Update to
Annual Information Statement
State of New York

December 4, 2017

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Introduction

Introduction

This Annual Information Statement (AIS) Update (the "AIS Update") is dated December 4, 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 second quarterly update to the AIS dated June 20, 2017 (the "AIS"). This AIS Update should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the Mid-Year Update to the Financial Plan for FY 2018 (the "Updated Financial Plan"), issued by the Division of the Budget (DOB) in November 2017. The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov) includes a summary of operating results through the second quarter of FY 2018 (ended September 30, 2017) and updates to the State's official Financial Plan projections for FY 2018 through FY 2021[1]. Except for the specific revisions described in these extracts, the projections (and the assumptions upon which these are based) in the Updated Financial Plan are consistent with the projections set forth in the FY 2018 Enacted Budget Financial Plan (the "Enacted Budget Financial Plan") reflected in the AIS. Note that the Updated Financial Plan does not reflect the November 13, 2017 consent order between the New York State Department of Financial Services (DFS) and Credit Suisse AG and Credit Suisse AG, New York Branch (together "Credit Suisse"), pursuant to which Credit Suisse paid a $135 million civil monetary penalty, pertaining to Credit Suisse's failure to comply with laws and regulations designed to combat improper, unsafe, and unsound conduct in the foreign exchange trading business. Also note that the Updated Financial Plan does not reflect the November 14, 2017 consent order between DFS and Cigna Health and Life Insurance Company ("Cigna"), pursuant to which Cigna paid a $2 million civil penalty, pertaining to Cigna's violation of laws and regulations by selling stop-loss and fully-insured health insurance policies out-of-state to New York-based small groups with employees in the State. DOB next expects to update the State's multi-year financial projections in January 2018 with the Governor's Executive Budget Financial Plan.
2. A discussion of issues and risks that may affect the State's financial projections during the State's current fiscal year or in future years (under the heading "Other Matters Affecting the Financial Plan").
3. A summary of the Generally Accepted Accounting Principles (GAAP)-basis results for the prior three fiscal years.
4. Updated information regarding the State Retirement System.
5. Updated Information on certain public authorities and localities of the State.
6. The status of significant litigation that has the potential to adversely affect State finances.

[1] The State fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2018 ("FY 2018") is the fiscal year that began on April 1, 2017 and will end on March 31, 2018.

7. Updated Financial Plan tables that summarize actual General Fund receipts and disbursements for fiscal year 2017 and projected receipts and disbursements for fiscal years 2018 through 2021 on a General Fund, State Operating Funds (SOF) 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" has been furnished by the State Office of the Attorney General. DOB has not undertaken any independent verification of the information contained in these sections of this AIS Update.

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

The factors affecting the State's financial condition are complex. This AIS Update contains forecasts, projections and estimates that are based on expectations and assumptions, which existed at the time they were prepared, and contains statements relating to future results and economic performance that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in this AIS Update of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. The forward-looking statements contained herein are based on the State's expectations and are necessarily dependent upon assumptions, estimates and data that it believes are reasonable as of the date made but that may be incorrect, incomplete or imprecise or not reflective of actual results. Forecasts, projections, and estimates are not intended as representations of fact or guarantees of results. The words "expects", "forecasts", "projects", "intends", "anticipates", "estimates", "assumes" 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; Federal tax law changes; 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 2017 (ended March 31, 2017) 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 2017 can also be accessed through EMMA at www.emma.msrb.org.

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Budgetary and Accounting Practices

Budgetary and 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. The General Fund is balanced using the 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" but 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 in the General Fund, as well as State-funded special revenue funds and debt service funds (spending from capital projects funds and Federal funds is excluded). As a significant amount of financial activity occurs in funds outside of the General Fund, State Operating Funds is, 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 and tuition). The State Operating Funds perspective eliminates certain distortions in operating activities that may be caused by, among other things, the State's complex fund structure, the transfer of money among funds, and the accounting of disbursements against appropriations in different funds. For example, the State funds its share of the Medicaid program from both the General Fund and HCRA Funds, the latter being State Special Revenue Funds. The State Operating Funds perspective captures Medicaid disbursements from both of these fund types, giving a more complete accounting of State-funded Medicaid disbursements. For such reasons, the discussion of disbursement projections often emphasizes the State

Operating Funds perspective. The State's adherence to a 2 percent annual spending growth limitation is calculated on the State Operating Funds basis.

As described later in this AIS Update, the Updated Financial Plan reflects some actions that are expected to reduce the amount of annual spending that is accounted for in the 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, annual spending growth in State Operating Funds would increase above current projections.

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, GAAP. The GAAP-basis financial plan is informational only and 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, but there can be no assurance that the pro forma GAAP Financial Plan conforms to all GAAP principles.

Budgetary and Accounting Practices

The Updated Financial Plan projections for future years may show budget gaps or budget surpluses in the General Fund. Budget gaps represent the difference between: (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain current services levels and specific commitments, and (b) the projected level of resources, including transfers from other funds, to pay for these disbursements. The General Fund projections are based on a number of assumptions and are developed by the DOB in conjunction with other State agencies. Some projections are based on specific, known information (e.g., a statutory requirement to increase payments to a prescribed level), while others are based on more uncertain or speculative information (e.g., the pace at which a new program will enroll recipients). In general, the Updated Financial Plan assumes that money appropriated in one fiscal year will continue to be appropriated in future years, even for programs that were not created in permanent law and that the State has no obligation to fund. Funding levels for nearly all State programs are reviewed annually, taking into account the current and projected fiscal position of the State.

The Updated Financial Plan projections for FY 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, as State Operating Funds is currently constituted in this AIS Update, to no greater than 2 percent.[2] 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 annual State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or projected surpluses would be lower).

[2] Differences may occur from time to time between the State's Financial Plan and OSC's financial reports in the presentation and reporting of receipts and disbursements. For example, the Updated Financial Plan and this AIS Update may reflect a net expenditure amount while OSC may report the gross amount of the expenditure. If such differences in reporting between DOB and OSC occur, this could result in differences in the presentation and reporting of receipts and disbursements for discrete funds, as well as differences in the presentation and reporting for total receipts and disbursements under different fund perspectives (e.g., State Operating Funds and total All Governmental Funds).

Overview of the Updated Financial Plan

Overview of the Updated Financial Plan

The following table provides certain Updated Financial Plan information for FY 2017 and FY 2018.

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

	FY 2017	FY 2018		
	Results	Enacted	First Quarter	Mid-Year
State Operating Funds Disbursements				
Size of Budget	$96,199	$98,134	$98,168	$98,104
Annual Growth	2.0%	2.0%	2.0%	2.0%
Other Disbursement Measures				
General Fund (Excluding Transfers)	$57,988	$61,035	$61,087	$60,678
Annual Growth	2.3%	5.3%	5.3%	4.6%
General Fund (Including Transfers)[1]	$68,080	$71,199	$71,233	$70,373
Annual Growth	0.1%	4.6%	4.6%	3.4%
State Funds (Including Capital)	$104,029	$109,396	$109,341	$109,252
Annual Growth	2.8%	5.2%	5.1%	5.0%
Capital Budget (Federal and State)	$10,156	$13,111	$13,046	$13,020
Annual Growth	13.1%	29.1%	28.5%	28.2%
Federal Operating Aid[2]	$41,397	$41,625	$42,280	$42,553
Annual Growth	2.0%	0.6%	2.1%	2.8%
All Funds[2,3]	$147,752	$152,870	$153,494	$153,677
Annual Growth	2.7%	3.5%	3.9%	4.0%
Capital Budget (Including "Off-Budget" Capital[4])	$10,737	$13,794	$13,729	$13,703
Annual Growth	12.4%	28.5%	27.9%	27.6%
All Funds (Including "Off-Budget" Capital[2,4])	$148,333	$153,553	$154,177	$154,360
Annual Growth	2.7%	3.5%	3.9%	4.1%
Inflation (CPI)	1.6%	2.2%	1.5%	1.9%
All Funds Receipts				
Taxes	$74,372	$77,926	$77,923	$77,088
Annual Growth	-0.4%	4.8%	4.8%	3.7%
Miscellaneous Receipts	$26,594	$26,509	$26,755	$27,736
Annual Growth	-2.5%	-0.3%	0.6%	4.3%
Federal Receipts[2]	$46,144	$45,884	$46,646	$46,972
Annual Growth	3.7%	-0.6%	1.1%	1.8%
Total Receipts[2,3]	$147,110	$150,319	$151,324	$151,796
Annual Growth	0.5%	2.2%	2.9%	3.2%
General Fund Cash Balance	$7,749	$6,384	$6,694	$6,882
Tax Stabilization/Rainy Day Reserve	$1,798	$1,798	$1,798	$1,798
Extraordinary Monetary Settlements	$5,335	$3,870	$4,181	$4,369
All Other Reserves/Fund Balances	$616	$716	$715	$715
Debt				
Debt Service as % All Funds Receipts	4.1%	3.8%	3.7%	3.7%
State-Related Debt Outstanding	$50,709	$52,337	$52,296	$52,174
Debt Outstanding as % Personal Income	4.2%	4.2%	4.2%	4.3%
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	117,907	118,481	118,481	118,481

1 Annual growth includes the planned transfer of Extraordinary Monetary Settlements from the General Fund to other funds.

2 All Funds and Federal Operating Aid receipts and disbursements exclude: (a) Federal disaster aid for Superstorm Sandy, and (b) additional Federal aid associated with Federal health care reform. Federal grants reimburse certain transactions accounted for as transfers, and are not shown in disbursement totals in this table.

3 All Funds disbursements are expected to exceed receipts (including other financing sources) by $1.2 billion in FY 2018 with the difference funded from other available resources, including Extraordinary Monetary Settlements and GO bond proceeds to reimburse planned first-instance capital spending.

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

Overview of the Updated Financial Plan

Except for the specific revisions described herein, the projections (and the assumptions upon which these are based) in the Updated Financial Plan are consistent with the projections set forth in the FY 2018 Enacted Budget Financial Plan described in the AIS.

Summary

- Overall, tax receipts from April through September 2017 were less than DOB's estimates. On an All Funds basis, tax receipts were $692 million lower than the Enacted Budget Financial Plan forecast, with a large shortfall in PIT receipts ($1.1 billion), offset in part by stronger collections in taxes other than PIT ($408 million).
- The disappointing tax collections to date are at odds with key economic indicators, which signal an improving economy. One explanation is that taxpayer behavior is changing in response to the evolving features and prospects of a Federal tax bill. But what effect, if any, behavioral changes are having on collections will not be known until there is better information on what, if any, Federal tax law changes will be enacted.
- Given the uncertainties, DOB has reduced its annual estimate for State tax receipts in the Updated Financial Plan by $845 million in FY 2018, and by comparable amounts in each fiscal year of the multi-year forecast.[3] Material changes to the tax receipts forecast are possible in the future, as more information becomes available.
- DOB expects the Updated Financial Plan for FY 2018 to remain in balance on a cash basis in the General Fund, with the revisions to tax receipts offset in the current year by lower estimated disbursements, including transfers to other funds, reflecting operating results to date, and the conservative estimation of expenses, with an increase in reimbursements for bond-financed Capital Projects. State Operating Funds disbursements are estimated at $98.1 billion in FY 2018, an increase of 2 percent over FY 2017, consistent with the 2 percent annual spending growth benchmark.
- The Updated Financial Plan reflects the State having received $575 million from two extraordinary monetary settlements during FY 2018. Of this amount, $76 million will fund one-time litigation expenses, with the remaining $499 million to be held in the General Fund reserve for Extraordinary Monetary Settlements which is now estimated to total $4.4 billion at the end of FY 2018. Consistent with the Enacted Budget Financial Plan, the State expects other General Fund reserves to be maintained as follows: $1.8 billion in rainy day reserves, $500 million for debt management, and lesser balances in other reserves. Inclusive of the General Fund reserve for Extraordinary Monetary Settlements, and the maintenance of other General Fund reserves, the estimated General Fund closing balance for FY 2018 is $6.9 billion.
- DOB expects that the Governor will continue to propose, and the Legislature will continue to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent. The annual spending growth benchmark is calculated using the cash basis of accounting, as described herein, and is based on the current composition

[3] Exclusive of changes in debt service, which affect the transfer of tax receipts to the General Fund.

of the State Operating Funds perspective as reported by DOB. The General Fund budget gap projections for FY 2019, FY 2020, and FY 2021 are calculated based on this assumption. DOB expects that specific proposals to limit annual spending growth to 2 percent will be included in future budget proposals.

- The Updated Financial Plan displays the General Fund budget gaps both before and after savings that are currently estimated to occur if annual growth in State Operating Funds spending is held to 2 percent in FY 2019 and each year thereafter.
- The General Fund budget gap for FY 2019, before adherence to the 2 percent annual spending growth benchmark, is estimated at $4.4 billion. The budget gap after adherence to the 2 percent annual spending growth benchmark is estimated at $1.7 billion.

General Fund Operating Results (April through September 2017)

- General Fund receipts, including transfers from other funds, totaled $33.8 billion from April 2017 through September 2017, $68 million higher than projected in the Enacted Budget Financial Plan. Tax receipts were approximately $596 million below the Enacted Budget Financial Plan forecast, offset by the receipt of $575 million in Extraordinary Monetary Settlements with BNP Paribas, S.A., New York Branch (BNPP) and Habib Bank Limited and Habib Bank Limited, New York Branch (together "Habib Bank"). PIT collections were $962 million below projected levels, primarily due to lesser than expected estimated payments and the timing of both STAR property tax exemption-conversion credits and refund payments. Other tax variances include lower sales tax collections due to weaker than expected consumer spending, higher corporate franchise tax receipts driven by refund timing, and the receipt of an unusually large estate tax payment.
- General Fund disbursements, including transfers to other funds, totaled $35 billion from April 2017 through September 2017, $630 million below the amount projected in the Enacted Budget Financial Plan. The variance was due mainly to the timing of planned local assistance payments and transfers to capital projects funds. This lower spending was partly offset by higher spending for agency operations due to the timing of agency reimbursement to the General Fund for fringe benefit expenses, and higher than projected spending in the State University of New York (SUNY), the Department of Corrections and Community Supervision (DOCCS) and Judiciary.
- The State ended September 2017 with a General Fund closing balance of $6.5 billion, $698 million higher than the amount estimated in the Enacted Budget Financial Plan.
- See "April – September 2017 Operating Results" herein for an extended discussion of results from April 2017 through September 2017 compared to the estimates contained in the Enacted Budget Financial Plan and the First Quarterly Update to the Financial Plan, and to the same six-month period in 2016.

Multi-Year Financial Plan Revisions (FY 2018 and Outyears)

The following table summarizes the revisions to the FY 2018 Enacted Budget Financial Plan. Descriptions of the changes follow the table below.

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

	FY 2018	FY 2019	FY 2020	FY 2021
ENACTED BUDGET SURPLUS/(GAP)*	**0**	**(4,021)**	**(5,853)**	**(7,512)**
Receipts Revisions[1]	**344**	**(27)**	**(42)**	**2**
BNPP Settlement Payment	350	0	0	0
Tax Receipts	(6)	(27)	(39)	5
Non-Tax Receipts	0	0	(3)	(3)
Disbursement Revisions	**(34)**	**(35)**	**(110)**	**(246)**
Local Assistance	(12)	(57)	(85)	(118)
Agency Operations	(40)	(15)	(73)	(123)
CSX Judgment Payment	(39)	0	0	0
Other Transfers	57	37	48	(5)
Change in Reserves	**(310)**	**0**	**0**	**0**
Extraordinary Monetary Settlements	(311)	0	0	0
BNPP Settlement Payment	(350)	0	0	0
CSX Judgment Payment	39	0	0	0
Community Projects Fund	1	0	0	0
FIRST QUARTERLY UPDATE BUDGET SURPLUS/(GAP)*	**0**	**(4,083)**	**(6,005)**	**(7,756)**
Receipts Revisions[1]	**(672)**	**(860)**	**(871)**	**(865)**
Tax Receipts (before Debt Service)	(845)	(923)	(927)	(944)
Debt Service (impact on Tax Receipts)[1]	(61)	46	39	63
Habib Settlement Payment	225	0	0	0
Other Non-Tax Receipts	9	17	17	16
Disbursements Revisions	**860**	**500**	**491**	**568**
Local Assistance	329	201	111	135
Agency Operations	80	191	262	329
Transfers to Other Funds	451	108	118	104
Change in Extraordinary Monetary Settlements Reserve	**(188)**	**0**	**0**	**0**
Habib Settlement Payment	(225)	0	0	0
CSX Payment	37	0	0	0
MID-YEAR UPDATE SURPLUS/(GAP)*	**0**	**(4,443)**	**(6,385)**	**(8,053)**
Adherence to 2% SOF Spending - Calculated Savings [2]	0	2,706	5,491	7,733
MID-YEAR UPDATE SURPLUS/(GAP)	**0**	**(1,737)**	**(894)**	**(320)**

* Before actions to adhere to the 2 percent State Operating Funds spending growth benchmark.

1. Includes the impact of changes to estimated debt service that alter the amount of tax receipts that are transferred to the General Fund.

2. Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 State Operating Funds spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. 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 (or the projected surpluses lower).

Overview of the Updated Financial Plan

Receipts Revisions

General Fund receipts, including transfers from other funds, are now projected to total $69.5 billion in FY 2018, a decrease of $328 million from the Enacted Budget Financial Plan projections.

- Tax Receipts: Projected General Fund tax receipts have been lowered in each year of the Updated Financial Plan. The reductions mainly reflect collection experience through September 2017. The most significant revisions are as follows.
  - PIT receipts through the first half of the fiscal year were considerably lower than expected, mainly for estimated payments, which has led to a $750 million downward adjustment to projected PIT receipts in each year of the Updated Financial Plan.
  - Business tax receipts have been lowered by $120 million in FY 2018, with smaller outyear reductions, to reflect lower corporate franchise payments.
  - Sales tax collections have been lowered by $70 million in FY 2018 with similar outyear revisions to reflect weaker than expected consumer spending.
  - FY 2018 reductions in PIT collections are partly offset by an increase in estate tax receipts to reflect the receipt of an unusually large (i.e., over $25 million) estate tax payment.
- Debt Service: Projected transfers of tax receipts initially reserved in dedicated funds to support debt service have been lowered in FY 2018, and increased in FY 2019 and beyond. The updated debt service costs reflect actual bond sales to date and savings from refunding certain bonds.
- Non-Tax Receipts: Apart from settlement payments described below, certain miscellaneous receipts and transfers from other State funds have been revised based on updated information.
- BNPP Extraordinary Monetary Settlement Payment: The State received a $350 million civil monetary penalty payment from BNPP in June 2017 pursuant to a consent order between the DFS and BNPP.
- Habib Extraordinary Monetary Settlement Payment: The State received a $225 million civil monetary penalty payment from Habib Bank in September 2017 pursuant to a consent order between the DFS and Habib Bank.

Disbursements Revisions

General Fund disbursements, including transfers to other funds, are expected to total $70.4 billion in FY 2018, a decrease of $826 million from the projections in the Enacted Budget Financial Plan. Revisions to General Fund disbursements are based on a review of operating results to date and updated information on programs and activities.

Overview of the Updated Financial Plan

Projected General Fund disbursements for local assistance have been lowered in each year of the Updated Financial Plan, with significant downward revisions in FY 2018. The reductions reflect DOB's cautious estimation of General Fund disbursements. General Fund disbursements for local assistance are expected to total $46.8 billion in FY 2018, a decrease of $317 million from the Enacted Budget Financial Plan. Notable revisions include:

- School Aid: Spending for Community Schools Grants and certain other reimbursement-based grant programs is expected to occur more slowly than initially planned. This reduction in FY 2018 spending is partially offset by a timing-related spending increase due to the consolidation of the Priority Prekindergarten program into the Universal Prekindergarten program.

- Medicaid: Slower than anticipated spending in the Statewide Health Information Network for New York (SHIN-NY) program has been reflected across all years. SHIN-NY is an Information Technology (IT) initiative that funds the modernization of hospitals with computer integration and aids in creating networks so providers can communicate with one another to streamline care.

- Higher Education: Spending estimates have been revised upward to reflect increased support for the City University of New York (CUNY) as alternative resources expected from the sale of certain properties will not be available during FY 2018. This is partially offset by decreased spending based on updated enrollment and participation data for community colleges and the Tuition Assistance Program (TAP).

- Children and Families: Spending for Adult Protective/Domestic Violence and Adoption has been revised upward to reflect experience to date. In addition, the FY 2019 rates for the human services Cost-of-Living Adjustment (COLA) have been revised downward from 2.5 percent to 1.9 percent based on the Consumer Price Index.

- Other: Projected local assistance spending in FY 2019 and beyond has been lowered based on conservative estimation of expenses, and updated enrollment, applications, participation and spending to date data, for both the preschool and summer school special education programs, local government restructuring/efficiency programs, the Pay for Success program, and other programs.

General Fund disbursements for agency operations, including fringe benefits, are expected to total $13.9 billion in FY 2018, a decrease of $40 million from the Enacted Budget Financial Plan projections. The most significant changes include:

- Pensions: The FY 2018 pension final bill received in October 2017 was $33 million lower than the estimated payment made in April 2017, due to a lower salary base. Estimated costs have also been updated to reflect FY 2017 investment results, which lower expected costs in FY 2019 and beyond. In addition, the projected cost of the Employees' Retirement System (ERS) Veteran's Pension Credit has been lowered based on actual costs through September 2017.

- Health Insurance: Health insurance spending estimates have been lowered across all years based on updated rate projections and the application of $20 million in dividends to reduce FY 2019 costs. In addition, a credit has been applied for excess payments for the Opt Out program that were made from October 2015 through March 2017.

- Court of Claims: The State settled a lawsuit alleging gross negligence and medical malpractice by the New York State Athletic Commission related to injuries suffered by a boxer. The cost of the settlement is $22 million.

- State Police: Spending has been increased to reflect costs for public safety emergency response and counter-terrorist activities throughout the State, provided by the Division of State Police (DSP).

- Medicaid: Administrative costs of the Essential Plan (EP) and Medicaid program are now expected to exceed initial estimates, but are entirely offset by a reduction in local assistance spending under the Medicaid spending cap (or "Global Cap"). In addition, costs of the Qualified Health Plan (QHP) portion of the New York State of Health (NYSOH) insurance exchange have been reduced beginning in FY 2019 and beyond based on experience to date.

General Fund transfers to other funds are expected to total $9.7 billion in FY 2018, a decrease of $469 million from the Enacted Budget Financial Plan projections. The most significant changes include:

- Transfers to Capital Projects Funds: General Fund transfers to Capital Projects Funds are expected to be lower than previously anticipated mainly due to higher than expected capital reimbursements from bond proceeds in FY 2018 and revised levels of spending.

- Hurricane Relief: Transfers to Capital Projects Funds have been increased by $19 million in FY 2018 for the costs of State assistance provided to Texas, Florida, Puerto Rico and the U.S. Virgin Islands in the wake of recent hurricanes. The State costs are expected to be fully reimbursed. The Emergency Management Assistance Compact (EMAC), administered by the National Emergency Management Association, is a national interstate agreement that enables states to share resources during times of disaster. The EMAC includes provisions for reimbursement from the state and U.S. territories receiving aid, and the Updated Financial Plan assumes these costs will be reimbursed by FY 2021.

- CSX Transportation, Inc. (CSX) Payments: The State paid $100 million to settle two eminent domain cases with CSX (CSX 1 and CSX 2), including interest and fees. The First Quarterly Update to the Financial Plan reflected an initial cost estimate of $63 million ($39 million State share and $24 million Federal share), plus applicable interest charges and attorneys' fees for CSX 1. This AIS Update reflects the additional $37 million paid by the State to finalize the settlement of both CSX 1 and CSX 2, with $75 million attributable to CSX 1 and $25 million attributable to CSX 2. The total $76 million State share of the $100 million settlement for CSX 1 and CSX 2 has been paid from the DHBTF, with the transfer funded with a portion of the Extraordinary Monetary Settlements received since adoption of the FY 2018 Enacted Budget.

Annual Spending Growth

DOB estimates that spending in State Operating Funds will grow at 2.0 percent from FY 2017 to FY 2018, consistent with the 2 percent spending growth benchmark. 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 Results	FY 2018 Updated	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**64,369**	**66,053**	**1,684**	**2.6%**
School Aid (School Year Basis)	24,689	25,727	1,038	4.2%
DOH Medicaid[1]	18,243	19,085	842	4.6%
Transportation	4,977	5,024	47	0.9%
STAR[2]	3,139	2,630	(509)	-16.2%
Social Services	2,935	2,964	29	1.0%
Higher Education	2,874	2,832	(42)	-1.5%
Mental Hygiene	2,461	2,487	26	1.1%
All Other[3]	5,051	5,304	253	5.0%
STATE OPERATIONS/FRINGE BENEFITS/GENERAL STATE CHARGES	**26,314**	**26,763**	**449**	**1.7%**
State Operations	**18,680**	**18,785**	**105**	**0.6%**
Personal Service:	13,093	13,037	(56)	-0.4%
Executive Agencies	7,302	7,172	(130)	-1.8%
University Systems	3,816	3,863	47	1.2%
Elected Officials	1,975	2,002	27	1.4%
Non-Personal Service:	5,587	5,748	161	2.9%
Executive Agencies	2,717	2,860	143	5.3%
University Systems	2,281	2,274	(7)	-0.3%
Elected Officials	589	614	25	4.2%
General State Charges	**7,634**	**7,978**	**344**	**4.5%**
Pension Contribution	2,446	2,460	14	0.6%
Health Insurance	3,708	3,956	248	6.7%
Other Fringe Benefits/Fixed Costs	1,480	1,562	82	5.5%
DEBT SERVICE	**5,514**	**5,288**	**(226)**	**-4.1%**
CAPITAL PROJECTS	**2**	**0**	**(2)**	**-100.0%**
TOTAL STATE OPERATING FUNDS	**96,199**	**98,104**	**1,905**	**2.0%**
Capital Projects (State and Federal Funds)	**10,156**	**13,020**	**2,864**	**28.2%**
Federal Operating Aid[4]	**41,397**	**42,553**	**1,156**	**2.8%**
TOTAL ALL GOVERNMENTAL FUNDS[5]	**147,752**	**153,677**	**5,925**	**4.0%**

[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; but State-funded support is managed within total DOH Medicaid Global Cap resources. In addition, total State share Medicaid funding excludes Master Settlement Agreement (MSA) payments to the State that will be deposited directly to the Medicaid Management Information System (MMIS) Escrow Fund to defray the cost of the State's takeover of Medicaid costs for counties and New York City.

[2] The FY 2018 Enacted Budget converts the New York City Personal Income Tax rate reduction benefit to a nonrefundable State Personal Income Tax (PIT) credit. This change has no impact on the School Tax Relief (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 2018 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 $25.7 billion in FY 2018, an increase of $1.4 billion from FY 2017. It also includes the portion of the State's takeover of Medicaid costs for counties and New York City that will be funded from MSA payments deposited directly to the MMIS Escrow Fund ($103 million in FY 2018). Lastly, it includes 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.

State Operating Funds -- Summary of Annual Spending Change

Local Assistance

- Medicaid and School Aid are the State's largest local aid programs, comprising approximately 45 percent of State Operating Funds spending. In School Year (SY) 2018, School Aid is expected to total $25.7 billion, an increase of $1.0 billion (4.2 percent), including a $700 million increase in Foundation Aid.[4] Medicaid, subject to the Global Cap, will grow at the indexed rate of 3.3 percent[5] to $18.3 billion. In total, Medicaid funded from State resources will increase to $19.5 billion, including the EP,[6] the takeover of local Medicaid costs, and other spending outside the Global Cap.

- In FY 2018, the bonds secured by annual payments under the Master Settlement Agreement (MSA) with tobacco manufacturers were retired. With no remaining debt service requirements to be paid on these bonds, DOB expects MSA payments of approximately $103 million in FY 2018, $329 million in FY 2019, $327 million in FY 2020, and $371 million in FY 2021 will be available for general State purposes. The FY 2018 Enacted Budget authorizes using the payments to help defray the costs of the State's takeover of Medicaid costs for counties and New York City. The State takeover, in which local Medicaid costs are capped permanently at 2015 calendar year levels, was fully implemented in FY 2014 and is expected to cost the State $735 million in FY 2018 and $917 million in FY 2019. As authorized in State law, MSA payments will be directly deposited to the Medicaid Management Information System (MMIS) Escrow Fund. The deposit mechanism 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.

- STAR spending is affected by the conversion of STAR benefits to State PIT credits, in addition to other program reestimates. 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.

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[4] Total education aid, including charter school supplemental tuition reimbursement and Smart Schools Bond Act debt service, will total $25.8 billion, an annual increase of $1.1 billion or 4.4 percent from SY 2017 to SY 2018.

[5] 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.

[6] The EP is an insurance program authorized under the Affordable Care Act (ACA) for individuals who are not eligible for Medicaid and who meet certain income threshold standards. Approximately 90 percent of program expenses are subsidized with Federal funds. The EP is not a Medicaid program; however, the State Funds support is managed within total Department of Health (DOH) Medicaid Global Cap resources.

- The annual change in local assistance spending reported in the Updated Financial Plan is affected by the accounting treatment of State payments to the Sales Tax Asset Receivable Corporation (STARC). Pursuant to legislation enacted in FY 2017, New York City is remitting savings to the State from a 2014 refunding of STARC bonds, which are supported solely by the annual payment of State aid. The FY 2017 legislation specified that the money refunded from STARC could be received by the State as a miscellaneous receipt, or directed by the State to a State public authority to offset debt service costs on State-supported bonds. In the FY 2018 Enacted Budget, the Legislature provided that money recouped from the STARC refunding can be treated as an offset to State spending by adding specific language to the STARC appropriation. The Updated Financial Plan reflects the offset to spending in the calculation of State Operating Funds spending. In FY 2017, the State accounted for the money as a miscellaneous receipt.

State Operations/Fringe Benefits

- Spending for Executive agency operations is expected to increase in FY 2018 from the prior year. The current spending estimates for personal service assume potential costs of labor agreements with all State unions generally patterned on the three-year labor contract ratified by the Public Employees Federation (PEF) in December 2016. The spending estimates also include the costs of the five-year labor contract ratified by the Civil Service Employees Association (CSEA) in August 2017. In addition, Executive agencies are required to implement management plans intended to ensure that they can operate within existing cash ceilings. The estimated FY 2018 costs of potential labor agreements reflected in the Updated Financial Plan for Executive agencies are roughly equal to the savings expected from the management plans.

- Agency spending growth is also affected by the reclassification of 3,173 Full-Time Equivalent (FTE) positions whose titles are associated with the maintenance, preservation and/or operation of facilities (e.g., Plant Utilities Engineers, General Mechanics, and Electricians) to the Capital Projects Fund.

- Operations spending for the university systems and elected officials is expected to increase by 0.7 percent and 2.0 percent, respectively. More than half of the FTE reclassifications to Capital Project Funds occur in SUNY, lowering the annual spending growth.

- Spending growth for fringe benefits is mainly due to rising employee health care and prescription drug costs.

Debt Service

- Spending from debt service funds is expected to decrease by 4.1 percent from FY 2017, which is the result of the payment of certain FY 2018 debt service costs in FY 2017.

All Funds Spending

All Funds spending, which includes spending from capital funds and Federal funds, is budgeted to increase by 4.0 percent from FY 2017 to FY 2018, excluding extraordinary Federal aid for disaster-related costs and health care transformation.

TOTAL DISBURSEMENTS
(millions of dollars)

	FY 2017 Results	FY 2018 Updated	Annual Change	Annual % Change
STATE OPERATING FUNDS	**96,199**	**98,104**	**1,905**	**2.0%**
General Fund (excluding transfers)	57,988	60,678	2,690	4.6%
Other State Funds	32,659	32,101	(558)	-1.7%
Debt Service Funds	5,552	5,325	(227)	-4.1%
ALL GOVERNMENTAL FUNDS (Excluding Extraordinary Aid)	**147,752**	**153,677**	**5,925**	**4.0%**
ALL GOVERNMENTAL FUNDS	**157,014**	**164,053**	**7,039**	**4.5%**
State Operating Funds	96,199	98,104	1,905	2.0%
Capital Projects Funds	10,156	13,020	2,864	28.2%
Federal Operating Funds	50,659	52,929	2,270	4.5%
Federal Disaster Aid for Superstorm Sandy	881	525	(356)	-40.4%
Federal Health Care Reform	8,381	9,851	1,470	17.5%
All Other Federal Aid	41,397	42,553	1,156	2.8%
GENERAL FUND (INCLUDING TRANSFERS)	**68,080**	**70,373**	**2,293**	**3.4%**
STATE FUNDS	**104,029**	**109,252**	**5,223**	**5.0%**

Growth in Capital Projects Funds spending, which affects All Funds and State Funds spending, as well as transfers from the General Fund, reflects the continued implementation of major initiatives enacted in prior years, as well as new initiatives enacted in FY 2018. Major initiatives, subject to future budget and funding provisions, include: over $55 billion in total capital funding for the Department of Transportation (DOT) and Metropolitan Transportation Authority (MTA) multi-year capital plans; $2.5 billion in total capital funding for Affordable and Homeless Housing; nearly $3 billion in capital funding for clean water infrastructure; $2 billion in total capital funding for the Smart Schools Bond Act; nearly $3 billion in total capital funding for Health Care capital grants; and capital grants for economic development programs, including the Buffalo Billion, expansion of the Jacob K. Javits Convention Center, and redevelopment of Moynihan Station.

In addition, capital spending is expected to increase due to the continued multi-year disbursements of $7.7 billion from Extraordinary Monetary Settlements that have been appropriated from Capital Projects Funds. This funding will continue to support initiatives such as the Thruway Stabilization Program, Upstate Revitalization Initiative, and the expansion of statewide broadband services.

Increased Federal spending is mainly concentrated in health care and is partly offset by diminishing levels of Federal reimbursement for recovery costs related to severe storms (e.g., Superstorm Sandy).

General Fund spending, including transfers, is expected to grow by approximately 3.4 percent from FY 2017, and includes planned transfers of Extraordinary Monetary Settlements to fund spending appropriated in Capital Projects Funds and the costs associated with the CSX payments. In addition, funding for many agencies and programs is charged to several funds, and is affected by offsets and accounting reclassifications.

FY 2018 Financial Plan

DOB estimates that the Updated Financial Plan provides for balanced operations in the General Fund in FY 2018. Excluding Extraordinary Monetary Settlement funds, estimated General Fund disbursements exceed receipts by $593 million. The amount by which disbursements exceed receipts is financed by the use of Extraordinary Monetary Settlement funds that were not appropriated in the FY 2018 Enacted Budget for General Fund operations ($461 million) and the unbudgeted CSX payments ($76 million), reserves set aside in FY 2017 to fund new labor contracts ($25 million), resources carried over from FY 2017 ($14 million), and Community Projects Fund resources ($17 million).

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 Extraordinary Monetary Settlement activity (for purposes other than operating relief and the funding set aside for potential costs of labor contracts).

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2017 Results	FY 2018 Updated	Annual Change: Dollar	Annual Change: Percent
Opening Fund Balance (Excluding Extraordinary Monetary Settlements)	2,634	2,414	(220)	-8.4%
Total Receipts	65,743	68,898	3,155	4.8%
Taxes	62,264	65,554	3,290	5.3%
Miscellaneous Receipts/Federal Grants [1]	2,661	2,134	(527)	-19.8%
Transfers from Other Funds	818	1,210	392	47.9%
Total Disbursements	65,963	69,491	3,528	5.3%
Local Assistance	44,439	46,752	2,313	5.2%
State Operations	13,549	13,926	377	2.8%
Transfers to Other Funds [1]	7,975	8,813	838	10.5%
Net Change in Operations	(220)	(593)	(373)	-169.5%
Deposit to/ Use Of Reserves [2]	0	692	692	-
Closing Fund Balance (Excluding Extraordinary Monetary Settlements) [2]	2,414	2,513	99	4.1%
Extraordinary Monetary Settlements [1]				
Settlements on Hand as of April 1	6,300	5,335	(965)	-15.3%
New Settlements Received/Expected	1,317	641	(676)	-51.3%
Transfers/Uses [2]	(2,282)	(1,607)	675	29.6%
Closing Balance (Extraordinary Monetary Settlements)	5,335	4,369	(966)	-18.1%
Closing Fund Balance (Including Extraordinary Monetary Settlements)	7,749	6,882	(867)	-11.2%

[1] New settlements received reflect the gross value of Extraordinary Monetary Settlements paid to the State and the uses of such funds are accounted for by purpose. However, the General Fund miscellaneous receipts and transfers to other funds only exclude the amount that is received by the General Fund and transferred to other funds. Thus, it does not include any amounts retained and used for General Fund operations or Department of Law operations.

[2] In FY 2018, $461 million in Extraordinary Monetary Settlements will be utilized to support ongoing operations and $76 million will be used to fund an unbudgeted CSX payment. Another $155 million will be retained in the General Fund to fund potential retroactive salary increases and is thus included in the General Fund closing balance.

Overview of the Updated Financial Plan

As shown in the preceding table, the State expects to end FY 2018 with a General Fund cash balance of $6.9 billion, a decrease of $867 million from FY 2017 results. DOB intends to make transfers of Extraordinary Monetary Settlements on an as-needed basis each year as spending occurs from appropriations funded with the Extraordinary Monetary Settlements. Legislation approved in the FY 2017 Enacted Budget provides transfer authority from the General Fund to the Dedicated Infrastructure Investment Fund (DIIF) through FY 2021.

Receipts (Excluding Extraordinary Monetary Settlements)

General Fund receipts, including transfers from other funds, are estimated to total $68.9 billion in FY 2018, an increase of $3.2 billion (4.8 percent) from FY 2017 results. Estimated tax collections, including transfers of tax receipts to the General Fund after payment of debt service, total $65.6 billion in FY 2018, an increase of $3.3 billion (5.3 percent) from FY 2017 results.

The PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are estimated to total $44.5 billion, an increase of $1.7 billion (4.0 percent) from FY 2017. This primarily reflects growth in withholding and estimated payments attributable to the projected increase in wage and non-wage income and a decline in STAR Fund deposits associated with legislation included in the FY 2018 Enacted Budget, partially offset by the first year of middle income tax cuts enacted in FY 2017.

Consumption/use tax receipts, including transfers after payment of debt service on the Local Government Assistance Corporation (LGAC) and Sales Tax Revenue Bonds, are estimated to total $13.2 billion in FY 2018, an increase of $606 million (4.8 percent) from FY 2017 results, which mainly reflects projected growth in disposable income and taxable consumption.

Business tax receipts are estimated at $5.6 billion in FY 2018, an increase of $837 million (17.6 percent) from FY 2017 results. The significant growth is primarily attributable to the absence of one-time factors that affected FY 2017 receipts. Receipts in FY 2016 were negatively impacted by a shortfall in cash payments associated with tax year 2015 tax returns which resulted in lower mandatory first installment payments due in March 2017. Additionally, many taxpayers remitted their mandatory first installment payment, which was due by March 15th, 2017 in April 2017. Receipts from audits in FY 2018 are also higher than in FY 2017, as several telecommunication company audits have been resolved.

Other tax receipts, including transfers after payment of debt service on Clean Water/Clean Air Bonds, are expected to total $2.2 billion in FY 2018, an increase of $155 million (7.6 percent) from FY 2017 results. This increase is mainly attributable to actual estate tax receipts through September 2017, and projected growth in real estate transfer tax receipts due to an anticipated increase in housing starts and appreciation of home prices, partly offset by the continued phase-in of estate tax cuts.

Non-tax receipts and transfers are estimated at $3.3 billion in FY 2018, a decrease of $135 million (-3.9 percent) from FY 2017 results, which largely reflects State Insurance Fund (SIF) reserves released in FY 2017 that do not recur in FY 2018.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances among 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 2018 Through 2021" herein.

Disbursements (Excluding Extraordinary Monetary Settlements)

General Fund disbursements, including transfers to other funds, are estimated to total $69.5 billion in FY 2018, an increase of $3.5 billion (5.3 percent) from FY 2017 results. General Fund disbursements reflect the conservative estimate of disbursements in each financial category, a practice that provides a cushion for potential receipts shortfalls and other unanticipated costs.

Projected local assistance spending is $46.8 billion in FY 2018, an increase of $2.3 billion (5.2 percent) from FY 2017 results. The increase includes $1.3 billion for School Aid (on a State fiscal year basis) and $901 million for Medicaid and the EP. Additional 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 categories and across fund types.

On a State Operating Funds basis, most executive agencies are expected to hold operations spending at FY 2017 levels.[7] The Updated Financial Plan estimates for State Operations are affected by the reclassification to Capital Projects Funds of certain personnel expenses related to maintenance and preservation of State assets; the costs of approved labor settlements, as well as the potential costs of labor agreements with other State unions patterned on the labor contract ratified by PEF in December 2016; and expected savings from agency management plans. General Fund personal and non-personal service costs are expected to total $8.2 billion in FY 2018, an increase of $126 million (1.6 percent) from FY 2017 results. Operating costs for many agencies are charged to several funds outside the General Fund, and are thus affected by varying levels of offsets and accounting reclassifications.

General State Charges (GSCs), which account for fringe benefits and certain fixed costs, are projected to increase by $251 million (4.6 percent) over FY 2017 results. Health insurance costs for State employees and retirees are projected to increase by $248 million (6.7 percent), mainly due to increases in premiums. The State's annual pension payment is projected to grow by $14 million (0.6 percent).

General Fund transfers to other funds are projected to total $8.8 billion in FY 2018, an increase of $838 million (10.5 percent) from FY 2017 results. Transfers for capital projects (excluding transfers funded with Extraordinary Monetary Settlements) are projected to increase by $868 million, reflecting the timing of reimbursement from bond proceeds and planned disbursements from the DHBTF.

[7] Limited exceptions include DOH costs attributable to Medicaid administration, the EP program and increased State Police costs for additional security measures.

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 2018 through 2021" herein.

Closing Balance for FY 2018

DOB projects that the State will end FY 2018 with a General Fund cash balance of $6.9 billion, a decrease of $867 million from FY 2017. The estimated balance of Extraordinary Monetary Settlements at the close of FY 2018 is $4.4 billion, a decrease of $966 million from FY 2017. The decrease in Extraordinary Monetary Settlement funds, reserved in the General Fund, is due to the expected transfer of $882 million to capital projects funds, and the planned use of $461 million for general operating purposes, $76 million for CSX settlement expenses, and $33 million for Department of Law operating purposes, as well as the reserve of $155 million for labor contracts. Offsetting these uses is the actual and expected receipt of $641 million in additional Extraordinary Monetary Settlements during FY 2018. (See "Uses of Extraordinary Monetary Settlements" herein.)

The estimated General Fund cash balance, excluding Extraordinary Monetary Settlements, is $2.5 billion at the close of FY 2018, or $99 million higher than FY 2017. The annual change in the balance reflects the $155 million of Extraordinary Monetary Settlements in the General Fund that DOB has informally earmarked to fund retroactive salary increases for FY 2017 that may occur in FY 2018 or later, which is partly offset by the use in FY 2017 of $25 million in reserves for the payment of retroactive salary increases for Management/Confidential (M/C) employees. During FY 2018, DOB may change the purposes for which the money is currently earmarked, depending on the fiscal environment. Other changes include a lower balance in the Community Projects Fund ($17 million), and the planned use of the undesignated fund balance carried over from FY 2017 ($14 million).

The Updated 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.

TOTAL BALANCES
(millions of dollars)

	FY 2017 Results	FY 2018 Updated	Annual Change
TOTAL GENERAL FUND BALANCE	**7,749**	**6,882**	**(867)**
General Fund Total (Excluding Extraordinary Monetary Settlements)	**2,414**	**2,513**	**99**
Statutory Reserves:			
"Rainy Day" Reserves	1,798	1,798	0
Community Projects	56	39	(17)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements	25	155	130
Undesignated Fund Balance	14	0	(14)
Extraordinary Monetary Settlements Fund Balance	**5,335**	**4,369**	**(966)**

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 until 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 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[1]
FY 2018
(millions of dollars)

	General Fund	Other Funds	All Funds
April 2017	7,405	4,111	11,516
May 2017	3,140	3,344	6,484
June 2017	3,014	4,666	7,680
July 2017	3,774	5,543	9,317
August 2017	3,883	5,612	9,495
September 2017	6,523	3,328	9,851
October 2017	6,404	3,565	9,969
November 2017	4,389	2,811	7,200
December 2017	8,699	2,486	11,185
January 2018	10,746	4,438	15,184
February 2018	10,480	4,576	15,056
March 2018	6,882	3,022	9,904

[1] April - September 2017, results. October 2017 - March 2018, projections.

Extraordinary Monetary Settlements

From the beginning of FY 2015 through FY 2018, DOB estimates that the State will have received or is expected to receive a total of $10.5 billion in Extraordinary Monetary Settlements for violations of State laws by major financial and other institutions. The following table lists the Extraordinary Monetary Settlements by firm and amount. Neither the Updated Financial Plan nor the table below reflect the Credit Suisse and Cigna settlement payments of $135 million and $2 million, respectively, described in the introduction to this AIS Update.

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

	FY 2015	FY 2016	FY 2017	FY 2018	Total
Extraordinary Monetary Settlements	**4,942**	**3,605**	**1,317**	**641**	**10,505**
BNP Paribas	2,243	1,348	0	350	3,941
Department of Financial Services (DFS)	2,243	0	0	350	2,593
Asset Forfeiture (DANY)	0	1,348	0	0	1,348
Deutsche Bank	0	800	444	0	1,244
Credit Suisse AG	715	30	0	0	745
Commerzbank	610	82	0	0	692
Barclays	0	670	0	0	670
Credit Agricole	0	459	0	0	459
Bank of Tokyo Mitsubishi	315	0	0	0	315
Bank of America	300	0	0	0	300
Standard Chartered Bank	300	0	0	0	300
Goldman Sachs	0	50	190	0	240
Morgan Stanley	0	150	0	0	150
Bank Leumi	130	0	0	0	130
Ocwen Financial	100	0	0	0	100
Citigroup (State Share)	92	0	0	0	92
MetLife Parties	50	0	0	0	50
American International Group, Inc.	35	0	0	0	35
PricewaterhouseCoopers LLP	25	0	0	0	25
AXA Equitable Life Insurance Company	20	0	0	0	20
Promontory	0	15	0	0	15
New Day	0	1	0	0	1
Volkswagen	0	0	32	33	65
Mega Bank	0	0	180	0	180
Agricultural Bank of China	0	0	215	0	215
PHH Mortgage	0	0	28	0	28
Intesa SanPaolo	0	0	235	0	235
Habib Bank	0	0	0	225	225
Other Settlements	7	0	(7)	33	33

Since the Enacted Budget Financial Plan was issued, the State has received two settlement payments. Pursuant to a May 24, 2017 consent order between the DFS and BNPP, BNPP made a $350 million civil monetary penalty payment. The order pertains to BNPP engaging in improper, unsafe and unsound conduct, in violation of State laws and regulations, that included collusive conduct, improper exchange of information, manipulation of the price at which daily benchmark rates were set, and misleading customers.

Habib Bank paid a $225 million civil monetary penalty pursuant to a September 7, 2017 consent order between Habib Bank and DFS. This consent order pertains to Habib Bank's failure to comply with laws and regulations designed to combat money laundering, terrorist financing, and other illicit financial transactions.

Uses of Extraordinary Monetary Settlements

A total of $7.7 billion in Extraordinary Monetary Settlements has, or is expected to, finance various purposes from capital appropriations, including operating activities associated with the maintenance, protection, preservation, and operation of capital assets. Another $2.3 billion has been, or is expected to be, used for other purposes, including resolution of Office for People with Developmental Disabilities (OPWDD) Federal disallowances in FY 2016, funding for retroactive labor costs, General Fund operations, one-time settlement payments to CSX, and costs of the Department of Law's Litigation Services Bureau. The use of approximately $500 million has not yet been determined.

GENERAL FUND SUMMARY OF RECEIPTS AND USE/TRANSFER OF FUNDS FROM EXTRAORDINARY MONETARY 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
Opening Settlement Balance in General Fund	**0**	**4,667**	**6,300**	**5,335**	**4,369**	**2,707**	**1,620**	**967**
Receipt of Extraordinary Monetary Settlement Payment	**4,942**	**3,605**	**1,317**	**641**	**0**	**0**	**0**	**0**
Use/Transfer of Funds	**275**	**1,972**	**2,282**	**1,607**	**1,662**	**1,087**	**653**	**468**
Capital Purposes:								
Transfer to DIIF	0	857	697	1,402	1,767	1,217	933	438
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	0
Transfer to Capital Projects Fund - Mass Transit	0	0	0	85	0	0	0	0
Transfer to Capital Projects Fund - Healthcare	0	0	0	25	45	50	50	30
Transfer to DIIF for Javits Center Expansion	0	0	0	160	350	320	170	0
Bond Proceed Receipts for Javits Center Expansion	0	0	0	0	0	(500)	(500)	0
FY 2017 Temporary Loan to Capital Projects Fund	0	0	1,300	(1,300)	0	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund	0	0	0	500	(500)	0	0	0
Other Purposes:								
Transfer to Audit Disallowance - Federal Settlement	0	850	0	0	0	0	0	0
CSX Payment	0	0	0	76	0	0	0	0
Financial Plan - General Fund Operating Purposes	275	250	102	461	0	0	0	0
Transfer to Local Assistance Account - Mass Transit Operating	0	0	0	10	0	0	0	0
Department of Law - Litigation Services Operations	0	10	63	33	0	0	0	0
Transfer to OASAS Chemical Dependence Program	0	5	0	0	0	0	0	0
Reservation of Funds:								
Reserve for Retroactive Labor Settlements	0	0	0	155	0	0	0	0
Closing Settlement Balance in General Fund	**4,667**	**6,300**	**5,335**	**4,369**	**2,707**	**1,620**	**967**	**499**

Overview of the Updated Financial Plan

The Updated Financial Plan maintains the Enacted Budget Financial Plan allocation of $1.9 billion in Extraordinary Monetary Settlements to support the following measures:

- Buffalo Billion Phase II ($400 million): The Updated Financial Plan reflects an investment of $400 million from Extraordinary Monetary Settlement funds to support the second phase of the Buffalo Billion Initiative, which totals $500 million.

- Life Sciences ($320 million): The Updated Financial Plan reflects the commitment of $320 million from Extraordinary Monetary Settlement funds to support the State's multi-year $620 million Life Sciences Initiative. The State will provide $220 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.

- Health Care Capital Grants ($200 million): The Updated Financial Plan includes a $500 million increase to the health care facility transformation program, of which $200 million will be funded from Extraordinary Monetary Settlements.

- Security and Emergency Response Preparedness ($100 million): The Updated Financial Plan reflects the continued use of $100 million to continue counter-terrorism and disaster recovery efforts.

- Downtown Revitalization ($100 million): The Updated Financial Plan includes $100 million for the Downtown Revitalization Initiative to fund housing, economic development, transportation, and community projects to attract and retain residents, visitors, and businesses in the business districts and adjacent neighborhoods in State cities and towns. The existing program provides $100 million to ten communities currently experiencing population loss and/or economic decline.

- MTA Capital Plan ($65 million): The Updated Financial Plan reflects the commitment of $65 million to the MTA's 2015-2019 Capital Program. These new resources must be paid to the MTA before December 31, 2018.

- Non-MTA Transit ($30 million): The Updated Financial Plan invests $20 million in funds from Extraordinary Monetary Settlements toward DOT's mass transit capital program. Funds will be directed by DOT toward upstate and downstate public transportation systems other than the MTA to defray the costs of capital projects or acquisitions. The Updated Financial Plan also provides $10 million for operating costs related to non-MTA mass transit purposes.

- First-Year Costs of Potential Labor Agreements ($155 million): The Updated Financial Plan reserves $155 million in Extraordinary Monetary Settlements to fund the year one costs of potential labor agreements with the State's employee unions whose contracts concluded in FY 2016 and do not yet have agreements in place. The estimated year one costs of potential labor agreements are consistent with patterns established by recent labor agreements.

- General Fund Operations ($461 million): Consistent with the Enacted Budget Financial Plan, the Updated Financial Plan reflects the use of Extraordinary Monetary Settlements for General Fund operating purposes.

- CSX Payments ($76 million): The Updated Financial Plan reflects the assumption that the State's share of the CSX payments will be funded with settlement receipts.

April – September 2017
Operating Results

April – September 2017 Operating Results

This section provides a summary of operating results for April 2017 through September 2017 compared to (1) the results for the same time period in the prior fiscal year, FY 2017 (April 2016 through September 2016); (2) the projections set forth in the Enacted Budget Financial Plan ("initial estimates") and (3) the FY 2018 First Quarterly Update ("revised estimates"). The focus of the spending discussion is on a State Operating Funds basis.

Results Compared to Prior Year - All Governmental Funds

Comparing FY 2018 to FY 2017, for the period of April through September, All Funds receipts increased by $1.5 billion, reflecting $2.1 billion in higher Federal aid and $168 million in higher miscellaneous receipts, offset by $768 million in lower tax receipts. Disbursements increased by $4.4 billion, of which Federal operating aid comprised nearly $3 billion. The change in operations along with the lower cash balance at the start of FY 2018 ($705 million) contributed to a closing balance at the end of September 2017 that was $3.6 billion lower than the September 2016 closing balance.

ALL GOVERNMENTAL FUNDS - RESULTS COMPARED TO PRIOR YEAR
APRIL THROUGH SEPTEMBER
(millions of dollars)

	Results		Increase/(Decrease)	
	FY 2017	FY 2018	$	%
OPENING BALANCE	**11,810**	**11,105**	**(705)**	**-6.0%**
ALL FUNDS RECEIPTS:	**75,040**	**76,561**	**1,521**	**2.0%**
Total Taxes	**36,855**	**36,087**	**(768)**	**-2.1%**
Personal Income Tax	23,499	22,175	(1,324)	-5.6%
All Other Taxes	13,356	13,912	556	4.2%
Miscellaneous Receipts	**12,270**	**12,438**	**168**	**1.4%**
Federal Grants	**25,915**	**28,036**	**2,121**	**8.2%**
ALL FUNDS DISBURSEMENTS:	**73,399**	**77,752**	**4,353**	**5.9%**
STATE OPERATING FUNDS	**45,445**	**46,494**	**1,049**	**2.3%**
Local Assistance	**29,958**	**30,608**	**650**	**2.2%**
School Aid	10,321	10,981	660	6.4%
DOH Medicaid [1]	10,088	10,491	403	4.0%
All Other	9,549	9,136	(413)	-4.3%
State Operations	**14,022**	**14,331**	**309**	**2.2%**
Agency Operations	**9,197**	**9,309**	**112**	**1.2%**
Executive Agencies	4,993	4,986	(7)	-0.1%
University Systems	2,949	3,021	72	2.4%
Elected Officials	1,255	1,302	47	3.7%
Fringe Benefits/Fixed Costs	**4,825**	**5,022**	**197**	**4.1%**
Pension Contribution	2,224	2,303	79	3.6%
Health Insurance	1,828	1,941	113	6.2%
Other Fringe Benefits/Fixed Costs	773	778	5	0.6%
Debt Service	**1,465**	**1,555**	**90**	**6.1%**
CAPITAL PROJECTS (State and Federal Funds)	**4,496**	**4,844**	**348**	**7.7%**
FEDERAL OPERATING AID	**23,458**	**26,414**	**2,956**	**12.6%**
NET OTHER FINANCING SOURCES	**(24)**	**(63)**	**(39)**	**-162.5%**
CHANGE IN OPERATIONS	**1,617**	**(1,254)**	**(2,871)**	**-177.6%**
CLOSING BALANCE	**13,427**	**9,851**	**(3,576)**	**-26.6%**

[1] Includes the Essential Plan

April–September 2017 Operating Results

Receipts

For April through September 2017, All Funds tax receipts were $768 million, or 2.1 percent, lower than for the same period in 2016. The reductions were primarily concentrated in PIT ($1.3 billion, or 5.6 percent lower). The PIT decline is comprised of lower extension payments ($618 million) due to weak non-wage income growth in tax year 2016 and an increase in refunds to taxpayers ($1.2 billion). The growth in refunds is partly attributable to the payment of an additional $800 million in refunds in January through March 2016 compared to the same period in 2017 due to administrative timing.

All other taxes combined were $556 million (4.2 percent) higher, mainly due to sales and business tax collections, and estate tax collections. Higher sales tax collections reflect base growth augmented by fewer telecommunications credits taken against sales tax payments. Business tax collections reflect higher bank tax receipts attributable to a large audit received in August and strong growth in insurance tax gross receipts. These increases were partially offset by declines in corporate franchise, highway use, cigarette and tobacco tax collections.

Miscellaneous receipts were $168 million (1.4 percent) higher in April through September 2017 than in the same period of the prior year, primarily reflecting increased motor vehicle fees and abandoned property receipts.

Federal grants were $2.1 billion (8.2 percent) higher in April through September 2017 than in the same period of the prior year, consistent with the growth in Federal spending.

Spending

From April through September 2017, State Operating Funds spending totaled $46.5 billion, an increase of $1 billion, or 2.3 percent, above the same period last year. As described below, the Enacted Budget Financial Plan anticipated substantial increases in spending for the first half of FY 2018 compared to the same period in FY 2017, but actual results were lower than expected in the Enacted Budget Financial Plan due to the timing of certain payments.

Local assistance growth reflects growth in School Aid ($660 million) and Medicaid ($403 million), partially offset by declines in other local assistance program spending ($413 million). School Aid includes growth in funding provided to school districts based on aid formulas and earlier than anticipated payments of Universal Prekindergarten claims. Medicaid spending is driven by increased claims for monthly managed care and managed long term care programs, and by increased State remittance of Federal Part D Clawback payments. These increases are partially offset by underspending in the EP, attributable to a lower State share due to increased Federal reimbursement.

All other local assistance spending declined, driven largely by reduced spending for STAR due to the conversion of the New York City benefit to a tax credit, as well as the timing of payments for preschool special education and social service programs. These declines are partly offset by accelerated payments to CUNY to fund retroactive collective bargaining agreements scheduled in the academic year ending June 2017, and higher public health costs for payments to the Medical Indemnity Fund.

State Operations spending growth includes planned cost increases for pensions and health insurance ($192 million). Executive agency spending is essentially flat compared to the prior year, reflecting the timing of retroactive salary payments in both FY 2017 and FY 2018, offset by higher contractual payments for the Medicaid and EP programs, which were disbursed earlier than in prior years.

University Systems spending increased by $72 million for personal service expenses. Elected officials spending growth of $47 million is driven by retroactive salary payments made pursuant to recently settled Judiciary contracts and higher than projected non-personal service spending.

In addition, changes in the level of debt service prepayments made at the end of FY 2017 compared to FY 2016 resulted in higher payments in April through September 2017.

Outside of State Operating Funds, Capital Projects spending increased by $348 million, primarily due to expenses related to the Moynihan Station construction project ($275 million), and for mental hygiene projects ($81 million).

Federal operating spending growth of nearly $3 billion includes higher spending for Medicaid ($2.4 billion), the EP ($605 million), Education ($366 million), and Public Health/Child Health Plus ($454 million), partly offset by lower spending for social services ($574 million), Division of Homeland Security and Emergency Services (DHSES) ($134 million), and the Office of Children and Family Services (OCFS) ($111 million).

Results Compared to Plan – All Governmental Funds

The State ended September 2017 with a closing balance of $9.9 billion in All Funds, which is higher than both the initial estimate in the Enacted Budget Financial Plan ($1.6 billion) and the revised estimate in the First Quarterly Update to the Financial Plan ($646 million). The higher balance, compared to Enacted Budget Financial Plan estimates, reflects almost $2 billion in lower spending offset by $361 million in lower receipts. Compared to the revised estimates in the First Quarterly Update to the Financial Plan, the balance is driven almost entirely by lower spending. The explanation of variances that follows the table below is focused on the comparison to the Enacted Budget Financial Plan estimates.

ALL GOVERNMENTAL FUNDS RESULTS COMPARED TO PLAN
APRIL THROUGH SEPTEMBER 2017
(millions of dollars)

	Enacted Plan	Revised Plan	Results	Above/(Below) Enacted Plan $	Above/(Below) Enacted Plan %	Above/(Below) Revised Plan $	Above/(Below) Revised Plan %
OPENING BALANCE	**11,105**	**11,105**	**11,105**	**0**	**0.0%**	**0**	**0.0%**
ALL FUNDS RECEIPTS:	**76,922**	**76,539**	**76,561**	**(361)**	**-0.5%**	**22**	**0.0%**
Total Taxes	**36,780**	**36,474**	**36,087**	**(693)**	**-1.9%**	**(387)**	**-1.1%**
Personal Income Tax	23,275	22,546	22,175	(1,100)	-4.7%	(371)	-1.6%
Consumption / Use Tax	8,502	8,394	8,354	(148)	-1.7%	(40)	-0.5%
Business Taxes	3,218	3,724	3,641	423	13.1%	(83)	-2.2%
Other Taxes	1,785	1,810	1,917	132	7.4%	107	5.9%
Miscellaneous Receipts	**12,054**	**11,692**	**12,438**	**384**	**3.2%**	**746**	**6.4%**
Federal Grants	**28,088**	**28,373**	**28,036**	**(52)**	**-0.2%**	**(337)**	**-1.2%**
ALL FUNDS DISBURSEMENTS:	**79,716**	**78,402**	**77,752**	**(1,964)**	**-2.5%**	**(650)**	**-0.8%**
STATE OPERATING FUNDS	**47,125**	**46,678**	**46,494**	**(631)**	**-1.3%**	**(184)**	**-0.4%**
Local Assistance	**31,322**	**30,964**	**30,608**	**(714)**	**-2.3%**	**(356)**	**-1.1%**
School Aid	11,000	10,886	10,981	(19)	-0.2%	95	0.9%
DOH Medicaid[1]	10,279	10,254	10,491	212	2.1%	237	2.3%
Transportation	2,443	2,472	2,465	22	0.9%	(7)	-0.3%
STAR	167	58	57	(110)	-65.9%	(1)	-1.7%
Social Services	1,525	1,431	1,160	(365)	-23.9%	(271)	-18.9%
Higher Education	1,583	1,533	1,540	(43)	-2.7%	7	0.5%
Mental Hygiene	1,212	1,248	1,176	(36)	-3.0%	(72)	-5.8%
All Other	3,113	3,082	2,738	(375)	-12.0%	(344)	-11.2%
State Operations	**14,212**	**14,189**	**14,331**	**119**	**0.8%**	**142**	**1.0%**
Agency Operations	**9,275**	**9,265**	**9,309**	**34**	**0.4%**	**44**	**0.5%**
Personal Service:	6,541	6,519	6,611	70	1.1%	92	1.4%
Executive Agencies	3,677	3,594	3,654	(23)	-0.6%	60	1.7%
University Systems	1,864	1,908	1,918	54	2.9%	10	0.5%
Elected Officials	1,000	1,017	1,039	39	3.9%	22	2.2%
Non-Personal Service:	2,734	2,746	2,698	(36)	-1.3%	(48)	-1.7%
Executive Agencies	1,362	1,358	1,332	(30)	-2.2%	(26)	-1.9%
University Systems	1,095	1,136	1,103	8	0.7%	(33)	-2.9%
Elected Officials	277	252	263	(14)	-5.1%	11	4.4%
Fringe Benefits/Fixed Costs	**4,937**	**4,924**	**5,022**	**85**	**1.7%**	**98**	**2.0%**
Pension Contribution	2,306	2,306	2,303	(3)	-0.1%	(3)	-0.1%
Health Insurance	1,963	1,942	1,941	(22)	-1.1%	(1)	-0.1%
Other Fringe Benefits/Fixed Costs	668	676	778	110	16.5%	102	15.1%
Debt Service	**1,591**	**1,525**	**1,555**	**(36)**	**-2.3%**	**30**	**2.0%**
CAPITAL PROJECTS (State and Federal Funds)	**6,347**	**5,307**	**4,844**	**(1,503)**	**-23.7%**	**(463)**	**-8.7%**
FEDERAL OPERATING AID	**26,244**	**26,417**	**26,414**	**170**	**0.6%**	**(3)**	**0.0%**
NET OTHER FINANCING SOURCES	**(36)**	**(37)**	**(63)**	**(27)**	**-75.0%**	**(26)**	**-70.3%**
CHANGE IN OPERATIONS	**(2,830)**	**(1,900)**	**(1,254)**	**1,576**	**55.7%**	**646**	**34.0%**
CLOSING BALANCE	**8,275**	**9,205**	**9,851**	**1,576**	**19.0%**	**646**	**7.0%**

[1] Includes the Essential Plan

Receipts

Through September 2017, total tax receipts were $693 million below the Enacted Budget Financial Plan estimates. PIT collections were $1.1 billion below the estimate. The shortfall in PIT receipts was primarily due to weaker than expected estimated payments related to Tax Year 2017, and to the timing of both STAR property tax exemption-conversion credits and refunds related to Tax Year 2016. Sales tax collections lagged Enacted Budget Financial Plan estimates due to weaker than expected consumer spending growth. Higher business tax collections are primarily due to refund timing in the corporation franchise tax. Estate tax collections were $150 million higher than planned due to an unusually large estate tax payment received.

Miscellaneous receipts were $384 million higher than the Enacted Budget Financial Plan estimates, primarily reflecting the impact of the Extraordinary Monetary Settlement payments from BNPP ($350 million) and Habib Bank ($225 million), as well as higher than planned abandoned property receipts. These increases are partly offset by the timing of reimbursement from bond proceeds.

Compared to the First Quarterly Update to the Financial Plan estimates, total tax receipts were $387 million below plan, driven by lower than projected tax receipts across almost all major tax categories apart from the estate tax, and are generally consistent with the explanations above. Business tax receipts reflect lower gross receipts of $83 million from the corporation franchise tax, driven by lower September 2017 estimated payments. Higher miscellaneous receipts include the Extraordinary Monetary Settlement payment from the Habib Bank ($225 million) and higher SUNY receipts.

Variances in Federal grants are largely driven by Federal spending, as described below, as well as timing-related reimbursement of costs incurred.

Spending

Compared to the Enacted Budget Financial Plan projections, State Operating Funds spending was $631 million or 1.3 percent below plan, reflecting lower spending for local assistance ($714 million) and debt service ($36 million), and higher expenses for State Operations ($119 million).

Local assistance spending was lower than planned across several agencies and programs. The most notable variances include:

- Social Services ($365 million lower) driven by timing-related changes in payments for several OCFS Programs including day care ($137 million), Child Welfare Services ($52 million), Foster Care Block Grant ($47 million), and various youth programs ($47 million); and benefit payments ($67 million).

- STAR ($110 million lower) due to the timing of the conversion of the New York City personal income tax rate reduction benefit.

- All Other ($375 million lower) primarily includes lower education spending due to timing-related delays in payments for several claims-based programs, including preschool special education ($191 million), summer school special education ($59 million), and nonpublic school aid ($67 million).

- DOH Medicaid ($212 million higher) is comprised of $388 million in higher-than-planned spending for Medicaid, partly offset by underspending for the EP ($156 million) and underspending for Medicaid Administration ($19 million). Higher Medicaid spending is largely comprised of delayed drug rebates ($150 million), additional Managed Long Term Care claims due to enrollment levels ($68 million), and the delayed application of the MSA Tobacco Settlement receipts offset ($103 million). EP underspending is due to the shift in Federal-State reimbursement, where the Federal government is funding a greater share of the program, resulting in a decreased State contribution to EP.

State Operations (including fringe benefits) spending was $119 million above plan, primarily due to higher than projected spending for SUNY ($62 million), DOCCS for personnel costs including overtime ($48 million), and Judiciary due to retroactive salary payments made pursuant to recently settled contracts ($23 million). Higher fringe benefits and fixed costs ($85 million) include timing-related delay of reimbursement by agencies operating outside of the General Fund.

Lower debt service spending by $36 million was attributable to savings generated from the July 2017 Personal Income Tax revenue bond issuance by the Dormitory Authority of the State of New York (DASNY), which facilitated the refunding of certain State-supported debt.

Lower capital spending ($1.5 billion) was largely driven by slower spending for DOT projects for JFK Access and Upstate Aviation Competition ($555 million), MTA spending ($347 million), and various other capital programs, including wastewater infrastructure projects and Smart Schools initiatives. Monthly capital spending estimates have been revised to move the spending to later months.

The spending variances described above are generally consistent with the estimates in the First Quarterly Update to the Financial Plan, except for capital spending, which varied to a lesser degree compared to plan due to timing revisions reflected in the First Quarterly Update to the Financial Plan.

Results Compared to Plan - General Fund

The General Fund closing balance at the end of September 2017 was $698 million higher than the Enacted Budget Financial Plan estimate. The shortfall in tax receipts was offset by the receipt of two monetary settlements, and disbursements fell well below planned levels.

GENERAL FUND OPERATING RESULTS COMPARED TO PLAN
APRIL THROUGH SEPTEMBER 2017
(millions of dollars)

				Above/(Below) Variance			
				Enacted Plan		Revised Plan	
	Enacted Plan	Revised Plan	Results	$	%	$	%
OPENING BALANCE	**7,749**	**7,749**	**7,749**	**0**	**0.0%**	**0**	**0.0%**
Total Receipts	**33,703**	**33,881**	**33,771**	**68**	**0.2%**	**(110)**	**-0.3%**
Taxes:	32,719	32,520	32,123	(596)	-1.8%	(397)	-1.2%
Personal Income Tax[1]	22,667	22,111	21,705	(962)	-4.2%	(406)	-1.8%
Consumption / Use Taxes[1]	6,785	6,697	6,675	(110)	-1.6%	(22)	-0.3%
Business Taxes	2,205	2,629	2,540	335	15.2%	(89)	-3.4%
Other Taxes[1]	1,062	1,083	1,203	141	13.3%	120	11.1%
Receipts and Grants	854	1,231	1,531	677	79.3%	300	24.4%
Transfers From Other Funds	130	130	117	(13)	-10.0%	(13)	-10.0%
Total Spending	**35,627**	**35,085**	**34,997**	**(630)**	**-1.8%**	**(88)**	**-0.3%**
Local Assistance	22,053	21,762	21,463	(590)	-2.7%	(299)	-1.4%
Agency Operations (including GSCs)	7,907	7,839	8,146	239	3.0%	307	3.9%
Transfers to Other Funds	5,667	5,484	5,388	(279)	-4.9%	(96)	-1.8%
Debt Service Transfer	351	365	350	(1)	-0.3%	(15)	-4.1%
Capital Projects Transfer	1,550	1,431	1,345	(205)	-13.2%	(86)	-6.0%
State Share of Mental Hygiene Medicaid Tra	708	636	647	(61)	-8.6%	11	1.7%
SUNY Operations Transfer	835	835	834	(1)	-0.1%	(1)	-0.1%
All Other Transfers	2,223	2,217	2,212	(11)	-0.5%	(5)	-0.2%
Change in Operations	**(1,924)**	**(1,204)**	**(1,226)**	**698**	**36.3%**	**(22)**	**-1.8%**
CLOSING BALANCE	**5,825**	**6,545**	**6,523**	**698**	**12.0%**	**(22)**	**-0.3%**

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

General Fund tax collections were $596 million (1.8 percent) below the Enacted Budget Financial Plan estimate, consistent with the All Funds summary above. This was offset by unplanned Extraordinary Monetary Settlements totaling $575 million.

Through September 2017, General Fund disbursements, including transfers to other funds, were $630 million and $88 million below the Enacted Budget Financial Plan and First Quarterly Update to the Financial Plan projections, respectively. The causes of lower local assistance and higher agency operations spending are consistent with the State Operating Funds variances summarized above.

In addition, certain General Fund transfers did not occur as planned and are now expected in future months, most notably for transfers to support capital spending for transportation programs, which materialized at a slower than anticipated rate through September 2017.

Other Matters Affecting the Financial Plan

Other Matters Affecting the Financial Plan

General

The 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. For instance, actual receipts collections have fallen substantially below the levels forecasted in certain fiscal years. In addition, projections in future years are based on the assumption that annual growth in State Operating Funds spending will be 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 State fiscal years, assisting in the 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 annual spending growth benchmark.

The Updated Financial Plan is based on numerous assumptions, including the condition of the State and national economies, and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic conditions and receipts forecasts include the impacts of: national and international events; ongoing financial risks in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; major terrorist events, hostilities or war; climate change and extreme weather events; Federal statutory and regulatory changes concerning financial sector activities, Federal tax law and other programmatic purposes; 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 outcomes 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 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; use of non-recurring resources; 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 generally assume that School Aid and Medicaid disbursements will be limited to the annual growth in New York State personal income, and the ten-year average growth of the medical component of the CPI, respectively. However, since FY 2014, the State has annually authorized School Aid spending to increase above the personal income growth index. In FY 2018, the Enacted Budget Financial Plan reflects a 4.2 percent School Aid increase, compared to the 3.9 percent growth in the index. In SY 2019, School Aid is projected to increase by 4.3 percent, a level $100 million higher than the 3.9 percent growth in personal income estimated in the Enacted Budget Financial Plan.

State law grants the Commissioner of Health certain powers and authority to maintain Medicaid spending levels assumed in the Updated Financial Plan. Over the past six 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 several factors including fluctuations in economic conditions, which may increase caseload, and changes in Federal aid, which could affect State health care spending. 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. 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. The HCRA fund 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 certain casino revenue sharing payments under the Tribal-State compact, including payments from the Seneca Nation[8]; receipt of miscellaneous revenues at the levels expected in the Updated Financial Plan; and achievement of cost-saving measures including, but not limited to, transfer of available

[8] The Seneca Nation withheld payments to the State that were expected in June and September 2017. The State and Seneca Nation are currently in the arbitration process. The Updated Financial Plan assumes successful resolution by March 2018.

fund balances to the General Fund at levels currently projected. Such risks and uncertainties, if they were to materialize, could adversely impact the Updated Financial Plan in current and/or future years.

The Updated Financial Plan also includes actions that affect the spending reported in the 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 the reporting of other State tax credits. If these and other transactions are not implemented as planned, annual spending growth in State Operating Funds would increase above current estimates.

In developing the Updated Financial Plan, DOB attempts to mitigate the financial risks from receipts volatility, litigation, and unexpected costs, with an 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 particular year, acceleration of tax refunds above the level budgeted in a given year, and prepayment of expenses). There can be no assurance that such resources will be 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, security 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 Trump Administration and the current Congress. Current Federal aid projections and the assumptions on which they rely, are subject to revision in future financial updates as a result of changes in Federal policy.

The Federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation approved with the FY 2018 Enacted Budget sets forth a process by which the State would manage significant reductions in Federal aid during FY 2018 should they arise. Specifically, the legislation requires the Budget Director to prepare a plan for consideration by the Legislature in the event that Federal budget or continuing resolutions in force for Federal fiscal years ending September 30th in 2017 or 2018, or both, or Federal statutory or regulatory changes, including any potential sequestration of Federal programmatic spending: (i) reduce Federal financial participation in Medicaid funding to New York State or its subdivisions by $850 million or more; or (ii) reduce Federal financial participation or other Federal aid in funding to New York State that affects the State Operating Funds financial plan by $850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately and is not additive. The plan prepared by the Budget Director must equally and proportionally reduce appropriations and cash disbursements in the General Fund and State special revenue funds. Upon receipt of the plan, the Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the Budget Director takes effect automatically.

In addition, the Updated Financial Plan may also be adversely affected by other Federal government actions, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. For instance, the Updated Financial Plan includes reimbursement to the Federal government of $100 million annually through FY 2027 pursuant to a March 2015 agreement between the State and the Centers for Medicare and Medicaid Services (CMS). The agreement resolved a pending disallowance for FY 2011, and all related payment disputes for State-operated services prior to April 1, 2013, including home and community-based waiver services. Pursuant to the agreement, the State must adjust the Federal/State share of future Medicaid costs to reimburse the Federal government. The State used $850 million in Extraordinary Monetary Settlement payments, previously set aside for financial risks, to finance the initial repayment amount in FY 2016.

Current Federal issues of note are described below.

Proposed Federal Tax Law Changes

On November 16, 2017 and on December 2, 2017, respectively, the United States House of Representatives and the United States Senate passed legislation, each version of which would make sweeping changes to current Federal tax law that, if enacted into law, would make extensive changes to Federal personal income, corporate income, estate taxes, the deductibility of various taxes and interest costs, and the earnings of the State's retirement systems. Given the potential flow-through impacts on the calculation of State imposed taxes, as well as the potential impacts on taxpayer behavior, DOB will continue to closely monitor developments to determine the impact on the State's economy and on State receipts. Changes to current Federal tax law may also adversely impact the State and its public authorities by removing opportunities for Federal tax exempt financing, including certain refundings for debt service savings. Congressional conferees are expected to meet to address differences in the respective bills and to attempt to pass a final bill for the President's signature before the end of calendar year 2017. If enacted as currently under consideration by Congress, the potential impacts on the State's finances and on the State's economy, including any possible automatic Federal cuts to programmatic spending triggered by the Federal Statutory Pay-As-You-Go Act of 2010 could be adverse and material.

Current Federal Aid

The Trump Administration has proposed significant cuts to domestic programs in Federal fiscal year 2018, and Federal authorization/funding for some mandatory programs such as the Children's Health Insurance Program which expired at the end of Federal fiscal year 2017. The Children's Health Insurance Program expired on October 1, 2017, and has not been reauthorized. This program, which is primarily Federally funded, provides health care for over 350,000 children in New York whose families do not qualify for Medicaid, but cannot afford alternative insurance coverage.

If the proposed cuts are adopted or the mandatory programs that expired with Federal fiscal year 2017 are not funded, it could reduce Federal aid to New York by billions of dollars.
Currently, the Federal government is operating under a continuing resolution for Federal fiscal year 2018 that keeps the Federal government operating through December 8, 2017. The continuing resolution is part of a package (PL 115-56) that includes $15 billion for hurricane response, and a temporary suspension of the debt limit through December 8, 2017.

Medicaid Disproportionate Share Hospital (DSH) Payments

Provisions within the Medicaid statute allow for a capped amount of payments to hospitals that treat a disproportionate number of Medicaid recipients. Changes made initially in the Patient Protection and Affordable Care Act (ACA) (and subsequently delayed by other intervening laws) to reduce the aggregate amount of Federal reimbursements for DSH payments came into effect with the start of Federal fiscal year 2018, beginning October 1, 2017.

Current Federal law requires that the amount otherwise available for DSH payments be reduced by $2 billion in Federal fiscal year 2018, increasing annually to $8 billion for Federal fiscal years 2024 and 2025, for an aggregate reduction through 2025 of $43 billion. DOB estimates that New York will see the largest reduction among all states – amounting to 16 percent of the total cut nationally – costing $1.1 billion in lost Federal DSH payments through FY 2019 and increasing to $2.6 billion when fully phased in.

DOB is monitoring the potential for Congress to repeal the DSH reduction for Federal fiscal year 2018. However, the State is also actively engaged in evaluating the current DSH program and the financial condition of hospitals that are heavily reliant on the program to assure a fair allocation of current resources and to assure the financial stability of participating hospitals.

Federal Health Care Policy

Passage of H.R. 1628, the American Health Care Act, in the United States House of Representatives, and the proposal of an amended version of H.R. 1628 by certain United States Senators, puts a significant amount of Federal health care aid at risk. Major components of the bill, as passed by the House of Representatives and proposed amendments by certain Senators, include ending the Basic Health Program (Essential Plan in New York State), the Patient Protection and Affordable Care Act's Medicaid expansion, and shifting a larger share of the growth in Medicaid costs to the states by imposing per capita caps on Medicaid spending in lieu of Medicaid's current open-ended entitlement. If this bill were enacted into law, these policies would have a substantial adverse financial impact on the Updated Financial Plan.

It remains possible that this or other legislative proposals may become law. As such, DOB continues to monitor Federal health care policy.

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

The Excise Tax on High-Cost Employer Sponsored Health Coverage (26 USC 4980I) is a 40 percent excise tax assessed on the portion of the premium for an employer-sponsored health insurance plan that exceeds a certain annual limit. The provision was initially included in the Patient Protection and ACA as an offset for the legislation's increase in spending, but has since been altered by intervening laws to delay the implementation of the tax until 2020.

Regulations from the Internal Revenue Service have yet to be published. 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 and tax reform discussions.

Medicaid Redesign Team (MRT) Medicaid Waiver

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

Since January 1, 2014, in accordance with provisions of the ACA, the 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 funding. This reconciliation may result in a modification of payments to the State and local governments.

Federal Debt Limit

On September 8, 2017, enacted Federal legislation suspended the Federal debt limit through December 8, 2017, temporarily forestalling the possibility of a default by the Federal government until at least that time. Previously, a similar temporary suspension of the debt limit expired in March 2017, with the U.S. Treasury operating under "extraordinary measures" in the interim to finance outlays without further borrowing.

A Federal government default on payments, particularly for a prolonged period, could have a materially adverse effect on the national and the 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.

Current Labor Negotiations (Current Contract Period)

The State has labor agreements in place with two of the largest unions, as well as several other unions. The State is in active negotiations with all other employee unions whose contracts concluded in FY 2016, including United University Professions (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. In addition, the State continues to negotiate with the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) following the March 2017 membership rejection of a tentative agreement on a five-year labor contract through FY 2021[9].

Employees represented by PEF and the Graduate Student Employees Union (GSEU) have a three-year collective bargaining agreement providing 2 percent annual salary increases in FYs 2017 through 2019. The State has enacted legislation providing comparable increases for M/C employees. CSEA employees have a five-year labor contract that provides annual salary increases of 2 percent for FYs 2017 through 2021.

Members of the Police Benevolent Association of the New York State Troopers (NYSPBA) and the New York State Police Investigators Association (NYSPIA) have a multi-year collective bargaining agreement that provides 2 percent general salary increase for each of FY 2015 and FY 2016, and a 1.5 percent general salary increase for each of FY 2017 and FY 2018.

On June 27, 2016, 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 advanced its planned payment of approximately $250 million State support for CUNY senior colleges from October 2016 to June 2017, to make resources available for retroactive payments in the academic year ending June 2017.

The Judiciary has reached agreement with 11 of 12 unions. The contract periods vary from FY 2018 to FY 2020 for the Civil Service Employees Association (CSEA), FY 2012 to FY 2019 for Court Officers Benevolent Association of Nassau County (COBANC), FY 2012 to FY 2021 for the NYS Supreme Court Officers Association and the NYS Court Officers Association, and FY 2017 to FY 2019 for seven other unions. The Updated Financial Plan reflects no changes to the Judiciary cost estimates.

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[9] The five-year agreement with NYSCOPBA that was not ratified 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 the New York State Health Insurance Program (NYSHIP) and reductions in overtime costs.

Pension Contributions[10]

Overview

The State makes annual contributions to the New York State and Local Retirement System (NYSLRS) for employees in ERS and Police and Fire Retirement System (PFRS). This section discusses contributions from the State, including the Judiciary, to the NYSLRS, which account for the majority of the State's pension costs.[11] 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 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.

FY 2018 Projections

The State's FY 2018 ERS/PFRS pension liability is $2.2 billion based on the estimated bill prepared by OSC in October 2017. This includes payment of $432 million towards the balance outstanding on prior-year deferrals (i.e., amortizations) and additional interest savings from paying the majority of the pension bill in April 2017. The State's FY 2018 ERS/PFRS pension estimate is revised downward based on actual FY 2017 salary base (used to calculate the FY 2018 bill), which was lower than previously projected.

FY 2019 Projections

The preliminary FY 2019 ERS/PFRS pension liability of $2.3 billion is impacted by the FY 2017 investment return of 11.48 percent, which was above the Comptroller's assumed rate of return (7 percent). The estimate also reflects the impact of past investment performance and growth in the number of lower cost Tier 6 members. As a result, the average contribution rate for ERS will decrease from 15.3 percent of payroll to 14.9, while the average contribution rate for PFRS will decrease from 24.4 percent of payroll to 23.5 percent.[12]

The pension liability also reflects changes to military service credit provisions found in Section 1000 of the Retirement and Social Security Law (RSSL) enacted during the 2016 legislative session (Chapter 41 of the Laws of 2016). All veterans who are members of NYSLRS may, upon application,

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[10] The information contained under this "Pension Contributions" section and the following "Pension Amortization" Section was prepared solely by DOB and reflects the budgetary aspects of pension contributions and pension Amortization. The information that appears later in this AIS Update, under the section entitled "State Retirement System," was furnished solely by OSC.

[11] The State's aggregate pension costs also include costs for State employees in the Teachers' Retirement System (TRS) for both SUNY and the State Education Department (SED), the Optional Retirement Program (ORP) for both SUNY and SED, and the New York State Voluntary Defined Contribution Plan (VDC).

[12] Average contribution rates include the Group Life Insurance Program (GLIP), and thus differ from the system average normal rates reported in the pension amortization section.

receive extra service credit for up to three years of military duty if such veterans (i) were honorably discharged, (ii) have achieved five years of credited service in a public retirement system, and (iii) 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 PFRS employers and billed on a two-year lag (e.g. FY 2017 costs will first be billed in FY 2019). Additionally, Section 25 of the RSSL requires the State to pay the ERS employer contributions associated with this credit on behalf of local governments. The State is also permitted to amortize the cost of past service credits newly incurred in a given fiscal year; however, the State does not anticipate choosing this option as there would be an interest rate of 7 percent applied to this amortization. The ERS cost to the State (including the costs covered for local ERS) was $77 million in FY 2017 based on actual credit purchased through December 31, 2016. DOB currently estimates ERS costs of $55 million in FY 2018; $55 million in FY 2019; and $39 million in FY 2020. Additionally, the State expects ongoing costs of $7 million beginning in FY 2021 as new cohorts of veterans become eligible to purchase the credit.

Outyear Projections

Pension estimates for FY 2020 and beyond, as projected by DOB, reflect growth in normal costs primarily based on the expectation that collective bargaining will result in continued salary increases and that investment returns will be below the actuarially assumed 7 percent rate of return in the near-to-mid-term.

Pension Amortization

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 and local governments are required to begin repayment on each new amortization in the fiscal year immediately following the year in which the amortization was initiated. The full amount of each amortization must be repaid within ten years at a fixed interest rate determined by OSC. Legislation included in the FY 2017 Enacted Budget authorized the State to prepay a portion of remaining principal associated with an amortization, and then pay a lower re-calculated interest installment in any subsequent year for which the principal has been prepaid. This option does not allow the State to delay the original ten-year repayment schedule, nor does it allow for the interest rate initially applied to the amortization amount to be modified.

The portion of an employer's annual pension costs that may be amortized is determined by comparing the employer's amortization-eligible contributions as a percentage of employee salaries (i.e., the normal rate[13]) to a system-wide amortization threshold (i.e., the graded rate). Graded rates

[13] For the purpose of this discussion, the "normal rate" refers to all amortization-eligible costs (i.e. normal and administrative costs, as well as certain employer-provided options such as sick leave credit) divided by salary base.

are determined for ERS and PFRS according to a formula enacted in the 2010 legislation and generally move toward their system's average normal rate by up to one percentage point per year. When an employer's normal rate is greater than the system-wide graded rate, the employer can elect to amortize the difference. However, when the normal rate of an employer that previously amortized is less than the system-wide graded rate, the employer is required to pay the graded rate. Additional contributions are first used to pay off existing amortizations and are then deposited into a reserve account to offset future increases in contribution rates. Chapter 48 of the Laws of 2017 changed the graded rate computation to provide an employer specific graded rate based on the employer's own tier and plan demographics.

The State has not amortized its pension costs (including the Office of Court Administration (OCA)) since FY 2016.

The amortization threshold is projected to equal the normal rate in upcoming fiscal years. The following table reflects projected pension contributions and amortizations exclusively for Executive branch and Judiciary employers participating in ERS and PFRS.

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

	Statewide Pension Payments[1]					Rates for Determining (Amortization Amount) / Excess Contributions			
Fiscal Year	Normal Costs[2]	(Amortized) / Excess Contributions	Amortization Payments	Total Statewide Pension Payments	Interest Rate on Amortization Amount (%)[3]	System Average Normal Rate[4]		Amortization Threshold (Graded Rate)	
						ERS (%)	PFRS (%)	ERS (%)	PFRS (%)
2011	1,543.2	(249.6)	0.0	1,293.6	5.00	11.5	18.1	9.5	17.5
2012	2,037.6	(562.9)	32.3	1,507.0	3.75	15.9	21.6	10.5	18.5
2013	2,076.1	(778.5)	100.8	1,398.4	3.00	18.5	25.7	11.5	19.5
2014	2,633.8	(937.0)	192.0	1,888.8	3.67	20.5	28.9	12.5	20.5
2015	2,325.7	(713.1)	305.7	1,918.3	3.15	19.7	27.5	13.5	21.5
2016	1,972.1	(356.1)	389.9	2,005.9	3.21	17.7	24.7	14.5	22.5
2017	1,788.6	0.0	432.1	2,220.7	2.33	15.1	24.3	15.1	23.5
2018 Est.	1,803.4	0.0	432.1	2,235.5	2.84	14.9	24.3	14.9	24.3
2019 Est.	1,866.7	0.0	432.1	2,298.8	0.00	14.4	23.5	14.4	23.5
Projected by DOB[5]									
2020	1,921.4	0.0	432.1	2,353.5	0.00	15.2	24.0	15.2	24.0
2021	2,080.3	0.0	432.1	2,512.4	0.00	16.2	25.0	16.2	25.0
2022	2,272.5	0.0	399.8	2,672.3	0.00	17.2	26.0	17.2	26.0
2023	2,436.7	0.0	331.3	2,768.0	0.00	17.9	25.8	17.9	25.8
2024	2,460.1	0.0	240.1	2,700.2	0.00	17.7	25.4	17.7	25.4
2025	2,483.7	0.0	126.4	2,610.1	0.00	17.5	25.0	17.5	25.0
2026	2,507.2	0.0	42.2	2,549.4	0.00	17.3	24.6	17.3	24.6

[1] Pension contribution values in this table do not include pension costs related to the ORP, VDC, and TRS 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.

[3] Interest rates are determined by the Comptroller based on the market rate of return on comparable taxed fixed income investments (e.g., Ten-Year Treasuries). The interest rate is fixed for the duration of the ten-year repayment period.

[4] The system average normal rate represents system-wide amortization-eligible costs (i.e. normal and administrative costs, as well as the cost of certain employer options) as a percentage of the system's total salary base. The normal rate does not include the following costs, which are not eligible for amortization: Group Life Insurance Program (GLIP) contributions, deficiency contributions, previous amortizations, incentive costs, administrative costs, costs of new legislation in some cases, and prior-year adjustments. "(Amortized) / Excess Contributions" are calculated for each employer in the system using employer-specific normal rates, which may differ from the system average.

[5] Outyear projections are prepared by DOB. The retirement system does not prepare, or make available, outyear projections of pension costs.

The "Normal Costs" column shows the State's underlying pension cost in each fiscal year, before the effects of amortization. The "(Amortized) / Excess Contributions" column shows amounts amortized. The "Amortization Payments" column provides the amount paid in principal and interest towards the outstanding balance on prior-year amortizations. The "Total Statewide Pension Payments" column provides the State's actual or planned pension contribution, inclusive of amortization. The "Interest Rate on Amortization Amount (%)" column provides the interest rate at which the State will repay the amortized contribution, as determined by OSC. The remaining columns provide information on the normal rate and graded rate, which are used to determine the maximum allowed "(Amortized)" amount or the mandatory "Excess Contributions" amount for a given fiscal year.

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 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 PAYGO basis as required by law.

In accordance with the Governmental Accounting Standards Board (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 2017, 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 2017, the unfunded actuarial accrued liability for FY 2017 is $87.3 billion ($72.830 billion for the State and $14.427 billion for SUNY), an increase of $9.4 billion from FY 2016 (attributable entirely to the State). The unfunded actuarial accrued liability for FY 2017 used an actuarial valuation of OPEB liabilities as of April 1, 2016 for the State and April 1, 2014 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 reduction of the discount rate from 3.155 to 2.637 percent, calculated as the average STIP rate for the past 20 years at the time of valuation. The decline in the discount rate increases the present value of projected benefit obligation.

The actuarially determined annual OPEB cost for FY 2017 totaled $4.2 billion ($3.242 billion for the State and $923 million for SUNY), a decline of $7 million from FY 2016 ($4 million for the State and $3 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 $2.4 billion ($1.795 billion for the State and $639 million for SUNY) greater than the PAYGO required cash payments for retiree costs made by the State in FY 2017. This difference between the State's PAYGO costs, and the actuarially determined ARC under GASB Statement 45, reduced the State's net position at the end of FY 2017 by $2.4 billion.

GASB has no authority to 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 FY 2018 Enacted Budget included legislation creating a Retiree Health Benefit Trust Fund (the "Trust Fund") that authorizes the State to reserve money for the payment of health benefits of retired employees and their dependents. Under the legislation, the State may deposit, in any given fiscal year, up to 0.5 percent of total then-current unfunded actuarial accrued OPEB liability (currently $72.830 billion for the State and $14.427 billion for SUNY). The Updated Financial Plan does not include any deposits to the Trust Fund.

The provisions of GASB Statement 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions), which amends GASB Statement 45 and GASB Statement 57, is expected to be incorporated into the State's FY 2019 financial statements. The FY 2019 statements are expected to be issued in July 2019. The GASB Statement alters the actuarial methods used to calculate OPEB liabilities, standardizes asset smoothing and discount rates, and requires the unfunded net OPEB obligation to be reported by the State in its Statement of Net Position. Reporting the unfunded OPEB liability on the Statement of Net Position, rather than as a note disclosure, is expected to significantly increase the State's total long-term liabilities and show the State in a negative net position.

GASB Statement 75 is not expected to alter the Updated Financial Plan cash PAYGO projections for health insurance costs, 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.

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" section later in this AIS Update.

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.

The 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 State counties. In September 2011, Tropical Storm Lee caused flooding in additional 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 the State, MTA, and 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 the 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.

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, viruses, malware and other attacks on computer and other sensitive digital networks and 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 business operations impact and/or damage from cyber incidents or cyber-attacks, the State invests in multiple forms of cybersecurity and operational controls. The State's Enterprise Information Security Office (EISO) within the State's Office of Information Technology Services maintains a cyber command center hotline and related procedures for cyber incident reporting and response, distributes real-time advisories and alerts, provides managed security services, and implements statewide information security training and exercises for State and local government. While controls are routinely reviewed and tested, 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 impact business operations and/or damage State digital networks and systems and the costs of remedying any such damage could be substantial.

The State has also adopted regulations designed to protect the financial services industry from cyberattacks. Banks, insurance companies and other covered entities regulated by DFS are, unless eligible for limited exemptions, required to (i) maintain a cyber security program, create written cybersecurity policies and perform risk assessments, (ii) designate a Chief Information Security Officer with responsibility to oversee the cybersecurity program, (iii) annually certify compliance with the cybersecurity regulations and (iv) report to DFS cybersecurity events that have a reasonable likelihood of materially harming any material part of the entity's normal operation(s) or of which notice is required to any government body, self-regulatory agency, or supervisory body.

Financial Condition of New York State Localities

The financial need by the State's localities which rely in part on State aid to balance their budgets and meet their cash requirements can adversely affect the State's Updated Financial Plan. 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 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. The United States House of Representatives and the United States Senate passed legislation, each version of which make sweeping changes to current Federal tax law which could, if enacted into law, adversely impact the State and its public authorities by limiting opportunities for Federal tax exempt financing, including certain refundings for debt service savings.

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 a maximum term 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. DOB, as administrator of the Act, determined that the State was in compliance with the statutory caps in the most recent calculation period (FY 2017).

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

For FY 2017, the cumulative debt outstanding and debt service caps are 4.00 and 5.00 percent, respectively. As shown in the following tables, the actual levels of debt outstanding and debt service costs continue to remain below the statutory caps. From April 1, 2000 through March 31, 2017, the State has issued new debt resulting in $41.6 billion of debt outstanding applicable to the debt reform cap. This is about $5.4 billion below the statutory debt outstanding limitation. In addition, the debt service costs on this new debt totaled $4.3 billion in FY 2017, or roughly $3.5 billion below the statutory debt service limitation.

DEBT OUTSTANDING CAP (millions of dollars)

	Dollar	Percent
Personal Income (CY 2016)[1]	1,176,080	
Max. Allowable Debt Outstanding	47,043	4.00%
Debt Outstanding Subject to Cap	41,623	3.54%
Remaining Capacity	5,420	0.46%

[1] Bureau of Economic Analysis (BEA).

DEBT SERVICE CAP (millions of dollars)

	Dollar	Percent
All Funds Receipts (FY 2017)	156,372	
Max. Allowable Debt Service	7,819	5.00%
Debt Service Subject to Cap	4,279	2.74%
Remaining Capacity	3,540	2.26%

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 availability under the debt outstanding cap is expected to decline from $5.4 billion in FY 2017 to about $58 million in FY 2021. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. In addition, the projected availability under the debt cap is dependent on expected growth for 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 Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2017	1,176,080	4.00%	47,043	41,623	5,420	3.54%	0.46%	7,999	49,622
FY 2018	1,225,515	4.00%	49,021	45,194	3,826	3.69%	0.31%	6,614	51,808
FY 2019	1,271,353	4.00%	50,854	49,008	1,846	3.85%	0.15%	5,773	54,781
FY 2020	1,327,889	4.00%	53,116	52,667	448	3.97%	0.03%	4,912	57,579
FY 2021	1,386,795	4.00%	55,472	55,414	58	4.00%	0.00%	3,406	58,821
FY 2022	1,447,006	4.00%	57,880	57,664	216	3.99%	0.01%	2,772	60,436

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity	Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
FY 2017	156,372	5.00%	7,819	4,279	3,540	2.74%	2.26%	1,206	5,484
FY 2018	162,171	5.00%	8,109	4,493	3,615	2.77%	2.23%	781	5,274
FY 2019	165,895	5.00%	8,295	5,077	3,218	3.06%	1.94%	1,205	6,282
FY 2020	169,557	5.00%	8,478	5,602	2,876	3.30%	1.70%	1,374	6,976
FY 2021	171,902	5.00%	8,595	5,994	2,601	3.49%	1.51%	1,249	7,243
FY 2022	175,693	5.00%	8,785	6,290	2,494	3.58%	1.42%	822	7,112

Changes in the State's available debt capacity, as illustrated below, reflect the impact of several factors. These include an adjustment to debt issuances to reflect actual bond sale results to date and, more significantly, a reduction to the personal income forecast due almost entirely to income revisions by the Bureau of Economic Analysis (BEA). In recent quarters, BEA has made sizeable revisions to prior-year income levels, which in turn changes the base on which DOB calculates income going forward. The substantial reduction to personal income makes it necessary to make capital spending reductions in order to stay within the debt cap in future years. The spending reductions are expected to be managed within anticipated underspending on capital projects throughout the plan period. Debt capacity amounts continue to assume that SUNY Dormitory Facilities lease revenue bonds will be refunded into the new SUNY Dormitory Facilities Revenue Bond credit within one year of their call dates. 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
First Quarterly Update Financial Plan	**6,141**	**4,932**	**2,704**	**892**	**88**	**168**
Debt Issuances Adjustment	-	26	(10)	(26)	(41)	(34)
Personal Income Forecast Adjustment	(721)	(1,132)	(1,455)	(1,616)	(1,759)	(1,937)
Capital Reestimates	-	-	607	1,198	1,770	2,019
Mid-Year Update to the Financial Plan	**5,420**	**3,826**	**1,846**	**448**	**58**	**216**

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. Revenues pledged to pay debt service on the bonds include hospital payments made under loan agreements between DASNY and the hospitals and certain reserve funds held by the applicable trustees for the bonds. In the event of revenue shortfalls to pay debt service on the Secured Hospital bonds, the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by DASNY through the Secured Hospital Program. As of March 31, 2017, there were approximately $220 million of bonds outstanding for this program.

Three of the four remaining hospitals in the State's Secured Hospital Program are in poor financial condition. 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 $85 million for debt service costs. DASNY also estimates the State will pay debt service costs of approximately $14 million in FY 2018, $28 million annually in FY 2019 through FY 2021, and $22 million in 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 one hospital whose debt service obligation was discharged in bankruptcy but is paying rent which offsets a portion of the debt service, a second hospital which closed in 2010, and a third hospital that is currently delinquent in its payments. The State has estimated additional exposure of up to $9 million annually, if all hospitals in the Program 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.

In accordance with the settlement, Holdings has entered into a purchase and sale agreement with the 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 proposes to 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. Titles to 17 of the 20 properties were 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. In its efforts to complete the demolitions and environmental remediation, the Purchaser is addressing issues 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, titles 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 New Medical Building by NYU Hospitals Center and relocation of the emergency department to the New Medical Building.

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

State Financial Plan Projections Fiscal Years 2018 Through 2021

State Financial Plan Projections – Fiscal Years 2018 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 FY 2018 through FY 2021, with an emphasis on the FY 2018 projections.

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

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

- Disbursements: Roughly 38 percent of projected State-financed spending for operating purposes (excluding transfers) is accounted for outside of the General Fund, concentrated primarily in the areas of health care, School Aid, higher education, transportation, and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis.

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish, the further removed such estimates and projections are from the date of the 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 2 percent annual growth in State Operating Funds, consistent with the expectation of adherence with a 2 percent spending growth benchmark.

The projections for FY 2018 and thereafter set forth in the Updated Financial Plan reflect the savings that DOB estimates would be realized if the Governor 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 calculations are developed using the State Operating Funds accounting perspective, as it is currently reflected in the Updated Financial Plan. From time to time, the State has approved legislation that has affected the spending reflected in State Operating Funds.

Estimated savings are labeled on a distinct line in the Updated Financial Plan tables as “Adherence to 2% Spending Benchmark.” The total disbursements in the Updated Financial Plan tables do not assume these savings. Such savings are expected to be developed and proposed in future budgets. If the State exceeds the 2 percent State Operating Funds spending growth benchmark in FY 2019, FY 2020, and/or FY 2021, the projected operating position could decline.

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 Results	FY 2018 Updated	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
RECEIPTS					
Taxes (After Debt Service)	62,264	65,554	67,899	70,552	72,950
Miscellaneous Receipts/Federal Grants	3,813	2,742	2,155	2,159	2,082
Other Transfers	818	1,210	729	713	712
Total Receipts	**66,895**	**69,506**	**70,783**	**73,424**	**75,744**
DISBURSEMENTS					
Local Assistance	44,439	46,752	49,968	53,075	55,728
School Aid	21,017	22,296	23,423	24,539	25,781
Medicaid/EP	12,447	13,358	14,258	15,391	16,260
All Other	10,975	11,098	12,287	13,145	13,687
State Operations	8,087	8,213	8,750	9,105	9,575
Personal Service	6,065	5,981	6,249	6,506	6,950
Non-Personal Service	2,022	2,232	2,501	2,599	2,625
General State Charges	5,462	5,713	6,152	6,583	7,090
Transfers to Other Funds	10,092	9,695	12,018	12,133	12,057
Debt Service	924	916	1,144	1,042	1,067
Capital Projects	2,569	2,192	3,950	3,755	3,382
State Share of Mental Hygiene Medicaid	1,239	1,301	1,231	1,119	1,119
SUNY Operations	996	1,022	1,021	1,020	1,021
All Other	4,364	4,264	4,672	5,197	5,468
Total Disbursements	**68,080**	**70,373**	**76,888**	**80,896**	**84,450**
Use (Reservation) of Fund Balance:	**1,185**	**867**	**1,662**	**1,087**	**653**
Community Projects	7	17	0	0	0
Labor Agreements	140	(130)	0	0	0
Undesignated Fund Balance	73	14	0	0	0
Rainy Day Reserve	0	0	0	0	0
Financial Plan Risk	0	0	0	0	0
Debt Management	0	0	0	0	0
Extraordinary Monetary Settlements [1]	965	966	1,662	1,087	653
BUDGET SURPLUS/(GAP) PROJECTIONS [2]	**0**	**0**	**(4,443)**	**(6,385)**	**(8,053)**
Adherence to 2% Spending Benchmark [3]	**n/a**	**n/a**	**2,706**	**5,491**	**7,733**
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**(1,737)**	**(894)**	**(320)**

[1] Reflect transfers of Extraordinary Monetary Settlement funds from the General Fund to the Dedicated Infrastructure Investment Fund, the Environmental Protection Fund, and the Capital Projects Fund.

[2] Before actions to adhere to the 2 percent spending growth benchmark.

[3] Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or the projected surpluses lower).

State Operating Funds Projections

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)	FY 2017 Results	FY 2018 Updated	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
RECEIPTS					
Taxes	72,989	75,755	78,966	82,233	84,886
Miscellaneous Receipts/Federal Grants	21,830	20,239	18,919	18,831	18,594
Total Receipts	**94,819**	**95,994**	**97,885**	**101,064**	**103,480**
DISBURSEMENTS					
Local Assistance	64,369	66,053	68,844	72,006	74,712
School Aid (School Year Basis)	24,689	25,727	26,827	27,950	29,260
DOH Medicaid[1]	18,243	19,085	20,135	21,162	21,990
Transportation	4,977	5,024	5,077	5,185	5,249
STAR	3,139	2,630	2,520	2,453	2,437
Higher Education	2,874	2,832	3,080	3,156	3,206
Social Services	2,935	2,964	3,044	3,197	3,280
Mental Hygiene	2,461	2,487	2,936	3,212	3,424
All Other[2]	5,051	5,304	5,225	5,691	5,866
State Operations	18,680	18,785	19,133	19,549	20,268
Personal Service	13,093	13,037	13,251	13,614	14,278
Non-Personal Service	5,587	5,748	5,882	5,935	5,990
General State Charges	7,634	7,978	8,485	8,999	9,604
Pension Contribution	2,446	2,460	2,526	2,585	2,749
Health Insurance	3,708	3,956	4,189	4,495	4,810
All Other	1,480	1,562	1,770	1,919	2,045
Debt Service	5,514	5,288	6,310	7,004	7,257
Capital Projects	2	0	0	0	0
Total Disbursements [3]	**96,199**	**98,104**	**102,772**	**107,558**	**111,841**
Net Other Financing Sources/(Uses)	364	740	(989)	(714)	(296)
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	1,016	1,370	1,433	823	604
General Fund	1,185	867	1,662	1,087	653
Special Revenue Funds	(185)	506	(225)	(259)	(44)
Debt Service Funds	16	(3)	(4)	(5)	(5)
GENERAL FUND BUDGET SURPLUS/(GAP)[3]	**0**	**0**	**(4,443)**	**(6,385)**	**(8,053)**
Adherence to 2% Spending Benchmark[4]	**n/a**	**n/a**	**2,706**	**5,491**	**7,733**
GENERAL FUND BUDGET SURPLUS/(GAP)	**0**	**0**	**(1,737)**	**(894)**	**(320)**

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 the utilization of tobacco MSA proceeds which will be directly deposited to the MMIS Escrow Fund to cover a portion of local Medicaid growth.

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.

3 Before actions to adhere to the 2 percent spending growth benchmark.

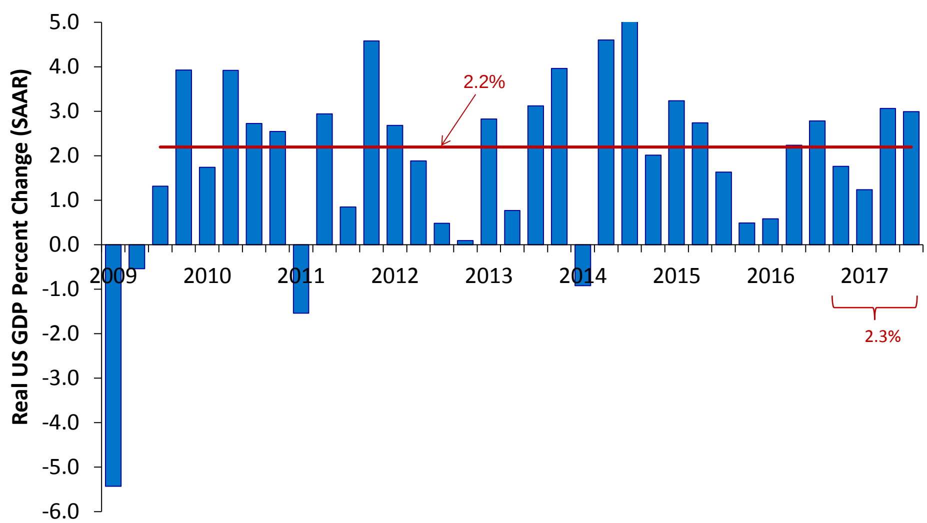
4 Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or the projected surpluses lower).

Economic Backdrop

The U.S. Economy

Despite three devastating hurricanes during August and September 2017, the national economy entered the fourth quarter of calendar year 2017 with substantial momentum, having grown by 3.1 percent and 3.3 percent in the second and third quarters, respectively. Nevertheless, the damage inflicted by Hurricanes Harvey, Irma, and Maria cannot be overstated. Preliminary estimates from the U.S. BEA indicate that Hurricanes Harvey and Irma resulted in losses of $121.0 billion in privately-owned fixed assets and $10.4 billion in government-owned fixed assets. But recovery from the storms appears to be proceeding at a brisk pace. Indeed, light vehicle sales were historically strong during the months of September and October as Gulf Coast residents quickly replaced autos destroyed by intense and prolonged rains and flooding. DOB expects that the ongoing replacement of damaged goods and equipment, along with a continued inventory buildup, will support above trend growth in the fourth quarter.

US Economic Growth Improving But Unlikely to Remain at 3 Percent

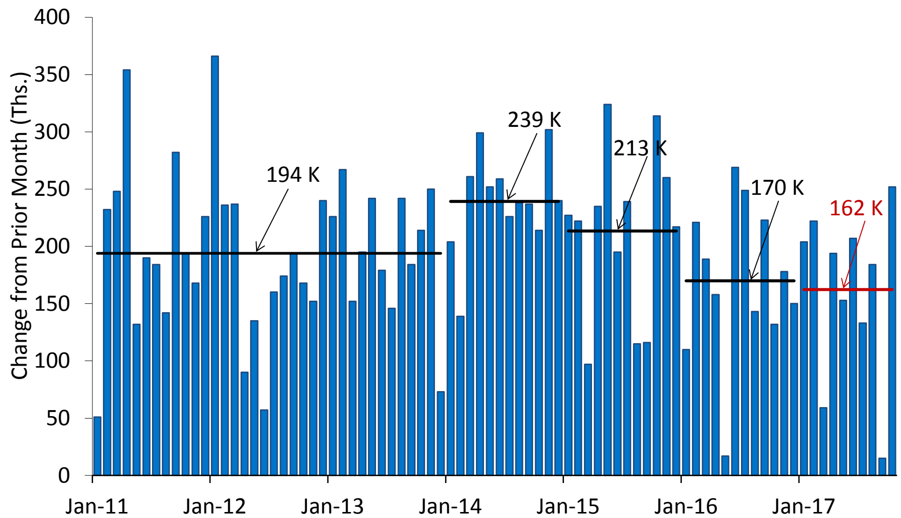


Source: Moody's Analytics.

However, DOB notes that the strong second and third quarter performances followed subpar growth of 1.8 percent and 1.2 percent in the prior two quarters. Thus, growth for the most recent four quarters averaged 2.3 percent, only marginally above the average for the expansion to date. The national economy is estimated to grow by 2.2 percent in 2017, well above last year's growth of 1.5 percent, but no better than the economy's recent average performance.

Hurricanes Harvey and Irma appear to have injected a large degree of volatility into the national labor market data. After adding only 15,000 private sector jobs in September, the labor market came roaring back in October with a gain of 252,000. Above trend growth is expected for November as well. But on balance, the average monthly job gain for 2017 is virtually unchanged from July. Total nonagricultural employment growth of 1.5 percent is projected for 2017, a significant deceleration from the 1.8 percent growth experienced in 2016. Employment growth is expected to slow further as the expansion matures, with average monthly gains of 150,000 projected for 2018, more than sufficient to continue bringing down the unemployment rate. Although the conventional unemployment rate has fallen to 4.1 percent, its lowest level in 17 years, broader measures of under-employment, including the percentage of the workforce working part-time, remain elevated, an indication that some labor market slack remains.

Private Job Gains Continue to Slow As the Expansion Matures



Source: Moody's Analytics.

The persistence of labor market slack indicates that the labor market still has room for growth without imposing more than modest upward pressure on wages, except in those pockets of the labor market where shortages have emerged. Anecdotal evidence suggests that construction is one such area. Although third quarter storms added some volatility to the wage data, DOB continues to project wage growth of 3.4 percent for 2017, following growth of 2.9 percent for 2016. Overall personal income growth of 3.2 percent is estimated for 2017, following growth of 2.4 percent for 2016.

Unusually warm winter weather pulled new residential construction forward into the first quarter of 2017, which was immediately followed by two consecutive quarters of decline. Moreover, these declines were accompanied by higher home prices, underlining the uneven performance of the nation's housing market. Growth is expected to return to the housing market in the fourth quarter, due in part to the rebuilding and repair of homes damaged or destroyed by the hurricanes. But fourth quarter growth is unlikely to rise above 5 percent due at least in part to shortages of skilled laborers. DOB now estimates real growth in residential fixed investment of 1.2 percent for 2017, representing a substantial downward revision from the First Quarterly Update to the Financial Plan forecast, and a significant deceleration from the 5.5 percent growth experienced in 2016.

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

	2016 (Actual)	2017 (Forecast)	2018 (Forecast)
Real U.S. Gross Domestic Product	1.5	2.2	2.5
Consumer Price Index (CPI)	1.3	2.1	2.1
Personal Income	2.4	3.2	4.1
Nonagricultural Employment	1.8	1.5	1.4

Source: Moody's Analytics; DOB staff estimates.

The global economy appears to be entering a long-awaited period of synchronized growth, which, along with a dollar that has remained below its most recent peak, points to stronger growth in global demand for U.S. exports and strengthening corporate earnings going forward. Indeed, export data through the first nine months of 2017 have been stronger than projected in the First Quarterly Update to the Financial Plan forecast. As a result, real export growth for 2017 has been revised up to 3.3 percent, following a 0.3 percent decline in 2016. Increases in global demand for U.S. exports are also aiding in the recovery of business investment from a decline in 2016. Nonresidential fixed investment exhibited average quarterly growth close to 7 percent in the first half of 2017, fueled in part by growth in the energy production sector. However, with the rig count flattening and disruptions to oil production due to the hurricanes, DOB expects growth in energy-related investment to decelerate in the second half of 2017. As a result, real growth in business fixed investment has been revised down slightly to 4.2 percent for 2017, following a decline of 0.6 percent for 2016.

Hurricane Harvey damaged between 20 percent and 40 percent of U.S. refining capacity, while Hurricane Irma disrupted the supply chain needed to deliver gasoline to Florida. Both of these developments helped drive gasoline prices higher, boosting headline inflation in the third quarter of 2017. Over the same period, increased energy prices impacted transportation costs and airfares, putting modest upward pressure on core inflation. Consumer price inflation of 2.1 percent is estimated for 2017, two-tenths of a percentage point above the First Quarterly Update to the Financial Plan forecast. However, the hurricane impact on inflation is likely to be transitory, and DOB expects inflation to take a gradual path toward the Federal Reserve's long-term target of 2.0 percent.

Long-term interest rates have failed to sustain a significant increase since the Federal Open Market Committee announced an October 2017 start to its plan to gradually reduce and normalize its $4.5 trillion balance sheet. DOB continues to expect that the Federal Reserve's balance sheet normalization plan will lift long-term interest rates over the medium to long term, helping to steepen the yield curve. However, the ten-year Treasury yield has remained low, with the implication that if the Federal Reserve raises its short-term interest rate target as expected in December 2017, the yield curve will flatten further. Although lower long-term interest rates represent a boon to the continued recovery of the housing market, a flatter yield curve could adversely impact banking sector profits over the near term.

DOB's baseline forecast continues to abstract from future fiscal policy changes at the Federal level, but the Federal tax reform packages now taking shape present both upside and downside risks to the forecast. Policies that stimulate more 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. On the negative side, policies that substantially widen the Federal budget deficit without enhancing productivity growth could result in both accelerating inflation and higher interest rates, which, in turn, could result in weaker household and business investment spending than anticipated.

Additionally, a stronger rebound from the summer's severe storms could result in stronger employment and income growth than currently projected. A stronger housing market or stronger global growth than projected could have a similar result. In contrast, a heightening of international tensions could reduce global growth, resulting in weaker growth in U.S. exports, corporate profits, and equity market prices. 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 stemming from the fiscal policy side.

The New York State Economy

The State's private-sector labor market appears to be stabilizing after a substantial slowdown in 2016. After 10 consecutive quarters of over 2 percent growth, the private job growth rate fell to 1.8 percent in the second quarter of 2016, declining further to 1.4 percent by the final quarter of 2016. The deceleration in State private sector job growth occurred against a backdrop of weak national and global growth, from which New York was not immune. A stabilizing job market is consistent with the strengthening in the national economy that began in the second quarter of 2017. Although unusually warm weather likely boosted State job growth slightly above trend in the first quarter of 2017, only modest declines in growth are projected going forward, consistent with a similar national trend. On balance, the forecast for private-sector job growth for 2017 remains virtually unchanged from the First Quarterly Update to the Financial Plan estimate of 1.4 percent, following 1.8 percent growth in 2016. Total employment growth of 1.3 percent is projected for 2017, after growth of 1.6 percent in 2016.

The post-election anticipation of lower personal income tax rates at the Federal level resulted in a significant shifting of wages, most likely in the form of bonus payouts, from the end of 2016 into the beginning of 2017. Following a 1.1 percent fourth quarter decline, total State wages for the first quarter of 2017 exhibited strong growth of 7.5 percent. In light of the updated data, State wage growth for FY 2017 has been revised up by 0.4 percent to 3.8 percent. As the revision was primarily concentrated in the finance and insurance sector, FY 2017 finance and insurance sector bonus growth has been revised up from 2.0 percent to 5.9 percent, with non-bonus wage growth unchanged from the First Quarterly Update to the Financial Plan forecast.

Although Wall Street revenues had a strong start in the first quarter of 2017, they have deteriorated over the course of the year, despite record-breaking equity market valuations and accelerating national and global growth. Low volatility has been blamed for reducing not only trading volumes, but also financial firm revenues earned from trading activity. However, the uncertainty surrounding tax reform proposals may also have been depressing activity, with investors possibly delaying financial transactions in the hope of a lower tax rate effective in 2018. Similarly, declining growth in bank lending since the end of 2016 could also indicate that at least some decisions related to both capital and real estate spending may have also been delayed, as changes to the nation's corporate tax laws are debated and take shape. Consequently, projected FY 2018 finance and insurance sector bonus growth has been revised down to 3.4 percent. Overall wage growth of 3.7 percent is projected for FY 2018, 0.6 percent lower than the First Quarterly Update to the Financial Plan forecast.

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

	FY 2016 (Actual)	FY 2017 (Estimated)	FY 2018 (Forecast)
Personal Income	3.9	2.7	3.4
Wages	4.3	3.8	3.7
Nonagricultural Employment	1.9	1.5	1.2

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

At present, the debate over changes to Federal tax policy may represent the greatest source of uncertainty surrounding the underlying growth in State wage and non-wage income. With taxpayers strategically responding to anticipated changes in tax policy, the uncertainty that typically surrounds the forecast for bonuses and various forms of taxable non-wage income is heightened even further. For example, capital gains realizations are estimated to have fallen close to 20 percent in tax year 2016. At least a portion of that decline likely was due to taxpayers deferring financial transactions in anticipation of a lower tax rate effective in 2017. That tax rate reduction never materialized. As a result, a moderate rebound in realizations was projected for 2017. However, weak personal income tax collections indicate that the 2017 rebound may be weaker than anticipated in the First Quarterly Update to the Financial Plan forecast. Those same taxpayers that deferred transactions in 2016 may act similarly in 2017. Although the tax policy changes now being debated in Congress do not appear to include a reduction in the long-term capital gains tax rate, much uncertainty remains. Consequently, capital gains realizations growth for 2017 has been revised down to 8.5 percent.

In addition to the uncertainty surrounding tax reform, all risks to the U.S. forecast apply to the State forecast as well as the nation's financial capital, however, New York faces a particularly large degree of uncertainty associated with both the volume of financial market activity and the volatility in equity markets. 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. These risks are further amplified by recent actions taken by the Federal Reserve to normalize both interest rates and its balance sheet. In contrast, stronger national and global growth could result in stronger employment and wage growth than projected. Finally, the net impact of Federal tax reform on New York State disposable income will depend on the details of the final version of the bill that passes both houses of Congress. To the extent that those details are known before the release date of the Executive Budget in January 2018, an impact analysis will be provided therein.

Receipts

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

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

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

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

Overview of the Receipts Forecast

All Funds receipts in FY 2018 are projected to total $162.2 billion, 3.7 percent above FY 2017 results.

ALL FUNDS RECEIPTS
(millions of dollars)

	FY 2017 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
Personal Income Tax	47,565	48,632	2.2%	51,123	5.1%	53,168	4.0%	54,716	2.9%
Consumption/Use Taxes	16,212	16,753	3.3%	17,345	3.5%	17,893	3.2%	18,456	3.1%
Business Taxes	6,979	7,879	12.9%	8,098	2.8%	8,608	6.3%	8,980	4.3%
Other Taxes	2,236	2,386	6.7%	2,302	-3.5%	2,409	4.6%	2,510	4.2%
Payroll Mobility Tax	1,380	1,438	4.2%	1,503	4.5%	1,578	5.0%	1,645	4.2%
Total State Taxes	**74,372**	**77,088**	**3.7%**	**80,371**	**4.3%**	**83,656**	**4.1%**	**86,307**	**3.2%**
Miscellaneous Receipts	26,594	27,736	4.3%	26,638	-4.0%	26,218	-1.6%	25,401	-3.1%
Federal Receipts	55,406	57,348	3.5%	58,886	2.7%	59,686	1.4%	60,196	0.9%
Total All Funds Receipts	**156,372**	**162,172**	**3.7%**	**165,895**	**2.3%**	**169,560**	**2.2%**	**171,904**	**1.4%**

State tax receipts are projected to increase 3.7 percent in FY 2018, with increases across all tax categories. The projected rebound to moderate growth is due mainly to the impact of the 2016 corporate franchise tax rate cut, which reduced the growth rate in FY 2017 but not in FY 2018.

Consistent with the projected growth in the State economy over the multi-year Updated Financial Plan period beyond FY 2018, most tax categories are projected to exhibit annual out-year growth.

After controlling for the impact of tax law changes, base tax revenue decreased 0.1 percent in FY 2017, and is projected to increase by 3.6 percent in FY 2018 and 4.6 percent in FY 2019.

Personal Income Tax

PERSONAL INCOME TAX
(millions of dollars)

	FY 2017 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE/ALL FUNDS	**47,565**	**48,632**	**2.2%**	**51,123**	**5.1%**	**53,168**	**4.0%**	**54,716**	**2.9%**
Gross Collections	56,517	58,560	3.6%	62,241	6.3%	65,245	4.8%	66,071	1.3%
Refunds (Incl. State/City Offset)	(8,952)	(9,928)	-10.9%	(11,118)	-12.0%	(12,077)	-8.6%	(11,355)	6.0%
GENERAL FUND[1]	**32,535**	**33,844**	**4.0%**	**35,822**	**5.8%**	**37,423**	**4.5%**	**38,652**	**3.3%**
Gross Collections	56,517	58,560	3.6%	62,241	6.3%	65,245	4.8%	66,071	1.3%
Refunds (Incl. State/City Offset)	(8,952)	(9,928)	-10.9%	(11,118)	-12.0%	(12,077)	-8.6%	(11,355)	6.0%
STAR	(3,139)	(2,630)	16.2%	(2,520)	4.2%	(2,453)	2.7%	(2,385)	2.8%
RBTF	(11,891)	(12,158)	-2.2%	(12,781)	-5.1%	(13,292)	-4.0%	(13,679)	-2.9%

[1]Excludes Transfers.

All Funds PIT receipts for FY 2018 are estimated to total $48.6 billion, an increase of $1.1 billion (2.2 percent) from FY 2017 results. This increase is driven by growth in withholding and estimated payments for tax year 2017. Growth in these categories is partially offset by declines in final returns and extension payments attributable to the 2016 tax year, in addition to an increase in total refunds.

The following table summarizes, by component, actual receipts for FY 2017 and forecast amounts through FY 2021.

ALL FUNDS PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS (millions of dollars)					
	FY 2017 Results	FY 2018 Updated	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Receipts					
Withholding	37,524	39,459	41,314	42,557	43,543
Estimated Payments	14,972	15,224	16,821	18,369	18,012
Current Year	10,912	11,778	12,729	13,742	12,583
Prior Year[1]	4,060	3,446	4,092	4,627	5,429
Final Returns	2,588	2,461	2,619	2,768	2,928
Current Year	260	274	289	304	319
Prior Year[1]	2,328	2,187	2,330	2,464	2,609
Delinquent	1,433	1,416	1,487	1,551	1,588
Gross Receipts	56,517	58,560	62,241	65,245	66,071
Refunds					
Prior Year[1]	5,199	6,115	6,698	7,239	7,693
Previous Years	474	500	525	555	585
Current Year[1]	1,750	1,751	1,750	1,750	1,749
Advanced Credit Payment	678	689	1,247	1,709	479
State/City Offset[1]	851	873	898	824	849
Total Refunds	8,952	9,928	11,118	12,077	11,355
Net Receipts	**47,565**	**48,632**	**51,123**	**53,168**	**54,716**

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

Withholding in FY 2018 is estimated to be $1.9 billion (5.2 percent) higher than FY 2017 results, driven by moderate wage growth partially associated with improved bonus growth. Extension payments related to tax year 2016 are expected to decline by $614 million (15.1 percent), primarily due to declines in capital gains resulting, in part, from taxpayer uncertainty regarding potential tax year 2017 Federal tax rate cuts. Estimated payments for tax year 2017 are projected to grow $866 million (7.9 percent), driven by non-wage income growth of 7.7 percent, including 9.2 percent growth in net capital gains. FY 2018 final return payments and delinquencies are projected to decline by $127 million (4.9 percent) and $17 million (1.2 percent), respectively.

The projected growth in total refunds of $976 million (10.9 percent) includes increases of $916 million (17.6 percent) in prior tax year (2016) refunds, $26 million (5.5 percent) in previous tax year (2015 and earlier) refunds, $11 million (1.6 percent) in advanced credit payments related to tax year 2017, and $22 million (2.6 percent) in the state-city offset.

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 2018 of $33.8 billion are projected to increase by $1.3 billion (4 percent) from FY 2017 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $12.2 billion and the STAR transfer is projected to be $2.6 billion.

All Funds PIT receipts for FY 2019 of $51.1 billion are projected to increase by $2.5 billion (5.1 percent) from FY 2018 estimates. Gross PIT receipts are projected to increase 6.3 percent, reflecting withholding that is projected to grow by $1.9 billion (4.7 percent) and estimated payments related to tax year 2018 that are projected to grow by $951 million (8.1 percent). Payments from extensions for tax year 2017 are projected to increase by $646 million (18.7 percent), reflecting the taxpayer behavior related to potential Federal tax rate changes noted earlier. Final returns are expected to increase by $158 million (6.4 percent) and delinquencies are projected to increase $71 million (5 percent) from the prior year. Total refunds are projected to increase by $1.2 billion (12 percent) from the prior year, primarily due to the property tax relief credit enacted in 2015 and the recent conversions of New York City STAR benefits into State tax credits.

General Fund PIT receipts for FY 2019 of $35.8 billion are projected to increase by $2 billion (5.8 percent). RBTF deposits are projected to be $12.8 billion, and the STAR transfer is projected to be $2.5 billion.

All Funds PIT receipts for FY 2020 of $53.2 billion are projected to increase by over $2 billion (4 percent) from FY 2019 estimates. Gross PIT receipts are projected to increase 4.8 percent, reflecting withholding that is projected to grow by $1.2 billion (3 percent). The relatively low growth rate reflects the expiration of the FY 2018 Enacted Budget two-year high-income surcharge extension, scheduled to sunset after tax year 2019. Estimated payments related to tax year 2019 are projected to grow by $1 billion (8 percent), payments from extensions for tax year 2018 are projected to increase by $535 million (13.1 percent), and final returns are expected to increase by $149 million (5.7 percent). Delinquencies are projected to increase $64 million (4.3 percent) from the prior year. Total refunds are projected to increase by $959 million (8.6 percent) from the prior year.

General Fund PIT receipts for FY 2020 of $37.4 billion are projected to increase by $1.6 billion (4.5 percent). RBTF deposits are projected to be $13.3 billion, and the STAR transfer is projected to be $2.5 billion.

All Funds PIT receipts in FY 2021 are projected to increase by over $1.5 billion to $54.7 billion, while General Fund PIT receipts are projected to total $38.7 billion. This projected modest growth is driven by the scheduled expiration of the high-income surcharge rate extension beginning in tax year 2020, combined with continued phase-in of the FY 2017 Enacted Budget middle income tax cuts.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)									
	FY 2017 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE/ALL FUNDS	**16,212**	**16,753**	**3.3%**	**17,345**	**3.5%**	**17,893**	**3.2%**	**18,456**	**3.1%**
Sales Tax	13,869	14,510	4.6%	15,090	4.0%	15,676	3.9%	16,273	3.8%
Cigarette and Tobacco Taxes	1,236	1,177	-4.8%	1,137	-3.4%	1,091	-4.0%	1,048	-3.9%
Motor Fuel Tax	519	515	-0.8%	512	-0.6%	507	-1.0%	504	-0.6%
Highway Use Tax	138	96	-30.4%	142	47.9%	142	0.0%	143	0.7%
Alcoholic Beverage Taxes	258	262	1.6%	267	1.9%	272	1.9%	276	1.5%
Medical Marihuana Excise Tax	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
Taxicab Surcharge	64	59	-7.8%	59	0.0%	59	0.0%	59	0.0%
Auto Rental Tax	127	133	4.7%	137	3.0%	145	5.8%	152	4.8%
GENERAL FUND[1]	**7,101**	**7,386**	**4.0%**	**7,655**	**3.6%**	**7,924**	**3.5%**	**8,197**	**3.4%**
Sales Tax	6,483	6,784	4.6%	7,057	4.0%	7,332	3.9%	7,612	3.8%
Cigarette and Tobacco Taxes	360	340	-5.6%	331	-2.6%	320	-3.3%	309	-3.4%
Alcoholic Beverage Taxes	258	262	1.6%	267	1.9%	272	1.9%	276	1.5%

[1]Excludes Transfers.

All Funds consumption/use tax receipts for FY 2018 are projected to total nearly $16.8 billion, a $541 million (3.3 percent) increase from FY 2017 results. Sales tax receipts are projected to increase $641 million (4.6 percent) from the prior year, reflecting base growth (i.e., absent law changes) of 4.7 percent. This base growth stems from projected disposable income and consumption growth. Cigarette and tobacco tax collections are projected to decrease by $59 million (4.8 percent), reflecting a trend decline in taxable cigarette consumption. Highway use tax (HUT) collections are projected to decrease by $42 million (30.4 percent) due to a $44 million increase in refund payments resulting from the Independent Owner Operator Drivers Association v. New York Department of Taxation and Finance court decision. Motor fuel tax collections are projected to decrease by $4 million (0.8 percent), reflecting higher refunds, which are partially offset by slight growth in both taxable motor fuel and diesel fuel consumption. Taxicab surcharge receipts are estimated to decline by $5 million (7.8 percent) resulting from consumers choosing alternative transportation services not subject to the surcharge. Auto rental tax receipts are projected to increase by $6 million (4.7 percent).

General Fund sales 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 LGAC 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 2018 are projected to total nearly $7.4 billion, a $285 million (4 percent) increase from FY 2017 results. This increase largely reflects the All Funds sales and use tax and cigarette and tobacco tax trends, noted above.

All Funds consumption/use tax receipts for FY 2019 are projected to total over $17.3 billion, a $592 million (3.5 percent) increase from FY 2018 estimates. The projected $580 million (4 percent) increase in sales tax receipts reflects sales tax base growth of 3.3 percent, a decrease from FY 2018 related to the projected slower growth in both the consumption of taxable goods and disposable income. HUT receipts are projected to increase $46 million (47.9 percent) as long-term trend levels are resumed following the previous year's refund increases noted above. A continued trend decline in taxable cigarette consumption is also projected.

General Fund consumption/use tax receipts are projected to be nearly $7.7 billion in FY 2019, a $269 million (3.6 percent) increase from FY 2018. The projected increase largely reflects the All Funds sales and use tax and cigarette and tobacco tax trends, noted above.

All Funds consumption/use tax receipts for FY 2020 are projected to be nearly $17.9 billion, a $548 million (3.2 percent) increase from FY 2019. The projected $586 million (3.9 percent) increase in sales tax receipts reflects sales tax base growth of 3.9 percent, and is slightly offset by a trend decline in taxable cigarette consumption. FY 2020 General Fund consumption/use tax receipts are projected to increase to $7.9 billion, a $269 million (3.5 percent) increase from FY 2019 projections.

All Funds consumption/use tax receipts are projected to reach nearly $18.5 billion (3.1 percent growth) in FY 2021, largely representing base growth in sales tax receipts, slightly offset by a continued trend decline in taxable cigarette consumption.

General Fund consumption/use tax receipts are projected to increase to nearly $8.2 billion (3.4 percent growth) in FY 2021, reflecting the All Funds sales and use tax and cigarette and tobacco tax trends, noted above.

Business Taxes

BUSINESS TAXES
(millions of dollars)

	FY 2017 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE/ALL FUNDS	**6,979**	**7,879**	**12.9%**	**8,098**	**2.8%**	**8,608**	**6.3%**	**8,980**	**4.3%**
Corporate Franchise Tax	3,166	3,809	20.3%	4,259	11.8%	4,716	10.7%	5,018	6.4%
Corporation and Utilities Tax	720	780	8.3%	744	-4.6%	754	1.3%	764	1.3%
Insurance Tax	1,580	1,691	7.0%	1,809	7.0%	1,895	4.8%	2,035	7.4%
Bank Tax	389	499	28.3%	143	-71.3%	71	-50.3%	0	-100.0%
Petroleum Business Tax	1,124	1,100	-2.1%	1,143	3.9%	1,172	2.5%	1,163	-0.8%
GENERAL FUND	**4,761**	**5,598**	**17.6%**	**5,707**	**1.9%**	**6,136**	**7.5%**	**6,473**	**5.5%**
Corporate Franchise Tax	2,476	3,041	22.8%	3,397	11.7%	3,803	12.0%	4,068	7.0%
Corporation and Utilities Tax	538	596	10.8%	563	-5.5%	569	1.1%	575	1.1%
Insurance Tax	1,410	1,524	8.1%	1,625	6.6%	1,704	4.9%	1,830	7.4%
Bank Tax	337	437	29.7%	122	-72.1%	60	-50.8%	0	-100.0%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2018 are projected to total $7.9 billion, an increase of $900 million (12.9 percent) from FY 2017 results. The estimate reflects increases for all business taxes apart from a $24 million decline in the petroleum business tax (PBT).

Corporation franchise tax receipts are projected to increase $643 million (20.3 percent) in FY 2018, reflecting a rebound in gross receipts and audits. FY 2017 results were negatively impacted by a cut in the business income tax rate from 7.1 to 6.5 percent as well as a shortfall in cash remittances on tax year 2015 final returns. This lack of March 2017 cash remittances indicated taxpayers significantly overpaid on 2015 liability during previous estimated payment events. This is not expected to recur when tax year 2016 final returns are submitted in FY 2018. Audit receipts are projected to increase in FY 2018 (by $115 million) as a greater number of large cases are expected to be closed.

Corporation and utilities tax receipts are projected to increase $60 million (8.3 percent) in FY 2018. Gross receipts are expected to increase from FY 2017 results resulting from late filings of mandatory first installment payments. The 2017 mandatory first installment was due March 15 (i.e., in FY 2017), but several taxpayers did not file these payments until April 2017 (i.e., within FY 2018). Audits are expected to increase as several telecommunication company audits are closed.

Insurance tax receipts for FY 2018 are projected to increase $111 million (7 percent) from FY 2017 results. Projected growth in tax year 2017 liability is partially offset by higher refunds as life insurers continue to claim 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. This is the second year of refund claims for the credit for assessments paid earlier.

Receipts from the repealed bank tax (all from prior liability periods) are projected to increase by $110 million in FY 2018, stemming from higher audit receipts (additional $60 million) and smaller prior period adjustments.

PBT receipts are projected to decline $24 million (2.1 percent) in FY 2018, primarily due to the 5 percent decrease in the PBT rate index effective January 2017. This decline is partially offset by projected slight growth in both taxable motor fuel and diesel fuel consumption and the projected 5 percent increase in the PBT rate index effective January 2018.

General Fund business tax receipts for FY 2018 of $5.6 billion are projected to increase $837 million (17.6 percent) from FY 2017 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2019 of $8.1 billion are projected to increase by $219 million (2.8 percent) from current estimates. The corporation franchise tax receipts increase of $450 million (11.8 percent) reflects projected growth in corporate profits and higher audits. The corporation and utilities tax receipts decline of $36 million (4.6 percent) is attributable to the one-time late filings (April 2017) and higher audits related to telecommunication companies that are not expected to recur.

Insurance tax receipts for FY 2019 of $1.8 billion are projected to increase $118 million (7 percent) from current year estimates. Projected growth in insurance tax premiums combined with lower expected LIGC credit claims contribute to this year-over-year growth. Receipts from the repealed bank tax are projected to decrease by $356 million (71.3 percent) in FY 2019, due to lower projected audit receipts. PBT receipts are projected to increase $43 million (3.9 percent) in FY 2019, primarily due to the projected 5 percent and 4.5 percent increases in the PBT rate index effective January 2018 and January 2019, respectively. These index-based increases are partially offset by a projected slight decline in taxable motor fuel and diesel fuel consumption in FY 2019.

General Fund business tax receipts for FY 2019 of nearly $5.7 billion are projected to increase $109 million (1.9 percent) from current year estimates, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2020 of $8.6 billion are projected to increase by $510 million (6.3 percent), and General Fund business tax receipts are projected to increase to $6.1 billion (7.5 percent growth) from FY 2019 projections. The increase is primarily reflective of growth in corporation franchise tax receipts driven by higher gross receipts and lower refunds. Increases in projected corporation and utilities, insurance tax, and PBT receipts are partially offset by a decline in projected bank tax receipts.

All Funds business tax receipts for 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. In FY 2021, All Funds business tax receipts are projected to increase to nearly $9 billion (4.3 percent growth), and General Fund business tax receipts are projected to increase to nearly $6.5 billion (5.5 percent growth).

Other Taxes

OTHER TAXES (millions of dollars)	FY 2017 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE/ALL FUNDS	**2,236**	**2,386**	**6.7%**	**2,302**	**-3.5%**	**2,409**	**4.6%**	**2,510**	**4.2%**
Estate Tax	1,091	1,173	7.5%	1,033	-11.9%	1,092	5.7%	1,155	5.8%
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Estate Transfer Tax	1,126	1,196	6.2%	1,252	4.7%	1,300	3.8%	1,337	2.8%
Pari-Mutuel Taxes	16	15	-6.3%	15	0.0%	15	0.0%	15	0.0%
All Other Taxes	3	2	-33.3%	2	0.0%	2	0.0%	3	50.0%
GENERAL FUND[1]	**1,110**	**1,190**	**7.2%**	**1,050**	**-11.8%**	**1,109**	**5.6%**	**1,173**	**5.8%**
Estate Tax	1,091	1,173	7.5%	1,033	-11.9%	1,092	5.7%	1,155	5.8%
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	16	15	-6.3%	15	0.0%	15	0.0%	15	0.0%
All Other Taxes	3	2	-33.3%	2	0.0%	2	0.0%	3	50.0%

[1]Excludes Transfers.

All Funds other tax receipts for FY 2018 are estimated to total nearly $2.4 billion, an increase of $150 million (6.7 percent) from FY 2017 results. This is primarily due to an estimated $70 million (6.2 percent) increase in real estate transfer tax receipts related to estimated growth in both housing starts and housing prices, combined with an estimated $82 million (7.5 percent) increase in estate tax receipts owing to an unusually large payment that is partially offset by the continued phase-in of the increased filing threshold.

General Fund other tax receipts are estimated to be just under $1.2 billion in FY 2018, an increase of $80 million (7.2 percent) from FY 2017 results, reflecting the estate tax receipts increase noted above.

All Funds other tax receipts for FY 2019 are projected to total $2.3 billion, an $84 million (3.5 percent) decrease of from current year estimates. The $140 million (11.9 percent) projected decline in estate tax receipts reflects a return to a historical number and average payment value of super-large (i.e., over $25 million) payments. Real estate transfer tax receipts are projected to increase by $56 million (4.7 percent), reflecting projected growth in housing starts and housing prices.

General Fund other tax receipts for FY 2019 are projected to be just under $1.1 billion, declining $140 million (11.8 percent) from current year estimates owing to the projected decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2020 are projected to be over $2.4 billion, a $107 million (4.6 percent) increase from FY 2019 projections. Subject to change, based on proposed Federal tax law changes, estate tax receipts are projected to increase by $59 million (5.7 percent) in FY 2020, reflecting projected growth in household net worth. The $48 million (3.8 percent) projected increase in real estate transfer tax receipts in FY 2020 reflects projected growth in housing starts and prices.

General Fund other tax receipts for FY 2020 are projected to total over $1.1 billion, an increase of $59 million (5.6 percent), resulting from the projected increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2021 reflect projected trend growth in household net worth, housing starts, and housing prices. All Funds other tax receipts are projected to be over $2.5 billion in FY 2021, a $101 million (4.2 percent) increase over prior year projections. General Fund other tax receipts are projected to be slightly below $1.2 billion in FY 2021, an annual increase of $64 million (5.8 percent), reflecting the household net worth trend noted above.

Miscellaneous Receipts

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, Extraordinary Monetary Settlements and a variety of fees. As such, miscellaneous receipts are driven in part by year-to-year variations in health care surcharges and other HCRA resources, bond proceeds, tuition income revenue and other miscellaneous receipts.

MISCELLANEOUS RECEIPTS
(millions of dollars)

	FY 2017 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
ALL FUNDS	**26,594**	**27,736**	**4.3%**	**26,638**	**-4.0%**	**26,218**	**-1.6%**	**25,401**	**-3.1%**
General Fund	3,813	2,742	-28.1%	2,155	-21.4%	2,159	0.2%	2,082	-3.6%
Special Revenue Funds	17,686	17,123	-3.2%	16,391	-4.3%	16,298	-0.6%	16,140	-1.0%
Capital Projects Funds	4,637	7,412	59.8%	7,634	3.0%	7,302	-4.3%	6,720	-8.0%
Debt Service Funds	458	459	0.2%	458	-0.2%	459	0.2%	459	0.0%

All Funds miscellaneous receipts are projected to total $27.7 billion in FY 2018, an increase of 4.3 percent from FY 2017 results. This increase is primarily due to higher bond financed capital spending on a year-over-year basis. Bond-financed capital expenses are paid from the General Fund (or Short-Term Investment Pool) in the first instance and subsequently reimbursed with authority bond proceeds, at which time they are captured as miscellaneous receipts.

All Funds miscellaneous receipts are projected to decline from FY 2018 to FY 2019, and are projected to decline annually thereafter, reflecting the impact of Extraordinary Monetary Settlements received in FY 2018, and a decrease in bond proceeds reimbursements in later years, which subsequently corresponds to the spending out of bond-financed capital projects.

Federal Grants

FEDERAL GRANTS (millions of dollars)									
	FY 2017 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
ALL FUNDS	**55,406**	**57,348**	**3.5%**	**58,886**	**2.7%**	**59,686**	**1.4%**	**60,196**	**0.9%**
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	52,725	55,005	4.3%	56,384	2.5%	57,398	1.8%	57,952	1.0%
Capital Projects Funds	2,608	2,270	-13.0%	2,429	7.0%	2,215	-8.8%	2,171	-2.0%
Debt Service Funds	73	73	0.0%	73	0.0%	73	0.0%	73	0.0%

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

All Funds Federal grants projections primarily reflect 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 Congressional authorization, appropriations and budget action.

With the Trump administration and the current Congress, many of the policies that drive Federal aid may be subject to change. At this time it is not possible to assess the potential fiscal impact of policies that may be proposed and adopted by the Trump administration and current Congress. If Federal funding to the State were reduced, this could have a materially adverse impact on the Updated Financial Plan. The FY 2018 Enacted Budget includes authorization to develop a mitigation plan to offset the impact of significant Federal funding reductions.

Disbursements

Total disbursements in FY 2018 are estimated at $70.4 billion in the State's General Fund (including transfers) and $98 billion in total State Operating Funds. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of annual spending growth, as further described in this section.

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 total State Operating Funds local assistance spending.

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

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

		Forecast			
	FY 2017 Results	FY 2018 Updated	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
HEALTH CARE					
Medicaid - Individuals Covered	6,133,681	6,178,707	6,206,629	6,220,590	6,227,570
Essential Plan - Individuals Covered	674,478	684,352	689,095	691,466	692,652
Child Health Plus - Individuals Covered	333,531	359,855	369,605	375,230	377,386
State Takeover of County/NYC Costs [1]	$2,891	$3,228	$3,565	$3,889	$4,212
EDUCATION					
School Aid (School Year Basis Funding)	$24,689	$25,727	$26,827	$27,950	$29,260
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	562,873	557,854	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	276,303	275,916	N/A	N/A	N/A
PUBLIC ASSISTANCE					
Family Assistance Program (Families)	234,902	230,387	227,493	224,803	222,161
Safety Net Program (Families)	123,264	121,194	119,638	118,217	116,832
Safety Net Program (Singles)	204,947	207,139	209,728	212,134	214,779
MENTAL HYGIENE					
OMH Community Beds	43,052	44,526	46,957	48,057	48,257
OPWDD Community Beds	42,443	42,867	43,296	43,729	44,166
OASAS Community Beds	13,370	13,562	13,635	13,825	13,860
Total	98,865	100,955	103,888	105,611	106,283
PRISON POPULATION	51,300	51,000	51,000	51,000	51,000

[1] Reflects the total State cost of taking over the local share of Medicaid growth, which was initially capped at approximately 3 percent annually, then phased-out completely as of calendar year 2015. A portion of the State takeover costs are funded from Master Settlement Agreement resources.

Education

School Aid

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

School Year (July 1 -June 30)

School Aid is expected to increase by $1.0 billion (4.2 percent) in SY 2018, including a $700 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 intended to facilitate the transformation of schools into community hubs. In addition, another $288 million supports increased reimbursement in expense-based aid programs such as transportation, Boards of Cooperative Educational Services (BOCES), school construction, and other miscellaneous aid categories.

The Updated Financial Plan also provides $50 million in new competitive grant programs, highlighted by a $35 million investment to expand after-school programs targeted towards low-income students within high need communities, and $5 million to expand prekindergarten for three- and four-year olds in high-need school districts. The State provides over $800 million in recurring annual support for three- and four-year old prekindergarten programs, including $340 million for the Statewide Universal Full-Day Prekindergarten programs.

School Aid is projected to increase by an additional $1.1 billion (4.3 percent) in SY 2019.

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

	SY 2017	SY 2018	Change	SY 2019	Change	SY 2020	Change	SY 2021	Change
Total	**24,689**	**25,727**	**1,038**	**26,827**	**1,100**	**27,950**	**1,123**	**29,260**	**1,310**
			4.2%		4.3%		4.2%		4.7%

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

State Fiscal Year

The State finances School Aid from General Fund, 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 projected sources of School Aid spending on a State fiscal year basis.

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

	FY 2017 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**24,351**	**25,738**	**5.7%**	**26,788**	**4.1%**	**27,943**	**4.3%**	**29,189**	**4.5%**
General Fund Local Assistance	21,017	22,295	6.1%	23,423	5.1%	24,539	4.8%	25,782	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	957	925	-3.3%	868	-6.2%	888	2.3%	888	0.0%
Commercial Gaming - VLT Offset	4	42	950.0%	90	114.3%	70	-22.2%	70	0.0%
Commercial Gaming	13	81	523.1%	113	39.5%	158	39.8%	158	0.0%

State fiscal year spending for School Aid is projected to total $25.7 billion in FY 2018, a 5.7 percent increase over FY 2017 results. 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 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. Between December 2014 and August 2016, four casino resorts were recommended by the State's Gaming Facility Location Board and approved by the State Gaming Commission. Three of the four approved casinos have since opened and are in operation, and the fourth approved casino is expected to open in 2018. 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 must be paid from the General Fund.

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 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,193**	**2,262**	**3.1%**	**2,283**	**0.9%**	**2,344**	**2.7%**	**2,452**	**4.6%**
Special Education	1,317	1,336	1.4%	1,358	1.6%	1,445	6.4%	1,530	5.9%
All Other Education	876	926	5.7%	925	-0.1%	899	-2.8%	922	2.6%

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 of the major cultural institutions, 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.

Projected FY 2018 and FY 2019 Special Education spending is below historical growth rates primarily due to a moderation in cost and enrollment growth for the preschool special education program, particularly in New York City. All Other Education growth primarily reflects increased reimbursement of charter school supplemental basic tuition and other one-time aid and grants.

Outyear growth for Special Education is attributable to increased State reimbursement to special education providers for minimum wage costs and 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 shares of projected FY 2018 program costs are: the basic school property tax exemption or credit for homeowners with incomes under $500,000 (58 percent); enhanced school property tax exemption or credit for senior citizen homeowners with incomes under $86,000 (31 percent); and a credit for income-eligible resident New York City personal income taxpayers (11 percent). The FY 2018 Enacted Budget included the conversion of 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 change will 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 an advance 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 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,139**	**2,630**	**-16.2%**	**2,520**	**-4.2%**	**2,453**	**-2.7%**	**2,437**	**-0.7%**
Gross Program Costs	3,330	3,457	3.8%	3,458	0.0%	3,509	1.5%	3,613	3.0%
Program Conversion	0	(277)	N/A	0	100.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(191)	(492)	-157.6%	(938)	-90.7%	(1,056)	-12.6%	(1,176)	-11.4%
FY 2017 Overpayment[1]	0	(58)	N/A	0	100.0%	0	0.0%	0	0.0%
Basic Exemption	1,695	1,672	-1.4%	1,636	-2.2%	1,592	-2.7%	1,582	-0.6%
Gross Program Costs	1,763	1,807	2.5%	1,839	1.8%	1,862	1.3%	1,920	3.1%
Personal Income Tax Credit	(68)	(135)	-98.5%	(203)	-50.4%	(270)	-33.0%	(338)	-25.2%
Enhanced (Senior) Exemption	916	903	-1.4%	884	-2.1%	861	-2.6%	855	-0.7%
Gross Program Costs	952	976	2.5%	993	1.7%	1,007	1.4%	1,037	3.0%
Personal Income Tax Credit	(36)	(73)	-102.8%	(109)	-49.3%	(146)	-33.9%	(182)	-24.7%
New York City PIT	528	55	-89.6%	0	-100.0%	0	0.0%	0	0.0%
Gross Program Costs	615	674	9.6%	626	-7.1%	640	2.2%	656	2.5%
Program Conversion	0	(277)	N/A	0	100.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(87)	(284)	-226.4%	(626)	-120.4%	(640)	-2.2%	(656)	-2.5%
FY 2017 Overpayment[1]	0	(58)	N/A	0	100.0%	0	0.0%	0	0.0%

1 Conversion of the NYC Rate Reduction Benefit to Personal Income Credit pertains to 2017 tax year, as such, it was retroactively made effective to January 1, 2017.

Much of the spending decline projected for FY 2018 is attributable to the timing of the New York City rate reduction benefit payout, upon conversion to a PIT credit. STAR actions enacted with the FY 2017 Enacted Budget, will result in reduced revenues in addition to the spending changes 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 the Higher Education Services Corporation (HESC).

HIGHER EDUCATION
(millions of dollars)

	FY 2017 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,874**	**2,832**	**-1.5%**	**3,080**	**8.8%**	**3,156**	**2.5%**	**3,206**	**1.6%**
City University	**1,424**	**1,470**	**3.2%**	**1,476**	**0.4%**	**1,513**	**2.5%**	**1,545**	**2.1%**
Senior Colleges	1,176	1,211	3.0%	1,229	1.5%	1,265	2.9%	1,298	2.6%
Community College	248	259	4.4%	247	-4.6%	248	0.4%	247	-0.4%
Higher Education Services	**958**	**880**	**-8.1%**	**1,118**	**27.0%**	**1,157**	**3.5%**	**1,175**	**1.6%**
Tuition Assistance Program	896	757	-15.5%	930	22.9%	940	1.1%	950	1.1%
Scholarships/Awards	51	111	117.6%	176	58.6%	205	16.5%	213	3.9%
Aid for Part-Time Study	11	12	9.1%	12	0.0%	12	0.0%	12	0.0%
State University	**492**	**482**	**-2.0%**	**486**	**0.8%**	**486**	**0.0%**	**486**	**0.0%**
Community College	487	477	-2.1%	482	1.0%	482	0.0%	482	0.0%
Other/Cornell	5	5	0.0%	4	-20.0%	4	0.0%	4	0.0%

SUNY and CUNY administer 47 four-year colleges and graduate schools with a total enrollment of 404,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 320,000 students. Spending for SUNY is concentrated in State Operations and thus does not appear in the table above. State funds support a significant portion of SUNY and CUNY operations. In addition to a $1.1 billion General Fund transfer to support operations, the State pays employee fringe benefit costs for SUNY[14]. The FY 2018 State support for SUNY fringe benefits is estimated at nearly $1.8 billion. The State also pays debt service for bond-financed capital projects of the university systems. State debt service payments for capital projects at SUNY and CUNY are estimated at $1.2 billion in FY 2018, an increase of $49 million from FY 2017 levels. Neither the fringe benefits nor debt service costs are reflected in annual spending totals for the university systems.

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

Higher Education spending is projected to modestly decrease between FY 2017 to FY 2018. This change in spending largely reflects the reconciliation of prior year TAP payment advances to colleges. Lower spending is partially offset in FY 2018 by new higher education initiatives. The Excelsior Scholarship program will allow eligible students of working and middle-class families to attend college tuition-free at all public universities in New York State. The Enacted Budget Financial Plan also provides new funding to begin implementation of open educational resources (low cost alternative to traditional textbooks) for students at SUNY and CUNY. SUNY and CUNY will use this funding to target high-enrollment courses to maximize student savings.

[14] State support for CUNY fringe benefit costs is included in total spending for Senior Colleges and reflected in local assistance.

Health Care

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

DOH is also engaged in a multi-year initiative to implement the Delivery System Reform Incentive Payment (DSRIP) program through an approved Federal waiver amendment to reinvest $8 billion in Federal savings generated by the MRT reforms. The DSRIP program will promote community-level collaborations and focus on system reform, with a specific goal to achieve 25 percent reduction in avoidable hospital use over five years. The Updated Financial Plan reflects the impact of the DSRIP program through additional Federal funds disbursements of nearly $8 billion through FY 2021. A portion of DSRIP program 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, 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 ”Global Cap” through FY 2021, and the projections assume that statutory authority will be extended in subsequent years. Upward adjustments to the statutorily indexed provisions of the Global Cap reflect an increase to the ten-year rolling average of the Medical component of the CPI relative to previous forecast assumptions. The revised estimates increase the Global Cap by $11 million in FY 2018, $37 million in FY 2019, $75 million in FY 2020 and $135 million in FY 2021. Allowable growth under the cap for medical services is 3.3 percent for FY 2018. Projecting medical CPI growth, DOB currently forecasts allowable cap growth at 3.2 percent in FY 2019; 3.1 percent in FY 2020; and 3.1 percent in FY 2021.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Global Medicaid Cap[1]	**17,692**	**18,270**	**18,863**	**19,446**	**20,048**
Annual % Change		3.3%	3.2%	3.1%	3.1%

[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 (FFP) 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 Results	FY 2018 Updated	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Department of Health Medicaid	18,235	19,246	19,841	20,861	21,641
Local Assistance	17,974	19,003	19,780	20,797	21,615
State Operations	261	346	390	391	397
MSA Payments (Share of Local Growth)[2]	0	(103)	(329)	(327)	(371)
Other State Agency Medicaid Spending	4,441	4,466	4,715	4,915	5,114
Mental Hygiene	4,302	4,330	4,565	4,760	4,950
Foster Care	82	86	100	105	114
Education	57	50	50	50	50
Total State Share Medicaid (All Agencies)	**22,676**	**23,712**	**24,556**	**25,776**	**26,755**
Annual $ Change		1,036	844	1,220	979
Annual % Change		4.6%	3.6%	5.0%	3.8%
Essential Plan[3]	**313**	**178**	**457**	**463**	**468**

[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.")

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

	FY 2017 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE OPERATING FUNDS	**22,989**	**23,890**	**3.9%**	**25,013**	**4.7%**	**26,239**	**4.9%**	**27,223**	**3.8%**
Department of Health Medicaid	**18,548**	**19,424**	**4.7%**	**20,298**	**4.5%**	**21,324**	**5.1%**	**22,109**	**3.7%**
General Fund - DOH Medicaid Local	12,178	13,276	9.0%	13,903	4.7%	15,026	8.1%	15,885	5.7%
DOH Medicaid	10,457	11,142	6.6%	11,529	3.5%	12,205	5.9%	12,880	5.5%
Mental Hygiene - Global Cap Adjustment[2]	1,125	1,247	10.8%	1,207	-3.2%	1,210	0.2%	1,211	0.1%
Minimum Wage	44	255	479.5%	579	127.1%	838	44.7%	882	5.3%
Local Growth Takeover (Zero Growth Phase-in)[3]	552	735	33.2%	917	24.8%	1,100	20.0%	1,283	16.6%
MSA Payments (Share of Local Growth)[4]	0	(103)	0.0%	(329)	-219.4%	(327)	0.6%	(371)	-13.5%
General Fund - DOH Medicaid State Ops	261	346	32.6%	390	12.7%	391	0.3%	397	1.5%
General Fund - Essential Plan	313	178	-43.1%	457	156.7%	463	1.3%	468	1.1%
Local Assistance	269	82	-69.5%	355	332.9%	365	2.8%	375	2.7%
State Operations	44	96	118.2%	102	6.3%	98	-3.9%	93	-5.1%
Other State Funds - DOH Medicaid Local	5,796	5,624	-3.0%	5,548	-1.4%	5,444	-1.9%	5,359	-1.6%
HCRA Financing	3,981	3,900	-2.0%	3,824	-1.9%	3,721	-2.7%	3,636	-2.3%
Indigent Care Support	965	892	-7.6%	892	0.0%	892	0.0%	892	0.0%
Provider Assessment Revenue	850	832	-2.1%	832	0.0%	831	-0.1%	831	0.0%
Other State Agency Medicaid Spending	**4,441**	**4,466**	**0.6%**	**4,715**	**5.6%**	**4,915**	**4.2%**	**5,114**	**4.0%**
USE OF MSA PAYMENTS (Share of Local Growth)[4]	**0**	**103**	**0.0%**	**329**	**219.4%**	**327**	**-0.6%**	**371**	**13.5%**
LOCAL SHARE OF MEDICAID[5,6]	**8,343**	**7,784**	**-6.7%**	**7,887**	**1.3%**	**7,653**	**-3.0%**	**7,598**	**-0.7%**
FEDERAL SHARE OF MEDICAID	**37,719**	**40,267**	**6.8%**	**41,660**	**3.5%**	**43,029**	**3.3%**	**43,940**	**2.1%**
DOH Medicaid	34,462	36,737	6.6%	37,555	2.2%	38,551	2.7%	38,998	1.2%
Essential Plan	3,257	3,530	8.4%	4,105	16.3%	4,478	9.1%	4,942	10.4%
ALL FUNDING SOURCES	**69,051**	**72,044**	**4.3%**	**74,889**	**3.9%**	**77,248**	**3.1%**	**79,132**	**2.4%**

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

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

3 As of County Year (CY) 2015 the full share of local Medicaid services growth has been financed with State resources.

4 MSA payments will be deposited directly to the MMIS Escrow Fund to cover a portion of the State's share of local Medicaid growth.

5 The Local Share of Medicaid is paid by the Local Social Service Districts (counties), and is not included in the State's All Governmental Funds disbursement totals.

6 Fluctuation in the local share of Medicaid is related to certain supplemental payments made by local districts. Local Medicaid services payments are capped at CY 2015 levels.

The Updated Financial Plan reflects greater than anticipated utilization of Federal funds by $17 million in the SHIN-NY program. SHIN-NY is an IT initiative that funds the modernization of hospitals with computer integration and aids in creating networks so providers can communicate with one another to streamline care.

With the retirement of all of the State's tobacco securitization bonds on June 1, 2017, MSA payments will be used to fund a portion of the non-Federal share of annual Medicaid growth formerly borne by local governments, which the State now 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 relief through lower annual General Fund Medicaid disbursements. The table below lists the adjusted funding shares.

FUNDING SOURCES FOR STATE MEDICAID CONTRIBUTIONS (millions of dollars)	FY 2017 Results	FY 2018 Updated	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
State Share Support	22,989	23,993	25,342	26,566	27,594
State Funds Medicaid Disbursements [1]	22,989	23,890	25,013	26,239	27,223
MSA Payments (Local Growth)	0	103	329	327	371

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

The Updated Financial Plan provides General Fund support to the Global Cap to fund the costs of the regionally-based, multi-year increase in the statewide minimum wage, 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 New York City, and Westchester, Nassau, and Suffolk counties will be increased commensurate with the schedule of statutory minimum wage increases.[15] The impact of these Minimum wage initiatives is projected to increase annual Medicaid spending above statutory Global Cap limits by $255 million in FY 2018; $579 million in FY 2019; $838 million in FY 2020; and $882 million in FY 2021.

Fluctuation in enrollment, costs of provider health care services, and health care utilization levels are among factors that drive higher Medicaid spending within the Global Cap. The number of Medicaid recipients is expected to reach about 6.2 million by the end of FY 2018, a slight increase from FY 2017.

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. Updated Financial Plan savings associated with the Medicaid program are realized through the Mental Hygiene Global Cap Adjustment, which finances certain OPWDD-related Medicaid costs available under the Global Cap, as noted above.

With the Trump administration and the current Congress, many of the policies that drive Federal aid are subject to change. It is not possible at this time to assess the potential fiscal impact of policies that may be proposed and adopted by the Trump administration and current Congress. The FY 2018 Enacted Budget includes provisions to allow for the management of reductions of $850 million or more in Federal funding for the State's Medicaid program during FY 2018. Management of such reduction levels would occur only through actions within the State's Medicaid program.

[15] Home health care workers in New York City and certain counties receive a benefit portion of total compensation in addition to their wage-based compensation rate levels ($4.09 for New York City; $3.22 for Westchester, Nassau, and Suffolk counties), resulting in total compensation which otherwise would have 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 insurance 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 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL ALL FUNDS SPENDING	**3,570**	**3,708**	**3.9%**	**4,562**	**23.0%**	**4,941**	**8.3%**	**5,410**	**9.5%**
State Operating Funds	**313**	**178**	**-43.1%**	**457**	**156.7%**	**463**	**1.3%**	**468**	**1.1%**
Local Assistance	269	82	-69.5%	355	332.9%	365	2.8%	375	2.7%
State Operations	44	96	118.2%	102	6.3%	98	-3.9%	93	-5.1%
Federal Operating Funds	**3,257**	**3,530**	**8.4%**	**4,105**	**16.3%**	**4,478**	**9.1%**	**4,942**	**10.4%**

FY 2018 EP program spending has been revised downward since the FY 2018 Enacted Budget Financial Plan to reflect a mix of factors, including stabilizing enrollment trends. In addition, growth in the marketplace premium index for the Federal reimbursement rate is outpacing growth in the premium index for the State reimbursement rate, thus contributing to the anticipation of a greater share of base program expenses being funded from Federal resources in the current year. The EP program savings will be managed by DOH to ensure balance related to other potential cost drivers within the Global Cap.

State 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.

With the Trump administration and current Congress, many of the policies that drive Federal aid are subject to change. It is not possible at this time to assess the potential fiscal impact of policies that may be proposed and adopted by the current administration and Congress. The FY 2018 Enacted Budget includes authorization to develop a mitigation plan to offset the impact of significant Federal funding reductions.

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. 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 York residents 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 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,640**	**1,647**	**0.4%**	**1,701**	**3.3%**	**1,837**	**8.0%**	**1,973**	**7.4%**
Public Health	**1,515**	**1,524**	**0.6%**	**1,578**	**3.5%**	**1,708**	**8.2%**	**1,839**	**7.7%**
Child Health Plus	219	256	16.9%	296	15.6%	413	39.5%	537	30.0%
General Public Health Work	194	195	0.5%	200	2.6%	204	2.0%	208	2.0%
EPIC	132	130	-1.5%	128	-1.5%	128	0.0%	128	0.0%
Early Intervention	173	175	1.2%	173	-1.1%	173	0.0%	165	-4.6%
HCRA Program	405	399	-1.5%	399	0.0%	398	-0.3%	398	0.0%
All Other	392	369	-5.9%	382	3.5%	392	2.6%	403	2.8%
Aging	**125**	**123**	**-1.6%**	**123**	**0.0%**	**129**	**4.9%**	**134**	**3.9%**

Declining spending for HCRA and other health programs is partly affected by funding Roswell Park Cancer Institute (RPCI) from capital projects funds. Outyear increases are driven largely by anticipated growth in Cost-of-Living Adjustment (COLA) funding. The decline is also driven by a shift of funding for the Medicaid Utilization Review Program under the Medicaid Global Cap.

Enrollment growth has driven increased costs in the CHP program consistent with Updated Financial Plan projections. Since April 2017, CHP enrollment has increased by 5 percent. CHP spending is also anticipated to increase significantly in FY 2020, due to the September 2019 expiration of enhanced Federal support currently provided through the ACA. Growth in FY 2021 reflects the full annual impact of the expiration of enhanced Federal support.

Reduced expenses for SHIN-NY/All Payer Database (APD) are due to greater than anticipated utilization of Federal funds. Additional funding for the Spinal Cord Injury Research Program, Quality of Care Improvement Program, Breast Cancer Research program, Alzheimer's Research program and the Sickle Cell program has been added to the FY 2018 spending estimates based on updated program needs.

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. HCRA authorization is extended through FY 2020, pursuant to legislation included in the FY 2018 Enacted Budget.

HCRA receipts include surcharges and assessments on hospital revenues, a "covered lives" assessment paid by insurance carriers, and a portion of cigarette tax revenues. In total, HCRA resources are used to fund roughly 25 percent of the State share of Medicaid, as well as CHP, 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 Results	FY 2018 Updated	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
OPENING BALANCE	**78**	**12**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,799**	**5,762**	**5,786**	**5,807**	**5,779**
Surcharges	3,262	3,311	3,369	3,428	3,496
Covered Lives Assessment	1,161	1,110	1,110	1,110	1,045
Cigarette Tax Revenue	876	837	806	771	739
Hospital Assessments	412	424	424	424	424
NYC Cigarette Tax Transfer/Other	88	80	77	74	75
TOTAL DISBURSEMENTS AND TRANSERS	**5,865**	**5,774**	**5,786**	**5,807**	**5,779**
Medicaid Assistance Account[1]	3,981	3,900	3,824	3,721	3,636
Medicaid Costs	*3,784*	*3,703*	*3,627*	*3,524*	*3,439*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	965	892	892	892	892
HCRA Program Account	413	408	407	407	406
Child Health Plus	223	261	307	428	556
Elderly Pharmaceutical Insurance Coverage	143	141	139	139	140
SHIN-NY/APCD	10	21	40	40	0
All Other	130	151	177	180	149
ANNUAL OPERATING SURPLUS/(DEFICIT)	**(66)**	**(12)**	**0**	**0**	**0**
CLOSING BALANCE	**12**	**0**	**0**	**0**	**0**

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

Beginning in FY 2018, total HCRA receipts are forecasted to grow moderately through FY 2020, due primarily to higher surcharge collections generated from continued growth in health care utilization levels. 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 offsets total HCRA receipts growth.

The Updated Financial Plan reflects the inclusion of a three-year extension of program support, estimated at $21 million in FY 2018, and $40 million in FYs 2019 - 2020, for the SHIN-NY/APD infrastructure development initiative to improve informational and data capabilities associated with claiming records.

Enrollment growth has driven increased costs in the CHP program consistent with Updated Financial Plan projections. Since April 2017, CHP enrollment has increased by 5 percent. State operations expenses related to the Children's Health Insurance Program portion of the NYSOH insurance exchange have been updated to reflect slight cost increases in FYs 2018 – 2021. Enhanced Federal funding provided through the ACA is scheduled to expire after September 30, 2019, driving significant State funds cost increases beginning in FY 2020.

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 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 (Justice Center). 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 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,461**	**2,487**	**1.1%**	**2,936**	**18.1%**	**3,212**	**9.4%**	**3,424**	**6.6%**
People with Developmental Disabilities	**2,208**	**2,283**	**3.4%**	**2,476**	**8.5%**	**2,657**	**7.3%**	**2,812**	**5.8%**
Residential Services	1,334	1,379	3.4%	1,496	8.5%	1,605	7.3%	1,698	5.8%
Day Programs	554	573	3.4%	621	8.4%	666	7.2%	706	6.0%
Clinic	24	25	4.2%	27	8.0%	29	7.4%	30	3.4%
All Other Local/Resources	296	306	3.4%	332	8.5%	357	7.5%	378	5.9%
Mental Health	**1,187**	**1,205**	**1.5%**	**1,395**	**15.8%**	**1,480**	**6.1%**	**1,533**	**3.6%**
Adult Local Services	952	962	1.1%	1,117	16.1%	1,187	6.3%	1,229	3.5%
Children Local Services	235	243	3.4%	278	14.4%	293	5.4%	304	3.8%
Alcohol and Substance Abuse	**304**	**334**	**9.9%**	**351**	**5.1%**	**373**	**6.3%**	**386**	**3.5%**
Outpatient/Methadone	117	128	9.4%	135	5.5%	143	5.9%	148	3.5%
Residential	120	133	10.8%	141	6.0%	151	7.1%	157	4.0%
Prevention and Program Support	58	64	10.3%	67	4.7%	71	6.0%	74	4.2%
Crisis	9	9	0.0%	8	-11.1%	8	0.0%	7	-12.5%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**
SUBTOTAL BEFORE ADJUSTMENTS	**3,700**	**3,823**	**3.3%**	**4,223**	**10.5%**	**4,511**	**6.8%**	**4,732**	**4.9%**
OPWDD Offsets and Recoupments[1]	**(1,239)**	**(1,336)**	**-7.8%**	**(1,287)**	**3.7%**	**(1,299)**	**-0.9%**	**(1,308)**	**-0.7%**

[1] Includes the DOH Global Cap Adjustment ($1.1 billion in FY 2017 and $1.2 billion in FYs 2018-2021), and other offsets and recoupment actions to reduce net expenses.

Local assistance accounts for approximately 40 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 8.6 percent annually. The main factors driving this level of growth are expansions of community mental health services; enhancements in community-based employment and residential opportunities for individuals with disabilities; and new or increased funding for not-for-profit providers for growth in employee wages related to minimum wage increases.

The FY 2018 Enacted Budget Financial Plan includes approximately $124 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; 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.

The FY 2018 Enacted Budget Financial Plan funds a 6.5 percent raise over the next two years for direct care workers, and a 3.25 percent raise for clinical workers serving the mental hygiene community, both aimed at assisting non-profits in the recruitment and retention of employees. Partly offsetting these cost increases is a deferral of the statutory COLA in FY 2018 and FY 2019.

The additional funding increase is offset by technical adjustments to the Global Cap, 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-year projections due primarily to continued investments in community services.

The Updated 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 needs can be served 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, financed 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 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,220**	**1,309**	**7.3%**	**1,343**	**2.6%**	**1,354**	**0.8%**	**1,357**	**0.2%**
SSI	645	658	2.0%	661	0.5%	663	0.3%	667	0.6%
Public Assistance Benefits	474	526	11.0%	545	3.6%	545	0.0%	541	-0.7%
Public Assistance Initiatives	11	26	136.4%	33	26.9%	33	0.0%	33	0.0%
All Other	90	99	10.0%	104	5.1%	113	8.7%	116	2.7%

OTDA spending on SSI is projected to increase between FY 2017 and FY 2018 and to continue to increase gradually over the course of the multi-year Updated Financial Plan due to updated caseload projections. Public assistance benefits spending is projected to increase from FY 2017 to FY 2018 due to expected spending associated with the implementation of programmatic changes. DOB's caseload models project 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. The Safety Net Assistance caseload for families is projected at 121,194 in FY 2018, a decrease of 1.7 percent from FY 2017. The caseload for single adults/childless couples supported through the Safety Net Assistance program is projected at 207,139 in FY 2018, an increase of 1.1 percent from FY 2017.

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 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,715**	**1,655**	**-3.5%**	**1,701**	**2.8%**	**1,843**	**8.3%**	**1,923**	**4.3%**
Child Welfare Service	551	472	-14.3%	482	2.1%	491	1.9%	501	2.0%
Foster Care Block Grant	446	384	-13.9%	391	1.8%	400	2.3%	410	2.5%
Adoption	150	149	-0.7%	150	0.7%	150	0.0%	151	0.7%
Day Care	203	254	25.1%	239	-5.9%	240	0.4%	241	0.4%
Youth Programs	100	147	47.0%	182	23.8%	294	61.5%	339	15.3%
Medicaid	82	86	4.9%	100	16.3%	105	5.0%	115	9.5%
Committees on Special Education	50	26	-48.0%	23	-11.5%	24	4.3%	26	8.3%
Adult Protective/Domestic Violence	43	43	0.0%	45	4.7%	48	6.7%	51	6.3%
All Other	90	94	4.4%	89	-5.3%	91	2.2%	89	-2.2%

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, net of Federal funding; and the elimination of the planned Human Services COLA in FY 2018.

Spending in the outyears reflects increases driven primarily by the implementation of the "Raise the Age" initiative, which will increase the age limit of juvenile jurisdiction from 16 to 18, and planned spending increases consistent with anticipated program growth. Partly offsetting these increases is a reduction in the costs attributable to the Pay for Success program. The spending for Pay for Success is reduced by $25 million annually based on program participation and spending to date.

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 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE OPERATING FUNDS SUPPORT	**4,977**	**5,024**	**0.9%**	**5,077**	**1.1%**	**5,185**	**2.1%**	**5,249**	**1.2%**
Mass Transit Operating Aid:	2,279	2,282	0.1%	2,282	0.0%	2,282	0.0%	2,282	0.0%
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	83	86	3.6%	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	1,967	1,997	1.5%	2,055	2.9%	2,151	4.7%	2,215	3.0%
Dedicated Mass Transit	669	673	0.6%	683	1.5%	695	1.8%	695	0.0%
AMTAP	62	70	12.9%	57	-18.6%	57	0.0%	57	0.0%
All Other	0	2	0.0%	0	-100.0%	0	0.0%	0	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.

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 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**715**	**723**	**1.1%**	**736**	**1.8%**	**763**	**3.7%**	**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	N/A	21	162.5%	48	128.6%	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 outyears 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 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 DOT and 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 2017 Results	FY 2018 Updated	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Negotiated Base Salary Increases[1]					
Council 82/UUP/DC-37/NYSCOPBA/PBANYS	TBD	TBD	TBD	TBD	TBD
PEF/GSEU/MC	2%	2%	2%	TBD	TBD
CSEA	2%	2%	2%	2%	2%
NYSPBA/NYSPIA[2]	1.5%	1.5%	TBD	TBD	TBD
State Workforce[3]	117,907	118,481	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization[4]	16.6%	16.2%	15.7%	15.9%	17.2%
After Amortization[5]	20.2%	20.0%	19.4%	19.6%	20.8%
PFRS Contribution Rate					
Before Amortization[4]	25.1%	25.1%	24.1%	24.0%	25.1%
After Amortization[5]	28.5%	28.1%	26.9%	27.4%	28.4%
Employee/Retiree Health Insurance Growth Rates	6.2%	7.5%	5.9%	7.3%	7.0%
PS/Fringe as % of Receipts (All Funds Basis)	13.6%	13.3%	13.4%	13.6%	14.2%

[1] Reflects current collective bargaining agreements with settled unions. 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 over the Updated Financial Plan period, from $18.8 billion in FY 2018 to $20.3 billion in FY 2021. Most executive agencies are expected to hold spending at FY 2017 levels. Increases in the outyears of the Updated 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 due to the payroll calendar.

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS (millions of dollars)	FY 2017 Results	FY 2018 Updated	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**10,019**	**10,032**	**10,229**	**10,484**	**10,826**
Mental Hygiene	2,761	2,744	2,729	2,764	2,808
Corrections and Community Supervision	2,641	2,617	2,620	2,627	2,633
State Police	720	713	687	687	712
Information Technology Services [1]	548	536	560	560	570
Public Health	384	369	373	377	383
Tax and Finance	332	330	329	329	340
Medicaid Admin/EP	305	442	492	490	491
Children and Family Services	250	244	289	375	442
Environmental Conservation	225	211	211	212	220
Financial Services	209	207	207	211	217
Parks, Recreation and Historic Preservation	178	167	169	170	176
General Services	161	144	142	138	139
Workers' Compensation Board	139	142	143	145	151
Temporary and Disability Assistance	138	126	127	133	138
Gaming	138	111	96	96	97
Potential Labor Agreements [2]	0	555	650	765	880
Agency Financial Management Plan	0	(500)	(500)	(500)	(500)
All Other	890	874	905	905	929
UNIVERSITY SYSTEMS	**6,097**	**6,137**	**6,273**	**6,430**	**6,735**
State University	6,003	6,030	6,182	6,338	6,642
City University	94	107	91	92	93
INDEPENDENT AGENCIES	**319**	**324**	**321**	**323**	**337**
Law	170	175	174	176	184
Audit & Control (OSC)	149	149	147	147	153
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,435**	**16,493**	**16,823**	**17,237**	**17,898**
Judiciary	2,019	2,066	2,092	2,094	2,151
Legislature	226	226	218	218	219
Statewide Total	**18,680**	**18,785**	**19,133**	**19,549**	**20,268**
Personal Service	13,093	13,037	13,251	13,614	14,278
Non-Personal Service	5,587	5,748	5,882	5,935	5,990

[1] Reflects consolidation of IT costs from other agencies within ITS, which does not change total governmental spending.
[2] Includes the five-year settlement with CSEA and excludes the value of a settlement with UUP.

The most significant changes to spending for agency operations include:

- State Police: The modest decline in spending reflects the reclassification of certain personal service spending offset by a new class of 225 recruits in July 2017.
- Medicaid Administration/EP: Increased spending starting in FY 2018 is mainly attributable to aligning administrative costs with NYSOH enrollment trends.
- Gaming: A change in the accounting structure related to advertising costs, whereby direct payments are made to the vendors from a third party instead of through the Gaming Commission.

- Children and Family Services: The Updated Financial Plan includes additional funding in OCFS to support raising the age of juvenile jurisdiction from 16 to 18 by October 1, 2019.

- State University: SUNY spending reflects anticipated operating needs at SUNY campuses and affiliated hospitals, which are cumulatively supported through campus revenues, State funding and hospital revenues.

- Judiciary: The Updated Financial Plan 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.

- Potential and Settled Labor Agreements: Increased costs/spending reflects the recently negotiated settlement agreements with PEF, which have been extended to unrepresented M/C employees. Additional costs are associated with the five-year settlement with CSEA and parity, with remaining unsettled unions assuming the PEF model.

- Agency Financial Management Plans: The Updated Financial Plan includes $500 million in annual savings that will be allocated to agencies as agency management plans are completed. All Executive agencies have been directed to implement cost-control measures on a recurring basis, starting in FY 2018. Agency plans identifying cost reductions and efficiencies to achieve the targeted savings are expected to be reviewed and approved by DOB prior to implementation, and must preserve funding for core services and strategic initiatives.

Workforce

In FY 2018, $13 billion or 13.3 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 63 percent of all Executive agency PS spending occurs in 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	**7,172**	**94,888**
Mental Hygiene Agencies	2,231	32,587
Corrections and Community Supervision	2,052	27,309
State Police	653	5,636
Tax and Finance	270	3,978
Information Technology Services	281	3,406
Health	256	3,693
Environmental Conservation	170	2,124
Children and Family Services	160	2,406
Financial Services	152	1,382
Parks, Recreation and Historic Preservation	124	1,305
Education	88	1,263
Workers' Compensation Board	84	1,165
Temporary and Disability Assistance	69	1,033
General Services	57	907
All Other	525	6,694
University Systems	**3,863**	**43,252**
State University	3,794	42,869
City University[2]	69	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	**13,037**	**156,416**

[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.[16] 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 Updated Financial Plan period, driven primarily by cost increases for workers' compensation, growing pension contribution levels, and the State's share of costs for employee and retiree health insurance benefits.

In FY 2018, State Operating Funds spending for GSCs is projected to increase by $344 million (4.5 percent). Health insurance increases reflect rising prescription drug costs, greater use of more expensive specialty drugs for chronic conditions, generic drug price inflation, increased outpatient utilization, and increased inpatient/outpatient utilization in Mental Health. Pension cost increases are driven by actual and forecasted salary base assumptions and the repayment of prior-year amortizations, partially offset by an increase in lower cost Tier 6 entrants.

GENERAL STATE CHARGES
(millions of dollars)

	FY 2017 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,634**	**7,978**	**4.5%**	**8,485**	**6.4%**	**8,999**	**6.1%**	**9,604**	**6.7%**
Fringe Benefits	**7,212**	**7,533**	**4.5%**	**8,041**	**6.7%**	**8,549**	**6.3%**	**9,149**	**7.0%**
Health Insurance	3,708	3,956	6.7%	4,189	5.9%	4,495	7.3%	4,810	7.0%
Pensions	2,446	2,460	0.6%	2,526	2.7%	2,585	2.3%	2,749	6.3%
Social Security	992	1,016	2.4%	1,015	-0.1%	1,025	1.0%	1,035	1.0%
Workers' Compensation	230	326	41.7%	476	46.0%	591	24.2%	681	15.2%
Employee Benefits	94	92	-2.1%	95	3.3%	98	3.2%	101	3.1%
Dental Insurance	64	65	1.6%	61	-6.2%	64	4.9%	65	1.6%
Unemployment Insurance	11	12	9.1%	12	0.0%	12	0.0%	12	0.0%
All Other/Non-State Escrow	(333)	(394)	-18.3%	(333)	15.5%	(321)	3.6%	(304)	5.3%
Fixed Costs	**422**	**445**	**5.5%**	**444**	**-0.2%**	**450**	**1.4%**	**455**	**1.1%**

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

Growth in base GSC spending in FY 2018 has been partly offset by gap-closing savings of approximately $81 million included as part of the Enacted 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 majority of the State pension bill in April 2017, rather than on a monthly basis as previously assumed.

Over the multi-year Updated Financial Plan period, outyear pension costs have been revised downward since the Enacted Budget Financial Plan based on the FY 2018 pension bill received in October 2017 which reflects base costs that are $33 million lower than estimated payment made in April 2017. In addition to a lower salary base, the FY 2017 investment performance exceeded expectations, which results in a downward revision to estimated cost in FY 2019 and beyond. Lastly, the projected cost of the ERS Veterans Pension Credit has been lowered based on actual costs through September 2017. Health insurance spending estimates have been lowered due to updated rate projections and the application of $20 million in dividends to reduce FY 2019 costs. The cost of the Employee Opt Out program is paid through the health insurance program. Excess payments for the Opt Out program were made during the period of October 2015 through March 2017. A credit of the overpayments has occurred, resulting in savings in the current year.

The State settled a lawsuit alleging gross negligence and medical malpractice by the New York State Athletic Commission related to injuries suffered by a boxer. The cost of the settlement is $22 million.

All other underlying workers' compensation growth is driven by an increase in funding liability, while net funding in the Updated Financial Plan reflects the use of excess balances which are scheduled to be transferred by the Workers' Compensation Board (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.

Agency fringe benefit spending, and the reimbursement of such payments to the General Fund, have been updated based on recent billing and payment activity.

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 Results	FY 2018 Updated	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**10,092**	**9,695**	**12,018**	**12,133**	**12,057**
State Share of Mental Hygiene Medicaid[1]	**1,239**	**1,301**	**1,231**	**1,119**	**1,119**
Debt Service	924	916	1,144	1,042	1,067
SUNY University Operations	996	1,022	1,021	1,020	1,021
Capital Projects	**2,569**	**2,192**	**3,950**	**3,755**	**3,382**
Dedicated Highway and Bridge Trust Fund	562	678	525	841	903
Dedicated Infrastructure Investment Fund	697	1,402	1,767	1,217	933
FY 2017 Temporary Loan to Capital Projects Fund[2]	1,300	(1,300)	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund[2]	0	500	(500)	0	0
Transfer to DIIF for Javits Expansion	0	160	350	320	170
Bond Proceeds Receipts for Javits Expansion	0	0	0	(500)	(500)
Mass Transit Capital from Settlements	0	85	0	0	0
Statewide Health Care Capital from Settlements	0	25	45	50	50
Environmental Protection Fund	146	28	28	28	28
All Other Capital[3]	(136)	614	1,735	1,799	1,798
ALL OTHER TRANSFERS	**4,364**	**4,264**	**4,672**	**5,197**	**5,468**
Mental Hygiene	3,287	3,171	3,565	4,071	4,315
Department of Transportation (MTA Payroll Tax)	334	269	269	269	270
SUNY - Medicaid Reimbursement	267	232	243	243	243
Judiciary Funds	107	106	110	109	110
SUNY - Hospital Operations	88	79	79	79	79
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	19	21	21	21	21
Public Transportation Systems	15	16	16	16	16
Correctional Industries	11	12	12	12	12
Spinal Cord Injury	8	9	9	9	9
Medical Marihuana Fund	5	5	7	5	7
SUNY - General Income Fund Reimbursable Account	14	14	0	0	0
All Other	73	176	187	186	185

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

2 Represents the temporary use of Extraordinary Monetary Settlement fund balances to pay for capital projects in the first instance. These advances will be repaid in the following year when the State reimburses the capital spending from bond proceeds.

3 FY 2017 reflects the use of available bond proceeds to reimburse first-instance capital spending from prior years. This timing-related issue resulted in the State reimbursing more than it disbursed in FY 2017.

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 HUT. The Updated Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF, as the cumulative expenses of the fund (DOT and DMV capital and operating expenses, and certain debt service on transportation bonds) exceed current and projected revenue deposits and bond proceeds.

General Fund transfers to other funds are expected to total $9.7 billion in FY 2018, a $397 million increase from FY 2017. The revision is driven by a $1.2 billion decline in transfers of Extraordinary Monetary Settlement funds for projects appropriated from DIIF and the capital projects fund in FY 2018, including temporary loans and planned repayment of funds related to debt management actions and offset by increased support for the DHBTF ($116 million); as well as lower than anticipated transfers to capital projects funds in 2017, reflecting the timing of bond proceeds reimbursements from a March 2017 bond sale ($750 million).

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 (NYSTA), the payment obligation on which is 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 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
General Fund	924	916	-0.9%	1,144	24.9%	1,042	-8.9%	1,067	2.4%
Other State Support	4,590	4,372	-4.7%	5,166	18.2%	5,962	15.4%	6,190	3.8%
State Operating/All Funds Total	**5,514**	**5,288**	**-4.1%**	**6,310**	**19.3%**	**7,004**	**11.0%**	**7,257**	**3.6%**

Total State Operating/All Funds debt service is projected at $5.3 billion in FY 2018, of which approximately $916 million is paid from the General Fund via transfers, and $4.4 billion from other State funds supported by dedicated tax receipts. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service for the State's revenue bonds is paid directly from other dedicated State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds.

Updated Financial Plan estimates for debt service spending have been revised to reflect a number of factors, including bond sale results to date, refunding savings, and the adjustment of debt issuances to align with projected bond-financed capital spending. Debt service spending in FY 2017 reflected pre-payments of about $490 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 2017 on July 28, 2017. 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, 2017 was issued on September 1, 2017.

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	Accumulated General Fund Surplus/(Deficit)
March 31, 2017	(2,788)	188	(599)	(153)	(3,352)	2,286
March 31, 2016	(978)	460	754	172	408	5,074
March 31, 2015	6,619	356	(697)	181	6,459	6,052

SUMMARY OF NET POSITION (millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2017	28,580	332	28,912
March 31, 2016	32,539	225	32,764
March 31, 2015	32,554	771	33,325

The CAFR for the fiscal year ended March 31, 2017 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.

As of December 31, 2016, (with respect to Job Development Authority or "JDA" as of March 31, 2017), each of the 18 authorities listed in the following table had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $184 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 from data submitted by the 18 authorities in the following table at the time of this AIS Update.

OUTSTANDING DEBT OF CERTAIN AUTHORITIES[1]
AS OF DECEMBER 31, 2016[2]
(millions of dollars)

Authority	State-Related Debt	Authority and Conduit	Total
Dormitory Authority	28,927	19,837	48,764
Metropolitan Transportation Authority	145	28,223	28,368
Port Authority of NY & NJ	0	24,521	24,521
Housing Finance Agency	346	15,239	15,585
UDC/ESD	12,222	1,252	13,474
Job Development Authority[2]	3	10,275	10,278
Thruway Authority	4,491	5,674	10,165
Triborough Bridge and Tunnel Authority	0	8,337	8,337
Long Island Power Authority[3]	0	7,451	7,451
Environmental Facilities Corporation	114	5,824	5,938
Energy Research and Development Authority	0	2,830	2,830
State of New York Mortgage Agency	0	2,600	2,600
Local Government Assistance Corporation	1,758	0	1,758
Power Authority	0	1,370	1,370
Battery Park City Authority	0	983	983
Tobacco Settlement Financing Corporation	660	0	660
Municipal Bond Bank Agency	203	222	425
Niagara Frontier Transportation Authority	0	113	113
TOTAL OUTSTANDING	48,869	134,751	183,620

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, 2017. This includes $10.3 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), $750 million issued by the Brooklyn Arena Local Development Corporation, and $3.4 billion issued by the New York Transportation Development Corporation. In addition, JDA has $3 million in State-guaranteed bonds outstanding.

(3) Includes $3.97 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, while one of the largest disbursement categories in the State budget, 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 official financial disclosures of the City of New York and its related issuers can also be accessed through the EMMA system website at www.emma.msrb.org. 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
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
2017	37,891	40,696	1,884	1,089	2,751	2,034	86,345

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 27 special acts authorizing bond issuances to finance local government operating deficits. 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 particular localities. The Cities of Buffalo and Troy, and the Counties of Erie and Nassau are subject to varying levels of review and oversight by entities created by such legislation. The City of Newburgh operates under special State legislation that provides for fiscal oversight by the State Comptroller. The impact on the State of any possible requests 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 in addition to 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 twenty 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 38 local governments (8 counties, 10 cities, 11 towns, 9 villages) and 59 school districts have been placed in a stress category by OSC based on financial data for their fiscal years ending in 2016. The vast majority of entities scored by OSC (96 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 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 2016.

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

Locality Fiscal Year Ending	Combined New York City Debt[2] Bonds	Combined New York City Debt[2] Notes	Other Localities Debt[3] Bonds[4]	Other Localities Debt[3] Notes[4]	Total Locality Debt[3] Bonds[3][4]	Total Locality Debt[3] Notes[4]
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,093	4,470	58,337	4,985
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
2016	83,639	0	35,006	6,952	118,645	6,952

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 THE OFFICE OF THE STATE COMPTROLLER, 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, 2017, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2017 and is available on the OSC website at the following address: http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php. Additionally, available at the OSC website are the System's asset listing for the fiscal year ended March 31, 2017 and audited financial statements with independent auditor's report for the fiscal year ended March 31, 2017.

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 2017 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 33 percent of the membership as of March 31, 2017. 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, 2017, 652,324 persons were members of the System and 452,455 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, 2017, approximately 64 percent of ERS members were in Tiers 3 and 4 and approximately 72 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 87 percent of the 1,665 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.[17] Members in Tier 6 of both ERS and PFRS earning $45,000 or less are required to contribute 3 percent of their gross annual wages; members earning between $45,001 and $55,000 are required to contribute 3.5 percent; members earning between $55,001 and $75,000 are required to contribute 4.5 percent; members earning between $75,001 and $100,000 will contribute 5.75 percent; and, those earning in excess of $100,000 are required to contribute 6 percent of their gross annual salary.

In order to protect employers from potentially volatile contributions tied directly to the value of the System's assets held by the CRF, the System utilizes a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the System's Actuary, which is currently 7.0 percent.[18]

[17] Less than 1 percent of the 7,028 PFRS Tier 6 members are non-contributory.

[18] 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). In September 2015, the Comptroller announced the assumed rate of return for NYSLRS would be lowered from 7.5 percent to 7 percent. The 7 percent rate of return has been effective for employer contribution rates used in FYs 2017, 2018 and 2019.

The current actuarial smoothing method recognizes unexpected annual gains and losses (returns above or below the assumed investment rate of 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 2019 were released in September 2017. The average ERS rate decreased by 2.6 percent from 15.3 percent of salary in FY 2018 to 14.9 percent of salary in FY 2019, while the average PFRS rate decreased by 2.7 percent from 24.4 percent of salary in FY 2018 to 23.5 percent of salary in FY 2019. Information regarding average rates for FY 2019 may be found in the 2017 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at:

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

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, 2017, the amortized amount receivable, including accrued interest, for the 2011 amortization is $111.06 million from the State and $14 million from 30 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is $308.21 million from the State and $101.15 million from 106 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is $495.62 million from the State and $217.94 million from 124 participating employers; the amortized amount receivable, including accrued interest, for the 2014 amortization is $692.51 million for the State and $139.66 million from 92 participating employers; the amortized amount receivable including accrued interest, for the 2015 amortization is $589.18 million from the State and $114.25 million from 78 participating employers; the amortized amount receivable, including accrued interest for the 2016 amortization, is $326.2 million from the State and $61.25 million from 53 participating employers; and the amortized amount receivable, including accrued interest for the 2017 amortization, is $6.13 million from 9 participating employers; the State did not amortize in 2017.

The FY 2014 Enacted Budget included an alternate contribution program (the "Alternate Contribution Stabilization Program") that provides certain participating employers with a one-time election to amortize slightly more of their required contributions than would have been available for amortization under the 2010 legislation. In addition, the maximum payment period was increased from ten years to twelve years. The election is available to counties, cities, towns, villages, BOCES, school districts and the four public health care centers operated in the counties of Nassau, Westchester and Erie. The State is not eligible to participate in the Alternate Contribution Stabilization Program. There are 41 employers that are currently enrolled in the program. Employers are not required to amortize every year. As of March 31, 2017, the amortized amount receivable, including interest, from 26 participating employers for the 2014 amortization is $197.49 million. The amortized amount receivable, including interest, from 26 participating employers for the 2015 amortization is $168.85 million. The amortized amount receivable, including interest, from 23 participating employers for the 2016 amortization is $124.79 million. The amortized amount receivable, including interest, from 19 participating employers for the 2017 amortization is $82.96 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 FY 2019 amounts are 14.0 percent for ERS and 22.0 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.

Legislation enacted in June 2017 modified the calculation of an employer's graded rate to be the product of the System's graded rate with the ratio of the employer's average contribution rate to the System's average contribution rate, not to exceed the System's graded rate.

The estimated total State payment (including Judiciary) due to NYSLRS for FY 2018 is approximately $2.362 billion. Multiple prepayments (including interest credit) have reduced this amount by $2.339 billion.

The estimated total State payment (including Judiciary) due to NYSLRS for FY 2019 is approximately $2.361 billion.

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, 2017 was $197.6 billion (including $5.9 billion in receivables, which consist of employer contributions, amortized amounts, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of $14.0 billion or 7.6 percent from the FY 2016 level of $183.6 billion. The increase in net position restricted for pension benefits from FY 2016 to FY 2017 reflects, in large part, equity market performance.[19] The System's audited Financial Statement reports a time-weighted investment rate of return of 11.48 percent (gross rate of return before the deduction of certain fees) for FY 2017.

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, 2015, 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 50 percent public equities (36 percent domestic and 14 percent international); 18 percent bonds, cash and mortgages; 4 percent inflation indexed bonds and 28 percent alternative investments (10 percent private equity, 10 percent real estate, 2 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. [20]

The System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased to $240.7 billion (including $119.2 billion for retirees and beneficiaries) as of April 1, 2017, up from $232.9 billion as of 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, 2017. 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, 2017 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected gain for FY 2017, 40 percent of the unexpected loss for FY 2016, 60 percent of the unexpected loss for FY 2015, and 80 percent of the unexpected gain for FY 2014. The asset valuation method smooths gains and losses based on

[19] On November 10, 2017, the State Comptroller released a statement indicating that the value of the System's invested assets posted a 3.67 percent time-weighted rate of return (gross rate of return before the deduction of certain fees) for the three-month period ended September 30, 2017. This report reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

[20] More detail on the CRF's asset allocation as of March 31, 2017, long-term policy and transition target allocation can be found on page 94 of the NYSLRS' CAFR for the fiscal year ending March 31, 2017.

the market value of all investments. Actuarial assets increased from $190.7 billion on April 1, 2016 to $198.1 billion on April 1, 2017.

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.

The ratio of fiduciary net position to the total pension liability for ERS, as of March 31, 2017, calculated by the System's Actuary, was 94.7 percent. The ratio of the fiduciary net position to the total pension liability for PFRS, as of March 31, 2017, calculated by the System's Actuary, was 93.5 percent.[21]

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 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 September 2017, based on the System's measurement date of March 31, 2017. The Net Pension liability is allocated to participating employers and reported pursuant to both Statements 67 and 68.

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

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

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

The GASB 68 "Schedules of Employer Allocation" and "Schedules of Pension Amounts by Employer" as of March 31, 2017 have been posted to the OSC website.

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

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

Fiscal Year Ended March 31	Contributions Recorded: All Participating Employers[1][2]	Local Employers[1][2]	State[1][2]	Employees	Total Benefits Paid[3]
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	3,386	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
2017	4,787	2,973	1,814	329	11,508

Sources: State and Local Retirement System.

(1) Contributions recorded include the full amount of unpaid amortized contributions.

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

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

NET POSITION RESTRICTED FOR PENSION BENEFITS OF THE NEW YORK STATE AND LOCAL RETIREMENT SYSTEM [1] (millions of dollars)		
Fiscal Year Ended March 31	Net Assets	Percent Increase/ (Decrease) From Prior Year
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%
2017	197,602	7.6%

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, 2017 includes approximately $5.8 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 2008 can be found on page 27 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 41 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 70-71 at the link noted above.

4) Information on contributions can be found on pages 139-147 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 CRF since 2007 can be found on page 148 of the NYSLRS CAFR at the link noted above.

6) Information related to the salaries of members can be found on pages 181-185 of the NYSLRS CAFR at the link noted above.

Litigation

Litigation

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

Over the years, there have been a number of 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. Of these cases, only one remains active.

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 prior decisions in other cases rejecting such land claims, 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.

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 December 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.

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. 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. Plaintiffs have filed their appellate brief and the State's brief was filed May 30, 2017. The appeal was argued on September 5, 2017. By decision and order dated October 26, 2017, the Appellate Division reversed the judgment of the trial court and remanded the case in order for the trial court to make specific findings as to the adequacy of inputs and causation.

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 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. On June 27, 2017, the Court of Appeals dismissed the Aristy-Farer action but held that the New Yorkers for Student Educational Rights v. New York action could proceed on a limited basis as to the New York City and Syracuse school districts, as discussed below.

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 sought 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 New Yorkers for Students' Educational Rights (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 matter was fully briefed in the Court of Appeals which heard argument on May 30, 2017.

On June 27, 2017, the Court of Appeals held that the Aristy-Farer complaint failed to state a claim and that the NYSER complaint failed to state a claim on its causes of action alleging that the State violated the Constitution by departing from funding levels endorsed in CFE and envisioned by the Legislature's 2007 reforms to the State aid system. The Court held that plaintiffs could proceed on their claims that the State was failing in its constitutional obligation to ensure the provision of minimally adequate educational services in the New York City and Syracuse school districts and remanded for further proceedings as to those two districts only.

Discovery is currently stayed, while the plaintiffs are amending their complaint in the NYSER action. The amended complaint is due by December 11, 2017. Defendants' response is due 120 days after plaintiffs file an amended complaint. It is expected that the parties will set a discovery schedule shortly after defendants file their response.

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. The 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. The Supreme Court directed the defendant to re-compute Medicaid rates for the plaintiff's facilities, and that re-computation was completed in October 2013. Plaintiffs brought a motion, returnable March 5, 2014, to compel payment of the impacted Medicaid rates computed thus far by DOH 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 was granted and the State filed a notice of appeal.

In April and May 2015, the Supreme Court, New York County, administratively consolidated many of the reserve bed patient 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' reserve bed patient 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 May 30, 2017, counsel for the parties agreed to extend the dates set forth in the December 21, 2016 conference order as follows: motion on facility specific rebasing issues due June 30, 2017; opposition July 31, 2017; reply September 15, 2017, motion on remaining "open issues" other than facility specific rebasing due September 29, 2017, opposition due October 31, 2017 and reply papers due November 29, 2017, and the next court conference was scheduled on June 28, 2017 while settlement discussions continued. Counsel for the parties agreed to appear in court on June 21, 2017 at 11:30 a.m. to further discuss settlement with the Court. At that conference, the parties agreed to settle the case by so ordered stipulation, pursuant to which the State would pay the plaintiff the sum of $9 million, in exchange for a discontinuance with prejudice. On August 24, 2017, plaintiff's counsel received the agreed-upon payment of $9 million in full settlement of the remaining issues in this litigation.

Family Assistance

In Tejada v. Roberts (formerly identified as 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 and 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. The parties settled the case on February 27, 2017. On June 8, 2017, upon Plaintiffs' uncontested motion, the Court preliminarily approved the settlement, and provisionally certified the class and set September 8, 2017 as the date for the fairness hearing. On September 8, 2017, following the fairness hearing, the Court certified the plaintiff class and approved the class action settlement. This case is now concluded.

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).

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. 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. The Court subsequently granted judgment in favor of defendants in the bus association case. Plaintiffs appealed in both the trucking association and bus association cases, and the two appeals were consolidated by the Second Circuit with the consent of both sides. Plaintiff's opening brief on appeal was filed June 26, 2017. Defendants' opposing brief was filed September 25, 2017. Plaintiffs' reply brief was filed on November 7, 2017. Argument is scheduled for January 25, 2018.

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 2017 and projected receipts and disbursements for fiscal years 2018 through 2021 on a General Fund, State Operating Funds and All Governmental Funds basis. The Updated Financial Plan projections for FY 2018 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% 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 growth benchmark is not adhered to, budget gaps would be higher.

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

	FY 2017 Results	FY 2018 Mid-Year	Annual $ Change	Annual % Change
Opening Fund Balance	**8,934**	**7,749**	**(1,185)**	**-13.3%**
Receipts:				
Taxes:				
Personal Income Tax	32,535	33,844	1,309	4.0%
Consumption/Use Taxes	7,101	7,386	285	4.0%
Business Taxes	4,761	5,598	837	17.6%
Other Taxes	1,110	1,190	80	7.2%
Miscellaneous Receipts	3,813	2,742	(1,071)	-28.1%
Federal Receipts	0	0	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,275	10,658	383	3.7%
Sales Tax in Excess of LGAC	2,870	3,102	232	8.1%
Sales Tax in Excess of Revenue Bond Debt Service	2,672	2,761	89	3.3%
Real Estate Taxes in Excess of CW/CA Debt Service	940	1,015	75	8.0%
All Other	818	1,210	392	47.9%
Total Receipts	**66,895**	**69,506**	**2,611**	**3.9%**
Disbursements:				
Local Assistance	44,439	46,752	2,313	5.2%
State Operations:				
Personal Service	6,065	5,981	(84)	-1.4%
Non-Personal Service	2,022	2,232	210	10.4%
General State Charges	5,462	5,713	251	4.6%
Transfers to Other Funds:				
Debt Service	924	916	(8)	-0.9%
Capital Projects	2,569	2,192	(377)	-14.7%
State Share of Mental Hygiene Medicaid	1,239	1,301	62	5.0%
SUNY Operations	996	1,022	26	2.6%
Other Purposes	4,364	4,264	(100)	-2.3%
Total Disbursements	**68,080**	**70,373**	**2,293**	**3.4%**
Excess (Deficiency) of Receipts Over Disbursements	**(1,185)**	**(867)**	**318**	**26.8%**
Closing Fund Balance	**7,749**	**6,882**	**(867)**	**-11.2%**
Statutory Reserves				
Tax Stabilization Reserve	1,258	1,258	0	
Rainy Day Reserve	540	540	0	
Contingency Reserve	21	21	0	
Community Projects	56	39	(17)	
Reserved For				
Potential Labor Agreements	25	155	130	
Undesignated Fund Balance	14	0	(14)	
Debt Management	500	500	0	
Extraordinary Monetary Settlements	5,335	4,369	(966)	

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2018 through FY 2021
(millions of dollars)

	FY 2018 Mid-Year	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Receipts:				
Taxes:				
Personal Income Tax	33,844	35,822	37,423	38,652
Consumption/Use Taxes	7,386	7,655	7,924	8,197
Business Taxes	5,598	5,707	6,136	6,473
Other Taxes	1,190	1,050	1,109	1,173
Miscellaneous Receipts	2,742	2,155	2,159	2,082
Federal Receipts	0	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,658	10,671	10,596	10,930
Sales Tax in Excess of LGAC	3,102	3,132	3,269	3,542
Sales Tax in Excess of Revenue Bond Debt Service	2,761	2,788	2,970	2,817
Real Estate Taxes in Excess of CW/CA Debt Service	1,015	1,074	1,125	1,166
All Other	1,210	729	713	712
Total Receipts	**69,506**	**70,783**	**73,424**	**75,744**
Disbursements:				
Local Assistance	46,752	49,968	53,075	55,728
State Operations:				
Personal Service	5,981	6,249	6,506	6,950
Non-Personal Service	2,232	2,501	2,599	2,625
General State Charges	5,713	6,152	6,583	7,090
Transfers to Other Funds:				
Debt Service	916	1,144	1,042	1,067
Capital Projects	2,192	3,950	3,755	3,382
State Share of Mental Hygiene Medicaid	1,301	1,231	1,119	1,119
SUNY Operations	1,022	1,021	1,020	1,021
Other Purposes	4,264	4,672	5,197	5,468
Total Disbursements	**70,373**	**76,888**	**80,896**	**84,450**
Use (Reservation) of Fund Balance:				
Community Projects	17	0	0	0
Potential Labor Agreements	(130)	0	0	0
Undesignated Fund Balance	14	0	0	0
Extraordinary Monetary Settlements	966	1,662	1,087	653
Total Use (Reservation) of Fund Balance	**867**	**1,662**	**1,087**	**653**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**0**	**(4,443)**	**(6,385)**	**(8,053)**
Adherence to 2% Spending Benchmark*	**0**	**2,706**	**5,491**	**7,733**
Net General Fund Surplus (Deficit)	**0**	**(1,737)**	**(894)**	**(320)**

* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions 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 (or the projected surpluses lower).

Source: NYS DOB.

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

	Enacted	Change	First Quarter	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	34,406	1	34,407	(563)	33,844
Consumption/Use Taxes	7,438	(2)	7,436	(50)	7,386
Business Taxes	5,718	0	5,718	(120)	5,598
Other Taxes	1,072	0	1,072	118	1,190
Miscellaneous Receipts	2,152	353	2,505	237	2,742
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,923	(17)	10,906	(248)	10,658
Sales Tax in Excess of LGAC	3,120	(1)	3,119	(17)	3,102
Sales Tax in Excess of Revenue Bond Debt Service	2,766	13	2,779	(18)	2,761
Real Estate Taxes in Excess of CW/CA Debt Service	1,023	0	1,023	(8)	1,015
All Other	1,216	(3)	1,213	(3)	1,210
Total Receipts	**69,834**	**344**	**70,178**	**(672)**	**69,506**
Disbursements:					
Local Assistance	47,069	12	47,081	(329)	46,752
State Operations:					
Personal Service	5,950	26	5,976	5	5,981
Non-Personal Service	2,227	19	2,246	(14)	2,232
General State Charges	5,789	(5)	5,784	(71)	5,713
Transfers to Other Funds:					
Debt Service	921	(5)	916	0	916
Capital Projects	2,627	(4)	2,623	(431)	2,192
State Share of Mental Hygiene Medicaid	1,301	0	1,301	0	1,301
SUNY Operations	1,015	0	1,015	7	1,022
Other Purposes	4,300	(9)	4,291	(27)	4,264
Total Disbursements	**71,199**	**34**	**71,233**	**(860)**	**70,373**
Use (Reservation) of Fund Balance:					
Community Projects	16	1	17	0	17
Potential Labor Agreements	-130	0	(130)	0	(130)
Undesignated Fund Balance	14	0	14	0	14
Extraordinary Monetary Settlements	1,465	(311)	1,154	(188)	966
Total Use (Reservation) of Fund Balance	**1,365**	**(310)**	**1,055**	**(188)**	**867**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**0**	**0**	**0**	**0**	**0**
Adherence to 2% Spending Benchmark*	**0**	**0**	**0**	**0**	**0**
Net General Fund Surplus (Deficit)	**0**	**0**	**0**	**0**	**0**

* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions 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 (or the projected surpluses lower).

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2019
(millions of dollars)

	Enacted	Change	First Quarter	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	36,385	0	36,385	(563)	35,822
Consumption/Use Taxes	7,726	(7)	7,719	(64)	7,655
Business Taxes	5,770	0	5,770	(63)	5,707
Other Taxes	1,053	0	1,053	(3)	1,050
Miscellaneous Receipts	2,128	3	2,131	24	2,155
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,838	(26)	10,812	(141)	10,671
Sales Tax in Excess of LGAC	3,154	(4)	3,150	(18)	3,132
Sales Tax in Excess of Revenue Bond Debt Service	2,797	10	2,807	(19)	2,788
Real Estate Taxes in Excess of CW/CA Debt Service	1,080	0	1,080	(6)	1,074
All Other	739	(3)	736	(7)	729
Total Receipts	**71,670**	**(27)**	**71,643**	**(860)**	**70,783**
Disbursements:					
Local Assistance	50,112	57	50,169	(201)	49,968
State Operations:					
Personal Service	6,237	2	6,239	10	6,249
Non-Personal Service	2,513	21	2,534	(33)	2,501
General State Charges	6,328	(8)	6,320	(168)	6,152
Transfers to Other Funds:					
Debt Service	1,155	(11)	1,144	0	1,144
Capital Projects	4,068	(21)	4,047	(97)	3,950
State Share of Mental Hygiene Medicaid	1,231	0	1,231	0	1,231
SUNY Operations	1,005	0	1,005	16	1,021
Other Purposes	4,704	(5)	4,699	(27)	4,672
Total Disbursements	**77,353**	**35**	**77,388**	**(500)**	**76,888**
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	1,662	0	1,662	0	1,662
Total Use (Reservation) of Fund Balance	**1,662**	**0**	**1,662**	**0**	**1,662**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,021)**	**(62)**	**(4,083)**	**(360)**	**(4,443)**
Adherence to 2% Spending Benchmark *	**3,230**	**12**	**3,242**	**(536)**	**2,706**
Net General Fund Surplus (Deficit)	**(791)**	**(50)**	**(841)**	**(896)**	**(1,737)**

* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions 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 (or the projected surpluses lower).

Source: NYS DOB.

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

	Enacted	Change	First Quarter	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	37,986	0	37,986	(563)	37,423
Consumption/Use Taxes	7,996	(3)	7,993	(69)	7,924
Business Taxes	6,190	0	6,190	(54)	6,136
Other Taxes	1,112	0	1,112	(3)	1,109
Miscellaneous Receipts	2,135	0	2,135	24	2,159
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,789	(45)	10,744	(148)	10,596
Sales Tax in Excess of LGAC	3,292	(2)	3,290	(21)	3,269
Sales Tax in Excess of Revenue Bond Debt Service	2,981	11	2,992	(22)	2,970
Real Estate Taxes in Excess of CW/CA Debt Service	1,133	0	1,133	(8)	1,125
All Other	723	(3)	720	(7)	713
Total Receipts	**74,337**	**(42)**	**74,295**	**(871)**	**73,424**
Disbursements:					
Local Assistance	53,101	85	53,186	(111)	53,075
State Operations:					
Personal Service	6,424	66	6,490	16	6,506
Non-Personal Service	2,661	16	2,677	(78)	2,599
General State Charges	6,792	(9)	6,783	(200)	6,583
Transfers to Other Funds:					
Debt Service	1,053	(11)	1,042	0	1,042
Capital Projects	3,899	(30)	3,869	(114)	3,755
State Share of Mental Hygiene Medicaid	1,119	0	1,119	0	1,119
SUNY Operations	1,001	0	1,001	19	1,020
Other Purposes	5,227	(7)	5,220	(23)	5,197
Total Disbursements	**81,277**	**110**	**81,387**	**(491)**	**80,896**
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	1,087	0	1,087	0	1,087
Total Use (Reservation) of Fund Balance	**1,087**	**0**	**1,087**	**0**	**1,087**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(5,853)**	**(152)**	**(6,005)**	**(380)**	**(6,385)**
Adherence to 2% Spending Benchmark*	**5,855**	**113**	**5,968**	**(477)**	**5,491**
Net General Fund Surplus (Deficit)	**2**	**(39)**	**(37)**	**(857)**	**(894)**

* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions 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 (or the projected surpluses lower).

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2021
(millions of dollars)

	Enacted	Change	First Quarter	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	39,215	(1)	39,214	(562)	38,652
Consumption/Use Taxes	8,274	(3)	8,271	(74)	8,197
Business Taxes	6,522	0	6,522	(49)	6,473
Other Taxes	1,175	0	1,175	(2)	1,173
Miscellaneous Receipts	2,058	0	2,058	24	2,082
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	11,054	(1)	11,053	(123)	10,930
Sales Tax in Excess of LGAC	3,567	(2)	3,565	(23)	3,542
Sales Tax in Excess of Revenue Bond Debt Service	2,830	12	2,842	(25)	2,817
Real Estate Taxes in Excess of CW/CA Debt Service	1,189	0	1,189	(23)	1,166
All Other	723	(3)	720	(8)	712
Total Receipts	**76,607**	**2**	**76,609**	**(865)**	**75,744**
Disbursements:					
Local Assistance	55,745	118	55,863	(135)	55,728
State Operations:					
Personal Service	6,796	131	6,927	23	6,950
Non-Personal Service	2,718	5	2,723	(98)	2,625
General State Charges	7,357	(13)	7,344	(254)	7,090
Transfers to Other Funds:					
Debt Service	1,074	(7)	1,067	0	1,067
Capital Projects	3,479	9	3,488	(106)	3,382
State Share of Mental Hygiene Medicaid	1,119	0	1,119	0	1,119
SUNY Operations	1,001	0	1,001	20	1,021
Other Purposes	5,483	3	5,486	(18)	5,468
Total Disbursements	**84,772**	**246**	**85,018**	**(568)**	**84,450**
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	653	0	653	0	653
Total Use (Reservation) of Fund Balance	**653**	**0**	**653**	**0**	**653**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(7,512)**	**(244)**	**(7,756)**	**(297)**	**(8,053)**
Adherence to 2% Spending Benchmark*	**7,955**	**201**	**8,156**	**(423)**	**7,733**
Net General Fund Surplus (Deficit)	**443**	**(43)**	**400**	**(720)**	**(320)**

* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions 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 (or the projected surpluses lower).

Source: NYS DOB.

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
FY 2018 THROUGH FY 2021
(millions of dollars)

	FY 2018 Mid-Year	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Taxes:				
Withholdings	39,459	41,314	42,557	43,543
Estimated Payments	15,224	16,821	18,369	18,012
Final Payments	2,461	2,619	2,768	2,928
Other Payments	1,416	1,487	1,551	1,588
Gross Collections	**58,560**	**62,241**	**65,245**	**66,071**
State/City Offset	(873)	(898)	(824)	(849)
Refunds	(9,055)	(10,220)	(11,253)	(10,506)
Reported Tax Collections	**48,632**	**51,123**	**53,168**	**54,716**
STAR (Dedicated Deposits)	(2,630)	(2,520)	(2,453)	(2,385)
RBTF (Dedicated Transfers)	(12,158)	(12,781)	(13,292)	(13,679)
Personal Income Tax	**33,844**	**35,822**	**37,423**	**38,652**
Sales and Use Tax	13,568	14,114	14,664	15,224
Cigarette and Tobacco Taxes	340	331	320	309
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	262	267	272	276
Medical Marihuana Excise Tax	0	0	0	0
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	**14,170**	**14,712**	**15,256**	**15,809**
LGAC/STBF (Dedicated Transfers)	(6,784)	(7,057)	(7,332)	(7,612)
Consumption/Use Taxes	**7,386**	**7,655**	**7,924**	**8,197**
Corporation Franchise Tax	3,041	3,397	3,803	4,068
Corporation and Utilities Tax	596	563	569	575
Insurance Taxes	1,524	1,625	1,704	1,830
Bank Tax	437	122	60	0
Petroleum Business Tax	0	0	0	0
Business Taxes	**5,598**	**5,707**	**6,136**	**6,473**
Estate Tax	1,173	1,033	1,092	1,155
Real Estate Transfer Tax	1,196	1,252	1,300	1,337
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	15	15	15	15
Other Taxes	2	2	2	3
Gross Other Taxes	**2,386**	**2,302**	**2,409**	**2,510**
Real Estate Transfer Tax (Dedicated)	(1,196)	(1,252)	(1,300)	(1,337)
Other Taxes	**1,190**	**1,050**	**1,109**	**1,173**
Payroll Tax	**0**	**0**	**0**	**0**
Total Taxes	**48,018**	**50,234**	**52,592**	**54,495**
Licenses, Fees, Etc.	665	658	681	664
Abandoned Property	450	450	450	450
Motor Vehicle Fees	232	245	254	249
ABC License Fee	65	66	66	62
Reimbursements	278	279	283	283
Investment Income	25	10	8	8
Extraordinary Settlements	608	0	0	0
Other Transactions	419	447	417	366
Miscellaneous Receipts	**2,742**	**2,155**	**2,159**	**2,082**
Federal Receipts	**0**	**0**	**0**	**0**
Total	**50,760**	**52,389**	**54,751**	**56,577**

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	**7,749**	**3,732**	**144**	**11,625**
Receipts:				
Taxes	48,018	7,718	20,019	75,755
Miscellaneous Receipts	2,742	16,964	459	20,165
Federal Receipts	0	1	73	74
Total Receipts	**50,760**	**24,683**	**20,551**	**95,994**
Disbursements:				
Local Assistance	46,752	19,301	0	66,053
State Operations:				
Personal Service	5,981	7,056	0	13,037
Non-Personal Service	2,232	3,479	37	5,748
General State Charges	5,713	2,265	0	7,978
Debt Service	0	0	5,288	5,288
Capital Projects	0	0	0	0
Total Disbursements	**60,678**	**32,101**	**5,325**	**98,104**
Other Financing Sources (Uses):				
Transfers from Other Funds	18,746	7,844	3,695	30,285
Transfers to Other Funds	(9,695)	(932)	(18,918)	(29,545)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**9,051**	**6,912**	**(15,223)**	**740**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**(867)**	**(506)**	**3**	**(1,370)**
Closing Fund Balance	**6,882**	**3,226**	**147**	**10,255**

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	50,234	7,761	20,971	78,966
Miscellaneous Receipts	2,155	16,232	458	18,845
Federal Receipts	0	1	73	74
Total Receipts	**52,389**	**23,994**	**21,502**	**97,885**
Disbursements:				
Local Assistance	49,968	18,876	0	68,844
State Operations:				
Personal Service	6,249	7,002	0	13,251
Non-Personal Service	2,501	3,331	50	5,882
General State Charges	6,152	2,333	0	8,485
Debt Service	0	0	6,310	6,310
Capital Projects	0	0	0	0
Total Disbursements	**64,870**	**31,542**	**6,360**	**102,772**
Other Financing Sources (Uses):				
Transfers from Other Funds	18,394	8,107	3,835	30,336
Transfers to Other Funds	(12,018)	(334)	(18,973)	(31,325)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**6,376**	**7,773**	**(15,138)**	**(989)**
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	1,662	0	0	1,662
Total Use (Reservation) of Fund Balance	**1,662**	**0**	**0**	**1,662**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,443)**	**225**	**4**	**(4,214)**
Adherence to 2% Spending Benchmark*	**2,706**	**0**	**0**	**2,706**
Net Surplus (Deficit)	**(1,737)**	**225**	**4**	**(1,508)**

* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions 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 (or the projected surpluses lower).

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	52,592	7,836	21,805	82,233
Miscellaneous Receipts	2,159	16,139	459	18,757
Federal Receipts	0	1	73	74
Total Receipts	**54,751**	**23,976**	**22,337**	**101,064**
Disbursements:				
Local Assistance	53,075	18,931	0	72,006
State Operations:				
Personal Service	6,506	7,108	0	13,614
Non-Personal Service	2,599	3,286	50	5,935
General State Charges	6,583	2,416	0	8,999
Debt Service	0	0	7,004	7,004
Capital Projects	0	0	0	0
Total Disbursements	**68,763**	**31,741**	**7,054**	**107,558**
Other Financing Sources (Uses):				
Transfers from Other Funds	18,673	8,358	3,829	30,860
Transfers to Other Funds	(12,133)	(334)	(19,107)	(31,574)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**6,540**	**8,024**	**(15,278)**	**(714)**
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	1,087	0	0	1,087
Total Use (Reservation) of Fund Balance	**1,087**	**0**	**0**	**1,087**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,385)**	**259**	**5**	**(6,121)**
Adherence to 2% Spending Benchmark*	**5,491**	**0**	**0**	**5,491**
Net Surplus (Deficit)	**(894)**	**259**	**5**	**(630)**

* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions 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 (or the projected surpluses lower).

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2021
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	54,495	7,882	22,509	84,886
Miscellaneous Receipts	2,082	15,979	459	18,520
Federal Receipts	0	1	73	74
Total Receipts	**56,577**	**23,862**	**23,041**	**103,480**
Disbursements:				
Local Assistance	55,728	18,984	0	74,712
State Operations:				
Personal Service	6,950	7,328	0	14,278
Non-Personal Service	2,625	3,315	50	5,990
General State Charges	7,090	2,514	0	9,604
Debt Service	0	0	7,257	7,257
Capital Projects	0	0	0	0
Total Disbursements	**72,393**	**32,141**	**7,307**	**111,841**
Other Financing Sources (Uses):				
Transfers from Other Funds	19,167	8,555	3,799	31,521
Transfers to Other Funds	(12,057)	(232)	(19,528)	(31,817)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**7,110**	**8,323**	**(15,729)**	**(296)**
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	653	0	0	653
Total Use (Reservation) of Fund Balance	**653**	**0**	**0**	**653**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(8,053)**	**44**	**5**	**(8,004)**
Adherence to 2% Spending Benchmark*	**7,733**	**0**	**0**	**7,733**
Net Surplus (Deficit)	**(320)**	**44**	**5**	**(271)**

* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions 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 (or the projected surpluses lower).

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	**7,749**	**4,272**	**(1,060)**	**144**	**11,105**
Receipts:					
Taxes	48,018	7,718	1,333	20,019	77,088
Miscellaneous Receipts	2,742	17,123	7,412	459	27,736
Federal Receipts	0	55,005	2,270	73	57,348
Total Receipts	**50,760**	**79,846**	**11,015**	**20,551**	**162,172**
Disbursements:					
Local Assistance	46,752	69,917	4,831	0	121,500
State Operations:					
Personal Service	5,981	7,673	0	0	13,654
Non-Personal Service	2,232	4,858	0	37	7,127
General State Charges	5,713	2,582	0	0	8,295
Debt Service	0	0	0	5,288	5,288
Capital Projects	0	0	8,189	0	8,189
Total Disbursements	**60,678**	**85,030**	**13,020**	**5,325**	**164,053**
Other Financing Sources (Uses):					
Transfers from Other Funds	18,746	7,856	2,602	3,695	32,899
Transfers to Other Funds	(9,695)	(2,996)	(1,398)	(18,918)	(33,007)
Bond and Note Proceeds	0	0	788	0	788
Net Other Financing Sources (Uses)	**9,051**	**4,860**	**1,992**	**(15,223)**	**680**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**(867)**	**(324)**	**(13)**	**3**	**(1,201)**
Closing Fund Balance	**6,882**	**3,948**	**(1,073)**	**147**	**9,904**

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	50,234	7,761	1,405	20,971	80,371
Miscellaneous Receipts	2,155	16,391	7,634	458	26,638
Federal Receipts	0	56,384	2,429	73	58,886
Total Receipts	**52,389**	**80,536**	**11,468**	**21,502**	**165,895**
Disbursements:					
Local Assistance	49,968	70,928	5,268	0	126,164
State Operations:					
Personal Service	6,249	7,630	0	0	13,879
Non-Personal Service	2,501	4,771	0	50	7,322
General State Charges	6,152	2,654	0	0	8,806
Debt Service	0	0	0	6,310	6,310
Capital Projects	0	0	9,800	0	9,800
Total Disbursements	**64,870**	**85,983**	**15,068**	**6,360**	**172,281**
Other Financing Sources (Uses):					
Transfers from Other Funds	18,394	8,119	4,236	3,835	34,584
Transfers to Other Funds	(12,018)	(2,343)	(1,370)	(18,973)	(34,704)
Bond and Note Proceeds	0	0	718	0	718
Net Other Financing Sources (Uses)	**6,376**	**5,776**	**3,584**	**(15,138)**	**598**
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	1,662	0	0	0	1,662
Total Use (Reservation) of Fund Balance	**1,662**	**0**	**0**	**0**	**1,662**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,443)**	**329**	**(16)**	**4**	**(4,126)**
Adherence to 2% Spending Benchmark*	**2,706**	**0**	**0**	**0**	**2,706**
Net Surplus (Deficit)	**(1,737)**	**329**	**(16)**	**4**	**(1,420)**

* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions 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 (or the projected surpluses lower).

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	52,592	7,836	1,423	21,805	83,656
Miscellaneous Receipts	2,159	16,298	7,302	459	26,218
Federal Receipts	0	57,398	2,215	73	59,686
Total Receipts	**54,751**	**81,532**	**10,940**	**22,337**	**169,560**
Disbursements:					
Local Assistance	53,075	72,165	4,670	0	129,910
State Operations:					
Personal Service	6,506	7,740	0	0	14,246
Non-Personal Service	2,599	4,771	0	50	7,420
General State Charges	6,583	2,742	0	0	9,325
Debt Service	0	0	0	7,004	7,004
Capital Projects	0	0	9,055	0	9,055
Total Disbursements	**68,763**	**87,418**	**13,725**	**7,054**	**176,960**
Other Financing Sources (Uses):					
Transfers from Other Funds	18,673	8,370	4,016	3,829	34,888
Transfers to Other Funds	(12,133)	(2,114)	(1,651)	(19,107)	(35,005)
Bond and Note Proceeds	0	0	412	0	412
Net Other Financing Sources (Uses)	**6,540**	**6,256**	**2,777**	**(15,278)**	**295**
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	1,087	0	0	0	1,087
Total Use (Reservation) of Fund Balance	**1,087**	**0**	**0**	**0**	**1,087**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,385)**	**370**	**(8)**	**5**	**(6,018)**
Adherence to 2% Spending Benchmark*	**5,491**	**0**	**0**	**0**	**5,491**
Net Surplus (Deficit)	**(894)**	**370**	**(8)**	**5**	**(527)**

* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions 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 (or the projected surpluses lower).

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2021
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	54,495	7,882	1,421	22,509	86,307
Miscellaneous Receipts	2,082	16,140	6,720	459	25,401
Federal Receipts	0	57,952	2,171	73	60,196
Total Receipts	**56,577**	**81,974**	**10,312**	**23,041**	**171,904**
Disbursements:					
Local Assistance	55,728	72,865	4,066	0	132,659
State Operations:					
Personal Service	6,950	7,987	0	0	14,937
Non-Personal Service	2,625	4,767	0	50	7,442
General State Charges	7,090	2,851	0	0	9,941
Debt Service	0	0	0	7,257	7,257
Capital Projects	0	0	8,417	0	8,417
Total Disbursements	**72,393**	**88,470**	**12,483**	**7,307**	**180,653**
Other Financing Sources (Uses):					
Transfers from Other Funds	19,167	8,567	3,578	3,799	35,111
Transfers to Other Funds	(12,057)	(2,012)	(1,641)	(19,528)	(35,238)
Bond and Note Proceeds	0	0	243	0	243
Net Other Financing Sources (Uses)	**7,110**	**6,555**	**2,180**	**(15,729)**	**116**
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	653	0	0	0	653
Total Use (Reservation) of Fund Balance	**653**	**0**	**0**	**0**	**653**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(8,053)**	**59**	**9**	**5**	**(7,980)**
Adherence to 2% Spending Benchmark*	**7,733**	**0**	**0**	**0**	**7,733**
Net Surplus (Deficit)	**(320)**	**59**	**9**	**5**	**(247)**

* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions 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 (or the projected surpluses lower).

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2018
(dollars in millions)

	2017 April Results	May Results	June Results	July Results	August Results	September Results	October Projected	November Projected	December Projected	2018 January Projected	February Projected	March Projected	Total
OPENING BALANCE	7,749	7,405	3,140	3,014	3,774	3,883	6,523	6,404	4,389	8,699	10,746	10,480	7,749
RECEIPTS:													
Personal Income Tax	3,751	1,576	3,431	1,987	2,292	3,536	2,047	1,805	4,228	4,138	2,541	2,512	33,844
Consumption/Use Taxes	522	539	731	582	567	737	563	589	726	632	503	695	7,386
Business Taxes	421	137	770	55	376	782	(37)	35	1,470	15	(158)	1,732	5,598
Other Taxes	91	114	103	66	86	214	82	87	87	87	87	86	1,190
Total Taxes	4,785	2,366	5,035	2,690	3,321	5,269	2,655	2,516	6,511	4,872	2,973	5,025	48,018
Abandoned Property	0	0	0	0	1	64	5	150	50	0	0	180	450
ABC License Fee	6	6	6	5	6	6	6	4	5	5	5	5	65
Investment Income	4	1	2	1	2	2	4	2	2	2	2	1	25
Licenses, Fees, etc.	27	73	36	51	36	77	63	55	65	70	35	77	665
Motor Vehicle Fees	36	29	31	(5)	34	7	18	19	14	15	16	18	232
Reimbursements	2	23	37	9	24	26	11	20	40	10	20	56	278
Extraordinary Settlements	0	350	0	0	0	231	0	0	0	0	0	27	608
Other Transactions	20	31	52	51	24	106	43	37	76	37	36	(94)	419
Total Miscellaneous Receipts	95	513	164	112	127	519	150	287	252	139	114	270	2,742
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,249	509	1,162	455	356	1,400	684	402	1,448	699	682	1,612	10,658
Tax in Excess of LGAC	234	54	508	263	226	341	257	267	338	286	4	324	3,102
Sales Tax Bond Fund	179	186	280	205	210	310	193	203	274	222	170	329	2,761
Real Estate Taxes in Excess of CW/CA Debt Service	81	95	89	84	86	93	65	104	84	91	78	65	1,015
All Other	10	2	3	6	5	94	13	23	5	44	153	852	1,210
Total Transfers from Other Funds	1,753	846	2,042	1,013	883	2,238	1,212	999	2,149	1,342	1,087	3,182	18,746
TOTAL RECEIPTS	6,633	3,725	7,241	3,815	4,331	8,026	4,017	3,802	8,912	6,353	4,174	8,477	69,506
DISBURSEMENTS:													
School Aid	868	3,358	1,878	38	570	1,753	801	1,513	1,987	548	688	8,294	22,296
Higher Education	19	37	954	221	128	181	93	56	201	75	361	506	2,832
All Other Education	95	484	75	158	56	49	61	377	160	40	204	489	2,248
Medicaid - DOH	1,376	1,408	1,370	1,165	1,248	1,150	1,220	1,204	837	992	867	521	13,358
Public Health	68	177	50	63	44	36	35	39	61	33	39	61	706
Mental Hygiene	2	3	184	(1)	2	216	0	8	226	5	65	180	890
Children and Families	36	101	194	71	23	134	70	138	307	123	164	291	1,652
Temporary & Disability Assistance	95	112	143	92	93	67	63	117	123	117	129	158	1,309
Transportation	0	25	14	0	25	0	0	25	12	0	13	0	114
Unrestricted Aid	0	11	388	2	0	102	7	2	182	1	1	66	762
All Other	11	16	90	30	74	31	17	80	78	76	85	(3)	585
Total Local Assistance	2,570	5,732	5,340	1,839	2,263	3,719	2,367	3,559	4,174	2,010	2,616	10,563	46,752
Personal Service	485	642	475	466	565	477	498	587	422	423	421	520	5,981
Non-Personal Service	91	226	185	142	212	179	181	201	196	195	192	232	2,232
Total State Operations	576	868	660	608	777	656	679	788	618	618	613	752	8,213
General State Charges	2,398	292	409	347	41	514	397	104	264	475	181	291	5,713
Debt Service	274	(1)	2	148	14	(87)	360	0	(2)	300	(20)	(72)	916
Capital Projects	310	268	438	(602)	495	437	(270)	541	(651)	633	370	223	2,192
State Share Medicaid	100	138	98	64	151	95	63	121	121	121	121	108	1,301
SUNY Operations	218	218	218	181	0	0	0	181	6	0	0	0	1,022
Other Purposes	531	475	202	470	481	52	540	523	72	149	559	210	4,264
Total Transfers to Other Funds	1,433	1,098	958	261	1,141	497	693	1,366	(454)	1,203	1,030	469	9,695
TOTAL DISBURSEMENTS	6,977	7,990	7,367	3,055	4,222	5,386	4,136	5,817	4,602	4,306	4,440	12,075	70,373
Excess/(Deficiency) of Receipts over Disbursements	(344)	(4,265)	(126)	760	109	2,640	(119)	(2,015)	4,310	2,047	(266)	(3,598)	(867)
CLOSING BALANCE	7,405	3,140	3,014	3,774	3,883	6,523	6,404	4,389	8,699	10,746	10,480	6,882	6,882

Source: NYS DOB.