New York State
Annual Information Statement

July 2, 2018

Annual Information Statement

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Introduction

Introduction

This Annual Information Statement (AIS) is dated July 2, 2018 and contains information only through that date. This AIS constitutes the official disclosure regarding the financial position of the State of New York (the "State") and related matters and replaces the AIS dated June 20, 2017 and all updates and supplements issued in connection therewith. This AIS is scheduled to be updated on a quarterly basis and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State's current financial projections, including summaries and extracts from the State's fiscal year 2019 (FY 2019)[1] Enacted Budget Financial Plan (the "Enacted Budget Financial Plan"), issued by the Division of the Budget (DOB) in May 2018. The Enacted Budget Financial Plan sets forth the State's official financial projections for FY 2019 through FY 2022. It includes, among other things, information on the major components of the FY 2019 General Fund gap-closing plan, future potential General Fund budget gaps, and multi-year projections of receipts and disbursements in the State's operating funds. While the disclosure contained in this AIS is derived from the Enacted Budget Financial Plan, this AIS contains certain updates to information set forth in the Enacted Budget Financial Plan which are not deemed by DOB to materially change the projections contained in the Enacted Budget Financial Plan. DOB next expects to update the State's multi-year financial projections in July 2018 with the First Quarterly Update to the Financial Plan.

2. Note that the Enacted Budget Financial Plan projections do not reflect approximately $294 million in recent monetary settlements between the Department of Financial Services (DFS) and major financial and other institutions, which are described under the heading "Financial Plan Overview – Extraordinary Monetary Settlements". A discussion of issues and risks that may affect the State's financial projections during the current fiscal year or in future years (under the heading "Financial Plan Overview — Other Matters Affecting the Financial Plan").

3. Information on other subjects relevant to the State's finances, including summaries of: (a) operating results for the three prior fiscal years (presented on a cash basis of accounting), (b) the State's revised economic forecast and a profile of the State economy, (c) the State's debt and other financing activities, (d) the organization of State government, and (e) activities of public authorities and localities.

4. The status of significant litigation that has the potential to adversely affect the State's finances.

DOB is responsible for preparing the State's Enacted Budget Financial Plan and presenting the information that appears in this AIS on behalf of the State. In preparing this AIS, DOB has also relied on information drawn from other sources, including the Office of the State Comptroller (OSC).

[1] The State fiscal year is identified by the calendar year in which it ends. For example, FY 2019 is the fiscal year that began on April 1, 2018 and ends on March 31, 2019.

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 the AIS.

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections, or other information relating to the State's financial position or condition, including potential operating results for the current fiscal year and projected budget gaps for future fiscal years, that may vary materially from the information provided in this AIS. Investors and other market participants should, however, refer to this 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 numerous and complex. This AIS contains "forward-looking statements" relating to future results and economic performance 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 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 at the time they were prepared 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. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from projections. Such risks and uncertainties include, but are not limited to, general economic and business conditions; changes in political, social, economic and environmental conditions, including climate change and extreme weather events; impediments to the implementation of gap-closing actions; regulatory initiatives and compliance with governmental regulations; litigation; actions by the Federal government to reduce or disallow expected aid, including Federal aid authorized or appropriated by Congress but subject to sequestration, administrative actions, or other actions that would reduce aid to the State; and various other events, conditions and circumstances. Many of these risks and uncertainties 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.

Note that all FY 2018 financial results contained within this AIS are unaudited and preliminary. The annual independent audit of the State’s Basic Financial Statements for the fiscal year ending March 31, 2018 is expected to be completed by July 29, 2018. Both the Comptroller’s Annual Report to the Legislature on State Funds Cash Basis of Accounting and the State’s Basic Financial Statements are due by July 29, 2018. These reports will contain the final FY 2018 financial results. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236. The Basic Financial Statements for FY 2017 are available in electronic form at www.osc.state.ny.us and at www.emma.msrb.org.

In addition to regularly scheduled quarterly updates to this AIS, the State may issue AIS supplements or other disclosure notices to this 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 this AIS in Official Statements or related disclosure documents for State or State-supported debt issuances. The State has filed this AIS with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through EMMA at www.emma.msrb.org. An official copy of this AIS may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-2302.

Usage Notice

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

This AIS is available in electronic form on the DOB website at www.budget.ny.gov. Such availability does not imply that there have been no changes in the financial position of the State subsequent to the posting of this information. Maintenance of this AIS 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.

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

Budgetary and Accounting Practices

Significant Budgetary/Accounting Practices

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

The State's **General Fund** receives most State taxes and all income not earmarked for a specified 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), and the Lottery Fund. Therefore, the General Fund projections account for any estimated funding shortfalls in these funds. Since the General Fund is required by law to be balanced, the focus of the State's budgetary and gap-closing discussion in this AIS 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, but not uniformly, identified with the phrase "reserved for" and are not held in distinct accounts within the General Fund, and may be used for other purposes.

State Operating Funds is a broader measure of spending for operations (as distinct from capital purposes) that is funded with State resources. It includes financial activity in the General Fund, as well as State-funded special revenue funds and Debt Service Funds (spending from Capital Projects Funds and Federal funds are excluded). As a significant amount of financial activity occurs in funds outside of the General Fund, State Operating Funds is, in DOB's view, a more comprehensive measure of State-funded activities for operating purposes that are funded with State resources (e.g., taxes, assessments, fees, tuition). The State Operating Funds perspective 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 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, the Enacted Budget Financial Plan reflects some actions that have affected, or are intended to affect, the amount of annual spending accounted for in the State Operating Funds basis of reporting. These include but are not limited to: (i) 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; (ii) the payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting; (iii) the restructuring of the School Tax Relief (STAR) program such that the spending for certain benefits is instead provided as a tax credit consistent with other State tax credits; (iv) appropriation of certain operating costs for the Department of Transportation (DOT) and Department of Motor Vehicles (DMV) from the General Fund instead of the DHBTF, a change which will increase reported disbursements from State Operating Funds; and (v) an amendment to the enabling statute for the Payroll Mobility Tax (PMT) to no longer require that receipts payable to the Metropolitan Transportation Authority (MTA) be appropriated by the State Legislature, a change which is intended to improve credit quality of MTA bonds that may be secured by the PMT, and has the effect of lowering State Operating Funds receipts and disbursements. In general, if these and other transactions are not executed or reported in a manner consistent with DOB's interpretation of legislation included with the FY 2019 Enacted Budget (the "Enacted Budget"), then the annual spending growth in State Operating Funds would be higher than Enacted Budget Financial Plan 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 Enacted Budget Financial Plan tables present State projections and results by fund and category.

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

State Finance Law also requires DOB to prepare a pro forma financial plan using, to the extent practicable, generally accepted accounting principles (GAAP). The GAAP-basis financial plan is informational only. It is not used by DOB as a benchmark for managing State finances during the fiscal year, nor 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.

The Enacted Budget Financial Plan projections for future years may show budget gaps or budget surpluses in the General Fund. Budget gaps represent the difference between: (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain current services levels and specific commitments, and (b) the projected level of resources, including transfers from other funds, to pay for these disbursements. The General Fund projections are based on many 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 Enacted Budget 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, considering the current and projected fiscal position of the State.

The Enacted Budget Financial Plan projections for FY 2020 and thereafter reflect 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 the Enacted Budget Financial Plan, to no greater than 2 percent. Total disbursements in the tables and narrative contained in this AIS do not reflect these assumed savings, which are reflected instead on a distinct line and labeled "Adherence to 2% Spending Benchmark." Financial Plan projections are subject to many risks and uncertainties, as well as future budgetary decisions and other factors that are currently unknown. If the 2 percent annual State Operating Funds spending growth benchmark is not adhered to, 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 Enacted Budget Financial Plan may reflect a net expenditure amount while OSC may report the gross amount of the expenditure. Any such differences in reporting between DOB and OSC could result in differences in the presentation and reporting of receipts and disbursements for discrete funds, as well as differences in the presentation and reporting for total receipts and disbursements under different fund perspectives (e.g., State Operating Funds and All Governmental Funds).

Financial Plan Overview

Financial Plan Overview

The following table provides certain Financial Plan information for FY 2018 and FY 2019.

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

	FY 2018		FY 2019	
	Revised[1]	Results	Executive Amended[2]	Enacted
State Operating Funds Disbursements				
Size of Budget	$98,126	$98,151	$99,977	$100,135
Annual Growth	2.0%	2.0%	1.9%	2.0%
Other Disbursement Measures				
General Fund (Excluding Transfers)[3]	$60,343	$59,872	$62,890	$70,361
Annual Growth	4.1%	3.2%	5.0%	17.5%
General Fund (Including Transfers)[3,4]	$70,023	$69,724	$74,232	$76,601
Annual Growth	2.9%	2.4%	6.5%	9.9%
Capital Budget (Federal and State)	$12,675	$10,640	$14,490	$14,474
Annual Growth	24.8%	4.8%	36.2%	36.0%
Federal Operating Aid	$53,636	$54,953	$53,718	$55,673
Annual Growth	5.9%	8.5%	-2.2%	1.3%
All Funds[5]	$164,437	$163,744	$168,185	$170,282
Annual Growth	4.7%	4.3%	2.7%	4.0%
Capital Budget (Including "Off-Budget" Capital)[6]	$13,359	$11,284	$15,165	$15,146
Annual Growth	24.4%	5.1%	34.4%	34.2%
All Funds (Including "Off-Budget" Capital)[6]	$165,121	$164,388	$168,860	$170,954
Annual Growth	4.8%	4.3%	2.7%	4.0%
Inflation (CPI)	2.0%	2.1%	2.2%	2.3%
All Funds Receipts				
Taxes	$78,952	$79,266	$77,429	$77,923
Annual Growth	6.2%	6.6%	-2.3%	-1.7%
Miscellaneous Receipts	$27,829	$27,262	$27,899	$28,005
Annual Growth	4.6%	2.5%	2.3%	2.7%
Federal Receipts (Operating and Capital)	$57,777	$58,942	$57,878	$60,083
Annual Growth	4.3%	6.4%	-1.8%	1.9%
Total Receipts[5]	$164,558	$165,470	$163,206	$166,011
Annual Growth	5.2%	5.8%	-1.4%	0.3%
General Fund Cash Balance	$9,167	$9,445	$5,120	$5,504
Tax Stabilization/Rainy Day Reserve	$1,798	$1,798	$1,798	$1,798
Extraordinary Monetary Settlements	$4,749	$5,020	$2,646	$3,013
All Other Reserves/Fund Balances	$2,620	$2,627	$676	$693
Debt				
Debt Service as % All Funds Receipts	3.9%	4.0%	3.5%	3.3%
State-Related Debt Outstanding	$51,970	$51,631	$55,182	$54,964
Debt Outstanding as % Personal Income	4.3%	4.3%	4.3%	4.3%
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	118,512	117,397	118,705	118,868

1 FY 2018 "Revised" estimates reflect the estimates in the FY 2019 Executive Budget, as amended.

2 The annual percentage change calculations in the FY 2019 "Executive Amended" column have been updated to reflect FY 2018 results.

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

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

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

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

Budget Negotiations and Subsequent Events

The Governor submitted the Executive Budget proposal to the Legislature on January 16, 2018, and amendments to it on February 16, 2018, in accordance with statutory requirements. In developing the FY 2019 Executive Budget, as proposed in January 2018 and amended in February 2018 (the "Executive Budget"), DOB estimated that the State faced a potential budget gap[2] of approximately $4.4 billion for FY 2019. DOB estimated that, if enacted without modification, the Executive Budget Financial Plan would have provided for balanced operations in the General Fund, as required by law, and limited annual growth in State Operating Funds spending to 2 percent.

Legislative Action on the Executive Budget

By March 30, 2018, the Legislature had voted to approve the appropriations and accompanying legislation that comprise the Enacted Budget. Consistent with past practice, the Legislature enacted the annual debt service appropriations on March 22, 2018 in advance of other appropriations. The Governor completed his review of all FY 2019 budget bills, including exercising his line-item veto of certain appropriations added by the Legislature, on April 13, 2018.

During budget negotiations, the Governor and Legislature agreed to $1.1 billion of new costs for General Fund additions, spending restorations, and tax law changes to the Executive Budget.[3] The Enacted Budget Financial Plan includes savings and resources in FY 2019 that DOB estimates will be sufficient to fund the negotiated additions, restorations, and tax law changes to the Executive Budget, as well as to fully cover the new costs.

DOB estimates that the Enacted Budget is balanced on a cash basis in the General Fund, as required by law, and limits the expected annual growth in State Operating Funds spending to 2 percent.[4] Enacted Budget Financial Plan projections reflect changes to the Executive Budget proposal made during negotiations, updated data on economic activity and tax receipts, and operating results for FY 2018.

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[2] Budget gaps represent the difference between (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain anticipated service levels and specific commitments, and (b) the expected level of resources to pay for them. The estimates are based on many assumptions and projections developed by the DOB in consultation with State agencies.

[3] Additions represent distinct new spending added to the Executive Budget Financial Plan. Restorations are costs from the rejection of certain savings proposals contained in the Executive Budget Financial Plan.

[4] As State Operating Funds is currently constituted, including changes enacted with the FY 2019 Budget that affect the calculation of annual spending.

The following table summarizes the multi-year impact of the Enacted Budget on General Fund operations. The table begins with the initial "base level" budget gaps (i.e., the gaps projected prior to the submission of the Executive Budget[5]) and ends with the Enacted Budget surplus/(gap) projections.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS
FY 2019 ENACTED BUDGET
GAP-CLOSING PLAN
(millions of dollars)

	FY 2019	FY 2020	FY 2021	FY 2022
INITIAL BUDGET SURPLUS/(GAP) ESTIMATE[1]	**(4,443)**	**(6,385)**	**(8,053)**	**(8,413)**
Spending Changes	**1,951**	**1,010**	**607**	**925**
Local Assistance	1,242	1,479	1,056	1,540
Agency Operations	68	(79)	(146)	(280)
Debt Management/Capital Projects	557	(55)	8	(16)
FY 2018 Payment of FY 2019 Expenses	594	0	0	0
Legislative Initiatives[2]	(510)	(335)	(311)	(319)
Resource Changes	**1,887**	**743**	**279**	**435**
Revenue Actions	**605**	**605**	**221**	**96**
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE[1]	**0**	**(4,027)**	**(6,946)**	**(6,957)**
Adherence to 2% Spending Benchmark[3]	**0**	**3,247**	**5,548**	**6,470**
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AT 2%	**0**	**(780)**	**(1,398)**	**(487)**

1 Before actions to adhere to the 2 percent benchmark.

2 Includes distinct new spending additions to the Executive Budget agreed to during negotiations. Restorations to Executive Budget proposals are reflected in the appropriate "Spending Changes" and "Revenue Actions" categories.

3 Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

The Enacted Budget Financial Plan projects potential General Fund budget gaps of $4.0 billion in FY 2020, $6.9 billion in FY 2021, and $7.0 billion in FY 2022. The outyear gaps are affected by the expiration of the top PIT rate (taxable incomes exceeding $1,077,550 for single filers and more than $2,155,350 for married couples filing jointly) of 8.82 percent at the end of tax year 2019, which is scheduled to drop to 6.85 percent absent legislative action. However, DOB estimates that if future budgets hold spending growth to 2 percent annually in State Operating Funds, the General Fund would have potential budget gaps of $780 million in FY 2020, $1.4 billion in FY 2021, and $487 million in FY 2022. These calculations assume that all savings from the reductions in spending are made available to the General Fund. The spending benchmark is calculated on a cash basis, as described elsewhere in this AIS, and based on the current composition of the State Operating Funds.

5 Projected as of the FY 2018 Mid-Year Update to the Financial Plan, dated November 2017.

Annual Spending Growth

DOB estimates spending in State Operating Funds will grow at 2 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 Results	FY 2019 Enacted	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**65,604**	**66,752**	**1,148**	**1.7%**
School Aid (School Year Basis)	25,639	26,553	914	3.6%
DOH Medicaid[1]	19,143	20,358	1,215	6.3%
Transportation[2]	5,025	3,961	(1,064)	-21.2%
STAR[3]	2,589	2,459	(130)	-5.0%
Social Services	2,837	2,972	135	4.8%
Higher Education	2,833	3,065	232	8.2%
Mental Hygiene	2,350	2,257	(93)	-4.0%
All Other[4]	5,188	5,127	(61)	-1.2%
STATE OPERATIONS/GENERAL STATE CHARGES	**26,674**	**28,001**	**1,327**	**5.0%**
State Operations	**18,821**	**19,459**	**638**	**3.4%**
Personal Service:	13,170	13,542	372	2.8%
Executive Agencies	7,314	7,375	61	0.8%
DOT/DMV Operations Reclassification	0	167	167	0.0%
University Systems	3,806	3,921	115	3.0%
Elected Officials	2,050	2,079	29	1.4%
Non-Personal Service:	5,651	5,917	266	4.7%
Executive Agencies	2,690	2,817	127	4.7%
DOT/DMV Operations Reclassification	0	115	115	0.0%
University Systems	2,377	2,382	5	0.2%
Elected Officials	584	603	19	3.3%
General State Charges	**7,853**	**8,542**	**689**	**8.8%**
Pension Contribution	2,442	2,469	27	1.1%
Health Insurance	3,963	4,286	323	8.2%
Other Fringe Benefits/Fixed Costs	1,448	1,787	339	23.4%
DEBT SERVICE	**5,873**	**5,382**	**(491)**	**-8.4%**
TOTAL STATE OPERATING FUNDS	**98,151**	**100,135**	**1,984**	**2.0%**
Capital Projects (State and Federal Funds)	**10,640**	**14,474**	**3,834**	**36.0%**
Federal Operating Aid	**54,953**	**55,673**	**720**	**1.3%**
TOTAL ALL GOVERNMENTAL FUNDS	**163,744**	**170,282**	**6,538**	**4.0%**

[1] 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 2019 amount does not include the MTA PMT because the Enacted Budget provides that the PMT will be remitted to MTA without an appropriation beginning in FY 2019.

[3] The FY 2018 Enacted Budget converted the New York City Personal Income Tax (PIT) rate reduction benefit to a nonrefundable State PIT credit. This change has no impact on STAR benefits received by homeowners; it will decrease reported disbursements for STAR and decrease reported PIT receipts by an identical amount. See "STAR Program" in "State Financial Plan Projections Fiscal Years 2018 Through 2022" herein.

[4] "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 $26.5 billion in FY 2019, an increase of $1 billion 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 ($435 million in FY 2019) and therefore reduces reported disbursements. Lastly, it includes spending for public health, other education, local government assistance, parks, environment, economic development, and public safety, as well as reclassifications.

Impact of Federal Tax Law Changes

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.

The State's income tax system interacts with the Federal system in numerous ways. The changes to the Federal tax code will have significant flow-through effects on state tax burdens and state tax receipts. From the standpoint of individual New York State taxpayers, one of the most onerous provisions in the TCJA is a new $10,000 limit on the deductibility of State and Local Tax (SALT) payments, effective for tax year 2018. The TCJA's SALT limit represents a large increase in the State's effective tax rate relative to historical experience, and may adversely affect New York's economic competitiveness.

DOB and the Department of Taxation and Finance (DTF) estimate that the SALT limit raises Federal tax liability for New York taxpayers by $14.3 billion for tax year 2018, relative to what taxpayers would have paid absent the limitation. Over the course of the eight years the SALT limit is scheduled to be in effect, the State estimates that resident taxpayers who itemize at the Federal level for each year through 2025 will collectively pay an additional $121 billion in Federal taxes relative to what they would have paid absent the SALT limit.

Moreover, the TCJA contains numerous provisions that may adversely affect residential real estate prices in New York State and elsewhere, of which the SALT limit is the most significant. A loss of wealth associated with a decline in home prices could have a statistically significant impact on household spending in the State through the wealth effect, whereby consumers perceive the rise and fall of the value of an asset, such as a home, as a corresponding increase or decline in income, causing them to alter their spending practices. Reductions in household spending by New York residents, if they were to occur, would be expected to result in lower sales for the State's businesses, which, in turn, would cause further reductions in economic activity and employment. Lastly, falling home prices could result in homeowners delaying the sale of their homes. The combined impact of lower home prices and fewer sales transactions could result in lower real estate transfer tax collections.

In sum, the Federal tax law changes may intensify migration pressures and erode the value of home prices, thereby posing risks to the State's tax base.

State Response to Federal Tax Law Changes

The Enacted Budget includes State tax reforms intended to mitigate issues arising from the Federal law, including decoupling many State tax provisions from the Federal changes, the creation of an optional payroll tax program, and the establishment of a new State charitable giving vehicle, all of which are described below. The State is evaluating other tax law changes in response to the TCJA, including the feasibility of an unincorporated business tax.

In addition, the State, Connecticut, Maryland, and New Jersey (the "Plaintiff States") intend to file a lawsuit seeking declaratory and injunctive relief to invalidate the SALT limit. The Plaintiff states are expected to contend that the new limits on SALT deductibility violate the intent of the Sixteenth Amendment to the United States Constitution and subsequent Congressional enactments, as well as state sovereignty, guaranteed by the Tenth Amendment of the United States Constitution.

Decoupling From Federal Tax Code

The State tax code is closely aligned in many respects with the Federal tax code. The Enacted Budget includes legislation that decouples the State tax code from the Federal tax code, where appropriate, to minimize roughly $1 billion in State tax increases that would otherwise have been the result of the Federal tax changes. Those decoupled Federal changes, which would have affected the General Fund budget gaps projected in FY 2020 and beyond, include:

- **Federal Limit on SALT.** The TCJA capped the itemized deduction for SALT at $10,000. The State tax code is updated to decouple from this limit, preventing a State tax increase from the linkage of this Federal limit to State income tax returns.

- **Federal Changes and Eliminations to Certain Deductions.** The State decoupled from new Federal limits on other deductions.

- **Temporary Federal Medical Expense Deduction Increase.** Federal changes impose a two-year increase in the itemized medical expense deduction, thereby lowering taxpayer liability. The State has not changed its tax code.

- **Child Tax Credit.** Federal law changes the value of, and eligibility for, the child tax credit. The Empire State Child Tax Credit program will remain unchanged.

- **New York Single Filer Standard Deduction.** The Federal repeal of personal exemptions would have eliminated the ability of New York single-filer taxpayers to claim the standard deduction on their State tax returns. The Enacted Budget includes legislation to address this issue. Absent this legislation, New York State taxpayers would have been subject to an annual State tax increase of $840 million, beginning in FY 2020.

Employer Compensation Expense Program (ECEP)

Under legislation approved with the Enacted Budget, employers may opt in to a new ECEP, which is intended to mitigate the tax burden for employees affected by the SALT limit. While the TCJA limits deductibility for individuals, it does not cap deductibility for ordinary and necessary business expenses paid or incurred by employers in carrying on a trade or business.

Employers that elect to participate in the ECEP program would be subject to a 5 percent State tax on all annual payroll expenses in excess of $40,000 per employee, phased in over three years beginning on January 1, 2019 as follows: 1.5 percent in tax year 2019, 3 percent in 2020, and 5 percent in 2021. Employers must elect to participate in the ECEP for the upcoming tax year by December 1 of the preceding calendar year, with the first annual election due by December 1, 2018 for the tax year beginning on January 1, 2019.

The ECEP is intended to be revenue neutral, with any decrease in New York State PIT receipts expected to be offset by a comparable increase in ECEP revenue. Remittance of ECEP revenue to the State is expected to occur on the same schedule as PIT withholdings, with remittances starting in the fourth quarter of FY 2019. A new State PIT credit will be available to employees whose wages are subject to the tax; any decrease in New York State PIT receipts is expected to be offset by a comparable increase in ECEP revenue because the formula used to calculate the State PIT credit corresponds in value to the ECEP.

DOB expects to include information on actual ECEP participation by the third quarterly update to the Financial Plan, as information on employer elections becomes available.

State Charitable Gifts Trust Fund

The Enacted Budget authorizes the creation of a new State Charitable Gifts Trust Fund, which will accept gifts, starting in tax year 2018, for the purposes of improving health care and education in New York State. Taxpayers who itemize deductions may claim these charitable gifts as deductions on their Federal and State income tax returns. Any taxpayer making a donation may also claim a State tax credit equal to 85 percent of the donation amount for the tax year after the donation is made. State PIT receipts will be reduced by the State tax deduction and 85 percent tax credit.[6] Amounts on deposit in the Charitable Gifts Trust Fund at the close of 2018 are expected to be appropriated for authorized purposes in the FY 2020 Budget.

The Enacted Budget Financial Plan does not include any estimates for charitable gifts. DOB expects to include information on charitable gifts in future Financial Plan updates, once activity on donations can be observed. See the discussion below under "Impact of Tax Law Changes on PIT Revenue Bonds" including stress test projections on such impact, based upon various assumed levels of State taxpayer charitable gift payments under this change in State law.

[6] The Enacted Budget also provides that the SUNY Research Foundation, the CUNY Research Foundation, and Health Research, Inc. may accept up to $10 million each in charitable gifts on an annual basis. State PIT receipts will also be reduced by the State tax deduction and an 85 percent credit for those donations that will be available beginning in tax year 2019.

Impact of Tax Law Changes on PIT Revenue Bonds

To offset the potential reduction in the level of New York State PIT receipts resulting from activity of the ECEP and the State Charitable Gifts Trust Fund, the Enacted Budget amends the State Finance Law provisions creating the Revenue Bond Tax Fund to increase the percentage of New York State PIT receipts required to be deposited upon receipt in the Revenue Bond Tax Fund from 25 percent to 50 percent. In addition, the legislation that created the ECEP requires that 50 percent of ECEP receipts received by the State be deposited to the Revenue Bond Tax Fund. These changes became effective April 1, 2018.

The amendments also increase the amount of all New York State PIT receipts collected from payroll withholding and ECEP receipts that must be deposited in the Revenue Bond Tax Fund in the event that (a) the State Legislature fails to appropriate amounts required to make all debt service payments on State PIT Revenue Bonds or (b) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, debt service payments and other cash requirements under the Financing Agreement have not been made when due on the State PIT Revenue Bonds. Under prior law, New York State PIT receipts from payroll withholding were to be deposited to the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equaled the greater of 25 percent of annual New York State PIT receipts or $6 billion. Under the new law, New York State PIT receipts and ECEP receipts will be deposited to the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 40 percent of the aggregate of annual New York State PIT receipts and ECEP receipts or $12 billion.

Donations to the Charitable Gifts Trust Fund could reduce State PIT receipts by nearly one dollar for every dollar donated. Accordingly, the amount of donations to the State Charitable Gifts Trust Fund is the principal direct risk to the amount of New York State PIT receipts deposited to the Revenue Bond Tax Fund under the tax law changes enacted by the State as part of the Enacted Budget. To address this risk, the State increased the amount of PIT receipts deposited into the Revenue Bond Tax Fund from 25 percent to 50 percent.

DOB and DTF have prepared a calculation of the maximum amount of charitable donations to the State Charitable Gifts Trust Fund that could occur annually under varying assumptions. The calculation of this ceiling is intended as a stress test on State PIT receipts that may flow to the Revenue Bond Tax Fund under different levels of assumed taxpayer participation. It should not, under any circumstances, be viewed either as an estimate or projection of likely donations. The factors that may influence donation activity are complex and include, but are not limited to, possible statements, actions, or interpretive guidance by the Internal Revenue Service (IRS) or other governmental actors relating to the deductibility of such donations; the liquidity position, risk tolerance, and knowledge of individual taxpayers; advice or guidance of tax advisors or other professionals; changes in general economic conditions; adoption of similar trusts in other states; and tax reciprocity agreements among states.

The ceiling on the amount of potential donations is calculated to be in the range of $28 billion annually, on average (2018 through 2022).[7] The calculation of the ceiling assumes that every resident taxpayer who has an incentive to donate will do so, and such donations will be equal to the total value of each resident taxpayer's SALT payments, less the value of the $10,000 Federal SALT deduction limit, up to the value of the taxpayer's total State tax liability. The calculation is dependent on several assumptions concerning the number of itemized filers. It relies on the most recent personal income tax population study file (2015), as trended forward, as well as the impact of the TCJA and State law changes on the number and distribution of itemized and standardized filers. The calculation also assumes that (i) no further changes in Federal tax law occur, and (ii) DOB projections of the level of State taxpayer liability for the forecast period as set forth in the Enacted Budget Financial Plan are materially accurate.

IRS Guidance

On May 23, 2018, the IRS issued Notice 2018-54 (the "IRS Guidance"), which advised that the Department of the Treasury and the IRS intend to propose regulations addressing recent state and local legislative proposals or enactments (such as Charitable Gifts Trust Fund provisions) that are intended to allow taxpayers to make transfers to funds controlled by state or local governments, to characterize such transfers as fully deductible charitable contributions for Federal income tax purposes, and to use the same transfers to satisfy state or local tax liabilities. The IRS Guidance characterized such proposals as "efforts to circumvent the new statutory limitation on state and local tax deductions," and cautioned that "taxpayers should be mindful that Federal law controls the proper characterization of payments for Federal income tax purposes.".

[7] The calculation of maximum potential donations is based on current law, including the scheduled reversion of the top PIT rate to 6.85 percent starting in tax year 2020.

The following table summarizes the calculation of the potential impact of charitable donations on deposits to the Revenue Bond Tax Fund under different scenarios of taxpayer participation.

Potential Effect of Contributions to the State Charitable Gifts Trust Fund on Revenue Bond Tax Fund Receipts
State Fiscal Years 2019 through 2022[3]
(Dollars in Billions)

	FY 2019	FY 2020	FY 2021	FY 2022
Revenue Bond Tax Fund Receipts, Prior Law	$12.6	$13.5	$13.8	$14.4
Revenue Bond Tax Fund Receipts, Current Law	25.2	27.0	27.5	28.7
RBTF Receipts After Charitable Gifts[1,2]				
100% Participation[4]	21.1	14.3	14.6	16.1
75% Participation	22.2	17.5	17.8	19.3
50% Participation	23.2	20.7	21.1	22.4
25% Participation	24.2	23.8	24.3	25.6
10% Participation	24.8	25.7	26.2	27.5

NOTE: The calculation of the maximum amount of donations is intended as a stress test on PIT receipts that may flow to the Revenue Bond Tax Fund under certain conditions. It should not under any circumstances be viewed either as an estimate or projection of likely donations.

1. RBTF Receipts After Charitable Gifts reflects a State income tax deduction for the tax year that the charitable donation is made (assumes an average Personal Income Tax rate of 7% for tax years 2018 and 2019, and 6.3% thereafter), and an 85% State tax credit in the following tax year.

2. *Cap on State income tax deductions.* This table assumes that all charitable gifts are associated with a reduction in PIT receipts equal to a uniform percentage of the dollar value of the charitable gift (7% for tax years 2018 and 2019, and 6.3% thereafter). In practice, the State deduction for charitable giving is capped for high-income filers. Individuals with a State Adjusted Gross Income (AGI) of $1 million or more may claim 50% of their Federal charitable deduction on their State return, while individuals with a State AGI of $10 million or more may claim 25% of their Federal deduction. Under current statute, the 25% cap expires (reverts to 50%) after tax year 2019. Assumptions about the average State income tax rate and the cap on charitable deductions for high-income filers do not have a material impact on conclusions drawn from this model.

3. *Timing assumptions.* The values in this table assume that taxpayers adjust withholdings and estimated payments in anticipation of a decrease in their PIT liability.
The values are based on the assumption that PIT is remitted and collected in real-time as taxable income is earned (rather than as quarterly payments due in April, July, October, and January). This assumption likely overstates the speed and efficiency with which taxpayers could actually adjust PIT remittances. In practice, inefficiencies would likely result in slightly higher receipts to the Revenue Bond Tax Fund than shown in the table. For example, a taxpayer making a charitable gift for the 2019 Tax Year in December 2019 is assumed to have reduced withholdings and estimated payments remitted during Calendar Year 2019 by the expected decrease in liability associated with the income deduction for charitable giving that the taxpayer will claim on his or her 2019 tax return (due in April 2020). This lowers State PIT receipts in the last quarter of FY 2019 and the first three quarters of FY 2020. The taxpayer is then assumed to reduce withholdings and estimated payments remitted during tax Year 2020 by an amount equal to 85% of the charitable gift, in anticipation of the credit the taxpayer will claim on his or her 2020 tax return (due in April 2021). This lowers State PIT receipts in the last quarter of FY 2020 and the first three quarters of FY 2021.
PIT receipts are assumed to flow evenly throughout the Fiscal Year.

4. 100% Participation shows Revenue Bond Tax Fund receipts assuming the maximum level of charitable giving calculated by DOB and DTF. For further illustration of the range of possible outcomes, subsequent rows show Revenue Bond Tax Fund receipts if charitable gifts equal 75%, 50%, 25%, and 10% of the maximum dollar value of charitable giving.

In general, taxpayer behavior is simplified using assumptions that maximize the impact of charitable giving on PIT receipts in each year. After these adjustments and with inclusion of ECEP revenues, receipts to the Revenue Bond Tax Fund are projected to remain above the level of receipts that would have been expected under statute effective prior to enactment of the FY 2019 budget, even in a maximum participation scenario.

The DOB and DTF calculation of the projected ceiling on the amount of donations is necessarily based on many assumptions that may turn out to be inaccurate, or that might change materially over time, or both. While DOB believes that these factors can be expected to constrain donation activity, there can be no assurance that, under conditions of maximum participation, the amount of annual charitable gifts will not reduce the level of PIT receipts deposited into the Revenue Bond Tax Fund below the levels projected in the Enacted Budget Financial Plan. If that were to occur, it is DOB's expectation that changes to the tax law would be recommended to further increase the percentage of PIT receipts deposited into the Revenue Bond Tax Fund.

Accordingly, although the calculation of a maximum amount reflects DOB's and DTF's current best judgment and estimates, such amount may be higher.

Implementation

The State developed the ECEP and Charitable Gifts Trust Fund based on a review of existing laws, regulations, and precedents. However, there can be no assurance that the IRS will allow taxes paid under the ECEP by an electing employer, or donations made by taxpayers to the Charitable Gifts Trust Fund, to be deductible for Federal tax purposes under current law and the TCJA.

The Enacted Budget allows taxpayers to claim reimbursement from the State for interest on underpayments of Federal tax liability for the 2019, 2020 and 2021 tax years if the underpayments arise from reliance on amendments to State tax law enacted in 2018. To receive reimbursement, taxpayers are required to submit their reimbursement claims to DTF within 60 days of making an interest payment to the IRS.

There could be a material expense to the State if taxpayer participation in the ECEP and Charitable Gifts initiatives for the 2019, 2020 and 2021 tax years results in Federal determinations of underpayment of Federal income tax. Any cost to the Enacted Budget Financial Plan from State reimbursement of interest charges would occur in FY 2021 at the earliest, for determinations on 2019 tax payments due in April 2020, or thereafter.

The Enacted Budget Financial Plan does not include any estimate of the magnitude of the possible interest expense to the State, which depends on several factors, including: rates of participation in the ECEP; the magnitude of donations to the State Charitable Gifts Trust Fund; the amount of determinations of underpayment attributable to reliance on other changes in State tax law made in 2018; the amount of time between the due date of the return and the date any Federal determination is issued; the interest rate applied; and the frequency at which taxpayers submit timely reimbursement claims to the State. Interest on unpaid Federal tax generally accrues from the due date of the return until the date of payment in full. Under current Federal law, the interest rate is determined quarterly and is the Federal short-term rate plus 3 percent, compounded daily.

General Fund Cash-Basis Financial Plan

Enacted Budget Financial Plan

The General Fund is affected by two fund reclassifications approved in the Enacted Budget. 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 (GSCs) budget.

- **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 is intended to align operating and capital functions with their revenue sources.

The reclassifications affect the comparability of FY 2018 results to FY 2019 estimates. In addition, General Fund receipts and disbursements continue to be affected by the receipt and use of Extraordinary Monetary Settlements. The following table adjusts for the impact of the reclassifications and Extraordinary Monetary Settlements. Unless otherwise noted, the discussions of receipts and disbursements that follow the table exclude (a) the receipts and use of Extraordinary Monetary Settlements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that take effect in FY 2019. See "State Financial Plan Projections Fiscal Years 2018 Through 2022 - Financial Plan Tables" herein for the unadjusted plan.

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2018 Results	FY 2019 Adjusted	MH Reclass	DOT/DMV Reclass	FY 2019 Enacted	Adjusted Annual Change: Dollar	Adjusted Annual Change: Percent
Opening Fund Balance (Excluding Extraordinary Monetary Settlements)	2,414	4,425	0	0	4,425	2,011	83.3%
Total Receipts	70,642	71,536	986	30	72,552	894	1.3%
Taxes	67,370	67,695	0	0	67,695	325	0.5%
Miscellaneous Receipts/Federal Grants [1]	2,351	2,155	(166)	30	2,019	(196)	-8.3%
Transfers from Other Funds	921	1,686	1,152	0	2,838	765	83.1%
Total Disbursements	69,323	73,853	986	30	74,869	4,530	6.5%
Local Assistance	46,072	49,353	1,710	0	51,063	3,281	7.1%
State Operations	13,800	14,835	4,075	388	19,298	1,035	7.5%
Transfers to Other Funds [2]	9,451	9,665	(4,799)	(358)	4,508	214	2.3%
Net Change in Operations	1,319	(2,317)	0	0	(2,317)	(3,636)	-275.7%
General Fund Use of Extraordinary Monetary Settlements[3]	692	383			383	(309)	-
Closing Fund Balance (Excluding Extraordinary Monetary Settlements) [2]	4,425	2,491	0	0	2,491	(1,934)	-43.7%
Extraordinary Monetary Settlements							
Opening Balance	5,335	5,020			5,020	(315)	-5.9%
New Settlements Received[4]	805	183			183	(622)	-77.3%
Transfers/Uses	(1,120)	(2,190)			(2,190)	(1,070)	-95.5%
Closing Balance (Extraordinary Monetary Settlements)	5,020	3,013			3,013	(2,007)	-40.0%
Closing Fund Balance (Including Extraordinary Monetary Settlements)	9,445	5,504			5,504	(3,941)	-41.7%

1 Excludes the Extraordinary Monetary Settlements received by the General Fund, except those amounts retained by the Department of Law in other funds to support operational costs.

2 Excludes the use of Extraordinary Monetary Settlements to support transfers from the General Fund to other funds (e.g., Dedicated Infrastructure Investment Fund).

3 FY 2018: $461 million for operations, $76 million for an unbudgeted litigation payment, and $155 million set aside to fund potential retroactive salary increases. FY 2019: $383 million expected to be used for operations.

4 Includes the gross value of all settlements received by the State, including funds retained by the Department of Law in other funds to support operational costs.

Receipts[8]

General Fund receipts, including transfers from other funds, are projected to total $71.5 billion in FY 2019, an increase of $894 million (1.3 percent) from FY 2018 results. The annual change is impacted by the shift of an estimated $1.9 billion of receipts from FY 2019 into FY 2018 due to Federal Tax Cuts and Jobs Act (TCJA) and the payment of approximately $500 million in additional personal income tax refunds in the last quarter of FY 2018. Excluding these shifts, the total receipts increase is $4.2 billion or 6.1 percent.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to total $46.5 billion, an annual decrease of $486 million. Excluding the shifts described above, the underlying PIT growth of roughly 6.2 percent is consistent with forecasted economic growth and revisions based on April preliminary results.

General Fund consumption/use tax receipts, including transfers after payment of debt service on Local Government Assistance Corporation (LGAC) and Sales Tax Revenue Bonds, are estimated to total $13.6 billion, an annual increase of $322 million (2.4 percent). This reflects projected growth in disposable income and taxable consumption.

General Fund business tax receipts are estimated at $5.6 billion, an increase of $710 million (14.4 percent). This growth is due to projected increases in corporate profits and new for-profit insurance providers subject to a premium insurance tax.

Other tax receipts to the General Fund are expected to total $2.0 billion including transfers after payment of debt service on Clean Water/Clean Air bonds, a decrease of $221 million (9.7 percent), reflecting a return to an average number of estate tax payments exceeding $25 million.

Non-tax receipts are estimated at $3.8 billion, an increase of $569 million. The growth is mainly due to the expected transfer of resources from the Health Transformation Fund.

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.

[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 take effect in FY 2019.

Disbursements[9]

General Fund disbursements, including transfers to other funds, are expected to total $73.9 billion in FY 2019, an annual increase of $4.5 billion (6.5 percent).

Local assistance grants are expected to total $49.4 billion in FY 2019, an annual increase of $3.3 billion (7.1 percent). The largest increases include $1.1 billion for School Aid (on a State fiscal year basis) and $934 million for Medicaid.

General Fund disbursements for agency operations, including fringe benefits and fixed costs, are expected to total $14.8 billion, an annual increase of $1.0 billion (7.5 percent). Personal and non-personal service costs increase $580 million from FY 2018, reflecting increased personal service costs driven by labor agreements. Fringe benefit costs associated with State employees, including retiree health insurance costs, are expected to increase by $455 million (8.2 percent), mainly due to negotiated rate increases reflecting medical cost inflation and current enrollment levels. The State's costs for Workers' Compensation are expected to increase by $170 million, due to underlying growth in the average weekly wage benefit and medical costs ($65 million), as well as a reduction in other resources available to offset costs ($105 million).

General Fund transfers to other funds are estimated to total $9.7 billion, an increase of $214 million. The increase is mainly due to transfers for capital projects (excluding transfers funded with Extraordinary Monetary Settlements), reflecting the timing of General Fund capital reimbursements from bond proceeds.

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.

[9] The reported activity by Financial Plan category excludes the impacts of (a) Extraordinary Monetary Settlements on receipts and disbursements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that 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 $5.5 billion, a decrease of $3.9 billion from FY 2018. The General Fund closing balance, excluding Extraordinary Monetary Settlements, is estimated at $2.5 billion, or $1.9 billion lower than the closing balance at the end of FY 2018. The change is due almost entirely to the expected use of the $1.9 billion in cash received in FY 2018 attributed to the acceleration of tax payments in response to the Federal law changes limiting the SALT deductibility.

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 Enacted Budget Financial Plan continues to maintain a reserve of $500 million for debt management purposes. DOB will decide on the use of these funds based on market conditions, Financial Plan needs, and other factors.

The balance from Extraordinary Monetary Settlements is expected to total $3.0 billion at the close of FY 2019, a decrease of $2.0 billion from FY 2018. The anticipated decrease reflects the use of Extraordinary Monetary Settlements to fund activities appropriated from other funds ($1.5 billion); the MTA Subway Action Plan ($194 million); and general operations ($383 million), partly offset by the receipt of settlement payments ($183 million less $75 million retained by the Department of Law in other funds).

DOB expects the State will have sufficient liquidity in FY 2019 to make all planned payments as they become due. The State continues to reserve General Fund resources on a quarterly basis for debt service payments. 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 Results	FY 2019 Enacted	Annual Change
TOTAL GENERAL FUND BALANCE	**9,445**	**5,504**	**(3,941)**
General Fund (Excl. Extraordinary Monetary Settlements)	**4,425**	**2,491**	**(1,934)**
Statutory Reserves:			
"Rainy Day" Reserves	1,798	1,798	0
Community Projects	46	17	(29)
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	**5,020**	**3,013**	**(2,007)**

FY 2019 Detailed General Fund Gap-Closing Plan

The following table begins with the initial “base line” budget gaps (i.e., the gaps projected prior to the submission of Executive Budget[10]) and ends with the Enacted Budget surplus/(gap) projections.

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

	FY 2019	FY 2020	FY 2021	FY 2022
INITIAL BUDGET SURPLUS/(GAP) ESTIMATE[1]	**(4,443)**	**(6,385)**	**(8,053)**	**(8,413)**
SPENDING CHANGES	**2,461**	**1,345**	**918**	**1,244**
Local Assistance	**1,242**	**1,479**	**1,056**	**1,540**
Education	439	727	897	990
Health Care:	496	243	44	5
Global Cap	425	425	425	425
Minimum Wage	(125)	(184)	(229)	(300)
Other Health Care	196	2	(152)	(120)
Mental Hygiene	181	106	(18)	(137)
Human Services	132	150	208	205
STAR	60	35	(17)	415
MTA Subway Action Plan	(194)	0	0	0
All Other	128	218	(58)	62
Agency Operations	**68**	**(79)**	**(146)**	**(280)**
Executive Agencies	39	(108)	(174)	(316)
University Systems	81	77	80	93
Elected Officials	(52)	(48)	(52)	(57)
Debt Management/Capital	**557**	**(55)**	**8**	**(16)**
Prepayment of FY 2019 Debt Service Expenses	**594**	**0**	**0**	**0**
LEGISLATIVE ADDITIONS[2]	**(510)**	**(335)**	**(311)**	**(319)**
School Aid	(152)	(220)	(226)	(233)
Education/Higher Education	(142)	(103)	(78)	(78)
Human Services	(75)	0	0	0
Health Care	(40)	0	0	0
All Other	(101)	(12)	(7)	(8)
RESOURCE CHANGES	**1,887**	**743**	**279**	**435**
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:	**1,887**	**743**	**279**	**435**
Tax Receipts Revisions	1,025	734	243	265
Extraordinary Monetary Settlements - Operations	383	0	0	0
Extraordinary Monetary Settlements - MTA Subway Action Plan	194	0	0	0
Other Resource Changes	285	9	36	170
REVENUE ACTIONS	**605**	**605**	**221**	**96**
Contributions for Health Care Transformation	500	500	154	118
Opioid Stewardship and Prevention Fund	100	100	100	100
All Other Revenue Actions	5	5	(33)	(122)
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE[1]	**0**	**(4,027)**	**(6,946)**	**(6,957)**
ADHERENCE TO 2% SPENDING BENCHMARK[3]	**0**	**3,247**	**5,548**	**6,470**
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AT 2%	**0**	**(780)**	**(1,398)**	**(487)**

1 Before actions to adhere to the 2 percent benchmark.

2 Includes distinct new spending additions to the Executive Budget agreed to during negotiations. Restorations to Executive Budget proposals are reflected in the appropriate "Spending Changes" and "Revenue Actions" categories.

3 Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation 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 gap would be higher (or the projected surplus lower).

[10] Projected as of the FY 2018 Mid-Year Update, November 2017.

Spending Changes

The Enacted Budget Financial Plan reflects a reduction to General Fund spending in FY 2019 by $2.5 billion, net of new initiatives and costs, compared to the FY 2019 baseline estimate.[11] The reductions include reestimates to spending based on updated information, specific cost-containment proposals, and prepayment of FY 2019 expenses 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 baseline estimate of local assistance spending are expected to generate nearly $1.2 billion in General Fund savings. Savings are expected from both targeted actions and continuation of prior-year cost containment.

- **Education.** The Enacted Budget Financial Plan includes $26.6 billion in School Aid for SY 2019, an increase of $914 million (3.6 percent) over SY 2018. The final gap-closing plan displays this in two parts, (i) as savings compared to the baseline estimate ("spending changes") and (ii) as a legislative addition. The savings compared to the baseline estimate are due mainly to the impact of the Personal Income Growth Index (PIGI).[12] The remaining savings compared to the baseline estimate reflect the impact of School Aid database updates for expense-based aids, slower than anticipated grant-based awards, and one-time audit recoveries for the preschool special education program.

- **Health Care.** Medicaid spending under the Global Cap[13] is expected to total $18.9 billion in FY 2019, an increase of $593 million, consistent with the statutory index of 3.2 percent. Total Medicaid spending, including spending outside the Global Cap, is expected to increase to $20.4 billion in FY 2019. In addition, the State continues to provide capital funding to support health care delivery. The Enacted Budget Financial Plan includes $525 million in new capital spending, which is expected to be funded with bonds ($400 million) and Extraordinary Monetary Settlements ($125 million). The Enacted Budget Financial Plan includes savings from an additional $425 million for non-Department of Health (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 Medicaid Redesign Team (MRT) actions to improve the efficiency and effective delivery of the statewide Medicaid program.

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[11] Projected as of the FY 2018 Mid-Year Update to the Financial Plan, November 2017.

[12] For SY 2019, the PIGI is 1.5 percent. If School Aid growth had been limited to the PIGI, it would have resulted in savings of $431 million compared to the baseline estimate, which represented 3.9 percent growth. The Executive Budget proposed a reduced annual increase, from 3.9 percent to 3 percent, which resulted in savings of $232 million.

[13] 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.

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 home and personal long-term care. The Enacted Budget Financial Plan reflects increases in Medicaid spending of $125 million in FY 2019, growing to $300 million by FY 2022. The Enacted Budget funding for minimum wage increases for health care workers who provide services that are reimbursed by Medicaid is expected to total $703 million in FY 2019.

Other health care savings include modifications to certain pharmacy benefit programs and elimination of Cost of Living Adjustment (COLA) payments for certain human service providers. The Enacted Budget Financial Plan also includes savings from the one-time recoupment of ineligible claims paid during program years 2015 and 2016.

- **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.

- **Human Services.** Savings reflect, among other things, expiration of State reimbursements to New York City for the Close to Home initiative, and reestimates in other programs. Funding has been increased for higher projected public assistance caseload costs and to return child care subsidy funding to $806 million.

- **STAR.** The Enacted Budget includes legislation that mandates enrollment of STAR benefit recipients in the Income Verification Program.

- **Subway Action Plan.** The Enacted Budget includes legislation dedicating $836 million to the MTA's NYC Subway Action Plan, which is addressing system failures, breakdowns, delays and deteriorating customer service. These investments will position the system for further modernization. The plan will provide $508 million for operating purposes and $328 million for capital purposes. The State and the City will each fund 50 percent of the plan ($418 million). The State is expected to make payments monthly from April through December 2018, while the City is scheduled to contribute its share from July through December 2018.

  If the City does not fulfill the monthly funding requirement, the Enacted Budget contains legislation that allows the Budget Director to direct the State Comptroller to reduce State aid payments to the City or intercept City revenues to the extent necessary to fulfill the City's $418 million obligation. These funds would be redirected to a new Subway Assistance Fund and would be paid directly from that Fund to the MTA for use in executing the Subway Action Plan.

- **All Other.** Revisions include savings from the elimination of the planned FY 2019 1.9 percent human services cost-of-living increase; updated spending projections across various program areas, including 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 reflect expected payment of matching funds to local governments that achieve savings consistent with County-Wide Shared Services Property Tax Savings Plans.

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies and utilities). Reductions from baseline projections for agency operations contribute $68 million to the General Fund gap-closing plan.

- **Executive Agencies.** 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. New costs that may occur during the year, including costs for labor settlements, are expected to be managed within the cash ceilings contained in the Enacted Budget Financial Plan. Growth in agency operations is concentrated in DOH, for costs of the New York State of Health (NYSOH) marketplace and the Essential Plan (EP) program, and in the Office of Children and Family Services (OCFS), for the Raise the Age initiative.

  Spending increases in later years of the Financial Plan are for inflationary cost increases, an additional administrative payroll in FY 2021, and higher Medicaid administration expenses to support the NYSOH marketplace, as available Federal funding is assumed to expire.

  Pension estimates reflect the payment of the full FY 2019 Employees' Retirement System/Police and Fire Retirement System (ERS/PFRS) pension bill in April 2018, including repayment of amortized amounts due in FY 2019, rather than making monthly payments as previously assumed.

- **University Systems.** Savings reflect a decrease in General Fund support for SUNY hospitals, which is expected to be offset by other resources available to SUNY.

- **Elected Officials.** Increases for the Judiciary include retroactive payments pursuant to collective bargaining agreements and expected increases for legal representation in Family Courts resulting from Raise the Age legislation and the Attorney for the Child program. The Legislature also provides increases for personal service costs and equipment.

Debt Management/Capital Projects

The Enacted Budget Financial Plan reflects FY 2019 debt service savings from the payment of $594 million of FY 2019 expenses in FY 2018, as well as expected refundings, continued use of competitive bond sales, and other debt management actions. Additionally, 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 in FY 2019.

Legislative Additions

- **School Aid.** The Enacted Budget Financial Plan increases the School Year (SY) 2019 School Aid by $914 million (3.6 percent), including $618 million in Foundation Aid, bringing the new School Aid school year total to $26.6 billion. The Enacted Budget added $281 million in Foundation Aid funding for School Aid above the Executive Budget (a net increase of $152 million on a State fiscal year basis). Total education aid, including reimbursement for charter school supplemental tuition and facilities aid, is projected at $26.7 billion, an increase of nearly $1 billion (3.9 percent) from SY 2018.

- **Education/Higher Education.** The Enacted Budget Financial Plan provides additional funding for charter schools, operating aid increases for community colleges, and various other targeted funding.

- **Human Services.** The Enacted Budget Financial Plan adds funding for several program areas supporting children, families, and communities. During the negotiation process, the Legislature added funding for eligible families with child care costs; and services for sexually exploited children, disabled New Yorkers, job seekers and worker training.

- **All Other.** The Enacted Budget Financial Plan provides additional funding for various purposes agreed to during budget negotiations, including mental health services in schools and legal services for domestic violence victims.

Resource Changes

- **Taxpayer Acceleration of FY 2019 PIT Payments into FY 2018.** The State received an estimated $1.9 billion in accelerated PIT payments at the end of calendar year 2017 as taxpayers responded to Federal tax law changes, that limit SALT deductibility, by pre-paying personal income taxes. The increase in FY 2018 cash balance that DOB attributes to the acceleration of PIT receipts is expected to be used to offset a corresponding reduction of PIT receipts in FY 2019.

- **Tax Receipts Revisions.** The Enacted Budget Financial Plan reflects revisions to tax receipts across most tax categories, reflecting the updated economic and revenue forecast, which includes decoupling the State's tax law from certain Federal tax provisions impacted by the TCJA, including certain deductions; the temporary medical expense deduction increase; child tax credit changes; and the single filer standard deduction.

- **Use of Extraordinary Monetary Settlements.** The Enacted Budget Financial Plan reflects the expectation that the State will use $194 million to help fund the State's share of the MTA Subway Action Plan and $383 million for General Fund operating purposes.

- **Other Resource Changes.** These include updated estimates of various miscellaneous receipts and transfers of available resources from other funds, including Federal Emergency Management Agency (FEMA) reimbursements expected in FY 2019.

Revenue Actions

- **Contributions for Health Care Transformation Efforts.** Pursuant to the September 2017 asset purchase agreement between Centene Corporation and New York State Catholic Health Plan, Inc., d/b/a Fidelis Care New York ("Fidelis Care") (collectively the "Parties"), Centene Corporation will, subject to approvals from DFS, OAG and DOH, among others, purchase substantially all of Fidelis Care's assets for approximately $3.75 billion (the "Transaction"). To offset the State's costs associated with health care transformation efforts and consistent with prior similar asset transfers in the State, the Parties have agreed to make $2 billion in payments to the State through a combination of direct payments and increased tax obligations resulting from the Transaction over the course of a five-year period commencing with the closing of the Transaction ("Transaction Payments"). The State intends to use the Transaction Payments exclusively for the purposes of (a) enhancing access to affordable quality healthcare related services for the poor, disabled, disadvantaged, elderly and/or under-served people of the State, and/or (b) to assist such populations with any unmet healthcare and healthcare-related needs including, but not limited to, those associated with the social determinants of health.

- **Opioid Stewardship and Prevention Fund.** The Enacted Budget includes authorization for a new fund to support ongoing prevention, treatment, and recovery services that will be funded by payments from manufacturers and distributors of opioids.

- **Other Actions.** The Enacted Budget includes other tax credits/extensions and enforcement initiatives. These include a two-year extension of the Hire a Vet Tax Credit through calendar year 2020; an extension for the Musical and Theatrical Production Tax Credit for four additional years; and the extension of the Historic Properties Tax Credit through 2024.

Changes to Executive Budget

The table below summarizes all the changes to the Executive Budget General Fund Financial Plan.

CHANGES TO THE EXECUTIVE BUDGET FINANCIAL PLAN GENERAL FUND (millions of dollars)	FY 2019	FY 2020	FY 2021	FY 2022
TOTAL NEGOTIATED CHANGES TO EXECUTIVE BUDGET	**(1,124)**	**(1,551)**	**(1,875)**	**(2,027)**
SPENDING RESTORATIONS/ADDITIONS	**(694)**	**(753)**	**(821)**	**(898)**
New Spending Adds:	(510)	(335)	(311)	(319)
School Aid - Foundation Aid Increase (SFY Basis)	(152)	(220)	(226)	(233)
Other Education Aid	(81)	(71)	(52)	(52)
Higher Education	(61)	(32)	(26)	(26)
Human Services	(75)	0	0	0
Health Care	(40)	0	0	0
All Other	(101)	(12)	(7)	(8)
Restorations/Modifications:	(184)	(418)	(510)	(579)
STAR Exemption Cap	(49)	(94)	(141)	(185)
Special Education Reimbursement Methodology	(34)	(61)	(67)	(67)
Bundy Aid Reduction	(25)	(35)	(35)	(35)
Child Welfare Reimbursement Cap	(17)	(17)	(17)	(17)
Retiree Health Insurance	(3)	(13)	(24)	(39)
Public Health Program Consolidations	(9)	(9)	(9)	(9)
Interest on Court of Claims Judgments	(6)	(6)	(6)	(6)
Elimination of NYC Charter Supplemental Tuition	0	(121)	(131)	(140)
Other Restorations/Modifications	(41)	(62)	(80)	(81)
TAX LAW/REVENUE CHANGES	**(430)**	**(798)**	**(1,054)**	**(1,129)**
Not Accepted:	(402)	(726)	(649)	(615)
Healthcare Insurance Windfall Profit Fee	(140)	(140)	(140)	(140)
ESCO Sales Tax Exemption Discontinuation	(90)	(120)	(120)	(120)
Business-Related Tax Credit Claims Deferral	(82)	(278)	(199)	(164)
Internet Fairness Conformity Tax	(75)	(150)	(150)	(150)
Cigar Tax Enforcement	(12)	(23)	(23)	(23)
All Other Revenue Actions	(3)	(15)	(17)	(18)
Modified/New:	(28)	(72)	(405)	(514)
Contributions for Health Care Transformation	0	0	(346)	(382)
Opioid Stewardship and Prevention Fund	(27)	(71)	(54)	(38)
Extend/Decouple Historic Tax Credit	0	0	0	(89)
Extend Theater Production Tax Credit	0	0	(4)	(4)
All Other	(1)	(1)	(1)	(1)
NEW INITIATIVES/COSTS	**(111)**	**(49)**	**(49)**	**(49)**
DOT Snow & Ice Costs	(29)	0	0	0
February School Aid Database Update	(28)	0	0	0
Human Services Minimum Wage	(15)	(15)	(15)	(15)
Western NY Children's Psychiatric Center Continued Operation	(6)	(16)	(16)	(16)
Housing Preservation	(6)	0	0	0
Legal Services	(5)	0	0	0
All Other	(22)	(18)	(18)	(18)
SPENDING OFFSETS	**346**	**399**	**(5)**	**38**
FY 2018 Prepayments	254	0	0	0
MSA Payments	106	0	0	0
Local Assistance	(51)	361	(43)	0
Fringe Benefits/Fixed Cost	37	38	38	38
RESOURCES	**889**	**645**	**172**	**193**
Tax Receipts Revisions	965	714	224	246
Transfers/Risk Reserves/Other Resources	(76)	(69)	(52)	(53)
NET SAVINGS/(COSTS)[1]	**0**	**(556)**	**(1,757)**	**(1,845)**

[1] Before projected savings achieved by limiting future annual growth to 2 percent.

New Costs

During budget negotiations, the Governor and Legislature agreed to $1.1 billion of new costs for General Fund additions, spending restorations, and tax law changes to the Executive Budget proposal. The Enacted Budget added $281 million in Foundation Aid funding for School Aid above the Executive Budget (a net increase of $152 million on a State fiscal year basis), bringing the annual Foundation Aid increase to $618 million. In addition, growth in expense-based and other school aid funding brings the total increase for SY 2019 to approximately $914 million (3.6 percent). Other spending additions of $358 million were approved to fund a range of purposes, including education, higher education, and human services. Executive Budget cost containment proposals that were not approved added $184 million in costs in FY 2019. Lastly, several tax and revenue proposals were not approved or were modified in a manner that will yield less revenue than proposed, adding $430 million in costs in FY 2019.

The Enacted Budget Financial Plan includes $111 million in additional FY 2019 costs for the removal of snow and ice, updated School Aid data, and funding to allow the Western New York Children's Psychiatric Center to remain open, as well as other targeted investments and additions.

Spending Offsets and Resources

The Enacted Budget Financial Plan includes savings and resources in FY 2019 that DOB estimates will be sufficient both to fund the negotiated additions and restorations to the Executive Budget, and to fully cover the new costs described above. Spending offsets (as compared to the Executive Budget) include the payment of FY 2019 expenses in FY 2018 beyond the level assumed in the Executive Budget Financial Plan ($254 million); use of available Master Settlement Agreement (MSA) payments received in, but not used in, FY 2018; and other spending revisions reflecting a review of FY 2018 operating results and the cautious estimation of General Fund expenses. In addition, upward revisions to tax receipts based on DOB's review of March and April 2018 tax collections provide roughly $1.4 billion in resources in FY 2019, which include the accelerated payment of refunds in March 2018. DOB plans to accelerate refunds again in March 2019, which has the effect of moving $500 million in resources to FY 2020.

State Operating Funds -- Summary of Annual Spending Change

A significant amount of spending that occurs in State Operating Funds is supported with resources generated in exchange for services provided by State entities. Examples include SUNY operations that are funded with tuition, patient and fee revenue, and regulatory activities by the Workers' Compensation Board (WCB) and DFS that are funded with industry assessments. In addition, other spending is supported with revenues that are used exclusively, or nearly exclusively, for dedicated purposes, such as the various taxes collected and disbursed to the MTA and other transit systems from the Metropolitan Mass Transportation Fund and public transportation funds. These "own-source" revenues contribute more than $400 million in spending growth from FY 2018 to FY 2019. These activities have no direct bearing on the State's ability to maintain a balanced budget in the General Fund.

In addition, spending growth in recent years reflects the State's effort to address long-standing public policy issues. For example, in FY 2015, the State absorbed the full cost of growth in Medicaid on behalf of local governments. Secondly, in FY 2017, the State enacted a law that provides for predictable increases in the minimum wage. In FY 2019, State Operating Funds spending increases by over $900 million, reflecting the incremental cost of the local Medicaid growth takeover, and nearly $800 million for the direct cost of the minimum wage increase on health care providers.

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 $26.6 billion, an increase of $914 million (3.6 percent), including a $618 million increase in Foundation Aid.[14] Medicaid spending subject to the Global Cap will grow at the indexed rate of 3.2 percent to $18.9 billion. In total, Medicaid spending that is funded from State resources will increase to $20.4 billion, the takeover of local Medicaid growth costs ($182 million growth), the cost of minimum wage ($448 million growth), and other spending outside the Global Cap.

In FY 2018, bonds secured by annual payments from tobacco manufactures under the MSA were retired, with no remaining debt service requirements to be paid on these bonds. Thus, DOB expects payments under the MSA of approximately $435 million to be available in FY 2019 (including $103 million from FY 2018) and additional payments to be available in subsequent years. Legislation included in the FY 2018 Enacted Budget 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 to be deposited directly to the Medicaid Management Information System (MMIS) Escrow Fund. The deposit mechanism has no impact on overall

[14] Total education aid, including reimbursement for charter school supplemental tuition and facilities aid, is projected at $26.7 billion, an increase of nearly $1 billion (3.9 percent) from School Year (SY) 2018.

Medicaid spending funded with State resources, but does decrease by $435 million reported State-supported Medicaid spending accounted for in FY 2019 State Operating Funds.

The Enacted Budget includes legislation dedicating $836 million to the MTA's NYC Subway Action Plan. The Plan will provide $508 million for operating purposes and $328 million for capital purposes. The State and the City will each fund 50 percent of the Plan ($418 million). The State will provide $194 million from Extraordinary Monetary Settlements and $60 million in accelerated PMT pass-through resources, which constitute the State's operating obligation consistent with the MTA's NYC Subway Action Plan to address system failures, breakdowns, delays and deteriorating customer service.

The PMT will no longer be appropriated annually by the State Legislature. Previously, the State collected the PMT on behalf of, and disbursed the entire amount to, the MTA. The Enacted Budget amended the enabling statute to no longer require the PMT to be appropriated annually by the State Legislature but instead paid directly to MTA from a sole custody fund. In addition, PMT receipts will be received by the MTA without delays or uncertainty related to the appropriation process. Consistent with this statutory change, the Enacted Budget Financial Plan does not include PMT receipts and related local assistance disbursements. In FY 2019, the PMT receipts and disbursements that have been excluded are estimated at approximately $1.5 billion and $1.4 billion, respectively.

STAR spending in FY 2018 and FY 2019 is affected by the conversion of STAR benefits to State PIT credits. The conversion of STAR benefits to PIT credits has no impact on the value of the STAR benefits received by taxpayers. It does, however, decrease the level of reported PIT receipts and reported disbursements for STAR on a State Operating Funds basis by an identical amount (estimated at $778 million in FY 2018 and $862 million in FY 2019.)

Higher Education spending growth is due mainly to the second phase of the Excelsior Free Tuition Program and increased funding for other scholarships, which provide financial aid to approximately 400,000 students.

Local assistance spending reported in the Enacted Budget Financial Plan is affected by the accounting treatment of State payments to the Sales Tax Asset Receivable Corporation (STARC). Pursuant to legislation enacted in FY 2017, New York City is remitting savings to the State from a 2014 refunding of STARC bonds, which are supported solely by the annual payment of State aid. The FY 2017 legislation specified that the money refunded from STARC could be received by the State as a miscellaneous receipt, or directed by the State to a State public authority to offset debt service costs on State-supported bonds. In the FY 2018 Enacted Budget, the Legislature authorized the money recouped from the STARC refunding to be treated as an offset to State spending by adding specific language to the STARC appropriation. The Enacted Budget Financial Plan reflects the offset to spending in the calculation of FY 2019 State Operating Funds spending. In FY 2017 and FY 2018, the State accounted for the money as a miscellaneous receipt.

State Operations/Fringe Benefits

Spending for Executive agency operations is expected to increase by 1.9 percent in FY 2019, excluding the reclassification of certain DOT and DMV operating costs to the General Fund. Beginning in FY 2019, the Enacted Budget appropriates certain transportation operating costs from the General Fund instead of the DHBTF. These operating expenses were previously 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.

Operations spending for the University Systems and elected officials, which include the Attorney General, Comptroller, Legislature and Judiciary, are expected to increase by 1.9 percent and 1.8 percent, respectively.

Spending growth for fringe benefits is due mainly to rising employee health care and prescription drug costs. The State continues to repay the State Retirement System for amounts amortized from FY 2011 through FY 2016. The payments were amortized to mitigate the extraordinary increase in annual contributions following investment losses. The amortized payments are $432 million in FY 2018 and in FY 2019.

Debt Service

Spending from Debt Service Funds is expected to decline, due mainly to the payment of $594 million in planned FY 2019 debt service costs during FY 2018.

Cash Flow

State Finance Law authorizes the General Fund to borrow money temporarily from available funds held in the Short-Term Investment Pool (STIP). Money may be borrowed for up to four months, or until the end of the fiscal year, whichever period is shorter. The State last used this authorization in April 2011 when the General Fund needed to borrow funds from STIP for a period of five days. The amount of resources that can be borrowed by the General Fund is limited to 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 PIT bonds and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

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

	General Fund	Other Funds	All Funds
April[1]	9,946	4,074	14,020
May	5,130	3,520	8,650
June	4,502	4,000	8,502
July	4,607	5,295	9,902
August	4,201	4,705	8,906
September	5,918	3,261	9,179
October	6,077	3,329	9,406
November	4,084	2,749	6,833
December	6,066	3,552	9,618
January	11,780	3,907	15,687
February	11,282	3,549	14,831
March	5,504	3,523	9,027

[1] DOB Preliminary Result.

Extraordinary Monetary Settlements

From the beginning of FY 2015 through April 2018, DOB calculates that the State has received a total of $10.9 billion in Extraordinary Monetary Settlements for violations of State laws by major financial and other institutions.

The Enacted Budget Financial Plan projections and tables that follow do not reflect that:

(i) Nationstar Mortgage LLC ("Nationstar") paid a $5 million penalty pursuant to an April 11, 2018 consent order between Nationstar and DFS. This consent order pertains to Nationstar's violations of laws, regulations and applicable industry guidance, including (i) failure to obtain authorization for the use of multiple domain names; (ii) failure to maintain books, records and customer files; (iii) failure to fund mortgage loans within the timeframe set forth in various loan or other documents for individual borrowers; (iv) operation of two branch locations without authorization; (v) failure to maintain required documentation in servicing files; (vi) failure to maintain a schedule of fees on its website; (vii) failure to submit quarterly reports in a timely manner; and (viii) failure to file multiple 90-day pre-foreclosure notices.

(ii) The Goldman Sachs Group, Inc. ("Goldman Sachs") paid a $54.75 million civil monetary penalty pursuant to a May 1, 2018 Consent Order between Goldman Sachs and DFS. This consent order pertains to Goldman Sachs' conducting business in an improper, unsafe, and unsound manner by failing to implement effective controls over its foreign exchange business.

(iii) Lockton Affinity, LLC and Lockton Companies, LLC (collectively, "Lockton") paid a $7 million civil monetary penalty pursuant to a May 2, 2018 consent order between Lockton and DFS. This consent order pertains to Lockton's brokerage, administration, solicitation and marketing of insurance coverage that violated New York State laws and regulations, and its submission of inaccurate affidavits required by the insurance law pertaining to excess lines insurance coverage.

(iv) William Penn Life Insurance Company of New York ("William Penn") paid a $6.3 million civil penalty pursuant to a May 3, 2018 consent order between William Penn and DFS. This consent order pertains to William Penn's unapproved reinsurance transactions in 2014 through 2018, and its materially inaccurate statements to DFS regarding such reinsurance transactions.

(v) Chubb Group Holdings Inc. and Illinois Union Insurance Company (collectively, "Chubb") paid a $1.3 million civil monetary penalty pursuant to a May 7, 2018 consent order between Chubb and DFS. This consent order pertains to Chubb's issuance of insurance policies in New York State, or otherwise issuing policies covering New York State residents, which provided insurance coverage that may not be offered in the New York State excess line market and issuing liability insurance coverage to New York residents that failed to contain required liability insurance policy provisions.

(vi) Deutsche Bank AG and Deutsche Bank AG New York Branch (collectively, “Deutsche Bank”), paid a $205 million civil monetary penalty pursuant to a June 20, 2018 consent order between Deutsche Bank and DFS. This consent order pertains to Deutsche Bank’s conducting business in an improper, unsafe, and unsound manner by failing to implement effective controls over its foreign exchange business.

(vii) Athene Life Insurance Company of New York (“Athene”) will pay a $15 million civil monetary penalty pursuant to a June 28, 2018 consent order between Athene and DFS. This consent order pertains to Athene’s failure to provide required information to about 15,000 policyholders from 2015 to 2017.

DOB expects to update the State’s multi-year financial projections, including settlements described above, with the First Quarterly Update to the Enacted Budget Financial Plan.

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	FY 2019	Total
Extraordinary Monetary Settlements	**4,942**	**3,605**	**1,317**	**805**	**183**	**10,852**
BNP Paribas	2,243	1,348	0	350	0	3,941
Department of Financial Services (DFS)	2,243	0	0	350	0	2,593
Asset Forfeiture (DANY)	0	1,348	0	0	0	1,348
Deutsche Bank	0	800	444	0	0	1,244
Credit Suisse AG	715	30	0	135	0	880
Commerzbank	610	82	0	0	0	692
Barclays	0	670	0	0	0	670
Credit Agricole	0	459	0	0	0	459
Bank of Tokyo Mitsubishi	315	0	0	0	0	315
Bank of America	300	0	0	0	0	300
Standard Chartered Bank	300	0	0	0	0	300
Goldman Sachs	0	50	190	0	0	240
Morgan Stanley	0	150	0	0	0	150
Bank Leumi	130	0	0	0	0	130
Ocwen Financial	100	0	0	0	0	100
Citigroup (State Share)	92	0	0	0	0	92
MetLife Parties	50	0	0	0	0	50
American International Group, Inc.	35	0	0	0	0	35
PricewaterhouseCoopers LLP	25	0	0	0	0	25
AXA Equitable Life Insurance Company	20	0	0	0	0	20
Promontory	0	15	0	0	0	15
New Day	0	1	0	0	0	1
Volkswagen	0	0	32	33	0	65
Mega Bank	0	0	180	0	0	180
Agricultural Bank of China	0	0	215	0	0	215
PHH Mortgage	0	0	28	0	0	28
Intesa SanPaolo	0	0	235	0	0	235
Habib Bank	0	0	0	225	0	225
Cigna	0	0	0	2	0	2
Western Union	0	0	0	60	0	60
RBS Financial Products Inc.	0	0	0	0	100	100
Bank of America Merrill Lynch	0	0	0	0	42	42
UBS	0	0	0	0	41	41
Other Settlements	7	0	(7)	0	0	0

Uses of Extraordinary Monetary Settlements

A total of $10.8 billion in Extraordinary Monetary Settlements has been allocated to date. The remaining balance of $76 million remains unallocated.

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**	**5,020**	**3,013**	**1,865**	**1,010**	**405**
Receipt of Extraordinary Monetary Settlement Payment	**4,942**	**3,605**	**1,317**	**805**	**183**	**0**	**0**	**0**	**0**
Use/Transfer of Funds	**275**	**1,972**	**2,282**	**1,120**	**2,190**	**1,148**	**855**	**605**	**329**
Capital Purposes:									
Transfer to DIIF	0	857	697	941	1,608	1,250	1,109	542	306
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	0	0
Transfer to Capital Projects Fund - Mass Transit	0	0	0	67	10	8	0	0	0
Transfer to Capital Projects Fund - Healthcare	0	0	0	19	70	70	80	63	23
Transfer to DIIF for Javits Center Expansion	0	0	0	164	350	320	166	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	75	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**	**5,020**	**3,013**	**1,865**	**1,010**	**405**	**76**

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 Transportation, Inc. (CSX), and costs of the Department of Law's Litigation Services Bureau.

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

- **General Fund Operations ($383 million).** Consistent with prior years, the Enacted Budget 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 $525 million will be provided to the Health Care Facility Transformation Program, of which $125 million will be funded from Extraordinary Monetary Settlements over a multi-year period.

Other Matters Affecting the Financial Plan

General

The Enacted Budget 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 Enacted Budget 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, certain projections contained in the Enacted Budget Financial Plan are based on the assumption that annual growth in State Operating Funds spending will be limited to 2 percent in FY 2020, FY 2021, and FY 2022, 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 spending growth benchmark.

The Enacted Budget 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 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 Enacted Budget 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 Enacted Budget 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 issue securities successfully in the public credit markets. Some of these issues are described in more detail herein. The projections and assumptions contained in the Enacted Budget Financial Plan are subject to revisions which may result in substantial change. No assurance can be given that these estimates and projections, which depend in part upon actions the State expects to be taken but which are not within the State's control, will be realized.

Budget Risks and Uncertainties

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

The Enacted Budget Financial Plan projections for the outyears assume that School Aid and Medicaid disbursements will be limited to the annual growth in NYS personal income and the ten-year average growth of the medical component of the consumer price index (CPI), respectively. However, since FY 2014, the State has annually authorized School Aid spending increases above the personal income growth index. In SY 2019, the Enacted Budget Financial Plan reflects a 3.6 percent School Aid increase, compared to 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 Enacted Budget 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 Enacted Budget 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[15]; receipt of miscellaneous revenues at the levels expected in the Enacted Budget Financial Plan; and achievement of cost-saving measures including, but not limited to, transfer of available fund balances to the General Fund at levels currently projected. Such risks and uncertainties, if they were to materialize, could adversely impact the Enacted Budget Financial Plan in current or future years, or both.

The Enacted Budget Financial Plan also includes actions that affect the spending reported in the State Operating Funds basis of reporting, including (i) the realignment of certain operating costs to the capital budget to provide consistency in reporting across all agencies and a more accurate accounting of the overall capital budget; (ii) the payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting; and (iii) the restructuring of the STAR program to 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 Enacted Budget Financial Plan, DOB attempts to mitigate the financial risks from receipts volatility, litigation, and unexpected costs, with a particular emphasis on the General Fund. It does this by, among other things, exercising caution when calculating total General Fund disbursements and managing the accumulation of financial resources that can be used to offset new costs (including, but not limited to, fund balances not needed in a given year, acceleration of tax refunds above the level budgeted in a given year, and prepayment of expenses). There can be no assurance that such resources will be sufficient to address risks that may materialize in a given fiscal year.

Federal Issues

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this Federal aid 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 as a result of changes in Federal policy. Actions by the Federal government, including the TCJA, pose a heightened risk to State finances. Enactment of Federal tax law changes is currently projected to add $1.9 trillion to the Federal deficit over the next ten years,[16] increasing the likelihood that Congress will seek material cuts in Federal aid programs or impose new barriers to the receipt of Federal aid by families and individuals.

In addition, the Enacted Budget 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 Enacted Budget Financial Plan includes reimbursement to

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[15] The Seneca Nation has withheld payments to the State that were expected in FY 2018. The State and Seneca Nation are currently in the arbitration process. The Enacted Budget Financial Plan assumes successful resolution by October 2018.

[16] Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028", April 2018.

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.

Given this uncertainty, the Enacted Budget Financial Plan includes legislation to continue authorization for a process by which the State would manage significant reductions in Federal aid during FYs 2019 and 2020 should such reductions occur. 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, and is not additive. The plan prepared by the Budget Director must equally and proportionally reduce appropriations and cash disbursements in the General Fund and State Special Revenue Funds. Upon receipt of the plan, the Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both the Senate and Assembly. Otherwise, the plan submitted by the Budget Director takes effect automatically.

Current Federal Aid

President Trump has proposed significant cuts to mandatory and discretionary domestic programs in Federal Fiscal Years (FFYs) 2018 and 2019. The proposed cuts for FFY 2018 were largely rejected by the Consolidated Appropriations Act of 2018, which was enacted in March 2018. The FFY 2019 budget is still under consideration by Congress. If the proposed cuts are adopted, it could reduce Federal aid to New York by billions of dollars.

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 Affordable Care Act (ACA) 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. The 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 if the changes do take effect as scheduled, 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 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 Enacted Budget 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 purchasing Qualified Health Plan (QHP) or EP coverage through NYSOH, New York's official health plan marketplace. Despite the Federal withholding of CSR payments, which amount to 25 percent of the Federal funding for the EP, the Enacted 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.

While Federal funding for the Children's Health Insurance Program (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 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 IRS have yet to be published. DOB has no current estimate as to the potential impact to the Enacted Budget Financial Plan from this Federal excise tax.

MRT Medicaid Waiver

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

Since January 1, 2014, in accordance with provisions of the ACA, the State has been eligible for enhanced Federal Medical Assistance Percentage (FMAP) funding associated with childless adults. The DOH continues to work with the CMS and to refine 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 Enacted Budget 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, including the State, could face higher borrowing costs and impaired capital 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 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 the majority of its unionized workforce. The Civil Service Employees Association (CSEA) and DC-37 (Rent Regulation) 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 the New York State Health Insurance Program (NYSHIP) and reductions in overtime costs.

Employees represented by the Public Employees Federation (PEF) and the Graduate Student Employees Union (GSEU) have a three-year collective bargaining agreement providing 2 percent annual salary increases in FYs 2017 through 2019. The salary increases provided to PEF and GSEU employees have also been extended to Management/Confidential (M/C) employees 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 and NYSPIA have commenced.

On May 24, 2018, the State reached a tentative agreement with the United University Professions (UUP) for the six-year period that includes academic years 2017 through 2023 (July 1, 2016 through June 30, 2023). The agreement provides for a 2 percent general salary increase each year, and additional compensation changes, which are partly offset by benefit design changes within NYSHIP. The tentative agreement is contingent on legislative approval of a pay bill and UUP member ratification, the provisions of this agreement are estimated to cost approximately $250 million in FY 2019.

The State is in negotiations with all other employee unions whose contracts concluded in FY 2016, including 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.[17] 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 are as follows: 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.

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[17] 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[18]

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.[19] 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, NYSLRS 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.[20]

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) have agreed 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

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

[19] 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).

[20] 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.

contributions associated with this credit on behalf of local governments. The State is also permitted to amortize the cost of past service credits newly incurred in a given fiscal year; however, the State does not anticipate choosing this option as there would be an interest rate of 7 percent applied to this amortization. The ERS cost to the State (including the costs covered for local ERS) was $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[21]

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[22]) 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

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

[22] 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.

elect to amortize the difference. However, when the normal rate of an employer that previously amortized is less than the system-wide graded rate, the employer is required to pay the graded rate. Additional contributions are first used to pay off existing amortizations and are then deposited into a reserve account to offset future increases in contribution rates. Chapter 48 of the Laws of 2017 changed the graded rate computation to provide an employer specific graded rate based on the employer's own tier and plan demographics.

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

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

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

	Statewide Pension Payments[1]					Rates for Determining (Amortization Amount) / Excess Contributions			
Fiscal Year	Normal Costs[2]	(Amortization Amount) / Excess Contributions	Repayment of Amortization	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	1,788.7	0.0	432.1	2,220.8	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. "(Amortization Amount) / 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; 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 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 $87.2 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 is due to 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 $4.1 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 Enacted Budget Financial Plan. The State continues to fund these costs, along with all other employee health care expenses, on a PAYGO basis, meaning the State pays these costs as they become due.

There is no provision in the Enacted Budget 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. The Enacted Budget 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 Basic Financial Statements. The FY 2019 Basic Financial Statements are expected to be issued in July 2019. The GASB Statements, as amended by GASB Statement 75, alter the actuarial methods used to calculate OPEB liabilities, standardizes asset smoothing and discount rates, and require 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 to the Basic Financial Statements, 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 Enacted Budget 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, among other things, 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 Enacted Budget Financial Plan. For more information, see the "Litigation" section later in this AIS.

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 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.[23] 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.

[23] 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.

Cybersecurity

New York State government, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the State and its public corporations and municipalities face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the State's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the State invests in multiple forms of cybersecurity and operational controls. The State's Enterprise Information Security Office (EISO) within the State's Office of Information Technology Services (ITS) maintains comprehensive policies and standards, programs, and services relating to the security of State government networks and geographic information systems (see https://its.ny.gov/eiso/policies/security), and annually assesses the implementation of security policies and standards to ensure compliance through the Nationwide Cyber Security Review. In addition, the EISO 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 at guarding 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, (ii) create written cybersecurity policies and perform risk assessments, (iii) designate a Chief Information Security Officer with responsibility to oversee the cybersecurity program, (iv) annually certify compliance with the cybersecurity regulations, and (v) 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 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 on the 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 Enacted Budget 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 funding for capital purposes only, and limits the maximum term of bonds to 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 $3.7 billion in FY 2018 to about $49 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 in 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 because these bonds do not meet the definition of "State-supported debt" as set forth in the Debt Reform Act. The bonds are backed solely with dormitory rental revenue. The State may adjust capital spending priorities and debt financing practices, 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)								
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity
FY 2018	1,210,641	4.00%	48,426	44,744	3,681	3.70%	0.30%
FY 2019	1,267,180	4.00%	50,687	48,936	1,751	3.86%	0.14%
FY 2020	1,325,014	4.00%	53,001	52,493	507	3.96%	0.04%
FY 2021	1,384,242	4.00%	55,370	55,321	49	4.00%	0.00%
FY 2022	1,445,224	4.00%	57,809	57,716	93	3.99%	0.01%
FY 2023	1,508,787	4.00%	60,351	60,235	117	3.99%	0.01%

TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
6,522	51,266
5,725	54,661
4,808	57,301
3,301	58,622
2,666	60,382
2,063	62,298

DEBT SERVICE SUBJECT TO CAP (millions of dollars)							
Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity
FY 2018	165,470	5.00%	8,274	4,477	3,796	2.71%	2.29%
FY 2019	166,011	5.00%	8,301	4,800	3,501	2.89%	2.11%
FY 2020	169,996	5.00%	8,500	5,342	3,158	3.14%	1.86%
FY 2021	172,223	5.00%	8,611	5,704	2,907	3.31%	1.69%
FY 2022	177,182	5.00%	8,859	5,995	2,864	3.38%	1.62%
FY 2023	178,319	5.00%	8,916	6,429	2,487	3.61%	1.39%

TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
1,381	5,858
556	5,356
1,595	6,937
1,454	7,158
1,072	7,068
843	7,272

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 from which DOB calculates income projections going forward. The substantial reduction to personal income necessitates capital spending reductions in order to stay within the debt cap in future years. The spending reductions are expected to be managed within anticipated underspending on capital projects throughout the plan period. Debt capacity amounts continue to assume that SUNY Dormitory Facilities lease revenue bonds will be refunded into the new SUNY Dormitory Facilities Revenue Bond credit when the bonds become currently callable.

DEBT CAPACITY (millions of dollars)						
	FY 2018 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
FY 2019 Executive Budget Financial Plan	**3,884**	**1,693**	**252**	**61**	**79**	**221**
Personal Income Forecast Adjustment	(458)	(110)	(46)	(47)	(43)	(25)
Capital Reestimates	255	528	806	444	340	(31)
Capital Adds	0	(360)	(505)	(409)	(283)	(48)
FY 2019 Enacted Budget Financial Plan	**3,681**	**1,751**	**507**	**49**	**93**	**117**

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf, to pay for upgrading their primary health care facilities. Revenues pledged to pay debt service on the bonds include hospital payments made under loan agreements between the Dormitory Authority of the State of New York (DASNY) and the hospitals and certain reserve funds held by the applicable trustees for the bonds. In the event of revenue shortfalls to pay debt service on the Secured Hospital bonds, the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by DASNY through the Secured Hospital Program. As of March 31, 2018, there were approximately $193 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 $99 million for debt service costs. DASNY also estimates that 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 Fortis Property Group (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 criteria, the Purchaser can identify a replacement provider with a confirming letter of interest to provide certain of the health care 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.

2018 Legislative Session

The State's regular legislative session for 2018 ended on June 20, 2018. Bills with a fiscal impact, approved by the Legislature during the session, may be signed or vetoed by the Governor. DOB continues to evaluate the fiscal impact of the legislative session and expects to reflect, in the First Quarterly Update to the Enacted Budget Financial Plan, the estimated costs associated with any bills that may be signed by the Governor, not already reflected in the Enacted Budget Financial Plan.

State Financial Plan Projections Fiscal Years 2018 Through 2022

Introduction

This section presents the State's multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of forecast revisions in FYs 2019 through FY 2022, with an emphasis on the FY 2019 projections, which reflect the impact of the Enacted Budget Financial Plan.

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 clear 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 Enacted Budget 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 Enacted Budget Financial Plan reflects 2 percent annual growth in State Operating Funds, consistent with the expectation of adherence to a 2 percent spending growth benchmark.

The projections for FY 2020 and thereafter set forth in the Enacted Budget Financial Plan reflect 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 Enacted Budget 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 Enacted Budget Financial Plan tables as "Adherence to 2 percent Spending Benchmark." The total disbursements in the Enacted Budget Financial Plan tables do not assume these savings. Such savings will be developed and proposed in future budgets. If the State exceeds the 2 percent State Operating Funds spending benchmark in FY 2020, FY 2021, and/or FY 2022, the projected operating position could decline.

The following tables present the Enacted Budget 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 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
RECEIPTS					
Taxes (After Debt Service)	67,370	67,695	71,258	73,127	76,101
Miscellaneous Receipts/Federal Grants	3,129	2,127	2,028	2,001	1,883
Other Transfers	921	2,838	2,254	1,816	1,762
Total Receipts	**71,420**	**72,660**	**75,540**	**76,944**	**79,746**
DISBURSEMENTS					
Local Assistance	46,072	51,063	53,918	57,009	59,472
School Aid	22,015	23,161	24,105	25,197	26,456
Medicaid/EP	13,397	14,331	15,719	16,797	17,677
All Other	10,660	13,571	14,094	15,015	15,339
State Operations	8,228	11,745	12,065	12,614	12,579
Personal Service	6,136	8,691	8,936	9,441	9,374
Non-Personal Service	2,092	3,054	3,129	3,173	3,205
General State Charges	5,572	7,553	8,098	8,618	9,140
Transfers to Other Funds	9,852	6,240	6,643	6,512	6,117
Debt Service	1,047	827	948	1,017	876
Capital Projects	2,191	3,257	3,567	3,292	2,897
State Share of Mental Hygiene Medicaid[1]	1,333	0	0	0	0
SUNY Operations	1,015	1,034	1,025	1,021	1,021
All Other	4,266	1,122	1,103	1,182	1,323
Total Disbursements	**69,724**	**76,601**	**80,724**	**84,753**	**87,308**
Use (Reservation) of Fund Balance:	**(1,696)**	**3,941**	**1,157**	**863**	**605**
Community Projects	10	29	9	8	0
Labor Agreements	(130)	0	0	0	0
Undesignated Fund Balance	(1,891)	1,905	0	0	0
Extraordinary Monetary Settlements[2]	315	2,007	1,148	855	605
BUDGET SURPLUS/(GAP) PROJECTIONS[3]	**0**	**0**	**(4,027)**	**(6,946)**	**(6,957)**
Adherence to 2% Spending Benchmark[4]	**n/a**	**n/a**	**3,247**	**5,548**	**6,470**
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AT 2%	**0**	**0**	**(780)**	**(1,398)**	**(487)**

[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] Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, a Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Enacted Budget Surplus/(Gap) Estimate at 2%" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund.

State Operating Funds Projections

STATE OPERATING FUNDS DISBURSEMENTS (millions of dollars)	FY 2018 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
RECEIPTS					
Taxes	77,953	76,528	81,350	83,397	86,679
Miscellaneous Receipts/Federal Grants	21,408	20,211	19,527	18,757	18,755
Total Receipts	**99,361**	**96,739**	**100,877**	**102,154**	**105,434**
DISBURSEMENTS					
Local Assistance	65,604	66,752	69,502	72,285	74,871
School Aid (School Year Basis)	25,639	26,553	27,509	28,692	29,983
DOH Medicaid[1]	19,143	20,358	21,490	22,535	23,402
Transportation	5,025	3,961	3,642	3,689	3,821
STAR	2,589	2,459	2,417	2,402	2,402
Higher Education	2,833	3,065	3,168	3,217	3,256
Social Services	2,837	2,972	3,047	3,073	3,112
Mental Hygiene	2,350	2,257	2,592	2,928	3,208
All Other[2]	5,188	5,127	5,637	5,749	5,687
State Operations	18,821	19,459	19,793	20,545	20,525
Personal Service	13,170	13,542	13,885	14,575	14,476
Non-Personal Service	5,651	5,917	5,908	5,970	6,049
General State Charges	7,853	8,542	9,124	9,713	10,249
Pension Contribution	2,442	2,469	2,590	2,753	2,918
Health Insurance	3,963	4,286	4,592	4,907	5,247
All Other	1,448	1,787	1,942	2,053	2,084
Debt Service	5,873	5,382	6,966	7,186	7,090
Capital Projects	0	0	0	0	0
Total Disbursements [3]	**98,151**	**100,135**	**105,385**	**109,729**	**112,735**
Net Other Financing Sources/(Uses)	772	(307)	(606)	(334)	(101)
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(1,982)	3,703	1,087	963	445
General Fund	(1,696)	3,941	1,157	863	605
Special Revenue Funds	(277)	(233)	(64)	109	(90)
Debt Service Funds	(9)	(5)	(6)	(9)	(70)
GENERAL FUND BUDGET SURPLUS/(GAP)[3]	**0**	**0**	**(4,027)**	**(6,946)**	**(6,957)**
Adherence to 2% Spending Benchmark[4]	**n/a**	**n/a**	**3,247**	**5,548**	**6,470**
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AT 2%	**0**	**0**	**(780)**	**(1,398)**	**(487)**

[1] Total State share Medicaid funding includes the utilization of tobacco MSA payments 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] Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, a Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Enacted Budget Surplus/(Gap) Estimate at 2%" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund.

Receipts

Enacted Budget 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 PMT on businesses in the MTA region. The multi-year tax and miscellaneous receipts estimates are prepared by DOB with the assistance of the 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, nonwage income, capital gains realizations, taxable consumption, corporate profits, household net worth, real estate prices and gasoline prices. Federal law changes can influence taxpayer behavior, which often alters base tax receipts. State taxes account for approximately half of total All Funds receipts.

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

Where noted, certain tables in the following section display General Fund tax receipts that exclude amounts transferred to the General Fund in excess of amounts needed for certain debt service obligations (e.g., PIT receipts in excess of the amount transferred for debt service on revenue bonds). For a detailed description of revenue sources, see “Exhibit D - Principal State Taxes and Fees” herein.

The projections described below do not consider the impact that the ECEP or the State Charitable Gifts Trust Fund may have on PIT receipts.

Overview of the Receipts Forecast

All Funds receipts in FY 2019 are projected to total nearly $166 billion, 0.3 percent above FY 2018 results.

ALL FUNDS RECEIPTS
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
Personal Income Tax	51,501	50,410	-2.1%	53,952	7.0%	55,010	2.0%	57,456	4.4%
Consumption/Use Taxes	16,711	17,303	3.5%	17,839	3.1%	18,390	3.1%	18,962	3.1%
Business Taxes	7,164	7,981	11.4%	8,630	8.1%	8,966	3.9%	9,123	1.8%
Other Taxes	2,451	2,229	-9.1%	2,341	5.0%	2,440	4.2%	2,543	4.2%
Payroll Mobility Tax*	1,439	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Total State Taxes	**79,266**	**77,923**	**-1.7%**	**82,762**	**6.2%**	**84,806**	**2.5%**	**88,084**	**3.9%**
Miscellaneous Receipts	27,262	28,005	2.7%	26,172	-6.5%	25,005	-4.5%	24,988	-0.1%
Federal Receipts	58,942	60,083	1.9%	61,064	1.6%	62,412	2.2%	64,112	2.7%
Total All Funds Receipts	**165,470**	**166,011**	**0.3%**	**169,998**	**2.4%**	**172,223**	**1.3%**	**177,184**	**2.9%**

*The FY 2019 amount does not include MTA PMT because the Enacted Budget provides that the PMT will be remitted to MTA without an appropriation beginning in FY 2019.

State tax receipts are projected to decrease 1.8 percent from FY 2018 results, due in large part to the PMT moving off Budget. After accounting for this change, State tax receipt estimates remain flat compared to FY 2018 results. 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 Enacted Budget Financial Plan period beyond FY 2019, all tax categories are projected to exhibit underlying annual outyear growth.

After controlling for the impact of tax law changes, base tax revenue increased 6.5 percent in FY 2018, and is projected to decrease by 0.1 percent in FY 2019 and increase by 11.8 percent in FY 2020.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)									
	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**51,501**	**50,410**	**-2.1%**	**53,952**	**7.0%**	**55,010**	**2.0%**	**57,456**	**4.4%**
Gross Collections	62,035	62,102	0.1%	65,502	5.5%	66,335	1.3%	69,807	5.2%
Refunds (Incl. State/City Offset)	(10,534)	(11,692)	-11.0%	(11,550)	1.2%	(11,325)	1.9%	(12,351)	-9.1%
GENERAL FUND[1]	**36,037**	**22,746**	**-36.9%**	**24,559**	**8.0%**	**25,103**	**2.2%**	**26,326**	**4.9%**
Gross Collections	62,035	62,102	0.1%	65,502	5.5%	66,335	1.3%	69,807	5.2%
Refunds (Incl. State/City Offset)	(10,534)	(11,692)	-11.0%	(11,550)	1.2%	(11,325)	1.9%	(12,351)	-9.1%
STAR	(2,589)	(2,459)	5.0%	(2,417)	1.7%	(2,402)	0.6%	(2,402)	0.0%
RBTF	(12,875)	(25,205)	-95.8%	(26,976)	-7.0%	(27,505)	-2.0%	(28,728)	-4.4%

[1] Excludes Transfers.

All Funds personal income tax receipts for FY 2019 are estimated to total $50.4 billion, a decrease of $1.1 billion (2.1 percent) from FY 2018 results. This decrease is primarily driven by a decline in estimated payments related to the 2018 tax year coupled with an increase in total refunds. This decline is partially offset by growth in withholding and final returns.

The following table summarizes, by component, actual receipts for FY 2018 and forecast amounts through FY 2022.

ALL FUNDS PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS (millions of dollars)	FY 2018 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Receipts					
Withholding	40,269	41,782	43,033	44,024	46,144
Estimated Payments	17,781	16,221	18,157	17,802	18,960
Current Year	14,329	12,729	13,741	12,582	13,536
Prior Year[1]	3,452	3,492	4,416	5,220	5,424
Final Returns	2,478	2,599	2,748	2,908	3,032
Current Year	308	286	301	316	331
Prior Year[1]	2,170	2,313	2,447	2,592	2,701
Delinquent	1,507	1,500	1,564	1,601	1,671
Gross Receipts	62,035	62,102	65,502	66,335	69,807
Refunds					
Prior Year[1]	6,292	6,699	6,739	7,689	8,565
Previous Years	527	523	553	583	614
Current Year[1]	2,249	2,250	1,750	1,750	1,750
Advanced Credit Payment	610	1,247	1,709	479	573
State/City Offset[1]	856	973	799	824	849
Total Refunds	10,534	11,692	11,550	11,325	12,351
Net Receipts	**51,501**	**50,410**	**53,952**	**55,010**	**57,456**

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

Withholding in FY 2019 is estimated to be $1.5 billion (3.8 percent) higher than FY 2018 results, driven by modest wage growth. Extension payments related to tax year 2017 are expected to increase by $40 million (1.2 percent), primarily due to one-time payments related to the expiration of the Federal 10-year window to repatriate foreign hedge fund earnings. These one-time payments have been offset by an acceleration of New York State tax liability payments into December 2017 to take advantage of the uncapped Federal itemized deduction for State and local taxes paid for tax year 2017, leaving growth in extension payments nearly flat. Estimated payments for tax year 2018 are projected to decrease by $1.6 billion (11.2 percent), driven by a combination of a 3.3 percent decline in nonwage income and an inflated tax year 2017 estimated payments base, stemming from the TCJA and repatriation of foreign hedge fund earnings. FY 2019 final return payments are projected to increase by $121 million (4.9 percent) and delinquencies are projected to decline by $7 million (0.5 percent).

The projected growth in total refunds of $1.2 billion (11 percent) includes increases of $407 million (6.5 percent) in prior tax year (2017) refunds, $637 million (104.4 percent) in advanced credit payments related to tax year 2018, $117 million (13.7 percent) in the state-city offset, partially offset by a decline of $4 million (0.8 percent) in previous tax year (2016 and earlier) refunds. The administrative January-March refund cap will remain at the higher level in FY 2019, as in FY 2018.

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 2019 of $22.7 billion are projected to decrease by $13.3 billion (36.9 percent) from FY 2018 results, reflecting a combination of enacted legislation that doubled RBTF deposits from 25 percent to 50 percent of net PIT receipts, and the decline in All Funds receipts noted above. As a result, RBTF deposits are projected to nearly double to $25.2 billion. The FY 2019 STAR transfer is projected to be $2.5 billion.

All Funds PIT receipts for FY 2020 of $54 billion are projected to increase by $3.5 billion (7 percent) from FY 2019 estimates. Gross PIT receipts are projected to increase 5.5 percent, reflecting increases of $1.3 billion (3 percent) in withholding, $1 billion (8 percent) in estimated payments related to tax year 2019, $924 million (26.5 percent) in extension payments related to tax year 2018, $149 million (5.7 percent) in final returns, and $64 million (4.3 percent) in delinquencies. Total refunds are projected to decline $141 million (1.2 percent), due to the combination of a $500 million (22.2 percent) expected decline in the administrative refund cap and a $174 million (17.9 percent) decline in the state-city offset, partially offset by increases of $40 million (0.6 percent) in prior tax year (2018) refunds, $30 million (5.7 percent) in previous tax year (2017 and earlier) refunds, and $462 million (37 percent) in advanced credit payments. The modest growth in withholding is attributable to the expiration of the temporary high-income surcharge, scheduled to sunset after tax year 2019.

General Fund PIT receipts for FY 2020 of $24.6 billion are projected to increase by $1.8 billion (8 percent), mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $27 billion and the STAR transfer is projected to be $2.4 billion.

All Funds PIT receipts for FY 2021 of $55 billion are projected to increase by $1.1 billion (2 percent) from FY 2020 estimates. Gross PIT receipts are projected to increase 1.3 percent, reflecting withholding that is projected to grow by $991 million (2.3 percent) and total refunds that are projected to decline by $225 million (1.9 percent), partially offset by a projected decrease in total estimated payments of $355 million (2 percent).

The relatively low withholding growth rate and the decline in total estimated payments reflect the aforementioned expiration of the high-income surcharge. The decline in total estimated payments includes a projected decline of $1.2 billion (8.4 percent) in estimated payments for tax year 2020, partially offset by a $804 million (18.2 percent) increase in extensions for tax year 2019. Final returns are expected to increase by $160 million (5.8 percent) and delinquencies are projected to increase $37 million (2.4 percent). The decline in total refunds is attributable to the scheduled expiration of the Property Tax Relief Credit.

General Fund PIT receipts for FY 2021 of $25.1 billion are projected to increase by $544 million (2.2 percent). RBTF deposits are projected to be $27.5 billion, and the STAR transfer is projected to be $2.4 billion.

All Funds PIT receipts in FY 2022 are projected to increase by $2.4 billion to $57.5 billion, while General Fund PIT receipts are projected to total $26.3 billion. Growth is projected to be suppressed by the combination of modest growth in extension payments related to tax year 2020 and an increase in tax year 2020-related refunds, both resulting from the aforementioned surcharge expiration.

Consumption/Use Taxes

CONSUMPTION/USE TAXES
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	16,711	17,303	3.5%	17,839	3.1%	18,390	3.1%	18,962	3.1%
Sales Tax	14,495	15,086	4.1%	15,670	3.9%	16,263	3.8%	16,871	3.7%
Cigarette and Tobacco Taxes	1,171	1,119	-4.4%	1,068	-4.6%	1,020	-4.5%	977	-4.2%
Motor Fuel Tax	512	512	0.0%	507	-1.0%	504	-0.6%	501	-0.6%
Highway Use Tax	93	142	52.7%	142	0.0%	143	0.7%	145	1.4%
Alcoholic Beverage Taxes	259	262	1.2%	265	1.1%	269	1.5%	272	1.1%
Opioid Epidemic Surcharge	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Medical Marihuana Excise Tax	2	2	0.0%	2	0.0%	2	0.0%	2	0.0%
Taxicab Surcharge	56	50	-10.7%	50	0.0%	50	0.0%	50	0.0%
Auto Rental Tax	123	130	5.7%	135	3.8%	139	3.0%	144	3.6%
GENERAL FUND[1]	7,377	7,647	3.7%	7,913	3.5%	8,185	3.4%	8,464	3.4%
Sales Tax	6,776	7,057	4.1%	7,332	3.9%	7,612	3.8%	7,898	3.8%
Cigarette and Tobacco Taxes	342	328	-4.1%	316	-3.7%	304	-3.8%	294	-3.3%
Alcoholic Beverage Taxes	259	262	1.2%	265	1.1%	269	1.5%	272	1.1%

[1] Excludes Transfers.

All Funds consumption/use tax receipts for FY 2019 are estimated to total $17.3 billion, a $592 million (3.5 percent) increase from FY 2018 results. Sales tax receipts are estimated to increase $591 million (4.1 percent) from FY 2018 results, reflecting base growth (i.e., absent law changes) of 4.2 percent. This base growth stems from estimated disposable income and consumption growth. Cigarette and tobacco tax collections are projected to decrease by $52 million (4.4 percent), reflecting a trend decline in taxable cigarette consumption. Highway use tax (HUT) collections are estimated to increase by $49 million (52.7 percent) as long-term trend levels resume following litigation-induced refund increases in FY 2018. Taxicab surcharge receipts are estimated to decline by $6 million (10.7 percent) resulting from consumers choosing alternative transportation services not subject to the surcharge. Auto rental tax receipts are estimated to increase by $7 million (5.7 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 2019 are projected to total over $7.6 billion, a $270 million (3.7 percent) increase from FY 2018 results. This increase largely reflects the All Funds sales and use tax and cigarette tax trends, noted above.

All Funds consumption/use tax receipts for FY 2020 are projected to total over $17.8 billion, a $536 million (3.1 percent) increase from FY 2019 estimates. The projected $584 million (3.9 percent) increase in sales tax receipts reflects sales tax base growth of 3.8 percent due projected growth in disposable income and consumption, partially offset by the continued trend decline in taxable cigarette consumption.

General Fund consumption/use tax receipts are projected to total over $7.9 billion in FY 2020, a $266 million (3.5 percent) increase from FY 2019. The projected increase largely reflects the All Funds sales and use tax and cigarette tax trends, noted above.

All Funds consumption/use tax receipts for FY 2021 are projected to increase to nearly $18.4 billion, a $551 million (3.1 percent) increase from FY 2020. The projected increase reflects sales tax base growth of 3.9 percent, and a continued trend decline in taxable cigarette consumption. FY 2021 General Fund consumption/use tax receipts are projected to increase to nearly $8.2 billion, a $272 million (3.4 percent) increase from FY 2020 projections.

All Funds consumption/use tax receipts are projected to increase to nearly $19 billion (3.1 percent growth) in FY 2022, largely representing base growth in sales tax receipts, which is slightly offset by a continued trend decline in taxable cigarette consumption. General Fund consumption/use tax receipts are projected to increase to nearly $8.5 billion (3.4 percent growth) in FY 2022, reflecting the All Funds sales and use tax and cigarette tax trends, noted above.

Business Taxes

BUSINESS TAXES (millions of dollars)	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**7,164**	**7,981**	**11.4%**	**8,630**	**8.1%**	**8,966**	**3.9%**	**9,123**	**1.8%**
Corporate Franchise Tax	3,080	4,027	30.7%	4,482	11.3%	4,736	5.7%	4,780	0.9%
Corporation and Utilities Tax	748	700	-6.4%	710	1.4%	718	1.1%	727	1.3%
Insurance Tax	1,777	1,975	11.1%	2,201	11.4%	2,354	7.0%	2,467	4.8%
Bank Tax	467	143	-69.4%	71	-50.3%	0	-100.0%	0	0.0%
Petroleum Business Tax	1,092	1,136	4.0%	1,166	2.6%	1,158	-0.7%	1,149	-0.8%
GENERAL FUND	**4,916**	**5,626**	**14.4%**	**6,170**	**9.7%**	**6,470**	**4.9%**	**6,577**	**1.7%**
Corporate Franchise Tax	2,326	3,212	38.1%	3,610	12.4%	3,828	6.0%	3,828	0.0%
Corporation and Utilities Tax	570	530	-7.0%	537	1.3%	541	0.7%	547	1.1%
Insurance Tax	1,610	1,762	9.4%	1,963	11.4%	2,101	7.0%	2,202	4.8%
Bank Tax	410	122	-70.2%	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%

All Funds business tax receipts for FY 2019 are estimated to total nearly $8 billion, an increase of $817 million (11.4 percent) from FY 2018 results. The estimate reflects increases in corporate franchise tax, insurance tax and petroleum business tax (PBT) receipts. Corporation and utilities tax and bank tax receipts are estimated to decline primarily due to higher receipts in FY 2018 that are not expected to recur in FY 2019.

Corporation franchise tax receipts are estimated to increase $947 million (30.7 percent) in FY 2019, reflecting higher gross receipts and audits. FY 2018 results were negatively impacted by a shortfall in cash remittances from taxpayers that continue to have overpayment balances from tax year 2015 that they can use to satisfy current year liability. It will likely be several years before many larger taxpayers need to remit cash payments for current liability. FY 2019 estimates also include $60 million resulting from taxable interest associated with the Federal TCJA repatriated earnings provision and $20 million from other TCJA flow-through impacts. Audit receipts are projected to increase in FY 2019 (by $137 million) as a greater number of large cases are expected to be closed.

Corporation and utilities tax receipts are estimated to decrease $48 million (6.4 percent) in FY 2019. Audits are projected to fall by $44 million as FY 2018 included payments from telecommunication companies that are not expected to recur. Gross receipts from telecommunications companies are expected to decline due to industry competitiveness and the movement of most communications to internet-based solutions which are not taxable. In 2017, over 90 percent of the population owned a smartphone.

Insurance tax receipts for FY 2019 are estimated to increase $198 million (11.1 percent) from FY 2018. Projected growth in tax year 2018 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 third year of claims for the credit for assessments paid earlier. FY 2019 also includes a part-year revenue increase from the conversion of a not-for-profit health insurer to a for-profit health insurer.

Receipts from the repealed bank tax (all from prior liability periods) are estimated to decrease by $324 million (69.4 percent) in FY 2019, stemming from lower audit receipts ($296 million) and smaller prior period adjustments. PBT receipts are estimated to increase $44 million (4 percent) in FY 2019, primarily due to the 5 percent decrease in the PBT rate index effective January 1, 2018 and the projected 5 percent increase in the PBT rate index effective January 1, 2019.

General Fund business tax receipts for FY 2019 of $5.6 billion are projected to increase $710 million (14.4 percent) from FY 2018 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2020 of nearly $8.6 billion are projected to increase by $649 million (8.1 percent) from FY 2019 estimates. The corporation franchise tax receipts increase of $455 million (11.3 percent) reflects projected growth in corporate profits and a stabilization of liability as taxpayers adjust to all aspects of State corporate tax reform (effective tax year 2015). The corporation and utilities tax receipts increase of $10 million (1.4 percent) is primarily attributable to growth in the utilities section of the tax. This projection includes $71 million in TCJA flow-through impacts in the corporation franchise tax.

Insurance tax receipts for FY 2020 of $2.2 billion are projected to increase $226 million (11.4 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. FY 2020 includes the full year impact from the health insurer conversion described earlier. Receipts from the repealed bank tax are projected to decrease by $72 million (50.3 percent) in FY 2019, due to lower projected audit receipts. PBT receipts are projected to increase $30 million (2.6 percent) in FY 2020 due to a projected 5 percent increase in the PBT rate index effective January 1, 2019.

General Fund business tax receipts for FY 2020 of $6.2 billion are projected to increase $544 million (9.7 percent) from current year estimates, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2021 of nearly $9 billion are projected to increase by $336 million (3.9 percent), and General Fund business tax receipts are projected to increase to nearly $6.5 billion (4.9 percent growth) from FY 2020 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 and insurance tax receipts are partially offset by a decline in projected bank tax and PBT receipts. This projection includes $52 million in TCJA flow-through impacts in the corporation franchise tax.

All Funds business tax receipts for FY 2022 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 2022, All Funds business tax receipts are projected to increase to $9.1 billion (1.8 percent growth), and General Fund business tax receipts are projected to increase to nearly $6.6 billion (1.7 percent growth). This projection includes $53 million in TCJA flow-through impacts.

Other Taxes

OTHER TAXES (millions of dollars)	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**2,451**	**2,229**	**-9.1%**	**2,341**	**5.0%**	**2,440**	**4.2%**	**2,543**	**4.2%**
Estate and Gift Tax	1,308	1,033	-21.0%	1,092	5.7%	1,155	5.8%	1,220	5.6%
Real Estate Transfer Tax	1,125	1,178	4.7%	1,231	4.5%	1,267	2.9%	1,305	3.0%
Employer Compensation Expense Tax	0	TBD	0.0%	TBD	TBD	TBD	TBD	TBD	TBD
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	15	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%
GENERAL FUND[1]	**1,326**	**1,051**	**-20.7%**	**1,110**	**5.6%**	**1,173**	**5.7%**	**1,238**	**5.5%**
Estate and Gift Tax	1,308	1,033	-21.0%	1,092	5.7%	1,155	5.8%	1,220	5.6%
Employer Compensation Expense Tax	0	TBD	0.0%	TBD	TBD	TBD	TBD	TBD	TBD
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	15	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%

[1]Excludes Transfers.

All Funds other tax receipts for FY 2019 are estimated to total over $2.2 billion, a decrease of $222 million (9.1 percent) from FY 2018 results. This is primarily due to an estimated $275 million (21 percent) decrease in estate tax receipts which is a result of a return to a historical average in both the number and payment value of super-large (i.e., over $25 million) payments. Real estate transfer tax receipts are expected to increase by $53 million (4.7 percent) due to estimated growth in housing starts and housing prices.

General Fund other tax receipts are estimated to approach $1.1 billion in FY 2019, a decrease of $275 million (20.7 percent) from FY 2018 results, reflecting the estate tax receipts decrease noted above.

All Funds other tax receipts for FY 2020 are projected to total over $2.3 billion, a $112 million (5 percent) increase from FY 2019 estimates. The $59 million (5.7 percent) projected increase in estate tax receipts reflects projected growth in household net worth. Real estate transfer tax receipts are projected to increase by $53 million (4.5 percent), reflecting projected growth in housing starts and prices.

General Fund other tax receipts for FY 2020 are projected to be slightly above $1.1 billion, an increase of $59 million (5.6 percent) from FY 2019 estimates due to the projected increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2021 are projected to be over $2.4 billion, a $99 million (4.2 percent) increase from FY 2020 projections. Estate tax receipts are projected to increase by

$63 million (5.8 percent) in FY 2021, reflecting projected growth in household net worth. The $36 million (2.9 percent) projected increase in real estate transfer tax receipts in FY 2021 reflects projected growth in housing starts and prices.

General Fund other tax receipts for FY 2021 are projected to total slightly below $1.2 billion, an increase of $63 million (5.7 percent), resulting from the projected increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2022 reflect projected trend growth in household net worth, housing starts, and housing prices. All Funds other tax receipts are projected to be over $2.5 billion in FY 2022, an increase of $103 million (4.2 percent).

General Fund other tax receipts are projected to be over $1.2 billion in FY 2022, an increase of $65 million (5.5 percent).

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 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
ALL FUNDS	**27,262**	**28,005**	**2.7%**	**26,172**	**-6.5%**	**25,005**	**-4.5%**	**24,988**	**-0.1%**
General Fund	3,129	2,127	-32.0%	2,028	-4.7%	2,001	-1.3%	1,883	-5.9%
Special Revenue Funds	17,933	17,713	-1.2%	17,115	-3.4%	16,374	-4.3%	16,492	0.7%
Capital Projects Funds	5,729	7,667	33.8%	6,560	-14.4%	6,161	-6.1%	6,145	-0.3%
Debt Service Funds	471	498	5.7%	469	-5.8%	469	0.0%	468	-0.2%

All Funds miscellaneous receipts are projected to total $28 billion in FY 2019, an increase of 2.7 percent from FY 2018 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 STIP) in the first instance and subsequently reimbursed with authority bond proceeds, at which time they are captured as miscellaneous receipts.

All Funds miscellaneous receipts are projected to decline annually after FY 2019, reflecting the impact of Extraordinary Monetary Settlements received 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 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
ALL FUNDS	**58,942**	**60,083**	**1.9%**	**61,064**	**1.6%**	**62,412**	**2.2%**	**64,112**	**2.7%**
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	56,744	57,576	1.5%	58,762	2.1%	60,152	2.4%	61,853	2.8%
Capital Projects Funds	2,125	2,433	14.5%	2,229	-8.4%	2,187	-1.9%	2,187	0.0%
Debt Service Funds	73	74	1.4%	73	-1.4%	73	0.0%	72	-1.4%

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

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

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

Responding to Federal Tax Reform

RESPONDING TO FEDERAL TAX REFORM (millions of dollars)	General Fund		All Funds	
	FY 2019	FY 2020	FY 2019	FY 2020
Maintain 2017 Empire State Child Tax Credit Benefits	0	0	0	0
Decouple PIT from Federal SALT & State Single Filer Standard Deduction	0	(1,525)	0	(1,525)
Eliminate Repatriation Tax Deduction	2,000	0	2,000	0
Establish State and Local Charitable Gifts Trust Funds	0	0	0	0
Allow NYC PIT Decoupling from Charity Itemized Deduction	0	0	0	0
Impose an Employer Compensation Expense Tax	TBD	TBD	TBD	TBD
TOTAL RESPONDING TO FEDERAL TAX REFORM	**2,000**	**(1,525)**	**2,000**	**(1,525)**

- **Maintain 2017 Empire State Child Tax Credit Benefits.** The TCJA of 2017 changed the maximum value of the Federal child tax credit as well as the range of incomes eligible for the credit. Absent Enacted Budget legislation, these changes would have increased the total tax expenditure related to the Empire State Child Tax Credit, since the State credit is based on the Federal credit. This Budget permanently calculates the State credit based on the Federal credit calculation in effect prior to the TCJA.

- **Decouple PIT from Federal SALT & State Single Filer Standard Deduction.** Effective tax year 2018, the TCJA limits the SALT paid deduction to $10,000 annually and eliminates personal exemptions entirely. Absent Enacted Budget legislation, the SALT deduction cap would restrict property taxes paid deductibility on State returns to the $10,000 limit, and the elimination of personal exemptions would have limited the standard deduction for single filers to the lesser amount claimable by dependent filers. The Enacted Budget allows unrestricted State deductibility of property taxes paid and retains the full value of the State standard deduction for single filers.

- **Eliminate Repatriation Tax Deduction.** To avoid a large unintended revenue loss, the State is decoupled from the new Federal tax deduction relating to the repatriation of certain foreign income.

- **Establish State and Local Charitable Gifts Funds.** While the TCJA limits the SALT paid deduction to $10,000 annually, the deduction for charitable gifts remain uncapped. Newly established state and local charitable gifts funds allow taxpayers to make gifts to funds of their choice and benefit from charitable gifts deductions on both Federal and State returns, while receiving tax credits equal to up to 95 percent of their charitable gifts.

- **Allow NYC PIT Decoupling from Charity Itemized Deduction.** The Federal itemized deduction for charitable gifts flows-through to State returns and, for NYC residents, into the calculation of NYC PIT liability. NYC is authorized to decouple from the charitable gifts itemized deduction with respect to gifts made to the newly established State and local charitable gifts funds, thereby protecting NYC tax revenue.

- **Impose an Employer Compensation Expense Tax.** Businesses, unlike individuals, retain full deductibility of SALT paid following enactment of the TCJA. To mitigate the impact of the cap on SALT deductions on individual taxpayers, legislation included with the Enacted Budget imposes a tax on compensation expenses paid by participating employers. The tax is applicable to a participating employer's calendar year payroll expenses exceeding $40,000 for each individual employee. The tax rate is gradually increased to 5 percent over a three-year phase-in period. Employees of participating employers are entitled to a credit to offset the expected impact of the Employer Compensation Expense Tax on wages.

See the discussion under the heading "Financial Plan Overview – Impact of Federal Tax Law changes" for more information on the State's response to Federal tax law changes.

Disbursements

In FY 2019, total disbursements from the State's General Fund, including transfers, are expected to be $76.6 billion and total disbursements from State Operating Funds are expected to be $100.1 billion. 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 $66.8 billion in FY 2019, approximately two-thirds of total State Operating Funds spending. Education and health care spending account for nearly three-quarters of State Operating Funds local assistance spending.

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

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

		Forecast			
	FY 2018 Results[1]	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
HEALTH CARE					
Medicaid - Individuals Covered	6,207,104	6,262,173	6,289,708	6,303,475	6,310,359
Essential Plan - Individuals Covered	728,807	733,755	737,615	739,715	741,821
Child Health Plus - Individuals Covered	364,401	395,199	410,703	418,455	422,493
State Takeover of County/NYC Costs[2]	$2,996	$3,337	$3,677	$4,027	$4,389
EDUCATION					
School Aid (School Year Basis Funding)	$25,639	$26,553	$27,509	$28,692	$29,983
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	43,347	46,166	47,358	47,992	48,542
OPWDD Community Beds	43,080	43,511	43,859	44,210	44,563
OASAS Community Beds	13,256	13,485	13,754	13,805	13,889
Total	99,683	103,162	104,971	106,007	106,994
PRISON POPULATION	49,800	49,800	49,800	49,800	49,800

[1] Reflects preliminary unaudited results.

[2] 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 $26.6 billion in SY 2019, an annual increase of $914 million (3.6 percent), including a $618 million Foundation Aid increase. 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 $245 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 Enacted Budget 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 targeted to 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 $956 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	**25,639**	**26,553**	**914**	**27,509**	**956**	**28,692**	**1,183**	**29,983**	**1,291**
			3.6%		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 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**25,457**	**26,502**	**4.1%**	**27,476**	**3.7%**	**28,570**	**4.0%**	**29,829**	**4.4%**
General Fund Local Assistance	21,954	23,111	5.3%	24,056	4.1%	25,147	4.5%	26,406	5.0%
Medicaid	61	50	-18.0%	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	958	907	-5.3%	934	3.0%	934	0.0%	934	0.0%
Commercial Gaming - VLT Offset	8	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 $26.5 billion in FY 2019, a 4.1 percent increase over FY 2018. Over the multi-year 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 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,147**	**2,355**	**9.7%**	**2,342**	**-0.6%**	**2,417**	**3.2%**	**2,505**	**3.6%**
Special Education	1,264	1,352	7.0%	1,397	3.3%	1,459	4.4%	1,525	4.5%
All Other Education	883	1,003	13.6%	945	-5.8%	958	1.4%	980	2.3%

The State helps fund special education services for approximately 500,000 students with disabilities, from ages 3 to 21. Major programs under the Office of Prekindergarten through Grade 12 address specialized student needs or reimburse school districts for education-related services, including the school breakfast and lunch programs, after-school programs and other educational grant programs. Cultural education includes aid for operating expenses of the major cultural institutions, State Archives, State Library, and State Museum, as well as support for the Office of Educational Television and Public Broadcasting. Higher and professional education programs monitor the quality and availability of post-secondary education programs, and license and regulate over 50 professions. Adult career and continuing education services focus on the education and employment needs of the State's adult citizens, ensuring that such individuals have access to a one-stop source for all their employment needs, and are made aware of the full range of services available in other agencies.

The increase in Special Education spending in FY 2019 is due to lower-than-expected summer school and preschool special education claims submitted during FY 2018 that are expected to materialize in FY 2019. 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 increase in All Other Education spending in FY 2019 primarily reflects a continuation or increase of one-time aid and grants. The decrease in spending levels in All Other Education in FY 2020 is largely attributable to the discontinuation of one-time aid and grants. Projected increases for charter school supplemental basic tuition and nonpublic schools are expected to drive growth in FY 2021 and thereafter.

School Tax Relief Program

The STAR program provides school tax relief to taxpayers by exempting the first $30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens receive a $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 $86,000 (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 began to reduce and will eventually eliminate it as a component of State Operating Funds spending. This change has 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 has 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 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,589**	**2,459**	**-5.0%**	**2,417**	**-1.7%**	**2,402**	**-0.6%**	**2,402**	**0.0%**
Gross Program Costs	3,425	3,321	-3.0%	3,361	1.2%	3,422	1.8%	3,495	2.1%
Program Conversion	(277)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(501)	(862)	-72.1%	(944)	-9.5%	(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	1,623	1,593	-1.8%	1,566	-1.7%	1,556	-0.6%	1,556	0.0%
Gross Program Costs	1,762	1,746	-0.9%	1,763	1.0%	1,792	1.6%	1,828	2.0%
Personal Income Tax Credit	(139)	(153)	-10.1%	(197)	-28.8%	(236)	-19.8%	(272)	-15.3%
Enhanced (Senior) Exemption	908	866	-4.6%	851	-1.7%	846	-0.6%	846	0.0%
Gross Program Costs	986	949	-3.8%	958	0.9%	974	1.7%	994	2.1%
Personal Income Tax Credit	(78)	(83)	-6.4%	(107)	-28.9%	(128)	-19.6%	(148)	-15.6%
New York City PIT	58	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Gross Program Costs	677	626	-7.5%	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 that were enacted with the FY 2017 Enacted Budget will continue to result in reduced revenues in addition to the spending changes noted above. Projected revenue reductions will increase over the course of the Enacted Budget Financial Plan as STAR actions are implemented, particularly those revenue reductions 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 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,833**	**3,065**	**8.2%**	**3,168**	**3.4%**	**3,217**	**1.5%**	**3,256**	**1.2%**
City University	**1,465**	**1,494**	**2.0%**	**1,525**	**2.1%**	**1,556**	**2.0%**	**1,588**	**2.1%**
Senior Colleges	1,211	1,234	1.9%	1,269	2.8%	1,300	2.4%	1,332	2.5%
Community College	254	260	2.4%	256	-1.5%	256	0.0%	256	0.0%
Higher Education Services	**879**	**1,089**	**23.9%**	**1,158**	**6.3%**	**1,176**	**1.6%**	**1,183**	**0.6%**
Tuition Assistance Program	813	900	10.7%	940	4.4%	950	1.1%	957	0.7%
Scholarships/Awards	55	177	221.8%	206	16.4%	214	3.9%	214	0.0%
Aid for Part-Time Study	11	12	9.1%	12	0.0%	12	0.0%	12	0.0%
State University	**489**	**482**	**-1.4%**	**485**	**0.6%**	**485**	**0.0%**	**485**	**0.0%**
Community College	484	477	-1.4%	481	0.8%	481	0.0%	481	0.0%
Other/Cornell	5	5	0.0%	4	-20.0%	4	0.0%	4	0.0%

SUNY and CUNY administer 47 four-year colleges and graduate schools with a total enrollment of 404,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 320,000 students. 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 $24 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, Tuition Assistance Program (TAP), and 24 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 $232 million, or 8.2 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, increased funding for 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 it is 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 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 goal to achieve 25 percent reduction in avoidable hospital use over five years. The Enacted Budget Financial Plan reflects the impact of the DSRIP program through additional Federal funds disbursements of nearly $8 billion through FY 2021, with the remaining funds expected to be disbursed beyond FY 2021. A portion of DSRIP funding flows through the SUNY hospital system and other State-operated health care facilities.

Medicaid

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, 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 Enacted Budget Financial Plan 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 and estimated at 3.1 percent for each subsequent year through FY 2022.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Medicaid Global 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 Enacted Budget Financial Plan estimates for other State agencies, including the mental hygiene agencies, child welfare programs, education aid and corrections.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS[1]
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Department of Health Medicaid	19,441	20,279	21,521	22,528	23,395
Local Assistance	19,143	20,358	21,490	22,535	23,402
State Operations	298	356	358	364	364
MSA Payments (Share of Local Growth)[2]	0	(435)	(327)	(371)	(371)
Other State Agency Medicaid Spending	4,409	2,934	3,150	3,463	3,685
Mental Hygiene[3]	4,271	2,797	3,009	3,319	3,539
Foster Care	77	85	89	92	96
Education	61	50	50	50	50
Corrections	0	2	2	2	0
Total State Share Medicaid (All Agencies)	**23,850**	**23,213**	**24,671**	**25,991**	**27,080**
Annual $ Change		(637)	1,458	1,320	1,089
Annual % Change		-2.7%	6.3%	5.4%	4.2%
Essential Plan[4]	**88**	**102**	**98**	**93**	**87**
Local Assistance	0	0	0	0	0
State Operations	88	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 MSA payments will be deposited directly to the MMIS Escrow Fund to cover total State share support for Medicaid.

3 The FY 2019 Enacted 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 below entitled "HCRA Financial Plan.")

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

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE OPERATING FUNDS	**23,938**	**23,315**	**-2.6%**	**24,769**	**6.2%**	**26,084**	**5.3%**	**27,167**	**4.2%**
Department of Health Medicaid	**19,529**	**20,381**	**4.4%**	**21,619**	**6.1%**	**22,621**	**4.6%**	**23,482**	**3.8%**
General Fund - DOH Medicaid Local	13,397	14,331	7.0%	15,719	9.7%	16,797	6.9%	17,677	5.2%
DOH Medicaid	11,138	11,448	2.8%	12,223	6.8%	13,072	6.9%	13,686	4.7%
Mental Hygiene - Global Cap Adjustment[2]	1,269	1,698	33.8%	1,701	0.2%	1,702	0.1%	1,704	0.1%
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]	0	(435)	0.0%	(327)	24.8%	(371)	-13.5%	(371)	0.0%
General Fund - DOH Medicaid State Ops	298	356	19.5%	358	0.6%	364	1.7%	364	0.0%
General Fund - Essential Plan	88	102	15.9%	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	88	102	15.9%	98	-3.9%	93	-5.1%	87	-6.5%
Other State Funds - DOH Medicaid Local	5,746	5,592	-2.7%	5,444	-2.6%	5,367	-1.4%	5,354	-0.2%
HCRA Financing	3,966	3,837	-3.3%	3,689	-3.9%	3,612	-2.1%	3,598	-0.4%
Indigent Care Support	922	892	-3.3%	892	0.0%	892	0.0%	892	0.0%
Provider Assessment Revenue	858	863	0.6%	863	0.0%	863	0.0%	864	0.1%
Other State Agency Medicaid Spending[7]	**4,409**	**2,934**	**-33.5%**	**3,150**	**7.4%**	**3,463**	**9.9%**	**3,685**	**6.4%**
USE OF MSA PAYMENTS (Share of Local Growth)[4]	**0**	**435**	**0.0%**	**327**	**-24.8%**	**371**	**13.5%**	**371**	**0.0%**
LOCAL SHARE OF MEDICAID[5,6]	**7,949**	**8,300**	**4.4%**	**7,902**	**-4.8%**	**7,408**	**-6.3%**	**7,419**	**0.1%**
FEDERAL SHARE OF MEDICAID	**41,534**	**42,793**	**3.0%**	**43,702**	**2.1%**	**44,795**	**2.5%**	**45,964**	**2.6%**
DOH Medicaid	37,659	38,820	3.1%	39,704	2.3%	40,783	2.7%	41,941	2.8%
Essential Plan	3,875	3,973	2.5%	3,998	0.6%	4,012	0.4%	4,023	0.3%
ALL FUNDING SOURCES	**73,421**	**74,843**	**1.9%**	**76,700**	**2.5%**	**78,658**	**2.6%**	**80,921**	**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 Enacted 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 Enacted Budget Financial Plan includes $425 million in annual savings from funding certain OPWDD-related Medicaid expenses under the Medicaid 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; incentives supporting the transition to value-based payment arrangements; additional program integrity efficiencies; and enhancement of certain Medicaid services and practices, including covered telehealth and claims editing development.

The General Fund gap-closing plan anticipates the receipt of direct payments associated with the purchase of Fidelis assets by Centene. In FY 2019, the State expects over $1 billion in payments to be deposited into the Health Care Transformation Fund to offset expenses for capital investment, debt retirement or restructuring, housing and other social determinants of health, or transitional operating support to health care providers. In FY 2020, the conversion proceeds deposit will total $468 million, followed by a $118 million deposit in FY 2021 and FY 2022.

MSA payments are planned to 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 the Enacted Budget Financial Plan assumes that the MSA payments will provide financial plan relief through lower annual General Fund Medicaid disbursements. The table below displays the adjusted funding shares.

FUNDING SOURCES FOR STATE MEDICAID CONTRIBUTIONS
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
State Share Support	**23,938**	**23,750**	**25,096**	**26,455**	**27,538**
State Funds Medicaid Disbursements[1,2]	23,938	23,315	24,769	26,084	27,167
MSA Payments (Local Growth)	0	435	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 Enacted 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 Enacted Budget Financial Plan includes additional General Fund support for 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.[24] The impact of these minimum wage initiatives is projected to increase annual Medicaid 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.

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

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

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 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL ALL FUNDS SPENDING	3,963	4,075	2.8%	4,096	0.5%	4,105	0.2%	4,110	0.1%
State Operating Funds	88	102	15.9%	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	88	102	15.9%	98	-3.9%	93	-5.1%	87	-6.5%
Federal Operating Funds	3,875	3,973	2.5%	3,998	0.6%	4,012	0.4%	4,023	0.3%

The multi-year Enacted Budget Financial Plan reflects a mix of factors, including stabilizing enrollment trends and growth in the Federal marketplace premium index for base program expenses. This change in the premium index generates a higher Federal reimbursement rate, eliminating EP program costs for the State and 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.

In FY 2018, the Trump Administration took unilateral executive action to withhold 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 Enacted 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 Enacted Budget includes authorization to develop a mitigation plan to offset the impact of significant Federal funding reductions.

Public Health/Aging Programs

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

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

PUBLIC HEALTH AND AGING
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,668**	**1,626**	**-2.5%**	**1,766**	**8.6%**	**1,880**	**6.5%**	**1,890**	**0.5%**
Public Health	**1,544**	**1,497**	**-3.0%**	**1,641**	**9.6%**	**1,750**	**6.6%**	**1,754**	**0.2%**
Child Health Plus	291	296	1.7%	413	39.5%	537	30.0%	537	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	173	-1.1%	173	0.0%	165	-4.6%	165	0.0%
HCRA Program	388	372	-4.1%	394	5.9%	384	-2.5%	384	0.0%
All Other	369	376	1.9%	326	-13.3%	328	0.6%	328	0.0%
Aging	**124**	**129**	**4.0%**	**125**	**-3.1%**	**130**	**4.0%**	**136**	**4.6%**

The Enacted 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. Declining spending for HCRA and other public health programs is partly affected by funding a greater portion of the Roswell Park Cancer Institute (RPCI) with Capital Projects Fund dollars. Savings of $40 million in FY 2019 are realized for the GPHW program, resulting from a one-time recoupment of ineligible claims paid during program years 2015 and 2016.

The Enacted Budget Financial Plan reflects an increase in the Federal match to 88 percent for the Hunger Prevention and Nutritional Assistance program through the CHP program, resulting in Enacted Budget Financial Plan savings.

The Enacted Budget 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 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 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
OPENING BALANCE	**12**	**15**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,873**	**5,771**	**5,788**	**5,756**	**5,723**
Surcharges	3,407	3,369	3,428	3,496	3,496
Covered Lives Assessment	1,103	1,110	1,110	1,045	1,045
Cigarette Tax Revenue	829	791	752	716	683
Hospital Assessments	437	424	424	424	424
NYC Cigarette Tax Transfer/Other	97	77	74	75	75
TOTAL DISBURSEMENTS AND TRANSERS	**5,870**	**5,786**	**5,788**	**5,756**	**5,723**
Medicaid Assistance Account[1]	3,966	3,837	3,689	3,612	3,598
Medicaid Costs	*3,769*	*3,640*	*3,492*	*3,415*	*3,401*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	922	892	892	892	892
HCRA Program Account	394	380	402	392	392
Child Health Plus	295	307	428	556	554
Elderly Pharmaceutical Insurance Coverage	137	136	142	140	139
SHIN-NY/APCD	17	40	40	0	0
All Other	139	194	195	164	148
ANNUAL OPERATING SURPLUS/(DEFICIT)	**3**	**(15)**	**0**	**0**	**0**
CLOSING BALANCE	**15**	**0**	**0**	**0**	**0**

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

Total HCRA receipts are forecasted to decline by 1.7 percent in FY 2019 partly due to reductions in anticipated surcharges and cigarette tax revenues. Annual growth beyond FY 2020 plateaus with the expiration of the extension suspending the covered lives reconciliation, causing revenue collection to revert to the levels set in statute in FY 2021. Similarly, declines in estimated cigarette tax collections attributable to lower consumption, amplify the downward trend in HCRA receipts in the outyears.

Total HCRA disbursements are commensurate with the multi-year revenue forecast. The Enacted Budget Financial Plan reflects increased FY 2019 HCRA funding for the Diversity in Medicine program, Rural Health Access initiative, and the Rural Health Network Development programs. The Diversity in Medicine program works to help address the gap in physician diversity through outreach and scholarships. The Rural Health Access and Rural Health Development programs provide support and grants to rural healthcare systems to promote more effective delivery through planning, coordination, development, implementation and operation of local networks.

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 such spending reductions could affect General Fund Medicaid funding or HCRA programs. Conversely, any unanticipated balances or excess resources in HCRA are expected to fund Medicaid costs that would otherwise be paid from the General Fund.

Mental Hygiene

The Department of Mental Hygiene is comprised of OPWDD, Office of Mental Health (OMH), Office of Alcoholism and Substance Abuse Services (OASAS), the Developmental Disabilities Planning Council (DDPC), and the Justice Center for the Protection of People with Special Needs (Justice Center). Services are administered to adults with serious mental illness; children with serious emotional disturbances; individuals with developmental disabilities and their families; persons with chemical dependencies; and individuals with compulsive gambling problems.

These agencies provide services directly to their clients through State-operated facilities, and indirectly through community service providers. The costs associated with providing these services are supported by reimbursement from Medicaid, Medicare, third-party insurance and State funding. Patient care revenues are pledged first to the payment of debt service on outstanding mental hygiene bonds, which were issued to finance infrastructure improvements at State mental hygiene facilities, with the remaining revenue used to support State operating costs.

MENTAL HYGIENE
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,350**	**2,257**	**-4.0%**	**2,592**	**14.8%**	**2,928**	**13.0%**	**3,208**	**9.6%**
People with Developmental Disabilities	**2,115**	**2,272**	**7.4%**	**2,438**	**7.3%**	**2,682**	**10.0%**	**2,876**	**7.2%**
Residential Services	1,299	1,391	7.1%	1,480	6.4%	1,620	9.5%	1,735	7.1%
Day Programs	609	653	7.2%	694	6.3%	760	9.5%	814	7.1%
Clinic	19	20	5.3%	21	5.0%	23	9.5%	25	8.7%
All Other Services (Net)	188	208	10.6%	243	16.8%	279	14.8%	302	8.2%
Mental Health	**1,181**	**1,326**	**12.3%**	**1,473**	**11.1%**	**1,551**	**5.3%**	**1,626**	**4.8%**
Adult Local Services	939	1,052	12.0%	1,176	11.8%	1,240	5.4%	1,303	5.1%
Children Local Services	242	274	13.2%	297	8.4%	311	4.7%	323	3.9%
Alcohol and Substance Abuse	**322**	**356**	**10.6%**	**381**	**7.0%**	**396**	**3.9%**	**409**	**3.3%**
Outpatient/Methadone	117	129	10.3%	138	7.0%	143	3.6%	148	3.5%
Residential	128	144	12.5%	155	7.6%	162	4.5%	169	4.3%
Prevention and Program Support	68	75	10.3%	80	6.7%	84	5.0%	86	2.4%
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	**3,619**	**3,955**	**9.3%**	**4,293**	**8.5%**	**4,630**	**7.8%**	**4,912**	**6.1%**
Global Cap Adjustment	**(1,269)**	**(1,698)**	**-33.8%**	**(1,701)**	**-0.2%**	**(1,702)**	**-0.1%**	**(1,704)**	**-0.1%**

Local assistance spending accounts for approximately 45 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 8.1 percent annually. The main factors driving this level of growth are: enhancements in community mental health services; enhancements in community-based employment and residential opportunities for individuals with disabilities; and new or increased funding not-for-profit providers for growth in employee wages related to minimum wage increases.

The Enacted Budget Financial Plan includes approximately $336 million or 9.3 percent increase in local assistance funding for the mental hygiene agencies. This increase is largely related to $132 million used in support of a 6.5 percent increase for direct care professionals and a 3.25 percent increase for clinical staff employed by not-for-profit organizations delivering services on behalf of OPWDD, OMH and OASAS, as well as $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, 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 Enacted Budget Financial Plan reflects the continued expansion of community-based services and provides $10 million in enhanced support for existing OMH housing programs. The Enacted 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, Jail based substance abuse disorder programs, 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, financed 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 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,229**	**1,281**	**4.2%**	**1,355**	**5.8%**	**1,358**	**0.2%**	**1,362**	**0.3%**
SSI	649	661	1.8%	663	0.3%	667	0.6%	667	0.0%
Public Assistance Benefits	475	506	6.5%	545	7.7%	541	-0.7%	541	0.0%
Public Assistance Initiatives	13	11	-15.4%	33	200.0%	33	0.0%	33	0.0%
All Other	92	103	12.0%	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 Enacted Budget 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 HIV/AIDS Services Administration (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 intended to prevent unaccompanied refugee children from joining the MS-13 gang on Long Island.

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 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,608**	**1,691**	**5.2%**	**1,692**	**0.1%**	**1,715**	**1.4%**	**1,750**	**2.0%**
Child Welfare Service	509	481	-5.5%	491	2.1%	501	2.0%	501	0.0%
Foster Care Block Grant	384	384	0.0%	393	2.3%	403	2.5%	413	2.5%
Adoption	148	148	0.0%	148	0.0%	149	0.7%	149	0.0%
Child Care	203	289	42.4%	270	-6.6%	271	0.4%	271	0.0%
Youth Programs	105	116	10.5%	124	6.9%	117	-5.6%	117	0.0%
Medicaid	77	85	10.4%	89	4.7%	93	4.5%	97	4.3%
Adult Protective/Domestic Violence	53	45	-15.1%	48	6.7%	51	6.3%	54	5.9%
Committees on Special Education	37	22	-40.5%	24	9.1%	25	4.2%	27	8.0%
All Other	92	121	31.5%	105	-13.2%	105	0.0%	121	15.2%

OCFS State Operating Funds spending is projected to increase from FY 2018 to FY 2019 due to the impact of several factors including increased funding for child care subsidies back to FY 2017 levels, costs associated with the regionally-based, multi-year increase in the statewide minimum wage, and legislative spending additions to fund a range of OCFS programs. These increases are partially offset by savings actions 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 COLA in FY 2019.

Increased spending in the outyears 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 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). Through FY 2018, the State collected these taxes and fees on behalf of, and disbursed 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 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE OPERATING FUNDS SUPPORT	**5,025**	**3,961**	**-21.2%**	**3,642**	**-8.1%**	**3,689**	**1.3%**	**3,821**	**3.6%**
Mass Transit Operating Aid:	2,283	2,324	1.8%	2,326	0.1%	2,326	0.0%	2,326	0.0%
Metro Mass Transit Aid	2,152	2,188	1.7%	2,190	0.1%	2,190	0.0%	2,190	0.0%
Public Transit Aid	87	92	5.7%	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	1,709	402	-76.5%	267	-33.6%	268	0.4%	268	0.0%
MTA Aid Trust	283	292	3.2%	296	1.4%	292	-1.4%	294	0.7%
Dedicated Mass Transit	678	683	0.7%	696	1.9%	746	7.2%	876	17.4%
AMTAP	70	260	271.4%	57	-78.1%	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 Enacted Budget Financial Plan includes revised spending estimates for transit assistance in each year to reflect the most recent revenue forecast assumptions.

The Enacted 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 Enacted Budget Financial Plan will no longer include new Mobility Tax receipts or 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.

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 Results	FY 2019 Enacted	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 2019 to FY 2020, due to revisions in the timing of spending. Additional increases in the outyears reflect potential awards from the Financial Restructuring Board for Local Governments.

Agency Operations

Agency operating costs consist of Personal Service (PS), Non-Personal Service (NPS), and GSCs. PS includes the salaries of State employees of the Executive, Legislative, and Judicial branches, as well as the salaries of temporary/seasonal employees. NPS includes real estate rentals, utilities, contractual payments (i.e., consultants, Information Technology (IT), and professional business services), supplies and materials, equipment, and telephone service. GSCs, which are discussed separately, reflect the cost of fringe benefits (e.g., 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 DOT and DMV (adjusted for the reclassification discussed above) are included in the Capital Projects Fund 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 the Civil Service Employees Association (CSEA), which represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which represents professional and technical personnel (attorneys, nurses, accountants, engineers, social workers, and institution teachers); UUP, which represents faculty and nonteaching professional staff within the State University system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

The following table presents certain variables used in preparing the spending projections for agency operations.

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS		Forecast			
	FY 2018 Results[1]	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Negotiated Base Salary Increases[2]					
CSEA/DC-37 (Rent Regulation Unit)	2%	2%	2%	2%	TBD
PEF/GSEU/MC	2%	2%	TBD	TBD	TBD
NYSPBA/NYSPIA[3]	1.5%	TBD	TBD	TBD	TBD
Council 82/UUP/NYSCOPBA/PBANYS	TBD	TBD	TBD	TBD	TBD
State Workforce[4]	117,397	118,868	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization[5]	16.2%	15.7%	15.9%	17.2%	18.6%
After Amortization[6]	20.0%	19.4%	19.6%	20.8%	21.8%
PFRS Contribution Rate					
Before Amortization[5]	25.1%	24.1%	24.0%	25.1%	26.2%
After Amortization[6]	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%	13.6%	13.8%	14.4%	14.3%

1 Reflects preliminary unaudited results.
2 Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.
3 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 applicable to FY 2017 and FY 2018.
4 Reflects workforce that is subject to direct Executive control.
5 Before amortization contribution rate reflects normal and administrative costs, contributions for the Group Life Insurance Plan (GLIP), and Chapter 41 of 2016 veterans' pension credit legislation.
6 After amortization contribution rate additionally includes new amortization, if any, and payments on prior amortizations.

Operating costs for PS/NPS are projected to increase over the Enacted Budget Financial Plan period, from $18.8 billion in FY 2018 to $20.5 billion in FY 2022. Most Executive agencies are expected to hold spending at FY 2018 levels. In addition to the DOT/DMV operations reclassification discussed previously, increases in the outyears of the Enacted Budget 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 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**10,004**	**10,192**	**10,446**	**10,815**	**10,827**
Mental Hygiene	2,804	2,717	2,772	2,846	2,880
Corrections and Community Supervision	2,628	2,606	2,619	2,624	2,616
State Police	742	730	725	751	765
Information Technology Services[1]	536	545	541	551	558
Medicaid Admin/EP	385	458	456	457	452
Public Health	356	394	392	398	393
Tax and Finance	321	332	331	341	330
Children and Family Services	242	289	375	442	445
Environmental Conservation	213	208	205	217	210
Financial Services	209	209	213	219	213
Parks, Recreation and Historic Preservation	169	173	171	178	173
General Services	144	137	133	132	130
Workers' Compensation Board	141	143	145	151	146
Temporary and Disability Assistance	123	126	132	136	139
Gaming	95	81	81	82	81
Potential and Settled Labor Agreements[2]	495	626	741	856	856
Agency Financial Management Plan	(500)	(500)	(500)	(500)	(500)
All Other	901	918	914	934	940
DOT/DMV Operations Reclassification	**0**	**282**	**332**	**337**	**343**
UNIVERSITY SYSTEMS	**6,183**	**6,303**	**6,337**	**6,639**	**6,665**
State University	6,080	6,227	6,264	6,564	6,591
City University	103	76	73	75	74
INDEPENDENT AGENCIES	**330**	**333**	**323**	**337**	**325**
Law	183	179	176	184	177
Audit & Control (OSC)	147	154	147	153	148
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,517**	**17,110**	**17,438**	**18,128**	**18,160**
Judiciary	2,081	2,119	2,121	2,178	2,121
Legislature	223	230	234	239	244
Statewide Total	**18,821**	**19,459**	**19,793**	**20,545**	**20,525**
Personal Service	13,170	13,542	13,885	14,575	14,476
Non-Personal Service	5,651	5,917	5,908	5,970	6,049

[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 the full year cost of recruit classes and added resources to combat gang activities.

- **Medicaid Admin/Essential Plan (EP).** Increased spending starting in FY 2019 is mainly attributable to higher costs associated with NYSOH enrollment trends.

- **Public Health.** Higher spending in out years is due to certification and surveillance activities, additional funding to support stem cell research, and higher operational costs for NYSOH.

- **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.

- **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, which started in FY 2018.

- **DOT/DMV Operations Reclassification.** 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 DHBTF to the General Fund.

Workforce

In FY 2019, $13.5 billion or 13.5 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 97,500 FTE employees under direct Executive control; individuals employed by SUNY and CUNY (46,038) and Independent Agencies (18,176); 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	**7,375**	**94,741**
Mental Hygiene Agencies	2,263	32,334
Corrections and Community Supervision	2,043	27,238
State Police	668	5,666
Information Technology Services	287	3,401
Health	280	3,974
Tax and Finance	264	3,977
Environmental Conservation	170	2,124
Children and Family Services	192	2,406
Financial Services	157	1,382
Parks, Recreation and Historic Preservation	134	1,304
Education	88	1,263
Workers' Compensation Board	85	1,110
Temporary and Disability Assistance	68	1,019
General Services	48	832
All Other	628	6,711
DOT/DMV Operations Reclassification	**167**	**2,712**
University Systems	**3,921**	**46,038**
State University	3,883	45,655
City University[2]	38	383
Independent Agencies	**2,079**	**18,176**
Law	126	1,583
Audit & Control (OSC)	123	1,527
Judiciary	1,654	15,064
Legislature[3]	176	2
Total	**13,542**	**161,667**

[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). GSCs 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. Many 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, DOT and DMV spending related to snow and ice removal, bus, truck and rail inspection and regulatory activities in the DHBTF will be accounted for in the General Fund ($107 million).

GSC spending is projected to increase at an average annual rate of 6.9 percent over the multi-year Enacted Budget Financial Plan period. This growth is primarily attributable to the health insurance and workers' compensation programs, offset by reductions in other fringe benefits and fixed costs and relatively stable spending for pensions and social security.

Growth in the health insurance program of $323 million (8.2 percent) is reflective of medical inflation at current enrollment levels. Workers' compensation costs are increasing by $170 million in FY 2019 due to underlying growth in the average weekly wage used in benefit calculations and medical costs ($65 million / 12.8 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 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,853**	**8,542**	**8.8%**	**9,124**	**6.8%**	**9,713**	**6.5%**	**10,249**	**5.5%**
Fringe Benefits	**7,440**	**8,097**	**8.8%**	**8,673**	**7.1%**	**9,256**	**6.7%**	**9,785**	**5.7%**
Health Insurance	3,963	4,286	8.2%	4,592	7.1%	4,907	6.9%	5,247	6.9%
Pensions	2,442	2,469	1.1%	2,590	4.9%	2,753	6.3%	2,918	6.0%
Social Security	1,014	1,030	1.6%	1,040	1.0%	1,050	1.0%	1,050	0.0%
Workers' Compensation	306	476	55.6%	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	64	61	-4.7%	64	4.9%	65	1.6%	66	1.5%
Unemployment Insurance	13	12	-7.7%	12	0.0%	12	0.0%	12	0.0%
All Other	2,359	1,056	-55.2%	1,096	3.8%	1,166	6.4%	1,178	1.0%
Non-State Escrow	(2,813)	(1,391)	50.6%	(1,415)	-1.7%	(1,486)	-5.0%	(1,539)	-3.6%
Fixed Costs	**413**	**445**	**7.7%**	**451**	**1.3%**	**457**	**1.3%**	**464**	**1.5%**
Public Land Taxes/PILOTS	254	263	3.5%	269	2.3%	275	2.2%	282	2.5%
Litigation	159	182	14.5%	182	0.0%	182	0.0%	182	0.0%

Growth in GSC spending in FY 2019 has been partly offset by gap-closing savings of approximately $62 million in pension interest savings achieved by paying most of the State pension bill in April 2018, rather than monthly as previously assumed. Over the multi-year Enacted Budget 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. Similarly, reimbursements collected from agency fringe benefit assessments have been revised based on projected personal service spending and reimbursement rates.

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 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**9,852**	**6,240**	**6,643**	**6,512**	**6,117**
State Share of Mental Hygiene Medicaid[1]	**1,333**	**0**	**0**	**0**	**0**
Debt Service	**1,047**	**827**	**948**	**1,017**	**876**
SUNY University Operations	**1,015**	**1,034**	**1,025**	**1,021**	**1,021**
Capital Projects	**2,191**	**3,257**	**3,567**	**3,292**	**2,897**
Dedicated Highway and Bridge Trust Fund	771	173	479	530	369
Dedicated Infrastructure Investment Fund	941	1,608	1,250	1,109	542
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	164	350	320	166	0
Bond Proceeds Receipts for Javits Expansion	0	0	(500)	(500)	0
Mass Transit Capital from Settlements	67	10	8	0	0
Statewide Health Care Capital from Settlements	19	70	70	80	63
Environmental Protection Fund	28	28	28	28	28
All Other Capital	1,001	1,518	1,912	1,879	1,895
ALL OTHER TRANSFERS	**4,266**	**1,122**	**1,103**	**1,182**	**1,323**
Mental Hygiene[1]	3,127	0	0	0	0
Department of Transportation (MTA Payroll Tax)	268	269	269	270	270
SUNY - Medicaid Reimbursement	405	243	243	243	243
Judiciary Funds	109	110	109	110	110
Dedicated Mass Transportation Trust Fund	63	65	65	116	256
Banking Services	41	60	53	53	53
Indigent Legal Services	25	35	58	82	82
General Service Executive Direction	22	22	22	22	22
Mass Transportation Operating Assistance	21	21	21	21	21
Correctional Industries	12	21	21	21	21
Public Transportation Systems	15	16	16	16	16
Health Income Fund	15	16	16	16	16
Centralized Technology Services	9	14	11	11	11
Spinal Cord Injury	9	9	9	9	9
Medical Marihuana Fund	5	7	5	7	7
All Other	120	214	185	185	186

[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] 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 Highway Use Tax (HUT). The Enacted Budget 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 reduced in FY 2019 and in the ensuing years of the Enacted Budget Financial Plan 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 DHBTF to the General Fund.

General Fund transfers to other funds are expected to total $6.2 billion in FY 2019, a $3.6 billion decrease from FY 2018. The change is primarily driven by the consolidation of certain Mental Hygiene Special Revenue Funds into the General Fund, which eliminate the General Fund transfers for mental hygiene activity, offset 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.

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 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
General Fund	1,047	827	-21.0%	948	14.6%	1,017	7.3%	876	-13.9%
Other State Support	4,826	4,555	-5.6%	6,018	32.1%	6,169	2.5%	6,214	0.7%
State Operating/All Funds Total	**5,873**	**5,382**	**-8.4%**	**6,966**	**29.4%**	**7,186**	**3.2%**	**7,090**	**-1.3%**

Total State Operating/All Funds debt service is projected at $5.4 billion in FY 2019, of which $827 million is paid from the General Fund via transfers, and $4.6 billion is 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 Enacted Budget 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 $594 million in debt service costs due in FY 2019.

Financial Plan Tables

The following tables present the multi-year projections for State Operating Funds and All Governmental Funds, as well as monthly cashflow detail for the General Fund.[25] The Enacted Budget Financial Plan projections for FY 2020 and thereafter, set forth in this AIS, reflect 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, to no greater than 2 percent. Total disbursements in the Financial Plan tables and narrative contained in this AIS do not reflect these assumed savings, which are reflected instead on a distinct line and labeled "Adherence to 2% Spending Benchmark." The Enacted Budget Financial Plan projections are subject to many risks and uncertainties, as well as future budgetary decisions and other factors that are currently unknown. If the 2 percent annual State Operating Funds spending growth benchmark is not adhered to, projected budget gaps would be higher (or projected surpluses would be lower).

[25] 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 Enacted Budget Financial Plan and the AIS may reflect a net expenditure amount while OSC may report the gross amount of the expenditure. Any such differences between DOB and OSC could result in differences in the presentation and reporting of receipts and disbursements for discrete funds, as well as differences in the presentation and reporting for total receipts and disbursements under different fund perspectives (e.g., State Operating Funds and total All Governmental Funds).

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
FY 2019 THROUGH FY 2022
(millions of dollars)

	FY 2019 Enacted	FY 2020 Enacted	FY 2021 Enacted	FY 2022 Enacted
Taxes:				
Withholdings	41,782	43,033	44,024	46,144
Estimated Payments	16,221	18,157	17,802	18,960
Final Payments	2,599	2,748	2,908	3,032
Other Payments	1,500	1,564	1,601	1,671
Gross Collections	**62,102**	**65,502**	**66,335**	**69,807**
State/City Offset	(973)	(799)	(824)	(849)
Refunds	(10,719)	(10,751)	(10,501)	(11,502)
Reported Tax Collections	**50,410**	**53,952**	**55,010**	**57,456**
STAR (Dedicated Deposits)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
Personal Income Tax	**50,410**	**53,952**	**55,010**	**57,456**
Sales and Use Tax	15,086	15,670	16,263	16,871
Cigarette and Tobacco Taxes	1,119	1,068	1,020	977
Motor Fuel Tax	512	507	504	501
Alcoholic Beverage Taxes	262	265	269	272
Opioid Epidemic Surcharge	0	0	0	0
Medical Marihuana Excise Tax	2	2	2	2
Highway Use Tax	142	142	143	145
Auto Rental Tax	130	135	139	144
Taxicab Surcharge	50	50	50	50
Gross Consumption/Use Taxes	**17,303**	**17,839**	**18,390**	**18,962**
LGAC/STBF (Dedicated Transfers)	0	0	0	0
Consumption/Use Taxes	**17,303**	**17,839**	**18,390**	**18,962**
Corporation Franchise Tax	4,027	4,482	4,736	4,780
Corporation and Utilities Tax	700	710	718	727
Insurance Taxes	1,975	2,201	2,354	2,467
Bank Tax	143	71	0	0
Petroleum Business Tax	1,136	1,166	1,158	1,149
Business Taxes	**7,981**	**8,630**	**8,966**	**9,123**
Estate Tax	1,033	1,092	1,155	1,220
Real Estate Transfer Tax	1,178	1,231	1,267	1,305
Employer Compensation Expense Program	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	**2,229**	**2,341**	**2,440**	**2,543**
Real Estate Transfer Tax (Dedicated)	0	0	0	0
RBTF (Dedicated Transfers)	TBD	TBD	TBD	TBD
Other Taxes	**2,229**	**2,341**	**2,440**	**2,543**
Payroll Tax	**0**	**0**	**0**	**0**
Total Taxes	**77,923**	**82,762**	**84,806**	**88,084**
Licenses, Fees, Etc.	670	692	676	676
Abandoned Property	450	450	450	450
Motor Vehicle Fees	1,499	1,504	1,498	1,423
ABC License Fee	66	66	62	68
Reimbursements	107	109	107	53
Investment Income	40	18	8	8
Extraordinary Settlements	108	0	0	0
Other Transactions	25,065	23,333	22,204	22,310
Miscellaneous Receipts	**28,005**	**26,172**	**25,005**	**24,988**
Federal Receipts	**60,083**	**61,064**	**62,412**	**64,112**
Total	**166,011**	**169,998**	**172,223**	**177,184**

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	**9,445**	**4,009**	**153**	**13,607**
Receipts:				
Taxes	37,070	6,137	33,321	76,528
Miscellaneous Receipts	2,127	17,511	498	20,136
Federal Receipts	0	1	74	75
Total Receipts	**39,197**	**23,649**	**33,893**	**96,739**
Disbursements:				
Local Assistance	51,063	15,689	0	66,752
State Operations:				
Personal Service	8,691	4,851	0	13,542
Non-Personal Service	3,054	2,816	47	5,917
General State Charges	7,553	989	0	8,542
Debt Service	0	0	5,382	5,382
Capital Projects	0	0	0	0
Total Disbursements	**70,361**	**24,345**	**5,429**	**100,135**
Other Financing Sources (Uses):				
Transfers from Other Funds	33,463	2,161	3,607	39,231
Transfers to Other Funds	(6,240)	(1,232)	(32,066)	(39,538)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**27,223**	**929**	**(28,459)**	**(307)**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(3,941)	233	5	(3,703)
Closing Fund Balance	**5,504**	**4,242**	**158**	**9,904**

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	39,752	6,178	35,420	81,350
Miscellaneous Receipts	2,028	16,956	469	19,453
Federal Receipts	0	1	73	74
Total Receipts	**41,780**	**23,135**	**35,962**	**100,877**
Disbursements:				
Local Assistance	53,918	15,584	0	69,502
State Operations:				
Personal Service	8,936	4,949	0	13,885
Non-Personal Service	3,129	2,732	47	5,908
General State Charges	8,098	1,026	0	9,124
Debt Service	0	0	6,966	6,966
Capital Projects	0	0	0	0
Total Disbursements	**74,081**	**24,291**	**7,013**	**105,385**
Other Financing Sources (Uses):				
Transfers from Other Funds	33,760	2,142	3,716	39,618
Transfers to Other Funds	(6,643)	(922)	(32,659)	(40,224)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**27,117**	**1,220**	**(28,943)**	**(606)**
Use (Reservation) of Fund Balance:				
Community Projects	9	0	0	9
Extraordinary Monetary Settlements	1,148	0	0	1,148
Total Use (Reservation) of Fund Balance	**1,157**	**0**	**0**	**1,157**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,027)**	**64**	**6**	**(3,957)**
Adherence to 2% Spending Benchmark*	**3,247**	**0**	**0**	**3,247**
Net Surplus (Deficit)	**(780)**	**64**	**6**	**(710)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation 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 gap would be higher (or the projected surplus 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	40,931	6,201	36,265	83,397
Miscellaneous Receipts	2,001	16,213	469	18,683
Federal Receipts	0	1	73	74
Total Receipts	**42,932**	**22,415**	**36,807**	**102,154**
Disbursements:				
Local Assistance	57,009	15,276	0	72,285
State Operations:				
Personal Service	9,441	5,134	0	14,575
Non-Personal Service	3,173	2,750	47	5,970
General State Charges	8,618	1,095	0	9,713
Debt Service	0	0	7,186	7,186
Capital Projects	0	0	0	0
Total Disbursements	**78,241**	**24,255**	**7,233**	**109,729**
Other Financing Sources (Uses):				
Transfers from Other Funds	34,012	2,218	3,680	39,910
Transfers to Other Funds	(6,512)	(487)	(33,245)	(40,244)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**27,500**	**1,731**	**(29,565)**	**(334)**
Use (Reservation) of Fund Balance:				
Community Projects	8	0	0	8
Extraordinary Monetary Settlements	855	0	0	855
Total Use (Reservation) of Fund Balance	**863**	**0**	**0**	**863**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,946)**	**(109)**	**9**	**(7,046)**
Adherence to 2% Spending Benchmark*	**5,548**	**0**	**0**	**5,548**
Net Surplus (Deficit)	**(1,398)**	**(109)**	**9**	**(1,498)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation 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 gap would be higher (or the projected surplus lower).

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2022
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	42,605	6,262	37,812	86,679
Miscellaneous Receipts	1,883	16,331	468	18,682
Federal Receipts	0	1	72	73
Total Receipts	**44,488**	**22,594**	**38,352**	**105,434**
Disbursements:				
Local Assistance	59,472	15,399	0	74,871
State Operations:				
Personal Service	9,374	5,102	0	14,476
Non-Personal Service	3,205	2,797	47	6,049
General State Charges	9,140	1,109	0	10,249
Debt Service	0	0	7,090	7,090
Capital Projects	0	0	0	0
Total Disbursements	**81,191**	**24,407**	**7,137**	**112,735**
Other Financing Sources (Uses):				
Transfers from Other Funds	35,258	2,348	3,361	40,967
Transfers to Other Funds	(6,117)	(445)	(34,506)	(41,068)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**29,141**	**1,903**	**(31,145)**	**(101)**
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	605	0	0	605
Total Use (Reservation) of Fund Balance	**605**	**0**	**0**	**605**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,957)**	**90**	**70**	**(6,797)**
Adherence to 2% Spending Benchmark*	**6,470**	**0**	**0**	**6,470**
Net Surplus (Deficit)	**(487)**	**90**	**70**	**(327)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation 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 gap would be higher (or the projected surplus lower).

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	**9,445**	**4,302**	**(1,151)**	**153**	**12,749**
Receipts:					
Taxes	37,070	6,137	1,395	33,321	77,923
Miscellaneous Receipts	2,127	17,713	7,667	498	28,005
Federal Receipts	0	57,576	2,433	74	60,083
Total Receipts	**39,197**	**81,426**	**11,495**	**33,893**	**166,011**
Disbursements:					
Local Assistance	51,063	68,951	5,613	0	125,627
State Operations:					
Personal Service	8,691	5,500	0	0	14,191
Non-Personal Service	3,054	4,255	0	47	7,356
General State Charges	7,553	1,312	0	0	8,865
Debt Service	0	0	0	5,382	5,382
Capital Projects	0	0	8,861	0	8,861
Total Disbursements	**70,361**	**80,018**	**14,474**	**5,429**	**170,282**
Other Financing Sources (Uses):					
Transfers from Other Funds	33,463	2,173	3,623	3,607	42,866
Transfers to Other Funds	(6,240)	(3,356)	(1,366)	(32,066)	(43,028)
Bond and Note Proceeds	0	0	711	0	711
Net Other Financing Sources (Uses)	**27,223**	**(1,183)**	**2,968**	**(28,459)**	**549**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**(3,941)**	**225**	**(11)**	**5**	**(3,722)**
Closing Fund Balance	**5,504**	**4,527**	**(1,162)**	**158**	**9,027**

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	39,752	6,178	1,412	35,420	82,762
Miscellaneous Receipts	2,028	17,115	6,560	469	26,172
Federal Receipts	0	58,762	2,229	73	61,064
Total Receipts	**41,780**	**82,055**	**10,201**	**35,962**	**169,998**
Disbursements:					
Local Assistance	53,918	69,609	5,084	0	128,611
State Operations:					
Personal Service	8,936	5,602	0	0	14,538
Non-Personal Service	3,129	4,213	0	47	7,389
General State Charges	8,098	1,354	0	0	9,452
Debt Service	0	0	0	6,966	6,966
Capital Projects	0	0	8,096	0	8,096
Total Disbursements	**74,081**	**80,778**	**13,180**	**7,013**	**175,052**
Other Financing Sources (Uses):					
Transfers from Other Funds	33,760	2,154	3,874	3,716	43,504
Transfers to Other Funds	(6,643)	(2,698)	(1,636)	(32,659)	(43,636)
Bond and Note Proceeds	0	0	706	0	706
Net Other Financing Sources (Uses)	**27,117**	**(544)**	**2,944**	**(28,943)**	**574**
Use (Reservation) of Fund Balance:					
Community Projects	9	0	0	0	9
Extraordinary Monetary Settlements	1,148	0	0	0	1,148
Total Use (Reservation) of Fund Balance	**1,157**	**0**	**0**	**0**	**1,157**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,027)**	**733**	**(35)**	**6**	**(3,323)**
Adherence to 2% Spending Benchmark*	**3,247**	**0**	**0**	**0**	**3,247**
Net Surplus (Deficit)	**(780)**	**733**	**(35)**	**6**	**(76)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation 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 gap would be higher (or the projected surplus 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	40,931	6,201	1,409	36,265	84,806
Miscellaneous Receipts	2,001	16,374	6,161	469	25,005
Federal Receipts	0	60,152	2,187	73	62,412
Total Receipts	**42,932**	**82,727**	**9,757**	**36,807**	**172,223**
Disbursements:					
Local Assistance	57,009	70,195	4,343	0	131,547
State Operations:					
Personal Service	9,441	5,813	0	0	15,254
Non-Personal Service	3,173	4,198	0	47	7,418
General State Charges	8,618	1,434	0	0	10,052
Debt Service	0	0	0	7,186	7,186
Capital Projects	0	0	7,628	0	7,628
Total Disbursements	**78,241**	**81,640**	**11,971**	**7,233**	**179,085**
Other Financing Sources (Uses):					
Transfers from Other Funds	34,012	2,230	3,533	3,680	43,455
Transfers to Other Funds	(6,512)	(2,233)	(1,606)	(33,245)	(43,596)
Bond and Note Proceeds	0	0	264	0	264
Net Other Financing Sources (Uses)	**27,500**	**(3)**	**2,191**	**(29,565)**	**123**
Use (Reservation) of Fund Balance:					
Community Projects	8	0	0	0	8
Extraordinary Monetary Settlements	855	0	0	0	855
Total Use (Reservation) of Fund Balance	**863**	**0**	**0**	**0**	**863**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,946)**	**1,084**	**(23)**	**9**	**(5,876)**
Adherence to 2% Spending Benchmark*	**5,548**	**0**	**0**	**0**	**5,548**
Net Surplus (Deficit)	**(1,398)**	**1,084**	**(23)**	**9**	**(328)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation 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 gap would be higher (or the projected surplus lower).

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2022
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	42,605	6,262	1,405	37,812	88,084
Miscellaneous Receipts	1,883	16,492	6,145	468	24,988
Federal Receipts	0	61,853	2,187	72	64,112
Total Receipts	**44,488**	**84,607**	**9,737**	**38,352**	**177,184**
Disbursements:					
Local Assistance	59,472	71,512	4,186	0	135,170
State Operations:					
Personal Service	9,374	5,783	0	0	15,157
Non-Personal Service	3,205	4,228	0	47	7,480
General State Charges	9,140	1,480	0	0	10,620
Debt Service	0	0	0	7,090	7,090
Capital Projects	0	0	7,447	0	7,447
Total Disbursements	**81,191**	**83,003**	**11,633**	**7,137**	**182,964**
Other Financing Sources (Uses):					
Transfers from Other Funds	35,258	2,360	3,137	3,361	44,116
Transfers to Other Funds	(6,117)	(2,158)	(1,482)	(34,506)	(44,263)
Bond and Note Proceeds	0	0	238	0	238
Net Other Financing Sources (Uses)	**29,141**	**202**	**1,893**	**(31,145)**	**91**
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	605	0	0	0	605
Total Use (Reservation) of Fund Balance	**605**	**0**	**0**	**0**	**605**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,957)**	**1,806**	**(3)**	**70**	**(5,084)**
Adherence to 2% Spending Benchmark*	**6,470**	**0**	**0**	**0**	**6,470**
Net Surplus (Deficit)	**(487)**	**1,806**	**(3)**	**70**	**1,386**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation 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 gap would be higher (or the projected surplus lower).

Source: NYS DOB.

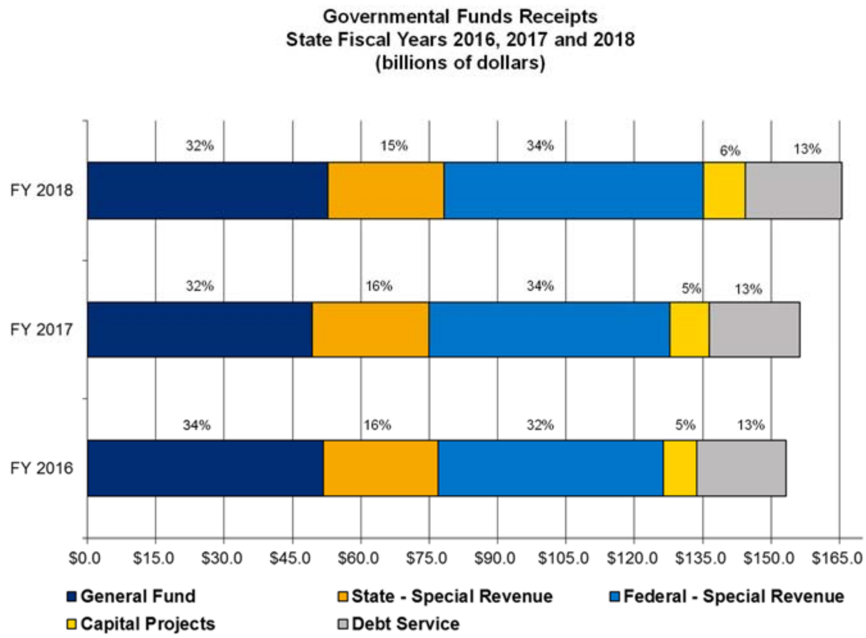
CASHFLOW
GENERAL FUND
FY 2019
(dollars in millions)

	2018 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2019 January Projected	February Projected	March Projected	Total
OPENING BALANCE	9,445	9,946	5,130	4,502	4,607	4,201	5,918	6,077	4,084	6,066	11,780	11,282	9,445
RECEIPTS:													
Personal Income Tax	2,948	1,208	2,369	1,424	1,523	2,402	1,409	971	2,161	3,423	1,496	1,412	22,746
Consumption/Use Taxes	541	571	763	611	581	781	587	589	772	631	525	695	7,647
Business Taxes	378	(52)	925	66	64	1,133	96	46	1,326	(135)	76	1,703	5,626
Other Taxes	63	90	90	90	91	91	90	90	89	89	89	89	1,051
Total Taxes	3,930	1,817	4,147	2,191	2,259	4,407	2,182	1,696	4,348	4,008	2,186	3,899	37,070
Abandoned Property	1	0	0	0	0	40	5	150	50	0	0	204	450
ABC License Fee	5	6	6	6	6	6	6	5	5	6	6	3	66
Investment Income	17	1	1	5	1	1	5	1	1	5	1	1	40
Licenses, Fees, etc.	51	30	38	70	35	50	70	55	68	70	50	83	670
Motor Vehicle Fees	30	18	20	28	21	24	23	20	21	22	22	20	269
Reimbursements	(1)	(14)	35	(35)	25	25	(35)	20	40	10	20	17	107
Extraordinary Settlements	108	0	0	0	0	0	0	0	0	0	0	0	108
Other Transactions	(4)	30	63	31	29	110	56	32	77	31	22	(60)	417
Total Miscellaneous Receipts	207	71	163	105	117	256	130	283	262	144	121	268	2,127
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	2,948	1,207	2,357	1,424	1,616	2,097	1,410	982	2,082	5,772	1,210	609	23,714
ECET in Excess of Revenue Bond Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax in Excess of LGAC	253	254	356	277	265	336	268	271	361	287	246	(18)	3,156
Sales Tax Bond Fund	183	184	285	207	195	328	192	194	284	210	169	326	2,757
Real Estate Taxes in Excess of CW/CA Debt Service	74	93	91	95	94	96	85	87	76	90	63	54	998
All Other	94	106	122	106	106	195	195	119	107	145	197	1,346	2,838
Total Transfers from Other Funds	3,552	1,844	3,211	2,109	2,276	3,052	2,150	1,653	2,910	6,504	1,885	2,317	33,463
TOTAL RECEIPTS	7,689	3,732	7,521	4,405	4,652	7,715	4,462	3,632	7,520	10,656	4,192	6,484	72,660
DISBURSEMENTS:													
School Aid	1,113	3,489	1,952	82	600	1,674	901	1,562	2,096	579	758	8,355	23,161
Higher Education	24	32	1,123	232	85	178	95	35	203	59	341	658	3,065
All Other Education	42	497	157	109	257	97	45	187	178	38	255	480	2,342
Medicaid - DOH	1,525	1,724	1,374	1,263	1,417	1,095	1,079	1,324	1,020	1,325	693	492	14,331
Public Health	39	213	52	33	64	41	33	43	44	32	46	30	670
Mental Hygiene	150	67	316	107	121	338	100	112	308	155	203	275	2,252
Children and Families	12	76	240	99	99	240	99	99	240	99	144	240	1,687
Temporary & Disability Assistance	65	103	165	104	103	107	103	104	106	103	103	115	1,281
Transportation	46	70	60	46	32	0	0	24	11	0	12	3	304
Unrestricted Aid	0	12	388	0	0	106	7	0	187	0	0	65	765
All Other	21	64	(22)	16	73	123	101	65	122	81	86	475	1,205
Total Local Assistance	3,037	6,347	5,805	2,091	2,851	3,999	2,563	3,555	4,515	2,471	2,641	11,188	51,063
Personal Service	663	878	692	702	863	631	804	629	644	815	675	695	8,691
Non-Personal Service	159	241	261	200	271	281	250	273	262	266	266	324	3,054
Total State Operations	822	1,119	953	902	1,134	912	1,054	902	906	1,081	941	1,019	11,745
General State Charges	2,705	340	427	423	342	511	616	278	470	501	475	465	7,553
Debt Service	253	0	0	128	(3)	(42)	236	0	(2)	333	(25)	(51)	827
Capital Projects	58	475	600	521	667	585	(230)	605	(445)	521	605	(705)	3,257
State Share Medicaid	0	0	0	0	0	0	0	0	0	0	0	0	0
SUNY Operations	218	218	224	182	0	0	0	182	10	0	0	0	1,034
Other Purposes	95	49	140	53	67	33	64	103	84	35	53	346	1,122
Total Transfers to Other Funds	624	742	964	884	731	576	70	890	(353)	889	633	(410)	6,240
TOTAL DISBURSEMENTS	7,188	8,548	8,149	4,300	5,058	5,998	4,303	5,625	5,538	4,942	4,690	12,262	76,601
Excess/(Deficiency) of Receipts over Disbursements	501	(4,816)	(628)	105	(406)	1,717	159	(1,993)	1,982	5,714	(498)	(5,778)	(3,941)
CLOSING BALANCE	9,946	5,130	4,502	4,607	4,201	5,918	6,077	4,084	6,066	11,780	11,282	5,504	5,504

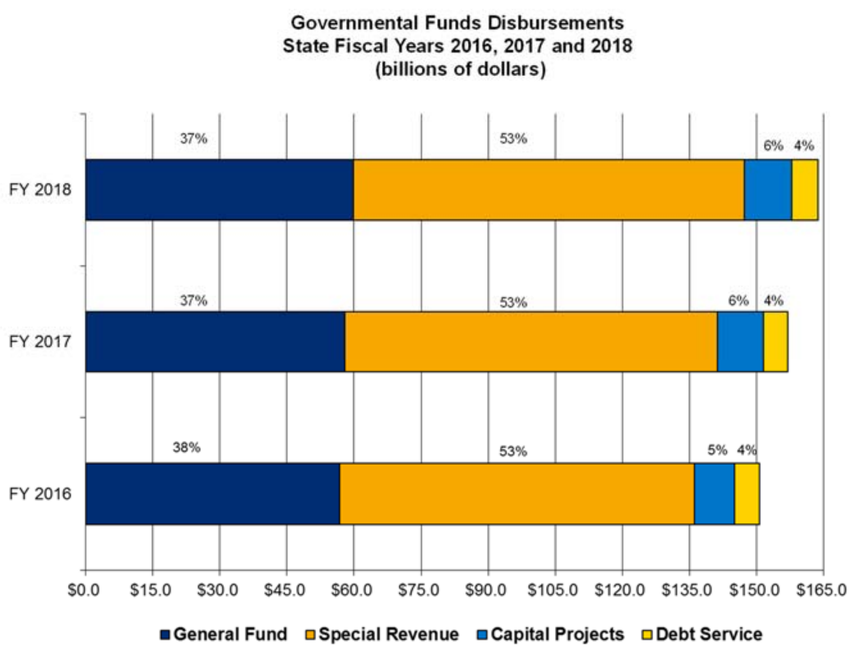
Source: NYS DOB.

Prior Fiscal Years

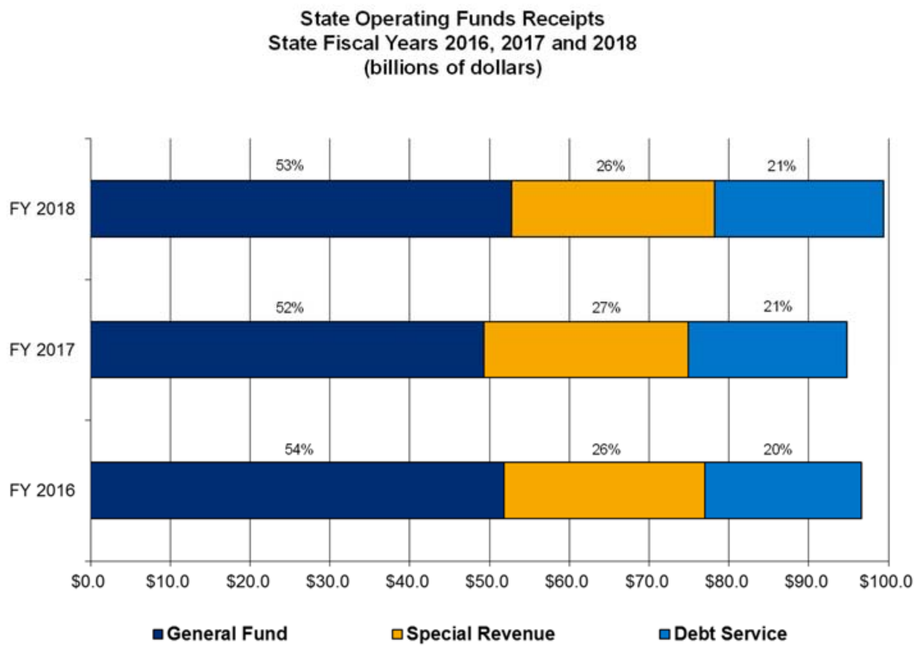
The following six charts show the composition of the State's governmental funds, State Operating Funds and the General Fund as of March 31, 2018. Following the tables is a summary of the cash-basis results for the State's three most recent fiscal years.



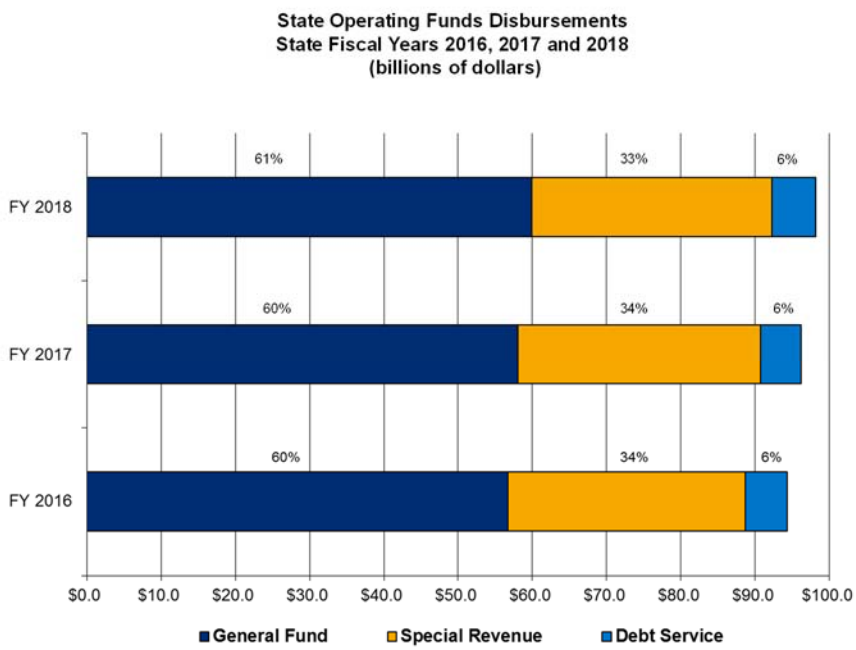
Note: Percentage total may not add due to rounding.



Note: Percentage total may not add due to rounding.

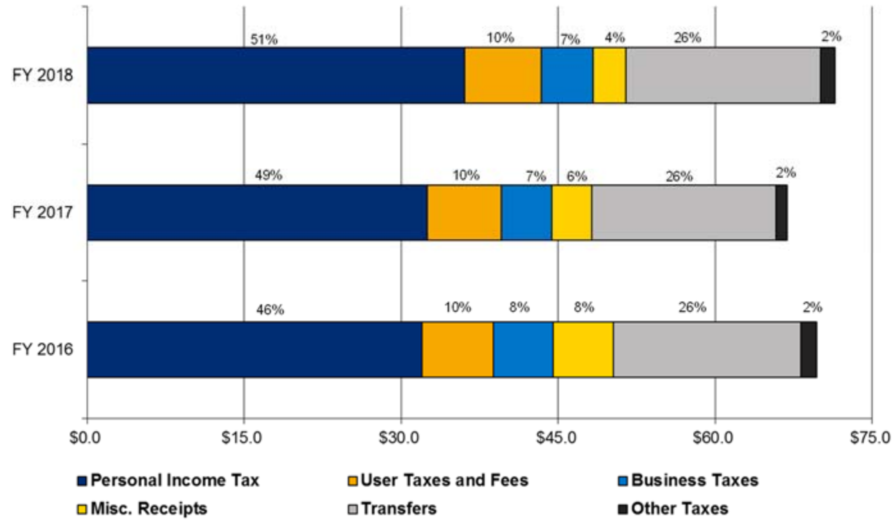


Note: Percentage total may not add due to rounding.



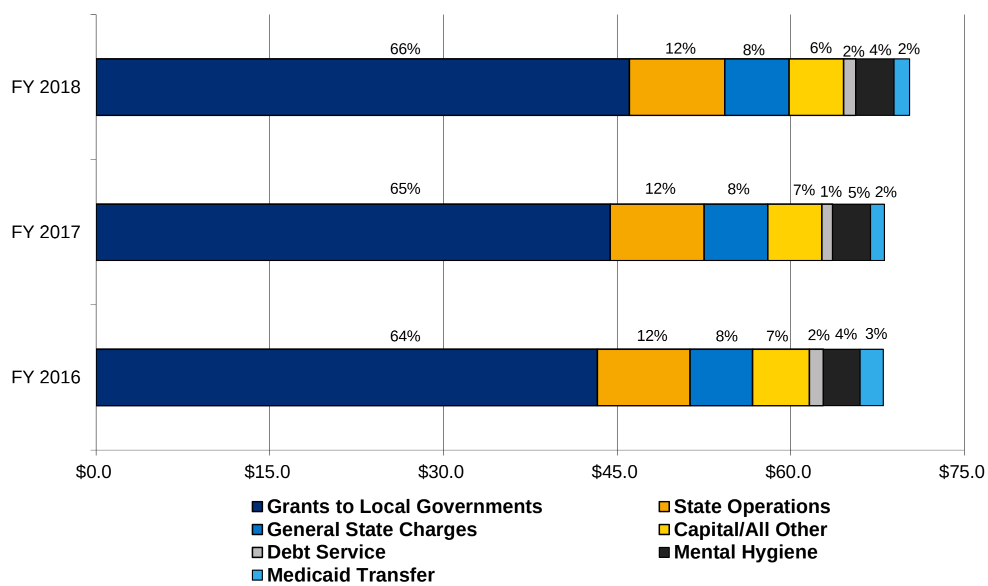
Note: Percentage total may not add due to rounding.

General Fund Receipts and Transfers by Source
State Fiscal Years 2016, 2017 and 2018
(billions of dollars)



Note: Percentage total may not add due to rounding.

General Fund Disbursements and Transfers by Type
State Fiscal Years 2016, 2017 and 2018
(billions of dollars)



Note: Percentage total may not add due to rounding.

The State reports its financial results on the cash basis of accounting, showing receipts and disbursements; and the GAAP basis (including modified accrual and full accrual), as prescribed by GAAP, showing revenues and expenditures. With the exception of FY 2018 financial results, the State's GAAP-basis financial results set forth in this section have been audited. Note that the FY 2018 financial results included in this AIS are preliminary and unaudited.

Cash-Basis Results for Prior Fiscal Years

General Fund FY 2016 Through FY 2018

The General Fund is the principal operating fund of the State and is used to account for all financial transactions, except those required by law to be accounted for in another fund. It is the State's largest single fund and receives most State taxes and other resources not dedicated to particular purposes. General Fund moneys in prior fiscal years were also transferred to other funds, primarily to support certain State share Medicaid payments, capital projects and debt service payments in other fund types. In some cases, the fiscal year results provided below may exclude certain timing-related transactions which have no net impact on operations.

In the cash basis of accounting, the State defines a balanced budget in the General Fund in any given fiscal year as (a) the ability to make all planned payments anticipated in the Financial Plan, including tax refunds, without the issuance of deficit bonds or notes or extraordinary cash management actions, (b) the restoration of the balances in the Tax Stabilization Reserve and Rainy Day Reserve (together, the "rainy day reserves") to a level equal to or greater than the level at the start of the fiscal year, and (c) maintenance of other designated balances, as required by law.

The State has allowed limited spending growth to meet the demand for services. In addition, rainy day reserve fund balances have been supported and maintained. The following table summarizes General Fund results for the prior three fiscal years.

COMPARISON OF GENERAL FUND RECEIPTS AND DISBURSEMENTS
FY 2016 THROUGH FY 2018
(millions of dollars)

	FY 2016	FY 2017	FY 2018
OPENING FUND BALANCE	7,300	8,934	7,749
Personal Income Tax (1)	31,957	32,535	36,037
Consumption/User Taxes:			
Sales and Use Tax(2)	6,242	6,483	6,776
Cigarette and Tobacco Tax	322	360	342
Alcoholic Beverage Taxes	255	258	259
Subtotal	6,819	7,101	7,377
Business Taxes:			
Corporation Franchise Tax	3,763	2,476	2,326
Corporation and Utilities Taxes	594	538	570
Insurance Taxes	1,419	1,410	1,610
Bank Tax(3)	(129)	337	410
Subtotal	5,647	4,761	4,916
Other Taxes:			
Estate and Gift Taxes	1,521	1,091	1,308
Pari-mutuel Tax	17	16	15
Other Taxes	2	3	3
Subtotal	1,540	1,110	1,326
Miscellaneous Receipts & Federal Grants	5,842	3,813	3,129
Transfers from Other Funds:			
PIT in excess of Revenue Bond debt service	10,159	10,275	10,909
Sales Tax in excess of Revenue Bond debt service	2,759	2,672	2,763
Sales Tax in Excess of LGAC Debt Service	2,729	2,870	3,098
All Other Transfers	2,224	1,758	1,865
Subtotal	17,871	17,575	18,635
TOTAL RECEIPTS	69,676	66,895	71,420
Grants to Local Governments:			
School Aid	20,133	21,017	22,015
Medicaid	12,117	12,178	13,398
All Other Local Aid	11,065	11,244	10,659
State Operations:			
Personal Service	6,011	6,065	6,136
Non-Personal Service	1,944	2,022	2,092
General State Charges	5,397	5,462	5,572
Transfers to Other Funds:			
In Support of Debt Service	1,196	924	1,047
In Support of Capital Projects	2,721	2,569	2,191
State Share Medicaid	2,036	1,239	1,333
Mental Hygiene Facilities	3,195	3,287	3,127
SUNY Operations	998	996	1,015
All Other Transfers	1,229	1,077	1,139
Subtotal	11,375	10,092	9,852
TOTAL DISBURSEMENTS	68,042	68,080	69,724
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	1,634	(1,185)	1,696
CLOSING FUND BALANCE	8,934	7,749	9,445

Sources: NYS Office of the State Comptroller. Financial Plan categorical detail by NYS Division of the Budget.

(1) Excludes personal income tax receipts that flow into the Revenue Bond Tax Fund in the first instance and are then transferred to the General Fund after debt service obligation is satisfied.

(2) Excludes sales tax in excess of LGAC Debt Service and Sales Tax Revenue Bond Fund.

(3) Reflects repeal of the bank tax, as part of corporate tax reform, beginning in tax year 2015.

FY 2018

The State ended FY 2018 in balance on a cash basis in the General Fund, based on preliminary, unaudited results. General Fund receipts, including transfers from other funds, totaled $71.4 billion. General Fund disbursements, including transfers to other funds, totaled $69.7 billion. The State ended FY 2018 with a General Fund balance of $9.4 billion, an increase of $1.7 billion from FY 2017 results. The higher balance is due to acceleration of an estimated $1.9 billion in PIT payments as taxpayers responded to the $10,000 limit on State and Local Tax (SALT) deductibility of income and property taxes enacted by Congress and effective for tax year 2018[26], and $130 million in additional resources to fund the costs of potential labor settlements, partially offset by $315 million less in Extraordinary Monetary Settlement funds after paying for spending appropriated from Capital Projects Funds and $10 million less in the Community Projects Fund after funding certain community project initiatives from prior year appropriations.

FY 2017

The State ended FY 2017 in balance on a cash basis in the General Fund. General Fund receipts, including transfers from other funds, totaled $66.9 billion. General Fund disbursements, including transfers to other funds, totaled $68.1 billion. The State ended FY 2017 with a General Fund balance of $7.7 billion, a decrease of $1.2 billion from FY 2016 results, mainly due to the change in Extraordinary Monetary Settlement funds on hand, including the planned transfer to pay for spending appropriated from capital projects funds ($965 million). The decrease also reflects the use of balances, as planned, to fund: the costs of labor settlements reached in FY 2017 that covered current and prior contract periods ($140 million); expenses related to the timing of FY 2016 payments ($73 million); and disbursements from Community Projects Fund re-appropriations ($7 million).

FY 2016

The State ended FY 2016 in balance on a cash basis in the General Fund. General Fund receipts, including transfers from other funds, totaled $69.7 billion in FY 2016, an increase of $1.8 billion (2.6 percent) from the prior fiscal year. General Fund disbursements, including transfers to other funds, totaled $68.0 billion in FY 2016, an increase of $5.2 billion (8.3 percent) from the prior fiscal year, including growth in the level of School Aid ($1.7 billion), growth in General Fund transfers to support Capital Projects ($1.5 billion), growth in local assistance for Medicaid combined with growth in the level of General Fund transfers to support other Medicaid funding ($1.1 billion) and higher costs associated with operating mental hygiene facilities in lieu of reduced Federal revenue ($691 million).

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[26] 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 is expected to be used in FY 2019 to offset the anticipated corresponding loss of PIT receipts.

State Operating Funds FY 2016 Through FY 2018

State Operating Funds is composed of the General Fund, State special revenue funds and debt service funds. The State Operating Funds perspective is primarily intended as a measure of State-financed spending. Similar to the General Fund, spending growth in State Operating Funds in recent years has also been limited.

FY 2018

State Operating Funds receipts totaled $99.4 billion in FY 2018, an increase of $4.5 billion over the FY 2017 results. Disbursements totaled $98.2 billion in FY 2018, an increase of $2.0 billion or 2 percent from the FY 2017 results. The State ended FY 2018 with a State Operating Funds cash balance of $13.6 billion.

FY 2017

State Operating Funds receipts totaled $94.8 billion in FY 2017, a decrease of $1.8 billion over the FY 2016 results. Disbursements totaled $96.2 billion in FY 2017, an increase of $1.9 billion or 2 percent from the FY 2016 results. The State ended FY 2017 with a State Operating Funds cash balance of $11.6 billion.

FY 2016

State Operating Funds receipts totaled $96.6 billion in FY 2016, an increase of $1.6 billion over the FY 2015 results. Disbursements totaled $94.3 billion in FY 2015, an increase of $1.9 billion from the FY 2015 results. The State ended FY 2016 with a State Operating Funds cash balance of $12.6 billion.

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	49,656	7,639	20,658	77,953
Miscellaneous Receipts	3,129	17,734	471	21,334
Federal Receipts	0	1	73	74
Total Receipts	**52,785**	**25,374**	**21,202**	**99,361**
Disbursements:				
Local Assistance	46,072	19,532	0	65,604
State Operations:				
Personal Service	6,136	7,034	0	13,170
Non-Personal Service	2,092	3,517	42	5,651
General State Charges	5,572	2,281	0	7,853
Debt Service	0	0	5,873	5,873
Capital Projects	0	0	0	0
Total Disbursements	**59,872**	**32,364**	**5,915**	**98,151**
Other Financing Sources (Uses):				
Transfers from Other Funds*	18,635	7,949	3,873	30,457
Transfers to Other Funds*	(9,852)	(682)	(19,151)	(29,685)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**8,783**	**7,267**	**(15,278)**	**772**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**1,696**	**277**	**9**	**1,982**
Closing Fund Balance	**9,445**	**4,009**	**153**	**13,607**

Source: NYS DOB.

*Actual reported transfer amounts include eliminations between State Special Revenue Funds and Federal Special Revenue Funds.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2017
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	**8,934**	**3,547**	**160**	**12,641**
Receipts:				
Taxes	45,507	8,101	19,381	72,989
Miscellaneous Receipts	3,813	17,487	458	21,758
Federal Receipts	0	(1)	73	72
Total Receipts	**49,320**	**25,587**	**19,912**	**94,819**
Disbursements:				
Local Assistance	44,439	19,930	0	64,369
State Operations:				
Personal Service	6,065	7,028	0	13,093
Non-Personal Service	2,022	3,527	38	5,587
General State Charges	5,462	2,172	0	7,634
Debt Service	0	0	5,514	5,514
Capital Projects	0	2	0	2
Total Disbursements	**57,988**	**32,659**	**5,552**	**96,199**
Other Financing Sources (Uses):				
Transfers from Other Funds*	17,575	7,733	3,609	28,917
Transfers to Other Funds*	(10,092)	(476)	(17,985)	(28,553)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**7,483**	**7,257**	**(14,376)**	**364**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**(1,185)**	**185**	**(16)**	**(1,016)**
Closing Fund Balance	**7,749**	**3,732**	**144**	**11,625**

Source: NYS DOB.
*Actual reported transfer amounts include eliminations between State Special Revenue Funds and Federal Special Revenue Funds.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2016
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	**7,300**	**2,472**	**118**	**9,890**
Receipts:				
Taxes	45,963	8,266	19,050	73,279
Miscellaneous Receipts	5,842	16,926	487	23,255
Federal Receipts	0	0	73	73
Total Receipts	**51,805**	**25,192**	**19,610**	**96,607**
Disbursements:				
Local Assistance	43,314	19,339	0	62,653
State Operations:				
Personal Service	6,011	6,970	0	12,981
Non-Personal Service	1,944	3,621	37	5,602
General State Charges	5,397	2,055	0	7,452
Debt Service	0	0	5,598	5,598
Capital Projects	0	2	0	2
Total Disbursements	**56,666**	**31,987**	**5,635**	**94,288**
Other Financing Sources (Uses):				
Transfers from Other Funds*	17,871	8,631	4,007	30,509
Transfers to Other Funds*	(11,376)	(761)	(17,940)	(30,077)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**6,495**	**7,870**	**(13,933)**	**432**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**1,634**	**1,075**	**42**	**2,751**
Closing Fund Balance	**8,934**	**3,547**	**160**	**12,641**

Source: NYS DOB.

*Actual reported transfer amounts include eliminations between State Special Revenue Funds and Federal Special Revenue Funds.

All Funds FY 2016 Through FY 2018

The All Funds Financial Plan records the operations of the four governmental fund types: the General Fund, special revenue funds, capital projects funds, and debt service funds. It is the broadest measure of State governmental activity, and includes spending from Federal funds and capital projects funds.

FY 2018

All Funds receipts were $9.1 billion (5.8 percent) higher than the prior year, comprised of $4.9 billion in higher tax receipts (6.6 percent), $3.5 billion in Federal aid, and $670 million in miscellaneous receipts.

PIT, the largest contributor to the growth in tax receipts, was $3.9 billion (8.3 percent) higher, due to a $3.4 billion increase in tax year 2017 estimated payments and a $2.7 billion increase in withholding. These increases were partially offset by a $1.1 billion increase in tax year 2016 refunds, a $608 million decline in extension payments, and accelerated tax year 2017 refund payments of $500 million. The increase in tax year 2016 refunds was mostly timing-related. The amount of refunds paid in January through March was $2.55 billion in FY 2016, $1.75 billion in FY 2017, and $2.25 billion in FY 2018.

All other taxes were $958 million (3.6 percent) higher, mainly due to higher sales tax ($504 million), higher estate tax collections resulting from two large payments exceeding $100 million ($217 million), and business taxes driven by higher audit receipts ($185 million).

Miscellaneous receipts were $670 million (2.5 percent) higher in the current year, mainly due to higher bond proceeds reimbursements ($1.0 billion), offset by a decline in extraordinary monetary settlements ($477 million).

Federal grants were $3.5 billion (6.4 percent) higher, largely driven by Federal operating aid disbursements, as well as the timing of reimbursements for program costs initially financed by the State.

All Funds spending was $6.7 billion (4.3 percent) higher than FY 2017. The increase resulted largely from higher Federal operating spending ($4.3 billion), higher State Operating Funds spending ($1.95 billion) and higher Capital Projects Fund spending ($484 million).

State Operating Funds spending totaled $98.2 billion, an increase of almost $2 billion (2 percent) compared to the prior year.

Growth in School Aid ($1.1 billion) and Medicaid ($902 million) was partially offset by lower spending in other local assistance programs ($775 million). Higher School Aid spending was almost entirely for General Aid ($1.2 billion), which was partially offset by decreased spending on Teacher Retirement Systems ($144 million). Medicaid spending growth is due to increased claims for monthly managed care and long-term care programs ($1.4 billion), partly offset by increased Federal reimbursement for the EP spending ($269 million).

The annual decline in all other local assistance spending is mainly driven by the conversion of the New York City STAR benefit to a tax credit, and lower than expected payments for child care, and increased Mental Hygiene Stabilization Fund (MHSF) offsets resulting from DOH Medicaid savings.

Compared to the prior year, Executive agency operational spending decreased by $15 million (0.1 percent), while spending for University Systems and elected officials increased. Higher spending for SUNY mainly occurred in hospital operations. Judiciary spending included retroactive salary payments made pursuant to collective bargaining contracts settled in FY 2018.

Higher fringe benefits spending included expected increases for the State's share of employee health insurance.

Debt service spending reflects the impact of the FY 2018 prepayment of expenses due in FY 2019.

Capital Projects Fund spending increased by $484 million, primarily due to expenses for the Moynihan Station construction project ($275 million), continued implementation of the Housing Capital Plan ($148 million), and mental hygiene projects ($140 million).

Federal operating spending grew by $4.3 billion, with higher spending for Medicaid ($3.2 billion), Public Health/CHP ($692 million), EP ($618 million), and Children and Family Services ($297 million) driven by increased child welfare spending. Higher Medicaid spending was driven by enrollment growth ($2.6 billion) and increased spending in DSRIP ($1.5 billion), offset by Medicaid recovery from audits. Increased spending in Public Health was primarily driven by the CHP program as the result of increased enrollment. Growth in the EP was the result of increased enrollment in the program. The higher spending was partially offset by reduced spending for School Aid attributable to Title I Grants for districts with high percentages of students from low-income families ($504 million).

FY 2017

All Funds tax receipts were $301 million (-0.4 percent) lower than the prior year results, primarily attributable to a decline in business taxes ($905 million) due to lower gross receipts and a year-over-year decline in other taxes ($393 million) as a result of the continued phase-in of the estate tax cut enacted in 2014. Partly offsetting the annual decline were higher PIT receipts ($510 million), which experienced relatively low growth due to weaker than anticipated estimated payments and withholding components, and an increase in Consumption/Use Taxes ($487 million) consistent with anticipated levels. Miscellaneous receipts were $674 million below the prior year, largely due to the timing associated with the receipt of one-time Extraordinary Monetary Settlement proceeds in FY 2016, including over $1.3 billion from BNP alone. Federal grants were $4.1 billion higher than FY 2016, consistent with the impact of the annual changes in Federal spending described in more detail below.

Through March 2017, All Funds spending was $6.3 billion (4.2 percent) higher than FY 2016, which was comprised of higher spending for State Operating Funds ($1.9 billion), Capital Projects Funds ($1.2 billion), and Federal Operating Funds ($3.2 billion).

State Operating Funds spending during FY 2017 was $1.9 billion, or 2 percent, higher than total State Operating Funds spending during FY 2016. This increase was primarily attributable to the growth in School Aid ($1 billion), Medicaid and EP ($887 million), and transportation ($232 million), all of which was consistent with budgeted growth levels. Agency operations grew by $279 million, or 1.1 percent, reflecting the impact of retroactive collective bargaining agreements, which increased personal service costs, and budgeted growth in pension and health insurance expenses. Debt service spending in FY 2017 declined by $85 million, or 1.5 percent, from FY 2016, which was due largely to the impact of pre-payment expenses over the multi-year period; of which a greater share of such payment was made during FY 2016, thus driving an annual decline in base expenses for FY 2017. This decline was later mostly back-filled with additional pre-payments afforded by under-spending from other program areas.

School aid growth of $1 billion from FY 2016 to FY 2017 was consistent with program growth budgeted on an annual basis. Annual growth in Medicaid spending ($887 million) was consistent with initial spending projections, with the exception of an additional $31 million increase to the Medicaid Global Cap to fund updated costs associated with minimum wage increases. In addition, significant levels of Medicaid spending moved from the General Fund to HCRA and from state operations categories to local assistance, with no net impact to overall spending estimates within the Financial Plan and Global Cap. Annual spending growth for transit aid was largely attributable to increased revenue pass-thru to MTA ($116 million) and Metropolitan Mass Transportation Operating Assistance (MMTOA) ($121 million).

Growth in agency operations ($279 million) was due to higher personal service costs ($112 million), which was primarily attributable to general salary increases that were agreed to as part of multiple retroactive collective bargaining settlements reached during FY 2017. In addition, higher annual fringe benefit expenses ($182 million) reflected growth for pensions, including additional costs associated with legislation allowing for extra pension credits for eligible veterans meeting specific criteria in their application for such credits, and health insurance as a result of growth in utilization expenses and rate renewal costs.

Federal spending growth is largely driven by Medicaid and EP spending ($4.2 billion), most significantly reflecting the escalating cost impact associated with various Federal health care transformation initiatives (including new spending for the EP), and several significant retroactive share and claiming adjustments from prior years that were effectuated during FY 2017. Significant Federal spending declines relative to FY 2016 were driven largely by Social Services ($615 million), in part a result of claiming patterns, and Homeland Security ($522 million), which related to the timing and approval of various project submissions.

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

FY 2016

All Funds tax receipts were $3.6 billion higher than prior year results, including PIT collections ($3.3 billion) due to growth in extension payments attributable to tax year 2014 and estimated FY 2015 tax year payments, withholding, and final returns; other taxes ($572 million) from extraordinary growth in large estate tax payments and New York City real estate transfer tax payments; and consumption/use taxes ($340 million) primarily from an increase in taxable auto sales and food and lodging establishments, partly offset by a large, non-recurring refund. An annual decline in business taxes ($619 million) primarily reflects the first year of corporate tax reform. Miscellaneous receipts were $2.2 billion below the prior year due mainly to a larger amount of Extraordinary Monetary Settlement funds received in FY 2015 ($1.3 billion) and a decline in SIF assessment reserves transferred to the State per the terms of legislation included in the FY 2014 Budget ($750 million). The $2.7 billion annual growth in Federal grants reflects the impact of spending variances, as described below, and other timing-related factors.

Through March 2016, All Funds spending was $6.8 billion above the prior year, comprised of State Operating Funds ($1.9 billion), Federal Operating Funds ($3.5 billion), and Capital Projects Funds ($1.4 billion). State Operating Funds local assistance growth includes increases in education ($1.7 billion) mainly for school aid increases, health care ($590 million), and social services ($113 million); offset by decreases in Mental Hygiene agencies ($277 million), DFS ($143 million), higher education ($137 million), and the impact of downward spending reclassifications to account for an increase in Medicaid payments to SUNY Hospitals ($136 million). Higher agency operations' spending includes an additional institutional payroll ($169 million) and higher PS costs in SUNY ($125 million), State Police ($47 million) and Judiciary ($30 million), as well as budgeted fringe benefit cost increases for pension, health insurance, and litigation ($419 million). The decline in debt service spending from the prior year ($585 million) is largely due to the prepayment of FY 2016 costs in FY 2015. Federal spending growth includes increased spending for health care ($3.7 billion), consistent with the impact of the ACA and new health care costs under the EP, and for education ($472 million), partly offset by a spending decline in Homeland Security and Emergency Services due to lower disaster-related costs ($519 million). Growth in capital projects spending is primarily attributable to the capital infrastructure projects funded with Extraordinary Monetary Settlement funds ($723 million), ESD ($240 million) for Buffalo Billion projects, and projects related to State and Municipal facilities ($166 million).

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	49,656	7,639	1,313	20,658	79,266
Miscellaneous Receipts	3,129	17,933	5,729	471	27,262
Federal Receipts	0	56,744	2,125	73	58,942
Total Receipts	**52,785**	**82,316**	**9,167**	**21,202**	**165,470**
Disbursements:					
Local Assistance	46,072	72,126	3,797	0	121,995
State Operations:					
Personal Service	6,136	7,702	0	0	13,838
Non-Personal Service	2,092	4,886	0	42	7,020
General State Charges	5,572	2,603	0	0	8,175
Debt Service	0	0	0	5,873	5,873
Capital Projects	0	0	6,843	0	6,843
Total Disbursements	**59,872**	**87,317**	**10,640**	**5,915**	**163,744**
Other Financing Sources (Uses):					
Transfers from Other Funds	18,635	7,949	2,607	3,873	33,064
Transfers to Other Funds	(9,852)	(2,918)	(1,385)	(19,151)	(33,306)
Bond and Note Proceeds	0	0	160	0	160
Net Other Financing Sources (Uses)	**8,783**	**5,031**	**1,382**	**(15,278)**	**(82)**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**1,696**	**30**	**(91)**	**9**	**1,644**
Closing Fund Balance	**9,445**	**4,302**	**(1,151)**	**153**	**12,749**

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2017
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	**8,934**	**3,607**	**(891)**	**160**	**11,810**
Receipts:					
Taxes	45,507	8,101	1,383	19,381	74,372
Miscellaneous Receipts	3,813	17,686	4,637	458	26,594
Federal Receipts	0	52,725	2,608	73	55,406
Total Receipts	**49,320**	**78,512**	**8,628**	**19,912**	**156,372**
Disbursements:					
Local Assistance	44,439	68,294	3,604	0	116,337
State Operations:					
Personal Service	6,065	7,659	0	0	13,724
Non-Personal Service	2,022	4,898	0	38	6,958
General State Charges	5,462	2,465	0	0	7,927
Debt Service	0	0	0	5,514	5,514
Capital Projects	0	2	6,552	0	6,554
Total Disbursements	**57,988**	**83,318**	**10,156**	**5,552**	**157,014**
Other Financing Sources (Uses):					
Transfers from Other Funds	17,575	7,733	2,751	3,609	31,668
Transfers to Other Funds	(10,092)	(2,262)	(1,392)	(17,985)	(31,731)
Bond and Note Proceeds	0	0	0	0	0
Net Other Financing Sources (Uses)	**7,483**	**5,471**	**1,359**	**(14,376)**	**(63)**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**(1,185)**	**665**	**(169)**	**(16)**	**(705)**
Closing Fund Balance	**7,749**	**4,272**	**(1,060)**	**144**	**11,105**

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2016
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	**7,300**	**2,661**	**(724)**	**118**	**9,355**
Receipts:					
Taxes	45,963	8,266	1,394	19,050	74,673
Miscellaneous Receipts	5,842	17,117	3,822	487	27,268
Federal Receipts	0	49,105	2,146	73	51,324
Total Receipts	**51,805**	**74,488**	**7,362**	**19,610**	**153,265**
Disbursements:					
Local Assistance	43,314	64,502	2,498	0	110,314
State Operations:					
Personal Service	6,011	7,586	0	0	13,597
Non-Personal Service	1,944	4,994	0	37	6,975
General State Charges	5,397	2,342	0	0	7,739
Debt Service	0	0	0	5,598	5,598
Capital Projects	0	2	6,483	0	6,485
Total Disbursements	**56,666**	**79,426**	**8,981**	**5,635**	**150,708**
Other Financing Sources (Uses):					
Transfers from Other Funds	17,871	8,670	2,895	4,007	33,443
Transfers to Other Funds	(11,376)	(2,786)	(1,443)	(17,940)	(33,545)
Bond and Note Proceeds	0	0	0	0	0
Net Other Financing Sources (Uses)	**6,495**	**5,884**	**1,452**	**(13,933)**	**(102)**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**1,634**	**946**	**(167)**	**42**	**2,455**
Closing Fund Balance	**8,934**	**3,607**	**(891)**	**160**	**11,810**

Source: NYS DOB.

GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements and Other Supplementary Information, including a management discussion and analysis, on a GAAP basis for governments as promulgated by the GASB. The Basic Financial Statements and Other Supplementary Information are released in July each year. These statements are audited by independent certified public accountants. The State expects to issue the Basic Financial Statements for FY 2018 by July 29, 2018. 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, 2018 is expected to be issued later in 2018.

The following tables summarize 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.

Economics and Demographics

The demographic and statistical data in this section, which have been obtained from the sources indicated, do not represent all factors which may have a bearing on the State's fiscal and economic affairs. Further, such information requires economic and demographic analysis in order to assess its significance, and may be interpreted differently by individual experts. Note that DOB has chosen to provide certain economic and demographic analysis updated through the date of this AIS, although continuing disclosure requirements for this AIS require analysis only through March 31, 2018.

The U.S. Economy

National economic growth slid to 2.2 percent in the first quarter of calendar year 2018, confirming that the strength of the last three quarters of 2017 was likely due to transitory factors rather than a sustainable ramp-up in trend economic growth. It now appears that the severe summer storms in 2017 may have shifted home rebuilding, repairing, and related household spending forward into the fourth quarter of 2017, resulting in low consumer spending growth of 1.1 percent in the first quarter of 2018. The replacement of flood-damaged vehicles sent auto sales up to an annualized 18.5 million units in September 2017 and an average of 17.7 million per month in the fourth quarter of 2017. Sales scaled back to an average of 17.1 million per month during the first five months of 2018 and are expected to fall further going forward. However, a modest boost from both the Federal tax reform and the recent Federal budget spending agreement are expected to kick in more fully starting from the second quarter of 2018, providing support for growth for the remainder of 2018. DOB estimates U.S. real GDP growth of 2.6 percent for both 2018 and 2019 on an annual average basis, a substantial improvement over the 2.2 percent average over the life of the expansion since the third quarter of 2009, but below the 3.0 percent average experienced over the last three quarters of 2017.

Economic Indicators for the United States
(Calendar year)

	2013	2014	2015	2016	2017	2018 [1]
Gross Domestic Product						
Nominal ($ billions)	$16,691.5	$17,427.6	$18,120.7	$18,624.5	$19,390.6	$20,296.1
Percent Change	3.3	4.4	4.0	2.8	4.1	4.7
Real ($ billions)	$15,612.2	$16,013.3	$16,471.5	$16,716.2	$17,096.2	$17,540.4
Percent Change	1.7	2.6	2.9	1.5	2.3	2.6
Personal Income						
($ billions)	$14,073.7	$14,818.2	$15,553.0	$15,928.7	$16,427.3	$17,113.9
Percent Change	1.1	5.3	5.0	2.4	3.1	4.2
Nonagricultural Employment						
(millions)	136.4	138.9	141.8	144.3	146.6	148.8
Percent Change	1.6	1.9	2.1	1.8	1.6	1.5
Unemployment Rate (%)	7.4	6.2	5.3	4.9	4.4	4.0
Consumer Price Index						
(1982-84=100)	233.0	236.7	237.0	240.0	245.1	251.0
Percent Change	1.5	1.6	0.1	1.3	2.1	2.4

Sources: US Department of Commerce, Bureau of Economic Analysis; US Department of Labor, Bureau of Labor Statistics. Table reflects revisions by source agencies to figures for prior years.

[1]As projected by the NYS DOB, based on National Income and Product Account data through March 2018.

The volatile weather experienced during the first quarter of 2018 likely accounts, at least in part, for the recent volatility in the national labor market. Private sector job gains fluctuated from 188,000 in January 2018, up to 321,000 in February 2018, down to 153,000 and 162,000 in March and April 2018, respectively, and then back up to 218,000 in May 2018. On average, the private sector added 208,000 jobs per month during the first five months of 2018, solidly above the 2017 annual monthly average of 180,000. Going forward, private job gains are expected to decelerate as the expansion matures and labor market slack diminishes. Total nonagricultural employment growth of 1.5 percent is projected for 2018, a slight deceleration from the 1.6 percent growth experienced in 2017. Although the conventional unemployment rate has fallen to 3.8 percent, its lowest level in 18 years, broader measures of under-employment, including the percentage of the workforce working part-time, have not returned to their pre-recession levels. At the same time, evidence of labor shortages has emerged in several sectors requiring special skills, such as construction and manufacturing. Thus, there appears to be ample room for continued job growth.

Consistent with a tightening labor market, the outlook for wage and personal income is solid. Wage growth of 4.5 percent is projected for 2018, although this estimate likely contains some one-time bonus payouts related to corporate tax reform. Overall personal income growth of 4.2 percent is estimated for 2018. In addition to stronger growth in pre-tax income, after-tax disposable income is expected to be further supported by Federal income tax cuts, providing a modest $50 billion lift to household spending in 2018. Much of the increase in take-home pay is expected to be saved, used to pay down debt, or offset by the recent rise in gasoline prices. 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.

Business investment has substantially improved upon its performance of the last few years, driven mainly by increasing global demand for U.S. exports, expanded energy sector production, and a possible lift from the TCJA's business tax cuts. DOB estimates real growth in business fixed investment to be 5.6 percent for 2018, following growth of 4.7 percent for 2017 and a decline of 0.6 percent for 2016. However, the most recent global data suggest that expectations for significant further acceleration in the global economy may be unwarranted. Indeed, growth in both France and the U.K. appears to have slowed in the first quarter of 2018. Moreover, the risk of a trade war between U.S. and China likely represents another headwind to both export and investment growth due to increasing levels of uncertainty. As a result, real export growth is estimated to grow 4.5 percent for 2018, which still represents an improvement from last year's 3.4 percent growth and the 0.3 percent decline experienced in 2016.

Higher inflation appears to be making a comeback. After years when oil prices were unable to reach $50 a barrel, domestic oil prices have remained above $60 per barrel for virtually all of 2018 to date. Core CPI inflation has also accelerated, from 1.8 percent on a year-ago basis in January 2018 to 2.2 percent in May 2018. Correspondingly, headline consumer price inflation is estimated to accelerate to 2.4 percent in 2018. The rise in the personal consumption expenditure deflator, the inflation measure most closely scrutinized by the Federal Reserve, is projected to be less pronounced, but sufficient to keep the central bank on the path toward interest rate normalization. In addition to the two 0.25 percentage point interest rate hikes in March and June 2018, the Federal Reserve is expected to raise interest rates again this year, in September 2018, with interest rate hikes continuing at a pace of three per year in 2019 and 2020.

Long-term interest rates have also inched up, with the 10-year Treasury yield breaching 3 percent on April 24th – a level that had not been seen since early 2014 – before modestly retreating. However, with short-term rates rising faster thanks to the Federal Reserve, the yield curve, which tracks the difference between long- and short-term rates, has flattened. Since yield curve inversion, which occurs when short-term rates rise above long-term rates, often precedes a recession, a flattening curve can be a cause of concern. At a minimum, a flat yield curve can put downward pressure on the profits derived from bank lending.

On the positive side, lower long-term interest rates reduce pressure on borrowers, particularly within the economy's most interest rate-sensitive sector, housing, which has been underperforming expectations for a prolonged period. However, the most recent data suggest that the housing market has been hampered more by supply side constraints than weak demand. These constraints appear to be putting upward pressure on prices, making housing even less affordable for first-time homebuyers despite rising employment and incomes. DOB estimates real growth in residential fixed investment of 3.0 percent for 2018.

There are many risks to the economic forecast. Disruption of trade flows due to even the threat of tariffs is one such risk and could represent a significant setback for the manufacturing sector if firms put off production plans. There is evidence that the actual implementation of aluminum and steel tariffs could raise prices all along the supply chains of the affected industries, pushing inflation further up and job growth further down than projected in this forecast. The uncertainty associated with tariff risks has been at least in part responsible for reintroducing volatility into equity markets in 2018 after being dormant for so long. This volatility has likely been exacerbated by the threat of rising interest rates as the Federal Reserve continues to tighten, as well as by anxiety surrounding the long-term impact of Federal tax reform on budget deficits and the national debt. Lower and more volatile equity prices can result in lower household spending through both the wealth effect and their role as a signal that a slowdown may lie ahead.

The emergence of labor shortages in some sectors highlights the potential for the nation's slow labor force growth to become a significant drag on economic growth. The recent downward revision by the Census Bureau to its population projections due to reduced levels of immigration signals that this situation is unlikely to improve over the forecast horizon. On the positive side, if the impact of Federal tax reform on consumer spending and business investment is stronger than projected without significantly raising inflation, stronger growth in employment, wages, and the overall economy could result. Stronger global growth than expected could have a similar impact, possibly mitigating the negative impact of trade tariffs. A stronger than projected housing market could also result in stronger employment and income growth than currently expected.

The New York Economy

New York State's private sector labor market appears to be stabilizing after a two-year period of gradual deceleration that started in late 2015. Consistent with national and global trends, job growth has improved in the following sectors: utilities; manufacturing; wholesale trade; transportation and warehousing; finance and insurance; real estate and leasing; and management and administrative services. In contrast, job losses continue to mount in the retail trade sector, while leisure and hospitality growth has continued to slow. On balance, State private sector job growth of 1.3 percent is projected for 2018, following growth of 1.5 percent in 2017.

New York Stock Exchange member firms posted revenue growth of 13.7 percent for the 2017 calendar year, the strongest growth pace since 2006, helping to boost finance and insurance bonus gains to an extraordinary 15.7 percent for the FY 2018 bonus season. However, strong revenue growth may not have been the only factor propelling Wall Street bonuses this season. Extrapolating from the myriad public announcements by firms claiming to be sharing the benefit of the reduction in the corporate tax rate with their employees, it is estimated that New York State firms paid out about $3.1 billion in one-time bonus payments. FY 2018 wage growth was estimated to be 4.3 percent, but these bonus payments are not expected to be recurring.

The initial injection of volatility into a rising equity market led to strong Wall Street revenue growth in the first quarter of calendar year 2018. However, while a brief spurt of volatility can be lucrative for Wall Street, a prolonged period can have an adverse effect if anxious investors leave the market. Thus, while the five largest Wall Street banks reported strong revenue growth of 9.2 percent for the first quarter of 2018, the current outlook for the remainder of 2018 suggests that the first quarter is likely to be the strongest of the year. Consequently, FY 2019 finance and insurance bonuses are projected to decline 1.9 percent from FY 2018. Overall wage growth of 3.6 percent is projected for FY 2019.

Nonwage taxable income for the 2017 tax year is also estimated to have gotten a boost from a 10-year-old tax provision that was enacted during the Great Recession. That provision, part of the Emergency Economic Stabilization Act of October 2008, required the Internal Revenue Service (IRS) to change a decades-old policy under which managers of offshore hedge funds could defer compensation for operating their funds, thus avoiding a tax bill and allowing the savings to grow tax-free. Managers of hedge funds typically are paid a two-percent fee based on assets under management, plus a performance fee that can be 20 percent or more of profits, compensation often earned in the form of capital gains.[27] In October 2008, Congress brought an end to this practice, as it sought to raise revenue during the Great Recession. It gave the hedge funds until the 2017 Tax Day, April 17, 2018, to pay taxes on the money accumulated before the law changed. DOB estimates that the hedge fund repatriation provision added $15 billion to State taxable nonwage income for the 2017 tax year.

[27] The IRS generally allows business executives to defer compensation since lower compensation costs for the firm results in both higher profits and higher taxes on those profits, thus compensating for the revenue lost on the personal income tax side. But in the case of offshore funds, this practice results in a net cost to the U.S. Treasury since there was no way to tax profits held offshore.

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 realizations of taxable capital gains. 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.

Economic Indicators for New York State
(Calendar year)

	2014	2015	2016	2017	2018 [1]
Personal Income					
($ billions)	$1,109.5	$1,155.9	$1,176.1	$1,210.6	$1,267.1
Percent Change	3.5	4.2	1.7	2.9	4.7
Nonagricultural Employment					
(thousands)	8,819.0	8,986.3	9,126.8	9,246.4	9,351.1
Percent Change	1.9	1.9	1.6	1.3	1.1
Unemployment Rate (%)	6.3	5.3	4.8	4.7	4.4

Sources: US Department of Commerce, Bureau of Economic Analysis; NYS Department of Labor. Table reflects revisions by source agencies to data for prior years.

[1] As projected by Division of the Budget, based on National Income and Product Account data and employment data available through March 2018.

New York is the fourth most populous state in the nation, after California, Texas, and Florida, and has a relatively high level of personal wealth. The State's economy is diverse, with a comparatively large share of the nation's financial activities, information, education, and health services employment, and a very small share of the nation's farming and mining activity. The State's location and its air transport facilities and natural harbors have made it an important hub for international commerce. Travel and tourism constitute an important part of the economy. Like the rest of the nation, New York has a declining proportion of its workforce engaged in manufacturing, and an increasing proportion engaged in service industries.

Manufacturing: Manufacturing employment continues to decline as a share of total State employment, as in most other states, and as a result, New York's economy is less reliant on this sector than in the past. However, it remains an important sector of the State economy, particularly for the upstate region, which hosts high concentrations of manufacturers of transportation and other types of equipment.

Trade, Transportation, and Utilities: As defined under the North American Industry Classification System (NAICS), the trade, transportation, and utilities supersector accounts for the second largest component of State nonagricultural employment, but only the fifth largest when measured by wage share. This sector accounts for proportionally less employment and wages for the State than for the nation as a whole.

Financial Activities: New York City is the nation's leading center for banking and finance and, hence this is a far more important sector for the State than for the nation as a whole. Although this sector accounts for less than one-tenth of all nonagricultural jobs in the State, it contributes about one-fifth of total wages.

Other Service Sectors: The remaining service-producing sectors include information, professional and business services, private education and healthcare, leisure and hospitality services, and other services. Combined, these industries account for half of all nonagricultural jobs in New York. Information, education and health, and other services account for a higher proportion of total State employment than for the nation.

Agriculture: Farming is an important part of the State's rural economy, although it constitutes only about 0.2 percent of total State output. Principal agricultural products of the State include milk and dairy products, greenhouse and nursery products, fruits, and vegetables. New York ranks among the nation's leaders in the production of certain of these commodities.

Government: Federal, State, and local governments together comprise the third largest sector in terms of nonagricultural jobs, with the bulk of the employment accounted for by local governments. Public education is the source of about 40 percent of total State and local government employment.

The 2017 Composition of Nonagricultural Employment and Wages
(Percent)

	Employment		Wages	
	State	United States	State	United States
Natural Resources and Mining	0.1	0.5	0.1	1.0
Construction	4.0	4.7	4.2	5.1
Manufacturing	4.7	8.5	4.4	10.0
Trade, Transportation, and Utilities	16.5	18.8	12.2	15.7
Information	2.8	1.9	4.7	3.5
Financial Activities	7.5	5.8	19.9	9.3
Professional and Business Service:	13.8	14.0	18.3	17.9
Educational and Health Services	21.1	15.8	14.6	13.5
Leisure and Hospitality	9.9	10.9	5.1	5.0
Other Services	4.3	3.9	3.0	3.2
Government	15.2	15.2	13.5	15.9

Source: NYS Department of Labor; US Department of Labor, Bureau of Labor Statistics; US Department of Commerce, Bureau of Economic Analysis.

The importance of the various sectors of the State's economy relative to the national economy is shown in the above table, which compares nonagricultural employment and wages by sector for the State and the nation. Construction accounts for smaller shares of employment for the State than for the nation, while the combined service industries account for a larger share. The share of total wages originating in the financial activities sector is particularly large for the State relative to the nation. Thus, the State is likely to be less affected than the nation during an economic recession that is concentrated in manufacturing and construction, but likely to be more affected by any economic downturn that is concentrated in the services sector.

Economic and Demographic Trends

In calendar years 1990 through 1998, the State's rate of economic growth was somewhat slower than that of the nation. In particular, during the 1990-91 recession and post-recession period, the economies of the State and much of the rest of the Northeast were more heavily damaged than the nation as a whole and were slower to recover. However, the situation subsequently improved. In 1999, for the first time in 13 years, State employment growth surpassed that of the nation, and in 2000 the rates were essentially the same. In 2001, the September 11th attack resulted in a downturn in New York that was more severe than for the nation as a whole. In contrast, the State labor market fared better than that of the nation as a whole during the most recent downturn that began in 2008, though New York experienced a historically large wage decline in 2009. The State unemployment rate was higher than the national rate from 1991 to 2004, but the gap between them closed by the middle of 2006, with the State rate falling below that of the nation for much of the Great Recession, and remaining below through the end of 2011. The State unemployment rate rose above the national rate in early 2012, but fell below yet again in May 2015. It remained below the national rate for much of the period between May 2015 through September 2016, but has been at or above the national rate every month since September 2016.

The following table compares population change in the State and in the United States since 1980.

COMPARATIVE POPULATION FIGURES

	State			US	
	Total Population (000s)	% Change from Preceding Period	Percentage of U.S. Population	Total Population (000s)	% Change from Preceding Period
1980	17,558	(3.7)	7.8	226,546	11.4
1990	17,990	2.5	7.2	248,710	9.8
2000	18,976	5.5	6.7	281,422	13.2
2010	19,378	2.1	6.3	308,746	9.7
2017	19,849	2.4	6.1	325,719	5.5

Source: US Department of Commerce, Census Bureau.

Total State nonagricultural employment has declined as a share of national nonagricultural employment. The following historical table compares these levels and the rate of unemployment for the State and the nation.

NONAGRICULTURAL EMPLOYMENT AND UNEMPLOYMENT RATE FOR NEW YORK AND THE UNITED STATES

	Employment (000s)		State as Percent of US Employment	Unemployment Rate (%)	
	State	US		State	US
1980	7,207	90,533	8.0	7.5	7.1
1990	8,203	109,527	7.5	5.3	5.6
2000	8,625	132,024	6.5	4.6	4.0
2010	8,544	130,362	6.6	8.6	9.6
2017	9,517	146,624	6.5	4.7	4.4

Source: US Department of Labor.
Note: Nonagricultural employment and unemployment rates are generated from separate surveys.

State per capita personal income has historically been significantly higher than the national average, although the ratio has varied substantially over time. Because New York City is an employment center for a multi-state region, State personal income measured on a residence basis understates the relative importance of the State to the national economy and the size of the base to which State taxation applies. The following table compares per capita personal incomes for the State and the nation.

Per Capita Personal Income (income in dollars)

	NYS	US	Ratio NYS/US
1980	$10,997	$10,153	1.08
1990	$23,994	$19,591	1.22
2000	$35,924	$30,602	1.17
2010	$48,145	$40,278	1.20
2017	$60,991	$50,392	1.21

Source: US Department of Commerce, Bureau of Economic Analysis.

Capital Program and Financing Plan Overview

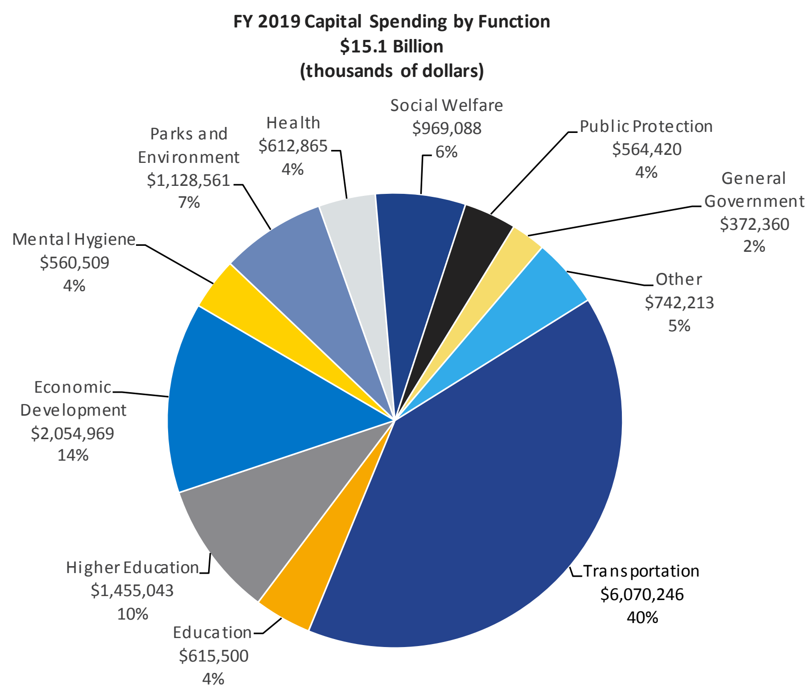
The DOB prepares a Multi-Year Capital Program and Financing Plan with the Executive Budget and updates it following enactment of the budget (the "Enacted Capital Plan"). The Enacted Capital Plan outlines the anticipated capital spending over a five-year period, the way it will be financed, the impact on debt measures, and the anticipated debt issuances required to support the planned capital spending. A copy of the Enacted Capital Plan can be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 474-8282, and it is also posted at www.budget.ny.gov.

Capital Plan

The total commitment and disbursement levels in the Enacted Capital Plan reflect, among other things, projected capacity under the State's statutory debt limit, anticipated levels of Federal aid, and the timing of capital activity based on known needs and historical patterns. The following capital projects information relates to FY 2019.

FY 2019 Capital Projects Spending

Spending on capital projects is projected to total $15.1 billion in FY 2019, which includes $672 million in "off-budget" spending. "Off-budget" spending refers to capital spending that occurs directly from bond proceeds held at public authorities, but still requires an enacted appropriation and bonding authorization. The Enacted Budget included authorization that provides the State with the option of paying for "off-budget" capital expenses. Overall, capital spending in FY 2019 is projected to increase by $3.9 billion (34 percent) from FY 2018.



In FY 2019, transportation capital spending is projected to total $6.1 billion, which represents 40 percent of total capital spending. Economic development spending is projected to account for 14 percent, higher education capital spending is anticipated to represent 10 percent, and spending related to parks and the environment represents 7 percent. The remaining 29 percent is projected to be comprised of spending for health care, mental hygiene, social welfare, public protection, education, general government, and other purposes, which include Special Infrastructure Account Investments such as the Thruway Stabilization Program.

Transportation capital spending is projected to increase by $1.2 billion (25 percent) in FY 2019. This is primarily due to timing of disbursements to the MTA in FY 2018 and FY 2019, as well as the continued implementation of the $29.3 billion transportation capital plan.

Parks and environment capital spending is estimated to increase by $291 million (35 percent) in FY 2019, reflecting spending from the $2.5 billion Clean Water Infrastructure Act, the continuation of $300 million in Environmental Protection Fund (EPF) spending, as well as spending from the State Superfund and State Park Infrastructure Fund (SPIF).

Economic development capital spending is projected to increase by $877 million (75 percent). This spending reflects the continued investment in programs created to promote regional economic development, including spending from both phases of the Buffalo Billion Program, the Life Sciences Initiative, the Upstate Revitalization Initiative, and Regional Economic Development Councils.

Capital spending for health care is projected to increase by $402 million (190 percent) in FY 2019. The increase is due to spending from Health Care Restructuring Program grant awards; and the phase-in of spending related to the Health Care Facility Transformation Program, including spending from $525 million in new health care grants enacted in FY 2019.

Capital spending for social welfare is projected to increase by $594 million (158 percent) due primarily to the addition of $250 million for emergency repair projects in NYCHA housing sites, as well as the continued implementation of the Affordable and Homeless Housing Capital Plan.

Education capital spending is projected to increase by $491 million (393 percent) in FY 2019. The increase is due to expected spending from the Smart Schools Bond Act, which was approved in November 2014.

Higher education capital spending in FY 2019 is projected to remain at the same level as FY 2018, with $1.2 billion in new appropriation authority enacted for SUNY and CUNY. The State plans to continue its capital spending for the maintenance of SUNY and CUNY senior and community college facilities.

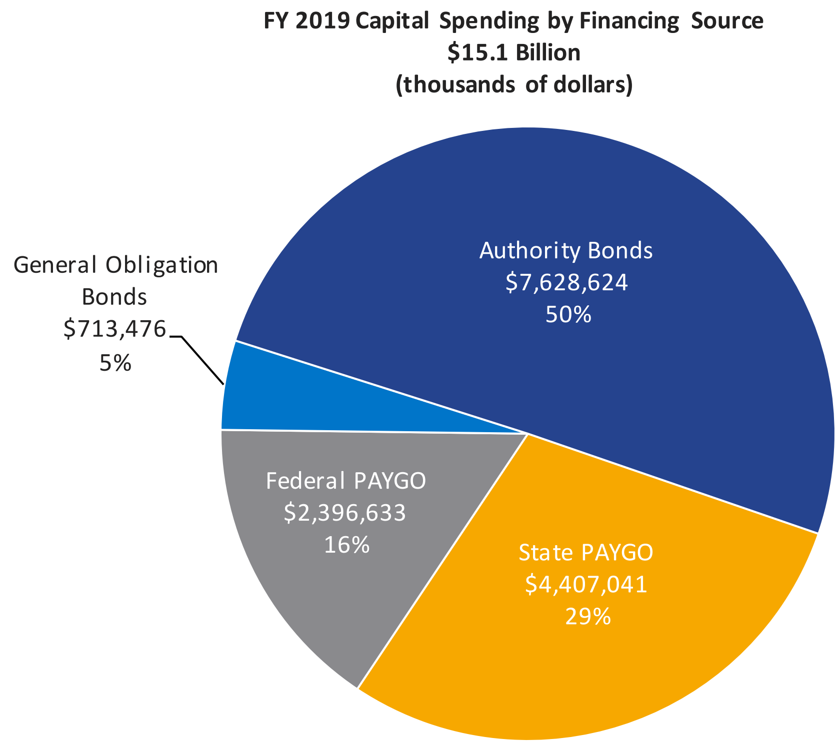
Capital spending for public protection is projected to decrease by $13 million (2 percent) in FY 2019, which is attributable to the spend-out of Interoperable Communications Grants.

Mental hygiene capital spending is anticipated to increase by $21 million (4 percent). The increase is primarily related to improvements at OMH's inpatient campuses, the construction of community residential sites, various mental health-related general hospital projects, and non-residential community programs.

General governmental capital spending is projected to increase by $135 million (57 percent), which is mainly attributable to the construction of a cogeneration plant being undertaken by OGS, continued spending on projects that optimize overall space utilization, as well as ITS equipment purchases.

Capital spending for agencies in the All Other category is projected to decrease by $161 million (17 percent). The decrease is related to a timing adjustment taken for all capital spending. Other spending in this category is expected to increase by $639 million, primarily for Special Infrastructure Account Investments, including a contribution to the remaining construction costs of the Governor Mario M. Cuomo Bridge and other capital projects for NYSTA.

Financing FY 2019 Capital Projects Spending



In FY 2019, the State plans to finance 55 percent of capital projects spending with long-term bonds and 45 percent with cash and Federal aid. Most of the long-term bonds (91 percent) will be issued on behalf of the State through public authorities. All authority debt issued on behalf of the State is approved by the State Legislature, acting on behalf of the people, and subject to approval by the Public Authorities Control Board (PACB) and the issuing authority's board of directors. Authority bonds, as defined in the FY 2019 Enacted Capital Plan, do not include debt issued by authorities that are backed by their own non-State resources or on behalf of private clients. State cash resources, including Extraordinary Monetary Settlements, will finance29 percent of capital spending. Federal aid is expected to fund 16 percent of the State's FY 2019 capital spending, primarily for transportation. Year-to-year, total PAYGO support is projected to increase by $877 million, with State PAYGO increasing by $610 million and Federal PAYGO support increasing by $267 million. Bond-financed spending is projected to increase by $3.0 billion, with authority bond spending increasing by $2.4 billion and General Obligation bond spending increasing by $606 million.

Financing Plan

New York State, including its public authorities, is one of the largest issuers of municipal debt in the United States, ranking second among the states, behind California, in the aggregate amount of debt outstanding. The State ranks sixth in the U.S. in state debt per capita, behind Connecticut, Massachusetts, Hawaii, New Jersey, and Washington[28]. As of March 31, 2018, State-related debt outstanding totaled $51.6 billion excluding capital leases and mortgage loan commitments, equal to approximately 4.3 percent of New York personal income. The State's debt levels are typically measured by DOB using two categories: *State-supported debt* and *State-related debt*.

State-supported debt represents obligations of the State that are paid from traditional State resources (i.e., tax revenue) and have a budgetary impact. It includes General Obligation debt, to which the full faith and credit of the State has been pledged, and lease purchase and contractual obligations of public authorities and municipalities, where the State's legal obligation to make payments to those public authorities and municipalities is subject to and paid from annual appropriations made by the Legislature. These include the State PIT Revenue Bond program and the State Sales Tax Revenue Bond program. Since 2002, the State has financed most of its capital program with PIT Revenue Bonds, a revenue bond program that has reduced its cost of borrowing and created efficiencies by permitting the consolidation of bond sales. Prior to 2002, the State had primarily financed its capital spending with lower-rated lease purchase and contractual service obligations of public authorities. The State has transitioned to using only three credits – General Obligation bonds, PIT Revenue Bonds, and Sales Tax Revenue Bonds.

State-related debt is a broader measure of State debt which includes all debt that is reported in the State's GAAP-basis financial statements, except for unamortized premiums and accumulated accretion on capital appreciation bonds. These financial statements are audited by external independent auditors and published by OSC on an annual basis. The debt reported in the GAAP-basis financial statements includes General Obligation debt, other State-supported debt as defined in the State Finance Law, debt issued by the Tobacco Securitization Finance Corporation, certain debt of the Municipal Bond Bank Agency (MBBA) issued to finance prior year school aid claims and capital leases and mortgage loan commitments. In addition, State-related debt reported by DOB includes State-guaranteed debt, moral obligation financings and certain contingent-contractual obligation financings, where debt service is paid from non-State sources in the first instance, but State appropriations are available to make payments if necessary. These numbers are not reported as debt in the State's GAAP-basis financial statements.

The State's debt does not encompass, and does not include, debt that is issued by, or on behalf of, local governments and secured (in whole or in part) by State local assistance aid payments. For example, certain State aid to public schools paid to school districts or New York City has been pledged by those local entities to help finance debt service for locally-sponsored and locally-determined financings. Additionally, certain of the State's public authorities issue debt supported by non-State resources (e.g., NYSTA toll revenue bonds, Triborough Bridge and Tunnel Authority

[28] Debt per capita information is based on data made available by Moody's Investors Service, Inc. for other states. The debt per capita information for New York is based on State-related debt outstanding as represented in this AIS, which excludes debt that is issued by, or on behalf of, local governments and secured by State local assistance payments.

(TBTA), MTA revenue bonds and DASNY dormitory facilities revenue bonds) or issue debt on behalf of private clients (e.g., DASNY's bonds issued for not-for-profit colleges, universities, and hospitals). This debt, however, is not treated by DOB as either State-supported debt or State-related debt because it (i) is not issued by the State (nor on behalf of the State), and (ii) does not result in a State obligation to pay debt service. Instead, this debt is accounted for in the respective financial statements of the local governments or other entity responsible for the issuance of such debt and is similarly treated.

The issuance of General Obligation debt and debt of the New York Local Government Assistance Corporation (LGAC) is undertaken by OSC. All other State-supported and State-related debt is issued by the State's financing authorities (known as "Authorized Issuers" in connection with the issuance of PIT and Sales Tax Revenue Bonds) acting under the direction of DOB, which coordinates the structuring of bonds, the timing of bond sales, and decides which programs are to be funded in each transaction. The Authorized Issuers for PIT Revenue Bonds are NYSTA, DASNY, ESD, the Environmental Facilities Corporation (EFC), and the New York State Housing Finance Agency (HFA) and the Authorized Issuers for Sales Tax Revenue Bonds are NYSTA, DASNY, and ESD. Prior to any issuance of new State-supported debt and State-related debt, approval is required by the State Legislature, DOB, the issuer's board, and in certain instances, PACB and the State Comptroller.

The State has never defaulted on any of its General Obligation indebtedness, PIT Revenue Bonds, Sales Tax Revenue Bonds, or its obligations under lease purchase or contractual obligation financing arrangements. The following table summarizes the State's outstanding debt obligations for each of the past three fiscal years.

OUTSTANDING STATE-SUPPORTED AND STATE-RELATED DEBT [1]
(millions of dollars)

	FY 2016	FY 2017	FY 2018
State-Supported Debt	**50,229**	**49,622**	**51,266**
Personal Income Tax Revenue Bonds	31,268	31,783	33,589
Sales Tax Revenue Bonds	4,254	5,008	7,377
General Obligation	2,727	2,463	2,371
Local Government Assistance Corporation	2,058	1,758	1,370
Service Contract & Lease Purchase	5,488	4,758	3,779
Other Revenue Bonds	4,434	3,852	2,780
Contingent-Contractual Obligation Financings	**1,635**	**880**	**193**
DASNY/MCFFA - Secured Hospital Program	257	220	193
Tobacco Settlement Financing Corporation	1,378	660	0
Moral Obligation Financings	**2**	**1**	**1**
Housing Finance Agency	2	1	1
Other State Financings	**509**	**745**	**708**
MBBA Prior Year School Aid Claims	234	203	172
Capital Leases	206	475	470
Mortgage Loan Commitments	69	67	66
State Guaranteed Debt			
Job Development Authority	6	3	0
TOTAL STATE-RELATED DEBT [2]	52,381	51,251	52,168

Source: NYS DOB. Except Mortgage Loan Commitments which are taken from the CAFR for FY 2016 and FY 2017. Mortgage Loan Commitments and Capital Leases are estimated by DOB for FY 2018.

[1]Reflects par amounts outstanding for bonds and financing arrangements or gross proceeds outstanding in the case of capital appreciation bonds. Amounts do not reflect accretion of capital appreciation bonds or premiums received.

[2]Capital leases and mortgage loan commitments are included in all figures and references to State-related debt in this AIS unless otherwise specifically noted.

State-Supported Debt Outstanding

State-supported debt represents obligations of the State that are paid from traditional State resources and have a budgetary impact. It includes General Obligation debt, State PIT Revenue Bonds, Sales Tax Revenue Bonds, LGAC bonds and lease purchase and service contract obligations of public authorities and municipalities. Payment of all obligations, except for General Obligation debt, is subject to annual appropriations by the State Legislature, but the State's credits have different security features, as described in this section. The Debt Reform Act of 2000 limits the amount of new State supported debt issued since April 1, 2000. See "Financial Plan Overview — Other Matters Affecting the Financial Plan — Debt Reform Act Limit" herein for more information.

State PIT Revenue Bond Program

Since 2002, the PIT Revenue Bond Program has been the primary financing vehicle used to fund the State's capital program. Legislation enacted in 2001 provided for the issuance of State PIT Revenue Bonds by the State's Authorized Issuers. The legislation required 25 percent of State PIT receipts (excluding refunds owed to taxpayers) to be deposited into the RBTF for purposes of making debt service payments on these bonds, with the excess amounts returned to the General Fund. The Enacted Budget amends the State Finance Law provisions to increase the level of PIT receipts to be deposited into the RBTF, from 25 percent to 50 percent, for the purposes of making debt service payments on PIT Revenue Bonds.

In the event that (a) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue 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 State PIT Revenue Bonds, the legislation required that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of (i) 25 percent of annual PIT receipts or (ii) $6 billion. The Enacted Budget amends the State Finance Law provisions to provide that PIT receipts and ECEP receipts shall continue to be deposited to the RBTF equal to the greater of 40 percent of the aggregate of annual State PIT receipts and ECEP receipts or $12 billion. Debt service on State PIT Revenue Bonds is subject to legislative appropriation, as part of the annual debt service bill.

As described under the heading "Financial Plan Overview – Impact of Federal Tax Law Changes", the Enacted Budget includes State tax reforms intended to mitigate issues arising from the Federal law, including the impact of tax law changes on PIT Revenue Bonds.

As of March 31, 2018, approximately $33.6 billion of State PIT Revenue Bonds were outstanding. The projected PIT Revenue Bond coverage ratios, noted below, are based upon estimates of PIT receipts deposited into the RBTF and include projected debt issuances.

The projected PIT Revenue Bond coverage ratios assume that projects previously financed through the Mental Health Revenue Bond program and the DHBTF Revenue Bond program will be issued under the PIT Revenue Bond program. Revenues that would have been dedicated to bonds issued under the old programs are transferred to the RBTF to offset debt service costs for projects financed with PIT Revenue bonds, but are not counted towards debt service coverage. While DOB routinely monitors the State's debt portfolio across all State-supported credits for refunding opportunities, no future refunding transactions are reflected in the following projected coverage ratios.

The following table entitled “PIT Revenue Bond Coverage Ratios” does not reflect any estimate of charitable donations or the impact on the amount of PIT receipts deposited into the RBTF. The coverage ratios shown on the table may be materially and adversely affected by such donations.

PIT REVENUE BOND COVERAGE RATIOS
FY 2018 RESULTS AND FY 2019 THROUGH FY 2022 PROJECTIONS
(thousands of dollars)

	Results	Projections			
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Projected RBTF Receipts	12,875,334	25,205,190	26,976,276	27,505,300	28,727,500
Projected New PIT Bonds Issuances	2,885,880	4,754,456	4,468,582	4,453,930	4,327,483
Projected Total PIT Bonds Outstanding	33,593,040	36,646,656	38,892,620	40,849,045	42,534,580
Projected Maximum Annual Debt Service	3,533,113	3,925,467	4,315,121	4,710,958	4,953,439
Projected PIT Coverage Ratio	3.6	6.4	6.3	5.8	5.8

1 Beginning in FY 2019, PIT receipts dedicated to the payment of PIT bonds increased from 25% to 50%, and 50% of ECEP receipts were dedicated to the payment of PIT bonds.
2 The PIT coverage ratio in the outyears will likely be lower than what is shown in the table, and could be materially reduced as donations to the Charitable Gifts Trust Fund occur.

Sales Tax Revenue Bond Program

Legislation enacted in 2013 created the Sales Tax Revenue Bond program. This bonding program replicates certain credit features of PIT and LGAC revenue bonds and is expected to continue to provide the State with increased efficiencies and a lower cost of borrowing.

The legislation created the Sales Tax Revenue Bond Tax Fund, a sub-fund within the General Debt Service Fund that will provide for the payment of these bonds. The Sales Tax Revenue Bonds are secured by dedicated revenues consisting of one cent of the State's four cent sales and use tax. With a limited exception, upon the satisfaction of all the obligations and liabilities of LGAC, this will increase to 2 cents of sales and use tax receipts. Such sales tax receipts in excess of debt service requirements are transferred to the State’s General Fund.

The Sales Tax Revenue Bond Fund has appropriation-incentive and General Fund “reach back” features comparable to PIT and LGAC bonds. A "lock box" feature restricts transfers back to the General Fund in the event of non-appropriation or non-payment. In addition, in the event that sales tax revenues are insufficient to pay debt service, a “reach back” mechanism requires the State Comptroller to transfer moneys from the General Fund to meet debt service requirements.

The legislation also authorized the use of State Sales Tax Revenue Bonds and PIT Revenue Bonds to finance any capital purpose, including projects that were previously financed through the State’s Mental Health Facilities Improvement Revenue Bond program and the DHBTF program. This allowed the State to transition to the use of three primary credits – PIT Revenue Bonds, Sales Tax Revenue Bonds and General Obligation bonds to finance the State’s capital needs.

Sales Tax Revenue Bonds are used interchangeably with PIT Revenue Bonds to finance State capital needs. As of March 31, 2018, $7.4 billion of Sales Tax Revenue Bonds were outstanding. Assuming average issuances of approximately $1.4 billion annually over the next four years, Sales Tax coverage based only upon the 1 cent pledge is expected to decline from 4.0 times in FY 2019 to 3.8 times in FY 2022, as shown in the following chart. While DOB routinely monitors the State’s debt portfolio across all State-supported credits for refunding opportunities, no future refunding transactions are reflected in the following projected coverage ratios.

SALES TAX REVENUE BOND COVERAGE RATIOS FY 2018 RESULTS AND FY 2019 THROUGH FY 2022 PROJECTIONS (thousands of dollars)	Results	Projections			
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Projected Sales Tax Receipts	3,388,283	3,528,500	3,665,750	3,806,000	3,949,000
Projected New Sales Tax Bonds Issuances	2,710,275	1,326,720	1,366,521	1,407,517	1,449,742
Projected Total Sales Tax Bonds Outstanding	7,376,930	8,292,216	9,317,915	10,149,634	11,131,916
Projected Maximum Annual Debt Service	766,626	875,228	993,468	1,117,603	1,052,942
Projected Sales Tax Coverage Ratio	4.4	4.0	3.7	3.4	3.8

General Obligation Financings

With limited exceptions for emergencies, the State Constitution prohibits the State from undertaking a long-term General Obligation borrowing (i.e., borrowing for more than one year) unless it is authorized in a specific amount for a single work or purpose by the Legislature. There is no constitutional limitation on the amount of long-term General Obligation debt that may be so authorized and subsequently incurred by the State. However, the Debt Reform Act imposed statutory limitations on all new State-supported debt issued on and after April 1, 2000. The State Constitution provides that General Obligation bonds, which can be paid without an appropriation, must be paid in equal annual principal installments or installments that result in substantially level or declining debt service payments, mature within 40 years after issuance, and begin to amortize not more than one year after the issuance of such bonds. However, general obligation housing bonds must be paid within 50 years after issuance, with principal commencing no more than three years after issuance. The Debt Reform Act limits the maximum term of State-supported bonds, including General Obligation bonds, to 30 years, and the State currently has no bonds outstanding with a remaining final maturity that is more than 30 years.

General Obligation debt is currently authorized for transportation, environment, housing and education purposes. Transportation-related bonds are issued for State and local highway and bridge improvements, mass transportation, rail, aviation, canal, port and waterway programs and projects. Environmental bonds are issued to fund environmentally sensitive land acquisitions, air and water quality improvements, municipal non-hazardous waste landfill closures and hazardous waste site cleanup projects. Education-related bonds are issued to fund enhanced education technology in schools, with eligible projects including infrastructure improvements to bring high-speed broadband to schools and communities in their school district and the purchase of classroom technology for use by students. Additionally, these bonds will enable long-term investments in full-day pre-kindergarten through the construction of new pre-kindergarten classroom space.

Most General Obligation debt-financed spending in the Enacted Capital Plan is authorized under ten previously approved bond acts (five for transportation, four for environmental and recreational programs and one for education purposes). The majority of projected general obligation bond-financed spending supports authorizations for the 2005 Rebuild and Renew New York Bond Act and the $2 billion Smart Schools Bond Act, which was approved by voters in November 2014. DOB projects that spending authorizations from the remaining bond acts will be virtually depleted by the end of the Enacted Capital Plan.

As of March 31, 2018, approximately $2.4 billion of General Obligation bonds were outstanding. See “Exhibit B — State-Related Bond Authorizations” for information regarding the levels of authorized, authorized but unissued, and outstanding General Obligation debt by bond act.

The State Constitution permits the State to undertake short-term General Obligation borrowings without voter approval in anticipation of the receipt of (i) taxes and revenues, by issuing general obligation tax and revenue anticipation notes (TRANs), and (ii) proceeds from the sale of duly authorized but unissued General Obligation bonds, by issuing bond anticipation notes (BANs). General Obligation TRANs must mature within one year from their date of issuance and cannot be refunded or refinanced beyond such period. However, since 1990, the State’s ability to issue general obligation TRANs that mature in the same State fiscal year in which they were issued has been limited due to the enactment of the fiscal reform program which created LGAC. BANs may only be issued for the purposes and within the amounts for which bonds may be issued pursuant to General Obligation authorizations, and must be paid from the proceeds of the sale of bonds in anticipation of which they were issued or from other sources within two years of the date of issuance or, in the case of BANs for housing purposes, within five years of the date of issuance. In order to provide flexibility within these maximum term limits, the State had previously used the BANs authorization to conduct a commercial paper program to fund disbursements eligible for General Obligation bond financing.

New York Local Government Assistance Corporation

In 1990, as part of a State fiscal reform program, legislation was enacted creating LGAC, a public benefit corporation empowered to issue long-term obligations to fund certain payments to local governments that had been traditionally funded through the State’s annual issuance of general obligation TRANs that mature in the same State fiscal year that they are issued (“seasonal borrowing”). The legislation also dedicated revenues equal to one cent of the State’s four cent sales and use tax to pay debt service on these bonds. As of July 1995, LGAC had issued State-supported bonds and notes to provide net proceeds of $4.7 billion, completing the program. The issuance of these long-term obligations is amortized over a period of no more than 30 years from the dates of their original issuance, with the final debt service payment on April 1, 2025. As of March 31, 2018, approximately $1.4 billion of LGAC bonds were outstanding.

The LGAC legislation eliminated seasonal borrowing except in cases where the Governor and the legislative leaders have certified the need for additional seasonal borrowing, based on emergency or extraordinary factors, or factors unanticipated at the time of adoption of the budget, and provide a schedule for eliminating it over time. Any seasonal borrowing is required by law to be eliminated by the fourth fiscal year after the limit was first exceeded (i.e., no seasonal borrowing in the fifth year). The provision limiting the State's seasonal borrowing practices was included as a covenant with LGAC's bondholders in the General Bond Resolution and General Subordinate Lien Bond Resolution authorizing such bonds. No restrictions were placed upon the State's ability to issue deficit TRANs (issued in one year and maturing in the following year).

The LGAC changes, as well as other changes in revenue and spending patterns, have allowed the State to meet its cash flow needs throughout the fiscal year without relying on seasonal borrowings. However, the State has taken extraordinary measures in the past to manage its cash flow, including payment deferrals and permitting the State to borrow from other funds of the State (i.e., non-General Fund) for a limited period.

Legislation enacted in 2003 requires LGAC to certify, in addition to its own cash needs, $170 million annually to provide an incentive for the State to seek an annual appropriation to provide local assistance payments to New York City or its assignee. In May 2004, LGAC amended its General Bond Resolution and General Subordinate Lien Bond Resolution to make clear that any failure to certify or make payments to the City or its assignee has no impact on LGAC's own bondholders; and that if any such act or omission were to occur with respect to any bonds issued by the City of New York or its assignee, that act or omission would not constitute an event of default with respect to LGAC bonds. The Enacted Budget includes a local assistance appropriation of $170 million from the Local Government Assistance Tax Fund to the City.

State-Supported Lease-Purchase and Other Contractual-Obligation Financings

Prior to the 2002 commencement of the State's PIT Revenue Bond program, public authorities or municipalities issued other lease purchase and contractual-obligation debt. These types of debt, where debt service is payable from moneys received from the State and is subject to annual State appropriation, are not general obligations of the State.

Debt service payable to certain public authorities from State appropriations for such lease-purchase and contractual obligation financings may be paid from general resources of the State or from dedicated tax and other sources (i.e., personal income taxes, motor vehicle and motor fuel-related taxes, and patient income). Although these financing arrangements involve a contractual agreement by the State to make payments to a public authority, municipality or other entity, the State's obligation to make such payments is expressly made subject to appropriation by the Legislature and the actual availability of money to the State for making the payments. As of March 31, 2018, approximately 3.8 billion of State-supported lease-purchase and other contractual obligation financings were outstanding.

Legislation first enacted in FY 2011, and extended through FY 2020, authorizes the State to set aside moneys in reserve for debt service on general obligation, lease-purchase, and service contract bonds. Pursuant to a certificate filed by the Director of the Budget with the State Comptroller, the Comptroller is required to transfer from the General Fund such reserved amounts on a quarterly basis in advance of required debt service payment dates. The State currently has no plans to issue lease-purchase or other contractual-obligation financings.

Dedicated Highway and Bridge Trust Fund Bonds

DHBTF bonds were issued for State transportation purposes and are backed by dedicated motor fuel, gas and other transportation related taxes and fees, subject to appropriation. As of March 31, 2018, approximately $1.6 billion of DHBTF bonds were outstanding. The State currently has no plans to issue additional DHBTF bonds, but could utilize this credit in the future if market conditions warrant.

Mental Health Facilities Improvement Bonds

Mental Health Facilities Improvement Bonds were issued to support capital projects to preserve and maintain both State and community-based facilities operated and/or licensed by OMH, OPWDD, and OASAS. A major source of patient revenues for these bonds are Federal Medicaid payments for services delivered by OPWDD. Debt service coverage for FY 2019 is currently projected at approximately 10.0 times for existing Mental Health Facilities Improvement Bonds. As of March 31, 2018, approximately $599 million of Mental Health Facilities Improvement Bonds were outstanding. The State currently has no plans to issue additional Mental Health Facilities Improvement Bonds.

SUNY Dormitory Facilities Bonds

Legislation enacted in 2013 changed the method of paying debt service on outstanding SUNY Dormitory Facilities Lease Revenue Bonds (the "Lease Revenue Bonds") and established a new revenue-based financing credit, the SUNY Dormitory Facilities Revenue Bonds (the "Facilities Revenue Bonds") to finance the SUNY residence hall program in the future. The Facilities Revenue Bonds, unlike the Lease Revenue Bonds, do not include a SUNY general obligation pledge, thereby eliminating any recourse to the State with respect to the payment of the Facilities Revenue Bonds. The legislation also provided for the assignment of the revenues derived from the use and occupancy of SUNY's dormitory facilities (the "Dormitory Facilities Revenues") for the payment of debt service on both the Lease Revenue Bonds and the Facilities Revenue Bonds from SUNY to DASNY. As a result, annual debt service on the outstanding Lease Revenue Bonds is no longer supported by a State appropriation, except under extraordinary circumstances (i.e., the generation of insufficient Dormitory Facilities Revenues implicating the need for SUNY payments from sources other than Dormitory Facilities Revenues for debt service on the Lease Revenue Bonds). DOB is not aware of any such extraordinary circumstance having ever occurred in the past and does not anticipate that it would occur in the future. However, since the outstanding Lease Revenue Bonds were incurred as State-supported debt, until these are defeased or are paid off to maturity, DOB will continue to count these bonds as outstanding State-supported debt for purposes of the Debt Reform Act caps and has included these bonds as State-supported debt in all figures, tables and charts in this AIS. In recognition of the fact that debt service payments on the Lease Revenue Bonds are no longer supported by an appropriation, the debt service payments on such Lease Revenue Bonds in the approximate annual amount of $60 million is not included in State debt service payments reported in this AIS. Annual debt service related to the Lease Revenue Bonds was $55 million in FY 2018. As of March 31, 2018, approximately $394 million of Lease Revenue Bonds were outstanding. Annual debt service payments on the remaining Lease Revenue Bonds is projected to be $44 million in FY 2019, $39 million in FY 2020, $36 million in FY 2021, and $32 million in FY 2022.

State-Related Debt Outstanding

State-related debt is a broader measure of debt that includes State-supported debt, as discussed above, and contingent-contractual obligations, moral obligations, State-guaranteed debt and other debt.

Contingent-Contractual Obligation Financing

Contingent-contractual debt, included in State-related debt, is debt where the State enters into a statutorily authorized contingent-contractual obligation via a service contract to pay debt service in the event there are shortfalls in revenues from other non-State resources pledged or otherwise available to pay the debt service. As with State-supported debt, except for General Obligation bonds, all payments are subject to annual appropriation.

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to issue debt. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State Medical Care Facilities Financing Agency (MCFFA) and by DASNY through the Secured Hospital Program. In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. The bankruptcy and deteriorating financial conditions of certain hospitals in the Secured Hospital Program resulted in the State paying approximately $14 million of debt service payments in FY 2018. As of March 31, 2018, there was approximately $193 million of bonds outstanding for this program. See "Financial Plan Overview — Other Matters Affecting the Financial Plan — Secured Hospital Program" herein for more information.

Tobacco Settlement Financing Corporation (TSFC)

As of March 31, 2018, all TSFC bonds were retired. The State was never called upon to make any payment, pursuant to the contingency contract on the TSFC bonds.

Moral Obligation Financings

Moral obligation financing generally involves the issuance of debt by a public authority to finance a revenue producing project or other activity. The debt is secured, in the first instance, by project revenues, but includes statutory provisions requiring the State, subject to appropriation by the Legislature, to make up any deficiencies which may occur in the issuer's debt service reserve fund. There has never been a payment default on any moral obligation debt of any public authority. DOB does not expect the State to increase statutory authorizations for moral obligation bond programs. From 1976 through 1987, the State was called upon to appropriate and make payments totaling $162.8 million to make up deficiencies in the debt service reserve funds of HFA pursuant to moral obligation provisions. In the same period, the State also expended additional funds to assist the Project Finance Agency, Urban Development Corporation (UDC) and other public authorities which had moral obligation debt outstanding. The State has not been called upon to make any payments pursuant to any moral obligations since FY 1987 and no such requirements are anticipated during FY 2019. As of March 31, 2018, approximately $800 thousand of moral obligation debt was outstanding.

State-Guaranteed Financings

Pursuant to specific constitutional authorization, the State may also directly guarantee certain public authority obligations. Payments of debt service on State guaranteed bonds and notes are legally enforceable obligations of the State. The only current authorization provides for the State guarantee of the repayment of certain borrowings for designated projects of the New York State Job Development Authority (JDA). However, as of March 31, 2018, all JDA bonds guaranteed by the State were paid off, and the State does not anticipate any future JDA indebtedness to be guaranteed by the State. The State has never been called upon to make any direct payments pursuant to any such guarantees.

Other State Financings

Other State financings relate to the issuance of debt by a public authority, including capital leases, mortgage loan commitments and MBBA prior year school aid claims. Regarding the MBBA prior year school aid claims, the municipality assigns specified State and local assistance payments it receives to the MBBA or the bond trustee to ensure that debt service payments are made. The State has no legal obligation to make any debt service payments or to continue to appropriate local assistance payments that are subject to the assignment.

Borrowing Plan

STATE DEBT ISSUANCES BY FINANCING PROGRAM
(millions of dollars)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Personal Income Tax Revenue Bonds	2,886	4,754	4,469	4,454	4,327
Sales Tax Revenue Bonds	2,710	1,327	1,367	1,408	1,450
General Obligation Bonds	145	714	704	262	237
Total Issuances[1]	5,741	6,795	6,539	6,123	6,014

Source: NYS DOB.
[1] Numbers may not add due to rounding

Debt issuances totaling $6.8 billion are planned to finance new capital project spending in FY 2019, an increase of $1.1 billion (18 percent) from FY 2018, that includes large capital programs for healthcare and the Smart Schools Bond Act that are expected to increase spending in FY 2019. It is anticipated that the State will finance these capital projects through PIT Revenue Bonds, Sales Tax Revenue Bonds and General Obligation bonds in FY 2019.

The bond issuances are expected to finance capital commitments for transportation infrastructure ($1.8 billion), education ($1.3 billion), mental hygiene and health care facilities ($703 million), economic development and housing ($2.0 billion), the environment ($572 million), and State facilities and equipment ($336 million).

Over the next four years, new debt issuances are projected to total $25.5 billion. New issuances are primarily for transportation infrastructure ($6.8 billion), education facilities ($4.9 billion), economic development ($7.6 billion), the environment ($2.1 billion), mental hygiene and health care facilities ($2.7 billion), and State facilities and equipment ($1.3 billion). Assuming an issuance plan consistent with the prior table, the State projects debt outstanding levels through FY 2022 to be as follows:

PROJECTED DEBT OUTSTANDING BY CREDIT
(millions of dollars)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Personal Income Tax Revenue Bonds	33,589	36,647	38,893	40,849	42,535
Sales Tax Revenue Bonds	7,377	8,292	9,318	10,150	11,132
General Obligation Bonds	2,371	2,885	3,369	3,386	3,365
Local Government Assistance Corp.	1,370	1,198	880	524	284
Other Revenue Bonds	2,780	2,498	2,194	1,611	1,317
Service Contract & Lease Purchase	3,779	3,140	2,648	2,103	1,749
TOTAL STATE-SUPPORTED[1]	51,266	54,661	57,301	58,622	60,382

Source: NYS DOB.
[1] Numbers may not add due to rounding

State-Related Debt Service Requirements

The following table presents the current and projected debt service (principal and interest) requirements on State-related debt. State-related debt service is projected at $5.4 billion in FY 2019, a decrease of $1.2 billion (18 percent) from FY 2018. This is due, in large part, to debt service prepayments which result in higher debt service payments in FY 2018, and lower debt service costs in FY 2019. The State is contractually required to make debt service payments prior to bondholder payment dates in most instances, and may also elect to make payments earlier than contractually required. In FY 2019 and beyond, the State expects to use three principal bonding programs -- Personal Income Tax Revenue Bonds, Sales Tax Revenue Bonds, and General Obligation Bonds -- to fund all bond-financed capital spending. Other bonding programs are expected to be phased out over time.

ESTIMATED DEBT SERVICE REQUIREMENTS ON EXISTING STATE-RELATED DEBT BY CREDIT STRUCTURE [1,2]
(millions of dollars)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Total
Personal Income Tax Revenue Bonds	3,297	2,872	4,162	4,538	4,840	19,710
Sales Tax Revenue Bonds	625	771	769	1,056	991	4,212
General Obligation Bonds	336	303	346	393	409	1,786
Local Government Assistance Corporation	287	370	371	261	137	1,426
Other State-Supported Bonds	1,313	1,039	1,289	910	692	5,243
Tobacco Bonds [3]	676	0	0	0	0	676
All Other State-Related Bonds [4]	83	80	79	79	73	394
Total Debt Service[5]	6,617	5,436	7,017	7,237	7,141	33,446

Source: NYS DOB.

[1] Estimates as of FY 2018 Enacted Budget Financial Plan.

[2] Reflects existing debt service on debt issued as of March 31, 2018 and projected debt service on assumed new debt issuances. Estimated debt service requirements are calculated based on swap rates in effect for all bonds that were synthetically fixed under an interest rate exchange agreement. Debt service requirements for variable rate bonds for which there are no related interest rate exchange agreements were calculated at assumed rates, which average 2.05%.

[3] Tobacco bonds were fully retired on June 1, 2017.

[4] Excludes Mortgage Loan Commitments and Capital Leases.

[5] Numbers may not add due to rounding

Interest Rate Exchange Agreements and Net Variable Rate Obligations

Chapter 81 of the Laws of 2002 authorized issuers of State-supported debt to issue a limited amount of variable rate debt instruments and to enter into a limited amount of interest rate exchange agreements. The current limit on debt instruments which result in a net variable rate exposure (i.e., both variable rate debt and interest rate exchange agreements) is no more than 15 percent of total outstanding State-supported debt. Interest rate exchange agreements are also limited to a total notional amount of no more than 15 percent of total outstanding State-supported debt. The outstanding State-supported debt of $51.3 billion as of March 31, 2018 results in a cap on variable rate exposure and a cap on interest rate exchange agreements of about $7.7 billion each (15 percent of total outstanding State-supported debt). As discussed below, as of March 31, 2018, both the amount of outstanding variable rate debt instruments and interest rate exchange agreements were less than the authorized totals of 15 percent of total outstanding State-supported debt.

Interest Rate Exchange Agreements

As of March 31, 2018, the State's Authorized Issuers have a notional amount of $1.5 billion in interest rate exchange agreements. The following table shows the amount of outstanding interest rate exchange agreements subject to the statutory cap. Overall, the State's swap exposure is expected to decline from 2.8 percent in FY 2018 to 1.5 percent in FY 2022.

INTEREST RATE EXCHANGE CAP
(millions of dollars)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Interest Rate Exchange Cap	7,690	8,199	8,595	8,793	9,057
Notional Amounts of Interest Rate Exchange Agreements	1,460	1,383	1,277	1,062	927
Percent of Interest Rate Exchange Agreements to Debt Outstanding	2.8%	2.5%	2.2%	1.8%	1.5%

The State's swaps portfolio comprises of synthetic fixed rate swaps. A synthetic fixed swap includes two separate transactions: (1) a variable rate bond is sold to bondholders, and (2) an interest rate exchange agreement between the State and a counterparty is executed. The interest rate exchange agreement results in the State paying a fixed interest rate (i.e., synthetic fixed rate) to the counterparty and the counterparty agrees to pay the State a variable rate (65 percent of the London InterBank Offered Rate (LIBOR) for all State swaps). If the variable rate the State pays to bondholders and the variable rate the State is receiving from the counterparty off-set each other, the State is left with the synthetic fixed rate payment. The two variable rate components do not always precisely offset each other, which may result in an amount owed by the State in addition to the synthetic fixed rate payment. The synthetic fixed rate was less than the fixed rate the State would have paid to issue traditional fixed rate bonds at the time of issuance.

The State has no plans to increase its swap exposure.

Net Variable Rate Obligations

The State's net variable rate exposure (including a policy reserve) is projected to average 0.9 percent of outstanding debt from FY 2018 through FY 2022. The debt that is charged against the variable rate cap represents the State's unhedged variable rate bonds. The variable rate bonds that are issued in connection with a fixed rate swap - $1.5 billion - are not included in the variable rate cap, as discussed previously in the "Interest Rate Exchange Agreements" section.

The State's current policy is to count 35 percent of the notional amount of outstanding 65 percent of LIBOR fixed rate swaps in its variable rate exposure. This policy reserve accounts for the potential that tax policy or market conditions could result in significant differences between payments owed on the bonds and the amount received by the State under its 65 percent of LIBOR swaps, and that the factors affecting such payments can be consistent with variable rate exposure.

DOB continues to evaluate the market for variable rate bonds, but has no plans to issue additional variable rate debt at this time.

VARIABLE RATE EXPOSURE
(millions of dollars)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Variable Rate Exposure Cap	7,690	8,199	8,595	8,793	9,057
Current Unhedged Variable Rate Obligations	97	97	97	90	90
Additional Planned Variable Rate Exposure	0	0	0	0	0
Total Net Variable Rate Exposure	97	97	97	90	90
Net Variable Rate Exposure to Debt Outstanding	0.2%	0.2%	0.2%	0.2%	0.1%
Current Policy Reserve for LIBOR Swaps	511	484	447	372	324
Net Variable Rate Exposure (with Policy Reserve)	608	581	544	462	414
Net Variable Rate Exposure (with Policy Reserve) to Debt Outstanding	1.2%	1.1%	0.9%	0.8%	0.7%

State Bond Caps and Debt Outstanding

Bond caps are legal authorizations to issue bonds to finance the State's capital projects. The caps can authorize bond financing of capital appropriations. As the bond cap for a particular programmatic purpose is reached, subsequent legislative changes are required to raise the statutory cap to the level necessary to meet the bondable capital needs, as permitted by a single or multi-year appropriation. In the Enacted Budget, statutory bond authorizations on State-supported debt were raised by $6.5 billion across multiple programmatic purposes. The bonded indebtedness (and related capital spending) from the new authorizations is expected to occur over many years, and is counted against the State's statutory debt caps only when bonds are actually issued.

Debt authorizations for capital programs are either approved or enacted at one time, expected to be fully issued over time, or enacted annually by the Legislature and are usually consistent with bondable capital projects appropriations. Authorization does not, however, indicate intent to sell bonds for the entire amount of those authorizations, because capital appropriations often include projects that do not materialize or are financed from other sources. The amount of bonds authorized may be increased or decreased from time to time by the Legislature. In the case of General Obligation debt, increases in the authorization must be approved by the voters. See "Exhibit B - State Related Bond Authorizations" herein for additional information.

For More Information

Additional information on the State's debt portfolio is available on DOB's public website (www.budget.ny.gov). The Investor's Guide section of the site contains information on New York State bonds including: the State's bond issuance schedule which is updated periodically; swap and variable rate capacity reports; variable rate trading activity; and State PIT Revenue Bond and Sales Tax Revenue Bond debt service and debt outstanding.

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 any of these authorities were to default on their respective State-supported or State-related debt issuances.

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

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

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As of December 31, 2017, (with respect to Job Development Authority or "JDA" as of March 31, 2018) each of the 17 authorities listed in the following table had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $187 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 17 authorities in the following table at the time of this AIS.

OUTSTANDING DEBT OF CERTAIN AUTHORITIES[(1)]
AS OF DECEMBER 31, 2017[(2)]
(millions of dollars)

Authority	State-Related Debt	Authority and Conduit	Total
Dormitory Authority	30,422	19,781	50,203
Metropolitan Transportation Authority	68	28,715	28,783
Port Authority of NY & NJ	0	24,940	24,940
Housing Finance Agency	192	16,987	17,179
UDC/ESD	14,346	1,093	15,439
Job Development Authority[(2)]	0	10,218	10,218
Thruway Authority	3,224	5,603	8,827
Triborough Bridge and Tunnel Authority	0	8,545	8,545
Long Island Power Authority[(3)]	0	7,569	7,569
Environmental Facilities Corporation	64	6,223	6,287
Energy Research and Development Authority	0	2,568	2,568
State of New York Mortgage Agency	0	2,566	2,566
Local Government Assistance Corporation	1,447	0	1,447
Power Authority	0	1,306	1,306
Battery Park City Authority	0	955	955
Municipal Bond Bank Agency	172	195	367
Niagara Frontier Transportation Authority	0	105	105
TOTAL OUTSTANDING	49,935	137,369	187,304

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 par amounts outstanding for bonds and financing arrangements or gross proceeds outstanding in the case of capital appreciation bonds. Amounts do not reflect accretion of capital appreciation bonds or premiums received.

(2) All Job Development Authority (JDA) debt outstanding reported as of March 31, 2018. This includes $10.2 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), $745 million issued by the Brooklyn Arena Local Development Corporation and $3.3 billion issued by the New York Transportation Development Corporation.

(3) Includes $4.26 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 Enacted Budget 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 providing for continuity of current educational services and receiving approval of that plan from the Director of the Budget. That plan was 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-five 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 Government Employment

State Government Employment

As of March 31, 2018, the State had approximately 181,600 FTE annual salaried employees funded from all funds including some part-time and temporary employees, independently-elected agencies and university systems, but excluding seasonal, legislative and judicial employees. The workforce is now substantially smaller than it was in 1990, when it peaked at approximately 230,000 positions. The State workforce is projected to total 182,728 positions at the end of FY 2019. The State workforce subject to direct Executive control is expected to total 118,868 full time equivalent positions at the end of FY 2019.

The State Public Employment Relations Board defines negotiating units for State employees. Governor's Office of Employee Relations (GOER) conducts collective bargaining negotiations with the State's unions, with the exception of employees of the Judiciary, public authorities, CUNY and the Legislature. Such negotiations include terms and conditions of employment, except pension benefits.

The State has multi-year labor agreements in place with the majority of the unionized workforce. The Civil Service Employees Association (CSEA) and DC-37 (Rent Regulation) 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 the New York State Health Insurance Program (NYSHIP) and reductions in overtime costs.

Employees represented by the Public Employees Federation (PEF) and the Graduate Student Employees Union (GSEU) have a three-year collective bargaining agreement providing 2 percent annual salary increases in FYs 2017 through 2019. The salary increases provided to PEF and GSEU employees have also been extended to Management/Confidential (M/C) employees 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 and NYSPIA have commenced.

On May 24, 2018, the State reached a tentative agreement with the United University Professions (UUP) for the six-year period that includes academic years 2017 through 2023 (July 1, 2016 through June 30, 2023). The agreement provides for a 2 percent general salary increase each year, and additional compensation changes, which are partly offset by benefit design changes within NYSHIP. The tentative agreement is contingent on legislative approval of a pay bill and UUP member ratification, the provisions of this agreement are estimated to cost approximately $250 million in FY 2019.

The State is in negotiations with all other employee unions whose contracts concluded in FY 2016, including 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.[29] 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 are as follows: 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.

HISTORICAL SUMMARY OF EXECUTIVE BRANCH WORKFORCE
ANNUAL SALARIED FTEs
ALL FUNDS

Date	Subject to Direct Executive Control	Grand Total
3/31/2008	137,707	195,266
3/31/2009	136,517	195,347
3/31/2010	131,741	191,195
3/31/2011	125,787	183,921
2/29/2012*	119,579	179,598
3/31/2013	119,756	180,802
3/31/2014	118,492	180,041
3/31/2015	117,807	179,620
3/31/2016	117,862	180,220
3/31/2017	117,907	181,436
3/31/2018	117,397	181,599

*Reflects a payroll prior to fiscal year-end due to concurrent implementation of the State's Statewide Financial System (SFS) which resulted in anomalies to the accounting of FTEs with the actual FY 2012 year-end payroll.

[29] 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.

WORKFORCE SUMMARY ALL FUNDS FY 2017 THROUGH FY 2019	FY 2017 Actuals (03/31/17)	FY 2018 Actuals (03/31/18)	FY 2019 Estimate (03/31/19)
Major Agencies			
Children and Family Services, Office of	2,932	2,887	2,965
Corrections and Community Supervision, Department of	29,189	29,351	29,183
Education Department, State	2,590	2,575	2,692
Environmental Conservation, Department of	2,956	2,887	2,994
Financial Services, Department of	1,325	1,356	1,382
General Services, Office of	1,755	1,811	1,932
Health, Department of	4,853	4,690	5,463
Information Technology Services, Office of	3,486	3,471	3,405
Labor, Department of	2,861	2,935	2,990
Mental Health, Office of	14,221	13,911	13,684
Motor Vehicles, Department of	2,184	2,301	2,345
Parks, Recreation and Historic Preservation, Office of	1,752	1,751	1,762
People with Developmental Disabilities, Office for	18,958	18,867	18,598
State Police, Division of	5,645	5,609	5,741
Taxation and Finance, Department of	3,946	3,898	3,977
Temporary and Disability Assistance, Office of	1,973	1,923	1,992
Transportation, Department of	8,487	8,501	8,523
Workers' Compensation Board	1,122	1,082	1,110
Subtotal - Major Agencies	**110,235**	**109,806**	**110,738**
Minor Agencies	**7,672**	**7,591**	**8,130**
Subtotal - Subject to Direct Executive Control	**117,907**	**117,397**	**118,868**
University Systems			
City University of New York	13,635	13,726	13,549
State University Construction Fund	144	142	152
State University of New York	45,316	45,882	45,657
Subtotal - University Systems	**59,095**	**59,750**	**59,358**
Independently Elected Agencies			
Audit and Control, Department of	2,647	2,630	2,663
Law, Department of	1,787	1,822	1,839
Subtotal - Independently Elected Agencies	**4,434**	**4,452**	**4,502**
Grand Total	**181,436**	**181,599**	**182,728**

Source: NYS DOB, as provided with the FY 2019 Enacted Budget Report published in May 2018.

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. For the fiscal year ended March 31, 2018, the System's audited financial statements will be available on the OSC website by July 31, 2018, and the NYSLRS' CAFR and asset listing will be available by September 30, 2018.

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.[30] 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.[31]

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

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

The current actuarial smoothing method recognizes unexpected annual gains and losses (returns above or below the assumed investment rate of return) over a 5-year period.

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

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

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by the State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013, FY 2014, FY 2015, FY 2016, 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 was approximately $2.362 billion. Multiple prepayments (including interest credit) reduced this amount to $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.[32] 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. [33]

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

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[32] On May 17, 2018, the State Comptroller released a statement indicating that the value of the System's Invested assets posted an 11.35 percent time-weighted rate of return (gross rate of return before the deduction of certain fees) for the fiscal year ended March 31, 2018. This report reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

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

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

In June 2012, GASB approved two related Statements that change the accounting and financial reporting of pensions by state and local governments and pension plans. These statements impact neither the System's actuarial funding method nor the calculation of rates.

Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans, and replaced the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans and Statement No. 50, Pension Disclosures. Statement No. 67 mandates more extensive note disclosure and required supplementary information. The implementation of Statement No. 67 will have no impact on the System's Statement of Fiduciary Net Position, which measures the System's net position, restricted for pension benefits or Statement of Changes in Fiduciary Net Position. The System adopted Statement No. 67 in the March 31, 2015 Financial Statements.

The ratio of fiduciary net position to the total pension liability for ERS, as of March 31, 2017, calculated by the System's Actuary, was 94.7 percent. The ratio of the fiduciary net position to the total pension liability for PFRS, as of March 31, 2017, calculated by the System's Actuary, was 93.5 percent.[34]

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.

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

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

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

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

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

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

Fiscal Year Ended March 31	Contributions Recorded: All Participating Employers(1)(2)	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

General

The legal proceedings listed below involve State finances and programs and other claims in which the State is a defendant and the potential monetary claims against the State are deemed to be material, meaning in excess of $100 million or involving significant challenges to or impacts on the State's financial policies or practices. As explained below, these proceedings could adversely affect the State's finances in FY 2019 or thereafter. The State intends to describe newly initiated proceedings which the State deems to be material and existing proceedings which the State has subsequently deemed to be material, as well as any material and adverse developments in the listed proceedings, in quarterly updates and/or supplements to this AIS.

For the purpose of this Litigation section of the AIS, the State defines "material and adverse developments" as rulings or decisions on or directly affecting the merits of a proceeding that have a significant adverse impact upon the State's ultimate legal position, and reversals of rulings or decisions on or directly affecting the merits of a proceeding in a significant manner, whether in favor of or adverse to the State's ultimate legal position, all of which are above the $100 million materiality threshold described above. The State intends to discontinue disclosure with respect to any individual case after a final determination on the merits or upon a determination by the State that the case does not meet the materiality threshold described above.

The State is party to other claims and litigation, with respect to which its legal counsel has advised that it is not probable that the State will suffer adverse court decisions, or which the State has determined do not, considered on a case by case basis, meet the materiality threshold described in the first paragraph of this section. Although the amounts of potential losses, if any, resulting from these litigation matters are not presently determinable, it is the State's position that any potential liability in these litigation matters is not expected to have a material and adverse effect on the State's financial position in FY 2019 or thereafter. The Basic Financial Statements for FY 2018, which OSC expects to issue by July 29, 2018, are expected to report possible and probable awards and anticipated unfavorable judgments against the State.

Adverse developments in the proceedings described below, other proceedings for which there are unanticipated, unfavorable and material judgments, or the initiation of new proceedings could affect the ability of the State to maintain a balanced FY 2019 Financial Plan. The State believes that the Enacted Budget Financial Plan includes sufficient reserves to offset the costs associated with the payment of judgments that may be required during FY 2019. These reserves include (but are not limited to) amounts appropriated for Court of Claims payments and projected fund balances in the General Fund. In addition, any amounts ultimately required to be paid by the State may be subject to settlement or may be paid over a multi-year period. There can be no assurance, however, that adverse decisions in legal proceedings against the State would not exceed the amount of all potential Enacted Budget resources available for the payment of judgments, and could therefore adversely affect the ability of the State to maintain a balanced Enacted Budget Financial Plan.

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 June 19, 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.

Plaintiffs filed their Second Amended Complaint on December 11, 2017. 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.

Defendants filed a partial motion to dismiss the third cause of action in the Second Amended Complaint on April 9, 2018. On May 4, 2018, plaintiffs filed a Third Amended Complaint, which is identical to the Second Amended Complaint, except for the deletion of the third cause of action and correction of certain typographical errors. Defendants' Answer to the Third Amended Complaint is due on or before July 10, 2018, and a conference is scheduled for July 19, 2018. Discovery remains stayed until after the conference.

On May 4, 2018, the case was reassigned from Hon. Manuel J. Mendez to Hon. Lucy Billings.

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. On March 29, 2018, the Second Circuit affirmed the judgments in favor of defendants in both the trucking association and bus association cases. Plaintiffs' last day to petition the U.S. Supreme Court for a writ of certiorari was June 27, 2018. No petition was filed.

Exhibit A to AIS - Selected State Government Summary

State Government Organization

The State has a centralized administrative system with most executive powers vested in the Governor. The State has four officials elected in statewide elections, the Governor, Lieutenant Governor, Comptroller and Attorney General. These officials serve four-year terms that next expire on December 31, 2018.

Name	Office	Party Affiliation	First Elected
Andrew M. Cuomo	Governor	Democrat	2010
Kathleen C. Hochul	Lieutenant Governor	Democrat	2014
Thomas P. DiNapoli	Comptroller	Democrat	2007
Barbara D. Underwood*	Attorney General	Democrat	N/A

*Elected by the Legislature as Attorney General on May 22, 2018, after being sworn in as Acting Attorney General on May 9, 2018, following the resignation of former Attorney General Schneiderman.

The Governor and Lieutenant Governor are elected jointly. The Comptroller and Attorney General are chosen separately by the voters during the election of the Governor. The Governor appoints the heads of most State departments, including the Director of the Budget (the current Director is Robert F. Mujica Jr.). DOB is responsible for preparing the Governor's Executive Budget, negotiating that budget with the State Legislature, and implementing the budget once it is adopted, which includes updating the State's fiscal projections quarterly. DOB is also responsible for coordinating the State's capital program and debt financing activities. The Comptroller is responsible for auditing the disbursements, receipts and accounts of the State, as well as for auditing State departments, agencies, public authorities and municipalities. The Comptroller is also charged with managing the State's General Obligation debt and most of its investments (see "Appropriations and Fiscal Controls" and "Investment of State Moneys" below). The Attorney General is the legal advisor to State departments, represents the State and certain public authorities in legal proceedings and opines upon the validity of all State General Obligation bonds and notes.

The State Legislature is presently composed of a 63-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2018. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current Leader of the Senate is President Pro Tempore and Majority Leader John Flanagan (Republican). Carl Heastie (Democrat) is the Speaker of the Assembly. The minority leaders are Andrea Stewart-Cousins (Democrat) in the Senate and Brian Kolb (Republican) in the Assembly.

Appropriations and Fiscal Controls

The State Constitution requires the Comptroller to audit the accrual and collection of State revenues and receipts and to audit vouchers before payment and all official accounts. Generally, no State payment may be made unless the Comptroller has audited it. Additionally, the State Constitution requires the Comptroller to prescribe such methods of accounting as are necessary for the performance of the foregoing duties.

Disbursements from State funds are limited to the level of authorized appropriations. Disbursements from Federal funds must be appropriated in accordance with appropriate legal authority, are limited to the amounts anticipated from Federal programs and may not be made in the absence of appropriate certifications from the Director of the Budget. Generally, most State contracts for disbursements in excess of $50,000 (or $85,000 in the case of the Office of General Services) require prior approval by the Comptroller. However, certain contracts, primarily of SUNY and CUNY, and those established as a centralized contract through the Office of General Services, are not subject to approval by the Comptroller, and certain other contracts are subject to higher thresholds. In most cases, State agency contracts depend upon the existence of an appropriation and the availability of that appropriation as certified by the Director of the Budget. The Budget Director must review all applications for State participation in continuing grant- or contract-supported programs, with specified exceptions. Certain legislative leaders have the opportunity to make recommendations on the applications. In addition, the Comptroller has the discretion to identify and review certain public authority contracts valued at $1.0 million or greater that are either awarded without competition or which are paid using State-appropriated funds.

Appropriations may be increased or decreased in accordance with statutory authority under certain circumstances by transfer, interchange or otherwise. In addition, appropriations may be increased or decreased by statutory amendment or by supplemental appropriations. Moneys or other financial resources from one fund may also be loaned to another fund where there is specific statutory authorization to do so. In addition, moneys or other financial resources of a fund may be temporarily loaned to the General Fund, but only if such loan is repaid in full within four months, or the end of the fiscal year, whichever occurs first. Pursuant to authority contained in most State operations appropriations for FY 2019, the Director of the Budget is also allowed to interchange, transfer, or suballocate such appropriation authority to other agencies in order to achieve the consolidation and realignment of certain State operations.

In addition, the Governor has traditionally exercised substantial authority in administering the State Financial Plan by limiting certain disbursements after the Legislature has enacted appropriation bills and revenue measures. The Governor may, primarily through DOB, limit certain spending by State departments, and delay construction projects to control disbursements using the Director of the Budget's certification process. An important limitation of the Governor's ability to restrict disbursements is that local assistance payments, which typically make up close to 70 percent of General Fund disbursements (including operating transfers to other funds), are generally mandated by statute. The State Court of Appeals has held that, even in an effort to maintain a balanced Financial Plan, neither the Governor nor the Director of the Budget has the authority to refuse to make a local assistance disbursement mandated by law.

Investment of State Moneys

The Comptroller is responsible for the investment of substantially all State moneys. By law, such moneys may be invested only in obligations issued or guaranteed by the Federal government or the State, obligations of certain Federal agencies that are not guaranteed by the Federal government, certain general obligations of other states, direct obligations of the State's municipalities and obligations of certain public authorities, certain short-term corporate obligations, certain bankers' acceptances, and certificates of deposit secured by legally qualified governmental securities. All securities in which the State invests moneys held by funds administered within the State Treasury must mature within twelve years of the date they are purchased. Money impounded by the Comptroller for payment of TRANs may only be invested, subject to the provisions of the State Finance Law, in (i) obligations of the Federal government, (ii) certificates of deposit secured by such obligations, or (iii) obligations of or obligations guaranteed by agencies of the Federal government as to which the payment of principal and interest is guaranteed by the Federal government.

The Comptroller invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through STIP, which is comprised of joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund. The interest earnings accrued are allocated and deposited to the credit of those funds with positive balances that contribute to the overall invested STIP pool.

The Comptroller is authorized to make temporary loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements). The General Fund is authorized to receive temporary loans from STIP for a period not to exceed four months or the end of the fiscal year, whichever is shorter.

The State Comptroller repays loans from the first cash receipts into the borrowing fund or account. Fund balances outside the General Fund are presented on a net basis, i.e., they are reduced by the amount of outstanding temporary loans from STIP. Some sources of the State's temporary loans include timing-related delays in the receipt from Federal funds and the sale of bonds used to finance capital projects, and unreimbursed costs related to the Office of Information Technology Services (ITS) Internal Service Funds. The total outstanding balance of loans from STIP at March 31, 2018 was $3.090 billion, an increase of $331 million from the outstanding loan balance of $2.759 billion at March 31, 2017.

Accounting Practices, Financial Reporting and Budgeting

Historically, the State has accounted for, reported and budgeted its operations on a cash basis. Under this form of accounting, receipts are recorded at the time money or checks are deposited in the State Treasury, and disbursements are recorded at the time a check or electronic payment is released. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore can significantly affect the cash amounts reported in a fiscal year. Under cash-basis accounting, all estimates and projections of State receipts and disbursements relating to a particular fiscal year are of amounts to be deposited in or disbursed from the State Treasury during that fiscal year, regardless of the fiscal period to which particular receipts or disbursements may otherwise be attributable.

The State also has an accounting and financial reporting system based on GAAP and currently formulates a GAAP financial plan. GAAP for governmental entities requires use of the accrual basis of accounting for the government-wide financial statements which includes governmental and business-type activities and component units. Revenues are recorded when they are estimated to have been earned and expenses are recorded when a liability is estimated to have been incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the modified accrual basis of accounting. Under modified accrual procedures, revenues are recorded when they become both measurable and available within 12 months of the end of the current fiscal period to finance expenditures; expenditures are recorded in the accounting period for which the liability is incurred to the extent it is expected to be paid within the next 12 months with the exception of expenditures such as debt service, compensated absences, and claims and judgments. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Non-exchange grants and subsidies such as local assistance grants and public benefit corporation subsidies are recognized as expenditures when all requirements of the grant and or subsidy have been satisfied.

Exhibit B to AIS - State Related Bond Authorizations

Exhibit B - State Related Bond Authorizations

Bond authorizations reflected in the following tables represent authorizations where there are remaining amounts authorized, but unissued, or where there is debt outstanding.

STATE-RELATED DEBT
FY 2019 BOND CAPS AND DEBT OUTSTANDING
(millions of dollars) (1)

Type of Cap (Gross or Net)*	Program	FY 2019 Bond Caps	Authorized But Unissued (2)	Debt Outstanding (3) As of 3/31/18
Education:				
Gross	SUNY Educational Facilities (4)	13,179	1,132	9,150
Net	SUNY Dormitory Facilities (5)	1,561	68	394
Net	SUNY Upstate Community Colleges (5)	969	171	850
Gross	CUNY Educational Facilities (6)	8,315	836	4,967
Net	State Ed Department Facilities (7)	0	0	31
Net	SUNY Athletic Facilities	22	0	7
Net	RESCUE	195	0	14
Net	University Facilities (Jobs 2000)	48	1	0
Net	School District Capital Outlay Grants	140	40	0
Net	Judicial Training Institute	16	0	3
Net	Transportation Transition Grants	80	12	0
Net	Higher Education Capital Matching Grants	270	128	26
Net	EXCEL	2,600	44	1,738
Net	Library Facilities	217	61	85
Net	Cultural Education Storage Facilities	79	69	8
Net	State Longitudinal Data System	20	10	1
Net	SUNY 2020 Challenge Grants	660	543	88
Net	Private Special Education	55	55	0
Environment:				
Net	Environmental Infrastructure Projects (8)	5,147	3,576	1,048
Net	Hazardous Waste Remediation	2,200	1,166	711
Net	Riverbank State Park	78	18	17
Net	Water Pollution Control (SRF)	910	128	189
Net	Pipeline for Jobs (Jobs 2000)	34	2	0
Net	Pilgrim Sewage Plant	11	0	0
State Facilities:				
Net	Empire State Plaza	133	13	0
Net	State Capital Projects (Attica)	200	0	55
Net	Division of State Police Facilities	220	89	108
Net	Division of Military & Naval Affairs	67	49	13
Net	Alfred E. Smith Building	89	0	39
Net	Sheridan Ave. (Elk St.) Parking Garage	25	0	15
Net	State Office Buildings and Other Facilities	749	345	304
Net	Judiciary Improvements	38	1	15
Net	OSC State Buildings	52	0	15
Net	Albany Parking Garage (East)	41	0	17
Net	OGS State Buildings and Other Facilities (9)	165	51	60
Net	Equipment Acquisition (COPs) (10)	784	106	74
Net	Food Laboratory	41	1	32
Net	OFT Facilities	21	18	2
Net	Courthouse Improvements	76	4	47
Gross	Prison Facilities	8,083	980	4,024
Net	Homeland Security	253	94	110
Gross	Youth Facilities	770	323	196
Net	NYRA Land Acquisition/VLT Construction	355	0	0
Net	Storm Recovery Capital	450	450	0
Net	Information Technology	541	236	247
Net	Nonprofit Infrastructure Capital Investment Program	120	116	3
Health/Mental Hygiene:				
Net	Department of Health Facilities (inc. Axelrod)	495	3	186
Gross	Mental Health Facilities	8,779	1,331	3,509
Net	HEAL NY Capital Program	750	95	340
Net	Capital Restructuring Program	3,050	2,994	52
Transportation:				
Gross	Consolidated Highway Improvement Program (CHIPS)	10,252	1,621	4,218
Net	Dedicated Highway & Bridge Trust	16,500	1,977	6,082
Net	High Speed Rail	22	14	6
Net	Albany County Airport	40	1	0
Net	Transportation Initiatives	4,500	3,633	719
Net	MTA Transportation Facilities	1,694	1,444	214
N/A	MTA Service Contract	2,005	0	1,419
Net	Transportation (TIFIA)	750	750	0

STATE-RELATED DEBT
FY 2019 BOND CAPS AND DEBT OUTSTANDING
(millions of dollars) (1)

Type of Cap (Gross or Net)*		Program	FY 2019 Bond Caps	Authorized But Unissued (2)	Debt Outstanding (3) As of 3/31/18
Economic Development:					
	Gross	Housing Capital Programs	5,981	2,922	1,361
	Net	Community Enhancement Facilities (CEFAP)	424	37	14
	Net	University Technology Centers (incl. HEAT) (11)	248	13	6
	Gross	Onondaga Convention Center	40	0	7
	Net	Sports Facilities	145	0	15
	Net	Child Care Facilities	30	1	5
	Net	Bio-Tech Facilities	10	10	0
	Net	Strategic Investment Program	216	17	12
	Net	Regional Economic Development (Fund 002) (12)	1,190	38	137
	Net	NYS Economic Development (2004) (13)	346	0	106
	Net	Regional Economic Development (2004) (14)	293	255	8
	Net	High Technology and Development	249	73	60
	Net	Regional Economic Development/SPUR	90	18	15
	Net	Buffalo Inner Harbor	50	0	30
	Net	Jobs Now	14	1	0
	Net	Economic Development 2006 (Various) (15)	2,310	267	1,161
	Net	Javits Convention Center	1,350	1,350	0
	Net	Queens Stadium (Mets)	75	0	28
	Net	Bronx Stadium (Yankees)	75	0	34
	Net	NYS Ec Dev Stadium Parking ('06)	75	69	4
	Net	State Modernization Projects (RIOC Tram, etc.)	50	15	5
	Net	Int. Computer Chip Research and Dev. Center	300	0	37
	Net	2008 and 2009 Economic Development Initiatives	1,269	176	453
	Net	H.H. Richardson Complex/Darwin Martin House	84	0	57
	Net	Economic Development Initiatives	8,301	5,698	2,170
	Net	State and Municipal Facilities	2,324	1,949	350
LGAC	Net	Local Government Assistance Corporation	4,700	0	1,370
GO	Gross	General Obligation	19,185	2,747	2,371
Total State-Supported Debt			**148,337**	**40,453**	**51,266**
Other State Financings:					
Tobacco Settlement Financing Corporation Bonds					0
MBBA Special Purpose School Aid Bonds					172
Capital Lease and Mortgage Loan Commitments (16)					536
Other (17)					194
Total State-Related Debt (18)					**52,168**

Totals may not add due to rounding.

** Gross caps include cost of issuance fees. Net caps do not.*

Source: NYS DOB

(1) Includes only authorized programs that are active at March 31, 2018 or have outstanding program balances or both.

(2) Amounts issued may exceed the stated amount authorized by premiums, by providing for the cost of issuance, reserve fund requirements and, in certain circumstances, refunding bonds. In some cases, Authorized but Unissued bond cap amounts have been reduced by the higher of (i) net bond proceeds available to fund program, or (ii) par amount of bonds issued.

(3) Reflects par amounts outstanding for bonds and financing arrangements or gross proceeds outstanding in the case of capital appreciation bonds. Amounts do not reflect accretion of capital appreciation bonds or premiums received.

(4) Authorization also includes any amount necessary to refund outstanding Housing Finance Agency State University Construction Bonds, all of which have been refunded.

(5) Authorization applies to bonds issued after March 31, 2002, prior to that date there was no limit.

(6) The amount outstanding includes CUNY Community Colleges bonds for which the State pays debt service. The total amount authorized for CUNY Senior Colleges was unlimited for resolutions adopted prior to 7/1/85 and limited to $8.315 billion for both CUNY Senior and CUNY Community Colleges for resolutions adopted after 7/1/85.

(7) Legislation enacted in May 2002 prohibits further issuance of bonds for this purpose, except for refunding purposes.

(8) Includes bonds issued for West Valley, DEC Environmental Infrastructure Projects, Environmental Protection Fund, Onondaga Lake, and the Office of Parks and Recreation and Historic Preservation.

(9) Includes debt outstanding for OGS Buildings: 44 Holland Ave., 50 Wolf Rd., 625 Broadway Ave., Hampton Plaza, and DOT Region 1.

(10) Authorized amounts includes Certificates of Participation, which have been issued as bonds after March 31, 2003.

(11) Includes authorizations for Science and Technology Center (Syracuse), Super Computer Center (Cornell), Center for Telecommunications (Columbia), HEAT, Center for Industrial Innovation (City of Troy), Center for Advanced materials (Clarkson), Center for Electro-Optic (Rochester), Center for Neural Sciences (NYU) and Center for Incubator Facilities.

(12) Includes bonds issued for Community Capital Assistance Program (CCAP), Rebuilding the Empire State Through Opportunities in Regional Economies Program (RESTORE), Empire Opportunity Fund (EOF), Generating Employment Through New York Science Program (Gen*NY*sis), Multi-Modal Transportation Program, and Center of Excellence Program (Laws of 2002).

(13) Includes bonds to be issued for economic development projects outside cities of 1 million or more in population.

(14) Includes bonds issued for the EOF, RESTORE and CCAP.

(15) Includes bonds to be issued for economic development and environmental projects.

(16) Estimated.

(17) Includes bonds issued for Secured Hospital Program, HFA Moral Obligation Bonds, and the JDA State-guaranteed bonds.

(18) Capital leases and mortgage loan commitments are included in all figures and references to State-related debt in this AIS unless otherwise specifically noted.

Exhibit B - State Related Bond Authorizations

STATE GENERAL OBLIGATION DEBT [1]
as of March 31, 2018
(In Millions)

Purpose/Year Authorized	Total Authorized	Authorized but Unissued	Total Debt Outstanding [2]
Transportation Bonds:			
Rebuild and Renew New York Transportation Bonds (2005)			
Highway Facilities/Other Transportation (Excluding MTA)			
Highway Facilities	Note 3	Note 3	$ 691
Mass Transit - DOT	Note 3	Note 3	5
Rail & Port	Note 3	Note 3	96
Canals & Waterways	Note 3	Note 3	15
Aviation	Note 3	Note 3	45
Subtotal Highway Facilities/Other Transportation (Excluding MTA)	$ 1,450	$ 66	852
Mass Transit - Metropolitan Transportation Authority	1,450	386	759
Accelerated Capacity and Transportation			
Improvements of the Nineties (1988)	3,000	20	32
Rebuild New York Through Transportation			
Infrastructure Renewal (1983)			
Highway Related Projects [4]	1,064	21	1
Ports, Canals, and Waterways [4]	49	-	-
Rapid Transit, Rail and Aviation Projects [4]	137	-	4
Energy Conservation Through Improved Transportation (1979)			
Local Streets and Highways	100	-	-
Rapid Transit and Rail Freight	400	-	2
Rail Preservation (1974)	250	-	-
Transportation Capital Facilities (1967)			
Highways	1,250	-	-
Mass Transportation	1,000	-	-
Aviation	250	-	4
Total Transportation Bonds	**10,400**	**493**	**1,654**
Environmental Bonds:			
Clean Water/Clean Air (1996)			
Air Quality	230	28	3
Safe Drinking Water	355	-	-
Clean Water	790	58	346
Solid Waste	175	-	28
Environmental Restoration	200	22	57
Environmental Quality (1986)			
Land and Forests	250	1	9
Solid Waste Management	1,200	46	116
Environmental Quality (1972)			
Air	150	12	Note 5
Land and Wetlands	350	7	3
Water	650	2	16
Outdoor Recreation Development (1966)	200	Note 6	-
Pure Waters (1965)	1,000	20	21
Park and Recreation Land Acquisition (1960 and 1962)	100	1	-
Total Environmental Bonds	**5,650**	**197**	**599**
Education Bonds:			
SMART Schools Bond Act (2014)	2,000	1,886	100
Total Education	**2,000**	**1,886**	**100**
Housing Bonds:			
Low-Income Housing (through 1958)	960	8	10
Middle-Income Housing (through 1958)	150	1	8
Urban Renewal (1958)	25	1	-
Total Housing Bonds	**1,135**	**10**	**18**
TOTAL GENERAL OBLIGATION DEBT	**$ 19,185**	**$ 2,586**	**$ 2,371**

Source: Office of the State Comptroller

(1) This table reflects General Obligation Bond Acts where there is a remaining authorized but unissued amount and/or a remaining debt outstanding balance.
(2) Reflects unaudited amounts.
(3) The Legislature did not provide any limitation on bonds to be issued for specific project categories or programs authorized within the Highway Facilities/Other Transportation (excluding MTA) Purpose.
(4) Authorizations have been adjusted to reflect reallocations made by Chapter 54 of the Laws of 1990.
(5) This amount rounds to zero, but there was a debt outstanding balance of $169,207.37 at March 31, 2018.
(6) This amount rounds to zero, but there was an authorized but unissued balance of $230,000 at March 31, 2018.

Exhibit C to AIS - GAAP-Basis Financial Plan

Exhibit C - GAAP-Basis Financial Plan

The State Budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis. The GAAP-basis plans follow, to the extent practicable, the accounting principles applied by OSC in preparation of the annual Financial Statements. In practice, this means the GAAP-basis Financial Plans reflect the accrual methodology and fund classification rules used by OSC. A table reflecting GAAP basis General Fund Financial Plan projections is provided below.

In FY 2019, the General Fund GAAP Financial Plan shows total projected revenues of $41.8 billion, total projected expenditures of $71.8 billion, and net other financing sources of $25.9 billion, resulting in a projected operating deficit of $2.2 billion.

Please see "Prior Fiscal Years — GAAP-Basis Results for Prior Fiscal Years" for a summary of recent audited operating results.

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

	Executive	Change	Enacted
Revenues:			
Taxes:			
Personal Income Tax	23,457	(304)	23,153
Consumption/Use Taxes	7,472	(111)	7,361
Business Taxes	5,531	(211)	5,320
Other Taxes	1,051	0	1,051
Miscellaneous Receipts	5,025	(115)	4,910
Federal Receipts	0	0	0
Total Receipts	42,536	(741)	41,795
Expenditures:			
Local Assistance Grants	49,366	950	50,316
Departmental Operations	13,005	247	13,252
General State Charges	8,244	19	8,263
Debt Service	0	0	0
Capital Projects	0	0	0
Total Disbursements	70,615	1,216	71,831
Other Financing Sources (Uses):			
Transfers From Other Funds	31,981	1,218	33,199
Transfers To Other Funds	(7,332)	30	(7,302)
Proceeds From Financing Arrangements/ Advance Refundings	0	0	0
Net Other Financing Sources (Uses)	24,649	1,248	25,897
Operating Surplus/(Deficit)	(3,430)	(709)	(4,139)
Accumulated Surplus/(Deficit)	(1,463)	(709)	(2,172)

Source: NYS DOB.

Exhibit D to AIS - Principal State Taxes and Fees

Personal income taxes are imposed on the New York source income of individuals, estates and trusts. Personal income taxes accounted for roughly 65 percent of All Government Funds tax receipts during FY 2018. The State tax adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal personal income tax purposes, with certain modifications. Receipts from this tax are sensitive to changes in economic conditions in the State and to taxpayers' responses to Federal and State law changes. Beginning tax year 2018 and continuing through 2025, marginal tax rates on middle-income tax filers will gradually phase down from between 5.9 percent and 6.65 percent to between 5.5 percent and 6 percent. New York allows a standard deduction of $16,050 for married couples filing jointly, with lower deductions for the other types of filers. New York also allows a $1,000 exemption for dependents. The current top bracket, which applies an 8.82 percent marginal tax rate, is scheduled to expire after the 2019 tax year.

Taxpayers with incomes above $1 million are limited to deducting 50 percent of their Federal charitable contributions as their only New York itemized deduction. For tax years 2010 through 2019, taxpayers with incomes above $10 million may deduct only 25 percent of their Federal charitable contributions deductions as their only itemized deduction.

New York also allows several credits against the tax. Significant credits include the: Empire State Child Credit, household credit, credit for taxes paid to other states, investment tax credit, various Empire Zone and Excelsior Jobs Program credits, Brownfields credits, child and dependent care credit, real property tax circuit breaker credit, earned income tax credit, long-term care insurance credit, college tuition credit, and the New York City STAR PIT credit.

A property tax relief credit was enacted during the 2015 legislative session, applying to tax years 2016 through 2019. Eligibility for the credit is limited to STAR-eligible tax filers with less than $275,000 in qualified gross income. In tax year 2016, the credit is equal to either $130 for households within the metropolitan commuter transportation district, or $185 for all other New York households. For all other tax years, the credit is equal to a percentage of the benefits provided by the existing STAR homeowner's exemption.

The TCJA of 2017 made significant changes to the Federal personal income tax which, if not for Enacted Budget legislation, would have dramatically affected New York State PIT receipts. Enacted Budget legislation decoupled from the Federal personal income tax with respect to TCJA-related changes to itemized deductions, the standard deduction for single filers, and the child tax credit. Enacted Budget legislation also allows a State filer to itemize deductions, regardless of whether the filer itemized for Federal tax purposes. TCJA-related itemized deduction changes include a cap on state and local tax deductions. This limit was addressed by Enacted Budget legislation through the creation of state and local charitable contribution funds and the Employee Compensation Expense Program.

Beyond changes related to the TCJA, Enacted Budget legislation clarifies New York residency requirements for tax purposes, extends the statute of limitations for assessing tax on amended returns, allows payment of fixed and final unwarranted debt against unclaimed funds, and provides for employee wage reporting consistency between the Department of Labor and DTF. Enacted Budget legislation also extends 1) the Hire a Veteran Credit for two years, 2) the theatrical production credit for four years, and 3) the historic properties credit for five years, while also decoupling the credit from Federal law. In 2001, legislation was enacted to provide for the issuance of State PIT Revenue Bonds, which has become the primary financing vehicle for a broad range of existing State-supported debt programs previously secured by service contract or lease-purchase payments. The first bonds were issued in May 2002. The legislation provided that 25 percent of PIT receipts (excluding refunds owed to taxpayers and deposits to the STAR Fund) be deposited to the RBTF for purposes of making debt service payments on the bonds, with excess amounts transferred to the General Fund. Legislation enacted with the FY 2008 Budget provided that the RBTF will be calculated based on 25 percent of PIT receipts (excluding refunds owed to taxpayers, but before deposits to the STAR fund). FY 2019 Enacted Budget legislation increased RBTF deposits from 25 percent to 50 percent of PIT receipts.

In the event that (i) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (ii) 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 bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of 40 percent of annual PIT receipts or $12 billion.

User taxes and fees consist of several taxes on consumption, the largest of which is the State sales and compensating use tax. The discussion below describes each tax and summarizes recent significant enacted legislation.

The *sales and use tax* is imposed, in general, on the receipts from the sale of all tangible personal property unless specifically exempted, and all services are exempt unless specifically enumerated. The current State sales tax rate is 4 percent, of which 50 percent of receipts is deposited in the General Fund, 25 percent is deposited in the Local Government Assistance Tax Fund and 25 percent is deposited in the Sales Tax Revenue Bond Fund. Receipts in excess of debt service requirements are transferred back to the General Fund.

Although there are numerous exemptions, the most significant are: food; clothing and footwear items costing less than $110 (also see discussion below); drugs; medicine and medical supplies; residential energy; capital improvements and installation charges; machinery and equipment used in manufacturing; trade in allowances; and goods sold to Federal, State or local governments. The following discussion summarizes significant revenue actions taken since 2010.

Legislation enacted in 2010 temporarily eliminated the State sales and use tax exemption on items of clothing and footwear priced under $110 for the period October 1, 2010 through March 31, 2011. From April 1, 2011 through March 31, 2012, the State exemption was $55; thereafter, the $110 exemption was reinstated. Additional legislation clarified that hotel room remarketers were required to collect sales and use tax, repealed the vendor credit for monthly filers, repealed provisions allowing private label credit cards to claim a credit for uncollectible debts, narrowed affiliate nexus provisions, and exempted certain New York City livery services from the tax.

Legislation enacted in 2011, and extended in 2012 and 2013, authorized various tax modernization initiatives.

Legislation enacted in 2013 provided for the suspension or restriction of a NYS driver's license for certain tax delinquencies; placed restrictions on certain Industrial Development Agencies (IDA) projects and included a claw-back benefit provision; and established the START-UP NY program.

Legislation enacted in 2014 increased the exemption threshold for certain items purchased from vending machines from $0.75 to $1.50.

Legislation passed in 2015 capped the tax on the sale or use of a vessel at the first $230,000 of purchase price, and made such tax due at the time of DMV registration (90-days); exempted private aircraft; provided for a transition period for certain dissolutions resulting directly from Federal Dodd-Frank regulatory requirements; expanded the exemption for alcoholic beverage tastings to include additional alcohol types and permissible off-premises tastings; clarified that taxable pre-paid mobile purchases are sourced to the location of the sale; and provided an exemption for certain solar panel purchase agreements.

Legislation enacted in 2016 conformed the State Tax Law to Federal Aviation Administration regulations regarding taxes on aviation fuel, required motor fuel wholesalers to register and file informational returns with the State, provided an exemption for commercial fuel cell electricity generating systems and the electricity they provide, and simplified the taxation of remarketed rooms.

Legislation enacted in 2017 exempted cemetery monuments from sales tax, reduced the amount on motor fuel and diesel motor fuel prepayment throughout the State and closed the sales tax related entities loophole.

The State imposes a *tax on cigarettes* at the rate of $4.35 per package of 20 cigarettes and imposes a *tax on other tobacco products* equal to 75 percent of the wholesale price. The tax on cigarettes was raised from $2.75 to $4.35 per pack on July 1, 2010. The revenue derived from the tax is split, with 24 percent of receipts deposited in the General Fund and the balance deposited in the Tobacco Control and Insurance Initiatives Pool established by the Health Care Reform Act of 2000. In 2008, certain tobacco products were converted from price-based to weight-based taxes. The tobacco products tax was raised from 37 percent of the wholesale price to 46 percent in April 2009, and to 75 percent in August 2010. Legislation enacted in 2011 changed the annual fees imposed on retailers from a graduated structure based on gross sales to a flat $300 per retailer ($100 per vending machine). Legislation enacted in 2013 increased the penalty for the possession of unstamped or illegally stamped cigarettes from $150 per carton to $600 per carton to reflect increases in the tax rate that have occurred since this penalty was last increased.

The State imposes *motor fuel* and *diesel motor fuel taxes* at 8 cents per gallon upon the sale, generally for highway use, of gasoline and diesel fuel. All motor fuel taxes have been deposited in the dedicated transportation funds since April 1, 2001. Legislation enacted in 2011 modernized motor fuel, diesel motor fuel and e-85 definitions to reflect changes in the fuels marketplace. Legislation passed in 2013 moved the incidence of diesel motor fuel taxation to the fuel terminal rack to essentially conform to the method used by the Federal government and 25 other states. Legislation enacted in 2016 required motor fuel wholesalers to register and file informational returns with the State.

The State imposes *alcoholic beverage excise taxes* at various rates on liquor, beer, wine and specialty beverages. The tax rate on beer is 14 cents per gallon and wine is 30 cents per gallon. Legislation enacted in 2012 removed an unconstitutional exemption provided to certain small beer brewers, and replaced the benefit with personal and business tax credits that yield similar tax relief to small brewers that produce in New York State.

The State imposes the *highway use tax* (HUT) which consists of three revenue sources: the truck mileage tax, related highway use permit fees and the fuel use tax. The truck mileage tax is levied on commercial vehicles, at rates graduated by vehicle weight, based on miles traveled on State highways. Prior to April 13, 2016, highway use registration certificates (original or renewed) were $15 and decals were $4. Legislation enacted in 2016 reduced the registration and decal fees from $19 to $1.50 per vehicle and directed the revenue from these fees to a newly created HUT Administration Account. The fuel use tax is an equitable complement to the State's motor fuel tax and sales tax paid by those who purchase fuel outside but consume it in New York. It is levied on commercial vehicles having three or more axles or a gross vehicle weight of more than 26,000 pounds. Currently, all collections from the highway use tax, aside from HUT registration fees, are deposited in the DHBTF. Legislation passed in 2013 clarified that the highway use tax exemption for fuel used by farmers applies also to certain entities related to such farmers so long as they are actually engaged in farming.

The State imposes an *auto rental tax* on charges for the rental or use in this State of a passenger car with a gross vehicle weight of 9,000 pounds or less. Receipts are deposited in the DHBTF. Legislation enacted in 2009 increased this tax rate from 5 percent to 6 percent and also imposed a supplemental tax of 5 percent in the MCTD. Monies from this supplemental tax are deposited in the MTA Aid Trust Account of the MTA Financial Assistance Fund.

The State imposes a *medical marihuana tax* on registered organizations that dispense medical marihuana. This excise tax of 4 percent is levied on gross receipts from medical marihuana and is entirely deposited into the medical marihuana trust fund. This tax became effective in January 2016.

The State imposes a 4 percent assessment on transportation network companies (TNCs) that operate outside of New York City. Municipalities have the option to license TNCs. All revenues are deposited in the General Fund. This tax became effective in June 2017.

Business taxes include a general business corporation franchise tax as well as specialized franchise taxes on insurance companies, certain transportation and transmission companies, and a cents per gallon based levy on businesses engaged in the sale or importation for sale of various petroleum products. The discussion below describes each tax and summarizes recent significant enacted legislation.

The *corporation franchise tax* is the largest of the business taxes, and the State's third largest source of revenue. It is imposed on all domestic general business corporations and foreign general business corporations which do business or conduct certain other activities in the State. The tax is imposed, generally, at a rate of 6.5 percent of taxable income allocated to New York. Taxable income is defined as Federal taxable income with certain modifications. The tax includes two other bases: the capital and fixed dollar minimum. The taxpayer must pay under the base which produces the highest tax.

The Excelsior Jobs Program was established in 2010 to provide incentives based on job creation, investment and research and development expenditures in New York State. Legislation enacted in 2011 enhanced the Excelsior Jobs Program and created the Economic Transformation and Facility Redevelopment Program to provide tax credits to businesses that moved into communities impacted by correctional and youth facility closures.

Legislation enacted in 2013 made technical corrections to address a royalty income loophole; provided a phased-in manufacturing tax rate reduction of 25 percent when fully phased in effective tax year 2018; created a refundable tax credit for the hiring of unemployed veterans released from active duty after September 11, 2001; created a refundable tax credit for Tax Years 2014 through 2018 for a portion of the minimum wage paid to students age 16-19; extended and expanded the Youth Works Tax Credit at $6 million per year for four years through 2017; and created the New York Innovation Hot Spots Program for start-up businesses. Legislation enacted in 2013 also created the Charge NY Electric Vehicle Recharging Equipment tax credit by allowing a credit up to $5,000 per station for electric recharging or alternative fuel vehicle refueling equipment. The film tax credit was extended to provide an additional $420 million per year, allocated for tax years 2015 through 2019. The post-production portion of this allocation was increased from $7 million to $25 million. The film tax credit legislation also included an upstate credit enhancement, inclusion of relocated variety or talk shows, a visual effects and animation post-production enhancement, and additional reporting requirements to increase accountability and transparency. Additionally, the START-UP NY program was established at the end of the 2013 legislative session. This program generally provided tax free operation for businesses that locate within tax-free NY areas and additional employee tax benefits for ten years.

In 2014, legislation was enacted to implement comprehensive corporate tax reform for tax years beginning on or after January 1, 2015. Corporate tax reform modernized and simplified the corporate tax structure, merged the bank tax with the corporate franchise tax, reduced the corporate tax rate on entire net income from 7.1 percent to 6.5 percent and phases out the capital base tax over six years beginning for tax years on or after January 1, 2016. The corporate tax rate for manufacturers is reduced to zero percent beginning for tax years on or after January 1, 2014. A real property tax credit is established for manufacturers, a new musical theater tax credit is established as well as a tax credit for businesses that employ individuals with developmental disabilities, four correctional facilities slated for closure in July 2014 are eligible to participate in the START-UP NY program and the MTA surcharge is made permanent.

In 2015, legislation was enacted to enhance the Excelsior Jobs Program by allowing certain entertainment companies to be eligible for tax credits under the program. Additionally, the production or post-production of video games and music production are qualified activities eligible for the Excelsior Jobs Program. The Employer Training Incentive Program (ETIP) Tax Credit was created that allows for up to $5 million in tax credits from the Excelsior Jobs Program funding. Tax credits under the Urban Youth Jobs Program (formerly known as the Youth Works Tax Credit Program) were expanded by $10 million per year for allocation years 2015 through 2017 and two regional airports are now eligible to participate in the START-UP NY program.

In 2016, legislation was enacted that extended several existing tax credits (the Empire State Commercial Production, Low Income Housing, Hire-A-Vet, Excelsior Jobs Program and the Credit for Companies that Provide Transportation to Individuals with Disabilities). The Urban Youth Jobs Program tax credit was enhanced by increasing the annual allocation from $20 million to $50 million for hiring years 2016 and 2017 and the Special Additional Mortgage Recording Tax (SAMRT) credit was made refundable for certain taxpayers effective January 1, 2015. Previously, the SAMRT credit was non-refundable.

Legislation enacted in 2017 established the Life Sciences Initiative in New York State. A tax credit for research and development expenditures was created for new life sciences companies that come to New York. The workforce training credit (formerly known as the Employer Training Incentive Program) was expanded to include life sciences companies and provide a tax credit to employers for existing employees. Several existing tax credit programs were extended through 2022 (film and post production tax credit, New York Youth Works tax credit [formerly the Urban Youth Jobs Program] and the Charge NY Electric Vehicle Recharging Equipment tax credit). The Empire State Apprenticeship Tax Credit program was created to provide a tax credit to employers that hire qualified apprentices. This credit is funded from the allocation for the New York Youth Jobs Program. Tangible personal property used in the production or distribution of electricity, natural gas after extraction from wells, steam or water delivered through pipes or mains no longer qualifies for the investment tax credit. Legislation to revise a decision of the tax appeals tribunal that disturbed a long standing policy of the DTF was enacted to prevent the loss of tax credits claimed by disregarded entities. If this legislation was not enacted, tax credits would be denied to taxpayers who in previous years received those credits. The taxation of REITS and RICS was changed in the Enacted Budget. REITS (real estate investment trusts) and RICS (regulated investment companies) are allowed to utilize the 8 percent qualified financial instrument allocation for sourcing New York income and utilize a separate State fixed dollar minimum schedule for the calculation of their New York tax. Two changes were made to the Excelsior Jobs Program. The credit limit for the research and development credit was increased from 3 percent to 6 percent and the minimum requirement for net new jobs was reduced for select industries.

Legislation enacted in 2018 includes conformity to several flow-through impacts from the TCJA as well as the decoupling from the Federal tax deduction relating to the repatriation of certain foreign income. The credit amounts for the New York Youth Jobs Program were enhanced to encourage businesses to hire youth. The Low Income Housing credit now allows the bifurcation of credit upon approval by the Division of Homes and Community Renewal. The Hire a Vet Credit and the Musical and Theatrical Production Credit were extended for two years and four years, respectively. Lastly, the current law provisions of the Historic Properties Tax Credit were extended through 2024 and decoupled from the direct linkage to the federal credit so that the credit may continue to be claimed in full in one year.

Receipts from the *corporation and utilities taxes* are primarily attributable to taxes imposed on transportation and transmission companies, utility services and telecommunication services.

Legislation in 2014 repealed the Section 185 tax on agricultural co-operatives for tax years beginning on or after January 1, 2018 and eliminates the organization tax (Section 180) and the license and maintenance fees (Section 181) as part of corporate tax reform effective January 1, 2015.

Legislation enacted in 2015 increased the rate on mobile telecommunication companies under Tax Law Section 186-e from 2.5 percent to 2.9 percent and the MTA surcharge rate from 0.595 percent to 0.721 percent. This incremental increase was necessary to preserve revenue as Section 184 of the Tax Law ceased to apply to these companies.

Insurance taxes are imposed on insurance corporations, insurance brokers and certain insurers that operate in New York State. Non-life insurers are subject to a premiums tax. Accident and health premiums are taxed at the rate of 1.75 percent and all other premiums are taxed at the rate of 2 percent. The insurance tax on life insurers ranges from 1.5 percent to 2 percent of premiums after taking into account the tax on income allocated to New York State. Other taxes are imposed on certain brokers and independently procured insurance.

Legislation enacted in 2011 conformed the taxes on excess lines and direct writings with requirements enacted in the 2010 Federal Dodd-Frank financial reform legislation.

The State imposed a *franchise tax on banking corporations* at a basic tax rate of 7.1 percent of entire net income with certain exclusions, and subject to special rates for institutions with three other tax bases similar to the *corporate franchise tax* until December 31, 2014. Beginning with tax years on and after January 1, 2015, all former bank taxpayers are now subject to tax under the corporate franchise tax.

The State imposes a *petroleum business tax* on the privilege of operating a petroleum business in the State. This tax is measured by the quantity of various petroleum products imported into the State for sale or use. The tax is imposed at various cents per gallon rates depending on the type of petroleum product. The cents per gallon tax rates are indexed to reflect petroleum price changes but are limited to changes of no more than 5 percent of the tax rate in any one year. Legislation enacted in 2011 modernized fuel definitions to adapt the petroleum business taxes to Federal and State statutory and regulatory changes that address certain environmental concerns. Legislation enacted in 2013 provided volunteer ambulance and volunteer fire departments with a reimbursement of the PBT paid on motor fuel and diesel motor fuel purchased for use in their vehicles. Legislation enacted in 2015 clarified that qualifying farmers purchasing taxable diesel can claim a refund if the fuel is ultimately used for an exempt purpose (i.e., farming). Legislation enacted in 2016 conformed the State Tax Law to Federal Aviation Administration regulations regarding taxes on aviation fuel, and required motor fuel wholesalers to register and file informational returns with the State.

Other tax revenues include taxes on pari-mutuel wagering, the estate tax, taxes on real estate transfers, the Metropolitan Commuter Transportation Mobility Tax, certain other minor taxes, and residual receipts following the repeal of the real property gains tax and the gift tax.

The State imposes an *estate tax* on the estates of deceased New York residents, and on that part of a nonresident's net estate made up of real and tangible personal property located within New York State. Legislation enacted in 2014 comprehensively reforms the estate tax to decouple from Federal law. The unified threshold of $1 million is increased to $5,250,000 in the form of credit in four phases by April 1, 2017. The basic threshold will equal the Federal basic threshold amount with annual indexing for those dying on or after January 1, 2019. The applicable credit is reduced for New York taxable estates exceeding the basic threshold amount and equals zero for those exceeding one hundred five percent of such amount. Gifts taxable under Section 2053 of the Internal Revenue Code that were not otherwise included in Federal Gross Estate and that were made during the three years ending on the date of death must be added to the New York Gross Estate. However, gifts made while the decedent was a nonresident of New York State and gifts made prior to April 1, 2014, or after January 1, 2019, are not included. Reflecting the composition of many decedents' estates in New York, collections of this tax are influenced at least in part by fluctuations in the value of common stock.

The *real estate transfer tax* applies to each real property conveyance, subject to certain exceptions, at a rate of $2 for each $500 of consideration or fraction thereof. There is an additional real estate transfer tax of 1 percent of the sales price applicable to residences where consideration is $1 million or more. The FY 2011 Enacted Budget reduced the statutorily fixed deposit to the EPF from $199.3 million to $119.1 million. The remaining receipts are deposited in the Clean Water/Clean Air (CW/CA) Debt Service Fund.

The Metropolitan Commuter Transportation Tax (MCTMT) is imposed on certain employers and self-employed individuals engaging in business within the Metropolitan Commuter Transportation District (MCTD). The MCTD consists of New York City and the counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester. Revenues generated from the mobility tax are directed to the Mobility Tax Trust Account of the MTA Financial Assistance Funds. For self-employed individuals, the MCTMT applies at a rate of 0.34 percent against self-employment earnings that are allocated to the MCTD. Individuals with annual self-employment income below $50,000 are exempt. The tax rate for employers varies between 0.11 percent and 0.34 percent, depending on quarterly payroll size. Employer payroll exemptions exist for 1) employers with quarterly payroll below $312,500; 2) elementary schools and secondary schools; and 3) instrumentalities of the Unites States, the United Nations and interstate agencies or public corporations created under an agreement or compact with another state or Canada. FY 2016 Enacted Budget legislation included an additional exemption for all public and free association libraries.

The State levies *pari mutuel taxes* on wagering activity conducted at horse racetracks, simulcast theaters and off track betting parlors throughout the State. Legislation enacted in 2008, and extended annually since, reinstated lower 2005 pari-mutuel tax rates. Other taxes include a 4 percent tax on the charge for admissions to racetracks and simulcast theaters, and a 3 percent tax on both gross receipts and broadcasting rights from boxing and wrestling exhibitions, limited to $50,000 in tax due for both pieces per event. Effective September 2016, for all other authorized combative sports, a tax of 8.5 percent of the admissions charge and 3 percent on broadcasting rights and digital streaming, with the broadcasting and streaming portion limited to $50,000 in tax due per event.

Miscellaneous receipts and other revenues include various fees, fines, tuition, license revenues, lottery revenues, investment income, assessments on various businesses (including healthcare providers), and abandoned property. Miscellaneous receipts also include minor amounts received from the Federal government and deposited directly in the General Fund.

Gaming miscellaneous receipts includes traditional lottery, Video Lottery Terminal (VLT) games, commercial gaming, interactive fantasy sports and Tribal State Compact. The following discussion summarizes significant revenue actions taken since 2010.

Legislation enacted in 2010 made the New York Lottery's authorization to operate the Quick Draw lottery game permanent, removed the restrictions on the number of hours Quick Draw could be operated, removed the sunset on the VLG Program, increased the hours that VLTs may be operated to 20 hours from 16 hours (but no later than 4 a.m.) and reduced the vendor commission by one percent of net machine income.

Legislation enacted in 2011 authorized VLG facilities to provide free game credits that are excluded from net machine income ("free-play") as a marketing tool capped at 10 percent of the net machine income at that facility, increased the number of instant games with a 75 percent prize pay-out from three to five new games per year, allowed the New York Lottery to have up to a 55 percent prize-payout on multi-jurisdictional games, and allowed the New York Lottery to offer progressive jackpots (a cash prize that grows larger until won) for certain VLGs.

Legislation enacted in 2012 removed the restriction that at least 25 percent of an establishment's revenue be from food sales in order to host the Quick Draw lottery game.

Legislation enacted in 2013 authorized up to four commercial gaming facilities in several Upstate regions. In addition to licensing fees, a commercial gaming tax applies to slot machine net drop at a tax rate commensurate with the existing VLT facility in the same statutory gaming region, and a rate on table game net wins of 10 percent Statewide.

Legislation enacted in 2014, and annually since, extended the VLG Vendor's Capital Awards Program for one year and increased the free play allowance from 10 to 15 percent.

Legislation enacted in 2015 authorized electronic table games at certain racetracks.

Legislation enacted in 2016 allowed the Resorts World VLT facility to host VLT machines on behalf of the Nassau Off Track Betting Corporation and additional commission was provided for the Finger Lakes facility. In addition, interactive fantasy sports was legalized August 3, 2016.

Legislation enacted in 2017 reprivatized the New York Racing Association, modernized charitable gaming laws, amended the Jockey Injury Compensation Fund (extended in 2018) and improved the operation of drug testing in horse racing.

Legislation enacted in 2018 increased the amount of reserves to be kept by NYRA, created an equine drug testing advisory committee and eliminated the VLG hold harmless transfer provision.

Alcohol license fees are imposed on those who sell alcoholic beverages in New York. The fees vary depending on the type and location of the establishment or premises operated by the licensee, as well as the class of beverage for which the license is issued.

Motor vehicle fees are derived from a variety of sources, including motor vehicle registration fees and driver licensing fees, which together account for most motor vehicle fee revenue. Legislation enacted in 2008 implemented the Western Hemisphere Travel Initiative (WHTI) which offered Federally-compliant driver's licenses and non-driver ID cards. Legislation enacted in 2009 included increases of approximately 25 percent for vehicle registrations and licenses. Legislation enacted in 2011 clarified that non-dedicated motor vehicle fees include assessments and fines. Legislation enacted in 2014 simplified the fund distribution of motor vehicle fee receipts. This simplification has no revenue impact on any funds involved.

The *Public Safety Communications Surcharge* is collected by wireless communications service suppliers from their customers. The surcharge is $1.20 per month per device used to access this service. Legislation enacted in 2017 expanded the surcharge to prepaid purchases of mobile communication services, with purchases subject to a 90-cent surcharge. Local governments, including those that do not currently impose the surcharge on mobile plan contracts, can also opt in for a 30-cent surcharge on prepaid purchases. This surcharge supports the State's public safety activities and funds the Statewide Interoperable Communications Grant program.

Exhibit E to AIS - Glossary of Financial Terms

Exhibit E - Glossary of Financial Terms

The following glossary, which is an integral part of this AIS, includes certain terms that are used herein and are intended for use only in connection with the entire AIS.

Appropriation: An appropriation is a statutory authorization against which liabilities may be incurred during a specific year, and from which disbursements may be made, up to a stated amount, for the purposes designated. Appropriations generally are authorizations, rather than mandates, to spend, and disbursements from an appropriation need not, and generally do not, equal the amount of the appropriation. An appropriation represents maximum spending authority. Appropriations may be adopted at any time during the fiscal year.

Bond Anticipation Note or *BANs*: A bond anticipation note is a short-term obligation, the principal of which is paid from the proceeds of the bonds in anticipation of which such note is issued.

Business-type Activities: "Business-type activities" describe those operations that are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds and include the Lottery, Unemployment Insurance Benefit, SUNY and CUNY senior colleges.

Capital Projects Funds: Capital Projects Funds, one of the four GAAP-defined governmental fund types, account for financial resources of the State to be used for the acquisition or construction of major capital facilities (other than those financed by Special Revenue Funds (SRFs), Proprietary Funds and Fiduciary Funds).

Cash Basis Accounting: Accounting, budgeting and reporting of financial activity on a cash basis results in the recording of receipts at the time money or checks are deposited in the State Treasury and the recording of disbursements at the time a check is drawn, regardless of the fiscal period to which the receipts or disbursements relate.

Community Projects Fund: The State created this fund within the General Fund in 1996 to finance certain community projects for the Legislature and the Governor. The State transfers moneys from other General Fund accounts into the Community Projects Fund, as provided by law. Spending out of the Community Projects Fund is governed by specific appropriations for each account in the Fund, but cannot exceed the cash balance for that account.

Contingency Reserve Fund: This fund was established in 1993 to assist the State in financing the costs of any extraordinary known or anticipated litigation. Deposits to this fund are made from the General Fund.

Contractual-Obligation Financing: Contractual-obligation financing is an arrangement pursuant to which the State makes periodic payments to a public benefit corporation under a contract having a term not less than the amortization period of debt obligations issued by the public benefit corporation in connection with such contract. Payments made by the State are used to pay debt service on such obligations and are subject to annual appropriation by the Legislature and the availability of moneys to the State for the purposes of making contractual payments.

Debt Reduction Reserve Fund or *DRRF*: The State created the DRRF in 1998 to accumulate surplus revenues to pay debt service costs on State-supported bonds, retire or defease such bonds, and to finance capital projects. Use of DRRF funds requires an appropriation.

Debt Service: Debt service refers to the payment of principal and interest on bonds, notes, or other evidences of indebtedness, including interest on BANs and TRANs, in accordance with the respective terms thereof.

Debt Service Funds: DSFs, one of the four GAAP-defined governmental fund types, account for the accumulation of resources (including receipts from certain taxes, transfers from other funds and miscellaneous revenues, such as dormitory room rental fees, which are dedicated by statute for payment of lease-purchase rentals) for the payment of general long-term debt service and related costs and payments under lease-purchase and contractual-obligation financing arrangements.

Disbursement: A disbursement is a cash outlay and in the General Fund includes transfers to other funds.

Executive Budget: The Executive Budget is the Governor's constitutionally mandated annual submission to the Legislature which contains his recommended program for the forthcoming fiscal year. The Executive Budget is an overall plan of recommended appropriations. It projects disbursements and expenditures needed to carry out the Governor's recommended program and receipts and revenues expected to be available for such purpose. The recommendations contained in the Executive Budget serve as the basis for the State Financial Plan (defined below) which is adjusted after the Legislature acts on the Governor's submission. Under the State Constitution, the Governor is required each year to propose an Executive Budget that is balanced on a cash basis.

Expenditure: An expenditure, in GAAP terminology, is a decrease in net financial resources as measured under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term expenditure to refer to a cash outlay or disbursement.

Expenses: Expenses, in GAAP terminology, are a decrease in net financial resources as measured in the government-wide financial statements under the accrual basis of accounting.

Fiduciary Funds: Fiduciary Funds refers to a GAAP-defined fund type which accounts for assets held by the State in a trustee capacity or as agent for individuals, private organizations and other governmental units and/or other funds. These funds are custodial in nature and do not involve the measurement of operations. Although the Executive Budget for a fiscal year generally contains operating plans for Fiduciary Funds, and their results are included in the Comptroller's GAAP-based financial statements, they are not included in the State Financial Plan.

Financial Plan: see State Financial Plan.

Fiscal Year: The State's fiscal year commences on April 1 and ends on March 31. The term fiscal year refers to the fiscal year of the State unless the context clearly indicates otherwise.

Fund Accounting: The accounts of the State are presented on the basis of GAAP funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GAAP: GAAP refers to generally accepted accounting principles for state and local governments, which are the uniform minimum standards of and guidelines for financial accounting and reporting prescribed by GASB. GAAP requires that the government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise funds, component units and the fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance expenditures. Expenditures and related liabilities are recognized in the accounting period they are incurred to the extent they are expected to be paid within the next 12 months, under the modified accrual basis of accounting.

General Fund: The General Fund, one of the four GAAP-defined governmental fund types, is the major operating fund of the State and receives all receipts that are not required by law to be deposited in another fund, including most State tax receipts and certain fees, transfers from other funds and miscellaneous receipts from other sources.

General Obligation bonds: Long-term obligations of the State, used to finance capital projects. These obligations must be authorized by the voters in a general election, are issued by the Comptroller, and are backed by the full faith and credit of the State. Under current provisions of the Constitution, only one bond issue may be put before the voters at each general election, and it must be for a single work or purpose. Debt service must be paid from the first available taxes whether or not the Legislature has enacted the required appropriations for such payments.

General State Charges: Costs mandated by statute or court decree or by agreements negotiated with employee unions for which the State is liable, including: pensions; health, dental and optical benefits; payments on behalf of State employees for Social Security; unemployment insurance benefits; employee benefit programs; court judgments and settlements; assessments for local improvements; and taxes on public lands.

Governmental Activities: Governmental activities describes those operations that are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues and are reported in the governmental funds.

Governmental Funds: Governmental funds refers to a category of GAAP-defined funds which account for most governmental functions and which, for the State, include four GAAP-defined governmental fund types: the General Fund, Special Revenue Funds, Debt Service Funds, and

Capital Projects Funds. The State's projections of receipts and disbursements in the governmental funds comprise the State Financial Plan.

Interfund Transfers: Under GAAP fund accounting principles, each fund is treated as a separate fiscal and accounting unit with limitations on the kinds of disbursements to be made. To comply with these limitations, moneys are moved from one fund to another to make them available for use in the proper fund, and are accounted for as "interfund transfers".

Lease-Purchase Financing: Lease-purchase financing is an arrangement pursuant to which the State leases facilities from a public benefit corporation or municipality for a term not less than the amortization period of the debt obligations issued by the public benefit corporation or municipality to finance acquisition and construction, and pays rent which is used to pay debt service on the obligations. At the expiration of the lease, title to the facility vests in the State in most cases. Generally, the State's rental payments are expressly subject to annual appropriation by the Legislature and availability of moneys to the State for the purposes thereof.

Local Assistance: Disbursements of State grants to counties, cities, towns, villages, school districts and other local entities, certain contractual payments to localities, and financial assistance to, or on behalf of, individuals and not-for-profit organizations.

Moral obligation debt: Long-term bonds issued by certain State public benefit corporations which are essentially supported by their own revenues. Moral obligation debt is not incurred pursuant to a referendum, is not State-supported debt, and is not backed by the full faith and credit of the State. However, the authorities selling such obligations have been allowed to establish procedures where, under certain conditions, the State may be requested to meet deficiencies in debt service reserve funds supporting such bonds. An appropriation must be enacted by the Legislature to meet any such request.

Official Statement: A disclosure document prepared to accompany an issuance of bonds, notes and certificates of participation offered for sale by the State or its public authorities. Its primary purpose is to provide prospective bond or note purchasers sufficient information to make informed investment decisions. It describes, among other things, the issuer, the project or program being financed and the security behind the bond issue.

PAYGO financing: The use of current State resources (as opposed to bonds or other borrowing) to finance capital projects. Also referred to as "hard dollar" financing.

Rainy Day Reserve Fund: This fund was created in 2007 to enhance the State's fiscal reserves. The fund, which may have a maximum balance equal to 3 percent of General Fund spending, may be used to respond to an economic downturn or catastrophic event, as defined by the enabling statute.

Receipts: Receipts consist of cash actually received during the fiscal year and in the General Fund include transfers from other funds.

Revenue Accumulation Fund: This fund holds certain tax receipts temporarily before their deposit into other funds.

Revenues: Revenues, in GAAP terminology, are an increase in net financial resources, as measured for the government-wide financial statements under the accrual basis of accounting and for the governmental funds under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term revenues to refer to income or receipts.

Short-Term Investment Pool or *STIP*: The combination of available cash balances in funds within the State Treasury on a daily basis for investment purposes.

Special Revenue Funds: SRFs, one of the four GAAP-defined governmental fund types, account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects), such as Federal grants, that are legally restricted to specified purposes.

State Financial Plan: The State Financial Plan sets forth projections of State receipts and disbursements in the governmental fund types for each fiscal year and is prepared by the Director of the Division of Budget, based initially upon the recommendations contained in the Executive Budget. After the budget is enacted, the State Financial Plan is adjusted to reflect revenue measures, appropriation bills and certain related bills enacted by the Legislature. It serves as the basis for the administration of the State's finances by the Director of the Budget, and is updated quarterly, or more frequently as necessary, during the fiscal year.

State Funds: "State funds" refer to a category of funds which includes the General Fund and all other State-controlled moneys, excluding Federal grants. This category captures all governmental disbursements except spending financed with Federal grants.

State-guaranteed debt: Debt authorized by the voters to be sold by three public authorities: the Job Development Authority, the New York State Thruway Authority, and the Port Authority of New York and New Jersey. State-guaranteed bonds issued for the Thruway Authority and the Port Authority were fully retired on July 1, 1995 and December 31, 1996, respectively. Such debt is backed by the full faith and credit of the State.

State Operations: Operating costs of State departments and agencies, the Legislature and the Judiciary, including salaries and other compensation for most State employees.

State-related debt: In this broad category, DOB combines all forms of debt for which the State is liable, either directly or on a contingent basis, including all State-supported debt and State-guaranteed and moral obligation debt.

State-supported debt: This category includes all obligations for which the State appropriates money that is used to pay debt service, including General Obligation debt, lease-purchase and contractual-obligation debt, including PIT Revenue Bonds, Sales Tax Revenue Bonds, LGAC and certificates of participation. While tax supported debt (obligations supported by State taxes) represents the majority of obligations in this category, obligations supported by other State revenues (such as dormitory fees or patient revenues) are also included.

Tax and Revenue Anticipation Notes or *TRANs*: Notes issued in anticipation of the receipt of taxes and revenues, direct or indirect, for the purposes and within the amounts of appropriations theretofore made.

Tax Refund Reserve Account: The tax refund reserve account is used to hold moneys available to pay tax refunds. During a given fiscal year, the deposit of moneys in the account reduces receipts and the withdrawal of moneys from the account increases receipts. There is no requirement that moneys withdrawn from this account be replaced.

Tax Stabilization Reserve Fund: This fund was created to hold surplus revenue that can be used in the event of any unanticipated General Fund deficit. Amounts within this fund can be borrowed to cover any year-end deficit and must be repaid within six years in no less than three equal annual installments. The fund balance cannot exceed two percent of General Fund disbursements for the fiscal year; contributions are limited to two-tenths of one percent of General Fund disbursements in that year.

Exhibit F to AIS - Glossary of Acronyms

Exhibit F - Glossary of Acronyms

AAA	Area Agencies on Aging
ACA	Affordable Care Act
ACT	Assertive Community Treatment
ADW	Advanced Deposit Wagering
AG	Attorney General
AIG	American International Group, Inc.
AIM	Aid and Incentives for Municipalities
ALICO	American Life Insurance Company
AML	Anti-Money Laundering
AMTAP	Additional Mass Transportation Assistance Program
APCD	All-Payer Claims Database
ARC	Annual Required Contribution
ARRA	American Recovery and Reinvestment Act of 2009
AXA	AXA Equitable Life Insurance Company
BAN	Bond Anticipation Note
BARBS	Building Aid Revenue Bonds
BEA	Bureau of Economic Analysis
BHP	Basic Health Plan
BIP	Balancing Incentive Program
BNPP	BNP Paribas, S.A., New York Branch
BOCES	Boards of Cooperative Educational Services
BofA	Bank of America
BSA	Bank Security Act
BTMU	Bank of Tokyo-Mitsubishi UFJ, Ltd.
CHIPs	Consolidated Local Street & Highway Improvement Program
CHP	Child Health Plus
CMS	Centers for Medicare and Medicaid Services
COLA	Cost of Living Adjustment
CPI	Consumer Price Index
CSEA	Civil Service Employees Association
CUNY	City University of New York
DA	District Attorney
DAB	Departmental Appeals Board
DANY	New York County District Attorney
DASNY	Dormitory Authority of the State of New York
DC-37	District Council-37
DCJS	Division of Criminal Justice Services
DDPC	Developmental Disabilities Planning Council
DEC	Department of Environmental Conservation
DelAm	Delaware American Life Insurance Company
DFS	Department of Financial Services
DHBTF	Dedicated Highway and Bridge Trust Fund
DIIF	Dedicated Infrastructure Investment Fund
DMV	Department of Motor Vehicles
DOB	Division of the Budget
DOCCS	Department of Corrections and Community Supervision
DOH	Department of Health
DOL	Department of Labor
DOS	Department of State
DOT	Department of Transportation
DRP	Deficit Reduction Plan
DRRF	Debt Reduction Reserve Fund
DS	Debt Service
DSHP	Designated State Health Program
DSP	Division of State Police

Exhibit F - Glossary of Acronyms

DSRIP	Delivery System Reform Incentive Payment
DTF	Department of Taxation and Finance
ECEP	Employer Compensation Expense Program
EFC	Environmental Facilities Corporation
EI	Early Intervention
EPF	Environmental Protection Fund
EPIC	Elderly Pharmaceutical Insurance Coverage
ERS	Employees' Retirement System
ESD	Empire State Development
ESPRI	Empire State Poverty Reduction Initiative
ETIP	Employee Training Incentive Program
FEMA	Federal Emergency Management Agency
FHP	Family Health Plus
FPG	Fortis Property Group
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GDP	Gross Domestic Product
GEA	Gap Elimination Adjustment
GLIP	Group Life Insurance Plan
GOER	Governor's Office of Employee Relations
GPHW	General Public Health Work
GSCs	General State Charges
GSEU	Graduate Student Employees Union
HCRA	Health Care Reform Act
HESC	Higher Education Services Corporation
HHS	Health & Human Services
IAAF	Interim Access Assurance Fund
ICF/IID	Intermediate Care Facilities for Individuals with Intellectual Disabilities
ICF/DD	Intermediate Care Facilities for Individuals with Developmental Disabilities
IPO	Initial Public Offering
IT	Information Technology
ITS	Information Technology Services
LGAC	Local Government Assistance Corporation
LICH	Long Island College Hospital
LIPA	Long Island Power Authority
LLC	Limited Liability Company
MA	Medicaid
MCTD	Metropolitan Commuter Transportation District
MMTOA	Metropolitan Mass Transportation Operating Assistance Account
MP-2014	Mortality Improvement Scale - MP-2014
MRT	Medicaid Redesign Team
MTA	Metropolitan Transportation Authority
MTACIF	Metropolitan Transit Assistance for Capital Investment Fund
NPS	Non-Personal Service
NYC	New York City
NYPA	New York Power Authority
NYRA	New York Racing Association
NYS	New York State
NYSAGI	New York State Adjusted Gross Income
NYSCOPBA	New York State Correctional Officers and Police Benevolent Association
NYSHIP	New York State Health Insurance Program
NYSLRS	New York State & Local Retirement System
NYSOH	New York State of Health
NYSPBA	The Police Benevolent Association of the New York State Troopers, Inc.

Exhibit F - Glossary of Acronyms

NYSTA	New York State Thruway Authority
NYU	New York University
OASAS	Office of Alcoholism and Substance Abuse Services
OCA	Office of Court Administration
OCFS	Office of Children and Family Services
OMH	Office of Mental Health
OPEB	Other Post-Employment Benefits
OPWDD	Office for People with Developmental Disabilities
OSC	Office of the State Comptroller
OTDA	Office of Temporary and Disability Assistance
PAYGO	Pay-As-You-Go
PBA	Police Benevolent Association
PBANYS	Police Benevolent Association of New York State
PBT	Petroleum Business Tax
PwC	PricewaterhouseCoopers LLP
PEF	Public Employees Federation
PFRS	Police and Fire Retirement System
PI	Personal Income
PIT	Personal Income Tax
PS	Personal Service
QHP	Qualified Health Plan
RBTF	Revenue Bond Tax Fund
RFP	Request for Proposals
SCB NY	Standard Chartered Bank, New York Branch
SEIT	Special Education Itinerant Teacher
SFY	School Fiscal Year
SHIN-NY	Statewide Health Information Network for New York
SIF	State Insurance Fund
SOF	State Operating Funds
SOFA	State Office for the Aging
SONYMA	State of New York Mortgage Agency
SPIF	State Parks Infrastructure Fund
SRO	State Special Revenue
SSI	Supplemental Security Income
STAR	School Tax Relief
STARC	Sales Tax Asset Receivable Corporation
STEM	Science, Technology, Engineering and Math
STIP	Short-Term Investment Pool
SUNY	State University of New York
SY	School Year
TA	Transit Authority
TANF	Temporary Assistance for Needy Families
TAP	Tuition Assistance Program
TCJA	Tax Cuts and Jobs Act of 2017
TIAA	Teachers Insurance and Annuity Association - College Retirement Equities Fund
TSCR	Tribal State Compact Revenue
UDSA	Utility Debt Securitization Authority
U.S.	United States
UUP	United University Professions
VLG	Video Lottery Gaming
VLT	Video Lottery Terminal
WCB	Workers' Compensation Board