Update to
Annual Information Statement
State of New York

September 24, 2018

Annual Information Statement Update

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Introduction

Introduction

This Annual Information Statement (AIS) Update (the "AIS Update") is dated September 24, 2018 and contains information only through that date. This AIS Update constitutes the official disclosure regarding the financial position of the State of New York (the "State") and related matters and is the first 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 First Quarterly Update to the Financial Plan for FY 2019 (the "Updated Financial Plan"), issued by the Division of the Budget (DOB) in August 2018. The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov) includes a summary of first quarter operating results for FY 2019 (quarter ended June 30, 2018) and updates to the State's official financial projections for FY 2019 through FY 2022[1]. Except for the specific revisions described in these extracts, the projections (and the assumptions upon which these are based) in the Updated Financial Plan are consistent with the projections set forth in the FY 2019 Enacted Budget Financial Plan (the "Enacted Budget Financial Plan") reflected in the AIS. DOB next expects to update the State's multi-year financial projections in October 2018 with the Mid-Year Update to the Financial Plan.
2. A discussion of issues and risks that may affect the State's financial projections during the State's current fiscal year or in future years (under the heading "Other Matters Affecting the Financial Plan").
3. A summary of the Generally Accepted Accounting Principles (GAAP)-basis results for the prior three fiscal years.
4. Updated information regarding the State Retirement System.
5. Updated Information on certain public authorities of the State.
6. The status of significant litigation that has the potential to adversely affect the State's finances.
7. Updated Financial Plan tables that summarize actual General Fund receipts and disbursements for fiscal year 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.

[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.

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

The factors affecting the State's financial condition are 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 actual results. Forecasts, projections, and estimates are not intended as representations of fact or guarantees of results. The words “expects”, “forecasts”, “projects”, “intends”, “anticipates”, “estimates”, "assumes" and analogous expressions are intended to identify forward-looking statements in this AIS Update. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from projections. Such risks and uncertainties include, but are not limited to, general economic and business conditions; changes in political, social, economic and environmental conditions, including climate change and extreme weather events; impediments to the implementation of gap-closing actions; regulatory initiatives and compliance with governmental regulations; litigation; actions by the Federal government to reduce or disallow expected aid, including Federal aid authorized or appropriated by Congress but subject to sequestration, administrative actions, or other actions that would reduce aid to the State; and various other events, conditions and circumstances. Many of these risks and uncertainties are beyond the control of the State. These forward-looking statements are based on the State's expectations as of the date of this AIS 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.

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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.

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

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

From time to time, DOB will informally designate unrestricted balances in the General Fund for specific policy goals (e.g., the payment of costs related to potential labor contracts covering prior contract periods). These amounts are typically, 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, State Operating Funds is, in DOB's view, a more comprehensive measure of State-funded activities for operating purposes that are funded with State resources (e.g., taxes, assessments, fees and tuition). The State Operating Funds perspective eliminates certain distortions in operating activities that may be caused by, among other things, the State's complex fund structure, the transfer of money among funds, and the accounting of disbursements against appropriations in different funds. For example, the State funds its share of the Medicaid program from both the General Fund and HCRA Funds, the latter being State Special Revenue Funds. The State Operating Funds perspective captures Medicaid disbursements from both fund types, giving a more complete accounting of State-funded Medicaid disbursements. For such reasons, the discussion of disbursement projections often emphasizes the State Operating

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

As described later in this AIS Update, the Updated Financial Plan reflects some actions that have affected, or are intended to affect, the amount of annual spending accounted for in the State Operating Funds basis of reporting. These include but are not limited to: (i) realignment of certain operating costs to the capital budget to provide greater consistency in reporting across all agencies and a more accurate accounting of the overall capital budget; (ii) the payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting; (iii) the restructuring of the School Tax Relief (STAR) program such that the spending for certain benefits is instead provided as a tax credit consistent with other State tax credits; (iv) appropriation of certain operating costs for the Department of Transportation (DOT) and Department of Motor Vehicles (DMV) from the General Fund instead of the DHBTF, a change which will increase reported disbursements from State Operating Funds; and (v) an amendment to the enabling statute for the Payroll Mobility Tax (PMT) to no longer require that receipts payable to the Metropolitan Transportation Authority (MTA) be appropriated by the State Legislature, a change which is intended to improve credit quality of MTA bonds that may be secured by the PMT, and has the effect of lowering State Operating Funds receipts and disbursements. In general, if these and other transactions are not executed or reported in a manner consistent with DOB's interpretation of legislation included with the FY 2019 Enacted Budget, then the annual spending growth in State Operating Funds would be higher than Enacted Budget Financial Plan projections.

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

State Finance Law also requires DOB to prepare a pro forma financial plan using, to the extent practicable, generally accepted accounting principles (GAAP). The GAAP-basis financial plan is informational only. It is not used by DOB as a benchmark for managing State finances during the fiscal year, nor updated on a quarterly basis. The GAAP-basis financial plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by OSC in preparation of the audited Basic Financial Statements, but there can be no assurance that the pro forma GAAP financial plan conforms to all GAAP principles.

The 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, considering the current and projected fiscal position of the State.

The Updated Financial Plan projections for FY 2020 and thereafter reflect savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets that limit annual growth in State Operating Funds spending, as State Operating Funds is currently constituted in the 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 not adhered to, projected budget gaps would be higher (or projected surpluses would be lower).

Differences may occur from time to time between the State's financial plan and OSC's financial reports in the presentation and reporting of receipts and disbursements. For example, the 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 and All Governmental Funds).

Overview of the Updated Financial Plan

Overview of the Updated Financial Plan

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

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

	FY 2018	FY 2019	
	Results	Enacted	First Quarter
State Operating Funds Disbursements			
Size of Budget	$98,151	$100,135	$100,135
Annual Growth	2.0%	2.0%	2.0%
Other Disbursement Measures			
General Fund (Excluding Transfers)[1]	$59,872	$64,188	$64,173
Annual Growth	3.2%	7.2%	7.2%
General Fund (Including Transfers)[1,2]	$69,724	$75,585	$75,570
Annual Growth	2.4%	8.4%	8.4%
Capital Budget (Federal and State)	$10,640	$14,474	$14,474
Annual Growth	4.8%	36.0%	36.0%
Federal Operating Aid	$54,953	$55,673	$55,673
Annual Growth	8.5%	1.3%	1.3%
All Funds[3]	$163,744	$170,282	$170,282
Annual Growth	4.3%	4.0%	4.0%
Capital Budget (Including "Off-Budget" Capital[4])	$11,284	$15,146	$15,146
Annual Growth	5.1%	34.2%	34.2%
All Funds (Including "Off-Budget" Capital[4])	$164,388	$170,954	$170,954
Annual Growth	4.3%	4.0%	4.0%
Inflation (CPI)	2.1%	2.3%	2.5%
All Funds Receipts			
Taxes	$79,266	$77,923	$77,923
Annual Growth	6.6%	-1.7%	-1.7%
Miscellaneous Receipts	$27,262	$28,005	$28,300
Annual Growth	2.5%	2.7%	3.8%
Federal Receipts (Operating and Capital)	$58,942	$60,083	$60,083
Annual Growth	6.4%	1.9%	1.9%
Total Receipts[3]	$165,470	$166,011	$166,306
Annual Growth	5.8%	0.3%	0.5%
General Fund Cash Balance	$9,445	$5,504	$5,799
Tax Stabilization/Rainy Day Reserve	$1,798	$1,798	$1,798
Extraordinary Monetary Settlements	$5,020	$3,013	$3,308
All Other Reserves/Fund Balances	$2,627	$693	$693
Debt			
Debt Service as % All Funds Receipts	4.0%	3.3%	3.3%
State-Related Debt Outstanding	$51,631	$54,964	$54,964
Debt Outstanding as % Personal Income	4.2%	4.3%	4.3%
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	117,397	118,868	118,868

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

2 Includes the planned transfer of Extraordinary Monetary Settlements from the General Fund to other funds.

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

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

* The General Fund values reported in the Enacted Budget Financial Plan “At-a-Glance” table were reported on an “unadjusted” basis, but the footnotes to the table indicated the values were reported on an “adjusted” basis. The values have been corrected in the table above.

Overview of the Updated Financial Plan

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

Summary

- The Updated Financial Plan for FY 2019 is expected to remain in balance on a cash basis in the General Fund. Annual spending growth in State Operating Funds is estimated at 2 percent, consistent with the Enacted Budget Financial Plan.
- DOB is making no changes to the projections set forth in the Enacted Budget Financial Plan, aside from recognizing the receipt of several monetary settlements and certain accounting reclassifications to align estimates with results. These revisions have no net impact on operating projections.
- The Updated Financial Plan projections reflect $295 million in monetary settlement payments from firms that have engaged in conduct that violates New York State laws and regulations. These settlement payments will remain in the General Fund until a decision is made on their use. (See "Extraordinary Monetary Settlements" herein for information on each payment.)
- The Legislature ended its regular session in June 2018. In the coming months, bills approved by both houses will be delivered to the Governor for his review. Any bills with a material fiscal impact that are approved by the Governor will be reflected in future updates to the financial plan, as appropriate.
- On September 4, 2018, the United University Professions (UUP) ratified a six-year collective bargaining agreement that includes 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 changes to benefits within the New York State Health Insurance Program (NYSHIP). The agreement is estimated to cost approximately $250 million in FY 2019, and approximately $350 million in the outyears, and will be reflected in future financial plan updates. SUNY is responsible for funding the costs of the agreement.
- In August 2018, the State reached a tentative collective bargaining agreement with the Police Benevolent Association of the New York State Troopers (NYSTPBA) for the period of 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 benefits within NYSHIP, and are similar to changes made in the UUP and CSEA collective bargaining agreements. The tentative agreement is subject to approval by NYSTPBA membership, which is expected to complete voting in early October 2018. If approved, the agreement is estimated to cost approximately $8.5 million in FY 2019 and would be reflected in future financial plan updates.

- In South Dakota v. Wayfair, Inc. the United States Supreme Court vacated its previous ruling that barred states from collecting sales tax from out-of-state vendors that do not have a physical presence in such state. The Department of Taxation and Finance and DOB are reviewing the ruling and any updates to the estimates of sales tax receipts in light of the decision will be reflected in future updates to the financial plan, as appropriate.

- 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 State and Local Tax (SALT) deduction. The lawsuit argues that the new SALT deduction 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. As part of the FY 2019 Enacted Budget, the State took steps to mitigate the adverse impact of the SALT deduction limit and other Federal tax law changes on State residents (See "Impact of Federal Tax Law Changes" herein).

- On July 31, 2018, the State received a $1 billion payment from Fidelis Care, a nonprofit insurer associated with the Catholic Diocese of New York. The payment was made in connection with the sale of substantially all its assets to Centene Corporation, a for-profit health insurer based in St. Louis, Missouri, allowing that entity 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 the Department of Health, DFS and the Office of the Attorney General. The timing of the transaction and receipt of the initial payment is consistent with the estimates included in the Enacted Budget Financial Plan. 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. DOB expects to provide information on all distributions in the next quarterly update to the Enacted Budget Financial Plan.

- The Updated Financial Plan projections for FY 2020 and thereafter assume that the Governor will continue to propose, and the Legislature will continue to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent. The spending benchmark is calculated using the cash basis of accounting, as described herein, and based on the current composition of the State Operating Funds perspective as reported by DOB. The General Fund operating projections for FY 2020, FY 2021, and FY 2022 are calculated based on this assumption. DOB expects that specific proposals to limit annual spending growth in State Operating Funds to 2 percent will be included in future budget proposals.

First Quarter Operating Results (General Fund)

- The State ended June 2018 with a General Fund cash balance of $6.3 billion, $1.8 billion above the estimate in the Enacted Budget Financial Plan. The higher balance is attributable to the receipt of $295 million from unexpected Extraordinary Monetary Settlements and $1.5 billion in timing-related underspending.

- Receipts, including transfers from other funds, totaled $19.2 billion through June 2018. Tax receipts were generally consistent with the Enacted Budget Financial Plan estimates. Non-tax receipts were approximately $300 million above planned levels due mainly to the receipt of Extraordinary Monetary Settlements.

- Disbursements, including transfers to other funds, totaled $22.4 billion through June 2018, $1.5 billion lower than initial projections in the Enacted Budget Financial Plan, mainly due to the timing of planned payments for local assistance and transfers that support capital projects. Lower spending for local assistance was due mainly to the timing of payments for education, higher education and social services programs. These variances are expected to recede by the end of the second quarter of FY 2019. In addition, certain General Fund transfers to other funds were not needed in the first quarter of FY 2019, as spending for capital projects and other purposes occurred more slowly than expected. These transfers are expected to be made in future months of FY 2019.

Annual Spending Growth

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

STATE SPENDING MEASURES
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**65,604**	**66,737**	**1,133**	**1.7%**
School Aid (School Year Basis)	25,639	26,553	914	3.6%
DOH Medicaid[1]	19,143	20,365	1,222	6.4%
Transportation[2]	5,025	3,961	(1,064)	-21.2%
STAR[3]	2,589	2,459	(130)	-5.0%
Social Services	2,837	2,971	134	4.7%
Higher Education	2,833	3,064	231	8.2%
Mental Hygiene	2,350	2,237	(113)	-4.8%
All Other[4]	5,188	5,127	(61)	-1.2%
STATE OPERATIONS/GENERAL STATE CHARGES	**26,674**	**28,016**	**1,342**	**5.0%**
State Operations	**18,821**	**19,489**	**668**	**3.5%**
Personal Service:	13,170	13,578	408	3.1%
Executive Agencies	7,314	7,397	83	1.1%
DOT/DMV Operations Reclassification	0	167	167	0.0%
University Systems	3,806	3,921	115	3.0%
Elected Officials	2,050	2,093	43	2.1%
Non-Personal Service:	5,651	5,911	260	4.6%
Executive Agencies	2,690	2,811	121	4.5%
DOT/DMV Operations Reclassification	0	115	115	0.0%
University Systems	2,377	2,382	5	0.2%
Elected Officials	584	603	19	3.3%
General State Charges	**7,853**	**8,527**	**674**	**8.6%**
Pension Contribution	2,442	2,455	13	0.5%
Health Insurance	3,963	4,286	323	8.2%
Other Fringe Benefits/Fixed Costs	1,448	1,786	338	23.3%
DEBT SERVICE	**5,873**	**5,382**	**(491)**	**-8.4%**
TOTAL STATE OPERATING FUNDS	**98,151**	**100,135**	**1,984**	**2.0%**
Capital Projects (State and Federal Funds)	**10,640**	**14,474**	**3,834**	**36.0%**
Federal Operating Aid	**54,953**	**55,673**	**720**	**1.3%**
TOTAL ALL GOVERNMENTAL FUNDS	**163,744**	**170,282**	**6,538**	**4.0%**

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

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

3 The FY 2018 Enacted Budget converted the New York City Personal Income Tax (PIT) rate reduction benefit to a nonrefundable State PIT credit. This change has no impact on STAR benefits received by homeowners; it will decrease reported disbursements for STAR and decrease reported PIT receipts by an identical amount. See "STAR Program" in "State Financial Plan Projections Fiscal Years 2019 Through 2022" herein.

4 "All Other" includes a reconciliation between school year and State fiscal year spending for School Aid. On a State fiscal year basis, School Aid is estimated to total $26.5 billion in FY 2019, an increase of $1 billion from FY 2018. It also includes the portion of the State's takeover of Medicaid costs for counties and New York City that will be funded from MSA payments deposited directly to the MMIS Escrow Fund ($435 million in FY 2019) and therefore reduces reported disbursements. Lastly, it includes spending for public health, other education, local government assistance, parks, environment, economic development, and public safety, as well as reclassifications.

State Operating Funds — Summary of Annual Spending Change

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

In addition, spending growth in recent years reflects the State's effort to address long-standing public policy issues. For example, in FY 2015, the State absorbed the full cost of growth in Medicaid on behalf of local governments. Secondly, in FY 2017, the State enacted a law that provides for increases in the minimum wage. Relative to FY 2018, the FY 2019 State Operating Funds spending increases by over $900 million, reflecting the incremental cost of the local Medicaid growth takeover, and by nearly $800 million for the direct cost of the minimum wage increase to health care providers.

Local Assistance

Medicaid and School Aid are the State's largest local aid programs, comprising approximately 45 percent of State Operating Funds spending. In School Year (SY) 2019, School Aid is expected to total $26.6 billion, an increase of $914 million (3.6 percent), including a $618 million increase in Foundation Aid.[2] Medicaid spending subject to the Medicaid spending cap (or "Global Cap") will grow at the indexed rate of 3.2 percent to $18.9 billion. In total, Medicaid spending that is funded from State resources will increase to $20.4 billion, which includes the takeover of local Medicaid growth costs ($182 million growth), the cost of minimum wage ($448 million growth), and other spending outside the Global Cap.

[2] Total education aid, including reimbursement for charter school supplemental tuition and facilities aid, is projected at $26.7 billion in SY 2019, an increase of nearly $1 billion (3.9 percent) from SY 2018.

Overview of the Updated Financial Plan

In FY 2018, bonds secured by annual payments from tobacco manufactures under the Master Settlement Agreement (MSA) were retired, with no remaining debt service requirements to be paid on these bonds. Thus, DOB expects payments under the MSA of approximately $435 million to be available in FY 2019 (including $103 million from FY 2018) and additional payments to be available in subsequent years. Legislation included in the FY 2018 Enacted Budget directed these payments be used to help defray costs of the State's takeover of Medicaid costs for counties and New York City. The State takeover, in which local Medicaid costs are capped permanently at 2015 calendar year levels, is expected to cost the State $917 million in FY 2019 and $1.1 billion in FY 2020. Consistent with State law, DOB expects MSA payments to be deposited directly to the Medicaid Management Information System (MMIS) Escrow Fund. The deposit mechanism has no impact on overall Medicaid spending funded with State resources, but does decrease by $435 million reported State-supported Medicaid spending accounted for in FY 2019 State Operating Funds.

The FY 2019 Enacted Budget includes legislation dedicating $836 million to the MTA's NYC Subway Action Plan, which will provide $508 million for operating purposes and $328 million for capital purposes. The State and the City will each fund 50 percent of the MTA's NYC Subway Action Plan ($418 million). The State will provide $194 million from Extraordinary Monetary Settlements and $60 million in accelerated PMT pass-through resources, which constitute the State's operating obligation consistent with the MTA's NYC Subway Action Plan to address system failures, breakdowns, delays and deteriorating customer service.

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

STAR spending in FY 2018 and FY 2019 is affected by the conversion of STAR benefits to State PIT credits. The conversion of STAR benefits to PIT credits has no impact on the value of the STAR benefits received by taxpayers. It does, however, decrease the level of reported PIT receipts and reported disbursements for STAR on a State Operating Funds basis by an identical amount (estimated at $775 million in FY 2018 and $937 million in FY 2019.)

Higher Education spending growth is due mainly to the timing of certain payments during academic year 2018, and increased funding for other scholarships, which provide financial aid to approximately 400,000 students.

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

State Operations/Fringe Benefits

Spending for Executive agency operations is expected to increase by 2.0 percent in FY 2019, excluding the reclassification of certain DOT and DMV operating costs to the General Fund. Beginning in FY 2019, the FY 2019 Enacted Budget appropriates certain transportation operating costs from the General Fund instead of the DHBTF. These operating expenses were previously funded by a transfer from the General Fund to the DHBTF. The change, which will increase disbursements in State Operating Funds by nearly $390 million in FY 2019, applies to operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities.

Operations spending for the University Systems and elected officials, which include the Attorney General, Comptroller, Legislature and Judiciary, are expected to increase by 1.9 percent and 2.4 percent, respectively.

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

Debt Service

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

FOR YOUR CONVENIENCE, THE INFORMATION FROM THE JULY 2, 2018 AIS RELATING TO THE IMPACTS ON THE STATE FROM FEDERAL TAX LAW CHANGES IS PROVIDED BELOW AND HAS BEEN UPDATED TO REFLECT THE AUGUST 23, 2018 ISSUANCE BY THE INTERNAL REVENUE SERVICE (IRS) OF PROPOSED REGULATIONS CONCERNING THE AVAILABILITY OF FEDERAL INCOME TAX DEDUCTIONS FOR CERTAIN CHARITABLE CONTRIBUTIONS.

Impact of Federal Tax Law Changes

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

The State's income tax system interacts with the Federal system in numerous ways. The changes to the Federal tax code will have significant flow-through effects on state tax burdens and state tax receipts. From the standpoint of individual New York State taxpayers, one of the most onerous provisions in the TCJA is a new $10,000 limit on the deductibility of State and Local Tax (SALT) payments, effective for tax year 2018. The TCJA's SALT 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 includes State tax reforms intended to mitigate issues arising from the Federal law, including decoupling many State tax provisions from the Federal changes, the creation of an optional payroll tax program, and the establishment of a new State charitable giving vehicle, all of which are described below. The State is evaluating other tax law changes in response to the TCJA, including the feasibility of an unincorporated business tax.

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

- Federal Limit on SALT 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 includes legislation to address this issue. Absent this legislation, New York State taxpayers would have been subject to an annual State tax increase of $840 million, beginning in FY 2020.

Employer Compensation Expense Program (ECEP)

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

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

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

State Charitable Gifts Trust Fund

The FY 2019 Enacted Budget authorizes the creation of a new State Charitable Gifts Trust Fund, which will accept gifts, starting in tax year 2018, for the purposes of improving health care and education in New York State. Taxpayers who itemize deductions may claim these charitable gifts as deductions on their Federal and State income tax returns. Any taxpayer making a donation may also claim a State tax credit equal to 85 percent of the donation amount for the tax year after the donation is made. State PIT receipts will be reduced by the State tax deduction and 85 percent tax credit.[3] Amounts on deposit in the Charitable Gifts Trust Fund at the close of calendar year 2018 are expected to be appropriated for authorized purposes in the FY 2020 Budget.

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

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

Impact of Tax Law Changes on PIT Revenue Bonds

To offset the potential reduction in the level of New York State PIT receipts resulting from activity of the ECEP and the State Charitable Gifts Trust Fund, the FY 2019 Enacted Budget amends the State Finance Law provisions creating the Revenue Bond Tax Fund to increase the percentage of New York State PIT receipts required to be deposited upon receipt in the Revenue Bond Tax Fund from 25 percent to 50 percent. In addition, the legislation that created the ECEP requires that 50 percent of ECEP receipts received by the State be deposited to the Revenue Bond Tax Fund. These changes became effective April 1, 2018.

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

Donations to the Charitable Gifts Trust Fund could reduce State PIT receipts by nearly one dollar for every dollar donated. Accordingly, the amount of donations to the State Charitable Gifts Trust Fund is the principal direct risk to the amount of New York State PIT receipts deposited to the Revenue Bond Tax Fund under the tax law changes enacted by the State as part of the FY 2019 Enacted Budget. To address this risk, the State increased the amount of PIT receipts deposited into the Revenue Bond Tax Fund from 25 percent to 50 percent.

DOB and DTF have prepared a calculation of the maximum amount of charitable donations to the State Charitable Gifts Trust Fund that could occur annually under varying assumptions. The calculation of this ceiling is intended as a stress test on State PIT receipts that may flow to the Revenue Bond Tax Fund under different levels of assumed taxpayer participation. It should not, under any circumstances, be viewed either as an estimate or projection of likely donations. The factors that may influence donation activity are complex and include, but are not limited to, possible statements, actions, or interpretive guidance by the 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).[4] The calculation of the ceiling assumes that every resident taxpayer who has an incentive to donate will do so, and such donations will be equal to the total value of each resident taxpayer's SALT payments, less the value of the $10,000 Federal SALT deduction limit, up to the value of the taxpayer's total State tax liability. The calculation is dependent on several assumptions concerning the number of itemized filers. It relies on the most recent personal income tax population study file (2015), as trended forward, as well as the impact of the TCJA and State law changes on the number and distribution of itemized and standardized filers. The calculation also assumes that (i) no further changes in Federal tax law occur, and (ii) DOB projections of the level of State taxpayer liability for the forecast period as set forth in the Enacted Budget Financial Plan are materially accurate.

IRS Guidance

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

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 reduce the Federal income tax deduction available to such taxpayer by the amount of the state tax credit received by the taxpayer for such charitable contribution; provided, however, this rule would not apply if the value of the state tax credit to be received for the charitable contribution does not exceed 15 percent of the charitable contribution. The Treasury Department and the IRS are requesting comments from the general public on these proposed regulations. 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 enrolled in the ECEP.

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

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

POTENTIAL EFFECT OF CONTRIBUTIONS TO THE STATE CHARITABLE GIFTS TRUST FUND ON REVENUE BOND TAX FUND RECEIPTS
STATE FISCAL YEARS 2019 THROUGH 2022[3]
(billions of dollars)

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

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

1. RBTF Receipts After Charitable Gifts reflects a State income tax deduction for the tax year that the charitable donation is made (assumes an average Personal Income Tax rate of 7% for tax years 2018 and 2019, and 6.3% thereafter), and an 85% State tax credit in the following tax year.
2. *Cap on State income tax deductions.* This table assumes that all charitable gifts are associated with a reduction in PIT receipts equal to a uniform percentage of the dollar value of the charitable gift (7% for tax years 2018 and 2019, and 6.3% thereafter). In practice, the State deduction for charitable giving is capped for high-income filers. Individuals with a State Adjusted Gross Income (AGI) of $1 million or more may claim 50% of their Federal charitable deduction on their State return, while individuals with a State AGI of $10 million or more may claim 25% of their Federal deduction. Under current statute, the 25% cap expires (reverts to 50%) after tax year 2019. Assumptions about the average State income tax rate and the cap on charitable deductions for high-income filers do not have a material impact on conclusions drawn from this model.
3. *Timing assumptions.* The values in this table assume that taxpayers adjust withholdings and estimated payments in anticipation of a decrease in their PIT liability. The values are based on the assumption that PIT is remitted and collected in real-time as taxable income is earned (rather than as quarterly payments due in April, July, October, and January). This assumption likely overstates the speed and efficiency with which taxpayers could actually adjust PIT remittances. In practice, inefficiencies would likely result in slightly higher receipts to the Revenue Bond Tax Fund than shown in the table. For example, a taxpayer making a charitable gift for the 2019 Tax Year in December 2019 is assumed to have reduced withholdings and estimated payments remitted during Calendar Year 2019 by the expected decrease in liability associated with the income deduction for charitable giving that the taxpayer will claim on his or her 2019 tax return (due in April 2020). This lowers State PIT receipts in the last quarter of FY 2019 and the first three quarters of FY 2020. The taxpayer is then assumed to reduce withholdings and estimated payments remitted during tax Year 2020 by an amount equal to 85% of the charitable gift, in anticipation of the credit the taxpayer will claim on his or her 2020 tax return (due in April 2021). This lowers State PIT receipts in the last quarter of FY 2020 and the first three quarters of FY 2021. PIT receipts are assumed to flow evenly throughout the Fiscal Year.
4. 100% Participation shows Revenue Bond Tax Fund receipts assuming the maximum level of charitable giving calculated by DOB and DTF. For further illustration of the range of possible outcomes, subsequent rows show Revenue Bond Tax Fund receipts if charitable gifts equal 75%, 50%, 25%, and 10% of the maximum dollar value of charitable giving.

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

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

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

Implementation

The State developed the ECEP and Charitable Gifts Trust Fund based on a review of existing laws, regulations, and precedents. However, there can be no assurance that the IRS will allow taxes paid under the ECEP by an electing employer, or donations made by taxpayers to the Charitable Gifts Trust Fund, to be deductible for Federal tax purposes under current law and the TCJA. As noted above, the IRS has proposed regulations that would impair the ability of taxpayers to deduct from Federally taxable income donations made by taxpayers to the Charitable Gifts Trust Fund 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 Updated 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.

General Fund Cash-Basis Financial Plan

Enacted Budget Financial Plan

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

- Mental Hygiene Fund Reclassification. Spending from two State Special Revenue Fund accounts, the Mental Hygiene Program Fund and Patient Income Account, is reclassified to the General Fund to improve reporting transparency by eliminating large transfers between funds. The reclassification moves local assistance and operations spending, as well as the supporting revenue, into the General Fund, and eliminates transfers from the General Fund to the two Mental Hygiene State Special Revenue Fund accounts. In addition, roughly $1.4 billion of fringe benefit spending associated with Mental Hygiene agencies will move from the respective agencies to the central General State Charges (GSCs) budget.

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

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

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2018 Results	FY 2019 Adjusted	MH Reclass	DOT/DMV Reclass	FY 2019 Updated	Adjusted Annual Change Dollar	Adjusted Annual Change Percent
Opening Fund Balance (Excluding Extraordinary Monetary Settlements)	2,414	4,425	0	0	4,425	2,011	83.3%
Total Receipts	70,642	71,521	986	30	72,537	879	1.2%
Taxes	67,370	67,695	0	0	67,695	325	0.5%
Miscellaneous Receipts/Federal Grants [1]	2,351	2,155	(166)	30	2,019	(196)	-8.3%
Transfers from Other Funds	921	1,671	1,152	0	2,823	750	81.4%
Total Disbursements	69,323	73,838	986	30	74,854	4,515	6.5%
Local Assistance	46,072	49,338	1,710	0	51,048	3,266	7.1%
State Operations	13,800	14,835	4,075	388	19,298	1,035	7.5%
Transfers to Other Funds [2]	9,451	9,665	(4,799)	(358)	4,508	214	2.3%
Net Change in Operations	1,319	(2,317)	0	0	(2,317)	(3,636)	-275.7%
General Fund Use of Extraordinary Monetary Settlements[3]	692	383			383	(309)	-
Closing Fund Balance (Excluding Extraordinary Monetary Settlements) [2]	4,425	2,491	0	0	2,491	(1,934)	-43.7%
Extraordinary Monetary Settlements							
Opening Balance	5,335	5,020			5,020	(315)	-5.9%
New Settlements Received[4]	805	478			478	(327)	-40.6%
Transfers/Uses	(1,120)	(2,190)			(2,190)	(1,070)	-95.5%
Closing Balance (Extraordinary Monetary Settlements)	5,020	3,308			3,308	(1,712)	-34.1%
Closing Fund Balance (Including Extraordinary Monetary Settlements)	9,445	5,799			5,799	(3,646)	-38.6%

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

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

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

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

Receipts[5]

General Fund receipts, including transfers from other funds, are projected to total $71.5 billion in FY 2019, an increase of $879 million (1.2 percent) from FY 2018 results. The annual change is impacted by the shift of an estimated $1.9 billion of receipts from FY 2019 into FY 2018 due to the TCJA and the payment of $500 million in additional PIT refunds in the last quarter of FY 2018. Excluding these shifts, the total receipts increase is $4.2 billion or 6.1 percent.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to total $46.5 billion, an annual decrease of $486 million. Excluding the shifts described above, the underlying PIT growth of roughly 6.2 percent is consistent with forecasted economic growth and revisions based on April 2018 results.

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

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

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

Non-tax receipts are estimated at $3.8 billion, an increase of $554 million. The growth is mainly due to the expected transfer of resources from the Health Care Transformation Fund.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see “State Financial Plan Projections Fiscal Years 2019 Through 2022” herein.

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[5] The reported activity by financial plan category excludes the impact of (a) Extraordinary Monetary Settlements on receipts and disbursements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that take effect in FY 2019.

Disbursements[6]

General Fund disbursements, including transfers to other funds, are expected to total $73.8 billion in FY 2019, an annual increase of $4.5 billion (6.5 percent) from FY 2018 results.

Local assistance grants are expected to total $49.3 billion in FY 2019, an annual increase of $3.3 billion (7.1 percent). The largest increases include $1.1 billion for School Aid (on a State fiscal year basis) and $941 million for Medicaid.

General Fund disbursements for agency operations, including fringe benefits and fixed costs, are expected to total $14.8 billion, an annual increase of $1.0 billion (7.5 percent). Personal and non-personal service costs increase $608 million from FY 2018, reflecting increased personal service costs driven by labor agreements. Fringe benefit costs associated with State employees, including retiree health insurance costs, are expected to increase by $427 million (7.7 percent), mainly due to negotiated rate increases reflecting medical cost inflation and current enrollment levels. The State's costs for Workers' Compensation are expected to increase by $170 million, due to underlying growth in the average weekly wage benefit and medical costs ($65 million), as well as a reduction in other resources available to offset costs ($105 million).

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

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year. For a more comprehensive discussion of the State's disbursements projections by major activity, presented on a State Operating Funds basis, see "State Financial Plan Projections Fiscal Years 2019 through 2022" herein.

6 The reported activity by financial plan category excludes the impacts of (a) Extraordinary Monetary Settlements on receipts and disbursements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that take effect in FY 2019.

Closing Balance for FY 2019

DOB projects that the State will end FY 2019 with a General Fund cash balance of $5.8 billion, a decrease of $3.6 billion from FY 2018. The General Fund closing balance, excluding Extraordinary Monetary Settlements, is estimated at $2.5 billion, or $1.9 billion lower than the closing balance at the end of FY 2018. The change is due almost entirely to the expected use of the $1.9 billion in cash received in FY 2018 attributed to taxpayer behavior, principally the acceleration of tax payments in response to the Federal limit on SALT deductibility, which became effective January 1, 2018.

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve and the Rainy Day Reserve, are expected to remain unchanged at $1.8 billion. The Updated Financial Plan continues to maintain a reserve of $500 million for debt management purposes. DOB will decide on the use of these funds based on market conditions, financial plan needs, and other factors.

The balance from Extraordinary Monetary Settlements is expected to total $3.3 billion at the close of FY 2019, a decrease of $1.7 billion from FY 2018. The anticipated decrease reflects the use of Extraordinary Monetary Settlements to fund activities appropriated from other funds ($1.5 billion); the MTA Subway Action Plan ($194 million); and general operations ($383 million), partly offset by the receipt of settlement payments to date in FY 2019 ($478 million less $75 million retained by the Department of Law in other funds).

DOB expects that the State will have sufficient liquidity in FY 2019 to make all planned payments as they become due. The State continues to reserve General Fund resources on a quarterly basis for debt service payments. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

TOTAL BALANCES (millions of dollars)

	FY 2018 Results	FY 2019 Updated	Annual Change
TOTAL GENERAL FUND BALANCE	**9,445**	**5,799**	**(3,646)**
General Fund (Excl. Extraordinary Monetary Settlements)	**4,425**	**2,491**	**(1,934)**
Statutory Reserves:			
"Rainy Day" Reserves	1,798	1,798	0
Community Projects	46	17	(29)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements	155	155	0
Undesignated Fund Balance	1,905	0	(1,905)
Extraordinary Monetary Settlements Fund Balance	**5,020**	**3,308**	**(1,712)**

Cash Flow

State Finance Law authorizes the General Fund to borrow money temporarily from available funds held in the Short-Term Investment Pool (STIP). Money may be borrowed for up to four months, or until the end of the fiscal year, whichever period is shorter. The State last used this authorization in April 2011 when the General Fund needed to borrow funds from STIP for a period of five days. The amount of resources that can be borrowed by the General Fund is limited to available balances in STIP, as determined by the State Comptroller. Available balances include money in the State's governmental funds and a relatively small amount of other money belonging to the State. Several accounts in Debt Service Funds and Capital Projects Funds that are part of All Governmental Funds are excluded from the balances deemed available in STIP. These excluded funds consist of bond proceeds and money obligated for debt service payments.

DOB expects that the State will have sufficient liquidity in FY 2019 to make all planned payments as they become due without having to temporarily borrow from STIP. The State continues to reserve money on a quarterly basis for debt service payments financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

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

	General Fund	Other Funds	All Funds
April	9,938	4,075	14,013
May	5,130	3,865	8,995
June	6,313	4,853	11,166
July	5,445	5,795	11,240
August	4,859	5,218	10,077
September	6,671	3,796	10,467
October	6,800	3,482	10,282
November	4,196	3,074	7,270
December	6,071	4,033	10,104
January	12,468	4,255	16,723
February	11,756	3,844	15,600
March	5,799	3,523	9,322

Extraordinary Monetary Settlements

From the beginning of FY 2015 through June 2018, DOB calculates that the State has received a total of $11.1 billion in Extraordinary Monetary Settlements for violations of State laws by major financial and other institutions. The following table lists the Extraordinary Monetary Settlements by firm and amount.

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

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Total
Extraordinary Monetary Settlements	**4,942**	**3,605**	**1,317**	**805**	**478**	**11,147**
BNP Paribas	2,243	1,348	0	350	0	3,941
Department of Financial Services (DFS)	2,243	0	0	350	0	2,593
Asset Forfeiture (DANY)	0	1,348	0	0	0	1,348
Deutsche Bank	0	800	444	0	205	1,449
Credit Suisse AG	715	30	0	135	0	880
Commerzbank	610	82	0	0	0	692
Barclays	0	670	0	0	0	670
Credit Agricole	0	459	0	0	0	459
Bank of Tokyo Mitsubishi	315	0	0	0	0	315
Bank of America	300	0	0	0	0	300
Standard Chartered Bank	300	0	0	0	0	300
Goldman Sachs	0	50	190	0	55	295
Morgan Stanley	0	150	0	0	0	150
Bank Leumi	130	0	0	0	0	130
Ocwen Financial	100	0	0	0	0	100
Citigroup (State Share)	92	0	0	0	0	92
MetLife Parties	50	0	0	0	0	50
American International Group, Inc.	35	0	0	0	0	35
PricewaterhouseCoopers LLP	25	0	0	0	0	25
AXA Equitable Life Insurance Company	20	0	0	0	0	20
Promontory	0	15	0	0	0	15
New Day	0	1	0	0	0	1
Volkswagen	0	0	32	33	0	65
Mega Bank	0	0	180	0	0	180
Agricultural Bank of China	0	0	215	0	0	215
PHH Mortgage	0	0	28	0	0	28
Intesa SanPaolo	0	0	235	0	0	235
Habib Bank	0	0	0	225	0	225
Cigna	0	0	0	2	0	2
Western Union	0	0	0	60	0	60
RBS Financial Products Inc.	0	0	0	0	100	100
Bank of America Merrill Lynch	0	0	0	0	42	42
UBS	0	0	0	0	41	41
Athene Life Insurance	0	0	0	0	15	15
Nationstar Mortgage	0	0	0	0	5	5
William Penn	0	0	0	0	6	6
Lockton Affinity	0	0	0	0	7	7
Chubb	0	0	0	0	1	1
Other Settlements	7	0	(7)	0	1	1

Uses of Extraordinary Monetary Settlements

A total of $10.8 billion in Extraordinary Monetary Settlements has been allocated to date. The remaining balance of $371 million remains unallocated.

GENERAL FUND SUMMARY OF RECEIPTS AND USE/TRANSFER OF FUNDS FROM EXTRAORDINARY MONETARY SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS
(millions of dollars)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Opening Settlement Balance in General Fund	**0**	**4,667**	**6,300**	**5,335**	**5,020**	**3,308**	**2,160**	**1,305**	**700**
Receipt of Extraordinary Monetary Settlement Payment	**4,942**	**3,605**	**1,317**	**805**	**478**	**0**	**0**	**0**	**0**
Use/Transfer of Funds	**275**	**1,972**	**2,282**	**1,120**	**2,190**	**1,148**	**855**	**605**	**329**
Capital Purposes:									
Transfer to DIIF	0	857	697	941	1,608	1,250	1,109	542	306
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	0	0
Transfer to Capital Projects Fund - Mass Transit	0	0	0	67	10	8	0	0	0
Transfer to Capital Projects Fund - Healthcare	0	0	0	19	70	70	80	63	23
Transfer to DIIF for Javits Center Expansion	0	0	0	164	350	320	166	0	0
Bond Proceed Receipts for Javits Center Expansion	0	0	0	0	0	(500)	(500)	0	0
FY 2017 Temporary Loan to Capital Projects Fund	0	0	1,300	(1,300)	0	0	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund	0	0	0	500	(500)	0	0	0	0
Other Purposes:									
Transfer to Audit Disallowance - Federal Settlement	0	850	0	0	0	0	0	0	0
CSX Litigation Payment	0	0	0	76	0	0	0	0	0
Financial Plan - General Fund Operating Purposes	275	250	102	461	383	0	0	0	0
Transfer to Local Assistance Account - Mass Transit Operating	0	0	0	10	0	0	0	0	0
MTA Operating Aid	0	0	0	0	194	0	0	0	0
Department of Law - Litigation Services Operations	0	10	63	27	75	0	0	0	0
Transfer to OASAS Chemical Dependence Program	0	5	0	0	0	0	0	0	0
Reservation of Funds:									
Reserve for Retroactive Labor Settlements	0	0	0	155	0	0	0	0	0
Closing Settlement Balance in General Fund	**4,667**	**6,300**	**5,335**	**5,020**	**3,308**	**2,160**	**1,305**	**700**	**371**

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

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

- General Fund Operations ($383 million). Consistent with prior years, the Updated Financial Plan reflects the use of funds not appropriated for other purposes.
- MTA Subsidy ($194 million). Additional support will be provided to the MTA for its operations in FY 2019 as part of the State's commitment to fund 50 percent of the MTA's New York City Subway Action Plan.
- Health Care Capital Grants ($125 million). An additional $525 million will be provided to the Health Care Facility Transformation Program, of which $125 million will be funded from Extraordinary Monetary Settlements over a multi-year period.

April – June 2018
Operating Results

April – June 2018 Operating Results

This Section provides a summary of preliminary operating results for April 2018 through June 2018 compared to: (1) results for the same time period of the prior fiscal year (April 2017 through June 2017) and (2) the projections set forth in the Enacted Budget Financial Plan. 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 were nearly $2 billion higher than during the same period of the prior year. The increase was comprised of $1.1 billion in tax receipts, $702 million in miscellaneous receipts, and $134 million in Federal aid. Disbursements increased by $164 million due to higher spending in Capital Projects Funds and Federal Funds ($516 million and $503 million, respectively), largely offset by a $855 million decrease in spending in State Operating Funds. The All Governmental Funds closing balance was $3.5 billion higher than the prior year.

ALL GOVERNMENTAL FUNDS - RESULTS COMPARED TO PRIOR YEAR
April through June
(millions of dollars)

	Results		Increase/(Decrease)	
	FY 2018	FY 2019	$	%
OPENING BALANCE	**11,105**	**12,749**	**1,644**	**14.8%**
ALL FUNDS RECEIPTS:	**37,740**	**39,702**	**1,962**	**5.2%**
Total Taxes	**18,627**	**19,753**	**1,126**	**6.0%**
Personal Income Tax	11,754	12,991	1,237	10.5%
All Other Taxes	6,873	6,762	(111)	-1.6%
Miscellaneous Receipts	**5,264**	**5,966**	**702**	**13.3%**
Federal Grants	**13,849**	**13,983**	**134**	**1.0%**
Bond & Note Proceeds	**0**	**0**	**0**	**0.0%**
ALL FUNDS DISBURSEMENTS:	**41,136**	**41,300**	**164**	**0.4%**
STATE OPERATING FUNDS	**25,981**	**25,126**	**(855)**	**-3.3%**
Local Assistance	**17,119**	**16,125**	**(994)**	**-5.8%**
School Aid	6,431	6,531	100	1.6%
DOH Medicaid (incl. admin and EP)	5,421	6,109	688	12.7%
All Other	5,267	3,485	(1,782)	-33.8%
State Operations	**8,441**	**8,645**	**204**	**2.4%**
Agency Operations	**4,783**	**4,864**	**81**	**1.7%**
Executive Agencies	2,488	2,553	65	2.6%
University Systems	1,612	1,599	(13)	-0.8%
Elected Officials	683	712	29	4.2%
Fringe Benefits/Fixed Costs	**3,658**	**3,781**	**123**	**3.4%**
Pension Contribution	2,250	2,227	(23)	-1.0%
Health Insurance	964	1,050	86	8.9%
Other Fringe Benefits/Fixed Costs	444	504	60	13.5%
Debt Service	**421**	**356**	**(65)**	**-15.4%**
Capital Projects	**0**	**0**	**0**	**0.0%**
CAPITAL PROJECTS (State and Federal Funds)	**2,100**	**2,616**	**516**	**24.6%**
FEDERAL OPERATING AID	**13,055**	**13,558**	**503**	**3.9%**
NET OTHER FINANCING SOURCES	**(29)**	**15**	**44**	**151.7%**
CHANGE IN OPERATIONS	**(3,425)**	**(1,583)**	**1,842**	**53.8%**
CLOSING BALANCE	**7,680**	**11,166**	**3,486**	**45.4%**

April – June 2018 Operating Results

Receipts

The PIT receipts contributed most to the year-over-year growth in tax receipts, and were $1.2 billion (10.5 percent) higher due to a decline in total refunds, coupled with growth in April 2018 settlement payments, June 2018 estimated tax payments, and withholding.

The decline in all other taxes ($111 million) was primarily attributable to FY 2019 Enacted Budget legislation sending the Payroll Mobility Tax collections directly to the MTA, thereby eliminating the pass through reflected in the FY 2018 results. In addition, estate tax payments through June 2018 were lower than during the same period in FY 2018, which reflected two particularly large payments. Offsetting these decreases, higher Consumption/Use Tax collections were driven by growth in sales tax and a return to historical refund levels for Highway Use Taxes.

Miscellaneous receipts were $702 million (13.3 percent) higher in the current year mainly due to higher bond proceeds reimbursements associated with transportation ($314 million), monetary settlements ($112 million), HCRA receipts ($145 million) and State University Income ($78 million).

Spending

From April through June 2018, State Operating Funds spending totaled $25.1 billion, a decrease of $855 million (3.3 percent) compared to the same period last year.

Growth in Medicaid ($688 million) and School Aid ($100 million) was more than offset by lower spending in other local assistance programs ($1.8 billion). Medicaid spending growth was largely due to increased claiming ($147 million), higher offline payments for Clawback Part D ($121 million), and Supplemental Medical Insurance ($83 million). School Aid spending increases were due to a higher volume of General Aid claims ($192 million), which were offset by the timing of spending for the Statewide Universal Full-Day Prekindergarten (SUFPK) program ($79 million).

The decline in other local assistance programs is almost entirely related to the timing of payments in various programs including: CUNY Senior Colleges ($749 million), preschool special education ($404 million), transportation ($135 million), Child Welfare Services ($118 million), foster care ($96 million), Mental Hygiene ($103 million), summer school special education ($63 million), non-public School Aid ($62 million), Adult Shelter ($59 million), and STAR ($58 million).

Executive agency operational spending growth is largely attributable to higher than projected contractual technology spending and increased spending for transportation reflecting the reclassification of certain operating costs from the DHBTF to the General Fund. Judiciary spending reflects higher personal service costs associated with general salary increases.

Higher fringe benefits spending includes planned cost increases for the State's share of employee health insurance and workers' compensation payments.

Capital Projects Fund spending increased by $516 million primarily due to expenses for the MTA ($300 million), the Housing Capital Plan ($107 million), the Jacob Javits Convention Center ($68 million) and broadband initiatives ($17 million).

Growth in Federal operating aid spending was driven by School Aid ($360 million), Medicaid ($309 million), EP ($221 million), and Public Health ($98 million); offset by delayed child welfare and child care payments. The year-over-year increase in School Aid spending is primarily due to timing-related increases in Title I and Title II payments and increased reimbursement for school breakfast and lunch programs. Higher Medicaid spending reflects programmatic growth reflected in claims/rate packages and Disproportionate Share/Upper Payment Limit (DSH/UPL) partially offset by lower spending in DSRIP. Growth in Essential Plan (EP) expenditures is due to enrollment growth. Increased spending in Public Health was primarily driven by the CHP program as a result of increased enrollment.

April – June 2018 Operating Results

All Governmental Funds Results – Compared to Prior Plan

The State ended June 2018 with a closing balance of $11.2 billion, $2.7 billion higher than the Enacted Budget Financial Plan estimate due to higher receipts ($176 million) and significantly lower spending ($2.4 billion).

ALL GOVERNMENTAL FUNDS COMPARED TO PLAN
April 2018 through June 2018
(millions of dollars)

			Above/(Below) Enacted Plan	
	Enacted	Results	$	%
OPENING BALANCE	**12,749**	**12,749**	**0**	**0.0%**
ALL FUNDS RECEIPTS:	**39,526**	**39,702**	**176**	**0.4%**
Total Taxes	**19,724**	**19,753**	**29**	**0.1%**
Personal Income Tax	13,050	12,991	(59)	-0.5%
Consumption / Use Tax	4,283	4,368	85	2.0%
Business Taxes	1,864	1,909	45	2.4%
Other Taxes	527	485	(42)	-8.0%
Miscellaneous Receipts	**5,752**	**5,966**	**214**	**3.7%**
Federal Grants	**14,050**	**13,983**	**(67)**	**-0.5%**
Bond & Note Proceeds	**0**	**0**	**0**	0.0%
ALL FUNDS DISBURSEMENTS:	**43,734**	**41,300**	**(2,434)**	**-5.6%**
STATE OPERATING FUNDS	**27,139**	**25,126**	**(2,013)**	**-7.4%**
Local Assistance	**18,113**	**16,125**	**(1,988)**	**-11.0%**
School Aid	6,868	6,531	(337)	-4.9%
DOH Medicaid[1]	5,910	6,109	199	3.4%
Transportation	1,060	1,048	(12)	-1.1%
STAR	0	0	0	0.0%
Social Services	661	349	(312)	-47.2%
Higher Education	1,179	334	(845)	-71.7%
Mental Hygiene	532	508	(24)	-4.5%
All Other	1,903	1,246	(657)	-34.5%
State Operations	**8,663**	**8,645**	**(18)**	**-0.2%**
Agency Operations	**4,915**	**4,864**	**(51)**	**-1.0%**
Personal Service:	3,535	3,512	(23)	-0.7%
Executive Agencies	1,933	1,869	(64)	-3.3%
University Systems	1,040	1,060	20	1.9%
Elected Officials	562	583	21	3.7%
Non-Personal Service:	1,380	1,352	(28)	-2.0%
Executive Agencies	715	684	(31)	-4.3%
University Systems	554	539	(15)	-2.7%
Elected Officials	111	129	18	16.2%
Fringe Benefits/Fixed Costs	**3,748**	**3,781**	**33**	**0.9%**
Pension Contribution	2,227	2,227	0	0.0%
Health Insurance	1,055	1,050	(5)	-0.5%
Other Fringe Benefits/Fixed Costs	466	504	38	8.2%
Debt Service	**363**	**356**	**(7)**	**-1.9%**
CAPITAL PROJECTS (State and Federal Funds)	**3,080**	**2,616**	**(464)**	**-15.1%**
FEDERAL OPERATING AID	**13,515**	**13,558**	**43**	**0.3%**
NET OTHER FINANCING SOURCES	**(39)**	**15**	**54**	**138.5%**
CHANGE IN OPERATIONS	**(4,247)**	**(1,583)**	**2,664**	**62.7%**
CLOSING BALANCE	**8,502**	**11,166**	**2,664**	**31.3%**

1. Includes the Essential Plan

Receipts

Through June 2018, total tax receipts were $29 million above the Enacted Budget Financial Plan estimate. Higher Consumption / Use Taxes ($85 million) were attributable to greater than expected base growth in Sales tax collections. Higher Business Taxes ($45 million) reflected stronger than expected June corporate franchise tax receipts, partially offset by weaker than expected receipts from corporation, insurance and bank taxes. Lower PIT collections ($59 million) were due to higher than expected refunds, offset by stronger than expected June estimated payments.

Miscellaneous Receipts were $214 million higher than projected mainly due to additional settlement monies ($295 million), offset by lower than expected receipts in other areas including SUNY.

Spending

Compared to the Enacted Budget Financial Plan projections, State Operating Funds spending was $2 billion (7.4 percent) lower than planned, which was almost entirely attributable to local assistance spending.

Local assistance spending was approximately $2 billion lower than planned, mainly driven by the timing of payments in various programs as noted below.

- Higher Education ($845 million lower): attributable to both CUNY Senior College and Community College operations.

- School Aid ($337 million lower): primarily in SUFPK and excess cost aid.

- Social Services ($312 million lower): mainly due to the timing of payments for OCFS administered programs including child welfare services, foster care and day care; and the timing of the adult shelter payments by the Office of Temporary and Disability Assistance (OTDA).

- Medicaid ($199 million higher): largely due to increased claims and timing of offline payments such as Managed Long-Term Care (MLTC) Quality Pool Awards, Voluntary UPL, and the Advanced Training Initiative.

- Other local assistance ($657 million lower): comprised of lower than projected spending for preschool and summer school special education, and insurance premiums paid through the State's excess medical malpractice program.

State Operations spending was $18 million lower than estimated. Lower spending for Executive agencies was almost entirely offset by increased Judiciary spending. Lower than projected Executive agency spending was primarily attributable to lower Medicaid administration costs augmented by smaller variances across multiple agencies.

Capital spending was $464 million below projections mainly due to lower than anticipated spending in Economic Development related to delayed implementation of the Regional Economic Development Council, as well as slower than anticipated spending for Long Island transformation projects, the Wadsworth laboratory, and the High Tech Innovative Initiative. In addition, Smart Schools Investment Plan claims were not received at the levels projected.

General Funds Results – Compared to Prior Plan

The General Fund closing balance at the end of June 2018 was $1.8 billion above the Enacted Budget Financial Plan estimate, primarily due to lower than projected spending. General Fund tax collections were largely consistent with projections.

The spending variance was mainly due to the timing of planned local assistance payments for education and social services programs, as described below.

The State ended June 2018 with a balance of $4.8 billion in monetary settlement funds held in the General Fund. The balance was $83 million higher than projected mainly due to the receipt of unplanned settlement monies, offset by earlier transfers of monetary settlements from the General Fund to other funds.

The table below summarizes the variance from the Enacted Budget Financial Plan estimates, including monetary settlements.

GENERAL FUND OPERATING RESULTS
April 2018 through June 2018
(millions of dollars)

			Above/(Below) Enacted Plan	
	Enacted	Results	$	%
OPENING BALANCE	**9,445**	**9,445**	**0**	**0.0%**
Total Receipts	**18,942**	**19,221**	**279**	**1.5%**
Taxes:	18,179	18,146	(33)	-0.2%
Personal Income Tax[1]	13,037	12,980	(57)	-0.4%
Consumption / Use Taxes[1]	3,390	3,461	71	2.1%
Business Taxes	1,251	1,246	(5)	-0.4%
Other Taxes[1]	501	459	(42)	-8.4%
Receipts and Grants	441	808	367	83.2%
Transfers From Other Funds	322	267	(55)	-17.1%
Total Spending	**23,885**	**22,353**	**(1,532)**	**-6.4%**
Local Assistance	15,189	13,352	(1,837)	-12.1%
Agency Operations (including GSCs)	6,366	6,410	44	0.7%
Transfers to Other Funds	2,330	2,591	261	11.2%
Debt Service Transfer	253	251	(2)	-0.8%
Capital Projects Transfer	1,133	1,340	207	18.3%
SUNY Operations Transfer	660	654	(6)	-0.9%
All Other Transfers	284	346	62	21.8%
Change in Operations	**(4,943)**	**(3,132)**	**1,811**	**36.6%**
CLOSING BALANCE	**4,502**	**6,313**	**1,811**	**40.2%**

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

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 Enacted Budget Financial Plan are based on the assumption that annual growth in State Operating Funds spending will be limited to 2 percent in FY 2020, FY 2021, and FY 2022, and that all savings that result from the 2 percent spending growth benchmark will be made available to the General Fund.

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

The 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, oil and gas supplies and oil and gas prices; major terrorist events, hostilities or war; climate change and extreme weather events; Federal statutory and regulatory changes concerning financial sector activities; Federal tax law and other programmatic purposes; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments, which may adversely affect bonus income and capital gains realizations; the effect of household debt on consumer spending and State tax collections; and the outcomes of litigation and other claims affecting the State.

The Updated Financial Plan is subject to various uncertainties and contingencies relating to: wage and benefit increases for State employees that exceed projected annual costs; changes in the size of the State's workforce; the realization of the projected rate of return for pension fund assets, and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid 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 2022 assume that School Aid and Medicaid disbursements will be limited to the annual growth in NYS personal income and the ten-year rolling average growth of the medical component of the consumer price index (CPI), respectively. However, since FY 2014, the State has annually authorized School Aid spending increases above the personal income growth index. In SY 2019, the Updated Financial Plan reflects a 3.6 percent School Aid increase, compared to 1.5 percent growth in the personal income growth index. In SY 2020, School Aid is projected to increase by 3.6 percent, based on currently projected personal income growth.

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

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

Nation[7]; 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 of reporting, including (i) the realignment of certain operating costs to the capital budget to provide consistency in reporting across all agencies and a more accurate accounting of the overall capital budget; (ii) the payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting; and (iii) the restructuring of the STAR program to a tax credit for consistency with the reporting of other State tax credits. If these and other transactions are not implemented as planned, annual spending growth in State Operating Funds would increase above current estimates.

In developing the Updated Financial Plan, DOB attempts to mitigate the financial risks from receipts volatility, litigation, and unexpected costs, with a particular emphasis on the General Fund. It does this by, among other things, exercising caution when calculating total General Fund disbursements and managing the accumulation of financial resources that can be used to offset new costs (including, but not limited to, fund balances not needed in a given year, acceleration of tax refunds above the level budgeted in a given year, and prepayment of expenses). There can be no assurance that such resources will be sufficient to address risks that may materialize in a given fiscal year.

Federal Issues

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this Federal aid may be subject to change under the Trump Administration and the current Congress. Current Federal aid projections, and the assumptions on which they rely, are subject to revision as a result of changes in Federal policy. Actions by the Federal government, including the TCJA, pose a heightened risk to State finances. Enactment of Federal tax law changes is currently projected to add $1.9 trillion to the Federal deficit over the next ten years,[8] increasing the likelihood that Congress will seek material cuts in Federal aid programs or impose new barriers to the receipt of Federal aid by families and individuals.

In addition, the 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

[7] The Seneca Nation has withheld payments to the State that were expected in FY 2018, between April 1, 2017 and July 31, 2019. The State and Seneca Nation are currently in the arbitration process. The Updated Financial Plan assumes successful resolution by the end of FY 2019.

[8] Congressional Budget Office, “The Budget and Economic Outlook: 2018 to 2028”, April 2018.

Federal government of $100 million annually through FY 2027 pursuant to a March 2015 agreement between the State and the Centers for Medicare and Medicaid Services (CMS). The agreement resolved a pending disallowance for FY 2011 and all related payment disputes for State-operated services prior to April 1, 2013, including home and community-based waiver services. Pursuant to the agreement, the State must adjust the Federal/State share of future Medicaid costs to reimburse the Federal government. The State used $850 million in Extraordinary Monetary Settlement payments, previously set aside for financial risks, to finance the initial repayment amount in FY 2016.

Given this uncertainty, the Enacted Budget includes legislation to continue authorization for a process by which the State would manage significant reductions in Federal aid during FYs 2019 and 2020 should such reductions occur. Specifically, the legislation allows the Budget Director to prepare a plan for consideration by the Legislature in the event that Federal policymakers (i) reduce Federal financial participation in Medicaid funding to New York State or its subdivisions by $850 million or more; or (ii) reduce Federal financial participation or other Federal aid funding to New York State that affects the State Operating Funds financial plan by $850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately, and is not additive. The plan prepared by the Budget Director must equally and proportionally reduce appropriations and cash disbursements in the General Fund and State Special Revenue Funds. Upon receipt of the plan, the Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both the Senate and Assembly. Otherwise, the plan submitted by the Budget Director takes effect automatically.

Current Federal Aid

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

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

Medicaid Disproportionate Share Hospital (DSH) Payments

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

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

Federal Health Care Policy

In 2017, the Federal government attempted to end the Basic Health Program (EP in New York State), the ACA's Medicaid expansion, and to shift a larger share of growth in Medicaid costs to states by imposing per capita caps on Medicaid spending in lieu of Medicaid's current open-ended entitlement. If these bills had been enacted into law, these policies would have had a substantial adverse impact on the Enacted Budget Financial Plan.

Additionally, 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 New York State of Health (NYSOH), New York's official health plan marketplace. 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 Updated Financial Plan continues to reflect support for the EP program.

While Federal funding for the Children's Health Insurance Program (CHIP) has been reauthorized through FFY 2027, it remains possible that other Federal changes could affect the State's health care policies. DOB continues to monitor Federal health care policy.

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

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

Regulations from the IRS have yet to be published. DOB has no current estimate as to the potential impact to the Enacted Budget Financial Plan from this Federal excise tax.

Medicaid Redesign Team (MRT) Medicaid Waiver

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

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

Federal Debt Limit

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

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

Current Labor Negotiations and Agreements (Current Contract Period)

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

On September 4, 2018, the United University Professions (UUP) ratified a six-year collective bargaining agreement that includes 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 agreement is estimated to cost approximately $250 million in FY 2019, and approximately $350 million in the outyears, and would be reflected in future financial plan updates. SUNY is responsible for funding the costs of the agreement.

In August 2018, the State reached a tentative collective bargaining agreement with the Police Benevolent Association of the New York State Troopers (NYSTPBA) for the period of 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, similar to changes made for UUP and CSEA. The tentative agreement is subject to approval by the NYSTPBA membership, which is expected to complete voting in early October 2018. If approved, the agreement is estimated to cost approximately $8.5 million in FY 2019, and would be reflected in future financial plan updates.

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

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), Council 82 and the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) following the March 2017 membership rejection of a tentative collective bargaining agreement on a five-year labor contract through FY 2021.[9] Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose contract expired at the end of FY 2015.

The Judiciary has reached 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.

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

Pension Contributions[10]

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.[11] All projections are based on projected market returns and numerous actuarial assumptions which, if unrealized, could change these projections materially.

During FY 2016, the NYSLRS updated its actuarial assumptions based on the results of the 2015 five-year experience study. In September 2015, 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.

FY 2019 Projections

The preliminary FY 2019 ERS/PFRS pension liability of $2.3 billion is impacted by the FY 2017 investment return of 11.5 percent, which was above the Comptroller's assumed rate of return (7 percent). The estimate also reflects the impact of past investment performance and growth in the number of lower cost Tier 6 members. As a result, the average contribution rate for ERS will decrease from 15.3 percent of payroll to 14.9, while the average contribution rate for PFRS will decrease from 24.4 percent of payroll to 23.5 percent.[12]

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

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

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

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 $52 million in FY 2018 based on actual credit purchased through December 31, 2017. DOB currently estimates ERS costs of $55 million in FY 2019 and $39 million in FY 2020. Additionally, the State expects ongoing costs of $7 million beginning in FY 2021 as additional veterans become eligible to purchase the credit.

Outyear Projections

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

Pension Amortization[13]

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[14]) 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.

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.

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[13] 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.

[14] 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.

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

Fiscal Year	Statewide Pension Payments[1]: Normal Costs[2]	Statewide Pension Payments[1]: (Amortization Amount) / Excess Contributions	Statewide Pension Payments[1]: Repayment of Amortization	Statewide Pension Payments[1]: Total Statewide Pension Payments	Interest Rate on Amortization Amount (%)[3]	Rates for Determining (Amortization Amount) / Excess Contributions: System Average Normal Rate[4] ERS (%)	System Average Normal Rate[4] PFRS (%)	Amortization Threshold (Graded Rate) ERS (%)	Amortization Threshold (Graded Rate) PFRS (%)
2011	1,543.2	(249.6)	0.0	1,293.6	5.0	11.5	18.1	9.5	17.5
2012	2,037.6	(562.9)	32.3	1,507.0	3.8	15.9	21.6	10.5	18.5
2013	2,076.1	(778.5)	100.8	1,398.4	3.0	18.5	25.7	11.5	19.5
2014	2,633.8	(937.0)	192.0	1,888.8	3.7	20.5	28.9	12.5	20.5
2015	2,325.7	(713.1)	305.7	1,918.3	3.2	19.7	27.5	13.5	21.5
2016	1,972.1	(356.1)	389.9	2,005.9	3.2	17.7	24.7	14.5	22.5
2017	1,788.6	0.0	432.1	2,220.7	2.3	15.1	24.3	15.1	23.5
2018	1,788.7	0.0	432.1	2,220.8	2.8	14.9	24.3	14.9	24.3
2019 Est.	1,866.7	0.0	432.1	2,298.8	3.6	14.4	23.5	14.4	23.5
Projected by DOB [5]									
2020	1,921.4	0.0	432.1	2,353.5	TBD	14.6	23.5	14.6	23.5
2021	2,080.3	0.0	432.1	2,512.4	TBD	16.2	25.0	16.2	25.0
2022	2,272.5	0.0	399.8	2,672.3	TBD	17.2	26.0	17.2	26.0
2023	2,436.7	0.0	331.3	2,768.0	TBD	17.9	25.8	17.9	25.8
2024	2,460.1	0.0	240.1	2,700.2	TBD	17.7	25.4	17.7	25.4
2025	2,483.7	0.0	126.4	2,610.1	TBD	17.5	25.0	17.5	25.0
2026	2,507.2	0.0	42.2	2,549.4	TBD	17.3	24.6	17.3	24.6

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

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

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

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

[5] FY 2019 estimates and 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 NYSHIP, or are enrolled in the NYSHIP opt-out program, at the time they reach retirement; and have at least ten years of eligible service. The cost of providing post-retirement health insurance is shared between the State and the retired employee. Contributions are established by law and may be amended by the Legislature. The State pays its share of costs on a Pay-As-You-Go (PAYGO) basis as required by law.

In accordance with the GASB Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 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 ($1.0 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, standardizes asset smoothing and discount rates, and require the unfunded net OPEB obligation to be reported by the State in its Statement of Net Position. Reporting the unfunded OPEB liability on the Statement of Net Position, rather than as a note to the Basic Financial Statements, is expected to significantly increase the State's total long-term liabilities and show the State in a negative net position.

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

Litigation

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

Participants in financial markets are acknowledging climate change risks. In June 2017, an industry-led Task Force on Climate-related Financial Disclosure convened by the Financial Stability Board (an international body which monitors the global financial system) published recommendations stating that climate risk affects most market sectors and that climate-related risk should be publicly disclosed to investors in annual financial filings.[15] In November 2017, Moody's Investors Service issued guidance to state and local governments that climate change is forecast to heighten exposure to economic losses, placing potential pressure on credit ratings. The Moody's report identified rising sea levels and the effect on coastal infrastructure as the primary climate risk for the northeastern US region, including the State. These risks are heightened by population concentration in coastal counties.

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

Cybersecurity

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

[15] 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.

government networks and geographic information systems[16], and annually assesses the implementation of security policies and standards to ensure compliance through the Nationwide CyberSecurity Review. In addition, the CISO maintains the New York State Cyber Command Center team and hotline, 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 for State and local government. While controls are routinely reviewed and tested, no assurances can be given that such security and operational control measures will be completely successful at guarding against cyber threats and attacks. The results of any such attack could impact business operations and/or damage State digital networks and systems, and the costs of remedying any such damage could be substantial.

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

Financial Condition of New York State Localities

The State's localities rely in part on State aid to balance their budgets and meet their cash requirements. As such, unanticipated financial need among localities can adversely affect the State financial 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 provide assistance to distressed local governments. The Restructuring Board performs comprehensive reviews and provides grants and loans on the condition of implementing recommended efficiency initiatives. For additional details on the Restructuring Board, please visit www.frb.ny.gov.

Bond Market

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

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[16] A description of CISO programs and services that protect State government networks can be found at: https://its.ny.gov/eiso/policies/security.

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 2017).

Current projections anticipate that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the availability under the debt outstanding cap is expected to decline from $3.9 billion in FY 2018 to about $49 million in FY 2021. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. In addition, the projected availability under the debt cap is dependent on expected growth in State personal income. Debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Bonds issued under the new SUNY Dormitory Facilities Revenue credit (which are not backed by a general obligation pledge of SUNY) are not included in the State's calculation of debt caps because these bonds do not meet the definition of "State-supported debt" as set forth in the Debt Reform Act. The bonds are backed solely with dormitory rental revenue. The State may adjust capital spending priorities and debt financing practices, from time to time, to preserve available debt capacity and stay within the statutory limits, as events warrant.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2018	$1,215,416	4.00%	48,617	44,744	3,872	3.68%	0.32%	6,522	51,266
FY 2019	$1,267,180	4.00%	50,687	48,936	1,751	3.86%	0.14%	5,725	54,661
FY 2020	$1,325,014	4.00%	53,001	52,493	507	3.96%	0.04%	4,808	57,301
FY 2021	$1,384,242	4.00%	55,370	55,321	49	4.00%	0.00%	3,302	58,622
FY 2022	$1,445,224	4.00%	57,809	57,716	93	3.99%	0.01%	2,666	60,382
FY 2023	$1,508,787	4.00%	60,351	60,235	117	3.99%	0.01%	2,063	62,298

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity	Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
FY 2018	$165,470	5.00%	8,274	4,477	3,796	2.71%	2.29%	1,381	5,858
FY 2019	$166,306	5.00%	8,315	4,800	3,516	2.89%	2.11%	556	5,356
FY 2020	$169,996	5.00%	8,500	5,342	3,158	3.14%	1.86%	1,595	6,937
FY 2021	$172,223	5.00%	8,611	5,704	2,907	3.31%	1.69%	1,454	7,158
FY 2022	$177,182	5.00%	8,859	5,995	2,864	3.38%	1.62%	1,072	7,068
FY 2023	$178,242	5.00%	8,912	6,429	2,483	3.61%	1.39%	843	7,272

The State's available debt capacity under its statutory debt outstanding cap is unchanged from the Enacted Budget Financial Plan for FY 2019 and beyond.

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf, to pay for upgrading their primary health care facilities. Revenues pledged to pay debt service on the bonds include hospital payments made under loan agreements between the Dormitory Authority of the State of New York (DASNY) and the hospitals and certain reserve funds held by the applicable trustees for the bonds. In the event of revenue shortfalls to pay debt service on the Secured Hospital bonds, the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by DASNY through the Secured Hospital Program. As of March 31, 2018, there were approximately $193 million of bonds outstanding for this program.

Three of the four remaining hospitals in the State's Secured Hospital Program are in poor financial condition. In relation to the Secured Hospital Program, the State's contingent contractual obligation was invoked to pay debt service for the first time in FY 2014. Since then the State has paid $99 million for debt service costs. DASNY also estimates that the State will pay debt service costs of approximately $26 million in FY 2019, $28 million annually in FY 2020 and FY 2021, $22 million in FY 2022, and $17 million in FY 2023. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for one hospital whose debt service obligation was discharged in bankruptcy but is paying rent which offsets a portion of the debt service, a second hospital which closed in 2010, and a third hospital that is currently delinquent in its payments. The State has estimated additional exposure of up to $9 million annually, if all hospitals in the Program failed to meet the terms of their agreements with DASNY and if available reserve funds were depleted.

SUNY Downstate Hospital and Long Island College Hospital (LICH)

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

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

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

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

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

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

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

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

State Financial Plan Projections
Fiscal Years 2019 Through 2022

State Financial Plan Projections Fiscal Years 2019 Through 2022

Introduction

This section presents the State's multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of forecast revisions in FYs 2019 through FY 2022, with an emphasis on the FY 2019 projections, which reflect the impact of the 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 2019 budget, FY 2020, is the most relevant from a planning perspective.

State Financial Plan Projections Fiscal Years 2019 Through 2022

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 2020 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 percent Spending Benchmark.” The total disbursements in the Updated Financial Plan tables do not assume these savings. Such savings will be developed and proposed in future budgets. If the State exceeds the 2 percent State Operating Funds spending benchmark in FY 2020, FY 2021, and/or FY 2022, the projected operating position could decline.

The following tables present the Updated Financial Plan multi-year projections for the General Fund and State Operating Funds, as well as reconciliation between the State Operating Funds projections and the General Fund budget gaps. The tables are followed by a summary of the multi-year receipts and disbursements forecasts.

General Fund Projections

GENERAL FUND PROJECTIONS (millions of dollars)	FY 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
RECEIPTS					
Taxes (After Debt Service)	67,370	67,695	71,258	73,127	76,101
Miscellaneous Receipts/Federal Grants	3,129	2,422	2,028	2,001	1,883
Other Transfers	921	2,823	2,240	1,801	1,748
Total Receipts	**71,420**	**72,940**	**75,526**	**76,929**	**79,732**
DISBURSEMENTS					
Local Assistance	46,072	51,048	53,907	56,998	59,461
School Aid	22,015	23,160	24,105	25,197	26,456
Medicaid/EP	13,397	14,338	15,723	16,801	17,682
All Other	10,660	13,550	14,079	15,000	15,323
State Operations	8,228	11,773	12,076	12,624	12,589
Personal Service	6,136	8,726	8,951	9,456	9,388
Non-Personal Service	2,092	3,047	3,125	3,168	3,201
General State Charges	5,572	7,525	8,084	8,604	9,127
Transfers to Other Funds	9,852	6,240	6,643	6,512	6,117
Debt Service	1,047	827	948	1,017	876
Capital Projects	2,191	3,257	3,567	3,292	2,897
State Share of Mental Hygiene Medicaid[1]	1,333	0	0	0	0
SUNY Operations	1,015	1,034	1,025	1,021	1,021
All Other	4,266	1,122	1,103	1,182	1,323
Total Disbursements	**69,724**	**76,586**	**80,710**	**84,738**	**87,294**
Use (Reservation) of Fund Balance:	**(1,696)**	**3,646**	**1,157**	**863**	**605**
Community Projects	10	29	9	8	0
Labor Agreements	(130)	0	0	0	0
Undesignated Fund Balance	(1,891)	1,905	0	0	0
Extraordinary Monetary Settlements[2]	315	1,712	1,148	855	605
BUDGET SURPLUS/(GAP) PROJECTIONS[3]	**0**	**0**	**(4,027)**	**(6,946)**	**(6,957)**
Adherence to 2% Spending Benchmark[4]	**n/a**	**n/a**	**3,247**	**5,548**	**6,470**
BUDGET SURPLUS/(GAP) ESTIMATE AT 2%	**0**	**0**	**(780)**	**(1,398)**	**(487)**

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

2 Reflects transfers of Extraordinary Monetary Settlement funds from the General Fund to the Dedicated Infrastructure Investment Fund, the Environmental Protection Fund, and the Capital Projects Fund.

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

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

State Operating Funds Projections

STATE OPERATING FUNDS DISBURSEMENTS (millions of dollars)	FY 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
RECEIPTS					
Taxes	77,953	76,528	81,350	83,397	86,679
Miscellaneous Receipts/Federal Grants	21,408	20,506	19,527	18,757	18,755
Total Receipts	**99,361**	**97,034**	**100,877**	**102,154**	**105,434**
DISBURSEMENTS					
Local Assistance	65,604	66,737	69,491	72,274	74,860
School Aid (School Year Basis)	25,639	26,553	27,509	28,692	29,983
DOH Medicaid[1]	19,143	20,365	21,495	22,540	23,406
Transportation	5,025	3,961	3,642	3,689	3,821
STAR	2,589	2,459	2,417	2,402	2,402
Higher Education	2,833	3,064	3,167	3,216	3,255
Social Services	2,837	2,971	3,047	3,073	3,112
Mental Hygiene	2,350	2,237	2,578	2,914	3,194
All Other[2]	5,188	5,127	5,636	5,748	5,687
State Operations	18,821	19,489	19,804	20,556	20,536
Personal Service	13,170	13,578	13,904	14,593	14,494
Non-Personal Service	5,651	5,911	5,900	5,963	6,042
General State Charges	7,853	8,527	9,124	9,713	10,249
Pension Contribution	2,442	2,455	2,590	2,753	2,918
Health Insurance	3,963	4,286	4,592	4,907	5,247
All Other	1,448	1,786	1,942	2,053	2,084
Debt Service	5,873	5,382	6,966	7,186	7,090
Capital Projects	0	0	0	0	0
Total Disbursements [3]	**98,151**	**100,135**	**105,385**	**109,729**	**112,735**
Net Other Financing Sources/(Uses)	772	(307)	(605)	(334)	(100)
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(1,982)	3,408	1,086	963	444
General Fund	(1,696)	3,646	1,157	863	605
Special Revenue Funds	(277)	(233)	(65)	109	(91)
Debt Service Funds	(9)	(5)	(6)	(9)	(70)
GENERAL FUND BUDGET SURPLUS/(GAP)[3]	**0**	**0**	**(4,027)**	**(6,946)**	**(6,957)**
Adherence to 2% Spending Benchmark[4]	**n/a**	**n/a**	**3,247**	**5,548**	**6,470**
BUDGET SURPLUS/(GAP) ESTIMATE AT 2%	**0**	**0**	**(780)**	**(1,398)**	**(487)**

1 Total State share Medicaid funding includes the utilization of tobacco MSA payments which will be directly deposited to the MMIS Escrow Fund to cover a portion of local Medicaid growth.

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

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

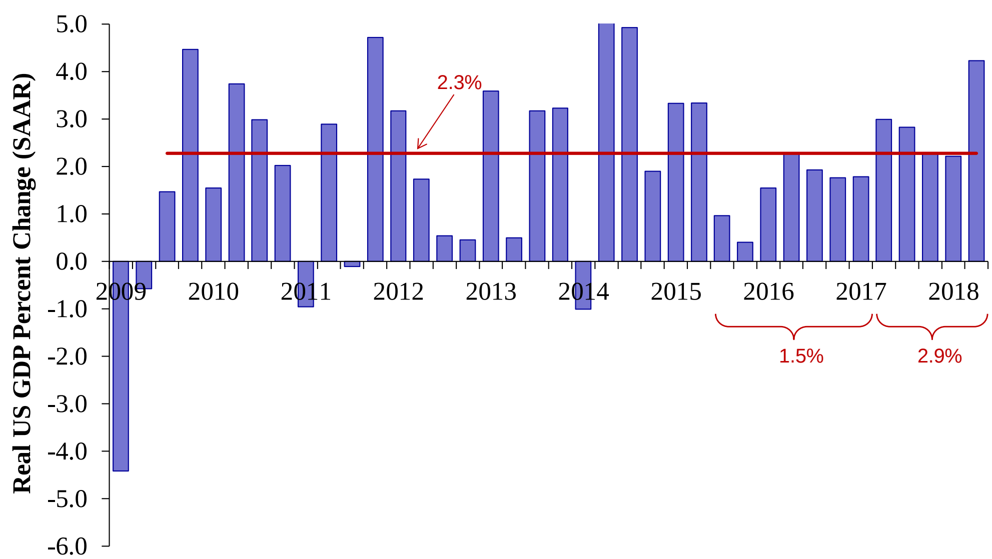
4 Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, a Budget in each fiscal year that restricts State Operating Funds spending growth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

Economic Backdrop

The U.S. Economy

The U.S. economic expansion entered its tenth year as the second longest since the 1850s. The odds of a recession starting in the next year are low, and the current expansion is likely to break the longevity record in July 2019. The most recent data from the U.S. Bureau of Economic Analysis (BEA) indicate that the first half of calendar year 2018 displayed more positive economic momentum than reflected in DOB's Enacted Budget Financial Plan forecast. As illustrated in the figure below, the most recent five quarters represent a solid rebound from a national economic slowdown that started in the second half of 2015 and lasted through early 2017. That slowdown was rooted in the precipitous decline in energy prices that began during 2014, as well as a decelerating global economy. These developments led to a combination of extremely weak growth and outright declines in both exports and business investment during the period. A turnaround in both energy prices and global growth contributed to an upswing in export demand and investment growth during the subsequent period, leading to an increase in average quarterly growth from 1.5 percent to 2.9 percent. However, with energy prices leveling off, and global growth likely having peaked in 2017, DOB projects that growth will decelerate during the second half of 2018, with U.S. real GDP growth falling from 2.9 percent in 2018 to 2.7 percent in 2019. Both represent upward revisions from the Enacted Budget Financial Plan forecast.

**Strong Second Quarter 2018 Growth Above 4 Percent
Welcome But Unsustainable**



Source: Moody's Analytics.

BEA released its comprehensive benchmark revision of the National Income and Products Account (NIPA) data at the end of July 2018 that included historical revisions going back to the 1940s. On balance, the revisions indicate a modestly stronger expansion, with average quarterly growth over the life of the expansion revised up from 2.2 percent to 2.3 percent. Upward revisions to 2010, 2013, and 2016 on an annual average basis were partially offset by downward revisions to 2014 and 2017. Although the strong first half of this year may reflect a modest boost from the TCJA, it is also due in part to an unusually strong net export performance that is unlikely to be repeated. Both the implementation of tariffs and the anticipation of tariffs that may or may not materialize in the future likely distorted both the import and export data. Auto and consumer goods imports plummeted after the Trump Administration implemented tariffs on steel, aluminum and approximately $34 billion worth of Chinese imports, while soybean exports to China skyrocketed in advance of the imposition of retaliatory tariffs by the Chinese government. The trade war escalated further with the U.S. imposition of tariffs on another $200 billion in Chinese imports of 5,745 products that comprise about half of all imports from China. This action invoked China to retaliate by targeting $60 billion worth of U.S. products. The U.S. tariffs are slated to jump from 10 percent to 25 percent at the end of the year absent a favorable response from China. These distortions, along with the relatively strong dollar, represent the risk of a potentially significant drag on growth for the second half of calendar year 2018.

National labor market conditions were stronger than anticipated in April 2018. The private sector added an average of more than 200,000 jobs over the first eight months of 2018, well above the 2017 annual average of 180,000 jobs. As labor market slack continues to diminish, private job gains are expected to decelerate. Total nonagricultural employment growth of 1.6 percent is projected for 2018, modestly above the Enacted Budget Financial Plan forecast, followed by 1.4 percent growth in 2019. The conventional unemployment rate has hovered close to 4.0, with over 1.2 million workers entering the labor force during the first eight months of 2018. At the same time, broader measures of underemployment, including the percentage of the workforce working part-time, have not returned to their pre-recession levels. Moreover, evidence of labor shortages has emerged in a number of sectors requiring special skills, such as construction and manufacturing. Thus, there appears to be room for continued job growth.

Consistent with a tightening labor market, the outlook for wage and personal income is favorable. Wage growth of 4.6 percent and overall personal income growth of 4.1 percent are projected for 2018; both are largely unchanged from the Enacted Budget Financial Plan estimates. However, the wage outlook for 2019 is a bit stronger as labor becomes scarcer and inflation accelerates. In addition to stronger growth in pre-tax income, after-tax disposable income is expected to be further supported by Federal income tax cuts, providing a modest $50 billion lift to household spending in 2018. Most of the increase in take-home pay is expected to be saved or used to pay down debt. After adjusting for increased imports, this additional spending is estimated to increase real GDP growth by about one tenth of a percentage point in both 2018 and 2019.

U.S. ECONOMIC INDICATORS (Percent change from prior calendar year)			
	2017 (Actual)	2018 (Forecast)	2019 (Forecast)
Real U.S. Gross Domestic Product	2.2	2.9	2.7
Consumer Price Index (CPI)	2.1	2.5	2.3
Personal Income	4.4	4.1	4.4
Nonagricultural Employment	1.6	1.6	1.4

Source: Moody's Analytics; DOB staff estimates.

Business investment has substantially improved upon its performance of the last few years, driven mainly by increasing global demand for U.S. exports, expanded energy sector production, and a modest lift from the TCJA. DOB estimates real growth in business fixed investment of 6.7 percent for 2018, following growth of 5.3 percent for 2017 and a decline of 0.5 percent for 2016. This outlook is a bit stronger than the April 2018 forecast. However, the most recent data suggest that global growth may have peaked, along with its impact on investment. Trade war risks represent additional headwinds to both export and investment growth. On balance, real export growth has been revised up by 0.2 percentage point to 4.5 percent for 2018 but down by 0.4 percentage point to 4.1 percent for 2019. Nevertheless, this outlook represents a substantial improvement from last year's 3.0 percent growth and the 0.1 percent decline experienced in 2016.

Meanwhile, inflation has been picking up, with additional pressure created by tariffs. After averaging $51 per barrel in 2017, domestic oil prices remained above $60 for virtually all of the first eight months of 2018. Core CPI inflation, which excludes the volatile food and energy components, reached 2.4 percent on a year-ago basis in July 2018. Headline consumer price inflation is estimated to accelerate to 2.5 percent in 2018, one-tenth of a percentage point above the Enacted Budget Financial Plan forecast. The rise in the personal consumption expenditure deflator, the measure most closely scrutinized by the Federal Reserve, will be less pronounced, but sufficient to keep the central bank on the path toward interest rate normalization. In addition to the 0.25 percentage point rate hike in both March and June 2018, the Federal Reserve is expected to raise rates twice again in 2018, in both September and December, with rate hikes continuing at a pace of three in 2019 and one in 2020, representing an accelerated pace of monetary tightening relative to the Enacted Budget Financial Plan forecast.

Despite further signals of rising inflation, long-term interest rates have failed in several attempts to sustain a level above 3 percent. As a result, the yield curve, which tracks the difference between long- and short-term rates, remains relatively flat. Since yield curve inversion, which occurs when short-term rates actually exceed long-term rates, often precedes a recession, a flattening curve can be a cause of concern. At a minimum, a flat yield curve could put downward pressure on banking system profits should the rates that banks pay their depositors rise much above current historically low levels.

On the positive side, lower long-term rates reduce pressure on borrowers, particularly within the economy's most interest rate-sensitive sector, housing, which has been underperforming expectations for a prolonged period. However, the most recent data suggest that the housing market has been hampered more by supply side constraints than weak demand. According to the National Association of Realtors (NAR), year-over-year growth of inventory of existing single-family homes kept dropping for an unprecedented 36 straight months before tilting up in June 2018, driving home prices up everywhere—in many instances to all-time highs, making housing even less affordable for first-time homebuyers despite rising employment and incomes. DOB now estimates real growth in residential fixed investment of 1.2 percent for 2018, representing a significant downward revision from the Enacted Budget Financial Plan forecast.

Although the Updated Financial Plan forecast represents a modest upward revision from the Enacted Budget Financial Plan forecast, there are many risks to this forecast. The disruption of trade flows due to even the threat of tariffs is one such risk and could represent a significant setback for the manufacturing sector if firms put off production plans as the trade skirmishes we are now witnessing play out. Moreover, there is evidence that aluminum and steel tariffs are raising prices all along the supply chains of the affected industries, potentially pushing inflation further up and job growth further down than projected in this forecast. The uncertainty associated with tariff risks has been at least partly responsible for reintroducing volatility into equity markets in 2018 after being dormant for so long. This volatility has likely been exacerbated by the threat of rising interest rates as the Federal Reserve continues to tighten, as well as by anxiety surrounding the long-term impact of Federal tax reductions on budget deficits and the national debt. Lower and more volatile equity prices can result in lower household spending through both the wealth effect and as a signal that potential economic stress lies ahead.

On the positive side, if the impact of Federal tax reform on consumer spending and business investment is stronger than projected without significantly raising inflation, stronger growth in employment, wages, and the overall economy could result. Stronger global growth than expected could have a similar impact, possibly mitigating the negative impact of trade tariffs. A stronger than projected housing market could also result in stronger employment and income growth than currently expected.

The New York State Economy

New York State's private sector labor market is showing signs of strengthening after a two-year period of gradual deceleration that started in late 2015. Consistent with national and global trends, job growth has improved in the utilities; wholesale trade; transportation and warehousing; finance and insurance; real estate and leasing; and management and administrative services sectors. In contrast, the manufacturing and retail trade sectors continue to exhibit losses, while growth in the leisure and hospitality sector has continued to slow. Preliminary data for the first quarter of calendar year 2018 indicates year-ago growth of 1.8 percent, the strongest since the third quarter of 2016. As a result, State private sector job growth of 1.5 percent is projected for 2018, representing an upward revision of 0.2 percentage point from the Enacted Budget Financial Plan forecast. Private job growth of 1.3 percent is projected for 2019, 0.1 percentage point above the Enacted Budget Financial Plan forecast.

New York Stock Exchange member firms posted revenue growth of 13.7 percent for the 2017 calendar year, the strongest growth pace since 2006, helping to boost finance and insurance bonus growth to 13.9 percent for the FY 2018 bonus season. This represents a modest downward revision from the Enacted Budget Financial Plan forecast. However, strong revenue growth may not have been the only factor propelling Wall Street bonuses this season. A reduction in the corporate tax rate appears to have led to many firms to make one-time bonus payments. As these payments are not expected to recur, they imply a weaker outlook for FY 2019, all things being equal. The stronger outlook for employment has resulted in an upward revision, from the Enacted Budget Financial Plan forecast, to non-bonus wages of 0.3 percentage point to 3.9 percent. On balance, total State wage growth for FY 2018 has been revised up by 0.1 percentage point to 4.4 percent.

The initial injection of volatility into a rising equity market led to strong Wall Street revenue growth in the first quarter of calendar year 2018. New York Stock Exchange member firms experienced impressive revenue growth of 21.0 percent for the first quarter. But the current outlook for the remainder of the year suggests that the first quarter is likely to be the strongest of the year. Indeed, revenue growth for the largest five Wall Street banks decelerated from growth of 9.2 percent for the first quarter to 5.7 percent growth for the second quarter. Risks related to the potential damage resulting from tariffs continue to both create volatility and restrain equity market growth, which until recently had kept the S&P 500 below its January 2018 peak. Due to the disproportionate global tilt of financial markets, the State's finance sector is particularly vulnerable to the risks to global trade. Indeed, while a brief spurt of volatility can be lucrative for Wall Street, a prolonged period can have an adverse effect if anxious investors leave the market. Consequently, FY 2019 finance and insurance bonus growth has been revised downward, since the Enacted Budget Financial Plan forecast, to a decline of 2.2 percent. DOB expects that upwardly revised employment growth and non-bonus wage growth will more than offset the anticipated decline in bonuses, resulting in overall wage growth of 3.6 percent for FY 2019, which is virtually unchanged from the Enacted Budget Financial Plan forecast.

NEW YORK STATE ECONOMIC INDICATORS (Percent change from prior State fiscal year)	FY 2017 (Actual)	FY 2018 (Estimated)	FY 2019 (Forecast)
Personal Income	2.7	3.8	3.9
Wages	3.8	4.4	3.6
Nonagricultural Employment	1.4	1.4	1.2

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

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

Receipts

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

Overall base growth (i.e. absent law changes) in tax receipts is dependent on many factors. In general, base tax receipts growth rates are determined by economic changes including, but not limited to, changes in interest rates, prices, wages, employment, 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).

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

Overview of the Receipts Forecast

All Funds receipts in FY 2019 are projected to total $166.3 billion, 0.5 percent above FY 2018 results.

ALL FUNDS RECEIPTS (millions of dollars)									
	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
Personal Income Tax	51,501	50,410	-2.1%	53,952	7.0%	55,010	2.0%	57,456	4.4%
Consumption/Use Taxes	16,711	17,303	3.5%	17,839	3.1%	18,390	3.1%	18,962	3.1%
Business Taxes	7,164	7,981	11.4%	8,630	8.1%	8,966	3.9%	9,123	1.8%
Other Taxes	2,451	2,229	-9.1%	2,341	5.0%	2,440	4.2%	2,543	4.2%
Payroll Mobility Tax[1]	1,439	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Total State Taxes	**79,266**	**77,923**	**-1.7%**	**82,762**	**6.2%**	**84,806**	**2.5%**	**88,084**	**3.9%**
Miscellaneous Receipts	27,262	28,300	3.8%	26,172	-7.5%	25,005	-4.5%	24,988	-0.1%
Federal Receipts	58,942	60,083	1.9%	61,064	1.6%	62,412	2.2%	64,112	2.7%
Total All Funds Receipts	**165,470**	**166,306**	**0.5%**	**169,998**	**2.2%**	**172,223**	**1.3%**	**177,184**	**2.9%**

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

State tax receipts are projected to decrease 1.7 percent from FY 2018 results, largely due to the PMT moving off budget. After accounting for this change, State tax receipt estimates remain flat compared to FY 2018 results. Refer to the PIT 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 Financial Plan period beyond FY 2019, all tax categories are projected to exhibit underlying annual outyear growth.

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

Personal Income Tax

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

[1]Excludes Transfers.

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

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

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

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

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

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

General Fund PIT receipts are net of deposits to the STAR Fund, which provides property tax relief, and the RBTF, which supports debt service payments on State PIT revenue bonds. General Fund PIT receipts for FY 2019 of $22.7 billion are projected to decrease by $13.3 billion (36.9 percent) from FY 2018 results, reflecting a combination of enacted legislation that doubled RBTF deposits from 25 percent to 50 percent of net PIT receipts, and the decline in All Funds receipts noted above. As a result, RBTF deposits are projected to nearly double to $25.2 billion. The FY 2019 STAR transfer is projected to be $2.5 billion.

All Funds PIT receipts for FY 2020 of $54 billion are projected to increase by $3.5 billion (7 percent) from FY 2019 estimates. Gross PIT receipts are projected to increase 5.5 percent, reflecting increases of $1.3 billion (3 percent) in withholding, $1 billion (8 percent) in estimated payments related to tax year 2019, $924 million (26.5 percent) in extension payments related to tax year 2018, $149 million (5.7 percent) in final returns, and $64 million (4.3 percent) in delinquencies. Total refunds are projected to decline $142 million (1.2 percent), due to the combination of a $500 million (22.2 percent) expected decline in the administrative refund cap and a $174 million (17.9 percent) decline in the state-city offset, partially offset by increases of $40 million (0.6 percent) in prior tax year (2018) refunds, $30 million (5.7 percent) in previous tax years (2017 and earlier) refunds, and $462 million (37 percent) in advanced credit payments. The modest growth in withholding is attributable to the expiration of the temporary high-income surcharge, scheduled to sunset after tax year 2019.

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

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

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

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

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

Consumption/Use Taxes

CONSUMPTION/USE TAXES
(millions of dollars)

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

[1] Excludes Transfers.

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

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

General Fund consumption/use tax receipts for FY 2019 are projected to total over $7.6 billion, a $270 million (3.7 percent) increase from FY 2018 results. This increase largely reflects the All Funds sales and use tax and cigarette tax trends, noted above.

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

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

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

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

Business Taxes

BUSINESS TAXES (millions of dollars)	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**7,164**	**7,981**	**11.4%**	**8,630**	**8.1%**	**8,966**	**3.9%**	**9,123**	**1.8%**
Corporate Franchise Tax	3,080	4,027	30.7%	4,482	11.3%	4,736	5.7%	4,780	0.9%
Corporation and Utilities Tax	748	700	-6.4%	710	1.4%	718	1.1%	727	1.3%
Insurance Tax	1,777	1,975	11.1%	2,201	11.4%	2,354	7.0%	2,467	4.8%
Bank Tax	467	143	-69.4%	71	-50.3%	0	-100.0%	0	0.0%
Petroleum Business Tax	1,092	1,136	4.0%	1,166	2.6%	1,158	-0.7%	1,149	-0.8%
GENERAL FUND	**4,916**	**5,626**	**14.4%**	**6,170**	**9.7%**	**6,470**	**4.9%**	**6,577**	**1.7%**
Corporate Franchise Tax	2,326	3,212	38.1%	3,610	12.4%	3,828	6.0%	3,828	0.0%
Corporation and Utilities Tax	570	530	-7.0%	537	1.3%	541	0.7%	547	1.1%
Insurance Tax	1,610	1,762	9.4%	1,963	11.4%	2,101	7.0%	2,202	4.8%
Bank Tax	410	122	-70.2%	60	-50.8%	0	-100.0%	0	0.0%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

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

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

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

Insurance tax receipts for FY 2019 are estimated to increase $198 million (11.1 percent) from FY 2018. Projected growth in tax year 2018 liability as well as lower expected credit claims for assessments paid to the Life Insurance Company Guaranty Corporation (LICGC) account for the year-over-year increase. The LICGC exists to protect policyholders from the insolvency of their life insurers. This is the third year of claims for the credit for assessments paid earlier. FY 2019 also includes a part-year revenue increase from the conversion of a not-for-profit health insurer to a for-profit health insurer.

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

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

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

Insurance tax receipts for FY 2020 of $2.2 billion are projected to increase by $226 million (11.4 percent) from current year estimates. Projected growth in insurance tax premiums combined with lower expected LICGC credit claims contribute to this year-over-year growth. FY 2020 includes the full year impact from the health insurer conversion described earlier. Receipts from the repealed bank tax are projected to decrease by $72 million (50.3 percent) in FY 2019, due to lower projected audit receipts. PBT receipts are projected to increase by $30 million (2.6 percent) in FY 2020 due to a projected 5 percent increase in the PBT rate index effective January 1, 2019.

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

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

All Funds business tax receipts for FY 2022 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. In FY 2022, All Funds business tax receipts are projected to increase to $9.1 billion (1.8 percent growth), and General Fund business tax receipts are projected to increase to nearly $6.6 billion (1.7 percent growth). This projection includes $53 million in TCJA flow-through impacts.

Other Taxes

OTHER TAXES (millions of dollars)									
	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**2,451**	**2,229**	**-9.1%**	**2,341**	**5.0%**	**2,440**	**4.2%**	**2,543**	**4.2%**
Estate and Gift Tax	1,308	1,033	-21.0%	1,092	5.7%	1,155	5.8%	1,220	5.6%
Real Estate Transfer Tax	1,125	1,178	4.7%	1,231	4.5%	1,267	2.9%	1,305	3.0%
Employer Compensation Expense Tax	0	TBD	0.0%	TBD	TBD	TBD	TBD	TBD	TBD
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	15	15	0.0%	15	0.0%	15	0.0%	15	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND[1]	**1,326**	**1,051**	**-20.7%**	**1,110**	**5.6%**	**1,173**	**5.7%**	**1,238**	**5.5%**
Estate and Gift Tax	1,308	1,033	-21.0%	1,092	5.7%	1,155	5.8%	1,220	5.6%
Employer Compensation Expense Tax	0	TBD	0.0%	TBD	TBD	TBD	TBD	TBD	TBD
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	15	15	0.0%	15	0.0%	15	0.0%	15	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%

[1] Excludes Transfers.

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

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

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

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

All Funds other tax receipts for FY 2021 are projected to be over $2.4 billion, a $99 million (4.2 percent) increase from FY 2020 projections. Estate tax receipts are projected to increase by $63 million (5.8 percent) in FY 2021, reflecting projected growth in household net worth. The $36 million (2.9 percent) projected increase in real estate transfer tax receipts in FY 2021 reflects projected growth in housing starts and prices.

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

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

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

Miscellaneous Receipts

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

MISCELLANEOUS RECEIPTS
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
ALL FUNDS	**27,262**	**28,300**	**3.8%**	**26,172**	**-7.5%**	**25,005**	**-4.5%**	**24,988**	**-0.1%**
General Fund	3,129	2,422	-22.6%	2,028	-16.3%	2,001	-1.3%	1,883	-5.9%
Special Revenue Funds	17,933	17,713	-1.2%	17,115	-3.4%	16,374	-4.3%	16,492	0.7%
Capital Projects Funds	5,729	7,667	33.8%	6,560	-14.4%	6,161	-6.1%	6,145	-0.3%
Debt Service Funds	471	498	5.7%	469	-5.8%	469	0.0%	468	-0.2%

All Funds miscellaneous receipts are projected to total $28.3 billion in FY 2019, an increase of 3.8 percent from FY 2018 results. This increase is primarily due to higher bond financed capital spending on a year-over-year basis. Bond-financed capital expenses are paid from the General Fund (or STIP) in the first instance and subsequently reimbursed with 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 subsequently corresponds to the spending out of bond-financed capital projects.

Federal Grants

FEDERAL GRANTS (millions of dollars)									
	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
ALL FUNDS	**58,942**	**60,083**	**1.9%**	**61,064**	**1.6%**	**62,412**	**2.2%**	**64,112**	**2.7%**
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	56,744	57,576	1.5%	58,762	2.1%	60,152	2.4%	61,853	2.8%
Capital Projects Funds	2,125	2,433	14.5%	2,229	-8.4%	2,187	-1.9%	2,187	0.0%
Debt Service Funds	73	74	1.4%	73	-1.4%	73	0.0%	72	-1.4%

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

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

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

Responding to Federal Tax Reform

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

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

- Decouple PIT from Federal SALT & State Single Filer Standard Deduction. Effective tax year 2018, the TCJA limits the SALT deduction to $10,000 annually and eliminates personal exemptions entirely. Absent Enacted Budget legislation, the SALT deduction cap would restrict property taxes paid deductibility on State returns to the $10,000 limit, and the elimination of personal exemptions would have limited the standard deduction for single filers to the lesser amount claimable by dependent filers. The FY 2019 Enacted Budget allows unrestricted State deductibility of property taxes paid and retains the full value of the State standard deduction for single filers.

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

- Establish State and Local Charitable Gifts Funds. While the TCJA limits the SALT deduction to $10,000 annually, the deduction for charitable gifts remain uncapped. Newly established state and local charitable gifts funds allow taxpayers to make gifts to funds of their choice and benefit from charitable gifts deductions on both Federal and State returns, while receiving tax credits equal to up to 85 percent of their charitable gifts.

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

- Impose an Employer Compensation Expense Tax. Businesses, unlike individuals, retain full deductibility of SALT paid following enactment of the TCJA. To mitigate the impact of the cap on SALT deductions on individual taxpayers, legislation included with the FY 2019 Enacted Budget imposes a tax on compensation expenses paid by participating employers. The tax is applicable to a participating employer's calendar year payroll expenses exceeding $40,000 for each individual employee. The tax rate is gradually increased to 5 percent over a three-year phase-in period. Employees of participating employers are entitled to a credit to offset the expected impact of the Employer Compensation Expense Tax on wages.

See the discussion under the heading "Overview of the Updated Financial Plan – Impact of Federal Tax Law changes" for more information on the State's response to Federal tax law changes, including a summary of the August 23, 2018 IRS-proposed regulations that set forth proposed new Federal tax regulations 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.

Disbursements

In FY 2019, total disbursements from the State's General Fund, including transfers, are expected to be $76.6 billion and total disbursements from State Operating Funds are expected to be $100.1 billion. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of annual spending growth, as further described in this section.

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

Local Assistance Grants

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. Local assistance spending in State Operating Funds is estimated at $66.7 billion in FY 2019, approximately two-thirds of total State Operating Funds spending. Education and health care spending account for nearly three-quarters of State Operating Funds local assistance spending.

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

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

			Forecast		
	FY 2018 Results	**FY 2019 Updated**	**FY 2020 Projected**	**FY 2021 Projected**	**FY 2022 Projected**
HEALTH CARE					
Medicaid - Individuals Covered	6,207,104	6,262,173	6,289,708	6,303,475	6,310,359
Essential Plan - Individuals Covered	728,807	733,755	737,615	739,715	741,821
Child Health Plus - Individuals Covered	364,401	395,199	410,703	418,455	422,493
State Takeover of County/NYC Costs [1]	$2,996	$3,337	$3,677	$4,027	$4,389
EDUCATION					
School Aid (School Year Basis Funding)	$25,639	$26,553	$27,509	$28,692	$29,983
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	557,854	557,854	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	275,916	276,207	N/A	N/A	N/A
PUBLIC ASSISTANCE					
Family Assistance Program (Families)	217,760	214,749	211,525	208,308	205,200
Safety Net Program (Families)	120,905	119,575	117,673	115,815	114,035
Safety Net Program (Singles)	206,880	209,570	211,088	213,086	215,112
MENTAL HYGIENE					
OMH Community Beds	43,347	46,166	47,358	47,992	48,542
OPWDD Community Beds	43,080	43,511	43,859	44,210	44,563
OASAS Community Beds	13,256	13,485	13,754	13,805	13,889
Total	99,683	103,162	104,971	106,007	106,994
PRISON POPULATION	49,800	49,800	49,800	49,800	49,800

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

Education

School Aid

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

School Year (July 1 -June 30)

School Aid is expected to total $26.6 billion in SY 2019, an annual increase of $914 million (3.6 percent), including a $618 million Foundation Aid increase. A Community Schools set-aside of $200 million within Foundation Aid (a $50 million increase from the prior year) provides funds intended to facilitate the transformation of schools into community hubs. In addition, another $245 million supports increased reimbursement in expense-based and categorical aid programs such as transportation, Boards of Cooperative Educational Services (BOCES), school construction, and other miscellaneous aid categories.

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

School Aid is projected to increase by an additional $956 million (3.6 percent) in SY 2020.

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

	SY 2018	SY 2019	Change	SY 2020	Change	SY 2021	Change	SY 2022	Change
Total	**25,639**	**26,553**	**914**	**27,509**	**956**	**28,692**	**1,183**	**29,983**	**1,291**
			3.6%		3.6%		4.3%		4.5%

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

State Fiscal Year

The State finances School Aid from the General Fund, commercial gaming and Lottery Fund receipts, including video lottery terminals (VLTs). Commercial gaming and Lottery Fund receipts are accounted for and disbursed from dedicated accounts. Because the State fiscal year begins on April 1, the State typically pays approximately 70 percent of the annual school year commitment during the State fiscal year in which the related budget is enacted, and pays the remaining 30 percent in the first three months of the following State fiscal year.

The table below summarizes the projected sources of School Aid spending on a State fiscal year basis.

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

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**25,457**	**26,501**	**4.1%**	**27,475**	**3.7%**	**28,570**	**4.0%**	**29,829**	**4.4%**
General Fund Local Assistance	21,954	23,061	5.0%	24,027	4.2%	25,119	4.5%	26,378	5.0%
Medicaid	61	99	62.3%	78	-21.2%	78	0.0%	78	0.0%
Core Lottery Aid	2,395	2,294	-4.2%	2,288	-0.3%	2,291	0.1%	2,291	0.0%
VLT Lottery Aid	958	907	-5.3%	934	3.0%	934	0.0%	934	0.0%
Commercial Gaming - VLT Offset	8	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Commercial Gaming	81	140	72.8%	148	5.7%	148	0.0%	148	0.0%

State fiscal year spending for School Aid is projected to total $26.5 billion in FY 2019, a 4.1 percent increase over FY 2018. Over the multi-year Financial Plan, the share of School Aid spending projected to be financed by the General Fund is expected to increase as core lottery, video lottery and commercial gaming revenues are expected to remain largely flat beginning in FY 2020. In addition to State aid, school districts currently receive more than $3 billion annually in Federal aid.

State aid payments for School Aid are supplemented by commercial gaming revenues shared with the State by commercial gaming facilities. These receipts are expected to increase in FY 2020 by $8 million but remain flat thereafter. Between December 2014 and August 2016, four casino resorts were recommended by the State's Gaming Facility Location Board and approved by the State Gaming Commission. The approved casinos have since opened and are in operation. In the event that casino revenue resources do not materialize at the level expected, or as timely as expected, then the additional School Aid projected to be funded from casino revenue resources must be paid from the General Fund.

Other Education Funding

In addition to School Aid, the State provides funding and support for various other education-related programs. These include: special education services; programs administered by the Office of Prekindergarten through Grade 12 education; cultural education; higher and professional education programs; and adult career and continuing education services.

OTHER EDUCATION (millions of dollars)	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,147**	**2,355**	**9.7%**	**2,342**	**-0.6%**	**2,417**	**3.2%**	**2,505**	**3.6%**
Special Education	1,264	1,352	7.0%	1,397	3.3%	1,459	4.4%	1,525	4.5%
All Other Education	883	1,003	13.6%	945	-5.8%	958	1.4%	980	2.3%

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

The increase in Special Education spending in FY 2019 is due to lower-than-expected summer school and preschool special education claims submitted during FY 2018 that are expected to materialize in FY 2019. Outyear growth for Special Education is attributable to increased State reimbursement to special education providers for minimum wage costs and projected enrollment and cost growth in preschool and summer school special education programs.

The projected increase in All Other Education spending in FY 2019 primarily reflects a continuation or increase of one-time aid and grants. The decrease in spending levels in All Other Education in FY 2020 is largely attributable to the discontinuation of one-time aid and grants. Projected increases for charter school supplemental basic tuition and nonpublic schools are expected to drive growth in FY 2021 and thereafter.

School Tax Relief Program

The STAR program provides school tax relief to taxpayers by exempting the first $30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens receive a $66,800 exemption in FY 2019. The DTF oversees local property assessment administration, and is responsible for establishing STAR property tax exemption amounts.

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

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

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

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,589**	**2,459**	**-5.0%**	**2,417**	**-1.7%**	**2,402**	**-0.6%**	**2,402**	**0.0%**
Gross Program Costs	3,422	3,396	-0.8%	3,472	2.2%	3,577	3.0%	3,698	3.4%
Program Conversion	(277)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(498)	(937)	-88.2%	(1,055)	-12.6%	(1,175)	-11.4%	(1,296)	-10.3%
FY 2017 Overpayment[1]	(58)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Basic Exemption	1,623	1,592	-1.9%	1,565	-1.7%	1,556	-0.6%	1,556	0.0%
Gross Program Costs	1,796	1,852	3.1%	1,912	3.2%	1,989	4.0%	2,076	4.4%
Personal Income Tax Credit	(173)	(260)	-50.3%	(347)	-33.5%	(433)	-24.8%	(520)	-20.1%
Enhanced (Senior) Exemption	908	867	-4.5%	852	-1.7%	846	-0.7%	846	0.0%
Gross Program Costs	943	918	-2.7%	920	0.2%	932	1.3%	949	1.8%
Personal Income Tax Credit	(35)	(51)	-45.7%	(68)	-33.3%	(86)	-26.5%	(103)	-19.8%
New York City PIT	58	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Gross Program Costs	683	626	-8.3%	640	2.2%	656	2.5%	673	2.6%
Program Conversion	(277)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(290)	(626)	-115.9%	(640)	-2.2%	(656)	-2.5%	(673)	-2.6%
FY 2017 Overpayment[1]	(58)	0	100.0%	0	0.0%	0	0.0%	0	0.0%

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

* The gross program costs and PIT credit values reported in the 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 for FY 2019 is attributable to the timing of the New York City rate reduction benefit payout, upon conversion to a PIT credit. STAR actions that were enacted with the FY 2017 Enacted Budget will continue to result in reduced revenues in addition to the spending changes noted above. Projected revenue reductions will increase over the course of the Updated Financial Plan as STAR actions are implemented, particularly those revenue reductions driven by the conversion of the New York City PIT rate reduction benefit.

Higher Education

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

HIGHER EDUCATION (millions of dollars)									
	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,833**	**3,064**	**8.2%**	**3,167**	**3.4%**	**3,216**	**1.5%**	**3,255**	**1.2%**
City University	**1,465**	**1,494**	**2.0%**	**1,525**	**2.1%**	**1,556**	**2.0%**	**1,588**	**2.1%**
Senior Colleges	1,211	1,234	1.9%	1,269	2.8%	1,300	2.4%	1,332	2.5%
Community College	254	260	2.4%	256	-1.5%	256	0.0%	256	0.0%
Higher Education Services	**879**	**1,088**	**23.8%**	**1,157**	**6.3%**	**1,175**	**1.6%**	**1,182**	**0.6%**
Tuition Assistance Program	813	899	10.6%	939	4.4%	949	1.1%	956	0.7%
Scholarships/Awards	55	177	221.8%	206	16.4%	214	3.9%	214	0.0%
Aid for Part-Time Study	11	12	9.1%	12	0.0%	12	0.0%	12	0.0%
State University	**489**	**482**	**-1.4%**	**485**	**0.6%**	**485**	**0.0%**	**485**	**0.0%**
Community College	484	477	-1.4%	481	0.8%	481	0.0%	481	0.0%
Other/Cornell	5	5	0.0%	4	-20.0%	4	0.0%	4	0.0%

SUNY and CUNY administer 47 four-year colleges and graduate schools with a total enrollment of 404,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 320,000 students. State funds support a significant portion of SUNY and CUNY operations. In addition to the spending reflected in the above table, the State also provides more than $1.0 billion annually for SUNY state-operated campuses operations through a General Fund transfer and fully supports the fringe benefits costs of SUNY employees at state-operated campuses totaling nearly $2.0 billion. The State also pays debt service for bond-financed capital projects of the university systems. State debt service payments for capital projects at SUNY and CUNY are estimated at $1.2 billion in FY 2019, an increase of $24 million from FY 2018 levels.

HESC is New York State's student financial aid agency and oversees numerous State-funded financial aid programs, including the Excelsior Scholarship, Tuition Assistance Program (TAP), and 24 other scholarship and loan forgiveness programs. Together, these programs provide financial aid to approximately 400,000 students.

Higher education spending is projected to increase by $231 million, or 8.2 percent, from FY 2018 to FY 2019. This change in spending largely reflects the launch of the second phase of the Excelsior Free Tuition Program, increased funding for scholarships, fringe benefit increases at CUNY, and the timing of certain payments during academic year 2018. Along with other sources of tuition assistance, the Excelsior Scholarship will allow approximately 53 percent of full-time SUNY and CUNY in-state students to attend college tuition-free when it is fully phased in.

Health Care

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

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

Medicaid

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

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

The Updated Financial Plan reflects the continuation of the “Global Cap” through FY 2022, and the projections assume that statutory authority will be extended in subsequent years. Allowable Growth under the cap for medical services is 3.2 percent in FY 2019 and estimated at 3.1 percent for each subsequent year through FY 2022.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Global Medicaid Cap[1]	**18,270**	**18,863**	**19,446**	**20,048**	**20,667**
Annual % Change		3.2%	3.1%	3.1%	3.1%

[1] Under the Global Cap, forecasted Medicaid services growth is indexed to the 10-year average of the medical component of the CPI.

The indexed provisions of the Global Cap apply to a majority of the State share of Medicaid spending that is budgeted and expended principally through DOH. However, the Global Cap is adjusted for State costs associated with the takeover of local Medicaid growth and the multi-year assumption of local Medicaid administration, increased Federal Financial Participation (FFP) pursuant to the ACA that became effective in January 2014, as well as the statewide minimum wage increases authorized in the FY 2017 Enacted Budget. State share Medicaid spending also appears in the Updated Financial Plan estimates for other State agencies, including the mental hygiene agencies, child welfare programs, education aid and corrections.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS[1] (millions of dollars)	FY 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Department of Health Medicaid	19,441	20,286	21,526	22,533	23,399
Local Assistance	19,143	20,365	21,495	22,540	23,406
State Operations	298	356	358	364	364
MSA Payments (Share of Local Growth)[2]	0	(435)	(327)	(371)	(371)
Other State Agency Medicaid Spending	4,409	2,997	3,192	3,505	3,727
Mental Hygiene[3]	4,271	2,811	3,023	3,333	3,553
Foster Care	77	85	89	92	96
Education	61	99	78	78	78
Corrections	0	2	2	2	0
Total State Share Medicaid (All Agencies)	**23,850**	**23,283**	**24,718**	**26,038**	**27,126**
Annual $ Change		(567)	1,435	1,320	1,088
Annual % Change		-2.4%	6.2%	5.3%	4.2%
Essential Plan[4]	**88**	**94**	**94**	**89**	**83**
Local Assistance	0	0	0	0	0
State Operations	88	94	94	89	83

[1] DOH spending in the Financial Plan includes certain items that are excluded from the indexed provisions of the Medicaid Global Cap. This includes administrative costs, such as the takeover of local administrative responsibilities; the decision of Monroe County to participate in the Medicaid local cap program, rather than continuing the sales tax intercept option; increased Federal Financial Participation that became effective in January 2014; and minimum wage increases.

[2] MSA payments will be deposited directly to the MMIS Escrow Fund to cover total State share support for Medicaid.

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

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

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

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

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE OPERATING FUNDS	**23,938**	**23,377**	**-2.3%**	**24,812**	**6.1%**	**26,127**	**5.3%**	**27,209**	**4.1%**
Department of Health Medicaid	**19,529**	**20,380**	**4.4%**	**21,620**	**6.1%**	**22,622**	**4.6%**	**23,482**	**3.8%**
General Fund - DOH Medicaid Local	13,397	14,338	7.0%	15,723	9.7%	16,801	6.9%	17,682	5.2%
DOH Medicaid	11,138	11,455	2.8%	12,227	6.7%	13,076	6.9%	13,691	4.7%
Mental Hygiene - Global Cap Adjustment[2]	1,269	1,698	33.8%	1,701	0.2%	1,702	0.1%	1,704	0.1%
Minimum Wage	255	703	175.7%	1,022	45.4%	1,111	8.7%	1,193	7.4%
Local Growth Takeover (Zero Growth Phase-in)[3]	735	917	24.8%	1,100	20.0%	1,283	16.6%	1,465	14.2%
MSA Payments (Share of Local Growth)[4]	0	(435)	0.0%	(327)	24.8%	(371)	-13.5%	(371)	0.0%
General Fund - DOH Medicaid State Ops	298	356	19.5%	358	0.6%	364	1.7%	364	0.0%
General Fund - Essential Plan	88	94	6.8%	94	0.0%	89	-5.3%	83	-6.7%
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	88	94	6.8%	94	0.0%	89	-5.3%	83	-6.7%
Other State Funds - DOH Medicaid Local	5,746	5,592	-2.7%	5,445	-2.6%	5,368	-1.4%	5,353	-0.3%
HCRA Financing	3,966	3,837	-3.3%	3,689	-3.9%	3,612	-2.1%	3,598	-0.4%
Indigent Care Support	922	892	-3.3%	892	0.0%	892	0.0%	892	0.0%
Provider Assessment Revenue	858	863	0.6%	864	0.1%	864	0.0%	863	-0.1%
Other State Agency Medicaid Spending[7]	**4,409**	**2,997**	**-32.0%**	**3,192**	**6.5%**	**3,505**	**9.8%**	**3,727**	**6.3%**
USE OF MSA PAYMENTS (Share of Local Growth)[4]	**0**	**435**	**0.0%**	**327**	**-24.8%**	**371**	**13.5%**	**371**	**0.0%**
LOCAL SHARE OF MEDICAID[5,6]	**7,949**	**8,452**	**6.3%**	**7,851**	**-7.1%**	**7,408**	**-5.6%**	**7,419**	**0.1%**
FEDERAL SHARE OF MEDICAID	**41,434**	**42,793**	**3.3%**	**43,702**	**2.1%**	**44,795**	**2.5%**	**45,964**	**2.6%**
DOH Medicaid	37,559	38,820	3.4%	39,704	2.3%	40,783	2.7%	41,941	2.8%
Essential Plan	3,875	3,973	2.5%	3,998	0.6%	4,012	0.4%	4,023	0.3%
ALL FUNDING SOURCES	**73,321**	**75,057**	**2.4%**	**76,692**	**2.2%**	**78,701**	**2.6%**	**80,963**	**2.9%**

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

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

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

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

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

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

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

The Updated Financial Plan includes $425 million in annual savings from funding certain OPWDD-related Medicaid expenses under the Medicaid Global Cap. To achieve savings within the Global Cap necessary to support these additional costs, DOH will continue to implement various MRT actions to improve the efficiency and effectiveness in delivery of the statewide Medicaid program. These reforms represent modifications to the Medicaid long-term care program to ensure access to long-term care services and support for a growing aging population; incentives supporting the transition to value-based payment arrangements; additional program integrity efficiencies; and enhancement of certain Medicaid services and practices, including covered telehealth and claims editing development.

The Updated Financial Plan includes the expected receipt of direct payments associated with the purchase of Fidelis assets by Centene. In July 2018, the initial $1 billion direct payment was deposited into the Health Care Transformation Fund to offset expenses for capital investment, debt retirement or restructuring, housing and other social determinants of health, or transitional operating support to health care providers. In FY 2020, the conversion proceeds deposit will total $468 million, followed by $118 million deposits in each of FY 2021 and FY 2022.

MSA payments are planned to be used to fund a portion of the non-Federal share of annual Medicaid growth, formerly borne by local governments, which the State now pays on behalf of local governments. The use of MSA payments will not affect total funding for the Medicaid program, but the 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 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
State Share Support	**23,938**	**23,812**	**25,139**	**26,498**	**27,580**
State Funds Medicaid Disbursements [1,2]	23,938	23,377	24,812	26,127	27,209
MSA Payments (Local Growth)	0	435	327	371	371

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

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

The Updated Financial Plan includes additional General Fund support for costs associated with the regionally-based, multi-year increase in the statewide minimum wage, including the impact of legislation (Chapter 56 of the Laws of 2016) which ensures that rates for the total compensation for home health care workers in New York City, and Westchester, Nassau, and Suffolk counties will be increased commensurate with the schedule of statutory minimum wage increases.[17] The impact of these minimum wage initiatives is projected to increase annual Medicaid spending above statutory Global Cap limits by $703 million in FY 2019; $1.0 billion in FY 2020; $1.1 billion in FY 2021; and $1.2 billion in FY 2022.

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

Fluctuation in enrollment, costs of provider health care services, and health care utilization levels are among the factors that drive higher Medicaid spending within the Global Cap. The number of Medicaid recipients is expected to reach about 6.3 million by the end of FY 2019, a slight increase from FY 2018. This moderate increase is in part driven by an increase in elderly enrollees in the Medicaid program.

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

Essential Plan (EP)

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

ESSENTIAL PLAN
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL ALL FUNDS SPENDING	**3,963**	**4,067**	**2.6%**	**4,092**	**0.6%**	**4,101**	**0.2%**	**4,106**	**0.1%**
State Operating Funds	**88**	**94**	**6.8%**	**94**	**0.0%**	**89**	**-5.3%**	**83**	**-6.7%**
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	88	94	6.8%	94	0.0%	89	-5.3%	83	-6.7%
Federal Operating Funds	**3,875**	**3,973**	**2.5%**	**3,998**	**0.6%**	**4,012**	**0.4%**	**4,023**	**0.3%**

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. This includes a portion of the spending associated with increasing EP enrollment in part, reflecting the transition of certain individuals from the Medicaid program to the EP program based on changes in income levels.

In FY 2018, the Trump Administration withheld CSR payments, putting low-cost health insurance coverage for income eligible recipients at risk. 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 Updated Financial Plan continues to reflect support for the EP program.

It is not possible at this time to assess the potential fiscal impact of long-term policies that may be adopted. The FY 2019 Enacted Budget includes authorization to develop a mitigation plan to offset the impact of significant Federal funding reductions.

Public Health/Aging Programs

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

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

PUBLIC HEALTH AND AGING
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,668**	**1,626**	**-2.5%**	**1,766**	**8.6%**	**1,880**	**6.5%**	**1,890**	**0.5%**
Public Health	**1,544**	**1,497**	**-3.0%**	**1,641**	**9.6%**	**1,750**	**6.6%**	**1,754**	**0.2%**
Child Health Plus	291	296	1.7%	413	39.5%	537	30.0%	537	0.0%
General Public Health Work	195	155	-20.5%	204	31.6%	208	2.0%	212	1.9%
EPIC	126	125	-0.8%	131	4.8%	128	-2.3%	128	0.0%
Early Intervention	175	173	-1.1%	173	0.0%	165	-4.6%	165	0.0%
HCRA Program	388	372	-4.1%	394	5.9%	384	-2.5%	384	0.0%
All Other	369	376	1.9%	326	-13.3%	328	0.6%	328	0.0%
Aging	**124**	**129**	**4.0%**	**125**	**-3.1%**	**130**	**4.0%**	**136**	**4.6%**

The Updated Financial Plan reflects the proposal to discontinue cost of living payments to certain DOH providers. This action will result in savings of $19.9 million in FY 2019 and $45.4 million in FY 2020. Declining spending for HCRA and other public health programs is partly affected by funding a greater portion of the Roswell Park Cancer Institute (RPCI) with Capital Projects Fund dollars. Savings of $35 million in FY 2019 are realized for the GPHW program, resulting from a one-time recoupment of ineligible claims paid during program years 2015 and 2016.

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

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

HCRA Financial Plan

HCRA was established in 1996 to help fund a portion of State health care activities. Extensions and modifications to HCRA have financed new health care programs, including Family Health Plus (FHP) and CHP. HCRA has also provided additional funding for the health care industry, including investments in worker recruitment and retention, and Doctors Across New York program. HCRA authorization is extended through FY 2020, pursuant to legislation included in the FY 2018 Enacted Budget.

HCRA receipts include surcharges and assessments on hospital revenues, a "covered lives" assessment paid by insurance carriers, and a portion of cigarette tax revenues. In total, HCRA resources are used to fund roughly 25 percent of the State share of Medicaid, as well as CHP, EPIC, Physician Excess Medical Malpractice Insurance, and Indigent Care payments (the latter of which provides funding to hospitals serving a disproportionate share of individuals without health insurance).

HCRA FINANCIAL PLAN FY 2018 THROUGH FY 2022
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
OPENING BALANCE	**12**	**15**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,873**	**5,771**	**5,788**	**5,756**	**5,723**
Surcharges	3,407	3,369	3,428	3,496	3,496
Covered Lives Assessment	1,103	1,110	1,110	1,045	1,045
Cigarette Tax Revenue	829	791	752	716	683
Hospital Assessments	437	424	424	424	424
NYC Cigarette Tax Transfer/Other	97	77	74	75	75
TOTAL DISBURSEMENTS AND TRANSERS	**5,870**	**5,786**	**5,788**	**5,756**	**5,723**
Medicaid Assistance Account[1]	3,966	3,837	3,689	3,612	3,598
Medicaid Costs	*3,769*	*3,640*	*3,492*	*3,415*	*3,401*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	922	892	892	892	892
HCRA Program Account	394	380	402	392	392
Child Health Plus	295	307	428	556	554
Elderly Pharmaceutical Insurance Coverage	137	136	142	140	139
SHIN-NY/APCD	17	40	40	0	0
All Other	139	194	195	164	148
ANNUAL OPERATING SURPLUS/(DEFICIT)	**3**	**(15)**	**0**	**0**	**0**
CLOSING BALANCE	**15**	**0**	**0**	**0**	**0**

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

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

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

HCRA is expected to remain in balance over the multi-year projection period. Under the current HCRA appropriation structure, spending reductions will occur if resources are insufficient to meet spending levels. Any such spending reductions could affect General Fund Medicaid funding or HCRA programs. Conversely, any unanticipated balances or excess resources in HCRA are expected to fund Medicaid costs that would otherwise be paid from the General Fund.

Mental Hygiene

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

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

MENTAL HYGIENE
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,350**	**2,237**	**-4.8%**	**2,578**	**15.2%**	**2,914**	**13.0%**	**3,194**	**9.6%**
People with Developmental Disabilities	**2,115**	**2,265**	**7.1%**	**2,438**	**7.6%**	**2,682**	**10.0%**	**2,876**	**7.2%**
Residential Services	1,299	1,391	7.1%	1,480	6.4%	1,620	9.5%	1,735	7.1%
Day Programs	609	653	7.2%	694	6.3%	760	9.5%	814	7.1%
Clinic	19	20	5.3%	21	5.0%	23	9.5%	25	8.7%
All Other Services (Net)	188	201	6.9%	243	20.9%	279	14.8%	302	8.2%
Mental Health	**1,181**	**1,313**	**11.2%**	**1,459**	**11.1%**	**1,537**	**5.3%**	**1,612**	**4.9%**
Adult Local Services	939	1,039	10.6%	1,162	11.8%	1,226	5.5%	1,289	5.1%
Children Local Services	242	274	13.2%	297	8.4%	311	4.7%	323	3.9%
Alcohol and Substance Abuse	**322**	**356**	**10.6%**	**381**	**7.0%**	**396**	**3.9%**	**409**	**3.3%**
Outpatient/Methadone	117	129	10.3%	138	7.0%	143	3.6%	148	3.5%
Residential	128	144	12.5%	155	7.6%	162	4.5%	169	4.3%
Prevention and Program Support	68	75	10.3%	80	6.7%	84	5.0%	86	2.4%
Crisis	9	8	-11.1%	8	0.0%	7	-12.5%	6	-14.3%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**
SUBTOTAL BEFORE ADJUSTMENTS	**3,619**	**3,935**	**8.7%**	**4,279**	**8.7%**	**4,616**	**7.9%**	**4,898**	**6.1%**
Global Cap Adjustment	**(1,269)**	**(1,698)**	**-33.8%**	**(1,701)**	**-0.2%**	**(1,702)**	**-0.1%**	**(1,704)**	**-0.1%**

Local assistance spending accounts for approximately 45 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 8 percent annually. The main factors driving this level of growth are: enhancements in community mental health services; enhancements in community-based employment and residential opportunities for individuals with disabilities; and new or increased funding for not-for-profit providers for growth in employee wages related to minimum wage increases.

The Updated Financial Plan includes an approximately $316 million or 8.7 percent increase in local assistance funding for the mental hygiene agencies. This increase is largely related to $132 million used in support of a 6.5 percent increase for direct care professionals and a 3.25 percent increase for clinical staff employed by not-for-profit organizations delivering services on behalf of OPWDD, OMH and OASAS, as well as $44 million to support the minimum wage and related fringe benefit increases associated with the movement to a $15 an hour living wage. Other increases include community investments, new service investments in the OPWDD system, and funding in OASAS to address the heroin and opioid crisis.

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

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

The additional funding increase is offset by technical adjustments to the Medicaid Global Cap, as a greater share of OPWDD-related spending will be financed from Global Cap resources. These technical adjustments have no impact on service delivery or operations of OMH, OPWDD, OASAS or the Justice Center.

Social Services

Office of Temporary and Disability Assistance (OTDA)

OTDA local assistance programs provide cash benefits and supportive services to low-income families. The State's three main programs include Family Assistance, Safety Net Assistance and Supplemental Security Income (SSI). The Family Assistance program, financed by the Federal government, provides time-limited cash assistance to eligible families. The Safety Net Assistance program, financed by the State and local districts, provides cash assistance for single adults, childless couples, and families that have exhausted their five-year limit on Family Assistance imposed by Federal law. The State SSI Supplementation program provides a supplement to the Federal SSI benefit for the elderly, visually handicapped, and disabled.

TEMPORARY AND DISABILITY ASSISTANCE (millions of dollars)									
	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,229**	**1,280**	**4.1%**	**1,355**	**5.9%**	**1,358**	**0.2%**	**1,362**	**0.3%**
SSI	649	661	1.8%	663	0.3%	667	0.6%	667	0.0%
Public Assistance Benefits	475	506	6.5%	545	7.7%	541	-0.7%	541	0.0%
Public Assistance Initiatives	13	11	-15.4%	33	200.0%	33	0.0%	33	0.0%
All Other	92	102	10.9%	114	11.8%	117	2.6%	121	3.4%

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

SSI spending is projected to increase gradually over the course of the multi-year Updated Financial Plan as caseload is expected to grow. Public assistance benefits will increase in FY 2019 and FY 2020 due to a variety of factors including the expansion of NYC HIV/AIDS Services Administration (HASA) benefits to public assistance recipients living in NYC and increased costs associated with litigation proceedings that will increase Safety Net Assistance expenditures. Other spending growth includes increased spending on homeless services and prevention and a new program intended to prevent unaccompanied refugee children from joining the MS-13 gang on Long Island.

Office of Children and Family Services (OCFS)

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

CHILDREN AND FAMILY SERVICES
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,608**	**1,691**	**5.2%**	**1,692**	**0.1%**	**1,715**	**1.4%**	**1,750**	**2.0%**
Child Welfare Service	509	481	-5.5%	491	2.1%	501	2.0%	501	0.0%
Foster Care Block Grant	384	384	0.0%	393	2.3%	403	2.5%	413	2.5%
Adoption	148	148	0.0%	148	0.0%	149	0.7%	149	0.0%
Child Care	203	289	42.4%	270	-6.6%	271	0.4%	271	0.0%
Youth Programs	105	116	10.5%	124	6.9%	117	-5.6%	117	0.0%
Medicaid	77	85	10.4%	89	4.7%	93	4.5%	97	4.3%
Adult Protective/Domestic Violence	53	45	-15.1%	48	6.7%	51	6.3%	54	5.9%
Committees on Special Education	37	22	-40.5%	24	9.1%	25	4.2%	27	8.0%
All Other	92	121	31.5%	105	-13.2%	105	0.0%	121	15.2%

OCFS State Operating Funds spending is projected to increase from FY 2018 to FY 2019 due to the impact of several factors including increased funding for child care subsidies back to FY 2017 levels, costs associated with the regionally-based, multi-year increase in the statewide minimum wage, and legislative spending additions to fund a range of OCFS programs. These increases are partially offset by savings actions allowing the expiration of provisions authorizing State reimbursement to NYC for Close to Home costs, which provide juvenile justice services to NYC youth adjudicated in the court system as juvenile delinquents, and the planned elimination of the human services COLA in FY 2019.

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

Transportation

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

The MTA receives additional, exclusive operating support from the MTA Financial Assistance Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District (MCTD). Through FY 2018, the State collected these taxes and fees on behalf of, and disbursed the entire amount to, the MTA. Pursuant to legislation enacted in December 2011, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund provides additional annual support to the MTA, subject to appropriation, to partially offset this revenue loss.

TRANSPORTATION
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE OPERATING FUNDS SUPPORT	**5,025**	**3,961**	**-21.2%**	**3,642**	**-8.1%**	**3,689**	**1.3%**	**3,821**	**3.6%**
Mass Transit Operating Aid:	2,283	2,324	1.8%	2,326	0.1%	2,326	0.0%	2,326	0.0%
Metro Mass Transit Aid	2,152	2,188	1.7%	2,190	0.1%	2,190	0.0%	2,190	0.0%
Public Transit Aid	87	92	5.7%	92	0.0%	92	0.0%	92	0.0%
18-b General Fund Aid	19	19	0.0%	19	0.0%	19	0.0%	19	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax	1,709	402	-76.5%	267	-33.6%	268	0.4%	268	0.0%
MTA Aid Trust	283	292	3.2%	296	1.4%	292	-1.4%	294	0.7%
Dedicated Mass Transit	678	683	0.7%	696	1.9%	746	7.2%	876	17.4%
AMTAP	70	260	271.4%	57	-78.1%	57	0.0%	57	0.0%
All Other	2	0	-100.0%	0	0.0%	0	0.0%	0	0.0%

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

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

Local Government Assistance

Direct aid to local governments includes the Aid and Incentives for Municipalities (AIM) program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams; miscellaneous financial assistance for certain counties, towns, and villages; and efficiency-based incentive grants provided to local governments.

LOCAL GOVERNMENT ASSISTANCE - AIM PROGRAM (millions of dollars)									
	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**722**	**724**	**0.3%**	**763**	**5.4%**	**763**	**0.0%**	**763**	**0.0%**
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Restructuring/Efficiency	7	9	28.6%	48	433.3%	48	0.0%	48	0.0%

State Operating Funds spending for the various efficiency and restructuring grants within the AIM program is projected to grow modestly from FY 2019 to FY 2020, due to revisions in the timing of spending, including potential awards from the Financial Restructuring Board for Local Governments.

Agency Operations

Agency operating costs consist of Personal Service (PS), Non-Personal Service (NPS), and GSCs. PS includes the salaries of State employees of the Executive, Legislative, and Judicial branches, as well as the salaries of temporary/seasonal employees. NPS includes real estate rentals, utilities, contractual payments (i.e., consultants, Information Technology (IT), and professional business services), supplies and materials, equipment, and telephone service. GSCs, which are discussed separately, reflect the cost of fringe benefits (e.g., pensions 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 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Negotiated Base Salary Increases[1]					
UUP	2%	2%	2%	2%	2%
NYSPBA	1.5%	2%	2%	2%	2%
CSEA/DC-37 (Rent Regulation Unit)	2%	2%	2%	2%	TBD
PEF/GSEU/MC	2%	2%	TBD	TBD	TBD
NYSPIA[2]	1.5%	TBD	TBD	TBD	TBD
Council 82/NYSCOPBA/PBANYS	TBD	TBD	TBD	TBD	TBD
State Workforce[3]	117,397	118,868	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization[4]	16.2%	15.7%	15.9%	17.2%	18.6%
After Amortization[5]	20.0%	19.4%	19.6%	20.8%	21.8%
PFRS Contribution Rate					
Before Amortization[4]	25.1%	24.1%	24.0%	25.1%	26.2%
After Amortization[5]	28.1%	26.9%	27.4%	28.4%	29.4%
Employee/Retiree Health Insurance Growth Rates	7.0%	7.9%	6.9%	6.6%	6.6%
PS/Fringe as % of Receipts (All Funds Basis)	13.1%	13.6%	13.9%	14.4%	14.3%

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

Operating costs for PS/NPS are projected to increase over the Updated Financial Plan period, from $18.8 billion in FY 2018 to $20.5 billion in FY 2022. Most Executive agencies are expected to hold spending at FY 2018 levels. In addition to the DOT/DMV operations reclassification discussed previously, increases in the outyears of the Updated Financial Plan are driven mainly by juvenile justice reform, anticipated labor agreements, growing SUNY operating costs, and an additional administrative payroll in FY 2021 due to the payroll calendar.

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS (millions of dollars)	FY 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**10,004**	**10,208**	**10,457**	**10,826**	**10,838**
Mental Hygiene	2,804	2,738	2,786	2,860	2,894
Corrections and Community Supervision	2,628	2,606	2,619	2,624	2,616
State Police	742	731	725	751	766
Information Technology Services [1]	536	545	541	551	558
Medicaid Admin/EP	385	450	452	453	448
Public Health	356	394	392	398	393
Tax and Finance	321	332	331	341	330
Children and Family Services	242	289	376	443	445
Environmental Conservation	213	208	205	217	210
Financial Services	209	209	213	219	213
Parks, Recreation and Historic Preservation	169	173	171	178	173
Workers' Compensation Board	141	143	145	151	146
Temporary and Disability Assistance	123	125	132	136	139
General Services	144	137	133	132	130
Gaming	95	81	81	82	81
Potential and Settled Labor Agreements [2]	495	626	741	856	856
Agency Financial Management Plan	(500)	(500)	(500)	(500)	(500)
All Other	901	921	914	934	940
DOT/DMV Operations Reclassification	**0**	**282**	**332**	**337**	**343**
UNIVERSITY SYSTEMS	**6,183**	**6,303**	**6,337**	**6,639**	**6,665**
State University	6,080	6,227	6,264	6,564	6,591
City University	103	76	73	75	74
INDEPENDENT AGENCIES	**330**	**333**	**323**	**337**	**325**
Law	183	179	176	184	177
Audit & Control (OSC)	147	154	147	153	148
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,517**	**17,126**	**17,449**	**18,139**	**18,171**
Judiciary	2,081	2,133	2,121	2,178	2,121
Legislature	223	230	234	239	244
Statewide Total	**18,821**	**19,489**	**19,804**	**20,556**	**20,536**
Personal Service	13,170	13,578	13,904	14,593	14,494
Non-Personal Service	5,651	5,911	5,900	5,963	6,042

[1] Reflects consolidation of IT costs from other agencies within ITS, which does not change total governmental spending.
[2] Includes the estimated potential and settled cost for executive agencies and excludes the value of a settlement with UUP.

The most significant changes to spending for agency operations include:

- Mental Hygiene. As a result of the Mental Hygiene Fund reclassification, spending will decline in FYs 2019 and 2020 due to the elimination of indirect costs previously charged to the Special Revenue Fund. Additional savings are achieved through attrition and other management efficiencies.

- State Police. The modest decline in spending reflects the reclassification of certain personal service spending, offset by the full year cost of recruit classes and added resources to combat MS-13 gang activities.

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

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

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

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

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

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

- DOT/DMV Operations Reclassification. Reflects the reclassification of certain DOT and DMV operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities from the DHBTF to the General Fund.

Workforce

In FY 2019, $13.6 billion or 13.6 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 97,500 FTE employees under direct Executive control; individuals employed by SUNY and CUNY (46,038) and Independent Agencies (18,176); employees paid on a non-annual salaried basis; and overtime pay. Roughly 60 percent of all Executive agency PS spending occurs in the mental hygiene agencies and Department of Corrections and Community Supervision (DOCCS).

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

	Dollars	FTEs
Subject to Direct Executive Control	**7,397**	**94,741**
Mental Hygiene Agencies	2,284	32,334
Corrections and Community Supervision	2,043	27,238
State Police	669	5,666
Information Technology Services	286	3,401
Health	280	3,974
Tax and Finance	264	3,977
Children and Family Services	192	2,406
Environmental Conservation	170	2,124
Financial Services	157	1,382
Parks, Recreation and Historic Preservation	134	1,304
Education	88	1,263
Workers' Compensation Board	85	1,110
Temporary and Disability Assistance	68	1,019
General Services	48	832
All Other	629	6,711
DOT/DMV Operations Reclassification	**167**	**2,712**
University Systems	**3,921**	**46,038**
State University	3,883	45,655
City University[2]	38	383
Independent Agencies	**2,093**	**18,176**
Law	126	1,583
Audit & Control (OSC)	123	1,527
Judiciary	1,668	15,064
Legislature[3]	176	2
Total	**13,578**	**161,667**

[1] FTEs represent the number of annual-salaried full-time filled positions (e.g., one FTE may represent a single employee serving at 100 percent full-time, or a combination of employees serving at less than full-time that, when combined, equal a full-time position). The reported FTEs do not include non-annual salaried positions, such as positions filled on an hourly, per-diem or seasonal basis.

[2] CUNY employees are funded primarily through an agency trust fund that supports an additional 13,166 FTEs, which are excluded from this table.

[3] Legislative employees are nonannual salaried and are excluded from this table, with the exception of the Lieutenant Governor, who serves as President of the Senate.

General State Charges

The State provides a variety of fringe benefits to its current and former employees, including health insurance, pensions, the Social Security payroll tax, workers' compensation coverage, unemployment insurance, survivors' benefits, and dental and vision benefits (some of which are provided through union-specific Employee Benefit Funds). GSCs also pays for certain statewide fixed costs, including taxes on State-owned lands, payments in lieu of taxes 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. Commencing in FY 2019, there are two fund reclassifications that will impact fringe benefit collections from other agencies. These changes have no impact on a State operating funds basis, and are Financial Plan neutral. First, the mental hygiene spending in the Mental Hygiene Program Fund and the Patient Income Fund ($1.4 billion) will be accounted for in the General Fund. Similarly, DOT and DMV spending related to snow and ice removal, bus, truck and rail inspection and regulatory activities in the DHBTF will be accounted for in the General Fund ($107 million).

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

Growth in the health insurance program of $323 million (8.2 percent) is reflective of medical inflation at current enrollment levels. Workers' compensation costs are increasing by $170 million in FY 2019 due to underlying growth in the average weekly wage used in benefit calculations and medical costs ($65 million / 12.8 percent), as well as a reduction in the use of offsetting reserve funds ($105 million). Overall pension costs are projected to increase by a modest amount due to improved investment returns and ongoing savings from the Tier 5 and Tier 6 pension reforms. Social Security spending is also relatively stable due to steady workforce levels.

GENERAL STATE CHARGES
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,853**	**8,527**	**8.6%**	**9,124**	**7.0%**	**9,713**	**6.5%**	**10,249**	**5.5%**
Fringe Benefits	**7,440**	**8,082**	**8.6%**	**8,673**	**7.3%**	**9,256**	**6.7%**	**9,785**	**5.7%**
Health Insurance	3,963	4,286	8.2%	4,592	7.1%	4,907	6.9%	5,247	6.9%
Pensions	2,442	2,455	0.5%	2,590	5.5%	2,753	6.3%	2,918	6.0%
Social Security	1,014	1,030	1.6%	1,040	1.0%	1,050	1.0%	1,050	0.0%
Workers' Compensation	306	476	55.6%	591	24.2%	681	15.2%	752	10.4%
Employee Benefits	92	98	6.5%	103	5.1%	108	4.9%	101	-6.5%
Dental Insurance	64	61	-4.7%	64	4.9%	65	1.6%	66	1.5%
Unemployment Insurance	13	12	-7.7%	12	0.0%	12	0.0%	12	0.0%
All Other	2,359	1,068	-54.7%	1,109	3.8%	1,180	6.4%	1,192	1.0%
Non-State Escrow	(2,813)	(1,404)	50.1%	(1,428)	-1.7%	(1,500)	-5.0%	(1,553)	-3.5%
Fixed Costs	**413**	**445**	**7.7%**	**451**	**1.3%**	**457**	**1.3%**	**464**	**1.5%**
Public Land Taxes/PILOTS	254	263	3.5%	269	2.3%	275	2.2%	282	2.5%
Litigation	159	182	14.5%	182	0.0%	182	0.0%	182	0.0%

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

Transfers to Other Funds (General Fund Basis)

General Fund transfers help finance the State's share of Medicaid costs for mental hygiene facilities (FY 2018 only), debt service for bonds that do not have dedicated revenues, SUNY operating costs, certain capital initiatives, and a range of other activities.

GENERAL FUND TRANSFERS TO OTHER FUNDS
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**9,852**	**6,240**	**6,643**	**6,512**	**6,117**
State Share of Mental Hygiene Medicaid[1]	1,333	0	0	0	0
Debt Service	1,047	827	948	1,017	876
SUNY University Operations	1,015	1,034	1,025	1,021	1,021
Capital Projects	**2,191**	**3,257**	**3,567**	**3,292**	**2,897**
Dedicated Highway and Bridge Trust Fund	104	33	33	33	33
Dedicated Infrastructure Investment Fund	**941**	**1,608**	**1,250**	**1,109**	**542**
FY 2017 Temporary Loan to Capital Projects Fund[2]	**(1,300)**	**0**	**0**	**0**	**0**
FY 2018 Temporary Loan to Capital Projects Fund[2]	**500**	**(500)**	**0**	**0**	**0**
Transfer to DIIF for Javits Expansion	**164**	**350**	**320**	**166**	**0**
Bond Proceeds Receipts for Javits Expansion	**0**	**0**	**(500)**	**(500)**	**0**
Mass Transit Capital from Settlements	**67**	**10**	**8**	**0**	**0**
Statewide Health Care Capital from Settlements	**19**	**70**	**70**	**80**	**63**
Environmental Protection Fund	28	28	28	28	28
All Other Capital	**1,668**	**1,658**	**2,358**	**2,376**	**2,231**
ALL OTHER TRANSFERS	**4,266**	**1,122**	**1,103**	**1,182**	**1,323**
Mental Hygiene[1]	3,127	0	0	0	0
Department of Transportation (MTA Payroll Tax)	268	269	269	270	270
SUNY - Medicaid Reimbursement	405	243	243	243	243
Judiciary Funds	109	110	109	110	110
Dedicated Mass Transportation Trust Fund	60	65	65	116	256
Banking Services	41	60	53	53	53
Indigent Legal Services	25	35	58	82	82
General Service Executive Direction	22	22	22	22	22
Mass Transportation Operating Assistance	21	21	21	21	21
Correctional Industries	12	21	21	21	21
Public Transportation Systems	15	16	16	16	16
Health Income Fund	15	16	16	16	16
Centralized Technology Services	9	14	11	11	11
Spinal Cord Injury	9	9	9	9	9
Medical Marihuana Fund	5	7	5	7	7
All Other	123	214	185	185	186

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

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

A significant portion of the capital and operating expenses of DOT and DMV are funded from DHBTF, which receives various dedicated tax and fee revenues, including statutory allocations of PBT, motor fuel tax, and Highway Use Tax (HUT). The Updated Financial Plan includes transfers from the General Fund that effectively subsidize DHBTF expenses, as the cumulative expenses of the fund (DOT and DMV capital and operating expenses, and certain debt service on transportation bonds) exceed current and projected revenue deposits and bond proceeds. This transfer is reduced in FY 2019 and in the ensuing years of the Updated Financial Plan as certain DOT and DMV operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities have been reclassified from the DHBTF to the General Fund.

General Fund transfers to other funds are expected to total $6.2 billion in FY 2019, a $3.6 billion decrease from FY 2018. The change is primarily driven by the consolidation of certain Mental Hygiene Special Revenue Funds into the General Fund, which eliminate the General Fund transfers for mental hygiene activity, offset by an increase in transfers appropriated from DIIF and the Capital Projects Fund in FY 2019, including temporary loans and planned repayment of funds related to debt management actions.

Debt Service

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

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
General Fund	1,047	827	-21.0%	948	14.6%	1,017	7.3%	876	-13.9%
Other State Support	4,826	4,555	-5.6%	6,018	32.1%	6,169	2.5%	6,214	0.7%
State Operating/All Funds Total	**5,873**	**5,382**	**-8.4%**	**6,966**	**29.4%**	**7,186**	**3.2%**	**7,090**	**-1.3%**

Total State Operating/All Funds debt service is projected to be $5.4 billion in FY 2019, of which $827 million is paid from the General Fund via transfers, and $4.6 billion is from other State funds supported by dedicated tax receipts. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service for the State’s revenue bonds is paid directly from other dedicated State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds.

The 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.

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 is expected to be issued later in 2018.

The following tables summarize recent governmental funds results on a GAAP basis.

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

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accumulated General Fund Surplus/(Deficit)
March 31, 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 Basic Financial Statements (including Other Supplementary Information) 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
2008	36,100	14,828	2,339	1,297	2,067	2,556	59,187
2009	39,991	16,913	2,253	1,274	2,033	2,442	64,906
2010	41,555	20,094	2,178	1,265	2,000	2,444	69,536
2011	41,785	23,820	2,117	1,260	2,000	2,590	73,572
2012	42,286	26,268	2,054	1,253	3,000	2,493	77,354
2013	41,592	29,202	1,985	1,245	3,000	2,394	79,418
2014	41,665	31,038	1,975	1,228	3,000	2,334	81,240
2015	40,460	33,850	2,035	1,222	3,000	2,222	82,789
2016	38,073	37,358	1,961	1,145	3,000	2,102	83,639
2017	37,891	40,696	1,884	1,089	2,751	2,034	86,345

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

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

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

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

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

Other Localities

Certain localities other than New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. State legislation enacted post-2004 includes 27 special acts authorizing bond issuances to finance local government operating deficits. Included in this figure are special acts that extended the period of time related to prior authorizations and modifications to issuance amounts previously authorized. When a local government is authorized to issue bonds to finance operating deficits, the local government is subject to certain additional fiscal oversight during the time the bonds are outstanding as required by the State's Local Finance Law, including an annual budget review by OSC.

In addition to deficit financing authorizations, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within particular localities. The Cities of Buffalo and Troy, and the Counties of Erie and Nassau are subject to varying levels of review and oversight by entities created by such legislation. The City of Newburgh operates under special State legislation that provides for fiscal oversight by the State Comptroller 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 or not it is classified in one of three levels of stress: significant, moderate or susceptible. Entities that do not meet established scoring thresholds are classified as "No Designation".

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

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

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

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

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

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

Locality Fiscal Year Ending	Combined New York City Debt[2]		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
2011	73,572	0	36,247	7,327	109,819	7,327
2012	77,354	0	36,699	7,194	114,053	7,194
2013	79,418	0	36,483	7,447	115,901	7,447
2014	81,240	0	36,290	7,236	117,530	7,236
2015	82,789	0	34,346	6,981	117,135	6,981
2016	83,639	0	35,006	6,952	118,645	6,952

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

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

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

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

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

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

State Retirement System

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

General

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

Greater detail, including the independent auditor's report for the fiscal year ending March 31, 2017, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2017 and is available on the OSC website at the following address: http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php. Additionally, available at the OSC website are the System's asset listing for the fiscal year ended March 31, 2017 and audited financial statements with independent auditor's report for the fiscal year ended March 31, 2018. The NYSLRS' CAFR and asset listing for the fiscal year ended March 31, 2018 will be available by September 30, 2018.

The Annual Reports to the Comptroller on Actuarial Assumptions from the Retirement System's Actuary - the contents of which explain the methodology used to determine employer contribution rates to the System - issued from 2007 through 2018 are available at the OSC website at www.osc.state.ny.us/retire/about_us/financial_statements_index.php. Benefit plan booklets describing how each of the System's tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications/.

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

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

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

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

The System

The System provides pension benefits to public employees of the State and its localities (except employees of New York City, and public school teachers and administrators, who are covered by separate plans). State employees made up about 33 percent of the membership as of March 31, 2018. There were 3,040 other public employers participating in the System, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 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: http://www.osc.state.ny.us/retire/employers/tier-6/ers_comparison.php

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

Contributions and Funding

Contributions to the System are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 were required to contribute 3 percent of their salaries. A statutory change in 2000, however, limited the contributions to the first 10 years of membership, but did not authorize refunds where contributions had already exceeded 10 years. All ERS members joining after 2009 and prior to April 1, 2012, and all PFRS members joining after January 9, 2010 and prior to April 1, 2012, are members of Tier 5. All Tier 5 ERS members and 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.[18] Members in Tier 6 of both ERS and PFRS earning $45,000 or less are required to contribute 3 percent of their gross annual wages; members earning between $45,001 and $55,000 are required to contribute 3.5 percent; members earning between $55,001 and $75,000 are required to contribute 4.5 percent; members earning between $75,001 and $100,000 will contribute 5.75 percent; and, those earning in excess of $100,000 are required to contribute 6 percent of their gross annual salary.

In order to protect employers from potentially volatile contributions tied directly to the value of the System's assets held by the CRF, the System utilizes a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the System's Actuary, which is currently 7.0 percent.[19]

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

[19] During 2015, the Retirement System's Actuary conducted the statutorily required quinquennial actuarial experience study of economic and demographic assumptions. The assumed investment rate of return is an influential factor in calculating employer contribution rates. In addition, the Chief Investment Officer conducted an asset allocation study. The resulting asset allocation and long-term asset allocation policy informed the Actuary's recommendation regarding the revision of the investment rate of return (discount rate). In September 2015, the Comptroller announced the assumed rate of return for NYSLRS would be lowered from 7.5 percent to 7 percent. The 7 percent rate of return has been effective for employer contribution rates used in FYs 2017 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. Final contribution rates for FY 2019 were released in September 2017. The average ERS rate decreased by 2.6 percent from 15.3 percent of salary in FY 2018 to 14.9 percent of salary in FY 2019, while the average PFRS rate decreased by 2.7 percent from 24.4 percent of salary in FY 2018 to 23.5 percent of salary in FY 2019. Information regarding average rates for FY 2019 may be found in the 2017 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at:

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

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by the State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013, FY 2014, FY 2015, FY 2016, FY 2017 and FY 2018, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent, 3.21 percent, 2.33 percent and 2.84 percent, respectively. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, OSC expects that this will reduce the budgetary volatility of employer contributions. As of March 31, 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 $66.2 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 and 3.31 percent for FY 2018). As with the original Contribution Stabilization Program, when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elect to amortize under the alternate program will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future.

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

The 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 $2.359 billion. Multiple prepayments (including interest credit) have reduced this amount to $55 million.

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 $5.2 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.[20] 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. [21]

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

[20] On August 16, 2018, the State Comptroller released a statement indicating that the value of the System's Invested assets posted a 1.53 percent time-weighted rate of return (gross rate of return before the deduction of certain fees) for the three-month period ending June 30, 2018. This report reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

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

method that recognized 20 percent of the unexpected gain for FY 2017, 40 percent of the unexpected loss for FY 2016, 60 percent of the unexpected loss for FY 2015, and 80 percent of the unexpected gain for FY 2014. The asset valuation method smooths gains and losses based on the market value of all investments. Actuarial assets increased from $190.7 billion on April 1, 2016 to $198.1 billion on April 1, 2017.

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.[22]

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

As noted above, Statement No. 68 impacts neither the actuarial funding method nor the calculation of rates. The System provided employers with the information required to comply with Statement No. 68 in September 2017, based on the System's measurement date of March 31, 2017. The Net

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

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

Detailed "Schedules of Employer Allocation" and "Schedules of Pension Amounts by Employer" can be found on the OSC website at the following link The 2018 Schedules will be posted soon: https://www.osc.state.ny.us/retire/about us/financial statements index.php.

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

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

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

Fiscal Year Ended March 31	Contributions Recorded: All Participating Employers[1][2]	Local Employers[1][2]	State[1][2]	Employees	Total Benefits Paid[3]
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 NYSLRS CAFR is available on the OSC website at the following web address:

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

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

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

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

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

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

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

Litigation

Litigation

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

Real Property Claims

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

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

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe's land claim. The land claim has been stayed through at least October 19, 2018 to allow for settlement negotiations.

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

School Aid

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

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

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

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

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

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

On May 30, 2014, the State filed a motion to dismiss all claims. 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 of judgment motions due 120 days after note of issue.

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. Plaintiffs have until October 24, 2018 to appeal.

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.[23] 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.

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

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

[23] 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 First Quarter	Annual $ Change	Annual % Change
Opening Fund Balance	**7,749**	**9,445**	**1,696**	**21.9%**
Receipts:				
Taxes:				
Personal Income Tax	36,037	22,746	(13,291)	-36.9%
Consumption/Use Taxes	7,377	7,647	270	3.7%
Business Taxes	4,916	5,626	710	14.4%
Other Taxes	1,326	1,051	(275)	-20.7%
Miscellaneous Receipts	3,129	2,422	(707)	-22.6%
Federal Receipts	0	0	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,909	23,714	12,805	117.4%
ECEP in Excess of Revenue Bond Debt Service	0	TBD	TBD	TBD
Sales Tax in Excess of LGAC Bond Debt Service	3,098	3,156	58	1.9%
Sales Tax in Excess of Revenue Bond Debt Service	2,763	2,757	(6)	-0.2%
Real Estate Taxes in Excess of CW/CA Debt Service	944	998	54	5.7%
All Other	921	2,823	1,902	206.5%
Total Receipts	**71,420**	**72,940**	**1,520**	**2.1%**
Disbursements:				
Local Assistance	46,072	51,048	4,976	10.8%
State Operations:				
Personal Service	6,136	8,726	2,590	42.2%
Non-Personal Service	2,092	3,047	955	45.7%
General State Charges	5,572	7,525	1,953	35.1%
Transfers to Other Funds:				
Debt Service	1,047	827	(220)	-21.0%
Capital Projects	2,191	3,257	1,066	48.7%
State Share of Mental Hygiene Medicaid	1,333	0	(1,333)	-100.0%
SUNY Operations	1,015	1,034	19	1.9%
Other Purposes	4,266	1,122	(3,144)	-73.7%
Total Disbursements	**69,724**	**76,586**	**6,862**	**9.8%**
Excess (Deficiency) of Receipts Over Disbursements	**1,696**	**(3,646)**	**(5,342)**	**-315.0%**
Closing Fund Balance	**9,445**	**5,799**	**(3,646)**	**-38.6%**
Statutory Reserves				
Tax Stabilization Reserve	1,258	1,258	0	
Rainy Day Reserve	540	540	0	
Contingency Reserve	21	21	0	
Community Projects	46	17	(29)	
Reserved For				
Potential Labor Agreements	155	155	0	
Undesignated Fund Balance	1,905	0	(1,905)	
Debt Management	500	500	0	
Extraordinary Monetary Settlements	5,020	3,308	(1,712)	

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2019 First Quarter	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Receipts:				
Taxes:				
Personal Income Tax	22,746	24,559	25,103	26,326
Consumption/Use Taxes	7,647	7,913	8,185	8,464
Business Taxes	5,626	6,170	6,470	6,577
Other Taxes	1,051	1,110	1,173	1,238
Miscellaneous Receipts	2,422	2,028	2,001	1,883
Federal Receipts	0	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	23,714	24,260	24,807	25,588
ECEP in Excess of Revenue Bond Debt Service	TBD	TBD	TBD	TBD
Sales Tax in Excess of LGAC Bond Debt Service	3,156	3,293	3,542	3,810
Sales Tax in Excess of Revenue Bond Debt Service	2,757	2,897	2,750	2,958
Real Estate Taxes in Excess of CW/CA Debt Service	998	1,056	1,097	1,140
All Other	2,823	2,240	1,801	1,748
Total Receipts	**72,940**	**75,526**	**76,929**	**79,732**
Disbursements:				
Local Assistance	51,048	53,907	56,998	59,461
State Operations:				
Personal Service	8,726	8,951	9,456	9,388
Non-Personal Service	3,047	3,125	3,168	3,201
General State Charges	7,525	8,084	8,604	9,127
Transfers to Other Funds:				
Debt Service	827	948	1,017	876
Capital Projects	3,257	3,567	3,292	2,897
State Share of Mental Hygiene Medicaid	0	0	0	0
SUNY Operations	1,034	1,025	1,021	1,021
Other Purposes	1,122	1,103	1,182	1,323
Total Disbursements	**76,586**	**80,710**	**84,738**	**87,294**
Use (Reservation) of Fund Balance:				
Community Projects	29	9	8	0
Undesignated Fund Balance	1,905	0	0	0
Extraordinary Monetary Settlements	1,712	1,148	855	605
Total Use (Reservation) of Fund Balance	**3,646**	**1,157**	**863**	**605**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**0**	**(4,027)**	**(6,946)**	**(6,957)**
Adherence to 2% Spending Benchmark*	**0**	**3,247**	**5,548**	**6,470**
Net General Fund Surplus (Deficit)	**0**	**(780)**	**(1,398)**	**(487)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that 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 growth 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 First Quarter
Receipts:			
Taxes:			
Personal Income Tax	22,746	0	22,746
Consumption/Use Taxes	7,647	0	7,647
Business Taxes	5,626	0	5,626
Other Taxes	1,051	0	1,051
Miscellaneous Receipts	2,127	295	2,422
Federal Receipts	0	0	0
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	23,714	0	23,714
ECEP in Excess of Revenue Bond Debt Service	TBD	TBD	TBD
Sales Tax in Excess of LGAC Bond Debt Service	3,156	0	3,156
Sales Tax in Excess of Revenue Bond Debt Service	2,757	0	2,757
Real Estate Taxes in Excess of CW/CA Debt Service	998	0	998
All Other	2,838	(15)	2,823
Total Receipts	**72,660**	**280**	**72,940**
Disbursements:			
Local Assistance	51,063	(15)	51,048
State Operations:			
Personal Service	8,691	35	8,726
Non-Personal Service	3,054	(7)	3,047
General State Charges	7,553	(28)	7,525
Transfers to Other Funds:			
Debt Service	827	0	827
Capital Projects	3,257	0	3,257
State Share of Mental Hygiene Medicaid	0	0	0
SUNY Operations	1,034	0	1,034
Other Purposes	1,122	0	1,122
Total Disbursements	**76,601**	**(15)**	**76,586**
Use (Reservation) of Fund Balance:			
Community Projects	29	0	29
Undesignated Fund Balance	1,905	0	1,905
Extraordinary Monetary Settlements	2,007	(295)	1,712
Total Use (Reservation) of Fund Balance	**3,941**	**(295)**	**3,646**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**0**	**0**	**0**
Adherence to 2% Spending Benchmark*	**0**	**0**	**0**
Net General Fund Surplus (Deficit)	**0**	**0**	**0**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that 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 growth 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 2020 Enacted	Change	FY 2020 First Quarter
Receipts:			
Taxes:			
Personal Income Tax	24,559	0	24,559
Consumption/Use Taxes	7,913	0	7,913
Business Taxes	6,170	0	6,170
Other Taxes	1,110	0	1,110
Miscellaneous Receipts	2,028	0	2,028
Federal Receipts	0	0	0
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	24,260	0	24,260
ECEP in Excess of Revenue Bond Debt Service	TBD	TBD	TBD
Sales Tax in Excess of LGAC Bond Debt Service	3,293	0	3,293
Sales Tax in Excess of Revenue Bond Debt Service	2,897	0	2,897
Real Estate Taxes in Excess of CW/CA Debt Service	1,056	0	1,056
All Other	2,254	(14)	2,240
Total Receipts	**75,540**	**(14)**	**75,526**
Disbursements:			
Local Assistance	53,918	(11)	53,907
State Operations:			
Personal Service	8,936	15	8,951
Non-Personal Service	3,129	(4)	3,125
General State Charges	8,098	(14)	8,084
Transfers to Other Funds:			
Debt Service	948	0	948
Capital Projects	3,567	0	3,567
State Share of Mental Hygiene Medicaid	0	0	0
SUNY Operations	1,025	0	1,025
Other Purposes	1,103	0	1,103
Total Disbursements	**80,724**	**(14)**	**80,710**
Use (Reservation) of Fund Balance:			
Community Projects	9	0	9
Extraordinary Monetary Settlements	1,148	0	1,148
Total Use (Reservation) of Fund Balance	**1,157**	**0**	**1,157**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,027)**	**0**	**(4,027)**
Adherence to 2% Spending Benchmark*	**3,247**	**0**	**3,247**
Net General Fund Surplus (Deficit)	**(780)**	**0**	**(780)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that 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 growth 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 First Quarter
Receipts:			
Taxes:			
Personal Income Tax	25,103	0	25,103
Consumption/Use Taxes	8,185	0	8,185
Business Taxes	6,470	0	6,470
Other Taxes	1,173	0	1,173
Miscellaneous Receipts	2,001	0	2,001
Federal Receipts	0	0	0
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	24,807	0	24,807
ECEP in Excess of Revenue Bond Debt Service	TBD	TBD	TBD
Sales Tax in Excess of LGAC Bond Debt Service	3,542	0	3,542
Sales Tax in Excess of Revenue Bond Debt Service	2,750	0	2,750
Real Estate Taxes in Excess of CW/CA Debt Service	1,097	0	1,097
All Other	1,816	(15)	1,801
Total Receipts	**76,944**	**(15)**	**76,929**
Disbursements:			
Local Assistance	57,009	(11)	56,998
State Operations:			
Personal Service	9,441	15	9,456
Non-Personal Service	3,173	(5)	3,168
General State Charges	8,618	(14)	8,604
Transfers to Other Funds:			
Debt Service	1,017	0	1,017
Capital Projects	3,292	0	3,292
State Share of Mental Hygiene Medicaid	0	0	0
SUNY Operations	1,021	0	1,021
Other Purposes	1,182	0	1,182
Total Disbursements	**84,753**	**(15)**	**84,738**
Use (Reservation) of Fund Balance:			
Community Projects	8	0	8
Extraordinary Monetary Settlements	855	0	855
Total Use (Reservation) of Fund Balance	**863**	**0**	**863**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,946)**	**0**	**(6,946)**
Adherence to 2% Spending Benchmark*	**5,548**	**0**	**5,548**
Net General Fund Surplus (Deficit)	**(1,398)**	**0**	**(1,398)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that 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 growth 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 First Quarter
Receipts:			
Taxes:			
Personal Income Tax	26,326	0	26,326
Consumption/Use Taxes	8,464	0	8,464
Business Taxes	6,577	0	6,577
Other Taxes	1,238	0	1,238
Miscellaneous Receipts	1,883	0	1,883
Federal Receipts	0	0	0
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	25,588	0	25,588
ECEP in Excess of Revenue Bond Debt Service	TBD	TBD	TBD
Sales Tax in Excess of LGAC Bond Debt Service	3,810	0	3,810
Sales Tax in Excess of Revenue Bond Debt Service	2,958	0	2,958
Real Estate Taxes in Excess of CW/CA Debt Service	1,140	0	1,140
All Other	1,762	(14)	1,748
Total Receipts	**79,746**	**(14)**	**79,732**
Disbursements:			
Local Assistance	59,472	(11)	59,461
State Operations:			
Personal Service	9,374	14	9,388
Non-Personal Service	3,205	(4)	3,201
General State Charges	9,140	(13)	9,127
Transfers to Other Funds:			
Debt Service	876	0	876
Capital Projects	2,897	0	2,897
State Share of Mental Hygiene Medicaid	0	0	0
SUNY Operations	1,021	0	1,021
Other Purposes	1,323	0	1,323
Total Disbursements	**87,308**	**(14)**	**87,294**
Use (Reservation) of Fund Balance:			
Extraordinary Monetary Settlements	605	0	605
Total Use (Reservation) of Fund Balance	**605**	**0**	**605**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,957)**	**0**	**(6,957)**
Adherence to 2% Spending Benchmark*	**6,470**	**0**	**6,470**
Net General Fund Surplus (Deficit)	**(487)**	**0**	**(487)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that 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 growth 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 2019 First Quarter	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Taxes:				
Withholdings	41,782	43,033	44,024	46,144
Estimated Payments	16,221	18,157	17,802	18,960
Final Payments	2,599	2,748	2,908	3,032
Other Payments	1,500	1,564	1,601	1,671
Gross Collections	**62,102**	**65,502**	**66,335**	**69,807**
State/City Offset	(973)	(799)	(824)	(849)
Refunds	(10,719)	(10,751)	(10,501)	(11,502)
Reported Tax Collections	**50,410**	**53,952**	**55,010**	**57,456**
STAR (Dedicated Deposits)	(2,459)	(2,417)	(2,402)	(2,402)
RBTF (Dedicated Transfers)	(25,205)	(26,976)	(27,505)	(28,728)
Personal Income Tax	**22,746**	**24,559**	**25,103**	**26,326**
Sales and Use Tax	14,114	14,664	15,224	15,796
Cigarette and Tobacco Taxes	328	316	304	294
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	262	265	269	272
Medical Marihuana Excise Tax	0	0	0	0
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Consumption/Use Taxes	**14,704**	**15,245**	**15,797**	**16,362**
LGAC/STBF (Dedicated Transfers)	(7,057)	(7,332)	(7,612)	(7,898)
Consumption/Use Taxes	**7,647**	**7,913**	**8,185**	**8,464**
Corporation Franchise Tax	3,212	3,610	3,828	3,828
Corporation and Utilities Tax	530	537	541	547
Insurance Taxes	1,762	1,963	2,101	2,202
Bank Tax	122	60	0	0
Petroleum Business Tax	0	0	0	0
Business Taxes	**5,626**	**6,170**	**6,470**	**6,577**
Estate Tax	1,033	1,092	1,155	1,220
Real Estate Transfer Tax	1,178	1,231	1,267	1,305
Employer Compensation Expense Program	TBD	TBD	TBD	TBD
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	15	15	15	15
Other Taxes	3	3	3	3
Gross Other Taxes	**2,229**	**2,341**	**2,440**	**2,543**
Real Estate Transfer Tax (Dedicated)	(1,178)	(1,231)	(1,267)	(1,305)
RBTF (Dedicated Transfers)	TBD	TBD	TBD	TBD
Other Taxes	**1,051**	**1,110**	**1,173**	**1,238**
Payroll Tax	**0**	**0**	**0**	**0**
Total Taxes	**37,070**	**39,752**	**40,931**	**42,605**
Licenses, Fees, Etc.	670	692	676	676
Abandoned Property	450	450	450	450
Motor Vehicle Fees	269	285	280	210
ABC License Fee	66	66	62	68
Reimbursements	107	109	107	53
Investment Income	40	18	8	8
Extraordinary Settlements	403	0	0	0
Other Transactions	417	408	418	418
Miscellaneous Receipts	**2,422**	**2,028**	**2,001**	**1,883**
Federal Receipts	**0**	**0**	**0**	**0**
Total	**39,492**	**41,780**	**42,932**	**44,488**

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	**9,445**	**4,009**	**153**	**13,607**
Receipts:				
Taxes	37,070	6,137	33,321	76,528
Miscellaneous Receipts	2,422	17,511	498	20,431
Federal Receipts	0	1	74	75
Total Receipts	**39,492**	**23,649**	**33,893**	**97,034**
Disbursements:				
Local Assistance	51,048	15,689	0	66,737
State Operations:				
Personal Service	8,726	4,852	0	13,578
Non-Personal Service	3,047	2,817	47	5,911
General State Charges	7,525	1,002	0	8,527
Debt Service	0	0	5,382	5,382
Capital Projects	0	0	0	0
Total Disbursements	**70,346**	**24,360**	**5,429**	**100,135**
Other Financing Sources (Uses):				
Transfers from Other Funds	33,448	2,161	3,607	39,216
Transfers to Other Funds	(6,240)	(1,217)	(32,066)	(39,523)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**27,208**	**944**	**(28,459)**	**(307)**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(3,646)	233	5	(3,408)
Closing Fund Balance	**5,799**	**4,242**	**158**	**10,199**

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	39,752	6,178	35,420	81,350
Miscellaneous Receipts	2,028	16,956	469	19,453
Federal Receipts	0	1	73	74
Total Receipts	**41,780**	**23,135**	**35,962**	**100,877**
Disbursements:				
Local Assistance	53,907	15,584	0	69,491
State Operations:				
Personal Service	8,951	4,953	0	13,904
Non-Personal Service	3,125	2,728	47	5,900
General State Charges	8,084	1,040	0	9,124
Debt Service	0	0	6,966	6,966
Capital Projects	0	0	0	0
Total Disbursements	**74,067**	**24,305**	**7,013**	**105,385**
Other Financing Sources (Uses):				
Transfers from Other Funds	33,746	2,142	3,716	39,604
Transfers to Other Funds	(6,643)	(907)	(32,659)	(40,209)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**27,103**	**1,235**	**(28,943)**	**(605)**
Use (Reservation) of Fund Balance:				
Community Projects	9	0	0	9
Extraordinary Monetary Settlements	1,148	0	0	1,148
Total Use (Reservation) of Fund Balance	**1,157**	**0**	**0**	**1,157**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,027)**	**65**	**6**	**(3,956)**
Adherence to 2% Spending Benchmark*	**3,247**	**0**	**0**	**3,247**
Net Surplus (Deficit)	**(780)**	**65**	**6**	**(709)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that 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 growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	40,931	6,201	36,265	83,397
Miscellaneous Receipts	2,001	16,213	469	18,683
Federal Receipts	0	1	73	74
Total Receipts	**42,932**	**22,415**	**36,807**	**102,154**
Disbursements:				
Local Assistance	56,998	15,276	0	72,274
State Operations:				
Personal Service	9,456	5,137	0	14,593
Non-Personal Service	3,168	2,748	47	5,963
General State Charges	8,604	1,109	0	9,713
Debt Service	0	0	7,186	7,186
Capital Projects	0	0	0	0
Total Disbursements	**78,226**	**24,270**	**7,233**	**109,729**
Other Financing Sources (Uses):				
Transfers from Other Funds	33,997	2,218	3,680	39,895
Transfers to Other Funds	(6,512)	(472)	(33,245)	(40,229)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**27,485**	**1,746**	**(29,565)**	**(334)**
Use (Reservation) of Fund Balance:				
Community Projects	8	0	0	8
Extraordinary Monetary Settlements	855	0	0	855
Total Use (Reservation) of Fund Balance	**863**	**0**	**0**	**863**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,946)**	**(109)**	**9**	**(7,046)**
Adherence to 2% Spending Benchmark*	**5,548**	**0**	**0**	**5,548**
Net Surplus (Deficit)	**(1,398)**	**(109)**	**9**	**(1,498)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that 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 growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	42,605	6,262	37,812	86,679
Miscellaneous Receipts	1,883	16,331	468	18,682
Federal Receipts	0	1	72	73
Total Receipts	**44,488**	**22,594**	**38,352**	**105,434**
Disbursements:				
Local Assistance	59,461	15,399	0	74,860
State Operations:				
Personal Service	9,388	5,106	0	14,494
Non-Personal Service	3,201	2,794	47	6,042
General State Charges	9,127	1,122	0	10,249
Debt Service	0	0	7,090	7,090
Capital Projects	0	0	0	0
Total Disbursements	**81,177**	**24,421**	**7,137**	**112,735**
Other Financing Sources (Uses):				
Transfers from Other Funds	35,244	2,348	3,361	40,953
Transfers to Other Funds	(6,117)	(430)	(34,506)	(41,053)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**29,127**	**1,918**	**(31,145)**	**(100)**
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	605	0	0	605
Total Use (Reservation) of Fund Balance	**605**	**0**	**0**	**605**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,957)**	**91**	**70**	**(6,796)**
Adherence to 2% Spending Benchmark*	**6,470**	**0**	**0**	**6,470**
Net Surplus (Deficit)	**(487)**	**91**	**70**	**(326)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that 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 growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	**9,445**	**4,302**	**(1,151)**	**153**	**12,749**
Receipts:					
Taxes	37,070	6,137	1,395	33,321	77,923
Miscellaneous Receipts	2,422	17,713	7,667	498	28,300
Federal Receipts	0	57,576	2,433	74	60,083
Total Receipts	**39,492**	**81,426**	**11,495**	**33,893**	**166,306**
Disbursements:					
Local Assistance	51,048	68,951	5,613	0	125,612
State Operations:					
Personal Service	8,726	5,501	0	0	14,227
Non-Personal Service	3,047	4,256	0	47	7,350
General State Charges	7,525	1,325	0	0	8,850
Debt Service	0	0	0	5,382	5,382
Capital Projects	0	0	8,861	0	8,861
Total Disbursements	**70,346**	**80,033**	**14,474**	**5,429**	**170,282**
Other Financing Sources (Uses):					
Transfers from Other Funds	33,448	2,173	3,623	3,607	42,851
Transfers to Other Funds	(6,240)	(3,341)	(1,366)	(32,066)	(43,013)
Bond and Note Proceeds	0	0	711	0	711
Net Other Financing Sources (Uses)	**27,208**	**(1,168)**	**2,968**	**(28,459)**	**549**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**(3,646)**	**225**	**(11)**	**5**	**(3,427)**
Closing Fund Balance	**5,799**	**4,527**	**(1,162)**	**158**	**9,322**

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	39,752	6,178	1,412	35,420	82,762
Miscellaneous Receipts	2,028	17,115	6,560	469	26,172
Federal Receipts	0	58,762	2,229	73	61,064
Total Receipts	**41,780**	**82,055**	**10,201**	**35,962**	**169,998**
Disbursements:					
Local Assistance	53,907	69,609	5,084	0	128,600
State Operations:					
Personal Service	8,951	5,606	0	0	14,557
Non-Personal Service	3,125	4,209	0	47	7,381
General State Charges	8,084	1,368	0	0	9,452
Debt Service	0	0	0	6,966	6,966
Capital Projects	0	0	8,096	0	8,096
Total Disbursements	**74,067**	**80,792**	**13,180**	**7,013**	**175,052**
Other Financing Sources (Uses):					
Transfers from Other Funds	33,746	2,154	3,874	3,716	43,490
Transfers to Other Funds	(6,643)	(2,683)	(1,636)	(32,659)	(43,621)
Bond and Note Proceeds	0	0	706	0	706
Net Other Financing Sources (Uses)	**27,103**	**(529)**	**2,944**	**(28,943)**	**575**
Use (Reservation) of Fund Balance:					
Community Projects	9	0	0	0	9
Extraordinary Monetary Settlements	1,148	0	0	0	1,148
Total Use (Reservation) of Fund Balance	**1,157**	**0**	**0**	**0**	**1,157**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,027)**	**734**	**(35)**	**6**	**(3,322)**
Adherence to 2% Spending Benchmark*	**3,247**	**0**	**0**	**0**	**3,247**
Net Surplus (Deficit)	**(780)**	**734**	**(35)**	**6**	**(75)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, a budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. 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 2021
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	40,931	6,201	1,409	36,265	84,806
Miscellaneous Receipts	2,001	16,374	6,161	469	25,005
Federal Receipts	0	60,152	2,187	73	62,412
Total Receipts	**42,932**	**82,727**	**9,757**	**36,807**	**172,223**
Disbursements:					
Local Assistance	56,998	70,195	4,343	0	131,536
State Operations:					
Personal Service	9,456	5,816	0	0	15,272
Non-Personal Service	3,168	4,196	0	47	7,411
General State Charges	8,604	1,448	0	0	10,052
Debt Service	0	0	0	7,186	7,186
Capital Projects	0	0	7,628	0	7,628
Total Disbursements	**78,226**	**81,655**	**11,971**	**7,233**	**179,085**
Other Financing Sources (Uses):					
Transfers from Other Funds	33,997	2,230	3,533	3,680	43,440
Transfers to Other Funds	(6,512)	(2,218)	(1,606)	(33,245)	(43,581)
Bond and Note Proceeds	0	0	264	0	264
Net Other Financing Sources (Uses)	**27,485**	**12**	**2,191**	**(29,565)**	**123**
Use (Reservation) of Fund Balance:					
Community Projects	8	0	0	0	8
Extraordinary Monetary Settlements	855	0	0	0	855
Total Use (Reservation) of Fund Balance	**863**	**0**	**0**	**0**	**863**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,946)**	**1,084**	**(23)**	**9**	**(5,876)**
Adherence to 2% Spending Benchmark*	**5,548**	**0**	**0**	**0**	**5,548**
Net Surplus (Deficit)	**(1,398)**	**1,084**	**(23)**	**9**	**(328)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, a budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. 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	42,605	6,262	1,405	37,812	88,084
Miscellaneous Receipts	1,883	16,492	6,145	468	24,988
Federal Receipts	0	61,853	2,187	72	64,112
Total Receipts	44,488	84,607	9,737	38,352	177,184
Disbursements:					
Local Assistance	59,461	71,512	4,186	0	135,159
State Operations:					
Personal Service	9,388	5,787	0	0	15,175
Non-Personal Service	3,201	4,225	0	47	7,473
General State Charges	9,127	1,493	0	0	10,620
Debt Service	0	0	0	7,090	7,090
Capital Projects	0	0	7,447	0	7,447
Total Disbursements	81,177	83,017	11,633	7,137	182,964
Other Financing Sources (Uses):					
Transfers from Other Funds	35,244	2,360	3,137	3,361	44,102
Transfers to Other Funds	(6,117)	(2,143)	(1,482)	(34,506)	(44,248)
Bond and Note Proceeds	0	0	238	0	238
Net Other Financing Sources (Uses)	29,127	217	1,893	(31,145)	92
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	605	0	0	0	605
Total Use (Reservation) of Fund Balance	605	0	0	0	605
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	(6,957)	1,807	(3)	70	(5,083)
Adherence to 2% Spending Benchmark*	6,470	0	0	0	6,470
Net Surplus (Deficit)	(487)	1,807	(3)	70	1,387

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, a budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. 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 Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2019 January Projected	February Projected	March Projected	Total
OPENING BALANCE	9,445	9,938	5,130	6,313	5,445	4,859	6,671	6,800	4,196	6,071	12,468	11,756	9,445
RECEIPTS:													
Personal Income Tax	2,928	1,092	2,476	1,442	1,529	2,408	1,430	971	2,171	3,389	1,497	1,413	22,746
Consumption/Use Taxes	544	580	799	599	575	775	583	585	767	627	521	692	7,647
Business Taxes	346	(120)	1,020	154	66	1,121	98	41	1,294	(148)	74	1,680	5,626
Other Taxes	52	82	71	102	94	94	93	93	92	92	92	94	1,051
Total Taxes	3,870	1,634	4,366	2,297	2,264	4,398	2,204	1,690	4,324	3,960	2,184	3,879	37,070
Abandoned Property	1	0	0	0	0	40	5	150	25	25	0	204	450
ABC License Fee	6	7	7	6	5	6	5	5	5	5	6	3	66
Investment Income	17	10	11	7	0	0	0	0	0	0	0	(5)	40
Licenses, Fees, etc.	51	43	58	63	43	50	70	45	68	70	50	59	670
Motor Vehicle Fees	30	25	13	2	28	27	21	22	27	25	27	22	269
Reimbursements	(17)	(54)	106	17	7	7	7	7	7	7	7	6	107
Extraordinary Settlements	108	74	205	16	0	0	0	0	0	0	0	0	403
Other Transactions	24	100	(17)	49	31	107	54	31	70	33	31	(96)	417
Total Miscellaneous Receipts	220	205	383	160	114	237	162	260	202	165	121	193	2,422
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	1,442	1,622	2,103	1,430	982	2,092	5,737	1,211	610	23,714
ECET in Excess of Revenue Bond Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax in Excess of LGAC	249	218	405	283	264	333	266	269	358	285	244	(18)	3,156
Sales Tax Bond Fund	187	187	291	212	193	325	190	192	282	208	167	323	2,757
Real Estate Taxes in Excess of CW/CA Debt Service	74	92	88	82	95	97	82	84	74	86	84	60	998
All Other	101	81	86	66	107	195	115	120	107	145	206	1,494	2,823
Total Transfers from Other Funds	3,539	1,648	3,357	2,085	2,281	3,053	2,083	1,647	2,913	6,461	1,912	2,469	33,448
TOTAL RECEIPTS	7,629	3,487	8,106	4,542	4,659	7,688	4,449	3,597	7,439	10,586	4,217	6,541	72,940
DISBURSEMENTS:													
School Aid	1,113	3,526	1,566	371	610	1,621	902	1,625	2,106	518	759	8,444	23,161
Higher Education	25	43	267	1,154	102	194	95	35	200	68	341	540	3,064
All Other Education	42	46	51	299	509	279	45	190	185	42	256	398	2,342
Medicaid - DOH	1,523	1,924	1,381	1,215	1,326	793	1,066	1,676	675	1,273	1,052	434	14,338
Public Health	39	191	38	49	52	71	35	43	43	36	45	28	670
Mental Hygiene	150	36	323	150	51	356	120	46	366	138	156	341	2,233
Children and Families	12	35	41	101	113	296	113	113	296	113	158	296	1,687
Temporary & Disability Assistance	67	95	98	104	166	109	104	104	108	104	104	117	1,280
Transportation	46	69	61	47	32	0	0	24	11	0	12	2	304
Unrestricted Aid	0	11	388	2	0	106	7	0	185	0	0	66	765
All Other	18	43	84	17	73	127	101	105	116	101	120	299	1,204
Total Local Assistance	3,035	6,019	4,298	3,509	3,034	3,952	2,588	3,961	4,291	2,393	3,003	10,965	51,048
Personal Service	668	846	684	726	859	645	826	642	657	812	689	672	8,726
Non-Personal Service	164	282	221	183	246	270	254	274	233	268	280	372	3,047
Total State Operations	832	1,128	905	909	1,105	915	1,080	916	890	1,080	969	1,044	11,773
General State Charges	2,707	368	470	318	311	429	553	439	404	491	513	522	7,525
Debt Service	192	38	20	127	(3)	(42)	236	0	(2)	337	(25)	(51)	827
Capital Projects	54	468	818	333	727	580	(205)	630	(130)	(129)	452	(341)	3,257
State Share Medicaid	(29)	0	0	0	0	0	0	0	0	0	0	29	0
SUNY Operations	218	218	218	182	0	0	0	182	10	0	0	6	1,034
Other Purposes	127	56	194	32	71	42	68	73	101	17	17	324	1,122
Total Transfers to Other Funds	562	780	1,250	674	795	580	99	885	(21)	225	444	(33)	6,240
TOTAL DISBURSEMENTS	7,136	8,295	6,923	5,410	5,245	5,876	4,320	6,201	5,564	4,189	4,929	12,498	76,586
Excess/(Deficiency) of Receipts over Disbursements	493	(4,808)	1,183	(868)	(586)	1,812	129	(2,604)	1,875	6,397	(712)	(5,957)	(3,646)
CLOSING BALANCE	9,938	5,130	6,313	5,445	4,859	6,671	6,800	4,196	6,071	12,468	11,756	5,799	5,799

Source: NYS DOB.