

*Update to  
Annual Information Statement  
State of New York*

**October 17, 2019**



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# *Introduction*



This Annual Information Statement (AIS) Update (the “AIS Update”) is dated October 17, 2019 and contains information only through that date. This AIS Update constitutes the official disclosure regarding the financial position of the State of New York (the “State”) and related matters and is the first quarterly update to the AIS dated June 12, 2019 (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 2020 (the “Financial Plan”), issued by the Division of the Budget (DOB) in August 2019. The Financial Plan (which is available on the DOB website, [www.budget.ny.gov](http://www.budget.ny.gov)) includes a summary of first quarter operating results for FY 2020 (quarter ended June 30, 2019) and updates to the State’s official financial projections for FY 2020 through FY 2023<sup>1</sup>. Except for the specific revisions described in these extracts, the projections (and the assumptions upon which these are based) in the Financial Plan are consistent with the projections set forth in the FY 2020 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 2019 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 on certain public authorities of the State.
5. Updated information regarding the State Retirement System.
6. The status of significant litigation that has the potential to adversely affect the State’s finances.
7. Financial Plan tables that summarize actual General Fund receipts and disbursements for fiscal year 2019 and projected receipts and disbursements for fiscal years 2020 through 2023 on a General Fund, State Operating Funds and All Governmental Funds basis.

DOB is responsible for preparing the State’s 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.

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<sup>1</sup> The State fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2020 (“FY 2020”) is the fiscal year that began on April 1, 2019 and will end on March 31, 2020.

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain estimates, 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 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. 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; cybersecurity events; impediments to the implementation of gap-closing actions; regulatory initiatives and compliance with governmental regulations; litigation; Federal tax law changes; actions by the Federal government to reduce or disallow expected aid, including Federal aid authorized or appropriated by Congress but subject to sequestration, administrative actions, or other actions that would reduce aid to the State; and various other events, conditions and circumstances. Many of 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](http://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 2019 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](http://www.osc.state.ny.us). The Basic Financial Statements for FY 2019 can also be accessed through EMMA at [www.emma.msrb.org](http://www.emma.msrb.org).

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

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***Budgetary/  
Accounting Practices***



### ***Significant Budgetary/Accounting Practices***

Unless clearly noted otherwise, all financial information is presented on a cash basis of accounting.<sup>2</sup>

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 Financial Plan tables present State projections and results by fund and category.

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

The State's **General Fund** receives most State taxes and all income not earmarked for a specified program or activity. State law requires the Governor to submit, and the Legislature to enact, a General Fund budget that is balanced on a cash basis of accounting. The State Constitution and State Finance Law do not provide a precise definition of budget balance. In practice, the General Fund is considered balanced if sufficient resources are, or are expected to be, available during the fiscal year for the State to: (a) make all planned payments, including Personal Income Tax (PIT) refunds, without the issuance of deficit notes or bonds, or extraordinary cash management actions, (b) restore the balances in the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund (collectively, the "Rainy Day Reserves") 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, including 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 Financial Plan is generally weighted toward the General Fund.

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<sup>2</sup> 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. DOB does not use it as a benchmark for managing State finances during the fiscal year and does not update it on a quarterly basis. The GAAP-basis financial plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by the Office of the State Comptroller (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.

At times, DOB will informally designate unrestricted balances in the General Fund for specific policy goals (e.g., the payment of costs related to potential labor agreements 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 on 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 Project Funds and Federal Funds is excluded). As a significant amount of financial activity occurs in funds outside of the General Fund, the State Operating Funds perspective is, in DOB’s view, a more comprehensive measure of operations funded with State resources (e.g., taxes, assessments, fees and tuition). The State Operating Funds perspective eliminates certain distortions in operating activities that may be caused by, among other things, the State’s complex fund structure and the transfer of money between funds. For example, the State funds its share of the Medicaid program from both the General Fund and State Special Revenue Funds. The State Operating Funds perspective captures Medicaid disbursements from both fund types, giving a more complete accounting of State-funded Medicaid disbursements. Accordingly, projections often emphasize 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.

Financial Plan projections contained herein reflect some actions that have affected, or are intended to affect, the amount of annual spending reported on a State Operating Funds basis. Such actions include but are not limited to: (a) 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; (b) payment of certain operating costs using available resources outside the State Operating Funds basis of reporting; (c) restructuring of the STAR program such that certain benefits are provided as a tax credit (which is recorded as a reduction in receipts) rather than a tax exemption (which is recorded as a disbursement), consistent with other State tax credits; (d) appropriation of certain operating costs for the Department of Transportation (DOT) and Department of Motor Vehicles (DMV) from the General Fund instead of the DHBTF, a change which increases reported disbursements from State Operating Funds; (e) no longer appropriating certain receipts payable to the Metropolitan Transportation Authority (MTA), the largest of which is the Payroll Mobility Tax (“Mobility Tax” or PMT); (f) modification of business practices and transaction processing to eliminate the double-count of certain disbursements related to mental hygiene and higher education programs; and (g) reclassification as Enterprise Funds of certain activities in which goods or services are provided to the public for a fee. If these or other transactions are not executed or reported in a manner consistent with DOB’s interpretation of the legislation and legislative intent, annual spending growth in State Operating Funds would be higher than projections.

The State also reports disbursements and receipts activity for **All Governmental Funds** (All Funds), which includes spending from Capital Project Funds and Federal Funds, in addition to State Operating Funds. The All Funds basis provides the most comprehensive view of the cash-basis financial operations of the State.

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

The General Fund budget gap and surplus projections for FY 2021 and thereafter reflect savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets that limit annual growth in State Operating Funds spending 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.” Projections are subject to many risks and uncertainties, as well as future budgetary decisions and other factors that are currently unknown. There can be no assurance that spending growth will be held to no greater than 2 percent or that all savings from limiting spending growth will be made available to the General Fund. If the 2 percent annual State Operating Funds spending growth benchmark is exceeded, projected budget gaps would be higher (or projected surpluses would be lower).

Differences may occur from time to time between DOB and OSC's financial reports in presentation and reporting of receipts and disbursements. For example, DOB may reflect a net expenditure while OSC may report the gross expenditure. Any such differences in reporting between DOB and OSC could result in differences in the presentation and reporting of receipts and disbursements for discrete funds, as well as differences in the presentation and reporting for total receipts and disbursements under different fund perspectives (e.g., State Operating Funds and All Governmental Funds).







***Overview of the  
Updated Financial Plan***



The following table provides certain Financial Plan information for FY 2019 and FY 2020, as of the First Quarterly Update to the Financial Plan.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES (millions of dollars)			
	FY 2019	FY 2020	
	Results	Enacted	First Quarter
<b>State Operating Funds Disbursements</b>			
Size of Budget	\$100,137	\$102,117	\$102,153
Annual Growth	2.0%	2.0%	2.0%
<b>Other Disbursement Measures</b>			
General Fund (Including Transfers) <sup>1</sup>	\$72,783	\$77,857	\$77,826
Annual Growth	4.4%	7.0%	6.9%
Capital Budget (Federal and State)	\$12,266	\$13,790	\$14,043
Annual Growth	15.3%	12.4%	14.5%
Federal Operating Aid	\$58,472	\$61,120	\$59,921
Annual Growth	6.4%	4.5%	2.5%
All Funds	\$170,875	\$177,027	\$176,117
Annual Growth	4.4%	3.6%	3.1%
Capital Budget (Including "Off-Budget" Capital) <sup>2</sup>	\$12,783	\$14,341	\$14,595
Annual Growth	13.3%	12.2%	14.2%
All Funds (Including "Off-Budget" Capital) <sup>2</sup>	\$171,392	\$177,578	\$176,669
Annual Growth	4.3%	3.6%	3.1%
<b>Inflation (CPI)</b>	2.3%	2.0%	2.0%
<b>All Funds Receipts</b>			
Taxes	\$75,578	\$81,305	\$81,273
Annual Growth	-4.7%	7.6%	7.5%
Miscellaneous Receipts	\$31,184	\$29,013	\$29,347
Annual Growth	14.4%	-7.0%	-5.9%
Federal Receipts (Operating and Capital)	\$61,344	\$64,794	\$66,324
Annual Growth	4.1%	5.6%	8.1%
Total All Funds Receipts	\$168,106	\$175,112	\$176,944
Annual Growth	1.6%	4.2%	5.3%
<b>General Fund Cash Balance</b>	\$7,206	\$6,466	\$6,499
Rainy Day Reserves	\$2,048	\$2,476	\$2,476
Extraordinary Monetary Settlements	\$4,194	\$2,640	\$2,640
Economic Uncertainties	\$0	\$829	\$862
All Other Reserves/Fund Balances	\$964	\$521	\$521
<b>Debt</b>			
Debt Service as % All Funds Receipts	4.0%	3.0%	3.0%
State-Related Debt Outstanding	\$53,528	\$57,271	\$57,527
Debt Outstanding as % Personal Income	4.0%	4.1%	4.2%
<b>State Workforce FTEs (Subject to Direct Executive Control)</b>	117,967	119,491	119,491
<sup>1</sup> Includes the planned transfer of Extraordinary Monetary Settlements from the General Fund to other funds to support designated purposes.			
<sup>2</sup> Includes capital spending that occurs outside the All Funds budget financed directly from State-supported bond proceeds held by public authorities.			

*Except for the specific revisions described herein, the projections (and the assumptions upon which these are based) in the Financial Plan and this AIS Update are consistent with the projections set forth in the Enacted Budget Financial Plan described in the AIS. Please see “Other Matters Affecting the Financial Plan” for subsequent developments.*

## Summary

Operating results through the first quarter of FY 2020 were mostly in line with expectations. Accordingly, the revisions to the Financial Plan are generally limited to developments since the release of the Enacted Budget Financial Plan.<sup>3</sup>

The following table summarizes the General Fund changes:

<b>SUMMARY OF REVISIONS</b>				
<b>GENERAL FUND BUDGETARY BASIS OF ACCOUNTING</b>				
<b>SAVINGS/(COSTS)</b>				
<b>(millions of dollars)</b>				
	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
	<b>Updated</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
<b>ENACTED BUDGET SURPLUS/(GAP)</b>	<b>0</b>	<b>(3,913)</b>	<b>(4,142)</b>	<b>(4,691)</b>
<b>Receipts Changes</b>	<b>2</b>	<b>(71)</b>	<b>(71)</b>	<b>(31)</b>
Tax Receipts	(27)	(38)	(27)	(27)
Debt Service	(4)	(33)	(44)	(4)
Extraordinary Monetary Settlements	33	0	0	0
<b>Spending Changes</b>	<b>31</b>	<b>(3)</b>	<b>30</b>	<b>40</b>
Local Assistance	9	0	0	0
Agency Operations	6	(18)	10	15
All Other	16	15	20	25
<b>Use/(Reserve) of Balances</b>	<b>(33)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Economic Uncertainties	(33)	0	0	0
<b>FIRST QUARTERLY UPDATE BUDGET SURPLUS/(GAP) <sup>1</sup></b>	<b>0</b>	<b>(3,987)</b>	<b>(4,183)</b>	<b>(4,682)</b>
<b>Adherence to 2% SOF Spending - Calculated Savings <sup>2</sup></b>	<b>0</b>	<b>3,752</b>	<b>5,046</b>	<b>6,736</b>
<b>FIRST QUARTERLY UPDATE SURPLUS/(GAP)</b>	<b>0</b>	<b>(235)</b>	<b>863</b>	<b>2,054</b>

<sup>1</sup> Before actions to adhere to the 2 percent benchmark.

<sup>2</sup> Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2020 estimate) and assuming all savings are made available to the General Fund.

<sup>3</sup> Technical changes to the Enacted Budget Financial Plan include revisions to align certain estimates with actual results to date and updated expectations that do not have an aggregate spending impact as they generally move estimates between financial plan categories (e.g., reclassification of spending from local assistance to personal service and non-personal service). Other technical changes include revisions to the level of General Fund transfers to other funds to support anticipated spending in such funds.

The Financial Plan has been updated to reflect bills approved in the 2019 Legislative session following the enactment of the FY 2020 budget (the “Enacted Budget”), which ended in June 2019. Corporate Franchise Tax (CFT) projections have been reduced to reflect the exemption of 95 percent of Global Intangible Low-Taxed Income (GILTI) beginning in tax year 2019. In addition, the Financial Plan reflects debt service cost for capital projects approved after the Enacted Budget. 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 Financial Plan updates, as appropriate.

Since publication of the Enacted Budget Financial Plan, the State has received a \$33 million settlement payment from the Bank of Tokyo-Mitsubishi UFJ, Ltd. (“MUFG Bank”) for violations of New York State laws and regulations. This payment has been added to the reserve for economic uncertainties in the General Fund.

On July 18, 2019, the New York State Police Investigators Association (NYSPIA) ratified a collective bargaining agreement with the State covering FY 2019 through FY 2023. The agreement provides for 2 percent general salary increases in each year of the contract period, and additional compensation changes, which are partly offset by changes in the design of health insurance benefits. The cost of this agreement is estimated to be roughly \$15 million in FY 2020 and has been reflected in the multi-year spending projections for State Police.

In addition, spending projections for the State Police have been updated to reflect salary increases for State troopers pursuant to the agreement reached last year with the Police Benevolent Association of the New York State Troopers (NYSTPBA). Higher State Police spending is offset by reserves set aside for retroactive labor agreements and updated fringe benefit savings associated with existing labor deals.

In October 2019, the Graduate Student Employees Union (GSEU) voted to ratify a four-year labor agreement that provides 2 percent general salary increases annually for 2020 through 2023. The ratified agreement costs an estimated \$2 million in FY 2020 and will be reflected in the Mid-Year Update to the Financial Plan. The State University of New York (SUNY) is responsible for funding the cost of the agreement.

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

## ***First Quarter Operating Results (General Fund)***

General Fund receipts, including transfers from other funds, totaled \$23.8 billion through June 2019, \$323 million higher than planned. PIT collections were \$391 million higher than projected but were partially offset by lower consumption/use taxes and estate tax payments. General Fund disbursements, including transfers to other funds, totaled \$24.4 billion, \$1 billion lower than projected. The lower than projected spending is due mainly to certain payments made in July 2019 rather than during the first quarter of FY 2020. However, Medicaid spending has continued to exceed estimates through the first quarter of FY 2020. A discussion of the imbalance in the Medicaid Global Cap is described in “Other Matters Affecting the Financial Plan – Medicaid Global Cap.” The current Financial Plan estimates described in this AIS Update do not reflect the estimated imbalance in the Medicaid Global Cap, or the actions expected to be taken to address it. DOB expects to provide additional information in the Mid-Year Update to the FY 2020 Financial Plan.

The State ended June 2019 with a General Fund balance of \$6.6 billion, \$1.3 billion above the estimate in the Enacted Budget Financial Plan. See “April-June 2019 Operating Results” herein.

State Operating Funds disbursements for FY 2020 are expected to total \$102.2 billion, an increase of \$36 million compared to the Enacted Budget Financial Plan. The higher spending is mainly attributable to salary increases pursuant to labor agreements. The annual growth in disbursements is estimated at 2 percent.

The estimate for FY 2020 All Funds spending has been revised downward by \$910 million compared to the Enacted Budget Financial Plan and is mainly due to a \$1.1 billion reduction to planned Federal spending for the Essential Plan (EP). The Enacted Budget Financial Plan reflected the use of EP resources to fund quality improvement plan payments to certain health care providers. The reduction in Federal spending is partly offset by an increase of \$253 million for capital projects spending for projects approved after FY 2020 budget enactment. The capital projects total \$1.3 billion and will support transportation and transit (\$585 million); economic and community development (\$495 million), including \$100 million for the Lake Ontario Resiliency and Economic Development Program; public housing (\$120 million); and education (\$70 million). Spending for these purposes is expected to occur over a multi-year period and will be funded with bond proceeds.

## Annual Spending Growth

State Operating Funds spending is estimated to total \$102.2 billion in FY 2020, an increase of 2 percent over FY 2019 results. The table below summarizes the sources of the annual change.

STATE OPERATING FUNDS DISBURSEMENTS				
FY 2019 TO FY 2020				
(millions of dollars)				
	FY 2019 Results	FY 2020 Updated	Annual Change	
			\$	%
<b>LOCAL ASSISTANCE</b>	<b>66,177</b>	<b>68,462</b>	<b>2,285</b>	<b>3.5%</b>
School Aid (School Year Basis)	26,843	27,856	1,013	3.8%
DOH Medicaid <sup>1</sup>	20,476	21,686	1,210	5.9%
Transportation	3,938	3,549	(389)	-9.9%
STAR <sup>2</sup>	2,423	2,176	(247)	-10.2%
Social Services	2,798	2,871	73	2.6%
Higher Education	2,980	2,976	(4)	-0.1%
Mental Hygiene <sup>3</sup>	2,150	1,989	(161)	-7.5%
All Other <sup>4</sup>	4,569	5,359	790	17.3%
<b>STATE OPERATIONS/GENERAL STATE CHARGES</b>	<b>27,261</b>	<b>28,521</b>	<b>1,260</b>	<b>4.6%</b>
<b>State Operations</b>	<b>19,057</b>	<b>19,754</b>	<b>697</b>	<b>3.7%</b>
Personal Service:	<u>13,687</u>	<u>14,261</u>	<u>574</u>	<u>4.2%</u>
Executive Agencies	7,526	7,682	156	2.1%
Retroactive Labor Agreements	0	185	185	--
University Systems	4,000	4,241	241	6.0%
Elected Officials	2,161	2,153	(8)	-0.4%
Non-Personal Service:	<u>5,370</u>	<u>5,493</u>	<u>123</u>	<u>2.3%</u>
Executive Agencies	2,706	2,828	122	4.5%
University Systems	2,097	2,070	(27)	-1.3%
Elected Officials	567	595	28	4.9%
<b>General State Charges</b>	<b>8,204</b>	<b>8,767</b>	<b>563</b>	<b>6.9%</b>
Pension Contribution	2,431	2,472	41	1.7%
Health Insurance	4,193	4,312	119	2.8%
Other Fringe Benefits/Fixed Costs	1,580	1,983	403	25.5%
<b>DEBT SERVICE</b>	<b>6,699</b>	<b>5,170</b>	<b>(1,529)</b>	<b>-22.8%</b>
<b>TOTAL STATE OPERATING FUNDS</b>	<b>100,137</b>	<b>102,153</b>	<b>2,016</b>	<b>2.0%</b>
<b>Capital Projects (State and Federal Funds)</b>	<b>12,266</b>	<b>14,043</b>	<b>1,777</b>	<b>14.5%</b>
<b>Federal Operating Aid</b>	<b>58,472</b>	<b>59,921</b>	<b>1,449</b>	<b>2.5%</b>
<b>TOTAL ALL GOVERNMENTAL FUNDS</b>	<b>170,875</b>	<b>176,117</b>	<b>5,242</b>	<b>3.1%</b>

<sup>1</sup> Total State share Medicaid funding, prior to the spending offset from the application of Master Settlement Agreement (MSA) payments, which are deposited directly to a Medicaid Escrow Fund to cover a portion of the State's takeover of Medicaid costs for counties and New York City. The value of the offset is reported in "All Other" local assistance disbursements.

<sup>2</sup> The conversion of benefit payments to a State PIT credit decreases reported disbursements for STAR and decreases reported PIT receipts by an identical amount. There is no impact on STAR benefits received by homeowners.

<sup>3</sup> Mental Hygiene spending is estimated at \$4.0 billion in FY 2020, an increase of 6.0 percent from FY 2019. However, a large portion is funded under the Medicaid Global Cap.

<sup>4</sup> "All Other" includes spending for public health, special and other education, local government assistance, parks, environment, economic development, and public safety. It also includes reclassifications among financial plan categories, a reconciliation between school year and State fiscal year spending for School Aid, and MSA payments deposited directly to a Medicaid Escrow Fund (\$444 million in FY 2019 and \$315 million in FY 2020), which reduces reported disbursements.

## ***State Operating Funds – Summary of Annual Spending Change***

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

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, creating significant mandate relief for counties. In FY 2017, the State enacted a law that provides scheduled increases in the minimum wage. In 1970, the State's minimum wage was \$1.85. Over the following 45 years, the State increased the minimum wage sporadically, with long periods between changes. These two policy initiatives alone add an estimated \$2.4 billion to FY 2020 State spending.

### ***Local Assistance***

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as benefit entitlement payments to individuals. Local assistance comprises roughly 67 percent of State Operating Funds spending. Medicaid and School Aid are the State's largest local aid programs, comprising over 45 percent of State Operating Funds spending.

In School Year (SY) 2020, School Aid is expected to total \$27.9 billion, an increase of \$1 billion (3.8 percent), including a \$618 million increase in Foundation Aid. Medicaid spending subject to the Medicaid spending cap ("Global Cap") is projected to grow at the indexed rate of 3 percent (\$568 million) to \$19.4 billion. Total Medicaid spending, which includes the cost of minimum wage increases and the takeover of local government Medicaid growth outside of the Global Cap, is expected to increase by \$1.2 billion to \$21.7 billion in FY 2020. To limit disbursements to the level authorized under the Global Cap, the Department of Health (DOH) and DOB actively manage the timing of payments. In FY 2019, this included the deferral of \$1.7 billion in payments from FY 2019 to FY 2020. The current estimate for Medicaid in FY 2020 assumes that spending will be limited to the Global Cap level. Additional information on Medicaid cash management, budgetary risks and uncertainties can be found in the "Other Matters Affecting the Financial Plan" section herein.

Reported disbursements for transportation are expected to decline in FY 2020, mainly due to one-time aid payments made in FY 2019 and changes in the accounting and flow of funds to the Metropolitan Transportation Authority (MTA). In FY 2019, the State made an extraordinary operating aid payment of \$194 million for the Subway Action Plan and remitted \$135 million in residual Payroll Mobility Tax (PMT) collections held in fund balances to the MTA. In addition, several taxes and fees collected by the State and remitted to the MTA are no longer subject to annual appropriation by the State Legislature. Previously, the State collected these revenues on behalf of, and disbursed the entire amount to, the MTA. These taxes are now expected to be remitted directly to the MTA, increasing timeliness and removing any uncertainty related to the annual appropriation process. Accordingly, beginning in FY 2020, the Financial Plan does not include the receipts and



related local assistance disbursements for these taxes and fees (estimated at approximately \$300 million).<sup>4</sup> The annual decline is offset in part by increased disbursements from transportation funds supported by expected growth in dedicated resources and use of existing balances.

School Tax Relief (STAR) spending is affected by the continuing conversion of benefit payments from a real property tax exemption to a personal income tax credit. By shifting taxpayers to the credit program, the State is able to more efficiently administer the program while strengthening its ability to prevent abuse. The conversion initially had no impact on the value of STAR benefits available to taxpayers. The FY 2020 Budget amended the program so that homeowners who receive the exemption and who move may see an increase in their STAR benefit upon transitioning to a PIT credit. For the State, the conversion decreases both the level of reported PIT receipts and reported State Operating Funds disbursements by an identical amount (\$938 million in FY 2019 and an estimated \$1.2 billion in FY 2020).<sup>5</sup>

The increase in social services spending is due to a one-time change in the timing of Safety Net Program payments in FY 2019, which is partly offset by the use of available Temporary Assistance for Needy Families (TANF) funding to offset State costs in Child Care and Advantage After School Programs, deferral of the FY 2020 human services cost-of-living adjustment (COLA), and a new requirement for New York City (NYC) to fund a share of the Family Assistance Program.

Higher Education spending in FY 2020 is expected to increase due to growth in tuition assistance programs (TAP), including the third phase of the Excelsior Free Tuition Program, and higher City University of New York (CUNY) fringe benefit costs funded by the State. However, the reported growth is offset by a change in accounting for TAP payments made to State-operated SUNY campuses. Beginning in FY 2020, Higher Education Services Corporation (HESC) TAP payments made to SUNY on behalf of student recipients will now be reflected as a transfer to SUNY, similar to the treatment of Medicaid payments made to State-operated health facilities on behalf of Medicaid recipients. This change eliminates recording payments twice on a State Operating Funds basis – first as local assistance payments from the General Fund to SUNY and again as operating expenses for SUNY.

Mental hygiene spending is estimated at \$4 billion in FY 2020, an increase of \$220 million from FY 2019. The growth reflects enhancements in community mental health services, community-based employment opportunities for individuals with disabilities, increased funding to not-for-profit providers for minimum wage increases, and additional resources to address the heroin and opioid crisis. In addition, the Enacted Budget provides funding to support a 4 percent raise for direct care workers over the next two years and a 2 percent raise for clinical workers serving the mental hygiene community. In FY 2020, \$2 billion of the \$4 billion total spent on mental hygiene is reported under the Global Cap, an increase of \$381 million from FY 2019. This reporting format has the effect of reducing the amount of spending reported as “mental hygiene” spending.

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<sup>4</sup> This is in addition to the PMT, which was no longer appropriated starting in FY 2019.

<sup>5</sup> STAR benefits paid through tax exemptions are recorded as disbursements. STAR benefits paid as tax credits are recorded as a reduction in net tax receipts.

## State Operations/General State Charges

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies, utilities) and comprise more than a quarter of State Operating Funds spending.

Spending for executive agency operations is impacted by the retroactive payments of salary increases in FY 2020 for labor agreements reached with the unions representing correctional officers, State troopers and police investigators. In general, agencies have funded and are expected to continue to fund salary increases within their operating budgets. However, exceptions have been made for retroactive salary payments and increases for certain agencies that provide institutional care (e.g., Department of Corrections and Community Supervision (DOCCs) and mental hygiene agencies), as well as the State Police.

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS (millions of dollars)			
	FY 2019 Results	FY 2020 Updated	Change
<b>Executive Agencies (Excluding Retroactive Payments)</b>	<b>10,232</b>	<b>10,510</b>	<b>2.7%</b>
Executive Agencies	10,232	10,695	4.5%
Retroactive Labor Agreements (Prior-Year Costs)	0	(185)	--

Operating spending for SUNY is estimated to grow by 3.5 percent in FY 2020 and includes the cost of a six-year collective bargaining agreement through academic year (AY) 2022. Operating costs for independently elected offices (Attorney General, Comptroller, Judiciary, and Legislature) are expected to increase by 0.7 percent in FY 2020.

Spending on fringe benefits is expected to increase mainly due to rising health care and prescription drug costs for State employees and retirees, and Workers' Compensation expenses. The annual change is also affected by one-time savings in FY 2019 from the automation of fringe benefit bills payable by State agencies.

## Debt Service

Debt service consists of principal, interest, and related expenses paid on State debt. Debt service is projected to decline from FY 2019 to FY 2020 due to the payment of FY 2020 debt service in FY 2019. The prepayment of debt service has been executed each year since FY 2010. DOB determines the level of prepayments each year based on operating results, resources on hand, and other factors. The Financial Plan includes the planned prepayment of \$200 million of FY 2021 expenses in FY 2020. In FY 2020, the effect of prepayments is offset in part by expected growth in debt service on State-supported debt.

## General Fund Cash-Basis Financial Plan

The Enacted Budget is balanced on a cash basis in the General Fund. General Fund receipts, including transfers from other funds, are expected to total \$77.1 billion. Disbursements, including transfers to other funds, are estimated at \$77.8 billion. The General Fund closing balance is projected to be reduced by roughly \$707 million reflecting the planned use of reserves set aside for payments that did not occur as previously expected in FY 2019, and the use of Extraordinary Monetary Settlements to support spending from the Dedicated Infrastructure Investment Fund (DIIF) and other funds for authorized purposes.

The following table summarizes the General Fund annual change from FY 2019 to FY 2020.

GENERAL FUND FINANCIAL PLAN (millions of dollars)				
	FY 2019 Results	FY 2020 Updated	Annual Change	
			Dollar	Percent
<b>Opening Fund Balance</b>	9,445	7,206	(2,239)	-23.7%
<b>Total Receipts</b>	<u>70,544</u>	<u>77,119</u>	<u>6,575</u>	<u>9.3%</u>
Taxes <sup>1</sup>	63,957	71,329	7,372	11.5%
Miscellaneous Receipts	3,586	2,890	(696)	-19.4%
Non-Tax Transfers from Other Funds	3,001	2,900	(101)	-3.4%
<b>Total Disbursements</b>	<u>72,783</u>	<u>77,826</u>	<u>5,043</u>	<u>6.9%</u>
Local Assistance	49,745	52,091	2,346	4.7%
State Operations	18,480	19,621	1,141	6.2%
Transfers to Other Funds	4,558	6,114	1,556	34.1%
<b>Net Change in Operations</b>	(2,239)	(707)	1,532	68.4%
<b>Closing Fund Balance</b>	<u>7,206</u>	<u>6,499</u>	<u>(707)</u>	<u>-9.8%</u>
Rainy Day Reserves	2,048	2,476	428	
Economic Uncertainties	0	862	862	
Reserve for Timing of Payments	408	0	(408)	
All Other Reserves/Balances	556	521	(35)	
Extraordinary Monetary Settlements	4,194	2,640	(1,554)	

<sup>1</sup> Includes the transfer of tax receipts from other funds after debt service.

General Fund receipts and disbursements, as well as fund balances, are affected by the receipt and use of Extraordinary Monetary Settlements. The table below summarizes the General Fund sources and uses of Extraordinary Monetary Settlements.<sup>6</sup> The discussions of receipts and disbursements that follow exclude the impact of Extraordinary Monetary Settlements, which principally affect reported miscellaneous receipts and capital projects transfers.

<b>GENERAL FUND FINANCIAL PLAN</b>				
<b>EXTRAORDINARY MONETARY SETTLEMENTS</b>				
<b>(millions of dollars)</b>				
	<b>FY 2019</b>	<b>FY 2020</b>	<b>Annual Change</b>	
			<b>Results</b>	<b>Updated</b>
<b>Opening Balance</b>	5,020	4,194	(826)	-16.5%
<b>Total Receipts</b>	1,106	862	(244)	-22.1%
Settlements Received/Expected	1,186	862	(324)	-27.3%
Funds Retained by Dept. of Law	(80)	0	80	100.0%
<b>Total Uses</b>	1,932	2,416	484	25.1%
Capital Purposes	769	1,316	547	71.1%
MTA Operating Aid	194	0	(194)	-100.0%
General Fund Operations	719	0	(719)	-100.0%
Rainy Day Reserves	250	238	(12)	-4.8%
Economic Uncertainties	0	862	862	--
<b>Net Change in Operations</b>	(826)	(1,554)	(728)	-88.1%
<b>Closing Balance</b>	4,194	2,640	(1,554)	-37.1%

<sup>6</sup> More information on the receipt and use of Extraordinary Monetary Settlements can be found in “Other Matters Affecting the Financial Plan” herein.

**Receipts<sup>7</sup>**

General Fund receipts, including transfers from other funds, are projected to total \$76.3 billion in FY 2020, an increase of \$6.8 billion (9.8 percent) from FY 2019 results. The annual change is affected by taxpayers responding to the Tax Cuts and Jobs Act (TCJA) by shifting estimated PIT payments, typically made on a quarterly basis, into the extension and final payments period. Specifically, FY 2020 receipts are positively affected by an increase in extension and final payments at the expense of FY 2019 estimated payments.

PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are estimated to total \$48.5 billion, an increase of \$5.6 billion (12.9 percent) from FY 2019 results. A large share of the increase in FY 2020 is due to a shift in estimated payments from FY 2019 to FY 2018.

Consumption/use tax receipts, including transfers after payment of debt service on the Local Government Assistance Corporation (LGAC) and Sales Tax Revenue Bonds, are estimated to total \$14.6 billion in FY 2020, an increase of \$1.2 billion (8.8 percent) from FY 2019 results. The increase mainly reflects projected growth in disposable income and taxable consumption.

Business tax receipts are estimated at \$6.1 billion in FY 2020, an increase of \$576 million (10.5 percent) from FY 2019 results. The growth is primarily attributable to new for-profit insurance providers subject to premium insurance tax, partially offset by a large refund that was processed in April 2019 instead of March 2019.

Other tax receipts, including transfers after payment of debt service on Clean Water/Clean Air (CW/CA) Bonds and transfers after payment of debt service on revenue bonds, are expected to total \$2.1 billion in FY 2020, an increase of \$44 million (2.2 percent) from FY 2019 results.

Non-tax receipts and transfers are estimated at \$4.9 billion in FY 2020, a decrease of \$553 million (10.1 percent) from FY 2019 results. The decline largely reflects the use of resources in FY 2019 that are not expected to recur in FY 2020.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances among funds of the State, and other factors.<sup>8</sup>

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<sup>7</sup> Excluding Extraordinary Monetary Settlements.

<sup>8</sup> 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, can be found in "State Financial Plan Multi-Year Projections" herein.

## ***Disbursements<sup>9</sup>***

General Fund disbursements, including transfers to other funds, are expected to total \$76.5 billion in FY 2020, an increase of \$4.7 billion (6.5 percent) from FY 2019 results.

Local assistance spending is estimated at \$52.1 billion in FY 2020, an increase of \$2.3 billion (5.1 percent) from FY 2019. The increase is primarily driven by Medicaid (\$1.4 billion) and School Aid (\$489 million on a State fiscal year basis). As noted above, the estimate for Medicaid assumes disbursements will be limited to levels allowed by the Global Cap. Additional information on Medicaid cash management, budgetary risks and uncertainties can be found in the “Other Matters Affecting the Financial Plan” section herein.

State Operations spending in the General Fund, including fringe benefits and fixed costs, is expected to total \$19.6 billion in FY 2020, an increase of \$1.1 billion (6.2 percent) from FY 2019. The increase reflects salary increases related to labor agreements, including the payment of retroactive salary increases and associated fringe benefits, and underlying growth in fringe benefits, including health insurance costs for State employees and retirees, and State costs for Workers’ Compensation. In addition, operating costs in the General Fund are affected by offsets in other funds and fund reclassifications, such as operating costs related to snow and ice removal that were reclassified from Capital Projects Funds to the General Fund beginning in FY 2019.

General Fund transfers to other funds are projected to total \$4.8 billion in FY 2020, an increase of \$1 billion from FY 2019. Transfers for capital projects (excluding transfers funded with Extraordinary Monetary Settlements) are projected to increase by \$756 million due mainly to the timing of bond proceeds used to reimburse prior-year advances and increasing support for transportation costs. SUNY transfers are expected to increase by \$165 million primarily due to a change in accounting for TAP payments made to State-operated SUNY campuses. All other transfers are projected to increase by \$324 million, largely attributable to the transfer of certain sales tax collections to the MTA. Debt service transfers are expected to decline by \$236 million, mainly due to prepayments.

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.<sup>10</sup> In addition, General Fund disbursements reflect conservative estimates of disbursements in each financial category, a practice that provides a cushion for potential receipts shortfalls and other unanticipated costs.

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<sup>9</sup> Excluding Extraordinary Monetary Settlements.

<sup>10</sup> A more comprehensive discussion of the State's disbursement projections by major activity, presented on a State Operating Funds basis, can be found in “State Financial Plan Multi-Year Projections” herein.

**Closing Balance for FY 2020**

The State is projected to end FY 2020 with a General Fund cash balance of \$6.5 billion, a decrease of \$707 million from FY 2019 results. The balance excluding Extraordinary Monetary Settlements is estimated at \$3.9 billion, or \$847 million higher than FY 2019. The change reflects a new reserve for economic uncertainties funded with new settlement receipts (\$862 million) and planned deposits to the Rainy Day Reserves (\$428 million). These increases are partly offset by the planned use of reserves carried over from FY 2019 to fund retroactive payments related to labor agreements (\$206 million) and a large business tax refund (\$202 million), as well as projected spending from reappropriations in the Community Projects Fund (\$35 million).

Extraordinary Monetary Settlements on deposit at the close of FY 2020 are expected to total \$2.6 billion, a decrease of \$1.6 billion from the FY 2019 closing balance. This decrease reflects expected uses and disbursements for initiatives funded with such settlements.<sup>11</sup>

<b>TOTAL BALANCES</b> (millions of dollars)			
	<b>FY 2019 Results</b>	<b>FY 2020 Updated</b>	<b>Annual Change</b>
<b>TOTAL GENERAL FUND BALANCE</b>	<b>7,206</b>	<b>6,499</b>	<b>(707)</b>
Statutory Reserves:			
Rainy Day Reserves	2,048	2,476	428
Community Projects	35	0	(35)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Economic Uncertainties	0	862	862
Debt Management	500	500	0
Labor Agreements (Timing)	206	0	(206)
Business Tax Refund (Timing)	202	0	(202)
<b>Subtotal Excluding Settlements</b>	<b>3,012</b>	<b>3,859</b>	<b>847</b>
<b>Extraordinary Monetary Settlements</b>	<b>4,194</b>	<b>2,640</b>	<b>(1,554)</b>

<sup>11</sup> A more comprehensive discussion of the State's receipt and use of Extraordinary Monetary Settlements can be found in "Other Matters Affecting the Financial Plan -- Extraordinary Monetary Settlements" herein.

## 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 adequate liquidity in FY 2020 to make all planned payments as they become due without having to temporarily borrow from STIP. The State continues to reserve money on a quarterly basis for debt service payments financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

<b>PROJECTED MONTH-END CASH BALANCES</b>			
<b>FY 2020</b>			
<b>(millions of dollars)</b>			
	<b>General Fund</b>	<b>Other Funds</b>	<b>All Funds</b>
<b>April</b>	11,969	6,299	18,268
<b>May</b>	5,222	5,703	10,925
<b>June</b>	6,593	7,135	13,728
<b>July</b>	6,722	6,076	12,798
<b>August</b>	5,628	5,696	11,324
<b>September</b>	7,858	4,135	11,993
<b>October</b>	7,423	4,618	12,041
<b>November</b>	5,684	4,034	9,718
<b>December</b>	7,794	4,637	12,431
<b>January</b>	10,493	6,416	16,909
<b>February</b>	10,023	6,594	16,617
<b>March</b>	6,499	4,601	11,100



***April – June 2019  
Operating Results***



## April – June 2019 Operating Results

This section provides a summary of preliminary operating results for April 2019 through June 2019 compared to: (1) results for the prior fiscal year (April 2018 through June 2018) and (2) the estimates 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 growth benchmark is measured.

### All Governmental Funds – Results Compared to Prior Year

Compared to the prior year, All Funds receipts were \$7.9 billion higher mainly in PIT receipts and Federal operating aid. Spending increased by \$2.5 billion over the prior year of which two-thirds was driven by higher Medicaid spending, inclusive of Federal aid and the \$1.7 billion payment deferred from the end of March 2019. Additional information on Medicaid cash management, budgetary risks and uncertainties can be found in the “Other Matters Affecting the Financial Plan” section herein.

ALL GOVERNMENTAL FUNDS - RESULTS COMPARED TO PRIOR YEAR				
April through June (millions of dollars)				
	Results		Increase/(Decrease)	
	FY 2019	FY 2020	\$	%
<b>OPENING BALANCE</b>	12,749	9,975	(2,774)	-21.8%
<b>ALL FUNDS RECEIPTS:</b>	<b>39,703</b>	<b>47,599</b>	<b>7,896</b>	<b>19.9%</b>
<b>Total Taxes</b>	<b>19,753</b>	<b>24,092</b>	<b>4,339</b>	<b>22.0%</b>
Personal Income Tax	12,991	16,910	3,919	30.2%
All Other Taxes	6,762	7,182	420	6.2%
<b>Miscellaneous Receipts</b>	<b>5,967</b>	<b>6,502</b>	<b>535</b>	<b>9.0%</b>
<b>Federal Grants</b>	<b>13,983</b>	<b>17,005</b>	<b>3,022</b>	<b>21.6%</b>
<b>Bond &amp; Note Proceeds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>ALL FUNDS DISBURSEMENTS:</b>	<b>41,301</b>	<b>43,798</b>	<b>2,497</b>	<b>6.0%</b>
<b>STATE OPERATING FUNDS</b>	<b>25,126</b>	<b>26,862</b>	<b>1,736</b>	<b>6.9%</b>
<b>Local Assistance</b>	<b>16,125</b>	<b>17,650</b>	<b>1,525</b>	<b>9.5%</b>
School Aid	6,531	6,742	211	3.2%
DOH Medicaid (incl. admin and EP)	6,108	7,694	1,586	26.0%
All Other	3,486	3,214	(272)	-7.8%
<b>State Operations</b>	<b>8,645</b>	<b>8,788</b>	<b>143</b>	<b>1.7%</b>
<b>Agency Operations</b>	<b>4,864</b>	<b>5,139</b>	<b>275</b>	<b>5.7%</b>
Executive Agencies	2,554	2,733	179	7.0%
University Systems	1,599	1,664	65	4.1%
Elected Officials	711	742	31	4.4%
<b>Fringe Benefits/Fixed Costs</b>	<b>3,781</b>	<b>3,649</b>	<b>(132)</b>	<b>-3.5%</b>
Pension Contribution	2,227	2,243	16	0.7%
Health Insurance	1,050	1,068	18	1.7%
Other Fringe Benefits/Fixed Costs	504	338	(166)	-32.9%
<b>Debt Service</b>	<b>356</b>	<b>424</b>	<b>68</b>	<b>19.1%</b>
<b>Capital Projects</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0.0%</b>
<b>CAPITAL PROJECTS (State and Federal Funds)</b>	<b>2,616</b>	<b>2,805</b>	<b>189</b>	<b>7.2%</b>
<b>FEDERAL OPERATING AID</b>	<b>13,559</b>	<b>14,131</b>	<b>572</b>	<b>4.2%</b>
<b>NET OTHER FINANCING SOURCES</b>	<b>15</b>	<b>(47)</b>	<b>(62)</b>	<b>-413.3%</b>
<b>CHANGE IN OPERATIONS</b>	<b>(1,583)</b>	<b>3,754</b>	<b>5,337</b>	<b>337.1%</b>
<b>CLOSING BALANCE</b>	<b>11,166</b>	<b>13,729</b>	<b>2,563</b>	<b>23.0%</b>

## ***Receipts***

PIT collections were \$3.9 billion (30 percent) higher than last year. This growth is due to a combination of an increase in April 2019 extensions and final returns related to taxpayer behavior in response to the cap on State and Local Tax (SALT) deductions, as well as modest growth in withholding receipts and delinquencies.

Business tax collections growth (\$311 million) is due to higher gross receipts partially offset by higher refunds. Consumption/user tax collections increased (\$123 million) attributable to growth in the sales tax base. These increases were partially offset by lower cigarette tax receipts (\$31 million).

Miscellaneous Receipts were \$535 million (9 percent) higher in FY 2020 than in FY 2019 mainly due to unplanned receipts from Extraordinary Monetary Settlements (\$372 million) and growth in Health Care Reform Act (HCRA) (\$89 million) and lottery (\$59 million) receipts.

Federal grants were \$3 billion higher in FY 2020 than in FY 2019 largely due to the deferral of the final FY 2019 Medicaid cycle.

## ***Spending***

State Operating Funds spending totaled \$26.9 billion in the April-June period of FY 2020, an increase of \$1.7 billion (6.9 percent) over the same period in FY 2019.

Local assistance spending growth of \$1.5 billion includes Medicaid and School Aid increases partially offset by lower aggregate spending in all other programs. Spending growth for Medicaid includes deferred liabilities from FY 2019 that were paid in FY 2020. The School Aid spending increase is attributable to planned General Aid and Excess Cost Aid payments that were partially offset by lower Universal Prekindergarten payments. The most significant local assistance spending declines include a drop in transportation spending (\$274 million) attributable to one-time payments made to the MTA in FY 2019 for (i) the MTA Subway Action Plan (\$139 million) and (ii) a final payment of PMT collections attributable to FY 2018 (\$135 million); and lower Public Health spending (\$124 million), primarily related to Early Intervention (EI) and General Public Health Work (GPHW) payments.

Executive agency operational spending increased mainly for personal service costs associated with the payment of retroactive salary increases. Higher costs incurred at SUNY Hospitals increased the University systems operational spending. Fringe Benefits spending declined due to the improved timeliness of reimbursement via the automation of the billing and payment process.

Capital Projects (State and Federal) spending increased by \$189 million, primarily due to the timing of payments for the Empire State Development Corporation (\$181 million), Special Infrastructure (\$58 million), Transportation (\$57 million), and Health (\$46 million); offset by reduced spending in MTA (\$126 million) and Housing (\$95 million).

Federal operating aid spending for the April-June period in FY 2020 increased by \$572 million over the same period in FY 2019. The largest areas of higher spending include Medicaid mainly due to growth in claims (\$746 million); public health (\$109 million) concentrated in the Child Health Plus program; and School Breakfast and Lunch Meal reimbursements (\$45 million). These spending increases were offset by lower spending for public assistance benefits and Flexible Fund for Family Services (\$150 million); Federal Every Student Succeeds Act grant (\$119 million); and other education (\$56 million) driven by Individuals with Disabilities in Education (IDEA) flow-through grants.

## All Governmental Funds – Results Compared to Plan

The State ended June 2019 with a closing balance of \$13.7 billion in All Funds, \$1.1 billion above the Enacted Budget Financial Plan estimate.

ALL GOVERNMENTAL FUNDS COMPARED TO PLAN				
April 2019 through June 2019				
(millions of dollars)				
	Enacted	Results	Variance Above/ (Below)	
			Enacted	
			\$	%
<b>OPENING BALANCE</b>	<b>9,975</b>	<b>9,975</b>	<b>0</b>	<b>0.0%</b>
<b>ALL FUNDS RECEIPTS:</b>	<b>48,301</b>	<b>47,599</b>	<b>(702)</b>	<b>-1.5%</b>
<b>Total Taxes</b>	<b>23,725</b>	<b>24,092</b>	<b>367</b>	<b>1.5%</b>
Personal Income Tax	16,520	16,910	390	2.4%
Consumption / Use Tax	4,515	4,491	(24)	-0.5%
Business Taxes	2,137	2,220	83	3.9%
Other Taxes	553	471	(82)	-14.8%
<b>Miscellaneous Receipts</b>	<b>6,536</b>	<b>6,502</b>	<b>(34)</b>	<b>-0.5%</b>
<b>Federal Grants</b>	<b>18,040</b>	<b>17,005</b>	<b>(1,035)</b>	<b>-5.7%</b>
<b>ALL FUNDS DISBURSEMENTS:</b>	<b>45,652</b>	<b>43,798</b>	<b>(1,854)</b>	<b>-4.1%</b>
<b>STATE OPERATING FUNDS</b>	<b>27,944</b>	<b>26,862</b>	<b>(1,082)</b>	<b>-3.9%</b>
<b>Local Assistance</b>	<b>18,809</b>	<b>17,650</b>	<b>(1,159)</b>	<b>-6.2%</b>
School Aid	7,115	6,742	(373)	-5.2%
DOH Medicaid <sup>1</sup>	7,322	7,694	372	5.1%
Transportation	818	774	(44)	-5.4%
STAR	0	0	0	0.0%
Social Services	660	354	(306)	-46.4%
Higher Education	1,290	399	(891)	-69.1%
Mental Hygiene	439	455	16	3.6%
All Other	1,165	1,232	67	5.8%
<b>State Operations</b>	<b>8,724</b>	<b>8,788</b>	<b>64</b>	<b>0.7%</b>
<b>Agency Operations</b>	<b>4,995</b>	<b>5,139</b>	<b>144</b>	<b>2.9%</b>
Personal Service:	<b>3,582</b>	<b>3,815</b>	<b>233</b>	<b>6.5%</b>
Executive Agencies	1,896	2,104	208	11.0%
University Systems	1,111	1,113	2	0.2%
Elected Officials	575	598	23	4.0%
Non-Personal Service:	<b>1,413</b>	<b>1,324</b>	<b>(89)</b>	<b>-6.3%</b>
Executive Agencies	684	629	(55)	-8.0%
University Systems	577	551	(26)	-4.5%
Elected Officials	152	144	(8)	-5.3%
<b>Fringe Benefits/Fixed Costs</b>	<b>3,729</b>	<b>3,649</b>	<b>(80)</b>	<b>-2.1%</b>
Pension Contribution	2,245	2,243	(2)	-0.1%
Health Insurance	1,052	1,068	16	1.5%
Other Fringe Benefits/Fixed Costs	432	338	(94)	-21.8%
<b>Debt Service</b>	<b>411</b>	<b>424</b>	<b>13</b>	<b>3.2%</b>
<b>CAPITAL PROJECTS (State and Federal Funds)</b>	<b>2,837</b>	<b>2,805</b>	<b>(32)</b>	<b>-1.1%</b>
<b>FEDERAL OPERATING AID</b>	<b>14,871</b>	<b>14,131</b>	<b>(740)</b>	<b>-5.0%</b>
<b>NET OTHER FINANCING SOURCES</b>	<b>(38)</b>	<b>(47)</b>	<b>(9)</b>	<b>-23.7%</b>
<b>CHANGE IN OPERATIONS</b>	<b>2,611</b>	<b>3,754</b>	<b>1,143</b>	<b>43.8%</b>
<b>CLOSING BALANCE</b>	<b>12,586</b>	<b>13,729</b>	<b>1,143</b>	<b>9.1%</b>

1. Includes the Essential Plan

**Receipts**

Total tax receipts were \$367 million above the Enacted Budget Financial Plan estimate for the period of April through June 2019. PIT collections (\$390 million) exceeded the estimate due to stronger wage growth and lower than expected tax year 2018 refund growth. Business tax collections (\$83 million) reflect stronger than anticipated corporate franchise tax collections, partially offset by lower audits. Lower than estimated other taxes (\$82 million) reflect a drop in large and extra-large estate tax receipts.

Miscellaneous receipts were \$34 million lower than projected, largely related to lower than projected SUNY hospital receipts.

Federal grants were \$1 billion lower than the Enacted Budget Financial Plan estimate, consistent with operating aid disbursements described below.

**Spending**

State Operating Funds spending was \$1.1 billion (3.9 percent) lower than planned almost entirely due to local assistance spending.

Local assistance spending was \$1.2 billion lower than estimated due mainly to the timing of payments in various programs as noted below.

- Higher Education (\$892 million lower) spending for CUNY Senior Colleges (\$865 million) and Community Colleges (\$60 million) occurred in July and is partly offset by higher than projected TAP payments (\$54 million).
- School Aid (\$373 million lower) spending for Statewide Full-Day Universal Prekindergarten (\$296 million), Excess cost aid (\$66 million), Universal Prekindergarten (\$53 million) and Boards of Cooperative Educational Services (BOCES) aid (\$19 million) is now expected to occur in the next quarter and is partly offset by earlier than estimated General Aid (\$50 million) and Commercial Gaming (\$24 million) payments.
- Social Services (\$307 million lower) spending also did not occur as estimated for Child Welfare Services (\$123 million), Foster Care Block Grants (\$70 million), Adult Shelter (\$58 million), and Day Care Programs (\$30 million).
- Medicaid (\$373 million higher) spending was higher than estimated largely due to increased Medicaid claims.

State operations spending exceeded estimates due mainly to the payment of retroactive salary increases partly offset by lower non-personal service and fringe benefits spending.

Lower than expected Federal operating aid spending mainly occurred for social service programs (\$546 million) including Flexible Fund for Family Services, public assistance, child care and child welfare; and Medicaid, excluding administration (\$484 million lower) related to the timing of rate package approvals by the State driving lower spending and the timing of offline payments. This lower spending was partly offset by higher spending for school aid (\$296 million) programs including Federal Every Student Succeeds Act grants and School Breakfast and Lunch Meal reimbursements; and public health (\$96 million higher) due to the timing of Federal Child Health Plus (CHP) transfers.



**General Fund – Results Compared to Plan**

The General Fund closing balance at the end of June 2019 was \$1.3 billion higher than estimated due to lower spending (\$1.0 billion) and higher receipts (\$323 million).

Higher receipts were attributable to PIT collections partially offset by lower Consumption/Use Taxes and estate tax payments.

Lower spending was mainly due to the timing of planned local assistance payments for CUNY, School Aid and Social Services, the majority of which were paid in July. The payment of retroactive salary increases resulted in higher agency operations spending.

At the end of June 2019, the Extraordinary Monetary Settlement balance held in the General Fund was \$4.5 billion, \$102 million lower than estimated due to earlier than planned transfers of monetary settlements to support spending in other funds.

The table below summarizes the General Fund variances from Enacted Budget Financial Plan estimates, inclusive of Extraordinary Monetary Settlements.

GENERAL FUND OPERATING RESULTS				
April 2019 through June 2019				
(millions of dollars)				
	Enacted	Results	Variance	
			Above/ (Below)	
			Enacted	
			\$	%
<b>OPENING BALANCE</b>	<b>7,206</b>	<b>7,206</b>	<b>0</b>	<b>0.0%</b>
<b>Total Receipts</b>	<b>23,448</b>	<b>23,771</b>	<b>323</b>	<b>1.4%</b>
Taxes:	22,058	22,314	256	1.2%
Personal Income Tax <sup>1</sup>	16,403	16,794	391	2.4%
Consumption / Use Taxes <sup>1</sup>	3,633	3,570	(63)	-1.7%
Business Taxes	1,490	1,505	15	1.0%
Other Taxes <sup>1</sup>	532	445	(87)	-16.4%
Receipts and Grants	1,153	1,179	26	2.3%
Transfers From Other Funds	237	278	41	17.3%
<b>Total Spending</b>	<b>25,380</b>	<b>24,384</b>	<b>(996)</b>	<b>-3.9%</b>
Local Assistance	16,156	15,012	(1,144)	-7.1%
Agency Operations (including GSCs)	6,357	6,509	152	2.4%
Transfers to Other Funds	2,867	2,863	(4)	-0.1%
Debt Service Transfer	133	138	5	3.8%
Capital Projects Transfer	1,517	1,515	(2)	-0.1%
SUNY Operations Transfer	764	764	-	0.0%
All Other Transfers	453	446	(7)	-1.5%
<b>Change in Operations</b>	<b>(1,932)</b>	<b>(613)</b>	<b>1,319</b>	<b>68.3%</b>
<b>CLOSING BALANCE</b>	<b>5,274</b>	<b>6,593</b>	<b>1,319</b>	<b>25.0%</b>

<sup>1</sup> Includes transfers from other funds after debt service.





***Other Matters Affecting the  
Financial Plan***



## **General**

The 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 predict or control. DOB believes that the projections of receipts and disbursements in the Financial Plan are based on reasonable assumptions, but there can be no assurance that results will not differ materially and adversely from these projections. For instance, receipts collections have fallen substantially below the levels forecasted in certain fiscal years. In addition, certain projections contained in the Financial Plan assume that annual growth in State Operating Funds spending will be limited to 2 percent in FY 2021 through FY 2023, and that all savings that result from the 2 percent spending growth benchmark will be made available to the General Fund.

DOB routinely executes cash management actions to manage the State's large and complex budget. These actions are intended for a variety of purposes that include improving the State's cash flow, managing resources within and across State fiscal years, assisting in 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, subject to available resources, 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 growth benchmark.

The 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 impacts of: national and international events; ongoing financial risks in the eurozone; changes in consumer confidence, price and supply of oil and gas; major terrorist events and hostilities or war; climate change and extreme weather events; cybersecurity threats; Federal statutory and regulatory changes concerning financial sector activities; Federal tax law; changes to Federal programs; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; credit rating agency actions; financial and real estate market developments which may adversely affect bonus income and capital gains realizations; tech industry developments and employment; effect of household debt on consumer spending and State tax collections; and outcomes of litigation and other claims affecting the State.

The 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; 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; willingness and ability of the Federal government to provide the aid projected in the Financial Plan; ability of the State to implement cost reduction initiatives, including reductions in State agency operations, and success with which the State controls expenditures; unanticipated growth in Medicaid program costs; and 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 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 nonrecurring 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 the Governor.

To manage potential Financial Plan risks in FY 2020, the Budget establishes a process for the uniform reduction of local assistance disbursements of up to 1 percent of State Operating Funds disbursements (approximately \$1.02 billion) if DOB identifies a General Fund imbalance of \$500 million or more in the current fiscal year. Upon identification of an imbalance, the Budget Director would transmit a plan to the Legislature identifying the specific appropriations and cash disbursements that would be reduced. The Legislature would then have 30 days to adopt, by concurrent resolution, its own plan for eliminating the imbalance. If no plan is adopted, the plan submitted by the Budget Director would take effect automatically. The process exempts certain types of local assistance appropriations from uniform reduction, including public assistance and Supplemental Security Income (SSI) payments.

The Financial Plan forecast assumes various transactions could fail to occur as planned including, but not limited to: receipt of certain payments from public authorities; receipt of certain revenue sharing payments under the Tribal-State compact, including payments from the Seneca Nation; receipt of miscellaneous revenues at the levels expected in the 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 Financial Plan in current or future years, or both.

The Financial Plan also includes actions that affect spending reported on a State Operating Funds basis, including accounting and reporting changes. If these and other transactions are not implemented or reported as planned, annual spending growth in State Operating Funds would increase above current estimates.

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

Financial Plan projections for FYs 2021 through 2023 assume that School Aid and Medicaid disbursements will be limited to the ten-year rolling average growth of State personal income and the medical component of the Consumer Price Index (CPI), respectively. From FY 2014 to FY 2020, the School Aid growth cap was calculated based on the annual growth in NYS personal income. However, enacted budgets in FYs 2014 through 2019 authorized increases above these levels. To reduce volatility and align with the Medicaid cap, the statutory Personal Income Growth Index (PIGI) for School Aid has been amended to reflect average annual income growth over a ten-year period, beginning in FY 2021.

### ***Medicaid Global Cap***

In FY 2012, the State enacted legislation intended 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 (“Global Cap”) allow for flexibility in adjusting Medicaid projections to meet unanticipated costs resulting from a disaster, and grant the Commissioner of Health certain powers to limit Medicaid disbursements to the level authorized by the Global Cap. The Commissioner’s powers are intended to limit the rate of annual spending growth to the levels set by the Global Cap indexed rate 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. Major changes to the State share of Medicaid spending include State costs for the takeover of Medicaid growth from local governments and reimbursement to providers for minimum wage costs. It should further be noted that General Fund spending remains sensitive to revenue performance in the State’s HCRA fund that finances approximately one-quarter of the DOH State-share costs of Medicaid.

Since enactment of the Global Cap, the portion of DOH State Funds Medicaid spending subject to the Global Cap has remained at or below indexed levels. However, the DOH has, at times, taken management actions, including adjustments to the timing of Medicaid payments, to ensure compliance with the Global Cap. Between FY 2015 and FY 2018, DOH managed the timing of payments across State fiscal years (payments managed across fiscal years during this period ranged from \$50 million to roughly \$435 million, according to DOH).

At the close of FY 2019, DOH deferred, for three business days, the final cycle payment to Medicaid Managed Care Organizations, as well as other payments. The FY 2019 deferral had a State-share value of \$1.7 billion and was paid from available funds in the General Fund in April 2019, in time to satisfy contractual obligations. According to DOH, the deferral had no impact on provider services. However, absent the deferral and any other actions, Medicaid spending under the Global Cap would have exceeded the statutorily indexed rate for FY 2019 and the State would have used available General Fund resources to fund the payments in FY 2019. The General Fund ended FY 2019 with sufficient resources. According to DOH, the higher spending in FY 2019 reflected growth in managed care and long-term managed care enrollment and utilization costs above projections, as well as the timing of certain savings actions and offsets that were not processed by year-end.

## The Global Cap Imbalance

Based on a review of price and utilization trends, FY 2019 results, and other factors, DOB has concluded that a structural imbalance exists within the Global Cap. A structural imbalance in this case means that estimated expense growth in State-share Medicaid, absent measures to control costs, is growing faster than allowed under the Global Cap spending growth index (currently 3 percent).<sup>12</sup> DOB estimates that, absent the actions described below, State-share Medicaid spending could exceed the Global Cap by a range of \$3 billion to \$4 billion in FY 2020 (including the FY 2019 deferral of \$1.7 billion). The amount by which State-share Medicaid spending could exceed the Global Cap in FY 2021 will depend in part on the actions taken by the State to control costs in FY 2020. However, it is expected that additional actions will need to be taken in FY 2021 in addition to those taken to contain spending within the Global Cap in FY 2020.

Factors that have placed upward pressure on State-share Medicaid spending include, but are not limited to: provider reimbursement for the cost of the increase in minimum wage; the phase-out of enhanced federal Medicaid match rates that were designed as part of the Affordable Care Act to support additional coverage; increased enrollment and costs in managed long-term care; and payments to financially distressed hospitals.

In FY 2020, it is expected that, to the extent practicable, management actions will be taken to limit Medicaid spending in FY 2020 to avoid piercing the Global Cap. It is expected that up to \$2.0 billion in FY 2020 savings will be realized from adjusting the timing of payments consistent with contractual terms and past practice, leaving an imbalance in the range of \$1.5 billion. Other actions to limit spending under the Global Cap in the current year may include, but are not limited to, the imposition of statutorily-authorized cost controls, including across-the-board reductions in rates paid to providers and health plans and reductions in discretionary payments.

In FY 2021, the imbalance remaining after FY 2020 actions is expected to be addressed within the Global Cap and in the context of the State's overall gap-closing plan. The imbalance that needs to be closed within the Global Cap will depend in part on the actions taken by the State to control costs in FY 2020. The Governor is expected to issue the FY 2021 Executive Budget in January 2020.

If State Funds Medicaid spending is not reduced to levels that adhere to the Global Cap or other savings are not identified, it could have a materially adverse impact on General Fund budget balance and the State's ability to limit annual State Operating Funds spending growth to 2 percent in FY 2020 and FY 2021.

The current Financial Plan estimates described in this AIS Update, which report that the General Fund is balanced and has a projected budget gap of \$4.0 billion in FY 2021, do not reflect the estimated imbalance in the Global Cap, or the actions expected to be taken to address it. DOB expects to provide additional information in the Mid-Year update to the FY 2020 Financial Plan.

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<sup>12</sup> The annual growth in Medicaid spending subject the Global Cap is limited to the ten-year rolling average of the medical component of the CPI.



## ***Federal Issues***

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to respond to, and recover from, severe weather events and other disasters. Many policies that drive this Federal aid may be subject to change under the Trump Administration and Congress. Current Federal aid projections, and the assumptions on which they rely, are subject to revision because of changes in Federal policy.

In addition, the 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 Financial Plan includes reimbursement to the Federal government of \$100 million annually through FY 2027 pursuant to a March 2015 agreement between the State and the Centers for Medicare & 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.

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

### **Current Federal Aid**

President Trump proposed significant cuts to mandatory and discretionary domestic programs in Federal Fiscal Years (FFYs) 2018 and 2019, which were largely rejected by the final appropriations bills advanced for both years. The President proposed similar cuts for FFY 2020, however these cuts are unlikely given the recently enacted Bipartisan Budget Act of 2019. The law increases the discretionary spending caps set by the Budget Control Act of 2011 for the final two years that the caps are in place under current law – FFYs 2020 and 2021. Assuming Congress passes appropriations at the levels allowed under the newly increased caps, cuts to discretionary Federal aid programs on which the State relies are unlikely.

## Medicaid Disproportionate Share Hospital (DSH) Payments

Provisions within the Federal Medicaid statute allow for a capped amount of payments to hospitals that treat a disproportionate number of Medicaid recipients. Changes made initially in the Affordable Care Act (ACA) to reduce the aggregate amount of Federal reimbursements for DSH payments are scheduled to take effect in FFY 2020, beginning October 1, 2019. The State estimates that if the changes take effect as scheduled, New York hospitals will lose \$7.2 billion when fully phased in, the largest reduction in Federal DSH payments among all states.

## Essential Plan

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

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

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

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

Regulations from the Internal Revenue Service (IRS) have yet to be published. The U.S. House of Representatives recently passed legislation (H.R. 748) to repeal the excise tax and it is now under consideration in the U.S. Senate. DOB has no current estimate as to the potential impact to the State from this Federal excise tax.

### Medicaid Redesign Team (MRT) Medicaid Waiver

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

Since January 1, 2014, in accordance with provisions of the ACA, the State has been eligible for enhanced 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

The recently enacted Bipartisan Budget Act of 2019 temporarily suspends the debt limit through July 31, 2021, bringing to a close the extraordinary measures that the U.S. Treasury had been operating under since the prior suspension expired on March 1, 2019. A Federal government default on payments, particularly for a prolonged period, could have a materially adverse effect on national and State economies, financial markets, and intergovernmental aid payments. Specific effects on the updated Financial Plan of a future Federal government default are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default.

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

### 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 were effective in the 2018 Tax Year. The Federal tax law made 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. Changes to the Federal tax code have significant flow-through effects on State tax burdens and State tax receipts. From the standpoint of certain individual New York State taxpayers, the new \$10,000 limit on the deductibility of SALT payments, effective for Tax Year 2018, is substantial. 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.

The SALT deduction originated with the first Federal income tax implemented to fund the Civil War effort and has been in place continuously since 1913. DOB and the Department of Taxation and Finance (DTF) estimate that the new SALT deduction limit raised Federal tax liability for New York taxpayers by roughly \$14 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 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 the drag on the value of home prices, thereby posing risks to the State's tax base and current Financial Plan projections.

## State Response to Federal Tax Law Changes

In response to the TCJA, the State enacted tax reforms in tax year 2018 intended to mitigate issues arising from the Federal law, including decoupling many State tax provisions from the Federal changes, creation of an optional payroll tax program, and establishment of a new State charitable giving vehicle, as described below.

The State developed the Employer Compensation Expense Program (ECEP) and Charitable Gifts Trust Fund, as described below, 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 below, the IRS has issued regulations that impair the ability of taxpayers to deduct donations to the Charitable Gifts Trust Fund from federally taxable income while receiving State tax credits for such donations.

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

states. On September 30, 2019, the Southern District of New York found that the states failed to make a valid legal claim that the SALT limit unconstitutionally encroaches on states' sovereign authority to determine their own taxation and fiscal policies. The State is reviewing the decision and considering an appeal.

On June 13, 2019, the IRS issued final regulations (Treasury Decision 9864) that provided final rules and additional guidance on 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 regulations require the taxpayer to reduce the Federal income tax deduction by the amount of the State tax credit received for such charitable contribution. This rule does not apply, however, if the value of the State tax credit does not exceed 15 percent of the charitable contribution. The regulations are retroactive to August 27, 2018 (the date on which the U.S. Treasury and Internal Revenue Service first published proposed regulatory changes).

On July 17, 2019, New York State, joined by Connecticut and New Jersey, filed a Federal lawsuit challenging Treasury Decision 9864. The lawsuit seeks to restore the full Federal income tax deduction for charitable contributions, regardless of the amount of any State tax credit provided to taxpayers as a result of contributions made to the Charitable Gifts Trust Fund, in accordance with the precedent since 1917. If the Federal lawsuit is successful it is expected that donations to the Charitable Gifts Trust Fund in future years could be higher than the \$93 million level of donations made in 2018. See "Impact of State Tax Law Changes on PIT Revenue Bonds" below.

As part of the State tax reforms enacted in 2018, taxpayers may 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 the 2018 amendments to State tax law. To receive reimbursement, taxpayers are required to submit their reimbursement claims to DTF within 60 days of making an interest payment to the IRS.

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

The Financial Plan does not include any estimate of the magnitude of the possible interest expense to the State, which depends on several factors including the rates of participation in the ECEP; magnitude of donations to the Charitable Gifts Trust Fund; aggregate amount of determinations of underpayment attributable to reliance on the 2018 amendments to State tax law; amount of time between the due date of the return and the date any Federal determination is issued; interest rate applied; and 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.

## Employer Compensation Expense Program

Employers that elect to participate in the ECEP will be subject to a 5 percent State tax on all annual payroll expenses in excess of \$40,000 per employee, phased in over three years beginning on January 1, 2019 as follows: 1.5 percent in Tax Year 2019, 3 percent in Tax Year 2020, and 5 percent in Tax Year 2021. Employers must elect to participate in the ECEP for the upcoming tax year by December 1 of the preceding calendar year. For the 2019 Tax Year, 262 employers elected to participate in the ECEP and are expected to remit \$2 million.

The ECEP 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. The ECEP is expected to be State revenue neutral, with any decrease in New York State PIT receipts expected to be offset by a comparable increase in ECEP revenue. A new State PIT credit is 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. Remittance of ECEP revenue to the State began in the fourth quarter of FY 2019.

## State Charitable Gifts Trust Fund

Starting in Tax Year 2018, the Charitable Gifts Trust Fund was established to accept gifts for the purposes of funding health care and education in New York State. Taxpayers who itemize deductions may claim these charitable contributions as deductions on their Federal and State income tax returns. Any taxpayer who makes 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.<sup>13</sup>

In FY 2019, the State received \$93 million in charitable gifts deposited to the Charitable Gifts Trust Fund for healthcare and education (\$58 million and \$35 million, respectively). These resources are appropriated in the Budget for the authorized purposes.

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

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<sup>13</sup> SUNY Research Foundation, CUNY Research Foundation, and Health Research, Inc. to accept up to \$10 million each in charitable gifts on an annual basis. The State PIT receipts will also be reduced by the State tax deduction and an 85 percent credit for those donations that will be available beginning in Tax Year 2019.

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

Donations to the Charitable Gifts Trust Fund could reduce State PIT receipts by nearly one dollar for every dollar donated. If Treasury Decision 9864 is upheld in Federal court, taxpayer participation in the future will likely be reduced. However, if the legal challenge is successful in restoring the full Federal tax deduction for charitable contributions, donations to the Charitable Gifts Trust Fund in future years could be higher than in 2018, when donations totaled \$93 million. In such event, the amount of donations to the Charitable Gifts Trust Fund would pose a risk to the amount of New York State PIT receipts deposited to the RBTF in future years. To address this risk, the State increased the amount of PIT receipts deposited to the RBTF from 25 percent to 50 percent as part of the State tax reforms enacted in 2018.

DOB and DTF performed a calculation of the maximum amount of charitable donations to the Charitable Gifts Trust Fund that could occur annually under varying assumptions. This calculation of the maximum amount of potential contributions to the Charitable Gifts Trust Fund was intended to serve as a stress test on State PIT receipts that may flow to the RBTF under different levels of assumed taxpayer participation. Accordingly, the calculation should not, under any circumstances, be viewed as a projection of likely donations in any future year. 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 others 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 calculation of the maximum amount of potential donations from 2019 through 2023 is on average in the range of \$30 billion annually. The calculation assumes that every resident taxpayer who has an incentive to donate will do so, and such donations will be equal to the total value of each resident taxpayer's SALT payments, less the value of the \$10,000 Federal SALT deduction limit, up to the value of the taxpayer's total State tax liability. The calculation is dependent on several assumptions concerning the number of itemized filers. It relies on the most recent PIT population study file, as trended forward, as well as the impact of the TCJA and State law changes on the number and distribution of itemized and standardized filers. The calculation also assumes that (a) no further changes in Federal tax law occur, and (b) DOB projections of the level of State taxpayer liability for the forecast period as set forth in the Financial Plan are materially accurate.

In general, assumptions made regarding taxpayer behavior were intended to maximize the calculated impact of charitable giving on PIT receipts in each year. After factoring in all of the foregoing adjustments and with inclusion of ECEP revenues, RBTF receipts are projected to remain above the level of receipts that would have been expected under statutes in effect prior to April 2018, even in a maximum participation scenario.

The DOB and DTF calculation of the projected maximum amount of potential contributions to the Charitable Gifts Trust Fund is necessarily based on many assumptions that may change materially over time. While DOB believes that these factors can be expected to constrain donation activity, there can be no assurance that, under conditions of maximum participation, the amount of annual charitable gifts will not reduce the level of PIT receipts deposited into the RBTF below the levels projected in February 2018 before State tax reforms were enacted. If that were to occur, it is DOB's expectation that changes to the tax law would be recommended to further increase the percentage of PIT receipts deposited into the RBTF.



## ***Climate Change Adaptation***

Climate change poses significant long-term threats to physical, biological and economic systems in New York and around the world. Potential hazards and risks related to climate change for the State include, among other things, rising sea levels, more severe coastal flooding and erosion hazards, and more intense storms. Storms in recent years, including Superstorm Sandy, Hurricane Irene, and Tropical Storm Lee, have demonstrated vulnerabilities in the State's infrastructure (including mass transit systems, power transmission and distribution systems, and other critical lifelines) to extreme weather events including coastal flooding caused by storm surges. The potential effects of climate change could adversely impact the Financial Plan in current or future years. To mitigate and manage these impacts, significant long-term planning and investments by the Federal government, the State of New York, municipalities, and public utilities are expected to be needed to adapt existing infrastructure to climate change risks.

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

Financial markets participants are increasingly acknowledging climate change risks. In June 2017, an industry-led Task Force on Climate-Related Financial Disclosure convened by the Financial Stability Board (an international body which monitors the global financial system), published recommendations stating that climate risk affects most market sectors and that climate-related risk should be publicly disclosed to investors in annual financial filings.<sup>14</sup> 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 their effect on coastal infrastructure as the primary climate risks for the northeastern United States, including New York State. These risks are heightened by population and critical infrastructure concentration in coastal counties.

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<sup>14</sup> 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.

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

New York is participating in efforts to reduce greenhouse gas emissions in order to mitigate the risk of severe impacts from climate change. At the end of the 2019 legislative session, the Governor and Legislature agreed to set the State on a path toward developing regulations to reduce statewide greenhouse gas emissions to 85 percent below the 1990 level by 2050. As part of this target, the State plans to fully transition its electricity sector away from carbon emissions by 2040. New York is a member of the Regional Greenhouse Gas Initiative (RGGI) and has used a cap and trade mechanism to regulate carbon dioxide emissions from electric power plants since 2008.

***Current Labor Negotiations and Agreements (Current Contract Period)***

The State has multi-year labor agreements in place with most of the unionized workforce and a tentative agreement with the Graduate Student Employees Union (GSEU). Negotiations for successor agreements with the Public Employees Federation (PEF), the Council 82 Security Supervisors Unit and the Police Benevolent Association of New York State (PBANYS) are on-going.

On July 18, 2019, the New York State Police Investigators Association (NYSPIA) membership ratified an agreement with the State covering a five-year period (FY 2019 through FY 2023). The agreement provides for a 2 percent general salary increase each year, and additional compensation changes, which are partly offset by benefit design changes within New York State Health Insurance Program (NYSHIP). The cost of this agreement is estimated to be roughly \$15 million in FY 2020 and has been reflected in the multi-year spending projections for State Police.

In October 2019, GSEU voted to ratify a four-year labor agreement that provides for 2 percent general annual salary increases for 2020 through 2023. The ratified agreement costs an estimated \$2 million in FY 2020 and will be reflected in the Mid-Year Financial Plan Update. SUNY is responsible for funding the cost of the agreement.

The State previously reached agreement with the following unions:

The Civil Service Employees Association (CSEA) and DC-37 (Local 1359 Rent Regulation Service Employees) have five-year labor contracts that provide annual salary increases of 2 percent for FYs 2017 through 2021 and additional compensation changes, offset by benefit design changes within NYSHIP and reductions in overtime costs. Salary increases provided to CSEA and DC-37 (Local 1359) employees were also extended to Management/Confidential (M/C) employees.

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

The New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) has a seven-year collective bargaining agreement for FY 2017 through FY 2023. The agreement provides for 2 percent general salary increases in each year of the agreement, and additional compensation changes, offset by benefit design changes within NYSHIP and reductions in overtime costs. Police Benevolent Association of the New York State Troopers (NYSTPBA) has a five-year collective bargaining agreement for FY 2019 through FY 2023. The agreement provides for 2 percent general salary increases in each year of the contract and additional compensation changes, which are partly offset by benefit design changes within NYSHIP.

Contract periods and related general salary increases for State employee union contracts are illustrated below.

UNION LABOR CONTRACTS										
	Contract Period	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
NYSTPBA	FY 2019 - FY 2023	2%	2%	1.5%	1.5%	2%	2%	2%	2%	2%
NYSPIA	FY 2019 - FY 2023	2%	2%	1.5%	1.5%	2%	2%	2%	2%	2%
NYSCOPBA	FY 2017 - FY 2023	2%	2%	2%	2%	2%	2%	2%	2%	2%
GSEU	AY 2020 - AY 2023	2%	2%	2%	2%	2%	2%	2%	2%	2%
UUP	AY 2017 - AY 2022	2%	2%	2%	2%	2%	2%	2%	2%	TBD
CSEA	FY 2017 - FY 2021	2%	2%	2%	2%	2%	2%	2%	TBD	TBD
DC-37	FY 2017 - FY 2021	2%	2%	2%	2%	2%	2%	2%	TBD	TBD
PEF	FY 2017 - FY 2019	2%	2%	2%	2%	2%	TBD	TBD	TBD	TBD
CUNY	FY 2011 - FY 2018	2.5%	2%	2%	1.5%	TBD	TBD	TBD	TBD	TBD
COUNCIL 82	FY 2010 - FY 2016	2%	2%	TBD	TBD	TBD	TBD	TBD	TBD	TBD
PBANYS	FY 2006 - FY 2015	2%	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD

The Judiciary also has agreements with all 12 unions represented within its workforce. The contract periods are as follows: FY 2018 to FY 2020 for CSEA; FY 2012 to FY 2021 for the NYS Supreme Court Officers Association, the NYS Court Officers Association and the Court Clerks Association; and FY 2020 to FY 2021 for the remaining eight unions.

## ***Pension Contributions***<sup>15</sup>

### 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.<sup>16</sup> All projections are based on estimated 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 percent to 4.5 percent. During FY 2019, salary scale assumptions were further changed via a one-time 10 percent increase for both ERS and PFRS, which is reflected in FY 2020 contribution rates.

In August 2019, the actuary for NYSLRS issued the Annual Report to the Comptroller on Actuarial Assumptions, which provides a reduction in the State pension fund's assumed long-term rate of return on investments from 7 percent to 6.8 percent, anticipating a lower return on investment environment. The estimated average employer contribution rate for the ERS will remain stable at 14.6 percent of payroll due to offsetting gains from a change in the mortality improvement scale and new entrants. However, the estimated average employer contribution rate for the PFRS will increase by 0.9 percent, from 23.5 percent of payroll to 24.4 percent of payroll.

### FY 2020 Projections

The preliminary FY 2020 ERS/PFRS pension liability estimate of \$2.2 billion is affected by FY 2018 investment returns of 11.4 percent, which was above the Comptroller's prior assumed 7 percent rate of return. The estimate also reflects the impact of past investment performance and growth in the number of lower cost Tier 6 members. As a result, the average contribution rate for ERS will decrease from 14.9 percent to 14.6 of payroll, while the average contribution rate for PFRS will remain stable at 23.5 percent of payroll.<sup>17</sup>

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

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<sup>15</sup> 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.

<sup>16</sup> 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).

<sup>17</sup> Average contribution rates include the Group Life Insurance Plan (GLIP), and thus differ from the system average normal rates reported in the pension amortization section.

(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 (a) were honorably discharged, (b) have achieved five years of credited service in a public retirement system, and (c) have agreed to pay the employee share of such additional pension credit. Costs to the State for employees in the ERS will be incurred at the time each member purchases credit, as documented by the Office of the State Comptroller (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 were first 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 that are 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 costs covered for local ERS) was \$26 million in FY 2019 based on actual credit purchased through December 31, 2018. DOB currently estimates ERS costs of \$25 million in FY 2020 and ongoing annual costs of \$7 million beginning in FY 2021 as additional veterans become eligible to purchase the credit.

## Outyear Projections

Pension liability estimates for FY 2021 and beyond, as projected by DOB, reflect growth in normal costs primarily based on the expectation that collective bargaining will result in continued salary increases, and that investment returns will be below the actuarially assumed 6.8 percent rate of return in the near-to-mid-term.

## Pension Amortization

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

The State and local governments are required to begin repayment on each new amortization in the fiscal year immediately following the year in which the amortization was initiated. The full amount of each amortization must be repaid within ten years at a fixed interest rate determined by OSC. Legislation included in the FY 2017 Enacted Budget authorized the State to prepay a portion of remaining principal associated with an amortization, and then pay a lower recalculated 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<sup>18</sup>) 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 FY 2010 legislation, and

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<sup>18</sup> 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.

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.

Neither the State nor the Office of Court Administration (OCA) has amortized its pension costs since FY 2016.

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

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM (millions of dollars)									
Fiscal Year	Statewide Pension Payments <sup>1</sup>				Interest Rate on Amortization Amount (%) <sup>3</sup>	Excess Contributions			
	Normal Costs <sup>2</sup>	(Amortization Amount) /		Total Statewide Pension Payments		System Average Normal Rate <sup>4</sup>		Amortization Threshold (Graded Rate)	
		Excess Contributions	Repayment of Amortization			ERS (%)	PFRS (%)	ERS (%)	PFRS (%)
2011	1,543.2	(249.6)	0.0	1,293.6	5.00	11.5	18.1	9.5	17.5
2012	2,037.6	(562.9)	32.3	1,507.0	3.75	15.9	21.6	10.5	18.5
2013	2,076.1	(778.5)	100.8	1,398.4	3.00	18.5	25.7	11.5	19.5
2014	2,633.8	(937.0)	192.0	1,888.8	3.67	20.5	28.9	12.5	20.5
2015	2,325.7	(713.1)	305.7	1,918.3	3.15	19.7	27.5	13.5	21.5
2016	1,972.1	(356.1)	389.9	2,005.9	3.21	17.7	24.7	14.5	22.5
2017	1,788.6	0.0	432.1	2,220.7	2.33	15.1	24.3	15.1	23.5
2018	1,786.6	0.0	432.1	2,218.7	2.84	14.9	24.3	14.9	24.3
2019	1,772.8	0.0	432.1	2,204.9	3.64	14.4	23.5	14.4	23.5
2020 Est.	1,807.7	0.0	432.1	2,239.8	TBD	14.2	23.5	14.2	23.5
-----Projected by DOB <sup>5</sup> -----									
2021	1,967.8	0.0	432.1	2,399.9	TBD	15.2	24.5	15.2	24.5
2022	2,188.6	0.0	399.8	2,588.4	TBD	16.2	25.5	16.2	25.5
2023	2,392.6	0.0	331.3	2,723.9	TBD	17.2	26.5	17.2	26.5
2024	2,607.8	0.0	240.1	2,847.9	TBD	18.2	27.5	18.2	27.5
2025	2,815.5	0.0	126.4	2,941.9	TBD	19.2	28.5	19.2	28.5
2026	3,028.2	0.0	42.2	3,070.4	TBD	20.2	29.5	20.2	29.5

<sup>1</sup> 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.

<sup>2</sup> Normal costs include payments from amortizations prior to FY 2011, which ended in FY 2016 as a result of early repayments.

<sup>3</sup> Interest rates are determined by the State 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.

<sup>4</sup> 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 Plan (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.

<sup>5</sup> Outyear projections are prepared by DOB. The Retirement System does not prepare, or make available, outyear projections of pension costs.

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

### ***Other Post-Employment Benefits (OPEB)***

State employees become eligible for post-employment benefits (e.g., health insurance) if they reach retirement while working for the State; are enrolled in either NYSHIP or the NYSHIP opt-out program at the time they reach retirement; and have the required 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.

The State Comptroller adopted Governmental Accounting Standards Board (GASB) Statement (GASBS) 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for State’s Basic Financial Statements for FY 2019. GASBS 75, which replaces GASBS 45 and GASBS 57, addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. GASBS 75 establishes standards for recognizing and measuring liabilities and expenses/expenditures, as well as identifying the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial determined present value, and attribute that present value to periods of employee service. Specifically, GASBS 75 now requires the full liability be recognized. As a result, the March 31, 2018 ending net positive position of \$28.6 billion (previously reported using GASBS 45) in the State’s governmental activities was restated to an April 1, 2018 beginning net deficit position of \$3.3 billion upon the implementation of GASBS 75.

The State’s total OPEB liability equals the employer’s share of the actuarial determined present value of projected benefit payments attributed to past periods of employee service. The total OPEB obligation less any OPEB assets set aside in an OPEB trust or similar arrangement represent the net OPEB obligation.

As reported in the State’s Basic Financial Statements for FY 2019, the total ending OPEB liability for FY 2019 is \$63.4 billion (\$50.9 billion for the State and \$12.5 billion for SUNY). The total OPEB liability as of March 31, 2019 was measured as of March 31, 2018 and was determined using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total OPEB liability to March 31, 2018. The total beginning OPEB liability for FY 2019 was \$66.5 billion (\$53.5 billion for the State and \$13.0 billion for SUNY). The total OPEB liability was calculated using the Entry Age Normal cost method. The discount rate is based on the Bond Buyer 20-year general



obligation municipal bond index rate at March 31 (3.86 percent in FY 2018 and 3.89 percent in FY 2019). The total OPEB liability declined by \$3.1 billion during FY 2019, primarily attributable to the difference between expected and actual experience.

The contribution requirements of NYSHIP members and the State are established by, and may be amended by, the Legislature. The State is not required to provide funding above the PAYGO amount necessary to provide current benefits to retirees and has not funded a qualified trust or its equivalent as defined in GASBS 75. 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.

The FY 2018 Enacted Budget included legislation creating a Retiree Health Benefit Trust Fund (the “Trust Fund”), a qualified trust under GASBS 75, 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 Financial Plan does not currently include any deposits to the Trust Fund.

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

### ***Litigation***

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

### ***Cybersecurity***

New York State government, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the State and its public corporations and municipalities face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the State’s digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the State invests in multiple forms of cybersecurity and operational controls. The State’s Chief Information Security Office (CISO) within the State’s Office of Information Technology Services (ITS) maintains comprehensive policies and standards, programs, and services relating to the security of State

government networks and geographic information systems<sup>19</sup>, and annually assesses the implementation of security policies and standards to ensure compliance through the Nationwide Cyber Security Review. In addition, the CISO maintains the New York State Cyber Command Center team, which provides a security operations center, digital forensics capabilities, and related procedures for cyber incident reporting and response, distributes real-time advisories and alerts, provides managed security services, and implements statewide information security training and exercises. While controls are routinely reviewed and tested, no assurances can be given that such security and operational control measures will be completely successful at guarding against cyber threats and attacks. The results of any such attack could impact business operations and/or damage State digital networks and systems, State and local infrastructure, 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 the Department of Financial Services (DFS) are, unless eligible for limited exemptions, required to: (a) maintain a cybersecurity program, (b) create written cybersecurity policies and perform risk assessments, (c) designate a CISO with responsibility to oversee the cybersecurity program, (d) annually certify compliance with the cybersecurity regulations, and (e) report to DFS cybersecurity events that have a reasonable likelihood of materially harming any material part of the entity's normal operation(s) or for which notice is required to any government body, self-regulatory agency, or supervisory body.

## ***Financial Condition of New York State Localities***

The State's localities rely in part on State aid to balance their budgets and meet their cash requirements. As such, unanticipated financial need among localities can adversely affect the State's Financial Plan projections. Certain localities outside NYC, including cities and counties, have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. In 2013, the Financial Restructuring Board for Local Governments was created to aid distressed local governments. The Restructuring Board performs comprehensive reviews and provides grants and loans on the condition of implementing recommended efficiency initiatives. For additional details on the Restructuring Board, please visit [www.frb.ny.gov](http://www.frb.ny.gov).

## ***Bond Market***

Successful implementation of the 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 Short-Term Investment Pool (STIP), which it then reimburses with proceeds from the sale of bonds. If the State or its public authorities cannot sell bonds at the levels (or on the timetable) expected in the capital plan, the State's overall cash position and capital funding plan may be adversely affected. The success of projected public sales will be subject to prevailing market conditions and related ratings issued by national credit rating agencies, among other factors.

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<sup>19</sup> Statewide cybersecurity policies can be found at: <https://its.ny.gov/eiso/policies/security>.

Future developments in the financial markets, including possible changes in Federal tax law relating to the taxation of interest on municipal bonds, as well as future developments concerning the State and public discussion of such developments generally, may affect the market for outstanding State-supported and State-related debt. The TCJA adversely impacted 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 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.

Financial Plan projections indicate that debt outstanding and debt service will continue to remain below limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the available debt capacity under the debt outstanding cap is expected to decline from \$6 billion in FY 2019 to about \$415 million in FY 2024. This includes the estimated impact of funding increased capital commitment levels with State bonds. The cost of debt issued after April 1, 2000 and estimated new issuances is projected at \$5.2 billion in FY 2020, or roughly \$3.6 billion below the statutory debt service limit.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal		Cap \$	Debt Outstanding Since April 1, 2000 <sup>1</sup>	\$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
	Income	Cap %							
FY 2019	\$1,339,802	4.00%	53,592	47,645	5,947	3.56%	0.44%	5,579	53,224
FY 2020	\$1,385,075	4.00%	55,403	52,465	2,938	3.79%	0.21%	4,822	57,287
FY 2021	\$1,441,320	4.00%	57,653	56,959	694	3.95%	0.05%	3,396	60,355
FY 2022	\$1,500,617	4.00%	60,025	59,562	463	3.97%	0.03%	2,789	62,351
FY 2023	\$1,563,228	4.00%	62,529	61,900	629	3.96%	0.04%	2,186	64,086
FY 2024	\$1,628,743	4.00%	65,150	64,735	415	3.97%	0.03%	1,698	66,433

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds		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 <sup>2</sup>
	Receipts	Cap %							
FY 2019	\$168,106	5.00%	8,405	4,759	3,646	2.83%	2.17%	1,035	5,794
FY 2020	\$176,943	5.00%	8,847	5,215	3,632	2.95%	2.05%	1,254	6,469
FY 2021	\$176,177	5.00%	8,809	5,740	3,069	3.26%	1.74%	1,333	7,073
FY 2022	\$180,371	5.00%	9,019	6,153	2,866	3.41%	1.59%	972	7,125
FY 2023	\$186,500	5.00%	9,325	6,579	2,746	3.53%	1.47%	750	7,329
FY 2024	\$191,588	5.00%	9,579	6,928	2,651	3.62%	1.38%	543	7,471

<sup>1</sup> Assumes that SUNY Dormitory Facilities lease revenue bonds will be refunded into the new SUNY Dormitory Facilities Revenue Bond credit at their call dates.

<sup>2</sup> Total State-supported debt service is adjusted for prepayments.

The projected debt capacity under the debt outstanding cap depends on expected growth in State personal income. The State uses personal income estimates published by the Federal government, specifically the Bureau of Economic Analysis (BEA), to calculate the cap on debt outstanding, as required by statute. The BEA revises these estimates on a quarterly basis and such revisions can be significant. The BEA increased its Calendar Year 2017 personal income estimate for New York

by \$70 billion from March to October 2018, resulting in a \$2.8 billion increase in debt outstanding capacity. Notably, this material fluctuation in statutory debt capacity occurred between the end of FY 2018, when debt outstanding is measured, and the final compliance determination in October 2018. While, in this instance, the State benefitted from the significant increase in BEA’s estimate of New York State personal income, this volatility could have compromised the State’s ability to manage within its statutory debt cap had the personal income estimate been unexpectedly revised downward by a similar amount. Absent such swings in personal income estimates, the State traditionally has relied on adjustments to capital spending priorities and debt financing practices to preserve available debt capacity and stay within the statutory limits.

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

Changes in the State's available debt capacity, as illustrated below, reflect the impact of several factors, including personal income forecast adjustments and capital spending revisions. This includes \$1.3 billion of new capital commitments enacted in the 2019 legislative session, offset by adjustments to borrowing needs based on capital trends. The State may adjust capital spending priorities and debt financing practices from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant.

DEBT OUTSTANDING SUBJECT TO CAP REMAINING CAPACITY SUMMARY						
(millions of dollars)						
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
	Results	Updated	Projected	Projected	Projected	Projected
<b>Enacted Budget Financial Plan</b>	<b>6,032</b>	<b>3,230</b>	<b>1,365</b>	<b>621</b>	<b>201</b>	<b>107</b>
Personal Income Forecast Adjustment	(85)	(36)	(29)	(55)	(82)	(92)
Capital Spending Adjustment	0	(256)	(642)	(103)	510	400
<b>First Quarterly Update Financial Plan</b>	<b>5,947</b>	<b>2,938</b>	<b>694</b>	<b>463</b>	<b>629</b>	<b>415</b>

### ***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, 2019, approximately \$165 million of bonds were outstanding for this program.

Three of the four remaining hospitals in the State's Secured Hospital Program are in poor financial condition. In relation to the Secured Hospital Program, the State's contingent contractual obligation was invoked to pay debt service for the first time in FY 2014. Since then the State has paid \$125 million for debt service costs. DASNY also estimates the State will pay debt service costs of approximately \$31 million both in FY 2020 and FY 2021, \$25 million in FY 2022, and \$20 million in both FY 2023 and FY 2024. These amounts are based on the actual experience to date of the participants in the program and would cover debt service costs for one hospital whose debt service obligation was discharged in bankruptcy, a second hospital which closed in 2010, and a third hospital that is currently delinquent in its payments. The State has estimated additional exposure of up to \$7 million annually, if all hospitals in the program failed to meet the terms of their agreements with DASNY, and if available reserve funds were depleted.

### ***SUNY Downstate Hospital and Long Island College Hospital (LICH)***

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

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

In accordance with the settlement, Holdings has entered into a purchase and sale agreement with (a) the Fortis Property Group (FPG) Cobble Hill Acquisitions, LLC (the "Purchaser"), an affiliate of Fortis Property Group, LLC ("Fortis") (also party to the agreement), which proposes to purchase the LICH property, and (b) NYU Hospitals Center, which proposes to provide both interim and long-term health care services. The Fortis affiliate plans to develop a mixed-use project. The agreement was approved by the Offices of the Attorney General and the State Comptroller, and the sale of all or substantially all of the assets of Holdings was approved by the State Supreme Court in Kings

County. The initial closing was held as of September 1, 2015, and on September 3, 2015 sale proceeds of approximately \$120 million were transferred to the trustee for the PIT Bonds, which were paid and legally defeased from such proceeds. Titles to 17 of the 20 properties were conveyed to the special purpose entities formed by the Purchaser to hold title.

The next closing, when title to the New Medical Site (NMS) portion of the LICH property is to be conveyed to NYU Hospitals Center (the NMS Closing), is anticipated to occur within 30 days after all buildings on the NMS are fully demolished and all environmental issues remediated by the Purchaser. The physical demolition has been completed, and final review of the environmental paperwork is nearing completion.

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

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

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

**Extraordinary Monetary Settlements**

Since FY 2015, DOB estimates the State has received \$12.7 billion in Extraordinary Monetary Settlements for violations of State laws by major financial institutions and other entities. The table below lists the receipts by firm and amount. Since the start of FY 2020, the State has received settlements totaling \$862 million. Effective April 1, 2019, DOB is no longer classifying or distinctly identifying any settlement of less than \$25 million as an Extraordinary Monetary Settlement.

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	FY 2020	Total
<b>Extraordinary Monetary Settlements</b>	<b>4,942</b>	<b>3,605</b>	<b>1,317</b>	<b>805</b>	<b>1,186</b>	<b>862</b>	<b>12,717</b>
Aetna Insurance Company	0	0	0	0	2	0	2
Agricultural Bank of China	0	0	215	0	0	0	215
American International Group, Inc.	35	0	0	0	0	0	35
Athene Life Insurance	0	0	0	0	15	0	15
AXA Equitable Life Insurance Company	20	0	0	0	0	0	20
Bank Leumi	130	0	0	0	0	0	130
Bank of America	300	0	0	0	0	0	300
Bank of America Merrill Lynch	0	0	0	0	42	0	42
Bank of Tokyo Mitsubishi	315	0	0	0	0	0	315
Barclays	0	670	0	0	15	0	685
BNP Paribas	2,243	1,348	0	350	0	0	3,941
Chubb	0	0	0	0	1	0	1
Cigna	0	0	0	2	0	0	2
Citigroup (State Share)	92	0	0	0	0	0	92
Commerzbank	610	82	0	0	0	0	692
Conduent Education Services	0	0	0	0	1	0	1
Credit Agricole	0	459	0	0	0	0	459
Credit Suisse AG	715	30	0	135	0	0	880
Deutsche Bank	0	800	444	0	205	0	1,449
FedEx	0	0	0	0	26	0	26
Goldman Sachs	0	50	190	0	55	0	295
Habib Bank	0	0	0	225	0	0	225
Intesa SanPaolo	0	0	235	0	0	0	235
Lockton Affinity	0	0	0	0	7	0	7
Mashreqbank	0	0	0	0	40	0	40
Mega Bank	0	0	180	0	0	0	180
MetLife Parties	50	0	0	0	20	0	70
Morgan Stanley	0	150	0	0	0	0	150
MUFG Bank	0	0	0	0	0	33	33
Nationstar Mortgage	0	0	0	0	5	0	5
New Day	0	1	0	0	0	0	1
Ocwen Financial	100	0	0	0	0	0	100
Oscar Insurance Company	0	0	0	0	1	0	1
PHH Mortgage	0	0	28	0	0	0	28
PricewaterhouseCoopers LLP	25	0	0	0	0	0	25
Promontory	0	15	0	0	0	0	15
RBS Financial Products Inc.	0	0	0	0	100	0	100
Société Générale SA	0	0	0	0	498	0	498
Standard Chartered Bank	300	0	0	0	40	322	662
Unicredit	0	0	0	0	0	507	507
UBS	0	0	0	0	41	0	41
Volkswagen	0	0	32	33	0	0	65
Wells Fargo	0	0	0	0	65	0	65
Western Union	0	0	0	60	0	0	60
William Penn	0	0	0	0	6	0	6
Other Settlements	7	0	(7)	0	1	0	1

The table below summarizes the past and planned uses of Extraordinary Monetary Settlements received.

GENERAL FUND SUMMARY OF RECEIPTS AND USE/TRANSFER OF FUNDS FROM EXTRAORDINARY MONETARY SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS (millions of dollars)							
	FYs						Total
	2015 - 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	
<b>Opening Settlement Balance in General Fund</b>	0	4,194	2,640	1,782	915	122	0
<b>Receipt of Extraordinary Monetary Settlements</b>	11,855	862	0	0	0	0	12,717
<b>Use/Transfer of Funds</b>	<u>7,661</u>	<u>2,416</u>	<u>858</u>	<u>867</u>	<u>793</u>	<u>122</u>	<u>12,717</u>
<b>Capital Purposes:</b>	<u>4,134</u>	<u>1,316</u>	<u>858</u>	<u>867</u>	<u>793</u>	<u>122</u>	<u>8,090</u>
Dedicated Infrastructure Investment Fund	3,373	1,420	1,113	751	531	122	7,310
Environmental Protection Fund	120	0	0	0	0	0	120
Mass Transit	70	6	6	3	0	0	85
Healthcare	25	70	80	63	87	0	325
Clean Water Grants	0	0	25	50	175	0	250
Javits Center Expansion	546	320	134	0	0	0	1,000
Bond Proceed Receipts for Javits Center Expansion	0	(500)	(500)	0	0	0	(1,000)
<b>Other Purposes:</b>	<u>3,122</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,122</u>
Audit Disallowance - Federal Settlement	850	0	0	0	0	0	850
CSX Litigation Payment	76	0	0	0	0	0	76
Financial Plan - General Fund Operating Purposes	1,807	0	0	0	0	0	1,807
Mass Transit Operating	10	0	0	0	0	0	10
MTA Operating Aid	194	0	0	0	0	0	194
Department of Law - Litigation Services Operations	180	0	0	0	0	0	180
OASAS Chemical Dependence Program	5	0	0	0	0	0	5
<b>Reservation of Funds:</b>	<u>405</u>	<u>1,100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	1,505
Rainy Day Reserves	250	238	0	0	0	0	488
Reserve for Economic Uncertainties	0	862	0	0	0	0	862
Reserve for Retroactive Labor Agreements	155	0	0	0	0	0	155
<b>Closing Settlement Balance in General Fund</b>	<b>4,194</b>	<b>2,640</b>	<b>1,782</b>	<b>915</b>	<b>122</b>	<b>0</b>	<b>0</b>



***State Financial Plan  
Multi-Year Projections***



## ***Introduction***

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

## ***Summary***

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

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

Estimated savings are labeled on a distinct line in the Financial Plan tables as “Adherence to 2% Spending Benchmark.” The total disbursements in the 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 Financial Plan multi-year projections for the General Fund and State Operating Funds, as well as reconciliation between State Operating Funds projections and General Fund budget gaps. The tables are followed by a summary of multi-year receipts and disbursements forecasts.

**General Fund Projections**

<b>GENERAL FUND PROJECTIONS</b> (millions of dollars)					
	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
	<b>Results</b>	<b>Updated</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
<b>RECEIPTS</b>					
Taxes (After Debt Service)	63,957	71,329	74,292	77,258	81,345
Miscellaneous Receipts	3,586	2,890	2,049	1,892	1,869
Other Transfers	3,001	2,900	2,042	1,696	1,560
<b>Total Receipts</b>	<b>70,544</b>	<b>77,119</b>	<b>78,383</b>	<b>80,846</b>	<b>84,774</b>
<b>DISBURSEMENTS</b>					
Local Assistance	49,745	52,091	55,794	57,928	60,969
School Aid	23,080	23,569	24,916	26,090	27,312
Medicaid	14,340	15,751	16,760	17,606	18,389
All Other	12,325	12,771	14,118	14,232	15,268
State Operations	11,341	11,934	12,620	12,647	12,956
Personal Service	8,719	9,064	9,569	9,547	9,757
Non-Personal Service	2,622	2,870	3,051	3,100	3,199
General State Charges	7,139	7,687	8,230	8,797	9,356
Transfers to Other Funds	4,558	6,114	6,584	6,524	6,968
Debt Service	786	550	738	637	612
Capital Projects	1,888	3,191	3,305	3,168	3,486
State Share of Mental Hygiene Medicaid	(29)	0	0	0	0
SUNY Operations	1,020	1,185	1,259	1,255	1,255
All Other	893	1,188	1,282	1,464	1,615
<b>Total Disbursements</b>	<b>72,783</b>	<b>77,826</b>	<b>83,228</b>	<b>85,896</b>	<b>90,249</b>
<b>Use (Reservation) of Fund Balance:</b>	<b>2,239</b>	<b>707</b>	<b>858</b>	<b>867</b>	<b>793</b>
Community Projects	11	35	0	0	0
Labor Agreements	(51)	206	0	0	0
Business Tax Refund	(202)	202	0	0	0
Undesignated Fund Balance	1,905	0	0	0	0
Extraordinary Monetary Settlements <sup>1</sup>	826	1,554	858	867	793
<b>BUDGET SURPLUS/(GAP) PROJECTIONS<sup>2</sup></b>	<b>0</b>	<b>0</b>	<b>(3,987)</b>	<b>(4,183)</b>	<b>(4,682)</b>
<b>Adherence to 2% Spending Benchmark<sup>3</sup></b>	<b>n/a</b>	<b>n/a</b>	<b>3,752</b>	<b>5,046</b>	<b>6,736</b>
<b>BUDGET SURPLUS/(GAP) ESTIMATE AT 2%</b>	<b>0</b>	<b>0</b>	<b>(235)</b>	<b>863</b>	<b>2,054</b>
<sup>1</sup> 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. <sup>2</sup> Before actions to adhere to the 2 percent spending growth benchmark. <sup>3</sup> Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2020 estimate) and assuming all savings are made available to the General Fund.					

### State Operating Funds Projections

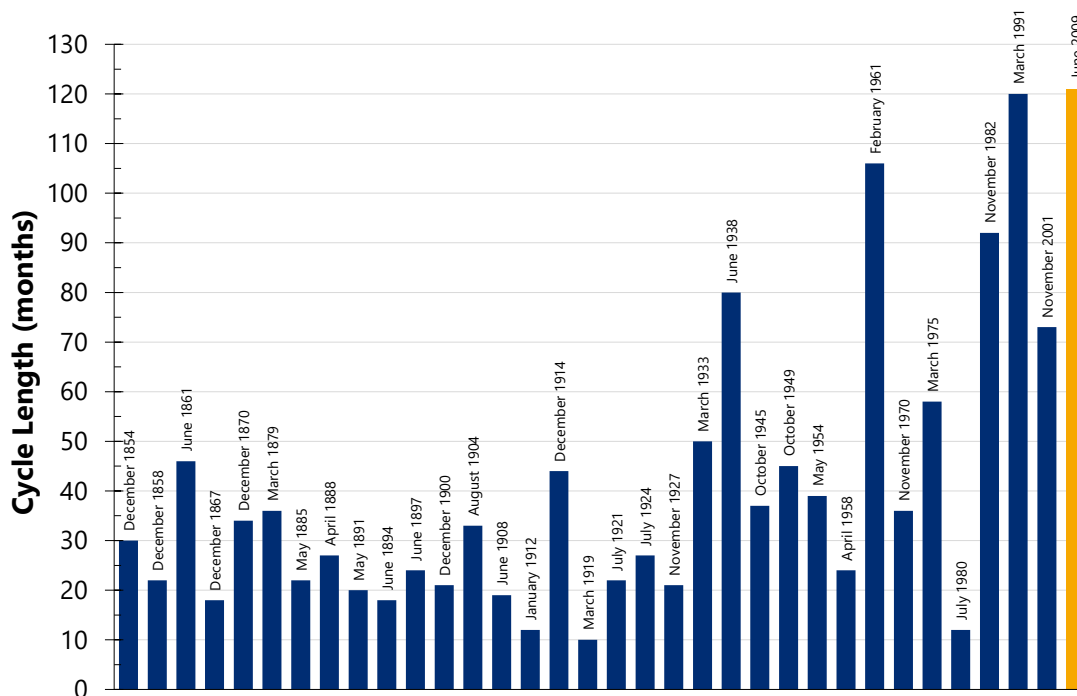
STATE OPERATING FUNDS DISBURSEMENTS (millions of dollars)					
	FY 2019 Results	FY 2020 Updated	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
<b>RECEIPTS</b>					
Taxes	74,144	79,853	84,293	87,719	91,913
Miscellaneous Receipts/Federal Grants	23,558	21,114	18,642	18,831	18,283
<b>Total Receipts</b>	<b>97,702</b>	<b>100,967</b>	<b>102,935</b>	<b>106,550</b>	<b>110,196</b>
<b>DISBURSEMENTS</b>					
Local Assistance	66,177	68,462	71,475	73,916	76,580
School Aid (School Year Basis)	26,843	27,856	28,957	30,159	31,382
DOH Medicaid <sup>1</sup>	20,476	21,686	22,700	23,527	24,393
Transportation	3,938	3,549	3,849	4,047	4,296
STAR	2,423	2,176	2,073	1,979	1,858
Higher Education	2,980	2,976	2,945	2,989	3,024
Social Services	2,798	2,871	2,958	3,016	3,019
Mental Hygiene	2,150	1,989	2,480	2,474	2,731
All Other <sup>2</sup>	4,569	5,359	5,513	5,725	5,877
State Operations	19,057	19,754	20,229	20,334	20,693
Personal Service	13,687	14,261	14,683	14,684	14,973
Non-Personal Service	5,370	5,493	5,546	5,650	5,720
General State Charges	8,204	8,767	9,371	9,951	10,540
Pension Contribution	2,431	2,472	2,636	2,830	2,965
Health Insurance	4,193	4,312	4,651	5,001	5,378
All Other	1,580	1,983	2,084	2,120	2,197
Debt Service	6,699	5,170	6,873	7,125	7,329
Capital Projects	0	0	0	0	0
<b>Total Disbursements<sup>3</sup></b>	<b>100,137</b>	<b>102,153</b>	<b>107,948</b>	<b>111,326</b>	<b>115,142</b>
Net Other Financing Sources/(Uses)	1,190	(113)	(297)	(310)	(611)
<b>RECONCILIATION TO GENERAL FUND GAP</b>					
Designated Fund Balances:	1,245	1,299	1,323	903	875
General Fund	2,239	707	858	867	793
Special Revenue Funds	(1,082)	574	449	33	88
Debt Service Funds	88	18	16	3	(6)
<b>GENERAL FUND BUDGET SURPLUS/(GAP)<sup>3</sup></b>	<b>0</b>	<b>0</b>	<b>(3,987)</b>	<b>(4,183)</b>	<b>(4,682)</b>
<b>Adherence to 2% Spending Benchmark<sup>4</sup></b>	<b>n/a</b>	<b>n/a</b>	<b>3,752</b>	<b>5,046</b>	<b>6,736</b>
<b>BUDGET SURPLUS/(GAP) ESTIMATE AT 2%</b>	<b>0</b>	<b>0</b>	<b>(235)</b>	<b>863</b>	<b>2,054</b>
<p><sup>1</sup> Total State share Medicaid funding, prior to the spending offset from the application of MSA payments, which are directly deposited to a Medicaid Escrow Fund to cover a portion of the State's takeover of Medicaid costs for counties and New York City. The value of the offset is reported in "All Other" local assistance disbursements.</p> <p><sup>2</sup> All Other includes education, parks, environment, economic development, and public safety, as well as the MSA payment offset and a reconciliation between school year and State fiscal year spending on School Aid.</p> <p><sup>3</sup> Before actions to adhere to the 2 percent spending growth benchmark.</p> <p><sup>4</sup> Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2020 estimate) and assuming all savings are made available to the General Fund.</p>					

## Economic Backdrop

### The U.S. and Global Economy

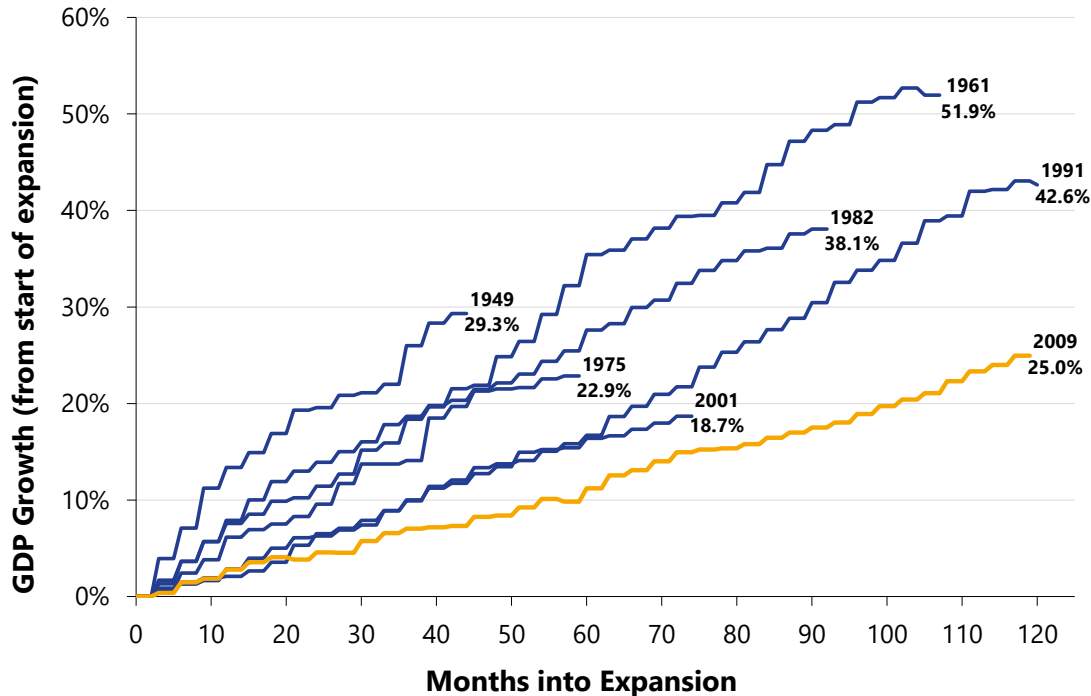
The U.S. economy officially entered its longest economic expansion in July 2019, breaking the 120-month record of economic recovery between March 1991 to March 2001, according to the National Bureau of Economic Research (NBER). The current economic expansion that started in June of 2009 after a particularly deep recession (Great Recession, December 2007–June 2009), while record-breaking in duration, is marked by slower real Gross Domestic Product (GDP) growth compared to previous post-war expansions, as illustrated below. Job gains have also been slower than most post-war economic expansions, even though the April 2019 unemployment rate was the lowest since December 1969. Worries about the continuation of the expansion have intensified recently due to waning support from fiscal stimulus, slowing global growth, labor market constraints, heightened trade frictions with China and other significant trading partners and increasing economic policy uncertainties.

### U.S. Economic Expansions



Note: Bar labels indicate the start of each economic expansion.  
Source: NBER.

## Real GDP Growth During Economic Expansion



Source: Haver Analytics/U.S. Bureau of Economic Analysis (BEA).

The International Monetary Fund (IMF) in its latest World Economic Outlook Report projects global growth to slow in calendar year 2019, particularly in several key economies.<sup>20</sup> Chinese economic growth in the first quarter is signaling a stronger deceleration than anticipated. Germany is currently in an industrial-manufacturing downturn, while Italy is still in recession territory, and Turkey seems to be pulling out of a technical recession. The European Central Bank (ECB) has signaled it will begin providing more stimulus in the near future to counter the slowdown in the region. Fixed income investors have taken note and begun their flight to safety: German 10-year bonds fell below zero percent in recent months, indicating investors are willing to pay reputable governments to hold their money. Investors have also piled into U.S. treasury bonds, pushing 10-year bond yields below three-month Treasury bills, inverting the yield curve—a leading indicator of economic downturns.<sup>21</sup>

<sup>20</sup> International Monetary Fund: <https://www.imf.org/en/publications/weo>.

<sup>21</sup> Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/series/T10Y3M>; Lower yields on longer-dated U.S. bonds compared to shorter maturities indicate investor pessimism of future growth, and investors willing to preserve capital than invest in the economy.



**U.S. Economic Forecast<sup>22</sup>**

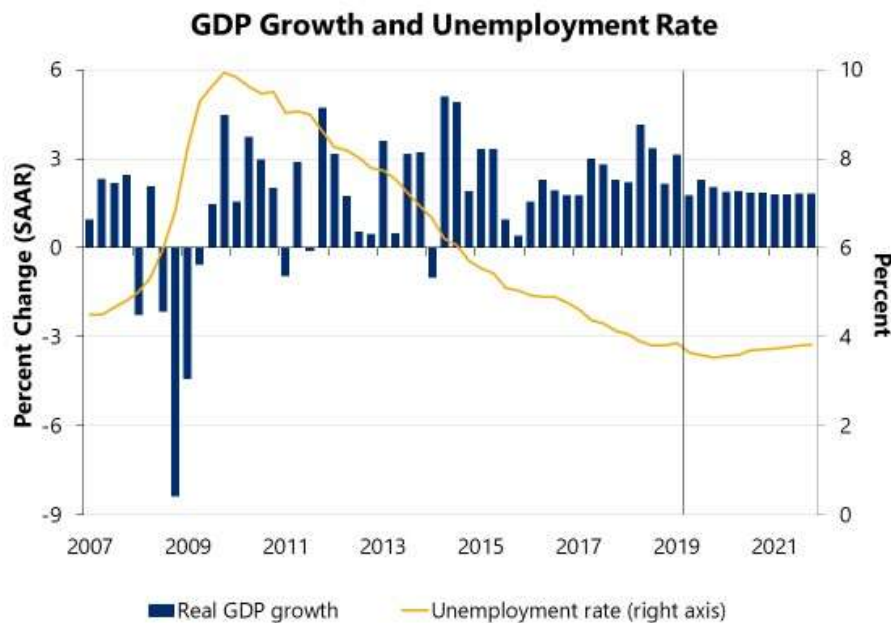
According to the BEA, the third estimate of real GDP grew 3.1 percent in the first quarter of calendar year 2019. This was unrevised from the second estimate reported in May 2019. The third estimate revised down consumption by 0.4 percentage point to 0.9 percent, while raising growth of fixed investment and government expenditures.

DOB expects real GDP growth of 2.6 percent in 2019, slower than the 2.9 percent pace set in 2018. Compared to the Enacted Budget Financial Plan forecast, 2019 real GDP growth has been raised by 0.1 percentage point. Growth in 2019 is led by consumer spending and government expenditures. Real consumption, the largest component of GDP, is forecast to grow 2.5 percent, an uptick of 0.1 percentage point from 2.4 percent expected in the Enacted Budget Financial Plan forecast. Government consumption and gross investment were revised up from the Enacted Budget Financial Plan forecast, mainly due to a temporary boost in state and local government construction spending. Growth will be tempered by declining net exports and a reduction in inventories after surging in the first quarter of 2019. Real GDP growth is forecast to increase two percent in 2020, one-tenth of a percent higher than the Enacted Budget Financial Plan forecast. In 2021, real GDP growth is forecast to advance 1.8 percent, one-tenth of a percent lower than the Enacted Budget Financial Plan forecast.

The U.S. economy added 224,000 nonfarm payroll jobs in June 2019, bringing the average monthly job gains during the first half of this year to 172,000; this is considerably weaker than the 223,000 monthly average for 2018. The unemployment rate edged up to 3.7 percent in June from a near 50-year low of 3.6 percent recorded in the prior two months. Employment growth is expected to lose momentum over the next several years. Total nonfarm employment growth of 1.5 percent is projected for 2019, followed by 1.1 percent growth for 2020, both of which are one-tenth of a percentage point below the Enacted Budget Financial Plan forecast.

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<sup>22</sup> DOB's forecast incorporates the third estimate of 2019 first quarter GDP, May 2019 personal income and outlays, June 2019 employment, and June 2019 CPI reports.



Source: Moody's Analytics/BEA, BLS; DOB staff estimates.

Consistent with capacity-constrained labor markets and a current unemployment rate that is 0.8 percentage point below the Congressional Budget Office (CBO's) Non-Accelerating Inflation Rate of Unemployment (NAIRU)<sup>23</sup>, the outlook for wage growth is expected to remain robust. However, recent average hourly earnings growth has been softer-than-expected; wage and salaries estimated growth for calendar year 2019 has been revised down to 3.6 percent, 0.8 percentage point below the Enacted Budget Financial Plan forecast. Personal income growth for 2019 is projected to be 4 percent, slightly weaker than estimated in the Enacted Budget Financial Plan forecast. On balance, downward forecast revisions to wage, proprietors' and rental incomes were offset by upward revisions to interest, dividend and transfer incomes.

Tight labor markets with low wage pressures has kept consumer price inflation relatively subdued. The Consumer Price Index (CPI) is projected to rise 1.8 percent in 2019, unchanged from the Enacted Budget Financial Plan forecast, after growing 2.4 percent in 2018. CPI is projected to rise 2.2 percent in 2020 and 2.3 percent in 2021, unchanged from the Enacted Budget Financial Plan forecast.

The Federal Reserve last raised its benchmark interest rate in December 2018 by 25 basis points. As DOB expected, the Federal Open Market Committee cut the Federal funds target rate by 25 basis points at its end-of July 2019 meeting. The rate cut is considered as "insurance" against downside risks such as softening domestic growth, trade policy uncertainty, fading impacts of fiscal stimulus and tepid core consumer price inflation. Projections of yields on U.S. 10-year notes are revised down in 2019 through 2021 from the Enacted Budget Financial Plan forecast.

<sup>23</sup> NAIRU is a theoretical level of unemployment below which inflation would be expected to rise.

Real consumer spending was a drag on growth in the first quarter of 2019, contributing only 0.6 percentage point to the 3.1 percent quarterly GDP growth. Recent monthly data indicate a rebound in consumption for the second quarter. Personal consumption on both durable and non-durable goods is forecast to bounce back in the second quarter. Consumption is anticipated to grow 2.5 percent in 2019, a 0.1 percentage point increase from the Enacted Budget Financial Plan forecast. Consumption is forecast to slow to 2.2 percent in 2020 and decelerate further to 1.8 percent in 2021; the Enacted Budget Financial Plan forecast expected consumption to gain 2.1 percent and 1.8 percent in 2020 and 2021, respectively.

Mortgage rates have fallen since peaking in November 2018. The 30-year mortgage rate is 3.8 percent as of mid-July, 110 basis points lower than last November. While the decline in mortgage rates should have encouraged housing activities, it has done little to stimulate new construction to date. As of the first quarter of this year, real residential investment has declined for the fifth consecutive quarter. However, DOB expects lower mortgage rates will eventually end the recent residential investment slump, though at a markedly slower pace in 2020 and 2021 than the Enacted Budget Financial Plan forecast. Following a 0.3 percent decline in 2018, real residential investment is expected to drop 1.7 percent in 2019 before reversing course into positive territory in 2020 and 2021.

Business investment growth slowed down significantly during the second quarter of 2019 as global growth cooled and trade policy uncertainties deterred businesses from making capital investment plans. DOB projects 3.7 percent growth in business fixed investment during 2019, following 6.9 percent growth in 2018. Growth of investment in equipment is forecast at 1.8 percent in 2019, a sharp decline from the 2018 growth rate of 7.4 percent. Part of this slowdown is due to Boeing halting production of the 787 MAX aircraft, which will remain on hold through at least September 2019. Investment in structures is expected to remain flat in 2019, following five percent growth last year. Investment in intellectual property is expected to maintain its healthy pace in 2019 at a rate of 8.5 percent, following 7.5 percent growth last year.

DOB's latest forecast includes a step-up in tariffs on approximately \$200 billion of goods imported from China, from 10 percent to 25 percent. In addition, DOB has included retaliatory tariffs on approximately \$100 billion of U.S. exports to China. Trade frictions will place upward pressure on core (excluding food and energy) consumer price inflation. Weaker global growth, a stronger dollar and retaliatory tariffs will exert downward pressure on U.S. export growth.

ECONOMIC INDICATORS FOR THE UNITED STATES (Calendar Year Growth)			
	CY 2018 (Actual)	CY 2019 (Forecast)	CY 2020 (Forecast)
Real U.S. Gross Domestic Product	2.9	2.6	2.0
Consumer Price Index (CPI)	2.4	1.8	2.2
Personal Income	4.4	4.0	4.2
Nonagricultural Employment	1.7	1.5	1.1
Civilian Unemployment Rate	3.9	3.7	3.6

Source: Moody's Analytics; DOB staff estimates.

## **Risks**

Downside risks to the DOB forecast include an escalation of the trade dispute between the U.S. and China and other trading partners, anemic global economic growth, commodity price shocks from geopolitical instability, the uncertainty surrounding the Brexit process, a splintering of the eurozone, a stock market correction and a possible U.S. debt ceiling crisis.

Upside risks to the DOB forecast include easing of U.S.-China trade tensions, improved global economic conditions, stronger business investments and exports, a speedy recovery of the housing market, rising wages sustaining domestic demand, and an amicable resolution to Brexit.

## ***The New York State Economy***

New York State's private sector employment grew an estimated 1.4 percent in the first quarter of calendar year 2019 over the prior year, which is above historical trend but a notable deceleration from recent years. The utilities, wholesale trade, retail trade, and manufacturing sectors continued to shed jobs in early 2019, extending losses recorded in 2018. Declines in these sectors were compensated by robust gains in the education, healthcare and social assistance and the transportation and warehousing sectors. The finance and insurance as well as the professional and business services sectors are highly sensitive to national and global economic trends, and susceptible to financial market fluctuations. Job gains in these highly-paid sectors have decelerated during the last three years and continued their slowdown in the first half of 2019.

Since the release of the Enacted Budget Financial Plan forecast, private sector employment growth in 2018 was revised up by 0.1 percentage point to 1.5 percent on a calendar year basis. Growth in 2019 has been revised to 1.3 percent, up 0.1 percentage point from the Enacted Budget Financial Plan forecast, reflecting stronger than expected national GDP growth. Total employment gains, including government, were virtually unchanged from the Enacted Budget Financial Plan forecast, rising 1.1 percent in 2019 after growing 1.3 percent in 2018. Job gains in 2020 and 2021 are forecast to wane as economic growth in the national and state economies is anticipated to slow. Total employment growth in 2021 is unchanged at 0.8 percent, while 2022 growth is raised a notch to 0.9 percent from 0.8 percent from the Enacted Budget Financial Plan forecast.

New York Stock Exchange member firms had a great year in 2018, with nearly 20 percent growth in revenue.<sup>24</sup> However, total revenues for the five largest Wall Street banks declined 1.3 percent from prior year results during the first quarter of 2019. The same banks posted modest growth of 1.7 percent during the second quarter. DOB estimates that bonuses from the finance and insurance sector fell 9.2 percent for FY 2019, an improvement from the Enacted Budget Financial Plan forecast that projected a steeper 11.2 percent decline. The drop in bonuses in FY 2019 follow an elevated FY 2018 level that was lifted by the Federal corporate tax cut under TCJA. Total wages, including bonuses, are estimated to have grown 3.5 percent in FY 2019, following 4.5 percent growth in FY 2018.

The Initial Public Offering (IPO) market was at a standstill during the first two months of 2019 due to weakened equity market prices and the partial Federal government shutdown. IPOs have grown 5.6 percent during the first six months of the year over 2018 results. In contrast, debt underwriting fell over 15 percent from prior year results during the first five months of 2019, an accelerated pace of decline after debt underwriting dropped 10.6 percent in 2018. The improved IPO market, tempered by weaker debt underwriting, results in finance and insurance sector bonuses advancing 1.5 percent in FY 2020, slightly above DOB expectations in the Enacted Budget Financial Plan forecast. Overall wage growth, including bonuses, is projected to rise 3.9 percent for FY 2020, a 0.1 percentage point increase from the Enacted Budget Financial Plan forecast. Total wage growth in FY 2021 is projected at 4.1 percent, unchanged from the Enacted Budget Financial Plan forecast.

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<sup>24</sup>New York Stock Exchange revenues cover only the broker dealer arm of the member firms.

<b>ECONOMIC INDICATORS FOR NEW YORK STATE</b> (Fiscal Year Growth)			
	<b>FY 2018</b> <u>(Actual)</u>	<b>FY 2019</b> <u>(Estimated)</u>	<b>FY 2020</b> <u>(Forecast)</u>
Personal Income	5.6	3.9	3.7
Wages	4.5	3.5	3.9
Nonagricultural Employment	1.3	1.3	1.1
Source: Moody's Analytics; DOB staff estimates.			

As job growth slows in the State, there are many risks to the forecast. All the risks to the U.S. forecast also apply to the State forecast. However, as the nation's financial capital, both the volume of financial market activity and the volatility in equity markets involve a particularly large degree of uncertainty for New York State. Since the State's financial services and professional and business services sectors serve a global market, they can be highly sensitive to global economic trends. Equity market volatility along with weaker than anticipated growth in both the U.S. and international economies could result in weaker bonus and overall wage growth, as well as lower taxable capital gains realizations. In contrast, stronger equity markets, along with stronger national and global growth, could result in stronger employment and wage growth than is reflected in this Financial Plan forecast.

## Receipts

Financial Plan receipts results and projections include a variety of taxes, fees and assessments, charges for State-provided services, Federal grants, and other miscellaneous receipts. The multiyear tax and miscellaneous receipts estimates are prepared by DOB with the assistance of DTF and other agencies which collect State receipts and are predicated on economic analysis and forecasts.

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

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

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

### Overview of the Receipts Forecast

All Funds receipts in FY 2020 are projected to total \$176.9 billion, 5.3 percent above FY 2019 results.

ALL FUNDS RECEIPTS (millions of dollars)									
	FY 2019 Results	FY 2020 Updated	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
Personal Income Tax	48,088	52,150	8.4%	55,376	6.2%	58,036	4.8%	61,178	5.4%
Consumption/Use Taxes	17,357	18,308	5.5%	19,014	3.9%	19,548	2.8%	20,123	2.9%
Business Taxes	7,912	8,553	8.1%	8,934	4.5%	9,049	1.3%	9,417	4.1%
Other Taxes	2,221	2,262	1.8%	2,362	4.4%	2,472	4.7%	2,581	4.4%
<b>Total State Taxes</b>	<b>75,578</b>	<b>81,273</b>	<b>7.5%</b>	<b>85,686</b>	<b>5.4%</b>	<b>89,105</b>	<b>4.0%</b>	<b>93,299</b>	<b>4.7%</b>
Miscellaneous Receipts	31,184	29,347	-5.9%	25,935	-11.6%	25,014	-3.6%	24,385	-2.5%
Federal Receipts	61,344	66,324	8.1%	64,555	-2.7%	66,253	2.6%	68,815	3.9%
<b>Total All Funds Receipts</b>	<b>168,106</b>	<b>176,944</b>	<b>5.3%</b>	<b>176,176</b>	<b>-0.4%</b>	<b>180,372</b>	<b>2.4%</b>	<b>186,499</b>	<b>3.4%</b>

State tax receipts are projected to increase 7.5 percent in FY 2020, driven by underlying annual outyear growth across all tax categories, consistent with the projected growth in the State economy over the multi-year Financial Plan period.

After controlling for the impact of tax law changes, base tax revenue decreased 3 percent in FY 2019, is projected to increase by 12.4 percent in FY 2020 and by 4 percent in FY 2021.

### Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)									
	FY 2019	FY 2020		FY 2021		FY 2022		FY 2023	
	Results	Updated	Change	Projected	Change	Projected	Change	Projected	Change
<b>STATE/ALL FUNDS</b>	<b>48,088</b>	<b>52,150</b>	<b>8.4%</b>	<b>55,376</b>	<b>6.2%</b>	<b>58,036</b>	<b>4.8%</b>	<b>61,178</b>	<b>5.4%</b>
Gross Collections	59,175	64,729	9.4%	66,839	3.3%	70,797	5.9%	74,578	5.3%
Refunds (Incl. State/City Offset)	(11,087)	(12,579)	-13.5%	(11,463)	8.9%	(12,761)	-11.3%	(13,400)	-5.0%
<b>GENERAL FUND<sup>1</sup></b>	<b>21,621</b>	<b>23,899</b>	<b>10.5%</b>	<b>25,615</b>	<b>7.2%</b>	<b>27,039</b>	<b>5.6%</b>	<b>28,731</b>	<b>6.3%</b>
Gross Collections	59,175	64,729	9.4%	66,839	3.3%	70,797	5.9%	74,578	5.3%
Refunds (Incl. State/City Offset)	(11,087)	(12,579)	-13.5%	(11,463)	8.9%	(12,761)	-11.3%	(13,400)	-5.0%
STAR	(2,423)	(2,176)	10.2%	(2,073)	4.7%	(1,979)	4.5%	(1,858)	6.1%
RBTF	(24,044)	(26,075)	-8.4%	(27,688)	-6.2%	(29,018)	-4.8%	(30,589)	-5.4%

<sup>1</sup>Excludes Transfers.

All Funds PIT receipts for FY 2020 are estimated to total \$52.2 billion, an increase of \$4.1 billion (8.4 percent) from FY 2019 results. Increases in withholding, final returns, and extension payments related to the 2018 Tax Year are partially offset by growth in expected refunds.



The following table summarizes, by component, actual receipts for FY 2019 and forecast amounts through FY 2023.

ALL FUNDS PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS					
(millions of dollars)					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
	Results	Updated	Projected	Projected	Projected
<b>Receipts</b>					
Withholding	41,084	42,900	44,556	46,738	48,672
Estimated Payments	14,010	16,972	17,169	18,751	20,391
Current Year	10,481	10,956	11,579	12,433	13,276
Prior Year <sup>1</sup>	3,529	6,016	5,590	6,318	7,115
Final Returns	2,685	3,348	3,508	3,632	3,789
Current Year	344	301	316	331	346
Prior Year <sup>1</sup>	2,341	3,047	3,192	3,301	3,443
Delinquent	1,396	1,509	1,606	1,676	1,726
Gross Receipts	59,175	64,729	66,839	70,797	74,578
<b>Refunds</b>					
Prior Year <sup>1</sup>	6,034	6,448	6,841	7,827	8,147
Previous Years	589	658	688	719	750
Current Year <sup>1</sup>	2,249	2,250	1,750	1,750	1,750
Advanced Credit Payment	1,080	1,924	760	916	1,079
State/City Offset <sup>1</sup>	1,135	1,299	1,424	1,549	1,674
Total Refunds	11,087	12,579	11,463	12,761	13,400
<b>Net Receipts</b>	<b>48,088</b>	<b>52,150</b>	<b>55,376</b>	<b>58,036</b>	<b>61,178</b>

<sup>1</sup>These components, collectively, are known as the "settlement" on the prior year's tax liability.

FY 2020 withholding is estimated to be \$1.8 billion (4.4 percent) higher than FY 2019 results, driven by wage growth of 3.9 percent. Extension payments related to Tax Year 2018 are expected to increase by \$2.5 billion (70.5 percent), primarily due to a behavioral response to the TCJA. Taxpayers, who otherwise would have made more substantial estimated payments in December 2018, opted to pay a greater percentage of their liabilities through extensions and final payments in April 2019. Estimated payments attributable to Tax Year 2019 are expected to increase by \$475 million (4.5 percent), suppressed by a 0.4 percent growth in nonwage income. FY 2020 final return payments are estimated to increase by \$663 million (24.7 percent), due to the aforementioned behavioral response to the TCJA, and delinquencies are expected to increase by \$113 million (8.1 percent).

Estimated growth in total refunds of \$1.5 billion (13.5 percent) in FY 2020 includes increases of \$844 million (78.1 percent) in advanced credit payments related to Tax Year 2019, \$69 million (11.7 percent) in previous tax year (2017 and earlier) refunds, \$164 million (14.4 percent) in the state-city offset, and \$414 million (6.9 percent) in prior tax year (2018) refunds. The administrative January-March refund cap is expected to remain at the higher level in FY 2020, virtually unchanged from FY 2019 results. 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 2020 of \$23.9 billion are estimated to increase by \$2.3 billion (10.5 percent) from FY 2019 results, reflecting the increase in All Funds receipts noted above. The FY 2020 STAR transfer is expected to be nearly \$2.2 billion.

All Funds PIT receipts for FY 2021 of \$55.4 billion are projected to increase by \$3.2 billion (6.2 percent) from FY 2020 estimates. Gross PIT receipts are projected to increase 3.3 percent, reflecting increases of \$1.7 billion (3.9 percent) in withholding, \$623 million (5.7 percent) in estimated payments related to tax year 2020, \$160 million (4.8 percent) in final returns, and \$97 million (6.4 percent) in delinquencies, partially offset by a decline of \$426 million (7.1 percent) in extension payments related to tax year 2019. Total refunds are projected to decline \$1.1 billion (8.9 percent), due to declines of nearly \$1.2 billion (60.5 percent) in advanced credit payments and \$500 million (22.2 percent) in the administrative January-March refund cap, partially offset by increases of \$125 million (9.6 percent) in the state-city offset, \$393 million (6.1 percent) in prior tax year (2019) refunds, and \$30 million (4.6 percent) in previous tax year (2018 and earlier) refunds. General Fund PIT receipts for FY 2021 of \$25.6 billion are projected to increase by \$1.7 billion (7.2 percent), mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be \$27.7 billion, and the STAR transfer is projected to be \$2.1 billion.

All Funds PIT receipts for FY 2022 of \$58 billion are projected to increase by \$2.7 billion (4.8 percent) from FY 2021 projections. Gross PIT receipts are projected to increase 5.9 percent, reflecting projected increases of \$2.2 billion (4.9 percent) in withholding and \$1.6 billion (9.2 percent) in total estimated payments, partially offset by a projected increase in total refunds of \$1.3 billion (11.3 percent).

General Fund PIT receipts for FY 2022 of \$27 billion are projected to increase by \$1.4 billion (5.6 percent). RBTF deposits are projected to be \$29 billion, and the STAR transfer is projected to be \$2 billion.

All Funds PIT receipts in FY 2023 are projected to increase by \$3.1 billion from FY 2022 projections to reach \$61.2 billion, while General Fund PIT receipts are projected to total \$28.7 billion in FY 2023.

**Consumption/Use Taxes**

<b>CONSUMPTION/USE TAXES</b> (millions of dollars)									
	<b>FY 2019</b>	<b>FY 2020</b>		<b>FY 2021</b>		<b>FY 2022</b>		<b>FY 2023</b>	
	<b>Results</b>	<b>Updated</b>	<b>Change</b>	<b>Projected</b>	<b>Change</b>	<b>Projected</b>	<b>Change</b>	<b>Projected</b>	<b>Change</b>
<b>STATE/ALL FUNDS</b>	<b>17,357</b>	<b>18,308</b>	<b>5.5%</b>	<b>19,014</b>	<b>3.9%</b>	<b>19,548</b>	<b>2.8%</b>	<b>20,123</b>	<b>2.9%</b>
Sales Tax	15,128	16,158	6.8%	16,849	4.3%	17,419	3.4%	18,027	3.5%
Cigarette and Tobacco Taxes	1,108	1,041	-6.0%	981	-5.8%	936	-4.6%	895	-4.4%
Vapor Excise Tax	0	10	n/a	39	290.0%	39	0.0%	39	0.0%
Motor Fuel Tax	528	515	-2.5%	515	0.0%	515	0.0%	515	0.0%
Highway Use Tax	145	141	-2.8%	143	1.4%	145	1.4%	146	0.7%
Alcoholic Beverage Taxes	262	265	1.1%	269	1.5%	272	1.1%	275	1.1%
Opioid Excise Tax	0	66	n/a	100	51.5%	100	0.0%	100	0.0%
Medical Cannabis Excise Tax	4	4	0.0%	4	0.0%	4	0.0%	4	0.0%
Taxicab Surcharge <sup>2</sup>	52	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Auto Rental Tax <sup>2</sup>	130	108	-16.9%	114	5.6%	118	3.5%	122	3.4%
<b>GENERAL FUND<sup>1</sup></b>	<b>7,681</b>	<b>8,209</b>	<b>6.9%</b>	<b>8,558</b>	<b>4.3%</b>	<b>8,817</b>	<b>3.0%</b>	<b>9,095</b>	<b>3.2%</b>
Sales Tax	7,091	7,568	6.7%	7,893	4.3%	8,160	3.4%	8,445	3.5%
Cigarette and Tobacco Taxes	328	310	-5.5%	296	-4.5%	285	-3.7%	275	-3.5%
Alcoholic Beverage Taxes	262	265	1.1%	269	1.5%	272	1.1%	275	1.1%
Opioid Excise Tax	0	66	n/a	100	51.5%	100	0.0%	100	0.0%

<sup>1</sup>Excludes Transfers.

<sup>2</sup>FY 2020 estimates and outyear projections no longer include MTA receipts as the Enacted Budget provided that they be remitted to the MTA without an appropriation beginning in FY 2020.

All Funds consumption/use tax receipts for FY 2020 are estimated to total \$18.3 billion, a \$951 million (5.5 percent) increase from FY 2019 results. Sales tax receipts are estimated to increase by over \$1 billion (6.8 percent) from FY 2019 results, reflecting tax base growth of 3.4 percent and an additional \$346 million in projected revenue related to FY 2020 Enacted Budget legislation and guidance associated with the U.S. Supreme Court Wayfair ruling, implemented by DTF. A partially phased-in excise tax on the first sale of opioids within the state and on vapor products is projected to generate \$66 million and \$10 million, respectively. Cigarette and tobacco tax collections are projected to decrease by \$67 million (6 percent), reflecting a continuing decline in taxable cigarette consumption. Highway Use Tax (HUT) collections are estimated to decrease by \$4 million (2.8 percent) reflecting a non-triennial year. Motor fuel tax receipts are estimated to decrease by \$13 million (2.5 percent) reflecting an estimated return to typical fuel consumption. Due to the shifting of certain MTA receipts directly to the MTA without appropriation, taxicab surcharge receipts are projected to decrease by \$52 million (100 percent), while auto rental tax receipts are projected to decrease by \$22 million (16.9 percent). The projected decline in auto rental tax receipts includes \$19.5 million in new revenue related to enacted legislation that expands the auto rental surcharge within the Metropolitan Commuter Transportation District (MCTD) to the entire state.

A portion of sales tax receipts is initially deposited to the Local Government Assistance Tax Fund (25 percent), and the Sales Tax Revenue Bond Fund (25 percent), which support debt service payments on bonds issued under the LGAC and State Sales Tax Revenue Bond programs. Receipts in excess of the debt service requirements of these funds and the local assistance payments to NYC, or its assignee, are subsequently transferred to the General Fund.

General Fund consumption/use tax receipts for FY 2020 are estimated to total \$8.2 billion, a \$528 million (6.9 percent) increase from FY 2019 results. This increase largely reflects the All Funds sales and use tax and cigarette tax trends noted above.

FY 2021 All Funds consumption/use tax receipts are projected to increase to \$19 billion, a \$706 million (3.9 percent) increase from FY 2020 estimates. Increases in sales tax receipts reflect base growth of 3.5 percent, and an additional \$494 million in projected revenue related to enacted legislation and guidance as previously discussed. When fully phased-in, the excise tax on vapor products and opioids is projected to generate an additional \$29 million and \$34 million, respectively. These increases are partially offset by a continued decline in taxable cigarette consumption. FY 2021 General Fund consumption/use tax receipts are projected to increase to nearly \$8.6 billion, a \$349 million (4.3 percent) increase from FY 2020 estimates.

FY 2022 All Funds consumption/use tax receipts are projected to increase to over \$19.5 billion (2.8 percent growth), largely representing base growth in sales tax receipts, which is slightly offset by a continued decline in taxable cigarette consumption. General Fund consumption/use tax receipts are projected to increase to \$8.8 billion (3 percent growth) in FY 2022.

FY 2023 All Funds consumption/use tax receipts are projected to increase to \$20.1 billion (2.9 percent growth), largely representing base growth in sales tax receipts, slightly offset by a continued decline in taxable cigarette consumption. General Fund consumption/use tax receipts are projected to increase to \$9.1 billion (3.2 percent growth) in FY 2023.

**Business Taxes**

<b>BUSINESS TAXES</b> (millions of dollars)									
	FY 2019	FY 2020		FY 2021		FY 2022		FY 2023	
	Results	Updated	Change	Projected	Change	Projected	Change	Projected	Change
<b>STATE/ALL FUNDS</b>	<b>7,912</b>	<b>8,553</b>	<b>8.1%</b>	<b>8,934</b>	<b>4.5%</b>	<b>9,049</b>	<b>1.3%</b>	<b>9,417</b>	<b>4.1%</b>
Corporate Franchise Tax	4,297	4,245	-1.2%	4,775	12.5%	4,833	1.2%	5,077	5.0%
Corporation and Utilities Tax	672	729	8.5%	706	-3.2%	713	1.0%	724	1.5%
Insurance Tax	1,837	2,251	22.5%	2,344	4.1%	2,413	2.9%	2,541	5.3%
Bank Tax	(60)	167	378.3%	0	-100.0%	0	0.0%	0	0.0%
Petroleum Business Tax	1,166	1,161	-0.4%	1,109	-4.5%	1,090	-1.7%	1,075	-1.4%
<b>GENERAL FUND</b>	<b>5,501</b>	<b>6,077</b>	<b>10.5%</b>	<b>6,472</b>	<b>6.5%</b>	<b>6,550</b>	<b>1.2%</b>	<b>6,871</b>	<b>4.9%</b>
Corporate Franchise Tax	3,410	3,363	-1.4%	3,843	14.3%	3,855	0.3%	4,053	5.1%
Corporation and Utilities Tax	495	557	12.5%	537	-3.6%	543	1.1%	552	1.7%
Insurance Tax	1,638	2,017	23.1%	2,092	3.7%	2,152	2.9%	2,266	5.3%
Bank Tax	(42)	140	433.3%	0	-100.0%	0	0.0%	0	0.0%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

FY 2020 All Funds business tax receipts are estimated to total nearly \$8.6 billion, an increase of \$641 million (8.1 percent) from FY 2019 results. The estimate reflects increases in insurance tax, bank tax and utilities tax receipts.

Corporation franchise tax receipts are estimated to decrease \$52 million (1.2 percent) from FY 2019 results, reflecting a large increase in refunds and lower growth in gross receipts. Several refunds that were initially expected to be paid in FY 2019 were instead paid in FY 2020. The significant growth in gross receipts in FY 2019 (29.3 percent) is not expected to recur in FY 2020. The 95 percent GILTI exemption enacted at the end of the 2019 legislative session is estimated to decrease gross receipts by \$32 million (\$27 million decrease to the General Fund, \$5 million to MTA funds.) Audit receipts in FY 2019 were lower than recent history and are expected to increase to recent trend levels in FY 2020.

Corporation and utilities tax receipts for FY 2020 are estimated to increase by \$57 million (8.5 percent) from FY 2019 results. This is primarily due to increases in gross receipts and audits. Utility gross receipts are expected to grow at modest levels compared to the prior year. Mandatory 2019 liability first installment payments for telecommunications companies were less than expected in FY 2019 but are expected to be paid in FY 2020, resulting in estimated gross receipts growth year-over-year. Gross receipts from telecommunications companies for 2019 liability are expected to be flat over 2018 due to industry competitiveness and the movement of most communications to non-taxable internet-based solutions.

Insurance tax receipts for FY 2020 are estimated to increase \$414 million (22.5 percent) from FY 2019 results. The estimated increase is primarily due to conversion of a not-for-profit health insurer to a for-profit health insurer, and growing insurance tax premiums. FY 2019 Audit receipts were significantly lower than recent history but are expected to return to trend levels in FY 2020, while refunds are estimated to grow slightly over the previous fiscal year.

Receipts from the repealed bank tax (all from prior liability periods) in FY 2020 are estimated to increase by \$227 million from FY 2019 results, primarily due to a significant estimated decrease in refunds and a significant increase in audit receipts. Petroleum Business Tax (PBT) receipts are estimated to decrease \$5 million (0.4 percent) from FY 2019 results, due to a combination of lower fuel demand and a projected five percent decline to the PBT rates in calendar year 2020.

General Fund business tax receipts for FY 2020 of \$6.1 billion are estimated to increase by \$576 million (10.5 percent) from FY 2019 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2021 of \$8.9 billion are projected to increase by \$381 million (4.5 percent), and General Fund business tax receipts are projected to increase to \$6.5 billion (6.5 percent growth) from FY 2020 estimates. The increase primarily reflects growth in corporation franchise tax receipts driven by higher gross receipts and lower refunds. An increase in projected insurance tax receipts is partially offset by a decline in projected corporation and utilities tax, bank tax and PBT receipts.

All Funds business tax receipts for FY 2022 of over \$9 billion are projected to increase by \$115 million (1.3 percent), and General Fund business tax receipts are projected to increase to nearly \$6.6 billion (1.2 percent) from FY 2021 projections. The increase primarily reflects growth in insurance tax and corporation franchise tax receipts driven by higher gross receipts. A decline in PBT receipts is partially offset by a modest increase in corporation and utilities tax receipts.

All Funds business tax receipts for FY 2023 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. In FY 2023, All Funds business tax receipts are projected to increase to \$9.4 billion (4.1 percent growth), and General Fund business tax receipts are projected to increase to \$6.9 billion (4.9 percent growth).

**Other Taxes**

OTHER TAXES (millions of dollars)									
	FY 2019 Results	FY 2020 Updated	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
<b>STATE/ALL FUNDS</b>	<b>2,221</b>	<b>2,262</b>	<b>1.8%</b>	<b>2,362</b>	<b>4.4%</b>	<b>2,472</b>	<b>4.7%</b>	<b>2,581</b>	<b>4.4%</b>
Estate Tax	1,068	1,094	2.4%	1,153	5.4%	1,214	5.3%	1,277	5.2%
Real Estate Transfer Tax	1,135	1,148	1.1%	1,183	3.0%	1,219	3.0%	1,263	3.6%
Employer Compensation Expense Program	0	2	n/a	8	300.0%	21	162.5%	23	9.5%
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%
<b>GENERAL FUND<sup>1</sup></b>	<b>1,086</b>	<b>1,113</b>	<b>2.5%</b>	<b>1,175</b>	<b>5.6%</b>	<b>1,242</b>	<b>5.7%</b>	<b>1,306</b>	<b>5.2%</b>
Estate Tax	1,068	1,094	2.4%	1,153	5.4%	1,214	5.3%	1,277	5.2%
Employer Compensation Expense Program	0	1	n/a	4	300.0%	10	150.0%	11	10.0%
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%

<sup>1</sup>Excludes Transfers.

All Funds other tax receipts for FY 2020 are estimated to total nearly \$2.3 billion, an increase of \$41 million (1.8 percent) from FY 2019 results. This is primarily due to an estimated \$26 million (2.4 percent) increase in estate tax receipts resulting from relatively weak estimated growth in household net worth. Real estate transfer tax receipts are expected to increase by \$13 million (1.1 percent), consistent with estimated growth in housing starts and housing prices.

General Fund other tax receipts are estimated to be just over \$1.1 billion in FY 2020, an increase of \$27 million (2.5 percent) from FY 2019 results, reflecting the estimated increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2021 are projected to total nearly \$2.4 billion, a \$100 million (4.4 percent) increase from FY 2020 estimates. Estate tax receipts are projected to increase by \$59 million (5.4 percent) in FY 2021, reflecting projected growth in household net worth. The \$35 million (3 percent) projected increase in real estate transfer tax receipts in FY 2021 reflects projected growth in housing starts and prices.

General Fund other tax receipts for FY 2021 are projected to be almost \$1.2 billion, an increase of \$62 million (5.6 percent) from FY 2020 estimates, resulting from the projected increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2022 are projected to be nearly \$2.5 billion, a \$110 million (4.7 percent) increase from FY 2021 projections. Estate tax receipts are projected to increase by \$61 million (5.3 percent) in FY 2022, reflecting projected growth in household net worth. The \$36 million (three percent) projected increase in real estate transfer tax receipts in FY 2022 reflects projected growth in housing starts and prices.

General Fund other tax receipts for FY 2022 are projected to total \$1.2 billion, an increase of \$67 million (5.7 percent), resulting from the projected increase in estate tax receipts noted above.

All Funds other tax receipts are projected to be nearly \$2.6 billion in FY 2023, an increase of \$109 million (4.4 percent) from FY 2022 projections, which reflects projected trend growth in household net worth, housing starts, and housing prices.

General Fund other tax receipts are projected to be \$1.3 billion in FY 2023, an increase of \$64 million (5.2 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 2019	FY 2020	FY 2021		FY 2022		FY 2023		
	Results	Updated	Change	Projected	Change	Projected	Change	Projected	Change
<b>ALL FUNDS</b>	<b>31,184</b>	<b>29,347</b>	<b>-5.9%</b>	<b>25,935</b>	<b>-11.6%</b>	<b>25,014</b>	<b>-3.6%</b>	<b>24,385</b>	<b>-2.5%</b>
General Fund	3,586	2,890	-19.4%	2,049	-29.1%	1,892	-7.7%	1,869	-1.2%
Special Revenue Funds	19,668	17,957	-8.7%	16,330	-9.1%	16,678	2.1%	16,157	-3.1%
Capital Projects Funds	7,497	8,106	8.1%	7,162	-11.6%	6,051	-15.5%	5,967	-1.4%
Debt Service Funds	433	394	-9.0%	394	0.0%	393	-0.3%	392	-0.3%

All Funds miscellaneous receipts are projected to total \$29.3 billion in FY 2020, a decrease of 5.9 percent from FY 2019 results. This decrease is primarily due to the loss of one-time Extraordinary Monetary Settlements in the General Fund, which totaled over \$1.1 billion in FY 2019, paired with declines in bond-financed capital spending on a year-over-year basis. Bond-financed capital expenses are paid from the General Fund (or STIP) in the first instance and subsequently reimbursed with PIT or Sales Tax Revenue Bond proceeds.

All Funds miscellaneous receipts are projected to decline annually after FY 2020, reflecting the impact of Extraordinary Monetary Settlements received and a decrease in bond proceed reimbursements in later years, which corresponds to prior-year capital expenses.



**Federal Grants**

<b>FEDERAL GRANTS</b> (millions of dollars)									
	FY 2019	FY 2020	FY 2021		FY 2022		FY 2023		
	<u>Results</u>	<u>Updated</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
<b>ALL FUNDS</b>	<b>61,344</b>	<b>66,324</b>	<b>8.1%</b>	<b>64,555</b>	<b>-2.7%</b>	<b>66,253</b>	<b>2.6%</b>	<b>68,815</b>	<b>3.9%</b>
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	58,920	64,021	8.7%	62,295	-2.7%	63,994	2.7%	66,559	4.0%
Capital Projects Funds	2,350	2,229	-5.1%	2,187	-1.9%	2,187	0.0%	2,187	0.0%
Debt Service Funds	74	74	0.0%	73	-1.4%	72	-1.4%	69	-4.2%

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

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

Under the Trump Administration and the current Congress, many of the policies that drive Federal aid may be subject to change. At this time, it is not possible to assess the potential fiscal impact of future policies that may be proposed and adopted. If Federal funding to the State were reduced, this could have a materially adverse impact on the Financial Plan.

## ***Disbursements***

In FY 2020, disbursements from the State's General Fund, including transfers, are expected to total \$77.8 billion, and disbursements from State Operating Funds are expected to total \$102.2 billion. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of annual spending growth, as further described in this section.

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

**Local Assistance Grants**

Local assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. Local assistance spending in State Operating Funds is estimated at \$68.5 billion in FY 2020, approximately two-thirds of total State Operating Funds spending. Education and health care spending account for nearly three-quarters of State Operating Funds local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES (millions of dollars)					
	FY 2019 Results <sup>1</sup>	FY 2020 Updated	Forecast		
			FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
<b>HEALTH CARE</b>					
Medicaid - Individuals Covered	6,243,498	6,268,035	6,280,303	6,286,437	6,289,504
Essential Plan - Individuals Covered	773,584	778,944	784,341	789,775	795,247
Child Health Plus - Individuals Covered	396,351	411,651	419,391	423,423	425,175
State Takeover of County/NYC Costs <sup>2</sup>	<u>\$3,772</u>	<u>\$4,115</u>	<u>\$4,467</u>	<u>\$4,818</u>	<u>\$5,179</u>
CY 2005 Local Medicaid Cap	\$2,855	\$3,015	\$3,184	\$3,353	\$3,531
FY 2013 Local Takeover Costs	\$917	\$1,100	\$1,283	\$1,465	\$1,648
<b>EDUCATION</b>					
School Aid (School Year Basis Funding)	\$26,843	\$27,856	\$28,957	\$30,159	\$31,382
<b>HIGHER EDUCATION</b>					
Public Higher Education Enrollment (FTEs)	558,135	557,950	557,525	557,220	557,100
Tuition Assistance Program (Recipients)	273,884	274,148	274,148	274,148	274,148
<b>PUBLIC ASSISTANCE</b>					
Family Assistance Program (Families)	206,170	201,673	198,774	195,823	192,967
Safety Net Program (Families)	120,580	117,775	115,903	114,041	112,256
Safety Net Program (Singles)	211,438	212,716	215,224	217,332	219,622
<b>MENTAL HYGIENE</b>					
OMH Community Beds	44,819	47,040	48,321	49,038	50,069
OPWDD Community Beds	43,193	43,542	43,893	44,247	44,604
OASAS Community Beds	13,425	13,739	13,840	13,974	14,205
Total	101,437	104,321	106,054	107,259	108,878
<b>PRISON POPULATION</b>					
	47,400	47,400	47,400	47,400	47,400
<sup>1</sup> Reflects preliminary unaudited results.					
<sup>2</sup> 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 supports elementary and secondary education for New York pupils enrolled in the 673 major school districts. State aid is provided to districts based on statutory aid formulas and through reimbursement of categorical expenses, such as prekindergarten programs, education of homeless children, and bilingual education. State funding for schools assists districts in meeting locally defined needs, supports the construction of school facilities, and finances school transportation for nearly three million students statewide.

#### School Year (July 1 -June 30)

School Aid is expected to total \$27.9 billion in School Year (SY) 2020, an annual increase of \$1.0 billion (3.8 percent), including a \$618 million Foundation Aid increase. A Community Schools set-aside of \$250 million within Foundation Aid (a \$50 million increase from the prior year) provides funds intended to facilitate the transformation of schools into community hubs. In addition, another \$345 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 Financial Plan provides \$50 million for new competitive grant programs, including a \$15 million investment to expand prekindergarten programs for three- and four-year-old students, targeted to high-need school districts, and \$10 million to expand the Empire State After-School Program, helping to keep young people safe and engaged during after-school hours. The State provides over \$800 million in recurring annual support for three- and four-year old prekindergarten programs, including \$340 million for the Statewide Universal Full-Day Prekindergarten (SUFPK) programs.

Since FY 2013, projections have assumed that year-over-year growth in School Aid disbursements would not exceed the annual percent growth in NYS personal income. However, from FY 2014 to FY 2019, the State annually authorized School Aid increases above the PIGI. The FY 2020 Enacted Budget amended the School Aid growth cap to equal the ten-year average of the State PIGI, beginning in FY 2021. The use of a School Aid growth cap based on a ten-year average is expected to reduce the volatility associated with a one-year average growth cap, limit the impact of the BEA's frequent revisions to NYS personal income growth estimates, and better align Executive School Aid proposals with the State's enacted School Aid increases.

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)									
(millions of dollars)									
	SY 2019	SY 2020	Change	SY 2021	Change	SY 2022	Change	SY 2023	Change
Total	26,843	27,856	1,013	28,957	1,101	30,159	1,202	31,382	1,223
			3.8%		4.0%		4.2%		4.1%

## State Fiscal Year

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

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

SCHOOL AID - STATE FISCAL YEAR BASIS (millions of dollars)									
	FY 2019	FY 2020		FY 2021		FY 2022		FY 2023	
	Results	Updated	Change	Projected	Change	Projected	Change	Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>26,403</b>	<b>27,415</b>	<b>3.8%</b>	<b>28,494</b>	<b>3.9%</b>	<b>29,668</b>	<b>4.1%</b>	<b>30,885</b>	<b>4.1%</b>
General Fund Local Assistance	22,927	23,491	2.5%	24,838	5.7%	26,011	4.7%	27,234	4.7%
Medicaid	153	78	-49.0%	78	0.0%	78	0.0%	78	0.0%
Lottery Aid	2,294	2,709	18.1%	2,457	-9.3%	2,457	0.0%	2,457	0.0%
VLT Lottery Aid	907	975	7.5%	966	-0.9%	961	-0.5%	961	0.0%
Commercial Gaming	122	162	32.8%	155	-4.3%	161	3.9%	155	-3.7%

State fiscal year spending for School Aid is projected to total \$27.4 billion in FY 2020, a 3.8 percent increase over FY 2019. 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 lottery, video lottery and commercial gaming revenues are expected to remain largely flat beginning in FY 2021. In addition to State aid, school districts currently receive more than \$3 billion annually in Federal aid.

State aid payments for School Aid are supplemented by commercial gaming revenues shared with the State by commercial gaming facilities. These receipts are expected to decline slightly by \$7 million in FY 2021, increase by \$6 million in FY 2022, and decline by \$6 million in FY 2023. Pursuant to State Gaming Commission approval, four casinos were awarded licenses and are now operational. In April 2019, the Monticello Casino and Raceway ceased its VLT operations. The Financial Plan assumes a significant amount of gaming activity previously at Monticello will shift to nearby Resorts World Catskills Casino. This closure and anticipated shift in gaming activity are expected to have a limited net impact on the State's projected combined VLT and casino revenue resources in FY 2020 and thereafter.

If casino revenue resources do not materialize at the level expected, or as timely as expected, then the additional School Aid projected to be funded from casino revenue resources must be paid from the General Fund.

## Other Education Funding

The State also provides funding and support for various other education-related programs. These include: special education services; programs administered by the Office of Prekindergarten through Grade 12 Education; cultural education; higher and professional education programs; and adult career and continuing education services.

OTHER EDUCATION FUNDING (millions of dollars)									
	FY 2019 Results	FY 2020 Updated	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>2,143</b>	<b>2,402</b>	<b>12.1%</b>	<b>2,405</b>	<b>0.1%</b>	<b>2,473</b>	<b>2.8%</b>	<b>2,569</b>	<b>3.9%</b>
Special Education	1,291	1,351	4.6%	1,418	5.0%	1,484	4.7%	1,551	4.5%
All Other Education	852	1,051	23.4%	987	-6.1%	989	0.2%	1,018	2.9%

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

The increase in Special Education spending in FY 2020 and thereafter is primarily 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 2020 is primarily attributable to the timing of FY 2019 payments for various programs such as nonpublic school payments, increased support for nonpublic and charter school programs, and one-time savings from FY 2019 underspending across multiple programs. The decrease in FY 2021 primarily reflects the addition of one-time aid and grants in FY 2020. The projected increase in FY 2023 is largely due to continued growth in charter school supplemental tuition, facilities aid payments for charter schools in NYC, and payments to nonpublic schools.

**School Tax Relief Program**

The STAR program provides school tax relief to taxpayers by exempting the first \$30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens will receive a \$68,700 exemption in FY 2020. The DTF oversees local property assessment administration and is responsible for establishing STAR property tax exemption amounts.

The three program components are: the basic school property tax exemption for homeowners with incomes under \$250,000 or a personal income tax credit for homeowners with incomes under \$500,000 (applies to homeowners who have moved or purchased a home after the 2015-2016 school year levy date, were transitioned to the property tax exemption due to an income above \$250,000, or voluntarily opted to receive the credit); the enhanced school property tax exemption or personal income tax credit for senior citizen homeowners with incomes under \$86,300; and a credit for income-eligible resident NYC personal income taxpayers.

The NYC PIT rate reduction was converted into a PIT tax credit starting with the 2017 tax year. As of FY 2019, NYC STAR payments are no longer a component of State Operating Funds spending. This change has no impact on the value of the STAR benefit received by taxpayers.

Spending on STAR property tax exemptions reflects reimbursements made to school districts to offset the reduction in the amount of property tax revenue collected from homeowners. Since FY 2017, the STAR exemption program has been gradually transitioned from a spending program to an advance refundable PIT credit program. As a result, first-time homebuyers and homeowners who move receive a refundable PIT credit in lieu of a property tax exemption. This change initially had no impact on the value of the STAR benefit received by homeowners. Going forward, exemption homeowners will not see an increase in their STAR benefit (details below).

The FY 2020 Enacted Budget encourages further transition to the advance credit by restricting the exemption program to homeowners with incomes below \$250,000 and holding a homeowner's Basic and Enhanced exemption benefit to a maximum of their FY 2019 levels. These changes are not applicable to STAR credit benefits. The value of the STAR benefit for homeowners enrolled in the exemption program will not be impacted by these actions if they transition to the credit program. The majority of the spending decline projected in FYs 2020 through 2023 can be attributed to these actions. By shifting taxpayers to the credit program, the State is able to more efficiently administer the program while strengthening its ability to prevent abuse.

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

	FY 2019 Results	FY 2020 Updated	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>2,423</b>	<b>2,176</b>	<b>-10.2%</b>	<b>2,073</b>	<b>-4.7%</b>	<b>1,979</b>	<b>-4.5%</b>	<b>1,858</b>	<b>-6.1%</b>
Gross Program Costs	3,361	3,416	1.6%	3,489	2.1%	3,569	2.3%	3,627	1.6%
Personal Income Tax Credit	(938)	(1,240)	-32.2%	(1,416)	-14.2%	(1,590)	-12.3%	(1,769)	-11.3%
Basic Exemption	1,525	1,366	-10.4%	1,306	-4.4%	1,246	-4.6%	1,170	-6.1%
Gross Program Costs	1,785	1,858	4.1%	1,901	2.3%	1,942	2.2%	1,972	1.5%
Personal Income Tax Credit	(260)	(492)	-89.2%	(595)	-20.9%	(696)	-17.0%	(802)	-15.2%
Enhanced (Senior) Exemption	898	810	-9.8%	767	-5.3%	733	-4.4%	688	-6.1%
Gross Program Costs	950	918	-3.4%	932	1.5%	954	2.4%	965	1.2%
Personal Income Tax Credit	(52)	(108)	-107.7%	(165)	-52.8%	(221)	-33.9%	(277)	-25.3%
New York City PIT	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Gross Program Costs	626	640	2.2%	656	2.5%	673	2.6%	689	2.4%
Personal Income Tax Credit	(626)	(640)	-2.2%	(656)	-2.5%	(673)	-2.6%	(689)	-2.4%



**Higher Education**

Local assistance for higher education spending includes funding for CUNY, SUNY, and HESC.

<b>HIGHER EDUCATION</b> (millions of dollars)									
	<b>FY 2019</b>	<b>FY 2020</b>		<b>FY 2021</b>		<b>FY 2022</b>		<b>FY 2023</b>	
	<u>Results</u>	<u>Updated</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
<b>TOTAL STATE OPERATING FUNDS</b>	<b>2,980</b>	<b>2,976</b>	<b>-0.1%</b>	<b>2,945</b>	<b>-1.0%</b>	<b>2,989</b>	<b>1.5%</b>	<b>3,024</b>	<b>1.2%</b>
<b>City University</b>	<b>1,508</b>	<b>1,537</b>	<b>1.9%</b>	<b>1,577</b>	<b>2.6%</b>	<b>1,611</b>	<b>2.2%</b>	<b>1,645</b>	<b>2.1%</b>
Senior Colleges	1,249	1,287	3.0%	1,323	2.8%	1,357	2.6%	1,392	2.6%
Community College	259	250	-3.5%	254	1.6%	254	0.0%	253	-0.4%
<b>Higher Education Services</b>	<b>984</b>	<b>956</b>	<b>-2.8%</b>	<b>881</b>	<b>-7.8%</b>	<b>891</b>	<b>1.1%</b>	<b>893</b>	<b>0.2%</b>
Tuition Assistance Program	816	784	-3.9%	742	-5.4%	751	1.2%	753	0.3%
Scholarships/Awards	159	160	0.6%	127	-20.6%	128	0.8%	128	0.0%
Aid for Part-Time Study	9	12	33.3%	12	0.0%	12	0.0%	12	0.0%
<b>State University</b>	<b>488</b>	<b>483</b>	<b>-1.0%</b>	<b>487</b>	<b>0.8%</b>	<b>487</b>	<b>0.0%</b>	<b>486</b>	<b>-0.2%</b>
Community College	482	479	-0.6%	483	0.8%	483	0.0%	482	-0.2%
Other/Cornell	6	4	-33.3%	4	0.0%	4	0.0%	4	0.0%

SUNY and CUNY operate 47 four-year colleges and graduate schools with a total enrollment of more than 410,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving approximately 309,000 students. The State provides funding for a significant portion of SUNY and CUNY operations. In addition to the spending reflected in the table above, the State provides SUNY more than \$1 billion annually via a General Fund transfer and another \$2 billion via direct payment of fringe benefits for SUNY employees. The State also pays \$1.2 billion in debt service for bond-financed capital projects at SUNY and CUNY.

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

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

Higher education spending is projected to decrease by \$4 million, or 0.1 percent, from FY 2019 to FY 2020, and by \$31 million, or 1 percent, from FY 2020 to FY 2021. This decrease reflects accounting changes for tuition assistance payments from HESC to State-operated SUNY campuses, whereby these payments are reflected as a HESC transfer instead of a disbursement. Projected spending growth in later years is largely due to employee fringe benefit growth for CUNY Senior Colleges.

## ***Health Care***

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. DOH works with local health departments and social services departments, including those located in NYC, 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 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 the goal of achieving a 25 percent reduction in avoidable hospital use over five years. The Financial Plan reflects spending related to the DSRIP program (nearly \$8 billion through FY 2020), with the remaining funds expected to be disbursed in 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 funded Medicaid spending to the ten-year rolling average of the medical component of the CPI. The statutory provisions of the 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 State has, at times, taken actions to manage the timing of Medicaid payments to ensure compliance with the Global Cap. Between FY 2015 and FY 2018, DOH managed the timing of payments across State fiscal years. In FY 2019, DOH deferred, for three business days, the final cycle payment to Medicaid Managed Care Organizations, as well as other payments. The FY 2019 deferral had a State-share value of \$1.7 billion and was paid utilizing cash on hand in April 2019, consistent with contractual obligations and had no impact on provider services. Absent the deferral, Medicaid spending under the Global Cap would have exceeded the statutorily indexed rate for FY 2019. This higher spending in FY 2019 appears to reflect growth in managed care enrollment and costs above projections, as well as certain savings actions and offsets that were not processed by year-end. The Financial Plan assumes Medicaid spending in FY 2020 will comply

with the Global Cap, however spending to date continues to exceed projections. As such, DOB and DOH are working to develop options to reduce spending within the Global Cap and/or continue to manage the timing of payments. Options to reduce spending include the execution of the statutory powers granted to the Commissioner of Health to limit spending, which include across the board rate reductions to health care providers and plans. Efforts to maintain Medicaid spending levels within the Global Cap may have implications on the State’s financial position. If spending levels continue to exceed the Global Cap and/or further payment deferrals are made, there could be an impact to State finances. Additional information on Medicaid cash management, budgetary risks and uncertainties can be found in the “Other Matters Affecting the Financial Plan” section herein.

The Financial Plan reflects the continuation of the Global Cap through FY 2023, and the projections assume that statutory authority will be extended in subsequent years. Allowable growth under the cap for medical services is 3.3 percent in FY 2019. Reflecting updated projections for the medical CPI growth, DOB currently forecasts allowable cap growth at 3 percent for FYs 2020 and 2021, and 2.9 percent for FYs 2022 and 2023.

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

<sup>1</sup> 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 budgeted and expended principally through DOH. The statutory Global Cap does not include State costs associated with the takeover of local Medicaid growth and the multi-year assumption of local Medicaid administration costs, increased FFP pursuant to the ACA (effective in January 2014), and statewide minimum wage increases. State share Medicaid spending also appears in the Financial Plan estimates for other State agencies and programs, including the mental hygiene agencies, child welfare programs, education aid and corrections.

<b>TOTAL STATE-SHARE MEDICAID DISBURSEMENTS<sup>1</sup></b> (millions of dollars)					
	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
	<b>Results</b>	<b>Updated</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
Department of Health Medicaid	<u>20,293</u>	<u>21,643</u>	<u>22,598</u>	<u>23,427</u>	<u>24,292</u>
Local Assistance	20,476	21,686	22,700	23,527	24,393
State Operations	261	272	269	271	270
MSA Payments (Share of Local Growth) <sup>2</sup>	(444)	(315)	(371)	(371)	(371)
Other State Agency Medicaid Spending	<u>3,010</u>	<u>2,738</u>	<u>3,233</u>	<u>3,190</u>	<u>3,398</u>
Mental Hygiene	2,785	2,577	3,061	3,016	3,224
Foster Care	72	81	92	96	96
Education	153	78	78	78	78
Corrections	0	2	2	0	0
<b>Total State Share Medicaid (All Agencies)</b>	<b>23,303</b>	<b>24,381</b>	<b>25,831</b>	<b>26,617</b>	<b>27,690</b>
Annual \$ Change		1,078	1,450	786	1,073
Annual % Change		4.6%	5.9%	3.0%	4.0%
<b>Essential Plan<sup>3</sup></b>	<b>77</b>	<b>84</b>	<b>78</b>	<b>76</b>	<b>71</b>
Local Assistance	0	0	0	0	0
State Operations	77	84	78	76	71

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

<sup>2</sup> MSA payments will be deposited directly to a Medicaid Escrow Fund to cover a portion of the State share for Medicaid.

<sup>3</sup> 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 financing sources for State Medicaid spending.

DEPARTMENT OF HEALTH MEDICAID (millions of dollars)									
	FY 2019 Results	FY 2020 Updated	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
<b>STATE OPERATING FUNDS</b>	<b>23,380</b>	<b>24,465</b>	<b>4.6%</b>	<b>25,909</b>	<b>5.9%</b>	<b>26,693</b>	<b>3.0%</b>	<b>27,761</b>	<b>4.0%</b>
<b>Department of Health Medicaid</b>	<b>20,370</b>	<b>21,727</b>	<b>6.7%</b>	<b>22,676</b>	<b>4.4%</b>	<b>23,503</b>	<b>3.6%</b>	<b>24,363</b>	<b>3.7%</b>
General Fund - DOH Medicaid Local	14,340	15,751	9.8%	16,760	6.4%	17,606	5.0%	18,389	4.4%
DOH Medicaid	11,511	11,801	2.5%	12,718	7.8%	13,024	2.4%	13,553	4.1%
Non-DOH Medicaid <sup>1</sup>	1,653	2,034	23.0%	1,923	-5.5%	2,201	14.5%	2,201	0.0%
Minimum Wage	703	1,131	60.9%	1,207	6.7%	1,287	6.6%	1,358	5.5%
Local Takeover Cost <sup>2</sup>	917	1,100	20.0%	1,283	16.6%	1,465	14.2%	1,648	12.5%
MSA Payments (Share of Local Growth) <sup>3</sup>	(444)	(315)	29.1%	(371)	-17.8%	(371)	0.0%	(371)	0.0%
General Fund - DOH Medicaid State Ops	261	272	4.2%	269	-1.1%	271	0.7%	270	-0.4%
General Fund - Essential Plan	77	84	9.1%	78	-7.1%	76	-2.6%	71	-6.6%
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	77	84	9.1%	78	-7.1%	76	-2.6%	71	-6.6%
Other State Funds - DOH Medicaid Local	5,692	5,620	-1.3%	5,569	-0.9%	5,550	-0.3%	5,633	1.5%
HCRA Financing	4,029	3,881	-3.7%	3,800	-2.1%	3,750	-1.3%	3,801	1.4%
Indigent Care Support	777	892	14.8%	892	0.0%	892	0.0%	892	0.0%
Provider Assessment Revenue	886	845	-4.6%	875	3.6%	906	3.5%	938	3.5%
Medical Indemnity Fund	0	2	0.0%	2	0.0%	2	0.0%	2	0.0%
Other State Agency Medicaid Spending	3,010	2,738	-9.0%	3,233	18.1%	3,190	-1.3%	3,398	6.5%
<b>USE OF MSA PAYMENTS (Share of Local Growth)<sup>3</sup></b>	<b>444</b>	<b>315</b>	<b>-29.1%</b>	<b>371</b>	<b>17.8%</b>	<b>371</b>	<b>0.0%</b>	<b>371</b>	<b>0.0%</b>
<b>LOCAL SHARE OF MEDICAID<sup>4</sup></b>	<b>8,516</b>	<b>7,328</b>	<b>-14.0%</b>	<b>7,036</b>	<b>-4.0%</b>	<b>7,204</b>	<b>2.4%</b>	<b>7,212</b>	<b>0.1%</b>
<b>FEDERAL SHARE OF MEDICAID</b>	<b>44,190</b>	<b>46,603</b>	<b>5.5%</b>	<b>46,862</b>	<b>0.6%</b>	<b>48,476</b>	<b>3.4%</b>	<b>50,940</b>	<b>5.1%</b>
DOH Medicaid	40,183	42,449	5.6%	42,656	0.5%	44,261	3.8%	46,716	5.5%
Essential Plan	4,007	4,154	3.7%	4,206	1.3%	4,215	0.2%	4,224	0.2%
<b>ALL FUNDING SOURCES</b>	<b>76,530</b>	<b>78,711</b>	<b>2.8%</b>	<b>80,178</b>	<b>1.9%</b>	<b>82,744</b>	<b>3.2%</b>	<b>86,284</b>	<b>4.3%</b>

<sup>1</sup> The DOH Medicaid budget includes resources to fund a portion of Medicaid-related Mental Hygiene program costs under the Global Cap.

<sup>2</sup> Beginning in FY 2013, the State began phasing (3-2-1-0) in takeover of local government share of growth. As of County Year (CY) 2015 the State pays the full share of Medicaid program growth on behalf of local governments.

<sup>3</sup> MSA payments will be deposited directly to a Medicaid Escrow Fund to cover a portion of the State's share of local Medicaid growth.

<sup>4</sup> The Local Share of Medicaid is paid by the Local Social Service Districts (counties), and is not included in the State's All Governmental Funds disbursement totals. Fluctuation in the local share of Medicaid is related to certain supplemental payments made by local districts. Local Medicaid services payments are capped at CY 2015 levels.

The Financial Plan includes \$440 million in annual savings from the Medicaid Global Cap. To achieve savings within the Global Cap, DOH will continue to implement various MRT actions to improve efficiency and effective delivery of the statewide Medicaid program. These actions include reducing Pharmacy Benefit Manager (PBM) costs by narrowing the gap between Managed Care Organization payments to pharmacies and the costs to the Medicaid program; consolidating and establishing uniform reimbursement for Fiscal Intermediaries providing support in the consumer-directed Personal Care Program; transforming the nursing home patient acuity data collection process to provide improved rate adequacy; and increasing managed care audit recoveries. These savings are realized through the Mental Hygiene Global Cap Adjustment, which allows a portion of Office for People With Developmental Disabilities (OPWDD) and Office of Mental Health (OMH) Medicaid costs to be paid under the Global Cap.

In FY 2018, bonds secured by annual payments from tobacco manufacturers under the MSA were retired, with no remaining debt service requirements to be paid on these bonds. DOB expects payments under the MSA of approximately \$315 million in FY 2020 and additional payments to be available in subsequent years. Existing statutes direct these payments be used to help defray costs of the State's takeover of Medicaid costs for counties and NYC. The State takeover, in which local Medicaid costs are capped permanently at 2015 calendar year levels, is expected to cost the State \$917 million in FY 2019 and \$1.1 billion in FY 2020. Consistent with State law, DOB expects MSA payments to be deposited directly to a Medicaid Payment Escrow Fund to offset the non-Federal share of annual Medicaid growth, formerly borne by local governments, which the State now pays on behalf of local governments. The deposit mechanism has no impact on overall Medicaid spending funded with State resources but does reduce reported State-supported Medicaid spending accounted for in State Operating Funds. The Financial Plan assumes that the MSA payments will lower annual General Fund Medicaid disbursements. The table below displays the adjusted funding shares.

FUNDING SOURCES FOR STATE MEDICAID CONTRIBUTIONS					
(millions of dollars)					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
	Results	Updated	Projected	Projected	Projected
<b>State Share Support</b>	<b><u>23,824</u></b>	<b><u>24,780</u></b>	<b><u>26,280</u></b>	<b><u>27,064</u></b>	<b><u>28,132</u></b>
State Funds Medicaid Disbursements	23,380	24,465	25,909	26,693	27,761
MSA Payments (Local Growth)	444	315	371	371	371

The Financial Plan maintains additional General Fund support for costs associated with the regionally-based, multi-year increase in the statewide minimum wage, including the impact of legislation (Chapter 56 of the Laws of 2016) which ensures that rates for the total compensation for home health care workers in NYC, and Westchester, Nassau, and Suffolk counties will be increased commensurate with the schedule of statutory minimum wage increases.<sup>25</sup> These minimum wage initiatives are projected to increase annual Medicaid spending above statutory Global Cap limits by \$1.1 billion in FY 2020, \$1.2 billion in FY 2021, \$1.3 billion in FY 2022, and \$1.4 billion in FY 2023.

<sup>25</sup> Home health care workers in NYC and certain counties receive supplemental benefits in addition to their base wage (\$4.09 for NYC; \$3.22 for Westchester, Nassau, and Suffolk counties). These benefits include paid leave, differentials, premiums for certain shifts, education and fringe benefits. The supplemental benefits typically can be satisfied by increasing the base cash wage by a corresponding amount. As a result, wages for home health care workers in these regions exceed minimum wage levels. The legislation exempts the supplemental wages portion of total compensation from the minimum wage calculation to ensure home health care workers in these counties receive incremental growth in wage compensation commensurate with the new minimum wage schedule. The cost of this legislation in FY 2019 totaled \$703 million.

Fluctuation in enrollment, costs of provider health care services, and health care utilization levels are among the factors that drive higher Medicaid spending within the Global Cap. The number of Medicaid recipients is expected to reach about 6.3 million by the end of FY 2020, a slight increase from FY 2019. This increase is partly driven by an increase in elderly enrollees in the Medicaid program.

Rising costs within the Medicaid Global Cap are expected to be offset through the Medicaid Integrity and Efficiency Initiative, which was authorized in the FY 2017 Enacted Budget. Local service districts who voluntarily elect to participate in this initiative, work with DOH to formulate a plan to achieve new audit recoveries, efficiencies and other cost-avoidance measures.

## Local Medicaid Cap

The Local Medicaid Cap was designed to relieve pressure on county property taxes and the NYC budget by capping local costs and having the State absorb all local program growth above a fixed statutory inflation rate. Beginning in January 2006, counties' Medicaid cost contributions were capped based on 2005 expenditures that were indexed at a growth rate of 3.5 percent in 2006, 3.25 percent in 2007, and 3 percent per year thereafter. In FY 2013, the State committed to phasing out all growth in the local share of Medicaid costs over a three-year period. The takeover of local Medicaid costs by the State saves local districts nearly \$4.1 billion in FY 2020 including approximately \$2.1 billion for counties outside NYC and \$2.0 billion for NYC.



LOCAL GOVERNMENT SAVINGS STATE TAKEOVER OF LOCAL MEDICAID COSTS (2005 CAP AND GROWTH TAKEOVER) FY 2019 to FY 2023 (in dollars)					
County	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Albany	39,548,120	42,689,168	45,924,447	49,145,707	52,460,384
Allegany	6,277,130	6,772,552	7,282,837	7,790,910	8,313,717
Broome	42,565,827	45,031,526	47,571,195	50,099,859	52,701,854
Cattaraugus	14,185,669	15,132,371	16,107,474	17,078,352	18,077,385
Cayuga	14,678,793	15,561,190	16,470,059	17,374,989	18,306,163
Chautauqua	28,704,716	30,536,154	32,422,534	34,300,740	36,233,414
Chemung	15,404,408	16,488,992	17,606,113	18,718,393	19,862,930
Chenango	8,096,080	8,645,524	9,211,451	9,774,926	10,354,742
Clinton	12,218,371	13,123,058	14,054,886	14,982,677	15,937,373
Columbia	12,132,997	12,839,564	13,567,329	14,291,940	15,037,564
Cortland	8,247,736	8,805,834	9,380,674	9,953,023	10,541,971
Delaware	8,378,337	8,898,054	9,433,363	9,966,352	10,514,798
Dutchess	53,497,242	56,414,674	59,419,628	62,411,561	65,490,261
Erie	166,050,848	177,505,131	189,303,042	201,049,829	213,137,272
Essex	5,258,899	5,624,785	6,001,647	6,376,876	6,762,988
Franklin	8,036,911	8,587,732	9,155,077	9,719,964	10,301,233
Fulton	9,949,620	10,673,940	11,419,990	12,162,806	12,927,165
Genesee	8,474,616	9,025,263	9,592,429	10,157,138	10,738,223
Greene	8,985,845	9,557,304	10,145,907	10,731,959	11,335,007
Hamilton	647,678	687,021	727,545	767,892	809,410
Herkimer	11,486,629	12,250,594	13,037,477	13,820,950	14,627,145
Jefferson	17,154,322	18,285,842	19,451,308	20,611,724	21,805,792
Lewis	3,968,424	4,243,589	4,527,009	4,809,201	5,099,576
Livingston	8,989,187	9,545,038	10,117,564	10,687,610	11,274,187
Madison	9,968,264	10,611,590	11,274,217	11,933,972	12,612,860
Monroe	152,181,600	162,292,163	172,706,043	183,074,797	193,744,244
Montgomery	12,537,694	13,283,037	14,050,740	14,815,117	15,601,660
Nassau	222,591,440	236,493,602	250,812,829	265,070,006	279,740,641
Niagara	36,982,139	39,497,776	42,088,881	44,668,758	47,323,452
Oneida	46,957,380	50,086,271	53,309,028	56,517,821	59,819,668
Onondaga	94,951,763	100,968,739	107,166,225	113,336,855	119,686,433
Ontario	15,319,097	16,280,759	17,271,271	18,257,491	19,272,311
Orange	85,598,504	90,379,187	95,303,291	100,206,057	105,251,004
Orleans	7,594,776	8,078,898	8,577,544	9,074,029	9,584,912
Oswego	24,030,993	25,520,345	27,054,376	28,581,761	30,153,439
Otsego	7,973,046	8,536,571	9,117,002	9,694,918	10,289,593
Putnam	10,785,855	11,406,609	12,045,986	12,682,592	13,337,660
Rensselaer	22,813,236	24,542,662	26,323,971	28,097,561	29,922,585
Rockland	79,384,633	83,821,671	88,391,821	92,942,167	97,624,473
St. Lawrence	16,956,868	18,202,037	19,484,562	20,761,529	22,075,528
Saratoga	25,409,699	26,933,877	28,503,780	30,066,880	31,675,310
Schenectady	35,341,258	37,450,843	39,623,716	41,787,173	44,013,370
Schoharie	4,843,628	5,166,051	5,498,147	5,828,803	6,169,049
Schuyler	2,832,837	3,033,781	3,240,753	3,446,828	3,658,879
Seneca	5,276,713	5,619,596	5,972,765	6,324,404	6,686,240
Steuben	16,174,003	17,261,543	18,381,710	19,497,022	20,644,679
Suffolk	268,565,163	284,306,151	300,519,369	316,662,330	333,273,436
Sullivan	20,806,498	22,057,621	23,346,278	24,629,350	25,949,631
Tioga	5,877,229	6,304,446	6,744,480	7,182,606	7,633,439
Tompkins	10,423,041	11,104,669	11,806,747	12,505,782	13,225,089
Ulster	39,345,227	41,646,568	44,016,950	46,377,060	48,805,613
Warren	9,282,954	9,939,189	10,615,110	11,288,103	11,980,612
Washington	11,253,992	11,939,872	12,646,329	13,349,724	14,073,518
Wayne	17,868,781	18,840,889	19,842,160	20,839,092	21,864,935
Westchester	164,246,675	175,865,126	187,832,130	199,747,277	212,007,964
Wyoming	5,204,438	5,528,109	5,861,491	6,193,427	6,534,990
Yates	3,494,996	3,731,585	3,975,272	4,217,903	4,467,571
<b>Rest of State</b>	<b>2,005,812,827</b>	<b>2,133,656,735</b>	<b>2,265,335,960</b>	<b>2,396,444,576</b>	<b>2,531,355,341</b>
<b>New York City</b>	<b>1,766,806,519</b>	<b>1,981,151,384</b>	<b>2,201,926,595</b>	<b>2,421,745,114</b>	<b>2,647,938,370</b>
<b>Statewide</b>	<b>3,772,619,345</b>	<b>4,114,808,119</b>	<b>4,467,262,556</b>	<b>4,818,189,690</b>	<b>5,179,293,711</b>

## Health Care Transformation Fund (HCTF)

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

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

Following the completion of all regulatory approvals, the initial \$1 billion direct payment from Fidelis Care was deposited into the HCTF<sup>26</sup> in July 2018. The HCTF does not include increased insurance tax receipts from Centene or higher Medicaid provider rates paid to Centene, which are reflected in the General Fund.

HEALTH CARE TRANSFORMATION FUND PURSUANT TO PART FFF OF CHAPTER 59 OF THE LAWS OF 2018 (millions of dollars)					
	FY 2019 Results	FY 2020 Updated	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
<b>Opening Balance</b>	0	525	314	0	0
<b>Receipts</b>	<u>1,080</u>	<u>468</u>	<u>118</u>	<u>118</u>	<u>68</u>
Fidelis Payment	1,000	400	50	50	0
Centene Payment	68	68	68	68	68
STIP Interest	12	0	0	0	0
<b>Planned Uses</b>	<u>(555)</u>	<u>(679)</u>	<u>(432)</u>	<u>(118)</u>	<u>(68)</u>
Housing Rental Subsidies	(250)	(441)	(296)	(118)	(68)
State-Only Medicaid Payments	(150)	(148)	(136)	0	0
Capital Projects	(155)	(90)	0	0	0
<b>Closing Balance</b>	525	314	0	0	0

DOB expects to transfer HCTF funds to the General Fund to offset State costs for eligible health care transformation activities, including capital investments, debt restructuring activities, housing and other social purposes.

<sup>26</sup> The HCTF was created pursuant to Part FFF of Chapter 59 of the Laws of 2018 to account for receipts such as those associated with the Fidelis-Centene sale. Moneys in HCTF shall be available for transfer to any other fund of the State as directed by the Director of the Budget, to support health care delivery.

**Essential Plan**

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 New York State of Health (NYSOH) insurance exchange, with the cost of insurance premiums subsidized by the State and Federal governments. The Exchange – NYSOH – serves as a centralized marketplace to shop for, compare, and enroll in a health plan. More than 770,000 New Yorkers have enrolled since the EP launched in January 2016.

ESSENTIAL PLAN (millions of dollars)									
	FY 2019 Results	FY 2020 Updated	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
<b>TOTAL ALL FUNDS SPENDING</b>	<b>4,084</b>	<b>4,238</b>	<b>3.8%</b>	<b>4,284</b>	<b>1.1%</b>	<b>4,291</b>	<b>0.2%</b>	<b>4,295</b>	<b>0.1%</b>
<b>State Operating Funds</b>	<b>77</b>	<b>84</b>	<b>9.1%</b>	<b>78</b>	<b>-7.1%</b>	<b>76</b>	<b>-2.6%</b>	<b>71</b>	<b>-6.6%</b>
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	77	84	9.1%	78	-7.1%	76	-2.6%	71	-6.6%
<b>Federal Operating Funds</b>	<b>4,007</b>	<b>4,154</b>	<b>3.7%</b>	<b>4,206</b>	<b>1.3%</b>	<b>4,215</b>	<b>0.2%</b>	<b>4,224</b>	<b>0.2%</b>

The multi-year 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 Global Cap.

In FY 2018, the Trump Administration took executive action to withhold Cost Sharing Reduction (CSR) payments, threatening low-cost health insurance coverage for income-eligible recipients when purchasing a Qualified Health Plan (QHP) or EP coverage through the NYSOH, New York's official health plan marketplace. The Federal withholding of CSR payments amounts to 25 percent of the Federal funding for the EP. 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. Additionally, the Trump Administration has proposed to alter the Federal reimbursement formula which would decrease the amount of Federal funding for the EP included in the Financial Plan.

### 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; General Public Health Work (GPHW) program that reimburses local health departments for the cost of providing certain public health services; Elderly Pharmaceutical Insurance Coverage (EPIC) program that provides prescription drug insurance to seniors; and 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 Office for the Aging (SOFA) promotes and administers programs and services for New Yorkers 60 years of age and older. SOFA primarily oversees community-based services (including in-home services and nutrition assistance) provided through a network of county Area Agencies on Aging (AAA) and local providers.

PUBLIC HEALTH AND AGING (millions of dollars)									
	FY 2019 Results	FY 2020 Updated	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	1,712	1,721	0.5%	1,892	9.9%	2,008	6.1%	2,028	1.0%
<b>Public Health</b>	1,582	1,576	-0.4%	1,745	10.7%	1,856	6.4%	1,871	0.8%
Child Health Plus	399	416	4.3%	609	46.4%	716	17.6%	732	2.2%
General Public Health Work	155	179	15.5%	163	-8.9%	167	2.5%	167	0.0%
EPIC	123	117	-4.9%	118	0.9%	118	0.0%	118	0.0%
Early Intervention	173	173	0.0%	165	-4.6%	165	0.0%	165	0.0%
HCRA Program	365	371	1.6%	384	3.5%	384	0.0%	384	0.0%
All Other	367	320	-12.8%	306	-4.4%	306	0.0%	305	-0.3%
<b>Aging</b>	130	145	11.5%	147	1.4%	152	3.4%	157	3.3%

The Public Health budget maintains average annual growth over the multi-year Financial Plan of 4.4 percent and reflects increased support to local governments for services administered on behalf of the State, partly offset by program restructuring and administrative efficiencies. Increased CHP spending reflects enrollment that continues to increase at a strong pace. A one-time claims correction increased State costs by \$50 million in FY 2019. The increase in FY 2020 reflects the October 2019 phase-down of enhanced Federal support currently provided through the ACA. Growth in FY 2021 reflects the full annual impact of the expiration of enhanced Federal support and increased enrollment.

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

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

## HCRA Financial Plan

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

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

HCRA FINANCIAL PLAN (millions of dollars)					
	FY 2019 Results	FY 2020 Updated	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
<b>OPENING BALANCE</b>	15	0	0	0	0
<b>TOTAL RECEIPTS</b>	<b>5,960</b>	<b>5,997</b>	<b>6,053</b>	<b>6,093</b>	<b>6,139</b>
Surcharges	3,624	3,647	3,785	3,859	3,936
Covered Lives Assessment	1,018	1,110	1,045	1,045	1,045
Cigarette Tax Revenue	780	731	685	651	620
Hospital Assessments	438	424	424	424	424
Excise Tax on Vapor Products	0	10	39	39	39
NYC Cigarette Tax Transfer	28	32	32	32	32
EPIC Receipts/ICR Audit Fees	72	43	43	43	43
<b>TOTAL DISBURSEMENTS AND TRANSFERS</b>	<b>5,975</b>	<b>5,997</b>	<b>6,053</b>	<b>6,093</b>	<b>6,139</b>
Medicaid Assistance Account	<u>3,985</u>	<u>3,881</u>	<u>3,800</u>	<u>3,750</u>	<u>3,801</u>
Medicaid Costs	3,788	3,684	3,603	3,553	3,604
Workforce Recruitment & Retention	197	197	197	197	197
Hospital Indigent Care	777	892	892	892	892
HCRA Program Account	379	379	392	392	392
Child Health Plus	409	428	624	733	747
Elderly Pharmaceutical Insurance Coverage	137	128	130	129	129
Qualified Health Plan Administration <sup>1</sup>	44	53	51	50	49
SHIN-NY/APCD	40	40	0	0	0
All Other	204	196	164	147	129
<b>ANNUAL OPERATING SURPLUS/(DEFICIT)</b>	<b>(15)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CLOSING BALANCE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<sup>1</sup> FY 2019 QHP spending of \$44 million was financed through the Medicaid Assistance Account.

Total HCRA receipts are forecast to grow modestly over the multi-year period. Growth surcharge collections expanded coverage through the ACA, and a new 20 percent excise tax on vapor products. Projected increases in surcharges are partly offset by declines in estimated covered lives assessments and cigarette tax collections, attributable to declining taxable consumption.

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

HCRA is expected to remain in balance over the 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

Mental Hygiene comprises the OPWDD, OMH, Office of Alcoholism and Substance Abuse Services (OASAS), Developmental Disabilities Planning Council (DDPC), and 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, issued to finance infrastructure improvements at State mental hygiene facilities. Remaining revenue supports State operating costs.

<b>MENTAL HYGIENE</b> (millions of dollars)									
	FY 2019	FY 2020		FY 2021		FY 2022		FY 2023	
	Results	Updated	Change	Projected	Change	Projected	Change	Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>2,150</b>	<b>1,989</b>	<b>-7.5%</b>	<b>2,480</b>	<b>24.7%</b>	<b>2,474</b>	<b>-0.2%</b>	<b>2,731</b>	<b>10.4%</b>
<b>People with Developmental Disabilities</b>	<b>2,171</b>	<b>2,280</b>	<b>5.0%</b>	<b>2,580</b>	<b>13.2%</b>	<b>2,769</b>	<b>7.3%</b>	<b>2,940</b>	<b>6.2%</b>
Residential Services	1,325	1,371	3.5%	1,504	9.7%	1,614	7.3%	1,714	6.2%
Day Programs	662	685	3.5%	751	9.6%	806	7.3%	856	6.2%
Clinic	16	16	0.0%	18	12.5%	19	5.6%	20	5.3%
All Other Services (Net of Offsets)	168	208	23.8%	307	47.6%	330	7.5%	350	6.1%
<b>Mental Health</b>	<b>1,282</b>	<b>1,372</b>	<b>7.0%</b>	<b>1,444</b>	<b>5.2%</b>	<b>1,512</b>	<b>4.7%</b>	<b>1,579</b>	<b>4.4%</b>
Adult Local Services	1,058	1,133	7.1%	1,196	5.6%	1,248	4.3%	1,309	4.9%
Children Local Services	224	239	6.7%	248	3.8%	264	6.5%	270	2.3%
<b>Alcohol and Substance Abuse</b>	<b>349</b>	<b>370</b>	<b>6.0%</b>	<b>378</b>	<b>2.2%</b>	<b>393</b>	<b>4.0%</b>	<b>412</b>	<b>4.8%</b>
Residential	103	110	6.8%	112	1.8%	117	4.5%	125	6.8%
Other Treatment	159	167	5.0%	172	3.0%	179	4.1%	187	4.5%
Prevention	53	56	5.7%	57	1.8%	59	3.5%	62	5.1%
Recovery	34	37	8.8%	37	0.0%	38	2.7%	38	0.0%
<b>Justice Center</b>	<b>1</b>	<b>1</b>	<b>0.0%</b>	<b>1</b>	<b>0.0%</b>	<b>1</b>	<b>0.0%</b>	<b>1</b>	<b>0.0%</b>
<b>SUBTOTAL BEFORE ADJUSTMENTS</b>	<b>3,803</b>	<b>4,023</b>	<b>5.8%</b>	<b>4,403</b>	<b>9.4%</b>	<b>4,675</b>	<b>6.2%</b>	<b>4,932</b>	<b>5.5%</b>
Total DOH Medicaid Adjustments <sup>1</sup>	(1,653)	(2,034)	-23.0%	(1,923)	5.5%	(2,201)	-14.5%	(2,201)	0.0%
OPWDD Medicaid	(1,653)	(1,814)	-9.7%	(1,703)	6.1%	(1,981)	-16.3%	(1,981)	0.0%
OMH Medicaid	0	(220)	0.0%	(220)	0.0%	(220)	0.0%	(220)	0.0%

<sup>1</sup> Adjustments reflect OPWDD and OMH programmatic spending from resources available under the Medicaid Global Cap. There are no budgetary reductions or impacts to mental hygiene program spending.



Local assistance spending for mental hygiene is projected to grow by an average rate of 6.7 percent over the Financial Plan period. The main factors driving 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 Financial Plan includes an approximately \$220 million, or 5.8 percent, increase in local assistance funding for the mental hygiene agencies. Roughly \$63 million will be used to support the incremental pay standards and related fringe benefit increases associated with the transition to a \$15 per hour minimum wage. Other increases include investments to leverage up to \$120 million in additional OPWDD funding, which will allow for the development of new certified housing supports in the community, support more independent living, provide more day program and employment options, and increase respite availability. The Financial Plan also includes additional OMH funding to support enhanced funding to existing residential programs.

The Budget funds a 4 percent raise over the next two years for direct care workers, and a 2 percent pay raise for clinical workers serving the mental hygiene community. Both are aimed at assisting not-for-profits in the recruitment and retention of employees. These investments, when fully annualized, will increase State share support for workers by \$107 million (\$188 million on an All Funds basis). Offsetting these cost increases is the deferral of the statutory COLA for mental hygiene agencies through FY 2021.

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

Mental hygiene activities funded under the Medicaid Global Cap will increase by \$440 million in FY 2020. This has no impact on mental hygiene service delivery or operations.

## Social Services

### Office of Temporary and Disability Assistance (OTDA)

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

TEMPORARY AND DISABILITY ASSISTANCE (millions of dollars)									
	FY 2019 Results	FY 2020 Updated	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>1,139</b>	<b>1,340</b>	<b>17.6%</b>	<b>1,351</b>	<b>0.8%</b>	<b>1,355</b>	<b>0.3%</b>	<b>1,358</b>	<b>0.2%</b>
SSI	644	656	1.9%	667	1.7%	667	0.0%	667	0.0%
Public Assistance Benefits	381	535	40.4%	541	1.1%	541	0.0%	541	0.0%
Public Assistance Initiatives	13	30	130.8%	24	-20.0%	24	0.0%	24	0.0%
All Other	101	119	17.8%	119	0.0%	123	3.4%	126	2.4%

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

SSI spending is projected to increase slightly over the course of the multi-year Financial Plan as caseload is expected to level off. Public assistance benefits will increase due to a variety of factors, including the expansion of NYC HIV/AIDS Services Administration (HASA) benefits to public assistance recipients living in NYC, increased costs associated with an increase in Safety Net caseload for singles, and a one-time change in the timing of payments in FY 2019. Other spending growth includes increased spending on homeless services and prevention, and the Response to Human Trafficking program. The Enacted Budget Financial Plan restructured financing for the Family Assistance program, moving 10 percent of costs previously financed by Federal TANF to the City of New York to align with the funding structure for the Emergency Assistance for Families program.

**Office of Children and Family Services (OCFS)**

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

CHILDREN AND FAMILY SERVICES (millions of dollars)									
	FY 2019	FY 2020		FY 2021		FY 2022		FY 2023	
	Results	Updated	Change	Projected	Change	Projected	Change	Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>1,659</b>	<b>1,531</b>	<b>-7.7%</b>	<b>1,607</b>	<b>5.0%</b>	<b>1,661</b>	<b>3.4%</b>	<b>1,661</b>	<b>0.0%</b>
Child Welfare Service	434	491	13.1%	501	2.0%	501	0.0%	501	0.0%
Foster Care Block Grant	384	384	0.0%	388	1.0%	398	2.6%	398	0.0%
Child Care	345	170	-50.7%	245	44.1%	264	7.8%	264	0.0%
Adoption	137	148	8.0%	149	0.7%	150	0.7%	150	0.0%
Youth Programs	114	105	-7.9%	92	-12.4%	92	0.0%	92	0.0%
Medicaid	72	81	12.5%	93	14.8%	97	4.3%	97	0.0%
Adult Protective/Domestic Violence	45	48	6.7%	51	6.3%	54	5.9%	54	0.0%
Committees on Special Education	29	24	-17.2%	26	8.3%	28	7.7%	29	3.6%
All Other	99	80	-19.2%	62	-22.5%	77	24.2%	76	-1.3%

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

### Transportation

In FY 2020, the State expects to provide over \$5.8 billion in operating aid to mass transit systems, including over \$2.3 billion from the direct remittance of certain aid to the MTA without an appropriation (not included in the table below). This direct aid is funded mainly from various dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of the mass transit aid, totaling \$5.3 billion in FY 2020.

The MTA receives additional, exclusive operating support from the PMT, authorized in May 2009 to collect regional taxes and fees imposed within the MCTD. Pursuant to legislation enacted in December 2011, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund provides additional annual support to the MTA, subject to appropriation, to partially offset this revenue loss. The MTA will receive nearly \$1.9 billion from on-budget and off-budget PMT resources in FY 2020.

TRANSPORTATION (millions of dollars)									
	FY 2019	FY 2020		FY 2021		FY 2022		FY 2023	
	Results	Updated	Change	Projected	Change	Projected	Change	Projected	Change
<b>STATE OPERATING FUNDS SUPPORT</b>	<b>3,938</b>	<b>3,549</b>	<b>-9.9%</b>	<b>3,849</b>	<b>8.5%</b>	<b>4,047</b>	<b>5.1%</b>	<b>4,296</b>	<b>6.2%</b>
Mass Transit Operating Aid:	<u>2,321</u>	<u>2,507</u>	<u>8.0%</u>	<u>2,643</u>	<u>5.4%</u>	<u>2,710</u>	<u>2.5%</u>	<u>2,807</u>	<u>3.6%</u>
Metro Mass Transit Aid	2,185	2,351	7.6%	2,480	5.5%	2,547	2.7%	2,644	3.8%
Public Transit Aid	92	112	21.7%	119	6.3%	119	0.0%	119	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	379	244	-35.6%	244	0.0%	244	0.0%	244	0.0%
MTA Aid Trust	293	31	-89.4%	0	-100.0%	0	0.0%	0	0.0%
MTA Dedicated Sales Tax	0	0	0.0%	150	0.0%	152	1.3%	153	0.7%
Dedicated Mass Transit	685	695	1.5%	746	7.3%	875	17.3%	1,026	17.3%
AMTAP	260	72	-72.3%	66	-8.3%	66	0.0%	66	0.0%
All Other	0	0	0.0%	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 Financial Plan includes revised spending estimates for transit assistance in each year that reflect the most recent revenue forecast assumptions.

The FY 2020 Enacted Budget included legislation directing various supplemental fees and taxes levied on driver licenses, motor vehicle registrations, taxis, and passenger car rentals, to be remitted directly to the MTA without legislative appropriation. This eliminates the pass-through of these fees and taxes and will ensure more timely receipt by the MTA, consistent with treatment of PMT collections. Beginning in FY 2020, the Financial Plan will no longer include these new supplemental fees and taxes or associated local assistance payments. The MTA will receive nearly \$300 million from these resources in FY 2020.

The Enacted Budget also includes MTA reforms and new dedicated funding streams to the MTA consisting of:

- A Central Business District Tolling program, which imposes an additional toll on vehicles that travel into Manhattan south of and including 60<sup>th</sup> Street. This tolling program is projected to provide \$15 billion dedicated to MTA capital needs.
- An additional 0.25 percent real estate transfer tax imposed in NYC on commercial property conveyances \$2 million and above and residential property conveyances \$3 million and above, and a new progressive mansion tax on residential properties valued at \$2 million and above in NYC with a top rate of 2.9 percent on the sale of residential properties valued at \$25 million or above. These taxes will be used to support up to and estimated \$5 billion in financing for MTA projects.
- Sales tax revenue from requiring online marketplace providers to collect sales tax on all sales facilitated through their platforms in addition to the Tax Department's implementation and enforcement of regulations associated with the U.S. Supreme Court Wayfair ruling. The combined provisions are estimated to support up to \$5 billion in additional financing for the MTA.

Revenues from these dedicated sources will be deposited into an MTA capital lockbox dedicated solely to financing necessary investments in the MTA's 2020-24 capital program and any successor programs, including improvements to the subway system. These funds cannot be used for any non-capital expense.

## 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, cities, towns, and villages; and efficiency-based incentive grants to local governments.

LOCAL GOVERNMENT ASSISTANCE - AIM PROGRAM (millions of dollars)									
	FY 2019	FY 2020	FY 2021		FY 2022		FY 2023		
	Results	Updated	Change	Projected	Change	Projected	Change	Projected	
<b>TOTAL STATE OPERATING FUNDS</b>	<b>722</b>	<b>671</b>	<b>-7.1%</b>	<b>704</b>	<b>4.9%</b>	<b>704</b>	<b>0.0%</b>	<b>704</b>	<b>0.0%</b>
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	9	-86.8%	9	0.0%	9	0.0%	9	0.0%
Restructuring/Efficiency	7	15	114.3%	48	220.0%	48	0.0%	48	0.0%

The Enacted Budget replaces AIM for towns and villages, for which AIM was less than 2 percent of total expenditures, with additional local sales tax revenue in an equal amount, resulting in no loss of revenue to towns and villages. The additional local sales tax revenue is due to elimination of the Internet tax advantage and the elimination of the Energy Service Company (ESCO) exemption.

State Operating Funds spending for the various efficiency and restructuring grants within the AIM program is projected to increase from FY 2020 to FY 2021 due to potential awards from the Financial Restructuring Board for Local Governments.

## ***Agency Operations***

Agency operating costs consist of Personal Service (PS), Non-Personal Service (NPS), and General State Charges (GSCs). PS includes the salaries of State employees of the Executive, Legislative, and Judicial branches, as well as salaries of temporary/seasonal employees. NPS includes real estate rentals, utilities, contractual payments (e.g., consultants, 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 Department of Transportation (DOT) and Department of Motor Vehicles (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 Civil Service Employees Association (CSEA), which represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; Public Employees Federation (PEF), which represents professional and technical personnel (attorneys, nurses, accountants, engineers, social workers, and institution teachers); United University Professions (UUP), which represents faculty and nonteaching professional staff within the State University system; and New York State Correctional Officers and Police Benevolent Association (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					
	FY 2019 Results	FY 2020 Updated	Forecast		
			FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
Negotiated Base Salary Increases <sup>1</sup>					
NYSOPBA/NYSTPBA /NYSPIA	2%	2%	2%	2%	2%
GSEU <sup>2</sup>	2%	2%	2%	2%	2%
UUP	2%	2%	2%	2%	TBD
CSEA/DC-37 (Rent Regulation Unit)/MC	2%	2%	2%	TBD	TBD
PEF	2%	TBD	TBD	TBD	TBD
Council 82/PBANYS	TBD	TBD	TBD	TBD	TBD
State Workforce <sup>3</sup>	117,967	119,491	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization <sup>4</sup>	15.5%	15.2%	15.8%	17.5%	18.8%
After Amortization <sup>5</sup>	19.2%	18.9%	19.3%	20.7%	21.4%
PFRS Contribution Rate					
Before Amortization <sup>4</sup>	24.1%	23.9%	25.0%	26.7%	28.1%
After Amortization <sup>5</sup>	26.9%	26.6%	27.6%	29.1%	30.1%
Employee/Retiree Health Insurance Growth Rates	5.8%	2.8%	7.9%	7.5%	7.5%
PS/Fringe as % of Receipts (All Funds Basis)	13.7%	13.3%	14.0%	14.2%	14.2%
<sup>1</sup> Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future settlements. <sup>2</sup> Pending member ratification. <sup>3</sup> Reflects workforce that is subject to direct Executive control. <sup>4</sup> 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. <sup>5</sup> 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 Financial Plan period, from \$19.1 billion in FY 2019 to \$20.7 billion in FY 2023. Most Executive agencies are expected to hold spending at FY 2019 levels, with some exceptions as described below. The increases in the outyears of the Financial Plan are driven mainly by juvenile justice reform, salary increases per labor agreements, growth in SUNY operating costs, including labor costs pursuant to the settled UUP contract, and an additional administrative payroll in FY 2021.



STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS					
(millions of dollars)					
	FY 2019 Results	FY 2020 Updated	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
<b>SUBJECT TO DIRECT EXECUTIVE CONTROL<sup>1</sup></b>	<b>10,232</b>	<b>10,695</b>	<b>10,845</b>	<b>10,919</b>	<b>11,073</b>
Mental Hygiene	2,795	2,828	2,880	2,930	2,979
Corrections and Community Supervision	2,599	2,857	2,751	2,792	2,870
State Police	717	790	810	807	827
Department of Health	728	805	801	798	790
Information Technology Services	545	540	551	557	568
Tax and Finance	312	340	351	340	339
Children and Family Services	261	262	381	384	384
Transportation	301	342	337	342	342
Environmental Conservation	211	202	215	210	210
All Other	1,763	1,729	1,768	1,759	1,764
<b>UNIVERSITY SYSTEMS</b>	<b>6,097</b>	<b>6,311</b>	<b>6,565</b>	<b>6,654</b>	<b>6,859</b>
State University	6,001	6,214	6,468	6,555	6,760
City University	96	97	97	99	99
<b>INDEPENDENT AGENCIES</b>	<b>336</b>	<b>339</b>	<b>347</b>	<b>339</b>	<b>339</b>
Law	187	182	187	182	182
Audit & Control (OSC)	149	157	160	157	157
<b>TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE</b>	<b>16,665</b>	<b>17,345</b>	<b>17,757</b>	<b>17,912</b>	<b>18,271</b>
<b>Judiciary</b>	<b>2,169</b>	<b>2,166</b>	<b>2,223</b>	<b>2,166</b>	<b>2,166</b>
<b>Legislature</b>	<b>223</b>	<b>243</b>	<b>249</b>	<b>256</b>	<b>256</b>
<b>Statewide Total</b>	<b>19,057</b>	<b>19,754</b>	<b>20,229</b>	<b>20,334</b>	<b>20,693</b>
Personal Service	13,687	14,261	14,683	14,684	14,973
Non-Personal Service	5,370	5,493	5,546	5,650	5,720

<sup>1</sup> FY 2020 estimates include \$185 million in retroactive salary payments for NYSCOPBA, PBA and NYSPIA labor agreements.

FY 2020 spending for agency operations includes 2 percent general salary increases associated with collective bargaining agreements with various unions. The cost of annual salary increases is expected to be absorbed by most agencies with management plan savings and efficiencies, consistent with the administration's policy to maintain flat Executive agency operations. Limited exceptions include:

- **Corrections and Community Supervision.** Higher spending in FY 2020 is attributable to the cost of a collective bargaining agreement reached in FY 2019, which includes the payment of three years of retroactive salary payments.
- **State Police.** Increased spending is due to the cost of a collective bargaining agreements reached in FY 2019, which includes a retroactive payment for FY 2019.
- **Department of Health.** Growth is attributable to the cost increases of QHPs supported under the NYSOH program, offset by funding provided under Medicaid Global Cap local assistance. Additionally, growth in FY 2020 is attributable to the use of nonrecurring Federal credits applied against Medicaid non-personal service spending in FY 2019.
- **Transportation.** Increases reflect a larger amount of operating costs related to bus, truck and rail inspection, as well as snow and ice removal, which have been reclassified from the DHBTF to the General Fund beginning in FY 2019.
- **Children and Family Services.** Higher spending in the outyears is mainly driven by additional funding to support raising the age of criminal responsibility from 16 to 18 by October 1, 2019. A modification to the youth facility billings process will partly offset the increase in FY 2020.
- **Mental Hygiene.** Increased spending includes the continued delivery in State-operated program settings and the cost of a collective bargaining agreement reached in FY 2019, which includes the payment of three years of retroactive salary payments.

**Workforce**

In FY 2020, \$14.3 billion, or 14 percent, of the State Operating Funds budget is dedicated to supporting roughly 97,600 Full-Time Equivalent (FTE) employees under direct Executive control; individuals employed by SUNY and CUNY (46,464) and Independent Agencies (18,051); employees paid on a non-annual salaried basis; and overtime pay. Roughly 60 percent of Executive agency spending related to the workforce occurs in the mental hygiene agencies and Department of Corrections and Community Supervision (DOCCS).

<b>STATE OPERATING FUNDS</b>		
<b>FY 2020 FTEs<sup>1</sup> AND PERSONAL SERVICE SPENDING BY AGENCY</b>		
<b>(millions of dollars)</b>		
	<u>Dollars</u>	<u>FTEs</u>
<b>SUBJECT TO DIRECT EXECUTIVE CONTROL</b>	<b><u>7,867</u></b>	<b><u>97,574</u></b>
Mental Hygiene	2,351	32,399
Corrections and Community Supervision	2,355	26,858
State Police	730	5,666
Department of Health	292	4,078
Information Technology Services	292	3,481
Tax and Finance	277	4,085
Children and Family Services	172	2,360
Environmental Conservation	166	2,235
Transportation	162	2,591
Financial Services	154	1,391
All Other	916	12,430
<b>UNIVERSITY SYSTEMS</b>	<b><u>4,241</u></b>	<b><u>46,464</u></b>
State University	4,192	46,090
City University <sup>2</sup>	49	374
<b>INDEPENDENT AGENCIES</b>	<b><u>2,153</u></b>	<b><u>18,051</u></b>
Law	129	1,533
Audit & Control (OSC)	126	1,524
Judiciary	1,710	14,991
Legislature <sup>3</sup>	188	3
<b>Statewide Total</b>	<b><u><u>14,261</u></u></b>	<b><u><u>162,089</u></u></b>
<p><sup>1</sup> 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.</p> <p><sup>2</sup> CUNY employees are funded primarily through an agency trust fund that supports an additional 13,258 FTEs, which are excluded from this table.</p> <p><sup>3</sup> Legislative employees who are nonannual salaried are excluded from this table.</p>		

### General State Charges

The State provides a variety of fringe benefits to current and former employees, including health insurance, pensions, 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 the Social Security payroll tax and certain statewide fixed costs, including taxes on State-owned lands, Payments in Lieu of Taxes (PILOT) and judgments and settlements awarded in the Court of Claims. Many of these payments are mandated by law or collective bargaining agreements.

Employee fringe benefits paid through GSCs are financed from the General Fund in the first instance, and then partially reimbursed by revenue collected from agency fringe benefit assessments.

GSC spending is projected to increase at an average annual rate of 6.5 percent over the multi-year Financial Plan period. In FY 2020, growth in the health insurance program of \$119 million (2.8 percent) reflects medical inflation offset by savings from the new prescription drug contract and collectively negotiated benefit design changes. The projected increase in Social Security (3.8 percent) and employee benefit funds (7.3 percent) reflect the implementation of recent collective bargaining agreements that increase general salaries. Workers' compensation costs are projected to increase by \$113 million due to underlying growth in the average weekly wage used for benefit calculations and medical costs (\$64 million), and a reduction in available reserve funds to offset costs (\$49 million).

Overall pension costs are projected to remain relatively stable due to improved investment returns and ongoing savings from Tier 5 and Tier 6 pension reforms. These costs are offset by \$54 million in interest savings achieved by paying the majority of the State pension bill in May 2019, rather than on a monthly basis as previously assumed. Over the multi-year Financial Plan period, outyear pension costs reflect expected investment performance, projected salary base growth, 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.

GENERAL STATE CHARGES (millions of dollars)									
	FY 2019 Results	FY 2020 Updated	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
<b>TOTAL STATE OPERATING FUNDS</b>	<b>8,204</b>	<b>8,767</b>	<b>6.9%</b>	<b>9,371</b>	<b>6.9%</b>	<b>9,951</b>	<b>6.2%</b>	<b>10,540</b>	<b>5.9%</b>
<b>Fringe Benefits</b>	<b>7,799</b>	<b>8,340</b>	<b>6.9%</b>	<b>8,924</b>	<b>7.0%</b>	<b>9,498</b>	<b>6.4%</b>	<b>10,087</b>	<b>6.2%</b>
Health Insurance	4,193	4,312	2.8%	4,651	7.9%	5,001	7.5%	5,378	7.5%
Pensions	2,431	2,472	1.7%	2,636	6.6%	2,830	7.4%	2,965	4.8%
Social Security	1,036	1,075	3.8%	1,108	3.1%	1,099	-0.8%	1,110	1.0%
Workers' Compensation	464	577	24.4%	679	17.7%	736	8.4%	797	8.3%
Employee Benefits	96	103	7.3%	108	4.9%	111	2.8%	115	3.6%
Dental Insurance	59	61	3.4%	63	3.3%	65	3.2%	66	1.5%
Unemployment Insurance	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
All Other/Non-State Escrow	(492)	(272)	44.7%	(333)	-22.4%	(356)	-6.9%	(356)	0.0%
<b>Fixed Costs</b>	<b>405</b>	<b>427</b>	<b>5.4%</b>	<b>447</b>	<b>4.7%</b>	<b>453</b>	<b>1.3%</b>	<b>453</b>	<b>0.0%</b>
Public Land Taxes/PILOTS	271	269	-0.7%	275	2.2%	281	2.2%	281	0.0%
Litigation	134	158	17.9%	172	8.9%	172	0.0%	172	0.0%

**Transfers to Other Funds (General Fund Basis)**

General Fund transfers help finance debt service for bonds that do not have dedicated revenues, SUNY operating costs, certain capital initiatives, and a range of other activities.

<b>GENERAL FUND TRANSFERS TO OTHER FUNDS</b>					
(millions of dollars)					
	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
	<b>Results</b>	<b>Updated</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
<b>TOTAL TRANSFERS TO OTHER FUNDS</b>	<b>4,558</b>	<b>6,114</b>	<b>6,584</b>	<b>6,524</b>	<b>6,968</b>
State Share of Mental Hygiene Medicaid	(29)	0	0	0	0
Debt Service	786	550	738	637	612
SUNY University Operations	1,020	1,185	1,259	1,255	1,255
Capital Projects	<b>1,888</b>	<b>3,191</b>	<b>3,305</b>	<b>3,168</b>	<b>3,486</b>
Extraordinary Monetary Settlements:	769	1,316	858	867	793
Dedicated Infrastructure Investment Fund	878	1,420	1,113	751	531
FY 2018 Temporary Loan to Capital Projects Fund <sup>1</sup>	(500)	0	0	0	0
Transfer to DIIF for Javits Expansion	382	320	134	0	0
Bond Proceeds Receipts for Javits Expansion	0	(500)	(500)	0	0
Transfer to Capital Projects Fund - Clean Water Grants	0	0	25	50	175
Mass Transit Capital	3	6	6	3	0
Statewide Health Care Capital	6	70	80	63	87
Dedicated Highway and Bridge Trust Fund	169	398	477	320	436
Environmental Protection Fund	28	28	28	28	96
All Other Capital	922	1,449	1,942	1,953	2,161
<b>ALL OTHER TRANSFERS</b>	<b>893</b>	<b>1,188</b>	<b>1,282</b>	<b>1,464</b>	<b>1,615</b>
Department of Transportation (MTA Payroll Tax)	244	244	244	244	244
SUNY - Medicaid Reimbursement	241	243	243	243	243
MTA Dedicated Sales Tax	0	113	150	152	153
Judiciary Funds	117	112	113	113	113
Dedicated Mass Transportation Trust Fund	67	65	116	256	408
Banking Services	37	49	49	49	49
Business Services Center	6	28	30	30	30
Indigent Legal Services	27	28	28	75	75
General Service	22	10	10	3	0
Mass Transportation Operating Assistance	26	21	21	21	21
Correctional Industries	21	21	21	21	21
Public Transportation Systems	17	16	16	16	16
Health Income Fund	11	16	16	16	16
Centralized Technology Services	14	11	11	11	11
Spinal Cord Injury Fund	9	9	9	9	9
Medical Cannabis Fund	7	5	7	7	7
All Other	27	197	198	198	199

<sup>1</sup> Reflects the final repayment of Extraordinary Monetary Settlement fund balances that were used to pay for capital projects in the first instance.

General Fund transfers to other funds are expected to total \$6.1 billion in FY 2020, a \$1.6 billion increase from FY 2019. The change is mainly due to capital projects transfers that are expected to increase by \$1.3 billion in FY 2020. The capital increase reflects higher transfers of monetary settlements (\$547 million); bond proceed reimbursements executed in FY 2019; and bond restructuring savings related to transportation that ended in FY 2019.

A portion of the capital and operating expenses of DOT and DMV is funded from the DHBTF, which receives various dedicated tax and fee revenues, including statutory allocations of PBT, motor fuel tax, and HUT. The General Fund subsidizes DHBTF expenses, as expenses routinely exceed revenue deposits and bond proceeds.

**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 Corporation (ESD), DASNY, and the New York State Thruway Authority (NYSTA). Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS (millions of dollars)									
	FY 2019 Results	FY 2020 Updated	Change	FY 2021 Projected	Change	FY 2022 Projected	Change	FY 2023 Projected	Change
General Fund	786	550	-30.0%	738	34.2%	637	-13.7%	612	-3.9%
Other State Support	5,913	4,620	-21.9%	6,135	32.8%	6,488	5.8%	6,717	3.5%
<b>State Operating/All Funds Total</b>	<b>6,699</b>	<b>5,170</b>	<b>-22.8%</b>	<b>6,873</b>	<b>32.9%</b>	<b>7,125</b>	<b>3.7%</b>	<b>7,329</b>	<b>2.9%</b>

Total State Operating/All Funds debt service is projected to be \$5.2 billion in FY 2020, of which \$550 million is paid from the General Fund via transfers, and \$4.6 billion is paid from other State funds supported by dedicated tax receipts. The General Fund finances debt service payments on General Obligation and service contract bonds. Debt service for the State's revenue bonds is paid directly from other dedicated State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTB bonds, and mental health facilities bonds.

The Financial Plan estimates for debt service spending have been revised to reflect several factors, including the adjustment of debt issuances to align with projected bond-financed capital spending. Debt service spending estimates also reflect the prepayment of \$1.5 billion in FY 2019 in debt service costs due in FY 2020, as well as a planned prepayment of \$200 million in FY 2020 for debt service costs due in FY 2021.





***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 2019 on July 29, 2019. 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, 2019 was issued on September 27, 2019.

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, 2019	(1,291)	1,873	594	(1,079)	97	3,381
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

SUMMARY OF NET POSITION (millions of dollars)			
Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2019*	(4,127)	(8,334)	(12,461)
March 31, 2018	28,608	69	28,677
March 31, 2017	28,580	332	28,912

\*FY 2019 values reflect the implementation of GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which established accounting and financial reporting for OPEB plans including the immediate recognition of the full actuarial accrued liability upon adoption and SUNY's adoption of GASB Statement 81, Irrevocable Split-Interest Agreements. The restatements of net position in governmental activities and business-type activities for these GASB Statement implementations were (\$31,928) and (\$8,558), respectively.

The CAFR for the fiscal year ended March 31, 2019 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](http://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](http://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, 2018, (with respect to Job Development Authority or “JDA” as of March 31, 2019) each of the 16 authorities listed in the following table had outstanding debt of \$100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately \$193 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 16 authorities in the following table at the time of this AIS Update.

<b>OUTSTANDING DEBT OF CERTAIN AUTHORITIES<sup>(1)</sup></b>			
<b>AS OF DECEMBER 31, 2018<sup>(2)</sup></b>			
<b>(millions of dollars)</b>			
<u>Authority</u>	<u>State- Related Debt</u>	<u>Authority and Conduit</u>	<u>Total</u>
Dormitory Authority	34,734	20,418	55,152
Metropolitan Transportation Authority	0	30,914	30,914
Port Authority of NY & NJ	0	25,136	25,136
Housing Finance Agency	154	17,582	17,736
UDC/ESD	12,679	1,080	13,759
Job Development Authority <sup>(2)</sup>	0	11,532	11,532
Triborough Bridge and Tunnel Authority	0	8,461	8,461
Thruway Authority	2,773	5,447	8,220
Long Island Power Authority <sup>(3)</sup>	0	7,711	7,711
Environmental Facilities Corporation	32	6,091	6,123
State of New York Mortgage Agency	0	2,782	2,782
Energy Research and Development Authority	0	1,887	1,887
Power Authority	0	1,285	1,285
Local Government Assistance Corporation	1,195	0	1,195
Battery Park City Authority	0	928	928
Municipal Bond Bank Agency	139	172	311
<b>TOTAL OUTSTANDING</b>	<b>51,706</b>	<b>141,426</b>	<b>193,132</b>

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

<sup>(1)</sup> 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.

<sup>(2)</sup> All Job Development Authority (JDA) debt outstanding reported as of March 31, 2019. This includes \$11.5 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), \$742 million issued by the Brooklyn Arena Local Development Corporation and \$4.7 billion issued by the New York Transportation Development Corporation.

<sup>(3)</sup> Includes \$4.14 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](http://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 <sup>(1)</sup>							
AS OF JUNE 30 OF EACH YEAR							
(millions of dollars)							
Year	General Obligation Bonds	Obligations of TFA <sup>(1)</sup>	Obligations of STAR Corp. <sup>(2)</sup>	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other <sup>(3)</sup> Obligations	Total
2009	39,991	16,913	2,253	1,274	2,033	2,442	64,906
2010	41,555	20,094	2,178	1,265	2,000	2,444	69,536
2011	41,785	23,820	2,117	1,260	2,000	2,590	73,572
2012	42,286	26,268	2,054	1,253	3,000	2,493	77,354
2013	41,592	29,202	1,985	1,245	3,000	2,394	79,418
2014	41,665	31,038	1,975	1,228	3,000	2,334	81,240
2015	40,460	33,850	2,035	1,222	3,000	2,222	82,789
2016	38,073	37,358	1,961	1,145	3,000	2,102	83,639
2017	37,891	40,696	1,884	1,089	2,751	2,034	86,345
2018	38,628	43,355	1,805	1,071	2,724	2,085	89,668

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

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

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

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

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

### ***Other Localities***

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

In addition to deficit financing authorizations, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within particular localities. The Cities of Buffalo and Troy, and the Counties of Erie and Nassau are subject to varying levels of review and oversight by entities created by such legislation. The City of Newburgh operates under special State legislation that provides for fiscal oversight by the State Comptroller and the City of Yonkers must adhere to a Special Local Finance and Budget Act. The impact on the State of any possible requests in the future for additional oversight or financial assistance cannot be determined at this time and therefore is not included in the 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-six 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 37 local governments (10 counties, 8 cities, 9 towns and 10 villages) and 26 school districts have been placed in a stress category by OSC based on financial data for their fiscal years ending in 2017. The vast majority of entities scored by OSC (97 percent) are classified in the "No Designation" category.

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

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

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

The following table summarizes the debt of New York City and its related issuers, and other New York State localities, from 1980 to 2017.

DEBT OF NEW YORK LOCALITIES <sup>(1)</sup> (millions of dollars)						
Locality Fiscal Year Ending	Combined		Other Localities Debt <sup>(3)</sup>		Total Locality Debt <sup>(3)</sup>	
	New York City Debt <sup>(2)</sup> Bonds	Notes	Bonds <sup>(4)</sup>	Notes <sup>(4)</sup>	Bonds <sup>(3)(4)</sup>	Notes <sup>(4)</sup>
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,093	4,470	58,337	4,985
2010	69,536	0	36,110	7,369	105,646	7,369
2013	79,418	0	36,483	7,447	115,901	7,447
2014	81,240	0	36,290	7,236	117,530	7,236
2015	82,789	0	34,346	6,981	117,135	6,981
2016	83,639	0	35,006	6,952	118,645	6,952
2017	86,345	0	34,788	5,617	121,133	5,617

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

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

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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, 2019, is included in NYSLRS’ Comprehensive Annual Financial Report (“NYSLRS’ CAFR”) for the fiscal year ended March 31, 2019 and is available on the OSC website at the following address: [https://www.osc.state.ny.us/retire/about\\_us/financial\\_statements\\_index.php](https://www.osc.state.ny.us/retire/about_us/financial_statements_index.php). Additionally, available at the OSC website are the System’s asset listing for the fiscal year ended March 31, 2019 and audited financial statements with the independent auditor’s report for the fiscal year ended March 31, 2019.

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 2019 are available at the OSC website at [https://www.osc.state.ny.us/retire/about\\_us/financial\\_statements\\_index.php](https://www.osc.state.ny.us/retire/about_us/financial_statements_index.php). Benefit plan booklets describing how each of the System’s tiers works can be accessed at <https://www.osc.state.ny.us/retire/publications/>.

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

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

deems necessary. The Real Estate Advisory Committee reviews and must approve mortgage and real estate investments for consideration by the State Comptroller.

The System engages an independent auditor to conduct an audit of the System's annual financial statements. Furthermore, an Actuarial Advisory Committee meets annually to review the actuarial assumptions and the results of the actuarial valuation of the System. The Actuarial Advisory Committee is composed of current or retired senior actuaries from major insurance companies or pension plans. The System also engages the services of an outside actuarial consultant to perform a statutorily required quinquennial review. At least once every five years, NYSLRS is also examined by DFS. The Comptroller has established within the Retirement System, the Pension Integrity Bureau, the purpose of which is to identify and prevent errors, fraud and abuse. The State Comptroller has also established an Office of Internal Audit to provide the Comptroller with independent and objective assurance and consulting services for the programs and operations of the Office of the State Comptroller, including programs and operations of NYSLRS. The Comptroller's Advisory Audit Committee, established in compliance with DFS regulations, meets three times per year to review the System's audited financial statements and the NYSLRS' CAFR, and to discuss a variety of financial and investment-related activities. Pursuant to DFS regulations, a fiduciary review of the System for the three-year period ended March 31, 2015 was submitted on June 16, 2016. The fiduciary review of the System for the three-year period ended March 31, 2018 is currently underway.

## ***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 public retirement systems). State employees made up about 34 percent of the System's membership as of March 31, 2019. There were 3,020 public employers participating in the System, including the State, all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2019, 658,176 persons were members of the System and 481,795 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, 2019, approximately 54 percent of ERS members were in Tiers 3 and 4 and approximately 63 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](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](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.<sup>27</sup> 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 are required to contribute 5.75 percent; and, those earning in excess of \$100,000 are required to contribute 6 percent of their gross annual salary.

In order to protect employers from potentially volatile contributions tied directly to the value of the System’s assets held by the CRF, the System utilizes a multi-year smoothing procedure. One of the factors used by the System’s Actuary to calculate employer contribution requirements is the assumed investment rate of return, which is currently 6.8 percent.<sup>28</sup>

<sup>27</sup> Less than 1 percent of the 10,942 PFRS Tier 6 members are non-contributory.

<sup>28</sup> During 2015, the Retirement System’s Actuary conducted the statutorily required quinquennial actuarial experience study of economic and demographic assumptions. The assumed investment rate of return is an influential factor in calculating employer contribution rates. In addition, the Chief Investment Officer conducted an asset allocation study. The resulting asset allocation and long-term asset allocation policy informed the Actuary’s recommendation regarding the revision of the investment rate of return (discount rate). In September 2015, the Comptroller announced the assumed rate of return for NYSLRS would be lowered from 7.5 percent to 7 percent. The 7 percent rate of return has been used to determine employer contribution rates in FYs 2017 through 2020. In August 2019, the Comptroller announced the assumed rate of return for NYSLRS would again be lowered from 7.0 percent to 6.8 percent. The 6.8 percent rate of return has been used to determine employer contribution rates in FY 2021.

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

The amount of future annual employer contribution rates will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the System as of each April 1. Contribution rates for FY 2021 were released in August 2019. The average ERS rate in FY 2021 will remain at 14.6 percent of salary; the same as in FY 2020, while the average PFRS rate increased by 0.9 percent from 23.5 percent of salary in FY 2020 to 24.4 percent of salary in FY 2021. Information regarding average rates for FY 2021 may be found in the 2019 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at:

[https://www.osc.state.ny.us/retire/about\\_us/financial\\_statements\\_index.php](https://www.osc.state.ny.us/retire/about_us/financial_statements_index.php).

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by the State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013, FY 2014, FY 2015, FY 2016, FY 2017, FY 2018, FY 2019 and FY 2020, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent, 3.21 percent, 2.33 percent, 2.84 percent, 3.64 percent and 2.55 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, 2019, the amortized amount receivable, including accrued interest, for the 2011 amortization is \$52.3 million from the State and \$7.2 million from 20 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is \$191.7 million from the State and \$57.8 million from 96 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is \$340.1 million from the State and \$135.3 million from 119 participating employers; the amortized amount receivable, including accrued interest, for the 2014 amortization is \$512.1 million for the State and \$95.9 million from 88 participating employers; the amortized amount receivable including accrued interest, for the 2015 amortization is \$455.3 million from the State and \$84.4 million from 76 participating employers; the amortized amount receivable, including accrued interest for the 2016 amortization, is \$261.5 million from the State and \$47.3 million from 51 participating employers; the amortized amount receivable, including accrued interest for the 2017 amortization, is \$5.0 million from 9 participating employers; the State did not amortize in 2017; the amortized amount receivable, including accrued interest for the 2018 amortization, is

\$4.0 million from 4 participating employers; the State did not amortize in 2018; and the amortized amount receivable, including accrued interest for the 2019 amortization, is \$4.2 million from 1 participating employer; the State did not amortize in 2019.

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, 2019, the amortized amount receivable, including interest, from 24 participating employers for the 2014 amortization is \$142.8 million. The amortized amount receivable, including interest, from 26 participating employers for the 2015 amortization is \$135.2 million. The amortized amount receivable, including interest, from 23 participating employers for the 2016 amortization is \$105.3 million. The amortized amount receivable, including interest, from 19 participating employers for the 2017 amortization is \$79.4 million. The amortized amount receivable, including interest, from 13 participating employers for the 2018 amortization is \$69.8 million. The amortized amount receivable, including interest, from 11 participating employers for the 2019 amortization is \$25.1 million.

For those eligible employers electing to participate in the Alternate Contribution Stabilization Program, the graded contribution rate for fiscal years ending 2014 and 2015 is 12 percent of salary for ERS and 20 percent of salary for PFRS. Thereafter, the graded contribution rate will increase one half of one percent per year towards the actuarially required rate. The FY 2019 amounts are 14.0 percent for ERS and 22.0 percent for PFRS. Electing employers may amortize the difference between the graded rate and the actuarially required rate over a twelve-year period at an interpolated twelve-year U.S. Treasury Security rate (3.76 percent for FY 2014, 3.50 percent for FY 2015, 3.31 percent for FY 2016, 2.63 percent for FY 2017, 3.31 percent for FY 2018, 3.99 percent for FY 2019, and 2.87 percent for FY 2020). 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 2019 was approximately \$2.327 billion. The State opted not to amortize under the Contribution Stabilization Program and paid the bill in full as of March 1, 2019.

The estimated total State payment (including Judiciary) due to NYSLRS for FY 2020 is approximately \$2.342 billion. Multiple prepayments (including interest credit) have reduced this amount to \$25 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, retirees 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, 2019 was \$215.2 billion (including \$5.0 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 \$3.1 billion or 1.5 percent from the FY 2018 level of \$212.1 billion. The increase in net position restricted for pension benefits from FY 2018 to FY 2019 reflects, in large part, equity market performance.<sup>29</sup> The System's audited Financial Statement reports a time-weighted investment rate of return of 5.23 percent (gross rate of return before the deduction of certain fees) for FY 2019.

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.<sup>30</sup>

The System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased to \$260.3 billion (including \$133.3 billion for retirees and beneficiaries) as of April 1, 2019, up from \$251.4 billion as of April 1, 2018. 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

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<sup>29</sup> On August 12, 2019, the State Comptroller released a statement indicating that the value of the System's invested assets posted a 3.38 percent time-weighted rate of return (gross rate of return before the deduction of certain fees) for the three-month period ended June 30, 2019. This report reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

<sup>30</sup> More detail on the CRF's asset allocation as of March 31, 2019, long-term policy and transition target allocation can be found on page 96 of the NYSLRS' CAFR for the fiscal year ending March 31, 2019.

valuation used by the Retirement Systems Actuary was based on audited net position restricted for pension benefits as of March 31, 2019. 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, 2019 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected loss for FY 2019, 40 percent of the unexpected gain for FY 2018, 60 percent of the unexpected gain for FY 2017, and 80 percent of the unexpected loss for FY 2016. The asset valuation method smooths gains and losses based on the market value of all investments. Actuarial assets increased from \$206.7 billion on April 1, 2018 to \$213.0 billion on April 1, 2019.

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, 2019, calculated by the System's Actuary, was 96.3 percent. The ratio of the fiduciary net position to the total pension liability for PFRS, as of March 31, 2019, calculated by the System's Actuary, was 95.1 percent.<sup>31</sup>

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.

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<sup>31</sup> The System previously disclosed a funded ratio in accordance with GASB Statements 25 and 27, which, as discussed herein, have been amended by GASB Statements 67 and 68. The GASB Statements 67 and 68 amendments had the effect, among other things, of no longer requiring the disclosure of a funded ratio. GASB now requires the disclosure of the ratio of the fiduciary net position to the total pension liability. This ratio is not called a funded ratio and is not directly comparable to the funded ratio disclosed in prior years.

As noted above, Statement No. 68 impacts neither the actuarial funding method nor the calculation of rates. The System provided employers with the information required to comply with Statement No. 68 in August 2019, based on the System's measurement date of March 31, 2019. The Net Pension liability is allocated to participating employers and reported pursuant to both Statements 67 and 68.

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

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

The GASB 68 "Schedules of Employer Allocation" and "Schedules of Pension Amounts by Employer" as of March 31, 2019 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 <sup>(1)</sup> (millions of dollars)					
Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid <sup>(3)</sup>
	All Participating Employers <sup>(1)(2)</sup>	Local Employers <sup>(1)(2)</sup>	State <sup>(1)(2)</sup>	Employees	
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
2019	4,744	2,973	1,771	387	12,834

Sources: State and Local Retirement System.

<sup>(1)</sup> Contributions recorded include the full amount of unpaid amortized contributions.

<sup>(2)</sup> The actuarially determined contribution (ADC) include the employers' normal costs, the Group Life Insurance Plan amounts, and other supplemental amounts.

<sup>(3)</sup> 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 <sup>(1)</sup> (millions of dollars)		
Fiscal Year Ended March 31	Net Assets	Percent Increase/ (Decrease) From Prior Year
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%
2019	215,169	1.5%

Sources: State and Local Retirement System.

<sup>(1)</sup> Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2019 includes approximately \$5.0 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 2019 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](http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php)

- 1) Information on the number of members and retirees, including the change in the number of members and retirees and beneficiaries since 2009 can be found on page 27 of the NYSLRS CAFR at the link noted above. More information on this topic is available in the “Statistical” section of the NYSLRS CAFR.
- 2) A 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 143-151 of the NYSLRS CAFR at the link noted above.
- 5) A table with the market value of assets, actuarial value of assets and actuarial accrued liability of the CRF since 2008 can be found on page 152 of the NYSLRS CAFR at the link noted above.
- 6) Information related to the salaries of members can be found on pages 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 by the Second Circuit through at least February 12, 2020 to allow for settlement negotiations. The district court has extended the stay until October 16, 2019, with a status report due on that date.

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 for the trial court to make specific findings as to the adequacy of inputs and causation. In a decision and order dated January 10, 2019, Supreme Court, Albany County, found that the State's system of financing public education is adequate to provide the opportunity for a sound basic education. Plaintiffs filed a Notice of Appeal on February 21, 2019. Their time to perfect their appeal was extended until October 20, 2019.

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. The current schedule is as follows: 1) depositions of named plaintiffs to be completed by October 15, 2019; 2) depositions of defendants to be completed by December 16, 2019; 3) fact discovery completed by April 16, 2020; 4) expert discovery to be completed by June 15, 2020; 5) note of issue due by June 22, 2020; and 6) 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. On August 12, 2019, the individual plaintiffs from Central Islip voluntarily discontinued their claims. Central Islip is no longer a subject of litigation.

### ***Health Insurance Premiums***

In *NYS COBPA 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. 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 in all eleven cases.

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

Following discovery, 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 rates for retirees vested and could not be changed. With respect to the court employees, State defendants argued that their contract terms required extension of the premium shift to them. Briefing was completed on January 26, 2018.

On September 24, 2018, the District Court granted defendants' motions for summary judgment in all respects. Between October 13, 2018 and November 2, 2018, notices of appeal were filed in all eleven cases. (Three separate notices of appeal were filed in *Brown v. Cuomo*, No. 13-CV-645.) On December 21, 2018, the U.S. Court of Appeals for the Second Circuit issued an order coordinating briefing in the twelve appeals. Under that order, plaintiffs' opening brief in the lead case (*Donahue v. State*) was filed February 4, 2019, and plaintiffs in the other cases filed supplemental briefs by March 6, 2019. Defendants' brief responding to all twelve appeals was filed on July 8, 2019. Plaintiffs' reply briefs were filed on or about August 7, 2019. The State defendants have requested oral argument, as have the plaintiffs in each of the twelve appeals.



# *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 2019 and projected receipts and disbursements for fiscal years 2020 through 2023 on a General Fund, State Operating Funds and All Governmental Funds basis.<sup>32</sup> The Financial Plan projections for FY 2020 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 Financial Plan tables as "Adherence to 2% Spending Benchmark". Total disbursements in the 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 2019 to FY 2020
- Financial Plan Projections FY 2020 through FY 2023
- Update to FY 2020
- Update to FY 2021
- Update to FY 2022
- Update to FY 2023

### ***General Fund - Receipts Detail (Excluding Transfers)***

- Financial Plan Projections FY 2020 through FY 2023

### ***State Operating Funds Budget***

- Financial Plan, Annual Change from FY 2019 to FY 2020
- FY 2020
- FY 2021
- FY 2022
- FY 2023

### ***All Governmental Funds - Total Budget***

- FY 2020
- FY 2021
- FY 2022
- FY 2023

### ***Cashflow - FY 2020 Monthly Projections***

- General Fund

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<sup>32</sup> 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 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).

<b>CASH FINANCIAL PLAN</b>				
<b>GENERAL FUND</b>				
(millions of dollars)				
	<b>FY 2019</b>	<b>FY 2020</b>	<b>Annual</b>	<b>Annual</b>
	<b>Results</b>	<b>First Quarter</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Opening Fund Balance</b>	<b>9,445</b>	<b>7,206</b>	<b>(2,239)</b>	<b>-23.7%</b>
<b>Receipts:</b>				
Taxes:				
Personal Income Tax	21,621	23,899	2,278	10.5%
Consumption/Use Taxes	7,681	8,209	528	6.9%
Business Taxes	5,501	6,077	576	10.5%
Other Taxes	1,086	1,113	27	2.5%
Miscellaneous Receipts	3,586	2,890	(696)	-19.4%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	21,346	24,631	3,285	15.4%
ECEP in Excess of Revenue Bond Debt Service	0	1	1	0.0%
Sales Tax in Excess of LGAC Bond Debt Service	3,113	3,481	368	11.8%
Sales Tax in Excess of Revenue Bond Debt Service	2,653	2,945	292	11.0%
Real Estate Taxes in Excess of CW/CA Debt Service	956	973	17	1.8%
All Other	3,001	2,900	(101)	-3.4%
<b>Total Receipts</b>	<b>70,544</b>	<b>77,119</b>	<b>6,575</b>	<b>9.3%</b>
<b>Disbursements:</b>				
Local Assistance	49,745	52,091	2,346	4.7%
State Operations:				
Personal Service	8,719	9,064	345	4.0%
Non-Personal Service	2,622	2,870	248	9.5%
General State Charges	7,139	7,687	548	7.7%
Transfers to Other Funds:				
Debt Service	786	550	(236)	-30.0%
Capital Projects	1,888	3,191	1,303	69.0%
State Share of Mental Hygiene Medicaid	(29)	0	29	100.0%
SUNY Operations	1,020	1,185	165	16.2%
Other Purposes	893	1,188	295	33.0%
<b>Total Disbursements</b>	<b>72,783</b>	<b>77,826</b>	<b>5,043</b>	<b>6.9%</b>
<b>Excess (Deficiency) of Receipts Over Disbursements</b>	<b>(2,239)</b>	<b>(707)</b>	<b>1,532</b>	<b>68.4%</b>
<b>Closing Fund Balance</b>	<b>7,206</b>	<b>6,499</b>	<b>(707)</b>	<b>-9.8%</b>
<b>Statutory Reserves</b>				
Tax Stabilization Reserve	1,258	1,258	0	
Rainy Day Reserves	790	1,218	428	
Contingency Reserve	21	21	0	
Community Projects	35	0	(35)	
<b>Reserved For</b>				
Labor Agreements	206	0	(206)	
Business Tax Refund	202	0	(202)	
Debt Management	500	500	0	
Economic Uncertainties	0	862	862	
Extraordinary Monetary Settlements	4,194	2,640	(1,554)	

Source: NYS DOB.

<b>CASH FINANCIAL PLAN</b>				
<b>GENERAL FUND</b>				
(millions of dollars)				
	FY 2020	FY 2021	FY 2022	FY 2023
	First Quarter	Projected	Projected	Projected
<b>Receipts:</b>				
Taxes:				
Personal Income Tax	23,899	25,615	27,039	28,731
Consumption/Use Taxes	8,209	8,558	8,817	9,095
Business Taxes	6,077	6,472	6,550	6,871
Other Taxes	1,113	1,175	1,242	1,306
Miscellaneous Receipts	2,890	2,049	1,892	1,869
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	24,631	25,064	25,755	27,226
ECEP in Excess of Revenue Bond Debt Service	1	4	11	12
Sales Tax in Excess of LGAC Bond Debt Service	3,481	3,694	3,942	4,122
Sales Tax in Excess of Revenue Bond Debt Service	2,945	2,697	2,848	2,877
Real Estate Taxes in Excess of CW/CA Debt Service	973	1,013	1,054	1,105
All Other	2,900	2,042	1,696	1,560
<b>Total Receipts</b>	<b>77,119</b>	<b>78,383</b>	<b>80,846</b>	<b>84,774</b>
<b>Disbursements:</b>				
Local Assistance	52,091	55,794	57,928	60,969
State Operations:				
Personal Service	9,064	9,569	9,547	9,757
Non-Personal Service	2,870	3,051	3,100	3,199
General State Charges	7,687	8,230	8,797	9,356
Transfers to Other Funds:				
Debt Service	550	738	637	612
Capital Projects	3,191	3,305	3,168	3,486
SUNY Operations	1,185	1,259	1,255	1,255
Other Purposes	1,188	1,282	1,464	1,615
<b>Total Disbursements</b>	<b>77,826</b>	<b>83,228</b>	<b>85,896</b>	<b>90,249</b>
<b>Use (Reservation) of Fund Balance:</b>				
Community Projects	35	0	0	0
Labor Agreements	206	0	0	0
Business Tax Refund	202	0	0	0
Rainy Day Reserves	(428)	0	0	0
Economic Uncertainties	(862)	0	0	0
Extraordinary Monetary Settlements	1,554	858	867	793
<b>Total Use (Reservation) of Fund Balance</b>	<b>707</b>	<b>858</b>	<b>867</b>	<b>793</b>
<b>Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)</b>	<b>0</b>	<b>(3,987)</b>	<b>(4,183)</b>	<b>(4,682)</b>
<b>Adherence to 2% Spending Benchmark*</b>	<b>0</b>	<b>3,752</b>	<b>5,046</b>	<b>6,736</b>
<b>Net General Fund Surplus (Deficit)</b>	<b>0</b>	<b>(235)</b>	<b>863</b>	<b>2,054</b>
* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2020 estimate) and assuming all savings are made available to the General Fund.				
Source: NYS DOB.				

<b>CASH FINANCIAL PLAN</b>			
<b>GENERAL FUND</b>			
<b>(millions of dollars)</b>			
	<u>FY 2020 Enacted</u>	<u>Change</u>	<u>FY 2020 First Quarter</u>
<b>Receipts:</b>			
Taxes:			
Personal Income Tax	23,899	0	23,899
Consumption/Use Taxes	8,209	0	8,209
Business Taxes	6,104	(27)	6,077
Other Taxes	1,113	0	1,113
Miscellaneous Receipts	2,857	33	2,890
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	24,635	(4)	24,631
ECEP in Excess of Revenue Bond Debt Service	1	0	1
Sales Tax in Excess of LGAC Bond Debt Service	3,481	0	3,481
Sales Tax in Excess of Revenue Bond Debt Service	2,945	0	2,945
Real Estate Taxes in Excess of CW/CA Debt Service	973	0	973
All Other	2,900	0	2,900
<b>Total Receipts</b>	<b><u>77,117</u></b>	<b><u>2</u></b>	<b><u>77,119</u></b>
<b>Disbursements:</b>			
Local Assistance	52,100	(9)	52,091
State Operations:			
Personal Service	9,031	33	9,064
Non-Personal Service	2,880	(10)	2,870
General State Charges	7,716	(29)	7,687
Transfers to Other Funds:			
Debt Service	550	0	550
Capital Projects	3,191	0	3,191
SUNY Operations	1,185	0	1,185
Other Purposes	1,204	(16)	1,188
<b>Total Disbursements</b>	<b><u>77,857</u></b>	<b><u>(31)</u></b>	<b><u>77,826</u></b>
<b>Use (Reservation) of Fund Balance:</b>			
Community Projects	35	0	35
Labor Agreements	206	0	206
Business Tax Refund	202	0	202
Rainy Day Reserves	(428)	0	(428)
Economic Uncertainties	(829)	(33)	(862)
Extraordinary Monetary Settlements	1,554	0	1,554
<b>Total Use (Reservation) of Fund Balance</b>	<b><u>740</u></b>	<b><u>(33)</u></b>	<b><u>707</u></b>
<b>Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Adherence to 2% Spending Benchmark*</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net General Fund Surplus (Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>
* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2020 estimate) and assuming all savings are made available to the General Fund.			
Source: NYS DOB.			

<b>CASH FINANCIAL PLAN</b>			
<b>GENERAL FUND</b>			
(millions of dollars)			
	<u>FY 2021 Enacted</u>	<u>Change</u>	<u>FY 2021 First Quarter</u>
<b>Receipts:</b>			
Taxes:			
Personal Income Tax	25,615	0	25,615
Consumption/Use Taxes	8,558	0	8,558
Business Taxes	6,510	(38)	6,472
Other Taxes	1,175	0	1,175
Miscellaneous Receipts	2,049	0	2,049
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	25,097	(33)	25,064
ECEP in Excess of Revenue Bond Debt Service	4	0	4
Sales Tax in Excess of LGAC Bond Debt Service	3,694	0	3,694
Sales Tax in Excess of Revenue Bond Debt Service	2,697	0	2,697
Real Estate Taxes in Excess of CW/CA Debt Service	1,013	0	1,013
All Other	2,042	0	2,042
<b>Total Receipts</b>	<b>78,454</b>	<b>(71)</b>	<b>78,383</b>
<b>Disbursements:</b>			
Local Assistance	55,794	0	55,794
State Operations:			
Personal Service	9,513	56	9,569
Non-Personal Service	3,051	0	3,051
General State Charges	8,268	(38)	8,230
Transfers to Other Funds:			
Debt Service	738	0	738
Capital Projects	3,305	0	3,305
SUNY Operations	1,259	0	1,259
Other Purposes	1,297	(15)	1,282
<b>Total Disbursements</b>	<b>83,225</b>	<b>3</b>	<b>83,228</b>
<b>Use (Reservation) of Fund Balance:</b>			
Community Projects	0	0	0
Extraordinary Monetary Settlements	858	0	858
<b>Total Use (Reservation) of Fund Balance</b>	<b>858</b>	<b>0</b>	<b>858</b>
<b>Excess (Deficiency) of Receipts and Use (Reservation)</b>			
<b>of Fund Balance Over Disbursements (Before 2% Adherence)</b>	<b>(3,913)</b>	<b>(74)</b>	<b>(3,987)</b>
<b>Adherence to 2% Spending Benchmark*</b>	<b>3,741</b>	<b>11</b>	<b>3,752</b>
<b>Net General Fund Surplus (Deficit)</b>	<b>(172)</b>	<b>(63)</b>	<b>(235)</b>
* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2020 estimate) and assuming all savings are made available to the General Fund.			
Source: NYS DOB.			

<b>CASH FINANCIAL PLAN</b>			
<b>GENERAL FUND</b>			
<b>(millions of dollars)</b>			
	<u>FY 2022 Enacted</u>	<u>Change</u>	<u>FY 2022 First Quarter</u>
<b>Receipts:</b>			
Taxes:			
Personal Income Tax	27,039	0	27,039
Consumption/Use Taxes	8,817	0	8,817
Business Taxes	6,577	(27)	6,550
Other Taxes	1,242	0	1,242
Miscellaneous Receipts	1,892	0	1,892
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	25,799	(44)	25,755
ECEP in Excess of Revenue Bond Debt Service	11	0	11
Sales Tax in Excess of LGAC Bond Debt Service	3,942	0	3,942
Sales Tax in Excess of Revenue Bond Debt Service	2,848	0	2,848
Real Estate Taxes in Excess of CW/CA Debt Service	1,054	0	1,054
All Other	1,696	0	1,696
<b>Total Receipts</b>	<b>80,917</b>	<b>(71)</b>	<b>80,846</b>
<b>Disbursements:</b>			
Local Assistance	57,928	0	57,928
State Operations:			
Personal Service	9,508	39	9,547
Non-Personal Service	3,100	0	3,100
General State Charges	8,846	(49)	8,797
Transfers to Other Funds:			
Debt Service	637	0	637
Capital Projects	3,168	0	3,168
SUNY Operations	1,255	0	1,255
Other Purposes	1,484	(20)	1,464
<b>Total Disbursements</b>	<b>85,926</b>	<b>(30)</b>	<b>85,896</b>
<b>Use (Reservation) of Fund Balance:</b>			
Extraordinary Monetary Settlements	867	0	867
<b>Total Use (Reservation) of Fund Balance</b>	<b>867</b>	<b>0</b>	<b>867</b>
<b>Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)</b>	<b>(4,142)</b>	<b>(41)</b>	<b>(4,183)</b>
<b>Adherence to 2% Spending Benchmark*</b>	<b>5,052</b>	<b>(6)</b>	<b>5,046</b>
<b>Net General Fund Surplus (Deficit)</b>	<b>910</b>	<b>(47)</b>	<b>863</b>
* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2020 estimate) and assuming all savings are made available to the General Fund.			
Source: NYS DOB.			



<b>CASH FINANCIAL PLAN</b>			
<b>GENERAL FUND</b>			
<b>(millions of dollars)</b>			
	<b>FY 2023 Enacted</b>	<b>Change</b>	<b>FY 2023 First Quarter</b>
<b>Receipts:</b>			
Taxes:			
Personal Income Tax	28,731	0	28,731
Consumption/Use Taxes	9,095	0	9,095
Business Taxes	6,898	(27)	6,871
Other Taxes	1,306	0	1,306
Miscellaneous Receipts	1,869	0	1,869
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	27,230	(4)	27,226
ECEP in Excess of Revenue Bond Debt Service	12	0	12
Sales Tax in Excess of LGAC Bond Debt Service	4,122	0	4,122
Sales Tax in Excess of Revenue Bond Debt Service	2,877	0	2,877
Real Estate Taxes in Excess of CW/CA Debt Service	1,105	0	1,105
All Other	1,560	0	1,560
<b>Total Receipts</b>	<b>84,805</b>	<b>(31)</b>	<b>84,774</b>
<b>Disbursements:</b>			
Local Assistance	60,969	0	60,969
State Operations:			
Personal Service	9,713	44	9,757
Non-Personal Service	3,199	0	3,199
General State Charges	9,415	(59)	9,356
Transfers to Other Funds:			
Debt Service	612	0	612
Capital Projects	3,486	0	3,486
SUNY Operations	1,255	0	1,255
Other Purposes	1,640	(25)	1,615
<b>Total Disbursements</b>	<b>90,289</b>	<b>(40)</b>	<b>90,249</b>
<b>Use (Reservation) of Fund Balance:</b>			
Extraordinary Monetary Settlements	793	0	793
<b>Total Use (Reservation) of Fund Balance</b>	<b>793</b>	<b>0</b>	<b>793</b>
<b>Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)</b>			
	<b>(4,691)</b>	<b>9</b>	<b>(4,682)</b>
<b>Adherence to 2% Spending Benchmark*</b>	<b>6,786</b>	<b>(50)</b>	<b>6,736</b>
<b>Net General Fund Surplus (Deficit)</b>	<b>2,095</b>	<b>(41)</b>	<b>2,054</b>
* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2020 estimate) and assuming all savings are made available to the General Fund.			
Source: NYS DOB.			

CASH RECEIPTS GENERAL FUND (millions of dollars)				
	FY 2020	FY 2021	FY 2022	FY 2023
	<u>First Quarter</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
<b>Taxes:</b>				
Withholdings	42,900	44,556	46,738	48,672
Estimated Payments	16,972	17,169	18,751	20,391
Final Payments	3,348	3,508	3,632	3,789
Other Payments	<u>1,509</u>	<u>1,606</u>	<u>1,676</u>	<u>1,726</u>
<b>Gross Collections</b>	<b>64,729</b>	<b>66,839</b>	<b>70,797</b>	<b>74,578</b>
State/City Offset	(1,299)	(1,424)	(1,549)	(1,674)
Refunds	<u>(11,280)</u>	<u>(10,039)</u>	<u>(11,212)</u>	<u>(11,726)</u>
<b>Reported Tax Collections</b>	<b>52,150</b>	<b>55,376</b>	<b>58,036</b>	<b>61,178</b>
STAR (Dedicated Deposits)	(2,176)	(2,073)	(1,979)	(1,858)
RBTF (Dedicated Transfers)	<u>(26,075)</u>	<u>(27,688)</u>	<u>(29,018)</u>	<u>(30,589)</u>
<b>Personal Income Tax</b>	<b>23,899</b>	<b>25,615</b>	<b>27,039</b>	<b>28,731</b>
Sales and Use Tax	15,136	15,786	16,320	16,890
Cigarette and Tobacco Taxes	310	296	285	275
Vapor Excise Tax	0	0	0	0
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	265	269	272	275
Opioid Excise Tax	66	100	100	100
Medical Cannabis Excise Tax	0	0	0	0
Adult Use Cannabis 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
<b>Gross Consumption/Use Taxes</b>	<b>15,777</b>	<b>16,451</b>	<b>16,977</b>	<b>17,540</b>
LGAC/STBF (Dedicated Transfers)	<u>(7,568)</u>	<u>(7,893)</u>	<u>(8,160)</u>	<u>(8,445)</u>
<b>Consumption/Use Taxes</b>	<b>8,209</b>	<b>8,558</b>	<b>8,817</b>	<b>9,095</b>
Corporation Franchise Tax	3,363	3,843	3,855	4,053
Corporation and Utilities Tax	557	537	543	552
Insurance Taxes	2,017	2,092	2,152	2,266
Bank Tax	140	0	0	0
Petroleum Business Tax	0	0	0	0
<b>Business Taxes</b>	<b>6,077</b>	<b>6,472</b>	<b>6,550</b>	<b>6,871</b>
Estate Tax	1,094	1,153	1,214	1,277
Real Estate Transfer Tax	1,148	1,183	1,219	1,263
Employer Compensation Expense Program	2	8	21	23
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	15	15	15	15
Other Taxes	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
<b>Gross Other Taxes</b>	<b>2,262</b>	<b>2,362</b>	<b>2,472</b>	<b>2,581</b>
Real Estate Transfer Tax (Dedicated)	(1,148)	(1,183)	(1,219)	(1,263)
RBTF (Dedicated Transfers)	<u>(1)</u>	<u>(4)</u>	<u>(11)</u>	<u>(12)</u>
<b>Other Taxes</b>	<b>1,113</b>	<b>1,175</b>	<b>1,242</b>	<b>1,306</b>
<b>Payroll Tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Taxes</b>	<b>39,298</b>	<b>41,820</b>	<b>43,648</b>	<b>46,003</b>
Licenses, Fees, Etc.	694	678	678	678
Abandoned Property	450	450	450	450
Motor Vehicle Fees	299	301	216	210
ABC License Fee	66	62	68	64
Reimbursements	112	110	57	57
Investment Income	100	50	25	12
Extraordinary Settlements	760	0	0	0
Other Transactions	<u>409</u>	<u>398</u>	<u>398</u>	<u>398</u>
<b>Miscellaneous Receipts</b>	<b>2,890</b>	<b>2,049</b>	<b>1,892</b>	<b>1,869</b>
<b>Federal Receipts</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>42,188</b>	<b>43,869</b>	<b>45,540</b>	<b>47,872</b>

Source: NYS DOB.

<b>CASH FINANCIAL PLAN</b>				
<b>STATE OPERATING FUNDS BUDGET</b>				
<b>(millions of dollars)</b>				
	<b>FY 2019</b>	<b>FY 2020</b>	<b>Annual</b>	<b>Annual</b>
	<b>Results</b>	<b>First Quarter</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Opening Fund Balance</b>	<b>13,607</b>	<b>12,362</b>	<b>(1,245)</b>	<b>-9.1%</b>
<b>Receipts:</b>				
Taxes	74,144	79,853	5,709	7.7%
Miscellaneous Receipts	23,485	21,039	(2,446)	-10.4%
Federal Receipts	73	75	2	2.7%
<b>Total Receipts</b>	<b>97,702</b>	<b>100,967</b>	<b>3,265</b>	<b>3.3%</b>
<b>Disbursements:</b>				
Local Assistance	66,177	68,462	2,285	3.5%
State Operations:				
Personal Service	13,687	14,261	574	4.2%
Non-Personal Service	5,370	5,493	123	2.3%
General State Charges	8,204	8,767	563	6.9%
Debt Service	6,699	5,170	(1,529)	-22.8%
Capital Projects	0	0	0	0.0%
<b>Total Disbursements</b>	<b>100,137</b>	<b>102,153</b>	<b>2,016</b>	<b>2.0%</b>
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	36,512	40,787	4,275	11.7%
Transfers to Other Funds	(35,322)	(40,900)	(5,578)	-15.8%
Bond and Note Proceeds	0	0	0	0.0%
<b>Net Other Financing Sources (Uses)</b>	<b>1,190</b>	<b>(113)</b>	<b>(1,303)</b>	<b>-109.5%</b>
<b>Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements</b>	<b>(1,245)</b>	<b>(1,299)</b>	<b>(54)</b>	<b>-4.3%</b>
<b>Closing Fund Balance</b>	<b>12,362</b>	<b>11,063</b>	<b>(1,299)</b>	<b>-10.5%</b>

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
<b>Opening Fund Balance</b>	<u>7,206</u>	<u>5,091</u>	<u>65</u>	<u>12,362</u>
<b>Receipts:</b>				
Taxes	39,298	5,882	34,673	79,853
Miscellaneous Receipts	2,890	17,755	394	21,039
Federal Receipts	0	1	74	75
<b>Total Receipts</b>	<u>42,188</u>	<u>23,638</u>	<u>35,141</u>	<u>100,967</u>
<b>Disbursements:</b>				
Local Assistance	52,091	16,371	0	68,462
State Operations:				
Personal Service	9,064	5,197	0	14,261
Non-Personal Service	2,870	2,577	46	5,493
General State Charges	7,687	1,080	0	8,767
Debt Service	0	0	5,170	5,170
Capital Projects	0	0	0	0
<b>Total Disbursements</b>	<u>71,712</u>	<u>25,225</u>	<u>5,216</u>	<u>102,153</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	34,931	2,373	3,483	40,787
Transfers to Other Funds	(6,114)	(1,360)	(33,426)	(40,900)
Bond and Note Proceeds	0	0	0	0
<b>Net Other Financing Sources (Uses)</b>	<u>28,817</u>	<u>1,013</u>	<u>(29,943)</u>	<u>(113)</u>
<b>Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements</b>	<u>(707)</u>	<u>(574)</u>	<u>(18)</u>	<u>(1,299)</u>
<b>Closing Fund Balance</b>	<u>6,499</u>	<u>4,517</u>	<u>47</u>	<u>11,063</u>

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
<b>Receipts:</b>				
Taxes	41,820	5,824	36,649	84,293
Miscellaneous Receipts	2,049	16,125	394	18,568
Federal Receipts	0	1	73	74
<b>Total Receipts</b>	<b>43,869</b>	<b>21,950</b>	<b>37,116</b>	<b>102,935</b>
<b>Disbursements:</b>				
Local Assistance	55,794	15,681	0	71,475
State Operations:				
Personal Service	9,569	5,114	0	14,683
Non-Personal Service	3,051	2,451	44	5,546
General State Charges	8,230	1,141	0	9,371
Debt Service	0	0	6,873	6,873
Capital Projects	0	0	0	0
<b>Total Disbursements</b>	<b>76,644</b>	<b>24,387</b>	<b>6,917</b>	<b>107,948</b>
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	34,514	2,538	3,509	40,561
Transfers to Other Funds	(6,584)	(550)	(33,724)	(40,858)
Bond and Note Proceeds	0	0	0	0
<b>Net Other Financing Sources (Uses)</b>	<b>27,930</b>	<b>1,988</b>	<b>(30,215)</b>	<b>(297)</b>
<b>Use (Reservation) of Fund Balance:</b>				
Extraordinary Monetary Settlements	858	0	0	858
<b>Total Use (Reservation) of Fund Balance</b>	<b>858</b>	<b>0</b>	<b>0</b>	<b>858</b>
<b>Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)</b>	<b>(3,987)</b>	<b>(449)</b>	<b>(16)</b>	<b>(4,452)</b>
<b>Adherence to 2% Spending Benchmark*</b>	<b>3,752</b>	<b>0</b>	<b>0</b>	<b>3,752</b>
<b>Net Surplus (Deficit)</b>	<b>(235)</b>	<b>(449)</b>	<b>(16)</b>	<b>(700)</b>
* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2020 estimate) and assuming all savings are made available to the General Fund.				
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
<b>Receipts:</b>				
Taxes	43,648	5,782	38,289	87,719
Miscellaneous Receipts	1,892	16,473	393	18,758
Federal Receipts	0	1	72	73
<b>Total Receipts</b>	<b>45,540</b>	<b>22,256</b>	<b>38,754</b>	<b>106,550</b>
<b>Disbursements:</b>				
Local Assistance	57,928	15,988	0	73,916
State Operations:				
Personal Service	9,547	5,137	0	14,684
Non-Personal Service	3,100	2,506	44	5,650
General State Charges	8,797	1,154	0	9,951
Debt Service	0	0	7,125	7,125
Capital Projects	0	0	0	0
<b>Total Disbursements</b>	<b>79,372</b>	<b>24,785</b>	<b>7,169</b>	<b>111,326</b>
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	35,306	2,712	3,213	41,231
Transfers to Other Funds	(6,524)	(216)	(34,801)	(41,541)
Bond and Note Proceeds	0	0	0	0
<b>Net Other Financing Sources (Uses)</b>	<b>28,782</b>	<b>2,496</b>	<b>(31,588)</b>	<b>(310)</b>
<b>Use (Reservation) of Fund Balance:</b>				
Extraordinary Monetary Settlements	867	0	0	867
<b>Total Use (Reservation) of Fund Balance</b>	<b>867</b>	<b>0</b>	<b>0</b>	<b>867</b>
<b>Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)</b>	<b>(4,183)</b>	<b>(33)</b>	<b>(3)</b>	<b>(4,219)</b>
<b>Adherence to 2% Spending Benchmark*</b>	<b>5,046</b>	<b>0</b>	<b>0</b>	<b>5,046</b>
<b>Net Surplus (Deficit)</b>	<b>863</b>	<b>(33)</b>	<b>(3)</b>	<b>827</b>

\* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2020 estimate) and assuming all savings are made available to the General Fund.

Source: NYS DOB.

**CASH FINANCIAL PLAN**  
**STATE OPERATING FUNDS BUDGET**  
**FY 2023**  
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
<b>Receipts:</b>				
Taxes	46,003	5,720	40,190	91,913
Miscellaneous Receipts	1,869	15,952	392	18,213
Federal Receipts	0	1	69	70
<b>Total Receipts</b>	<b>47,872</b>	<b>21,673</b>	<b>40,651</b>	<b>110,196</b>
<b>Disbursements:</b>				
Local Assistance	60,969	15,611	0	76,580
State Operations:				
Personal Service	9,757	5,216	0	14,973
Non-Personal Service	3,199	2,477	44	5,720
General State Charges	9,356	1,184	0	10,540
Debt Service	0	0	7,329	7,329
Capital Projects	0	0	0	0
<b>Total Disbursements</b>	<b>83,281</b>	<b>24,488</b>	<b>7,373</b>	<b>115,142</b>
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	36,902	2,866	3,177	42,945
Transfers to Other Funds	(6,968)	(139)	(36,449)	(43,556)
Bond and Note Proceeds	0	0	0	0
<b>Net Other Financing Sources (Uses)</b>	<b>29,934</b>	<b>2,727</b>	<b>(33,272)</b>	<b>(611)</b>
<b>Use (Reservation) of Fund Balance:</b>				
Extraordinary Monetary Settlements	793	0	0	793
<b>Total Use (Reservation) of Fund Balance</b>	<b>793</b>	<b>0</b>	<b>0</b>	<b>793</b>
<b>Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)</b>				
	<b>(4,682)</b>	<b>(88)</b>	<b>6</b>	<b>(4,764)</b>
<b>Adherence to 2% Spending Benchmark*</b>	<b>6,736</b>	<b>0</b>	<b>0</b>	<b>6,736</b>
<b>Net Surplus (Deficit)</b>	<b>2,054</b>	<b>(88)</b>	<b>6</b>	<b>1,972</b>
* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2020 estimate) and assuming all savings are made available to the General Fund.				
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
<b>Opening Fund Balance</b>	7,206	3,842	(1,138)	65	9,975
<b>Receipts:</b>					
Taxes	39,298	5,882	1,420	34,673	81,273
Miscellaneous Receipts	2,890	17,957	8,106	394	29,347
Federal Receipts	0	64,021	2,229	74	66,324
<b>Total Receipts</b>	<b>42,188</b>	<b>87,860</b>	<b>11,755</b>	<b>35,141</b>	<b>176,944</b>
<b>Disbursements:</b>					
Local Assistance	52,091	73,854	5,442	0	131,387
State Operations:					
Personal Service	9,064	5,851	0	0	14,915
Non-Personal Service	2,870	4,024	0	46	6,940
General State Charges	7,687	1,417	0	0	9,104
Debt Service	0	0	0	5,170	5,170
Capital Projects	0	0	8,601	0	8,601
<b>Total Disbursements</b>	<b>71,712</b>	<b>85,146</b>	<b>14,043</b>	<b>5,216</b>	<b>176,117</b>
<b>Other Financing Sources (Uses):</b>					
Transfers from Other Funds	34,931	2,385	3,532	3,483	44,331
Transfers to Other Funds	(6,114)	(3,351)	(1,586)	(33,426)	(44,477)
Bond and Note Proceeds	0	0	444	0	444
<b>Net Other Financing Sources (Uses)</b>	<b>28,817</b>	<b>(966)</b>	<b>2,390</b>	<b>(29,943)</b>	<b>298</b>
<b>Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements</b>	<b>(707)</b>	<b>1,748</b>	<b>102</b>	<b>(18)</b>	<b>1,125</b>
<b>Closing Fund Balance</b>	<b>6,499</b>	<b>5,590</b>	<b>(1,036)</b>	<b>47</b>	<b>11,100</b>

Source: NYS DOB.



<b>CASH FINANCIAL PLAN</b>					
<b>ALL GOVERNMENTAL FUNDS</b>					
<b>FY 2021</b>					
<b>(millions of dollars)</b>					
	<b>General</b>	<b>Special</b>	<b>Capital</b>	<b>Debt</b>	<b>All</b>
	<b>Fund</b>	<b>Revenue</b>	<b>Projects</b>	<b>Service</b>	<b>Funds</b>
	<b>Funds</b>	<b>Funds</b>	<b>Funds</b>	<b>Funds</b>	<b>Total</b>
<b>Receipts:</b>					
Taxes	41,820	5,824	1,393	36,649	85,686
Miscellaneous Receipts	2,049	16,330	7,162	394	25,935
Federal Receipts	0	62,295	2,187	73	64,555
<b>Total Receipts</b>	<b>43,869</b>	<b>84,449</b>	<b>10,742</b>	<b>37,116</b>	<b>176,176</b>
<b>Disbursements:</b>					
Local Assistance	55,794	73,238	5,346	0	134,378
State Operations:					
Personal Service	9,569	5,793	0	0	15,362
Non-Personal Service	3,051	3,865	0	44	6,960
General State Charges	8,230	1,491	0	0	9,721
Debt Service	0	0	0	6,873	6,873
Capital Projects	0	0	8,230	0	8,230
<b>Total Disbursements</b>	<b>76,644</b>	<b>84,387</b>	<b>13,576</b>	<b>6,917</b>	<b>181,524</b>
<b>Other Financing Sources (Uses):</b>					
Transfers from Other Funds	34,514	2,550	3,587	3,509	44,160
Transfers to Other Funds	(6,584)	(2,428)	(1,580)	(33,724)	(44,316)
Bond and Note Proceeds	0	0	800	0	800
<b>Net Other Financing Sources (Uses)</b>	<b>27,930</b>	<b>122</b>	<b>2,807</b>	<b>(30,215)</b>	<b>644</b>
<b>Use (Reservation) of Fund Balance:</b>					
Extraordinary Monetary Settlements	858	0	0	0	858
<b>Total Use (Reservation) of Fund Balance</b>	<b>858</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>858</b>
<b>Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)</b>	<b>(3,987)</b>	<b>184</b>	<b>(27)</b>	<b>(16)</b>	<b>(3,846)</b>
<b>Adherence to 2% Spending Benchmark*</b>	<b>3,752</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,752</b>
<b>Net Surplus (Deficit)</b>	<b>(235)</b>	<b>184</b>	<b>(27)</b>	<b>(16)</b>	<b>(94)</b>
* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2020 estimate) and assuming all savings are made available to the General Fund.					
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
<b>Receipts:</b>					
Taxes	43,648	5,782	1,386	38,289	89,105
Miscellaneous Receipts	1,892	16,678	6,051	393	25,014
Federal Receipts	0	63,994	2,187	72	66,253
<b>Total Receipts</b>	<b>45,540</b>	<b>86,454</b>	<b>9,624</b>	<b>38,754</b>	<b>180,372</b>
<b>Disbursements:</b>					
Local Assistance	57,928	75,038	4,786	0	137,752
State Operations:					
Personal Service	9,547	5,817	0	0	15,364
Non-Personal Service	3,100	3,931	0	44	7,075
General State Charges	8,797	1,527	0	0	10,324
Debt Service	0	0	0	7,125	7,125
Capital Projects	0	0	7,222	0	7,222
<b>Total Disbursements</b>	<b>79,372</b>	<b>86,313</b>	<b>12,008</b>	<b>7,169</b>	<b>184,862</b>
<b>Other Financing Sources (Uses):</b>					
Transfers from Other Funds	35,306	2,724	3,427	3,213	44,670
Transfers to Other Funds	(6,524)	(2,034)	(1,468)	(34,801)	(44,827)
Bond and Note Proceeds	0	0	413	0	413
<b>Net Other Financing Sources (Uses)</b>	<b>28,782</b>	<b>690</b>	<b>2,372</b>	<b>(31,588)</b>	<b>256</b>
<b>Use (Reservation) of Fund Balance:</b>					
Extraordinary Monetary Settlements	867	0	0	0	867
<b>Total Use (Reservation) of Fund Balance</b>	<b>867</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>867</b>
<b>Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)</b>	<b>(4,183)</b>	<b>831</b>	<b>(12)</b>	<b>(3)</b>	<b>(3,367)</b>
<b>Adherence to 2% Spending Benchmark*</b>	<b>5,046</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,046</b>
<b>Net Surplus (Deficit)</b>	<b>863</b>	<b>831</b>	<b>(12)</b>	<b>(3)</b>	<b>1,679</b>

\* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2020 estimate) and assuming all savings are made available to the General Fund.

Source: NYS DOB.

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2023 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
<b>Receipts:</b>					
Taxes	46,003	5,720	1,386	40,190	93,299
Miscellaneous Receipts	1,869	16,157	5,967	392	24,385
Federal Receipts	0	66,559	2,187	69	68,815
<b>Total Receipts</b>	<b>47,872</b>	<b>88,436</b>	<b>9,540</b>	<b>40,651</b>	<b>186,499</b>
<b>Disbursements:</b>					
Local Assistance	60,969	77,124	4,760	0	142,853
State Operations:					
Personal Service	9,757	5,898	0	0	15,655
Non-Personal Service	3,199	3,871	0	44	7,114
General State Charges	9,356	1,557	0	0	10,913
Debt Service	0	0	0	7,329	7,329
Capital Projects	0	0	7,271	0	7,271
<b>Total Disbursements</b>	<b>83,281</b>	<b>88,450</b>	<b>12,031</b>	<b>7,373</b>	<b>191,135</b>
<b>Other Financing Sources (Uses):</b>					
Transfers from Other Funds	36,902	2,878	3,742	3,177	46,699
Transfers to Other Funds	(6,968)	(1,844)	(1,589)	(36,449)	(46,850)
Bond and Note Proceeds	0	0	322	0	322
<b>Net Other Financing Sources (Uses)</b>	<b>29,934</b>	<b>1,034</b>	<b>2,475</b>	<b>(33,272)</b>	<b>171</b>
<b>Use (Reservation) of Fund Balance:</b>					
Extraordinary Monetary Settlements	793	0	0	0	793
<b>Total Use (Reservation) of Fund Balance</b>	<b>793</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>793</b>
<b>Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)</b>					
	<b>(4,682)</b>	<b>1,020</b>	<b>(16)</b>	<b>6</b>	<b>(3,672)</b>
<b>Adherence to 2% Spending Benchmark*</b>	<b>6,736</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,736</b>
<b>Net Surplus (Deficit)</b>	<b>2,054</b>	<b>1,020</b>	<b>(16)</b>	<b>6</b>	<b>3,064</b>

\* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2020 estimate) and assuming all savings are made available to the General Fund.

Source: NYS DOB.

**CASHFLOW**  
**GENERAL FUND**  
**FY 2020**  
**(dollars in millions)**

	2019 April Results	May Results	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2020 January Projected	February Projected	March Projected	Total
<b>OPENING BALANCE</b>	7,206	11,969	5,222	6,593	6,722	5,628	7,858	7,423	5,684	7,794	10,493	10,023	7,206
<b>RECEIPTS:</b>													
Personal Income Tax	4,608	1,242	2,605	1,679	1,326	2,385	1,158	869	2,103	2,324	1,773	1,827	23,899
Consumption/Use Taxes	585	598	796	638	636	857	647	649	823	681	565	734	8,209
Business Taxes	543	(181)	1,143	164	51	1,108	74	44	1,184	89	38	1,820	6,077
Other Taxes	81	58	65	133	98	98	97	97	97	97	97	95	1,113
Total Taxes	5,817	1,717	4,609	2,614	2,111	4,448	1,876	1,659	4,207	3,191	2,473	4,476	39,298
Abandoned Property	1	0	0	0	0	40	10	150	50	0	0	0	450
ABC License Fee	6	6	5	6	6	5	6	4	6	6	6	4	66
Investment Income	22	17	20	13	3	4	3	4	3	4	3	4	100
Licenses, Fees, etc.	69	42	50	49	45	75	60	60	65	70	45	64	694
Motor Vehicle Fees	33	35	12	36	6	26	13	13	34	32	36	30	299
Reimbursements	7	29	33	9	9	9	4	4	4	3	4	(3)	112
Extraordinary Settlements	585	142	0	33	0	0	0	0	0	0	0	0	760
Other Transactions	19	8	38	19	15	95	40	15	60	15	15	70	409
Total Miscellaneous Receipts	742	279	158	165	84	234	149	250	222	130	109	368	2,890
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	4,607	1,126	2,606	1,672	1,386	2,633	1,158	603	2,162	2,782	1,201	2,695	24,631
ECEP in Excess of Revenue Bond Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	1
Tax in Excess of LGAC	261	105	542	291	274	397	295	296	383	308	343	343	3,481
Sales Tax Bond Fund	191	198	294	213	213	211	211	212	212	300	178	224	2,945
Real Estate Taxes in Excess of CW/CA Debt Service	70	86	85	114	88	87	74	79	77	79	78	56	973
All Other	49	111	118	233	140	207	136	168	125	169	186	125	2,900
Total Transfers from Other Funds	5,178	1,626	3,645	2,523	2,101	3,695	1,874	1,358	3,047	3,562	1,629	4,693	34,931
<b>TOTAL RECEIPTS</b>	11,737	3,622	8,412	5,302	4,296	8,377	3,999	3,267	7,476	6,883	4,211	9,537	77,119
<b>DISBURSEMENTS:</b>													
School Aid	775	3,896	1,722	366	769	1,705	887	1,580	2,039	560	742	852	23,569
Higher Education	38	24	337	1,111	59	182	92	32	189	35	328	548	2,975
All Other Education	97	57	130	187	630	56	73	92	292	34	340	400	2,388
Medicaid - DOH	3,302	1,717	1,426	1,270	1,148	1,276	1,395	909	942	882	879	605	15,751
Public Health	24	23	100	41	120	139	29	30	62	23	23	22	636
Mental Hygiene	124	63	267	186	39	270	98	48	294	132	156	307	1,984
Children and Families	19	21	30	28	102	290	102	102	290	102	150	291	1,527
Temporary & Disability Assistance	67	65	150	106	141	136	111	111	111	111	111	120	1,340
Transportation	0	24	14	0	24	0	0	24	11	0	13	6	116
Unrestricted Aid	0	11	388	0	17	49	14	7	192	7	1	66	752
All Other	24	(67)	144	20	141	97	73	76	93	76	100	276	1,053
Total Local Assistance	4,470	5,834	4,708	3,315	3,190	4,200	2,874	3,011	4,515	1,962	2,843	11,169	52,091
Personal Service	689	1,072	679	695	849	678	848	685	680	851	668	670	9,064
Non-Personal Service	159	249	219	199	274	272	252	252	214	257	235	287	2,870
Total State Operations	848	1,321	898	894	1,123	950	1,100	938	894	1,108	903	957	11,934
General State Charges	728	2,349	365	385	441	478	600	421	413	433	486	588	7,687
Debt Service	135	11	(7)	116	(3)	(27)	130	0	(2)	258	(24)	(37)	550
Capital Projects	499	406	610	256	541	492	(358)	461	(533)	387	421	9	3,191
State Share Medicaid	0	0	0	0	0	0	0	0	0	0	0	0	0
SUNY Operations	219	218	327	181	24	11	9	79	14	12	9	82	1,185
Other Purposes	75	230	140	26	74	43	79	96	65	24	43	293	1,188
Total Transfers to Other Funds	928	865	1,070	579	636	519	(140)	636	(456)	681	449	347	6,114
<b>TOTAL DISBURSEMENTS</b>	6,974	10,369	7,041	5,173	5,390	6,147	4,434	5,006	5,366	4,184	4,681	13,061	77,826
Excess/(Deficiency) of Receipts over Disbursements	4,763	(6,747)	1,371	129	(1,094)	2,230	(435)	(1,739)	2,110	2,699	(470)	(3,524)	(707)
<b>CLOSING BALANCE</b>	11,969	5,222	6,593	6,722	5,628	7,858	7,423	5,684	7,794	10,493	10,023	6,499	6,499

Source: NYS DOB.