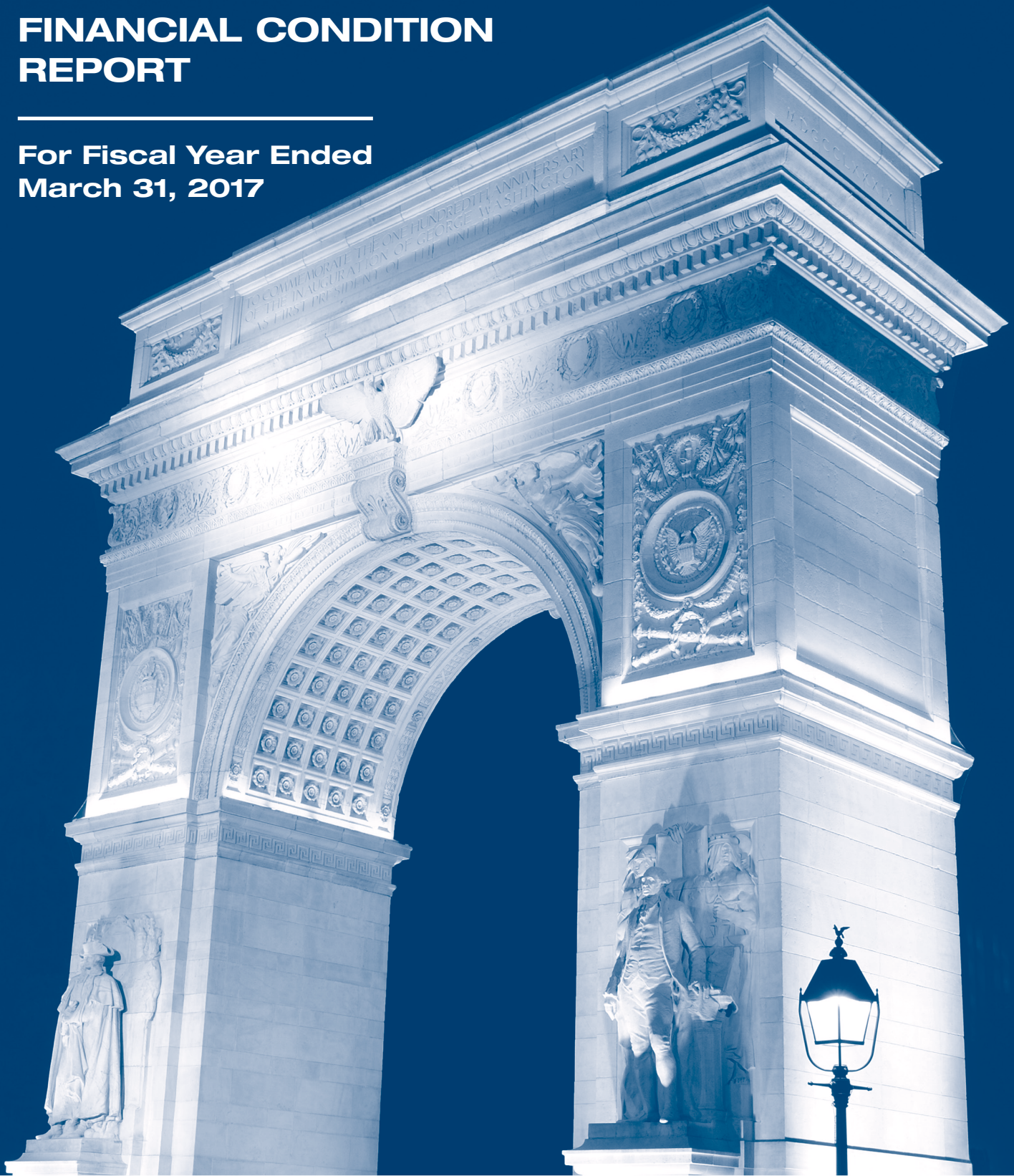


STATE OF NEW YORK

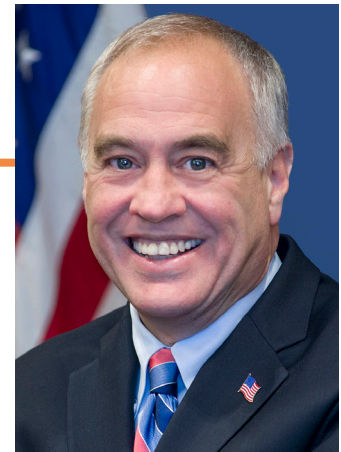
FINANCIAL CONDITION REPORT

For Fiscal Year Ended
March 31, 2017



Office of the New York State Comptroller
Thomas P. DiNapoli, *Comptroller*

Message from the Comptroller



I am pleased to present the State of New York's Financial Condition Report for the fiscal year ended March 31, 2017.

New York State's short-term financial condition has improved in recent years, but concerns are on the horizon. As the United States enters its ninth year of economic expansion, New York faces increasing fiscal challenges. The State's latest financial projections contain projected budget gaps in the next three fiscal years that average more than \$5.9 billion annually before potential gap-closing actions.

As of March 31, 2017, the General Fund cash balance was \$7.7 billion. Largely reflecting monetary settlements received since 2014, this amount is substantially higher than the balances in the years during and after the Great Recession. However, the State's budgetary cushion is shrinking; the Enacted Budget Financial Plan projects that the General Fund balance will be one-third lower at the end of the current fiscal year than its recent peak two years ago.

As of the end of State Fiscal Year (SFY) 2016-17, the State had spent nearly \$1.6 billion of its recent settlement resources on various forms of budget relief. Non-recurring resources, such as these monetary settlements, are most appropriately used for essential capital investments or other one-time purposes, rather than to fund recurring budget needs.

The State reported a General Fund operating deficit of \$2.8 billion in its March 31, 2017 GAAP Basis Financial Statements, reducing the fund balance to \$2.3 billion. New York State's overall net position, a broader measure of financial condition, declined to \$28.9 billion—\$3.9 billion less than the previous year. The State's net position continues to be negatively impacted by operating deficits, past borrowing for non-capital purposes, and growing unfunded liabilities for other postemployment benefits (OPEB).

The State's primary revenue sources continue to be federal grants and the personal income tax, both of which are subject to uncertainty. Currently, leaders in Washington are considering substantial cuts to federal aid for health care and other services. Given that the State relies on this aid for over one-third of its revenues, the unpredictable nature of federal budget and policy discussions presents an elevated concern.

The State had \$56.2 billion in debt outstanding reported in accordance with GAAP on March 31, 2017, billions of which was issued without creating a corresponding State capital asset. Debt capacity under the State's statutory cap is projected to decline to only \$88 million in SFY 2020-21. At a time when New York's needs for capital investment are increasing, effective management of debt and capital resources is especially vital.

We produce this report to help residents learn more about the fiscal, economic and social challenges facing New York. It is my hope that an informed discussion will help our great State build on its tremendous assets, and make sound decisions to promote a healthy financial condition that benefits all New Yorkers.

Thomas P. DiNapoli
State Comptroller

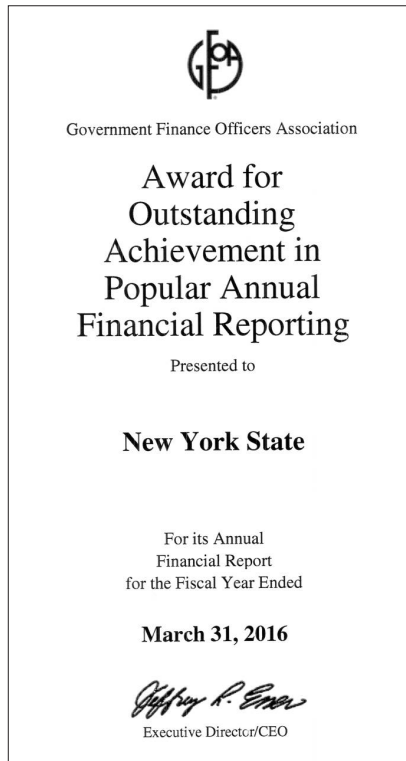
ABOUT THIS REPORT

This report provides citizens with an overview of the financial condition of New York State. It presents selected financial, economic, and demographic information in an easy-to-understand format.

The report also presents basic information on trends in State receipts (revenues) and spending (disbursements), the State’s financial position as measured by Generally Accepted Accounting Principles (GAAP), and selected economic and demographic trends affecting the State. This report fills an information need not met by the traditional, more detailed financial reports issued by the Office of the New York State Comptroller, and is meant to complement those other reports, not to replace them. Detailed accounting data can be found in reports such as the Comprehensive Annual Financial Report (CAFR).

Financial condition is a broad concept aimed at assessing the ability of a government to balance recurring expenditures with recurring revenues and meet current and future financial and service obligations. This concept relates to a government’s ability to deliver services and generate revenues, while achieving budget balance and making required debt service payments and pension contributions.

The Office of the State Comptroller was honored this past year when it received the Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association for the 2016 Financial Condition Report.



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Government-Wide Financial Data

Government-wide financial statements provide a long-term view of finances. They record revenues and expenses when the earnings process is complete (full accrual basis), as opposed to when they are actually received or paid (cash basis).

Each statement breaks down the activities of State government into two types:

- Governmental activities: includes most of the State's core services as well as general administrative support.
- Business-type activities: includes activities that are partially or fully supported by user fees.

Statement of Net Position

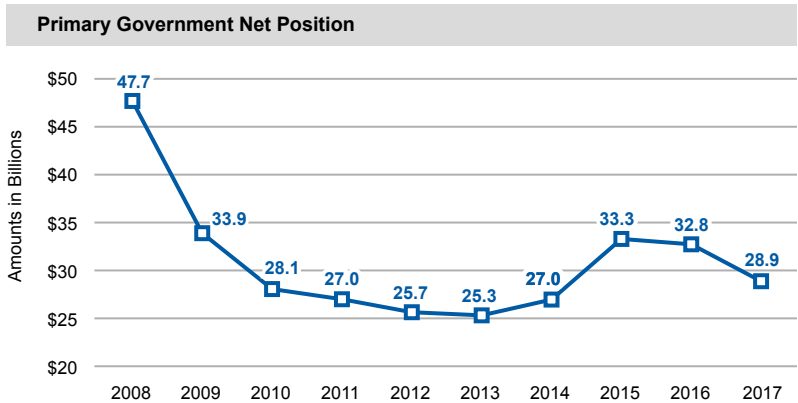
This statement reports:

- Assets;
- Deferred outflows of resources (the consumption of net assets applicable to a future reporting period);
- Liabilities;
- Deferred inflows of resources (the acquisition of net assets applicable to a future reporting period); and
- The difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in three categories:
 - Net investment in capital assets
 - Restricted net position
 - Unrestricted net position (deficits).

Condensed Statement of Net Position – Primary Government*

As of March 31, 2017 (amounts in millions)

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$15,977	\$8,173	\$24,150
Receivables, net	26,511	3,585	30,096
Internal balances	(927)	1,067	140
Net pension asset	-	77	77
Other assets	710	205	915
Capital assets	87,841	16,990	104,831
Total assets	130,112	30,097	160,209
Deferred outflows of resources	8,306	1,246	9,552
Liabilities:			
Tax refunds payable	11,305	-	11,305
Payable to local governments	7,019	-	7,019
Accrued liabilities and accounts payable	10,098	2,446	12,544
Other liabilities due within one year	6,791	1,795	8,586
Liabilities due in more than one year	73,611	26,471	100,082
Total liabilities	108,824	30,712	139,536
Deferred inflows of resources	1,014	299	1,313
Net position:			
Net investment in capital assets	70,561	1,746	72,307
Restricted for debt service and other purposes	3,618	4,016	7,634
Unrestricted deficits	(45,599)	(5,430)	(51,029)
Total Net Position	\$28,580	\$332	\$28,912



*The primary government includes governmental activities and business-type activities combined.

Condensed Statement of Activities – Primary Government For the year ended March 31, 2017 (amounts in millions)

Functions/Programs	Expenses	Program Revenues	Net (Expenses) Revenues
Governmental activities:			
Education	\$35,585	\$3,726	(\$31,859)
Public health	68,505	49,544	(18,961)
Public welfare	15,263	11,082	(4,181)
Public safety	8,175	2,036	(6,139)
Transportation	10,218	3,637	(6,581)
Environment and recreation	1,489	570	(919)
Support and regulate business	1,732	1,888	156
General government	11,078	4,183	(6,895)
Interest on debt	1,456	40	(1,416)
Total governmental activities	153,501	76,706	(76,795)
Business-type activities:			
Lottery	6,513	9,676	3,163
Unemployment insurance	2,294	3,023	729
State University of New York	11,201	6,010	(5,191)
City University of New York	3,659	1,647	(2,012)
Total business-type activities	23,667	20,356	(3,311)
Total primary government	\$177,168	\$97,062	(80,106)
General revenues, net transfers and special item:			
Taxes			73,350
Other			2,387
Net transfers			267
Special item – State Insurance Fund reserve release			250
Total general revenues, net transfers and special item			76,254
Change in net position			(\$3,852)

Statement of Activities

This statement reports the change in net position, which is calculated by:

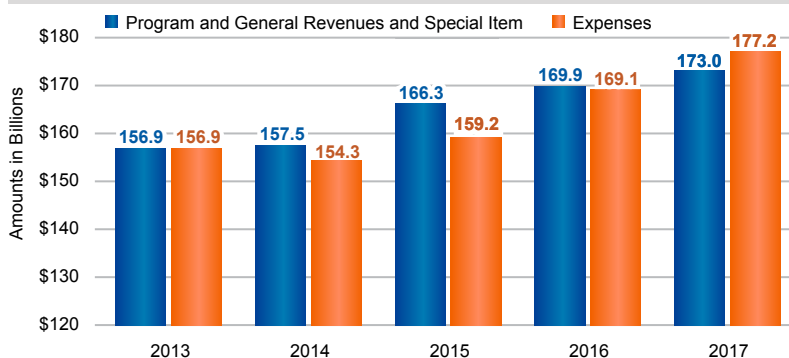
- Reducing the expenses of each of the State’s programs by the revenues generated by those programs to arrive at net program expense; and
- Reducing the net program expense by general revenues and other gains and losses.

Program revenues include:

- Charges to customers or others for services related to the program;
- Grants and contributions that can only be used to pay for the operations of a particular function or segment; and
- Capital grants and contributions, including special assessments.

General revenues include internally dedicated resources, taxes and other items not included as program revenues.

Total Primary Government Revenues and Expenses



For prior years’ comparative government-wide data, please see the Statistical Section of the Comprehensive Annual Financial Report (CAFR) (Net Position by Component, Changes in Net Position, and Program Revenues by Function schedules). For an overview of the reasons for changes in revenues and expenses, please see Management’s Discussion and Analysis in the CAFR.

Fund Financial Data

Fund financial statements provide a short-term view of finances. As such, these statements only focus on the inflows and outflows of current financial resources—cash or liquid assets that are available to pay current obligations (or will be soon).

Funds represent sources of funding and spending for particular purposes.

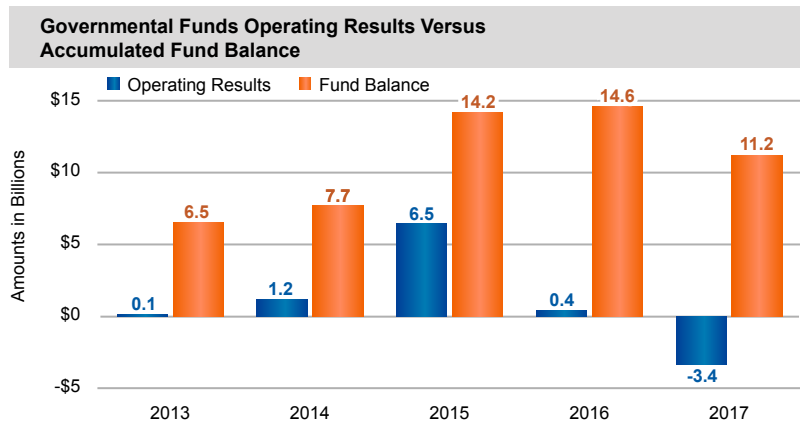
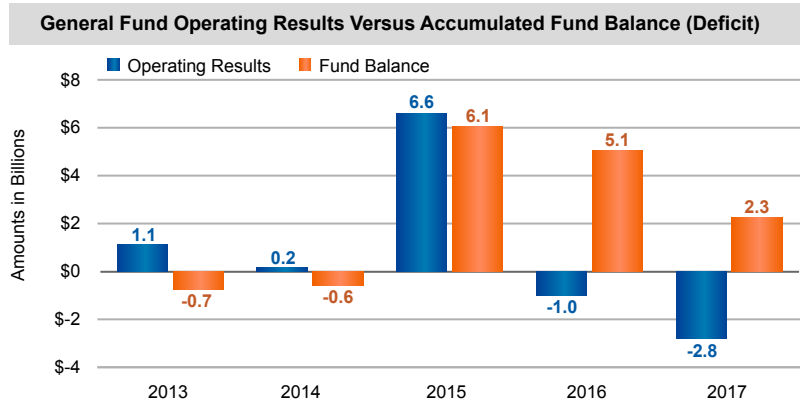
- The General Fund is used to report sources of funds and expenditures that are not required to be accounted for in another separate fund.
- In New York State, significant sources of funds that normally would be reported in the General Fund have been pledged or dedicated to other funds for repayment of debt or project funding and are therefore reported in other governmental funds.

The accumulated fund balance (or deficit) is the amount of funds available at the end of the fiscal year. The operating result is the amount the fund balance increased or decreased during the year.

General Fund Balance Decreases From Prior Year

- At the end of State Fiscal Year (SFY) 2016-17, the General Fund balance was \$2.3 billion, a decrease from the previous year’s balance of \$5.1 billion.
- For SFY 2016-17, governmental funds reported a combined operating deficit of \$3.4 billion, decreasing the fund balance to \$11.2 billion.
- The operating deficit included a \$2.8 billion deficit in the General Fund.

For more detail, please see the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) in the Comprehensive Annual Financial Report (CAFR).



Total Receipts

Revenues are affected by economic changes and changes in federal and State policies. Tax base is a measure of the State's ability to generate revenue. A decreasing tax base may force spending reductions, increased taxes, or both. Receipts are revenues that have been recorded on a cash basis.

See Appendix 3 for a breakdown of State receipts by major source for the past five years.

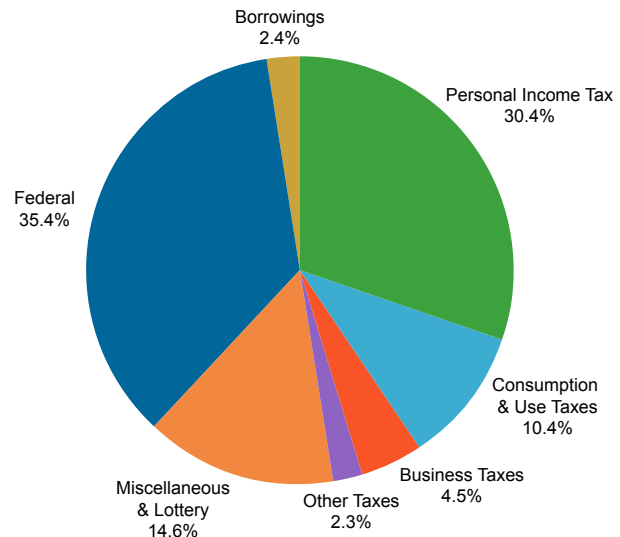
Total State Receipts Have Increased Over the Past Five Years

- From 2013 to 2017:
 - Total receipts increased 17 percent.
 - Tax receipts increased 12.2 percent.
 - Federal receipts increased 29.3 percent. Funding increases included:
 - Disaster assistance for Superstorm Sandy and Hurricane Irene; and
 - Medicaid funding under the Affordable Care Act.

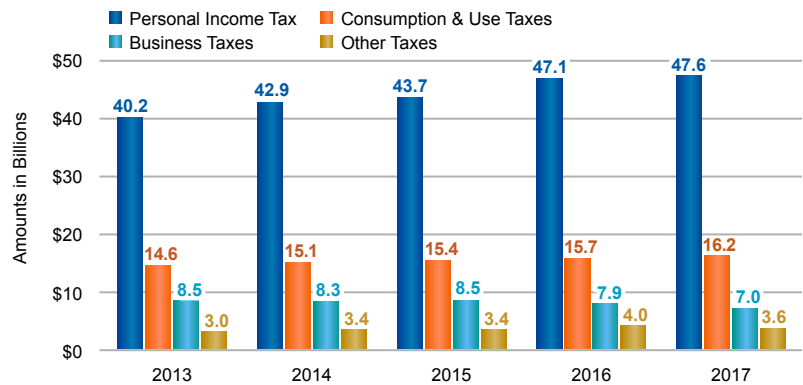
Personal Income Tax and Consumer Tax Receipts Have Increased Over the Past Five Years

- Personal income tax and consumer (consumption and use) taxes:
 - Accounted for 40.8 percent of 2017 receipts; and
 - Have increased 16.3 percent since 2013.
- In 2017, personal income tax receipts—the State's largest tax revenue source—increased 1.1 percent over the previous year.

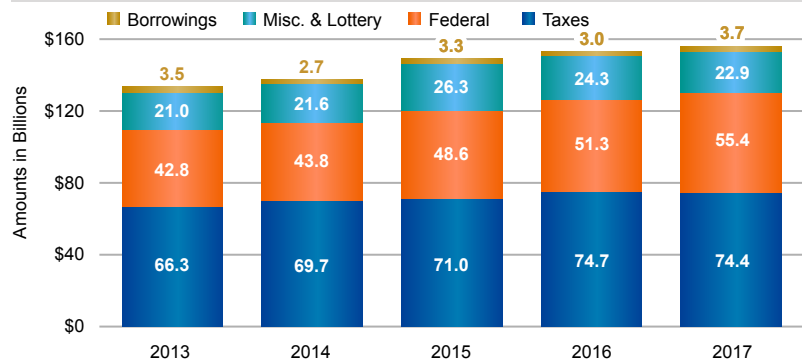
New York's 2017 Receipts by Source



Tax Receipts by Year



Total State Receipts



Total Spending

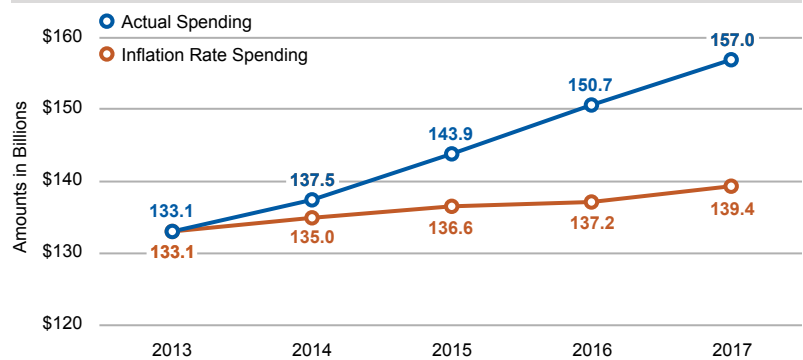
Spending generally reflects the State's program priorities. Comparing spending to revenue provides an indication of the State's ability to support continuing programs. State spending, which includes spending from federal funds, is recorded on a cash basis.

See Appendices 1 and 2 for a breakdown of State spending by major service function and funding source for the past five years.

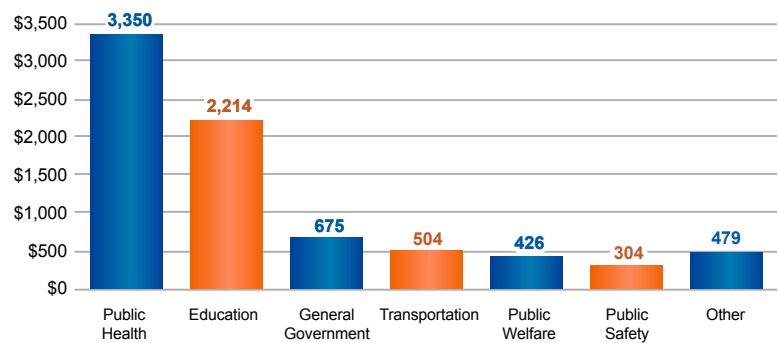
Growth in State Spending Has Exceeded the Rate of Inflation Over the Past Five Years

- Compared to the prior year, State spending increased \$6.3 billion (4.2 percent) to \$157 billion in 2017.
- Since 2013, the growth in State spending (18 percent) has exceeded the rate of inflation (Consumer Price Index increase of 4.8 percent).
- State spending has been partially paid for by borrowing \$16.2 billion since 2013, including \$3.7 billion in 2017.
- In 2017, State spending was \$7,952 per person.
- Spending on public health and education represents 70 percent of total State spending.

Actual State Spending Versus Spending at the Rate of Inflation



2017 Total State Spending Per Person by Program Area



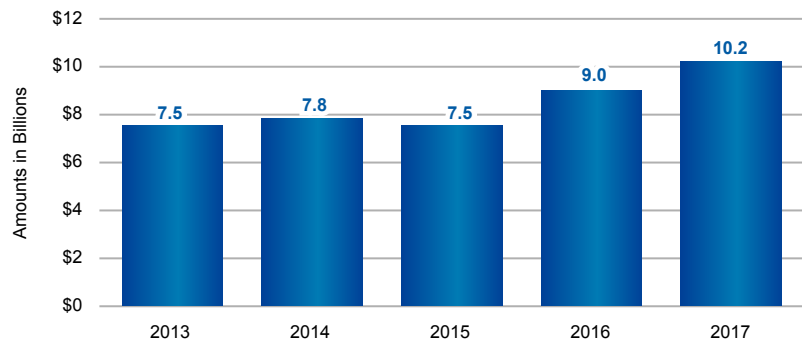
Capital

The deterioration of capital assets can weaken the State's economy and its ability to attract and retain business, while a robust, efficiently managed capital investment program can support economic growth. Capital assets include not only highways and bridges, but also facilities for education, government, health and recreation.

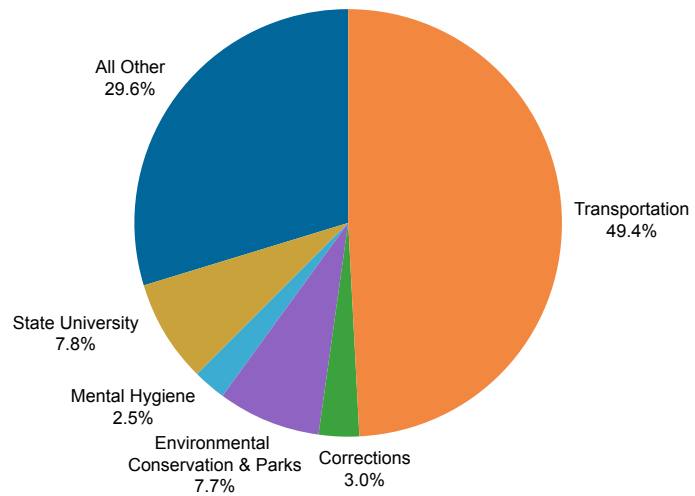
Capital Spending Has Increased Over the Past Five Years

- From 2013 to 2017, capital spending increased by more than \$2.6 billion (34.7 percent).
 - Capital spending for transportation increased by \$1.5 billion (41.7 percent). The increase is primarily attributable to:
 - Federally funded projects;
 - The Consolidated Highway Improvement Program being shifted to an on-budget accounting structure;
 - Mass transportation projects; and
 - Projects funded from the Dedicated Infrastructure Investment Fund.
 - Capital spending for All Other purposes increased by \$1.2 billion (70.1 percent).
 - State University capital spending decreased by \$446 million (36 percent).
- In 2017 and 2016, the State financed 52 percent and 58 percent, respectively, of nonfederal capital spending through current operations on a pay-as-you-go basis, the highest levels since 1994. The State did this in part by utilizing one-time resources (financial settlements)

New York Spending from Capital Projects Funds



Capital Spending by Functional Area – SFY 2016–17



to fund certain capital projects. Between 1995 and 2015, the share financed on a pay-as-you-go basis averaged 39 percent.

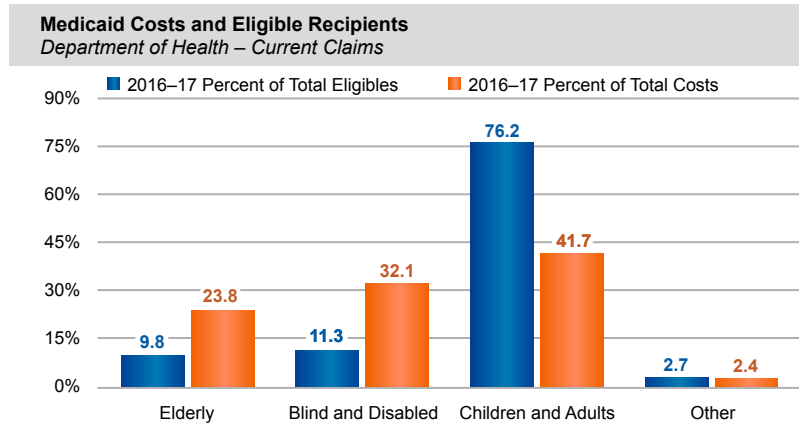
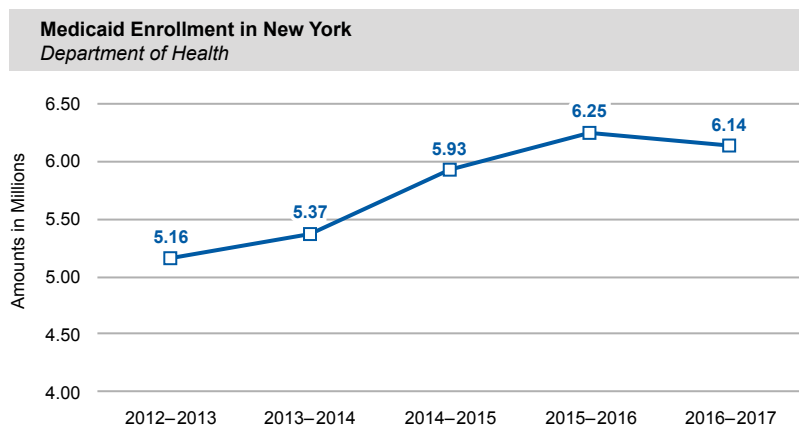
- For the next five years, the State projects:
 - Capital spending to average \$13.8 billion per year; and
 - The share of nonfederal capital spending financed on a pay-as-you-go basis to average 36.8 percent.

At the end of SFY 2016-17, the State reported \$104.8 billion in capital assets, an increase of \$2.3 billion (2.2 percent) over the prior year.

Public Health

Medicaid Enrollment Decreases for the First Time in Nine Years

- Average monthly enrollment in the State’s Medicaid program exceeded 6.1 million in SFY 2016–17, a decrease of 112,741, or 1.8 percent, compared to the prior year. The decrease, the first since 2008, was due in part to the transfer of certain lawfully present immigrants previously covered by Medicaid to the Essential Plan (see below).
- Compared to the prior year, average monthly enrollment for:
 - Adults decreased by 166,306 (6.3 percent) to 2.5 million, accounting for the largest decrease in enrollment;
 - Children with Medicaid coverage decreased by 4,433 (0.2 percent) to 2.2 million;
 - Elderly recipients increased by 81,902 (15.8 percent) to 599,923;
 - Blind or disabled recipients decreased by 57,796 (7.7 percent) to 692,749; and
 - “Other” eligible recipients, largely legal immigrants, increased by 33,893 (25.9 percent) to 164,574.
- Medicaid recipients enrolled in managed care plans at the end of March 2017 increased by 15,119 (0.3 percent) to nearly 4.7 million, or 76.4 percent of all recipients, compared to March 2016. This increase reflects the continued enrollment of most new recipients into managed care plans and the continued transition of certain populations from fee-for-service to Medicaid managed care. As of the end of March 31, 2017, 76.4 percent of all Medicaid recipients were enrolled in managed care plans.

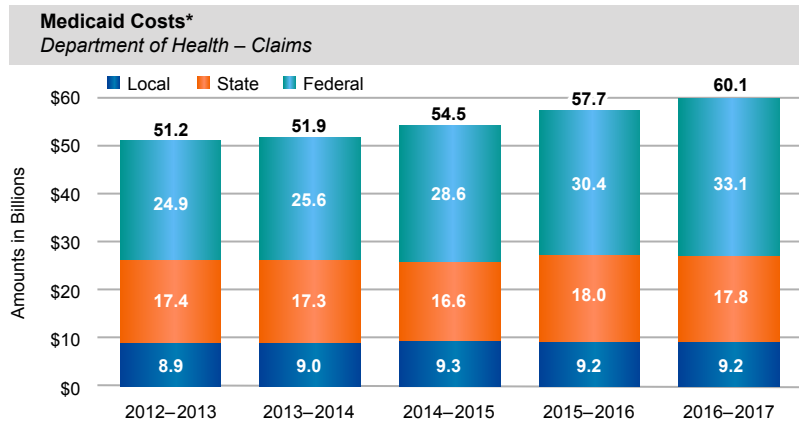


Medicaid Spending Increases, Largely Due to Additional Federal Payments from the Federal Affordable Care Act (ACA)

- Compared to last year, combined local, State and federal spending on Medicaid claims increased by \$2.4 billion (4.3 percent) to \$60.1 billion. This increase largely reflects additional federal Medicaid payments, most of which are associated with the ACA.
- Children and adults represented 76.2 percent of all average monthly enrollees, but only 41.7 percent of the overall costs of Medicaid claims for the State. Elderly, blind and disabled enrollees made up 21.1 percent of eligible recipients, but accounted for 55.9 percent of Medicaid claims costs.

The Essential Plan Continues to Grow

- In SFY 2016-17, enrollment in the Essential Plan averaged 674,478, an increase of 207,864 (44.5 percent) over the prior year.
- In 2015, New York State joined Minnesota to become the only states in the nation to establish a Basic Health Program, a new low-cost health insurance option authorized by the ACA and largely funded by the federal government. In New York State, the Basic Health Program is known as the Essential Plan.
- The Essential Plan is available to individuals who are under 65, not eligible for Medicaid or the Child Health Plus Program, without access to affordable coverage and with incomes at or below 200 percent of poverty.
- In SFY 2016-17, federal funds covered 91.2 percent of nearly \$3.6 billion in Essential Plan costs, with State funds covering the remaining 8.8 percent. Individuals with incomes greater than 150 percent but at or below 200 percent of poverty pay \$20 monthly premiums to private health plans participating in the program. Individuals with incomes at or below 150 percent of poverty have no monthly premium.
- All participating health plans cover inpatient and outpatient care, physician services, diagnostic services and prescription drugs with low out-of-pocket costs and no annual deductible. Enrollees have no out-of-pocket costs for preventive care, including routine office visits and recommended screenings.

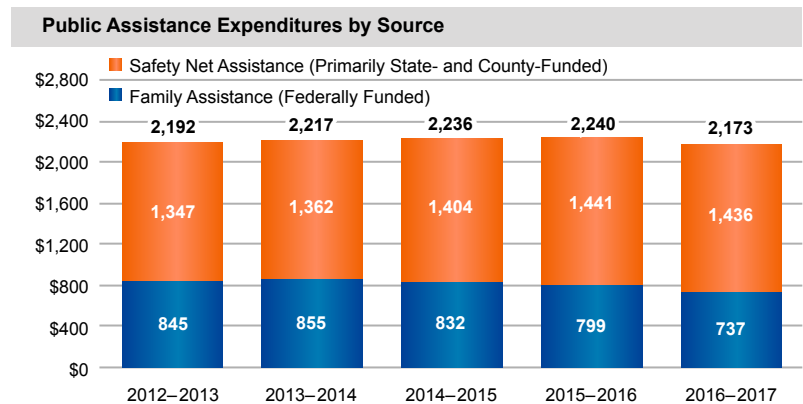
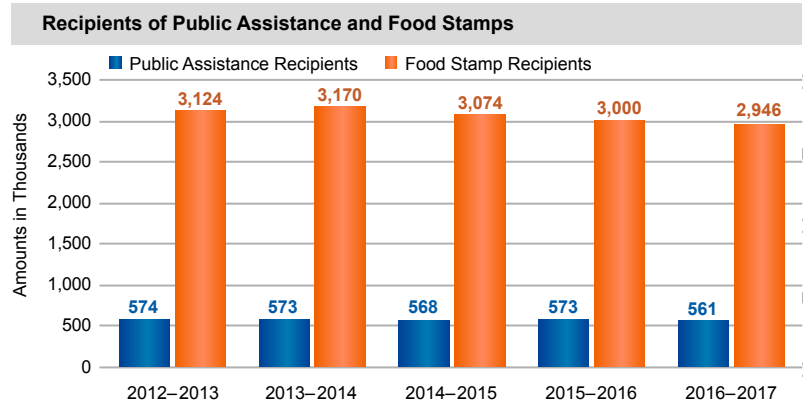


*Numbers may not add due to rounding.

Public Welfare

Enrollment in Public Assistance Decreases to Its Lowest Level Since SFY 2010-11

- Family Assistance (FA) provides up to 60 months of cash assistance to eligible needy families; Safety Net Assistance (SNA) provides cash or non-cash assistance to eligible single adults, childless couples, persons who have exceeded the 60-month limit on family assistance, children living apart from adult relatives and certain other individuals.
- Public assistance enrollment in the State decreased to its lowest level since SFY 2010-11, largely due to lower FA enrollment in areas outside of New York City. Overall enrollment outside of New York City decreased for the second year in a row, after increasing for seven straight years.
- Compared to the prior year, the average monthly number of recipients of public assistance in:
 - New York State decreased by 12,153 (2.1 percent) to 560,567;
 - New York City increased by 5,212 (1.5 percent) to 361,561; and
 - Areas outside New York City decreased by 17,365 (8.0 percent) to 199,006.
- Overall FA enrollment decreased by 5.8 percent or roughly double the rates of decline in 2015 and 2016, while overall SNA enrollment increased for the third consecutive year, but by less than 1 percent. Enrollment in FA decreased in New York City and in areas outside of New York City, while SNA enrollment increased in New York City, but decreased in areas outside of New York City. SNA is largely funded by the State and the counties, while FA is funded by the federal government.



Spending for Public Assistance Decreases for the First Time in Five Years

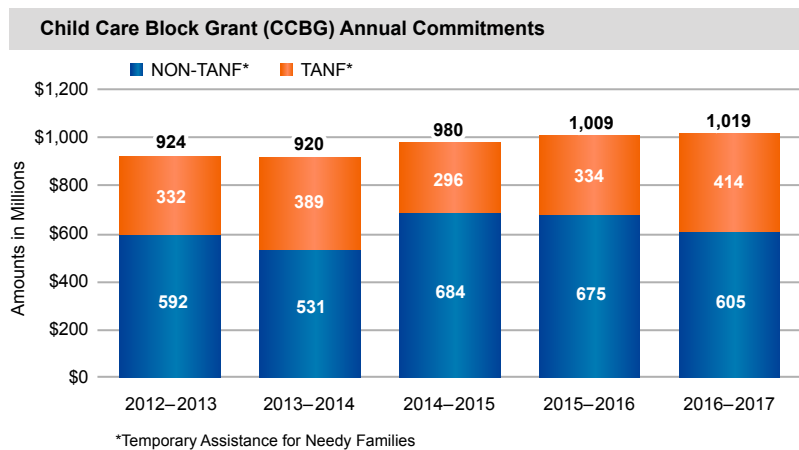
- For the first time since SFY 2011-12, public assistance spending decreased, mainly because of a decrease in expenditures in areas outside of New York City.
- Compared to last year, public assistance expenditures in:
 - New York State decreased by \$67.5 million (3.0 percent) to \$2.2 billion;
 - New York City increased by \$11.1 million (0.8 percent) to \$1.4 billion; and
 - Areas outside New York City decreased by \$78.6 million (9.3 percent) to \$769.4 million.
- FA and SNA expenditures both decreased compared to last year. SNA expenditures accounted for 64.3 percent of total public assistance spending.

- Compared to the prior year, SNA expenditures in:
 - New York State decreased by \$5.4 million (0.4 percent) to \$1.4 billion;
 - New York City increased by \$27.0 million (2.8 percent) to \$995.8 million; and
 - Areas outside New York City decreased by \$32.4 million (6.9 percent) to \$439.9 million.
- Compared to the prior year, FA expenditures in:
 - New York State decreased by \$62.1 million (7.8 percent) to \$737.3 million;
 - New York City decreased by \$15.8 million (3.7 percent) to \$407.8 million; and
 - Areas outside New York City decreased by \$46.2 million (12.3 percent) to \$329.5 million.
- Child Care Block Grant subsidies for low-income families transitioning from public assistance increased by \$10.0 million (1.0 percent) to just over \$1 billion. These subsidies are financed by a combination of federal, State and local sources.

SNAP Enrollment Decreases for Third Consecutive Year; Spending Decreases for Fourth Straight Year

- Enrollment in the State’s Supplemental Nutrition Assistance Program (SNAP) decreased for the third consecutive year, following more than a decade of steady growth. SNAP, formerly known as the Food Stamp Program, is funded by the federal government.

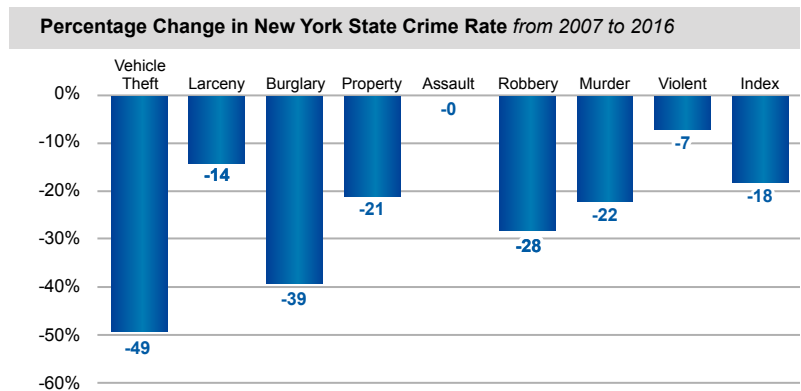
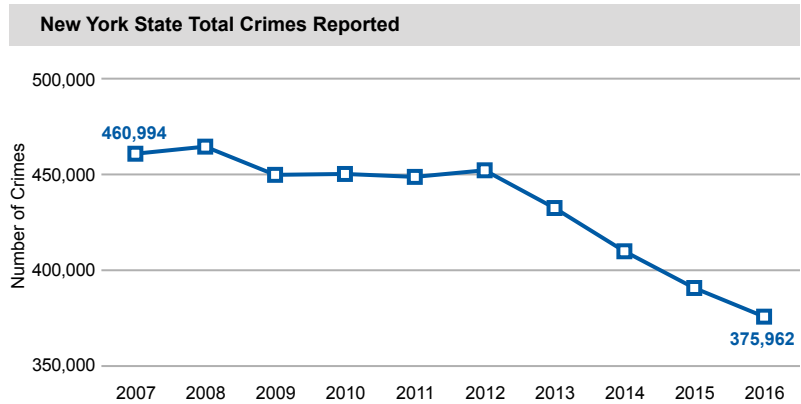
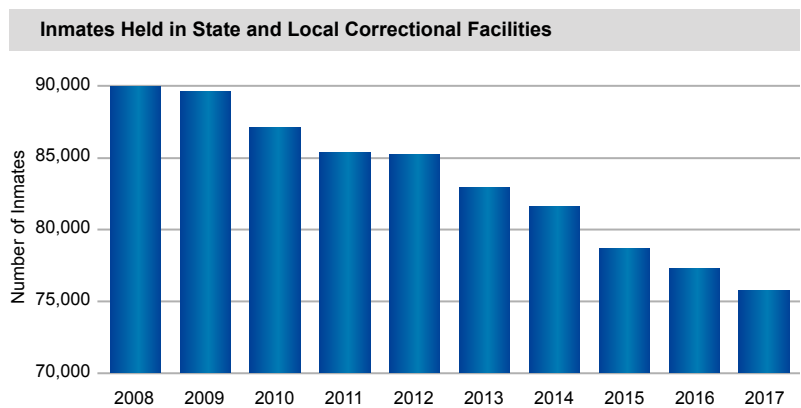
- Compared to the prior year, the average monthly number of recipients of SNAP in:
 - New York State decreased by 54,545 (1.8 percent) to 2.9 million;
 - New York City increased by 146 (0.01 percent) to 1.7 million; and
 - Areas outside New York City decreased by 54,691 (4.2 percent) to 1.3 million.
- Expenditures for SNAP decreased for the fourth consecutive year.
- Compared to the prior year, SNAP expenditures in:
 - New York State decreased by \$103.0 million (2.1 percent) to \$4.9 billion;
 - New York City increased by \$29.0 million (1.0 percent) to \$3.0 billion; and
 - Areas outside New York City decreased by \$132.0 million (6.5 percent) to \$1.9 billion.



Public Safety

Inmate Populations and Crime Rates Have Declined Over the Past Decade

- As of March 2017, a total of 75,683 inmates were held in 135 State and local correctional facilities, which include:
 - 54 State correctional facilities;
 - 64 county jail facilities; and
 - 17 New York City correctional facilities.
- Since March 2008, the total inmate population has declined by 14,246 (15.8 percent).
- From 2007 to 2016, the total number of crimes reported annually in New York State declined by 85,032 (18.4 percent). This trend reflects falling crime rates across major categories of crimes.
- The rate of decline in reported crimes from 2007 to 2016 has been greater in areas outside of New York City than in the City itself.
 - Crimes reported in New York City declined by 12.8 percent, from 199,941 in 2007 to 174,402 in 2016; and
 - Crimes reported in areas outside of New York City declined by 22.8 percent, from 261,053 in 2007 to 201,560 in 2016.



Statistics for the percentage change in rape crimes are not shown separately because of a change in the FBI's definition of rape in 2015 that makes such figures not comparable over the decade. Index and violent crime totals include the number of rapes reported under the expanded definition of the offense. As a result, changes in those crime categories may be attributable in part to the expanded definition.

SFY 2017-18 Enacted Budget Includes Provisions to Raise the Age of Criminal Responsibility to 18

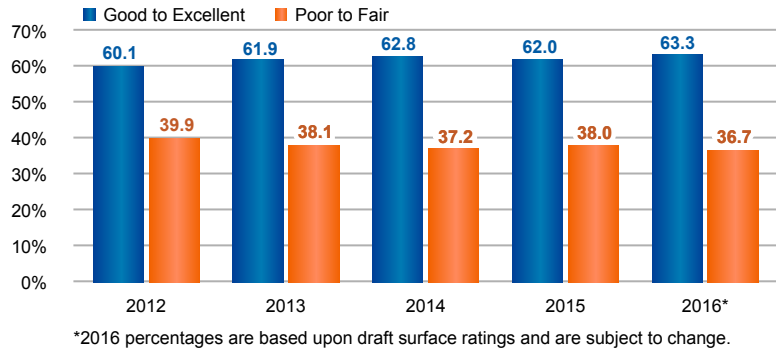
- The legislation will raise the age of juvenile jurisdiction from 16 to 17 years on October 1, 2018 and from 17 to 18 years on October 1, 2019.
- As a result, individuals aged 16 and 17 years committing non-violent crimes will no longer be processed as adults in the State’s criminal justice system and will instead receive rehabilitation services in age-appropriate facilities.
- Statewide, arrests of 16- and 17-year-olds for misdemeanors and non-violent felonies totaled 21,180 in 2016, of which:
 - 12,243 (57.8 percent) were made in New York City; and
 - 8,937 (42.2 percent) were made in areas outside of New York City.
- On January 1, 2016, 89 offenders under custody in State correctional facilities were 16 or 17 years old, eight fewer than on January 1, 2015.

Transportation

Highway Conditions Have Improved Since 2012

- The State is responsible for maintaining more than 42,700 lane miles of highway.
- The number of highway lane miles rated poor to fair has decreased by 7.8 percent since 2012.
- In 2016, 63.3 percent of the State's highway lane miles were rated good to excellent, a 3.2 percentage point increase since 2012.

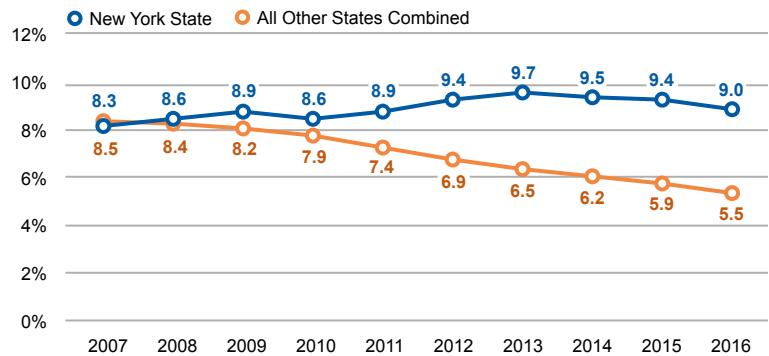
Highway Condition Ratings in New York
(as a percentage of total lane miles)



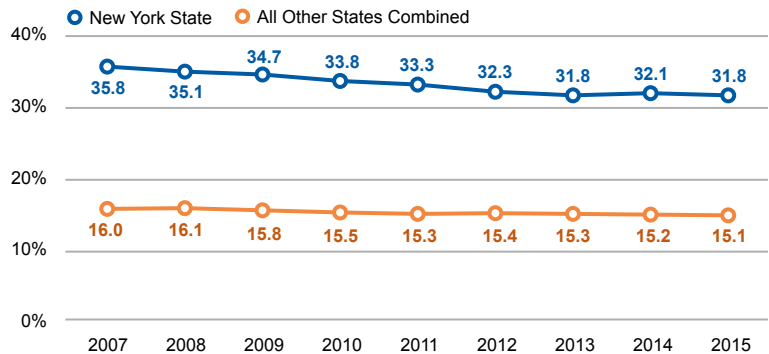
Bridge Conditions Have Improved Since 2012, but Are Worse Than in Other States

- In 2016, New York State was responsible for maintaining 8,477 bridges.**
- A bridge is considered structurally deficient if it has deterioration to one or more major components, but is not unsafe. In 2016, 9 percent of State-maintained bridges were rated structurally deficient. This is an improvement from 9.4 percent in 2012, but it compares unfavorably to the 5.5 percent share for all other states combined.
- A bridge is considered functionally obsolete if it was built using outdated standards, such as older design features. While data was not available for 2016, looking back as far as 2007, the State's percentage of functionally obsolete bridges has consistently been more than double the share in all other states combined.

Structurally Deficient State Bridges
(as a percentage of total State-maintained bridges)



Functionally Obsolete State Bridges
(as a percentage of total State-maintained bridges)



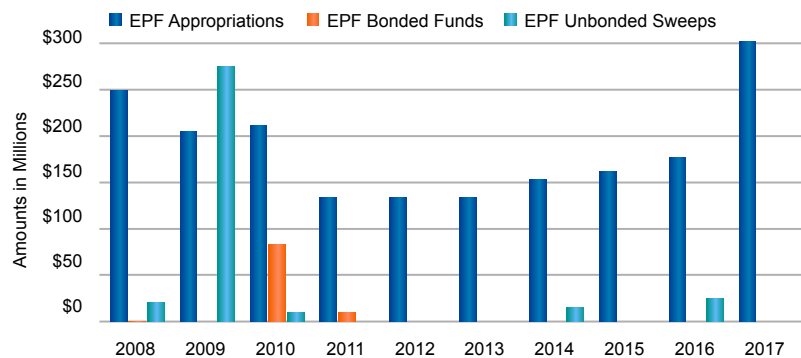
**Based upon the U.S. Federal Highway Administration, National Bridge Inventory, we have included as State-maintained bridges, all bridges where the owner is State, State Park, Other State and State Toll.

Environment

Environmental Protection Fund (EPF)

- Created in 1993, the EPF:
 - Provides an ongoing source of primarily pay-as-you-go funding to address the State's environmental needs.
 - Supports a broad array of environmental programs, such as: State and municipal open space conservation; municipal and agricultural non-point source water pollution control; State and local parks projects; municipal water pollution control and aquatic habitat conservation; support for the State's zoos, botanical gardens and aquaria; waterfront revitalization; farmland conservation; and municipal climate change mitigation and resilience programs.
 - Has been primarily funded with a portion of the State's real estate transfer tax. In SFY 2016-17, a \$146 million transfer from the State's General Fund to the EPF, supported with \$120 million in monetary settlement funding, provided the majority of financing.
- Appropriations to the EPF have fluctuated over the life of the Fund:
 - From an initial funding level of \$31.5 million in SFY 1994-95;
 - To a low of \$0 in SFY 2001-02; and
 - To a high of \$302 million in SFY 2016-17.

History of EPF Appropriations and Fund Sweeps*



New York Works

- New York Works appropriations in SFY 2016-17 were made to the capital budgets of the:
 - Department of Environmental Conservation for \$40 million for various purposes, including dam safety, demolition of unsafe structures on State lands and flood protection projects; and
 - Office of Parks, Recreation and Historic Preservation for \$92.5 million to maintain and upgrade infrastructure in State Parks facilities and to maintain ski lifts and other Olympic Regional Development Authority facilities.

* Over the life of the Fund, enacted State budgets have authorized a total of \$953.7 million in fund sweeps, including \$306.5 million of which were replaced with bonds proceeds. Additionally, Section 92-s of the State Finance Law provides for the transfer of up to \$447.2 million from the General Fund to the EPF if moneys in the Fund are deemed insufficient by the State Budget Director to meet actual and anticipated disbursements from appropriations and reappropriations.

Energy

According to the U.S. Energy Information Administration:

- In 2015, New York State consumed 190 million British Thermal Units (BTUs) per capita, the lowest of any state. Consuming 921 million BTUs for every resident, Louisiana had the highest per capita energy consumption.
- In 2014, New York State's per capita energy expenditure of \$3,446 was the third lowest in the nation. At \$11,094, North Dakota's per capita energy expenditure was the highest.
- New York's March 2017 residential rate for natural gas of \$10.72 per thousand cubic feet (TCF) was 21st in the nation. Hawaii ranked first with a price of \$36.69 per TCF.
- With an average residential rate of \$17.02 per kilowatt hour (kWh), New York's March 2017 electric price was ninth in the nation. Top-ranked Hawaii's comparable rate was \$29.04.
- In 2014, New York State had the ninth highest carbon dioxide emissions among the states with total emissions of 170 million metric tons. Texas, with total carbon dioxide emissions of 642 million metric tons, ranked first in 2014.

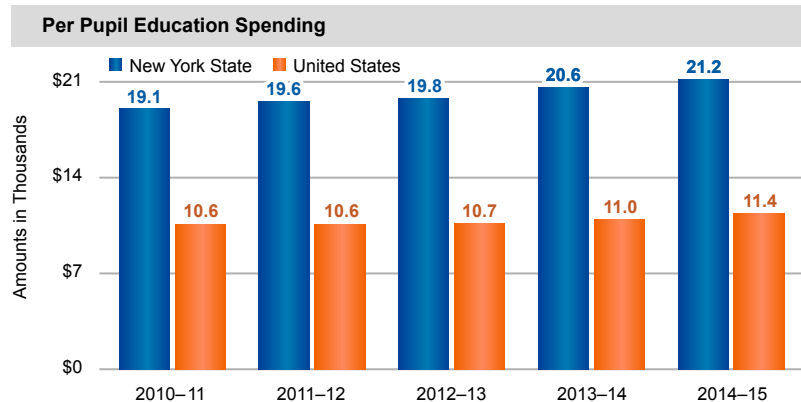
Agriculture

- In 2015, the value of agricultural production in New York State was approximately \$5.3 billion.
- With total receipts of \$2.6 billion, New York State was the third largest dairy producing state in 2015.
- New York State was ranked second in sales of apples in 2015, with receipts of \$274.5 million.

Elementary and Secondary Education

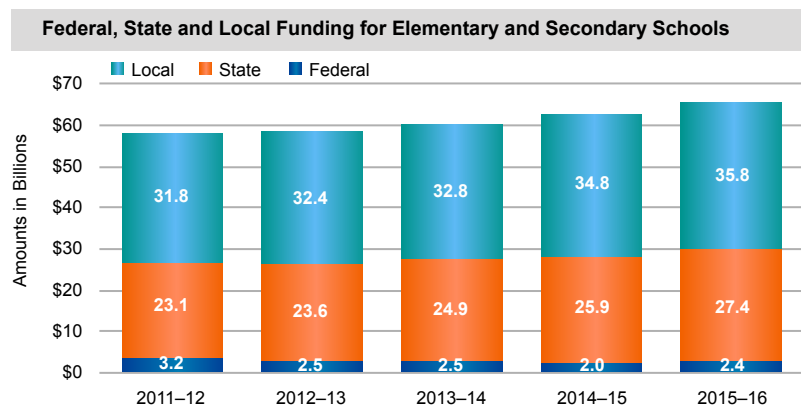
New York State Ranks Highest in Nation in Per Pupil Spending

- For the 2014-15 school year,* New York State was the highest among the states in per pupil expenditures for public elementary and secondary education at \$21,206, according to the U.S. Census Bureau. This amount is:
 - An increase of 2.9 percent from the previous year; and
 - 86.1 percent higher than the national average of \$11,392 per pupil.
- Between 2010-11 and 2014-15, annual per pupil spending has increased an average of 2.7 percent annually in New York State, compared to 1.9 percent for the nation.



Local Governments Represent the Largest Source of Funding

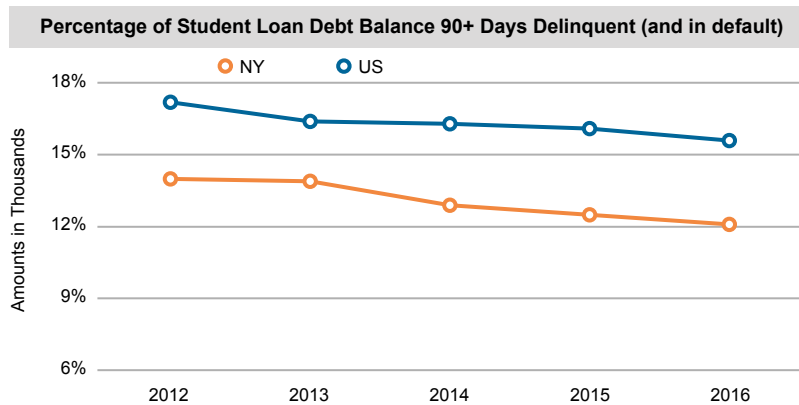
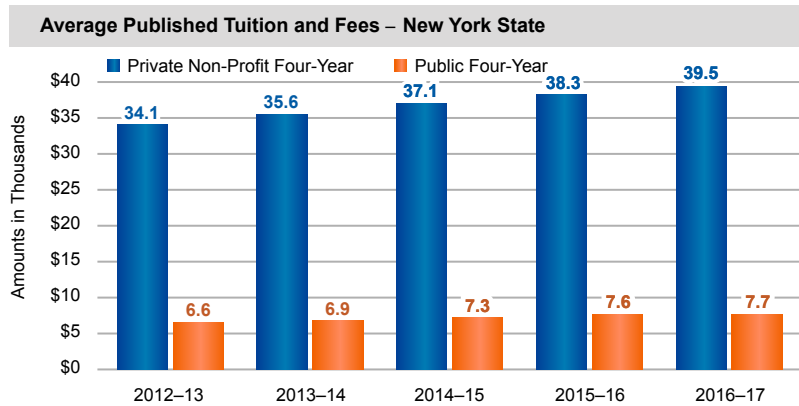
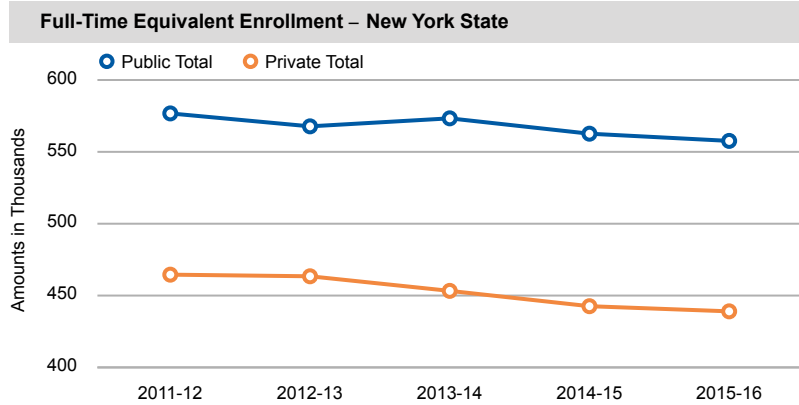
- In 2015-16, support for public elementary and secondary schools came from the following sources:
 - State, \$27.4 billion, including the School Tax Relief Program (STAR) of \$3.3 billion;
 - Local, \$35.8 billion; and
 - Federal, \$2.4 billion.
- In school budgets proposed for the 2017-18 school year, property tax levy increases averaged 1.7 percent, which is approximately the same as the:
 - 0.6 percent average increase last year; and
 - 1.7 percent average annual increase from school years 2012-13 through 2016-17.



*Most recent available year.

Higher Education

- In calendar year 2016,* New York State public and private higher education institutions had the following students in degree-credit enrollments:
 - 866,993 full-time; and
 - 371,971 part-time.
- The State has a higher proportion of private colleges than most states, with 220 independent and proprietary colleges accounting for over 44 percent of statewide full-time equivalent (FTE) enrollment.
- In the 2016-17 academic year, average costs of tuition and fees for full-time, in-state students for the State University of New York (SUNY) and the City University of New York (CUNY) were the following:
 - SUNY, \$8,110 (\$5,040 for two-year colleges); and
 - CUNY, \$6,530 (\$5,000 for two-year colleges).
- In the 2015-16 academic year, nearly 355,000 students received State Tuition Assistance Program (TAP) awards, totaling \$956 million.
- In SFY 2016-17, the State spent \$292 per resident on higher education, ranking 16th in the nation for higher education spending per capita.
- According to the Federal Reserve, in 2016, student loan borrowers in the State had an average balance of \$31,600, an increase of 20.6 percent from \$26,200 in 2011. By comparison, national student loan borrowers had an average balance of \$29,900 in 2016, up 25.1 percent from \$23,900 in 2011.



*Most recent available year.

Local Government

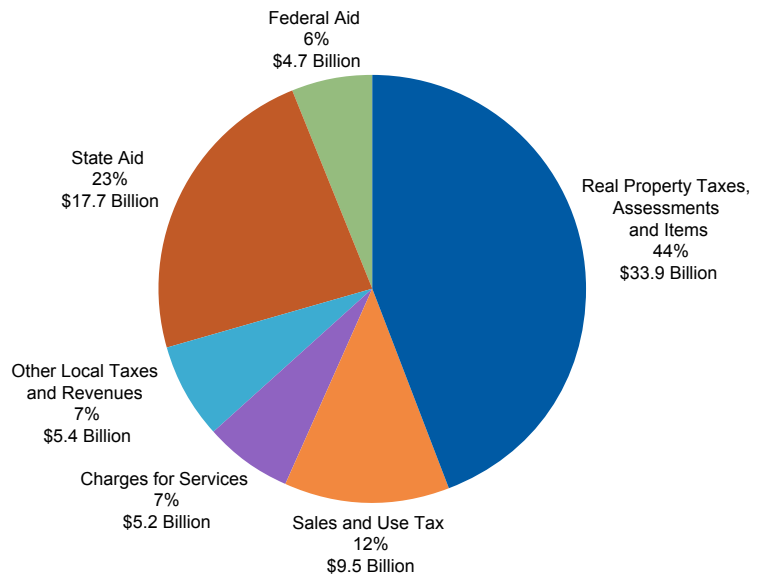
Real Property Taxes and Sales Taxes Are Major Local Revenue Sources

- Real property taxes are the single largest source of local government revenue in the State, making up 44 percent of the total in 2015.
- Some governments are even more dependent on the property tax for their revenues, including fire districts (94 percent), school districts (56 percent), towns (53 percent) and villages (49 percent).
- Sales taxes are also an important revenue source (12 percent of total revenue) and the largest single revenue source for counties (33 percent). They are somewhat volatile, with strong growth in good economic times and declines in recessions.
- Recently, growth in sales tax collections has slowed from about 5 percent per year (2011 through 2013) to around 3 percent per year (2014 through 2016). Growth in recent years has been particularly weak in upstate New York, but collections there rose somewhat faster in the first six months of 2017.

Property Tax Levy Growth Has Been Trending Lower

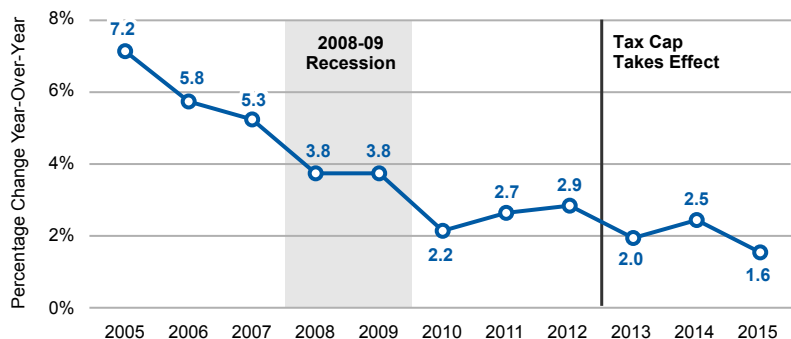
- Annual increases in property tax levy have been below 3 percent since 2010, significantly less than pre-recession growth.
- The Real Property Tax Levy Limit (commonly called the “tax cap”), was enacted in 2011 (for fiscal years beginning 2012) in an effort to temper growth in real property taxes.

Revenue by Source, Fiscal Year Ending 2015
Total Revenues: \$76.4 Billion



Includes counties, cities, towns, villages, fire districts and school districts. Excludes New York City. Percentages do not sum to 100 percent due to rounding.

Property Tax Levy Growth, 2005 through 2015



Due to definitional changes, the 2015 tax levy is not directly comparable to prior years.

- Each local government’s tax cap calculation involves a multi-step formula, but generally the law limits levy increases to the lesser of 2 percent or the rate of inflation, with some exceptions. The law also includes provisions for a local government to override the tax cap.
- Notably, inflation has been below 2 percent since late 2013, although it has been increasing again recently. Higher inflation will affect tax cap calculations for fiscal years beginning in 2018.

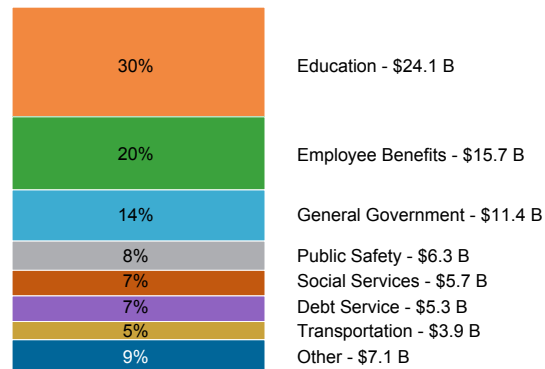
Education and Employee Benefits Account for Half of Local Government Expenditures

- Education made up 30 percent of total local government expenditures for the 2015 fiscal year (\$24.1 billion). Almost all of this is school district spending on primary and secondary education.
- Employee benefits accounted for another 20 percent of local government spending (\$15.7 billion). This is the fastest growing segment, increasing 5.2 percent annually over the 10 fiscal years ending 2015, compared to growth in other expenditures of 2.0 percent.
- In 2016, counties had \$24.1 billion in total expenditures, cities (not including New York City) had \$5.0 billion, towns had \$7.0 billion, villages had \$3.0 billion, fire districts had \$0.8 billion and school districts had \$39.6 billion.

Fiscal Stress in Municipalities and School Districts Declined in 2016

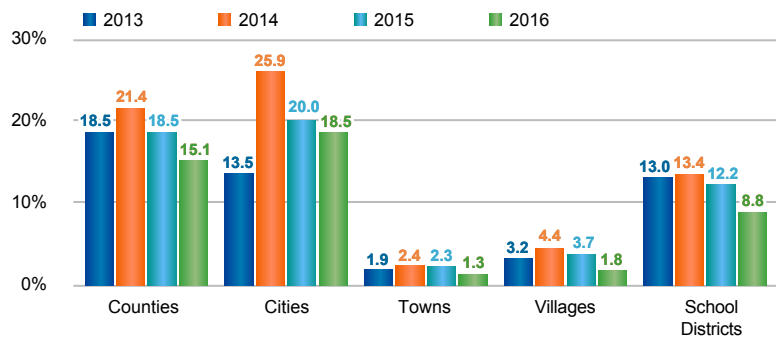
- The Office of the State Comptroller analyzes the financial condition of each municipality and school district through its Fiscal Stress Monitoring System, which combines a number of financial indicators into an overall score intended to measure entities' budgetary solvency.
- From 2013 through 2015, between 137 and 159 local governments and school districts (6.4 to 7.4 percent) were designated in a fiscal stress category. In 2016, the number declined to 97, or 4.6 percent.

Expenditures by Function – Total Expenditures: \$79.5 Billion
Fiscal Years Ending 2015



Includes counties, cities, towns, villages, fire districts and school districts.
Excludes New York City.

Percentage of Municipalities and School Districts in Fiscal Stress
Fiscal Years Ending in 2013 through 2016



Includes all municipalities and school districts that filed conclusive financial data.

- In 2016, the municipalities most likely to be in fiscal stress were cities (18.5 percent) and counties (15.1 percent), while the least likely to be in fiscal stress were towns (1.3 percent) and villages (1.8 percent).
- Only 8.8 percent of school districts were in fiscal stress in 2016, but they accounted for 59 of the 97 stressed entities.

Debt

The debt burden of a governmental entity directly affects its ability to provide current services, as well as its long-term fiscal health. Existence of high levels of government borrowing may:

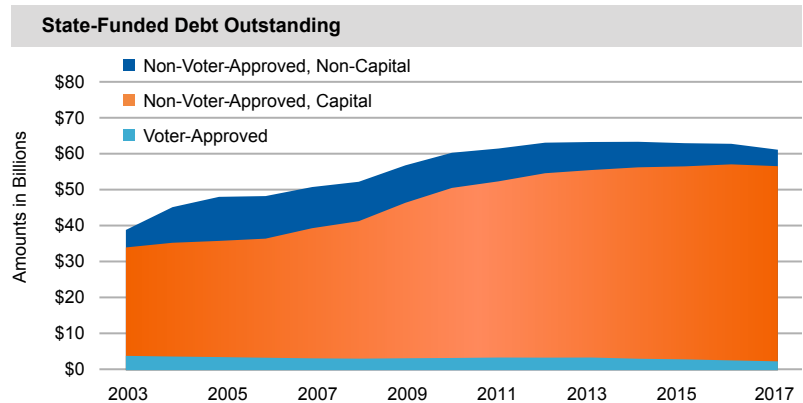
- Indicate that the government is unable to support current programs with current revenues.
- Force future program reductions, increased taxation or additional borrowing when future resources are needed to repay debt.
- Limit capacity to finance capital assets and grants, and to address projected budget gaps.

The State Ranks Second Highest in the Nation in Outstanding Debt

- At the end of SFY 2016-17, the State reported the following categories of debt:
 - \$2.5 billion in constitutionally recognized (voter-approved) general obligation debt, a decrease of 28.6 percent since SFY 2012-13.
 - \$49.6 billion in State-Supported debt as statutorily defined in the Debt Reform Act of 2000, a decrease of 5.5 percent since SFY 2012-13.
 - \$56.2 billion in debt reported in accordance with full accrual accounting under Generally Accepted Accounting Principles (GAAP), a decrease of 2.9 percent since SFY 2012-13.

- \$61.4 billion in State-Funded debt, a decrease of 3.3 percent since SFY 2012-13. This category has been defined by the State Comptroller as a comprehensive measurement of the State's debt burden. It includes instances where the State makes payments with State resources, directly or indirectly, to a public authority, bank trustee or municipal issuer to enable them to make payments on debt issued for State purposes. Approximately 96 percent of State-Funded debt was issued by public authorities without voter approval.

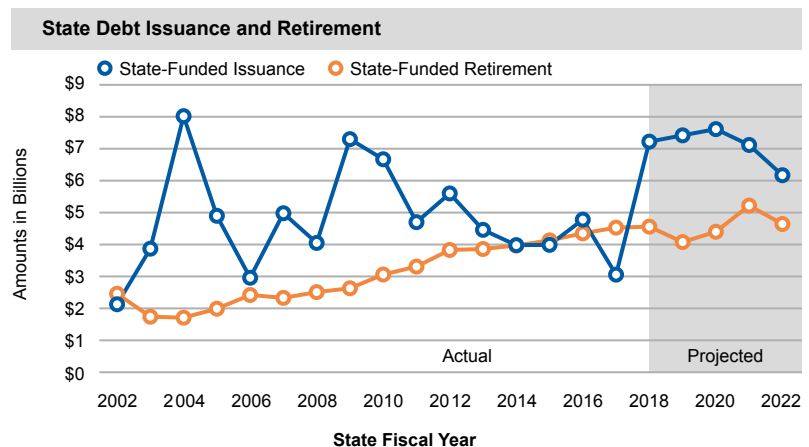
- In 2016, New York State was the second most-indebted state behind California, and fifth among all states in debt per capita.
- At the end of SFY 2016-17, State-Funded debt outstanding per capita was \$3,116, which was equal to 5.1 percent of Personal Income.



State Projects Issuance of More Debt Than It Will Retire in the Coming Years

- For the next five years, the SFY 2017-18 Enacted Budget Five-Year Capital Program and Financing Plan, as updated in the First Quarterly Update to the SFY 2017-18 Financial Plan, projects that the State will issue 50 percent more debt than it will retire, with:
 - \$33.7 billion in new State-Supported debt issuance; and
 - \$20.2 billion in State-Supported debt retirement.
- The State is continuing to experience reduced debt capacity, due in part to the level of debt issued in the past as well as recent economic conditions.
- Based upon scheduled repayment dates, the State's deficit financing (\$2.6 billion at the end of SFY 2016-17) will not be fully repaid until SFY 2025-26. The amount outstanding includes bonds issued by the:
 - New York Local Government Assistance Corporation (LGAC);
 - Municipal Bond Bank Agency (MBBA); and
 - Tobacco Settlement Financing Corporation (TSFC).
- An additional \$2 billion in debt outstanding is associated with:
 - Issuances by the Sales Tax Asset Receivable Corporation (STARC), which will not be fully repaid until 2034; and
 - The sale of Attica Correctional Facility in 1991.

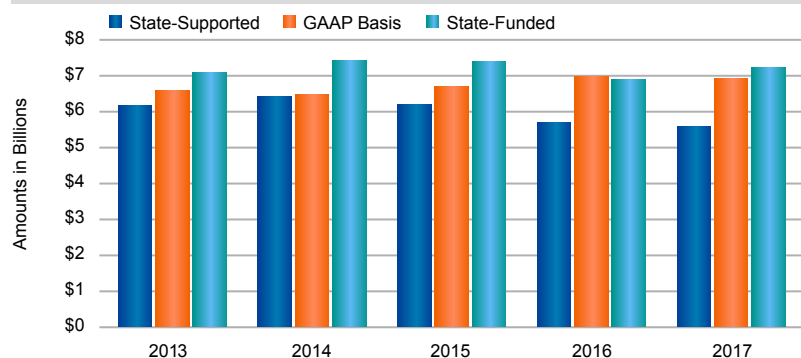
- At times, New York has issued State-Supported debt to fund capital purpose grants to other entities. This practice results in liabilities for the State without creating corresponding State assets.
- In SFY 2016-17, \$491 million in State-Supported debt service initially planned for SFY 2017-18 was paid early. With such prepayments, the State sends funds earlier than otherwise planned to the fiscal agent or trustee, who then retains such funds until the regularly scheduled debt service payment is due. Such prepayments do not reduce the State's interest costs. Prepayments that shift spending from the year in which the payment is due to the prior year deflate reported year-over-year growth in debt service and overall spending.
- In SFY 2016-17, State-Funded debt service totaled almost \$7.2 billion. This is expected to grow to \$8.4 billion by 2022, based on projected issuance and retirement amounts from certain debt issuers in New York State and New York City.



State-Funded Debt Differs from Debt Reported Under GAAP

- Significant differences exist between debt reported under the State-Funded category for cash reporting and debt reported under GAAP:
 - State-Funded debt includes certain obligations that are not recognized as a State liability under GAAP, including:
 - \$1.9 billion in STARC bonds originally issued in fiscal year 2005 that will be repaid from future sales tax revenues of the State; and
 - \$7.9 billion in Building Aid Revenue bonds issued by New York City's Transitional Finance Authority (TFA) for education purposes since fiscal year 2007 that will be repaid with pledged local assistance payments from the State.
 - State-Funded debt also includes:
 - \$956 million in obligations for State University of New York dormitory facilities paid with rental fees assigned to the Dormitory Authority and reported as collateralized borrowing under GAAP; and
 - \$157 million for certain contingent-contractual obligations associated with the Secured Hospital Program reported as accrued liabilities under GAAP.*

Debt Service Expenditures in New York



- Debt reported under GAAP but not counted in the State-Funded debt measurement includes:
 - \$4.9 billion in bond premiums;
 - \$13 million in accumulated accretion on capital appreciation bonds; and
 - \$542 million in certain vendor-financed capital lease obligations and mortgage loan commitments.

State's Bond Ratings

- At the end of SFY 2016-17, the State's general obligation bond ratings were assigned as follows:
 - AA+ by Fitch Ratings;
 - AA+ by Kroll Bond Rating Agency, Inc.;
 - Aa1 by Moody's Investors Service; and
 - AA+ by Standard & Poor's (S&P) Rating Services.

These ratings are one step below the highest investment grade ratings.

* In SFY 2013-14, the State was called on to make approximately \$12 million in payments on certain contingent-contractual bonds from the Secured Hospital Program that was enacted in 1985 in which the State issued bonds for certain distressed hospitals. The required payment has increased to nearly \$30 million in SFY 2016-17. As of March 31, 2017, the Secured Hospital Program included contingent-contractual debt obligations totaling approximately \$220 million, including \$157 million related to certain distressed hospitals where the State has previously been called on to make debt service payments.

Public Authorities

Created by the government, public authorities are legally separate entities that provide services to the public as well as to the State and local governments. Public authorities are generally self-supporting through their revenue-generating activities. However, in some cases, governmental financial assistance and support is provided for operating and other expenses. New Yorkers pay for public authorities in a variety of ways including rates, tolls, fees and, in some cases, taxes.

The fiscal stability of the State is related in part to the fiscal stability of certain public authorities closely related to the State. The State's access to public credit markets could be impaired if certain public authorities closely associated with the State were to default on their obligations.

- In addition to issuing debt for their own purposes, public authorities issue debt for which the State provides the funds for repayment. The Enacted Budget for SFY 2017-18:
 - Increased bonding authorizations for 23 programs financed through State-Supported debt issued by public authorities; and
 - Provided for an increase in these State-Supported bonding authorizations of approximately \$10.5 billion, or 9.4 percent over previous limits.

- Public authorities and subsidiaries reported more than \$64 billion in revenue and capital contributions in 2016.*
- Public authorities and subsidiaries reported making payments of nearly \$12 billion pursuant to contracts in 2016.*

For more information on public authorities, please see www.osc.state.ny.us/pubauth/index.htm

Public Authority Data on Expenses, Debt and Employees* For Fiscal Years Ending in 2016

Authority	Expenses (amounts in millions)	Debt** (amounts in millions)	Employees
Metropolitan Transportation Authority	\$ 17,649	\$ 37,238	78,087
Long Island Power Authority***	3,513	6,168	52
Power Authority of the State of New York	2,424	1,371	1,782
Dormitory Authority of the State of New York	2,332	47,286	534
New York State Urban Development Corporation	1,564	12,419	329
New York State Thruway Authority	1,195	10,165	4,303
New York State Energy Research and Development Authority	704	3,059	335
Tobacco Settlement Financing Corporation	697	660	248
Environmental Facilities Corporation	460	6,054	122
Battery Park City Authority	261	1,009	233
Niagara Frontier Transportation Authority	258	135	1,712
New York State Housing Finance Agency	256	15,446	246
State of New York Mortgage Agency	251	2,510	246
New York Local Government Assistance Corporation	82	2,058	24
State of New York Municipal Bond Bank Agency	47	455	246
New York Job Development Authority	6	6,596	4
All Other State	12,038	6,364	20,370
Total State	43,737	158,995	108,873
Total Local	22,064	111,693	52,842
Grand Total	\$ 65,801	\$ 270,688	161,715

* The data reported is submitted by public authorities through the Public Authorities Reporting Information System (PARIS). The data contained in PARIS and used in this section of the report is self-reported by the authorities and has not been verified by the Office of the State Comptroller. As required by Public Authorities Law, certain data submitted is required to be approved by the board of directors and/or have its accuracy and completeness certified in writing by the authority's chief executive officer and chief financial officer. Not all authorities have complied with reporting requirements for 2016.

** Numbers may not add due to rounding.

*** Includes certain Utility Debt Securitization Authority debt outstanding.

Economic and Demographic Trends

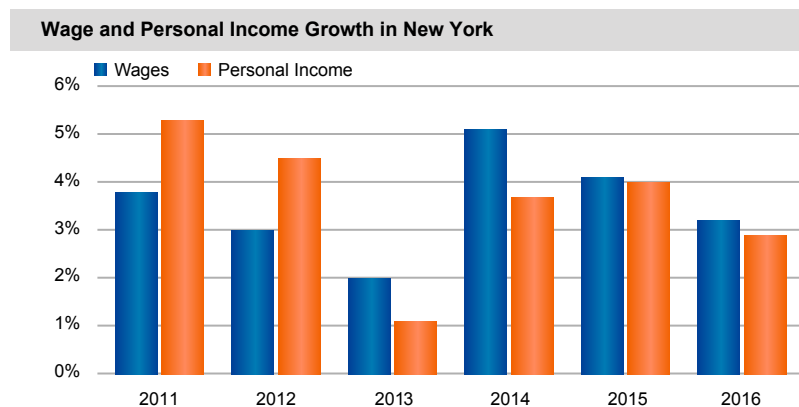
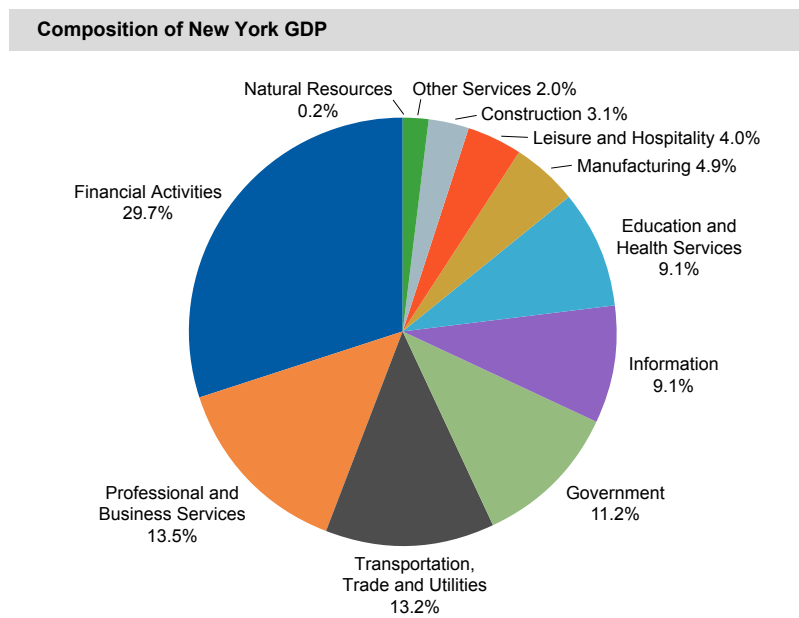
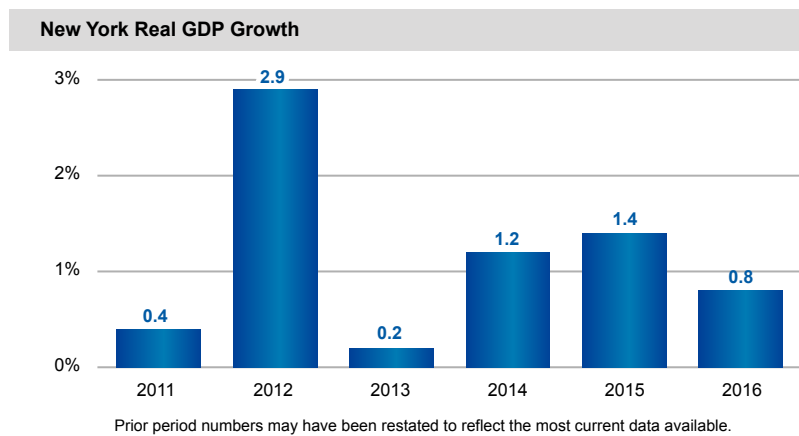
The State Lagged Behind the Nation in Economic Growth for 2016

A state's Gross Domestic Product (GDP) is the value of production originating from all industries in the state, as defined by the U.S. Bureau of Economic Analysis. In 2016:

- New York State's GDP was nearly \$1.5 trillion, more than 8 percent of the U.S. total.
- The State ranked 38th in the nation for economic growth, with real GDP growth of 0.8 percent from 2015, roughly half the national increase. Washington ranked first with real GDP growth of 3.7 percent.
- The financial activities sector comprised nearly 30 percent of the State's real GDP. The natural resources and mining sector accounted for less than 1 percent.

Wages in the State Increase

- In 2016, wages in the State increased by 3.2 percent. While wages in the finance and insurance sector decreased by 1.0 percent primarily due to lower end-of-year bonuses, wages in all other industries grew by 3.5 percent.
- Personal income increased by 2.9 percent in 2016, a smaller increase than that of wages primarily due to weak growth in interest and dividend income.



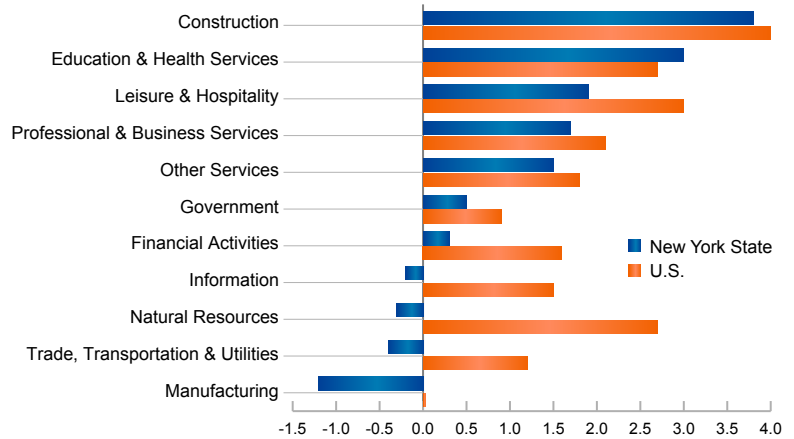
The State Added More Jobs as the Unemployment Rate Declined

- In 2016, the State added over 135,000 jobs, an increase of 1.5 percent compared to national employment growth of 1.7 percent.
- The State's unemployment rate declined from 5.3 percent in 2015 to 4.8 percent in 2016. However, the total labor force in the State shrank by 6,700 workers.
- In 2016, the highest rate of employment growth continued to be in the construction industry, with an increase of 3.8 percent. The largest number of jobs added was in the educational and health services sector, with an increase of nearly 52,000 jobs.
- In 2016, employment growth was uneven across the State. New York City had the highest growth rate of any region, an increase of 2.1 percent, while the Southern Tier experienced a decline of 0.1 percent.

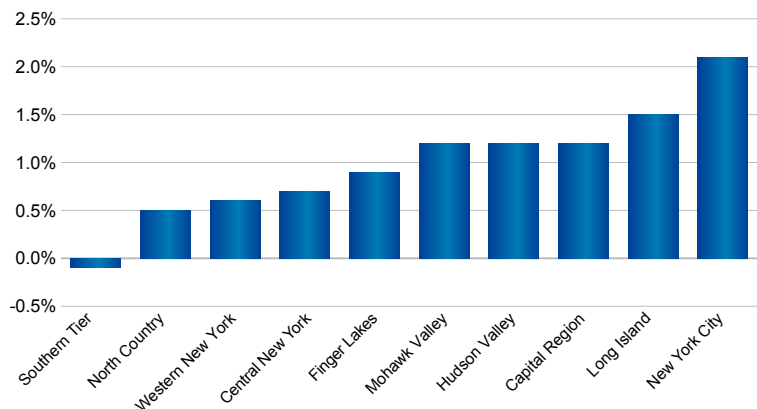
New York's Population has Grown, But More Slowly than the Nation's

- From 2010 to 2016, the State's population increased by 1.9 percent, compared to a national pace of 4.7 percent.
- The net statewide population gain of more than 367,000 residents during that period primarily reflected an increase of more than 362,000 in New York City.

2016 Employment Growth by Industry Sector



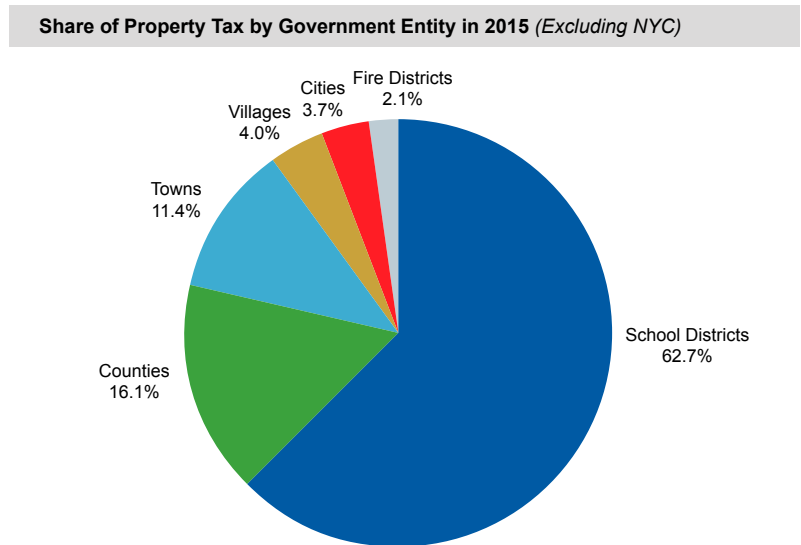
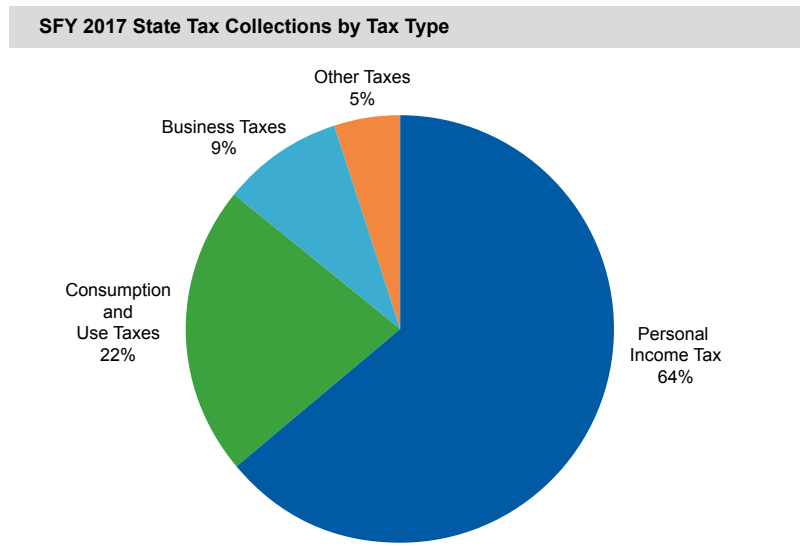
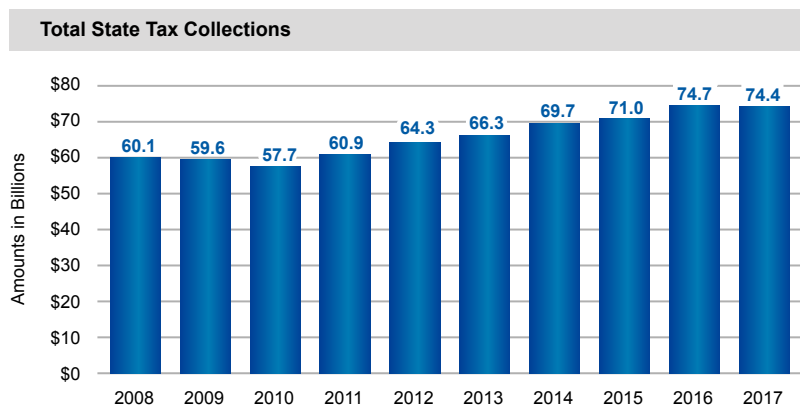
2016 Employment Growth by Region



Taxes

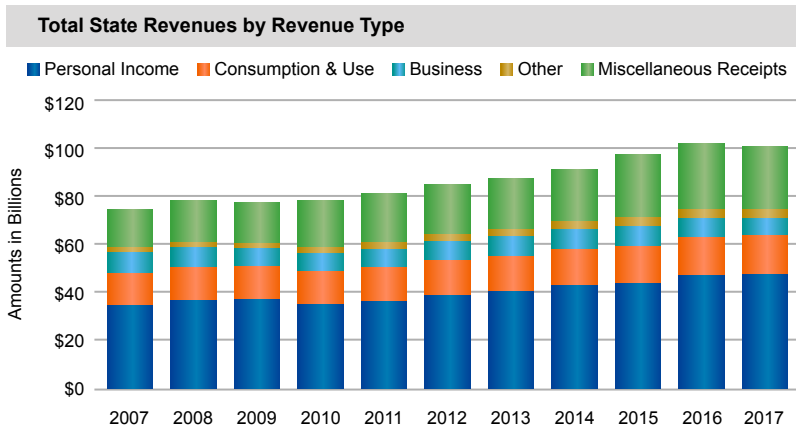
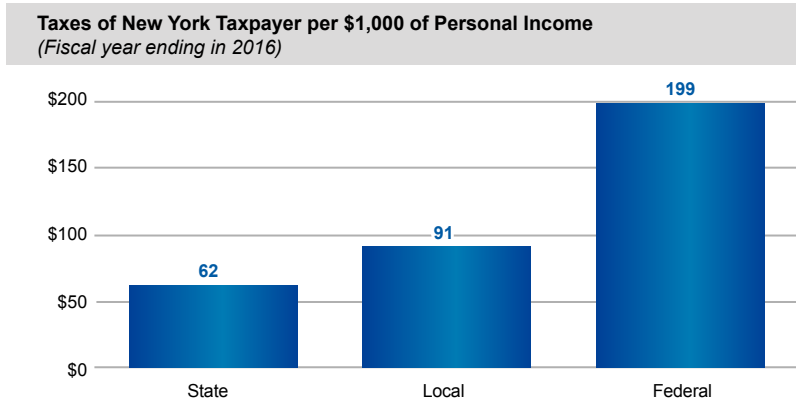
Tax Collections Declined in SFY 2016-17

- In SFY 2016-17, New York State tax collections decreased by 0.4 percent.
- From 2013 to 2017, New York State tax collections have increased by 12.2 percent.
- The combined federal, State and local tax burden in New York State was \$352 per \$1,000 of personal income in fiscal year 2016.
- At the local level, over 60 percent of all property taxes are collected by school districts.



The State Relies Heavily on the Personal Income Tax as a Major Source of Revenue

- Personal income tax:
 - Makes up over 60 percent of New York State’s tax collections.
 - Has increased in collections by 18.2 percent from 2013 to 2017.
- Only Oregon has a heavier reliance on the personal income tax than New York State. Nationwide, states rely more heavily on sales and user taxes.
- Collections for consumption and use taxes, New York State’s second largest tax revenue source, increased by nearly 11 percent from 2013 to 2017.



Implications for the Future

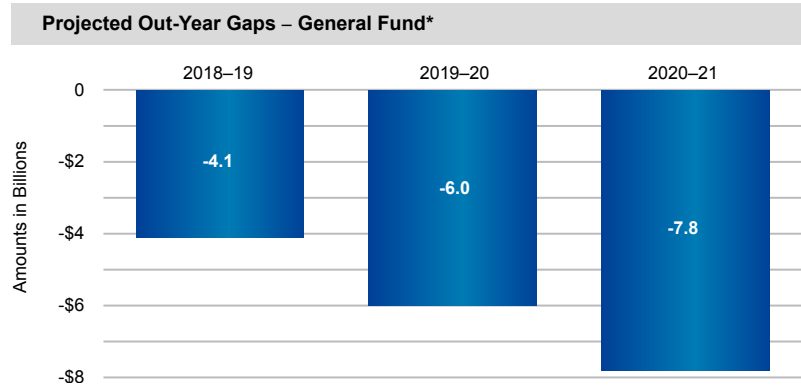
New York State Faces Signs of Increasing Fiscal Challenges

As our nation enters its ninth year of economic expansion, New York State faces some signs of increasing fiscal challenges.

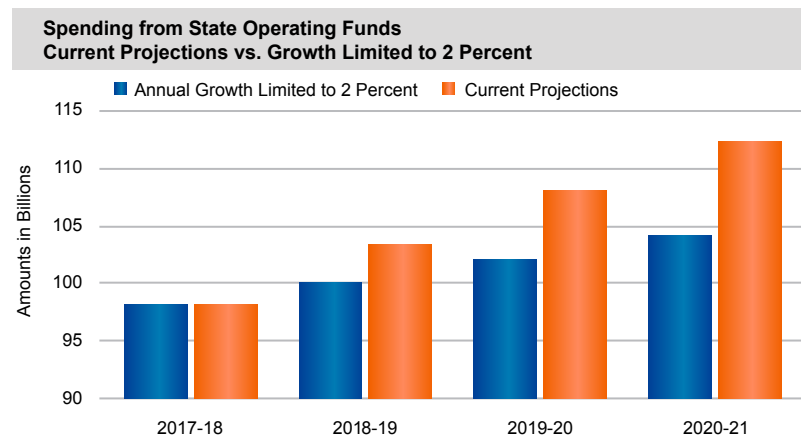
The SFY 2017-18 Enacted Budget Financial Plan includes nearly \$4.9 billion in non-recurring or temporary resources, excluding federal aid. The Division of the Budget (DOB) projects General Fund budget gaps in the coming three years will average more than \$5.9 billion annually before potential gap-closing actions, partially reflecting the loss of the various temporary resources used in SFY 2017-18. While these projected gaps are smaller than those during the Great Recession, they represent an increase from more recent years and remain a cause for concern.

The Effect of the Two Percent Spending Benchmark Is Unclear

The SFY 2017-18 Enacted Budget Financial Plan again reflects the Executive's 2 percent benchmark for annual spending growth in State Operating Funds. While DOB projects such spending growth to stay within the 2 percent benchmark in SFY 2017-18, it projects all other measures of State spending—General Fund, State Funds and All Funds—to exceed the 2 percent benchmark. Furthermore, that figure reflects several actions that complicate the picture of year-over-year spending growth. Such actions include: the use of prepayments; certain program restructurings, which result in costs being reflected as reduced receipts rather than



disbursements; shifting spending to capital projects funds; deferring expenditures to future years; and the use of off-budget resources to pay for certain program costs. After considering such identifiable actions, the Office of the State Comptroller estimates that State Operating Funds expenditures this year would increase by approximately 4 percent. The effect of the 2 percent benchmark is unclear since it is achieved, in part, by use of these actions, which may limit reported State Operating Funds disbursements and growth without lowering actual costs.*



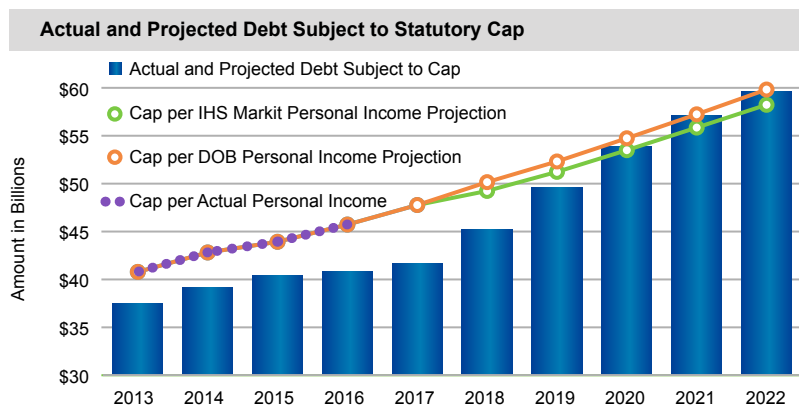
*The General Fund is the State's main operating fund. State Operating Funds include the General Fund, State-financed special revenue operating funds and debt service funds. State Funds include State Operating Funds and State-financed capital funds. All Funds includes all of the above, as well as federally funded capital and operating funds.

Debt Capacity Is Projected to Shrink

Another important issue with regard to both the State’s capital needs and its overall financial condition is its debt capacity.

The Executive currently projects that the State’s debt capacity, as measured by the statutory cap on State-Supported debt outstanding issued after April 1, 2000, will shrink to just \$88 million by SFY 2020-21. Certain actions, such as a change in the financing structure for State University of New York dormitories, preserved debt capacity under the statutory cap but did not alter the State’s debt burden. Average annual State-Supported debt issuance over the last five fiscal years is nearly 30 percent lower than average annual debt issuance from the previous five year period (SFYs 2007-08 through 2011-12). While this has helped keep debt outstanding below the statutory cap, the challenge of addressing the State’s debt burden remains.

Since statutory debt capacity is partially a function of personal income in New York State, the projected level of such capacity varies with different personal income projections. DOB projects personal income in New York State will increase an average of 4.5 percent annually over the next five years. Some other economic forecasts vary from DOB projections. For example, the consulting firm IHS Markit projects a lower figure, an average of 4.3 percent over the same period. If personal income grows at a lower rate than anticipated and additional actions are not undertaken, the State’s projected statutory debt capacity would shrink further or, potentially, disappear entirely.



State-Supported debt issuances are projected to be \$33.7 billion over the next five years, an average of \$6.7 billion annually, compared to an annual average of \$3.4 billion over the previous five years. The gap between debt issuances and debt retirement is also projected to grow, with issuances exceeding retirements by over 65 percent on average annually over the next five years, compared to 5 percent under the past five years.

Use of Settlement Resources Remains Unclear

Since April 2014, the State has received over \$10.2 billion in monetary settlements from various financial and other institutions for violations of New York State banking, insurance or other laws. The Financial Plan indicates an intent to use the majority of settlement funds for capital investments and other one-time purposes. However, the State is also using settlement funds for cash flow and debt management purposes that are presented as temporary in nature. The flexibility of these resources and their use for ongoing purposes may obscure the State’s underlying fiscal position and create uncertainty regarding other commitments.

DOB projects that roughly 78 percent of settlement dollars ultimately will be spent through the Dedicated Infrastructure Investment Fund, transferred to the Environmental Protection Fund (a capital projects fund), or used for mass transit or health care purposes. However, through the end of SFY 2016-17, nearly half (49.4 percent or almost \$1.6 billion) of what has actually been spent has gone to budget relief, and another \$461 million is planned for such use in SFY 2017-18.

Also, \$2.3 billion of these resources are being used in ways that allow the State to preserve debt capacity in the short-term, while allowing capital spending to continue. This plan leaves greater uncertainty for the currently appropriated uses of settlement resources. Furthermore, some settlement dollars have been appropriated for broadly written purposes. It is not yet clear whether all or the majority of these one-time resources will be used appropriately for capital investments or other one-time purposes. Ensuring that the State meets its needs for essential capital investment, and that it makes appropriate use of one-time resources such as settlement funds, remain important priorities.

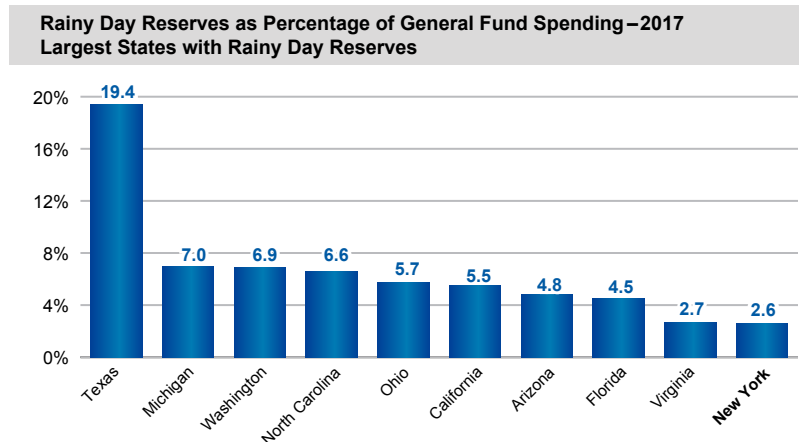
State's Budgetary Cushion Is Shrinking

The General Fund cash balance as of March 31, 2017 was \$7.7 billion. That figure is substantially higher than the levels in the period during and immediately after the Great Recession, largely reflecting monetary settlements received in the past three years. But the State's budgetary cushion is shrinking: the Enacted Budget Financial Plan projects that the General Fund balance will be one-third lower at the end of the current fiscal year than its

recent peak two years previously, and such reserves are projected to decline further in each year through SFY 2020-21.

New York State has long trailed the national average for states, as well as a number of similar-sized states, in fund balance and reserves as a percentage of spending, two key indicators of fiscal condition.

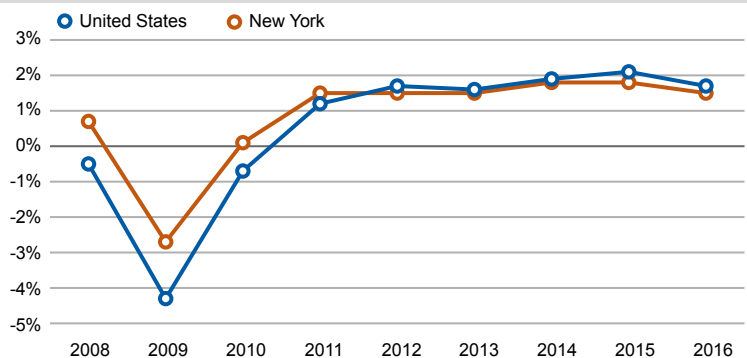
The State has increased its reserves over the last 10 years, largely due to deposits in SFY 2014-15 of over \$315 million to the Rainy Day Reserve Fund that was created in 2007. However, no additional deposits have been made since, and the current Financial Plan doesn't anticipate any in the future. The State's General Fund balance as of March 31, 2017 was 11.4 percent of expenditures, primarily because of non-recurring monetary settlement revenue received since April 1, 2014. If the monetary settlements were excluded from the balance, the General Fund balance would have been 3.5 percent of General Fund spending, significantly lower than the national average as well as the average for the other 10 largest states with rainy day funds. However, when including settlement funds, the General Fund balance as a percentage of expenditures exceeds both the national average and the average for the 10 largest states with rainy day reserves.



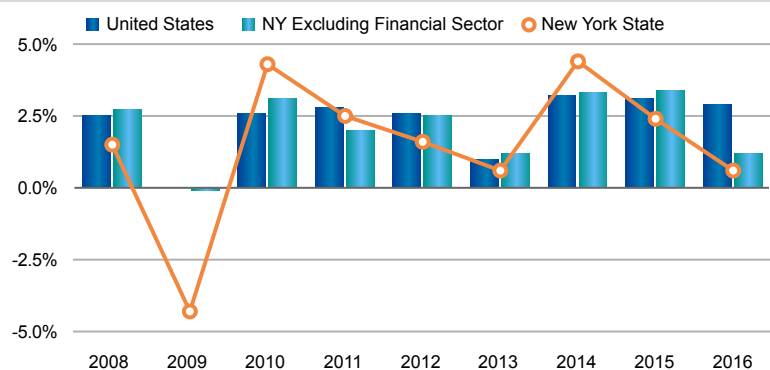
Elevated Concern with Potential Federal Funding Reductions

The State faces substantial reductions in federal aid for health care and other programs if proposed changes at the federal level are enacted. DOB currently projects the State will receive \$57.2 billion in federal funds for various programs in the State budget, representing an increase of 3.2 percent from SFY 2016-17. Given that federal funding represents approximately one-third of the State's revenue, the unpredictable nature of federal budget and policy discussions presents an elevated concern. Medicaid receives the largest share of federal funds in the State's budget. However, the State also uses federal resources for other purposes including transportation, education, environmental protection and various social services. While the SFY 2017-18 Enacted Budget includes provisions to help address potential federal funding reductions at the State level, it leaves uncertainty regarding fiscal and programmatic repercussions for recipients of State funding if such provisions are implemented.

Comparison of State and National Employment Growth, 2008–2016



Comparison of Average Annual Wage Growth, 2008–2016



Concerns Regarding the State's Economy

Over the course of the Great Recession and into the start of the U.S. economic recovery, employment fared better in New York than nationally. While New York State as a whole has regained all of the jobs it lost during the recession, its job growth has lagged the nation over the course of the expansion. In addition, employment growth has been uneven across the State, with downstate experiencing relatively robust job creation and most upstate regions seeing much more modest, if any, net employment gains.

Along with employment, wage growth is essential to the New York economy, as it provides individuals with increased spending power. It is also vital to New York's tax revenues as the personal income tax, particularly the withholding component, is the largest source of State revenue other than federal receipts. Overall wage growth in New York is significantly influenced by the wages of the financial sector, which include annual year-end bonuses. While average annual wage growth in New York outside the financial sector has kept pace with national wage growth since the end of the recession, ups and downs in the financial sector have resulted in volatility in overall wages, making tax revenues less predictable. Potential impacts on the State's revenues from employment, wage and other key economic trends merit continued attention.

- New rules for budget reserves to require deposits to the State's statutory rainy day reserve funds and to mandate further steps to bring such reserves to maximum statutory levels.
- Reforms to promote more responsible debt practices, including a constitutional and statutory debt cap using a comprehensive definition of State debt, to strengthen the current limits on outstanding debt and broaden the scope of borrowing subject to the cap.
- A comprehensive capital prioritization and planning process to ensure the cost-effective use of billions of dollars in annual infrastructure spending.

Looking Ahead: The Need for Real Fiscal Reform

Comptroller DiNapoli has proposed a comprehensive fiscal reform package, including constitutional and statutory amendments, to address four key issue areas and commit New York State to the highest standards of accountable, transparent and effective budgeting, as well as promoting fiscal sustainability. Key components of the plan include:

- State spending reforms to require greater accountability, transparency and oversight for broadly allocated State funds and for public authority spending on behalf of the State, and to enhance transparency with respect to the State's spending plan.

Appendix 1: State Funds Spending by Major Function

(amounts in millions)

State Funds Spending for the Fiscal Year Ended March 31:	2013	2014	2015	2016	2017
EDUCATION	\$35,050	\$35,672	\$37,125	\$38,784	\$39,685
Public Schools	22,231	22,534	23,723	25,355	26,532
School Tax Relief (STAR)	3,286	3,357	3,297	3,335	3,139
State University of New York	7,134	7,242	7,137	7,301	7,266
City University of New York	1,366	1,463	1,505	1,551	1,556
Tuition Assistance Program	893	944	1,159	966	896
Higher Education Services Corporation	117	106	238	234	253
Cultural Programs	23	26	66	42	43
PUBLIC HEALTH	25,365	25,236	25,149	25,530	26,095
Health and Mental Health Services	7,683	7,636	6,940	6,915	7,158
Medical Assistance (Medicaid)	17,682	17,600	18,209	18,615	18,937
PUBLIC WELFARE	3,934	3,903	3,626	3,756	3,780
Public Welfare	3,460	3,497	3,227	3,346	3,312
Public Housing	244	198	197	202	259
Employment Services	230	208	202	208	209
PUBLIC SAFETY	4,171	3,968	4,019	4,203	4,268
Criminal Justice and Correctional Alternatives	968	958	973	1,045	1,057
Emergency Management and Security Services	263	188	176	172	250
Prisons and Reformatories	2,940	2,822	2,870	2,986	2,961
TRANSPORTATION	6,616	6,831	7,474	7,242	8,057
Traffic Safety	184	191	183	186	183
Transportation	6,432	6,640	7,291	7,056	7,874
ENVIRONMENT AND RECREATION	899	939	919	962	1,042
Environmental Protection	642	627	603	628	703
Parks, Recreation and Historic Preservation	257	312	316	334	339
SUPPORT AND REGULATE BUSINESS	1,071	1,192	1,082	1,212	1,574
Commerce, Industry and Agriculture	577	682	581	856	1,213
Regulate Business	494	510	501	356	361
SHARE GENERAL REVENUES WITH LOCAL GOVERNMENTS	977	1,119	1,057	1,055	1,051
REPAY BORROWED MONEY AND REDUCE DEBT	6,138	6,437	6,221	5,635	5,552
GENERAL GOVERNMENT	10,301	11,058	11,476	12,853	12,926
Executive Agencies	1,089	1,253	1,525	2,410	2,127
Office of the State Comptroller	170	169	172	173	183
Office of the Attorney General	159	161	167	170	176
Legislature	203	208	207	215	226
Court Administration	1,927	1,942	2,016	2,073	2,120
Pension Contributions and Other Employee Benefits	6,351	6,922	7,014	7,404	7,670
Other	402	403	375	408	424
TOTAL STATE FUNDS SPENDING	\$94,522	\$96,355	\$98,148	\$101,232	\$104,030

Appendix 2: Federal Funds Spending by Major Function

(amounts in millions)

Federal Funds Spending for the Fiscal Year Ended March 31:	2013	2014	2015	2016	2017
EDUCATION	\$3,679	\$4,193	\$3,718	\$4,198	\$4,039
Public Schools	3,382	3,883	3,387	3,866	3,721
State University of New York	291	302	313	318	310
City University of New York	--	3	7	7	2
Higher Education Services Corporation	6	5	11	7	6
PUBLIC HEALTH	25,949	26,913	31,996	35,537	40,042
Health and Mental Health Services	1,812	1,956	2,064	3,689	5,658
Medical Assistance (Medicaid)	24,137	24,957	29,932	31,848	34,384
PUBLIC WELFARE	5,232	5,477	5,200	5,201	4,622
Public Welfare	4,688	4,944	4,694	4,774	4,212
Public Housing	38	25	26	22	26
Employment Services	506	508	480	405	384
PUBLIC SAFETY	1,532	2,029	2,557	2,119	1,744
Criminal Justice and Correctional Alternatives	112	86	59	70	69
Emergency Management and Security Services	1,420	1,943	2,498	2,027	1,655
Prisons and Reformatories	--	--	--	22	20
TRANSPORTATION	1,521	1,746	1,639	1,766	1,901
Traffic Safety	24	26	28	28	30
Transportation	1,497	1,720	1,611	1,738	1,871
ENVIRONMENT AND RECREATION	327	352	208	211	210
Environmental Protection	319	343	199	198	197
Parks, Recreation and Historic Preservation	8	9	9	13	13
SUPPORT AND REGULATE BUSINESS	19	19	20	24	18
Commerce, Industry and Agriculture	17	18	18	22	16
Regulate Business	2	1	2	2	2
SHARE GENERAL REVENUES WITH LOCAL GOVERNMENTS	36	78	27	32	9
GENERAL GOVERNMENT	280	364	378	388	400
Executive Agencies	12	11	44	70	74
Office of the Attorney General	24	25	25	26	25
Court Administration	5	5	5	5	6
Pension Contributions and Other Employee Benefits	239	323	304	287	295
TOTAL FEDERAL FUNDS SPENDING	\$38,575	\$41,171	\$45,743	\$49,476	\$52,985

Appendix 3: State Receipts by Major Source

(amounts in millions)

State Receipts for the Fiscal Year Ended March 31:	2013	2014	2015	2016	2017
TOTAL TAXES	\$66,300	\$69,690	\$71,034	\$74,673	\$74,373
Personal Income Tax	40,227	42,961	43,710	47,055	47,566
Consumer Taxes	14,616	15,100	15,385	15,725	16,212
Sales and Use	11,989	12,588	12,992	13,359	13,870
Cigarette/Tobacco Products	1,551	1,454	1,314	1,251	1,235
Motor Fuel	493	473	487	503	519
Alcoholic Beverage	246	250	251	254	258
Highway Use	145	136	140	159	139
Auto Rental	109	114	119	126	127
MCTD* Taxicab Trip	83	85	82	73	64
Business Taxes	8,463	8,258	8,502	7,884	6,979
Corporation Franchise	3,009	3,812	3,548	4,527	3,165
Corporation and Utility	894	797	727	774	720
Insurance	1,508	1,444	1,533	1,580	1,580
Bank	1,912	1,050	1,536	-121	390
Petroleum Business	1,140	1,155	1,158	1,124	1,124
Other Taxes	2,994	3,371	3,437	4,009	3,616
Estate and Gift	1,015	1,238	1,109	1,521	1,091
Pari-Mutuel	17	17	18	17	16
Real Estate Transfer	756	911	1,038	1,163	1,126
Racing and Exhibition	1	1	1	2	3
MCTD* Mobility	1,205	1,204	1,271	1,306	1,380
GAMING- LOTTERY INCOME, VLT AND CASINO	3,213	3,848	3,386	3,704	3,606
FEDERAL RECEIPTS	42,843	43,789	48,637	51,324	55,407
OTHER RECEIPTS	17,791	17,710	22,901	20,572	19,265
Student Tuition and Fees (SUNY/CUNY)	1,935	2,052	2,188	2,334	1,869
Revenues of State Departments	3,240	3,417	3,478	3,605	3,855
Receipts from Municipalities	287	134	122	147	367
Income from Investments	27	28	32	47	83
Abandoned Property	725	544	664	539	450
Unclaimed Bottle Deposits	114	111	103	103	113
Public Benefit Corporations	260	251	85	106	145
Assessments	6,544	6,767	7,561	6,948	6,916
Fees, Licenses, Permits	3,239	3,130	3,268	3,497	3,400
Fines, Penalties and Forfeitures	927	967	5,035	2,878	1,593
Miscellaneous	493	309	365	368	474
BORROWED AND ADDED TO DEBT	3,461	2,676	3,312	2,992	3,721
Bonds and Notes Issued by the State	434	--	161	--	--
Public Authority Financings	3,027	2,676	3,151	2,992	3,721
TOTAL RECEIPTS	\$133,608	\$137,713	\$149,270	\$153,265	\$156,372

*Metropolitan Commuter Transportation District (MCTD)

Data Sources

Center for the Study of Education Policy,
Illinois State University

City of New York Department of Correction

City University of New York

College Board

Federal Reserve Bank of New York

Fitch Ratings

IHS Markit

Institute for College Access and Success

Internal Revenue Service

Moody's Investors Service

National Association of State Budget Officers

NYC Office of Management and Budget

NYS Commission of Correction

NYS Department of Agriculture and Markets

NYS Department of Corrections and
Community Supervision

NYS Department of Health

NYS Department of Labor

NYS Department of Taxation and Finance

NYS Department of Transportation

NYS Division of Criminal Justice Services

NYS Division of the Budget

NYS Education Department

NYS Higher Education Services Corporation

NYS Office of Temporary and Disability Assistance

NYS Unified Court System

Office of the New York State Comptroller

Public Authorities Reporting Information System

Standard and Poor's Rating Services

State University of New York

U.S. Commerce Department – Bureau of the
Census and Bureau of Economic Analysis

U.S. Department of Agriculture

U.S. Department of Labor – Bureau of Labor Statistics

U.S. Energy Information Administration

U.S. Federal Highway Administration

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