

***New York State
Annual Information Statement***

June 3, 2020

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Introduction

This Annual Information Statement (AIS) is dated June 3, 2020, and contains information only through that date. This AIS constitutes the official disclosure regarding the financial position of the State of New York (the “State”) and related matters and replaces the AIS dated June 12, 2019 and all updates and supplements issued in connection therewith. This AIS is scheduled to be updated on a quarterly basis and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State’s current financial projections, including summaries and extracts from the State’s fiscal year 2021 (FY 2021)¹ Enacted Budget Financial Plan (the “Financial Plan”) issued by the Division of the Budget (DOB) in April 2020. The Financial Plan sets forth the State’s official financial projections for FY 2021 through FY 2024 and reflects current assumptions concerning the financial impact of the COVID-19 pandemic. It includes, among other things, information on the major components of the FY 2021 General Fund gap-closing plan, future potential General Fund budget gaps, multi-year projections of receipts and disbursements in the State’s operating funds, the impact on debt measures, and the anticipated debt issuances required to support the planned capital spending. While the disclosure contained in this AIS is derived from the Financial Plan, this AIS contains certain updates to information set forth in the Financial Plan which are not deemed by DOB to materially change the projections contained in the Financial Plan. DOB next expects to update the State’s multi-year financial projections in July 2020 with the first quarterly update to the Financial Plan.
2. A discussion of issues and risks that may affect the State’s financial projections during FY 2021 or in future fiscal years is provided under the heading “Financial Plan Overview — Other Matters Affecting the Financial Plan”.
3. Information on other subjects relevant to the State’s finances, including summaries of: (a) operating results for the three prior fiscal years (presented on a cash basis of accounting), (b) the State’s revised economic forecast and a profile of the State economy, (c) the State’s debt and other financing activities, (d) the organization of State government, and (e) activities of public authorities and localities.
4. Updated information regarding the State Retirement System.
5. The status of significant litigation that has the potential to adversely affect the State’s finances.

DOB is responsible for preparing the State’s Financial Plan and presenting the information that appears in this AIS on behalf of the State. In preparing this AIS, DOB has also relied on information drawn from other sources, including the Office of the State Comptroller (OSC). In particular, information contained in the section entitled “State Retirement System” has been furnished by

¹ The State fiscal year is identified by the calendar year in which it ends. For example, FY 2021 is the fiscal year that began on April 1, 2020 and ends on March 31, 2021.

OSC, while information relating to matters described in the section entitled “Litigation” has been furnished by the State Office of the Attorney General. DOB has not undertaken any independent verification of the information contained in these sections of the AIS.

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

The factors affecting the State’s financial condition are numerous and complex. This AIS contains "forward-looking statements" relating to future results and economic performance as defined in the Private Securities Litigation Reform Act of 1995. Since many factors may materially affect fiscal and economic conditions in the State, the 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; severe epidemic or pandemic 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.

Note that all FY 2020 financial results contained within this AIS are unaudited and preliminary.

The annual independent audit of the State's Basic Financial Statements for the fiscal year ending March 31, 2020 is expected to be completed by July 29, 2020. Both the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting and the State's Basic Financial Statements are due by July 29, 2020. These reports will contain the final FY 2020 financial results. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236. The Basic Financial Statements for FY 2019 are available in electronic form at www.osc.state.ny.us and at www.emma.msrb.org.

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

Usage Notice

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

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

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



***Budgetary and
Accounting Practices***

Significant Budgetary/Accounting Practices

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

The State accounts for receipts and disbursements by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as State Operations). The 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 those 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, 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 the Financial Plan is generally weighted toward the General Fund.

At times, DOB will informally designate unrestricted balances in the General Fund for specific policy goals (e.g., reserve for timing of payments). These amounts are typically, but not uniformly, identified with the phrase "reserved for." They are not held in distinct accounts within the General Fund and may be used for other purposes.

² State Finance Law also requires DOB to prepare a pro forma Financial Plan using, to the extent practicable, Generally Accepted Accounting Principles (GAAP). The GAAP-basis Financial Plan is informational only. 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.

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.

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 Projects Funds and Federal Funds is excluded). As significant financial activity occurs in funds outside 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 Financial Plan projections reflect certain 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) payment of certain operating costs using available resources outside the State Operating Funds basis of reporting; and (b) 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.

State Operating Funds Spending Adjustments

State Operating Funds disbursements displayed in certain Financial Plan tables and descriptions have been adjusted for the following:

1. The calculation of annual State Operating Funds spending growth from FY 2019 to FY 2020 restates FY 2019 disbursements by adding \$1.7 billion in Medicaid payments that were deferred at the close of that fiscal year.
2. The repayment of intra-year borrowings expected to be executed and repaid within the current fiscal year is excluded from the State Operating Funds spending in FY 2021.

The Financial Plan tables are not adjusted. The FY 2019 results reflect the cash-basis results as reported in the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting, Fiscal Year Ended March 31, 2019.

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

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

Financial Plan Overview

The following table provides certain Financial Plan information for FY 2020 and FY 2021.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES (millions of dollars)		
	FY 2020 Results	FY 2021 Enacted
State Operating Funds Disbursements^{1,4}		
Size of Budget	\$102,159	\$94,901
Annual Growth	0.3%	-7.1%
Other Disbursement Measures		
General Fund (Including Transfers) ²	\$77,469	\$73,169
Annual Growth	6.4%	-5.6%
Capital Budget (Federal and State)	\$11,999	\$14,734
Annual Growth	-2.2%	22.8%
Federal Operating Aid	\$58,823	\$63,383
Annual Growth	0.6%	7.8%
All Funds	\$172,981	\$177,518
Annual Growth	1.2%	2.6%
Capital Budget (Including "Off-Budget" Capital) ³	\$12,484	\$15,093
Annual Growth	-2.3%	20.9%
All Funds (Including "Off-Budget" Capital) ³	\$173,466	\$177,877
Annual Growth	1.2%	2.5%
Inflation (CPI)	1.9%	0.5%
All Funds Receipts		
Taxes	\$82,889	\$75,543
Annual Growth	9.7%	-8.9%
Miscellaneous Receipts	\$29,466	\$30,669
Annual Growth	-5.5%	4.1%
Federal Receipts (Operating and Capital)	\$65,080	\$72,833
Annual Growth	6.1%	11.9%
Total All Funds Receipts	\$177,435	\$179,045
Annual Growth	5.5%	0.9%
General Fund Cash Balance	\$8,944	\$6,717
Rainy Day Reserves	\$2,476	\$2,476
Extraordinary Monetary Settlements	\$2,610	\$2,185
Economic Uncertainties	\$890	\$970
All Other Reserves/Fund Balances	\$2,968	\$1,086
Debt		
Debt Service as % All Funds Receipts ⁴	2.8%	3.3%
State-Related Debt Outstanding	\$54,447	\$59,450
Debt Outstanding as % Personal Income	3.9%	4.2%
State Workforce FTEs (Subject to Direct Executive Control)	118,193	118,850
<p>¹ The calculation of annual State Operating Funds spending growth from FY 2019 to FY 2020 is presented herein using restated FY 2019 results that include the \$1.7 billion FY 2019 Medicaid payment deferral.</p> <p>² Includes planned transfer of Extraordinary Monetary Settlements from the General Fund to other funds for designated purposes.</p> <p>³ Includes capital spending that occurs outside the All Funds budget financed directly from State-supported bond proceeds held by public authorities.</p> <p>⁴ Excludes the repayment of a planned \$4.5 billion liquidity financing during FY 2021.</p>		

Executive Summary

- New York is currently the epicenter of the novel coronavirus (COVID-19) pandemic in the United States, with more cases of infections and deaths to date than any other state. The spread of the virus has been slowing due to effective social distancing restrictions and closures.
- The pandemic has caused economic activity in the nation and the State to drop abruptly and dramatically. The consensus is that the global and United States economies are now in recession, the severity and duration of which is highly uncertain.
- The State's updated economic outlook for FY 2021 is similarly bleak. Most key measures of economic output are expected to drop sharply in comparison to FY 2020, and unemployment in the State is expected to average over 11 percent in FY 2021.
- The pandemic's impact on economic and other activities has rendered the FY 2021 Executive Budget Financial Plan ("Executive Budget Financial Plan") receipt and disbursement estimates obsolete. In comparison to the Executive Budget Financial Plan, as proposed in January 2020 and amended in February 2020, DOB has reduced the FY 2021 estimate for General Fund receipts by \$13.3 billion. All Funds tax receipts alone are projected to be down by \$12.4 billion -- a 14 percent reduction in a span of two months. Unlike the Federal government, the State does not routinely borrow for operating expenses.
- The dramatic decline in General Fund receipts is not a one-year problem. DOB expects the reduced receipts to carry through each subsequent year of the Financial Plan, creating a cumulative projected loss of \$60.5 billion through FY 2024 compared to the FY 2021 Executive Budget (the "Executive Budget").
- To date, the Federal government has taken legislative, administrative, and Federal Reserve actions intended to stabilize financial markets; extend aid to large and small businesses, health care providers, and individuals; and reimburse State and local governments for the direct costs of pandemic response. The FY 2021 Enacted Budget (the "Enacted Budget") grants the Budget Director the authority to approve an allocation plan prior to any State agency or public authority expenditure of funds (from State appropriation authority) received by the Federal government in response to the COVID-19 pandemic.

However, the Federal legislation provides only limited unrestricted aid to replace the expected severe loss in State tax receipts. The temporary Federal Medicaid Assistance Percentage (FMAP) increase is estimated to provide \$1.45 billion in savings in FY 2021, however Medicaid enrollment growth as a result of the recession may erode the value the FMAP benefit.

- With no assurance of direct Federal aid – and in awareness that FY 2021 collections from taxes and other receipts are likely to fall materially below the level needed to fund authorized disbursements -- the Enacted Budget grants the Budget Director the authority to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by DOB. In addition, the Budget Director is authorized to withhold and reduce specific local aid payments during FY 2021.
- The Enacted Budget is premised on the assumption that (a) the Financial Plan will be deemed out of balance when the April 2020 measurement period is complete, (b) the Budget Director's powers will be activated, and (c) across-the-board (ATB) and targeted reductions to local aid programs will be taken to close a substantial portion of the FY 2021 budget gap caused by the receipts shortfall.
- The Enacted Budget grants the Budget Director the authority to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by DOB. In addition, the Budget Director is authorized to withhold and reduce specific local aid payments during FY 2021. The Financial Plan is deemed out of balance for FY 2021, and the Budget Director's powers are activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during calendar year 2020 (April 1-30, May 1-June 30, and July 1-December 31).
- The first measurement period ended on April 30, 2020. On May 15, 2020, the State Comptroller published the Cash Basis Report to the Legislature on the State Funds Cash Basis of Accounting, prepared in accordance with subdivision 9-a (a) of section 8 of the State Finance Law. The Report showed State Operating Tax Collections of \$3.6 billion for the month of April 2020. The Executive Budget Financial Plan, as Updated for Governor's Amendments and Forecast Revisions, estimated State Operating Funds Tax Collections of \$11.7 billion for the month of April 2020. Actual tax receipts were 30.5 percent of estimated tax receipts. As a result, the budget has been deemed to be out of balance and the Budget Director's powers, as outlined above, have been activated.
- The Financial Plan reflects \$8.2 billion in recurring reductions in aid-to-localities disbursements that are expected to be executed pursuant to the budget-balance and withholding authority granted in the Enacted Budget. DOB is preparing a detailed plan itemizing the specific appropriations and disbursements that will be reduced or withheld, and expects to transmit the plan to both houses of the Legislature in the first quarter of FY 2021. The Financial Plan reflects \$300 million in anticipated savings from these reductions by June 30, 2020.
- The magnitude of reductions in the aid-to-localities savings plan will depend on the programs that are included or excluded from reductions, the level of targeted reductions in certain areas that are achievable, and the availability of unrestricted Federal aid.
- Spending for State agency operations will also be significantly reduced, with hiring, salary increases, and purchasing all put on hold.

- State spending, excluding the impact of special liquidity financing, is expected to decline by \$7.3 billion in FY 2021, a decrease of 7.1 percent from FY 2020 results. This is the largest annual percent decline in spending since the Great Depression.³
- The wide-ranging economic, health, and social disruptions caused by the COVID-19 pandemic are having an adverse impact on State authorities and localities, including the Metropolitan Transportation Authority (MTA) and the City of New York. The aid-to-localities reductions that will need to be taken in the Financial Plan may materially and adversely affect the financial position of the MTA, the City of New York, and other localities.

COVID-19 Pandemic

The Public Health Crisis

The outbreak of COVID-19, a respiratory disease in humans caused by a new strain of coronavirus, was first detected in China in 2019. Since that time, it has spread globally, including to the United States. The World Health Organization classified the outbreak as a pandemic on March 11, 2020, and the President of the United States declared a national state of emergency on March 13, 2020.

New York is currently the epicenter of the outbreak in the United States. From March 1, 2020, when the first case of the new virus was confirmed in the State, through April 18, 2020, the State recorded 236,732 confirmed cases of COVID-19. Confirmed cases in New York on April 18, 2020 accounted for 32 percent of all cases in the United States. President Trump approved a major disaster declaration for the State on March 20, making Federal aid available through the Federal Emergency Management Agency (FEMA) to supplement State, tribal, and local recovery efforts for the period beginning January 20, 2020.

Since the outbreak began, the State has adopted a series of increasingly restrictive measures intended to slow the spread of the virus and expand health care system capacity. On March 3, 2020, the State approved a \$40 million special emergency appropriation for pandemic response services and expenses. On March 7, 2020, the Governor issued an executive order declaring a disaster emergency in the State. On March 20, 2020, Governor Cuomo signed the "New York State on PAUSE" executive order that included a new directive requiring all non-essential businesses statewide to close in-office personnel functions, effective March 22, 2020, and banning all non-essential gatherings of individuals of any size for any reason. On April 16, 2020, the restrictions, closures, and other directives in the executive order were extended through May 15, 2020. It is expected that the Governor will continue to modify the executive order as events warrant.

³ Excluding the annual change in disbursements from FY 1942 to FY 1943 that resulted from a nine-month fiscal year in 1943.

During May 2020, the rate of new infections, hospitalizations, and deaths has trended downward. Before lifting restrictive measures and closures, each region of the State must meet a series of criteria, including declining COVID-19 hospitalizations, declining COVID-19 deaths, adequate hospital and intensive-care bed capacity, and implementation of testing and contact tracing. In the absence of consistent guidance from Federal officials and agencies, the State has worked with other states in the region to implement a unified plan for lifting certain restrictions and closures.

Severe Economic Disruption

The pandemic has caused economic activity in the nation and the State to drop abruptly and dramatically. There is consensus that the global and United States economies are now in recession, the severity and duration of which is highly uncertain. Initial unemployment claims surged in the second half of March 2020 through the first three weeks of April, bringing the five-week total to approximately 26.5 million. This number of initial claims is record breaking for a five-week period and surpasses the nonfarm job gains from October 2010 through February 2020. According to the U.S. Bureau of Economic Analysis (BEA), U.S. real Gross Domestic Product (GDP) is estimated to have declined by 5.0 percent in the first quarter of 2020, and DOB estimates GDP will fall by 24.5 percent in the second quarter. For comparison, the prior DOB forecast (February 2020) estimated quarterly growth of 1.5 percent and 2.5 percent, respectively. On an annual basis, U.S. real GDP growth for 2020 is expected to contract by 5.7 percent.

The State's updated economic outlook for FY 2021 is bleak. Most key measures of economic output are expected to drop sharply in comparison to FY 2020. DOB forecasts that nonfarm employment will fall by 7 percent; total wages will fall by 7.2 percent, and personal income and wages (excluding bonuses) will fall by 2.2 percent. Financial and insurance sector bonuses, an important source of personal income tax collections, are expected to drop by 50 percent. The State's unemployment rate is expected to average 11.4 percent, a level higher than any recorded since the current methodology for calculating the rate was introduced.

At the request of DOB, the Boston Consulting Group (BCG) compiled an in-depth economic impact analysis of COVID-19 on the State economy. The findings in the BCG analysis are consistent with DOB's overall U.S. and State economic outlook and the implied revenue losses in comparison to the Executive Budget Financial Plan. The BCG analysis indicates a downturn that is deeper -- and a recovery that will take longer -- than the "Great Recession" and the recession that followed the terrorist attacks of September 11, 2001.⁴

⁴ BCG's analysis included the latest data related to weekly unemployment insurance claims that were not available at the time that DOB's economic and revenue forecasts were completed.

Impact on State Budget Estimates

The Governor proposed the FY 2021 Executive Budget on January 21, 2020, and amendments to it on February 14, 2020. In the Executive Budget Financial Plan⁵ dated February 24, 2020, DOB estimated that, if the budget was adopted without modification, the General Fund would be balanced in FY 2021. The outyear budget gaps were projected at \$1.9 billion in FY 2022, \$3.3 billion in FY 2023, and \$3.3 billion in FY 2024. The Executive Budget Financial Plan reflected a proposed \$105.8 billion in State Operating Funds spending for FY 2021, an annual increase of \$1.9 billion, or 1.9 percent.

The pandemic's impact on economic activity has rendered the Executive Budget Financial Plan estimates obsolete. In the Enacted Budget Financial Plan, DOB has reduced the FY 2021 estimate for General Fund receipts⁶ by \$13.3 billion in comparison to the Executive Budget Financial Plan. Steep reductions have been made to the estimates for General Fund tax receipts (\$12.2 billion), lottery and gaming revenues that support School Aid (\$858 million), and dedicated tax receipts to the DHBTF, for which the General Fund is the payor of last resort (\$168 million). For context, All Funds tax receipts are expected to decline by 8.9 percent from FY 2020 – and 14.1 percent from the Executive Budget Financial Plan forecast – and remain at that reduced level in FY 2022. Tax receipts are not expected to return to FY 2020 levels until FY 2024.

The dramatic decline in General Fund receipts is forecast to carry through each subsequent year of the Enacted Budget Financial Plan, for a total loss of \$60.5 billion through FY 2024 compared to the Executive Budget Financial Plan. The total budget gap for the four-year Financial Plan period (FY 2021 through FY 2024), prior to the savings measures described below, is now projected to be \$69 billion, or more than 8 times higher than the total gap of \$8.5 billion projected in the Executive Budget Financial Plan.

⁵ Executive Budget Financial Plan as Updated for Governor's Amendments and Forecast Revisions.

⁶ Includes receipts in other funds where the General Fund is the payor of last resort.

The following table summarizes the revisions to General Fund receipts as a result of the pandemic.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS					
(millions of dollars)					
	FY 2021	FY 2022	FY 2023	FY 2024	Total
	Enacted	Projected	Projected	Projected	
EXECUTIVE BUDGET SURPLUS/(GAP)	0	(1,939)	(3,313)	(3,266)	(8,518)
Receipts (includes Lottery Aid)	(13,089)	(15,858)	(15,756)	(15,547)	(60,250)
Dedicated Tax Receipts (DHBTF)	(168)	(41)	(39)	(42)	(290)
UPDATED BUDGET SURPLUS/(GAP) BEFORE ACTIONS	(13,257)	(17,838)	(19,108)	(18,855)	(69,058)

Actual receipts losses may be materially higher than this estimate, depending on the severity and duration of the pandemic and the impact on economic activity within the State and nationally.

Federal Assistance to Date

To date, the Federal government has taken legislative, administrative, and Federal Reserve actions intended to stabilize financial markets; extend aid to large and small businesses, health care providers, and individuals; and reimburse governments for the direct costs of pandemic response. From the perspective of the State Financial Plan, the most significant actions to date include the President's approval designating New York as a major disaster area, making it eligible for FEMA grants and aid; establishment of the Coronavirus Relief Fund under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which will provide the State with funding for COVID-related expenses; a temporary increase in FMAP, which is the matching rate that the Federal government pays on eligible Medicaid expenditures; and the creation of a Municipal Liquidity Facility (MLF) that authorizes the Federal Reserve to purchase revenue and bond anticipation notes of states and certain local governments. Each of these actions are described in more detail later in this AIS.

The Federal legislation to date, however, provides only limited unrestricted aid to replace the expected severe loss in State tax receipts. The temporary FMAP increase is estimated to provide \$1.45 billion in savings in FY 2021. Medicaid enrollment growth as a result of the recession is likely to further erode the value of the FMAP benefit. As of the date of this AIS, certain congressional leaders have expressed support for legislation to provide such aid to the states and local governments, but no consensus has been reached. Therefore, the State cannot count on additional Federal aid and must move ahead with plans to impose deep, widespread reductions to local aid programs and agency operations to provide for a balanced budget in FY 2021. If unrestricted aid becomes available, or tax receipts rebound unexpectedly, the planned reductions may become less severe.

FY 2021 Enacted Budget Financial Plan

Budget Adoption

The Enacted Budget was adopted on April 2, 2020, at a point in time of rapidly deteriorating economic and public health conditions, and with no clarity on whether additional Federal aid would be enacted to cushion expected revenue losses. In negotiations, the Governor and Legislative leaders agreed that timely budget adoption was essential for pandemic response efforts and continuity of operations, but that rewriting the Executive Budget assumptions to address the evolving situation was neither feasible nor advisable given the uncertainties and the possibility of significant unrestricted Federal aid. The Enacted Budget therefore generally authorizes spending limits near the level proposed in the FY 2021 Executive Budget.

Reductions Authorized if Certain Conditions are Met

Given the likelihood that FY 2021 collections from taxes and other receipts are likely to fall materially below the level needed to fund authorized disbursements, the Enacted Budget grants the Budget Director the authority to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by DOB. In addition, the Budget Director is authorized to withhold and reduce specific local aid payments during the fiscal year. The budget would be deemed out of balance for the fiscal year, and the Budget Director's powers would be activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during 2020 (April 1-30, May 1-June 30, and July 1-December 31).

The Financial Plan is premised on the assumption that (a) the budget will be deemed out of balance when the April measurement period is complete, (b) the Budget Director's powers will be activated, and (c) ATB and targeted reductions to local aid programs will be taken to close a substantial portion of the FY 2021 budget gap caused by the receipts shortfall.

DOB is exploring other options to alleviate the depth of reductions that will be needed. To the maximum extent possible, however, the actions taken in FY 2021 must provide recurring savings or the State will need to close even larger budget gaps in FY 2022 and in the years that follow.

The Enacted Budget Gap-Closing Plan

The following table summarizes the Enacted Budget gap-closing plan. It is followed by a brief summary of the major items shown in the table. More information on these items can be found later in the AIS.

FY 2021 ENACTED BUDGET				
GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS				
(millions of dollars)				
	FY 2021	FY 2022	FY 2023	FY 2024
	Enacted	Projected	Projected	Projected
UPDATED BUDGET SURPLUS/(GAP) BEFORE ACTIONS	(13,257)	(17,838)	(19,108)	(18,855)
Changes to Executive Proposals Adopted in Enacted Budget:	<u>782</u>	<u>911</u>	<u>737</u>	<u>618</u>
School Aid - Offset by Federal Funds	1,169	1,791	1,986	2,278
Medicaid	(100)	(778)	(1,160)	(1,543)
Legislative Adds	(180)	(10)	(10)	(10)
Legislative Rejection of Executive Proposals	(107)	(92)	(79)	(107)
Budget Control Actions:	<u>10,120</u>	<u>8,904</u>	<u>9,100</u>	<u>9,407</u>
Budget Balance Reductions (Aid to Localities)	<u>8,180</u>	<u>8,010</u>	<u>8,010</u>	<u>8,010</u>
<i>School Aid</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
<i>Medicaid/Health</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
<i>Higher Education</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
<i>Social Services</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
<i>Mental Hygiene</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
<i>Transportation</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
<i>Other</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
Agency Operations Budget Balance Reductions	1,647	716	967	1,300
Debt Service/Other Revisions	293	178	123	97
Resource Changes:	<u>2,355</u>	<u>550</u>	<u>0</u>	<u>0</u>
Federal Medicaid Share Increase (eFMAP)	1,452	0	0	0
Prior Year Balances	553	550	0	0
Other Resources	350	0	0	0
ENACTED BUDGET SURPLUS/(GAP)	<u>0</u>	<u>(7,473)</u>	<u>(9,271)</u>	<u>(8,830)</u>

The gap-closing plan for FY 2021 must cover an estimated General Fund receipts shortfall of \$13.3 billion. The plan consists of specific savings in the Enacted Budget, budget control actions taken by the Budget Director to reduce authorized spending, and surplus resources. The components of the plan are described below.

1. Changes to the Executive Budget Adopted in the Enacted Budget

The specific alterations to the Executive Budget proposal provide estimated net savings of \$782 million in FY 2021. The most important changes include the following:

- **School Aid:** The Executive Budget proposed a School Aid increase of \$826 million for School Year (SY) 2021. In negotiations, the Governor and Legislature agreed to eliminate the proposed increase, which results in General Fund savings of \$486 million in FY 2021 and \$743 million in FY 2022. In addition, Federal funding for schools in the CARES Act will allow the State to realize savings of \$795 million in FY 2021 and \$341 million in FY 2022 in comparison to the Executive Budget Financial Plan. The net fiscal-year impact also reflects updated information on expense-based aids and other minor adjustments. Lastly, the General Fund cost for School Aid has increased due to the estimated shortfall in lottery and gaming receipts. The impact of this cost is reflected in the receipts shortfall described above.
- **Medicaid:** The Executive Budget Financial Plan included a \$2.5 billion savings target for the Medicaid Redesign Team (MRT). The Enacted Budget approved \$2.2 billion of the proposals identified by the MRT. In addition, FY 2020 spending for Medicaid was roughly \$650 million lower than anticipated in the Executive Budget Financial Plan. This savings was carried into FY 2021 by reducing the planned payment deferral in FY 2020 from \$1.7 billion to \$1 billion, then increasing it again to \$1.7 billion in FY 2021. This change, along with re-estimates to planned disbursements, results in a net General Fund cost of \$100 million in FY 2021 in comparison to the Executive Budget Financial Plan (which included a total of \$3.3 billion in Medicaid savings: \$2.5 billion from the MRT and \$850 million from the recurring value of FY 2020 savings actions).
- **Legislative Additions:** The Executive Budget Financial Plan did not continue funding for many aid-to-localities programs at the levels authorized in the FY 2020 Enacted Budget. In negotiations on the FY 2021 Enacted Budget, the Governor and Legislature agreed to add funding for certain programs.
- **Legislative Rejection of Executive Proposals:** The Legislature did not accept certain initiatives and savings measures proposed in the Executive Budget, the most significant of which were rejection of an increase to the fee for Certificate of Need applications that are assessed on health-care facilities construction projects, elimination of video lottery terminal (VLT) aid for cities other than Yonkers, and elimination of certain restrictions on quick draw lottery games.

2. Budget Control Actions

Budget control actions, expected to be authorized when the budget is deemed out of balance, constitute \$10.1 billion – or 75 percent -- of the FY 2021 gap-closing plan. The actions consist of reductions to aid-to-localities programs (\$8.2 billion), State agency operations (\$1.6 billion), and a range of other savings, primarily from expected reductions to debt service costs (\$293 million).

- **Aid to Localities:** The Financial Plan reflects \$8.2 billion in recurring reductions in aid-to-localities disbursements that are expected to be executed pursuant to the budget-balance and withholding authority granted in the Enacted Budget. It is expected that the legislative additions (\$180 million), like other local assistance programs, will not be fully funded in FY 2021. DOB is preparing a detailed plan itemizing the specific appropriations and disbursements that will be reduced or withheld. It expects to transmit the plan to both houses of the Legislature in the first quarter of FY 2021. The Comptroller's cash-basis report on April 2020 results was released on May 15, 2020, and demonstrated that total tax receipts met the criteria for instituting budget control actions. Once DOB has submitted its plan, the Assembly and Senate will then have ten days to adopt, by concurrent resolution, their own plan to close the gap. If no legislative plan is adopted, or if the plan is not adequate to provide for a balanced budget, as determined by DOB, the plan prepared by DOB will take effect immediately. The Financial Plan reflects \$300 million in anticipated savings from these reductions by June 30, 2020.

The magnitude of reductions in the aid-to-localities savings plan will depend on the programs that are included or excluded from reductions, the level of targeted reductions in certain areas that are achievable, and the availability of unrestricted Federal aid. For example, if large items of expenditure, such as School Aid and Medicaid, are excluded from reduction in the savings plan, the average reduction that would need to be made to the remaining local aid programs is estimated in the range of 40 percent to 50 percent. If, on the other hand, School Aid and Medicaid are subject to reductions, the average reduction that would need to be made is estimated in the range of 20 percent to 30 percent. It is a zero-sum calculation – smaller reductions in one area will result in correspondingly larger reductions elsewhere.

The scope and depth of the reductions to local aid programs needed to balance the FY 2021 Enacted Budget have no precedent in modern times. In the absence of Federal aid, nearly every activity funded by state government in the aid to localities budget -- from special education to children's health insurance to residential services for vulnerable populations to substance abuse programs to school property tax relief to direct aid to localities to operating aid to mass transit to higher education -- will face steep cuts. Any of these reductions can be mitigated during the fiscal year if additional Federal aid is made available or revenues perform better than forecast.

- **Agency Operations:** Executive agency budgets, with limited exceptions for facility operations and public health and safety, will be reduced by 10 percent from budgeted levels. The Financial Plan assumes that the Judiciary and elected officials will initiate comparable reductions in their budgets for FY 2021. The Federal CARES Act allows employers to defer payment of non-Medicare payroll taxes through December 2020. The Financial Plan takes advantage of this interest-free deferral. Accordingly, the State will make no social security payments from April through December 2020, for a savings of \$667 million in FY 2021 -- an estimated \$559 million for the Executive and \$68 million for the Judiciary, then repay the deferred amounts in equal installments in December 2021 and December 2022, as permitted in the CARES Act. Lastly, the State is withholding, for a minimum of 90 days, the general salary increases that were scheduled to go into effect on April 1, 2020. The Financial Plan reflects only the cash-flow impact of the withholding. If a decision is made to withhold the full amount for the fiscal year, it would provide savings of \$260 million in FY 2021 and offset the need for reductions elsewhere in the budget.

DOB is imposing a comprehensive set of controls on agency operations that are intended to reduce costs and provide for essential operations. The controls include a strict freeze on hiring and transfers, regardless of funding source, unless expressly approved by DOB. All existing waivers and exemptions to hiring controls, except for those related to pandemic response have been revoked. In addition, new contracts or purchase orders for non-personal service expenditures may be initiated only where such expenditures are needed to protect the health, safety and security of employees and citizens, and to ensure the continuation of high priority operations and services. Lastly, all current and planned capital projects will be reviewed and prioritized by DOB and the Governor's office. In the interim, agencies and authorities are barred from entering into new contracts for capital projects except where not initiating a project would pose an imminent threat to public health and safety.

- **Other Savings:** DOB has identified debt portfolio management opportunities and other savings realized in FY 2020 that are expected to recur.

3. Resource Changes

The Enacted Budget includes additional resources from the temporary increase in FMAP, as well as the use of FY 2020 surplus and other balances expected to be available in FY 2021.

DOB estimates that, if all the actions and savings are executed as proposed, it would result in balanced General Fund operations in FY 2021 and projected budget gaps for FY 2022 through FY 2024 would be reduced substantially.

General Fund Balances

The State's liquidity position is dependent on the performance of tax receipts, the management of cash disbursements, the receipt of proceeds from notes and lines of credit, and the execution of reductions in aid-to-localities programs and State agency operations. All of these actions are subject to risks and uncertainties. Accordingly, no reserves are used to help close the FY 2021 budget gap, but instead are held to preserve liquidity and respond to further deterioration in tax receipts.

The Financial Plan estimates that the General Fund will end FY 2021 with a cash balance of \$6.7 billion, a decrease of \$2.2 billion compared to FY 2020. The change in the balance reflects the use of available cash at the end of FY 2020 to reduce the budget gap in FY 2021 and the timing of payments not made at the close of FY 2020 that are expected to be made in FY 2021. The estimated closing balance is dependent on many factors, including the implementation of the reductions in local aid and State agency operations, the performance of tax receipts, and other assumptions described in the Financial Plan.

State Spending

State Operating Funds spending, excluding the impact of liquidity financing, is expected to total \$94.9 billion, a decrease of \$7.3 billion (7.1 percent) compared to FY 2020 results. The Federal government extended the deadline for filing PIT returns from April 15 to July 15, 2020, as described below. The Financial Plan assumes that \$4.5 billion in PIT notes and credit facilities will be issued in the first quarter of FY 2021 to mitigate the cash-flow impact of the filing extension, with the notes and facilities paid off by March 31, 2021. The repayment adds \$4.5 billion to estimated State Operating Funds disbursements, bringing total spending to \$99.4 billion in FY 2021, a decrease of \$2.8 billion (2.7 percent) compared to FY 2020 results.

At the close of FY 2020, several budgeted payments were not made due to disruptions and uncertainties relating the COVID-19 outbreak. These payments, which mainly affect higher education and social services, had no impact on services or benefits and are expected to be made in the first quarter of FY 2021, which distorts the annual growth in these areas.

The following table summarizes the annual change in spending.

STATE OPERATING FUNDS DISBURSEMENTS FY 2020 TO FY 2021 (millions of dollars)				
	FY 2020 Results	FY 2021 Enacted	Annual Change	
			\$	%
LOCAL ASSISTANCE	68,652	61,660	(6,992)	-10.2%
School Aid (School Year Basis) ¹	27,812	26,780	(1,032)	-3.7%
DOH Medicaid ²	22,077	23,274	1,197	5.4%
Temporary eFMAP Increase	0	(1,452)	(1,452)	0.0%
Transportation	3,488	3,935	447	12.8%
STAR ³	2,184	2,073	(111)	-5.1%
Social Services	2,355	3,250	895	38.0%
Higher Education	2,362	3,518	1,156	48.9%
Mental Hygiene ⁴	3,427	2,223	(1,204)	-35.1%
All Other ⁵	4,947	6,059	1,112	22.5%
Budget Balance Reduction	0	(8,000)	(8,000)	0.0%
STATE OPERATIONS/GENERAL STATE CHARGES	28,591	27,403	(1,188)	-4.2%
State Operations	20,168	19,107	(1,061)	-5.3%
Personal Service:	<u>14,090</u>	<u>14,641</u>	<u>551</u>	<u>3.9%</u>
Executive Agencies	7,814	7,860	46	0.6%
27th Administrative Payroll	0	107	107	0.0%
University Systems	4,128	4,406	278	6.7%
Elected Officials	2,148	2,268	120	5.6%
Non-Personal Service:	<u>6,078</u>	<u>5,446</u>	<u>(632)</u>	<u>-10.4%</u>
Executive Agencies	3,226	2,788	(438)	-13.6%
University Systems	2,298	2,087	(211)	-9.2%
Elected Officials	554	571	17	3.1%
Budget Balance Reduction - Executive Agencies	0	(700)	(700)	0.0%
Budget Balance Reduction - Elected Officials	0	(280)	(280)	0.0%
General State Charges	8,423	8,296	(127)	-1.5%
Pension Contribution	2,456	2,592	136	5.5%
Health Insurance	4,303	4,513	210	4.9%
Other Fringe Benefits/Fixed Costs	1,664	1,191	(473)	-28.4%
DEBT SERVICE	4,916	5,838	922	18.8%
TOTAL STATE OPERATING FUNDS (Excluding Liquidity Financing)	102,159	94,901	(7,258)	-7.1%
Liquidity Financing	0	4,500	4,500	0.0%
TOTAL STATE OPERATING FUNDS (Including Liquidity Financing)	102,159	99,401	(2,758)	-2.7%
Capital Projects (State and Federal Funds)	11,999	14,734	2,735	22.8%
Federal Operating Aid	58,823	63,383	4,560	7.8%
TOTAL ALL GOVERNMENTAL FUNDS	172,981	177,518	4,537	2.6%

¹ FY 2021 does not reflect \$1.1 billion in Federal CARES Act funding.

² Total State share Medicaid funding is reported 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 this offset is reported in "All Other" local assistance disbursements.

³ The conversion of benefit payments to a State PIT credit decreases reported disbursements for STAR and decreases reported PIT receipts by an identical amount. The shift from the basic exemption to the credit program does not reduce the value of the benefit received by homeowners.

⁴ Total Mental Hygiene spending is \$4.3 billion in FY 2021, an increase of 7 percent from FY 2020, a portion of which is funded by the DOH Medicaid budget.

⁵ "All Other" includes spending for various other functions, as well as reclassifications between 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 (\$321 million in FY 2020 and \$362 million in FY 2021), which reduces reported disbursements.

Other Financial Plan Developments

Liquidity

The State must address a temporary cash flow shortfall caused, in substantial part, by the Federal government's decision to extend the personal income tax filing deadline from April 15 to July 15, 2020, in response to the COVID-19 pandemic. With nearly 95 percent of all income tax returns received electronically, both Federal and State returns are filed simultaneously. As a result, it was necessary for the State to change the due date for State tax returns to correspond with the new Federal filing date. The extension is expected to delay the receipt of approximately \$9 billion of State personal income tax collections from April to July, creating liquidity pressure for the State. In addition, through the first quarter of FY 2021, the recession's impact on tax receipts is expected to reduce collections by an additional \$3.1 billion compared to the Executive Budget Financial Plan forecast.

The Enacted Budget contains several measures to enable the State to address liquidity needs during FY 2021. First, it authorizes up to \$8 billion of short-term borrowing in the form of personal income tax revenue or bond anticipation notes. The statutory authorization requires any such notes to be issued on a subordinated basis by December 31, 2020, with an initial maturity no later than March 31, 2021. The notes can be renewed once for up to a year, and may also be refinanced on a long-term basis. The Financial Plan currently includes planned PIT note sales of \$3.0 billion in FY 2021 that will be issued on a subordinated basis to other long-term PIT bonds. The cash flow projections include monthly set-asides for the repayment of notes, starting in July 2020. DOB will evaluate cash results regularly and adjust the size and timing of note sales based on liquidity needs, market considerations, and other factors.

Second, the Enacted Budget authorizes up to \$3 billion of line of credit facilities with one or more banks. The statute allows draws on these line of credit facilities through March 31, 2021, subject to annual available appropriation. Any outstanding balance on March 31, 2021, may be extended, renewed or refinanced for up to two one-year terms and may also be refinanced on a long-term basis. The Financial Plan includes an estimated \$1.5 billion in proceeds from a line of credit in June 2020. The cash flow projections include the full repayment of the line of credit in March 2021. As with the PIT note sales, DOB will adjust size and use of the line of credit based on updated information.

The Financial Plan assumes that the interest expense on both the PIT notes and the line of credit facilities is an eligible expense for Federal aid from the Coronavirus Relief Fund, since the financings are due solely to the Federal decision to extend tax filing deadlines in response to the pandemic.

Lastly, the Enacted Budget provides for a one-year suspension of the Debt Reform Act provisions covering all issuances in FY 2021, including the notes and line of credit, any renewals or long-term refinancing of the notes and line of credit, and all other debt issuances. Accordingly, FY 2021 issuances are not limited to capital purposes and are not counted toward limits on debt outstanding and debt service. In doing so, the Enacted Budget provides the State with certainty that it will

continue to have access to capital markets during the pandemic and period of economic recovery, regardless of the degree of any decline in personal income taxes and All Funds receipts.

Pandemic Response Costs

The Financial Plan assumes that the Federal government will fully fund the State's direct cost for pandemic response. Aid is expected through FEMA disaster assistance grants and aid, and the Coronavirus Relief Fund. Accordingly, the Financial Plan reflects no net costs from COVID-related expenses. However, there can be no assurance that Federal funding will be received at the level and on the timetable assumed in the Financial Plan.

Through May 15, 2020, the State had disbursed approximately \$730 million to construct hospital facilities, secure critical equipment, and fund other pandemic response activities. A substantial portion of these disbursements, roughly \$500 million, occurred in FY 2020 and affected results for that fiscal year.

As of April 24, 2020, the United States Treasury had deposited the State's share of the Coronavirus Relief Fund, \$5.1 billion, into the State Treasury. The State intends to charge eligible costs to the Coronavirus Relief Fund during the fiscal year. The funds deposited in the State Treasury will provide budgetary liquidity to the State until they are used to fund or reimburse COVID-eligible expenditures.

Credit Ratings and Bond Market

The major rating agencies, Fitch, Kroll, Moody's, and Standard & Poor's, assign the State general credit ratings of AA+, AA+, Aa1, and AA+, respectively. On April 1, 2020, Moody's changed the State's credit outlook from "stable" to "negative," noting that New York is the epicenter of the COVID-19 outbreak and stating that, in its view, the crisis was "eating into the state's reserves and straining its ability to structurally balance its budget." On April 10, 2020, Fitch changed the State's credit outlook from "stable" to "negative," citing "the considerable economic and fiscal uncertainty faced by the state as it confronts the coronavirus pandemic."

On April 16, 2020, Standard & Poor's confirmed the State's stable outlook, noting the State's "strong track record of fiscal resilience during periods of crisis" but observing that "pressures on the state's finances will mount as a result of the COVID-19-induced recession and prudent actions taken to mitigate related health and safety risks."

The State, through its public authorities and general obligation issuances, is one of the largest issuers of municipal bonds in the United States. The State relies on regular bond sales to fund its capital program. In addition, in FY 2021, it is planning on note sales to meet temporary liquidity needs caused by the pandemic.

Since the outbreak of COVID-19 in the United States, the municipal bond market has experienced significant disruption. From March 4th through April 8th, 2020, net outflows from municipal bond mutual funds and exchange-traded funds totaled over \$48 billion. Issuances in March 2020 dropped to \$17.2 billion, compared to the five-year March average of \$31.1 billion. An inability of

the State to sell bonds or notes at the level or on the timetable it expects could have a material and adverse impact on the State's financial position and the implementation of its FY 2021 Enacted Budget Capital Program and Financing Plan (Capital Plan).

In April 2020, the Federal Reserve initiated programs to purchase short-term debt from municipal issuers, as a measure to bolster liquidity and repair the municipal market. Most notably, the Federal Reserve announced that it will purchase short-term municipal notes using funding from the CARES Act, which included \$500 billion for loans to eligible businesses and states and local governments. DOB will continue to evaluate Federal Reserve purchase facilities as more information becomes available to determine whether all or a portion of expected PIT note sales could be executed through the new lending facility.

State Authorities and Localities

The wide-ranging economic, health, and social disruptions caused by the COVID-19 outbreak are having an adverse impact on State authorities and localities. The Metropolitan Transportation Authority and the Thruway Authority have disclosed that observed declines in mass transit, commuter rail, and vehicular traffic are having a significant adverse and material impact on their financial condition and operating results. The City of New York has made material reductions to estimated tax receipts for City Fiscal Year (CFY) 2020 and CFY 2021, and other localities have identified similar concerns. The State aid reductions expected to be taken in the Financial Plan may materially and adversely affect the financial position of the MTA, the City of New York, and other localities.

General Fund Cash-Basis Financial Plan

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. Two significant factors affect reported General Fund tax receipts that are unrelated to actual collections. First, changes in debt service on State revenue bonds affect General Fund tax receipts. The State has three bonding programs where tax receipts are deposited into dedicated debt service funds (outside the General Fund) and used to make debt service payments on bonds issued by the State. After satisfying debt service requirements for these bonding programs, the balance is transferred to the General Fund. Second, the STAR program is funded from PIT receipts, with changes in the cost of the program affecting reported PIT receipts.

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

For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, disbursements, and transfers, presented on a State Funds and All Funds basis, see "State Financial Plan Multi-Year Projections" herein.

The disbursement estimates by Financial Plan category reflect the impact of the budget balance reductions that DOB expects to execute during FY 2021 as a distinct line below each Financial Plan category. The precise reductions in the aid-to-localities programs will be contained in the reduction plan that DOB expects to submit to the Legislature in May 2020. The cash disbursement estimates to local aid programs and State agency operations are expected to be allocated by agency in the First Quarterly Update to the Financial Plan.

FY 2021 Financial Plan

The General Fund is estimated to be balanced on a cash-basis in FY 2021. The estimate is dependent on many factors, including the accuracy of the tax receipts forecast, which is subject to many uncertainties as a result of the COVID-19 pandemic and recession; the successful implementation of steep and wide-ranging reductions to aid-to-localities disbursements and controls on State agency operating expenses; the reimbursement of first-instance capital expenditures with bond proceeds; and the receipt of Federal funding, through FEMA, the Coronavirus Relief Fund, and other aid, of the full cost of the State's pandemic response efforts in FY 2021.

The following table summarizes the projected annual change in General Fund receipts, disbursements, and fund balances from FY 2020 to FY 2021.

GENERAL FUND FINANCIAL PLAN				
(millions of dollars)				
	FY 2020 Results	FY 2021 Enacted	Annual Change	
			Dollar	Percent
Opening Fund Balance	7,206	8,944	1,738	24.1%
Total Receipts	<u>79,207</u>	<u>70,942</u>	<u>(8,265)</u>	<u>-10.4%</u>
Taxes ¹	73,133	61,990	(11,143)	-15.2%
Miscellaneous Receipts	3,159	6,373	3,214	101.7%
Non-Tax Transfers from Other Funds	2,915	2,579	(336)	-11.5%
Total Disbursements	<u>77,469</u>	<u>73,169</u>	<u>(4,300)</u>	<u>-5.6%</u>
Local Assistance	51,863	46,400	(5,463)	-10.5%
State Operations	19,508	18,904	(604)	-3.1%
Transfers to Other Funds	6,098	7,865	1,767	29.0%
Net Change in Operations	<u>1,738</u>	<u>(2,227)</u>	<u>(3,965)</u>	<u>-228.1%</u>
Closing Fund Balance	<u>8,944</u>	<u>6,717</u>	<u>(2,227)</u>	<u>-24.9%</u>
Rainy Day Reserves	2,476	2,476	0	
Economic Uncertainties	890	970	80	
Reserve for Timing of Payments	1,313	0	(1,313)	
All Other Reserves/Balances	1,655	1,086	(569)	
Extraordinary Monetary Settlements	2,610	2,185	(425)	

¹ Includes the transfer of tax receipts from other funds after debt service.

General Fund tax receipts, miscellaneous receipts, and transfers to other funds in the table above are each affected by the planned use of liquidity financing (PIT notes and lines of credit) to manage the liquidity impact of the extension of income tax filing deadlines. The Financial Plan includes the planned issuance of \$3 billion in PIT notes and use of \$1.5 billion in expected line of credit draws. The amounts are currently budgeted to be repaid within FY 2021. In FY 2021, General Fund miscellaneous receipts reflect the deposit of \$4.5 billion in notes and line of credit proceeds. PIT receipts are expected to be applied in the amount of \$3 billion for note repayments and transfers to other funds are expected to be increased by \$1.5 billion for line of credit repayment. The Financial Plan assumes that interest expense on the PIT notes and line of credit facilities will be reimbursed from Federal aid as an eligible COVID-19 expense, as the need for liquidity financings was a direct result of the extension of tax filing deadlines as a result of the pandemic.

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 and how they impact General Fund miscellaneous receipts and capital projects transfers.⁷

GENERAL FUND FINANCIAL PLAN				
EXTRAORDINARY MONETARY SETTLEMENTS				
(millions of dollars)				
	FY 2020 Results	FY 2021 Enacted	Annual Change	
			Dollar	Percent
Opening Balance	4,194	2,610	(1,584)	-37.8%
Total Receipts	889	80	(809)	-91.0%
Settlements Received	895	80	(815)	-91.1%
Funds Retained by Dept. of Law	(6)	0	6	-100.0%
Total Uses	2,473	505	(1,968)	-79.6%
Capital Purposes	1,345	425	(920)	-68.4%
Rainy Day Reserves	238	0	(238)	-100.0%
Economic Uncertainties	890	80	(810)	--
Net Change in Operations	(1,584)	(425)	1,159	73.2%
Closing Balance	2,610	2,185	(425)	-16.3%

⁷ More information on the receipt and use of Extraordinary Monetary Settlements can be found in "Other Matters Affecting the Financial Plan" herein.

Receipts⁸

As noted above, the reporting of General Fund tax receipts and miscellaneous receipts is affected by the planned use of liquidity financings (PIT notes and lines of credit) to manage the impact of the tax filing extensions on monthly cash-flows.

General Fund receipts, including transfers from other funds, are estimated to total \$70.9 billion in FY 2021, a decrease of \$8.3 billion (10.4 percent) from FY 2020 results due to the shock to the economy brought on by the global pandemic.

PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are estimated to drop from \$50.5 billion in FY 2020 to \$41.6 billion in FY 2021, a decrease of \$8.9 billion (17.6 percent). The decrease reflects extraordinary declines in both bonus and non-bonus wages impacting withholding and estimated payments. In addition, refunds are expected to decline due to a steep decline in advance credit payments related to Tax Year 2020, due to the expired Property Tax Relief Credit program, as well as a decrease in the administrative cap on the amount of refunds paid from January to March 2021. General Fund PIT receipts in FY 2021 also include the impact of a portion of the repayment (\$3 billion) of the \$4.5 billion in proceeds from the issuance of short-term debt expected to be issued in the first quarter of FY 2021 to address the timing of personal income tax receipts due to filing extensions granted by the IRS.

Consumption/use tax receipts, including transfers after payment of debt service on LGAC and Sales Tax Revenue Bonds, are estimated to total nearly \$12 billion in FY 2021, a drop of \$2.2 billion (15.7 percent) from FY 2020. The drop reflects a significant decline in the sales tax base of roughly 17 percent. This is partly offset by the full-year impact of the new requirement that online marketplace providers collect Sales and Use Tax (SUT) on sales that they facilitate and Energy Service Companies (ESCOs) be subject to sales tax.

Business tax receipts are estimated at \$6.5 billion in FY 2021, an increase of \$136 million (2.1 percent) from FY 2020. The increase is primarily attributable to growth in corporation franchise tax receipts, driven by higher gross receipts and lower refunds.

Other tax receipts, including transfers after payment of debt service on Clean Water/Clean Air (CW/CA) Bonds, are expected to total \$1.9 billion in FY 2021, a decrease of \$142 million (-7.0 percent) from FY 2020, primarily due to an estimated decrease in real estate transfer tax receipts resulting from a large estimated decline in housing starts, housing prices, and bonuses. This decline is partly offset by a slight increase in estate tax receipts, primarily due to a partial-year impact of the estimated growth in household net worth.

Non-tax receipts and transfers are estimated at \$9 billion in FY 2021, an increase of \$2.9 billion from FY 2020. This increase reflects an expected increase of \$4.5 billion in miscellaneous receipts from liquidity financings made for cash flow purposes. This increase is partly offset by a reduction in the level of Extraordinary Monetary Settlements from \$889 million in FY 2020 to

⁸ Excluding Extraordinary Monetary Settlements.

\$80 million in FY 2021, and the use of certain resources available in FY 2020 that either do not recur or recur at a lower amount in FY 2021.

Disbursements

General Fund disbursements, including transfers to other funds, are expected to total \$73.2 billion in FY 2021, a decrease of \$4.3 billion (-5.6 percent) from FY 2020.

Local assistance spending is estimated at \$46.4 billion in FY 2021, a decrease of \$5.5 billion (10.5 percent) from FY 2020. The decrease includes an \$8 billion recurring reduction in aid-to-localities disbursements that are expected to be executed pursuant to the budget-balance and withholding authority granted in the Enacted Budget. The allocation of the savings plan will depend on what programs are included or excluded from reductions, the level of targeted reductions in certain areas, and the availability of Federal aid. Accordingly, the specific agency and program spending levels described below do not reflect any reductions that may occur as a result of the savings plan.

General Fund School Aid spending, on a State fiscal year basis, grows by \$532 million, reflecting in part the expected reduction in lottery and gaming receipts that must be now funded by the General Fund. Medicaid spending is expected to increase \$997 million, excluding the impact of a temporary increase in FMAP that is expected to provide \$1.45 billion in savings in FY 2021. Medicaid spending subject to Global Cap Index grows by \$573 million (3.0 percent) and the cost of minimum wage increases and local takeover, currently outside the Global Cap, is estimated to grow above FY 2020 levels by \$314 million and \$183 million, respectively.

General Fund personal and non-personal service costs are expected to total \$11.7 billion in FY 2021, a decrease of \$399 million (3.3 percent) from FY 2020. The decrease reflects \$700 million in recurring savings from the planned 10 percent reduction in Executive agency spending compared to the amounts authorized in the Enacted Budget. Limited exceptions are expected to be made for facility operations and public health and safety. In addition, the Financial Plan assumes that the Judiciary and elected officials will initiate comparable reductions in their budgets for FY 2021 (\$280 million).

General State Charges (GSCs), which include fringe benefits and certain fixed costs, are projected to decline by \$205 million (2.8 percent) from FY 2020. The decrease is mainly due to the interest-free deferral of the employer's share of Social Security taxes through December 2020 (\$667 million) that will be repaid in equal installments in December 2021 and December 2022, as permitted in the CARES Act. Health insurance costs for State employees and retirees are projected to increase by \$210 million (4.9 percent), due to medical inflation and current enrollment levels. The State's annual pension payment is projected to grow by \$136 million (5.5 percent). The State's costs for Workers' Compensation are expected to increase by \$41 million, due to underlying growth in average weekly wage, benefit and medical costs, as well as a reduction in other resources available to offset costs.

General Fund transfers to other funds are projected to total \$7.9 billion in FY 2021, an increase of \$1.8 billion from FY 2020. The growth is mainly due to the repayment of a portion (\$1.5 billion) of the \$4.5 billion in proceeds from the liquidity financings.

FY 2021 Closing Balance

The State's liquidity position is dependent on the performance of tax receipts, the management of cash disbursements, the receipt of proceeds from PIT notes and lines of credit facility draws, and the execution of reductions in aid-to-localities programs and State agency operations. All of these actions are subject to risks and uncertainties. Accordingly, no reserves are used to help close the FY 2021 budget gap, but instead are held to preserve liquidity and respond to further deterioration in tax receipts.

DOB projects the State will end FY 2021 with a General Fund cash balance of \$6.7 billion, a decrease of \$2.2 billion from FY 2020. The change in the balance reflects the use of available cash at the end of FY 2020 to reduce the budget gap in FY 2021 and the timing of payments not made at the close of FY 2020 that are expected to be made in FY 2021. The estimated closing balance is dependent on many factors, including the implementation of the reductions in local aid and State agency operations, the performance of tax receipts, the level of Federal aid available to the State and other assumptions in the Financial Plan.

In addition, the expected use of Extraordinary Monetary Settlements for initiatives approved in prior budgets will reduce the balance in the General Fund. See "Other Matters Affecting the Financial Plan - Extraordinary Monetary Settlements" herein.

TOTAL BALANCES (millions of dollars)			
	FY 2020 Results	FY 2021 Enacted	Annual Change
TOTAL GENERAL FUND BALANCE	8,944	6,717	(2,227)
Statutory Reserves:			
Rainy Day Reserves	2,476	2,476	0
Community Projects	31	15	(16)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Economic Uncertainties	890	970	80
Debt Management	500	500	0
Timing of Payments	1,313	0	(1,313)
Undesignated Fund Balance	1,103	550	(553)
Subtotal Excluding Settlements	6,334	4,532	(1,802)
Extraordinary Monetary Settlements	2,610	2,185	(425)

Cash Flow

State Finance Law authorizes the General Fund to borrow money temporarily from available funds held in the Short-Term Investment Pool (STIP). The FY 2021 Enacted Budget amended the statute to permit the borrowings until the end of the fiscal year, which was previously limited to up to four months. 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.

The State continues to reserve money on a quarterly basis for debt service payments financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

PROJECTED MONTH-END CASH BALANCES						
FY 2021						
(millions of dollars)						
	General Fund	Other Funds	All Funds	Adjustments		Adjusted
				Liquidity Financing	Budget Balance	All Funds
April 2020	8,740	9,871	18,611	0	0	18,611
May 2020	6,219	8,810	15,029	(3,000)	0	12,029
June 2020	1,718	9,097	10,815	(1,500)	(398)	5,917
July 2020	9,946	9,621	19,567	425	(398)	14,696
August 2020	8,787	9,339	18,126	350	(498)	13,107
September 2020	9,938	8,958	18,896	625	(1,098)	13,404
October 2020	9,513	9,458	18,971	375	(598)	13,256
November 2020	8,395	9,474	17,869	375	(398)	12,131
December 2020	8,454	11,250	19,704	425	(1,398)	12,993
January 2021	8,564	14,882	23,446	1,925	(398)	18,262
February 2021	9,617	13,479	23,096	0	(898)	17,014
March 2021	6,717	9,989	16,706	0	(2,898)	7,726

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

Other Matters Affecting the Financial Plan

General

The Financial Plan is subject to complex economic, social, financial, political, public health and environmental risks and uncertainties, many of which are outside the ability of the State to predict or control. DOB asserts 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 example, in past years, tax receipts collections have varied substantially from the levels forecasted, and entitlement-based programmatic spending has also varied significantly from initial projections. More recently, DOB recognized the need to correct a structural imbalance under the Medicaid Global Cap as spending levels exceeded the indexed levels. Similarly, there are inherent risks with the financial condition of health care providers and enrollment in public health insurance programs driven directly or indirectly by the COVID-19 pandemic. The Financial Plan projections include the recurring savings associated with reductions implemented in FY 2020 and the Medicaid Redesign Team II (MRT II) actions authorized in the Enacted Budget to limit Medicaid spending, which also included increased General Fund support.

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 has regularly made certain payments above those initially planned, subject to available resources, to maintain budget flexibility.

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; severe epidemic or pandemic 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; technology 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 the 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 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 changes. 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.

The Enacted Budget grants the Budget Director the authority to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by DOB. The budget would be deemed out of balance for the fiscal year, and the Director's powers would be activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during the year (April 1-30, May 1-June 30, and July 1-December 31). 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 ten 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.

Any reductions made pursuant to this authorization may be paid in full or in part if one or both of the following events occur: (i) Actual State Operating Funds Tax Receipts through February 28, 2021 are not less than 98 percent of Estimated State Operating Funds Tax Receipts through February 28, 2021; or (ii) the Federal government provides aid that the Budget Director deems sufficient to reduce or eliminate the imbalance in the General Fund for FY 2021 and does not adversely impact the projected budget gap in FY 2022.

In addition, if a General Fund imbalance is identified, the Budget Director is authorized to withhold any payments, including amounts that are to be paid on specific dates prescribed in law or regulation if such action is necessary to respond to the direct and indirect economic, financial, and social effects of the COVID-19 pandemic.

The Financial Plan forecast assumes various transactions will occur as planned including, but not limited to: receipt of certain payments from public authorities; receipt of revenue sharing payments under the Tribal-State Compacts; receipt of miscellaneous revenues at the levels set forth 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 and Federal approvals necessary to implement the Enacted Budget MRT II savings actions. 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, the annual spending change 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.

In FY 2012, the State enacted legislation intended to limit the year-to-year growth in the State's two largest local assistance programs, School Aid and Medicaid. These limitations on spending growth are described further in the following sections.

School Aid

The School Aid growth cap was previously calculated based on the annual growth in the State Personal Income Growth Index (PIGI). With the exception of the 2013 school year increase (based on a five-year average), the PIGI was based on a one-year growth index. However, in FYs 2014 through 2019, the authorized School Aid increases were above the indexed levels. Beginning in FY 2021, the statutory PIGI for School Aid has been amended to limit school aid increases to no more than the average annual income growth over a ten-year period. This change will reduce volatility in allowable growth and align the School Aid cap with the statutory Medicaid cap. Due to the anticipated impact of the COVID-19 pandemic on State revenues, State support for School Aid for SY 2021 in the Enacted Budget is 3.7 percent lower than in SY 2020, but is offset in part with increased Federal support noted below. This reduction in State Operating Funds support will be offset by approximately \$1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, SY 2021 School Aid is expected to total \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent.

Medicaid Global Cap

A portion of DOH State Funds Medicaid spending growth is subject to the Global Cap -- the ten-year rolling average of the medical component of the Consumer Price Index (CPI). Thus, the Global Cap allows for growth related to increasing costs but does not account for utilization growth. The statutory provisions of the 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 annual growth rate to the levels set by the Global Cap indexed rate for the then current fiscal year, through actions which may include reducing reimbursement 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, outside of the Global Cap, include State costs for the takeover of Medicaid growth from local governments and reimbursement to providers for increased minimum wage costs. It should be further noted that General Fund spending remains sensitive to revenue performance in the State's HCRA fund that finances approximately one-quarter of DOH State-share costs of Medicaid. Limitations on elective procedures, changes in consumer behavior, and other factors related to the COVID-19 pandemic may have a material and adverse impact on HCRA revenues.

Since enactment of the Global Cap, subject to the management action described below, the portion of DOH State Funds Medicaid spending subject to the Global Cap has remained at or below indexed levels. However, DOH has, at times, taken management actions, including adjustments to the timing of Medicaid payments, consistent with contractual terms, to ensure compliance with the Global Cap.

At the close of FY 2019, DOH deferred, for three business days into FY 2020, 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, consistent with contractual obligations. 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. According to DOH, the deferral had no impact on provider services and was attributable to growth in managed care and long-term managed care enrollment and utilization costs above initial projections, as well as timing of certain savings actions and offsets not processed by the end of FY 2019.

MRT II Solutions to Global Cap Imbalance

Following the need to defer FY 2019 Medicaid payments, DOB recognized that a structural imbalance existed within the Global Cap based on a review of price and utilization trends, and other factors.⁹ A structural imbalance in this case meant that estimated expense growth in State-share Medicaid subject to the Global Cap, absent measures to control costs, was growing faster than allowed under the Global Cap spending growth index.¹⁰

DOB estimates that, absent actions to control costs, State-share Medicaid spending subject to the Global Cap would have exceeded the indexed growth amount by upwards of \$3 to \$4 billion annually, inclusive of the FY 2019 deferral of \$1.7 billion.

In response to the estimated Global Cap imbalance, the Governor formed the MRT II as part of the FY 2021 Executive Budget with the objective of restoring financial sustainability to the Medicaid program while connecting other programmatic initiatives that would advance the core healthcare strategies he has pursued since taking office in 2011. The Enacted Budget includes \$2.2 billion in recommendations put forward by the MRT II to create efficiencies within the Medicaid program and address the Medicaid imbalance, including identifying efficiencies in Managed Care and Managed Long-Term Care, as well as eligibility and administrative reforms.

Additionally, policy initiatives, including the carve out of services from Managed Care within pharmacy and the centralization of a transportation broker will lead to better transparency and greater efficiencies within these areas. The MRT II also focused on greater program integrity within the Medicaid program and included reforms to modernize regulations to eliminate fraud, waste and abuse.

Through a combination of MRT II recommended actions, continued payment restructuring, and use of General Fund resources, the Medicaid program is expected to stay within statutorily allowable levels in FY 2021 and beyond.

⁹ Factors that place upward pressure on State-share Medicaid spending include but are not limited to: reimbursement to providers for the cost of the increase in the minimum wage; phase-out of enhanced Federal funding; increased enrollment and costs in managed long-term care; and payments to financially distressed hospitals.

¹⁰ Under State law, annual growth in Medicaid spending subject to the Global Cap is limited to the ten-year rolling average of the medical component of the CPI.

The following table summarizes the Medicaid savings actions reflected in the Enacted Budget Financial Plan.

SUMMARY OF MEDICAID SAVINGS ACTIONS				
SAVINGS/(COSTS)				
(millions of dollars)				
	FY 2021	FY 2022	FY 2023	FY 2024
Total Medicaid Savings Actions¹	3,251	2,737	2,754	2,772
Non-MRT II Savings	1,050	0	0	0
MRT II Savings	2,201	2,737	2,754	2,772
Continue FY 2020 Reductions	739	682	682	682
Across the Board (ATB) Rate Reduction (1.0% Annually; Effective 1/1/20)	248	248	248	248
Discontinue Delivery System Reform Incentive Program (DSRIP) Equity Pools	190	190	190	190
Medicaid Managed Care (MMC) Rate Range Reduction	96	96	96	96
Discontinue the Hospital Enhanced Safety Net Program	66	66	66	66
Reduce Mainstream Managed Care (MMC) Quality Pool Payments by 50%	60	60	60	60
Other	79	22	22	22
FY 2021 Budget Year Reductions	1,462	2,056	2,073	2,091
Managed Care	145	134	134	134
Encounter Data Accountability Penalty/Withhold (2.0% on MMC Plans)	143	115	115	115
Authorize Electronic Notifications	2	5	5	5
Other	0	14	14	14
Hospitals	297	304	304	304
H+H Financial Assistance	186	193	193	193
Reduce Indigent Care Pool for Voluntary Hospitals	88	88	88	88
Discontinue Hospital Quality and Sole Community Pools	35	35	35	35
Other	(12)	(12)	(12)	(12)
Long-Term Care	669	1,055	1,055	1,055
Cap Statewide Managed Long-Term Care (MLTC) Enrollment Growth at a Target Percentage and Implement a 3% Withhold	215	215	215	215
Modify Benefit Eligibility Criteria for Personal Care Services (PCS) & Consumer Directed Personal Assistance Program (CDPAS) Benefit	119	277	277	277
Encounter Data Accountability Penalty/Withhold (1.5% on MLTC Plans)	102	89	89	89
Administrative Reforms to the PCS and CDPAS Benefit	82	263	263	263
Delay Community First Choice Option (CFCO) Services	47	47	47	47
Other	104	164	164	164
Care Management	43	70	70	70
Comprehensive Prevention and Management of Chronic Disease	17	37	37	37
Discontinue Health Home Outreach	16	16	16	16
Achieve Health Home (HH) Rate Efficiencies (HH Admission/Step Down Criteria Revisions)	12	16	16	16
Reform Patient Center Medical Homes (PCMH)	6	18	18	18
Establish Plan of Care Incentive/Penalty Payments	5	5	5	5
Other	(13)	(22)	(22)	(22)
Pharmacy	35	130	147	165
Reduce Drug Cap Growth by Enhancing Purchasing Power	46	43	43	43
Transition Pharmacy Benefit to Fee-for-Service (FFS)	(11)	87	104	122
Transportation	75	217	217	217
Public Emergency Certified Public Expenditure (CPE)	38	90	90	90
Reduce Taxi/Livery Rates	35	51	51	51
Maximize Public Transit in NYC	2	26	26	26
Other	0	50	50	50
All Other	198	146	146	146
Additional ATB Rate Reduction (0.5% Annually; Effective 4/1/20)	125	50	50	50
Other	73	96	96	96

¹ Excludes temporary 6.2 percent enhanced FMAP authorized in the CARES Act.

Public Health Insurance Programs/Public Assistance

DOB is monitoring and evaluating the enrollment trends in the State's public health insurance programs, including Medicaid, the Essential Plan, and Child Health Plus, resulting from the COVID-19 pandemic and the corresponding increase in unemployment. Historically, the State has experienced growth in Medicaid enrollment and public assistance caseloads during economic downturns resulting from increased unemployment. The Financial Plan will be updated as needed during the year as more data becomes available on actual enrollment, caseloads, unemployment, and affected industries.

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 acute crises or emergencies such as severe weather events, disasters and disease outbreaks. Many policies that drive this Federal aid are subject to possible changes by 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.

Similarly, 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.

Current Federal Aid

President Trump proposed significant cuts to mandatory and discretionary domestic programs in Federal Fiscal Years (FFYs) 2018, 2019, and 2020 which were largely rejected in the final appropriations bills approved for each of those years.

The Bipartisan Budget Act of 2019 (BBA 19) increased 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. The FFY 2021 budget process began with the release of the President's budget proposal in February 2020. The proposal continued the President's prior calls for cuts to many programs, including discretionary spending levels below those authorized in BBA 19.

Federal Coronavirus Response Legislation

The Federal government has approved legislation and taken administrative actions intended to stabilize financial markets, extend aid to businesses and individuals, and reimburse governments for the direct costs of pandemic response. For a majority of the enacted legislation, the economic benefits do not flow to or through the State's Financial Plan, but instead flow directly to individuals in the form of tax rebates, and to large and small businesses in the form of loans or grants. Specifically, the Federal government enacted four pieces of legislation in response to the ongoing COVID-19 pandemic:

(i) The Coronavirus Preparedness and Response Supplemental Appropriations Act which provides an initial \$8 billion in emergency funding to respond to the COVID-19 pandemic, including support for vaccine development, the Public Health Emergency Preparedness program, and small businesses;

(ii) The Families First Coronavirus Response Act provides \$192 billion in aid, and includes paid sick leave, free testing, expanded food assistance and unemployment benefits, protections for health care workers, and increased Medicaid funding in response to the COVID-19 pandemic;

(iii) Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides approximately \$1.8 trillion in aid for Federal agencies, individuals, businesses, states and localities to respond to the COVID-19 pandemic, and authorized the Federal Reserve Bank to purchase revenue and bond anticipation notes of states and certain local governments through the Municipal Liquidity Facility, and;

(iv) The Paycheck Protection Program and Health Care Enhancement Act provides \$484 billion in funding for small business programs, hospitals, and testing activities.

State Fiscal Relief

Together, the new laws are expected to drive approximately \$2 trillion in aid to a wide range of recipients in the United States with approximately 90 percent of the total aid included in the CARES Act. Assistance to states through the CARES Act is generally restricted to specific purposes and includes the \$150 billion in the Coronavirus Relief Fund (\$5.1 billion State allocation) and the \$30.75 billion Education Stabilization Fund (\$1.1 billion State allocation). In addition, the Families First Coronavirus Response Act includes an emergency 6.2 percent increase to the Medicaid FMAP during the public health emergency. This is estimated to provide the State with \$1.45 billion in savings in FY 2021.¹¹

In response to the President's major disaster declaration for the State, FEMA is also expected to provide funding for costs related to emergency protective measures conducted as a result of the COVID-19 pandemic. The State will also receive additional Federal aid in the form of enhanced Unemployment Insurance funding.

¹¹ Financial Plan reflects six months of aid retroactive to January 2020.

The Financial Plan assumes that the Federal aid will fully fund the direct costs of the State's pandemic response efforts. Aid is expected through FEMA disaster assistance grants and aid, and the Coronavirus Relief Fund. Accordingly, the Financial Plan reflects no net costs from COVID-19 related expenses. There can be no assurance that Federal funding will be received at the level and on the timetable assumed in the Financial Plan.

Liquidity Support

The Municipal Liquidity Facility (MLF) was established by the Federal Reserve based on funding provided in the CARES Act to support the financial stability of state and local governments impacted by the COVID-19 pandemic. Subject to change, the MLF is authorized to purchase up to \$500 billion in bonds through December 31, 2020 from U.S. states and the District of Columbia, U.S. cities with populations of at least 250,000 residents, and U.S. counties with at least 500,000 residents and multi-state entities, to help state and local governments manage cash flow. The MLF is intended to facilitate the purchase of short-term notes from qualifying states, counties, cities and municipalities, which will in turn provide proceeds that will enable government entities to manage reductions in cash flow and increases in expenses related to the COVID-19 pandemic. DOB will continue to evaluate how to best utilize the MLF as more information becomes available.

Additional Federal Support Needed

The Federal legislation provides almost no unrestricted aid to replace the severe loss in expected State tax receipts. As of the date of this AIS, the U.S. House of Representatives adopted legislation to provide such aid to the states and local governments, but no consensus has been reached. Therefore, the State cannot count on additional Federal aid and must move ahead with imposing deep, widespread reductions to local aid programs and agency operations to provide for a balanced budget in FY 2021. If unrestricted aid becomes available, or tax receipts rebound unexpectedly, the planned reductions may become less severe. The State is actively engaging with Federal representatives to secure the needed aid.

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 2021, beginning December 1, 2020, reflecting recent provisions included in the CARES Act. The State estimates that if the changes take effect as scheduled, New York hospitals will lose \$5.9 billion when the ACA is fully phased in. This would be the largest reduction in Federal DSH payments among all states.

Essential Plan (EP)

New York State's Basic Health Program EP continues to be at risk of reduced Federal funding. In response, litigation brought by the State allowed for a partial recoupment of withheld funding through changes to the FY 2018 reimbursement methodology.

In response to the lawsuit, the Trump Administration finalized additional changes to the reimbursement formula which further decreased the amount of Federal support for the EP, which continues to put the Financial Plan at risk. Despite the uncertainty, the Financial Plan continues to reflect funding for the EP program.

MRT Medicaid Waiver

The CMS and the State have an existing agreement authorizing up to \$8 billion in Federal funding through March 31, 2021 to transform New York's health care system and ensure access to quality care for all Medicaid beneficiaries. This funding was provided through an amendment to the State's Partnership Plan 1115 Medicaid waiver. Since January 1, 2014, in accordance with provisions of the ACA, the State has been eligible for enhanced FMAP funding associated with childless adults.

Due to the demonstrated success of the DSRIP waiver, the State submitted a waiver request to CMS on November 25, 2019, seeking an extension of the original waiver to authorize the remaining \$625 million of spending in FY 2021 for an additional period of four years (through FY 2024) and up to \$8 billion in additional Federal funding for continued health care beginning in FY 2022.

However, CMS denied the State's request on February 21, 2020. CMS' denial was on the basis that the original DSRIP award was time-limited and meant to be a one-time investment, and that it was not in a position to authorize a conceptual agreement beyond the current demonstration program. While the State's requested amendment was denied, the State submitted a subsequent 1115 Medicaid waiver request that aligns with the expiration of the MRT Waiver on March 31, 2021. The COVID-19 1115 Waiver was submitted to CMS on May 11, 2020 and would provide the State with \$1.9 billion and new flexibilities to respond to the public health emergency.

Federal Debt Limit

The Bipartisan Budget Act of 2019 (BBA 19) suspended the Federal debt limit through July 31, 2021 and brought 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 Financial Plan of a future Federal government default are unknown and impossible to predict. However, data from past economic downturns suggests that the State's revenue loss could be substantial if there was an economic downturn due to a Federal default.

A payment default by the Federal Government 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 Tax Year 2018. 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 \$10,000 limit on the deductibility of State and Local Tax (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 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, 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 claimed the new SALT limit was enacted to target New York and similarly situated states, interfered with states' rights to make their own fiscal decisions, and disproportionately harmed 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, along with Connecticut, Maryland, and New Jersey, filed a notice of appeal on November 26, 2019, and the states' brief was filed on March 9, 2020.

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 were made retroactive to August 27, 2018 (the date on which the U.S. Treasury and IRS 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. Among other things, 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. The states filed a motion for summary judgment on February 28, 2020. If the 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 July 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 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 Tax Year 2019, 262 employers elected to participate in the ECEP and remitted \$1.5 million, with the number of participating employers increasing to 311 for tax year 2020.

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 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.

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.¹²

Through FY 2020, 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). Charitable gifts are appropriated 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.

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.

¹² State University of New York (SUNY) Research Foundation, CUNY Research Foundation, and Health Research, Inc. are allowed 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.

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 Tax Year 2020 through 2023 is on average in the range of \$25 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 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, 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 counties. In September 2011, Tropical Storm Lee caused flooding in additional 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 in response to Superstorm Sandy. To date, a total of \$28.9 billion has been committed to repairing impacted homes and businesses, restoring community services, and mitigating future storm risks to the State and its localities.

Financial market 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.¹³ 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.

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.

The State is participating in efforts to reduce greenhouse gas emissions in order to mitigate the risk of severe impacts from climate change. The Climate Leadership and Community Protection Act of 2019 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. The State 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.

¹³ 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.

Extraordinary Monetary Settlements

Beginning in FY 2015, the State began receiving 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. Effective April 1, 2019, DOB no longer classifies or distinctly identifies 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	FY 2021	Total
Extraordinary Monetary Settlements	4,942	3,605	1,317	805	1,186	895	80	12,830
Aetna Insurance Company	0	0	0	0	2	0	0	2
Agricultural Bank of China	0	0	215	0	0	0	0	215
American International Group, Inc.	35	0	0	0	0	0	0	35
Athene Life Insurance	0	0	0	0	15	0	45	60
AXA Equitable Life Insurance Company	20	0	0	0	0	0	0	20
Bank Leumi	130	0	0	0	0	0	0	130
Bank of America	300	0	0	0	0	0	0	300
Bank of America Merrill Lynch	0	0	0	0	42	0	0	42
Bank of Korea	0	0	0	0	0	0	35	35
Bank of Tokyo Mitsubishi	315	0	0	0	0	0	0	315
Barclays	0	670	0	0	15	0	0	685
BNP Paribas	2,243	1,348	0	350	0	0	0	3,941
Chubb	0	0	0	0	1	0	0	1
Cigna	0	0	0	2	0	0	0	2
Citigroup (State Share)	92	0	0	0	0	0	0	92
Commerzbank	610	82	0	0	0	0	0	692
Conduent Education Services	0	0	0	0	1	0	0	1
Credit Agricole	0	459	0	0	0	0	0	459
Credit Suisse AG	715	30	0	135	0	0	0	880
Deutsche Bank	0	800	444	0	205	0	0	1,449
FedEx	0	0	0	0	26	0	0	26
Goldman Sachs	0	50	190	0	55	0	0	295
Google/YouTube	0	0	0	0	0	34	0	34
Habib Bank	0	0	0	225	0	0	0	225
Intesa SanPaolo	0	0	235	0	0	0	0	235
Lockton Affinity	0	0	0	0	7	0	0	7
Mashreqbank	0	0	0	0	40	0	0	40
Mega Bank	0	0	180	0	0	0	0	180
MetLife Parties	50	0	0	0	20	0	0	70
Morgan Stanley	0	150	0	0	0	0	0	150
MUFG Bank	0	0	0	0	0	33	0	33
Nationstar Mortgage	0	0	0	0	5	0	0	5
New Day	0	1	0	0	0	0	0	1
Ocwen Financial	100	0	0	0	0	0	0	100
Oscar Insurance Company	0	0	0	0	1	0	0	1
PHH Mortgage	0	0	28	0	0	0	0	28
PricewaterhouseCoopers LLP	25	0	0	0	0	0	0	25
Promontory	0	15	0	0	0	0	0	15
RBS Financial Products Inc.	0	0	0	0	100	0	0	100
Société Générale SA	0	0	0	0	498	0	0	498
Standard Chartered Bank	300	0	0	0	40	322	0	662
Unicredit	0	0	0	0	0	506	0	506
UBS	0	0	0	0	41	0	0	41
Volkswagen	0	0	32	33	0	0	0	65
Wells Fargo	0	0	0	0	65	0	0	65
Western Union	0	0	0	60	0	0	0	60
William Penn	0	0	0	0	6	0	0	6
Other Settlements	7	0	(7)	0	1	0	0	1

The table below summarizes the past and planned uses of Extraordinary Monetary Settlements received. The planned use of settlements will be evaluated in light of economic conditions and fiscal needs arising from the COVID-19 outbreak.

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	FY 2025	
Opening Settlement Balance in General Fund	0	4,194	2,610	2,185	1,226	479	134	0
Receipt of Extraordinary Monetary Settlements	11,855	895	80	0	0	0	0	12,830
Use/Transfer of Funds	7,661	2,479	505	959	747	345	134	12,830
Capital Purposes:	4,134	1,345	425	959	747	345	134	8,089
Dedicated Infrastructure Investment Fund	3,374	939	1,130	877	525	330	134	7,309
Environmental Protection Fund	120	0	0	0	0	0	0	120
Mass Transit	70	3	7	2	2	1	0	85
Healthcare	24	132	80	30	45	14	0	325
Clean Water Grants	0	0	25	50	175	0	0	250
Javits Center Expansion	546	271	183	0	0	0	0	1,000
Bond Proceed Receipts for Javits Center Expansion	0	0	(1,000)	0	0	0	0	(1,000)
Other Purposes:	3,122	6	0	0	0	0	0	3,128
Audit Disallowance - Federal Settlement	850	0	0	0	0	0	0	850
CSX Litigation Payment	76	0	0	0	0	0	0	76
Financial Plan - General Fund Operating Purposes	1,807	0	0	0	0	0	0	1,807
Mass Transit Operating	10	0	0	0	0	0	0	10
MTA Operating Aid	194	0	0	0	0	0	0	194
Department of Law - Litigation Services Operations	180	6	0	0	0	0	0	186
OASAS Chemical Dependence Program	5	0	0	0	0	0	0	5
Reservation of Funds:	405	1,128	80	0	0	0	0	1,613
Rainy Day Reserves	250	238	0	0	0	0	0	488
Reserve for Economic Uncertainties	0	890	80	0	0	0	0	970
Reserve for Retroactive Labor Agreements	155	0	0	0	0	0	0	155
Closing Settlement Balance in General Fund	4,194	2,610	2,185	1,226	479	134	0	0

Current Labor Negotiations and Agreements (Current Contract Period)

On December 18, 2019, the State and the Police Benevolent Association of New York State (PBANYS) conferred authority to a public arbitration panel to issue a final and binding arbitration award covering the four-year period April 1, 2015 to March 31, 2019 (FY 2016 to FY 2019). The award provides a 2 percent general salary increase in each fiscal year and additional compensation, which is partially offset by benefit design changes within New York State Health Insurance Program (NYSHIP) and reductions in overtime costs. The cost of this award has been reflected in the multi-year spending projections in the Financial Plan for the affected agencies.

The State has multi-year labor agreements in place with most of the unionized workforce and continues to negotiate new agreements with the Public Employees Federation (PEF), the Council 82 Security Supervisors Unit and the Police Benevolent Association of New York State (PBANYS).

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 labor contract (2017 through 2022). The contract provides for 2 percent general salary increases annually and additional compensation changes, which are partly offset by benefit design changes within NYSHIP.

The Graduate Student Employees Union (GSEU) has a four-year labor contract that provides for 2 percent general annual salary increases for 2020 through 2023.

The Professional Staff Congress at CUNY has a six-year labor contract (2018 through 2023). The contract provides for annual 2 percent general salary increases commencing October 1, 2018.

The Police Benevolent Association of the New York State Troopers (NYSTPBA) and the New York State Police Investigators Association (NYSPIA) have five-year collective bargaining agreements for FY 2019 through FY 2023. The agreements provide for 2 percent general salary increases in each year of the contracts and additional compensation changes, which are partly offset by benefit design changes within NYSHIP.

The New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) has a seven-year labor contract (FY 2017 through FY 2023). The contract 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.

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

UNION LABOR CONTRACTS											
	Contract Period	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
NYSTPBA	FY 2019 - FY 2023	2%	2%	1.5%	1.5%	2%	2%	2%	2%	2%	TBD
NYSPIA	FY 2019 - FY 2023	2%	2%	1.5%	1.5%	2%	2%	2%	2%	2%	TBD
NYSCOPBA	FY 2017 - FY 2023	2%	2%	2%	2%	2%	2%	2%	2%	2%	TBD
GSEU	AY 2020 - AY 2023	2%	2%	2%	2%	2%	2%	2%	2%	2%	TBD
CUNY	AY 2018 - AY 2023	2.5%	2%	2%	1.5%	2%	2%	2%	2%	2%	TBD
UUP	AY 2017 - AY 2022	2%	2%	2%	2%	2%	2%	2%	2%	TBD	TBD
CSEA	FY 2017 - FY 2021	2%	2%	2%	2%	2%	2%	2%	TBD	TBD	TBD
DC-37	FY 2017 - FY 2021	2%	2%	2%	2%	2%	2%	2%	TBD	TBD	TBD
PEF	FY 2017 - FY 2019	2%	2%	2%	2%	2%	TBD	TBD	TBD	TBD	TBD
PBANYS	FY 2016 - FY 2019	2%	2%	2%	2%	2%	TBD	TBD	TBD	TBD	TBD
COUNCIL 82	FY 2010 - FY 2016	2%	2%	TBD							

The Judiciary also has contracts in place 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.

In general, agencies are expected to continue to fund salary increases within their operating budgets. However, certain agencies that provide institutional care, such as the Department of Corrections and Community Supervision (DOCCs) and mental hygiene agencies, as well as the State Police, have been allowed to increase their annual operating budgets.

Due to the adverse financial impacts from the COVID-19 pandemic, the State is withholding, for a minimum of 90 days, the general salary increases that were scheduled to go into effect on April 1, 2020. The current Financial Plan reflects only the liquidity benefit of the withholding. If a decision is made to withhold the full amount for the fiscal year, it would provide savings of \$260 million in FY 2021 and offset the need for reductions elsewhere in the budget.

Pension Contributions

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.¹⁴ 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 was reflected in FY 2020 contribution rates.

In August 2019, the actuary for NYSLRS issued the Annual Report to the Comptroller on Actuarial Assumptions, which provided a reduction in the State pension fund's assumed long-term rate of return on investments from 7 percent to 6.8 percent. 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 Tier 6 entrants. However, the estimated average employer contribution rate for the PFRS will increase by 0.9 percent, from 23.5 percent to 24.4 percent of payroll (the assumed rate reduction had more leverage in PFRS due to the maturity of the system).¹⁵

The FY 2021 ERS/PFRS pension estimate of \$2.3 billion relied upon the State Comptroller's February 7, 2020 report, which reflects a reduction in the assumed rate of return and other increases, partially offset by the use of a new mortality improvement scale and lower cost Tier 6 entrants. The State will continue to pay \$432 million towards the balance outstanding on prior-year deferrals. OSC does not forecast pension liability estimates beyond the budget year, thus estimates for FY 2022 and beyond are developed by DOB. DOB's forecast assumes growth in the salary base consistent with collective bargaining agreements and a stable rate of return. The current Financial Plan forecast does not reflect the potential losses in asset value as a result of the COVID-19 outbreak and recession.

¹⁴ The State's aggregate pension costs also include costs for State employees in the Teachers' Retirement System (TRS) for both the 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).

¹⁵ 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.

The pension liability also reflects changes to military service credit provisions found in Section 1000 of the Retirement and Social Security Law (RSSL) enacted during the 2016 legislative session (Chapter 41 of the Laws of 2016). All veterans who are members of NYSLRS may, upon application, receive extra service credit for up to three years of military duty if such veterans (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 OSC at the end of each calendar year. 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. The ERS cost to the State (including costs covered for local ERS) was \$16 million in FY 2020 based on actual credit purchased through December 31, 2019. DOB currently estimates annual ERS costs of \$7 million in FY 2021 and beyond, as additional veterans become eligible to purchase the credit.

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 rate¹⁶) to a system-wide amortization threshold (i.e., the graded rate). Graded rates are determined for ERS and PFRS according to a statutory formula, and generally move toward their system's average normal rate by up to one percentage point per year. When an employer's normal rate is greater than the system-wide graded rate, the employer can elect to amortize the difference. However, when the normal rate of an employer that previously amortized is less than the system-wide graded rate, the employer is required to pay the graded rate. Additional contributions are first used to pay off existing amortizations and are then deposited into a reserve account to offset future increases in contribution rates. Chapter 48 of the Laws of 2017 changed the graded rate computation to provide an employer-specific graded rate based on the employer's own tier and plan demographics.

¹⁶ 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.

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

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

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM IMPACTS OF AMORTIZATION ON PENSION CONTRIBUTIONS (millions of dollars)									
Fiscal Year	Statewide Pension Payments ¹				Interest Rate on Amortization Amount (%) ³	Rates for Determining (Amortization Amount) / Excess Contributions			
	Normal Costs ²	(Amortization Amount) / Excess Contributions	Repayment of Amortization	Total Statewide Pension Payments		System Average Normal Rate ⁴		Amortization Threshold (Graded Rate)	
						ERS (%)	PFRS (%)	ERS (%)	PFRS (%)
2011	1,543.2	(249.6)	0.0	1,293.6	5.00	11.5	18.1	9.5	17.5
2012	2,037.5	(562.8)	32.3	1,507.0	3.75	15.9	21.6	10.5	18.5
2013	2,077.9	(778.5)	100.9	1,400.3	3.00	18.5	25.7	11.5	19.5
2014	2,633.6	(937.0)	192.1	1,888.7	3.67	20.5	28.9	12.5	20.5
2015	2,328.8	(713.1)	305.7	1,921.4	3.15	19.7	27.5	13.5	21.5
2016	1,972.1	(356.2)	390.0	2,005.9	3.21	17.7	24.7	14.5	22.5
2017	1,789.0	0.0	432.2	2,221.2	2.33	15.1	24.3	15.1	23.5
2018	1,788.7	0.0	432.2	2,220.9	2.84	14.9	24.3	14.9	24.3
2019	1,770.2	0.0	432.2	2,202.4	3.64	14.4	23.5	14.4	23.5
2020	1,782.2	0.0	432.2	2,214.4	2.55	14.2	23.5	14.2	23.5
2021 Est.	1,908.4	0.0	432.2	2,340.6	TBD	14.1	24.4	14.1	24.4
----- Projected by DOB ⁵ -----									
2022	2,206.3	0.0	399.9	2,606.2	TBD	15.0	25.0	15.0	25.0
2023	2,403.5	0.0	331.3	2,734.8	TBD	15.5	25.5	15.5	25.5
2024	2,494.7	0.0	240.1	2,734.8	TBD	16.5	26.5	16.5	26.5

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

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

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

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

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

The “Normal Costs” column shows the State’s underlying pension cost in each fiscal year, before the effects of amortization. The “(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, including 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.

Social Security

The CARES Act, in response to impacts caused by the COVID-19 pandemic, allows employers to defer the deposit and payment of the employers' share of Social Security taxes through December 2020, to be repaid, interest free, in two equal installments in December 2021 and December 2022. The Executive and the Judiciary have elected to defer the allowable Social Security payments for an estimated savings of \$599 million and \$68 million, respectively.

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 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 the 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 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 that 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 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 on 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 herein.

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,¹⁷ 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.

¹⁷ Statewide cybersecurity policies can be found at: <https://its.ny.gov/ciso/policies/security>.

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 New York City, including cities and counties, have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. In 2013, the Financial Restructuring Board for Local Governments was created to aid distressed local governments. The Restructuring Board performs comprehensive reviews and provides grants and loans on the condition of implementing recommended efficiency initiatives. For additional details on the Restructuring Board, please visit www.frb.ny.gov.

The wide-ranging economic, health, and social disruptions caused by the COVID-19 outbreak are having an adverse impact on State authorities and localities, including the Metropolitan Transportation Authority (MTA) and the City of New York. The aid-to-localities reductions that will need to be taken as set forth in the Financial Plan may materially and adversely affect the financial position of the MTA, the City of New York, and other localities.

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 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, the State's overall cash position and capital funding plan may be adversely affected. Since the outbreak of the COVID-19 pandemic in the United States, the municipal bond market has experienced significant disruption. The Federal CARES Act created the MLF which authorizes the Federal Reserve Bank to purchase revenue and bond anticipation notes of states and certain local governments. The success of projected public sales of municipal bonds will be subject to prevailing market conditions and related ratings issued by national credit rating agencies, among other factors. Future developments in the financial markets, including possible changes in Federal tax law relating to the taxation of interest on municipal bonds, as well as future developments concerning the State and public discussion of such developments generally, may affect the market for outstanding State-supported and State-related debt. The TCJA adversely 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 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.

The Enacted Budget suspends the Debt Reform Act for FY 2021 issuances as part of the State response to the COVID-19 pandemic. Accordingly, any borrowing initiated in FY 2021 is not limited to capital purposes and is not counted towards the statutory caps on debt outstanding and debt service. The suspension of the Debt Reform Act also includes up to \$8 billion of PIT notes and up to \$3 billion of line of credit facilities that were authorized as part of the Enacted Budget, as well as any short or long-term refinancing of such borrowings in future years.

Current projections anticipate that debt outstanding and debt service will continue to remain below limits imposed by the Debt Reform Act, due to the suspension of the debt cap during FY 2021. 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 \$6.2 billion in FY 2020 to a low point of \$2.3 billion in FY 2024. This calculation excludes all issuances in FY 2021 but includes the estimated impact of funding increased capital commitment levels with State bonds after FY 2021. The cost of debt issued after April 1, 2000 and subject to the statutory cap is projected at \$5.1 billion in FY 2021, or roughly \$3.8 billion below the statutory debt service limit.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap \$	Debt Outstanding Included in Cap ¹	\$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Excluded from Cap	Total State-Supported Debt Outstanding
FY 2020	\$1,389,760	4.00%	55,590	49,433	6,157	3.56%	0.44%	4,774	54,207
FY 2021	\$1,399,112	4.00%	55,964	46,651	9,313	3.33%	0.67%	12,627	59,278
FY 2022	\$1,369,712	4.00%	54,788	51,068	3,720	3.73%	0.27%	11,705	62,773
FY 2023	\$1,440,600	4.00%	57,624	54,540	3,084	3.79%	0.21%	10,772	65,312
FY 2024	\$1,500,334	4.00%	60,013	57,666	2,347	3.84%	0.16%	9,953	67,619
FY 2025	\$1,561,865	4.00%	62,475	59,876	2,599	3.83%	0.17%	9,101	68,977

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap \$	Debt Service Included in Cap ¹	\$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity	Debt Service Excluded from Cap ²	Total State-Supported Debt Service ³
FY 2020	\$177,435	5.00%	8,872	4,820	4,052	2.72%	2.28%	1,130	5,950
FY 2021	\$179,043	5.00%	8,952	5,116	3,836	2.86%	2.14%	5,686	10,802
FY 2022	\$168,826	5.00%	8,441	5,150	3,291	3.05%	1.95%	1,789	6,939
FY 2023	\$172,601	5.00%	8,630	5,659	2,971	3.28%	1.72%	1,698	7,357
FY 2024	\$178,023	5.00%	8,901	6,034	2,867	3.39%	1.61%	1,516	7,550
FY 2025	\$179,395	5.00%	8,970	6,456	2,514	3.60%	1.40%	1,229	7,685

¹ Does not include debt issued prior to April 1, 2000. In addition, debt issued during FY 2021 is not subject to caps pursuant to Chapter 56 of the Laws of 2020.

² Includes liquidity financings expected to be repaid within FY 2021, consisting of \$3B of short-term notes and a \$1.5B draw on a line of credit facility.

³ Total State-supported debt service is adjusted for prepayments.

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 volatility in New York State personal income estimates has prompted DOB to reexamine the way 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 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 reflect the Enacted Budget’s suspension of the Debt Reform Act for FY 2021 issuances in response to the COVID-19 pandemic, as discussed previously. In addition, debt capacity is impacted by personal income forecast adjustments, debt amortizations, and bond sale results. 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 ¹						
REMAINING CAPACITY SUMMARY						
(millions of dollars)						
	FY 2020 Results	FY 2021 Enacted	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected
FY 2021 Executive Budget Financial Plan as Amended	3,731	963	204	82	28	855
Personal Income Forecast Adjustment	41	(1,566)	(5,108)	(4,781)	(5,000)	(5,251)
Capital / Bond Sale Adjustments	2,385	732	(211)	(685)	(763)	(682)
Exempt FY 2021 Issuances ²	0	9,184	8,835	8,468	8,082	7,677
FY 2021 Enacted Budget Financial Plan	6,157	9,313	3,720	3,084	2,347	2,599

¹ Does not include liquidity financings expected to be repaid within FY 2021, consisting of \$3 billion of short-term note issuances and a \$1.5 billion draw on a line of credit facility.

² Debt issued during FY 2021 is not subject to cap pursuant to Chapter 56 of the Laws of 2020.

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, 2020, approximately \$135 million of bonds were outstanding under 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 \$157 million for debt service costs. DASNY estimates that the State will pay debt service costs of approximately \$32 million in FY 2021, \$27 million in FY 2022, \$21 million in both FY 2023 and FY 2024, and \$13 million in FY 2025. 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 \$6 million annually, if all hospitals in the program failed to meet the terms of their agreements with DASNY, and if available reserve funds were depleted.

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

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

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

In accordance with the settlement, Holdings has entered into a purchase and sale agreement with (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) New York University (NYU) Hospitals Center (now "NYU Langone"), 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 second closing occurred on March 13, 2020 (the NMS Closing) and title to the New Medical Site (NMS) portion of the LICH property was conveyed to NYU Langone.

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 third and final closing is conditioned upon completion of the New Medical Building by NYU Hospitals Center, and relocation of the emergency department to the New Medical Building.

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



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

Introduction

This section presents FY 2020 results and the State's multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of forecast revisions in FY 2021 through FY 2024, with an emphasis on FY 2021 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 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 Budget, FY 2022, is the most relevant from a planning perspective. In addition, the reliability of all projections is further complicated by the COVID-19 pandemic, given the uncertainty as to its duration and the pace of a sustained recovery.

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).

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

GENERAL FUND PROJECTIONS (millions of dollars)					
	FY 2020 Results	FY 2021 Enacted	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
RECEIPTS					
Taxes (After Debt Service)	73,133	61,990	63,849	67,402	71,302
Miscellaneous Receipts	3,159	6,373	1,750	1,773	1,811
Other Transfers	2,915	2,579	1,855	1,532	1,352
Total Receipts	79,207	70,942	67,454	70,707	74,465
DISBURSEMENTS					
Local Assistance	51,863	46,400	48,967	52,444	55,585
School Aid	23,522	24,054	24,175	25,210	26,168
Medicaid	16,071	15,616	18,124	19,088	19,993
All Other	12,270	14,730	14,668	16,146	17,424
Budget Balance Reduction	0	(8,000)	(8,000)	(8,000)	(8,000)
State Operations	12,054	11,655	11,539	11,553	11,818
Personal Service	8,940	9,583	9,536	9,699	9,839
Non-Personal Service	3,114	3,052	3,053	3,154	3,279
Budget Balance Reduction	0	(980)	(1,050)	(1,300)	(1,300)
General State Charges	7,454	7,249	9,013	9,559	9,689
Transfers to Other Funds	6,098	7,865	6,915	7,169	6,548
Debt Service	736	1,810	488	501	553
Capital Projects	3,128	3,512	3,747	3,917	3,138
SUNY Operations	1,179	1,273	1,273	1,267	1,267
All Other	1,055	1,270	1,407	1,484	1,590
Total Disbursements	77,469	73,169	76,434	80,725	83,640
Use (Reservation) of Fund Balance:	(1,738)	2,227	1,507	747	345
Community Projects	4	16	0	0	0
Labor Agreements	206	0	0	0	0
Business Tax Refund	202	0	0	0	0
Timing of Payments	(1,313)	1,313	0	0	0
Undesignated Fund Balance	(1,103)	553	548	0	0
Rainy Day Reserves	(428)	0	0	0	0
Economic Uncertainties	(890)	(80)	0	0	0
Extraordinary Monetary Settlements ¹	1,584	425	959	747	345
BUDGET SURPLUS/(GAP) PROJECTIONS	0	0	(7,473)	(9,271)	(8,830)

¹ Reflects transfers of Extraordinary Monetary Settlement funds from the General Fund to the Dedicated Infrastructure Investment Fund, the Environmental Protection Fund, and the Capital Projects Fund.

State Operating Funds Projections

STATE OPERATING FUNDS DISBURSEMENTS (millions of dollars)					
	FY 2020 Results	FY 2021 Enacted	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
RECEIPTS					
Taxes	81,472	74,282	74,187	78,040	81,953
Miscellaneous Receipts/Federal Grants	22,761	22,441	18,359	17,800	17,361
Total Receipts	104,233	96,723	92,546	95,840	99,314
DISBURSEMENTS					
Local Assistance	68,652	61,660	64,686	67,689	70,521
School Aid (School Year Basis) ¹	27,812	26,780	27,918	28,911	29,854
DOH Medicaid ²	22,077	21,822	24,246	25,300	26,283
Transportation	3,488	3,935	3,906	4,094	4,288
STAR	2,184	2,073	1,979	1,858	1,750
Higher Education	2,362	3,518	2,924	2,961	2,991
Social Services	2,355	3,250	2,896	3,010	3,047
Mental Hygiene	3,427	2,223	3,162	3,799	4,437
All Other ³	4,947	6,059	5,655	5,756	5,871
Budget Balance Reduction	0	(8,000)	(8,000)	(8,000)	(8,000)
State Operations	20,168	19,107	19,115	19,170	19,392
Personal Service	14,090	14,641	14,616	14,848	14,999
Non-Personal Service	6,078	5,446	5,549	5,622	5,693
Budget Balance Reduction	0	(980)	(1,050)	(1,300)	(1,300)
General State Charges	8,423	8,296	10,153	10,728	10,843
Pension Contribution	2,456	2,592	2,855	2,990	2,996
Health Insurance	4,303	4,513	4,860	5,219	5,608
All Other	1,664	1,191	2,438	2,519	2,239
Debt Service	4,916	5,838	6,939	7,357	7,550
Capital Projects	0	0	0	0	0
Total Disbursements (Excluding Liquidity Financing)	102,159	94,901	100,893	104,944	108,306
Liquidity Financing	0	4,500	0	0	0
Total Disbursements (Including Liquidity Financing)	102,159	99,401	100,893	104,944	108,306
Net Other Financing Sources/(Uses)	(28)	(291)	(768)	(1,085)	(302)
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(2,046)	2,969	1,642	918	464
General Fund	(1,738)	2,227	1,507	747	345
Special Revenue Funds	(310)	735	140	175	139
Debt Service Funds	2	7	(5)	(4)	(20)
GENERAL FUND BUDGET SURPLUS/(GAP)	0	0	(7,473)	(9,271)	(8,830)

¹ FY 2021 does not reflect \$1.1 billion in Federal CARES Act funding.

² Total State share Medicaid funding is reported 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. Spending is offset by the benefit of enhanced FMAP for 6.2 percent for 6 months.

³ 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.

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. Multiyear receipts estimates are prepared by DOB with the assistance of DTF and other agencies which collect State receipts and are premised 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.

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 2021 are projected to total \$179 billion, a 0.9 percent (\$1.6 billion) increase from FY 2020 results. FY 2021 State tax receipts are projected to decrease \$7.3 billion (8.9 percent) from prior year results.

ALL FUNDS RECEIPTS (millions of dollars)									
	FY 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
Personal Income Tax	53,660	49,046	-8.6%	47,976	-2.2%	50,732	5.7%	53,862	6.2%
Consumption/Use Taxes	18,021	15,474	-14.1%	16,643	7.6%	17,101	2.8%	17,585	2.8%
Business Taxes	8,996	8,957	-0.4%	8,874	-0.9%	9,403	6.0%	9,592	2.0%
Other Taxes	2,212	2,066	-6.6%	2,054	-0.6%	2,161	5.2%	2,266	4.9%
Total State Taxes	82,889	75,543	-8.9%	75,547	0.0%	79,397	5.1%	83,305	4.9%
Miscellaneous Receipts	29,466	30,669	4.1%	25,859	-15.7%	24,443	-5.5%	23,972	-1.9%
Federal Receipts	65,080	72,833	11.9%	67,419	-7.4%	68,761	2.0%	70,749	2.9%
Total All Funds Receipts	177,435	179,045	0.9%	168,825	-5.7%	172,601	2.2%	178,026	3.1%

The COVID-19 pandemic is projected to have a significant negative impact on tax receipts. Executive Budget Financial Plan forecasts have been revised sharply downward, consistent with the economic analysis outlined in the previous section. The Financial Plan forecast reduces estimated FY 2021 tax receipts by over \$12 billion and projected FY 2022 tax receipts by over \$15 billion.

- Personal income taxes are reduced significantly in FY 2021 with an estimated loss of nearly \$8 billion and a projected \$11 billion annual decline across the financial plan period over the Executive Budget forecasts.
- Consumption/Use taxes and fees are reduced by over \$3 billion with a significant decline in sales and use taxes.
- Business taxes are reduced by nearly \$1 billion in FY 2021 with the largest portion of the decline in corporate franchise taxes.
- Other taxes are reduced by \$274 million in FY 2021 and over \$370 million in the outyears.

Further analysis of each tax component by fiscal year is below.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)									
	FY 2020	FY 2021	FY 2022		FY 2023		FY 2024		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	53,660	49,046	-8.6%	47,976	-2.2%	50,732	5.7%	53,862	6.2%
Gross Collections	64,985	59,640	-8.2%	60,085	0.7%	63,330	5.4%	66,921	5.7%
Refunds (Incl. State/City Offset)	(11,325)	(10,594)	6.5%	(12,109)	-14.3%	(12,598)	-4.0%	(13,059)	-3.7%
GENERAL FUND¹	24,646	22,450	-9.8%	22,008	-2.0%	23,508	6.8%	25,181	7.1%
Gross Collections	64,985	59,640	-8.2%	60,085	0.7%	63,330	5.4%	66,921	5.7%
Refunds (Incl. State/City Offset)	(11,325)	(10,594)	6.5%	(12,109)	-14.3%	(12,598)	-4.0%	(13,059)	-3.7%
STAR	(2,184)	(2,073)	5.1%	(1,980)	4.5%	(1,858)	6.2%	(1,750)	5.8%
RBTF	(26,830)	(24,523)	8.6%	(23,988)	2.2%	(25,366)	-5.7%	(26,931)	-6.2%

¹Excludes Transfers.

All Funds PIT receipts for FY 2021 are estimated to decrease significantly, primarily reflecting steep declines in withholding and total estimated payments, partially offset by a decrease in total refunds.

The following table summarizes, by component, actual receipts for FY 2020 and forecast amounts through FY 2024.

ALL FUNDS PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS					
(millions of dollars)					
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
	Results	Enacted	Projected	Projected	Projected
Receipts					
Withholding	43,118	38,752	42,570	44,344	46,269
Estimated Payments	17,025	15,669	12,951	14,091	15,438
Current Year	10,996	9,129	9,683	10,576	11,254
Prior Year ¹	6,029	6,540	3,268	3,515	4,184
Final Returns	3,454	3,608	2,882	3,164	3,431
Current Year	340	316	331	346	367
Prior Year ¹	3,114	3,292	2,551	2,818	3,064
Delinquent	<u>1,388</u>	<u>1,611</u>	<u>1,682</u>	<u>1,731</u>	<u>1,783</u>
Gross Receipts	64,985	59,640	60,085	63,330	66,921
Refunds					
Prior Year ¹	5,928	6,267	7,475	7,645	7,793
Previous Years	531	638	669	700	732
Current Year ¹	2,244	1,751	1,750	1,750	1,750
Advanced Credit Payment	1,505	664	816	979	1,135
State/City Offset ¹	<u>1,117</u>	<u>1,274</u>	<u>1,399</u>	<u>1,524</u>	<u>1,649</u>
Total Refunds	11,325	10,594	12,109	12,598	13,059
Net Receipts	53,660	49,046	47,976	50,732	53,862

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

FY 2021 withholding is estimated to be markedly lower than FY 2020 results, driven by extraordinary declines in both bonus and non-bonus wages. Extension payments related to Tax Year 2019 are projected to increase in response to modest growth in nonwage income. Estimated payments attributable to Tax Year 2020 are expected to substantially decrease, driven by a steep decline in nonwage income. FY 2021 final return payments and delinquencies are both expected to increase.

The decrease in total refunds reflects a steep decrease in advanced credit payments attributable to Tax Year 2020, coupled with a decline in the administrative January-March refund cap. These decreases are partially offset by increases in prior-year refunds related to Tax Year 2019, refunds related to tax years prior to 2019, and the State-City offset. The large decline in advanced credit payments attributable to Tax Year 2020 reflects the expiration of the Property Tax Relief Credit. 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. The FY 2021 STAR transfer is expected to decline. PIT RBTF receipts are statutorily set to 50 percent of net PIT receipts, and FY 2021 RBTF receipts therefore reflect the decrease in All Funds receipts noted above. FY 2021 General Fund PIT is expected to decrease due to these changes.

All Funds FY 2022 receipts are projected to decrease, reflecting sharp declines in Tax Year 2020 extension payments and final returns, coupled with growth in total refunds. These changes are primarily driven by exceptionally weak Tax Year 2020 nonwage income. Revenue declines are partially offset by increases in withholding, Tax Year 2021 current estimated payments, and delinquencies. The FY 2022 STAR transfer is expected to decline. The FY 2022 RBTF is projected to decrease based on the decrease in FY 2022 All Funds receipts. General Fund PIT receipts for FY 2022 are also expected to decrease, driven by the aforementioned changes to All Funds receipts, the STAR transfer, and RBTF receipts.

All Funds PIT receipts for FY 2023 are projected to increase from FY 2022 projections as the State economy recovers. Gross PIT receipts are projected to increase as well, reflecting projected increases in withholding and total estimated payments, partially offset by a projected increase in total refunds.

General Fund PIT receipts for FY 2023 are expected to increase, reflecting an increase in All Funds PIT receipts coupled with a decrease in the STAR transfer, partially offset by an increase in RBTF receipts.

All Funds PIT receipts and General Fund PIT receipts are both expected to increase in FY 2024 reflecting normal baseline growth in income and associated tax liability.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)									
	FY 2020	FY 2021	FY 2022		FY 2023		FY 2024		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	18,021	15,474	-14.1%	16,643	7.6%	17,101	2.8%	17,585	2.8%
Sales Tax	15,932	13,463	-15.5%	14,608	8.5%	15,105	3.4%	15,626	3.4%
Cigarette and Tobacco Taxes	1,035	971	-6.2%	946	-2.6%	904	-4.4%	864	-4.4%
Vapor Excise Tax	10	14	40.0%	6	-57.1%	6	0.0%	6	0.0%
Motor Fuel Tax	512	454	-11.3%	509	12.1%	507	-0.4%	502	-1.0%
Highway Use Tax	142	131	-7.7%	139	6.1%	139	0.0%	140	0.7%
Alcoholic Beverage Taxes	259	266	2.7%	264	-0.8%	266	0.8%	269	1.1%
Opioid Excise Tax	19	80	321.1%	66	-17.5%	66	0.0%	66	0.0%
Medical Cannabis Excise Tax	6	6	0.0%	6	0.0%	6	0.0%	6	0.0%
Adult Use Cannabis Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Auto Rental Tax ¹	106	89	-16.0%	99	11.2%	102	3.0%	106	3.9%
GENERAL FUND²	8,038	6,934	-13.7%	7,462	7.6%	7,686	3.0%	7,922	3.1%
Sales Tax	7,447	6,292	-15.5%	6,827	8.5%	7,059	3.4%	7,302	3.4%
Cigarette and Tobacco Taxes	313	296	-5.4%	305	3.0%	295	-3.3%	285	-3.4%
Alcoholic Beverage Taxes	259	266	2.7%	264	-0.8%	266	0.8%	269	1.1%
Opioid Excise Tax	19	80	321.1%	66	-17.5%	66	0.0%	66	0.0%

¹No longer includes receipts remitted directly to the MTA without an appropriation beginning in FY 2020.

²Excludes Transfers.

All Funds consumption/use tax receipts for FY 2021 are estimated to decrease significantly from FY 2020 results due to the impacts of the COVID-19 pandemic. Sales tax receipts are estimated to decrease due to a significant decline in taxable consumption (i.e., estimated sales tax base decline of 16.9 percent). The excise taxes on opioids and vapor products are both fully implemented in FY 2021. Vapor products tax receipts are projected to moderately increase from FY 2020 results despite legislation enacted in the Budget to ban all flavored vapor products other than tobacco flavored products. Cigarette and tobacco tax collections are projected to decrease, reflecting a continued decline in taxable cigarette consumption. Highway use tax collections are estimated to decrease, reflecting a decline in demand from the trucking sector related to the economic slowdown and limited travel activities. Motor fuel tax receipts are estimated to decrease due to declines in both gasoline and diesel consumption. Auto rental tax receipts are estimated to decrease, mainly due to extremely limited travel expected early in the fiscal year.

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 Local Government Assistance Corporation (LGAC) and State Sales Tax Revenue Bond programs, respectively. Receipts in excess of the debt service requirements of these funds and the local assistance payments to New York City, or its assignee, are subsequently transferred to the General Fund.

General Fund consumption/use tax receipts for FY 2021 are estimated to decrease, largely due to the sales and use tax trends noted above.

All Funds consumption/use tax receipts for FY 2022 are projected to increase by more than \$1 billion from FY 2021 estimates. The increase in sales tax receipts reflects a bounce back in taxable consumption with projected base growth of 8.4 percent. The excise tax on opioids is projected to slightly decline, reflecting the absence of a rollover in liability generated during the previous fiscal year. Motor fuel tax, auto rental tax, and highway use tax receipts are all estimated to increase from FY 2021 estimates as the economy and travel activity are expected to improve compared to the prior year. These increases are partially offset by a continued decline in taxable cigarette consumption.

FY 2022 General Fund consumption/use tax receipts are projected to increase, mainly due to the sales and use tax trend noted above.

FY 2023 and FY 2024 All Funds consumption/use tax receipts are projected to increase compared to the prior year, largely reflecting base growth in sales tax receipts, which is slightly offset by a continued decline in taxable cigarette consumption. Similarly, General Fund consumption/use tax receipts are projected to increase in both FY 2023 and FY 2024 primarily due to the All Funds sales and use tax and cigarette tax trends noted above.

Business Taxes

BUSINESS TAXES									
(millions of dollars)									
	FY 2020	FY 2021		FY 2022		FY 2023		FY 2024	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	8,996	8,957	-0.4%	8,874	-0.9%	9,403	6.0%	9,592	2.0%
Corporate Franchise Tax	4,824	4,868	0.9%	4,883	0.3%	5,345	9.5%	5,476	2.5%
Corporation and Utilities Tax	705	640	-9.2%	637	-0.5%	654	2.7%	659	0.8%
Insurance Tax	2,306	2,165	-6.1%	2,269	4.8%	2,327	2.6%	2,389	2.7%
Bank Tax	0	270	0.0%	0	-100.0%	0	0.0%	0	0.0%
Petroleum Business Tax	1,161	1,014	-12.7%	1,085	7.0%	1,077	-0.7%	1,068	-0.8%
GENERAL FUND	6,370	6,506	2.1%	6,337	-2.6%	6,778	7.0%	6,918	2.1%
Corporate Franchise Tax	3,791	3,882	2.4%	3,852	-0.8%	4,228	9.8%	4,309	1.9%
Corporation and Utilities Tax	518	470	-9.3%	463	-1.5%	477	3.0%	481	0.8%
Insurance Tax	2,053	1,929	-6.0%	2,022	4.8%	2,073	2.5%	2,128	2.7%
Bank Tax	8	225	2712.5%	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 2021 All Funds business tax receipts are estimated to decline slightly, albeit \$1 billion below Executive Budget Financial Plan estimates, driven primarily by a decrease in gross receipts from corporation and utilities taxes, insurance taxes, and petroleum business taxes. These declines are partially offset by increases in bank tax audit receipts and a decline in corporation franchise tax refunds paid.

Corporation franchise tax receipts are estimated to increase slightly in FY 2021, reflecting a reduction in refunds paid and an increase in audit receipts. Refunds are estimated to return to recent historical levels after the previous year included a large refund that was originally anticipated to be paid in FY 2019. Audit receipts are estimated to increase based on anticipated large cases expected to close this fiscal year. Gross receipts are estimated to decline due to projected large declines in corporate profits and investment in equipment and software, in addition to the continued phase-out of the capital base that will be complete in 2021.

Corporation and utilities tax receipts for FY 2021 are estimated to decrease over the prior fiscal year, largely driven by decreases in gross receipts from both the telecommunication and utilities sectors and a decrease in audits. FY 2020 audit receipts more than doubled over the prior year and are expected to return to trend level in FY 2021 while refunds are estimated to increase slightly.

Insurance tax receipts for FY 2021 are estimated to decrease significantly due to a decline in gross receipts. FY 2020 gross receipts increased sharply due to payments covering two liability periods from the conversion of a not-for-profit insurer to a for-profit insurer. Projected declines in corporate profits also contribute to the drop in gross receipts. Audits are estimated to increase to trend levels while refunds paid are expected to decline compared to historically high refunds paid last fiscal year.

Receipts from the repealed bank tax (all from prior liability periods) in FY 2021 are estimated to increase, primarily due to an estimated increase in audits based on large cases expected to close this fiscal year. Petroleum business tax (PBT) receipts are estimated to decrease from FY 2020 results, primarily due to a decline in both gasoline and diesel consumption coupled with the impact of a 2 percent decline in the PBT rate index on January 1, 2020, paired with a projected 5 percent decline in the PBT rate index on January 1, 2021.

General Fund business tax receipts for FY 2021 are estimated to increase due to the trends in bank and corporation franchise tax receipts described above.

General Fund and All Funds business tax receipts for FY 2022 are projected to decline, primarily reflecting a decline in audit receipts from bank taxes. A projected decline in bank taxes and corporation and utilities taxes is offset by projected increases in the corporation franchise tax, insurance tax, and PBT receipts.

General Fund and All Funds business tax receipts for FY 2023 are projected to increase, primarily reflecting increases in corporation franchise tax, insurance taxes, and corporation and utilities taxes. This increase is partially offset by a modest decline in PBT receipts.

General Fund and All Funds business tax receipts for FY 2024 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.

Other Taxes

OTHER TAXES (millions of dollars)									
	FY 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
STATE/ALL FUNDS	2,212	2,066	-6.6%	2,054	-0.6%	2,161	5.2%	2,266	4.9%
Estate Tax	1,070	1,100	2.8%	1,028	-6.5%	1,077	4.8%	1,128	4.7%
Real Estate Transfer Tax	1,124	949	-15.6%	1,004	5.8%	1,061	5.7%	1,114	5.0%
Employer Compensation Expense Program	2	4	100.0%	6	50.0%	7	16.7%	7	0.0%
Pari-Mutuel Taxes	14	11	-21.4%	14	27.3%	14	0.0%	14	0.0%
All Other Taxes	2	2	0.0%	2	0.0%	2	0.0%	3	50.0%
GENERAL FUND¹	1,087	1,115	2.6%	1,047	-6.1%	1,097	4.8%	1,148	4.6%
Estate Tax	1,070	1,100	2.8%	1,028	-6.5%	1,077	4.8%	1,128	4.7%
Employer Compensation Expense Program	1	2	100.0%	3	50.0%	4	33.3%	3	-25.0%
Pari-Mutuel Taxes	14	11	-21.4%	14	27.3%	14	0.0%	14	0.0%
All Other Taxes	2	2	0.0%	2	0.0%	2	0.0%	3	50.0%

¹Excludes Transfers.

All Funds other tax receipts for FY 2021 are estimated to decrease from FY 2020 results, primarily due to an estimated decrease in real estate transfer tax receipts resulting from large estimated declines in housing starts, housing prices, and bonuses. The real estate transfer tax receipts estimated decrease is partially offset by a slight increase in estate tax receipts, primarily due to the partial-year impact of minor estimated growth in household net worth.

General Fund other tax receipts are estimated to increase, mainly due to the estimated increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2022 are projected to decrease slightly, primarily due to a decrease in estate tax receipts, reflecting a projected decline in the Wilshire 5000 equity market Index, which measures the performance of U.S. equity securities. This is largely offset by an increase in real estate transfer tax receipts, which is primarily due to projected growth in housing starts, housing sales and housing prices as activity rebounds compared to the prior year.

General Fund other tax receipts for FY 2022 are projected to decrease, due to the decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2023 and FY 2024 are projected to increase, largely due to increases in both estate tax and real estate transfer tax receipts, reflecting projected growth in household net worth, housing starts, and housing prices.

General Fund other tax receipts for FY 2023 and FY 2024 are projected to increase, resulting from the projected increases in estate tax receipts noted above.

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 receipts, 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 2020	FY 2021	FY 2022		FY 2023		FY 2024		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
ALL FUNDS	29,466	30,669	4.1%	25,859	-15.7%	24,443	-5.5%	23,972	-1.9%
General Fund	3,159	6,373	101.7%	1,750	-72.5%	1,773	1.3%	1,811	2.1%
Special Revenue Funds	19,279	15,866	-17.7%	16,399	3.4%	15,819	-3.5%	15,344	-3.0%
Capital Projects Funds	6,551	8,049	22.9%	7,325	-9.0%	6,467	-11.7%	6,433	-0.5%
Debt Service Funds	477	381	-20.1%	385	1.0%	384	-0.3%	384	0.0%

All Funds miscellaneous receipts are projected to total \$30.7 billion in FY 2021, an increase of 4.1 percent from FY 2020 results, driven by the issuance of PIT notes and line of credit (\$3 billion and \$1.5 billion, respectively) in response to the COVID-19 pandemic and increasing bond proceeds.

All Funds miscellaneous receipts are projected to decline annually after FY 2021, reflecting the nonrecurring short-term financing, continued impact of the COVID-19 pandemic and a decrease in bond proceed reimbursements in later years, which corresponds to prior-year capital expenses.

Federal Grants

FEDERAL GRANTS									
(millions of dollars)									
	FY 2020	FY 2021	FY 2022		FY 2023		FY 2024		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
ALL FUNDS	65,080	72,833	11.9%	67,419	-7.4%	68,761	2.0%	70,749	2.9%
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	62,897	70,577	12.2%	65,134	-7.7%	66,478	2.1%	68,497	3.0%
Capital Projects Funds	2,109	2,182	3.5%	2,213	1.4%	2,214	0.0%	2,186	-1.3%
Debt Service Funds	74	74	0.0%	72	-2.7%	69	-4.2%	66	-4.3%

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, a temporary increase in the FMAP, and funding from the Coronavirus Relief Fund, 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 2021, disbursements from the State's General Fund, including transfers, are expected to total \$73.2 billion, and disbursements from State Operating Funds are expected to total \$99.4 billion. School Aid, Medicaid, transportation, 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.

The Financial Plan estimates include \$8.2 billion in recurring reductions in aid-to-localities disbursements that are expected to be executed pursuant to the budget-balance and withholding authority granted in the Enacted Budget. The allocation of the savings plan will depend on what programs are included or excluded from reductions, the level of targeted reductions in certain areas, and the availability of Federal aid. Accordingly, the specific agency and program spending levels described below do not reflect any reductions that may occur as a result of the savings plan. However, such reductions may be significant.

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 \$61.7 billion in FY 2021, including budget balance reductions, which is 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 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 2020 Results ¹	FY 2021 Enacted	Forecast		
			FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
HEALTH CARE					
Medicaid - Individuals Covered ²	6,195,058	6,192,680	6,200,222	6,207,765	6,215,308
Essential Plan - Individuals Covered	775,117	773,639	771,546	769,458	767,375
Child Health Plus - Individuals Covered	424,463	432,215	436,091	438,035	439,979
State Takeover of County/NYC Costs ³	<u>\$4,115</u>	<u>\$4,467</u>	<u>\$4,818</u>	<u>\$5,179</u>	<u>\$5,551</u>
CY 2005 Local Medicaid Cap	\$3,015	\$3,184	\$3,353	\$3,531	\$3,720
FY 2013 Local Takeover Costs	\$1,100	\$1,283	\$1,465	\$1,648	\$1,831
EDUCATION					
School Aid (School Year-Basis Funding) ⁴	\$27,812	\$26,780	\$27,918	\$28,911	\$29,854
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	549,800	549,800	549,800	549,800	549,800
Tuition Assistance Program (Recipients)	265,936	265,936	265,936	265,936	265,936
PUBLIC ASSISTANCE					
Family Assistance Program (Families)	178,038	171,392	166,404	165,110	165,243
Safety Net Program (Families)	105,016	101,741	99,351	98,373	97,930
Safety Net Program (Singles)	191,424	196,052	201,179	206,590	212,376
MENTAL HYGIENE					
OMH Community Beds	47,040	48,321	49,038	50,069	50,569
OPWDD Community Beds	43,193	43,783	44,081	44,381	44,684
OASAS Community Beds	<u>13,665</u>	<u>13,725</u>	<u>13,955</u>	<u>14,186</u>	<u>14,266</u>
Total	103,898	105,829	107,074	108,636	109,519
PRISON POPULATION					
	44,500	44,000	44,000	44,000	44,000

¹ Reflects preliminary unaudited results.

² Enrollment in public health insurance programs is subject to direct/indirect risks related to the COVID-19 pandemic.

³ Reflects the total State cost of taking over the local share of Medicaid growth, which was initially capped at approximately 3 percent annually, then fully transferred to the State as of calendar year 2015. A portion of the State takeover costs are funded from Master Settlement Agreement resources.

⁴ FY 2021 does not reflect \$1.1 billion in Federal CARES Act funding.

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)

State Operating Funds support for School Aid is expected to total \$26.8 billion in SY 2021, an annual decrease of \$1 billion (3.7 percent). This reduction in State Operating Funds support will be offset by approximately \$1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor’s Emergency Education Relief Fund. With these Federal funds, SY 2021 School Aid is expected to total \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent.

The Enacted Budget continues prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The Enacted Budget also provides over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid is continued under existing aid formulas.

Outyear growth in School Aid reflects current projections of the ten-year average growth in State personal income.

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)									
(millions of dollars)									
	<u>SY 2020</u>	<u>SY 2021¹</u>	<u>Change</u>	<u>SY 2022</u>	<u>Change</u>	<u>SY 2023</u>	<u>Change</u>	<u>SY 2024</u>	<u>Change</u>
Total	27,812	26,780	-1,032	27,918	1,138	28,911	993	29,854	943
			-3.7%		4.2%		3.6%		3.3%

¹ Does not reflect \$1.1 billion in Federal CARES Act funding.

State Fiscal Year

The State finances School Aid from the General Fund, commercial gaming receipts and Lottery Fund receipts, including revenues from 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 2020	FY 2021 ¹		FY 2022		FY 2023		FY 2024	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	27,368	26,906	-1.7%	27,453	2.0%	28,478	3.7%	29,435	3.4%
General Fund Local Assistance	23,384	23,913	2.3%	24,035	0.5%	25,071	4.3%	26,028	3.8%
Medicaid	138	140	1.4%	140	0.0%	140	0.0%	140	0.0%
Lottery Aid	2,709	2,206	-18.6%	2,246	1.8%	2,246	0.0%	2,246	0.0%
VLT Lottery Aid	975	558	-42.8%	880	57.7%	875	-0.6%	875	0.0%
Commercial Gaming	162	89	-45.1%	152	70.8%	146	-3.9%	146	0.0%

¹Does not reflect \$1.1 billion in Federal CARES Act funding.

State fiscal year spending for School Aid on a State Operating Funds basis is projected to total \$26.9 billion in FY 2021, a 1.7 percent decrease from FY 2020. In FY 2021, the share of School Aid spending financed by lottery, video lottery and commercial gaming revenues is projected to decrease due largely to the impact of the COVID-19 pandemic on economic activity. Pursuant to statute, the projected share of School Aid spending supported by the State's General Fund has increased to offset the projected decrease in lottery and gaming revenues that support School Aid. If casino revenues drop further below currently projected levels, then the General Fund is expected to absorb the shortfall. In addition to State aid, school districts currently receive more than \$3 billion annually in existing Federal aid. School districts are also expected to receive approximately \$1.1 billion in Federal CARES Act funds.

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 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
TOTAL STATE OPERATING FUNDS	2,319	2,303	-0.7%	2,387	3.6%	2,473	3.6%	2,542	2.8%
Special Education	1,331	1,357	2.0%	1,428	5.2%	1,495	4.7%	1,564	4.6%
All Other Education	988	946	-4.3%	959	1.4%	978	2.0%	978	0.0%

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 projected Special Education spending in FY 2021 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 spending increases for All Other Education programs in FYs 2022 – 2023 are largely due to continued growth in charter school supplemental tuition, facilities aid payments for charter schools in New York City, 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 \$69,800 exemption in FY 2021.

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. Since the FY 2020 Enacted Budget and moving forward, homeowners who receive a property tax exemption will not see an increase in their STAR benefit (details below).

The STAR program also includes a credit for income-eligible resident New York City taxpayers. The New York City PIT rate reduction was converted into a State PIT tax credit starting with Tax Year 2017. As of FY 2019, New York City STAR payments are no longer a component of State Operating Funds spending. This change has no impact on the value of the STAR benefit received by taxpayers.

SCHOOL TAX RELIEF (STAR) - REVENUE REDUCTION RESULTING FROM STAR ACTIONS									
(millions of dollars)									
	FY 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
TOTAL STATE OPERATING FUNDS	2,184	2,073	-5.1%	1,979	-4.5%	1,858	-6.1%	1,750	-5.8%
Gross Program Costs	3,353	3,434	2.4%	3,511	2.2%	3,571	1.7%	3,636	1.8%
Personal Income Tax Credit	(1,169)	(1,361)	-16.4%	(1,532)	-12.6%	(1,713)	-11.8%	(1,886)	-10.1%
Basic Exemption	1,321	1,230	-6.9%	1,171	-4.8%	1,095	-6.5%	1,027	-6.2%
Gross Program Costs	1,737	1,802	3.7%	1,860	3.2%	1,916	3.0%	1,967	2.7%
Personal Income Tax Credit	(416)	(572)	-37.5%	(689)	-20.5%	(821)	-19.2%	(940)	-14.5%
Enhanced (Senior) Exemption	863	843	-2.3%	808	-4.2%	763	-5.6%	723	-5.2%
Gross Program Costs	936	935	-0.1%	936	0.1%	922	-1.5%	918	-0.4%
Personal Income Tax Credit	(73)	(92)	-26.0%	(128)	-39.1%	(159)	-24.2%	(195)	-22.6%
New York City PIT	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Gross Program Costs	680	697	2.5%	715	2.6%	733	2.5%	751	2.5%
Personal Income Tax Credit	(680)	(697)	-2.5%	(715)	-2.6%	(733)	-2.5%	(751)	-2.5%

Starting in FY 2020, all homeowners with incomes above \$250,000 were transitioned from the basic exemption benefit program to the advance credit program. Furthermore, the zero percent STAR exemption benefit growth cap that was included in the FY 2020 Budget remains in effect. Most of the spending decline projected in FYs 2021 through 2024 can be attributed to these actions. By shifting taxpayers to the credit program, the State can more efficiently administer the program while strengthening its ability to prevent abuse. The shift from the basic exemption to the credit program does not reduce the value of the benefit received by homeowners.

Higher Education

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

HIGHER EDUCATION (millions of dollars)									
	FY 2020	FY 2021		FY 2022		FY 2023		FY 2024	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	2,362	3,518	48.9%	2,924	-16.9%	2,961	1.3%	2,991	1.0%
City University	933	2,245	140.6%	1,625	-27.6%	1,658	2.0%	1,688	1.8%
Senior Colleges	873	1,812	107.6%	1,381	-23.8%	1,415	2.5%	1,445	2.1%
Community College	60	433	621.7%	244	-43.6%	243	-0.4%	243	0.0%
Higher Education Services	950	814	-14.3%	838	2.9%	843	0.6%	843	0.0%
Tuition Assistance Program	833	664	-20.3%	669	0.8%	665	-0.6%	665	0.0%
Scholarships/Awards	108	138	27.8%	157	13.8%	166	5.7%	166	0.0%
Aid for Part-Time Study	9	12	33.3%	12	0.0%	12	0.0%	12	0.0%
State University	479	459	-4.2%	461	0.4%	460	-0.2%	460	0.0%
Community College	475	455	-4.2%	457	0.4%	456	-0.2%	456	0.0%
Other/Cornell	4	4	0.0%	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 nearly 400,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving approximately 309,000 students. State funds support a significant portion of SUNY and CUNY operations. In addition to the spending reflected in the above table, the State provides more than \$1 billion annually for SUNY campus operations through a General Fund transfer and more than \$2 billion to fully support fringe benefit costs of SUNY employees at State-operated campuses. The State is also projected to pay \$1.3 billion in FY 2021 for debt service on bond financed capital projects at SUNY and CUNY. In FY 2021, an estimated \$250 million in student financial aid support will be transferred from HESC to SUNY. This is the result of an accounting change implemented in FY 2020 to reflect certain financial aid payments from HESC to SUNY as transfers instead of disbursements.

HESC is New York State's student financial aid agency and a national leader in helping make college affordable. HESC oversees numerous State-funded financial aid programs, including the Excelsior Scholarship, Tuition Assistance Program (TAP), the Aid for Part-Time Study program, and 25 other scholarship and loan forgiveness programs. Together, these programs provide financial aid to approximately 380,000 students. HESC also partners with OSC in administering the College Choice Tuition Savings program.

Spending on higher education is projected to increase by \$1.2 billion, or 48.9 percent, from FY 2020 to FY 2021, and decrease by \$594 million, or 16.9 percent, from FY 2021 to FY 2022. The spending increase in FY 2021, and subsequent decrease in FY 2022, is primarily due to the timing of payments for CUNY Senior and Community Colleges falling within the academic year. Additionally, the implementation of accounting changes, which reflect the payment of certain student financial aid from HESC to SUNY as transfers instead of disbursements, will result in lower disbursements in FY 2021. The increase in out-year spending is primarily attributable to increased support for CUNY fringe benefits.

Health Care

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

In addition to State funding, DOH also engages in Federal supported initiatives, such as the DSRIP program, with the goal of transforming New York's health care system. For more information on the MRT Medicaid Waiver and DSRIP program please see "Other Matters Affecting the Financial Plan" herein.

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 by a combination of State, Federal, and local government resources. 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).

The number of State Medicaid recipients is expected to be approximately 6.2 million by the end of FY 2021. Year to year enrollment is relatively stable, however, enrollment in populations associated with higher service utilization and costs is increasing, contributing to growth in State Medicaid spending. Similarly, enrollment in public health insurance plans can fluctuate during economic downswings and have adverse impacts on spending. For example, there is inherent risk with the financial condition of providers and enrollment in public health programs driven directly or indirectly by the current COVID-19 pandemic.

Other factors that continue to place upward pressure on State-share Medicaid spending (which includes spending within and outside the Global Cap) include but are not limited to: reimbursement to providers for the cost of the increase in the minimum wage; the phase-out of enhanced Federal funding; increased costs and enrollment growth in managed long-term care; and payments to financially distressed hospitals.

Financing of Medicaid Spending

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 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
STATE OPERATING FUNDS	26,300	24,777	-5.8%	28,130	13.5%	29,764	5.8%	31,309	5.2%
Department of Health Medicaid	22,037	21,793	-1.1%	24,237	11.2%	25,288	4.3%	26,279	3.9%
General Fund - DOH Medicaid Local	16,071	15,616	-2.8%	18,124	16.1%	19,088	5.3%	19,993	4.7%
DOH Medicaid	13,228	12,284	-7.1%	13,587	10.6%	14,488	6.6%	15,408	6.4%
Non-DOH Medicaid ¹	611	2,096	243.0%	1,423	-32.1%	1,041	-26.8%	658	-36.8%
Minimum Wage	1,453	1,767	21.6%	2,011	13.8%	2,273	13.0%	2,458	8.1%
Local Takeover Cost ²	1,100	1,283	16.6%	1,465	14.2%	1,648	12.5%	1,831	11.1%
MSA Payments (Share of Local Growth) ³	(321)	(362)	-12.8%	(362)	0.0%	(362)	0.0%	(362)	0.0%
Enhanced FMAP ⁴	0	(1,452)	0.0%	0	100.0%	0	0.0%	0	0.0%
General Fund - DOH Medicaid State Ops	207	255	23.2%	277	8.6%	276	-0.4%	284	2.9%
General Fund - Essential Plan	74	78	5.4%	76	-2.6%	74	-2.6%	74	0.0%
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	74	78	5.4%	76	-2.6%	74	-2.6%	74	0.0%
Other State Funds - DOH Medicaid Local	5,685	5,844	2.8%	5,760	-1.4%	5,850	1.6%	5,928	1.3%
HCRA Financing	3,836	4,190	9.2%	4,080	-2.6%	4,142	1.5%	4,194	1.3%
Indigent Care Support	917	717	-21.8%	717	0.0%	717	0.0%	717	0.0%
Provider Assessment Revenue	931	935	0.4%	961	2.8%	989	2.9%	1,015	2.6%
Medical Indemnity Fund	1	2	100.0%	2	0.0%	2	0.0%	2	0.0%
Other State Agency Medicaid Spending	4,263	2,984	-30.0%	3,893	30.5%	4,476	15.0%	5,030	12.4%
Use of MSA Payments (Share of Local Growth)³	321	362	12.8%	362	0.0%	362	0.0%	362	0.0%
Use of Enhanced FMAP⁴	0	1,452	0.0%	0	-100.0%	0	0.0%	0	0.0%
LOCAL SHARE OF MEDICAID⁵	8,353	7,501	-10.2%	7,442	-0.8%	7,412	-0.4%	7,412	0.0%
FEDERAL SHARE OF MEDICAID	44,756	48,914	9.3%	49,134	0.4%	50,714	3.2%	52,480	3.5%
DOH Medicaid	40,922	44,408	8.5%	44,619	0.5%	46,190	3.5%	47,947	3.8%
Essential Plan	3,834	4,506	17.5%	4,515	0.2%	4,524	0.2%	4,533	0.2%
ALL FUNDING SOURCES	79,730	83,006	4.1%	85,068	2.5%	88,252	3.7%	91,563	3.8%

¹ The DOH Medicaid budget funds a portion of Medicaid-related Mental Hygiene program costs under the Global Cap.
² Beginning in FY 2013, the State began phasing (3-2-1-0) in takeover of the 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.
³ MSA payments will be deposited directly to a Medicaid Escrow Fund to cover a portion of the State's share of local Medicaid growth.
⁴ Enhanced FMAP of 6.2 percent for 6 months retro to January 2020.
⁵ The Local Share of Medicaid is paid by the Local Social Service Districts (counties), and is not included in the State's All Governmental Funds disbursement totals. 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.

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.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS¹ (millions of dollars)					
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
	<u>Results</u>	<u>Enacted</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Department of Health Medicaid	<u>21,963</u>	<u>21,715</u>	<u>24,161</u>	<u>25,214</u>	<u>26,205</u>
Local Assistance	22,077	23,274	24,246	25,300	26,283
State Operations	207	255	277	276	284
MSA Payments (Share of Local Growth) ²	(321)	(362)	(362)	(362)	(362)
Enhanced FMAP ³	0	(1,452)	0	0	0
Other State Agency Medicaid Spending	<u>4,263</u>	<u>2,984</u>	<u>3,893</u>	<u>4,476</u>	<u>5,030</u>
Mental Hygiene	4,088	2,771	3,678	4,261	4,815
Foster Care	37	71	75	75	75
Education	138	140	140	140	140
Corrections	0	2	0	0	0
Total State Share Medicaid (All Agencies)	26,226	24,699	28,054	29,690	31,235
Annual \$ Change		(1,527)	3,355	1,636	1,545
Annual % Change		-5.8%	13.6%	5.8%	5.2%
Essential Plan⁴	74	78	76	74	74
Local Assistance	0	0	0	0	0
State Operations	74	78	76	74	74
<p>¹ DOH spending in the Financial Plan includes certain items that are excluded from the indexed provisions of the Medicaid Global Cap. This includes administrative costs, such as the takeover of local administrative responsibilities; the decision of Monroe County to participate in the Medicaid local cap program rather than continuing the sales tax intercept option; increased Federal Financial Participation that became effective in January 2014; and a share of minimum wage increases.</p> <p>² MSA payments will be deposited directly to a Medicaid Escrow Fund to cover a portion of the State share for Medicaid.</p> <p>³ Enhanced FMAP of 6.2 percent for 6 months retro to January 2020.</p> <p>⁴ The EP is not a Medicaid program; however, State-funded resources for the EP are managed under the Medicaid Global Cap.</p>					

Global Cap

The majority of DOH State Funds Medicaid spending is budgeted and expended principally through DOH. A portion of this spending is subject to the Global Cap -- the ten-year rolling average of the medical component of the CPI. The Global Cap excludes non-indexed items including the takeover of local Medicaid growth, the multi-year takeover assumption of local Medicaid administration costs, increased Federal Financial Participation (FFP) pursuant to the ACA (effective in January 2014), and the cost of minimum wage increases for health care providers. The Global Cap allows for growth related to increasing costs but does not account for utilization growth. The statutory provisions of the 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 annual growth rate to the levels set by the Global Cap indexed rate for the then-current fiscal year, through actions which may include reducing reimbursement rates to providers. These actions may be dependent upon timely Federal approvals and other elements of the program that govern implementation.

Medicaid Redesign Team (MRT) II

In FY 2020, DOB recognized that a structural imbalance existed in the Medicaid program. Absent actions to rein in spending growth, State Medicaid spending levels would have exceeded the allowable indexed growth as set by Global Cap statute. In response to the imbalance, the Governor formed the MRT II with the objective of restoring financial sustainability to the Medicaid program while connecting other programmatic initiatives that would advance the Governor's core healthcare strategies.

The Enacted Budget includes \$2.2 billion in recommendations, including the recurring value of savings that began in FY 2020, put forward by the MRT to create efficiencies within the Medicaid program and address the Medicaid imbalance, including identifying efficiencies in Managed Care and Managed Long-Term Care, as well as eligibility and administrative reforms. Additionally, policy initiatives, including the carve out of services from Managed Care within pharmacy and the centralization of a transportation broker will lead to better transparency and greater efficiencies within these areas. The MRT also focused on greater Program Integrity within Medicaid and included reforms to modernize regulations to eliminate fraud, waste and abuse.

Through a combination of MRT II actions, the continued FY 2020 savings plan and payment delays and restructuring, spending under the Global Cap has been significantly reduced to ensure Medicaid spending stays within statutory allowable levels in FY 2021 and beyond. In FY 2020, spending was roughly \$650 million lower than anticipated, resulting in a temporary reduction to the continued payment deferral previously planned. These savings along with \$400 million in recurring lower level of spending partially offsets the required General Fund contribution in FY 2021 by \$100 million.

Programmatic and payment reforms to the Medicaid program addressed by the MRT II include, but are not limited to; reductions in Hospital supplemental pool payments ; promoting quality Managed Care Encounter Data by withholding a portion of premiums; modifying criteria for Personal Care Services and the Consumer Directed Personal Assistance Program (CDPAP); delaying new discretionary Community First Choice Option (CFCO) services that are already furnished via Medicaid waivers; reducing drug cap growth by enhancing the purchasing power to lower cost drugs; and an across the board rate reduction. For more information on the MRT II activities please see “Other Matters Affecting the Financial Plan” herein.

As a result of the MRT II and other combined savings actions, Global Cap spending growth are projected to adhere to the indexed rate of 3 percent in FY 2021. Similarly, the Financial Plan reflects the continuation of the “Global Cap” through FY 2024, and the projections assume that statutory authority will be extended in subsequent years.

MEDICAID GLOBAL CAP FORECAST					
<i>(millions of dollars)</i>					
	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
Global Medicaid Cap¹	19,433	20,006	20,594	21,200	21,824
Annual \$ Change		573	588	606	624
Annual % Change		3.0%	2.9%	2.9%	2.9%

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

Temporary Enhanced FMAP

In response to the COVID-19 pandemic, the President signed into law the Families First Coronavirus Response Act (FFCRA) in March 2020, which included supplemental Federal funding for various programs, including an enhanced FMAP for unexpected costs attributable to the pandemic retroactive to January 2020.

The FFCRA includes a 6.2 percent base increase to the FMAP rate for each calendar quarter occurring during the public health emergency, with exemptions placed on certain expenditures, including expansion spending that already receives enhanced federal support. As of May 2020, the public health emergency has not been lifted and as such, the enhanced funding remains in place. The Financial Plan assumes a six-month State benefit of approximately \$1.45 billion that will be used to offset unanticipated General Fund expenses directly or indirectly related to the pandemic.

Master Settlement Agreement (MSA)

In FY 2018, all outstanding 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 to receive MSA payments of approximately \$362 million in FY 2021 and in each subsequent year. Existing statutes direct these payments be used to help defray costs of the State's takeover of Medicaid costs for counties and New York City. The State takeover, which capped local districts' Medicaid costs at calendar year 2015 levels, is expected to cost the State \$1.3 billion in FY 2021, growing to \$1.5 billion in FY 2022. 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 reduces reported State-supported Medicaid spending accounted for in State Operating Funds.

The table below shows total State spending adjusted for MSA payments.

FUNDING SOURCES FOR STATE MEDICAID CONTRIBUTIONS					
(millions of dollars)					
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
	Results	Enacted	Projected	Projected	Projected
State Share Support	<u>26,621</u>	<u>25,139</u>	<u>28,492</u>	<u>30,126</u>	<u>31,671</u>
State Funds Medicaid Disbursements	26,300	24,777	28,130	29,764	31,309
MSA Payments (Local Growth)	321	362	362	362	362

Minimum Wage

Medicaid spending includes the cost of increases in the minimum wage for employees in the health care sector. These costs are not subject to the Global Cap indexed spending limit. The State costs of minimum wage increases in the health care sector are projected to grow roughly \$300 million to \$1.8 billion in FY 2021. Per State statute, home health care workers in New York City and certain counties receive supplemental benefits in addition to their base wage. These benefits include paid leave, differential wages, 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 by \$4.09 for New York City and \$3.22 for Westchester, Nassau, and Suffolk counties. However, State statute 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.

Local Medicaid Cap

The local Medicaid Cap was designed to relieve pressure on county property taxes and the New York City 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 over a three-year period all growth in the local share of Medicaid costs. The takeover of local Medicaid costs by the State is projected to save local districts a total of \$4.5 billion in FY 2021 including approximately \$2.3 billion for counties outside New York City and \$2.2 billion for New York City.

LOCAL GOVERNMENT SAVINGS STATE TAKEOVER OF LOCAL MEDICAID COSTS (2005 CAP AND GROWTH TAKEOVER) FY 2020 to FY 2024 (in dollars)					
County	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Albany	42,689,168	45,924,447	49,145,707	52,460,384	55,871,186
Allegany	6,772,552	7,282,837	7,790,910	8,313,717	8,851,686
Broome	45,031,526	47,571,195	50,099,859	52,701,854	55,379,307
Cattaraugus	15,132,371	16,107,474	17,078,352	18,077,385	19,105,391
Cayuga	15,561,190	16,470,059	17,374,989	18,306,163	19,264,340
Chautauqua	30,536,154	32,422,534	34,300,740	36,233,414	38,222,136
Chemung	16,488,992	17,606,113	18,718,393	19,862,930	21,040,658
Chenango	8,645,524	9,211,451	9,774,926	10,354,742	10,951,372
Clinton	13,123,058	14,054,886	14,982,677	15,937,373	16,919,755
Columbia	12,839,564	13,567,329	14,291,940	15,037,564	15,804,811
Cortland	8,805,834	9,380,674	9,953,023	10,541,971	11,147,998
Delaware	8,898,054	9,433,363	9,966,352	10,514,798	11,079,148
Dutchess	56,414,674	59,419,628	62,411,561	65,490,261	68,658,242
Erie	177,505,131	189,303,042	201,049,829	213,137,272	225,575,252
Essex	5,624,785	6,001,647	6,376,876	6,762,988	7,160,296
Franklin	8,587,732	9,155,077	9,719,964	10,301,233	10,899,359
Fulton	10,673,940	11,419,990	12,162,806	12,927,165	13,713,689
Genesee	9,025,263	9,592,429	10,157,138	10,738,223	11,336,160
Greene	9,557,304	10,145,907	10,731,959	11,335,007	11,955,543
Hamilton	687,021	727,545	767,892	809,410	852,132
Herkimer	12,250,594	13,037,477	13,820,950	14,627,145	15,456,719
Jefferson	18,285,842	19,451,308	20,611,724	21,805,792	23,034,488
Lewis	4,243,589	4,527,009	4,809,201	5,099,576	5,398,373
Livingston	9,545,038	10,117,564	10,687,610	11,274,187	11,877,774
Madison	10,611,590	11,274,217	11,933,972	12,612,860	13,311,436
Monroe	162,292,163	172,706,043	183,074,797	193,744,244	204,723,105
Montgomery	13,283,037	14,050,740	14,815,117	15,601,660	16,411,013
Nassau	236,493,602	250,812,829	265,070,006	279,740,641	294,836,725
Niagara	39,497,776	42,088,881	44,668,758	47,323,452	50,055,132
Oneida	50,086,271	53,309,028	56,517,821	59,819,668	63,217,269
Onondaga	100,968,739	107,166,225	113,336,855	119,686,433	126,220,149
Ontario	16,280,759	17,271,271	18,257,491	19,272,311	20,316,561
Orange	90,379,187	95,303,291	100,206,057	105,251,004	110,442,254
Orleans	8,078,898	8,577,544	9,074,029	9,584,912	10,110,610
Oswego	25,520,345	27,054,376	28,581,761	30,153,439	31,770,697
Otsego	8,536,571	9,117,002	9,694,918	10,289,593	10,901,514
Putnam	11,406,609	12,045,986	12,682,592	13,337,660	14,011,725
Rensselaer	24,542,662	26,323,971	28,097,561	29,922,585	31,800,535
Rockland	83,821,671	88,391,821	92,942,167	97,624,473	102,442,566
St. Lawrence	18,202,037	19,484,562	20,761,529	22,075,528	23,427,634
Saratoga	26,933,877	28,503,780	30,066,880	31,675,310	33,330,384
Schenectady	37,450,843	39,623,716	41,787,173	44,013,370	46,304,127
Schoharie	5,166,051	5,498,147	5,828,803	6,169,049	6,519,161
Schuyler	3,033,781	3,240,753	3,446,828	3,658,879	3,877,080
Seneca	5,619,596	5,972,765	6,324,404	6,686,240	7,058,570
Steuben	17,261,543	18,381,710	19,497,022	20,644,679	21,825,618
Suffolk	284,306,151	300,519,369	316,662,330	333,273,436	350,366,264
Sullivan	22,057,621	23,346,278	24,629,350	25,949,631	27,308,200
Tioga	6,304,446	6,744,480	7,182,606	7,633,439	8,097,345
Tompkins	11,104,669	11,806,747	12,505,782	13,225,089	13,965,256
Ulster	41,646,568	44,016,950	46,377,060	48,805,613	51,304,594
Warren	9,939,189	10,615,110	11,288,103	11,980,612	12,693,204
Washington	11,939,872	12,646,329	13,349,724	14,073,518	14,818,302
Wayne	18,840,889	19,842,160	20,839,092	21,864,935	22,920,527
Westchester	175,865,126	187,832,130	199,747,277	212,007,964	224,624,210
Wyoming	5,528,109	5,861,491	6,193,427	6,534,990	6,886,458
Yates	3,731,585	3,975,272	4,217,903	4,467,571	4,724,478
Rest of State	2,133,656,735	2,265,335,960	2,396,444,576	2,531,355,341	2,670,178,519
New York City	1,981,151,384	2,201,926,595	2,421,745,114	2,647,938,370	2,880,691,230
Statewide	4,114,808,119	4,467,262,556	4,818,189,690	5,179,293,711	5,550,869,749

Health Care Transformation Fund (HCTF)

Pursuant to Part FFF of Chapter 59 of the Laws of 2018, the Health Care Transformation Fund (HCTF) was created to account for receipts associated with health care asset sales and conversions. Moneys in the HCTF are to be made available for transfer to any other fund of the State, as directed by the Director of the Budget, to support health care delivery, including for capital investment, debt retirement or restructuring, housing and other social determinants of health, or transitional operating support to health care providers. Future proceeds related to asset sales and conversions may be directed to flow through the HCTF, subject to regulatory approvals.

HEALTH CARE TRANSFORMATION FUND					
PURSUANT TO PART FFF OF CHAPTER 59 OF THE LAWS OF 2018					
(millions of dollars)					
	FY 2020 Results	FY 2021 Enacted	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
Opening Balance	525	315	0	0	0
Receipts	<u>501</u>	<u>138</u>	<u>138</u>	<u>68</u>	<u>0</u>
Fidelis Payment	400	50	50	0	0
Centene Payment	68	68	68	68	0
CVS Payment	13	13	13	0	0
Cigna Payment	7	7	7	0	0
STIP Interest	13	0	0	0	0
Planned Uses	<u>(711)</u>	<u>(453)</u>	<u>(138)</u>	<u>(68)</u>	<u>0</u>
Housing Rental Subsidies	(272)	(272)	(118)	(68)	0
State-Only Medicaid Payments	(228)	(160)	0	0	0
Capital Projects	(211)	(21)	(20)	0	0
Closing Balance	315	0	0	0	0

Fidelis - Centene Asset Sale

In September 2017, Fidelis Care (a nonprofit insurer associated with the Catholic Diocese of New York) agreed to sell a substantial share of its assets (under Sections 510 and 511-a of the Not-for-Profit Corporation Law "N-PCL") to Centene Corporation, a for-profit health insurer based in St. Louis, Missouri, in order to enter New York's health insurance marketplace. Consistent with previous transactions of similar nature in New York, the transaction was subject to regulatory approval by DOH, DFS and the Office of the Attorney General (OAG). The transaction included an agreement that the companies would contribute an estimated \$2 billion over five years beginning in FY 2019.

Direct payments are expected 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 completion of all regulatory approvals, the initial \$1 billion direct payment from Fidelis Care was deposited into the HCTF in July 2018. The State recently received the second round of conversion proceeds totaling \$468 million. Future deposits into the HCTF from these entities include a total of \$118 million in FY's 2021 and 2022, as well as \$68 million in FY 2023, at which time the conversion will be complete. 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.

CVS – Aetna Acquisition

In November 2018, DFS approved an application by CVS Health Corp. and CVS Pharmacy Inc. to acquire Aetna Health Insurance Company, a New York domestic stock accident and health insurance company. The acquisition was subject to several conditions, including enhanced consumer and health insurance rate protections, privacy controls, cybersecurity compliance, and a \$40 million obligation to New York State over three years. The State is expected to receive three installments of roughly \$13 million annually through FY 2022.

Cigna Health and Life Insurance Company (Cigna) – Express Scripts

In December 2018, DFS approved the request by Cigna Corporation, a health services organization, to acquire Express Scripts, a subsidiary pharmacy benefit management organization of Medco Containment Insurance Company of New York. Pursuant to the DFS approved terms, the combined entity is expected to contribute a total of \$20 million to New York through FY 2022 and will implement an enhanced care model that will reduce the cost of care and coverage gaps related to diabetes care, cardiology care and opioid abuse. Additional conditions include adherence to New York's cyber-security regulations and consumer protections related to insurance premiums and drug prices.

DOB expects to transfer HCTF funds from the above transactions to the General Fund to offset State costs for health care transformation activities.

Essential Plan (EP)

The FY 2015 Enacted Budget authorized the State to participate in the EP, a health insurance program which receives Federal subsidies authorized through the ACA. The EP includes health insurance coverage for legally residing immigrants in New York not eligible for Medicaid, CHP or other employer-sponsored 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 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
TOTAL ALL FUNDS SPENDING	3,908	4,584	17.3%	4,591	0.2%	4,598	0.2%	4,607	0.2%
State Operating Funds	74	78	5.4%	76	-2.6%	74	-2.6%	74	0.0%
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	74	78	5.4%	76	-2.6%	74	-2.6%	74	0.0%
Federal Operating Funds	3,834	4,506	17.5%	4,515	0.2%	4,524	0.2%	4,533	0.2%

The increase from FY 2020 to FY 2021 is partially attributable to the delayed transition of the Value Based Payment Quality Incentive Program to Federal funds. FY 2021 growth is also impacted by increased EP reimbursement rates to providers, with growth attributable to these rates tapering in the outyears. All Funds average growth of 4.4 percent over the multi-year Financial Plan reflects a mix of factors, including stabilizing enrollment trends and continued Federal support. The change in the premium index generates a higher Federal reimbursement rate, eliminating EP program costs for the State and allowing for the local assistance share of the program to be fully Federally funded. The EP is not a Medicaid program, however, State savings associated with the EP local assistance program are realized within the Global Cap, where EP resources are managed.

On an All Funds basis, EP continues to be at risk of reduced Federal funding. Beginning in 2017, the Trump Administration has taken actions in opposition to the State's EP reimbursement methodology. In response, litigation brought by the State allowed for a partial recoupment of withheld funding through changes to the FY 2018 reimbursement methodology.

In response to the lawsuit, the Trump Administration finalized additional changes to the reimbursement formula, which further decreased the amount of Federal support for the EP and continues to put the Financial Plan at risk. Despite the uncertainty, the Financial Plan continues to reflect funding for the EP program.

Public Health/Aging Programs

Public Health includes many programs. The largest is Child Health Plus (CHP), which provides health insurance coverage for children of low-income families, up to the age of 19: General Public Health Work (GPHW) reimburses local health departments for the cost of providing certain public health services; Elderly Pharmaceutical Insurance Coverage (EPIC) which provides prescription drug insurance to seniors; and the Early Intervention (EI) program pays for services provided to infants and toddlers under the age of three with disabilities or developmental delays. Many public health programs, such as the 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 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
TOTAL STATE OPERATING FUNDS	1,805	1,900	5.3%	1,881	-1.0%	1,903	1.2%	1,920	0.9%
Public Health	1,669	1,759	5.4%	1,735	-1.4%	1,751	0.9%	1,763	0.7%
Child Health Plus ¹	735	634	-13.7%	745	17.5%	762	2.3%	774	1.6%
General Public Health Work	75	266	254.7%	163	-38.7%	163	0.0%	163	0.0%
EPIC	101	104	3.0%	103	-1.0%	103	0.0%	103	0.0%
Early Intervention	84	254	202.4%	163	-35.8%	163	0.0%	163	0.0%
HCRA Program	355	276	-22.3%	328	18.8%	328	0.0%	328	0.0%
All Other	319	225	-29.5%	233	3.6%	232	-0.4%	232	0.0%
Aging	136	141	3.7%	146	3.5%	152	4.1%	157	3.3%

¹ Effective for FY 2020, CHP includes the transfer of the Aliessa population previously funded under the Medicaid Global Cap. This change has no impact on service delivery.

In addition to ongoing program support, the Enacted Budget leverages \$73 million in new Federal funding to support public health programs that improve the health of children. The Health Services Initiatives option, available under CHP, will be used to offset State costs in programs such as GPHW, Healthy Neighborhoods, Genetic Disease, Public Health Campaign STD, and the Supplemental Nutrition Assistance Program (SNAP). The Enacted Budget also rebases the Excess Medical Malpractice program based on program utilization, generating savings of \$22 million annually.

The spending increase in FY 2021, and subsequent decrease in FY 2022, is primarily due to the timing of FY 2020 payments. The standard review process for State payments was disrupted by the COVID-19 pandemic, causing a lag in the release of several payments, including GPHW and EI.

The Financial Plan includes SOFA support to address locally-identified capacity needs for services to maintain the elderly in their communities, support family and friends in their caregiving roles, and reduce future Medicaid costs by intervening earlier with less intensive services.

The Public Health budget continues to support the CHP program and enrollment growth within, as well as the full impact of phased down Federal support currently provided under the ACA, which will drive higher State costs across the multi-year Financial Plan.

HCRA Financial Plan

HCRA was established in 1996 to help fund a portion of State health care activities and is currently authorized through FY 2023. HCRA resources include surcharges and assessments on hospital revenues, a “covered lives” assessment paid by insurance carriers, and a portion of cigarette tax revenues. These resources are used to fund roughly 25 percent of State share Medicaid costs, and other programs and health care industry investments including CHP, EPIC, Physician Excess Medical Malpractice Insurance, Indigent Care payments to hospitals serving a disproportionate share of individuals without health insurance; Worker Recruitment and Retention; Doctors Across New York; and the Statewide Health Information Network for New York (SHIN-NY)/All-Payer Claims Databases (APCD) infrastructure development initiative, which improves the informational and data capabilities associated with claiming records.

HCRA FINANCIAL PLAN					
(millions of dollars)					
	FY 2020 Results	FY 2021 Enacted	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
OPENING BALANCE	0	16	0	0	0
TOTAL RECEIPTS	6,261	6,191	6,239	6,300	6,364
Surcharges	3,875	3,823	3,896	3,972	4,049
Covered Lives Assessment	1,050	1,110	1,110	1,110	1,110
Cigarette Tax Revenue	722	675	641	609	579
Hospital Assessments	503	471	487	502	518
Excise Tax on Vapor Products	10	14	6	6	6
NYC Cigarette Tax Transfer	23	32	32	32	32
EPIC Receipts/ICR Audit Fees	78	66	67	69	70
TOTAL DISBURSEMENTS AND TRANSFERS	6,245	6,207	6,239	6,300	6,364
Medicaid Assistance Account	<u>3,836</u>	<u>4,190</u>	<u>4,080</u>	<u>4,142</u>	<u>4,194</u>
Medicaid Costs	3,639	4,015	3,905	3,967	4,019
Workforce Recruitment & Retention	197	175	175	175	175
Hospital Indigent Care	917	717	717	717	717
HCRA Program Account	363	284	336	336	336
Child Health Plus ¹	747	649	760	777	789
Elderly Pharmaceutical Insurance Coverage	112	116	114	114	114
Qualified Health Plan Administration	41	49	48	47	47
SHIN-NY/APCD	40	40	40	40	40
All Other	189	162	144	127	127
ANNUAL OPERATING SURPLUS/(DEFICIT)	16	(16)	0	0	0
CLOSING BALANCE	16	0	0	0	0

¹ The fluctuation in Child Health Plus expenditures from FY 2020 to FY 2021 reflects the impact of transitioning certain funding from the Medicaid Assistance account to Child Health Plus. This transition has no impact on service delivery.

HCRA receipts are anticipated to fluctuate over the multi-year projection period, reflecting the anticipated impacts of the COVID-19 pandemic on hospital volume and activities associated with MRT II. The FY 2021 increase in Covered Lives Assessments (CLA) reflects receipts reverting to the maximum allowable statutory levels. Strong surcharge collections contribute to the year to year increases. Offsetting the aforementioned increases is declining cigarette tax revenue, attributable to reduced consumption, augmented by the full year impact of FY 2020 Enacted Budget legislation that increased the purchasing age for tobacco products to 21 years.

Effective December 1, 2019, a 20 percent excise tax on the sale of vapor products went into effect in New York. The Enacted Budget includes legislation that bans the sale of most flavored vapor products. Flavored products represent a significant portion of the market, and as such the ban is expected to result in a significant reduction in consumption and a concomitant reduction in tax receipts. Projected outyear declines in Vapor Tax receipts reflect the full annual impact of the vapor flavor ban.

HCRA spending is expected to remain in the \$6.2 billion range through FY 2022. The most substantial area of spending growth in the outyears is for the CHP program, largely due to the expiration of enhanced Federal resources provided through the ACA and expected utilization growth.

HCRA is expected to remain in balance over the multi-year Financial Plan period. Under the current HCRA appropriation structure, spending reductions will occur if resources are insufficient to maintain a balanced fund. 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 have otherwise been paid from the General Fund.

Mental Hygiene

Mental Hygiene services are delivered by the Office for People with Developmental Disabilities (OPWDD), the Office of Mental Health (OMH), the Office of Addiction Services and Supports (OASAS), the Developmental Disabilities Planning Council (DDPC), and the Justice Center for the Protection of People with Special Needs (Justice Center). Services are provided for adults with mental illness, children with emotional disturbance, 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-based providers. Costs of providing these services are reimbursed by 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. Revenues in excess of debt service commitments are used to support State operating costs associated with Mental Hygiene service delivery.

MENTAL HYGIENE (millions of dollars)									
	FY 2020	FY 2021		FY 2022		FY 2023		FY 2024	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	3,427	2,223	-35.1%	3,162	42.2%	3,799	20.1%	4,437	16.8%
People with Developmental Disabilities	2,352	2,474	5.2%	2,668	7.8%	2,836	6.3%	2,997	5.7%
Residential Services	1,363	1,455	6.7%	1,542	6.0%	1,640	6.4%	1,733	5.7%
Day Programs	693	740	6.8%	784	5.9%	834	6.4%	881	5.6%
Clinic	17	18	5.9%	19	5.6%	21	10.5%	22	4.8%
All Other Services (Net of Offsets)	279	261	-6.5%	323	23.8%	341	5.6%	361	5.9%
Mental Health	1,322	1,477	11.7%	1,530	3.6%	1,597	4.4%	1,673	4.8%
Adult Local Services	1,091	1,223	12.1%	1,268	3.7%	1,325	4.5%	1,391	5.0%
Children Local Services	231	254	10.0%	262	3.1%	272	3.8%	282	3.7%
Addiction Services and Supports	363	367	1.1%	386	5.2%	406	5.2%	424	4.4%
Residential	91	93	2.2%	96	3.2%	101	5.2%	105	4.0%
Other Treatment	190	188	-1.1%	197	4.8%	207	5.1%	216	4.3%
Prevention	50	51	2.0%	55	7.8%	57	3.6%	60	5.3%
Recovery	32	35	9.4%	38	8.6%	41	7.9%	43	4.9%
Justice Center	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
Total Spending Funded by DOH Medicaid Global Cap ¹	(611)	(2,096)	-243.0%	(1,423)	32.1%	(1,041)	26.8%	(658)	36.8%
People with Developmental Disabilities	(611)	(1,975)	-223.2%	(1,423)	27.9%	(1,041)	26.8%	(658)	36.8%
Mental Health	0	(121)	0.0%	0	100.0%	0	0.0%	0	0.0%
TOTAL MENTAL HYGIENE SPENDING ¹	4,038	4,319	7.0%	4,585	6.2%	4,840	5.6%	5,095	5.3%

¹ Reflects a portion of mental hygiene spending reported under the Medicaid Global Cap that has no impact on mental hygiene service delivery or operations.

Local assistance funding for the mental hygiene agencies is expected to grow by an average 6.0 percent over the Financial Plan period. Increased funding reflects reimbursement to not-for-profit providers for increasing employee wages related to salary increases for direct care and clinical workers; compliance with incremental pay standards and related fringe benefit increases associated with the transition to a \$15 per hour minimum wage; and community-based employment and residential opportunities for individuals with disabilities.

Investments to leverage up to \$120 million (gross) in additional OPWDD funding 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. Additional OMH funding will support existing residential programs and expansion of suicide prevention efforts for veterans, law enforcement, correction officers and first responders.

Spending also reflects a 4 percent total increase through FY 2021 for direct care workers and a 2 percent pay raise for clinical workers serving the mental hygiene community. Both increases are aimed at assisting not-for-profits in recruitment and retention of employees. When fully annualized, these investments will increase State share support for workers by \$107 million (\$188 million on an All Funds basis).

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

A \$2.1 billion portion of mental hygiene spending is reported under the DOH Medicaid Global Cap in FY 2021 (an increase of \$1.5 billion from FY 2020) and 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 are 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 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
TOTAL STATE OPERATING FUNDS	1,161	1,416	22.0%	1,346	-4.9%	1,459	8.4%	1,496	2.5%
SSI	635	666	4.9%	667	0.2%	667	0.0%	667	0.0%
Public Assistance Benefits	420	647	54.0%	541	-16.4%	541	0.0%	541	0.0%
Public Assistance Initiatives	10	9	-10.0%	9	0.0%	9	0.0%	9	0.0%
Homeless Housing and Services	92	90	-2.2%	126	40.0%	239	89.7%	277	15.9%
All Other	4	4	0.0%	3	-25.0%	3	0.0%	2	-33.3%

DOB's caseload models project a total of 469,185 public assistance recipients in FY 2021. Approximately 171,392 families are expected to receive benefits through the Family Assistance program in FY 2021, a decrease of 3.7 percent from FY 2020. The Safety Net caseload for families is projected at 101,741 in FY 2021, a decrease of 3.1 percent from FY 2020. The caseload for single adults and childless couples supported through the Safety Net program is projected at 196,052 in FY 2021, an increase of 2.4 percent from FY 2020.

SSI spending is projected to increase slightly over the course of the multi-year Financial Plan as caseload is expected to level off. The large increase in Public Assistance payments in FY 2021 is due to interruptions in the payment review process stemming from the COVID-19 pandemic. These payments are now projected in FY 2021. Budget actions include shifting the cost of Consolidated Homeless Programs to off-budget resources and restructuring financing for the Family Assistance and Emergency Assistance for Needy Families programs, to move 5 percent of costs previously financed by Federal Temporary Assistance for Needy Families (TANF) resources to the City of New York. Spending increases in the outyears reflect a transition from State settlement funds to the General Fund for the Empire State Supportive Housing Initiative (ESSHI) supportive housing constructed for vulnerable homeless populations under the Governor's Affordable Housing and Homelessness Plan. This transition from settlement funds reflects all costs of the ESSHI program that are shared by multiple agencies and will be allocated to those agencies in a future update to the Financial Plan.

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, 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 2020	FY 2021		FY 2022		FY 2023		FY 2024	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	1,194	1,834	53.6%	1,550	-15.5%	1,551	0.1%	1,551	0.0%
Child Welfare Service	305	685	124.6%	476	-30.5%	476	0.0%	476	0.0%
Foster Care Block Grant	287	480	67.2%	393	-18.1%	393	0.0%	393	0.0%
Child Care	191	192	0.5%	209	8.9%	209	0.0%	209	0.0%
Adoption	127	161	26.8%	148	-8.1%	148	0.0%	148	0.0%
Youth Programs	94	101	7.4%	92	-8.9%	92	0.0%	92	0.0%
Medicaid	37	71	91.9%	75	5.6%	75	0.0%	75	0.0%
Adult Protective/Domestic Violence	19	81	326.3%	54	-33.3%	54	0.0%	54	0.0%
Committees on Special Education	30	0	-100.0%	28	0.0%	29	3.6%	29	0.0%
All Other	104	63	-39.4%	75	19.0%	75	0.0%	75	0.0%

As the State responded to the COVID-19 pandemic, the normal review process for payments was interrupted causing a delay in the release of several payments from FY 2020 to FY 2021, including Child Welfare Services, Foster Care Block Grant, Adoption, Youth and Adult Protective/Domestic Violence programs.

The Enacted Budget includes the use of TANF resources to offset State child care costs, restructuring the financing approach for residential school placements of children with special needs outside New York City, and requiring the increased use of Federal funds for Child Welfare Services. In addition, the Enacted Budget reduces funding for child care union contracts, and eliminates funding for the Public/Private Partnership program.

Transportation

The Department of Transportation directly maintains and improves approximately 44,500 State highway lane miles and nearly 7,900 bridges. The Department also partially funds regional and local transit systems, including the MTA; local government highway and bridge construction; and rail, airport, and port programs.

In FY 2021, the State expects to provide \$6.7 billion in operating aid to mass transit systems, including up to \$2.8 billion from the direct remittance of various dedicated taxes and fees to the MTA (not included in the table below) and \$244 million annually from a State supplement to the Payroll Mobility Tax (PMT) tax collections. The MTA, the nation's largest transit and commuter rail system, receives 90 percent of the State's mass transit aid -- \$6.0 billion in FY 2021.

TRANSPORTATION (millions of dollars)									
	FY 2020	FY 2021		FY 2022		FY 2023		FY 2024	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE OPERATING FUNDS SUPPORT	3,488	3,935	12.8%	3,906	-0.7%	4,094	4.8%	4,288	4.7%
Mass Transit Operating Aid:	<u>2,448</u>	<u>2,817</u>	<u>15.1%</u>	<u>2,651</u>	<u>-5.9%</u>	<u>2,761</u>	<u>4.1%</u>	<u>2,854</u>	<u>3.4%</u>
Metro Mass Transit Aid	2,292	2,669	16.4%	2,492	-6.6%	2,602	4.4%	2,695	3.6%
Public Transit Aid	112	104	-7.1%	115	10.6%	115	0.0%	115	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	245	275	12.2%	369	34.2%	448	21.4%	552	23.2%
MTA Aid Trust	32	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
NY Central Business District Trust	0	150	0.0%	151	0.7%	153	1.3%	154	0.7%
Dedicated Mass Transit	697	627	-10.0%	669	6.7%	666	-0.4%	662	-0.6%
AMTAP	66	66	0.0%	66	0.0%	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, certain commitments to MTA capital plans, and a lag in the release of several payments in FY 2020 caused by interruption of the normal payment review process as the State responded to the evolving COVID-19 pandemic. A substantial amount of new funding to the MTA was authorized in the FY 2020 Enacted Budget as part of a comprehensive reform plan expected to generate \$25 billion in financing for the MTA's 2020-2024 Capital Plan. This includes sales tax receipts from online marketplace provider sales tax collections on all sales facilitated through their platforms, and implementation and enforcement of regulations associated with the *Wayfair* decision, which is projected to provide the MTA with \$150 million in dedicated revenues in FY 2021.

The MTA, and its operating agencies, have suffered devastating reductions in ridership and traffic as a result of the COVID-19 pandemic. Compared to 2019 results, as of May 15, 2020, ridership has declined 90 percent on the subways, 94 percent on MTA Metro-North Railroad, 94 percent on the Long Island Rail Road, and 70 percent on buses. For the period from May 3-17, 2020, crossings at the Triborough Bridge and Tunnel Authority facilities are down by an estimated 53 percent from 2019 figures.

At the request of the MTA, McKinsey & Company (McKinsey) provided a detailed economic analysis to assist MTA in assessing the financial impact of the COVID-19 pandemic on the MTA's operating budget. The McKinsey analysis projects the full calendar year 2020 financial impact of the pandemic on the MTA to be between \$7.0 and \$8.5 billion, including substantial reductions in revenues from State dedicated taxes and fees. The MTA expects to receive approximately \$3.9 billion under the Federal CARES Act, and on April 16, 2020, the MTA requested an additional \$3.9 billion in Federal aid for the remainder of calendar year 2020.

Local Government Assistance

Direct aid to local governments includes the Aid and Incentives for Municipalities (AIM) program, 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 2020	FY 2021	FY 2022		FY 2023		FY 2024		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	662	671	1.4%	704	4.9%	704	0.0%	704	0.0%
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	9	9	0.0%	9	0.0%	9	0.0%	9	0.0%
Restructuring/Efficiency	6	15	150.0%	48	220.0%	48	0.0%	48	0.0%

The Enacted Budget continues to support towns and villages at the same funding level as FY 2020. State Operating Funds spending for the various efficiency and restructuring grants within the AIM program is projected to increase 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 salaries of State employees of the Executive, Legislative, and Judicial branches consistent with current negotiated collective bargaining agreements, as well as temporary/seasonal employees. NPS includes real estate rentals, utilities, contractual payments (e.g., consultants, Information Technology (IT), and professional business services), supplies and materials, equipment, and telephone service. GSCs, 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, as well as certain fixed costs such as litigation expenses and taxes on public lands. Certain agency operating costs of the Department of Transportation (DOT) and the Department of Motor Vehicles (DMV) are included in Capital Projects Funds and are not reflected in State Operating Funds.

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS					
	FY 2020 Results ¹	FY 2021 Enacted	Forecast		
			FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
Negotiated Base Salary Increases ²					
NYSTPBA /NYSPIA/NYSCOPBA/GSEU	2%	2%	2%	2%	TBD
UUP	2%	2%	2%	TBD	TBD
CSEA/DC-37 (Rent Regulation Unit)/MC	2%	2%	TBD	TBD	TBD
Council 82/PEF/PBANYS	TBD	TBD	TBD	TBD	TBD
State Workforce ³	118,193	118,850	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization ⁴	15.1%	15.1%	16.0%	16.8%	19.2%
After Amortization ⁵	18.7%	18.7%	19.2%	19.4%	21.0%
PFRS Contribution Rate					
Before Amortization ⁴	24.0%	24.8%	25.7%	26.2%	28.4%
After Amortization ⁵	26.8%	27.7%	28.4%	28.5%	30.0%
Employee/Retiree Health Insurance Growth Rates	2.6%	4.9%	7.7%	7.4%	7.4%
PS/Fringe as % of Receipts (All Funds Basis)	13.0%	12.8%	14.7%	14.8%	14.8%

¹ Reflects preliminary unaudited results.

² Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.

³ Reflects workforce that is subject to direct Executive control.

⁴ Before amortization contribution rate reflects the State's normal and administrative costs, contributions for the Group Life Insurance Plan (GLIP), and Chapter 41 of 2016 veterans' pension credit legislation.

⁵ After amortization contribution rate additionally includes new amortization, if any, and payments on prior amortizations.

Most Executive agencies are expected to hold spending in FY 2021 to FY 2020 levels, with some exceptions described herein. PS/NPS spending increases in the outyears reflect costs related to juvenile justice reform, salary increases consistent with current 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 2020 Results	FY 2021 Enacted	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL¹	11,040	10,055	10,054	9,911	9,972
Mental Hygiene	2,882	2,867	2,916	2,961	3,008
Corrections and Community Supervision ²	2,871	2,704	2,709	2,748	2,745
State Police	774	811	808	828	828
Department of Health ²	710	785	800	797	805
Information Technology Services	540	546	553	564	564
Children and Family Services	146	380	379	379	384
Tax and Finance	316	357	345	344	345
Transportation	345	342	341	341	341
Environmental Conservation	216	240	234	229	228
COVID-19	503	0	0	0	0
Budget Balance Reduction	0	(700)	(750)	(1,000)	(1,000)
All Other	1,737	1,723	1,719	1,720	1,724
UNIVERSITY SYSTEMS	6,426	6,493	6,580	6,778	6,939
State University	6,324	6,490	6,577	6,775	6,936
City University	102	3	3	3	3
INDEPENDENT AGENCIES	337	326	313	313	313
Law	185	192	187	187	187
Audit & Control (OSC)	152	164	161	161	161
Budget Balance Reduction	0	(30)	(35)	(35)	(35)
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	17,803	16,874	16,947	17,002	17,224
Judiciary	2,137	2,234	2,177	2,177	2,177
Legislature	228	249	256	256	256
Budget Balance Reduction	0	(250)	(265)	(265)	(265)
Statewide Total	20,168	19,107	19,115	19,170	19,392
Personal Service	14,090	14,116	14,076	14,208	14,359
Non-Personal Service	6,078	4,991	5,039	4,962	5,033

¹ FY 2020 results include \$185 million in retroactive salary payments for NYSCOPBA, PBA and NYSPIA labor agreements, FY 2021 estimates include \$8 million in retroactive salary payments for PBANYS.

² FY 2020 preliminary actuals exclude costs incurred in response to the COVID-19 pandemic.

FY 2021 spending for agency operations includes 2 percent general salary increases associated with collective bargaining agreements with certain unions. The cost of annual salary increases is expected to be absorbed by most Executive agencies through management plan savings and efficiencies. In addition to the cost of an additional payroll in FY 2021, notable spending changes include:

- **Corrections and Community Supervision.** Lower spending reflects the planned reduction in excess prison capacity due to declines in prison population and retroactive salary payments made in FY 2020, partially offset by increasing costs associated with solitary confinement reforms.
- **Children and Family Services.** Increased spending is mainly driven by the annualized cost of raising the age of criminal responsibility from 16 to 18, and a modification to the youth facility billing process implemented in FY 2020.
- **Tax and Finance.** Higher spending in FY 2021 reflects the timing of certain cost increases, partly offset by savings from the attrition of agency employees.
- **Mental Hygiene.** Increased spending includes the cost of continued delivery of services in State-operated program settings.
- **State University.** Higher operating costs at SUNY hospitals and campuses are expected to drive additional spending in FY 2021.
- **City University.** The reduction in CUNY spending reflects reclassification of certain fees and associated spending, from a special revenue fund to an agency trust fund, to align with current classification of CUNY tuition revenues.
- **Judiciary.** The Judiciary's request for increased operating support to fund salary and staff increases in court operations and security drive higher spending in FY 2021.
- **COVID-19 Pandemic.** FY 2020 actual spending results reflect non-personal service costs incurred in response to the COVID-19 pandemic. Costs include, but are not limited to, medical equipment and supplies, personal protective equipment, laboratory equipment and supplies and drugs. The Federal government is expected to fund the full cost of State pandemic response costs, including those incurred in FY 2020. Aid is expected through the Coronavirus Relief Fund and FEMA disaster assistance grants and aid. Accordingly, the Enacted Budget reflects no net costs from COVID-19 related expenses.
- **Budget Balance Reduction.** Executive agency budgets, with limited exceptions for facility operations and public health and safety, will be reduced by 10 percent from budgeted levels. The Financial Plan assumes that the Judiciary and elected officials will initiate comparable reductions in their budgets for FY 2021.

Workforce

In FY 2021, \$14.1 billion, or 13.4 percent, of the State Operating Funds budget is dedicated to supporting Full-Time Equivalent (FTE) employees under direct Executive control; individuals employed by SUNY (46,834) and Independent Agencies; employees paid on a nonannual salaried basis; and overtime pay. Roughly 60 percent of Executive agency workforce spending occurs in the mental hygiene agencies and DOCCS.

STATE OPERATING FUNDS		
FY 2021 FTEs ¹ AND PERSONAL SERVICE SPENDING BY AGENCY (millions of dollars)		
	Dollars	FTEs
SUBJECT TO DIRECT EXECUTIVE CONTROL	7,667	96,347
Mental Hygiene	2,379	32,326
Corrections and Community Supervision	2,208	25,611
State Police	750	5,666
Department of Health	296	4,090
Information Technology Services	302	3,421
Tax and Finance	283	4,085
Children and Family Services	266	2,297
Environmental Conservation	201	2,322
Transportation	169	2,591
Financial Services	160	1,391
Budget Balance Reduction	(300)	0
All Other	953	12,547
UNIVERSITY SYSTEMS	4,406	46,834
State University	4,403	46,834
City University ²	3	0
INDEPENDENT AGENCIES	2,043	18,434
Law	138	1,533
Audit & Control (OSC)	131	1,524
Judiciary	1,806	15,374
Legislature ³	193	3
Budget Balance Reduction	(225)	0
Statewide Total	14,116	161,615
<p>¹ FTEs represent the number of annual-salaried full-time filled positions (e.g., one FTE may represent a single employee serving at 100 percent full-time, or a combination of employees serving at less than full-time that, when combined, equal a full-time position). The reported FTEs do not include nonannual salaried positions, such as those filled on an hourly, per-diem or seasonal basis.</p> <p>² CUNY employees are funded through an agency trust fund that supports 13,730 FTEs, which are excluded from this table. The \$3 million in costs represents personal service expenses reflected in the CUNY Tuition Reimbursement account.</p> <p>³ 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). The GSC budget 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, then partially reimbursed by revenue collected from agency fringe benefit assessments.

GSC spending is projected to increase by an average of 6.5 percent over the multi-year Financial Plan period. Growth in health insurance reflects medical inflation and current enrollment levels. Workers' Compensation costs are increasing due to reserve funds that are no longer available to offset growth in the average weekly wage used for benefit calculations and medical costs. Increases in other programs such as employee benefits and dental insurance are attributable to collectively negotiated salary increases and benefit enhancements.

In response to the COVID-19 pandemic, the Federal CARES Act authorized employers to defer payment of non-Medicare payroll taxes from April – December 2020 to be repaid without interest in two equal payments on December 31, 2021 and December 31, 2022. Payroll taxes are 7.65 percent of personal service costs (6.2 percent for Social Security and 1.45 percent for Medicare). The Executive and the Judiciary have elected to defer the allowable non-Medicare payment -- an estimated \$599 million for the Executive and \$68 million for the Judiciary.

Overall pension costs are projected to remain relatively stable based on anticipated investment returns and ongoing savings from Tier 5 and Tier 6 pension reforms. The preliminary FY 2021 pension bill includes a reduction by OSC to the expected rate of return on pension assets from 7 percent to 6.8 percent. This was estimated to increase the State's contribution by roughly \$300 million, however, the higher cost is partially offset by the implementation of a new "mortality improvement" scale and other actuarial adjustments. The State Comptroller does not forecast pension liability estimates beyond the budget year, thus estimates for FY 2022 and beyond are developed by DOB. DOB's forecast assumes growth in the salary base consistent with collective bargaining agreements and a stable rate of return.

GENERAL STATE CHARGES (millions of dollars)									
	FY 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
TOTAL STATE OPERATING FUNDS	8,423	8,296	-1.5%	10,153	22.4%	10,728	5.7%	10,843	1.1%
Fringe Benefits	8,063	7,864	-2.5%	9,679	23.1%	10,254	5.9%	10,369	1.1%
Health Insurance	4,303	4,513	4.9%	4,860	7.7%	5,219	7.4%	5,608	7.5%
Pensions	2,456	2,592	5.5%	2,855	10.1%	2,990	4.7%	2,996	0.2%
Social Security	1,070	468	-56.3%	1,472	214.5%	1,489	1.2%	1,175	-21.1%
Workers' Compensation	452	493	9.1%	638	29.4%	697	9.2%	762	9.3%
Employee Benefits	103	108	4.9%	117	8.3%	121	3.4%	121	0.0%
Dental Insurance	55	63	14.5%	65	3.2%	66	1.5%	66	0.0%
Unemployment Insurance	11	12	9.1%	12	0.0%	12	0.0%	12	0.0%
All Other/Non-State Escrow	(387)	(385)	0.5%	(340)	11.7%	(340)	0.0%	(371)	-9.1%
Fixed Costs	360	432	20.0%	474	9.7%	474	0.0%	474	0.0%
Public Land Taxes/PILOTS	262	296	13.0%	302	2.0%	302	0.0%	302	0.0%
Litigation	98	136	38.8%	172	26.5%	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.

GENERAL FUND TRANSFERS TO OTHER FUNDS					
(millions of dollars)					
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
	Results	Enacted	Projected	Projected	Projected
TOTAL TRANSFERS TO OTHER FUNDS	6,098	7,865	6,915	7,169	6,548
Debt Service	736	1,810	488	501	553
SUNY University Operations	1,179	1,273	1,273	1,267	1,267
Capital Projects	3,128	3,512	3,747	3,917	3,138
Extraordinary Monetary Settlements:	1,345	425	959	747	345
Dedicated Infrastructure Investment Fund	939	1,130	877	525	330
Javits Center Expansion	271	183	0	0	0
Bond Proceeds Receipts for Javits Center Expansion	0	(1,000)	0	0	0
Clean Water Grants	0	25	50	175	0
Mass Transit Capital	3	7	2	2	1
Health Care	132	80	30	45	14
Dedicated Highway and Bridge Trust Fund	397	591	330	448	463
Environmental Protection Fund	28	28	28	96	96
All Other Capital	1,358	2,468	2,430	2,626	2,234
ALL OTHER TRANSFERS	1,055	1,270	1,407	1,484	1,590
Department of Transportation (MTA Payroll Tax)	244	275	369	448	552
SUNY - Medicaid Reimbursement	306	243	243	243	243
NY Central Business District Trust	113	150	152	153	155
Judiciary Funds	114	115	115	115	115
Dedicated Mass Transportation Trust Fund	66	65	65	65	65
Banking Services	40	49	49	49	49
Business Services Center	8	30	30	30	30
Indigent Legal Services	22	28	75	75	75
General Services	20	20	13	10	10
Mass Transportation Operating Assistance	23	21	21	21	21
Correctional Industries	21	21	21	21	21
Health Income Fund	10	16	16	16	16
Public Transportation Systems	16	16	16	16	16
Health Insurance Internal Services Account	8	12	12	12	12
Centralized Technology Services	11	11	11	11	11
Spinal Cord Injury Fund	9	9	9	9	9
All Other	24	189	190	190	190

General Fund transfers to other funds are expected to total \$7.9 billion in FY 2021, a \$1.8 billion increase from FY 2020. The change is largely due to the repayment of the anticipated \$1.5 billion line of credit. Debt service transfers were also higher in FY 2020 as the State prepaid FY 2021 debt at the end of FY 2020.

In addition, capital projects transfers are expected to increase by \$384 million in FY 2021. The capital increase reflects use of new hard dollar resources, rather than debt to fund capital projects. All other transfers in FY 2021 and beyond reflect a conservative estimate of General Fund resources needed to support various programs outside the General Fund.

The DHBTF receives revenue from motor vehicle fees, PBT, the motor fuel tax, Highway Use Tax (HUT), the auto rental tax, utilities taxes, and miscellaneous transportation-related fees. Receipts deposited into the DHBTF are used to pay debt service on transportation bonds, finance capital projects on a PAYGO basis, and pay certain operating expenses of DOT and DMV. 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 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
General Fund	736	310	-57.9%	488	57.4%	501	2.7%	553	10.4%
Other State Support	4,180	5,528	32.2%	6,451	16.7%	6,856	6.3%	6,997	2.1%
Liquidity Financing	0	4,500	0.0%	0	-100.0%	0	0.0%	0	0.0%
State Operating/All Funds Total	4,916	10,338	110.3%	6,939	-32.9%	7,357	6.0%	7,550	2.6%

Total State Operating/All Funds debt service is projected to be \$10.3 billion in FY 2021, of which \$310 million is paid from the General Fund via transfers, \$5.5 billion is paid from other State funds supported by dedicated tax receipts, and \$4.5 billion is for repayment of short-term liquidity financings. 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. Debt service growth from FY 2020 to FY 2021 includes the repayment of \$4.5 billion of liquidity financings included as part of the Enacted Budget. The Enacted Budget authorizes up to \$8 billion of PIT notes and \$3 billion of line of credit facilities. The liquidity financings are expected to help the State manage the adverse impact on cash flow that is expected as a result of the extension of the Federal tax filing deadline due to the COVID-19 pandemic impacts. The debt service estimates assume the issuance of \$3 billion of PIT notes and \$1.5 billion of line of credit facilities and full repayment during FY 2021. The interest costs for these financings are expected to be reimbursed by Federal Funds related to COVID-19 expenses and are not reflected in the debt service estimates.

The Financial Plan estimates for debt service spending have been revised to reflect bond sale results to date, refunding savings, and the adjustment of debt issuances to align with projected bond-financed capital spending. Debt service spending estimates also reflect prepayment of \$1.5 billion in FY 2019 for debt service costs due in FY 2020, as well as the prepayment of \$465 million in FY 2020 for debt service costs due in FY 2021. See the section on "Other Matters Affecting the Financial Plan – Debt Reform Act Limit" herein for additional information on the status of State compliance with debt limits established in the State Debt Reform Act.

Financial Plan Tables

The following tables present the multi-year projections for State Operating Funds and All Governmental Funds, as well as monthly cashflow detail for the General Fund.¹⁸

¹⁸ 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 and the AIS may reflect a net expenditure amount while OSC may report the gross amount of the expenditure. Any such differences between DOB and OSC could result in differences in the presentation and reporting of receipts and disbursements for discrete funds, as well as differences in the presentation and reporting for total receipts and disbursements under different fund perspectives (e.g., State Operating Funds and total All Governmental Funds).

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
FY 2021 THROUGH FY 2024
(millions of dollars)

	FY 2021 Enacted	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
Taxes:				
Withholdings	38,752	42,570	44,344	46,269
Estimated Payments	15,669	12,951	14,091	15,438
Final Payments	3,608	2,882	3,164	3,431
Other Payments	1,611	1,682	1,731	1,783
Gross Collections	59,640	60,085	63,330	66,921
State/City Offset	(1,274)	(1,399)	(1,524)	(1,649)
Refunds	(9,320)	(10,710)	(11,074)	(11,410)
Reported Tax Collections	49,046	47,976	50,732	53,862
STAR (Dedicated Deposits)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
Personal Income Tax	49,046	47,976	50,732	53,862
Sales and Use Tax	13,463	14,608	15,105	15,626
Cigarette and Tobacco Taxes	971	946	904	864
Vapor Excise Tax	14	6	6	6
Motor Fuel Tax	454	509	507	502
Alcoholic Beverage Taxes	266	264	266	269
Opioid Excise Tax	80	66	66	66
Medical Cannabis Excise Tax	6	6	6	6
Adult Use Cannabis Tax	0	0	0	0
Highway Use Tax	131	139	139	140
Auto Rental Tax	89	99	102	106
Taxicab Surcharge	0	0	0	0
Gross Consumption/Use Taxes	15,474	16,643	17,101	17,585
LGAC/STBF (Dedicated Transfers)	0	0	0	0
Consumption/Use Taxes	15,474	16,643	17,101	17,585
Corporation Franchise Tax	4,868	4,883	5,345	5,476
Corporation and Utilities Tax	640	637	654	659
Insurance Taxes	2,165	2,269	2,327	2,389
Bank Tax	270	0	0	0
Petroleum Business Tax	1,014	1,085	1,077	1,068
Business Taxes	8,957	8,874	9,403	9,592
Estate Tax	1,100	1,028	1,077	1,128
Real Estate Transfer Tax	949	1,004	1,061	1,114
Employer Compensation Expense Program	4	6	7	7
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	11	14	14	14
Other Taxes	2	2	2	3
Gross Other Taxes	2,066	2,054	2,161	2,266
Real Estate Transfer Tax (Dedicated)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
Other Taxes	2,066	2,054	2,161	2,266
Payroll Tax	0	0	0	0
Total Taxes	75,543	75,547	79,397	83,305
Licenses, Fees, Etc.	378	478	528	578
Abandoned Property	450	450	450	450
Motor Vehicle Fees	1,357	1,260	1,256	1,252
ABC License Fee	60	68	65	64
Reimbursements	124	70	70	66
Investment Income	78	43	27	20
Extraordinary Settlements	80	0	0	0
Other Transactions	28,142	23,490	22,047	21,542
Miscellaneous Receipts	30,669	25,859	24,443	23,972
Federal Receipts	72,833	67,419	68,761	70,749
Total	179,045	168,825	172,601	178,026

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
Opening Fund Balance	8,944	5,401	63	14,408
Receipts:				
Taxes	37,005	5,630	31,647	74,282
Miscellaneous Receipts	6,373	15,636	381	22,390
Federal Receipts	0	(23)	74	51
Total Receipts	43,378	21,243	32,102	96,723
Disbursements:				
Local Assistance	46,400	15,260	0	61,660
State Operations:				
Personal Service	9,058	5,058	0	14,116
Non-Personal Service	2,597	2,350	44	4,991
General State Charges	7,249	1,047	0	8,296
Debt Service	0	0	10,338	10,338
Capital Projects	0	0	0	0
Total Disbursements	65,304	23,715	10,382	99,401
Other Financing Sources (Uses):				
Transfers from Other Funds	27,564	2,535	4,686	34,785
Transfers to Other Funds	(7,865)	(798)	(26,413)	(35,076)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	19,699	1,737	(21,727)	(291)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,227)	(735)	(7)	(2,969)
Closing Fund Balance	6,717	4,666	56	11,439

Source: NYS DOB.

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2022 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	36,854	5,630	31,703	74,187
Miscellaneous Receipts	1,750	16,172	385	18,307
Federal Receipts	0	(20)	72	52
Total Receipts	38,604	21,782	32,160	92,546
Disbursements:				
Local Assistance	48,967	15,719	0	64,686
State Operations:				
Personal Service	8,996	5,080	0	14,076
Non-Personal Service	2,543	2,453	43	5,039
General State Charges	9,013	1,140	0	10,153
Debt Service	0	0	6,939	6,939
Capital Projects	0	0	0	0
Total Disbursements	69,519	24,392	6,982	100,893
Other Financing Sources (Uses):				
Transfers from Other Funds	28,850	2,666	3,149	34,665
Transfers to Other Funds	(6,915)	(196)	(28,322)	(35,433)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	21,935	2,470	(25,173)	(768)
Use (Reservation) of Fund Balance:				
Undesignated Fund Balance	548	0	0	548
Extraordinary Monetary Settlements	959	0	0	959
Total Use (Reservation) of Fund Balance	1,507	0	0	1,507
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	(7,473)	(140)	5	(7,608)

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
Receipts:				
Taxes	39,069	5,601	33,370	78,040
Miscellaneous Receipts	1,773	15,592	384	17,749
Federal Receipts	0	(18)	69	51
Total Receipts	40,842	21,175	33,823	95,840
Disbursements:				
Local Assistance	52,444	15,245	0	67,689
State Operations:				
Personal Service	9,059	5,149	0	14,208
Non-Personal Service	2,494	2,425	43	4,962
General State Charges	9,559	1,169	0	10,728
Debt Service	0	0	7,357	7,357
Capital Projects	0	0	0	0
Total Disbursements	73,556	23,988	7,400	104,944
Other Financing Sources (Uses):				
Transfers from Other Funds	29,865	2,741	3,143	35,749
Transfers to Other Funds	(7,169)	(103)	(29,562)	(36,834)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	22,696	2,638	(26,419)	(1,085)
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	747	0	0	747
Total Use (Reservation) of Fund Balance	747	0	0	747
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	(9,271)	(175)	4	(9,442)

Source: NYS DOB.

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2024 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	41,169	5,552	35,232	81,953
Miscellaneous Receipts	1,811	15,117	384	17,312
Federal Receipts	0	(17)	66	49
Total Receipts	42,980	20,652	35,682	99,314
Disbursements:				
Local Assistance	55,585	14,936	0	70,521
State Operations:				
Personal Service	9,199	5,160	0	14,359
Non-Personal Service	2,619	2,371	43	5,033
General State Charges	9,689	1,154	0	10,843
Debt Service	0	0	7,550	7,550
Capital Projects	0	0	0	0
Total Disbursements	77,092	23,621	7,593	108,306
Other Financing Sources (Uses):				
Transfers from Other Funds	31,485	2,854	3,188	37,527
Transfers to Other Funds	(6,548)	(24)	(31,257)	(37,829)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	24,937	2,830	(28,069)	(302)
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	345	0	0	345
Total Use (Reservation) of Fund Balance	345	0	0	345
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	(8,830)	(139)	20	(8,949)

Source: NYS DOB.

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2021 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	8,944	6,312	(1,035)	63	14,284
Receipts:					
Taxes	37,005	5,630	1,261	31,647	75,543
Miscellaneous Receipts	6,373	15,866	8,049	381	30,669
Federal Receipts	0	70,577	2,182	74	72,833
Total Receipts	43,378	92,073	11,492	32,102	179,045
Disbursements:					
Local Assistance	46,400	76,045	4,982	0	127,427
State Operations:					
Personal Service	9,058	5,731	0	0	14,789
Non-Personal Service	2,597	3,792	0	44	6,433
General State Charges	7,249	1,397	0	0	8,646
Debt Service	0	133	0	10,338	10,471
Capital Projects	0	0	9,752	0	9,752
Total Disbursements	65,304	87,098	14,734	10,382	177,518
Other Financing Sources (Uses):					
Transfers from Other Funds	27,564	2,535	3,904	4,686	38,689
Transfers to Other Funds	(7,865)	(2,852)	(1,514)	(26,413)	(38,644)
Bond and Note Proceeds	0	0	850	0	850
Net Other Financing Sources (Uses)	19,699	(317)	3,240	(21,727)	895
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,227)	4,658	(2)	(7)	2,422
Closing Fund Balance	6,717	10,970	(1,037)	56	16,706

Source: NYS DOB.

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2022 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	36,854	5,630	1,360	31,703	75,547
Miscellaneous Receipts	1,750	16,399	7,325	385	25,859
Federal Receipts	0	65,134	2,213	72	67,419
Total Receipts	38,604	87,163	10,898	32,160	168,825
Disbursements:					
Local Assistance	48,967	76,017	4,667	0	129,651
State Operations:					
Personal Service	8,996	5,754	0	0	14,750
Non-Personal Service	2,543	3,919	0	43	6,505
General State Charges	9,013	1,514	0	0	10,527
Debt Service	0	0	0	6,939	6,939
Capital Projects	0	0	9,556	0	9,556
Total Disbursements	69,519	87,204	14,223	6,982	177,928
Other Financing Sources (Uses):					
Transfers from Other Funds	28,850	2,666	4,121	3,149	38,786
Transfers to Other Funds	(6,915)	(2,178)	(1,415)	(28,322)	(38,830)
Bond and Note Proceeds	0	0	488	0	488
Net Other Financing Sources (Uses)	21,935	488	3,194	(25,173)	444
Use (Reservation) of Fund Balance:					
Undesignated Fund Balance	548	0	0	0	548
Extraordinary Monetary Settlements	959	0	0	0	959
Total Use (Reservation) of Fund Balance	1,507	0	0	0	1,507
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	(7,473)	447	(131)	5	(7,152)
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
Receipts:					
Taxes	39,069	5,601	1,357	33,370	79,397
Miscellaneous Receipts	1,773	15,819	6,467	384	24,443
Federal Receipts	0	66,478	2,214	69	68,761
Total Receipts	40,842	87,898	10,038	33,823	172,601
Disbursements:					
Local Assistance	52,444	76,777	4,356	0	133,577
State Operations:					
Personal Service	9,059	5,826	0	0	14,885
Non-Personal Service	2,494	3,892	0	43	6,429
General State Charges	9,559	1,544	0	0	11,103
Debt Service	0	0	0	7,357	7,357
Capital Projects	0	0	9,046	0	9,046
Total Disbursements	73,556	88,039	13,402	7,400	182,397
Other Financing Sources (Uses):					
Transfers from Other Funds	29,865	2,741	4,308	3,143	40,057
Transfers to Other Funds	(7,169)	(1,975)	(1,542)	(29,562)	(40,248)
Bond and Note Proceeds	0	0	513	0	513
Net Other Financing Sources (Uses)	22,696	766	3,279	(26,419)	322
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	747	0	0	0	747
Total Use (Reservation) of Fund Balance	747	0	0	0	747
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	(9,271)	625	(85)	4	(8,727)

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2024
(millions of dollars)

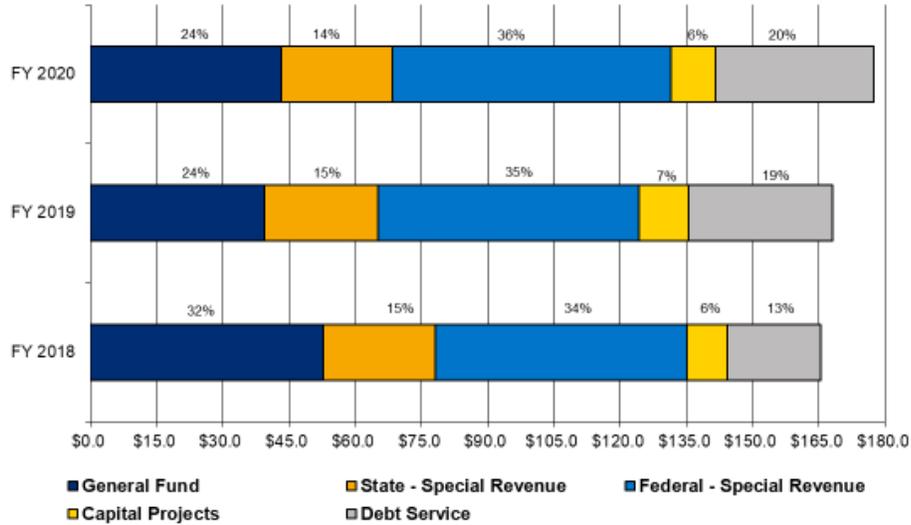
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	41,169	5,552	1,352	35,232	83,305
Miscellaneous Receipts	1,811	15,344	6,433	384	23,972
Federal Receipts	0	68,497	2,186	66	70,749
Total Receipts	42,980	89,393	9,971	35,682	178,026
Disbursements:					
Local Assistance	55,585	78,237	3,817	0	137,639
State Operations:					
Personal Service	9,199	5,839	0	0	15,038
Non-Personal Service	2,619	3,846	0	43	6,508
General State Charges	9,689	1,530	0	0	11,219
Debt Service	0	0	0	7,550	7,550
Capital Projects	0	0	8,498	0	8,498
Total Disbursements	77,092	89,452	12,315	7,593	186,452
Other Financing Sources (Uses):					
Transfers from Other Funds	31,485	2,854	3,514	3,188	41,041
Transfers to Other Funds	(6,548)	(1,877)	(1,551)	(31,257)	(41,233)
Bond and Note Proceeds	0	0	413	0	413
Net Other Financing Sources (Uses)	24,937	977	2,376	(28,069)	221
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	345	0	0	0	345
Total Use (Reservation) of Fund Balance	345	0	0	0	345
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	(8,830)	918	32	20	(7,860)

Source: NYS DOB.

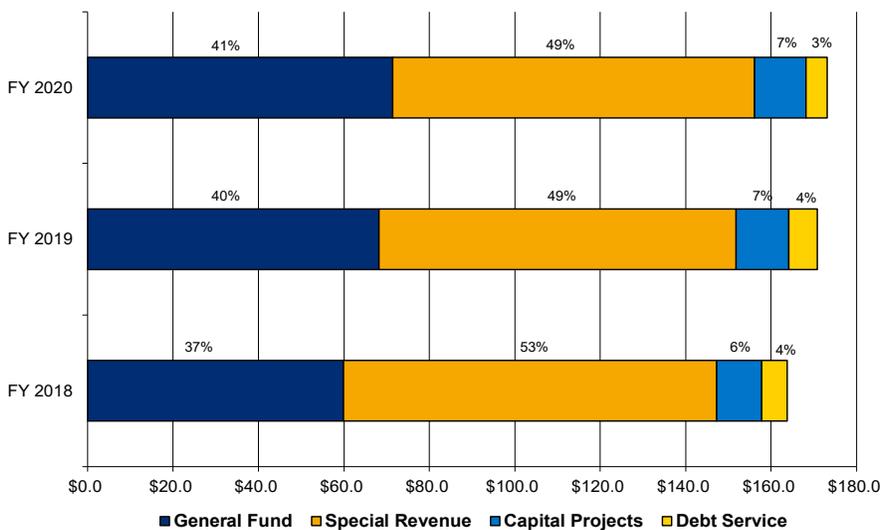
Prior Fiscal Years

The following six charts show the composition of the State’s governmental funds, State Operating Funds and the General Fund as of March 31, 2020. Following the tables is a summary of the cash-basis results for the State's three most recent fiscal years.

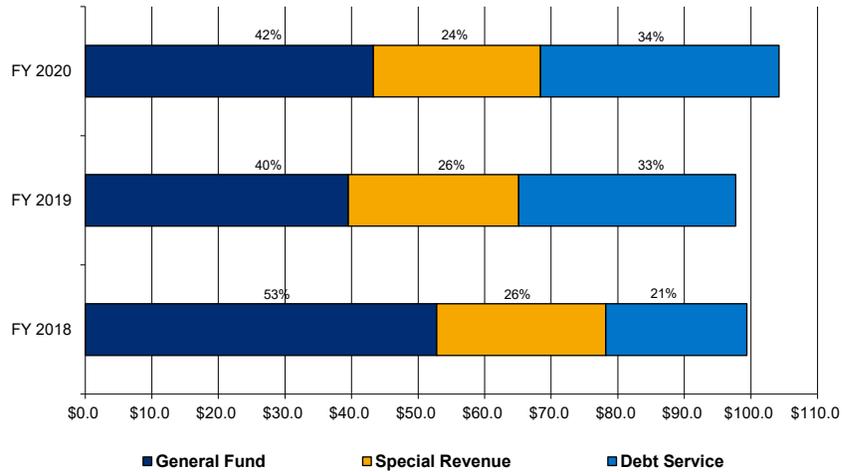
Governmental Funds Receipts
State Fiscal Years 2018, 2019 and 2020
 (billions of dollars)



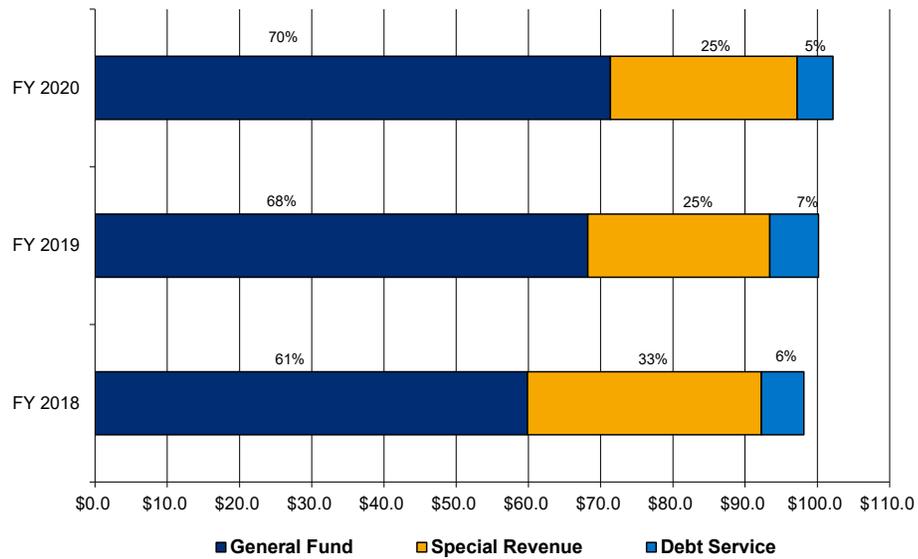
Governmental Funds Disbursements
State Fiscal Years 2018, 2019 and 2020
 (billions of dollars)



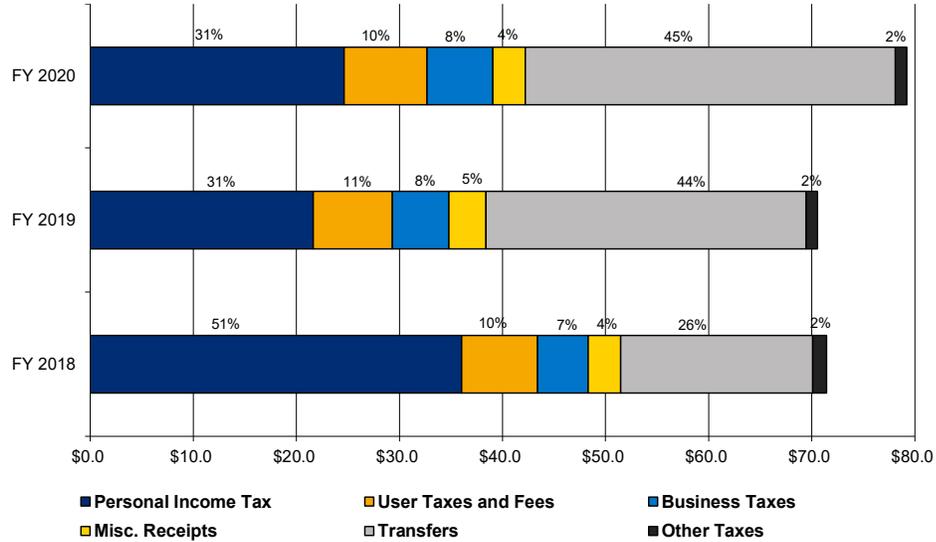
State Operating Funds Receipts
State Fiscal Years 2018, 2019 and 2020
 (billions of dollars)



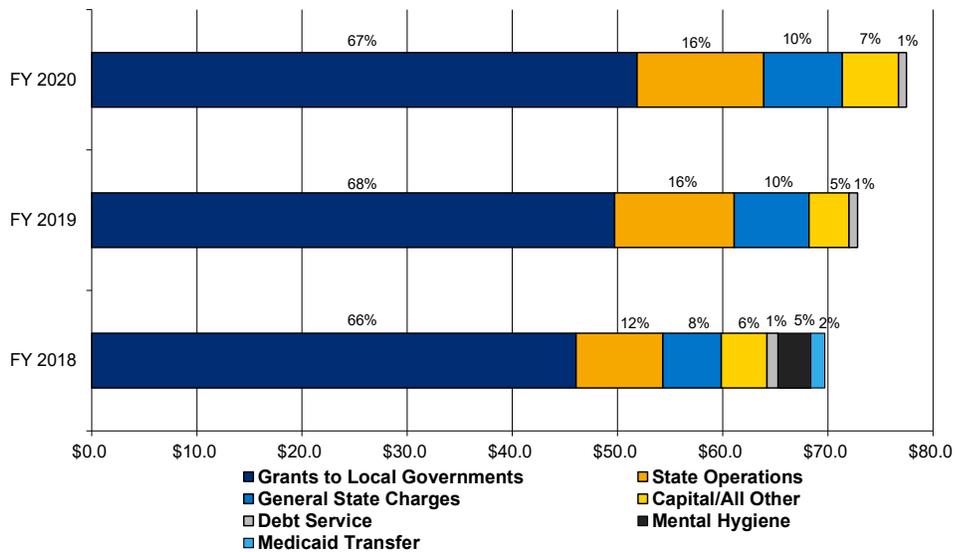
State Operating Funds Disbursements
State Fiscal Years 2018, 2019 and 2020
 (billions of dollars)



General Fund Receipts and Transfers by Source
State Fiscal Years 2018, 2019 and 2020
 (billions of dollars)



General Fund Disbursements and Transfers by Type
State Fiscal Years 2018, 2019 and 2020
 (billions of dollars)



The State reports its financial results on the cash basis of accounting, showing receipts and disbursements; and the GAAP basis (including modified accrual and full accrual), as prescribed by GAAP, showing revenues and expenditures. With the exception of FY 2020 financial results, the State's GAAP-basis financial results set forth in this section have been audited. Note that the FY 2020 financial results included in this AIS are preliminary and unaudited.

Cash-Basis Results for Prior Fiscal Years

General Fund FY 2018 Through FY 2020

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

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

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

COMPARISON OF GENERAL FUND RECEIPTS AND DISBURSEMENTS			
FY 2018 THROUGH FY 2020			
(millions of dollars)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
OPENING FUND BALANCE	<u>7,749</u>	<u>9,445</u>	<u>7,206</u>
Personal Income Tax ⁽¹⁾	36,037	21,621	24,646
Consumption/User Taxes:			
Sales and Use Tax ⁽²⁾	6,776	7,091	7,447
Cigarette and Tobacco Tax	342	328	313
Alcoholic Beverage Taxes	259	262	259
Opioid Excise Tax	0	0	19
Subtotal	<u>7,377</u>	<u>7,681</u>	<u>8,038</u>
Business Taxes:			
Corporation Franchise Tax	2,326	3,410	3,791
Corporation and Utilities Taxes	570	495	518
Insurance Taxes	1,610	1,638	2,053
Bank Tax	410	(42)	8
Subtotal	<u>4,916</u>	<u>5,501</u>	<u>6,370</u>
Other Taxes:			
Estate and Gift Taxes	1,308	1,068	1,070
Pari-mutuel Tax	15	15	14
Other Taxes	3	3	3
Subtotal	<u>1,326</u>	<u>1,086</u>	<u>1,087</u>
Miscellaneous Receipts & Federal Grants	3,129	3,586	3,159
Transfers from Other Funds:			
PIT in excess of Revenue Bond debt service ⁽¹⁾	10,909	21,346	25,862
Sales Tax in excess of Revenue Bond debt service	2,763	2,653	2,762
Sales Tax in Excess of LGAC Debt Service	3,098	3,113	3,417
All Other Transfers	1,865	3,957	3,866
Subtotal	<u>18,635</u>	<u>31,069</u>	<u>35,907</u>
TOTAL RECEIPTS	<u>71,420</u>	<u>70,544</u>	<u>79,207</u>
Grants to Local Governments:			
School Aid	22,015	23,080	23,521
Medicaid - DOH	13,398	14,340	16,071
All Other Local Aid	10,659	12,325	12,271
State Operations:			
Personal Service	6,136	8,719	8,940
Non-Personal Service	2,092	2,622	3,114
General State Charges	5,572	7,139	7,454
Transfers to Other Funds:			
In Support of Debt Service	1,047	786	736
In Support of Capital Projects	2,191	1,888	3,128
State Share Medicaid ⁽³⁾	1,333	(29)	0
Mental Hygiene Facilities ⁽³⁾	3,127	0	0
SUNY Operations	1,015	1,020	1,179
All Other Transfers	1,139	893	1,055
Subtotal	<u>9,852</u>	<u>4,558</u>	<u>6,098</u>
TOTAL DISBURSEMENTS	<u>69,724</u>	<u>72,783</u>	<u>77,469</u>
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	<u>1,696</u>	<u>(2,239)</u>	<u>1,738</u>
CLOSING FUND BALANCE	<u>9,445</u>	<u>7,206</u>	<u>8,944</u>

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

(1) Excludes personal income tax receipts that flow into the Revenue Bond Tax Fund (RBTF) in the first instance and are then transferred to the General Fund after debt service obligation is satisfied. FY 2019 enacted budget legislation doubled the level of required RBTF deposits, from 25 percent to 50 percent of PIT receipts.

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

(3) Reflects the reclassification in FY 2019 of certain mental hygiene spending from special revenue funds to the General Fund. As a result of the reclassification that began in FY 2019, the State share of mental hygiene Medicaid is transferred within the General Fund, rather than out of the General Fund to a Special Revenue Fund.

FY 2020

The State ended FY 2020 in balance on a cash basis in the General Fund, based on preliminary, unaudited results. General Fund receipts, including transfers from other funds, totaled \$79.2 billion. General Fund disbursements, including transfers to other funds, totaled \$77.5 billion. The State ended FY 2020 with a General Fund balance of \$8.9 billion, an increase of \$1.7 billion from FY 2019 results.

FY 2019

The State ended FY 2019 in balance on a cash basis in the General Fund. General Fund receipts, including transfers from other funds, totaled \$70.5 billion. General Fund disbursements, including transfers to other funds, totaled \$72.8 billion. The State ended FY 2019 with a General Fund balance of \$7.2 billion, a decrease of \$2.2 billion from FY 2018 results. The decline in the fund balance is largely attributable to the use of \$1.9 billion in cash received in FY 2018. These funds are related to the acceleration of an estimated \$1.9 billion in PIT payments as taxpayers responded to the \$10,000 limit on SALT deductibility of income and property taxes enacted by Congress and effective for tax year 2018. In addition, the Extraordinary Monetary Settlements balance has declined consistent with planned spending.

FY 2018

The State ended FY 2018 in balance on a cash basis in the General Fund. General Fund receipts, including transfers from other funds, totaled \$71.4 billion. General Fund disbursements, including transfers to other funds, totaled \$69.7 billion. The State ended FY 2018 with a General Fund balance of \$9.4 billion, an increase of \$1.7 billion from FY 2017 results. The higher balance is due to acceleration of an estimated \$1.9 billion in PIT payments as taxpayers responded to SALT deductibility.

State Operating Funds FY 2018 Through FY 2020

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

FY 2020

State Operating Funds receipts totaled \$104.2 billion in FY 2020, an increase of \$6.5 billion over the FY 2019 results. Disbursements totaled \$102.2 billion in FY 2020, an increase of \$2.0 billion or 2 percent from the FY 2019 results. The State ended FY 2020 with a State Operating Funds cash balance of \$14.4 billion.

FY 2019

State Operating Funds receipts totaled \$97.7 billion in FY 2019, a decrease of \$1.7 billion over the FY 2018 results. Disbursements totaled \$100.1 billion in FY 2019, an increase of \$2.0 billion or 2 percent from the FY 2018 results. The State ended FY 2019 with a State Operating Funds cash balance of \$12.4 billion.

FY 2018

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

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	7,206	5,091	65	12,362
Receipts:				
Taxes	40,141	6,059	35,272	81,472
Miscellaneous Receipts	3,159	19,064	477	22,700
Federal Receipts	0	(13)	74	61
Total Receipts	43,300	25,110	35,823	104,233
Disbursements:				
Local Assistance	51,863	16,789	0	68,652
State Operations:				
Personal Service	8,940	5,150	0	14,090
Non-Personal Service	3,114	2,928	36	6,078
General State Charges	7,454	969	0	8,423
Debt Service	0	0	4,916	4,916
Capital Projects	0	0	0	0
Total Disbursements	71,371	25,836	4,952	102,159
Other Financing Sources (Uses):				
Transfers from Other Funds*	35,907	2,269	3,742	41,918
Transfers to Other Funds*	(6,098)	(1,233)	(34,615)	(41,946)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	29,809	1,036	(30,873)	(28)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	1,738	310	(2)	2,046
Closing Fund Balance	8,944	5,401	63	14,408

Source: NYS DOB.

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

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	9,445	4,009	153	13,607
Receipts:				
Taxes	35,889	6,121	32,134	74,144
Miscellaneous Receipts	3,586	19,466	433	23,485
Federal Receipts	0	(1)	74	73
Total Receipts	<u>39,475</u>	<u>25,586</u>	<u>32,641</u>	<u>97,702</u>
Disbursements:				
Local Assistance	49,745	16,432	0	66,177
State Operations:				
Personal Service	8,719	4,968	0	13,687
Non-Personal Service	2,622	2,710	38	5,370
General State Charges	7,139	1,065	0	8,204
Debt Service	0	0	6,699	6,699
Capital Projects	0	0	0	0
Total Disbursements	<u>68,225</u>	<u>25,175</u>	<u>6,737</u>	<u>100,137</u>
Other Financing Sources (Uses):				
Transfers from Other Funds*	31,069	1,906	3,537	36,512
Transfers to Other Funds*	(4,558)	(1,235)	(29,529)	(35,322)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>26,511</u>	<u>671</u>	<u>(25,992)</u>	<u>1,190</u>
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	<u>(2,239)</u>	<u>1,082</u>	<u>(88)</u>	<u>(1,245)</u>
Closing Fund Balance	<u>7,206</u>	<u>5,091</u>	<u>65</u>	<u>12,362</u>

Source: NYS DOB.

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

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2018
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	7,749	3,732	144	11,625
Receipts:				
Taxes	49,656	7,639	20,658	77,953
Miscellaneous Receipts	3,129	17,734	471	21,334
Federal Receipts	0	1	73	74
Total Receipts	52,785	25,374	21,202	99,361
Disbursements:				
Local Assistance	46,072	19,532	0	65,604
State Operations:				
Personal Service	6,136	7,034	0	13,170
Non-Personal Service	2,092	3,517	42	5,651
General State Charges	5,572	2,281	0	7,853
Debt Service	0	0	5,873	5,873
Capital Projects	0	0	0	0
Total Disbursements	59,872	32,364	5,915	98,151
Other Financing Sources (Uses):				
Transfers from Other Funds*	18,635	7,949	3,873	30,457
Transfers to Other Funds*	(9,852)	(682)	(19,151)	(29,685)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,783	7,267	(15,278)	772
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	1,696	277	9	1,982
Closing Fund Balance	9,445	4,009	153	13,607

Source: NYS DOB.

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

All Funds FY 2018 Through FY 2020

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

FY 2020

All Funds ended FY 2020 with a balance of \$14.3 billion, \$4.3 billion above FY 2019 as both receipts and disbursements were higher than the prior year levels.

Higher receipts include growth in tax collections and Federal Grants that were partly offset by a drop in miscellaneous receipts. Growth in local assistance spending is primarily comprised of Medicaid, attributable to increased claiming and offline payments, and School Aid, reflecting the authorized School Aid increase. State operations growth reflects the payment of retroactive salary increases, higher SUNY spending, and non-personal spending for COVID-19 related expenses. Debt service spending was lower than the prior year due mainly to the prepayment of FY 2020 obligations at the end of FY 2019.

PIT collections were \$5.6 billion (11.6 percent) higher than last year due to an increase in April 2019 extensions and final returns related to taxpayer behavior in response to the cap on SALT deductions and moderate growth in withholding, partially offset by a scheduled increase in Tax Year 2019 Property Tax Relief Credits and continued phase-in of the middle class tax cut program.

Business tax collections growth (\$1.1 billion) is due to higher corporate franchise tax (CFT) and insurance gross receipts partially offset by higher refunds. Growth in consumption/use tax collections (\$666 million) reflects growth of the sales tax base. It also reflects additional revenues from the requirement that marketplace providers collect Sales and Use Tax (SUT) on sales that they facilitate, the elimination of the Energy Service Companies (ESCOs) exemption, and DTF guidance associated with the U.S. Supreme Court Wayfair ruling. These increases were partially offset by the direct remittance of various supplemental fees and taxes to the MTA beginning in FY 2020.

Miscellaneous receipts declined by \$1.7 billion (5.5 percent) due to a reduction in bond proceed reimbursements in response to capital spending (\$946 million), reduced proceeds from Fidelis Care pursuant to the sale of substantially all its assets to Centene Corporation in July 2018 (\$600 million) and a drop in Extraordinary Monetary Settlement receipts (\$319 million).

Federal grants were \$3.7 billion higher in FY 2020 than in FY 2019 largely due to the deferral of the final FY 2019 Medicaid cycle as well as the timing of reimbursements for program costs initially financed by the State and later reimbursed with Federal funding.

State Operating Funds spending totaled \$102.2 billion in FY 2020, an increase of \$2 billion (2.0 percent) over FY 2019.

Local assistance spending was \$2.5 billion higher than the prior year, mainly due to growth in Medicaid (\$1.7 billion), Mental Hygiene (\$1.3 billion) and School Aid (\$965 million). Medicaid spending growth reflects escalating program utilization and costs for certain populations, including Managed Long-Term Care and an increase in “offline” payments such as Medicaid clawback and Supplemental Medical Insurance (SMI). Lower rebates augmented the increase. In addition, an adjustment to the amount of mental hygiene spending funded under the Global Cap resulted in a decrease in Medicaid spending with a commensurate increase in mental hygiene spending (\$1 billion). Higher School Aid spending includes the authorized 3.8 percent State aid increase.

The higher spending was partly offset by the roughly \$1.9 billion of payments that were not released, as described above. Other significant variances include:

- Transportation (\$449 million lower) included one-time payments made to the MTA in FY 2019 for the MTA Subway Action Plan (\$194 million), and a final payment of payroll mobility tax collections attributable to FY 2018 (\$135 million).
- STAR (\$239 million lower) reflects the transition of beneficiaries from the STAR Exemption program to a STAR Personal Income Tax credit.
- Public Health (\$282 million higher) due to higher CHP disbursements related to the Medicaid eligible immigrant population.
- All Other Education (\$176 million higher) largely related to the timing of payments for nonpublic school aid (\$77 million), charter schools (\$55 million) and preschool special education programs (\$44 million).

Agency operational spending growth (\$1.1 billion) includes costs associated with the payment of retroactive salary increases in FY 2020 and costs related to the State response efforts to the COVID-19 pandemic. Higher University System costs reflect spending for SUNY hospitals and personal service costs at SUNY colleges. Fringe benefits spending increased due to growing employee health insurance, social security, and pension payments.

Debt service spending declined due to the impact of prepayments affecting both FY 2020 and FY 2019. Lower Capital Projects spending (State and Federal) occurred in ESD (\$317 million), Special Infrastructure (\$230 million), and MTA (\$195 million); which was partly offset by growth in public health (\$223 million), housing (\$79 million), and various other areas.

Federal operating spending growth reflects Medicaid utilization and cost increases (\$1.0 billion), higher Division of Homeland Security & Emergency Services (DHSES) spending (\$237 million); partially offset by a timing variance related to school district claiming of Individuals with Disabilities in Education (IDEA) grants (\$268 million), and reduced spending for Medicaid administration (\$252 million), EP (\$173 million) and child care (\$115 million).

FY 2019

All Funds receipts were \$2.6 billion (1.6 percent) higher than the prior year, comprising \$3.7 billion in lower tax receipts (4.7 percent), which was more than offset by \$3.9 billion in higher miscellaneous receipts and \$2.4 billion in additional Federal aid.

PIT receipts decreased by \$3.4 billion (6.6 percent) due to a significant decline in current estimated payments (related to taxpayer response to the cap on SALT deductions) and growth in credits paid for property tax relief and STAR programs. The decrease was partially offset by modest growth in withholding receipts, and a decline in total Tax Year 2017 current refunds as the result of a nearly \$500 million year over year increase in the FY 2018 administrative refund cap.

The declines in all other taxes includes the direct remittance of the PMT collections to the MTA beginning in FY 2019, which previously passed-through the State and were thus included in the FY 2018 receipts (\$1.4 billion). In addition, estate tax payments were lower due to year-over-year decreases in the number of super-large estate tax payments. These declines were partly offset by higher Consumption/User tax collections (\$645 million) due to growth in sales tax and the return to more normal refund levels for HUT. Business taxes were also higher than prior-year (\$748 million) due to higher gross receipts and lower refunds, partially offset by lower audits.

Miscellaneous receipts were \$3.9 billion (14.4 percent) higher in the current year mainly due to the receipt of a payment from Fidelis Care pursuant to the sale of substantially all its assets to Centene Corporation (\$1 billion); unplanned extraordinary settlement moneys (\$328 million); HCRA receipts (\$136 million), Lottery (\$94 million), Licenses and Fees (\$74 million), revenues deposited into the newly created Charitable Gifts Trust Fund (\$93 million) and increases in various fees deposited to Special Revenue funds across multiple agencies. Higher bond proceed reimbursements (\$1.8 billion) were primarily associated with DOT and SUNY and were partly offset by the lower receipts from ESDC.

Federal grants were \$2.4 billion higher, consistent with Federal operating aid disbursements described below.

All Funds spending was \$7.1 billion (4.4 percent) higher than FY 2018. The increase resulted largely from higher Federal operating spending (\$3.5 billion), higher State Operating Funds spending (\$2.0 billion) and higher Capital Projects Fund spending (\$1.6 billion).

State Operating Funds spending totaled \$100.1 billion, an increase of nearly \$2 billion (2 percent) compared to the prior-year. Growth in School Aid (\$946 million) and Medicaid (\$888 million) was partially offset by lower aggregate spending in all other programs and purposes.

School Aid spending growth is largely due to an increase in General Aid payments (\$905 million) and the timing of SUFPK aid payments to New York City which were delayed from FY 2018 to FY 2019 (\$228 million). These increases were partially offset by lower spending for Teachers' Retirement (\$221 million).

Medicaid Program growth is largely due to increased enrollment and utilization of the program (\$1.5 billion). In particular, enrollment in the Managed Long Term Care program which generally serves a more expensive population experienced growth of roughly 13 percent over the prior year. These increases are partially offset by credits of \$427 million, including prescription drug rebates for Medicaid recipients. Other savings were realized from the ACA tax reconciliation and use of tobacco settlement funds to partially offset the costs of the State's takeover of local Medicaid growth (\$427 million).

Lower other local assistance spending was primarily related to the direct flow of PMT collections to the MTA, which previously passed through the State and was included in the FY 2018 results, and the transition of STAR from a spending program into a PIT tax credit.

Executive agency operations spending growth reflects certain transportation operating costs that were moved from the DHBTF to the General Fund beginning in the current year (\$291 million). Excluding these costs, Executive agency operations declined. Operating spending for elected officials increased due to personal service costs associated with collectively bargained retroactive payments. SUNY costs reflect retroactive salary payments that were more than offset by a change in accounting for campus funded scholarship payments.

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

Higher debt service spending is mostly attributable to the prepayment of FY 2020 obligations at the end of FY 2019.

Capital Projects Fund spending increases reflect higher expenses for the MTA (\$674 million), DOH (\$138 million), State and Municipalities projects (\$137 million), ESDC (\$159 million), and DEC (\$225 million).

Growth in Federal operating aid spending was driven mainly by:

- Medicaid (\$2.3 billion) program growth consistent with the summary above, as well as payments to providers serving a disproportionate share of low income individuals;
- Social Services (\$609 million) timing of payments related to Child Care (\$385 million), Flexible Fund for Family Services (\$198 million), and public assistance benefit payments (\$55 million); offset by lower Supplemental Nutrition Assistance Program (SNAP) payments (\$54 million);
- School Aid (\$396 million) increases in Federal Every Student Succeeds Act (ESSA) grants;
- Medicaid Administration (\$315 million) resolution of FY 2016 CMS deferrals; and
- Special Education (\$271 million) Individuals with Disabilities in Education (IDEA) flow-through grants.

FY 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	7,206	3,842	(1,138)	65	9,975
Receipts:					
Taxes	40,141	6,059	1,417	35,272	82,889
Miscellaneous Receipts	3,159	19,279	6,551	477	29,466
Federal Receipts	0	62,897	2,109	74	65,080
Total Receipts	43,300	88,235	10,077	35,823	177,435
Disbursements:					
Local Assistance	51,863	73,242	5,013	0	130,118
State Operations:					
Personal Service	8,940	5,787	0	0	14,727
Non-Personal Service	3,114	4,327	0	36	7,477
General State Charges	7,454	1,303	0	0	8,757
Debt Service	0	0	0	4,916	4,916
Capital Projects	0	0	6,986	0	6,986
Total Disbursements	71,371	84,659	11,999	4,952	172,981
Other Financing Sources (Uses):					
Transfers from Other Funds	35,907	2,269	3,547	3,742	45,465
Transfers to Other Funds	(6,098)	(3,375)	(1,522)	(34,615)	(45,610)
Bond and Note Proceeds	0	0	0	0	0
Net Other Financing Sources (Uses)	29,809	(1,106)	2,025	(30,873)	(145)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	1,738	2,470	103	(2)	4,309
Closing Fund Balance	8,944	6,312	(1,035)	63	14,284

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	9,445	4,302	(1,151)	153	12,749
Receipts:					
Taxes	35,889	6,121	1,434	32,134	75,578
Miscellaneous Receipts	3,586	19,668	7,497	433	31,184
Federal Receipts	0	58,920	2,350	74	61,344
Total Receipts	<u>39,475</u>	<u>84,709</u>	<u>11,281</u>	<u>32,641</u>	<u>168,106</u>
Disbursements:					
Local Assistance	49,745	72,453	5,234	0	127,432
State Operations:					
Personal Service	8,719	5,605	0	0	14,324
Non-Personal Service	2,622	4,104	0	38	6,764
General State Charges	7,139	1,485	0	0	8,624
Debt Service	0	0	0	6,699	6,699
Capital Projects	0	0	7,032	0	7,032
Total Disbursements	<u>68,225</u>	<u>83,647</u>	<u>12,266</u>	<u>6,737</u>	<u>170,875</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	31,069	1,906	2,219	3,537	38,731
Transfers to Other Funds	(4,558)	(3,428)	(1,354)	(29,529)	(38,869)
Bond and Note Proceeds	0	0	133	0	133
Net Other Financing Sources (Uses)	<u>26,511</u>	<u>(1,522)</u>	<u>998</u>	<u>(25,992)</u>	<u>(5)</u>
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	<u>(2,239)</u>	<u>(460)</u>	<u>13</u>	<u>(88)</u>	<u>(2,774)</u>
Closing Fund Balance	<u>7,206</u>	<u>3,842</u>	<u>(1,138)</u>	<u>65</u>	<u>9,975</u>

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2018
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	7,749	4,272	(1,060)	144	11,105
Receipts:					
Taxes	49,656	7,639	1,313	20,658	79,266
Miscellaneous Receipts	3,129	17,933	5,729	471	27,262
Federal Receipts	0	56,744	2,125	73	58,942
Total Receipts	<u>52,785</u>	<u>82,316</u>	<u>9,167</u>	<u>21,202</u>	<u>165,470</u>
Disbursements:					
Local Assistance	46,072	72,126	3,797	0	121,995
State Operations:					
Personal Service	6,136	7,702	0	0	13,838
Non-Personal Service	2,092	4,886	0	42	7,020
General State Charges	5,572	2,603	0	0	8,175
Debt Service	0	0	0	5,873	5,873
Capital Projects	0	0	6,843	0	6,843
Total Disbursements	<u>59,872</u>	<u>87,317</u>	<u>10,640</u>	<u>5,915</u>	<u>163,744</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	18,635	7,949	2,607	3,873	33,064
Transfers to Other Funds	(9,852)	(2,918)	(1,385)	(19,151)	(33,306)
Bond and Note Proceeds	0	0	160	0	160
Net Other Financing Sources (Uses)	<u>8,783</u>	<u>5,031</u>	<u>1,382</u>	<u>(15,278)</u>	<u>(82)</u>
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	<u>1,696</u>	<u>30</u>	<u>(91)</u>	<u>9</u>	<u>1,644</u>
Closing Fund Balance	<u>9,445</u>	<u>4,302</u>	<u>(1,151)</u>	<u>153</u>	<u>12,749</u>

Source: NYS DOB.

GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements and Other Supplementary Information, including a management discussion and analysis, on a GAAP basis for governments as promulgated by the GASB. The Basic Financial Statements and Other Supplementary Information are released in July each year. These statements are audited by independent certified public accountants. The State expects to issue the Basic Financial Statements for FY 2020 on July 29, 2020. 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, 2020 is expected to be issued later in the current calendar year.

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

COMPARISON OF ACTUAL GAAP-BASIS OPERATING RESULTS SURPLUS/(DEFICIT) (millions of dollars)						
<u>Fiscal Year Ended</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>All Governmental Funds</u>	<u>Accumulated General Fund Surplus/(Deficit)</u>
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)			
<u>Fiscal Year Ended</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
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. The Basic Financial Statements can also be accessed through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system website at www.emma.msrb.org

Economics and Demographics

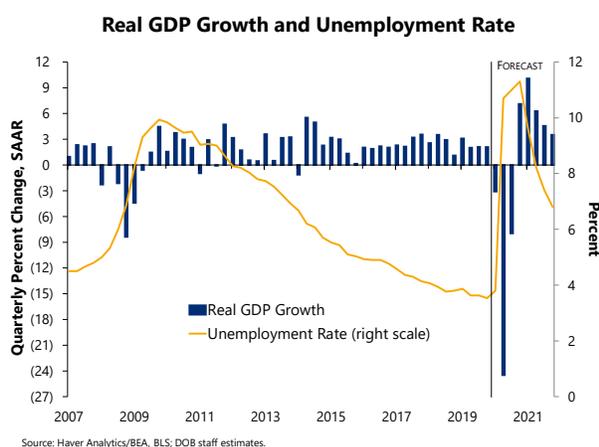
The demographic and statistical data in this section, which have been obtained from the sources indicated, do not represent all factors which may have a bearing on the State’s fiscal and economic affairs. Further, such information requires economic and demographic analysis in order to assess its significance and may be interpreted differently by individual experts. Note that DOB has chosen to provide certain economic and demographic analysis updated through the date of this AIS, although continuing disclosure requirements for this AIS require analysis only through March 31, 2020.

The U.S. and Global Economy

The rapid spread of COVID-19 has evolved into a pandemic disrupting global trade flows, supply chains, business and household demand, travel, and drastically lowering equity and commodity prices. Worldwide lockdowns have sent most major economies into, or near, a recession. The global monetary, fiscal, and health care policy responses have been swift and, in many cases, unprecedented. According to the International Monetary Fund (IMF), the global economy will be in a deep recession in 2020.

U.S. Economic Forecast¹⁹

The policy developments surrounding the rapid spread of COVID-19 have driven DOB’s U.S. economic outlook into recessionary territory. With social distancing programs put in place by various states, business closures, employee furloughs and layoffs on the rise, DOB expects that U.S. real GDP growth will contract in the first three quarters of calendar year 2020. There were noticeable signs of financial and economic stress during the latter part of February, and by the end of March 2020 it was clear that the U.S. economy was entering a recession.



¹⁹ DOB’s US Macro forecast incorporates the third estimate of 2019 fourth quarter GDP report released on March 26, 2020; February 2020 BEA personal income and outlays report released on March 27, 2020; February 2020 employment report released on March 6, 2020; and February 2020 CPI report released on March 11, 2020.

U.S. real GDP is expected to have declined 5.0 percent in the first quarter of calendar year 2020, followed by a deep contraction of 24.5 percent in the second quarter, and another contraction of 8.0 percent in the third quarter. DOB currently projects real GDP to rebound and grow 7.1 percent in the fourth quarter of 2020. The peak-to-trough decline (fourth quarter 2019 to third quarter 2020) in real GDP is 9.4 percent. Real GDP for 2020 is estimated to decline 5.7 percent. As the economy recovers, real GDP growth is expected to surge in the first half of 2021 before slowing to 3.5 percent by the fourth quarter of 2021. The projection of 2021 real GDP growth is 2.8 percent. In terms of levels, real GDP does not surpass its recent peak in the fourth quarter of 2019 until the second half of 2022.

The Federal Reserve has taken unprecedented actions designed to mitigate the stress on credit markets and ensure that financial institutions, firms, households, and state and local governments have enough liquidity and funds. On March 3, the Federal Reserve cut the Federal funds rate by 50 basis points, and then cut rates again by 100 basis points on March 15 sending the target range of the Federal funds rate to 0 - 0.25 percent. On March 23, the Federal Reserve committed to using its full range of tools to support the U.S. economy, including unlimited amount of quantitative easing (QE), corporate bond purchases through special purpose vehicles (SPVs), the issuance of asset-backed securities (ABS) backed by consumer and business loans, and the expansion of money market funds to cover municipal bonds in order to assist in State and local government liquidity.

To limit the economic and financial damage to the U.S. economy due to the COVID-19 pandemic, on March 6, 2020 the Coronavirus Preparedness and Response Supplemental Appropriations Act was enacted by Congress and provided \$8 billion in emergency funding for Federal agencies. The Families First Coronavirus Response Act, passed on March 18, 2020 provided \$192 billion in relief measures such as payroll tax credits, and funding to state governments by increasing Federal matching requirements for Medicaid. The CARES Act, passed on March 26, 2020 provided business and household income stabilization equal to \$2.3 trillion, which is the single largest spending measure passed by Congress in U.S. history. The major provisions of the CARES Act are one-time checks to qualifying individuals, expanded unemployment insurance, small business loans and grants, grants to specific industries, business tax cuts, loans to large businesses, states and municipalities, and support to health care institutions and employees.

Claims for unemployment insurance benefits, a leading indicator of labor market conditions, skyrocketed in the second half of March through the first three weeks of April 2020, bringing the five-week total to approximately 26.5 million. This number of initial claims is record breaking for a five-week period and surpasses the nonfarm job gains from October 2010 through February 2020. The employment report released on April 3, 2020 indicated 701,000 nonfarm job losses in March 2020 after 244,500 average monthly job gains for the first two months of the year. The March unemployment rate spiked 0.9 percentage point to 4.4 percent in March 2020, from a historical low of 3.5 percent in February 2020. The March job report was worse than expected, however, it accounted for only partial impact on the labor market since the survey was conducted around March 12, 2020. There has been a significant level of hiring freezes, furloughs, and layoffs since mid-March 2020. Sixty-five percent of the March job losses were in the leisure and hospitality sector which includes restaurants, bars and hotels, consistent with the abrupt stop of economic activity to contain the spread of COVID-19. Retail trade employment fell by 46,000 in March and

more losses are likely as several large department stores have announced layoffs and furloughs in the weeks following the March employment survey. Manufacturing and construction employment are also likely to see more significant declines when April results are available, as many motor vehicle assembly plants are expected to close, and stay-at-home orders restrain workers from construction projects.

ECONOMIC INDICATORS FOR THE UNITED STATES						
(Calendar year)						
	2015	2016	2017	2018	2019	2020 ¹
Gross Domestic Product						
Nominal (\$ billions)	\$18,224.9	\$18,715.1	\$19,519.4	\$20,580.2	\$21,427.7	\$20,490.6
Percent Change	4.0	2.7	4.3	5.4	4.1	(4.4)
Real (\$ billions)	\$17,403.9	\$17,688.9	\$18,108.1	\$18,638.2	\$19,073.1	\$17,993.2
Percent Change	2.9	1.6	2.4	2.9	2.3	(5.7)
Personal Income						
(\$ billions)	\$15,717.8	\$16,121.1	\$16,878.8	\$17,819.2	\$18,602.3	\$18,636.8
Percent Change	4.8	2.6	4.7	5.6	4.4	0.2
Nonfarm Employment						
(millions)	141.8	144.3	146.6	148.9	150.9	142.9
Percent Change	2.1	1.8	1.6	1.6	1.4	(5.3)
Unemployment Rate (%)	5.3	4.9	4.3	3.9	3.7	9.2
Consumer Price Index						
(1982-84=100)	237.0	240.0	245.1	251.1	255.7	257.6
Percent Change	0.1	1.3	2.1	2.4	1.8	0.8

Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics. Table reflects revisions by source agencies to figures for prior years.

¹As projected by DOB, based on National Income and Product Account, employment and CPI data released through March 2020.

Looking ahead, DOB expects the national employment situation to substantially deteriorate over the next three quarters of 2020. Nonfarm payroll employment is expected to decline 5.3 percent in 2020 before a 2.4 percent gain in 2021. Meanwhile, the unemployment rate is expected to climb to 9.2 percent for 2020, the highest since 2011. As the economy recovers, the unemployment rate is expected to drop to 8.0 percent in 2021. Due to falling oil prices and weak demand, DOB's CPI inflation outlook is only 0.8 percent for 2020.

Consumer spending is expected to drop sharply in the second quarter of 2020 while recovering at a stronger growth rate than real GDP in the latter part of the year. Real residential investment growth, which has been a bright spot in the economy since the third quarter of 2019, is expected to be in negative territory for the rest of 2020. Real nonresidential fixed investment growth has been declining since the second quarter of 2019 due to trade policy uncertainty, slowing global growth, production delays of the Boeing 737 Max aircraft, and a global manufacturing downturn.

With factory closures, and production slowdowns, real nonresidential fixed investment growth is expected to fall dramatically in the second and third quarters of 2020 before reaching positive territory in the first quarter of 2021. Real exports and imports are also expected to shrink during the first three quarters of 2020 but will likely recover sooner than nonresidential fixed investment.

Risks

The current forecast represents a dramatic downward revision to the U.S. economic outlook compared to DOB's forecast released in February 2020. As expected, downward revisions are attributed to the COVID-19 pandemic. The uncertainty surrounding this pandemic weigh the risks to the downside. Upside risks include further business and income stabilization legislation from Congress and the timely containment of the COVID-19 virus.

The New York Economy²⁰

New York State and especially New York City have been impacted particularly hard by the COVID-19 pandemic. Coronavirus fears, travel bans, and regulations that limit social gatherings caused a wide range of business sectors to cease operations, especially retail trade and leisure and hospitality. The abrupt halt of economic activity in most industries continues to lead to layoffs and furloughs. As a result, private sector employment in New York State is expected to shed jobs starting from the first quarter of 2020 through the first quarter of 2021 on a year-over-year basis. Private sector employment is expected to decline 7.5 percent in 2020 and recover in 2021 to a growth rate of 3.1 percent.

Due to global economic and financial uncertainties, the S&P 500 equity price index is expected to decline 14.7 percent in 2020. Finance and insurance sector bonuses are expected to decline 50.4 percent in FY 2021. The outlook for total bonuses is slightly less negative, with a projected of decline 44.9 percent in FY 2021. Total wages are expected to decline 7.2 percent in FY 2021.

State property income and proprietor's income are projected to decline 9.1 percent and 5.3 percent, respectively, in FY 2021. The CARES Act relief payments to individuals across the nation are estimated by the Joint Committee of Taxation to be \$292.4 billion. These payments are reflected within State transfer income as early as the second quarter of 2020, driving up State transfer income by approximately 23 percent in FY 2021. On balance, State personal income is projected to decline 2.2 percent in FY 2021, followed by a projected growth of 1.8 percent in FY 2022.

All the risks to the U.S. forecast apply to the State forecast as well. The coronavirus pandemic and weak global growth are contributing to increased market volatility and restraining equity prices growth over the near term. As the nation's financial capital, both the volume of financial market activity and volatility in equity markets pose a particularly significant degree of risk for the New York State economy. Since the New York City area became the epicenter of the COVID-19 outbreak in the U.S., a prolonged impact of the virus would threaten economic growth within the City and overall State. More-than-expected layoffs could pose a significant downside risk to our employment and wage outlook. Upside risks such as the faster than expected containment of the virus, stronger equity markets, and more robust national and global growth could result in higher employment and wage growth.

²⁰ DOB's New York State economic forecast incorporates 2019 fourth quarter BEA State personal income report released on March 24, 2020.

ECONOMIC INDICATORS FOR NEW YORK STATE (Calendar year)					
	2016	2017	2018	2019	2020 ¹
Personal Income (\$ billions)	\$1,202.6	\$1,286.0	\$1,341.9	\$1,389.8	\$1,399.1
Percent Change	3.4	6.9	4.3	3.6	0.7
Nonfarm Employment (thousands)	9,156.5	9,280.3	9,404.3	9,522.3	8,915.8
Percent Change	1.6	1.4	1.3	1.3	(6.4)
Unemployment Rate (NSA, %)	4.9	4.7	4.2	4.0	9.8

Sources: Personal income data are based on U.S. Bureau of Economic Analysis; employment data come from NYS Department of Labor; unemployment rate data come from U.S. Bureau of Labor Statistics. Table reflects revisions by source agencies to data for prior years.

¹As projected by DOB.

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

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

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

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

Other Service Sectors: The remaining service-producing sectors include information, professional and business services, private education and healthcare, leisure and hospitality services, and other services. Combined, these industries account for over half of all nonfarm jobs in New York.

Information, education and health, and other services account for a higher proportion of total State employment than for the nation.

Agriculture: Farming is an important part of the State's rural economy, although it constitutes only about 0.2 percent of total State GDP. Principal agricultural products of the State include dairy products, greenhouse and nursery products, fruits, and vegetables.

Government: Federal, State, and local governments together comprise the third largest sector in terms of nonfarm jobs. Public education is the source of over 40 percent of total State and local government employment.

THE COMPOSITION OF NONFARM EMPLOYMENT AND WAGES (2019)				
(Percent)				
	Employment		Wages	
	State	United States	State	United States
Natural Resources and Mining	0.1	0.5	0.1	1.0
Construction	4.1	5.0	4.2	5.4
Manufacturing	4.5	8.5	4.1	9.8
Trade, Transportation, and Utilities	15.9	18.4	11.5	15.3
Information	2.8	1.9	5.0	3.7
Financial Activities	7.4	5.8	19.2	9.4
Professional and Business Services	14.0	14.1	18.6	18.3
Educational and Health Services	21.9	16.0	14.8	13.4
Leisure and Hospitality	9.8	11.0	5.2	5.1
Other Services	4.2	3.9	2.9	3.2
Government	15.2	15.0	14.3	15.5

Source: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis.

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

Economic and Demographic Trends

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

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

COMPARATIVE POPULATION FIGURES					
	State			US	
	Total Population (000s)	% Change from Preceding Period	Percentage of U.S. Population	Total Population (000s)	% Change from Preceding Period
1980	17,558	(3.7)	7.8	226,546	11.4
1990	17,990	2.5	7.2	248,710	9.8
2000	18,976	5.5	6.7	281,422	13.2
2010	19,378	2.1	6.3	308,746	9.7
2019	19,454	0.4	5.9	328,240	6.3

Source: U.S. Census Bureau.

Total State nonfarm employment has declined as a share of national nonfarm employment compared with 1980s and 1990s, however the share remained stable since 2000. The following historical table compares these levels and the rate of unemployment for the State and the nation.

NONFARM EMPLOYMENT AND UNEMPLOYMENT RATE FOR NEW YORK AND THE UNITED STATES					
	Employment (NSA, 000s)		State as Percent of US Employment	Unemployment Rate (NSA, %)	
	State	US		State	US
1980	7,207	90,533	8.0	7.5	7.1
1990	8,204	109,526	7.5	5.3	5.6
2000	8,619	132,011	6.5	4.6	4.0
2010	8,545	130,345	6.6	8.6	9.6
2019	9,786	150,939	6.5	4.0	3.7

Source: U.S. Bureau of Labor Statistics.

Note: Nonfarm employment and unemployment rates are generated from separate surveys.

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

PER CAPITA PERSONAL INCOME (Income in Dollars)			
	NYS	US	Ratio NYS/US
	1980	\$11,001	
1990	\$23,990	\$19,621	1.22
2000	\$36,028	\$30,657	1.18
2010	\$48,973	\$40,547	1.21
2019	\$71,440	\$56,663	1.26

Source: U.S. Bureau of Economic Analysis.



***Capital Program and
Financing Plan Overview***

A copy of the Capital Plan can be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 474-8282, and it is also posted at www.budget.ny.gov.

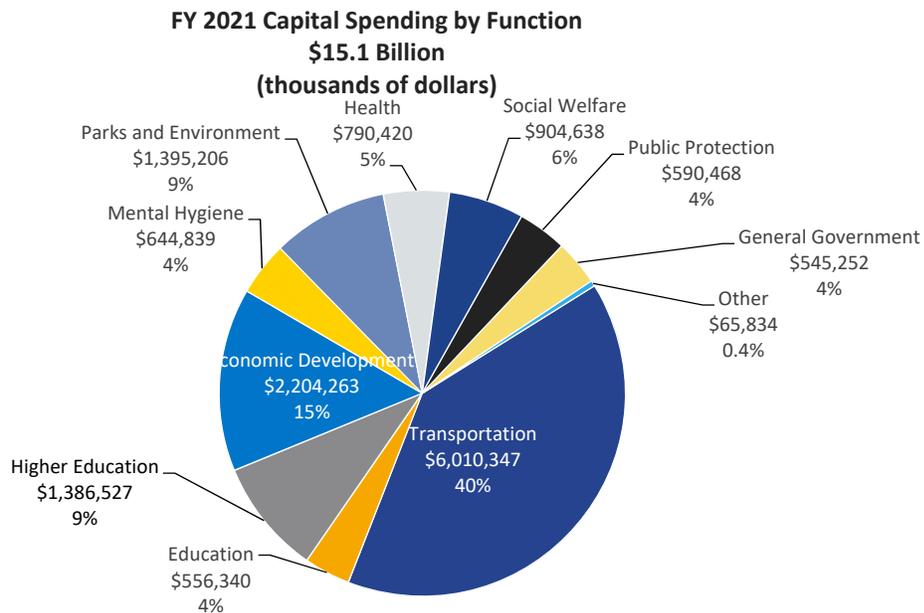
Capital Plan

The total commitment and disbursement levels in the Capital Plan reflect, among other things, projected capacity under the State's statutory debt limit, anticipated levels of Federal aid, and the timing of capital activity based on known needs and historical patterns. The following capital projects information relates to FY 2021.

The impact of the COVID-19 pandemic and related response are expected to have a material effect on capital spending levels. DOB expects capital activity to be negatively impacted by new protocols that have been mandated (e.g., social distancing requirements), supply chain disruptions, and added complexity and coordination to complete projects. DOB is continuing to evaluate the impact of the slowdown in capital spending, and the estimates throughout the Capital Plan, as described in this AIS, do not reflect the expected slowdown induced by the COVID-19 pandemic. Current estimates in the Capital Plan reflect spending from FY 2021 appropriations and re-appropriations authorized in the Enacted Budget. Spending will be revised throughout the year in subsequent updates to the State's Financial Plan to reflect impacts of the expected slowdown.

FY 2021 Capital Projects Spending

Spending on capital projects is projected to total \$15.1 billion in FY 2021, which currently includes \$359 million in "off-budget" spending. "Off-budget" spending refers to capital spending that occurs directly from bond proceeds held at public authorities, but still requires an enacted appropriation and bonding authorization. Overall, capital spending in FY 2021 is projected to increase by 22.8 percent from FY 2020.



In FY 2021, transportation spending is projected to total \$6 billion, which represents 40 percent of total capital spending. Economic development spending accounts for 15 percent, higher education accounts for 9 percent, and spending related to parks and the environment represents 9 percent. The remaining 27 percent comprises spending for health care, mental hygiene, social welfare, public protection, education, general government, and the all other category, which includes Special Infrastructure Account (SIA) investments such as the Thruway Stabilization Program.

Transportation spending is projected to increase by \$821 million (16 percent) from FY 2020 to FY 2021, which is attributable to continued spending from the previous DOT capital plan as well as the implementation of a one-year DOT capital plan that includes \$6.1 billion in new obligations.

Parks and environment spending is estimated to increase by \$291 million (26 percent) in FY 2021, reflecting increased spending for clean water grants, parks projects, and hazardous waste remediation. Year-to-year spending also reflects the first year of projected disbursements from the Restore Mother Nature Bond Act.

Economic development spending is projected to increase by \$1.1 billion (107 percent). This reflects the continued investment in programs created to promote regional economic development, including spending from both phases of the Buffalo Billion program, the Life Sciences Initiative, the Upstate Revitalization Initiative, and Regional Economic Development Councils.

Spending for health care is projected to increase by \$218 million (38 percent) in FY 2021. The increase is due to spending from Health Care Restructuring Program grant awards; and the continued phase-in of spending related to the Health Care Facility Transformation Program.

Spending for social welfare is projected to increase by \$449 million (98 percent). This is the result of an anticipated increase in activity for the Affordable and Homeless Housing Capital Plan, as well as spending for emergency repair projects at the New York City Housing Authority (NYCHA).

Education spending is projected to increase by \$365 million (190 percent) in FY 2021. The increase is primarily due to expected spending from the Smart Schools Bond Act.

Higher education spending is projected to increase by \$71 million (5 percent) in FY 2021, which is primarily related to the ongoing maintenance and preservation of SUNY and CUNY facilities and infrastructure.

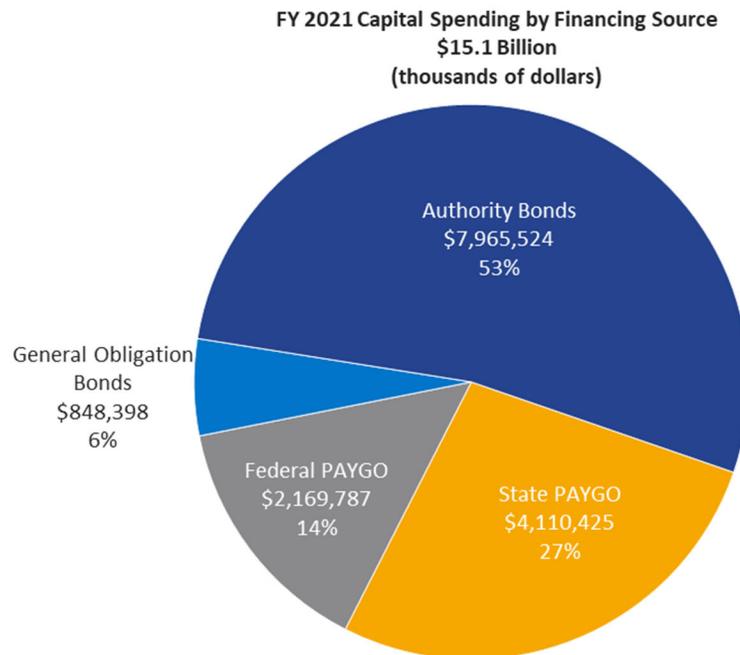
Spending for public protection is projected to decrease by \$72 million (11 percent) in FY 2021, which is attributable to lower projected spending at DMNA and DOCCS.

Mental hygiene capital spending is anticipated to increase by \$71 million (12 percent).

General governmental capital spending is projected to increase by \$274 million (101 percent), which is mainly attributable to OGS' maintenance and preservation of State-owned facilities and the development of a new IT system.

Spending in the All Other category is projected to decrease by \$1.0 billion (94 percent). The decrease reflects spend-out of projects funded with monetary settlements in the SIA as well as an increase in timing-related spending adjustments.

Financing FY 2021 Capital Projects Spending



In FY 2021, the State plans to finance 59 percent of capital projects spending with long-term bonds and 41 percent with cash and Federal aid. Most of the long-term bonds (90 percent) will be issued on behalf of the State through public authorities. All authority debt issued on behalf of the State is approved by the State legislature, acting on behalf of the people, and subject to approval by the Public Authorities Control Board (PACB) and the issuing authority's board of directors. Authority bonds, as defined in this Capital Plan, do not include debt issued by authorities that are backed by non-State resources. State cash resources, including Extraordinary Monetary Settlements, will finance 27 percent of capital spending. Federal aid is expected to fund 14 percent of the State's FY 2021 capital spending, primarily for transportation. Year-to-year, total PAYGO support is projected to increase by \$452 million, with State PAYGO increasing by \$445 million and Federal PAYGO support decreasing by \$7 million. Bond-financed spending is projected to increase by \$2.2 billion, with Authority Bond spending increasing by \$1.5 billion and General Obligation Bond spending increasing by \$717 million.

Financing Plan

New York State, including its public authorities, is one of the largest issuers of municipal debt in the United States, ranking second among the states, behind California, in the aggregate amount of debt outstanding. As of March 31, 2020, State-related debt outstanding totaled \$54.4 billion excluding capital leases and mortgage loan commitments, equal to approximately 3.9 percent of New York personal income. The State's debt levels are typically measured by DOB using two categories: *State-supported debt* and *State-related debt*.

State-supported debt represents obligations of the State that are paid from traditional State resources (i.e., tax revenue) and have a budgetary impact. It includes General Obligation debt, to which the full faith and credit of the State has been pledged, and lease purchase and contractual obligations of public authorities and municipalities, where the State's legal obligation to make payments to those public authorities and municipalities is subject to and paid from annual appropriations made by the Legislature. These include the State PIT Revenue Bond program and the State Sales Tax Revenue Bond program. The State's debt reform caps on debt outstanding and debt service apply to State-supported debt.

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

The State's debt does not encompass, and does not include, debt that is issued by, or on behalf of, local governments and secured (in whole or in part) by State local assistance aid payments. For example, certain State aid to public schools paid to school districts or New York City has been pledged by those local entities to help finance debt service for locally-sponsored and locally-determined financings. Additionally, certain of the State's public authorities issue debt supported by non-State resources (e.g., NYSTA toll revenue bonds, Triborough Bridge and Tunnel Authority (TBTA) revenue bonds, MTA revenue bonds and DASNY dormitory facilities revenue bonds) or issue debt on behalf of private clients (e.g., DASNY's bonds issued for not-for-profit colleges, universities, and hospitals). This debt, however, is not treated by DOB as either State-supported debt or State-related debt because it (i) is not issued by the State (nor on behalf of the State), and (ii) does not result in a State obligation to pay debt service. Instead, this debt is accounted for in the respective financial statements of the local governments or other entity responsible for the issuance of such debt and is similarly treated.

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

The State uses three primary bond programs, Personal Income Tax Revenue Bonds, Sales Tax Revenue Bonds, and to a lesser extent General Obligation Bonds to finance capital spending. These bonding programs, as well as older programs that are no longer being issued under but continue to have debt outstanding are described in more detail below.

OUTSTANDING STATE-SUPPORTED AND STATE-RELATED DEBT ¹ (millions of dollars)			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
State-Supported Debt	51,266	53,224	54,207
Personal Income Tax Revenue Bonds	33,589	34,903	37,118
Sales Tax Revenue Bonds	7,377	10,421	11,542
General Obligation	2,371	2,286	2,131
Local Government Assistance Corporation	1,370	1,195	253
Service Contract & Lease Purchase	3,779	2,174	1,475
Other Revenue Bonds	2,780	2,245	1,687
Contingent-Contractual Obligation Financings	193	165	135
DASNY/MCFFA - Secured Hospital Program	193	165	135
Moral Obligation Financings	1	0	0
Housing Finance Agency	1	0	0
Other State Financings	708	664	633
MBBA Prior Year School Aid Claims	172	139	104
Capital Leases	470	461	466
Mortgage Loan Commitments	66	64	63
TOTAL STATE-RELATED DEBT ²	<u>52,168</u>	<u>54,053</u>	<u>54,975</u>

Source: NYS DOB. Except Mortgage Loan Commitments which are taken from the CAFR for FY 2018 and FY 2019. Mortgage Loan Commitments and Capital Leases are estimated by DOB for FY 2020.

¹Reflects 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.

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

State-Supported Debt Outstanding

State-supported debt includes General Obligation Bonds, State PIT Revenue Bonds, Sales Tax Revenue Bonds, LGAC bonds and lease purchase and service contract obligations of public authorities and municipalities. Payment of all obligations, except for General Obligation Bonds, cannot be made without annual appropriation by the State Legislature, but the State's credits have different security features, as described in this section. The Debt Reform Act of 2000 limits the amount of new State supported debt issued since April 1, 2000. See "Financial Plan Overview — Other Matters Affecting the Financial Plan — Debt Reform Act Limit" herein for more information.

Legislation adopted in connection with the Enacted Budget, as part of the State response to the COVID-19 pandemic, included several measures to address the State's liquidity needs in FY 2021, including: (i) the authorization to issue up to \$8 billion of subordinated PIT revenue or bond anticipation notes; (ii) the authorization to enter into up to \$3 billion of line of credit facilities secured by a State service contract; and (iii) a one-year suspension of the Debt Reform Act provisions covering all issuances in FY 2021, including the PIT notes and the line of credit financing, and any renewals or long-term refinancing of the notes and line of credit facilities.

The Financial Plan assumes that the State will issue \$3 billion of PIT notes and draw on \$1.5 billion of line of credit facilities in FY 2021 and that such liquidity financings will be repaid by March 31, 2021. DOB will adjust the size and use of the PIT notes and line of credit during the course of FY 2021 based on updated information. It is expected that the interest expense on both the PIT notes and the line of credit facilities is an eligible expense for Federal aid from the Coronavirus Relief Fund, since the financings are due solely to the Federal decision to extend tax filing deadlines in response to the pandemic. See "Financial Plan Overview — Other Financial Plan Developments — Liquidity" herein for more information.

State PIT Revenue Bond Program

Since 2002, the PIT Revenue Bond Program has been the primary financing vehicle used to fund the State's capital program. Legislation enacted in 2001 provided for the issuance of State PIT Revenue Bonds by the State's Authorized Issuers. The legislation required 25 percent of State PIT receipts (excluding refunds owed to taxpayers) to be deposited into the RBTF for purposes of making debt service payments on these bonds, with the excess amounts returned to the General Fund. The FY 2019 Enacted Budget included legislation to create the ECEP and Charitable Gifts Trust Fund and also included legislation that increased the percentage of PIT receipts dedicated to the payment of PIT bonds from 25 to 50 percent, and dedicated 50 percent of ECEP receipts to the payment of PIT bonds in order to preserve the coverage of the PIT Revenue Bond program.

In the event that (a) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (b) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the State PIT Revenue Bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of 40 percent of the aggregate of annual State PIT receipts and ECEP receipts or \$12 billion. Debt service on State PIT Revenue Bonds is subject to legislative appropriation, as part of the annual debt service bill.

As described under the heading “Financial Plan Overview – Other Matters Affecting the Financial Plan – Federal Tax Law Changes”, the FY 2019 Enacted Budget included State tax reforms intended to mitigate issues arising from the Federal law, including the impact of tax law changes on PIT Revenue Bonds.

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

The factors that may influence donation activity are complex and include, but are not limited to, possible statements, actions, or interpretive guidance by the IRS or other governmental actors relating to the deductibility of such donations; the liquidity position, risk tolerance, and knowledge of individual taxpayers; advice or guidance of tax advisors or other professionals; changes in general economic conditions; adoption of similar trusts in other states; and tax reciprocity agreements among states. While DOB believes that these factors can be expected to constrain donation activity, there can be no assurance that, under conditions of maximum participation, the amount of annual charitable gifts will not reduce the level of PIT receipts deposited into the Revenue Bond Tax Fund below the levels projected in February 2018. If that were to occur, it is DOB's expectation that changes to the tax law would be recommended to further increase the percentage of PIT receipts deposited into the Revenue Bond Tax Fund.

As of March 31, 2020, approximately \$37.1 billion of State PIT Revenue Bonds were outstanding. The projected PIT Revenue Bond coverage ratios, noted below, are based upon estimates of PIT and ECEP receipts deposited into the RBTF and include projected debt issuances.

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

The following table entitled, “Projected PIT Revenue Bond Coverage Ratios – FY 2020 through FY 2025,” does not reflect any estimate of charitable donations or the impact of such charitable donations on the amount of PIT receipts deposited into the Revenue Bond Tax Fund. As a result, the coverage ratios shown in the table may be materially and adversely affected by such donations. Debt service on \$3 billion of short-term PIT notes is expected to be issued on a subordinated basis and therefore is not reflected in the chart below.

PROJECTED PIT REVENUE BOND COVERAGE RATIOS ¹						
FY 2020 THROUGH 2025						
(thousands of dollars)						
	FY 2020 Results	FY 2021 Enacted	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected
Projected RBTF Receipts	26,830,698	24,524,345	23,990,810	25,369,675	26,934,105	27,582,905
Projected New PIT Bonds Issuances	3,403,060	8,432,521	5,156,232	4,496,172	4,477,476	3,983,456
Projected Total PIT Bonds Outstanding	37,117,755	43,256,777	45,822,407	47,526,094	49,076,776	49,924,512
Projected Maximum Annual Debt Service	3,950,808	4,690,307	5,070,320	5,377,420	5,619,839	5,914,469
Projected PIT Coverage Ratio	6.8	5.2	4.7	4.7	4.8	4.7

¹ Does not reflect the expected issuance of \$3 billion short-term PIT Notes, which will be issued on a subordinated basis.

Sales Tax Revenue Bond Program

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

The legislation created the Sales Tax Revenue Bond Tax Fund, a sub-fund within the General Debt Service Fund that will provide for the payment of these bonds. The Sales Tax Revenue Bonds are secured by dedicated revenues consisting of one cent of the State's four cent sales and use tax. With a limited exception, upon the satisfaction of all the obligations and liabilities of LGAC, expected April 1, 2021, dedicated revenues will increase to 2 cents of sales and use tax receipts. Such sales tax receipts in excess of debt service requirements are transferred to the State's General Fund.

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

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

Sales Tax Revenue Bonds are used interchangeably with PIT Revenue Bonds to finance State capital needs. As of March 31, 2020, \$11.5 billion of Sales Tax Revenue Bonds were outstanding.

Debt service coverage for the Sales Tax Revenue Bond program reflects the increased deposit to the Sales Tax Revenue Bond Tax Fund from an amount equal to a one percent rate of taxation to a two percent rate of taxation due to the anticipated full retirement of LGAC Bonds expected on April 1, 2021. While DOB routinely monitors the State's debt portfolio across all State-supported credits for refunding opportunities, no future refunding transactions are reflected in the following projected coverage ratios.

PROJECTED SALES TAX REVENUE BOND COVERAGE RATIOS						
FY 2020 THROUGH 2025						
(thousands of dollars)						
	FY 2020 Results	FY 2021 Enacted	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected
Projected Sales Tax Receipts ¹	3,718,258	3,146,000	6,827,000	7,059,000	7,301,500	7,532,500
Projected New Sales Tax Bonds Issuances	1,423,725	-	1,718,744	1,498,724	1,492,492	1,327,819
Projected Total Sales Tax Bonds Outstanding	11,542,330	10,716,410	11,730,152	12,524,553	13,361,109	14,020,123
Projected Maximum Annual Debt Service	1,356,149	1,356,149	1,324,977	1,369,315	1,367,958	1,442,163
Projected Sales Tax Coverage Ratio	2.7	2.3	5.2	5.2	5.3	5.2

¹ Reflects increased deposits to the Sales Tax Revenue Bond Tax Fund from an amount equal to a one percent rate of taxation to two percent rate of taxation due to the full retirement of LGAC Bonds expected on April 1, 2021.

General Obligation Financings

With limited exceptions for emergencies, the State Constitution prohibits the State from undertaking a long-term General Obligation borrowing (i.e., borrowing for more than one year) unless it is authorized in a specific amount for a single work or purpose by the Legislature and approved by voter referendum. There is no constitutional limitation on the amount of long-term General Obligation debt that may be so authorized and subsequently incurred by the State. However, the Debt Reform Act imposed statutory limitations on all new State-supported debt issued on and after April 1, 2000. Legislation included in the Enacted Budget authorized the exclusion of all debt issued in FY 2021 from the calculation of the debt cap, including General Obligation bonds. The State Constitution provides that General Obligation bonds, which can be paid without an appropriation, must be paid in equal annual principal installments or installments that result in substantially level or declining debt service payments, mature within

40 years after issuance, and begin to amortize not more than one year after the issuance of such bonds. However, general obligation housing bonds must be paid within 50 years after issuance, with principal commencing no more than three years after issuance. The Debt Reform Act limits the maximum term of State-supported bonds, including General Obligation bonds, to 30 years, and the State currently has no bonds outstanding with a remaining final maturity that is more than 30 years.

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

Most General Obligation debt-financed spending in the Capital Plan is authorized under ten previously approved bond acts (five for transportation, four for environmental and recreational programs and one for education purposes). The majority of projected general obligation bond-financed spending supports authorizations for the 2005 Rebuild and Renew New York Bond Act and the \$2 billion Smart Schools Bond Act, which was approved by voters in November 2014. As part of the FY 2021 Enacted Budget, the State authorized the creation of the \$3 billion Restore Mother Nature Bond Act to fund environmental restoration and climate mitigation project across the State. The Budget Director will assess the State's finances and the economic outlook later this year and make a determination as to whether to move forward with any issuance under the bond act if approved by voters. DOB projects that spending authorizations from the remaining bond acts will be virtually depleted by the end of the Capital Plan.

As of March 31, 2020, approximately \$2.1 billion of General Obligation bonds were outstanding. See "Exhibit B — State-Related Bond Authorizations" for information regarding the levels of authorized, authorized but unissued, and outstanding General Obligation debt by bond act.

The State Constitution permits the State to undertake short-term General Obligation borrowings without voter approval in anticipation of the receipt of (i) taxes and revenues, by issuing general obligation tax and revenue anticipation notes (TRANS), and (ii) proceeds from the sale of duly authorized but unissued General Obligation bonds, by issuing bond anticipation notes (BANs). General Obligation TRANS must mature within one year from their date of issuance and cannot be refunded or refinanced beyond such period. However, since 1990, the State's ability to issue general obligation TRANS that mature in the same State fiscal year in which they were issued has been limited due to the enactment of the fiscal reform program which created LGAC. BANs may only be issued for the purposes and within the amounts for which bonds may be issued pursuant to General Obligation authorizations, and must be paid from the proceeds of the sale of bonds in anticipation of which they were issued or from other sources within two years of the date of

issuance or, in the case of BANs for housing purposes, within five years of the date of issuance. In order to provide flexibility within these maximum term limits, the State had previously used the BANs authorization to conduct a commercial paper program to fund disbursements eligible for General Obligation bond financing.

New York Local Government Assistance Corporation

In 1990, as part of a State fiscal reform program, legislation was enacted creating LGAC, a public benefit corporation empowered to issue long-term obligations to fund certain payments to local governments that had been traditionally funded through the State's annual issuance of general obligation TRANs that mature in the same State fiscal year that they are issued ("seasonal borrowing"). The legislation also dedicated revenues equal to one cent of the State's four cent sales and use tax to pay debt service on these bonds. As of July 1995, LGAC had issued State-supported bonds and notes to provide net proceeds of \$4.7 billion, completing the program. The issuance of these long-term obligations is amortized over a period of no more than 30 years from the dates of their original issuance. In FY 2020, the State refunded \$569 million of LGAC bonds into the Sales Tax Revenue Bond Program. Due to the refunding, LGAC bonds are now expected to be fully retired by April 2021. As of March 31, 2020, approximately \$253 million of LGAC bonds were outstanding (excluding Sales Tax Revenue Bonds).

The LGAC legislation eliminated seasonal borrowing except in cases where the Governor and the legislative leaders have certified the need for additional seasonal borrowing, based on emergency or extraordinary factors, or factors unanticipated at the time of adoption of the budget, and provide a schedule for eliminating it over time. Any seasonal borrowing is required by law to be eliminated by the fourth fiscal year after the limit was first exceeded (i.e., no seasonal borrowing in the fifth year). The provision limiting the State's seasonal borrowing practices was included as a covenant with LGAC's bondholders in the General Bond Resolution and General Subordinate Lien Bond Resolution authorizing such bonds. No restrictions were placed upon the State's ability to issue TRANs (issued in one year and maturing in the following year). The State last issued TRANs in this manner in 1992.

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

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

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

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

Debt service payable to certain public authorities from State appropriations for such lease-purchase and contractual obligation financings are paid from general resources of the State. Although these financing arrangements involve a contractual agreement by the State to make payments to a public authority, municipality or other entity, the State's obligation to make such payments is expressly made subject to appropriation by the Legislature and the actual availability of money to the State for making the payments. In FY 2021, the State received authorization as part of the Enacted Budget to enter into up to \$3.0 billion of line of credit facilities supported by a State service contract. The expectation is that the State will use \$1.5 billion of this authorization and will pay off the line of credit by the end of FY 2021. As of March 31, 2020, approximately \$1.5 billion of State-supported lease-purchase and other contractual obligation financings were outstanding.

Legislation first enacted in FY 2011, and extended through June 30, 2023, authorizes the State to set aside moneys in reserve for debt service on general obligation, lease-purchase, and service contract bonds. Pursuant to a certificate filed by the Director of the Budget with the State Comptroller, the Comptroller is required to transfer from the General Fund such reserved amounts on a quarterly basis in advance of required debt service payment dates. The State currently has no plans to issue lease-purchase or other contractual-obligation financings other than the line of credit facility authorized in the Enacted Budget in response to the impact of the COVID-19 pandemic.

Dedicated Highway and Bridge Trust Fund Bonds

DHBTB bonds were issued for State transportation purposes and are backed by dedicated motor fuel, gas and other transportation related taxes and fees, subject to appropriation. As of March 31, 2020, approximately \$1.3 billion of DHBTB bonds were outstanding. The State currently has no plans to issue additional DHBTB bonds, but could in the future if market conditions warrant.

Mental Health Facilities Improvement Bonds

Mental Health Facilities Improvement Bonds were issued to maintain both State and community-based facilities operated and/or licensed by OMH, OPWDD, and OASAS. As of March 31, 2020, approximately \$226 million of Mental Health Facilities Improvement Bonds were outstanding. The State currently has no plans to issue additional Mental Health Facilities Improvement Bonds.

SUNY Dormitory Facilities Bonds

Legislation enacted in 2013 changed the method of paying debt service on outstanding SUNY Dormitory Facilities Lease Revenue Bonds (the "Lease Revenue Bonds") and established a new revenue-based financing credit, the SUNY Dormitory Facilities Revenue Bonds (the "Facilities

Revenue Bonds") to finance the SUNY residence hall program in the future. The Facilities Revenue Bonds, unlike the Lease Revenue Bonds, do not include a SUNY general obligation pledge, thereby eliminating any recourse to the State with respect to the payment of the Facilities Revenue Bonds. The legislation also provided for the assignment of the revenues derived from the use and occupancy of SUNY's dormitory facilities (the "Dormitory Facilities Revenues") for the payment of debt service on both the Lease Revenue Bonds and the Facilities Revenue Bonds from SUNY to DASNY. As a result, annual debt service on the outstanding Lease Revenue Bonds is no longer supported by a State appropriation, except under extraordinary circumstances (i.e., the generation of insufficient Dormitory Facilities Revenues implicating the need for SUNY payments from sources other than Dormitory Facilities Revenues for debt service on the Lease Revenue Bonds). DOB is not aware of any such extraordinary circumstance having ever occurred in the past and does not anticipate that it would occur in the future. However, since the outstanding Lease Revenue Bonds were incurred as State-supported debt, until these are defeased or are paid off to maturity, DOB will continue to count these bonds as outstanding State-supported debt for purposes of the Debt Reform Act caps and has included these bonds as State-supported debt in all figures, tables and charts. Annual debt service related to the Lease Revenue Bonds was \$32 million in FY 2020. As of March 31, 2020, approximately \$47.5 million of Lease Revenue Bonds were outstanding. Annual debt service payments on the remaining Lease Revenue Bonds is projected to be \$20.9 million in FY 2021, \$16.8 million in FY 2022, \$7.4 million in FY 2023, \$2.2 million in FY 2024, and \$0.1 million in FY 2025.

State-Related Debt Outstanding

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

Contingent-Contractual Obligation Financing

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

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to issue debt. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State Medical Care Facilities Financing Agency (MCFFA) and by DASNY through the Secured Hospital Program. In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. The bankruptcy and deteriorating financial conditions of certain hospitals in the Secured Hospital

Program resulted in the State paying approximately \$32 million of the \$38 million of total debt service payments in FY 2020. The remainder was paid by the hospitals consistent with the original intent of the program. As of March 31, 2020, there was approximately \$135 million of bonds outstanding for this program. See “Financial Plan Overview — Other Matters Affecting the Financial Plan — Secured Hospital Program” herein for more information.

Moral Obligation Financings

Moral obligation financing generally involves the issuance of debt by a public authority to finance a revenue producing project or other activity. The debt is secured, in the first instance, by project revenues, but includes statutory provisions requiring the State, subject to appropriation by the Legislature, to make up any deficiencies which may occur in the issuer’s debt service reserve fund. There has never been a payment default on any moral obligation debt of any public authority of the State. DOB does not expect the State to increase statutory authorizations for moral obligation bond programs. From 1976 through 1987, the State was called upon to appropriate and make payments totaling \$162.8 million to make up deficiencies in the debt service reserve funds of HFA pursuant to moral obligation provisions. In the same period, the State also expended additional funds to assist the Project Finance Agency, Urban Development Corporation (UDC) and other public authorities which had moral obligation debt outstanding. The State has not been called upon to make any payments pursuant to any moral obligations since FY 1987 and no such requirements are anticipated during FY 2020. As of March 31, 2020, all of moral obligation debt was paid off.

State-Guaranteed Financings

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

Other State Financings

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

Borrowing Plan

STATE DEBT ISSUANCES BY FINANCING PROGRAM (millions of dollars)						
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Personal Income Tax Revenue Bonds	3,403	5,433	5,156	4,496	4,477	3,983
Sales Tax Revenue Bonds	1,424	0	1,719	1,499	1,493	1,328
General Obligation Bonds	0	848	488	513	413	390
Personal Income Tax Notes ¹		3,000				
Service Contract Line of Credit	0	1,500	0	0	0	0
Total Issuances	4,827	10,781	7,363	6,508	6,383	5,701

¹ Personal Income Tax Notes will be issued on a subordinated basis.

Debt issuances totaling \$6.3 billion are planned to finance new capital project spending in FY 2021, an increase of \$1.5 billion (30 percent) from FY 2020. It is anticipated that the State will finance these capital projects through PIT Revenue Bonds and General Obligation bonds in FY 2021. The State also expects to issue \$4.5 billion in liquidity financings, consisting of approximately \$3 billion of subordinated PIT notes and a \$1.5 billion draw on a line of credit facility as authorized in the Enacted Budget.

The bond issuances are expected to finance capital commitments for education (\$1.6 billion), transportation (\$2.8 billion), economic development and housing (\$2.5 billion), health and mental hygiene (\$914 million), State facilities and equipment (\$517 million), and the environment (\$935 million).

Over the period of the Capital Plan, new debt issuances are projected to total \$35.2 billion, excluding liquidity financings. New issuances are expected for education facilities (\$6.1 billion), transportation infrastructure (\$10.8 billion), economic development and housing (\$9.4 billion), mental hygiene and health care facilities (\$3.5 billion), State facilities and equipment (\$2.0 billion), and the environment (\$3.6 billion). Assuming an issuance plan consistent with the prior table, and excluding liquidity financings which are expected to be repaid by the end of FY 2021, the State projects debt outstanding levels through FY 2025 as reflected in the following table:

PROJECTED DEBT OUTSTANDING BY CREDIT (millions of dollars)						
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Personal Income Tax Revenue Bonds	37,118	43,257	45,823	47,526	49,077	49,925
Sales Tax Revenue Bonds	11,542	10,716	11,730	12,525	13,361	14,020
General Obligation Bonds	2,132	2,815	3,111	3,425	3,631	3,768
Local Government Assistance Corp.	253	90	0	0	0	0
Other Revenue Bonds	1,687	1,218	1,077	945	825	699
Service Contract & Lease Purchase	1,475	1,182	1,032	891	725	565
TOTAL STATE-SUPPORTED	54,207	59,278	62,773	65,312	67,619	68,977

State-Related Debt Service Requirements

The following table presents the current and projected debt service (principal and interest) requirements on State-related debt. State-related debt service is projected at \$10.4 billion in FY 2021, an increase of \$5.4 billion (109 percent) from FY 2020. This is due, in large part, to the liquidity financings and prepayment of FY 2021 debt in FY 2020. The State is contractually required to make debt service payments prior to bondholder payment dates in most instances and may also elect to make payments earlier than contractually required. The State expects to use three principal bonding programs -- Personal Income Tax Revenue Bonds, Sales Tax Revenue Bonds, and General Obligation Bonds -- to fund all bond-financed capital spending.

ESTIMATED DEBT SERVICE REQUIREMENTS ON EXISTING STATE-RELATED DEBT BY CREDIT STRUCTURE ¹							
(millions of dollars)							
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Total
Personal Income Tax Revenue Bonds	2,368	4,096	5,035	5,411	5,554	5,575	28,039
Sales Tax Revenue Bonds	956	1,158	1,236	1,278	1,279	1,359	7,266
General Obligation Bonds	483	241	230	213	195	215	1,577
Local Government Assistance Corporation	301	82	0	0	0	0	383
Other State-Supported Bonds ²³	808	260	437	456	522	536	3,019
All Other State-Related Bonds ³⁴	46	46	46	31	0	0	169
Personal Income Tax Notes ⁴⁵	0	3,000	0	0	0	0	3,000
Service Contract Line of Credit ⁵	0	1,500	0	0	0	0	1,500
Total Debt Service	4,962	10,383	6,984	7,389	7,550	7,685	44,953

¹ Reflects existing debt service on debt issued as of March 31, 2020 and projected debt service on assumed new debt issuances. Estimated debt service requirements are calculated based on swap rates in effect for all bonds that were synthetically fixed under an interest rate exchange agreement. Debt service requirements for variable rate bonds for which there are no related interest rate exchange agreements were calculated at assumed rates, which average 2.80%.

² Debt service in the Secured Hospital Program that is assumed to be paid by the State is captured in Other State-Supported Bonds.

³ Excludes Mortgage Loan Commitments and Capital Leases

⁴ Personal Income Tax Notes will be issued on a subordinated basis.

⁵ Interest on liquidity financings is expected to be reimbursed by Federal aid from the Coronavirus Relief Fund established by the CARES

Adjusting for prepayments and excluding the liquidity borrowings, State-related debt service is projected at \$6.3 billion in FY 2021 an increase of \$352 million (6 percent) from FY 2020. Adjusted State-related debt service is projected to increase from \$6.0 billion in FY 2020 to \$7.7 billion in FY 2025, an average rate of 5.1 percent annually.

Interest Rate Exchange Agreements and Variable Rate Obligations

Chapter 81 of the Laws of 2002 authorized issuers of State-supported debt to issue a limited amount of variable rate debt instruments and to enter into a limited amount of interest rate exchange agreements. The current limit on debt instruments which result in a net variable rate exposure (i.e., both variable rate debt and interest rate exchange agreements) is no more than 15 percent of total outstanding State-supported debt. Interest rate exchange agreements are also limited to a total notional amount of no more than 15 percent of total outstanding State-supported debt. The outstanding State-supported debt of \$54.2 billion as of March 31, 2020 results in a cap on variable rate exposure and a cap on interest rate exchange agreements of about \$8.1 billion each (15 percent of total outstanding State-supported debt). As discussed below, as of March 31, 2020, both the amount of outstanding variable rate debt instruments and interest rate exchange agreements were less than the authorized totals of 15 percent of total outstanding State-supported debt.

Interest Rate Exchange Agreements

As of March 31, 2020, the State's Authorized Issuers have a notional amount of \$952 million in interest rate exchange agreements. The following table shows the amount of outstanding interest rate exchange agreements subject to the statutory cap. Overall, the State's swap exposure is expected to decline from 1.8 percent in FY 2020 to 0.8 percent in FY 2025.

INTEREST RATE EXCHANGE CAP (millions of dollars)						
	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Interest Rate Exchange Cap	8,131	8,892	9,416	9,797	10,143	10,347
Notional Amounts of Interest Rate Exchange Agreements	952	816	772	715	626	526
Percent of Interest Rate Exchange Agreements to Debt Outstanding	1.8%	1.4%	1.2%	1.1%	0.9%	0.8%

Currently the State's swaps portfolio is comprised of synthetic fixed rate swaps. A synthetic fixed swap includes two separate transactions: (i) a variable rate bond is sold to bondholders, and (ii) an interest rate exchange agreement between the State and a counterparty is executed. The interest rate exchange agreement results in the State paying a fixed interest rate (i.e., synthetic fixed rate) to the counterparty and the counterparty agrees to pay the State a variable rate (65 percent of LIBOR for all State swaps). The variable rate the State pays to bondholders and the variable rate the State is receiving from the counterparty offset each other, leaving the State with the synthetic fixed rate payment. The synthetic fixed rate was less than the fixed rate the State would have paid to issue traditional fixed rate bonds at that time.

In July 2017, it was announced that LIBOR would be phased out by 2021. The State is evaluating its options to transition its swaps prior to that time.

The State has no plans to increase its swap exposure.

Variable Rate Exposure

The State's net variable rate exposure (including a policy reserve) is projected to average 0.6 percent of outstanding debt from FY 2020 through FY 2025. The debt that is counted against the variable rate cap represents the State's unhedged variable rate bonds. The variable rate bonds that are issued in connection with a swap are not included in the variable rate cap.

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

VARIABLE RATE EXPOSURE CAP (millions of dollars)						
	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
Variable Rate Exposure Cap	8,131	8,892	9,416	9,797	10,143	10,347
Current Unhedged Variable Rate Obligations	97	90	90	90	90	85
Additional Planned Variable Rate Exposure	0	0	0	0	0	0
Total Net Variable Rate Exposure	97	90	90	90	90	85
Net Variable Rate Exposure to Debt Outstanding	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%
Current Policy Reserve for LIBOR Swaps	333	286	270	250	219	184
Net Variable Rate Exposure (with Policy Reserve)	430	375	360	340	309	269
Net Variable Rate Exposure (with Policy Reserve) to Debt Outstanding	0.8%	0.6%	0.6%	0.5%	0.5%	0.4%

State Bond Caps and Debt Outstanding

Bond caps are legal authorizations to issue bonds to finance the State's capital projects. As the bond cap for a particular programmatic purpose is reached, subsequent legislative changes are required to raise the statutory cap to the level necessary to meet the bondable capital needs, as permitted by a single or multi-year appropriation. In the Enacted Budget, statutory bond authorizations on State-supported debt were raised by \$10.4 billion across multiple programmatic purposes. The bonded indebtedness (and related capital spending) from the new authorizations is expected to occur over many years, and is counted against the State's statutory debt caps only when bonds are actually issued.

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

For More Information

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

Authorities and Localities

Public Authorities

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

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

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

As of December 31, 2019, (with respect to Job Development Authority or “JDA” as of March 31, 2019) each of the 17 authorities listed in the following table had outstanding debt of \$100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately \$201 billion, only a portion of which constitutes State-supported or State-related debt. Note that the outstanding debt information contained in the following table is the most current information provided by OSC from data submitted by the 17 authorities in the following table at the time of this AIS Update.

OUTSTANDING DEBT OF CERTAIN AUTHORITIES (1)			
AS OF DECEMBER 31, 2019 (2)			
(millions of dollars)			
Authority	State-Related Debt	Authority and Conduit	Total Debt
Dormitory Authority	34,371	21,698	56,069
Metropolitan Transportation Authority	0	34,860	34,860
Port Authority of NY & NJ	0	26,279	26,279
Housing Finance Agency	35	17,629	17,664
UDC/ESD	14,790	1,067	15,857
Job Development Authority (2)	0	11,532	11,532
Triborough Bridge and Tunnel Authority	0	8,684	8,684
Long Island Power Authority (3)	0	8,091	8,091
Thruway Authority	2,403	5,532	7,935
Environmental Facilities Corporation	16	5,891	5,907
State of New York Mortgage Agency	0	2,825	2,825
Energy Research and Development Authority	0	1,631	1,631
Power Authority	0	1,230	1,230
Battery Park City Authority	0	905	905
Local Government Assistance Corporation	822	0	822
Municipal Bond Bank Agency	104	142	246
Niagara Frontier Transportation Authority	0	152	152
TOTAL OUTSTANDING	52,541	148,148	200,689

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

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

(2) All Job Development Authority (JDA) debt outstanding reported as of March 31, 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.

(3) Includes \$4.01 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

There have been severe financial and other adverse impacts on localities throughout the State, but particularly on New York City and the surrounding counties as the epicenter of the COVID-19 pandemic. No attempt is made in this AIS to assess, at this time, the financial and healthcare impacts on the State's localities.

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

The City of New York

The fiscal demands on the State may be affected by the fiscal condition of New York City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of New York City, and its related issuers, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and its related issuers is available by contacting Jason Goh, Investor Relations, (212) 788-5864, or contacting the City Office of Management and Budget, 255 Greenwich Street, 8th Floor, New York, NY 10007. The official financial disclosures of the City of New York and its related issuers can also be accessed through the EMMA system website at www.emma.msrb.org. The State assumes no liability or responsibility for any financial information reported by the City of New York. The following table summarizes the debt of New York City and its related issuers.

DEBT OF NEW YORK CITY AND RELATED ENTITIES (1) AS OF JUNE 30 OF EACH YEAR (millions of dollars)							
Year	General Obligation Bonds	Obligations of TFA (1)	Obligations of STARC Corp. (2)	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other Obligations (3)	Total
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
2019	37,519	46,624	1,721	1,053	2,724	1,901	91,542

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, 80 Maiden Lane, Suite 402, 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 29 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 35 local governments (8 counties, 12 cities, 7 towns and 8 villages) and 26 school districts have been placed in a stress category by OSC based on financial data for their fiscal years ending in 2018. 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 2018.

DEBT OF NEW YORK LOCALITIES⁽¹⁾ (millions of dollars)						
Locality Fiscal Year Ending	Combined New York City Debt⁽²⁾		Other Localities Debt⁽³⁾		Total Locality Debt⁽³⁾	
	Bonds	Notes	Bonds⁽⁴⁾	Notes⁽⁴⁾	Bonds⁽³⁾⁽⁴⁾	Notes⁽⁴⁾
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,093	4,470	58,337	4,985
2010	69,536	0	36,110	7,369	105,646	7,369
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
2018	89,668	0	35,855	5,737	125,523	5,737

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

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

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

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

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

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

State Government Employment

As of March 31, 2020, the State had approximately 183,700 FTE annual salaried employees funded from all funds including some part-time and temporary employees, independently-elected agencies and university systems, but excluding seasonal, legislative and judicial employees. The workforce is now substantially smaller than it was in 1990, when it peaked at approximately 230,000 positions. The State workforce is projected to total 184,059 positions at the end of FY 2021. The State workforce subject to direct Executive control is expected to total 118,850 full time equivalent positions at the end of FY 2021.

HISTORICAL SUMMARY OF EXECUTIVE BRANCH WORKFORCE		
ANNUAL SALARIED FTEs		
ALL FUNDS		
Date	Subject to Direct Executive Control	Grand Total
3/31/2008	137,707	195,266
3/31/2009	136,517	195,347
3/31/2010	131,741	191,195
3/31/2011	125,787	183,921
2/29/2012*	119,579	179,598
3/31/2013	119,756	180,802
3/31/2014	118,492	180,041
3/31/2015	117,807	179,620
3/31/2016	117,862	180,220
3/31/2017	117,907	181,436
3/31/2018	117,397	181,599
3/31/2019	117,967	182,799
3/31/2020	118,193	183,715

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

WORKFORCE SUMMARY			
ALL FUNDS			
FY 2019 THROUGH FY 2021			
	FY 2019	FY 2020	FY 2021
	Actuals	Actuals	Estimate
	(03/31/19)	(03/31/20)	(03/31/21)
Major Agencies			
Children and Family Services, Office of	3,008	2,889	2,856
Corrections and Community Supervision, Department of	29,117	28,651	27,556
Education Department, State	2,606	2,680	2,692
Environmental Conservation, Department of	2,996	3,017	3,162
Financial Services, Department of	1,342	1,329	1,391
General Services, Office of	1,803	1,844	1,975
Health, Department of	4,715	4,813	5,679
Information Technology Services, Office of	3,566	3,423	3,451
Labor, Department of	2,838	2,770	2,987
Mental Health, Office of	13,856	13,929	13,692
Motor Vehicles, Department of	2,363	3,025	2,815
Parks, Recreation and Historic Preservation, Office of	2,010	2,035	2,063
People with Developmental Disabilities, Office for	19,037	18,984	18,590
State Police, Division of	5,784	5,785	5,741
Taxation and Finance, Department of	3,806	3,787	4,085
Temporary and Disability Assistance, Office of	1,995	1,922	1,987
Transportation, Department of	8,442	8,487	8,520
Workers' Compensation Board	1,044	1,081	1,109
Subtotal - Major Agencies	110,328	110,451	110,351
Minor Agencies	7,639	7,742	8,499
Subtotal - Subject to Direct Executive Control	117,967	118,193	118,850
University Systems			
City University of New York	13,806	13,797	13,730
State University Construction Fund	142	141	141
State University of New York	46,448	47,085	46,836
Subtotal - University Systems	60,396	61,023	60,707
Independently Elected Agencies			
Audit and Control, Department of	2,610	2,698	2,663
Law, Department of	1,826	1,801	1,839
Subtotal - Independently Elected Agencies	4,436	4,499	4,502
Grand Total	182,799	183,715	184,059
Source: NYS DOB, as provided with the FY 2021 Enacted Budget Report published in May 2020.			

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.

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. 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, 2018 was submitted on March 9, 2020.

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

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

Contributions and Funding

Contributions to the System are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 were required to contribute 3 percent of their salaries. A statutory change in 2000, however, limited the contributions to the first 10 years of membership, but did not authorize refunds where contributions had already exceeded 10 years. All ERS members joining after 2009 and prior to April 1, 2012, and all PFRS members joining after January 9, 2010 and prior to April 1, 2012, are members of Tier 5. All Tier 5 ERS members and 88 percent of the Tier 5 PFRS members are required to contribute 3 percent of their salaries for their career. Members joining on or after April 1, 2012 are in Tier 6, and are required to pay contributions throughout their career on a stepped basis relative to each respective member’s wages.²¹ 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.²²

²¹ Less than 1 percent of the 10,942 PFRS Tier 6 members are non-contributory.

²² 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.

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 2020 was approximately \$2.305 billion. The State opted not to amortize under the Contribution Stabilization Program and paid the bill in full as of March 1, 2020.

The estimated total State payment (including Judiciary) due to NYSLRS for FY 2021 is approximately \$2.349 billion. Several prepayments (including interest credit) have reduced this amount by \$44.8 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.²³ 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.²⁴

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

²³ On February 10, 2020, the State Comptroller announced that the System's estimated time-weighted return (gross of certain investment fees) for the third quarter of the 2019-2020 fiscal year was 5.28 percent for the three-month period ended December 31, 2019, with an estimated value of \$225.9 billion. This reflects unaudited data for the invested assets of the System. The value of the invested assets changes daily.

²⁴ 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.²⁵

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.

²⁵ 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 ⁽¹⁾ (millions of dollars)					
Fiscal Year Ended	Contributions Recorded				Total Benefits Paid ⁽³⁾
	All Participating Employers ⁽¹⁾⁽²⁾	Local Employers ⁽¹⁾⁽²⁾	State ⁽¹⁾⁽²⁾	Employees	
March 31					
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.

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

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

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

NET POSITION RESTRICTED FOR PENSION BENEFITS OF THE NEW YORK STATE AND LOCAL RETIREMENT SYSTEM ⁽¹⁾ (millions of dollars)		
Fiscal Year Ended	Net Assets	Percent Increase/ (Decrease)
March 31		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.

(1) 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

- 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 139-147 of the NYSLRS CAFR at the link noted above.
- 5) A table with the market value of assets, actuarial value of assets and actuarial accrued liability of the CRF since 2008 can be found on page 148 of the NYSLRS CAFR at the link noted above.
- 6) Information related to the salaries of members can be found on pages 181-185 of the NYSLRS CAFR at the link noted above.

Litigation

General

The legal proceedings listed below involve State finances and programs and other claims in which the State is a defendant and the potential monetary claims against the State are deemed to be material, meaning in excess of \$100 million or involving significant challenges to or impacts on the State's financial policies or practices. As explained below, these proceedings could adversely affect the State's finances in FY 2021 or thereafter. The State intends to describe newly initiated proceedings that the State deems to be material and existing proceedings that the State has subsequently deemed to be material, as well as any material and adverse developments in the listed proceedings, in quarterly updates and/or supplements to this AIS.

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

The State is party to other claims and litigation, with respect to which its legal counsel has advised that it is not probable that the State will suffer adverse court decisions, or which the State has determined do not, considered on a case by case basis, meet the materiality threshold described in the first paragraph of this section. Although the amounts of potential losses, if any, resulting from these litigation matters are not presently determinable, it is the State's position that any potential liability in these litigation matters is not expected to have a material and adverse effect on the State's financial position in FY 2021 or thereafter. The Basic Financial Statements for FY 2020, which OSC expects to issue by July 29, 2020, are expected to report possible and probable awards and anticipated unfavorable judgments against the State.

Adverse developments in the proceedings described below; other proceedings for which there are unanticipated, unfavorable and material judgments; or the initiation of new proceedings could affect the ability of the State to maintain a balanced FY 2021 Financial Plan. The State believes that the Financial Plan includes sufficient reserves to offset the costs associated with the payment of judgments that may be required during FY 2021. These reserves include (but are not limited to) amounts appropriated for Court of Claims payments and projected fund balances in the General Fund. In addition, any amounts ultimately required to be paid by the State may be subject to settlement or may be paid over a multi-year period. There can be no assurance, however, that adverse decisions in legal proceedings against the State would not exceed the amount of all potential Enacted Budget resources available for the payment of judgments, and could therefore adversely affect the ability of the State to maintain a balanced Financial Plan.

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

Real Property Claims

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

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

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe's land claim. The land claim has been stayed by the Second Circuit through at least August 12, 2020 to allow for settlement negotiations. The district court has extended the stay until June 30, 2020, 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 April 17, 2020, a deadline that has been indefinitely suspended until further court directive during the unprecedented COVID-19 public health emergency.

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) fact discovery completed by June 16, 2020; 2) expert discovery to be completed by August 14, 2020; 3) note of issue due by August 21, 2020; and 4) summary of judgment motions due 60 days after note of issue. The parties have not yet completed depositions of defendants, and they expect to extend these deadlines due to the global health crisis.

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. On October 17, 2019, the individual plaintiff from Gouverneur voluntarily discontinued his claim. Central Islip and Gouverneur are no longer subjects of the 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 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, and those appeals were consolidated. Two of the three sets of appellants in *Brown v. Cuomo* are represented by the same counsel and have filed a single set of briefs.) 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*, No. 18-3193 [2d Cir.]) was filed February 4, 2019, and plaintiffs in the other cases filed supplemental briefs by March 6, 2019. Defendants' brief responding to all twelve briefs of appellants was filed on July 8, 2019. Plaintiffs' reply briefs were filed on or about August 7, 2019. Both sides requested oral argument in each of the twelve appeals. Oral argument in the Second Circuit is expected to be held on June 22, 2020.

***Exhibit A to AIS - Selected State
Government Summary***

State Government Organization

The State has a centralized administrative system with most executive powers vested in the Governor. The State has four officials elected in statewide elections, the Governor, Lieutenant Governor, Comptroller and Attorney General. These officials serve four-year terms that next expire on December 31, 2022.

<u>Name</u>	<u>Office</u>	<u>Party Affiliation</u>	<u>First Elected</u>
Andrew M. Cuomo	Governor	Democrat	2010
Kathleen C. Hochul	Lieutenant Governor	Democrat	2014
Thomas P. DiNapoli	Comptroller	Democrat	2007
Letitia James	Attorney General	Democrat	2018

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

The State Legislature is presently composed of a 63-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2020. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current Leader of the Senate is President Pro Tempore and Majority Leader Andrea Stewart-Cousins (Democrat). Carl Heastie (Democrat) is the Speaker of the Assembly. The minority leaders are John Flanagan (Republican) in the Senate and William Barclay (Republican) in the Assembly.

Appropriations and Fiscal Controls

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

Disbursements from State funds are limited to the level of authorized appropriations. Disbursements from Federal funds must be appropriated in accordance with appropriate legal authority, are limited to the amounts anticipated from Federal programs and may not be made in the absence of appropriate certifications from the Director of the Budget. Generally, most State contracts for disbursements in excess of \$50,000 (or \$85,000 in the case of the Office of General Services) require prior approval by the Comptroller. Certain contracts, primarily of SUNY and CUNY, and those established as a centralized contract through the Office of General Services, are not subject to approval by the Comptroller by law, but are subject to Comptroller review under a Memorandum of Understanding agreed to with the Executive in 2019. In most cases, State agency contracts depend upon the existence of an appropriation and the availability of that appropriation as certified by the Director of the Budget. The Budget Director must review all applications for State participation in continuing grant- or contract-supported programs, with specified exceptions. Certain legislative leaders have the opportunity to make recommendations on the applications. In addition, the Comptroller has the discretion to identify and review certain public authority contracts valued at \$1.0 million or greater that are either awarded without competition or which are paid using State-appropriated funds.

Appropriations may be increased or decreased in accordance with statutory authority under certain circumstances by transfer, interchange or otherwise. In addition, appropriations may be increased or decreased by statutory amendment or by supplemental appropriations. Moneys or other financial resources from one fund may also be loaned to another fund where there is specific statutory authorization to do so. In addition, moneys or other financial resources of a fund may be temporarily loaned to the General Fund, but only if such loan is repaid in full within four months, or the end of the fiscal year, whichever occurs first. Pursuant to authority contained in most State operations appropriations for FY 2020, the Director of the Budget is also allowed to interchange, transfer, or suballocate such appropriation authority to other agencies in order to achieve the consolidation and realignment of certain State operations.

In addition, the Governor has traditionally exercised substantial authority in administering the State Financial Plan by limiting certain disbursements after the Legislature has enacted appropriation bills and revenue measures. The Governor may, primarily through DOB, limit certain spending by State departments, and delay construction projects to control disbursements using the Director of the Budget's certification process. If DOB identifies a potential General Fund budget imbalance of \$500 million or more in then-current year, then the Director of the Budget may also transmit a plan to the Legislature which identifies specific appropriations and cash disbursements to be reduced, in response to which the Legislature has 30 days to either adopt their own plan for eliminating the imbalance or the Director of the Budget's plan takes effect automatically. An important limitation of the Governor's ability to restrict disbursements is that local assistance payments, which typically

make up close to 70 percent of General Fund disbursements (including operating transfers to other funds), are generally mandated by statute. The State Court of Appeals has held that, even in an effort to maintain a balanced Financial Plan, neither the Governor nor the Director of the Budget has the authority to refuse to make a local assistance disbursement mandated by law.

Investment of State Moneys

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

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

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

The State Comptroller repays loans from the first cash receipts into the borrowing fund or account. Fund balances outside the General Fund are presented on a net basis, i.e., they are reduced by the amount of outstanding temporary loans from STIP. Some sources of the State's temporary loans include timing-related delays in the receipt from Federal funds and the sale of bonds used to finance capital projects, and unreimbursed costs related to the Office of Information Technology Services (ITS) Internal Service Funds. The total outstanding balance of loans from STIP at March 31, 2020 was \$5.843 billion, an increase of \$438 million from the outstanding loan balance of \$5.405 billion at March 31, 2019.

Accounting Practices, Financial Reporting and Budgeting

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

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

***Exhibit B to AIS -
State-Related Bond Authorizations***

Exhibit B - State Related Bond Authorizations

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

STATE-RELATED DEBT					
FY 2021 BOND CAPS AND DEBT OUTSTANDING					
(millions of dollars) ⁽¹⁾					
Type of Cap	Program	FY 2021 Bond Caps	Authorized But Unissued ⁽²⁾	Debt Outstanding ⁽³⁾	As of 3/31/20
(Gross or Net)*					
Education:					
Gross	SUNY Educational Facilities (4)	14,742	1,722	9,686	
Net	SUNY Dormitory Facilities (5)	1,561	68	48	
Net	SUNY Upstate Community Colleges (5)	1,052	179	866	
Gross	CUNY Educational Facilities (6)	9,223	1,312	5,062	
Net	State Ed Department Facilities (7)	0	0	29	
Net	SUNY Athletic Facilities	22	0	4	
Net	University Facilities (Jobs 2000)	48	1	0	
Net	School District Capital Outlay Grants	140	40	0	
Net	Judicial Training Institute	16	0	0	
Net	Transportation Transition Grants	80	12	0	
Net	Higher Education Capital Matching Grants	300	148	15	
Net	EXCEL	2,600	39	1,567	
Net	Library Facilities	265	57	112	
Net	Cultural Education Storage Facilities	79	69	0	
Net	State Longitudinal Data System	20	10	0	
Net	SUNY 2020 Challenge Grants	660	485	128	
Net	Private Special Education	155	152	3	
Environment:					
Net	Environmental Infrastructure Projects (8)	6,374	4,197	1,465	
Net	Hazardous Waste Remediation	2,200	1,028	791	
Net	Riverbank State Park	78	18	17	
Net	Water Pollution Control (SRF)	980	128	174	
Net	Pipeline for Jobs (Jobs 2000)	34	2	0	
Net	Pilgrim Sewage Plant	11	0	0	
State Facilities:					
Net	Empire State Plaza	133	13	0	
Net	State Capital Projects (Attica)	200	0	20	
Net	Division of State Police Facilities	323	169	122	
Net	Division of Military & Naval Affairs	157	131	25	
Net	Alfred E. Smith Building	89	0	18	
Net	Sheridan Ave. (Elk St.) Parking Garage	25	0	7	
Net	State Office Buildings and Other Facilities	1,116	574	391	
Net	Judiciary Improvements	38	1	8	
Net	OSC State Buildings	52	0	14	
Net	Albany Parking Garage (East)	41	0	14	
Net	OGS State Buildings and Other Facilities (9)	165	51	53	
Net	Equipment Acquisition (COPs) (10)	784	106	6	
Net	Food Laboratory	41	1	30	
Net	OFT Facilities	21	18	2	
Net	Courthouse Improvements	76	0	41	
Gross	Prison Facilities	8,817	1,334	3,995	
Net	Homeland Security	314	135	111	
Gross	Youth Facilities	840	338	215	
Net	Storm Recovery Capital	450	450	0	
Net	Information Technology	830	388	359	
Net	Nonprofit Infrastructure Capital Investment Program	120	70	43	
Net	Statewide Equipment	193	193	0	
Health/Mental Hygiene:					
Net	Department of Health Facilities (inc. Axelrod)	495	3	129	
Gross	Mental Health Facilities	9,927	1,924	3,584	
Net	HEAL NY Capital Program	750	95	198	
Net	Capital Restructuring Program	3,050	2,629	368	
Transportation:					
Gross	Consolidated Highway Improvement Program (CHIPS)	11,350	1,887	4,466	
Net	Dedicated Highway & Bridge Trust	16,500	1,157	5,829	
Net	High Speed Rail	22	14	6	
Net	Albany County Airport	40	1	0	
Net	Transportation Initiatives	6,942	4,687	2,013	
Net	MTA Transportation Facilities	2,180	728	1,321	
N/A	MTA Service Contract	2,005	0	1,260	
Net	Transportation (TIFIA)	750	750	0	

Exhibit B - State Related Bond Authorizations

STATE-RELATED DEBT FY 2021 BOND CAPS AND DEBT OUTSTANDING (millions of dollars) ⁽¹⁾				
Type of Cap		FY 2021	Authorized	Debt
(Gross or Net)*	Program	Bond Caps	But Unissued ⁽²⁾	Outstanding ⁽³⁾ As of 3/31/20
Economic Development:				
Gross	Housing Capital Programs	6,532	3,052	1,427
Net	Community Enhancement Facilities (CEFAP)	424	37	9
Net	University Technology Centers (incl. HEAT) (11)	248	13	0
Net	Sports Facilities	145	0	2
Net	Child Care Facilities	30	1	0
Net	Bio-Tech Facilities	10	10	0
Net	Strategic Investment Program	216	13	9
Net	Regional Economic Development (Fund 002) (12)	1,190	38	86
Net	NYS Economic Development (2004) (13)	346	0	76
Net	Regional Economic Development (2004) (14)	243	201	8
Net	High Technology and Development	249	64	39
Net	Regional Economic Development/SPUR	90	13	14
Net	Buffalo Inner Harbor	50	0	25
Net	Jobs Now	14	1	0
Net	Economic Development 2006 (Various) (15)	2,310	256	915
Net	Javits Convention Center	1,350	1,350	0
Net	Queens Stadium (Mets)	75	0	25
Net	Bronx Stadium (Yankees)	75	0	14
Net	NYS Ec Dev Stadium Parking (06)	75	69	4
Net	State Modernization Projects (RIOCC Tram, etc.)	50	15	0
Net	Int. Computer Chip Research and Dev. Center	300	0	7
Net	2008 and 2009 Economic Development Initiatives	1,269	125	339
Net	H.H. Richardson Complex/Darwin Martin House	84	0	45
Net	Economic Development Initiatives	10,335	6,183	3,262
Net	State and Municipal Facilities	2,799	2,126	521
LGAC	Net Local Government Assistance Corporation	4,700	0	635
GO	Gross General Obligation	18,935	2,454	2,131
Total State-Supported Debt		161,618	43,536	54,207
Other State Financings:				
	MBBA Special Purpose School Aid Bonds			104
	Capital Lease and Mortgage Loan Commitments (16)			529
	Other (17)			135
Total State-Related Debt (18)				54,975
Totals may not add due to rounding.				
* Gross caps include cost of issuance fees. Net caps do not.				
Source: NYS DOB				
⁽¹⁾ Includes only authorized programs that are active at March 31, 2020 or have outstanding program balances or both.				
⁽²⁾ Amounts issued may exceed the stated amount authorized by premiums, by providing for the cost of issuance, reserve fund requirements and, in certain circumstances, refunding bonds. In some cases, Authorized but Unissued bond cap amounts have been reduced by the higher of (i) net bond proceeds available to fund program, or (ii) par amount of bonds issued.				
⁽³⁾ Reflects par amounts outstanding for bonds and financing arrangements or gross proceeds outstanding in the case of capital appreciation bonds. Amounts do not reflect accretion of capital appreciation bonds or premiums received.				
⁽⁴⁾ Authorization also includes any amount necessary to refund outstanding Housing Finance Agency State University Construction Bonds, all of which have been refunded.				
⁽⁵⁾ Authorization applies to bonds issued after March 31, 2002, prior to that date there was no limit.				
⁽⁶⁾ The amount outstanding includes CUNY Community Colleges bonds for which the State pays debt service. The total amount authorized for CUNY Senior Colleges was unlimited for resolutions adopted prior to 7/1/85 and limited to \$8.315 billion for both CUNY Senior and CUNY Community Colleges for resolutions adopted after 7/1/85.				
⁽⁷⁾ Legislation enacted in May 2002 prohibits further issuance of bonds for this purpose, except for refunding purposes.				
⁽⁸⁾ Includes bonds issued for West Valley, DEC Environmental Infrastructure Projects, Environmental Protection Fund, Onondaga Lake, and the Office of Parks and Recreation and Historic Preservation.				
⁽⁹⁾ Includes debt outstanding for OGS Buildings: 44 Holland Ave., 50 Wolf Rd., 625 Broadway Ave., Hampton Plaza, and DOT Region 1.				
⁽¹⁰⁾ Authorized amounts includes Certificates of Participation, which have been issued as bonds after March 31, 2003.				
⁽¹¹⁾ Includes authorizations for Science and Technology Center (Syracuse), Super Computer Center (Cornell), Center for Telecommunications (Columbia), HEAT, Center for Industrial Innovation (City of Troy), Center for Advanced materials (Clarkson), Center for Electro-Optic (Rochester), Center for Neural Sciences (NYU) and Center for Incubator Facilities.				
⁽¹²⁾ Includes bonds issued for Community Capital Assistance Program (CCAP), Rebuilding the Empire State Through Opportunities in Regional Economies Program (RESTORE), Empire Opportunity Fund (EOF), Generating Employment Through New York Science Program (Gen*NY*sis), Multi-Modal Transportation Program, and Center of Excellence Program (Laws of 2002).				
⁽¹³⁾ Includes bonds to be issued for economic development projects outside cities of 1 million or more in population.				
⁽¹⁴⁾ Includes bonds issued for the EOF, RESTORE and CCAP.				
⁽¹⁵⁾ Includes bonds to be issued for economic development and environmental projects.				
⁽¹⁶⁾ Estimated.				
⁽¹⁷⁾ Includes bonds issued for Secured Hospital Program and HFA Moral Obligation Bonds.				
⁽¹⁸⁾ Capital leases and mortgage loan commitments are included in all figures and references to State-related debt in this AIS unless otherwise specifically noted.				

STATE GENERAL OBLIGATION DEBT ¹ as of March 31, 2020 (In Millions)			
Purpose/Year Authorized	Total Authorized	Authorized but Unissued	Total Debt Outstanding ²
Transportation Bonds:			
Rebuild and Renew New York Transportation Bonds (2005)			
Highway Facilities/Other Transportation (Excluding MTA)			
Highway Facilities	Note 3	Note 3	\$ 601
Mass Transit - DOT	Note 3	Note 3	12
Rail & Port	Note 3	Note 3	93
Canals & Waterways	Note 3	Note 3	9
Aviation	Note 3	Note 3	41
Subtotal Highway Facilities/Other Transportation (Excluding MTA)	\$ 1,450	\$ 49	756
Mass Transit - Metropolitan Transportation Authority	1,450	386	705
Accelerated Capacity and Transportation			
Improvements of the Nineties (1988)	3,000	20	12
Rebuild New York Through Transportation			
Infrastructure Renewal (1983)			
Highway Related Projects ⁴	1,064	21	1
Ports, Canals, and Waterways ⁴	49	-	-
Rapid Transit, Rail and Aviation Projects ⁴	137	-	2
Energy Conservation Through Improved Transportation (1979)			
Local Streets and Highways	100	-	-
Rapid Transit and Rail Freight	400	-	1
Transportation Capital Facilities (1967)			
Highways	1,250	-	-
Mass Transportation	1,000	-	-
Aviation	250	-	2
Total Transportation Bonds	10,150	476	1,479
Environmental Bonds:			
Clean Water/Clean Air (1996)			
Air Quality	230	28	2
Safe Drinking Water	355	-	-
Clean Water	790	57	299
Solid Waste	175	-	16
Environmental Restoration	200	22	40
Environmental Quality (1986)			
Land and Forests	250	1	5
Solid Waste Management	1,200	39	92
Environmental Quality (1972)			
Air	150	12	Note 5
Land and Wetlands	350	3	5
Water	650	2	6
Outdoor Recreation Development (1966)	200	Note 6	-
Pure Waters (1965)	1,000	20	16
Park and Recreation Land Acquisition (1960 and 1962)	100	1	-
Total Environmental Bonds	5,650	185	481
Education Bonds:			
SMART Schools Bond Act (2014)	2,000	1,783	161
Total Education	2,000	1,783	161
Housing Bonds:			
Low-Income Housing (through 1958)	960	8	6
Middle-Income Housing (through 1958)	150	1	4
Urban Renewal (1958)	25	1	-
Total Housing Bonds	1,135	10	10
TOTAL GENERAL OBLIGATION DEBT	\$ 18,935	\$ 2,454	\$ 2,131
Source: Office of the State Comptroller			
(1) This table reflects General Obligation Bond Acts where there is a remaining authorized but unissued amount and/or a remaining debt outstanding balance.			
(2) Reflects unaudited amounts.			
(3) The Legislature did not provide any limitation on bonds to be issued for specific project categories or programs authorized within the Highway Facilities/Other Transportation (excluding MTA) Purpose.			
(4) Authorizations have been adjusted to reflect reallocations made by Chapter 54 of the Laws of 1990.			
(5) This amount rounds to zero, but there was a debt outstanding balance of \$3,184 at March 31, 2020.			
(6) This amount rounds to zero, but there was an authorized but unissued balance of \$230,000 at March 31, 2020.			

***Exhibit C to AIS - GAAP-Basis
Financial Plan***

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

In FY 2021, the General Fund GAAP Financial Plan shows total projected revenues of \$39.8 billion, total projected expenditures of \$63.2 billion, and net other financing sources of \$16.9 billion, resulting in a projected operating deficit of \$6.5 billion.

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

GAAP FINANCIAL PLAN			
GENERAL FUND			
FY 2021			
(millions of dollars)			
	<u>Executive</u>	<u>Change</u>	<u>Enacted</u>
Revenues:			
Taxes:			
Personal Income Tax	26,113	(7,838)	18,275
Consumption/Use Taxes	8,213	(1,642)	6,571
Business Taxes	6,996	(521)	6,475
Other Taxes	1,193	(78)	1,115
Miscellaneous Receipts	2,772	4,609	7,381
Federal Receipts	0	0	0
Total Receipts	<u>45,287</u>	<u>(5,470)</u>	<u>39,817</u>
Expenditures:			
Local Assistance Grants	53,686	(9,498)	44,188
State Operations	13,421	(793)	12,628
General State Charges	6,281	113	6,394
Debt Service	0	0	0
Capital Projects	0	0	0
Total Disbursements	<u>73,388</u>	<u>(10,178)</u>	<u>63,210</u>
Other Financing Sources (Uses):			
Transfers From Other Funds	36,075	(8,551)	27,524
Transfers To Other Funds	(9,400)	(1,194)	(10,594)
Proceeds From Financing Arrangements/ Advance Refundings	0	0	0
Net Other Financing Sources (Uses)	<u>26,675</u>	<u>(9,745)</u>	<u>16,930</u>
Operating Surplus/(Deficit)	<u>(1,426)</u>	<u>(5,037)</u>	<u>(6,463)</u>
Accumulated Surplus/(Deficit)*	<u>601</u>	<u>(5,037)</u>	<u>(4,436)</u>
* It is expected that FY 2020 results will not be made available until July 2020. Note however, that FY 2021 projections are predicated upon projected FY 2020 results, for which there can be no assurance will not differ materially from projections reflected herein. If such variances from projections occur with respect to FY 2020 results, this could substantially impact FY 2021 GAAP projections.			
Source: NYS DOB.			

***Exhibit D to AIS - Principal State
Taxes and Fees***

Personal income taxes are imposed on the New York source income of individuals, estates and trusts. Personal income taxes accounted for nearly 65 percent of All Government Funds tax receipts during FY 2020. The State tax adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal personal income tax purposes, with certain modifications. Receipts from this tax are sensitive to changes in economic conditions in the State and to taxpayers' responses to Federal and State law changes. Marginal tax rates on middle-income tax filers will gradually phase down from between 5.9 percent and 6.65 percent to between 5.5 percent and 6 percent during tax years 2018 through 2025. New York allows a standard deduction of \$16,050 for married couples filing jointly, with lower deductions for the other types of filers. New York also allows a \$1,000 exemption for dependents. The current top bracket, which applies an 8.82 percent marginal tax rate, is scheduled to expire after the 2024 tax year.

Taxpayers with incomes above \$1 million are limited to deducting 50 percent of their Federal charitable contributions as their only New York itemized deduction. For tax years 2010 through 2024, taxpayers with incomes above \$10 million may deduct only 25 percent of their Federal charitable contributions deductions as their only itemized deduction.

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

The TCJA of 2017 made significant changes to the Federal personal income tax which, if not for FY 2019 Enacted Budget legislation, would have dramatically affected New York State PIT receipts. FY 2019 Enacted Budget legislation decoupled from the Federal personal income tax with respect to TCJA-related changes to itemized deductions, the standard deduction for single filers, and the child tax credit. FY 2019 Enacted Budget legislation also allows a State filer to itemize deductions, regardless of whether the filer itemized for Federal tax purposes. TCJA-related itemized deduction changes include a cap on state and local tax deductions. This limit was addressed by FY 2019 Enacted Budget legislation through the creation of state and local charitable contribution funds and the Employer Compensation Expense Program.

Beyond changes related to the TCJA, legislation enacted in 2018 clarified New York residency requirements for tax purposes, extended the statute of limitations for assessing tax on amended returns, allowed payment of fixed and final unwarranted debt against unclaimed funds, and provided for employee wage reporting consistency between the Department of Labor and DTF. Legislation enacted in 2018 also extended 1) the Hire a Veteran Credit for two years, 2) the theatrical production credit for four years, and 3) the historic properties credit for five years, while also decoupling the credit from Federal law.

Legislation enacted in 2019 included New York gambling winnings in nonresident New York source income; extended the top marginal tax rate and associated brackets for an additional five years; extended the limitation on charitable contributions for incomes above \$10 million for an additional five years; extended the clean heating fuel credit for three years; extended tax shelter reporting

requirements for five years; enhanced the historic homeownership rehabilitation credit; and established a congestion pricing toll credit.

Legislation enacted in 2020 extended warrantless State tax debt collection for five years; limited the long term care insurance credit to taxpayers with incomes below \$250,000 and capped the credit at \$1,500 annually; authorized the Department of Taxation and Finance to provide unclaimed tax benefits; provided a five-year extension to the entrance date for program participants in the START-UP NY program, and a one-year extension of the Hire a Vet Credit; and decoupled from certain provisions of the Coronavirus Aid, Relief, and Economic Security Act. Further, the Excelsior Jobs Program was enhanced for certain green projects and extended through 2039, and the Empire State film production and post-production credits were reformed, including a reduction to the base credit rate from 30 percent to 25 percent, and extended one additional year through 2025.

In 2001, legislation was enacted to provide for the issuance of State PIT Revenue Bonds, which has become the primary financing vehicle for a broad range of existing State-supported debt programs previously secured by service contract or lease-purchase payments. The first bonds were issued in May 2002. The legislation provided that 25 percent of PIT receipts (excluding refunds owed to taxpayers and deposits to the STAR Fund) be deposited to the RBTF for purposes of making debt service payments on the bonds, with excess amounts transferred to the General Fund. Legislation enacted with the FY 2008 Budget provided that the RBTF will be calculated based on 25 percent of PIT receipts (excluding refunds owed to taxpayers, but before deposits to the STAR fund). FY 2019 Enacted Budget legislation increased RBTF deposits from 25 percent to 50 percent of PIT receipts.

In the event that (i) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of 40 percent of annual PIT receipts or \$12 billion.

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

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

Although there are numerous exemptions, the most significant are: food; clothing and footwear items costing less than \$110 (also see discussion below); drugs; medicine and medical supplies;

residential energy; capital improvements and installation charges; machinery and equipment used in manufacturing; trade in allowances; and goods sold to Federal, State or local governments.

Legislation enacted in 2018 directly exempted sales for resale made by restaurants, caterers and similar establishments; exempted from sales tax drugs or medicine for use in livestock or poultry used in farm production; provides relief from responsible persons liability for certain LLC members and limited partners; made technical corrections to certain local sales and use tax rate extensions; made changes related to the sales tax imposed on certain transportation services.

Legislation enacted in 2019 required marketplace providers to collect sales tax on on-line purchases facilitated through their platforms; eliminated the sales tax exemption on the non-residential transmission and distribution of gas or electricity when purchased from an Energy Service Company (ESCO); allowed vendors to pay sales tax on items purchased by their customers; increased the existing sales tax exemption threshold of certain vending machine purchases from \$1.50 to \$2.00 and extended the exemption to include bottled water (the entire exemption expires in two years); expanded the existing sales tax exemption on cemetery monuments to include the purchase of materials that become part of a finished cemetery monument; extended certain sales tax exemptions related to the Dodd-Frank Protection Act for two years; and extended the Department of Taxation and Finance's authority to manage delinquent sales tax vendors for five years.

Legislation enacted in 2020 updated and conformed annual sales and use tax reporting requirement thresholds for small alcohol producers in Tax Law to the State Liquor Authority's (SLA) annual alcohol production caps for farm producer licenses.

The State imposes a *tax on cigarettes* at the rate of \$4.35 per package of 20 cigarettes and imposes a *tax on other tobacco products* equal to 75 percent of the wholesale price. The tax on cigarettes was raised from \$2.75 to \$4.35 per pack on July 1, 2010. The revenue derived from the tax is split, with 24 percent of receipts deposited in the General Fund and the balance deposited in the Tobacco Control and Insurance Initiatives Pool established by the Health Care Reform Act of 2000. Legislation enacted in 2019 imposed a vapor products tax at a rate of 20 percent of retail sales and required purchasers of tobacco and vapor products to be 21 years of age or older. Legislation enacted in 2020 prohibited the sale or distribution of e-cigarettes or vapor products that have a characterizing flavor.

The State imposes *motor fuel* and *diesel motor fuel taxes* at 8 cents per gallon upon the sale, generally for highway use, of gasoline and diesel fuel. All motor fuel taxes have been deposited in the dedicated transportation funds since April 1, 2001.

The State imposes *alcoholic beverage excise taxes* at various rates on liquor, beer, wine and specialty beverages. The tax rate on beer is 14 cents per gallon and the tax rate on wine is 30 cents per gallon. The tax rate on liquor at or above 24 percent alcohol content is \$1.70 per liter, and the tax rate on liquor below 24 percent alcohol content is 67 cents per liter. Legislation enacted in 2012 removed an unconstitutional exemption provided to certain small beer brewers and replaced the benefit with personal and business tax credits that yield similar tax relief to small brewers that produce in New York State. Legislation enacted in 2020 standardized the tax

exemption on inter-distributor sales by extending the exemption to every registered distributor; and repealed the one cent per liter tax levied on liquor containing less than two percent of alcohol by volume, simplifying the ABT return process and move towards web-based filing.

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

The State imposes an *auto rental tax* on charges for the rental or use in this State of a passenger car with a gross vehicle weight of 9,000 pounds or less. Receipts are deposited in the DHBTF. Legislation enacted in 2009 increased this tax rate from 5 percent to 6 percent and also imposed a supplemental tax of 5 percent in the MCTD. Monies from this supplemental tax are deposited in the MTA Aid Trust Account of the MTA Financial Assistance Fund. Legislation enacted in 2019 increased the supplemental tax rate within the MCTD to 6 percent and changed the process for remitting MCTD tax revenue to the MTA; receipts are directly remitted to the MTA without appropriation. Additionally, legislation enacted in 2019 raised new revenues for the upstate transit systems by expanding the supplemental tax to counties outside of the MCTD.

The State imposes a *medical marijuana tax* on registered organizations that dispense medical marijuana. This excise tax of 7 percent is levied on gross receipts from medical marijuana and is entirely deposited into the medical marijuana trust fund. This tax became effective in January 2016.

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

The State imposes an *opioid excise tax* on the first sale of opioids within the State by registered organizations that dispense opioids. The excise tax varies based on the per unit wholesale cost of an opioid; a quarter of a cent per morphine milligram equivalent if the wholesale cost is less than fifty cents and one and one-half cents per morphine milligram equivalent if the wholesale cost is fifty cents or more. This tax became effective in July 2019.

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

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

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

Legislation enacted in 2019 included the creation of two new credits; a credit for employer provided child care and a credit for employers who hire individuals who have successfully completed substance abuse disorder treatment. The Rehabilitation of Historic Properties credit was enhanced to include State parks. The Employee Training Incentive Program credit was expanded to include employer's in-house training as well as to include software development and clean energy internships. The Commercial Production credit was expanded by increasing the credit percentage for both the downstate and upstate pools while also removing the growth fund pool and allocating that money to the downstate pool. The Workers with Disability Credit and the Empire State film production and post-production credits were extended for three and two years, respectively. Global intangible low-taxed income (GILTI) became subject to a 95 percent exclusion beginning tax year 2019.

Legislation enacted in 2020 included a five-year extension to the entrance date for program participants in the START-UP NY program, a one-year extension of the Hire a Vet Credit, and decouple from certain provisions of the Coronavirus Aid, Relief, and Economic Security Act. The Excelsior Jobs Program was enhanced for certain green projects and extended through 2039. The Empire State film production and post-production credits were reformed, including a reduction to the base credit rate from 30 percent to 25 percent, and extended one additional year through 2025.

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

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

after taking into account the tax on income allocated to New York State. Other taxes are imposed on certain brokers and independently procured insurance.

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

The State imposes a *petroleum business tax* on the privilege of operating a petroleum business in the State. This tax is measured by the quantity of various petroleum products imported into the State for sale or use. The tax is imposed at various cents per gallon rates depending on the type of petroleum product. The cents per gallon tax rates are indexed to reflect petroleum price changes but are limited to changes of no more than 5 percent of the tax rate in any one year.

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

The State imposes an *estate tax* on the estates of deceased New York residents, and on that part of a nonresident's net estate made up of real and tangible personal property located within New York State. Legislation enacted in 2014 comprehensively reformed the estate tax to decouple from Federal law. The unified threshold of \$1 million (associated with the State's prior "pick-up tax" methodology) was replaced with an applicable credit equal to the tax on a basic threshold amount. The basic threshold amount equals the Federal basic threshold amount pursuant to Federal law as it existed on December 1, 2017, with annual inflation indexing for those dying on or after January 1, 2019. This threshold amount is equal to \$5,850,000 for those dying in calendar year 2020. The credit, similar to the pick-up tax, phases out from the threshold amount to 5 percent above that threshold amount. If a taxable estate is more than 105 percent of the threshold, then the entire taxable estate is taxed, not just the portion of the estate above the threshold. Gifts taxable under Section 2053 of the Internal Revenue Code that were not otherwise included in Federal Gross Estate and that were made during the three years ending on the date of death must be added to the New York Gross Estate. However, gifts made while the decedent was a nonresident of New York State and gifts made prior to April 1, 2014, or after January 1, 2019 are not included. Legislation enacted in 2019 extended this three-year gift addback rule effective January 16, 2019 until January 1, 2026, as well as required a binding New York State QTIP election be made on State estate tax returns. Reflecting the composition of many decedents' estates in New York, collections of this tax are influenced at least in part by fluctuations in the equity markets.

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

Legislation enacted in 2019 imposed an additional real estate transfer tax in New York City on each commercial real property conveyance of at least \$2 million and each residential real property conveyance of at least \$3 million at a rate of \$1.25 for each \$500 of consideration or fraction thereof. It also imposed an additional progressive real estate transfer tax in New York City on each residential real property conveyance of at least \$2 million using a graduated tax rate schedule starting at 0.25 percent for residential property conveyances of at least \$2 million but less than \$3 million and topping out at 2.9 percent on residential property conveyances \$25 million and above. All revenues from these taxes are directed to the MTA's Central Business District tolling capital lockbox.

The State levies *pari-mutuel* taxes on wagering activity conducted at horse racetracks, simulcast theaters and Off-Track Betting (OTB) parlors throughout the State. Legislation enacted in 2008, and extended annually since, reinstated lower 2005 pari-mutuel tax rates.

Other taxes include a 4 percent tax on the charge for admissions to racetracks and simulcast theaters, and a 3 percent tax on both gross receipts and broadcasting rights from boxing and wrestling exhibitions, limited to \$50,000 in tax due for both pieces per event. Effective September 2016, for all other authorized combative sports, a tax of 8.5 percent of the admissions charge and 3 percent on broadcasting rights and digital streaming, with the broadcasting and streaming portion limited to \$50,000 in tax due per event.

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

Gaming miscellaneous receipts includes traditional lottery, Video Lottery Terminal (VLT) games, commercial gaming, interactive fantasy sports and Tribal State Compact.

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

Legislation enacted in 2019 imposed a \$60 million cap on the use of lapsed traditional lottery prize funds for promotional prizes and other promotional purposes, with the excess directed to education (the State Lottery Fund); aligned the prize payment amounts and revenue distributions for instant games and lotto; imposed a statutory commercial gaming free play cap; included certain OTB best practice reforms; reformed and simplified the VLG rates, including the distribution of capital awards and marketing allowance, capping of the current additional commission provisions, provision of an additional commission rate to a certain vendor, and significant reduction of the number of differing VLG commission rates; and authorized a VLT facility in Orange County.

Legislation enacted in 2020 amended sports wagering lounge restrictions; extended the Jockey Insurance Compensation Fund for two years; and allowed for the building of a new equine drug testing lab.

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

Motor vehicle fees are derived from a variety of sources, including motor vehicle registration fees and driver licensing fees, which together account for most motor vehicle fee revenue. Legislation enacted in 2019 expanded access to standard (not for federal purposes), non-commercial driver licenses or learner permits for all undocumented immigrants, age 16 or older, who reside in New York State.

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

***Exhibit E to AIS - Glossary of
Financial Terms***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Plan: see State Financial Plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Rainy Day Reserve Fund: This fund was created in 2007 to enhance the State’s fiscal reserves. The fund, which may have a maximum balance equal to 5 percent of General Fund spending, may be used to respond to an economic downturn or catastrophic event, as defined by the enabling statute.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Exhibit F to AIS –
Glossary of Acronyms***

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

EPIC	Elderly Pharmaceutical Insurance Coverage
ERS	Employees' Retirement System
ESD	Empire State Development
ESPRI	Empire State Poverty Reduction Initiative
ETIP	Employee Training Incentive Program
FEMA	Federal Emergency Management Agency
FHP	Family Health Plus
FPG	Fortis Property Group
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GDP	Gross Domestic Product
GEA	Gap Elimination Adjustment
GLIP	Group Life Insurance Plan
GOER	Governor's Office of Employee Relations
GPHW	General Public Health Work
GSCs	General State Charges
GSEU	Graduate Student Employees Union
HCRA	Health Care Reform Act
HESC	Higher Education Services Corporation
HFA	Housing Finance Agency
HHS	Health & Human Services
IAAF	Interim Access Assurance Fund
ICF/IID	Intermediate Care Facilities for Individuals with Intellectual Disabilities
ICF/DD	Intermediate Care Facilities for Individuals with Developmental Disabilities
IPO	Initial Public Offering
IT	Information Technology
ITS	Information Technology Services
LGAC	Local Government Assistance Corporation
LICH	Long Island College Hospital
LIPA	Long Island Power Authority
LLC	Limited Liability Company
MA	Medicaid
MCTD	Metropolitan Commuter Transportation District
MMTOA	Metropolitan Mass Transportation Operating Assistance Account
MP-2014	Mortality Improvement Scale - MP-2014
MRT	Medicaid Redesign Team
MTA	Metropolitan Transportation Authority
MTACIF	Metropolitan Transit Assistance for Capital Investment Fund
NPS	Non-Personal Service
NYC	New York City
NYCHA	New York City Housing Authority
NYPA	New York Power Authority
NYRA	New York Racing Association
NYS	New York State
NYSAGI	New York State Adjusted Gross Income
NYSOPBA	New York State Correctional Officers and Police Benevolent Association
NYSHIP	New York State Health Insurance Program
NYSLRS	New York State & Local Retirement System
NYSOH	New York State of Health
NYSPBA	The Police Benevolent Association of the New York State Troopers, Inc.
NYSTA	New York State Thruway Authority
NYU	New York University
OASAS	Office of Addiction Services and Supports
OCA	Office of Court Administration
OCFS	Office of Children and Family Services
OMH	Office of Mental Health
OPEB	Other Post-Employment Benefits
OPWDD	Office for People with Developmental Disabilities
OSC	Office of the State Comptroller
OTDA	Office of Temporary and Disability Assistance
PAYGO	Pay-As-You-Go

PBA	Police Benevolent Association
PBANYS	Police Benevolent Association of New York State
PBT	Petroleum Business Tax
PwC	PricewaterhouseCoopers LLP
PEF	Public Employees Federation
PFRS	Police and Fire Retirement System
PI	Personal Income
PIT	Personal Income Tax
PS	Personal Service
QHP	Qualified Health Plan
RBTF	Revenue Bond Tax Fund
REIT	Real Estate Investment Trust
RFP	Request for Proposals
RIC	Regulated Investment Company
SCB NY	Standard Chartered Bank, New York Branch
SEIT	Special Education Itinerant Teacher
SFY	School Fiscal Year
SHIN-NY	Statewide Health Information Network for New York
SIF	State Insurance Fund
SOF	State Operating Funds
SOFA	State Office for the Aging
SONYMA	State of New York Mortgage Agency
SPIF	State Parks Infrastructure Fund
SRO	State Special Revenue
SSI	Supplemental Security Income
STAR	School Tax Relief
STARC	Sales Tax Asset Receivable Corporation
STEM	Science, Technology, Engineering and Math
STIP	Short-Term Investment Pool
SUNY	State University of New York
SY	School Year
TA	Transit Authority
TANF	Temporary Assistance for Needy Families
TAP	Tuition Assistance Program
TCJA	Tax Cuts and Jobs Act of 2017
TIAA	Teachers Insurance and Annuity Association - College Retirement Equities Fund
TSCR	Tribal State Compact Revenue
UDSA	Utility Debt Securitization Authority
U.S.	United States
UUP	United University Professions
VLG	Video Lottery Gaming
VLT	Video Lottery Terminal
WCB	Workers' Compensation Board