

**Update to
Annual Information Statement
State of New York**

March 7, 2017

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Introduction

Introduction

This Annual Information Statement (AIS) Update (the “AIS Update”) is dated March 7, 2017 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 third 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 Governor's Executive Budget Financial Plan for Fiscal Year (FY) 2018, as amended (the “Updated Financial Plan” or “Executive Budget 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 third quarter of FY 2017 and updates to the State’s official Financial Plan projections for FY 2017 through FY 2020¹ and initial projections for FY 2021.
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 FY 2016 and projected receipts and disbursements for FYs 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.

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

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.

and projected budget gaps for future fiscal years, that may vary materially from the information provided in this AIS Update. Investors and other market participants should, however, refer to the AIS, as updated or supplemented, for the most current official information regarding the financial position of the State.

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

In addition to regularly scheduled quarterly updates to the AIS, the State may issue AIS supplements or other disclosure notices to the AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of the AIS, as updated or supplemented, in Official Statements or related disclosure documents for State or State-supported debt issuances. The State has filed this AIS Update with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS Update can be accessed through EMMA at www.emma.msrb.org. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-2302.

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

Usage Notice

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

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

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

Significant Budgetary/Accounting Practices

Significant Budgetary/Accounting Practices

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

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

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

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

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

As described later in this AIS Update, the Executive Budget includes some proposals and recommendations that would affect annual spending growth on a State Operating Funds basis of reporting, including (i) realignment of certain operating costs to the capital budget to provide consistency in reporting across all agencies and a more accurate accounting of the overall capital budget, (ii) the payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting, and (iii) the restructuring of the STAR program such that the spending for certain benefits is instead provided in the form of a tax credit for consistency with how other State tax credits are reported. If these and other transactions are not implemented as planned, this could add upward pressure to the reported level of annual spending growth in State Operating Funds, which the Executive Budget proposes be held to less than 2 percent in FY 2018.

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 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 2019 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 financial information for FY 2016, FY 2017 and FY 2018.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES (millions of dollars)					
	FY 2016 Results ¹	FY 2017		FY 2018	
		Mid-Year Estimate	Current Estimate	Before Changes ²	Executive Amended
State Operating Funds Disbursements					
Size of Budget	\$94,288	\$96,156	\$96,200	\$100,923	\$98,062
Annual Growth	2.0%	2.0%	2.0%	4.9%	1.9%
Other Disbursement Measures					
General Fund (Excluding Transfers)	\$56,666	\$59,205	\$58,570	\$63,305	\$61,293
Annual Growth	4.4%	4.5%	3.4%	8.1%	4.6%
General Fund (Including Transfers) ³	\$68,042	\$70,320	\$69,692	\$74,909	\$72,398
Annual Growth	8.3%	3.3%	2.4%	7.5%	3.9%
State Funds (Including Capital)	\$101,232	\$105,767	\$105,306	\$112,635	\$110,200
Annual Growth	3.1%	4.5%	4.0%	7.0%	4.6%
Capital Budget (Federal and State)	\$8,981	\$11,410	\$10,903	\$13,419	\$13,845
Annual Growth	19.0%	27.0%	21.4%	23.1%	27.0%
Federal Operating Aid ⁴	\$40,601	\$40,158	\$40,178	\$40,621	\$40,458
Annual Growth	5.0%	-1.1%	-1.0%	1.1%	0.7%
All Funds ⁴	\$143,870	\$147,724	\$147,281	\$154,963	\$152,365
Annual Growth	3.8%	2.7%	2.4%	5.2%	3.5%
Capital Budget (Including "Off-Budget" Capital ⁵)	\$9,549	\$12,213	\$11,615	\$14,227	\$14,602
Annual Growth	15.2%	27.9%	21.6%	22.5%	25.7%
All Funds (Including "Off-Budget" Capital ^{4,5})	\$144,438	\$148,527	\$147,993	\$155,771	\$153,122
Annual Growth	3.6%	2.8%	2.5%	5.3%	3.5%
Inflation (CPI)	0.4%	1.5%	1.7%	2.2%	2.6%
All Funds Receipts					
Taxes	\$74,673	\$75,763	\$74,973	\$79,100	\$79,534
Annual Growth	5.1%	1.5%	0.4%	5.5%	6.1%
Miscellaneous Receipts	\$27,268	\$25,033	\$26,175	\$26,097	\$26,611
Annual Growth	-7.4%	-8.2%	-4.0%	-0.3%	1.7%
Federal Grants ⁴	\$44,486	\$44,197	\$44,001	\$44,567	\$44,370
Annual Growth	2.5%	-0.6%	-1.1%	1.3%	0.8%
Total Receipts ⁴	\$146,427	\$144,993	\$145,149	\$149,764	\$150,515
Annual Growth	1.8%	-1.0%	-0.9%	3.2%	3.7%
General Fund Cash Balance	<u>\$8,934</u>	<u>\$6,884</u>	<u>\$7,232</u>	<u>\$5,532</u>	<u>\$5,917</u>
Tax Stabilization/Rainy Day Reserve	\$1,798	\$1,798	\$1,798	\$1,798	\$1,948
Monetary Settlements	\$6,300	\$4,422	\$4,860	\$3,070	\$3,256
All Other Reserves/Fund Balances	\$836	\$664	\$574	\$664	\$713
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	117,862	118,646	118,809	118,646	118,673
Debt					
Debt Service as % All Funds Receipts	4.0%	3.8%	4.0%	4.3%	3.9%
State-Related Debt Outstanding	\$52,105	\$51,754	\$50,759	\$55,032	\$53,468
Debt Outstanding as % Personal Income	4.5%	4.3%	4.2%	4.3%	4.2%

¹ Results as reported in the State Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting, released July 2016.

² As reported in the FY 2017 Mid-Year Update. Before Executive proposals to balance the FY 2018 Budget.

³ Annual growth includes planned extraordinary transfer of monetary settlements from the General Fund to other funds.

⁴ 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.

⁵ Represents capital spending that occurs outside the All Funds budget financed directly from State-supported bond proceeds held by public authorities.

Summary

The Governor submitted his FY 2018 Executive Budget proposal on January 17, 2017, and amendments through February 16, 2017 (the "Executive Budget"), as permitted by law. On February 23, 2017, DOB issued the Updated Financial Plan, extracts and summaries of which are set forth herein. The Updated Financial Plan includes updated estimates for the current fiscal year (FY 2017), and projections for FY 2018 through FY 2020, and initial projections for FY 2021, which reflect the estimated impact of the Governor's Executive Budget proposals, as amended.

The projections for FY 2018 through FY 2021 assume the Legislature enacts the Governor's Executive Budget proposal in its entirety and without modification by the start of FY 2018, which begins on April 1, 2017. The Governor's proposal is awaiting action by the Legislature. There can be no assurance the Legislature will adopt all, or any specific portion, of the Executive Budget as proposed. Accordingly, there can be no assurance the fiscal impact of the FY 2018 budget, when adopted, will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan that are included in this AIS Update.

FY 2017

- DOB projects that the State's General Fund will remain in balance in FY 2017, with lower estimated tax receipts being offset by lower disbursements in every Financial Plan category.
- State Operating Funds spending is expected to total \$96.2 billion, an increase of 2 percent from FY 2016 results. If estimates hold, it would mark the fifth consecutive year in which spending has grown by 2 percent or less.
- Outstanding State-related debt is expected to total \$50.8 billion on March 31, 2017. State-related debt has declined for five consecutive years, and the State related debt as a percentage of personal income has fallen from 5.9 percent in FY 2011 to an estimated 4.2 percent at the end of FY 2017.
- The State is expected to close the year with a General Fund cash balance of \$7.2 billion, consisting of \$4.8 billion in monetary settlements and \$2.4 billion in other reserves.

FY 2018

- The FY 2018 Executive Budget is proposed in an uncertain fiscal environment. Tax receipts during FY 2017 have been weaker than expected, with DOB revising its estimates downward in each quarterly update to the financial plan. At the Federal level, the new presidential administration and Congress may choose to reduce Federal funding to the states in health care, social services, and infrastructure, with potentially adverse consequences for State finances.

- The Executive Budget holds annual spending growth in State Operating Funds to less than 2 percent, consistent with the fiscal benchmark adopted by the current administration, and is balanced on a cash basis in the General Fund, as required by law.²
- Medicaid and School Aid are recommended to grow in line with their statutory indexes,³ spending for agency operations is expected to be held flat, and a plan is proposed that would use the \$1.8 billion in new monetary settlements to fund capital projects and other time-limited costs, as well as a \$150 million deposit to the rainy day reserves, if fiscal conditions permit.
- The tax reforms enacted in recent years are continued, reducing the burden on middle-class taxpayers.
- To plan for a wide range of budgetary uncertainties, the Executive Budget includes contingency language authorizing the State Budget Director to reduce certain local assistance payments in the event that State receipts, including Federal aid, fall short of planned levels.
- The Executive Budget proposes a \$150 million increase to general reserves (consisting of the State's rainy day reserves, the contingency reserve and the fund balance reserved for debt management), bringing total general reserves to \$2.5 billion at the end of FY 2018.

Other Notable Developments

Labor Relations

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.

The State and PEF also reached a separate agreement on a three-year labor contract that provides for a 2 percent annual increase in general salary for FY 2017, FY 2018, and FY 2019. The legislation to implement the agreement has been enacted, along with a comparable increase for Management/Confidential (M/C) employees also included with this legislation. DOB estimates annual salary increases will add costs of roughly \$90 million in the first year (FY 2017), \$180 million in the second year, and \$275 million in each year thereafter. The Updated Financial Plan identifies

² As described in this AIS Update, the State Operating Funds calculation of spending and growth is affected by proposals that change the accounting of financial activity in the State Operating Funds basis of reporting. The calculation is also affected in any year by the management of payments. See "Significant Budgetary/Accounting Practices", "Annual Spending Growth", "Other Matters Affecting the Financial Plan", and "State Financial Plan Projections Fiscal Years 2017 Through 2021."

³ The index for Medicaid spending subject to the Global Cap is the ten-year moving average of the medical component of the Consumer Price Index (CPI). The index for School Aid is the estimated annual growth in State personal income.

\$90 million in the General Fund balance available for potential salary increases in FY 2017, and sets aside another \$155 million for potential retroactive salary increases.

The State has also reached tentative agreements with the union representing the State University of New York (SUNY) Graduate Assistants that includes the same three-year deal as PEF, and with the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) on a five-year agreement that provides for a 2 percent annual increase in general salary for FY 2017 through FY 2021 coupled with compensation increases unique to uniformed officers, that are funded by recurring health insurance and overtime savings. The GSEU membership voted to ratify on March 3, 2017. The NYSCOPBA membership voted not to ratify its tentative agreement on February 27, 2017, and the State will continue negotiations with this union. The State is in active negotiations with its other employee unions whose contracts concluded in FY 2016, including the Civil Service Employees Association (CSEA) and the United University Professions (UUP). The State is negotiating successor agreements with all State employee unions. The current spending estimates for personal service reflect the potential costs of labor agreements with State unions patterned on the labor contract ratified by the PEF membership in December 2016.

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.

Monetary Settlements

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 \$32 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 monetary settlements that have occurred since the enactment of the FY 2017 budget. 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 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. Pursuant to a November 2016 consent order between DFS and PHH Mortgage Corporation, 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 reflects the December 2016 settlements between DFS and Intesa Sanpaola and between the Office of the Attorney General of the State of New York and Deutsche Bank Securities Inc., and the January 2017 settlement between DFS and Deutsche Bank Securities Inc., as a result of which, Deutsche Bank Securities Inc. paid the State a \$425 million fine in February 2017.

Resources from new financial settlements that have not been appropriated to date total \$1.8 billion. Following the approach used in FY 2016 and FY 2017, the FY 2018 Executive Budget proposes using the new settlements for capital purposes and other time-limited investments. Specific investments include the Buffalo Billion Phase II (\$400 million), Transportation (\$270 million), Health Care Capital Grants (\$200 million), Life Sciences (\$300 million), Counter-Terrorism and Emergency Response Preparedness (\$203 million), Downtown Revitalization (\$100 million), and the Division of Military and Naval Affairs (DMNA) armories (\$20 million). In addition, the Executive Budget proposes setting aside \$155 million to fund retroactive salary increases that are anticipated to occur in FY 2018 or later, and depositing \$150 million of the settlement money into the State's rainy day reserves, if fiscal conditions permit. The proposed set-aside of \$155 million to fund retroactive salary increases is in addition to the \$90 million in available General Fund balances identified for potential salary increases in FY 2017, as described in the previous section on "Labor Relations".

Master Settlement Agreement (MSA)

In 2018, bonds issued in 2003 that were secured by annual payments under the MSA with tobacco manufacturers will be fully retired. Once that occurs, DOB expects that MSA payments of approximately \$125 million in FY 2018 and \$400 million annually thereafter will be available for State purposes. The Executive Budget proposes using the MSA payments, outside of the State Operating Funds basis of reporting, to help defray the costs of the State's takeover of Medicaid costs borne by counties and New York City. The State takeover, in which local Medicaid costs are capped permanently at 2015 calendar year levels, is expected to cost the State \$735 million in FY 2018, growing to \$917 million in FY 2019.

Other Actions

The Executive Budget includes legislation that creates a Retiree Health Benefit Trust Fund for the purpose of funding health benefits of retired State employees and their dependents. It also includes legislation that would direct a portion of any future cash-basis surplus to the Debt Reduction Reserve Fund.

FY 2017 Financial Plan Update

DOB projects the General Fund will remain in balance in FY 2017, with reduced tax receipts being offset by lower disbursements in every Financial Plan category. The following table summarizes the changes to General Fund operating estimates set forth in the Mid-Year Update to the Financial Plan ("Mid-Year Update"), contained in the December 2016 AIS Update, to the Executive Budget Financial Plan. The table shows the estimates with and without monetary settlements, disbursements, and cash position.⁴

FY 2017 GENERAL FUND FINANCIAL PLAN SUMMARY OF CHANGES FROM MID-YEAR (millions of dollars)			
	<u>Mid-Year</u>	<u>Revised</u>	<u>Change</u>
Opening Fund Balance (Excluding Monetary Settlements)	2,634	2,634	0
Receipts	67,827	66,838	(989)
Tax Receipts	63,865	62,969	(896)
Miscellaneous Receipts/Other Non-Tax Revenue	3,962	3,869	(93)
Disbursements	67,999	67,100	(899)
Local Assistance	45,379	44,826	(553)
Agency Operations	13,826	13,744	(82)
Transfers to Other Funds	8,794	8,530	(264)
Net Change in Operations	(172)	(262)	(90)
Closing Fund Balance (Excluding Monetary Settlements)	2,462	2,372	(90)
Monetary Settlements			
Settlements on Hand as of April 1, 2016	6,300	6,300	0
New Settlements Received in FY 2017	608	1,317	709
Transfers/Uses	(2,486)	(2,757)	(271)
Closing Fund Balance (Including Monetary Settlements)	6,884	7,232	348

⁴ The sources and uses of monetary settlements are described more fully later in this AIS Update. See Financial Plan tables for General Fund receipts and disbursements including monetary settlements.

Receipts (Excluding Monetary Settlements)

General Fund receipts, including transfers from other funds, are projected to total \$66.8 billion in FY 2017, a decrease of \$989 million from the Mid-Year Update. Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are estimated to total \$63 billion in FY 2017, a decrease of \$896 million from the Mid-Year Update.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to total \$42.7 billion, a decrease of \$778 million from the Mid-Year Update. The downward revision is driven by weaker than expected estimated payments and withholding growth.

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, an increase of \$5 million, reflecting projected growth in taxable consumption.

General Fund business tax receipts are estimated at \$5.6 billion, a decrease of \$204 million from the Mid-Year Update. This estimate reflects decreased corporate franchise tax receipts stemming from weaker receipts from calendar year filers.

Other tax receipts in the General Fund are expected to total \$2.1 billion, an increase of \$81 million from the Mid-Year Update estimate. This primarily reflects higher estate tax collections.

General Fund non-tax receipts and transfers are estimated at \$3.9 billion, a decrease of \$93 million from the Mid-Year Update. The decrease is primarily due to a downward revision to abandoned property receipts. New SEC regulations, which accelerate customer contact requirements for dormant accounts, have caused fewer dormant securities to be remitted to the State.

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 2021" herein.

General Fund Disbursements (Excluding Monetary Settlements)

General Fund disbursements, including transfers to other funds, are expected to total \$67.1 billion in FY 2017, a decrease of \$899 million from the Mid-Year Update. 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, social services, preschool special education, higher education, and public safety. General Fund disbursements in the current year are also being reduced across Financial Plan categories, reflecting the refinement of estimates included in the Financial Plan.

Local assistance grants are expected to total \$44.8 billion in FY 2017, a decrease of \$553 million from the Mid-Year Update. Local assistance spending has been revised downward across a range of programs based on operating results for the first nine months of the fiscal year and other information.

Disbursements for agency operations, including fringe benefits and fixed costs, are expected to total \$13.7 billion, a decrease of \$82 million from the Mid-Year Update. Most Executive agencies are expected to hold spending at FY 2016 levels.

General Fund transfers to other funds are estimated to total \$8.5 billion, a decrease of \$264 million from the Mid-Year Update estimate. Transfers to capital projects funds have been lowered to reflect the timing of reimbursements from bond proceeds. Transfers for debt service have been increased to reflect the payment in FY 2017 of debt service due in FY 2018.

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 disbursement projections by major activity, presented on a State Operating Funds basis, see "Financial Plan Projections Fiscal Years 2017 through 2021" herein.

FY 2017 Closing Balance

Excluding monetary settlements, the State expects to end FY 2017 with a General Fund closing balance of \$2.4 billion. The estimated closing balance is \$90 million lower than the Mid-Year Update, and reflects the use of the remaining cash balance informally set aside for new labor contracts to fund the first year of the new PEF contract.

The General Fund closing balance attributable to monetary settlements is expected to total \$4.9 billion, an increase of \$438 million from the Mid-Year Update. The increase is due to new settlements received since the Mid-Year Update, offset by higher than expected transfers to other funds. 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 the Dedicated Infrastructure Investment Fund (DIIF) for five years.

Risks to the current estimates remain. For example, while tax receipt estimates have been lowered, collections are subject to significant volatility in the final quarter of the fiscal year. In addition, there can be no assurance that Federal aid for health care, mental hygiene and other purposes will be received at the levels or on the timetable assumed in the Updated Financial Plan. These and other risks and uncertainties are described more fully later in this AIS Update. (See "Other Matters Affecting the Financial Plan" herein.)

FY 2018 Financial Plan

DOB estimates that the Executive Budget Financial Plan, if enacted as proposed, would provide for balanced operations in the General Fund in FY 2018, consistent with balanced budget requirements. The following table summarizes the projected annual change from FY 2017 to FY 2018 in General Fund receipts, disbursements, and fund balances, with and without the impact of monetary settlements.

GENERAL FUND FINANCIAL PLAN (millions of dollars)				
	FY 2017 Current	FY 2018 Proposed	Annual Change	
			Dollar	Percent
Opening Fund Balance (Excluding Monetary Settlements)	2,634	2,372	(262)	-9.9%
Total Receipts	<u>66,838</u>	<u>71,083</u>	<u>4,245</u>	<u>6.4%</u>
Taxes	62,969	67,861	4,892	7.8%
Miscellaneous Receipts/Federal Grants	2,647	2,298	(349)	-13.2%
Other Transfers	1,222	924	(298)	-24.4%
Total Disbursements	<u>67,100</u>	<u>71,099</u>	<u>3,999</u>	<u>6.0%</u>
Local Assistance Grants	44,826	47,247	2,421	5.4%
Agency Operations	13,744	14,046	302	2.2%
Transfers to Other Funds	8,530	9,806	1,276	15.0%
Deposit to Reserves ¹	0	305	305	0.0%
Net Change in Operations	(262)	289	551	210.3%
Closing Fund Balance (Excluding Monetary Settlements)	<u>2,372</u>	<u>2,661</u>	<u>289</u>	<u>12.2%</u>
Monetary Settlements				
Settlements on Hand as of April 1	6,300	4,860	(1,440)	-22.9%
New Settlements Received in FY 2017	1,317	0	(1,317)	-100.0%
Transfers/Uses ¹	(2,757)	(1,604)	1,153	41.8%
Closing Fund Balance (Including Monetary Settlements)	<u>7,232</u>	<u>5,917</u>	<u>(1,315)</u>	<u>-18.2%</u>

¹ FY 2018 uses of monetary settlements includes the transfer of \$305 million (\$150 million to the Rainy Day Fund and \$155 million for a reserve for potential retroactive salary increases) within the General Fund.

As shown in the table above, the State expects to end FY 2018 with a General Fund cash balance of \$5.9 billion, a decrease of \$1.3 billion from expected FY 2017 results. The decline is due almost entirely 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 from appropriations funded with the settlements. Legislation approved in the FY 2017 Enacted Budget provides transfer authority from the General Fund to the DIIF for five years.

Receipts (Excluding Monetary Settlements)

General Fund receipts, including transfers from other funds, are projected to total \$71.1 billion in FY 2018, an increase of \$4.2 billion (6.4 percent) from FY 2017 estimates. Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are estimated to total \$67.9 billion in FY 2018, an increase of \$4.9 billion (7.8 percent) from FY 2017 estimates.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to total \$46.4 billion, an increase of \$3.7 billion (8.8 percent) from FY 2017. This primarily reflects growth in withholding and estimated payments attributable to the net effect of the first year of middle income tax cuts enacted with the FY 2017 Budget and the proposed extension of the top rate for high-income earners; and a decline in STAR Fund deposits associated with legislation included in the Executive Budget.

General Fund consumption/use tax receipts, including transfers after payment of debt service on LGAC and Sales Tax Revenue Bonds, are estimated to total \$13.5 billion in FY 2018, an increase of \$856 million (6.8 percent) from FY 2017, which reflects projected growth in employment and taxable consumption.

General Fund business tax receipts are estimated at \$6 billion in FY 2018, an increase of \$384 million (6.9 percent) from FY 2017. The estimate reflects increases in corporation franchise tax receipts stemming from improved corporate profits and the insurance tax from growth in taxable premiums. These increases are partially offset by decreases in the corporation and utilities tax and the bank tax.

Other tax receipts in the General Fund, including transfers after payment of debt service on Clean Water/Clean Air Bonds, are expected to total \$2 billion in FY 2018, a decrease of \$89 million (-4.3 percent) from FY 2017. This decrease is driven by the continued phase-in of estate tax cuts, which is partly offset by increases in household net worth, and home price appreciation which is driving real estate transfer tax increases.

General Fund non-tax receipts and transfers are estimated at \$3.2 billion in FY 2018, a decrease of \$647 million (-16.7 percent) from FY 2017. The decrease is primarily due to the loss of \$250 million in SIF reserves released in FY 2017, coupled with a decline in available resources in other funds.

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 2021" herein.

Disbursements (Excluding Monetary Settlements)

General Fund disbursements, including transfers to other funds, are expected to total \$70.8 billion in FY 2018, an increase of \$3.7 billion (5.5 percent) from FY 2017.

Local assistance grants are expected to total \$47.2 billion in FY 2018, an annual increase of \$2.4 billion (5.4 percent) from FY 2017. The increase includes \$1.1 billion for School Aid (on a State fiscal year basis) and \$920 million for Medicaid and the EP. Other annual changes reflect anticipated growth in payments for social services, higher education, and other 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 \$14.0 billion in FY 2018, an increase from FY 2017 of \$302 million (2.2 percent). Personal and non-personal service costs are expected to total \$8.3 billion, an increase of \$52 million (0.6 percent) from the current year. Most executive agencies are expected to hold operations spending at FY 2017 levels. The current spending estimates for personal service reflect the potential costs of labor agreements with State unions patterned on the labor contract ratified by the PEF membership in December 2016. The Updated Financial Plan assumes that State agencies will reduce spending by \$500 million through cost-control measures.⁵ Agency spending in the General Fund is affected by the reclassification to capital projects funds of certain personnel expenses related to the maintenance and preservation of State assets. In addition, operating costs for many agencies are charged to several funds, and are affected by offsets and accounting reclassifications.

Disbursements for General State Charges, which account for fringe benefits and certain fixed costs, are expected to total \$5.7 billion in FY 2018, an increase of \$250 million (4.6 percent) over the current year. Health insurance costs for State employees and retirees are expected to increase by 8 percent, mainly due to increases in premiums. The State's annual pension payment is expected to increase by 3.4 percent. The State's gross costs for Workers' Compensation increased by 17.4 percent, which is impacted in part by the use of available balances from the State Insurance Fund (SIF) in FY 2017 and FY 2018.

General Fund transfers to other funds are estimated to total \$9.5 billion in FY 2018, an increase of \$971 million from FY 2017. Transfers for capital projects (excluding transfers funded with monetary settlements) increase by \$1.4 billion, reflecting the timing of reimbursement from bond proceeds and planned disbursements from the DHBTF. Debt service transfers increase by \$19 million, mainly due to year-to-year differences in the amount of debt service paid in one fiscal year but due in the following fiscal year.

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 2021" herein.

⁵ See "FY 2018 Detailed Gap-Closing Plan" herein.

Closing Balance for FY 2018

DOB projects that the State will end FY 2018 with a General Fund cash balance of \$5.9 billion, a decrease of \$1.3 billion from FY 2017. The General Fund cash balance excluding settlements is estimated at \$2.7 billion, or \$289 million higher than FY 2017. The change reflects the planned deposit, if fiscal conditions permit, to the Rainy Day Reserve Fund (\$150 million) and setting aside funds for potential retroactive salary increases (\$155 million), partly offset by the planned use of resources in the Community Projects Fund (\$16 million).

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund, are expected to increase in FY 2018 after a planned deposit, if fiscal conditions permit, of \$150 million from monetary settlements.

The Executive Budget Financial Plan maintains a reserve of \$500 million for debt management purposes in FY 2018, unchanged from the level held at the end of FY 2017. DOB will decide on the use of these funds based on market conditions, financial needs, and other factors.

The balance from monetary settlements at the close of FY 2018 is expected to total \$3.2 billion, a decrease of \$1.6 billion from FY 2017. The decrease reflects the expected disbursements and uses for initiatives funded with settlements. (See "Uses of Monetary Settlements" herein.)

TOTAL BALANCES (millions of dollars)			
	FY 2017 Current	FY 2018 Proposed	Annual Change
TOTAL GENERAL FUND BALANCE	7,232	5,917	(1,315)
Statutory Reserves:			
"Rainy Day" Reserves	1,798	1,948	150
Community Projects	53	37	(16)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements	0	155	155
Monetary Settlements	<u>4,860</u>	<u>3,256</u>	<u>(1,604)</u>
Programmed*	3,062	3,256	194
Unbudgeted*	1,798	0	(1,798)

*Between March 2016 and February 2017, the State received \$1.8 billion in monetary settlements. In FY 2017, these settlements were left "unbudgeted," (i.e., no specific appropriations were adopted that would be funded from the new settlements). The FY 2018 Executive Budget Financial Plan proposes a series of specific appropriations that would be funded (i.e., "programmed") with the settlements.

FY 2018 Detailed Gap-Closing Plan

The following table and narrative summarize the proposed gap-closing plan. To the extent the State enacts budgets that adhere to the 2 percent spending growth benchmark, the level of savings required in each subsequent year to hold spending growth to 2 percent would be lower. As shown in the following table, the Executive Budget Financial Plan, as proposed to the Legislature, is projected to require additional gap-closing measures in FYs 2019, 2020 and 2021 in order to adhere to the 2 percent spending growth benchmark for each of those fiscal years and eliminate General Fund gaps in each of those fiscal years. Such gap-closing measures may include, but are not limited to, reduced appropriations, as well as changes in law regarding the requirements of various State programs, the conversion of disbursements into tax expenditures or changes regarding the timing of certain payments.

FY 2018 EXECUTIVE BUDGET GENERAL FUND GAP-CLOSING PLAN (millions of dollars)				
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE¹	(3,533)	(7,122)	(8,935)	(6,816)
SPENDING CHANGES	<u>2,705</u>	<u>2,475</u>	<u>2,430</u>	<u>2,324</u>
Agency Operations	<u>624</u>	<u>218</u>	<u>161</u>	<u>11</u>
Executive Agency Operations	209	233	241	183
Agency Financial Management Plans	500	500	500	500
NYPA Repayment	193	(21)	(43)	(43)
Fringe Benefits/Fixed Costs	262	153	159	175
Elected Officials Budget Request	(44)	(44)	(43)	(101)
Potential Labor Agreements	(496)	(603)	(653)	(703)
Local Assistance	<u>1,623</u>	<u>2,243</u>	<u>2,577</u>	<u>2,718</u>
Health Care	596	872	873	774
Education	271	614	890	1,075
Higher Education	103	63	63	63
Human Services/Housing	135	114	111	114
Mental Hygiene	68	58	55	55
STAR - Program Conversion ²	277	352	367	382
STAR - Other Actions	94	122	167	209
All Other	79	48	51	46
Capital Projects/Debt Management	<u>580</u>	<u>391</u>	<u>316</u>	<u>331</u>
Initiatives/Investments	<u>(122)</u>	<u>(377)</u>	<u>(624)</u>	<u>(736)</u>
Excelsior Scholarship	(71)	(133)	(152)	(163)
Debt Service Cost for Capital Adds	(25)	(113)	(211)	(301)
DREAM Act	(19)	(27)	(27)	(27)
Juvenile Justice Reform ("Raise the Age")	0	(97)	(205)	(194)
Indigent Legal Services	0	0	(23)	(47)
All Other	(7)	(7)	(6)	(4)
RESOURCE CHANGES	<u>(2)</u>	<u>(826)</u>	<u>(976)</u>	<u>(1,633)</u>
Tax Revisions	(415)	(475)	(679)	(1,039)
STAR Conversion ²	0	(340)	(354)	(369)
Miscellaneous Receipts/Transfers	413	(11)	57	(225)
TAX ACTIONS	<u>830</u>	<u>3,700</u>	<u>4,820</u>	<u>4,344</u>
PIT - Top Rate Extension	683	3,375	4,505	4,029
Other Tax Extenders	42	129	104	104
Online Marketplace	64	128	128	128
Transportation Network Companies	12	23	23	23
Other Tax Actions	29	45	60	60
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATE (Before)¹	<u>0</u>	<u>(1,773)</u>	<u>(2,661)</u>	<u>(1,781)</u>
ADHERENCE TO 2% SPENDING BENCHMARK (After)³	<u>n/a</u>	<u>2,465</u>	<u>4,753</u>	<u>6,741</u>
EXECUTIVE BUDGET SURPLUS/(GAP)	<u><u>0</u></u>	<u><u>692</u></u>	<u><u>2,092</u></u>	<u><u>4,960</u></u>

¹ Before actions to adhere to the 2 percent benchmark.

² The FY 2018 Executive Budget proposes converting the NYC PIT credit to a nonrefundable State PIT credit. This change has no impact on the STAR benefits received by homeowners; it will decrease reported disbursements for STAR and decrease reported PIT receipts by an identical amount. See "STAR Program" in "State Financial Plan Projections Fiscal Years 2017 through 2021" herein.

³ Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 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. The "Surplus/(Gap)" estimate assumes that 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 gaps would be higher.

Spending Changes

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies, utilities). Reductions from current-services projections for agency operations contribute \$624 million to the General Fund gap-closing plan for FY 2018. Specifically:

- **Executive Agencies:** The Executive Budget proposes to hold agency spending flat with limited exceptions, such as DOH costs attributable to the NYSOH marketplace and the EP program. Agencies are expected to continue to use less costly forms of service deliveries, improve administrative practices, and pursue statewide solutions, including the utilization of Lean initiatives to streamline operations and management. The Executive Budget also includes savings from the continued transition of individuals from mental hygiene institutions to appropriate community settings. In addition, approximately 3,000 Full-Time Equivalent (FTE) positions whose titles are associated with the maintenance, preservation, protection and/or operation of facilities (e.g., Plant Utilities Engineers, General Mechanics, Electricians, etc.) are expected to now be funded entirely with cash transfers to the Capital Projects Fund (such cash transfers do not count as spending on a State Operating Funds basis of reporting. This realignment has no net impact on General Fund operations as it continues to be the funding source for these expenses, but reduces disbursements on a State Operating Funds basis of reporting as the expenses would be reported in Capital Projects Funds.

Spending increases in the later years of the Updated Financial Plan are driven mainly by revised spending assumptions across multiple agencies to account for inflationary cost increases, an additional administrative payroll in FY 2021, and higher Medicaid administration expenses expected to support the NYSOH insurance exchange as available Federal funding expires.

- **Agency Financial Management Plans:** All Executive agencies will be required to implement cost-control measures on a recurring basis, starting in FY 2018. The Executive Budget Financial Plan includes \$500 million in annual savings that is expected to be allocated to agencies at a future date as agency management plans are completed. Agency plans must preserve funding for mission critical efforts and strategic initiatives with agencies identifying cost efficiencies and reducing State Operating Funds spending in FY 2018.
- **New York Power Authority (NYPA) Repayment Agreement:** The State and NYPA expect to modify the annual payment schedule to NYPA by extending the terms through 2023, resulting in \$193 million in expected savings in FY 2018.
- **Fringe Benefits/Fixed Costs:** Pension estimates reflect the planned payment of the full FY 2018 Employees' Retirement System (ERS)/Police and Fire Retirement System (PFRS) pension bill in April 2017, rather than on a monthly basis. Health insurance savings are

expected from the proposed elimination of the Income-Related Monthly Adjustment Amount (IRMAA) reimbursement for high income New York State Health Insurance Program (NYSHIP) enrollees, maintaining reimbursement of the standard Medicare Part B premium at December 2016 levels, and implementing differential healthcare premiums based on years of service for new civilian retirees with less than thirty years of service, similar to the calculation for pension benefits. Costs would be proportionately greater for new retirees with ten years of service, and gradually decrease until they are no different from current levels once an individual reaches 30 years of service.

The Updated Financial Plan also reflects the continued use of resources available in the SIF to offset the cost of Workers' Compensation claims. These resources are expected to reduce spending, on a State Operating Funds basis of reporting, by \$210 million in FY 2017 and \$205 million in FY 2018. In addition, the Executive Budget also proposes reforming the interest charged on judgments against the State from 9 percent to a fair-market interest rate. The existing rate is out of line with any reasonable interest rate benchmark, and the recommended rate is based on what is used in Federal courts.

- **Judiciary:** The Executive Budget reflects the Judiciary's request to increase operating support, including the addition of 200 non-judicial positions in support of trial court operations and temporary service funding for acting city, town and village justices.
- **Legislature:** The Executive Budget reflects the Legislature's request to increase operating costs by 3 percent, including increased personal service costs and equipment.
- **Potential Labor Agreements (Executive Agencies):** The New York State PEF ratified a three-year labor contract, and the Legislature approved legislation to implement the agreement, which provides for a 2 percent annual increase in general salary for FY 2017, FY 2018, and FY 2019. The Governor has signed legislation to implement the agreement, including a comparable increase for Management/Confidential (M/C) employees also included with this legislation. DOB estimates annual salary increases will add costs of roughly \$90 million in the first year, \$180 million in the second year, and \$275 million in each year thereafter. The Updated Financial Plan identifies \$90 million in the General Fund balance available for potential salary increases in FY 2017, and sets aside another \$155 million for potential retroactive salary increases.

The State has also reached tentative agreements with the union representing the State University of New York (SUNY) Graduate Assistants that includes the same three-year deal as PEF, and with the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) on a five-year agreement that provides for a 2 percent annual increase in general salary for FY 2017 through FY 2021 coupled with compensation increases unique to uniformed officers, that are to be funded by recurring health insurance and overtime savings. The GSEU membership voted to ratify on March 3, 2017. The NYSCOPBA membership voted not to ratify its tentative agreement on February 27, 2017, and the State will continue negotiations with this union. The State is in active negotiations

with its other employee unions whose contracts concluded in FY 2016, including the Civil Service Employees Association (CSEA) and the United University Professions (UUP).

For planning purposes, the Updated Financial Plan includes an estimate of Executive agency costs assuming the PEF contract terms were applied to all unions. DOB estimates it would result in General Fund costs of roughly \$200 million in the first year of the contract, \$385 million in the second year, and \$600 million in the third year and each year thereafter. These estimated costs include the cost of the tentative PEF and M/C agreements discussed above. At this time, DOB expects that any payments associated with future settlement agreements would likely commence in FY 2018, and has adjusted the Updated Financial Plan accordingly, with first-year contract costs for other unions occurring in FY 2018. The following table summarizes the costs of potential labor agreements, for Executive agencies, included in the Updated Financial Plan.

GENERAL FUND POSSIBLE COSTS OF LABOR AGREEMENTS FOR EXECUTIVE AGENCIES (millions of dollars)			
	PEF/MC	Other*	Cost
Year 1	90	0	90
Year 2	180	316	496
Year 3	275	328	603
Total	545	644	1,189

* Assumes the PEF contract is extended to other unions.

In February 2017, Deutsche Bank paid the State a \$425 million fine. The Financial Plan proposes reserving \$155 million of the fine to fund the potential first-year costs of potential labor agreements with employees patterned on the PEF contract. This is in addition to the \$90 million in cash on hand in the General Fund that is expected to be used to fund the PEF and M/C agreements in FY 2017. The combined total is expected to be sufficient to cover the first year costs of all agencies.

Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. Reductions from the prior projections for local assistance spending are expected to generate \$1.6 billion in General Fund savings.⁶ Savings are expected from both targeted actions and continuation of prior-year cost containment. Specifically:

- Health Care:** The Medicaid Budget will include an additional \$382 million for non-DOH Medicaid expenses within the Global Cap. To achieve savings within the Global Cap, DOH will continue to implement various Medicaid Redesign Team (MRT) actions to improve the

⁶ Local assistance includes payments for School Aid, STAR, Medicaid, public assistance, child welfare, local government assistance and a range of other purposes.

efficiency and effectiveness in delivery of the statewide Medicaid program, including proposals to collaborate with New York City to increase Medicaid claiming levels for school supportive health services; the establishment of a benchmark price for high cost pharmaceuticals; and an increase to the costs shared by certain beneficiaries within the EP program, whereby such individuals would be required to contribute a monthly premium indexed to grow annually to the rate of the medical component of the CPI.

In FY 2018, bonds issued in 2003 that were secured by annual payments under the MSA with tobacco manufacturers will be fully retired. DOB expects that MSA payments of approximately \$125 million in FY 2018, and \$400 million annually thereafter, will be available for State purposes. The Executive Budget Financial Plan reflects the proposed use of the payments, outside the State Operating Funds basis of reporting, to defray a portion of the costs of the State's takeover of Medicaid costs borne by counties and New York City. The State takeover, in which local Medicaid costs are capped permanently at 2015 calendar year levels is expected to cost the State \$735 million in FY 2018, growing to \$917 million in FY 2019. The use of the MSA payments to fund a portion of these costs will have no impact on total funding for the Medicaid program, but will reduce reported Medicaid spending on a State Operating Funds basis of reporting.

Other health care savings include initiatives to consolidate similar public health programs into four discrete pools, providing increased flexibility to support ongoing public health programs or new investments to meet new or emerging public health priorities (\$25 million annually); require third-party insurers to pay for Early Intervention (EI) to help expedite the timeliness and amount of provider payments, while decreasing State costs (\$4 million in FY 2018, and \$14 million annually beginning in FY 2019); and reduce the General Public Health Work (GPHW) Reimbursement to NYC (from 36 percent to 29 percent) (\$11 million in FY 2018, and \$22 million beginning in FY 2019). The availability of additional Federal funds for the NYSOH Qualified Health Plan (QHP) will offset State costs by \$17 million in FY 2018.

The Financial Plan also includes an upward revision of \$90 million to estimated HCRA resources including additional surcharge revenue based on receipts collections to date, and additional covered lives revenue. It also includes a three-year extension of funding for the Statewide Health Information Network for New York (SHIN-NY)/All-Payer Claims Databases (APCD) infrastructure development initiative.

- **Education:** A lower-than-projected Personal Income Growth Index (PIGI) results in reduced School Aid spending growth based upon the School Aid formula. The actual SY 2018 PIGI will be 3.9 percent, compared to the previously estimated 4.5 percent, generating multi-year savings. In addition, updates to the School Aid database indicate a decline in SY 2017 aid compared with FY 2017 Enacted Budget estimates. Similarly, spending related to special education programs and grant-based awards for School Aid is occurring more slowly than anticipated.
- **Higher Education:** The expected sale of certain CUNY capital assets will result in available resources to partially support CUNY operations.

- **Human Services:** Savings reflect the use of Federal Title XX funding sources to reduce General Fund spending for the Office of Children and Family Services (OCFS) Child Care subsidies. They also reflect savings generated by restructuring the financing approach for foster care tuition and residential school placements of children with special needs in New York City, and reducing the State's Foster Care Block Grant reimbursement to an estimated 50 percent share of net Federal Funding. Funding has also been added for increased public assistance costs, which include providing safety net benefits for immigrants with Temporary Protected Status, pursuant to litigation filed against the State. Such status is granted to noncitizens residing in the United States whose home countries have experienced natural disasters or are involved in armed conflict.
- **Mental Hygiene:** Spending revisions reflect updated assumptions and revised timelines for ongoing transformation efforts in the mental hygiene service delivery system, and the Federal government's extension of the Balancing Incentive Program (BIP). The Office for People with Developmental Disabilities (OPWDD) will maximize Federal reimbursement by aligning services such as Family Support Services to meet Medicaid eligibility and only provide supplemental support for other Medicaid-eligible programs.
- **STAR:** The Executive Budget proposes a conversion of the rate reduction benefit to a nonrefundable New York State PIT credit for New York City taxpayers, which due to the timing of its implementation, results in short-term savings to the Updated Financial Plan (\$277 million in FY 2018; \$12 million in each of FYs 2019 and 2020). This change has no effect on the value of the STAR benefit, but eliminates the need for New York City to make payments in the first instance and to be reimbursed by the State. In addition, the Budget proposes freezing the exemption benefit, rather than allowing it to increase by up to 2 percent. Other savings include mandating enrollment in the Income Verification Program beginning in FY 2018.
- **All Other:** Savings are expected as a result of updated program and grant spending across a number of areas, including the elimination of the planned FY 2018 0.8 percent human services cost-of-living increase; utilization of available Mortgage Insurance Fund (MIF) resources to fund housing and homelessness programs; and spending revisions based on utilization trends in other local assistance programs.

Capital Projects/Debt Management

- The Executive Budget provides a consistent approach for funding the costs of employees who maintain and preserve State assets in the capital budget. Agencies have been accounting for these costs differently for years, with some capturing the expenses in their capital budget, while others reflect them in their operating budgets. Beginning in FY 2018, approximately 3,000 FTEs whose job duties are related to the maintenance, protection, preservation, and operation of facilities (e.g., Plant Utilities Engineers, General Mechanics, Electricians, etc.) are expected to be paid from capital projects funds. Accordingly, the Executive Budget Financial Plan reflects an increase of \$227 million in personal service and related costs in the FY 2018 capital budget, and a corresponding decrease in State Operating Funds spending.

- FY 2018 debt service savings reflect the payment of \$280 million of FY 2018 expenses in FY 2017, as well as expected refundings, continued use of competitive bond sales, and other debt management actions.

Initiatives/Investments/New Costs

- **Excelsior Scholarship:** The proposed scholarship program will allow students of families making up to \$125,000 per year to attend college tuition-free at all public universities in New York State.
- **Juvenile Justice Reform (“Raise the Age”):** The Executive Budget includes legislation to raise the age of juvenile jurisdiction from age 16 to 18 by January 1, 2020. Pursuant to Executive Order 150, issued in December 2015, all 16 and 17 year old non-violent criminal offenders held by the State were moved from general prison populations to the Hudson Correctional Facility. This facility, under a plan implemented by the Department of Corrections and Community Supervision (DOCCS), OCFS, and the Office of Mental Health (OMH), provides specialized programs of treatment geared for younger offenders.
- **Indigent Legal Services:** The Governor is expected to introduce a plan to reform the State’s indigent criminal defense system in early 2017.
- **DREAM Act:** The proposed DREAM Act extends student financial assistance to certain eligible undocumented immigrant students pursuing higher education in New York.

All Other: The Executive Budget includes additional gaming aid for Madison County,⁷ as well as additional funding to support Taste NY; the Hudson River Lesbian, Gay, Bisexual and Transgender (LGBT) Memorial; water quality aid for the City of Newburgh; and debt service costs for new bond-financed capital initiatives. In addition, funding has been added to provide for faster processing of sexual offense evidence kits⁸ submitted by New York State law enforcement agencies to the State Police's forensic lab. The Executive Budget Financial Plan also includes funding to support a new Cyber Incident Response Team to provide cybersecurity support to State entities, local governments, infrastructure, and schools.

⁷ When the State, the Oneida Nation, and affected counties signed the 2013 agreement establishing local government gaming host aid, the Oneida Nation casino that opened in Madison County in 2015 was not envisioned and thus Madison County will now receive a redistribution of gaming aid.

⁸ Sexual Offense Evidence Kit Bill (Chapter 500 of the Laws of 2016) was signed by the Governor on November 28, 2016.

Resource Changes

- **Tax Revisions:** The multi-year tax receipts forecast reflects downward revisions based on recent collection experience and an updated economic forecast.
- **NYC STAR PIT Rate Reduction Benefit Conversion:** The proposal to convert the rate reduction benefit to a nonrefundable New York State PIT credit for New York City taxpayers with incomes below \$500,000 will not affect STAR benefits, but will result in lower General Fund tax collections. This action is consistent with the conversion of the NYC STAR PIT credit to a State credit in the FY 2017 Enacted Budget.
- **Public Safety Communications Surcharge:** The Public Safety Communications Surcharge is expanded to prepaid purchases of mobile communication services, with purchases at or below \$30 subject to a 60 cent surcharge and those above \$30 subject to a \$1.20 surcharge. The surcharge would be imposed at the point of purchase for a prepaid device or data. Currently, mobile plan subscribers pay \$1.20 per month, while purchasers of prepaid mobile services pay no surcharge. Local governments that currently impose the surcharge on mobile plan contracts can also opt in for a 30 cent surcharge on prepaid retail mobile devices and data. This surcharge supports the State's public safety activities and funds the Statewide Interoperable Communications Operations Grant Awards (SICG) program.
- **Other Resource Changes:** Other changes include (i) updated estimates of various miscellaneous receipts and transfers from other funds, (ii) reimbursement for Mental Hygiene services in excess of debt service spending, and (iii) other reductions reflecting the refinement of cautious estimates included in the Updated Financial Plan to create an informal reserve against risks. In addition, the Executive Budget proposes increasing fees for a new automobile title from \$50 to \$75, and for a duplicate title from \$20 to \$40 (to adjust for inflation); and the establishment of a special license to sell craft beverages along with food and souvenir items at certain Taste-NY stores.

Tax Actions

- **Extend the PIT Top Bracket:** The Executive Budget proposes a three-year extension, through calendar year 2020, to the current income tax rate for high-income earners. The current top-bracket rate has been in place since January 1, 2012, when the top-bracket rate was reduced from 8.97 percent to 8.82 percent.
- **High Income Charitable Contribution Deduction:** The Executive Budget makes permanent the existing charitable contribution deduction limitation of 25 percent, which is currently scheduled to expire at the end of tax year 2017.

- **Child and Dependent Care Credit:** The Executive Budget increases benefits under the New York State Child and Dependent Care Credit. This credit provides households who qualify for the Federal Child and Dependent Care Credit the ability to claim a percentage of the Federal credit on their State income taxes. The Executive Budget proposes to increase the percentage of the Federal credit for tax filers with New York Adjusted Growth Income (AGI) between \$50,000 and \$150,000, resulting in an increase in the benefit by an average of 123 percent.
- **Online Sales Tax Collection:** Online providers such as Amazon and eBay supply a marketplace for sellers other than the online provider to sell their products to consumers. Currently, such outside sellers are required to collect sales tax from New York residents if the sellers are located in New York. Many marketplace providers agree to collect the tax for the outside seller in this instance. The Executive Budget proposes that a marketplace provider be required to collect the tax when it facilitates the sale to State residents, whether the seller is located within, or outside, New York.
- **Warrantless Wage Garnishment:** The Executive Budget proposes to make permanent the authorization for Department of Taxation and Finance (DTF) to garnish wages of delinquent taxpayers without filing a warrant with the Department of State (DOS) or County Clerks. The current program, set to expire on April 1, 2017, has been successful in eliminating the unfunded mandate on counties to receive warrants from DTF.
- **Taxation of Cigars:** The Executive Budget proposes to replace the current distributor level percentage tax on large cigars with a 45 cent per cigar flat tax. The current tax structure, which is the result of litigation, has resulted in revenue losses and relies on an industry pricing survey to determine the tax on a product produced by the same industry.
- **Other Actions:** The Executive Budget includes proposals for other tax credits/extensions, enforcement initiatives and tax code reforms. These include the extension of the Empire State Film and Post-Production Tax Credits for three years; renaming the Urban Youth Jobs Program to the New York Youth Jobs Program and extending the tax credit for five years to 2022; precluding State agencies and authorities from hiring new employees who are delinquent in their State tax obligations; preventing the evasion of the State's real estate transfer tax for real property in excess of \$1 million; and closing tax loopholes associated with nonresident activities related to co-ops, asset sales, and business purchases.

Annual Spending Growth

DOB estimates spending in State Operating Funds will grow at 1.9 percent from FY 2017 to FY 2018, below the 2 percent spending 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 2017 Current	FY 2018 Proposed	Annual Change	
			\$	%
LOCAL ASSISTANCE	64,465	65,955	1,490	2.3%
School Aid (School Year Basis)	24,644	25,605	961	3.9%
DOH Medicaid ¹	18,171	19,174	1,003	5.5%
Transportation	4,959	4,988	29	0.6%
STAR ²	3,208	2,606	(602)	-18.8%
Social Services	2,923	2,915	(8)	-0.3%
Higher Education	2,985	2,982	(3)	-0.1%
Mental Hygiene	2,459	2,410	(49)	-2.0%
All Other ³	5,116	5,275	159	3.1%
STATE OPERATIONS/FRINGE BENEFITS	26,423	26,539	116	0.4%
Agency Operations	18,792	18,599	(193)	-1.0%
Personal Service:	<u>13,035</u>	<u>12,840</u>	<u>(195)</u>	<u>-1.5%</u>
Executive Agencies	7,343	7,120	(223)	-3.0%
University Systems	3,728	3,718	(10)	-0.3%
Elected Officials	1,964	2,002	38	1.9%
Non-Personal Service:	<u>5,757</u>	<u>5,759</u>	<u>2</u>	<u>0.0%</u>
Executive Agencies	2,876	2,811	(65)	-2.3%
University Systems	2,282	2,334	52	2.3%
Elected Officials	599	614	15	2.5%
Fringe Benefits/Fixed Costs	7,631	7,940	309	4.0%
Pension Contribution	2,457	2,540	83	3.4%
Health Insurance	3,682	3,976	294	8.0%
Other Fringe Benefits/Fixed Costs	1,492	1,424	(68)	-4.6%
DEBT SERVICE	5,310	5,566	256	4.8%
CAPITAL PROJECTS	2	2	0	0.0%
TOTAL STATE OPERATING FUNDS	96,200	98,062	1,862	1.9%
Capital Projects (State and Federal Funds)	10,903	13,845	2,942	27.0%
Federal Operating Aid ⁴	40,178	40,458	280	0.7%
TOTAL ALL GOVERNMENTAL FUNDS⁵	147,281	152,365	5,084	3.5%

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 EP is not a Medicaid program; however, State-funded support is managed within total DOH Medicaid Global Cap resources. In addition, total State share Medicaid funding includes MSA payments to the State that will be deposited directly to the Medicaid Management Information System (MMIS) Escrow Fund to defray the State cost of the local MA takeover.

² The FY 2018 Executive Budget proposes converting the NYC PIT credit to a nonrefundable State PIT credit. This change has no impact on the STAR benefits received by homeowners; it will decrease reported disbursements for STAR and decrease reported PIT receipts by an identical amount. See "STAR Program" in "State Financial Plan Projections Fiscal Years 2017 through 2021" herein.

³ "All Other" includes a reconciliation between school year and State fiscal year spending for School Aid. On a State Fiscal Year basis, School Aid is estimated to total \$25.6 billion in FY 2018, an increase of \$1.2 billion from FY 2017. It also includes a reconciliation for the Medicaid takeover, including the portion of the MA takeover that will be funded from MSA payments deposited directly to the MMIS escrow fund (\$125 million in FY 2018). Lastly, it includes the spending for public health, other education, local government assistance, parks, environment, economic development, and public safety.

^{4,5} Federal Operating Funds and All Funds disbursements exclude extraordinary aid for Federal health care reform and Superstorm Sandy.

Local Assistance

- Medicaid and School Aid are the State's largest local aid programs, comprising approximately 45 percent of the State Operating Funds budget. In SY 2018, School Aid will total \$25.6 billion, an increase of \$961 million (3.9 percent). Medicaid will grow at the indexed rate of 3.2 percent, consistent with the statutory index ("Global Cap"),⁹ to \$18.3 billion. In total, Medicaid funded from State resources will increase to \$19.5 billion, including the EP,¹⁰ the takeover of local Medicaid costs and other spending outside the Global Cap.
- The cost of the takeover of local government Medicaid growth is proposed to be partially funded with tobacco MSA payments that will be directly deposited to the Medicaid Management Information System (MMIS) Escrow Fund. The change has no impact on overall Medicaid spending funded with State resources, but does decrease reported State-supported Medicaid spending accounted for in State Operating Funds.
- The current service costs of the STAR program are projected to remain essentially flat over the Financial Plan period. However, STAR spending declines reflect the current and proposed conversion of STAR benefits to State PIT credits, in addition to other proposed changes to the program. The conversion of STAR benefits to PIT credits has no impact on the value of the STAR benefits received by taxpayers, but does decrease reported disbursements for STAR on a State Operating Funds basis of reporting and decreases the level of reported PIT receipts by an identical amount.
- Mental Hygiene declines are mainly due to funding changes within the DOH Global Cap, which more than offset the roughly 2 percent growth in funding for community-based services.

State Operations/Fringe Benefits

- Agency operations are expected to decline, due in large part to the reclassification of certain personnel expenses related to the maintenance and preservation of State assets, to capital projects funds. This change has no impact on State personnel costs, but does decrease reported operating spending in State Operating Funds.
- Fringe benefits are projected to grow due to rising employee health care and prescription drug costs, as well as pension contributions.

⁹ The Medicaid Global Cap is a statutory limit on annual State-funded Medicaid expenditures, indexed to the Medical component of the Consumer Price Index (CPI). Total State-funded Medicaid expenditures also include certain program costs which are not subject to the indexed provisions of the Global Cap.

¹⁰ The EP is an insurance plan for individuals who are not eligible for Medicaid and that meet certain income threshold standards. Approximately 90 percent of program expenses are subsidized with Federal funds made available through the Affordable Care Act (ACA). The EP is not a Medicaid program; however, the State Funds support is managed within total DOH Medicaid Global Cap resources.

Debt Service

- While overall spending from debt service funds is projected to increase by 4.7 percent from FY 2017 including planned prepayments, subtracting the impact of prepayments, debt service costs are projected to increase by roughly 1.8 percent from FY 2017.

All Funds spending, which includes spending from capital funds and Federal funds, is budgeted to increase by 3.5 percent from FY 2017 to FY 2018, excluding extraordinary Federal aid related to disaster-related costs and health care transformation.

TOTAL DISBURSEMENTS (millions of dollars)							
	FY 2016 Results	FY 2017 Current	Annual Change	Annual % Change	FY 2018 Proposed	Annual Change	Annual % Change
STATE OPERATING FUNDS	94,288	96,200	1,912	2.0%	98,062	1,862	1.9%
General Fund (excluding transfers)	56,666	58,570	1,904	3.4%	61,293	2,723	4.6%
Other State Funds	31,987	32,281	294	0.9%	31,166	(1,115)	-3.5%
Debt Service Funds	5,635	5,349	(286)	-5.1%	5,603	254	4.7%
ALL GOVERNMENTAL FUNDS (Excluding Extraordinary Aid)	143,870	147,281	3,411	2.4%	152,365	5,084	3.5%
ALL GOVERNMENTAL FUNDS	150,708	156,165	5,457	3.6%	162,260	6,095	3.9%
State Operating Funds	94,288	96,200	1,912	2.0%	98,062	1,862	1.9%
Capital Projects Funds	8,981	10,903	1,922	21.4%	13,845	2,942	27.0%
Federal Operating Funds	<u>47,439</u>	<u>49,062</u>	<u>1,623</u>	<u>3.4%</u>	<u>50,353</u>	<u>1,291</u>	<u>2.6%</u>
Federal Disaster Aid for Superstorm Sandy	1,165	1,160	(5)	-0.4%	570	(590)	-50.9%
Federal Health Care Reform	5,673	7,724	2,051	36.2%	9,325	1,601	20.7%
All Other Federal Aid	40,601	40,178	(423)	-1.0%	40,458	280	0.7%
GENERAL FUND (INCLUDING TRANSFERS)	68,042	69,692	1,650	2.4%	72,398	2,706	3.9%
STATE FUNDS	101,232	105,306	4,074	4.0%	110,200	4,894	4.6%

Cash Flow

State Finance Law 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 2018 to make all planned payments as they become due without having to temporarily borrow money from STIP. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

ALL FUNDS MONTH-END CASH BALANCES			
FY 2018			
(millions of dollars)			
	General Fund	Other Funds	All Funds
April	8,661	3,446	12,107
May	4,539	3,069	7,608
June	4,507	4,032	8,539
July	4,807	4,498	9,305
August	4,417	4,177	8,594
September	7,571	1,693	9,264
October	7,324	2,460	9,784
November	5,169	2,118	7,287
December	7,617	1,767	9,384
January	10,369	3,112	13,481
February	10,790	2,837	13,627
March	5,917	2,903	8,820

Monetary Settlements

From FY 2015 through FY 2017, DOB estimates that the State will have received a total of \$9.9 billion in monetary settlements for violations of State laws. Since the Mid-Year Update, DOB has increased the estimate of payments expected from monetary settlements by \$709 million pursuant to two separate settlements with Deutsche Bank (\$444 million), Intesa SanPaolo (\$235 million), PHH Mortgage (\$28 million), and higher than assumed resources from Volkswagen (\$2 million).¹¹

The following table lists the settlements by firm and amount.

SUMMARY OF RECEIPTS OF SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS (millions of dollars)				
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
Monetary Settlements	4,942	3,605	1,317	9,864
BNP Paribas	<u>2,243</u>	<u>1,348</u>	<u>0</u>	<u>3,591</u>
Department of Financial Services (DFS)	2,243	0	0	2,243
Asset Forfeiture (DANY)	0	1,348	0	1,348
Deutsche Bank	0	800	444	1,244
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 LLP	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	32	32
Mega Bank	0	0	180	180
Agricultural Bank of China	0	0	215	215
PHH Mortgage	0	0	28	28
Intesa SanPaolo	0	0	235	235
Other Settlements	7	0	(7)	0

¹¹ The settlement amount from Volkswagen was initially expected to total \$30 million, as reflected in the August 2016 AIS Update. The actual payment received by the State from the Volkswagen settlement in November 2016 totaled \$31.8 million, or roughly \$2 million more than expected.

Uses of Monetary Settlements

The Executive Budget Financial Plan reflects the Executive's intention to continue applying the majority of the settlements to fund capital investments and nonrecurring expenditures. The FY 2017 Enacted Budget Financial Plan reflected the authorized transfer of \$6.5 billion in monetary settlements over a five-year period to DIIF to finance various appropriated purposes (\$6.4 billion), and to the Environmental Protection Fund (EPF) (\$120 million). These purposes, which are financed with the \$6.5 billion of monetary settlement collections and funded from capital appropriations, include the following capital purposes and other activities, and in some cases, operating activities associated with the maintenance, protection, preservation and operation of capital assets:

- **Thruway Stabilization (\$2.0 billion):** The \$2.0 billion 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):** Awarded \$1.5 billion in 2015 to the three Upstate regions selected as URI best plan awardees. An additional \$200 million (\$170 million from monetary settlements) was provided in 2016 to support projects in the remaining four eligible Upstate regions.
- **Affordable and Homeless Housing (\$640 million):** Settlement funds will augment the multi-year investment in affordable housing services, and provide housing opportunities for individuals and families who are homeless or at risk of homelessness. Funds will be invested over 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):** Funds 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):** 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. The Plan also funds capital expenses of the Roswell Park Cancer Institute (\$15.5 million); and a community health care revolving loan (\$19.5 million).
- **Penn Station Access (\$250 million):** The 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.
- **Transportation Capital Plan (\$200 million):** Provides funding for transportation infrastructure projects across the State.

- **Municipal Restructuring and Consolidation Competition (\$170 million):** Includes \$20 million in funding for a Municipal Consolidation Competition to encourage the reduction of costs through a competitive process to be administered by the DOS. This funding is in addition to \$150 million for the first Downtown Revitalization Initiative and for municipal restructuring 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):** Provides funding for operating purposes such as 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):** Includes funds to promote economic development in Nassau and Suffolk counties.
- **Infrastructure Improvements (\$115 million):** Funding for infrastructure improvements to support transportation, upstate transit, rail, airport, port, and other projects.
- **Economic Development (\$85 million):** 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 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, \$25 million was provided 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.
- **EPF (\$120 million):** This \$120 million and other EPF resources would provide dedicated funding to communities throughout New York State to improve the environment, combat climate change, and reduce greenhouse gas emissions.

Monetary settlement resources will be used as a temporary advance to: (i) meet initial funding requirements for the Javits expansion project and (ii) enable \$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.

The Executive Budget Financial Plan reflects recommendations to allocate an additional \$1.8 billion in unbudgeted monetary settlements to support the following measures through capital appropriations, including capital purposes and other activities associated with the maintenance, protection, preservation and operation of capital assets:

- Buffalo Billion Phase II (\$500 million):** The Executive Budget Financial Plan reflects the overall \$500 million commitment for the second phase of the Buffalo Billion, including the proposal to invest \$400 million from monetary settlement funds to support the second phase.
- Life Sciences (\$300 million):** The Executive Budget Financial Plan reflects the proposed commitment of \$300 million from monetary settlement funds to support the State's multi-year \$650 million Life Sciences Initiative. The State will provide \$200 million to support state-of-the-art laboratory space, equipment, and technology. Furthermore, \$100 million will be provided in investment capital for early stage life science firms, which is expected to be matched by private sector partners.
- Transportation (\$270 million):** The Executive Budget Financial Plan would invest an additional \$270 million in the DOT capital plan for infrastructure and facility improvements.

- **Security and Emergency Response Preparedness (\$203 million):** The Executive budget Financial Plan reflects the commitment of \$203 million over the next four years to continue counter-terrorism efforts in New York City including increased security and anti-terror exercises at nine Metropolitan Transportation Authority (MTA)-operated bridges and tunnels and to sustain the increased deployment of the National Guard at transportation hubs that began in September 2014.
- **Health Care Capital Grants (\$200 million):** The Executive Budget Financial Plan reflects a proposed \$500 million in new health care capital grants, of which \$200 million would be funded from monetary settlements.
- **Downtown Revitalization (\$100 million):** The Executive Budget Financial Plan reflects the proposal to provide an additional \$100 million for the Downtown Revitalization Initiative to fund housing, economic development, transportation, and community projects to attract and retain residents, visitors, and businesses to downtowns. The existing program provides \$100 million to ten communities that are currently experiencing population loss and/or economic decline to develop revitalization plans for their downtown areas, developed in collaboration with policy and planning experts. The Executive Budget Financial Plan reflects the proposal to expand this initiative by providing an additional \$100 million for ten new communities, bringing the total program funding to \$200 million.
- **DMNA Armories (\$20 million):** The Executive Budget Financial Plan reflects the proposal to include \$20 million for improvements to armories and readiness centers. This will allow the State to maintain these facilities in a state of good repair, and to best position the New York National Guard to respond as emergencies arise across the State.
- **First-Year Costs of Potential Labor Agreements (\$155 million):** The Executive Budget Financial Plan reflects the proposal to reserve \$155 million of monetary settlement resources to fund the first-year costs of potential labor agreements with employees patterned on the PEF contract. This is in addition to the \$90 million in cash on hand in the General Fund that is expected to be used to fund the PEF and M/C agreements in FY 2017. The combined total is expected to be sufficient to cover the first year costs of all agencies.
- **Rainy Day Reserve Fund Deposit (\$150 million):** The Executive Budget Financial Plan reflects the proposed deposit of \$150 million to the Rainy Day Reserve Fund in FY 2018, if fiscal conditions permit.

As reflected in the table below, \$850 million was used to resolve Federal OPWDD disallowances in FY 2016. In addition, a portion of the monetary settlements has been used for General Fund operations, as well as costs of the Department of Law's Litigation Services Bureau.¹²

¹² The windfall of monetary settlements began after the enactment of the FY 2015 budget. Accordingly, the multi-year Financial Plans prior to the windfall had assumed the annual receipt of monetary settlements based on historical patterns.

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	FY 2022	Total
Opening Settlement Balance in General Fund	0	4,667	6,300	4,860	3,256	1,643	580	229	0
Receipt of Settlement Payment	4,942	3,605	1,317	0	0	0	0	0	9,864
Use/Transfer of Funds	275	1,972	2,757	1,604	1,613	1,063	351	229	9,864
Capital Purposes:									
Transfer to Dedicated Infrastructure Investment Fund	0	857	1,172	2,002	1,959	969	270	185	7,414
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	0	120
Transfer to Capital Projects Fund - DOT	0	0	0	72	109	44	31	14	270
Transfer to Capital Projects Fund - Statewide Capital Health	0	0	0	25	45	50	50	30	200
FY 2017 Temporary Loan to Capital Projects Fund	0	0	1,300	(1,300)	0	0	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund	0	0	0	500	(500)	0	0	0	0
Other Purposes:									
Transfer to Audit Disallowance - Federal Settlement	0	850	0	0	0	0	0	0	850
Financial Plan - General Fund Operating Purposes	275	250	102	0	0	0	0	0	627
Reserve for Retroactive Labor Settlements	0	0	0	155	0	0	0	0	155
Deposit to Rainy Day Fund	0	0	0	150	0	0	0	0	150
Department of Law - Litigation Services Operations	0	10	63	0	0	0	0	0	73
Transfer to OASAS Chemical Dependence Program	0	5	0	0	0	0	0	0	5
Closing Settlement Balance in General Fund	4,667	6,300	4,860	3,256	1,643	580	229	0	0

DOB expects to use monetary settlements received to date to fund projects and activities over several years, allowing the State to carry a large cash balance by historical standards in the General Fund. The State plans to use the idle balances to make cash advances for certain capital programs in FY 2017 (\$1.3 billion) to be repaid in FY 2018 and another advance in FY 2018 (\$500 million) to be repaid in FY 2019. 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.



**April – December 2016
Operating Results**

April – December 2016 Operating Results

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

General Fund Results

General Fund receipts, including transfers from other funds, totaled \$49.5 billion through December 2016, \$780 million below the Enacted Budget Financial Plan estimate. As shown in the table below, tax collections were \$1.6 billion below the Enacted Budget Financial Plan estimate, with a \$1.8 billion shortfall in PIT receipts offset in part by higher than estimated estate tax results related to a greater than anticipated number of extra-large (between \$4 million and \$25 million) and super-large (over \$25 million) payments through December 2016. Since the FY 2017 Enacted Budget, DOB has lowered the estimated amount of FY 2017 PIT receipts by \$1.4 billion due to continued underlying weakness in base tax growth.

General Fund disbursements, including transfers to other funds, totaled \$49.4 billion through December 2016. Spending during the nine-month period is \$888 million higher than expected in the Enacted Budget Financial Plan due to several significant timing factors within the Medicaid program. In addition, a spike in EP enrollment will drive higher program costs within the Global Cap, which is expected to be corrected during the remaining months of the fiscal year. Overall higher General Fund disbursements through December 2016 are partly offset by spending which was lower than initial projections for education aid, capital projects, and other programs.

At the Mid-Year Update, General Fund disbursements were adjusted downward to reflect total lower spending during the current year, in particular for capital projects transfers based on utilization of other financing sources, and additional HCRA revenue resources available to offset General Fund Medicaid expenses. In the Updated Financial Plan, General Fund disbursements have been further adjusted downward to reflect revised spending assumptions for the remainder of the current year, including modest downward adjustments for school aid competitive grants programs and transfers to support certain capital programs, as well as upward revisions related to debt service financing and the anticipated cost of collective bargaining agreements.

The State ended December 2016 with a General Fund closing balance of \$9.1 billion, approximately \$1.7 billion below the Enacted Budget Financial Plan estimate and \$98 million below the Mid-Year Update estimate. Of the \$9.1 billion General Fund closing balance, monetary settlements accounted for \$6.5 billion and included the November 2016 payment of \$28 million from PHH Mortgage Corporation and the December 2016 payment of \$235 million from Intesa SanPaolo, as described earlier in this AIS Update.

GENERAL FUND OPERATING RESULTS APRIL THROUGH DECEMBER 2016 (millions of dollars)							
	Enacted Plan	Revised Plan	Results	Above/(Below) Variance			
				Enacted Plan		Revised Plan	
				\$	%	\$	%
Opening Balance	8,934	8,934	8,934	0	0.0%	0	0.0%
Total Receipts	50,252	49,163	49,472	(780)	-1.6%	309	0.6%
Taxes:	48,182	46,706	46,615	(1,567)	-3.3%	(91)	-0.2%
Personal Income Tax ¹	33,365	31,524	31,548	(1,817)	-5.4%	24	0.1%
Consumption / Use Taxes ¹	9,733	9,824	9,792	59	0.6%	(32)	-0.3%
Business Taxes	3,582	3,815	3,643	61	1.7%	(172)	-4.5%
Other Taxes ¹	1,502	1,543	1,632	130	8.7%	89	5.8%
Receipts and Grants	1,965	2,296	2,672	707	36.0%	376	16.4%
Transfers From Other Funds	105	161	185	80	76.2%	24	14.9%
Total Spending	48,464	48,945	49,352	888	1.8%	407	0.8%
Local Assistance	29,499	30,518	30,630	1,131	3.8%	112	0.4%
Agency Operations (including GSCs)	10,561	10,797	10,803	242	2.3%	6	0.1%
Debt Service Transfer	422	413	410	(12)	-2.8%	(3)	-0.7%
Capital Projects Transfer	2,453	1,766	2,137	(316)	-12.9%	371	21.0%
State Share of Medicaid Transfer	1,065	994	991	(74)	-6.9%	(3)	-0.3%
SUNY Operations Transfer	997	996	996	(1)	-0.1%	-	0.0%
All Other Transfers	3,467	3,461	3,385	(82)	-2.4%	(76)	-2.2%
Change in Operations	1,788	218	120	(1,668)	-93.3%	(98)	-45.0%
Closing Balance	10,722	9,152	9,054	(1,668)	-15.6%	(98)	-1.1%

¹ Includes transfers from other funds after debt service.

Total tax collections were \$1.6 billion lower than projected in the Enacted Budget Financial Plan. Lower PIT collections (\$1.8 billion) were primarily driven by weaker than expected estimated payment and withholding growth through December 2016. All other tax categories exceeded initial projections, with stronger than expected estate tax collections resulting from a greater than anticipated number of extra-large and super-large payments through December 2016. Partly offsetting the overall tax variance in comparison to the Enacted Budget Financial Plan is approximately \$690 million in unanticipated monetary settlement collections received from various banks and Volkswagen.

Compared to the revised projections in the Mid-Year Update, total receipts were \$309 million higher than projected, driven primarily by additional monetary settlements (\$263 million) and higher than anticipated abandoned property receipts (\$63 million), and partly offset by lower business tax receipts (\$172 million) driven by lower corporate franchise taxes related to lower 2016 tax payments from calendar year filers.

Through December 2016, General Fund disbursements, including transfers to other funds, were \$888 million higher than initially projected, reflecting the net impact of higher spending for local assistance (\$1.1 billion) and agency operations (\$242 million), partly offset by lower transfers to other funds (\$485 million).

Local assistance spending above planned levels was primarily driven by Medicaid and EP payments, partly offset by lower spending for education, higher education and other local aid programs. The higher than projected Medicaid spending levels through December 2016 were due in part to variances in the receipt of certain offsets and audit recoveries which were not applied during earlier months as initially projected and are now expected to be approved and processed during the final three months of the fiscal year, as well as the application of Federal credits to reimburse the advancement of State funds which was necessitated by pending rate plan approvals. In addition, costs for the EP, which is funded in the first instance with Federal money, have been higher than expected due to a sharp enrollment increase. A reconciliation of Federal reimbursement for increased enrollment costs of prior quarters has been approved, which will mitigate the total cost impact within the Medicaid Global Cap. In total, State costs for both Medicaid and the EP are expected to be managed within the Medicaid Global Cap, consistent with Updated Financial Plan estimates.

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) collective bargaining agreements approved in 2016, as well as higher general state charges expenses due to the timing of agency reimbursement paid from other funding sources, and litigation expenses related to an increased volume of court of claims processing.

Transfers to other funds were lower than initially planned primarily due to Capital Projects transfers related to the utilization of monetary settlements for Thruway projects including the New NY Bridge. Compared to the revised projections, transfers to Capital Projects funds were higher than anticipated due to the timing of a State bond sale.

Compared to the revised projections in the Mid-Year Update, spending was \$407 million higher, largely due to a continuation of higher than planned Medicaid spending, as several large credits and offsets which were scheduled earlier in the year, and then anticipated to occur during the third quarter as part of the revised Financial Plan Update, remain as outstanding balances to be processed during the final quarter of the fiscal year. As referenced earlier, the delayed processing of certain rate plans required DOH to advance State funds in order to alleviate cash flow stress to providers. As approved rate plans are implemented, the advancement of State funds will be credited back to the Global Cap, reducing the current spending variance relative to initial projections. In addition, transfers to Capital Projects were higher than the revised projections in order to accelerate spending for Special Infrastructure and transportation projects during the third quarter of the fiscal year.

Other local program areas, including certain competitive grant awards within the school aid programs, and the HESC TAP and SUNY Community College programs, carried lower spending through December which partly offset the overall variance in comparison to revised projections.

The results below show General Fund operations for April through December 2016 with and without monetary settlements. For a summary discussion of operating results that exclude monetary settlements, see the earlier discussion of the FY 2018 General Fund.

GENERAL FUND OPERATING RESULTS			
APRIL THROUGH DECEMBER 2016			
<i>(millions of dollars)</i>			
	Results Excluding Monetary Settlements	Monetary Settlements	Reported Results
Opening Balance	2,634	6,300	8,934
Total Receipts	48,662	810	49,472
Taxes:	46,615	0	46,615
Personal Income Tax ¹	31,548	0	31,548
Consumption / Use Taxes ¹	9,792	0	9,792
Business Taxes	3,643	0	3,643
Other Taxes ¹	1,632	0	1,632
Receipts and Grants	1,862	810	2,672
Transfers From Other Funds	185	0	185
Total Spending	48,775	577	49,352
Local Assistance	30,630	0	30,630
Agency Operations (including GSCs)	10,803	0	10,803
Debt Service Transfer	410	0	410
Capital Projects Transfer	1,560	577	2,137
State Share of Medicaid Transfer	991	0	991
SUNY Operations Transfer	996	0	996
All Other Transfers	3,385	0	3,385
Change in Operations	(113)	233	120
Closing Balance	2,521	6,533	9,054

¹ Includes transfers from other funds after debt service.

State Operating Funds Results

The State ended December 2016 with a closing balance of \$13.3 billion in State Operating Funds, or \$967 million below the initial projection reflected in the Enacted Budget Financial Plan. The lower balance is comprised of slightly higher receipts (\$177 million), higher spending (\$1.7 billion), and higher financing from other sources (\$536 million). Compared to projections in the Mid-Year Update, the closing balance in State Operating Funds was \$17 million above projections included with the Mid-Year Update.

STATE OPERATING FUNDS RESULTS APRIL THROUGH DECEMBER 2016 (millions of dollars)							
	Enacted Plan	Revised Plan	Results	Above/(Below) Variance			
				Enacted Plan		Revised Plan	
				\$	%	\$	%
Opening Balance	12,641	12,641	12,641	0	0.0%	0	0.0%
Total Receipts	67,863	67,408	68,040	177	0.3%	632	0.9%
Taxes:	53,728	52,229	52,180	(1,548)	-2.9%	(49)	-0.1%
Personal Income Tax	34,757	32,874	32,878	(1,879)	-5.4%	4	0.0%
Consumption / Use Taxes	11,829	11,891	11,863	34	0.3%	(28)	-0.2%
Business Taxes	4,675	4,962	4,832	157	3.4%	(130)	-2.6%
Other Taxes	2,467	2,502	2,607	140	5.7%	105	4.2%
Miscellaneous/Federal Receipts	14,135	15,179	15,860	1,725	12.2%	681	4.5%
Total Spending	65,268	66,736	66,948	1,680	2.6%	212	0.3%
Local Assistance	43,341	44,504	44,688	1,347	3.1%	184	0.4%
Agency Operations (including GSCs)	19,953	20,296	20,323	370	1.9%	27	0.1%
Debt Service	1,974	1,934	1,934	(40)	-2.0%	-	0.0%
Capital Projects	0	2	3	3	0.0%	1	50.0%
Other Financing Sources	(943)	(4)	(407)	536	56.8%	(403)	-10075.0%
Change in Operations	1,652	668	685	(967)	-58.5%	17	2.6%
Closing Balance	14,293	13,309	13,326	(967)	-6.8%	17	0.1%

Through December 2016, total receipts were \$177 million higher than the Enacted Budget Financial Plan. Tax collections were \$1.5 billion below the Enacted Budget Financial Plan, consistent with the General Fund results described above. Miscellaneous receipts exceeded Enacted Budget Financial Plan projections due to the monetary settlement payments from various banks and Volkswagen, as described earlier in this AIS Update.

State Operating Funds receipts were \$632 million higher than projections included with the Mid-Year Update, largely due to unanticipated monetary settlement payments received in the third quarter of FY 2017 (\$263 million), higher abandoned property collections (\$63 million), and continued strength in HCRA assessment revenue collections (\$104 million). Other special revenue fund collections were positive as well, in particular for SUNY income and the Higher Education Services Corporation.

State Operating Funds spending was \$1.7 billion above the Enacted Budget Financial Plan projections, primarily due to higher spending in both local assistance (\$1.3 billion) and agency operations (\$370 million), and are primarily consistent with the factors driving General Fund results as described previously.

In addition to the General Fund variances described previously, STAR local assistance payments were lower than anticipated (\$158 million) due to a timing-based variance which was adjusted in subsequent Financial Plan updates. State operations expenses of SUNY, driven by revenue collected from tuition income for campus operations and patient income for hospital operations, were higher than initial projections (\$74 million).

State Operating Funds spending was \$212 million higher than projections included with the Mid-Year Update, largely reflecting higher Medicaid spending and lower school aid disbursements, consistent with explanations for the General Fund results as described earlier.

Other Financing Sources, which represent the difference between transfers to and from State Operating Funds, were \$536 million above initial estimates due to lower transfers from the General Fund to Capital Projects Funds driven by updated spending assumptions and utilization of bond financing for the Thruway Authority's New NY York Bridge project. In comparison to the revised Mid-Year Update, other financing sources were \$403 million lower than projected, driven by additional General Fund transfers necessary to support accelerated capital spending for certain special infrastructure and DOT projects.

All Governmental Funds Results

The State ended December 2016 with an All Governmental Funds closing balance of \$13 billion, \$926 million below the amount projected in the Enacted Budget Financial Plan, reflecting higher than planned spending (\$948 million). The All Governmental Funds closing balance was \$261 million higher than projected at the Mid-Year Update.

All GOVERNMENTAL FUNDS RESULTS APRIL THROUGH DECEMBER 2016 (millions of dollars)							
	Enacted Plan	Revised Plan	Results	Above/(Below) Variance			
				Enacted Plan		Revised Plan	
				\$	%	\$	%
Opening Balance	11,810	11,810	11,810	0	0.0%	0	0.0%
Total Receipts	111,146	110,708	111,187	41	0.0%	479	0.4%
Taxes:	54,710	53,263	53,233	(1,477)	-2.7%	(30)	-0.1%
Personal Income Tax	34,757	32,874	32,878	(1,879)	-5.4%	4	0.0%
Consumption / Use Taxes	12,261	12,371	12,346	85	0.7%	(25)	-0.2%
Business Taxes	5,141	5,432	5,319	178	3.5%	(113)	-2.1%
Other Taxes	2,551	2,586	2,690	139	5.4%	104	4.0%
Miscellaneous Receipts	17,755	18,249	18,278	523	2.9%	29	0.2%
Federal Grants	38,681	39,196	39,676	995	2.6%	480	1.2%
Total Spending	109,043	109,777	109,991	948	0.9%	214	0.2%
State Operating Funds:	65,268	66,736	66,948	1,680	2.6%	212	0.3%
Local Assistance	43,341	44,504	44,688	1,347	3.1%	184	0.4%
Agency Operations (including GSCs)	19,953	20,296	20,323	370	1.9%	27	0.1%
Debt Service	1,974	1,934	1,934	(40)	-2.0%	0	0.0%
Capital Projects	0	2	3	3	0.0%	1	50.0%
Capital Projects Funds	8,315	7,346	7,196	(1,119)	-13.5%	(150)	-2.0%
Federal Operating Funds	35,460	35,695	35,847	387	1.1%	152	0.4%
Other Financing Sources	(13)	(28)	(32)	(19)	-146.2%	(4)	-14.3%
Change in Operations	2,090	903	1,164	(926)	-44.3%	261	28.9%
Closing Balance	13,900	12,713	12,974	(926)	-6.7%	261	2.1%

Through December 2016, total All Governmental Funds receipts were \$41 million above the initial projections included with the FY 2017 Enacted Budget Financial Plan, reflecting lower PIT collections as described above, offset by higher receipts in all other receipts categories.

Compared to the Mid-Year Update, All Governmental Funds receipts were \$479 million higher, largely due to timing of Federal spending and reimbursement.

Disbursements

Through December 2016, All Governmental Funds spending was \$948 million higher than initially planned. Lower spending in Capital Projects, as explained previously, was offset by the higher State Operating Funds spending variance primarily associated with Medicaid spending. The largest

areas of higher Federal spending were DOH Medicaid (\$1.1 billion), which is inclusive of costs related to the increased enrollment for individuals in the EP program and a December reconciliation of State and Federal funding shares. This reconciliation accounted for the prior advancement of reimbursement, which was deficient based on actual enrollment levels, offset by the delayed Federal education payments related to a lag in the timing of claim submissions from school districts relative to initial projections (\$613 million).

All Governmental Funds spending was \$214 million higher than Mid-Year Update projections which, in addition to the State Operating Funds and Capital Projects variances described above, included higher spending for Federal Medicaid and EP costs (\$674 million), offset by lower than projected disbursements for Federal education (\$388 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 (\$688 million), and higher spending (\$5 billion). The combination of these annual changes resulted in a \$3.2 billion decrease in overall balance.

All GOVERNMENTAL FUNDS RESULTS YEAR-OVER-YEAR				
APRIL THROUGH DECEMBER				
(millions of dollars)				
	FY 2016	FY 2017	Increase/(Decrease)	
	Results	Results	\$	%
Opening Balance	9,355	11,810	2,455	26.2%
Total Receipts	111,874	111,187	(687)	-0.6%
Taxes:	54,435	53,233	(1,202)	-2.2%
Personal Income Tax	34,021	32,878	(1,143)	-3.4%
Consumption / Use Taxes	11,961	12,346	385	3.2%
Business Taxes	5,442	5,319	(123)	-2.3%
Other Taxes	3,011	2,690	(321)	-10.7%
Miscellaneous Receipts	20,207	18,278	(1,929)	-9.5%
Federal Grants	37,232	39,676	2,444	6.6%
Total Spending	104,943	109,991	5,048	4.8%
State Operating Funds:	64,889	66,948	2,059	3.2%
Local Assistance	42,895	44,688	1,793	4.2%
Agency Operations (including GSCs)	19,882	20,323	441	2.2%
Debt Service	2,111	1,934	(177)	-8.4%
Capital Projects	1	3	2	200.0%
Capital Projects Funds	6,524	7,196	672	10.3%
Federal Operating Funds	33,530	35,847	2,317	6.9%
Other Financing Sources	(66)	(32)	34	-51.4%
Change in Operations	6,865	1,164	(5,701)	-83.0%
Closing Balance	16,220	12,974	(3,246)	-20.0%

All Funds tax receipts during the time period of April 2016 through December 2016 were \$1.2 billion (2.2 percent) lower than results for the same time period of the prior year, primarily due to lower PIT receipts (\$1.1 billion) resulting from a decline in quarterly estimated tax payments and April extension payments. Business taxes declined (\$123 million) due to lower gross receipts partially offset by higher audits. The year-over-year decline in other taxes (\$321 million) was primarily the result of the continued phase-in of the estate tax cut enacted in 2014. These declines were slightly offset by a \$385 million annual increase in consumption/use taxes resulting from higher sales and use tax collections (\$376 million) related mainly to base growth.

Miscellaneous receipts were \$1.9 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 alone.

Federal grants were \$2.4 billion higher than FY 2016, consistent with the impact of the annual changes in Federal spending described in more detail below.

Through December 2016, All Funds spending was \$5 billion higher than the same period in the prior year, which was comprised of higher spending for State Operating Funds (\$2.1 billion), Capital Projects Funds (\$672 million), and Federal Operating Funds (\$2.3 billion).

State Operating Funds spending through December was \$2.1 billion, or 3.2 percent, higher than the same period in the prior year. This increase was driven primarily by the growth in Medicaid (\$1.6 billion) in relation to sharp increases in EP enrollment levels, as well as the advancement of funds to providers earlier during FY 2017 while awaiting the application of certain credits pending Federal approval of rate plans. School aid growth of \$287 million from the prior year was consistent with program growth budgeted on an annual basis. Growth in agency operations (\$441 million) was due to higher non-personal service costs (\$164 million), in particular for growth in SUNY campus and hospital operations activity, and fringe benefit and fixed cost expenses (\$252 million) related to growth in statewide pension and health insurance expenses.

Federal spending growth is largely driven by Medicaid spending (\$3.2 billion), most significantly reflecting the escalating cost impact associated with various Federal health care transformation initiatives (including new spending for the EP). Significant spending declines relative to FY 2016 are driven by claims inconsistent with prior year patterns in education primarily related to timing delays associated with New York City claims (\$849 million), public assistance (\$367 million) and homeland security (\$277 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 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.

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 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 CPI, respectively. However, the budgets enacted for FYs 2014 through FY 2017 authorized spending for School Aid to increase above personal income growth. The FY 2018 Executive Budget Financial Plan reflects a 3.9 percent School Aid increase, equal to the personal income indexed rate.

State law grants the Commissioner of Health certain powers and authority to maintain Medicaid spending levels assumed in the Executive Budget Financial Plan. Over the past five years, DOH State Funds Medicaid spending levels have remained at or below indexed levels without requiring the Commissioner to exercise this authority. 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 Updated Financial plan 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 Executive Budget 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 Executive Budget Financial Plan in current or future years.

The Executive Budget includes some proposals and recommendations that would affect annual spending growth on a State Operating Funds basis of reporting, including (i) the realignment of certain operating costs to the capital budget to provide consistency in reporting across all agencies and a more accurate accounting of the overall capital budget, (ii) the payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting and (iii) the restructuring of the STAR program such that the spending for certain benefits is instead provided in the form of a tax credit for consistency with how other State tax credits are reported. If these and other transactions are not implemented as planned, this could add upward pressure to the reported level of annual spending growth in State Operating Funds, which the Executive Budget proposes be held to less than 2 percent in FY 2018.

In developing the Executive Budget Financial Plan, DOB attempts to mitigate the financial risks from volatility, litigation, and other unexpected costs, with a particular emphasis on the General Fund. It does this by, among other things, exercising caution when calculating total General Fund disbursements, 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 respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. However, current 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 Federal tax policy and legislation, health care, including amendments to the Affordable Care Act, infrastructure, taxation, the Budget Control Act of 2011 (as amended), Federal regulatory reform, and other issues that may arise.

Reductions in Federal funding levels could have a materially adverse impact on the Executive Budget Financial Plan. In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the Executive Budget 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 in potentially affecting the Updated Financial Plan are described below.

Predictable Revenue Streams

The transition at the Federal level to a new administration and Congress has put in flux the flow of revenue for federally supported programs especially mandatory programs such as TANF and the

Children's Health Insurance Program that are funded outside the Federal appropriations process and set to expire in Federal FY 2017. The Federal revenue streams supporting these programs, and others up for reauthorization, totaled more than \$42 billion nationally in FY 2016.

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 mid-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, however, at this point it is unclear if or how the tax will be changed as a result of ongoing health care reform discussions.

Current Labor Negotiations (Current Contract Period)

Legislation has been enacted to implement a three year collective bargaining agreement providing 2 percent annual increases (FY 2017, FY 2018, and FY 2019) for employees represented by PEF and comparable increases for M/C employees. The agreement with PEF 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. The Graduate Student Employees Union (GSEU) have agreed to a similar three-year deal. The GSEU membership voted to ratify on March 3, 2017.

The New York State Police Investigators Association (NYSPIA) 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 enacted NYSPIA pay bill provides 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.

Most recently, the NYSCOPBA membership voted not to ratify a tentative agreement on a five-year labor contract through FY 2021, which would have provided for annual 2 percent general salary increases through FY 2021, and differentials typically received within the law enforcement community (e.g., Hazardous Duty Pay), the costs of which were offset by benefit design changes within NYSHIP and reductions in overtime costs. The State will continue negotiations with NYSCOPBA.

The State is in active negotiations with all other employee unions whose contracts concluded in FY 2016, including CSEA, UUP, Council 82, and District Council 37 (DC-37 Housing). Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose contract expired at the end of FY 2015.

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, the State expects to advance its planned payment of approximately \$250 million State support for CUNY senior

colleges from October 2017 to June 2017, to make resources available for retroactive payments in the academic year ending June 2017.

Pension Amortization¹³

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 be required to make the related interest payments only 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 prescribed policies and procedures. Employer contribution rates are established for both the ERS and 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 one 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

¹³ 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.

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 Executive Budget 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.

Fiscal Year (FY)	New York State Employees' Retirement System (ERS)		New York State Police and Fire Retirement System (PFRS)	
	System Average Normal Rates (GLIP Portion) ¹	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

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

Outyear Projections

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

During FY 2016, the NYSLRS (ERS and PFRS) updated its actuarial assumptions based on the results of the 2015 five-year experience study. In September 2015, the System announced that employer contribution rates would decrease for FY 2017 and the assumed rate of return would be lowered from 7.5 percent to 7 percent. The salary scale assumptions were also changed — for ERS the scale was reduced from 4.8 percent to 3.8 percent, and for PFRS the scale was reduced from 5.4 percent to 4.5 percent.

The FY 2017 ERS/PFRS pension estimate of \$2.2 billion incorporates the most recent estimate prepared by OSC as of February 2017. 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 starting 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 there would be an interest rate of 7 percent applied to this amortization. The cost to the State for ERS (including the costs covered for local ERS) is \$77 million in FY 2017 based on actual credit purchased through December 31, 2016. DOB currently estimates ERS costs of \$100 million in FY 2018; \$79 million in FY 2019; and \$49 million in FY 2020. Additionally, the State expects ongoing annual 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 (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)						
Fiscal Year	Amortization Thresholds (Graded Rate)		Statewide Pension Payments ¹			Total Statewide Pension Payments
	ERS (%)	PFRS (%)	Gross Pension Costs	Amortization Amount	Repayment of Amortization ²	
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	2,025	0	432	2,457
2018	14.9	24.3	2,108	0	432	2,540
2019	15.6	25.3	2,215	0	432	2,647
2020	16.6	26.3	2,329	0	432	2,761
2021	17.6	27.3	2,558	0	432	2,990

¹ Includes ERS, PFRS, TRS, ORP, and VDC.

² Includes repayment of amortization in SFY's 2005 and 2006.

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 SYSTEM¹
IMPACTS OF AMORTIZATION ON PENSION CONTRIBUTIONS

(millions of dollars)

<u>Fiscal Year</u>	<u>Normal Costs²</u>	<u>(Amortized)/Excess Contributions</u>	<u>Amortization Payments</u>	<u>Total</u>
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
2016	1,972.2	(356.2)	389.9	2,005.9
Projections:				
2017	1,791.8	0.0	432.1	2,223.9
2018	1,881.0	0.0	432.1	2,313.1
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	2,530.6	0.0	399.8	2,930.4
2023	2,556.6	0.0	331.3	2,887.9
2024	2,582.7	0.0	240.1	2,822.8
2025	2,609.0	0.0	126.4	2,735.4
2026	2,635.0	0.0	42.2	2,677.2
2027	2,661.1	0.0	0.0	2,661.1
2028	2,687.2	0.0	0.0	2,687.2
2029	2,696.2	0.0	0.0	2,696.2
2030	2,703.6	0.0	0.0	2,703.6
2031	2,709.3	0.0	0.0	2,709.3
2032	2,713.0	0.0	0.0	2,713.0

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. A significant portion of the annual growth in the State's unfunded actuarial accrued liability has been driven by the adoption of new generational mortality projection tables developed by the Society of Actuaries. The new tables reflect an improvement in life expectancy in future years, resulting in increases to accrued liabilities and the present value of projected benefits. A portion of the annual growth has also been driven by 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 PAYGO 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 GASB Statement. The Executive Budget includes legislation to establish a Retiree Health Benefit Trust Fund for the purpose of funding health benefits of retired State employees and their dependents.

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. For more information, see the "Litigation and Arbitration" section later in this AIS Update.

Storm Recovery

New York State continues to recover from the damage sustained during 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, recovery, and future mitigation efforts continue, 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.

Cybersecurity

New York State government, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the State and its public corporations and municipalities face multiple cyber threats, including, but not limited to, hacking attacks, viruses and similar malware attacks on computer and other sensitive systems. Entities or individuals may attempt to gain unauthorized access to the State's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of damage from cyber incidents or cyber-attacks, the State invests in multiple forms of cybersecurity and operational controls. However, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could damage State digital networks and systems and the costs of remedying any such damage could be substantial.

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 Debt Reform 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. DOB determined in November 2016 that the State was in compliance with the statutory caps in the most recent calculation period (FY 2016).

Current projections anticipate 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 \$6.3 billion in FY 2017 to about \$443 million in FY 2021. 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 expected growth of State personal income. 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			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
	Income	Cap %	Cap \$						
FY 2017	1,199,546	4.00%	47,982	41,642	6,340	3.47%	0.53%	8,030	49,671
FY 2018	1,260,550	4.00%	50,422	46,301	4,121	3.67%	0.33%	6,801	53,102
FY 2019	1,315,311	4.00%	52,612	50,340	2,273	3.83%	0.17%	5,760	56,099
FY 2020	1,376,060	4.00%	55,042	54,177	865	3.94%	0.06%	4,885	59,062
FY 2021	1,438,788	4.00%	57,552	57,108	443	3.97%	0.03%	3,413	60,521
FY 2022	1,503,838	4.00%	60,154	58,937	1,217	3.92%	0.08%	2,784	61,721

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds			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
	Receipts	Cap %	Cap \$						
FY 2017	154,031	5.00%	7,702	4,279	3,423	2.78%	2.22%	1,002	5,281
FY 2018	160,410	5.00%	8,020	4,591	3,429	2.86%	2.14%	955	5,546
FY 2019	164,546	5.00%	8,227	5,201	3,027	3.16%	1.84%	1,238	6,439
FY 2020	169,919	5.00%	8,496	5,748	2,748	3.38%	1.62%	1,327	7,075
FY 2021	173,848	5.00%	8,692	6,167	2,526	3.55%	1.45%	1,213	7,380
FY 2022	172,245	5.00%	8,612	6,479	2,133	3.76%	1.24%	738	7,217

The State's available debt capacity under its statutory debt cap reflects the impact of several factors in the Executive Budget. Below is a summary that highlights each factor and its cumulative impact on the remaining capacity since the Mid-Year Update. These include a change (reduction) to the personal income forecast, additional capital commitments proposed in the Executive Budget, and revised estimates for bond-financed capital spending. Debt capacity amounts continue to assume that SUNY Dormitory facilities lease revenue bonds will be refunded into the new SUNY Dorms Facilities Revenue Bond credit within one year of their call dates. Additional reductions to capital spending are assumed from the Statewide Capital Efficiency Plan that will be implemented as part of the FY 2018 Agency Financial Management Plan. A 5 percent capital spending reduction is assumed on all bond-financed capital spending starting in FY 2019. The impact on the debt cap is shown in the following chart.

DEBT OUTSTANDING SUBJECT TO CAP REMAINING CAPACITY SUMMARY (millions of dollars)						
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Mid-Year Update to the FY 2017 Financial Plan	5,893	3,070	1,935	1,502	1,691	2,234
Personal Income Forecast Adjustment	(549)	(514)	(862)	(1,022)	(1,144)	(1,193)
Executive Capital Reestimates	996	2,464	2,746	2,436	2,370	2,969
Executive Capital Adds	0	(899)	(1,951)	(2,850)	(3,603)	(4,242)
Capital Efficiencies - 5% Reduction	0	0	405	799	1,129	1,449
FY 2018 Executive Budget Financial Plan	6,340	4,121	2,273	865	443	1,217

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 December 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. The debt associated with this hospital was fully paid off on February 15, 2017. 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. Since then the State has paid \$55 million for debt service costs. DASNY also estimates the State will pay debt service costs of approximately \$30 million in FY 2017, \$19 million in FY 2018, and approximately \$18 million annually in FY 2019 through FY 2022. 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 \$20 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.

Consensus Revenue Forecast

On March 1, 2017, the Director of the Budget, and all secretaries of the Senate Finance Committee and Assembly Ways and Means Committee, issued a joint report containing a consensus forecast for the economy and projections of certain receipts for the current and ensuing fiscal year. In the consensus forecast report, the parties agreed that receipts over the two-year period (FYs 2017 and 2018) were projected to exceed the Executive Budget forecast by \$200 million. The consensus forecast is not reflected in the Updated Financial Plan.



**State Financial Plan Projections
Fiscal Years 2017 Through 2021**

State Financial Plan Projections – Fiscal Years 2017 Through 2021

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 2021, with an emphasis on the FY 2018 projections. The projections reflect the impact of the Executive Budget proposal.

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 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 State Operating Funds (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 2018 budget, FY 2019, is the most relevant from a planning perspective.

Summary

The Updated Financial Plan reflects a 1.9 percent annual growth in State Operating Funds, consistent with the expectation of adherence to a 2 percent spending growth benchmark.

The projections for FY 2019 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 2018, FY 2019, FY 2020, and FY 2021, 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 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Current	Proposed	Projected	Projected	Projected
RECEIPTS					
Taxes (After Debt Service)	62,969	67,861	70,432	73,908	78,761
Miscellaneous Receipts/Federal Grants	3,799	2,298	2,290	2,175	2,051
Other Transfers	1,222	924	741	726	725
Total Receipts	67,990	71,083	73,463	76,809	81,537
DISBURSEMENTS					
Local Assistance Grants	44,826	47,247	49,971	52,777	55,400
School Aid	21,055	22,197	23,220	24,288	25,537
Medicaid/EP	12,435	13,485	14,303	15,397	16,288
All Other	11,336	11,565	12,448	13,092	13,575
State Operations	8,253	8,305	8,624	8,889	9,244
Personal Service	6,099	6,015	6,236	6,390	6,717
Non-Personal Service	2,154	2,290	2,388	2,499	2,527
General State Charges	5,491	5,741	6,231	6,689	7,232
Transfers to Other Funds	11,122	11,105	12,023	12,178	11,793
Debt Service	927	946	1,156	1,050	1,115
Capital Projects	3,458	3,517	3,927	3,781	3,076
State Share of Mental Hygiene Medicaid	1,432	1,301	1,231	1,119	1,263
SUNY Operations	996	1,000	997	997	997
All Other	4,309	4,341	4,712	5,231	5,342
Total Disbursements	69,692	72,398	76,849	80,533	83,669
Use (Reservation) of Fund Balance:	1,702	1,315	1,613	1,063	351
Community Projects	10	16	0	0	0
Labor Agreements	15	(155)	0	0	0
Undesignated Fund Balance	237	0	0	0	0
Rainy Day Reserve	0	(150)	0	0	0
Monetary Settlements ¹	1,440	1,604	1,613	1,063	351
BUDGET SURPLUS/(GAP) PROJECTIONS²	0	0	(1,773)	(2,661)	(1,781)
Adherence to 2% Spending Benchmark³	n/a	n/a	2,465	4,753	6,741
BUDGET SURPLUS/(GAP) PROJECTIONS	0	0	692	2,092	4,960
<p>¹ Reflect transfers of monetary settlement funds from the General Fund to the Dedicated Infrastructure Investment Fund, the Environmental Protection Fund, and the Capital Projects Fund.</p> <p>² Before actions to adhere to the 2 percent benchmark.</p> <p>³ Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 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.</p>					

State Operating Funds Projections

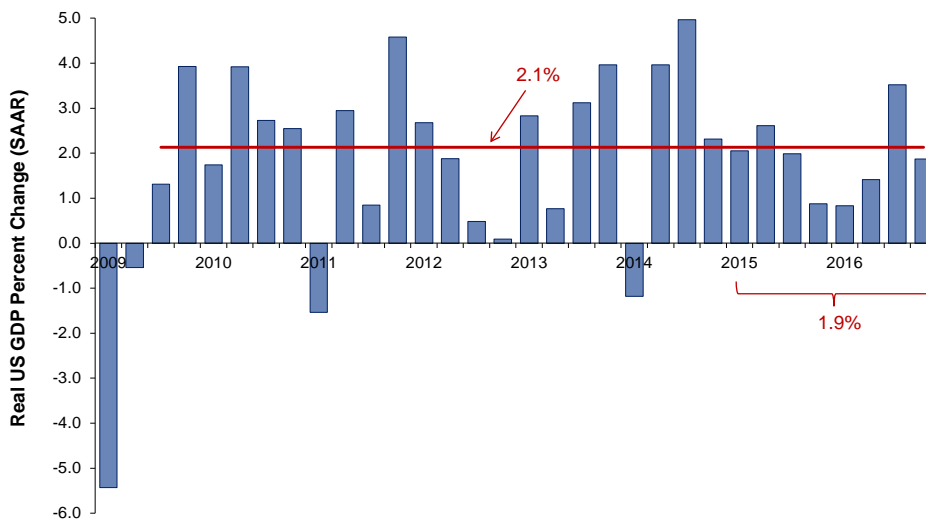
STATE OPERATING FUNDS PROJECTIONS (millions of dollars)					
	FY 2017 Current	FY 2018 Proposed	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
RECEIPTS					
Taxes	73,615	78,236	81,454	85,447	90,569
Miscellaneous Receipts/Federal Grants	21,185	19,237	19,078	18,854	18,487
Total Receipts	94,800	97,473	100,532	104,301	109,056
DISBURSEMENTS					
Local Assistance Grants	64,465	65,955	68,611	71,423	74,058
School Aid (School Year Basis)	24,644	25,605	26,601	27,714	29,013
DOH Medicaid ¹	18,171	19,174	20,238	21,213	21,973
Tobacco Funding of Local Medicaid Takeover	0	(125)	(400)	(400)	(400)
Transportation	4,959	4,988	5,061	5,152	5,220
STAR	3,208	2,606	2,448	2,336	2,278
Higher Education	2,985	2,982	3,152	3,212	3,260
Social Services	2,923	2,915	3,040	3,137	3,153
Mental Hygiene	2,459	2,410	2,834	3,112	3,325
All Other ²	5,116	5,400	5,637	5,947	6,236
State Operations	18,792	18,599	19,010	19,339	19,831
Personal Service	13,035	12,840	13,104	13,340	13,796
Non-Personal Service	5,757	5,759	5,906	5,999	6,035
General State Charges	7,631	7,940	8,473	8,986	9,584
Pension Contribution	2,457	2,540	2,647	2,761	2,990
Health Insurance	3,682	3,976	4,228	4,512	4,808
All Other	1,492	1,424	1,598	1,713	1,786
Debt Service	5,310	5,566	6,457	7,093	7,398
Capital Projects	2	2	0	0	0
Total Disbursements	96,200	98,062	102,551	106,841	110,871
Net Other Financing Sources/(Uses)	(425)	(612)	(954)	(754)	(39)
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	1,825	1,201	1,200	633	73
General Fund	1,702	1,315	1,613	1,063	351
Special Revenue Funds	136	(111)	(409)	(425)	(273)
Debt Service Funds	(13)	(3)	(4)	(5)	(5)
GENERAL FUND BUDGET SURPLUS/(GAP)³	0	0	(1,773)	(2,661)	(1,781)
Adherence to 2% Spending Benchmark⁴	n/a	n/a	2,465	4,753	6,741
GENERAL FUND BUDGET SURPLUS/(GAP)	0	0	692	2,092	4,960
<p>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. In addition, total state share Medicaid funding includes the utilization of tobacco MSA proceeds which will be directly deposited to the MMIS Escrow Fund to cover a portion of local Medicaid growth.</p> <p>² All Other includes other education, parks, environment, economic development, public safety, and reconciliation between school year and State fiscal year spending on School aid.</p> <p>³ Before actions to adhere to the 2 percent benchmark.</p> <p>⁴ Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 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.</p>					

Economic Backdrop

The National Economy

The U.S. economy recently posted quarterly growth below 2 percent, the fifth such quarter since the third quarter of calendar year 2015. The national economy has averaged 2.1 percent growth since the start of the expansion in the middle of 2009. Below average growth of 1.6 percent in calendar year 2016 is expected to be followed by slightly above average growth of 2.2 percent for calendar year 2017. The components of real U.S. GDP contributing to stronger growth in 2017 include private nonresidential fixed investment, exports, and inventories, all of which exhibited weak growth for much of 2016. However, a strong dollar, a slowing job market, and the uncertainty related to the future of fiscal policy suggest that the economy's historically slow growth path is likely to persist over the near-term.

US Economic Growth



Source: Moody's Analytics.

In January 2017 the national labor market posted its strongest showing since July 2016, with the addition of 237,000 private sector jobs, in seeming contradiction to the recent slower trend. However, an unusually warm January 2017 likely accounted for a significant portion of the monthly increase, with weather-sensitive areas such as construction and retail trade accounting for 82,000 jobs alone; those two sectors accounted for only 36,000 jobs in December 2016. As a result, DOB continues to expect employment to slow further as the expansion matures. Total nonagricultural employment growth of an upwardly revised 1.5 percent is projected for 2017, but this forecast represents a significant deceleration from 1.8 percent growth in 2016.

Consistent with a tightening labor market, average wage growth is expected to post its strongest year since the end of the Great Recession. Moreover, improvement is expected at the low end of the income spectrum, with the minimum wage rising in 20 states at the start of 2017, including New York. Wage growth of 4.5 percent is projected for 2017. Continued solid employment and income growth, along with equity and home price growth, are expected to support real consumer spending growth of 2.6 percent for 2017.

U.S. ECONOMIC INDICATORS (Percent change from prior calendar year)			
	2016 (Actual)	2017 (Forecast)	2018 (Forecast)
Real U.S. Gross Domestic Product	1.6	2.2	2.4
Consumer Price Index (CPI)	1.3	2.6	2.4
Personal Income	3.5	4.4	4.6
Nonagricultural Employment	1.8	1.5	1.3
Source: Moody's Analytics; DOB staff estimates.			

Notwithstanding signs that both the European and Chinese economies are improving, the outlook for the global economy remains shaky. Weakness in the rest of the world relative to the U.S. has resulted in a substantial appreciation of the U.S. dollar, which is likely to constrain export and corporate earnings growth going forward. Consequently, DOB forecasts real U.S. export growth to remain subdued. Real U.S. export growth of 2.0 percent is projected for 2017, representing an improvement from the 0.4 percent growth observed in 2016.

Oil prices above \$50 per barrel have been sustained since December 2016. Outside of the energy sector, consumer prices related to shelter, medical care, and education have also been on the rise. Consequently, DOB projects consumer price inflation of 2.6 percent for 2017. As expected, the Federal Open Market Committee voted to raise its target range for the federal funds rate to 50 to 75 basis points at the end of 2016 from the existing 25 to 50 basis-point range. But despite inflation advancing at its strongest pace since 2011, DOB expects only two short-term interest rate hikes in 2017. With longer term interest rates holding steady, and the dollar remaining strong relative to its year-ago level, the central bank is expected to be cognizant of the potential for further downward pressure on global demand for U.S. goods and services.

Despite rebounding oil prices helping to buttress investment in both equipment and structures related to domestic oil production, real private nonresidential investment growth has been low, with investment falling 0.4 percent in 2016. Although investment growth is expected to accelerate to 3.6 percent in 2017, growth in private business investment in plant and equipment is expected to remain below 5 percent over the entire span of the forecast horizon, constraining the national economy's capacity for future growth.

Consistent with the Executive Budget Financial Plan forecast, DOB's current baseline U.S. forecast abstracts from any major discontinuity in Federal fiscal policy. However, DOB acknowledges that

the anticipation of future Federal fiscal policy changes does influence the forecast to the extent that it has become embedded in current market fundamentals, such as equity prices and interest rates. Nevertheless, the potential for major changes to the fiscal landscape represent both upside and downside risks to this forecast. Policies that substantially widen the federal budget deficit without enhancing productivity growth could result in higher interest rates and, in turn, weaker household and business investment spending than anticipated.

In addition, policies resulting in world trade conflicts could result in even less global growth and diminished demand for U.S. exports relative to current projections. Weaker growth in both U.S. corporate profits and equity market prices could also ensue. In contrast, policies that stimulate more public or private business investment than anticipated could result in stronger growth in both the near-term and the long-term, particularly if those investments raise productivity growth and, hence, the economy's long-term capacity to produce. Finally, the response of both domestic and global financial markets to the unwinding of the Federal Reserve's unprecedentedly accommodative policies continues to pose risks, particularly in light of the uncertainty surrounding developments on the fiscal policy side.

The New York State Economy

New York's private sector labor market has slowed against a backdrop of a strong dollar and weak national and global growth. After 10 consecutive quarters of growth above 2 percent, the rate of private job gains fell to 1.9 percent in the second quarter of calendar year 2016, slowing further to an estimated 1.6 percent in the third quarter. As a result, DOB estimates private job growth of 1.8 percent for 2016 as a whole, slowing further to 1.5 percent for 2017.

Market volatility and uncertainty surrounding future policy changes under the new presidential administration appear to have resulted in the withdrawal of many of the initial public offerings (IPOs) that had been scheduled for the end of 2016. The ensuing loss of revenue generating activity led to a downward revision by DOB to finance and insurance sector bonuses for FY 2017, which are now estimated to have fallen 1.7 percent. However, growth in underlying non-bonus wages remains healthy at an estimated 4.6 percent. On balance, total State wage growth for FY 2017 is expected to be 3.8 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	3.6	4.8
Wages	4.3	3.8	4.2
Nonagricultural Employment	1.9	1.5	1.3

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

Analysis of withholding data for the fourth quarter of 2016 and the first quarter of 2017 to-date indicates that in anticipation of potentially lower PIT rates at the Federal level, bonus income in excess of \$3 billion was likely shifted from the end of 2016 into early 2017. Preliminary data indicate

that real estate and financial market transactions may have also been delayed by taxpayers in order to maximize their tax advantage. Consequently, DOB has revised down its estimate for capital gains realizations for 2016 from a decline of 3.0 percent to a decline of 8.3 percent.

Although the State's private-sector labor market is projected to remain strong from a historical perspective, there are many 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. Under a 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. Moreover, with federal tax policy in flux, and taxpayers strategically responding to anticipated changes in tax policy, the uncertainty surrounding the forecast for bonuses and various forms of taxable non-wage income is further heightened.

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 \$154.0 billion, an increase of 0.5 percent from FY 2016 results.

ALL FUNDS RECEIPTS (millions of dollars)											
	FY 2016 Results	FY 2017 Current	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
Personal Income Tax	47,055	47,309	0.5%	50,683	7.1%	53,089	4.7%	55,994	5.5%	60,059	7.3%
Consumption/Use Taxes	15,725	16,184	2.9%	16,998	5.0%	17,697	4.1%	18,239	3.1%	18,815	3.2%
Business Taxes	7,884	7,847	-0.5%	8,253	5.2%	8,359	1.3%	8,723	4.4%	9,039	3.6%
Other Taxes	2,703	2,272	-15.9%	2,179	-4.1%	2,196	0.8%	2,297	4.6%	2,394	4.2%
Payroll Mobility Tax	1,306	1,361	4.2%	1,421	4.4%	1,487	4.6%	1,562	5.0%	1,630	4.4%
Total State Taxes	74,673	74,973	0.4%	79,534	6.1%	82,828	4.1%	86,815	4.8%	91,937	5.9%
Miscellaneous Receipts	27,268	26,175	-4.0%	26,611	1.7%	26,209	-1.5%	25,804	-1.5%	24,786	-3.9%
Federal Receipts	51,324	52,885	3.0%	54,265	2.6%	55,511	2.3%	57,302	3.2%	57,125	-0.3%
Total All Funds Receipts	153,265	154,033	0.5%	160,410	4.1%	164,548	2.6%	169,921	3.3%	173,848	2.3%

State tax receipts are estimated to increase 0.4 percent in FY 2017. The increase in PIT receipts is primarily due to withholding growth and a decline in refunds, while the decline in other taxes is the result of one-time factors affecting FY 2016 and the continued phase-in of the estate tax cut. The miscellaneous receipts decline in FY 2017 is primarily due to the substantial decline in monetary settlement payments from financial institutions.

Consistent with the projected growth in the New York economy over the multi-year Financial Plan period beyond FY 2017, all tax categories are projected to exhibit growth. The “other taxes” category is an exception in FY 2018 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 0.7 percent in FY 2017 and 5.9 percent in FY 2018.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)											
	FY 2016	FY 2017		FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Current	Change	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	47,055	47,309	0.5%	50,683	7.1%	53,089	4.7%	55,994	5.5%	60,059	7.3%
Gross Collections	56,600	56,524	-0.1%	60,638	7.3%	64,276	6.0%	68,190	6.1%	71,608	5.0%
Refunds (Incl. State/City Offset)	(9,545)	(9,215)	3.5%	(9,955)	-8.0%	(11,187)	-12.4%	(12,196)	-9.0%	(11,549)	5.3%
GENERAL FUND¹	31,957	32,274	1.0%	35,406	9.7%	37,369	5.5%	39,660	6.1%	42,818	8.0%
Gross Collections	56,600	56,524	-0.1%	60,638	7.3%	64,276	6.0%	68,190	6.1%	71,608	5.0%
Refunds (Incl. State/City Offset)	(9,545)	(9,215)	3.5%	(9,955)	-8.0%	(11,187)	-12.4%	(12,196)	-9.0%	(11,549)	5.3%
STAR	(3,335)	(3,208)	3.8%	(2,606)	18.8%	(2,448)	6.1%	(2,336)	4.6%	(2,226)	4.7%
RBTf	(11,763)	(11,827)	-0.5%	(12,671)	-7.1%	(13,272)	-4.7%	(13,998)	-5.5%	(15,015)	-7.3%

¹Excludes Transfers.

All Funds personal income tax receipts for FY 2017 are projected to be \$47.3 billion, an increase of \$254 million (0.5 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 2021.

ALL FUNDS PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS						
(millions of dollars)						
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Results	Current	Proposed	Projected	Projected	Projected
Receipts						
Withholding	36,549	37,575	39,359	41,214	43,267	44,387
Estimated Payments	16,111	14,976	17,025	18,527	20,175	22,196
Current Year	11,561	10,915	12,379	13,235	14,448	15,767
Prior Year ¹	4,550	4,061	4,646	5,292	5,727	6,429
Final Returns	2,630	2,615	2,836	3,044	3,193	3,403
Current Year	269	287	299	314	329	344
Prior Year ¹	2,360	2,328	2,537	2,730	2,864	3,059
Delinquent	1,310	1,358	1,418	1,491	1,555	1,622
Gross Receipts	56,600	56,524	60,638	64,276	68,190	71,608
Refunds						
Prior Year ¹	5,130	5,235	6,216	6,798	7,388	7,916
Previous Years	618	499	470	495	525	555
Current Year ¹	2,550	1,750	1,749	1,749	1,750	1,750
Advanced Credit Payment	571	883	647	1,247	1,709	479
State/City Offset ¹	675	848	873	898	824	849
Total Refunds	9,545	9,215	9,955	11,187	12,196	11,549
Net Receipts	47,055	47,309	50,683	53,089	55,994	60,059

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

Withholding in FY 2017 is estimated to be \$1 billion (2.8 percent) higher than FY 2016 results, driven by weak wage growth. Extension payments related to tax year 2015 declined by \$489 million (10.7 percent), primarily due to payment-timing differences relative to tax year 2014 (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 \$646 million (5.6 percent) lower, primarily due to a decline in net capital gains income. Final return payments and delinquencies are projected to be \$15 million (0.6 percent) lower and \$48 million (3.7 percent) higher than FY 2016 results, respectively.

The projected decrease in total refunds of \$330 million (3.5 percent) includes a \$105 million increase (2 percent) in prior (tax year 2015) refunds, a \$119 million (19.3 percent) decrease in previous (tax year 2014 and earlier) refunds, an \$800 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 \$173 million (25.6 percent) increase in the state-city offset. The advanced credit payments estimate 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 \$32.3 billion are estimated to increase by \$317 million (1 percent) from FY 2016 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be \$11.8 billion and the STAR transfer is projected to be \$3.2 billion.

All Funds PIT receipts for FY 2018 of \$50.7 billion are projected to increase by over \$3.4 billion (7.1 percent) from FY 2017 estimates. Gross PIT receipts are projected to increase 7.3 percent, reflecting withholding that is projected to grow by \$1.8 billion (4.7 percent) and estimated payments related to tax year 2017 that are projected to grow by \$1.5 billion (13.4 percent). The moderate but improved growth in withholding is attributable to the proposed surcharge rate extension and stronger bonus growth. 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 (8.5 percent). Delinquencies are projected to increase \$60 million (4.4 percent) from the prior year. Total refunds are projected to increase by \$740 million (8 percent) from the prior year. Legislative proposals included in the FY 2018 Executive Budget increase withholding by \$683 million, current estimated payments related to tax year 2017 by \$20 million, and delinquencies by \$22 million.

General Fund PIT receipts for FY 2018 of \$35.4 billion are projected to increase by nearly \$3.1 billion (9.7 percent). RBTF deposits are projected to be \$12.7 billion, and the STAR transfer is projected to be \$2.6 billion. Proposed legislation within the FY 2018 Executive Budget reduces the STAR transfer by \$351 million.

All Funds PIT receipts in FY 2019 are projected to increase by \$2.4 billion to \$53.1 billion, while General Fund PIT receipts are projected to total nearly \$37.4 billion. The projected growth of 4.7 percent in FY 2019 All Funds PIT receipts is driven by the aforementioned proposed surcharge rate extension, combined with continued phase-in of the FY 2017 Enacted Budget middle income tax cuts. On a net basis, legislation included in the FY 2018 Executive Budget is projected to increase FY 2019 collections by nearly \$3.2 billion.

All Funds PIT receipts in FY 2020 are projected to increase by \$2.9 billion (5.5 percent) to \$56 billion, while General Fund PIT receipts are projected to total \$39.7 billion.

All Funds income tax receipts are projected to increase by \$4.1 billion (7.3 percent) in FY 2021 to reach nearly \$60.1 billion, while General Fund PIT receipts are projected to total \$42.8 billion.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)											
	FY 2016	FY 2017		FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Current	Change	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	15,725	16,184	2.9%	16,998	5.0%	17,697	4.1%	18,239	3.1%	18,815	3.2%
Sales Tax	13,359	13,861	3.8%	14,726	6.2%	15,368	4.4%	15,951	3.8%	16,558	3.8%
Cigarette and Tobacco Taxes	1,251	1,227	-1.9%	1,202	-2.0%	1,180	-1.8%	1,134	-3.9%	1,091	-3.8%
Motor Fuel Tax	503	506	0.6%	505	-0.2%	501	-0.8%	496	-1.0%	492	-0.8%
Highway Use Tax	158	140	-11.4%	87	-37.9%	142	63.2%	142	0.0%	144	1.4%
Alcoholic Beverage Taxes	255	258	1.2%	263	1.9%	268	1.9%	273	1.9%	279	2.2%
Medical Marihuana Excise Tax	0	1	0.0%	1	0.0%	1	0.0%	1	0.0%	1	0.0%
Taxicab Surcharge	73	64	-12.3%	64	0.0%	64	0.0%	64	0.0%	64	0.0%
TNC Assessment	0	0	0.0%	16	0.0%	32	100.0%	32	0.0%	32	0.0%
Auto Rental Tax	126	127	0.8%	134	5.5%	141	5.2%	146	3.5%	154	5.5%
GENERAL FUND¹	6,819	7,082	3.9%	7,514	6.1%	7,841	4.4%	8,109	3.4%	8,390	3.5%
Sales Tax	6,242	6,479	3.8%	6,891	6.4%	7,193	4.4%	7,467	3.8%	7,752	3.8%
Cigarette and Tobacco Taxes	322	345	7.1%	348	0.9%	357	2.6%	346	-3.1%	336	-2.9%
Alcoholic Beverage Taxes	255	258	1.2%	263	1.9%	268	1.9%	273	1.9%	279	2.2%
TNC Assessment	0	0	0.0%	12	0.0%	23	91.7%	23	0.0%	23	0.0%

¹Excludes Transfers.

All Funds consumption/use tax receipts for FY 2017 are estimated to be \$16.2 billion, an increase of \$459 million (2.9 percent) from FY 2016 results. Sales tax receipts are estimated to increase \$502 million (3.8 percent) from the prior year. Base growth (i.e., absent law changes) of 4.6 percent exceeds cash growth primarily due to agreements between certain mobile telecommunication 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 \$24 million (1.9 percent). This unusually modest decline primarily reflects the decrease in cigar tax refunds to be issued as a result of an Administrative Law Judge Determination (Matter of Davidoff of Geneva, Inc.). Highway use tax collections are estimated to decrease by \$18 million (11.4 percent) due to the reduction in registration and decal fees from \$19 to \$1.50 resulting from the Independent Owner Operator Drivers Association v. New York Department of Taxation and Finance court decision. 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 \$9 million (12.3 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 bonds issued under the Local Government Assistance Corporation and State Sales Tax Revenue Bond programs. 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 \$263 million (3.9 percent) from FY 2016 results. This increase largely reflects the All Funds sales, cigarette, tobacco and alcoholic beverage tax trends noted above.

All Funds consumption/use tax receipts for FY 2018 are projected to be \$17 billion, an increase of \$814 million (5 percent) from FY 2017. The projected \$865 million (6.2 percent) increase in sales tax receipts reflects sales tax base growth of 4.1 percent, slightly lower than the prior year. Employment and the number of new auto and light truck sales are projected to grow at a slower pace than in FY 2017. Cash growth exceeds base growth primarily due to the above noted agreement between certain mobile telecommunication providers and the State that ends in FY 2017. The proposed Transportation Network Company (TNC) assessment of 5.5 percent is projected to generate an estimated \$16 million in FY 2018. The overall increase in All Funds consumption/use tax receipts is reduced slightly by trend declines in taxable cigarette consumption that have been mitigated by collections from enforcement efforts of the Cigarette Strike Force, and by a decline in highway use tax collections as refunds increase significantly as a result of the court decision noted above.

General Fund consumption/use tax receipts are projected to total \$7.5 billion in FY 2018, a \$432 million (6.1 percent) increase from FY 2017. The projected increase largely reflects the trends noted above.

All Funds consumption/use tax receipts for FY 2019 are projected to be \$17.7 billion, an increase of \$699 million (4.1 percent) from FY 2018. The projected \$642 million (4.4 percent) increase in sales tax receipts reflects sales tax base growth of 4 percent. FY 2019 represents the first full year impact of the TNC assessment (\$32 million). FY 2019 General Fund consumption/use tax receipts are projected to increase to over \$7.8 billion, a \$327 million (4.4 percent) increase from FY 2018.

All Funds consumption/use tax receipts are projected to increase to over \$18.2 billion (3.1 percent growth) in FY 2020 and to \$18.8 billion (3.2 percent growth) in FY 2021, 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 \$8.1 billion (3.4 percent growth) in FY 2020 and nearly \$8.4 billion (3.5 percent growth) in FY 2021, reflecting the All Funds trends noted above.

Business Taxes

BUSINESS TAXES (millions of dollars)											
	FY 2016	FY 2017		FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Current	Change	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	7,884	7,847	-0.5%	8,253	5.2%	8,359	1.3%	8,723	4.4%	9,039	3.6%
Corporate Franchise Tax	4,527	4,129	-8.8%	4,687	13.5%	4,669	-0.4%	5,024	7.6%	5,270	4.9%
Corporation and Utilities Tax	774	738	-4.7%	732	-0.8%	744	1.6%	753	1.2%	763	1.3%
Insurance Tax	1,580	1,502	-4.9%	1,572	4.7%	1,701	8.2%	1,784	4.9%	1,921	7.7%
Bank Tax	(121)	383	416.5%	190	-50.4%	143	-24.7%	71	-50.3%	0	-100.0%
Petroleum Business Tax	1,124	1,095	-2.6%	1,072	-2.1%	1,102	2.8%	1,091	-1.0%	1,085	-0.5%
GENERAL FUND	5,647	5,571	-1.3%	5,955	6.9%	5,972	0.3%	6,310	5.7%	6,595	4.5%
Corporate Franchise Tax	3,763	3,334	-11.4%	3,827	14.8%	3,766	-1.6%	4,084	8.4%	4,300	5.3%
Corporation and Utilities Tax	594	568	-4.4%	559	-1.6%	563	0.7%	569	1.1%	575	1.1%
Insurance Tax	1,419	1,346	-5.1%	1,407	4.5%	1,521	8.1%	1,597	5.0%	1,720	7.7%
Bank Tax	(129)	323	N/A	162	-49.8%	122	-24.7%	60	-50.8%	0	-100.0%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2017 are estimated at over \$7.8 billion, a decrease of \$37 million (0.5 percent) from FY 2016 results. The estimate reflects a combined decrease of \$541 million among all non-bank business taxes, partially offset by an increase in the bank tax of \$504 million.

Corporate franchise tax receipts are estimated to decrease \$398 million (8.8 percent) in FY 2017, reflecting tax year 2016 corporate tax reform tax cuts including 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. Additionally, December 2016 estimated payments from calendar year filers were weak, declining 23 percent from December 2015. 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). 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 \$29 million (2.6 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 \$5.6 billion are estimated to decrease \$76 million (1.3 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 \$406 million (5.2 percent) from the current year. The increase in corporation franchise tax receipts of \$558 million (13.5 percent) reflects projected growth in corporate profits following nearly full implementation of corporate tax reform changes and tax cuts as well as higher audit receipts. The corporation and utilities tax receipts decline of \$6 million (0.8 percent) is attributable to a reduction in receipts from Section 181 which was repealed as part of Corporate Tax Reform. This reduction is partially offset by an increase in projected receipts from regulated public utilities.

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 \$23 million (2.1 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. This would be 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 billion are projected to increase \$384 million (6.9 percent), reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2019 of \$8.4 billion are projected to increase by \$106 million (1.3 percent) from the previous year. The projection primarily reflects insurance tax receipts growth. Projected growth in insurance tax premiums combined with lower expected LIGC credit claims contribute to the year-over-year increase. This increase is partially offset by a combined decrease of \$23 million among all other business taxes.

All Funds business tax receipts for FY 2020 and FY 2021 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 \$8.7 billion (4.4 percent growth) in FY 2020, and increase to \$9 billion (3.6 percent growth) in FY 2021. General Fund business tax receipts are projected to increase to \$6.3 billion (5.7 percent growth) in FY 2020 and \$6.6 billion (4.5 percent growth) in FY 2021.

Other Taxes

OTHER TAXES (millions of dollars)											
	FY 2016 Results	FY 2017 Current	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE/ALL FUNDS	2,703	2,272	-15.9%	2,179	-4.1%	2,196	0.8%	2,297	4.6%	2,394	4.2%
Estate Tax	1,521	1,114	-26.8%	949	-14.8%	911	-4.0%	962	5.6%	1,007	4.7%
Gift Tax	0	0	0.0%	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%	0	0.0%
Real Estate Transfer Tax	1,163	1,138	-2.1%	1,210	6.3%	1,265	4.5%	1,315	4.0%	1,367	4.0%
Pari-Mutuel Taxes	17	17	0.0%	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%	3	0.0%
GENERAL FUND¹	1,540	1,134	-26.4%	969	-14.6%	931	-3.9%	982	5.5%	1,027	4.6%
Estate Tax	1,521	1,114	-26.8%	949	-14.8%	911	-4.0%	962	5.6%	1,007	4.7%
Gift Tax	0	0	0.0%	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%	0	0.0%
Pari-Mutuel Taxes	17	17	0.0%	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%	3	0.0%

¹Excludes Transfers.

All Funds other tax receipts for FY 2017 are estimated to be nearly \$2.3 billion, a decrease of \$431 million (15.9 percent) from FY 2016 results. This largely reflects an estimated decline in estate tax receipts of \$407 million (26.8 percent) from the continued phase-in of the increased filing threshold, and an expected decline in the number of payments from super large estates (over \$25 million) to average 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 largely 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.

General Fund other tax receipts are estimated to be slightly above \$1.1 billion in FY 2017, a \$406 million (26.4 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, a decrease of \$93 million (4.1 percent) from the current year. Estate tax receipts are projected to decrease by \$165 million (14.8 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 \$72 million (6.3 percent), reflecting projected growth in housing prices.

General Fund other tax receipts for FY 2018 are projected to decrease by \$165 million (14.6 percent), due to the projected decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2019 are projected to be nearly \$2.2 billion, a \$17 million (0.8 percent) increase from FY 2018. Estate tax receipts are projected to decrease by \$38 million (4 percent) reflecting the incremental impact of the increased filing threshold that will be effective

on April 1, 2017, partially offset by projected growth in household net worth. Real estate transfer tax receipts are projected to increase by \$55 million (4.5 percent), reflecting projected growth in housing starts and prices. General Fund other tax receipts for FY 2019 are projected to decrease by \$38 million (3.9 percent), due to the projected decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2020 and FY 2021 reflect projected trends in household net worth, housing starts, and housing prices. All Funds other tax receipts are projected to increase by \$101 million (4.6 percent growth) in FY 2020, and by \$97 million (4.2 percent growth) in FY 2021. General Fund other tax receipt estimates for FY 2020 are projected to increase by 5.5 percent and increase by 4.6 percent in FY 2021, reflecting the household net worth trends noted above.

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	FY 2017		FY 2018	FY 2019		FY 2020		FY 2021	
	Results	Current	Change	Proposed	Projected	Change	Projected	Change	Projected	Change
ALL FUNDS	27,268	26,175	-4.0%	26,611	26,209	-1.5%	25,804	-1.5%	24,786	-3.9%
General Fund	5,842	3,799	-35.0%	2,298	2,290	-0.3%	2,175	-5.0%	2,051	-5.7%
Special Revenue Funds	17,117	17,058	-0.3%	16,622	16,472	-0.9%	16,362	-0.7%	16,126	-1.4%
Capital Projects Funds	3,822	4,829	26.3%	7,232	6,989	-3.4%	6,808	-2.6%	6,157	-9.6%
Debt Service Funds	487	489	0.4%	459	458	-0.2%	459	0.2%	452	-1.5%

All Funds miscellaneous receipts are estimated to total \$26.2 billion in FY 2017, a decrease of 4.0 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 to \$26.6 billion (1.7 percent growth) 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)											
	<u>FY 2016</u>	<u>FY 2017</u>		<u>FY 2018</u>		<u>FY 2019</u>		<u>FY 2020</u>		<u>FY 2021</u>	
	<u>Results</u>	<u>Current</u>	<u>Change</u>	<u>Proposed</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
ALL FUNDS	51,324	52,885	3.0%	54,265	2.6%	55,511	2.3%	57,302	3.2%	57,125	-0.3%
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	49,105	50,651	3.1%	52,099	2.9%	53,347	2.4%	55,082	3.3%	54,893	-0.3%
Capital Projects Funds	2,146	2,161	0.7%	2,093	-3.1%	2,091	-0.1%	2,147	2.7%	2,159	0.6%
Debt Service Funds	73	73	0.0%	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 \$57.1 billion by FY 2021, 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 may be subject to change with the new presidential administration and Congress that began 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. If Federal funding to the State were reduced, this could have a materially adverse impact on the Updated Financial Plan.

Disbursements

Total disbursements in FY 2018 are estimated at \$72.3 billion in the State's General Fund (including transfers) and \$98.1 billion in total State Operating Funds. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of projected 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 \$66 billion in FY 2018, 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 Current	Forecast			
			FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
MEDICAID						
Individuals Covered	6,168,006	6,217,239	6,284,551	6,318,208	6,335,036	6,343,450
- Essential Plan	466,614	713,091	723,020	727,880	730,483	733,095
- Child Health Plus (Caseload)	275,854	305,560	309,866	314,232	318,659	323,149
State Takeover of County/NYC Costs ¹	\$2,545	\$2,891	\$3,228	\$3,565	\$3,889	\$4,212
EDUCATION						
School Aid (School Year Basis Funding)	\$23,390	\$24,644	\$25,605	\$26,601	\$27,714	\$29,013
HIGHER EDUCATION						
Public Higher Education Enrollment (FTEs)	562,873	562,873	574,523	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	289,601	285,920	293,473	N/A	N/A	N/A
PUBLIC ASSISTANCE						
Family Assistance Program (Families)	246,080	234,902	230,387	227,493	224,803	222,161
Safety Net Program (Families)	124,487	123,264	121,194	119,638	118,217	116,832
Safety Net Program (Singles)	202,153	204,947	207,139	209,728	212,134	214,779
MENTAL HYGIENE						
OMH Community Beds	42,151	43,077	44,526	46,957	48,057	48,405
OPWDD Community Beds	42,314	42,737	43,165	43,596	44,032	44,472
OASAS Community Beds	13,858	14,074	14,140	14,181	14,231	14,266
Total	98,323	99,888	101,831	104,734	106,320	107,143
PRISON POPULATION						
	52,800	51,500	51,000	N/A	N/A	N/A

¹ Reflects the total State cost of taking over the local share of Medicaid growth, which was initially capped at approximately 3 percent annually, and later phased-out completely as of calendar year 2015.

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 \$961 million (3.9 percent) in SY 2018, including a \$428 million Foundation Aid increase. A Community Schools set-aside of \$150 million within Foundation Aid, a \$50 million increase from the prior year, provides funds to facilitate the transformation of schools into community hubs offering expanded services to children and their families. In addition, another \$333 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 Executive Budget Financial Plan also proposes \$50 million for new competitive grants, led by \$35 million to expand after-school programs targeted towards low-income students within school districts in the Empire State Poverty Reduction Initiative (ESPRI). In addition, the Executive Budget Financial Plan continues to reflect \$340 million in recurring annual funding to support the statewide Universal Full-Day Prekindergarten program.

School Aid is projected to increase by an additional \$996 million (3.9 percent) in SY 2019, consistent with estimated personal income growth.

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30) ¹									
(millions of dollars)									
	<u>SY 2017</u>	<u>SY 2018</u>	<u>Change</u>	<u>SY 2019</u>	<u>Change</u>	<u>SY 2020</u>	<u>Change</u>	<u>SY 2021</u>	<u>Change</u>
Total	24,644	25,605	961	26,601	996	27,714	1,113	29,013	1,299
			3.9%		3.9%		4.2%		4.7%

¹School 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, commercial gaming and Lottery Fund receipts, including video lottery terminals (VLTs). Commercial gaming and Lottery Fund receipts are accounted for and disbursed from dedicated accounts. 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 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	24,389	25,639	5.1%	26,588	3.7%	27,693	4.2%	28,949	4.5%
General Fund Local Assistance	21,055	22,196	5.4%	23,220	4.6%	24,288	4.6%	25,537	5.1%
Core Lottery Aid	2,360	2,395	1.5%	2,294	-4.2%	2,288	-0.3%	2,291	0.1%
VLT Lottery Aid	953	843	-11.5%	814	-3.4%	857	5.3%	861	0.5%
Commercial Gaming - VLT Offset	8	124	1450.0%	144	16.1%	102	-29.2%	97	-4.9%
Commercial Gaming	13	81	523.1%	116	43.2%	158	36.2%	163	3.2%

State fiscal year spending for School Aid is projected to total \$25.6 billion in FY 2018. Over the multi-year Financial Plan, an increasing share of School Aid spending is projected to be financed by commercial gaming revenues as opposed to traditional core lottery sales as described in greater detail below. In addition to State aid, school districts currently receive more than \$3 billion annually in Federal aid.

State aid payments for School Aid have been nominally 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 by the State and 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.

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 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	2,199	2,176	-1.0%	2,287	5.1%	2,384	4.2%	2,513	5.4%
Special Education	1,315	1,341	2.0%	1,450	8.1%	1,568	8.1%	1,688	7.7%
All Other Education	884	835	-5.5%	837	0.2%	816	-2.5%	825	1.1%

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, State Library, and 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.

FY 2018 Special Education spending is projected to increase by 2.0 percent. A projected decline in All Other Education spending is primarily attributable to the expiration of a two-year appropriation to reimburse nonpublic schools for State-mandated services in prior years. However, this change is partially offset by increased payments to charter schools, as well as an increase in facilities aid.

Continued growth in FY 2019 and beyond for Special Education is attributable to increased State reimbursement to special education providers for minimum wage costs, as well as projected enrollment and cost growth in preschool and summer school special education programs.

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 \$65,500 exemption in FY 2018. 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 projected FY 2018 program costs are: the basic school property tax exemption for homeowners with incomes under \$500,000 (59 percent); the enhanced school property tax exemption for senior citizen homeowners with incomes under \$86,000 (30 percent); and a rate reduction benefit for income-eligible resident New York City personal income taxpayers (11 percent). The FY 2018 Executive Budget proposes to convert the New York City PIT rate reduction benefit into a PIT tax credit, which will reduce and eventually eliminate it as a component of State Operating Funds spending. This proposed change would have no impact on the value of the STAR benefit received by taxpayers.

STAR property tax exemption spending reflects reimbursements made to school districts to offset a reduction in the amount of property tax revenue collected from STAR-eligible homeowners. In FY 2017, the STAR exemption program began a gradual shift from a spending program into a pre-paid refundable PIT credit program, with this change applying to first-time homebuyers and to homeowners who move. Likewise, this change will have no impact on the value of the STAR benefit received by homeowners.

SCHOOL TAX RELIEF (STAR) - REVENUE REDUCTION RESULTING FROM STAR ACTIONS									
(millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	3,208	2,606	-18.8%	2,448	-6.1%	2,336	-4.6%	2,278	-2.5%
Total STAR Program Costs	3,393	3,080	-9.2%	3,351	8.8%	3,336	-0.4%	3,382	1.4%
Total Personal Income Credit	(185)	(474)	-156.2%	(903)	-90.5%	(1,000)	-10.7%	(1,104)	-10.4%
Basic Exemption	1,744	1,661	-4.8%	1,599	-3.7%	1,526	-4.6%	1,487	-2.6%
Gross Costs	1,808	1,785		1,780		1,761		1,780	
Personal Income Credit	(64)	(124)		(181)		(235)		(293)	
Enhanced (Senior) Exemption	936	890	-4.9%	849	-4.6%	810	-4.6%	791	-2.3%
Gross Costs	970	956		945		935		946	
Personal Income Credit	(34)	(66)		(96)		(125)		(155)	
New York City PIT	528	55	-89.6%	0	-100.0%	0	0.0%	0	0.0%
Gross Costs	615	339		626		640		656	
Personal Income Credit	(87)	(284)		(626)		(640)		(656)	

Much of the spending decline projected for FY 2018 is due to a change in the timing as to when the NYC rate reduction benefit is paid out, upon conversion to a PIT credit. Further reductions in STAR spending will be achieved by a cap on the annual growth in the exemption benefit (which would be capped at a flat 0 percent), and by making enrollment in the Income Verification Program mandatory for enhanced beneficiaries. Proposed STAR actions, as well as STAR actions enacted with the FY 2017 budget, will result in reduced revenues in addition to the changes in spending noted above. Projected revenue reductions will increase over the course of the Updated Financial Plan as STAR actions are implemented, in particular those driven by the conversion of the New York City PIT rate reduction benefit.

Higher Education

Local assistance for higher education spending includes funding for CUNY, SUNY, and HESC.

HIGHER EDUCATION (millions of dollars)									
	FY 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	2,985	2,982	-0.1%	3,152	5.7%	3,212	1.9%	3,260	1.5%
City University	1,454	1,395	-4.1%	1,475	5.7%	1,501	1.8%	1,526	1.7%
Senior Colleges	1,206	1,143	-5.2%	1,225	7.2%	1,251	2.1%	1,276	2.0%
Community College	248	252	1.6%	250	-0.8%	250	0.0%	250	0.0%
Higher Education Services	1,022	1,104	8.0%	1,185	7.3%	1,220	3.0%	1,243	1.9%
Tuition Assistance Program	954	990	3.8%	1,012	2.2%	1,022	1.0%	1,030	0.8%
Scholarships/Awards	56	102	82.1%	161	57.8%	186	15.5%	201	8.1%
Aid for Part-Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	509	483	-5.1%	492	1.9%	491	-0.2%	491	0.0%
Community College	504	478	-5.2%	487	1.9%	486	-0.2%	486	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 by paying the debt service on bond-financed capital projects at the university systems. State debt service payments for capital projects at SUNY and CUNY are expected to total about \$1.3 billion in FY 2018, an increase of \$102 million from FY 2017 levels (not reflected in annual spending totals for the university systems).

HESC administers the Tuition Assistance Program (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 government.

In total, spending is projected to remain roughly even from FY 2017 to FY 2018. Decreases in spending reflect a projected enrollment decline at SUNY community colleges, changes in the timing of certain CUNY payments in FY 2018, and the sale of certain CUNY building assets. This is offset in FY 2018 by new higher education initiatives. The Excelsior Scholarship program will allow students of families making up to \$125,000 per year to attend college tuition-free at all public universities in New York State. Enrollment growth associated with the Excelsior Scholarship program will also drive additional spending in community college operating aid and student financial assistance through TAP. In addition to the Excelsior Scholarship program, the FY 2018 Executive Budget provides student financial assistance to certain eligible undocumented immigrant students pursuing higher education in New York State through implementation of the DREAM Act.

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 Executive Budget Financial Plan reflects the impact of the DSRIP program through additional Federal funds disbursements of nearly \$8 billion through FY 2021, with the remaining funds expected to be disbursed beyond FY 2021. 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 2019, and the projections assume that statutory authority will be extended in subsequent years. Allowable growth under the cap for medical services is 3.2 percent for FY 2018. Reflecting projected medical CPI growth, DOB currently forecasts allowable cap growth at 3.1 percent in FY 2019, and has updated forecast projections to assume growth of 2.9 percent in FY 2020 and 2.8 percent in FY 2021.

State Financial Plan Projections Fiscal Years 2017 Through 2021

MEDICAID GLOBAL CAP FORECAST (millions of dollars)					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Global Medicaid Cap¹	17,692	18,259	18,825	19,371	19,914
Annual % Change		3.2%	3.1%	2.9%	2.8%

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

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

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS ¹ (millions of dollars)					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Current	Proposed	Projected	Projected	Projected
Department of Health Medicaid	<u>17,842</u>	<u>18,915</u>	<u>19,828</u>	<u>20,796</u>	<u>21,549</u>
Local Assistance	17,505	18,757	19,941	20,907	21,657
State Operations	337	283	287	289	292
MSA Payments (Share of Local Growth) ²	0	(125)	(400)	(400)	(400)
Other State Agency Medicaid Spending	<u>4,460</u>	<u>4,403</u>	<u>4,621</u>	<u>4,822</u>	<u>5,024</u>
Mental Hygiene	4,313	4,257	4,470	4,667	4,860
Foster Care	97	96	101	105	114
Education	50	50	50	50	50
Total State Share Medicaid (All Agencies)	22,302	23,318	24,449	25,618	26,573
Annual \$ Change		1,016	1,131	1,169	955
Annual % Change		4.6%	4.9%	4.8%	3.7%
Essential Plan³	714	477	361	380	396

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; increased Federal Financial Participation that became effective in January 2014; and minimum wage increases.

² Tobacco MSA proceeds will be deposited directly to the MMIS Escrow Fund to cover total State share support for Medicaid.

³ 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, provider assessment revenue, and tobacco settlement proceeds. 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.")

State Financial Plan Projections Fiscal Years 2017 Through 2021

DEPARTMENT OF HEALTH MEDICAID ^{1,2} (millions of dollars)									
	FY 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE OPERATING FUNDS	18,556	19,392	4.5%	20,189	4.1%	21,176	4.9%	21,945	3.6%
General Fund - DOH Medicaid Local	11,769	13,068	11.0%	14,006	7.2%	15,091	7.7%	15,972	5.8%
DOH Medicaid	10,048	10,889	8.4%	11,640	6.9%	12,283	5.5%	12,938	5.3%
Mental Hygiene - Global Cap Adjustment ³	1,125	1,314	16.8%	1,270	-3.3%	1,270	0.0%	1,270	0.0%
Minimum Wage	44	255	479.5%	579	127.1%	838	44.7%	881	5.1%
Local Growth Takeover (Zero Growth Phase-in) ⁴	552	735	33.2%	917	24.8%	1,100	20.0%	1,283	16.6%
MSA Payments (Share of Local Growth) ⁵	0	(125)	0.0%	(400)	-220.0%	(400)	0.0%	(400)	0.0%
General Fund - DOH Medicaid State Ops	337	283	-16.0%	287	1.4%	289	0.7%	292	1.0%
General Fund - Essential Plan	714	477	-33.2%	361	-24.3%	380	5.3%	396	4.2%
Local Assistance	666	417	-37.4%	297	-28.8%	306	3.0%	316	3.3%
State Operations	48	60	25.0%	64	6.7%	74	15.6%	80	8.1%
Other State Funds - DOH Medicaid Local	5,736	5,564	-3.0%	5,535	-0.5%	5,416	-2.1%	5,285	-2.4%
HCRFA Financing	3,932	3,840	-2.3%	3,811	-0.8%	3,693	-3.1%	3,561	-3.6%
Indigent Care Support	952	892	-6.3%	892	0.0%	892	0.0%	892	0.0%
Provider Assessment Revenue	852	832	-2.3%	832	0.0%	831	-0.1%	832	0.1%

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 As of County Year 2015 the full share of local Medicaid growth has been financed with State resources.
⁵ MSA payments will be deposited directly to the MMIS Escrow Fund to cover a portion of the State's share of local Medicaid growth.

The FY 2018 Executive Budget Financial Plan includes \$382 million in annual savings through the shift of additional OPWDD-related Medicaid expenses to the Global Cap. To achieve savings within the Global Cap necessary to support these additional costs, DOH will continue to implement various MRT actions to improve the efficiency and effectiveness in delivery of the statewide Medicaid program. These actions include savings associated with proposals to collaborate with New York City to increase Medicaid claiming levels for school supportive health services; the establishment of a benchmark price for high-cost pharmaceuticals; utilization of BIP funds to support Federal wage requirements; a requirement for Medicare enrollment among Medicaid beneficiaries who are dually eligible for both programs, with Medicare providing the first level of insurance coverage; and an increase to the costs shared by certain beneficiaries within the EP program, whereby such individuals would be required to contribute a monthly premium indexed to grow annually to the rate of the medical component of the CPI.

The FY 2018 Executive Budget Financial Plan includes authorization to use MSA payments to fund a portion of the non-Federal share of annual Medicaid growth, which the State pays on behalf of local governments. The use of MSA payments will not affect total funding for the Medicaid program, but is expected to provide Financial Plan relief through lower annual General Fund Medicaid disbursements. The table below displays the adjusted funding shares.

FUNDING SOURCES FOR STATE MEDICAID CONTRIBUTIONS (millions of dollars)					
	FY 2017 Current	FY 2018 Proposed	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
State Share Support	18,556	19,517	20,589	21,576	22,345
State Funds Medicaid Disbursements	18,556	19,392	20,189	21,176	21,945
MSA Payments (Local Growth)	0	125	400	400	400

The FY 2018 Executive Budget Financial Plan includes the cost of Medicaid support associated with the regionally-based multi-year phase-in of statewide minimum wage increases, including 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.¹⁴ The impact of these Minimum wage initiatives is projected 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; \$838 million in FY 2020; and \$881 million in FY 2021.

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 is expected to exceed 6.2 million by the end of FY 2017, a slight increase from FY 2016 caseload of nearly 6.1 million. This moderate increase is in part driven by the continued transition of individuals from Medicaid to EP program enrollment.

The ability to offset rising costs within the Medicaid Global Cap exists 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, as noted above.

Many of the policies that drive Federal aid are subject to change with the new presidential administration and Congress. It is not possible at this time to predict the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress.

¹⁴ 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.

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 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL ALL FUNDS SPENDING	3,731	4,224	13.2%	4,466	5.7%	4,858	8.8%	5,338	9.9%
State Operating Funds	714	477	-33.2%	361	-24.3%	380	5.3%	396	4.2%
Local Assistance	666	417	-37.4%	297	-28.8%	306	3.0%	316	3.3%
State Operations	48	60	25.0%	64	6.7%	74	15.6%	80	8.1%
Federal Operating Funds	3,017	3,747	24.2%	4,105	9.6%	4,478	9.1%	4,942	10.4%

The Updated Financial Plan includes a sharp increase in FY 2017 program spending due to increased enrollment levels, with gradual declines in State funded costs through FY 2019. Increased program costs associated with rising enrollment levels are anticipated to be partially or fully offset in future years from Federal resources, 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. The Federal match percentage is forecast to increase from 81 percent in FY 2017 to 93 percent in FY 2021, in recognition of the anticipated growth in the NYSOH index premium.

The State's 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 in part, reflecting the transition of certain individuals from the Medicaid program to the EP program based on changes in income levels. In the FY 2018 Executive Budget, additional program savings with the Global Cap are anticipated from a proposal which would require certain beneficiaries of the EP program to contribute a monthly premium toward the cost of coverage, as well as an increase to co-payments at the point of service. Beginning in 2018, premium contributions will be indexed to grow at an annual rate equal to the medical component of the CPI.

Many of the policies that drive Federal aid are subject to change with the new presidential administration and Congress. 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 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	1,620	1,575	-2.8%	1,582	0.4%	1,735	9.7%	1,916	10.4%
Public Health	1,495	1,455	-2.7%	1,457	0.1%	1,605	10.2%	1,781	11.0%
Child Health Plus	222	235	5.9%	250	6.4%	380	52.0%	537	41.3%
General Public Health Work	194	187	-3.6%	178	-4.8%	182	2.2%	186	2.2%
EPIC	132	133	0.8%	128	-3.8%	128	0.0%	128	0.0%
Early Intervention	173	171	-1.2%	159	-7.0%	159	0.0%	159	0.0%
HCRA Program	380	321	-15.5%	322	0.3%	326	1.2%	331	1.5%
All Other	394	408	3.6%	420	2.9%	430	2.4%	440	2.3%
Aging	125	120	-4.0%	125	4.2%	130	4.0%	135	3.8%

The Updated Financial Plan includes an initiative to consolidate HCRA funded programs with other public health programs within the General Fund, restructuring the consolidated programs to add flexibility, while also achieving annual savings of \$25 million through a 20 percent overall funding reduction. This proposal is expected to allow DOH to ensure sufficient funding is available to support and prioritize ongoing and emerging health care needs.

The FY 2018 Executive Budget includes a reduction of GPHW reimbursement to New York City, from 36 percent to 29 percent, in order to improve the distribution balance of GPHW funding across the State. This proposal is expected to generate savings of \$11 million in FY 2018, with full annual savings of \$22 million thereafter.

The FY 2018 Executive Budget includes a proposal to require commercial insurers to pay for EI services in an effort to create effective payment systems by increasing the timeliness and volume of provider payments. This is expected to result in savings of \$4 million in FY 2018, with recurring annual savings of \$14 million. These savings will mitigate baseline cost increases associated with growing enrollment levels.

CHP spending is anticipated to increase in FY 2020, reflecting the scheduled expiration of enhanced Federal support currently provided through the ACA.

Spending for Aging reflects the use of available Federal BIP funds beginning in FY 2018 to support the expansion of the NY Connects/No Wrong Door program.

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 is extended through FY 2020, pursuant to legislation included in the FY 2018 Executive 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 FINANCIAL PLAN FY 2017 THROUGH FY 2021					
(millions of dollars)					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Current	Proposed	Projected	Projected	Projected
OPENING BALANCE	78	0	0	0	0
TOTAL RECEIPTS	5,727	5,702	5,728	5,750	5,711
Surcharges	3,231	3,233	3,293	3,353	3,412
Covered Lives Assessment	1,124	1,110	1,110	1,110	1,045
Cigarette Tax Revenue	882	854	823	788	755
Hospital Assessments	404	424	424	424	424
NYC Cigarette Tax Transfer/Other	86	81	78	75	75
TOTAL DISBURSEMENTS	5,805	5,702	5,728	5,750	5,711
Medicaid Assistance Account ¹	<u>3,932</u>	<u>3,840</u>	<u>3,811</u>	<u>3,693</u>	<u>3,561</u>
Medicaid Costs	3,735	3,643	3,614	3,496	3,364
Workforce Recruitment & Retention	197	197	197	197	197
Hospital Indigent Care	952	892	892	892	892
HCRA Program Account	389	330	330	335	339
Child Health Plus	226	238	253	383	541
Elderly Pharmaceutical Insurance Coverage	144	145	140	140	140
NYSOH Health Benefit Exchange ¹	0	66	84	86	88
SHIN-NY/APCD	30	40	40	40	0
All Other	132	151	178	181	150
ANNUAL OPERATING SURPLUS/(DEFICIT)	(78)	0	0	0	0
CLOSING BALANCE	0	0	0	0	0

¹ In FY 2017, NYSOH spending will be financed with available HCRA resources through the Medicaid program.

Total HCRA receipts are forecast to grow moderately through FY 2020 in relation to higher surcharge collections generated from continued growth in utilization levels. Relative to previous assumptions, and based on experience to date, this growth has been reflected in the FY 2018 Executive Budget Financial Plan through additional surcharge collections of \$25 million in FY 2018 through FY 2021. Covered lives revenue has also been revised upward to recognize an additional \$65 million of resources, in relation to utilization for certain public health programs and the extension of the reconciliation suspension, in FYs 2018 through 2020. Cigarette taxes have been revised upward by \$2 million in each year based on collections to date.

For the current year, surcharge and covered lives revenue collections have been increased by \$85 million and \$45 million, respectively, to reflect continued strength in current year collections.

The level of annual growth forecast for total HCRA revenue through the remainder of the multi-year planning period mainly reflects increases consistent with historic collection patterns. Continued outyear declines for cigarette tax collections, attributable to declining taxable consumption, partly offset total HCRA receipts growth.

DOH's proposal to consolidate certain public health programs result in the shift of approximately \$52 million of HCRA-funded programs to the General Fund, which will then be combined with other existing public health programs to generate net Financial Plan savings of \$25 million annually through the creation of more flexible and efficient health care funding access. Additionally, \$21 million in funding for the Roswell Park Cancer Institute will be shifted over into the Capital Projects Fund. Funding for the QHP portion of the NYSOH health benefit exchange, which will shift to HCRA from the Medicaid budget, will be reduced by \$17 million in FY 2018 through the utilization of additional available Federal resources.

The Executive Budget also includes a three-year extension of program support, estimated at \$40 million in each year, for the SHIN-NY/APCD infrastructure development initiative to improve the informational and data capabilities associated with claiming records.

Over the multi-year Financial Plan period, the most significant area of spending growth is reflected in the CHP program, as the enhanced level of Federal resources provided through the ACA is scheduled to expire after September 30, 2019.

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 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	2,459	2,410	-2.0%	2,834	17.6%	3,112	9.8%	3,325	6.8%
People with Developmental Disabilities	2,085	2,190	5.0%	2,360	7.8%	2,531	7.2%	2,678	5.8%
Residential Services	1,393	1,464	5.1%	1,577	7.7%	1,691	7.2%	1,790	5.9%
Day Programs	607	637	4.9%	687	7.8%	736	7.1%	780	6.0%
Clinic	20	21	5.0%	23	9.5%	24	4.3%	26	8.3%
All Other Local/Resources	65	68	4.6%	73	7.4%	80	9.6%	82	2.5%
Mental Health	1,186	1,202	1.3%	1,393	15.9%	1,478	6.1%	1,530	3.5%
Adult Local Services	962	974	1.2%	1,142	17.2%	1,207	5.7%	1,249	3.5%
Children Local Services	224	228	1.8%	251	10.1%	271	8.0%	281	3.7%
Alcohol and Substance Abuse	312	331	6.1%	350	5.7%	372	6.3%	386	3.8%
Outpatient/Methadone	119	126	5.9%	134	6.3%	142	6.0%	147	3.5%
Residential	125	133	6.4%	140	5.3%	149	6.4%	155	4.0%
Prevention and Program Support	60	63	5.0%	67	6.3%	71	6.0%	74	4.2%
Crisis	8	9	12.5%	9	0.0%	10	11.1%	10	0.0%
Justice Center	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
SUBTOTAL BEFORE ADJUSTMENTS	3,584	3,724	3.9%	4,104	10.2%	4,382	6.8%	4,595	4.9%
Other Adjustments	(1,125)	(1,314)	-16.8%	(1,270)	3.3%	(1,270)	0.0%	(1,270)	0.0%
Global Cap Adjustment	(1,125)	(1,314)	-16.8%	(1,270)	3.3%	(1,270)	0.0%	(1,270)	0.0%

Local assistance spending accounts for approximately 40 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 7.8 percent annually. The main factors driving this level of growth are enhancing community mental health services; enhancing community-based employment and residential opportunities for individuals with disabilities; and funding not-for-profit providers for growth in employee wages related to minimum wage increases.

The FY 2018 Executive Budget provides approximately \$140 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, including funding to promote access to vital supports and services for individuals aging out of their educational settings or moving from home, community reinvestment for individuals relocating from institutional settings, the expansion of the Systemic Therapeutic Assessment Respite and Treatment (START) model to downstate and funding to support the direct cost of minimum wage increases; transition of new residential beds opening in the mental health provider community; and funding in OASAS to address the heroin and opioid crisis.

This funding increase is offset by technical adjustments to the Medicaid Global Cap (\$189 million), as a greater share of OPWDD-related spending will be financed from Global Cap resources. These technical adjustments have no impact on service delivery or operations of OMH, OPWDD, OASAS or the Justice Center.

State Funds local assistance spending for mental hygiene services is expected to increase in FY 2019 relative to the current and budget year projections. This FY 2019 spending growth is unrelated to program enhancements or trends, and primarily reflects the impact of expiring Federal BIP resources and the timing of payment recoveries with mental health service providers.

The Executive Budget Financial Plan reflects state operations savings associated with the transition of certain State-operated inpatient and supported residential placements to integrated community-based settings where individual service needs can be sized more appropriately and provided more cost-efficiently, as noted above.

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 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	1,222	1,324	8.3%	1,347	1.7%	1,358	0.8%	1,361	0.2%
SSI	655	658	0.5%	661	0.5%	663	0.3%	667	0.6%
Public Assistance Benefits	454	538	18.5%	547	1.7%	547	0.0%	544	-0.5%
Public Assistance Initiatives	19	24	26.3%	33	37.5%	33	0.0%	32	-3.0%
All Other	94	104	10.6%	106	1.9%	115	8.5%	118	2.6%

OTDA spending for SSI is projected to increase between FY 2017 and FY 2018 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 2017 to FY 2018 based on an update to DOB's caseload models, with DOB projecting a total of 558,720 recipients in FY 2018. Approximately 230,387 families are expected to receive benefits through the Family Assistance program in FY 2018, a decrease of 1.9 percent from FY 2017. In the Safety Net program an average of 121,194 families are expected to be helped in FY 2018, a decrease of 1.7 percent from FY 2017. The caseload for single adults/childless couples supported through the Safety Net program is projected at 207,139 in FY 2018, an increase of 1.1 percent from FY 2017.

Spending in public assistance will increase from FY 2017 to FY 2018 due to a variety of factors including the expansion of HIV/AIDS Services Administration (HASA) benefits to all public assistance recipients living in New York City, a revision to the timing of payments to New York City beginning in FY 2017, and increased costs associated with litigation proceedings that will increase Safety Net Assistance expenditures. 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 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	1,701	1,591	-6.5%	1,693	6.4%	1,779	5.1%	1,792	0.7%
Child Welfare Service	482	472	-2.1%	482	2.1%	491	1.9%	501	2.0%
Foster Care Block Grant	445	388	-12.8%	393	1.3%	399	1.5%	400	0.3%
Adoption	149	144	-3.4%	143	-0.7%	141	-1.4%	145	2.8%
Day Care	208	213	2.4%	206	-3.3%	206	0.0%	207	0.5%
Youth Programs	143	138	-3.5%	188	36.2%	251	33.5%	239	-4.8%
Medicaid	97	96	-1.0%	101	5.2%	105	4.0%	114	8.6%
Committees on Special Education	44	26	-40.9%	27	3.8%	30	11.1%	33	10.0%
Adult Protective/Domestic Violence	32	33	3.1%	35	6.1%	36	2.9%	38	5.6%
All Other	101	81	-19.8%	118	45.7%	120	1.7%	115	-4.2%

OCFS State Operating Funds spending is projected to decline from FY 2017 to FY 2018 due to a variety of factors, including restructuring the financing approach for foster care tuition and residential school placements of children with special needs in New York City; adjustments to the State share reimbursement under the Foster Care Block Grant to an estimated 50 percent; utilization of other funding sources, in this case Federal Title XX resources, to maintain funding for childcare subsidies; and the elimination of the planned Human Services Cost-of-Living-Adjustment (COLA) in FY 2018.

Spending is projected to increase in FY 2019 and into the outyears, primarily due to implementation of the "Raise the Age" initiative, which will increase the age of juvenile jurisdiction from 16 to 18.

Transportation

In FY 2018, the State will provide approximately \$5 billion in operating aid to mass transit systems, funded mainly from various dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of this aid. The MTA receives additional, exclusive 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 provides additional annual support to the MTA, subject to appropriation, to partially offset this revenue loss.

TRANSPORTATION (millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
STATE OPERATING FUNDS SUPPORT	4,959	4,988	0.6%	5,061	1.5%	5,152	1.8%	5,220	1.3%
Mass Transit Operating Aid:	<u>2,280</u>	<u>2,282</u>	<u>0.1%</u>	<u>2,282</u>	<u>0.0%</u>	<u>2,282</u>	<u>0.0%</u>	<u>2,282</u>	<u>0.0%</u>
Metro Mass Transit Aid	2,152	2,152	0.0%	2,152	0.0%	2,152	0.0%	2,152	0.0%
Public Transit Aid	84	86	2.4%	86	0.0%	86	0.0%	86	0.0%
18-b General Fund Aid	19	19	0.0%	19	0.0%	19	0.0%	19	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,953	1,987	1.7%	2,045	2.9%	2,136	4.4%	2,203	3.1%
Dedicated Mass Transit	664	662	-0.3%	669	1.1%	669	0.0%	669	0.0%
AMTAP	61	56	-8.2%	56	0.0%	56	0.0%	56	0.0%
Local Transit Assistance	0	0	0.0%	9	100.0%	9	0.0%	9	0.0%
All Other	1	1	0.0%	0	-100.0%	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 most recent revenue forecast assumptions. In addition, taxes imposed on Transportation Network Companies (TNCs) operating outside of New York City will be available to support non-MTA transit systems.

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 2017		FY 2018		FY 2019		FY 2020		FY 2021	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change	
TOTAL STATE OPERATING FUNDS	715	723	1.1%	763	5.5%	763	0.0%	763	0.0%	
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%	
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%	
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%	
Restructuring/Efficiency	0	8	0.0%	48	500.0%	48	0.0%	48	0.0%	

State Operating Funds spending for the various efficiency and restructuring grants within the AIM program is projected to grow modestly from FY 2017 to FY 2018, due to revisions in the timing of spending. Additional increases in the out-years reflect potential awards from the Financial Restructuring Board for Local Governments.

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 Current	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Negotiated Base Salary Increases ¹						
CSEA/Council 82/UUP/DC-37	2%	TBD	TBD	TBD	TBD	TBD
PEF/GSEU/MC	2%	2%	2%	2%	TBD	TBD
NYSPPA/NYSPIA ²	2%	1.5%	1.5%	TBD	TBD	TBD
PBANYS	TBD	TBD	TBD	TBD	TBD	TBD
NYSCOPBA	2%	2%	2%	2%	2%	2%
State Workforce ³	117,862	118,809	118,673	TBD	TBD	TBD
ERS Contribution Rate						
Before Amortization ⁴	18.9%	16.6%	16.7%	16.7%	17.4%	19.2%
After Amortization ⁵	19.3%	20.2%	20.5%	20.5%	21.1%	22.8%
PFRS Contribution Rate						
Before Amortization ⁴	25.5%	25.1%	25.3%	25.7%	27.1%	29.7%
After Amortization ⁵	27.6%	28.5%	28.3%	29.3%	30.7%	33.2%
Employee/Retiree Health Insurance Growth Rates	4.6%	6.3%	8.0%	6.3%	6.7%	6.6%
PS/Fringe as % of Receipts (All Funds Basis)	13.7%	13.8%	13.3%	13.4%	13.5%	13.8%
¹ Reflects current collective bargaining agreements with settled unions. GSEU and NYSCOPBA agreements require member ratification. NYSCOPBA, PEF and GSEU require enactment of paybills. Does not reflect potential impact of future negotiated labor agreements.						
² Contracts contain "reopener" language which allows the union to reopen negotiations if any other State bargaining unit receives a general salary increase exceeding 1.5 percent in FY 2017 and in FY 2018.						
³ Reflects workforce that is subject to direct Executive control.						
⁴ Before amortization contribution rate reflects normal and administrative costs, contributions for the Group Life Insurance Plan (GLIP), and Chapter 41 of 2016 veterans' pension credit legislation.						
⁵ After amortization contribution rate additionally includes new amortization, if any, and payments on prior amortizations.						

Operating costs for PS/NPS are projected to increase modestly over the Financial Plan period from \$18.6 billion in FY 2018 to \$19.8 billion in FY 2021. Most executive agencies are expected to hold spending at FY 2017 levels. Increases in later years of the Financial Plan are driven mainly by juvenile justice reform, higher Medicaid administration expenses expected to support the NYSOH insurance exchange as available Federal funding expires, and an additional administrative payroll in FY 2021.

Executive agency operational costs are expected to total \$9.9 billion in FY 2018, a decline of \$285 million from FY 2017, driven by the reclassification of certain agency operating and equipment costs to more appropriately align with capital and Federal financing sources.

State Financial Plan Projections
Fiscal Years 2017 Through 2021

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS

(millions of dollars)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Current	Proposed	Projected	Projected	Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	10,219	9,931	10,172	10,338	10,557
Mental Hygiene	2,762	2,748	2,731	2,765	2,811
Corrections and Community Supervision	2,632	2,617	2,620	2,627	2,633
State Police	734	671	670	670	695
Information Technology Services ¹	542	537	560	560	570
Public Health	386	433	448	450	457
Tax and Finance	332	329	329	329	340
Medicaid Admin/EP	385	343	352	363	373
Children and Family Services	247	244	298	343	354
Environmental Conservation	227	211	211	212	218
Financial Services	211	212	212	216	216
Parks, Recreation and Historic Preservation	177	169	169	170	176
General Services	162	144	142	138	138
Gaming	153	96	96	96	97
Temporary and Disability Assistance	132	125	125	132	136
Workers' Compensation Board	137	142	143	145	151
Potential Labor Agreements ²	100	530	650	700	750
Agency Financial Management Plan	0	(500)	(500)	(500)	(500)
All Other	900	880	916	922	942
UNIVERSITY SYSTEMS	6,010	6,052	6,207	6,366	6,567
State University	5,925	5,965	6,118	6,276	6,475
City University	85	87	89	90	92
INDEPENDENT AGENCIES	320	324	321	323	337
Law	172	175	174	176	184
Audit & Control (OSC)	148	149	147	147	153
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	16,549	16,307	16,700	17,027	17,461
Judiciary	2,025	2,066	2,092	2,094	2,151
Legislature	218	226	218	218	219
Statewide Total	18,792	18,599	19,010	19,339	19,831
Personal Service	13,035	12,840	13,104	13,340	13,796
Non-Personal Service	5,757	5,759	5,906	5,999	6,035

¹ Reflects consolidation of IT costs from other agencies within ITS, which does not change total governmental spending.² Excludes the value of a settlement with UUP.

The most significant changes to spending for agency operations include:

- **State Police:** Cost reductions primarily reflect the financing of certain State Police services by the recipients of such services. In addition certain personal service spending related to titles associated with the maintenance and preservation of State assets has been reclassified to the capital projects fund.
- **Medicaid Administration/EP:** Reduced spending starting in FY 2018 is mainly attributable to moving the QHP component of NYSOH administrative costs out of the Global Medicaid Cap into HCRA in Public Health.
- **Public Health:** Growth in FY 2018 operating costs for public health is primarily due to creating distinct State Operations funding for the QHP component of the NYSOH program, as noted above. There is no net Financial Plan impact associated with this funding shift.
- **General Services:** Certain personal service spending related to titles associated with the maintenance and preservation of State assets are reclassified to the capital projects fund, which drives the general services spending decline in FY 2018.
- **Gaming:** A change in the accounting structure related to advertising costs whereby direct payment is made to the vendor instead of reimbursing the Gaming Commission, resulting in lower State Operating Funds spending by the Gaming Commission.
- **Children and Family Services:** The Executive Budget proposes additional funding in OCFS to support raising the age of juvenile jurisdiction from 16 to 18 by January 1, 2020.
- **Information Technology Services:** Increases in spending for IT Services from FY 2018 to FY 2021 are attributable to agency transfers for the continuous statewide IT consolidation, which is offset by efficiencies realized through the IT consolidation.
- **State University:** Higher SUNY spending over the Financial Plan period reflects anticipated operating needs at SUNY campuses and hospitals, supported through campus revenues, State funding and hospital revenues.
- **Judiciary:** The Executive Budget reflects the Judiciary's request to increase operating support, including the addition of 200 non-judicial positions in support of trial court operations and temporary service funding for acting city, town and village justices.
- **Labor agreement Costs:** Reflects costs of the recently negotiated settlement agreements with PEF and NYSCOPBA, and assumes the PEF model, now signed into law by the Governor and extended to unrepresented M/C employees, will be provided to all other employee unions.

- Agency Financial Management Plans:** All Executive agencies will be required to implement cost-control measures on a recurring basis, starting in FY 2018. The Executive Budget Financial Plan includes \$500 million in annual savings that is expected to be allocated to agencies at a future date as agency management plans are completed. Agency plans must preserve funding for mission critical efforts and strategic initiatives with agencies identifying cost efficiencies and reducing state operating funds spending in FY 2018.

Workforce

In FY 2018, \$12.8 billion or 13.1 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 95,000 FTE employees under direct Executive control; individuals employed by SUNY and CUNY (43,252) 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 DOCCS.

STATE OPERATING FUNDS FY 2018 FTEs ¹ AND PERSONAL SERVICE SPENDING BY AGENCY (millions of dollars)		
	Dollars	FTEs
Subject to Direct Executive Control	7,120	94,980
Mental Hygiene Agencies	2,234	32,521
Corrections and Community Supervision	2,052	27,270
State Police	611	5,636
Tax and Finance	270	4,276
Information Technology Services	271	3,406
Health	252	3,593
Environmental Conservation	170	2,125
Children and Family Services	160	2,406
Financial Services	157	1,382
Parks, Recreation and Historic Preservation	124	1,305
Education	88	1,263
General Service	57	904
All Other	674	8,893
University Systems	3,718	43,252
State University	3,672	42,869
City University ²	46	383
Independent Agencies	2,002	18,276
Law	121	1,583
Audit & Control (OSC)	115	1,603
Judiciary	1,595	15,089
Legislature ³	171	1
Total	12,840	156,508

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 13,166 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.¹⁵ The Judiciary pays its fringe benefit costs directly.

Employee fringe benefits that are paid through GSCs are financed from the General Fund in the first instance, and then partially reimbursed by revenue collected from fringe benefit assessments. The largest reimbursement to the General Fund comes from the mental hygiene agencies, which combined account for nearly half of all payments.

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 5.9 percent over the multi-year 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 2018, State Operating Funds spending for GSCs is projected to increase by \$309 million (4.0 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.

¹⁵ 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.

GENERAL STATE CHARGES (millions of dollars)									
	FY 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	7,631	7,940	4.0%	8,473	6.7%	8,986	6.1%	9,584	6.7%
Fringe Benefits	7,181	7,519	4.7%	8,046	7.0%	8,552	6.3%	9,143	6.9%
Health Insurance	3,682	3,976	8.0%	4,228	6.3%	4,512	6.7%	4,808	6.6%
Pensions	2,457	2,540	3.4%	2,647	4.2%	2,761	4.3%	2,990	8.3%
Social Security	988	992	0.4%	995	0.3%	1,003	0.8%	1,009	0.6%
Workers' Compensation	249	334	34.1%	484	44.9%	599	23.8%	689	15.0%
Employee Benefits	95	95	0.0%	95	0.0%	95	0.0%	95	0.0%
Dental Insurance	64	65	1.6%	65	0.0%	66	1.5%	67	1.5%
Unemployment Insurance	15	15	0.0%	15	0.0%	15	0.0%	15	0.0%
All Other/Non-State Escrow	(369)	(498)	-35.0%	(483)	3.0%	(499)	-3.3%	(530)	-6.2%
Fixed Costs	450	421	-6.4%	427	1.4%	434	1.6%	441	1.6%

Growth in base GSC spending in FY 2018 has been partly offset by gap-closing savings of approximately \$81 million included as part of the Executive Budget Financial Plan, as well as the expected use of an additional \$105 million from SIF reserves to reduce Workers' Compensation costs in FY 2018. The savings are primarily driven by \$63 million in interest savings achieved by paying the full State pension bill in April 2016, rather than on a monthly basis as the Financial Plan previously assumed.

Health insurance savings are expected from the proposed sliding scale of premium contributions from newly hired employees, based on years of service. Under this proposal, new employees would contribute more toward health insurance premiums, with the contribution increases lessened until at 30 years of service employees would see no impact to their contributions from current levels. The FY 2018 Executive Budget also proposes to cease subsidy of high income Medicare Part B premiums, and also to freeze the standard Medicare Part B reimbursement rates at 2016 levels. These proposals would generate modest savings of approximately \$9 million in FY 2018, but when fully implemented, annual savings are anticipated to increase to approximately \$32 million in FY 2019, \$39 million in FY 2020, and \$51 million in FY 2021.

Over the multi-year Financial Plan period, outyear pension costs are anticipated to increase based on a model that reflects forecasted salary base information and the continuation of modest investment returns, as experienced in the past year. Health insurance growth reflects utilization and forecasted rate renewal increases. Underlying workers' compensation growth is driven by an increase in funding liability, while net Financial Plan funding reflects the use of excess balances which are scheduled to be transferred by the WCB directly to SIF, or accessed directly from available balances residing with SIF, to partially offset workers' compensation payments from General Fund resources through FY 2020.

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 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Current	Proposed	Projected	Projected	Projected
TOTAL TRANSFERS TO OTHER FUNDS	11,122	11,105	12,024	12,178	11,793
State Share of Mental Hygiene Medicaid ¹	1,432	1,301	1,231	1,119	1,263
Debt Service	927	946	1,156	1,050	1,115
SUNY University Operations	996	1,000	997	997	997
Capital Projects	3,458	3,517	3,928	3,781	3,076
Dedicated Highway and Bridge Trust Fund	539	644	592	903	918
Dedicated Infrastructure Investment Fund	1,172	2,002	1,959	969	270
FY 2017 Temporary Loan to Capital Projects Fund	1,300	(1,300)	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund	0	500	(500)	0	0
Statewide Health Care Capital	0	25	45	50	50
Environmental Protection Fund	146	28	28	28	28
All Other Capital	301	1,618	1,804	1,831	1,810
ALL OTHER TRANSFERS	4,309	4,341	4,712	5,231	5,342
Mental Hygiene	3,154	3,226	3,608	4,106	4,189
Department of Transportation (MTA Payroll Tax)	333	268	269	269	270
SUNY - Medicaid Reimbursement	285	246	246	246	246
Judiciary Funds	107	106	110	109	110
SUNY - Hospital Operations	88	69	69	69	69
Dedicated Mass Transportation Trust Fund	63	66	66	66	66
Banking Services	42	53	53	53	53
Indigent Legal Services	31	35	35	58	82
Mass Transportation Operating Assistance	20	21	21	21	21
Public Transportation Systems	15	16	16	16	16
Correctional Industries	11	12	12	12	12
Spinal Cord Injury	9	9	9	9	9
Medical Marijuana Fund	5	5	7	5	7
SUNY - General Income Fund Reimbursable Accour	14	14	0	0	0
All Other	132	195	191	192	192

¹ Includes transfers related to the multi-year OPWDD disallowance repayments.

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 Executive Budget 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 2018, a modest \$11 million increase from FY 2017. This decline is primarily attributable to \$855 million less in transfers to the State Capital Projects Fund which reflects the planned repayment of funds related to debt management actions, offset by an \$955 million increase in transfers of monetary settlement funds to capital projects funds in FY 2018. In addition, increased transfers to support the DHBTF and debt service driven by FY 2016 prepayments of FY 2017 expenses are partially offset by a decline in State share Medicaid transfers in FY 2018 reflects the continuation of lower reimbursement levels for State-operated mental hygiene services, in part due to ongoing deinstitutionalization efforts and transitioning of services to the provided community.

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 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
General Fund	927	946	2.0%	1,156	22.2%	1,050	-9.2%	1,115	6.2%
Other State Support	4,383	4,620	5.4%	5,301	14.7%	6,043	14.0%	6,283	4.0%
State Operating/All Funds Total	5,310	5,566	4.8%	6,457	16.0%	7,093	9.8%	7,398	4.3%

Total State Operating/All Funds debt service is projected at \$5.6 billion in FY 2018, of which approximately \$946 million is paid from the General Fund via transfers, and \$4.6 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.

Executive Budget Financial Plan estimates for debt service spending have been revised to reflect increased debt service costs associated with proposed additional bond-financed capital for Olympic Regional Development Authority (ORDA). The FY 2017 debt service spending estimates assume the prepayment of \$280 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 they may issue bonds and notes within the amounts and restrictions set forth in legislative authorization. Certain of these authorities issue bonds under two of the three primary State credits - PIT Revenue Bonds and Sales Tax Revenue Bonds. 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 on their notes, bonds or other legislatively authorized financing structures 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. Since the State has no actual or contingent liability for the payment of this type of public authority indebtedness, it is not classified as either State-supported debt or State-related debt. Some public authorities, however, receive monies from State appropriations to pay for the operating costs of certain programs.

There are statutory arrangements that, under certain circumstances, authorize State local assistance payments that have been appropriated in a given year and are 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, in honoring such statutory arrangement for the redirection of local assistance payments, the State has no constitutional or statutory obligation to provide assistance to localities beyond amounts that have been appropriated therefor in any given year.

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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. Note that the outstanding debt information contained in the following table is the most current information provided by OSC by data submitted by the 19 authorities in the following table at the time of this AIS Update. DOB expects to include updated information in the corresponding table contained in the next State Annual Information Statement to be released later in 2017.

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 provided a total of \$25 million in additional aid to Yonkers for the support of the Yonkers School District for Yonkers fiscal year ending 2016 and 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 by OSC 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	Combined		Other Localities Debt⁽³⁾		Total Locality Debt⁽³⁾	
	New York City Debt⁽²⁾	Notes	Bonds⁽⁴⁾	Notes⁽⁴⁾	Bonds⁽³⁾⁽⁴⁾	Notes⁽⁴⁾
Ending	Bonds	Notes	Bonds⁽⁴⁾	Notes⁽⁴⁾	Bonds⁽³⁾⁽⁴⁾	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.¹⁶

¹⁶ 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.

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 was \$2.365 billion. The State opted not to amortize under the Contribution Stabilization Program and has paid the bill in full as of March 1, 2017.

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.¹⁷ 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.¹⁸

¹⁷ On February 6, 2017, the State Comptroller released a statement indicating that the value of the System's invested assets posted a 1.11 percent time-weighted rate of return (gross rate of return before the deduction of certain fees) for the three-month period ended December 31, 2016. This is in addition to a 1.96 percent return in the first quarter and a 3.51 percent return in the second quarter, bringing fiscal year-to-date returns to approximately 6.71 percent, with one quarter remaining. This reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

¹⁸ 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.¹⁹

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

¹⁹ 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 2016, based on the System's measurement date of March 31, 2016. 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	Contributions Recorded				Total
	Ended	All Participating	Local		
March 31	Employers⁽¹⁾⁽²⁾	Employers⁽¹⁾⁽²⁾	State⁽¹⁾⁽²⁾	Employees	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 actuarially 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 <u>March 31</u>	<u>Net Assets</u>	Percent Increase/ (Decrease) <u>From Prior Year</u>
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 ejection 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. On February 3, 2017, the Appellate Division affirmed the Supreme Court's judgment.

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. On November 28, 2016, plaintiffs moved for discretionary leave to appeal to the Court of Appeals. Defendants' opposition to the motion was filed on December 12, 2016. By order entered February 14, 2017, the Court of Appeals denied plaintiffs' motion for leave to appeal.

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 Court of Appeals has set a briefing schedule that required briefing to be complete by May 12, 2017, with argument on May 30, 2017 or June 1, 2017. 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 reached a revised briefing schedule at a court conference on December 21, 2016, pursuant to which plaintiffs' motions associated with their remaining claim were due to be filed on February 3, 2017, with opposition to such motions due on or before March 3, 2017, reply if any due on or before March 24, 2017, and a court conference scheduled for April 26, 2017. By stipulation dated February 16, 2017, counsel for the parties agreed to extend the dates set forth in the December 21, 2016 conference order as follows: motion due March 10, 2017; opposition April 7, 2017; reply April 28, 2017, and the next court conference on April 26, 2017 while settlement discussions continue.

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 settled the case on February 27, 2017. Plaintiffs are now expected to move for preliminary class certification, approval of the settlement, and a fairness hearing.

Sales Tax

There are several cases challenging the State's authority to collect taxes on cigarettes sold on Indian reservations.

In *Oneida Indian Nation of New York v. Paterson, et al.* (and four consolidated cases), the tribal plaintiffs seek judgments declaring that Chapters 134 and 136 of the Laws of 2010, which enacted amendments to the Tax Law regarding collection of excise taxes on reservation cigarette sales to non-tribal members, violate their rights under Federal law, and enjoining the State from enforcing those laws. In four of the five cases, the District Court for the Western District of New York denied plaintiffs' motions for preliminary injunctions but granted a stay of enforcement pending plaintiffs' appeal. In the fifth case, the District Court for the Northern District of New York granted the plaintiff's motion for a preliminary injunction. On May 9, 2011, the Second Circuit Court of Appeals affirmed the Western District's orders denying the plaintiffs' motions for preliminary injunctions, and vacated the Northern District's order granting the motion for a preliminary injunction, vacated all stays pending appeal, and remanded the cases to the District Courts for further proceedings consistent with the Court's opinion. The State has moved for summary judgment in the Northern and Western District cases. The plaintiffs have moved for voluntary dismissal without prejudice in these cases. The motions were taken on submission in the Northern District on November 25, 2011 and argued in the Western District on December 20, 2011. On January 9, 2012, the District Court for the Northern District of New York granted plaintiff's motion for voluntary dismissal without prejudice and denied the State defendants' motion for summary judgment as moot. On January 23, 2017, the District Court for the Western District of New York granted the State's motion for summary judgment and dismissed the complaints of two of the tribal plaintiffs with prejudice.

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. By order entered February 9, 2017, the Appellate Division, Third Department, denied plaintiffs' motion for reargument or leave to appeal.

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.

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 was filed February 3, 2017. In addition, on January 26, 2017, the Thruway Authority moved to dismiss for lack of subject matter jurisdiction based on Federal legislation authorizing the Thruway to use highway tolls for canal purposes. Plaintiffs' opposition to that motion was filed February 13, 2017 and defendants' reply was filed on February 16, 2017. Thereafter, all matters on the case were stayed pending the determination of the motion to dismiss - with discovery ongoing, a trial on the issue of damages had previously been scheduled to begin in March 2017. In addition, on February 1, 2017, counsel for plaintiffs filed a similar, companion, action on behalf of the motor bus industry as a related case, *Am. Bus Ass'n v. N.Y. Thruway Auth.*, 17-CV-0782 (SDNY). That complaint has not yet been served on all parties.

On March 1, 2017, the Court entered a decision dismissing the complaint in the original matter under Fed. R. Civ. P. 12(c) for failure to state a cause of action, consistent with the Thruway Authority's motion to dismiss. The Court entered judgment in favor of defendants the same day; plaintiffs have until March 31, 2017, to appeal. The Court also entered an order to show cause in the companion matter brought by the bus association, directing plaintiffs to indicate by March 20, 2017, why the similar matter should not be dismissed on the same grounds as the trucking lawsuit. Any response by the Thruway Authority is due March 20, 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 2018 through FY 2021
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 2021

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	FY 2017	Annual	Annual
	Results	Current	\$ Change	% Change
Opening Fund Balance	7,300	8,934	1,634	22.4%
Receipts:				
Taxes:				
Personal Income Tax	31,957	32,274	317	1.0%
Consumption/Use Taxes	6,819	7,082	263	3.9%
Business Taxes	5,647	5,571	(76)	-1.3%
Other Taxes	1,540	1,134	(406)	-26.4%
Miscellaneous Receipts	5,842	3,799	(2,043)	-35.0%
Federal Receipts	0	0	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,159	10,421	262	2.6%
Sales Tax in Excess of LGAC	2,728	2,866	138	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	952	(20)	-2.1%
All Other	1,253	1,222	(31)	-2.5%
Total Receipts	69,676	67,990	(1,686)	-2.4%
Disbursements:				
Local Assistance Grants	43,314	44,826	1,512	3.5%
Departmental Operations:				
Personal Service	6,011	6,099	88	1.5%
Non-Personal Service	1,944	2,154	210	10.8%
General State Charges	5,397	5,491	94	1.7%
Transfers to Other Funds:				
Debt Service	1,196	927	(269)	-22.5%
Capital Projects	2,721	3,458	737	27.1%
State Share of Mental Hygiene Medicaid	2,036	1,432	(604)	-29.7%
SUNY Operations	998	996	(2)	-0.2%
Other Purposes	4,425	4,309	(116)	-2.6%
Total Disbursements	68,042	69,692	1,650	2.4%
Excess (Deficiency) of Receipts Over Disbursements	1,634	(1,702)	(3,336)	-204.2%
Closing Fund Balance	8,934	7,232	(1,702)	-19.1%
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				
Potential Labor Agreements	15	0	(15)	
Undesignated Fund Balance ¹	237	0	(237)	
Debt Management	500	500	0	
Monetary Settlements	6,300	4,860	(1,440)	
Programmed	5,755	3,062	(2,693)	
Unbudgeted	545	1,798	1,253	

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 2018 through FY 2021 (millions of dollars)				
	FY 2018 <u>Projected</u>	FY 2019 <u>Projected</u>	FY 2020 <u>Projected</u>	FY 2021 <u>Projected</u>
Receipts:				
Taxes:				
Personal Income Tax	35,406	37,369	39,660	42,818
Consumption/Use Taxes	7,514	7,841	8,109	8,390
Business Taxes	5,955	5,972	6,310	6,595
Other Taxes	969	931	982	1,027
Miscellaneous Receipts	2,298	2,290	2,175	2,051
Federal Receipts	0	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	11,030	11,189	11,346	12,250
Sales Tax in Excess of LGAC	3,156	3,200	3,337	3,612
Sales Tax in Excess of Revenue Bond Debt Service	2,803	2,845	3,027	2,876
Real Estate Taxes in Excess of CW/CA Debt Service	1,028	1,085	1,137	1,193
All Other	924	741	726	725
Total Receipts	<u>71,083</u>	<u>73,463</u>	<u>76,809</u>	<u>81,537</u>
Disbursements:				
Local Assistance Grants	47,247	49,971	52,777	55,400
Departmental Operations:				
Personal Service	6,015	6,236	6,390	6,717
Non-Personal Service	2,290	2,388	2,499	2,527
General State Charges	5,741	6,231	6,689	7,232
Transfers to Other Funds:				
Debt Service	946	1,156	1,050	1,115
Capital Projects	3,517	3,927	3,781	3,076
State Share of Mental Hygiene Medicaid	1,301	1,231	1,119	1,263
SUNY Operations	1,000	997	997	997
Other Purposes	4,341	4,712	5,231	5,342
Total Disbursements	<u>72,398</u>	<u>76,849</u>	<u>80,533</u>	<u>83,669</u>
Use (Reservation) of Fund Balance:				
Community Projects	16	0	0	0
Potential Labor Agreements	(155)	0	0	0
Rainy Day Reserve	(150)	0	0	0
Monetary Settlements	1,604	1,613	1,063	351
Programmed	(194)	1,613	1,063	351
Unbudgeted	1,798	0	0	0
Total Use (Reservation) of Fund Balance	<u>1,315</u>	<u>1,613</u>	<u>1,063</u>	<u>351</u>
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)				
	<u>0</u>	<u>(1,773)</u>	<u>(2,661)</u>	<u>(1,781)</u>
Adherence to 2% Spending Benchmark*	0	2,465	4,753	6,741
Net General Fund Surplus (Deficit)	<u>0</u>	<u>692</u>	<u>2,092</u>	<u>4,960</u>
* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 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)					
	<u>Enacted</u>	<u>Change</u>	<u>Mid-Year</u>	<u>Change</u>	<u>Executive (Amended)</u>
Receipts:					
Taxes:					
Personal Income Tax	33,870	(1,031)	32,839	(565)	32,274
Consumption/Use Taxes	7,087	(11)	7,076	6	7,082
Business Taxes	5,750	25	5,775	(204)	5,571
Other Taxes	1,045	9	1,054	80	1,134
Miscellaneous Receipts	2,813	374	3,187	612	3,799
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,899	(265)	10,634	(213)	10,421
Sales Tax in Excess of LGAC	2,868	(1)	2,867	(1)	2,866
Sales Tax in Excess of Revenue Bond Debt Service	2,647	22	2,669	0	2,669
Real Estate Taxes in Excess of CW/CA Debt Service	951	0	951	1	952
All Other	1,046	172	1,218	4	1,222
Total Receipts	68,976	(706)	68,270	(280)	67,990
Disbursements:					
Local Assistance Grants	45,957	(578)	45,379	(553)	44,826
Departmental Operations:					
Personal Service	6,054	1	6,055	44	6,099
Non-Personal Service	2,245	(41)	2,204	(50)	2,154
General State Charges	5,425	142	5,567	(76)	5,491
Transfers to Other Funds:					
Debt Service	706	(3)	703	224	927
Capital Projects	4,461	(842)	3,619	(161)	3,458
State Share of Mental Hygiene Medicaid	1,437	(5)	1,432	0	1,432
SUNY Operations	996	0	996	0	996
Other Purposes	4,560	(195)	4,365	(56)	4,309
Total Disbursements	71,841	(1,521)	70,320	(628)	69,692
Use (Reservation) of Fund Balance:					
Community Projects	10	0	10	0	10
Potential Labor Agreements	15	60	75	(60)	15
Undesignated Fund Balance	87	0	87	150	237
Monetary Settlements	2,753	(875)	1,878	(438)	1,440
Programmed	2,873	(450)	2,423	270	2,693
Unbudgeted	(120)	(425)	(545)	(708)	(1,253)
Total Use (Reservation) of Fund Balance	2,865	(815)	2,050	(348)	1,702
Net General Fund Surplus (Deficit)	0	0	0	0	0
Source: NYS DOB.					

CASH FINANCIAL PLAN					
GENERAL FUND					
FY 2018					
(millions of dollars)					
	<u>Enacted</u>	<u>Change</u>	<u>Mid-Year</u>	<u>Change</u>	<u>Executive (Amended)</u>
Receipts:					
Taxes:					
Personal Income Tax	35,839	(1,070)	34,769	637	35,406
Consumption/Use Taxes	7,424	(9)	7,415	99	7,514
Business Taxes	6,078	0	6,078	(123)	5,955
Other Taxes	970	0	970	(1)	969
Miscellaneous Receipts	2,486	0	2,486	(188)	2,298
Federal Receipts		0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	11,033	(340)	10,693	337	11,030
Sales Tax in Excess of LGAC	3,117	(2)	3,115	41	3,156
Sales Tax in Excess of Revenue Bond Debt Service	2,719	42	2,761	42	2,803
Real Estate Taxes in Excess of CW/CA Debt Service	1,021	0	1,021	7	1,028
All Other	750	(34)	716	208	924
Total Receipts	<u>71,437</u>	<u>(1,413)</u>	<u>70,024</u>	<u>1,059</u>	<u>71,083</u>
Disbursements:					
Local Assistance Grants	49,086	(597)	48,489	(1,242)	47,247
Departmental Operations:					
Personal Service	6,097	77	6,174	(159)	6,015
Non-Personal Service	2,558	74	2,632	(342)	2,290
General State Charges	5,824	186	6,010	(269)	5,741
Transfers to Other Funds:					
Debt Service	1,260	(3)	1,257	(311)	946
Capital Projects	3,019	419	3,438	79	3,517
State Share of Mental Hygiene Medicaid	1,325	(22)	1,303	(2)	1,301
SUNY Operations	1,001	0	1,001	(1)	1,000
Other Purposes	4,770	(165)	4,605	(264)	4,341
Total Disbursements	<u>74,940</u>	<u>(31)</u>	<u>74,909</u>	<u>(2,511)</u>	<u>72,398</u>
Use (Reservation) of Fund Balance:					
Community Projects	0	0	0	16	16
Potential Labor Agreements	0	0	0	(155)	(155)
Rainy Day Reserve	0	0	0	(150)	(150)
Monetary Settlements	902	450	1,352	252	1,604
Programmed	902	450	1,352	(1,546)	(194)
Unbudgeted	0	0	0	1,798	1,798
Total Use (Reservation) of Fund Balance	<u>902</u>	<u>450</u>	<u>1,352</u>	<u>(37)</u>	<u>1,315</u>
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)					
	<u>(2,601)</u>	<u>(932)</u>	<u>(3,533)</u>	<u>3,533</u>	<u>0</u>
Adherence to 2% Spending Benchmark*					
	2,956	(112)	2,844	(2,844)	0
Net General Fund Surplus (Deficit)					
	<u>355</u>	<u>(1,044)</u>	<u>(689)</u>	<u>689</u>	<u>0</u>

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 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)					
	<u>Enacted</u>	<u>Change</u>	<u>Mid-Year</u>	<u>Change</u>	<u>Executive (Amended)</u>
Receipts:					
Taxes:					
Personal Income Tax	35,879	(1,112)	34,767	2,602	37,369
Consumption/Use Taxes	7,712	(9)	7,703	138	7,841
Business Taxes	6,155	0	6,155	(183)	5,972
Other Taxes	933	(1)	932	(1)	931
Miscellaneous Receipts	2,455	(7)	2,448	(158)	2,290
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,592	(386)	10,206	983	11,189
Sales Tax in Excess of LGAC	3,158	(2)	3,156	44	3,200
Sales Tax in Excess of Revenue Bond Debt Service	2,802	(6)	2,796	49	2,845
Real Estate Taxes in Excess of CW/CA Debt Service	1,076	0	1,076	9	1,085
All Other	750	(35)	715	26	741
Total Receipts	<u>71,512</u>	<u>(1,558)</u>	<u>69,954</u>	<u>3,509</u>	<u>73,463</u>
Disbursements:					
Local Assistance Grants	51,650	(251)	51,399	(1,428)	49,971
Departmental Operations:					
Personal Service	6,135	76	6,211	25	6,236
Non-Personal Service	2,364	81	2,445	(57)	2,388
General State Charges	6,033	351	6,384	(153)	6,231
Transfers to Other Funds:					
Debt Service	1,182	(1)	1,181	(25)	1,156
Capital Projects	3,399	(3)	3,396	531	3,927
State Share of Mental Hygiene Medicaid	1,301	(59)	1,242	(11)	1,231
SUNY Operations	997	0	997	0	997
Other Purposes	5,126	(105)	5,021	(309)	4,712
Total Disbursements	<u>78,187</u>	<u>89</u>	<u>78,276</u>	<u>(1,427)</u>	<u>76,849</u>
Use (Reservation) of Fund Balance:					
Monetary Settlements					
Programmed	1,200	0	1,200	413	1,613
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	<u>1,200</u>	<u>0</u>	<u>1,200</u>	<u>413</u>	<u>1,613</u>
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)					
	<u>(5,475)</u>	<u>(1,647)</u>	<u>(7,122)</u>	<u>5,349</u>	<u>(1,773)</u>
Adherence to 2% Spending Benchmark*					
	4,634	425	5,059	(2,594)	2,465
Net General Fund Surplus (Deficit)	<u>(841)</u>	<u>(1,222)</u>	<u>(2,063)</u>	<u>2,755</u>	<u>692</u>

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 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	Mid-Year	Change	Executive (Amended)
Receipts:					
Taxes:					
Personal Income Tax	37,438	(1,153)	36,285	3,375	39,660
Consumption/Use Taxes	7,983	(10)	7,973	136	8,109
Business Taxes	6,538	0	6,538	(228)	6,310
Other Taxes	984	(1)	983	(1)	982
Miscellaneous Receipts	2,318	16	2,334	(159)	2,175
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,651	(363)	10,288	1,058	11,346
Sales Tax in Excess of LGAC	3,296	(2)	3,294	43	3,337
Sales Tax in Excess of Revenue Bond Debt Service	3,011	(31)	2,980	47	3,027
Real Estate Taxes in Excess of CW/CA Debt Service	1,128	0	1,128	9	1,137
All Other	734	(35)	699	27	726
Total Receipts	74,081	(1,579)	72,502	4,307	76,809
Disbursements:					
Local Assistance Grants	54,496	(88)	54,408	(1,631)	52,777
Departmental Operations:					
Personal Service	6,189	91	6,280	110	6,390
Non-Personal Service	2,451	71	2,522	(23)	2,499
General State Charges	6,417	431	6,848	(159)	6,689
Transfers to Other Funds:					
Debt Service	1,076	(18)	1,058	(8)	1,050
Capital Projects	3,311	28	3,339	442	3,781
State Share of Mental Hygiene Medicaid	1,236	(107)	1,129	(10)	1,119
SUNY Operations	997	0	997	0	997
Other Purposes	5,536	51	5,587	(356)	5,231
Total Disbursements	81,709	459	82,168	(1,635)	80,533
Use (Reservation) of Fund Balance:					
Monetary Settlements	731	0	731	332	1,063
Programmed	731	0	731	332	1,063
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	731	0	731	332	1,063
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)					
	(6,897)	(2,038)	(8,935)	6,274	(2,661)
Adherence to 2% Spending Benchmark*	6,498	722	7,220	(2,467)	4,753
Net General Fund Surplus (Deficit)	(399)	(1,316)	(1,715)	3,807	2,092

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 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 2018 THROUGH FY 2021 (millions of dollars)					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Projected	Proposed	Projected	Projected	Projected
Taxes:					
Withholdings	37,575	39,359	41,214	43,267	44,387
Estimated Payments	14,976	17,025	18,527	20,175	22,196
Final Payments	2,615	2,836	3,044	3,193	3,403
Other Payments	1,358	1,418	1,491	1,555	1,622
Gross Collections	56,524	60,638	64,276	68,190	71,608
State/City Offset	(848)	(873)	(898)	(824)	(849)
Refunds	(8,367)	(9,082)	(10,289)	(11,372)	(10,700)
Reported Tax Collections	47,309	50,683	53,089	55,994	60,059
STAR (Dedicated Deposits)	(3,208)	(2,606)	(2,448)	(2,336)	(2,226)
RBTF (Dedicated Transfers)	(11,827)	(12,671)	(13,272)	(13,998)	(15,015)
Personal Income Tax	32,274	35,406	37,369	39,660	42,818
Sales and Use Tax	12,958	13,783	14,386	14,934	15,504
Cigarette and Tobacco Taxes	345	348	357	346	336
Motor Fuel Tax	0	0	0	0	0
Alcoholic Beverage Taxes	258	263	268	273	279
Medical Marihuana Excise Tax	0	0	0	0	0
Highway Use Tax	0	0	0	0	0
Auto Rental Tax	0	0	0	0	0
Taxicab Surcharge	0	0	0	0	0
TNC Assessment	0	12	23	23	23
Gross Utility Taxes and Fees	13,561	14,406	15,034	15,576	16,142
LGAC/STBF (Dedicated Transfers)	(6,479)	(6,892)	(7,193)	(7,467)	(7,752)
Consumption/Use Taxes	7,082	7,514	7,841	8,109	8,390
Corporation Franchise Tax	3,334	3,827	3,766	4,084	4,300
Corporation and Utilities Tax	568	559	563	569	575
Insurance Taxes	1,346	1,407	1,521	1,597	1,720
Bank Tax	323	162	122	60	0
Petroleum Business Tax	0	0	0	0	0
Business Taxes	5,571	5,955	5,972	6,310	6,595
Estate Tax	1,114	949	911	962	1,007
Real Estate Transfer Tax	1,138	1,210	1,265	1,315	1,367
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-Mutuel Taxes	17	17	17	17	17
Other Taxes	3	3	3	3	3
Gross Other Taxes	2,272	2,179	2,196	2,297	2,394
Real Estate Transfer Tax (Dedicated)	(1,138)	(1,210)	(1,265)	(1,315)	(1,367)
Other Taxes	1,134	969	931	982	1,027
Payroll Tax	0	0	0	0	0
Total Taxes	46,061	49,844	52,113	55,061	58,830
Licenses, Fees, Etc.	619	661	634	666	640
Abandoned Property	435	450	450	450	450
Motor Vehicle Fees	178	228	241	253	248
ABC License Fee	59	65	64	66	61
Reimbursements	263	302	286	308	288
Investment Income	20	13	8	8	8
Other Transactions	2,225	579	607	424	356
Miscellaneous Receipts	3,799	2,298	2,290	2,175	2,051
Federal Receipts	0	0	0	0	0
Total	49,860	52,142	54,403	57,236	60,881

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	46,061	8,229	19,325	73,615
Miscellaneous Receipts	3,799	16,823	489	21,111
Federal Receipts	0	1	73	74
Total Receipts	<u>49,860</u>	<u>25,053</u>	<u>19,887</u>	<u>94,800</u>
Disbursements:				
Local Assistance Grants	44,826	19,639	0	64,465
Departmental Operations:				
Personal Service	6,099	6,936	0	13,035
Non-Personal Service	2,154	3,564	39	5,757
General State Charges	5,491	2,140	0	7,631
Debt Service	0	0	5,310	5,310
Capital Projects	0	2	0	2
Total Disbursements	<u>58,570</u>	<u>32,281</u>	<u>5,349</u>	<u>96,200</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	18,130	7,781	3,517	29,428
Transfers to Other Funds	(11,122)	(689)	(18,042)	(29,853)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>7,008</u>	<u>7,092</u>	<u>(14,525)</u>	<u>(425)</u>
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	<u>(1,702)</u>	<u>(136)</u>	<u>13</u>	<u>(1,825)</u>
Closing Fund Balance	<u>7,232</u>	<u>3,411</u>	<u>173</u>	<u>10,816</u>

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
Opening Fund Balance	7,232	3,411	173	10,816
Receipts:				
Taxes	49,844	7,738	20,654	78,236
Miscellaneous Receipts	2,298	16,406	459	19,163
Federal Receipts	0	1	73	74
Total Receipts	<u>52,142</u>	<u>24,145</u>	<u>21,186</u>	<u>97,473</u>
Disbursements:				
Local Assistance Grants	47,247	18,708	0	65,955
Departmental Operations:				
Personal Service	6,015	6,825	0	12,840
Non-Personal Service	2,290	3,432	37	5,759
General State Charges	5,741	2,199	0	7,940
Debt Service	0	0	5,566	5,566
Capital Projects	0	2	0	2
Total Disbursements	<u>61,293</u>	<u>31,166</u>	<u>5,603</u>	<u>98,062</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	18,941	7,773	3,689	30,403
Transfers to Other Funds	(11,105)	(641)	(19,269)	(31,015)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>7,836</u>	<u>7,132</u>	<u>(15,580)</u>	<u>(612)</u>
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	<u>(1,315)</u>	<u>111</u>	<u>3</u>	<u>(1,201)</u>
Closing Fund Balance	<u>5,917</u>	<u>3,522</u>	<u>176</u>	<u>9,615</u>

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	52,113	7,730	21,611	81,454
Miscellaneous Receipts	2,290	16,256	458	19,004
Federal Receipts	0	1	73	74
Total Receipts	<u>54,403</u>	<u>23,987</u>	<u>22,142</u>	<u>100,532</u>
Disbursements:				
Local Assistance Grants	49,971	18,640	0	68,611
Departmental Operations:				
Personal Service	6,236	6,868	0	13,104
Non-Personal Service	2,388	3,468	50	5,906
General State Charges	6,231	2,242	0	8,473
Debt Service	0	0	6,457	6,457
Capital Projects	0	0	0	0
Total Disbursements	<u>64,826</u>	<u>31,218</u>	<u>6,507</u>	<u>102,551</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	19,060	7,987	3,857	30,904
Transfers to Other Funds	(12,023)	(347)	(19,488)	(31,858)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>7,037</u>	<u>7,640</u>	<u>(15,631)</u>	<u>(954)</u>
Use (Reservation) of Fund Balance:				
Monetary Settlements	1,613	0	0	1,613
Programmed	1,613	0	0	1,613
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	<u>1,613</u>	<u>0</u>	<u>0</u>	<u>1,613</u>
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	<u>(1,773)</u>	<u>409</u>	<u>4</u>	<u>(1,360)</u>
Adherence to 2% Spending Benchmark*	2,465	0	0	2,465
Net Surplus (Deficit)	<u>692</u>	<u>409</u>	<u>4</u>	<u>1,105</u>

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 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	55,061	7,725	22,661	85,447
Miscellaneous Receipts	2,175	16,146	459	18,780
Federal Receipts	0	1	73	74
Total Receipts	<u>57,236</u>	<u>23,872</u>	<u>23,193</u>	<u>104,301</u>
Disbursements:				
Local Assistance Grants	52,777	18,646	0	71,423
Departmental Operations:				
Personal Service	6,390	6,950	0	13,340
Non-Personal Service	2,499	3,450	50	5,999
General State Charges	6,689	2,297	0	8,986
Debt Service	0	0	7,093	7,093
Capital Projects	0	0	0	0
Total Disbursements	<u>68,355</u>	<u>31,343</u>	<u>7,143</u>	<u>106,841</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	19,573	8,239	3,817	31,629
Transfers to Other Funds	(12,178)	(343)	(19,862)	(32,383)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>7,395</u>	<u>7,896</u>	<u>(16,045)</u>	<u>(754)</u>
Use (Reservation) of Fund Balance:				
Monetary Settlements	1,063	0	0	1,063
Programmed	1,063	0	0	1,063
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	<u>1,063</u>	<u>0</u>	<u>0</u>	<u>1,063</u>
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	<u>(2,661)</u>	<u>425</u>	<u>5</u>	<u>(2,231)</u>
Adherence to 2% Spending Benchmark*	4,753	0	0	4,753
Net Surplus (Deficit)	<u>2,092</u>	<u>425</u>	<u>5</u>	<u>2,522</u>

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 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	46,061	8,229	1,358	19,325	74,973
Miscellaneous Receipts	3,799	17,058	4,829	489	26,175
Federal Receipts	0	50,651	2,161	73	52,885
Total Receipts	<u>49,860</u>	<u>75,938</u>	<u>8,348</u>	<u>19,887</u>	<u>154,033</u>
Disbursements:					
Local Assistance Grants	44,826	66,337	3,569	0	114,732
Departmental Operations:					
Personal Service	6,099	7,568	0	0	13,667
Non-Personal Service	2,154	4,993	0	39	7,186
General State Charges	5,491	2,443	0	0	7,934
Debt Service	0	0	0	5,310	5,310
Capital Projects	0	2	7,334	0	7,336
Total Disbursements	<u>58,570</u>	<u>81,343</u>	<u>10,903</u>	<u>5,349</u>	<u>156,165</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	18,130	7,781	3,633	3,517	33,061
Transfers to Other Funds	(11,122)	(2,513)	(1,450)	(18,042)	(33,127)
Bond and Note Proceeds	0	0	434	0	434
Net Other Financing Sources (Uses)	<u>7,008</u>	<u>5,268</u>	<u>2,617</u>	<u>(14,525)</u>	<u>368</u>
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	<u>(1,702)</u>	<u>(137)</u>	<u>62</u>	<u>13</u>	<u>(1,764)</u>
Closing Fund Balance	<u><u>7,232</u></u>	<u><u>3,470</u></u>	<u><u>(829)</u></u>	<u><u>173</u></u>	<u><u>10,046</u></u>

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
Opening Fund Balance	7,232	3,470	(829)	173	10,046
Receipts:					
Taxes	49,844	7,738	1,298	20,654	79,534
Miscellaneous Receipts	2,298	16,622	7,232	459	26,611
Federal Receipts	0	52,099	2,093	73	54,265
Total Receipts	<u>52,142</u>	<u>76,459</u>	<u>10,623</u>	<u>21,186</u>	<u>160,410</u>
Disbursements:					
Local Assistance Grants	47,247	66,674	4,801	0	118,722
Departmental Operations:					
Personal Service	6,015	7,461	0	0	13,476
Non-Personal Service	2,290	4,866	0	37	7,193
General State Charges	5,741	2,516	0	0	8,257
Debt Service	0	0	0	5,566	5,566
Capital Projects	0	2	9,044	0	9,046
Total Disbursements	<u>61,293</u>	<u>81,519</u>	<u>13,845</u>	<u>5,603</u>	<u>162,260</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	18,941	7,785	3,932	3,689	34,347
Transfers to Other Funds	(11,105)	(2,613)	(1,464)	(19,269)	(34,451)
Bond and Note Proceeds	0	0	728	0	728
Net Other Financing Sources (Uses)	<u>7,836</u>	<u>5,172</u>	<u>3,196</u>	<u>(15,580)</u>	<u>624</u>
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	<u>(1,315)</u>	<u>112</u>	<u>(26)</u>	<u>3</u>	<u>(1,226)</u>
Closing Fund Balance	<u>5,917</u>	<u>3,582</u>	<u>(855)</u>	<u>176</u>	<u>8,820</u>

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	52,113	7,730	1,374	21,611	82,828
Miscellaneous Receipts	2,290	16,472	6,989	458	26,209
Federal Receipts	0	53,347	2,091	73	55,511
Total Receipts	<u>54,403</u>	<u>77,549</u>	<u>10,454</u>	<u>22,142</u>	<u>164,548</u>
Disbursements:					
Local Assistance Grants	49,971	67,950	4,927	0	122,848
Departmental Operations:					
Personal Service	6,236	7,511	0	0	13,747
Non-Personal Service	2,388	4,860	0	50	7,298
General State Charges	6,231	2,562	0	0	8,793
Debt Service	0	0	0	6,457	6,457
Capital Projects	0	0	8,730	0	8,730
Total Disbursements	<u>64,826</u>	<u>82,883</u>	<u>13,657</u>	<u>6,507</u>	<u>167,873</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	19,060	7,999	4,214	3,857	35,130
Transfers to Other Funds	(12,023)	(2,254)	(1,482)	(19,488)	(35,247)
Bond and Note Proceeds	0	0	431	0	431
Net Other Financing Sources (Uses)	<u>7,037</u>	<u>5,745</u>	<u>3,163</u>	<u>(15,631)</u>	<u>314</u>
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,613	0	0	0	1,613
Programmed	1,613	0	0	0	1,613
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	<u>1,613</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,613</u>
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)					
	(1,773)	411	(40)	4	(1,398)
Adherence to 2% Spending Benchmark*					
	2,465	0	0	0	2,465
Net Surplus (Deficit)	<u>692</u>	<u>411</u>	<u>(40)</u>	<u>4</u>	<u>1,067</u>

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 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	55,061	7,725	1,368	22,661	86,815
Miscellaneous Receipts	2,175	16,362	6,808	459	25,804
Federal Receipts	0	55,082	2,147	73	57,302
Total Receipts	<u>57,236</u>	<u>79,169</u>	<u>10,323</u>	<u>23,193</u>	<u>169,921</u>
Disbursements:					
Local Assistance Grants	52,777	69,892	4,785	0	127,454
Departmental Operations:					
Personal Service	6,390	7,597	0	0	13,987
Non-Personal Service	2,499	4,862	0	50	7,411
General State Charges	6,689	2,622	0	0	9,311
Debt Service	0	0	0	7,093	7,093
Capital Projects	0	0	8,260	0	8,260
Total Disbursements	<u>68,355</u>	<u>84,973</u>	<u>13,045</u>	<u>7,143</u>	<u>173,516</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	19,573	8,251	4,042	3,817	35,683
Transfers to Other Funds	(12,178)	(2,021)	(1,737)	(19,862)	(35,798)
Bond and Note Proceeds	0	0	390	0	390
Net Other Financing Sources (Uses)	<u>7,395</u>	<u>6,230</u>	<u>2,695</u>	<u>(16,045)</u>	<u>275</u>
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,063	0	0	0	1,063
Programmed	1,063	0	0	0	1,063
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	<u>1,063</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,063</u>
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)					
	<u>(2,661)</u>	<u>426</u>	<u>(27)</u>	<u>5</u>	<u>(2,257)</u>
Adherence to 2% Spending Benchmark*	4,753	0	0	0	4,753
Net Surplus (Deficit)	<u>2,092</u>	<u>426</u>	<u>(27)</u>	<u>5</u>	<u>2,496</u>

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 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 Results	November Results	December Results	2017 January Results	February Projected	March Projected	Total
OPENING BALANCE	8,934	10,893	7,751	7,210	6,765	6,229	9,566	8,923	7,532	9,054	11,086	12,188	8,934
RECEIPTS:													
Personal Income Tax	4,787	1,639	3,123	1,921	2,205	3,420	1,895	1,560	3,457	3,452	2,594	2,221	32,274
Consumption/Use Taxes	547	523	711	569	537	713	549	552	687	594	455	645	7,082
Business Taxes	158	84	871	71	42	1,079	409	(116)	1,045	(8)	(367)	2,303	5,571
Other Taxes	75	108	79	74	125	88	100	94	158	64	84	85	1,134
Total Taxes	5,567	2,354	4,784	2,635	2,909	5,300	2,953	2,090	5,347	4,102	2,766	5,254	46,061
Abandoned Property	0	0	0	0	0	38	29	159	49	0	25	135	435
ABC License Fee	6	5	4	4	5	5	5	4	4	6	4	7	59
Investment Income	2	2	1	1	1	1	1	2	1	1	3	3	20
Licenses, Fees, etc.	22	70	54	49	62	33	52	53	65	69	40	50	619
Motor Vehicle Fees	17	16	26	(4)	30	6	(50)	69	28	8	20	23	178
Reimbursements	6	16	36	8	7	49	4	28	28	3	25	53	263
Other Transactions	16	404	54	29	216	149	56	304	345	52	469	131	2,225
Total Miscellaneous Receipts	69	513	176	87	321	281	97	619	509	139	586	402	3,799
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	633	246	1,187	582	592	1,706	10,421
Tax in Excess of LGAC	247	111	453	254	203	327	250	248	317	268	3	185	2,866
Salaries Tax Bond Fund	196	184	274	201	189	295	191	205	260	211	156	307	2,669
Real Estate Taxes in Excess of CW/CA Debt Service	74	74	91	96	85	83	79	77	71	78	73	71	952
All Other	5	39	23	6	0	44	21	43	4	87	139	811	1,222
Total Transfers from Other Funds	2,116	939	2,022	1,026	747	2,179	1,174	819	1,839	1,226	963	3,080	18,130
TOTAL RECEIPTS	7,752	3,806	6,982	3,748	3,977	7,760	4,224	3,528	7,695	5,467	4,315	8,736	67,990
DISBURSEMENTS:													
School Aid	754	2,900	1,898	48	645	1,620	911	1,421	1,782	585	638	7,853	21,055
Higher Education	19	25	648	218	124	166	357	42	151	51	141	1,042	2,984
All Other Education	52	118	514	146	238	68	113	195	79	33	345	285	2,186
Medicaid - DOH	998	1,267	1,441	1,087	1,288	1,216	1,020	1,367	1,223	822	337	368	12,434
Public Health	20	207	52	57	39	36	41	65	41	96	36	41	731
Mental Hygiene	3	1	202	1	4	199	12	2	242	(1)	139	75	879
Children and Families	27	33	271	194	69	88	65	96	315	120	18	401	1,697
Temporary & Disability Assistance	95	94	156	93	97	110	96	93	91	94	107	96	1,222
Transportation	0	23	11	11	0	0	0	24	10	0	13	1	106
Unrestricted Aid	0	11	389	9	0	98	8	1	181	0	0	63	760
All Other	9	19	93	31	46	53	58	30	36	(64)	56	405	772
Total Local Assistance Grants	1,977	4,698	5,675	1,884	2,574	3,654	2,681	3,336	4,151	1,736	1,830	10,630	44,826
Personal Service	475	488	609	476	490	578	462	621	484	430	438	548	6,099
Non-Personal Service	103	135	162	132	186	171	221	205	130	150	240	319	2,154
Total Departmental Operations	578	623	771	608	676	749	683	826	614	580	678	867	8,253
General State Charges	2,440	193	391	404	365	0	500	(20)	402	351	(22)	487	5,491
Debt Service	245	(2)	(3)	167	(18)	(80)	104	(2)	(2)	344	(19)	193	927
Capital Projects	162	179	107	344	342	(8)	281	287	443	243	572	506	3,458
State Share Medicaid	95	105	162	127	89	61	80	178	94	50	111	280	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	538	135	471	131	63	729	4,309
Total Transfers to Other Funds	798	1,434	686	1,297	898	20	1,003	777	1,006	768	727	1,708	11,122
TOTAL DISBURSEMENTS	5,793	6,948	7,523	4,193	4,513	4,423	4,867	4,919	6,173	3,435	3,213	13,692	69,692
Excess/(Deficiency) of Receipts over Disbursements	1,959	(3,142)	(541)	(445)	(536)	(337)	(643)	(1,391)	(1,522)	2,032	1,102	(4,956)	(1,702)
CLOSING BALANCE	10,893	7,751	7,210	6,765	6,229	9,566	8,923	7,532	9,054	11,086	12,188	7,232	7,232

Source: NYS DOB.