



State of New York

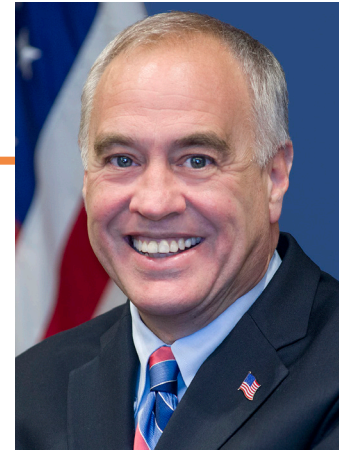
Financial Condition Report

for Fiscal Year Ended March 31, 2019

New York State Comptroller
THOMAS P. DiNAPOLI



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, 2019. New York continues to benefit from a national economic expansion that has lasted for more than a decade, however, economic risks are growing. This report can help New Yorkers better understand the State's financial and economic condition.

Under generally accepted accounting principles (GAAP), the State reported a General Fund operating deficit of \$1.3 billion as of March 31, 2019 (compared to a \$2.4 billion operating surplus last year), decreasing the GAAP fund balance to \$3.4 billion. This operating deficit is one indicator of the State's structural budget imbalance.

The State's General Fund balance on a cash basis was \$7.2 billion, a decline of \$2.2 billion from the previous year. The Division of the Budget anticipates that the General Fund balance will decline to \$6.5 billion at the end of SFY 2019-20 and continue shrinking in succeeding years, as one-time monetary settlement resources are spent down.

Looking forward, the State's Financial Plan projects spending to outpace revenues over the next three years on average, leading to potential General Fund budget deficits totaling \$12.8 billion before gap-closing actions. I have called for the State to bolster its statutory "rainy day" reserves, which could be drawn upon to help reduce the level of painful spending cuts, significant tax increases, or costly "one-shot" gimmicks should an economic downturn or catastrophic event increase these gaps further.

Federal grants, one of the State's primary revenue sources, make up more than one in every three dollars in the State budget. The potential for substantial reductions to federal aid for health care and other programs, driven in part by burgeoning federal deficits, could threaten the State's ability to maintain essential services. I will continue to report on the fiscal impact of federal actions and speak out in defense of our State's budgetary interests in Washington.

On a GAAP basis, total debt outstanding was \$59.6 billion as of March 31, 2019, an increase of \$3.4 billion from last year. Debt issuances are expected to rise markedly over the next several years, and debt capacity under the State's statutory cap is projected to decline to \$415 million by fiscal year 2023-24. The cap applies only to debt classified as State-supported and therefore does not encompass all forms of State financing.

The State Capital Plan projects capital spending of \$66.8 billion over the next five fiscal years. Transportation is projected to remain the largest functional area of capital spending.

In summary, while the State's fiscal position is relatively stable, risks are growing. Federal trade policies, financial market volatility and global economic conditions add to uncertainty regarding the direction of the U.S. and New York State economies. Threats to federal funding, structural imbalance between revenues and spending, and shrinking borrowing capacity are among the clearest risks to the State's finances going forward. I will continue to call on State leaders to increase our rainy day reserves, enact structurally balanced budgets and improve the management of capital spending and debt.

My office produces this report to help residents learn more about the fiscal, economic and social challenges facing New York. I believe a better informed discussion will help our State make sound decisions that create a healthy financial future for all New Yorkers.

Thomas P. DiNapoli
State Comptroller

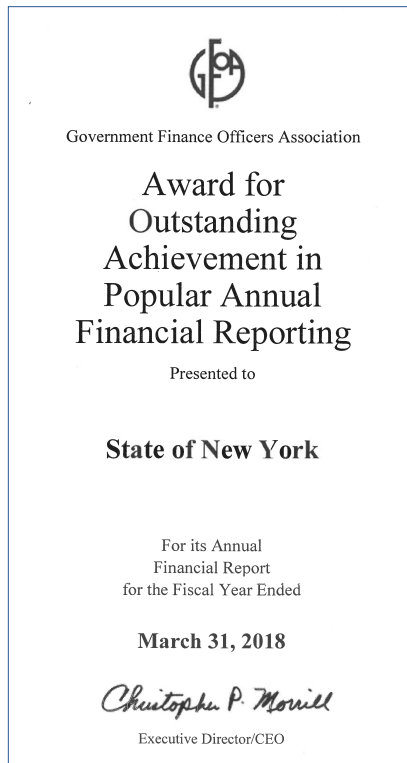
ABOUT THIS REPORT

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 2018 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:

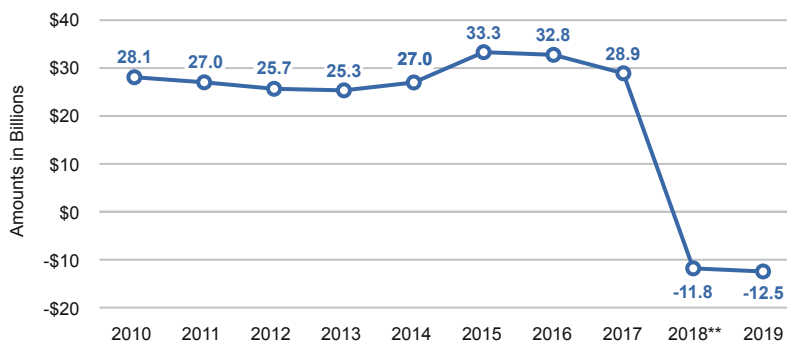
- Assets;
- Deferred outflows of resources (the consumption of net assets applicable to a future reporting period);
- Liabilities;
- Deferred inflows of resources (the acquisition of net assets applicable to a future reporting period); and
- The difference between assets and deferred outflows of resources, 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, 2019 (amounts in millions)

| | Governmental Activities | Business-Type Activities | Total |
|------------------------------------------------|-------------------------|--------------------------|-------------------|
| Assets: | | | |
| Cash and investments | \$14,048 | \$11,161 | \$25,209 |
| Receivables, net | 33,098 | 3,350 | 36,448 |
| Internal balances | (496) | (23) | (519) |
| Other assets | 547 | 216 | 763 |
| Capital assets | 89,798 | 18,058 | 107,856 |
| Total assets | 136,995 | 32,762 | 169,757 |
| Deferred outflows of resources | 5,332 | 633 | 5,965 |
| Liabilities: | | | |
| Tax refunds payable | 10,755 | - | 10,755 |
| Payable to local governments | 6,888 | - | 6,888 |
| Accrued liabilities and accounts payable | 12,635 | 2,662 | 15,297 |
| Other liabilities due within one year | 6,811 | 1,995 | 8,806 |
| Liabilities due in more than one year | 102,674 | 34,515 | 137,189 |
| Total liabilities | 139,763 | 39,172 | 178,935 |
| Deferred inflows of resources | 6,691 | 2,557 | 9,248 |
| Net position: | | | |
| Net investment in capital assets | 71,089 | 1,511 | 72,600 |
| Restricted for debt service and other purposes | 4,816 | 4,929 | 9,745 |
| Unrestricted deficits | (80,032) | (14,774) | (94,806) |
| Total net position | (\$4,127) | (\$8,334) | (\$12,461) |

Primary Government Net Position



** 2018 was restated due to the effect of the implementation of GASB Statement No. 75, and SUNY adoption of GASB Statement No. 81.

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

Condensed Statement of Activities – Primary Government For the year ended March 31, 2019 (amounts in millions)

| Functions/Programs | Expenses | Program Revenues | Net (Expenses) Revenues |
|----------------------------------------------------------|------------------|------------------|-------------------------|
| Governmental activities: | | | |
| Education | \$37,324 | \$4,148 | (\$33,176) |
| Public health | 75,445 | 56,376 | (19,069) |
| Public welfare | 14,135 | 10,962 | (3,173) |
| Public safety | 7,297 | 1,550 | (5,747) |
| Transportation | 11,142 | 3,562 | (7,580) |
| Environment and recreation | 1,616 | 610 | (1,006) |
| Support and regulate business | 2,100 | 1,513 | (587) |
| General government | 12,606 | 4,498 | (8,108) |
| Interest on debt | 1,490 | 40 | (1,450) |
| Total governmental activities | 163,155 | 83,259 | (79,896) |
| Business-type activities: | | | |
| Lottery | 6,838 | 10,290 | 3,452 |
| Unemployment insurance | 2,164 | 2,421 | 257 |
| State University of New York | 11,699 | 6,868 | (4,831) |
| City University of New York | 3,670 | 1,765 | (1,905) |
| Total business-type activities | 24,371 | 21,344 | (3,027) |
| Total primary government | \$187,526 | \$104,603 | (82,923) |
| General revenues, net transfers and special item: | | | |
| Taxes | | | 80,235 |
| Other | | | 2,616 |
| Net transfers | | | (580) |
| Total general revenues and transfers | | | 82,271 |
| Change in net position | | | (\$652) |

Statement of Activities

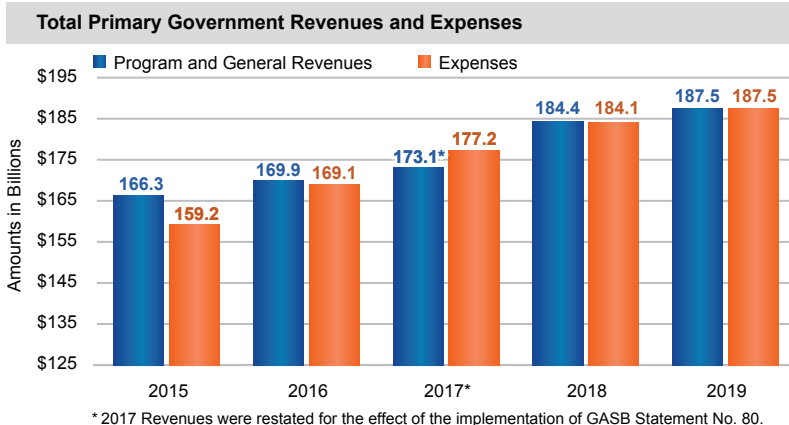
This statement reports the change in net position, which is calculated by:

- 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.



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.

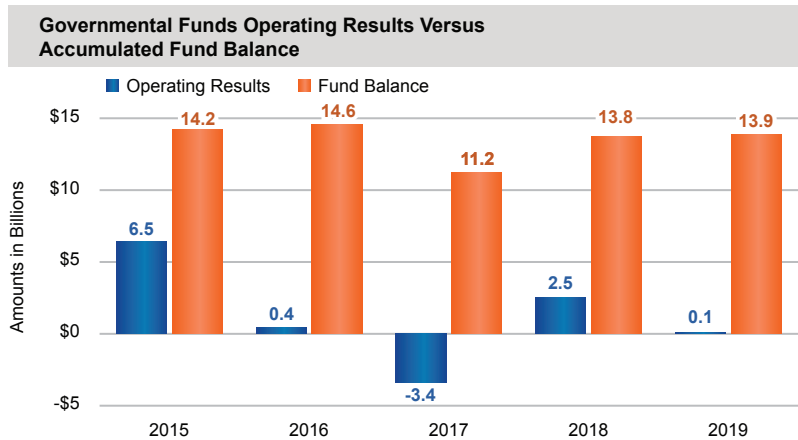
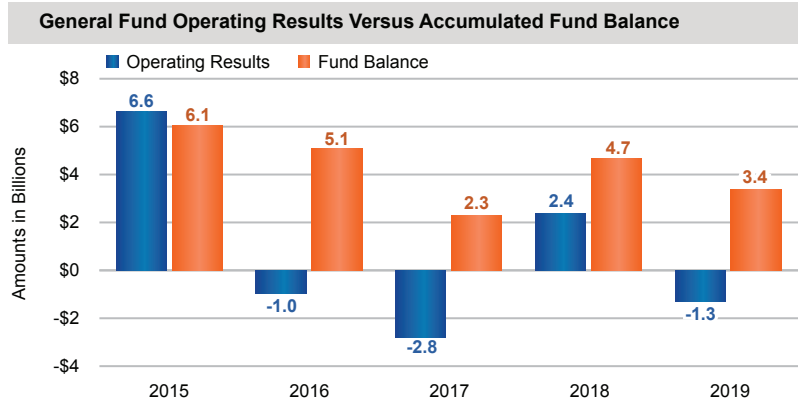
- The General Fund is used to report sources of funds and expenditures that are not required to be accounted for in another separate fund.
- In New York State, significant sources of funds that normally would be reported in the General Fund have been pledged or dedicated to other funds for repayment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

The accumulated fund balance 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 (GAAP Basis) Decreases From Prior Year

- At the end of State Fiscal Year (SFY) 2018-19, the General Fund balance was \$3.4 billion, a \$1.3 billion decrease from the previous year's balance of \$4.7 billion.
- For SFY 2018-19, governmental funds* reported a combined operating surplus of \$97 million, increasing the fund balance to \$13.9 billion.
- The operating surplus included a \$1.3 billion deficit in the General Fund.

For more detail, please see the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances in the CAFR.



*The State's governmental funds include the General Fund, the Federal Special Revenue Fund, the General Debt Service Fund and all nonmajor governmental funds.

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 State fiscal years.

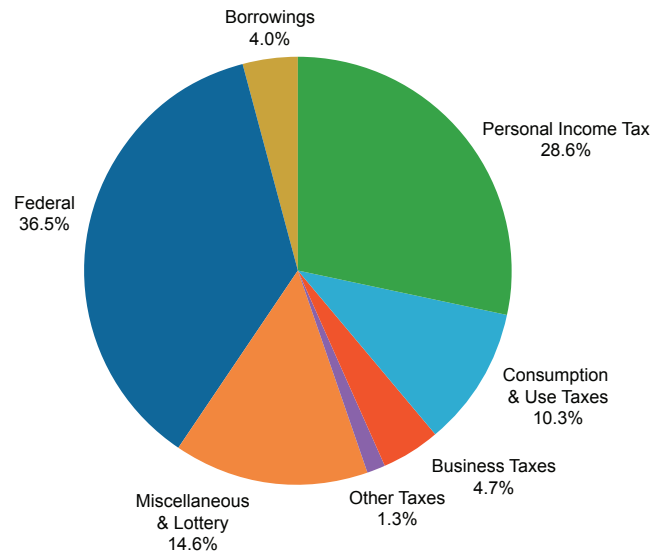
Total State Receipts Have Increased Over the Past Five Fiscal Years

- From 2015 to 2019:
 - Total receipts increased 12.7 percent.
 - Tax receipts increased 6.4 percent.
 - Federal receipts increased 26.1 percent.

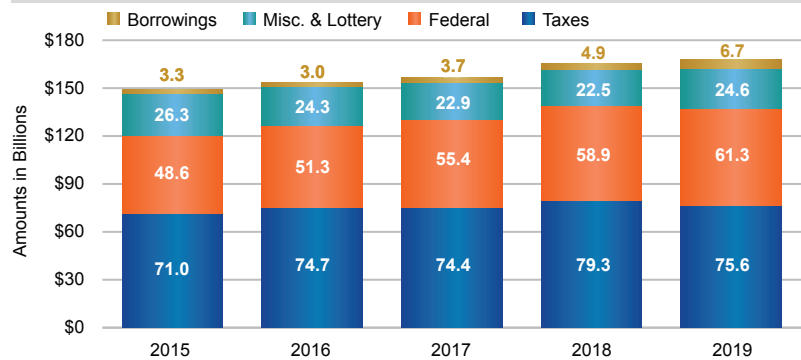
Personal Income Tax and Consumer Tax Receipts Have Increased Over the Past Five Fiscal Years

- Personal income tax and consumer (consumption and use) taxes:
 - Accounted for 38.9 percent of 2019 receipts; and
 - Have increased 10.7 percent since 2015.
- In 2019, personal income tax receipts—the State's largest tax revenue source—decreased 6.6 percent from the previous year. The decrease is due to lower estimated payments in January and February.

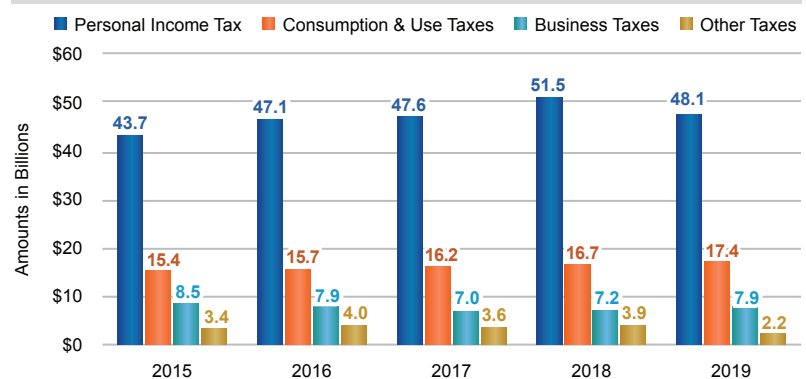
New York's 2019 Receipts by Source



Total State Receipts



Tax Receipts by Year



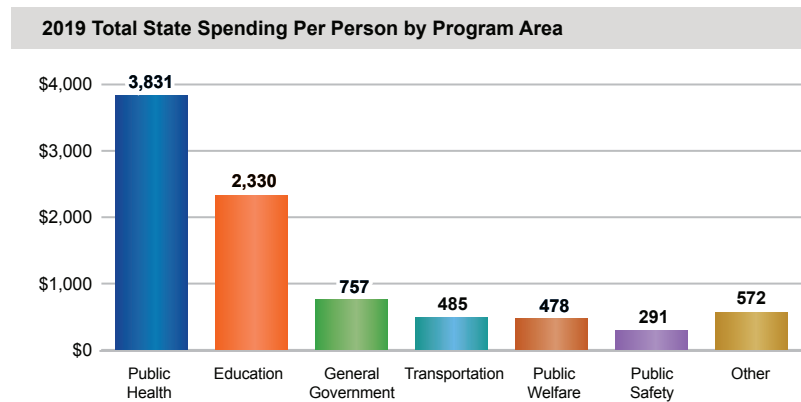
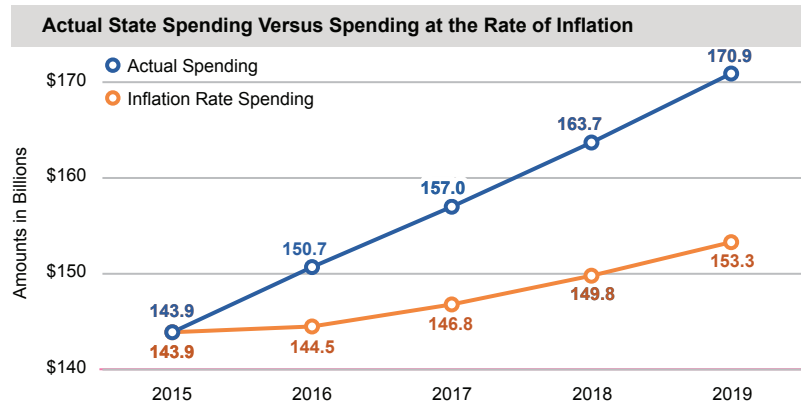
Total Spending

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 \$7.1 billion (4.4 percent) to \$170.9 billion in 2019.
- Since 2015, the growth in State spending (18.8 percent) has exceeded the rate of inflation (Consumer Price Index increase of 6.5 percent).
- State spending has been partially paid for by borrowing \$21.6 billion since 2015, including \$6.7 billion in 2019.
- In 2019, State spending was \$8,744 per person.
- Spending on public health and education represents 70.5 percent of total State spending.

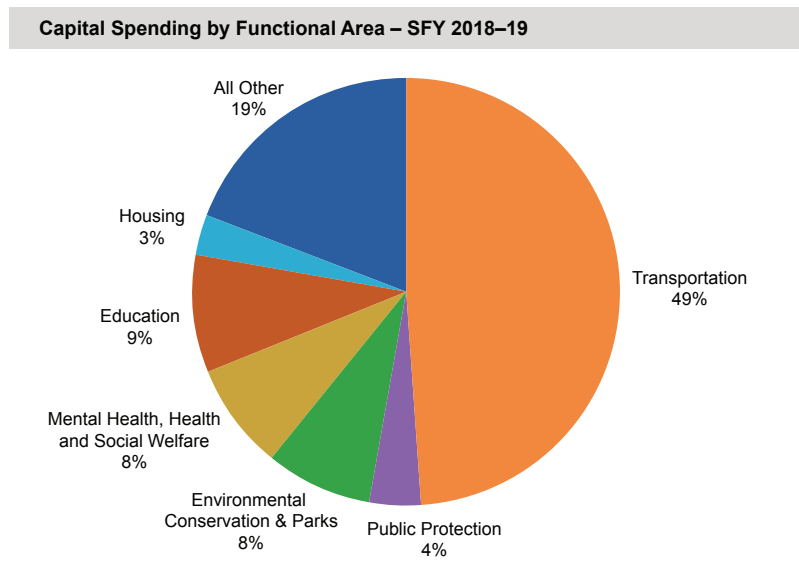
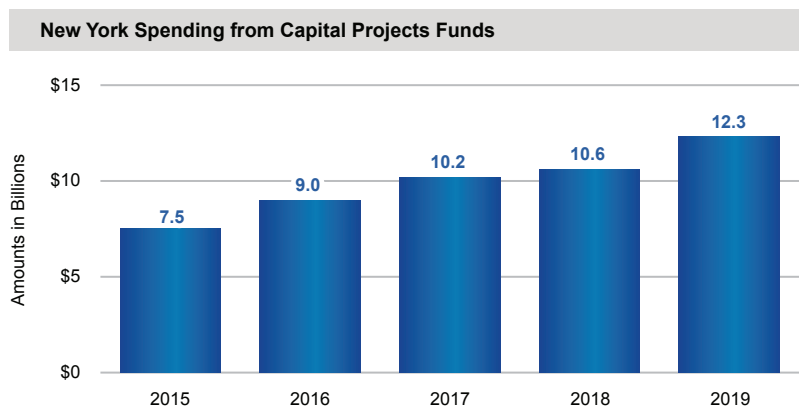


Capital

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

Capital Spending Has Increased Over the Past Five Years*

- From SFY 2014-15 to SFY 2018-19, capital spending increased by nearly \$4.8 billion (62.5 percent). Spending increases within major categories included:
 - Transportation, up by \$1.5 billion (roughly 34 percent). Transportation accounted for just less than half of all capital projects spending in SFY 2018-19, down from 59 percent five years earlier.
 - Environmental Conservation and Parks, which rose by \$354 million (57.7 percent). This category's share of total capital spending ticked down slightly from 8.1 percent to 7.9 percent.



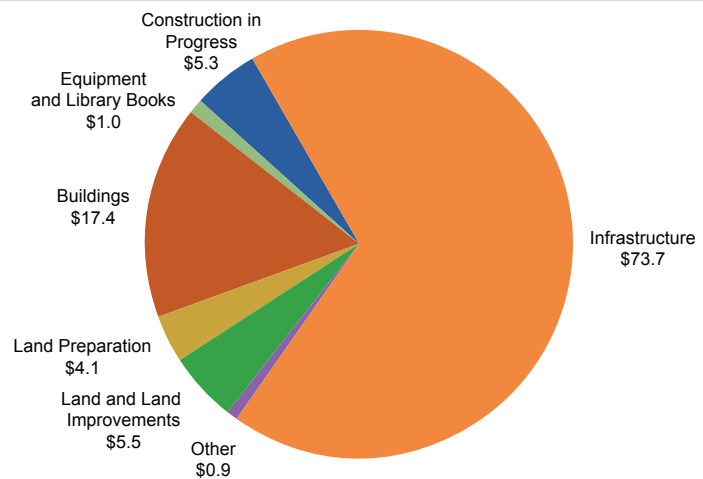
- Mental Health, Health and Social Welfare purposes, up \$553 million (138 percent).
- All other purposes, up by \$1.6 billion (203.4 percent). The increase is largely attributable to:
 - Certain economic development initiatives funded with State resources by the State's public authorities in recent years; and
 - Projects funded with extraordinary monetary settlement resources from the Dedicated Infrastructure Investment Fund. These included certain funding provided to the Thruway Authority for the Governor Mario M. Cuomo Bridge and other Thruway system improvements.

* Actual spending figures in this section do not include off-budget spending by public authorities funded directly from State-Supported bond proceeds, while figures for Division of the Budget projections include such spending.

- Over the past 20 years, the State has financed an average of 35 percent of non-federal capital spending on a pay-as-you-go basis when including off-budget spending.
- Over the next five years, the Division of the Budget projects:
 - Capital spending to average \$13.4 billion per year; and
 - The share of nonfederal capital spending financed on a pay-as-you-go basis to average 31.4 percent.

At the end of SFY 2018-19, the State reported \$107.9 billion in capital assets, an increase of \$1.7 billion (1.6 percent) over the prior year.

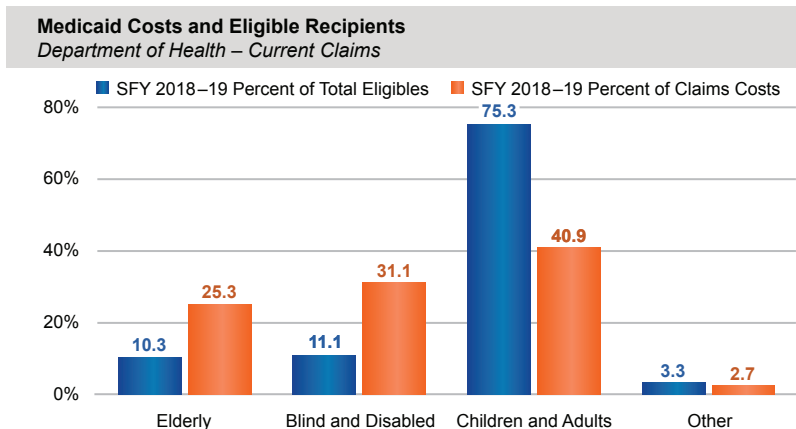
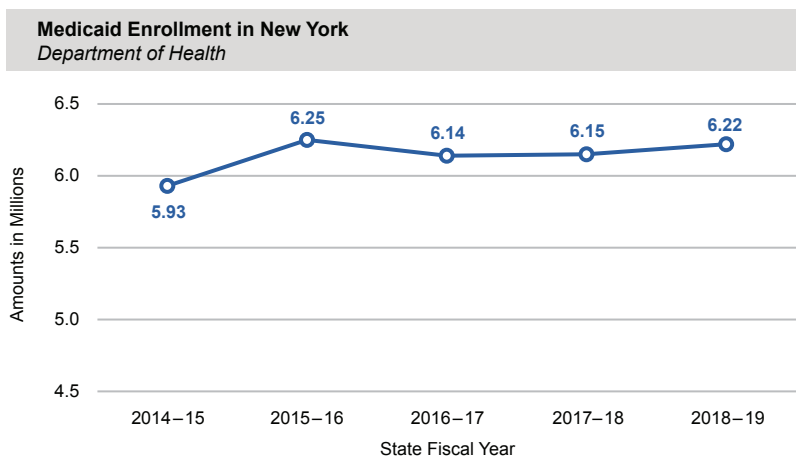
New York State Capital Assets – 2019, Amounts in Billions



Public Health

Department of Health Medicaid Enrollment Ticks Up by One Percent

- Average monthly Department of Health (DOH) Medicaid enrollment exceeded 6.2 million in SFY 2018-19, an increase of 62,825 recipients, or 1.0 percent, compared to the prior year. The increase reflects higher enrollment among all eligibility groups, except the blind and disabled.
- Compared to the prior year, average monthly DOH Medicaid enrollment for:
 - Adults increased by 18,449 (0.8 percent) to nearly 2.5 million;
 - Children with Medicaid coverage increased by 4,470 (0.2 percent) to nearly 2.2 million;
 - Elderly recipients increased by 19,875 (3.2 percent) to 642,769;
 - Blind or disabled recipients decreased by 1,269 (0.2 percent) to 686,902; and
 - Other eligible recipients—primarily persons who were not born in the U.S. and who are not naturalized citizens—increased by 21,300 (11.6 percent) to 204,246.
- Average monthly DOH Medicaid managed care enrollment in SFY 2018-19 increased by 39,776 (0.8 percent) to over 4.7 million, or 76.3 percent of all recipients, compared to the year before. This increase largely reflects steady growth in managed long-term care enrollment and the continued transition of eligible recipients to Health and Recovery Plans (HARPs) for adults with mental health or substance use disorders, offset in part by a decrease in mainstream Medicaid managed care enrollment.



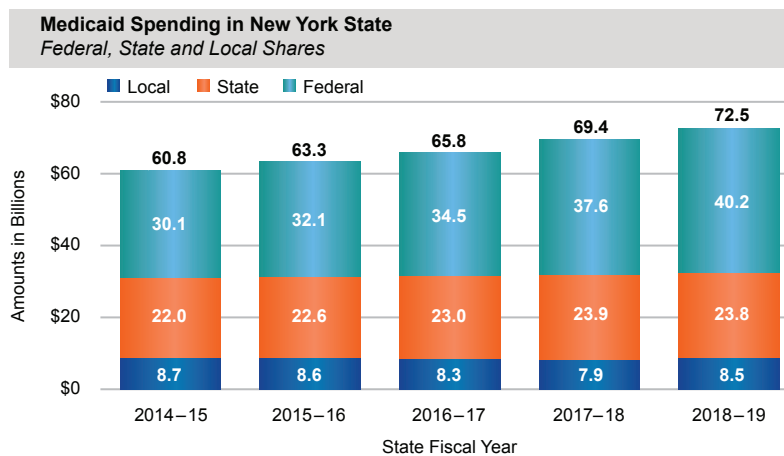
Medicaid Spending Increases, Largely Due to Additional Federal Payments from the Federal Affordable Care Act (ACA)

- Compared to the year before, combined local, State and federal Medicaid spending increased by \$3.1 billion (4.4 percent) to \$72.5 billion in SFY 2018-19. This increase largely reflects additional federal Medicaid payments, most of which are associated with the ACA. The decline in State share spending is influenced by a deferral of certain Medicaid payments with a State-share total of \$1.7 billion from March 2019 to April 2019, which according to the Division of the Budget was necessary to ensure compliance with the global cap limit for SFY 2018-19.

- Children and adults represented 75.3 percent of all average monthly DOH Medicaid enrollees, but only 40.9 percent of the costs of DOH Medicaid claims for the State in SFY 2018-19. Elderly, blind and disabled enrollees made up 21.4 percent of eligible recipients, but accounted for 56.4 percent of DOH Medicaid claims costs.

The Essential Plan Continues to Grow

- In SFY 2018-19, enrollment in the Essential Plan averaged 773,584,* an increase of 44,777 (6.1 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 (CHP) Program, without access to affordable coverage and with incomes at or below 200 percent of poverty.
- In SFY 2018-19, federal funds covered 98.1 percent or nearly \$4.1 billion in Essential Plan costs, with State funds covering the remaining 1.9 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.

Over 7.4 Million New Yorkers Benefit from DOH Medicaid, Essential Plan or CHP

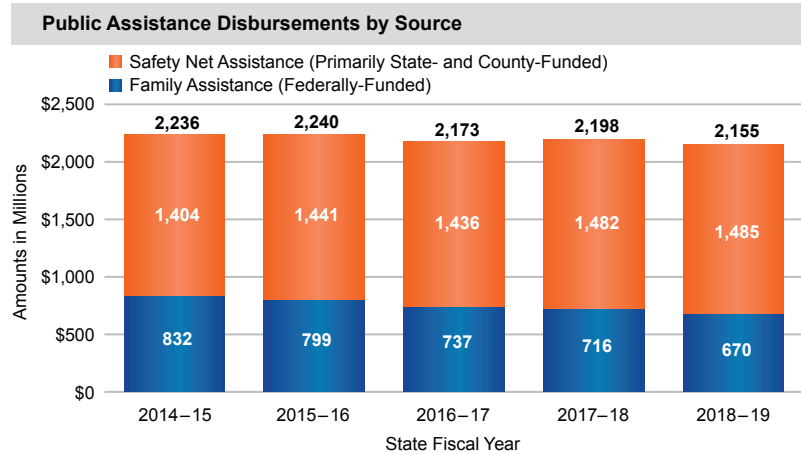
- In January 2019, over 7.4 million individuals or more than one in three New Yorkers were enrolled in DOH Medicaid, the Essential Plan or CHP.

* Reflects preliminary unaudited results.

Public Welfare

Public Assistance Recipients Decrease to Lowest Level in Recent History

- 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” as discussed in this report includes both programs.
- The average monthly number of public assistance recipients in the State decreased to its lowest level in recent history, largely due to fewer FA recipients in New York City and fewer SNA recipients in areas outside of New York City.
- Compared to the prior year, the average monthly number of recipients of public assistance in New York State decreased by 33,024 (6.1 percent) to 508,946.
- The number of FA recipients decreased for the fifth year in a row, by 8.2 percent, bringing the cumulative decline over that period to 24.8 percent. SNA recipients decreased for the second consecutive year, by 4.8 percent. SNA is largely funded by the State and the counties, while FA is funded by the federal government.

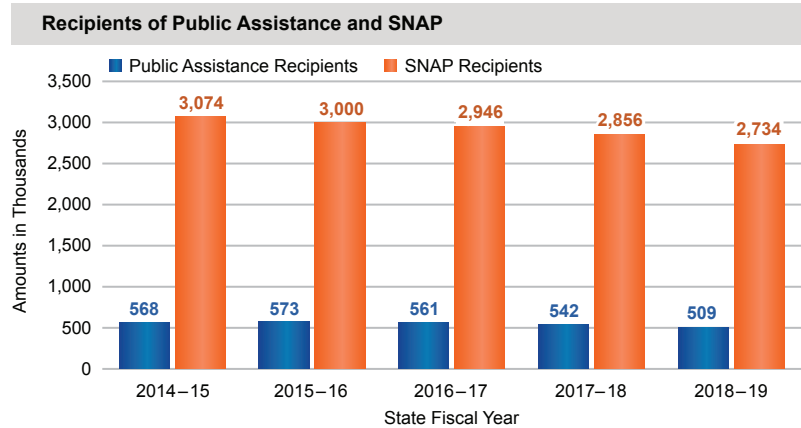


Spending for Public Assistance Decreases for the Second Time in the Last Three Years

- Public assistance spending decreased by \$42.9 million (2.0 percent) compared to the previous year mainly because of a decrease in FA disbursements in New York City.
- SNA disbursements, which accounted for over two-thirds (68.9 percent) of total public assistance spending in SFY 2018-19, increased only marginally (0.2 percent) over the prior year.
- Compared to the prior year, FA disbursements in New York State decreased by \$46.0 million (6.4 percent).

The Number of SNAP Recipients Decreases for Fifth Consecutive Year; Spending Decreases for Sixth Straight Year

- The number of recipients in the State's Supplemental Nutrition Assistance Program (SNAP) decreased for the fifth 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 122,373 (4.3 percent) to over 2.7 million.
- Disbursements for SNAP decreased for the sixth consecutive year.
- Compared to the prior year, SNAP disbursements in New York State decreased by \$179.9 million (3.8 percent) to \$4.5 billion.



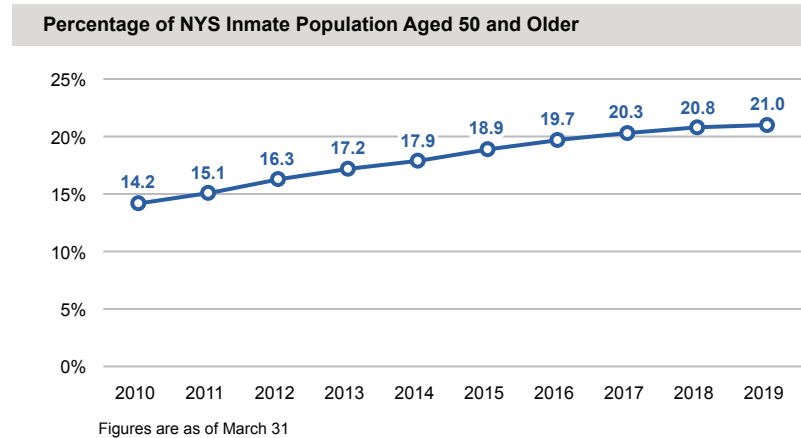
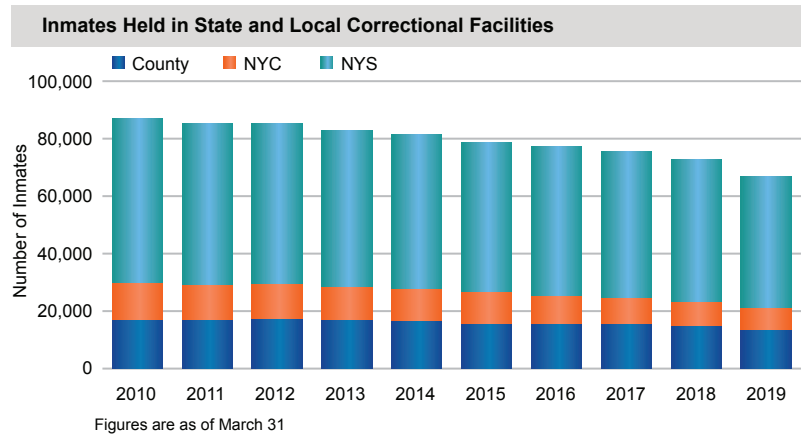
SSI Recipients Decrease for Third Consecutive Year; Disbursements Rise to Nearly \$5 Billion

- The number of recipients of Supplementary Security Income (SSI)—a State- and federally-funded program for the aged, blind and disabled with little or no income and resources—decreased by 12,342 (1.8 percent) to 683,370 in SFY 2018-19.
- Compared to the prior year, SSI disbursements in the State increased by \$13.9 million (0.3 percent) to nearly \$5 billion. Of this amount, the federal government contributed \$4.4 billion, an increase of \$26.4 million (0.6 percent) compared to the prior year. State expenditures totaled \$597.9 million, a decrease of \$12.5 million (2.1 percent) compared to the prior year.

Public Safety

Inmate Populations and Crime Rates Have Declined Over the Past Decade

- As of March 2019, approximately 66,685 inmates were held in 134 State and local correctional facilities, which include:
 - 54 State correctional facilities;
 - 63 county jail and correctional facilities; and
 - 17 New York City correctional facilities.
- Since March 2010, the total inmate population has declined by 20,357 (23.4 percent), with the majority of the decline occurring in State correctional facilities, followed by New York City correctional facilities.
- Over the last 10 years, the proportion of inmates aged 50 and over in State correctional facilities increased by 48.5 percent.
- From 2009 through 2018, New York has closed 16 State correctional facilities. The State Fiscal Year (SFY) 2019-20 Enacted Budget authorizes the closure of up to three State correctional facilities during the year. In May 2019, the Department of Corrections and Community Supervision identified two such facilities for closure: Lincoln Correctional Facility in Manhattan and Livingston Correctional Facility in Livingston County, both of which closed on September 1, 2019.

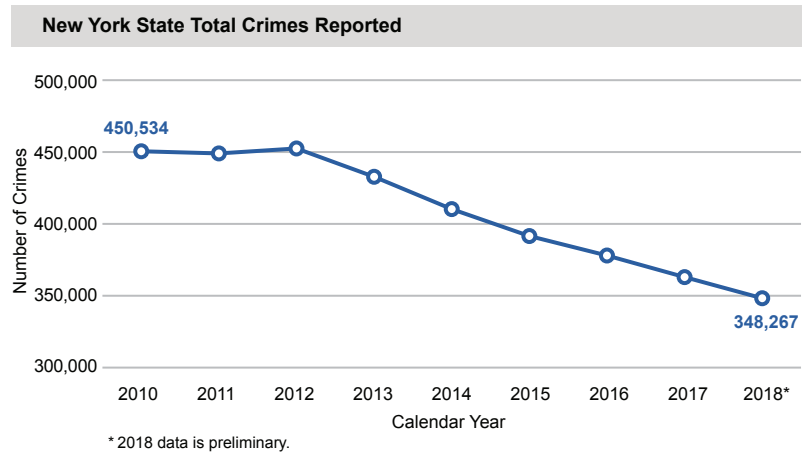


- The SFY 2019-20 Enacted Budget eliminated cash bail for most misdemeanor and non-violent felony offenses, effective January 2020, providing for release on an individual's own recognizance or with non-monetary conditions when deemed appropriate by a court.
- From 2010 to 2018,* the total number of crimes reported annually in New York State declined by 102,267 (22.7 percent). This trend reflects falling crime rates across most major categories of crimes.

*2018 data is preliminary.

Raising the Age of Criminal Responsibility to 18

- Legislation included in the SFY 2017-18 Enacted Budget raised the age of juvenile jurisdiction from 16 to 17 years on October 1, 2018 and will raise it 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 12,524 in 2018.



Transportation

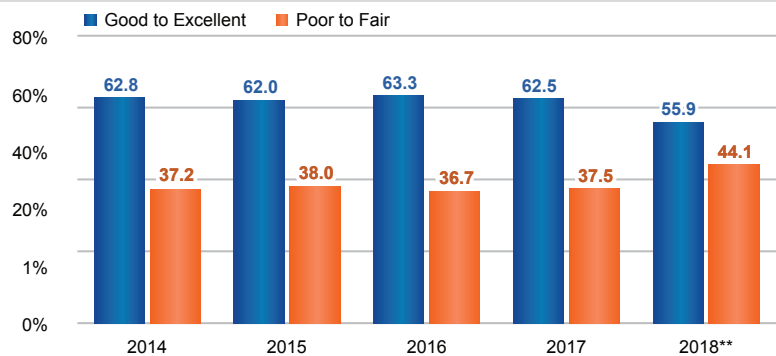
Highway Conditions Have Declined in the Past Year After Remaining Steady Since 2014

- The State is responsible for maintaining more than 42,700 lane miles of highway.
- Compared to the prior year, the number of highway lane miles rated poor to fair increased by 17.6 percent in 2018.
- In 2018, 55.9 percent of the State's highway lane miles were rated good to excellent, a 6.6 percentage point decrease since 2017.

Bridge Conditions Have Improved Since 2013, but Are Worse Than in Other States

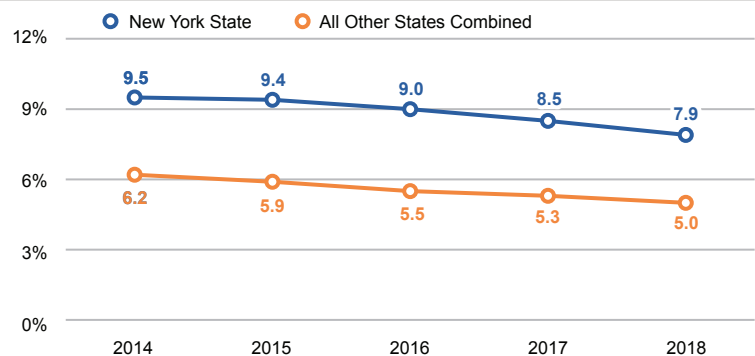
- In 2018, New York State was responsible for maintaining 8,503 bridges.*
- A bridge is considered to be in poor condition (previously known as structurally deficient) if it has deterioration to one or more major components. The fact that a bridge is in poor condition does not imply that it is unsafe or likely to collapse. A poor bridge, when left open to traffic, typically requires posting for weight limits, significant maintenance and repair to remain in service and eventual rehabilitation or replacement to address deficiencies. In 2018, 7.9 percent of State-maintained bridges were rated poor. This is an improvement from 9.5 percent in 2014, but it compares unfavorably to the 5.0 percent share for all other states combined.

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



** 2018 percentages are based upon draft surface ratings and are subject to change.

State Bridges in Poor Condition***
(as a percentage of total State-maintained bridges)



*** Previously known as "Structurally Deficient."

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

Environment, Energy and Agriculture

Environmental Protection Fund (EPF)

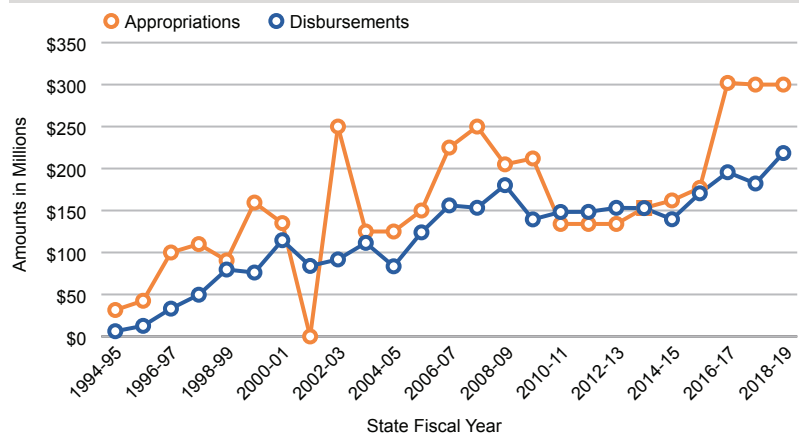
Created in 1993, the EPF:

- 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. However, from SFY 2014-15 through SFY 2018-19, General Fund Transfers were also a recurring funding source and accounted for 22 percent of EPF funding.
- Appropriations to the EPF have fluctuated over the life of the Fund. In SFY 2018-19, the EPF appropriation was \$300 million.

Department of Environmental Conservation (DEC)

- In SFY 2018-19, DEC All Funds spending totaled \$1.2 billion, an increase of \$242 million (24.8 percent) over SFY 2017-18.

History of EPF Appropriations and Disbursements (1994-95 through 2018-19)



The SFY 2016-17 Enacted Budget contained an EPF appropriation of \$302 million. The SFY 2017-18 Enacted Budget amended and reappropriated the SFY 2016-17 appropriation, reducing it to \$300 million.

- As of March 31, 2019, employment at DEC reached 2,996 Full-Time Equivalent (FTE) positions, an increase of 109 FTEs over levels as of March 31 in the previous year. However, the 2019 figure was down 18.1 percent from March 31, 2009.

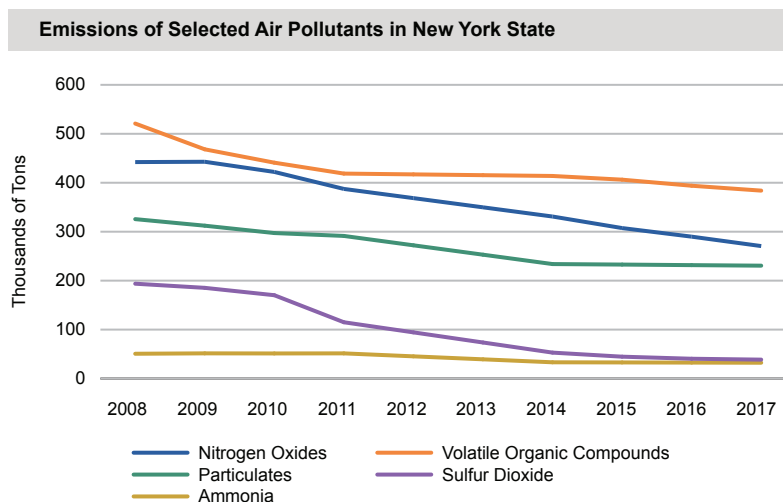
Air

- For 2017, the U.S. Environmental Protection Agency's State Average Annual Emissions Trend report shows estimated total emissions in New York from certain criteria pollutants covered by the National Ambient Air Quality Standards, excluding lead, of 2.5 million tons, a decrease of 4.9 percent from the previous year's estimated emissions and a decrease of more than 38 percent for those from 2008. These emissions include nitrogen oxides, volatile organic compounds, particulate pollution, sulfur dioxide, carbon monoxide and ammonia. Nitrogen oxides and volatile organic compounds are precursors of ground level ozone, or smog. Sulfur dioxide is a precursor of particulate formation in the atmosphere and of acid rain.

- Highway and off-highway vehicles and engines are the largest sources of carbon monoxide, with 558,823 and 734,275 tons of emissions, respectively. Together these sources account for 81.4 percent of total carbon monoxide emissions.
- Solvent utilization was New York State's leading source of volatile organic compound emissions in 2017, with 170,617.4 tons of emissions or 44.4 percent of the total.
- Highway vehicles in New York were the leading emitter of nitrogen oxides in 2017, with 93,584.8 tons of emissions or 34 percent of the total.
- Mining and quarrying, construction, agriculture and road dust combined were New York's most significant source of particulates in 2017, with 157,630 tons of emissions, 68.3 percent of the total.
- Fuel combustion by industry was the leading source of New York's sulfur dioxide in 2017, with 18,605.6 tons of emissions or 48.2 percent of the total.
- Agricultural livestock and fertilizer application combined were the leading source of ammonia in 2017, with 21,261 tons of emissions or 65.8 percent of the total.

Water

- In 2018, there were reported incidences of harmful algal blooms on 173 bodies of water in New York State, an increase of 23 over the prior year.



- A \$2.5 billion capital projects appropriation was included in the SFY 2017-18 Enacted Budget for clean water infrastructure projects, including those projects authorized by the New York State Clean Water Infrastructure Improvement Act of 2017. Eligible projects include nonagricultural nonpoint source control; municipal waste water treatment; remediation of contaminated sites that contribute to water contamination; source water protection; and upgrades to septic systems and cesspools. As of March 31, 2019, \$61.4 million (2.5 percent) had been spent from this appropriation.
- An additional \$500 million was appropriated for water infrastructure projects in the SFY 2019-20 Enacted Budget.

Solid Waste

- The SFY 2019-20 Enacted Budget included a statewide ban on most plastic carryout bags distributed by retail stores to package and carry purchases. In addition, the Budget authorizes an optional 5 cent charge on paper bags that may be adopted by cities or counties.

Energy

In 2019, legislation was enacted establishing the Climate Leadership and Community Protection Act in New York State, which will require extensive changes in energy production and consumption throughout the State in future years. The legislation's requirements include:

- A reduction in greenhouse gas emissions in the State of 40 percent below 1990 levels by 2030 and a reduction of 85 percent by 2050.
- Generation of 70 percent of electricity used in the State from renewable sources by 2030. By 2040, the State's system to meet electric demand must generate no greenhouse gas emissions.
- Provisions to promote equity for disadvantaged communities in the legislation's implementation.

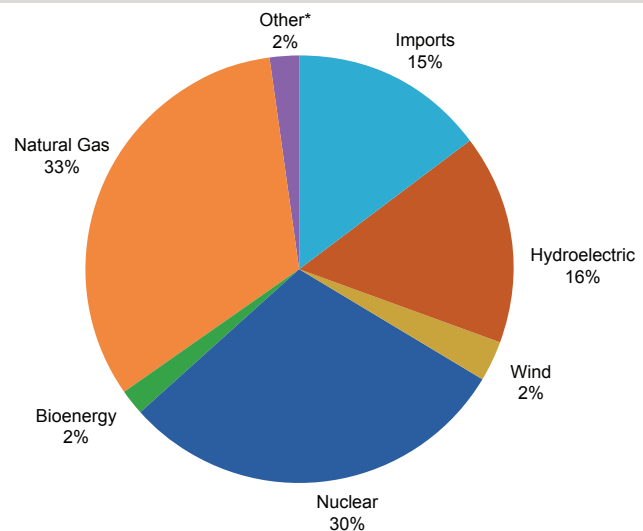
According to the New York State Energy Research and Development Authority, in 2016:

- New York State emitted 167 million metric tons of greenhouse gases, or 18.5 percent lower than 1990 levels.
- New York State generated 1,466 trillion British Thermal Units (BTUs) of electricity, with over one-third generated by natural gas and nearly 30 percent provided from nuclear sources.

According to the U.S. Energy Information Administration:

- In 2017, New York State had the most energy efficient economy among U.S. states, consuming 2.6 thousand BTUs for every dollar of gross domestic product.
- In 2017, with energy expenditures of \$2,762 per person, New York State had the second lowest per capita energy expenditures of any state.

Electric Generation by Source, New York State, 2016



* The source entitled "Other" includes coal, solar and petroleum, with coal comprising the largest portion. Solar represents the smallest share, 0.09 percent.

- For March 2018, New York State's average residential natural gas price of \$12.06 per thousand cubic feet was 12th in the nation.
- For April 2018, at 18 cents per kilowatt hour, New York State's average residential electric rate was eighth in the nation.

Agriculture

According to the U.S. Department of Agriculture, in 2017:

- There were 33,438 farms in New York State, 2,099 fewer than in 2012.
- New York farms encompassed 6.9 million acres, a reduction of 4 percent from 2012.
- The overall economic impact from New York farms as measured by net farm income was \$1.4 billion, an increase of nearly 18 percent from 2012.
- Receipts from the sale of all agricultural commodities in New York State were approximately \$5.4 billion.
- With total receipts of \$343 million, New York was the second largest apple producer in the nation.
- New York was the third largest milk producer in the nation, with total sales of \$2.5 billion.

Elementary and Secondary Education

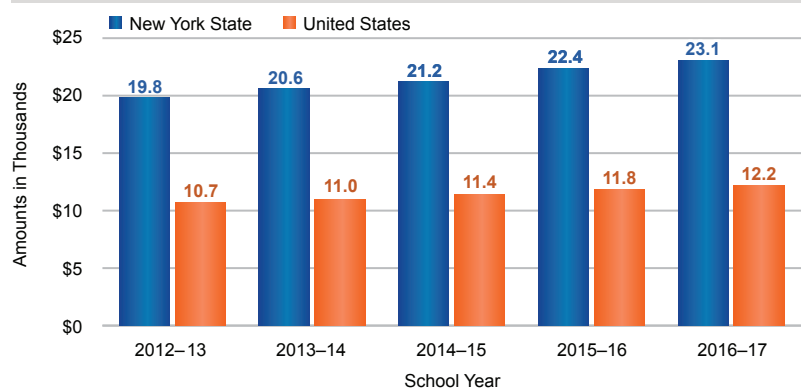
New York State Ranks Highest in Nation in Per Pupil Spending

- For the 2016-17 school year,* New York State was the highest among the states in per pupil disbursements for current public elementary and secondary education at \$23,091, according to the U.S. Census Bureau. This amount is:
 - An increase of 3.1 percent from the previous year; and
 - 89 percent higher than the national average of \$12,201 per pupil.
- Between 2012-13 and 2016-17, per pupil spending has increased an average of 3.9 percent annually in New York State, compared to 3.3 percent for the nation.

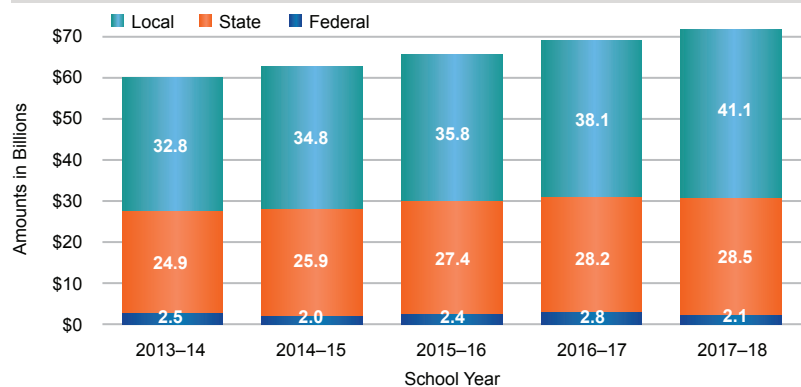
Local Resources Represent the Largest Source of Funding

- In 2017-18, support for public elementary and secondary schools came from the following sources:
 - Local, \$41.1 billion;
 - State, \$28.5 billion, including the School Tax Relief Program (STAR) of \$2.5 billion; and
 - Federal, \$2.1 billion.
- In school budgets proposed for the 2019-20 school year, property tax levy increases averaged 2.5 percent, which is higher than the:
 - 2.4 percent average increase last year; and
 - 1.7 percent average annual increase from school years 2015-16 through 2019-20.

Per Pupil Education Spending



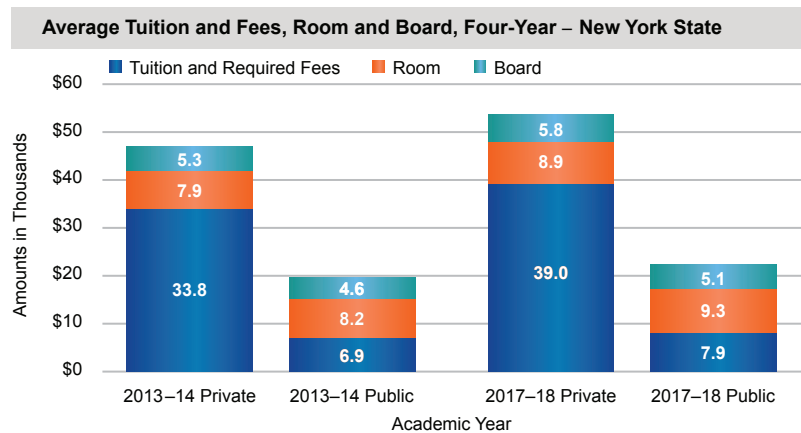
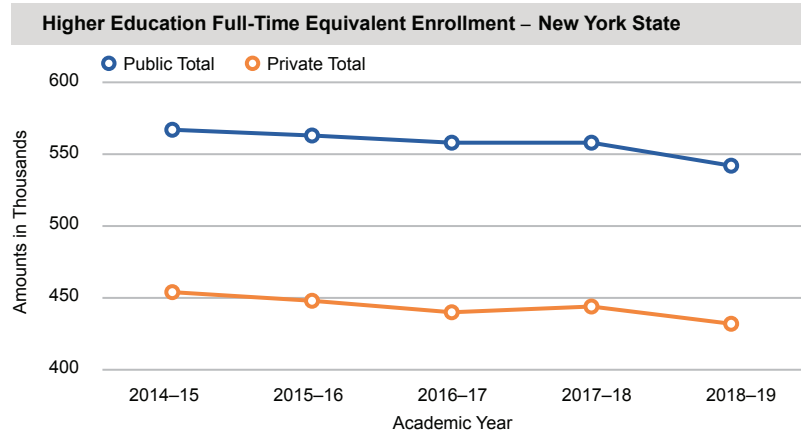
Federal, State and Local Funding for Elementary and Secondary Schools



*Most recent available year.

Higher Education

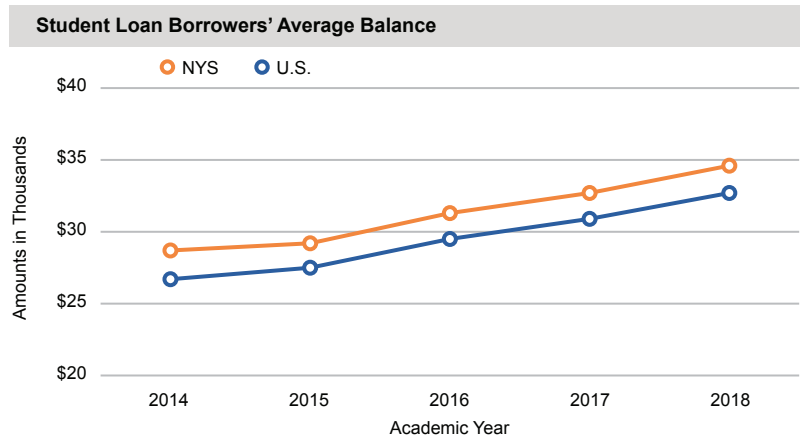
- In academic year 2018-19, New York State public and private higher education institutions had the following students in degree-credit enrollments:
 - 852,073 full-time; and
 - 348,211 part-time.
- The State has a higher proportion of private colleges than most states, with 189 independent and proprietary college campuses accounting for over 44 percent of statewide full-time equivalent (FTE) enrollment.
- In the 2018-19 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, \$8,480 (\$5,400 for two-year colleges); and
 - CUNY, \$7,205 (\$5,275 for two-year colleges).
- In the 2017-18 academic year, an estimated 337,536 students received State Tuition Assistance Program (TAP) awards, totaling almost \$924 million. New York State also provided an estimated 57,639 other scholarships and awards totaling over \$136 million in aid, including 20,049 Excelsior scholarships totaling \$66.6 million.



Undergraduate tuition and required fees, room and board rates charged for full-time students in degree-granting postsecondary institutions.

- From academic years 2013-14 through 2017-18, average tuition charged for full-time students in four-year programs in public colleges and universities in New York was roughly 20 percent of comparable tuition at private institutions. Over that period, room and board costs represented almost two-thirds of total charges (including tuition, mandatory fees, room and board) at public institutions. Room and board costs were slightly higher but represented just over one-quarter of all costs at private institutions, where tuition and fees are much greater.

- In SFY 2018-19, the State spent \$309 per resident on higher education, ranking 16th in the nation for higher education spending per capita.
- According to the Federal Reserve, the average balance for student loan borrowers in the State grew by 24.5 percent from 2014 to 2018, slower than the 27.7 percent rate of growth for the nation during the same period. The percent of student loan borrowers in New York State that were 90 or more days delinquent (and in default) was 11.6 percent in 2018, down from 13.8 percent in 2013 and less than the national rate of 15.6 percent.



Local Government

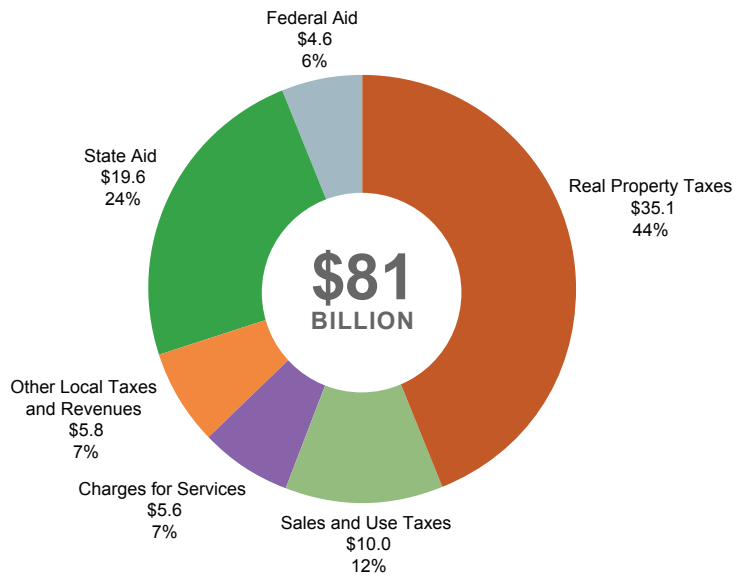
Real Property Taxes and Sales Taxes Are Major Local Revenue Sources

- Real property taxes remain the single largest source of local government revenue in the State, making up \$35.1 billion or 44 percent of the \$81 billion in total revenue from local fiscal years ending in 2017.
- The governments that are the most dependent on the property tax for their revenues include fire districts (where property taxes account for 94 percent of total revenue), school districts (54 percent), towns (54 percent) and villages (49 percent).
- Sales taxes are also an important revenue source for local governments (\$10 billion or 12 percent of total revenue) and are the largest single revenue source for counties (33 percent).
- Sales tax collections grew by 5.3 percent in calendar year 2018 compared with 2017, but were only up 3.3 percent in the first half of 2019 compared with the same period in 2018.

Property Tax Levy Growth Remains Relatively Low

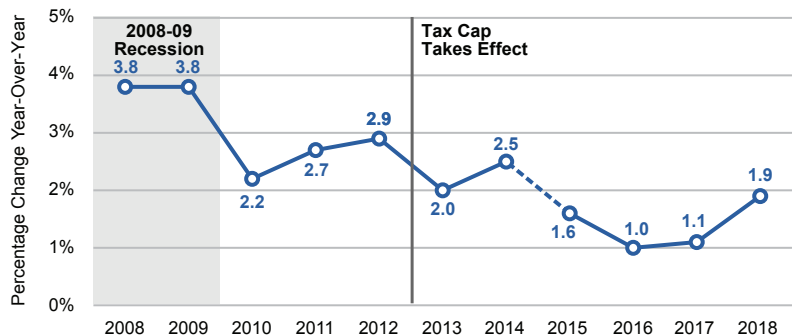
- Annual increases in property tax levies have been below 2 percent since 2015, though they did reach 1.9 percent in 2018.
- One reason for this slow growth may be the inflation adjustment to the Real Property Tax Levy Limit (commonly called the “tax cap”). Each local government’s tax cap calculation 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, and that inflation rate has been under 2 percent in recent years.

Revenues by Source, Fiscal Year Ending 2017
Amounts in Billions



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

Property Tax Levy Growth, Fiscal Years Ending in 2008 through 2018

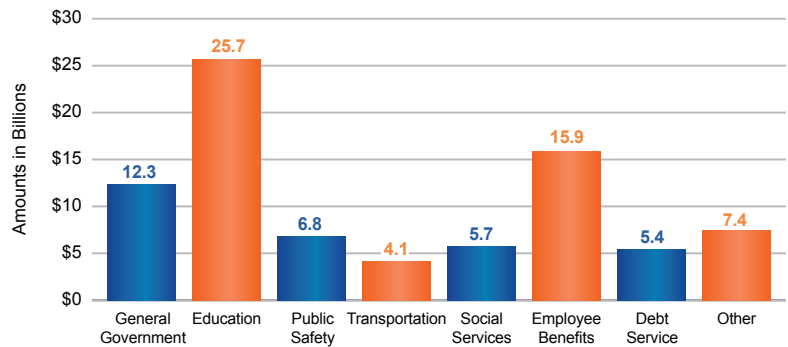


Due to definitional changes, the tax levy for 2015 and later is not directly comparable to prior years. Includes counties, cities, towns, villages, school districts, fire districts and other special districts. Excludes New York City.

Education and Employee Benefits Account for Half of Local Government Expenditures

- In 2017, total local government expenditures were \$83.3 billion. Counties spent \$25.0 billion, cities (not including New York City) spent \$5.1 billion, towns spent \$7.7 billion, villages spent \$3.0 billion, fire districts spent \$0.9 billion and school districts spent \$41.6 billion.
- The mix of local government expenditures varies by class. Overall, education made up 31 percent of total local government expenditures for the 2017 fiscal year (\$25.7 billion). Most of this is school district spending on primary and secondary education.
- Employee benefits accounted for another 19 percent of local government spending (\$15.9 billion). This is the fastest growing segment, increasing at an annual rate of 3.9 percent over the 10-year period ending in the 2017 fiscal year, compared to an annual rate of growth in other expenditures of 2.0 percent.

Expenditures by Function
Fiscal Year Ending 2017



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

Fiscal Stress Remains Low Overall, but Increasing for Cities

- 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.
- In 2018, 61 local governments and school districts were designated as being in fiscal stress (2.9 percent of those scored). Of these, 17 were in significant fiscal stress, six were in moderate fiscal stress, and 38 were susceptible to fiscal stress.
- School districts had the highest number of entities in stress, with 26 in total.

Local Governments in Fiscal Stress by Class - Fiscal Years Ending 2018

| Stress Designation | By Class | | | | | Total |
|-------------------------------------------------------|--------------|--------------|-------------|-------------|------------------|--------------|
| | Counties | Cities | Towns | Villages | School Districts | All Classes |
| Significant Fiscal Stress | 3 | 5 | 3 | 1 | 5 | 17 |
| Moderate Fiscal Stress | 1 | 1 | 1 | 3 | 0 | 6 |
| Susceptible to Fiscal Stress | 4 | 6 | 3 | 4 | 21 | 38 |
| Total in Fiscal Stress | 8 | 12 | 7 | 8 | 26 | 61 |
| No Designation | 48 | 41 | 846 | 477 | 646 | 2,058 |
| Total Filed and Scored | 56 | 53 | 853 | 485 | 672 | 2,119 |
| Percentage of Scored Entities In Fiscal Stress | 14.3% | 22.6% | 0.8% | 1.6% | 3.9% | 2.9% |
| Not Filed | 1 | 8 | 79 | 51 | 2 | 141 |
| Total All Entities | 57 | 61 | 932 | 536 | 674 | 2,260 |

- However, cities had the highest prevalence of stress, with 22.6 percent of them (12 of 53 scored) being in some level of stress. This was also an increase from 2017, when 14.5 percent (8 of 55 cities scored) were in stress.
- Just over 14 percent of scored counties (8 of 56 counties scored) were in a stress category, down slightly from nearly 18 percent (10 of 56 counties scored) in 2017.
- Towns and villages had much lower rates of stress than other classes of local government.

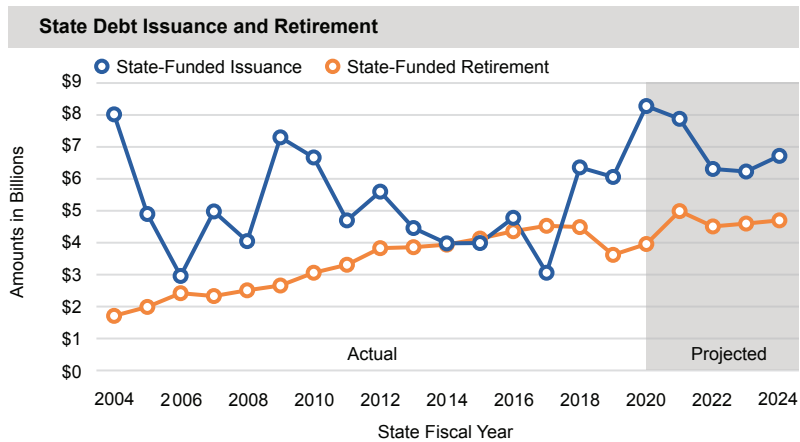
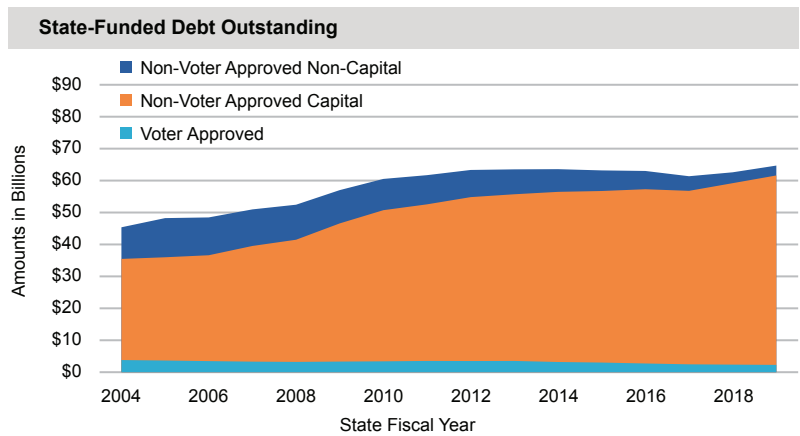
Debt

The debt burden of a governmental entity creates fixed costs that directly affect its ability to provide current services, as well as its long-term fiscal health. High borrowing levels may:

- Indicate an inability to support current programs with current revenues.
- Force future program reductions, increased taxation or additional future borrowing.
- Limit the capacity to finance capital assets and grants.

New York State Ranks Second Highest in Outstanding Debt Nationwide

- At the end of State Fiscal Year (SFY) 2018-19, the State reported the following debt levels:
 - \$2.3 billion of constitutionally-authorized, voter-approved general obligation debt, a decrease of 23 percent since SFY 2014-15.
 - \$53.2 billion of State-Supported debt, an increase of 2.5 percent since SFY 2014-15.
 - \$59.6 billion of debt reported in accordance with Generally Accepted Accounting Principles (GAAP), an increase of 3.8 percent since SFY 2014-15.
 - \$64.7 billion of State-Funded debt, an increase of 2.4 percent since SFY 2014-15. This is the State Comptroller’s more comprehensive measure of the State’s debt burden, which includes certain obligations that are not recognized under GAAP or within the measure of State-Supported debt. It recognizes

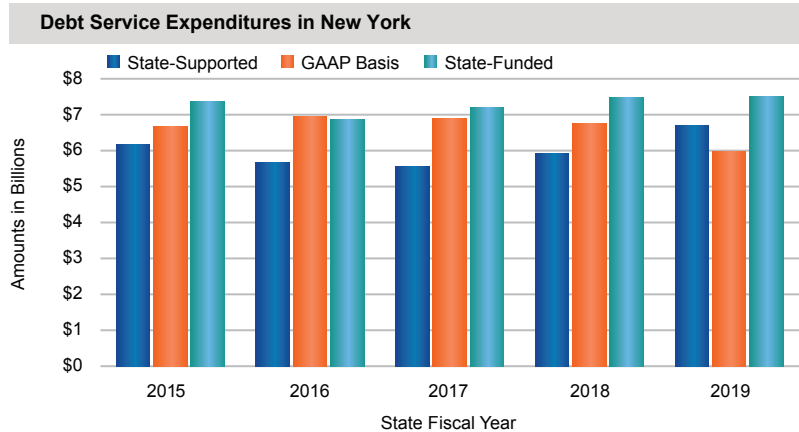


debt issued for State purposes, where the State makes payments with State resources, directly or indirectly, to a public authority, bank trustee or other municipal issuer. More than 96 percent of State-Funded debt has been issued by public authorities without voter approval.

- In 2018, New York State had the second highest debt burden, behind only California. It was fifth-highest among all states in debt per capita.
- At the end of SFY 2018-19, State-Funded debt outstanding per capita was \$3,311. State-Funded debt was equivalent to 4.8 percent of state personal income.

New York State Projects Increasing Debt Levels in Coming Years

- The SFY 2019-20 Enacted Budget Five-Year Capital Program and Financing Plan, as updated by the First Quarterly Update, projects that the State will issue 60 percent more debt than it will retire over the next five years, with:
 - \$34.0 billion of new issuances of State-Supported debt; and
 - \$20.4 billion of State-Supported debt retirements.
- The State projects reduced statutory debt capacity over the next five years, declining to only \$415 million in SFY 2023-24.
- The State's accumulated deficit financing (\$1.3 billion in SFY 2018-19) is scheduled to be fully repaid by SFY 2025-26. This includes bonds issued by the New York Local Government Assistance Corporation (LGAC) and the Municipal Bond Bank Agency (MBBA). An additional \$1.8 billion in debt outstanding is associated with issuances by the Sales Tax Asset Receivable Corporation (STARC) and the sale of Attica Correctional Facility in 1991.
- New York issues State-Supported debt to fund certain capital purpose grants to other entities, which also results in State liabilities without corresponding State assets.
- \$1.5 billion in State-Supported debt service otherwise due during SFY 2019-20 was prepaid in SFY 2018-19. Such prepayments typically do not reduce the State's interest costs, and artificially reduce reported year-over-year growth in both debt service and overall spending levels.



New York State Bond Ratings

At the end of SFY 2018-19, the State's general obligation bond ratings were assigned as follows. These ratings are one step below the highest investment grade ratings.

- AA+ by Fitch Ratings;
- 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. Ratings can influence interest rates and bond pricing. Higher ratings provide greater confidence to the investment community that the issuer is willing and able to meet the financial commitments of its obligations.

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 on behalf of the State for which the State provides the funds for repayment.
 - The Enacted Budget for State Fiscal Year 2019-20, along with legislation enacted at the end of the 2019 legislative session:
 - Increased bonding authorizations for 22 programs financed through State-Supported debt issued by public authorities;
 - Added new authorization for State-Supported borrowing for statewide equipment purposes; and
 - Provided for a combined increase in State-Supported bonding authorizations of \$6.7 billion, or 5.2 percent over previous limits.
- Public authorities and subsidiaries reported nearly \$71 billion in revenue and capital contributions in 2018.*
- Public authorities and subsidiaries reported making payments of nearly \$15 billion pursuant to contracts in 2018.*

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

* 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 2018.

** Numbers may not add due to rounding.

| Public Authority Data on Expenses, Debt and Employees* For Fiscal Years Ending in 2018 | | | |
|--------------------------------------------------------------------------------------------------|---------------------------------------------|-----------------------------------------|------------------|
| Authority | Expenses** (amounts in millions) | Debt** (amounts in millions) | Employees |
| Metropolitan Transportation Authority | \$ 18,435 | \$ 39,614 | 80,669 |
| Long Island Power Authority | 3,654 | 3,832 | 62 |
| Power Authority of the State of New York | 2,610 | 1,285 | 2,380 |
| Dormitory Authority of the State of New York | 2,504 | 50,471 | 613 |
| New York State Urban Development Corporation | 1,633 | 13,579 | 361 |
| New York State Energy Research and Development Authority | 1,090 | 2,535 | 332 |
| New York State Thruway Authority | 993 | 8,220 | 3,952 |
| New York State Housing Finance Agency | 601 | 17,734 | 293 |
| Environmental Facilities Corporation | 498 | 6,267 | 112 |
| Battery Park City Authority | 281 | 955 | 246 |
| State of New York Mortgage Agency | 197 | 2,590 | 292 |
| New York Local Government Assistance Corporation | 52 | 1,370 | 27 |
| State of New York Municipal Bond Bank Agency | 28 | 348 | 294 |
| New York Job Development Authority | 2 | 10,007 | 5 |
| All Other State Public Authorities | 12,774 | 6,443 | 23,265 |
| Total State | 45,351 | 165,249 | 112,903 |
| Total Local | 25,238 | 116,613 | 50,103 |
| Grand Total | \$ 70,589 | \$ 281,862 | 163,006 |

Economic and Demographic Trends

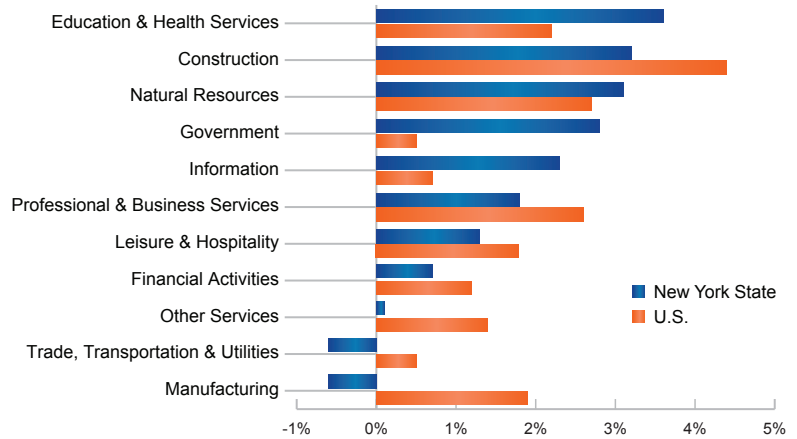
The State Added More Jobs and More Workers

- In 2018, the State added nearly 110,000 jobs, an increase of 1.1 percent compared to national employment growth of 1.7 percent.
- New York ranked 19th among the states for job growth in 2018 and 16th for the five years ending in 2018.
- The State's unemployment rate declined from 4.7 percent in 2017 to 4.1 percent in 2018.
- The total labor force in the State increased by 13,300 workers in 2018.
- In 2018, the highest rate of employment growth was in education and health services, with an increase of 3.6 percent. This industry sector also added the largest number of jobs, nearly 61,000.
- In 2018, employment increased in every region of the State. New York City had the highest growth rate of any region (2.9 percent) while the Mohawk Valley had the lowest (0.2 percent).

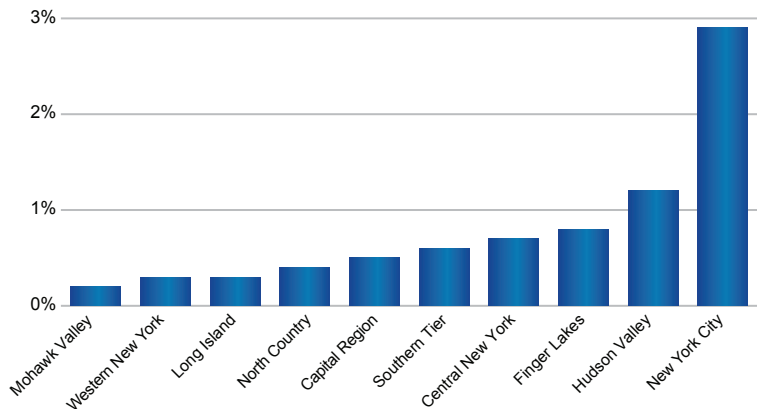
Wages in the State Increase

- In 2018, total wages in the State increased by 4.4 percent. While those in the finance and insurance sector detracted from overall growth with a decline of 1.3 percent, wages in all other industries grew by 5.1 percent.
- Average annual wages for all industries in the State increased by over \$2,200 (3.1 percent).

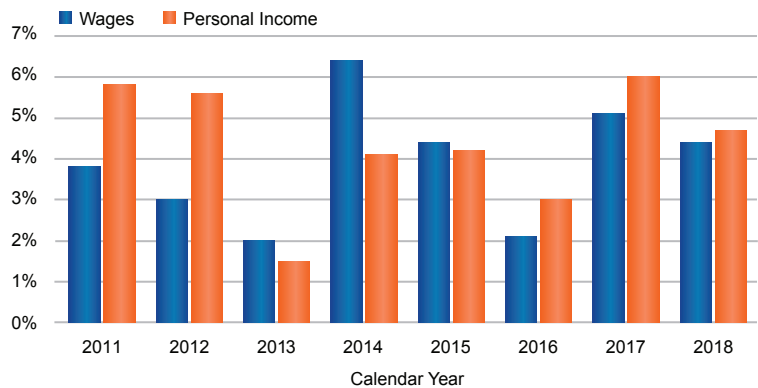
2018 Employment Growth by Industry Sector



2018 Employment Growth by Region



Wage and Personal Income Growth in New York

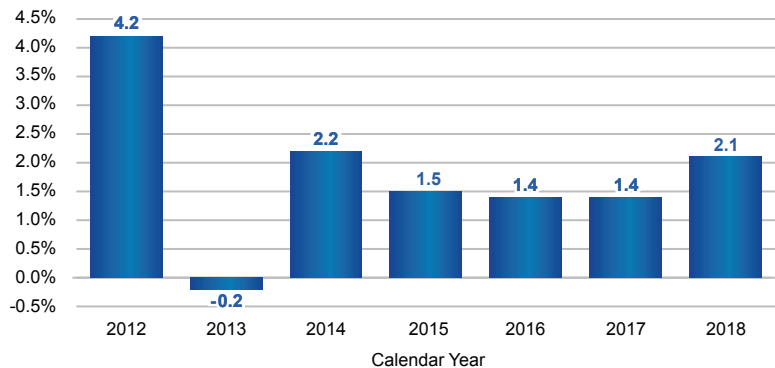


The State Entered Its Longest Economic Expansion Since 1971

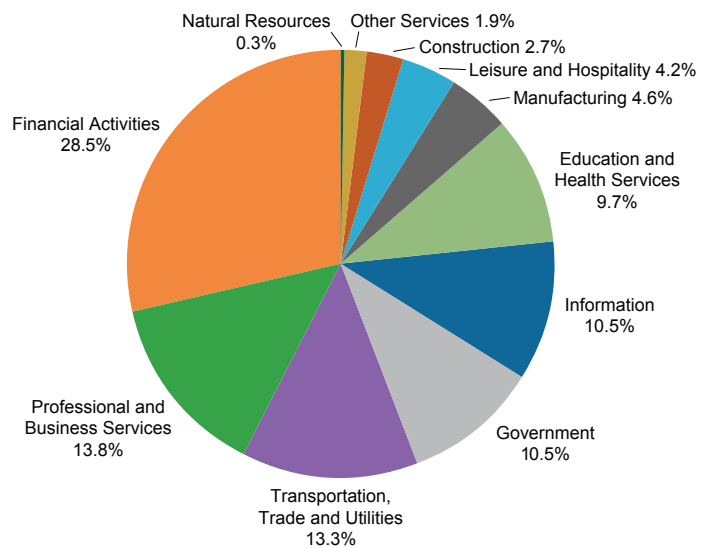
A state's Gross Domestic Product (GDP) is the value of production originating from all industries in the state, as defined by the U.S. Bureau of Economic Analysis. The figures above related to employment and wages reflect a continued trend of gains in those indicators in recent years, and the same is true with the State's GDP. In 2018:

- New York State's GDP was nearly \$1.7 trillion, 8.2 percent of the U.S. total. On a per capita basis, New York State's GDP was 29.6 percent higher than the national average.
- The State ranked 25th in the nation for economic growth with a real GDP increase of 2.1 percent, an acceleration from 1.4 percent in 2017. Washington ranked first among the states at 5.7 percent.
- While the financial activities sector comprised the largest share of the State's GDP in 2018 at 28.5 percent, its impact on the State's economy has been decreasing in the past five years, falling from 31.2 percent in 2013. The second and third top industries—professional and business services and transportation, trade, and utilities—together make up 27.1 percent.

New York Real GDP Growth



Composition of New York GDP, 2018



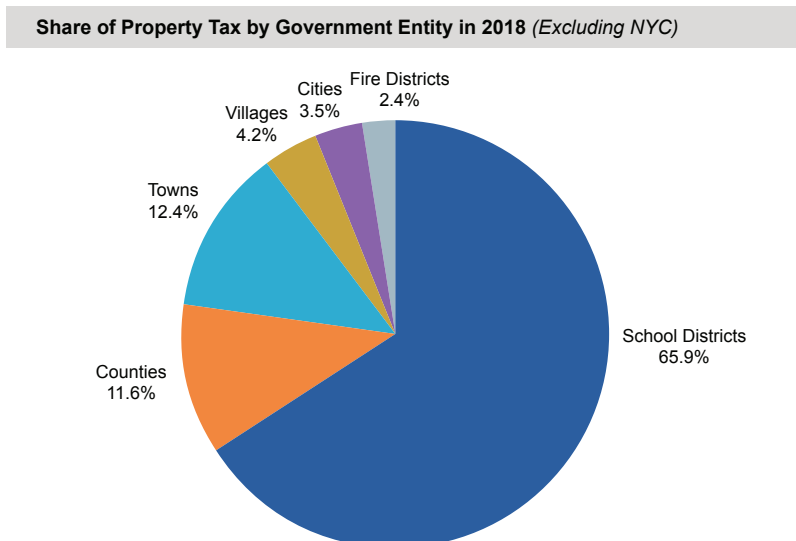
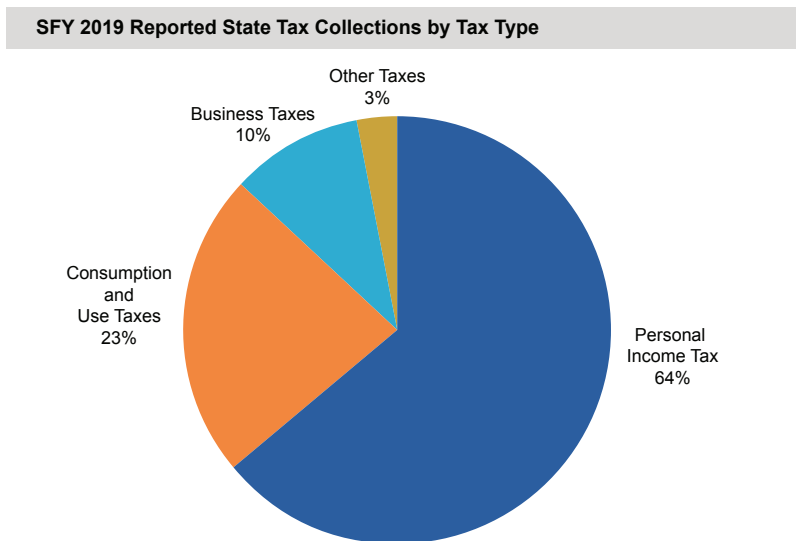
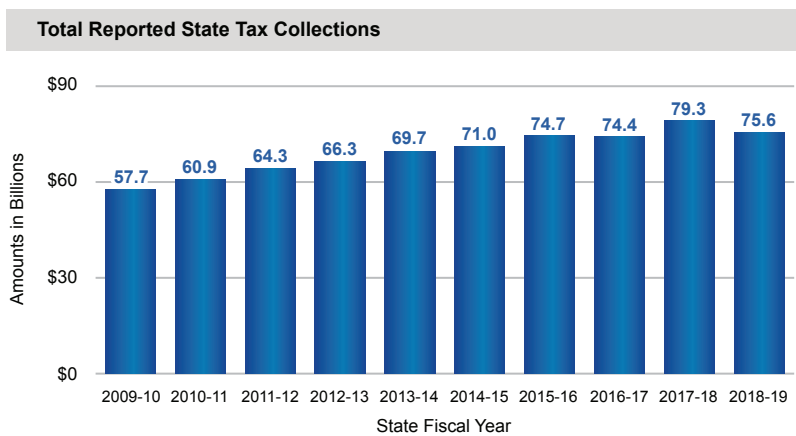
New York's Population Has Grown, But Much More Slowly Than the Nation's

- From 2010 to 2018, the State's population increased by 0.8 percent, compared to a national pace of 6.0 percent.
- The population in the State has been declining since 2015, with a net loss of almost 100,000 residents through 2018.
- Immigrants have mitigated the population loss, with a net increase of over 312,000 in the same period.
- Immigrants accounted for nearly 23 percent of the population in 2017.

Taxes

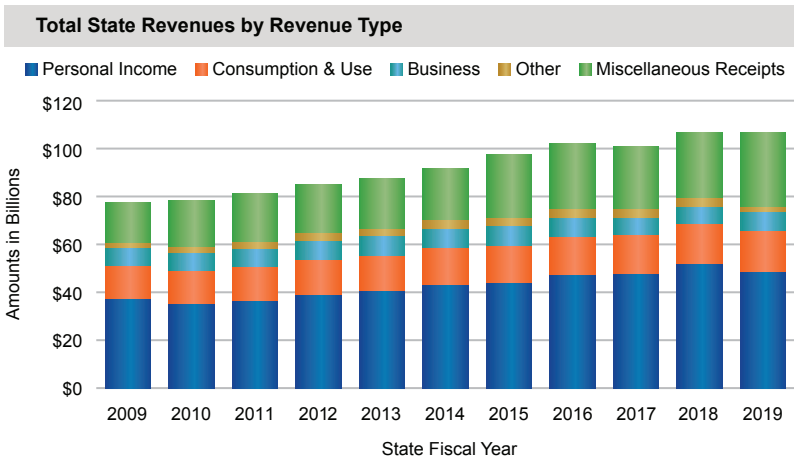
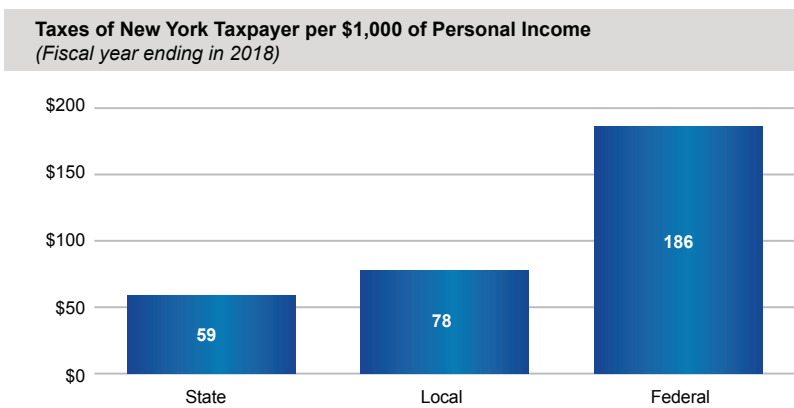
Reported State Tax Collections Decreased in State Fiscal Year (SFY) 2018-19

- In SFY 2018-19, reported New York State tax collections decreased by 4.7 percent, reflecting factors including:
 - Taxpayer behavior in response to the federal Tax Cuts and Jobs Act (TCJA) that went into effect on January 1, 2018; and
 - The movement of approximately \$1.4 billion in payroll mobility tax (PMT) revenues off-budget.
- From 2015 to 2019, reported New York State tax collections have increased by 6.5 percent.
- The combined federal, State and local tax burden in New York State was \$323 per \$1,000 of personal income in fiscal year 2018.
- At the local level, property tax revenues are the largest single tax source overall. Over 65 percent of all property taxes in New York are collected by school districts.



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

- Personal income tax:
 - Made up 64 percent of New York State's tax collections in SFY 2018-19.
 - Has increased in collections by 10 percent from 2015 to 2019.
- Only Oregon and Virginia have a heavier reliance on the personal income tax than New York State. Nationwide, states rely more heavily on sales and user taxes.
- The State's top personal income tax rate of 8.82 percent was extended to December 31, 2024. Changes in the State's top tax rate can have significant impacts in the overall level of State tax revenue.
- Collections for consumption and use taxes, New York State's second largest tax revenue source, increased by nearly 13 percent from 2015 to 2019.



Implications for the Future

The Economic Outlook Poses Increased Uncertainty

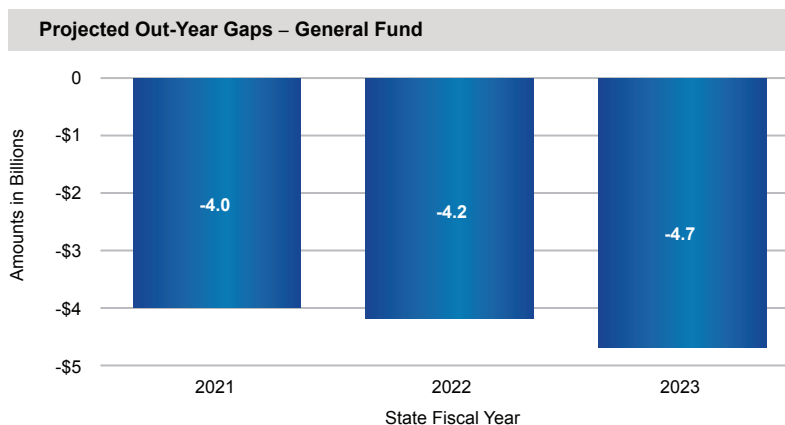
After more than a decade of national economic expansion, New York State faces a variety of fiscal and economic challenges. The nation continued to see gains in overall economic activity during the first half of calendar 2019, but the pace of growth for the year is projected to be slower. Increased trade tensions with China, financial market volatility, and global economic slowdown are among factors that could slow U.S. economic growth further than currently forecasted.

The Division of the Budget projects healthy growth in tax receipts for the current year and continuing growth through the four-year Financial Plan period. However, if a recession occurs, revenues could fall below these projections. Revenue shortfalls associated with previous recessions have led to difficult policy responses including spending reductions targeting education, health care and other programs as well as increases in State taxes and fees.

New York State’s job growth has lagged the nation over the course of the expansion. In addition, employment trends have been uneven across the State. While New York City has been experiencing relatively robust job creation, most upstate regions have seen more modest, if any, net employment gains.

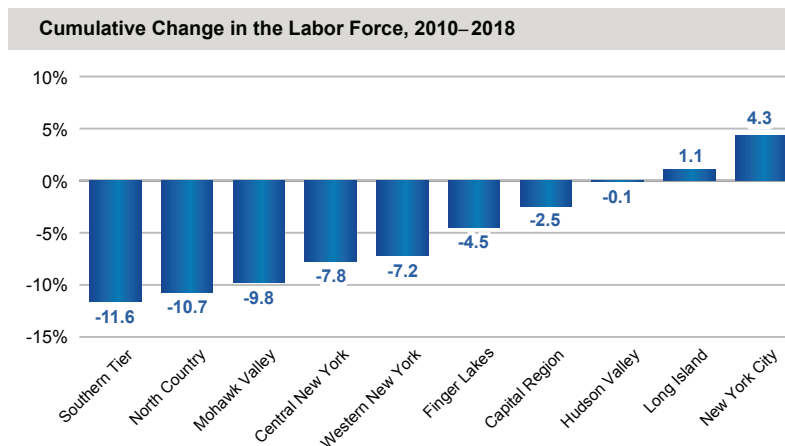
Population and Workforce Trends Are Mixed

Over the long term, population trends and the makeup of the State’s workforce are important factors affecting New York’s overall economic vitality and quality of life for its residents. Although the State’s overall population rose modestly (by 0.8 percent) from 2010 to 2018, that pace was



well behind the national growth of 6 percent, as shown earlier in this report. A number of upstate counties experienced population losses during that period.

Although the unemployment rate has declined in every region of the State in recent years—and that is generally a positive sign—in some areas a shrinking workforce has contributed to the drop in unemployment. The overall count of people in the labor force includes those who are employed as well as those who are not currently working but are looking for a job. When the number of people in the workforce declines, it’s possible for both the unemployment rate and total employment to fall at the same time. Several upstate regions have experienced such trends in recent years.



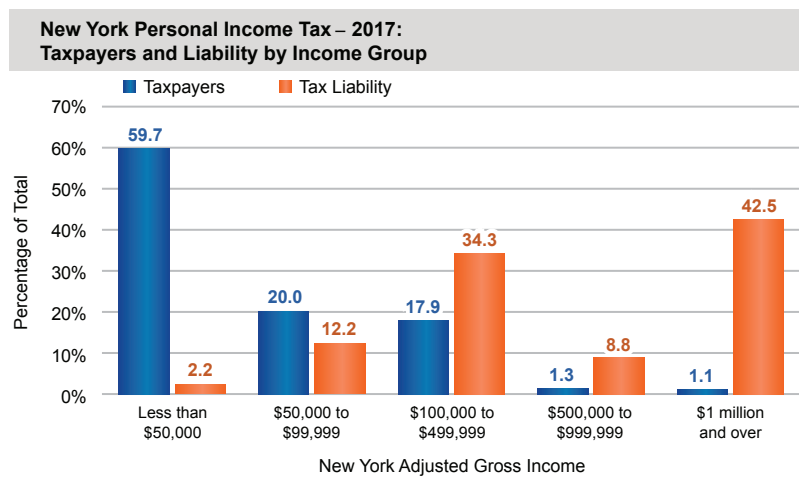
The State Relies Heavily on a Small Segment of Taxpayers

New York State relies heavily on its Personal Income Tax (PIT), which produces nearly two-thirds of all State tax revenues. High-earning individuals, whose income from capital gains and other sources can be volatile, generate a disproportionately large share of PIT receipts. In 2017, the highest-earning 1 percent of taxpayers in New York reported 29.4 percent of gross income and generated more than 42 percent of all PIT liability. Depending on the specific nature of any economic downturn, taxable income and tax liability from such individuals may drop sharply.

The new limit on federal deductions for state and local taxes, which has resulted in shifts to the timing of certain revenues over the past two years, may continue to have unpredictable effects.

The State Budget Is Not Structurally Balanced

The SFY 2019-20 Enacted Budget Financial Plan includes more than \$8.3 billion in non-recurring or temporary resources for the current fiscal year. While more than half of this results from the five-year extension of the top PIT rate on upper-income earners, billions of dollars in other temporary resources are projected to be used this year. The Division of the Budget (DOB) projects General Fund budget gaps in the coming three years will average \$4.3 billion annually before potential gap-closing actions, partially reflecting the loss of certain temporary resources used in SFY 2019-20.



While Capital Spending Is Growing, Debt Capacity Is Projected to Shrink

The State relies on borrowing to fund a wide range of capital investments for purposes including transportation, clean water, education and others. DOB projects capital spending will average \$13.4 billion annually over the current five-year capital planning period, an increase of over 25 percent from the previous five fiscal years.

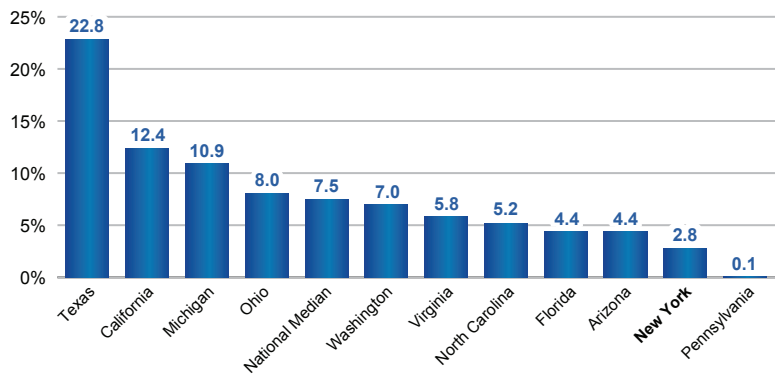
The Executive currently projects that the State’s debt capacity, as measured by the statutory cap on State-Supported debt outstanding issued after April 1, 2000, will shrink to \$415 million by SFY 2023-24. Such debt capacity reflects the levels of both outstanding debt and of personal income in New York. If personal income does not rise as projected by DOB—which could occur if the nation experiences an economic downturn—debt capacity may be lower than currently expected, with potentially troubling implications for the level of planned capital expenditures.

Statutory Rainy Day Reserves Are Up, but the State’s Overall Budgetary Cushion Is Shrinking

DOB deposited \$250 million to the Rainy Day Reserve Fund at the end of SFY 2018-19, a positive step, and projects an additional \$428 million deposit at the end of the current fiscal year if fiscal conditions permit. If such a deposit is made as projected, combined balances in the State’s two major statutory rainy day reserves would reach \$2.3 billion, roughly 43 percent of their statutorily allowed levels.

The General Fund cash balance as of March 31, 2019 was \$7.2 billion. While that figure is higher than the levels in the period during and immediately after the Great Recession, it reflected a decline of 23.7 percent from a year earlier, as the State continued to use monetary settlement resources received in recent years. DOB anticipates that the General Fund balance will reach \$6.5 billion, its lowest year-end level in six years, at the end of the current fiscal year. DOB has indicated that certain General Fund moneys outside the statutory rainy day reserve funds add to the State’s overall resources that could be drawn upon if needed in the context of an economic downturn. Declines in the General Fund balance represent more limited flexibility to respond to economic downturns or catastrophic events. Comptroller DiNapoli continues to urge that budgetary reserves be bolstered.

**Rainy Day Reserves as Percentage of General Fund Spending – FY 2019
Largest States with Rainy Day Reserves***



* According to NASBO, Illinois and New Jersey both had Rainy Day Funds in FY 2019, with no balance. However, New Jersey deposited \$250 million after NASBO’s report was printed.

Federal Funding Is Growing, but Risks Remain

Federal funding in the State budget is projected at \$66.3 billion this year, up 8.1 percent from last year and more than one-third of total receipts. The State has benefited in recent years from increases including expanded federal support for health care through Medicaid and other programs.

Still, the State faces continuing risks in this area. These include the possibility of reduced federal aid for New York’s Essential Plan, which provides health coverage for approximately 800,000 New Yorkers. Scheduled reductions in certain federal payments to hospitals that treat large numbers of Medicaid recipients and uninsured individuals could have significant negative impacts on hospitals and other entities.

Looking Ahead: The Need for Real Fiscal Reform

Comptroller DiNapoli has called for comprehensive fiscal reform 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. Such steps should 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.
- More robust rainy day reserves to better position the State to respond to economic downturns or catastrophic events without painful spending cuts, tax increases or costly budgetary gimmicks.
- Reforms to promote more responsible debt practices, including strengthening the current limits on outstanding debt and broadening the scope of borrowing subject to the statutory debt cap.
- A comprehensive capital prioritization and planning process to ensure the cost-effective use of billions of dollars in annual infrastructure spending.

Appendix 1: State Funds Spending by Major Service Function

(Cash Basis, amounts in millions)

| State Funds Spending for the Fiscal Year Ended March 31: | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------------------------------------------|-----------------|------------------|------------------|------------------|------------------|
| EDUCATION | \$37,125 | \$38,784 | \$39,685 | \$40,441 | \$41,177 |
| Public Schools | 23,723 | 25,355 | 26,532 | 27,708 | 28,669 |
| School Tax Relief (STAR) | 3,297 | 3,335 | 3,139 | 2,589 | 2,423 |
| State University of New York | 7,137 | 7,301 | 7,266 | 7,482 | 7,366 |
| City University of New York | 1,505 | 1,551 | 1,556 | 1,605 | 1,649 |
| Higher Education Services Corporation | 1,397 | 1,200 | 1,149 | 1,018 | 1,023 |
| Cultural Programs | 66 | 42 | 43 | 39 | 47 |
| PUBLIC HEALTH | 25,149 | 25,530 | 26,095 | 27,150 | 28,078 |
| Health and Mental Health Services | 6,940 | 6,915 | 7,158 | 7,140 | 7,424 |
| Medical Assistance (Medicaid) | 18,209 | 18,615 | 18,937 | 20,010 | 20,654 |
| PUBLIC WELFARE | 3,626 | 3,756 | 3,780 | 3,869 | 3,897 |
| Public Welfare | 3,227 | 3,346 | 3,312 | 3,214 | 3,186 |
| Public Housing | 197 | 202 | 259 | 445 | 496 |
| Employment Services | 202 | 208 | 209 | 210 | 215 |
| PUBLIC SAFETY | 4,019 | 4,203 | 4,268 | 4,407 | 4,322 |
| Criminal Justice and Correctional Alternatives | 973 | 1,045 | 1,057 | 1,127 | 1,133 |
| Emergency Management and Security Services | 176 | 172 | 250 | 295 | 236 |
| Prisons and Reformatories | 2,870 | 2,986 | 2,961 | 2,985 | 2,953 |
| TRANSPORTATION | 7,474 | 7,242 | 8,057 | 8,001 | 7,824 |
| Traffic Safety | 183 | 186 | 183 | 192 | 207 |
| Transportation | 7,291 | 7,056 | 7,874 | 7,809 | 7,617 |
| ENVIRONMENT AND RECREATION | 919 | 962 | 1,042 | 1,051 | 1,196 |
| Environmental Protection | 603 | 628 | 703 | 702 | 845 |
| Parks, Recreation and Historic Preservation | 316 | 334 | 339 | 349 | 351 |
| SUPPORT AND REGULATE BUSINESS | 1,082 | 1,212 | 1,574 | 1,696 | 1,896 |
| Commerce, Industry and Agriculture | 581 | 856 | 1,213 | 1,339 | 1,514 |
| Regulate Business | 501 | 356 | 361 | 357 | 382 |
| SHARE GENERAL REVENUES WITH LOCAL GOVERNMENTS | 1,057 | 1,055 | 1,051 | 1,018 | 1,077 |
| REPAY BORROWED MONEY AND REDUCE DEBT | 6,221 | 5,635 | 5,552 | 5,915 | 6,736 |
| GENERAL GOVERNMENT | 11,476 | 12,853 | 12,926 | 13,389 | 14,255 |
| Executive Agencies | 1,525 | 2,410 | 2,127 | 2,182 | 2,626 |
| Office of the State Comptroller | 172 | 173 | 183 | 178 | 183 |
| Office of the Attorney General | 167 | 170 | 176 | 188 | 194 |
| Legislature | 207 | 215 | 226 | 223 | 223 |
| Court Administration | 2,016 | 2,073 | 2,120 | 2,209 | 2,274 |
| Pension Contributions and Other Employee Benefits | 7,014 | 7,404 | 7,670 | 7,995 | 8,348 |
| Other | 375 | 408 | 424 | 414 | 407 |
| TOTAL STATE FUNDS SPENDING | \$98,148 | \$101,232 | \$104,030 | \$106,937 | \$110,458 |

Appendix 2: Federal Funds Spending by Major Service Function

(Cash Basis, amounts in millions)

| Federal Funds Spending for the Fiscal Year Ended March 31: | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| EDUCATION | \$3,718 | \$4,198 | \$4,039 | \$3,695 | \$4,365 |
| Public Schools | 3,387 | 3,866 | 3,721 | 3,348 | 4,008 |
| State University of New York | 313 | 318 | 310 | 341 | 351 |
| City University of New York | 7 | 7 | 2 | 1 | 2 |
| Higher Education Services Corporation | 11 | 7 | 6 | 5 | 3 |
| Cultural Programs | – | – | – | – | 1 |
| PUBLIC HEALTH | 31,996 | 35,537 | 40,042 | 44,343 | 46,785 |
| Health and Mental Health Services | 2,064 | 3,689 | 5,658 | 6,831 | 6,805 |
| Medical Assistance (Medicaid) | 29,932 | 31,848 | 34,384 | 37,512 | 39,980 |
| PUBLIC WELFARE | 5,200 | 5,201 | 4,622 | 4,837 | 5,436 |
| Public Welfare | 4,694 | 4,774 | 4,212 | 4,404 | 5,023 |
| Public Housing | 26 | 22 | 26 | 25 | 26 |
| Employment Services | 480 | 405 | 384 | 408 | 387 |
| PUBLIC SAFETY | 2,557 | 2,119 | 1,744 | 1,725 | 1,369 |
| Criminal Justice and Correctional Alternatives | 59 | 70 | 69 | 74 | 117 |
| Emergency Management and Security Services | 2,498 | 2,027 | 1,655 | 1,626 | 1,252 |
| Prisons and Reformatories | – | 22 | 20 | 25 | – |
| TRANSPORTATION | 1,639 | 1,766 | 1,901 | 1,543 | 1,646 |
| Traffic Safety | 28 | 28 | 30 | 26 | 29 |
| Transportation | 1,611 | 1,738 | 1,871 | 1,517 | 1,617 |
| ENVIRONMENT AND RECREATION | 208 | 211 | 210 | 201 | 239 |
| Environmental Protection | 199 | 198 | 197 | 189 | 224 |
| Parks, Recreation and Historic Preservation | 9 | 13 | 13 | 12 | 15 |
| SUPPORT AND REGULATE BUSINESS | 20 | 24 | 18 | 23 | 27 |
| Commerce, Industry and Agriculture | 18 | 22 | 16 | 21 | 24 |
| Regulate Business | 2 | 2 | 2 | 2 | 3 |
| SHARE GENERAL REVENUES WITH LOCAL GOVERNMENTS | 27 | 32 | 9 | 7 | 2 |
| GENERAL GOVERNMENT | 378 | 388 | 400 | 432 | 548 |
| Executive Agencies | 44 | 70 | 74 | 74 | 78 |
| Office of the Attorney General | 25 | 26 | 25 | 27 | 28 |
| Court Administration | 5 | 5 | 6 | 6 | 7 |
| Pension Contributions and Other Employee Benefits | 304 | 287 | 295 | 325 | 435 |
| TOTAL FEDERAL FUNDS SPENDING | \$45,743 | \$49,476 | \$52,985 | \$56,806 | \$60,417 |

Appendix 3: State Receipts by Major Source

(Cash Basis, amounts in millions)

| State Receipts for the Fiscal Year Ended March 31: | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| TOTAL TAXES | \$71,034 | \$74,673 | \$74,373 | \$79,266 | \$75,577 |
| Personal Income Tax | 43,710 | 47,055 | 47,566 | 51,501 | 48,087 |
| Consumer Taxes | 15,385 | 15,725 | 16,212 | 16,711 | 17,356 |
| Sales and Use | 12,992 | 13,359 | 13,870 | 14,495 | 15,127 |
| Cigarette/Tobacco Products | 1,314 | 1,251 | 1,235 | 1,171 | 1,108 |
| Medical Marijuana | – | – | – | 2 | 528 |
| Motor Fuel | 487 | 503 | 519 | 512 | 262 |
| Alcoholic Beverage | 251 | 254 | 258 | 259 | 145 |
| Highway Use | 140 | 159 | 139 | 93 | 130 |
| Auto Rental | 119 | 126 | 127 | 123 | 4 |
| MCTD* Taxicab Trip | 82 | 73 | 64 | 56 | 52 |
| Business Taxes | 8,502 | 7,884 | 6,979 | 7,164 | 7,912 |
| Corporation Franchise | 3,548 | 4,527 | 3,165 | 3,080 | 4,297 |
| Corporation and Utility | 727 | 774 | 720 | 748 | 672 |
| Insurance | 1,533 | 1,580 | 1,580 | 1,777 | 1,837 |
| Bank | 1,536 | -121 | 390 | 467 | -59 |
| Petroleum Business | 1,158 | 1,124 | 1,124 | 1,092 | 1,165 |
| Other Taxes | 3,437 | 4,009 | 3,616 | 3,890 | 2,222 |
| Estate and Gift | 1,109 | 1,521 | 1,091 | 1,308 | 1,068 |
| Pari-Mutuel | 18 | 17 | 16 | 15 | 16 |
| Real Estate Transfer | 1,038 | 1,163 | 1,126 | 1,125 | 1,135 |
| Racing and Exhibition | 1 | 2 | 3 | 3 | 3 |
| MCTD Mobility | 1,271 | 1,306 | 1,380 | 1,439 | – |
| GAMING – LOTTERY INCOME, VLT AND CASINO | 3,386 | 3,704 | 3,606 | 3,619 | 3,767 |
| FEDERAL RECEIPTS | 48,637 | 51,324 | 55,407 | 58,942 | 61,344 |
| OTHER RECEIPTS | 22,901 | 20,572 | 19,265 | 18,928 | 20,807 |
| Student Tuition and Fees (SUNY/CUNY) | 2,188 | 2,334 | 1,869 | 1,891 | 1,726 |
| Revenues of State Departments | 3,478 | 3,605 | 3,855 | 3,681 | 5,001 |
| Receipts from Municipalities | 122 | 147 | 367 | 348 | 344 |
| Income from Investments | 32 | 47 | 83 | 164 | 344 |
| Abandoned Property | 664 | 539 | 450 | 471 | 505 |
| Unclaimed Bottle Deposits | 103 | 103 | 113 | 118 | 121 |
| Public Benefit Corporations | 85 | 106 | 145 | 174 | 132 |
| Assessments | 7,561 | 6,948 | 6,916 | 6,803 | 6,950 |
| Fees, Licenses, Permits | 3,268 | 3,497 | 3,400 | 3,540 | 3,665 |
| Fines, Penalties and Forfeitures | 5,035 | 2,878 | 1,593 | 1,285 | 1,539 |
| Miscellaneous | 365 | 368 | 474 | 453 | 480 |
| BORROWED AND ADDED TO DEBT | 3,312 | 2,992 | 3,721 | 4,875 | 6,744 |
| Bonds and Notes Issued by the State | 161 | – | – | 160 | 133 |
| Public Authority Financings | 3,151 | 2,992 | 3,721 | 4,715 | 6,611 |
| TOTAL RECEIPTS | \$149,270 | \$153,265 | \$156,372 | \$165,630 | \$168,239 |

*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

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 Environmental Conservation

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 Energy Research and Development Authority

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 Higher Education Executive Officers (SHEEO)

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 Education –
National Center for Education Statistics

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

U.S. Energy Information Administration

U.S. Environmental Protection Agency

U.S. Federal Highway Administration

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