Update to
Annual Information Statement
State of New York

September 26, 2017

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Introduction

Introduction

This Annual Information Statement (AIS) Update (the "AIS Update") is dated September 26, 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 first 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 First Quarterly Update to the Financial Plan for FY 2018 (the "Updated Financial Plan"), issued by the Division of the Budget (DOB) in August 2017, as amended in September 2017. The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov) includes a summary of first quarter operating results for FY 2018 (ended June 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 September 7, 2017 consent order between the State Department of Financial Services (DFS) and Habib Bank Limited and Habib Bank Limited, New York Branch (together "Habib Bank"), pursuant to which Habib Bank has paid a $225 million civil monetary penalty. The 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. DOB next expects to update the State's multi-year financial projections in October 2017 with the Mid-Year Update to the 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 of the State.
6. The status of significant litigation that has the potential to adversely affect the State's finances.
7. Updated Financial Plan tables that summarize actual General Fund receipts and disbursements for fiscal year 2017 and projected receipts and disbursements for fiscal years 2018 through 2021 on a General Fund, State Operating Funds and All Governmental Funds basis.

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[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.

Introduction

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

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

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

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

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 GAAP, to the extent practicable, although this requirement is for informational purposes. GAAP is a financial reporting regime, not a budgeting system. Thus, the GAAP-basis financial plan is not used by DOB as a benchmark for managing State finances during the fiscal year and is not updated on a quarterly basis. The GAAP-basis financial plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by OSC in preparation of the audited Basic Financial Statements.

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 State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

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

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

2 All Funds and Federal Operating Funds receipts and disbursements exclude: (a) Federal disaster aid for Superstorm Sandy, and (b) additional Federal aid associated with Federal health care reform. 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 by $2.2 billion in FY 2018. Budgetary balance is maintained through use of other available resources, including extraordinary monetary settlements and nearly $1.0 billion in 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

- DOB reports that the Updated Financial Plan for FY 2018 is expected to remain in balance on a cash basis in the General Fund, with new costs for litigation and other expenses offset by savings elsewhere in the Updated Financial Plan. Spending growth in State Operating Funds is estimated at 2 percent, consistent with the Enacted Budget Financial Plan.

- DOB is making no changes to the tax receipt projections set forth in the Enacted Budget Financial Plan,[3] aside from certain adjustments due to law changes enacted in the legislative session that ended in June 2017. Specifically, the Governor and Legislature approved the extension of certain sales tax exemptions for lower Manhattan, provided operational cost flexibility for the Vernon Downs racetrack, and created a state income-tax deduction for eligible homeowners affected by Lake Ontario flooding. Other bills with a fiscal impact were passed by the Legislature and are expected to be delivered to the Governor for his review in coming months. Any bills with a fiscal impact that are ultimately approved by the Governor will be reflected in future AIS updates, as appropriate.

- Since enactment of the FY 2018 Budget, the State reached a labor agreement with CSEA for the five-year period from FY 2017 through FY 2021. The agreement was ratified by the CSEA membership in August 2017 and provides for general salary increases of 2 percent in each year of the contract period. The Enacted Budget Financial Plan assumed general salary increases of 2 percent for all unsettled unions through FY 2019 consistent with the three-year Public Employees Federation (PEF) labor agreement. As a result, spending is expected to increase by approximately $65 million in FY 2020 and $130 million in FY 2021, covering the last two years of the five-year contract. The retroactive costs are expected to be covered with the General Fund balance set aside for this purpose, and the ongoing costs funded within agency operating budgets, consistent with the treatment of other negotiated salary increases covering the FY 2012 through FY 2016 period.

- Pursuant to a May 24, 2017 consent order between the DFS and BNP Paribas S.A. and BNP Paribas S.A. New York Branch (together "BNPP"), BNPP made a $350 million civil monetary penalty payment in May 2017. 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.

[3] DOB will continue to monitor tax receipts closely and downward revisions are possible in future updates.

- As part of the reconstruction, realignment and improvement of the Brooklyn Queens Expressway, the State appropriated several parcels of land in January 2000 from New York Central Lines, LLC (now known as CSX Transportation Inc. and referred to as such hereinafter). After extensive litigation and appeals regarding the proper valuation of said property, a second amended judgment against the State in the amount of approximately $62 million was entered on November 2, 2016. On March 30, 2017, the New York State Court of Appeals rejected the State's appeal of this matter. The State's share of the second amended judgment amount is approximately $39 million, and the Federal government's share of that judgment is approximately $23 million and is expected to be disbursed from the State's Federal fund appropriations. Accordingly, the State now owes to CSX Transportation Inc. the November 2, 2016 second amended judgment amount of approximately $62 million (inclusive of the Federal government's share) plus appropriate additional interest charges and attorney's fees. Any additional interest and attorney's fees will be reflected in future updates, as appropriate. The Updated Financial Plan assumes that $39 million of the BNPP settlement payment will be used to pay the judgment, and the remainder of the BNPP settlement payment will be set aside in the General Fund.

- The Updated Financial Plan projections for FY 2019 and thereafter are based on an assumption that the current Administration will continue to propose, and the Legislature will continue to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent. The spending benchmark is calculated using the cash basis of accounting, as described herein, and based on the current composition of the State Operating Funds perspective as reported by DOB. The General Fund operating projections for FY 2019, FY 2020, and FY 2021 are calculated based on this assumption. DOB expects that specific proposals to limit spending growth to 2 percent will be included in future budget proposals.

First Quarter Operating Results

- The State ended June 2017 with a General Fund cash balance of $3.0 billion, $548 million above the estimate in the Enacted Budget Financial Plan. General Fund receipts, including transfers from other funds, totaled $17.6 billion through June 2017, consistent with initial estimates. Tax receipts were approximately $350 million below the Enacted Budget Financial Plan forecast, offset by a $350 million Extraordinary Monetary Settlement with BNPP. PIT collections were $498 million below projected levels, driven by weaker than expected quarterly estimated payments in June 2017 (which had been projected to grow by 9.1 percent but instead declined slightly), and greater than projected refund payments. Business tax collections were above planned levels due to higher gross receipts for both corporate franchise and insurance taxes.

- General Fund disbursements, including transfers to other funds, totaled $22.3 billion through June 2017, $553 million lower than projections reflected in the Enacted Budget Financial Plan, mainly due to the timing of planned payments for local assistance and transfers that support capital projects. Lower local assistance spending was mainly due to the pending Federal approval of certain Medicaid rate packages that will increase provider rates and a reconciliation of Federal Affordable Care Act (ACA) funding that is expected to result in a State cost, as well as timing related under-spending in other health, education, and the Office of Children and Family Services (OCFS) programs. Spending for agency operations was above planned levels due to the timing of agency reimbursement to the General Fund for fringe benefit expenses, which offsets spending and is now expected later in FY 2018. 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 spent at a slower than anticipated rate through June 2017.

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) (BEFORE)	**0**	**(4,021)**	**(5,853)**	**(7,512)**
Adherence to 2% SOF Spending - Calculated Savings [1]	0	3,230	5,855	7,955
ENACTED BUDGET SURPLUS/(GAP) (AFTER)[1]	**0**	**(791)**	**2**	**443**
Receipts Revisions[2]	**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[3]	(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
Change in Adherence to 2% Spending - Calculated Savings		**(12)**	**(113)**	**(201)**
ENACTED BUDGET SURPLUS/(GAP) (BEFORE)	**0**	**(4,083)**	**(6,005)**	**(7,756)**
Adherence to 2% SOF Spending - Calculated Savings [1]	0	3,242	5,968	8,156
ENACTED BUDGET SURPLUS/(GAP) (AFTER)[1]	**0**	**(841)**	**(37)**	**400**
Net Change from Enacted Budget Financial Plan	*0*	*(50)*	*(39)*	*(43)*

[1] Includes savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect those savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected operating position would decline.

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

[3] Does not include additional interest and attorney's fees, as appropriate. Any additional interest and attorney's fees will be reflected in future updates, as appropriate.

Receipts Revisions

General Fund receipts, including transfers from other funds, are now projected to total $70.2 billion in FY 2018, an increase of $344 million from the Enacted Budget Financial Plan projections.

- BNPP Settlement Payment: The State received a $350 million civil monetary penalty payment from BNPP in June 2017 pursuant to a consent order between the State DFS and BNPP.
- Tax Receipts: Estimated PIT and sales tax receipts have been adjusted downward to reflect the June 2017 reauthorization of certain sales tax exemptions for lower Manhattan and the creation of a state income-tax deduction for eligible homeowners affected by Lake Ontario flooding, as well as the impact of changes in estimated debt service costs.
- Non-Tax Receipts: Certain reimbursements and transfers from other State funds have been revised based on updated information.

Disbursements Revisions

General Fund disbursements, including transfers to other funds, are expected to total $71.2 billion in FY 2018, an increase of $34 million from projections in the Enacted Budget Financial Plan.

- Local Assistance: Local assistance spending in the General Fund is expected to total $47.1 billion in FY 2018, an increase of $12 million from the Enacted Budget Financial Plan projection. The revision consists of increased costs related to the legislative session and updated forecasts. The most significant changes are for:
  - Medicaid: The statutorily indexed provisions of the Global Cap, which reflects the ten-year rolling average of the Medical component of the Consumer Price Index (CPI), is higher relative to the previous forecast. This results in an upward adjustment to allowable DOH Global Cap Medicaid spending of $11 million in FY 2018, $37 million in FY 2019, $75 million in FY 2020, and $135 million in FY 2021. The revised indexed portion of the Global Cap is 3.3 percent in FY 2018, 3.2 percent in FY 2019, and 3.1 percent in FYs 2020 and 2021.

    This is partly offset by an additional $6 million in Master Settlement Agreement (MSA) payments in FY 2018, for an annual total of $103 million. The FY 2018 Enacted Budget authorizes using the payments to help defray the costs of the State's takeover of Medicaid costs borne by counties and New York City.

    In addition, the Essential Plan (EP) program spending estimate has been revised downward by $349 million in FY 2018. The decline reflects projected stabilizing enrollment and expected increases in Federal reimbursement due to changes in the marketplace premium index. DOH expects these savings will offset other potential costs within the Global Cap.

- Public Health: Child Health Plus (CHP) program spending has increased due to enrollment growth over the past 18 months which is driving increases to program expenses relative to previous estimates. In total, the Updated Financial Plan now reflects additional CHP program costs of $22 million in FY 2018; $46 million in FY 2019; and $33 million in FY 2020.

- Vernon Downs Aid: Legislation approved in June 2017 provides operational cost flexibility for Vernon Downs.

- Agency Operations: General Fund disbursements for agency operations, including fringe benefits, are expected to total $14.0 billion in FY 2018, an increase of $40 million from the Enacted Budget Financial Plan projection. The increase mainly reflects:

  - State Police: Increased State police activity, including increasing the size of the July 2017 recruit class, is expected to add costs of $26 million for FY 2018.

  - Medicaid: Administrative costs related to the EP and Medicaid administration are anticipated to result in higher agency operation costs of $17 million in FY 2018, which are entirely offset by a reduction in local assistance spending under the Global Cap. In addition, $2 million in increased costs of the Qualified Health Plan (QHP) portion of the New York State of Health (NYSOH) insurance exchange have been reflected in the Updated Financial Plan.

- Transfers to Other Funds: General Fund transfers to other funds are expected to total $10.1 billion in FY 2018, a decrease of $18 million from the Enacted Budget Financial Plan projection. The increase mainly reflects:

  - CSX Judgment Payment: As noted above, the State's share of the CSX judgment amount is approximately $39 million, plus additional interest charges and attorney's fees to be reflected in future financial plan updates.

  - Reductions in other transfers reflect lower debt service costs in the DHBTF, due to a bond refunding ($26 million), and lower projected State Pay-As-You-Go (PAYGO) spending in FY 2018, primarily for the Department of Health (DOH) ($17 million); a reduction in debt service costs due to actual bond sale results to date; and other changes based on updated information.

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 benchmark adopted by the Governor. 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**	**66,075**	**1,706**	**2.7%**
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	5,027	50	1.0%
STAR[2]	3,139	2,630	(509)	-16.2%
Social Services	2,935	2,969	34	1.2%
Higher Education	2,874	2,800	(74)	-2.6%
Mental Hygiene	2,461	2,487	26	1.1%
All Other[3]	5,051	5,350	299	5.9%
STATE OPERATIONS/FRINGE BENEFITS/GENERAL STATE CHARGES	**26,314**	**26,799**	**485**	**1.8%**
State Operations	**18,680**	**18,740**	**60**	**0.3%**
Personal Service:	13,093	12,935	(158)	-1.2%
Executive Agencies	7,302	7,163	(139)	-1.9%
University Systems	3,816	3,770	(46)	-1.2%
Elected Officials	1,975	2,002	27	1.4%
Non-Personal Service:	5,587	5,805	218	3.9%
Executive Agencies	2,717	2,882	165	6.1%
University Systems	2,281	2,309	28	1.2%
Elected Officials	589	614	25	4.2%
General State Charges	**7,634**	**8,059**	**425**	**5.6%**
Pension Contribution	2,446	2,540	94	3.8%
Health Insurance	3,708	3,983	275	7.4%
Other Fringe Benefits/Fixed Costs	1,480	1,536	56	3.8%
DEBT SERVICE	**5,514**	**5,292**	**(222)**	**-4.0%**
CAPITAL PROJECTS	**2**	**2**	**0**	**0.0%**
TOTAL STATE OPERATING FUNDS	**96,199**	**98,168**	**1,969**	**2.0%**
Capital Projects (State and Federal Funds)	**10,156**	**13,046**	**2,890**	**28.5%**
Federal Operating Aid[4]	**41,397**	**42,280**	**883**	**2.1%**
TOTAL ALL GOVERNMENTAL FUNDS[5]	**147,752**	**153,494**	**5,742**	**3.9%**

[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 MSA payments to the State that will be deposited directly to the Medicaid Management Information System (MMIS) Escrow Fund to defray the State cost of the local MA takeover.

[2] The FY 2018 Enacted Budget converts the NYC PIT rate reduction benefit to a nonrefundable State PIT credit. This change has no impact on the STAR benefits received by homeowners; it will decrease reported disbursements for STAR and decrease reported PIT receipts by an identical amount. See "STAR Program" in "State Financial Plan Projections Fiscal Years 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 $25.8 billion in FY 2018, an increase of $1.4 billion from FY 2017. It also includes the portion of the MA takeover 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 MSA with tobacco manufacturers will be fully retired. 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 State purposes. The FY 2018 Enacted Budget authorizes using the payments to help defray the costs of the State's takeover of Medicaid costs borne by counties and New York City. The State takeover, in which local Medicaid costs are capped permanently at 2015 calendar year levels, 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.

- The annual change in local assistance spending 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

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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 School Year 2017 to School Year 2018.

[5] The Medicaid Global Cap is a statutory limit on annual State-funded Medicaid expenditures, indexed to the Medical component of 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 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 DOH Medicaid Global Cap resources.

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 slightly in FY 2018 from the prior year. The current spending estimates for personal service assumes potential costs of labor agreements with all State unions patterned on the labor contract ratified by PEF in December 2016, as well as the five-year CSEA contract ratified 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, Electricians, etc.) to the Capital Projects Fund.

- Operations spending for the university systems and elected officials is expected to decrease by 0.3 percent and increase by 2.0 percent, respectively. More than half of the FTE reclassifications to Capital Project Funds occur in SUNY, affecting the annual spending growth.

- Spending growth for fringe benefits is due to rising employee health care and prescription drug costs, as well as an increase in the annual pension contribution.

Debt Service

- Spending from debt service funds is expected to decrease by 4.0 percent from 2017, reflecting the payment of certain FY 2018 debt service costs in FY 2017.

Overview of the Updated Financial Plan

All Funds Spending

All Funds spending, which includes spending from capital funds and Federal funds, is budgeted to increase by 3.9 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**	**98,168**	**1,969**	**2.0%**
General Fund (excluding transfers)	57,988	61,087	3,099	5.3%
Other State Funds	32,659	31,752	(907)	-2.8%
Debt Service Funds	5,552	5,329	(223)	-4.0%
ALL GOVERNMENTAL FUNDS (Excluding Extraordinary Aid)	**147,752**	**153,494**	**5,742**	**3.9%**
ALL GOVERNMENTAL FUNDS	**157,014**	**164,035**	**7,021**	**4.5%**
State Operating Funds	96,199	98,168	1,969	2.0%
Capital Projects Funds	10,156	13,046	2,890	28.5%
Federal Operating Funds	50,659	52,821	2,162	4.3%
Federal Disaster Aid for Superstorm Sandy	881	525	(356)	-40.4%
Federal Health Care Reform	8,381	10,016	1,635	19.5%
All Other Federal Aid	41,397	42,280	883	2.1%
GENERAL FUND (INCLUDING TRANSFERS)	**68,080**	**71,233**	**3,153**	**4.6%**
STATE FUNDS	**104,029**	**109,341**	**5,312**	**5.1%**

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 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 multi-year disbursements of $7.7 billion from Extraordinary Monetary Settlements that have been appropriated from Capital Projects Funds. This funding will 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 4.6 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 judgement payment. In addition, funding for many agencies and programs is charged to several funds, and is affected by offsets and accounting reclassifications.

Overview of the Updated Financial Plan

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 $556 million. The amount by which disbursements exceed receipts is financed by the use of Extraordinary Monetary Settlements that were not appropriated in the FY 2018 Enacted Budget ($500 million) for General Fund operations and disbursement of the unbudgeted CSX judgment payment, reserves set aside in FY 2017 to fund new labor contracts ($25 million), resources carried in 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.

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	69,795	4,052	6.2%
Taxes	62,264	66,460	4,196	6.7%
Miscellaneous Receipts/Federal Grants [1]	2,661	2,122	(539)	-20.3%
Transfers from Other Funds	818	1,213	395	48.3%
Total Disbursements	65,963	70,351	4,388	6.7%
Local Assistance	44,439	47,081	2,642	5.9%
State Operations	13,549	14,006	457	3.4%
Transfers to Other Funds [1]	7,975	9,264	1,289	16.2%
Net Change in Operations	(220)	(556)	(336)	-152.7%
Deposit to/ Use Of Reserves [2]	0	655	655	0.0%
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	416	(901)	-68.4%
Transfers/Uses [2]	(2,282)	(1,570)	712	31.2%
Closing Balance (Extraordinary Monetary Settlements)	5,335	4,181	(1,154)	-21.6%
Closing Fund Balance (Including Extraordinary Monetary Settlements)	7,749	6,694	(1,055)	-13.6%

[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 $39 million will be used to fund an unbudgeted expense for litigation. 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.

As shown in the preceding table, the State expects to end FY 2018 with a General Fund cash balance of $6.7 billion, a decrease of $1.1 billion 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 estimates, including transfers from other funds, total $69.8 billion in FY 2018, an increase of $4.1 billion (6.2 percent) from FY 2017 results. Estimated tax collections, including transfers of tax receipts to the General Fund after payment of debt service, total $66.5 billion in FY 2018, an increase of $4.2 billion (6.7 percent) from FY 2017 results.

Estimated PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, total $45.3 billion, an increase of $2.5 billion (5.8 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 $13.3 billion in FY 2018, an increase of $691 million (5.5 percent) from FY 2017, which mainly reflects projected growth in disposable income and taxable consumption.

Business tax receipts are estimated at $5.7 billion in FY 2018, an increase of $957 million (20.1 percent) from FY 2017. The significant growth is primarily attributable to the absence of one-time factors that affected FY 2017 receipts. Prior fiscal year collections were lower than planned due to lower audit receipts from corporate franchise taxpayers and a shortfall in cash payments associated with tax year 2015 final returns. These issues are not expected to recur.

Other tax receipts, including transfers after payment of debt service on Clean Water/Clean Air Bonds, are expected to total $2.1 billion in FY 2018, an increase of $45 million (2.2 percent) from FY 2017. This increase is mainly attributable to projected growth in the 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 $144 million (-4.1 percent) from FY 2017, 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 expected to total $70.4 billion in FY 2018, an increase of $4.4 billion (6.7 percent) from FY 2017. General Fund disbursements reflect the cautious estimation 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 $47.1 billion in FY 2018, an increase of $2.6 billion (5.9 percent) from FY 2017. The increase includes $1.3 billion for School Aid (on a State fiscal year basis) and $919 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 (limited exceptions include DOH costs attributable to Medicaid administration, the EP program and increased State Police costs for additional security measures). The 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 and pending 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 $135 million (1.7 percent) from FY 2017. 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 $322 million (5.9 percent) over FY 2017. Health insurance costs for State employees and retirees are projected to increase by $275 million (7.4 percent), mainly due to increases in premiums. The State's annual pension payment is projected to grow by $94 million (3.8 percent).

General Fund transfers to other funds are projected to total $9.3 billion in FY 2018, an increase of $1.3 billion from FY 2017. Transfers for capital projects (excluding transfers funded with Extraordinary Monetary Settlements) are projected to increase by $1.3 billion, reflecting the timing of reimbursement from bond proceeds and planned disbursements from the DHBTF.

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 $6.7 billion, a decrease of $1.1 billion from FY 2017. The estimated balance of Extraordinary Monetary Settlements at the close of FY 2018 is $4.2 billion, a decrease of $1.2 billion from FY 2017. The decrease is due to the expected transfer of $882 million in Extraordinary Monetary Settlements to capital projects funds to support initiatives funded with Extraordinary Monetary Settlements and the use of $461 million for operating purposes and $39 million for the CSX judgment payment[7] from Extraordinary Monetary Settlements not appropriated in the FY 2018 Enacted Budget. Offsetting these withdrawals of General Fund resources during FY 2018 is $155 million in Extraordinary Monetary Settlements that is set aside for labor contracts and displayed in the Financial Plan tables as "Reserved for Potential Labor Agreements." (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 planned deposit of $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 planned use 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 resources carried in the Community Projects Fund ($17 million), and the undesignated fund balance carried in 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**	**6,694**	**(1,055)**
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**	**4,181**	**(1,154)**

[7] Note that additional CSX interest and attorney's fees are expected to be included in a subsequent State payment, and reflected in a future financial plan update.

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
FY 2018
(millions of dollars)

	General Fund	Other Funds	All Funds
April	7,405	4,111	11,516
May	3,140	3,344	6,484
June	3,014	4,666	7,680
July	3,790	5,526	9,316
August	3,704	5,222	8,926
September	6,545	2,662	9,207
October	6,039	3,430	9,469
November	4,331	2,520	6,851
December	8,438	1,999	10,437
January	10,968	3,375	14,343
February	10,183	3,306	13,489
March	6,694	3,120	9,814

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 $10.3 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. Pursuant to a May 24, 2017 consent order between the State 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. Neither the Updated Financial Plan nor the table below reflects the Habib Bank settlement payment of $225 million 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**	**416**	**10,280**
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
Other Settlements	7	0	(7)	33	33

Uses of Extraordinary Monetary Settlements

Consistent with the Executive's intention to use the majority of Extraordinary Monetary Settlements to fund capital investments and nonrecurring expenditures, the FY 2018 Enacted Budget authorizes the transfer/use of $5.4 billion in remaining resources from Extraordinary Monetary Settlements over a five-year period, in addition to $4.5 billion used as of the close of FY 2017.

Since FY 2015, DOB estimates the State has received, or expects to receive, a total of $10.3 billion in Extraordinary Monetary Settlements for violations of State laws by major financial and other institutions. A total of $7.7 billion is expected to finance various purposes from capital appropriations, including operating activities associated with the maintenance, protection, preservation, and operation of capital assets. Another $2.2 billion is or will 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 litigation costs, and costs of the Department of Law's Litigation Services Bureau.

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**	**4,181**	**2,519**	**1,432**	**779**
Receipt of Extraordinary Monetary Settlement Payment	**4,942**	**3,605**	**1,317**	**416**	**0**	**0**	**0**	**0**
Use/Transfer of Funds	**275**	**1,972**	**2,282**	**1,570**	**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 Judgment Payment	0	0	0	39	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**	**4,181**	**2,519**	**1,432**	**779**	**311**

Overview of the Updated Financial Plan

The Updated Financial Plan reflects the continued allocation of an additional $1.9 billion in unbudgeted Extraordinary Monetary Settlements to support the following measures:

- Buffalo Billion Phase II ($400 million): The Updated Financial Plan reflects an additional 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 commitment of $100 million over the next two years to continue counter-terrorism efforts in New York City, including increased security and anti-terror exercises at nine MTA-operated bridges and tunnels and sustaining increased deployment of National Guard resources at transportation hubs, which began in September 2014.

- Downtown Revitalization ($100 million): The Updated Financial Plan reflects an additional $100 million for the Downtown Revitalization Initiative to fund housing, economic development, transportation, and community projects to attract and retain residents, visitors, and businesses to downtowns. The existing program provides $100 million to ten communities currently experiencing population loss and/or economic decline.

- MTA Capital Plan ($65 million): The Updated Financial Plan reflects the commitment of an additional $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 an additional $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 remaining unionized employees, patterned on the PEF contract.

- General Fund Operations ($461 million): The Updated Financial Plan reflects the use of Extraordinary Monetary Settlements that were not appropriated in the FY 2018 Enacted Budget.

- CSX Judgment Payment ($39 million): As noted above, the State's share of the CSX judgment is approximately $39 million, plus additional interest charges and attorney's fees to be reflected in future financial plan updates. The Updated Financial Plan assumes that the judgment against the State will be funded with a portion of the recent BNPP payment.

April – June 2017
Operating Results

April – June 2017 Operating Results

This section provides a summary of operating results for April 2017 through June 2017 compared to (1) the results for the same time period in the prior fiscal year, FY 2017 (April 2016 through June 2016), and (2) the projections set forth in the Enacted Budget Financial Plan.

Results Compared to Prior Year - All Governmental Funds

All Governmental Funds results, as compared to the same period during the prior year, include a lower opening balance ($705 million), decreased receipts ($681 million), and higher spending ($3.1 billion). The combination of these annual changes resulted in a $4.5 billion decline in overall fund balance.

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

	Results		Increase/(Decrease)	
	FY 2017	FY 2018	$	%
OPENING BALANCE	**11,810**	**11,105**	**(705)**	**-6.0%**
RECEIPTS:	**38,421**	**37,740**	**(681)**	**-1.8%**
Total Taxes	**19,835**	**18,628**	**(1,207)**	**-6.1%**
Personal Income Tax	13,293	11,754	(1,539)	-11.6%
All Other Taxes	6,542	6,874	332	5.1%
Miscellaneous Receipts	**5,904**	**5,264**	**(640)**	**-10.8%**
Federal Grants	**12,682**	**13,848**	**1,166**	**9.2%**
SPENDING:				
LOCAL ASSISTANCE	**16,190**	**17,118**	**928**	**5.7%**
School Aid	5,857	6,430	573	9.8%
DOH Medicaid[1]	4,970	5,421	451	9.1%
All Other	5,363	5,267	(96)	-1.8%
STATE OPERATIONS	**8,134**	**8,441**	**307**	**3.8%**
Agency Operations	**4,589**	**4,783**	**194**	**4.2%**
Executive Agencies	2,369	2,484	115	4.9%
University Systems	1,556	1,612	56	3.6%
Elected Officials	664	687	23	3.5%
General State Charges	**3,545**	**3,658**	**113**	**3.2%**
Pension Contribution	2,167	2,250	83	3.8%
Health Insurance	925	964	39	4.2%
Other Fringe Benefits/Fixed Costs	453	444	(9)	-2.0%
DEBT SERVICE	**366**	**422**	**56**	**15.3%**
CAPITAL PROJECTS	**0**	**0**	**0**	**0.0%**
TOTAL STATE OPERATING FUNDS	**24,690**	**25,981**	**1,291**	**5.2%**
CAPITAL PROJECTS (State and Federal)	**1,923**	**2,101**	**178**	**9.3%**
FEDERAL OPERATING AID	**11,387**	**13,054**	**1,667**	**14.6%**
TOTAL ALL GOVERNMENTAL FUNDS	**38,000**	**41,136**	**3,136**	**8.3%**
OTHER FINANCING SOURCES	**(11)**	**(29)**	**(18)**	**-163.6%**
CHANGE IN OPERATIONS	**410**	**(3,425)**	**(3,817)**	**-930.6%**
CLOSING BALANCE	**12,220**	**7,680**	**(4,522)**	**-37.0%**

[1] Includes the Essential Plan (EP).

Receipts

Through June 2017, All Funds tax receipts were $1.2 billion, or 6.1 percent, lower than results in the prior year, and primarily concentrated in PIT ($1.5 billion, or 11.6 percent, lower). The decline is comprised of lower extension payments ($620 million) due to weak non-wage income growth in Tax Year 2016 and a largely timing-related increase in refunds ($1.1 billion). The growth in total refunds paid is attributable to the payment of an additional $800 million in refunds in January through March 2016 that was not paid in the same period of FY 2017, but rather paid in the beginning of FY 2018.

All other taxes combined were $332 million higher than the prior year, mainly due to business tax collections and a substantial estate tax payment. Business tax collections reflect higher gross receipts across taxes mainly the result of late filing of mandatory first installment payments. The 2017 mandatory first installment was due March 15, however several taxpayers filed these payments in April 2017.

Miscellaneous Receipts were $640 million below the prior year, primarily reflecting the maturity of and subsequent availability of bond proceeds in June 2017, which were deposited for reimbursement of prior year spending.

Federal grants were $1.2 billion, or 9.2 percent, higher than FY 2017, consistent with the impact of the annual changes in Federal spending.

Spending

Through June 2017, State Operating Funds spending totaled nearly $26 billion, an increase of $1.3 billion, or 5.2 percent, above the same period last year. As described later, the Enacted Budget Financial Plan anticipated substantial increases in spending for the first three months of FY 2018 compared to the same period in FY 2017, but actual results were lower due to the timing of certain payments. DOB does not expect annual spending will exceed FY 2018 estimates in the Enacted Budget Financial Plan.

Local assistance growth includes the school aid "tail" payment of the 2017 school year ($573 million) and growth in Medicaid ($451 million) driven by increased spending for managed care claims. This growth is partly offset by a decline in fee-for-service expenses.

State operations spending growth includes planned cost increases for pensions and health insurance ($122 million) and the cost of collective bargaining agreements for PEF and M/Cs, including retroactive payments for FY 2017 disbursed during the month of June in the current fiscal year ($38 million). Additionally, non-personal services expenses for information technology services were higher due to the timing of certain payments made in the first quarter of FY 2018 that were not disbursed, as previously expected, in March 2017 ($45 million), and contractual expenses for the Medicaid and EP programs disbursed earlier than normal in comparison to prior years ($46 million).

Beyond State Operating Funds, higher Capital Projects Funds spending ($178 million) was primarily due to ESD spending for expenses related to the Moynihan Station construction project ($150 million).

Federal operating spending growth of $1.7 billion includes higher Medicaid spending ($1.3 billion), which was driven primarily by growth in claiming expenses and the DSRIP program ($987 million); and growth in EP spending ($272 million) due to enrollment growth. The second largest area of growth is for education ($232 million), which was driven by recent Title I Grants and IDEA claim submissions from New York City. Federal education payments are not made on a fixed schedule, but are processed in batches as claims are submitted, with the volume of payments sometimes increasing significantly based on the pattern of claims submitted by New York City.

Results Compared to Prior Plan – All Governmental Funds

The State ended June 2017 with a closing balance of $7.7 billion in All Funds, or $1.2 billion above the FY 2018 Enacted Budget Financial Plan estimate. The higher balance is mainly due to $1.4 billion in lower spending, partly offset by $195 million in lower receipts.

ALL GOVERNMENTAL FUNDS MEASUREMENT TO PLAN
April through June 2017
(millions of dollars)

	Enacted Plan	Results	Above/(Below) $	Above/(Below) %
OPENING BALANCE	**11,105**	**11,105**	**0**	**0.0%**
RECEIPTS:	**37,935**	**37,740**	**(195)**	**-0.5%**
Total Taxes	**18,943**	**18,628**	**(315)**	**-1.7%**
Personal Income Tax	12,253	11,754	(499)	-4.1%
Consumption / Use Tax	4,149	4,062	(87)	-2.1%
Business Taxes	1,657	1,879	222	13.4%
Other Taxes	884	933	49	5.5%
Miscellaneous Receipts	**5,009**	**5,264**	**255**	**5.1%**
Federal Grants	**13,983**	**13,848**	**(135)**	**-1.0%**
SPENDING:				
LOCAL ASSISTANCE	**17,779**	**17,118**	**(661)**	**-3.7%**
School Aid	6,494	6,430	(64)	-1.0%
DOH Medicaid[1]	5,676	5,421	(255)	-4.5%
Transportation	1,178	1,183	5	0.4%
STAR	58	57	(1)	-1.7%
Social Services	798	682	(116)	-14.5%
Higher Education	985	1,010	25	2.5%
Mental Hygiene	599	611	12	2.0%
All Other	1,991	1,724	(267)	-13.4%
STATE OPERATIONS	**8,226**	**8,441**	**215**	**2.6%**
Agency Operations	**4,694**	**4,783**	**89**	**1.9%**
Personal Service:	3,383	3,434	51	1.5%
Executive Agencies	1,843	1,826	(17)	-0.9%
University Systems	1,005	1,046	41	4.1%
Elected Officials	535	562	27	5.0%
Non-Personal Service:	1,311	1,349	38	2.9%
Executive Agencies	649	658	9	1.4%
University Systems	530	566	36	6.8%
Elected Officials	132	125	(7)	-5.3%
General State Charges	**3,532**	**3,658**	**126**	**3.6%**
Pension Contribution	2,248	2,250	2	0.1%
Health Insurance	979	964	(15)	-1.5%
Other Fringe Benefits/Fixed Costs	305	444	139	45.6%
DEBT SERVICE	**417**	**422**	**5**	**1.2%**
CAPITAL PROJECTS	**0**	**0**	**0**	**0.0%**
TOTAL STATE OPERATING FUNDS	**26,422**	**25,981**	**(441)**	**-1.7%**
CAPITAL PROJECTS (State and Federal Funds)	**2,852**	**2,101**	**(751)**	**-26.3%**
FEDERAL OPERATING AID	**13,226**	**13,054**	**(172)**	**-1.3%**
TOTAL ALL GOVERNMENTAL FUNDS	**42,500**	**41,136**	**(1,364)**	**-3.2%**
OTHER FINANCING SOURCES	**(32)**	**(29)**	**3**	**9.4%**
CHANGE IN OPERATIONS	**(4,597)**	**(3,425)**	**1,172**	**25.5%**
CLOSING BALANCE	**6,508**	**7,680**	**1,172**	**18.0%**

[1] Includes the Essential Plan (EP).

Receipts

Through June 2017, total tax receipts were $315 million below the estimates in the Enacted Budget Financial Plan. PIT collections were $499 million below the estimate. The shortfall in PIT receipts was driven by weaker than expected June 2017 quarterly estimated payments, which had been projected to grow by 9.1 percent in June 2017 but instead slightly declined, and greater than projected refund payments. The PIT refund variance is timing-related and expected to result in reduced October 2017 settlement-related refunds. Business tax collections were above plan due to higher gross receipts for both corporate franchise and insurance taxes in June 2017 for calendar year estimated payments, and the receipt of several amended corporate franchise returns from prior years.

Miscellaneous receipts exceeded projections in the Enacted Budget Financial Plan by $255 million in total, primarily reflecting the impact of the $350 million Extraordinary Monetary Settlement payment from BNPP in June 2017. Partly offsetting the overall variance was lower than planned HCRA surcharge collections ($80 million), reflecting timing primarily associated with revenue recoupments occurring ahead of schedule.

Federal grants were $135 million lower than estimated, which is consistent with the variances in Federal spending.

Spending

Compared to the initial projections, State Operating Funds spending was $441 million below plan, or 1.7 percent lower, reflecting a mix of lower expenses for local assistance ($661 million) and higher expenses for State operations ($215 million).

Lower local assistance spending compared to the Enacted Budget Financial Plan is mainly driven by lower Medicaid spending due to the timing of certain rate packages that will increase provider rates that are waiting for Federal approval and will be paid retroactively upon such approval ($103 million), and the reconciliation of Federal ACA funding that is expected to be a State cost ($152 million). Other causes of local assistance spending variances from the Enacted Budget Financial Plan projections include under-spending due to the timing of processing for Excess Medical Malpractice payments ($112 million), non-public schools ($61 million), and charter school General Legislative Operations Program (GLOP) ($54 million), and OCFS programs -- day care programs ($70 million), Foster Care Block Grant and Youth Programs ($40 million).

State Operations (including fringe benefits) spending was $215 million above the Enacted Budget Financial Plan projections due to personal and non-personal service expenses ($89 million combined) driven mostly by SUNY ($77 million), as well as higher fringe benefit expenses ($126 million) due to lower than planned reimbursement from other funds related to FY 2017 prepayments.

Beyond State Operating Funds, lower capital spending ($751 million) mainly occurred for transportation ($455 million), special infrastructure projects ($74 million), environmental programs ($70 million), and economic development activity ($55 million). This under-spending was driven by delayed implementation of project spending, and is expected to occur later in FY 2018. Federal spending was also lower ($172 million) due to the delayed Medicaid rate plan approvals in FY 2018.

Results Compared to Prior Plan - General Fund

In the General Fund, total receipts were below projections by $5 million and spending lagged behind projections by $553 million, resulting in a fund balance of $548 million higher than initial projections.

GENERAL FUND OPERATING RESULTS
APRIL 2017 THROUGH JUNE 2017
(millions of dollars)

	Enacted Plan	Results	Above/(Below) Enacted Plan $	Above/(Below) Enacted Plan %
Opening Balance	**7,749**	**7,749**	**0**	**0.0%**
Total Receipts	**17,603**	**17,598**	**(5)**	**0.0%**
Taxes:	17,160	16,811	(349)	-2.0%
Personal Income Tax[1]	12,176	11,678	(498)	-4.1%
Consumption / Use Taxes[1]	3,307	3,233	(74)	-2.2%
Business Taxes	1,156	1,328	172	14.9%
Other Taxes[1]	521	572	51	9.8%
Receipts and Grants	422	772	350	82.9%
Transfers From Other Funds	21	15	(6)	-28.6%
Total Spending	**22,886**	**22,333**	**(553)**	**-2.4%**
Local Assistance	14,201	13,642	(559)	-3.9%
State Operations (including GSCs)	5,041	5,203	162	3.2%
Debt Service Transfer	272	275	3	1.1%
Capital Projects Transfer	1,122	1,015	(107)	-9.5%
State Share of Medicaid Transfer	381	337	(44)	-11.5%
SUNY Operations Transfer	654	653	(1)	-0.2%
All Other Transfers	1,215	1,208	(7)	-0.6%
Change in Operations	**(5,283)**	**(4,735)**	**548**	**10.4%**
Closing Balance	**2,466**	**3,014**	**548**	**22.2%**

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

General Fund tax collections were $349 million below the estimate, consistent with the All Funds summary above. This was offset by an unplanned $350 million Extraordinary Monetary Settlement payment from BNPP in June 2017.

Through June 2017, General Fund disbursements, including transfers to other funds, were $553 million below the projection in the Enacted Budget Financial Plan. Lower local assistance ($559 million) and higher agency operations ($162 million) spending are similar to 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 the first quarter.

Other Matters Affecting the Financial Plan

Other Matters Affecting the Financial Plan

General

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

The Updated Financial Plan is based on numerous assumptions, including the condition of the State and national economies, and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impacts of: national and international events; ongoing financial instability in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; major terrorist events, hostilities or war; climate change and extreme weather events; Federal statutory and regulatory changes concerning financial sector activities; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments which may adversely affect bonus income and capital gains realizations; the effect of household debt on consumer spending and State tax collections; and the 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 additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary financing of operating expenses; 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, in SY 2019, School Aid is projected to increase by 4.3 percent, a level $100 million higher than the estimated 3.9 percent growth in personal income. In addition, since FY 2014, the State has annually authorized spending for School Aid 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.

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

The Updated Financial Plan forecast contains specific transaction risks and other uncertainties including, but not limited to: receipt of certain payments from public authorities; receipt of certain 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 fund balances to the

[8] The Seneca Nation withheld a payment to the State that was expected in June 2017. The State and Seneca Nation are in discussions over the payment. The Updated Financial Plan assumes successful resolution by March 2018.

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

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 were not being implemented as planned, upward pressure to the reported level of annual spending growth in State Operating Funds could have occurred.

In developing the Updated Financial Plan, DOB attempts to mitigate the financial risks from receipts volatility, litigation, and unexpected costs, with a particular emphasis on the General Fund. It does this by, among other things, exercising caution when calculating total General Fund disbursements, and managing the accumulation of financial resources that can be used to offset new costs (including, but not limited to, fund balances not needed in a given year, acceleration of tax refunds above the level budgeted in a given year, and prepayment of expenses). There can be no assurance that 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, and other governmental purposes, as well as Federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. Current financial projections concerning Federal aid, 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 2017 or 2018, or both, or Federal statutory or regulatory changes: (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 to the potential fiscal impact of policies that may be adopted by the Federal government, 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. The Enacted Budget 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 issues of particular concern are described below.

Maintaining Current Federal Aid

The Trump Administration has proposed significant cuts to domestic programs in Federal FY 2018, and Federal funding for some mandatory programs such as the Children's Health Insurance Program are set to expire at the end of Federal FY 2017. If the proposed cuts are adopted or the mandatory programs set to expire in Federal FY 2017 are not continued, it could lead to a reduction of billions of dollars to the State.

The Federal government has approved a continuing resolution for Federal fiscal year 2018 that would keep the Federal government operating through December 8, 2017. The continuing resolution is part of a package (PL 115-56) that includes (i) $15 billion for hurricane response and (ii) a temporary suspension of the debt limit through December 8, 2017.

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, put at risk a significant amount of Federal aid for health care. Major components of the bill, as passed by the House of Representatives and as proposed to be amended by certain Senators, include ending the Basic Health Plan, 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 adopted by both houses of Congress, these policies would have a substantial adverse impact on the Updated Financial Plan.

It remains possible that this or other legislative proposals may become law. DOB will continue to monitor Federal health care policy.

Medicaid Redesign Team (MRT) Medicaid Waiver

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

Since January 1, 2014, in accordance with provisions of the ACA, 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

Federal legislation signed into law on September 8, 2017, has suspended the Federal debt limit through December 8, 2017, 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 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)

Legislation has been enacted to implement a three-year collective bargaining agreement providing 2 percent annual increases (FY 2017, FY 2018, and FY 2019) for employees represented by PEF and comparable increases for M/C employees. The agreement with PEF follows the one-year retroactive labor agreement authorizing payment of a 2 percent general salary increase to members for the period April 1, 2015 through March 31, 2016. The Graduate Student Employees Union (GSEU) have agreed to a similar three-year deal. The GSEU membership voted to ratify on March 3, 2017.

The New York State Police Investigators Association (NYSPIA) achieved a multi-year collective bargaining agreement patterned after the State's 2015 legislative session deals with the State Police Troopers and Commissioned and Non-Commissioned Officers. The enacted NYSPIA pay bill provides the same schedule of general salary increases provided to the Police Benevolent Association of the New York State Troopers (NYSPBA) members; specifically, a 2 percent general salary increase for each of FY 2015 and FY 2016, in their entirety, and a 1.5 percent general salary increase for each of FY 2017 and FY 2018, respectively.

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

On June 20, 2017, the State and CSEA reached a tentative agreement on a five-year labor contract that provides annual salary increases of 2 percent for FYs 2017 through 2021. The agreement was ratified by CSEA membership in August 2017. The Updated Financial Plan reflects annual salary increases of 2 percent through FY 2021.

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.

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

Pension Amortization[9]

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 authorizes 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[10]) to a system-wide amortization threshold (i.e., the graded rate). Graded rates are determined for the Employees' Retirement System (ERS) and the Police and Fire Retirement System (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.

The amortization threshold is projected to approximate the normal rate in upcoming fiscal years. Therefore, the Updated Financial Plan does not assume amortization of State pension costs (including the Office of Court Administration) beyond FY 2016.

The following table reflects projected pension contributions and amortizations exclusively for Executive branch and Judiciary employers participating in ERS and PFRS. The "Normal Costs" column shows the State's underlying pension cost in each fiscal year, before the effects of amortization as authorized in 2010. 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" column provides the State's actual or planned pension contribution, inclusive of amortization. The "Interest

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

[10] 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.

Rate" 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.

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	17.8	24.7	14.5	22.5
2017	1,788.6	0.0	432.1	2,220.7	2.33	15.0	24.3	15.1	23.5
2018 Est.	1,881.0	0.0	432.1	2,313.1		14.9	24.3	14.9	24.3
Projected by DOB[5]									
2019	1,982.6	0.0	432.1	2,414.7		15.6	25.3	15.6	25.3
2020	2,093.0	0.0	432.1	2,525.1		16.6	26.3	16.6	26.3
2021	2,316.7	0.0	432.1	2,748.8		17.6	27.3	17.6	27.3
2022	2,530.6	0.0	399.8	2,930.4		18.6	28.3	18.6	28.3
2023	2,556.6	0.0	331.3	2,887.9		18.7	29.3	18.7	29.3
2024	2,582.7	0.0	240.1	2,822.8		18.5	29.1	18.5	29.1
2025	2,609.0	0.0	126.4	2,735.4		18.3	28.7	18.3	28.7
2026	2,635.0	0.0	42.2	2,677.2		18.1	28.3	18.1	28.3

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.

Pension Contributions[11]

Overview

The State makes annual contributions to the New York State and Local Retirement System (NYSLRS) for employees in ERS and 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.[12] 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 estimate of $2.3 billion is based on the most recent bill prepared by OSC as of February 2017. The estimate 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 preliminary FY 2018 ERS/PFRS pension estimate is impacted by the FY 2016 investment return of 0.2 percent, which was below the Comptroller's assumed rate of return (7 percent). However, the past year's underperformance is offset by stronger investment returns in the previous four years and growth in the number of lower cost Tier 6 members. As a result, the average contribution rate for ERS will decrease slightly from 15.5 percent of payroll to 15.3, while the average contribution rate for PFRS will increase slightly from 24.3 percent of payroll to 24.4 percent.[13]

Pension estimates also reflect 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, 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)

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

[12] The State's aggregate pension costs also include costs for State employees in the Teachers' Retirement System (TRS) for both the State University of New York (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).

[13] Average contribution rates include the Group Life Insurance Program (GLIP), and thus differ from the system average normal rates reported in the previous table.

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 cost to the State for ERS (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 $100 million in FY 2018; $79 million in FY 2019; and $49 million in FY 2020. Additionally, the State expects ongoing costs of $7 million beginning in FY 2021 as new cohorts of veterans become eligible to purchase the credit.

Outyear Projections

Pension estimates for FY 2019 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.

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 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 asset condition at the end of FY 2017 by $2.4 billion.

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

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

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

GASB Statement 75 is not expected to alter the Updated Financial Plan PAYGO projections for health insurance, as the DOB methodology for forecasting these costs over a multi-year period already incorporates factors and considerations consistent with the new actuarial methods and calculations required by the GASB Statement. The FY 2018 Enacted Budget includes legislation to establish a Retiree Health Benefit Trust Fund (described below) for the purpose of funding health benefits of retired State employees and their dependents.

Retiree Health Benefit Trust

The FY 2018 Enacted Budget includes 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 OPEB liability (currently $72.8 billion for the State and $14.4 billion for SUNY). The Updated Financial Plan does not include any deposits to the Trust Fund.

Litigation

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

Storm Recovery

New York State continues to recover from the damage sustained during three powerful storms that crippled entire regions. In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various 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.

Climate Change Adaptation

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

Cybersecurity

New York State government, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the State and its public corporations and municipalities face multiple cyber threats including, but not limited to, hacking, 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.

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

Bond Market

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

Debt Reform Act Limit

The Debt Reform Act of 2000 ("Debt Reform Act") restricts the issuance of State-supported debt to capital purposes only, and for 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. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001, and was fully phased in at 4 percent of personal income during FY 2011. The cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001, and was fully phased in at 5 percent during FY 2014. DOB, as administrator of the Act, determined that the State was in compliance with the statutory caps in the most recent calculation period (FY 2016).

Current projections anticipate that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $6.1 billion in FY 2017 to about $88 million in FY 2021. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. In addition, the projected room under the debt cap is dependent on expected growth 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	1,194,096	4.00%	47,764	41,623	6,141	3.49%	0.51%	7,999	49,622
FY 2018	1,253,809	4.00%	50,152	45,220	4,932	3.61%	0.39%	6,710	51,930
FY 2019	1,307,717	4.00%	52,309	49,605	2,704	3.79%	0.21%	5,804	55,409
FY 2020	1,368,287	4.00%	54,731	53,840	892	3.93%	0.07%	4,937	58,777
FY 2021	1,430,765	4.00%	57,231	57,143	88	3.99%	0.01%	3,461	60,603
FY 2022	1,495,424	4.00%	59,817	59,649	168	3.99%	0.01%	2,829	62,477

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	161,863	5.00%	8,093	4,530	3,563	2.80%	2.20%	747	5,277
FY 2019	166,628	5.00%	8,331	5,134	3,198	3.08%	1.92%	1,294	6,428
FY 2020	170,170	5.00%	8,509	5,710	2,799	3.36%	1.64%	1,381	7,091
FY 2021	172,198	5.00%	8,610	6,156	2,454	3.57%	1.43%	1,201	7,356
FY 2022	174,819	5.00%	8,741	6,498	2,243	3.72%	1.28%	748	7,246

The State's available debt capacity under its statutory debt cap reflects the impact of several factors since the Enacted Budget Financial Plan. These include a reduction to the personal income forecast, actual bond sale results to date, and adjustment of debt issuances to align with projected bond-financed capital spending. 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
Enacted Budget Financial Plan	**6,188**	**5,170**	**2,137**	**544**	**82**	**490**
Personal Income Forecast Adjustment	(47)	(204)	(202)	(186)	(195)	(195)
Debt Issuances Adjustment	0	(34)	769	534	201	(127)
First Quarterly Update Financial Plan	**6,141**	**4,932**	**2,704**	**892**	**88**	**168**

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 the Dormitory Authority of the State of New York (DASNY) and the hospitals and certain reserve funds held by the applicable trustees for the bonds. 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 will provide both interim and long-term health care services. The Fortis affiliate plans to develop a mixed-use project. The agreement was approved by the Offices of the Attorney General and the State Comptroller, and the sale of all or substantially all of the assets of Holdings was approved by the State Supreme Court in Kings County. The initial closing was held as of September 1, 2015, and on September 3, 2015 sale proceeds of approximately $120 million were transferred to the trustee for the PIT Bonds, which were paid and legally defeased from such proceeds. Title to 17 of the 20 properties was conveyed to the special purpose entities formed by the Purchaser to hold title.

The next closing, when title to the New Medical Site (NMS) portion of the LICH property is to be conveyed to NYU Hospitals Center (the NMS Closing), is anticipated to occur within 30 days after all buildings on the NMS are fully demolished and all environmental issues remediated by the Purchaser. 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, title to the two remaining portions of the LICH properties will be conveyed to special purpose entities of Fortis, and Holdings will receive the balance of the purchase price, $120 million less the remaining down payment. The final closing is conditioned upon completion of the 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 FYs 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.

State Financial Plan Projections Fiscal Years 2018 Through 2021

Summary

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

The projections for FY 2018 and thereafter set forth in the Updated Financial Plan reflect the savings that DOB estimates would be realized if the 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 percent Spending Benchmark.” The total disbursements in the Updated Financial Plan tables do not assume these savings. Such savings will be developed and proposed in future budgets. If the State exceeds the 2 percent State Operating Funds spending benchmark in FY 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	66,460	68,776	71,440	73,831
Miscellaneous Receipts/Federal Grants	3,813	2,505	2,131	2,135	2,058
Other Transfers	818	1,213	736	720	720
Total Receipts	**66,895**	**70,178**	**71,643**	**74,295**	**76,609**
DISBURSEMENTS					
Local Assistance	44,439	47,081	50,169	53,186	55,863
School Aid	21,017	22,323	23,438	24,519	25,783
Medicaid/EP	12,447	13,366	14,227	15,318	16,170
All Other	10,975	11,392	12,504	13,349	13,910
State Operations	8,087	8,222	8,773	9,167	9,650
Personal Service	6,065	5,976	6,239	6,490	6,927
Non-Personal Service	2,022	2,246	2,534	2,677	2,723
General State Charges	5,462	5,784	6,320	6,783	7,344
Transfers to Other Funds	10,092	10,146	12,126	12,251	12,161
Debt Service	924	916	1,144	1,042	1,067
Capital Projects	2,569	2,623	4,047	3,869	3,488
State Share of Mental Hygiene Medicaid	1,239	1,301	1,231	1,119	1,119
SUNY Operations	996	1,015	1,005	1,001	1,001
All Other	4,364	4,291	4,699	5,220	5,486
Total Disbursements	**68,080**	**71,233**	**77,388**	**81,387**	**85,018**
Use (Reservation) of Fund Balance:	**1,185**	**1,055**	**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
Extraordinary Monetary Settlements[1]	965	1,154	1,662	1,087	653
BUDGET SURPLUS/(GAP) PROJECTIONS[2]	**0**	**0**	**(4,083)**	**(6,005)**	**(7,756)**
Adherence to 2% Spending Benchmark[3]	**n/a**	**n/a**	**3,242**	**5,968**	**8,156**
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**(841)**	**(37)**	**400**

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 benchmark.

3 Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected operating position would decline.

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	76,596	79,884	83,135	85,805
Miscellaneous Receipts/Federal Grants	21,830	19,784	18,983	18,890	18,586
Total Receipts	**94,819**	**96,380**	**98,867**	**102,025**	**104,391**
DISBURSEMENTS					
Local Assistance	64,369	66,075	69,062	72,125	74,859
School Aid (School Year Basis)	24,689	25,727	26,827	27,950	29,260
DOH Medicaid[1]	18,243	19,085	20,120	21,109	21,922
Tobacco Funding of Local Medicaid Takeover	0	(103)	(329)	(327)	(371)
Transportation	4,977	5,027	5,078	5,174	5,239
STAR	3,139	2,630	2,520	2,453	2,437
Higher Education	2,874	2,800	3,134	3,197	3,248
Social Services	2,935	2,969	3,056	3,203	3,276
Mental Hygiene	2,461	2,487	2,955	3,234	3,447
All Other[2]	5,051	5,453	5,701	6,132	6,401
State Operations	18,680	18,740	19,200	19,662	20,263
Personal Service	13,093	12,935	13,180	13,519	14,060
Non-Personal Service	5,587	5,805	6,020	6,143	6,203
General State Charges	7,634	8,059	8,656	9,195	9,826
Pension Contribution	2,446	2,540	2,647	2,761	2,990
Health Insurance	3,708	3,983	4,260	4,551	4,860
All Other	1,480	1,536	1,749	1,883	1,976
Debt Service	5,514	5,292	6,455	7,120	7,385
Capital Projects	2	2	0	0	0
Total Disbursements [3]	**96,199**	**98,168**	**103,373**	**108,102**	**112,333**
Net Other Financing Sources/(Uses)	364	332	(1,011)	(770)	(350)
Adherence to 2% Spending Benchmark[4]	**n/a**	**n/a**	**3,242**	**5,968**	**8,156**
GENERAL FUND BUDGET SURPLUS/(GAP)	**0**	**0**	**(841)**	**(37)**	**400**

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 benchmark.

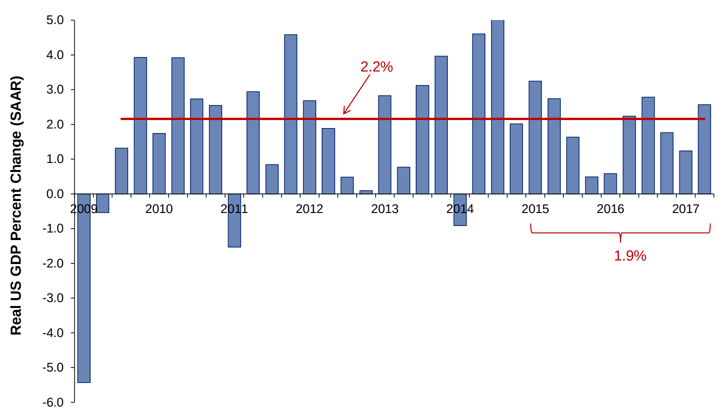
4 Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, projected operating position would decline.

Economic Backdrop

The U.S. Economy

Now in its ninth year, the U.S. economic expansion continues at a pace of about 2 percent. Based on the most recent data published by the U.S. Bureau of Economic Analysis (BEA), the national economy exhibited average quarterly growth of 2.1 percent in the first half of calendar year 2017, stronger than the Enacted Budget Financial Plan forecast. The most recent data indicate that household spending and business investment were stronger than estimated in the Enacted Budget Financial Plan, while the housing market and inventories were weaker than estimated in the Enacted Budget Financial Plan. Stronger average quarterly growth of 2.6 percent is expected for the second half of calendar year 2017, with the help of improving business investment, single-family home construction, and export growth. Real household spending growth averaging 2.4 percent is expected for the second half of 2017, supported by steady gains in employment, real disposable income, and household wealth, although decelerating light-vehicle sales pose a risk. The national economy is estimated to grow 2.2 percent in calendar year 2017, well above 2016's subpar growth of 1.5 percent, but not better than the post-recession average.

US Economic Growth Remains Stuck in Low Gear



Source: Moody's Analytics.

Consistent with the Enacted Budget Financial Plan forecast, the national private sector labor market saw average monthly gains of 173,000 jobs during the first half of calendar year 2017, above the average for all of 2016. Employment growth is expected to slow further as the expansion matures, with average monthly gains of 155,000 expected for the remainder of the year, which is expected to bring the unemployment rate down. Although the conventional unemployment rate has returned to its pre-recession low, broader measures of under-employment, including the percentage of the workforce working part-time, remain elevated, an indication that some labor market slack remains. From this, DOB concludes that the labor market still has room to grow. Total nonagricultural employment growth of 1.5 percent is projected for 2017, virtually unchanged from the Enacted Budget Financial Plan forecast, but a significant deceleration from 1.8 percent growth in 2016.

DOB's baseline forecast continues to abstract from future fiscal policy changes at the Federal level due to the substantial degree of uncertainty that exists at this time. However, expectations pertaining to tax policy changes can have a substantial impact on taxpayer behavior independent of the direct impact of such changes. In the immediate aftermath of the U.S. presidential election, anticipation began to mount that the new Congress and administration would be enacting Federal PIT rate reductions effective in calendar year 2017. In response, some wage payments were delayed from the fourth quarter of 2016 into the first quarter of 2017. Although this shifting was easily observable in State withholding data, it was not fully reflected in BEA national wage and income data until the end of July 2017. The most recent national estimates reflect a downward revision to wages for the fourth quarter of 2016 from a decline of 1.4 percent to a decline of 3.4 percent, while wage growth for the first quarter of 2017 was revised upward from 4.0 percent to 6.3 percent. DOB projects wage growth of 3.3 percent for 2017, following downwardly revised growth of 2.9 percent for 2016, and overall personal income growth of 3.7 percent for 2017, following growth of 2.4 percent for 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	2.4
CPI	1.3	1.9	1.8
Personal Income	2.4	3.7	4.5
Nonagricultural Employment	1.8	1.5	1.3

Source: Moody's Analytics; DOB staff estimates.

The national housing market saw strong growth in both the fourth quarter of 2016 and the first quarter of 2017. However, housing starts fell for three consecutive months from March 2017 to May 2017 before rising once again in June 2017. This pattern suggests that new residential construction was pulled forward due to unusually warm winter weather. With continued growth in home prices and the revival of housing starts in June 2017, residential investment can be expected to return to growth in the third quarter of 2017, but at a weaker pace than implied by the Enacted Budget Financial Plan forecast. DOB now estimates that real residential fixed investment will grow a downwardly revised 4.5 percent for 2017, down from 5.5 percent growth in 2016.

Improving global growth, a weakening dollar, and stronger corporate earnings all point to stronger growth in global demand for U.S. exports going forward. However, the export data through the first five months of 2017 have been weaker than projected in the Enacted Budget Financial Plan forecast. As a result, real export growth for 2017 has been revised down to 3.0 percent, an improvement from a 0.3 percent decline in 2016. Meanwhile, non-residential fixed investment growth in the first quarter of 2017 was the strongest since the third quarter of 2014, mainly fueled by the energy production sector. Indeed, the oil rig count grew for 13 consecutive months through June 2017. Capital spending in the oil production industry is expected to maintain its momentum even as oil prices continue to fluctuate near $50 per barrel. DOB expects growth in business fixed investment of 4.4 percent for 2017, following a decline of 0.6 percent for 2016.

Inflation pressure had been building during the final months of 2016. As expected, the Federal Open Market Committee decided to raise the federal funds rate by 25 basis points during its June 2017 meeting. However, energy prices started to shift downward in the second quarter of 2017, and other transitory factors, such as price declines in wireless telephone and medical care services, have also pushed inflation downward. Consequently, DOB expects inflation to take a more gradual path towards its long term expectation of 2.0 percent. Consumer price inflation of 1.9 percent is estimated for 2017, five-tenths of a percentage point lower than the Enacted Budget Financial Plan forecast.

DOB continues to expect another short-term interest rate hike at the end of 2017, before which the Federal Reserve is expected to begin implementing a balance sheet normalization program that gradually reduces the Federal Reserve's securities holdings by decreasing reinvestment of principal payments from those securities. After the June 2017 rate hike, longer term interest rates did not rise accordingly, resulting in a flattening of the yield curve. Balance sheet normalization is expected to lift long term interest rates and steepen the yield curve. Although a steeper yield curve could boost banking sector profits over the near-term, higher long-term interest rates represent a risk to the continued recovery of the housing market.

The potential for major changes in federal tax and expenditure policy represents both upside and downside risks to this forecast. Policies that stimulate more public or private business investment than anticipated could result in stronger growth in both the near-term and the long-term, particularly if those investments raise productivity growth. If recent above-trend labor market gains are more representative of true underlying strength than assumed, employment and income growth could exceed the Updated Financial Plan forecast. A stronger than projected housing market could have a similar result.

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. In addition, policies resulting in heightened international tensions could result in less global growth and diminished demand for U.S. exports relative to current projections. Similarly, any development that serves to undermine the upward momentum of the European and Chinese economies could result in weaker growth in U.S. exports, corporate profits, and equity market prices. A series of severely destructive tropical storms has struck the U.S. mainland and its territories, with over a month remaining in the current hurricane season. The immediate impact of these storms is likely to reduce economic growth in the third quarter and risks remain for the fourth quarter, although the rebuilding effort is likely to contribute positively to growth over the medium term. 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

New York State private sector employment growth has continued to slow, in line with weak national and global growth. After 10 consecutive quarters of growth above 2 percent, the rate of private job gains fell to 1.8 percent in the second quarter of calendar year 2016, with the slowdown continuing through the remainder of 2016. Indeed, private sector job growth had slowed to 1.4 percent by the fourth quarter of 2016, though growth accelerated to 1.6 percent in the first quarter of 2017, likely due to unusually warm winter weather. Nevertheless, private sector job growth for 2017 remains virtually unchanged from the Enacted Budget Financial Plan forecast at 1.4 percent, following 1.8 percent growth for 2016. Total employment growth of 1.3 percent is projected for 2017, after growth of 1.6 percent for 2016.

The post-election anticipation of lower PIT rates at the Federal level resulted in a marked shifting of wages, presumably in the form of bonus payouts, from the end of 2016 to the beginning of 2017. That pattern is now estimated to have resulted in wage growth of 6.0 percent in the first quarter of 2017, slightly above the Enacted Budget Financial Plan estimate, following a fourth quarter decline of 1.1 percent, the latter almost a full percentage point below the Enacted Budget Financial Plan estimate. On balance, total State wage growth for FY 2017 has been revised down to 3.4 percent. However, based on the most recent data, FY 2017 finance and insurance sector bonus growth has been revised up to modest growth of 2.0 percent. Both bonus and non-bonus wage growth, outside of the financial sector, have been revised downward since the Enacted Budget Financial Plan.

The first half of calendar year 2017 saw a significant improvement in financial sector revenues relative to the same period in 2016. Following two consecutive annual declines, Initial Public Offerings (IPOs) grew 167 percent during the first half of 2017 on a year-over-year basis and already exceed the value for all of 2016. However, given the extreme uncertainty governing the current environment, revenues for the second half of 2017 are not expected to be as strong. As a result, finance and insurance sector bonus growth of 4.4 percent is projected for FY 2018, unchanged from the Enacted Budget Financial Plan forecast. Overall wage growth of 4.2 percent is projected for FY 2018, virtually unchanged from the Enacted Budget 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	3.8	3.2	4.7
Wages	4.3	3.4	4.2
Nonagricultural Employment	1.9	1.5	1.2

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

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, both the volume of financial market activity and the volatility in equity markets pose a particularly large degree of uncertainty for New York. Under a still evolving regulatory environment, the pattern of Wall Street bonus payouts continues to shift, with payments now more widely dispersed throughout the year. Taxable payouts can represent both current-year awards and deferred payments from prior years, with the deferral ratio itself proving to be unstable. 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, with Federal tax policy in flux, and taxpayers strategically responding to anticipated changes in tax policy, the uncertainty surrounding the forecast for bonuses and various forms of taxable non-wage income is even further heightened. A moderate rebound in capital gains realizations of 12.5 percent is expected for the 2017 tax year, following a decline of close to 20 percent for the 2016 tax year, as taxpayers deferred financial transactions in order to take advantage of an anticipated lower tax rate in 2017 that never materialized. However, should substantial reductions in Federal tax rates for the nation's top income earners be enacted and scheduled to take effect January 1, 2018, yet another round of income shifting could ensue, creating downside risk to income and tax revenue estimates related to the 2017 tax year.

Receipts

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

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

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

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

Overview of the Receipts Forecast

All Funds receipts in FY 2018 are projected to total $161.9 billion, 3.5 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	49,383	3.8%	51,873	5.0%	53,918	3.9%	55,465	2.9%
Consumption/Use Taxes	16,212	16,857	4.0%	17,465	3.6%	18,023	3.2%	18,594	3.2%
Business Taxes	6,979	7,969	14.2%	8,127	2.0%	8,587	5.7%	8,957	4.3%
Other Taxes	2,236	2,276	1.8%	2,311	1.5%	2,420	4.7%	2,535	4.8%
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**	**77,923**	**4.8%**	**81,279**	**4.3%**	**84,526**	**4.0%**	**87,196**	**3.2%**
Miscellaneous Receipts	26,594	26,755	0.6%	26,694	-0.2%	26,306	-1.5%	25,422	-3.4%
Federal Receipts	55,406	57,187	3.2%	58,656	2.6%	59,342	1.2%	59,581	0.4%
Total All Funds Receipts	**156,372**	**161,865**	**3.5%**	**166,629**	**2.9%**	**170,174**	**2.1%**	**172,199**	**1.2%**

State tax receipts are estimated to increase 4.8 percent in FY 2018, with increases across all tax categories. The estimated rebound to moderate growth is due to the tax cut in the corporate franchise tax rate on business income, from 7.1 percent in tax year 2015 to 6.5 percent in tax year 2016, and taxpayer behavior impacts that reduced FY 2017 collections but do not recur in FY 2018.

Consistent with the projected growth in the State economy over the multi-year Financial Plan period beyond FY 2018, all tax categories are projected to exhibit 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 4.6 percent in FY 2018 and 4.7 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**	**49,383**	**3.8%**	**51,873**	**5.0%**	**53,918**	**3.9%**	**55,465**	**2.9%**
Gross Collections	56,517	59,310	4.9%	62,991	6.2%	65,995	4.8%	66,821	1.3%
Refunds (Incl. State/City Offset)	(8,952)	(9,927)	-10.9%	(11,118)	-12.0%	(12,077)	-8.6%	(11,356)	6.0%
GENERAL FUND[1]	**32,535**	**34,407**	**5.8%**	**36,385**	**5.7%**	**37,986**	**4.4%**	**39,214**	**3.2%**
Gross Collections	56,517	59,310	4.9%	62,991	6.2%	65,995	4.8%	66,821	1.3%
Refunds (Incl. State/City Offset)	(8,952)	(9,927)	-10.9%	(11,118)	-12.0%	(12,077)	-8.6%	(11,356)	6.0%
STAR	(3,139)	(2,630)	16.2%	(2,520)	4.2%	(2,453)	2.7%	(2,385)	2.8%
RBTF	(11,891)	(12,346)	-3.8%	(12,968)	-5.0%	(13,479)	-3.9%	(13,866)	-2.9%

[1]Excludes Transfers.

All Funds PIT receipts for FY 2018 are estimated to total $49.4 billion, an increase of $1.8 billion (3.8 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	15,924	17,521	19,069	18,712
Current Year	10,912	12,428	13,379	14,392	13,233
Prior Year[1]	4,060	3,496	4,142	4,677	5,479
Final Returns	2,588	2,511	2,669	2,818	2,978
Current Year	260	274	289	304	319
Prior Year[1]	2,328	2,237	2,380	2,514	2,659
Delinquent	1,433	1,416	1,487	1,551	1,588
Gross Receipts	56,517	59,310	62,991	65,995	66,821
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	1,750	1,750	1,750	1,750
Advanced Credit Payment	678	689	1,247	1,709	479
State/City Offset[1]	851	873	898	824	849
Total Refunds	8,952	9,927	11,118	12,077	11,356
Net Receipts	**47,565**	**49,383**	**51,873**	**53,918**	**55,465**

[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 $564 million (13.9 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 $1.5 billion (13.9 percent), driven by nonwage income growth of 9.5 percent, including 13.2 percent growth in net capital gains. FY 2018 final return payments and delinquencies are projected to decline by $77 million (3 percent) and $17 million (1.2 percent), respectively.

The projected growth in total refunds of $975 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 $34.4 billion are estimated to increase by $1.9 billion (5.8 percent) from FY 2017 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $12.3 billion and the STAR transfer is projected to be $2.6 billion.

All Funds PIT receipts for FY 2019 of $51.9 billion are projected to increase by $2.5 billion (5 percent) from FY 2018 estimates. Gross PIT receipts are projected to increase 6.2 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 (7.7 percent). Payments from extensions for tax year 2017 are projected to increase by $646 million (18.5 percent), reflecting the taxpayer behavior related to potential Federal tax rate changes noted earlier. Final returns are expected to increase by $158 million (6.3 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 $36.4 billion are projected to increase by $2 billion (5.7 percent). RBTF deposits are projected to be $13 billion, and the STAR transfer is projected to be $2.5 billion.

All Funds PIT receipts for FY 2020 of $53.9 billion are projected to increase by over $2 billion (3.9 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 through tax year 2019. Estimated payments related to tax year 2019 are projected to grow by $1 billion (7.6 percent), payments from extensions for tax year 2018 are projected to increase by $535 million (12.9 percent), and final returns are expected to increase by $149 million (5.6 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 $38 billion are projected to increase by $1.6 billion (4.4 percent). RBTF deposits are projected to be $13.5 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 $55.5 billion, while General Fund PIT receipts are projected to total $39.2 billion. This projected modest growth is driven by the expiration of the high-income surcharge rate extension 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**	**16,857**	**4.0%**	**17,465**	**3.6%**	**18,023**	**3.2%**	**18,594**	**3.2%**
Sales Tax	13,869	14,580	5.1%	15,164	4.0%	15,760	3.9%	16,365	3.8%
Cigarette and Tobacco Taxes	1,236	1,190	-3.7%	1,150	-3.4%	1,104	-4.0%	1,061	-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	64	0.0%	64	0.0%	64	0.0%	64	0.0%
TNC Assessment	0	12	N/A	24	100.0%	24	0.0%	24	0.0%
Auto Rental Tax	127	137	7.9%	141	2.9%	149	5.7%	156	4.7%
GENERAL FUND[1]	**7,101**	**7,436**	**4.7%**	**7,719**	**3.8%**	**7,993**	**3.5%**	**8,271**	**3.5%**
Sales Tax	6,483	6,819	5.2%	7,094	4.0%	7,374	3.9%	7,658	3.9%
Cigarette and Tobacco Taxes	360	343	-4.7%	334	-2.6%	323	-3.3%	313	-3.1%
Alcoholic Beverage Taxes	258	262	1.6%	267	1.9%	272	1.9%	276	1.5%
TNC Assessment	0	12	N/A	24	100.0%	24	0.0%	24	0.0%

[1]Excludes Transfers.

All Funds consumption/use tax receipts for FY 2018 are estimated to be nearly $16.9 billion, a $645 million (4 percent) increase from FY 2017 results. Sales tax receipts are estimated to increase $711 million (5.1 percent) from the prior year, reflecting base growth (i.e., absent law changes) of 5 percent. This base growth stems from estimated disposable income and consumption growth. Cigarette and tobacco tax collections are estimated to decrease by $46 million (3.7 percent). This mainly reflects an expected return to a trend decline in taxable cigarette consumption. This is due in part to collections from enforcement efforts of the Cigarette Strike Force. Highway use tax (HUT) collections are estimated to decrease by $42 million (30.4 percent) due to an increase in refund payments of $44.4 million as a result of the Independent Owner Operator Drivers Association v. New York Department of Taxation and Finance court decision that lowered HUT registration and decal fees (per truck) from $19 to $1.50. Motor fuel tax collections are estimated to decrease by $4 million (0.8 percent), reflecting an increase in refund payments partially offset by slight growth in both taxable motor fuel and diesel fuel consumption. The newly enacted Transportation Network Company (TNC) assessment is estimated to generate $12 million in All Funds receipts, as it will only be in effect for part of the fiscal year. Auto rental tax receipts are estimated to increase by $10 million (7.9 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 estimated to total over $7.4 billion, a $335 million (4.7 percent) increase from FY 2017 results. This increase largely reflects the All Funds sales and cigarette and tobacco tax trends noted above and the partial impact of the newly enacted TNC assessment.

All Funds consumption/use tax receipts for FY 2019 are projected to be nearly $17.5 billion, a $608 million (3.6 percent) increase from FY 2018. The projected $584 million (4 percent) increase in sales tax receipts reflects sales tax base growth of 3.4 percent, lower than the prior fiscal year. Consumption of taxable services and disposable income are projected to grow at a slower pace than in FY 2018. The TNC assessment in its first fully effective year is projected to generate $24 million in FY 2019. The projected $46 million (47.9 percent) increase in HUT collections are due to lower refund payments as they return to long-term trend levels following the prior year's significant increase as a result of the court decision noted above. A continued trend decline in taxable cigarette consumption is also projected.

General Fund consumption/use tax receipts are projected to total over $7.7 billion in FY 2019, a $283 million (3.8 percent) increase from FY 2018. The projected increase largely reflects the All Funds sales and cigarette and tobacco tax trends noted above and the first full year impact of the TNC assessment.

All Funds consumption/use tax receipts for FY 2020 are projected to be $18 billion, a $558 million (3.2 percent) increase from FY 2019. The projected $596 million (3.9 percent) increase in sales tax receipts reflects sales tax base growth of 4 percent. The All Funds sales tax increase is slightly offset by a trend decline in taxable cigarette consumption. FY 2020 General Fund consumption/use tax receipts are projected to increase to nearly $8 billion, a $274 million (3.5 percent) increase from FY 2019.

All Funds consumption/use tax receipts are projected to reach nearly $18.6 billion (3.2 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 $8.3 billion (3.5 percent growth) in FY 2021, reflecting the All Funds 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**	**7,969**	**14.2%**	**8,127**	**2.0%**	**8,587**	**5.7%**	**8,957**	**4.3%**
Corporate Franchise Tax	3,166	4,175	31.9%	4,373	4.7%	4,823	10.3%	5,123	6.2%
Corporation and Utilities Tax	720	765	6.3%	744	-2.7%	754	1.3%	764	1.3%
Insurance Tax	1,580	1,616	2.3%	1,745	8.0%	1,828	4.8%	1,965	7.5%
Bank Tax	389	328	-15.7%	143	-56.4%	71	-50.3%	0	-100.0%
Petroleum Business Tax	1,124	1,085	-3.5%	1,122	3.4%	1,111	-1.0%	1,105	-0.5%
GENERAL FUND	**4,761**	**5,718**	**20.1%**	**5,770**	**0.9%**	**6,190**	**7.3%**	**6,522**	**5.4%**
Corporate Franchise Tax	2,476	3,406	37.6%	3,524	3.5%	3,924	11.4%	4,187	6.7%
Corporation and Utilities Tax	538	585	8.7%	563	-3.8%	569	1.1%	575	1.1%
Insurance Tax	1,410	1,447	2.6%	1,561	7.9%	1,637	4.9%	1,760	7.5%
Bank Tax	337	280	-16.9%	122	-56.4%	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 estimated to total nearly $8 billion, an increase of $990 million (14.2 percent) from FY 2017 results. The estimate reflects increases for the corporation franchise tax, corporation and utilities tax and insurance tax partially offset by decreases in the bank tax and the petroleum business tax (PBT).

Corporation franchise tax receipts are estimated to increase $1 billion (31.9 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 be repeated when tax year 2016 final returns are submitted in FY 2018. Audit receipts are estimated to be significantly higher in FY 2018 ($288 million) as a greater number of large cases are expected to be closed.

Corporation and utilities tax receipts are estimated to increase $45 million (6.3 percent) in FY 2018. Gross receipts are expected to increase from FY 2017 results as a result of late filings of mandatory first installment payments. The 2017 mandatory first installment was due March 15, but several taxpayers filed these payments in April 2017. Audits are expected to decline slightly.

Insurance tax receipts for FY 2018 are estimated to increase $36 million (2.3 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 estimated to decrease by $61 million in FY 2018. This decrease stems from lower audit receipts ($99 million) partially offset by lower prior period adjustments.

PBT receipts are estimated to decrease $39 million (3.5 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 estimated slight growth in both taxable motor fuel and diesel fuel consumption and the estimated 5 percent increase in the PBT rate index effective January 2018.

General Fund business tax receipts for FY 2018 of $5.7 billion are estimated to increase $957 million (20.1 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 $158 million (2 percent) from the current year. The increase in corporation franchise tax receipts of $198 million (4.7 percent) reflects projected growth in corporate profits. The corporation and utilities tax receipts decline of $21 million (2.7 percent) is attributable to the one-time late filings (April 2017) that are not expected to repeat in FY 2019.

Insurance tax receipts for FY 2019 of over $1.7 billion are projected to increase $129 million (8 percent) from the current year. Projected growth in insurance tax premiums combined with lower expected LIGC credit claims contribute to this year-over-year growth. Bank tax receipts are projected to decrease by $185 million (56.4 percent), due to lower projected audit receipts. PBT receipts are projected to increase $37 million (3.4 percent) in FY 2019, primarily due to the estimated 5 percent increase in the PBT rate index effective January 2018 and a projected 4.7 percent increase in the PBT rate index effective January 2019. These increases are partially offset by a projected slight decline in taxable motor fuel and diesel fuel consumption.

General Fund business tax receipts for FY 2019 of nearly $5.8 billion are projected to increase $52 million (0.9 percent), reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2020 of $8.6 billion are projected to increase by $460 million (5.7 percent), and General Fund business tax receipts are projected to increase to $6.2 billion (7.3 percent growth) from the previous year. The projection primarily reflects growth in the corporation franchise tax driven by higher gross receipts and lower refunds. Increases in the corporation and utilities and insurance taxes are offset by declines in the bank and PBT.

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 $6.5 billion (5.4 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**	**2,276**	**1.8%**	**2,311**	**1.5%**	**2,420**	**4.7%**	**2,535**	**4.8%**
Estate Tax	1,091	1,052	-3.6%	1,033	-1.8%	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	1,204	6.9%	1,258	4.5%	1,308	4.0%	1,360	4.0%
Pari-Mutuel Taxes	16	17	6.3%	17	0.0%	17	0.0%	17	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND[1]	**1,110**	**1,072**	**-3.4%**	**1,053**	**-1.8%**	**1,112**	**5.6%**	**1,175**	**5.7%**
Estate Tax	1,091	1,052	-3.6%	1,033	-1.8%	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	17	6.3%	17	0.0%	17	0.0%	17	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%

[1]Excludes Transfers.

All Funds other tax receipts for FY 2018 are estimated to be nearly $2.3 billion, an increase of $40 million (1.8 percent) from FY 2017 results. This largely reflects an estimated increase in real estate transfer tax receipts of $78 million (6.9 percent) that is primarily due to projected growth in both housing starts and housing prices, partially offset by an estimated decrease in estate tax receipts of $39 million (3.6 percent) from the continued phase-in of the increased filing threshold.

General Fund other tax receipts are estimated to be just under $1.1 billion in FY 2018, a decrease of $38 million (3.4 percent) from FY 2017 results, reflecting the decrease in estate tax receipts noted above.

All Funds other tax receipts for FY 2019 are projected to be over $2.3 billion, an increase of $35 million (1.5 percent) from FY 2018. Estate tax receipts are projected to decrease by $19 million (1.8 percent) reflecting the continuation of the phase-in of the increased filing threshold, partially offset by projected growth in household net worth. Real estate transfer tax receipts are projected to increase by $54 million (4.5 percent), reflecting projected growth in housing starts and housing prices.

General Fund other tax receipts for FY 2019 are projected to decrease by $19 million (1.8 percent) due 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 $109 million (4.7 percent) increase from FY 2019. Estate tax receipts are projected to increase by $59 million (5.7 percent) reflecting projected growth in household net worth and the conclusion of the phase-in of the increased filing threshold. Real estate transfer tax receipts are projected to increase by $50 million (4 percent), reflecting projected growth in housing starts and prices.

General Fund other tax receipts for FY 2020 are projected to increase by $59 million (5.6 percent), due to 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. FY 2021 All Funds other tax receipts are projected to increase by $115 million (4.8 percent growth), and General Fund other tax receipts are projected to increase by $63 million (5.7 percent growth), reflecting the household net worth trends 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 and licenses.

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**	**26,755**	**0.6%**	**26,694**	**-0.2%**	**26,306**	**-1.5%**	**25,422**	**-3.4%**
General Fund	3,813	2,505	-34.3%	2,131	-14.9%	2,135	0.2%	2,058	-3.6%
Special Revenue Funds	17,686	16,958	-4.1%	16,532	-2.5%	16,434	-0.6%	16,210	-1.4%
Capital Projects Funds	4,637	6,833	47.4%	7,573	10.8%	7,278	-3.9%	6,695	-8.0%
Debt Service Funds	458	459	0.2%	458	-0.2%	459	0.2%	459	0.0%

All Funds miscellaneous receipts are estimated to total $26.8 billion in FY 2018, an increase of 0.6 percent from FY 2017 results. This increase is primarily due to the impact of Extraordinary Monetary Settlements received in the General Fund during FY 2017, as described earlier in this AIS Update. In addition to the impact of Extraordinary Monetary Settlements, miscellaneous receipts are driven in part by year-to-year variations in health care surcharges and other HCRA resources, bond proceeds, and tuition income revenue.

All Funds miscellaneous receipts are projected to decline in all outyears in reflecting the impact of Extraordinary Monetary Settlements and a decrease in bond proceeds reimbursements, which subsequently corresponds to the spend 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**	**57,187**	**3.2%**	**58,656**	**2.6%**	**59,342**	**1.2%**	**59,581**	**0.4%**
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	52,725	54,844	4.0%	56,154	2.4%	57,054	1.6%	57,337	0.5%
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 are projected to grow to $59.6 billion by FY 2021, primarily reflecting the continuation of growth in Federal Medicaid spending related to Federal health care transformation initiatives, partly offset by the projected phase-down of Federal disaster assistance aid. All Federal receipts are subject to continuing administration and Congressional authorization, appropriations and budget action.

With the current presidential administration and Congress, many of the policies that drive Federal aid may be 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. 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 $71.3 billion in the State's General Fund (including transfers) and $98.2 billion in total State Operating Funds. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of annual spending growth.

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

Local Assistance Grants

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. Local assistance spending in State Operating Funds is estimated at $66.1 billion in FY 2018, approximately two-thirds of total State Operating Funds spending. Education and health care spending account for nearly three-quarters of State Operating Funds local assistance spending.

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

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

		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	574,523	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	285,920	293,473	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	43,077	44,526	46,957	48,057	48,257
OPWDD Community Beds	42,737	43,165	43,596	44,032	44,472
OASAS Community Beds	13,370	13,491	13,532	13,672	13,707
Total	99,184	101,182	104,085	105,761	106,436
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. New York 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, based largely on personal income growth.

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**	**25,762**	**5.8%**	**26,803**	**4.0%**	**27,923**	**4.2%**	**29,190**	**4.5%**
General Fund Local Assistance	21,017	22,322	6.2%	23,438	5.0%	24,519	4.6%	25,783	5.2%
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	78	500.0%	113	44.9%	158	39.8%	158	0.0%

State fiscal year spending for School Aid is projected to total $25.8 billion in FY 2018. Over the multi-year Financial Plan, an increasing share of School Aid spending is projected to be financed by commercial gaming revenues as opposed to traditional core lottery sales, as described in greater detail below. In addition to State aid, school districts currently receive more than $3 billion annually in Federal aid.

State aid payments for School Aid have been 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**	**2,269**	**3.5%**	**2,385**	**5.1%**	**2,475**	**3.8%**	**2,619**	**5.8%**
Special Education	1,317	1,338	1.6%	1,453	8.6%	1,571	8.1%	1,690	7.6%
All Other Education	876	931	6.3%	932	0.1%	904	-3.0%	929	2.8%

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.

FY 2018 Special Education spending is projected to increase by 1.6 percent over FY 2017 spending due, in part, to the timing of rate-setting related to these programs. All Other Education growth primarily reflects increased reimbursement of charter school supplemental basic tuition and facilities aid to New York City charter schools in privately-leased space.

Continued growth in FY 2019 and beyond for Special Education is attributable to increased State reimbursement to special education providers for minimum wage costs, funding for excessive teacher turnover prevention, 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 includes 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 due to a timing change involving when the New York City rate reduction benefit is paid out upon conversion to a PIT credit. STAR actions enacted with the FY 2017 budget, will result in reduced revenues in addition to the spending changes noted above. Projected revenue reductions will increase over the course of the 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**	**2,800**	**-2.6%**	**3,134**	**11.9%**	**3,197**	**2.0%**	**3,248**	**1.6%**
City University	**1,424**	**1,410**	**-1.0%**	**1,485**	**5.3%**	**1,509**	**1.6%**	**1,535**	**1.7%**
Senior Colleges	1,176	1,151	-2.1%	1,230	6.9%	1,254	2.0%	1,280	2.1%
Community College	248	259	4.4%	255	-1.5%	255	0.0%	255	0.0%
Higher Education Services	**958**	**898**	**-6.3%**	**1,149**	**28.0%**	**1,188**	**3.4%**	**1,213**	**2.1%**
Tuition Assistance Program	896	774	-13.6%	954	23.3%	965	1.2%	972	0.7%
Scholarships/Awards	51	112	119.6%	183	63.4%	211	15.3%	229	8.5%
Aid for Part-Time Study	11	12	9.1%	12	0.0%	12	0.0%	12	0.0%
State University	**492**	**492**	**0.0%**	**500**	**1.6%**	**500**	**0.0%**	**500**	**0.0%**
Community College	487	487	0.0%	496	1.8%	496	0.0%	496	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 403,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 324,000 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 State support for SUNY fringe benefits is estimated at nearly $1.8 billion. The State also provides a sizeable benefit to the university systems by paying debt service on bond-financed capital projects. State debt service payments for capital projects at SUNY and CUNY are estimated at $1.3 billion in FY 2018, an increase of $94 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 the Tuition Assistance Program (TAP), which provides financial awards to income-eligible students. It also provides centralized processing for other student financial aid programs, and offers prospective students information and guidance on how to finance a college education. The financial aid programs that HESC administers are funded by the State and the Federal government.

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

Higher Education spending is projected to modestly decrease between FY 2017 to FY 2018. This change in spending reflects the timing of CUNY payments in FY 2018, the potential sale of certain CUNY building assets, and 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. Enrollment growth associated with the Excelsior Scholarship program also is anticipated to drive additional future spending in community college operating aid and TAP. 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.

In addition, a new Enhanced Tuition Award will enable eligible students attending private not-for-profit colleges to receive financial assistance to complete their college degree. The program provides a maximum award of $3,000, requires private colleges to provide a match and freeze student tuition for the duration of the award, maximizing the financial benefit to the student. The Enacted Budget Financial Plan includes $19 million for the program.

Health Care

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

DOH is also engaged in a multi-year initiative to implement the Delivery System Reform Incentive Payment (DSRIP) program through an approved Federal waiver amendment to reinvest $8 billion in Federal savings generated by the MRT reforms. The DSRIP program will promote community-level collaborations and focus on system reform, specifically a goal to achieve 25 percent reduction in avoidable hospital use over five years. The 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 Medicaid spending 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 10-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	19,245	19,840	20,851	21,626
Local Assistance	17,974	19,003	19,765	20,744	21,547
State Operations	261	345	404	434	450
MSA Payments (Share of Local Growth)[2]	0	(103)	(329)	(327)	(371)
Other State Agency Medicaid Spending	4,441	4,466	4,735	4,938	5,138
Mental Hygiene	4,302	4,330	4,584	4,783	4,974
Foster Care	82	86	101	105	114
Education	57	50	50	50	50
Total State Share Medicaid (All Agencies)	**22,676**	**23,711**	**24,575**	**25,789**	**26,764**
Annual $ Change		1,035	864	1,214	975
Annual % Change		4.6%	3.6%	4.9%	3.8%
Essential Plan[3]	**313**	**179**	**458**	**473**	**483**

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%**	**25,033**	**4.8%**	**26,262**	**4.9%**	**27,247**	**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	13,284	9.1%	13,872	4.4%	14,953	7.8%	15,794	5.6%
DOH Medicaid	10,457	11,150	6.6%	11,516	3.3%	12,154	5.5%	12,812	5.4%
Mental Hygiene - Global Cap Adjustment[2]	1,125	1,247	10.8%	1,189	-4.7%	1,188	-0.1%	1,188	0.0%
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	345	32.2%	404	17.1%	434	7.4%	450	3.7%
General Fund - Essential Plan	313	179	-42.8%	458	155.9%	473	3.3%	483	2.1%
Local Assistance	269	82	-69.5%	355	332.9%	365	2.8%	375	2.7%
State Operations	44	97	120.5%	103	6.2%	108	4.9%	108	0.0%
Other State Funds - DOH Medicaid Local	5,796	5,616	-3.1%	5,564	-0.9%	5,464	-1.8%	5,382	-1.5%
HCRA Financing	3,981	3,893	-2.2%	3,840	-1.4%	3,740	-2.6%	3,657	-2.2%
Indigent Care Support	965	892	-7.6%	892	0.0%	892	0.0%	892	0.0%
Provider Assessment Revenue	850	831	-2.2%	832	0.1%	832	0.0%	833	0.1%
Other State Agency Medicaid Spending	**4,441**	**4,466**	**0.6%**	**4,735**	**6.0%**	**4,938**	**4.3%**	**5,138**	**4.1%**
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**	**8,049**	**-3.5%**	**8,095**	**0.6%**	**8,025**	**-0.9%**	**8,054**	**0.4%**
FEDERAL SHARE OF MEDICAID	**37,719**	**40,161**	**6.5%**	**41,484**	**3.3%**	**42,738**	**3.0%**	**43,381**	**1.5%**
DOH Medicaid	34,462	36,631	6.3%	37,379	2.0%	38,260	2.4%	38,440	0.5%
Essential Plan	3,257	3,530	8.4%	4,105	16.3%	4,478	9.1%	4,941	10.3%
ALL FUNDING SOURCES	**69,051**	**72,203**	**4.6%**	**74,941**	**3.8%**	**77,352**	**3.2%**	**79,053**	**2.2%**

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.

Projected financial impacts associated with the QHP portion of the NYSOH insurance exchange have been increased by $2 million in FY 2018, decreased by $7 million per year in FY 2019 and FY 2020, and decreased by $14 million in FY 2021. These changes reflect updated assumptions based on actual enrollment and utilization levels. Other non-QHP portions of the NYSOH insurance exchange, including those associated with EP enrollment, have been adjusted to reflect net cost increases over the multi-year plan. These non-QHP re-estimates will be managed within the Global Cap without Financial Plan impact.

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 Plan 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	25,362	26,589	27,618
State Funds Medicaid Disbursements [1]	22,989	23,890	25,033	26,262	27,247
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 Westchester, New York, 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 are expected to reach about 6.2 million by the end of FY 2018, a slight increase from FY 2017.

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.

The ability to offset rising costs within the Medicaid Global Cap exists through the Medicaid integrity and efficiency initiative, which was authorized in the FY 2017 Enacted Budget. Upon election by a local service district to participate in this initiative, DOH and such local service district may formulate a plan to achieve new audit recoveries, efficiencies and other cost avoidance measures to provide savings. Financial Plan savings associated with the Medicaid program are realized through the Mental Hygiene Global Cap Adjustment, which finances certain OPWDD-related Medicaid costs available under the Global Cap, as noted above.

With the current presidential administration and 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 Federal flexibility 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.

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	3,709	3.9%	4,563	23.0%	4,951	8.5%	5,424	9.6%
State Operating Funds	313	179	-42.8%	458	155.9%	473	3.3%	483	2.1%
Local Assistance	269	82	-69.5%	355	332.9%	365	2.8%	375	2.7%
State Operations	44	97	120.5%	103	6.2%	108	4.9%	108	0.0%
Federal Operating Funds	3,257	3,530	8.4%	4,105	16.3%	4,478	9.1%	4,941	10.3%

EP program spending has been revised downward by $349 million in FY 2018 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.

The Updated Financial Plan also reflects increased funding of $24 million in FY 2018, $27 million in FY 2019, $21 million in FY 2020 and $16 million in FY 2021 for the EP portion of the NYSOH insurance exchange due to program utilization; and $12 million for non-NYSOH insurance exchange State operations costs in FYs 2018 - 2021.

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 current presidential administration and 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 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 Yorkers 60 years of age and older. SOFA primarily oversees community-based services (including in-home services and nutrition assistance) provided through a network of county Area Agencies on Aging (AAA) and local providers.

PUBLIC HEALTH AND AGING
(millions of dollars)

	FY 2017 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%**	**1,704**	**3.5%**	**1,840**	**8.0%**	**1,976**	**7.4%**
Public Health	**1,515**	**1,524**	**0.6%**	**1,579**	**3.6%**	**1,710**	**8.3%**	**1,841**	**7.7%**
Child Health Plus	219	256	16.9%	296	15.6%	413	39.5%	537	30.0%
General Public Health Work	194	198	2.1%	200	1.0%	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	400	-1.2%	399	-0.3%	398	-0.3%	398	0.0%
All Other	392	365	-6.9%	383	4.9%	394	2.9%	405	2.8%
Aging	**125**	**123**	**-1.6%**	**125**	**1.6%**	**130**	**4.0%**	**135**	**3.8%**

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.

The Updated Financial Plan includes additional funding of $22 million in FY 2018, $46 million in FY 2019, and $33 million in FY 2020 for the CHP program to address local enrollment increases. 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 Statewide Health Information Network for New York (SHIN-NY)/All Payer Database (APD) are due to lower than anticipated utilization of non-capital funds, and reduced expenses for EPIC is a result of lower than anticipated claims. 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**	**5,772**	**5,796**	**5,817**	**5,788**
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	847	816	781	748
Hospital Assessments	412	424	424	424	424
NYC Cigarette Tax Transfer/Other	88	80	77	74	75
TOTAL DISBURSEMENTS AND TRANSERS	**5,865**	**5,784**	**5,796**	**5,817**	**5,788**
Medicaid Assistance Account[1]	3,981	3,893	3,840	3,740	3,657
Medicaid Costs	*3,784*	*3,696*	*3,643*	*3,543*	*3,460*
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	301	418	543
Elderly Pharmaceutical Insurance Coverage	143	142	140	140	140
SHIN-NY/APCD	10	38	40	40	0
All Other	130	150	176	180	150
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 $38 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.

Additional CHP program spending of $22 million in FY 2018, $46 million in FY 2019 and $33 million in FY 2020 is reflected in the Updated Financial Plan due to increasing enrollment trends. State operations expenses related to the Children's Health Insurance Program (CHIP) 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%**	**2,955**	**18.8%**	**3,234**	**9.4%**	**3,447**	**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%**	**1,532**	**3.5%**
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%	303	3.4%
Alcohol and Substance Abuse	**304**	**334**	**9.9%**	**351**	**5.1%**	**373**	**6.3%**	**387**	**3.8%**
Outpatient/Methadone	117	128	9.4%	135	5.5%	143	5.9%	148	3.5%
Residential	120	132	10.0%	139	5.3%	148	6.5%	153	3.4%
Prevention and Program Support	58	64	10.3%	67	4.7%	71	6.0%	74	4.2%
Crisis	9	10	11.1%	10	0.0%	11	10.0%	12	9.1%
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%**	**(1,268)**	**5.1%**	**(1,277)**	**-0.7%**	**(1,285)**	**-0.6%**

[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 8.9 percent annually. The main factors driving this level of growth are enhancements in community mental health services; enhancements in community-based employment and residential opportunities for individuals with disabilities; and new or increased funding not-for-profit providers for growth in employee wages related to minimum wage increases.

The FY 2018 Enacted Budget provides 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 also provides funding to support 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 Medicaid 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 service needs can be sized more appropriately and provided more cost-efficiently, as noted above.

Social Services

Office of Temporary and Disability Assistance (OTDA)

OTDA local assistance programs provide cash benefits and supportive services to low-income families. The State's three main programs include Family Assistance, Safety Net Assistance and Supplemental Security Income (SSI). The Family Assistance program, funded by the Federal government, provides time-limited cash assistance to eligible families. The Safety Net Assistance program, 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**	**1,316**	**7.9%**	**1,345**	**2.2%**	**1,356**	**0.8%**	**1,359**	**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	106	17.8%	106	0.0%	115	8.5%	118	2.6%

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 Financial Plan due to updated caseload projections. Public assistance benefits spending is projected to increase from FY 2017 to FY 2018 based on an update to DOB's caseload models, with DOB projecting a total of 558,720 recipients in FY 2018. Approximately 230,387 families are expected to receive benefits through the Family Assistance program in FY 2018, a decrease of 1.9 percent from FY 2017. The Safety Net 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 program is projected at 207,139 in FY 2018, an increase of 1.1 percent from FY 2017.

Spending in public assistance will increase from FY 2017 to FY 2018 due to a variety of factors including the expansion of HIV/AIDS Services Administration (HASA) benefits to all public assistance recipients living in New York City, and increased costs associated with litigation proceedings that will increase Safety Net Assistance expenditures. Growth is expected to be more gradual in the outyears.

Office of Children and Family Services (OCFS)

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

CHILDREN AND FAMILY SERVICES
(millions of dollars)

	FY 2017 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,715**	**1,653**	**-3.6%**	**1,711**	**3.5%**	**1,847**	**7.9%**	**1,917**	**3.8%**
Child Welfare Service	551	472	-14.3%	482	2.1%	491	1.9%	501	2.0%
Foster Care Block Grant	446	388	-13.0%	393	1.3%	399	1.5%	405	1.5%
Adoption	150	144	-4.0%	143	-0.7%	141	-1.4%	135	-4.3%
Day Care	203	262	29.1%	234	-10.7%	235	0.4%	236	0.4%
Youth Programs	100	147	47.0%	182	23.8%	294	61.5%	339	15.3%
Medicaid	82	86	4.9%	101	17.4%	105	4.0%	114	8.6%
Committees on Special Education	50	26	-48.0%	27	3.8%	30	11.1%	33	10.0%
Adult Protective/Domestic Violence	43	33	-23.3%	35	6.1%	36	2.9%	38	5.6%
All Other	90	95	5.6%	114	20.0%	116	1.8%	116	0.0%

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

Transportation

In FY 2018, the State will provide approximately $5 billion in operating aid to mass transit systems, funded mainly from various dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of this aid. The MTA receives additional, exclusive operating support from the MTA Financial Assistance Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District (MCTD). The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA. Pursuant to legislation enacted in December 2011, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund provides additional annual support to the MTA, subject to appropriation, to partially offset this revenue loss.

TRANSPORTATION
(millions of dollars)

	FY 2017 Results	FY 2018 Updated	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE OPERATING FUNDS SUPPORT	**4,977**	**5,027**	**1.0%**	**5,078**	**1.0%**	**5,174**	**1.9%**	**5,239**	**1.3%**
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	2,005	1.9%	2,063	2.9%	2,159	4.7%	2,223	3.0%
Dedicated Mass Transit	669	668	-0.1%	676	1.2%	676	0.0%	677	0.1%
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. Funding is also included for Department of Motor Vehicles (DMV) county special traffic options programs for driving while intoxicated.

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%**	**763**	**5.5%**	**763**	**0.0%**	**763**	**0.0%**
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Restructuring/Efficiency	0	8	100.0%	48	500.0%	48	0.0%	48	0.0%

State Operating Funds spending for the various efficiency and restructuring grants within the AIM program is projected to grow modestly from FY 2017 to FY 2018, due to revisions in the timing of spending. Additional increases in the 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, Information Technology (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%	2%
NYSPBA/NYSPIA[3]	1.5%	1.5%	TBD	TBD	TBD
State Workforce[4]	117,907	118,481	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization[5]	16.6%	16.7%	16.7%	17.4%	19.2%
After Amortization[6]	20.2%	20.5%	20.5%	21.1%	22.8%
PFRS Contribution Rate					
Before Amortization[5]	25.1%	25.3%	25.7%	27.1%	29.7%
After Amortization[6]	28.5%	28.3%	29.3%	30.7%	33.2%
Employee/Retiree Health Insurance Growth Rates	7.0%	7.4%	7.0%	6.8%	6.8%
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. GSEU requires enactment of paybills. Does not reflect potential impact of future negotiated labor agreements.

2 Reflects contract ratified by membership.

3 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.

4 Reflects workforce that is subject to direct Executive control.

5 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.

6 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 $18.7 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 later years of the Financial Plan are driven mainly by juvenile justice reform, higher Medicaid administration expenses expected to support the NYSOH insurance exchange as available Federal funding expires, and an additional administrative payroll in FY 2021.

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**	**10,045**	**10,248**	**10,538**	**10,891**
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	697	671	671	696
Information Technology Services [1]	548	536	560	560	570
Public Health	384	368	366	366	371
Tax and Finance	332	330	329	329	340
Medicaid Admin/EP	305	442	507	543	560
Children and Family Services	250	244	289	375	442
Environmental Conservation	225	211	211	212	218
Financial Services	209	207	207	211	217
Parks, Recreation and Historic Preservation	178	169	169	170	176
General Services	161	144	142	138	139
Gaming	138	115	100	100	101
Temporary and Disability Assistance	138	125	125	132	136
Workers' Compensation Board	139	142	143	145	151
Potential Labor Agreements [2]	0	555	650	765	880
Agency Financial Management Plan	0	(500)	(500)	(500)	(500)
All Other	890	899	930	930	953
UNIVERSITY SYSTEMS	**6,097**	**6,079**	**6,321**	**6,487**	**6,665**
State University	6,003	5,962	6,230	6,395	6,572
City University	94	117	91	92	93
INDEPENDENT AGENCIES	**319**	**324**	**321**	**324**	**337**
Law	170	175	174	177	184
Audit & Control (OSC)	149	149	147	147	153
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,435**	**16,448**	**16,890**	**17,349**	**17,893**
Judiciary	2,019	2,066	2,092	2,094	2,151
Legislature	226	226	218	219	219
Statewide Total	**18,680**	**18,740**	**19,200**	**19,662**	**20,263**
Personal Service	13,093	12,935	13,180	13,519	14,060
Non-Personal Service	5,587	5,805	6,020	6,143	6,203

[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: Increased spending is driven by an enhanced presence at the JFK and LaGuardia Airports in order to bolster airport security, deter terrorism and provide additional law enforcement. In addition, State Police initiated a new class of 225 recruits in July 2017. Offsetting these increases are cost reductions primarily reflecting the financing of certain State Police services by the recipients of such services and the reclassification of certain personal service spending related to titles associated with the maintenance and preservation of State assets to Capital Projects Funds.

- Medicaid Administration/EP: Increased spending starting in FY 2018 is mainly attributable to moving the QHP component of NYSOH administrative costs into the Global Cap (from HCRA in Public Health), as well as anticipated higher Medicaid costs.

- Gaming: A change in the accounting structure related to advertising costs whereby direct payment is made to the vendor instead of reimbursing the Gaming Commission, resulting in lower State Operating Funds spending by the Gaming Commission.

- Children and Family Services: The 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 over the Financial Plan period reflects anticipated operating needs at SUNY campuses and hospitals, supported through campus revenues, State funding and hospital revenues.

- Judiciary: The 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: Reflects costs of the recently negotiated settlement agreements with PEF and extended to unrepresented M/C employees, the costs 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, $12.9 billion or 13.2 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 95,000 FTE employees under direct Executive control; individuals employed by SUNY and CUNY (43,252) and Independent Agencies (18,276); employees paid on a non-annual salaried basis; and overtime pay. Roughly 60 percent of all Executive agency PS spending occurs in three areas: SUNY, the mental hygiene agencies, and the Department of Corrections and Community Supervision (DOCCS).

STATE OPERATING FUNDS
FY 2018 FTEs[1] AND PERSONAL SERVICE SPENDING BY AGENCY
(millions of dollars)

	Dollars	FTEs
Subject to Direct Executive Control	**7,163**	**94,888**
Mental Hygiene Agencies	2,231	32,587
Corrections and Community Supervision	2,052	27,309
State Police	637	5,636
Tax and Finance	270	3,978
Information Technology Services	271	3,406
Health	253	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	81	1,165
Temporary and Disability Assistance	69	1,033
General Services	57	907
All Other	548	6,694
University Systems	**3,770**	**43,252**
State University	3,694	42,869
City University[2]	76	383
Independent Agencies	**2,002**	**18,276**
Law	121	1,583
Audit & Control (OSC)	115	1,603
Judiciary	1,595	15,089
Legislature[3]	171	1
Total	**12,935**	**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 6.5 percent over the multi-year 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 $425 million (5.6 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.

[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.

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**	**8,059**	**5.6%**	**8,656**	**7.4%**	**9,195**	**6.2%**	**9,826**	**6.9%**
Fringe Benefits	**7,212**	**7,632**	**5.8%**	**8,223**	**7.7%**	**8,755**	**6.5%**	**9,379**	**7.1%**
Health Insurance	3,708	3,983	7.4%	4,260	7.0%	4,551	6.8%	4,860	6.8%
Pensions	2,446	2,540	3.8%	2,647	4.2%	2,761	4.3%	2,990	8.3%
Social Security	992	992	0.0%	995	0.3%	1,003	0.8%	1,009	0.6%
Workers' Compensation	230	326	41.7%	476	46.0%	591	24.2%	681	15.2%
Employee Benefits	94	95	1.1%	95	0.0%	95	0.0%	95	0.0%
Dental Insurance	64	65	1.6%	65	0.0%	66	1.5%	67	1.5%
Unemployment Insurance	11	15	36.4%	15	0.0%	15	0.0%	15	0.0%
All Other/Non-State Escrow	(333)	(384)	-15.3%	(330)	14.1%	(327)	0.9%	(338)	-3.4%
Fixed Costs	**422**	**427**	**1.2%**	**433**	**1.4%**	**440**	**1.6%**	**447**	**1.6%**

Growth in base GSC spending in FY 2018 has been partly offset by gap-closing savings of approximately $81 million included as part of the 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 Financial Plan period, outyear pension costs are anticipated to increase based on a model that reflects forecasted salary base information and continuation of modest investment returns, as experienced in the past year. Health insurance growth reflects utilization and costs leading to higher forecasted rate renewal increases. Underlying workers' compensation growth is driven by an increase in funding liability, while net Financial Plan funding reflects the use of excess balances which are scheduled to be transferred by the 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**	**10,146**	**12,126**	**12,251**	**12,161**
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	1,015	1,005	1,001	1,001
Capital Projects	**2,569**	**2,623**	**4,047**	**3,869**	**3,488**
Dedicated Highway and Bridge Trust Fund	562	709	631	950	1,005
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)	1,014	1,726	1,804	1,802
ALL OTHER TRANSFERS	**4,364**	**4,291**	**4,699**	**5,220**	**5,486**
Mental Hygiene	3,287	3,198	3,593	4,094	4,332
Department of Transportation (MTA Payroll Tax)	334	269	269	270	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	186	185	186

[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 $10.1 billion in FY 2018, a $54 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 ($147 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 ($1.2 billion).

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	4,376	-4.7%	5,311	21.4%	6,078	14.4%	6,318	3.9%
State Operating/All Funds Total	**5,514**	**5,292**	**-4.0%**	**6,455**	**22.0%**	**7,120**	**10.3%**	**7,385**	**3.7%**

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.

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 is expected to be issued later in 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 Basic Financial Statements (including Other Supplementary Information) 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 State assumes no liability or responsibility for any financial information reported by the City of New York. The following table summarizes the debt of New York City and its related issuers.

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

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

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

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

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

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

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

Other Localities

Certain localities other than New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. State legislation enacted post-2004 includes 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 59 local governments (10 counties, 11 cities, 20 towns, 18 villages) and 82 school districts have been placed in a stress category by OSC based on financial data for their fiscal years ending in 2015. The vast majority of entities scored by OSC (93 percent) are classified in the "No Designation" category.

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

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

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

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

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

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

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

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

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

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

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

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

State Retirement System

State Retirement System

THE INFORMATION THAT FOLLOWS UNDER THIS HEADING HAS BEEN PREPARED SOLELY BY 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, 2016, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2016 and is available on the OSC website at the following link: www.osc.state.ny.us/retire/publications/. Additionally, available at the OSC website are the System's asset listing for the fiscal year ended March 31, 2016 and audited financial statements with independent auditor's report for the fiscal year ended March 31, 2017.The NYSLRS' CAFR and Asset listing for the fiscal year ended March 31, 2017 will be available by September 30, 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 2016 and benefit plan booklets describing how each of the System's tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications/.

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

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

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

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

The System

The System provides pension benefits to public employees of the State and its localities (except employees of New York City, and public school teachers and administrators, who are covered by separate plans). State employees made up about 33 percent of the membership during FY 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). On September 4, 2015, the Comptroller announced the assumed rate of return for NYSLRS would be lowered from 7.5 percent to 7 percent effective for employer contribution rates used in FY 2017.

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 should be accessible by September 30, 2017 at:

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

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

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by the State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013, FY 2014, FY 2015, FY 2016 and FY 2017, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent, 3.21 percent and 2.33 percent, respectively. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, OSC expects that this will reduce the budgetary volatility of employer contributions. As of March 31, 2016, the amortized amount receivable, including accrued interest, for the 2011 amortization is $136.4 million from the State and $23.1 million from 40 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is $354.9 million from the State and $131.1 million from 113 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is $562.9 million from the State and $264.3 million from 131 participating employers; the amortized amount receivable, including accrued interest, for the 2014 amortization is $777.9 million for the State and $177.7 million from

99 participating employers; the amortized amount receivable including accrued interest, for the 2015 amortization is $653.1 million from the State and $134.0 million from 86 participating employers; and the amortized amount receivable, including accrued interest for the 2016 amortization, is $357.1 million from the State and $67.1 million from 53 participating employers.

The FY 2014 Enacted Budget included an alternate contribution program (the "Alternate Contribution Stabilization Program") that 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, 2016, the amortized amount receivable, including interest, from 26 participating employers for the 2014 amortization is $215.7 million. The amortized amount receivable, including interest, from 26 participating employers for the 2015 amortization is $182.8 million. The amortized amount receivable, including interest, from 23 participating employers for the 2016 amortization is $134.1 million.

For those eligible employers electing to participate in the Alternate Contribution Stabilization Program, the graded contribution rate for fiscal years ending 2014 and 2015 is 12 percent of salary for ERS and 20 percent of salary for PFRS. Thereafter, the graded contribution rate will increase one half of one percent per year towards the actuarially required rate. The 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 total State payment (including Judiciary) due to NYSLRS for FY 2017 was $2.365 billion. The State opted not to amortize under the Contribution Stabilization Program and has paid the bill in full as of March 1, 2017.

The estimated total State payment (including Judiciary) due to NYSLRS for FY 2018 is approximately $2.462 billion. Multiple prepayments (including interest credit) have reduced this amount to $2.332 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

[19] On August 9, 2017, the State Comptroller released a statement indicating that the value of the System's invested assets posted a 2.9 percent time-weighted rate of return (gross rate of return before the deduction of certain fees) for the three-month period ended June 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, 2016, long-term policy allocation and transition target allocation can be found on page 92 of the NYSLRS' CAFR for the fiscal year ending March 31, 2016.

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 smoothes gains and losses based on 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

[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.

Pension liability is allocated to participating employers and reported pursuant to both Statements 67 and 68.

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

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

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				Total Benefits Paid[3]
	All Participating Employers[1][2]	Local Employers[1][2]	State[1][2]	Employees	
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012	4,585	2,799	1,786	273	8,938
2013	5,336	3,385	1,950	269	9,521
2014	6,064	3,691	2,373	281	9,978
2015	5,797	3,534	2,263	285	10,514
2016	5,141	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 2004 can be found on page 28 of the NYSLRS CAFR at the link noted above. More information on this topic is available in the "Statistical" section of the NYSLRS CAFR.

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

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

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

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

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

Litigation

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 October 25, 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. The parties submitted their proposed findings of fact on October 28, 2015. Plaintiffs' memorandum of law was filed on November 27, 2015 and defendants' memorandum of law was filed on January 25, 2016. Plaintiffs' reply memorandum was submitted on February 9, 2016. On September 19, 2016, the trial court ruled in favor of the State and dismissed the action. Plaintiffs filed a notice of appeal dated October 5, 2016 with the Appellate Division, Third Department. Plaintiffs have filed their appellate brief and the State's brief was filed May 30, 2017. The appeal was argued on September 5, 2017.

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

By decision dated August 12, 2014, Supreme Court, New York County, granted a motion to consolidate Aristy-Farer, discussed in the preceding paragraph, with New Yorkers for Student Educational Rights v. New York. 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 seek to enjoin defendants from enforcing: (1) the gap elimination adjustment set forth in N.Y. Education Law § 3602(17); (2) the cap on state aid increases set forth in N.Y. Education Law § 3602(1)(dd); and (3) the requirements regarding increases in local property tax levies set forth in N.Y. Education Law § 3602(1)(dd) & 18. On July 8, 2014, defendants moved by Order to Show Cause to change the venue of the preliminary injunction application, as well as the entire action, to Albany County, pursuant to CPLR 6311(1). By Decision and Order dated August 8, 2014, the Court granted defendants' motion to transfer the preliminary injunction application to Albany County, but denied that part of the motion which sought to transfer the entire action.

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

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

On September 8, 2016, the First Department ruled largely in favor of plaintiffs and held that the bulk of their school-financing claims in Aristy-Farer and 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 November 10, 2017. Defendants' response is due by February 8, 2018. 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. Supreme Court, New York County, granted partial summary judgment to plaintiffs in Kateri, holding that the reserve bed patient day adjustment rate methodology was improper. The Appellate Division, First Department affirmed Supreme Court's partial summary judgment decision on interlocutory appeal and remanded the case to Supreme Court for further proceedings. The Court of Appeals denied leave to appeal on the grounds that the decision was not final. Supreme Court directed the defendant to re-compute Medicaid rates for the plaintiff's facilities, and that re-computation was completed in October 2013. Plaintiffs brought a motion, returnable March 5, 2014, to compel payment of the impacted Medicaid rates computed thus far by Department of Health staff, resulting from application of the reserve bed day methodology. On June 3, 2014, the court granted this motion to the extent of directing payment of $6.5 million out of the $49 million sought by plaintiff. The State has filed both a notice of appeal and a motion to renew or reargue that motion. Plaintiffs also brought a motion to consolidate over two hundred additional Medicaid rate cases into the present case, which was returnable May 16, 2014. The motion 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 reserved bed day Kateri matters under the new caption of Bayberry, et al. With respect to a portion of the newly consolidated cases, at the end of April 2015, as ordered, DOH performed additional rate calculations that incorporated Petitioners' reserved bed day interpretation and similar calculations by DOH for additionally consolidated cases, referred to under the heading of the Lead Petitioner (Cabrini), were also performed by DOH.

In March 2016, over 600 nursing home facilities, including all of the Kateri plaintiffs, entered a "universal settlement" with the State, resolving all issues concerning nursing home rate reimbursement unless specifically excluded from the settlement by agreement of the parties. The Kateri plaintiffs and the State agreed to exclude one issue, called "facility specific rebasing claims," and agreed to cap potential liability for that issue at no more than $15 million inclusive of all fees and costs. The parties filed a stipulation on June 22, 2016 setting forth a proposed briefing schedule for a motion to determine that issue with all papers due by August 12, 2016, and the next scheduled court conference was adjourned to September 21, 2016. Pending completion of settlement discussions of the remaining "facility specific rebasing claims" issue, the parties reached a revised briefing schedule at a court conference on December 21, 2016, pursuant to which plaintiffs' motions associated with their remaining claim were due to be filed on February 3, 2017, with opposition to such motions due on or before March 3, 2017, reply if any due on or before March 24, 2017, and a court conference scheduled for April 26, 2017. By stipulation dated 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 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.

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.

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% State Operating Funds Spending Benchmark". Total disbursements in the Updated Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps would be higher.

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

	FY 2017 Results	FY 2018 First Quarter	Annual $ Change	Annual % Change
Opening Fund Balance	**8,934**	**7,749**	**(1,185)**	**-13.3%**
Receipts:				
Taxes:				
Personal Income Tax	32,535	34,407	1,872	5.8%
Consumption/Use Taxes	7,101	7,436	335	4.7%
Business Taxes	4,761	5,718	957	20.1%
Other Taxes	1,110	1,072	(38)	-3.4%
Miscellaneous Receipts	3,813	2,505	(1,308)	-34.3%
Federal Receipts	0	0	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,275	10,906	631	6.1%
Sales Tax in Excess of LGAC	2,870	3,119	249	8.7%
Sales Tax in Excess of Revenue Bond Debt Service	2,672	2,779	107	4.0%
Real Estate Taxes in Excess of CW/CA Debt Service	940	1,023	83	8.8%
All Other	818	1,213	395	48.3%
Total Receipts	**66,895**	**70,178**	**3,283**	**4.9%**
Disbursements:				
Local Assistance	44,439	47,081	2,642	5.9%
State Operations:				
Personal Service	6,065	5,976	(89)	-1.5%
Non-Personal Service	2,022	2,246	224	11.1%
General State Charges	5,462	5,784	322	5.9%
Transfers to Other Funds:				
Debt Service	924	916	(8)	-0.9%
Capital Projects	2,569	2,623	54	2.1%
State Share of Mental Hygiene Medicaid	1,239	1,301	62	5.0%
SUNY Operations	996	1,015	19	1.9%
Other Purposes	4,364	4,291	(73)	-1.7%
Total Disbursements	**68,080**	**71,233**	**3,153**	**4.6%**
Excess (Deficiency) of Receipts Over Disbursements	**(1,185)**	**(1,055)**	**130**	**11.0%**
Closing Fund Balance	**7,749**	**6,694**	**(1,055)**	**-13.6%**
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	4,181	(1,154)	

Source: NYS DOB.

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

	FY 2018 First Quarter	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Receipts:				
Taxes:				
Personal Income Tax	34,407	36,385	37,986	39,214
Consumption/Use Taxes	7,436	7,719	7,993	8,271
Business Taxes	5,718	5,770	6,190	6,522
Other Taxes	1,072	1,053	1,112	1,175
Miscellaneous Receipts	2,505	2,131	2,135	2,058
Federal Receipts	0	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,906	10,812	10,744	11,053
Sales Tax in Excess of LGAC	3,119	3,150	3,290	3,565
Sales Tax in Excess of Revenue Bond Debt Service	2,779	2,807	2,992	2,842
Real Estate Taxes in Excess of CW/CA Debt Service	1,023	1,080	1,133	1,189
All Other	1,213	736	720	720
Total Receipts	**70,178**	**71,643**	**74,295**	**76,609**
Disbursements:				
Local Assistance	47,081	50,169	53,186	55,863
State Operations:				
Personal Service	5,976	6,239	6,490	6,927
Non-Personal Service	2,246	2,534	2,677	2,723
General State Charges	5,784	6,320	6,783	7,344
Transfers to Other Funds:				
Debt Service	916	1,144	1,042	1,067
Capital Projects	2,623	4,047	3,869	3,488
State Share of Mental Hygiene Medicaid	1,301	1,231	1,119	1,119
SUNY Operations	1,015	1,005	1,001	1,001
Other Purposes	4,291	4,699	5,220	5,486
Total Disbursements	**71,233**	**77,388**	**81,387**	**85,018**
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	1,154	1,662	1,087	653
Total Use (Reservation) of Fund Balance	**1,055**	**1,662**	**1,087**	**653**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**0**	**(4,083)**	**(6,005)**	**(7,756)**
Adherence to 2% Spending Benchmark*	**0**	**3,242**	**5,968**	**8,156**
Net General Fund Surplus (Deficit)	**0**	**(841)**	**(37)**	**400**

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected operating position would decline.

Source: NYS DOB.

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	34,406	1	34,407
Consumption/Use Taxes	7,438	(2)	7,436
Business Taxes	5,718	0	5,718
Other Taxes	1,072	0	1,072
Miscellaneous Receipts	2,152	353	2,505
Federal Receipts	0	0	0
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	10,923	(17)	10,906
Sales Tax in Excess of LGAC	3,120	(1)	3,119
Sales Tax in Excess of Revenue Bond Debt Service	2,766	13	2,779
Real Estate Taxes in Excess of CW/CA Debt Service	1,023	0	1,023
All Other	1,216	(3)	1,213
Total Receipts	**69,834**	**344**	**70,178**
Disbursements:			
Local Assistance	47,069	12	47,081
State Operations:			
Personal Service	5,950	26	5,976
Non-Personal Service	2,227	19	2,246
General State Charges	5,789	(5)	5,784
Transfers to Other Funds:			
Debt Service	921	(5)	916
Capital Projects	2,627	(4)	2,623
State Share of Mental Hygiene Medicaid	1,301	0	1,301
SUNY Operations	1,015	0	1,015
Other Purposes	4,300	(9)	4,291
Total Disbursements	**71,199**	**34**	**71,233**
Use (Reservation) of Fund Balance:			
Community Projects	16	1	17
Potential Labor Agreements	(130)	0	(130)
Undesignated Fund Balance	14	0	14
Rainy Day Reserve	0	0	0
Extraordinary Monetary Settlements	1,465	(311)	1,154
Total Use (Reservation) of Fund Balance	**1,365**	**(310)**	**1,055**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**0**	**0**	**0**
Adherence to 2% Spending Benchmark*	**0**	**0**	**0**
Net General Fund Surplus (Deficit)	**0**	**0**	**0**

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected operating position would decline.

Source: NYS DOB.

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	36,385	0	36,385
Consumption/Use Taxes	7,726	(7)	7,719
Business Taxes	5,770	0	5,770
Other Taxes	1,053	0	1,053
Miscellaneous Receipts	2,128	3	2,131
Federal Receipts	0	0	0
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	10,838	(26)	10,812
Sales Tax in Excess of LGAC	3,154	(4)	3,150
Sales Tax in Excess of Revenue Bond Debt Service	2,797	10	2,807
Real Estate Taxes in Excess of CW/CA Debt Service	1,080	0	1,080
All Other	739	(3)	736
Total Receipts	**71,670**	**(27)**	**71,643**
Disbursements:			
Local Assistance	50,112	57	50,169
State Operations:			
Personal Service	6,237	2	6,239
Non-Personal Service	2,513	21	2,534
General State Charges	6,328	(8)	6,320
Transfers to Other Funds:			
Debt Service	1,155	(11)	1,144
Capital Projects	4,068	(21)	4,047
State Share of Mental Hygiene Medicaid	1,231	0	1,231
SUNY Operations	1,005	0	1,005
Other Purposes	4,704	(5)	4,699
Total Disbursements	**77,353**	**35**	**77,388**
Use (Reservation) of Fund Balance:			
Extraordinary Monetary Settlements	1,662	0	1,662
Total Use (Reservation) of Fund Balance	**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)**
Adherence to 2% Spending Benchmark*	**3,230**	**12**	**3,242**
Net General Fund Surplus (Deficit)	**(791)**	**(50)**	**(841)**

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected operating position would decline.

Source: NYS DOB.

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	37,986	0	37,986
Consumption/Use Taxes	7,996	(3)	7,993
Business Taxes	6,190	0	6,190
Other Taxes	1,112	0	1,112
Miscellaneous Receipts	2,135	0	2,135
Federal Receipts	0	0	0
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	10,789	(45)	10,744
Sales Tax in Excess of LGAC	3,292	(2)	3,290
Sales Tax in Excess of Revenue Bond Debt Service	2,981	11	2,992
Real Estate Taxes in Excess of CW/CA Debt Service	1,133	0	1,133
All Other	723	(3)	720
Total Receipts	**74,337**	**(42)**	**74,295**
Disbursements:			
Local Assistance	53,101	85	53,186
State Operations:			
Personal Service	6,424	66	6,490
Non-Personal Service	2,661	16	2,677
General State Charges	6,792	(9)	6,783
Transfers to Other Funds:			
Debt Service	1,053	(11)	1,042
Capital Projects	3,899	(30)	3,869
State Share of Mental Hygiene Medicaid	1,119	0	1,119
SUNY Operations	1,001	0	1,001
Other Purposes	5,227	(7)	5,220
Total Disbursements	**81,277**	**110**	**81,387**
Use (Reservation) of Fund Balance:			
Extraordinary Monetary Settlements	1,087	0	1,087
Total Use (Reservation) of Fund Balance	**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)**
Adherence to 2% Spending Benchmark*	**5,855**	**113**	**5,968**
Net General Fund Surplus (Deficit)	**2**	**(39)**	**(37)**

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected operating position would decline.

Source: NYS DOB.

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

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	39,215	(1)	39,214
Consumption/Use Taxes	8,274	(3)	8,271
Business Taxes	6,522	0	6,522
Other Taxes	1,175	0	1,175
Miscellaneous Receipts	2,058	0	2,058
Federal Receipts	0	0	0
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	11,054	(1)	11,053
Sales Tax in Excess of LGAC	3,567	(2)	3,565
Sales Tax in Excess of Revenue Bond Debt Service	2,830	12	2,842
Real Estate Taxes in Excess of CW/CA Debt Service	1,189	0	1,189
All Other	723	(3)	720
Total Receipts	**76,607**	**2**	**76,609**
Disbursements:			
Local Assistance	55,745	118	55,863
State Operations:			
Personal Service	6,796	131	6,927
Non-Personal Service	2,718	5	2,723
General State Charges	7,357	(13)	7,344
Transfers to Other Funds:			
Debt Service	1,074	(7)	1,067
Capital Projects	3,479	9	3,488
State Share of Mental Hygiene Medicaid	1,119	0	1,119
SUNY Operations	1,001	0	1,001
Other Purposes	5,483	3	5,486
Total Disbursements	**84,772**	**246**	**85,018**
Use (Reservation) of Fund Balance:			
Extraordinary Monetary Settlements	653	0	653
Total Use (Reservation) of Fund Balance	**653**	**0**	**653**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(7,512)**	**(244)**	**(7,756)**
Adherence to 2% Spending Benchmark*	**7,955**	**201**	**8,156**
Net General Fund Surplus (Deficit)	**443**	**(43)**	**400**

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected operating position would decline.

Source: NYS DOB.

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

	FY 2018 First Quarter	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Taxes:				
Withholdings	39,459	41,314	42,557	43,543
Estimated Payments	15,924	17,521	19,069	18,712
Final Payments	2,511	2,669	2,818	2,978
Other Payments	1,416	1,487	1,551	1,588
Gross Collections	**59,310**	**62,991**	**65,995**	**66,821**
State/City Offset	(873)	(898)	(824)	(849)
Refunds	(9,054)	(10,220)	(11,253)	(10,507)
Reported Tax Collections	**49,383**	**51,873**	**53,918**	**55,465**
STAR (Dedicated Deposits)	(2,630)	(2,520)	(2,453)	(2,385)
RBTF (Dedicated Transfers)	(12,346)	(12,968)	(13,479)	(13,866)
Personal Income Tax	**34,407**	**36,385**	**37,986**	**39,214**
Sales and Use Tax	13,638	14,188	14,748	15,316
Cigarette and Tobacco Taxes	343	334	323	313
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
TNC Assessment	12	24	24	24
Gross Utility Taxes and Fees	**14,255**	**14,813**	**15,367**	**15,929**
LGAC/STBF (Dedicated Transfers)	(6,819)	(7,094)	(7,374)	(7,658)
Consumption/Use Taxes	**7,436**	**7,719**	**7,993**	**8,271**
Corporation Franchise Tax	3,406	3,524	3,924	4,187
Corporation and Utilities Tax	585	563	569	575
Insurance Taxes	1,447	1,561	1,637	1,760
Bank Tax	280	122	60	0
Petroleum Business Tax	0	0	0	0
Business Taxes	**5,718**	**5,770**	**6,190**	**6,522**
Estate Tax	1,052	1,033	1,092	1,155
Real Estate Transfer Tax	1,204	1,258	1,308	1,360
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	17	17	17	17
Other Taxes	3	3	3	3
Gross Other Taxes	**2,276**	**2,311**	**2,420**	**2,535**
Real Estate Transfer Tax (Dedicated)	(1,204)	(1,258)	(1,308)	(1,360)
Other Taxes	**1,072**	**1,053**	**1,112**	**1,175**
Payroll Tax	**0**	**0**	**0**	**0**
Total Taxes	**48,633**	**50,927**	**53,281**	**55,182**
Licenses, Fees, Etc.	653	634	657	640
Abandoned Property	450	450	450	450
Motor Vehicle Fees	232	245	254	249
ABC License Fee	63	66	66	62
Reimbursements	289	286	288	288
Investment Income	21	8	8	8
Other Transactions	797	442	412	361
Miscellaneous Receipts	**2,505**	**2,131**	**2,135**	**2,058**
Federal Receipts	**0**	**0**	**0**	**0**
Total	**51,138**	**53,058**	**55,416**	**57,240**

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	48,633	7,713	20,250	76,596
Miscellaneous Receipts	2,505	16,746	459	19,710
Federal Receipts	0	1	73	74
Total Receipts	**51,138**	**24,460**	**20,782**	**96,380**
Disbursements:				
Local Assistance	47,081	18,994	0	66,075
State Operations:				
Personal Service	5,976	6,959	0	12,935
Non-Personal Service	2,246	3,522	37	5,805
General State Charges	5,784	2,275	0	8,059
Debt Service	0	0	5,292	5,292
Capital Projects	0	2	0	2
Total Disbursements	**61,087**	**31,752**	**5,329**	**98,168**
Other Financing Sources (Uses):				
Transfers from Other Funds	19,040	7,837	3,733	30,610
Transfers to Other Funds	(10,146)	(949)	(19,183)	(30,278)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**8,894**	**6,888**	**(15,450)**	**332**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**(1,055)**	**(404)**	**3**	**(1,456)**
Closing Fund Balance	**6,694**	**3,328**	**147**	**10,169**

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	50,927	7,756	21,201	79,884
Miscellaneous Receipts	2,131	16,320	458	18,909
Federal Receipts	0	1	73	74
Total Receipts	**53,058**	**24,077**	**21,732**	**98,867**
Disbursements:				
Local Assistance	50,169	18,893	0	69,062
State Operations:				
Personal Service	6,239	6,941	0	13,180
Non-Personal Service	2,534	3,436	50	6,020
General State Charges	6,320	2,336	0	8,656
Debt Service	0	0	6,455	6,455
Capital Projects	0	0	0	0
Total Disbursements	**65,262**	**31,606**	**6,505**	**103,373**
Other Financing Sources (Uses):				
Transfers from Other Funds	18,585	8,091	3,907	30,583
Transfers to Other Funds	(12,126)	(338)	(19,130)	(31,594)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**6,459**	**7,753**	**(15,223)**	**(1,011)**
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)	**(4,083)**	**224**	**4**	**(3,855)**
Adherence to 2% Spending Benchmark*	**3,242**	**0**	**0**	**3,242**
Net Surplus (Deficit)	**(841)**	**224**	**4**	**(613)**

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected operating position would decline.

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	53,281	7,812	22,042	83,135
Miscellaneous Receipts	2,135	16,222	459	18,816
Federal Receipts	0	1	73	74
Total Receipts	**55,416**	**24,035**	**22,574**	**102,025**
Disbursements:				
Local Assistance	53,186	18,939	0	72,125
State Operations:				
Personal Service	6,490	7,029	0	13,519
Non-Personal Service	2,677	3,416	50	6,143
General State Charges	6,783	2,412	0	9,195
Debt Service	0	0	7,120	7,120
Capital Projects	0	0	0	0
Total Disbursements	**69,136**	**31,796**	**7,170**	**108,102**
Other Financing Sources (Uses):				
Transfers from Other Funds	18,879	8,339	3,883	31,101
Transfers to Other Funds	(12,251)	(337)	(19,283)	(31,871)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**6,628**	**8,002**	**(15,400)**	**(770)**
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)	**(6,005)**	**241**	**4**	**(5,760)**
Adherence to 2% Spending Benchmark*	**5,968**	**0**	**0**	**5,968**
Net Surplus (Deficit)	**(37)**	**241**	**4**	**208**

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected operating position would decline.

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	55,182	7,858	22,765	85,805
Miscellaneous Receipts	2,058	15,995	459	18,512
Federal Receipts	0	1	73	74
Total Receipts	**57,240**	**23,854**	**23,297**	**104,391**
Disbursements:				
Local Assistance	55,863	18,996	0	74,859
State Operations:				
Personal Service	6,927	7,133	0	14,060
Non-Personal Service	2,723	3,430	50	6,203
General State Charges	7,344	2,482	0	9,826
Debt Service	0	0	7,385	7,385
Capital Projects	0	0	0	0
Total Disbursements	**72,857**	**32,041**	**7,435**	**112,333**
Other Financing Sources (Uses):				
Transfers from Other Funds	19,369	8,535	3,846	31,750
Transfers to Other Funds	(12,161)	(236)	(19,703)	(32,100)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**7,208**	**8,299**	**(15,857)**	**(350)**
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)	**(7,756)**	**112**	**5**	**(7,639)**
Adherence to 2% Spending Benchmark*	**8,156**	**0**	**0**	**8,156**
Net Surplus (Deficit)	**400**	**112**	**5**	**517**

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected operating position would decline.

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	48,633	7,713	1,327	20,250	77,923
Miscellaneous Receipts	2,505	16,958	6,833	459	26,755
Federal Receipts	0	54,844	2,270	73	57,187
Total Receipts	**51,138**	**79,515**	**10,430**	**20,782**	**161,865**
Disbursements:					
Local Assistance	47,081	69,504	5,033	0	121,618
State Operations:					
Personal Service	5,976	7,576	0	0	13,552
Non-Personal Service	2,246	4,901	0	37	7,184
General State Charges	5,784	2,590	0	0	8,374
Debt Service	0	0	0	5,292	5,292
Capital Projects	0	2	8,013	0	8,015
Total Disbursements	**61,087**	**84,573**	**13,046**	**5,329**	**164,035**
Other Financing Sources (Uses):					
Transfers from Other Funds	19,040	7,849	3,050	3,733	33,672
Transfers to Other Funds	(10,146)	(3,013)	(1,439)	(19,183)	(33,781)
Bond and Note Proceeds	0	0	988	0	988
Net Other Financing Sources (Uses)	**8,894**	**4,836**	**2,599**	**(15,450)**	**879**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**(1,055)**	**(222)**	**(17)**	**3**	**(1,291)**
Closing Fund Balance	**6,694**	**4,050**	**(1,077)**	**147**	**9,814**

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	50,927	7,756	1,395	21,201	81,279
Miscellaneous Receipts	2,131	16,532	7,573	458	26,694
Federal Receipts	0	56,154	2,429	73	58,656
Total Receipts	**53,058**	**80,442**	**11,397**	**21,732**	**166,629**
Disbursements:					
Local Assistance	50,169	70,796	5,028	0	125,993
State Operations:					
Personal Service	6,239	7,565	0	0	13,804
Non-Personal Service	2,534	4,853	0	50	7,437
General State Charges	6,320	2,655	0	0	8,975
Debt Service	0	0	0	6,455	6,455
Capital Projects	0	0	9,757	0	9,757
Total Disbursements	**65,262**	**85,869**	**14,785**	**6,505**	**172,421**
Other Financing Sources (Uses):					
Transfers from Other Funds	18,585	8,103	4,334	3,907	34,929
Transfers to Other Funds	(12,126)	(2,347)	(1,445)	(19,130)	(35,048)
Bond and Note Proceeds	0	0	478	0	478
Net Other Financing Sources (Uses)	**6,459**	**5,756**	**3,367**	**(15,223)**	**359**
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)	**(4,083)**	**329**	**(21)**	**4**	**(3,771)**
Adherence to 2% Spending Benchmark*	**3,242**	**0**	**0**	**0**	**3,242**
Net Surplus (Deficit)	**(841)**	**329**	**(21)**	**4**	**(529)**

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected operating position would decline.

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	53,281	7,812	1,391	22,042	84,526
Miscellaneous Receipts	2,135	16,434	7,278	459	26,306
Federal Receipts	0	57,054	2,215	73	59,342
Total Receipts	**55,416**	**81,300**	**10,884**	**22,574**	**170,174**
Disbursements:					
Local Assistance	53,186	71,898	4,645	0	129,729
State Operations:					
Personal Service	6,490	7,658	0	0	14,148
Non-Personal Service	2,677	4,892	0	50	7,619
General State Charges	6,783	2,736	0	0	9,519
Debt Service	0	0	0	7,120	7,120
Capital Projects	0	0	9,061	0	9,061
Total Disbursements	**69,136**	**87,184**	**13,706**	**7,170**	**177,196**
Other Financing Sources (Uses):					
Transfers from Other Funds	18,879	8,351	4,131	3,883	35,244
Transfers to Other Funds	(12,251)	(2,117)	(1,709)	(19,283)	(35,360)
Bond and Note Proceeds	0	0	387	0	387
Net Other Financing Sources (Uses)	**6,628**	**6,234**	**2,809**	**(15,400)**	**271**
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)	**(6,005)**	**350**	**(13)**	**4**	**(5,664)**
Adherence to 2% Spending Benchmark*	**5,968**	**0**	**0**	**0**	**5,968**
Net Surplus (Deficit)	**(37)**	**350**	**(13)**	**4**	**304**

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected operating position would decline.

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	55,182	7,858	1,391	22,765	87,196
Miscellaneous Receipts	2,058	16,210	6,695	459	25,422
Federal Receipts	0	57,337	2,171	73	59,581
Total Receipts	**57,240**	**81,405**	**10,257**	**23,297**	**172,199**
Disbursements:					
Local Assistance	55,863	72,318	4,124	0	132,305
State Operations:					
Personal Service	6,927	7,788	0	0	14,715
Non-Personal Service	2,723	4,887	0	50	7,660
General State Charges	7,344	2,816	0	0	10,160
Debt Service	0	0	0	7,385	7,385
Capital Projects	0	0	8,422	0	8,422
Total Disbursements	**72,857**	**87,809**	**12,546**	**7,435**	**180,647**
Other Financing Sources (Uses):					
Transfers from Other Funds	19,369	8,547	3,684	3,846	35,446
Transfers to Other Funds	(12,161)	(2,016)	(1,692)	(19,703)	(35,572)
Bond and Note Proceeds	0	0	301	0	301
Net Other Financing Sources (Uses)	**7,208**	**6,531**	**2,293**	**(15,857)**	**175**
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)	**(7,756)**	**127**	**4**	**5**	**(7,620)**
Adherence to 2% Spending Benchmark*	**8,156**	**0**	**0**	**0**	**8,156**
Net Surplus (Deficit)	**400**	**127**	**4**	**5**	**536**

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected operating position would decline.

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2018
(dollars in millions)

	2017 April Results	May Results	June Results	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2018 January Projected	February Projected	March Projected	Total
OPENING BALANCE	7,749	7,405	3,140	3,014	3,790	3,704	6,545	6,039	4,331	8,438	10,968	10,183	7,749
RECEIPTS:													
Personal Income Tax	3,751	1,576	3,431	1,987	2,279	3,827	2,133	1,759	4,139	4,420	2,604	2,501	34,407
Consumption/Use Taxes	522	539	731	577	568	754	593	589	729	636	501	697	7,436
Business Taxes	421	137	770	58	253	990	(4)	77	1,310	15	(108)	1,799	5,718
Other Taxes	91	114	103	71	88	87	86	86	86	86	86	88	1,072
Total Taxes	4,785	2,366	5,035	2,693	3,188	5,658	2,808	2,511	6,264	5,157	3,083	5,085	48,633
Abandoned Property	0	0	0	0	0	35	30	155	50	0	0	180	450
ABC License Fee	6	6	6	5	5	5	5	5	5	5	5	5	63
Investment Income	4	1	2	1	2	1	2	1	2	1	2	2	21
Licenses, Fees, etc.	27	73	36	51	65	35	55	55	65	70	35	86	653
Motor Vehicle Fees	36	29	31	(5)	19	20	18	20	15	16	17	16	232
Reimbursements	2	23	37	10	5	50	5	25	45	10	20	57	289
Other Transactions	20	381	52	51	33	71	41	18	58	19	17	36	797
Total Miscellaneous Receipts	95	513	164	113	129	217	156	279	240	121	96	382	2,505
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	475	355	1,510	712	389	1,418	801	702	1,624	10,906
Tax in Excess of LGAC	234	54	508	259	227	348	268	267	339	285	3	327	3,119
Sales Tax Bond Fund	179	186	280	210	203	318	205	203	276	221	169	329	2,779
Real Estate Taxes in Excess of CW/CA Debt Service	81	95	89	79	92	93	92	81	85	93	80	63	1,023
All Other	10	2	3	9	1	105	12	17	5	40	153	856	1,213
Total Transfers from Other Funds	1,753	846	2,042	1,032	878	2,374	1,289	957	2,123	1,440	1,107	3,199	19,040
TOTAL RECEIPTS	6,633	3,725	7,241	3,838	4,195	8,249	4,253	3,747	8,627	6,718	4,286	8,666	70,178
DISBURSEMENTS:													
School Aid	868	3,358	1,878	38	622	1,606	1,019	1,525	1,939	492	713	8,265	22,323
Higher Education	19	37	954	221	128	174	108	46	193	73	319	527	2,799
All Other Education	95	484	75	158	69	298	55	34	281	41	224	442	2,256
Medicaid - DOH	1,376	1,408	1,370	1,165	1,156	1,079	933	1,199	883	1,031	1,101	665	13,366
Public Health	68	177	50	63	67	61	47	48	49	30	31	14	705
Mental Hygiene	2	3	184	(1)	7	231	3	5	219	3	60	174	890
Children and Families	36	101	194	72	87	287	83	83	283	83	116	225	1,650
Temporary & Disability Assistance	95	112	143	92	106	105	106	107	106	106	106	132	1,316
Transportation	0	25	14	0	25	0	0	25	12	0	13	0	114
Unrestricted Aid	0	11	388	3	1	101	7	1	184	1	1	63	761
All Other	11	16	90	18	45	36	103	141	110	105	118	108	901
Total Local Assistance	2,570	5,732	5,340	1,829	2,313	3,978	2,464	3,214	4,259	1,965	2,802	10,615	47,081
Personal Service	485	642	475	466	503	426	547	586	427	423	420	576	5,976
Non-Personal Service	91	226	185	142	190	194	168	190	193	202	190	275	2,246
Total State Operations	576	868	660	608	693	620	715	776	620	625	610	851	8,222
General State Charges	2,398	292	409	347	113	255	489	159	235	506	232	349	5,784
Debt Service	274	(1)	2	152	(3)	(59)	361	0	(2)	294	(20)	(82)	916
Capital Projects	310	268	438	(600)	586	429	87	509	(777)	515	780	78	2,623
State Share Medicaid	100	138	98	64	104	132	109	108	108	108	110	122	1,301
SUNY Operations	218	218	218	181	0	0	0	181	0	0	0	(1)	1,015
Other Purposes	531	475	202	481	475	53	534	508	77	175	557	223	4,291
Total Transfers to Other Funds	1,433	1,098	958	278	1,162	555	1,091	1,306	(594)	1,092	1,427	340	10,146
TOTAL DISBURSEMENTS	6,977	7,990	7,367	3,062	4,281	5,408	4,759	5,455	4,520	4,188	5,071	12,155	71,233
Excess/(Deficiency) of Receipts over Disbursements	(344)	(4,265)	(126)	776	(86)	2,841	(506)	(1,708)	4,107	2,530	(785)	(3,489)	(1,055)
CLOSING BALANCE	7,405	3,140	3,014	3,790	3,704	6,545	6,039	4,331	8,438	10,968	10,183	6,694	6,694

Source: NYS DOB.