
Report on Estimated Receipts and Disbursements

State Fiscal Years 2018-19 through 2020-21



OFFICE OF THE NEW YORK STATE COMPTROLLER
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I. Overview

This Report on Estimated Receipts and Disbursements for State Fiscal Year (SFY) 2018-19 through SFY 2020-21, 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 Office of the State Comptroller estimates that the State's tax revenues will decline by 1.8 percent in SFY 2018-19. Such revenues are projected to grow by 5.9 percent in SFY 2019-20, and to increase by 2.4 percent in SFY 2020-21.

The Office of the State Comptroller's projections for All Funds tax receipts are \$116 million lower than estimates from the Division of the Budget (DOB) for SFY 2018-19, \$383 million lower in SFY 2019-20 and \$485 million lower in SFY 2020-21. These and other comparisons to DOB projections in this report are based on DOB's projections from the First Quarterly Update to the SFY 2018-19 Enacted Budget Financial Plan (First Quarterly Update) issued in August 2018. Projections for All Funds receipts, which include tax receipts, miscellaneous receipts and federal grants, are \$6 million lower than estimates from DOB for SFY 2018-19, \$373 million lower in SFY 2019-20 and \$485 million lower in SFY 2020-21.

The Office of the State Comptroller's estimates for All Funds disbursements are \$87 million lower than estimates from DOB for SFY 2018-19, \$81 million lower in SFY 2019-20 and \$71 million lower in SFY 2020-21, based on DOB's most current projections from the First Quarterly Update.

Background: “Quick Start” Financial Information Review Process

The State Finance Law requires the staffs of the Governor, the Temporary President of the Senate, the Speaker of the Assembly and the Comptroller to prepare and make available by November 5 of each year separate reports detailing estimates of “state receipts and state 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 tax collections 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 spending on 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. For purposes of providing estimates and projections on an All Funds basis, this Office’s figures reflect DOB’s projections for federal receipts and disbursements (except with respect to disbursements for public assistance).

By November 15, the Governor, the Temporary President of the Senate and the Speaker of the 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 Governor, the Temporary President of the Senate, the Speaker of 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), on which it issues monthly reports. This Office’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.

Figures 1 and 2 below summarize the Office of the State Comptroller’s estimates compared to DOB’s estimates for receipts and disbursements as contained in the First Quarterly Update. This Office’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,

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

as well as the scheduled expiration of the temporary higher Personal Income Tax (PIT) rate on upper-income earners. Estimates for State Operating Funds are also provided because the statutory cap on Medicaid disbursements applies to disbursements from this fund category.

Figure 1

**Actual and Estimated Receipts and Disbursements, All Funds
SFY 2017-18 through SFY 2020-21**
(in millions of dollars)

	<u>2017-18</u>	<u>2018-19</u>	<u>Growth</u>	<u>2019-20</u>	<u>Growth</u>	<u>2020-21</u>	<u>Growth</u>
Receipts							
Office of the State Comptroller	156,372	166,300	6.3%	169,625	2.0%	171,738	1.2%
Division of the Budget	<u>156,372</u>	<u>166,306</u>	<u>6.4%</u>	<u>169,998</u>	<u>2.2%</u>	<u>172,223</u>	<u>1.3%</u>
Difference	-	(6)		(373)		(485)	
Disbursements							
Office of the State Comptroller	157,014	170,195	8.4%	174,971	2.8%	179,014	2.3%
Division of the Budget	<u>157,014</u>	<u>170,282</u>	<u>8.5%</u>	<u>175,052</u>	<u>2.8%</u>	<u>179,085</u>	<u>2.3%</u>
Difference	-	(87)		(81)		(71)	

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 2017-18 through SFY 2020-21**
(in millions of dollars)

	<u>2017-18</u>	<u>2018-19</u>	<u>Growth</u>	<u>2019-20</u>	<u>Growth</u>	<u>2020-21</u>	<u>Growth</u>
Receipts							
Office of the State Comptroller	94,819	96,291	1.6%	99,976	3.8%	101,810	1.8%
Division of the Budget	<u>94,819</u>	<u>96,312</u>	<u>1.6%</u>	<u>100,333</u>	<u>4.2%</u>	<u>102,287</u>	<u>1.9%</u>
Difference	-	(22)		(357)		(477)	
Disbursements							
Office of the State Comptroller	96,199	100,127	4.1%	105,378	5.2%	109,725	4.1%
Division of the Budget	<u>96,199</u>	<u>100,135</u>	<u>4.1%</u>	<u>105,385</u>	<u>5.2%</u>	<u>109,729</u>	<u>4.1%</u>
Difference	-	(8)		(7)		(4)	

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.

II. Economic Overview

National Economy

At the end of the first quarter of 2018, the national economy was in its tenth year of expansion, the second longest such period since the latter half of the 19th century. The economy grew at a relatively strong pace in the first half of this year, with real GDP increasing by 2.2 percent and 4.2 percent in the first and second quarters, respectively. GDP is estimated to exhibit stronger growth in the second half of the year compared to the second half of 2017, despite adverse economic impacts from two hurricanes that hit the southeastern portion of the country during this period. Overall, the national economy is estimated to expand by 2.9 percent in 2018, faster than the 2.2 percent growth in 2017.² The economic expansion is projected to continue in 2019, at a slightly slower pace of 2.8 percent.

Through September, employment had increased by over 1.8 million jobs nationally, representing growth of 1.3 percent on a seasonally adjusted basis from December. In addition, the unemployment rate dropped from 4.1 percent to 3.7 percent for this same period, the lowest since December 1969.

Employment is estimated to increase by 1.6 percent for all of 2018, approximately the same pace as in 2017, with growth slowing to 1.4 percent in 2019. The unemployment rate is projected to decrease to 3.5 percent in 2019.

With the projected tightening of the labor market, wages are estimated to increase by 4.8 percent in 2018, an acceleration from 4.6 percent in 2017. Wage growth is projected to decelerate to 4.6 percent in 2019.

New York State Economy

In New York, key indicators including those for employment, wages and personal income are expected to show continued gains in 2018 and in each of the following three years, but with growth rates below national averages.

Through September 2018, the State had added 67,500 jobs on a seasonally adjusted basis, from December 2017. This growth was down by nearly 24 percent from the same period in 2017, which brought an increase of 88,400 jobs. Job gains were primarily in the private sector, with only a slight increase in government employment. Nearly two-thirds of the job gains to date this year are concentrated in downstate regions. For all of 2018, employment is estimated to increase by 1.1 percent, below the 1.3 percent gain in 2017.

² For purposes of this report, projections of economic variables are primarily drawn from the IHS Markit Macroeconomic Forecast, October 2018.

According to the State Department of Labor’s Quarterly Census of Employment and Wages, total wages paid in the first quarter of 2018 were 5.1 percent higher than those for the same quarter in 2017. IHS Markit estimates overall wage growth in 2018 at 4.0 percent, down from 5.1 percent in 2017. Along with the wage growth, personal income is estimated to increase by 4.6 percent in 2018, down from the 2017 figure of 6.0 percent.

Similar to the national employment trend, job growth in New York is projected to continue to slow in 2019, with an overall gain of 1.0 percent. Wages are also projected to increase in 2019, by 4.1 percent, slightly faster than the 4.0 percent rate in 2018. Non-wage income, such as investment income, is projected to grow by 4.3 percent in 2019, a deceleration from the 5.3 percent rate in 2018. This contributes to growth in personal income of 4.2 percent in 2019.

Figure 3 presents selected economic indicators at the State and national levels through 2021.

Figure 3

**Selected Economic Indicators
(Percentage Change)**

UNITED STATES					
	2017	2018	2019	2020	2021
Real GDP	2.2	2.9	2.8	2.0	1.6
Employment	1.6	1.6	1.4	1.1	0.5
Wages	4.6	4.8	4.6	4.8	4.5
Personal Income	4.4	4.5	4.7	4.8	4.4
NEW YORK					
Employment	1.3	1.1	1.0	0.7	0.1
Wages	5.1	4.0	4.1	4.6	4.2
Personal Income	6.0	4.6	4.2	4.3	3.9

Source: IHS Markit, October 2018 U.S. Macroeconomic Forecast

Note: Figures for 2017 are actual, while figures for all other years are projections.

III. Receipts

Overview

This section of the 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 2019-20 and SFY 2020-21.

This forecast is consistent with a national economy that is projected to grow at or in excess of two percent in the current year and the next two years. Numerous variables affect the national and State economies, increasing the difficulty of forecasting tax collections. These factors include not only traditional influences such as trends in employment and wages, but current developments such as the impact of the federal Tax Cut and Jobs Act (TCJA), retaliatory trade actions in response to newly imposed tariffs, and rebuilding in the areas impacted by natural disasters. As a result, the State's actual tax revenues could deviate from these estimates and from those of the Division of the Budget. Close monitoring is critical to identify deviations in a timely way so that corrective actions can be taken, if necessary.

In SFY 2017-18, All Funds tax receipts totaled \$79.3 billion, an increase of 6.6 percent from the previous year. Through the first six months of SFY 2018-19, total tax revenues were \$1.2 billion, or 3.3 percent, higher than the same period in SFY 2017-18. While tax receipts in the first half of the fiscal year are generally influenced by strong collections from the filing of annual personal income tax returns, receipts in the second half typically benefit from factors including holiday sales, bonus payments in the finance and insurance sector, and prepayments for business taxes. Total personal income tax (PIT) collections are estimated to decrease by 2.5 percent in SFY 2018-19. This is primarily due to taxpayers accelerating certain estimated payments into the 2017 tax year in response to enactment of federal tax changes that went into effect on January 1, 2018. However, with projected corporate profit growth and increased holiday sales, business and consumption taxes are estimated to increase by a combined 6.5 percent in SFY 2018-19. Overall, total tax receipts are estimated to decrease by 1.8 percent.

In SFY 2019-20, growth in tax collections is projected to accelerate to 5.9 percent. This increase reflects expectations of continued growth in the overall economy, as well as the reversion in the timing of estimated tax payments under the PIT to historical trends. Projected growth in collections is also enhanced by an acceleration in the payment of PIT refunds into the previous state fiscal year, resulting in lower refund payments made in April 2019. Downward pressure on PIT collections, partially offsetting this growth, comes from factors including the impact of ongoing State Tax Law changes, such as scheduled decreases in most PIT rates and the conversion of certain School Tax Relief benefits to PIT credits.

For SFY 2020-21, tax collections are projected to grow by 2.4 percent, a slower pace than in SFY 2019-20. This reflects a slower projected expansion in the economy, as well as lower growth in PIT collections resulting from the expiration of the temporary top tax rate.

Specific figures on projected receipts, and comparisons to DOB projections, appear in the Appendix.

Personal Income Tax

Personal income tax receipts are estimated to decline by \$1.3 billion, or 2.5 percent, in SFY 2018-19. This reflects the acceleration of certain estimated tax payments into the 2017 tax year, as taxpayers sought to avoid the newly imposed limit on federal itemized deductions for state and local taxes enacted as part of the TCJA.

Withholding tax collections in SFY 2018-19 are estimated to increase by 3.5 percent as a result of gains in both employment and wages, as well as an anticipated modest increase in bonus payments in the final quarter of the year. Collections from estimated payments in the current fiscal year are expected to decrease by 8.8 percent, or \$1.6 billion, from SFY 2017-18 levels. This decrease reflects acceleration of estimated payments into the preceding fiscal year as mentioned above, partially offset by growth in quarterly estimated payments due to an expectation of continued increases in non-wage income throughout the year.

In SFY 2019-20, PIT collections are projected to increase by \$3.7 billion, or 7.3 percent. This increase reflects continued employment and wage growth, as well as increased estimated payments as collections return to historical trends. Refunds are projected to decline slightly as increased refund payments from the Property Tax Relief Credit and the STAR credit are offset by a decrease in the fourth quarter cap on refunds from \$2.25 billion to \$1.75 billion. In SFY 2020-21, PIT collections are projected to increase by \$992 million, or 1.8 percent. This lower growth reflects increased withholding collections as wages and employment are estimated to continue to grow, and lower refunds due to the expiration of the Property Tax Relief Credit, offset in part by the full year impact of the expiration at the end of calendar year 2019 of the temporary top PIT rate of 8.82 percent.

Consumption and Use Taxes

Consumption and use tax receipts are estimated to increase by \$773 million, or 4.6 percent, in SFY 2018-19. This primarily reflects an estimated increase of 5.2 percent in the largest source of receipts in this category, sales tax collections, resulting from an expectation of continued gains in consumption and employment. In addition, highway use tax collections are anticipated to return to their historical levels, after depressed collection levels in the previous year due to the impact of increased refunds as a result of litigation. The increase is partially offset by the continued decline in cigarette and tobacco tax receipts.

For SFY 2019-20, tax collections in this category are projected to exhibit more modest growth, increasing by \$445 million, or 2.5 percent. Sales and use tax collections are projected to grow more slowly, by 3.0 percent, resulting from a projected deceleration in personal consumption growth, especially for durable goods. In SFY 2020-21, growth in consumption and use tax collections is projected to accelerate slightly to 3.5 percent, due to increases in personal consumption.

Business Taxes

Business tax receipts are estimated to increase by \$768 million, or 10.7 percent, in SFY 2018-19. Representing over half of the collections within this category, corporate franchise taxes are the main driver of this growth. Collections through the first half of the fiscal year are more than 20 percent higher than the same period in SFY 2017-18. Growth is estimated to accelerate in the final six months, resulting in an increase of 30.5 percent for the entire fiscal year. This significant growth reflects not only higher estimated corporate profits in 2018, but also an increase in audit collections.

In SFY 2019-20, growth in business tax receipts is projected to slow to 5.0 percent, or \$393 million. This reflects projected slower corporate profit growth and increased insurance tax collections as a result of the conversion of Fidelis to a for-profit health insurer, partially offset by a reduction in audit collections under the corporate franchise tax. Business tax receipts are projected to increase in SFY 2020-21, by \$270 million, or 3.2 percent. This reflects continued corporate profit growth as well as a projected increase in petroleum prices.

Other Taxes

Other Tax receipts are estimated to decrease by \$1.7 billion, or 44.2 percent, in SFY 2018-19. This is primarily due to receipts from the Metropolitan Commuter Transportation Mobility Tax (Payroll Mobility Tax or PMT) being moved off-budget as a result of statutory changes made in the SFY 2018-19 Enacted Budget. Excluding the PMT, estimated collections from all other taxes in this category are \$282 million or 11.5 percent lower than those in SFY 2017-18. Receipts from estate and gift taxes are projected to decline as a result of a reduction in the number of “super-large” estates (those with estate tax liability of \$25 million or more) from SFY 2017-18.

In SFY 2019-20, Other Tax collections are projected to increase by \$58 million, or 2.7 percent. This growth is due to slight increases in estate and gift tax collections as well as in real estate transfer tax collections. Higher estate tax collections are partially offset by the full year impact of the final phase of the increase in the exemption threshold enacted in SFY 2014-15.

In SFY 2020-21, collections are projected to increase by \$60 million, or 2.7 percent. This increase reflects continued growth in both estate and real estate transfer taxes.

General Fund Miscellaneous Receipts and Lottery Receipts

Miscellaneous receipts include fees, fines, reimbursements, bond proceeds from public authorities, Lottery revenues and interest on State investments.

General Fund miscellaneous receipts are estimated to decline by \$597 million or 19.1 percent in SFY 2018-19, to \$2.5 billion, primarily because of the expected decline in non-recurring monetary settlements from various financial institutions. Miscellaneous receipts in the General Fund are anticipated to decline by 19.5 percent or \$494 million in SFY 2019-20, again primarily

due to an expectation of a continued decrease in monetary settlements. Miscellaneous receipts are anticipated to decline by 1.8 percent in SFY 2020-21.³

All Funds projections for miscellaneous receipts in SFY 2018-19 total \$28.4 billion (most of which is initially collected outside the General Fund), an increase of \$1.1 billion or 4.2 percent, representing an increase in bond proceeds that is expected to offset the decline in monetary settlements. Miscellaneous receipts from Native American casinos collected in the Tribal State Compact fund are expected to total \$328 million. Of that amount, \$207.2 million is expected to be transferred to the General Fund after payments to local governments.⁴

All Funds miscellaneous receipts are projected to decline by \$2.2 billion or 7.8 percent in SFY 2019-20, primarily in capital funds (bond proceeds). Miscellaneous receipts are also expected to decline in the General Fund and special revenue funds. Miscellaneous receipts are anticipated to decline by 4.5 percent or \$1.2 billion in SFY 2020-21, as proceeds from projected bond issuances continue to decline. Factors that may change such projections include the possibility of additional settlements from financial institutions as well as variance in reimbursements from bond proceeds, in part impacted by the amount of bonds issued.

Lottery revenues for education (not including administration) from traditional games are expected to decrease by 4.2 percent to \$2.3 billion in SFY 2018-19, and revenues from video lottery terminals (VLTs) are expected to decline 5.3 percent to \$907 million. Total Lottery receipts are projected to hold steady near \$3.2 billion through SFY 2020-21. All four commercial casinos granted licenses in recent years have opened. DOB projects new revenue for education from commercial casinos will total \$140 million in SFY 2018-19, increasing to \$148 million in SFY 2020-21.

Federal Receipts

Federal grants support State spending for Medicaid, transportation, education, public health, and environmental and energy programs, as well as other activities. For the purpose of providing an All Funds receipts forecast, the Office of the State Comptroller's figures reflect DOB's federal receipts projections.

In SFY 2018-19, federal receipts are projected by DOB to increase by \$1.1 billion, or 1.9 percent, from SFY 2017-18. DOB projects federal receipts will grow by \$981 million or 1.6 percent in SFY 2019-20. Total federal receipts are projected by DOB to increase by \$1.3 billion or 2.2 percent in SFY 2020-21.

³ The First Quarterly Update does not include \$120 million in General Fund settlement proceeds announced after the Update was published, including approximately \$5.1 million from Uber, \$9.9 million from Harbinger Capital Partners (to be paid in two installments in SFY 2019-20), \$40 million from Mashreqbank and \$65 million from Wells Fargo. This revenue is expected to be included in the Mid-Year Update to the Enacted Budget Financial Plan.

⁴ 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.

IV. Disbursements

Overview

This report includes forecasts for disbursements for SFY 2018-19 through SFY 2020-21. 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, the Department of Health (DOH), the Department of Labor (DOL), and the Office of Temporary and Disability Assistance (OTDA).

The SFY 2018-19 Enacted Budget – like the prior year's – included appropriations intended to reflect two years' worth of spending in Medicaid. The Budget also extended through SFY 2019-20 statutory limits on future spending growth for State-funded DOH Medicaid expenditures based on the ten-year average growth in the medical component of the Consumer Price Index (CPI). The statutory cap for education assistance based on the rate of growth for personal income in the State has no expiration date. As a result of these limitations, projected disbursements in two of the largest categories of spending in the Budget are constrained, absent action by the Executive and the Legislature to supersede the spending targets. However, as with the previous six enacted budgets, School Aid in the current fiscal year was increased by an amount that exceeded the statutory cap.

This report provides Medicaid and School Aid spending projections from the Financial Plan, including the effect of statutory spending caps.

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 resulting in lower reported growth).

For SFY 2018-19, the Office of the State Comptroller projects that Medicaid, School Aid and public assistance spending from State Operating Funds will total \$47.2 billion, an increase of \$1.8 billion, or 4.1 percent, from SFY 2017-18 levels. Among other factors, this level of increase reflects the statutory limit on Medicaid enacted in SFY 2011-12 that was intended to constrain spending from State Operating Funds. All other State Operating Funds spending is projected to total \$53 billion, an increase of \$128 million, or 0.2 percent, compared to SFY 2017-18. All other spending includes such categories as debt service, General State Charges and Departmental Operations outside of the categories listed above. It also reflects certain timing-related and other actions that limit reported spending growth.

Medicaid, School Aid and public assistance spending from All Funds is projected to total \$90.3 billion in SFY 2018-19, which is \$3.8 billion, or 4.5 percent, higher than SFY 2017-18 levels.

For SFY 2019-20, Medicaid, School Aid and public assistance spending from State Operating Funds is estimated to total \$49.4 billion, an increase of \$2.2 billion, or 4.7 percent, from

estimated SFY 2018-19 expenditures. All other State Operating Funds spending is projected to increase \$3.0 billion, or 5.7 percent, to \$56 billion.

Medicaid, School Aid, and public assistance spending from All Funds is projected to total \$92.9 billion in SFY 2019-20, which is \$2.6 billion, or 2.9 percent, higher than projected SFY 2018-19 levels.

For SFY 2020-21, Medicaid, School Aid, and public assistance spending from State Operating Funds is estimated to total \$51.5 billion, an increase of \$2.1 billion, or 4.3 percent, from the previous year. During this period, all other State Operating Funds spending is projected to increase \$2.2 billion, or 4.0 percent, to \$58.2 billion.

Medicaid, School Aid and public assistance spending from All Funds is projected to total \$96.4 billion in SFY 2020-21, which is \$3.5 billion, or 3.8 percent, higher than in SFY 2019-20.

Specific figures on projected disbursements, and comparisons to DOB projections, appear in the Appendix.

Supplemental Projections and Discussion

The following section contains certain supplemental projections and discussion for School Aid, Medicaid and public assistance.

School Aid

Projections for School Aid reflect increases consistent with enacted spending caps and other changes included in previous budgets. To provide an understanding of the impact of the spending cap on the Budget, this section also includes an illustrative chart to show what spending could be without the cap.

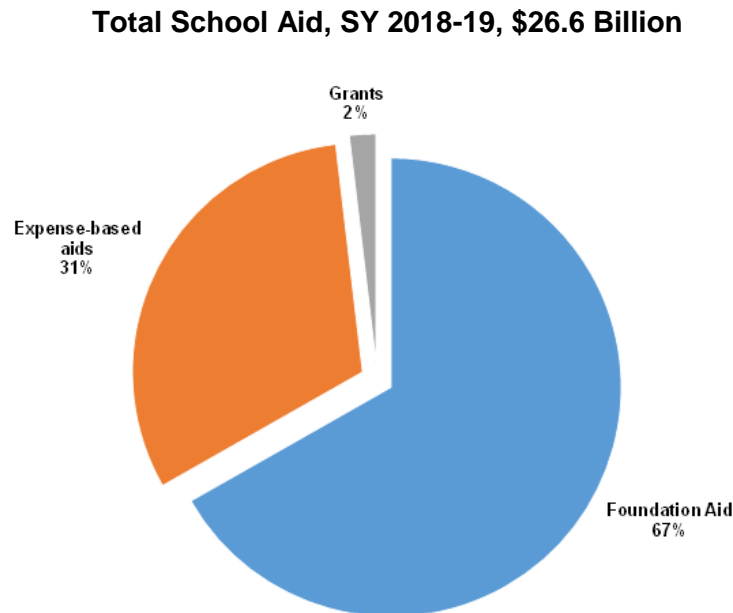
School Aid or General Support for Public Schools (GSPS) comprises a series of formulas that provide general operating support (for example, Foundation Aid) and reimbursement for a share of specific eligible expenses (for example, Building Aid or Excess Cost Aid), as well as grant programs that support specific activities for New York State's 674 major school districts.⁵ Factors that can affect School Aid growth include enrollment, school district property and income wealth, student demographics, and fluctuations in claims for various supported expenses. Claims and demographic data are generally updated three times annually.⁶ Policy makers also affect annual growth in School Aid through legislative changes, which are difficult to project. School Aid is generally negotiated and legislated on a school-year (SY) basis. Because the school year begins on July 1 and ends on June 30, the State is funding portions

⁵ School districts receive support for certain programs outside of GSPS; funding for these programs is not a part of this forecast.

⁶ Pursuant to Section 305 of the Education Law, the State Education Department provides detailed School Aid data by district three times throughout the year – February 15, May 15 and November 15. November data is typically used to calculate aid in the Executive Budget proposal and February data is typically used to calculate aid for the Enacted Budget.

of two school years in any given state fiscal year. Figure 4 shows the distribution of School Aid by category in the current school year.⁷

Figure 4



The SFY 2011-12 Enacted Budget included legislation limiting future growth in School Aid to growth in State personal income. School Aid growth in SFY 2012-13 was limited to the five-year average of personal income growth. The SFY 2012-13 Enacted Budget included an increase of 4.1 percent, equal to the calculated growth index. Since SFY 2013-14, when the limitation changed to one-year growth, the calculated limit has been below 4 percent and in some years below 2 percent. However, enacted budgets in each of the last six years have provided aid increases above the level set by the growth index.

The Office of the State Comptroller includes estimates provided by DOB that project School Aid spending from State Operating Funds will total \$26.4 billion in SFY 2018-19, which is an increase of \$1.0 billion or 4.0 percent over SFY 2017-18. This projection equates to \$26.6 billion on a school-year basis.

The Office of the State Comptroller includes DOB estimates that project School Aid from State Operating Funds would:

- Increase to \$27.4 billion in SFY 2019-20, an increase of \$1.0 billion, or 3.8 percent, over SFY 2018-19. This equates to \$27.5 billion on a school-year basis.

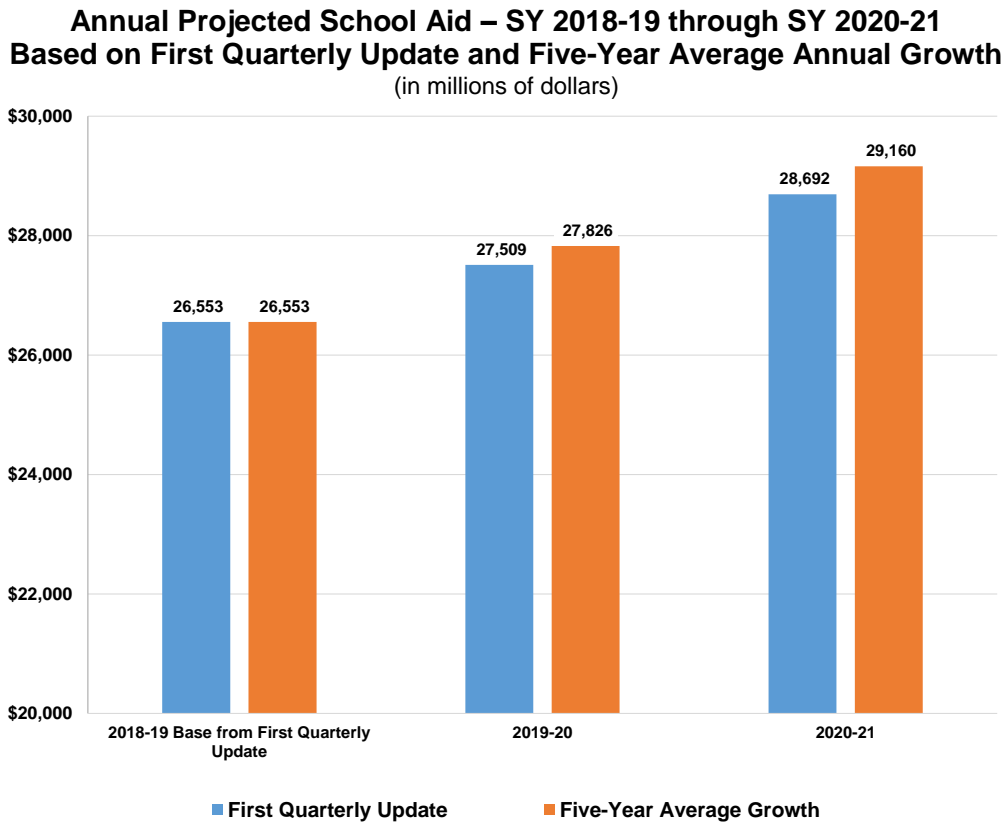
⁷ The figure reflects GSPS at the time of the Enacted Budget. For the purposes of this figure, certain other operating aids, including High Tax Aid and Universal Prekindergarten, have been included in “Expense-based” aids. “Grants” consists of \$244 million in competitive grants and all non-computerized aids.

- Increase to just under \$28.5 billion in SFY 2020-21, an increase of \$1.1 billion, or 4.0 percent over SFY 2019-20. This equates to \$28.7 billion on a school-year basis.

DOB has indicated that the projections for SY 2019-20 through SY 2021-22 were consistent with projections for the personal income growth index. More recently released data from the U.S. Bureau of Economic Analysis indicates that the personal income growth index for the 2019-20 School Year may be higher than previously estimated. In addition, the November 15, 2018 School Aid data will provide the first estimates of GSPS for SY 2019-20 based on submitted claims and demographic information. It will also show revisions for the current school year. In some years, database revisions have resulted in significant changes in School Aid.

Figure 5 illustrates both the levels projected in DOB’s First Quarterly Update, which assumes increases based on the forecasted personal income growth rate, and levels that School Aid could reach if growth continued at the five-year average annual growth rate of GSPS.⁸ These latter figures, which reflect certain legislative changes in recent years among other factors, differ from the Office of the State Comptroller projections above.

Figure 5



⁸ Office of the State Comptroller calculations using Division of the Budget and State Education Department data.

Medicaid

The SFY 2018-19 Enacted Budget again includes two years' authority for Medicaid spending by DOH (including administration costs), with a specific limit in State Operating Funds spending for each year.

The SFY 2018-19 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 and other factors are projected to hold future spending growth within the spending cap for DOH Medicaid expenditures, currently estimated by DOB at approximately 3.2 percent in SFY 2018-19 and 3.1 percent in each of the subsequent two fiscal years (the cap was extended through SFY 2019-20 in the SFY 2018-19 Enacted Budget). 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. Statutory authority given to the Health Commissioner to reduce Medicaid spending administratively, if necessary to remain within targeted levels, expires at the end of SFY 2019-20.

The Office of the State Comptroller includes estimates provided by DOB that project DOH Medicaid spending (including administrative costs) in SFY 2018-19 would total \$20.3 billion from State Operating Funds, and \$59.1 billion from All Funds.

The Office of the State Comptroller includes DOB estimates that project Medicaid spending would:

- Increase in SFY 2019-20 to \$21.5 billion from State Operating Funds (up by 6.1 percent or \$1.2 billion from the previous year) and to \$61.2 billion from All Funds (an increase of 3.6 percent or \$2.1 billion).
- Total \$22.5 billion from State Operating Funds in SFY 2020-21, a year-over-year increase of \$1.0 billion or 4.7 percent, and \$63.3 billion from All Funds, representing an increase of just under \$2.1 billion or 3.4 percent.

DOB plans to use certain payments by tobacco manufacturers under the 1998 Master Settlement Agreement (MSA) to reduce reported Medicaid spending by depositing the MSA revenue directly to an off-budget account (Medicaid Management Information System Escrow Fund) where such revenue is anticipated to be spent without appropriation. DOB's current projections, as detailed above, reflect this plan. Reported spending in the First Quarter Update is reduced by \$435 million in SFY 2018-19, \$327 million in SFY 2019-20 and \$371 million in SFY 2020-21 compared to expected levels if such spending were not moved off-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. While national and State unemployment rates continue to decline, such rates are not perfect measures of unemployment. For example, they do not capture people who are not actively looking for work or people who are employed in temporary or part-time positions which may be paying significantly less than full-time jobs.

According to the federal Bureau of Labor Statistics (BLS), approximately 37.2 percent of the U.S. unemployed population (16 and older) had been unemployed for 15 weeks or more as of September 2018. As of September 2018, the unemployment rate in New York on a seasonally adjusted basis was 4.1 percent.⁹ BLS produces a measure of labor market underutilization that includes the unemployed population that has actively looked for work in the past four weeks as well as the number of people who are employed part-time (not by choice) and those unemployed who have not actively looked for work. For New York, this measure was 8.7 percent for the third quarter of 2017 through the second quarter of 2018.¹⁰ This rate is the lowest since the Great Recession began in December 2007, and 6.2 percentage points lower than the recent high of 14.9 percent for the period from the second quarter of 2010 through the first quarter of 2011.

Using historical trends for unemployment and employment, as well as caseloads and spending figures contained in monthly caseload reports issued by the Office of Temporary and Disability Assistance (OTDA), the Office of the State Comptroller estimates that in SFY 2018-19, All Funds spending for public assistance will total \$1.49 billion (including \$484 million from State Operating Funds), based on caseloads of 320,472 families and 203,626 single recipients.

For SFY 2019-20, public assistance spending from All Funds is estimated to decline by \$10 million, or 0.7 percent, to \$1.48 billion (including \$486 million from State Operating Funds), based on caseloads of 317,902 families and 204,903 single recipients.

For SFY 2020-21, All Funds spending for public assistance is estimated to total just under \$1.48 billion (including \$490 million from State Operating Funds), a decline of \$5 million or 0.3 percent from the previous year, based on caseloads of 316,472 families and 207,196 single recipients.

⁹ New York State Department of Labor.

¹⁰ U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics.

Figure 6

**Comparison of Actual and Projected Caseloads:
Temporary Assistance for Needy Families (TANF), Safety Net Families and Singles**

TANF Families	2017-18	2018-19	Growth	2019-20	Growth	2020-21	Growth
Office of the State Comptroller	214,053	199,168	-7.0%	197,012	-1.1%	195,359	-0.8%
Division of the Budget	217,760	214,749	-1.4%	211,525	-1.5%	208,308	-1.5%
Difference	(3,707)	(15,581)		(14,513)		(12,949)	
Safety Net Families	2017-18	2018-19	Growth	2019-20	Growth	2020-21	Growth
Office of the State Comptroller	123,374	121,304	-1.7%	120,890	-0.3%	121,113	0.2%
Division of the Budget	120,905	119,575	-1.1%	117,673	-1.6%	115,815	-1.6%
Difference	2,469	1,729		3,217		5,298	
Safety Net Singles	2017-18	2018-19	Growth	2019-20	Growth	2020-21	Growth
Office of the State Comptroller	204,543	203,626	-0.4%	204,903	0.6%	207,196	1.1%
Division of the Budget	206,880	209,570	1.3%	211,088	0.7%	213,086	0.9%
Difference	(2,337)	(5,944)		(6,185)		(5,890)	
Total Caseloads	2017-18	2018-19	Growth	2019-20	Growth	2020-21	Growth
Office of the State Comptroller	541,970	524,098	-3.3%	522,805	-0.2%	523,668	0.2%
Division of the Budget	545,545	543,894	-0.3%	540,286	-0.7%	537,209	-0.6%
Difference	(3,575)	(19,796)		(17,481)		(13,541)	

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

Note: Amounts listed by the Office of the State Comptroller for SFY 2017-18 represent actual caseloads as per OTDA.

V. Risks

As with any financial plan, the SFY 2018-19 Enacted Budget Financial Plan and the projections in this report are subject to various risks and uncertainties. The First Quarterly Update notes that actual results may differ materially and adversely from DOB's projections, and points to particular budget risks and uncertainties that could negatively affect the State's projections.

In addition to the broad-scoped risks and uncertainties identified with respect to revenue and economic projections, DOB has also recognized various transactional risks identified by the Office of the State Comptroller in annual budget reviews in recent years.

Among important areas of uncertainty, the Financial Plan notes that the State receives substantial amounts of federal aid for health care, education, transportation and other purposes, and that many programs that drive current funding levels may be subject to change based on budget and policy discussions in Washington. The State continues to face a variety of risks regarding federal funding in the coming years.

Questions remain over how federal tax changes from the Tax Cut and Jobs Act, enacted by Congress in late 2017, will affect the State's finances. Such uncertainty reinforces the importance of monitoring receipts carefully. In addition, New York relies heavily on revenues, including its personal income tax, which can be volatile depending on economic conditions and other factors. The U.S. economy is now in its 10th year of growth since the last recession, and economic cycles include both ups and downs. Under the current circumstances, exercising caution in projecting the State's revenues going forward is particularly advisable.

The SFY 2018-19 Enacted Budget extends and broadens a provision included in the SFY 2017-18 Enacted Budget that allows the Budget Director to impose spending cuts, absent action by the Legislature, if certain reductions in federal assistance occur. However, this provision does not specify the circumstances under which the \$850 million threshold would be deemed to have been met. The impact of this process on the Financial Plan and on recipients of State funding under varying potential scenarios of federal aid reduction is unclear. Given the risk of such reductions, continued close monitoring of developments in Washington is essential. Federal funding reductions not already assumed in the Financial Plan could place significant strain on the State's budget, and force difficult decisions regarding the availability of other resources and the funding of important programs and services.

While the State's statutory and unrestricted budget reserves have been at recent historic high levels, unrestricted reserves are projected to decline over the Financial Plan period as such resources are used for various purposes. 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, catastrophic events or other budgetary risks. More robust reserve levels could reduce the need for deficit reduction actions, including difficult spending cuts and/or significant tax increases, in case of economic downturn or catastrophic events.

Appendix - Financial Projections

Projections Based on Current Law, Including Enacted Spending Caps

Office of the State Comptroller Estimates for Receipts and Disbursements

All Funds - State Fiscal Year 2018-19

(in millions of dollars)

	Office of the State Comptroller	Division of the Budget	Difference
Receipts:			
Personal Income Tax	50,222	50,410	(188)
Consumer Taxes	17,484	17,303	181
Business Taxes	7,932	7,981	(49)
Other Taxes	2,169	2,229	(60)
<i>Total Taxes</i>	<u>77,807</u>	<u>77,923</u>	<u>(116)</u>
General Fund Miscellaneous Receipts	2,532	2,422	110
Lottery	3,201	3,201	-
Subtotal	83,540	83,546	(6)
Other Miscellaneous Receipts	22,677	22,677	-
Federal Grants	60,083	60,083	-
Total Receipts	<u>166,300</u>	<u>166,306</u>	<u>(6)</u>
Disbursements:			
Elementary and Secondary Education	29,672	29,672	-
DOH Medicaid (incl. administration)	59,106	59,106	-
Public Assistance	1,490	1,577	(87)
Subtotal	90,268	90,355	(87)
All Other Disbursements	79,927	79,927	-
Total Disbursements	<u>170,195</u>	<u>170,282</u>	<u>(87)</u>

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 2019-20

(in millions of dollars)

	<u>Office of the State Comptroller</u>	<u>Division of the Budget</u>	<u>Difference</u>
Receipts:			
Personal Income Tax	53,898	53,952	(54)
Consumer Taxes	17,929	17,839	90
Business Taxes	8,325	8,630	(305)
Other Taxes	2,227	2,341	(114)
<i>Total Taxes</i>	<u>82,379</u>	<u>82,762</u>	<u>(383)</u>
General Fund Miscellaneous Receipts	2,038	2,028	10
Lottery	3,222	3,222	-
Subtotal	87,639	88,012	(373)
Other Miscellaneous Receipts	20,922	20,922	-
Federal Grants	61,064	61,064	-
Total Receipts	<u>169,625</u>	<u>169,998</u>	<u>(373)</u>
Disbursements:			
Elementary and Secondary Education	30,175	30,175	-
DOH Medicaid (incl. administration)	61,230	61,230	-
Public Assistance	1,480	1,561	(81)
Subtotal	92,884	92,965	(81)
All Other Disbursements	82,087	82,087	-
Total Disbursements	<u>174,971</u>	<u>175,052</u>	<u>(81)</u>

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 2020-21

(in millions of dollars)

	<u>Office of the State Comptroller</u>	<u>Division of the Budget</u>	<u>Difference</u>
Receipts:			
Personal Income Tax	54,890	55,010	(120)
Consumer Taxes	18,549	18,390	159
Business Taxes	8,595	8,966	(371)
Other Taxes	2,287	2,440	(153)
<i>Total Taxes</i>	<u>84,321</u>	<u>84,806</u>	<u>(485)</u>
General Fund Miscellaneous Receipts	2,001	2,001	-
Lottery	3,225	3,225	-
Subtotal	89,547	90,032	(485)
Other Miscellaneous Receipts	19,779	19,779	-
Federal Grants	62,412	62,412	-
Total Receipts	<u>171,738</u>	<u>172,223</u>	<u>(485)</u>
Disbursements:			
Elementary and Secondary Education	31,608	31,608	-
DOH Medicaid (incl. administration)	63,315	63,315	-
Public Assistance	1,475	1,546	(71)
Subtotal	96,398	96,469	(71)
All Other Disbursements	82,616	82,616	-
Total Disbursements	<u>179,014</u>	<u>179,085</u>	<u>(71)</u>

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 2018-19

(in millions of dollars)

	Office of the State Comptroller	Division of the Budget	Difference
Receipts:			
Personal Income Tax	50,222	50,410	(188)
Consumer Taxes	16,847	16,678	169
Business Taxes	7,278	7,330	(52)
Other Taxes	2,050	2,110	(60)
<i>Total Taxes</i>	<u>76,397</u>	<u>76,528</u>	<u>(131)</u>
General Fund Miscellaneous Receipts	2,532	2,422	110
Lottery	3,201	3,201	-
Subtotal	82,130	82,151	(21)
Other Miscellaneous Receipts	14,087	14,087	-
Federal Grants	74	74	-
Total Receipts	<u>96,291</u>	<u>96,312</u>	<u>(21)</u>
Disbursements:			
Elementary and Secondary Education	26,402	26,402	-
DOH Medicaid (incl. administration)	20,286	20,286	-
Public Assistance	484	492	(8)
Subtotal	47,172	47,180	(8)
All Other Disbursements	52,955	52,955	-
Total Disbursements	<u>100,127</u>	<u>100,135</u>	<u>(8)</u>

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 2019-20

(in millions of dollars)

	<u>Office of the State Comptroller</u>	<u>Division of the Budget</u>	<u>Difference</u>
Receipts:			
Personal Income Tax	53,898	53,952	(54)
Consumer Taxes	17,290	17,214	76
Business Taxes	7,687	7,962	(275)
Other Taxes	2,108	2,222	(114)
<i>Total Taxes</i>	<u>80,983</u>	<u>81,350</u>	<u>(367)</u>
General Fund Miscellaneous Receipts	2,038	2,028	10
Lottery	3,222	3,222	-
Subtotal	86,243	86,600	(357)
Other Miscellaneous Receipts	13,659	13,659	-
Federal Grants	74	74	-
Total Receipts	<u>99,976</u>	<u>100,333</u>	<u>(357)</u>
Disbursements:			
Elementary and Secondary Education	27,397	27,397	-
DOH Medicaid (incl. administration)	21,525	21,525	-
Public Assistance	486	493	(7)
Subtotal	49,408	49,415	(7)
All Other Disbursements	55,970	55,970	-
Total Disbursements	<u>105,378</u>	<u>105,385</u>	<u>(7)</u>

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 2020-21

(in millions of dollars)

	Office of the State Comptroller	Division of the Budget	Difference
Receipts:			
Personal Income Tax	54,890	55,010	(120)
Consumer Taxes	17,906	17,763	143
Business Taxes	7,956	8,303	(347)
Other Taxes	2,168	2,321	(153)
<i>Total Taxes</i>	<u>82,920</u>	<u>83,397</u>	<u>(477)</u>
General Fund Miscellaneous Receipts	2,001	2,001	-
Lottery	3,225	3,225	-
Subtotal	88,146	88,623	(477)
Other Miscellaneous Receipts	13,590	13,590	-
Federal Grants	74	74	-
Total Receipts	<u>101,810</u>	<u>102,287</u>	<u>(477)</u>
Disbursements:			
Elementary and Secondary Education	28,492	28,492	-
DOH Medicaid (incl. administration)	22,532	22,532	-
Public Assistance	490	494	(4)
Subtotal	51,514	51,518	(4)
All Other Disbursements	58,211	58,211	-
Total Disbursements	<u>109,725</u>	<u>109,729</u>	<u>(4)</u>

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

Note: Figures may not total due to rounding.

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