

# STATE OF NEW YORK

## FINANCIAL CONDITION REPORT

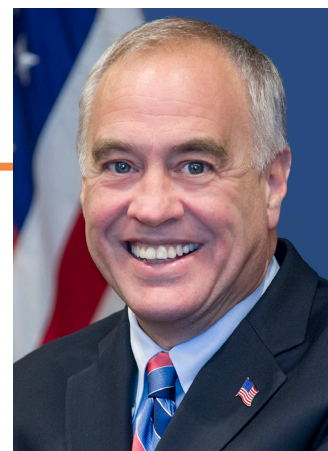
For Fiscal Year Ended March 31, 2018



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

# Message from the Comptroller

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I am pleased to present the State of New York's Financial Condition Report for the fiscal year ended March 31, 2018. While the national economy continues to expand and our fiscal condition is relatively stable, challenges loom on the horizon.

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 cuts to federal aid, particularly for health care, could threaten the State's ability to maintain essential services. I will continue to report on the fiscal impacts of federal actions and to speak out in defense of our State's budgetary interests in Washington.

As of March 31, 2018, the State's General Fund cash balance was \$9.4 billion, the highest in recent history. But this cushion is expected to shrink: the State's Financial Plan anticipates that more than \$3.9 billion, or 42 percent of this figure, will be used in the 2018-19 fiscal year. That Plan also projects spending to outpace receipts over the next three years, leading to potential General Fund budget deficits totaling \$17.9 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 need for painful spending cuts, significant tax increases, or costly "one-shot" gimmicks should an economic downturn occur. Unfortunately, no deposits to those reserves have been made since 2015, and none are projected this year.

As of March 31, 2018, the State reported \$56.3 billion in debt outstanding in accordance with GAAP, billions of which was issued without creating a corresponding State capital asset. Debt capacity under the State's statutory cap on debt outstanding is projected to decline to only \$49 million in SFY 2020-21, and the Division of the Budget anticipates reductions in planned capital spending at a time of pressing need for investment in essential infrastructure. I will continue to call for improvements to the State's capital planning and debt management efforts.

The State reported a General Fund operating surplus of \$2.4 billion in its March 31, 2018 GAAP Basis Financial Statements, increasing the fund balance to \$4.7 billion. However, New York's overall net position, a broader measure of financial condition, declined by \$236 million to \$28.7 billion. The State's net position continues to be negatively impacted by high levels of debt and growing unfunded other post-employment benefits (OPEB) liabilities.

The State's financial condition is always influenced by economic trends, and challenges remain in this area as well. New York's employment and population gains in recent years have lagged national averages, and trends within the State vary considerably among regions. In the 10th year of the current national economic expansion, we need to keep working hard to promote prosperity for all New Yorkers.

In summary, while the State's fiscal position has improved somewhat, risks remain on the horizon. Threats to federal funding, unfunded liabilities for certain post-employment benefits such as health insurance, and shrinking borrowing capacity could all harm the State's finances going forward. That is why I will continue to call on State leaders to bolster our reserves, enact sound budgets and manage capital spending and debt prudently.

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

Thomas P. DiNapoli  
State Comptroller

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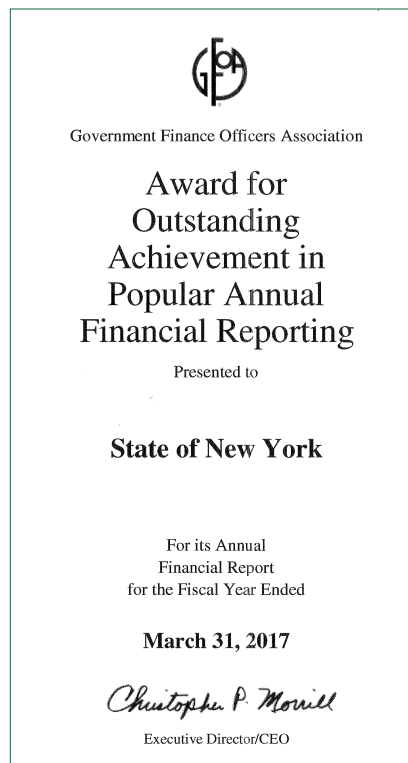
# ABOUT THIS REPORT

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 2017 Financial Condition Report.



# CONTENTS

- Government-Wide Financial Data . . . . . 2
- Fund Financial Data . . . . . 4
- Total Receipts . . . . . 5
- Total Spending . . . . . 6
- Capital . . . . . 7
- Public Health . . . . . 8
- Public Welfare . . . . . 10
- Public Safety . . . . . 12
- Transportation . . . . . 14
- Environment . . . . . 15
- Elementary and Secondary Education . . 17
- Higher Education . . . . . 18
- Local Government . . . . . 19
- Debt . . . . . 21
- Public Authorities . . . . . 24
- Economic and Demographic Trends . . 25
- Taxes . . . . . 27
- Implications for the Future . . . . . 29
- Appendix 1: State Funds Spending  
by Major Function . . . . . 34
- Appendix 2: Federal Funds Spending  
by Major Function . . . . . 35
- Appendix 3: State Receipts  
by Major Source . . . . . 36
- Data Sources . . . . . 37



# 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

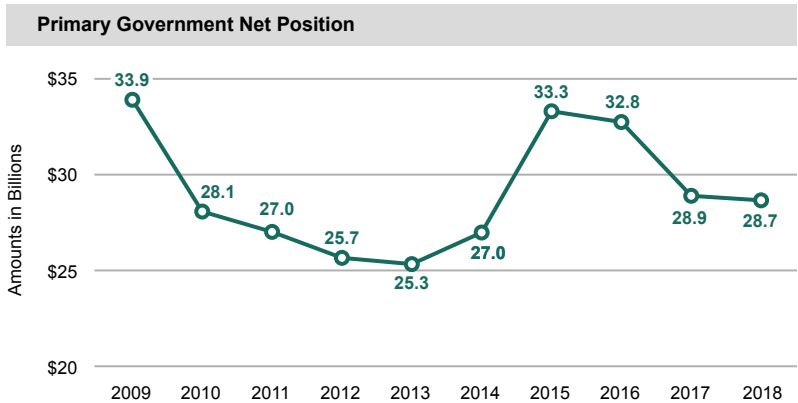
This statement reports:

- 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, 2018 (amounts in millions)

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and investments	\$17,793	\$8,838	\$26,631
Receivables, net	28,618	3,355	31,973
Internal balances	(260)	161	(99)
Other assets	1,002	190	1,192
Capital assets	88,725	17,520	106,245
<b>Total assets</b>	<b>135,878</b>	<b>30,064</b>	<b>165,942</b>
<b>Deferred outflows of resources</b>	<b>4,690</b>	<b>486</b>	<b>5,176</b>
<b>Liabilities:</b>			
Tax refunds payable	10,806	–	10,806
Payable to local governments	8,340	–	8,340
Accrued liabilities and accounts payable	12,019	2,199	14,218
Other liabilities due within one year	5,926	2,030	7,956
Liabilities due in more than one year	73,963	26,056	100,019
<b>Total liabilities</b>	<b>111,054</b>	<b>30,285</b>	<b>141,339</b>
<b>Deferred inflows of resources</b>	<b>906</b>	<b>196</b>	<b>1,102</b>
<b>Net position:</b>			
Net investment in capital assets	71,095	1,659	72,754
Restricted for debt service and other purposes	2,744	4,405	7,149
Unrestricted deficits	(45,231)	(5,995)	(51,226)
<b>Total Net Position</b>	<b>\$28,608</b>	<b>\$69</b>	<b>\$28,677</b>



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

## Condensed Statement of Activities – Primary Government For the year ended March 31, 2018 (amounts in millions)

Functions/Programs	Expenses	Program Revenues	Net (Expenses) Revenues
<b>Governmental activities:</b>			
Education	\$36,134	\$4,123	(\$32,011)
Public health	73,447	52,791	(20,656)
Public welfare	14,006	11,001	(3,005)
Public safety	8,345	2,791	(5,554)
Transportation	10,141	3,371	(6,770)
Environment and recreation	1,515	597	(918)
Support and regulate business	2,169	1,985	(184)
General government	12,880	4,277	(8,603)
Interest on debt	1,418	40	(1,378)
<b>Total governmental activities</b>	<b>160,055</b>	<b>80,976</b>	<b>(79,079)</b>
<b>Business-type activities:</b>			
Lottery	6,694	9,973	3,279
Unemployment insurance	2,316	2,649	333
State University of New York	11,499	6,515	(4,984)
City University of New York	3,521	1,685	(1,836)
<b>Total business-type activities</b>	<b>24,030</b>	<b>20,822</b>	<b>(3,208)</b>
<b>Total primary government</b>	<b>\$184,085</b>	<b>\$101,798</b>	<b>(82,287)</b>
<b>General revenues and net transfers:</b>			
Taxes			79,956
Other			2,623
Net transfers			(528)
<b>Total general revenues and net transfers</b>			<b>82,051</b>
<b>Change in net position</b>			<b>(\$236)</b>

## Statement of Activities

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

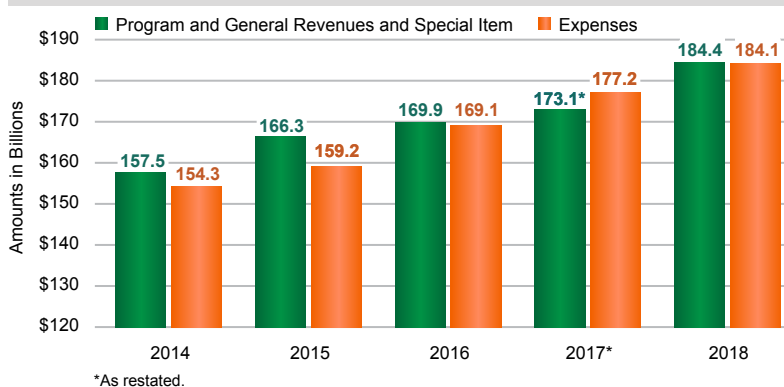
- Reducing the expenses of each of the State's programs by the revenues generated by those programs to arrive at net program expense; and
- Reducing the net program expense by general revenues and other gains and losses.

Program revenues include:

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

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

### Total Primary Government Revenues and Expenses



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

# Fund Financial Data

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

Funds represent sources of funding and spending for particular purposes.

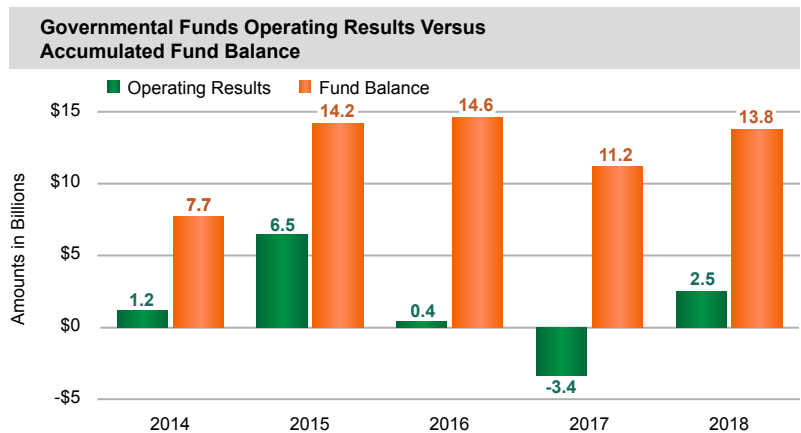
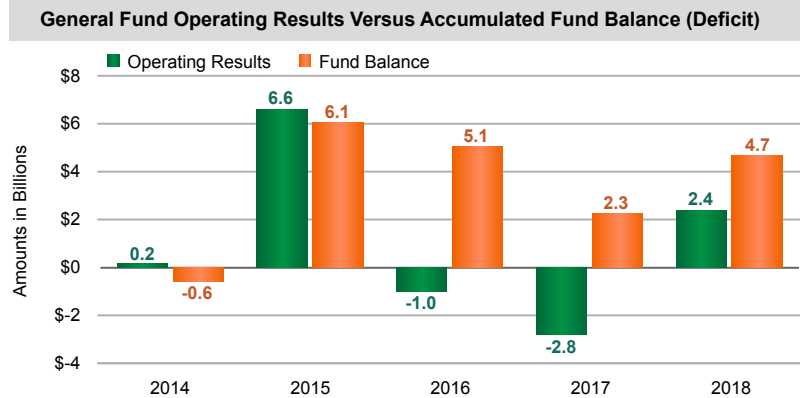
- The General Fund is used to report sources of funds and expenditures that are not required to be accounted for in another separate fund.
- In New York State, significant sources of funds that normally would be reported in the General Fund have been pledged or dedicated to other funds for repayment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

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

## General Fund Balance Increases From Prior Year

- At the end of State Fiscal Year (SFY) 2017-18, the General Fund balance was \$4.7 billion, an increase from the previous year's balance of \$2.3 billion.
- For SFY 2017-18, governmental funds\* reported a combined operating surplus of \$2.5 billion, increasing the fund balance to \$13.8 billion.
- The operating surplus included a \$2.4 billion surplus in the General Fund.

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

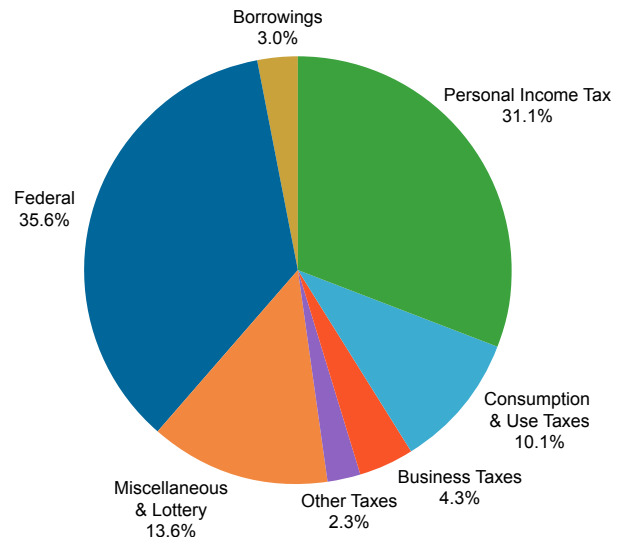
## Total State Receipts Have Increased Over the Past Five Years

- From 2014 to 2018:
  - Total receipts increased 20.3 percent.
  - Tax receipts increased 13.7 percent.
  - Federal receipts increased 34.6 percent. The funding increase includes Medicaid funding under the Affordable Care Act.

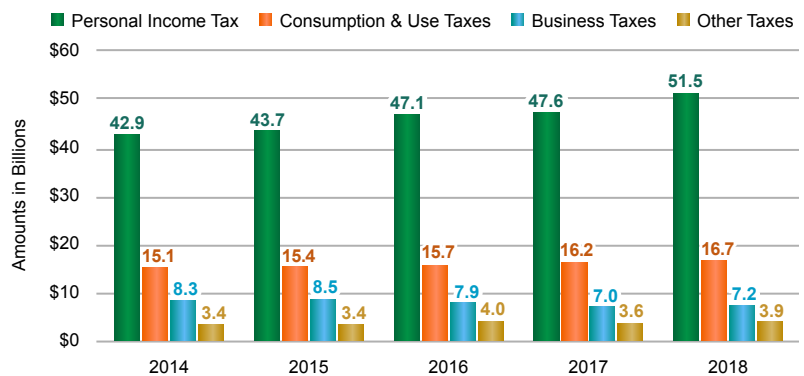
## Personal Income Tax and Consumer Tax Receipts Have Increased Over the Past Five Years

- Personal income tax and consumer (consumption and use) taxes:
  - Accounted for 41.2 percent of 2018 receipts; and
  - Have increased 17.5 percent since 2014.
- In 2018, personal income tax receipts—the State's largest tax revenue source—increased 8.3 percent over the previous year.

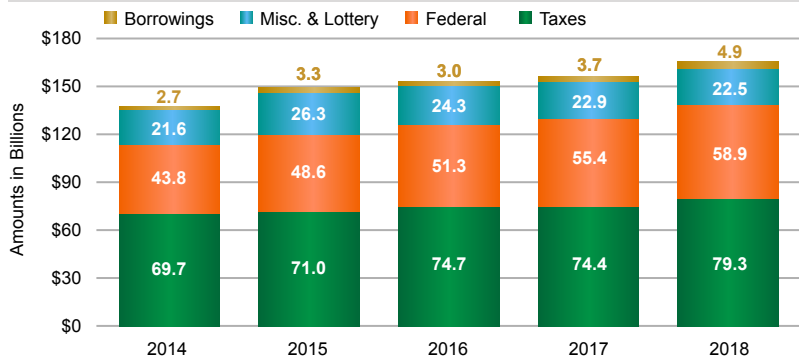
**New York's 2018 Receipts by Source**



**Tax Receipts by Year**



**Total State Receipts**



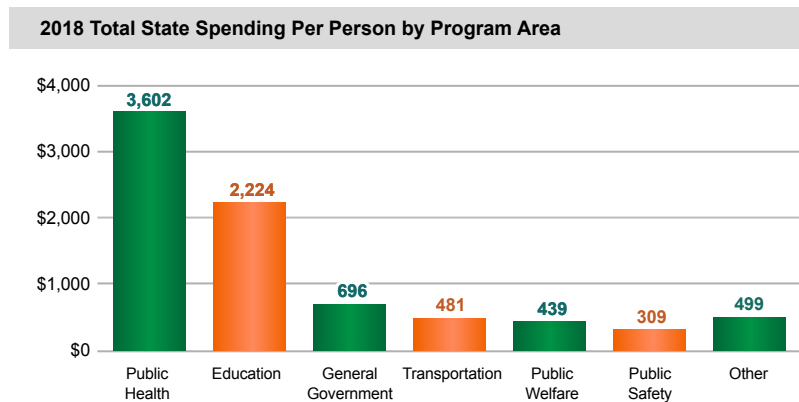
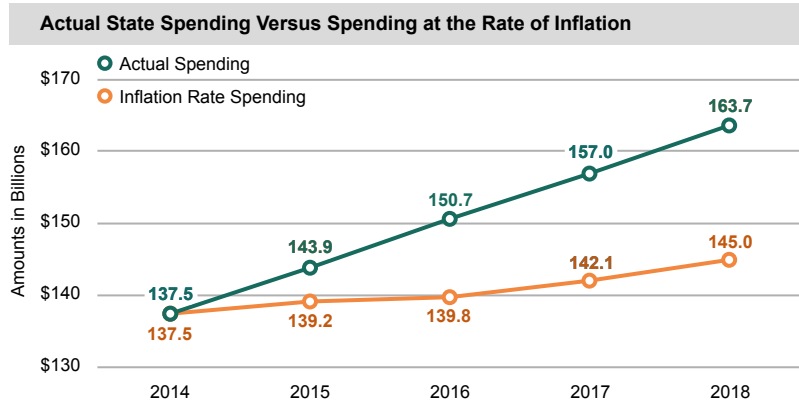
# Total Spending

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

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

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

- Compared to the prior year, State spending increased \$6.7 billion (4.3 percent) to \$163.7 billion in 2018.
- Since 2014, the growth in State spending (19.1 percent) has exceeded the rate of inflation (Consumer Price Index increase of 5.4 percent).
- State spending has been partially paid for by borrowing \$17.6 billion since 2014, including \$4.9 billion in 2018.
- In 2018, State spending was \$8,250 per person.
- Spending on public health and education represents 70.6 percent of total State spending.



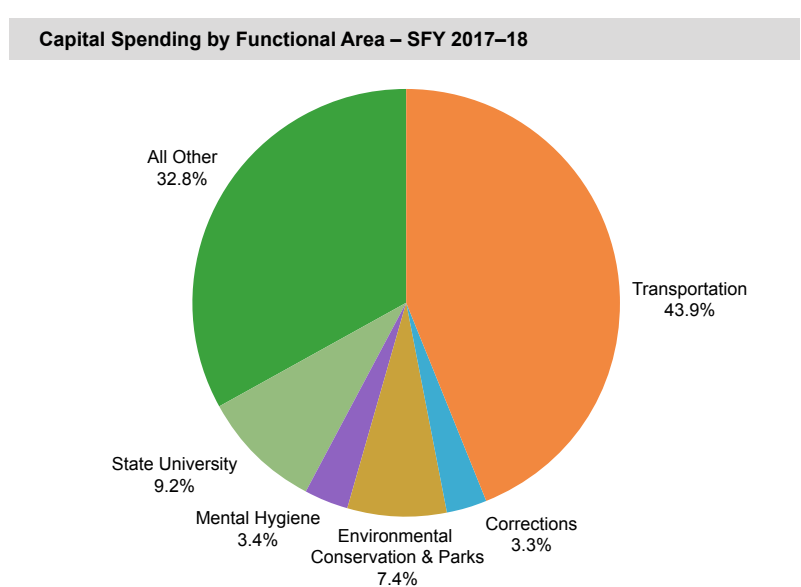
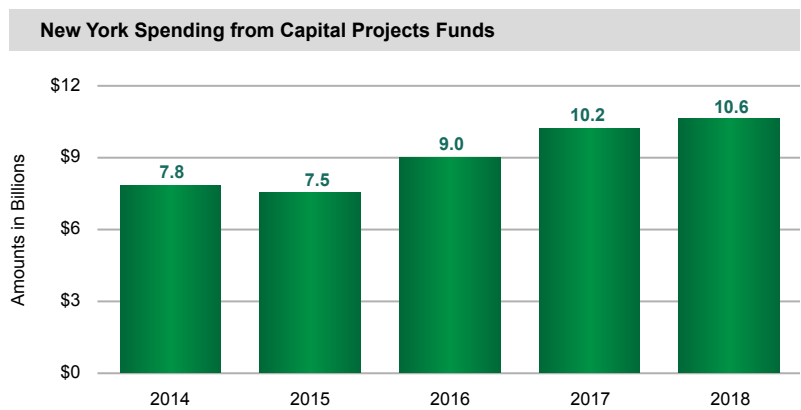


# Capital

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

## Capital Spending Has Increased Over the Past Five Years

- From 2014 to 2018, capital spending increased by nearly \$2.9 billion (37.3 percent).
  - Capital spending for transportation increased by \$878 million (23.2 percent). The increase is primarily attributable to:
    - Federally funded projects;
    - The Consolidated Highway Improvement Program being shifted to an on-budget accounting structure;
    - Mass transportation projects; and
    - Projects funded from the Dedicated Infrastructure Investment Fund.
  - Capital spending for All Other purposes increased by \$1.8 billion (105.3 percent). The increase is attributable to major economic development initiatives carried out by the State's public authorities in recent years.
  - State University capital spending decreased by \$107 million (9.8 percent).
- Over the past 25 years, the State has financed an average of 41 percent of nonfederal capital spending through current operations on a pay-as-you-go basis.



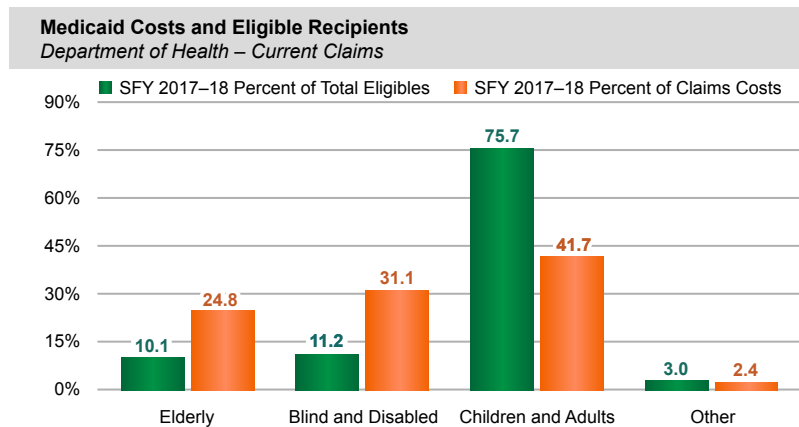
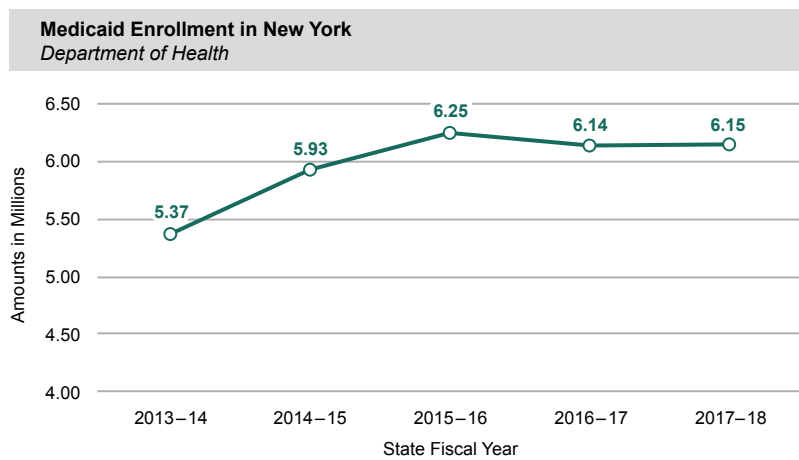
- For the next five years, the State projects:
  - Capital spending to average \$13.3 billion per year; and
  - The share of nonfederal capital spending financed on a pay-as-you-go basis to average 32.9 percent.

At the end of SFY 2017-18, the State reported \$106.2 billion in capital assets, an increase of \$1.4 billion (1.3 percent) over the prior year.

# Public Health

## Department of Health Medicaid Enrollment Ticks Up by Less Than One Percent

- Average monthly Department of Health (DOH) Medicaid enrollment exceeded 6.1 million in SFY 2017-18, an increase of 19,017, or 0.3 percent, compared to the prior year. The increase reflects higher enrollment among the elderly and “other” eligible recipients (primarily persons who were not born in the U.S. and who are not naturalized citizens), offset in part by lower enrollment among children, adults, and the blind and disabled.
- Compared to the prior year, average monthly DOH Medicaid enrollment for:
  - Adults decreased by 10,256 (0.4 percent) to nearly 2.5 million, accounting for the largest decrease in enrollment;
  - Children with Medicaid coverage decreased by 7,492 (0.3 percent) to nearly 2.2 million;
  - Elderly recipients increased by 22,971 (3.8 percent) to 622,894;
  - Blind or disabled recipients decreased by 4,577 (0.7 percent) to 688,172; and
  - Other eligible recipients increased by 18,372 (11.2 percent) to 182,947.
- DOH Medicaid recipients enrolled in managed care plans at the end of March 2018 increased by 102,402 (2.2 percent) to over 4.7 million, or 77.3 percent of all recipients, compared to March 2017. This increase reflects the continued enrollment of most new recipients into managed care plans and the continued transition of certain populations from fee-for-service to Medicaid managed care.

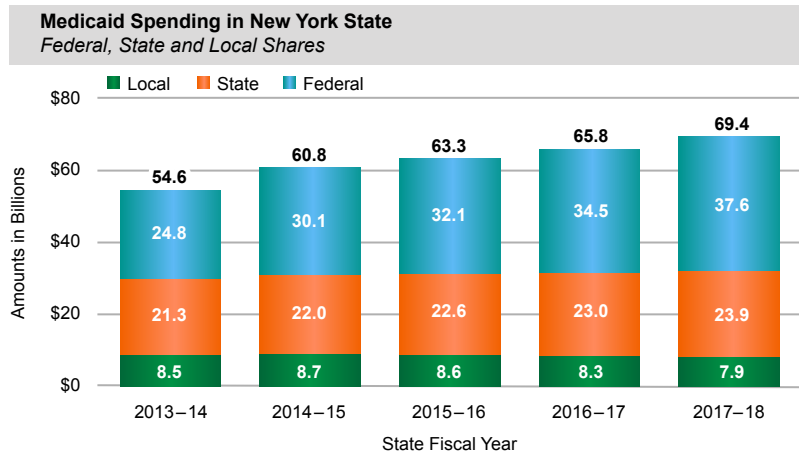


## Medicaid Spending Increases, Largely Due to Additional Federal Payments from the Federal Affordable Care Act (ACA)

- Compared to the year before, combined local, State and federal Medicaid spending increased by \$3.6 billion (5.5 percent) to \$69.4 billion in SFY 2017-18. This increase largely reflects additional federal Medicaid payments, most of which are associated with the ACA.
- Children and adults represented 75.7 percent of all average monthly DOH Medicaid enrollees, but only 41.7 percent of the costs of DOH Medicaid claims for the State in SFY 2017-18. Elderly, blind and disabled enrollees made up 21.3 percent of eligible recipients, but accounted for 55.9 percent of DOH Medicaid claims costs.

## The Essential Plan Continues to Grow

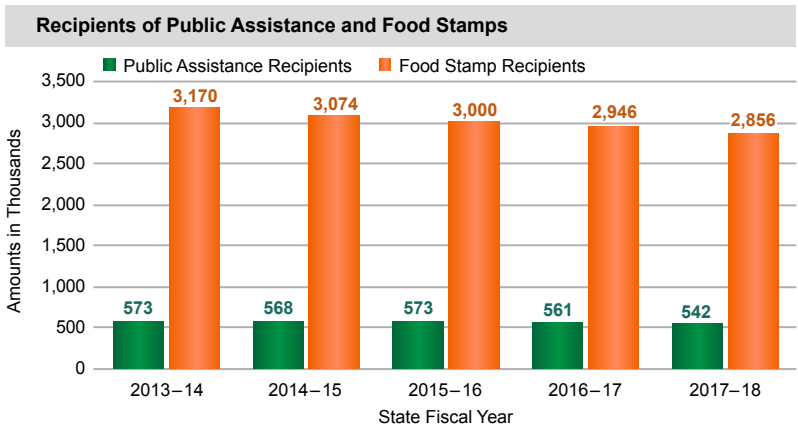
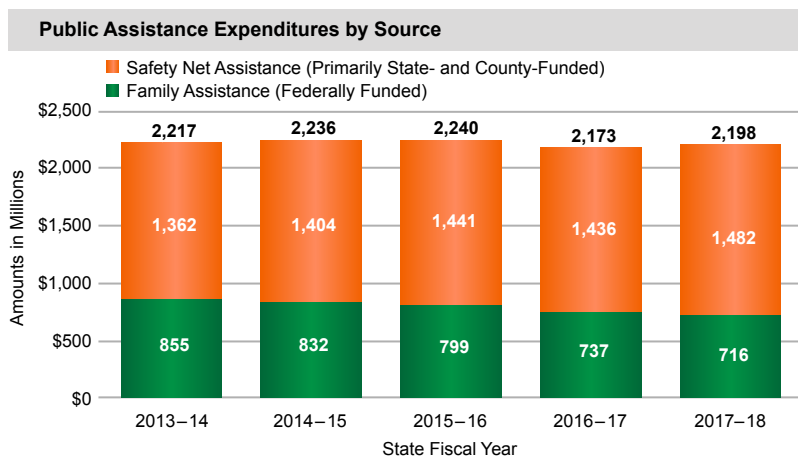
- In SFY 2017-18, enrollment in the Essential Plan averaged 728,807, an increase of 54,329 (8.1 percent) over the prior year.
- In 2015, New York State joined Minnesota to become the only states in the nation to establish a Basic Health Program, a new low-cost health insurance option authorized by the 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 Program, without access to affordable coverage and with incomes at or below 200 percent of poverty.
- In SFY 2017-18, federal funds covered 97.8 percent of nearly \$4.0 billion in Essential Plan costs, with State funds covering the remaining 2.2 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.



# Public Welfare

## Public Assistance Recipients Decrease to Lowest Level Since SFY 2009-10

- 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 since SFY 2009-10, largely due to fewer FA recipients. The number of public assistance recipients outside of New York City decreased for the third year in a row, after increasing for seven straight years.
- Compared to the prior year, the average monthly number of recipients of public assistance in:
  - New York State decreased by 18,597 (3.3 percent) to 541,970;
  - New York City decreased by 2,912 (0.8 percent) to 358,649; and
  - Areas outside New York City decreased by 15,685 (7.9 percent) to 183,321.
- The number of FA recipients decreased for the fourth year in a row, by 7.7 percent, bringing the cumulative decline over that period to 18.1 percent. SNA recipients decreased for the first time in four years, by less than 1 percent. The number of FA recipients decreased in New York City and in areas outside of New York City, while SNA recipients increased in New York City, but decreased in areas outside of New York City. SNA is largely funded by the



State and the counties, while FA is funded by the federal government.

## Spending for Public Assistance Increases for the Fifth Time in the Last Six Years

- Public assistance spending increased by 1.2 percent, mainly because of an increase in expenditures in New York City.
- Compared to last year, public assistance expenditures in:
  - New York State increased by \$25.3 million (1.2 percent) to nearly \$2.2 billion;
  - New York City increased by \$52.5 million (3.7 percent) to over \$1.4 billion; and
  - Areas outside New York City decreased by \$27.2 million (3.5 percent) to \$742.2 million.

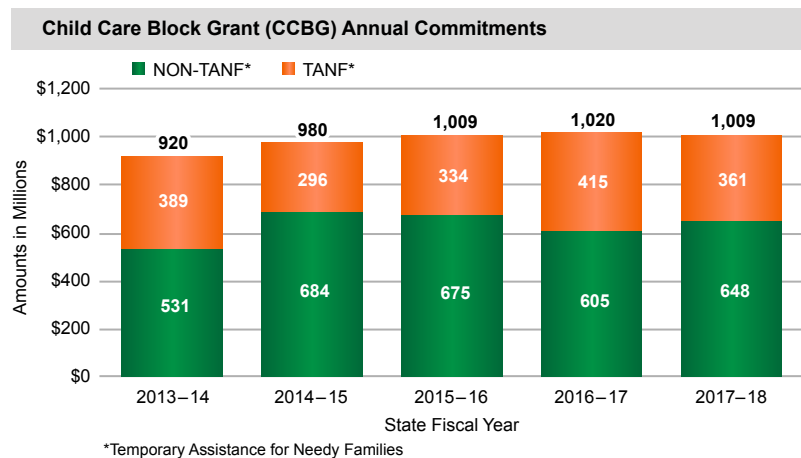
- FA expenditures decreased while SNA expenditures increased compared to last year. SNA expenditures accounted for 67.4 percent of total public assistance spending.
- Compared to the prior year, SNA expenditures in:
  - New York State increased by \$46.6 million (3.2 percent) to nearly \$1.5 billion;
  - New York City increased by \$59.5 million (6.0 percent) to more than \$1.0 billion; and
  - Areas outside New York City decreased by \$12.9 million (3.0 percent) to \$427.0 million.
- Compared to the prior year, FA expenditures in:
  - New York State decreased by \$21.3 million (2.9 percent) to \$716.1 million;
  - New York City decreased by \$7.0 million (1.7 percent) to \$400.8 million; and
  - Areas outside New York City decreased by \$14.2 million (4.3 percent) to \$315.2 million.
- Child Care Block Grant subsidies for low-income families transitioning from public assistance decreased by \$11.0 million (1.1 percent) to just over \$1 billion. These subsidies are financed by a combination of federal, State and local sources.

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

- The number of recipients in the State’s Supplemental Nutrition Assistance Program (SNAP) decreased for the fourth 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 89,580 (3.0 percent) to nearly 2.9 million;
  - New York City decreased by 41,112 (2.4 percent) to nearly 1.7 million; and
  - Areas outside New York City decreased by 48,468 (3.9 percent) to 1.2 million.
- Expenditures for SNAP decreased for the fifth consecutive year.
- Compared to the prior year, SNAP expenditures in:
  - New York State decreased by \$228.0 million (4.6 percent) to \$4.7 billion;
  - New York City decreased by \$130.7 million (4.4 percent) to \$2.9 billion; and
  - Areas outside New York City decreased by \$97.3 million (5.1 percent) to \$1.8 billion.

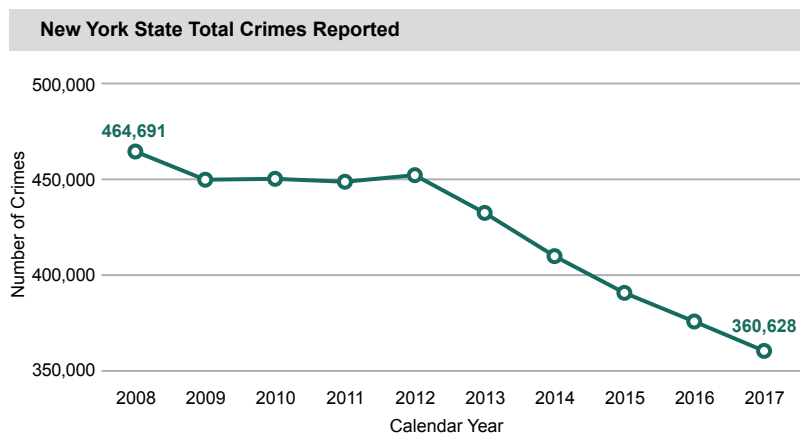
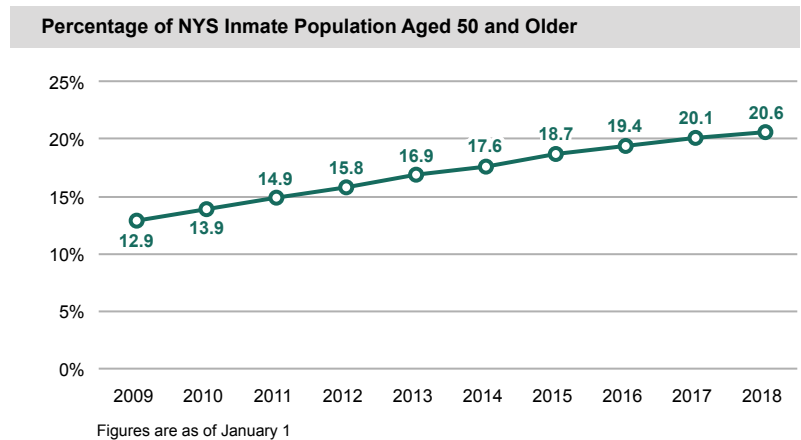
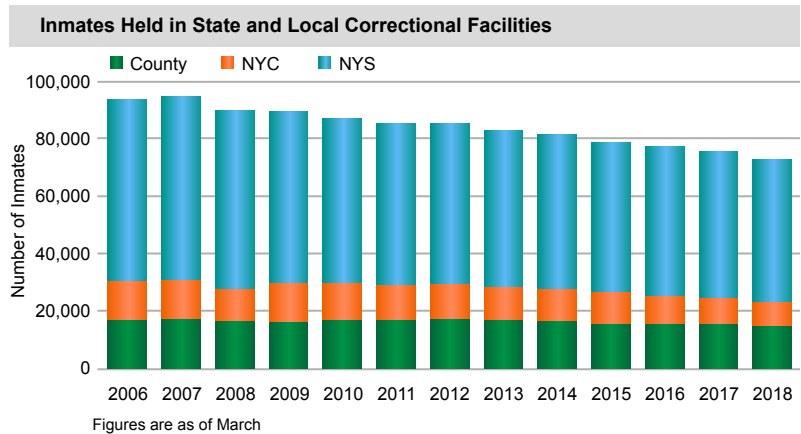




# Public Safety

## Inmate Populations and Crime Rates Have Declined Over the Past Decade

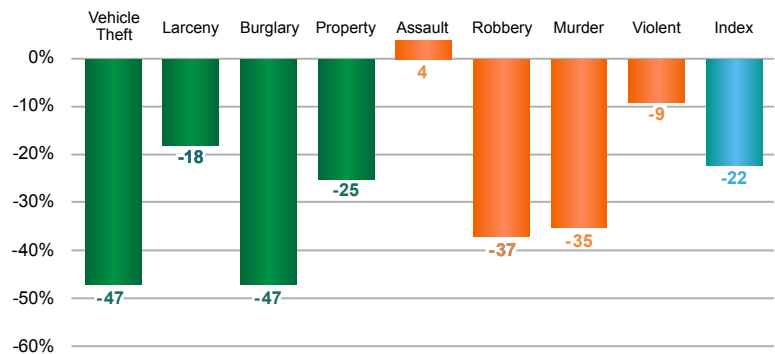
- As of March 2018, approximately 72,732 inmates were held in 134 State and local correctional facilities, which include:
  - 54 State correctional facilities;
  - 63 county jail and correctional facilities; and
  - 17 New York City correctional facilities.
- Since March 2009, the total inmate population has declined by 16,840 (18.8 percent), with the majority of the decline occurring from State correctional facilities, followed by New York City correctional facilities.
- Over the last ten years, the proportion of inmates aged 50 and over in State correctional facilities increased by 59.2 percent.
- From 2008 to 2017, the total number of crimes reported annually in New York State declined by 104,063 (22.4 percent). This trend reflects falling crime rates across most major categories of crimes.
- The rate of decline in reported crimes from 2008 to 2017 has been greater in areas outside of New York City than in the City itself.
  - Crimes reported in New York City declined by 13.7 percent, from 198,419 in 2008 to 171,248 in 2017; and
  - Crimes reported in areas outside of New York City declined by 28.9 percent, from 266,272 in 2008 to 189,380 in 2017.



## Raising the Age of Criminal Responsibility to 18

- Legislation included in the SFY 2017-18 Enacted Budget will raise the age of juvenile jurisdiction from 16 to 17 years on October 1, 2018 and from 17 to 18 years on October 1, 2019.
- As a result, individuals aged 16 and 17 years committing non-violent crimes will no longer be processed as adults in the State's criminal justice system and will instead receive rehabilitation services in age-appropriate facilities.
- Statewide, arrests of 16- and 17-year-olds for misdemeanors and non-violent felonies totaled 18,156 in 2017, of which:
  - 9,708 (53.5 percent) were made in New York City; and
  - 8,448 (46.5 percent) were made in areas outside of New York City.

Percentage Change in New York State Crime Rate from 2008 to 2017



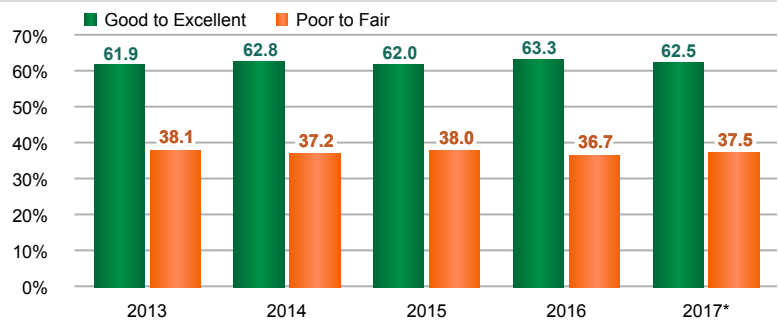
The category Property includes Vehicle Theft, Larceny and Burglary. The category Violent includes Assault, Robbery, Murder and Rape. Statistics for the percentage change in rape crimes are not shown separately because of a change in the FBI's definition of rape in 2015 that makes such figures not comparable over the decade. Index and Violent crime totals include the number of rapes reported under the expanded definition of the offense. As a result, changes in those crime categories may be attributable in part to the expanded definition.

# Transportation

## Highway Conditions Have Remained Steady Since 2013

- The State is responsible for maintaining more than 42,700 lane miles of highway.
- The number of highway lane miles rated poor to fair has decreased by 1.8 percent since 2013.
- In 2017, 62.5 percent of the State's highway lane miles were rated good to excellent, a 0.6 percentage point increase since 2013.

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

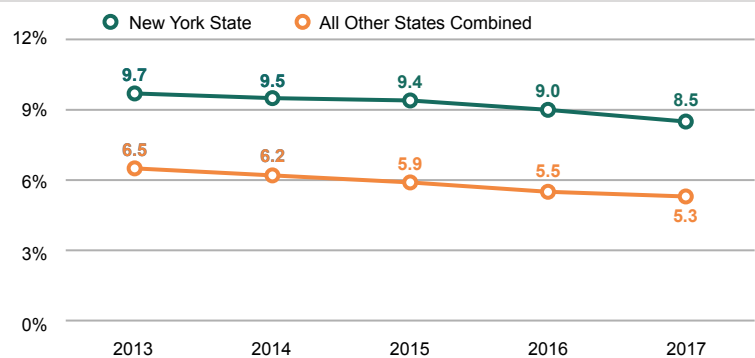


\*2017 percentages are based upon draft surface ratings and are subject to change.

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

- In 2017, New York State was responsible for maintaining 8,470 bridges.\*\*
- A bridge is considered structurally deficient if it has deterioration to one or more major components, but is not unsafe. In 2017, 8.5 percent of State-maintained bridges were rated structurally deficient. This is an improvement from 9.7 percent in 2013, but it compares unfavorably to the 5.3 percent share for all other states combined.

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



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

# Environment

## Environmental Protection Fund (EPF)

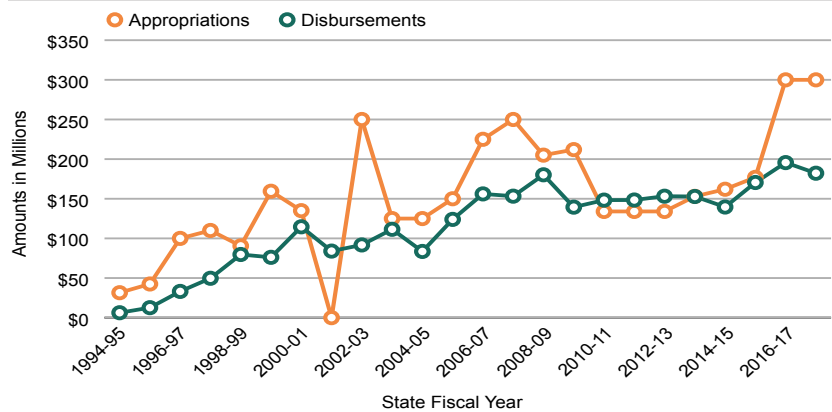
Created in 1993, the EPF:

- Provides an ongoing source of primarily pay-as-you-go funding to address the State’s environmental needs.
- Supports a broad array of environmental programs, such as State and municipal open space conservation; municipal and agricultural non-point source water pollution control; State and local parks projects; municipal water pollution control and aquatic habitat conservation; support for the State’s zoos, botanical gardens and aquaria; waterfront revitalization; farmland conservation; and municipal climate change mitigation and resilience programs.
- Has been primarily funded with a portion of the State’s real estate transfer tax. However, from SFY 2014-15 through SFY 2017-18, General Fund Transfers were also a recurring funding source and accounted for 24 percent of EPF funding.
- Appropriations to the EPF have fluctuated over the life of the Fund. In SFY 2017-18, the EPF appropriation was \$300 million.

## Water

- 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

**History of EPF Appropriations and Disbursements (1994–95 through 2017–18)**



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 EPF appropriation, reducing it to \$300 million.

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.

## Other Appropriations

- Appropriations in SFY 2017-18 also included the following to the capital budgets of the:
  - Department of Environmental Conservation for \$70 million for various purposes including remediation of environmental contamination; dam safety projects and the demolition of unsafe structures on State-owned land; State land stewardship; public access and environmental recreation infrastructure projects; and
  - Office of Parks, Recreation and Historic Preservation for \$122.5 million to maintain and upgrade infrastructure at State Parks facilities and to maintain ski lifts and other Olympic Regional Development Authority facilities.

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## Energy

According to the U.S. Energy Information Administration:

- In 2016, New York State had the most energy efficient economy among U.S. states, consuming 2.9 thousand British Thermal Units (BTUs) for every dollar of gross domestic product.
- In 2016, New York State consumed 184.6 million BTUs per capita, second lowest among U.S. states. With energy consumption of 176 million BTUs per capita, Vermont had the lowest average energy consumption.
- With energy expenditures of \$2,524 per person, New York State had the lowest per capita energy expenditures of any state in 2016.
- New York State's March 2018 average residential natural gas price of \$12.06 per thousand cubic feet was 12th in the nation.
- At 18 cents per kilowatt hour, New York State's April 2018 average residential electric rate was eighth in the nation.

## Agriculture

According to the U.S. Department of Agriculture:

- In 2017, receipts from the sale of all agricultural commodities in New York State were approximately \$5.2 billion.
- With total receipts of \$343 million, New York State was the second largest apple producer in the nation in 2017.
- New York State was the third largest milk producer in the nation in 2017, with total sales of \$2.7 billion.



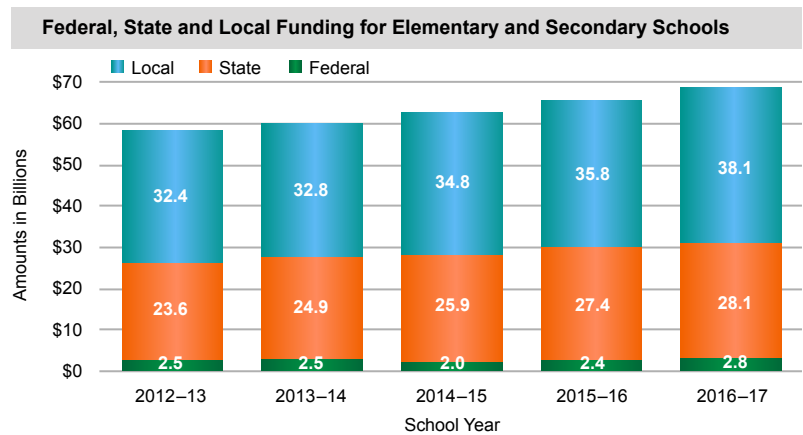
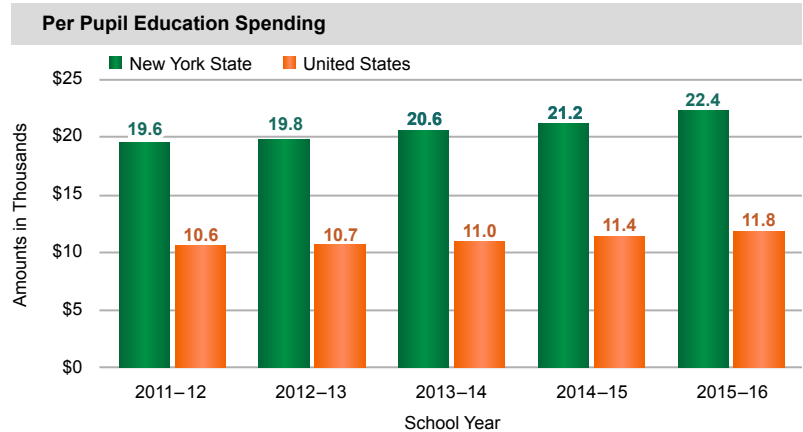
# Elementary and Secondary Education

## New York State Ranks Highest in Nation in Per Pupil Spending

- For the 2015-16 school year,\* New York State was the highest among the states in per pupil expenditures for current public elementary and secondary education at \$22,366, according to the U.S. Census Bureau. This amount is:
  - An increase of 5.5 percent from the previous year; and
  - 90 percent higher than the national average of \$11,762 per pupil.
- Between 2011-12 and 2015-16, per pupil spending has increased an average of 3.5 percent annually in New York State, compared to 2.7 percent for the nation.

## Local Resources Represent the Largest Source of Funding

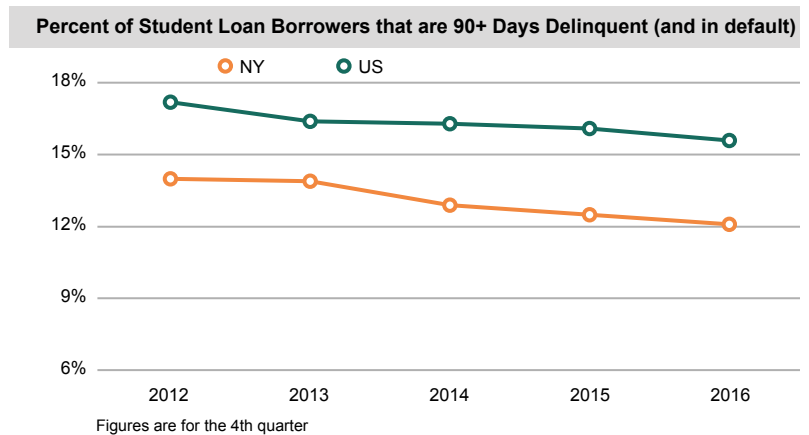
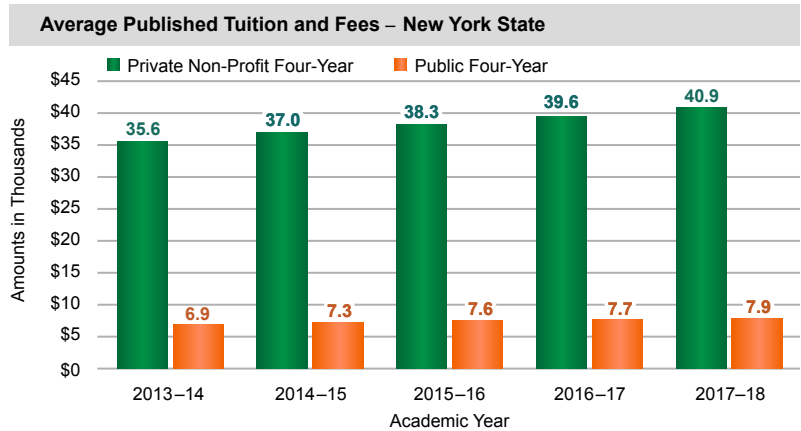
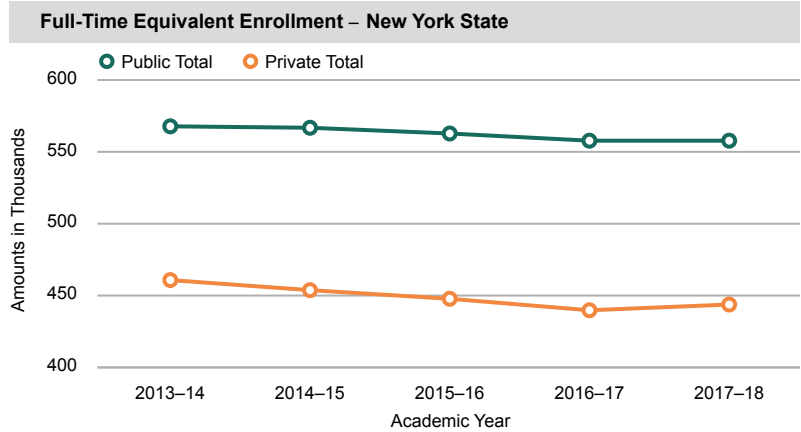
- In 2016-17, support for public elementary and secondary schools came from the following sources:
  - State, \$28.1 billion, including the School Tax Relief Program (STAR) of \$2.8 billion;
  - Local, \$38.1 billion; and
  - Federal, \$2.8 billion.
- In school budgets proposed for the 2018-19 school year, property tax levy increases averaged 2.4 percent, which is higher than the:
  - 1.7 percent average increase last year; and
  - 1.4 percent average annual increase from school years 2014-15 through 2018-19.



\*Most recent available year.

# Higher Education

- In academic year 2017-18, New York State public and private higher education institutions had the following students in degree-credit enrollments:
  - 875,468 full-time; and
  - 360,509 part-time.
- The State has a higher proportion of private colleges than most states, with 241 independent and proprietary college campuses accounting for over 44 percent of statewide full-time equivalent (FTE) enrollment.
- In the 2017-18 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, \$8,310 (\$5,240 for two-year colleges); and
  - CUNY, \$6,850 (\$5,120 for two-year colleges).
- In the 2016-17 academic year, 336,213 students received State Tuition Assistance Program (TAP) awards, totaling \$917 million.
- In SFY 2017-18, the State spent \$295 per resident on higher education, ranking 18th in the nation for higher education spending per capita.
- According to the Federal Reserve, in 2016, student loan borrowers in the State had an average balance of \$31,600, an increase of 20.6 percent from \$26,200 in 2011. By comparison, national student loan borrowers had an average balance of \$29,900 in 2016, up 25.1 percent from \$23,900 in 2011.

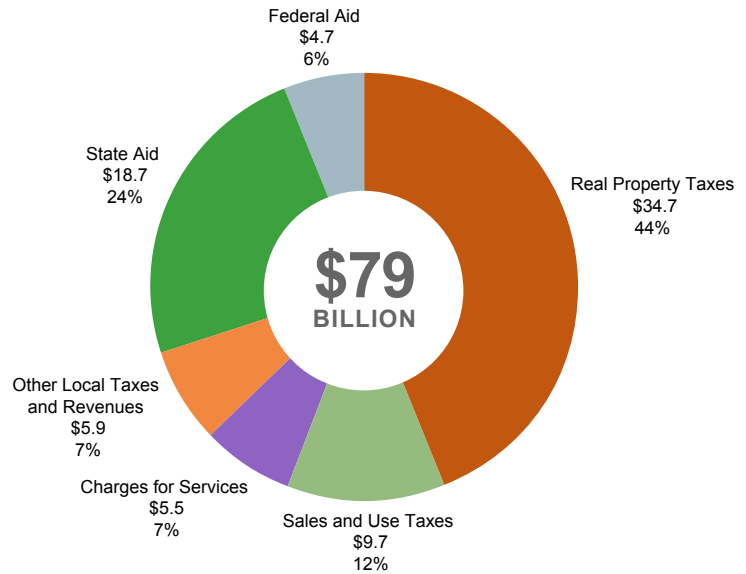


# Local Government

## Real Property Taxes and Sales Taxes Are Major Local Revenue Sources

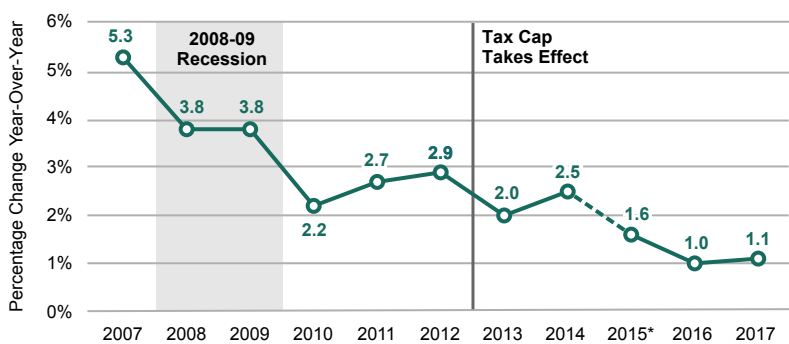
- Real property taxes are the single largest source of local government revenue in the State, making up 44 percent of the total in 2016. They have the advantage of being predictable and relatively easy to administer.
- Some governments are even more dependent on the property tax for their revenues, including fire districts (94 percent), school districts (55 percent), towns (54 percent) and villages (49 percent).
- Sales taxes are also an important revenue source (12 percent of total revenue) and the largest single revenue source for counties (32 percent). They are more volatile than property taxes, with strong growth in good economic times and declines in recessions.
- From 2014 through 2016, sales tax collections had been growing about 3 percent per year. In 2017, growth improved to 3.9 percent. For the first six months of 2018, growth was 6.0 percent over the same period in the prior year.

**Revenues by Source, Fiscal Year Ending 2016**  
Amounts in Billions



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

**Property Tax Levy Growth, 2007 through 2017**



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

## Property Tax Levy Growth Has Been Trending Lower

- Annual increases in property tax levy have been below 3 percent since 2010, significantly less than pre-recession growth. Since 2015, increases have been below 2 percent.
- The Real Property Tax Levy Limit (commonly called the “tax cap”) was enacted in 2011 (for fiscal years beginning 2012) in an effort to temper growth in real property taxes.
- Each local government’s tax cap calculation involves a multi-step formula, but generally the law limits levy increases to the lesser of 2 percent or the rate of inflation, with some exceptions. The law also includes provisions for a local government to override the tax cap.
- Notably, inflation was below 2 percent between late 2013 and early 2018, after which, tax levy increases were once again capped at 2 percent.

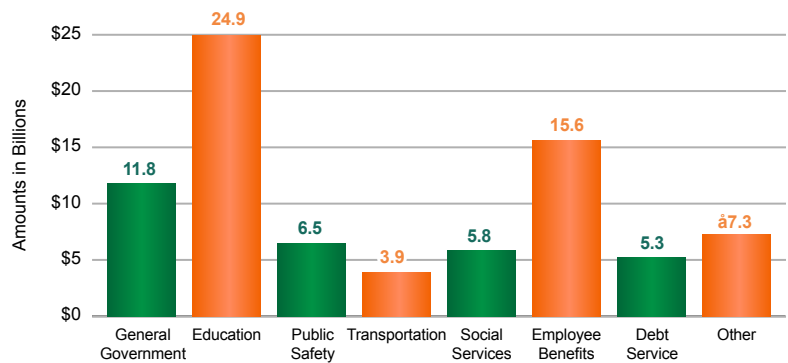
## Education and Employee Benefits Account for Half of Local Government Expenditures

- Education made up 31 percent of total local government expenditures for the 2016 fiscal year (\$24.9 billion). Most of this is school district spending on primary and secondary education.
- Employee benefits accounted for another 19 percent of local government spending (\$15.6 billion). This is the fastest growing segment, increasing 53 percent over the 10-year period ending 2016, compared to growth in other expenditures of 20 percent.
- In 2016, total local government expenditures were \$81 billion. Counties had \$24.6 billion in total expenditures, cities (not including New York City) had \$4.8 billion, towns had \$7.6 billion, villages had \$3.0 billion, fire districts had \$0.8 billion and school districts had \$40.1 billion.

## Fiscal Stress Most Common for Counties and Cities

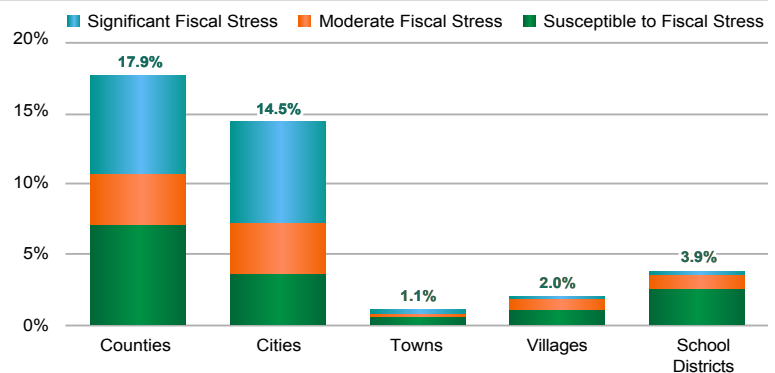
- The Office of the State Comptroller analyzes the financial condition of each municipality and school district through its Fiscal Stress Monitoring System, which combines a number of financial indicators into an overall score intended to measure entities' budgetary solvency.
- In 2017, 2.9 percent of all municipalities and school districts (63 of 2,138) were in a fiscal stress category. Of these:
  - 14 were in significant fiscal stress;

**Expenditures by Function**  
Fiscal Year Ending 2016



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

**Municipalities and School Districts in Fiscal Stress by Class**  
Fiscal Years Ending in 2017



Includes all counties, cities, towns, villages and school districts that filed conclusive financial data with OSC. Excludes New York City.

- 17 were in moderate fiscal stress; and
- 32 were susceptible to fiscal stress.
- In 2017, the municipalities most likely to be in fiscal stress were counties (17.9 percent) and cities (14.5 percent), while the least likely to be in fiscal stress were towns (1.1 percent) and villages (2.0 percent).
- Only 3.9 percent of school districts were in fiscal stress in 2017, but they accounted for 26 of the 63 stressed entities.

# Debt

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

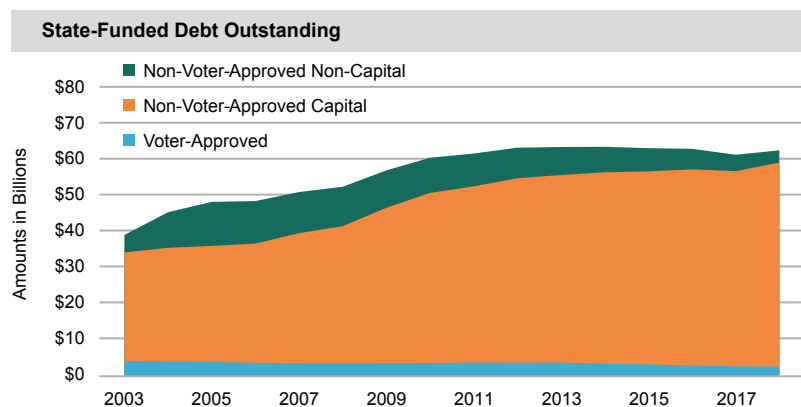
- Indicate that the government is unable to support current programs with current revenues.
- Force future program reductions, increased taxation or additional borrowing when future resources are needed to repay debt.
- Limit capacity to finance capital assets and grants, and to address projected budget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

## The State Ranks Second Highest in Nation in Outstanding Debt

- At the end of State Fiscal Year (SFY) 2017-18, the State reported the following categories of debt:
  - \$2.4 billion in constitutionally recognized (voter-approved) general obligation debt, a decrease of 25 percent since SFY 2013-14.
  - \$51.3 billion in State-Supported debt as statutorily defined in the Debt Reform Act of 2000, a decrease of 2.3 percent since SFY 2013-14.
  - \$56.3 billion in debt reported in accordance with full accrual accounting under Generally Accepted Accounting Principles (GAAP), a decrease of 3.4 percent since SFY 2013-14.

- \$62.6 billion in State-Funded debt, a decrease of 1.6 percent since SFY 2013-14. This category has been defined by the State Comptroller as a comprehensive measurement of the State's debt burden. It includes instances where the State makes payments with State resources, directly or indirectly, to a public authority, bank trustee or municipal issuer to enable them to make payments on debt issued for State purposes. More than 96 percent of the State-Funded debt was issued by public authorities and without voter approval.

- In 2017, New York State was the second most-indebted state behind California, and fifth among all states in debt per capita.
- At the end of SFY 2017-18, State-Funded debt outstanding per capita was \$3,153, which was equal to 5.2 percent of Personal Income.

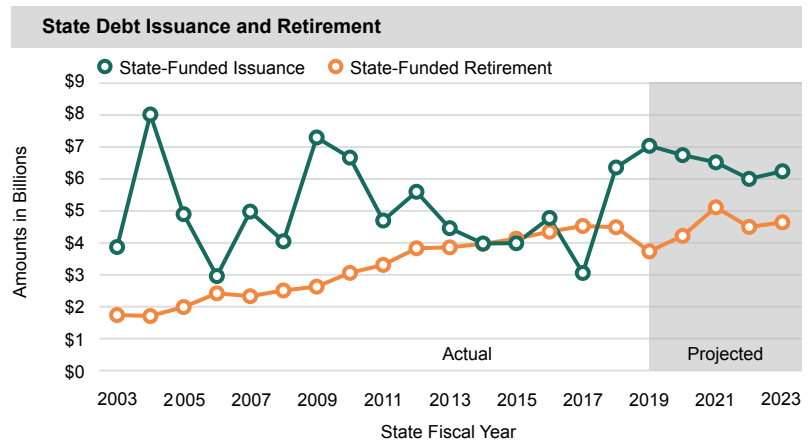




## State Projects Issuance of More Debt Than It Will Retire in the Coming Years

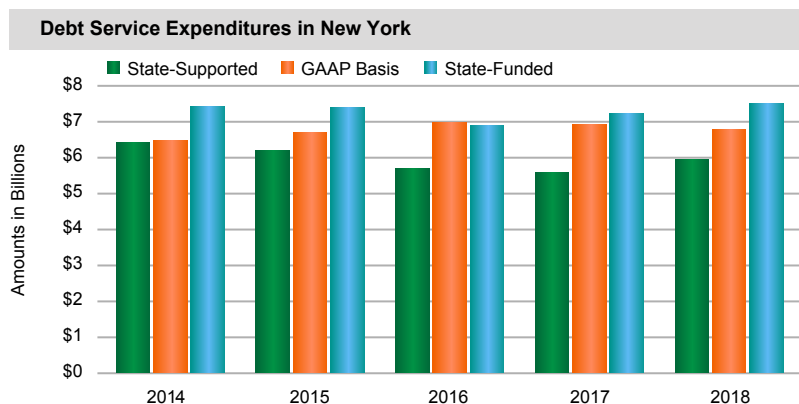
- For the next five years, the SFY 2018-19 Enacted Budget Five-Year Capital Program and Financing Plan, as updated in the First Quarterly Update to the SFY 2018-19 Financial Plan, projects that the State will issue over 50 percent more debt than it will retire, with:
  - \$31.7 billion in new State-Supported debt issuance; and
  - \$20.4 billion in State-Supported debt retirement.
- The State is continuing to experience reduced debt capacity due in part to the level of debt issued in the past as well as recent economic conditions.
- Based upon scheduled repayment dates, the State’s accumulated deficit financing (\$1.5 billion at the end of SFY 2017-18) will not be fully repaid until SFY 2025-26. The amount outstanding includes bonds issued by the:
  - New York Local Government Assistance Corporation (LGAC); and
  - Municipal Bond Bank Agency (MBBA).
- An additional \$1.9 billion in debt outstanding is associated with:
  - Issuances by the Sales Tax Asset Receivable Corporation (STARC), which will not be fully repaid until 2034; and
  - The sale of Attica Correctional Facility in 1991.
- At times, New York has issued State-Supported debt to fund capital purpose grants to other entities. This practice results in liabilities for the State without creating corresponding State assets.

- In SFY 2017-18, \$594 million in State-Supported debt service initially planned for SFY 2018-19 was paid early. With such prepayments, the State sends funds earlier than otherwise planned to the fiscal agent or trustee, who then retains such funds until the regularly scheduled debt service payment is due. Such prepayments do not reduce the State’s interest costs. Prepayments that shift spending from the year in which the payment is due to the prior year deflate reported year-over-year growth in debt service and overall spending.
- In SFY 2017-18, State-Funded debt service totaled almost \$7.5 billion. This is expected to grow to \$8.3 billion by 2023, based on projected issuance and retirement amounts from certain debt issuers in New York State and New York City.



## State-Funded Debt Differs from Debt Reported Under GAAP

- Significant differences exist between debt reported under the State-Funded category for cash reporting and debt reported under GAAP:
  - State-Funded debt includes certain obligations that are not recognized as a State liability under GAAP, including:
    - \$1.8 billion in STARC bonds originally issued in fiscal year 2005 that will be repaid from future sales tax revenues of the State; and
    - \$7.9 billion in Building Aid Revenue bonds issued by New York City's Transitional Finance Authority (TFA) for education purposes since fiscal year 2007 that will be repaid with pledged local assistance payments from the State.
  - State-Funded debt also includes:
    - \$1.3 billion in obligations for State University of New York dormitory facilities paid with rental fees assigned to the Dormitory Authority and reported as collateralized borrowing under GAAP; and
    - \$142 million for certain contingent-contractual obligations associated with the Secured Hospital Program reported as accrued liabilities under GAAP.\*



- Debt reported under GAAP but not counted in the State-Funded debt measurement includes:
  - \$5.2 billion in bond premiums;
  - \$8 million in accumulated accretion on capital appreciation bonds; and
  - \$536 million in certain vendor-financed capital lease obligations and mortgage loan commitments.

## State's Bond Ratings

- At the end of SFY 2017-18, the State's general obligation bond ratings were assigned as follows:
  - 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.

\* In SFY 2013-14, the State was called on to make approximately \$12 million in payments on certain contingent-contractual bonds from the Secured Hospital Program that was enacted in 1985 in which the State issued bonds for certain distressed hospitals. The required payment was \$14 million in SFY 2017-18. The State has paid more than \$99 million in debt service payments under this obligation. As of March 31, 2018, the Secured Hospital Program included contingent-contractual debt obligations totaling approximately \$193 million, including \$142 million related to certain distressed hospitals where the State has previously been called on to make debt service payments.

# Public Authorities

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

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

- In addition to issuing debt for their own purposes, public authorities issue debt for which the State provides the funds for repayment. The Enacted Budget for SFY 2018-19:
  - Increased bonding authorizations for 25 programs financed through State-Supported debt issued by public authorities; and
  - Provided for an increase in these State-Supported bonding authorizations of nearly \$6.5 billion, or 5.3 percent over current limits.

- Public authorities and subsidiaries reported nearly \$67 billion in revenue and capital contributions in 2017.\*
- Public authorities and subsidiaries reported making payments of nearly \$13 billion pursuant to contracts in 2017.\*

For more information on public authorities, please see [www.osc.state.ny.us/pubauth/index.htm](http://www.osc.state.ny.us/pubauth/index.htm)

## Public Authority Data on Expenses, Debt and Employees\* For Fiscal Years Ending in 2017

Authority	Expenses** (amounts in millions)	Debt** (amounts in millions)	Employees
Metropolitan Transportation Authority	\$ 18,376	\$ 38,083	79,832
Long Island Power Authority	3,550	3,575	54
Power Authority of the State of New York	2,483	1,306	2,327
Dormitory Authority of the State of New York	2,399	47,857	557
New York State Urban Development Corporation	1,847	12,896	351
New York State Thruway Authority	1,044	8,827	3,754
New York State Energy Research and Development Authority	652	2,655	326
Environmental Facilities Corporation	498	5,918	115
New York State Housing Finance Agency	398	16,780	263
Battery Park City Authority	275	983	240
Niagara Frontier Transportation Authority	257	134	1,714
State of New York Mortgage Agency	233	2,534	275
New York Local Government Assistance Corporation	69	1,758	24
State of New York Municipal Bond Bank Agency	33	402	269
New York Job Development Authority	3	10,069	4
All Other State	12,766	6,660	20,370
<b>Total State</b>	<b>44,884</b>	<b>160,435</b>	<b>110,475</b>
<b>Total Local</b>	<b>25,734</b>	<b>114,945</b>	<b>51,649</b>
<b>Grand Total</b>	<b>\$ 70,618</b>	<b>\$ 275,381</b>	<b>162,124</b>

\* 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 2017.

\*\* Numbers may not add due to rounding.

# Economic and Demographic Trends

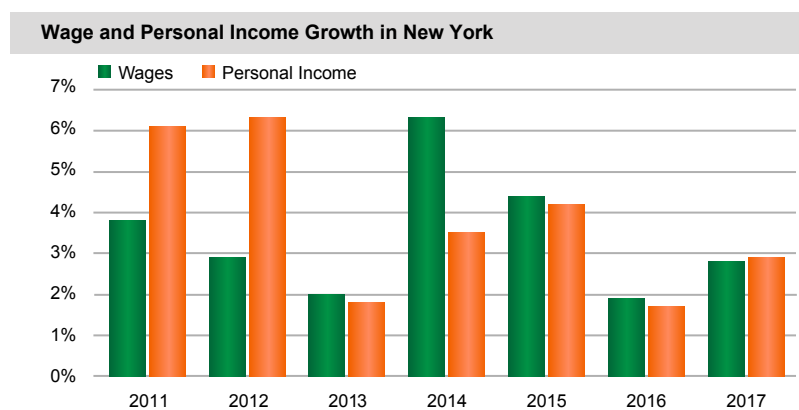
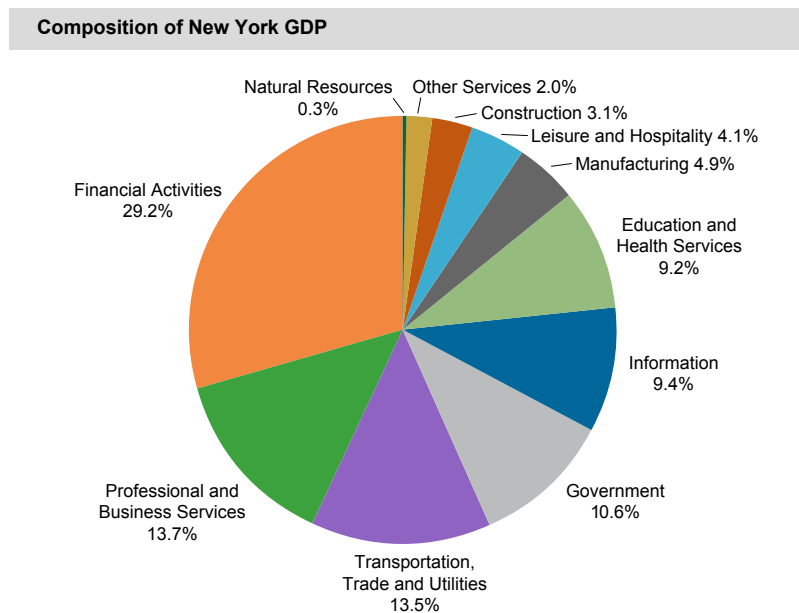
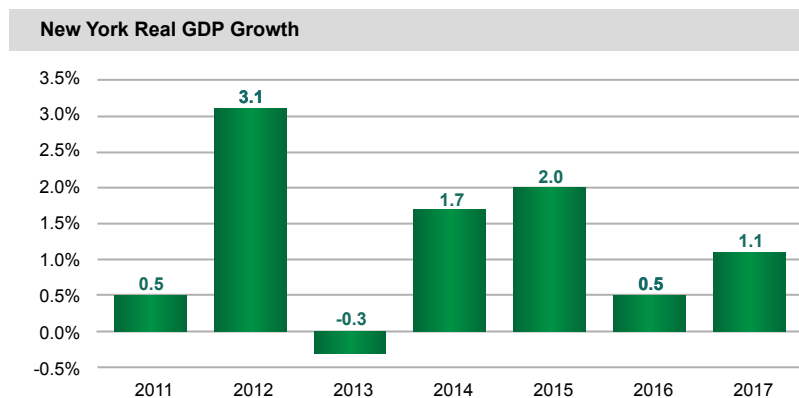
## The State Lagged Behind the Nation in Economic Growth for 2017

A state's Gross Domestic Product (GDP) is the value of production originating from all industries in the state, as defined by the U.S. Bureau of Economic Analysis. In 2017:

- New York State's GDP was over \$1.5 trillion, 8 percent of the U.S. total.
- The State ranked 34th in the nation for economic growth, with real GDP growth of 1.1 percent from 2016, less than half the national increase. Washington ranked first among the states at 4.4 percent.
- The financial activities sector comprised just over 29 percent of the State's real GDP. The second and third top industries, professional and business services and transportation, trade, and utilities, together make up 27.2 percent.

## Wages in the State Increase

- In 2017, total wages in the State increased by 2.8 percent. While those in the finance and insurance sector increased by 3.7 percent primarily due to higher end-of-year bonuses, wages in all other industries grew by 2.6 percent.
- Average annual wages for all industries in the State increased by over \$2,700, or 4.0 percent.



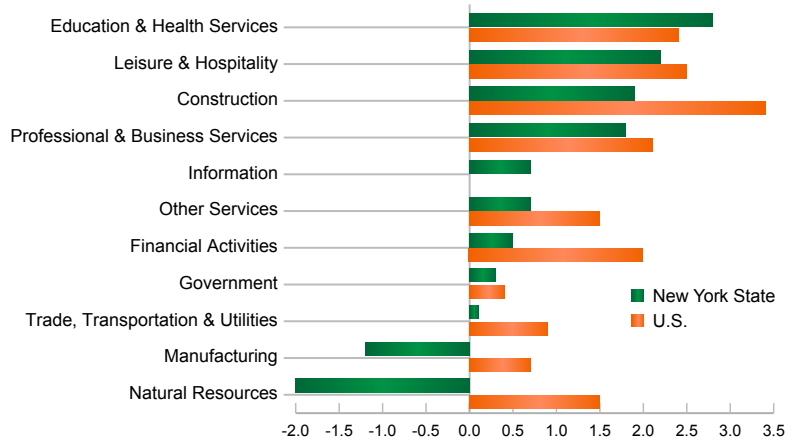
## The State Added More Jobs and More Workers

- In 2017, the State added nearly 114,000 jobs, an increase of 1.2 percent compared to national employment growth of 1.6 percent.
- The State's unemployment rate declined from 4.8 percent in 2016 to 4.7 percent in 2017. In another positive sign, the total labor force in the State increased by 36,000 workers.
- In 2017, the highest rate of employment growth was in education and health services, with an increase of 2.8 percent. This industry sector also added the largest number of jobs, with a gain of over 55,000.
- In 2017, employment trends continued to be uneven across the State. New York City had the highest growth rate of any region, an increase of 2.1 percent, while the Southern Tier experienced a decline of 0.3 percent.

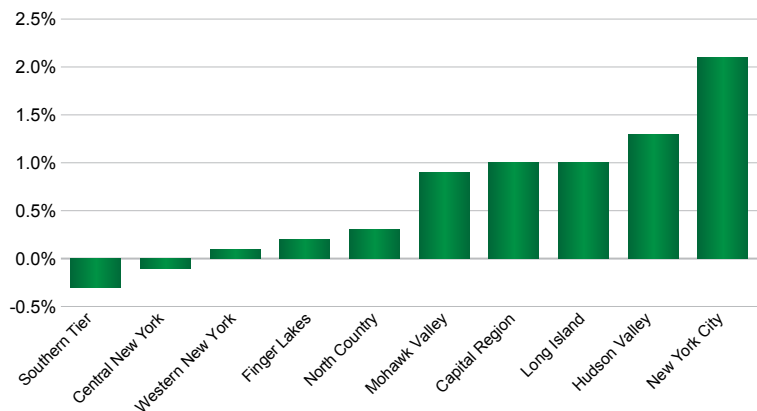
## New York's Population Has Grown, But More Slowly Than the Nation's

- From 2010 to 2017, the State's population increased by 2.4 percent, compared to a national pace of 5.5 percent.
- The net statewide population gain of more than 471,000 residents during that period primarily reflected an increase of nearly 448,000 in New York City.

2017 Employment Growth by Industry Sector



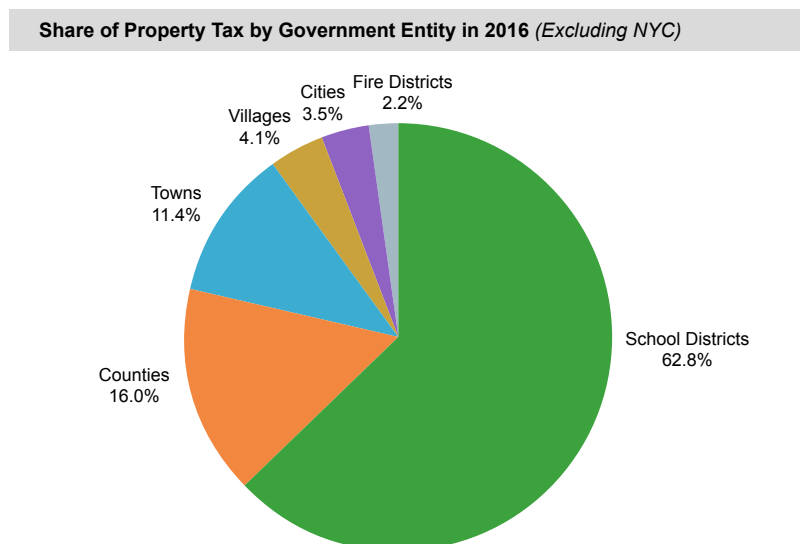
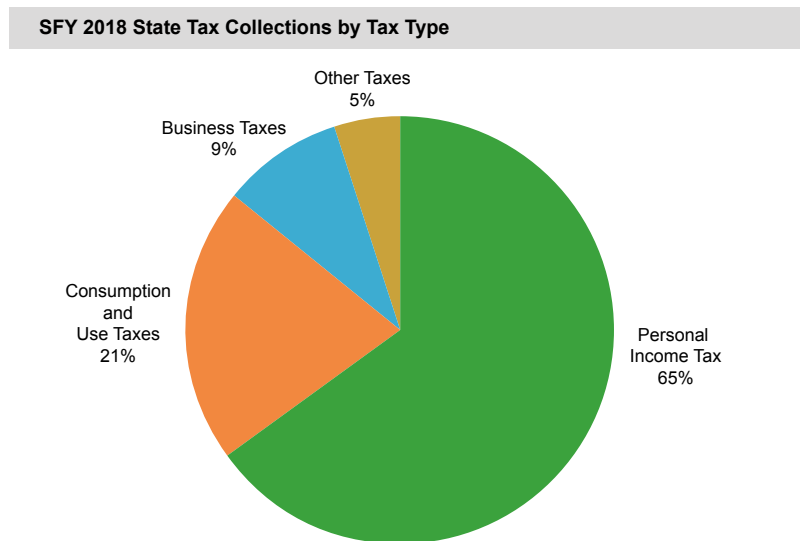
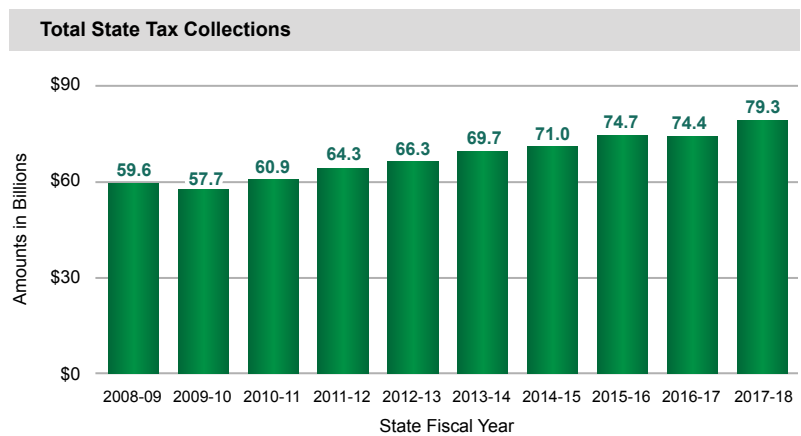
2017 Employment Growth by Region



# Taxes

## State Tax Collections Increased Significantly in SFY 2017-18

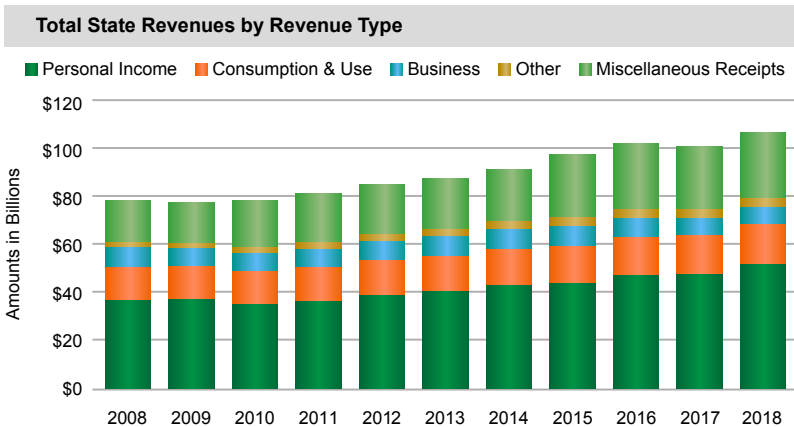
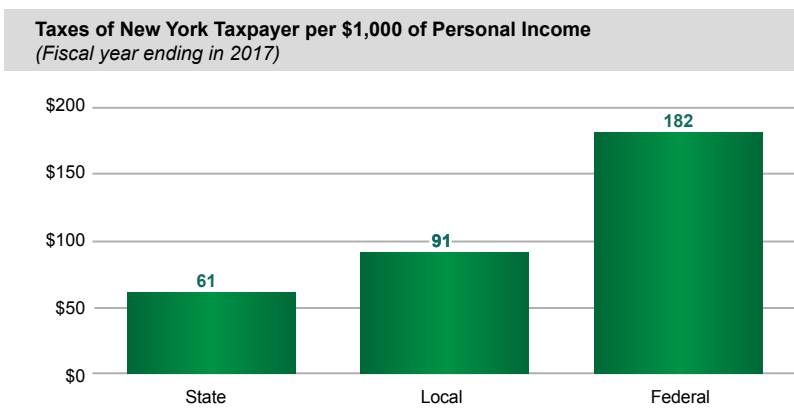
- In SFY 2017-18, New York State tax collections increased by 6.6 percent.
- From 2014 to 2018, New York State tax collections have increased by 13.8 percent.
- The combined federal, State and local tax burden in New York State was \$334 per \$1,000 of personal income in fiscal year 2017.
- At the local level, over 60 percent of all property taxes are collected by school districts.





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

- Personal income tax:
  - Made up 65 percent of New York State's tax collections in SFY 2017-18.
  - Has increased in collections by nearly 20 percent from 2014 to 2018.
- Only Oregon has a heavier reliance on the personal income tax than New York State. Nationwide, states rely more heavily on sales and user taxes.
- The State's top personal income tax rate of 8.82 percent is scheduled to expire as of December 31, 2019, under current law, reducing the top rate to 6.85 percent. 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 11 percent from 2014 to 2018.



# Implications for the Future

## New York State Faces Signs of Increasing Fiscal Challenges

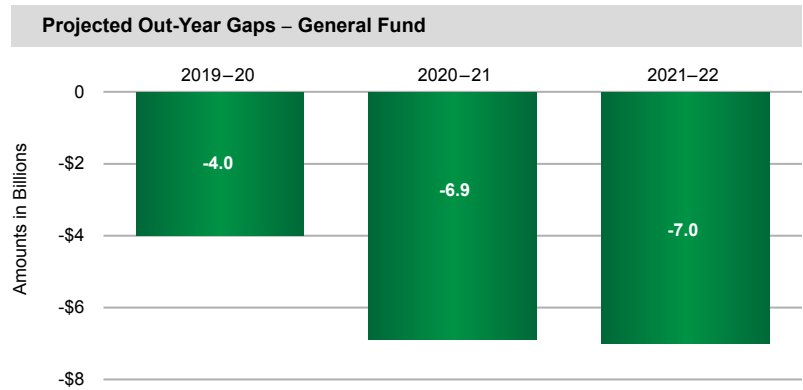
In the 10th year of the national economic expansion, New York State faces a variety of fiscal and economic challenges.

The SFY 2018-19 Enacted Budget Financial Plan includes nearly \$12.7 billion in non-recurring or temporary resources through SFY 2021-22 with almost \$6.7 billion of this total in the current year. The Division of the Budget (DOB) projects General Fund budget gaps in the coming three years will average nearly \$6 billion annually before potential gap-closing actions, partially reflecting the loss of the various temporary resources used in SFY 2018-19. While these projected gaps are smaller than those during the Great Recession, they represent the highest since that time and remain a cause for concern. Other budgetary challenges include risks to federal aid, including funding for Medicaid and other health-care programs that are relied upon by millions of New Yorkers, and shrinking statutory debt capacity.

## Debt Capacity Is Projected to Shrink

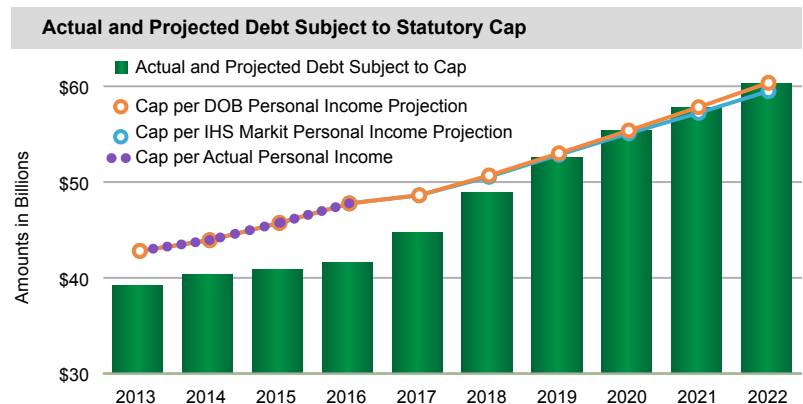
Debt capacity is an important issue with regard to the State's capital needs and its overall financial condition.

The Executive currently projects that the State's debt capacity, as measured by the statutory cap on State-Supported debt outstanding issued after April 1, 2000, will shrink to just \$49 million by SFY 2020-21. Certain actions, such as a change in the financing structure for State University of New York dormitories, preserved debt capacity under the statutory cap but did not alter the State's debt burden. Average



annual State-Supported debt issuance over the last five fiscal years is nearly 20 percent lower than average annual debt issuance from the previous five year period (SFYs 2008-09 through 2012-13). While this has helped keep debt outstanding below the statutory cap, the challenge of addressing the State's debt burden remains.

State-Supported debt issuances are projected to be \$31.7 billion over the next five years, an average of \$6.3 billion annually, compared to an annual average of \$3.8 billion over the previous five years. The gap between debt issuances and debt retirement is also projected to grow, with issuances exceeding retirements by more than 50 percent on average annually over the next five years.



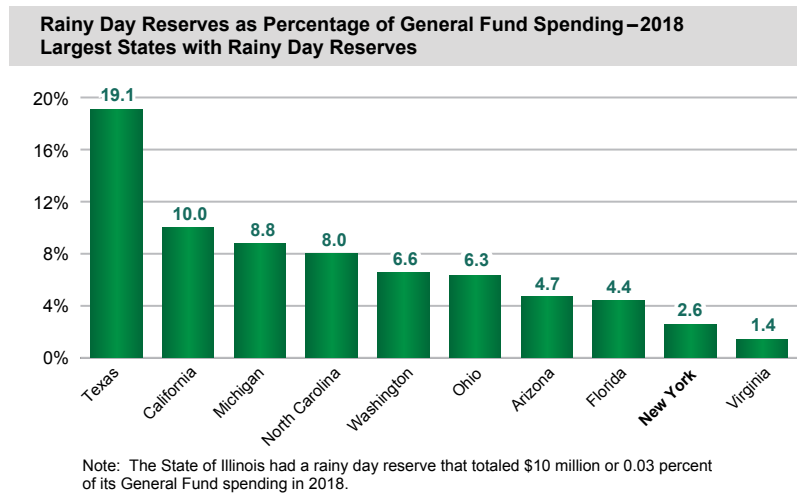
In addition, the State has issued debt for capital purpose grants to other entities. This practice results in liabilities for the State without creating corresponding State assets.

### Use of Settlement Resources Remains Unclear

Since April 2014, the State has received over \$11.1 billion in monetary settlements from various financial and other institutions for violations of New York State banking, insurance or other laws. The Financial Plan indicates an intent to use the majority of settlement funds for capital investments and other one-time purposes. However, the State is also using settlement funds for cash flow and debt management purposes that are presented as temporary in nature. The flexibility of these resources and their use for ongoing purposes may obscure the State’s underlying fiscal position and create uncertainty regarding other commitments.

DOB projects that roughly 70 percent of settlement dollars ultimately will be spent through the Dedicated Infrastructure Investment Fund, transferred to the Environmental Protection Fund (a capital projects fund), or used for mass transit or health care capital purposes. However, through the end of SFY 2017-18, 37.5 percent or \$2.1 billion of what has actually been spent has gone to budget relief, and another \$652 million is planned for such use in SFY 2018-19.

It is not yet clear whether all or the majority of these one-time resources will be used appropriately for capital investments or other one-time purposes or to bolster statutory budget reserves. Ensuring that the State meets its needs for essential capital investment, and that it makes appropriate use of one-time resources such as settlement funds, remain important priorities.



### State’s Budgetary Cushion Is Shrinking

The General Fund cash balance as of March 31, 2018 was \$9.4 billion. That figure is substantially higher than the levels in the period during and immediately after the Great Recession, largely reflecting monetary settlements received in the past four years as well as timing of certain personal income tax receipts. But the State’s budgetary cushion is shrinking: the First Quarterly Update to the Enacted Budget Financial Plan projects that the General Fund balance will be 39 percent lower at the end of the current fiscal year than last year, and such reserves are projected to decline further in each year through SFY 2021-22. Although the State has collected over \$11 billion in monetary settlements, none has been used to increase statutory reserves.

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New York State has trailed the national average for states, as well as a number of similar-sized states, in reserves as a percentage of spending, a key indicator of fiscal condition. The State has increased its reserves over the last 10 years, largely due to deposits in SFY 2014-15 of over \$315 million to the Rainy Day Reserve Fund that was created in 2007. However, no additional deposits have been made since, and the current Financial Plan doesn't anticipate any in the future. The State's General Fund balance as of March 31, 2018 was 13.5 percent of expenditures, primarily because of non-recurring monetary settlement revenue received since April 1, 2014 and unusually high PIT collections at the end of the 2017 tax year. If the monetary settlements and accelerated PIT receipts were excluded from the balance, the General Fund balance would have been 3.7 percent of General Fund spending, significantly lower than the national average as well as the average for the other 10 largest states with rainy day funds.

The State's primary statutory reserve funds, the Tax Stabilization Reserve Fund and Rainy Day Reserve Fund, are currently authorized to hold more than \$5.2 billion. Their combined balance of \$1.8 billion represents just over one-third of that total and is projected to decline as a proportion of General Fund spending in each year of the Financial Plan period.

With declines in unrestricted reserves and no plan to bolster statutory reserves over the Plan period, the State may be increasingly left with limited flexibility to respond to economic downturns or catastrophic events.

## Elevated Concern with Potential Federal Funding Reductions

The State faces substantial reductions in federal aid for health care and other programs if proposed changes at the federal level are enacted. DOB currently projects the State will receive \$60.1 billion in federal funds for various programs in the current fiscal year, representing an increase of 1.9 percent from SFY 2017-18. Given that federal funding represents more than one-third of the State's revenue, the unpredictable nature of federal budget and policy discussions presents an elevated concern.

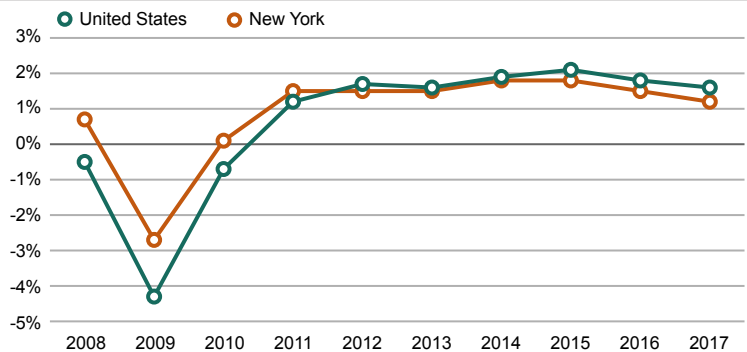
Medicaid receives the largest share of federal funds in the State's budget. However, the State also uses federal resources for other purposes including transportation, education, environmental protection and various social services. While the SFY 2018-19 Enacted Budget again includes provisions to help address potential federal funding reductions at the State level, it leaves uncertainty regarding fiscal and programmatic repercussions for recipients of State funding if such provisions are implemented.

## Concerns Regarding the State's Economy

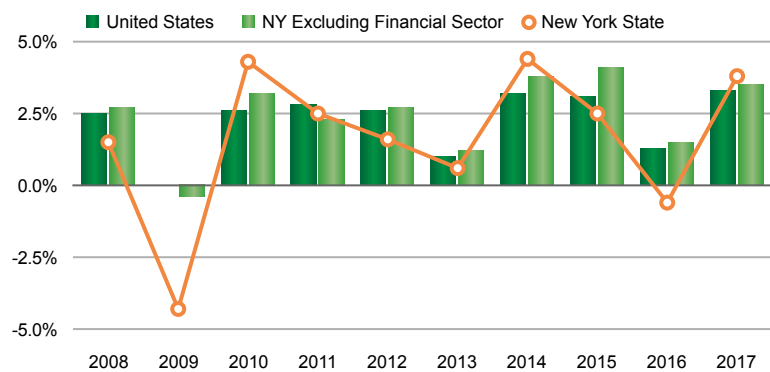
Over the course of the Great Recession and into the start of the U.S. economic recovery, employment fared better in New York than nationally. However, while New York State as a whole has regained all of the jobs it lost during the recession, its job growth has lagged the nation over the course of the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

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

Comparison of State and National Employment Growth, 2008–2017



Comparison of Average Annual Wage Growth, 2008–2017



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## Looking Ahead: The Need for Real Fiscal Reform

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

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



# Appendix 1: State Funds Spending by Major Function

(amounts in millions)

State Funds Spending for the Fiscal Year Ended March 31:	2014	2015	2016	2017	2018
<b>EDUCATION</b>	<b>\$35,672</b>	<b>\$37,125</b>	<b>\$38,784</b>	<b>\$39,685</b>	<b>\$40,441</b>
Public Schools	22,534	23,723	25,355	26,532	27,708
School Tax Relief (STAR)	3,357	3,297	3,335	3,139	2,589
State University of New York	7,242	7,137	7,301	7,266	7,482
City University of New York	1,463	1,505	1,551	1,556	1,605
Tuition Assistance Program	944	1,159	966	896	813
Higher Education Services Corporation	106	238	234	253	205
Cultural Programs	26	66	42	43	39
<b>PUBLIC HEALTH</b>	<b>25,236</b>	<b>25,149</b>	<b>25,530</b>	<b>26,095</b>	<b>27,150</b>
Health and Mental Health Services	7,636	6,940	6,915	7,158	7,140
Medical Assistance (Medicaid)	17,600	18,209	18,615	18,937	20,010
<b>PUBLIC WELFARE</b>	<b>3,903</b>	<b>3,626</b>	<b>3,756</b>	<b>3,780</b>	<b>3,869</b>
Public Welfare	3,497	3,227	3,346	3,312	3,214
Public Housing	198	197	202	259	445
Employment Services	208	202	208	209	210
<b>PUBLIC SAFETY</b>	<b>3,968</b>	<b>4,019</b>	<b>4,203</b>	<b>4,268</b>	<b>4,407</b>
Criminal Justice and Correctional Alternatives	958	973	1,045	1,057	1,127
Emergency Management and Security Services	188	176	172	250	295
Prisons and Reformatories	2,822	2,870	2,986	2,961	2,985
<b>TRANSPORTATION</b>	<b>6,831</b>	<b>7,474</b>	<b>7,242</b>	<b>8,057</b>	<b>8,001</b>
Traffic Safety	191	183	186	183	192
Transportation	6,640	7,291	7,056	7,874	7,809
<b>ENVIRONMENT AND RECREATION</b>	<b>939</b>	<b>919</b>	<b>962</b>	<b>1,042</b>	<b>1,051</b>
Environmental Protection	627	603	628	703	702
Parks, Recreation and Historic Preservation	312	316	334	339	349
<b>SUPPORT AND REGULATE BUSINESS</b>	<b>1,192</b>	<b>1,082</b>	<b>1,212</b>	<b>1,574</b>	<b>1,696</b>
Commerce, Industry and Agriculture	682	581	856	1,213	1,339
Regulate Business	510	501	356	361	357
<b>SHARE GENERAL REVENUES WITH LOCAL GOVERNMENTS</b>	<b>1,119</b>	<b>1,057</b>	<b>1,055</b>	<b>1,051</b>	<b>1,018</b>
<b>REPAY BORROWED MONEY AND REDUCE DEBT</b>	<b>6,437</b>	<b>6,221</b>	<b>5,635</b>	<b>5,552</b>	<b>5,915</b>
<b>GENERAL GOVERNMENT</b>	<b>11,058</b>	<b>11,476</b>	<b>12,853</b>	<b>12,926</b>	<b>13,389</b>
Executive Agencies	1,253	1,525	2,410	2,127	2,182
Office of the State Comptroller	169	172	173	183	178
Office of the Attorney General	161	167	170	176	188
Legislature	208	207	215	226	223
Court Administration	1,942	2,016	2,073	2,120	2,209
Pension Contributions and Other Employee Benefits	6,922	7,014	7,404	7,670	7,995
Other	403	375	408	424	414
<b>TOTAL STATE FUNDS SPENDING</b>	<b>\$96,355</b>	<b>\$98,148</b>	<b>\$101,232</b>	<b>\$104,030</b>	<b>\$106,937</b>

## Appendix 2: Federal Funds Spending by Major Function

(amounts in millions)

Federal Funds Spending for the Fiscal Year Ended March 31:	2014	2015	2016	2017	2018
<b>EDUCATION</b>	<b>\$4,193</b>	<b>\$3,718</b>	<b>\$4,198</b>	<b>\$4,039</b>	<b>\$3,695</b>
Public Schools	3,883	3,387	3,866	3,721	3,348
State University of New York	302	313	318	310	341
City University of New York	3	7	7	2	1
Higher Education Services Corporation	5	11	7	6	5
<b>PUBLIC HEALTH</b>	<b>26,913</b>	<b>31,996</b>	<b>35,537</b>	<b>40,042</b>	<b>44,343</b>
Health and Mental Health Services	1,956	2,064	3,689	5,658	6,831
Medical Assistance (Medicaid)	24,957	29,932	31,848	34,384	37,512
<b>PUBLIC WELFARE</b>	<b>5,477</b>	<b>5,200</b>	<b>5,201</b>	<b>4,622</b>	<b>4,837</b>
Public Welfare	4,944	4,694	4,774	4,212	4,404
Public Housing	25	26	22	26	25
Employment Services	508	480	405	384	408
<b>PUBLIC SAFETY</b>	<b>2,029</b>	<b>2,557</b>	<b>2,119</b>	<b>1,744</b>	<b>1,725</b>
Criminal Justice and Correctional Alternatives	86	59	70	69	74
Emergency Management and Security Services	1,943	2,498	2,027	1,655	1,626
Prisons and Reformatories	--	--	22	20	25
<b>TRANSPORTATION</b>	<b>1,746</b>	<b>1,639</b>	<b>1,766</b>	<b>1,901</b>	<b>1,543</b>
Traffic Safety	26	28	28	30	26
Transportation	1,720	1,611	1,738	1,871	1,517
<b>ENVIRONMENT AND RECREATION</b>	<b>352</b>	<b>208</b>	<b>211</b>	<b>210</b>	<b>201</b>
Environmental Protection	343	199	198	197	189
Parks, Recreation and Historic Preservation	9	9	13	13	12
<b>SUPPORT AND REGULATE BUSINESS</b>	<b>19</b>	<b>20</b>	<b>24</b>	<b>18</b>	<b>23</b>
Commerce, Industry and Agriculture	18	18	22	16	21
Regulate Business	1	2	2	2	2
<b>SHARE GENERAL REVENUES WITH LOCAL GOVERNMENTS</b>	<b>78</b>	<b>27</b>	<b>32</b>	<b>9</b>	<b>7</b>
<b>GENERAL GOVERNMENT</b>	<b>364</b>	<b>378</b>	<b>388</b>	<b>400</b>	<b>432</b>
Executive Agencies	11	44	70	74	74
Office of the Attorney General	25	25	26	25	27
Court Administration	5	5	5	6	6
Pension Contributions and Other Employee Benefits	323	304	287	295	325
<b>TOTAL FEDERAL FUNDS SPENDING</b>	<b>\$41,171</b>	<b>\$45,743</b>	<b>\$49,476</b>	<b>\$52,985</b>	<b>\$56,806</b>

## Appendix 3: State Receipts by Major Source

(amounts in millions)

State Receipts for the Fiscal Year Ended March 31:	2014	2015	2016	2017	2018
<b>TOTAL TAXES</b>	<b>\$69,690</b>	<b>\$71,034</b>	<b>\$74,673</b>	<b>\$74,373</b>	<b>\$79,266</b>
<b>Personal Income Tax</b>	<b>42,961</b>	<b>43,710</b>	<b>47,055</b>	<b>47,566</b>	<b>51,501</b>
<b>Consumer Taxes</b>	<b>15,100</b>	<b>15,385</b>	<b>15,725</b>	<b>16,212</b>	<b>16,711</b>
Sales and Use	12,588	12,992	13,359	13,870	14,495
Cigarette/Tobacco Products	1,454	1,314	1,251	1,235	1,171
Medical Marihuana	--	--	--	--	2
Motor Fuel	473	487	503	519	512
Alcoholic Beverage	250	251	254	258	259
Highway Use	136	140	159	139	93
Auto Rental	114	119	126	127	123
MCTD* Taxicab Trip	85	82	73	64	56
<b>Business Taxes</b>	<b>8,258</b>	<b>8,502</b>	<b>7,884</b>	<b>6,979</b>	<b>7,164</b>
Corporation Franchise	3,812	3,548	4,527	3,165	3,080
Corporation and Utility	797	727	774	720	748
Insurance	1,444	1,533	1,580	1,580	1,777
Bank	1,050	1,536	-121	390	467
Petroleum Business	1,155	1,158	1,124	1,124	1,092
<b>Other Taxes</b>	<b>3,371</b>	<b>3,437</b>	<b>4,009</b>	<b>3,616</b>	<b>3,890</b>
Estate and Gift	1,238	1,109	1,521	1,091	1,308
Pari-Mutuel	17	18	17	16	15
Real Estate Transfer	911	1,038	1,163	1,126	1,125
Racing and Exhibition	1	1	2	3	3
MCTD* Mobility	1,204	1,271	1,306	1,380	1,439
<b>GAMING - LOTTERY INCOME, VLT AND CASINO</b>	<b>3,848</b>	<b>3,386</b>	<b>3,704</b>	<b>3,606</b>	<b>3,619</b>
<b>FEDERAL RECEIPTS</b>	<b>43,789</b>	<b>48,637</b>	<b>51,324</b>	<b>55,407</b>	<b>58,942</b>
<b>OTHER RECEIPTS</b>	<b>17,710</b>	<b>22,901</b>	<b>20,572</b>	<b>19,265</b>	<b>18,928</b>
Student Tuition and Fees (SUNY/CUNY)	2,052	2,188	2,334	1,869	1,891
Revenues of State Departments	3,417	3,478	3,605	3,855	3,681
Receipts from Municipalities	134	122	147	367	348
Income from Investments	28	32	47	83	164
Abandoned Property	544	664	539	450	471
Unclaimed Bottle Deposits	111	103	103	113	118
Public Benefit Corporations	251	85	106	145	174
Assessments	6,767	7,561	6,948	6,916	6,803
Fees, Licenses, Permits	3,130	3,268	3,497	3,400	3,540
Fines, Penalties and Forfeitures	967	5,035	2,878	1,593	1,285
Miscellaneous	309	365	368	474	453
<b>BORROWED AND ADDED TO DEBT</b>	<b>2,676</b>	<b>3,312</b>	<b>2,992</b>	<b>3,721</b>	<b>4,875</b>
Bonds and Notes Issued by the State	--	161	--	--	160
Public Authority Financings	2,676	3,151	2,992	3,721	4,715
<b>TOTAL RECEIPTS</b>	<b>\$137,713</b>	<b>\$149,270</b>	<b>\$153,265</b>	<b>\$156,372</b>	<b>\$165,630</b>

\*Metropolitan Commuter Transportation District (MCTD)

# Data Sources

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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 Health

NYS Department of Labor

NYS Department of Taxation and Finance

NYS Department of Transportation

NYS Division of Criminal Justice Services

NYS Division of the Budget

NYS Education Department

NYS Higher Education Services Corporation

NYS Office of Temporary and Disability Assistance

NYS Unified Court System

Office of the New York State Comptroller

Public Authorities Reporting Information System

Standard and Poor's Rating Services

State University of New York

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

U.S. Department of Agriculture

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

U.S. Energy Information Administration

U.S. Federal Highway Administration

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