



State of New York

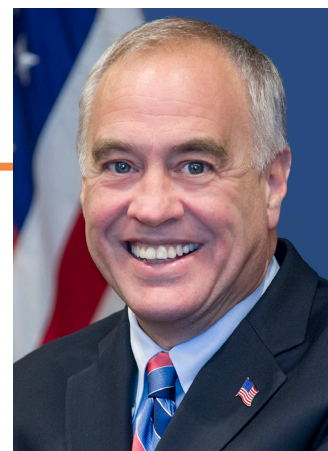
Financial Condition Report

for Fiscal Year Ended March 31, 2020

New York State Comptroller
THOMAS P. DiNAPOLI



Message from the Comptroller



The 2019-20 fiscal year brought the convergence of two dramatically different periods to New York State. The nation's longest recorded economic expansion continued to generate overall job growth through most of the fiscal year before finally ending in February, as the COVID-19 pandemic forced severe limits on business activity and significantly impacted the State's economy. The transition to a new fiscal year then brought the loss of more than 1.9 million jobs in New York, with more widespread economic uncertainty than we have seen in decades.

This Financial Condition Report can help New Yorkers better understand the challenges that lie ahead as the State responds to the economic, fiscal and human impacts of the pandemic. As always, we need to think not only about the immediate challenges, daunting as they are, but the longer-term outlook as well.

Federal aid provided nearly 37 percent of the State's All Funds receipts in State Fiscal Year 2019-20. Federal funding supports health coverage for more than 7 million New Yorkers, and plays essential roles in programs including K-12 education, mass transit and social assistance. Now, however, we are in a time when federal aid is even more critically needed to ease the severe budgetary strains that threaten harmful cuts across the full range of vital public services provided by state and local governments. Whether Washington responds adequately, this year and through the entire course of the pandemic, will do much to determine both New York's fiscal future and the ultimate impacts of COVID-19 on individuals, families and communities.

For SFY 2019-20 as a whole, State tax receipts showed healthy growth, with impacts from the economic slowdown appearing only near the end of the fiscal year. Looking forward, the economic damage brought on by the coronavirus is expected to continue over multiple years, and the same is true of the impact on tax receipts. If federal relief and stimulus aid does not adequately mitigate those revenue losses, policymakers' choices regarding taxes, spending and debt must reflect a careful balancing of factors. These include the nature of our tax base, including heavy reliance on higher-income taxpayers; the need for robust public services, including adequate safety net programs to boost our overall economy and to help New Yorkers in need; and the long-term fiscal sustainability of our State and local governments.

This report provides information and analysis across the full spectrum of New York State government, starting with key fiscal numbers on revenues, spending, capital investments and debt. It highlights major issues in programmatic areas ranging from public health to public safety, energy and the environment, K-12 and higher education, transportation and more.

The coronavirus pandemic has brought an era of extraordinary uncertainty to New York State. By providing essential facts and perspective regarding the State's fiscal and economic condition, this report can help policy makers and the public consider the best ways to address such uncertainty and create a stronger future for all New Yorkers.

Thomas P. DiNapoli
State Comptroller

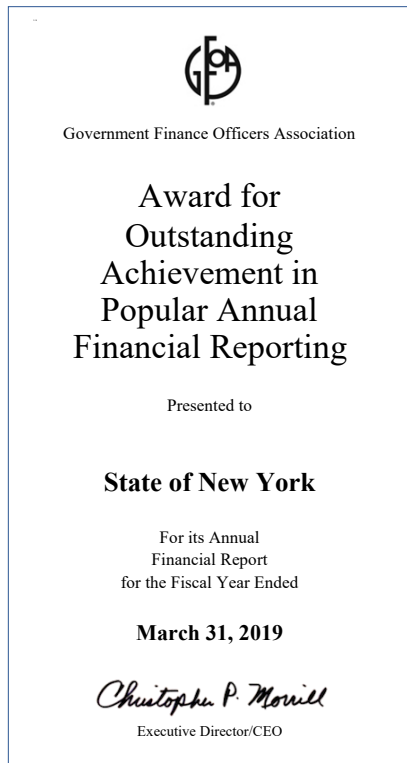
ABOUT THIS REPORT

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

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

Financial condition is a broad concept aimed at assessing the ability of a government to balance recurring expenditures with recurring revenues and to 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 2019 Financial Condition Report.



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Government-Wide Financial Data

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

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

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

Statement of Net Position

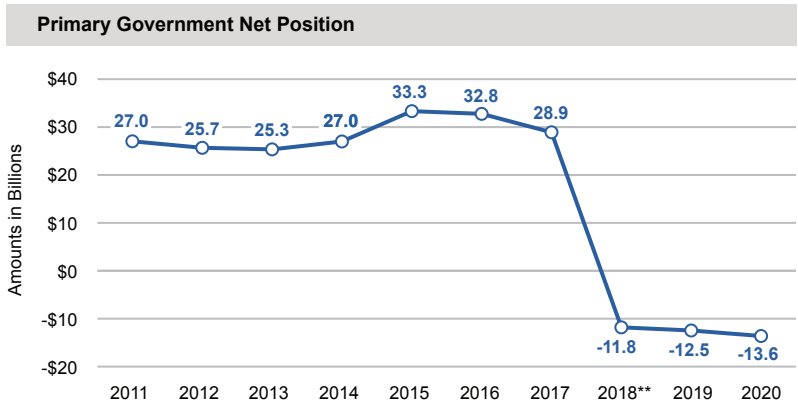
This statement reports:

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

Condensed Statement of Net Position – Primary Government*

As of March 31, 2020 (amounts in millions)

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$20,552	\$10,956	\$31,508
Receivables, net	31,102	3,496	34,598
Internal balances	(333)	816	483
Other assets	744	187	931
Capital assets	91,212	18,595	109,807
Total assets	143,277	34,050	177,327
Deferred outflows of resources	5,542	1,026	6,568
Liabilities:			
Tax refunds payable	12,706	-	12,706
Payable to local governments	6,907	-	6,907
Accrued liabilities and accounts payable	14,863	2,679	17,542
Other liabilities due within one year	8,982	2,191	11,173
Liabilities due in more than one year	104,651	35,893	140,544
Total liabilities	148,109	40,763	188,872
Deferred inflows of resources	5,950	2,688	8,638
Net position:			
Net investment in capital assets	71,410	1,537	72,947
Restricted for debt service and other purposes	3,265	5,034	8,299
Unrestricted deficits	(79,915)	(14,946)	(94,861)
Total net position	(\$5,240)	(\$8,375)	(\$13,615)



** 2018 has been restated due to the effect of the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and State University of New York (SUNY) adoption of GASB Statement No. 81, *Irrevocable Split-Interest Agreements*.

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

Condensed Statement of Activities – Primary Government For the year ended March 31, 2020 (amounts in millions)

Functions/Programs	Expenses	Program Revenues	Net (Expenses) Revenues
Governmental activities:			
Education	\$37,632	\$3,606	(\$34,026)
Public health	78,882	56,013	(22,869)
Public welfare	13,959	11,300	(2,659)
Public safety	7,374	1,554	(5,820)
Transportation	11,098	3,903	(7,195)
Environment and recreation	1,711	1,934	223
Support and regulate business	2,044	3,003	959
General government	11,797	2,537	(9,260)
Interest on debt	1,535	40	(1,495)
Total governmental activities	166,032	83,890	(82,142)
Business-type activities:			
Lottery	6,483	9,741	3,258
Unemployment insurance	2,526	2,427	(99)
State University of New York	12,188	7,378	(4,810)
City University of New York	3,914	1,895	(2,019)
Total business-type activities	25,111	21,441	(3,670)
Total primary government	\$191,143	\$105,331	(85,812)
General revenues, net transfers and special item:			
Taxes			81,403
Other			2,799
Net transfers			456
Total general revenues and transfers			84,658
Change in net position			(\$1,154)

Statement of Activities

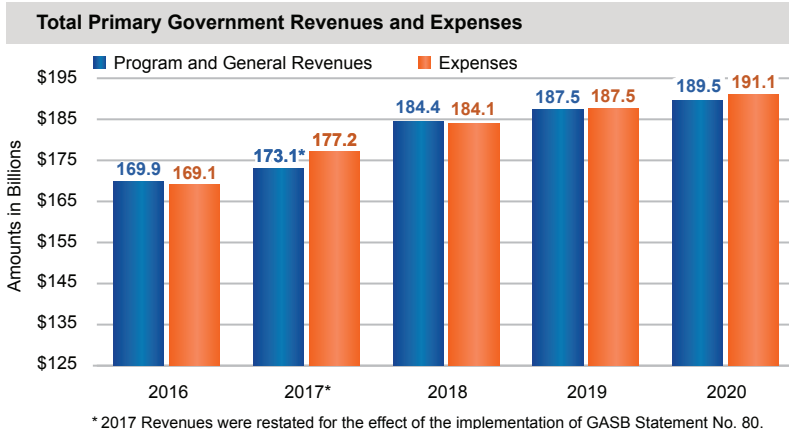
This statement reports the change in net position, which is calculated by:

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

Program revenues include:

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

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



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

Fund Financial Data

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

Funds represent sources of funding and spending for particular purposes.

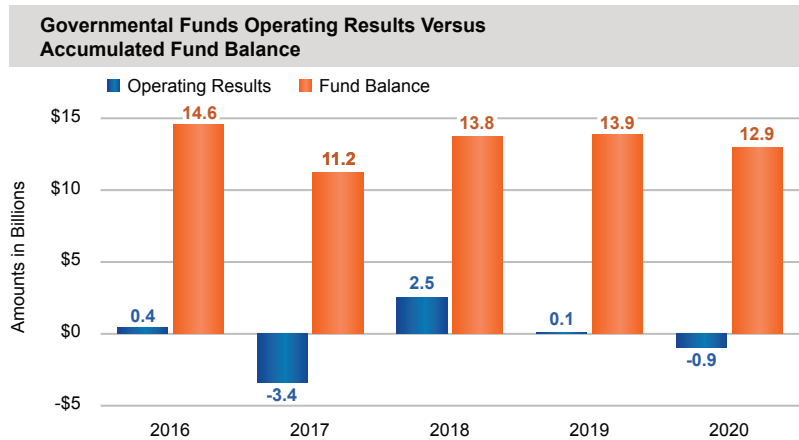
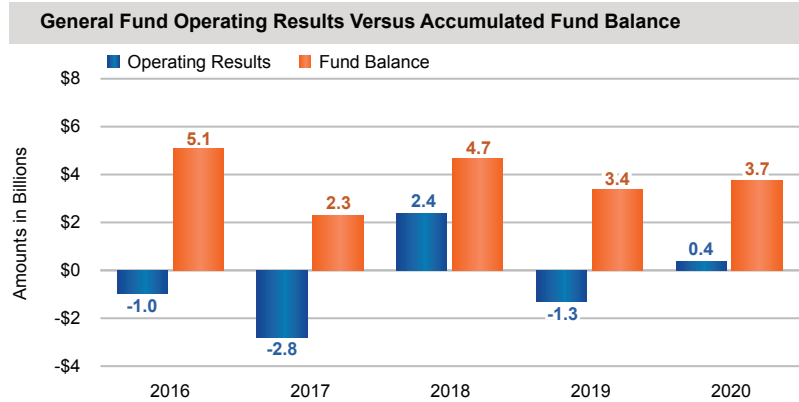
- The General Fund is used to report sources of funds and expenditures that are not required to be accounted for in another separate fund.
- In New York State, significant sources of funds that normally would be reported in the General Fund have been pledged or dedicated to other funds for repayment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

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

General Fund Balance (GAAP Basis) Increases From Prior Year

- At the end of State Fiscal Year (SFY) 2019-20, the General Fund balance was \$3.7 billion, an increase from the previous year's balance of \$3.4 billion.
- For SFY 2019-20, governmental funds* reported a combined operating deficit of \$920 million, decreasing the fund balance to \$12.9 billion.
- The operating deficit included a \$355 million 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 as well as changes in federal and State policies. Tax base is a measure of the State's ability to generate revenue. A decreasing tax base may force spending reductions, increased taxes, or both. Receipts are revenues that have been recorded on a cash basis.

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

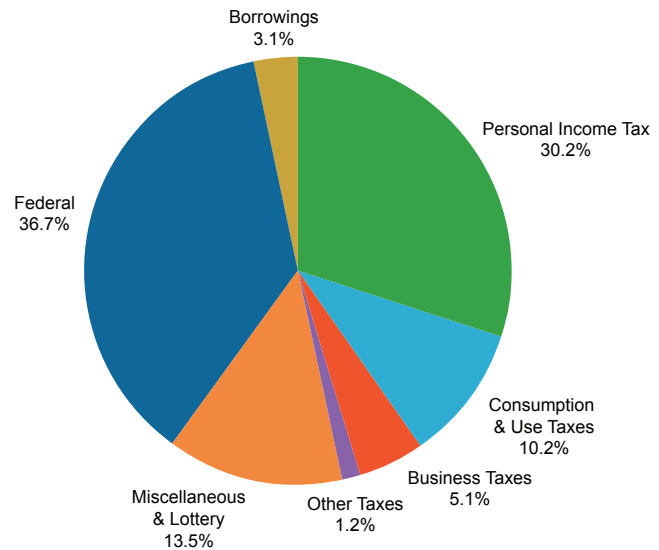
Total State Receipts Have Increased Over the Past Five Fiscal Years

- From 2016 to 2020:
 - Total receipts increased 15.8 percent.
 - Tax receipts increased 11.0 percent.
 - Federal receipts increased 26.8 percent.

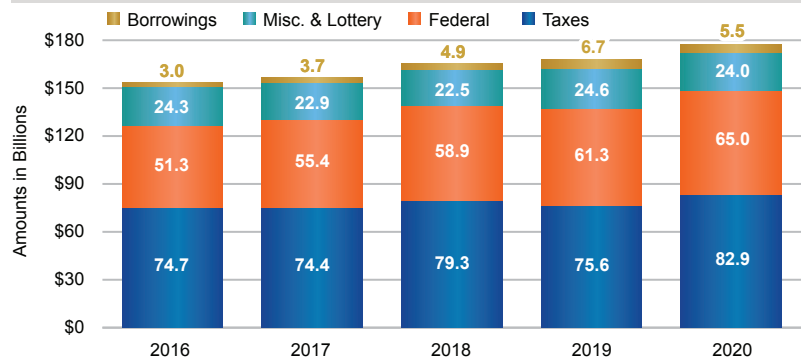
Personal Income Tax and Consumer Tax Receipts Have Increased Over the Past Five Fiscal Years

- Personal income tax and consumer (consumption and use) taxes:
 - Accounted for 40.4 percent of 2020 receipts; and
 - Have increased 14.2 percent since 2016.
- In 2020, personal income tax receipts—the State's largest tax revenue source—increased 11.6 percent from the previous year. The increase is partially due to behavioral responses to changes in the Internal Revenue Code resulting from the Tax Cuts and Jobs Act for both the 2017 and 2018 tax years.

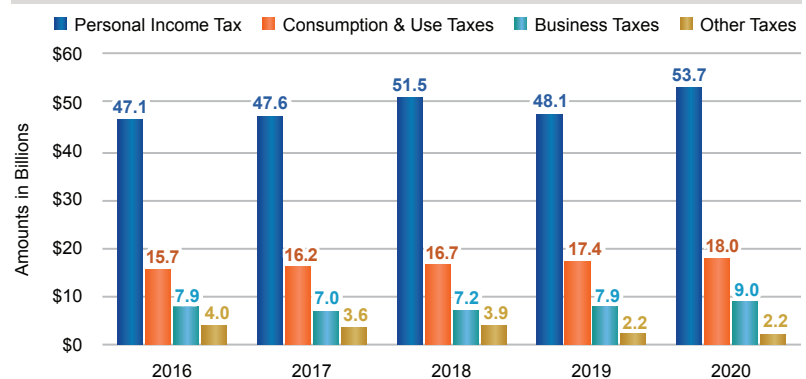
New York's 2020 Receipts by Source



Total State Receipts



Tax Receipts by Year



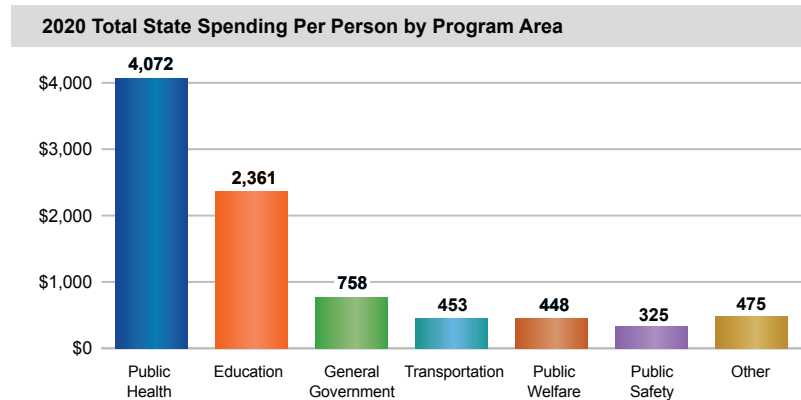
Total Spending

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

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

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

- Compared to the prior year, State spending increased \$2.1 billion (1.2 percent) to \$173 billion in 2020.
- Since 2016, the growth in State spending (14.8 percent) has exceeded the rate of inflation (Consumer Price Index increase of 6.7 percent).
- State spending has been partially paid for by borrowing \$23.8 billion since 2016, including \$5.5 billion in 2020.
- In 2020, State spending was \$8,892 per person.
- Spending on public health and education represents 72.4 percent of total State spending.

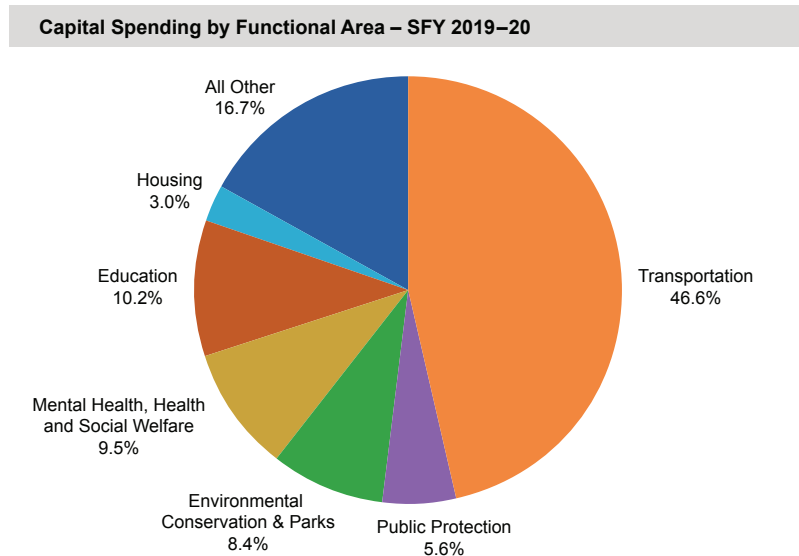
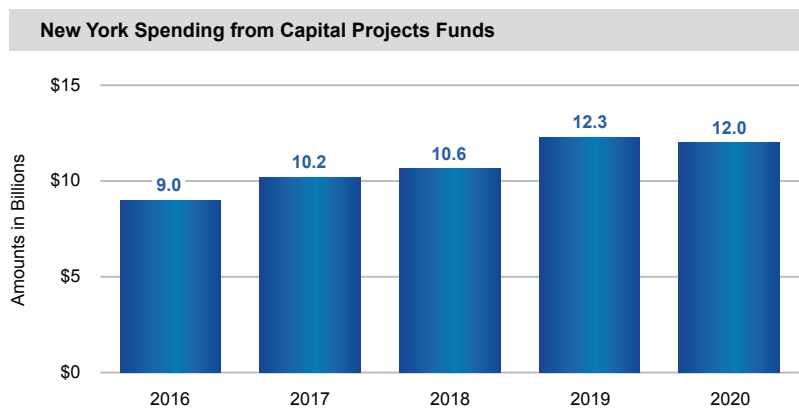


Capital

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

Capital Spending Has Increased Over the Past Five Years*

- From SFY 2015-16 to SFY 2019-20, capital spending increased by \$3.0 billion (33.6 percent). Spending increases within major categories included:
 - Transportation, up by \$425.2 million (8.2 percent). Transportation accounted for 46.6 percent of all capital projects spending in SFY 2019-20, down from 57.6 percent five years earlier.
 - Environmental Conservation and Parks, which rose by \$385.1 million (62 percent). This category's share of total capital spending increased from 6.9 percent to 8.4 percent.



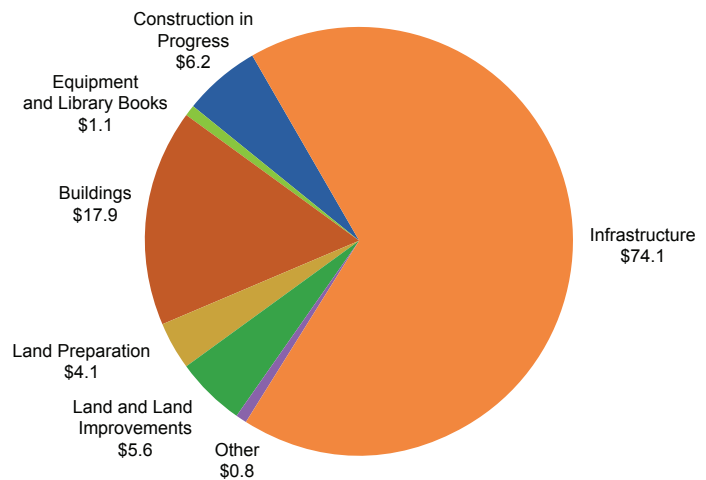
- Mental Health, Health and Social Welfare purposes, up by \$692.6 million (154.7 percent).
- All other purposes, up by \$829.4 million (70.6 percent). The increase is largely attributable to:
 - Certain economic development initiatives funded with State resources by the State's public authorities in recent years; and
 - Projects funded with extraordinary monetary settlement resources from the Dedicated Infrastructure Investment Fund. These included certain funding provided to the Thruway Authority for the Governor Mario M. Cuomo Bridge and other Thruway system improvements.

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

- Over the past 20 years, the State has financed an average of 33.9 percent of non-federal capital spending on a pay-as-you-go basis when including off-budget spending.
- Over the next five years, the Division of the Budget projects:
 - Capital spending to average \$13.7 billion per year; and
 - The share of nonfederal capital spending financed on a pay-as-you-go basis to average 31.0 percent.

At the end of SFY 2019-20, the State reported \$109.8 billion in capital assets, an increase of \$1.9 billion (1.8 percent) from the prior year.

New York State Capital Assets – 2020, Amounts in Billions



Public Health

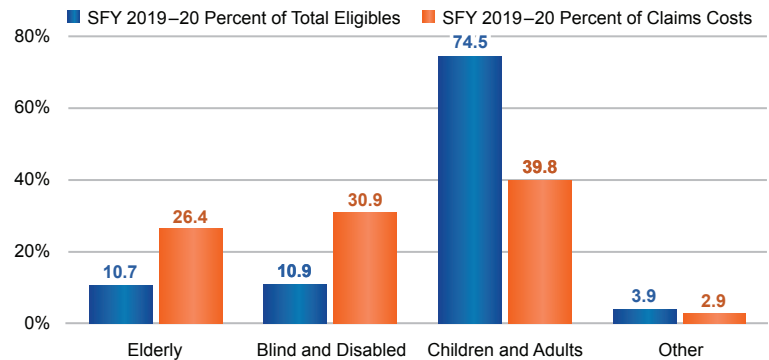
Pandemic Brings Jump in Medicaid Enrollment

- After a modest decrease of 0.3 percent on an average monthly basis in SFY 2019-20, Department of Health (DOH) Medicaid enrollment rose significantly in the wake of the COVID-19 pandemic near the end of SFY 2019-20 and into the new fiscal year. The Division of the Budget estimated in August 2020 that enrollment would increase by more than 450,000, to over 6.6 million, in SFY 2020-21.

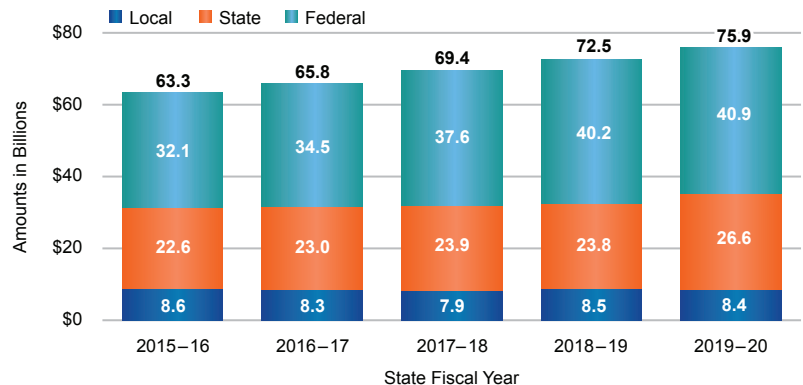
Medicaid Spending Increased in SFY 2019-20, Largely Due to Higher State Share Payments

- Compared to the year before, combined local, State and federal Medicaid spending increased by \$3.4 billion (4.7 percent) to \$75.9 billion in SFY 2019-20. This increase largely reflects growth of \$2.8 billion in State share Medicaid payments associated, in part, with the increase in the minimum wage, price and utilization growth, and the State takeover of the local share of Medicaid growth. State share spending is further influenced by a deferral of certain Medicaid payments with a State share total of \$1 billion from SFY 2019-20 to SFY 2020-21, which according to the Division of the Budget was necessary to ensure compliance with the global cap limit for SFY 2019-20.

Medicaid Costs and Eligible Recipients
Department of Health – Current Claims



Medicaid Spending in New York State
Federal, State and Local Shares



- Children and adults represented 74.5 percent of all average monthly DOH Medicaid enrollees, but only 39.8 percent of the costs of DOH Medicaid claims for the State in SFY 2019-20. Elderly, blind and disabled enrollees made up 21.6 percent of eligible recipients, but accounted for 57.3 percent of DOH Medicaid claims costs.

Essential Plan Shows More Moderate Enrollment Growth

- Enrollment in the Essential Plan, which began in SFY 2015-16 and rose to more than 728,000 over its first three years, saw a modest increase of 3.5 percent to 800,438 in SFY 2019-20.
- 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, the program is known as the Essential Plan. It is available to individuals who are under 65, not eligible for Medicaid or the Child Health Plus (CHP) Program, without access to affordable coverage and with incomes at or below 200 percent of poverty level.
- In SFY 2019-20, federal funds covered 98.1 percent or \$3.8 billion in Essential Plan costs, with State funds covering the remaining 1.9 percent.

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

- In January 2020, approximately 7.4 million individuals or more than one in three New Yorkers were enrolled in DOH Medicaid, the Essential Plan or CHP.

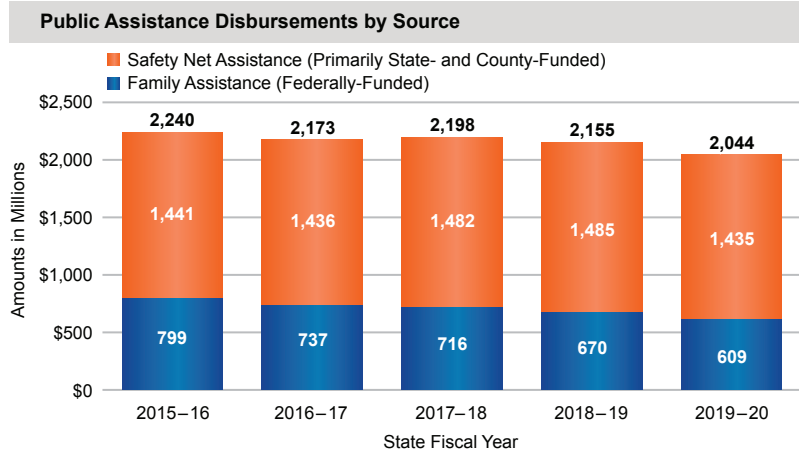
Public Welfare

Caseloads Decreased in SFY 2019-20 Before the Impact of the COVID-19 Pandemic

- Numbers of recipients of Public Assistance (PA), the Supplemental Nutrition Assistance Program (SNAP) and Supplemental Security Insurance (SSI) all declined in SFY 2019-20, continuing trends of recent years in each case.
- The advent of the COVID-19 pandemic in New York State near the end of the fiscal year was followed by significant increases in enrollment and spending for PA and SNAP in the first few months of SFY 2020-21. Detailed figures for SFY 2020-21 are not yet available.

Public Assistance Recipients Decreased to Lowest Level in Nearly 60 Years

- 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.
- For SFY 2019-20, the average monthly number of public assistance recipients in the State decreased for the fourth straight year to its lowest level since 1962, according to the State Office of Temporary and Disability Assistance (OTDA). The decrease in recipients in SFY 2019-20 is largely due to fewer SNA adults in New York City, and fewer FA children statewide.



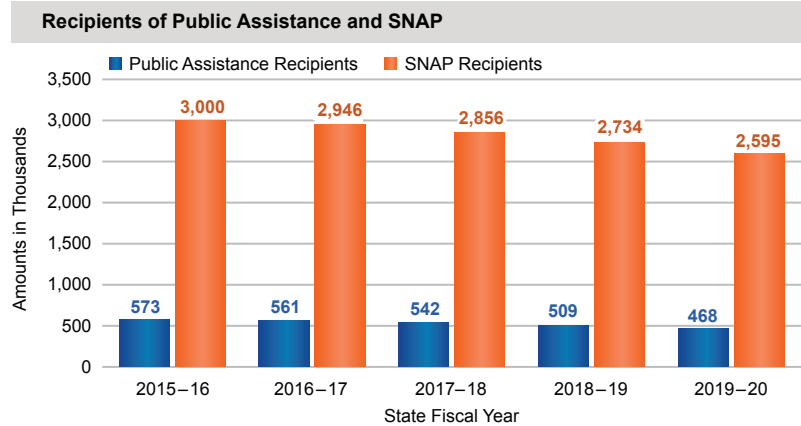
- Compared to the prior year, the average monthly number of recipients of public assistance in New York State decreased by 40,675 (8.0 percent) to 468,270.
- The number of FA recipients decreased for the sixth year in a row, by 9.8 percent, bringing the cumulative decline over that period to 32.2 percent. SNA recipients decreased for the third consecutive year, by 6.9 percent. SNA is largely funded by the State and the counties, while FA is funded by the federal government.

Spending for Public Assistance Decreases for the Third Time in the Last Four Years

- Public assistance spending decreased in SFY 2019-20 for the second year in a row, by \$111.0 million (5.2 percent), compared to the previous year mainly because of a decrease in FA disbursements statewide.
- SNA disbursements, which accounted for over two-thirds (70.2 percent) of total public assistance spending in SFY 2019-20, decreased by 3.4 percent, compared to the prior year.
- Compared to the prior year, FA disbursements in New York State decreased by \$60.9 million (9.1 percent).

SNAP Recipients and Spending Continued Trend of Decline

- The number of recipients in the State's Supplemental Nutrition Assistance Program (SNAP) decreased for the sixth consecutive year in SFY 2019-20, 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 139,061 (5.1 percent) to about 2.6 million.
- Disbursements for SNAP decreased for the seventh consecutive year.
- Compared to the prior year, SNAP disbursements in New York State decreased by \$200.1 million (4.5 percent) to \$4.3 billion.



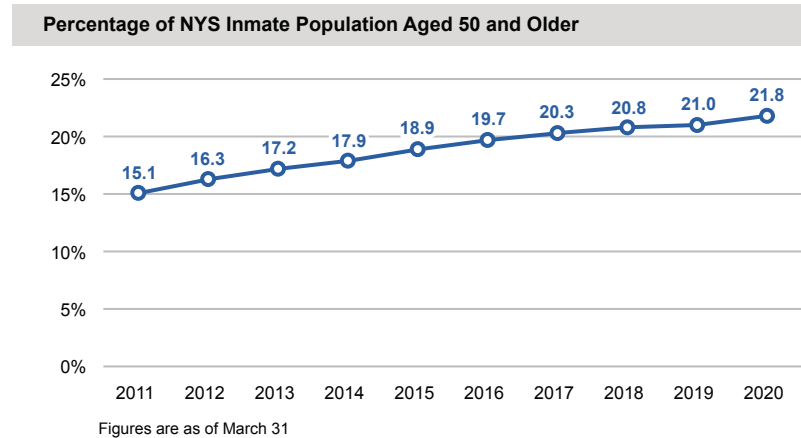
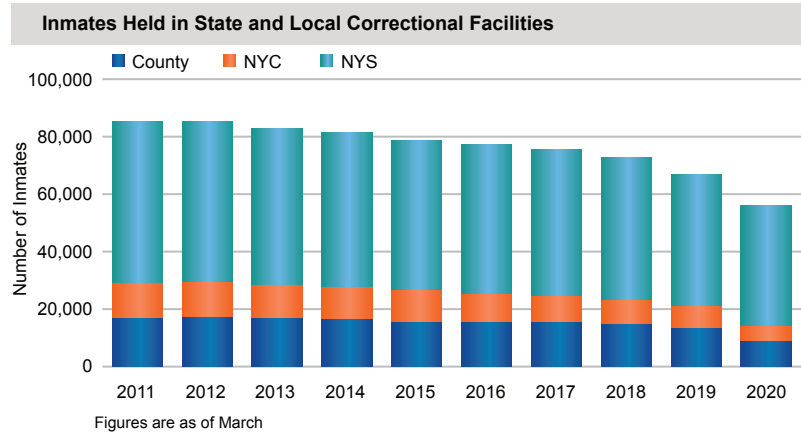
SSI Recipients Decrease for Fourth Consecutive Year; Disbursements Rise to \$5 Billion

- The number of recipients of Supplementary Security Income (SSI)—a State- and federally-funded program for the aged, blind and disabled with little or no income and resources—decreased by 8,910 (1.3 percent) to 674,460 in SFY 2019-20.
- Compared to the prior year, SSI disbursements in the State increased by \$44.1 million (0.9 percent) to \$5.0 billion. Of this amount, the federal government contributed \$4.4 billion, an increase of \$49.8 million (1.1 percent) compared to the prior year. State expenditures totaled \$592.2 million, a decrease of \$5.7 million (0.9 percent) compared to the prior year.

Public Safety

Inmate Populations and Crime Rates Continue Dropping

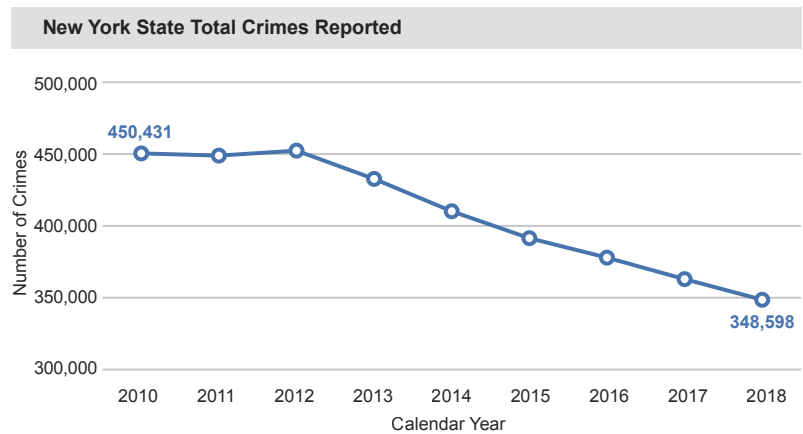
- As of March 2020, approximately 56,137 inmates were held in 133 State and local correctional facilities, which include:
 - 52 State correctional facilities;
 - 64 county jail and correctional facilities; and
 - 17 New York City correctional facilities.
- Since March 2011, the total inmate population has declined by 29,164 (34.2 percent), with the majority of the decline occurring in State correctional facilities, followed by county correctional facilities outside of New York City.
- Over the last 10 years, the proportion of inmates aged 50 and over in State correctional facilities increased by 44.1 percent.
- From 2009 through 2019, New York has closed 19 State correctional facilities. The State Fiscal Year (SFY) 2020-21 Enacted Budget authorizes the closure of an unspecified number of State correctional facilities during the year, as determined necessary for the cost-effective and efficient operation of the system, provided the Legislature receives 90 days' notice of any closure(s). As of August 2020, the Legislature has received no such notice.



- Elimination of cash bail for most misdemeanor and non-violent felony offenses authorized by the SFY 2019-20 Budget and effective January 2020 may account for a portion of recent reductions in county and New York City jail populations. Further changes to State bail laws enacted in the SFY 2020-21 Budget that expand the list of crimes for which courts could set bail may serve to increase county and New York City jail populations over new baselines. The SFY 2019-20 Enacted Budget eliminated cash bail for most misdemeanor and non-violent felony offenses, effective January 2020, providing for release on an individual's own recognizance or with non-monetary conditions when deemed appropriate by a court.
- From 2010 to 2018, the total number of crimes reported annually in New York State declined by 101,833 (22.6 percent). This trend reflects falling crime rates across most major categories of crimes.

Raising the Age of Criminal Responsibility to 18

- As a result of legislation included in the SFY 2017-18 Enacted Budget and fully implemented in October 2019, adolescent offenders (AO) aged 16 and 17 years committing non-violent crimes are no longer processed as adults in the State's criminal justice system and instead receive rehabilitation services in facilities deemed age-appropriate.
- For October 2019 through June 2020, preliminary data show 3,045 AO arrests for felony offenses; 2,372 AO arraignments in the Youth Part of Criminal Court; and 1,981 AO transfers to Family Court, where the AO is adjudicated as a juvenile delinquent.
- AOs staying in the Youth Part are treated as adults, but the judge considers the AO's age when deciding the appropriate sentence.



Transportation

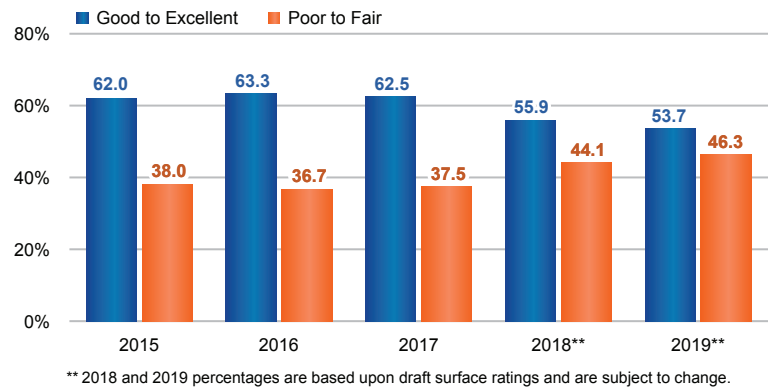
Highway Conditions Have Declined in the Past Two Years After Remaining Steady Since 2015

- The State is responsible for maintaining more than 42,700 lane miles of highway.
- Compared to the prior year, the number of highway lane miles rated poor to fair increased by 4.4 percent in 2019.
- In 2019, 53.7 percent of the State’s highway lane miles were rated good to excellent, a 2.2 percentage point decrease since 2018.

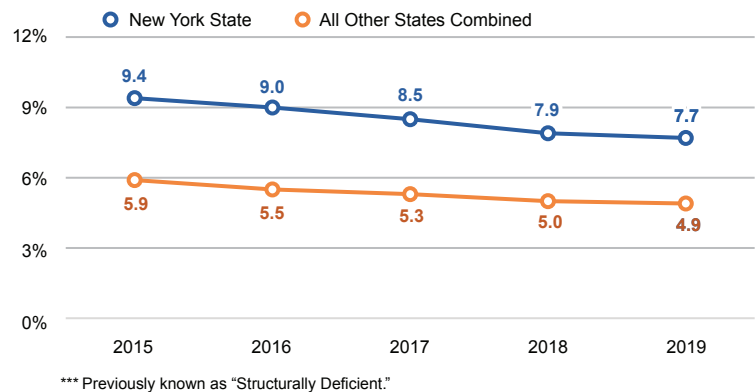
Bridge Conditions Have Improved Since 2015, but Are Worse Than in Other States

- In 2019, New York State was responsible for maintaining 8,519 bridges.*
- A bridge is considered to be in poor condition (previously known as structurally deficient) if it has deterioration to one or more major components. The fact that a bridge is in poor condition does not imply that it is unsafe or likely to collapse. A poor bridge, when left open to traffic, typically requires posting for weight limits, significant maintenance and repair to remain in service and eventual rehabilitation or replacement to address deficiencies. In 2019, 7.7 percent of State-maintained bridges were rated poor. This is an improvement from 9.4 percent in 2015, but it compares unfavorably to the 4.9 percent share for all other states combined.

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



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



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

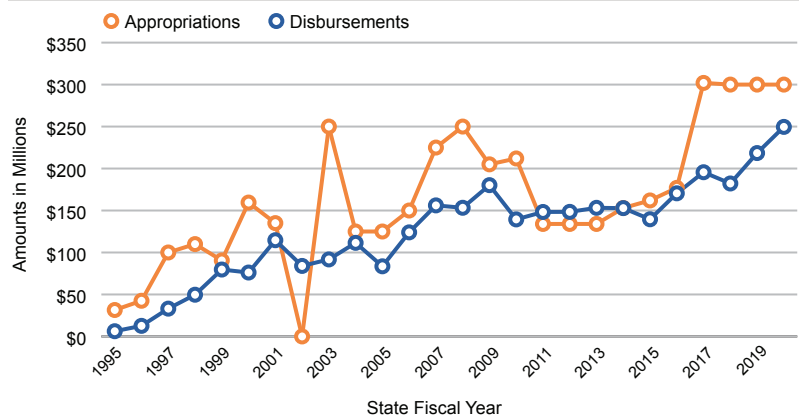
Environment, Energy and Agriculture

Environmental Protection Fund (EPF)

Created in 1993, the EPF:

- Provides an ongoing source of primarily pay-as-you-go funding to address the State's environmental needs.
- Supports a broad array of environmental programs, such as State and municipal open space conservation; municipal and agricultural non-point source water pollution control; State and local parks projects; municipal water pollution control and aquatic habitat conservation; support for the State's zoos, botanical gardens and aquaria; waterfront revitalization; farmland conservation; and municipal climate change mitigation and resilience programs.
- Has been primarily funded with a portion of the State's real estate transfer tax. However, from SFY 2014-15 through SFY 2019-20, General Fund Transfers were also a recurring funding source and accounted for 21 percent of EPF funding.
- Appropriations to the EPF have fluctuated over the life of the Fund. In SFY 2019-20, the EPF appropriation was \$300 million.

History of EPF Appropriations and Disbursements (1994-95 through 2019-20)



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

Department of Environmental Conservation (DEC)

- In SFY 2019-20, DEC All Funds spending totaled \$1.2 billion, an increase of \$27 million (2.2 percent) over SFY 2018-19.
- As of March 31, 2020, employment at DEC reached 3,017 Full-Time Equivalent (FTE) positions, an increase of 21 FTEs over levels as of March 31 in the previous year. However, the 2020 figure was down 12.7 percent from March 31, 2010.

Air

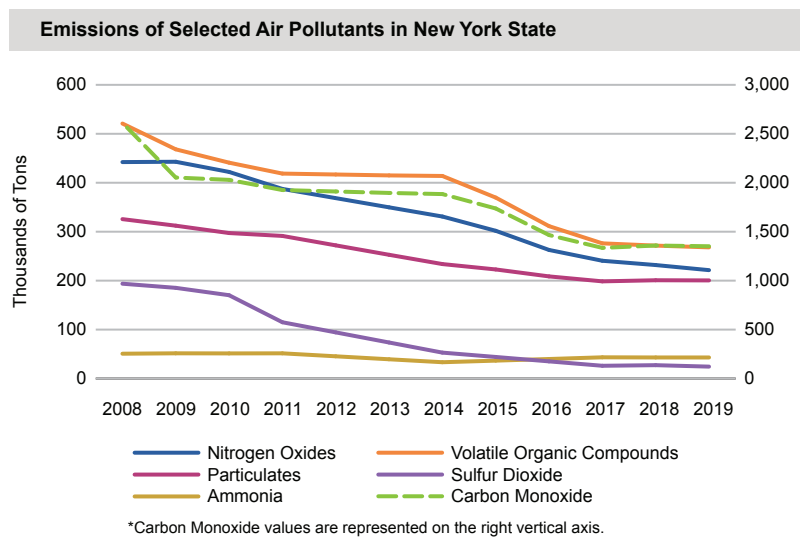
- For 2019, the U.S. Environmental Protection Agency's State Average Annual Emissions Trend report shows estimated total emissions in New York from certain criteria pollutants covered by the National Ambient Air Quality Standards, excluding lead, of 2.1 million tons, a decrease of 1.2 percent from the previous year's estimated emissions and a decrease of more than 49 percent from 2008. These emissions include nitrogen oxides, volatile organic compounds, particulate pollution, sulfur dioxide, carbon monoxide and ammonia. Nitrogen oxides and volatile organic compounds are precursors of ground level ozone, or smog. Sulfur dioxide is a precursor of particulate formation in the atmosphere and of acid rain.
- Highway and off-highway vehicles and engines are the largest sources of carbon monoxide, with 555,398 and 605,404 tons of emissions, respectively. Together these sources account for 85.9 percent of total carbon monoxide emissions.

- Solvent utilization was New York State's leading source of volatile organic compound emissions in 2019, with 110,059 tons of emissions or 41.1 percent of the total.
- Highway vehicles in New York were the leading emitter of nitrogen oxides in 2019, with 76,111 tons of emissions or 34.4 percent of the total.
- Mining and quarrying, construction, agriculture and road dust combined were New York's most significant source of particulates in 2019, with 139,983 tons of emissions, 69.8 percent of the total.
- Fuel combustion by industry was the leading source of New York's sulfur dioxide in 2019, with 11,720 tons of emissions or 48.1 percent of the total.
- Agricultural livestock and fertilizer application combined were the leading source of ammonia in 2019, with 36,477 tons of emissions or 84.7 percent of the total.

Water

- In 2019, there were reported incidences of harmful algal blooms (HAB) on 188 bodies of water in New York State, an increase of 15 over the prior year. Of these water bodies:
 - 59 percent experienced more than one HAB event,
 - 12 percent experienced between 10 and 20, and
 - 12 water bodies experienced 20 or more.

Cayuga Lake, in the Finger Lakes region, had the largest number of observed HAB events, with 103.



- A \$2.5 billion capital projects appropriation was included in the SFY 2017-18 Enacted Budget for clean water infrastructure projects, including those projects authorized by the New York State Clean Water Infrastructure Improvement Act of 2017. Eligible projects include nonagricultural nonpoint source control; municipal waste water treatment; remediation of contaminated sites that contribute to water contamination; source water protection; and upgrades to septic systems and cesspools. As of March 31, 2020, \$190.7 million (7.6 percent) had been spent from this appropriation.
- An additional \$500 million in appropriations for water infrastructure projects were included in the SFY 2019-20 and SFY 2020-21 Enacted Budgets.

Solid Waste

- The SFY 2019-20 Enacted Budget included a statewide ban on most plastic carryout bags distributed by retail stores to package and carry purchases. In addition, the Budget authorized an optional 5 cent charge on paper bags that may be adopted by cities or counties. The law became effective in March of 2020, but the COVID-19 pandemic has led to delays in enforcement.
- The SFY 2020-21 Enacted Budget included a statewide ban on most Styrofoam food service containers and Styrofoam loose fill packaging, commonly referred to as “packing peanuts.”

Energy

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

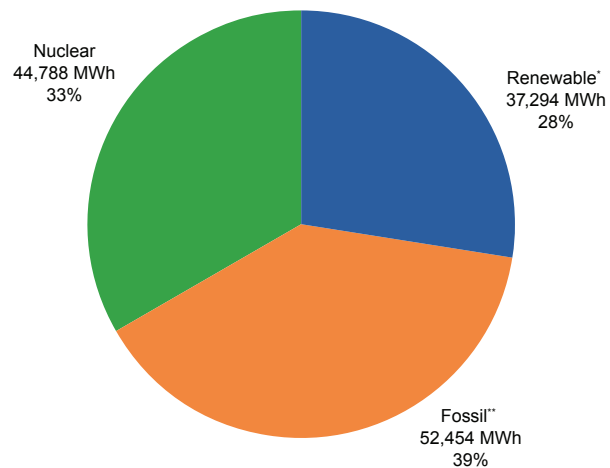
- A reduction in greenhouse gas emissions in the State of 40 percent below 1990 levels by 2030 and a reduction of 85 percent by 2050.
- Generation of 70 percent of electricity used in the State from renewable sources by 2030. By 2040, the State's system to meet electric demand must generate no greenhouse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

According to the New York State Independent System Operator, in 2019, 135,585 gigawatt hours of electricity were generated in New York State.

According to the U.S. Energy Information Administration:

- In 2017, New York State emitted 157.7 million metric tons of carbon dioxide due to energy use, or 23.9 percent lower than 1990 levels.
- In 2017, New York State had the most energy efficient economy among U.S. states, consuming 2.6 thousand BTUs for every dollar of gross domestic product.
- In 2018, with energy expenditures of \$3,112 per person, New York State had the second lowest per capita energy expenditures of any state.

Electric Generation by Source, New York State, 2019



* Renewable generation includes hydroelectric 30,141 MWh, Wind 4,454 MWh, Solar 52 MWh and 2,648 MWh from methane, refuse and wood.

** Fossil generation includes gas and oil 44,068 MWh, gas 7,273 MWh and coal 425 MWh.

- For March 2020, New York State's average residential natural gas price of \$12.13 per thousand cubic feet was 17th in the nation.
- For April 2020, at 17.33 cents per kilowatt hour, New York State's average residential electric rate was ninth in the nation.

Agriculture

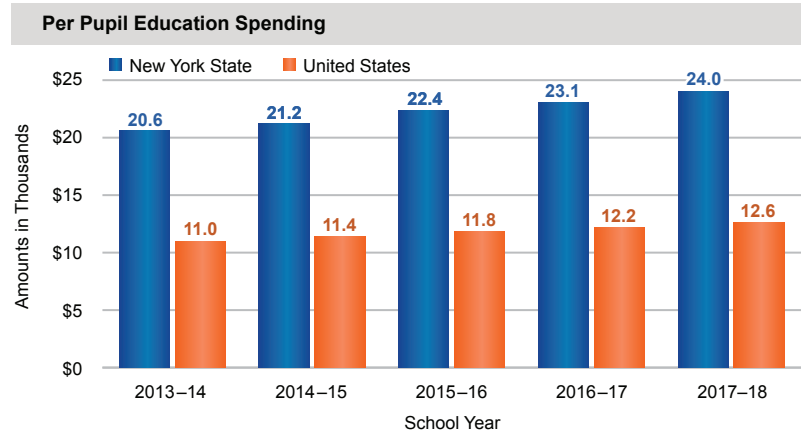
According to the U.S. Department of Agriculture, in 2018:

- There were 33,400 farms in New York State.
- New York farms encompassed 6.9 million acres, with an average farm area of 207 acres.
- At \$3,230 per acre, New York had the second lowest average value for farmland among Northeastern states—only Maine's value was lower.
- The overall economic impact from New York farms as measured by net farm income was \$1.1 billion, a decrease of more than 18 percent from 2017.
- Receipts from the sale of all agricultural commodities in New York State were approximately \$5.4 billion.
- With total production of 1.4 billion pounds, New York was the second largest apple producer in the nation.
- New York was the fourth largest milk producer in the nation, at 14.9 billion pounds, and realized the third highest total sales, \$2.7 billion, on this production.

Elementary and Secondary Education

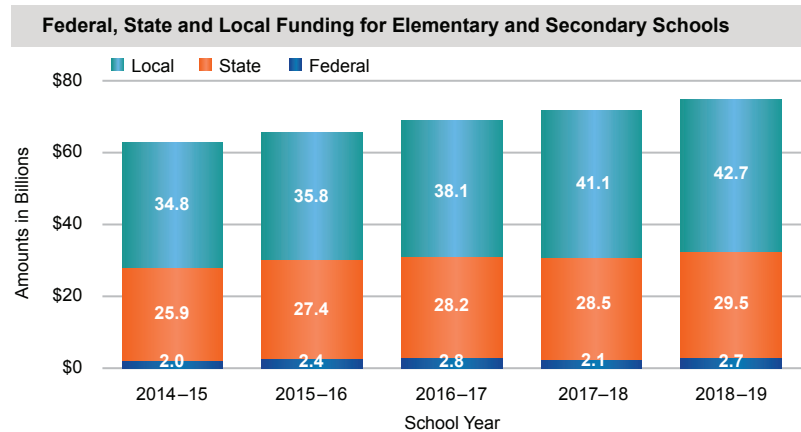
New York State Ranks Highest in Nation in Per Pupil Spending

- For the 2017-18 school year,* New York State was the highest among the states in per pupil disbursements for current public elementary and secondary education at \$24,040, according to the U.S. Census Bureau. New York's per-pupil figure rose 4.1 percent from the previous year. Differences in educational spending among states may reflect variations in regional costs, among other factors.



Local Resources Represent the Largest Source of Funding

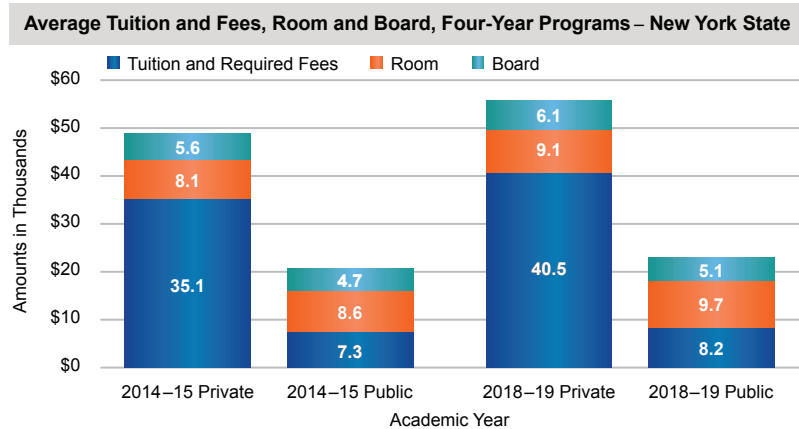
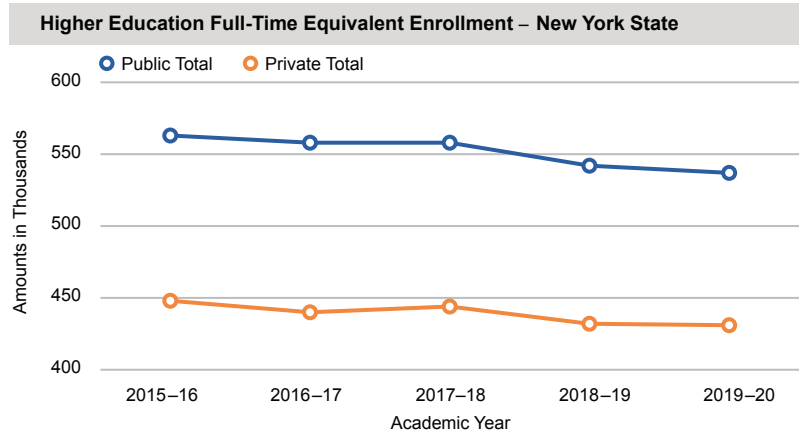
- In 2018-19, support for public elementary and secondary schools in New York came from the following sources:
 - Local, \$42.7 billion;
 - State, \$29.5 billion, including the School Tax Relief Program (STAR) of \$2.4 billion; and
 - Federal, \$2.7 billion.
- In school budgets proposed for the 2020-21 school year, property tax levy increases averaged 2.2 percent, compared to a 2.4 percent increase the previous year.



*Most recent available year.

Higher Education

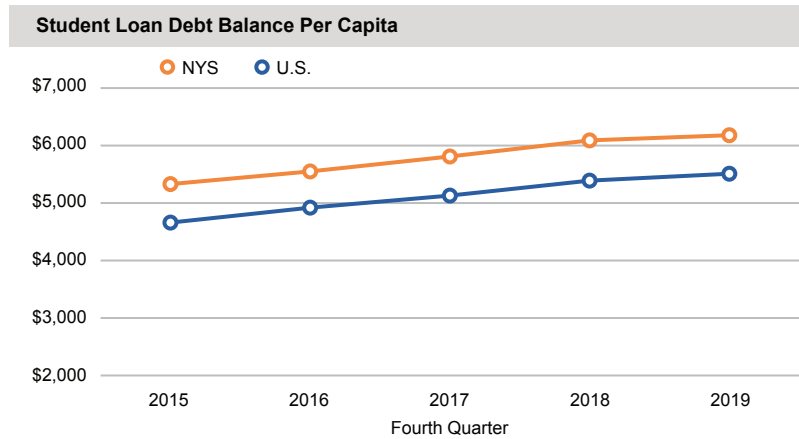
- In academic year 2019-20, New York State public and private higher education institutions had the following students in degree-credit enrollments:
 - 846,281 full-time; and
 - 344,964 part-time.
- The State has a higher proportion of private college attendance than most states, with 195 independent and proprietary college campuses accounting for 44.5 percent of statewide full-time equivalent (FTE) enrollment.
- In the 2019-20 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, \$8,780 (\$5,660 for two-year colleges); and
 - CUNY, \$7,405 (\$5,275 for two-year colleges).
- In the 2018-19 academic year, an estimated 319,755 students received State Tuition Assistance Program (TAP) awards, totaling \$881.5 million. New York State also provided an estimated 60,889 other scholarships and awards totaling over \$171 million in aid, including 25,100 Excelsior scholarships totaling \$98.9 million.



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

- From academic years 2014-15 through 2018-19, average tuition charged for full-time students in four-year programs in public colleges and universities in New York was roughly 20 percent of comparable tuition at private institutions. Over that period, room and board costs represented almost two-thirds of total charges (including tuition, mandatory fees, room and board) at public institutions. Room and board costs were slightly higher but represented just over one-quarter of all costs at private institutions, where tuition and fees are much greater.

- In SFY 2019-20, the State spent \$315 per resident on higher education, ranking 17th in the nation for higher education spending per capita.
- According to the Federal Reserve, the student loan debt balance per capita in the State grew by 15.9 percent from 2015 to 2019, slower than the 18.2 percent rate of growth for the nation during the same period. The percent of the student loan debt balance in New York State that was 90 or more days delinquent (and in default) was 8.5 percent in 2019, down from 9.2 percent in 2015.

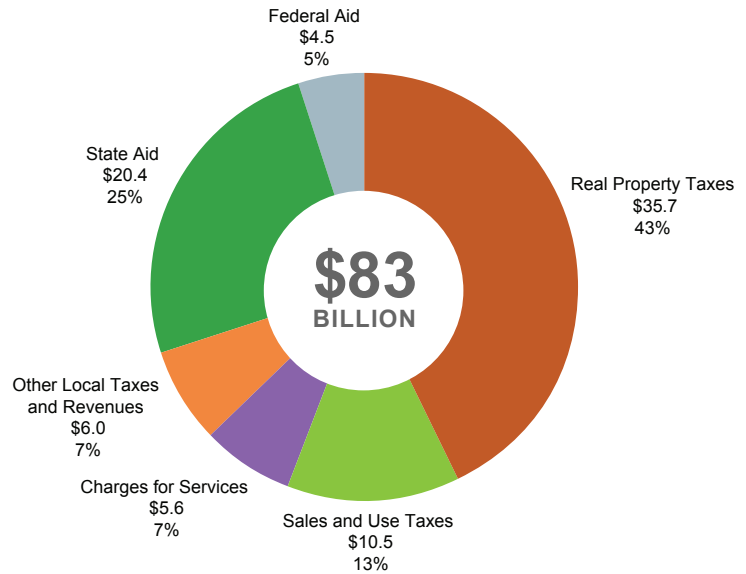


Local Government

Real Property Taxes and Sales Taxes Are Major Local Revenue Sources

- Real property taxes remain the single largest source of local government revenue in the State, accounting for \$35.7 billion, or 43 percent, of the \$83 billion in total revenue from local fiscal years ending in 2018 (not including New York City).
- Fire districts are the most dependent class of local government on the property tax for revenue (which accounts for 93 percent of their total revenue), followed by school districts and towns (each at 54 percent), and villages (49 percent).
- State aid is the next largest revenue source for local governments. It is a major source for school districts, accounting for 38 percent of total school district revenues. Other classes of local government also receive a significant share of their revenues from State aid—for social service programs in counties, for highways (mostly in cities and towns) and as unrestricted municipal aid (mainly in cities). In response to the COVID-19 pandemic, the State has utilized authority granted by the fiscal year 2021 budget to withhold \$1.9 billion in State aid through the end of July 2020.

Revenues by Source, Fiscal Year Ending 2018
Amounts in Billions

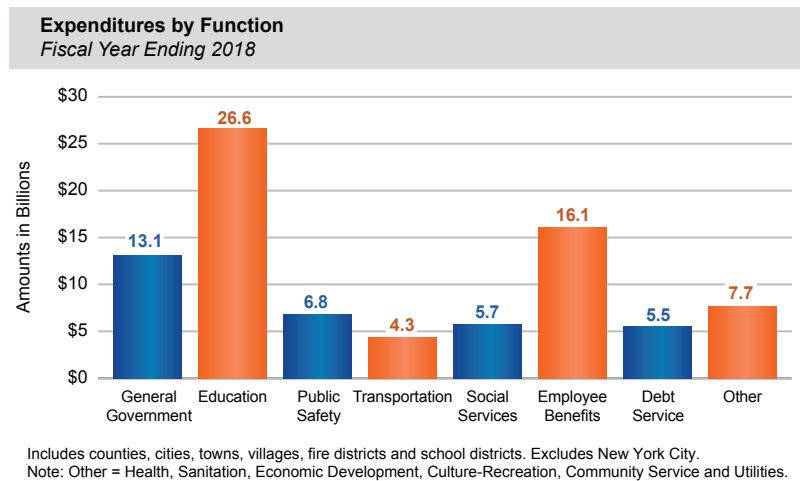
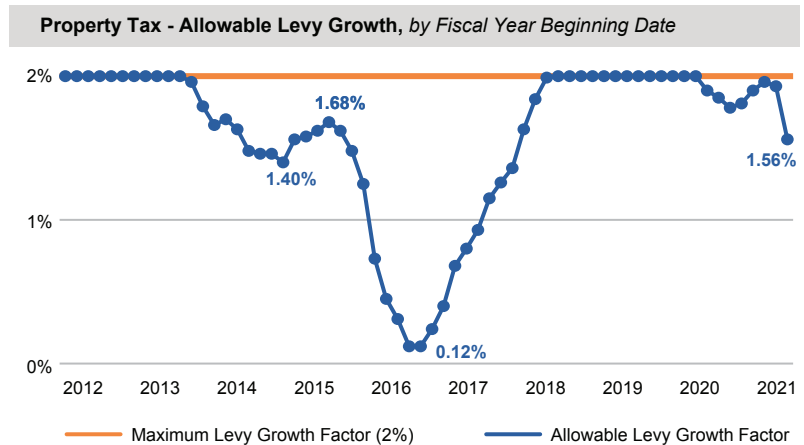


Includes counties, cities, towns, villages, fire districts and school districts. Excludes New York City.

- Sales and use taxes are also an important revenue source for local governments, representing \$10.5 billion, or 13 percent of total revenue in 2018, and are the largest single revenue source for counties (34 percent).
- Local sales tax collections totaled \$18.3 billion in calendar year 2019, an increase of 4.7 percent over 2018. However, collections from January through July 2020 are down 11.3 percent over the same period last year due to the pandemic, which began to affect collections starting in March 2020.

Property Tax – Allowable Levy Growth Is Declining

- Generally, the property tax cap law limits levy increases to the lesser of 2 percent or the rate of inflation, with some exceptions, though each local government’s tax cap calculation involves a multi-step formula. The law also includes provisions for a local government to override the tax cap.
- After nearly two years of allowable levy growth capped at the maximum 2 percent recently, the calculated allowable levy growth factor has dipped below 2 percent for all local governments responsible for reporting property tax cap elements to OSC over the past year. The rate of 1.56 percent calculated for local governments with fiscal years ending on 12/31/2021 represents the lowest allowable levy growth rate since 2017. While it has not approached the near-zero growth factor seen in 2016, these year-over-year reductions in allowable growth will reduce the budgetary flexibility many local governments may need as they feel the effects of the COVID-19 pandemic.



Education and Employee Benefits Account for Half of Local Government Expenditures

- In 2018, total local government expenditures were \$85.8 billion. Counties spent \$25.4 billion, cities (not including New York City) spent \$5.1 billion, towns spent \$8.2 billion, villages spent \$3.1 billion, school districts spent \$43.1 billion and fire districts spent \$0.9 billion.
- The mix of local government expenditures varies by class. Overall, education made up 31 percent of total local government expenditures for the 2018 fiscal year (\$26.6 billion). Most of this is school district spending on primary and secondary education.
- Employee benefits accounted for another 19 percent of local government spending (\$16.1 billion). This is the fastest growing segment, increasing at an annual rate of 3.7 percent over the 10-year period ending in the 2018 fiscal year, compared to an annual rate of growth in other expenditures of 2.0 percent or less.

Local Governments in Fiscal Stress by Class - Fiscal Years Ending 2019						
Stress Designation	By Class					Total
	Counties	Cities	Towns	Villages	School Districts	All Classes
Significant Fiscal Stress	2	4	0	0	4	10
Moderate Fiscal Stress	0	2	7	2	5	16
Susceptible to Fiscal Stress	5	0	4	5	24	38
Total in Fiscal Stress	7	6	11	7	33	64
No Designation	48	46	823	464	637	2,018
Total Filed and Scored	55	52	834	471	670	2,082
Percentage of Scored Entities In Fiscal Stress	12.7%	11.5%	1.3%	1.5%	4.9%	3.1%
Not Filed	2	9	99	64	4	178
Total All Entities	57	61	933	535	674	2,260

Fiscal Stress Remained Low in 2019, but Significant Risks Loom in 2020

- 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.
- Based on 2019 financial reports, 64 local governments and school districts were designated as being in fiscal stress (3.1 percent of those scored). Of these, 10 were in significant fiscal stress, 16 were in moderate fiscal stress and 38 were susceptible to fiscal stress.
- School districts had the largest number of entities in stress, with 33 in total.
- However, counties had the highest prevalence of stress, with 12.7 percent (7 of 55 scored) being in some level of stress. This was a slight decline from 2018, when 14.3 percent (8 of 56 counties scored) were in stress.
- For cities, 11.5 percent (6 of 52 cities scored) were in a stress category, a large decline from 22.6 percent (12 of 53 cities scored) in 2018.
- Towns and villages had much lower rates of stress than other classes.
- Looking forward, large declines in recent sales tax collections, the State's withholding of aid to local governments and schools and increased stress on other revenue sources, combined with the demand for COVID-19 related emergency spending in 2020, has created a significant risk for local governments.

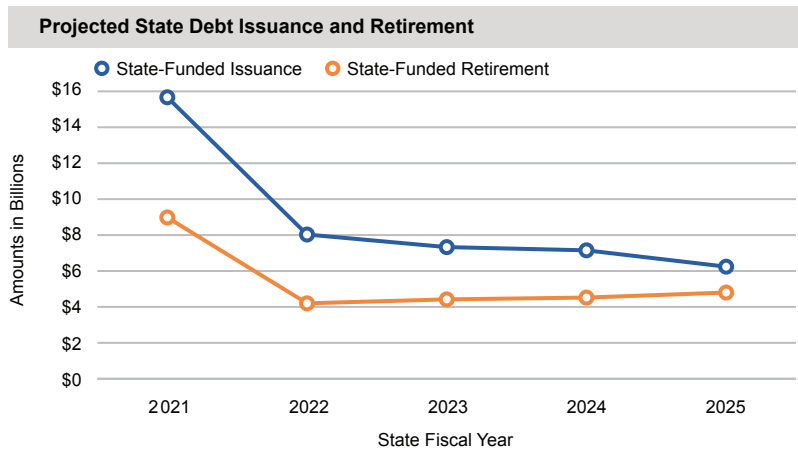
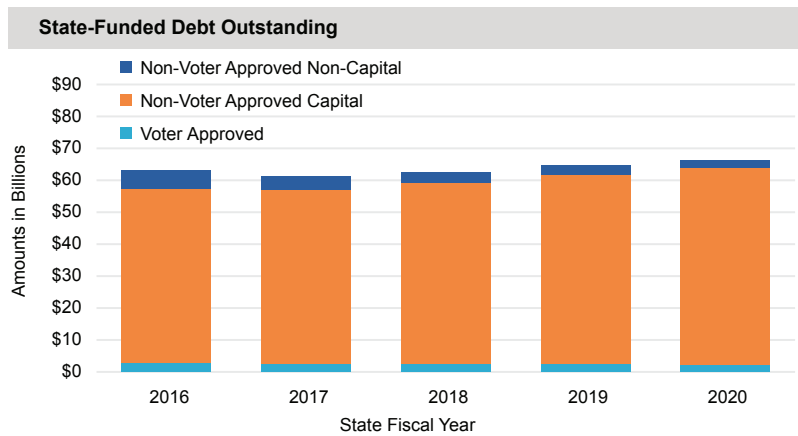
Debt

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

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

New York State Ranks Second Highest in Outstanding Debt Nationwide

- At the end of State Fiscal Year (SFY) 2019-20, the State reported the following debt levels:
 - \$2.1 billion of constitutionally-authorized, voter-approved general obligation debt, a decrease of 22.2 percent since SFY 2015-16.
 - \$54.2 billion of State-Supported debt, an increase of 7.9 percent since SFY 2015-16.
 - \$60.9 billion of debt reported in accordance with Generally Accepted Accounting Principles (GAAP), an increase of 7.4 percent since SFY 2015-16.
 - \$66.2 billion of State-Funded debt, an increase of 5.1 percent since SFY 2015-16. This is the State Comptroller’s more comprehensive measure of the State’s debt burden, which includes certain obligations that are not recognized under GAAP or within the measure of State-Supported debt. It recognizes debt where the State makes payments with State resources,

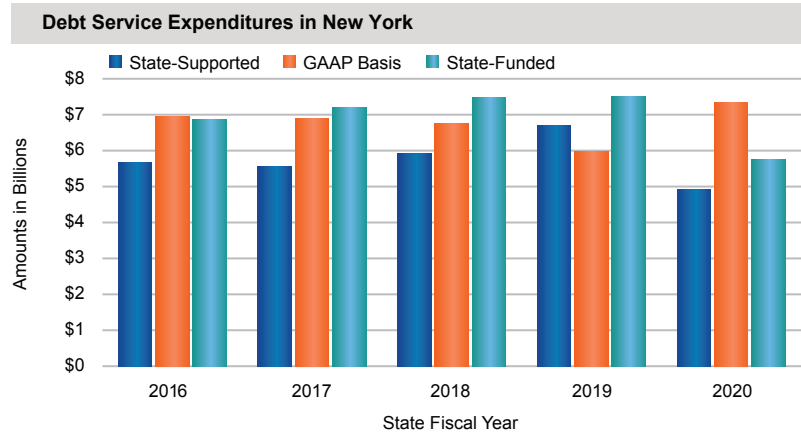


directly or indirectly, to a public authority, bank trustee or other municipal issuer. More than 96 percent of State-Funded debt has been issued by public authorities without voter approval.

- In 2019, New York State had the second highest debt burden, behind only California. It was fifth-highest among all states in debt per capita.
- At the end of SFY 2019-20, State-Funded debt outstanding per capita was \$3,393. State-Funded debt was equivalent to 4.8 percent of state personal income.

New York State Projects Increasing Debt Levels in Coming Years

- The SFY 2020-21 Enacted Budget Five-Year Capital Program and Financing Plan, as updated by the First Quarterly Update, projects that the State will issue 60.7 percent more debt than it will retire over the next five years, with:
 - \$40.2 billion of new issuances of State-Supported debt; and
 - \$24.4 billion of State-Supported debt retirements.
- The SFY 2020-21 Enacted Budget authorized the issuance of up to \$11 billion in borrowings for State cash flow relief. To date, Dormitory Authority of the State of New York has issued \$4.4 billion of short-term Personal Income Tax notes, scheduled to be repaid by the end of this fiscal year. It also entered into a \$3 billion line of credit—this is available if further support is necessary, although no amounts are expected to be drawn upon. Although not anticipated as of the First Quarterly Update, the legislation permits such borrowings to be rolled into future years and/or refunded by longer-term deficit financings.



- The State projects reduced statutory debt capacity over the next five years, declining to \$2.4 billion in SFY 2023-24, primarily as a result of legislated changes. The SFY 2020-21 Enacted Budget amended the Debt Reform Act of 2000 to exclude all State-Supported debt issued in SFY 2020-21 from the State's debt caps and other limitations, except the maximum term of 30 years. This would exempt an estimated \$9.9 billion of debt issuances from the State's debt caps, not including the \$4.4 billion of short-term notes issued for cash flow relief and scheduled to be retired within the current fiscal year. The legislated changes do not reduce the State's debt obligations or its ability to pay those costs.
- The State's accumulated deficit financing (\$738.8 million in SFY 2019-20) is scheduled to be fully repaid by SFY 2024-25. This includes bonds issued by the New York Local Government Assistance Corporation (LGAC), the Municipal Bond Bank Agency (MBBA) and the Urban Development Corporation. An additional \$1.7 billion in debt outstanding is associated with issuances by the Sales Tax Asset Receivable Corporation (STARAC) and the sale of Attica Correctional Facility in 1991.
- New York issues State-Supported debt to fund certain capital purpose grants to other entities, which also creates State liabilities without corresponding State assets.
- \$466 million in State-Supported debt service otherwise due during SFY 2020-21 was prepaid in SFY 2019-20. Such prepayments typically do not reduce the State's interest costs, and artificially reduce reported year-over-year growth in both debt service and overall spending levels.

* Includes debt issued for cash flow relief and scheduled to be retired in SFY 2020-21.

New York State Bond Ratings

At the end of SFY 2019-20, 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. Both Moody's and Fitch have recently assigned a negative outlook to the State's credit, reflecting the impacts of the COVID-19 crisis on the State's finances. Ratings can influence interest rates and bond pricing. Higher ratings provide greater confidence to the investment community that the issuer is willing and able to meet the financial commitments of its obligations. The rating agencies have previously cited issuing additional debt for operating purposes as a potential risk factor that may lead to a downgrade of the State's credit rating.

Public Authorities

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

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

- In addition to issuing debt for their own purposes, public authorities issue debt on behalf of the State for which the State provides the funds for repayment.

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

*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. As a result of the COVID-19 pandemic, pursuant to Executive Orders 202.11 and 202.48 as extended, authorities were granted additional time to comply with reporting requirements by the Authorities Budget Office. Not all authorities have complied with reporting requirements for 2019.

** Numbers may not add due to rounding.

*** Certain Long Island Power Authority (LIPA) staff are also reported as employees of the Utility Debt Securitization Authority (UDSA).

○ The Enacted Budget for State Fiscal Year 2020-21:

- Increased bonding authorizations for 20 programs financed through State-Supported debt issued by public authorities;
- Added two new authorizations totaling \$11 billion for State-Supported borrowing for cash flow and deficit financing purposes; and
- Provided for a combined increase in State-Supported public authority bonding authorizations of \$18.4 billion, or 13.5 percent over previous limits.
- Public authorities and subsidiaries reported nearly \$75 billion in revenue and capital contributions in 2019.*
- Public authorities and subsidiaries reported making payments of nearly \$16 billion pursuant to contracts in 2019.*

Public Authority Data on Expenses, Debt and Employees*
For Fiscal Years Ending in 2019

Authority	Expenses** (amounts in millions)	Debt** (amounts in millions)	Employees
Dormitory Authority of the State of New York	\$ 2,611	\$ 54,955	607
Metropolitan Transportation Authority	19,481	45,305	80,663
New York State Housing Finance Agency	812	18,044	275
New York State Urban Development Corporation	1,924	13,453	374
New York Job Development Authority	4	11,321	4
New York State Thruway Authority	1,009	7,935	3,558
Environmental Facilities Corporation	560	6,101	107
Long Island Power Authority	3,602	4,338	63
Utility Debt Securitization Authority (UDSA)***	327	4,009	4
State of New York Mortgage Agency	147	2,806	279
New York State Energy Research and Development Authority	1,105	1,646	351
Power Authority of the State of New York	2,393	1,230	2,445
New York Local Government Assistance Corporation	40	1,195	27
Battery Park City Authority	297	929	242
State of New York Municipal Bond Bank Agency	18	291	274
Niagara Frontier Transportation Authority	291	186	1,774
All Other State Public Authorities	12,515	1,927	20,718
Total State	47,135	175,671	111,765
Total Local	28,000	121,139	51,117
Grand Total	\$ 75,135	\$ 296,810	162,882

Economic and Demographic Trends

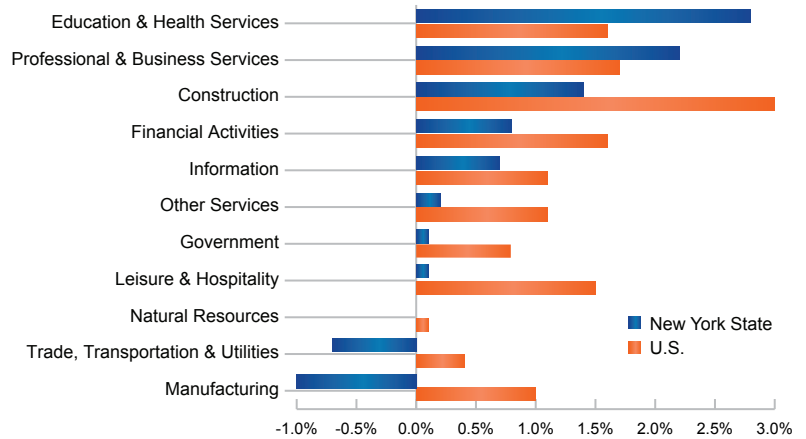
Employment Statewide Rose in 2019; Three Regions Lost Jobs

- In calendar year 2019, the State added over 100,000 jobs, an increase of 1.0 percent compared to national employment growth of 1.4 percent.
- New York ranked 20th among the states for job growth in 2019 and 15th for the five years ending in 2019.
- The State's unemployment rate declined from 4.1 percent in 2018 to 4.0 percent in 2019.
- In 2019, 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, over 72,000.
- In 2019, seven of the ten regions in the State had increased employment. New York City had the highest growth rate of any region (2.6 percent) while the Capital Region, North Country and Southern Tier all had job losses.

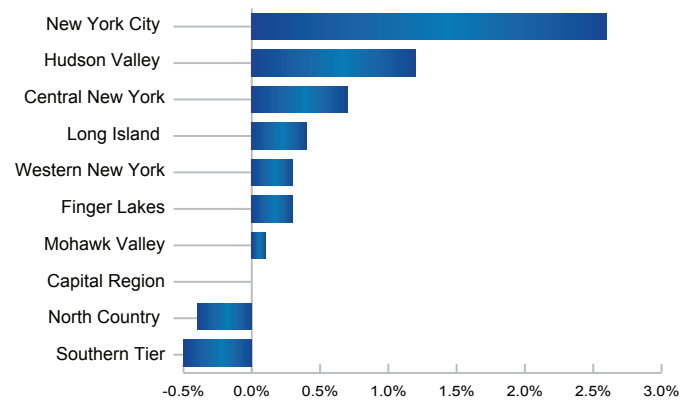
Wages in the State Increase

- In 2019, total wages in the State increased by 4.5 percent. Those in the professional services sector had the highest rate of growth, 7.1 percent, while the construction industry had the lowest, 1.2 percent.
- Average annual wages for all industries in the State increased by over \$2,400 (3.4 percent).

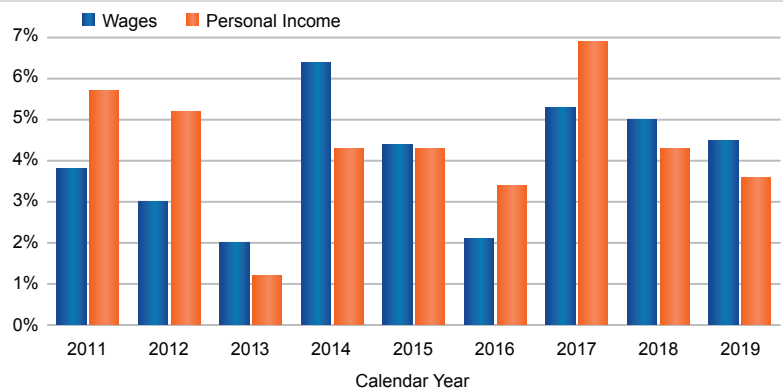
2019 Employment Growth by Industry Sector



2019 Employment Growth by Region



Wage and Personal Income Growth in New York

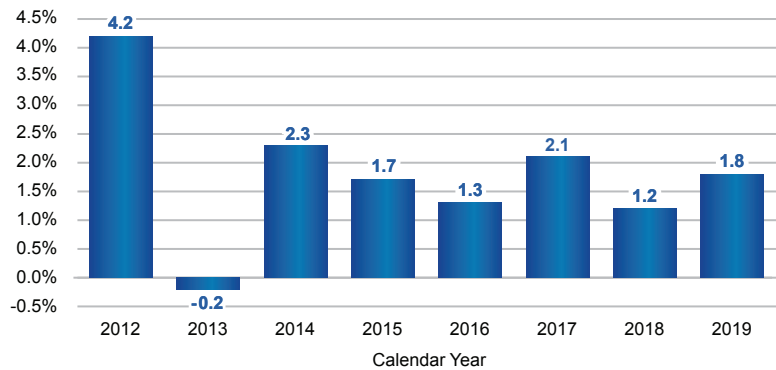


NYS GDP Reached Nearly \$1.5 Trillion

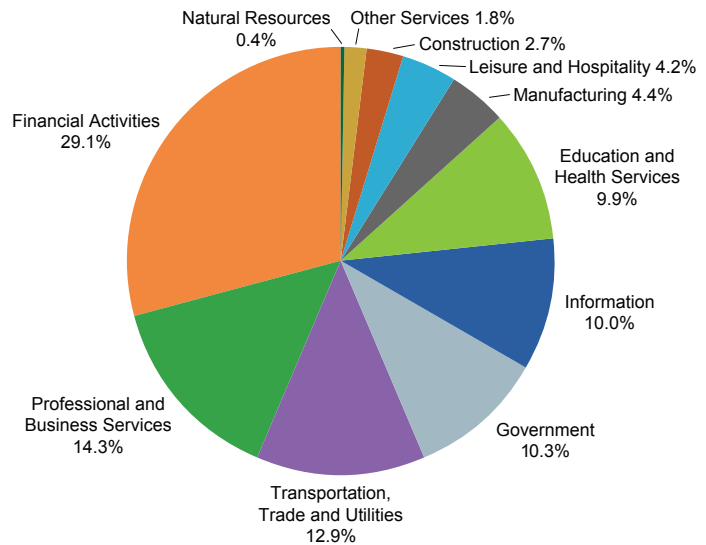
A state's Gross Domestic Product (GDP) is the value of production originating from all industries in the state, as defined by the U.S. Bureau of Economic Analysis. The figures above related to employment and wages reflect a continued trend of gains in those indicators in recent years, and the same is true with the State's GDP. In 2019:

- New York State's real GDP was nearly \$1.5 trillion, 7.7 percent of the U.S. total. On a per capita basis, New York State's GDP was 29.3 percent higher than the national average.
- The State ranked 31st in the nation for economic growth with a real GDP increase of 1.8 percent, an acceleration from 1.2 percent in 2018. Texas ranked first among the states at 4.4 percent.
- The financial activities sector comprised the largest share of the State's GDP in 2019 at 29.1 percent. The second and third top industries—professional and business services and transportation, trade, and utilities—together make up 27.2 percent.

New York Real GDP Growth



Composition of New York GDP, 2019



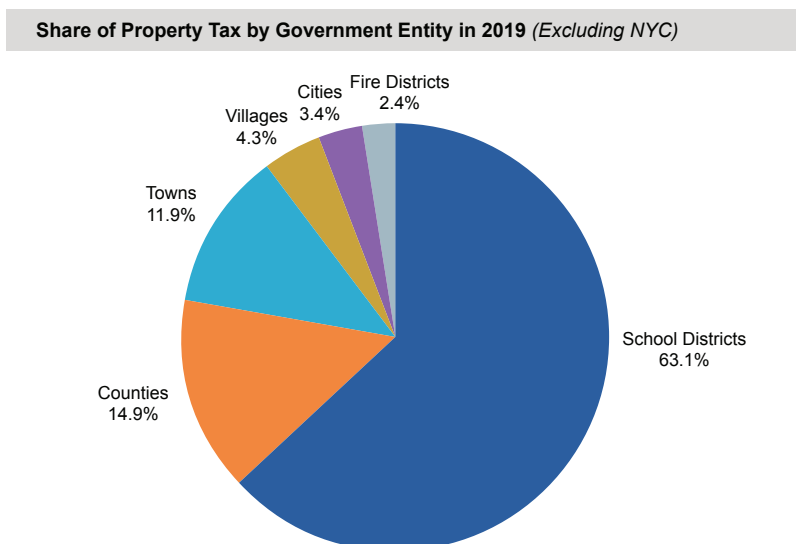
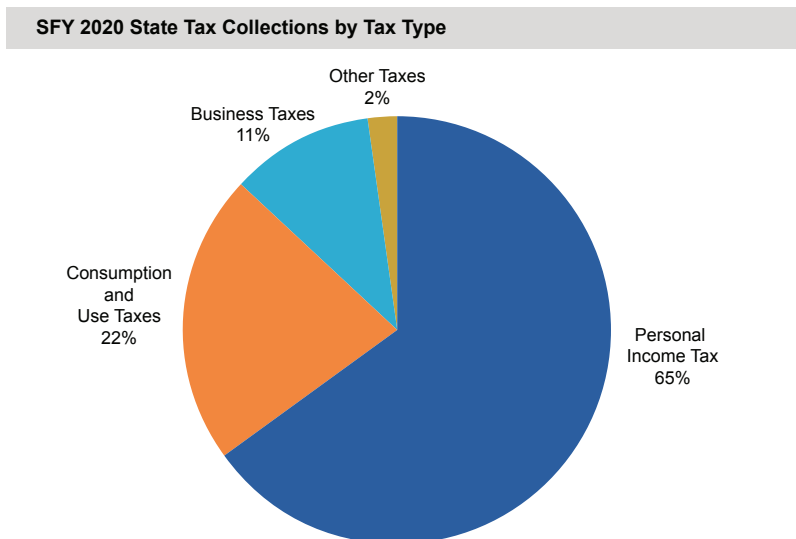
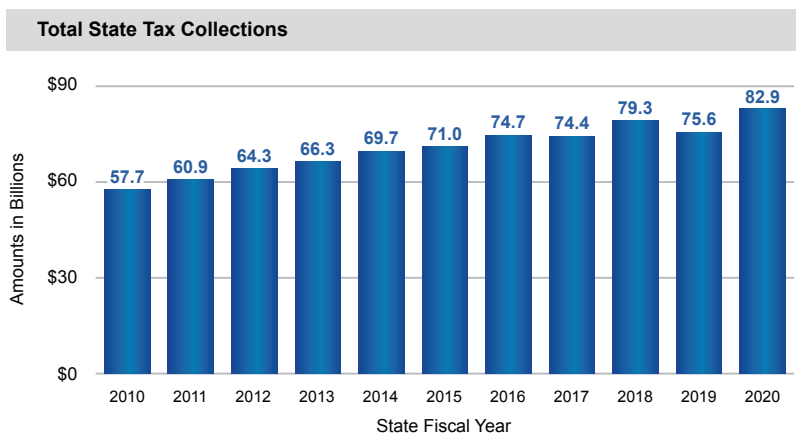
New York's Population Has Grown, But Much More Slowly Than the Nation's

- From 2010 to 2019, the State's population increased by 0.4 percent, compared to a national pace of 6.3 percent.
- The population in the State has been declining since 2015, with a net loss of over 201,000 residents through 2019.
- Immigrants have mitigated the population loss, with a net increase of over 341,000 in the same period.
- Immigrants accounted for nearly 23 percent of the population in 2018.

Taxes

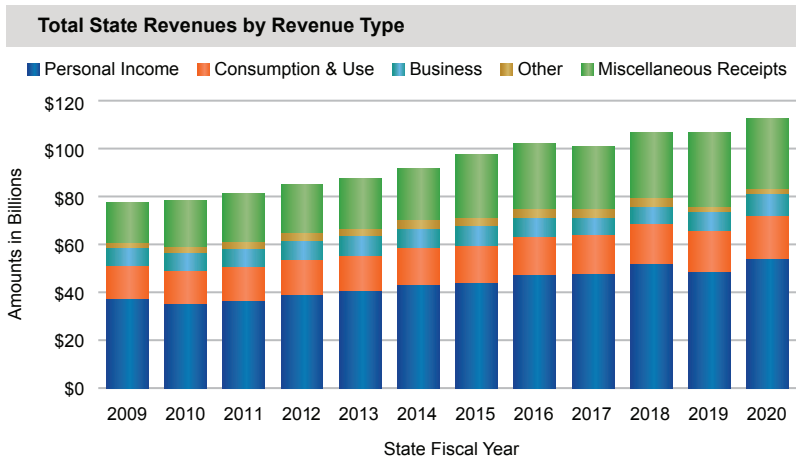
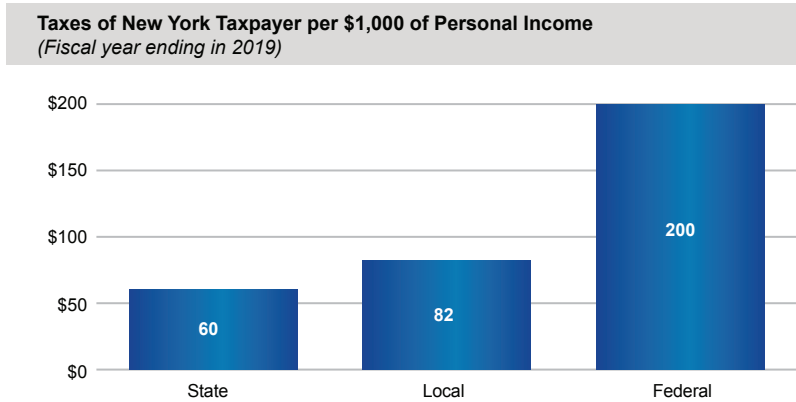
Reported State Tax Collections Increased in State Fiscal Year (SFY) 2019-20

- In SFY 2019-20, reported New York State tax collections increased by 9.7 percent, reflecting factors including:
 - Taxpayer behavior in response to the federal Tax Cuts and Jobs Act (TCJA) that went into effect on January 1, 2018, which reduced receipts in SFY 2018-19;
 - Continuing economic growth through most of SFY 2019-20; and
 - Enhanced collection of sales taxes on Internet purchases.
- The combined federal, State and local tax burden in New York State was \$342 per \$1,000 of personal income in fiscal year 2019.
- At the local level, property tax revenues are the largest single tax source overall. Over 63 percent of all property taxes in New York are collected by school districts.



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

- Personal income tax:
 - Made up 65 percent of New York State’s tax collections in SFY 2019-20.
 - Has increased in collections by 14 percent from 2016 to 2020.
- 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 in effect until December 31, 2024. Changes in the State’s top tax rate can have significant impacts in the overall level of State tax revenue.
- Collections for consumption and use taxes, New York State’s second largest tax revenue source, increased by 14.5 percent from 2016 to 2020.



Implications for the Future

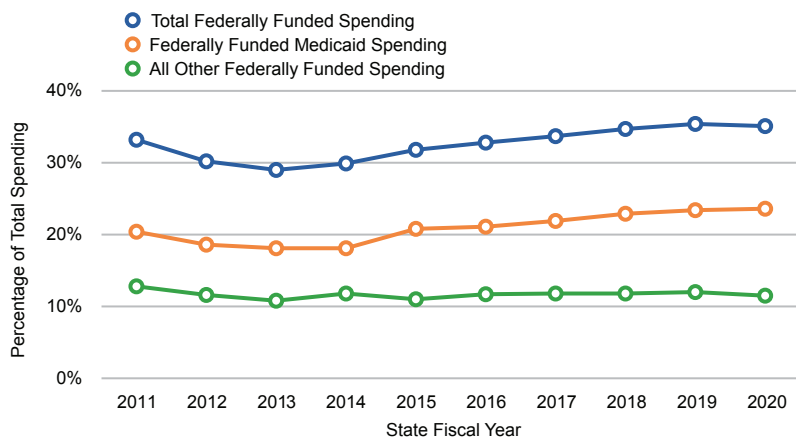
The Economic Outlook: Extraordinary Uncertainty

Over the course of the national economic expansion from mid-2009 to February 2020, New York State's job growth lagged the nation. In addition, employment trends were uneven across the State. While New York City experienced relatively robust job creation, most upstate regions saw more modest, if any, net employment gains.

The COVID-19 recession began with more than 1.9 million jobs lost in New York State during March and April. While several hundred thousand jobs were regained during the next several months, many economists do not expect economic conditions to return to pre-pandemic levels for several years. Adding to the difficulty of assessing State budget impacts, forecasts by well-established sources may differ considerably. For example, forecasts issued in mid-2020 by the Federal Reserve, the Division of the Budget and the consulting firm IHS projected U.S. unemployment rates of 7.6 percent, 9.1 percent and 8.4 percent, respectively.

Economic forecasts are always inherently subject to risk, but because economic activity will be heavily influenced by the path of the coronavirus pandemic, this is especially true in the era of COVID-19. Thus, it is difficult to predict with any reasonable level of certainty the number of total jobs and the unemployment rate in the State, or the levels of personal income, retail sales, Wall Street bonuses and other key economic indicators. Extraordinary uncertainty with regard to these factors—perhaps to an unprecedented degree in modern times—makes it unusually difficult to predict the levels of tax revenues and spending on programs (such as publicly funded health coverage and public assistance) that are influenced by such factors.

Total Federally Funded Spending as a Percentage of Total Spending—FY 2011 through FY 2020



The Key Role of Federal Funding

Federal aid has long played an essential role in the State's budget and its ability to provide health care, education, human services and other essential programs. In recent years, for example, new federal funding has helped to extend health coverage to more than 2 million additional New Yorkers. During SFY 2019-20, federal aid represented 37 percent of total State receipts, with most of that going to Medicaid and other health care programs.

In the wake of the COVID-19 pandemic, tax receipts have fallen sharply, and the Division of the Budget projects these revenues will not again reach the SFY 2019-20 level until SFY 2023-24. Federal relief/stimulus funding has helped support certain State spending required to respond to the pandemic, but has fallen well short of backfilling the revenue gap driven by the associated recession. Comptroller DiNapoli has repeatedly warned that absent significant further response from Washington, the State will face the need for significant budgetary actions, potentially including cuts in spending and services, increases in taxes or other revenues, borrowing, or some mix of these difficult choices.

New Yorkers consistently pay more in federal taxes than the State receives in federal spending, as several reports by the Office of the State Comptroller have shown. The most recent report, issued in January 2020, found that in Federal Fiscal Year 2018, New York generated \$26.6 billion more in taxes paid to Washington than in federal spending received. At the time this Financial Condition Report was released, a new report with updated figures on New York's balance of payments in the federal budget was expected to be issued soon.

The State Relies Heavily on a Small Segment of Taxpayers

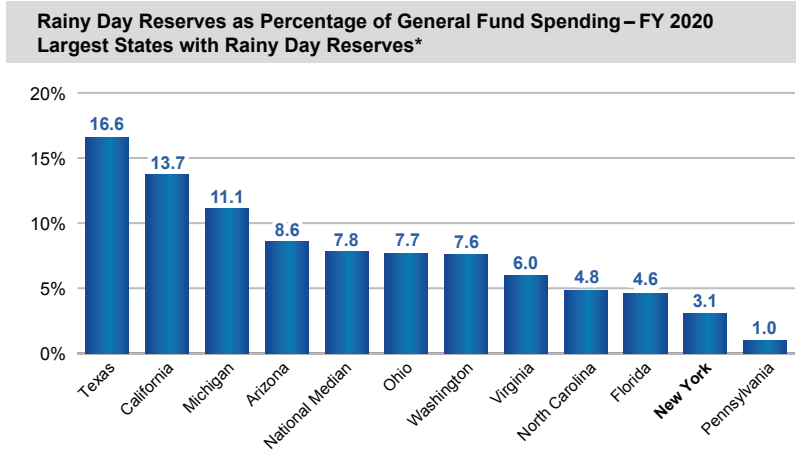
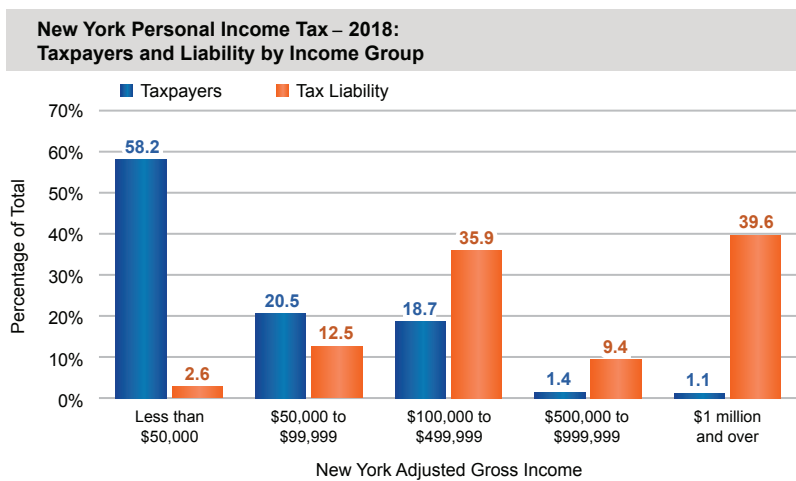
New York State relies heavily on its Personal Income Tax (PIT), which produces nearly two-thirds of all State tax revenues. High-earning individuals, whose income from capital gains and other sources can be volatile, generate a disproportionately large share of PIT receipts. In 2018, the highest-earning 1.1 percent of taxpayers in New York reported 27.3 percent of gross income and generated nearly 40 percent of all PIT liability. Depending on the specific nature of any economic downturn, taxable income and tax liability from such individuals may drop sharply. This disproportionate volatility in the State's revenue mix magnifies the impacts of both good and bad economic times on the State's budget.

The limit on federal deductions for state and local taxes that took effect in 2019 has resulted in shifts to the timing of certain revenues over the past two years and may continue to have unpredictable effects.

Going Forward, Statutory Rainy Day Reserves Should Be More Robust

Comptroller DiNapoli repeatedly warned in the years before the COVID-19 recession hit New York and the nation that the State's budgetary reserves were not sufficient to guard against unwanted spending cuts, tax increases or other actions in case of an economic downturn or catastrophic event. Unfortunately, the fiscal impacts of the pandemic have proven those warnings were well founded.

As of March 31, 2020, combined balances in the State's two major statutory rainy day reserves totaled just less than \$2.5 billion, roughly 47 percent of their statutorily



* Illinois and New Jersey both have Rainy Day Funds, but no balance.

allowed levels and approximately 3.1 percent of General Fund spending. While DOB has indicated that certain General Fund resources outside the statutory rainy day reserve funds could be drawn upon if needed, the combination of available funds does not approach the more than \$14 billion gap that DOB has identified in the current fiscal year. As a result of that gap, DOB has begun withholding substantial amounts from payments to school districts, local governments, nonprofit organizations and other entities.

As noted above, the economic and revenue impacts of the pandemic are likely to continue over multiple State fiscal years. As soon as possible, the State should develop and implement concrete plans to build up its statutory reserves. This will help to counterbalance the inherent volatility of PIT receipts in the State's budget and strengthen its ability to avoid harmful budgetary actions during the next economic downturn.

Appendix 1: State Funds Spending by Major Service Function

(Cash Basis, amounts in millions)

State Funds Spending for the Fiscal Year Ended March 31:	2016	2017	2018	2019	2020
EDUCATION	\$38,784	\$39,685	\$40,441	\$41,177	\$41,880
Public Schools	25,355	26,532	27,708	28,669	29,855
School Tax Relief (STAR)	3,335	3,139	2,589	2,423	2,184
State University of New York	7,301	7,266	7,482	7,366	7,734
City University of New York	1,551	1,556	1,605	1,649	1,075
Higher Education Services Corporation	1,200	1,149	1,018	1,023	980
Cultural Programs	42	43	39	47	52
PUBLIC HEALTH	25,530	26,095	27,150	28,078	31,884
Health and Mental Health Services	6,915	7,158	7,140	7,424	8,411
Medical Assistance (Medicaid)	18,615	18,937	20,010	20,654	23,473
PUBLIC WELFARE	3,756	3,780	3,869	3,897	3,329
Public Welfare	3,346	3,312	3,214	3,186	2,579
Public Housing	202	259	445	496	542
Employment Services	208	209	210	215	208
PUBLIC SAFETY	4,203	4,268	4,407	4,322	4,733
Criminal Justice and Correctional Alternatives	1,045	1,057	1,127	1,133	1,196
Emergency Management and Security Services	172	250	295	236	255
Prisons and Reformatories	2,986	2,961	2,985	2,953	3,282
TRANSPORTATION	7,242	8,057	8,001	7,824	7,196
Traffic Safety	186	183	192	207	237
Transportation	7,056	7,874	7,809	7,617	6,959
ENVIRONMENT AND RECREATION	962	1,042	1,051	1,196	1,302
Environmental Protection	628	703	702	845	912
Parks, Recreation and Historic Preservation	334	339	349	351	390
SUPPORT AND REGULATE BUSINESS	1,212	1,574	1,696	1,896	1,617
Commerce, Industry and Agriculture	856	1,213	1,339	1,514	1,200
Regulate Business	356	361	357	382	417
SHARE GENERAL REVENUES WITH LOCAL GOVERNMENTS	1,055	1,051	1,018	1,077	1,109
REPAY BORROWED MONEY AND REDUCE DEBT	5,635	5,552	5,915	6,736	4,952
GENERAL GOVERNMENT	12,853	12,926	13,389	14,255	14,291
Executive Agencies	2,410	2,127	2,182	2,626	2,432
Office of the State Comptroller	173	183	178	183	188
Office of the Attorney General	170	176	188	194	189
Legislature	215	226	223	223	228
Court Administration	2,073	2,120	2,209	2,274	2,310
Pension Contributions and Other Employee Benefits	7,404	7,670	7,995	8,348	8,581
Other	408	424	414	407	363
TOTAL STATE FUNDS SPENDING	\$101,232	\$104,030	\$106,937	\$110,458	\$112,293

Appendix 2: Federal Funds Spending by Major Service Function

(Cash Basis, amounts in millions)

Federal Funds Spending for the Fiscal Year Ended March 31:	2016	2017	2018	2019	2020
EDUCATION	\$4,198	\$4,039	\$3,695	\$4,365	\$4,053
Public Schools	3,866	3,721	3,348	4,008	3,698
State University of New York	318	310	341	351	348
City University of New York	7	2	1	2	2
Higher Education Services Corporation	7	6	5	3	4
Cultural Programs	–	–	–	1	1
PUBLIC HEALTH	35,537	40,042	44,343	46,785	47,339
Health and Mental Health Services	3,689	5,658	6,831	6,805	6,495
Medical Assistance (Medicaid)	31,848	34,384	37,512	39,980	40,844
PUBLIC WELFARE	5,201	4,622	4,837	5,436	5,379
Public Welfare	4,774	4,212	4,404	5,023	4,934
Public Housing	22	26	25	26	27
Employment Services	405	384	408	387	418
PUBLIC SAFETY	2,119	1,744	1,725	1,369	1,578
Criminal Justice and Correctional Alternatives	70	69	74	117	118
Emergency Management and Security Services	2,027	1,655	1,626	1,252	1,459
Prisons and Reformatories	22	20	25	–	1
TRANSPORTATION	1,766	1,901	1,543	1,646	1,621
Traffic Safety	28	30	26	29	28
Transportation	1,738	1,871	1,517	1,617	1,593
ENVIRONMENT AND RECREATION	211	210	201	239	234
Environmental Protection	198	197	189	224	219
Parks, Recreation and Historic Preservation	13	13	12	15	15
SUPPORT AND REGULATE BUSINESS	24	18	23	27	25
Commerce, Industry and Agriculture	22	16	21	24	23
Regulate Business	2	2	2	3	2
SHARE GENERAL REVENUES WITH LOCAL GOVERNMENTS	32	9	7	2	1
GENERAL GOVERNMENT	388	400	432	548	457
Executive Agencies	70	74	74	78	79
Office of the Attorney General	26	25	27	28	26
Court Administration	5	6	6	7	8
Pension Contributions and Other Employee Benefits	287	295	325	435	344
TOTAL FEDERAL FUNDS SPENDING	\$49,476	\$52,985	\$56,806	\$60,417	\$60,687

Appendix 3: State Receipts by Major Source

(Cash Basis, amounts in millions)

State Receipts for the Fiscal Year Ended March 31:	2016	2017	2018	2019	2020
TOTAL TAXES	\$74,673	\$74,373	\$79,266	\$75,577	\$82,889
Personal Income Tax	47,055	47,566	51,501	48,087	53,659
Consumer Taxes	15,725	16,212	16,711	17,356	18,022
Sales and Use	13,359	13,870	14,495	15,127	15,932
Cigarette/Tobacco Products	1,251	1,235	1,171	1,108	1,035
Medical Marijuana	–	–	2	4	6
Motor Fuel	503	519	512	528	512
Alcoholic Beverage	254	258	259	262	259
Highway Use	159	139	93	145	142
Auto Rental	126	127	123	130	107
Vapor Excise	–	–	–	–	10
Opioid Excise	–	–	–	–	19
MCTD* Taxicab Trip	73	64	56	52	–
Business Taxes	7,884	6,979	7,164	7,912	8,996
Corporation Franchise	4,527	3,165	3,080	4,297	4,824
Corporation and Utility	774	720	748	672	705
Insurance	1,580	1,580	1,777	1,837	2,306
Bank	-121	390	467	-59	–
Petroleum Business	1,124	1,124	1,092	1,165	1,161
Other Taxes	4,009	3,616	3,890	2,222	2,212
Estate and Gift	1,521	1,091	1,308	1,068	1,070
Employer Compensation Expense Tax	–	–	–	–	2
Pari-Mutuel	17	16	15	16	14
Real Estate Transfer	1,163	1,126	1,125	1,135	1,124
Racing and Exhibition	2	3	3	3	2
MCTD* Mobility	1,306	1,380	1,439	–	–
GAMING – LOTTERY INCOME, VLT AND CASINO	3,704	3,606	3,619	3,767	3,749
FEDERAL RECEIPTS	51,324	55,407	58,942	61,344	65,080
OTHER RECEIPTS	20,572	19,265	18,928	20,807	20,219
Student Tuition and Fees (SUNY/CUNY)	2,334	1,869	1,891	1,726	1,541
Revenues of State Departments	3,605	3,855	3,681	5,001	4,465
Receipts from Municipalities	147	367	348	344	105
Income from Investments	47	83	164	344	431
Abandoned Property	539	450	471	505	462
Unclaimed Bottle Deposits	103	113	118	121	117
Public Benefit Corporations	106	145	174	132	182
Assessments	6,948	6,916	6,803	6,950	7,404
Fees, Licenses, Permits	3,497	3,400	3,540	3,665	3,696
Fines, Penalties and Forfeitures	2,878	1,593	1,285	1,539	1,386
Miscellaneous	368	474	453	480	430
BORROWED AND ADDED TO DEBT	2,992	3,721	4,875	6,744	5,498
Bonds and Notes Issued by the State	–	–	160	133	–
Public Authority Financings	2,992	3,721	4,715	6,611	5,498
TOTAL RECEIPTS	\$153,265	\$156,372	\$165,630	\$168,239	\$177,435

*Metropolitan Commuter Transportation District (MCTD)

Data Sources

Center for the Study of Education Policy,
Illinois State University

City of New York Department of Correction

City University of New York

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 Department of Agriculture and Markets

NYS Department of Corrections and
Community Supervision

NYS Department of Environmental Conservation

NYS Department of Health

NYS Department of Labor

NYS Department of Taxation and Finance

NYS Department of Transportation

NYS Division of Criminal Justice Services

NYS Division of the Budget

NYS Education Department

NYS Higher Education Services Corporation

NYS Independent System Operator

NYS Office of Temporary and Disability Assistance

NYS Unified Court System

Office of the New York State Comptroller

Public Authorities Reporting Information System

Standard and Poor's Rating Services

State Higher Education Executive Officers (SHEEO)

State University of New York

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

U.S. Department of Agriculture

U.S. Department of Education –
National Center for Education Statistics

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

U.S. Energy Information Administration

U.S. Environmental Protection Agency

U.S. Federal Highway Administration

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