MEMO

FROM: J.R. Drexelius, Jr.,

TO: DDAWNY Government Affairs Committee

RE: Mid Year Update FY 2017 Budget Financial Plan

DATE: November 21, 2016

Overview

DOB has recently issued its Mid Year Update on the State's FY17 Financial Plan.

Overall, DOB is now projecting the State will end fiscal year 2017 with a $6.9 billion General Fund surplus, a $2.0 billion decrease from FY16. The Enacted Budget financial plan issued in May projected had projected a $6.1 billion General Fund Cash balance, a $2.8 billion decrease from FY16.

The General Fund ended FY16 with an undesignated Fund Balance (Surplus) of $237 million. In the Enacted Budget fiscal plan, DOB originally reserved $150 million of this surplus to fund the cost of state labor agreement settlements and $87 million was planned for use in FY17. In the 1st Quarterly update DOB revised the use of this surplus to provide $90 million to fund the labor agreements and use the remaining $147 million in FY17. The Mid Year Update now estimates that FY17 General Fund disbursements will exceed receipts by $172 million. As a result DOB is using $87 million from the undesignated FY16 fund balance, $75 million from the labor reserve and $10 million from the "member item" reserve to balance the FY17 General Fund.

The FY16 surplus does not include $8.9 billion in monetary settlements received by the State in FY16. DOB had originally planned to transfer the majority of these settlement funds to a Dedicated Infrastructure Investment Fund (DIIF) in FY16, however DOB now intends to maintain the funds in the General Fund and use them on an as-needed basis over the next five years. The Executive's intention is to continue to use a majority of these resources to fund capital investments and nonrecurring expenditures. The Mid Year Update now indicates that from FY15 to FY17 the State will have received a total of $9.2 billion in monetary settlements with financial institutions and Volkswagen due to enforcement actions pursued by various state, federal and local enforcement agencies for violations of state and Federal laws leading to the fiscal crisis of 2008 and other civil enforcement actions. DOB does not add these surplus funds to the FY 2016 or FY 2017 fiscal plan, instead reserving these funds in a designated fund balance.

The Enacted Budget financial plan had projected a FY18 General Fund Surplus of $355 million, however this surplus was based upon the assumption that spending growth would not exceed 2% in FY18, requiring $2.956 billion in savings from programs funded with General Fund dollars. In reality, based on current law the Enacted Budget Financial plan projected a $2.6 billon FY16 deficit.

In it's 1st Quarterly update, DOB reduced FY18 revenue estimates by $603 million and increased FY18 spending estimates by $484 million. According to DOB the lower revenue estimate is due to lower than expected Income tax revenues and the higher spending estimates are due to increased spending on the state workforce due to higher overall State personal spending, including overtime costs and the timing of a DIIF transfer from the General Fund to the Capital Projects Fund. At that time, and as a result of a $728 million reduction in FY17 spending, DOB was able to defer a planned $450 million DIIF transfer of Monetary Settlement funds to the General Fund for Thruway purposes related to the Tappan Zee Bridge replacement project from FY17 to FY18. As a result in its 1st Quarterly update, DOB projected a FY18 General Fund Budget deficit of $207 million. This update adds an additional $75 million to savings required under the Executive's self-imposed 2% spending target. In reality, as of the August 2016 1st Quarter Financial Plan update, the projected FY18 General Fund budget gap, based upon current law was projected to total $3.24 billion.

In its Mid Year Update DOB now projects that while General Fund remains balanced for FY 17, the State faces a FY18 General Fund Deficit of $689 million. The out year FY19 and FY20 General Fund deficits have been increased to $2.1 billion in FY19 and $1.7 billion in FY20. In FY17 Revenues are reduced by $398 million. DOB estimates a $793 million reduction in non-tax and tax receipts, offset by an additional $395 million in bank settlement proceeds. These bank settlement funds are reserved for undesignated purposes. DOB now projects FY17 spending will be $793 million less than the spending estimate in its1st Quarterly update. FY18 spending is now estimated to be $515 million less than the 1st Quarter update and necessitates a $187 million reduction in the savings necessary to meet the FY18 2% spending target. The Mid Year Financial plan now estimates that spending reductions necessary to maintain a 2% limit on spending in FY18 will total $2.8 billion. Adherence to the 2% spending limit will require additional reductions of $5.1 billion in FY19 and $7.2 billion in FY20. In reality, based upon current law, the FY17 Mid Year Update to the current financial plan estimates a FY18 General Fund budget gap of $3.5 billion with out year gaps of $7.1 billion in FY19 and $8.9 billion in FY20.

RECEIPTS

In its Enacted Budget plan, DOB had revised downward General Fund tax receipts for FY17 by $350 million. In its 1st Quarterly Update DOB further reduced General tax revenues by an additional $600 million in FY17, FY18, FY19 and FY20. In its recently released Mid Year Update DOB has further reduced PIT receipts by $775 million for FY17, $826 million for FY18, $883 million in FY19 and $938 million in FY20.

Compared to the FY17 Executive Budget proposal, General Fund Personal Income tax receipts have been reduced by $1.725 billion for FY17 and by $1.426 billion for FY18.

SPENDING

During negotiations the Executive and the Legislature agreed to $1.2 billon in General Fund additions and restorations to the FY17 Executive Budget proposal. The Enacted Budget added $663 million in new spending, including $460 million in additional school aid and other educational aid. The Enacted Budget also restored $518 million in cuts proposed by the Executive and rejected by the Legislature.

The Enacted budget includes $2.1 billion in gap-closing measures including $174 million in FY17 savings to Mental Hygiene agencies. According to DOB these Mental Hygiene savings were due to "revised timelines for ongoing transformation efforts in the mental hygiene system, and the Federal government's extension of the timeframe to disburse funding from the Balancing Incentive Program (BIP)". The Enacted Budget also reclassified $82 million in mental hygiene personnel and fringe benefit expenses, related to the maintenance and preservation of State assets from State Operating Fund spending to Capital Projects spending.

The 1st Quarterly Update reduced FY 17 General Fund spending estimates by $728 million. DOB reduced Local Assistance spending estimates for FY17 by $188 million, and by $119 million in FY18 primarily based upon reductions in estimated TAP payments, revised lottery receipts in FY18 and a reduction in local assistance support under the DOH Medicaid Global Cap.

In its Mid Year Update DOB has further reduced FY17 General Fund spending estimates by an additional $793 million and by $515 million in FY18. Local Assistance spending estimates for FY17 have been reduced by $390 million and FY18 Local Assistance spending has been reduced by $478 million. DOB now estimates that additional hospital surcharge and provider assessment revenues deposited in the HCRA Special Revenue account will reduce General Fund spending by $140 million in FY17 and by $70 million in FY18, FY19 and FY20.

DOB is revising downward Special Education spending due to lower than expected utilization of the program based upon costs growing more slowly than expected. According to DOB, FY17 and FY18 *Special Education spending "was below historical growth rates primarily due to a moderation in cost and enrollment growth for the preschool special education program in the last three claim years."* DOB has reduced Special Education spending estimates by $92 million in FY17 and $164 million in FY18. Reduction in estimates of $177 million for FY19 and $191 million for FY20 reduce spending on Special Education in these years. Reduced spending on Special Education is expected to save the state $624 million over the course of the 4-year financial plan.

DOB has also reduced local assistance spending estimates related to OPWDD programs in the Mid Year Update. According to DOB "increased recoupment from providers due to retroactive implementation of Intermediate Care Facility rates, which are pending with the Federal Government" are expected to yield General Fund savings of $81 million in FY17, $67 million in FY18, $59 million in FY19 and $59 million in FY20. Over the course of the 4-year financial plan non-profit provides are expected to see a $260 million reduction in revenues derived from the General Fund. Including the loss of matching Federal Funds, providers will see over $500 million in reduced resources to support individuals with intellectual and developmental disabilities.

Based upon Enacted Budget spending increases of $1.2 billion over the proposed Executive budget, offset by $728 million in reductions in spending reflected in the 1st Quarterly Update and an additional $793 million in spending savings reflected in the Mid Year update, DOB now projects FY17 spending will be $340 million less than was proposed in the Executive Budget in February.

The FY17 Mid Year Financial Plan Update continues to assume the Governor will propose and the Legislature will continue to enact balanced budgets that limit annual growth in State Operating Funds to no greater than 2%. Adherence to this 2% limit will require the Executive to propose and the Legislature to enact $3 billion in cuts to projected spending in FY 2018, $5.1 billion in cuts to projected spending in FY 2019 and $7.2 billion in spending reductions in FY 2020.

Minimum Wage

The Enacted Budget financial plan assumed the minimum wage increase would add $19 million to FY17 General Fund state spending, $126 million to FY18 General Fund state spending, $355 million to FY19 spending and $588 million to FY20 state spending. This funding is for salary and related fringe benefit costs associated with minimum wage increases for the State-share of Medicaid-funded and related programs.

The Mid Year Update to the FY17 Financial Plan increases the spending required by the state to fund the new minimum wage mandate by an additional $31 million in FY17, $167 million in FY18, $326 million in FY19 and $427 million for FY20. According to DOB this revision is required to "ensure the rates of total compensation for home health care workers in Westchester, New York, Nassau and Suffolk counties will be increased commensurate to the schedule of statutory minimum wage increases" and based upon an updated analysis of wage data within the health care sector.

The total State-share spending increase necessary to finance the new minimum wage mandate is now estimated to be $50 million in FY17, $293 million in FY18, $681 million in FY19 and over $1 billion in FY20. Federal funds will nearly double this impact on All Funds spending over the next four years.

ALL FUNDS

All Funds Spending, including Federal disaster aid related to Superstorm Sandy and federal aid related to the Affordable Care Act (ACA) total $157 billion, a 3.8% increase compared to FY 2016 results. General Fund Spending, including transfers in FY 2017 are now projected to total $70.3 billion, 3.3% more than in FY 2016. This is a $1.5 billion decrease compared to the Enacted FY 2017 budget. The decrease in General Fund spending is primarily driven by a $1.9 billion increase in federal funds related to the ACA (Obamacare) The Mid Year Update projects the Federal ACA will support $7.6 billion in disbursements, an $805 million increase in federal support compared to the FY17 Enacted Budget. These federal dollars allow the state to reduce General Fund support for health care, primarily Medicaid.

THE ECONOMY

In February, DOB forecast that the US economy as measured by real GDP would grow by 2.4% in 2015 by 2.0% in 2016 and by 2.4% in 2017. DOB expected US personal income to growth of 4.5% in 2015, 4.4% in 2016 and 4.8% in 2017.

With respect to the State's economic outlook, DOB in February projected that State nonagricultural employment rose by 1.9% in 2015, and was expected to increase by 1.7% in 2016 and by 1.3% in FY17. In February, DOB projected Personal Income growth of 3.5% in 2015, 4.3% in 2016 and 4.8% in 2017. DOB projected wage growth of 4.4% in 2015, 4.0% in 2016 and 4.3% in 2017.

Upon the adoption of the budget, DOB slightly revised its forecasts. DOB forecast that the US economy as measured by real GDP which grew by 2.4% in 2015, would grow by 1.8% in 2016 (a 0.2% decrease change from February) and by 2.4% in 2017 (no change from its February forecast). DOB was also more pessimistic about US personal income growth. DOB, reduced 2015 income growth from 4.5% to 4.4% (a 0.1% drop), and decreased its estimate of growth to 4.1% for 2016, a 0.3% decrease from its February estimate. DOB also reduced its outlook on 2017 income growth in the US to 4.7%, a 0.1% decrease from its February estimate.

With regard to the State of New York, by May DOB indicated that there had been a 1.9% increase in nonagricultural employment in FY 2015. DOB also projected a 1.8% increase in employment in FY 2016, compared to the 1.7% forecast in February. DOB continued to see a 1.3% increase in employment in FY 2017. DOB made some changes in its wage growth estimates, continuing to forecast wage growth of 4.4% in FY 2015, but increasing wage growth to 4.6% in FY 2016 (a 0.6% increase) and continuing to forecast a 4.3% growth in wages in FY 2017. DOB maintained its estimates of total state personal income growth in FY 2015 of 3.5% and for FY 2016, of 4.3%, a 0.1%. At the time, DOB also decreased its estimate for total state personal income growth in FY 2017 from 4.8% to 4.7%.

In August, DOB updated these assumptions as part of its First Quarterly update to the Fiscal Plan of the State. Based upon revised estimates, DOB indicated US GDP for 2015 actually grew at a 2.6% rate (0.2% better than the May estimate of 2.4% GDP growth). DOB has revised downward its 2016 forecast of GDP growth and projected growth of 1.6% (0.2% less than the May estimate of 1.8% growth). DOB lowered its forecast of 2017 GDP growth to 2.3% (0.1% less than the enacted budget forecast of 2.4%). At the time, DOB indicated personal income grew by 4.5% in 2015, a 0.1% increase from its May projections (and in line with its original February projection). DOB increased to 4.2% its growth projection for personal income in 2016, a 0.1% increase and projected a 4.5% growth in personal income in 2017 (0.2% less than its May forecast of 4.7% personal income growth). DOB also revised its estimates of consumer price inflation for 2016 and 2017. DOB projected a CPI of 1.3% in 2016 (a 0.2% increase from the 1.1% CPI forecast in May) rising to 2.3% CPI in 2017 (a 0.2% increase from its May forecast).

With respect to the New York economy, DOB did not revised its May of 2016 estimates in August of 2016. In the 1st Quarterly Update, DOB continued to see nonfarm employment increases of 1.8% in FY 2016 and 1.3% in FY 2017. DOB also forecast personal Income growth of 4.3% for FY 2016 and 4.7% in FY 2017. DOB continued to estimate a 4.6% increase in wages in the current fiscal year and a 4.3% growth in wages in FY 2017.

With its Mid Year Update released last week, DOB has further updated its economic assumptions. DOB continues to indicate US GDP for 2015 grew at a 2.6% rate (no change from the August 2016). DOB has again revised downward its 2016 forecast of GDP growth and projects growth of 1.5% (0.1% less than the August estimate of 1.6% growth). DOB increased its forecast of 2017 GDP growth to 2.4% (0.1% more than the 1sr Quarter update and in line with the enacted budget forecast of 2.4%). DOB now indicates personal income grew by 4.4% in 2015, (a 0.1% decrease from its August projections and in line with its May Enacted Budget projection). DOB decreased to 3.4% its growth projection for personal income in 2016, a 0.8% decrease from its August estimate and is now projecting a 4.3% growth in personal income in 2017 (0.2% less than its August forecast of 4.5% personal income growth). DOB has also revised its estimates of consumer price inflation for 2016 and 2017. DOB is now projected a CPI of 1.2% in 2016 (a 0.1% increase from the 1.1% CPI forecast in May) rising to 2.2% CPI in 2017 (a 0.1% increase from its May forecast).

With respect to the New York economy, DOB has revised its August estimates. The recently released Mid Year Update estimates nonfarm employment increases of 1.9% in FY 2016 and 1.4% in FY 2017 (both years up 0.1% from Enacted and 1st Quarter Update estimates). In addition, DOB also is now projecting nonfarm employment growth of 1.3% in FY18. DOB is now forecasting a weakening of personal Income growth in FY16 and FY17. DOB now estimates income growth of 3.8% for FY 2016 (a 0.5% decrease in growth from Enacted and 1st Quarter Update estimates) and 4.6% in FY 2017. DOB is also now estimating a 5.0% increase in income in FY18. DOB has also lowered wage growth estimates. DOB now estimates a 4.3% increase in wages in the current fiscal year (0.3% less than Enacted and 1st Quarter Update estimates) and a 4.1% growth in wages in FY 2017 (0.2% below earlier Plan estimates). DOB is also now estimating FY18 wage growth of 4.4%.

FY 2015 Enacted Budget Certified Bed Development

In the Enacted FY 2017 Financial Plan, DOB revised its estimate of OPWDD community beds developed in FY 2016 based upon actual results. DOB revised downward the number of new OPWDD Community beds developed in FY16 by 222. Overall DOB indicated OPWDD had **42,314 Community beds** in FY16, an increase of 348 beds as compared to actual FY15 results.

In the FY17 Enacted Budget Financial Plan, DOB had projected current year bed development of 624 beds for FY17. At the time, DOB was projecting to increase community beds by 499 in FY 2018, 534 beds in FY 2019 and no additional community beds as of FY 2020 for a total of 43,668 OPWDD community beds at the close of FY20.

The Mid Year Budget Update has revised these bed development numbers. DOB now estimates **42,737 Community beds** will be made available in FY17, an increase of 423 beds for FY17 from FY16 results. DOB is now estimating OPWDD will develop 428 new beds in FY18, 431 new beds in FY19 and 436 new community beds in FY20, for a total of 44,032 OPWDD community beds by the end of FY20.

Total State Share Medicaid Disbursements.

The FY 2017 Enacted Budget projected State Share Medicaid spending of $22.7 Billion. This includes $18.2 billion by the Department of Health and $4.4 billion by the Mental Hygiene Agencies (OPWDD, OMH & OASAS). State-Share Medicaid spending by the Mental Hygiene agencies have been decreasing for several years. In FY15 this funding totaled $4.9 billion. In FY16 State-Share Medicaid funding for Mental Hygiene agencies was $180 million less, totaling $4.7 billion. The FY17 Enacted Budget total of $4.4 billion is $342 million less than FY16 and $522 million less than FY15. $1.1 billion in DOH State-Share Medicaid represents General Fund resources of the Department of Health to fund a portion of Medicaid related Mental Hygiene program costs under the Global Cap. DOH resources have funded a portion of Mental Hygiene spending since FY14. DOH resources financed $730 million in Mental Hygiene costs in FY14, $715 million in FY15, $867 million in FY16 and $1,092 million in FY17. Combined DOH and Mental Hygiene State-Share Medicaid spending was $5.6 billion in FY15, $5.6 billion in FY16 ($28 million less than FY15 spending) and $5.5 billion in FY17 ($117 million less than FY16 results and $145 million less than FY15 results.

The FY17 1st Quarterly Update revises State Share Medicaid spending downward to $2.646 billion, a $38 million reduction. Funding for the Essential Plan, an ACA authorized State health Insurance initiative is increased from $377 million in the Enacted Budget to $382 million in the 1st Quarterly Update. DOH Medicaid Spending is reduced by a modest $5 million. Medicaid spending associated with Mental Hygiene Agencies is reduced to $4.36 billion reflecting a reduction of $33 million. According to DOB this reduction permits "savings associated with the Medicaid program" to be "realized through the Mental Hygiene Global Cap Adjustment". The DOH General Fund

Mental Hygiene Global Cap adjustment, is increased to $1.125 billion, a $33 million increase in DOH General Fund support under the Medicaid Cap for OPWDD, OMH and OASAS, as compared to the Enacted Budget Financial Plan, which allows for fiscal savings outside the global cap to be taken from the Mental Hygiene portions of the Financial plan, as this spending is outside the Global Cap. Total State-Share Medicaid spending for Mental Hygiene agencies remain unchanged at $5.489 billion for FY17.

The FY17 Mid Year Update contains a modest upward revision of the Medicaid Global Cap in the out years of the State's 4-year Financial Plan. Changes in the 10-year rolling average used to compute the cap provide for an additional $14 million in FY19 and $33 million in FY20 for Medicaid Programs under the Cap.

The FY17 Mid Year Update revises State Share Medicaid spending downward to $2.305 billion, a $341 million reduction. Funding for the Essential Plan, the ACA authorized State health Insurance initiative is increased from $384 million to $714 million in the Mid Year Update, an increase of $332 million from the 1st Quarterly Update and $337 million more than projected under the FY 2017 Enacted Budget financial plan.

DOH Medicaid Spending is reduced to $17.842 billion, a $300 million decrease. Medicaid spending associated with Mental Hygiene Agencies is reduced to $4.32 billion reflecting a reduction of $48 million. The DOH General Fund Mental Hygiene Global Cap adjustment is unchanged at $1.125 billion. Total State-Share Medicaid spending for Mental Hygiene agencies total $5.441 billion for FY17, a reduction of $48 million compared to the Enacted Budget and 1st Quarterly Updated financial plans.

State Operating Spending Aid to Localities

Early Intervention

The FY 2017 Enacted Budget financial plan estimated state share Early Intervention services would total $159 million, a $1 million decrease from FY16 results. DOB made no change in this spending estimate in the 1st Quarterly Update. In the FY17 Mid Year Update, DOB has increased its estimate of Early Intervention spending to $173 million in FY17 and to $175 million in FY18, increases of $14 million and $15 million in each of the respective fiscal years. According to DOB the increase in spending is related to "growing enrollment as well as an increase in service costs." DOB points out, "From FY 2014 to FY 2016, the EI program has increased spending by 12 percent on children with autism spectrum disorder."

Mental Hygiene

The FY 2017 Enacted Budget projects Aid to Localities (ATL) State-Share Spending by Mental Hygiene agencies will total $2.6 billion in FY 2017. This includes $2.193 billion in total spending related to the OPWDD population, including DOH General Fund State-Share Medicaid spending under the Medicaid Global Cap adjustment discussed above. Net OPWDD State Operating spending was projected to total $1,059 million. Gross local assistance spending on the OPWDD population in FY17 was projected to increase by $118 million, a 5.7% increase over FY16 results. DOB projects State-Share spending increases of $79 million for Residential Services, $34 million for day services, $1 million for Clinic services and $4 million for all other local assistance services. DOH State-Share Medicaid was projected to support $1.134 billion in OPWDD spending, which includes $1.092 billion in Medicaid Global Cap resources and $42 million in other DOH offsets.

In the Enacted Budget, total net OPWDD ATL state operating fund spending of $1,059 million consists of $367.1.million in state Special Revenue Fund support and $691.5 million in state General Fund support for Medicaid funded programing.

The FY17 1st Quarterly Update does not modify total ATL State-Share Spending by Mental Hygiene agencies, however source of funds is revised. The state now projects that of the $2.193 billion in State support, $1.026 billion in net OPWDD spending will include $367.1 million spent on non-Medicaid categories using state Special Revenue Funds and $658 million will support Medicaid funded programming from the General Fund (A $33 million reduction in OPWDD General Fund support). However, as noted above, DOH State-Share Medicaid spending is increased by $33 million, to a total of $1.167 billion, consisting of $1.125 billion in Medicaid Global Cap resources and $42 million in other DOH offsets.

The FY17 Mid Year Update reduces total ATL State-Share Spending by Mental Hygiene agencies by $66 million. The state now projects that total OPWDD spending will be $2.127 billion. DOB now projects $960 million in net OPWDD spending, which will include $382 million spent on non-Medicaid categories using state Special Revenue Funds (a $14.9 million increase) and $578 million will support Medicaid funded programming from the General Fund (An $80.6 million reduction in OPWDD General Fund support, which will drive an additional $80.6 million reduction in Federal Funds for a total loss of $161.2 million to providers in FY17). DOH State-Share Medicaid spending will continue to total $1.167 billion, consisting of $1.125 billion in Medicaid Global Cap resources and $42 million in other DOH offsets.

Capital Projects Spending OPWDD

The FY 2017 Enacted Budget projects FY17 All Funds OPWDD Capital Projects spending of $70.6 million. Actual All Funds Capital Projects Spending in FY16 was $36.04 million**.** Mental Hygiene capital spending is projected to increase by $201 million, a 60% increase. DOB indicates the increase is attributable to the reclassification of $82 million in existing personal service and fringe benefit cost of employees whose duties relate to the preservation of capital assets of State Operated mental hygiene facilities and programs, as well as the ongoing cost of the reconstruction of the South Beach Psychiatric Center in Staten Island.

The FY 2017 Enacted budget provides no new appropriation authority for capital projects for voluntary agencies. New appropriation authority of $28 million for OPWDD includes $15 million for the acquisition, alteration, improvement and preservation of various community program and institutional program facilities and $13 million in design and construction supervision costs.

OPWDD capital spending of $107.5 million includes $67 million in State Pay As You Go financing and $40.5 million in Authority bonding. DOB estimates $14.6 million will be spent on Community and Institutional services (a $4.5 million increase from FY16 spending); $19.6 million will be spent on the Community Services Program (a $10.5 million increase); $7.8 million on Design and Construction Supervision (a $2.6 million reduction from actual FY16 spending); $41.4 million on the Institutional Services Program (a $31.4 million increase, which includes the reclassification of state employee personal service and fringe benefit costs previously funded as a portion of State Operations); and $24.1 million on Voluntary Facilities.

Actual FY16 disbursements on Voluntary Facilities were $0.5 million. In January, DOB estimated capital spending on Voluntary Facilities would total $10.4 million in FY16 and $18.3 million in FY17. The FY 2016 Enacted Budget Capital Plan indicated actual capital spending on Voluntary facilities totaled $2.2 million in FY15 and expected to spend $19.3 million in FY16. Actual FY16 Capital Spending on Voluntary Facilities was $18.8 million less than forecast in the FY16 Enacted Budget Capital Projects Financial Plan.

DOB only issues its Capital Program and Financing Plan with the Executive Budget and the Enacted Budget. Therefore neither the First Quarterly Update nor the Mid Year Update contains revised Capital Plans.

SPENDING PROJECTIONS

In the February 2016 updated Executive proposal, DOB proposed FY 2017 **All Funds** spending totaling $154.6 billion. This would be an increase in All Funds spending of 1.6% or $2.5 billion over the anticipated All Funds spending of $152.078 billion for FY 2016. DOB proposed total State Fund spending of $105.3 billion, a $3.1 billion increase or 3.1% from the anticipated total state fund spending of $102.2 billion for FY2016. DOB proposed General Fund spending of $70.6 billion in February for FY 2017, a 2.7% decrease or $1.947 billion less than anticipated General Fund spending of $72.6 billion in FY 2016.

Federal Operating Fund spending was projected to total $47.7 billion (and includes $1.1 billion in Federal Disaster Aid for Superstorm Sandy and $6.8 billion in Federal Aid related to Federal Health Care Reform. This would be a decrease in federal fund spending of $102 million from the $47.8 billion in Federal aid spent in FY 2016. Other State Operating spending was projected to total $31.3 billion, a decrease of $29 million or 0.1% from the $31.2 billion spent in FY 2016. Capital Project Fund spending was projected to total $9.7 billion or $414 million higher than the $9.3 billion spent in FY

2016. Debt Service Fund spending was projected to total $5.5 billion in FY 2017, a $10 million increase from the $5.496 billion spent in FY 2016.

Upon adoption of the Budget, DOB projected FY 2017 All Funds spending would total $156.1 billion. This is a $1.5 billion increase from the February updated estimates. Total State fund spending was then projected to total $106.3 billion, a $1.126 billion increase from the February projection. General Fund spending was then projected to total $71.8.billion, a $1.2 billion increase from the February projection. At the same time, DOB further revised downward FY16 spending. By May, FY16 All Funds spending actually totaled $150.7 billion, a $1.4 billion decrease in All Funds FY16 spending. In the FY 2017 Enacted Budget financial plan, DOB also projected a further FY16 General Fund spending decrease of $4.5 billion from the February plan or a total of $68.04 billion in FY16. These revisions permitted DOB to project a 5.6% or $3.8 billion increase in FY 2017 General Fund spending in the adopted budget. .

By May, DOB's Federal Operating Fund spending was projected to total $48 billion. This would be an increase in federal fund spending of $1.6 billion from FY16. This is $379 million less than the February estimate. Other State Operating spending was projected to total $31.3 billion, a decrease of $730 million or 2.3% from FY16 and $27 million more than proposed in February. The Enacted Budget provides for Capital Project Fund spending of $11.92 billion, an increase of 32.7% or $2.939 billion higher than FY16. This is $2.238 billion more than proposed in February. Debt Service Fund spending in the Enacted budget was projected to total $5.242 billion in FY17, a $393 million or 7.0% reduction from FY16 and $264 million less than proposed in February.

In issuing its FY17 Mid Year Update last week, DOB now projects FY17 All Fund spending will total $156.5 billion $375 million more than anticipated in the FY 2017 Enacted Budget financial plan, a 3.8% increase over FY16 spending. General Fund disbursements are approximately $1.5 billion below the level estimated in the Enacted Budget Financial Plan, totaling $70.32 billion. Debt Service Fund spending is now projected to total $5.1 billion, $128 million less than the level estimated in the Enacted Budget plan. Spending from the Capital Projects Fund is now estimated to total $11.4 billion in FY17, $510 million less than anticipated when the FY17 Enacted Budget financial plan. DOB claims these are timing related spending adjustments and insufficient to warrant a change in FY 2015 spending projections.

The next update of the State's financial plan will be released with the FY18 Executive Budget proposal in January of 2017.

If you have any other questions, please advise.