Update to Annual Information Statement State of New York

March 5, 2019

Annual Information Statement Update

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Introduction

Introduction

This Annual Information Statement (AIS) Update (the "AIS Update") is dated March 5, 2019 and contains information only through that date. This AIS Update constitutes the official disclosure regarding the financial position of the State of New York (the "State") and related matters and is the third quarterly update to the AIS dated July 2, 2018 (the "AIS"). This AIS Update should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the Governor's Executive Budget Financial Plan for Fiscal Year (FY) 2020 as amended (the "Updated Financial Plan" or "Executive Budget Financial Plan"), issued by the Division of the Budget (DOB) in February 2019. The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov) includes a summary of third quarter operating results for FY 2019 (quarter ended December 31, 2018) and updates to the State's official financial projections for FY 2019 through FY 2022[1] and initial projections for FY 2023.
2. A discussion of issues and risks that may affect the State's financial projections during the State's current fiscal year or in future years (under the heading "Other Matters Affecting the Financial Plan").
3. A summary of the Generally Accepted Accounting Principles (GAAP)-basis results for the prior three fiscal years.
4. Updated information on certain public authorities and localities of the State.
5. Updated information regarding the State Retirement System.
6. The status of significant litigation that has the potential to adversely affect the State's finances.
7. Updated Financial Plan tables that summarize actual General Fund receipts and disbursements for fiscal year 2018 and projected receipts and disbursements for fiscal years 2019 through 2022 on a General Fund, State Operating Funds and All Governmental Funds basis.

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

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

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

provided in this AIS Update. Investors and other market participants should, however, refer to the AIS, as updated or supplemented, for the most current official information regarding the financial position of the State.

The factors affecting the State's financial condition are numerous and complex. This AIS Update 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 Update of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. The forward-looking statements contained herein are based on the State's expectations 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 results. Forecasts, projections, and estimates are not intended as representations of fact or guarantees of results. The words "expects", "forecasts", "projects", "intends", "anticipates", "estimates", "assumes" and analogous expressions are intended to identify forward-looking statements in this AIS Update. Any such statements inherently are subject to a variety of risks and uncertainties that could cause 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; cybersecurity 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 Update.

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

OSC issued the State's Basic Financial Statements for FY 2018 and the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting in accordance with the annual statutory deadline of July 29. Copies of this report may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements for FY 2018 can also be accessed through EMMA at www.emma.msrb.org.

Usage Notice

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

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

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

Budgetary/
Accounting Practices

Significant Budgetary/Accounting Practices

Unless clearly noted otherwise, all financial information in this AIS Update is presented on a cash basis of accounting.[2]

The State accounts for receipts and disbursements by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as State Operations). The Updated Financial Plan tables present State projections and results by fund and category.

Fund types of the State include: the General Fund; State Special Revenue Funds, which receive certain dedicated taxes, fees and other revenues that are used for 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.

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

The General Fund is the sole financing source for the School Tax Relief (STAR) fund, and is typically the financing source of last resort for the State's other major funds which include the Health Care Reform Act (HCRA) funds, the Dedicated Highway and Bridge Trust Fund (DHBTF), 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 Update is generally weighted toward the General Fund.

[2] 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 and DOB does not update it 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.

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 is excluded). As a significant amount of financial activity occurs in funds outside of the General Fund, the State Operating Funds perspective is, in DOB's view, a more comprehensive measure of operations funded with State resources (e.g., taxes, assessments, fees and tuition). The State Operating Funds perspective eliminates certain distortions in operating activities that may be caused by, among other things, the State's complex fund structure and the transfer of money between funds. For example, the State funds its share of the Medicaid program from both the General Fund and 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. Accordingly, projections often emphasizes the State Operating Funds perspective. The State's adherence to a 2 percent annual spending growth benchmark is calculated on the State Operating Funds basis.

As described later in this AIS Update, the Updated Financial Plan reflects some actions that have affected, or are intended to affect, the amount of annual spending reported on a State Operating Funds basis. Such actions 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 certain benefits are provided as a tax credit rather than a disbursement, 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 increases reported disbursements from State Operating Funds; and (v) no longer appropriating certain receipts payable to the Metropolitan Transportation Authority (MTA). On balance, 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 and FY 2020 Executive Budget, then annual spending growth in State Operating Funds would be higher than Updated 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 Federal funds, in addition to State Operating Funds. The All Funds basis provides the most comprehensive view of the cash-basis financial operations of the State.

The Updated Financial Plan projections for future years may show budget gaps or budget surpluses in the General Fund. Budget gaps represent the difference between: (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain current services levels and specific commitments, and (b) the projected level of resources, including transfers from other funds, to pay for these disbursements. The General Fund projections are based on 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 Updated Financial Plan assumes that money appropriated in one fiscal year will continue to be appropriated in future years, even for programs that were not created in permanent law and that the State has no obligation to fund. Funding levels for nearly all State programs are reviewed annually in the context of the current and projected fiscal position of the State.

The Updated Financial Plan projections for FY 2021 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 Updated Financial Plan, to no greater than 2 percent. Total disbursements in the tables and narrative contained in this AIS Update do not reflect these assumed savings, which are reflected instead on a distinct line and labeled "Adherence to 2% Spending Benchmark". Updated 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 exceeded, projected budget gaps would be higher (or projected surpluses would be lower).

Differences may occur from time to time between the State's financial plan and OSC's financial reports in the presentation and reporting of receipts and disbursements. For example, the Updated Financial Plan may reflect a net expenditure while OSC may report the gross 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).

Overview of the Updated Financial Plan

Overview of the Updated Financial Plan

The following provides certain Updated Financial Plan information for FYs 2018, 2019 and 2020.

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

	FY 2018[1]	FY 2019		FY 2020	
	Results	Mid-Year Estimate	Current Estimate	Before Changes[3]	Executive Proposed
State Operating Funds Disbursements					
Size of Budget	$98,151	$100,135	$100,144	$104,806	$101,958
Annual Growth	2.0%	2.0%	2.0%	4.7%	1.8%
Other Disbursement Measures					
General Fund (Excluding Transfers)[2]	$59,872	$64,082	$62,538	$67,201	$64,423
Annual Growth	3.2%	7.0%	4.5%	7.5%	3.0%
General Fund (Including Transfers)[2,4]	$69,724	$74,768	$72,542	$79,291	$75,865
Annual Growth	2.4%	7.2%	4.0%	9.3%	4.6%
Capital Budget (Federal and State)	$10,640	$13,170	$13,131	$13,099	$13,426
Annual Growth	4.8%	23.8%	23.4%	-0.2%	2.2%
Federal Operating Aid	$54,953	$58,282	$58,456	$60,108	$59,759
Annual Growth	8.5%	6.1%	6.4%	2.8%	2.2%
All Funds[5]	$163,744	$171,587	$171,731	$178,013	$175,143
Annual Growth	4.3%	4.8%	4.9%	3.7%	2.0%
Capital Budget (Including "Off-Budget" Capital)[6]	$11,284	$13,864	$13,792	$13,730	$14,044
Annual Growth	5.1%	22.9%	22.2%	-0.4%	1.8%
All Funds (Including "Off-Budget" Capital)[6]	$164,388	$172,281	$172,392	$178,644	$175,761
Annual Growth	4.3%	4.8%	4.9%	3.6%	2.0%
Inflation (CPI)	2.1%	2.5%	2.3%	2.4%	2.1%
All Funds Receipts					
Taxes	$79,266	$77,923	$74,976	$82,762	$80,809
Annual Growth	6.6%	-1.7%	-5.4%	10.4%	7.8%
Miscellaneous Receipts	$27,262	$28,178	$31,345	$26,474	$27,797
Annual Growth	2.5%	3.4%	15.0%	-15.5%	-11.3%
Federal Receipts (Operating and Capital)	$58,942	$62,510	$62,879	$63,372	$63,772
Annual Growth	6.4%	6.1%	6.7%	0.8%	1.4%
Total Receipts[6]	$165,470	$168,611	$169,200	$172,608	$172,378
Annual Growth	5.8%	1.9%	2.3%	2.0%	1.9%
General Fund Cash Balance	$9,445	$6,456	$6,545	$5,389	$4,998
Tax Stabilization/Rainy Day Reserve	$1,798	$1,798	$2,048	$1,798	$2,286
Extraordinary Monetary Settlements	$5,020	$3,949	$3,943	$2,908	$2,684
All Other Reserves/Fund Balances	$2,627	$709	$554	$683	$28
Debt					
Debt Service as % All Funds Receipts	4.0%	3.3%	3.6%	3.3%	3.3%
State-Related Debt Outstanding	$51,631	$53,866	$53,576	$57,088	$57,281
Debt Outstanding as % Personal Income	4.0%	4.0%	4.0%	4.1%	4.1%
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	117,397	118,868	119,327	118,868	119,449

[1] Results as reported by the State Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting, released July 2018.

[2] For comparability purposes, FY 2019 and FY 2020 General Fund disbursements, before and after transfers, are adjusted to exclude (1) the reclassification of mental hygiene funds to the General Fund from Special Revenue Funds and (2) movement of certain DOT and DMV operating expenses to the General Fund from the DHBTF, both of which took effect in FY 2019.

[3] As reported in the FY 2019 Mid-Year Update. Before Executive Budget proposals to balance the FY 2020 Budget.

[4] Includes the planned transfer of Extraordinary Monetary Settlements from the General Fund to other funds to support designated purposes.

[5] All Funds disbursements are expected to exceed receipts (including other financing sources) in FY 2019 and FY 2020 with the difference funded from other available resources, including Extraordinary Monetary Settlements and bond proceeds used to reimburse capital spending planned from other funding sources in the first instance.

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

Overview of the Updated Financial Plan

Summary

The Governor submitted his FY 2020 Executive Budget proposal on January 15, 2019, and amendments through February 14, 2019 (the "Executive Budget"), as permitted by law. On February 15, 2019, DOB issued the Updated Financial Plan, extracts and summaries of which are set forth herein. The Updated Financial Plan includes updated estimates for the current fiscal year (FY 2019), projections for FY 2020 through FY 2022, and initial projections for FY 2023. The estimates and projections included in the Updated Financial Plan incorporate the impact of the Executive Budget legislative proposals.

The projections for FY 2020 through FY 2023 assume the Legislature enacts the Executive Budget in its entirety and without modification by the start of FY 2020, which begins on April 1, 2019. There can be no assurance the Legislature will adopt all, or any specific portion, of the Executive Budget as proposed. Accordingly, there can be no assurance the fiscal impact of the FY 2020 budget, when adopted, will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan that are included in this AIS Update.

The FY 2019 PIT collections through January 2019, a period of the fiscal year that is typically marked by a relatively heavy flow of PIT receipts compared to the rest of the year, have been less than previously projected. Since the FY 2019 Enacted Budget Financial Plan (the "Enacted Budget Financial Plan") presented in the AIS published on July 2, 2018, DOB has reduced the annual estimate for All Funds PIT receipts by $2.8 billion in FY 2019 and $2.2 billion in FY 2020, due to weaker than expected PIT collections. DOB believes that the revisions are reasonable and consistent with available data, but there can be no assurance that actual receipts collections will not vary materially and adversely from these revised estimates.

In addition to the revision to PIT receipts, the Updated Financial Plan reflects the costs of a new labor contract with the union representing State correctional officers, whose members ratified a seven-year contract on January 24, 2019. The contract, which is patterned on the agreements of other State employee unions, covers FY 2017 through FY 2023. The Updated Financial Plan expects that the Legislature will authorize the necessary retroactive payments for the contract period from April 1, 2016 through the present to be paid in FY 2019.

The Updated Financial Plan reflects a combination of legislative and administrative actions to address the receipts shortfall and costs of the labor contract. DOB expects that the actions will be sufficient to maintain budget balance in the current year and ensure a balanced budget proposal for FY 2020.

FY 2019 Financial Plan Update

The Updated Financial Plan reflects two fund reclassifications approved in the FY 2019 Enacted Budget. The changes had no net impact on General Fund operations but affect the reporting of total receipts and disbursements, as well as financial plan categories.

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 comparison of FY 2019 receipts and disbursements to FY 2018 results excludes (a) the receipt and use of Extraordinary Monetary Settlements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that took effect in FY 2019.

Receipts

General Fund receipts, including transfers from other funds, are projected to total $68.5 billion in FY 2019, a decrease of $2.1 billion (3.0 percent) from FY 2018 results. The annual change is affected by taxpayer behavior in response to the Tax Cuts and Jobs Act of 2017 (TCJA) by increasing current estimated payments in the final year of uncapped state and local tax (SALT) deductions. Specifically, FY 2019 receipts are negatively affected by an increase in FY 2018 current estimated payments, at the expense of FY 2019 extensions. In addition, FY 2019 receipts are negatively affected by a decrease in FY 2019 current estimated payments, to the projected benefit of FY 2020 extensions.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to total $43.2 billion, a decrease of $3.8 billion from FY 2018 results. This decline is attributable to the shifting payment pattern and taxpayer behavior described above.

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 $13.5 billion, an annual increase of $278 million (2.1 percent) from FY 2018 results. This reflects projected growth in disposable income and taxable consumption.

General Fund business tax receipts are estimated at $5.4 billion, an annual increase of $480 million (9.8 percent) from FY 2018 results. This growth is due to projected higher gross receipts due to a projected increase in corporate profits and various TCJA flow-through impacts.

Other tax receipts to the General Fund are expected to total $2.0 billion after payment of debt service on Clean Water/Clean Air (CW/CA) bonds, a decrease of $246 million (10.8 percent). This decrease reflects a return to an average number of estate tax payments exceeding $25 million.

Non-tax receipts are estimated at $4.4 billion, an increase of $1.1 billion. The growth is mainly due to the expected transfer of resources from the Health Care Transformation Fund (HCTF) and the transfer of balances accumulated in other funds.

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

Disbursements

General Fund disbursements, including transfers to other funds, are expected to total $71.3 billion in FY 2019, an annual increase of $2.0 billion (2.9 percent) from FY 2018 results.

Local assistance grants are expected to total $48.1 billion in FY 2019, an annual increase of $2.0 billion (4.3 percent) from FY 2018 results. The largest increases are for School Aid ($1.1 billion on a State fiscal year basis) and Medicaid ($874 million).

General Fund disbursements for agency operations, including fringe benefits and fixed costs, are expected to total $14.5 billion, an annual increase of $664 million (4.8 percent). Personal Service (PS) and Non-Personal Service (NPS) costs are expected to increase $379 million from FY 2018 results, reflecting labor agreements, including retroactive payments related to the NYSCOPBA contract ratified in January 2019. Fringe benefit costs associated with State employees, including retiree health insurance costs, are expected to increase by $285 million (5.1 percent), mainly due to medical cost inflation. The State's costs for Workers' Compensation are expected to increase by $101 million, due to underlying growth in the average weekly wage benefit and medical costs ($51 million), as well as a reduction in other resources available to offset those costs ($50 million).

General Fund transfers to other funds are estimated to total $8.8 billion in FY 2019, a decrease of $661 million from FY 2018 results. The decline is mainly due to 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 disbursement projections by major activity, presented on a State Operating Funds basis, see "State Financial Plan Multi-Year Projections" herein.

FY 2019 General Fund Revisions

The following table summarizes revisions to FY 2019 General Fund projections since the Enacted Budget Financial Plan. A brief summary of changes follows the table below.

SUMMARY OF REVISIONS SINCE THE ENACTED BUDGET FINANCIAL PLAN GENERAL FUND BUDGETARY BASIS OF ACCOUNTING - SAVINGS/(COSTS) (millions of dollars)	FY 2019
ENACTED BUDGET FINANCIAL PLAN UPDATE SURPLUS/(GAP)	**0**
Receipts Revisions	**280**
Non-Tax Receipts	(15)
Monetary Settlement Payments	295
Disbursements Revisions	**15**
Local Assistance	15
Use/(Reserve) of Fund Balance	**(295)**
Extraordinary Monetary Settlements	(295)
FIRST QUARTERLY UPDATE SURPLUS/(GAP)	**0**
Receipts Revisions[1]	**(145)**
Debt Service (impact on Tax Receipts)[1]	(209)
Debt Service Prepayment	(145)
Other Debt Service Revisions	(64)
Non-Tax Receipts	24
Mashreqbank Settlement Payment	40
Disbursements Revisions	**802**
Local Assistance	35
Agency Operations	56
Transfers to DIIF	601
Transfers to Debt Service Funds	52
Transfers to Other Funds	58
Use/(Reserve) of Fund Balance	**(657)**
Extraordinary Monetary Settlements	(641)
Settlement Payments Received	(40)
Transfer to DIIF	(601)
Community Projects Fund	(16)
MID-YEAR UPDATE SURPLUS/(GAP)	**0**
Receipts Revisions[1]	**(2,137)**
Tax Receipts (before Debt Service)	(2,958)
Debt Service (impact on Tax Receipts)[2]	(436)
STAR (impact on Tax Receipts)	35
Non-Tax Receipts	559
Monetary Settlement	663
Disbursements Revisions	**2,226**
Local Assistance	1,229
Agency Operations	315
Debt Service Transfers[2]	(29)
Capital Projects Transfers	755
Monetary Settlement Transfers	(83)
Other Transfers	39
Use/(Reserve) of Fund Balance	**(89)**
Settlements Received	(663)
Settlement Transfers	83
Settlements Used for Operations	336
Reserve Used for Labor Contracts	155
EXECUTIVE BUDGET SURPLUS/(GAP)	0

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

[2] The prepayment of $620 million of additional FY 2020 debt service costs in FY 2019 is reflected as both a transfer from dedicated funds ($536 million) and transfers to debt service funds ($84 million), as well as other changes.

Receipts Revisions

General Fund receipts, including transfers from other funds, have been reduced by $2.0 billion compared to the Enacted Budget Financial Plan, largely due to weaker than expected PIT collections.

Two significant factors affect reported General Fund tax receipts that are unrelated to actual collections. First, changes in debt service costs impact General Fund tax receipts. The State has three bonding programs where tax receipts are deposited into dedicated debt service funds (outside of the General Fund) and used to make debt service payments on State-supported debt. After satisfying debt service requirements for these bonding programs, the residual is transferred back to the General Fund. Debt service costs in FY 2019 are projected to increase by $645 million compared to the Enacted Budget Financial Plan, largely due to debt service prepayments, resulting in less tax revenue being transferred back to the General Fund. Second, the STAR program is funded from PIT receipts, with changes in the cost of the program affecting reported PIT receipts. In FY 2019, the estimated cost of the STAR program has been lowered based on updated claims.

Miscellaneous receipts and transfers from other funds have been increased mainly to reflect the transfer of excess balances identified by DOB and not needed to fund program commitments. Many of the transfers were planned in prior years but held aside when they were not needed. In addition, the State has received $998 million in Extraordinary Monetary settlements since the Enacted Budget Financial Plan. Of this amount, $336 million will be used for operations in FY 2019. Other adjustments to non-tax receipts are based on results to date, updated information and the transfer of balances accumulated in other funds.

Disbursements Revisions

General Fund disbursements, including transfers to other funds, have been reduced by $3.0 billion. The lower estimates reflect program-specific information and the cautious estimation of expenses in the General Fund to create an informal reserve against risks. The estimates for Local Assistance and State Operations have been reduced for a range of programs and activities, based on updated data and operating results to date. Agency operations includes the expected payment of salary increases, which includes retroactive payments for FY 2017 to the present, consistent with recently ratified labor contracts. These costs were previously planned and are expected to be offset by continued cost controls.

Capital transfers have been lowered due to the timing of General Fund reimbursements of eligible capital expenses with bond proceeds. The increase in debt service is due to the planned prepayment of expenses. Other transfer revisions reflect routine adjustments to the timing of transactions.

FY 2019 Closing Balance

DOB projects the State will end FY 2019 with a total General Fund cash balance of $6.5 billion, a decrease of $2.9 billion from the FY 2018 year-end balance. The General Fund closing balance excluding Extraordinary Monetary Settlements is estimated at $2.6 billion, or $1.8 billion lower than the closing balance at the end of FY 2018. The change is due mostly to the expected use of the $1.9 billion in cash received in FY 2018. These funds are attributed to the acceleration of PIT payments in response to the Federal limit on SALT deductibility, which became effective January 1, 2018. In addition, the closing balance is reduced due to the use of the labor reserve to fund a portion of the NYSCOPBA contract.

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve and the Rainy Day Reserve, are expected to increase by $250 million after the planned deposit of a portion of new Extraordinary Monetary Settlements. The Updated Financial Plan maintains a reserve of $500 million for debt management purposes, which DOB expects to use in FY 2020 to accelerate the repayment of amortized pension costs.

The balance of Extraordinary Monetary Settlements is expected to total $3.9 billion at the close of FY 2019, a decrease of $1.1 billion from the close of FY 2018. The anticipated decrease reflects $1 billion in planned transfers to the Dedicated Infrastructure Investment Fund (DIIF) and other funds for authorized purposes; $194 million in funding for the MTA's Subway Action Plan; a $250 million deposit to rainy day reserves (the first of two planned deposits); and $719 million for operating expenses. These uses are offset in part by $1.2 billion in new Extraordinary Monetary Settlements received in FY 2019.

TOTAL BALANCES
(millions of dollars)

	FY 2018 Results	FY 2019 Current	Annual Change
TOTAL GENERAL FUND BALANCE	**9,445**	**6,545**	**(2,900)**
Statutory Reserves:			
"Rainy Day" Reserves	1,798	2,048	250
Community Projects	46	33	(13)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements	155	0	(155)
Undesignated Fund Balance	1,905	0	(1,905)
Subtotal Excluding Settlements	**4,425**	**2,602**	**(1,823)**
Extraordinary Monetary Settlements	**5,020**	**3,943**	**(1,077)**

FY 2020 Financial Plan

The following table summarizes the projected annual change from FY 2019 to FY 2020 in General Fund receipts, disbursements, and fund balances. The following table presentation and discussion of General Fund receipts and disbursements excludes the receipt and use of Extraordinary Monetary Settlements, which are shown separately.

GENERAL FUND FINANCIAL PLAN [1]
(millions of dollars)

	FY 2019 Current	FY 2020 Proposed	Annual Change Dollar	Annual Change Percent
Opening Fund Balance (Excluding Extraordinary Monetary Settlements)	4,425	2,602	(1,823)	-41.2%
Total Receipts	69,552	75,075	5,523	7.9%
Taxes	64,127	70,340	6,213	9.7%
Miscellaneous Receipts/Federal Grants [2]	2,089	2,071	(18)	-0.9%
Transfers from Other Funds	3,336	2,664	(672)	-20.1%
Total Disbursements	72,344	75,601	3,257	4.5%
Local Assistance	49,784	50,969	1,185	2.4%
State Operations	18,927	19,965	1,038	5.5%
Transfers to Other Funds [3]	3,633	4,667	1,034	28.5%
Net Change in Operations	(2,792)	(526)	2,266	81.2%
General Fund Use of Extraordinary Settlements [4]	969	238	(731)	-75.4%
Closing Fund Balance (Excluding Extraordinary Monetary Settlements) [3]	2,602	2,314	(288)	-11.1%
Extraordinary Monetary Settlements				
Settlements on Hand as of April 1	5,020	3,943	(1,077)	-21.5%
New Settlements Received/Expected [5]	1,186	0	(1,186)	-100.0%
Transfers/Uses	(2,263)	(1,259)	1,004	44.4%
Closing Balance (Extraordinary Monetary Settlements)	3,943	2,684	(1,259)	-31.9%
Closing Fund Balance (Including Extraordinary Monetary Settlements)	6,545	4,998	(1,547)	-23.6%

[1] FY 2019 and FY 2020 include the reclassification of mental hygiene funds to the General Fund from Special Revenue Funds and movement of certain DOT and DMV operating expenses to the General Fund from the Dedicated Highway and Bridge Trust Fund, as both took effect in FY 2019.

[2] Excludes the Extraordinary Monetary Settlements received by the General Fund less amounts retained by the Department of Law.

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

[4] FY 2019: $719 million is expected to be used for operations and $250 million is expected to be deposited to the Rainy Day Reserve. FY 2020: $238 million is expected to be deposited to the Rainy Day Reserve, fiscal conditions permitting.

[5] Includes the gross value of all settlements received by the State, including funds retained by the Department of Law.

Receipts

General Fund receipts, including transfers from other funds, are estimated to total $75.1 billion in FY 2020, an increase of $5.5 billion (7.9 percent) from FY 2019 projections. The annual change is affected by taxpayers responding to TCJA by shifting estimated PIT payments typically made on a quarterly basis into the extension period. Specifically, FY 2020 receipts are positively affected by an increase in extension payments at the expense of FY 2019 estimated payments. In addition, the year-over-year change is impacted by the payment of $500 million in additional PIT refunds in the last quarter of FY 2019.

PIT receipts, including transfers after payment of debt service on PIT Revenue Bonds, are estimated to total $47.6 billion, an increase of $4.4 billion (10.2 percent) from FY 2019 projections. A large share of the increase is due to the change in timing of PIT receipts whereby a large amount of receipts was shifted from FY 2019 to FY 2018. Thus, the FY 2020 receipts grow from a lower base. In addition, the accelerated refunds described above also impact year-over-year growth.

Consumption/use tax receipts, including transfers after payment of debt service on LGAC and Sales Tax Revenue Bonds, are estimated to total $14.5 billion in FY 2020, an increase of $1 billion (7.4 percent) from FY 2019 projections. The increase mainly reflects projected growth in disposable income and taxable consumption.

Business tax receipts are estimated at $6.2 billion in FY 2020, an increase of $767 million (14.2 percent) from FY 2019 projections. The growth is primarily attributable to a new for-profit insurance provider subject to premium insurance tax.

Other tax receipts, including transfers after payment of debt service on CW/CA Bonds, are expected to total $2.1 billion in FY 2020, an increase of $43 million (2.1 percent) from FY 2019 projections.

Non-tax receipts and transfers are estimated at $4.7 billion in FY 2020, a decrease of $690 million from FY 2019 projections. The decline largely reflects the use of certain resources available in FY 2019 that are not expected to recur in FY 2020.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances among funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see "State Financial Plan Multi-Year Projections" herein.

Disbursements

General Fund disbursements, including transfers to other funds, are expected to total $75.6 billion in FY 2020, an increase of $3.3 billion (4.5 percent) from FY 2019 projections. General Fund disbursements reflect conservative estimates of disbursements in each financial category, a practice that provides a cushion for potential receipts shortfalls and other unanticipated costs.

Local assistance spending is estimated at $51.0 billion in FY 2020, an increase of $1.2 billion (2.4 percent) from FY 2019 projections. The increase is primarily driven by School Aid ($275 million on a State fiscal year basis) and by Medicaid ($911 million).

General Fund operational costs are expected to total nearly $20.0 billion in FY 2020, an increase of $1.0 billion (5.5 percent) from FY 2019 projections. The increase is comprised of the accelerated repayment of amortized pension costs ($500 million), estimated growth in health insurance costs for State employees and retirees ($111 million), higher State costs for Workers' Compensation ($101 million), and projected growth in the State's annual pension payment ($41 million). In addition, operating costs for the independently elected agencies are projected to increase over FY 2019 levels ($75 million). Growth in operating cost for executive agencies[3] is expected to increase partly due to varying levels of offsets and accounting reclassifications such as operating costs related to snow and ice removal that was reclassified from Capital Projects Fund to the General Fund beginning in FY 2019.

General Fund transfers to other funds are projected to total $4.7 billion in FY 2020, an increase of $1.0 billion from FY 2019 projections. Transfers for capital projects (excluding transfers funded with Extraordinary Monetary Settlements) are projected to increase by $931 million due to increased debt service payments for DHBTF bonds and the timing of bond proceeds used to reimburse prior year advances. Debt service transfers are expected to decline by $267 million, mainly due to prepayments. SUNY transfers are expected to increase by $154 million primarily due to a change in accounting for Tuition Assistance Program (TAP) payments made to State operated SUNY campuses.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year.

For a more comprehensive discussion of the State's disbursement projections by major activity, presented on a State Operating Funds basis, see "State Financial Plan Multi-Year Projections" herein.

[3] On a State Operating Funds basis, most executive agencies are expected to hold operations spending at FY 2019 levels with limited exceptions.

FY 2020 Closing Balance

DOB projects the State will end FY 2020 with a General Fund cash balance of $5.0 billion, a decrease of $1.5 billion from the FY 2019 estimate. The General Fund cash balance excluding Extraordinary Monetary Settlements is estimated at $2.3 billion, or $288 million lower than the estimated closing balance at the end of FY 2019. The change is due to the planned use of the entire reserve for debt management ($500 million) and the projected spending of resources in the Community Projects Fund ($26 million), partly offset by the planned deposit of Extraordinary Monetary Settlements into the Rainy Day Reserve ($238 million), if fiscal conditions permit.

Extraordinary Monetary Settlements on deposit at the close of FY 2020 are expected to total $2.7 billion, a decrease of $1.3 billion from the estimated FY 2019 closing balance. This decrease reflects expected uses and disbursements for initiatives funded with settlements. (See "Extraordinary Monetary Settlements" herein.)

TOTAL BALANCES
(millions of dollars)

	FY 2019 Current	FY 2020 Proposed	Annual Change
TOTAL GENERAL FUND BALANCE	**6,545**	**4,998**	**(1,547)**
Statutory Reserves:			
"Rainy Day" Reserves	2,048	2,286	238
Community Projects	33	7	(26)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Debt Management	500	0	(500)
Subtotal Excluding Settlements	**2,602**	**2,314**	**(288)**
Extraordinary Monetary Settlements	**3,943**	**2,684**	**(1,259)**

FY 2020 Detailed Gap-Closing Plan

The following table and narrative summarize the proposed General Fund gap-closing plan in relation to the prior quarterly update to the State's Financial Plan (the "Mid-Year Update"). To the extent the State enacts budgets that adhere to the 2 percent spending benchmark, the level of savings required in each subsequent year to hold spending to 2 percent would be lower.

SUMMARY OF REVISIONS TO MID-YEAR UPDATE
GENERAL FUND BUDGETARY BASIS OF ACCOUNTING
SAVINGS/(COSTS)
(millions of dollars)

	FY 2020 Proposed	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
MID-YEAR UPDATE SURPLUS/(GAP)	**(3,070)**	**(6,429)**	**(6,551)**	**(6,735)**
Tax Receipts Reestimates	**(2,811)**	**(4,747)**	**(5,241)**	**(5,970)**
Receipts	**1,975**	**4,229**	**5,482**	**5,853**
PIT Top Rate Extension	771	3,560	4,707	5,057
Other Taxes/Miscellaneous Receipts	442	815	910	951
Debt Service Transfers	557	(194)	(163)	(61)
Non-Tax Transfers	205	48	28	(94)
Disbursements	**3,426**	**2,326**	**1,706**	**1,386**
Local Assistance	2,882	2,090	1,796	1,835
Agency Operations	(104)	214	133	77
Debt Service Transfers	286	142	94	79
Capital Projects Transfers	510	(18)	(6)	(5)
Monetary Settlement Transfers	20	138	(26)	(313)
Other Transfers	(168)	(240)	(285)	(287)
Use/(Reserve) of Fund Balance	**480**	**(138)**	**26**	**314**
Rainy Day Reserve	(238)	0	0	0
Extraordinary Monetary Settlements	218	(138)	26	314
Debt Management	500	0	0	0
EXECUTIVE BUDGET SURPLUS/(GAP) [1]	**0**	**(4,759)**	**(4,578)**	**(5,152)**
Adherence to 2% SOF Spending - Calculated Savings [2]	**0**	**2,721**	**4,088**	**5,869**
EXECUTIVE BUDGET SURPLUS/(GAP)	**0**	**(2,038)**	**(490)**	**717**

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

[2] Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2019 estimate). The Governor is expected to propose, and negotiate with the Legislature to enact, a Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Surplus/(Gap)" estimate assumes that all savings from holding spending growth to 2 percent are made available to the General Fund.

Receipts

Tax Receipts Reestimates. Estimated tax receipts, excluding debt service, have been lowered from the Mid-Year Update due mainly to lower than expected PIT withholding and estimated tax receipts in December 2018 and January 2019.

PIT Top Rate Extension. The Executive Budget extends the current top income tax rate for high-income earners for five years, through calendar year 2024. The current rate has been in place since January 1, 2012, when the top rate was scheduled to revert to 6.85 from 8.97 percent but was instead renewed at 8.82 percent.

Other Taxes/Miscellaneous Receipts. Other tax actions and receipts changes are expected to provide $442 million in receipts in FY 2020. The Executive Budget includes the following proposed actions.

- PIT Limitation on Charitable Contributions. The limitation on itemized deductions to 25 percent of contributions, applicable to taxpayers with incomes above $10 million and originally enacted in 2010, would be extended through 2024.

- Internet Fairness Conformity Tax. Online providers such as Amazon and eBay supply a marketplace for third-party sellers. Currently, these sellers are required to collect sales tax from State residents if the seller is located in the State. The Executive Budget requires marketplace providers to collect the tax on any sale to State residents, whether the seller is located within, or outside, the State.

- Other Tax Actions. The Executive Budget includes other tax credits, extensions, enforcement initiatives and reforms. These include extension of the clean heating fuel credit and workers with disability credit; a health tax of 10 cents per fluid milliliter of vapor products at the distributor level; and a gross excise tax on adult cannabis.

- STAR. The Executive Budget proposes two measures to incentivize participation in the STAR credit program. The STAR benefit for participants would be capped at the FY 2019 benefit level, rather than allowed to grow by up to 2 percent, for the exemption program only. Benefits for participants in the credit program would be allowed to grow by up to 2 percent. In addition, the threshold for receiving the STAR exemption would be set at $250,000, compared to the current threshold of $500,000. Beneficiaries in the $250,000 to $500,000 bracket who convert to the credit program would maintain the full STAR benefit.

- Miscellaneous Receipts. The Executive Budget proposes a $120 inspection fee levied on for-profit vehicles and an increase in the notice of violation fine for certain regulated vehicles. Other changes include updated estimates of investment income and various other miscellaneous receipts categories.

Debt Service Transfers. The Executive Budget reflects savings from expected refundings, continued use of competitive bond sales, and other debt management actions, as well as the planned payment of FY 2020 expenses in FY 2019.

Non-Tax Transfers. Other resource changes include updated estimates of various transfers from other funds, including mental hygiene Federal reimbursements.

Disbursements

Local Assistance. Targeted actions and continuation of prior-year cost controls are expected to generate nearly $2.9 billion in General Fund savings compared to the current services estimate. The Executive Budget includes the following proposed actions.

- Education. General Fund savings include a decline in SY 2019 aid compared with the FY 2019 Enacted Budget estimates for expense-based aid, as well as increased revenues from lottery and gaming for education purposes. In addition, the Executive Budget proposes calculating the personal income growth index (PIGI) for School Aid using a ten-year average of annual income growth, rather than a one-year snapshot that is far more volatile. The proposed change is consistent with the Medicaid spending cap index calculation using the ten-year rolling average growth in the medical component of CPI.

- Health Care. The Medicaid program will include savings totaling $990 million. To achieve savings within the Global Cap to support these additional costs, the Department of Health (DOH) will continue to implement various Medicaid Redesign Team (MRT) actions to improve the efficiency and delivery of the statewide Medicaid program.

  Other health care savings include initiatives to reduce certain public health programs, and to provide increased flexibility to support ongoing public health programs and investments in new or emerging public health priorities; adjustment to reimbursements of public health funding for New York City to reflect the availability of alternative funding sources; modifications to pharmacy benefit programs; and reforms to streamline the evaluation process for the Early Intervention (EI) program.

  In addition, the Executive Budget includes additional funding to support services for the elderly and reduce childhood lead exposure.

- Human Services COLA. The 2.9 percent statutory COLA increase is deferred for mental hygiene and social service providers in FY 2020. Recent budget actions that provided targeted support to direct care and clinical staff, as well as workers in foster care and adoption programs, and costs of the minimum wage in the human services program areas, continue to be funded.

- Human Services. Savings reflect the planned use of available TANF funding to offset state costs in Child Care and Advantage Afterschool programs, proposed rebalancing of fiscal equity shares between the State and New York City for the Family Assistance Program, and revisions to Pay for Success program costs based on updated information.

- 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; enhanced efforts to combat the opioid crisis; and continued expansion of programs and services to ensure individuals with developmental disability and behavioral health needs have appropriate access to care. These investments are supported in part by continued efficiencies in program operations and reductions in unnecessary institutional capacity.

- All Other. Savings are expected from targeted actions and updated spending projections across many program areas, including updated enrollment data for SUNY Community Colleges; the continued utilization of JP Morgan Settlement and Mortgage Insurance Fund (MIF) resources to fund housing and homelessness programs; and revisions to the estimates for the County-wide Shared Services Property Tax Savings Plans program. In addition, the Executive Budget proposes to eliminate Aid and Incentives for Municipalities (AIM) to low-reliance towns and villages, which will be replaced by additional sales tax from the applicable county. Counties are expected to receive additional sales tax from the Executive Budget proposed internet fairness conformity tax and will be required to remit to any affected town or village an amount equal to the AIM reduction.

  In addition, funding is included for the proposed DREAM Act, which extends student financial assistance to undocumented immigrant students pursuing higher education in the State, and for youth justice and anti-gang violence initiatives.

Agency Operations. Reductions to agency operations and continued cost controls contribute $396 million to the General Fund gap-closing plan, which is offset by the planned repayment of $500 million of amortized pension costs due in FY 2021 through FY 2023.

- Executive Agencies. The Executive Budget proposes to hold spending flat on a State Operating Funds basis, with limited exceptions, such as costs attributable to the Raise the Age implementation. Agencies are expected to continue to use less costly forms of service delivery, improve administrative practices, and pursue statewide solutions, including Lean initiatives to streamline operations and management. In addition, the Executive Budget proposes the closure of up to three prisons to reduce excess capacity due to prison population declines.

Pension estimates reflect the planned payment of the full FY 2020 Employees' Retirement System (ERS)/Police and Fire Retirement System (PFRS) pension bill in April 2019. Health insurance savings are based on eliminating taxpayer-subsidized Income-Related Monthly Adjustment Amount (IRMAA) reimbursements for high income New York State Health Insurance Program (NYSHIP) enrollees and maintaining Medicare Part B premium reimbursements at $135.50 per month.

The Executive Budget also proposes lowering the interest charged on judgments against the State from as high as 9 percent to a fair-market interest rate. The current rate was established in 1982 when interest rates were at 15 percent to avoid unnecessary taxpayer costs. The recommended rate is in line with the interest rate applied to judgements in Federal courts and would ensure that neither side in a lawsuit will be disadvantaged by an interest rate that is above or below what otherwise could be earned while cases are being adjudicated.

Between FY 2011 and FY 2016 the State borrowed from the retirement system at interest rates of 3 to 5 percent under the statutory pension contribution stabilization program, to smooth pension costs after heavy investment losses during the 2008 recession. The Executive Budget proposes accelerating the repayment of $500 million of prior-year pension obligations in FY 2020 if fiscal conditions permit. The FY 2020 payment will reduce loans with above market interest rates and generate $33 million of interest savings through FY 2023.

- Elected Officials. The Executive Budget reflects the Judiciary's request for increased operating support to fund salary increases and additional staff in court operations and security. In addition, spending increases requested by the OSC and the Department of Law, mainly due to increased personal service expenses, are also reflected.

Debt Service Transfers. The Executive Budget reflects savings from expected refundings, continued use of competitive bond sales, and other debt management actions, as well as the planned payment of FY 2020 expenses in FY 2019.

Capital Projects Transfers. The Executive Budget reflects savings from the use of available bond proceeds to reimburse capital spending expenses from prior years and higher costs for NYC bridge and tunnel security.

Extraordinary Monetary Settlement Transfers. The timing of transfers of settlement reserves has been updated based on FY 2019 spending to date and estimated activity over the multi-year Financial Plan.

Other Transfers. The Executive Budget reflects a modification to the accounting of HESC TAP payments made to SUNY on behalf of student recipients. This change eliminates recording the payment twice on a State Funds basis – first from the General Fund to SUNY and again by SUNY to fund operating expenses. The TAP payment will now be reflected as a transfer to SUNY, like Medicaid payments made to State-operated health facilities on behalf of Medicaid recipients. Other changes include updated estimates of various transfers from other funds, including mental hygiene and Indigent Legal Services.

The following table provides a summary of the proposed actions and revisions that provide General Fund gap-closing savings and State Operating Funds spending impact, as summarized above.

FY 2020 EXECUTIVE BUDGET
SIGNIFICANT SAVINGS AND REVISIONS
(millions of dollars)

	General Fund Savings/ (Costs)	Spending Increase/ (Decrease)
Budget and Spending "Gaps"	**(3,070)**	**2,848**
Tax Receipts Revisions	**(2,811)**	**0**
Total Savings	**5,881**	**(2,848)**
PIT Top Rate Extension	771	0
Prepayment of FY 2020 Expenses	620	(620)
Medicaid MRT/Global Cap Savings	990	(990)
Lottery/Gaming Reestimate (General Fund School Aid Offset)	422	0
Accelerated Payment of Amortized Pension Costs	(500)	500
Debt Reduction Reserve Fund	500	0
School Aid Database Update (November 2018)	242	(242)
Debt Service	223	(307)
Mental Hygiene (Federal Revenues)	178	0
Defer 2.9% Human Services COLA	141	(141)
Internet Fairness Conformity Tax	170	0
TANF Funding for Child Care Subsidies and Advantage After School	100	(100)
ESCO Sales Tax Exemption Discontinuation	90	0
Prepay March 2020 Pension Bill	63	(63)
County-Wide Shared Services Reestimate	60	(60)
No AIM to Low Need Towns/Villages	59	(59)
State Reimbursement for Certain Family Assistance Program Costs	72	(72)
Wayfair Implementation	70	0
HCRA Receipts	50	0
STAR Tax Credit Program Incentives	46	(231)
State Reimbursement for Certain Health Programs	27	(27)
Prison Closures	21	(21)
Judiciary Budget Request	(80)	68
NYC Bridge and Tunnel Security	(50)	0
DREAM Act	(19)	19
Aging Population Services Funding	(15)	15
Youth Justice and Anti-Gang Violence Initiative	(10)	10
Blood Lead Level Funding	(7)	7
Reimbursement of Prior Year Capital Expenses	525	0
All Other Cost Controls/Reestimates/Actions/Reclassifications	1,122	(534)

Other Financial Plan Matters

State Response to Federal Tax Changes

The FY 2019 Enacted Budget included State tax reforms intended to mitigate issues arising from Federal tax law, including decoupling many State tax provisions from the Federal changes contained in the TCJA, the creation of an optional payroll tax program, and the establishment of a new State charitable giving vehicle. For Tax Year 2019, 262 employers have elected to participate in the Employer Compensation Expense Program (ECEP). DOB estimates employers will remit roughly $2 million under the new program. Amounts on deposit in the Charitable Gifts Trust Fund at the close of calendar year 2018 are appropriated for authorized purposes in the Executive Budget, as planned. The State has $93 million on deposit in the Charitable Gifts Trust Fund for healthcare and education ($58 million and $35 million, respectively). The Updated Financial Plan does not contain outyear projections of taxpayer contributions to the Charitable Gifts Trust Fund.

Managing Risks

Economic uncertainties and actions by the Federal government continue to pose a heightened risk to State finances. The Executive Budget includes several measures to respond to uncertainties and Federal risks, including the following provisions:

- Legislation proposed with the Executive Budget would allow for across-the-board reductions to certain local assistance disbursements if the annual estimate for tax receipts in FY 2020 is revised downward by $500 million or more during the fiscal year. The legislation provides for a uniform reduction of up to 3 percent to local assistance appropriations and related cash disbursements in the General Fund and State Special Revenue Funds. Programs that are exempt from the across-the-board reductions include School Aid, Medicaid, and public assistance.

- State legislation, proposed with the Executive Budget, continues authorization for a process by which the State would manage significant reductions in Federal aid during FY 2020 should they arise. Specifically, the legislation allows the Budget Director to prepare a plan for consideration by the Legislature in the event that Federal policymakers (a) reduce Federal Financial Participation (FFP) in Medicaid funding to the State or its subdivisions by $850 million or more; or (b) reduce FFP or other Federal aid in funding to the State that affects the State Operating Funds by $850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately and is not additive. The plan prepared by the Budget Director must equally and proportionally reduce appropriations and cash disbursements in the General Fund and State Special Revenue Funds. Upon receipt of the plan, the Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the Budget Director takes effect automatically.

- The Executive Budget amendments include proposed legislation to protect the State's fiscal integrity by requiring bills with a fiscal impact passed after the budget has been enacted to be accompanied by a plan to pay for the costs of such bills.

Annual Spending Growth

DOB estimates spending in State Operating Funds will grow at 1.8 percent from FY 2019 to FY 2020, consistent with the 2 percent spending growth benchmark. The table below illustrates the change in annual State spending by major program, purpose and fund.

STATE SPENDING MEASURES
(millions of dollars)

	FY 2019 Current	FY 2020 Proposed	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**66,338**	**67,421**	**1,083**	**1.6%**
School Aid (School Year Basis)	26,734	27,690	956	3.6%
DOH Medicaid[1]	20,400	21,135	735	3.6%
Transportation	3,936	3,534	(402)	-10.2%
STAR[2]	2,424	2,186	(238)	-9.8%
Social Services	2,846	2,831	(15)	-0.5%
Higher Education	3,002	2,945	(57)	-1.9%
Mental Hygiene[3]	2,176	1,978	(198)	-9.1%
All Other[4]	4,820	5,122	302	6.3%
STATE OPERATIONS/GENERAL STATE CHARGES	**27,831**	**28,843**	**1,012**	**3.6%**
State Operations	**19,403**	**19,609**	**206**	**1.1%**
Personal Service:	13,795	14,052	257	1.9%
Executive Agencies	7,651	7,675	24	0.3%
University Systems	4,060	4,232	172	4.2%
Elected Officials	2,084	2,145	61	2.9%
Non-Personal Service:	5,608	5,557	(51)	-0.9%
Executive Agencies	2,890	2,894	4	0.1%
University Systems	2,115	2,068	(47)	-2.2%
Elected Officials	603	595	(8)	-1.3%
General State Charges	**8,428**	**9,234**	**806**	**9.6%**
Pension Contribution	2,422	2,963	541	22.3%
Health Insurance	4,196	4,307	111	2.6%
Other Fringe Benefits/Fixed Costs	1,810	1,964	154	8.5%
DEBT SERVICE	**5,975**	**5,694**	**(281)**	**-4.7%**
TOTAL STATE OPERATING FUNDS	**100,144**	**101,958**	**1,814**	**1.8%**
Capital Projects (State and Federal Funds)	**13,131**	**13,426**	**295**	**2.2%**
Federal Operating Aid	**58,456**	**59,759**	**1,303**	**2.2%**
TOTAL ALL GOVERNMENTAL FUNDS	**171,731**	**175,143**	**3,412**	**2.0%**

[1] Total State share Medicaid funding excludes Master Settlement Agreement (MSA) payments to the State that will be deposited directly to a Medicaid Escrow Fund to defray the cost of the State's takeover of Medicaid costs for counties and New York City.

[2] The FY 2018 Enacted Budget 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 Multi-Year Projections " herein.

[3] Mental Hygiene spending is estimated at $4.0 billion in FY 2020, an increase of 4.8 percent from FY 2019. However, a large portion of funding occurs under the Medicaid Global Cap.

[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 $27.2 billion in FY 2020, an increase of $749 million from FY 2019. It also reflects a reduction for 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 a Medicaid Escrow Fund ($435 million in FY 2019 and $327 million in FY 2020), which 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.

State Operating Funds Spending

State Operating Funds encompasses a wide range of State activities funded from income sources outside of the General Fund, including dedicated tax revenues, tuition, patient income, and assessments. Activities funded with these income sources often have no direct bearing on the State's ability to maintain a balanced budget in the General Fund, but nonetheless are captured in State Operating Funds and subject to the 2 percent spending limit. Activities funded from these "own-source" revenues contribute to annual spending growth.

State Operating Funds spending growth in recent years also reflects the State's effort to address long-standing public policy issues. In FY 2015, the State absorbed the full cost of growth in Medicaid on behalf of local governments. In FY 2017, the State enacted a law that provides for predictable increases in the minimum wage. FY 2020 State Operating Funds spending increases by roughly $700 million as a result of these two policy initiatives.

Summary of Annual Spending Change

Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. Medicaid and School Aid are the State's largest local aid programs, comprising over 45 percent of State Operating Funds spending.

In SY 2020, School Aid is expected to total $27.7 billion, an increase of nearly $1 billion (3.6 percent), including a $338 million increase in Foundation Aid. Medicaid spending subject to the Global Cap will grow at the indexed rate of 3.0 percent ($568 million) to $19.4 billion. In total, local Medicaid spending funded from State resources will increase by $735 million to $21.1 billion in FY 2020.

Several factors are responsible for the annual decline in transportation spending in State Operating Funds. In FY 2019, the State made an extraordinary operating aid payment of $194 million for the Subway Action Plan and remitted $135 million in residual payroll mobility tax (PMT) collections held in fund balances to the MTA. In addition, similar to changes made in FY 2019 related to PMT, the Executive Budget proposes that several taxes and fees collected by the State and remitted to MTA will no longer be subject to annual appropriation by the State Legislature. Previously, the State collected these revenues on behalf of, and disbursed the entire amount to, the MTA. Similar to the PMT, these taxes would be remitted directly to MTA, increasing timeliness and removing any uncertainty related to the annual appropriation process. Consistent with the proposed statutory change, the Updated Financial Plan does not include the receipts and related local assistance disbursements for FY 2020 of these taxes and fees. The estimated value of the taxes and fees in FY 2020 is approximately $300 million. The annual decline is offset in part by a $160 million increase in disbursements from the Mass Transportation Operating Assistance Fund, which is funded by the expected growth in dedicated taxes and existing fund balance.

STAR spending is affected by the conversion of STAR benefits to State PIT credits. The conversion 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 $937 million in FY 2019 and $1.2 billion in FY 2020). Additionally, proposed Executive Budget actions to reduce the income limit for the Basic STAR exemption from $500,000 to $250,000 and hold annual growth in the STAR exemption benefit flat will decrease STAR program spending over the course of the Executive Budget Financial Plan as participation shifts from the exemption program to the credit program.

Social services spending reflects the use of available Temporary Assistance for Needy Families (TANF) funding to offset state costs in Child Care and Advantage Afterschool programs, deferral of the FY 2020 human services COLA, and the proposed establishment of a New York City share for the Family Assistance Program.

Higher Education spending is offset by a change in accounting for TAP payments made to State operated State University of New York (SUNY) campuses. The Executive Budget Financial Plan reflects a modification to the accounting and Higher Education Services Corporation (HESC) TAP payments made to SUNY on behalf of student recipients. This change eliminates recording the payment twice on a State Funds basis – first from the General Fund to SUNY and again by SUNY to fund operating expenses. The TAP payment will now be reflected as a transfer to SUNY, similar to the treatment of Medicaid payments made to State-operated health facilities on behalf of Medicaid recipients. These changes are partly offset by the third phase of the Excelsior Free Tuition Program and CUNY fringe benefit growth.

Mental hygiene spending increases reflect enhancements in community mental health services, community-based employment opportunities for individuals with disabilities, increased funding to not-for-profit providers for minimum wage increases, and additional resources to address the heroin and opioid crisis. However, the State Operating Funds growth is more than offset by the fact that a significant portion of mental hygiene spending is funded with available resources from the Medicaid Global Cap. This technical adjustment lowers reported mental hygiene spending and increases Medicaid spending by an identical amount. This transaction has no impact on mental hygiene service delivery or operations.

Local assistance spending reported in the Updated Financial Plan is affected by the accounting treatment of State payments to the Sales Tax Asset Receivable Corporation (STARC). Pursuant to legislation enacted in FY 2017, New York City is remitting savings to the State from a 2014 refunding of STARC bonds, which are supported solely by the annual payment of State aid. The 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 public authority to offset debt service costs on State-supported bonds. The Legislature authorized, via specific language in the STARC appropriation, that the STARC refunding money recouped from New York City be treated as an offset to State spending. The Updated Financial Plan reflects an offset to spending of $170 million in FY 2019 and $17 million in FY 2020. In prior years, the reimbursement money was reflected as a miscellaneous receipt.

State Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies, utilities). Spending for Executive agency operations is expected to increase by 0.3 percent in FY 2020. Growth is mainly due to the annualization of certain DOT operating costs related to snow and ice removal and pay increases.

Operations spending for the University Systems and elected officials -- the Attorney General, Comptroller, Legislature and Judiciary -- is expected to increase by 2 percent in FY 2020.

The annual spending growth for fringe benefits is due mainly to rising health care and prescription drug costs for State employees and retirees, and Workers' Compensation expenses. In addition, DOB plans to accelerate the repayment of $500 million of amortized pension costs in FY 2020 if fiscal conditions permit, which is expected to generate $33 million of interest savings through FY 2023.

Debt Service

Debt service is projected to decline from FY 2019 to FY 2020 due to the prepayment of debt service. DOB determines the level of prepayments each year based on operating results, resources on hand, and other factors. DOB has made prepayments of debt annually for several years. In FY 2020, the effect of prepayments is offset in part by the expected growth in debt service on State-supported debt.

Cash Flow

State Finance Law authorizes the General Fund to borrow money temporarily from available funds held in the 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 adequate liquidity in FY 2020 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 2020
(millions of dollars)

	General Fund	Other Funds	All Funds
April	8,894	4,185	13,079
May	4,174	3,779	7,953
June	4,754	4,500	9,254
July	5,331	4,124	9,455
August	4,064	3,524	7,588
September	5,852	1,526	7,378
October	5,734	2,389	8,123
November	3,375	1,761	5,136
December	4,986	1,556	6,542
January	9,932	1,684	11,616
February	9,564	2,171	11,735
March	4,998	3,357	8,355

Extraordinary Monetary Settlements

Since FY 2015, DOB calculates that the State has received a total of nearly $11.9 billion in Extraordinary Monetary Settlements for violations of State laws by major financial institutions and other entities. 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**	**1,186**	**11,855**
Aetna Insurance Company	0	0	0	0	2	2
Agricultural Bank of China	0	0	215	0	0	215
American International Group, Inc.	35	0	0	0	0	35
Athene Life Insurance	0	0	0	0	15	15
AXA Equitable Life Insurance Company	20	0	0	0	0	20
Bank Leumi	130	0	0	0	0	130
Bank of America	300	0	0	0	0	300
Bank of America Merrill Lynch	0	0	0	0	42	42
Bank of Tokyo Mitsubishi	315	0	0	0	0	315
Barclays	0	670	0	0	15	685
BNP Paribas	2,243	1,348	0	350	0	3,941
Chubb	0	0	0	0	1	1
Cigna	0	0	0	2	0	2
Citigroup (State Share)	92	0	0	0	0	92
Commerzbank	610	82	0	0	0	692
Conduent Education Services	0	0	0	0	1	1
Credit Agricole	0	459	0	0	0	459
Credit Suisse AG	715	30	0	135	0	880
Deutsche Bank	0	800	444	0	205	1,449
FedEx	0	0	0	0	26	26
Goldman Sachs	0	50	190	0	55	295
Habib Bank	0	0	0	225	0	225
Intesa SanPaolo	0	0	235	0	0	235
Lockton Affinity	0	0	0	0	7	7
Mashreqbank	0	0	0	0	40	40
Mega Bank	0	0	180	0	0	180
MetLife Parties	50	0	0	0	20	70
Morgan Stanley	0	150	0	0	0	150
Nationstar Mortgage	0	0	0	0	5	5
New Day	0	1	0	0	0	1
Ocwen Financial	100	0	0	0	0	100
Oscar Insurance Company	0	0	0	0	1	1
PHH Mortgage	0	0	28	0	0	28
PricewaterhouseCoopers LLP	25	0	0	0	0	25
Promontory	0	15	0	0	0	15
RBS Financial Products Inc.	0	0	0	0	100	100
Société Générale SA	0	0	0	0	498	498
Standard Chartered Bank	300	0	0	0	40	340
UBS	0	0	0	0	41	41
Volkswagen	0	0	32	33	0	65
Wells Fargo	0	0	0	0	65	65
Western Union	0	0	0	60	0	60
William Penn	0	0	0	0	6	6
Other Settlements	7	0	(7)	0	1	1

Since the Enacted Budget Financial Plan, the State has received $998 million in Extraordinary Monetary Settlement payments from firms that have engaged in conduct that violates State laws and regulations. The table below shows the past and planned uses of settlements.

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	FY 2024	Total
Opening Settlement Balance in General Fund	**0**	**4,667**	**6,300**	**5,335**	**5,020**	**3,943**	**2,684**	**2,081**	**1,170**	**188**	**0**
Receipt of Extraordinary Monetary Settlements	**4,942**	**3,605**	**1,317**	**805**	**1,186**	**0**	**0**	**0**	**0**	**0**	**11,855**
Use/Transfer of Funds	**275**	**1,972**	**2,282**	**1,120**	**2,263**	**1,259**	**603**	**911**	**982**	**188**	**11,855**
Capital Purposes:	**0**	**857**	**2,117**	**391**	**1,020**	**1,021**	**603**	**911**	**982**	**188**	**8,090**
Dedicated Infrastructure Investment Fund	0	857	697	941	1,054	1,125	864	798	784	188	7,308
Environmental Protection Fund	0	0	120	0	0	0	0	0	0	0	120
Mass Transit	0	0	0	67	6	6	6	0	0	0	85
Healthcare	0	0	0	19	72	70	80	63	23	0	327
Clean Water Grants	0	0	0	0	0	0	25	50	175	0	250
Javits Center Expansion	0	0	0	164	388	320	128	0	0	0	1,000
Bond Proceed Receipts for Javits Center Expansion	0	0	0	0	0	(500)	(500)	0	0	0	(1,000)
FY 2017 Temporary Loan to Capital Projects Fund	0	0	1,300	(1,300)	0	0	0	0	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund	0	0	0	500	(500)	0	0	0	0	0	0
Other Purposes:	**275**	**1,115**	**165**	**574**	**993**	**0**	**0**	**0**	**0**	**0**	**3,122**
Audit Disallowance - Federal Settlement	0	850	0	0	0	0	0	0	0	0	850
CSX Litigation Payment	0	0	0	76	0	0	0	0	0	0	76
Financial Plan - General Fund Operating Purposes	275	250	102	461	719	0	0	0	0	0	1,807
Mass Transit Operating	0	0	0	10	0	0	0	0	0	0	10
MTA Operating Aid	0	0	0	0	194	0	0	0	0	0	194
Department of Law - Litigation Services Operations	0	10	63	27	80	0	0	0	0	0	180
OASAS Chemical Dependence Program	0	5	0	0	0	0	0	0	0	0	5
Reservation of Funds:	**0**	**0**	**0**	**155**	**250**	**238**	**0**	**0**	**0**	**0**	**643**
Rainy Day Reserves	0	0	0	0	250	238	0	0	0	0	488
Reserve for Retroactive Labor Settlements	0	0	0	155	0	0	0	0	0	0	155
Closing Settlement Balance in General Fund	**4,667**	**6,300**	**5,335**	**5,020**	**3,943**	**2,684**	**2,081**	**1,170**	**188**	**0**	**0**

April – December 2018
Operating Results

April-December 2018 Operating Results

This Section provides a summary of preliminary operating results for the nine-month period of April 2018 through December 2018 compared to: (1) results for the same time period of the prior fiscal year (April 2017 through December 2017), (2) the projections set forth in the Enacted Budget Financial Plan ("initial estimates") and (3) the FY 2019 Mid-Year Update ("revised estimates"). The focus of the spending discussion is on State Operating Funds, the basis on which the 2 percent annual spending growth benchmark is measured.

All Governmental Funds – Results Compared to Prior Year

All Governmental Funds receipts through December 2018 were $3.2 billion higher than during the same period in the prior year. This growth was comprised of higher Federal grants and miscellaneous receipts, offset by reduced taxes. Spending also increased for all major fund categories with the largest growth seen in Medicaid, Capital and Federal spending.

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

	Results		Increase/(Decrease)	
	FY 2018	FY 2019	$	%
OPENING BALANCE	**11,105**	**12,749**	**1,644**	**14.8%**
ALL FUNDS RECEIPTS:	**118,069**	**121,250**	**3,181**	**2.7%**
Total Taxes	**54,869**	**53,043**	**(1,826)**	**-3.3%**
Personal Income Tax	34,032	32,530	(1,502)	-4.4%
All Other Taxes	20,837	20,513	(324)	-1.6%
Miscellaneous Receipts	**20,549**	**21,562**	**1,013**	**4.9%**
Federal Grants	**42,651**	**46,645**	**3,994**	**9.4%**
Bond & Note Proceeds	**0**	**0**	**0**	**0.0%**
ALL FUNDS DISBURSEMENTS:	**115,226**	**121,557**	**6,331**	**5.5%**
STATE OPERATING FUNDS	**67,660**	**69,317**	**1,657**	**2.4%**
Local Assistance	**44,698**	**46,553**	**1,855**	**4.2%**
School Aid	15,625	16,030	405	2.6%
DOH Medicaid (incl. admin and EP)	15,594	17,412	1,818	11.7%
All Other	13,479	13,111	(368)	-2.7%
State Operations	**20,769**	**21,012**	**243**	**1.2%**
Agency Operations	**14,152**	**14,342**	**190**	**1.3%**
Executive Agencies	7,525	7,572	47	0.6%
University Systems	4,638	4,692	54	1.2%
Elected Officials	1,989	2,078	89	4.5%
Fringe Benefits/Fixed Costs	**6,617**	**6,670**	**53**	**0.8%**
Pension Contribution	2,377	2,362	(15)	-0.6%
Health Insurance	2,917	3,135	218	7.5%
Other Fringe Benefits/Fixed Costs	1,323	1,173	(150)	-11.3%
Debt Service	**2,193**	**1,752**	**(441)**	**-20.1%**
Capital Projects	**0**	**0**	**0**	**0.0%**
CAPITAL PROJECTS (State and Federal Funds)	**7,787**	**8,832**	**1,045**	**13.4%**
FEDERAL OPERATING AID	**39,779**	**43,408**	**3,629**	**9.1%**
NET OTHER FINANCING SOURCES	**(95)**	**(19)**	**76**	**80.0%**
CHANGE IN OPERATIONS	**2,748**	**(326)**	**(3,074)**	**-111.9%**
CLOSING BALANCE	**13,853**	**12,423**	**(1,430)**	**-10.3%**

Receipts

The PIT receipts decreased by $1.5 billion (4.4 percent) due to a significant timing-related decline in current estimated payments related to taxpayer behavior in relation to the cap on SALT deductions, and strong growth in Property Tax Relief credits and Property Tax STAR credit payments, partially offset by moderate growth in withholding receipts, and a decline in total current Tax Year 2017 refunds as the result of a nearly $500 million year-over-year increase in the FY 2018 January to March administrative refund cap.

The decline in all other taxes includes the direct remittance of the PMT collections to the MTA beginning in FY 2019, which previously passed through the State and was thus included in the FY 2018 receipts ($963 million), as well as lower estate tax payments due to the receipt of three super-large estate tax payments through December in FY 2019 at a significantly lower total value, compared to three through the same period in FY 2018. The declines were partly offset by higher Consumption/User tax collections including growth in sales tax and corporate franchise tax receipts.

Miscellaneous receipts were $1 billion (4.9 percent) higher in the current year mainly due to the receipt of a $1 billion payment from Fidelis Care pursuant to the sale of substantially all its assets to Centene Corporation; unplanned extraordinary settlement moneys ($297 million); HCRA receipts ($142 million); and revenues deposited into the newly created Charitable Gifts Trust Fund ($93 million). Lower bond proceeds reimbursements ($933 million), primarily associated with ESDC, partly offset the higher receipts.

Federal grants were $4 billion higher and follow the increase in Federal operating aid disbursements described below.

Spending

State Operating Funds spending totaled $69.3 billion, an increase of $1.7 billion (2.4 percent) compared to the same period of the prior year. Growth in Medicaid ($1.8 billion) and School Aid ($405 million) was partially offset by lower aggregate spending in all other local assistance programs ($368 million).

Increased Medicaid spending was largely driven by: Increased claiming for rate changes that were processed later in this fiscal year ($1 billion); Federal Part D Clawback ($151 million); timing of various program costs ($100 million), ACA reimbursements to local governments ($90 million), Community First Choice ($139 million); and other offline payments; audit collections ($81 million); resolution of Centers for Medicare & Medicaid Services (CMS) deferrals ($248 million); and underspending in the EP ($82 million) associated with the timing of Federal receipts.

The increase in School Aid spending was largely due to an increase in General Aid payments ($474 million), the timing of Statewide Universal Full-Day Prekindergarten (SUFPK) aid payments ($231 million), and Medicaid payments ($47 million). These increases were partially offset by lower spending for Teachers' Retirement ($221 million) and School Aid Lottery payments ($134 million).

The decline in all other local assistance spending was primarily attributable to direct flow of the PMT collections to the MTA, which previously passed through the State and were included in the FY 2018 results ($905 million). This decline was partially offset by increased spending for the MTA Subway Action Plan ($194 million), TAP ($133 million), public assistance benefits ($96 million), and the Special Education Summer School program ($70 million).

Spending growth for executive agency operations occurred primarily in transportation ($163 million), which includes certain operating costs that were moved from the DHBTF to the General Fund beginning in the current year, partially offset by decreased spending across multiple agencies including Department of Corrections and Community Supervision (DOCCS), health and gaming. Operating spending for elected officials and University systems increased due to personal service costs associated with collectively bargained retroactive payments.

Higher fringe benefits spending ($53 million) included planned cost increases for the State's share of employee health insurance and Workers' Compensation payments, offset by lower pension costs and other timing-related transactional adjustments.

Lower debt service spending ($441 million) is attributable to the prepayment of FY 2019 obligations at the end of FY 2018 as well as a shift in principal payments from the beginning of the fiscal year to later in the year due to refundings.

Capital Projects Fund spending increased by $1 billion primarily due to expenses for the MTA ($463 million), expansion of the Jacob Javits Convention Center ($316 million), DOH initiatives ($140 million), and broadband expansion ($69 million).

Growth in Federal operating aid spending ($3.6 billion) was driven by increases in several programs including:

- Medicaid ($1.8 billion higher) reflecting programmatic growth and increases in Federal Share funding.

- Social Services ($1 billion higher) primarily attributable to the timing of payments related to Child Care ($666 million), Public Assistance benefits ($184 million), Flexible Fund for Family Services ($112 million), and the Home Energy Assistance Program (HEAP) ($63 million) programs relative to the same period in the prior year.

- Essential Plan ($272 million higher) due to enrollment growth.

- Medicaid Administration ($254 million higher) attributable to the resolution of FY 2016 CMS deferrals.

- School Aid ($138 million higher) driven by increases in Federal Every Student Succeeds Act (ESSA) grants, partially offset by reduced spending in school breakfast and lunch meal reimbursement and Title III English Language Acquisition State Grants.

All Governmental Funds Results – Compared to Prior Financial Plan

The State ended December 2018 with an All Funds closing balance of $12.4 billion, higher than both estimates ($2.8 billion above the initial estimate and $1.2 billion higher than the revised estimate).

ALL GOVERNMENTAL FUNDS COMPARED TO PLAN
APRIL 2018 THROUGH DECEMBER 2018
(millions of dollars)

	Initial Plan	Revised Plan	Results	Above/(Below) Initial Plan $	Above/(Below) Initial Plan %	Above/(Below) Revised Plan $	Above/(Below) Revised Plan %
OPENING BALANCE	**12,749**	**12,749**	**12,749**	**-**	**0.0%**	**0**	**0.0%**
ALL FUNDS RECEIPTS:	**118,137**	**120,856**	**121,250**	**3,113**	**2.6%**	**394**	**0.3%**
Total Taxes	**53,609**	**53,463**	**53,043**	**(566)**	**-1.1%**	**(420)**	**-0.8%**
Personal Income Tax	33,031	32,811	32,530	(501)	-1.5%	(281)	-0.9%
Consumption / Use Tax	13,159	13,188	13,266	107	0.8%	78	0.6%
Business Taxes	5,736	5,795	5,506	(230)	-4.0%	(289)	-5.0%
Other Taxes	1,683	1,669	1,741	58	3.4%	72	4.3%
Miscellaneous Receipts	**20,877**	**21,490**	**21,562**	**685**	**3.3%**	**72**	**0.3%**
Federal Grants	**43,651**	**45,903**	**46,645**	**2,994**	**6.9%**	**742**	**1.6%**
ALL FUNDS DISBURSEMENTS:	**121,200**	**122,320**	**121,557**	**357**	**0.3%**	**(763)**	**-0.6%**
STATE OPERATING FUNDS	**69,283**	**69,109**	**69,317**	**34**	**0.0%**	**208**	**0.3%**
Local Assistance	**46,034**	**46,304**	**46,553**	**519**	**1.1%**	**249**	**0.5%**
School Aid	16,286	16,240	16,030	(256)	-1.6%	(210)	-1.3%
DOH Medicaid[1]	15,969	16,595	17,412	1,443	9.0%	817	4.9%
Transportation	3,648	3,647	3,582	(66)	-1.8%	(65)	-1.8%
STAR	101	101	74	(27)	-26.7%	(27)	-26.7%
Social Services	2,164	1,986	1,850	(314)	-14.5%	(136)	-6.8%
Higher Education	2,007	2,095	2,023	16	0.8%	(72)	-3.4%
Mental Hygiene	1,620	1,537	1,520	(100)	-6.2%	(17)	-1.1%
All Other	4,239	4,103	4,062	(177)	-4.2%	(41)	-1.0%
State Operations	**21,414**	**21,062**	**21,012**	**(402)**	**-1.9%**	**(50)**	**-0.2%**
Agency Operations	**14,493**	**14,393**	**14,342**	**(151)**	**-1.0%**	**(51)**	**-0.4%**
Personal Service:	10,208	10,309	10,417	209	2.0%	108	1.0%
Executive Agencies	5,598	5,582	5,653	55	1.0%	71	1.3%
University Systems	3,010	3,048	3,082	72	2.4%	34	1.1%
Elected Officials	1,600	1,679	1,682	82	5.1%	3	0.2%
Non-Personal Service:	4,285	4,084	3,925	(360)	-8.4%	(159)	-3.9%
Executive Agencies	2,159	2,031	1,919	(240)	-11.1%	(112)	-5.5%
University Systems	1,718	1,663	1,610	(108)	-6.3%	(53)	-3.2%
Elected Officials	408	390	396	(12)	-2.9%	6	1.5%
Fringe Benefits/Fixed Costs	**6,921**	**6,669**	**6,670**	**(251)**	**-3.6%**	**1**	**0.0%**
Pension Contribution	2,348	2,361	2,362	14	0.6%	1	0.0%
Health Insurance	3,170	3,135	3,135	(35)	-1.1%	-	0.0%
Other Fringe Benefits/Fixed Costs	1,403	1,173	1,173	(230)	-16.4%	-	0.0%
Debt Service	**1,835**	**1,743**	**1,752**	**(83)**	**-4.5%**	**9**	**0.5%**
CAPITAL PROJECTS (State and Federal Funds)	**11,060**	**9,696**	**8,832**	**(2,228)**	**-20.1%**	**(864)**	**-8.9%**
FEDERAL OPERATING AID	**40,857**	**43,515**	**43,408**	**2,551**	**6.2%**	**(107)**	**-0.2%**
NET OTHER FINANCING SOURCES	**(68)**	**(64)**	**(19)**	**49**	**72.1%**	**45**	**70.3%**
CHANGE IN OPERATIONS	**(3,131)**	**(1,528)**	**(326)**	**2,805**	**89.6%**	**1,202**	**78.7%**
CLOSING BALANCE	**9,618**	**11,221**	**12,423**	**2,805**	**29.2%**	**1,202**	**10.7%**

1. Includes the Essential Plan

Receipts

Through December 2018, PIT collections were lower than forecasted due to weaker than expected Tax Year 2018 current estimated payments. Consumption/Use Tax collections exceeded forecasts due to higher sales tax base growth. Lower than projected business tax receipts were primarily driven by the timing of insurance tax payments and lower than projected audit receipts.

Miscellaneous Receipts exceeded the initial projections mainly due to the receipt of unplanned Extraordinary Monetary Settlements ($572 million), and higher HCRA and lottery receipts. These higher receipts were offset by the timing of bond proceed reimbursements, primarily for ESD projects, which were reimbursed with a bond sale in January 2019. Compared to the revised estimates, miscellaneous receipts were in line with projections.

Federal grants were higher than both estimates ($3 billion and $742 million, respectively), driven by Federal operating aid disbursements, as well as the timing of reimbursements for program costs initially financed by the State and later reimbursed with Federal funding.

Spending

Total State Operating Funds spending was $34 million higher than initial estimates and $208 million (0.3 percent) higher than updated estimates. The following discussion of the variances is focused on the comparison to Enacted Budget Financial Plan estimates.

Higher local assistance spending ($519 million) is driven mainly by the following large variances:

- Medicaid ($1.4 billion higher) includes increased claims attributable to timing-related changes to managed care and managed long-term care rate packages ($1.2 billion), certain Nursing Home payments ($70 million), and lower than anticipated pharmacy rebates ($172 million).

- Social Services spending ($314 million lower) was slower than expected for Child Welfare Services ($225 million), public assistance benefit payments ($48 million), and Youth Programs ($20 million).

- School Aid ($256 million lower) includes underspending in Excess Cost aid set-asides for students with disabilities ($153 million), General School Aid payments ($109 million), and slower than anticipated spend-out of various claims-based programs ($82 million), partially offset by higher spending on the Employment Preparation Education program ($61 million) and the State Share Medicaid ($56 million) related to an increase in the Medicaid reimbursement rate for the School Supportive Health Services program.

- Other variances include mental hygiene ($100 million lower) due primarily to the timing of agency payment activity; transportation ($66 million lower); education spending ($54 million lower), largely related to preschool special education payments and Fiscal Stabilization grants; and Public Health ($51 million lower), attributable to General Public Health Works (GPHW), Roswell Park Cancer Institute (RPCI) and Physician Excess Medical Malpractice.

Agency operations spending was $151 million lower than planned. Lower spending for Executive agencies was primarily attributable to Medicaid Administration costs, DOCCS, and EP. SUNY and Judiciary personal service spending was higher than expected due to retroactive salary increases. Lower NPS spending in the University Systems was primarily from SUNY operations.

General State Charges (GSCs) were $251 million lower than initial estimates, primarily due to timing of reimbursements for operations supported by Federal and capital funding.

Capital spending was $2.2 billion below initial projections mainly due to the timing of economic development grant awards ($606 million). Additional underspending occurred in Transportation ($566 million) attributable to slower than projected spending for large scale DOT capital projects; Health and Social Welfare ($502 million) driven by the timing of spending for housing programs ($340 million) and health care facility transformation ($160 million); Education ($297 million) related to lower than anticipated Smart School claims; and lower than anticipated spending for Parks and Environment ($165 million).

Growth in Federal operating aid spending ($2.6 billion) was driven by increases in several programs, including:

- Medicaid ($1.5 billion higher) reflecting increased claims ($1.7 billion), partially offset by lower spending in the Balanced Incentive Program (BIP) ($30 million).

- Social Services ($399 million higher) primarily attributable to timing of payments related to Child Care ($634 million); offset by underspending in Flexible Fund for Family Services ($76 million), public assistance benefit payments and Title XX ($54 million each), HEAP ($35 million), and Supplemental Nutrition Assistance Program benefits ($14 million).

- Public Health ($313 million higher) driven by the Child Health Plus (CHP) program as a result of increased enrollment beyond expectations and higher state operation costs.

- All Other Education ($235 million higher) associated with higher spending on Federal Individuals with Disabilities in Education Act (IDEA) flow-through grants ($205 million).

- Medicaid Administration ($145 million higher) due to local assistance related to the resolution of FY 2016 CMS deferrals ($280 million), offset by lower NPS disbursements attributable to timing of contract payments.

- School Aid ($166 million lower) mainly driven by Federal ESSA grants ($108 million) and reimbursement for school breakfast and lunch meals ($58 million).

Compared to updated estimates, spending variances were generally consistent with the initial estimates described above, except for GSCs, capital projects and Federal Funds, which varied to a lesser degree compared to the revised estimates, due to timing adjustments reflected in the Mid-Year Update.

General Funds Results – Compared to Prior Financial Plan

The General Fund closing balance at the end of December 2018 was $584 million higher than the initial estimate, driven by lower spending ($291 million) and higher receipts ($293 million). Higher receipts include the unplanned receipts of Extraordinary Monetary Settlements.

The PIT collections were lower than expected, with respect to both the initial and revised plans, primarily due to a combination of lower December 2018 current estimated payments and under-estimated transfers from the Revenue Bond Tax Fund to the General Fund. Business tax collections were lower than projected in both the initial and revised estimates, primarily attributable to lower audit receipts and the timing of insurance tax payments.

Local assistance spending was higher than expected, mainly due to Medicaid, partly offset by lower spending in several areas, including School Aid, social services and mental hygiene. Operational spending fell below estimates. General Fund transfers to support capital spending did not occur as planned.

The State ended December 2018 with a balance of $4.8 billion in Extraordinary Monetary Settlement funds held in the General Fund. The balance is higher than planned and reflects the receipt of unplanned settlement moneys and slower utilization.

The table below summarizes the variances from the initial and revised estimates, including Extraordinary Monetary Settlements.

GENERAL FUND OPERATING RESULTS
APRIL THROUGH DECEMBER 2018
(millions of dollars)

				Above/(Below) Variance			
				Initial Plan		Revised Plan	
	Initial Plan	Revised Plan	Results	$	%	$	%
OPENING BALANCE	**9,445**	**9,445**	**9,445**	**-**	**0.0%**	**-**	**0.0%**
Total Receipts	**51,328**	**51,194**	**51,621**	**293**	**0.6%**	**427**	**0.8%**
Taxes:	48,584	48,339	47,934	(650)	-1.3%	(405)	-0.8%
Personal Income Tax[1]	32,538	32,337	32,084	(454)	-1.4%	(253)	-0.8%
Consumption / Use Taxes[1]	10,489	10,438	10,481	(8)	-0.1%	43	0.4%
Business Taxes	3,982	4,024	3,755	(227)	-5.7%	(269)	-6.7%
Other Taxes[1]	1,575	1,540	1,614	39	2.5%	74	4.8%
Receipts and Grants	1,594	1,893	2,804	1,210	75.9%	911	48.1%
Transfers From Other Funds	1,150	962	883	(267)	-23.2%	(79)	-8.2%
Total Spending	**54,707**	**54,161**	**54,416**	**(291)**	**-0.5%**	**255**	**0.5%**
Local Assistance	34,763	35,010	35,230	467	1.3%	220	0.6%
Agency Operations (including GSCs)	14,816	14,548	14,319	(497)	-3.4%	(229)	-1.6%
Transfers to Other Funds	5,128	4,603	4,867	(261)	-5.1%	264	5.7%
Debt Service Transfer	570	509	510	(60)	-10.5%	1	0.2%
Capital Projects Transfer	2,836	2,377	2,667	(169)	-6.0%	290	12.2%
SUNY Operations Transfer	1,034	1,020	1,019	(15)	-1.5%	(1)	-0.1%
All Other Transfers	688	697	671	(17)	-2.5%	(26)	-3.7%
Change in Operations	**(3,379)**	**(2,967)**	**(2,795)**	**584**	**17.3%**	**172**	**5.8%**
CLOSING BALANCE	**6,066**	**6,478**	**6,650**	**584**	**9.6%**	**172**	**2.7%**

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

Other Matters Affecting the Financial Plan

Other Matters Affecting the Financial Plan

General

The Updated Financial Plan is subject to complex economic, social, financial, political, and environmental risks and uncertainties, many of which are outside the ability of the State to control. DOB believes that the projections of receipts and disbursements in the Updated Financial Plan are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from these projections. For instance, actual receipts collections have fallen substantially below the levels forecasted in certain fiscal years. In addition, certain projections contained in the Updated Financial Plan are based on the assumption that annual growth in State Operating Funds spending will be limited to 2 percent in FY 2021, FY 2022, and FY 2023, 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 Updated Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant collection of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impacts of: national and international events; ongoing financial risks in the Euro-zone; changes in consumer confidence, the price and supply of oil and gas; major terrorist events and hostilities or war; climate change and extreme weather events; cybersecurity threats; Federal statutory and regulatory changes concerning financial sector activities; Federal tax law; changes to Federal programs; 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; credit rating agency actions; financial and real estate market developments, which may adversely affect bonus income and capital gains realizations; tech industry developments and employment; the effect of household debt on consumer spending and State tax collections; and the outcomes of litigation and other claims affecting the State.

The Updated Financial Plan is subject to various uncertainties and contingencies relating to: wage and benefit increases for State employees that exceed projected annual costs; changes in the size of the State's workforce; the realization of the projected rate of return for pension fund assets, and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid projected in the Updated Financial Plan; the ability of the State to implement cost reduction initiatives, including reductions in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to 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 Updated Financial Plan are subject to revisions which may result in substantial change. No assurance can be given that these estimates and projections, which depend in part upon actions the State expects to be taken but which are not within the State's control, will be realized.

Budget Risks and Uncertainties

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

The Updated Financial Plan projections for FYs 2020 to 2023 assume that School Aid and Medicaid disbursements will be limited to the ten-year rolling average growth of State personal income and the medical component of the consumer price index (CPI), respectively. Starting in FY 2014, the School Aid growth cap was limited to the annual growth in NYS personal income. To reduce volatility and align with the Medicaid cap, the Executive Budget now proposes amending the statutory PIGI for School Aid to reflect average annual income growth over a ten-year period. Consistent with a ten-year average growth cap, the Updated Financial Plan reflects a School Aid increase of 3.6 percent in SY 2020.

State law grants the Commissioner of Health certain powers and authority to maintain Medicaid spending levels assumed in the Updated Financial Plan. 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. 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 outside factors including fluctuations in economic conditions, which may increase caseload, and changes in Federal aid, which could affect State health care spending. It should further be noted that the Medicaid Global 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 State's share of Medicaid costs.

The Updated Financial Plan forecast assumes various transactions that could fail to occur as planned 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[4]; receipt of miscellaneous revenues at the levels expected in the Updated Financial Plan; and achievement of cost-saving measures including, but not limited to, transfer of available fund balances to the General Fund at levels currently projected. Such risks and uncertainties, if they were to materialize, could adversely impact the Updated Financial Plan in current or future years, or both.

The Updated Financial Plan also includes actions that affect the spending reported in the State Operating Funds basis, 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; (iii) the restructuring of the STAR program to a tax credit for consistency with the reporting of other State tax credits; and (iv) other accounting and reporting changes. If these and other transactions are not implemented as planned, annual spending growth in State Operating Funds would increase above current estimates.

In developing the Updated Financial Plan, DOB attempts to mitigate the financial risks from receipts volatility, litigation, and unexpected costs, with 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 each year, reimbursement for capital advances, acceleration of tax refunds above the level budgeted each year, and prepayment of expenses). There can be no assurance that such resources will be enough 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 policies that drive this Federal aid may be subject to change under the Trump Administration and the new Congress. Current Federal aid projections, and the assumptions on which they rely, are subject to revision because of changes in Federal policy.

In addition, the Updated Financial Plan may also be adversely affected by other Federal government actions, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. For instance, the Updated Financial Plan includes reimbursement to the Federal government of $100 million annually through FY 2027 pursuant to a March 2015 agreement between the State and 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

[4] The Seneca Nation withheld payments to the State that were owed in FY 2018 and FY 2019. On January 7, 2019, the majority of an arbitration panel concluded that the Seneca Nation is obligated to make such payments. The Updated Financial Plan assumes these payments will be received by the end of March 2019.

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 the uncertainty regarding Federal policy, the FY 2019 Enacted Budget and the FY 2020 Executive Budget include legislation to continue authorization for a process by which the State could manage any potentially significant reductions in Federal aid during FYs 2020 and 2021. Specifically, the legislation allows the Budget Director to prepare a plan for consideration by the Legislature if Federal policymakers (a) reduce FFP in Medicaid funding to New York State or its subdivisions by $850 million or more; or (b) reduce FFP 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 proposed significant cuts to mandatory and discretionary domestic programs in Federal Fiscal Years (FFYs) 2018 and 2019, which have thus far been largely rejected by the final appropriations bills advanced for both years. FFY 2020 Federal spending remains at risk due to the significantly lower discretionary spending caps currently in law under the Budget Control Act (BCA) of 2011.

The BCA of 2011 temporarily raised the debt limit, established discretionary spending caps on the Federal government through Federal FY 2021, and instituted sequestration of some mandatory funds on which the State relies. Despite modest legislative adjustments to the discretionary caps contained in the BCA, the possibility of reductions in Federal support is elevated as long as the caps remain in place. Congress passed legislation in 2013, 2015, and 2018 that temporarily increased the discretionary spending caps imposed by the BCA through FFY 2019. Similar adjustments will need to be made to the BCA for the upcoming FFY 2020 to forestall potential cuts in discretionary programs on which the State relies.

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 are scheduled to take effect in FFY 2020, beginning October 1, 2019. DOB estimates that if the changes take effect as scheduled, New York will experience the largest reduction among all states, costing the State $7.2 billion in lost Federal DSH payments when fully phased in.

Federal Health Care Policy

In 2017, the Federal government attempted to end the Basic Health Program Essential Plan (EP) in New York State, reverse the ACA's Medicaid expansion, and 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 policy. If enacted into law, these policies would have had a substantial adverse impact on the State.

Additionally, the Trump Administration withheld Cost Sharing Reduction (CSR) payments, threatening low-cost health insurance coverage for income-eligible recipients purchasing Qualified Health Plan (QHP) or EP coverage through the New York State of Health (NYSOH), New York's official health plan marketplace. Recent actions by the Trump Administration in response to litigation brought by the State will allow the State to recoup some of the withheld EP funding through changes to the reimbursement methodology for 2018. However, the State has not received any guidance on whether it will receive Federal reimbursement in the EP for CSR's in 2019 and beyond. This funding represents about 25 percent of the total Federal funding for the program and, absent any action by Congress, the State Financial Plan remains at risk. The Financial Plan continues to reflect support for the EP program.

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 financial impact to the State from this Federal excise tax.

Medicaid Redesign Team (MRT) Medicaid Waiver

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

System Reform Incentive Payment (DSRIP) Program, Health Homes, and various other Medicaid redesign initiatives.

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

Federal Debt Limit

On March 1, 2019, a temporary suspension of the Federal debt limit expired. The U.S. Treasury is currently operating under "extraordinary measures" to make payments for as long as possible and forestall a potential default. The Congressional Budget Office estimates that these measures will suffice through late summer or early fall of 2019. A Federal government default on payments, particularly for a prolonged period, could have a materially adverse effect on the national and the State economies, financial markets, and intergovernmental aid payments. The specific effects on the Updated Financial Plan of a future Federal government default are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default.

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

Impact of Federal Tax Law Changes

On December 22, 2017, President Trump signed into law the TCJA (H.R. 1, P.L. 115-97), making major changes to the Federal Internal Revenue Code, most of which were effective in the 2018 Tax Year. The 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 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 SALT payments, effective for Tax Year 2018. The TCJA's SALT deduction 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 deduction 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 deduction 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 deduction 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 deduction 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 FY 2019 Enacted Budget included 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 continues to evaluate other tax law changes in response to the TCJA.

On July 17, 2018, the State, joined by Connecticut, Maryland, and New Jersey, filed a lawsuit intended to protect New York taxpayers from the new Federal limit on the SALT deduction. The lawsuit argues that the new SALT limit was enacted to target New York and similarly situated states, that it interferes with states' rights to make their own fiscal decisions, and that it will disproportionately harm taxpayers in these states.

Decoupling From Federal Tax Code

The State tax code is closely aligned in many respects with the Federal tax code. The FY 2019 Enacted Budget included 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 Deduction. The TCJA capped the itemized deductions 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 FY 2019 Enacted Budget included 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 FY 2019 Enacted Budget, employers may opt in to a new ECEP, which is intended to mitigate the tax burden for employees affected by the SALT deduction 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 will 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 Tax Year 2020, and 5 percent in Tax Year 2021. Employers must elect to participate in the ECEP for the upcoming tax year by December 1 of the preceding calendar year. The first annual election was due by December 1, 2018, for the tax year which began 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.

For the 2019 Tax Year, 262 employers elected to participate in the ECEP and are expected to remit $2 million.

State Charitable Gifts Trust Fund

The FY 2019 Enacted Budget created a new State Charitable Gifts Trust Fund to accept gifts, starting in Tax Year 2018, for the purposes of funding health care and education in New York State. Taxpayers who itemize deductions may claim these charitable contributions 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 the 85 percent tax credit[5].

To date, the State has received $93 million in charitable gifts that have been deposited to the Charitable Gifts Trust Fund for healthcare and education ($58 million and $35 million, respectively). The FY 2020 Executive Budget appropriates these funds for authorized purposes. See the discussion below under "Impact of Tax Law Changes on PIT Revenue Bonds" for a stress test projection of the potential impact to PIT bondholders from charitable giving.

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 FY 2019 Enacted Budget amended the State Finance Law provisions creating the Revenue Bond Tax Fund (RBTF) to increase the percentage of New York State PIT receipts required to be deposited upon receipt in the RBTF from 25 percent to 50 percent. In addition, the legislation that created the ECEP required that 50 percent of ECEP receipts received by the State be deposited to the RBTF. These changes became effective April 1, 2018.

The amendments also increased the amount of all New York State PIT receipts collected from payroll withholding and ECEP receipts that must be deposited in the RBTF 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 applicable financing agreements 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 RBTF until amounts on deposit in the RBTF 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 are deposited to the RBTF until amounts on deposit in the RBTF 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 RBTF under the tax law changes enacted by the State as part of the FY 2019 Enacted Budget. To address

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[5] The FY 2019 Enacted Budget also provided that the SUNY Research Foundation, CUNY Research Foundation, and Health Research, Inc. may accept up to $10 million each in charitable gifts on an annual basis. The 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.

this risk, the State increased the amount of PIT receipts deposited into the RBTF from 25 percent to 50 percent.

DOB and DTF performed 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 RBTF under different levels of assumed taxpayer participation. It should not, under any circumstances, be viewed as a 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 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).[6] 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 PIT population study file (2016), 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 (a) no further changes in Federal tax law occur, and (b) DOB projections of the level of State taxpayer liability for the forecast period as set forth in the Updated Financial Plan are materially accurate.

In general, assumptions made regarding taxpayer behavior were intended to maximize the calculated impact of charitable giving on PIT receipts in each year. After these adjustments and with inclusion of ECEP revenues, receipts to the RBTF are projected to remain above the level of receipts that would have been expected under statutes effective prior to April 2018, 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 change materially over time. 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 RBTF below the levels projected in February 2018. 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 RBTF.

Accordingly, although the calculation of a maximum amount of charitable donations to the State Charitable Gifts Trust Fund reflects DOB's and DTF's current best judgment and estimates, such amount may be higher.

[6] The calculation of maximum potential donations is based on current law, including the scheduled reversion of the top PIT rate from 8.82 percent to 6.85 percent starting in Tax Year 2020.

IRS Guidance

On August 23, 2018, the IRS issued proposed regulations – IRS REG-112176-18 – that seek to provide new rules governing the availability of Federal income tax deductions for charitable contributions when a taxpayer receives or expects to receive a state or local tax credit for such charitable contributions. In the case of state tax credits received by a taxpayer making a charitable contribution, the proposed regulations would require the taxpayer to reduce the Federal income tax deduction by the amount of the state tax credit received for such charitable contribution; provided, however, this rule would not apply if the value of the state tax credit to be received does not exceed 15 percent of the charitable contribution. If finalized, the effective date of these proposed regulations would be August 27, 2018. The Treasury Department and the IRS have collected comments from the public on these proposed regulations and held a public hearing on November 5, 2018. Based on its review of the proposed regulations, DOB anticipates that if the proposed regulations are adopted in their current form, then contributions to the State Charitable Gifts Trust Fund may decline. The proposed regulations, by their terms, do not impact the Federal tax reduction that DOB expects would result for certain taxpayers employed by entities that may enroll in the ECEP.

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. As noted above, the IRS has proposed regulations that would impair the ability of taxpayers to deduct donations to the Charitable Gifts Trust Fund from Federally taxable income while receiving State tax credits for such donations.

The FY 2019 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 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 Updated 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.

Current Labor Negotiations and Agreements (Current Contract Period)

The State has multi-year labor agreements in place with most of the unionized workforce. The Civil Service Employees Association (CSEA) and DC-37 (Local 1359 Rent Regulation Service Employees) have five-year labor contracts that provide annual salary increases of 2 percent for FYs 2017 through 2021 and additional compensation changes, offset by benefit design changes within NYSHIP and reductions in overtime costs.

United University Professions (UUP) has a six-year collective bargaining agreement that covers academic years 2017 through 2022. The agreement provides for a 2 percent general salary increase in each year of the contract and additional compensation changes, which are partly offset by benefit design changes within NYSHIP. The cost of the agreement (approximately $253 million in FY 2020) has been included in the Updated Financial Plan and is primarily funded by SUNY except for the related fringe benefit costs, which are paid by the State. At the request of SUNY, the State will advance approximately $110 million in planned payments for State-operated SUNY campuses from November 2018 to June 2019, to make resources available for retroactive payments.

On October 10, 2018, the Police Benevolent Association of the New York State Troopers (NYSTPBA) ratified a five-year collective bargaining agreement for FY 2019 through FY 2023. The agreement provides for a 2 percent annual general salary increase in each year of the contract and additional compensation changes, which are partly offset by changes to health insurance benefit design within NYSHIP, like UUP and CSEA. The cost of this agreement is expected to be offset by agency management plan savings, consistent with past practice.

Employees represented by the Public Employees Federation (PEF) and the Graduate Student Employees Union (GSEU) have three-year collective bargaining agreements providing 2 percent annual salary increases in FYs 2017 through 2019. Salary increases provided to PEF and GSEU employees were also extended to Management/Confidential (M/C) employees. Negotiations on the next contracts with PEF and GSEU are expected to commence later in the year.

The State and NYSCOPBA recently agreed to a seven-year contract covering fiscal years 2017 through 2023, which was ratified by the membership on January 24, 2019. The agreement provides for a 2 percent general salary increase each year, and additional compensation changes, offset by benefit design changes within NYSHIP and reductions in overtime costs. The agreement is estimated to cost approximately $360 million in FY 2019 and FY 2020, including retroactive payments. The cost of the agreement, which is reflected in this update, is expected to be offset by reserves previously included in the Financial Plan.

The State is in negotiations with all other employee unions whose contracts concluded in previous fiscal years, including the New York State Police Investigators Association (NYSPIA) and Council 82. Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose contract expired at the end of FY 2015.

The contract periods for State employee union contracts are illustrated below.

UNION LABOR CONTRACTS IN PLACE
(Annual Salary Increase Percentages)

	Current/Expired Contract Period	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
NYSPBA	FY 2019 - FY 2023	2%	2%	2%	2%	2%	2%	2%	2%	2%
NYSCOPBA	FY 2017 - FY 2023	2%	2%	2%	2%	2%	2%	2%	2%	2%
UUP	AY 2017 - AY 2022	2%	2%	2%	2%	2%	2%	2%	2%	
CSEA	FY 2017 - FY 2021	2%	2%	2%	2%	2%	2%	2%		
DC-37	FY 2017 - FY 2021	2%	2%	2%	2%	2%	2%	2%		
PEF	FY 2017 - FY 2019	2%	2%	2%	2%	2%				
GSEU	FY 2017 - FY 2019	2%	2%	2%	2%	2%				
CUNY	FY 2011 - FY 2018	2.5%	2%	2%	1.5%					
NYSPIA	FY 2012 - FY 2018	2%	2%	1.5%	1.5%					
Council 82	FY 2010 - FY 2016	2%	2%							
PBANYS	FY 2006 - FY 2015	2%								

The Judiciary also has agreements 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.

Pension Contributions[7]

Overview

The State makes annual contributions to the New York State and Local Retirement System (NYSLRS) for employees in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). This section discusses contributions from the State, including the Judiciary, to the NYSLRS, which account for the majority of the State's pension costs.[8] 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 beginning in 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. During FY 2019, salary scale assumptions were further changed via a one-time 10 percent increase for both ERS and PFRS, which will be reflected in FY 2020 contribution rates.

FY 2019 Projections

The State's FY 2019 ERS/PFRS pension liability estimate of $2.2 billion is based on the most recent bill prepared by OSC as of October 2018. The estimate includes payment of $432 million towards the balance outstanding on prior-year deferrals (i.e., amortizations) and additional interest savings from paying the majority of the pension bill in April 2018. The State's FY 2019 ERS/PFRS pension estimate was revised downward based on actual FY 2018 salary base (used to calculate the FY 2019 bill), which was lower than previously projected.

FY 2020 Projections

The preliminary FY 2020 ERS/PFRS pension liability estimate of $2.2 billion is impacted by FY 2018 investment returns 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 14.9 percent to 14.6 percent of payroll, while the average contribution rate for PFRS will remain stable at 23.5 percent of payroll.[9] In addition to the $2.2 billion liability, the FY 2020

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

[8] 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).

[9] 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.

estimate reflects a $500 million repayment in FY 2020 of amortized pension costs due in FY 2021 through FY 2023. The accelerated repayment would save approximately $33 million in interest expense. DOB will evaluate fiscal conditions before executing the accelerated amortization repayment.

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 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 $27 million in FY 2019 based on actual credit purchased through December 31, 2018. DOB currently estimates ERS costs of $30 million in FY 2020 and ongoing costs of $7 million beginning in FY 2021 as additional veterans become eligible to purchase the credit.

Outyear Projections

Pension liability estimates for FY 2021 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[10]

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

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

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

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

The 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
(millions of dollars)

	Statewide Pension Payments[1]					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	5.00	11.5	18.1	9.5	17.5
2012	2,037.6	(562.9)	32.3	1,507.0	3.75	15.9	21.6	10.5	18.5
2013	2,076.1	(778.5)	100.8	1,398.4	3.00	18.5	25.7	11.5	19.5
2014	2,633.8	(937.0)	192.0	1,888.8	3.67	20.5	28.9	12.5	20.5
2015	2,325.7	(713.1)	305.7	1,918.3	3.15	19.7	27.5	13.5	21.5
2016	1,972.1	(356.1)	389.9	2,005.9	3.21	17.7	24.7	14.5	22.5
2017	1,788.6	0.0	432.1	2,220.7	2.33	15.1	24.3	15.1	23.5
2018	1,786.6	0.0	432.1	2,218.7	2.84	14.9	24.3	14.9	24.3
2019 Est.	1,762.9	0.0	432.1	2,195.0	3.64	14.4	23.5	14.4	23.5
2020 Est.[5]	1,799.0	0.0	932.1	2,731.1	TBD	14.2	23.5	14.2	23.5
Projected by DOB[6]									
2021	1,967.8	0.0	212.9	2,180.7	TBD	15.2	24.5	15.2	24.5
2022	2,188.6	0.0	212.8	2,401.4	TBD	16.2	25.5	16.2	25.5
2023	2,392.6	0.0	204.1	2,596.7	TBD	17.2	26.5	17.2	26.5
2024	2,607.8	0.0	240.1	2,847.9	TBD	18.2	27.5	18.2	27.5
2025	2,815.5	0.0	126.4	2,941.9	TBD	19.2	28.5	19.2	28.5
2026	3,028.2	0.0	42.2	3,070.4	TBD	20.2	29.5	20.2	29.5

[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] FY 2020 liability is $2.2 billion before pre-payment of $500 million of amortization principal due in FY 2021 through 2023.

[6] 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 "(Amortization Amount) / Excess Contributions" column shows amounts amortized. The "Repayment of Amortization" 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 either NYSHIP or 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 Governmental Accounting Standards Board (GASB) Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2018, 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 2018, the unfunded actuarial accrued liability for FY 2018 is $90.5 billion ($72.8 billion for the State and $17.7 billion for SUNY), an increase of $3.3 billion from FY 2017 (attributable entirely to SUNY). The unfunded actuarial accrued liability for FY 2018 used an actuarial valuation of OPEB liabilities as of April 1, 2016. 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 2018 totaled $5.5 billion ($4.3 billion for the State and $1.2 billion for SUNY), an increase of $1.3 billion from FY 2017 ($1 billion for the State and $264 million for SUNY). The actuarially-determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level percentage of earnings basis. The actuarially determined cost was $3.6 billion ($2.7 billion for the State and $878 million for SUNY) greater than the PAYGO required cash payments for retiree costs made by the State in FY 2018. 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 2018 by $3.6 billion.

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

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

The FY 2018 Enacted Budget included legislation creating a Retiree Health Benefit Trust Fund (the "Trust Fund") that authorizes the State to reserve money for the payment of health benefits of retired employees and their dependents. Under the legislation, the State may deposit into the Trust Fund, in any given fiscal year, up to 0.5 percent of total then-current unfunded actuarial accrued OPEB liability. The Updated Financial Plan does not include any deposits to the Trust Fund.

The provisions of GASB Statement 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions), which amends GASB Statement 45 and GASB Statement 57, is expected to be incorporated into the State's FY 2019 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, standardize 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 Updated Financial Plan cash PAYGO projections for health insurance costs. DOB's 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 Updated Financial Plan. For more information, see the "Litigation" section later in this AIS Update.

Climate Change Adaptation

Climate change poses significant long-term threats to physical and biological systems in New York and around the world. 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. The potential effects of climate change could adversely impact the Updated Financial Plan in current or future years. To mitigate and manage these impacts, significant long-term planning and investments by the Federal government, the State of New York, municipalities, and public utilities are expected to be needed to adapt existing infrastructure to climate change risks.

On October 8, 2018, the United Nations' Intergovernmental Panel on Climate Change (IPCC) released a special report on the impacts of global warming. The report found that human activity has already caused approximately 1.0°C of warming and is continuing to increase average global temperatures at 0.2°C per decade due to past and ongoing emissions. The IPCC states that global warming is likely to reach 1.5°C of warming between 2030 and 2052 if temperatures continue to increase at the current rate. This increase is expected to produce a range of adverse outcomes ("reasons for concern"). For example, the IPCC rates global risks of extreme weather events and coastal flooding as increasing from moderate ("detectable") today, to high ("severe and widespread") at 1.5°C of warming. The risk of severe impacts increases further at higher temperatures. Using current trends, climate change risks increasingly fall within the term of current outstanding bonds of the State, its public authorities and municipalities. State bonds may be issued with a term of up to 30 years under State statute.

Participants in financial markets are increasingly 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.[12] 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 risks for the northeastern United States, including New York 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 in 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, its localities, and the MTA 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.

[12] 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 Chief Information Security Office (CISO) 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[13], and annually assesses the implementation of security policies and standards to ensure compliance through the Nationwide Cyber Security Review. In addition, the CISO maintains the New York State Cyber Command Center team, which provides a security operations center, digital forensics capabilities, 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. 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 cyber attacks. Banks, insurance companies and other covered entities regulated by DFS are, unless eligible for limited exemptions, required to: (a) maintain a cybersecurity program, (b) create written cybersecurity policies and perform risk assessments, (c) designate a Chief Information Security Officer with responsibility to oversee the cybersecurity program, (d) annually certify compliance with the cybersecurity regulations, and (e) 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 projections. 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 aid 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.

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[13] Statewide cybersecurity policies can be found at: https://its.ny.gov/eiso/policies/security.

Bond Market

Successful Implementation of the Updated Financial Plan is dependent on the State's ability to market bonds. The State finances much of its capital spending, in the first instance, from the General Fund or the STIP, which it then reimburses with proceeds from the sale of bonds. If the State or its public authorities 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 and related ratings issued by national credit rating agencies, among other factors. 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 to 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 after 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 2018).

Updated Financial Plan projections indicate that debt outstanding and debt service will continue to remain below limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the available debt capacity under the debt outstanding cap is expected to decline from $5.8 billion in FY 2019 to about $24 million in FY 2023. This includes the estimated impact of funding increased capital commitment levels with State bonds. The debt service costs on debt issued after April 1, 2000 and estimated new issuances is projected at $5.1 billion in FY 2020, or roughly $3.5 billion below the statutory debt service limitation.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000[1]	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2019	$1,338,085	4.00%	53,523	47,692	5,831	3.56%	0.44%	5,581	53,273
FY 2020	$1,388,391	4.00%	55,536	52,163	3,373	3.76%	0.24%	4,878	57,041
FY 2021	$1,446,835	4.00%	57,873	55,761	2,112	3.85%	0.15%	3,406	59,167
FY 2022	$1,508,158	4.00%	60,326	59,180	1,146	3.92%	0.08%	2,789	61,969
FY 2023	$1,572,593	4.00%	62,904	62,880	24	4.00%	0.00%	2,186	65,066
FY 2024	$1,639,763	4.00%	65,591	65,330	261	3.98%	0.02%	1,698	67,028

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity	Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
FY 2019	$169,200	5.00%	8,460	4,710	3,750	2.78%	2.22%	1,265	5,975
FY 2020	$172,378	5.00%	8,619	5,074	3,545	2.94%	2.06%	620	5,694
FY 2021	$173,663	5.00%	8,683	5,578	3,105	3.21%	1.79%	1,463	7,041
FY 2022	$179,746	5.00%	8,987	5,966	3,021	3.32%	1.68%	1,097	7,063
FY 2023	$186,444	5.00%	9,322	6,486	2,836	3.48%	1.52%	862	7,348
FY 2024	$191,244	5.00%	9,562	6,921	2,641	3.62%	1.38%	602	7,523

[1] Assumes that SUNY Dormitory Facilities lease revenue bonds will be refunded into the new SUNY Dormitory Facilities Revenue Bond credit at their call dates.

The projected debt capacity under the debt outstanding cap depends on expected growth in State personal income. The State uses personal income estimates published by the Federal government, specifically the Bureau of Economic Analysis (BEA), to calculate the cap on debt outstanding, as required by statute. The BEA revises these estimates on a quarterly basis and such revisions can be significant. The BEA increased its calendar year 2017 personal income estimate by $70 billion from March to October 2018, resulting in a $2.8 billion increase in debt outstanding capacity. Notably, this material fluctuation in statutory debt capacity occurred between the end of FY 2018, when debt outstanding is measured, and the final compliance determination in October 2018. While, in this instance, the State benefitted from the significant increase in BEA's estimate of New York State personal income, this volatility could have compromised the State's ability to manage within its statutory debt cap had the personal income estimate been unexpectedly revised downward by a similar amount. Absent such swings in personal income estimates, the State traditionally has relied on adjustments to capital spending priorities and debt financing practices to preserve available debt capacity and stay within the statutory limits.

Such volatility in New York State personal income estimates has prompted DOB to reexamine the manner in which BEA calculates personal income, in particular the apportionment of income among states. For Federal reporting purposes, BEA reassigns income from the state where it was earned to the state in which a person resides, for situations where a person lives and earns income in different states (the "residency adjustment"). The BEA residency adjustment has the effect of reducing New York State personal income because income earned in New York by nonresidents regularly exceeds income earned in other states by New York residents. The net residency adjustment reported by BEA decreased the measure of 2017 State personal income by $73 billion at the time of the FY 2018 debt outstanding calculation. The State taxes all personal income earned in New York, regardless of place of residency. Therefore, including the BEA personal income residency adjustment in the debt cap calculation reduces alignment with the State tax base and understates the PIT revenues available to support State debt. To date, in administering the debt reform cap, DOB has used State personal income, as reduced by the BEA residency adjustment, in debt outstanding cap calculations and projections which correspondingly reduces the State's debt capacity under the Debt Reform Act.

Changes in the State's available debt capacity since the Mid-Year Update, as illustrated below, reflect the impact of several factors, including personal income forecast adjustments and capital spending revisions. 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 REMAINING CAPACITY SUMMARY (millions of dollars)					
	FY 2019 Current	FY 2020 Proposed	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
Mid-Year Update to the Financial Plan	**5,794**	**4,175**	**3,438**	**2,878**	**2,066**
Personal Income Forecast Adjustment	(187)	(579)	(719)	(820)	(901)
Capital Spending	224	(223)	(607)	(912)	(1,141)
FY 2020 Executive Budget Financial Plan as Amended	**5,831**	**3,373**	**2,112**	**1,146**	**24**

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 $125 million for debt service costs. DASNY also estimates that the State will pay debt service costs of approximately $31 million in FY 2020 and FY 2021, $25 million in FY 2022, and $20 million in FY 2023 and FY 2024. 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, 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 $7 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 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 (a) 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 (b) 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. The physical demolition has been completed, and final review of the environmental paperwork is nearing completion.

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.

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.

Consensus Revenue Forecast

The consensus revenue forecasting process is set forth in State Finance Law. On February 28, 2019, representatives from the Executive, Legislature, OSC and independent nationally recognized economists, met to discuss the outlook for economic activity and receipts. The majorities in each house of the Legislature issued public estimates that were substantially above the receipts forecast set forth in the State's official Financial Plan dated February 15, 2019. On March 1, 2019, the Executive and Legislature did not reach a consensus on the projections of certain receipts for the current and ensuing fiscal years.

On March 5, 2019, the State Comptroller issued his report containing a forecast for the projections of certain receipts for the current and ensuing fiscal years. The State Comptroller projects that receipts over the two-year period (FYs 2019 and 2020) will be above the Executive Budget forecast by $190 million. If excess receipts at this level were to materialize, DOB plans to deposit them into the State's rainy day reserves, fiscal conditions permitting. Consistent with prior fiscal years, the projections from the consensus forecasting process are not reflected in the Updated Financial Plan. DOB will undertake a complete update to the official Financial Plan projections following the enactment of the FY 2020 budget.

State Financial Plan
Multi-Year Projections

Introduction

This section presents the State's multi-year Updated Financial Plan projections for receipts and disbursements, reflecting the impact of forecast revisions in FYs 2020 through FY 2023, with an emphasis on the FY 2020 projections, which reflect the impact of the Updated 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 Updated Financial Plan. Accordingly, in terms of outyear projections, the first "outyear" of the FY 2020 budget, FY 2021, is the most relevant from a planning perspective.

Summary

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

The projections for FY 2021 and thereafter set forth in the Updated 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 Updated Financial Plan. From time to time, the State has approved legislation that has affected the spending reflected in State Operating Funds.

Estimated savings are labeled on a distinct line in the Updated Financial Plan tables as "Adherence to 2% Spending Benchmark." The total disbursements in the Updated Financial Plan tables do not assume these savings. Such savings 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 Updated Financial Plan multi-year projections for the General Fund and State Operating Funds, as well as reconciliation between the State Operating Funds projections and the General Fund budget gaps. The tables are followed by a summary of the multi-year receipts and disbursements forecasts.

General Fund Projections

GENERAL FUND PROJECTIONS (millions of dollars)	FY 2019 Current	FY 2020 Proposed	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
RECEIPTS					
Taxes (After Debt Service)	64,127	70,340	72,437	76,149	80,206
Miscellaneous Receipts/Federal Grants	3,195	2,071	2,049	1,906	1,896
Other Transfers	3,336	2,664	2,139	1,790	1,709
Total Receipts	**70,658**	**75,075**	**76,625**	**79,845**	**83,811**
DISBURSEMENTS					
Local Assistance	49,784	50,969	55,057	57,524	60,617
School Aid	23,127	23,402	24,816	26,027	27,296
Medicaid	14,271	15,182	16,143	17,267	18,049
All Other	12,386	12,385	14,098	14,230	15,272
State Operations	11,544	11,802	12,691	12,730	13,029
Personal Service	8,714	8,856	9,562	9,552	9,751
Non-Personal Service	2,830	2,946	3,129	3,178	3,278
General State Charges	7,383	8,163	8,031	8,625	9,239
Transfers to Other Funds	4,847	5,688	6,215	6,455	7,060
Debt Service	804	537	762	653	642
Capital Projects	1,963	2,895	3,051	3,214	3,678
SUNY Operations	1,020	1,174	1,255	1,255	1,255
All Other	1,060	1,082	1,147	1,333	1,485
Total Disbursements	**73,558**	**76,622**	**81,994**	**85,334**	**89,945**
Use (Reservation) of Fund Balance:	**2,900**	**1,547**	**610**	**911**	**982**
Community Projects	13	26	7	0	0
Labor Agreements	155	0	0	0	0
Undesignated Fund Balance	1,905	0	0	0	0
Rainy Day Reserve	(250)	(238)	0	0	0
Debt Management	0	500	0	0	0
Extraordinary Monetary Settlements[1]	1,077	1,259	603	911	982
BUDGET SURPLUS/(GAP) PROJECTIONS[2]	**0**	**0**	**(4,759)**	**(4,578)**	**(5,152)**
Adherence to 2% Spending Benchmark[3]	**n/a**	**n/a**	**2,721**	**4,088**	**5,869**
BUDGET SURPLUS/(GAP) ESTIMATE AT 2%	**0**	**0**	**(2,038)**	**(490)**	**717**

[1] 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.

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

[3] Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor is expected to propose, and the Legislature continues to enact, a budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. Assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

State Operating Funds Projections

STATE OPERATING FUNDS DISBURSEMENTS
(millions of dollars)

	FY 2019 Current	FY 2020 Proposed	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
RECEIPTS					
Taxes	73,555	79,392	82,649	86,606	90,886
Miscellaneous Receipts/Federal Grants	23,062	20,153	18,686	18,874	18,400
Total Receipts	**96,617**	**99,545**	**101,335**	**105,480**	**109,286**
DISBURSEMENTS					
Local Assistance	66,338	67,421	70,370	73,070	75,694
School Aid (School Year Basis)	26,734	27,690	28,784	30,036	31,313
DOH Medicaid[1]	20,400	21,135	22,093	23,199	24,064
Transportation	3,936	3,534	3,565	3,694	3,845
STAR	2,424	2,186	2,073	1,979	1,858
Higher Education	3,002	2,945	2,934	2,979	3,014
Social Services	2,846	2,831	2,957	3,015	3,018
Mental Hygiene	2,176	1,978	2,499	2,490	2,748
All Other[2]	4,820	5,122	5,465	5,678	5,834
State Operations	19,403	19,609	20,336	20,458	20,812
Personal Service	13,795	14,052	14,717	14,734	15,017
Non-Personal Service	5,608	5,557	5,619	5,724	5,795
General State Charges	8,428	9,234	9,164	9,771	10,414
Pension Contribution	2,422	2,963	2,417	2,643	2,838
Health Insurance	4,196	4,307	4,627	4,961	5,323
All Other	1,810	1,964	2,120	2,167	2,253
Debt Service	5,975	5,694	7,041	7,063	7,348
Capital Projects	0	0	0	0	0
Total Disbursements [3]	**100,144**	**101,958**	**106,911**	**110,362**	**114,268**
Net Other Financing Sources/(Uses)	1,049	192	(36)	(353)	(806)
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	2,478	2,221	853	657	636
General Fund	2,900	1,547	610	911	982
Special Revenue Funds	(496)	677	248	(238)	(329)
Debt Service Funds	74	(3)	(5)	(16)	(17)
GENERAL FUND BUDGET SURPLUS/(GAP)[3]	**0**	**0**	**(4,759)**	**(4,578)**	**(5,152)**
Adherence to 2% Spending Benchmark[4]	**n/a**	**n/a**	**2,721**	**4,088**	**5,869**
BUDGET SURPLUS/(GAP) ESTIMATE AT 2%	**0**	**0**	**(2,038)**	**(490)**	**717**

1 Total State share Medicaid funding excludes the utilization of tobacco MSA payments which will be directly deposited to a Medicaid 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 current FY 2019 projections), assuming that the Governor is expected to propose, and the Legislature continues to enact, a budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. Assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Economic Backdrop

The U.S. Economy

DOB projects real growth in U.S. Gross Domestic Product (GDP) of 2.4 percent for calendar year 2019, following estimated growth of 2.9 percent for calendar year 2018. Global economic data indicate further weakening to come, putting downward pressure on inflation. This could keep the Federal Reserve cautious with respect to further increases in the Federal funds rate.

The projected quarterly growth path for U.S. real GDP has been altered by the impact of the recent partial Federal government shutdown. The partial Federal government shutdown lasted five weeks, from December 22, 2018, through January 25, 2019, making it the longest in U.S. history. Almost 800,000 Federal government workers were either furloughed or worked without pay; based on Congressional Budget Office (CBO) estimates, a total of approximately $18 billion in Federal discretionary spending was delayed.[14] The Updated Financial Plan forecast incorporates CBO's estimates of the altered path of Federal spending due to the shutdown.

Based on CBO estimates, DOB assumes the partial Federal government shutdown lowered the level of U.S. real GDP by one-tenth of a percent relative to what it otherwise would have been, reflecting the negative impact from delayed Federal government spending, weaker consumer spending due to the delayed payment of Federal government workers, and second-round effects of lower private-sector income resulting from Federal spending delays. This lost inflation-adjusted level of output is estimated to have resulted in lower growth of 0.2 percentage point on a seasonally adjusted annualized basis. Additional weakness in housing and net exports has resulted in a total downward revision to projected U.S. real GDP in 2019 to 2.4 percent.

CBO estimates that the partial government shutdown will continue to shave growth from the first quarter of 2019 since not all forgone economic activity will be recoverable in February and March 2019. Furloughed Federal employees may try to make up for forgone activity once they resume work, but in the National Income and Product Accounts data, the contribution of Federal salaried workers to real GDP is usually measured as a function of their regular hours and thus will not be recorded. However, it is assumed that all of the recoverable activity will be recouped before September 30, 2019, the end of the current Federal fiscal year. Therefore, a boost to economic output is expected for both the second and third quarters of calendar year 2019, as Federal workers spend their back pay and Federal agencies resume making purchases and providing services.

The partial Federal government shutdown is expected to have had a small temporary impact on both the level of employment and the unemployment rate. The estimated 800,000 Federal employees who were either furloughed or working without pay will receive back pay, so they

[14] Congressional Budget Office, "The Effects of the Partial Shutdown Ending in January 2019," January 28, 2019. See https://www.cbo.gov/publication/54937, viewed February 8, 2019. CBO's estimates do not account for the uncertainty caused by the delayed publication of economic data from the Federal agencies affected by the shutdown.

should be counted as employed in the establishment survey conducted by the Bureau of Labor Statistics (BLS). Based on the household survey, from which the unemployment rate is derived, only the 300,000 Federal workers who were furloughed in January 2019 would be counted as unemployed on temporary layoff, which may have elevated the January 2019 unemployment rate. But the temporary decrease in private-sector activity that resulted from the partial Federal government shutdown might have slowed hiring and increased layoffs in the private sector. On balance, January 2019 employment posted a strong monthly gain of 304,000. However, household survey data indicate that the number of individuals working part-time for economic reasons increased by 490,000 in January 2019. This jump could include unpaid Federal workers who took temporary part-time jobs to replace a portion of their lost income, in which case the January 2019 monthly gain could have overstated the strength of the labor market.

In addition, the annual benchmark revisions to the payroll survey data raised the average monthly gain for 2018 to 223,000. DOB's current outlook for the labor market reflects this gain, with average monthly gains of 166,000 now projected for 2019. However, DOB expects employment growth to slow as the expansion matures. Total nonagricultural employment growth of 1.6 percent is projected for 2019, a deceleration from a revised 1.7 percent for 2018.

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

	2018 (Estimate)	2019 (Forecast)	2020 (Forecast)
Real U.S. Gross Domestic Product	2.9	2.4	2.1
Consumer Price Index (CPI)	2.4	2.0	2.4
Personal Income	4.4	4.1	4.3
Nonagricultural Employment	1.7	1.6	1.2

Source: Moody's Analytics; DOB staff estimates.

In an effort to normalize interest rates, the Federal Reserve raised its Federal funds target rate three times in 2017 and four times in 2018. However, as the outlook for both the domestic and global economies becomes murkier, the outlook for monetary policy has become more uncertain. The Federal Open Market Committee (FOMC) removed references to "further gradual increases" in its January 2019 meeting statement and included new language signaling a more patient, data-dependent stance. DOB's economic outlook is consistent with a single rate hike at the end of 2019, followed by one more rate hike in 2020. This would bring the upper end of the target range close to 3 percent by the end of 2020.

Several factors are at work prompting a change in the monetary policy outlook. First, the global economic outlook has deteriorated. The failure to produce a Brexit deal has clouded the outlook for the U.K. economy, while the Italian economy appears to be in recession. Moreover, China's fragile growth outlook has reduced momentum in all its neighboring trading partners. While currency pressures eased in 2018, growth in other emerging markets is not expected to be able to offset the weakness in developed markets. World GDP is expected to be weaker. Accordingly, real export growth of 2.5 percent is projected for 2019.

Second, financial conditions have tightened. The most recent results from the Federal Reserve's Senior Loan Officer Survey indicate a tightening of bank lending standards. The risk spread (as measured by difference between corporate bond yields and risk-free long-term treasury yields) widened over the course of 2018 and continued widening in early 2019. Meanwhile, the yield curve, which tracks the difference between long- and short-term rates, remains relatively flat, putting downward pressure on banking system profits, particularly now that the rates that banks pay their depositors are finally rising from historically low levels, as banks are forced to compete with the rise in risk-free short-term Treasury yields. The 10-year Treasury yield has fallen more than 50 basis points since early November 2018, despite a 25 basis-point increase in the Federal funds rate in the middle of December 2018. The decline in the 10-year Treasury yield is due in large part to the safe-haven status of U.S. Treasury securities and is therefore likely to persist, particularly as the global economy decelerates.

Finally, inflation remains moderate from a historical perspective and well within the Federal Reserve's target range. Domestic oil prices appear to be stabilizing between $50 and $55 per barrel, with slowing global growth and expanding U.S. production providing a counterweight to the uncertainty that a complicated geopolitical landscape is having on supply. Thus, there is little evidence that inflation is poised to rise significantly above the Federal Reserve's 2 percent target over the near term. Therefore, consumer price inflation is estimated to fall from 2.4 percent in 2018 to 2.0 percent in 2019 on an annual average basis.

Many risks to the economic outlook remain. Recent analysis by the U.S. Government Accountability Office indicates that many households may have under-withheld during the 2018 tax year under the new tax law, resulting in fewer and smaller refunds paid out by the IRS in the first and second quarters of 2019 than anticipated. If this phenomenon is sufficiently widespread, household spending for the first half of 2019 could be weaker than reflected in the Updated Financial Plan forecast. If the U.S. and China fail to strike a trade deal, yet another escalation in the tariff war could cause world trade to contract further, possibly damaging U.S. corporate profits if companies are forced to shift away from east Asian supply chains to more expensive countries. In addition, if tariffs result in even higher input prices than anticipated, the current relatively benign inflation environment could deteriorate, possibly resulting in lower job and investment growth than reflected in the Updated Financial Plan forecast. Slower global growth than projected could result in lower demand for U.S. exports, resulting in weaker growth in corporate profits, investment, and employment than reflected in the Updated Financial Plan forecast.

Finally, all of the risks mentioned above have injected a large degree of volatility into equity markets in recent months. Lower and more volatile equity prices can result in lower household spending through both the wealth effect and as a signal that the road ahead is uncertain. This volatility could be further exacerbated by the risk surrounding the long-term impact of declining Federal tax receipts on budget deficits and the national debt, due to the TCJA and other Federal actions. On the positive side, if global growth is stronger than reflected in this outlook, or lower long-term interest rates spark a stronger housing market than expected, growth in corporate profits, investment, and employment could be stronger than anticipated in the Updated Financial Plan forecast.

The New York State Economy

New York State private sector job growth appears to be stabilizing at a historically healthy rate. Following 1.5 percent growth for calendar year 2017, the first half of calendar year 2018 had slightly stronger growth of 1.6 percent. However, the State economy will not be immune to slowing global growth and a weakening national economy going forward. Indeed, preliminary data for the second half of calendar year 2018 indicate a slight decrease from the first half of 2018, resulting in estimated growth of 1.4 percent for all of 2018, representing an upward revision of 0.1 percent from the Enacted Budget Financial Plan forecast. Slower growth of 1.3 percent is projected for 2019 as national and global economic growth moderates, which represents an upward revision of 0.1 percent above the Enacted Budget Financial Plan forecast.

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

	FY 2018 (Actual)	FY 2019 (Estimated)	FY 2020 (Forecast)
Personal Income	5.7	3.9	4.1
Wages	4.7	3.2	3.8
Nonagricultural Employment	1.3	1.2	1.1

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

Finance and insurance sector bonuses, which at the time of the Enacted Budget Financial Plan forecast were expected to decline by 1.9 percent in FY 2019, have been revised downward and are now expected to decline by 14.7 percent for FY 2019. The estimated decline in finance and insurance sector bonuses in FY 2019 is attributable to weaker estimates of Wall Street's calendar year 2018 revenue performance, and evidence that one-time bonus payments in FY 2018 were likely stronger than originally estimated. Finance and insurance sector bonus growth of 0.2 percent is projected for FY 2020.

Revised Quarterly Census of Employment and Wage data indicate weaker bonus growth, but stronger non-bonus wage growth for the second half of 2018. Underlying non-bonus wage growth is projected at 4.8 percent for FY 2019, with 4.2 percent growth now projected for FY 2020. On balance, total State wage growth of 3.2 percent is projected for FY 2019, representing a 0.4 percentage point downward revision from the Enacted Budget Financial Plan forecast, while wage growth of 3.8 percent is projected for FY 2020.

Equity market volatility and taxpayer responses to both anticipated and actual changes to Federal tax law have resulted in large swings in taxable non-wage income for the State. For example, prior to 2009, hedge fund managers were able to avoid paying U.S. income taxes on fee compensation earned from their offshore funds by deferring and reinvesting it. The Emergency Economic Stabilization Act of 2008 ended this practice and required that all deferred compensation for services performed before January 1, 2009, be repatriated by December 31, 2017, at which point it would be subject to taxation. DOB estimates that approximately $15 billion in such income was added to New York State adjusted gross income (NYSAGI) for the 2017 tax year. Moreover, the results of the 2016 presidential election created an expectation among high-income taxpayers that Federal PIT rates would be reduced effective in 2017, including the capital gains tax. This expectation likely motivated taxpayers to delay capital gains, wages, and possibly other income-generating activity into 2017, reducing wage and nonwage income for 2016 and increasing it for 2017. State taxpayers are estimated to have delayed $6 billion in capital-gains generating activity from 2016 into 2017. These developments, combined with fourth quarter financial market activity, are estimated to have boosted growth in the non-wage components of NYSAGI for the 2017 Tax Year, while depressing them for 2018. As a result, positive capital gains realizations are now estimated to have fallen 3.1 percent for the 2018 Tax Year, following growth of 32.2 percent for 2017. Combined positive partnership and S Corp gains are estimated to have fallen 16.1 percent for tax year 2018, following growth of 18.1 percent for 2017.

Although State private sector job growth remains above its historical average, 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 the State. The uncertainty surrounding the macroeconomic outlook for the national and global economies is amplified in the financial markets, as demonstrated by the 19.8 percent decline in the S&P 500 over a scant three months at the end of 2018. Risks related to the impact of tariffs, the strong dollar, and weakening global growth are likely to continue to create volatility and restrain equity market growth over the near term. Due to the disproportionate global tilt of financial markets, the State's finance sector is particularly vulnerable to these risks. Weaker and/or more volatile markets than anticipated could result in weaker bonus and wage growth, as well as lower taxable capital gains realizations, than are reflected in the Updated Financial Plan forecast. In contrast, stronger equity markets, along with stronger national and global growth, could result in stronger employment and wage growth than the Updated Financial Plan forecast reflects.

Receipts

The Updated Financial Plan receipts results and projections include a variety of taxes, fees and assessments, charges for State-provided services, Federal grants, and other miscellaneous receipts. 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., growth not due to law changes) in tax receipts is dependent on many factors. In general, base tax receipts growth rates are determined by economic changes including, but not limited to, changes in interest rates, prices, wages, employment, non-wage income, capital gains realizations, taxable consumption, corporate profits, household net worth, real estate prices and gasoline prices. Federal law changes can influence taxpayer behavior, which often alters base tax receipts. State taxes account for approximately half of total All Funds receipts.

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

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

Overview of the Receipts Forecast

All Funds receipts in FY 2019 are projected to total $169.2 billion, 2.3 percent above FY 2018 results.

ALL FUNDS RECEIPTS (millions of dollars)											
	FY 2018 Results	FY 2019 Current	Change	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
Personal Income Tax	51,501	47,583	-7.6%	51,770	8.8%	53,964	4.2%	57,124	5.9%	60,300	5.6%
Consumption/Use Taxes	16,711	17,445	4.4%	18,186	4.2%	18,948	4.2%	19,481	2.8%	20,112	3.2%
Business Taxes	7,164	7,744	8.1%	8,611	11.2%	8,784	2.0%	8,929	1.7%	9,292	4.1%
Other Taxes	2,451	2,204	-10.1%	2,242	1.7%	2,344	4.5%	2,456	4.8%	2,567	4.5%
Payroll Mobility Tax[1]	1,439	0	-100.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total State Taxes	**79,266**	**74,976**	**-5.4%**	**80,809**	**7.8%**	**84,040**	**4.0%**	**87,990**	**4.7%**	**92,271**	**4.9%**
Miscellaneous Receipts	27,262	31,345	15.0%	27,797	-11.3%	25,163	-9.5%	25,569	1.6%	25,397	-0.7%
Federal Receipts	58,942	62,879	6.7%	63,772	1.4%	64,460	1.1%	66,187	2.7%	68,776	3.9%
Total All Funds Receipts	**165,470**	**169,200**	**2.3%**	**172,378**	**1.9%**	**173,663**	**0.7%**	**179,746**	**3.5%**	**186,444**	**3.7%**

[1] The FY 2019 amount does not include MTA PMT receipts as the Enacted Budget provided that the PMT be remitted to MTA without an appropriation beginning in FY 2019.

State tax receipts are projected to decrease 5.4 percent in FY 2019, driven largely by a PIT decline of 7.6 percent. Refer to the “Personal Income Tax” section herein for additional explanation of the atypical growth rate pattern for FY 2018 and FY 2019.

Consistent with the projected growth in the State economy over the multi-year Updated Financial Plan period beyond FY 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 4.3 percent in FY 2019 and increase by 12.6 percent in FY 2020.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)											
	FY 2018 Results	FY 2019 Current	Change	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
STATE/ALL FUNDS	**51,501**	**47,583**	**-7.6%**	**51,770**	**8.8%**	**53,964**	**4.2%**	**57,124**	**5.9%**	**60,300**	**5.6%**
Gross Collections	62,035	58,806	-5.2%	63,394	7.8%	65,471	3.3%	69,420	6.0%	73,204	5.5%
Refunds (Incl. State/City Offset)	(10,534)	(11,223)	-6.5%	(11,624)	-3.6%	(11,507)	1.0%	(12,296)	-6.9%	(12,904)	-4.9%
GENERAL FUND[1]	**36,037**	**21,367**	**-40.7%**	**23,699**	**10.9%**	**24,909**	**5.1%**	**26,583**	**6.7%**	**28,292**	**6.4%**
Gross Collections	62,035	58,806	-5.2%	63,394	7.8%	65,471	3.3%	69,420	6.0%	73,204	5.5%
Refunds (Incl. State/City Offset)	(10,534)	(11,223)	-6.5%	(11,624)	-3.6%	(11,507)	1.0%	(12,296)	-6.9%	(12,904)	-4.9%
STAR	(2,589)	(2,424)	6.4%	(2,186)	9.8%	(2,073)	5.2%	(1,979)	4.5%	(1,858)	6.1%
RBTF	(12,875)	(23,792)	-84.8%	(25,885)	-8.8%	(26,982)	-4.2%	(28,562)	-5.9%	(30,150)	-5.6%

[1]Excludes Transfers.

All Funds PIT receipts for FY 2019 are estimated to total $47.6 billion, a decrease of $3.9 billion (7.6 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 expected growth in withholding and final returns.

The following table summarizes, by component, actual receipts for FY 2018 and forecast amounts through FY 2023.

ALL FUNDS PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS (millions of dollars)						
	FY 2018 Results	FY 2019 Current	FY 2020 Proposed	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
Receipts						
Withholding	40,269	40,721	42,510	44,133	46,306	48,243
Estimated Payments	17,781	13,956	16,572	16,769	18,351	19,991
Current Year	14,329	10,429	10,956	11,579	12,433	13,276
Prior Year[1]	3,452	3,527	5,616	5,190	5,918	6,715
Final Returns	2,478	2,629	2,748	2,908	3,032	3,189
Current Year	308	286	301	316	331	346
Prior Year[1]	2,170	2,343	2,447	2,592	2,701	2,843
Delinquent	1,507	1,500	1,564	1,661	1,731	1,781
Gross Receipts	62,035	58,806	63,394	65,471	69,420	73,204
Refunds						
Prior Year[1]	6,292	6,080	6,328	7,230	7,716	8,015
Previous Years	527	626	653	683	714	745
Current Year[1]	2,249	2,250	1,750	1,750	1,750	1,750
Advanced Credit Payment	610	1,094	1,894	720	867	1,020
State/City Offset[1]	856	1,173	999	1,124	1,249	1,374
Total Refunds	10,534	11,223	11,624	11,507	12,296	12,904
Net Receipts	**51,501**	**47,583**	**51,770**	**53,964**	**57,124**	**60,300**

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

Withholding in FY 2019 is estimated to be $452 million (1.1 percent) higher than FY 2018 results, driven by the combination of moderate growth in non-bonus wages and a decline in bonus wages. Extension payments related to Tax Year 2017 are expected to increase by $75 million (2.2 percent), primarily due to one-time payments related to the expiration of the Federal ten-year window to repatriate foreign hedge fund earnings. These one-time payments have been offset by an acceleration of 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 attributable to Tax Year 2018 are projected to decrease by $3.9 billion (27.2 percent), driven by a combination of a decline in nonwage income, higher estimated payments made in Tax Year 2017, stemming from the TCJA and repatriation of foreign hedge fund earnings, and higher extensions payments made in Tax Year 2018, due to payment timing behavior in response to the capped Federal itemized deduction for State and local taxes paid for Tax Year 2018. FY 2019 final return payments are projected to increase by $151 million (6.1 percent) and delinquencies are projected to decline by $7 million (0.5 percent).

Projected growth in total refunds of $689 million (6.5 percent) in FY 2019 includes increases of $484 million (79.3 percent) in advanced credit payments related to Tax Year 2018, $99 million (18.8 percent) in previous tax year (2016 and earlier) refunds, and $317 million (37 percent) in the state-city offset, partially offset by a decline of $212 million (3.4 percent) in prior tax year (2017) 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 $21.4 billion are projected to decrease by $14.7 billion (40.7 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 $23.8 billion. The FY 2019 STAR transfer is projected to be $2.4 billion.

All Funds PIT receipts for FY 2020 of $51.8 billion are projected to increase by $4.2 billion (8.8 percent) from FY 2019 estimates. Gross PIT receipts are projected to increase 7.8 percent, reflecting increases of $1.8 billion (4.4 percent) in withholding, $527 million (5.1 percent) in estimated payments related to Tax Year 2019, $2.1 billion (59.2 percent) in extension payments related to Tax Year 2018, $119 million (4.5 percent) in final returns, and $64 million (4.3 percent) in delinquencies. Total refunds are projected to increase by $401 million (3.6 percent), due to increases of $800 million (73.1 percent) in advanced credit payments, $248 million (4.1 percent) in prior tax year (2018) refunds, and $27 million (4.3 percent) in previous tax years (2017 and earlier) refunds, partially offset by a $500 million (22.2 percent) expected decline in the administrative refund cap and a $174 million (14.8 percent) decline in the state-city offset.

General Fund PIT receipts for FY 2020 of $23.7 billion are projected to increase by $2.3 billion (10.9 percent) from FY 2019 estimates, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $25.9 billion and the STAR transfer is projected to be $2.2 billion.

All Funds PIT receipts for FY 2021 of $54 billion are projected to increase by nearly $2.2 billion (4.2 percent) from FY 2020 projections. Gross PIT receipts are projected to increase 3.3 percent, primarily reflecting projected withholding growth of $1.6 billion (3.8 percent). Total refunds are projected to decline by $117 million (1 percent).

Total estimated payments for FY 2021 are projected to increase by $197 million (1.2 percent) due to a $623 million (5.7 percent) increase in estimated payments for Tax Year 2020, partially offset by a $426 million (7.6 percent) decline in extensions for Tax Year 2019. Final returns are expected to increase by $160 million (5.8 percent) and delinquencies are projected to increase by $97 million (6.2 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 $24.9 billion are projected to increase by $1.2 billion (5.1 percent). RBTF deposits are projected to be $27 billion, and the STAR transfer is projected to be $2.1 billion.

All Funds PIT receipts in FY 2022 are projected to increase by $3.2 billion from FY 2021 projections to reach $57.1 billion, while General Fund PIT receipts are projected to total $26.6 billion in FY 2022.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)	FY 2018 Results	FY 2019 Current	Change	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
STATE/ALL FUNDS	**16,711**	**17,445**	**4.4%**	**18,186**	**4.2%**	**18,948**	**4.2%**	**19,481**	**2.8%**	**20,112**	**3.2%**
Sales Tax	14,495	15,212	4.9%	16,107	5.9%	16,797	4.3%	17,365	3.4%	17,973	3.5%
Cigarette and Tobacco Taxes	1,171	1,112	-5.0%	1,048	-5.8%	989	-5.6%	944	-4.6%	904	-4.2%
Vapor Excise Tax	0	0	0.0%	10	0.0%	39	290.0%	39	0.0%	39	0.0%
Motor Fuel Tax	512	531	3.7%	515	-3.0%	515	0.0%	515	0.0%	515	0.0%
Highway Use Tax	93	144	54.8%	142	-1.4%	143	0.7%	145	1.4%	146	0.7%
Alcoholic Beverage Taxes	259	262	1.2%	265	1.1%	269	1.5%	272	1.1%	275	1.1%
Medical Cannabis Excise Tax	2	4	100.0%	4	0.0%	4	0.0%	4	0.0%	4	0.0%
Adult Use Cannabis Tax	0	0	0.0%	0	0.0%	83	0.0%	85	2.4%	141	65.9%
Taxicab Surcharge	56	50	-10.7%	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Auto Rental Tax	123	130	5.7%	95	-26.9%	109	14.7%	112	2.8%	115	2.7%
GENERAL FUND[1]	**7,377**	**7,709**	**4.5%**	**8,119**	**5.3%**	**8,434**	**3.9%**	**8,692**	**3.1%**	**8,971**	**3.2%**
Sales Tax	6,776	7,120	5.1%	7,542	5.9%	7,867	4.3%	8,133	3.4%	8,418	3.5%
Cigarette and Tobacco Taxes	342	327	-4.4%	312	-4.6%	298	-4.5%	287	-3.7%	278	-3.1%
Alcoholic Beverage Taxes	259	262	1.2%	265	1.1%	269	1.5%	272	1.1%	275	1.1%

[1]Excludes Transfers.

All Funds consumption/use tax receipts for FY 2019 are estimated to total $17.4 billion, a $734 million (4.4 percent) increase from FY 2018 results. Sales tax receipts are estimated to increase $717 million (4.9 percent) from FY 2018 results, reflecting base growth (i.e., absent law changes) of 6.4 percent. Cigarette and tobacco tax collections are projected to decrease by $59 million (5 percent), reflecting a decline in taxable cigarette consumption. Highway Use Tax (HUT) collections are estimated to increase by $51 million (54.8 percent) due to the return to normal refund levels after FY 2018 litigation-induced historic refund payouts. Motor fuel tax receipts are estimated to increase by $19 million (3.7 percent) reflecting higher-than-expected gasoline consumption. Taxicab surcharge receipts are estimated to decline by $6 million (10.7 percent) as consumers choose 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 the 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 $7.7 billion, a $332 million (4.5 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 $18.2 billion, a $741 million (4.2 percent) increase from FY 2019 estimates. The projected $895 million (5.9 percent) increase in sales tax receipts reflects tax base growth of 3.7 percent and an additional $273 million in projected revenue related to FY 2020 Executive Budget legislation. This increase is partially offset by the continued decline in taxable cigarette consumption, as well as shifting certain MTA receipts directly to the MTA.

General Fund consumption/use tax receipts are projected to be $8.1 billion in FY 2020, a $410 million (5.3 percent) increase from FY 2019 estimates. 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 over $18.9 billion, an $762 million (4.2 percent) increase from FY 2020 projections. Increases in sales tax receipts reflects base growth of 3.5 percent, and an additional $389 million in projected revenue related to Executive Budget legislation. The vapor excise tax will be fully phased-in and is projected to generate $39 million. The excise tax, along with the license fees for adult use cannabis, is projected to generate $83 million. These increases are partially offset by a continued decline in taxable cigarette consumption, as well as shifting certain MTA receipts directly to the MTA. FY 2021 General Fund consumption/use tax receipts are projected to increase to $8.4 billion, a $315 million (3.9 percent) increase from FY 2020 projections.

All Funds consumption/use tax receipts are projected to increase to nearly $19.5 billion (2.8 percent growth) in FY 2022, largely representing base growth in sales tax receipts, which is slightly offset by a continued decline in taxable cigarette consumption, as well as shifting certain MTA receipts directly to the MTA. General Fund consumption/use tax receipts are projected to increase to nearly $8.7 billion (3.1 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 Current	Change	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
STATE/ALL FUNDS	**7,164**	**7,744**	**8.1%**	**8,611**	**11.2%**	**8,784**	**2.0%**	**8,929**	**1.7%**	**9,292**	**4.1%**
Corporate Franchise Tax	3,080	3,977	29.1%	4,362	9.7%	4,605	5.6%	4,646	0.9%	4,886	5.2%
Corporation and Utilities Tax	748	685	-8.4%	710	3.6%	717	1.0%	727	1.4%	736	1.2%
Insurance Tax	1,777	1,816	2.2%	2,307	27.0%	2,354	2.0%	2,467	4.8%	2,595	5.2%
Bank Tax	467	123	-73.7%	71	-42.3%	0	-100.0%	0	0.0%	0	0.0%
Petroleum Business Tax	1,092	1,143	4.7%	1,161	1.6%	1,108	-4.6%	1,089	-1.7%	1,075	-1.3%
GENERAL FUND	**4,916**	**5,396**	**9.8%**	**6,163**	**14.2%**	**6,359**	**3.2%**	**6,463**	**1.6%**	**6,776**	**4.8%**
Corporate Franchise Tax	2,327	3,157	35.7%	3,510	11.2%	3,717	5.9%	3,714	-0.1%	3,908	5.2%
Corporation and Utilities Tax	570	515	-9.6%	537	4.3%	541	0.7%	547	1.1%	553	1.1%
Insurance Tax	1,609	1,622	0.8%	2,056	26.8%	2,101	2.2%	2,202	4.8%	2,315	5.1%
Bank Tax	410	102	-75.1%	60	-41.2%	0	-100.0%	0	0.0%	0	0.0%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2019 are estimated to total $7.7 billion, an increase of $580 million (8.1 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 $897 million (29.1 percent) in FY 2019, reflecting higher gross receipts. FY 2018 results were negatively impacted by a shortfall in cash remittances from taxpayers that continue to apply remaining overpayment balances from Tax Year 2015 that they can use to offset current year liability. It will likely be several years before many larger taxpayers exhaust these overpayment balances and 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.

Corporation and utilities tax receipts for FY 2019 are estimated to decrease by $63 million (8.4 percent) from FY 2018. Audit receipts are projected to fall by $44 million due to one-time payments from telecommunication companies in FY 2018. 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 $39 million (2.2 percent) from FY 2018. Projected growth in Tax Year 2018 liability reflects expected decreases in credit claims for assessments paid to the Life Insurance Company Guaranty Corporation (LICGC). 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 in prior years.

Receipts from the repealed bank tax (all from prior liability periods) in FY 2019 are estimated to decrease by $344 million (73.7 percent) from FY 2018, reflecting lower audit receipts ($176 million) and increased refunds. PBT receipts are estimated to increase $51 million (4.7 percent) in FY 2019, primarily due to the 5 percent increase in the PBT rate index.

General Fund business tax receipts for FY 2019 of $5.4 billion are projected to increase by $480 million (9.8 percent) from FY 2018 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2020 of $8.6 billion are projected to increase by $867 million (11.2 percent) from FY 2019 estimates. The corporation franchise tax receipts increase of $385 million (9.7 percent) reflects projected growth in corporate profits, increased audit receipts, and a stabilization of liability as taxpayers adjust to all aspects of State corporate tax reform (effective Tax Year 2015). This projection includes $71 million in TCJA flow-through impacts in the corporation franchise tax. The increase in corporation and utilities tax receipts of $25 million (3.6 percent) is primarily attributable to growth in the utilities section of the tax.

Insurance tax receipts for FY 2020 of $2.3 billion are projected to increase by $491 million (27 percent) from current year estimates. This projected increase is primarily due to the conversion of a not-for-profit health insurer to a for-profit health insurer in addition to projected growth in insurance tax premiums combined with lower expected LICGC credit claims. Receipts from the repealed bank tax are projected to decrease by $52 million (42.3 percent) in FY 2019, due to lower projected audit receipts. PBT receipts are projected to increase by $18 million (1.6 percent) in FY 2020 due to the 5 percent increase in the PBT rate index effective January 1, 2019.

General Fund business tax receipts for FY 2020 of nearly $6.2 billion are projected to increase by $767 million (14.2 percent) from current year estimates, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2021 of nearly $8.8 billion are projected to increase by $173 million (2 percent), and General Fund business tax receipts are projected to increase to nearly $6.4 billion (3.2 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 $8.9 billion (1.7 percent growth), and General Fund business tax receipts are projected to increase to nearly $6.5 billion (1.6 percent growth). This projection includes $53 million in TCJA flow-through impacts.

Other Taxes

OTHER TAXES (millions of dollars)	FY 2018 Results	FY 2019 Current	Change	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
STATE/ALL FUNDS	**2,451**	**2,204**	**-10.1%**	**2,242**	**1.7%**	**2,344**	**4.5%**	**2,456**	**4.8%**	**2,567**	**4.5%**
Estate Tax	1,308	1,056	-19.3%	1,074	1.7%	1,135	5.7%	1,198	5.6%	1,263	5.4%
Real Estate Transfer Tax	1,125	1,130	0.4%	1,148	1.6%	1,183	3.0%	1,219	3.0%	1,263	3.6%
Employer Compensation Expense Program	0	0	0.0%	2	0.0%	8	300.0%	21	162.5%	23	9.5%
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	15	15	0.0%	15	0.0%	15	0.0%	15	0.0%	15	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND[1]	**1,326**	**1,074**	**-19.0%**	**1,093**	**1.8%**	**1,157**	**5.9%**	**1,226**	**6.0%**	**1,292**	**5.4%**
Estate Tax	1,308	1,056	-19.3%	1,074	1.7%	1,135	5.7%	1,198	5.6%	1,263	5.4%
Employer Compensation Expense Program	0	0	0.0%	1	0.0%	4	300.0%	10	150.0%	11	10.0%
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	15	15	0.0%	15	0.0%	15	0.0%	15	0.0%	15	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%	3	0.0%

[1]Excludes Transfers.

All Funds other tax receipts for FY 2019 are estimated to total over $2.2 billion, a decrease of $247 million (10.1 percent) from FY 2018 results. This is primarily due to an estimated $252 million (19.3 percent) decrease in estate tax receipts resulting from a return to historical levels in both the number and average payment value of super-large (i.e., over $25 million) payments. Real estate transfer tax receipts are expected to increase by $5 million (0.4 percent) due to weak estimated growth in housing starts and housing prices.

General Fund other tax receipts are estimated to be near $1.1 billion in FY 2019, a decrease of $252 million (19 percent) from FY 2018 results, reflecting the decrease in estate tax receipts noted above.

All Funds other tax receipts for FY 2020 are projected to total well over $2.2 billion, a $38 million (1.7 percent) increase from FY 2019 estimates. The $18 million (1.7 percent) projected increase in estate tax receipts reflects projected growth in household net worth, partially offset by a projected decline of one super-large payment compared to the prior year. Real estate transfer tax receipts are projected to increase by $18 million (1.6 percent), reflecting continued weak projected growth in housing starts and prices.

General Fund other tax receipts for FY 2020 are projected to be nearly $1.1 billion, an increase of $19 million (1.8 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 well over $2.3 billion, a $102 million (4.5 percent) increase from FY 2020 projections. Estate tax receipts are projected to increase by $61 million (5.7 percent) in FY 2021, reflecting projected growth in household net worth. The $35 million (3 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 $1.2 billion, an increase of $64 million (5.9 percent) from the amount projected for FY 2020, 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 nearly $2.5 billion in FY 2022, an increase of $112 million (4.8 percent).

General Fund other tax receipts are projected to be $1.2 billion in FY 2022, an increase of $69 million (6 percent) from FY 2021 projections.

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 Current	Change	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
ALL FUNDS	**27,262**	**31,345**	**15.0%**	**27,797**	**-11.3%**	**25,163**	**-9.5%**	**25,569**	**1.6%**	**25,397**	**0.0%**
General Fund	3,129	3,195	2.1%	2,071	-35.2%	2,049	-1.1%	1,906	-7.0%	1,896	-0.5%
Special Revenue Funds	17,933	19,496	8.7%	17,816	-8.6%	16,374	-8.1%	16,707	2.0%	16,247	-2.8%
Capital Projects Funds	5,729	8,156	42.4%	7,516	-7.8%	6,346	-15.6%	6,563	3.4%	6,862	4.6%
Debt Service Funds	471	498	5.7%	394	-20.9%	394	0.0%	393	-0.3%	392	-0.3%

All Funds miscellaneous receipts are projected to total $31.3 billion in FY 2019, an increase of 15 percent from FY 2018 results. This increase is primarily due to growth in 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 PIT or Sales Tax Revenue 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 corresponds to prior year capital expenses.

Federal Grants

FEDERAL GRANTS (millions of dollars)											
	FY 2018 Results	FY 2019 Current	Change	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
ALL FUNDS	**58,942**	**62,879**	**6.7%**	**63,772**	**1.4%**	**64,460**	**1.1%**	**66,187**	**2.7%**	**68,776**	**0.0%**
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	56,744	60,372	6.4%	61,470	1.8%	62,200	1.2%	63,928	2.8%	66,520	4.1%
Capital Projects Funds	2,125	2,433	14.5%	2,229	-8.4%	2,187	-1.9%	2,187	0.0%	2,187	0.0%
Debt Service Funds	73	74	1.4%	73	-1.4%	73	0.0%	72	-1.4%	69	-4.2%

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 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.

Under 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 future policies that may be proposed and adopted. If Federal funding to the State were reduced, this could have a materially adverse impact on the Updated Financial Plan. The FY 2020 Executive Budget includes proposed authorization to develop a mitigation plan to offset the impact of significant Federal funding reductions.

Disbursements

In FY 2020, disbursements from the State's General Fund, including transfers, are expected to total $76.6 billion and disbursements from State Operating Funds are expected to total $102 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 consider 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 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 $67 billion in FY 2020, 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 2019 Current	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
HEALTH CARE					
Medicaid - Individuals Covered	6,244,999	6,280,845	6,298,768	6,307,730	6,312,211
Essential Plan - Individuals Covered	743,421	748,572	753,758	758,981	764,239
Child Health Plus - Individuals Covered	395,199	410,703	418,455	422,493	424,257
State Takeover of County/NYC Costs[1]	$3,337	$3,677	$4,027	$4,389	$4,761
EDUCATION					
School Aid (School Year Basis Funding)	$26,734	$27,690	$28,784	$30,036	$31,313
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	558,135	557,950	TBD	TBD	TBD
Tuition Assistance Program (Recipients)	273,884	274,148	TBD	TBD	TBD
PUBLIC ASSISTANCE					
Family Assistance Program (Families)	206,170	201,673	198,774	195,823	192,967
Safety Net Program (Families)	120,580	117,775	115,903	114,041	112,256
Safety Net Program (Singles)	211,438	212,716	215,224	217,332	219,622
MENTAL HYGIENE					
OMH Community Beds	45,006	46,528	47,324	47,874	48,414
OPWDD Community Beds	43,722	44,075	44,430	44,789	45,150
OASAS Community Beds	13,532	13,778	14,066	14,150	14,331
Total	102,260	104,381	105,820	106,813	107,895
PRISON POPULATION	47,400	47,400	47,400	47,400	47,400

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

Education

School Aid

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

School Year (July 1 -June 30)

School Aid is expected to total $27.7 billion in SY 2020, an annual increase of $956 million (3.6 percent), including a $338 million Foundation Aid increase. A Community Schools set-aside of $250 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 $411 million supports increased reimbursement in expense-based and categorical aid programs such as transportation, Boards of Cooperative Educational Services (BOCES), school construction, and other miscellaneous aid categories.

The Updated Financial Plan provides $50 million for new competitive grant programs, including 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 (SUFPK) programs.

Since FY 2013, projections have assumed that year-over-year growth in School Aid disbursements would not exceed the annual percent growth in NYS personal income. However, since FY 2014, the State has annually authorized School Aid increases above PIGI. Starting in FY 2020, the Executive Budget recommends that the statutory growth cap for School Aid be amended to reflect a ten-year average of annual NYS personal income growth. The use of a School Aid growth cap based on a ten-year average is expected to reduce the volatility associated with a one-year average growth cap, limit the impact of the BEA's frequent revisions to NYS personal income growth estimates, and better align Executive School Aid proposals with the State's enacted School Aid increases. Consistent with a ten-year average PIGI, the Executive Budget Financial Plan reflects a School Aid increase of 3.6 percent.

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

	SY 2019	SY 2020	Change	SY 2021	Change	SY 2022	Change	SY 2023	Change
Total	26,734	27,690	956	28,784	1,094	30,036	1,252	31,313	1,277
			3.6%		4.0%		4.3%		4.3%

State Fiscal Year

The State finances School Aid from the General Fund, commercial gaming receipts 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 2019 Current	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
TOTAL STATE OPERATING FUNDS	**26,468**	**27,217**	**2.8%**	**28,352**	**4.2%**	**29,557**	**4.3%**	**30,826**	**4.3%**
General Fund Local Assistance	23,028	23,324	1.3%	24,738	6.1%	25,949	4.9%	27,218	4.9%
Medicaid	99	78	-21.2%	78	0.0%	78	0.0%	78	0.0%
Core Lottery Aid	2,294	2,679	16.8%	2,427	-9.4%	2,427	0.0%	2,427	0.0%
VLT Lottery Aid	907	975	7.5%	948	-2.8%	948	0.0%	948	0.0%
Commercial Gaming	140	161	15.0%	161	0.0%	155	-3.7%	155	0.0%

State fiscal year spending for School Aid is projected to total $27.2 billion in FY 2020, a 2.8 percent increase over FY 2019. Over the multi-year Updated Financial Plan, the share of School Aid spending projected to be financed by the General Fund is expected to increase as core lottery, video lottery and commercial gaming revenues are expected to either decline or remain largely flat beginning in FY 2021. 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 remain flat in FY 2021, decline slightly by $6 million in FY 2022, and remain flat in FY 2023. Pursuant to State Gaming Commission approval, four casinos were awarded licenses and are now operational. In January 2019, the Monticello Casino and Raceway announced plans to cease its VLT operations in April 2019. The assumption is a significant amount of current gaming activity at Monticello will shift to nearby Resorts World Catskills Casino. This closure and anticipated shift in gaming activity are expected to have a limited net impact on the State's projected combined VLT and casino revenue resources in FY 2020 and thereafter.

If 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 FUNDING (millions of dollars)	FY 2019 Current	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,263**	**2,310**	**2.1%**	**2,352**	**1.8%**	**2,445**	**4.0%**	**2,546**	**4.1%**
Special Education	1,295	1,350	4.2%	1,417	5.0%	1,483	4.7%	1,550	4.5%
All Other Education	968	960	-0.8%	935	-2.6%	962	2.9%	996	3.5%

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 2020 is primarily attributable to the restoration of State funding to reimburse summer school special education programs, which was reduced in the Enacted Budget Financial Plan. Outyear spending is primarily attributable to projected cost growth in preschool and summer school special education programs.

The projected decrease in All Other Education spending in FY 2020 and FY 2021 primarily reflects the discontinuation of one-time aid and grants. Outyear spending is projected to increase, largely due to continued growth in charter school supplemental tuition and facilities aid payments for charter schools in New York City.

School Tax Relief Program

The STAR program provides school tax relief to taxpayers by exempting the first $30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens will receive a $68,700 exemption in FY 2020. 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 2020 program costs are: the Basic school property tax exemption for homeowners with incomes under $250,000 or the Basic school property tax credit for homeowners with incomes under $500,000 (54 percent); Enhanced school property tax exemption or credit for senior citizen homeowners with incomes under $86,300 (27 percent); and a credit for income-eligible resident NYC personal income taxpayers (19 percent). The FY 2018 Enacted Budget converted the New York City PIT rate reduction into a State PIT credit starting with the 2017 tax year. As of FY 2019, New York City STAR payments are no longer a component of State Operating Funds spending. This change has no impact on the value of the STAR benefit received by taxpayers.

Spending on the STAR property tax exemptions reflects reimbursements made to school districts to offset the reduction in the amount of property tax revenue collected from STAR-eligible homeowners. Since 2017, the STAR exemption program has been gradually transitioned from a spending program into an advance refundable PIT credit program. As a result, first-time homebuyers and homeowners who move receive a refundable PIT credit in lieu of a property tax exemption. 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 2019 Current	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,424**	**2,186**	**-9.8%**	**2,073**	**-5.2%**	**1,979**	**-4.5%**	**1,858**	**-6.1%**
Gross Program Costs	3,361	3,426	1.9%	3,489	1.8%	3,569	2.3%	3,610	1.1%
Program Conversion	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(937)	(1,240)	-32.3%	(1,416)	-14.2%	(1,590)	-12.3%	(1,752)	-10.2%
Basic Exemption	1,526	1,372	-10.1%	1,300	-5.2%	1,239	-4.7%	1,162	-6.2%
Gross Program Costs	1,786	1,864	4.4%	1,895	1.7%	1,935	2.1%	1,964	1.5%
Personal Income Tax Credit	(260)	(492)	-89.2%	(595)	-20.9%	(696)	-17.0%	(802)	-15.2%
Enhanced (Senior) Exemption	898	814	-9.4%	773	-5.0%	740	-4.3%	696	-5.9%
Gross Program Costs	949	922	-2.8%	938	1.7%	961	2.5%	973	1.2%
Personal Income Tax Credit	(51)	(108)	-111.8%	(165)	-52.8%	(221)	-33.9%	(277)	-25.3%
New York City PIT	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Gross Program Costs	626	640	2.2%	656	2.5%	673	2.6%	673	0.0%
Personal Income Tax Credit	(626)	(640)	-2.2%	(656)	-2.5%	(673)	-2.6%	(673)	0.0%

The gross program costs and PIT credit values reported in the FY 2019 Enacted Budget Financial Plan table were reported on a tax year basis. The values in the table above have been changed to a State fiscal year basis, and reflect updated PIT credit information. These changes do not impact the projected net cost of the STAR Program.

Much of the spending decline projected in FYs 2020 through 2023 is related to recommended Executive Budget actions to reduce the income limit for recipients of the Basic STAR exemption benefit from $500,000 to $250,000 and capping annual growth in the STAR exemption benefit at zero percent; both actions are not applicable to STAR credit benefits.

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 2019 Current	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,002**	**2,945**	**-1.9%**	**2,934**	**-0.4%**	**2,979**	**1.5%**	**3,014**	**1.2%**
City University	**1,494**	**1,517**	**1.5%**	**1,562**	**3.0%**	**1,597**	**2.2%**	**1,631**	**2.1%**
Senior Colleges	1,235	1,277	3.4%	1,316	3.1%	1,351	2.7%	1,386	2.6%
Community College	259	240	-7.3%	246	2.5%	246	0.0%	245	-0.4%
Higher Education Services	**1,026**	**959**	**-6.5%**	**901**	**-6.0%**	**911**	**1.1%**	**913**	**0.2%**
Tuition Assistance Program	836	804	-3.8%	762	-5.2%	771	1.2%	773	0.3%
Scholarships/Awards	178	143	-19.7%	127	-11.2%	128	0.8%	128	0.0%
Aid for Part-Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	**482**	**469**	**-2.7%**	**471**	**0.4%**	**471**	**0.0%**	**470**	**-0.2%**
Community College	477	465	-2.5%	467	0.4%	467	0.0%	466	-0.2%
Other/Cornell	5	4	-20.0%	4	0.0%	4	0.0%	4	0.0%

SUNY and CUNY administer 47 four-year colleges and graduate schools with a total enrollment of more than 410,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving approximately 309,000 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 provides more than $1.0 billion annually for SUNY state-operated campus 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 nearly $1.2 billion in FY 2020, an increase of $38 million from FY 2019 levels.

HESC is New York State's student financial aid agency and oversees numerous State-funded financial aid programs, including the Excelsior Scholarship, TAP, the Aid for Part Time Study program, and 26 other scholarship and loan forgiveness programs. Along with other sources of tuition assistance, the Excelsior Scholarship will allow approximately 55 percent of full-time SUNY and CUNY in-state students to attend college tuition-free when it is fully phased in. Together, these programs provide financial aid to approximately 400,000 students.

The Executive Budget Financial Plan includes funding to implement the DREAM Act which will give undocumented students access to the Excelsior Scholarship, TAP, as well as other state-administered scholarships. The Executive Budget Financial Plan also provides for the launch of the third and final phase of the Excelsior Scholarship, increasing the income eligibility threshold to $125,000, and new funding to implement a family empowerment pilot program at SUNY and CUNY community colleges. The family empowerment pilot program will enable single parents to receive financial and academic supports, including on-campus childcare options aligned with the nationally recognized Accelerated Study in Associates Program (ASAP).

Higher education spending is projected to decrease by $57 million, or 1.9 percent, from FY 2019 to FY 2020 and by $11 million, or 0.4 percent, from FY 2020 to FY 2021. This decrease largely reflects accounting changes for certain payments from HESC to State-operated SUNY campuses, to count these payments as a transfer instead of a disbursement. Projected spending growth in FY 2022 and FY 2023 is largely due to employee fringe benefit growth for CUNY Senior Colleges.

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 a 25 percent reduction in avoidable hospital use over five years. The Updated Financial Plan reflects the impact of the DSRIP program through additional Federal funds disbursements of nearly $8 billion through FY 2021, with the remaining funds expected to be disbursed after 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 Updated Financial Plan reflects the continuation of the “Global Cap” through FY 2023, and the projections assume that statutory authority will be extended in subsequent years. Allowable growth under the cap for medical services is 3.3 percent in FY 2019. Reflecting updated projections for the medical CPI growth, DOB currently forecasts allowable cap growth at 3 percent for FYs 2020 and 2021 and 2.9 percent for FYs 2022 and 2023.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Global Medicaid Cap[1]	**18,865**	**19,433**	**20,006**	**20,594**	**21,200**
Annual $ Change		568	573	588	606
Annual % Change		3.0%	3.0%	2.9%	2.9%

[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 costs, increased FFP pursuant to the ACA that became effective in January 2014, as well as the statewide minimum wage increases authorized in the FY 2017 Enacted Budget. State share Medicaid spending also appears in the Updated Financial Plan estimates for other State agencies, including the mental hygiene agencies, child welfare programs, education aid and corrections.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS[1] (millions of dollars)	FY 2019 Current	FY 2020 Proposed	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
Department of Health Medicaid	20,297	21,080	21,991	23,099	23,963
Local Assistance	20,400	21,135	22,093	23,199	24,064
State Operations	332	272	269	271	270
MSA Payments (Share of Local Growth)[2]	(435)	(327)	(371)	(371)	(371)
Other State Agency Medicaid Spending	3,038	2,740	3,228	3,183	3,393
Mental Hygiene	2,852	2,569	3,054	3,007	3,217
Foster Care	85	91	94	98	98
Education	99	78	78	78	78
Corrections	2	2	2	0	0
Total State Share Medicaid (All Agencies)	**23,335**	**23,820**	**25,219**	**26,282**	**27,356**
Annual $ Change		485	1,399	1,063	1,074
Annual % Change		2.1%	5.9%	4.2%	4.1%
Essential Plan[3]	**87**	**84**	**79**	**76**	**72**
Local Assistance	0	0	0	0	0
State Operations	87	84	79	76	72

[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 a share of minimum wage increases.
[2] MSA payments will be deposited directly to a Medicaid Escrow Fund to cover a portion of the State share support for Medicaid.
[3] The EP is not a Medicaid program; however, State-funded resources for the EP are managed under the Medicaid Global Cap.

The State share of DOH Medicaid spending is financed by a combination of the General Fund, HCRA resources, indigent care support, provider assessment revenue, and tobacco settlement proceeds. The following table provides information on the financing sources for State Medicaid spending. (More information on HCRA can be found in the section below entitled "HCRA Financial Plan").

DEPARTMENT OF HEALTH MEDICAID
(millions of dollars)

	FY 2019 Current	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
STATE OPERATING FUNDS	**23,422**	**23,904**	**2.1%**	**25,298**	**5.8%**	**26,358**	**4.2%**	**27,428**	**4.1%**
Department of Health Medicaid	**20,384**	**21,164**	**3.8%**	**22,070**	**4.3%**	**23,175**	**5.0%**	**24,035**	**3.7%**
General Fund - DOH Medicaid Local	14,271	15,182	6.4%	16,143	6.3%	17,267	7.0%	18,049	4.5%
DOH Medicaid	11,433	11,794	3.2%	12,707	7.7%	13,013	2.4%	13,541	4.1%
Non-DOH Medicaid[1]	1,653	1,484	-10.2%	1,317	-11.3%	1,873	42.2%	1,873	0.0%
Minimum Wage	703	1,131	60.9%	1,207	6.7%	1,287	6.6%	1,358	5.5%
Local Growth Takeover (Zero Growth Phase-in)[2]	917	1,100	20.0%	1,283	16.6%	1,465	14.2%	1,648	12.5%
MSA Payments (Share of Local Growth)[3]	(435)	(327)	24.8%	(371)	-13.5%	(371)	0.0%	(371)	0.0%
General Fund - DOH Medicaid State Ops	332	272	-18.1%	269	-1.1%	271	0.7%	270	-0.4%
General Fund - Essential Plan	87	84	-3.4%	79	-6.0%	76	-3.8%	72	-5.3%
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	87	84	-3.4%	79	-6.0%	76	-3.8%	72	-5.3%
Other State Funds - DOH Medicaid Local	5,694	5,626	-1.2%	5,579	-0.8%	5,561	-0.3%	5,644	1.5%
HCRA Financing	3,915	3,889	-0.7%	3,811	-2.0%	3,762	-1.3%	3,813	1.4%
Indigent Care Support	892	892	0.0%	892	0.0%	892	0.0%	892	0.0%
Provider Assessment Revenue	887	843	-5.0%	874	3.7%	905	3.5%	937	3.5%
Medical Indemnity Fund	0	2	0.0%	2	0.0%	2	0.0%	2	0.0%
Other State Agency Medicaid Spending	**3,038**	**2,740**	**-9.8%**	**3,228**	**17.8%**	**3,183**	**-1.4%**	**3,393**	**6.6%**
USE OF MSA PAYMENTS (Share of Local Growth)[3]	**435**	**327**	**-24.8%**	**371**	**13.5%**	**371**	**0.0%**	**371**	**0.0%**
LOCAL SHARE OF MEDICAID[4]	**8,516**	**7,328**	**-14.0%**	**7,036**	**-4.0%**	**7,204**	**2.4%**	**7,212**	**0.1%**
FEDERAL SHARE OF MEDICAID	**45,156**	**46,769**	**3.6%**	**47,381**	**1.3%**	**48,963**	**3.3%**	**51,425**	**5.0%**
DOH Medicaid	40,300	41,884	3.9%	42,447	1.3%	44,016	3.7%	46,470	5.6%
Essential Plan	4,856	4,885	0.6%	4,934	1.0%	4,947	0.3%	4,955	0.2%
ALL FUNDING SOURCES	**77,529**	**78,328**	**1.0%**	**80,086**	**2.2%**	**82,896**	**3.5%**	**86,436**	**4.3%**

[1] The DOH Medicaid budget includes resources to fund a portion of Medicaid-related Mental Hygiene program costs under the Global Cap. The Medicaid Global Cap is expected to provide additional savings to the Updated Financial Plan ($550 million in FY 2020).

[2] As of County Year (CY) 2015 the State pays the full share of local government Medicaid services growth.

[3] MSA payments will be deposited directly to a Medicaid Escrow Fund to cover a portion of the State's share of local Medicaid growth consistent with legislation.

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

The Updated Financial Plan includes $990 million in annual savings from 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 efficiency and effective delivery of the statewide Medicaid program. These actions include a reduction of Pharmacy Benefit Manager (PBM) costs by narrowing the gap between Managed Care Organization payments to pharmacies and the costs to the Medicaid program; consolidate and establish uniform reimbursement for Fiscal Intermediaries providing support in the consumer directed personal care program; transform the nursing home patient acuity data collection process to provide improved rate adequacy; apply for a waiver to leverage Federal funding for certain supportive housing services currently funded with State-only dollars; and investing in the NYSOFA support services targeted to maintain the elderly in their communities, support family and friends in their caregiving roles, and delay future Medicaid costs by intervening with less intensive services earlier.

In FY 2018, bonds secured by annual payments from tobacco manufacturers under the MSA were retired, with no remaining debt service requirements to be paid on these bonds. DOB expects payments under the MSA of approximately $435 million to be available in FY 2020 (including $103 million from FY 2019) and additional payments to be available in subsequent years. Existing statutes direct 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 a Medicaid Payment Escrow Fund to offset the non-Federal share of annual Medicaid growth, formerly borne by local governments, which the State now pays on behalf of local governments. The deposit mechanism has no impact on overall Medicaid spending funded with State resources but does reduce reported State-supported Medicaid spending accounted for in State Operating Funds. The Updated 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 2019 Current	FY 2020 Proposed	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
State Share Support	**23,857**	**24,231**	**25,669**	**26,729**	**27,799**
State Funds Medicaid Disbursements	23,422	23,904	25,298	26,358	27,428
MSA Payments (Local Growth)	435	327	371	371	371

The Updated Financial Plan maintains 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.[15] 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; $1.1 billion in FY 2020; $1.2 billion in FY 2021; $1.3 billion in FY 2022; and $1.4 billion in FY 2023.

[15] Home health care workers in New York City and certain counties receive a benefit portion of total compensation in addition to their wage-based compensation rate levels ($4.09 for New York City and $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 2020, a slight increase from FY 2019. 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 allows for a portion of the Office for People with Developmental Disabilities (OPWDD) and Office of Mental Health (OMH) related Medicaid costs to be paid for under the Global Cap.

Local Medicaid Cap

The Local Medicaid Cap, which was implemented in FY 2006, was designed to relieve pressure on county property taxes and the NYC budget by capping local costs and having the State absorb all local program growth above a fixed statutory inflation rate. In January 2006, counties began making cap payments based on 2005 Medicaid expenditures that were indexed at a growth rate of 3.5 percent in 2006, 3.25 percent in 2007, and 3 percent per year thereafter. In FY 2013, the State committed to phasing out all growth in the local share of Medicaid costs over a three-year period. The takeover of local Medicaid costs by the State saved local districts nearly $3.7 billion in FY 2020 including nearly $2.0 billion from counties outside of New York City. Over the life of the Updated Financial Plan (FY 2019 through FY 2023) the State will assume more than $20 billion in Medicaid expenditures that would have otherwise been borne by local districts.

LOCAL GOVERNMENT SAVINGS
STATE TAKEOVER OF LOCAL MEDICAID COSTS (2005 CAP AND GROWTH TAKEOVER)
FY 2019 to FY 2023
(in dollars)

County	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Albany	35,957,091	39,091,519	42,323,114	45,654,889	49,089,948
Allegany	6,250,580	6,761,693	7,288,650	7,831,943	8,392,079
Broome	36,476,312	38,835,425	41,267,671	43,775,316	46,360,698
Cattaraugus	12,847,503	13,784,279	14,750,095	15,745,851	16,772,475
Cayuga	12,686,410	13,536,456	14,412,854	15,316,420	16,247,996
Chautauqua	24,237,676	25,991,683	27,800,064	29,664,505	31,586,744
Chemung	14,568,215	15,663,030	16,791,784	17,955,529	19,155,351
Chenango	8,145,848	8,715,149	9,302,099	9,907,244	10,531,149
Clinton	12,086,674	13,017,435	13,977,050	14,966,413	15,986,446
Columbia	11,313,827	12,018,552	12,745,124	13,494,219	14,266,537
Cortland	7,111,399	7,652,873	8,211,133	8,786,699	9,380,107
Delaware	8,170,538	8,701,138	9,248,185	9,812,192	10,393,682
Dutchess	53,513,254	56,528,430	59,637,076	62,842,090	66,146,460
Erie	148,126,356	159,406,789	171,036,916	183,027,576	195,389,946
Essex	5,400,552	5,783,026	6,177,356	6,583,910	7,003,067
Franklin	8,279,018	8,855,705	9,450,270	10,063,266	10,695,264
Fulton	9,232,818	9,959,061	10,707,818	11,479,786	12,275,685
Genesee	7,064,202	7,589,481	8,131,044	8,689,395	9,265,055
Greene	8,441,158	9,014,780	9,606,185	10,215,923	10,844,564
Hamilton	428,454	462,313	497,221	533,211	570,317
Herkimer	10,711,968	11,477,383	12,266,526	13,080,133	13,918,962
Jefferson	16,957,769	18,120,914	19,320,116	20,556,493	21,831,199
Lewis	3,319,076	3,583,283	3,855,681	4,136,524	4,426,072
Livingston	7,708,558	8,243,237	8,794,492	9,362,836	9,948,799
Madison	9,256,044	9,898,736	10,561,351	11,244,508	11,948,843
Monroe	134,111,803	143,999,222	154,193,150	164,703,090	175,538,838
Montgomery	11,670,438	12,413,740	13,180,086	13,970,187	14,784,782
Nassau	214,267,995	228,375,536	242,920,410	257,916,176	273,376,810
Niagara	32,427,809	34,886,115	37,420,629	40,033,713	42,727,803
Oneida	40,380,700	43,410,010	46,533,229	49,753,267	53,073,127
Onondaga	87,620,280	93,610,546	99,786,511	106,153,930	112,718,739
Ontario	13,946,691	14,897,864	15,878,524	16,889,583	17,931,986
Orange	82,460,963	87,303,739	92,296,641	97,444,323	102,751,583
Orleans	7,126,684	7,612,433	8,113,240	8,629,571	9,161,910
Oswego	22,040,919	23,518,223	25,041,324	26,611,640	28,230,637
Otsego	6,642,592	7,183,658	7,741,496	8,316,627	8,909,588
Putnam	9,892,880	10,506,643	11,139,434	11,791,841	12,464,472
Rensselaer	21,590,877	23,340,058	25,143,463	27,002,774	28,919,723
Rockland	73,375,609	77,774,270	82,309,289	86,984,893	91,805,441
St. Lawrence	17,339,426	18,637,961	19,976,750	21,357,042	22,780,123
Saratoga	22,890,386	24,387,271	25,930,560	27,521,690	29,162,145
Schenectady	35,332,205	37,511,830	39,759,022	42,075,878	44,464,556
Schoharie	4,527,297	4,850,661	5,184,049	5,527,773	5,882,151
Schuyler	2,491,123	2,688,172	2,891,329	3,100,784	3,316,732
Seneca	4,410,769	4,738,237	5,075,856	5,423,941	5,782,818
Steuben	15,274,987	16,370,910	17,500,806	18,665,728	19,866,763
Suffolk	256,722,717	272,621,288	289,012,716	305,912,278	323,335,726
Sullivan	20,810,363	22,103,310	23,436,338	24,810,689	26,227,646
Tioga	6,416,335	6,874,505	7,346,878	7,833,895	8,336,009
Tompkins	9,783,789	10,468,322	11,174,075	11,901,707	12,651,895
Ulster	38,388,074	40,736,455	43,157,635	45,653,872	48,227,493
Warren	8,576,122	9,232,320	9,908,859	10,606,371	11,325,506
Washington	11,025,331	11,726,986	12,450,392	13,196,223	13,965,175
Wayne	16,859,253	17,832,469	18,835,854	19,870,345	20,936,905
Westchester	151,208,321	162,809,864	174,771,055	187,103,043	199,817,323
Wyoming	5,379,342	5,719,224	6,069,643	6,430,924	6,803,405
Yates	3,424,043	3,666,319	3,916,105	4,173,635	4,439,149
Rest of State	**1,866,707,425**	**1,994,500,529**	**2,126,255,220**	**2,262,094,306**	**2,402,144,404**
New York City	**1,469,849,011**	**1,682,133,022**	**1,900,997,838**	**2,126,647,463**	**2,359,292,227**
Statewide	**3,336,556,436**	**3,676,633,552**	**4,027,253,058**	**4,388,741,769**	**4,761,436,631**

Health Care Transformation Fund (HCTF)

In September 2017, Fidelis Care (a nonprofit insurer associated with the Catholic Diocese of New York) agreed to sell substantially all its assets to Centene Corporation (under Sections 510 and 511-a of the Not-for-Profit Corporation Law "N-PCL"), a for-profit health insurer based in St. Louis, Missouri, in order to enter New York's health insurance marketplace. Consistent with previous transactions of similar nature in New York, the transaction was subject to regulatory approval by DOH, DFS and the Office of the Attorney General. The transaction included the health care companies' agreement to contribute an estimated $2 billion in both direct payments and taxes over the next five years.

The funds are expected to be used over the next five years to offset State costs for health care transformation activities, including enhancing access to affordable quality healthcare and healthcare related services for the poor, disabled, disadvantaged, elderly and/or underserved people of the State, and/or to assist populations with any unmet healthcare related needs including, but not limited to, those associated with the social determinants of health.

Following the completion of all regulatory approvals, the initial $1 billion direct payment from Fidelis Care was deposited into the HCTF[16] in July 2018. Future conversion proceeds expected to be deposited to the HCTF include $468 million in FY 2020, followed by $118 million in both FY 2021 and FY 2022, and $68 million in FY 2023. The direct payments to the HCTF do not include the impact of increased insurance tax receipts from Centene or higher Medicaid provider rates paid to Centene, which are reflected in the General Fund.

HEALTH CARE TRANSFORMATION FUND
PURSUANT TO PART FFF OF CHAPTER 59 OF THE LAWS OF 2018
(millions of dollars)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Opening Balance	**0**	**513**	**314**	**0**	**0**
Receipts	**1,068**	**468**	**118**	**118**	**68**
Fidelis Payment	1,000	400	50	50	0
Centene Payment	68	68	68	68	68
Planned Uses	**(555)**	**(667)**	**(432)**	**(118)**	**(68)**
Housing Rental Subsidies	(329)	(441)	(296)	(118)	(68)
State Only Medicaid Payments	(136)	(136)	(136)	0	0
Capital Projects	(90)	(90)	0	0	0
Closing Balance	**513**	**314**	**0**	**0**	**0**

DOB expects to transfer HCTF funds to the General Fund to offset State costs for eligible health care transformation activities, including capital investments, debt restructuring activities, housing and other social purposes. The actual transfers will be reported in future updates to the financial plan, as appropriate.

[16] The HCTF was created pursuant to Part FFF of Chapter 59 of the Laws of 2018 to account for receipts such as those associated with the Fidelis- Centene sale. Moneys in HCTF shall be available for transfer to any other fund of the State as authorized and directed by the Director of the Budget to support health care delivery.

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. The Exchange – NYSOH – serves as a centralized marketplace to shop for, compare, and enroll in a health plan. More than 740,000 New Yorkers have enrolled since the EP launched in January 2016.

ESSENTIAL PLAN (millions of dollars)

	FY 2019 Current	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
TOTAL ALL FUNDS SPENDING	**4,943**	**4,969**	**0.5%**	**5,013**	**0.9%**	**5,023**	**0.2%**	**5,027**	**0.1%**
State Operating Funds	**87**	**84**	**-3.4%**	**79**	**-6.0%**	**76**	**-3.8%**	**72**	**-5.3%**
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	87	84	-3.4%	79	-6.0%	76	-3.8%	72	-5.3%
Federal Operating Funds	**4,856**	**4,885**	**0.6%**	**4,934**	**1.0%**	**4,947**	**0.3%**	**4,955**	**0.2%**

The multi-year Updated 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.

In FY 2018, the Trump Administration took unilateral executive action to withhold CSR payments, threatening low-cost health insurance coverage for income eligible recipients when purchasing a QHP or EP coverage through the 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 Executive Budget supported this program. However, recent actions by the Trump Administration in response to litigation brought by the State will allow the State to recoup some of the withheld EP funding through changes to the reimbursement methodology. The Executive Budget Financial Plan continues to reflect support for the EP program.

Public Health/Aging Programs

Public Health includes the CHP program that finances health insurance coverage for children of low-income families, up to the age of 19; the 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 2019 Current	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,685**	**1,698**	**0.8%**	**1,891**	**11.4%**	**2,008**	**6.2%**	**2,028**	**1.0%**
Public Health	**1,556**	**1,557**	**0.1%**	**1,745**	**12.1%**	**1,856**	**6.4%**	**1,871**	**0.8%**
Child Health Plus	364	416	14.3%	609	46.4%	716	17.6%	732	2.2%
General Public Health Work	155	179	15.5%	163	-8.9%	167	2.5%	167	0.0%
EPIC	128	121	-5.5%	118	-2.5%	118	0.0%	118	0.0%
Early Intervention	173	173	0.0%	165	-4.6%	165	0.0%	165	0.0%
HCRA Program	367	369	0.5%	384	4.1%	384	0.0%	384	0.0%
All Other	369	299	-19.0%	306	2.3%	306	0.0%	305	-0.3%
Aging	**129**	**141**	**9.3%**	**146**	**3.5%**	**152**	**4.1%**	**157**	**3.3%**

The Public Health budget maintains average annual growth over the multi-year Updated Financial Plan of 4.8 percent and reflects increased support to local governments for services administered on behalf of the State, partly offset by program restructuring and administrative efficiencies. Increased CHP spending over the multi-year Updated Financial Plan reflects enrollment that continues to increase at a strong pace. A one-time claims correction increased State costs by $50 million in FY 2019. The increase in FY 2020 reflects the September 2019 phase down of enhanced Federal support currently provided through the ACA. Growth in FY 2021 reflects the full annual impact of the expiration of enhanced Federal support and increased enrollment.

In addition to on-going program support, the Executive Budget Financial Plan includes $6.8 million to help reduce the risk of child exposure to lead paint by lowering the acceptable blood lead level from 15 micrograms per deciliter to 5 micrograms per deciliter and support increased local enforcement and prevention costs through the GPHW program. Additionally, the Executive Budget supports a five percent rate increase for EI services provided by licensed physical therapists, occupational therapists, and speech-language pathologists to improve access to care and expand service delivery for infants and toddlers with disabilities and their families. To offset the aforementioned statewide program costs and new investments, the Executive Budget Financial Plan modifies reimbursement of certain public health funding for New York City. The rate realignment of the New York City GPHW program will generate savings of $27 million in FY 2020 and $54 million annually thereafter. Additional Public Health savings of $16 million will be generated by shifting the Traumatic Brain Injury Program, Off-Track Betting retirees health insurance, and Nursing Home Transition and Diversion waiver under the Global Cap.

The Executive Budget Financial Plan includes SOFA savings realized by eliminating the planned 2.9 percent FY 2020 increase in the Human Services Cost of Living increase, resulting in $5 million in annual savings for FY 2020 through FY 2023. These savings are offset by a $15 million investment in the Expanded In-Home Services for the Elderly Program (EISEP) program to address locally-identified capacity needs in NYSOFA support services to maintain the elderly in their communities, support family and friends in their caregiving roles, and delay future Medicaid costs by intervening with less intensive services earlier.

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, such as 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
(millions of dollars)

	FY 2019 Current	FY 2020 Proposed	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
OPENING BALANCE	**15**	**0**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,916**	**6,002**	**6,059**	**6,100**	**6,146**
Surcharges	3,519	3,647	3,785	3,859	3,936
Covered Lives Assessment	1,110	1,110	1,045	1,045	1,045
Cigarette Tax Revenue	785	736	691	658	627
Hospital Assessments	424	424	424	424	424
Excise Tax on Vapor Products	0	10	39	39	39
NYC Cigarette Tax Transfer	32	32	32	32	32
EPIC Receipts/ICR Audit Fees	46	43	43	43	43
TOTAL DISBURSEMENTS AND TRANSFERS	**5,931**	**6,002**	**6,059**	**6,100**	**6,146**
Medicaid Assistance Account[1]	3,915	3,889	3,811	3,762	3,813
Medicaid Costs	*3,718*	*3,692*	*3,614*	*3,565*	*3,616*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	892	892	892	892	892
HCRA Program Account	375	377	392	392	392
Child Health Plus	375	429	625	734	748
Elderly Pharmaceutical Insurance Coverage	140	133	131	130	130
NYSOH Health Benefit Exchange	0	47	44	43	42
SHIN-NY/APCD	40	40	0	0	0
All Other	194	195	164	147	129
ANNUAL OPERATING SURPLUS/(DEFICIT)	**(15)**	**0**	**0**	**0**	**0**
CLOSING BALANCE	**0**	**0**	**0**	**0**	**0**

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

Total HCRA receipts are forecasted to grow modestly in total over the multi-year plan, in relation to increased surcharge collections generated, as well as continued growth in utilization levels due to expanded coverage through the ACA and a new 20 percent excise tax on vapor products. Projected increases in surcharges are partly offset by declines in estimated covered lives assessments and cigarette tax collections, attributable to declining taxable consumption.

Total HCRA disbursements are commensurate with the multi-year revenue forecast. The Executive Budget Financial Plan reflects continued FY 2020 HCRA funding for a number of programs and initiatives. Specifically, the continuation of the SHIN-NY/All-Payer Claims Databases (APCD) infrastructure development initiative, estimated at $40 million annually, which improves the informational and data capabilities associated with claiming records; $892 million for Hospital Indigent Care, which assists providers in paying for uncompensated services provided; and the continuation of the EPIC program, which supplements income-eligible seniors for their out-of-pocket Medicare Part D drug plan costs. Over the multi-year Updated Financial Plan period, the most substantial area of spending growth is within the CHP program, based on the expiration of the enhanced Federal resources provided through the ACA in September 2019. Due to substantiated claims of strong year-over-year enrollment growth, estimated outyear spending growth is $196 million in FY 2021, $109 million in FY 2022 and $14 million in FY 2023.

HCRA is expected to remain in balance over the multi-year forecast 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 2019 Current	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,176**	**1,978**	**-9.1%**	**2,499**	**26.3%**	**2,490**	**-0.4%**	**2,748**	**10.4%**
People with Developmental Disabilities	**2,183**	**2,280**	**4.4%**	**2,577**	**13.0%**	**2,765**	**7.3%**	**2,937**	**6.2%**
Residential Services	1,367	1,404	2.7%	1,543	9.9%	1,656	7.3%	1,758	6.2%
Day Programs	641	659	2.8%	724	9.9%	776	7.2%	825	6.3%
Clinic	20	20	0.0%	22	10.0%	24	9.1%	25	4.2%
All Other Services (Net of Offsets)	155	197	27.1%	288	46.2%	309	7.3%	329	6.5%
Mental Health	**1,291**	**1,367**	**5.9%**	**1,463**	**7.0%**	**1,530**	**4.6%**	**1,597**	**4.4%**
Adult Local Services	1,017	1,080	6.2%	1,155	6.9%	1,210	4.8%	1,260	4.1%
Children Local Services	274	287	4.7%	308	7.3%	320	3.9%	337	5.3%
Alcohol and Substance Abuse	**354**	**364**	**2.8%**	**381**	**4.7%**	**395**	**3.7%**	**414**	**4.8%**
Outpatient/Methadone	128	132	3.1%	138	4.5%	142	2.9%	150	5.6%
Residential	144	148	2.8%	156	5.4%	164	5.1%	172	4.9%
Prevention and Program Support	75	77	2.7%	81	5.2%	84	3.7%	88	4.8%
Crisis	7	7	0.0%	6	-14.3%	5	-16.7%	4	-20.0%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**
SUBTOTAL BEFORE ADJUSTMENTS	**3,829**	**4,012**	**4.8%**	**4,422**	**10.2%**	**4,691**	**6.1%**	**4,949**	**5.5%**
Total Global Cap Adjustments [1]	**(1,653)**	**(2,034)**	**-23.0%**	**(1,923)**	**5.5%**	**(2,201)**	**-14.5%**	**(2,201)**	**0.0%**
OPWDD Medicaid	**(1,653)**	**(1,814)**	**-9.7%**	**(1,703)**	**6.1%**	**(1,981)**	**-16.3%**	**(1,981)**	**0.0%**
OMH Medicaid	**0**	**(220)**	**0.0%**	**(220)**	**0.0%**	**(220)**	**0.0%**	**(220)**	**0.0%**

[1] Adjustments reflect OPWDD and OMH programmatic spending that is paid for with available resources under the Medicaid Global Cap. There are no budgetary reductions or impacts to mental hygiene program spending as a result of these interactions.

Local assistance spending accounts for approximately 44 percent of total mental hygiene spending from State Operating Funds and is projected to grow by an average rate of 6.6 percent in the outyears. 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 for not-for-profit providers for growth in employee wages related to minimum wage increases.

The Updated Financial Plan includes an approximately $183 million, or 4.8 percent, increase in local assistance funding for the mental hygiene agencies. Roughly $56 million will be used to support the incremental pay standards of minimum wage and related fringe benefit increases associated with the transition to a $15 an hour living wage. Other increases include investments to leverage up to $120 million in additional OPWDD funding, which will allow for the development of new certified housing supports in the community, support more independent living, provide more day program and employment options, and increase respite availability. The Updated Financial Plan also includes additional OMH funding to support ongoing community-based services expansion and enhanced funding to existing residential programs.

The Executive Budget Financial Plan also reflects increased support for OASAS to continue to enhance prevention, treatment and recovery programs targeted toward chemical dependency, residential service opportunities and public awareness activities.

The funding increase is offset by a technical shift of program expenses to the Medicaid Global Cap ($440 million), as a greater share of OPWDD and OMH Medicaid spending will be funded with available Global Cap resources. These technical adjustments have no impact on mental hygiene service delivery or operations.

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 persons.

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

	FY 2019 Current	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,155**	**1,343**	**16.3%**	**1,351**	**0.6%**	**1,355**	**0.3%**	**1,358**	**0.2%**
SSI	661	663	0.3%	667	0.6%	667	0.0%	667	0.0%
Public Assistance Benefits	381	535	40.4%	541	1.1%	541	0.0%	541	0.0%
Public Assistance Initiatives	11	28	154.5%	24	-14.3%	24	0.0%	24	0.0%
All Other	102	117	14.7%	119	1.7%	123	3.4%	126	2.4%

DOB's caseload models project a total of 532,164 public assistance recipients in FY 2020. Approximately 201,673 families are expected to receive benefits through the Family Assistance program in FY 2020, a decrease of 2.2 percent from FY 2019. The Safety Net caseload for families is projected at 117,755 in FY 2020, a decrease of 2.3 percent from FY 2019. The caseload for single adults/childless couples supported through the Safety Net program is projected at 212,716 in FY 2020, an increase of 0.6 percent from FY 2019.

SSI spending is projected to increase slightly over the course of the multi-year Updated Financial Plan as caseload is expected to level off. Public assistance benefits will increase due to a variety of factors, including the expansion of New York City HIV/AIDS Services Administration (HASA) benefits to public assistance recipients living in New York City, and increased costs associated with an increase in Safety Net caseload for singles. Other spending growth includes increased spending on homeless services and prevention and the Response to Human Trafficking program. The Executive Budget also proposes a restructuring of financing for the Family Assistance program, shifting 10 percent of costs previously financed by Federal TANF to New York City to align with the funding structure for the Emergency Assistance for Families program.

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 2019 Current	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,691**	**1,488**	**-12.0%**	**1,606**	**7.9%**	**1,660**	**3.4%**	**1,660**	**0.0%**
Child Welfare Service	506	491	-3.0%	501	2.0%	501	0.0%	501	0.0%
Foster Care Block Grant	384	384	0.0%	393	2.3%	403	2.5%	403	0.0%
Adoption	148	148	0.0%	157	6.1%	157	0.0%	157	0.0%
Child Care	290	143	-50.7%	244	70.6%	263	7.8%	263	0.0%
Youth Programs	90	99	10.0%	92	-7.1%	92	0.0%	92	0.0%
Medicaid	85	89	4.7%	95	6.7%	99	4.2%	99	0.0%
Adult Protective/Domestic Violence	45	48	6.7%	51	6.3%	54	5.9%	54	0.0%
Committees on Special Education	22	24	9.1%	26	8.3%	29	11.5%	29	0.0%
All Other	121	62	-48.8%	47	-24.2%	62	31.9%	62	0.0%

FY 2020 OCFS State Operating Funds spending is projected to decrease from FY 2019 due to several factors, including utilizing TANF to offset state child care and Advantage After-School costs, reclassifying the Pay For Success program spending from OCFS to the Department of Labor, and the planned deferral of the Human Services COLA in FY 2020. Growth in the outyears is primarily attributable to a decrease in TANF dollars supporting child care, which is offset by increased General Fund support for the program.

Transportation

In FY 2020, the State expects to provide almost $5.8 billion in operating aid to mass transit systems, including over $2.3 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 $5.3 billion in FY 2020.

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). 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 2019 Current	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
STATE OPERATING FUNDS SUPPORT	**3,936**	**3,534**	**-10.2%**	**3,565**	**0.9%**	**3,694**	**3.6%**	**3,845**	**4.1%**
Mass Transit Operating Aid:	2,323	2,497	7.5%	2,508	0.4%	2,508	0.0%	2,508	0.0%
Metro Mass Transit Aid	2,187	2,350	7.5%	2,350	0.0%	2,350	0.0%	2,350	0.0%
Public Transit Aid	92	103	12.0%	114	10.7%	114	0.0%	114	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	378	244	-35.4%	244	0.0%	244	0.0%	244	0.0%
MTA Aid Trust	292	31	-89.4%	0	-100.0%	0	0.0%	0	0.0%
Dedicated Mass Transit	683	696	1.9%	747	7.3%	876	17.3%	1,027	17.2%
AMTAP*	260	66	-74.6%	66	0.0%	66	0.0%	66	0.0%
All Other	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

*Additional Mass Transportation Assistance Program.

Projected operating aid to the MTA and other transit systems reflects the current receipts forecast and timing associated with the availability of resources. The Updated Financial Plan includes revised spending estimates for transit assistance in each year to reflect the most recent revenue forecast assumptions.

The Executive Budget includes legislation directing various supplemental fees and taxes levied on driver licenses, motor vehicle registration, taxis, and passenger car rentals, to be remitted directly to the MTA without legislative appropriation. This will eliminate the pass through of these fees and taxes, will ensure more timely receipt by the MTA, consistent with treatment of mobility tax collections. Beginning in FY 2020, the Updated Financial Plan will no longer include these new supplemental fees and taxes or associated local assistance payments. The MTA will receive over $2.2 billion from Mobility Tax resources in FY 2020.

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 2019 Current	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
TOTAL STATE OPERATING FUNDS	**724**	**672**	**-7.2%**	**704**	**4.8%**	**704**	**0.0%**	**704**	**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	9	-86.8%	9	0.0%	9	0.0%	9	0.0%
Restructuring/Efficiency	9	16	77.8%	48	200.0%	48	0.0%	48	0.0%

The Executive Budget proposes to eliminate AIM for 846 towns and 480 villages that rely on AIM for less than 2 percent of total expenditures. The affected municipalities would instead receive county internet sales tax in an amount equal to the AIM reduction. Counties are expected to receive additional sales tax from the proposed internet fairness conformity tax.

State Operating Funds spending for the various efficiency and restructuring grants within the AIM program is projected to increase from FY 2019 to FY 2021 due to potential awards from the Financial Restructuring Board for Local Governments.

Agency Operations

Agency operating costs consist of Personal Service (PS), 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 (e.g., 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 and 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 Capital Projects Funds 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 2019 Current	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
Negotiated Base Salary Increases[1]					
UUP	2%	2%	2%	2%	TBD
NYSPBA	2%	2%	2%	2%	2%
NYSCOPBA	2%	2%	2%	2%	2%
CSEA/DC-37 (Rent Regulation Unit)	2%	2%	2%	TBD	TBD
PEF/GSEU/MC	2%	TBD	TBD	TBD	TBD
NYSPIA[2]/Council 82/PBANYS	TBD	TBD	TBD	TBD	TBD
State Workforce[3]	119,327	119,449	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization[4]	15.5%	15.2%	15.8%	17.5%	18.8%
After Amortization[5]	19.2%	23.0%	17.5%	19.2%	20.4%
PFRS Contribution Rate					
Before Amortization[4]	24.1%	23.9%	25.0%	26.7%	28.1%
After Amortization[5]	26.9%	30.3%	26.2%	27.8%	29.2%
Employee/Retiree Health Insurance Growth Rates	5.6%	2.8%	8.1%	7.8%	7.8%
PS/Fringe as % of Receipts (All Funds Basis)	13.5%	13.8%	14.1%	14.0%	14.0%

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

Operating costs for PS/NPS are projected to increase over the Updated Financial Plan period, from $19.4 billion in FY 2019 to $20.8 billion in FY 2023. Most Executive agencies are expected to hold spending at FY 2019 levels. The increases in the outyears of the Updated Financial Plan are driven mainly by juvenile justice reform, labor agreements, growth in SUNY operating costs, including costs of the recently settled UUP contract, and an additional administrative payroll in FY 2021.

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS (millions of dollars)	FY 2019 Current	FY 2020 Proposed	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**10,541**	**10,569**	**10,965**	**11,055**	**11,204**
Mental Hygiene	2,800	2,810	2,876	2,927	2,976
Corrections and Community Supervision	2,752	2,707	2,751	2,792	2,870
State Police	728	728	754	769	784
Information Technology Services	545	540	551	557	568
Department of Health	812	804	799	796	788
Tax and Finance	334	345	356	345	344
Children and Family Services	289	264	383	385	385
Transportation	280	332	337	342	342
Environmental Conservation	209	199	211	205	205
Financial Services	209	209	215	209	209
Parks, Recreation and Historic Preservation	175	159	166	161	161
Workers' Compensation Board	143	143	148	143	143
Temporary and Disability Assistance	127	133	138	140	140
General Services	137	103	102	100	102
Gaming	81	73	75	73	73
All Other	920	1,020	1,103	1,111	1,114
UNIVERSITY SYSTEMS	**6,175**	**6,300**	**6,562**	**6,654**	**6,859**
State University	6,080	6,203	6,465	6,555	6,760
City University	95	97	97	99	99
INDEPENDENT AGENCIES	**333**	**339**	**347**	**339**	**339**
Law	179	182	187	182	182
Audit & Control (OSC)	154	157	160	157	157
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**17,049**	**17,208**	**17,874**	**18,048**	**18,402**
Judiciary	2,124	2,166	2,223	2,166	2,166
Legislature	230	235	239	244	244
Statewide Total	**19,403**	**19,609**	**20,336**	**20,458**	**20,812**
Personal Service	13,795	14,052	14,717	14,734	15,017
Non-Personal Service	5,608	5,557	5,619	5,724	5,795

In addition to growth across many agencies for collective bargaining agreements, the most significant annual changes to FY 2020 spending for agency operations include:

- Mental Hygiene. Cost increases are driven primarily by continued delivery in State-operated program settings.

- Children and Family Services. Higher spending is mainly driven by additional funding to support raising the age of criminal responsibility from 16 to 18 by October 1, 2019. The increases are offset by a modification to the youth facility billings process.

- Transportation. Increases reflect a larger amount of operating costs related to snow and ice removal, and bus, truck and rail inspections which have been reclassified from the DHBTF to the General Fund beginning in FY 2019.

- General Services. The Executive Budget shifts certain Business Services Center (BSC) and other operational expenses to an Internal Service Fund to simplify BSC operations by merging funding sources.

Workforce

In FY 2020, $14 billion or 13.7 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 (46,464) and Independent Agencies (18,051); and 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 DOCCS.

STATE OPERATING FUNDS FY 2020 FTEs[1] AND PERSONAL SERVICE SPENDING BY AGENCY (millions of dollars)	Dollars	FTEs
SUBJECT TO DIRECT EXECUTIVE CONTROL	**7,675**	**97,532**
Mental Hygiene	2,334	32,353
Corrections and Community Supervision	2,146	26,858
State Police	668	5,666
Department of Health	296	4,078
Information Technology Services	292	3,479
Tax and Finance	272	4,085
Children and Family Services	172	2,360
Environmental Conservation	163	2,235
Transportation	162	2,591
Financial Services	154	1,395
Parks, Recreation and Historic Preservation	125	1,524
Workers' Compensation Board	85	1,109
Education	84	1,263
Temporary and Disability Assistance	73	1,016
General Services	26	407
All Other	623	7,113
UNIVERSITY SYSTEMS	**4,232**	**46,464**
State University	4,183	46,090
City University[2]	49	374
INDEPENDENT AGENCIES	**2,145**	**18,051**
Law	129	1,533
Audit & Control (OSC)	126	1,524
Judiciary	1,710	14,991
Legislature[3]	180	3
Statewide Total	**14,052**	**162,047**

[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 13,258 FTEs, which are excluded from this table.

[3] Legislative employees who are nonannual salaried are excluded from this table.

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 pay for certain statewide fixed costs, including taxes on State-owned lands, payments in lieu of taxes (PILOT) (for the City of Albany) and judgments / settlements awarded 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.

GSC spending is projected to increase at an average annual rate of 5.6 percent over the multi-year Updated Financial Plan period ($512 million) and 9.6 percent in FY 2020 ($806 million).

Growth in FY 2019 in the health insurance program of $111 million (2.6 percent) is reflective of medical inflation and current enrollment levels. Workers' compensation costs are projected to increase by $101 million in FY 2019 due to underlying growth in the average weekly wage used for benefit calculations and medical costs ($51 million or 8.9 percent), and a reduction in available reserve funds to offset costs ($50 million). Overall pension costs are projected to remain relatively stable due to improved investment returns and ongoing savings from 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 2019 Current	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
TOTAL STATE OPERATING FUNDS	**8,428**	**9,234**	**9.6%**	**9,164**	**-0.8%**	**9,771**	**6.6%**	**10,414**	**6.6%**
Fringe Benefits	**8,011**	**8,804**	**9.9%**	**8,723**	**-0.9%**	**9,324**	**6.9%**	**9,967**	**6.9%**
Health Insurance	4,196	4,307	2.6%	4,627	7.4%	4,961	7.2%	5,323	7.3%
Pensions	2,422	2,963	22.3%	2,417	-18.4%	2,643	9.4%	2,838	7.4%
Social Security	1,035	1,067	3.1%	1,104	3.5%	1,095	-0.8%	1,106	1.0%
Workers' Compensation	476	577	21.2%	679	17.7%	736	8.4%	797	8.3%
Employee Benefits	143	137	-4.2%	151	10.2%	166	9.9%	179	7.8%
Dental Insurance	60	61	1.7%	63	3.3%	65	3.2%	66	1.5%
Unemployment Insurance	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
All Other/Non-State Escrow	(333)	(320)	3.9%	(330)	-3.1%	(354)	-7.3%	(354)	0.0%
Fixed Costs	**417**	**430**	**3.1%**	**441**	**2.6%**	**447**	**1.4%**	**447**	**0.0%**
Public Land Taxes/PILOTS	263	269	2.3%	276	2.6%	282	2.2%	282	0.0%
Litigation	154	161	4.5%	165	2.5%	165	0.0%	165	0.0%

Growth in GSC spending in FY 2020 reflects a $500 million repayment of amortized pension costs due in FY 2021 through FY 2023. The accelerated repayment would save approximately $33 million in interest expense. DOB will evaluate fiscal conditions before executing the accelerated amortization repayment.

In addition, the FY 2020 estimate includes gap-closing savings of approximately $173 million included in the Executive Budget Financial Plan. The savings are primarily driven by $63 million in interest savings achieved by paying the majority of the State pension bill in April 2019, rather than on a monthly basis as previously assumed. Over the multi-year Updated Financial Plan period, outyear pension costs reflect expected investment performance, projected growth in salary base, and assumptions about future normal and administrative costs. Pension costs also reflect repayment of prior-year amortization, costs for Chapter 41 of 2016 (Veteran's pension credit legislation), and other adjustments.

NYSHIP costs have increased by approximately 14 percent over the past three fiscal years -- from $3.20 billion in FY 2016 to $3.67 billion in FY 2018. The Executive Budget includes three proposals to help restrain this growth.

The first proposal would eliminate the taxpayer subsidy for high-income state retirees who pay Medicare Part B IRMAA. This regressive subsidy provides retirees earning over $85,000 per year greater State taxpayer subsidies than lower income retirees. The reimbursement of these costs, which were originally intended by the Federal government to have wealthier retirees pay a fairer share of Medicare costs, would no longer be provided. Eliminating this subsidy is estimated to save $12.4 million in FY 2021 ($2.9 million in FY 2020 due to the lag in reimbursement).

The second proposal would establish a floor for state reimbursement of the Medicare Part B standard premium. In Calendar Year 2019, New York taxpayers are reimbursing the standard premium for new and existing retirees at the amount of $135.50 per month, consistent with Calendar Year 2019 Federal program costs. Any future increases in reimbursement above this level would be subject to the annual budget process. The cost of this reimbursement is increasing from $207 million in CY 2018 to $249 million in Calendar Year 2019. This proposal will save $2.3 million in FY 2020, and $12.3 million in FY 2021 if the subsequent budget does not authorize a funding increase.

The third proposal would create a sliding scale for retiree health insurance coverage. Currently, taxpayers support lifetime health coverage for State retirees with more than 10 years of service. This proposal would create a sliding scale of subsidies that begin at ten years of service, and gradually increase until they are no different than current levels once an individual reaches 30 years of service. This would be effective for new employees who begin State service on or after April 1, 2019. Since this proposal affects future employees, no savings are expected until April of 2029, but a 5 percent reduction in the State's OPEB liability ($4 billion) is anticipated.

The Executive Budget also proposes to establish interest rates paid on court judgements by public and private entities at a variable market-based interest rate equal to the average one-year constant maturity treasury yield. This is the same rate utilized by the Federal court system. The current fixed rate of as much as 9 percent annually was established in 1981 when interest rates were at 15 percent to avoid unnecessary taxpayer costs. Payment of a prevailing market interest rate will help ensure that neither side in a lawsuit will be disadvantaged by an interest rate that is above or below what otherwise could be earned while cases are being adjudicated. It will provide mandate relief for local governments and lower State taxpayer costs by $6 million.

Transfers to Other Funds (General Fund Basis)

General Fund transfers help finance 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 2019 Current	FY 2020 Proposed	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**4,847**	**5,688**	**6,215**	**6,455**	**7,060**
Debt Service	804	537	762	653	642
SUNY University Operations	1,020	1,174	1,255	1,255	1,255
Capital Projects	**1,963**	**2,895**	**3,051**	**3,214**	**3,678**
Extraordinary Monetary Settlements:	1,020	1,021	603	911	982
Dedicated Infrastructure Investment Fund	1,054	1,125	864	798	784
FY 2018 Temporary Loan to Capital Projects Fund[1]	(500)	0	0	0	0
Transfer to DIIF for Javits Expansion	388	320	128	0	0
Bond Proceeds Receipts for Javits Expansion	0	(500)	(500)	0	0
Transfer to Capital Projects Fund - Clean Water Grants	0	0	25	50	175
Mass Transit Capital from Settlements	6	6	6	0	0
Statewide Health Care Capital from Settlements	72	70	80	63	23
Dedicated Highway and Bridge Trust Fund	138	403	480	323	438
Environmental Protection Fund	28	28	28	28	96
All Other Capital	777	1,443	1,940	1,952	2,162
ALL OTHER TRANSFERS	**1,060**	**1,082**	**1,147**	**1,333**	**1,485**
Department of Transportation (MTA Payroll Tax)	244	244	244	244	244
SUNY - Medicaid Reimbursement	243	243	243	243	243
Judiciary Funds	112	112	113	113	113
Dedicated Mass Transportation Trust Fund	66	65	116	256	408
Banking Services	47	53	53	53	53
Indigent Legal Services	28	28	28	75	75
General Service Executive Direction	22	22	22	22	22
Mass Transportation Operating Assistance	22	21	21	21	21
Correctional Industries	21	21	21	21	21
Public Transportation Systems	16	16	16	16	16
Health Income Fund	16	16	16	16	16
Centralized Technology Services	14	11	11	11	11
Spinal Cord Injury	9	9	9	9	9
Medical Cannabis Fund	7	5	7	7	7
All Other	193	216	227	226	226

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

General Fund transfers to other funds are expected to total $5.7 billion in FY 2020, a $841 million increase from FY 2019. The change is mainly due to capital projects transfers and includes the timing of reimbursing General Fund capital advances made in prior fiscal years ($650 million) and an increase in transfers to DHBTF in FY 2020 ($265 million) to support debt service payments related to DHBTF bonds.

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 2019 Current	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
General Fund	804	537	-33.2%	762	41.9%	653	-14.3%	642	-1.7%
Other State Support	5,171	5,157	-0.3%	6,279	21.8%	6,410	2.1%	6,706	4.6%
State Operating/All Funds Total	**5,975**	**5,694**	**-4.7%**	**7,041**	**23.7%**	**7,063**	**0.3%**	**7,348**	**4.0%**

Total State Operating/All Funds debt service is projected to be $5.7 billion in FY 2020, of which $537 million is paid from the General Fund via transfers, and $5.2 billion is from other State funds supported by dedicated tax receipts. The General Fund finances debt service payments on General Obligation and service contract bonds. Debt service for the State's revenue bonds is paid directly from other dedicated State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds.

The Updated Financial Plan estimates for debt service spending have been revised to reflect a number of factors, including bond sale results to date, refunding savings, and the adjustment of debt issuances to align with projected bond-financed capital spending. Debt service spending estimates also reflect the prepayment in FY 2018 of $594 million in debt service costs due in FY 2019, as well as a planned prepayment of $765 million in FY 2019 for debt service costs due in FY 2020.

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, 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.

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 PIT Revenue Bonds by the State's Authorized Issuers. The legislation required 25 percent of 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 amended 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 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 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 amended 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 PIT receipts and ECEP receipts or $12 billion. Debt service on 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 changes to Federal law, including the impact of tax law changes of the TCJA on PIT Revenue Bonds.

As of March 31, 2018, approximately $33.6 billion of 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. Assuming average issuances of approximately $4.7 billion annually over the next four years, PIT Revenue Bond debt service coverage is expected to decline from 6.3 times in FY 2019 to 6.1 times in FY 2023. The coverage calculation has been revised to reflect updated PIT receipts and projected 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.

PROJECTED PIT REVENUE BOND COVERAGE RATIOS
FY 2019 THROUGH 2023
(thousands of dollars)

	FY 2019 Results	FY 2020 Proposed	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
Projected RBTF Receipts	23,791,790	25,886,526	26,985,745	28,572,960	30,162,025
Projected New PIT Bonds Issuances	2,731,530	5,314,736	4,748,298	5,088,692	5,544,719
Projected Total PIT Bonds Outstanding	34,903,690	38,095,810	40,371,420	42,885,609	45,662,189
Projected Maximum Annual Debt Service	3,780,254	4,240,648	4,662,097	4,920,804	4,966,381
Projected PIT Coverage Ratio	6.3	6.1	5.8	5.8	6.1

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, subject to annual appropriation. 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 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 Revenue Bond debt service coverage based only upon the 1 cent dedication is expected to decline from 3.3 times in FY 2019 to 3.0 times in FY 2023, 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.

PROJECTED SALES TAX REVENUE BOND COVERAGE RATIOS
FY 2019 THROUGH 2023
(thousands of dollars)

	FY 2019 Current	FY 2020 Proposed	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
Projected Sales Tax Receipts	3,560,000	3,770,750	3,933,500	4,066,500	4,208,750
Projected New Sales Tax Bonds Issuances	2,588,280	1,366,521	1,407,517	1,449,742	1,493,235
Projected Total Sales Tax Bonds Outstanding	10,422,900	11,464,303	12,212,259	13,062,996	13,893,111
Projected Maximum Annual Debt Service	1,071,624	1,189,080	1,313,052	1,294,808	1,409,631
Projected Sales Tax Coverage Ratio	3.3	3.2	3.0	3.1	3.0

GAAP-Basis Results for Prior Fiscal Years

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 issued the Basic Financial Statements for FY 2018 on July 27, 2018. The Comptroller also prepares and issues a Comprehensive Annual Financial Report ("CAFR"), which, in addition to the components referred to above, also includes an introductory section and a statistical section. The CAFR for the fiscal year ended March 31, 2018 was issued on September 1, 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, 2018	2,386	1,095	(877)	(86)	2,518	4,672
March 31, 2017	(2,788)	188	(599)	(153)	(3,352)	2,286
March 31, 2016	(978)	460	754	172	408	5,074

SUMMARY OF NET POSITION (millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2018	28,608	69	28,677
March 31, 2017	28,580	332	28,912
March 31, 2016	32,539	225	32,764

The CAFR for the fiscal year ended March 31, 2018 and CAFRs related to prior fiscal years can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the Office of the State Comptroller's website at www.osc.state.ny.us. The Basic Financial Statements can also be accessed through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system website at www.emma.msrb.org.

Authorities and Localities

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.

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 Update.

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 Jason Goh, Investor Relations, (212) 788-5864, 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
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
2018	38,628	43,355	1,805	1,071	2,724	2,085	89,668

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 and the City of Yonkers must adhere to a Special Local Finance and Budget Act. The impact on the State of any possible requests in the future for additional oversight or financial assistance cannot be determined at this time and therefore is not included in the Updated Financial Plan projections.

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 a 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 it is classified in one of three levels of stress: significant, moderate or susceptible. Entities that are determined to have stress levels below established scoring thresholds are classified as "No Designation".

A total of 37 local governments (10 counties, 8 cities, 9 towns and 10 villages) and 26 school districts have been placed in a stress category by OSC based on financial data for their fiscal years ending in 2017. The vast majority of entities scored by OSC (97 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 2017.

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

Locality Fiscal Year Ending	Combined New York City Debt[2]		Other Localities Debt[3]		Total Locality Debt[3]	
	Bonds	Notes	Bonds[4]	Notes[4]	Bonds[3][4]	Notes[4]
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,093	4,470	58,337	4,985
2010	69,536	0	36,110	7,369	105,646	7,369
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
2017	86,345	0	34,788	5,617	121,133	5,617

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

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

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

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

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

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

State Retirement System

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, 2018, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2018 and is available on the OSC website at the following address:https://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, 2018 and audited financial statements with independent auditor's report for the fiscal year ended March 31, 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 2018 are available at the OSC website at https://www.osc.state.ny.us/retire/about_us/financial_statements_index.php. Benefit plan booklets describing how each of the System's tiers works can be accessed at https://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 DFS.

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 System's membership as of March 31, 2018. There were 3,044 public employers participating in the System, including the State, 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, 2018, 652,030 persons were members of the System and 470,596 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, 2018, approximately 58 percent of ERS members were in Tiers 3 and 4 and approximately 68 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 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: https://www.osc.state.ny.us/retire/employers/tier-6/ers_comparison.php

PFRS Chart: https://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 88 percent of the Tier 5 PFRS members are required to contribute 3 percent of their salaries for their career. Members joining on or after April 1, 2012 are in Tier 6, and are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages.[17] Members in Tier 6 of both ERS and PFRS earning $45,000 or less are required to contribute 3 percent of their gross annual wages; members earning between $45,001 and $55,000 are required to contribute 3.5 percent; members earning between $55,001 and $75,000 are required to contribute 4.5 percent; members earning between $75,001 and $100,000 will contribute 5.75 percent; and, those earning in excess of $100,000 are required to contribute 6 percent of their gross annual salary.

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

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[17] Less than 1 percent of the 9,210 PFRS Tier 6 members are non-contributory.

[18] During 2015, the Retirement System's Actuary conducted the statutorily required quinquennial actuarial experience study of economic and demographic assumptions. The assumed investment rate of return is an influential factor in calculating employer contribution rates. In addition, the Chief Investment Officer conducted an asset allocation study. The resulting asset allocation and long-term asset allocation policy informed the Actuary's recommendation regarding the revision of the investment rate of return (discount rate). In September 2015, the Comptroller announced the assumed rate of return for NYSLRS would be lowered from 7.5 percent to 7 percent. The 7 percent rate of return has been used to determine employer contribution rates in FYs 2017 through 2020.

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. Contribution rates for FY 2020 were released in August 2018. The average ERS rate decreased by 0.3 percent from 14.9 percent of salary in FY 2019 to 14.6 percent of salary in FY 2020, while the average PFRS rate in FY 2020 will remain at 23.5 percent of payroll, the same rate as in FY 2019. Information regarding average rates for FY 2020 may be found in the 2018 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at:

https://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, FY 2018 and FY 2019, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent, 3.21 percent, 2.33 percent, 2.84 percent, and 3.64 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, 2018, the amortized amount receivable, including accrued interest, for the 2011 amortization is $88.2 million from the State and $10.6 million from 30 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is $251.0 million from the State and $77.1 million from 106 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is $419.0 million from the State and $167.1 million from 124 participating employers; the amortized amount receivable, including accrued interest, for the 2014 amortization is $603.9 million for the State and $114.6 million from 92 participating employers; the amortized amount receivable including accrued interest, for the 2015 amortization is $523.3 million from the State and $97.3 million from 78 participating employers; the amortized amount receivable, including accrued interest for the 2016 amortization, is $294.4 million from the State and $53.4 million from 53 participating employers; the amortized amount receivable, including accrued interest for the 2017 amortization, is $5.6 million from 9 participating employers; the State did not amortize in 2017;

and the amortized amount receivable, including accrued interest for the 2018 amortization, is $4.4 million from 4 participating employers; the State did not amortize in 2018.

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, 2018, the amortized amount receivable, including interest, from 26 participating employers for the 2014 amortization is $171.7 million. The amortized amount receivable, including interest, from 26 participating employers for the 2015 amortization is $154.5 million. The amortized amount receivable, including interest, from 23 participating employers for the 2016 amortization is $115.2 million. The amortized amount receivable, including interest, from 19 participating employers for the 2017 amortization is $86.2 million. The amortized amount receivable, including interest, from 13 participating employers for the 2018 amortization is $74.9 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, 3.31 percent for FY 2018 and 3.99 percent for FY 2019). As with the original Contribution Stabilization Program, when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elect to amortize under the alternate program will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future.

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

The total State payment (including Judiciary) due to NYSLRS for FY 2018 was approximately $2.359 billion. The State opted not to amortize under the Contribution Stabilization Program and paid the bill in full as of March 1, 2018.

The estimated total State payment (including Judiciary) due to NYSLRS for FY 2019 is approximately $2.327 billion. Multiple prepayments (including interest credit) have reduced this amount to $14 million.

The estimated total State payment (including Judiciary) due to NYSLRS for FY 2020 is approximately $2.344 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, 2018 was $212.1 billion (including $5.5 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 $14.5 billion or 7.3 percent from the FY 2017 level of $197.6 billion. The increase in net position restricted for pension benefits from FY 2017 to FY 2018 reflects, in large part, equity market performance.[19] The System's audited Financial Statement reports a time-weighted investment rate of return of 11.35 percent (gross rate of return before the deduction of certain fees) for FY 2018.

Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management. The purpose of this asset allocation strategy is to identify the optimal diversified mix of assets to meet the requirements of pension payment obligations to members. In the fiscal year ended March 31, 2015, an asset liability analysis was completed and a long-term policy allocation was adopted. The current long-term policy allocation seeks a mix that includes 50 percent public equities (36 percent domestic and 14 percent international); 18 percent bonds, cash and mortgages; 4 percent inflation indexed bonds and 28 percent alternative investments (10 percent private equity, 10 percent real estate, 2 percent absolute return or hedge funds, 3 percent opportunistic and 3 percent real assets). Since the implementation of the long-term policy allocation will take several years, transition targets have been established to aid in the asset rebalancing process. [20]

The System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased to $251.4 billion (including $127.8 billion for retirees and beneficiaries) as of April 1, 2018, up from $240.7 billion as of April 1, 2017. 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

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[19] On February 7, 2019, the State Comptroller released a statement indicating that the value of the System's invested assets posted a 7.17 percent time-weighted rate of return (gross rate of return before the deduction of certain fees) for the three-month period ending December 31, 2018. This report reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

[20] More detail on the CRF's asset allocation as of March 31, 2018, long-term policy and transition target allocation can be found on page 96 of the NYSLRS' CAFR for the fiscal year ending March 31, 2018.

for pension benefits as of March 31, 2018. 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, 2018 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected gain for FY 2018, 40 percent of the unexpected gain for FY 2017, 60 percent of the unexpected loss for FY 2016, and 80 percent of the unexpected loss for FY 2015. The asset valuation method smooths gains and losses based on the market value of all investments. Actuarial assets increased from $198.1 billion on April 1, 2017 to $206.7 billion on April 1, 2018.

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, 2018, calculated by the System's Actuary, was 98.2 percent. The ratio of the fiduciary net position to the total pension liability for PFRS, as of March 31, 2018, calculated by the System's Actuary, was 96.9 percent.[21]

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

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

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

Detailed "Schedules of Employer Allocation" and "Schedules of Pension Amounts by Employer" can be found on the OSC website at the following link:
https://www.osc.state.ny.us/retire/about us/financial statements index.php.

The GASB 68 "Schedules of Employer Allocation" and "Schedules of Pension Amounts by Employer" as of March 31, 2018 have been posted to the OSC website.

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

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

Fiscal Year Ended March 31	Contributions Recorded: All Participating Employers[1][2]	Local Employers[1][2]	State[1][2]	Employees	Total Benefits Paid[3]
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
2018	4,823	3,021	1,802	349	12,129

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
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%
2018	212,077	7.3%

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, 2018 includes approximately $5.2 billion of receivables.

Additional Information Regarding the System

The NYSLRS CAFR contains in-depth and audited information about the System. Among other things, the NYSLRS CAFR contains information about the number of members and retirees, salaries of members, valuation of assets, changes in fiduciary net position and information related to contributions to the System. The 2018 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 2009 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 combining 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 143-151 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 2008 can be found on page 152 of the NYSLRS CAFR at the link noted above.

6) Information related to the salaries of members can be found on pages 185-189 of the NYSLRS CAFR at the link noted above.

Litigation

Litigation

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

Real Property Claims

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

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

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe's land claim. The land claim has been stayed through at least August 12, 2019 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. On January 10, 2019, the trial court issued a decision in favor of the State dismissing the action. Plaintiffs have appealed the January 10, 2019 decision to the Appellate Division, Third Department.

In Aristy-Farer, et al. v. The State of New York, et al. (Sup. Ct., N.Y. Co.), commenced February 6, 2013, plaintiffs seek a judgment declaring that the provisions of L. 2012, Chapter 53 and L. 2012, Chapter 57, Part A § 1, linking payment of State school aid increases for 2012-2013 school year to submission by local school districts of approvable teacher evaluation plans violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statutes would prevent students from receiving a sound basic education. Plaintiffs moved for a preliminary injunction enjoining the defendants from taking any actions to carry out the statutes to the extent that they would reduce payment of State aid disbursements referred to as General Support for Public Schools (GSPS) to the City of New York pending a final determination. The State opposed this motion. By order dated February 19, 2013, the Court granted the motion for preliminary injunction. The State appealed. On May 21, 2013, the Appellate Division, First Department, denied plaintiffs motion for a stay pending appeal. As a result, plaintiffs have agreed to vacate their preliminary injunction and the State will withdraw its appeal. On April 7, 2014, Supreme Court denied the State's motion to dismiss. The 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. By order dated November 17, 2014, Supreme Court, New York County, denied defendants' motion to dismiss. Defendants filed a Notice of Appeal on December 15, 2014. Defendants filed Answers to the Amended 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.

On April 5, 2016, following the submission of a stipulation by the parties, the trial 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 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 asserts 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, but removed the third cause of action. Defendants' Answer to the Third Amended Complaint was filed on July 10, 2018, and a conference was held on September 13, 2018, during which the Supreme Court, New York County, set the following discovery deadlines: 1) discovery requests due September 30, 2018; 2) discovery responses due December 15, 2018; 3) depositions of named plaintiffs to be completed by March 15, 2019; 4) depositions of defendants to be completed by May 15, 2019; 5) fact discovery completed by September 16, 2019; expert discovery to be completed by November 15, 2019; 6) note of issue due by November 22, 2019; and 7) summary judgment motions due 120 days after note of issue. On January 24, 2019, a conference was held, and the parties agreed to extend these deadlines by three months.

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. These cases are now concluded.

Health Insurance Premiums

In NYSCOBPA v. Cuomo, 11-CV-1523 (NDNY) and ten other cases, state retirees, and certain current court employees, allege various claims, including due process and violation of the Contracts Clause of the United States Constitution, via 42 U.S. Code § 1983, against the Governor and other State officials, challenging the 2011 increase in their health insurance contribution.

In 2011, CSEA negotiated a two percent increase in the employee contribution to health insurance premiums. Over time, the other unions incorporated this term into their collective bargaining agreements. But in October 2011, the premium shift was administratively extended to unrepresented employees, retirees, and certain court employees pursuant to their contract terms (which provide that their health insurance terms are those of the majority of Executive Branch employees). The administrative extension is at issue.

Certain claims have been dismissed, including the claims against all State agencies and the personal capacity claims against all individual State defendants except Tricia Hite and Robert Megna.

Discovery is complete, and the State defendants filed motions for summary judgment in all eleven cases. In the motions, the State defendants argued primarily that nothing in the language of any of the collective bargaining agreements or in the negotiating history supports plaintiffs' claim that the health insurance premium contribution rate vested into retirement. With respect to the court employees, State defendants argued that their contract terms required extension of the premium shift to them. Briefing was completed on January 26, 2018.

On September 24, 2018, the District Court granted defendants' motions for summary judgment in all respects. Between October 13, 2018 and October 24, 2018, notices of appeal were filed in all eleven cases. On December 21, 2018, the U.S. Court of Appeals for the Second Circuit issued an order coordinating appellate briefing in the eleven cases. Under that order, briefing is expected to conclude in early August 2019.

Financial Plan Tables

Financial Plan Tables

The cash financial plan tables listed below appear on the following pages and summarize actual General Fund receipts and disbursements for fiscal year 2018 and projected receipts and disbursements for fiscal years 2019 through 2022 on a General Fund, State Operating Funds and All Governmental Funds basis.[22] The Updated Financial Plan projections for FY 2019 and thereafter, set forth in this AIS Update, reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in spending from State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Updated Financial Plan tables as "Adherence to 2% Spending Benchmark". Total disbursements in the Updated Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps would be higher (or projected surpluses would be lower).

General Fund - Total Budget
- Financial Plan, Annual Change from FY 2018 to FY 2019
- Financial Plan Projections FY 2020 through FY 2023
- Update to FY 2019
- Update to FY 2020
- Update to FY 2021
- Update to FY 2022

General Fund - Receipts Detail (Excluding Transfers)
- Financial Plan Projections FY 2019 through FY 2023

State Operating Funds Budget
- FY 2019
- FY 2020
- FY 2021
- FY 2022

All Governmental Funds - Total Budget
- FY 2019
- FY 2020
- FY 2021
- FY 2022

Cashflow - FY 2019 Monthly Projections
- General Fund

[22] Differences may occur from time to time between the State's Financial Plan and OSC's financial reports in the presentation and reporting of receipts and disbursements. For example, the Updated Financial Plan 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, All Governmental funds).

CASH FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2018 Results	FY 2019 Current	Annual $ Change	Annual % Change
Opening Fund Balance	**7,749**	**9,445**	**1,696**	**21.9%**
Receipts:				
Taxes:				
Personal Income Tax	36,037	21,367	(14,670)	-40.7%
Consumption/Use Taxes	7,377	7,709	332	4.5%
Business Taxes	4,916	5,396	480	9.8%
Other Taxes	1,326	1,074	(252)	-19.0%
Miscellaneous Receipts	3,129	3,195	66	2.1%
Federal Receipts	0	0	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,909	21,824	10,915	100.1%
ECEP in Excess of Revenue Bond Debt Service	0	0	0	0.0%
Sales Tax in Excess of LGAC Bond Debt Service	3,098	3,132	34	1.1%
Sales Tax in Excess of Revenue Bond Debt Service	2,763	2,675	(88)	-3.2%
Real Estate Taxes in Excess of CW/CA Debt Service	944	950	6	0.6%
All Other	921	3,336	2,415	262.2%
Total Receipts	**71,420**	**70,658**	**(762)**	**-1.1%**
Disbursements:				
Local Assistance	46,072	49,784	3,712	8.1%
State Operations:				
Personal Service	6,136	8,714	2,578	42.0%
Non-Personal Service	2,092	2,830	738	35.3%
General State Charges	5,572	7,383	1,811	32.5%
Transfers to Other Funds:				
Debt Service	1,047	804	(243)	-23.2%
Capital Projects	2,191	1,963	(228)	-10.4%
State Share of Mental Hygiene Medicaid	1,333	0	(1,333)	-100.0%
SUNY Operations	1,015	1,020	5	0.5%
Other Purposes	4,266	1,060	(3,206)	-75.2%
Total Disbursements	**69,724**	**73,558**	**3,834**	**5.5%**
Excess (Deficiency) of Receipts Over Disbursements	**1,696**	**(2,900)**	**(4,596)**	**-271.0%**
Closing Fund Balance	**9,445**	**6,545**	**(2,900)**	**-30.7%**
Statutory Reserves				
Tax Stabilization Reserve	1,258	1,258	0	
Rainy Day Reserve	540	790	250	
Contingency Reserve	21	21	0	
Community Projects	46	33	(13)	
Reserved For				
Potential Labor Agreements	155	0	(155)	
Undesignated Fund Balance	1,905	0	(1,905)	
Debt Management	500	500	0	
Extraordinary Monetary Settlements	5,020	3,943	(1,077)	

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
Receipts:				
Taxes:				
Personal Income Tax	23,699	24,909	26,583	28,292
Consumption/Use Taxes	8,119	8,434	8,692	8,971
Business Taxes	6,163	6,359	6,463	6,776
Other Taxes	1,093	1,157	1,226	1,292
Miscellaneous Receipts	2,071	2,049	1,906	1,896
Federal Receipts	0	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	23,891	24,198	25,358	26,785
ECEP in Excess of Revenue Bond Debt Service	1	4	11	12
Sales Tax in Excess of LGAC Bond Debt Service	3,468	3,681	3,928	4,109
Sales Tax in Excess of Revenue Bond Debt Service	2,933	2,682	2,834	2,865
Real Estate Taxes in Excess of CW/CA Debt Service	973	1,013	1,054	1,104
All Other	2,664	2,139	1,790	1,709
Total Receipts	**75,075**	**76,625**	**79,845**	**83,811**
Disbursements:				
Local Assistance	50,969	55,057	57,524	60,617
State Operations:				
Personal Service	8,856	9,562	9,552	9,751
Non-Personal Service	2,946	3,129	3,178	3,278
General State Charges	8,163	8,031	8,625	9,239
Transfers to Other Funds:				
Debt Service	537	762	653	642
Capital Projects	2,895	3,051	3,214	3,678
SUNY Operations	1,174	1,255	1,255	1,255
Other Purposes	1,082	1,147	1,333	1,485
Total Disbursements	**76,622**	**81,994**	**85,334**	**89,945**
Use (Reservation) of Fund Balance:				
Community Projects	26	7	0	0
Rainy Day Reserve	(238)	0	0	0
Debt Management	500	0	0	0
Extraordinary Monetary Settlements	1,259	603	911	982
Total Use (Reservation) of Fund Balance	**1,547**	**610**	**911**	**982**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**0**	**(4,759)**	**(4,578)**	**(5,152)**
Adherence to 2% Spending Benchmar*	**0**	**2,721**	**4,088**	**5,869**
Net General Fund Surplus (Deficit)	**0**	**(2,038)**	**(490)**	**717**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming the Governor continues to propose, and the Legislature continues to enact, an annual Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net General Fund Surplus/(Deficit)" 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 benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2019 Enacted	Change	FY 2019 Mid-Year	Change	FY 2019 Executive (Amended)
Receipts:					
Taxes:					
Personal Income Tax	22,746	0	22,746	(1,379)	21,367
Consumption/Use Taxes	7,647	0	7,647	62	7,709
Business Taxes	5,626	0	5,626	(230)	5,396
Other Taxes	1,051	0	1,051	23	1,074
Miscellaneous Receipts	2,127	347	2,474	721	3,195
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	23,714	(94)	23,620	(1,796)	21,824
ECEP in Excess of Revenue Bond Debt Service	0	0	0	0	0
Sales Tax in Excess of LGAC Bond Debt Service	3,156	0	3,156	(24)	3,132
Sales Tax in Excess of Revenue Bond Debt Service	2,757	(115)	2,642	33	2,675
Real Estate Taxes in Excess of CW/CA Debt Service	998	0	998	(48)	950
All Other	2,838	(3)	2,835	501	3,336
Total Receipts	**72,660**	**135**	**72,795**	**(2,137)**	**70,658**
Disbursements:					
Local Assistance	51,063	(50)	51,013	(1,229)	49,784
State Operations:					
Personal Service	8,691	121	8,812	(98)	8,714
Non-Personal Service	3,054	(16)	3,038	(208)	2,830
General State Charges	7,553	(161)	7,392	(9)	7,383
Transfers to Other Funds:					
Debt Service	827	(52)	775	29	804
Capital Projects	3,257	(622)	2,635	(672)	1,963
SUNY Operations	1,034	(14)	1,020	0	1,020
Other Purposes	1,122	(23)	1,099	(39)	1,060
Total Disbursements	**76,601**	**(817)**	**75,784**	**(2,226)**	**73,558**
Use (Reservation) of Fund Balance:					
Community Projects	29	(16)	13	0	13
Labor Agreements	0	0	0	155	155
Undesignated Fund Balance	1,905	0	1,905	0	1,905
Rainy Day Reserve	0	0	0	(250)	(250)
Extraordinary Monetary Settlements	2,007	(936)	1,071	6	1,077
Total Use (Reservation) of Fund Balance	**3,941**	**(952)**	**2,989**	**(89)**	**2,900**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**0**	**0**	**0**	**0**	**0**
Adherence to 2% Spending Benchmark*	**0**	**0**	**0**	**0**	**0**
Net General Fund Surplus (Deficit)	**0**	**0**	**0**	**0**	**0**

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2020 Enacted	Change	FY 2020 Mid-Year	Change	FY 2020 Executive (Amended)
Receipts:					
Taxes:					
Personal Income Tax	24,559	0	24,559	(860)	23,699
Consumption/Use Taxes	7,913	0	7,913	206	8,119
Business Taxes	6,170	0	6,170	(7)	6,163
Other Taxes	1,110	0	1,110	(17)	1,093
Miscellaneous Receipts	2,028	0	2,028	43	2,071
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	24,260	386	24,646	(755)	23,891
ECEP in Excess of Revenue Bond Debt Service	0	0	0	1	1
Sales Tax in Excess of LGAC Bond Debt Service	3,293	0	3,293	175	3,468
Sales Tax in Excess of Revenue Bond Debt Service	2,897	(220)	2,677	256	2,933
Real Estate Taxes in Excess of CW/CA Debt Service	1,056	0	1,056	(83)	973
All Other	2,254	205	2,459	205	2,664
Total Receipts	**75,540**	**371**	**75,911**	**(836)**	**75,075**
Disbursements:					
Local Assistance	53,918	(67)	53,851	(2,882)	50,969
State Operations:					
Personal Service	8,936	65	9,001	(145)	8,856
Non-Personal Service	3,129	(50)	3,079	(133)	2,946
General State Charges	8,098	(317)	7,781	382	8,163
Transfers to Other Funds:					
Debt Service	948	(125)	823	(286)	537
Capital Projects	3,567	(142)	3,425	(530)	2,895
SUNY Operations	1,025	(17)	1,008	166	1,174
Other Purposes	1,103	(23)	1,080	2	1,082
Total Disbursements	**80,724**	**(676)**	**80,048**	**(3,426)**	**76,622**
Use (Reservation) of Fund Balance:					
Community Projects	9	17	26	0	26
Rainy Day Reserve	0	0	0	(238)	(238)
Debt Management	0	0	0	500	500
Extraordinary Monetary Settlements	1,148	(107)	1,041	218	1,259
Total Use (Reservation) of Fund Balance	**1,157**	**(90)**	**1,067**	**480**	**1,547**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,027)**	**957**	**(3,070)**	**3,070**	**0**
Adherence to 2% Spending Benchmark*	**3,247**	**(579)**	**2,668**	**(2,668)**	**0**
Net General Fund Surplus (Deficit)	**(780)**	**378**	**(402)**	**402**	**0**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming the Governor continues to propose, and the Legislature continues to enact, an annual Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net General Fund Surplus/(Deficit)" 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 benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2021 Enacted	Change	FY 2021 Mid-Year	Change	FY 2021 Executive (Amended)
Receipts:					
Taxes:					
Personal Income Tax	25,103	0	25,103	(194)	24,909
Consumption/Use Taxes	8,185	0	8,185	249	8,434
Business Taxes	6,470	0	6,470	(111)	6,359
Other Taxes	1,173	0	1,173	(16)	1,157
Miscellaneous Receipts	2,001	0	2,001	48	2,049
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	24,807	246	25,053	(855)	24,198
ECEP in Excess of Revenue Bond Debt Service	0	0	0	4	4
Sales Tax in Excess of LGAC Bond Debt Service	3,542	0	3,542	139	3,681
Sales Tax in Excess of Revenue Bond Debt Service	2,750	(322)	2,428	254	2,682
Real Estate Taxes in Excess of CW/CA Debt Service	1,097	0	1,097	(84)	1,013
All Other	1,816	275	2,091	48	2,139
Total Receipts	**76,944**	**199**	**77,143**	**(518)**	**76,625**
Disbursements:					
Local Assistance	57,009	138	57,147	(2,090)	55,057
State Operations:					
Personal Service	9,441	65	9,506	56	9,562
Non-Personal Service	3,173	(62)	3,111	18	3,129
General State Charges	8,618	(299)	8,319	(288)	8,031
Transfers to Other Funds:					
Debt Service	1,017	(113)	904	(142)	762
Capital Projects	3,292	(121)	3,171	(120)	3,051
SUNY Operations	1,021	(17)	1,004	251	1,255
Other Purposes	1,182	(24)	1,158	(11)	1,147
Total Disbursements	**84,753**	**(433)**	**84,320**	**(2,326)**	**81,994**
Use (Reservation) of Fund Balance:					
Community Projects	8	(1)	7	0	7
Extraordinary Monetary Settlements	855	(114)	741	(138)	603
Total Use (Reservation) of Fund Balance	**863**	**(115)**	**748**	**(138)**	**610**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,946)**	**517**	**(6,429)**	**1,670**	**(4,759)**
Adherence to 2% Spending Benchmark*	**5,548**	**(117)**	**5,431**	**(2,710)**	**2,721**
Net General Fund Surplus (Deficit)	**(1,398)**	**400**	**(998)**	**(1,040)**	**(2,038)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming the Governor continues to propose, and the Legislature continues to enact, an annual Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net General Fund Surplus/(Deficit)" 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 benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2022 Enacted	Change	FY 2022 Mid-Year	Change	FY 2022 Executive (Amended)
Receipts:					
Taxes:					
Personal Income Tax	26,326	0	26,326	257	26,583
Consumption/Use Taxes	8,464	0	8,464	228	8,692
Business Taxes	6,577	0	6,577	(114)	6,463
Other Taxes	1,238	0	1,238	(12)	1,226
Miscellaneous Receipts	1,883	0	1,883	23	1,906
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	25,588	225	25,813	(455)	25,358
ECEP in Excess of Revenue Bond Debt Service	0	0	0	11	11
Sales Tax in Excess of LGAC Bond Debt Service	3,810	0	3,810	118	3,928
Sales Tax in Excess of Revenue Bond Debt Service	2,958	(367)	2,591	243	2,834
Real Estate Taxes in Excess of CW/CA Debt Service	1,140	0	1,140	(86)	1,054
All Other	1,762	0	1,762	28	1,790
Total Receipts	**79,746**	**(142)**	**79,604**	**241**	**79,845**
Disbursements:					
Local Assistance	59,472	(152)	59,320	(1,796)	57,524
State Operations:					
Personal Service	9,374	63	9,437	115	9,552
Non-Personal Service	3,205	(43)	3,162	16	3,178
General State Charges	9,140	(251)	8,889	(264)	8,625
Transfers to Other Funds:					
Debt Service	876	(129)	747	(94)	653
Capital Projects	2,897	285	3,182	32	3,214
SUNY Operations	1,021	(17)	1,004	251	1,255
Other Purposes	1,323	(24)	1,299	34	1,333
Total Disbursements	**87,308**	**(268)**	**87,040**	**(1,706)**	**85,334**
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	605	280	885	26	911
Total Use (Reservation) of Fund Balance	**605**	**280**	**885**	**26**	**911**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,957)**	**406**	**(6,551)**	**1,973**	**(4,578)**
Adherence to 2% Spending Benchmark*	**6,470**	**(235)**	**6,235**	**(2,147)**	**4,088**
Net General Fund Surplus (Deficit)	**(487)**	**171**	**(316)**	**(174)**	**(490)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming the Governor continues to propose, and the Legislature continues to enact, an annual Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net General Fund Surplus/(Deficit)" 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 benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

CASH RECEIPTS
GENERAL FUND
(millions of dollars)

	FY 2020 Proposed	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
Taxes:				
Withholdings	42,510	44,133	46,306	48,243
Estimated Payments	16,572	16,769	18,351	19,991
Final Payments	2,748	2,908	3,032	3,189
Other Payments	1,564	1,661	1,731	1,781
Gross Collections	**63,394**	**65,471**	**69,420**	**73,204**
State/City Offset	(999)	(1,124)	(1,249)	(1,374)
Refunds	(10,625)	(10,383)	(11,047)	(11,530)
Reported Tax Collections	**51,770**	**53,964**	**57,124**	**60,300**
STAR (Dedicated Deposits)	(2,186)	(2,073)	(1,979)	(1,858)
RBTF (Dedicated Transfers)	(25,885)	(26,982)	(28,562)	(30,150)
Personal Income Tax	**23,699**	**24,909**	**26,583**	**28,292**
Sales and Use Tax	15,084	15,734	16,266	16,836
Cigarette and Tobacco Taxes	312	298	287	278
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	265	269	272	275
Medical Cannabis Excise Tax	0	0	0	0
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Consumption/Use Taxes	**15,661**	**16,301**	**16,825**	**17,389**
LGAC/STBF (Dedicated Transfers)	(7,542)	(7,867)	(8,133)	(8,418)
Consumption/Use Taxes	**8,119**	**8,434**	**8,692**	**8,971**
Corporation Franchise Tax	3,510	3,717	3,714	3,908
Corporation and Utilities Tax	537	541	547	553
Insurance Taxes	2,056	2,101	2,202	2,315
Bank Tax	60	0	0	0
Petroleum Business Tax	0	0	0	0
Business Taxes	**6,163**	**6,359**	**6,463**	**6,776**
Estate Tax	1,074	1,135	1,198	1,263
Real Estate Transfer Tax	1,148	1,183	1,219	1,263
Employer Compensation Expense Program	2	8	21	23
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	**2,242**	**2,344**	**2,456**	**2,567**
Real Estate Transfer Tax (Dedicated)	(1,148)	(1,183)	(1,219)	(1,263)
RBTF (Dedicated Transfers)	(1)	(4)	(11)	(12)
Other Taxes	**1,093**	**1,157**	**1,226**	**1,292**
Payroll Tax	**0**	**0**	**0**	**0**
Total Taxes	**39,074**	**40,859**	**42,964**	**45,331**
Licenses, Fees, Etc.	693	677	677	677
Abandoned Property	450	450	450	450
Motor Vehicle Fees	303	308	223	217
ABC License Fee	66	62	68	64
Reimbursements	109	107	53	53
Investment Income	38	18	8	8
Extraordinary Settlements	0	0	0	0
Other Transactions	412	427	427	427
Miscellaneous Receipts	**2,071**	**2,049**	**1,906**	**1,896**
Federal Receipts	**0**	**0**	**0**	**0**
Total	**41,145**	**42,908**	**44,870**	**47,227**

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	35,546	6,086	31,923	73,555
Miscellaneous Receipts	3,195	19,294	498	22,987
Federal Receipts	0	1	74	75
Total Receipts	**38,741**	**25,381**	**32,495**	**96,617**
Disbursements:				
Local Assistance	49,784	16,554	0	66,338
State Operations:				
Personal Service	8,714	5,081	0	13,795
Non-Personal Service	2,830	2,739	39	5,608
General State Charges	7,383	1,045	0	8,428
Debt Service	0	0	5,975	5,975
Capital Projects	0	0	0	0
Total Disbursements	**68,711**	**25,419**	**6,014**	**100,144**
Other Financing Sources (Uses):				
Transfers from Other Funds	31,917	2,098	3,614	37,629
Transfers to Other Funds	(4,847)	(1,564)	(30,169)	(36,580)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**27,070**	**534**	**(26,555)**	**1,049**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**(2,900)**	**496**	**(74)**	**(2,478)**
Closing Fund Balance	**6,545**	**4,505**	**79**	**11,129**

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
Opening Fund Balance	**6,545**	**4,505**	**79**	**11,129**
Receipts:				
Taxes	39,074	5,861	34,457	79,392
Miscellaneous Receipts	2,071	17,614	394	20,079
Federal Receipts	0	1	73	74
Total Receipts	**41,145**	**23,476**	**34,924**	**99,545**
Disbursements:				
Local Assistance	50,969	16,452	0	67,421
State Operations:				
Personal Service	8,856	5,196	0	14,052
Non-Personal Service	2,946	2,565	46	5,557
General State Charges	8,163	1,071	0	9,234
Debt Service	0	0	5,694	5,694
Capital Projects	0	0	0	0
Total Disbursements	**70,934**	**25,284**	**5,740**	**101,958**
Other Financing Sources (Uses):				
Transfers from Other Funds	33,930	2,237	3,481	39,648
Transfers to Other Funds	(5,688)	(1,106)	(32,662)	(39,456)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**28,242**	**1,131**	**(29,181)**	**192**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**(1,547)**	**(677)**	**3**	**(2,221)**
Closing Fund Balance	**4,998**	**3,828**	**82**	**8,908**

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	40,859	5,873	35,917	82,649
Miscellaneous Receipts	2,049	16,169	394	18,612
Federal Receipts	0	1	73	74
Total Receipts	**42,908**	**22,043**	**36,384**	**101,335**
Disbursements:				
Local Assistance	55,057	15,313	0	70,370
State Operations:				
Personal Service	9,562	5,155	0	14,717
Non-Personal Service	3,129	2,446	44	5,619
General State Charges	8,031	1,133	0	9,164
Debt Service	0	0	7,041	7,041
Capital Projects	0	0	0	0
Total Disbursements	**75,779**	**24,047**	**7,085**	**106,911**
Other Financing Sources (Uses):				
Transfers from Other Funds	33,717	2,377	3,543	39,637
Transfers to Other Funds	(6,215)	(621)	(32,837)	(39,673)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**27,502**	**1,756**	**(29,294)**	**(36)**
Use (Reservation) of Fund Balance:				
Community Projects	7	0	0	7
Extraordinary Monetary Settlements	603	0	0	603
Total Use (Reservation) of Fund Balance	**610**	**0**	**0**	**610**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,759)**	**(248)**	**5**	**(5,002)**
Adherence to 2% Spending Benchmark*	**2,721**	**0**	**0**	**2,721**
Net Surplus (Deficit)	**(2,038)**	**(248)**	**5**	**(2,281)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming the Governor continues to propose, and the Legislature continues to enact, an annual Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net Surplus/(Deficit)" 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 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	42,964	5,836	37,806	86,606
Miscellaneous Receipts	1,906	16,502	393	18,801
Federal Receipts	0	1	72	73
Total Receipts	**44,870**	**22,339**	**38,271**	**105,480**
Disbursements:				
Local Assistance	57,524	15,546	0	73,070
State Operations:				
Personal Service	9,552	5,182	0	14,734
Non-Personal Service	3,178	2,502	44	5,724
General State Charges	8,625	1,146	0	9,771
Debt Service	0	0	7,063	7,063
Capital Projects	0	0	0	0
Total Disbursements	**78,879**	**24,376**	**7,107**	**110,362**
Other Financing Sources (Uses):				
Transfers from Other Funds	34,975	2,554	3,240	40,769
Transfers to Other Funds	(6,455)	(279)	(34,388)	(41,122)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**28,520**	**2,275**	**(31,148)**	**(353)**
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	911	0	0	911
Total Use (Reservation) of Fund Balance	**911**	**0**	**0**	**911**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,578)**	**238**	**16**	**(4,324)**
Adherence to 2% Spending Benchmark*	**4,088**	**0**	**0**	**4,088**
Net Surplus (Deficit)	**(490)**	**238**	**16**	**(236)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming the Governor continues to propose, and the Legislature continues to enact, an annual Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net Surplus/(Deficit)" 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 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	35,546	6,086	1,421	31,923	74,976
Miscellaneous Receipts	3,195	19,496	8,156	498	31,345
Federal Receipts	0	60,372	2,433	74	62,879
Total Receipts	**38,741**	**85,954**	**12,010**	**32,495**	**169,200**
Disbursements:					
Local Assistance	49,784	72,585	5,104	0	127,473
State Operations:					
Personal Service	8,714	5,742	0	0	14,456
Non-Personal Service	2,830	4,150	0	39	7,019
General State Charges	7,383	1,398	0	0	8,781
Debt Service	0	0	0	5,975	5,975
Capital Projects	0	0	8,027	0	8,027
Total Disbursements	**68,711**	**83,875**	**13,131**	**6,014**	**171,731**
Other Financing Sources (Uses):					
Transfers from Other Funds	31,917	2,110	2,310	3,614	39,951
Transfers to Other Funds	(4,847)	(3,728)	(1,356)	(30,169)	(40,100)
Bond and Note Proceeds	0	0	609	0	609
Net Other Financing Sources (Uses)	**27,070**	**(1,618)**	**1,563**	**(26,555)**	**460**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**(2,900)**	**461**	**442**	**(74)**	**(2,071)**
Closing Fund Balance	**6,545**	**4,763**	**(709)**	**79**	**10,678**

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
Opening Fund Balance	6,545	4,763	(709)	79	10,678
Receipts:					
Taxes	39,074	5,861	1,417	34,457	80,809
Miscellaneous Receipts	2,071	17,816	7,516	394	27,797
Federal Receipts	0	61,470	2,229	73	63,772
Total Receipts	**41,145**	**85,147**	**11,162**	**34,924**	**172,378**
Disbursements:					
Local Assistance	50,969	73,809	5,260	0	130,038
State Operations:					
Personal Service	8,856	5,849	0	0	14,705
Non-Personal Service	2,946	3,970	0	46	6,962
General State Charges	8,163	1,415	0	0	9,578
Debt Service	0	0	0	5,694	5,694
Capital Projects	0	0	8,166	0	8,166
Total Disbursements	**70,934**	**85,043**	**13,426**	**5,740**	**175,143**
Other Financing Sources (Uses):					
Transfers from Other Funds	33,930	2,249	3,217	3,481	42,877
Transfers to Other Funds	(5,688)	(3,103)	(1,586)	(32,662)	(43,039)
Bond and Note Proceeds	0	0	604	0	604
Net Other Financing Sources (Uses)	**28,242**	**(854)**	**2,235**	**(29,181)**	**442**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**(1,547)**	**(750)**	**(29)**	**3**	**(2,323)**
Closing Fund Balance	**4,998**	**4,013**	**(738)**	**82**	**8,355**

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	40,859	5,873	1,391	35,917	84,040
Miscellaneous Receipts	2,049	16,374	6,346	394	25,163
Federal Receipts	0	62,200	2,187	73	64,460
Total Receipts	**42,908**	**84,447**	**9,924**	**36,384**	**173,663**
Disbursements:					
Local Assistance	55,057	73,219	4,778	0	133,054
State Operations:					
Personal Service	9,562	5,834	0	0	15,396
Non-Personal Service	3,129	3,819	0	44	6,992
General State Charges	8,031	1,484	0	0	9,515
Debt Service	0	0	0	7,041	7,041
Capital Projects	0	0	7,499	0	7,499
Total Disbursements	**75,779**	**84,356**	**12,277**	**7,085**	**179,497**
Other Financing Sources (Uses):					
Transfers from Other Funds	33,717	2,389	3,317	3,543	42,966
Transfers to Other Funds	(6,215)	(2,505)	(1,580)	(32,837)	(43,137)
Bond and Note Proceeds	0	0	609	0	609
Net Other Financing Sources (Uses)	**27,502**	**(116)**	**2,346**	**(29,294)**	**438**
Use (Reservation) of Fund Balance:					
Community Projects	7	0	0	0	7
Extraordinary Monetary Settlements	603	0	0	0	603
Total Use (Reservation) of Fund Balance	**610**	**0**	**0**	**0**	**610**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,759)**	**(25)**	**(7)**	**5**	**(4,786)**
Adherence to 2% Spending Benchmark*	**2,721**	**0**	**0**	**0**	**2,721**
Net Surplus (Deficit)	**(2,038)**	**(25)**	**(7)**	**5**	**(2,065)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming the Governor continues to propose, and the Legislature continues to enact, an annual Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net Surplus/(Deficit)" 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 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	42,964	5,836	1,384	37,806	87,990
Miscellaneous Receipts	1,906	16,707	6,563	393	25,569
Federal Receipts	0	63,928	2,187	72	66,187
Total Receipts	**44,870**	**86,471**	**10,134**	**38,271**	**179,746**
Disbursements:					
Local Assistance	57,524	74,966	4,685	0	137,175
State Operations:					
Personal Service	9,552	5,861	0	0	15,413
Non-Personal Service	3,178	3,885	0	44	7,107
General State Charges	8,625	1,520	0	0	10,145
Debt Service	0	0	0	7,063	7,063
Capital Projects	0	0	7,839	0	7,839
Total Disbursements	**78,879**	**86,232**	**12,524**	**7,107**	**184,742**
Other Financing Sources (Uses):					
Transfers from Other Funds	34,975	2,566	3,456	3,240	44,237
Transfers to Other Funds	(6,455)	(2,103)	(1,468)	(34,388)	(44,414)
Bond and Note Proceeds	0	0	413	0	413
Net Other Financing Sources (Uses)	**28,520**	**463**	**2,401**	**(31,148)**	**236**
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	911	0	0	0	911
Total Use (Reservation) of Fund Balance	**911**	**0**	**0**	**0**	**911**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,578)**	**702**	**11**	**16**	**(3,849)**
Adherence to 2% Spending Benchmark*	**4,088**	**0**	**0**	**0**	**4,088**
Net Surplus (Deficit)	**(490)**	**702**	**11**	**16**	**239**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming the Governor continues to propose, and the Legislature continues to enact, an annual Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net Surplus/(Deficit)" 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 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 Results	May Results	June Results	July Results	August Results	September Results	October Results	November Results	December Results	2019 January Projected	February Projected	March Projected	Total
OPENING BALANCE	9,445	9,938	5,130	6,313	5,417	4,114	6,451	6,566	5,432	6,650	9,537	9,191	9,445
RECEIPTS:													
Personal Income Tax	2,928	1,092	2,476	1,450	1,487	2,398	1,287	1,087	1,986	2,010	1,694	1,472	21,367
Consumption/Use Taxes	544	580	799	598	595	765	588	602	769	629	524	716	7,709
Business Taxes	346	(120)	1,020	168	84	992	96	(14)	1,183	198	20	1,423	5,396
Other Taxes	52	82	71	99	74	123	100	127	128	120	49	49	1,074
Total Taxes	3,870	1,634	4,366	2,315	2,240	4,278	2,071	1,802	4,066	2,957	2,287	3,660	35,546
Abandoned Property	1	0	0	0	0	10	45	250	0	0	0	144	450
ABC License Fee	6	7	7	7	5	5	7	4	9	6	2	1	66
Investment Income	17	10	11	7	9	11	4	10	9	8	0	(6)	90
Licenses, Fees, etc.	51	43	58	63	67	36	60	101	67	42	45	37	670
Motor Vehicle Fees	30	25	13	2	35	3	23	10	72	27	14	15	269
Reimbursements	(17)	(54)	106	(5)	23	26	(74)	90	25	(24)	20	(9)	107
Extraordinary Settlements	108	74	205	15	0	0	40	558	15	0	89	1	1,105
Other Transactions	24	100	(17)	52	26	92	52	49	81	3	40	(64)	438
Total Miscellaneous Receipts	220	205	383	141	165	183	157	1,072	278	62	210	119	3,195
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	2,928	1,070	2,487	1,438	1,056	2,648	1,287	926	2,053	2,800	801	2,330	21,824
ECEP 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	249	218	405	275	250	355	269	274	361	286	0	190	3,132
Sales Tax Bond Fund	187	187	291	204	195	320	162	177	262	188	157	345	2,675
Real Estate Taxes in Excess of CW/CA Debt Service	74	92	88	82	105	78	71	75	92	80	62	51	950
All Other	101	81	86	68	172	109	74	42	151	267	194	1,991	3,336
Total Transfers from Other Funds	3,539	1,648	3,357	2,067	1,778	3,510	1,863	1,494	2,919	3,621	1,214	4,907	31,917
TOTAL RECEIPTS	7,629	3,487	8,106	4,523	4,183	7,971	4,091	4,368	7,263	6,640	3,711	8,686	70,658
DISBURSEMENTS:													
School Aid	1,113	3,526	1,566	371	648	1,617	883	1,516	1,973	599	738	8,578	23,128
Higher Education	25	43	267	1,154	61	178	37	33	227	54	126	797	3,002
All Other Education	42	46	51	300	463	32	78	22	486	40	184	506	2,250
Medicaid - DOH	1,523	1,924	1,381	1,133	1,977	1,203	1,213	1,624	1,243	1,053	698	(701)	14,271
Public Health	39	191	38	49	78	22	43	46	25	24	58	50	663
Mental Hygiene	150	36	323	149	43	330	151	49	288	114	193	344	2,170
Children and Families	12	35	41	102	109	216	150	62	220	44	355	341	1,687
Temporary & Disability Assistance	67	95	98	106	100	164	112	67	94	64	75	113	1,155
Transportation	46	69	61	47	32	0	0	24	11	0	13	1	304
Unrestricted Aid	0	11	388	2	0	101	7	3	185	0	1	67	765
All Other	18	43	84	35	69	38	37	20	20	37	69	(81)	389
Total Local Assistance	3,035	6,019	4,298	3,448	3,580	3,901	2,711	3,466	4,772	2,029	2,510	10,015	49,784
Personal Service	668	846	684	725	838	660	827	664	686	798	674	644	8,714
Non-Personal Service	164	282	221	182	228	210	219	188	165	226	288	457	2,830
Total State Operations	832	1,128	905	907	1,066	870	1,046	852	851	1,024	962	1,101	11,544
General State Charges	2,707	368	470	319	245	435	542	401	375	453	431	637	7,383
Debt Service	192	38	20	223	(100)	(63)	201	(7)	5	287	(25)	33	804
Capital Projects	54	468	818	333	622	454	(587)	517	(12)	(78)	163	(789)	1,963
State Share Medicaid	(29)	0	0	0	0	0	0	0	0	0	0	29	0
SUNY Operations	218	218	218	182	2	0	0	182	0	0	0	0	1,020
Other Purposes	127	56	194	7	71	37	63	91	54	38	16	306	1,060
Total Transfers to Other Funds	562	780	1,250	745	595	428	(323)	783	47	247	154	(421)	4,847
TOTAL DISBURSEMENTS	7,136	8,295	6,923	5,419	5,486	5,634	3,976	5,502	6,045	3,753	4,057	11,332	73,558
Excess/(Deficiency) of Receipts over Disbursements	493	(4,808)	1,183	(896)	(1,303)	2,337	115	(1,134)	1,218	2,887	(346)	(2,646)	(2,900)
CLOSING BALANCE	9,938	5,130	6,313	5,417	4,114	6,451	6,566	5,432	6,650	9,537	9,191	6,545	6,545

Source: NYS DOB.