Report on Estimated Receipts and Disbursements

State Fiscal Years 2015-16 through 2017-18

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Overview

This Report on Estimated Receipts and Disbursements for State Fiscal Year (SFY) 2015-16 through SFY 2017-18, issued pursuant to Section 23 of the State Finance Law, is intended to enhance analysis and discussion of the State's economic condition and the State Budget.

The national economy continues its post-recovery expansion, although growth has been erratic over the course of the current year. The nation's Gross Domestic Product (GDP) grew by 2.4 percent in the 2014 calendar year over the prior year, and is expected to grow by 2.5 percent in 2015. Risks facing both the State and national economies include continued volatility overseas.

New York State's economy, as measured by the State's Gross Domestic Product, grew by 2.5 percent in the 2014 calendar year. Growth is estimated to slow to 1.7 percent in 2015.

The Office of the State Comptroller estimates that the State's tax revenues will grow by 5.6 percent in SFY 2015-16. Tax receipts are projected to grow by 3.2 percent in SFY 2016-17, and 3.8 percent in SFY 2017-18.

The Office of the State Comptroller's projections for All Funds receipts are $471 million higher than estimates from the Division of the Budget (DOB) for SFY 2015-16, $222 million lower in SFY 2016-17 and $868 million lower in SFY 2017-18, based on DOB's most current projections from the First Quarterly Update to the SFY 2015-16 Enacted Budget Financial Plan. (As of the publication of this report, figures from the First Quarterly Update are the latest available from DOB.)

The Office of the State Comptroller's projections for All Funds disbursements are $84 million higher than estimates from DOB for SFY 2015-16, $118 million higher in SFY 2016-17 and $147 million higher in SFY 2017-18, based on DOB's most current projections from the First Quarterly Update to the SFY 2015-16 Enacted Budget Financial Plan.

Background: "Quick Start" Financial Information Review Process

The State Finance Law requires the staffs of the Executive, the Senate, the Assembly and the Comptroller to prepare and make available by November 5 of each year separate reports detailing estimates of receipts and disbursements "for the current and ensuing fiscal years."[1] The Office of the State Comptroller interprets this provision as requiring estimates for the current and the next two ensuing fiscal years.

The receipts forecast must include, but is not limited to, estimates of taxes on an All Funds basis, lottery receipts and General Fund miscellaneous receipts. The disbursements forecast is required to include, but is not limited to, estimates for Medicaid, public assistance and elementary and secondary education (school aid). The underlying factors and data upon which the disbursement estimates are based must be included as well.

By November 15, the Executive, Senate and Assembly are directed to prepare jointly and make available on their respective Internet websites a report on the actual, estimated and projected State receipts and disbursements for the prior, current and ensuing fiscal years.

The statute also requires a public meeting of the staffs of the Executive, the Senate, the Assembly and the Comptroller to be held on or before November 15 to review financial information jointly, including the economic outlook, receipt forecasts, projected disbursements, and the impact of relevant State and federal statutory provisions on the State's Financial Plan, to facilitate the timely adoption of a State Budget for the next fiscal year.

Office of the State Comptroller's Estimates for Receipts and Disbursements

The Office of the State Comptroller maintains extensive data on receipts and disbursements, which reflect the flow of revenues and expenditures through New York's Statewide Financial System (SFS). The Office of the State Comptroller's estimates are based on analysis of such data along with projections by DOB, recent and projected economic indicators and other information. Unless otherwise indicated, all projections reflect comparisons to the prior fiscal year.

The following tables summarize the Office of the State Comptroller's estimates compared to DOB's estimates for receipts and disbursements as contained in the SFY 2015-16 First Quarter Financial Plan Update. The Office of the State Comptroller's estimates for All Funds receipts and disbursements reflect a variety of factors, including current law that provides for caps on growth in Medicaid and school aid spending. Because the statutory cap on Medicaid disbursements applies to disbursements from State Operating Funds, estimates for State Operating Funds are also provided.

[1] See Section 23(5) of the State Finance Law.

Figure 1

Actual and Estimated Receipts and Disbursements, All Funds
SFY 2014-15 through SFY 2017-18
(in millions of dollars)

	2014-15 Actual	2015-16	Growth	2016-17	Growth	2017-18	Growth
Receipts							
Office of the State Comptroller	149,109	153,158	2.7%	153,970	0.5%	156,849	1.9%
Division of the Budget	149,109	152,687	2.4%	154,192	1.0%	157,717	2.3%
Difference	-	471		(222)		(868)	
Disbursements							
Office of the State Comptroller	143,891	153,067	6.4%	157,977	3.2%	162,443	2.8%
Division of the Budget	143,891	152,984	6.3%	157,859	3.2%	162,296	2.8%
Difference	-	84		118		147	

Sources: Office of the State Comptroller, Division of the Budget
Note: Figures may not total due to rounding.

Figure 2

Actual and Estimated Receipts and Disbursements, State Operating Funds
SFY 2014-15 through SFY 2017-18
(in millions of dollars)

	2014-15 Actual	2015-16	Growth	2016-17	Growth	2017-18	Growth
Receipts							
Office of the State Comptroller	95,037	94,097	-1.0%	94,713	0.7%	97,518	3.0%
Division of the Budget	95,037	93,613	-1.5%	94,928	1.4%	98,415	3.7%
Difference	-	483		(215)		(897)	
Disbursements							
Office of the State Comptroller	92,426	94,266	2.0%	98,639	4.6%	102,466	3.9%
Division of the Budget	92,426	94,243	2.0%	98,606	4.6%	102,425	3.9%
Difference	-	23		34		41	

Sources: Office of the State Comptroller, Division of the Budget
Note: Figures may not total due to rounding.

See the Appendix for more detailed estimates for All Funds and State Operating Funds.

Economic Outlook

National Economy

The national economy is currently in its sixth year of expansion since the end of the Great Recession. Economic growth over the course of the current year has been erratic due to factors including adverse weather conditions in the first quarter of the year and changes in the global economy. In 2014, real Gross Domestic Product (GDP) increased by 2.4 percent. It is estimated to increase by 2.5 percent in 2015.[2]

Volatility in the global economy and the continued expansion of the national economy have caused an appreciation of the dollar in comparison to other currencies. In 2015, the value of the U.S. dollar is estimated to appreciate by an average of more than 19 percent over the currencies of the nation's major trading partners. This appreciation of the dollar results in U.S. goods becoming more expensive in other countries, putting downward pressure on exports. In 2015, exports are estimated to increase by 1.7 percent after growing by 3.4 percent in 2014.

On the domestic side, total employment grew by 1.9 percent in 2014 and has continued to grow in 2015. For the first three quarters of the year, the nation added nearly 1.8 million jobs, an increase of 2.0 percent from the same period a year earlier. For all of 2015, employment growth is estimated to outpace that of 2014, increasing by 2.1 percent. With this employment growth, the unemployment rate is estimated to fall to 5.3 percent in 2015 from 6.2 percent in 2014.

Wage growth has been slow over the course of the current economic expansion, averaging 3.5 percent. In comparison, average annual wage growth in the prior economic expansion was 4.6 percent. Wage growth improved in 2014, increasing by 4.6 percent. However, wage growth is estimated to slow once again in 2015, to 3.9 percent.

In 2016, the national economy is projected to experience a slight acceleration, growing by 2.9 percent. Contributing to this projection is expectation of stronger growth in non-residential investment as well as growth in residential investment due to continued growth in the housing market and stable growth in consumption.

Employment growth is projected to continue in 2016, but at a slower pace of 1.5 percent as compared to 2.1 percent in 2015. This employment growth is projected to result in a continued decline in the unemployment rate, decreasing to 5.0 percent from 5.3 percent. Employment growth, along with the continued overall economic growth, is projected to result in stronger wage growth in 2016, a projected increase of 4.5 percent.

[2] For purposes of this report, projections of economic variables are primarily drawn from the IHS Global Insight Macroeconomic Forecast, October 2015.

New York State Economy

The New York State economy, as measured by the State's Gross Domestic Product (GDP), grew by 2.5 percent in 2014. This economic growth is estimated to slow to 1.7 percent in 2015. With the financial activities sector comprising nearly a third of the State's GDP, estimated growth of only 0.6 percent in this sector in 2015 contributes to the slowdown in overall growth. In 2016, economic growth in the State is projected to accelerate to 2.8 percent.

In 2014, the State added over 143,000 jobs, an increase of 1.6 percent. Through September 2015, almost 105,000 jobs have been added since December 2014, an increase of 1.1 percent in the first three quarters of the year.[3] This job growth was primarily in the private sector, with only slight employment growth in government jobs. For all of 2015, employment is estimated to grow by 1.5 percent, slightly below the pace of growth in 2014.

According to the U.S. Bureau of Economic Analysis, wages paid through the first half of 2015 increased by 2.3 percent over the same period in 2014. Personal Income growth was 3.9 percent for the first two quarters of 2015 as compared to the first two quarters of 2014.

The Office of the State Comptroller estimates that the average bonus for securities industry employees working in New York City increased by 2.0 percent to $172,900 for work performed in 2014, a level exceeded only by the two years that preceded the 2008 financial crisis. Securities industry profits rose by 29 percent in the first half of 2015 to $11.3 billion, the strongest first half since 2011. While weakness in the global economy and concerns over the timing of the Federal Reserve's plans to raise short-term interest rates could dampen profits in the second half of the year, 2015 may still be a good year for the industry given the strong first half. Compensation trends during the first half of 2015 suggested a small increase in bonuses for the year, but it remains to be seen how recent developments will affect bonuses.

Wages grew by 6.4 percent in 2014, boosted by strong securities industry bonuses for work performed in 2013. Wage growth is projected to slow to 2.9 percent in 2015, reflecting the small increase in bonuses for 2014 that were paid in the first quarter of 2015. This slower wage growth also results in slower Personal Income growth of 3.5 percent in 2015 as compared to 4.0 percent in 2014.

Employment growth is projected to slow in 2016, increasing by approximately 1.0 percent. However, wage growth is projected to accelerate, increasing by 3.8 percent. This increased wage growth as well as projected growth in nonwage income results in Personal Income growth of nearly 4.0 percent.

[3] On a seasonally adjusted basis.

Receipts

Overview

This report includes the Office of the State Comptroller's estimate of All Funds tax receipts through the end of the current fiscal year as well as projections for All Funds tax receipts for SFY 2016-17 through SFY 2017-18. This forecast is consistent with a national economy that continues to grow at a pace similar to 2014, with slightly stronger growth in the subsequent years. Numerous variables affect the national and State economies, increasing the difficulty of forecasting tax collections. These factors include recent volatility in the financial markets, global tensions, especially in the oil-producing countries, and continued weakness in economic growth in parts of the global economy. As a result, the State's actual tax revenues could deviate from these estimates. Close monitoring is critical to identify deviations in a timely way so that corrective actions can be taken.

Tax receipts increased by 1.9 percent in SFY 2014-15, but are estimated to increase by 5.6 percent in SFY 2015-16. This growth primarily reflects increased estimated tax payments made under the Personal Income Tax (PIT) due to strong financial market performance in 2014, as well as strong collections from the estate tax and the real estate transfer tax in 2015.

In SFY 2016-17, growth in tax collections is projected to slow to 3.2 percent. While stronger growth is projected for the overall economy, this slowdown in tax collections is due to the reversion of estimated PIT tax collections to historical trend levels as well as the continued impact of State Tax Law changes, such as corporate tax reform and the increase in the estate tax exemption threshold, which serve to constrain growth. For SFY 2017-18, tax collections are projected to grow by 3.8 percent. This growth reflects the expectation of continued economic growth, mitigated by the continued impact of Tax Law changes enacted in previous years.

Personal Income Tax

Personal income tax receipts in SFY 2015-16 are estimated to increase by nearly $3.4 billion, or 7.7 percent, from SFY 2014-15. This increase is due to double digit growth in payments made with annual returns and in estimated payments made with requests for filing extensions, both resulting from strong financial market activity in 2014. This growth is also bolstered by increased withholding and quarterly estimated tax payments due to continued wage and employment growth as well as growth in proprietors' income.

Withholding tax collections in SFY 2015-16 are estimated to increase by 5.1 percent as a result of both employment and wage growth over the course of the year, mitigated by the expectation of little if any growth in bonus payments for the 2015 calendar year. As mentioned above, collections from estimated tax payments in SFY 2015-16 are estimated to increase by over 13 percent. This growth is due to a nearly 35 percent increase in

estimated payments made with requests for extensions of filing annual returns as well as an estimated 6.8 percent increase in quarterly estimated payments.

In SFY 2016-17, PIT collections are projected to increase by $2.2 billion, or 4.7 percent. This increase reflects continued employment and wage growth in 2016 as well as estimated personal income growth of 3.5 percent in 2015. The increase in collections is mitigated by a 10 percent increase in refunds due to the reduction in the administrative cap on refunds paid in the January through March period from $1.95 billion in 2015 to $1.75 billion in 2016. This change results in an additional $200 million in refunds being paid in SFY 2016-17 rather than SFY 2015-16. In addition, the growth in refunds is due to a change in the timing of payments for the Family Relief Tax Credit. In 2014, the tax credit was paid as an advance refund in the current tax year. As part of the SFY 2014-15 Enacted Budget, the advance refunding of the credit was eliminated. Taxpayers will now claim the credit when filing their 2015 tax returns, increasing the amount of refunds due in April 2016.

In SFY 2017-18, PIT collections are projected to increase by nearly $2.8 billion, or 5.6 percent. This growth is due to projected growth in Personal Income as well as the elimination of the impact of the change in the administrative cap on refunds paid in the January through March period.

Consumption and Use Taxes

Consumption and use tax receipts are estimated to increase by over $470 million, or 3.1 percent, in SFY 2015-16. This growth reflects continued growth in consumption offset by continued declines in cigarette tax collections. Sales and use tax receipts, the largest component of this group, are estimated to increase by approximately 4.3 percent in SFY 2015-16. While holiday sales are projected to be slower than in 2014, this growth in tax collections is primarily due to the estimated increase in total consumer spending over the course of the year.

For SFY 2016-17, collections from consumption and use taxes in this category are projected to exhibit stronger growth, increasing by $575 million, or 3.6 percent. Sales and use tax collections are projected to increase by 4.4 percent. This increase reflects the projected acceleration of economic growth as well as a projected 4 percent increase in disposable income.

In SFY 2017-18, consumption and use tax collections are projected to slow, increasing by 2.7 percent due to slower disposable income growth as well as the continued projected decline in cigarette tax collections.

Business Taxes

Business tax receipts are estimated to decrease by $198 million, or 2.3 percent, in SFY 2015-16. This decline is primarily due to the absence of large audit receipts under the bank tax as well as the decline in oil prices, which impacts receipts from the petroleum business tax.

In SFY 2016-17, business tax receipts are projected to continue to decrease by $197 million, or 2.4 percent. This decline reflects a reduction in audit receipts from the corporate franchise tax and the impact of corporate tax changes enacted in previous years, as well as an estimated decline in oil prices in 2015 which impacts petroleum business tax rates in 2016.

Business tax receipts are also projected to continue to decline in SFY 2017-18, decreasing by $190 million, or 2.3 percent. This decline reflects the elimination of any residual bank tax receipts due to audits, as well as the continued impact of previously enacted corporate franchise tax law changes, offset by a small increase in petroleum business tax collections from a projected increase in oil prices.

Other Taxes

Other Tax receipts, including the MTA Payroll Mobility Tax, are estimated to increase by $348 million, or over 10 percent, in SFY 2015-16. This growth is due to an estimated double digit increase in estate and gift tax collections as well as strong real estate transfer tax collections.

In SFY 2016-17, collections from other taxes are projected to decline by over $185 million, or 4.9 percent. This decline is due to a projected decrease in estate and gift tax collections resulting from a reduction in the number of extremely large estates as well as the continued phase-in of the increase in the exemption threshold enacted in SFY 2014-15. However, this decline is mitigated by continued growth projected for the housing market, resulting in continued growth in real estate transfer tax collections.

In SFY 2017-18, collections of other taxes are projected to continue to decline, decreasing by over $30 million, or 1.0 percent. The projected decline is due to the continued phase-in of the increased exemption threshold under the estate tax, partially offset by projected housing market growth and projected wage growth, resulting in increased real estate transfer tax and MTA payroll mobility tax collections, respectively.

General Fund Miscellaneous Receipts and Lottery Receipts

Miscellaneous receipts include fees, fines, reimbursements, bond proceeds from public authorities, lottery revenue and interest on State investments. The Office of the State Comptroller has identified risks associated with the miscellaneous receipts expected to be received from abandoned property and contributions from public authorities.[4]

General Fund miscellaneous receipts are estimated to decline nearly 43 percent in SFY 2015-16, to $4.8 billion, primarily because of the decline in non-recurring monetary settlements from various financial institutions.[5] Miscellaneous receipts in the General Fund are also anticipated to decline because of the $750 million reduction in payments from the

[4] See Report on the State Fiscal Year 2015-16 Executive Budget, February 2015, pages 20-22, available at http://www.osc.state.ny.us/reports/budget/2015/review_of_executive_budget_2015.pdf.

[5] The First Quarterly Update to the SFY 2014-15 Enacted Budget Financial Plan does not include $385 million in General Fund settlement proceeds expected to be received by the time this report is released. This revenue is expected to be included in the Mid-Year Update to the Enacted Budget Financial Plan.

State Insurance Fund (SIF) associated with changes to the Workers' Compensation Law enacted in the SFY 2013-14 Enacted Budget. A total of $1.75 billion will flow to the General Fund from SIF for "debt management or fiscal uncertainties" and "reducing budget gaps" through SFY 2016-17.

General Fund miscellaneous receipts are projected to decline 45.7 percent in SFY 2016-17, primarily reflecting the loss of non-recurring settlement receipts. General Fund miscellaneous receipts are projected to decline further by 10.7 percent in SFY 2017-18, primarily because of the loss or reduction of certain temporary revenue sources.

All Funds projections for miscellaneous receipts in SFY 2015-16 total $25.8 billion (most of which is initially collected outside the General Fund), representing a decline of $3.6 billion or 12.2 percent, primarily from the loss of monetary settlements and SIF proceeds. Miscellaneous receipts collected outside the General Fund include $195.7 million from Native American casinos. Of that total, $121.2 million will be transferred to the General Fund after payments to local governments.[6] In addition, $171 million is projected from licensing revenues from four of the seven casinos authorized by voters in November 2013.

DOB projects All Funds miscellaneous receipts will decline $1.7 billion or 6.4 percent in SFY 2016-17, primarily from the loss or reduction of the temporary payments discussed above. DOB projects miscellaneous receipts will decline another $500 million in SFY 2017-18 as additional non-recurring resources are discontinued. Factors that may change such projections include the possibility of additional settlements from financial institutions.

Lottery revenues for education (not including administration) from traditional games are expected to increase by 1.3 percent to $2.2 billion in SFY 2015-16, and revenues from video lottery terminals (VLTs) are expected to increase 6.1 percent to $961 million. Total lottery receipts are projected to decline 1.2 percent in SFY 2016-17 and to decline by 0.2 percent in SFY 2017-18.

Federal Receipts

Federal grants support State spending for Medicaid, transportation, school aid, public health, and environmental and energy programs as well as other activities. Since State spending for federally financed programs is typically "cash neutral" (i.e., federal receipts equal spending), the Office of the State Comptroller's projections reflect DOB's federal receipts projections, with adjustments based on expected changes in federally funded disbursements as projected in this report.

In SFY 2015-16, federal receipts are projected to increase $3.7 billion, or 7.5 percent, from SFY 2014-15, primarily due to increased funding associated with the Affordable Care Act. DOB projects federal receipts will increase $238 million or just less than 1.0 percent in SFY 2016-17, made up almost entirely of grants for operating costs. Federal grants for capital spending are projected to decline slightly in SFY 2016-17. Total federal receipts are

[6] This funding is initially collected as a miscellaneous receipt in the Tribal State Compact special revenue fund (339.22169). After payments to localities that host the Native American casinos covered under the Tribal State Compact, the remaining revenue is transferred to the General Fund.

projected to increase $458 million in SFY 2017-18, with operating revenues increasing just under 1.0 percent and capital revenues again declining only slightly.

Monetary Settlements

In the SFY 2015-16 Enacted Budget Financial Plan, DOB included $250 million in monetary settlements in its projections for General Fund miscellaneous receipts in SFY 2015-16, declining to $100 million in SFY 2017-18. Actual General Fund miscellaneous receipts this fiscal year will include nearly $3 billion in non-recurring resources (61 percent of total projected General Fund miscellaneous receipts) from monetary settlements. This is down from the nearly $5 billion received in SFY 2014-15. At this point, nearly $2 billion of these resources has yet to be appropriated.

The SFY 2015-16 Enacted Budget included appropriations totaling $4.55 billion from the Dedicated Infrastructure Investment Fund (DIIF) from monetary settlement revenues transferred from the General Fund. Through September 30, a total of $309 million had been transferred to the DIIF. See Appendix B for information about where the settlement revenue has come from and how it is used, as well as what has yet to be appropriated.

Disbursements

Overview

This report includes a forecast for disbursements for SFY 2015-16 through SFY 2017-18. Because Department of Health (DOH) Medicaid spending from State funds is specifically limited in both statute and appropriation authority, the Office of the State Comptroller includes spending projections from both All Funds and State Operating Funds in its estimates.

These estimates rely on a variety of data sources, including receipt and disbursement data from New York's Statewide Financial System and information from State agencies, including the State Education Department (SED), DOB, DOH, the Department of Labor (DOL), and the Office of Temporary and Disability Assistance (OTDA). All projections for growth reflect comparisons to the prior fiscal year.

The SFY 2015-16 Enacted Budget – like the prior year's – included appropriations intended to reflect two years' worth of spending in Medicaid and school aid. The Budget also provided limits on future spending growth for Medicaid based on the ten-year average growth in the medical component of the Consumer Price Index (CPI), and for education assistance based on the rate of growth for Personal Income in the State. As a result of these limitations, projected spending in two of the largest categories of spending in the Budget is constrained, absent action by the Executive and the Legislature to supersede the spending targets. However, as with the previous two enacted budgets, school aid in the current fiscal year was increased by an amount that exceeded the statutory cap. The nearly $1.4 billion increase

(6.1 percent) exceeds the statutory cap of 1.7 percent, which would have resulted in an aid total nearly $1 billion lower.[7]

This report provides Medicaid and school aid spending projections from the Financial Plan that are based on current law, including the effect of statutory spending caps, through SFY 2017-18. Estimated spending growth that would occur absent the spending limitations enacted in SFY 2011-12 is also provided for comparative purposes in each program area.

This report does not adjust for actual or planned actions that artificially and temporarily change growth rates such as prepayments (which increase base year spending while decreasing subsequent year spending, thus implying lower growth).

SFY 2015-16

For SFY 2015-16, the Office of the State Comptroller projects Medicaid, school aid and public assistance spending from State Operating Funds will total $41.4 billion, an increase of $2.4 billion, or 6.1 percent, from SFY 2014-15 levels. Among other factors, this level of increase reflects the statutory limits on school aid and Medicaid enacted in SFY 2011-12 that were intended to constrain spending from State Operating Funds. All other State Operating Funds spending is projected to total $52.8 billion, a decrease of $531 million, or 1 percent, compared to SFY 2014-15. All other spending includes such categories as debt service, General State Charges and State Operations outside of the categories listed above. All other spending also includes many timing-related actions that artificially hold down spending growth.

Medicaid, school aid and public assistance spending from All Funds is projected to total $78.4 billion in SFY 2015-16, which is $6.1 billion, or 8.5 percent, higher than SFY 2014-15 levels.

SFY 2016-17

For SFY 2016-17, the Office of the State Comptroller estimates Medicaid, school aid and public assistance spending from State Operating Funds will total $42.9 billion, which is an increase of $1.5 billion, or 3.7 percent, from estimated SFY 2015-16 expenditures. The Office of the State Comptroller projects all other State Operating Funds spending to increase $2.9 billion, or 5.4 percent, to $55.7 billion.

Medicaid, school aid, and public assistance spending from All Funds is projected to total $80.9 billion in SFY 2016-17, which is $2.4 billion, or 3.1 percent, higher than projected SFY 2015-16 levels.

SFY 2017-18

For SFY 2017-18, the Office of the State Comptroller estimates Medicaid, school aid, and public assistance spending from State Operating Funds will total $44.8 billion, an increase

[7] See Sections 3602 (1) (aa through dd) of the Education Law.

of $1.8 billion, or 4.3 percent, from the previous year. During this period, all other State Operating Funds spending is projected to increase $2 billion, or 6.6 percent, to $57.7 billion.

Medicaid, school aid and public assistance spending from All Funds is projected to total $83.7 billion in SFY 2017-18, which is $2.8 billion, or 3.5 percent, higher than SFY 2016-17.

Supplemental Projections and Discussion

In the following section, Medicaid and school aid projections reflect increases that would be expected to occur without the enacted spending caps, but with all other changes included in previous budgets, to provide an understanding of the impact of the spending caps on the Budget.

School Aid Projections Without Enacted Spending Limits

For the fourth year in a row, the SFY 2015-16 Enacted Budget included appropriation language for school aid intended to cover two fiscal years. The appropriation for education assistance allows an overall 2015-16 school year increase of $1.4 billion or 6.1 percent, approximately $1 billion higher than what would have been allowed by the statutory cap.

For School Year (SY) 2012-13, the spending cap limited growth in school aid to the average annual growth in Personal Income for the State for SFY 2005-06 through SFY 2009-10. Annual increases in succeeding years are limited to the level of change in Personal Income for the State for individual years, SY 2013-14 and thereafter.[8] Annual growth in New York Personal Income averaged 5.4 percent from the statistic's first reported level in 1929 through 2014. However, between 2008 and 2014, annual growth averaged only 2.7 percent, largely because Personal Income declined in 2009 (the first decrease since 1938).

Projecting Personal Income in New York can be difficult because such income is heavily influenced by activity in the financial markets, which can be volatile. In recent years, school aid projections have been revised substantially because of changes in Personal Income projections. Combined with restrictions in the growth of school taxes, such fluctuations in State aid projections contribute to districts' budgetary challenges.

"Allowable Growth" for school aid, as statutorily defined, allows additional spending within the cap for formula-based and primarily expense-driven programs outside of Foundation Aid and the Gap Elimination Adjustment (GEA).[9] The various permanent-law formulas used to compute General Support for Public Schools (GSPS) generate spending figures larger than those allowed under the cap. The GEA is a downward revision that reduces total general school aid to a targeted amount in order to keep spending within the Allowable Growth limits. If there is funding available under the cap after Allowable Growth is calculated, additional spending or a reduction in the GEA can be authorized pursuant to a chapter of law.

[8] Aid is statutorily limited to growth in Personal Income from the State Fiscal Year, not the calendar year.
[9] Foundation Aid is the State's largest category of aid to public schools, representing nearly 70 percent of total aid before applying the Gap Elimination Adjustment, which formulaically reduces the total amount of aid by district.

The SFY 2015-16 Enacted Budget increased Foundation Aid by $427 million from SY 2014-15.[10] The overall increase of $1.4 billion is supplemented with $75 million in competitive funding for New NY Education Reform Initiatives, including extended school days or school years, community schools, high-performing teachers and early college high school programs. This funding is expected to continue through at least SY 2016-17. An additional $340 million is again included for universal pre-kindergarten costs.

The Enacted Budget also provides appropriations for two State fiscal years' worth of funding for school aid (including GEA), with limits on how much of the appropriations can be used in each State fiscal year. The updated SFY 2015-16 Enacted Budget Financial Plan projects a total increase of $1.4 billion for SY 2015-16, to $23.5 billion ($23.4 billion in SFY 2014-15). The Financial Plan does not detail how this 6.1 percent increase will be apportioned among the various school aid programs, although school aid projections from SED indicate that $15.9 billion is for Foundation Aid, and that the GEA will reduce aid by $434 million.

According to the First Quarter Financial Plan Update issued in August 2015, GSPS is projected to increase to $24.4 billion in SY 2016-17 ($24.6 billion in SFY 2016-17), representing an increase of $937 million or 4 percent for the school year. Again, this increase may be used to adjust total aid or pieces of the total; the two approaches would have the same result in the State's Financial Plan, but could produce significantly different allocations of aid among individual school districts.

The enacted cap is intended to fundamentally change how formulas are used to distribute school aid. With the cap in place, formulas can be adjusted to target certain populations and needs and then the GEA, also a formula-driven category, is used to target the reduction so that total aid is within the cap. In the SFY 2015-16 Enacted Budget, approximately $600 million from the GEA was restored, via another formula. The following projections illustrate school aid growth without the statutory cap to show how the GEA would have to be increased or other aids reduced if the cap remains in effect. To create these projections, the Office of the State Comptroller used weighted historical average growth of the large expense aids (Transportation, Building, BOCES, Private Excess Cost and High Cost Excess), as well as State aid data reflecting the Enacted Budget. Projections for High Tax Aid and Universal Pre-Kindergarten, which have remained constant or changed little in recent years, were kept constant through the projection period. Foundation Aid is increased by the average annual growth from SY 2006-07 to SY 2014-15 of 2.8 percent. (Foundation Aid will be set annually by legislative action; the growth assumed here is not part of an existing schedule.)

SED is required to provide detailed school aid data by district three times throughout the year – February 15, May 15 and November 15.[11] The November data is used to calculate aid included in the Executive Budget proposal and the February 15 data is typically the base for Enacted Budget spending totals.

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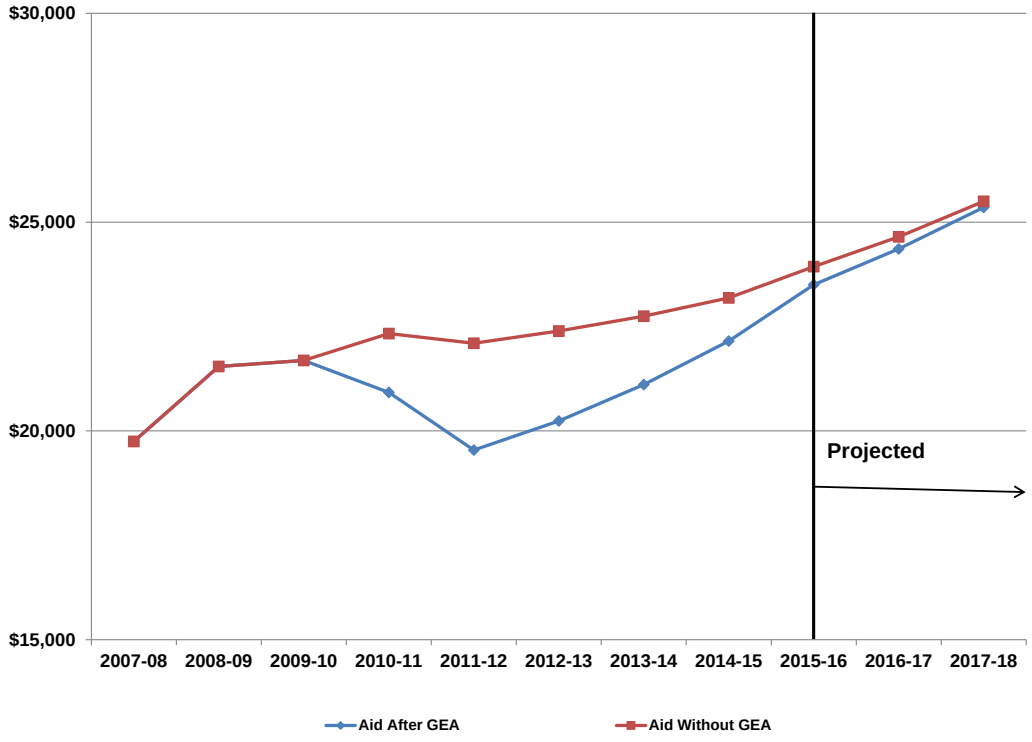
[10] See School Aid District by District projections labeled SA151-A from the State Education Department, May 13, 2015.

[11] See Section 305 of the Education Law. Adjustments to school aid expenditures are often reflected in the first quarter of the following year. Such adjustments tend to neutralize the impact on the current year Financial Plan and, therefore, would minimally impact this forecast. This forecast does not consider updated school aid funding data, since such data will not be available until November 15.

The Office of the State Comptroller projects that school aid spending from State Operating Funds will total $23.4 billion in SFY 2015-16, which is an increase of $1.7 billion or 8.1 percent over SFY 2014-15. All Funds school aid is projected to reach $26.4 billion in SFY 2015-16. This projection equates to approximately $23.5 billion on a school-year basis. Figure 3 shows actual and projected school year spending totals with and without the GEA.

Figure 3

All Funds School Aid – With and Without Gap Elimination Adjustment
(in millions of dollars on school year basis)



Sources: Office of the State Comptroller, Division of the Budget

As previously stated, for the purposes of this report, Foundation Aid is increased by historical average annual growth and expense-based aids are increased by weighted average growth. Based on an analysis of historical spending trends in various expense-based aids, the Office of the State Comptroller estimates that school aid from State Operating Funds (without any GEA) would increase to $25.3 billion in SFY 2016-17, an increase of $1.9 billion, or 8.3 percent, over SFY 2015-16. All Funds spending under this scenario is projected to increase $2 billion or 7.6 percent to $28 billion. This equates to $24.6 billion on a school-year basis, thus requiring a GEA or other spending reductions of approximately $286 million to stay within the cap.

The Office of the State Comptroller estimates that school aid from State Operating Funds (without any GEA) would increase to $26.2 billion in SFY 2017-18, an increase of $872

million, or 3.4 percent over SFY 2016-17. All Funds spending is projected to increase $918 million or 3.3 percent to $28.9 billion. This equates to nearly $25.5 billion on a school-year basis, thus requiring a GEA or other spending reductions of nearly $144 million to stay within the cap.

Medicaid Projections Without Enacted Spending Limits

The SFY 2015-16 Enacted Budget again includes two years' worth of Medicaid spending authority by DOH (including administration costs), with a specific limit in State Operating Funds spending for each year.

The SFY 2015-16 Enacted Budget continues the cost-containment measures from various actions recommended by the Medicaid Redesign Team (MRT) and first enacted in the SFY 2011-12 Budget. These measures are projected to hold future spending growth within the spending cap, currently estimated by DOB at approximately 4.2 percent. Average annual growth before these changes was 4.6 percent from SFY 2007-08 through SFY 2011-12, not including additional Federal Medical Assistance Percentage (FMAP) funding that was part of the federal government's economic stimulus program in response to the Great Recession.

DOB projections issued in 2011 anticipated that savings derived from health-care provider actions to lower costs would total nearly $2.7 billion in SFY 2014-15. Monthly global cap reports from the Department of Health imply that MRT savings targets are being met as spending rarely exceeds projections, although these reports do not detail actual savings associated with monthly spending. The authority given to the Health Commissioner to reduce Medicaid spending administratively expires at the end of SFY 2016-17. If that authority is not renewed, the State's ability to realize the targeted level of savings over the remainder of the plan could be undermined.

The Office of the State Comptroller used historical trends derived from service utilization data maintained by DOH, actual spending data reported by DOB, and annual spending data included with DOB's quarterly Financial Plan Updates to estimate Medicaid spending from State Operating Funds and All Funds for SFY 2015-16 and the ensuing two fiscal years. Spending data was adjusted to reflect known actions, such as delayed cycle payments, that would affect cash management.

The following estimates illustrate projected Medicaid growth in the absence of the enacted spending cap and unilateral cost control mechanisms. While enacted spending cuts are included in these estimates, the projected increases are primarily due to increased utilization. Changes in federally funded Medicaid spending are based on DOB projections.

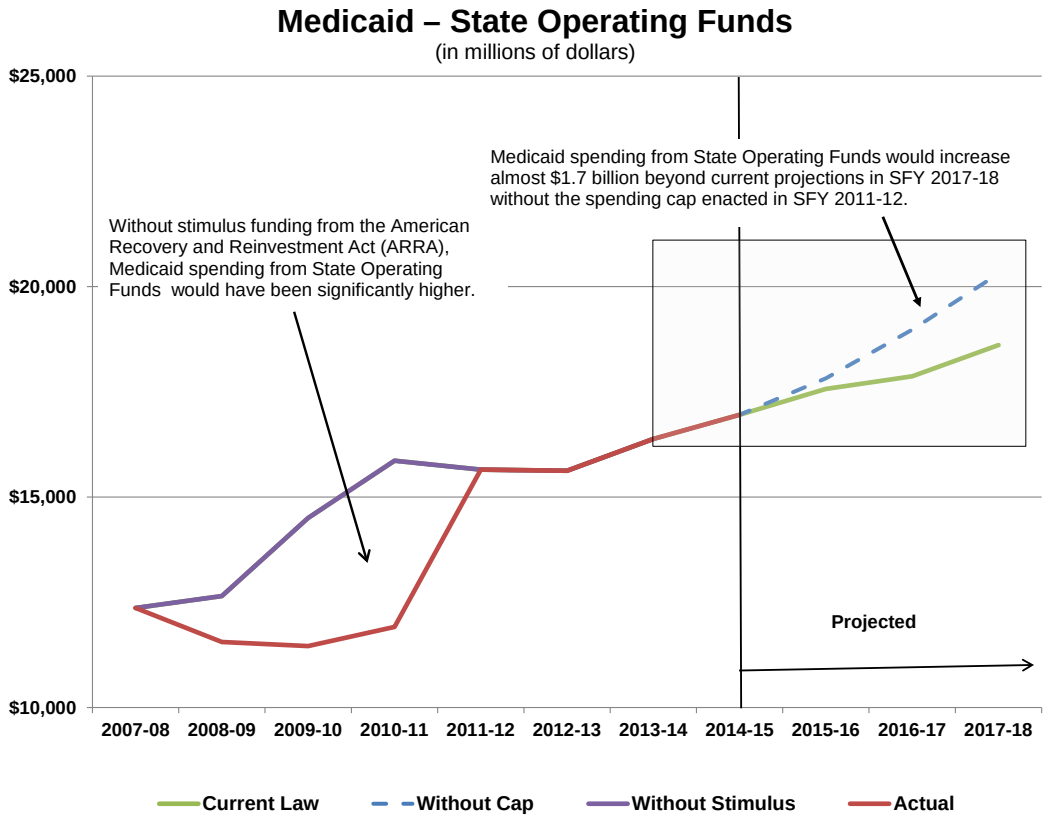
Based on such factors, the Office of the State Comptroller estimates that absent the statutory spending limits, DOH Medicaid spending (including administrative costs) in SFY 2015-16 would total $17.8 billion from State Operating Funds, and $50.6 billion from All Funds.

For SFY 2016-17, the Office of the State Comptroller projects that absent the statutory spending limits, Medicaid spending would increase to just under $19 billion (up by 6.5

percent or $1.2 billion from the previous year) from State Operating Funds and to $54.4 billion (an increase of 7.1 percent or $3.6 billion) from All Funds.

For SFY 2017-18, the Office of the State Comptroller estimates that absent the statutory spending limits, Medicaid spending would total $20.3 billion from State Operating Funds, an increase of $1.3 billion or 7 percent, and $57.6 billion from All Funds, representing an increase of $3.3 billion or 6 percent.

Figure 4



Sources: Office of the State Comptroller, Division of the Budget

Public Assistance

Projections of public assistance caseloads and spending are sensitive to economic fluctuations. As unemployment increases and income falls, the number of persons in need of public assistance typically increases. Those who lose their jobs may face extended periods of unemployment or underemployment in the current economic climate. While national and State unemployment rates continue to decline, such rates are not a perfect measure of unemployment, as they miss people who have left the workforce and are not actively looking for work, as well as people who are employed in temporary or part-time positions paying significantly less than full-time jobs or in jobs that do not match their skill set.

According to the Bureau of Labor Statistics, approximately 42 percent of the U.S. unemployed population (16 and older) had been unemployed for 15 weeks or more as of September 2015. When the numbers of people employed part-time (not by choice) and people no longer looking for employment are added, the unemployment rate of 5.1 percent in September 2015 increases to 10 percent of the civilian labor force. In 2007, before the Great Recession reached its full impact, that rate was 8.3 percent.

Using historical trends for unemployment and employment, caseloads and spending according to monthly caseload reports issued by the Office of Temporary and Disability Assistance (OTDA), the Office of the State Comptroller estimates that in SFY 2015-16, All Funds spending for public assistance will total $1.62 billion (including $473 million from State Operating Funds), based on caseloads of 368,090 families and 201,876 single recipients.

For SFY 2016-17, the Office of the State Comptroller projects public assistance spending from All Funds will decline by $7 million, or 0.4 percent, to $1.6 billion (including $477 million from State Operating Funds), based on caseloads of 365,907 families and 204,653 single recipients.

For SFY 2017-18, the Office of the State Comptroller estimates that All Funds spending for public assistance will increase $37 million or 2.3 percent to just over $1.65 billion (including $479 million from State Operating Funds), based on caseloads of 364,559 families and 206,503 single recipients.

Figure 5

Comparison of Actual and Projected Caseloads
Temporary Assistance for Needy Families, Safety Net Families and Singles

Caseloads **TANF Families**	**2014-15**	**2015-16**	**Growth**	**2016-17**	**Growth**	**2017-18**	**Growth**
Office of the State Comptroller	253,512	250,967	-1.0%	249,130	-0.7%	247,942	-0.5%
Division of the Budget	247,629	237,675	-4.0%	230,690	-2.9%	225,303	-2.3%
Difference	5,883	13,292		18,440		22,639	
Safety Net Families	**2014-15**	**2015-16**	**Growth**	**2016-17**	**Growth**	**2017-18**	**Growth**
Office of the State Comptroller	117,744	117,123	-0.5%	116,777	-0.3%	116,617	-0.1%
Division of the Budget	114,643	109,098	-4.8%	105,340	-3.4%	102,501	-2.7%
Difference	3,101	8,025		11,437		14,116	
Safety Net Singles	**2014-15**	**2015-16**	**Growth**	**2016-17**	**Growth**	**2017-18**	**Growth**
Office of the State Comptroller	196,966	201,876	2.5%	204,653	1.4%	206,503	0.9%
Division of the Budget	195,108	193,661	-0.7%	192,374	-0.7%	191,526	-0.4%
Difference	1,858	8,215		12,279		14,977	
Total Caseloads	**2014-15**	**2015-16**	**Growth**	**2016-17**	**Growth**	**2017-18**	**Growth**
Office of the State Comptroller	568,222	569,966	0.3%	570,560	0.1%	571,062	0.1%
Division of the Budget	557,380	540,434	-3.0%	528,404	-2.2%	519,330	-1.7%
Difference	10,842	29,532		42,156		51,732	

Sources: Office of the State Comptroller, Division of the Budget, OTDA.
Note: Amounts listed by the Office of the State Comptroller for SFY 2014-15 represent actual caseloads as per OTDA.

Risks

The Office of the State Comptroller has warned of certain risks to the SFY 2015-16 Financial Plan. Identified risks included unanticipated events that may require additional spending, as well as anticipated revenues that may fail to materialize. Slower-than-anticipated growth in the economy and the related potential effects on tax collections, as well as Medicaid and public assistance expenditures, remain the most significant current risks to the Financial Plan. Recent volatility in financial markets and slowing growth in China further increase the level of risk in State economic and revenue projections.

Other risks that have been previously identified also remain. These include the ability to reach targeted levels of certain miscellaneous receipts such as Abandoned Property revenue expected to be transferred to the General Fund, and new revenue anticipated from public authorities.

Although the last five enacted State budgets have included reductions from baseline spending growth projections, spending is still projected to grow faster than revenues over at least the next three years. This projected imbalance grows larger if the current year's Budget provisions that allow spending to increase by more than statutorily capped levels continue in future years. Looking further out, several of the largest revenue measures created in the past few years are temporary in nature. These include temporary higher Personal Income Tax rates at upper-income levels, a temporary utility assessment surcharge, and funds transferred and to be transferred from SIF to the General Fund. Additional budget cuts or revenue increases to address the structural imbalance between recurring revenue and recurring spending may require difficult policy choices.

Appendices

Appendix A – Financial Projections

Projections Based on Current Law, Including Enacted Spending Caps

Office of the State Comptroller Estimates for Receipts and Disbursements

State Operating Funds - State Fiscal Year 2015-16

(in millions of dollars)

	Office of the State Comptroller	Division of the Budget	Difference
Receipts:			
Personal Income Tax	47,072	47,075	(3)
Consumer Taxes	15,253	15,237	16
Business Taxes	7,691	7,506	185
Other Taxes (incl. MTA Payroll)	3,666	3,381	285
Total Taxes	*73,682*	*73,199*	*483*
General Fund Miscellaneous Receipts	4,826	4,826	-
Lottery	3,180	3,180	-
Subtotal	81,688	81,205	483
Other Miscellaneous Receipts	12,335	12,335	-
Federal Grants	74	74	-
Total Receipts	94,097	93,613	483
Disbursements:			
Elementary and Secondary Education	23,378	23,378	-
DOH Medicaid (incl. administration)	17,571	17,571	-
Public Assistance	473	450	23
Subtotal	41,421	41,398	23
All Other Disbursements	52,845	52,845	-
Total Disbursements	94,266	94,243	23

Sources: Office of the State Comptroller, Division of the Budget
Note: Figures may not total due to rounding.

Office of the State Comptroller Estimates for Receipts and Disbursements

State Operating Funds - State Fiscal Year 2016-17

(in millions of dollars)

	Office of the State Comptroller	Division of the Budget	Difference
Receipts:			
Personal Income Tax	49,293	49,701	(408)
Consumer Taxes	15,817	15,784	33
Business Taxes	7,524	7,437	87
Other Taxes (incl. MTA Payroll)	3,480	3,407	73
Total Taxes	*76,114*	*76,329*	*(215)*
General Fund Miscellaneous Receipts	2,621	2,621	-
Lottery	3,147	3,147	-
Subtotal	81,882	82,097	(215)
Other Miscellaneous Receipts	12,757	12,757	-
Federal Grants	74	74	-
Total Receipts	94,713	94,928	(215)
Disbursements:			
Elementary and Secondary Education	24,591	24,591	-
DOH Medicaid (incl. administration)	17,868	17,868	-
Public Assistance	477	443	34
Subtotal	42,935	42,902	34
All Other Disbursements	55,704	55,704	-
Total Disbursements	98,639	98,606	34

Sources: Office of the State Comptroller, Division of the Budget
Note: Figures may not total due to rounding.

Office of the State Comptroller Estimates for Receipts and Disbursements

State Operating Funds - State Fiscal Year 2017-18

(in millions of dollars)

	Office of the State Comptroller	Division of the Budget	Difference
Receipts:			
Personal Income Tax	52,055	52,499	(444)
Consumer Taxes	16,193	16,303	(110)
Business Taxes	7,304	7,653	(349)
Other Taxes (incl. MTA Payroll)	3,446	3,440	6
Total Taxes	*78,998*	*79,895*	*(897)*
General Fund Miscellaneous Receipts	2,353	2,353	-
Lottery	3,134	3,134	-
Subtotal	84,485	85,382	(897)
Other Miscellaneous Receipts	12,959	12,959	-
Federal Grants	74	74	-
Total Receipts	97,518	98,415	(897)
Disbursements:			
Elementary and Secondary Education	25,686	25,686	-
DOH Medicaid (incl. administration)	18,612	18,612	-
Public Assistance	479	438	41
Subtotal	44,777	44,736	41
All Other Disbursements	57,689	57,689	-
Total Disbursements	102,466	102,425	41

Sources: Office of the State Comptroller, Division of the Budget
Note: Figures may not total due to rounding.

Office of the State Comptroller Estimates for Receipts and Disbursements

All Funds - State Fiscal Year 2015-16

(in millions of dollars)

	Office of the State Comptroller	Division of the Budget	Difference
Receipts:			
Personal Income Tax	47,072	47,075	(3)
Consumer Taxes	15,857	15,845	12
Business Taxes	8,305	8,128	177
Other Taxes (incl. MTA Payroll)	3,785	3,500	285
Total Taxes	*75,019*	*74,548*	*471*
General Fund Miscellaneous Receipts	4,826	4,826	-
Lottery	3,180	3,180	-
Subtotal	83,025	82,554	471
Other Miscellaneous Receipts	17,834	17,834	-
Federal Grants	52,299	52,299	-
Total Receipts	153,158	152,687	471
Disbursements:			
Elementary and Secondary Education	26,417	26,417	-
DOH Medicaid (incl. administration)	50,408	50,408	-
Public Assistance	1,622	1,539	84
Subtotal	78,447	78,364	84
All Other Disbursements	74,620	74,620	-
Total Disbursements	153,067	152,984	84

Sources: Office of the State Comptroller, Division of the Budget
Note: Figures may not total due to rounding.

Office of the State Comptroller Estimates for Receipts and Disbursements

All Funds - State Fiscal Year 2016-17

(in millions of dollars)

	Office of the State Comptroller	Division of the Budget	Difference
Receipts:			
Personal Income Tax	49,293	49,701	(408)
Consumer Taxes	16,432	16,389	43
Business Taxes	8,108	8,038	70
Other Taxes (incl. MTA Payroll)	3,599	3,526	73
Total Taxes	*77,432*	*77,654*	*(222)*
General Fund Miscellaneous Receipts	2,621	2,621	-
Lottery	3,147	3,147	-
Subtotal	83,200	83,422	(222)
Other Miscellaneous Receipts	18,413	18,413	-
Federal Grants	52,357	52,357	-
Total Receipts	153,970	154,192	(222)
Disbursements:			
Elementary and Secondary Education	27,669	27,669	-
DOH Medicaid (incl. administration)	51,568	51,568	-
Public Assistance	1,616	1,498	118
Subtotal	80,853	80,735	118
All Other Disbursements	77,124	77,124	-
Total Disbursements	157,977	157,859	118

Sources: Office of the State Comptroller, Division of the Budget
Note: Figures may not total due to rounding.

Office of the State Comptroller Estimates for Receipts and Disbursements

All Funds - State Fiscal Year 2017-18

(in millions of dollars)

	Office of the State Comptroller	Division of the Budget	Difference
Receipts:			
Personal Income Tax	52,055	52,499	(444)
Consumer Taxes	16,815	16,911	(96)
Business Taxes	7,918	8,252	(334)
Other Taxes (incl. MTA Payroll)	3,565	3,559	6
Total Taxes	*80,353*	*81,221*	*(868)*
General Fund Miscellaneous Receipts	2,353	2,353	-
Lottery	3,134	3,134	-
Subtotal	85,840	86,708	(868)
Other Miscellaneous Receipts	18,194	18,194	-
Federal Grants	52,815	52,815	-
Total Receipts	156,849	157,717	(868)
Disbursements:			
Elementary and Secondary Education	28,810	28,810	-
DOH Medicaid (incl. administration)	53,239	53,239	-
Public Assistance	1,653	1,506	147
Subtotal	83,701	83,554	147
All Other Disbursements	78,742	78,742	-
Total Disbursements	162,443	162,296	147

Sources: Office of the State Comptroller, Division of the Budget
Note: Figures may not total due to rounding.

Appendix B – Monetary Settlements

Monetary Settlements – SFY 2014-15 and SFY 2015-16
(in millions of dollars)

Sources	
SFY 2014-15	
BNP Paribas	2,243.0
Credit Suisse AG	715.0
Commerzbank	610.0
Bank of Tokyo Mitsubishi	315.0
Standard Chartered Bank	300.0
Bank of America	300.0
Bank Leumi USA	130.0
Ocwen Financial	100.0
Citigroup	92.0
Metropolitan Life	50.0
AIG	35.0
Price Waterhouse Coopers	25.0
AXA Life Insurance	20.0
Other	7.0
SFY 2014-15	*4,942.0*
SFY 2015-16	
BNP Paribas	1,050.0
Deutsche Bank	600.0
Barclays	485.0
Credit Agricole (anticipated)	385.0
BNP Paribas	298.0
Commerzbank	81.7
Goldman Sachs (anticipated)	50.0
Promontory	15.0
SFY 2015-16	*2,964.7*
SFY 2014-15 and SFY 2015-16	**7,906.7**
Uses	
SFY 2014-15 Budget Support	(275.0)
SFY 2015-16 Budget Support	(250.0)
Chemical Dependence Program	(5.0)
Audit Disallowance - Federal Settlement	(850.0)
Planned Deposits to Dedicated Infrastructure Investment Fund	(4,550.0)
Remaining (undesignated)	**1,976.7**

Source: Office of the State Comptroller, Division of the Budget, and Department of Financial Services. Data through October 31, 2015.