Update to Annual Information Statement State of New York

February 28, 2018

Annual Information Statement Update

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Introduction

Introduction

This Annual Information Statement (AIS) Update (the "AIS Update") is dated February 28, 2018 and contains information only through that date. This AIS Update constitutes the official disclosure regarding the financial position of the State of New York (the "State") and related matters and is the third quarterly update to the AIS dated June 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 Governor's Executive Budget Financial Plan for Fiscal Year (FY) 2019, as amended (the "Updated Financial Plan" or "Executive Budget Financial Plan"), issued by the Division of the Budget (DOB) in February 2018. The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov) includes a summary of operating results through the third quarter of FY 2018 (ended December 31, 2017) and updates to the State's official Financial Plan projections for FY 2018 through FY 2021[1] and initial projections for FY 2022.
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 on certain public authorities and localities of the State.
5. Updated information regarding the State Retirement System.
6. The status of significant litigation that has the potential to adversely affect State finances.
7. Updated Financial Plan tables that summarize actual General Fund receipts and disbursements for FY 2017 and projected receipts and disbursements for FYs 2018 through 2021 on a General Fund, State Operating Funds (SOF) and All Governmental Funds basis.

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

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections, or other information relating to the State's financial position or condition, including potential operating results for the current fiscal year

[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.

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

The factors affecting the State's financial condition are complex. This AIS Update contains forecasts, projections and estimates that are based on expectations and assumptions, which existed at the time they were prepared, and contains statements relating to future results and economic performance that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in this AIS Update of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. The forward-looking statements contained herein are based on the State's expectations and are necessarily dependent upon assumptions, estimates and data that it believes are reasonable as of the date made, but that may be incorrect, incomplete or imprecise or not reflective of actual results. Forecasts, projections, and estimates are not intended as representations of fact or guarantees of results. The words "expects", "forecasts", "projects", "intends", "anticipates", "estimates", "assumes" and analogous expressions are intended to identify forward-looking statements in this AIS Update. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Such risks and uncertainties include, among others, general economic and business conditions; changes in political, social, economic and environmental conditions, including climate change and extreme weather events; impediments to the implementation of gap-closing actions; regulatory initiatives and compliance with governmental regulations; litigation; Federal tax law changes; actions by the Federal government to reduce or disallow expected aid, including Federal aid authorized or appropriated by Congress but subject to sequestration, administrative actions, or other actions that would reduce aid to the State; and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements are based on the State's expectations 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 these reports 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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This AIS Update is available in electronic form on the DOB website at www.budget.ny.gov. Such availability does not imply that there have been no changes in the financial position of the State subsequent to the posting of this AIS Update. Maintenance of this AIS Update on the DOB website, or on the EMMA website, is not intended as a republication of the information therein on any date subsequent to its release date. No incorporation by reference or republication of any information contained on any website is intended or shall be deemed to have occurred as a result of the inclusion of any website address in this AIS Update.

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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.

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

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

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

State Operating Funds is a broader measure of spending for operations (as distinct from capital purposes) that is funded with State resources. It includes financial activity in the General Fund, as well as State-funded Special Revenue Funds and Debt Service Funds (spending from capital projects funds and Federal funds is excluded). As a significant amount of financial activity occurs in funds outside of the General Fund, State Operating Funds is, in DOB's view, a more comprehensive measure of State-funded activities for operating purposes that are funded with State resources (e.g., taxes, assessments, fees and tuition). The State Operating Funds perspective eliminates certain distortions in operating activities that may be caused by, among other things, the State's complex fund structure, the transfer of money among funds, and the accounting of disbursements against appropriations in different funds. For example, the State funds its share of the Medicaid program from both the General Fund and HCRA funds, the latter being State Special Revenue Funds. The State Operating Funds perspective captures Medicaid disbursements from both of these fund types, giving a more complete accounting of State-funded Medicaid disbursements. For such reasons, the discussion of disbursement projections often emphasizes the State Operating Funds perspective. The State's adherence to a 2 percent annual spending growth benchmark is calculated on the State Operating Funds basis.

As described later in this AIS Update, the Updated Financial Plan reflects some actions that have affected, or are intended to affect, the amount of annual spending that is accounted for in the State Operating Funds basis of reporting. These include, but are not limited to, realignment of certain operating costs to the capital budget to provide greater consistency in reporting across all agencies and a more accurate accounting of the overall capital budget; payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting; restructuring of the STAR program such that the spending for certain benefits is instead provided as a tax credit consistent with other State tax credits; appropriation of certain operating costs for the Department of Transportation (DOT) and the Department of Motor Vehicles (DMV) from the General Fund instead of the DHBTF, a change which would increase reported disbursements from State Operating Funds; and a proposal to amend the enabling statute for the Payroll Mobility Tax (PMT) to no longer require that the receipts due to the MTA be appropriated by the State Legislature, which is intended to improve the credit quality of bonds of the MTA that may be secured by the PMT, and has the effect of lowering reported State Operating Funds receipts and disbursements. In general, if these and other transactions are not enacted as proposed or not implemented as planned, annual spending growth in State Operating Funds would increase above current projections.

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

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

State Finance Law also requires DOB to prepare a pro forma financial plan using, to the extent practicable, GAAP. The GAAP-basis financial plan is informational only and 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, but there can be no assurance that the pro forma GAAP Financial Plan conforms to all GAAP principles.

Budgetary and Accounting Practices

The Updated Financial Plan projections for future years may show budget gaps or budget surpluses in the General Fund. Budget gaps represent the difference between: (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain current service 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 2020 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. Total disbursements in the Updated Financial Plan tables and narrative, contained in this AIS Update, do not reflect these assumed savings, which are instead reflected on a distinct line and labeled as "Adherence to 2 Percent Spending Benchmark." Updated Financial Plan projections are subject to many risks and uncertainties, as well as future budgetary decisions and other factors not known at this time. If the 2 percent annual State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or projected surpluses would be lower).

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 of total receipts and disbursements under different fund perspectives (e.g., State Operating Funds and total All Governmental Funds).

Overview of the Updated Financial Plan

Overview of the Updated Financial Plan

The following provides certain Updated Financial Plan information for FYs 2017, 2018 and 2019.

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

	FY 2017	FY 2018		FY 2019	
	Results	Mid-Year Estimate	Current Estimate	Before Changes[2]	Executive Amended
State Operating Funds Disbursements					
Size of Budget	$96,199	$98,104	$98,126	$102,772	$99,977
Annual Growth	2.0%	2.0%	2.0%	4.7%	1.9%
Other Disbursement Measures					
General Fund (Excluding Transfers)[1]	$57,988	$60,678	$60,343	$64,870	$62,890
Annual Growth	2.3%	4.6%	4.1%	7.5%	4.2%
General Fund (Including Transfers)[1,3]	$68,080	$70,373	$70,023	$76,888	$74,232
Annual Growth	0.1%	3.4%	2.9%	9.8%	6.0%
Capital Budget (Federal and State)	$10,156	$13,020	$12,675	$15,068	$14,490
Annual Growth	13.1%	28.2%	24.8%	18.9%	14.3%
Federal Operating Aid	$50,659	$52,929	$53,636	$54,441	$53,718
Annual Growth	24.8%	4.5%	5.9%	1.5%	0.2%
All Funds[4]	$157,014	$164,053	$164,437	$172,281	$168,185
Annual Growth	9.1%	4.5%	4.7%	4.8%	2.3%
Capital Budget (Including "Off-Budget" Capital[5])	$10,737	$13,703	$13,359	$15,739	$15,165
Annual Growth	12.4%	27.6%	24.4%	17.8%	13.5%
All Funds (Including "Off-Budget" Capital[5])	$157,595	$164,736	$165,121	$172,952	$168,860
Annual Growth	9.1%	4.5%	4.8%	4.7%	2.3%
Inflation (CPI)	1.6%	1.9%	2.0%	2.1%	2.2%
All Funds Receipts					
Taxes	$74,372	$77,088	$78,952	$80,371	$77,429
Annual Growth	-0.4%	3.7%	6.2%	1.8%	-1.9%
Miscellaneous Receipts	$26,594	$27,736	$27,829	$26,638	$27,899
Annual Growth	-2.5%	4.3%	4.6%	-4.3%	0.3%
Federal Receipts	$55,406	$57,348	$57,777	$58,886	$57,878
Annual Growth	24.5%	3.5%	4.3%	1.9%	0.2%
Total Receipts[4]	$156,372	$162,172	$164,558	$165,895	$163,206
Annual Growth	6.8%	3.7%	5.2%	0.8%	-0.8%
General Fund Cash Balance	$7,749	$6,882	$9,167	$5,220	$5,120
Tax Stabilization/Rainy Day Reserve	$1,798	$1,798	$1,798	$1,798	$1,798
Extraordinary Monetary Settlements	$5,335	$4,369	$4,749	$2,707	$2,646
All Other Reserves/Fund Balances	$616	$715	$2,620	$715	$676
Debt					
Debt Service as % All Funds Receipts	4.1%	3.7%	3.9%	3.8%	3.5%
State-Related Debt Outstanding	$50,709	$52,174	$51,970	$55,085	$55,182
Debt Outstanding as % Personal Income	4.3%	4.3%	4.3%	4.3%	4.3%
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	117,907	118,481	118,512	118,481	118,705

Source: DOB.

1 FY 2019 Executive Proposal for General Fund, with and without transfers, excludes the reclassification of mental hygiene funds from Special Revenue Funds, and certain DOT and DMV operating expenses from the Dedicated Highway and Bridge Trust Fund, to the General Fund.

2 Before Executive proposals to balance the FY 2019 budget.

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

4 All Funds disbursements are expected to exceed receipts (including other financing sources) in FY 2018 and FY 2019 with the difference funded from other available resources, including Extraordinary Monetary Settlements and GO bond proceeds to reimburse planned first-instance capital spending.

5 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

Summary

The Governor submitted his FY 2019 Executive Budget proposal on January 16, 2018, and amendments through February 15, 2018 (the "Executive Budget"), as permitted by law. On February 15, 2018, DOB issued the Updated Financial Plan, extracts and summaries of which are set forth herein. The Updated Financial Plan includes updated estimates for the current fiscal year (FY 2018) and projections for FY 2019 through FY 2021, and initial projections for FY 2022, which reflect the estimated impact of the Executive Budget.

The projections for FY 2019 through FY 2022 assume the Legislature enacts the Executive Budget in its entirety and without modification by the start of FY 2019, which begins on April 1, 2018. The Executive Budget is awaiting action by the Legislature. There can be no assurance the Legislature will adopt all, or any specific portion, of the Executive Budget as proposed. Accordingly, there can be no assurance the fiscal impact of the FY 2019 budget, when adopted, will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan that are included in this AIS Update.

FY 2018

- Through December 31, 2017, the State received a one-time acceleration of personal income tax payments as taxpayers responded to Federal tax law changes that, starting in tax year 2018, limit the allowable aggregate itemized deduction of State and local income taxes (SALT), and local real property taxes, to a maximum of $10,000 on Federal income tax returns. DOB estimates that approximately $1.9 billion in tax receipts were accelerated from tax year 2018 to 2017 due to this behavioral response. The acceleration is expected to result in an identical reduction in PIT receipts in FY 2019. Accordingly, the increase in cash in FY 2018 that DOB attributes to the one-time acceleration of PIT receipts will be carried forward for financial planning purposes and used to offset the anticipated corresponding loss of PIT receipts in FY 2019.

- DOB expects the Updated Financial Plan for FY 2018 to remain in balance on a cash basis in the General Fund, exclusive of the impact of the accelerated tax receipts.

- State Operating Funds disbursements are estimated at $98.1 billion in FY 2018, consistent with the 2 percent annual spending growth benchmark. The calculation of SOF disbursements is consistent with the accounting of financial transactions in the FY 2018 Enacted Budget, as reflected in the AIS.

FY 2019

- The FY 2019 budget must close a General Fund budget gap estimated at $4.4 billion. The projected budget gap, while unremarkable compared to those recorded during and after the last recession, is the largest since FY 2012 in both absolute dollars and as a percentage of tax receipts. The budget gaps for future years, before accounting for proposed savings in the Executive Budget Financial Plan, are estimated at $6.4 billion in FY 2020, $8.1 billion in FY 2021, and $8.4 billion in FY 2022.

- Several factors contribute to the size of the projected budget gaps, including persistent shortfalls in tax collections compared with DOB estimates.

- Beyond the projected budget gaps, actions by the Federal government pose a heightened risk to State finances. The enactment of Federal tax law changes is currently projected to add $1.1 trillion to the Federal deficit over the next five years,[2] increasing the likelihood that Congress will seek material cuts in aid programs. Funding at risk includes, but is not limited to, health care subsidies required under the Affordable Care Act, and Disproportionate Share Hospital aid. DOB is actively monitoring these risks.

- DOB estimates that the Executive Budget, if enacted as proposed, would eliminate the estimated General Fund budget gap of $4.4 billion in FY 2019 and reduce subsequent budget gap projections to $3.5 billion in FY 2020, $5.2 billion in FY 2021, and $5.1 billion in FY 2022. DOB estimates that if future budgets hold spending growth to 2 percent annually in State Operating Funds, the General Fund would have a budget gap of $812 million in FY 2020 and $429 million in FY 2021, and a surplus in FY 2022. These calculations assume that all savings from the reductions in spending are made available to the General Fund, and does not include the potential additional Federal cuts in aid programs described above.

[2] Joint Committee on Taxation, Macroeconomic Analysis of the Conference Agreement for H.R. 1, the “Tax Cuts and Jobs Act” (JCX- 69-17), December 22, 2017.

FY 2018 Financial Plan Update

DOB estimates that the Updated Financial Plan provides for balanced operations in the General Fund in FY 2018. 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 Settlements activity (for purposes other than operating relief and the funding set aside for potential costs of labor contracts).

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2017 Results	FY 2018 Current	Annual Change Dollar	Annual Change Percent
Opening Fund Balance (Excluding Extraordinary Monetary Settlements)	2,634	2,414	(220)	-8.4%
Total Receipts	65,641	70,630	4,989	7.6%
Taxes	62,264	67,288	5,024	8.1%
Miscellaneous Receipts/Federal Grants [1]	2,661	2,135	(526)	-19.8%
Transfers from Other Funds	716	1,207	491	68.6%
Total Disbursements	65,963	69,318	3,355	5.1%
Local Assistance	44,439	46,501	2,062	4.6%
State Operations	13,549	13,842	293	2.2%
Transfers to Other Funds [1]	7,975	8,975	1,000	12.5%
Net Change in Operations	(322)	1,312	1,634	507.5%
Deposit to/ Use Of Reserves [2]	102	692	590	-
Closing Fund Balance (Excluding Extraordinary Monetary Settlements) [2]	2,414	4,418	2,004	83.0%
Extraordinary Monetary Settlements [1]				
Settlements on Hand as of April 1	6,300	5,335	(965)	-15.3%
New Settlements Received/Expected	1,317	838	(479)	-36.4%
Transfers/Uses [2]	(2,282)	(1,424)	858	37.6%
Closing Balance (Extraordinary Monetary Settlements)	5,335	4,749	(586)	-11.0%
Closing Fund Balance (Including Extraordinary Monetary Settlements)	7,749	9,167	1,418	18.3%

[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 2017, $102 million in Extraordinary Monetary Settlements were used for operations. In FY 2018, $461 million in Extraordinary Monetary Settlements are expected to be used for operations and $76 million to fund an unbudgeted litigation payment. Another $155 million will be retained in the General Fund to fund potential retroactive salary increases and is thus included in the General Fund closing balance.

The State expects to end FY 2018 with a General Fund cash balance of $9.2 billion, an increase of $1.4 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 and Investment Fund (DIIF) through FY 2021.

Receipts[3]

General Fund receipts, including transfers from other funds, are estimated to total $70.6 billion in FY 2018, an increase of $5.0 billion (7.6 percent) from FY 2017 results. Estimated tax collections, including transfers of tax receipts to the General Fund after payment of debt service, total $67.3 billion in FY 2018, an increase of $5.0 billion (8.1 percent) from FY 2017 results.

The PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are estimated to total $46.6 billion, an increase of $3.8 billion (8.9 percent) from FY 2017. Roughly half of the increase is due to an acceleration of personal income tax payments due in calendar year 2018 as taxpayers responded to Federal tax law changes that, starting in tax year 2018, limit the allowable aggregate itemized deduction of State and local income taxes, and local real property taxes, to a maximum of $10,000 on Federal income tax returns. Excluding this acceleration, PIT receipts are projected to grow $1.9 billion (4.5 percent), mainly due to higher withholding and estimated payments attributable to the projected increase in wage and non-wage income. In addition, a decline in STAR Fund deposits associated with legislation included in the FY 2018 Enacted Budget increases General Fund tax receipts. These increases are partially offset by the first year of middle-income tax cuts enacted by the State in FY 2017.

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

Business tax receipts are estimated at $5.1 billion in FY 2018, an increase of $347 million (7.3 percent) from FY 2017 results. The growth is primarily attributable to growth in corporate profits and increased audit receipts, partially offset by increased refunds as taxpayers continue to adjust to tax law changes made under the 2014 corporate tax reform[4].

Other tax receipts, including transfers after payment of debt service on Clean Water/Clean Air Bonds, are expected to total $2.3 billion in FY 2018, an increase of $248 million (12.1 percent) from FY 2017. This increase is mainly attributable to actual estate tax receipts through December 2017 that included one payment in excess of $130 million.

Non-tax receipts and transfers are estimated at $3.3 billion in FY 2018, a decrease of $35 million 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 2022.”

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[3] The reported activity by Financial Plan category excludes the impact of Extraordinary Monetary Settlements on receipts and disbursements.

[4] Part A of Chapter 59 of the Laws of 2014.

Disbursements[5]

General Fund disbursements, including transfers to other funds, are expected to total $69.3 billion in FY 2018, an increase of $3.4 billion (5.1 percent) from FY 2017. General Fund disbursements reflect conservative estimates of disbursements in each financial category, a practice that provides a cushion for potential receipts shortfalls and other unanticipated costs.

Local assistance spending is estimated at $46.5 billion in FY 2018, an increase of $2.1 billion (4.6 percent) from FY 2017. The increase is primarily driven by School Aid ($1.3 billion on a State fiscal year basis) and by Medicaid and the Essential Plan (EP) ($914 million).

General Fund personal and non-personal service costs are expected to total $8.2 billion in FY 2018, an increase of $105 million (1.3 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. On a State Operating Funds basis, most executive agencies are expected to hold operations spending at FY 2017 levels.[6] The Updated Financial Plan estimates for State Operations are affected by the reclassification to Capital Projects Funds of certain personnel expenses related to maintenance and preservation of State assets; the costs of approved labor settlements, as well as the potential costs of unsettled labor agreements with State unions; and expected savings from agency management plans.

General State Charges (GSCs), which account for fringe benefits and certain fixed costs, are projected to increase by $188 million (3.4 percent) over FY 2017. Health insurance costs for State employees and retirees are projected to increase by $260 million (7 percent), reflective of medical inflation and enrollment levels. The State's annual pension payment is projected to grow by $14 million (0.6 percent).

General Fund transfers to other funds are projected to total $9.0 billion in FY 2018, an increase of $1.0 billion (12.5 percent) from FY 2017. Transfers for capital projects (excluding transfers funded with Extraordinary Monetary Settlements) are projected to increase by $857 million, reflecting the timing of reimbursement from bond proceeds and planned disbursements from the DHBTF. Debt service transfers are expected to increase by $113 million, mainly due to year-to-year differences in the amount of debt service paid in one fiscal year but due in the following fiscal year.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year. For a more comprehensive discussion of the State's disbursement projections by major activity, presented on a State Operating Funds basis, see "State Financial Plan Projections Fiscal Years 2018 through 2022."

[5] The reported activity by Financial Plan category excludes the impact of Extraordinary Monetary Settlements on receipts and disbursements.

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

FY 2018 General Fund Revisions

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
ENACTED BUDGET SURPLUS/(GAP)	**0**
Receipts Revisions[1]	**344**
BNPP Settlement Payment	350
Tax Receipts	(6)
Disbursement Revisions	**(34)**
Local Assistance	(12)
Agency Operations	(40)
CSX Judgment Payment	(39)
Other Transfers	57
Change in Reserves	**(310)**
Extraordinary Monetary Settlements	(311)
BNPP Settlement Payment	(350)
CSX Judgment Payment	39
Community Projects Fund	1
FIRST QUARTERLY UPDATE BUDGET SURPLUS/(GAP)	**0**
Receipts Revisions[1]	**(672)**
Tax Receipts (before Debt Service)	(845)
Debt Service (impact on Tax Receipts)[1]	(61)
Habib Settlement Payment	225
Other Non-Tax Receipts	9
Disbursements Revisions	**860**
Local Assistance	329
Agency Operations	80
Transfers to Other Funds	451
Change in Extraordinary Monetary Settlements Reserve	**(188)**
Habib Settlement Payment	(225)
CSX Payment	37
MID-YEAR UPDATE SURPLUS/(GAP)	**0**
Receipts Revisions[1]	**1,935**
PIT Revisions	2,304
Accelerated Estimated Payments	1,905
Other PIT Revisions	399
Other Tax Changes	(399)
Credit Suisse Settlement Payment	135
Western Union Settlement Payment	60
Cigna Settlement Payment	2
Other Non-Tax Revisions	(167)
Disbursements Revisions	**350**
Local Assistance	251
Agency Operations	84
Debt Service Prepayment	(340)
Transfers to DIIF	183
All Other Transfers	172
Change in Extraordinary Monetary Settlements Reserve	**(380)**
Settlement Payments Received	(197)
DIIF Transfer Revision	(183)
Tax Collection Reserve	**(1,905)**
EXECUTIVE BUDGET SURPLUS/(GAP)	**0**

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

Receipts Revisions

General Fund receipts, including transfers from other funds, are now estimated to total $71.4 billion in FY 2018, an increase of $1.6 billion from the Enacted Budget Financial Plan estimate, which largely reflects the acceleration of PIT payments described below.

- **Tax Receipts.** PIT receipts are higher than expected in the FY 2018 Enacted Budget Financial Plan due to an acceleration of personal income tax payments during calendar year 2017 as taxpayers responded to Federal tax law changes that, starting in tax year 2018, limit the allowable itemized deduction of State and local income taxes, as well as local real property taxes, to a maximum of $10,000 on Federal income tax returns. DOB has increased PIT estimates upward which reflects $1.9 billion in higher than expected receipts attributable to accelerated payments, partly offset by lower than expected receipts from other tax receipts adjustments. Such tax receipts adjustments reflect lower business tax receipts that reflect lower corporate franchise tax payments and lower sales tax receipts estimates that reflect weaker than expected consumer spending, partly offset by increases to estimated estate tax receipts.

- **Extraordinary Monetary Settlement Payments.** The State received a $350 million civil monetary penalty payment from BNP Paribas, S.A., New York Branch (“BNPP” or “BNP Paribas”) in June 2017 pursuant to a consent order between the New York State Department of Financial Services (DFS) and BNPP; a $225 million civil monetary penalty payment from Habib Bank in September 2017 pursuant to a consent order between DFS and Habib Bank Limited, New York Branch (together “Habib Bank”); a $135 million civil monetary penalty payment from Credit Suisse AG and Credit Suisse AG, New York Branch (together “Credit Suisse”), pursuant to a November 2017 consent order between DFS and Credit Suisse; and $2 million from Cigna Health and Life Insurance Company (“Cigna”), for a civil monetary penalty pursuant to a November 2017 consent order between Cigna and DFS. In addition, the State received $60 million from a civil monetary penalty pursuant to a January 2018 consent order between Western Union and DFS.

- **Other Non-Tax Revisions.** Certain miscellaneous receipts have been revised based on results to date and updated information. In addition, revisions to debt service reduce the amount of PIT receipts transferred to the General Fund.

Disbursements Revisions

General Fund disbursements, including transfers to other funds, are expected to total $70.0 billion in FY 2018, a decrease of $1.2 billion from the estimates in the Enacted Budget Financial Plan. Revisions to General Fund disbursements estimates are based on a review of operating results and updated information on programs and activities.

- **Local Assistance.** General Fund disbursements for local assistance are expected to total $46.5 billion in FY 2018, a decrease of $567 million from the FY 2018 Enacted Budget Financial Plan. Spending has been lowered to reflect revised spending patterns attributable to certain public assistance and education programs, as well as revised timelines for ongoing transformation and efforts to ensure the efficient use of State resources in the mental hygiene service delivery system.

- **Agency Operations.** General Fund disbursements for agency operations, including fringe benefits, are expected to total $13.8 billion in FY 2018, a decrease of $124 million from the FY 2018 Enacted Budget Financial Plan estimates. Spending has been lowered to reflect revised estimates of agency fringe benefit spending, and the reimbursement of such payments to the General Fund, based on recent billing and payment activity.

- **Transfers.** General Fund transfers to other funds are expected to total $9.7 billion in FY 2018, a decrease of $485 million from the FY 2018 Enacted Budget Financial Plan estimates. General Fund transfers to Capital Projects Funds are expected to be lower than previously anticipated, mainly due to higher than expected capital reimbursements from bond proceeds in FY 2018 and revised levels of spending. Partly offsetting these decreases in General Fund transfers to other funds is the expected payment of $340 million of FY 2019 debt service expenses in FY 2018. The State also paid $100 million to settle two eminent domain cases with CSX (CSX 1 and CSX 2), including interest and fees. The First Quarterly Update to the Financial Plan reflected an initial cost estimate of $63 million ($39 million State share and $24 million Federal share), plus applicable interest charges and attorneys' fees for CSX 1. The Updated Financial Plan reflects the additional $37 million paid by the State to finalize the settlement of both CSX 1 and CSX 2, with $75 million attributable to CSX 1 and $25 million attributable to CSX 2. The total $76 million State share of the $100 million settlement for CSX 1 and CSX 2 has been paid from the DHBTF, with the transfer funded with a portion of the Extraordinary Monetary Settlements received since adoption of the FY 2018 Enacted Budget.

FY 2018 Closing Balance

DOB projects that the State will end FY 2018 with a General Fund cash balance of $9.2 billion, an increase of $1.4 billion from FY 2017. The estimated balance of Extraordinary Monetary Settlements at the close of FY 2018 is $4.7 billion, a decrease of $586 million from FY 2017. (See "Uses of Extraordinary Monetary Settlements" herein.)

The estimated General Fund cash balance, excluding Extraordinary Monetary Settlements, is $4.4 billion at the close of FY 2018, or $2.0 billion higher than FY 2017. The annual change in the balance reflects a $1.9 billion increase to the undesignated fund balance which will be carried into FY 2019 to offset PIT estimated payment reductions due to FY 2018 accelerations referred to above.

TOTAL BALANCES
(millions of dollars)

	FY 2017 Results	FY 2018 Current	Annual Change
TOTAL GENERAL FUND BALANCE	**7,749**	**9,167**	**1,418**
General Fund (Excl. Extraordinary Monetary Settlements)	**2,414**	**4,418**	**2,004**
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	1,905	1,891
Extraordinary Monetary Settlements Fund Balance	**5,335**	**4,749**	**(586)**

FY 2019 Financial Plan

The General Fund will be affected by two fund reclassifications beginning in FY 2019. The changes have no net impact on General Fund operations, but change the reporting of receipts and disbursements in total and among spending categories.

- **Mental Hygiene Fund Reclassification**. Spending from two State Special Revenue Fund accounts, the Mental Hygiene Program Fund and Patient Income Account, is reclassified to the General Fund to improve reporting transparency by eliminating large transfers between funds. The reclassification moves local assistance and operations spending, as well as the supporting revenue, into the General Fund, and eliminates transfers from the General Fund to the two Mental Hygiene State Special Revenue Fund accounts. In addition, roughly $1.4 billion of fringe benefit spending associated with Mental Hygiene agencies will move from the respective agencies to the central General State Charges budget. Approximately $60 million in indirect costs will no longer be reported in statewide spending.

- **DOT/DMV Operating Cost Reclassification**. Certain DOT and DMV operating costs related to snow and ice removal, bus, truck and rail inspection, and DMV regulatory activities are reclassified from the DHBTF to the General Fund. In the General Fund, the increased operating spending is offset by an identical reduction in the transfer to the DHBTF. The reclassification will better align operating and capital functions with dedicated revenue sources.

The following table summarizes the projected annual change from FY 2018 to FY 2019 in General Fund receipts, disbursements, and fund balances, with and without the impact of Extraordinary Monetary Settlements. The table also excludes the impact of the reclassifications described above.

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2018 Current	FY 2019 Proposed	MH Reclass	DOT/DMV Reclass	FY 2019 Adjusted	Adjusted Annual Change Dollar	Adjusted Annual Change Percent
Opening Fund Balance (Excluding Extraordinary Monetary Settlements)	2,414	4,418	0	0	4,418	2,004	83.0%
Total Receipts	70,630	71,201	986	30	70,185	(445)	-0.6%
Taxes	67,288	66,801	0	0	66,801	(487)	-0.7%
Miscellaneous Receipts/Federal Grants [1]	2,135	2,019	(166)	30	2,155	20	0.9%
Transfers from Other Funds	1,207	2,381	1,152	0	1,229	22	1.8%
Total Disbursements	69,318	73,528	986	30	72,512	3,194	4.6%
Local Assistance	46,501	49,938	1,710	0	48,228	1,727	3.7%
State Operations	13,842	19,125	4,075	388	14,662	820	5.9%
Transfers to Other Funds [1]	8,975	4,465	(4,799)	(358)	9,622	647	7.2%
Net Change in Operations	1,312	(2,327)	0	0	(2,327)	(3,639)	-277.4%
Deposit to/ Use Of Reserves [2]	692	383			383	(309)	-
Closing Fund Balance (Excluding Extraordinary Monetary Settlements) [2]	4,418	2,474	0	0	2,474	(1,944)	-44.0%
Extraordinary Monetary Settlements[1]							
Settlements on Hand as of April[1]	5,335	4,749			4,749	(586)	-11.0%
New Settlements Received/Expected	838	0			0	(838)	-100.0%
Transfers/Uses [2]	(1,424)	(2,103)			(2,103)	(679)	-47.7%
Closing Balance (Extraordinary Monetary Settlements)	4,749	2,646			2,646	(2,103)	-44.3%
Closing Fund Balance (Including Extraordinary Monetary Settlements)	9,167	5,120			5,120	(4,047)	-44.1%

[1] New settlements received reflect the gross value of Extraordinary Monetary Settlements paid to the State. 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 are expected to be used for operations and $76 million will fund an unbudgeted litigation payment. Another $155 million will be retained in the General Fund to fund potential retroactive salary increases and is thus included in the General Fund closing balance. In FY 2019, $383 million in Extraordinary Monetary Settlements are expected to be used for operations.

As shown in the table above, the State expects to end FY 2019 with a General Fund cash balance of $5.1 billion, a decrease of $4 billion from FY 2018 estimates. DOB intends to make transfers of Extraordinary Monetary Settlements on an as-needed basis over a multi-year period as spending occurs from appropriations funded with the settlements.

Receipts[7]

General Fund receipts, including transfers from other funds, are projected to total $70.2 billion in FY 2019, a decrease of $445 million (0.6 percent) from FY 2018 estimates. The acceleration of personal income tax payments for calendar year 2018 results in a year-to-year decrease of $3.8 billion. Excluding the accelerated payments, total receipts increase $3.4 billion or 4.9 percent.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds are expected to total $45.1 billion, an annual decline of $1.5 billion. The decline is the result of the shift of an estimated $1.9 billion of receipts from FY 2019 into FY 2018 due to Federal tax reform. Underlying PIT growth is consistent with forecasted economic growth.

General Fund consumption/use tax receipts, including transfers after payment of debt service on LGAC and Sales Tax Revenue Bonds, are estimated to total $13.8 billion, an annual increase of $511 million (3.9 percent), which reflects projected growth in disposable income and taxable consumption, as well as the Executive Budget proposals.

General Fund business tax receipts are estimated at $5.9 billion, an increase of $761 million (14.9 percent). This growth is due to projected increases in corporate profits and Executive Budget proposals.

Other tax receipts to the General Fund are expected to total $2.1 billion, a decrease of $213 million (9.3 percent), reflecting a return to an average number of estate tax payments exceeding $25 million.

Non-tax receipts are estimated at $3.4 billion, an increase of $42 million.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see “State Financial Plan Projections Fiscal Years 2018 Through 2022” herein.

[7] The reported activity by Financial Plan category excludes the impact of (a) Extraordinary Monetary Settlements on receipts and disbursements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that are proposed to take effect in FY 2019.

Disbursements[8]

General Fund disbursements, including transfers to other funds, are expected to total $72.5 billion in FY 2019, an annual increase of $3.2 billion (4.6 percent).

Local assistance grants are expected to total $48.2 billion in FY 2019, an annual increase of $1.7 billion (3.7 percent). The largest increases include $682 million for School Aid (on a State fiscal year basis), $479 million for Medicaid, $194 million for the MTA Subway Action Plan (described below) and $228 million for Higher Education. The latter reflects continued support for student financial aid programs including the Excelsior Free Tuition Program, fringe benefit costs, and the timing of certain payments.

General Fund disbursements for agency operations, including fringe benefits and fixed costs, are expected to total $14.7 billion, an annual increase of $820 million (5.9 percent). Personal and non-personal service costs increase $399 million from the current year, reflecting increased personal service costs driven by settled and expected labor agreements. Costs associated with State employees and retiree health insurance are expected to increase by $315 million (7.9 percent), mainly due to negotiated rate increases reflecting medical cost inflation and current enrollment levels. The State's net costs for Workers' Compensation are expected to increase by $150 million (46 percent), due to underlying growth in the average weekly wage for benefit calculations and medical costs ($45 million), as well as a reduction in the use of offsetting revenue ($105 million).

General Fund transfers to other funds are estimated to total $9.6 billion, an increase of $647 million. The increase is mainly due to transfers for capital projects (excluding transfers funded with Extraordinary Monetary Settlements) 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 2022" herein.

[8] The reported activity by Financial Plan category excludes the impact of (a) Extraordinary Monetary Settlements on receipts and disbursements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that are proposed to take effect in FY 2019.

Closing Balance for FY 2019

DOB projects that the State will end FY 2019 with a General Fund cash balance of $5.1 billion, a decrease of $4.0 billion from FY 2018. The General Fund cash balance, excluding Extraordinary Monetary Settlements, is estimated at $2.5 billion, or $1.9 billion lower than the estimated closing balance at the end of FY 2018. The change is almost entirely due to the use of the $1.9 billion in cash from PIT tax receipts accelerated into FY 2018, as well as the projected spending of resources in the Community Projects Fund.

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve and the Rainy Day Reserve, are expected to remain unchanged at $1.8 billion.

The Executive Budget Financial Plan maintains a reserve of $500 million for debt management purposes in FY 2019. DOB will decide on the use of these funds based on market conditions, Updated Financial Plan needs, and other factors.

The balance from Extraordinary Monetary Settlements at the close of FY 2019 is expected to total $2.6 billion, a decrease of $2.1 billion from the estimated FY 2018 closing balance. The decrease reflects the planned use of Extraordinary Monetary Settlements to fund Capital Projects Funds from DIIF ($1.4 billion); the MTA Subway Action Plan ($194 million); and general operations ($383 million). The State's principal reserves are expected to remain unchanged from FY 2018. (See "Uses of Extraordinary Monetary Settlements" herein.)

DOB expects that the State will have sufficient liquidity in FY 2019 to make all planned payments as they become due without having to temporarily borrow from the Short-Term Investment Pool (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.

TOTAL BALANCES
(millions of dollars)

	FY 2018 Current	FY 2019 Proposed	Annual Change
TOTAL GENERAL FUND BALANCE	**9,167**	**5,120**	**(4,047)**
General Fund (Excl. Extraordinary Monetary Settlements)	**4,418**	**2,474**	**(1,944)**
Statutory Reserves:			
"Rainy Day" Reserves	1,798	1,798	0
Community Projects	39	0	(39)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements	155	155	0
Undesignated Fund Balance	1,905	0	(1,905)
Extraordinary Monetary Settlements Fund Balance	**4,749**	**2,646**	**(2,103)**

FY 2019 Detailed Gap-Closing Plan

The following table and narrative summarize the proposed gap-closing plan. To the extent the State enacts budgets that adhere to the 2 percent spending benchmark, the level of savings required in each subsequent year to hold spending to 2 percent would be lower.

FY 2019 EXECUTIVE BUDGET GENERAL FUND GAP-CLOSING PLAN
(millions of dollars)

	FY 2019	FY 2020	FY 2021	FY 2022
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE[1]	**(4,443)**	**(6,385)**	**(8,053)**	**(8,413)**
SPENDING CHANGES	**2,672**	**1,465**	**1,472**	**1,820**
Local Assistance	**1,317**	**1,413**	**1,462**	**1,960**
Education:	533	888	1,056	1,138
School Aid - Update to Personal Income Growth Index (1.5%)	431	747	910	1,010
School Aid - School Year Increase Above PIGI to 3%	(199)	(294)	(306)	(319)
School Aid - November Database Update	205	139	139	139
Other Education	96	296	313	308
Health Care:	396	304	282	225
Global Cap	425	425	425	425
Minimum Wage	(125)	(184)	(229)	(300)
Other Health Care	96	63	86	100
Mental Hygiene	181	108	(16)	(135)
Human Services	162	182	240	237
STAR	110	130	124	600
MTA Subway Action Plan (One-Time Subsidy)	(194)	0	0	0
All Other	129	(199)	(224)	(105)
Agency Operations	**446**	**67**	**(11)**	**(134)**
Executive Agency Operations	416	38	(39)	(170)
University Systems	82	77	80	93
Elected Officials Budget Request	(52)	(48)	(52)	(57)
Debt Management/Capital	**569**	**(15)**	**21**	**(6)**
Prepayment of FY 2019 Debt Service Expenses	**340**	**0**	**0**	**0**
RESOURCE CHANGES	**736**	**46**	**117**	**256**
Taxpayer Acceleration of PIT Payments into FY 2018:	**0**	**0**	**0**	**0**
FY 2019 Impact of FY 2018 PIT Tax Acceleration	(1,905)	0	0	0
Offset to FY 2018 PIT Taxpayer Acceleration	1,905	0	0	0
Other Resource Changes:	**736**	**46**	**117**	**256**
Tax Receipts Revisions	60	20	19	19
Extraordinary Monetary Settlements - Operations	383	0	0	0
Extraordinary Monetary Settlements - MTA Subway Action Plan	194	0	0	0
Other Resource Changes	99	26	98	237
REVENUE ACTIONS	**1,035**	**1,403**	**1,275**	**1,225**
Health Insurance Conversions	500	500	500	500
Healthcare Insurance Windfall Profit Fee	140	140	140	140
Opioid Epidemic Surcharge	127	171	154	138
Discontinue ESCO Sales Tax Exemption	90	120	120	120
Defer Business Related Tax Credit Claims	82	278	199	164
Internet Fairness Conformity Tax	75	150	150	150
Improve Cigar Tax Enforcement	12	23	23	23
All Other Revenue Actions	9	21	(11)	(10)
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATE (Before)[1]	**0**	**(3,471)**	**(5,189)**	**(5,112)**
ADHERENCE TO 2% SPENDING BENCHMARK (After) [2]	**0**	**2,659**	**4,760**	**5,640**
EXECUTIVE BUDGET SURPLUS/(GAP)	**0**	**(812)**	**(429)**	**528**

[1] Before actions to adhere to the 2 percent benchmark.

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

Spending Changes

The Executive Budget Financial Plan reduces General Fund spending in FY 2019 by $2.7 billion, net of new initiatives and costs, compared to the FY 2019 baseline estimate.[9] The reductions include reestimates to spending based on updated information, specific cost-containment proposals, and the prepayment of FY 2019 expenses from excess resources expected to be available in FY 2018.

Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. Reductions from the prior projections for local assistance spending are expected to generate $1.3 billion in General Fund savings. Savings are expected from both targeted actions and continuation of prior-year cost containment.

School Aid and Medicaid are the State's largest local assistance programs, comprising over 45 percent of the State Operating Funds budget. The Executive Budget Financial plan provides for the following:

- **Education.** A lower-than-projected increase in the Personal Income Growth Index (PIGI) results in reduced School Aid spending growth based upon the School Aid formula. The actual SY 2019 PIGI is 1.5 percent, compared to the previously estimated 3.9 percent, generating multi-year savings. The Executive Budget Financial Plan reflects a proposed total of $26.4 billion in aid for the 2018-19 school year, increasing school aid by $769 million, or 3 percent over the prior school year. This increase is double the amount of the 1.5 percent indexed formula.

  In addition, updates to the School Aid database indicate a decline in SY 2018 aid compared with the FY 2018 Enacted Budget Financial Plan estimates. Similarly, grant-based awards for School Aid are spending more slowly than anticipated. Other education savings include the restructuring of aid to private colleges, as well as revisions to the methodology used to reimburse school districts for summer school special education tuition costs which will now involve using the same wealth-equalized aid ratio that is used to reimburse school districts for similar programs operated during the school year; and one-time audit recoveries for the preschool special education program expected in FY 2019.

  The Executive Budget Financial Plan reflects the proposed additional funding for several new initiatives to eliminate barriers to receiving school meals. In addition, funding for the Non-public School Health and Safety Equipment Program is expected to be provided through the Capital Projects Funds.

[9] Published in the 2018 Mid-Year Update, November 2017.

- **Health Care.** Medicaid spending under the Global Cap[10] is expected to total $18.9 billion in FY 2019, an increase of $593 million, consistent with the statutory index of 3.2 percent. The Global Cap is expected to provide $425 million in General Fund savings in FY 2019. Total Medicaid spending, including spending outside the Global Cap, is expected to increase to $20.6 billion in FY 2019. The Financial Plan will continue to fund, outside the Global Cap, increases in the minimum wage for health care providers ($703 million) in FY 2019. In addition, the State continues to provide capital funding to the State's health care delivery system. The FY 2019 Executive Budget Financial Plan includes $425 million in new health care capital spending, funded with bonds ($300 million) and Extraordinary Monetary Settlements ($125 million). The Executive Budget Financial Plan includes an additional $425 million for non-DOH Medicaid expenses within the Global Cap. To achieve savings within the Global Cap to support these additional costs, DOH will continue to implement various MRT actions to improve the efficiency and effective delivery of the statewide Medicaid program. These reforms include modifications to the Medicaid long-term care program to ensure access to long-term care services and support a growing aging population; continued controls on Medicaid pharmaceutical costs; incentives supporting the transition to value-based payment arrangements; additional program integrity efficiencies; the authorization of retail practices; a continuation of transportation reforms through targeted investments; and expansion of certain Medicaid services, including covered tele-health and community paramedicine.

  Medicaid costs attributable to the minimum wage increase are projected to be higher than initially estimated, mainly due to higher-than-expected enrollment growth in the long-term care sector for home and personal care services. The Updated Financial Plan reflects higher Medicaid spending of $125 million in FY 2019 growing to $300 million by FY 2022. The Executive Budget Financial Plan includes $703 million to support the direct cost of FY 2019 minimum wage increases for health care workers who provide services reimbursed by Medicaid.

  Other health care savings include initiatives to consolidate and reduce certain public health programs, providing increased flexibility to support ongoing public health programs or investments in new or emerging public health priorities; modifications to certain pharmacy benefit programs; reforms to increase reimbursements from third-party insurers and streamline the evaluation process for the Early Intervention program; and the elimination of COLA payments. The Updated Financial Plan also includes savings from the one-time recoupment of $35 million from NYC in FY 2019 for ineligible School Nurse expenses included in claims from calendar years 2015 through 2017.

- **Mental Hygiene.** Spending revisions reflect updated assumptions and revised timelines for ongoing transformation efforts to ensure efficient use of State resources in the mental hygiene service delivery system.

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

- **Human Services.** Savings reflect, among other things, expiration of State reimbursements to New York City for the Close to Home initiative; a cap on State-share reimbursement to NYC for child welfare spending, and reestimates to the disbursement estimates for other programs. Funding has been increased for higher projected public assistance caseload costs and to return child care subsidy funding to a level of $806 million.

- **STAR.** The Executive Budget proposes freezing the exemption benefit, rather than allowing it to increase by up to 2 percent, and mandating enrollment in the Income Verification Program.

- **MTA Subway Action Plan.** The Executive Budget Financial Plan includes $254 million in operating aid to fully fund the State's half of the MTA Subway Action Plan to address system failures, breakdowns, delays and deteriorating customer service, and to position the system for future modernization. State operating aid will be provided to the MTA from $194 million in Extraordinary Monetary Settlements and $60 million from accelerated transfer of Payroll Mobility Tax revenue. The Updated Financial Plan also includes $174 million in new capital funding for the MTA as part of the MTA Subway Action Plan.

- **All Other.** Savings are expected as a result of updated spending projections across program areas, including: elimination of the planned FY 2019 1.9 percent human services cost-of-living increase; updated enrollment data for the State University of New York (SUNY) Community Colleges that results in a reduction in projected Full-Time Equivalent (FTE) students; and continued utilization of JP Morgan Settlement and Mortgage Insurance Fund (MIF) resources to fund housing and homelessness programs.

  Spending increases in the outyears mainly reflects expected matching funds that will be provided to local governments that achieve savings consistent with County-wide Shared Services Property Tax Savings Plans; and funding for the proposed DREAM Act that extends student financial assistance to undocumented immigrant students pursuing higher education in New York.

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies and utilities). Reductions from current-services projections for agency operations contribute $446 million to the General Fund gap-closing plan.

- **Executive Agencies.** The Executive Budget Financial Plan reflects agency spending held flat, on a State Operating Funds basis, with limited exceptions, such as DOH costs attributable to the New York State of Health (NYSOH) marketplace and the Essential Plan program. State agencies are expected to continue to use less costly forms of service delivery, improve administrative practices, and pursue statewide solutions, including the utilization of Lean initiatives to streamline operations and management. The Executive Budget Financial Plan also includes savings from the continued transition of individuals from mental hygiene institutions to appropriate community settings.

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

Pension estimates reflect the planned payment of the full FY 2019 Employees' Retirement System (ERS)/Police and Fire Retirement System (PFRS) pension bill in April 2018, rather than on a monthly basis as previously assumed. Health insurance savings reflect elimination of the taxpayer-subsidized Income-Related Monthly Adjustment Amount (IRMAA) reimbursement for high income New York State Health Insurance Program (NYSHIP) enrollees, and from maintaining reimbursement of the standard Medicare Part B premium at $134 per month.

The Executive Budget also proposes reforming the interest charged on judgments against the State from as high as 9 percent to a fair-market interest rate. The current rate was established in 1982 when interest rates were at 12 percent to avoid unnecessary taxpayer costs. The recommended rate is in line with the interest rate applied to judgements in Federal courts, and would ensure that neither side in a lawsuit will be disadvantaged by an interest rate that is above or below what otherwise could be earned while cases are being adjudicated.

- **University Systems.** Savings reflect elimination of the SUNY hospital subsidy, which is reinvested to support capital infrastructure projects at SUNY's teaching hospitals.
- **Elected Officials/Judiciary.** The Executive Budget Financial Plan reflects the Judiciary's request to increase operating support, including retroactive payment of collective bargaining agreements and expected cost increases for legal representation in Family Court support resulting from Raise the Age legislation and the Attorney for the Child program. The Executive Budget Financial Plan reflects the Legislature's request to increase operating costs, including increases for personal service costs and equipment.

Debt Management/Capital Projects

The Executive Budget Financial Plan reflects FY 2019 debt service savings from the planned payment of $340 million of FY 2019 expenses in FY 2018, as well as expected refundings, continued use of competitive bond sales, and other debt management actions. The use of available bond proceeds to reimburse capital spending from prior years, results in a downward revision to transfers needed to fund capital projects.

Resource Changes

- **Taxpayer Acceleration of PIT Payments into FY 2018.** The State received a surge in personal income tax payments during calendar year 2017 as taxpayers responded to Federal tax law changes that, starting in tax year 2018, limit the allowable deduction of State and local income taxes, as well as local real property taxes, to a maximum of $10,000 on Federal income tax returns. DOB estimates that approximately $1.9 billion in accelerated tax receipts were due to this behavioral response. The increase in cash in FY 2018 that DOB attributes to the acceleration of PIT receipts will be carried forward and used to offset the anticipated corresponding loss of PIT receipts in FY 2019.

- **Tax Receipts Revisions.** The Executive Budget Financial Plan reflects revisions to tax receipts across most tax categories, including the proposed decoupling of the State's tax law from the Federal cap with respect to the deductibility of SALT; changes and eliminations to certain Federal deductions; the temporary Federal medical expense deduction increase; child tax credit changes; and the single filer standard deduction. Executive Budget revisions proposed in response to the Federal tax law changes include:

  – **Employer Compensation Expense Tax (ECET) System.** Federal tax changes limited the deductibility of State and local taxes for individuals who itemize their deductions, but maintained it for businesses. Legislation is proposed as part of the Executive Budget that, if enacted, would permit employers to opt-in to a new ECET system, which is intended to mitigate an increase in the tax burden for employees affected by the SALT limit. When fully phased in, employers that opt in to the ECET system would be subject to a 5 percent tax on all annual payroll expenses in excess of $40,000 per employee. The ECET system, as proposed, would take effect on January 1, 2019. For employers who opt in, the new tax would be phased in over three years (1.5 percent in calendar year 2019, 3 percent in calendar year 2020, and 5 percent in calendar year 2021). The deadline for the first annual election for employers to opt in to this alternative system would be on October 1, 2018 for the tax year 2019.

    The ECET proposal is designed to be revenue neutral for the State. As ECET collections rise, PIT collections are expected to fall by a comparable amount. The Executive Budget Financial Plan does not include any estimates for ECET collections since employer opt-in rates will not be known until October 2018. DOB expects to provide estimates in future AIS Updates as opt-in rates and other information become known.

  – **Charitable Gifts Trust Fund.** Legislation submitted with the Executive Budget proposes the creation of two new State-operated Charitable Gifts Trust Funds to accept donations for the purposes of funding health care and education in New York. Taxpayers who itemize deductions can claim charitable gifts as deductions on their Federal and State tax income tax returns. In addition to the itemized deductions, any taxpayer making a donation to either or both of the two new State-operated funds will be eligible to claim a State tax credit on their income tax returns equal to 85 percent of the donation amount for the tax year following the year in which the donation is made. In addition, the legislation would allow school districts and other local governments the option to create charitable funds and to provide a credit against local property tax bils equal to a percentage of the donation.

The Executive Budget Financial Plan does not include any estimates for charitable contributions under this program. Charitable giving is not expected to have a measurable financial impact on State PIT receipts in FY 2019. Donations made in tax year 2018 are not expected to be disbursed for charitable purposes until FY 2020, and the cost of the State tax credit will not be incurred until tax year 2019. However, changes in taxpayer behavior could affect the timing and amount of PIT receipts. DOB expects to include estimates on charitable giving in future updates, once activity on donations can be observed.

– **Decoupling From Federal Tax Code.** The State tax code is closely aligned with the Federal tax code. Legislation is proposed as part of the Executive Budget that is designed to decouple the State tax code from the Federal tax code, where necessary, to avoid more than $1.5 billion in State tax increases that would otherwise result from the recently enacted changes in the Federal tax code. The decoupling provisions, which are projected to increase the budget gaps in FY 2020 and beyond, include:

  - **Federal Cap on SALT.** The Federal law changes capped the itemized deduction for SALT at a maximum of $10,000. The Executive Budget Financial Plan reflects the inclusion of legislation to decouple from this cap so that New York taxpayers who itemize are not subject to a State tax increase from the flow through of this Federal cap to State income tax returns. Absent this proposal, PIT receipts would be projected to increase by $441 million annually, beginning in FY 2020.

  - **Federal Changes and Eliminations to Certain Deductions.** The Executive Budget Financial Plan proposes to decouple from the Federal changes on other deductions. Absent this proposal, PIT receipts would be projected to increase by $269 million annually, beginning in FY 2020.

  - **Temporary Federal Medical Expense Deduction Increase.** Federal changes lower the threshold by which to claim the itemized medical expense deduction for tax years 2017 and 2018, thereby lowering taxpayer liability. The Executive Budget Financial Plan reflects the proposal to decouple from this decrease from tax year 2018, which would have lowered receipts by $25 million in FY 2020.

  - **New York Single Filer Standard Deduction.** The Federal repeal of personal exemptions eliminates the ability of New York single-filer taxpayers to claim the standard deduction for non-dependents on their State tax returns under current State tax law. The Executive Budget includes legislation to address this issue. Absent this legislation, New York taxpayers would be subject to a $840 million annual State tax increase beginning in FY 2020.

- **Personal Income Tax Revenue Bonds (PIT Bonds).** The State finances a significant share of capital projects through the issuance of PIT Bonds. As of January 15, 2018, New York State had $34.8 billion of PIT Bonds outstanding with a FY 2019 annual debt service cost of $3.2 billion, all of which is secured by financing agreement payments made from the Revenue Bond Tax Fund (RBTF), comprising 25 percent of State PIT receipts, net of refunds. In FY 2019, the amount of PIT receipts dedicated to the repayment of PIT Bonds is estimated at $12.3 billion. In the event that the ECET and Charitable Gifts Trust Fund proposals described above become law, the Executive Budget proposes legislation that would accompany their authorization to strengthen the debt service coverage on PIT Bonds by (i) increasing the percentage of PIT receipts dedicated to the payment of PIT Bonds from 25 percent to 50 percent, and (ii) dedicating 50 percent of ECET receipts to the payment of PIT Bonds. In addition, in the event that (a) the State Legislature fails to appropriate amounts required to make all debt service payments on PIT Bonds or (b) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the PIT Bonds, the Executive Budget proposes to increase the required set-aside for the PIT Bonds program such that PIT and ECET receipts continue to be deposited to the RBTF until amounts on deposit in the RBTF equal the greater of (i) 40 percent of annual PIT and ECET receipts or (ii) $12 billion. The equal set-asides from the ECET and PIT are intended to assure that the flow of taxes dedicated to PIT Bonds will remain constant, regardless of the number of employers who choose to opt in to the ECET system. The ECET and PIT are expected to offset one another, with increased collections in the ECET offset by a similar decrease in PIT receipts. The increase in the PIT set-aside is also expected to be sufficient to offset any reduction in PIT receipts that may occur from charitable giving to the new Charitable Gifts Trust Fund proposed with the Executive Budget. The proposed set-aside for PIT and ECET may be modified depending on the final form of tax reform legislation expected to be approved with the FY 2019 Enacted Budget.

- **Unincorporated Business Tax (UBT).** In addition to the ECET and Charitable Gifts Trust Fund proposals in the Executive Budget, the Executive is studying options for the creation of a UBT intended to preserve deductibility for individuals on certain components of non-wage income. A UBT would apply a deductible business tax on pass-through businesses, or some subset of pass-through businesses, and offer a corresponding tax credit to the owners of the business on their personal income taxes. DOB expects that any reduction in PIT receipts that may result from the creation of a UBT would be offset in full by an increase in UBT receipts. All or a portion of UBT receipts may be pledged to the payment of PIT Bonds. By the end of FY 2018, the Executive may propose legislation to create a UBT.

- **Use of Extraordinary Monetary Settlements.** The Executive Budget proposes the following uses for new settlements: $194 million for the State's share of the MTA Subway Action Plan; $125 million in "hard-dollar" capital for health care providers; and $383 million for operating purposes.

- **Other Resource Changes.** These include updated estimates of various miscellaneous receipts and transfers from other funds, including FEMA reimbursements expected in

FY 2019. In addition, the Executive Budget proposes a new $120 safety inspection fee for privately operated for-hire/for-profit passenger carriers, and a modern rate structure for right-of-way fees that will require fees for the placement of fiber optic cables and wireless towers on State-owned highways.

Revenue Actions

- **Health Insurance Conversions (or comparable transactions).** The Updated Financial Plan includes $500 million annually over four years from conversions, acquisitions, or related transactions in which not-for-profit health insurers convert to corporations organized for pecuniary profit. DOB believes that such activity is likely in the current health insurance market.

- **Impose a Healthcare Insurance Windfall Profit Fee.** The Federal tax plan gives health care companies a 40 percent cut on their taxes while also transferring health care costs to the State. The Executive Budget imposes a 14 percent surcharge on health insurer gains to recapture $140 million of those corporate tax savings and reinvest it in vital health care services for New Yorkers.

- **Establish an Opioid Epidemic Surcharge.** New York State, like much of the country, is battling an opioid epidemic. The Executive Budget imposes a new surcharge of 2 cents per milligram of active opioid ingredient on prescription drugs, directing all proceeds to the Opioid Prevention, Treatment and Recovery Fund. This new fund will support ongoing prevention, treatment, and recovery services.

- **Discontinue the Energy Services Sales Tax Exemption.** The Executive Budget eliminates the sales tax exemption on non-residential transmission and distribution of gas or electricity when purchased from an Energy Service Company (ESCO). Enacted in the early 2000s to incentivize consumer choice, this exemption is no longer necessary now that ESCOs are established entities (New York City eliminated this tax exemption in 2009).

- **Defer Business-Related Tax-Credit Claims.** Taxpayers must defer using most business credits for tax years 2018 through 2020, where such credits exceed $2 million. They can begin to use deferred nonrefundable credits starting in 2021, and may use 50 percent of their refundable credits in 2021, 75 percent of the remaining credit in 2022, and the balance in 2023.

- **Internet Fairness Conformity Tax.** Online providers such as Amazon and eBay supply a marketplace for third-party sellers to sell their products to consumers. Currently, such outside sellers are required to collect sales tax from New York residents if the seller is located in New York. Many marketplace providers agree to collect the tax for the third party seller in this instance. The Executive Budget requires a marketplace provider to collect the tax when it facilitates the sale to State residents, whether the seller is located within, or outside, New York.

- **Improve Cigar Tax Enforcement.** The Executive Budget changes the definition of "wholesale price" to the invoiced price for which a manufacturer or distributor sells tobacco products to a New York State registered tobacco distributor. The current definition of "wholesale price" is the result of litigation and has resulted in revenue losses as it relies on the industry to determine the tax on its own products through a pricing survey.

- **Other Actions.** The Executive Budget includes other tax credits/extensions, enforcement initiatives and tax code reforms. These include a two-year extension of the Hire a Vet Tax Credit to 2020; an increase in the vending machine sales tax exemption for food and drink purchases priced at $1.50 or less, to $2.00 or less; and a health tax of 10 cents per fluid milliliter on vapor products at the distributor level, equalizing the tax treatment of tobacco products and the equivalent products used in e-cigarettes.

Other Financial Plan Matters

Transportation Funding

The State collects the PMT on behalf of, and disburses the entire amount to, the MTA. The Executive Budget proposes amending the enabling statute to no longer require the PMT to be appropriated annually by the State Legislature. PMT revenue that may be pledged to MTA bondholders under any new credit structure would have reduced risk of non-appropriation. In addition, PMT receipts will be received by the MTA without delays or uncertainty related to the appropriation process. In FY 2019, this is expected to provide a one-time benefit to the MTA of $60 million. Consistent with this proposed law change, the Updated Financial Plan will no longer include PMT receipts and related local assistance disbursements, beginning in FY 2019. PMT receipts are estimated at approximately $1.5 billion in FY 2019.

The Executive Budget also proposes appropriating certain transportation operating costs from the General Fund instead of the DHBTF. These operating expenses are currently funded by a transfer from the General Fund to the DHBTF. The change, which will increase disbursements in State Operating Funds by nearly $390 million in FY 2019, applies to operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities. The increased operating spending in the General fund is expected to be offset by an identical reduction in the transfer to the DHBTF.

Managing Risks

The Executive Budget includes several measures to respond to potential risks, including the following:

- Legislation is proposed that would allow for across-the-board reductions to certain local assistance disbursements if the annual estimate for tax receipts in FY 2019 is revised downward by $500 million or more during the fiscal year. The legislation provides for a uniform reduction of up to 3 percent to local assistance appropriations and related cash disbursements in the General Fund and State Special Revenue Funds. Programs that are exempt from the across-the-board reductions include School Aid, Medicaid, and public assistance.

- Legislation proposed with the Executive Budget would continue authorization for a process by which the State would manage potential significant reductions in Federal aid during FY 2019. Specifically, the legislation allows the Budget Director to prepare a plan for consideration by the Legislature in the event that Federal policymakers (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 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. 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 the Senate and the Assembly, or the plan submitted by the Budget Director takes effect automatically.

- The FY 2019 Executive Budget also creates a new HCRA fund account to ensure the continued availability and expansion of funding for quality health services to New York State residents and to mitigate risks associated with the loss of Federal health care funds. This account is expected to initially consist of any available funds from insurer conversions.

Annual Spending Growth

DOB estimates that spending in State Operating Funds will grow at 1.9 percent from FY 2018 to FY 2019, consistent with the 2 percent spending growth benchmark. The table below illustrates major sources of annual change in State spending by major program, purpose and fund perspective.

STATE SPENDING MEASURES
(millions of dollars)

	FY 2018 Current	FY 2019 Proposed	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**65,794**	**66,413**	**619**	**0.9%**
School Aid (School Year Basis)	25,587	26,356	769	3.0%
DOH Medicaid[1]	19,107	20,340	1,233	6.5%
Transportation	5,026	3,962	(1,064)	-21.2%
STAR[2]	2,585	2,410	(175)	-6.8%
Social Services	2,901	2,884	(17)	-0.6%
Higher Education	2,826	3,054	228	8.1%
Mental Hygiene	2,372	2,173	(199)	-8.4%
All Other[3]	5,390	5,234	(156)	-2.9%
STATE OPERATIONS/FRINGE BENEFITS/GENERAL STATE CHARGES	**26,711**	**27,928**	**1,217**	**4.6%**
State Operations	**18,735**	**19,379**	**644**	**3.4%**
Personal Service:	13,026	13,429	403	3.1%
Executive Agencies	7,161	7,273	112	1.6%
DOT/DMV Operations Reclassification	0	167	167	0.0%
University Systems	3,863	3,910	47	1.2%
Elected Officials	2,002	2,079	77	3.8%
Non-Personal Service:	5,709	5,950	241	4.2%
Executive Agencies	2,820	2,788	(32)	-1.1%
DOT/DMV Operations Reclassification	0	115	115	0.0%
University Systems	2,275	2,444	169	7.4%
Elected Officials	614	603	(11)	-1.8%
General State Charges	**7,976**	**8,549**	**573**	**7.2%**
Pension Contribution	2,461	2,469	8	0.3%
Health Insurance	3,968	4,283	315	7.9%
Other Fringe Benefits/Fixed Costs	1,547	1,797	250	16.2%
DEBT SERVICE	**5,621**	**5,636**	**15**	**0.3%**
CAPITAL PROJECTS	**0**	**0**	**0**	**0.0%**
TOTAL STATE OPERATING FUNDS	**98,126**	**99,977**	**1,851**	**1.9%**
Capital Projects (State and Federal Funds)	**12,675**	**14,490**	**1,815**	**14.3%**
Federal Operating Aid	**53,636**	**53,718**	**82**	**0.2%**
TOTAL ALL GOVERNMENTAL FUNDS	**164,437**	**168,185**	**3,748**	**2.3%**

[1] Includes the Essential Plan (EP), which is an insurance plan for individuals who are not eligible for Medicaid and who meet certain income threshold standards. The EP is not a Medicaid program, but State-funded support is managed within total DOH Medicaid Global Cap resources. In addition, total State share Medicaid funding excludes Master Settlement Agreement (MSA) payments to the State that will be deposited directly to the Medicaid Management Information System (MMIS) Escrow Fund to defray the cost of the State's takeover of Medicaid costs for counties and New York City.

[2] The FY 2018 Enacted Budget converts the New York City Personal Income Tax (PIT) rate reduction benefit to a nonrefundable State PIT credit. This change has no impact on the School Tax Relief (STAR) benefits received by homeowners; it will decrease reported disbursements for STAR and decrease reported PIT receipts by an identical amount. See "STAR Program" in "State Financial Plan Projections Fiscal Years 2019 through 2022" 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 $26.3 billion in FY 2019, an increase of $581 million from FY 2018. It also includes the portion of the State's takeover of Medicaid costs for counties and New York City that will be funded from MSA payments deposited directly to the MMIS Escrow Fund ($103 million in FY 2018 and $329 million in FY 2019). Lastly, it includes spending for public health, other education, local government assistance, parks, environment, economic development, and public safety.

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 SY 2019, School Aid is expected to total $26.4 billion, an increase of $769 million (3 percent), including a $338 million increase in Foundation Aid. Medicaid spending subject to the Global Cap will grow at the indexed rate of 3.2 percent to $18.9 billion. In total, Medicaid funded from State resources will increase to $19.5 billion, including the Essential Plan (EP),[11] the takeover of local Medicaid costs, and other spending outside the Global Cap.

- In FY 2018, the bonds secured by annual payments under the Master Settlement Agreement (MSA) with tobacco manufacturers were retired, with no remaining debt service requirements to be paid on these bonds. Thus, DOB expects payments under the MSA of approximately $103 million in FY 2018 and approximately $329 million in FY 2019, with additional payments under the MSA to be available in the years beyond FY 2019. The FY 2018 Enacted Budget authorized and directed these payments be used to help defray costs of the State's takeover of Medicaid costs for counties and New York City. The State takeover, in which local Medicaid costs are capped permanently at 2015 calendar year levels, is expected to cost the State $917 million in FY 2019 and $1.1 billion in FY 2020. Consistent with State law, DOB expects 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.

- In transportation, the Executive Budget proposes amending the statute to no longer require the PMT to be appropriated annually by the State Legislature. Consistent with this proposed law change, the Executive Budget Financial Plan does not reflect PMT receipts and related local assistance disbursements, beginning in FY 2019. PMT receipts and disbursements are estimated at approximately $1.5 billion and $1.4 billion, respectively, in FY 2019. The Executive Budget also proposes appropriating certain transportation operating costs from the General Fund instead of the DHBTF. These operating expenses are currently funded by a transfer from the General Fund to the DHBTF. This change will increase disbursements in State Operating Funds by nearly $390 million in FY 2019.

- Local assistance spending reported in the Updated Financial Plan is affected by the accounting treatment of State payments to the Sales Tax Asset Receivable Corporation (STARC). Pursuant to legislation enacted in FY 2017, New York City is remitting savings to the State from a 2014 refunding of STARC bonds, which are supported solely by the annual payment of State aid. The FY 2017 legislation specified that the money refunded from STARC could be received by the State as a miscellaneous receipt, or directed by the State

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

to a State public authority to offset debt service costs on State-supported bonds. In the FY 2018 Enacted Budget, the Legislature provided that money recouped from the STARC refunding can be treated as an offset to State spending by adding specific language to the STARC appropriation. The Executive Budget Financial Plan reflects the offset to spending in the calculation of State Operating Funds spending in both FY 2018 and FY 2019. In FY 2017, the State accounted for the money as a miscellaneous receipt.

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

- Higher Education spending growth is mainly due to the second phase of the Excelsior Free Tuition Program, State support for the DREAM Act, increased funding for other scholarships, fringe benefit cost increases, and the timing of certain payments.

State Operations/Fringe Benefits

- Spending for Executive agency operations is expected to increase slightly in FY 2019, excluding the reclassification of certain DOT and DMV operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities from the DHBTF to the General Fund.

- Operations spending for the university systems and elected officials is expected to increase by 3.5 percent and 2.5 percent, respectively.

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

Debt Service

- Spending from Debt Service Funds is expected to increase by 0.3 percent from 2018, which includes the impact of the payment of certain FY 2019 debt service costs in FY 2018.

Cash Flow

State Finance Law authorizes the General Fund to borrow money temporarily from available funds held in 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 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 2019 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 financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including both PIT and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

ALL FUNDS MONTH-END CASH BALANCES
FY 2019
(millions of dollars)

	General Fund	Other Funds	All Funds
April	7,386	3,418	10,804
May	2,471	3,618	6,089
June	2,799	4,187	6,986
July	3,979	3,862	7,841
August	3,118	3,738	6,856
September	5,340	2,213	7,553
October	5,686	1,504	7,190
November	3,382	2,024	5,406
December	6,019	2,376	8,395
January	10,486	4,257	14,743
February	9,702	3,827	13,529
March	5,120	2,379	7,499

Extraordinary Monetary Settlements

From the beginning of FY 2015 through FY 2018, DOB estimates that the State will have received a total of $10.7 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.

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**	**838**	**10,702**
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	135	880
Commerzbank	610	82	0	0	692
Barclays	0	670	0	0	670
Credit Agricole	0	459	0	0	459
Bank of Tokyo Mitsubishi	315	0	0	0	315
Bank of America	300	0	0	0	300
Standard Chartered Bank	300	0	0	0	300
Goldman Sachs	0	50	190	0	240
Morgan Stanley	0	150	0	0	150
Bank Leumi	130	0	0	0	130
Ocwen Financial	100	0	0	0	100
Citigroup (State Share)	92	0	0	0	92
MetLife Parties	50	0	0	0	50
American International Group, Inc.	35	0	0	0	35
PricewaterhouseCoopers LLP	25	0	0	0	25
AXA Equitable Life Insurance Company	20	0	0	0	20
Promontory	0	15	0	0	15
New Day	0	1	0	0	1
Volkswagen	0	0	32	33	65
Mega Bank	0	0	180	0	180
Agricultural Bank of China	0	0	215	0	215
PHH Mortgage	0	0	28	0	28
Intesa SanPaolo	0	0	235	0	235
Habib Bank	0	0	0	225	225
Cigna	0	0	0	2	2
Western Union	0	0	0	60	60
Other Settlements	7	0	(7)	33	33

Since the FY 2018 Enacted Budget Financial Plan was issued, the State has received five settlement payments. Pursuant to a May 24, 2017 consent order between the DFS and BNP Paribas, BNP Paribas made a $350 million civil monetary penalty payment. The order pertains to BNP Paribas engaging in improper, unsafe and unsound conduct, in violation of State laws and regulations, that included collusive conduct, improper exchange of information, manipulation of the price at which daily benchmark rates were set, and misleading customers.

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

Pursuant to a November 13, 2017 consent order between the DFS and Credit Suisse, a $135 million civil monetary penalty payment was received. The order pertains to Credit Suisse's failure to comply with laws and regulations designed to combat improper, unsafe, and unsound conduct in the foreign exchange trading business.

Cigna paid a $2 million civil monetary penalty pursuant to a November 14, 2017 consent order between Cigna and DFS. This consent order pertains to Cigna's violation of laws and regulations by selling stop-loss and fully-insured health insurance policies out-of-state to New York-based small groups with employees in the State.

In addition, the State received a $60 million civil monetary penalty pursuant to a January 4, 2018 consent order between Western Union and the DFS.

Uses of Extraordinary Monetary Settlements

A total of $10 billion in Extraordinary Monetary Settlements has been allocated in prior budgets and plans. The Executive Budget Financial Plan includes a plan to allocate the remaining $702 million.

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	FY 2023
Opening Settlement Balance in General Fund	**0**	**4,667**	**6,300**	**5,335**	**4,749**	**2,646**	**1,556**	**731**	**112**
Receipt of Extraordinary Monetary Settlement Payment	**4,942**	**3,605**	**1,317**	**838**	**0**	**0**	**0**	**0**	**0**
Use/Transfer of Funds	**275**	**1,972**	**2,282**	**1,424**	**2,103**	**1,090**	**825**	**619**	**112**
Capital Purposes:									
Transfer to DIIF	0	857	697	1,243	1,605	1,200	1,075	544	90
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	0	0
Transfer to Capital Projects Fund - Mass Transit	0	0	0	85	0	0	0	0	0
Transfer to Capital Projects Fund - Healthcare	0	0	0	7	71	70	80	75	22
Transfer to DIIF for Javits Center Expansion	0	0	0	160	350	320	170	0	0
Bond Proceed Receipts for Javits Center Expansion	0	0	0	0	0	(500)	(500)	0	0
FY 2017 Temporary Loan to Capital Projects Fund	0	0	1,300	(1,300)	0	0	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund	0	0	0	500	(500)	0	0	0	0
Other Purposes:									
Transfer to Audit Disallowance - Federal Settlement	0	850	0	0	0	0	0	0	0
CSX Litigation Payment	0	0	0	76	0	0	0	0	0
Financial Plan - General Fund Operating Purposes	275	250	102	461	383	0	0	0	0
Transfer to Local Assistance Account - Mass Transit Operating	0	0	0	10	0	0	0	0	0
MTA Operating Aid	0	0	0	0	194	0	0	0	0
Department of Law - Litigation Services Operations	0	10	63	27	0	0	0	0	0
Transfer to OASAS Chemical Dependence Program	0	5	0	0	0	0	0	0	0
Reservation of Funds:									
Reserve for Retroactive Labor Settlements	0	0	0	155	0	0	0	0	0
Closing Settlement Balance in General Fund	**4,667**	**6,300**	**5,335**	**4,749**	**2,646**	**1,556**	**731**	**112**	**0**

Overview of the Updated Financial Plan

A total of $7.8 billion has been, or is expected to be, used to finance various spending from capital appropriations, including operating activities associated with the maintenance, protection, preservation, and operation of capital assets. Another $2.9 billion has been, or is expected to be, used for other purposes, including resolution of Office for People with Developmental Disabilities (OPWDD) Federal disallowances in FY 2016, retroactive labor costs, General Fund operations, one-time litigation payments to CSX, and costs of the Department of Law's Litigation Services Bureau.

The Updated Financial Plan reflects use of previously unallocated Extraordinary Monetary Settlements to support:

- **General Fund Operations ($383 million).** Consistent with prior years, the Updated Financial Plan reflects the use of funds not appropriated for other purposes.
- **MTA Subsidy ($194 million).** Additional support will be provided to the MTA for operations in FY 2019.
- **Health Care Capital Grants ($125 million).** An additional $425 million will be provided to the Health Care Facility Transformation Program, of which $125 million will be funded from Extraordinary Monetary Settlements.

April – December 2017 Operating Results

April – December 2017 Operating Results

This section provides a summary of operating results for April 2017 through December 2017 compared to (1) the results for the same time period in the prior fiscal year, FY 2017 (April 2016 through December 2016); (2) the projections set forth in the Enacted Budget Financial Plan ("initial estimates") and (3) the FY 2018 Mid-Year Update to the Financial Plan ("revised estimates"), as reflected in the second quarterly update to the AIS filed with EMMA on December 5, 2017. The focus of the discussion on spending is on a State Operating Funds basis.

Results Compared to Prior Year - All Governmental Funds

Comparing 2017 to 2016, for the period of April through December, All Funds receipts increased by $6.9 billion, comprised of growth of approximately $3 billion in Federal aid, $2.3 billion in miscellaneous receipts, and $1.6 billion in tax receipts. Disbursements during the same period of time compared to the prior year increased by $5.2 billion, mainly due to the increase in disbursement of Federal operating aid by $3.9 billion. The All Funds closing balance at the end of December 2017 was $878 million higher than the December 2016 closing balance, as receipts outpaced spending.

ALL GOVERNMENTAL FUNDS - RESULTS COMPARED TO PRIOR YEAR
APRIL THORUGH DECEMBER
(millions of dollars)

	Results		Increase/(Decrease)	
	FY 2017	FY 2018	$	%
OPENING BALANCE	**11,810**	**11,105**	**(705)**	**-6.0%**
ALL FUNDS RECEIPTS:	**111,187**	**118,069**	**6,882**	**6.2%**
Total Taxes	**53,233**	**54,869**	**1,636**	**3.1%**
Personal Income Tax	32,878	34,032	1,154	3.5%
All Other Taxes	20,355	20,837	482	2.4%
Miscellaneous Receipts	**18,278**	**20,549**	**2,271**	**12.4%**
Federal Grants	**39,676**	**42,651**	**2,975**	**7.5%**
ALL FUNDS DISBURSEMENTS:	**109,990**	**115,226**	**5,236**	**4.8%**
STATE OPERATING FUNDS	**66,948**	**67,660**	**712**	**1.1%**
Local Assistance	**44,688**	**44,698**	**10**	**0.0%**
School Aid	14,868	15,625	757	5.1%
DOH Medicaid [1]	15,207	15,596	389	2.6%
All Other	14,613	13,477	(1,136)	-7.8%
State Operations	**20,323**	**20,769**	**446**	**2.2%**
Agency Operations	**13,997**	**14,152**	**155**	**1.1%**
Executive Agencies	7,471	7,513	42	0.6%
University Systems	4,595	4,638	43	0.9%
Elected Officials	1,931	2,001	70	3.6%
Fringe Benefits/Fixed Costs	**6,326**	**6,617**	**291**	**4.6%**
Pension Contribution	2,292	2,376	84	3.7%
Health Insurance	2,733	2,917	184	6.7%
Other Fringe Benefits/Fixed Costs	1,301	1,324	23	1.8%
Debt Service	**1,934**	**2,193**	**259**	**13.4%**
Capital Projects	**3**	**0**	**(3)**	**-100.0%**
CAPITAL PROJECTS (State and Federal Funds)	**7,196**	**7,787**	**591**	**8.2%**
FEDERAL OPERATING AID	**35,846**	**39,779**	**3,933**	**11.0%**
NET OTHER FINANCING SOURCES	**(32)**	**(95)**	**(63)**	**-196.9%**
CHANGE IN OPERATIONS	**1,165**	**2,748**	**1,583**	**135.9%**
CLOSING BALANCE	**12,975**	**13,853**	**878**	**6.8%**

[1] Includes the Essential Plan

Receipts

For April through December 2017, All Funds tax receipts were $1.6 billion (3.1 percent) higher than for the same period in 2016. PIT, the largest contributor to the growth, was $1.2 billion (3.5 percent) higher due to a $1.5 billion increase in withholding and a $1.3 billion increase in tax year 2017 estimated payments, partially offset by a $1.1 billion increase in tax year 2016 refunds and a $605 million decline in extension payments. The increase in estimated payments of $1.4 billion appears to be a response to the recently passed Federal Tax Law Bill. Refunds increased due to a change in the administrative refund cap that pushed refunds from the first quarter of calendar year 2017 into April 2017.

All other taxes were $482 million (2.4 percent) higher, mainly due to sales tax collections reflective of higher audit receipts. In addition, estate tax collections were higher due to one large payment exceeding $130 million in the April to December 2017 period.

Miscellaneous receipts were $2.3 billion (12.4 percent) higher in the current year, mainly due to the timing of bond proceeds reimbursements, including a December 2017 bond sale ($1.7 billion).

Federal grants were $3 billion (7.5 percent) higher, consistent with growth in Federal operating aid disbursements.

Spending

From April through December 2017, State Operating Funds spending totaled $67.7 billion, an increase of $712 million (1.1 percent) compared to the same period last year. As described below, the Enacted Budget Financial Plan anticipated substantial increases in spending through December 2017 compared to the same period in FY 2016, but actual results were lower than expected due mainly to the timing of certain payments.

Growth in Medicaid ($389 million) and School Aid ($757 million), was nearly offset by lower spending in other local assistance programs ($1.1 billion). Medicaid spending growth was driven by increased claims for monthly managed care and long term care programs, and by increased State remittance of Federal Medicare payments. School Aid spending was higher due to increased funding provided to school districts based on aid formulas.

All other local assistance spending declined compared to the same period last year, mainly due to the conversion of the New York City STAR benefit to a tax credit, as well as slower than expected payments for social services and timing associated with the quarterly transfer of OPWDD-related Medicaid costs from DOH to OPWDD.

Executive agency operational spending increased by $42 million (0.6 percent) compared to the prior year. University Systems spending increased for SUNY hospital operations. Spending growth for elected officials included retroactive salary payments to Judiciary employees made pursuant to collective bargaining contracts settled in FY 2018 and higher than projected non-personal service spending.

Higher fringe benefits spending included planned cost increases for pensions and the State's share of employee health insurance. The increase in debt service spending year over year through December reflects the impact of prepayments, which resulted in lower debt service payments during April through December 2017.

Outside of State Operating Funds, Capital Projects spending increased by $590 million, primarily due to expenses for the Moynihan Station construction project ($275 million), continued implementation of the Housing Capital Plan ($149 million), and mental hygiene projects ($141 million).

Federal operating aid grew by $3.9 billion, with higher spending for Medicaid ($3.2 billion), the Essential Plan ($663 million), Education ($465 million), and Public Health/CHP ($363 million). This was partially offset by a timing-related decrease in spending for social services, including public assistance benefits for Temporary Assistance for Needy Families (TANF)-funded child care and local district administrative costs ($587 million), and Division of Homeland Security and Emergency Services (DHSES) ($131 million).

Results Compared to Plan – All Governmental Funds

The State ended December 2017 with a closing balance of $13.9 billion in All Funds, $4.2 billion higher than the initial Enacted Budget Financial Plan estimate and $2.7 billion higher than the revised estimate included with the Mid-Year Update to the Financial Plan. Receipts were about $2 billion higher compared to both the initial and revised estimates. Spending was $2.3 billion lower than both the initial estimate and $711 million lower than the revised estimate. The explanation of variances that follows the table below is focused on the comparison to the Enacted Budget Financial Plan estimates.

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

				Above/(Below)			
				Enacted Plan		Revised Plan	
	Enacted Plan	Revised Plan	Results	$	%	$	%
OPENING BALANCE	**11,105**	**11,105**	**11,105**	**0**	**0.0%**	**0**	**0.0%**
ALL FUNDS RECEIPTS:	**116,135**	**116,119**	**118,069**	**1,934**	**1.7%**	**1,950**	**1.7%**
Total Taxes	**54,702**	**54,229**	**54,869**	**167**	**0.3%**	**640**	**1.2%**
Personal Income Tax	33,895	33,119	34,032	137	0.4%	913	2.8%
Consumption / Use Tax	12,839	12,634	12,701	(138)	-1.1%	67	0.5%
Business Taxes	5,272	5,660	5,330	58	1.1%	(330)	-5.8%
Other Taxes	2,696	2,816	2,806	110	4.1%	(10)	-0.4%
Miscellaneous Receipts	**19,402**	**20,085**	**20,549**	**1,147**	**5.9%**	**464**	**2.3%**
Federal Grants	**42,031**	**41,805**	**42,651**	**620**	**1.5%**	**846**	**2.0%**
ALL FUNDS DISBURSEMENTS:	**117,560**	**115,937**	**115,226**	**(2,334)**	**-2.0%**	**(711)**	**-0.6%**
STATE OPERATING FUNDS	**68,576**	**68,104**	**67,660**	**(916)**	**-1.3%**	**(444)**	**-0.7%**
Local Assistance	**45,876**	**45,209**	**44,698**	**(1,178)**	**-2.6%**	**(511)**	**-1.1%**
School Aid	15,976	15,717	15,625	(351)	-2.2%	(92)	-0.6%
DOH Medicaid[1]	15,018	15,223	15,596	578	3.8%	373	2.5%
Transportation	4,323	4,329	4,273	(50)	-1.2%	(56)	-1.3%
STAR	331	186	161	(170)	-51.4%	(25)	-13.4%
Social Services	2,255	1,980	1,669	(586)	-26.0%	(311)	-15.7%
Higher Education	1,922	1,890	1,858	(64)	-3.3%	(32)	-1.7%
Mental Hygiene	1,847	1,791	1,623	(224)	-12.1%	(168)	-9.4%
All Other	4,204	4,093	3,893	(311)	-7.4%	(200)	-4.9%
State Operations	**20,446**	**20,701**	**20,769**	**323**	**1.6%**	**68**	**0.3%**
Agency Operations	**13,945**	**14,220**	**14,152**	**207**	**1.5%**	**(68)**	**-0.5%**
Personal Service:	9,783	9,996	10,052	269	2.7%	56	0.6%
Executive Agencies	5,344	5,456	5,530	186	3.5%	74	1.4%
University Systems	2,898	2,953	2,931	33	1.1%	(22)	-0.7%
Elected Officials	1,541	1,587	1,591	50	3.2%	4	0.3%
Non-Personal Service:	4,162	4,224	4,100	(62)	-1.5%	(124)	-2.9%
Executive Agencies	2,037	2,029	1,983	(54)	-2.7%	(46)	-2.3%
University Systems	1,683	1,754	1,707	24	1.4%	(47)	-2.7%
Elected Officials	442	441	410	(32)	-7.2%	(31)	-7.0%
Fringe Benefits/Fixed Costs	**6,501**	**6,481**	**6,617**	**116**	**1.8%**	**136**	**2.1%**
Pension Contribution	2,371	2,379	2,376	5	0.2%	(3)	-0.1%
Health Insurance	2,946	2,918	2,917	(29)	-1.0%	(1)	0.0%
Other Fringe Benefits/Fixed Costs	1,184	1,184	1,324	140	11.8%	140	11.8%
Debt Service	**2,254**	**2,194**	**2,193**	**(61)**	**-2.7%**	**(1)**	**0.0%**
CAPITAL PROJECTS (State and Federal Funds)	**9,866**	**8,457**	**7,787**	**(2,079)**	**-21.1%**	**(670)**	**-7.9%**
FEDERAL OPERATING AID	**39,118**	**39,376**	**39,779**	**661**	**1.7%**	**403**	**1.0%**
NET OTHER FINANCING SOURCES	**(56)**	**(102)**	**(95)**	**(39)**	**-69.6%**	**7**	**6.9%**
CHANGE IN OPERATIONS	**(1,481)**	**80**	**2,748**	**4,229**	**285.6%**	**2,668**	**3335.0%**
CLOSING BALANCE	**9,624**	**11,185**	**13,853**	**4,229**	**43.9%**	**2,668**	**23.9%**

[1] Includes the Essential Plan

Receipts

Through December 2017, total tax receipts were $167 million above the initial estimate reflected in the Enacted Budget Financial Plan. Higher PIT collections ($137 million) were affected by a surge in December 2017 estimated payments that appears to be in response to the Federal tax law changes effective January 1, 2018 that imposed a $10,000 cap on SALT deductions. These increased collections were partially offset by weaker than projected withholding collections in the third quarter of FY 2018.

Sales tax collections were lower than estimated due to weaker consumer spending growth. Business tax collections exceeded estimates mainly in insurance and bank taxes, partly offset by the timing of corporate franchise tax refunds. Estate tax collections exceeded initial estimates due to the receipt of two large estate tax payments.

Miscellaneous receipts were $1.1 billion higher than estimated, and include the receipt of Extraordinary Monetary Settlement payments from BNPP ($350 million), Habib Bank ($225 million), and Credit Suisse ($135 million), as well as higher than estimated SUNY receipts ($121 million).

Compared to the revised estimates, total tax receipts were $640 million higher than planned, which mainly reflects higher PIT collections including the surge in estimated payments discussed above.

Variances in Federal grants are largely driven by Federal spending, as described below, as well as the timing of reimbursement for program costs initially financed by the State.

Spending

Compared to the Enacted Budget Financial Plan projections, State Operating Funds disbursements were $916 million (1.3 percent) lower than planned.

Local assistance spending was $1.2 billion lower than planned. The most notable variances include:

- Social Services ($586 million lower): driven by the timing of payments for several OCFS programs including child care ($137 million), Child Welfare Services ($123 million), youth programs ($56 million), Foster Care Block Grant ($42 million); and public assistance benefit payments ($167 million).

- School Aid ($351 million lower): attributable largely to slower than expected payments for General Aid ($119 million) and Excess Cost Aid ($120 million) and lower than anticipated Teachers' Retirement System bills paid on behalf of school districts ($111 million).

- Mental Hygiene ($224 million lower); reflects timing associated with the transfers of OPWDD-related Medicaid costs from DOH to OPWDD that were expected to be made in December 2017, but are now expected to occur in January 2018; as well as delayed disbursements of other mental hygiene payments that are still expected to be paid this fiscal year.

- STAR ($170 million lower): mainly due to the timing of the conversion of the NYC PIT rate reduction benefit.

- DOH Medicaid ($578 million higher): largely attributable to increased claims ($906 million) and the delayed deposit of MSA Tobacco Settlement receipts to partly offset the payment of local government Medicaid growth ($103 million). The higher spending is partly offset by lower Essential Plan spending due to the Federal government funding a greater share of the program, resulting in a decreased State contribution.

- All other ($311 million lower): primarily reflects the timing of education payments for several claims-based programs, including special education and non-public school aid.

State Operations spending was $323 million higher than estimated. Personal service spending for DOCCS, State Police, and OPWDD was higher than planned, reflecting increased costs associated with retroactive salary payments. In addition, higher Judiciary spending includes retroactive salary payments made pursuant to settled contracts ($29 million). Non-personal service spending was lower than planned with the most significant variances occurring in DOCCS, Gaming, Tax and Finance and the Office of General Services (OGS).

Higher fringe benefits and fixed costs ($116 million) reflect the timing of reimbursements of fringe benefit costs by agencies operating outside of the General Fund, as well as workers' compensation payments.

Debt service spending was $61 million lower than planned due to savings generated from the refunding of certain State-supported debt.

Lower capital spending of $2.1 billion includes slower than expected spending for DOT projects ($629 million), timing of disbursements to the MTA ($511 million), environmental conservation ($259 million), ESDC ($238 million), and School Aid ($145 million).

Higher Federal aid spending of $661 million is mainly due to the timing of approval of certain Medicaid rate packages and claims ($660 million), higher than expected claims and enrollment in the CHP program ($352 million), and DHSES storm relief ($195 million). This higher spending is partly offset by lower spending for School Aid ($328 million) attributable to the timing of school district claims for various Federal education programs; and lower spending for social services spending, including public assistance benefit payments ($152 million) and TANF-funded child care payments ($185 million).

Results Compared to Plan - General Fund

The General Fund closing balance at the end of December 2017 was $2.6 billion higher than the initial estimate, driven by lower spending ($1.4 billion) and higher receipts ($1.2 billion). Higher receipts include the unplanned receipts of Extraordinary Monetary Settlements.

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

				Above/(Below) Variance			
				Enacted Plan		Revised Plan	
	Enacted Plan	Revised Plan	Results	$	%	$	%
OPENING BALANCE	**7,749**	**7,749**	**7,749**	**0**	**0.0%**	**0**	**0.0%**
Total Receipts	**50,140**	**50,502**	**51,384**	**1,244**	**2.5%**	**882**	**1.7%**
Taxes:	48,449	48,122	48,778	329	0.7%	656	1.4%
Personal Income Tax[1]	32,920	32,318	33,250	330	1.0%	932	2.9%
Consumption / Use Taxes[1]	10,250	10,084	10,162	(88)	-0.9%	78	0.8%
Business Taxes	3,695	4,009	3,653	(42)	-1.1%	(356)	-8.9%
Other Taxes[1]	1,584	1,711	1,713	129	8.1%	2	0.1%
Receipts and Grants	1,530	2,219	2,342	812	53.1%	123	5.5%
Transfers From Other Funds	161	161	264	103	64.0%	103	64.0%
Total Spending	**50,376**	**49,552**	**48,988**	**(1,388)**	**-2.8%**	**(564)**	**-1.1%**
Local Assistance	32,201	31,563	31,111	(1,090)	-3.4%	(452)	-1.4%
Agency Operations (including GSCs)	10,818	10,996	11,131	313	2.9%	135	1.2%
Transfers to Other Funds	7,357	6,993	6,746	(611)	-8.3%	(247)	-3.5%
Debt Service Transfer	711	708	709	(2)	-0.3%	1	0.1%
Capital Projects Transfer	1,247	966	654	(593)	-47.6%	(312)	-32.3%
State Share of Mental Hygiene Medicaid Transfer	1,045	951	963	(82)	-7.8%	12	1.3%
SUNY Operations Transfer	1,016	1,022	1,015	(1)	-0.1%	(7)	-0.7%
All Other Transfers	3,338	3,346	3,405	67	2.0%	59	1.8%
Change in Operations	**(236)**	**950**	**2,396**	**2,632**	**1115.2%**	**1,446**	**152.2%**
CLOSING BALANCE	**7,513**	**8,699**	**10,145**	**2,632**	**35.0%**	**1,446**	**16.6%**

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

General Fund tax collections were $329 million above the Enacted Budget Financial Plan estimate, mainly driven by PIT receipts. Higher miscellaneous receipts include $798 million in Extraordinary Monetary Settlements and higher Sales Tax Asset Receivable Corporation (STARC) receipts that are expected to offset spending.

Through December 2017, General Fund disbursements, including transfers to other funds, were $1.4 billion and $564 million below the Enacted Budget Financial Plan and Mid-Year Update to the Financial Plan projections, respectively. The causes of lower local assistance and higher agency operations spending are consistent with the State Operating Funds variances summarized above.

Certain General Fund transfers did not occur as planned and are now expected in future months, including transfers to support capital spending which are expected to be subsequently reimbursed with bond proceeds.

Other Matters Affecting the Financial Plan

Other Matters Affecting the Financial Plan

General

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

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

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

The Updated Financial Plan is subject to various uncertainties and contingencies relating to: wage and benefit increases for State employees that exceed projected annual costs; changes in the size of the State's workforce; the realization of the projected rate of return for pension fund assets and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid expected in the Updated Financial Plan; the ability of the State to implement cost reduction initiatives, including reductions in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to market securities successfully in the public credit markets. Some of these issues are described in more detail herein.

The projections and assumptions contained in the Updated Financial Plan are subject to revisions which may result in substantial change. No assurance can be given that these estimates and projections, which depend in part upon actions the State expects to be taken but which are not within the State's control, will be realized.

Budget Risks and Uncertainties

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

The Updated Financial Plan projections for the outyears generally assume that School Aid and Medicaid disbursements will be limited to the annual growth in New York State personal income, and the ten-year average growth of the medical component of the Consumer Price Index (CPI), respectively. However, since FY 2014, the State has annually authorized School Aid spending to increase above the personal income growth index. In SY 2019, the Executive Budget Financial Plan reflects a projected 3.0 percent School Aid increase, compared to the 1.5 percent growth in the personal income growth index. In SY 2020, School Aid is projected to increase by 3.6 percent, based on currently projected personal income growth.

State law grants the Commissioner of Health certain powers and authority to maintain Medicaid spending levels assumed in the Updated Financial Plan. Over the past six years, DOH State Funds Medicaid spending levels have remained at or below indexed levels without requiring the Commissioner to exercise this authority. However, Medicaid program spending is sensitive to several factors including fluctuations in economic conditions, which may increase caseload, and changes in Federal aid, which could affect State health care spending. The Commissioner's powers are intended to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated for the current fiscal year, through actions which may include reducing rates to providers. These actions may be dependent upon timely Federal approvals and other elements of the program that govern implementation. It should further be noted that the Medicaid Cap, which is indexed to historical CPI Medical trends, applies to State Operating Funds and, therefore, General Fund spending remains sensitive to revenue performance in the State's HCRA fund. The HCRA fund finances approximately one-quarter of the DOH State-share costs of Medicaid.

The Updated Financial Plan forecast contains specific transaction risks and other uncertainties including, but not limited to: receipt of certain payments from public authorities; receipt of certain revenue sharing payments under the Tribal-State compact, including payments from the Seneca Nation[12]; 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

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

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

The Updated Financial Plan also reflects actions that affect the spending reported in the State Operating Funds basis of reporting, including (i) the realignment of certain operating costs to the capital budget to provide consistency in reporting across all agencies and a more accurate accounting of the overall capital budget; (ii) the payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting; and (iii) the restructuring of the STAR program such that the spending for certain benefits is instead provided in the form of a tax credit for consistency with the reporting of other State tax credits. If these and other transactions are not implemented as planned, annual spending growth in State Operating Funds would increase above current estimates.

In developing the Updated Financial Plan, DOB attempts to mitigate the financial risks from receipts volatility, litigation, and unexpected costs, with an emphasis on the General Fund. It does this by, among other things, exercising caution when calculating total General Fund disbursements, and managing the accumulation of financial resources that can be used to offset new costs (including, but not limited to, fund balances not needed in a particular year, acceleration of tax refunds above the level budgeted in a given year, and prepayment of expenses). There can be no assurance that such resources will be sufficient to address risks that may materialize in any 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 may be subject to change under the Trump Administration and the current Congress. Current Federal aid projections, and the assumptions on which they rely, are subject to revision in future financial updates as a result of changes in Federal policy.

The Federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation proposed with the FY 2019 Executive Budget continues authorization for a process by which the State would manage significant reductions in Federal aid during FY 2019 and FY 2020 should they arise. Specifically, the legislation allows the Budget Director to prepare a plan for consideration by the Legislature in the event that the Federal government (i) reduces Federal financial participation in Medicaid funding to New York State or its subdivisions by $850 million or more; or (ii) reduces Federal financial participation or other Federal aid 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. The plan prepared by the Budget Director must equally and proportionally reduce appropriations and cash disbursements in the General Fund and State Special Revenue Funds. Upon receipt of the plan, the Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the Budget Director takes effect automatically.

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

Responding to the New Federal Tax Law

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (TCJA) (H.R. 1, P.L. 115-97), making major changes to the Federal Internal Revenue Code, most of which are effective in the 2018 tax year. The new Federal tax law makes extensive changes to Federal personal income taxes, corporate income taxes, and estate taxes, and the deductibility of various taxes and interest costs.

The State's income tax system interacts with the Federal system in numerous ways. The Federal changes will have significant flow-through effects on state tax burdens and revenues. Given the far-reaching nature of the Federal law, the New York State Department of Taxation and Finance has undertaken extensive analysis in consideration of how best to respond and has outlined options for State tax reform in response to the Federal legislation. The Executive Budget includes proposed changes to the State tax code to address Federal changes.

In addition, the new Federal tax law eliminates the tax-exempt advance refunding of municipal bonds, thereby limiting the ability of the State and debt-issuing public authorities to realize savings in favorable market conditions. Since FY 2015, advance refunding has saved New York State approximately $1.1 billion.

Current Federal Aid

President Trump has proposed significant cuts to mandatory and discretionary domestic programs in Federal Fiscal Years (FFYs) 2018 and 2019 which are under consideration by Congress. If the proposed cuts are adopted, it could reduce Federal aid to New York by billions of dollars.

Currently, the Federal government is operating under a continuing resolution for FFY 2018 that keeps the Federal government operating through March 23, 2018.

The Budget Control Act (BCA) of 2011, which temporarily raised the debt limit, established discretionary spending caps on the Federal government through FFY 2021, and under certain conditions institutes automatic spending cuts for certain Federal funds on which the State relies. Discretionary Federal funding to the State could be reduced if these caps are not adjusted, suspended or eliminated. On February 9, 2018, the Federal government enacted legislation increasing the spending caps for FFYs 2018 and 2019, lessening the potential for significant spending cuts in discretionary domestic programs through FFY 2019.

Medicaid Disproportionate Share Hospital (DSH) Payments

Provisions within the Medicaid statute allow for a capped amount of payments to hospitals that treat a disproportionate number of Medicaid recipients. Changes made initially in the Patient Protection and Affordable Care Act to reduce the aggregate amount of Federal reimbursements for DSH payments came into effect with the start of FFY 2018, beginning October 1, 2017, but have since been delayed to FFY 2020 (beginning October 1, 2019) by Federal legislation enacted on February 9, 2018. This legislation also accelerates full implementation of the DSH cuts to begin in FFY 2021, in contrast to the previous multi-year phase-in.

DOB estimates that when the changes do take effect, New York will see the largest reduction among all states, costing the State billions of dollars in lost Federal DSH payments when fully phased in. DOB continues to monitor Federal Medicaid DSH payment policies.

Federal Health Care Policy

In 2017, the Federal government attempted to end the Basic Health Program (EP in New York State), the Patient Protection and Affordable Care Act's (ACA's) Medicaid expansion, and to shift a larger share of growth in Medicaid costs to states by imposing per capita caps on Medicaid spending in lieu of Medicaid's current open-ended entitlement. If these bills had been enacted into law, these policies would have had a substantial adverse impact on the Financial Plan. Additionally, President Trump has taken unilateral Executive action to withhold Cost Sharing Reduction (CSR) payments, threatening low-cost health insurance coverage for income-eligible recipients when purchasing Qualified Health Plan or Essential Plan coverage through the New York State of Health, New York's official health plan marketplace. The Executive Budget Financial Plan assumes the continuation of these programs, but also establishes a statutory reserve to address the potential loss of Federal funding and authorizes program modifications, if necessary, to preserve vital services in the event of Federal reductions. While Federal funding for CHIP has been reauthorized through FFY 2027, it remains possible that other Federal changes could affect the State's health care policies. DOB continues to monitor Federal health care policy.

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

The Excise Tax on High-Cost Employer Sponsored Health Coverage (26 USC 4980I) is a 40 percent excise tax assessed on the portion of the premium for an employer-sponsored health insurance plan that exceeds a certain annual limit. The provision was initially included in the Patient Protection and ACA to offset mandatory spending increases, but has since been altered by intervening laws that delay the implementation of the tax until 2022.

Regulations from the Internal Revenue Service have yet to be published and, at this point, it is unclear if or how the tax will be changed as a result of ongoing health care and tax reform discussions. DOB has no current estimate as to the potential impact to the Updated Financial Plan from this Federal excise tax.

Medicaid Redesign Team (MRT) Medicaid Waiver

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

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

Federal Debt Limit

On February 9, 2018, the Federal government enacted legislation suspending the Federal debt limit through March 1, 2019, forestalling the possibility of a default by the Federal government until at least that time. A Federal government default on payments, particularly for a prolonged period, could have a materially adverse effect on the national and the State economies, financial markets, and intergovernmental aid payments. The specific effects on the Updated Financial Plan of a future Federal government default are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default.

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

Current Labor Negotiations and Agreements (Current Contract Period)

The State has multi-year labor agreements in place with several unions, while negotiations are underway with other unions. The Civil Service Employees Association (CSEA) and DC-37 (Rent Regulation Unit) employees have a five-year labor contract that provides annual salary increases of 2 percent for FYs 2017 through 2021 and additional compensation changes, offset by benefit design changes within NYSHIP and reductions in overtime costs.

Employees represented by PEF and the Graduate Student Employees Union (GSEU), as well as M/C employees, have a three-year collective bargaining agreement providing 2 percent annual salary increases in FYs 2017 through 2019.

Members of the Police Benevolent Association of the New York State Troopers (NYSTPBA) and the New York State Police Investigators Association (NYSPIA) have a multi-year collective bargaining agreement that provides a 2 percent general salary increase for each of FY 2015 and FY 2016, and a 1.5 percent general salary increase for each of FY 2017 and FY 2018. Negotiations on the next contract with NYSTPBA commenced in January and are anticipated with NYSPIA later in 2018.

The State is in negotiations with all other employee unions whose contracts concluded in FY 2016, including United University Professions (UUP), Council 82 and the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) following the March 2017 membership rejection of a tentative agreement on a five-year labor contract through FY 2021[13]. Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose contract expired at the end of FY 2015.

The Judiciary has reached agreement with all 12 unions represented within its workforce. The contract periods vary from FY 2018 to FY 2020 for CSEA, FY 2012 to FY 2019 for Court Officers Benevolent Association of Nassau County (COBANC), FY 2012 to FY 2021 for the NYS Supreme Court Officers Association, the NYS Court Officers Association and the Court Clerks Association, and FY 2017 to FY 2019 for seven other unions. The Updated Financial Plan reflects no changes to the Judiciary cash estimates in the current year.

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

[13] The five-year agreement with NYSCOPBA that was not ratified would have provided for annual 2 percent general salary increases through FY 2021, and differentials typically received within the law enforcement community (e.g., Hazardous Duty Pay), the costs of which were offset by benefit design changes within NYSHIP and reductions in overtime costs.

Pension Contributions[14]

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.[15] 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 4.9 percent to 3.8 percent and for PFRS the scale was reduced from 6.0 percent to 4.5 percent.

FY 2019 Projections

The preliminary FY 2019 ERS/PFRS pension liability of $2.3 billion is impacted by the FY 2017 investment return of 11.5 percent, which was above the Comptroller's assumed rate of return (7 percent). The estimate also reflects the impact of past investment performance and growth in the number of lower cost Tier 6 members. As a result, the average contribution rate for ERS will decrease from 15.3 percent of payroll to 14.9, while the average contribution rate for PFRS will decrease from 24.4 percent of payroll to 23.5 percent.[16]

The pension liability also reflects changes to military service credit provisions found in Section 1000 of the Retirement and Social Security Law (RSSL) enacted during the 2016 legislative session (Chapter 41 of the Laws of 2016). All veterans who are members of NYSLRS may, upon application, receive extra service credit for up to three years of military duty if such veterans (i) were honorably discharged, (ii) have achieved five years of credited service in a public retirement system, and (iii) agree to pay the employee share of such additional pension credit. Costs to the State for employees in ERS will be incurred at the time each member purchases credit, as documented by OSC at the end of each calendar year, while costs for employees in PFRS will be distributed across PFRS employers and billed on a two-year lag (e.g. FY 2017 costs will first be billed in FY 2019). Additionally, Section 25 of the RSSL requires the State to pay the ERS employer contributions associated with this credit on behalf of local governments. The State is also permitted to amortize the cost of past service credits newly incurred in a given fiscal year; however, the State does not anticipate choosing this option as there would be an interest rate of 7 percent applied to

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

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

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

this amortization. The ERS cost to the State (including the costs covered for local ERS) was $52 million in FY 2018 based on actual credit purchased through December 31, 2017. DOB currently estimates ERS costs of $55 million in FY 2019; and $39 million in FY 2020. Additionally, the State expects ongoing costs of $7 million beginning in FY 2021 as new cohorts of veterans become eligible to purchase the credit.

Outyear Projections

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

Pension Amortization

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

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

The portion of an employer's annual pension costs that may be amortized is determined by comparing the employer's amortization-eligible contributions as a percentage of employee salaries (i.e., the normal rate[17]) to a system-wide amortization threshold (i.e., the graded rate). Graded rates are determined for ERS and PFRS according to a formula enacted in the 2010 legislation and generally move toward their system's average normal rate by up to one percentage point per year. When an employer's normal rate is greater than the system-wide graded rate, the employer can elect to amortize the difference. However, when the normal rate of an employer that previously amortized is less than the system-wide graded rate, the employer is required to pay the graded rate. Additional contributions are first used to pay off existing amortizations and are then deposited into a reserve account to offset future increases in contribution rates. Chapter 48 of the Laws of 2017 changed the graded rate computation to provide an employer specific graded rate based on the employer's own tier and plan demographics.

[17] 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).

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

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

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

	Statewide Pension Payments[1]					Rates for Determining (Amortization Amount) / Excess Contributions			
Fiscal Year	Normal Costs[2]	(Amortized) / Excess Contributions	Amortization Payments	Total Statewide Pension Payments	Interest Rate on Amortization Amount (%)[3]	System Average Normal Rate[4]		Amortization Threshold (Graded Rate)	
						ERS (%)	PFRS (%)	ERS (%)	PFRS (%)
2011	1,543.2	(249.6)	0.0	1,293.6	5.0	11.5	18.1	9.5	17.5
2012	2,037.6	(562.9)	32.3	1,507.0	3.8	15.9	21.6	10.5	18.5
2013	2,076.1	(778.5)	100.8	1,398.4	3.0	18.5	25.7	11.5	19.5
2014	2,633.8	(937.0)	192.0	1,888.8	3.7	20.5	28.9	12.5	20.5
2015	2,325.7	(713.1)	305.7	1,918.3	3.2	19.7	27.5	13.5	21.5
2016	1,972.1	(356.1)	389.9	2,005.9	3.2	17.7	24.7	14.5	22.5
2017	1,788.6	0.0	432.1	2,220.7	2.3	15.1	24.3	15.1	23.5
2018 Est.	1,803.4	0.0	432.1	2,235.5	2.8	14.9	24.3	14.9	24.3
2019 Est.	1,866.7	0.0	432.1	2,298.8	0.0	14.4	23.5	14.4	23.5
Projected by DOB[5]									
2020	1,921.4	0.0	432.1	2,353.5	0.0	15.2	24.0	15.2	24.0
2021	2,080.3	0.0	432.1	2,512.4	0.0	16.2	25.0	16.2	25.0
2022	2,272.5	0.0	399.8	2,672.3	0.0	17.2	26.0	17.2	26.0
2023	2,436.7	0.0	331.3	2,768.0	0.0	17.9	25.8	17.9	25.8
2024	2,460.1	0.0	240.1	2,700.2	0.0	17.7	25.4	17.7	25.4
2025	2,483.7	0.0	126.4	2,610.1	0.0	17.5	25.0	17.5	25.0
2026	2,507.2	0.0	42.2	2,549.4	0.0	17.3	24.6	17.3	24.6

[1] Pension contribution values in this table do not include pension costs related to the ORP, VDC, and TRS for SUNY and SED, whereas the projected pension costs in other Financial Plan tables include such pension disbursements.

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

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

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

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

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

Other Post-Employment Benefits (OPEB)

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

In accordance with the 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 ($72.8 billion for the State and $14.4 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 the projected benefit obligation.

The actuarially determined annual OPEB cost for FY 2017 totaled $4.2 billion ($3.2 billion for the State and $923 million for SUNY), a decline of $7 million from FY 2016 ($4 million for the State and $3 million for SUNY). The actuarially-determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. The actuarially determined cost was $2.4 billion ($1.795 billion for the State and $639 million for SUNY) greater than the PAYGO required cash payments for retiree costs made by the State in FY 2017. This difference between the State’s PAYGO costs, and the actuarially determined ARC under GASB Statement 45, reduced the State’s net position at the end of FY 2017 by $2.4 billion.

GASB has no authority to require the additional costs to be funded on the State's budgetary (cash) basis, and no additional funding is assumed for this purpose in the Updated Financial Plan. The State continues to fund these costs, along with all other employee health care expenses, on a PAYGO basis.

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

The FY 2018 Enacted Budget included legislation creating a Retiree Health Benefit Trust Fund (the "Trust Fund") that authorizes the State to reserve money for the payment of health benefits of retired employees and their dependents. Under the legislation, the State may deposit into the Trust Fund, in any given fiscal year, up to 0.5 percent of total then-current unfunded actuarial accrued 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.

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

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

Litigation

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

Climate Change Adaptation

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

Participants in financial markets are acknowledging climate change risks. In June 2017, an industry-led Task Force on Climate-related Financial Disclosure convened by the Financial Stability Board (an international body which monitors the global financial system) published recommendations stating that climate risk affects most market sectors and that climate-related risk should be publicly disclosed to investors in annual financial filings.[18] In November 2017, Moody's Investors Service issued guidance to state and local governments that climate change is forecast to heighten exposure to economic losses, placing potential pressure on credit ratings. The Moody's report identified rising sea levels and the effect on coastal infrastructure as the primary climate risk for the northeastern US region, including the State. These risks are heightened by population concentration in coastal counties.

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

Cybersecurity

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

[18] For further context to the June 2017 disclosure recommendations, the Financial Stability Board was asked by an international coalition of G20 Finance Ministers and Central Bank Governors to address concerns that undisclosed climate risk could destabilize global financial markets.

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 within the State's ITS maintains a cyber command center hotline and related procedures for cyber incident reporting and response, distributes real-time advisories and alerts, provides managed security services, and implements statewide information security training and exercises for State and local government. While controls are routinely reviewed and tested, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage State digital networks and systems and the costs of remedying any such damage could be substantial.

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

Financial Condition of New York State Localities

The State's localities rely in part on State aid to balance their budgets and meet their cash requirements. As such, unanticipated financial need among localities can adversely affect the State's Updated Financial Plan. Certain localities outside New York City, including cities and counties, have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. In 2013, the Financial Restructuring Board for Local Governments was created to provide assistance to distressed local governments. The Restructuring Board performs comprehensive reviews and provides 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

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

Debt Reform Act Limit

The Debt Reform Act of 2000 ("Debt Reform Act") restricts the issuance of State-supported debt to fund capital purposes only, and for a maximum term of 30 years. The Debt Reform Act limits the amount of new State-supported debt to 4 percent of State personal income, and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued since April 1, 2000. DOB, as administrator of the Debt Reform Act, determined that the State was in compliance with the statutory caps in the most recent calculation period (FY 2017).

Current projections anticipate that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the availability under the debt outstanding cap is expected to decline from $3.9 billion in FY 2018 to about $61 million in FY 2021. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. In addition, the projected availability under the debt cap is dependent on expected growth for State personal income. Debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Bonds issued under the new SUNY Dormitory Facilities Revenue credit (which are not backed by a general obligation pledge of SUNY) are not included in the State's calculation of debt caps. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2018	1,222,079	4.00%	48,883	45,000	3,884	3.68%	0.32%	6,605	51,605
FY 2019	1,269,935	4.00%	50,797	49,105	1,693	3.87%	0.13%	5,773	54,878
FY 2020	1,326,162	4.00%	53,046	52,794	252	3.98%	0.02%	4,832	57,627
FY 2021	1,385,417	4.00%	55,417	55,355	61	4.00%	0.00%	3,325	58,680
FY 2022	1,446,303	4.00%	57,852	57,773	79	3.99%	0.01%	2,688	60,461
FY 2023	1,509,402	4.00%	60,376	60,155	221	3.99%	0.01%	2,085	62,240

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 2018	164,556	5.00%	8,228	4,477	3,751	2.72%	2.28%	1,129	5,606
FY 2019	163,206	5.00%	8,160	4,858	3,302	2.98%	2.02%	752	5,610
FY 2020	167,620	5.00%	8,381	5,392	2,989	3.22%	1.78%	1,549	6,941
FY 2021	169,771	5.00%	8,489	5,748	2,740	3.39%	1.61%	1,410	7,158
FY 2022	175,001	5.00%	8,750	6,036	2,714	3.45%	1.55%	1,033	7,070
FY 2023	174,578	5.00%	8,729	6,467	2,262	3.70%	1.30%	803	7,270

Changes in the State's available debt capacity, as illustrated below, reflect the impact of several factors. These include a reduction to the personal income forecast due almost entirely to income revisions by the Bureau of Economic Analysis (BEA). In recent quarters, BEA has made sizeable revisions to prior-year income levels, which in turn changes the base on which DOB calculates income going forward. The substantial reduction to personal income makes it necessary to make capital spending reductions in order to stay within the debt cap in future years. The spending reductions are expected to be managed within anticipated underspending on capital projects throughout the plan period. Additional reductions to capital spending are assumed from the FY 2019 Statewide Efficiency Plan, which assumes a reduction on bond-financed capital spending starting in FY 2020. 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 when the bonds become currently callable.

DEBT CAPACITY
(millions of dollars)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Mid-Year Update to the Financial Plan	**3,826**	**1,846**	**448**	**58**	**216**	**-**
Personal Income Forecast Adjustment	(137)	(57)	(69)	(55)	(28)	-
Capital Reestimates	195	(96)	(526)	(683)	(1,170)	-
Capital Efficiencies	-	-	399	742	1,061	-
FY 2019 Executive Budget Financial Plan	**3,884**	**1,693**	**252**	**61**	**79**	**221**

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf to pay for upgrading their primary health care facilities. Revenues pledged to pay debt service on the bonds include hospital payments made under loan agreements between DASNY and the hospitals and certain reserve funds held by the applicable trustees for the bonds. In the event of revenue shortfalls to pay debt service on the Secured Hospital bonds, the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by DASNY through the Secured Hospital Program. As of December 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 $26 million in FY 2019, $28 million annually in FY 2020 and FY 2021, $22 million in FY 2022, and $17 million in FY 2023. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for one hospital whose debt service obligation was discharged in bankruptcy but is paying rent which offsets a portion of the debt service, a second hospital which closed in 2010, and a third hospital that is currently delinquent in its payments. The State has estimated additional exposure of up to $9 million annually, if all hospitals in the Program failed to meet the terms of their agreements with DASNY and if available reserve funds were depleted.

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

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

Pursuant to a court-approved settlement in 2014, SUNY, together with Holdings, issued a request for proposals (RFP) seeking a qualified party to provide or arrange to provide health care services at LICH and to purchase the LICH property.

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

The next closing, when title to the New Medical Site (NMS) portion of the LICH property is to be conveyed to NYU Hospitals Center (the NMS Closing), is anticipated to occur within 30 days after all buildings on the NMS are fully demolished and all environmental issues remediated by the Purchaser. In its efforts to complete the demolitions and environmental remediation, the Purchaser is addressing issues raised by adjoining property owners and community groups. These challenges have delayed, and may continue to delay, demolition and environmental remediation.

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

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

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

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

State Financial Plan Projections Fiscal Years 2018 Through 2022

State Financial Plan Projections – Fiscal Years 2018 through 2022

Introduction

This section presents the State's multi-year Updated Financial Plan projections for receipts and disbursements, reflecting the impact of forecast revisions in FY 2018 through FY 2022, with an emphasis on the FY 2019 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 distribution to 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 tax receipts for specific purposes.

- **Disbursements:** Roughly 30 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, and transportation. 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 2019 budget, FY 2020, is the most relevant from a planning perspective.

Summary

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

The projections for FY 2020 and thereafter set forth in the Updated Financial Plan reflect the savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The calculations are developed using the State Operating Funds accounting perspective, as it is currently reflected in the Updated Financial Plan. From time to time, the State has approved legislation that has affected the spending reflected in State Operating Funds.

Estimated savings are labeled on a distinct line in the Updated Financial Plan tables as "Adherence to 2% Spending Benchmark." The total disbursements in the Financial Plan tables do not assume these savings. Such savings are expected to be developed and proposed in future budgets. If the State exceeds the 2 percent State Operating Funds spending benchmark in FY 2020, FY 2021, and/or FY 2022, 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 2018 Current	FY 2019 Proposed	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
RECEIPTS					
Taxes (After Debt Service)	67,288	66,801	71,260	73,608	76,700
Miscellaneous Receipts/Federal Grants	2,946	2,019	2,028	2,001	1,882
Other Transfers	1,207	2,381	1,868	1,761	1,727
Total Receipts	**71,441**	**71,201**	**75,156**	**77,370**	**80,309**
DISBURSEMENTS					
Local Assistance	46,501	49,938	53,087	55,780	58,273
School Aid	22,296	22,978	23,904	24,987	26,237
Medicaid/EP	13,361	13,840	15,057	15,955	16,852
All Other	10,844	13,120	14,126	14,838	15,184
State Operations	8,192	11,528	11,973	12,518	12,485
Personal Service	5,975	8,624	8,905	9,411	9,342
Non-Personal Service	2,217	2,904	3,068	3,107	3,143
General State Charges	5,650	7,597	8,132	8,641	9,148
Transfers to Other Funds	9,680	6,185	6,525	6,445	6,134
Debt Service	1,037	837	969	1,029	908
Capital Projects	2,004	3,246	3,433	3,213	2,882
State Share of Mental Hygiene Medicaid[1]	1,314	0	0	0	0
SUNY Operations	1,022	1,021	1,020	1,021	1,021
All Other	4,303	1,081	1,103	1,182	1,323
Total Disbursements	**70,023**	**75,248**	**79,717**	**83,384**	**86,040**
Use (Reservation) of Fund Balance:	**(1,418)**	**4,047**	**1,090**	**825**	**619**
Community Projects	17	39	0	0	0
Labor Agreements	(130)	0	0	0	0
Undesignated Fund Balance	(1,891)	1,905	0	0	0
Extraordinary Monetary Settlements[2]	586	2,103	1,090	825	619
BUDGET SURPLUS/(GAP) PROJECTIONS[3]	**0**	**0**	**(3,471)**	**(5,189)**	**(5,112)**
Adherence to 2% Spending Benchmark[4]	**n/a**	**n/a**	**2,659**	**4,760**	**5,640**
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**(812)**	**(429)**	**528**

[1] The State will continue to pay its share of Medicaid costs; however, after the reclassification of Mental Hygiene spending from certain Special Revenue Funds to the General Fund, the State share of Mental Hygiene Medicaid will be transferred within the General Fund, rather than to a Special Revenue Fund.

[2] Reflects 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.

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

[4] Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2019 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or the projected surpluses lower).

State Operating Funds Projections

STATE OPERATING FUNDS DISBURSEMENTS
(millions of dollars)

	FY 2018 Current	FY 2019 Proposed	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
RECEIPTS					
Taxes	77,619	76,028	81,458	83,916	87,214
Miscellaneous Receipts/Federal Grants	20,452	20,068	19,574	19,403	19,384
Total Receipts	**98,071**	**96,096**	**101,032**	**103,319**	**106,598**
DISBURSEMENTS					
Local Assistance	65,794	66,413	69,008	71,605	74,175
School Aid (School Year Basis)	25,587	26,356	27,305	28,479	29,761
DOH Medicaid[1]	19,107	20,340	21,425	22,296	23,182
Transportation	5,026	3,962	3,653	3,702	3,834
STAR	2,585	2,410	2,322	2,261	2,217
Higher Education	2,826	3,054	3,168	3,218	3,258
Social Services	2,901	2,884	3,015	3,041	3,080
Mental Hygiene	2,372	2,173	2,524	2,862	3,143
All Other[2]	5,390	5,234	5,596	5,746	5,700
State Operations	18,735	19,379	19,652	20,404	20,369
Personal Service	13,026	13,429	13,781	14,474	14,375
Non-Personal Service	5,709	5,950	5,871	5,930	5,994
General State Charges	7,976	8,549	9,120	9,697	10,219
Pension Contribution	2,461	2,469	2,590	2,753	2,918
Health Insurance	3,968	4,283	4,579	4,882	5,207
All Other	1,547	1,797	1,951	2,062	2,094
Debt Service	5,621	5,636	6,969	7,186	7,092
Capital Projects	0	0	0	0	0
Total Disbursements [3]	**98,126**	**99,977**	**104,749**	**108,892**	**111,855**
Net Other Financing Sources/(Uses)	1,008	(228)	(418)	(180)	9
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(953)	4,109	664	564	136
General Fund	(1,418)	4,047	1,090	825	619
Special Revenue Funds	469	68	(420)	(254)	(420)
Debt Service Funds	(4)	(6)	(6)	(7)	(63)
GENERAL FUND BUDGET SURPLUS/(GAP)[3]	**0**	**0**	**(3,471)**	**(5,189)**	**(5,112)**
Adherence to 2% Spending Benchmark[4]	**n/a**	**n/a**	**2,659**	**4,760**	**5,640**
GENERAL FUND BUDGET SURPLUS/(GAP)	**0**	**0**	**(812)**	**(429)**	**528**

[1] Includes the Essential Plan (EP), which is an insurance plan for individuals who are not eligible for Medicaid and who meet certain income threshold standards. The EP is not a Medicaid program; however, State-funded support is managed within total DOH Medicaid Global Cap resources. In addition, total State share Medicaid funding includes the utilization of tobacco MSA proceeds which will be directly deposited to the MMIS Escrow Fund to cover a portion of local Medicaid growth.

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

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

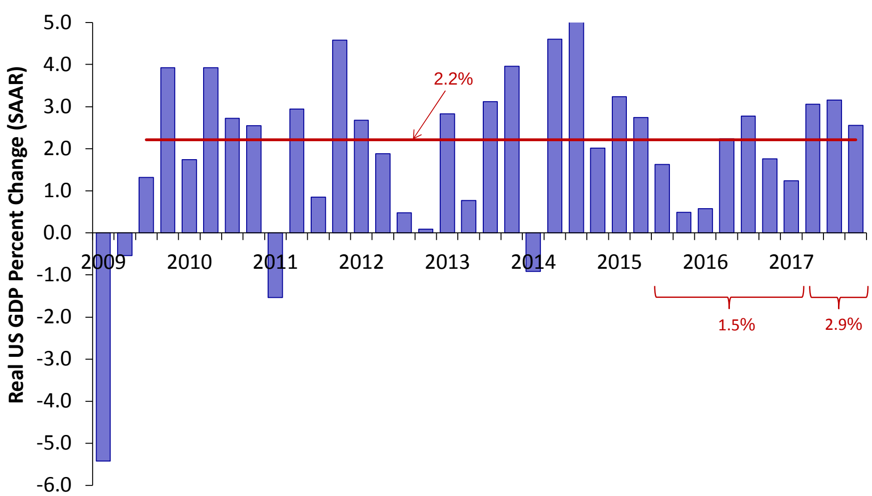
[4] Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected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

Economic Backdrop

The National Economy

The U.S. economy posted another quarter of above trend growth of 2.6 percent in the fourth quarter of calendar year 2017. The economy has continued to rebound from a protracted national and global slowdown, as well as from the impact of the 2017 storms, Hurricanes Harvey, Irma and Maria. Consumer spending continues to be fueled by a strong labor market, with wages starting to show improvement as well, due in part to rising minimum wages both here in New York and in many other states. In addition, improving global growth, and energy prices that continue to hover near $60 per barrel, will likely be sufficient to keep real U.S. Gross Domestic Product (GDP) growth for 2018 and 2019 above the average 2.2 percent growth that has persisted over the entire life of the economic expansion to date. The TCJA is also expected to contribute to growth over the remainder of 2018 and during 2019. DOB estimates real U.S. GDP growth of 2.6 percent for 2018 on an annual average basis.

US Economic Growth Improving But Unlikely to Remain at 3 Percent



Source: Moody's Analytics.

With the early February 2018 release of the January 2018 employment report, the Bureau of Labor Statistics (BLS) published its annual benchmark revision, which resulted in an upward revision to the average monthly private sector job gain for 2017 to 180,000, just above the 2016 average of 178,000. Moreover, the national labor market posted another strong employment report in January, adding 196,000 private sector jobs. As a result, DOB's current outlook for the labor market reflects projected national average monthly job gains of 160,000 for 2018. However, DOB continues to expect employment growth to slow as the expansion matures. Total nonagricultural employment growth of 1.4 percent is projected for 2018, decelerating from the 1.6 percent growth experienced in 2017. Although the conventional unemployment rate has fallen to 4.1 percent, its lowest level in 17 years, broader measures of under-employment, including the percentage of the workforce working part-time, remain elevated, an indication that some labor market slack remains and that there is room for the unemployment rate to go down further.

Consistent with a tightening labor market, DOB projects wage growth of 3.7 percent for 2018, following growth of 3.1 percent for 2017. Overall personal income growth of 3.9 percent is estimated for 2018, following growth of 3.1 percent for 2017. In addition to stronger growth in pre-tax income, after-tax disposable income is expected to be lifted by income tax cuts. Based on the analysis by the nonpartisan Joint Committee on Taxation (JCT), the direct benefit of TCJA to U.S. households is estimated to total $187 billion in 2018 and $259 billion in 2019. However, there are several reasons why the benefits from the TCJA are expected to only marginally boost consumer spending. The personal income tax cuts were made temporary to conform with congressional "Pay-As-You-Go" budget rules and are largely directed toward wealthy households who have the largest marginal propensity to save. Moreover, the millions of employees approaching retirement are expected to add to their savings in preparation. As a result, consumer spending is only expected to increase by $50 billion in 2018. After adjusting for increased imports, this additional spending is estimated to increase real GDP growth by about one tenth of a percentage point in both 2018 and 2019.

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

	2017 (Actual)	2018 (Forecast)	2019 (Forecast)
Real U.S. Gross Domestic Product	2.3	2.6	2.5
Consumer Price Index (CPI)	2.1	2.3	2.2
Personal Income	3.1	3.9	4.2
Nonagricultural Employment	1.6	1.4	1.3

Source: Moody's Analytics; DOB staff estimates.

The TCJA's business tax cuts are expected to lift after-tax earnings, but only modestly lift investment spending. Research indicates that business investment is largely demand driven. Hence, without substantial evidence that U.S. households will significantly increase their spending plans, businesses are unlikely to risk additional capital. In addition, evidence from the 2004 repatriation holiday indicates that firms are more likely to allocate the preponderance of their tax cut proceeds toward dividend payouts and stock buybacks rather than toward investment. Moreover, the positive impact of the tax reductions is likely to be mitigated by rising long-term interest rates. On balance, projected real growth in business fixed investment has been revised up by 0.1 percentage point to 5.5 percent for 2018, following growth of 4.7 percent for 2017 and a decline of 0.6 percent for 2016.

DOB's forecast for nonresidential business fixed investment represents a substantial improvement relative to its recent performance, aided by increasing global demand for U.S. exports and expanded energy sector production. With the global economy entering a long-awaited period of synchronized growth, and the dollar remaining well below its most recent peak, export demand has been steadily increasing. As a result, real export growth for 2018 is projected to be 5.2 percent for 2018, following growth of 3.4 percent for 2017 and a decline of 0.3 percent for 2016.

Disruptions from Hurricanes Harvey and Irma drove gasoline prices higher and boosted headline inflation in the second half of 2017. However, the impact of the storms on inflation is expected to be transitory, with consumer price inflation expected to accelerate only modestly to 2.3 percent in 2018. Medical price inflation is projected to advance to 2.7 percent in 2018, following growth of 2.5 percent in 2017, still tame by historical standards. DOB projects that with inflation reaching the Federal Reserve's goal of 2 percent, the effective Federal funds rate will rise from its 1.0 percent annual average in 2017 to 1.8 percent in 2018 and 2.3 percent in 2019. These projections are consistent with three short-term rate hikes expected by the FOMC in 2018, and two more projected rate hikes in 2019.

The 10-year Treasury yield has been flirting with 2.9 percent, a level that has not been breached since early 2014. Higher long-term interest rates help to steepen the yield curve and improve banking sector profits, but it represents a risk to the continued recovery of the housing market. Moreover, the TCJA eliminates the interest deduction on home equity debt and new mortgage debt in excess of $750,000, and limits the combined deduction for SALT and property taxes to $10,000, all of which could negatively affect the housing market. DOB projects real growth in residential fixed investment of 3.8 percent for 2018.

There are many risks to the Executive Budget Financial Plan forecast. Since the middle of January 2018, equity market volatility has re-emerged after remaining at bay for virtually all of 2017. The S&P 500 stock index lost 10.2 percent of its value during the brief period between January 26, 2018 and February 8, 2018, although it has regained some of that value as of the date of this AIS Update. This correction may represent a harbinger of the turbulence to come as the global economy makes the transition away from low interest rates and bloated central bank balance sheets. Moreover, anxiety surrounding the long-term impact of the TCJA on Federal budget deficits and the national debt also appears to have permeated the investor mindset. Lower and more volatile equity prices can result in lower household spending both through the wealth effect and as a signal that rough waters are ahead.

On the positive side, stronger consumer spending and business investment than projected could result in stronger growth in employment, wages, and the overall economy. Stronger global growth than expected could have a similar impact, although that effect could be mitigated by trade wars, should they emerge in a substantial way. Additionally, a stronger housing market than projected could also result in stronger employment and income growth than currently projected, although substantially higher interest rates than expected could have the opposite effect.

The New York State Economy

New York State's private sector labor market appears to be stabilizing after a period of deceleration that started at the end of 2015 and continued through the first half of 2017. This period of slower job growth coincided with slowdowns in both national and global growth that appear to have turned around during the second quarter of 2017. State private sector job growth of 1.3 percent is projected for 2018, following estimated growth of 1.4 percent in 2017.

Although the TCJA is expected to positively affect finance sector after-tax profits, recent equity market volatility could result in a lower volume of financial market activity if the volatility causes some investors to withdraw from trading altogether, which in turn could result in lower revenue growth for 2018. DOB estimates finance and insurance sector bonus growth for FY 2019 of 4.4 percent, following 4.3 percent growth for FY 2018, which includes the bonus season now in progress. FY 2019 growth in underlying non-bonus wages is projected at 4.1 percent, following an estimated 3.6 percent for FY 2018. Total State wage growth of 4.2 percent is projected for FY 2019, up from a downwardly revised 3.5 percent State wage growth for FY 2018.

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

	FY 2017 (Actual)	FY 2018 (Estimated)	FY 2019 (Forecast)
Personal Income	2.7	3.4	4.4
Wages	3.8	3.5	4.2
Nonagricultural Employment	1.4	1.2	1.1

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

Although the State's private-sector labor market appears to be stabilizing, there are many risks to the forecast. All 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. The uncertainty surrounding the macroeconomic outlook for the national and global economies is amplified in the financial markets, as demonstrated by recent events. Weaker and/or more volatile markets than anticipated could result in weaker bonus growth and, hence, weaker wage growth overall, in addition to lower taxable capital gains realizations. In contrast, stronger equity markets, along with stronger national and global growth, could result in stronger employment and wage growth than is reflected in this forecast.

Receipts

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

Overall base growth (i.e. absent law changes) 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, non-wage 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 $164.6 billion, 5.2 percent above FY 2017 results.

ALL FUNDS RECEIPTS
(millions of dollars)

	FY 2017 Results	FY 2018 Current	Change	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
Personal Income Tax	47,565	50,935	7.1%	49,244	-3.3%	53,206	8.0%	54,816	3.0%	57,238	4.4%
Consumption/Use Taxes	16,212	16,754	3.3%	17,664	5.4%	18,380	4.1%	18,928	3.0%	19,494	3.0%
Business Taxes	6,979	7,346	5.3%	8,258	12.4%	8,913	7.9%	9,114	2.3%	9,320	2.3%
Other Taxes	2,236	2,479	10.9%	2,263	-8.7%	2,379	5.1%	2,476	4.1%	2,578	4.1%
Payroll Mobility Tax	1,380	1,438	4.2%	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Total State Taxes	**74,372**	**78,952**	**6.2%**	**77,429**	**-1.9%**	**82,878**	**7.0%**	**85,334**	**3.0%**	**88,630**	**3.9%**
Miscellaneous Receipts	26,594	27,829	4.6%	27,899	0.3%	26,156	-6.2%	25,225	-3.6%	25,640	1.6%
Federal Receipts	55,406	57,777	4.3%	57,878	0.2%	58,589	1.2%	59,214	1.1%	60,732	2.6%
Total All Funds Receipts	**156,372**	**164,558**	**5.2%**	**163,206**	**-0.8%**	**167,623**	**2.7%**	**169,773**	**1.3%**	**175,002**	**3.1%**

State tax receipts are projected to increase 6.2 percent in FY 2018, with increases across all tax categories. Refer to the Personal Income Tax section herein for additional explanation of the atypical growth rate pattern for FY 2018 and FY 2019.

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

After controlling for the impact of tax law changes, base tax revenue increased 0.2 percent in FY 2017, and is projected to increase by 6.1 percent in FY 2018 and decrease by 2.6 percent in FY 2019.

Personal Income Tax

PERSONAL INCOME TAX
(millions of dollars)

	FY 2017 Results	FY 2018 Current	Change	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**47,565**	**50,935**	**7.1%**	**49,244**	**-3.3%**	**53,206**	**8.0%**	**54,816**	**3.0%**	**57,238**	**4.4%**
Gross Collections	56,517	61,060	8.0%	60,334	-1.2%	65,238	8.1%	66,064	1.3%	69,530	5.2%
Refunds (Incl. State/City Offset)	(8,952)	(10,125)	-13.1%	(11,090)	-9.5%	(12,032)	-8.5%	(11,248)	6.5%	(12,292)	-9.3%
GENERAL FUND[1]	**32,535**	**35,616**	**9.5%**	**22,212**	**-37.6%**	**24,281**	**9.3%**	**25,147**	**3.6%**	**26,402**	**5.0%**
Gross Collections	56,517	61,060	8.0%	60,334	-1.2%	65,238	8.1%	66,064	1.3%	69,530	5.2%
Refunds (Incl. State/City Offset)	(8,952)	(10,125)	-13.1%	(11,090)	-9.5%	(12,032)	-8.5%	(11,248)	6.5%	(12,292)	-9.3%
STAR	(3,139)	(2,585)	17.6%	(2,410)	6.8%	(2,322)	3.7%	(2,261)	2.6%	(2,217)	1.9%
RBTF	(11,891)	(12,734)	-7.1%	(24,622)	-93.4%	(26,603)	-8.0%	(27,408)	-3.0%	(28,619)	-4.4%

[1] Excludes Transfers.

All Funds PIT receipts for FY 2018 are estimated to total $50.9 billion, an increase of $3.4 billion (7.1 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 2022.

ALL FUNDS PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS (millions of dollars)

	FY 2017 Results	FY 2018 Current	FY 2019 Proposed	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Receipts						
Withholding	37,524	39,459	41,314	42,557	43,543	45,651
Estimated Payments	14,972	17,734	14,921	18,369	18,012	19,176
Current Year	10,912	14,278	12,729	13,742	12,583	13,535
Prior Year[1]	4,060	3,456	2,192	4,627	5,429	5,641
Final Returns	2,588	2,441	2,599	2,748	2,908	3,032
Current Year	260	271	286	301	316	331
Prior Year[1]	2,328	2,170	2,313	2,447	2,592	2,701
Delinquent	1,433	1,426	1,500	1,564	1,601	1,671
Gross Receipts	56,517	61,060	60,334	65,238	66,064	69,530
Refunds						
Prior Year[1]	5,199	6,338	6,699	7,221	7,613	8,507
Previous Years	474	500	522	552	582	613
Current Year[1]	1,750	1,750	1,749	1,751	1,750	1,750
Advanced Credit Payment	678	689	1,247	1,709	479	573
State/City Offset[1]	851	848	873	799	824	849
Total Refunds	8,952	10,125	11,090	12,032	11,248	12,292
Net Receipts	**47,565**	**50,935**	**49,244**	**53,206**	**54,816**	**57,238**

[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 $604 million (14.9 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 increase by $3.4 billion (30.8 percent), driven by a combination of 9.9 percent growth in nonwage income and taxpayer behavior, stemming from the TCJA and expiration of the Federal 10-year window to repatriate foreign hedge fund earnings. FY 2018 final return payments and delinquencies are projected to decline by $147 million (5.7 percent) and $7 million (0.5 percent), respectively.

The projected growth in total refunds of $1.2 billion (13.1 percent) includes increases of $1.1 billion (21.9 percent) in prior tax year (2016) refunds, $26 million (5.5 percent) in previous tax year (2015 and earlier) refunds, and $11 million (1.6 percent) in advanced credit payments related to tax year 2017, partially offset by a $3 million (0.4 percent) decline in the state-city offset.

General Fund PIT receipts are net of deposits to the STAR Fund, which provides property tax relief, and the RBTF, which supports debt service payments on State PIT revenue bonds. General Fund PIT receipts for FY 2018 of $35.6 billion are projected to increase by $3.1 billion (9.5 percent) from FY 2017 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $12.7 billion and the STAR transfer is projected to be $2.6 billion.

All Funds PIT receipts for FY 2019 of $49.2 billion are projected to decrease by $1.7 billion (3.3 percent) from FY 2018 estimates. Gross PIT receipts are projected to decrease 1.2 percent, reflecting withholding that is projected to grow by $1.9 billion (4.7 percent), offset by estimated payments related to tax year 2018 that are projected to decline by $1.5 billion (10.8 percent), extension payments related to tax year 2017 that are projected to decrease by $1.3 billion (36.6 percent). The decline in extension payments reflects taxpayer behavior related the TCJA, which caused taxpayers to accelerate New York State tax liability payments into December 2017 to take advantage of uncapped SALT deductions for tax year 2017. Final returns are expected to increase by $158 million (6.5 percent) and delinquencies are projected to increase $74 million (5.2 percent) from FY 2018. Total refunds are projected to increase by $965 billion (9.5 percent) from FY 2018, 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 $22.2 billion are projected to decrease by $13.4 billion (37.6 percent), reflecting proposed legislation that doubles RBTF deposits from the current 25 percent of net PIT receipts to 50 percent of net PIT receipts. As a result, RBTF deposits in FY 2019 are projected to nearly double to $24.6 billion. The FY 2019 STAR transfer is projected to be $2.4 billion.

All Funds PIT receipts for FY 2020 of $53.2 billion are projected to increase by $4 billion (8 percent) from FY 2019 estimates. Gross PIT receipts are projected to increase 8.1 percent, reflecting withholding that is projected to grow by $1.2 billion (3 percent) and total estimated payments that are projected to grow by $3.4 billion (23.1 percent), partially offset by a projected increase in total refunds of $942 million (8.5 percent).

The relatively low withholding growth rate reflects the expiration of the FY 2018 Enacted Budget two-year high-income surcharge extension, scheduled to sunset after tax year 2019. The strong growth in total estimated payments is primarily driven by a projected increase of $2.4 billion (111.1 percent) in extensions for tax year 2018, driven by an unwinding of the aforementioned New York State tax liability payment acceleration as taxpayers revert to estimated payment timing that falls in line with historical norms. Estimated payments related to tax year 2019 are projected to grow by $1 billion (8 percent) and final returns are expected to increase by $149 million (5.7 percent). Delinquencies are projected to increase $64 million (4.3 percent) from tax year 2018.

General Fund PIT receipts for FY 2020 of $24.3 billion are projected to increase by $2.1 billion (9.3 percent). RBTF deposits are projected to be $26.6 billion, and the STAR transfer is projected to be $2.3 billion.

All Funds PIT receipts in FY 2021 are projected to increase by $1.6 billion to $54.8 billion, while General Fund PIT receipts are projected to total $25.1 billion. This projected modest growth is driven by the scheduled expiration of the high-income surcharge rate extension beginning in tax year 2020, combined with continued phase-in of the FY 2017 Enacted Budget middle income tax cuts.

Projections for FY 2020 and FY 2021 account for the impacts of the Executive Budget proposal for decoupling from the TCJA, as described earlier in this AIS Update.

Consumption/Use Taxes

CONSUMPTION/USE TAXES
(millions of dollars)

	FY 2017 Results	FY 2018 Current	Change	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	16,212	16,754	3.3%	17,664	5.4%	18,380	4.1%	18,928	3.0%	19,494	3.0%
Sales Tax	13,869	14,510	4.6%	15,266	5.2%	15,963	4.6%	16,562	3.8%	17,174	3.7%
Cigarette and Tobacco Taxes	1,236	1,177	-4.8%	1,152	-2.1%	1,119	-2.9%	1,076	-3.8%	1,035	-3.8%
Motor Fuel Tax	519	515	-0.8%	512	-0.6%	507	-1.0%	504	-0.6%	501	-0.6%
Highway Use Tax	138	96	-30.4%	142	47.9%	142	0.0%	143	0.7%	145	1.4%
Alcoholic Beverage Taxes	258	262	1.6%	267	1.9%	272	1.9%	276	1.5%	281	1.8%
Opioid Epidemic Surcharge	0	0	0.0%	127	N/A	171	34.6%	154	-9.9%	138	-10.4%
Medical Marihuana Excise Tax	1	2	100.0%	2	0.0%	2	0.0%	2	0.0%	2	0.0%
Taxicab Surcharge	64	59	-7.8%	59	0.0%	59	0.0%	59	0.0%	59	0.0%
Auto Rental Tax	127	133	4.7%	137	3.0%	145	5.8%	152	4.8%	159	4.6%
GENERAL FUND[1]	7,101	7,386	4.0%	7,752	5.0%	8,087	4.3%	8,361	3.4%	8,644	3.4%
Sales Tax	6,483	6,784	4.6%	7,139	5.2%	7,467	4.6%	7,748	3.8%	8,035	3.7%
Cigarette and Tobacco Taxes	360	340	-5.6%	346	1.8%	348	0.6%	337	-3.2%	328	-2.7%
Alcoholic Beverage Taxes	258	262	1.6%	267	1.9%	272	1.9%	276	1.5%	281	1.8%

[1] Excludes Transfers.

All Funds consumption/use tax receipts for FY 2018 are projected to total $16.8 billion, a $542 million (3.3 percent) increase from FY 2017 results. Sales tax receipts are projected to increase $641 million (4.6 percent) from FY 2017 results, reflecting base growth (i.e., absent law changes) of 4.6 percent. This base growth stems from projected disposable income and consumption growth. Cigarette and tobacco tax collections are projected to decrease by $59 million (4.8 percent), reflecting a trend decline in taxable cigarette consumption. Highway use tax (HUT) collections are projected to decrease by $42 million (30.4 percent) due to a $44 million increase in refund payments resulting from the Independent Owner Operator Drivers Association v. New York Department of Taxation and Finance court decision. Motor fuel tax collections are projected to decrease by $4 million (0.8 percent), reflecting higher refunds, which are partially offset by slight growth in both taxable motor fuel and diesel fuel consumption. Taxicab surcharge receipts are estimated to decline by $5 million (7.8 percent) resulting from consumers choosing alternative transportation services not subject to the surcharge. Auto rental tax receipts are projected to increase by $6 million (4.7 percent).

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

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

All Funds consumption/use tax receipts for FY 2019 are projected to total over $17.7 billion, a $910 million (5.4 percent) increase from FY 2018 estimates. The projected $756 million (5.2 percent) increase in sales tax receipts reflects sales tax base growth of 3.3 percent related to the projected slower growth in both the consumption of taxable goods and disposable income. Sales tax cash receipts growth is boosted by Executive Budget proposals to provide for taxation of internet-based purchases and repeal of an outdated exemption. HUT receipts are projected to increase $46 million (47.9 percent) as long-term trend levels are resumed following the previous year's refund increases noted above. A continued trend decline in taxable cigarette consumption is also projected, but is projected to be partially offset by proposals to improve cigar tax enforcement and impose a health tax on vapor products. The proposed opioid epidemic surcharge is projected to generate $127 million in FY 2019.

General Fund consumption/use tax receipts are projected to be $7.8 billion in FY 2019, a $366 million (5 percent) increase from FY 2018. The projected increase largely reflects the All Funds sales and use tax and cigarette and tobacco tax trends, noted above.

All Funds consumption/use tax receipts for FY 2020 are projected to be $18.4 billion, a $716 million (4.1 percent) increase from FY 2019. The projected increase reflects sales tax base growth of 3.9 percent, the tobacco tax proposals noted above, and the first fully effective year of the opioid epidemic surcharge, partially offset by a trend decline in taxable cigarette consumption. FY 2020 General Fund consumption/use tax receipts are projected to increase to $8.1 billion, a $335 million (4.3 percent) increase from FY 2019 projections.

All Funds consumption/use tax receipts are projected to increase to $18.9 billion (3 percent growth) in FY 2021, largely representing base growth in sales tax receipts which are slightly offset by a continued trend decline in taxable cigarette consumption. General Fund consumption/use tax receipts are projected to increase to $8.4 billion (3.4 percent growth) in FY 2021, reflecting the All Funds sales and use tax and cigarette and tobacco tax trends, noted above.

Business Taxes

BUSINESS TAXES (millions of dollars)	FY 2017 Results	FY 2018 Current	Change	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**6,979**	**7,346**	**5.3%**	**8,258**	**12.4%**	**8,913**	**7.9%**	**9,114**	**2.3%**	**9,320**	**2.3%**
Corporate Franchise Tax	3,166	3,286	3.8%	4,401	33.9%	4,996	13.5%	5,124	2.6%	5,242	2.3%
Corporation and Utilities Tax	720	737	2.4%	710	-3.7%	724	2.0%	734	1.4%	743	1.2%
Insurance Tax	1,580	1,721	8.9%	1,868	8.5%	1,956	4.7%	2,098	7.3%	2,186	4.2%
Bank Tax	389	505	29.8%	143	-71.7%	71	-50.3%	0	-100.0%	0	0.0%
Petroleum Business Tax	1,124	1,097	-2.4%	1,136	3.6%	1,166	2.6%	1,158	-0.7%	1,149	-0.8%
GENERAL FUND	**4,761**	**5,108**	**7.3%**	**5,869**	**14.9%**	**6,442**	**9.8%**	**6,607**	**2.6%**	**6,766**	**2.4%**
Corporate Franchise Tax	2,476	2,559	3.4%	3,539	38.3%	4,083	15.4%	4,174	2.2%	4,248	1.8%
Corporation and Utilities Tax	538	565	5.0%	540	-4.4%	550	1.9%	556	1.1%	562	1.1%
Insurance Tax	1,410	1,539	9.1%	1,668	8.4%	1,749	4.9%	1,877	7.3%	1,956	4.2%
Bank Tax	337	445	32.0%	122	-72.6%	60	-50.8%	0	-100.0%	0	0.0%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2018 are projected to total over $7.3 billion, an increase of $367 million (5.3 percent) from FY 2017 results. The estimate reflects increases for all business taxes apart from a $27 million decline in the petroleum business tax (PBT).

Corporation franchise tax receipts are projected to increase $120 million (3.8 percent) in FY 2018, reflecting higher audits and minimal growth in gross receipts. 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 quarterly estimated payment events. Taxpayers made much lower estimated payments in December 2017 than expected, possibly indicating their estimated 2017 liability has declined from earlier in the year. It is also possible taxpayers overpaid on 2016 liability reducing the need to remit cash during 2017. This will not be known until taxpayers file their 2016 final returns. Audit receipts are projected to increase in FY 2018 (by $115 million) as a greater number of large cases are expected to be closed.

Corporation and utilities tax receipts are projected to increase $17 million (2.4 percent) in FY 2018. Higher audits received from telecommunication companies are partially offset by weakness in 2017 liability payments from both telecommunication and utility taxpayers.

Insurance tax receipts for FY 2018 are projected to increase $141 million (8.9 percent) from FY 2017. Projected growth in tax year 2017 liability as well as lower expected credit claims for assessments paid to the Life Insurance Company Guaranty Corporation (LICGC) account for the year-over-year increase. The LICGC exists to protect policyholders from the insolvency of their life insurers. This is the second year of refund claims for the credit for assessments paid earlier.

Receipts from the repealed bank tax (all from prior liability periods) are projected to increase by $116 million in FY 2018, stemming from higher audit receipts (additional $60 million) and smaller prior period adjustments.

PBT receipts are projected to decline $27 million (2.4 percent) in FY 2018, primarily due to the 5 percent decrease in the PBT rate index effective January 1, 2017, partially offset by the projected 5 percent increase in the PBT rate index effective January 1, 2018.

General Fund business tax receipts for FY 2018 of $5.1 billion are projected to increase $347 million (7.3 percent) from FY 2017 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2019 of nearly $8.3 billion are projected to increase by $912 million (12.4 percent) from FY 2018 estimates. The corporation franchise tax receipts increase of $1.1 billion (33.9 percent) reflects projected growth in corporate profits, higher audits, and progress toward completion of corporate reform regulations by the Department of Taxation and Finance. FY 2019 projections also include $60 million resulting from taxable interest associated with the TCJA repatriated earnings provision and $20 million from other TCJA flow-through impacts. The corporation and utilities tax receipts decline of $27 million (3.7 percent) is primarily attributable to higher FY 2018 audits related to telecommunication companies that are not expected to recur.

Insurance tax receipts for FY 2019 of $1.9 billion are projected to increase $147 million (8.5 percent) from current year estimates. Projected growth in insurance tax premiums combined with lower expected LICGC credit claims contribute to this year-over-year growth. Receipts from the repealed bank tax are projected to decrease by $362 million (71.7 percent) in FY 2019, due to lower projected audit receipts. PBT receipts are projected to increase $39 million (3.6 percent) in FY 2019, primarily due to a 5 percent increase in the PBT rate index effective January 1, 2018, paired with a projected 5 percent increase in the PBT rate index effective January 1, 2019.

General Fund business tax receipts for FY 2019 of $5.9 billion are projected to increase $761 million (14.9 percent) from current year estimates, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2020 of $8.9 billion are projected to increase by $655 million (7.9 percent), and General Fund business tax receipts are projected to increase to $6.4 billion (9.8 percent growth) from FY 2019 projections. The increase is primarily reflective of growth in corporation franchise tax receipts driven by higher gross receipts and lower refunds. Increases in projected corporation and utilities tax, insurance tax, and PBT receipts are partially offset by a decline in projected bank tax receipts. The projection includes $61 million in TCJA flow-through impacts.

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 $9.1 billion (2.3 percent growth), and General Fund business tax receipts are projected to increase to nearly $6.6 billion (2.6 percent growth). This projection includes $52 million in TCJA flow-through impacts.

Other Taxes

OTHER TAXES (millions of dollars)											
	FY 2017 Results	FY 2018 Current	Change	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**2,236**	**2,479**	**10.9%**	**2,263**	**-8.7%**	**2,379**	**5.1%**	**2,476**	**4.1%**	**2,578**	**4.1%**
Estate and Gift Tax	1,091	1,314	20.4%	1,033	-21.4%	1,092	5.7%	1,155	5.8%	1,220	5.6%
Real Estate Transfer Tax	1,126	1,147	1.9%	1,212	5.7%	1,269	4.7%	1,303	2.7%	1,340	2.8%
Employer Compensation Expense Tax	0	0	0.0%	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	16	15	-6.3%	15	0.0%	15	0.0%	15	0.0%	15	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND[1]	**1,110**	**1,332**	**20.0%**	**1,051**	**-21.1%**	**1,110**	**5.6%**	**1,173**	**5.7%**	**1,238**	**5.5%**
Estate and Gift Tax	1,091	1,314	20.4%	1,033	-21.4%	1,092	5.7%	1,155	5.8%	1,220	5.6%
Employer Compensation Expense Tax	0	0	0.0%	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	16	15	-6.3%	15	0.0%	15	0.0%	15	0.0%	15	0.0%
All Other Taxes	3	3	0.0%	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 total nearly $2.5 billion, an increase of $243 million (10.9 percent) from FY 2017 results. This is primarily due to an estimated $223 million (20.4 percent) increase in estate tax receipts which is a result of two unusually large payments of greater than $100 million that are partially offset by the continued phase-in of the increased filing threshold. Real estate transfer tax receipts are expected to grow at a tepid 1.9 percent due to weak growth in the Manhattan luxury market and declines in transaction volume and sales prices in the New York City commercial real estate market.

General Fund other tax receipts are estimated to be above $1.3 billion in FY 2018, an increase of $222 million (20 percent) from FY 2017 results, reflecting the estate tax receipts increase noted above.

All Funds other tax receipts for FY 2019 are projected to be under $2.3 billion, a $216 million (8.7 percent) decrease from FY 2018 estimates. The $281 million (21.4 percent) projected decline in estate tax receipts reflects a return to a historical number and average payment value of super-large (i.e., over $25 million) payments, as well as the continuation of the phase-in of the increased filing threshold. Real estate transfer tax receipts are projected to increase by $65 million (5.7 percent), reflecting projected growth in housing starts and housing prices.

General Fund other tax receipts for FY 2019 are projected to be below $1.1 billion, declining $281 million (21.1 percent) from FY 2018 estimates owing to the projected decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2020 are projected to be just under $2.4 billion, a $116 million (5.1 percent) increase from FY 2019 projections. Estate tax receipts are projected to increase by $59 million (5.7 percent) in FY 2020, reflecting projected growth in household net worth. The $57 million (4.7 percent) projected increase in real estate transfer tax receipts in FY 2020 reflects projected growth in housing starts and prices.

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

All Funds other tax receipts for FY 2021 reflect projected trend growth in household net worth, housing starts, and housing prices. All Funds other tax receipts are projected to be nearly $2.5 billion (4.1 percent growth) in FY 2021.

General Fund other tax receipts are projected to be slightly below $1.2 billion (5.7 percent growth) in FY 2021.

Miscellaneous Receipts

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, Tribal-State compact revenue, Extraordinary Monetary Settlements and a variety of fees. As such, miscellaneous receipts are driven in part by year-to-year variations in health care surcharges and other HCRA resources, bond proceeds, tuition income revenue and other miscellaneous receipts.

MISCELLANEOUS RECEIPTS
(millions of dollars)

	FY 2017 Results	FY 2018 Current	Change	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
ALL FUNDS	**26,594**	**27,829**	**4.6%**	**27,899**	**0.3%**	**26,156**	**-6.2%**	**25,225**	**-3.6%**	**25,640**	**1.6%**
General Fund	3,813	2,946	-22.7%	2,019	-31.5%	2,028	0.4%	2,001	-1.3%	1,882	-5.9%
Special Revenue Funds	17,686	17,121	-3.2%	17,712	3.5%	17,162	-3.1%	17,020	-0.8%	17,123	0.6%
Capital Projects Funds	4,637	7,292	57.3%	7,703	5.6%	6,497	-15.7%	5,735	-11.7%	6,167	7.5%
Debt Service Funds	458	470	2.6%	465	-1.1%	469	0.9%	469	0.0%	468	-0.2%

All Funds miscellaneous receipts are projected to total $27.8 billion in FY 2018, an increase of 4.6 percent from FY 2017 results. This increase is primarily due to higher bond financed capital spending on a year-over-year basis. Bond-financed capital expenses are paid from the General Fund (or Short-Term Investment Pool) in the first instance and subsequently reimbursed with authority bond proceeds, at which time they are captured as miscellaneous receipts.

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

Federal Grants

FEDERAL GRANTS (millions of dollars)											
	FY 2017 Results	FY 2018 Current	Change	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
ALL FUNDS	**55,406**	**57,777**	**4.3%**	**57,878**	**0.2%**	**58,589**	**1.2%**	**59,214**	**1.1%**	**60,732**	**2.6%**
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	52,725	55,434	5.1%	55,376	-0.1%	56,287	1.6%	56,954	1.2%	58,474	2.7%
Capital Projects Funds	2,608	2,270	-13.0%	2,429	7.0%	2,229	-8.2%	2,187	-1.9%	2,187	0.0%
Debt Service Funds	73	73	0.0%	73	0.0%	73	0.0%	73	0.0%	71	-2.7%

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 that Federal reimbursements will be received in the State fiscal year in which spending occurs, but due to the variable timing of Federal grant receipts, actual results often differ from the projections.

All Funds Federal grants projections primarily reflect the continuation of growth in Federal Medicaid spending related to Federal health care transformation initiatives, partly offset by the projected phase-down of Federal disaster assistance aid. All Federal receipts are subject to Congressional authorization, appropriations and budget action.

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

Disbursements

Total disbursements in FY 2019 are estimated at $75.2 billion in the State's General Fund (including transfers) and $100.0 billion in total State Operating Funds. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of annual spending growth, as further described in this section.

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

Local Assistance Grants

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. Local assistance spending in State Operating Funds is estimated at $66 billion in FY 2019, approximately two-thirds of total State Operating Funds spending. Education and health care spending account for nearly three-quarters of total State Operating Funds local assistance spending.

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

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

		Forecast			
	FY 2018 Current	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
HEALTH CARE					
Medicaid - Individuals Covered	6,178,707	6,206,629	6,220,590	6,227,570	6,231,060
Essential Plan - Individuals Covered	684,352	689,095	691,466	692,652	693,245
Child Health Plus - Individuals Covered	359,855	369,605	375,230	377,386	378,512
State Takeover of County/NYC Costs[1]	$2,996	$3,337	$3,677	$4,027	$4,389
EDUCATION					
School Aid (School Year Basis Funding)	$25,587	$26,356	$27,305	$28,479	$29,761
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	557,854	557,854	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	275,916	276,207	N/A	N/A	N/A
PUBLIC ASSISTANCE					
Family Assistance Program (Families)	217,760	214,749	211,525	208,308	205,200
Safety Net Program (Families)	120,905	119,575	117,673	115,815	114,035
Safety Net Program (Singles)	206,880	209,570	211,088	213,086	215,112
MENTAL HYGIENE					
OMH Community Beds	44,986	46,710	47,626	48,396	49,191
OPWDD Community Beds	42,867	43,296	43,729	44,166	44,608
OASAS Community Beds	13,562	13,635	13,825	13,860	13,860
Total	101,415	103,641	105,180	106,422	107,659
PRISON POPULATION	50,300	50,300	50,300	50,300	50,300

[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 total $26.4 billion in SY 2019, an annual increase of $769 million (3.0 percent), including a $338 million Foundation Aid increase and a $64 million Fiscal Stabilization Fund. A Community Schools set-aside of $200 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 $317 million supports increased reimbursement in expense-based and categorical aid programs such as transportation, Boards of Cooperative Educational Services (BOCES), school construction, and other miscellaneous aid categories.

The Updated Financial Plan provides $50 million for new competitive grant programs, highlighted by a $15 million investment to expand prekindergarten programs for three- and four-year-old students in high-need school districts, and $10 million to expand the Empire State After-School Program, helping to keep young people safe and engaged during after school hours. The State provides over $800 million in recurring annual support for three- and four-year old prekindergarten programs, including $340 million for the Statewide Universal Full-Day Prekindergarten programs.

School Aid is projected to increase by an additional $949 million (3.6 percent) in SY 2020.

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

	SY 2018	SY 2019	Change	SY 2020	Change	SY 2021	Change	SY 2022	Change
Total	**25,587**	**26,356**	**769**	**27,305**	**949**	**28,479**	**1,174**	**29,761**	**1,282**
			3.0%		3.6%		4.3%		4.5%

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

State Fiscal Year

The State finances School Aid from General Fund, 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 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**25,738**	**26,319**	**2.3%**	**27,274**	**3.6%**	**28,360**	**4.0%**	**29,610**	**4.4%**
General Fund Local Assistance	22,246	22,928	3.1%	23,854	4.0%	24,937	4.5%	26,187	5.0%
Medicaid	50	50	0.0%	50	0.0%	50	0.0%	50	0.0%
Core Lottery Aid	2,395	2,294	-4.2%	2,288	-0.3%	2,291	0.1%	2,291	0.0%
VLT Lottery Aid	955	907	-5.0%	934	3.0%	934	0.0%	934	0.0%
Commercial Gaming - VLT Offset	11	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Commercial Gaming	81	140	72.8%	148	5.7%	148	0.0%	148	0.0%

State fiscal year spending for School Aid is projected to total $26.3 billion in FY 2019, a 2.3 percent increase over FY 2018. Over the multi-year Updated Financial Plan, the share of School Aid spending projected to be financed by the General Fund is expected to increase as core lottery, video lottery and commercial gaming revenues are expected to remain largely flat beginning in FY 2020. In addition to State aid, school districts currently receive more than $3 billion annually in Federal aid.

State aid payments for School Aid are supplemented by commercial gaming revenues shared with the State by commercial gaming facilities. These receipts are expected to increase in FY 2020 by $8 million, but remain flat thereafter. 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. The approved casinos have since opened and are in operation. 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 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,247**	**2,194**	**-2.4%**	**2,092**	**-4.6%**	**2,190**	**4.7%**	**2,291**	**4.6%**
Special Education	1,336	1,316	-1.5%	1,372	4.3%	1,448	5.5%	1,537	6.1%
All Other Education	911	878	-3.6%	720	-18.0%	742	3.1%	754	1.6%

The State helps fund special education services for approximately 500,000 students with disabilities, from ages 3 to 21. Major programs under the Office of Prekindergarten through Grade 12 Education 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.

The decrease in the projected FY 2019 Special Education spending is attributable to the Executive's proposal to align State reimbursement to school districts for Summer School Special Education tuition and education costs with the wealth-equalized aid ratio used to reimburse schools for similar programs operated during the school year, as well as one-time audit recoveries for the preschool special education program. Outyear growth for Special Education is attributable to increased State reimbursement to special education providers for minimum wage costs and projected enrollment and cost growth in preschool and summer school special education programs.

The projected FY 2019 and FY 2020 decrease in All Other Education spending primarily reflects the discontinuation or reduction of one-time aid and grants, and the discontinuation of reimbursement for charter school supplemental basic tuition for New York City, respectively.

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 will receive a $66,800 exemption in FY 2019. 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 2019 program costs are: the basic school property tax exemption or credit for homeowners with incomes under $500,000 (53 percent); enhanced school property tax exemption or credit for senior citizen homeowners with incomes under $86,300 (28 percent); and a credit for income-eligible resident New York City personal income taxpayers (19 percent). The FY 2018 Enacted Budget included the conversion of the New York City PIT rate reduction benefit into a PIT tax credit, which will reduce and eventually eliminate it as a component of State Operating Funds spending. This change will have no impact on the value of the STAR benefit received by taxpayers.

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

SCHOOL TAX RELIEF (STAR) - REVENUE REDUCTION RESULTING FROM STAR ACTIONS
(millions of dollars)

	FY 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,585**	**2,410**	**-6.8%**	**2,322**	**-3.7%**	**2,261**	**-2.6%**	**2,217**	**-1.9%**
Gross Program Costs	3,412	3,348	-1.9%	3,266	-2.4%	3,281	0.5%	3,310	0.9%
Program Conversion	(277)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(492)	(938)	-90.7%	(944)	-0.6%	(1,020)	-8.1%	(1,093)	-7.2%
FY 2017 Overpayment[1]	(58)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Basic Exemption	1,627	1,561	-4.1%	1,508	-3.4%	1,468	-2.7%	1,439	-2.0%
Gross Program Costs	1,762	1,764	0.1%	1,705	-3.3%	1,704	-0.1%	1,712	0.5%
Personal Income Tax Credit	(135)	(203)	-50.4%	(197)	3.0%	(236)	-19.8%	(273)	-15.7%
Enhanced (Senior) Exemption	903	849	-6.0%	814	-4.1%	793	-2.6%	778	-1.9%
Gross Program Costs	976	958	-1.8%	921	-3.9%	921	0.0%	925	0.4%
Personal Income Tax Credit	(73)	(109)	-49.3%	(107)	1.8%	(128)	-19.6%	(147)	-14.8%
New York City PIT	55	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Gross Program Costs	674	626	-7.1%	640	2.2%	656	2.5%	673	2.6%
Program Conversion	(277)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(284)	(626)	-120.4%	(640)	-2.2%	(656)	-2.5%	(673)	-2.6%
FY 2017 Overpayment[1]	(58)	0	100.0%	0	0.0%	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 2019 is attributable to the timing of the New York City rate reduction benefit payout, upon conversion to a PIT credit. STAR actions enacted with the FY 2017 Enacted Budget will result in reduced revenues in addition to the spending changes noted above. Projected revenue reductions will increase over the course of the Updated Financial Plan as STAR actions are implemented, in particular those driven by the conversion of the New York City PIT rate reduction benefit.

Higher Education

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

HIGHER EDUCATION
(millions of dollars)

	FY 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,826**	**3,054**	**8.1%**	**3,168**	**3.7%**	**3,218**	**1.6%**	**3,258**	**1.2%**
City University	**1,464**	**1,479**	**1.0%**	**1,515**	**2.4%**	**1,547**	**2.1%**	**1,580**	**2.1%**
Senior Colleges	1,211	1,229	1.5%	1,267	3.1%	1,299	2.5%	1,332	2.5%
Community College	253	250	-1.2%	248	-0.8%	248	0.0%	248	0.0%
Higher Education Services	**880**	**1,107**	**25.8%**	**1,184**	**7.0%**	**1,202**	**1.5%**	**1,209**	**0.6%**
Tuition Assistance Program	757	919	21.4%	967	5.2%	977	1.0%	984	0.7%
Scholarships/Awards	111	176	58.6%	205	16.5%	213	3.9%	213	0.0%
Aid for Part-Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	**482**	**468**	**-2.9%**	**469**	**0.2%**	**469**	**0.0%**	**469**	**0.0%**
Community College	477	464	-2.7%	465	0.2%	465	0.0%	465	0.0%
Other/Cornell	5	4	-20.0%	4	0.0%	4	0.0%	4	0.0%

SUNY and CUNY administer 47 four-year colleges and graduate schools with a total enrollment of 404,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 320,000 students. State funds support a significant portion of SUNY and CUNY operations. In addition to the spending reflected in the above table, the State also annually provides more than $1.0 billion for SUNY state-operated campuses operations through a General Fund transfer and fully supports the fringe benefits costs of SUNY employees at state-operated campuses totaling nearly $2.0 billion. The State also pays debt service for bond-financed capital projects of the university systems. State debt service payments for capital projects at SUNY and CUNY are estimated at $1.2 billion in FY 2019, an increase of $35 million from FY 2018 levels.

HESC is New York State's student financial aid agency and oversees numerous State-funded financial aid programs, including the Excelsior Scholarship, TAP, and 23 other scholarship and loan forgiveness programs. Together, these programs provide financial aid to approximately 400,000 students.

Higher Education spending is projected to increase by $228 million, or 8.1 percent, from FY 2018 to FY 2019. This change in spending largely reflects the launch of the second phase of the Excelsior Free Tuition Program, State support for the DREAM Act, increased funding for other scholarships, fringe benefit increases at CUNY, and the timing of certain payments during academic year 2018. Along with other sources of tuition assistance, the Excelsior Scholarship will allow approximately 53 percent of full-time SUNY and CUNY in-state students to attend college tuition-free when fully phased in.

Health Care

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

DOH is also engaged in a multi-year initiative to implement the Delivery System Reform Incentive Payment (DSRIP) program through an approved Federal waiver amendment to reinvest $8 billion in Federal savings generated by the MRT reforms. The DSRIP program will promote community-level collaborations and focus on system reform, with a specific goal to achieve 25 percent reduction in avoidable hospital use over five years. The Updated Financial Plan reflects the impact of the DSRIP program through additional Federal funds disbursements of nearly $8 billion through FY 2021. A portion of DSRIP program funding flows through the SUNY hospital system and other State-operated health care facilities.

Medicaid

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

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

The FY 2019 Executive Budget reflects the continuation of the “Global Cap” through FY 2022, and the projections assume that statutory authority will be extended in subsequent years. Allowable Growth under the cap for medical services is 3.2 percent in FY 2019. Reflecting updated projections for the medical CPI growth, DOB currently forecasts allowable cap growth at 3.1 percent in FY 2020, FY 2021, and FY 2022.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Global Medicaid Cap[1]	**18,270**	**18,863**	**19,446**	**20,048**	**20,667**
Annual % Change		3.2%	3.1%	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 2018 Current	FY 2019 Proposed	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Department of Health Medicaid	19,328	20,320	21,410	22,245	23,134
Local Assistance	19,107	20,340	21,425	22,296	23,182
State Operations	324	309	312	320	323
MSA Payments (Share of Local Growth)[2]	(103)	(329)	(327)	(371)	(371)
Other State Agency Medicaid Spending	4,452	2,864	3,074	3,389	3,614
Mental Hygiene[3]	4,316	2,729	2,935	3,247	3,468
Foster Care	86	85	89	92	96
Education	50	50	50	50	50
Total State Share Medicaid (All Agencies)	**23,780**	**23,184**	**24,484**	**25,634**	**26,748**
Annual $ Change		(596)	1,300	1,150	1,114
Annual % Change		-2.5%	5.6%	4.7%	4.3%
Essential Plan[4]	**96**	**102**	**98**	**93**	**87**
Local Assistance	0	0	0	0	0
State Operations	96	102	98	93	87

[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 FY 2019 Executive Budget reclassifies all spending from two state special revenue accounts, the Mental Hygiene Program Fund and the Patient Income Account, to the General Fund in order to conform cash basis reporting with GAAP accounting. Effective FY 2019, approximately $1.4 billion in spending associated with Mental Hygiene agencies' fringe benefits will now be centrally accounted for in the General Fund General State Charges Budget. On a statewide basis, transactions related to the Mental Hygiene reclassification are technical in nature and have no impact on programmatic spending across the Mental Hygiene agencies.

[4] 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 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE OPERATING FUNDS	**23,876**	**23,286**	**-2.5%**	**24,582**	**5.6%**	**25,727**	**4.7%**	**26,835**	**4.3%**
Department of Health Medicaid	**19,424**	**20,422**	**5.1%**	**21,508**	**5.3%**	**22,338**	**3.9%**	**23,221**	**4.0%**
General Fund - DOH Medicaid Local	13,361	13,840	3.6%	15,057	8.8%	15,955	6.0%	16,852	5.6%
DOH Medicaid	11,205	10,788	-3.7%	11,501	6.6%	12,171	5.8%	12,804	5.2%
Mental Hygiene - Global Cap Adjustment[2]	1,269	1,761	38.8%	1,761	0.0%	1,761	0.0%	1,761	0.0%
Minimum Wage	255	703	175.7%	1,022	45.4%	1,111	8.7%	1,193	7.4%
Local Growth Takeover (Zero Growth Phase-in)[3]	735	917	24.8%	1,100	20.0%	1,283	16.6%	1,465	14.2%
MSA Payments (Share of Local Growth)[4]	(103)	(329)	-219.4%	(327)	0.6%	(371)	-13.5%	(371)	0.0%
General Fund - DOH Medicaid State Ops	324	309	-4.6%	312	1.0%	320	2.6%	323	0.9%
General Fund - Essential Plan	96	102	6.3%	98	-3.9%	93	-5.1%	87	-6.5%
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	96	102	6.3%	98	-3.9%	93	-5.1%	87	-6.5%
Other State Funds - DOH Medicaid Local	5,643	6,171	9.4%	6,041	-2.1%	5,970	-1.2%	5,959	-0.2%
HCRA Financing	3,920	4,448	13.5%	4,318	-2.9%	4,247	-1.6%	4,235	-0.3%
Indigent Care Support	892	892	0.0%	892	0.0%	892	0.0%	892	0.0%
Provider Assessment Revenue	831	831	0.0%	831	0.0%	831	0.0%	832	0.1%
Other State Agency Medicaid Spending[7]	**4,452**	**2,864**	**-35.7%**	**3,074**	**7.3%**	**3,389**	**10.2%**	**3,614**	**6.6%**
USE OF MSA PAYMENTS (Share of Local Growth)[4]	**103**	**329**	**219.4%**	**327**	**-0.6%**	**371**	**13.5%**	**371**	**0.0%**
LOCAL SHARE OF MEDICAID[5,6]	**7,784**	**7,887**	**1.3%**	**7,653**	**-3.0%**	**7,598**	**-0.7%**	**7,609**	**0.1%**
FEDERAL SHARE OF MEDICAID	**40,410**	**40,865**	**1.1%**	**41,833**	**2.4%**	**42,342**	**1.2%**	**43,454**	**2.6%**
DOH Medicaid	36,736	37,078	0.9%	38,022	2.5%	38,514	1.3%	39,619	2.9%
Essential Plan	3,674	3,787	3.1%	3,811	0.6%	3,828	0.4%	3,835	0.2%
ALL FUNDING SOURCES	**72,173**	**72,367**	**0.3%**	**74,395**	**2.8%**	**76,038**	**2.2%**	**78,269**	**2.9%**

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.

7 The FY 2019 Executive Budget reclassifies all spending from two state special revenue accounts, the Mental Hygiene Program Fund and the Patient Income Account, to the General Fund in order to conform cash basis reporting with GAAP accounting. Effective FY 2019, approximately $1.4 billion in spending associated with Mental Hygiene agencies' fringe benefits will now be centrally accounted for in the General Fund General State Charges Budget. On a statewide basis, transactions related to the Mental Hygiene reclassification are technical in nature and have no impact on programmatic spending across the Mental Hygiene agencies.

The FY 2019 Executive Budget Financial Plan includes $425 million in annual savings through the shift of the additional OPWDD related Medicaid expenses to the Global Cap. To achieve savings within the Global Cap necessary to support these additional costs, DOH will continue to implement various MRT actions to improve the efficiency and effectiveness in delivery of the statewide Medicaid program. These reforms represent modifications to the Medicaid long-term care program to ensure access to long-term care services and support for a growing aging population; continued controls on Medicaid pharmaceutical costs; incentives supporting the transition to value-based payment arrangements; additional program integrity efficiencies; the authorization of retail practices; a continuation of transportation reforms with targeted investments; and an expansion of certain Medicaid services, including covered telehealth and community paramedicine.

Total HCRA receipts are forecasted to grow 16 percent in FY 2019 as a result of anticipated health insurer conversion proceeds, the healthcare insurance windfall profit fee and continued growth in health care utilization levels.

The gap-closing plan for FY 2019 anticipates $500 million in proceeds from conversions or similar transactions to fund health care expenditures that otherwise would be funded by the General Fund. Beginning in FY 2019, the State expects $750 million in public assets to be deposited annually in in HCRA of which $500 million will be used to support Medicaid costs. The remaining $250 million will be reserved for a newly established Health Care Shortfall Account to ensure the continued availability and expansion of funding for quality health services to New York State residents, and mitigate risks associated with the loss of Federal health care funds.

With the retirement of the State's tobacco securitization bonds on June 1, 2017, MSA payments will be used to fund a portion of the non-Federal share of annual Medicaid growth formerly borne by local governments, which the State now pays on behalf of local governments. The use of MSA payments will not affect total funding for the Medicaid program, but is expected to provide financial relief through lower annual General Fund Medicaid disbursements. The table below displays the adjusted funding shares.

FUNDING SOURCES FOR STATE MEDICAID CONTRIBUTIONS
(millions of dollars)

	FY 2018 Current	FY 2019 Proposed	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
State Share Support	**23,979**	**23,615**	**24,909**	**26,098**	**27,206**
State Funds Medicaid Disbursements[1,2]	23,876	23,286	24,582	25,727	26,835
MSA Payments (Local Growth)	103	329	327	371	371

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

2 The FY 2019 Executive Budget reclassifies all spending from two state special revenue accounts, the Mental Hygiene Program Fund and the Patient Income Account, to the General Fund in order to conform cash basis reporting with GAAP accounting. Effective FY 2019, approximately $1.4 billion in spending associated with Mental Hygiene agencies' fringe benefits will now be centrally accounted for in the General Fund General State Charges Budget. On a statewide basis, transactions related to the Mental Hygiene reclassification are technical in nature and have no impact on programmatic spending across the Mental Hygiene agencies.

The FY 2019 Executive Budget Financial Plan includes additional General Fund support to alleviate costs associated with the regionally-based, multi-year increase in the statewide minimum wage, including the impact of legislation (Chapter 56 of the Laws of 2016) which ensures that rates for the total compensation for home health care workers in New York City, and Westchester, Nassau, and Suffolk counties will be increased commensurate with the schedule of statutory minimum wage increases.[19] The impact of these minimum wage initiatives is projected to increase annual Medicaid

[19] 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

spending above statutory Global Cap limits by $703 million in FY 2019; $1.0 billion in FY 2020; $1.1 billion in FY 2021; and $1.2 billion in FY 2022.

Fluctuation in enrollment, costs of provider health care services, and health care utilization levels are among the factors that drive higher Medicaid spending within the Global Cap. The number of Medicaid recipients is expected to reach about 6.2 million by the end of FY 2019, a slight increase from FY 2018. This moderate increase is in part driven by an increase in elderly enrollees in the Medicaid program.

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

The current presidential administration has proposed significant cuts to mandatory and discretionary programs in FFY 2018 which are still under consideration by Congress. It is not possible at this time to assess the potential fiscal impact of policies that may be adopted. The Executive Budget continues the provision in the FY 2018 Enacted Budget, allowing for the management of reductions of $850 million or more in Federal funding for the State's Medicaid program during FY 2019. Management of such reduction levels would occur only through actions within the State's Medicaid program. Furthermore, the Health Care Shortfall Account will include resources to assist in addressing the loss of Federal funds as necessary, subject to a plan developed by the Commissioner of Health and approved by the Director of the Budget.

total compensation which otherwise would have exceeded minimum wage levels and therefore was not factored into previous cost analysis. The impact of this legislation, however, effectively exempts the benefit portion of total compensation from the minimum wage calculation and ensures that home health care workers in these counties will receive incremental growth in wage compensation commensurate to the new minimum wage schedule.

Essential Plan (EP)

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

ESSENTIAL PLAN
(millions of dollars)

	FY 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL ALL FUNDS SPENDING	3,770	3,889	3.2%	3,909	0.5%	3,921	0.3%	3,922	0.0%
State Operating Funds	96	102	6.3%	98	-3.9%	93	-5.1%	87	-6.5%
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	96	102	6.3%	98	-3.9%	93	-5.1%	87	-6.5%
Federal Operating Funds	3,674	3,787	3.1%	3,811	0.6%	3,828	0.4%	3,835	0.2%

FY 2019 EP program spending in the Updated Financial Plan has been revised downward since the FY 2018 Enacted Budget Financial Plan to reflect a mix of factors, including stabilizing enrollment trends. In addition, growth in the marketplace premium index for the Federal reimbursement rate is outpacing growth in the premium index for the State reimbursement rate, thus contributing to the anticipation of a greater share of base program expenses being funded from Federal resources. The change in the premium index will eliminate EP program costs for the State, allowing for the local assistance program to be fully Federally financed.

State savings associated with the EP local assistance program are managed within the total available resources of the Medicaid Global Cap. This includes a portion of the 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.

The current presidential administration has proposed significant cuts to mandatory and discretionary programs in FFYs 2018 and 2019 which are still under consideration by Congress, including fully eliminating the Essential Plan. In FY 2018, the President took unilateral Executive action to withhold Cost Sharing Reduction (CSR) payments, putting low-cost health insurance coverage for income eligible recipients at risk. Despite the Federal withholding of CSR payments, which amount to 25 percent of the Federal funding for the EP, the Executive Budget continues to support the EP program. In order to offset this loss of funding, the State will utilize EP Medical Loss Ratio (MLR) remittances, reduce reimbursement rates to plans, and accelerate trust fund monies to maximize Federal benefits.

It is not possible at this time to assess the potential fiscal impact of long-term policies that may be adopted. The Executive Budget includes authorization to develop a mitigation plan to offset the impact of significant Federal funding reductions.

Public Health/Aging Programs

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

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

PUBLIC HEALTH AND AGING
(millions of dollars)

	FY 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,634**	**1,569**	**-4.0%**	**1,743**	**11.1%**	**1,858**	**6.6%**	**1,868**	**0.5%**
Public Health	**1,511**	**1,449**	**-4.1%**	**1,618**	**11.7%**	**1,728**	**6.8%**	**1,732**	**0.2%**
Child Health Plus	256	297	16.0%	414	39.4%	539	30.2%	539	0.0%
General Public Health Work	195	155	-20.5%	204	31.6%	208	2.0%	212	1.9%
EPIC	126	125	-0.8%	131	4.8%	128	-2.3%	128	0.0%
Early Intervention	175	170	-2.9%	161	-5.3%	153	-5.0%	153	0.0%
HCRA Program	387	337	-12.9%	362	7.4%	352	-2.8%	352	0.0%
All Other	372	365	-1.9%	346	-5.2%	348	0.6%	348	0.0%
Aging	**123**	**120**	**-2.4%**	**125**	**4.2%**	**130**	**4.0%**	**136**	**4.6%**

The FY 2019 Executive Budget Financial Plan includes an initiative to consolidate 30 public health appropriations that are duplicative and supported by four different funding pools into the General Fund. This consolidation will provide DOH with the flexibility to address emerging threats to public health while achieving a 20 percent spending reduction. Currently, DOH separately administers multiple public health awareness and prevention programs for a variety of priorities, including disease prevention, maternal and child health, public health workforce support, and programs that serve the health care needs of individuals. These programs range in size, have different contract periods, and allow for limited coordination to address public health needs or improve health outcomes.

The FY 2019 Executive Budget Financial Plan reflects the proposal to discontinue cost of living payments to certain DOH providers. This action will result in savings of $19.9 million in FY 2019 and $45.4 million in FY 2020. The Executive Budget also includes a proposal to reform the EI program by better defining health insurer requirements and streamlining the evaluation process, which is projected to result in State savings of $3.2 million in FY 2019 and $11.9 million in FY 2020 and will provide fiscal relief to counties without impacting service levels. Reforms include decreasing the time from referral to the provision of services for children referred to EI with a previously diagnosed condition, maximizing appeals of insurer payment denials, requiring insurers to consider the Individual Family Service Plan when conducting medical necessity reviews, and increasing provider rates. Partially dedicated funding related to Roswell Park Cancer Institute will now be supported by Capital funding.

The Updated Financial Plan reflects SOFA savings realized by eliminating the planned 1.9 percent increase in the Human Services Cost of Living increase, resulting in $4 million in annual savings for FY 2019 through FY 2022.

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 the 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 2018 THROUGH FY 2022 (millions of dollars)	FY 2018 Current	FY 2019 Proposed	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
OPENING BALANCE	**12**	**0**	**250**	**500**	**750**
TOTAL RECEIPTS	**5,762**	**6,676**	**6,697**	**6,669**	**6,637**
Surcharges	3,311	3,369	3,428	3,496	3,496
Covered Lives Assessment	1,110	1,110	1,110	1,045	1,045
Cigarette Tax Revenue	837	806	771	739	707
Hospital Assessments	424	424	424	424	424
Conversion Proceeds/HCRA Shortfall	0	750	750	750	750
Healthcare Insurance Windfall Profit Fee	0	140	140	140	140
NYC Cigarette Tax Transfer/Other	80	77	74	75	75
TOTAL DISBURSEMENTS AND TRANSERS	**5,774**	**6,426**	**6,447**	**6,419**	**6,387**
Medicaid Assistance Account[1]	3,920	4,448	4,318	4,247	4,235
Medicaid Costs	*3,723*	*4,251*	*4,121*	*4,050*	*4,038*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	892	892	892	892	892
HCRA Program Account	395	345	370	360	360
Child Health Plus	261	308	430	558	556
Elderly Pharmaceutical Insurance Coverage	137	136	142	140	139
NYSOH Health Benefit Exchange	0	63	60	59	57
SHIN-NY/APCD	17	40	40	0	0
All Other	152	194	195	163	148
ANNUAL OPERATING SURPLUS/(DEFICIT)	**(12)**	**250**	**250**	**250**	**250**
CLOSING BALANCE	**0**	**250**	**500**	**750**	**1,000**

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

Total HCRA receipts are forecasted to grow 16 percent in FY 2019 as a result of anticipated health insurer conversion proceeds, the healthcare insurance windfall profit fee, and continued growth in health care utilization levels. Annual growth beyond FY 2020 plateaus with the expiration of the extension of the covered lives reconciliation suspension, where revenue collection will revert to the statutorily set levels in FY 2021. Similarly, declines for cigarette tax collections, which are attributable to lower taxable consumption, amplify the downward trend in HCRA receipts in the outyears.

The gap-closing plan for FY 2019 anticipates $500 million in proceeds from conversions or similar transactions to fund health care expenditures that otherwise would be funded by the General Fund. Beginning in FY 2019, the State expects $750 million in public assets to be deposited annually in HCRA, of which $500 million will be used to support Medicaid costs. The remaining $250 million will be reserved for a newly established Health Care Shortfall Account to ensure the continued availability and expansion of funding for quality health services to New York State residents, and mitigate risks associated with the loss of Federal health care funds.

The Executive Budget also proposes establishing a healthcare insurance windfall profit fee. The Federal tax plan gives health care companies a 40 percent tax cut while also transferring health care costs to the State. The Executive Budget imposes a 14 percent surcharge on health insurer gains to capture $140 million of those corporate tax savings and reinvest it in vital health care services for New Yorkers.

DOH's proposal to consolidate certain public health programs results in the shift of approximately $28 million of HCRA-funded programs to the General Fund, which will then be combined with other existing public health programs to generate net savings of $9 million annually through the creation of more flexible and efficient health care funding access. Additionally, $15 million in funding for the Roswell Park Cancer Institute will be shifted into the Capital Projects Fund. Funding for the QHP portion of the NYSOH health benefit exchange will shift to HCRA from the Medicaid budget.

The Executive Budget Financial Plan reflects a proposal to generate savings of $7 million annually by eliminating the Empire Clinical Research Investigator Program (ECRIP), which does not fund direct services. The savings are offset by increased support for Stem Cell awards of $7 million in FY 2019.

Excluding the reserve for the newly created Health Care Shortfall Account, 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 more than one million individuals, including 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 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,372**	**2,173**	**-8.4%**	**2,524**	**16.2%**	**2,862**	**13.4%**	**3,143**	**9.8%**
People with Developmental Disabilities	**2,120**	**2,271**	**7.1%**	**2,438**	**7.4%**	**2,683**	**10.0%**	**2,876**	**7.2%**
Residential Services	1,364	1,453	6.5%	1,548	6.5%	1,694	9.4%	1,814	7.1%
Day Programs	566	604	6.7%	643	6.5%	704	9.5%	753	7.0%
Clinic	24	26	8.3%	28	7.7%	30	7.1%	32	6.7%
All Other Services (Net)	166	188	13.3%	219	16.5%	255	16.4%	277	8.6%
Mental Health	**1,194**	**1,318**	**10.4%**	**1,471**	**11.6%**	**1,549**	**5.3%**	**1,624**	**4.8%**
Adult Local Services	952	1,051	10.4%	1,179	12.2%	1,245	5.6%	1,307	5.0%
Children Local Services	242	267	10.3%	292	9.4%	304	4.1%	317	4.3%
Alcohol and Substance Abuse	**326**	**344**	**5.5%**	**375**	**9.0%**	**390**	**4.0%**	**403**	**3.3%**
Outpatient/Methadone	125	131	4.8%	144	9.9%	150	4.2%	154	2.7%
Residential	130	139	6.9%	152	9.4%	159	4.6%	166	4.4%
Prevention and Program Support	62	66	6.5%	71	7.6%	74	4.2%	77	4.1%
Crisis	9	8	-11.1%	8	0.0%	7	-12.5%	6	-14.3%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**
SUBTOTAL BEFORE ADJUSTMENTS	**3,641**	**3,934**	**8.0%**	**4,285**	**8.9%**	**4,623**	**7.9%**	**4,904**	**6.1%**
Global Cap Adjustment	**(1,269)**	**(1,761)**	**-38.8%**	**(1,761)**	**0.0%**	**(1,761)**	**0.0%**	**(1,761)**	**0.0%**

Local assistance accounts for approximately 45 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 7.3 percent annually. The main factors driving this level of growth are expansions of community mental health services; enhancements in community-based employment and residential opportunities for individuals with disabilities; and new or increased funding for not-for-profit providers for growth in employee wages related to minimum wage increases.

The FY 2019 Executive Budget Financial Plan includes approximately $293 million in increased local assistance funding for the mental hygiene agencies. The 8.0 percent increase is largely related to $132 million to support the 6.5 percent increase for direct care professionals and 3.25 percent for clinical staff employed by not-for-profit organizations delivering services on behalf of OPWDD, OMH and OASAS, and $44 million to support the minimum wage and related fringe benefit increases associated with the movement to a $15 an hour living wage. Other increases include 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, and funding in OASAS to address the heroin and opioid crisis.

In addition to investments in salaries for the not-for-profit workforce, there is a $60 million annualized State-share investment in new OPWDD program services. Partly offsetting the cost of these investments are savings associated with ongoing service delivery transformation and efforts to ensure the efficient use of State resources.

The FY 2019 Executive Budget Financial Plan reflects the continued expansion of community-based services and provides $10 million in enhanced support for existing OMH housing programs. The Executive Budget Financial Plan also reflects continued support for OASAS program expansion begun in FY 2018 to address the opioid crisis. These include increased Residential Treatment capacity, expansion of outpatient Opioid Treatment Programs, Family Support Navigators, Certified Peer Recovery Advocates, and other evidence-based programs.

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.

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 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,249**	**1,278**	**2.3%**	**1,355**	**6.0%**	**1,358**	**0.2%**	**1,362**	**0.3%**
SSI	658	661	0.5%	663	0.3%	667	0.6%	667	0.0%
Public Assistance Benefits	476	505	6.1%	545	7.9%	541	-0.7%	541	0.0%
Public Assistance Initiatives	16	9	-43.8%	33	266.7%	33	0.0%	33	0.0%
All Other	99	103	4.0%	114	10.7%	117	2.6%	121	3.4%

DOB's caseload models project a total of 543,894 public assistance recipients in FY 2019. Approximately 214,749 families are expected to receive benefits through the Family Assistance program in FY 2019, a decrease of 1.4 percent from FY 2018. The Safety Net caseload for families is projected at 119,575 in FY 2019, a decrease of 1.1 percent from FY 2018. The caseload for single adults/childless couples supported through the Safety Net program is projected at 209,570 in FY 2019, an increase of 1.3 percent from FY 2018.

SSI spending is projected to increase gradually over the course of the multi-year Updated Financial Plan as caseload is expected to grow. Public assistance benefits will increase in FY 2019 and FY 2020 due to a variety of factors including the expansion of NYC HASA benefits to public assistance recipients living in NYC and increased costs associated with litigation proceedings that will increase Safety Net Assistance expenditures. Other spending growth includes increased spending on homeless services and prevention and a new program to prevent unaccompanied refugee children from joining the MS-13 gang on Long Island. 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 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,652**	**1,606**	**-2.8%**	**1,660**	**3.4%**	**1,683**	**1.4%**	**1,718**	**2.1%**
Child Welfare Service	472	465	-1.5%	474	1.9%	484	2.1%	484	0.0%
Foster Care Block Grant	384	384	0.0%	393	2.3%	403	2.5%	414	2.7%
Adoption	149	148	-0.7%	148	0.0%	149	0.7%	149	0.0%
Day Care	253	269	6.3%	270	0.4%	271	0.4%	271	0.0%
Youth Programs	147	111	-24.5%	124	11.7%	117	-5.6%	117	0.0%
Medicaid	86	85	-1.2%	89	4.7%	93	4.5%	97	4.3%
Committees on Special Education	26	22	-15.4%	24	9.1%	25	4.2%	27	8.0%
Adult Protective/Domestic Violence	43	45	4.7%	48	6.7%	51	6.3%	54	5.9%
All Other	92	77	-16.3%	90	16.9%	90	0.0%	105	16.7%

OCFS State Operating Funds spending is projected to decrease from FY 2018 to FY 2019 due to the impact of several factors including capping the 62 percent State share of child welfare reimbursement to NYC at the estimated FY 2018 level; allowing the expiration of provisions authorizing State reimbursement to NYC for Close to Home costs which provide juvenile justice services to NYC youth adjudicated in the court system as juvenile delinquents; and the planned elimination of the human services Cost of Living Adjustment (COLA) in FY 2019. Such decreases are partially offset by increasing the funding for child care subsidies back to FY 2017 levels.

Increased spending in the out years is primarily due to implementation of the "Raise the Age" initiative, which will increase the age of criminal responsibility from 16 to 18, and planned spending increases consistent with anticipated program growth. These increases are partly offset by a reduction in the costs attributable to the Pay for Success program based upon program participation and spending to date.

Transportation

In FY 2019, the State expects to provide almost $5.4 billion in operating aid to mass transit systems, including over $1.4 billion in off-budget aid to the MTA (not included in the table below). This aid is funded mainly from various dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of the mass transit aid - totaling $4.8 billion in FY 2019.

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). Currently, 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 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE OPERATING FUNDS SUPPORT	**5,026**	**3,962**	**-21.2%**	**3,653**	**-7.8%**	**3,702**	**1.3%**	**3,834**	**3.6%**
Mass Transit Operating Aid:	2,284	2,324	1.8%	2,326	0.1%	2,326	0.0%	2,326	0.0%
Metro Mass Transit Aid	2,154	2,188	1.6%	2,190	0.1%	2,190	0.0%	2,190	0.0%
Public Transit Aid	86	92	7.0%	92	0.0%	92	0.0%	92	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	1,699	402	-76.3%	267	-33.6%	268	0.4%	268	0.0%
MTA Aid Trust	298	302	1.3%	307	1.7%	305	-0.7%	307	0.7%
Dedicated Mass Transit	673	683	1.5%	696	1.9%	746	7.2%	876	17.4%
AMTAP	70	251	258.6%	57	-77.3%	57	0.0%	57	0.0%
All Other	2	0	-100.0%	0	0.0%	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.

The Executive Budget includes legislation directing the Mobility Tax collections to be remitted directly to the MTA. This will eliminate the pass through of this tax and ensure more timely receipt by the MTA, which provides a one-time benefit of $60 million for the MTA. Beginning in FY 2019, the Updated Financial Plan will no longer include new tax receipts or their associated local assistance payments. Combining on-budget ($402 million) and off-budget ($1.4 billion) spending, the MTA will receive over $1.8 billion of Mobility Tax resources in FY 2019.

In addition, the Executive Budget Financial Plan includes General Fund support for the MTA's operating budget, providing $194 million, which in combination with the $60 million noted above will fund 50 percent of the MTA Subway Action Plan's immediate operating need.

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 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**722**	**724**	**0.3%**	**763**	**5.4%**	**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	7	9	28.6%	48	433.3%	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 2018 to FY 2019, due to revisions in the timing of spending. Additional increases in the outyears reflect potential awards from the Financial Restructuring Board for Local Governments.

Agency Operations

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

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

The following table presents information on salary base and employee benefits that affect spending projections for agency operations.

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

		Forecast			
	FY 2018 Current	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Negotiated Base Salary Increases[1]					
CSEA/DC-37 (Rent Regulation Unit)	2%	2%	2%	2%	TBD
PEF/GSEU/MC	2%	2%	TBD	TBD	TBD
NYSPBA/NYSPIA[2]	1.5%	TBD	TBD	TBD	TBD
Council 82/UUP/NYSCOPBA/PBANYS	TBD	TBD	TBD	TBD	TBD
State Workforce[3]	118,512	118,705	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization[4]	16.2%	15.7%	15.9%	17.2%	18.6%
After Amortization[5]	20.0%	19.4%	19.6%	20.8%	21.8%
PFRS Contribution Rate					
Before Amortization[4]	25.1%	24.1%	24.0%	25.1%	26.2%
After Amortization[5]	28.1%	26.9%	27.4%	28.4%	29.4%
Employee/Retiree Health Insurance Growth Rates	7.0%	7.9%	6.9%	6.6%	6.6%
PS/Fringe as % of Receipts (All Funds Basis)	13.1%	13.8%	14.0%	14.6%	14.4%

[1] Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.
[2] Contracts contain "reopener" language which allows these unions to reopen negotiations if any other State bargaining unit receives a general salary increase exceeding 1.5 percent in FY 2017 and in FY 2018.
[3] Reflects workforce that is subject to direct Executive control.
[4] Before amortization contribution rate reflects normal and administrative costs, contributions for the Group Life Insurance Plan (GLIP), and Chapter 41 of 2016 veterans' pension credit legislation.
[5] After amortization contribution rate additionally includes new amortization, if any, and payments on prior amortizations.

Operating costs for PS/NPS are projected to increase over the Updated Financial Plan period, from $18.7 billion in FY 2018 to $20.4 billion in FY 2022. Most executive agencies are expected to hold spending at FY 2018 levels. Increases in the outyears of the Updated Financial Plan are driven mainly by juvenile justice reform, anticipated labor agreements, growing SUNY operating costs, and an additional administrative payroll in FY 2021 due to the payroll calendar.

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS (millions of dollars)	FY 2018 Current	FY 2019 Proposed	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**9,981**	**10,061**	**10,310**	**10,674**	**10,671**
Mental Hygiene	2,801	2,710	2,754	2,828	2,862
Corrections and Community Supervision	2,617	2,604	2,618	2,623	2,615
State Police	714	695	690	715	730
Information Technology Services[1]	536	545	538	544	550
Public Health	369	456	451	456	449
Transportation	62	60	61	61	60
Tax and Finance	273	248	248	257	248
Medicaid Admin/EP	420	411	411	414	410
Children and Family Services	244	283	368	435	438
Environmental Conservation	211	200	201	214	207
Financial Services	207	209	213	219	213
Parks, Recreation and Historic Preservation	167	170	171	178	173
General Services	144	136	131	130	129
Workers' Compensation Board	142	143	145	151	146
Temporary and Disability Assistance	126	127	133	138	140
Gaming	111	81	81	82	81
Potential and Settled Labor Agreements[2]	495	650	765	880	880
Agency Financial Management Plan	(500)	(500)	(500)	(500)	(500)
All Other	842	833	831	849	840
DOT/DMV Operations Reclassification	**0**	**282**	**332**	**337**	**343**
UNIVERSITY SYSTEMS	**6,138**	**6,354**	**6,332**	**6,639**	**6,665**
State University	6,031	6,278	6,259	6,564	6,591
City University	107	76	73	75	74
INDEPENDENT AGENCIES	**324**	**333**	**323**	**337**	**325**
Law	175	179	176	184	177
Audit & Control (OSC)	149	154	147	153	148
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,443**	**17,030**	**17,297**	**17,987**	**18,004**
Judiciary	2,066	2,119	2,121	2,178	2,121
Legislature	226	230	234	239	244
Statewide Total	**18,735**	**19,379**	**19,652**	**20,404**	**20,369**
Personal Service	13,026	13,429	13,781	14,474	14,375
Non-Personal Service	5,709	5,950	5,871	5,930	5,994

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

[2] Includes the estimated potential and settled cost for executive agencies and excludes the value of a settlement with UUP.

The most significant changes to spending for agency operations include:

- **Mental Hygiene.** As a result of the Mental Hygiene Fund reclassification, spending will decline due to the elimination of indirect costs previously charged to the Special Revenue

Fund. Additional savings are achieved through attrition and other management efficiencies.

- **State Police.** The modest decline in spending reflects the reclassification of certain personal service spending, offset by a new class of 225 recruits in July 2017 and added resources to combat MS-13 gang activities.

- **Public Health.** Increased spending starting in FY 2019 is mainly attributable to shifting the Qualified Health Plan (QHP) component of NYSOH administrative costs out of the Global Medicaid Cap into HCRA, as well as additional funding to support Stem Cell research.

- **Transportation.** Reflects the reclassification of certain DOT and DMV operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities from the Dedicated Highway and Bridge Trust Fund to the General Fund.

- **Tax and Finance.** The Executive Budget has proposed to achieve savings through a modification to the accounting treatment which more appropriately matches spending and the associated reimbursement whereby revenue collected from tax billings will be treated as an offset to State spending.

- **Children and Family Services.** Increases reflect additional funding in OCFS to support raising the age of criminal responsibility from 16 to 18 by October 1, 2019.

- **Gaming.** Decreases reflect a change in the accounting structure related to advertising costs, so that direct payments are made to the vendors from a third party instead of through the Gaming Commission.

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

- **CUNY.** The Executive Budget shifts certain CUNY state operations costs supported by New York City from a Special Revenue Fund to a Fiduciary Fund, consistent with the accounting treatment of similar charges.

- **Judiciary.** The Updated Financial Plan includes additional funding for collective bargaining agreements settled in FY 2018 with all 12 unions represented within its workforce.

- **Potential and Settled Labor Agreements.** Spending reflects negotiated settlement agreements with PEF, which have been extended to unrepresented M/C employees, the five-year settlement with CSEA, DC-37 (Rent Regulation Unit), and parity, with remaining unsettled unions assumed to follow the PEF model.

- **Agency Financial Management Plans.** All Executive agencies have been directed to implement cost-control measures on a recurring basis, starting in FY 2018.

Workforce

In FY 2019, $13.4 billion or 13.4 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 97,000 FTE employees under direct Executive control; individuals employed by SUNY and CUNY (46,038) and Independent Agencies (18,184); employees paid on a non-annual salaried basis; and overtime pay. Roughly 60 percent of all Executive agency PS spending occurs in the mental hygiene agencies and Department of Corrections and Community Supervision (DOCCS).

STATE OPERATING FUNDS
FY 2019 FTEs[1] AND PERSONAL SERVICE SPENDING BY AGENCY
(millions of dollars)

	Dollars	FTEs
Subject to Direct Executive Control	**7,440**	**97,339**
Mental Hygiene Agencies	2,256	32,278
Corrections and Community Supervision	2,043	27,238
State Police	633	5,666
Information Technology Services	287	3,402
Health	281	3,974
Tax and Finance	215	3,978
Transportation and Motor Vehicles	207	3,256
Environmental Conservation	168	2,124
Children and Family Services	187	2,348
Financial Services	157	1,382
Parks, Recreation and Historic Preservation	131	1,305
Education	88	1,263
Workers' Compensation Board	85	1,110
Temporary and Disability Assistance	69	1,033
General Services	48	815
All Other	585	**6,167**
University Systems	**3,910**	**46,038**
State University	3,872	45,655
City University[2]	38	383
Independent Agencies	**2,079**	**18,184**
Law	126	1,583
Audit & Control (OSC)	123	1,527
Judiciary	1,654	15,073
Legislature[3]	176	1
Total	**13,429**	**161,561**

[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

The State provides a variety of fringe benefits to its current and former employees, including health insurance, pensions, the Social Security payroll tax, workers' compensation coverage, unemployment insurance, survivors' benefits, and dental and vision benefits (some of which are provided through union-specific Employee Benefit Funds). General State Charges also pays for certain statewide fixed costs, including taxes on State-owned lands, payments in lieu of taxes (City of Albany) and judgments / settlements in the Court of Claims. The majority of these payments are mandated by statute or collective bargaining agreements.

Employee fringe benefits paid through GSCs are financed from the General Fund in the first instance, and then partially reimbursed by revenue collected from agency fringe benefit assessments. Commencing in FY 2019, there are two fund reclassifications that will impact fringe benefit collections from other agencies. These changes have no impact on a State operating funds basis, and are financial plan neutral. First, the mental hygiene spending in the Mental Hygiene Program Fund and the Patient Income Fund ($1.4 billion) will be accounted for in the General Fund. Similarly, Department of Transportation (DOT) and Department of Motor Vehicles (DMV) spending related to snow and ice removal, bus, truck and rail inspection and regulatory activities in the Dedicated Highway and Bridge Trust Fund will be accounted for in the General Fund ($107 million).

GSC spending is projected to increase at an average annual rate of 6.4 percent over the multi-year Updated Financial Plan period ($560 million) and by 7.2 percent in FY 2019 ($572 million). This growth is primarily attributable to the health insurance and workers' compensation programs, offset by relatively stable spending for pensions and social security, and reductions in other fringe benefits and fixed costs.

Growth in the health insurance program of $314 million (7.9 percent) is reflective of medical inflation at current enrollment levels. Workers' compensation costs are increasing by $150 million due to underlying growth in the average weekly wage used in benefit calculations and medical costs ($45 million / 8.5 percent), as well as a reduction in the use of offsetting reserve funds ($105 million). Overall pension costs are projected to remain relatively stable due to improved investment returns and ongoing savings from the Tier 5 and Tier 6 pension reforms. Social Security spending is also relatively stable due to steady workforce levels.

GENERAL STATE CHARGES
(millions of dollars)

	FY 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,976**	**8,549**	**7.2%**	**9,120**	**6.7%**	**9,697**	**6.3%**	**10,219**	**5.4%**
Fringe Benefits	**7,531**	**8,110**	**7.7%**	**8,675**	**7.0%**	**9,247**	**6.6%**	**9,763**	**5.6%**
Health Insurance	3,968	4,283	7.9%	4,579	6.9%	4,882	6.6%	5,207	6.7%
Pensions	2,461	2,469	0.3%	2,590	4.9%	2,753	6.3%	2,918	6.0%
Social Security	1,028	1,030	0.2%	1,040	1.0%	1,050	1.0%	1,050	0.0%
Workers' Compensation	326	476	46.0%	591	24.2%	681	15.2%	752	10.4%
Employee Benefits	92	98	6.5%	103	5.1%	108	4.9%	101	-6.5%
Dental Insurance	65	61	-6.2%	64	4.9%	65	1.6%	66	1.5%
Unemployment Insurance	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
All Other	2,400	1,018	-57.6%	1,057	3.8%	1,127	6.6%	1,142	1.3%
Non-State Escrow	(2,821)	(1,337)	52.6%	(1,361)	-1.8%	(1,431)	-5.1%	(1,485)	-3.8%
Fixed Costs	**445**	**439**	**-1.3%**	**445**	**1.4%**	**450**	**1.1%**	**456**	**1.3%**
Public Land Taxes/PILOTS	258	263	1.9%	269	2.3%	275	2.2%	281	2.2%
Litigation	187	176	-5.9%	176	0.0%	175	-0.6%	175	0.0%

Growth in GSC spending in FY 2019 has been partly offset by gap-closing savings of approximately $71 million included in the Executive Budget Financial Plan.

The savings primarily consist of $62 million in pension interest savings achieved by paying the majority of the State pension bill in April 2018, rather than on a monthly basis as previously assumed. Over the multi-year Updated Financial Plan period, outyear pension costs reflect expected investment performance, projected growth in salary base, and assumptions about future normal and administrative costs. Pension costs also reflect repayment of prior-year amortization, costs for Chapter 41 of 2016 (veteran's pension credit legislation), and other adjustments.

NYSHIP costs have increased by approximately 12 percent over the past three fiscal years -- from $3.06 billion in FY 2015 to $3.43 billion in FY 2017. The Executive Budget includes two proposals to help restrain this growth.

The first proposal would eliminate the taxpayer subsidy for high-income state retirees who pay Medicare Part B Income Related Adjustment Amounts (IRMAA). This regressive subsidy, which provides retirees with earnings over $85,000 per year greater State taxpayer subsidies than lower income retirees, would be eliminated effective January 1, 2018. The reimbursement of these costs, which were originally intended by the Federal government as a means for wealthier retirees to pay a fair share of Medicare costs, would no longer be provided in Calendar Year (CY) 2019. Eliminating this subsidy will save taxpayers $11 million annually ($2.7 million in FY 2019 due to the lag in reimbursement).

The second proposal would establish a floor for state reimbursement of the Medicare Part B standard premium. In CY 2017, New York taxpayers reimbursed the standard premium for new and existing retirees at amounts ranging from $109 to $134 monthly. The cost of this reimbursement increased from $194 million in CY 2017 to $242 million in CY 2018, an increase of $48 million. This proposal establishes State reimbursement at an amount of up to $134 per month, consistent with CY 2018 Federal program costs. Any future increases in reimbursement above this level would be subject to the annual budget process. This proposal is cost neutral in FY 2019, but saves $11 million on a full annual basis if subsequent budgets do not authorize funding increases.

The Executive Budget also proposes to establish interest rates paid on court judgements by public and private entities at a variable market-based interest rate equal to the average one-year constant maturity treasury yield. This is the same rate utilized by the Federal court system. The current fixed rate of as much as 9 percent annually was established in 1982, when interest rates were at 12 percent, to avoid unnecessary taxpayer costs. Payment of a prevailing market rate will help ensure that neither side in a lawsuit will be disadvantaged by an interest rate that is above or below what otherwise could be earned while cases are being adjudicated. It will provide mandate relief for local governments and lower State taxpayer costs by $6 million.

Transfers to Other Funds (General Fund Basis)

General Fund transfers help finance the State's share of Medicaid costs for mental hygiene facilities (FY 2018 only), 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 2018 Current	FY 2019 Proposed	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**9,680**	**6,185**	**6,525**	**6,445**	**6,134**
State Share of Mental Hygiene Medicaid[1]	**1,314**	**0**	**0**	**0**	**0**
Debt Service	**1,037**	**837**	**969**	**1,029**	**908**
SUNY University Operations	**1,022**	**1,021**	**1,020**	**1,021**	**1,021**
Capital Projects	**2,004**	**3,246**	**3,433**	**3,213**	**2,882**
Dedicated Highway and Bridge Trust Fund	664	193	451	501	359
Dedicated Infrastructure Investment Fund	1,243	1,605	1,200	1,075	544
FY 2017 Temporary Loan to Capital Projects Fund[2]	(1,300)	0	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund[2]	500	(500)	0	0	0
Transfer to DIIF for Javits Expansion	160	350	320	170	0
Bond Proceeds Receipts for Javits Expansion	0	0	(500)	(500)	0
Mass Transit Capital from Settlements	85	0	0	0	0
Statewide Health Care Capital from Settlements	7	71	70	80	75
Environmental Protection Fund	28	28	28	28	28
All Other Capital	617	1,499	1,864	1,859	1,876
ALL OTHER TRANSFERS	**4,303**	**1,081**	**1,103**	**1,182**	**1,323**
Mental Hygiene[1]	3,211	0	0	0	0
Department of Transportation (MTA Payroll Tax)	269	269	269	270	270
SUNY - Medicaid Reimbursement	232	243	243	243	243
Judiciary Funds	106	110	109	110	110
SUNY - Hospital Operations	79	0	0	0	0
Dedicated Mass Transportation Trust Fund	65	65	65	116	256
Banking Services	53	53	53	53	53
Indigent Legal Services	35	35	58	82	82
Mass Transportation Operating Assistance	21	21	21	21	21
Public Transportation Systems	16	16	16	16	16
Correctional Industries	12	21	21	21	21
Spinal Cord Injury	9	9	9	9	9
Medical Marihuana Fund	5	7	5	7	7
SUNY - General Income Fund Reimbursable Account	14	0	0	0	0
All Other	176	232	234	234	235

[1] The Mental Hygiene Program Fund and the Patient Income Fund will be transitioned to the General Fund beginning in FY 2019; thus the General Fund transfers will no longer be necessary.

[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.

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 DHBTF expenses 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. This transfer is significantly reduced in FY 2019 and beyond as certain DOT and DMV operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities have been reclassified from the Dedicated Highway and Bridge Trust Fund to the General Fund.

General Fund transfers to other funds are expected to total $6.2 billion in FY 2019, a $3.5 billion decrease from FY 2018. The change is primarily driven by the consolidation of certain Mental Hygiene Special Revenue Funds into the General Fund, eliminating the General Fund transfers for mental hygiene activity augmented by an increase in transfers appropriated from DIIF and the Capital Projects Fund in FY 2019, including temporary loans and planned repayment of funds related to debt management actions ($837 million).

Debt Service

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

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
General Fund	1,037	837	-19.3%	969	15.8%	1,029	6.2%	908	-11.8%
Other State Support	4,584	4,799	4.7%	6,000	25.0%	6,157	2.6%	6,184	0.4%
State Operating/All Funds Total	**5,621**	**5,636**	**0.3%**	**6,969**	**23.7%**	**7,186**	**3.1%**	**7,092**	**-1.3%**

Total State Operating/All Funds debt service is projected at $5.6 billion in FY 2019, of which approximately $837 million is paid from the General Fund via transfers, and $4.8 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.

The Updated Financial Plan estimates for debt service spending have been revised to reflect a number of factors, including bond sale results to date, refunding savings, and the adjustment of debt issuances to align with projected bond-financed capital spending. Debt service spending estimates also reflect the prepayment in FY 2018 of $340 million in debt service costs due in FY 2019.

GAAP-Basis Results for Prior Fiscal Years

GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements and Other Supplementary Information on a GAAP basis for governments as promulgated by the GASB. The Basic Financial Statements and Other Supplementary Information, released in July each year, include a management discussion and analysis (MD&A); the Statements of Net Position and Activities; the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds; the Statements of Net Position, Revenues, Expenses and Changes in Fund Net Position and Cash Flows for the Enterprise Funds; the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position; the Combining Statements of Net Position and Activities for Discretely Presented Component Units; required Supplementary Information (unaudited) and Other Supplementary Information which includes individual fund combining statements. These statements are audited by independent certified public accountants. The State issued the Basic Financial Statements for FY 2017 on July 28, 2017. The Comptroller also prepares and issues a Comprehensive Annual Financial Report (CAFR), which, in addition to the components referenced to above, also includes an introductory section and a statistical section. The CAFR for the fiscal year ended March 31, 2017 was issued on September 1, 2017.

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

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

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accumulated General Fund Surplus/(Deficit)
March 31, 2017	(2,788)	188	(599)	(153)	(3,352)	2,286
March 31, 2016	(978)	460	754	172	408	5,074
March 31, 2015	6,619	356	(697)	181	6,459	6,052

SUMMARY OF NET POSITION (millions of dollars)

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

The CAFR for the fiscal year ended March 31, 2017 and CAFRs related to prior fiscal years can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the Office of the State Comptroller's website at www.osc.state.ny.us. The Basic Financial Statements can also be accessed through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system website at www.emma.msrb.org.

Authorities and Localities

Authorities and Localities

Public Authorities

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

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. These entities generally pay their own operating expenses and debt service costs on their notes, bonds or other legislatively authorized financing structures from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels; charges for public power, electric and gas utility services; tuition and fees; rentals charged for housing units; and charges for occupancy at medical care facilities. Since the State has no actual or contingent liability for the payment of this type of public authority indebtedness, it is not classified as either State-supported debt or State-related debt. Some public authorities, however, receive monies from State appropriations to pay for the operating costs of certain programs.

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

As of December 31, 2016, (with respect to Job Development Authority or "JDA" as of March 31, 2017), each of the 18 authorities listed in the following table had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $184 billion, only a portion of which constitutes State-supported or State-related debt. Note that the outstanding debt information contained in the following table is the most current information provided by OSC from data submitted by the 18 authorities in the following table at the time of this AIS Update.

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

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

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

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

(2) All Job Development Authority (JDA) debt outstanding reported as of March 31, 2017. This includes $10.3 billion in conduit debt issued by JDA's blended component units consisting of $6.1 billion issued by New York Liberty Development Corporation ($1.2 billion of which is also included in the amount reported for Port Authority of NY and NJ), $750 million issued by the Brooklyn Arena Local Development Corporation, and $3.4 billion issued by the New York Transportation Development Corporation. In addition, JDA has $3 million in State-guaranteed bonds outstanding.

(3) Includes $3.97 billion of Utility Debt Securitization Authority (UDSA) bonds. Chapter 173 of the Laws of 2013 established UDSA for the sole purpose of retiring certain outstanding indebtedness of the Long Island Power Authority (LIPA) through the issuance of restructuring bonds. UDSA is reported as a blended component unit of LIPA in LIPA's audited financial statements.

Localities

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

The City of New York

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

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

Year	General Obligation Bonds	Obligations of TFA [1]	Obligations of STAR Corp. [2]	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other [3] Obligations	Total
2008	36,100	14,828	2,339	1,297	2,067	2,556	59,187
2009	39,991	16,913	2,253	1,274	2,033	2,442	64,906
2010	41,555	20,094	2,178	1,265	2,000	2,444	69,536
2011	41,785	23,820	2,117	1,260	2,000	2,590	73,572
2012	42,286	26,268	2,054	1,253	3,000	2,493	77,354
2013	41,592	29,202	1,985	1,245	3,000	2,394	79,418
2014	41,665	31,038	1,975	1,228	3,000	2,334	81,240
2015	40,460	33,850	2,035	1,222	3,000	2,222	82,789
2016	38,073	37,358	1,961	1,145	3,000	2,102	83,639
2017	37,891	40,696	1,884	1,089	2,751	2,034	86,345

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

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

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

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

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

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 years ending 2016 and 2017, subject to Yonkers submitting a comprehensive financial plan that provides for continuity of current educational services and receiving approval of that plan from the Director of the Budget. That plan has been submitted and approved by the State Director of the Budget.

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

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

A total of 38 local governments (8 counties, 10 cities, 11 towns, 9 villages) and 59 school districts have been placed in a stress category by OSC based on financial data for their fiscal years ending in 2016. The vast majority of entities scored by OSC (96 percent) are classified in the "No Designation" category.

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

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

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

The following table summarizes the debt of New York City and its related issuers, and other New York State localities, from 1980 to 2016.

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

Locality Fiscal Year Ending	Combined New York City Debt[2] Bonds	Combined New York City Debt[2] Notes	Other Localities Debt[3] Bonds[4]	Other Localities Debt[3] Notes[4]	Total Locality Debt[3] Bonds[3][4]	Total Locality Debt[3] Notes[4]
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,093	4,470	58,337	4,985
2010	69,536	0	36,110	7,369	105,646	7,369
2011	73,572	0	36,247	7,327	109,819	7,327
2012	77,354	0	36,699	7,194	114,053	7,194
2013	79,418	0	36,483	7,447	115,901	7,447
2014	81,240	0	36,290	7,236	117,530	7,236
2015	82,789	0	34,346	6,981	117,135	6,981
2016	83,639	0	35,006	6,952	118,645	6,952

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

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

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

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

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

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

State Retirement System

State Retirement System

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

General

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

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

The Annual Reports to the Comptroller on Actuarial Assumptions from the Retirement System's Actuary - the contents of which explain the methodology used to determine employer contribution rates to the System - issued from 2007 through 2017 and benefit plan booklets describing how each of the System's tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications/.

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

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

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

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

The System

The System provides pension benefits to public employees of the State and its localities (except employees of New York City, and public school teachers and administrators, who are covered by separate plans). State employees made up about 33 percent of the membership as of March 31, 2017. There were 3,040 other public employers participating in the System, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2017, 652,324 persons were members of the System and 452,455 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of the State Constitution considers membership in any State pension or retirement system to be "a contractual relationship, the benefits of which shall not be diminished or impaired."

Comparison of Benefits by Tier

The System's members are categorized into six tiers depending on date of membership. As of March 31, 2017, approximately 64 percent of ERS members were in Tiers 3 and 4 and approximately 72 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and included significant changes to the benefit structure for ERS members who joined on or after January 1, 2010 and PFRS members who joined on or after January 9, 2010. Tier 6 was enacted in 2012 and included further changes to the benefit structure for ERS and PFRS members who joined on or after April 1, 2012.

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

ERS Chart: http://www.osc.state.ny.us/retire/employers/tier-6/ers_comparison.php

PFRS Chart: http://www.osc.state.ny.us/retire/employers/tier-6/pfrs_comparison.php

Contributions and Funding

Contributions to the System are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 were required to contribute 3 percent of their salaries. A statutory change in 2000, however, limited the contributions to the first 10 years of membership, but did not authorize refunds where contributions had already exceeded 10 years. All ERS members joining after 2009 and prior to April 1, 2012, and all PFRS members joining after January 9, 2010 and prior to April 1, 2012, are members of Tier 5. All Tier 5 ERS members and 87 percent of the 1,665 Tier 5 PFRS members are required to contribute 3 percent of their salaries for their career. Members joining on or after April 1, 2012 are in Tier 6, and are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages.[20] 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.[21]

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.

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

[21] During 2015, the Retirement System's Actuary conducted the statutorily required quinquennial actuarial experience study of economic and demographic assumptions. The assumed investment rate of return is an influential factor in calculating employer contribution rates. In addition, the Chief Investment Officer conducted an asset allocation study. The resulting asset allocation and long-term asset allocation policy informed the Actuary's recommendation regarding the revision of the investment rate of return (discount rate). In September 2015, the Comptroller announced the assumed rate of return for NYSLRS would be lowered from 7.5 percent to 7 percent. The 7 percent rate of return has been effective for employer contribution rates used in FYs 2017, 2018 and 2019.

The amount of future annual employer contribution rates will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the System as of each April 1. Final contribution rates for FY 2019 were released in September 2017. The average ERS rate decreased by 2.6 percent from 15.3 percent of salary in FY 2018 to 14.9 percent of salary in FY 2019, while the average PFRS rate decreased by 2.7 percent from 24.4 percent of salary in FY 2018 to 23.5 percent of salary in FY 2019. Information regarding average rates for FY 2019 may be found in the 2017 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at:

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

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by the State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013, FY 2014, FY 2015, FY 2016, FY 2017 and FY 2018, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent, 3.21 percent, 2.33 percent and 2.84 percent, respectively. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, OSC expects that this will reduce the budgetary volatility of employer contributions. As of March 31, 2017, the amortized amount receivable, including accrued interest, for the 2011 amortization is $111.06 million from the State and $14 million from 30 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is $308.21 million from the State and $101.15 million from 106 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is $495.62 million from the State and $217.94 million from 124 participating employers; the amortized amount receivable, including accrued interest, for the 2014 amortization is $692.51 million for the State and $139.66 million from 92 participating employers; the amortized amount receivable including accrued interest, for the 2015 amortization is $589.18 million from the State and $114.25 million from 78 participating employers; the amortized amount receivable, including accrued interest for the 2016 amortization, is $326.2 million from the State and $61.25 million from 53 participating employers; and the amortized amount receivable, including accrued interest for the 2017 amortization, is $6.13 million from 9 participating employers; the State did not amortize in 2017.

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

For those eligible employers electing to participate in the Alternate Contribution Stabilization Program, the graded contribution rate for fiscal years ending 2014 and 2015 is 12 percent of salary for ERS and 20 percent of salary for PFRS. Thereafter, the graded contribution rate will increase one half of one percent per year towards the actuarially required rate. The FY 2019 amounts are 14.0 percent for ERS and 22.0 percent for PFRS. Electing employers may amortize the difference between the graded rate and the actuarially required rate over a twelve-year period at an interpolated twelve year U.S. Treasury Security rate (3.76 percent for FY 2014, 3.50 percent for FY 2015, 3.31 percent for FY 2016, 2.63 percent for FY 2017 and 3.31 percent for FY 2018). As with the original Contribution Stabilization Program, when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elect to amortize under the alternate program will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future.

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

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

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

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

Pension Assets and Liabilities

The System's assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the System are made by the State Comptroller as trustee of the CRF. The System reports that the net position restricted for pension benefits as of March 31, 2017 was $197.6 billion (including $5.9 billion in receivables, which consist of employer contributions, amortized amounts, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of $14.0 billion or 7.6 percent from the FY 2016 level of $183.6 billion. The increase in net position restricted for pension benefits from FY 2016 to FY 2017 reflects, in large part, equity market performance.[22] 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. [23]

The System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased to $240.7 billion (including $119.2 billion for retirees and beneficiaries) as of April 1, 2017, up from $232.9 billion as of April 1, 2016. The funding method used by the System anticipates that the plan net position, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. The valuation used by the Retirement Systems Actuary was based on audited net position restricted for pension benefits as of March 31, 2017. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from plan net position on April 1, 2017 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected gain for FY 2017, 40 percent of the unexpected loss for FY 2016, 60 percent of the unexpected loss for FY 2015, and 80 percent of the unexpected gain for FY 2014. The asset valuation method smooths gains and losses based on 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.

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[22] On February 12, 2018, the State Comptroller released a statement indicating that the value of the System's Invested assets posted a 4.12 percent time-weighted rate of return (gross rate of return before the deduction of certain fees) for the three-month period ended December 31, 2017. This report reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

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

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.[24]

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

As noted above, Statement No. 68 impacts neither the actuarial funding method nor the calculation of rates. The System provided employers with the information required to comply with Statement No. 68 in September 2017, based on the System's measurement date of March 31, 2017. The Net Pension liability is allocated to participating employers and reported pursuant to both Statements 67 and 68.

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.

[24] 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.

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

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

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

Fiscal Year Ended March 31	Contributions Recorded: All Participating Employers[1][2]	Contributions Recorded: Local Employers[1][2]	Contributions Recorded: State[1][2]	Contributions Recorded: Employees	Total Benefits Paid[3]
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012	4,585	2,799	1,786	273	8,938
2013	5,336	3,386	1,950	269	9,521
2014	6,064	3,691	2,373	281	9,978
2015	5,797	3,534	2,263	285	10,514
2016	5,140	3,182	1,958	307	11,060
2017	4,787	2,973	1,814	329	11,508

Sources: State and Local Retirement System.

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

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

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

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

Fiscal Year Ended March 31	Net Assets	Percent Increase/ (Decrease) From Prior Year
2008	155,846	-0.5%
2009	110,938	-28.8%
2010	134,252	21.0%
2011	149,549	11.4%
2012	153,394	2.6%
2013	164,222	7.1%
2014	181,275	10.4%
2015	189,412	4.5%
2016	183,640	-3.0%
2017	197,602	7.6%

Sources: State and Local Retirement System.

[1] Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2017 includes approximately $5.8 billion of receivables.

Additional Information Regarding the System

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

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

1) Information on the number of members and retirees, including the change in the number of members and retirees and beneficiaries since 2008 can be found on page 27 of the NYSLRS CAFR at the link noted above. More information on this topic is available in the "Statistical" section of the NYSLRS CAFR.

2) A combined basic statement of changes in fiduciary net position can be found on page 41 of the NYSLRS CAFR at the link noted above.

3) Schedule of Changes in the Employers' Net Pension Liability and Related Ratios (unaudited) can be found on pages 70-71 at the link noted above.

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

5) A table with the market value of assets, actuarial value of assets and actuarial accrued liability of the CRF since 2007 can be found on page 148 of the NYSLRS CAFR at the link noted above.

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

Litigation

Litigation

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

Real Property Claims

Over the years, there have been a number of cases in which Native American tribes have asserted possessory interests in real property or sought monetary damages as a result of claims that certain transfers of property from the tribes or their predecessors-in-interest in the 18th and 19th centuries were illegal. Of these cases, only one remains active.

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

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe's land claim. The land claim has been stayed through at least April 20, 2018 to allow for settlement negotiations.

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

School Aid

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

The trial commenced on January 21, 2015 and was completed on March 12, 2015. On September 19, 2016, the trial court ruled in favor of the State and dismissed the action. Plaintiffs filed a notice of appeal dated October 5, 2016 with the Appellate Division, Third Department. Plaintiffs have filed their appellate brief and the State's brief was filed May 30, 2017. The appeal was argued on September 5, 2017. By decision and order dated October 26, 2017, the Appellate Division reversed the judgment of the trial court and remanded the case in order for the trial court to make specific findings as to the adequacy of inputs and causation.

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

By decision dated August 12, 2014, Supreme Court, New York County, granted a motion to consolidate Aristy-Farer, discussed in the preceding paragraph, with New Yorkers for Student Educational Rights v. New York. On June 27, 2017, the Court of Appeals dismissed the Aristy-Farer action but held that the New Yorkers for Student Educational Rights v. New York action could proceed on a limited basis as to the New York City and Syracuse school districts, as discussed below.

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

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

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

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

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

On September 8, 2016, the First Department ruled largely in favor of plaintiffs and held that the bulk of their school-financing claims in Aristy-Farer and New Yorkers for Students' Educational Rights (NYSER) could proceed. Defendants moved for leave to appeal to the Court of Appeals, and that motion was granted by the First Department on December 15, 2016. The matter was fully briefed in the Court of Appeals which heard argument on May 30, 2017.

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

Discovery is currently stayed, following the Plaintiffs' request to amend their complaint. The amended complaint was filed on December 11, 2017. Defendants' response is due on April 9, 2018.Plaintiffs now bring three causes of action against the State of New York, having dropped the other named defendants. The first cause of action alleges that the State has failed to provide a sound basic education in five school districts: New York City, Syracuse, Schenectady, Central Islip and Gouverneur. The second cause of action alleges that the State has failed to maintain a system of accountability to ensure that a sound basic education is being provided in those five districts. The third cause of action appears to still assert a statewide cause of action, alleging that since 2009 the State has failed to "adopt appropriate policies, systems and mechanisms to properly implement the requirements of N.Y. Const. art. XI. § 1 and of the CFE decisions." This cause of action is not limited to the five districts. The State is considering a partial motion to dismiss the third cause of action.

Medicaid Nursing Home Rate Methodology

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

In April and May 2015, the Supreme Court, New York County, administratively consolidated many of the reserve bed patient day *Kateri* matters under the new caption of *Bayberry, et al*. With respect to a portion of the newly consolidated cases, at the end of April 2015, as ordered, DOH performed additional rate calculations that incorporated Petitioners' reserve bed patient day interpretation and similar calculations by DOH for additionally consolidated cases, referred to under the heading of the Lead Petitioner (Cabrini), were also performed by DOH.

In March 2016, over 600 nursing home facilities, including all of the *Kateri* plaintiffs, entered a "universal settlement" with the State, resolving all issues concerning nursing home rate reimbursement unless specifically excluded from the settlement by agreement of the parties. The *Kateri* plaintiffs and the State agreed to exclude one issue, called "facility specific rebasing claims," and agreed to cap potential liability for that issue at no more than $15 million inclusive of all fees and costs. The parties filed a stipulation on June 22, 2016 setting forth a proposed briefing schedule for a motion to determine that issue with all papers due by August 12, 2016, and the next scheduled court conference was adjourned to September 21, 2016. Pending completion of settlement discussions of the remaining "facility specific rebasing claims" issue, the parties reached a revised briefing schedule at a court conference on December 21, 2016, pursuant to which plaintiffs' motions associated with their remaining claim were due to be filed on February 3, 2017, with opposition to such motions due on or before March 3, 2017, reply if any due on or before March 24, 2017, and a court conference scheduled for April 26, 2017. By stipulation dated May 30, 2017, counsel for the parties agreed to extend the dates set forth in the December 21, 2016 conference order as follows: motion on facility specific rebasing issues due June 30, 2017; opposition July 31, 2017; reply September 15, 2017, motion on remaining "open issues" other than facility specific rebasing due September 29, 2017, opposition due October 31, 2017 and reply papers due November 29, 2017, and the next court conference was scheduled on June 28, 2017 while settlement discussions continued. Counsel for the parties agreed to appear in court on June 21, 2017 at 11:30 a.m. to further discuss settlement with the Court. At that conference, the parties agreed to settle the case by so ordered stipulation, pursuant to which the State would pay the plaintiff the sum of $9 million, in exchange for a discontinuance with prejudice. On August 24, 2017, plaintiff's counsel received the agreed-upon payment of $9 million in full settlement of the remaining issues in this litigation.

Family Assistance

In *Tejada v. Roberts* (formerly identified as *Velez v. Roberts)* (Sup. Ct., New York Co.), plaintiffs allege violations of Social Services Law §350(1)(a) and the State Administrative Procedure Act and seek judgment that the New York State Office of Temporary and Disability Assistance is failing to meet its statutory obligation to provide an adequate shelter allowance because that allowance and the Family Eviction Prevention Supplement (FEPS), used to supplement shelter allowance benefits, have not been increased since 2005 and 2004, respectively. The parties settled the case on February 27, 2017. On June 8, 2017, upon Plaintiffs' uncontested motion, the Court preliminarily approved the settlement, and provisionally certified the class and set September 8, 2017 as the date for the fairness hearing. On September 8, 2017, following the fairness hearing, the Court certified the plaintiff class and approved the class action settlement. This case is now concluded.

Canal System Financing

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

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

Plaintiffs' motion for class action certification was filed with the District Court on September 6, 2016. Defendants' response was filed on November 18, 2016 and plaintiffs' reply was filed February 3, 2017. In addition, on January 26, 2017, the Thruway Authority moved to dismiss for lack of subject matter jurisdiction based on Federal legislation authorizing the Thruway to use highway tolls for canal purposes. Plaintiffs' opposition to that motion was filed February 13, 2017 and defendants' reply was filed on February 16, 2017. Thereafter, all matters on the case were stayed pending the determination of the motion to dismiss - with discovery ongoing, a trial on the issue of damages had previously been scheduled to begin in March 2017. In addition, on February 1, 2017, counsel for plaintiffs filed a similar, companion action on behalf of the motor bus industry as a related case, Am. Bus Ass'n v. N.Y. Thruway Auth., 17-CV-0782 (SDNY).

On March 1, 2017, the Court entered a decision dismissing the complaint in the original matter under Fed. R. Civ. P. 12(c) for failure to state a cause of action, consistent with the Thruway Authority's motion to dismiss. The Court entered judgment in favor of defendants the same day. The Court also entered an order to show cause in the companion matter brought by the bus association, directing plaintiffs to indicate by March 20, 2017, why the similar matter should not be dismissed on the same grounds as the trucking lawsuit. The Court subsequently granted judgment in favor of defendants in the bus association case. Plaintiffs appealed in both the trucking association and bus association cases, and the two appeals were consolidated by the Second Circuit with the consent of both sides. Plaintiff's opening brief on appeal was filed June 26, 2017. Defendants' opposing brief was filed September 25, 2017. Plaintiffs' reply brief was filed on November 7, 2017. Argument was heard on January 25, 2018.

Financial Plan Tables

Financial Plan Tables

The cash financial plan tables listed below appear on the following pages and summarize actual General Fund receipts and disbursements for fiscal year 2017 and projected receipts and disbursements for fiscal years 2018 through 2021 on a General Fund, State Operating Funds and All Governmental Funds basis. The Updated Financial Plan projections for FY 2018 and thereafter, set forth in this AIS Update, reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in spending from State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Updated Financial Plan tables as "Adherence to 2% Spending Benchmark". Total disbursements in the Updated Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, budget gaps would be higher (or the projected surpluses lower).

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

	FY 2017 Results	FY 2018 Current	Annual $ Change	Annual % Change
Opening Fund Balance	**8,934**	**7,749**	**(1,185)**	**-13.3%**
Receipts:				
Taxes:				
Personal Income Tax	32,535	35,616	3,081	9.5%
Consumption/Use Taxes	7,101	7,386	285	4.0%
Business Taxes	4,761	5,108	347	7.3%
Other Taxes	1,110	1,332	222	20.0%
Miscellaneous Receipts	3,813	2,946	(867)	-22.7%
Federal Receipts	0	0	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,275	11,017	742	7.2%
Sales Tax in Excess of LGAC	2,870	3,102	232	8.1%
Sales Tax in Excess of Revenue Bond Debt Service	2,672	2,761	89	3.3%
Real Estate Taxes in Excess of CW/CA Debt Service	940	966	26	2.8%
All Other	818	1,207	389	47.6%
Total Receipts	**66,895**	**71,441**	**4,546**	**6.8%**
Disbursements:				
Local Assistance	44,439	46,501	2,062	4.6%
State Operations:				
Personal Service	6,065	5,975	(90)	-1.5%
Non-Personal Service	2,022	2,217	195	9.6%
General State Charges	5,462	5,650	188	3.4%
Transfers to Other Funds:				
Debt Service	924	1,037	113	12.2%
Capital Projects	2,569	2,004	(565)	-22.0%
State Share of Mental Hygiene Medicaid	1,239	1,314	75	6.1%
SUNY Operations	996	1,022	26	2.6%
Other Purposes	4,364	4,303	(61)	-1.4%
Total Disbursements	**68,080**	**70,023**	**1,943**	**2.9%**
Excess (Deficiency) of Receipts Over Disbursements	**(1,185)**	**1,418**	**2,603**	**219.7%**
Closing Fund Balance	**7,749**	**9,167**	**1,418**	**18.3%**
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	1,905	1,891	
Debt Management	500	500	0	
Extraordinary Monetary Settlements	5,335	4,749	(586)	

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2019 through FY 2022
(millions of dollars)

	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Receipts:				
Taxes:				
Personal Income Tax	22,212	24,281	25,147	26,402
Consumption/Use Taxes	7,752	8,087	8,361	8,644
Business Taxes	5,869	6,442	6,607	6,766
Other Taxes	1,051	1,110	1,173	1,238
Miscellaneous Receipts	2,019	2,028	2,001	1,882
Federal Receipts	0	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	22,875	23,859	24,674	25,484
ECET in Excess of Revenue Bond Debt Service	TBD	TBD	TBD	TBD
Sales Tax in Excess of LGAC	3,174	3,337	3,610	3,878
Sales Tax in Excess of Revenue Bond Debt Service	2,834	3,050	2,904	3,113
Real Estate Taxes in Excess of CW/CA Debt Service	1,034	1,094	1,132	1,175
All Other	2,381	1,868	1,761	1,727
Total Receipts	**71,201**	**75,156**	**77,370**	**80,309**
Disbursements:				
Local Assistance	49,938	53,087	55,780	58,273
State Operations:				
Personal Service	8,624	8,905	9,411	9,342
Non-Personal Service	2,904	3,068	3,107	3,143
General State Charges	7,597	8,132	8,641	9,148
Transfers to Other Funds:				
Debt Service	837	969	1,029	908
Capital Projects	3,246	3,433	3,213	2,882
State Share of Mental Hygiene Medicaid	0	0	0	0
SUNY Operations	1,021	1,020	1,021	1,021
Other Purposes	1,081	1,103	1,182	1,323
Total Disbursements	**75,248**	**79,717**	**83,384**	**86,040**
Use (Reservation) of Fund Balance:				
Community Projects	39	0	0	0
Undesignated Fund Balance	1,905	0	0	0
Extraordinary Monetary Settlements	2,103	1,090	825	619
Total Use (Reservation) of Fund Balance	**4,047**	**1,090**	**825**	**619**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**0**	**(3,471)**	**(5,189)**	**(5,112)**
Adherence to 2% Spending Benchmark*	**0**	**2,659**	**4,760**	**5,640**
Net General Fund Surplus (Deficit)	**0**	**(812)**	**(429)**	**528**

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

Source: NYS DOB.

CASH FINANCIAL PLAN GENERAL FUND FY 2018 (millions of dollars)					
	Enacted	Change	Mid-Year	Change	Executive (Amended)
Receipts:					
Taxes:					
Personal Income Tax	34,406	(562)	33,844	1,772	35,616
Consumption/Use Taxes	7,438	(52)	7,386	0	7,386
Business Taxes	5,718	(120)	5,598	(490)	5,108
Other Taxes	1,072	118	1,190	142	1,332
Miscellaneous Receipts	2,152	590	2,742	204	2,946
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,923	(265)	10,658	359	11,017
Sales Tax in Excess of LGAC	3,120	(18)	3,102	0	3,102
Sales Tax in Excess of Revenue Bond Debt Service	2,766	(5)	2,761	0	2,761
Real Estate Taxes in Excess of CW/CA Debt Service	1,023	(8)	1,015	(49)	966
All Other	1,216	(6)	1,210	(3)	1,207
Total Receipts	**69,834**	**(328)**	**69,506**	**1,935**	**71,441**
Disbursements:					
Local Assistance	47,069	(317)	46,752	(251)	46,501
State Operations:					
Personal Service	5,950	31	5,981	(6)	5,975
Non-Personal Service	2,227	5	2,232	(15)	2,217
General State Charges	5,789	(76)	5,713	(63)	5,650
Transfers to Other Funds:					
Debt Service	921	(5)	916	121	1,037
Capital Projects	2,627	(435)	2,192	(188)	2,004
State Share of Mental Hygiene Medicaid	1,301	0	1,301	13	1,314
SUNY Operations	1,015	7	1,022	0	1,022
Other Purposes	4,300	(36)	4,264	39	4,303
Total Disbursements	**71,199**	**(826)**	**70,373**	**(350)**	**70,023**
Use (Reservation) of Fund Balance:					
Community Projects	16	1	17	0	17
Potential Labor Agreements	(130)	0	(130)	0	(130)
Undesignated Fund Balance	14	0	14	(1,905)	(1,891)
Extraordinary Monetary Settlements	1,465	(499)	966	(380)	586
Total Use (Reservation) of Fund Balance	**1,365**	**(498)**	**867**	**(2,285)**	**(1,418)**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**0**	**0**	**0**	**0**	**0**
Adherence to 2% Spending Benchmark	**0**	**0**	**0**	**0**	**0**
Net General Fund Surplus (Deficit)	**0**	**0**	**0**	**0**	**0**

Source: NYS DOB.

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

	Enacted	Change	Mid-Year	Change	Mental Hygiene Fund Reclassification	DOT/DMV Operating Reclassification	Executive (Amended)
Receipts:							
Taxes:							
Personal Income Tax	36,385	(563)	35,822	(13,610)	0	0	22,212
Consumption/Use Taxes	7,726	(71)	7,655	97	0	0	7,752
Business Taxes	5,770	(63)	5,707	162	0	0	5,869
Other Taxes	1,053	(3)	1,050	1	0	0	1,051
Miscellaneous Receipts	2,128	27	2,155	0	(166)	30	2,019
Federal Receipts	0	0	0	0	0	0	0
Transfers from Other Funds:							
PIT in Excess of Revenue Bond Debt Service	10,838	(167)	10,671	12,204	0	0	22,875
ECET in Excess of Revenue Bond Debt Service	0	0	0	TBD	0	0	TBD
Sales Tax in Excess of LGAC	3,154	(22)	3,132	42	0	0	3,174
Sales Tax in Excess of Revenue Bond Debt Service	2,797	(9)	2,788	46	0	0	2,834
Real Estate Taxes in Excess of CW/CA Debt Service	1,080	(6)	1,074	(40)	0	0	1,034
All Other	739	(10)	729	500	1,152	0	2,381
Total Receipts	**71,670**	**(887)**	**70,783**	**(598)**	**986**	**30**	**71,201**
Disbursements:							
Local Assistance	50,112	(144)	49,968	(1,740)	1,710	0	49,938
State Operations:							
Personal Service	6,237	12	6,249	(16)	2,224	167	8,624
Non-Personal Service	2,513	(12)	2,501	(143)	431	115	2,904
General State Charges	6,328	(176)	6,152	(81)	1,420	106	7,597
Transfers to Other Funds:							
Debt Service	1,155	(11)	1,144	(307)	0	0	837
Capital Projects	4,068	(118)	3,950	(346)	0	(358)	3,246
State Share of Mental Hygiene Medicaid	1,231	0	1,231	9	(1,240)	0	0
SUNY Operations	1,005	16	1,021	0	0	0	1,021
Other Purposes	4,704	(32)	4,672	(32)	(3,559)	0	1,081
Total Disbursements	**77,353**	**(465)**	**76,888**	**(2,656)**	**986**	**30**	**75,248**
Use (Reservation) of Fund Balance:							
Community Projects	0	0	0	39	0	0	39
Undesignated Fund Balance	0	0	0	1,905	0	0	1,905
Extraordinary Monetary Settlements	1,662	0	1,662	441	0	0	2,103
Total Use (Reservation) of Fund Balance	**1,662**	**0**	**1,662**	**2,385**	**0**	**0**	**4,047**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,021)**	**(422)**	**(4,443)**	**4,443**	**0**	**0**	**0**
Adherence to 2% Spending Benchmark*	**3,230**	**(524)**	**2,706**	**(2,706)**	**0**	**0**	**0**
Net General Fund Surplus (Deficit)	**(791)**	**(946)**	**(1,737)**	**1,737**	**0**	**0**	**0**

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

Source: NYS DOB.

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

	Enacted	Change	Mid-Year	Change	Mental Hygiene Fund Reclassification	DOT/DMV Operating Reclassification	Executive (Amended)
Receipts:							
Taxes:							
Personal Income Tax	37,986	(563)	37,423	(13,142)	0	0	24,281
Consumption/Use Taxes	7,996	(72)	7,924	163	0	0	8,087
Business Taxes	6,190	(54)	6,136	306	0	0	6,442
Other Taxes	1,112	(3)	1,109	1	0	0	1,110
Miscellaneous Receipts	2,135	24	2,159	1	(169)	37	2,028
Federal Receipts	0	0	0	0	0	0	0
Transfers from Other Funds:							
PIT in Excess of Revenue Bond Debt Service	10,789	(193)	10,596	13,263	0	0	23,859
ECET in Excess of Revenue Bond Debt Service	0	0	0	TBD	0	0	TBD
Sales Tax in Excess of LGAC	3,292	(23)	3,269	68	0	0	3,337
Sales Tax in Excess of Revenue Bond Debt Service	2,981	(11)	2,970	80	0	0	3,050
Real Estate Taxes in Excess of CW/CA Debt Service	1,133	(8)	1,125	(31)	0	0	1,094
All Other	723	(10)	713	266	889	0	1,868
Total Receipts	**74,337**	**(913)**	**73,424**	**975**	**720**	**37**	**75,156**
		0					
Disbursements:		0					
Local Assistance	53,101	(26)	53,075	(1,884)	1,896	0	53,087
State Operations:		0		0			
Personal Service	6,424	82	6,506	(23)	2,255	167	8,905
Non-Personal Service	2,661	(62)	2,599	(140)	444	165	3,068
General State Charges	6,792	(209)	6,583	(35)	1,474	110	8,132
Transfers to Other Funds:		0		0			
Debt Service	1,053	(11)	1,042	(73)	0	0	969
Capital Projects	3,899	(144)	3,755	83	0	(405)	3,433
State Share of Mental Hygiene Medicaid	1,119	0	1,119	(16)	(1,103)	0	0
SUNY Operations	1,001	19	1,020	0	0	0	1,020
Other Purposes	5,227	(30)	5,197	152	(4,246)	0	1,103
Total Disbursements	**81,277**	**(381)**	**80,896**	**(1,936)**	**720**	**37**	**79,717**
Use (Reservation) of Fund Balance:							
Extraordinary Monetary Settlements	1,087	0	1,087	3	0	0	1,090
Total Use (Reservation) of Fund Balance	**1,087**	**0**	**1,087**	**3**	**0**	**0**	**1,090**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(5,853)**	**(532)**	**(6,385)**	**2,914**	**0**	**0**	**(3,471)**
Adherence to 2% Spending Benchmark*	**5,855**	**(364)**	**5,491**	**(2,832)**	**0**	**0**	**2,659**
Net General Fund Surplus (Deficit)	**2**	**(896)**	**(894)**	**82**	**0**	**0**	**(812)**

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

Source: NYS DOB.

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

	Enacted	Change	Mid-Year	Change	Mental Hygiene Fund Reclassification	DOT/DMV Operating Reclassification	Executive (Amended)
Receipts:							
Taxes:							
Personal Income Tax	39,215	(563)	38,652	(13,505)	0	0	25,147
Consumption/Use Taxes	8,274	(77)	8,197	164	0	0	8,361
Business Taxes	6,522	(49)	6,473	134	0	0	6,607
Other Taxes	1,175	(2)	1,173	0	0	0	1,173
Miscellaneous Receipts	2,058	24	2,082	52	(171)	38	2,001
Federal Receipts	0	0	0	0	0	0	0
Transfers from Other Funds:							
PIT in Excess of Revenue Bond Debt Service	11,054	(124)	10,930	13,744	0	0	24,674
ECET in Excess of Revenue Bond Debt Service	0	0	0	TBD	0	0	TBD
Sales Tax in Excess of LGAC	3,567	(25)	3,542	68	0	0	3,610
Sales Tax in Excess of Revenue Bond Debt Service	2,830	(13)	2,817	87	0	0	2,904
Real Estate Taxes in Excess of CW/CA Debt Service	1,189	(23)	1,166	(34)	0	0	1,132
All Other	723	(11)	712	235	814	0	1,761
Total Receipts	**76,607**	**(863)**	**75,744**	**945**	**643**	**38**	**77,370**
		0					
Disbursements:		0					
Local Assistance	55,745	(17)	55,728	(1,940)	1,992	0	55,780
State Operations:		0					
Personal Service	6,796	154	6,950	(18)	2,312	167	9,411
Non-Personal Service	2,718	(93)	2,625	(146)	458	170	3,107
General State Charges	7,357	(267)	7,090	(154)	1,588	117	8,641
Transfers to Other Funds:		0					
Debt Service	1,074	(7)	1,067	(38)	0	0	1,029
Capital Projects	3,479	(97)	3,382	247	0	(416)	3,213
State Share of Mental Hygiene Medicaid	1,119	0	1,119	(16)	(1,103)	0	0
SUNY Operations	1,001	20	1,021	0	0	0	1,021
Other Purposes	5,483	(15)	5,468	318	(4,604)	0	1,182
Total Disbursements	**84,772**	**(322)**	**84,450**	**(1,747)**	**643**	**38**	**83,384**
Use (Reservation) of Fund Balance:							
Extraordinary Monetary Settlements	653	0	653	172	0	0	825
Total Use (Reservation) of Fund Balance	**653**	**0**	**653**	**172**	**0**	**0**	**825**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(7,512)**	**(541)**	**(8,053)**	**2,864**	**0**	**0**	**(5,189)**
Adherence to 2% Spending Benchmark*	**7,955**	**(222)**	**7,733**	**(2,973)**	**0**	**0**	**4,760**
Net General Fund Surplus (Deficit)	**443**	**(763)**	**(320)**	**(109)**	**0**	**0**	**(429)**

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

Source: NYS DOB.

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
FY 2019 THROUGH FY 2022
(millions of dollars)

	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Taxes:				
Withholdings	41,314	42,557	43,543	45,651
Estimated Payments	14,921	18,369	18,012	19,176
Final Payments	2,599	2,748	2,908	3,032
Other Payments	1,500	1,564	1,601	1,671
Gross Collections	**60,334**	**65,238**	**66,064**	**69,530**
State/City Offset	(873)	(799)	(824)	(849)
Refunds	(10,217)	(11,233)	(10,424)	(11,443)
Reported Tax Collections	**49,244**	**53,206**	**54,816**	**57,238**
STAR (Dedicated Deposits)	(2,410)	(2,322)	(2,261)	(2,217)
RBTF (Dedicated Transfers)	(24,622)	(26,603)	(27,408)	(28,619)
Personal Income Tax	**22,212**	**24,281**	**25,147**	**26,402**
Sales and Use Tax	14,279	14,934	15,496	16,070
Cigarette and Tobacco Taxes	346	348	337	328
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	267	272	276	281
Medical Marihuana Excise Tax	0	0	0	0
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Consumption/Use Taxes	**14,892**	**15,554**	**16,109**	**16,679**
LGAC/STBF (Dedicated Transfers)	(7,140)	(7,467)	(7,748)	(8,035)
Consumption/Use Taxes	**7,752**	**8,087**	**8,361**	**8,644**
Corporation Franchise Tax	3,539	4,083	4,174	4,248
Corporation and Utilities Tax	540	550	556	562
Insurance Taxes	1,668	1,749	1,877	1,956
Bank Tax	122	60	0	0
Petroleum Business Tax	0	0	0	0
Business Taxes	**5,869**	**6,442**	**6,607**	**6,766**
Estate Tax	1,033	1,092	1,155	1,220
Real Estate Transfer Tax	1,212	1,269	1,303	1,340
Employer Compensation Expense Tax	TBD	TBD	TBD	TBD
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	15	15	15	15
Other Taxes	3	3	3	3
Gross Other Taxes	**2,263**	**2,379**	**2,476**	**2,578**
Real Estate Transfer Tax (Dedicated)	(1,212)	(1,269)	(1,303)	(1,340)
RBTF (Dedicated Transfers)	TBD	TBD	TBD	TBD
Other Taxes	**1,051**	**1,110**	**1,173**	**1,238**
Payroll Tax	**0**	**0**	**0**	**0**
Total Taxes	**36,884**	**39,920**	**41,288**	**43,050**
Licenses, Fees, Etc.	670	692	676	676
Abandoned Property	450	450	450	450
Motor Vehicle Fees	269	285	280	210
ABC License Fee	66	66	62	68
Reimbursements	107	109	107	53
Investment Income	10	8	8	8
Extraordinary Settlements	0	0	0	0
Other Transactions	447	418	418	417
Miscellaneous Receipts	**2,019**	**2,028**	**2,001**	**1,882**
Federal Receipts	**0**	**0**	**0**	**0**
Total	**38,903**	**41,948**	**43,289**	**44,932**

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	49,442	7,631	20,546	77,619
Miscellaneous Receipts	2,946	16,962	470	20,378
Federal Receipts	0	1	73	74
Total Receipts	**52,388**	**24,594**	**21,089**	**98,071**
Disbursements:				
Local Assistance	46,501	19,293	0	65,794
State Operations:				
Personal Service	5,975	7,051	0	13,026
Non-Personal Service	2,217	3,450	42	5,709
General State Charges	5,650	2,326	0	7,976
Debt Service	0	0	5,621	5,621
Capital Projects	0	0	0	0
Total Disbursements	**60,343**	**32,120**	**5,663**	**98,126**
Other Financing Sources (Uses):				
Transfers from Other Funds	19,053	7,966	3,878	30,897
Transfers to Other Funds	(9,680)	(909)	(19,300)	(29,889)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**9,373**	**7,057**	**(15,422)**	**1,008**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**1,418**	**(469)**	**4**	**953**
Closing Fund Balance	**9,167**	**3,263**	**148**	**12,578**

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
Opening Fund Balance	**9,167**	**3,263**	**148**	**12,578**
Receipts:				
Taxes	36,884	6,289	32,855	76,028
Miscellaneous Receipts	2,019	17,510	465	19,994
Federal Receipts	0	1	73	74
Total Receipts	**38,903**	**23,800**	**33,393**	**96,096**
Disbursements:				
Local Assistance	49,938	16,475	0	66,413
State Operations:				
Personal Service	8,624	4,805	0	13,429
Non-Personal Service	2,904	2,999	47	5,950
General State Charges	7,597	952	0	8,549
Debt Service	0	0	5,636	5,636
Capital Projects	0	0	0	0
Total Disbursements	**69,063**	**25,231**	**5,683**	**99,977**
Other Financing Sources (Uses):				
Transfers from Other Funds	32,298	2,118	3,635	38,051
Transfers to Other Funds	(6,185)	(755)	(31,339)	(38,279)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**26,113**	**1,363**	**(27,704)**	**(228)**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(4,047)	(68)	6	(4,109)
Closing Fund Balance	**5,120**	**3,195**	**154**	**8,469**

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	39,920	6,318	35,220	81,458
Miscellaneous Receipts	2,028	17,003	469	19,500
Federal Receipts	0	1	73	74
Total Receipts	**41,948**	**23,322**	**35,762**	**101,032**
Disbursements:				
Local Assistance	53,087	15,921	0	69,008
State Operations:				
Personal Service	8,905	4,876	0	13,781
Non-Personal Service	3,068	2,756	47	5,871
General State Charges	8,132	988	0	9,120
Debt Service	0	0	6,969	6,969
Capital Projects	0	0	0	0
Total Disbursements	**73,192**	**24,541**	**7,016**	**104,749**
Other Financing Sources (Uses):				
Transfers from Other Funds	33,208	2,138	3,767	39,113
Transfers to Other Funds	(6,525)	(499)	(32,507)	(39,531)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**26,683**	**1,639**	**(28,740)**	**(418)**
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	1,090	0	0	1,090
Total Use (Reservation) of Fund Balance	**1,090**	**0**	**0**	**1,090**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(3,471)**	**420**	**6**	**(3,045)**
Adherence to 2% Spending Benchmark*	**2,659**	**0**	**0**	**2,659**
Net Surplus (Deficit)	**(812)**	**420**	**6**	**(386)**

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

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	41,288	6,288	36,340	83,916
Miscellaneous Receipts	2,001	16,859	469	19,329
Federal Receipts	0	1	73	74
Total Receipts	**43,289**	**23,148**	**36,882**	**103,319**
Disbursements:				
Local Assistance	55,780	15,825	0	71,605
State Operations:				
Personal Service	9,411	5,063	0	14,474
Non-Personal Service	3,107	2,776	47	5,930
General State Charges	8,641	1,056	0	9,697
Debt Service	0	0	7,186	7,186
Capital Projects	0	0	0	0
Total Disbursements	**76,939**	**24,720**	**7,233**	**108,892**
Other Financing Sources (Uses):				
Transfers from Other Funds	34,081	2,218	3,742	40,041
Transfers to Other Funds	(6,445)	(392)	(33,384)	(40,221)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**27,636**	**1,826**	**(29,642)**	**(180)**
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	825	0	0	825
Total Use (Reservation) of Fund Balance	**825**	**0**	**0**	**825**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(5,189)**	**254**	**7**	**(4,928)**
Adherence to 2% Spending Benchmark*	**4,760**	**0**	**0**	**4,760**
Net Surplus (Deficit)	**(429)**	**254**	**7**	**(168)**

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

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	49,442	7,631	1,333	20,546	78,952
Miscellaneous Receipts	2,946	17,121	7,292	470	27,829
Federal Receipts	0	55,434	2,270	73	57,777
Total Receipts	**52,388**	**80,186**	**10,895**	**21,089**	**164,558**
Disbursements:					
Local Assistance	46,501	70,616	4,769	0	121,886
State Operations:					
Personal Service	5,975	7,668	0	0	13,643
Non-Personal Service	2,217	4,829	0	42	7,088
General State Charges	5,650	2,643	0	0	8,293
Debt Service	0	0	0	5,621	5,621
Capital Projects	0	0	7,906	0	7,906
Total Disbursements	**60,343**	**85,756**	**12,675**	**5,663**	**164,437**
Other Financing Sources (Uses):					
Transfers from Other Funds	19,053	7,978	2,393	3,878	33,302
Transfers to Other Funds	(9,680)	(3,034)	(1,398)	(19,300)	(33,412)
Bond and Note Proceeds	0	0	788	0	788
Net Other Financing Sources (Uses)	**9,373**	**4,944**	**1,783**	**(15,422)**	**678**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**1,418**	**(626)**	**3**	**4**	**799**
Closing Fund Balance	**9,167**	**3,646**	**(1,057)**	**148**	**11,904**

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	**9,167**	**3,646**	**(1,057)**	**148**	**11,904**
Receipts:					
Taxes	36,884	6,289	1,401	32,855	77,429
Miscellaneous Receipts	2,019	17,712	7,703	465	27,899
Federal Receipts	0	55,376	2,429	73	57,878
Total Receipts	**38,903**	**79,377**	**11,533**	**33,393**	**163,206**
Disbursements:					
Local Assistance	49,938	67,797	5,505	0	123,240
State Operations:					
Personal Service	8,624	5,432	0	0	14,056
Non-Personal Service	2,904	4,445	0	47	7,396
General State Charges	7,597	1,275	0	0	8,872
Debt Service	0	0	0	5,636	5,636
Capital Projects	0	0	8,985	0	8,985
Total Disbursements	**69,063**	**78,949**	**14,490**	**5,683**	**168,185**
Other Financing Sources (Uses):					
Transfers from Other Funds	32,298	2,130	3,580	3,635	41,643
Transfers to Other Funds	(6,185)	(2,894)	(1,369)	(31,339)	(41,787)
Bond and Note Proceeds	0	0	718	0	718
Net Other Financing Sources (Uses)	**26,113**	**(764)**	**2,929**	**(27,704)**	**574**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**(4,047)**	**(336)**	**(28)**	**6**	**(4,405)**
Closing Fund Balance	**5,120**	**3,310**	**(1,085)**	**154**	**7,499**

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	39,920	6,318	1,420	35,220	82,878
Miscellaneous Receipts	2,028	17,162	6,497	469	26,156
Federal Receipts	0	56,287	2,229	73	58,589
Total Receipts	**41,948**	**79,767**	**10,146**	**35,762**	**167,623**
Disbursements:					
Local Assistance	53,087	68,064	4,683	0	125,834
State Operations:					
Personal Service	8,905	5,507	0	0	14,412
Non-Personal Service	3,068	4,244	0	47	7,359
General State Charges	8,132	1,316	0	0	9,448
Debt Service	0	0	0	6,969	6,969
Capital Projects	0	0	7,973	0	7,973
Total Disbursements	**73,192**	**79,131**	**12,656**	**7,016**	**171,995**
Other Financing Sources (Uses):					
Transfers from Other Funds	33,208	2,150	3,715	3,767	42,840
Transfers to Other Funds	(6,525)	(2,290)	(1,651)	(32,507)	(42,973)
Bond and Note Proceeds	0	0	412	0	412
Net Other Financing Sources (Uses)	**26,683**	**(140)**	**2,476**	**(28,740)**	**279**
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	1,090	0	0	0	1,090
Total Use (Reservation) of Fund Balance	**1,090**	**0**	**0**	**0**	**1,090**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(3,471)**	**496**	**(34)**	**6**	**(3,003)**
Adherence to 2% Spending Benchmark*	**2,659**	**0**	**0**	**0**	**2,659**
Net Surplus (Deficit)	**(812)**	**496**	**(34)**	**6**	**(344)**

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

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	41,288	6,288	1,418	36,340	85,334
Miscellaneous Receipts	2,001	17,020	5,735	469	25,225
Federal Receipts	0	56,954	2,187	73	59,214
Total Receipts	**43,289**	**80,262**	**9,340**	**36,882**	**169,773**
Disbursements:					
Local Assistance	55,780	68,278	4,079	0	128,137
State Operations:					
Personal Service	9,411	5,721	0	0	15,132
Non-Personal Service	3,107	4,231	0	47	7,385
General State Charges	8,641	1,395	0	0	10,036
Debt Service	0	0	0	7,186	7,186
Capital Projects	0	0	7,315	0	7,315
Total Disbursements	**76,939**	**79,625**	**11,394**	**7,233**	**175,191**
Other Financing Sources (Uses):					
Transfers from Other Funds	34,081	2,230	3,429	3,742	43,482
Transfers to Other Funds	(6,445)	(2,153)	(1,640)	(33,384)	(43,622)
Bond and Note Proceeds	0	0	243	0	243
Net Other Financing Sources (Uses)	**27,636**	**77**	**2,032**	**(29,642)**	**103**
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	825	0	0	0	825
Total Use (Reservation) of Fund Balance	**825**	**0**	**0**	**0**	**825**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(5,189)**	**714**	**(22)**	**7**	**(4,490)**
Adherence to 2% Spending Benchmark*	**4,760**	**0**	**0**	**0**	**4,760**
Net Surplus (Deficit)	**(429)**	**714**	**(22)**	**7**	**270**

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

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2018
(dollars in millions)

	2017 April Results	May Results	June Results	July Results	August Results	September Results	October Results	November Results	December Results	2018 January Projected	February Projected	March Projected	Total
OPENING BALANCE	7,749	7,405	3,140	3,014	3,774	3,883	6,523	6,363	4,509	10,145	14,732	14,727	7,749
RECEIPTS:													
Personal Income Tax	3,751	1,576	3,431	1,987	2,292	3,536	2,016	1,782	4,991	6,008	2,147	2,099	35,616
Consumption/Use Taxes	522	539	731	582	567	737	570	603	743	610	493	689	7,386
Business Taxes	421	137	770	55	376	782	(46)	18	1,141	(139)	(112)	1,705	5,108
Other Taxes	91	114	103	66	86	214	77	73	154	180	87	87	1,332
Total Taxes	4,785	2,366	5,035	2,690	3,321	5,269	2,617	2,476	7,029	6,659	2,615	4,580	49,442
Abandoned Property	0	0	0	0	1	64	5	170	21	24	0	165	450
ABC License Fee	6	6	6	5	6	6	7	4	5	5	6	5	67
Investment Income	4	1	2	1	2	2	4	4	3	4	4	(1)	30
Licenses, Fees, etc.	27	73	36	51	36	77	63	36	89	61	35	81	665
Motor Vehicle Fees	36	29	31	(5)	34	7	18	16	5	15	23	23	232
Reimbursements	2	23	37	9	24	26	11	28	23	25	15	50	273
Extraordinary Settlements	0	350	0	0	0	231	0	137	0	60	0	33	811
Other Transactions	20	31	52	51	24	106	45	36	82	26	32	(87)	418
Total Miscellaneous Receipts	95	513	164	112	127	519	153	431	228	220	115	269	2,946
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,249	509	1,162	455	356	1,400	674	396	1,687	965	691	1,473	11,017
Tax in Excess of LGAC	234	54	508	263	226	341	260	274	346	276	0	320	3,102
Sales Tax Bond Fund	179	186	280	205	210	310	196	211	282	212	164	326	2,761
Real Estate Taxes in Excess of CW/CA Debt Service	81	95	89	84	86	93	65	80	62	78	82	71	966
All Other	10	2	3	6	5	94	12	40	94	64	171	706	1,207
Total Transfers from Other Funds	1,753	846	2,042	1,013	883	2,238	1,207	1,001	2,471	1,595	1,108	2,896	19,053
TOTAL RECEIPTS	6,633	3,725	7,241	3,815	4,331	8,026	3,977	3,908	9,728	8,474	3,838	7,745	71,441
DISBURSEMENTS:													
School Aid	868	3,358	1,878	38	570	1,753	801	1,563	1,845	540	644	8,438	22,296
Higher Education	19	37	954	221	128	181	93	37	188	27	371	570	2,826
All Other Education	95	484	75	158	56	49	61	407	83	34	261	470	2,233
Medicaid - DOH	1,376	1,408	1,370	1,165	1,248	1,150	1,220	1,416	994	1,146	337	531	13,361
Public Health	68	177	50	63	44	36	35	42	30	14	39	110	708
Mental Hygiene	2	3	184	(1)	2	216	0	0	65	116	123	63	773
Children and Families	36	101	194	71	23	134	70	73	170	45	240	492	1,649
Temporary & Disability Assistance	95	112	143	92	93	67	63	67	63	63	233	158	1,249
Transportation	0	25	14	0	25	0	0	24	11	0	13	2	114
Unrestricted Aid	0	11	388	2	0	102	7	2	182	1	1	65	761
All Other	11	16	90	30	74	31	15	50	(29)	95	86	62	531
Total Local Assistance	2,570	5,732	5,340	1,839	2,263	3,719	2,365	3,681	3,602	2,081	2,348	10,961	46,501
Personal Service	485	642	475	466	565	477	498	622	488	441	466	350	5,975
Non-Personal Service	91	226	185	142	212	179	181	182	128	214	227	250	2,217
Total State Operations	576	868	660	608	777	656	679	804	616	655	693	600	8,192
General State Charges	2,398	292	409	347	41	514	396	86	404	225	194	344	5,650
Debt Service	274	(1)	2	148	14	(87)	362	(3)	0	421	(20)	(73)	1,037
Capital Projects	310	268	438	(602)	495	437	(270)	370	(791)	247	466	636	2,004
State Share Medicaid	100	138	98	64	151	95	63	162	92	122	121	108	1,314
SUNY Operations	218	218	218	181	0	0	0	181	(1)	0	0	7	1,022
Other Purposes	531	475	202	470	481	52	542	481	170	136	41	722	4,303
Total Transfers to Other Funds	1,433	1,098	958	261	1,141	497	697	1,191	(530)	926	608	1,400	9,680
TOTAL DISBURSEMENTS	6,977	7,990	7,367	3,055	4,222	5,386	4,137	5,762	4,092	3,887	3,843	13,305	70,023
Excess/(Deficiency) of Receipts over Disbursements	(344)	(4,265)	(126)	760	109	2,640	(160)	(1,854)	5,636	4,587	(5)	(5,560)	1,418
CLOSING BALANCE	7,405	3,140	3,014	3,774	3,883	6,523	6,363	4,509	10,145	14,732	14,727	9,167	9,167

Source: NYS DOB.