**	**10.6%**	**427**	**-5.2%**	**433**	**1.5%**	**440**	**1.5%**

[8] 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 included as part of the Enacted Budget Financial Plan. 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 the State Insurance Fund (SIF); and approximately $59 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, net of the final FY 2017 bill issued by OSC in October 2016.

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 timing of certain payments from prior years.

The Updated Financial Plan adjusts anticipated pension expenses from legislation passed in June 2016 which enables eligible members to receive up to three years of extra pension service credit for their active military service. Current year cost estimates have been reduced to $82 million from an initial estimate of $144 million, primarily due to the removal of PFRS costs, which will be incorporated into the base pension bill on a two-year lag (costs incurred in FY 2017 will be billed in FY 2019). The updated estimate also reflects data from the retirement system on actual costs incurred through the end of September 2016. In FY 2017, the State will be billed for ERS costs for State employees and other local employees who participate in Section 25 of the RSSL, 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 State and local ERS members opt in. The law permits the State to amortize the first year cost of ERS credits 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.

Additional changes reflected in the Updated Financial Plan include updated pension and litigation cost assumptions. Increased pension costs in FY 2017 and FY 2018 are based on the October 2016 pension estimate prepared by OSC and are reflective of increases in the salary base. Outyear pension costs have increased based on a model that reflects updated salary base information and assumes continuation of modest investment returns, as experienced in the past year. Court of Claims and Public Officer's Law estimates have also been revised upward over the Financial Plan period to reflect updated information on current caseloads and pending payments.

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**	**11,115**	**11,604**	**11,837**	**12,110**
State Share of Mental Hygiene Medicaid[1]	**2,036**	**1,432**	**1,303**	**1,242**	**1,129**
Debt Service	**1,196**	**703**	**1,257**	**1,181**	**1,058**
SUNY University Operations	**998**	**996**	**1,001**	**997**	**997**
Capital Projects	**2,721**	**3,619**	**3,438**	**3,396**	**3,339**
Dedicated Highway and Bridge Trust Fund	681	592	678	687	999
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	680	1,381	1,480	1,580
ALL OTHER TRANSFERS	**4,425**	**4,365**	**4,605**	**5,021**	**5,587**
Mental Hygiene	3,195	3,187	3,397	3,826	4,392
Department of Transportation (MTA Payroll Mobility Tax)	331	333	333	334	334
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	20	21	21	21
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
SUNY - General Income Fund Reimbursable Account	0	14	14	0	0
All Other	141	144	187	187	187

[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 $11.1 billion in FY 2017, a $261 million decrease from FY 2016. This decrease is primarily driven by the FY 2016 use of transfers related to multi-year OPWDD disallowance repayments (as noted in the footnote to the table above), lower levels of transfers for debt service primarily due to FY 2016 prepayments of FY 2017 expenses, and projected increased capital reimbursements from bond proceeds in FY 2017 resulting in decreased support to capital projects funds from General Fund transfers.

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 Empire State Development (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	703	-41.2%	1,257	78.8%	1,181	-6.0%	1,058	-10.4%
Other State Support	4,402	4,372	-0.7%	4,868	11.3%	5,588	14.8%	6,172	10.5%
State Operating/All Funds Total	**5,598**	**5,075**	**-9.3%**	**6,125**	**20.7%**	**6,769**	**10.5%**	**7,230**	**6.8%**

Total State Operating/All Funds debt service is projected at $5.1 billion in FY 2017, of which approximately $703 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 reduced by $132 million in FY 2018 to reflect actual bond sale results to date and assumed refunding savings. 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 was issued at the end of September 2016.

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 CAFR 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

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.

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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	Authority and Conduit	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.

Localities

While the fiscal condition of New York City and other local governments in the State is reliant, in part, on State aid to balance their annual budgets and meet their cash requirements, the State is not legally responsible for their financial condition and viability. Indeed, the provision of State aid to localities is not constitutionally obligated to be maintained at current levels or to be continued in future fiscal years and the State Legislature may amend or repeal statutes relating to the formulas for and the apportionment of State aid to localities.

The City of New York

The fiscal demands on the State may be affected by the fiscal condition of New York City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of New York City, and its related issuers, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and its related issuers is available by contacting Jay Olson, Investor Relations, (212) 788-5874, or contacting the City Office of Management and Budget, 255 Greenwich Street, 8th Floor, New York, NY 10007. The State assumes no liability or responsibility for any financial information reported by the City of New York. The following table summarizes the debt of New York City and its related issuers.

DEBT OF NEW YORK CITY AND RELATED ENTITIES[1]
AS OF JUNE 30 OF EACH YEAR
(millions of dollars)

Year	General Obligation Bonds	Obligations of TFA [1]	Obligations of STAR Corp. [2]	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other [3] Obligations	Total
2007	34,506	14,607	2,368	1,317	2,100	3,394	58,292
2008	36,100	14,828	2,339	1,297	2,067	2,556	59,187
2009	39,991	16,913	2,253	1,274	2,033	2,442	64,906
2010	41,555	20,094	2,178	1,265	2,000	2,444	69,536
2011	41,785	23,820	2,117	1,260	2,000	2,590	73,572
2012	42,286	26,268	2,054	1,253	3,000	2,493	77,354
2013	41,592	29,202	1,985	1,245	3,000	2,394	79,418
2014	41,665	31,038	1,975	1,228	3,000	2,334	81,240
2015	40,460	33,850	2,035	1,222	3,000	2,222	82,789
2016	38,073	37,358	1,961	1,145	3,000	2,102	83,639

Source: Office of the State Comptroller, The City of New York Comprehensive Annual Financial Report.

(1) Includes amounts for Building Aid Revenue Bonds (BARBS), the debt service on which will be funded solely from future State Building Aid payments that are subject to appropriation by the State and have been assigned by the City of New York to the Transitional Finance Authority (TFA).

(2) A portion of the proceeds of the Sales Tax Asset Receivable Corporation (STARC) Bonds were used to retire outstanding Municipal Assistance Corporation bonds. The debt service on STARC bonds will be funded from annual revenues to be provided by the State, subject to annual appropriation. These revenues have been assigned to the STARC by the Mayor of the City of New York.

(3) Includes bonds issued by the Fiscal Year 2005 Securitization Corporation, the New York City Educational Construction Fund, the Industrial Development Agency and, beginning in 2010, the New York City Tax Lien Collateralized Bonds. Also included are bonds issued by the Dormitory Authority of the State of New York for education, health, and court capital projects and other long-term leases which will be repaid from revenues of the City or revenues that would otherwise be available to the City if not needed for debt service.

The staffs of the Financial Control Board for the City of New York (FCB), the Office of the State Deputy Comptroller (OSDC), the City Comptroller and the Independent Budget Office issue periodic reports on the City's financial plans. Copies of the most recent reports are available by contacting: FCB, 123 William Street, 23rd Floor, New York, NY 10038, Attention: Executive Director; OSDC, 59 Maiden Lane, 29th Floor, New York, NY 10038, Attention: Deputy Comptroller; City Comptroller, Municipal Building, 6th Floor, One Centre Street, New York, NY 10007-2341, Attention: Deputy Comptroller for Budget; and IBO, 110 William Street, 14th Floor, New York, NY 10038, Attention: Director.

Other Localities

Certain localities other than New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. State legislation enacted post-2004 includes 26 special acts authorizing bond issuances to finance local government operating deficits, most recently for the Village of Suffern. Included in this figure are special acts that extended the period of time related to prior authorizations and modifications to issuance amounts previously authorized. When a local government is authorized to issue bonds to finance operating deficits, the local government is subject to certain additional fiscal oversight during the time the bonds are outstanding as required by the State's Local Finance Law, including an annual budget review by OSC. In addition to deficit financing authorizations, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within localities.

The Buffalo Fiscal Stability Authority exercised Control Period powers with respect to the City of Buffalo from 2004 through Buffalo's 2012 fiscal year, but transitioned to Advisory Period powers commencing on July 1, 2012.

In January 2011, the Nassau County Interim Finance Authority (NIFA) declared that it was entering a Control Period, citing the "substantial likelihood and imminence" that Nassau County would incur a major operating funds deficit of 1 percent or more during the County's 2011 fiscal year. Nassau County challenged NIFA's determination and authority to impose a Control Period in State Supreme Court but did not prevail. Since that court's determination, NIFA has exercised Control Period powers over Nassau County.

As a result of past fiscal difficulties, Erie County has a Fiscal Stability Authority, the City of New York has a Financial Control Board, and the City of Troy has a Supervisory Board, all of which presently perform certain review and advisory functions. The City of Newburgh operates under fiscal monitoring by the State Comptroller pursuant to special State legislation. The impact on the State of any possible requests made by localities in the future for additional oversight or financial assistance cannot be determined at this time and therefore is not included in the Updated Financial Plan projections.

The City of Yonkers ("Yonkers") no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The Yonkers City School District (the "Yonkers School District") is fiscally dependent upon Yonkers as it lacks taxing authority. In January 2014, the Yonkers Board of Education identified an improper accrual of State aid that resulted in an unanticipated shortfall in available funds for operation of the Yonkers School District. In response, the Yonkers City School District Deficit Financing Act was enacted, which authorized Yonkers, subject to certain requirements, to issue serial bonds, not to exceed $45 million by March 31, 2015, to liquidate current deficits in the Yonkers School District's general fund as of June 30, 2014. Subject to certain conditions that were satisfied, the FY 2015 Enacted Budget provided an additional $28 million to Yonkers over other education aid provided by the State for the support of the Yonkers School District for Yonkers fiscal year 2015. Legislation enacted in 2015, provides another $25 million to Yonkers for the support of the Yonkers School District for Yonkers fiscal year ending 2017, subject to Yonkers submitting a comprehensive financial plan that provides for continuity of current educational services and receiving approval of that plan from the Director of the Budget. That plan has been submitted and approved by the State Director of the Budget.

Legislation enacted in 2013 created the Financial Restructuring Board for Local Governments (the "Restructuring Board"). The Restructuring Board consists of ten members, including the State Director of the Budget, who is the Chair, the Attorney General, the State Comptroller, the Secretary of State and six members appointed by the Governor. The Restructuring Board, upon the request of a "fiscally eligible municipality", is authorized to perform a number of functions including reviewing the municipality's operations and finances, making recommendations on reforming and restructuring the municipality's operations, proposing that the municipality agree to fiscal accountability measures, and making available certain grants and loans. To date, the Restructuring Board is currently reviewing or has completed reviews for seventeen municipalities. The Restructuring Board is also authorized, upon the joint request of the fiscally eligible municipality and a public employee organization, to resolve labor impasses between municipal employers and employee organizations for police, fire and certain other employees in lieu of binding arbitration before a public arbitration panel.

OSC implemented its Fiscal Stress Monitoring System (the "Monitoring System") in 2013. The Monitoring System utilizes a number of fiscal and environmental indicators with the goal of providing an early warning to local communities about stress conditions in New York's local governments and school districts. Fiscal indicators consider measures of budgetary solvency while environmental indicators consider measures such as population, poverty, and tax base trends. Individual entities are then scored according to their performance on these indicators. An entity's score on the fiscal components will determine whether or not it is classified in one of three levels of stress: significant, moderate or susceptible. Entities that do not meet established scoring thresholds are classified as "No Designation".

A total of 59 local governments (10 counties, 11 cities, 20 towns, 18 villages) and 82 school districts have been placed in a stress category based on financial data for their fiscal years ending in 2015. The vast majority of entities scored by OSC (93 percent) are classified in the "No Designation" category.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control, but which can adversely affect their financial condition. For example, the State or Federal government may reduce (or, in some cases, eliminate) funding of local programs, thus requiring local governments to pay these expenditures using their own resources. Similarly, past cash flow problems for the State have resulted in delays in State aid payments to localities. In some cases, these delays have necessitated short-term borrowing at the local level.

Other factors that have had, or could have, an impact on the fiscal condition of local governments and school districts include: the loss of temporary Federal stimulus funding; recent State aid trends; constitutional and statutory limitations on the imposition by local governments and school districts of property, sales and other taxes; and for some communities, the significant upfront costs for rebuilding and clean-up in the wake of a natural disaster. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long range economic trends. Other large scale potential problems, such as declining urban populations, declines in the real property tax base, increasing pension, health care and other fixed costs, or the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate requests for State assistance.

Ultimately, localities as well as local public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State.

The following table summarizes the debt of New York City and its related issuers, and other New York State localities, from 1980 to 2015.

DEBT OF NEW YORK LOCALITIES[1]
(millions of dollars)

Locality Fiscal Year Ending	Combined New York City Debt[2] Bonds	Combined New York City Debt[2] Notes	Other Localities Debt[3] Bonds[4]	Other Localities Debt[3] Notes[4]	Total Locality Debt[3] Bonds[3][4]	Total Locality Debt[3] Notes[4]
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,093	4,470	58,337	4,985
2005	54,421	0	29,245	4,832	83,666	4,832
2006	55,381	0	30,753	4,755	86,134	4,755
2007	58,192	100	32,271	4,567	90,463	4,667
2008	59,120	67	33,569	5,474	92,689	5,541
2009	64,873	33	34,522	6,908	99,395	6,941
2010	69,536	0	36,110	7,369	105,646	7,369
2011	73,572	0	36,247	7,327	109,819	7,327
2012	77,354	0	36,699	7,194	114,053	7,194
2013	79,418	0	36,483	7,447	115,901	7,447
2014	81,240	0	36,290	7,236	117,530	7,236
2015	82,789	0	34,346	6,981	117,135	6,981

Source: Office of the State Comptroller; The City of New York Comprehensive Annual Financial Report.

NOTE: For localities other than New York City, the amounts shown for fiscal years ending in 1990 may include debt that has been defeased through the issuance of refunding bonds.

(1) Because the State calculates locality debt differently for certain localities (including New York City), the figures above may vary from those reported by such localities. In addition, this table excludes indebtedness of certain local authorities and obligations issued in relation to State lease-purchase arrangements.

(2) Includes bonds issued by New York City and its related issuers, the Transitional Finance Authority, STAR Corporation, TSASC, Inc., the Hudson Yards Infrastructure Corporation, and Treasury obligations (as shown in the table "Debt of New York City and Related Entities" in the section of this document entitled "Authorities and Localities - The City of New York"). Also included are the bonds of the Fiscal Year 2005 Securitization Corporation, the Industrial Development Agency, the Municipal Assistance Corporation, the Samurai Funding Corporation, the New York City Educational Construction Fund, and the Dormitory Authority of the State of New York for education, health and court capital projects, and other long-term leases which will be repaid from revenues of the City or revenues which would otherwise be available to the City if not needed for debt service and, beginning in 2010, the New York City Tax Lien Collateralized Bonds.

(3) Includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt. Starting in 2001, debt for other localities includes installment purchase contracts.

(4) Amounts reflect those set forth on Annual Update Documents provided to OSC by New York State localities. Does not include the indebtedness of certain localities that did not file Annual Update Documents (financial reports) with the State Comptroller.

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, 2016, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2016 and is available on the OSC website at the following link: www.osc.state.ny.us/retire/publications/. Additionally, available at the OSC website are the System's asset listing and audited financial statements for the fiscal year ended March 31, 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 2016 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 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:

ERS Chart: http://www.osc.state.ny.us/retire/employers/tier-6/ers_comparison.php
PFRS Chart: http://www.osc.state.ny.us/retire/employers/tier-6/pfrs_comparison.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 are required to 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.[9]

[9] 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 assumed rate of return for NYSLRS would be lowered from 7.5 percent to 7 percent effective for FY 2017.

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 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 2018 were released in September 2016. The average ERS rate decreased by 1.3 percent from 15.5 percent of salary in FY 2017 to 15.3 percent of salary in FY 2018, while the average PFRS rate increased by 0.4 percent from 24.3 percent of salary in FY 2017 to 24.4 percent of salary in FY 2018. Information regarding average rates for FY 2018 may be found in the 2016 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, FY 2016 and FY 2017, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent, 3.21 percent and 2.33 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 provided 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. There are 41 employers that are currently enrolled in the program. Employers are not required to amortize every year. 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. The 23 participating employers are those that actually deferred a portion of the contribution amount owed to the System in 2016.

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, 3.31 percent for FY 2016 and 2.63 percent for FY 2017). 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 $2.311 billion. Multiple prepayments to date, including interest credit, have reduced the outstanding balance to be paid on March 1, 2017 to $48.9 million, which is the maximum amount eligible for amortization for FY 2017. If the State amortizes the maximum amount eligible for amortization, the outstanding balance to be paid will be further reduced to $0. 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.[10] The System's audited Financial Statement reports a time-weighted investment rate of return of 0.19 percent (gross rate of return before the deduction of certain fees) 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.[11]

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[10] On November 7, 2016, the State Comptroller released a statement indicating that the value of the System's invested assets posted a 3.51 percent time-weighted rate of return (gross rate of return before the deduction of certain fees) for the three-month period ended September 30, 2016. This report reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

[11] More detail on the CRF's asset allocation as of March 31, 2016, long-term policy allocation and transition target allocation can be found on page 91 of the NYSLRS' CAFR for the fiscal year ending March 31, 2016.

The System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $225.7 billion on April 1, 2015 to $232.9 billion (including $112.7 billion for current retirees and beneficiaries) on April 1, 2016. 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, 2016. 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, 2016 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected loss for FY 2016, 40 percent of the unexpected loss for FY 2015, 60 percent of the unexpected gain for FY 2014, and 80 percent of the unexpected gain for FY 2013. The asset valuation method smoothes gains and losses based on the market value of all investments. Actuarial assets increased from $184.2 billion on April 1, 2015 to $190.7 billion on April 1, 2016. The ratio of the fiduciary net position to the total pension liability for ERS, as of March 31, 2016, calculated by the System's Actuary, was 90.7 percent. The ratio of the fiduciary net position to the total pension liability for PFRS, as of March 31, 2016, calculated by the System's Actuary, was 90.2 percent.[12]

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. Employers now have to recognize their proportionate share of the collective

[12] 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.

Net Pension Liability in their financial statements, as well as pension expense and deferred inflows and outflows.

As noted above, Statement No. 68 impacts neither the actuarial funding method nor the calculation of rates. 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.

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.

Additional Information Regarding the System

The NYSLRS CAFR contains in-depth and audited information about the System. Among other things, the NYSLRS CAFR contains information about the number of members and retirees, salaries of members, valuation of assets, changes in fiduciary net position and information related to contributions to the System. The NYSLRS CAFR is available on the OSC website at the following web address:

http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php

1) Information on the number of members and retirees, including the change in the number of members and retirees and beneficiaries since 2004 can be found on page 28 of the NYSLRS CAFR at the link noted above. More information on this topic is available in the "Statistical" section of the NYSLRS CAFR.

2) A combined basic statement of changes in fiduciary net position can be found on page 43 of the NYSLRS CAFR at the link noted above.

3) Schedule of Changes in the Employers' Net Pension Liability and Related Ratios (unaudited) can be found on pages 68-69 at the link noted above.

4) Information on contributions can be found on pages 135-143 of the NYSLRS CAFR at the link noted above.

5) A table with the market value of assets, actuarial value of assets and actuarial accrued liability of the Fund since 2007 can be found on page 144 of the NYSLRS CAFR at the link noted above.

6) Information related to the salaries of members can be found on pages 176-179 of the NYSLRS CAFR at the link noted above.

Litigation and Arbitration

Litigation and Arbitration

THE INFORMATION THAT FOLLOWS UNDER THIS HEADING HAS BEEN FURNISHED BY THE STATE OFFICE OF THE ATTORNEY GENERAL, AND DOB HAS NOT UNDERTAKEN ANY INDEPENDENT VERIFICATION OF SUCH INFORMATION.

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 were 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. This case has now concluded.

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. This case has now concluded.

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 and plaintiff's reply brief was filed August 30, 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 February 22, 2017 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.

School Aid

In *Maisto v. State of New York* (formerly identified as *Hussein v. State of New York*), plaintiffs seek a judgment declaring that the State's system of financing public education violates § 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education (SBE). In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. On January 13, 2011, the Appellate Division, Third Department, affirmed the denial of the motion to dismiss. On May 6, 2011, the Third Department granted defendants leave to appeal to the Court of Appeals. On June 26, 2012, the Court of Appeals affirmed the denial of the State's motion to dismiss.

The trial commenced on January 21, 2015 and was completed on March 12, 2015. The parties submitted their proposed findings of fact on October 28, 2015. Plaintiffs' memorandum of law was filed on November 27, 2015 and defendants' memorandum of law was filed on January 25, 2016. Plaintiffs' reply memorandum was submitted on February 9, 2016. On September 19, 2016, the trial court ruled in favor of the State and dismissed the action. Plaintiffs filed a notice of appeal dated October 5, 2016 with the Appellate Division, Third Department.

In *Aristy-Farer, et al. v. The State of New York, et al.* (Sup. Ct., N.Y. Co.), commenced February 6, 2013, plaintiffs seek a judgment declaring that the provisions of L. 2012, Chapter 53 and L. 2012, Chapter 57, Part A § 1, linking payment of State school aid increases for 2012-2013 school year to submission by local school districts of approvable teacher evaluation plans violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statutes would prevent students from receiving a sound basic education. Plaintiffs moved for a preliminary injunction enjoining the defendants from taking any actions to carry out the statutes to the extent that they would reduce payment of State aid disbursements referred to as General Support for Public Schools ("GSPS") to the City of New York pending a final determination. The State opposed this motion. By order dated February 19, 2013, the Court granted the motion for preliminary injunction. The State appealed. On May 21, 2013, the Appellate Division, First Department, denied plaintiffs motion for a stay pending appeal. As a result, plaintiffs have agreed to vacate their preliminary injunction and the State will withdraw its appeal. On April 7, 2014, Supreme Court denied the State's motion to dismiss. The State's appeal is pending. The Answer to the Second Amended Complaint was filed on February 2, 2015.

By decision dated August 12, 2014, Supreme Court, New York County, granted a motion to consolidate *Aristy-Farer*, discussed in the preceding paragraph, with *New Yorkers for Student Educational Rights v. New York*, discussed below.

In *New York State United Teachers, et al. v. The State of New York, et al.* (Sup. Ct., Albany Co.), commenced February 20, 2013, plaintiffs seek a judgment declaring that the provisions of Education Law § 2023-a (the "Tax Cap Law"), which imposes a 60 percent super-majority requirement on school districts which seek to raise their tax levies above the previous year's levy by the lesser of 2 percent or the rate of inflation violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statute would interfere with local control of education financing and impair the right of plaintiffs to substantially control school district finances. Plaintiffs also seek injunctive relief barring application of the statutory tax cap to local education funding. Defendants moved to dismiss the First Amended Complaint and plaintiffs moved to further file and serve a Second Amended Complaint to add a challenge to newly enacted Education Law § 2023-b ("Tax Freeze Law").

On September 23, 2014, Supreme Court Justice McGrath issued a Decision and Order which (1) granted defendants' motion to dismiss the First Amended Complaint which challenged the constitutionality of the Tax Cap Law; and (2) granted the plaintiffs' leave to serve a Second Amended Complaint to add a challenge to Tax Freeze Law. Defendants then moved to dismiss the Second Amended Complaint and, by order to show cause, plaintiffs have moved for a preliminary injunction, but not a temporary restraining order, seeking to enjoin enforcement of the Tax Cap Law and the Tax Freeze Law. Both motions were argued on February 24, 2015. By Decision and Order dated March 16, 2015, Supreme Court granted the defendants' motion to dismiss the Second Amended Complaint, and denied the plaintiffs' motion for a preliminary injunction.

Plaintiffs filed a Notice of Appeal to the Third Department on March 24, 2015. The case has been fully briefed and was argued in the January 2016 term. By opinion and order entered May 5, 2016, the Appellate Division, Third Department (with one judge concurring in part and dissenting in part) affirmed the dismissal of the complaint. On May 25, 2016, plaintiffs filed a notice of appeal to the Court of Appeals. On October 20, 2016, that Court dismissed the appeal on the ground that it did not directly involve a substantial constitutional question.

In *New Yorkers for Students Educational Rights v. New York*, the organizational plaintiff and several individual plaintiffs commenced a new lawsuit on February 11, 2014, in Supreme Court, New York County, claiming that the State is not meeting its constitutional obligation to fund schools in New York City and throughout the State to provide students with an opportunity for a sound basic education. Plaintiffs specifically allege that the State is not meeting its funding obligations for New York City schools under the Court of Appeals decision in *Campaign for Fiscal Equity ("CFE") v. New York*, 8 N.Y.3d 14 (2006), and -- repeating the allegations of *Aristy-Farer* -- challenge legislation conditioning increased funding for New York City schools on the timely adoption of a teacher evaluation plan. With regard to other school districts throughout the State, plaintiffs allege that the State is not providing adequate Statewide funding, has not fully implemented certain 2007 reforms to the State aid system, has imposed gap elimination adjustments decreasing State aid to school districts, and has imposed caps on State aid increases, and on local property tax increases unless approved by a supermajority. Finally, they allege that the State has failed to provide assistance, services, accountability mechanisms, and a rational cost formula to ensure that students throughout the State have an opportunity for a sound basic education.

Plaintiffs seek a judgment declaring that the State has failed to comply with CFE, that the State has failed to comply with the command of State Constitution Article XI to provide funding for public schools across the State, and that the gap elimination adjustment and caps on State aid and local property tax increases are unconstitutional. They seek an injunction requiring the State to eliminate the gap elimination adjustments and caps on State aid and local property tax increases, to reimburse New York City for the funding that was withheld for failure to timely adopt a teacher evaluation plan, to provide greater assistance, services and accountability, to appoint an independent commission to determine the cost of providing students the opportunity for a sound basic education, and to revise State aid formulas.

On May 30, 2014, the State filed a motion to dismiss all claims. On June 24, 2014, plaintiffs moved for a preliminary injunction seeking to restrain defendants from enforcing three of the four statutory provisions challenged in the underlying action. Specifically, plaintiffs seek to enjoin defendants from enforcing: (1) the gap elimination adjustment set forth in N.Y. Education Law § 3602(17); (2) the cap on state aid increases set forth in N.Y. Education Law § 3602(1)(dd); and (3) the requirements regarding increases in local property tax levies set forth in N.Y. Education Law § 3602(1)(dd) & 18. On July 8, 2014, defendants moved by Order to Show Cause to change the venue of the preliminary injunction application, as well as the entire action, to Albany County, pursuant to CPLR 6311(1). By Decision and Order dated August 8, 2014, the Court granted defendants' motion to transfer the preliminary injunction application to Albany County, but denied that part of the motion which sought to transfer the entire action.

By letter dated October 27, 2014, plaintiffs withdrew their motion for a preliminary injunction. By order dated November 17, 2014, Supreme Court, New York County, denied defendants' motion to dismiss. By separate order dated November 17, 2014, Supreme Court, New York County also granted the motion of the City of Yonkers to intervene as a plaintiff in the proceeding. Defendants filed Notices of Appeal of both November 17, 2014 decisions on December 15, 2014. Defendants filed Answers to the Amended Complaint and to Yonkers' Intervenor Complaint on February 2, 2015. The appeals of both November 17, 2014 decisions, along with the appeal in *Aristy-Farer*, were heard by the First Department on February 24, 2016.

Plaintiffs moved for partial summary judgment, pre-discovery, on May 29, 2015. Defendants filed opposition papers and cross-moved for partial summary judgment on July 31, 2015. Defendants also moved for a stay of the litigation pending the outcomes of the pending appeals. Oral argument was held on the cross-motions for partial summary judgment and the motion for a stay on November 4, 2015. The court denied both parties' motions for partial summary judgment on November 20, 2015. The court also denied defendants' motion for a stay on November 20, 2015. The court held a preliminary conference on February 3, 2016. On April 5, 2016, following the submission of a stipulation by the parties, the court stayed the case pending the outcome of the appeal before the First Department.

On September 8, 2016, the First Department ruled largely in favor of plaintiffs and held that the bulk of their school-financing claims in *Aristy-Farer* and *NYSER* could proceed. Defendants moved for leave to appeal to the Court of Appeals, and that motion was granted by the First Department on December 15, 2016. The parties have entered into a stay of trial proceedings pending disposition of the appeal.

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.

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 was adjourned to September 21, 2016. Pending completion of settlement discussions of the remaining "facility specific rebasing claims" issue, the parties anticipate agreeing to defer the briefing schedule and the next court date is now December 21, 2016.

Family Assistance

In *Velez v. Roberts* (Sup. Ct., New York Co.), plaintiffs allege violations of Social Services Law §350(1)(a) and the State Administrative Procedure Act and seek judgment that the New York State Office of Temporary Disability Assistance is failing to meet its statutory obligation to provide an adequate shelter allowance because that allowance and the Family Eviction Prevention Supplement (FEPS), used to supplement shelter allowance benefits, have not been increased since 2005 and 2004, respectively. On February 16, 2016, the State defendants moved to dismiss the State Administrative Procedure Act claims on statute of limitations grounds and three of the four requests for declaratory relief based on lack of justiciability and separation of powers. The State defendants also have sought joinder of the New York City Human Resources Administration as a necessary party. The motion was fully submitted to Supreme Court on May 4, 2016. On May 30, 2016, plaintiffs served their first documents requests and interrogatories. The parties are currently engaged in settlement negotiations.

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. On October 27, 2016, the Appellate Division, Third Department affirmed Supreme Court's judgment dismissing the third amended complaint. On November 22, 2016, plaintiffs moved for reargument or leave to appeal to the Court of Appeals, which the State has opposed. The motion was submitted to the Court on December 12, 2016.

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 was filed with the District Court on September 6, 2016. Defendants' response was filed on November 18, 2016 and plaintiffs' reply, if any, is due by February 3, 2017. 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.

General Fund - Total Budget

- Financial Plan, Annual Change from FY 2016 to FY 2017
- Financial Plan Projections FY 2017 through FY 2020
- Update to FY 2017
- Update to FY 2018
- Update to FY 2019
- Update to FY 2020

General Fund - Receipts Detail (Excluding Transfers)

- Financial Plan Projections FY 2017 through FY 2020

State Operating Funds Budget

- FY 2017
- FY 2018
- FY 2019
- FY 2020

All Governmental Funds - Total Budget

- FY 2017
- FY 2018
- FY 2019
- FY 2020

Cashflow - FY 2017 Monthly Projections

- General Fund

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

	FY 2016 Results	FY 2017 Mid-Year	Annual $ Change	Annual % Change
Opening Fund Balance	7,300	8,934	1,634	22.4%
Receipts:				
Taxes:				
Personal Income Tax	31,957	32,839	882	2.8%
Consumption/Use Taxes	6,819	7,076	257	3.8%
Business Taxes	5,647	5,775	128	2.3%
Other Taxes	1,540	1,054	(486)	-31.6%
Miscellaneous Receipts	5,842	3,187	(2,655)	-45.4%
Federal Receipts	0	0	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,159	10,634	475	4.7%
Sales Tax in Excess of LGAC	2,728	2,867	139	5.1%
Sales Tax in Excess of Revenue Bond Debt Service	2,759	2,669	(90)	-3.3%
Real Estate Taxes in Excess of CW/CA Debt Service	972	951	(21)	-2.2%
All Other	1,253	1,218	(35)	-2.8%
Total Receipts	69,676	68,270	(1,406)	-2.0%
Disbursements:				
Local Assistance Grants	43,314	45,379	2,065	4.8%
Departmental Operations:				
Personal Service	6,011	6,055	44	0.7%
Non-Personal Service	1,944	2,204	260	13.4%
General State Charges	5,397	5,567	170	3.1%
Transfers to Other Funds:				
Debt Service	1,196	703	(493)	-41.2%
Capital Projects	2,721	3,619	898	33.0%
State Share of Mental Hygiene Medicaid	2,036	1,432	(604)	-29.7%
SUNY Operations	998	996	(2)	-0.2%
Other Purposes	4,425	4,365	(60)	-1.4%
Total Disbursements	68,042	70,320	2,278	3.3%
Excess (Deficiency) of Receipts Over Disbursements	1,634	(2,050)	(3,684)	-225.5%
Closing Fund Balance	8,934	6,884	(2,050)	-22.9%
Statutory Reserves				
Tax Stabilization Reserve	1,258	1,258	0	
Rainy Day Reserve	540	540	0	
Contingency Reserve	21	21	0	
Community Projects	63	53	(10)	
Reserved For				
Labor Agreements	15	90	75	
Undesignated Fund Balance[1]	237	0	(237)	
Debt Management	500	500	0	
Monetary Settlements	6,300	4,422	(1,878)	
Programmed	5,755	3,332	(2,423)	
Unbudgeted	545	1,090	545	

[1] The undesignated fund balance carried forward from FY 2016 totaled $237 million of which $87 million was planned for use in FY 2017 and $150 million was set aside for potential costs of labor agreements ($60 million has been used leaving $90 million remaining).

Source: NYS DOB.

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

	FY 2017 Mid-Year	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Receipts:				
Taxes:				
Personal Income Tax	32,839	34,769	34,767	36,285
Consumption/Use Taxes	7,076	7,415	7,703	7,973
Business Taxes	5,775	6,078	6,155	6,538
Other Taxes	1,054	970	932	983
Miscellaneous Receipts	3,187	2,486	2,448	2,334
Federal Receipts	0	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,634	10,693	10,206	10,288
Sales Tax in Excess of LGAC	2,867	3,115	3,156	3,294
Sales Tax in Excess of Revenue Bond Debt Service	2,669	2,761	2,796	2,980
Real Estate Taxes in Excess of CW/CA Debt Service	951	1,021	1,076	1,128
All Other	1,218	716	715	699
Total Receipts	68,270	70,024	69,954	72,502
Disbursements:				
Local Assistance Grants	45,379	48,489	51,399	54,408
Departmental Operations:				
Personal Service	6,055	6,174	6,211	6,280
Non-Personal Service	2,204	2,632	2,445	2,522
General State Charges	5,567	6,010	6,384	6,848
Transfers to Other Funds:				
Debt Service	703	1,257	1,181	1,058
Capital Projects	3,619	3,438	3,396	3,339
State Share of Mental Hygiene Medicaid	1,432	1,303	1,242	1,129
SUNY Operations	996	1,001	997	997
Other Purposes	4,365	4,605	5,021	5,587
Total Disbursements	70,320	74,909	78,276	82,168
Use (Reservation) of Fund Balance:				
Community Projects	10	0	0	0
Labor Agreements	75	0	0	0
Undesignated Fund Balance	87	0	0	0
Monetary Settlements	1,878	1,352	1,200	731
Programmed	2,423	1,352	1,200	731
Unbudgeted	(545)	0	0	0
Total Use (Reservation) of Fund Balance	2,050	1,352	1,200	731
Adherence to 2% Spending Benchmark*	0	2,844	5,059	7,220
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	0	(689)	(2,063)	(1,715)

* 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	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	33,870	(450)	33,420	(581)	32,839
Consumption/Use Taxes	7,087	(2)	7,085	(9)	7,076
Business Taxes	5,750	0	5,750	25	5,775
Other Taxes	1,045	0	1,045	9	1,054
Miscellaneous Receipts	2,813	13	2,826	361	3,187
Federal Receipts	0	1	1	(1)	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,899	(25)	10,874	(240)	10,634
Sales Tax in Excess of LGAC	2,868	(1)	2,867	0	2,867
Sales Tax in Excess of Revenue Bond Debt Service	2,647	(1)	2,646	23	2,669
Real Estate Taxes in Excess of CW/CA Debt Service	951	0	951	0	951
All Other	1,046	157	1,203	15	1,218
Total Receipts	68,976	(308)	68,668	(398)	68,270
Disbursements:					
Local Assistance Grants	45,957	(188)	45,769	(390)	45,379
Departmental Operations:					
Personal Service	6,054	(42)	6,012	43	6,055
Non-Personal Service	2,245	8	2,253	(49)	2,204
General State Charges	5,425	127	5,552	15	5,567
Transfers to Other Funds:					
Debt Service	706	0	706	(3)	703
Capital Projects	4,461	(651)	3,810	(191)	3,619
State Share of Mental Hygiene Medicaid	1,437	0	1,437	(5)	1,432
SUNY Operations	996	0	996	0	996
Other Purposes	4,560	18	4,578	(213)	4,365
Total Disbursements	71,841	(728)	71,113	(793)	70,320
Use (Reservation) of Fund Balance:					
Community Projects	10	0	10	0	10
Labor Agreements	15	60	75	0	75
Undesignated Fund Balance	87	0	87	0	87
Monetary Settlements	2,753	(480)	2,273	(395)	1,878
Programmed	2,873	(450)	2,423	0	2,423
Unbudgeted	(120)	(30)	(150)	(395)	(545)
Total Use (Reservation) of Fund Balance	2,865	(420)	2,445	(395)	2,050
Excess (Deficieny) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	0	0	0	0	0

Source: NYS DOB.

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

	Enacted	Change	First Quarter	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	35,839	(450)	35,389	(620)	34,769
Consumption/Use Taxes	7,424	(3)	7,421	(6)	7,415
Business Taxes	6,078	0	6,078	0	6,078
Other Taxes	970	1	971	(1)	970
Miscellaneous Receipts	2,486	0	2,486	0	2,486
Federal Receipts	0	1	1	(1)	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	11,033	(150)	10,883	(190)	10,693
Sales Tax in Excess of LGAC	3,117	(2)	3,115	0	3,115
Sales Tax in Excess of Revenue Bond Debt Service	2,719	(1)	2,718	43	2,761
Real Estate Taxes in Excess of CW/CA Debt Service	1,021	0	1,021	0	1,021
All Other	750	1	751	(35)	716
Total Receipts	71,437	(603)	70,834	(810)	70,024
Disbursements:					
Local Assistance Grants	49,086	(119)	48,967	(478)	48,489
Departmental Operations:					
Personal Service	6,097	(29)	6,068	106	6,174
Non-Personal Service	2,558	55	2,613	19	2,632
General State Charges	5,824	92	5,916	94	6,010
Transfers to Other Funds:					
Debt Service	1,260	0	1,260	(3)	1,257
Capital Projects	3,019	450	3,469	(31)	3,438
State Share of Mental Hygiene Medicaid	1,325	0	1,325	(22)	1,303
SUNY Operations	1,001	0	1,001	0	1,001
Other Purposes	4,770	35	4,805	(200)	4,605
Total Disbursements	74,940	484	75,424	(515)	74,909
Use (Reservation) of Fund Balance:					
Community Projects	0	0	0	0	0
Monetary Settlements	902	450	1,352	0	1,352
Programmed	902	450	1,352	0	1,352
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	902	450	1,352	0	1,352
Adherence to 2% Spending Benchmark*	2,956	75	3,031	(187)	2,844
Net General Fund Surplus (Deficit)	355	(562)	(207)	(482)	(689)

* 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	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	35,879	(450)	35,429	(662)	34,767
Consumption/Use Taxes	7,712	(3)	7,709	(6)	7,703
Business Taxes	6,155	0	6,155	0	6,155
Other Taxes	933	0	933	(1)	932
Miscellaneous Receipts	2,455	0	2,455	(7)	2,448
Federal Receipts	0	1	1	(1)	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,592	(150)	10,442	(236)	10,206
Sales Tax in Excess of LGAC	3,158	(2)	3,156	0	3,156
Sales Tax in Excess of Revenue Bond Debt Service	2,802	(2)	2,800	(4)	2,796
Real Estate Taxes in Excess of CW/CA Debt Service	1,076	0	1,076	0	1,076
All Other	750	0	750	(35)	715
Total Receipts	71,512	(606)	70,906	(952)	69,954
Disbursements:					
Local Assistance Grants	51,650	(55)	51,595	(196)	51,399
Departmental Operations:					
Personal Service	6,135	(31)	6,104	107	6,211
Non-Personal Service	2,364	62	2,426	19	2,445
General State Charges	6,033	91	6,124	260	6,384
Transfers to Other Funds:					
Debt Service	1,182	0	1,182	(1)	1,181
Capital Projects	3,399	0	3,399	(3)	3,396
State Share of Mental Hygiene Medicaid	1,301	0	1,301	(59)	1,242
SUNY Operations	997	0	997	0	997
Other Purposes	5,126	34	5,160	(139)	5,021
Total Disbursements	78,187	101	78,288	(12)	78,276
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,200	0	1,200	0	1,200
Programmed	1,200	0	1,200	0	1,200
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	1,200	0	1,200	0	1,200
Adherence to 2% Spending Benchmark*	4,634	76	4,710	349	5,059
Net General Fund Surplus (Deficit)	(841)	(631)	(1,472)	(591)	(2,063)

* 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	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	37,438	(450)	36,988	(703)	36,285
Consumption/Use Taxes	7,983	(4)	7,979	(6)	7,973
Business Taxes	6,538	0	6,538	0	6,538
Other Taxes	984	0	984	(1)	983
Miscellaneous Receipts	2,318	17	2,335	(1)	2,334
Federal Receipts	0	1	1	(1)	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,651	(150)	10,501	(213)	10,288
Sales Tax in Excess of LGAC	3,296	(2)	3,294	0	3,294
Sales Tax in Excess of Revenue Bond Debt Service	3,011	(2)	3,009	(29)	2,980
Real Estate Taxes in Excess of CW/CA Debt Service	1,128	0	1,128	0	1,128
All Other	734	0	734	(35)	699
Total Receipts	74,081	(590)	73,491	(989)	72,502
Disbursements:					
Local Assistance Grants	54,496	(46)	54,450	(42)	54,408
Departmental Operations:					
Personal Service	6,189	(23)	6,166	114	6,280
Non-Personal Service	2,451	51	2,502	20	2,522
General State Charges	6,417	50	6,467	381	6,848
Transfers to Other Funds:					
Debt Service	1,076	0	1,076	(18)	1,058
Capital Projects	3,311	0	3,311	28	3,339
State Share of Mental Hygiene Medicaid	1,236	0	1,236	(107)	1,129
SUNY Operations	997	0	997	0	997
Other Purposes	5,536	35	5,571	16	5,587
Total Disbursements	81,709	67	81,776	392	82,168
Use (Reservation) of Fund Balance:					
Monetary Settlements	731	0	731	0	731
Programmed	731	0	731	0	731
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	731	0	731	0	731
Adherence to 2% Spending Benchmark*	6,498	34	6,532	688	7,220
Net General Fund Surplus (Deficit)	(399)	(623)	(1,022)	(693)	(1,715)

* 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 Mid-Year	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Taxes:				
Withholdings	38,021	39,391	40,548	42,605
Estimated Payments	15,256	16,955	16,344	17,394
Final Payments	2,620	2,841	3,049	3,198
Other Payments	1,358	1,396	1,457	1,521
Gross Collections	57,255	60,583	61,398	64,718
State/City Offset	(778)	(803)	(828)	(754)
Refunds	(8,388)	(9,452)	(10,319)	(11,759)
Reported Tax Collections	48,089	50,328	50,251	52,205
STAR (Dedicated Deposits)	(3,228)	(2,977)	(2,921)	(2,869)
RBTF (Dedicated Transfers)	(12,022)	(12,582)	(12,563)	(13,051)
Personal Income Tax	32,839	34,769	34,767	36,285
Sales and Use Tax	12,958	13,626	14,212	14,764
Cigarette and Tobacco Taxes	339	339	329	318
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	13,555	14,228	14,809	15,355
LGAC/STBF (Dedicated Transfers)	(6,479)	(6,813)	(7,106)	(7,382)
Consumption/Use Taxes	7,076	7,415	7,703	7,973
Corporation Franchise Tax	3,538	3,950	3,949	4,312
Corporation and Utilities Tax	568	559	563	569
Insurance Taxes	1,346	1,407	1,521	1,597
Bank Tax	323	162	122	60
Petroleum Business Tax	0	0	0	0
Business Taxes	5,775	6,078	6,155	6,538
Estate Tax	1,034	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	17	17	17	17
Other Taxes	3	3	3	3
Gross Other Taxes	2,192	2,174	2,190	2,291
Real Estate Transfer Tax (Dedicated)	(1,138)	(1,204)	(1,258)	(1,308)
Other Taxes	1,054	970	932	983
Payroll Mobility Tax	0	0	0	0
Total Taxes	46,744	49,232	49,557	51,779
Licenses, Fees, Etc.	619	661	634	666
Abandoned Property	525	525	525	525
Motor Vehicle Fees	178	228	241	253
ABC License Fee	59	65	64	66
Reimbursements	263	298	280	303
Investment Income	20	13	8	8
Other Transactions	1,523	696	696	513
Miscellaneous Receipts	3,187	2,486	2,448	2,334
Federal Receipts	0	0	0	0
Total	49,931	51,718	52,005	54,113

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	46,744	8,197	19,520	74,461
Miscellaneous Receipts	3,187	16,221	485	19,893
Federal Receipts	0	1	73	74
Total Receipts	49,931	24,419	20,078	94,428
Disbursements:				
Local Assistance Grants	45,379	19,278	0	64,657
Departmental Operations:				
Personal Service	6,055	6,886	0	12,941
Non-Personal Service	2,204	3,530	39	5,773
General State Charges	5,567	2,140	0	7,707
Debt Service	0	0	5,075	5,075
Capital Projects	0	3	0	3
Total Disbursements	59,205	31,837	5,114	96,156
Other Financing Sources (Uses):				
Transfers from Other Funds	18,339	7,802	3,300	29,441
Transfers to Other Funds	(11,115)	(869)	(18,231)	(30,215)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,224	6,933	(14,931)	(774)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,050)	(485)	33	(2,502)
Closing Fund Balance	6,884	3,062	193	10,139

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	49,232	8,043	20,480	77,755
Miscellaneous Receipts	2,486	15,808	455	18,749
Federal Receipts	0	1	73	74
Total Receipts	51,718	23,852	21,008	96,578
Disbursements:				
Local Assistance Grants	48,489	18,965	0	67,454
Departmental Operations:				
Personal Service	6,174	6,832	0	13,006
Non-Personal Service	2,632	3,413	49	6,094
General State Charges	6,010	2,232	0	8,242
Debt Service	0	0	6,125	6,125
Capital Projects	0	2	0	2
Total Disbursements	63,305	31,444	6,174	100,923
Other Financing Sources (Uses):				
Transfers from Other Funds	18,306	7,950	4,009	30,265
Transfers to Other Funds	(11,604)	(172)	(18,734)	(30,510)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,702	7,778	(14,725)	(245)
Use (Reservation) of Fund Balance:				
Community Projects	0	0	0	0
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 *	2,844	0	0	2,844
Net Surplus (Deficit)	(689)	186	109	(394)

* 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	49,557	8,131	20,808	78,496
Miscellaneous Receipts	2,448	15,984	454	18,886
Federal Receipts	0	1	73	74
Total Receipts	52,005	24,116	21,335	97,456
Disbursements:				
Local Assistance Grants	51,399	19,174	0	70,573
Departmental Operations:				
Personal Service	6,211	6,898	0	13,109
Non-Personal Service	2,445	3,476	49	5,970
General State Charges	6,384	2,295	0	8,679
Debt Service	0	0	6,769	6,769
Capital Projects	0	0	0	0
Total Disbursements	66,439	31,843	6,818	105,100
Other Financing Sources (Uses):				
Transfers from Other Funds	17,949	8,244	3,898	30,091
Transfers to Other Funds	(11,837)	(183)	(18,321)	(30,341)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,112	8,061	(14,423)	(250)
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*	5,059	0	0	5,059
Net Surplus (Deficit)	(2,063)	334	94	(1,635)

* 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	51,779	8,186	21,622	81,587
Miscellaneous Receipts	2,334	15,814	455	18,603
Federal Receipts	0	1	73	74
Total Receipts	54,113	24,001	22,150	100,264
Disbursements:				
Local Assistance Grants	54,408	19,192	0	73,600
Departmental Operations:				
Personal Service	6,280	6,936	0	13,216
Non-Personal Service	2,522	3,445	49	6,016
General State Charges	6,848	2,352	0	9,200
Debt Service	0	0	7,230	7,230
Capital Projects	0	0	0	0
Total Disbursements	70,058	31,925	7,279	109,262
Other Financing Sources (Uses):				
Transfers from Other Funds	18,389	8,476	3,846	30,711
Transfers to Other Funds	(12,110)	(178)	(18,556)	(30,844)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,279	8,298	(14,710)	(133)
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*	7,220	0	0	7,220
Net Surplus (Deficit)	(1,715)	374	161	(1,180)

* 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 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	46,744	8,197	1,302	19,520	75,763
Miscellaneous Receipts	3,187	16,437	4,924	485	25,033
Federal Receipts	0	50,718	2,162	73	52,953
Total Receipts	49,931	75,352	8,388	20,078	153,749
Disbursements:					
Local Assistance Grants	45,379	65,913	4,152	0	115,444
Departmental Operations:					
Personal Service	6,055	7,518	0	0	13,573
Non-Personal Service	2,204	4,874	0	39	7,117
General State Charges	5,567	2,443	0	0	8,010
Debt Service	0	0	0	5,075	5,075
Capital Projects	0	3	7,258	0	7,261
Total Disbursements	59,205	80,751	11,410	5,114	156,480
Other Financing Sources (Uses):					
Transfers from Other Funds	18,339	7,802	3,916	3,300	33,357
Transfers to Other Funds	(11,115)	(2,636)	(1,450)	(18,231)	(33,432)
Bond and Note Proceeds	0	0	609	0	609
Net Other Financing Sources (Uses)	7,224	5,166	3,075	(14,931)	534
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,050)	(233)	53	33	(2,197)
Closing Fund Balance	6,884	3,374	(838)	193	9,613

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	49,232	8,043	1,345	20,480	79,100
Miscellaneous Receipts	2,486	16,024	7,132	455	26,097
Federal Receipts	0	52,301	2,093	73	54,467
Total Receipts	51,718	76,368	10,570	21,008	159,664
Disbursements:					
Local Assistance Grants	48,489	67,212	4,859	0	120,560
Departmental Operations:					
Personal Service	6,174	7,464	0	0	13,638
Non-Personal Service	2,632	4,743	0	49	7,424
General State Charges	6,010	2,544	0	0	8,554
Debt Service	0	0	0	6,125	6,125
Capital Projects	0	2	8,560	0	8,562
Total Disbursements	63,305	81,965	13,419	6,174	164,863
Other Financing Sources (Uses):					
Transfers from Other Funds	18,306	7,950	3,569	4,009	33,834
Transfers to Other Funds	(11,604)	(2,131)	(1,460)	(18,734)	(33,929)
Bond and Note Proceeds	0	0	728	0	728
Net Other Financing Sources (Uses)	6,702	5,819	2,837	(14,725)	633
Use (Reservation) of Fund Balance:					
Community Projects	0	0	0	0	0
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*	2,844	0	0	0	2,844
Net Surplus (Deficit)	(689)	222	(12)	109	(370)

* 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	49,557	8,131	1,364	20,808	79,860
Miscellaneous Receipts	2,448	16,200	6,372	454	25,474
Federal Receipts	0	53,334	2,091	73	55,498
Total Receipts	52,005	77,665	9,827	21,335	160,832
Disbursements:					
Local Assistance Grants	51,399	68,491	4,235	0	124,125
Departmental Operations:					
Personal Service	6,211	7,537	0	0	13,748
Non-Personal Service	2,445	4,782	0	49	7,276
General State Charges	6,384	2,610	0	0	8,994
Debt Service	0	0	0	6,769	6,769
Capital Projects	0	0	8,030	0	8,030
Total Disbursements	66,439	83,420	12,265	6,818	168,942
Other Financing Sources (Uses):					
Transfers from Other Funds	17,949	8,244	3,526	3,898	33,617
Transfers to Other Funds	(11,837)	(2,086)	(1,480)	(18,321)	(33,724)
Bond and Note Proceeds	0	0	381	0	381
Net Other Financing Sources (Uses)	6,112	6,158	2,427	(14,423)	274
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*	5,059	0	0	0	5,059
Net Surplus (Deficit)	(2,063)	403	(11)	94	(1,577)

* 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	51,779	8,186	1,360	21,622	82,947
Miscellaneous Receipts	2,334	16,030	6,163	455	24,982
Federal Receipts	0	54,789	2,147	73	57,009
Total Receipts	54,113	79,005	9,670	22,150	164,938
Disbursements:					
Local Assistance Grants	54,408	70,098	4,101	0	128,607
Departmental Operations:					
Personal Service	6,280	7,579	0	0	13,859
Non-Personal Service	2,522	4,770	0	49	7,341
General State Charges	6,848	2,671	0	0	9,519
Debt Service	0	0	0	7,230	7,230
Capital Projects	0	0	7,603	0	7,603
Total Disbursements	70,058	85,118	11,704	7,279	174,159
Other Financing Sources (Uses):					
Transfers from Other Funds	18,389	8,476	3,440	3,846	34,151
Transfers to Other Funds	(12,110)	(1,852)	(1,736)	(18,556)	(34,254)
Bond and Note Proceeds	0	0	315	0	315
Net Other Financing Sources (Uses)	6,279	6,624	2,019	(14,710)	212
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*	7,220	0	0	0	7,220
Net Surplus (Deficit)	(1,715)	511	(15)	161	(1,058)

* 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 Results	August Results	September Results	October Projected	November Projected	December Projected	2017 January Projected	February Projected	March Projected	Total
OPENING BALANCE	8,934	10,893	7,751	7,210	6,765	6,229	9,566	8,877	7,126	9,152	10,444	10,878	8,934
RECEIPTS:													
Personal Income Tax	4,787	1,639	3,123	1,921	2,205	3,420	1,890	1,560	3,440	3,411	2,727	2,716	32,839
Consumption/Use Taxes	547	523	711	569	537	713	536	555	707	569	463	646	7,076
Business Taxes	158	84	871	71	42	1,079	409	(63)	1,164	(80)	52	1,988	5,775
Other Taxes	75	108	79	74	125	88	103	82	81	80	80	79	1,054
Total Taxes	5,567	2,354	4,784	2,635	2,909	5,300	2,938	2,134	5,392	3,980	3,322	5,429	46,744
Abandoned Property	0	0	0	0	0	38	29	120	25	40	20	253	525
ABC License Fee	6	5	4	4	5	5	4	5	5	5	5	6	59
Investment Income	2	2	2	1	1	1	1	2	2	2	2	2	20
Licenses, Fees, etc.	22	70	54	49	62	33	52	60	45	50	60	62	619
Motor Vehicle Fees	17	16	26	(4)	30	6	(50)	40	20	25	27	25	178
Reimbursements	6	16	36	8	7	49	4	10	50	8	20	49	263
Other Transactions	16	404	54	29	216	149	54	299	72	54	32	144	1,523
Total Miscellaneous Receipts	69	513	176	87	321	281	94	536	219	184	166	541	3,187
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,594	531	1,181	469	270	1,430	631	245	1,188	690	627	1,778	10,634
Tax in Excess of LGAC	247	111	453	254	203	327	244	253	329	257	3	186	2,867
Sales Tax Bond Fund	196	184	274	201	189	295	184	209	273	201	159	304	2,669
Real Estate Taxes in Excess of CW/CA Debt Service	74	74	91	96	85	83	78	72	75	86	73	64	951
All Other	5	39	23	6	0	44	21	22	1	40	142	875	1,218
Total Transfers from Other Funds	2,116	939	2,022	1,026	747	2,179	1,158	801	1,866	1,274	1,004	3,207	18,339
TOTAL RECEIPTS	7,752	3,806	6,982	3,748	3,977	7,760	4,190	3,471	7,477	5,438	4,492	9,177	68,270
DISBURSEMENTS:													
School Aid	754	2,900	1,898	48	645	1,620	911	1,494	1,859	653	603	7,703	21,088
Higher Education	19	25	648	218	124	166	357	54	199	48	369	757	2,984
All Other Education	52	118	514	146	238	68	113	196	73	98	174	433	2,223
Medicaid - DOH	998	1,267	1,441	1,087	1,288	1,216	1,020	1,232	936	772	426	847	12,530
Public Health	20	207	52	57	39	36	41	83	38	78	48	36	735
Mental Hygiene	3	1	202	1	4	199	12	3	243	2	40	169	879
Children and Families	27	33	271	194	69	88	65	131	289	131	278	131	1,707
Temporary & Disability Assistance	95	94	156	93	97	110	96	102	102	102	102	113	1,262
Transportation	0	23	11	0	24	0	0	24	11	0	13	0	106
Unrestricted Aid	0	11	389	9	0	98	8	0	181	1	0	63	760
All Other	9	19	93	31	46	53	59	(27)	151	207	216	248	1,105
Total Local Assistance Grants	1,977	4,698	5,675	1,884	2,574	3,654	2,682	3,292	4,082	2,092	2,269	10,500	45,379
Personal Service	475	488	609	476	490	578	462	592	452	461	455	517	6,055
Non-Personal Service	103	135	162	132	186	171	221	186	188	184	223	313	2,204
Total Departmental Operations	578	623	771	608	676	749	683	778	640	645	678	830	8,259
General State Charges	2,440	193	391	404	365	0	500	257	141	416	355	105	5,567
Debt Service	245	(2)	(3)	167	(18)	(80)	106	0	(2)	340	(20)	(30)	703
Capital Projects	162	179	107	344	342	(8)	281	373	(14)	475	572	806	3,619
State Share Medicaid	95	105	162	127	89	61	80	137	138	154	156	128	1,432
SUNY Operations	213	213	212	179	0	0	0	179	0	0	0	0	996
Other Purposes	83	939	208	480	485	47	547	206	466	24	48	832	4,365
Total Transfers to Other Funds	798	1,434	686	1,297	898	20	1,014	895	588	993	756	1,736	11,115
TOTAL DISBURSEMENTS	5,793	6,948	7,523	4,193	4,513	4,423	4,879	5,222	5,451	4,146	4,058	13,171	70,320
Excess/(Deficiency) of Receipts over Disbursements	1,959	(3,142)	(541)	(445)	(536)	3,337	(689)	(1,751)	2,026	1,292	434	(3,994)	(2,050)
CLOSING BALANCE	10,893	7,751	7,210	6,765	6,229	9,566	8,877	7,126	9,152	10,444	10,878	6,884	6,884

Source: NYS DOB.