UPDATE TO ANNUAL INFORMATION STATEMENT (AIS)
STATE OF NEW YORK

February 27, 2013

NOTE TO READERS

State law requires the Division of the Budget ("DOB") to issue quarterly updates to the State's Financial Plan. Such updates are typically issued approximately one month after the end of the first, second, and third quarters of the fiscal year. In general, updates to the State's Annual Information Statement ("AIS") which are used in conjunction with the offering of State-supported debt and included in whole or in part in official statements and similar disclosure documents relating to such debt offering, are prepared and released to the public approximately two weeks following updates to the Financial Plan. At the end of October 2012, when updating of the Financial Plan would normally have been undertaken, , Superstorm Sandy[1] ("Superstorm Sandy" or the "Storm"), struck the East Coast of the United States on October 29, 2012, causing widespread infrastructure damage and economic losses in the greater New York region. When DOB issued the quarterly update to the Financial Plan in late November 2012, it noted:

> *The Storm's adverse impact on the State's finances remains highly uncertain and subject to a number of factors, including the scope and timing of federal aid, which are not possible to predict reliably at this time. Accordingly, this Mid-Year Update to the Financial Plan does not reflect an assessment of the Storm's impact on the State's multi-year financial projections. DOB expects to update the State's multi-year financial projections in January 2013 with the Executive Budget Financial Plan for FY 2014, at which time it will provide a comprehensive assessment of the Storm. The Storm assessment may result in material and adverse changes to the Financial Plan projections set forth in this Mid-Year Update.*

In light of the timing of the quarterly update to the Financial Plan, coupled with the fiscal uncertainties surrounding the impact of the Storm, and the then-developing "fiscal cliff" discussions at the Federal level, and the absence of any offering of State-supported debt during this period of time, DOB determined that it was advisable to deviate from its normal practice for updating the AIS, and resume its quarterly updating cycle with the Executive Budget Financial Plan.

[1] Superstorm Sandy, a category 1 hurricane, made landfall as a post-tropical cyclone.

INTRODUCTION

For the reasons noted above, this is the second update (the "AIS Update") to the AIS dated May 11, 2012. This AIS Update contains information only through February 27, 2013 and should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. A summary of recent events and changes to the Financial Plan made since the last quarterly update to the AIS dated August 10, 2012 (the "Prior Quarterly Update"), including the estimated impact of the Governor's Executive Budget proposal for FY 2014, as amended (the "Updated Financial Plan") issued on February 25, 2013 and available on the DOB website at www.budget.ny.gov. The updated information includes (a) revised Financial Plan projections for fiscal years 2013 through 2016[2] and initial projections for FY 2017, (b) an updated economic forecast, (c) operating results through January 2013, (d) a discussion of issues and risks that may affect the Financial Plan during the State's current fiscal year or in future years (under the heading "Other Matters Affecting the Financial Plan"), and (e) a summary of GAAP-basis results for the prior three fiscal years (reprinted as a convenience from the Prior Quarterly Update).

2. Updated information regarding the State Retirement Systems.

3. Updated information on certain public authorities and localities of the State.

4. The status of significant litigation and arbitration that has the potential to adversely affect the State's finances.

DOB is responsible for preparing the State's Financial Plan and presenting the information that appears in this AIS Update on behalf of the State. In preparing this AIS Update, DOB has also relied on information drawn from other sources, including the Office of the State Comptroller ("OSC"). In particular, information contained in the section entitled "State Retirement Systems" has been furnished by OSC, while information relating to matters described in the section entitled "Litigation and Arbitration" has been furnished by the State Office of the Attorney General. DOB has not undertaken any independent verification of the information contained in these sections of the AIS Update.

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections or other information relating to the State's financial position, including potential operating results for the current fiscal year and projected budget gaps for future fiscal years that may vary materially from the information provided in this AIS Update. Investors and other market participants should, however, refer to the AIS, as updated, or supplemented from time to time, for the most current official information regarding the financial position of the State.

The factors affecting the State's financial condition are complex. This AIS Update contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts were prepared. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in this AIS Update of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. Forecasts, projections and estimates are not intended as representations of fact or guarantees of results. The words

[2] The fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2013 ("FY 2013") is the fiscal year that began on April 1, 2012 and will end on March 31, 2013.

"expects", "forecasts", "projects", "intends", "anticipates", "estimates", and analogous expressions are intended to identify forward-looking statements in this AIS Update. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Such risks and uncertainties include, among others, general economic and business conditions, extreme weather events, changes in political, social and economic conditions, impediments to the implementation of gap-closing actions, regulatory initiatives and compliance with governmental regulations, litigation, national and international events, and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this AIS Update.

In addition to quarterly updates to the AIS, the State may issue AIS supplements or other disclosure notices to the AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS Update in Official Statements or related disclosure documents for State or State-supported debt issuances. The State has filed this AIS Update with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. An electronic copy of this AIS Update can be accessed through the EMMA at www.emma.msrb.org. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-2302.

In July 2012, OSC issued the Basic Financial Statements for FY 2012 (ended March 31, 2012). Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements for FY 2012 can also be accessed through EMMA at www.emma.msrb.org.

USAGE NOTICE

This AIS Update is furnished by the State pursuant to its contractual obligations under various continuing disclosure agreements ("CDA") entered into by the State in connection with financings of the State, as well as certain issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payment of their respective bonds, notes or other obligations.

This AIS Update is available in electronic form on the DOB website (www.budget.ny.gov) and does not create any implication that there have been no changes in the financial position of the State at any time subsequent to its release date. Maintenance of this AIS Update on the DOB website, or on the EMMA website, is not intended as a republication of the information therein on any date subsequent to its release date.

See the Glossary of Acronyms at the end of this AIS Update for a list of certain defined terms and abbreviations used throughout this AIS Update.

Neither this AIS Update nor any portion thereof may be (i) included in a Preliminary Official Statement, Official Statement, or other offering document, or incorporated by reference therein, unless DOB has expressly consented thereto following a written request to the State of New York, Division of the Budget, State Capitol, Albany, NY 12224, or (ii) considered to be continuing disclosure in connection with any offering unless a CDA relating to the series of bonds or notes has been executed by DOB. Any such use, or incorporation by reference, of this AIS Update, or any portion thereof, in a Preliminary Official Statement, Official Statement, or other offering document or continuing disclosure filing without such consent and agreement by DOB, is unauthorized and the State expressly disclaims any responsibility with respect to the inclusion, intended use, and updating of this AIS Update if so misused.

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OVERVIEW OF THE UPDATED FINANCIAL PLAN

The State's **General Fund** — the fund that receives the majority of State taxes and all income not earmarked for a particular program or activity — is required to be balanced on a cash basis of accounting. The State Constitution and State Finance Law do not define budget balance. State law requires the Governor to submit an Executive Budget proposal that is balanced on a cash basis in the General Fund. In practice, the General Fund is considered balanced on a cash basis of accounting if sufficient resources are expected to be available during the fiscal year for the State to (a) make all required payments, including personal income tax ("PIT") refunds, without the issuance of deficit notes or bonds or extraordinary cash management actions, (b) restore the balances in the Tax Stabilization Reserve and Rainy Day Reserve to levels at or above the levels on deposit when the fiscal year began, and (c) maintain other reserves, as required by law.

The General Fund is the sole financing source for the School Tax Relief ("STAR") Fund. In addition, the General Fund is typically the financing source of last resort for the State's other major funds, including Health Care Reform Act ("HCRA") funds, the Dedicated Highway and Bridge Trust Fund ("DHBTF") and the Lottery Fund. Therefore, the General Fund projections account for any estimated funding shortfalls in these funds. Since the General Fund is the fund that is required by law to be balanced, the focus of the State's budgetary and gap-closing discussion is generally weighted toward the General Fund.

State Operating Funds is a broader measure of spending for operations (as distinct from capital purposes) that is financed with State resources. It includes not only the General Fund, but also State-financed special revenue funds and debt service funds. It excludes spending from capital project funds and Federal funds. As more spending has occurred outside of the General Fund, State Operating Funds has become, in DOB's view, a more meaningful measure of State-financed spending for operating purposes. Therefore, the discussion of disbursement projections often emphasizes the State Operating Funds perspective.

The State accounts for receipts and disbursements by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as State Operations). The Financial Plan tables sort all State projections and results by fund and category. The State also reports disbursements and receipts activity for **All Governmental Funds** ("All Funds"), which includes spending from Capital Projects Funds and State and Federal operating funds, providing the most comprehensive view of the cash-basis financial operations of the State.

Fund types of the State include: the General Fund; State special revenue funds, which receive certain dedicated taxes, fees and other revenues that are used for a specified purpose; Federal Special Revenue Funds, which receive certain Federal grants; State and Federal Capital Projects Funds, which account for costs incurred in the construction and rehabilitation of roads, bridges, prisons, and other infrastructure projects; and Debt Service Funds, which account for the payment of principal, interest and related expenses for debt issued by the State and its public authorities.

State Finance Law also requires DOB to prepare a pro forma GAAP-basis financial plan for informational purposes only. This GAAP-basis Financial Plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by OSC in preparation of the audited Basic Financial Statements. The GAAP-basis financial plan is not used by DOB as a benchmark for managing State finances during the fiscal year.

EXECUTIVE BUDGET FINANCIAL PLAN OVERVIEW

The Governor submitted his Executive Budget proposal for FY 2014 on January 22, 2013, and amendments through February 21, 2013, as permitted by law. On February 25, 2013, DOB issued the Updated Financial Plan, extracts and summaries of which are included in this AIS Update. The Updated Financial Plan includes updated estimates for the current fiscal year (FY 2013), and projections for FY 2014 through FY 2017, which reflect the estimated impact of the Governor's Executive Budget proposals, as amended. References to the Executive Budget in this AIS Update refer to the Governor's Executive Budget, as amended.

The projections assume that the Legislature enacts the Governor's Executive Budget proposal in its entirety and without modification by the start of FY 2014, which begins on April 1, 2013. The Governor's proposal is awaiting action by the Legislature. There can be no assurance that the Legislature will adopt all or any portion of the Executive Budget as proposed. Accordingly, there can be no assurance that the fiscal impact of the budget for FY 2014, when adopted, will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan and as disclosed in this AIS Update.

CURRENT FISCAL YEAR (FY 2013)

DOB expects the State will end the current fiscal year in balance for the General Fund on a cash basis of accounting. General Fund receipts, including transfers from other funds, are expected to total $59.1 billion, an increase of $167 million from the Prior Quarterly Update. The estimate for annual tax receipts, before accounting for the impact of debt service revisions, has been lowered by $226 million, reflecting relatively weak economic growth and the disruption to activity caused by Superstorm Sandy, offset in part by changes in taxpayer behavior in response to potential Federal tax law changes.[3] In September 2012, the State received an unanticipated one-time payment pursuant to a settlement between the Department of Financial Services and Standard Chartered Bank that increased miscellaneous receipts by $340 million. In addition, the estimate for miscellaneous receipts and non-tax transfers has been increased by $53 million based on a review of collections to date. The reduction in tax receipts is offset in part by lower than expected costs for debt service, primarily for the State's Personal Income Tax bonds, which results in an increase in tax receipts transferred to the General Fund after payment of debt service, and modestly higher transfers from other funds to the General Fund.

General Fund disbursements, including transfers to other funds, are expected to total $59.4 billion, an increase of $167 million over the Prior Quarterly Update. The change is due to a number of factors. Estimated disbursements for local assistance have been increased by $108 million, reflecting higher than expected spending for Medicaid expenses that are expected to be financed from the General Fund instead of HCRA (due to lower expected receipts in HCRA). The estimate for State Operations disbursements has been increased by $89 million, due mainly to the costs related to Superstorm Sandy (these outlays are expected to be reimbursed by the Federal government in FY 2014). General State Charges costs have been revised upward due to litigation against the State, reduced escrow payments from State agencies to offset General Fund costs, and increases in Workers' Compensation payments. Estimated transfers for debt service and capital projects have been reduced, reflecting, among other things, savings from refundings, the timing and sizing of bond sales, and the financing mix for capital projects. The Financial

[3] Estimated General Fund tax receipts are affected by changes in the estimated level of debt service needed for PIT Revenue Bonds, Local Government Assistance Corporation Bonds, and Clean Air/Clean Water bonds. The discussion of tax receipts excludes the impact of these debt service changes, since they are unrelated to tax liability.

Plan also assumes the prepayment in the current year of approximately $183 million in debt service not due until FY 2014. The following table summarizes the revisions.

Note that total disbursements ($59.4 billion) exceed total receipts ($59.1 billion) by $313 million, which is financed from existing fund balances as designated and planned for the purposes of settling prior year labor agreements, and funding community projects.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) ESTIMATE FOR FY 2013
SUMMARY OF CHANGES FROM PRIOR QUARTERLY UPDATE
SAVINGS/(COSTS)
(millions of dollars)

	FY 2013
PRIOR QUARTERLY UPDATE SURPLUS/(GAP) FORECAST	**0**
Receipts Revisions	**167**
Tax Receipts [1]	(226)
Miscellaneous Receipts: Standard Chartered Settlement	340
Other Miscellaneous Receipts/Non-Tax Transfers	53
Spending Revisions	**(167)**
Local Assistance	(108)
Agency Operations	(89)
General State Charges	(90)
Debt Service	104
Capital Projects	187
All Other Transfers	12
Planned Pre-Payment of Debt Service	(183)
REVISED BUDGET SURPLUS/(GAP) ESTIMATE	**0**

[1] Excludes impact of debt service reestimates.

The State expects to end FY 2013 with a General Fund cash balance of $1.47 billion. The balance consists of $1.13 billion in the Tax Stabilization Reserve, $175 million in the Rainy Day Reserve, $57 million in the Community Projects Fund, $21 million in the Contingency Reserve, and $13 million reserved for debt management. In addition, the balance includes $77 million set aside for potential retroactive costs of labor settlements with unions that have not agreed to contracts for prior contract periods (i.e., through FY 2011). The potential retroactive costs have been calculated using the terms agreed to by the major State employee unions that reached settlements for those periods.

Risks to budget balance remain in the current fiscal year. For example, actual tax receipts may fall below the revised estimates; the implementation of year-end transactions, such as the transfer of excess balances from other funds or payments from non-State entities, may occur at lower levels than assumed in the Financial Plan; disbursements in certain programs, especially economically-sensitive programs such as Medicaid, may vary from budgeted amounts; or the Federal government may take actions that adversely impact the State, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules (See "Other Matters Affecting the Financial Plan — Budget Risks and Uncertainties" herein).

MULTI-YEAR FINANCIAL PLAN REVISIONS (FY 2014 AND OUT-YEARS)

The budget gap that must be closed by the Executive Budget is projected at $1.35 billion, an increase of $370 million from the Prior Quarterly Update. The projected gaps in future years have also increased. DOB has revised the multi-year forecast of receipts and disbursements based on a review of operating results to date, updated forecasts for the State and national economies, and other information.

The following table summarizes the revisions, since the Prior Quarterly Update to the AIS, to the budget gaps estimated prior to the Executive Budget.

UPDATED GENERAL FUND BUDGETARY BASIS GAP PROJECTIONS FOR FISCAL YEARS 2014 THROUGH 2016[1]
BEFORE EXECUTIVE BUDGET PROPOSALS
SUMMARY OF CHANGES FROM PRIOR QUARTERLY UPDATE TO AIS
(millions of dollars)

	FY 2014	FY 2015	FY 2016
PRIOR QUARTERLY UPDATE SURPLUS/(GAP) ESTIMATE	**(982)**	**(3,590)**	**(4,370)**
Receipts Forecast Revisions	**(965)**	**(672)**	**(703)**
Tax Receipts [2]	(851)	(691)	(677)
Miscellaneous Receipts [3]	(114)	19	(26)
Spending Forecast Revisions [3]	**595**	**283**	**(128)**
Superstorm Sandy (Federally-Reimbursed)	200	0	0
HCRA: Medicaid Offset	(486)	(387)	(263)
Mental Hygiene	431	366	(140)
Federal TANF Offset	288	144	144
Human Services COLA Calculation	66	86	90
General State Charges	(173)	(145)	(99)
Debt Service	132	120	95
All Other Revisions	137	99	45
REVISED BUDGET SURPLUS/(GAP) ESTIMATE	**(1,352)**	**(3,979)**	**(5,201)**

1 Gap estimate for FY 2017 is published for the first time with the Executive Budget.
2 Excludes impact of debt service reestimates.
3 Excludes the reclassification of certain mental hygiene and Medicaid activities between receipts and disbursements, which has no impact on net Financial Plan operating results.

RECEIPTS

DOB has lowered the forecast for tax receipts in each year of the Financial Plan, consistent with the updated forecasts for the national and State economies, including the impact of Superstorm Sandy, and a review of receipts collections through January 2013. The estimates for miscellaneous receipts reflect adjustments based on updated information. (See "Financial Plan Projections Fiscal Years 2013 Through 2017 -- Receipts Overview" herein).

SPENDING

DOB has revised its multi-year spending projections across various agencies and programs to account for recent trends and experience, the continuing impact of cost-control measures imposed on discretionary spending, and other information. The most significant revisions include the following:

- **Superstorm Sandy Federally-Reimbursed Costs:** The Updated Financial Plan assumes that Federal aid under the Stafford Act, Community Development Block Grant Program, and other Federal programs, will reimburse the State for the entire cost of disaster response and recovery. The Updated Financial Plan assumes that State outlays for disaster response and recovery in FY 2013 (estimated at approximately $200 million) will be reimbursed in their entirety in FY 2014.

- **HCRA: Medicaid Offset:** HCRA resources expected to be available to finance General Fund Medicaid costs have been reduced as a result of downward revisions to cigarette tax collections and other receipt collections, as well as programmatic spending estimates. The decline in HCRA resources results in Medicaid costs reverting to and relying upon resources in the General Fund.

- **Mental Hygiene:** Spending has been lowered in all years of the Updated Financial Plan period to reflect updated program data indicating lower costs associated with residential development, ongoing management initiatives, and revised estimates for operational costs.

- **Federal TANF:** Under the TANF program, Federal funds are allocated to the State to assist families on limited incomes including child care subsidies. In addition to the standard annual TANF block grant, the State periodically receives supplemental TANF funding. Additional TANF funds totaling $144 million will be used to offset FY 2014 General Fund spending for child care subsidies.

  In addition, the State's projected costs for public assistance have been reduced by $144 million annually across the plan period to reflect current caseload levels and the distribution of cases between the Family Assistance and Safety Net programs.

- **Human Services COLA:** The scheduled cost-of-living adjustments for human services providers have been updated based on the formula in State law.

- **General State Charges:** Costs have been revised upward due to litigation against the State, reduced escrow payments from State agencies to offset General Fund costs, and increases in Workers' Compensation payments.

- **Debt Service:** Estimated spending has been lowered to reflect the timing of bond sales and expected interest rates.

- **Other Revisions:** DOB has revised its multi-year spending projections across a number of agencies and programs to account for recent trends and experience. Significant changes include: the write-down of amounts expected to be received from other funds, based on an assessment of transaction risks; lower estimated spending for the GPHW program based on the continued trend of reduced claims submitted by counties; School Aid, reflecting information contained in the November 2012 database update and updated estimates of personal income that are used in the calculation of the annual growth cap; and higher anticipated costs for, among things, preschool special education, the State takeover of Medicaid administration, higher transfers to subsidize the operations of the DHBTF due to a decline in estimated tax collections; and ESD local assistance commitments.

Projected Medicaid spending is reduced reflecting the decision by Monroe County to participate in the local cap contribution program, effective February 1, 2013. With the change, the State will no longer intercept a portion of Monroe County sales tax collections equal to its share of Medicaid costs, and the county will now pay its share of Medicaid costs directly. The change has a minimal net Financial Plan impact, resulting in both lower State spending and lower State receipts.

FY 2014 EXECUTIVE BUDGET PROPOSAL

The Executive Budget proposes to eliminate the estimated General Fund budget gap of $1.35 billion in FY 2014, and reduce the estimated out-year budget gaps to $2.1 billion in FY 2015, $3.6 billion in FY 2016, and $4.2 billion in FY 2017. The budget gaps have increased in comparison to the projections in the Prior AIS Update, reflecting DOB's updated assessment of economic activity, the impact of Superstorm Sandy, and other factors.

The projected budget gaps represent the difference between the projected General Fund disbursements, including transfers to other funds, needed to maintain current services levels and specific commitments, and the expected level of resources to pay for them. The gaps are based on a number of assumptions and projections developed by DOB in conjunction with other State agencies. The assumptions reflect the impact of current statutory provisions on spending growth. Mandates and entitlements, combined with enrollment increases, account for a significant portion of projected spending increases.

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GAP-CLOSING PLAN

The Executive Budget includes a total of $2.0 billion in gap-closing actions in FY 2014. These actions close the $1.35 billion budget gap and finance new costs and the initiatives proposed in the Executive Budget. The table below summarizes the gap-closing plan.

GENERAL FUND GAP-CLOSING PLAN FOR FISCAL YEAR 2014 AND IMPACT ON OUT-YEAR GAPS (millions of dollars)

	FY 2014	FY 2015	FY 2016	FY 2017
CURRENT SERVICES GAP ESTIMATES (BEFORE ACTIONS)	**(1,352)**	**(3,979)**	**(5,201)**	**(5,663)**
GAP-CLOSING PLAN				
Spending Control	**1,123**	**811**	**738**	**747**
Agency Operations	**434**	**447**	**470**	**503**
Executive Agencies	214	278	287	320
Independent Officials/University System	51	30	28	28
Health Insurance Rate Renewal	89	89	89	89
Fringe Benefits/Fixed Costs	80	50	66	66
Local Assistance	**378**	**298**	**268**	**244**
COLAs/Trends	71	85	88	95
Public Health/HCRA/Aging	161	126	149	143
Social Services/Housing	104	32	0	0
Education	61	52	52	52
All Other	(19)	3	(21)	(46)
Debt Management	**311**	**66**	**0**	**0**
Federal Revenue Reduction Plan	**0**	**(35)**	**(13)**	**312**
OPWDD Federal Rate Change*	(1,100)	(1,000)	(650)	(325)
State Savings Plan	500	510	302	302
Federal Resources	600	455	335	335
Extenders	**331**	**671**	**671**	**395**
18-A Utility Assessment	255	509	509	509
Limit on High Income Charitable Contributions	70	140	140	70
Film Credit	0	0	0	(165)
Historic Properties Rehabilitation Credit	0	0	0	(41)
Tax Modernization	6	22	22	22
Other Resources	**18**	**539**	**242**	**48**
Gross Resources	**549**	**756**	**506**	**517**
Workers' Compensation Reform	250	500	250	250
Annual Professional Performance Review	240	240	240	240
Wage Garnishment/Driver License Suspension Program	35	15	15	15
All Other	24	1	1	12
Proposed Investments	**(531)**	**(217)**	**(264)**	**(469)**
Debt Reduction Reserve Purposes	(250)	0	0	0
Fiscal Stabilization Aid	(143)	(61)	0	0
Thruway Authority	(84)	(86)	(87)	(89)
Capital Commitment Plan (Debt Service Impact)	(5)	(25)	(87)	(277)
Empire State Development	0	0	(36)	(36)
All Other	(49)	(45)	(54)	(67)
Tax Receipts (Reestimates)**	**(120)**	**(100)**	**0**	**0**
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATE	**0**	**(2,093)**	**(3,563)**	**(4,161)**

* The current services gap estimates had assumed the phase-down of Federal rates for State-Operated disability services beginning in FY 2016.

** After the release of the Governor's initial Executive Budget proposal in January 2013.

The FY 2014 gap-closing actions are organized into four general categories: (a) actions that reduce current-services spending in the General Fund on a recurring basis ("Spending Control"); (b) actions that continue revenues on a recurring basis that would otherwise be reduced ("Extenders"); (c) actions that increase resources on a recurring basis ("Gross Resources"); and (d) new investments that increase spending or reduce resources ("Proposed Investments").

The sections below provide details on the actions that are recommended in each category.

SPENDING CONTROL

Before the spending controls and management actions proposed in the Executive Budget, State Operating Funds spending was projected to total $91.9 billion in FY 2014, an increase of $2.3 billion, or 2.6 percent, over the current-year estimate. The FY 2014 Executive Budget would reduce State Operating Funds spending in FY 2014 to $89.8 billion, an annual increase of 0.2 percent over the FY 2013 estimate.

AGENCY OPERATIONS

Agency Operations include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies, utilities). State Operating Funds spending for agency operations is estimated at $24.8 billion in FY 2014, the same level as the current year. Reductions from the FY 2014 current-services forecast for agency operating costs contribute $434 million to the General Fund gap-closing plan.

- **Executive Agencies:** Continued workforce management, annualization of savings from recent closures of facilities, elimination of excess capacity, and efforts to right-size State government are expected to result in lower personal service and fringe benefits costs. The size of the Executive State workforce is projected to remain roughly constant at 119,600 FTEs. Additional savings are expected through operational efficiencies as agencies continue to redesign operations to improve service delivery, reduce costs, and eliminate duplicative functions.

- **Independent Officials/University Systems:** The budgets for the Legislature, Judiciary, State Comptroller, and the Department of Law do not propose spending increases for FY 2014. In addition, funding for SUNY hospitals added in the FY 2013 Enacted Budget has been discontinued.

- **Health Insurance Rate Renewal:** Savings are expected to be achieved through a lower than anticipated 2014 rate renewal increase for the Empire Plan.

- **Fringe Benefits/Fixed Costs:** Lower spending is expected by making monthly payments (rather than a single payment in March) to the State's pension system to realize annual interest savings, and by eliminating Federal Medicare Part B reimbursements for higher income retirees.

LOCAL ASSISTANCE

Local assistance spending includes financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. State Operating Funds spending for local assistance is estimated at $59.2 billion in FY 2014, an increase of $492 million (0.8 percent) from the current year. Reductions from the FY 2014 current-services forecast for local assistance include both targeted actions and additional savings from the continuation of prior-year cost containment actions, which together contribute $378 million to the General Fund gap-closing plan. The most significant gap-closing actions in local assistance include the following:

- **Human Services Cost-of-Living Increases/Trends:** The Budget proposes eliminating the automatic 1.4 percent human services "cost-of-living" increase for FY 2014, and maintaining existing rates for mental hygiene programs, including various residential and day programs for individuals with developmental disabilities, and other health and human services programs.

- **Public Health/HCRA/Aging:** Savings are expected to be achieved through the consolidation of various public health programs, which is expected to generate programmatic and administrative efficiencies; reforms and reductions to the Excess Medical Malpractice program; and improvements in program administration. In addition, increased Federal funding under the ACA, will be used to achieve $40 million in savings in FY 2014.

- **Social Services/Housing:** Savings are expected through the application of supplemental Federal TANF funding to Child Care that will provide General Fund relief in FY 2014. In addition, resources from SONYMA's excess Mortgage Insurance Fund (MIF) reserves will be used to support the Community Prevention Program (formally known as Neighborhood and Rural Preservation Programs) and the Rural Rental Assistance program in FY 2014 and FY 2015.

- **Education:** The Executive Budget proposes limiting growth in preschool special education through various initiatives including building county capacity to monitor providers and authorizing New York City to implement a process to select providers and set rates within State parameters. In addition, the Executive Budget proposes lottery changes that are expected to generate additional receipts for State aid for education.

- **Other Local Programs:** Savings will be achieved across multiple functions and program areas including: delays to certain plans associated with mental health bed development, and other construction projects; the establishment of fraud protection mechanisms related to the STAR program; and the elimination of certain legislative grants.

FEDERAL REVENUE REDUCTION PLAN

The Updated Financial Plan addresses reductions in Federal Medicaid revenue related to reimbursement for State-operated developmental disability services. (Also see "Other Matters Affecting the Financial Plan" herein.)

The Executive Budget includes actions that are expected to provide $500 million in savings to offset the loss of Federal aid, including a proposed 6 percent Medicaid rate reduction for developmental disability providers which would eliminate COLA and other enhancements received by these providers in FY 2010 and FY 2011 ($120 million). This would be consistent with all other human service providers who have not received a COLA since FY 2009. The State will also manage MRT initiatives to accelerate cost-saving reforms and delay certain new investments, which is expected to further reduce Medicaid costs ($180 million). Lastly, the MRT process is continuing to reduce Medicaid costs below levels estimated in the Financial Plan ($200 million).

The Updated Financial Plan also identifies $600 million of additional Federal aid, including $250 million for emergency Medicaid services and other expenses for which the State is eligible for reimbursement from the Federal government, $250 million in Federal aid related to reforms to services for individuals with disabilities, and an additional $100 million related to coverage of certain populations under the ACA.

The following table (a) summarizes the specific actions that are reflected in the Updated Financial Plan to address the decline in Federal funding and (b) illustrates the impact of those actions on State Operating Funds.

FEDERAL REVENUE REDUCTION PLAN SUMMARY SUMMARY OF ACTIONS (millions of dollars)	
	FY 2014
OPWDD Federal Rate Reduction	**(1,100)**
State Actions	**500**
6% Reduction to OPWDD Providers	120
Global Cap Underspending in FY 2013	200
MRT Investment Delays/Accelerated Reforms	180
Other Resources	**600**
Federal Aid for Emergency Medicaid/Other Costs	250
ACA Resources	100
Other Federal Aid	250
Impact of Actions on State Operating Funds Spending	
Change in Available SOF Resources Due to Aid Reduction	(850)
Change in SOF Disbursements	(850)
6% Reduction to OPWDD Providers	*(120)*
Transfer of Costs to DOH Medicaid	*(730)*
Global Cap Underspending	(200)
MRT Investment Delays/Reform Acceleration	(180)
State MA Costs Finance with Eligible Federal Resources	(350)

EXTENDERS

- **18-a Utility Assessment:** The current temporary 18-a assessment surcharge on public utilities, enacted in 2009, expires in FY 2014. The assessment is used to support ongoing State expenses. The Executive Budget proposes a five-year extension of the assessment.

- **High Income Charitable Contributions:** The Executive Budget recommends a three-year extension, starting with tax-year (i.e., calendar year) 2013, of the existing limitation on charitable contributions deductions for State and New York City taxpayers with adjusted gross income over $10 million.

- **Film Credit:** Provides an additional film tax credit allocation of $420 million per year for tax years 2015 through 2019. Enhancements include reducing restrictions on claiming the post production portion of the credit. Transparency improvements include increased employment reporting as well as required periodic audits and economic benefit studies.

- **Historic Commercial Properties Rehabilitation Credit:** To provide assurance to developers who are rehabilitating historic property, or are considering doing so, the Executive Budget proposes extending the existing $5 million per project tax credit for five years (2015-2019) and making the credit refundable for projects completed in tax year 2015, or later.

- **Historic Residential Properties Rehabilitation Credit:** Provides for an extension of the current higher credit cap and refund-ability for five years (2015-2019).

- **Tax Modernization:** The Executive Budget proposes a permanent extension to provisions first enacted in FY 2011 that include mandatory e-filing and e-payment for preparers and taxpayers, sales tax payment requirements, and segregated accounts for noncomplying vendors.

OTHER RESOURCES

- **Workers' Compensation Reform:** The Executive Budget includes legislation to reform the State's complex and inefficient Workers' Compensation system. As a by-product of the reform legislation, the Executive Budget proposes that the State Insurance Fund (SIF), a State agency that provides Workers' Compensation insurance, release reserves that would no longer be required to fund future liabilities. The Executive Budget proposes using the released reserves over a period of four years to pay for new capital projects with cash rather than with debt, maintain Workers' Compensation rates at stable levels, cover new spending initiatives, and meet other Financial Plan needs. In FY 2014, the Executive Budget proposes the reserve release to be used for debt reduction ($250 million) and capital projects ($500 million) that otherwise would be financed with long-term bonds.

- **Annual Professional Performance Review:** Certain school districts were not in compliance with the Annual Professional Performance Review by the January 17, 2013 deadline, thereby forfeiting planned aid increases. This results in lower expected costs of $240 million in FY 2014 and thereafter. A lawsuit has been initiated contesting the link of school aid spending increases to the submission by school districts of approvable teacher evaluation plans, and seeking to prevent the State from withholding aid increases due to lack of compliance. (Also see "Litigation and Arbitration - School Aid" section herein). In relation to this lawsuit, DOB expects a favorable judgment for the State.

- **Wage Garnishment:** The Department of Taxation and Finance (DTF) has the authority to garnish wages of delinquent taxpayers after filing a warrant with the Department of State or County Clerks. The Executive Budget proposes allowing DTF to garnish wages without filing a warrant, but only after a taxpayer has exhausted her rights to appeal. All taxpayer protections and appeal rights remain in place, and unlike when a warrant is filed, a warrantless garnishment would not appear on a person's credit history.

- **Driver License Suspension Program:** The program would authorize the revocation of driver licenses for individuals who surpass a threshold tax delinquency amount of $10,000 or more. Individuals may settle within 30 days, or get a restricted license until the delinquency is satisfied.

- **All Other:** Additional revenue will be made available through several resources including transfers to the General Fund from public authorities and proceeds from bonding capital projects under the EPF; applying surcharges to lesser vehicle and traffic law violations to which speeding tickets are commonly pled down; and an increase in the penalty for possession of unstamped cigarettes.

PROPOSED INVESTMENTS

- **Debt Reduction Reserve Purposes:** The Executive Budget includes a proposal to reserve $250 million to be used for DRRF purposes, which will be financed with $250 million from the release of SIF reserves.

- **Fiscal Stabilization Aid:** The Executive Budget proposes a one-time, unallocated, fiscal stabilization increase of $204 million (school year basis) to school districts in recognition of the fiscal constraints faced by districts as a result of a multi-year national recession and the recent significant growth in pension costs.

- **Thruway Authority:** The personnel and fringe benefit costs for a unit of the New York State Police that handles traffic enforcement for the Thruway Authority, as well as certain operating costs of the Thruway Authority, will be financed as costs of the State from general revenues of the State. The State's assumption of these costs, which were previously financed by revenues generated from Thruway toll collections, will help the Thruway Authority maintain fiscal stability without an immediate toll increase.

- **Empire State Development:** The Mitchell-Lama program provides affordable rental and cooperative housing to moderate- and middle-income families. The program will be restructured and transferred from ESD to DHCR in order to improve the housing stock. Once transferred, ESD will lose the HUD subsidy associated with the portfolio, and accordingly, the Updated Financial Plan includes additional support for ESD beginning in FY 2016.

- **19-A PILOT Payments to Albany:** The FY 2014 PILOT payment to be made by the State to the City of Albany is scheduled to decrease by $8 million under the existing statutory schedule. To help alleviate the City's fiscal needs, the Executive Budget, as amended, proposes accelerating a PILOT payment due in a future year.

- **2014 Super Bowl:** New York and New Jersey will co-host Super Bowl XLVIII in February 2014. The Executive Budget, as amended, proposes $5 million to support activities in New York State to promote tourism and stimulate economic development opportunities associated with this premier event.

- **Tribal State Compact:** The City of Salamanca has not received payments from the Seneca Nation pursuant to the Tribal State Compact for over three years. These annual payments represent nearly 40 percent of the City's budget. Accordingly, this lack of payment has left the City unable to meet its expenses. The Executive Budget, as amended, proposes providing $2.5 million from the General Fund to the Tribal State Compact account, representing the amount required by the City of Salamanca for its 2013 fiscal year.

- **Other Changes:** The Updated Financial Plan assumes the payment in the current year of certain debt service that is not due until FY 2014, which has the effect of increasing expenses in the current year and reducing them in FY 2014. Other changes include technical adjustments to transfers and disbursements.

TAX RECEIPTS TIMING

A positive FY 2013 revision to tax receipts is the result of greater than anticipated capital gains realizations taken by taxpayers facing the possibility of Federal tax rate increases in tax year 2013. These gains are partially offset by lower than expected withholding and estate tax collections, as well as recognition of increased business tax refund inventories. The negative FY 2014 revision largely reflects the lower FY 2013 withholding base and higher expected refunds, partially offset by higher extension payments from the capital gains.

PROJECTED CLOSING BALANCES

If the Executive Budget is enacted as proposed, DOB estimates the State would end FY 2014 with a General Fund balance of $1.6 billion. The balance is expected to increase by $167 million from estimated FY 2013 levels, as described below. The following table summarizes the annual change in balances within the General Fund.

GENERAL FUND ESTIMATED CLOSING BALANCES
(millions of dollars)

	FY 2013 Current	Annual Change	FY 2014 Proposed
Projected Fund Balance	**1,474**	**167**	**1,641**
Statutory Reserves:			
Tax Stabilization Reserve Fund	1,131	0	1,131
Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	57	(57)	0
Reserved for:			
Prior Year Labor Agreements (2007-2011)	77	(26)	51
Debt Reduction	13	250	263

The Executive Budget proposes to reserve $250 million in FY 2014 for debt management purposes. Funds are expected to be used to, among other things, defease higher-cost debt, reduce borrowing levels, and manage debt service costs.

The closing balance in both years includes amounts reserved to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms for prior contract periods. The reserve is calculated based on the pattern settlement for the FY 2008 through FY 2011 period agreed to by the State's largest unions. In FY 2014, DOB estimates the reserve will be reduced by $26 million to fund FY 2014 costs of a labor settlement reached with NYSCOPBA in FY 2013 for the prior contract period. Reserves will be reduced as labor agreements for prior periods are reached with other unions.

The Community Projects Fund, which finances discretionary grants allocated by the Legislature and Governor, is expected to decrease by $57 million in FY 2014, reflecting the use of the balance and no planned future deposits.

Balances in the State's principal reserve funds are expected to remain unchanged in FY 2014.

ANNUAL SPENDING GROWTH

DOB estimates that State Operating Funds spending will total $89.8 billion in FY 2014, an increase of $202 million (0.2 percent) from the estimate for FY 2013. All Governmental Funds spending (excluding extraordinary Federal aid for Superstorm Sandy disaster assistance and the Affordable Care Act), which includes capital projects and Federal operating funds, would total $134.9 billion, an increase of $777 million (0.6 percent) from the current year.

TOTAL DISBURSEMENTS
(millions of dollars)

	FY 2013 Current	FY 2014 Current Services	Before Actions Annual $ Change	Before Actions Annual % Change	FY 2014 Proposed	After Actions Annual $ Change	After Actions Annual % Change
State Operating Funds	**89,621**	**91,926**	**2,305**	**2.6%**	**89,823**	**202**	**0.2%**
General Fund (excluding other transfers)	52,459	53,878	1,419	2.7%	52,454	(5)	0.0%
Other State Funds	30,973	31,788	815	2.6%	31,496	523	1.7%
Debt Service Funds	6,189	6,260	71	1.1%	5,873	(316)	-5.1%
All Governmental Funds	**134,142**	**137,094**	**2,952**	**2.2%**	**134,919**	**777**	**0.6%**
State Operating Funds	89,621	91,926	2,305	2.6%	89,823	202	0.2%
Capital Projects Funds	8,025	7,834	(191)	-2.4%	8,242	217	2.7%
Federal Operating Funds	36,496	37,334	838	2.3%	36,854	358	1.0%
General Fund (including transfers)	**59,375**	**61,684**	**2,309**	**3.9%**	**60,888**	**1,513**	**2.5%**
State Funds	**95,791**	**97,908**	**2,117**	**2.2%**	**96,225**	**434**	**0.5%**

The following table summarizes the major sources of annual change in State spending by major program, purpose, and Fund perspective.

STATE SPENDING MEASURES: BEFORE AND AFTER BUDGET ACTIONS
(millions of dollars)

	FY 2013 Current	FY 2014 Base	Annual Change Before Actions $	Annual Change Before Actions %	FY 2014 Proposed	Annual Change After Actions $	Annual Change After Actions %
Local Assistance	**58,694**	**60,521**	**1,827**	**3.1%**	**59,186**	**492**	**0.8%**
School Aid	20,056	20,566	510	2.5%	20,557	501	2.5%
Annual Professional Performance Review [1]	0	0	0	0.0%	(240)	(240)	0.0%
DOH Medicaid (Incl Operational Costs) [2]	15,912	16,370	458	2.9%	16,421	509	3.2%
Transportation	4,344	4,718	374	8.6%	4,722	378	8.7%
Mental Hygiene	3,644	3,723	79	2.2%	2,799	(845)	-23.2%
STAR	3,276	3,420	144	4.4%	3,419	143	4.4%
Social Services	3,056	3,095	39	1.3%	3,010	(46)	-1.5%
Higher Education	2,628	2,783	155	5.9%	2,788	160	6.1%
Public Health/Aging	2,023	2,126	103	5.1%	2,053	30	1.5%
Special/Other Education	1,975	1,992	17	0.9%	2,083	108	5.5%
Local Government Assistance	763	767	4	0.5%	767	4	0.5%
All Other[3]	1,017	961	(56)	-5.5%	807	(210)	-20.6%
State Operations/Fringe Benefits	**24,790**	**25,140**	**350**	**1.4%**	**24,799**	**9**	**0.0%**
State Operations	**18,210**	**17,911**	**(299)**	**-1.6%**	**17,715**	**(495)**	**-2.7%**
Personal Service:	12,568	12,504	(64)	-0.5%	12,348	(220)	-1.8%
Executive Agencies	7,202	7,084	(118)	-1.6%	6,988	(214)	-3.0%
University System	3,507	3,519	12	0.3%	3,504	(3)	-0.1%
Elected Officials	1,859	1,901	42	2.3%	1,856	(3)	-0.2%
Non-Personal Service:	5,642	5,407	(235)	-4.2%	5,367	(275)	-4.9%
Executive Agencies	2,963	2,671	(292)	-9.9%	2,630	(333)	-11.2%
University System	2,144	2,199	55	2.6%	2,199	55	2.6%
Elected Officials	535	537	2	0.4%	538	3	0.6%
Fringe Benefits/Fixed Costs	**6,580**	**7,229**	**649**	**9.9%**	**7,084**	**504**	**7.7%**
Pension Contribution	1,605	2,057	452	28.2%	2,013	408	25.4%
Employee Health Insurance	3,159	3,423	264	8.4%	3,301	142	4.5%
Other Fringe Benefits/Fixed Costs	1,816	1,749	(67)	-3.7%	1,770	(46)	-2.5%
Debt Service	**6,132**	**6,260**	**128**	**2.1%**	**5,833**	**(299)**	**-4.9%**
Capital Projects	**5**	**5**	**0**	**0.0%**	**5**	**0**	**0.0%**
TOTAL STATE OPERATING FUNDS	**89,621**	**91,926**	**2,305**	**2.6%**	**89,823**	**202**	**0.2%**

[1] Reflects the withholding of aid beginning in FY 2014 due to non-compliance with the requirements concerning the Annual Professional Performance Review process.

[2] Department of Health Medicaid spending only, excludes other State agency spending. For display purposes, includes Medicaid operational spending that supports contracts related to the management of Medicaid and the costs of administrative takeover.

[3] "All Other" includes an adjustment for Medicaid operational costs to avoid distorting financial plan category totals, as well as local aid spending in a number of other programs, including education, parks and the environment, economic development, public safety, and disaster assistance.

OTHER MATTERS AFFECTING THE FINANCIAL PLAN

GENERAL

The Updated Financial Plan is subject to many complex economic, social, financial, and political risks and uncertainties, many of which are outside the ability of the State to control. DOB believes that the projections of receipts and disbursements in the Updated Financial Plan are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from these projections. In certain fiscal years, actual receipts collections have fallen substantially below the levels forecast in the Financial Plan.

The Updated Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of: national and international events, such as continued or worsening strife in the Middle East, the Euro-zone financial crises, changes in consumer confidence, oil supplies, and oil prices; Federal statutory and regulatory changes concerning financial sector activities; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments on bonus income and capital gains realizations; household debt reduction on consumer spending and State tax collections; Federal budgetary constraints; and severe storms or other natural disasters affecting the State.

Among other factors, the Updated Financial Plan is subject to various other uncertainties and contingencies relating to the extent, if any, to which wage increases for State employees exceed the annual wage costs assumed; changes in the size of the State workforce; the realization of the projected rate of return for pension fund assets and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid contemplated by the Updated Financial Plan; the ability of the State to implement cost reduction initiatives, including the reduction in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to market securities successfully in the public credit markets. Some of these specific issues are described in more detail in this AIS Update. The projections and assumptions contained in the Updated Financial Plan are subject to revisions which may involve substantial change. No assurance can be given that these estimates and projections, which include actions the State expects to be taken but which are not within the State's control, will be realized.

BUDGET RISKS AND UNCERTAINTIES

There can be no assurance that the projected General Fund budget gaps will not increase materially from the levels currently projected. If such events were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to, additional reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In some cases, the ability of the State to implement such actions requires the approval of the Legislature and cannot be implemented solely by the action of the Governor.

State law grants the Executive certain powers to achieve the Medicaid savings assumed in the Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated in the Updated Financial Plan. In addition, savings are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, revenue performance in the State's HCRA fund, which provides support for approximately one-third of the DOH State-share of Medicaid, and the participation of health care industry stakeholders. In particular, funding resources that are expected to be generated through health care surcharges and other provider assessments may decline as a result of Medicaid Redesign initiatives which are expected to reduce expenditures and unnecessary utilization, as well as from the continued shift of fee-for-service delivery models to managed care. An inability to achieve these planned savings would reduce the funding for Medicaid available from HCRA, and could potentially require a commensurate level of additional General Fund support in order to meet program needs.

The forecast contains specific transaction risks and other uncertainties including, but not limited to, the receipt of certain payments from public authorities; the receipt of miscellaneous receipts at the levels expected in the Updated Financial Plan, including payments pursuant to the Tribal-State Compact that have failed to materialize in prior years; and the achievement of cost-saving measures including, but not limited to, the transfer of available fund balances to the General Fund at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Financial Plan in the current year or future years.

FEDERAL ACTIONS

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes. Any reduction in Federal funding levels could have a materially adverse impact on the State's Financial Plan. In addition, the Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules.

FEDERAL REIMBURSEMENT FOR STATE MENTAL HYGIENE SERVICES

The Federal government is lowering Medicaid developmental center payment rates for New York City, effective April 1, 2013. This amendment has the impact of lowering Federal funding to New York State by approximately $1.1 billion beginning in FY 2014. The Executive Budget includes a plan to address this loss in Federal aid. The plan is subject to implementation risks and is dependent, in part, on the approval of the Legislature and the Federal government. As described below, CMS may seek to retroactively recover Federal funds regarding this matter.

AUDIT DISALLOWANCE

On February 8, 2013, the Federal CMS, with the assistance of the Office of the Inspector General, began a review to determine allowable Medicaid costs for services provided to the Medicaid population in New York State-Operated Intermediate Care Facilities for the Developmentally Disabled (ICF/DD). The initial review period will include claims for services provided during the period April 1, 2009 through March 31, 2010. Pending the outcome of this audit, CMS may seek to recover Federal funds on any payments found in excess of Federal payment requirements. While New York State continues to work collaboratively with its Federal partners to resolve these concerns, adverse action by the Federal government relative to these claims could jeopardize a significant amount of Federal financial participation in the State Medicaid program. Any disallowances could have a materially adverse impact on the State's financial position.

BUDGET CONTROL ACT

The Federal Budget Control Act (BCA) of 2011 imposed annual caps on Federal discretionary spending over a ten-year period. The specific spending reductions necessary for Congress to remain within the caps will be decided through the annual Federal budget process, and therefore the magnitude of the impact on Federal aid for the State has yet to be determined. Further, unless additional deficit reduction is enacted, BCA directs that these additional savings be achieved through sequestration of FY 2013 funding, with across-the-board cuts to Federal programs originally scheduled for January 2013, but which Congress has delayed until March 2013, and lower discretionary caps in the following eight years. If the sequester and lower spending caps are implemented, DOB estimates that New York State and local governments could lose approximately $5 billion in Federal funding over nine years, beginning in March 2013.

CLIMATE CHANGE ADAPTATION

Climate change is expected to cause long-term threats to physical and biological systems. Potential hazards and risks related to climate change for the State include, among other things, rising sea levels, more severe coastal flooding and erosion hazards, and more intense storms. Storms in recent years, including Superstorm Sandy, Hurricane Irene, and Tropical Storm Lee, have demonstrated vulnerabilities in the State's infrastructure, including mass transit systems, power transmission and distribution systems, and other critical lifelines, to extreme weather events, including coastal flooding caused by storm surges. Significant long-term planning and investment by the Federal government, State, and municipalities will be needed to adapt existing infrastructure to the risks posed by climate change.

HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a "health care conversion"), subject to a number of terms, conditions, and approvals. Under State law, the State is entitled to proceeds from a health care conversion. The Updated Financial Plan assumes no proceeds from health care conversions in FY 2013; $175 million in proceeds in FY 2014 and $300 million annually in FYs 2015, 2016 and 2017. The proceeds are expected to be deposited into the HCRA account. If a conversion does not occur on the timetable or at the levels assumed in the Updated Financial Plan, the State may be required to take other actions to increase available resources, such as reduce planned spending in HCRA, or finance additional expenses in the General Fund, or both.

STATUS OF CURRENT LABOR NEGOTIATIONS

The State has labor contracts with its two largest employee unions, CSEA and PEF, as well as NYSPBA (representing the APSU bargaining unit, formerly ALES), NYSCOPBA, and Council 82. Most of the contracts provide for no general salary increases for FY 2012 through FY 2014, increases to employee health insurance contributions, and a temporary reduction in employee compensation through a deficit reduction program (DRP). Employees will receive a $1,000 lump sum payment ($775 paid in FY 2014 and $225 paid in FY 2015); a 2 percent salary increase in both FY 2015 and FY 2016; and, at the end of their contract term, the value of FY 2013 deficit reduction adjustments. The PEF and NYSPBA contracts generally mirror the provisions for the other unions, but cover a four-year period, whereas the others cover a five-year period. PEF and NYSPBA-represented employees will receive a 2 percent salary increase in FY 2015. PEF-represented employees will be repaid all DRP adjustments at the end of their contract in lieu of the $1,000 lump sum payment. Employees in the unions that have reached settlements with the State have contingent layoff protection for FY 2013 and continuing protection for the full term of the agreements. Reductions in force due to management decisions to close or restructure facilities authorized by legislation, SAGE Commission determinations, or material or unanticipated changes in the State's fiscal circumstances are not covered by this protection.

The State is in negotiations with its other unsettled unions and recently reached a tentative agreement with the United University Professions (UUP), which represents faculty and non-teaching professional staff within the State University system. The contract is subject to ratification by union members in spring 2013. If ratified, approximately 10 percent of the unionized workforce would not have new contracts in place.

LABOR SETTLEMENTS FOR PRIOR/NEW CONTRACT PERIODS

The Updated Financial Plan continues to include a planned reserve to cover the costs of a pattern settlement with unions that have not agreed to contracts for prior contract periods. The amount of the reserve is calculated based on the general salary increases agreed to by the State’s largest unions for the same period. There can be no assurance that actual settlements for prior periods will not exceed the amounts reserved. In addition, the State’s ability to fund the amounts reserved in FY 2014 and beyond depends on the achievement of balanced budgets in those years. The Updated Financial Plan does not include reserves for settlements covering the current contract period (i.e., starting in FY 2012).

CURRENT CASH-FLOW PROJECTIONS

The State authorizes the General Fund to borrow resources temporarily from available funds in STIP for up to four months, or to the end of the fiscal year, whichever period is shorter. The amount of resources that can be borrowed by the General Fund is limited to the available balances in STIP, as determined by the State Comptroller. Available balances include money in the State’s governmental funds and a relatively small amount of other moneys belonging to the State. Several accounts in Debt Service Funds and Capital Projects Funds that are part of All Governmental Funds are excluded from the balances deemed available in STIP. These excluded funds consist of bond proceeds and money obligated for debt service payments.

Based on current information, DOB expects that the State will have sufficient liquidity to make payments as they become due throughout the remainder of FY 2013, but that the General Fund may, from time to time, need to borrow resources temporarily from other funds in STIP. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants.

Under the Executive Budget, DOB estimates that the State will have sufficient liquidity to make payments as they become due in FY 2014. DOB estimates that balances may reach relatively low levels at certain points in time. The following table provides an estimate of month-end balances for FY 2014 based upon the Executive Budget.

PROJECTED MONTH-END CASH BALANCES FY 2014 (millions of dollars)			
	General Fund	Other Funds	All Funds
April	5,561	2,131	7,692
May	2,144	2,964	5,108
June	2,590	2,280	4,870
July	2,201	2,376	4,577
August	2,088	3,184	5,272
September	4,501	1,290	5,791
October	3,450	1,989	5,439
November	2,276	1,961	4,237
December	4,038	488	4,526
January	5,311	2,476	7,787
February	5,244	2,732	7,976
March	1,641	1,627	3,268

Pension Amortization

Under legislation enacted in August 2010, the State and local governments may amortize (defer paying) a portion of their annual pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by public employers in a given fiscal year, but results in higher costs overall when repaid with interest. The legislation enacted a formula to set amortization thresholds for each year. The amortization thresholds may increase or decrease by up to one percentage point annually. Pension contribution costs in excess of the amortization thresholds, which, in FY 2013 are 11.5 percent of payroll for the Employees Retirement System (ERS) and 19.5 percent for the Police and Fire Retirement System (PFRS), may be amortized.

The Updated Financial Plan assumes that the State will continue to amortize a portion of its pension costs, pursuant to the FY 2011 legislation. The State's minimum ERS pension contribution rate, as a percentage of payroll, was 9.5 percent in FY 2011 and 10.5 percent in FY 2012. The rate in FY 2013 is 11.5 percent, and in FY 2014, it will be 12.5 percent. DOB projects the rate to be 13.5 percent in FY 2015, 14.5 percent in FY 2016, and 15.5 percent in FY 2017. The FY 2018 amortization threshold is projected by DOB to equal the normal contribution rate of 15.6 percent of payroll. Therefore, no amortization of ERS costs will be required for FY 2018 and beyond.

The PFRS rate was 17.5 percent in FY 2011 and 18.5 percent in FY 2012. The rate in FY 2013 is 19.5 percent and the rate will be 20.5 percent in FY 2014. DOB projects the rate to be 21.5 percent in FY 2015, 22.5 percent in FY 2016, and 23.5 percent in FY 2017. The PFRS amortization threshold is also projected to equal the normal contribution rate of 23.7 percent by FY 2018, thereby eliminating the need for amortizations for that fiscal year and beyond.

These projected contribution rates, however, are a function of projected market returns and are subject to change.

The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization thresholds. In addition, the State is required to begin repayment of the amounts amortized beginning in the fiscal year immediately following the amortizations. Repayment of the amortized amounts is required to be made over a period of not more than ten years at an interest rate to be determined by the State Comptroller annually for amounts amortized in that year and with the rate fixed for the entire term of that amortization.

In February and March 2012, the State made pension payments that totaled $1.321 billion for FY 2012, and amortized $491 million. This payment included a $118 million pre-payment of certain outstanding liabilities. In addition, the State's Office of Court Administration (OCA) made its pension payment of $186 million, and amortized $72 million. The $563 million in total deferred payments will be repaid with interest over the next ten years, beginning in the current fiscal year, FY 2013.

For amounts amortized in FY 2011, FY 2012, and FY 2013, the State Comptroller set interest rates of 5 percent, 3.75 percent, and 3 percent respectively. The Updated Financial Plan assumes that both the State and OCA will elect to amortize pension costs in future years, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 3 percent over ten years from the date of each deferred payment, consistent with the interest rate to be charged on the FY 2013 amortized amounts.

The following table, which summarizes pension contributions and projections for future fiscal years, reflects the "Normal Costs" of pension contributions as the amount the State would contribute to fund pensions before amortization, along with actual "New Amortized Amounts" in prior years and assumed "New Amortized Amounts" in upcoming years. The repayment costs (principal and interest) associated with these amortizations are reflected as the "Amortization Payment." Consistent with these amortization assumptions, Part TT of Chapter 57 of the Laws of 2010 requires that (a) the State make additional contributions in upcoming fiscal years, above the actuarially required contribution, and (b) once all outstanding amortizations are paid off, additional contributions will be set aside as reserves for rate increases, to be invested by the State Comptroller and used to offset future rate increases.

As noted above, DOB's most recent pension contribution rate forecast assumes that the normal contribution rate will equal the amortization threshold in upcoming years. Therefore, the State will neither amortize any of its pension costs in these years nor will it be required to make additional contributions if these projections hold. Projections in the following table are based on certain DOB assumptions about actuarial factors on investment earnings and benefits to be paid, and while DOB believes such assumptions to be reasonable, actual results may vary from the projections provided in the following table, and such variances could be substantial.

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EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM[1] PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS (millions of dollars)				
Fiscal Year	Normal Costs[2]	New Amortized Amounts	Amortization Payment	Total
2011 Actual	1,552.8	(249.6)	0.0	1,303.2
2012 Actual	2,041.7	(562.9)	32.3	1,511.1
2013 Projected	2,085.3	(778.5)	100.9	1,407.7
2014 Projected	2,525.4	(858.0)	192.1	1,859.5
2015 Projected	2,509.9	(744.0)	292.7	2,058.6
2016 Projected	2,103.4	(262.7)	379.9	2,220.6
2017 Projected	1,883.4	(44.6)	410.7	2,249.5
2018 Projected	1,891.2	0.0	416.0	2,307.2
2019 Projected	1,904.1	0.0	416.0	2,320.1
2020 Projected	1,941.1	0.0	416.0	2,357.1
2021 Projected	1,967.0	0.0	416.0	2,383.0
2022 Projected	1,980.7	0.0	383.6	2,364.3
2023 Projected	1,968.1	0.0	315.1	2,283.2
2024 Projected	1,942.0	0.0	223.8	2,165.8
2025 Projected	1,913.3	0.0	123.2	2,036.5
2026 Projected	1,870.1	0.0	36.0	1,906.1

Source: NYS DOB.

1. Pension contribution values do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension disbursements in the Financial Plan tables presented in this AIS include such pension disbursements.

2. Includes payments from amortization prior to FY 2011. Such prior amortization payments will end in FY 2016.

Capital Commitment Plan and Debt Reform Act Limit

The New York Works Task Force was formed in FY 2013 to assist in the coordination of long-term capital planning among State agencies and public authorities. Consistent with the long-term planning goals of New York Works, the DOB has for the first time formulated 10-year capital commitment and disbursement projections for State agencies. The total commitment and disbursement levels permissible over the 10-year capital planning horizon reflect, among other things, projected capacity under the State's debt limit, anticipated levels of Federal aid, and the timing of capital activity based on known needs and historical patterns.

The Debt Reform Act of 2000 ("Debt Reform Act") restricts the issuance of State-supported debt to capital purposes only and limits such debt to a maximum term of 30 years. The Debt Reform Act limits the amount of new State-supported debt to 4 percent of State personal income and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued on and after April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001 and was fully phased in at 4 percent of personal income during FY 2011, while the cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001 and will increase until it is fully phased in at 5 percent during FY 2014.

The statute requires that the limitations on the amount of State-supported debt and debt service costs be calculated by October 31 of each year and reported in the Mid-Year Financial Plan. If the actual amount of new State-supported debt outstanding and debt service costs for the prior fiscal year are below the caps at this time, State-supported debt may continue to be issued. However, if either the debt outstanding or the debt service caps is met or exceeded, the State would be precluded from issuing new State-supported debt until the next annual cap calculation is made and debt is found to be within the applicable limitations.

As of March 31, 2012, the cumulative debt outstanding and debt service caps were 4.00 and 4.65 percent, respectively. In the most recent annual certification issued in December 2012, (as charted below), the State reported that it was in compliance with both debt caps, with (i) debt issued after March 31, 2000 and outstanding at March 31, 2012 totaling $35.8 billion, or approximately $4.0 billion below the statutory debt outstanding limitation, constituting 3.6 percent of personal income, and (ii) debt service on such debt totaling $3.5 billion, or approximately $2.7 billion below the statutory debt service limitation, constituting 2.62 percent of total governmental receipts.

DEBT OUTSTANDING CAP (millions of dollars)	
New Debt Outstanding	$35,803
Personal Income (CY 2011)	$995,185
Debt Outstanding (Percent of PI)	3.60%
Cap Imposed by Debt Reform Act	4.00%

DEBT SERVICE CAP (millions of dollars)	
New Debt Service	$3,473
Governmental Funds Receipts	$132,745
Debt Service (Percent of Govt'l Fund Receipts)	2.62%
Cap Imposed by Debt Reform Act	4.65%

It is currently projected that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $2.7 billion in FY 2013 to $71 million in FY 2017. This includes the estimated impact of the bond-financed portion of increased capital commitment levels included in the 10-year capital planning projections. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant.

The following charts reflect projections for FYs 2013 through 2018 of new debt outstanding and new debt service costs, and the extent to which the level of new debt is projected to remain within the existing caps.

NEW DEBT OUTSTANDING - CAPPED AT 4 PERCENT OF PERSONAL INCOME (millions of dollars)					
Year	Personal Income	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2013	1,028,549	4.00%	3.71%	2,957	0.29%
FY 2014	1,049,061	4.00%	3.86%	1,442	0.14%
FY 2015	1,114,497	4.00%	3.92%	923	0.08%
FY 2016	1,178,365	4.00%	3.99%	131	0.01%
FY 2017	1,243,389	4.00%	3.99%	71	0.01%
FY 2018	1,310,257	4.00%	3.93%	857	0.07%

NEW DEBT SERVICE COSTS - CAPPED AT 5 PERCENT OF ALL FUNDS RECEIPTS (millions of dollars)					
Year	All Funds Receipts	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2013	135,040	4.98%	2.73%	3,048	2.26%
FY 2014	140,943	5.00%	2.83%	3,052	2.17%
FY 2015	143,035	5.00%	2.95%	2,932	2.05%
FY 2016	146,800	5.00%	3.11%	2,767	1.89%
FY 2017	152,409	5.00%	3.29%	2,604	1.71%
FY 2018	155,215	5.00%	3.49%	2,344	1.51%

SECURED HOSPITAL PROGRAM

Under the Secured Hospital program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to issue debt. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State MCFFA and by DASNY through the Secured Hospital program. In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. As of January 1, 2013, there was approximately $493 million of outstanding bonds for the program.

The financial condition of most hospitals in the State's Secured Hospital Program continues to deteriorate. Of the eight hospitals in the program, several are experiencing significant operating losses that are likely to impair their ability to remain current on their loan agreements with DASNY. In relation to the Secured Hospital Program, the Executive Budget projections reflect the assumption of additional costs of $13 million in FY 2014, approximately $30 million annually for FY 2015 through FY 2017, and $17 million in FY 2018 as the bonds begin to be paid off. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for three hospitals that currently are not meeting the terms of their agreement with DASNY. The State has additional exposure of up to a maximum of $44 million annually, if all additional hospitals in the program failed to meet the terms of their agreement with DASNY and if available reserve funds were depleted.

BOND MARKET

Implementation of the Updated Financial Plan is dependent on the State's ability to market its bonds successfully. The State finances much of its capital spending in the first instance from the General Fund or, if necessary, from STIP, which it then reimburses with proceeds from the sale of bonds. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, the State’s overall cash position and capital funding plan may be affected adversely. The success of projected public sales is subject to prevailing market conditions. Future developments in the financial markets generally, as well as future developments concerning the State and public discussion of such developments, may affect the market for outstanding State-supported and State-related debt as well as the associated interest costs.

LITIGATION

Litigation against the State may include potential challenges to the constitutionality of various actions. The State may also be affected by adverse decisions that are the result of various lawsuits. Such adverse decisions may not meet the materiality threshold to warrant individual description but, in the aggregate, could still adversely affect the State's Financial Plan. For more information on litigation affecting the State, see the section entitled “Litigation and Arbitration” later in this AIS Update.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

State employees become eligible for post-employment benefits (health insurance) if they reach retirement while working for the State with at least ten years of service. The cost of providing post-retirement health insurance is shared between the State and the retired employee. Contributions are established by law and may be amended by the Legislature. The State pays its share of costs on a PAYGO basis as required by law.

In accordance with GASB Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State’s Basic Financial Statements for FY 2012, the Annual Required Contribution represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State’s Basic Financial Statements for FY 2012, an actuarial valuation of OPEB liabilities was performed as of April 1, 2010. The valuation calculated the present value of the actuarial accrued total liability for benefits as of April 1, 2010 at $72.1 billion ($59.7 billion for the State and $12.4 billion for SUNY), determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The net annual OPEB liability for FY 2012 totaled $3.9 billion ($3.1 billion for the State and $0.8 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. This was $2.5 billion ($1.9 billion for the State and $0.6 billion for SUNY) above the payments for retiree costs made by the State in FY 2012. This difference between the State’s PAYGO costs and the actuarially determined required annual contribution under GASB Statement 45 reduced the State’s currently positive net asset condition at the end of FY 2012 by $2.5 billion.

GASB does not require the additional costs to be funded on the State’s budgetary (cash) basis, and no funding is assumed for this purpose in the State fiscal years covered by the Updated Financial Plan.

The State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis.

There is no provision in the Updated Financial Plan to pre-fund OPEB liabilities. If such liabilities were pre-funded, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of GOER, Civil Service, and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its planned funding practices in light of existing fiscal conditions.

BONDING PROPOSALS

Sales Tax Revenue Bond Program

Legislation submitted with the FY 2014 Executive Budget proposes the creation of a new sales tax revenue bond program. The legislation will create the Sales Tax Revenue Bond Tax Fund, an account within the General Debt Service Fund that will provide for the payment of these bonds. The new sales tax revenue bonds will be secured by the pledge of payments from this fund, which will receive one percent of the State's four percent sales and use tax receipts. Upon the satisfaction of all of the obligations and liabilities of LGAC, this will increase to two percent of sales tax receipts. Tax receipts in excess of debt service requirements will be transferred to the State's General Fund.

DOB expects that the sales tax revenue bonds will be used interchangeably with PIT bonds to finance State capital needs, and provide a vehicle to end the use of older, higher cost debt structures. Based on current projections and anticipated coverage requirements, the State expects to issue about $1 billion of sales tax revenue bonds annually.

SUNY Dormitory Facilities Bonding Program

Legislation included in the Executive Budget proposes a new bonding program for SUNY Dormitory Facilities. The new bonding program would be supported solely by third party revenues generated by student rents. The revenues would flow directly to DASNY for the payment of debt service without an appropriation. Unlike the existing program, the new program would not include a SUNY general obligation pledge, thereby eliminating recourse to the State. Accordingly, such bonds would not be classified as State-supported debt for purposes of the Debt Reform Act. It is expected that future SUNY Dormitory Facilities capital needs will be funded through the new credit. The existing SUNY Dormitory Facilities bonds would continue to be counted as State-supported debt until they are refunded into the new program or are paid off.

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2013 THROUGH 2017

INTRODUCTION

This section presents the State's updated multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of the FY 2014 Executive Budget. The projections cover FY 2013 through FY 2017, with an emphasis on the FY 2014 projections.

The State's cash-basis budgeting system, complex fund structure, and practice of earmarking certain tax receipts for specific purposes complicate the discussion of the State's receipts and disbursement projections. Therefore, to minimize the distortions caused by these factors and, equally important, to highlight relevant aspects of the projections, DOB has adopted the following approaches in summarizing the projections:

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The latter perspective reflects overall estimated tax receipts before their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends and forecast assumptions, by factoring out the distorting effects of earmarking certain tax receipts.

- **Disbursements:** Over 40 percent of projected State-financed spending for operating purposes is accounted for outside of the General Fund and is concentrated primarily in the areas of health care, School Aid, higher education, transportation and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis.

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish the further removed such estimates and projections are from the date of this AIS Update. Accordingly, in terms of the FY 2014 Executive Budget outyear projections (FY 2015 through FY 2017), FY 2015 is the most relevant from a planning perspective.

SUMMARY

DOB estimates that the Executive Budget, if enacted as proposed, would provide for a balanced General Fund Financial Plan in FY 2014, and leave projected gaps that total approximately $2.1 billion in FY 2015, $3.6 billion in FY 2016, and $4.2 billion in FY 2017. The net operating shortfall in State Operating Funds is projected at $2.0 billion in FY 2015, $3.4 billion in FY 2016 and $3.9 billion in FY 2017.

The imbalances projected for the General Fund and State Operating Funds in future years are similar because the General Fund is the financing source of last resort for many State programs. Imbalances in other funds are typically financed by the General Fund.

The following tables present the multi-year projections for the General Fund and State Operating Funds, as well as reconciliation between the State Operating Funds projections and the General Fund budget gaps. The tables are followed by a summary of the multi-year receipts and disbursements forecasts.

GENERAL FUND PROJECTIONS

GENERAL FUND PROJECTIONS
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts					
Taxes (After Debt Service)	54,315	57,047	58,290	60,540	63,225
Miscellaneous Receipts/Federal Grants	3,784	3,103	3,030	2,836	2,844
Other Transfers	963	905	781	733	736
Total Receipts	**59,062**	**61,055**	**62,101**	**64,109**	**66,805**
Disbursements					
Local Assistance Grants	39,776	40,035	41,946	44,358	46,750
School Aid	17,003	17,173	17,934	18,777	20,020
Medicaid	11,053	11,099	11,316	12,032	12,556
All Other	11,720	11,763	12,696	13,549	14,174
State Operations	8,094	7,455	7,792	8,095	8,184
Personal Service	6,190	5,672	5,839	6,100	6,116
Non-Personal Service	1,904	1,783	1,953	1,995	2,068
General State Charges	4,589	4,964	5,341	5,600	5,867
Transfers to Other Funds	6,916	8,434	9,105	9,605	10,151
Debt Service	1,644	1,334	1,476	1,450	1,347
Capital Projects	868	1,256	1,369	1,381	1,772
Mental Hygiene State Share Medicaid	2,975	1,730	1,288	1,261	1,228
SUNY Operations	340	969	969	969	969
All Other	1,089	3,145	4,003	4,544	4,835
Total Disbursements	**59,375**	**60,888**	**64,184**	**67,658**	**70,952**
Change in Reserves	**(313)**	**167**	**10**	**14**	**14**
Prior-Year Labor Agreements (2007-11)	(206)	(26)	10	14	14
Community Projects Fund	(45)	(57)	0	0	0
Debt Reduction	0	250	0	0	0
Undesignated Fund Balance	(62)	0	0	0	0
Budget Surplus/(Gap) Projections	**0**	**0**	**(2,093)**	**(3,563)**	**(4,161)**

STATE OPERATING FUNDS PROJECTIONS

FY 2014 EXECUTIVE BUDGET - STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts					
Taxes	64,569	67,706	69,498	72,353	75,669
Miscellaneous Receipts/Federal Grants	20,573	19,439	19,948	19,722	19,904
Total Receipts	**85,142**	**87,145**	**89,446**	**92,075**	**95,573**
Disbursements					
Local Assistance Grants	58,694	59,186	61,780	64,179	66,811
School Aid	20,056	20,317	21,077	21,925	23,166
STAR	3,276	3,419	3,602	3,704	3,805
Other Education Aid	1,975	2,083	2,110	2,176	2,307
Higher Education	2,628	2,788	2,865	2,948	3,020
Medicaid (DOH incl. administration)	15,860	16,230	16,780	17,591	18,289
Public Health/Aging	2,023	2,053	2,182	1,945	1,923
Mental Hygiene	3,644	2,799	3,390	3,878	4,082
Social Services	3,056	3,010	3,200	3,297	3,392
Transportation	4,344	4,722	4,820	4,919	5,020
Local Government Assistance	763	767	778	787	795
All Other	1,069	998	976	1,009	1,012
State Operations	18,210	17,715	18,254	18,873	19,174
Personal Service	12,568	12,348	12,640	13,090	13,223
Non-Personal Service	5,642	5,367	5,614	5,783	5,951
General State Charges	6,580	7,084	7,529	7,941	8,271
Pension Contribution	1,605	2,013	2,256	2,418	2,446
Health Insurance (Active Employees)	1,750	1,830	1,925	2,051	2,221
Health Insurance (Retired Employees)	1,409	1,471	1,550	1,651	1,788
All Other	1,816	1,770	1,798	1,821	1,816
Debt Service	6,132	5,833	6,136	6,465	6,816
Capital Projects	5	5	5	5	5
Total Disbursements	**89,621**	**89,823**	**93,704**	**97,463**	**101,077**
Net Other Financing Sources/(Uses)	4,249	2,759	2,258	2,010	1,585
Net Operating Surplus/(Deficit)	**(230)**	**81**	**(2,000)**	**(3,378)**	**(3,919)**
Reconciliation to General Fund Gap:					
Designated Fund Balances:	230	(81)	(93)	(185)	(242)
General Fund	313	(167)	(10)	(14)	(14)
Special Revenue Funds	(119)	92	(78)	(162)	(204)
Debt Service Funds	36	(6)	(5)	(9)	(24)
General Fund Budget Gap	**0**	**0**	**(2,093)**	**(3,563)**	**(4,161)**

RECEIPTS OVERVIEW

THE NATIONAL ECONOMY

The national economy slowed in the fourth quarter of calendar year 2012, but an unexpectedly steep decline in Federal government spending of 15 percent resulted in virtual stagnation during the quarter. Although the most recent high frequency data indicates an upward revision to the U.S. Bureau of Economic Analysis' initial estimate for the fourth quarter, growth for that quarter is still likely to have been the weakest since the first quarter of calendar year 2011. In addition, there is a great degree of uncertainty surrounding the Federal government spending sequester, which is scheduled to take effect on March 1 unless a compromise is reached before then. Weaker than expected inventory growth for the fourth quarter, and a discouraging industrial production report for January could be signaling anticipation of softer demand ahead among defense manufacturers. As a result, both government spending and inventory growth have been revised down for 2013. Real U.S. GDP growth of 1.8 percent is now projected for 2013, following growth of 2.2 percent for 2012.

Outside of government spending and inventory growth, domestic final demand displayed a healthy expansion during the fourth quarter. With household spending growing 2.2 percent in the fourth quarter as anticipated, the outlook for consumer spending remains unchanged from the Executive Budget forecast. Residential fixed investment exhibited real growth of 15.3 percent in the fourth quarter, while real nonresidential investment grew a healthy 8.4 percent. In late January, Congress passed the second of two installments of appropriations to fund the Superstorm Sandy recovery effort. Based on Congressional Budget Office estimates, almost $60 billion in Federal funds is expected to be spent over 10 years on the recovery effort, with $9.0 billion expected to be spent during the 2013 Federal fiscal year, and $12.7 billion during 2014, before adjusting for inflation. These estimates represent less spending during the 2013 calendar year than anticipated in the Executive Budget forecast, but more in 2014 and the outyears. On balance, real growth in residential fixed investment for 2013 has been revised down to 14.6 percent, while real growth in nonresidential fixed investment has been revised up to 5.5 percent.

Based on the U.S. Bureau of Labor Statistics' recent release of its annual benchmark revision to national employment, it now appears that job growth for much of 2012 was stronger than originally estimated. For the final six months of 2012, private sector U.S. employment displayed monthly average growth of 183,500, revised up from 160,200 prior to the revision. Indeed, between January 2010 and December 2012, 622,000 more private sector jobs were added than pre-benchmark estimates suggested. As a result, employment growth has been revised up for both 2012 and 2013 to 1.7 percent and 1.5 percent, respectively. This forecast implies continued moderate but steady growth. Businesses accelerated a substantial volume of both wage and dividend payouts in advance of the January 1 tax hike for high income taxpayers.

U.S. ECONOMIC INDICATORS (Percent change from prior calendar year)			
	2012 (Estimated)	2013 (Forecast)	2014 (Forecast)
Real U.S. Gross Domestic Product	2.2	1.8	3.1
Consumer Price Index (CPI)	2.1	2.1	2.1
Personal Income	3.5	3.1	6.2
Nonagricultural Employment	1.7	1.5	1.9
Source: Moody's Analytics; DOB staff estimates.			

A number of risks have intensified. With energy prices spiking yet again, it remains uncertain how gasoline price volatility will interact with the recent payroll tax hike. In addition, the sequester deadline is fast approaching and could result in a much larger decline in government spending than anticipated. Displays of political gridlock could extend the impact on overall economic activity well beyond those sectors directly affected by the cuts. Although the global economy is expected to improve, the Euro-area and Japan remain in recession. Slower export growth than expected could negatively affect growth in U.S. corporate profits, investment, and jobs. Alternatively, a stronger than expected pickup in the global economy could result in a faster upturn in the demand for U.S. exports, having the opposite effect. Finally, stronger than anticipated home and equity price growth present upside risks to household spending.

THE NEW YORK STATE ECONOMY

Despite Superstorm Sandy's devastating impact on the downstate region, the pace of New York private sector job growth has remained strong, bouncing back from a loss of almost 30,000 jobs in November. The State has continued to exhibit growth in professional and business services, private educational services, and tourism-related leisure and hospitality services. Private sector employment growth of 1.9 percent and 1.5 percent are projected for 2012 and 2013, respectively, virtually unchanged from the Executive Budget. Public sector employment is expected to continue to decline well into 2014. In contrast, wage growth has continued to lose momentum, as two of the State's high-wage sectors, finance and manufacturing, proceed to downsize. However, declining wage growth is estimated to have been mitigated in the fourth quarter by the accelerated payment of a sizeable portion of wages in advance of the tax increase. Wage growth for 2012 has been revised up to 3.1 percent, while growth for 2013 has been revised down to 3.3 percent. Similarly, personal income growth has been revised up to 3.4 percent for 2012, and down to 2.2 percent for 2013.

NEW YORK STATE ECONOMIC INDICATORS (Percent change from prior calendar year)			
	2012 (Estimated)	2013 (Forecast)	2014 (Forecast)
Personal Income	3.4	2.2	5.9
Wages	3.1	3.3	5.0
Nonagricultural Employment	1.4	1.2	1.2
Source: Moody's Analytics; New York State Department of Labor; DOB staff estimates.			

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, the volume of financial market activity and equity market volatility pose a particularly large degree of uncertainty for New York. In addition, with Wall Street still adjusting their compensation practices in the wake of the passage of financial reform, both the bonus and non-bonus components of employee pay are becoming increasingly difficult to estimate. Securities industry revenues have in the past been a useful predictor of bonus payouts, but that relationship has become much more erratic in recent years. A weaker labor market than projected could also result in lower wages, which in turn could result in weaker household consumption. Similarly, should financial and real estate markets be weaker than anticipated, taxable capital gains realizations could be negatively affected. These effects could ripple through the State economy, depressing employment, wage, and household spending growth. In contrast, stronger national and world economic growth, or a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

STATE REVENUES

All Funds tax receipts growth during the current fiscal year-to-date has been buoyed by capital gains realizations taken in late 2012 in anticipation of Federal tax rate increases and the apparent shift of some financial sector bonus payments from the first quarter of 2013 into December 2012 to ensure the benefit of lower Federal income tax rates. DOB's forecast calls for a 5.7 percent year-to-year increase in financial sector bonus payments for FY 2013. All Funds FY 2013 tax receipts were virtually unchanged through November when compared to the same period in FY 2012. This was consistent with the tepid year-over-year changes to New York economic indicators discussed above and law changes that reduced the MTA payroll tax, fully restored the clothing exemption, and reformed PIT. Through January 2013, however, growth for this measure has jumped to 3.3 percent, the result of the capital gains (and associated December and January estimated tax payments) and bonus income shifting noted above, and because of the impact of law changes that were relevant during the first three quarters of the fiscal year but are nearly irrelevant in the fourth. The initial quarter of 2012 was the first quarter to contain the impacts of PIT reform and the proportion of clothing and shoes purchased during the first quarter is small, thereby blunting the impact of the partial clothing exemption still in effect in 2012. All Funds FY 2013 tax receipts growth, as a whole, is estimated at 2.5 percent.

All Funds FY 2014 tax receipts growth is projected to be 4.8 percent. After slowing in FY 2013, average wage, total wage, and personal income growth are expected to recover and result in net growth in personal income FY 2014 tax receipts of 5.7 percent. Some of this increase can be attributed to final return payments associated with the capital gains realizations noted previously. A decline in projected corporate profits growth for the 2013 calendar year combined with the impact of a corporate and utilities tax refund should provide a slowdown in All Funds FY 2014 business tax receipts growth. Improved income and employment growth, combined with the expected impact of third-party reporting on audit receipts, is expected to produce All Funds FY 2014 sales tax growth of 4.5 percent.

Governmental Funds
Actual and Base Tax Receipts Growth
(percent growth)

State Fiscal Year	Actual Receipts	Base Receipts	Inflation Adjusted Base Receipts
1989-90	6.8	8.3	2.7
1990-91	(0.8)	(3.8)	(8.9)
1991-92	7.2	1.4	(1.9)
1992-93	6.1	5.0	1.7
1993-94	4.3	0.7	(1.8)
1994-95	0.1	1.5	(1.0)
1995-96	2.6	3.6	0.7
1996-97	2.0	2.5	(0.1)
1997-98	3.7	5.6	3.8
1998-99	7.2	7.9	6.0
1999-00	7.5	9.1	6.1
2000-01	7.9	10.1	7.1
2001-02	(4.9)	(4.2)	(6.1)
2002-03	(6.7)	(8.0)	(10.8)
2003-04	8.2	5.8	2.8
2004-05	13.4	11.5	7.8
2005-06	10.2	9.4	5.4
2006-07	9.7	12.9	10.4
2007-08	3.7	6.3	2.0
2008-09	(0.8)	(3.1)	(3.5)
2009-10	(3.2)	(12.3)	(14.0)
2010-11	5.6	2.9	0.3
2011-12	5.6	7.3	5.0
2012-13*	2.5	5.1	3.3
2013-14**	4.8	5.1	2.9
2014-15**	2.6	4.9	2.5
2015-16**	4.1	2.8	0.3
2016-17**	4.5	3.5	0.9
	Actual Change	**Base Change**	**Adjusted Base Change**
Historical Average (1989-90 to 2011-12)	**4.2**	**3.5**	**0.6**
Forecast Average (2012-13 to 2016-17)	**3.7**	**4.3**	**2.0**
Forecast Average (2013-14 to 2016-17)	**4.0**	**4.1**	**1.7**
Recessions	**1.3**	**(1.2)**	**(4.2)**
Expansions	**6.0**	**6.5**	**3.7**

*Estimated Receipts

**Projected Receipts

TOTAL RECEIPTS (millions of dollars)	FY 2012 Results	FY 2013 Current	Annual $ Change	Annual % Change	FY 2014 Proposed	Annual $ Change	Annual % Change
General Fund	**56,900**	**59,062**	**2,162**	**3.8%**	**61,055**	**1,993**	**3.4%**
Taxes	41,754	43,047	1,293	3.1%	45,286	2,239	5.2%
Miscellaneous Receipts	3,162	3,724	562	17.8%	3,101	(623)	-16.7%
Federal Grants	60	60	0	0.0%	2	(58)	-96.7%
Transfers	11,924	12,231	307	2.6%	12,666	435	3.6%
State Funds	**88,111**	**90,866**	**2,755**	**3.1%**	**92,895**	**2,029**	**2.2%**
Taxes	64,297	65,922	1,625	2.5%	69,105	3,183	4.8%
Miscellaneous Receipts	23,669	24,799	1,130	4.8%	23,703	(1,096)	-4.4%
Federal Grants	145	145	0	0.0%	87	(58)	-40.0%
All Funds	**132,745**	**135,038**	**2,293**	**1.7%**	**140,942**	**5,904**	**4.4%**
Taxes	64,297	65,922	1,625	2.5%	69,105	3,183	4.8%
Miscellaneous Receipts	23,837	24,985	1,148	4.8%	23,889	(1,096)	-4.4%
Federal Grants	44,611	44,131	(480)	-1.1%	47,948	3,817	8.6%

FY 2013 OVERVIEW

- Total All Funds FY 2013 receipts are estimated to reach $135 billion, an increase of nearly $2.3 billion (1.7 percent) from FY 2012. All Funds tax receipts are estimated to increase by $1.6 billion, or 2.5 percent. The majority of the increase in tax receipts is attributable to growth in personal income tax collections.

- Total State Funds FY 2013 receipts are estimated to reach nearly $90.9 billion, an increase of $2.8 billion (3.1 percent).

- Total General Fund FY 2013 receipts are estimated at $59.1 billion, an increase of $2.2 billion (3.8 percent). General Fund tax receipts are estimated to increase by 3.1 percent. General Fund miscellaneous receipts are estimated to increase by 17.8 percent, reflecting an increase in one-time payments such as the settlement from Standard Chartered Bank and payments from the Manhattan District Attorney.

- Factoring out the impact of past changes to tax policy and tax law, tax receipts in FY 2013 are estimated to increase by 5.1 percent, which represents the level of base tax revenue growth. The level of base tax revenue growth in FY 2012 was 7.3 percent.

FY 2014 OVERVIEW

- Total All Funds FY 2014 receipts are projected to reach $140.9 billion, an increase of $5.9 billion (4.4 percent) from FY 2013 estimates. All Funds tax receipts are projected to grow by $3.2 billion (4.8 percent). This increase is attributable to continued positive economic growth.

- Total State Funds FY 2014 receipts are projected to be $92.9 billion, an increase of $2 billion (2.2 percent) from FY 2013 estimates.

- Total General Fund FY 2014 receipts are projected to be nearly $61.1 billion, an increase of $2 billion (3.4 percent) from FY 2013 estimates. General Fund tax receipts are projected to grow by 5.2 percent, while General Fund miscellaneous receipts are projected to decline by $623 million (16.7 percent). Federal grants revenues are projected to decline by $58 million.

- After controlling for the impact of policy changes, base tax revenue growth is estimated to increase by 5.1 percent for FY 2014.

FY 2015, FY 2016, AND FY 2017 OVERVIEW

TOTAL RECEIPTS (millions of dollars)							
	FY 2014 Proposed	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change	FY 2017 Projected	Annual $ Change
General Fund	**61,055**	**62,101**	**1,046**	**64,109**	**2,008**	**66,805**	**2,696**
Taxes	45,286	46,140	854	48,140	2,000	50,430	2,290
State Funds	**92,895**	**95,192**	**2,297**	**98,144**	**2,952**	**100,754**	**2,610**
Taxes	69,105	70,926	1,821	73,801	2,875	77,123	3,322
All Funds	**140,942**	**143,036**	**2,094**	**146,799**	**3,763**	**152,409**	**5,610**
Taxes	69,105	70,926	1,821	73,801	2,875	77,123	3,322

Overall, tax receipts growth in the three fiscal years following FY 2014 is expected to remain in the range of 2.6 percent to 4.5 percent. This is consistent with projected modest economic growth in the New York economy during this period and the payback of deferred tax credits.

- Total All Funds FY 2015 receipts are projected to be $143 billion, an increase of $2.1 billion from the prior year. All Funds FY 2016 receipts are expected to increase by $3.8 billion from FY 2015 projections. In FY 2017, receipts are expected to increase by $5.6 billion from FY 2016 projections.

- Total State Funds receipts are projected to be $95.2 billion in FY 2015, $98.1 billion in FY 2016, and $100.8 billion in FY 2017.

- Total General Fund receipts are projected to reach $62.1 billion in FY 2015, $64.1 billion in FY 2016, and $66.8 billion in FY 2017.

BASE GROWTH

Adjusted for law changes, base tax receipts for both FY 2013 and FY 2014 are expected to grow 5.1 percent. Overall base growth in tax receipts is dependent on a multitude of factors.

Estimated base receipts growth in FY 2013 results from:

- Strong corporate profits growth and moderate insurance premium growth; and

- Increased consumption resulting from improved wage and employment growth.

Projected base growth in FY 2014 results from:

- The impact of accelerating wage growth on PIT receipts;

- Moderate corporate profits growth; and

- Improved consumer spending growth resulting from faster wage growth and trend employment growth.

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)	FY 2012 Results	FY 2013 Current	Annual $ Change	Annual % Change	FY 2014 Proposed	Annual $ Change	Annual % Change
General Fund[1]	**25,843**	**26,818**	**975**	**3.8%**	**28,396**	**1,578**	**5.9%**
Gross Collections	46,030	47,352	1,322	2.9%	49,898	2,546	5.4%
Refunds	(7,263)	(7,226)	37	-0.5%	(7,478)	(252)	3.5%
STAR	(3,233)	(3,276)	(43)	1.3%	(3,419)	(143)	4.4%
RBTF	(9,691)	(10,032)	(341)	3.5%	(10,605)	(573)	5.7%
State/All Funds	**38,767**	**40,126**	**1,359**	**3.5%**	**42,420**	**2,294**	**5.7%**
Gross Collections	46,030	47,352	1,322	2.9%	49,898	2,546	5.4%
Refunds	(7,263)	(7,226)	37	-0.5%	(7,478)	(252)	3.5%

[1]Excludes Transfers

All Funds FY 2013 receipts are estimated to be $40.1 billion, an increase of $1.4 billion (3.5 percent) from FY 2012 results. This primarily reflects modest increases in withholding, current estimated payments for tax year 2012, higher delinquent collections, higher final returns, and a decrease in total refunds, partially offset by a decrease in extension (i.e., prior year estimated) payments for tax year 2011.

Withholding in FY 2013 is projected to increase $619 million (2.0 percent) from the prior year. This reflects the net impact of modest wage growth (2.7 percent) and additional withholding generated by the December 2011 reform, offset by lower withholding due to the expiration of the temporary high income surcharge in place for 2009 to 2011. Total estimated payments are expected to increase $560 million (4.8 percent). Estimated payments for tax year 2012 are projected to be $899 million (11.1 percent) higher. However, as noted above, extension payments (i.e., prior year estimated) for tax year 2011 are projected to fall 9.6 percent ($338 million) compared to the inflated base of extensions for tax year 2010, which reflected the one-time realization of capital gains caused by uncertainty surrounding the late extension of the lower Federal tax rates on capital gains and high-income taxpayers in December of 2010. Delinquent collections and final return payments are projected to be $87 million (8.0 percent) and $56 million (2.6 percent) higher, respectively.

The decrease in total refunds of $37 million mostly reflects a $108 million (2.3 percent) decrease in prior year refunds related to tax year 2011 and a $98 million (26.8 percent) decrease in the State-City offset, partly reduced by a $169 million (37 percent) increase in previous years refunds related to tax years prior to 2011.

The following table summarizes, by component, actual receipts for FY 2012 and forecast amounts through FY 2016.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS ALL FUNDS (millions of dollars)	FY 2012 (Actual)	FY 2013 (Estimated)	FY 2014 (Projected)	FY 2015 (Projected)	FY 2016 (Projected)
Receipts					
Withholding	31,199	31,818	33,466	35,111	37,051
Estimated Payments	11,628	12,188	12,958	13,442	13,500
Current Year	8,096	8,995	8,918	10,283	9,963
Prior Year*	3,532	3,194	4,041	3,159	3,537
Final Returns	2,116	2,172	2,266	2,151	2,251
Current Year	223	227	241	242	242
Prior Year*	1,893	1,945	2,025	1,909	2,009
Delinquent	1,087	1,174	1,208	1,245	1,295
Gross Receipts	46,030	47,352	49,898	51,949	54,097
Refunds					
Prior Year*	4,693	4,585	4,954	5,627	6,304
Previous Years	454	623	551	569	553
Current Year*	1,750	1,750	1,750	1,750	1,751
State-City Offset*	366	268	223	148	148
Total Refunds	7,263	7,226	7,478	8,093	8,755
Net Receipts	**38,767**	**40,126**	**42,420**	**43,856**	**45,342**

*These components, collectively, are known as the "settlement" on the prior year's tax liability.

All Funds FY 2014 receipts are projected to be $42.4 billion, an increase of $2.3 billion (5.7 percent) from FY 2013.

This increase primarily reflects increases of $1.6 billion (5.2 percent) in withholding and $770 million (6.3 percent) in total estimated payments. The increase in total estimated payments mostly represents a projected increase in extension (i.e., prior year estimated) payments of $847 million (26.5 percent) for tax year 2012 reflecting a taxpayer response related to Federal law changes partially reduced by a $77 million decrease in estimated payments related to tax year 2013. The strong projection for extension payments for tax year 2012 reflects a projected 40.8 percent increase in capital gains and a 15.4 percent increase in dividend income. This is due to the early realization of capital gains and dividends due to sunset of lower Federal marginal tax rates on capital gains and dividends and the scheduled increase in Federal tax rates on investment income starting with tax year 2013 as a part of the Federal Affordable Care Act. Alternatively, the reduction in estimated taxes associated with tax year 2013 partially reflects the timing shift of incomes from tax year 2013 into 2012, as discussed above. Compared to the previous fiscal year, current year estimated payments for tax year 2013 also include $70 million from the legislative proposal to extend for three more years the 25 percent itemized deduction limitation on charitable contributions of high income taxpayers.

Payments from final returns are expected to increase $94 million (4.3 percent). Likewise, delinquent collections are projected to increase by $34 million (2.9 percent) compared to the prior year, with most of the increase ($25 million) coming from proposals to allow warrantless wage garnishment and the suspension of driver's licenses of taxpayers with past-due tax debts. The increase in total refunds of $252 million primarily reflects a $369 million (8 percent) increase in prior year refunds for tax year 2012 partially offset by a $72 million (11.6 percent) drop in previous years refunds related to tax years prior to 2012 and a $45 million decrease in the State-City offset.

General Fund FY 2013 receipts of $26.8 billion are expected to increase by $975 million (3.8 percent) from the prior year, mainly reflecting the increase in All Funds receipts noted above. The RBTF deposit is projected to be $10 billion while the STAR transfer is projected to be $3.3 billion.

General Fund FY 2014 income tax receipts of $28.4 billion are projected to increase by $1.6 billion (5.9 percent). The RBTF deposit is projected to be $10.6 billion while the STAR transfer is projected to be $3.4 billion.

PERSONAL INCOME TAX
(millions of dollars)

	FY 2014 Proposed	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change	FY 2017 Projected	Annual $ Change
General Fund[1]	**28,396**	**29,290**	**894**	**30,303**	**1,013**	**32,057**	**1,754**
Gross Collections	49,898	51,949	2,051	54,097	2,148	57,056	2,959
Refunds	(7,478)	(8,093)	(615)	(8,755)	(662)	(9,239)	(484)
STAR	(3,419)	(3,602)	(183)	(3,704)	(102)	(3,805)	(101)
RBTF	(10,605)	(10,964)	(359)	(11,335)	(371)	(11,955)	(620)
State/All Funds	**42,420**	**43,856**	**1,436**	**45,342**	**1,486**	**47,817**	**2,475**
Gross Collections	49,898	51,949	2,051	54,097	2,148	57,056	2,959
Refunds	(7,478)	(8,093)	(615)	(8,755)	(662)	(9,239)	(484)

[1]Excludes Transfers

All Funds FY 2015 income tax receipts of $43.9 billion are projected to increase $1.4 billion (3.4 percent) from the prior year. Gross receipts are projected to increase 4.1 percent ($2.1 billion) and reflect withholding that is projected to grow by $1.6 billion (4.9 percent) and current year estimated payments related to tax year 2014 that are projected to grow by $1.4 billion (15.3 percent).

The increase in withholding reflects moderate wage growth. The increase in estimated payments from tax year 2014 includes an additional $70 million compared to the prior year from the three-year extension of the 25 percent itemized deduction limitation. Payments from final returns are expected to decrease $115 million (5.1 percent). Delinquencies are projected to increase $37 million (3 percent) from the prior year. Total refunds are projected to increase by $615 million (8.2 percent) from the prior year, mostly reflecting a $673 million increase in prior year refunds due to partial payback of the deferral of business tax credits.

General Fund FY 2015 income tax receipts of $29.3 billion are projected to increase by $894 million (3.1 percent). RBTF deposits are projected to be $11 billion, and the STAR transfer is projected to be $3.6 billion.

All Funds income tax receipts are projected to be $45.3 billion in FY 2016 and $47.8 billion in FY 2017. General Fund receipts are projected at $30.3 billion and $32.1 billion, respectively.

USER TAXES AND FEES

USER TAXES AND FEES (millions of dollars)	FY 2012 Results	FY 2013 Current	Annual $ Change	Annual % Change	FY 2014 Proposed	Annual $ Change	Annual % Change
General Fund[1]	**9,055**	**9,127**	**72**	**0.8%**	**9,492**	**365**	**4.0%**
Sales Tax	8,346	8,430	84	1.0%	8,802	372	4.4%
Cigarette and Tobacco Taxes	471	448	(23)	-4.9%	441	(7)	-1.6%
Alcoholic Beverage Taxes	238	249	11	4.6%	249	0	0.0%
State/All Funds	**14,571**	**14,630**	**59**	**0.4%**	**15,167**	**537**	**3.7%**
Sales Tax	11,876	11,994	118	1.0%	12,533	539	4.5%
Cigarette and Tobacco Taxes	1,633	1,561	(72)	-4.4%	1,535	(26)	-1.7%
Motor Fuel Tax	501	490	(11)	-2.2%	500	10	2.0%
Highway Use Tax	132	141	9	6.8%	140	(1)	-0.7%
Alcoholic Beverage Taxes	238	249	11	4.6%	249	0	0.0%
Taxicab Surcharge	87	86	(1)	-1.1%	96	10	11.6%
Auto Rental Tax	104	109	5	4.8%	114	5	4.6%

[1]Excludes Transfers

All Funds FY 2013 user taxes and fees receipts are estimated to be $14.6 billion, an increase of $59 million (0.4 percent) from the prior year. Sales tax receipts are expected to increase by $118 million (1 percent) from the prior year due to base growth (i.e., absent law changes) of 3.4 percent, offset partly by a return of the clothing exemption at a $110 per item threshold. Cigarette and tobacco tax and motor fuel tax collections are estimated to decrease by $72 million and $11 million, respectively, due to lower consumption.

General Fund FY 2013 user taxes and fees receipts are estimated to total $9.1 billion, an increase of $72 million (0.8 percent) from the prior year. The increase reflects growth in sales tax receipts ($84 million) and alcoholic beverage taxes ($11 million), offset slightly by a decline in cigarette and tobacco taxes ($23 million).

All Funds FY 2014 user taxes and fees receipts are projected to be nearly $15.2 billion, an increase of $537 million (3.7 percent) from the prior year. The increase in sales tax receipts of $539 million (4.5 percent) reflects sales tax base growth of 3.2 percent, proposed law changes of $21 million, and an estimated $83 million in incremental audit recoveries due to 2010 third party reporting legislation.

General Fund FY 2014 user taxes and fees receipts are projected to total $9.5 billion, an increase of $365 million (4 percent) from the prior year. This increase largely reflects the projected increases in All Funds sales tax receipts discussed above, offset slightly by a decline in cigarette and tobacco tax receipts.

USER TAXES AND FEES (millions of dollars)	FY 2014 Proposed	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change	FY 2017 Projected	Annual $ Change
General Fund[1]	**9,492**	**9,890**	**398**	**10,309**	**419**	**10,585**	**276**
Sales Tax	8,802	9,202	400	9,624	422	9,901	277
Cigarette and Tobacco Taxes	441	435	(6)	428	(7)	421	(7)
Alcoholic Beverage Taxes	249	253	4	257	4	263	6
State/All Funds	**15,167**	**15,730**	**563**	**16,315**	**585**	**16,684**	**369**
Sales Tax	12,533	13,104	571	13,697	593	14,089	392
Cigarette and Tobacco Taxes	1,535	1,508	(27)	1,478	(30)	1,448	(30)
Motor Fuel Tax	500	503	3	507	4	510	3
Highway Use Tax	140	143	3	151	8	149	(2)
Alcoholic Beverage Taxes	249	253	4	257	4	263	6
Taxicab Surcharge	96	100	4	101	1	101	0
Auto Rental Tax	114	119	5	124	5	124	0

[1]Excludes Transfers

All Funds user taxes and fees receipts are projected to increase by $563 million (3.7 percent) in FY 2015, $585 million (3.7 percent) in FY 2016, and $369 million (2.3 percent) in FY 2017. This outyear growth is due to projected trends in retail consumption growth and declines in cigarette consumption.

General Fund user taxes and fees receipts are projected to increase by $398 million (4.2 percent) in FY 2015, $419 million (4.2 percent) in FY 2016, and $276 million (2.7 percent) in FY 2017. This outyear growth is consistent with the same trends associated with All Funds, noted above.

BUSINESS TAXES

BUSINESS TAXES
(millions of dollars)

	FY 2012 Results	FY 2013 Current	Annual $ Change	Annual % Change	FY 2014 Proposed	Annual $ Change	Annual % Change
General Fund	**5,760**	**6,038**	**278**	**4.8%**	**6,244**	**206**	**3.4%**
Corporate Franchise Tax	2,724	2,570	(154)	-5.7%	2,881	311	12.1%
Corporation and Utilities Tax	617	655	38	6.2%	633	(22)	-3.4%
Insurance Tax	1,257	1,291	34	2.7%	1,364	73	5.7%
Bank Tax	1,161	1,522	361	31.1%	1,366	(156)	-10.2%
Petroleum Business Tax	1	0	(1)	-100.0%	0	0	0.0%
State/All Funds	**7,877**	**8,181**	**304**	**3.9%**	**8,460**	**279**	**3.4%**
Corporate Franchise Tax	3,176	2,946	(230)	-7.2%	3,310	364	12.4%
Corporation and Utilities Tax	797	839	42	5.3%	811	(28)	-3.3%
Insurance Tax	1,413	1,448	35	2.5%	1,531	83	5.7%
Bank Tax	1,391	1,823	432	31.1%	1,618	(205)	-11.2%
Petroleum Business Tax	1,100	1,125	25	2.3%	1,190	65	5.8%

All Funds FY 2013 business tax receipts are estimated at $8.2 billion, an increase of $304 million (3.9 percent) from the prior year. This increase is mainly driven by the bank tax. Growth in bank tax gross receipts and audits offsets lower corporate franchise tax receipts. The decline in corporate franchise tax receipts is driven mainly by lower audit collections. The corporation and utilities, and insurance tax receipts are moderately higher than the prior year. All Funds FY 2013 receipts include $384 million from the tax deferral of certain tax credits, an incremental increase of $71 million.

All Funds FY 2013 corporate franchise tax receipts are estimated to be $2.9 billion, a decrease of $230 million (7.2 percent) from FY 2012. The year-to-year decrease is mainly attributable to lower audit receipts. Fewer large cases are expected to be closed in FY 2013 compared to FY 2012. Non-audit receipts are expected to increase $105 million from the prior year as gross receipts increase from the prior year and fewer cash refunds are paid.

All Funds FY 2013 corporation and utilities tax receipts are estimated to be $839 million, an increase of $42 million (5.3 percent) from FY 2012. The main driver for the year-to-year increase is a large telecommunications audit that was received in April 2012. Gross FY 2013 receipts are estimated to decline 1 percent from FY 2012 as the telecommunications sector continues to erode from consumers continuing to shift to Internet-based communication tools from landline telecommunications. Softness in the utilities sector is also apparent in FY 2013 as personal consumption expenditures for electricity and natural gas declined from FY 2012.

All Funds FY 2013 insurance tax receipts are estimated to be $1.4 billion, an increase of $35 million (2.5 percent) from last year. This increase is driven by higher calendar year 2012 liability. Gross receipts are expected to grow moderately (3.1 percent) as economic growth continues.

All Funds FY 2013 bank tax receipts are estimated to be $1.8 billion, an increase of $432 million (31.1 percent) from FY 2012. This increase is mainly attributable to strong 2012 payments from commercial banks and higher audit receipts. Throughout calendar year 2012 banks have reported healthy profits from reductions in loan loss reserves and increased refinancing activity due to low mortgage rates. A large bank audit was received in December 2012 that contributed to higher year-to-year audit receipts.

All Funds FY 2013 PBT receipts are estimated to be $1.1 billion, an increase of $25 million (2.3 percent) above last year. This increase is mainly attributable to the 5 percent increase in the PBT index effective January 2012 and the 5 percent increase effective January 2013, offset by declines in gasoline and highway diesel fuel consumption.

General Fund FY 2013 business tax receipts of just over $6 billion are estimated to increase by $278 million (4.8 percent) from FY 2012. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

ALL FUNDS BUSINESS TAX AUDIT AND NON-AUDIT RECEIPTS
(millions of dollars)

	FY 2010 (Actual)	FY 2011 (Actual)	FY 2012 (Actual)	FY 2013 (Estimated)	FY 2014 (Projected)
Corporate Franchise Tax	**2,511**	**2,846**	**3,176**	**2,946**	**3,310**
Audit	698	810	1,080	745	1,003
Non-Audit	1,813	2,036	2,096	2,201	2,307
Corporation and Utilities Taxes	**954**	**813**	**797**	**839**	**811**
Audit	52	13	30	60	76
Non-Audit	902	800	767	779	735
Insurance Taxes	**1,491**	**1,351**	**1,413**	**1,448**	**1,531**
Audit	35	38	21	32	21
Non-Audit	1,456	1,313	1,392	1,416	1,510
Bank Taxes	**1,399**	**1,179**	**1,391**	**1,823**	**1,618**
Audit	290	239	125	382	193
Non-Audit	1,109	940	1,266	1,441	1,425
Petroleum Business Taxes	**1,104**	**1,090**	**1,100**	**1,125**	**1,190**
Audit	10	7	6	6	6
Non-Audit	1,094	1,083	1,094	1,119	1,184
Total Business Taxes	**7,459**	**7,279**	**7,877**	**8,181**	**8,460**
Audit	1,085	1,107	1,262	1,225	1,299
Non-Audit	6,374	6,172	6,615	6,956	7,161

All Funds FY 2014 business tax receipts of nearly $8.5 billion are projected to increase by $279 million (3.4 percent) from the prior year. Corporation franchise tax FY 2014 receipts are projected to increase by $364 million (12.4 percent) from the previous year, driven by growth in audit receipts ($258 million or 34.7 percent). Included in FY 2014 is an incremental increase of $14 million (from $384 million in FY 2013 to $398 million in FY 2014) in receipts from the deferral of certain tax credits.

Corporation and utilities taxes are projected to decline by $28 million (3.3 percent). Gross FY 2014 receipts are expected to be flat compared to the prior year as lower 186-e receipts are offset with higher 186-a receipts. Receipts in FY 2014 include a large telecommunications refund ($30 million) and higher audit receipts (an incremental increase of $22 million).

Insurance taxes are forecast to increase by $83 million (5.7 percent). The year-to-year increase reflects trend growth in the insurance tax as the economy registers steady growth.

Bank tax FY 2014 receipts are projected to decline by $205 million (11.2 percent) from the previous year. The unusually high commercial bank calendar year filer payments seen in FY 2013 are not expected to be repeated in FY 2014, resulting in a decline in projected gross receipts. Additionally, audit receipts are expected to be lower (a decrease of $189 million) in FY 2014 as fewer large cases are settled.

The projected petroleum business tax increase of $65 million (5.8 percent) is due to an increase in the PBT rate index of 5 percent effective in January 2013 and the projected increase in the petroleum business tax rate index of 3 percent effective in January 2014. Motor and diesel fuel taxable consumption are also projected to grow compared to the prior fiscal year.

General Fund FY 2014 business tax receipts of $6.2 billion are projected to increase $206 million (3.4 percent) from the prior year. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

BUSINESS TAXES
(millions of dollars)

	FY 2014 Proposed	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change	FY 2017 Projected	Annual $ Change
General Fund	**6,244**	**5,736**	**(508)**	**6,294**	**558**	**6,544**	**250**
Corporate Franchise Tax	2,881	2,225	(656)	2,618	393	2,757	139
Corporation and Utilities Tax	633	660	27	679	19	700	21
Insurance Tax	1,364	1,408	44	1,484	76	1,499	15
Bank Tax	1,366	1,443	77	1,513	70	1,588	75
Petroleum Business Tax	0	0	0	0	0	0	0
State/All Funds	**8,460**	**8,039**	**(421)**	**8,665**	**626**	**8,980**	**315**
Corporate Franchise Tax	3,310	2,690	(620)	3,115	425	3,277	162
Corporation and Utilities Tax	811	838	27	863	25	895	32
Insurance Tax	1,531	1,580	49	1,662	82	1,683	21
Bank Tax	1,618	1,706	88	1,790	84	1,880	90
Petroleum Business Tax	1,190	1,225	35	1,235	10	1,245	10

All Funds FY 2015, FY 2016 and FY 2017 business tax receipts reflect trend growth that is determined, in part, by the expected level of corporate profits, the expected profitability of banks, the change in taxable insurance premiums, residential energy expenditures and the consumption of telecommunications services. Business tax receipts are estimated to decline to $8 billion (5 percent) in FY 2015, increase to $8.7 billion (7.8 percent) in FY 2016, and increase to $9 billion (3.6 percent) in FY 2017. The decline in FY 2015 reflects the first year of the credit deferral payback to taxpayers. General Fund business tax receipts projections reflect the factors outlined above, and are projected to decline to $5.7 billion (8.1 percent) in FY 2015, increase to $6.3 billion (9.7 percent) in FY 2016, and increase to $6.5 billion (4 percent) in FY 2017.

OTHER TAXES

OTHER TAXES (millions of dollars)							
	FY 2012 Results	FY 2013 Current	Annual $ Change	Annual % Change	FY 2014 Proposed	Annual $ Change	Annual % Change
General Fund[1]	**1,096**	**1,064**	**(32)**	**-2.9%**	**1,154**	**90**	**8.5%**
Estate Tax	1,078	1,045	(33)	-3.1%	1,135	90	8.6%
Gift Tax	0	0	0	0.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Pari-Mutuel Taxes	17	18	1	5.9%	18	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**1,706**	**1,819**	**113**	**6.6%**	**1,839**	**20**	**1.1%**
Estate Tax	1,078	1,045	(33)	-3.1%	1,135	90	8.6%
Gift Tax	0	0	0	0.0%	0	0	5.8%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Real Estate Transfer Tax	610	755	145	23.8%	685	(70)	-9.3%
Pari-Mutuel Taxes	17	18	1	5.9%	18	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

[1]Excludes Transfers

All Funds FY 2013 other tax receipts are estimated to be just over $1.8 billion, an increase of $113 million (6.6 percent) from FY 2012 receipts, reflecting a decrease of $33 million (3.1 percent) in the estate tax, as a result of fewer large and extra-large payments and an increase of $145 million (23.8 percent) in real estate transfer tax receipts, as a result of the real estate market continuing to recover and a spin-up of collections caused by uncertainty regarding the late 2012 Federal fiscal cliff negotiations.

General Fund FY 2013 other tax receipts are expected to total approximately $1.1 billion, a decrease of $33 million (2.9 percent), due to a decrease in the estate tax, partially offset by higher pari-mutuel tax receipts.

All Funds FY 2014 other tax receipts are projected to be over $1.8 billion, up $20 million (1.1 percent) from FY 2013 reflecting growth in estate tax collections partially offset by a decline in real estate transfer tax collections, due to a shift of collections from FY 2014 into FY 2013 caused by the uncertainty of the aforementioned fiscal cliff negotiations.

General Fund FY 2014 other tax receipts are expected to total under $1.2 billion, an increase of $90 million (8.5 percent) from FY 2013, which is attributable to a projected increase in estate tax receipts due to an expected increase in household net worth.

OTHER TAXES (millions of dollars)							
	FY 2014 Proposed	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change	FY 2017 Projected	Annual $ Change
General Fund[1]	**1,154**	**1,224**	**70**	**1,234**	**10**	**1,244**	**10**
Estate Tax	1,135	1,205	70	1,215	10	1,225	10
Gift Tax	0	0	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0	0	0
Pari-Mutuel Taxes	18	18	0	18	0	18	0
All Other Taxes	1	1	0	1	0	1	0
State/All Funds	**1,839**	**1,984**	**145**	**2,069**	**85**	**2,134**	**65**
Estate Tax	1,135	1,205	70	1,215	10	1,225	10
Gift Tax	0	0	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0	0	0
Real Estate Transfer Tax	685	760	75	835	75	890	55
Pari-Mutuel Taxes	18	18	0	18	0	18	0
All Other Taxes	1	1	0	1	0	1	0

[1]Excludes Transfers

All Funds FY 2015, FY 2016 and FY 2017 other tax receipts reflect growth driven by two major economic variables, household net worth (estate tax) and the value of real property transfers (real estate transfer tax). All Funds other tax receipts are estimated to increase to just under $2 billion (7.9 percent) in FY 2015, increase to nearly $2.1 billion (4.3 percent) in FY 2016, and increase to well over $2.1 billion (3.1 percent) in FY 2017. General Fund other tax receipts will reflect the expected increase in household net worth noted above, and are projected to increase to just over $1.2 billion (6.1 percent) in FY 2015, increase by $10 million (0.8 percent) in FY 2016, and increase by $10 million (0.8 percent) in FY 2017.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS
(millions of dollars)

	FY 2012 Results	FY 2013 Current	Annual $ Change	Annual % Change	FY 2014 Proposed	Annual $ Change	Annual % Change
General Fund	**3,222**	**3,784**	**562**	**17.4%**	**3,103**	**(681)**	**-18.0%**
Miscellaneous Receipts	3,162	3,724	562	17.8%	3,101	(623)	-16.7%
Federal Grants	60	60	0	0.0%	2	(58)	-96.7%
State Funds	**23,814**	**24,944**	**1,130**	**4.7%**	**23,790**	**(1,154)**	**-4.6%**
Miscellaneous Receipts	23,669	24,799	1,130	4.8%	23,703	(1,096)	-4.4%
Federal Grants	145	145	0	0.0%	87	(58)	-40.0%
All Funds	**68,448**	**69,116**	**668**	**1.0%**	**71,837**	**2,721**	**3.9%**
Miscellaneous Receipts	23,837	24,985	1,148	4.8%	23,889	(1,096)	-4.4%
Federal Grants	44,611	44,131	(480)	-1.1%	47,948	3,817	8.6%

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds FY 2013 miscellaneous receipts are projected to reach $25 billion, an increase of $1.1 billion from FY 2012. Augmenting General Fund growth of $562 million, as described in more detail below, are growth in SUNY income ($213 million), growth in HCRA financing sources ($171 million), and growth in bond proceeds funding for several capital improvement projects ($212 million).

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that Federal reimbursements will be received in the State fiscal year in which spending occurs, but due to the variable timing of Federal grant receipts, actual results often differ from the Financial Plan. All Funds FY 2013 Federal grants are projected to total $44.1 billion, a decline of $480 million from the prior year, reflecting a decrease in Federal ARRA funding.

General Fund FY 2013 miscellaneous receipts and Federal grants collections are estimated to be nearly $3.8 billion, an increase of $562 million from FY 2012 receipts. This increase is primarily attributable to one-time payments including: a settlement from Standard Chartered Bank, payments from the Manhattan District Attorney, and payments from the State of New York Mortgage Agency.

All Funds FY 2014 miscellaneous receipts are projected to total $23.9 billion, a decrease of $1.1 billion from FY 2013, largely due to the decline in General Fund miscellaneous receipts ($623 million), described in more detail below, and the decline in debt service receipts that is largely associated with the proposed restructuring of the SUNY Dormitory bonding program which moves associated receipts and spending from the State's All Governmental Funds budget ($526 million).

All Funds FY 2014 Federal grants are projected to total $47.9 billion, an increase of $3.8 billion over the current year, driven primarily by the timing of Federal funding for disaster assistance costs.

General Fund FY 2014 miscellaneous receipts and Federal grants collections are projected to decrease by $681 million, primarily due to the loss of one-time receipts in FY 2013 mentioned above.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)

	FY 2014 Proposed	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change	FY 2017 Projected	Annual $ Change
General Fund	**3,103**	**3,030**	**(73)**	**2,836**	**(194)**	**2,844**	**8**
Miscellaneous Receipts	3,101	3,030	(71)	2,836	(194)	2,844	8
Federal Grants	2	0	(2)	0	0	0	0
State Funds	**23,790**	**24,266**	**476**	**24,343**	**77**	**23,631**	**(712)**
Miscellaneous Receipts	23,703	24,181	478	24,258	77	23,546	(712)
Federal Grants	87	85	(2)	85	0	85	0
All Funds	**71,837**	**72,110**	**273**	**72,998**	**888**	**75,286**	**2,288**
Miscellaneous Receipts	23,889	24,367	478	24,444	77	23,732	(712)
Federal Grants	47,948	47,743	(205)	48,554	811	51,554	3,000

All Funds FY 2015 miscellaneous receipts are projected to total $24.4 billion, an increase of $478 million from FY 2014, driven by additional receipts from HCRA financing sources ($263 million) and growth in SUNY income ($144 million), partially offset by declines in other miscellaneous receipts. All Funds FY 2016 miscellaneous receipts are projected to total $24.4 billion, an increase of $77 million from FY 2015. All Funds FY 2017 miscellaneous receipts are projected to total $23.7 billion, a decline of $712 million from FY 2016, due largely to decreases in miscellaneous receipts projections for programs financed with authority bond proceeds.

All Funds Federal grants are projected at $47.7 billion in FY 2015; $48.6 billion in FY 2016; and $51.6 billion in FY 2017. The multi-year projections for Federal grants are in part driven by the timing of Federal funding for disaster assistance costs which are expected to be received by the State during FY 2014. The larger-than-usual annual increase to Federal Grants in FY 2017, by $3 billion, primarily reflects increased Federal support for Medicaid due to the impact of the Affordable Care Act.

General Fund FY 2015 miscellaneous receipts and Federal grants are estimated to be $3 billion, down $73 million from FY 2014 projections, primarily due to the loss of one-time payments such as payments from the Manhattan District Attorney.

General Fund FY 2016 miscellaneous receipts and Federal grants are projected to be $2.8 billion, down $194 million from FY 2015, resulting from the loss of certain receipts from the State Insurance Fund which are partially offset by increased receipts from the New York Power Authority.

General Fund FY 2017 miscellaneous receipts and Federal grants remain virtually unchanged from the prior year.

DISBURSEMENTS

The multi-year disbursements projections take into account agency staffing levels, program caseloads, funding formulas contained in State and Federal law, inflation and other factors. Factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends and projected economic conditions. Projections account for the timing of payments, since not all of the amounts appropriated in the Budget are disbursed in the same fiscal year. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in Special Revenue Funds have been adjusted downward in all fiscal years based on typical spending patterns and the observed variance between estimated and actual results over time.

Total disbursements in FY 2014 are estimated at $60.9 billion in the General Fund and $89.8 billion in State Operating Funds. Over the multi-year Financial Plan, State Operating Funds spending projections assume Medicaid and School Aid will grow at their statutorily-indexed rates. The projections do not reflect any potential impact of automatic spending reductions that would be triggered if the Federal government fails to amend existing deficit reduction legislation.

Medicaid, education, pension costs, employee and retiree health benefits, and debt service are significant drivers of annual spending growth.

LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at $59.2 billion in FY 2014 and accounts for over 65 percent of total State Operating Funds spending. Education and health care spending account for approximately two-thirds of local assistance spending.

Selected assumptions used in preparing the spending projections for the State's major local aid programs and activities are summarized in the following table.

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

		Forecast			
	FY 2012 Results	FY 2013 Updated	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Medicaid					
Medicaid Coverage	4,579,206	4,812,715	5,176,084	6,110,639	6,169,418
- Family Health Plus Caseload	423,614	446,259	467,246	0	0
- Child Health Plus Caseload	390,556	344,000	356,000	368,000	380,000
State Takeover of County/NYC Costs	$1,535	$1,613	$1,690	$1,665	$1,800
- Family Health Plus	$403	$477	$528	$219	$0
- Medicaid	$1,132	$1,136	$1,162	$1,446	$1,800
Education					
School Aid (School Year)	$19,615	$20,196	$20,807	$21,493	$22,482
Education Personal Income Growth Index	N/A	3.0	3.0	3.3	4.6
Higher Education					
Public Higher Education Enrollment (FTEs)	575,229	567,473	566,707	565,941	565,078
Tuition Assistance Program Recipients	310,140	309,921	310,065	310,065	310,065
Public Assistance					
Family Assistance Program	262,153	256,566	249,528	243,345	238,262
Safety Net Program - Families	120,899	122,368	118,706	115,450	112,747
Safety Net Program - Singles	183,863	187,254	185,777	184,815	184,361
Mental Hygiene					
Total Mental Hygiene Community Beds	87,895	90,844	93,363	97,595	100,051
- OMH Community Beds	36,179	38,778	40,707	44,644	46,778
- OPWDD Community Beds	39,012	39,352	39,843	40,068	40,293
- OASAS Community Beds	12,704	12,714	12,813	12,883	12,980
Prison Population (Corrections)	55,944	55,100	54,300	54,000	53,800

* Dollar amounts in table are in millions.

EDUCATION

SCHOOL AID

School Aid helps support elementary and secondary education for New York pupils enrolled in 676 major school districts throughout the State. State funding is provided to districts based on statutory aid formulas and through reimbursement of categorical expenses. State funding for schools assists districts in meeting locally defined needs, supports the construction of school facilities, and finances school transportation for nearly three million students statewide.

School Year (July 1 — June 30)

The FY 2013 Enacted Budget included a two-year appropriation and continued Education Law provisions to tie future increases in School Aid to the rate of growth in New York State personal income. Under this limit, School Aid funding will increase by $611 million in School Year (SY) 2014, a 3.0 percent increase from SY 2013.[4]

Projected School Aid funding is a function of both a personal income growth index used to determine allowable growth, and future legislation to allocate the allowable increases. Current law prescribes allowable growth to include spending for new competitive grant programs which reward school districts that demonstrate significant student performance improvements or those that undertake long-term structural changes to reduce costs and improve efficiency. Allowable growth also includes increases in expense-based aid programs (e.g., Building Aid, Transportation Aid) under existing statutory provisions. Any remaining amount of allowable growth can be allocated pursuant to a chapter of law for purposes including, but not limited to, additional spending for competitive grants, increases in Foundation Aid, or restoration of the Gap Elimination Adjustment.

Based on updated estimates of personal income growth, School Aid is projected to increase by an additional $686 million in SY 2015 and $989 million in SY 2016. School Aid is projected to reach an annual total of $23.8 billion in SY 2017.

TOTAL SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)
(millions of dollars)

SY 2013	SY 2014	Change	SY 2015	Change	SY 2016	Change	SY 2017	Change
$20,196	$20,807	$611	$21,493	$686	$22,482	$989	$23,831	$1,349
		3.0%		3.3%		4.6%		6.0%

STATE FISCAL YEAR

The State finances School Aid from General Fund receipts and from Lottery Fund receipts, including VLTs, which are accounted for and disbursed from a dedicated account. Because the State fiscal year begins on April 1, the State typically pays approximately 70 percent of the annual school year commitment during the State fiscal year in which it is enacted, and pays the remaining 30 percent in the first three months of the following State fiscal year.

[4] Actual cash disbursements are expected to be affected by the withholding of aid for noncompliance with the requirements of the Annual Professional Performance Review process.

The table below summarizes the multi-year projected funding levels for School Aid on a State fiscal year basis.

TOTAL SCHOOL AID - STATE FISCAL YEAR BASIS (millions of dollars)	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**20,056**	**20,317**	**1.3%**	**21,077**	**3.7%**	**21,925**	**4.0%**	**23,166**	**5.7%**
General Fund Local Assistance	17,003	17,173	1.0%	17,934	4.4%	18,777	4.7%	20,020	6.6%
Core Lottery Aid	2,192	2,242	2.3%	2,249	0.3%	2,251	0.1%	2,249	-0.1%
VLT Lottery Aid	862	881	2.2%	894	1.5%	897	0.3%	897	0.0%
Lottery Aid Guarantee	20	0	N/A	0	N/A	0	0.0%	0	0.0%
VLT Aid Balance Roll	(21)	21	N/A	0	N/A	0	0.0%	0	0.0%

State spending for School Aid is projected to total $20.3 billion in FY 2014. In future years, receipts available to finance School Aid from core lottery sales are projected to grow marginally, while VLT receipts are anticipated to increase through FY 2015 as a result of the recent implementation of the VLT facility at the Aqueduct Racetrack. In addition to State aid, school districts receive approximately $3 billion annually in Federal categorical aid.

OTHER EDUCATION AID

In addition to School Aid, the State provides funding and support for various other education-related initiatives. These include: special education services; prekindergarten through grade 12 education programs; cultural education; higher and professional education programs; and adult career and continuing education services.

Major programs under the Office of Prekindergarten through Grade 12 education address specialized student needs or reimburse school districts for education-related services, including the school breakfast and lunch programs, non-public School Aid, and various special education programs. In special education, New York provides a full spectrum of services to over 400,000 students from ages 3 to 21. Higher and professional education programs monitor the quality and availability of postsecondary education programs and regulate the licensing and oversight of 48 professions.

OTHER EDUCATION (millions of dollars)	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**1,975**	**2,083**	**5.5%**	**2,110**	**1.3%**	**2,176**	**3.1%**	**2,307**	**6.0%**
Special Education	1,358	1,401	3.2%	1,515	8.1%	1,626	7.3%	1,751	7.7%
All Other Education	617	539	-12.6%	534	-0.9%	550	3.0%	556	1.1%
Fiscal Stabilization Aid	0	143	0.0%	61	-57.3%	0	0.0%	0	0.0%

Special education growth is primarily driven by an increase in program costs and enrollment for preschool special education, summer school special education, and State-supported schools for the blind and deaf. The decline in other education spending from FY 2014 over FY 2013 is driven primarily by the expiration of targeted aid and grants, which are not projected to continue in FY 2014. In recognition of extraordinary school district cost increases, including pension contributions, the FY 2014 Executive Budget also provides $204 million in one-time fiscal stabilization to school districts during SY 2014.

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in FY 2014 are: the basic school property tax exemption for homeowners with income under $500,000 (55 percent), the enhanced school property tax exemption for senior citizen homeowners with income under $79,050 (27 percent), and a flat refundable credit and rate reduction for income-eligible New York City resident personal income taxpayers (18 percent).

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**3,276**	**3,419**	**4.4%**	**3,602**	**5.4%**	**3,704**	**2.8%**	**3,805**	**2.7%**
Basic Exemption	1,829	1,896	3.7%	1,997	5.3%	2,052	2.8%	2,106	2.6%
Enhanced (Seniors)	859	912	6.2%	986	8.1%	1,014	2.8%	1,040	2.6%
New York City PIT	588	611	3.9%	619	1.3%	638	3.1%	659	3.3%

The STAR program exempts the first $30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens will receive a $63,300 exemption in FY 2014. Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues.

The annual increase in a qualifying homeowner's STAR exemption benefit is limited to 2 percent. Homeowners who earn more than $500,000 a year are not eligible for the STAR property tax exemption. New York City personal income taxpayers with annual income over $500,000 have a reduced benefit.

The FY 2014 Executive Budget proposes to establish a STAR reregistration and anti-fraud program. This proposal will eliminate waste, fraud and abuse in the STAR exemption by (1) authorizing the Department of Taxation and Finance to require all recipients of a Basic STAR exemption to be registered with the Department, and (2) strengthening the penalties for fraud while tightening the standards and procedures for determining eligibility.

HIGHER EDUCATION

Local assistance for higher education spending includes funding for CUNY, SUNY and HESC. The State provides assistance for CUNY's senior college operations, and works in conjunction with the City of New York to support CUNY's community colleges. The CUNY system is the largest urban public university system in the nation. Funding for SUNY supports 30 community colleges across multiple campuses.

The State also provides a sizeable benefit to SUNY and CUNY through the debt service it pays on bond-financed capital projects at the universities. This is not reflected in the annual spending totals for the universities. State debt service payments for capital projects at SUNY and CUNY are expected to total about $1.4 billion in FY 2014.

HESC administers the TAP program that provides awards to income-eligible students. It also provides centralized processing for other student financial aid programs, and offers prospective students information and guidance on how to finance a college education. The financial aid programs that HESC administers are funded by the State and the Federal government.

Annual growth by CUNY in FY 2014 reflects the net impact of enrollment changes at community colleges, additional fringe benefit costs, and the timing of aid payments across State fiscal years.

HIGHER EDUCATION

(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**2,628**	**2,788**	**6.1%**	**2,865**	**2.8%**	**2,948**	**2.9%**	**3,020**	**2.4%**
City University	**1,219**	**1,332**	**9.3%**	**1,386**	**4.1%**	**1,455**	**5.0%**	**1,533**	**5.4%**
Operating Aid to NYC (Senior Colleges)	1,025	1,128	10.0%	1,184	5.0%	1,253	5.8%	1,331	6.2%
Community College Aid	194	204	5.2%	202	-1.0%	202	0.0%	202	0.0%
Higher Education Services	**947**	**1,004**	**6.0%**	**1,018**	**1.4%**	**1,032**	**1.4%**	**1,026**	**-0.6%**
Tuition Assistance Program	894	948	6.0%	959	1.2%	972	1.4%	966	-0.6%
Aid for Part Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
Scholarships/Awards	41	44	7.3%	47	6.8%	48	2.1%	48	0.0%
State University	**462**	**452**	**-2.2%**	**461**	**2.0%**	**461**	**0.0%**	**461**	**0.0%**
Community College Aid[1]	457	448	-2.0%	457	2.0%	457	0.0%	457	0.0%
Other	5	4	-20.0%	4	0.0%	4	0.0%	4	0.0%

[1] State support for SUNY 4-year institutions is funded through State operations rather than local assistance.

HEALTH CARE

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The DOH works with the local health departments and social services departments, including New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but many programs are supported through multi-agency efforts. The Medicaid program finances inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care, FHP (a State-administered program to provide comprehensive health insurance for low-income families which do not meet certain Medicaid-eligibility thresholds), and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services and foster care services). The State share of Medicaid spending is budgeted and expended principally through DOH, but State share Medicaid spending also appears in the mental hygiene agencies, child welfare programs and DOCCS.

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers.

The Medicaid program is financed jointly by the State, the Federal government, and local governments (including New York City). New York's Medicaid spending is projected to total approximately $57.6 billion in FY 2014, including the local contribution.[5]

The Executive Budget reflects continuation of the Medicaid spending cap enacted in FY 2012, and recommends funding consistent with its provisions. The cap is based on the ten-year average change in the medical component of the CPI. Statutory changes approved with the FY 2012 Enacted Budget grant the Executive certain administrative powers to help hold Medicaid spending to the capped level. The statutory changes, currently set to expire at the end of FY 2014, are expected to be extended through FY 2015, pursuant to authorization being recommended in the Executive Budget. The cap itself remains in place, and the Updated Financial Plan assumes that statutory authority will be extended in subsequent years.

Based on updated data, the allowable growth under the cap is 3.9 percent. The FY 2014 Executive Budget also proposes to eliminate the FHP program effective January 1, 2015. The majority of population receiving health care benefits through FHP will begin receiving more robust health care benefits through the Medicaid program, pursuant to new Medicaid eligibility thresholds and increased Federal payments pursuant to the ACA. The remaining FHP population, those above Medicaid levels, will be eligible for Federal tax credits in the ACA exchange and the State will pay all additional out-of-pocket costs for these individuals. The proposed elimination is expected to provide savings to the State of $38.5 million in FY 2015, and $29.0 million thereafter.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS[1]
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Department of Health					
DOH State Share	15,912	16,421	16,978	17,805	18,515
Local Assistance	15,860	16,230	16,780	17,591	18,289
State Operations[2]	52	191	198	214	226
Annual $ Change - DOH Only		509	557	827	710
Annual % Change - DOH Only		3.2%	3.4%	4.9%	4.0%
Other State Authorities					
Mental Hygiene	5,785	5,074	5,593	6,215	6,338
Foster Care	87	89	92	96	100
Corrections	0	12	12	13	13
Total State Share (All Agencies)	**21,784**	**21,596**	**22,675**	**24,129**	**24,966**
Annual $ Change - Total State Share		(188)	1,079	1,454	837
Annual % Change - Total State Share		-0.9%	5.0%	6.4%	3.5%

[1] Medicaid services growth is indexed to the 10-year average of CPI Medical, currently 3.9 percent. Financial Plan spending is adjusted for the inclusion of Medicaid State Operations spending (formerly outside the Medicaid Cap), which is supporting expanded functions pursuant to the phased-in takeover of local administrative responsibilities, and the decision of Monroe County to participate in the Medicaid local cap program, rather than continuing the sales tax intercept option. Finally, the State Share of Medicaid is adjusted for increased Federal financial participation beginning in January 2014.

[2] Assumes transfer of the Office of Health Insurance Programs to Medicaid from Public Health without new spending ($91 million).

[5] The local contribution to the Medicaid program is not included in the State's Financial Plan. Since January 2006, the State has paid the entire non-Federal share of the FHP program and any annual Medicaid increases above a fixed level for local social services districts. The FY 2013 Enacted Budget amended these statutory indexing provisions by implementing a three-year phased-takeover of the local share of growth above the previous year's enacted levels beginning in April 2013 for county (i.e., calendar) fiscal year 2013, with the State assuming all growth in county fiscal year 2015. This initiative is expected to save local governments nearly $1.2 billion between FY 2013 and FY 2017, as compared to levels assumed under the previous statute.

Factors affecting the level of Medicaid spending growth that must be managed within the cap include Medicaid enrollment, costs of provider health care services (particularly in managed care) and levels of utilization. The number of Medicaid recipients, including FHP, is expected to exceed 5.6 million at the end of FY 2014, an increase of 7.3 percent from the FY 2013 caseload of 5.3 million, a result mainly attributable to expanded eligibility pursuant to the ACA. Under the provisions of the ACA, the Federal government is expected to finance a greater share of Medicaid costs, the impact of which is expected to lower future growth in State-share Medicaid costs beginning in FY 2014.

Total State Share Medicaid, which includes costs associated with other State agencies, has been revised downward in the Executive Budget in FY 2014 by $850 million, $565 million in FY 2015, and $387 million thereafter. This revision is attributable to the impact of reduced Federal revenue associated with the reimbursement of Medicaid costs at State-operated facilities providing developmental disability services. To compensate for the reduced Federal reimbursement for services provided, the State is undertaking various actions to reduce overall costs while minimizing any impact on service delivery. These actions include shifting a portion of OPWDD Medicaid costs to DOH, the impact of which is expected to be managed on a neutral Financial Plan basis through the implementation of several actions, including comprehensive program reforms consistent with other states to generate Federal reimbursement for services already being provided, and the management of certain MRT investment initiatives. These savings are valued at $730 million in FY 2014, $445 million in FY 2015, and $267 million in each of FY 2016 and FY 2017. These savings are part of the Mental Hygiene Stabilization Fund within the DOH global spending cap. In addition, $120 million of savings will be achieved in OPWDD through rate reductions to eliminate cost-of-living adjustments and other rate enhancements received by providers during FYs 2010 and 2011.

The FY 2013 Enacted Budget included authorization to establish the phased-takeover of local government administration of the Medicaid program, and to cap spending on local Medicaid administration at FY 2012 appropriation levels. The FY 2013 Enacted Budget also provided Medicaid spending relief for all counties and New York City by reducing growth in local Medicaid payments. These changes are expected to provide fiscal and administrative relief to local governments.

As allowed under the FY 2013 Enacted Budget legislation, Monroe County, which had previously authorized a State intercept of sales tax in lieu of payment for its portion of the local share of Medicaid, chose to enter the Medicaid program effective February 1, 2013. Monroe County is expected to benefit in the long-term from entering the local cap program, as future costs associated with its Medicaid growth will be paid for by the State under the phased-in takeover initiative.

The State share of DOH Medicaid spending is funded from the General Fund, HCRA, provider assessment revenue, and indigent care revenue. The chart below provides information on the financing sources for State Medicaid spending.

DEPARTMENT OF HEALTH MEDICAID* (millions of dollars)									
	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
State Operating Funds	**15,912**	**16,421**	**3.2%**	**16,978**	**3.4%**	**17,805**	**4.9%**	**18,515**	**4.0%**
Total General Fund - Local	11,053	11,099	0.4%	11,316	2.0%	12,032	6.3%	12,556	4.4%
Total General Fund - State Operations	52	191	267.3%	198	3.7%	214	8.1%	226	5.6%
Other State Funds Support	4,807	5,131	6.7%	5,464	6.5%	5,559	1.7%	5,733	3.1%
HCRA Financing	3,222	3,529	9.5%	3,862	9.4%	3,957	2.5%	4,131	4.4%
Indigent Care Support	792	817	3.2%	817	0.0%	817	0.0%	817	0.0%
Provider Assessment Revenue	793	785	-1.0%	785	0.0%	785	0.0%	785	0.0%

* Does not include Medicaid spending in other State agencies or the local government share of total Medicaid program spending.

The Executive Budget proposes to transfer all administrative costs, including those State resources associated with the local Medicaid takeover program, from the Public Health budget to the Medicaid budget. This change will align operational resources with programmatic responsibilities to provide flexibility to meet emerging needs during the course of the year. Using additional efficiencies gained from the local Medicaid takeover, this change is expected to avoid State General Fund costs of approximately $32 million in FY 2014, $50 million in FY 2015, and $67 million annually thereafter without placing additional fiscal pressure on the Medicaid Global Cap.

Ongoing MRT efforts have identified a variety of other programmatic efficiencies and re-investments which are expected to improve overall service delivery within the health care industry, but which are not expected to have a significant net financial impact on the State's Medicaid program.

PUBLIC HEALTH/AGING PROGRAMS

Public Health includes the EPIC program that provides prescription drug insurance to low-income seniors, the CHP program that finances health insurance coverage for children of low-income families up to the age of 19, the GPHW program that reimburses local health departments for the cost of providing certain public health services, the EI program that pays for services to infants and toddlers under the age of three with disabilities or developmental delays, and other HCRA and State-supported programs.

SOFA promotes and administers programs and services for New Yorkers 60 years of age and older. SOFA primarily oversees community-based services, including but not limited to in-home services and nutrition assistance, provided through a network of county Area Agencies on Aging and local providers.

Many public health programs, such as the EI and GPHW programs, are run by county health departments and reimbursed by the State for a share of program costs. The State spending projections do not include the county share of public health funding. In addition, a significant portion of HCRA spending is included under the public health budget. For more information on HCRA projections, see the following section entitled "HCRA Financial Plan".

PUBLIC HEALTH AND AGING (millions of dollars)	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**2,023**	**2,053**	**1.5%**	**2,182**	**6.3%**	**1,945**	**-10.9%**	**1,923**	**-1.1%**
Public Health	**1,907**	**1,940**	**1.7%**	**2,063**	**6.3%**	**1,819**	**-11.8%**	**1,792**	**-1.5%**
Child Health Plus	356	375	5.3%	440	17.3%	369	-16.1%	303	-17.9%
General Public Health Work	247	215	-13.0%	237	10.2%	233	-1.7%	238	2.1%
EPIC	116	196	69.0%	217	10.7%	237	9.2%	258	8.9%
Early Intervention	164	163	-0.6%	163	0.0%	166	1.8%	166	0.0%
HCRA Program Account	452	373	-17.5%	377	1.1%	377	0.0%	377	0.0%
F-SHRP	175	205	17.1%	205	0.0%	0	-100.0%	0	0.0%
All Other	397	413	4.0%	424	2.7%	437	3.1%	450	3.0%
Aging	**116**	**113**	**-2.6%**	**119**	**5.3%**	**126**	**5.9%**	**131**	**4.0%**

Spending growth through FY 2015 largely reflects costs associated with the CHP program, including the expectation of additional caseload growth under the ACA. As CHP enrollment increases, initial costs to the State are expected; however, these costs are expected to decrease beginning in FY 2016 when enhanced Federal participation rates become effective. To reduce the State share of the CHP program costs, the Executive Budget proposes to transfer the rate-setting responsibility from the DFS to the DOH effective April 1, 2013, which will lower spending growth relative to previous models by temporarily maintaining the existing rate packages over nine months until the new rate setting methodology is implemented concurrently with the New York State Health Benefit Insurance Exchange on January 1, 2014, as required by the ACA.

Increased State support for the EPIC program, which was authorized in the FY 2013 Enacted Budget to provide coverage of Medicare Part D co-payments and co-insurance for enrollees outside of the existing coverage gap, is also driving a substantial portion of spending growth, as this change took effect on January 1, 2013. Increased spending for expanded EPIC coverage, as well as growth due to the rising costs of prescription drug medication, is expected to be partly financed by additional revenue generated from rebates received from drug manufacturers.

Spending growth in FY 2014 from the F-SHRP program, which represents funding provided to the State on a time-limited basis through a Federal waiver under terms and conditions aimed at improving the delivery of health care services, reflects the anticipation of peak utilization prior to the expiration of funding. The year-over-year decrease for GPHW in FY 2014 reflects a reestimate of anticipated spending. Other public health programs are being consolidated in order to enhance programmatic and administrative efficiencies, the impact of which is expected to provide savings to the General Fund of approximately $40 million in each year of the Updated Financial Plan.

HCRA FINANCIAL PLAN

HCRA was established in 1996 to help finance a portion of State health care activities. Extensions and modifications to HCRA have financed new health care programs, including FHP, and provided additional funding for the expansion of existing programs such as CHP. HCRA has also provided additional financing for the health care industry, including investments in worker recruitment and retention, and the HEAL NY capital program.

HCRA receipts include surcharges and assessments on hospital revenues, a "covered lives" assessment paid by insurance carriers, a portion of cigarette tax revenues, and other revenues dedicated by statute, as well as potential future proceeds from insurance company conversions. Estimated growth in total HCRA revenues, approximately 1.5 percent annually, reflects downward adjustments of approximately $200 million to surcharge revenues.

HCRA helps fund Medicaid, EPIC, CHP, FHP and Indigent Care (which provide funds to hospitals serving a disproportionate share of individuals without health insurance). HCRA also provides funding for workforce recruitment and retention and rate adjustments to health facilities, physician excess medical malpractice, and HEAL NY for capital improvements to health care facilities. The Executive Budget proposes to consolidate various public health programs to enhance programmatic and administrative efficiencies, as well as to implement other programmatic changes. Such changes are expected to lower spending in HCRA by approximately $200 million annually.

HCRA is expected to remain in balance over the multi-year projection period. Under the current HCRA appropriation structure, spending reductions will occur if resources are insufficient to meet spending levels. These spending reductions could potentially affect core HCRA programs. The reauthorizations of HCRA in prior years maintained HCRA's balance without the need for automatic spending reductions.

Given the inter-relationship between the General Fund and HCRA, any balances in HCRA are typically eliminated by adjusting the level of Medicaid disbursements that HCRA finances. This reduces costs that otherwise would have been paid for by the General Fund. Conversely, any shortfall in HCRA is expected to be financed by the General Fund.

HCRA FINANCIAL PLAN FY 2013 THROUGH FY 2017
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Opening Balance	**3**	**0**	**0**	**0**	**0**
Total Receipts	**5,438**	**5,644**	**5,886**	**5,981**	**6,081**
Surcharges	2,815	2,778	2,871	2,957	3,046
Covered Lives Assessment	1,045	1,045	1,045	1,045	1,045
Cigarette Tax Revenue	1,113	1,094	1,073	1,050	1,027
Conversion Proceeds	0	175	300	300	300
Hospital Assessments	394	417	444	469	495
NYC Cigarette Tax Transfer/Other	71	135	153	160	168
Total Disbursements	**5,441**	**5,644**	**5,886**	**5,981**	**6,081**
Medicaid Assistance Account	3,228	3,529	3,863	3,957	4,131
Medicaid Costs	*1,840*	*2,230*	*2,775*	*3,308*	3,482
Family Health Plus	*689*	*650*	*439*	*0*	0
Workforce Recruitment & Retention	*211*	*197*	*197*	*197*	197
All Other	*488*	*452*	*452*	*452*	452
HCRA Program Account	476	392	396	396	396
Hospital Indigent Care	792	817	817	817	817
Elderly Pharmaceutical Insurance Coverage	127	209	230	250	271
Child Health Plus	362	381	447	377	310
Public Health Programs	129	0	0	0	0
All Other	327	316	133	184	156
Annual Operating Surplus/(Deficit)	**(3)**	**0**	**0**	**0**	**0**
Closing Balance	**0**	**0**	**0**	**0**	**0**

MENTAL HYGIENE

MENTAL HYGIENE (millions of dollars)	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**3,644**	**2,799**	**-23.2%**	**3,390**	**21.1%**	**3,878**	**14.4%**	**4,082**	**5.3%**
People with Developmental Disabilities	**2,234**	**1,384**	**-38.0%**	**1,826**	**31.9%**	**2,121**	**16.2%**	**2,184**	**3.0%**
Residential Services	1,577	1,492	-5.4%	1,604	7.5%	1,687	5.2%	1,731	2.6%
Day Programs	570	539	-5.4%	579	7.4%	609	5.2%	625	2.6%
Clinic	23	22	-4.3%	23	4.5%	24	4.3%	25	4.2%
Other Local	64	61	-4.7%	65	6.6%	68	4.6%	70	2.9%
Mental Hygiene Stabilization Fund	0	(730)	0.0%	(445)	-39.0%	(267)	-40.0%	(267)	0.0%
Mental Health	**1,094**	**1,099**	**0.5%**	**1,232**	**12.1%**	**1,408**	**14.3%**	**1,535**	**9.0%**
Adult Local Services	913	918	0.5%	1,025	11.7%	1,188	15.9%	1,311	10.4%
Children Local Services	181	181	0.0%	207	14.4%	220	6.3%	224	1.8%
Alcohol and Substance Abuse	**315**	**315**	**0.0%**	**331**	**5.1%**	**348**	**5.1%**	**362**	**4.0%**
Outpatient/Methadone	135	135	0.0%	141	4.4%	150	6.4%	155	3.3%
Residential	106	106	0.0%	112	5.7%	117	4.5%	122	4.3%
Prevention	44	44	0.0%	45	2.3%	48	6.7%	51	6.3%
Crisis	17	17	0.0%	18	5.9%	18	0.0%	19	5.6%
Program Support	8	8	0.0%	10	25.0%	10	0.0%	10	0.0%
LGU Administration	5	5	0.0%	5	0.0%	5	0.0%	5	0.0%
CQCAPD/Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**

The Department of Mental Hygiene is comprised of three independent agencies, OMH, OPWDD and OASAS. Services are administered to adults with serious and persistent mental illness; children with serious emotional disturbances; individuals with developmental disabilities and their families; and persons with chemical dependence. These agencies provide services directly to their patients through State-operated facilities and indirectly through community service providers. The costs associated with providing these services are funded by reimbursement from Medicaid, Medicare, third-party insurance and State funding. Patient care revenues are pledged first to the payment of debt service on outstanding mental hygiene bonds, which are issued to finance improvements to infrastructure at mental hygiene facilities throughout the State, with the remaining revenue used to support State operating costs.

Legislation enacted in FY 2013 established the Justice Center for the Protection of People with Special Needs, which will have the primary responsibility for tracking, investigating and pursuing serious abuse/neglect complaints at facilities and provider settings operated, certified, or licensed by six State agencies. The activities of CQCAPD will be subsumed by the Justice Center when it becomes operational on June 30, 2013.

Local assistance spending in mental hygiene accounts for nearly half of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 5.2 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems including: increases primarily associated with developing new OPWDD residential and non-residential services and supports; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline. Additional outyear spending is assumed in Updated Financial Plan estimates for costs associated with efforts to move individuals in nursing homes and other settings to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS.

The Executive Budget includes proposals to lower spending growth by eliminating automatic inflationary factors in FY 2014, including the 1.4 percent Human Services COLA and Medicaid trend adjustment, which provides rate reimbursement adjustments for eligible providers of services to the developmentally disabled, and scaling back existing plans to provide new residential, day program and other support services to the developmentally disabled, and mental health bed development.

OPWDD's Medicaid-related spending estimates have been revised downward in the Executive Budget by $850 million in FY 2014, $565 million in FY 2015, and $387 million thereafter. This revision is attributable to the impact of reduced Federal revenue associated with the reimbursement of Medicaid costs at State-operated facilities providing developmental disability services. To compensate for the reduced Federal reimbursement for services provided, the State is undertaking various actions to reduce overall costs in the least disruptive manner possible for service delivery. These actions include shifting a portion of OPWDD Medicaid costs to DOH, the impact of which is expected to be managed on a neutral Financial Plan basis through the implementation of several actions, including comprehensive program reforms consistent with other states to generate Federal reimbursement for services already being provided, and the management of certain MRT investment initiatives. These savings are valued at $730 million in FY 2014, $445 million in FY 2015, and $267 million in each of FY 2016 and FY 2017. These savings are part of Mental Hygiene Stabilization Fund within the DOH global spending cap. In addition, $120 million of savings will be achieved in OPWDD through rate reductions to eliminate cost-of-living adjustments and other rate enhancements received by providers during FYs 2010 and 2011.

SOCIAL SERVICES

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**1,513**	**1,390**	**-8.1%**	**1,288**	**-7.3%**	**1,316**	**2.2%**	**1,326**	**0.8%**
SSI	741	766	3.4%	664	-13.3%	691	4.1%	700	1.3%
Public Assistance Benefits[1]	620	503	-18.9%	503	0.0%	503	0.0%	503	0.0%
Welfare Initiatives	19	18	-5.3%	18	0.0%	18	0.0%	18	0.0%
All Other	133	103	-22.6%	103	0.0%	104	1.0%	105	1.0%

[1] Reflects additional spending in FY 2013 that is the result of FY 2012 timing delays.

OTDA local assistance programs provide cash benefits and supportive services to low-income families. The State's three main programs include Family Assistance, Safety Net Assistance and SSI. The Family Assistance program, which is financed by the Federal government, provides time-limited cash assistance to eligible families. The Safety Net Assistance program, financed by the State and local districts, provides cash assistance for single adults, childless couples, and families that have exhausted their five-year limit on Family Assistance imposed by Federal law. The State SSI Supplementation program provides a supplement to the Federal SSI benefit for the elderly, visually handicapped, and disabled.

The annual decline in OTDA spending from FY 2013 is driven primarily by the State's projected costs for public assistance caseload. The average public assistance caseload is projected to total 554,011 recipients in FY 2014, a decrease of 2.2 percent from FY 2013 levels. Approximately 249,528 families are expected to receive benefits through the Family Assistance program, a decrease of 2.7 percent from the current year. In the Safety Net program an average of 118,706 families are expected to be helped in

FY 2014, a decrease of 3.0 percent. The caseload for single adults/childless couples supported through the Safety Net program is projected at 185,777, a decrease of 0.8 percent.

OCFS provides funding for foster care, adoption, child protective services, preventive services, delinquency prevention, and child care. OCFS oversees the State's system of family support and child welfare services administered by local departments of social services and community-based organizations. Specifically, child welfare services, which are financed jointly by the Federal government, the State, and local districts, are structured to encourage local governments to invest in preventive services intended to reduce out-of-home placement of children. In addition, the Child Care Block Grant, which is also financed by a combination of Federal, State and local sources, supports child care subsidies for public assistance and low-income families. The youth facilities program serves youth directed by family or criminal courts to be placed in residential facilities.

CHILDREN AND FAMILY SERVICES
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**1,543**	**1,620**	**5.0%**	**1,912**	**18.0%**	**1,980**	**3.6%**	**2,066**	**4.3%**
Child Welfare Service	336	481	43.2%	512	6.4%	545	6.4%	594	9.0%
Foster Care Block Grant	436	437	0.2%	456	4.3%	473	3.7%	491	3.8%
Adoption	175	167	-4.6%	169	1.2%	172	1.8%	176	2.3%
Day Care	220	140	-36.4%	354	152.9%	354	0.0%	354	0.0%
Youth Programs	125	148	18.4%	163	10.1%	164	0.6%	164	0.0%
Medicaid	87	89	2.3%	92	3.4%	96	4.3%	100	4.2%
Committees on Special Education	39	38	-2.6%	42	10.5%	47	11.9%	51	8.5%
Adult Protective/Domestic Violence	34	41	20.6%	45	9.8%	51	13.3%	58	13.7%
All Other	91	79	-13.2%	79	0.0%	78	-1.3%	78	0.0%

Updated Financial Plan growth is driven by increases in claims-based programs and an increase in General Fund spending on Day Care beginning in FY 2015, in order to keep spending on this program constant after a projected decrease in Federal funding. Growth in Child Welfare Services and Adult Protective/Domestic Violence reflects anticipated growth in local claims and flat Federal funding. The reduction in All Other OCFS spending reflects the elimination of the human services COLA in FY 2014.

TRANSPORTATION

In FY 2014, the DOT will provide $4.7 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. The MTA, due to the size and scope of its transit system, receives the majority of the statewide mass transit operating aid. Additionally, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District. The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit system. Operating aid to the MTA and other transit systems is expected to increase in FY 2014 by approximately 9 percent, reflecting spending adjustments made in conjunction with upward revisions in the receipts forecast.

TRANSPORTATION (millions of dollars)	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**4,344**	**4,722**	**8.7%**	**4,820**	**2.1%**	**4,919**	**2.1%**	**5,020**	**2.1%**
Mass Transit Operating Aid:	1,907	2,105	10.4%	2,101	-0.2%	2,101	0.0%	2,101	0.0%
Metro Mass Transit Aid	1,762	1,964	11.5%	1,960	-0.2%	1,960	0.0%	1,960	0.0%
Public Transit Aid	93	89	-4.3%	89	0.0%	89	0.0%	89	0.0%
18-B General Fund Aid	27	27	0.0%	27	0.0%	27	0.0%	27	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,724	1,884	9.3%	1,975	4.8%	2,070	4.8%	2,168	4.7%
Dedicated Mass Transit	667	687	3.0%	698	1.6%	702	0.6%	706	0.6%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	1	1	0.0%	1	0.0%	1	0.0%	0	0.0%

LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments includes the AIM program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams. Along with AIM, the State provides incentive grants to local governments. Other direct aid to local governments includes VLT impact aid, Small Government Assistance and Miscellaneous Financial Assistance. Spending for AIM efficiency incentive grants increases over the multi-year period reflecting the implementation of the Local Government Performance and Efficiency Program enacted in FY 2012 to reward municipal efficiencies and to encourage less duplication among local governments in the delivery of services.

LOCAL GOVERNMENT ASSISTANCE (millions of dollars)	FY 2013 Current	FY 2014 Proposed	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change	FY 2017 Projected	Annual % Change
Total State Operating Funds	**763**	**767**	**0.5%**	**778**	**1.4%**	**787**	**1.2%**	**795**	**1.0%**
AIM:									
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Efficiency Incentives	14	19	35.7%	33	73.7%	44	33.3%	52	18.2%
All Other Local Aid	34	33	-2.9%	30	-9.1%	28	-6.7%	28	0.0%

ALL OTHER LOCAL ASSISTANCE SPENDING

Other local assistance programs and activities include criminal justice, economic development, housing, parks and recreation and environmental quality. Spending in these areas is not expected to change materially over the Updated Financial Plan period.

AGENCY OPERATIONS

Agency operating costs include personal service, non-personal service, and GSCs. Personal service includes salaries of State employees of the Executive, Legislative, and Judicial branches, as well as overtime payments and costs for temporary employees. Non-personal service generally accounts for the cost of operating State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, information technology, and professional business services), supplies and materials, equipment, and telephone service. GSCs account for the costs of fringe benefits (e.g., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. In addition, certain agency operations of Transportation and Motor Vehicles are included in the capital projects fund type and not reflected in the State Operating Funds personal service or non-personal service totals.

Approximately 94 percent of the State workforce is unionized. The largest unions include CSEA, which represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which represents professional and technical personnel (e.g., attorneys, nurses, accountants, engineers, social workers, and institution teachers); UUP, which represents faculty and non-teaching professional staff within the State University system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

Selected assumptions used in preparing the spending projections for the State's major programs and activities are summarized in the following table.

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

		Forecast			
	FY 2012 Results	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected
Negotiated Base Salary Increases [1]					
CSEA/NYSCOPBA/Council 82	0	0	0	2%	2%
PEF / NYSPBA	0	0	0	2%	TBD
State Workforce[2]	119,579	119,728	119,601	119,697	119,697
ERS Pension Contribution Rate[3]					
Before Amortization (Normal/Admin/GLIP)	16.5%	19.4%	21.7%	21.5%	18.0%
After Amortization	10.5%	11.5%	12.5%	13.5%	14.5%
PFRS Pension Contribution Rate[3]					
Before Amortization (Normal/Admin/GLIP)	22.3%	26.6%	30.1%	30.1%	26.2%
After Amortization	18.5%	19.5%	20.5%	21.5%	22.5%
Employee/Retiree Health Insurance Growth Rates	7.2%	3.1%	5.4%	8.5%	8.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.4%	14.6%	14.2%	14.5%	14.8%

[1] Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated workforce agreements.

[2] Reflects workforce that is Subject to Direct Executive Control.

[3] As Percent of Salary.

Growth in agency operating spending is concentrated in agencies that operate large facilities, such as the State University, the mental hygiene agencies, and Corrections and Community Supervision. The main causes of growth include inflationary increases in payroll and operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities, offset by expected savings from enterprise procurement efforts. In most years, there are 26 bi-weekly pay periods. In FY 2016, there is one additional State institutional payroll, which results in higher spending mainly in mental hygiene and corrections. In addition, the State will begin repayment to State employees of certain amounts withheld pursuant to the DRP in FY 2012 and FY 2013 beginning in the last pay period in FY 2015.

Prior-year collective bargaining agreements with NYSCOPBA and Council 82 are reflected in the personal service costs below and include retroactive salary increases already paid in FY 2013 for prior years.

STATE OPERATING FUNDS - AGENCY OPERATIONS[1]
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Subject to Direct Executive Control	**10,165**	**9,618**	**9,882**	**10,256**	**10,401**
Mental Hygiene	2,957	2,851	2,862	2,995	2,949
Corrections and Community Supervision	2,743	2,557	2,615	2,751	2,706
State Police	641	645	650	664	670
Public Health	540	424	431	413	414
Tax and Finance	380	359	366	372	381
Children and Family Services	313	276	251	248	252
Environmental Conservation	234	229	230	233	235
Financial Services	202	203	205	208	208
Temporary and Disability Assistance	191	185	195	192	196
Parks, Recreation and Historic Preservation	175	174	177	179	180
Disaster Assistance	145	(165)	0	0	0
Workers' Compensation Board	152	149	153	156	158
Lottery	161	172	176	177	177
General Services	156	159	141	143	145
Information Technology Services	59	143	156	160	160
All Other	1,116	1,257	1,274	1,365	1,570
University System	**5,651**	**5,703**	**5,838**	**5,976**	**6,108**
State University	5,537	5,612	5,745	5,882	6,012
City University	114	91	93	94	96
Independent Agencies	**304**	**302**	**310**	**319**	**323**
Law	165	163	167	171	173
Audit & Control	139	139	143	148	150
Total, excluding Legislature and Judiciary	**16,120**	**15,623**	**16,030**	**16,551**	**16,832**
Judiciary	1,871	1,873	2,000	2,095	2,111
Legislature	219	219	224	227	231
Statewide Total	**18,210**	**17,715**	**18,254**	**18,873**	**19,174**
Personal Service	12,568	12,348	12,640	13,090	13,223
	4.3%	-1.8%	2.4%	3.6%	1.0%
Non-Personal Service	5,642	5,367	5,614	5,783	5,951
	4.4%	-4.9%	4.6%	3.0%	2.9%

[1] Beginning in FY 2013, the Financial Plan reflects the shift of information technology staff from agencies across the State to ITS as well as the transfer of business services staff to OGS.

GENERAL STATE CHARGES

Fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, Social Security, health insurance, workers' compensation, unemployment insurance, and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations. However, certain agencies, including the Judiciary and SUNY, directly pay all or a portion of their employees' fringe benefit costs from their respective budgets. Employee fringe benefits paid through GSCs are paid from the General Fund in the first instance and then partially reimbursed by revenue collected from fringe benefit assessments on Federal funds and other special revenue accounts. The largest General Fund reimbursement comes from the mental hygiene agencies.

GSCs also include certain fixed costs such as State taxes paid to local governments for certain State-owned lands, and payments related to lawsuits against the State and its public officers.

GENERAL STATE CHARGES
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**6,580**	**7,084**	**7.7%**	**7,529**	**6.3%**	**7,941**	**5.5%**	**8,271**	**4.2%**
Fringe Benefits	**6,150**	**6,685**	**8.7%**	**7,128**	**6.6%**	**7,541**	**5.8%**	**7,871**	**4.4%**
Health Insurance	3,159	3,301	4.5%	3,475	5.3%	3,702	6.5%	4,009	8.3%
Employee Health Insurance	1,750	1,830	4.6%	1,925	5.2%	2,051	6.5%	2,221	8.3%
Retiree Health Insurance	1,409	1,471	4.4%	1,550	5.4%	1,651	6.5%	1,788	8.3%
Pensions	1,605	2,013	25.4%	2,256	12.1%	2,418	7.2%	2,446	1.2%
Social Security	960	959	-0.1%	964	0.5%	982	1.9%	999	1.7%
All Other Fringe	426	412	-3.3%	433	5.1%	439	1.4%	417	-5.0%
Fixed Costs	**430**	**399**	**-7.2%**	**401**	**0.5%**	**400**	**-0.2%**	**400**	**0.0%**

GSCs are projected to increase at an average annual rate of 6.0 percent over the Updated Financial Plan period. This is due to projected growth in health insurance and pension costs, offset by revenue collected from fringe benefit assessments, particularly from the mental hygiene agencies.

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

General Fund transfers help finance certain capital activities, the State's share of Medicaid costs for State-operated mental hygiene facilities, debt service for bonds that do not have dedicated revenues, and a range of other activities.

GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)					
	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Total Transfers to Other Funds	**6,916**	**8,434**	**9,105**	**9,605**	**10,151**
Mental Hygiene Medicaid State Share	**2,975**	**1,730**	**1,288**	**1,261**	**1,228**
Debt Service	**1,644**	**1,334**	**1,476**	**1,450**	**1,347**
Capital Projects	**868**	**1,256**	**1,369**	**1,381**	**1,772**
Dedicated Highway and Bridge Trust Fund	519	568	578	589	697
All Other Capital	349	688	791	792	1,075
All Other Transfers	**1,429**	**4,114**	**4,972**	**5,513**	**5,804**
Mental Hygiene	0	1,952	2,841	3,400	3,687
SUNY - University Operations	340	969	969	969	969
Department of Transportation (MTA Tax)	279	332	334	334	334
SUNY - Disproportionate Share	228	228	228	228	228
Judiciary Funds	107	107	108	109	109
SUNY - Hospital Operations	81	67	60	60	60
Banking Services	57	65	65	65	65
Statewide Financial System	48	53	55	55	55
Indigent Legal Services	40	40	40	40	40
Mass Transportation Operating Assistance	37	37	37	37	37
Alcoholic Beverage Control	17	18	20	20	20
Information Technology Services	10	40	14	6	10
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	10	10	10	10
All Other	163	184	179	168	168

A significant portion of the capital and operating expenses of DOT and DMV are funded from the DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, Motor Fuel Tax, Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. The Updated Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds.

The projected decreases for Mental Hygiene Medicaid State Share agencies reflect the impact of reduced Federal revenue for services provided at state operated facilities offset partially by personnel costs from recent contractual agreements between the State and employee bargaining units.

General Fund transfers to other funds are expected to total $8.4 billion in FY 2014 - a $1.5 billion (or 22 percent) increase from FY 2013. This increase is a function of the re-categorization of SUNY operating support; the additional support provided to the MTA to offset the recent payroll tax reduction; and the higher costs associated with operating mental hygiene facilities in lieu of reduced Federal revenue.

DEBT SERVICE

The State pays debt service on all outstanding State-supported bonds. These include general obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as certain bonds issued by State public authorities (e.g., ESD, DASNY, and the NYSTA, subject to an appropriation). Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	Annual Change	Percent Change
General Fund	**1,644**	**1,334**	**(310)**	**-18.9%**
Other State Support	4,488	4,499	11	0.2%
State Operating Funds	**6,132**	**5,833**	**(299)**	**-4.9%**
Total All Funds	**6,132**	**5,833**	**(299)**	**-4.9%**

Total debt service is projected at $5.8 billion in FY 2014, of which $1.3 billion is paid from the General Fund through transfers, and $4.5 billion from other State funds. The General Fund transfer finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including PIT bonds, DHBTF bonds, and mental health facilities bonds.

Executive Budget projections for debt service spending have been revised to reflect a number of factors, including actual bond sale results to date, assumed debt management savings of $128 million in FY 2014, increased debt service costs associated with proposed additional capital commitment levels, as well as the assumed prepayment of $183 million of debt service otherwise due during FY 2014.

FISCAL YEAR 2013 TEN-MONTH OPERATING RESULTS (APRIL 2012 - JANUARY 2013)

This section provides a summary of operating results for April 2012 through January 2013 compared to (1) the initial projections set forth in the FY 2013 Enacted Budget; (2) the Prior Quarterly Update to the AIS; and (3) the prior year results through January 2012 (FY 2012).

GENERAL FUND RESULTS

The State ended January 2013 with a closing balance of $7.1 billion in the General Fund, $1.1 billion higher than initially estimated, when the FY 2013 budget was enacted, due to higher than anticipated receipts ($384 million) and lower than anticipated spending ($734 million). Compared to the Prior Quarterly Update projections, the General Fund balance was $1.7 billion higher than estimated.

GENERAL FUND OPERATING RESULTS THROUGH JANUARY 2013
(millions of dollars)

				Above/(Below) Variance	
	Enacted Plan	**Prior AIS Update**	**Results**	**Enacted Plan**	**Prior AIS Update**
Opening Balance	**1,787**	**1,787**	**1,787**	**0**	**0**
Total Receipts	**47,981**	**47,885**	**48,365**	**384**	**480**
Taxes:	45,452	45,237	45,603	151	366
Personal Income Tax [1]	*29,853*	*29,699*	*30,251*	*398*	*552*
User Taxes and Fees [1]	*10,050*	*9,945*	*9,861*	*(189)*	*(84)*
Business Taxes	*4,198*	*4,218*	*4,108*	*(90)*	*(110)*
Other Taxes [1]	*1,351*	*1,375*	*1,383*	*32*	*8*
Receipts and Grants	2,328	2,393	2,573	245	180
Transfers From Other Funds	201	255	189	(12)	(66)
Total Spending	**43,807**	**44,333**	**43,073**	**(734)**	**(1,260)**
Education	11,455	11,710	11,449	(6)	(261)
Health Care	9,972	9,734	9,470	(502)	(264)
Social Services	2,515	2,501	2,458	(57)	(43)
All Other Local Assistance	4,597	4,540	4,382	(215)	(158)
Personal Service	5,050	5,304	5,326	276	22
Non-Personal Service	1,454	1,410	1,289	(165)	(121)
General State Charges	2,925	3,013	3,104	179	91
Debt Service Transfer	1,745	1,728	1,625	(120)	(103)
Capital Projects Transfer	562	579	409	(153)	(170)
State Share Medicaid Transfer	2,341	2,629	2,334	(7)	(295)
SUNY Operations Transfer	340	340	340	-	-
All Other Transfers	851	845	887	36	42
Change in Operations	**4,174**	**3,552**	**5,292**	**1,118**	**1,740**
Closing Balance	**5,961**	**5,339**	**7,079**	**1,118**	**1,740**

[1] Includes transfers from other funds after debt service.

RECEIPTS

Total receipts through January 2013 exceeded initial projections by $384 million, reflecting the combined impact of higher tax collections ($151 million) and higher non-tax receipts and transfers ($233 million). The variance in tax collections is largely attributable to higher than anticipated personal income tax collections ($398 million) which are mainly the result of taxpayers realizing capital gains in advance of potentially higher Federal tax rates, partially offset by lower than expected withholding, sales tax receipts, and gross business tax receipts. The increase in non-tax receipts is primarily a reflection of a $340 million payment to the State in a settlement agreement between Standard Chartered Bank and DFS regarding claims that the bank did not comply with financial regulations, and payment from the Manhattan District Attorney

Total receipts were $480 million above the Prior Quarterly Update projection, most notably due to higher than anticipated personal income tax collections and the unanticipated settlement payment to the State from Standard Chartered Bank, partly offset by lower than expected sales tax receipts and gross business tax receipts.

SPENDING

General Fund spending through January 2013 was $734 million below initial projections. Local assistance spending was $780 million lower than planned and was mainly comprised of lower spending for health care ($502 million) and other local assistance ($215 million), partially offset by higher than anticipated personal services costs ($276 million). The health care variance is a factor of delayed Federal approval of retroactive Medicaid rate packages. The variance in other local assistance spending reflects slower than anticipated disbursements across multiple agencies and programs, including Council on the Arts grant awards, economic development programs and general municipal aid.

Personal service spending exceeded initial estimates by $276 million, due almost exclusively to retroactive payments pursuant to labor settlements for periods prior to FY 2011, consistent with agreement reached between the State and two public employee unions after enactment of the FY 2013 budget, and financed from General Fund balances designated for this purpose. Non-personal service spending fell below initial projections by $165 million and was distributed across many State agencies.

GSCs were $179 million higher than initially projected, due mainly to delayed reimbursement from non-General Fund accounts and higher Workers' Compensation payments.

General Fund transfers to other funds to support various activities were below initial estimates, due mainly to slower than anticipated transfers for debt service ($120 million) and support of capital projects ($153 million). These results reflect savings from refundings, the timing and size of bond sales, and the financing mix for capital projects, which have been reflected as downward revisions to FY 2013 annual estimates in the Updated Financial Plan.

For context, total FY 2013 General Fund spending has been increased since the initial projection by roughly $500 million. The most notable spending increases include higher Medicaid spending due to a financing swap between the General Fund and HCRA, resulting in no change in Medicaid spending on a State Operating Funds basis ($450 million); payment of retroactive labor agreements ($345 million); initial State outlays related to Superstorm Sandy ($200 million); and higher GSC costs ($185 million) related to workers' compensation payments and litigation costs. These increases in spending are partly offset by downward spending adjustments to annual estimates that reflect operating results to date described above.

Compared to the Prior Quarterly Update projection, General Fund spending was $1.3 billion below projections, most notably due to slower than expected payments for special education and other education programs ($294 million), Medicaid ($197 million), State-operated mental hygiene facilities ($295 million), and General Fund transfers in support of capital projects ($170 million) and debt service ($103 million).

GENERAL FUND YEAR-OVER-YEAR RESULTS

GENERAL FUND OPERATING RESULTS YEAR-OVER-YEAR
THROUGH JANUARY
(millions of dollars)

	FY 2012 Results	FY 2013 Results	Increase/(Decrease) $	Increase/(Decrease) %
Opening Balance	**1,376**	**1,787**	**411**	
Receipts	**46,476**	**48,365**	**1,889**	**4.1%**
Personal Income Tax[1]	28,953	30,251	1,298	4.5%
User Taxes and Fees[1]	9,812	9,861	49	0.5%
Business Taxes	3,920	4,108	188	4.8%
Other Taxes[1]	1,299	1,383	84	6.5%
Non-Tax Revenue	2,492	2,762	270	10.8%
Disbursements	**41,227**	**43,073**	**1,846**	**4.5%**
Education	10,940	11,449	509	4.7%
Health Care	9,687	9,470	(217)	-2.2%
Social Services	2,283	2,458	175	7.7%
All Other Local Assistance	4,377	4,382	5	0.1%
Personal Service	4,982	5,326	344	6.9%
Non-Personal Service	1,346	1,289	(57)	-4.2%
General State Charges	2,912	3,104	192	6.6%
Transfers To Other Funds	4,700	5,595	895	19.0%
Change in Operations	**5,249**	**5,292**	**43**	
Closing Balance	**6,625**	**7,079**	**454**	

[1] Includes transfers from other funds after debt service.

Total receipts through January 2013 were $1.9 billion (4.1 percent) higher than in the prior fiscal year for the same period. Tax receipts through January 2013 were $1.6 billion (3.7 percent) higher than in the prior fiscal year. The personal income tax receipts increase is a function of higher estimated payments for the 2012 tax year; and modest increase in withholding; and a reduction in refunds. The business tax increase reflects stronger liability year payments in 2012 relative to the prior year, as well as higher audit receipts and lower refunds for all business taxes combined. Higher non-tax receipts are mainly due to a legal settlement received in the current year.

Through January 2013, disbursements were $1.8 billion (4.5 percent) higher than the prior year due largely to School Aid growth consistent with the spending cap ($342 million), growth in social services spending ($175 million) that is driven by increases to the public assistance grants and caseload, growth in personal service costs ($344 million) related to retroactive labor settlements with the NYSCOBPA and Council 82 employee unions, GSCs ($192 million) due to increases in health insurance costs, and increased transfers in support of SUNY operations that is attributable to an accounting change ($340 million), increased transfers in support of State-operated mental hygiene facilities ($202 million), and increased transfers in support of capital projects ($182 million).

STATE OPERATING FUNDS RESULTS

The State ended January 2013 with a closing balance of $10.8 billion in State Operating Funds, $1.2 billion above the initial projections comprised of lower spending ($1.2 billion), lower receipts ($219 million) and higher net financing sources ($230 million). Compared to the Prior Quarterly Update projections, the State Operating Funds balance was $1.7 billion higher.

STATE OPERATING FUNDS RESULTS THROUGH JANUARY 2013
(millions of dollars)

				Above/(Below) Variance	
	Enacted Plan	Prior AIS Update	Results	Enacted Plan	Prior AIS Update
Opening Balance	**3,847**	**3,847**	**3,847**	**0**	**0**
Total Receipts	**70,902**	**70,446**	**70,683**	**(219)**	**237**
Taxes:	54,681	54,469	54,807	126	338
Personal Income Tax	*34,963*	*34,798*	*35,361*	*398*	*563*
User Taxes and Fees	*12,003*	*11,890*	*11,752*	*(251)*	*(138)*
Business Taxes	*5,334*	*5,350*	*5,239*	*(95)*	*(111)*
Other Taxes	*2,381*	*2,431*	*2,455*	*74*	*24*
Miscellaneous/Federal Receipts	16,221	15,977	15,876	(345)	(101)
Total Spending	**68,365**	**68,501**	**67,172**	**(1,193)**	**(1,329)**
Education	14,266	14,520	14,259	(7)	(261)
Health Care	15,107	14,828	14,430	(677)	(398)
Social Services	2,518	2,506	2,466	(52)	(40)
All Other Local Assistance	13,357	13,352	13,184	(173)	(168)
Personal Service	10,241	10,541	10,565	324	24
Non-Personal Service	4,387	4,264	4,052	(335)	(212)
General State Charges	4,567	4,638	4,418	(149)	(220)
Debt Service	3,922	3,848	3,791	(131)	(57)
Capital Projects	-	4	7	7	3
Other Financing Sources	**3,243**	**3,382**	**3,473**	**230**	**91**
Change in Operations	**5,780**	**5,327**	**6,984**	**1,204**	**1,657**
Closing Balance	**9,627**	**9,174**	**10,831**	**1,204**	**1,657**

RECEIPTS

Total receipts in State Operating Funds were $219 million lower than initial projections, comprised of $345 million in lower than estimated non-tax receipts partly offset by $126 million in higher tax collections, consistent with the General Fund operating results. The variance in miscellaneous receipts is mainly due to lower than expected HCRA receipts largely attributable to the surcharge revenue due to the combined impact of industry cost containment and service delivery goals implemented through MRT efficiency initiatives.

Total receipts were $237 million above the Prior Quarterly Update projection due to higher than anticipated personal income tax collections, partly offset by lower than anticipated revenues from other taxes and miscellaneous receipts.

SPENDING

Compared to the initial projections, total State Operating Funds spending was $1.2 billion lower than planned. In addition to the General Fund variances described above, the most notable variances include lower than expected spending in the areas of GSCs, largely due to administrative processing delays associated with the reimbursement of agency fringe benefit costs ($328 million); public health programs; and non-personal service costs.

Total State Operating Funds spending was $1.3 billion below the First Quarterly Update estimates, consistent with the General Fund results described earlier.

FINANCING SOURCES

Other financing sources, which represent the difference between transfers to and from other funds within the fund types that comprise State Operating Funds, were $230 million higher than initial projections. This variance was driven primarily by the combined impact of lower than planned transfers from the General Fund to the Capital Projects Fund ($153 million) due to the postponement of certain bond sales.

STATE OPERATING FUNDS YEAR-OVER-YEAR RESULTS

APRIL THROUGH JANUARY STATE OPERATING FUNDS RESULTS YEAR-OVER-YEAR (millions of dollars)

	FY 2012 Results	FY 2013 Results	Increase/(Decrease) $	Increase/(Decrease) %
Opening Balance	**3,969**	**3,847**	**(122)**	**-3.1%**
Receipts	**68,483**	**70,683**	**2,200**	**3.2%**
Personal Income Tax	33,782	35,361	1,579	4.7%
User Taxes and Fees	11,753	11,752	(1)	0.0%
Business Taxes	5,020	5,239	219	4.4%
Other Taxes	2,508	2,455	(53)	-2.1%
Miscellaneous/Federal Receipts	15,420	15,876	456	3.0%
Disbursements	**65,640**	**67,172**	**1,532**	**2.3%**
Education	13,630	14,259	629	4.6%
Health Care	14,617	14,430	(187)	-1.3%
Social Services	2,294	2,466	172	7.5%
All Other Local Assistance	12,898	13,184	286	2.2%
Personal Service	9,919	10,565	646	6.5%
Non-Personal Service	4,179	4,052	(127)	-3.0%
General State Charges	4,313	4,418	105	2.4%
Debt Service	3,784	3,791	7	0.2%
Capital Projects	6	7	1	16.7%
Other Financing Sources	**3,853**	**3,473**	**(380)**	
Change in Operations	**6,696**	**6,984**	**288**	
Closing Balance	**10,665**	**10,831**	**166**	

Total receipts through January 2013 were $2.2 billion higher (3.2 percent) than in the prior fiscal year for the same period. Tax receipts through January 2013 were $1.7 billion higher than the FY 2012 level. Non-tax receipts through January 2013 were $456 million above results in the prior fiscal year. Disbursements through January 2013 were $1.5 billion (2.3 percent) above the prior year. The annual growth in receipts and spending in State Operating Funds is consistent with General Fund annual changes described earlier in this section.

GAAP-BASIS RESULTS FOR PRIOR FISCAL YEARS

The State Comptroller prepares Basic Financial Statements and Other Supplementary Information on a GAAP basis for governments as promulgated by the GASB. The Basic Financial Statements, released in July of each year, include the Statements of Net Assets and Activities, the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds, the Statements of Net Assets, Revenues, Expenses and Changes in Fund Net Assets and Cash Flows for the Enterprise Funds, the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets, and the Combining Statements of Net Assets and Activities for Discretely Presented Component Units. These statements are audited by independent certified public accountants. The State Comptroller also prepares and issues a Comprehensive Annual Financial Report ("CAFR"), which includes a management discussion and analysis ("MD&A"), the Basic Financial Statements, required supplementary information, other supplementary information which includes individual fund combining statements, and a statistical section.

The following table summarizes recent governmental funds results on a GAAP basis. The State issued the Basic Financial Statements for FY 2012 in July 2012.

Comparison of Actual GAAP-Basis Operating Results
Surplus/(Deficit)
(millions of dollars)

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2012	137	56	80	346	619	(1,868)
March 31, 2011	1,529	742	198	(568)	1,901	(2,009)
March 31, 2010	(594)	(722)	378	1,061	123	(3,538)

Summary of Net Assets
(millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2012	26,333	(658)	25,675
March 31, 2011	27,648	(618)	27,030
March 31, 2010	27,976	116	28,092

The Basic Financial Statements (including Other Supplementary Information) and the CAFR can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the Office of the State Comptroller's website at www.osc.state.ny.us. The Basic Financial Statements can also be accessed through EMMA at www.emma.msrb.org.

STATE RETIREMENT SYSTEMS

GENERAL

This section summarizes key information regarding the New York State and Local Retirement System ("NYSLRS" or the "Systems") and the Common Retirement Fund ("CRF"), a pooled investment vehicle in which the assets of the Systems are held and invested. Greater detail, including the independent auditor's report for the fiscal year ending March 31, 2012, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2012. The Systems Actuary's Annual Report to the Comptroller on Actuarial Assumptions - the contents of which explain the methodology used to determine employer contribution rates to the Systems - issued from 2007 through 2012, as well as NYSLRS' CAFR and Asset Listing, the NYSLRS' CAFR for each of the eight prior fiscal years, and benefit plan booklets describing how each of the Systems' tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications. The audited Financial Statements for the fiscal year ending March 31, 2012 were completed in July 2012 and can also be accessed at this link.

The State Comptroller is the administrative head of NYSLRS, which has the powers and privileges of a corporation and comprises the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS"). The State Comptroller promulgates rules and regulations for the administration and transaction of the business of the Systems. Pursuant to the State's Retirement and Social Security Law and Insurance Law, NYSLRS is subject to the supervision of the Superintendent of the New York State Department of Financial Services. The State Comptroller is also the trustee and custodian of the CRF, a trust created pursuant to the Retirement and Social Security Law, and, as such, is responsible for investing the assets of the Systems. Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management of the Office of the State Comptroller ("Division"). Division employees, outside advisors, consultants and legal counsel provide the State Comptroller with advice and oversight of investment decisions. Outside advisors and internal investment staff must sign off on investment decisions before final action by the State Comptroller. The Investment Advisory Committee and the Real Estate Advisory Committee, both made up of outside advisors, assist the Comptroller in his investment duties. The Investment Advisory Committee advises the State Comptroller on investment policies relating to the CRF, reviews the portfolio of the CRF and makes such recommendations as the Committee deems necessary. The Real Estate Advisory Committee reviews and must approve mortgage and real estate investments for consideration by the State Comptroller.

THE SYSTEMS

The Systems provide pension benefits to public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). State employees made up about 34 percent of the membership during FY 2012. There were 3,039 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2012, approximately 656,000 persons were members of the Systems and, in addition, approximately 403,000 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of the State Constitution considers membership in any State pension or retirement system to be "a contractual relationship, the benefits of which shall not be diminished or impaired."

COMPARISON OF BENEFITS BY TIER

The Systems' members are categorized into six tiers depending on date of membership. As of March 31, 2012, approximately 87 percent of ERS members were in Tiers 3 and 4 and approximately 93 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and made significant changes to the benefit structure for ERS members joining on or after January 1, 2010 and PFRS members joining on or after January 9, 2010. Tier 6 was enacted in 2012 and made further changes to the benefit structure for ERS and PFRS members joining on or after April 1, 2012.

Benefits paid to members vary depending on tier. Tiers vary with respect to vesting, employee contributions, retirement age, reductions for early retirement, and calculation and limitation of "final average salary" – generally the average of an employee's three consecutive highest years' salary (for Tier 6 members, final average salary is determined by taking the average of an employee's five consecutive highest years' salary). ERS members in Tiers 3 and 4 can begin receiving full retirement benefits at age 62, or at age 55 with at least 30 years of service. The amount of the benefit is based on years of service, age at retirement and the final average salary earned. The majority of PFRS members in Tier 2 are in special plans that permit them to retire after 20 or 25 years regardless of age. Charts comparing the key benefits provided to members of ERS and PFRS in most of the tiers of the Systems can be accessed at http://www.osc.state.ny.us/retire/employers/tier-6/index.php.

2010 RETIREMENT INCENTIVE PROGRAM

Legislation enacted in June 2010 provided the State and local employers with the option to offer a temporary Retirement Incentive Program for certain ERS members for periods ending no later than December 31, 2010. This program did not apply to PFRS members. The Program had two distinct parts:

- Part A was a targeted incentive. Employers identified eligible titles. Part A provided one additional month of service credit for each year of credited service an eligible member had at retirement. The maximum additional incentive service credit was three years.
- Part B was not targeted. It was open to all eligible Tier 2, 3 and 4 members unless an employer deemed a member's position critical to the maintenance of public health and safety. Part B allowed members who were at least age 55 and had 25 years or more of service credit to retire without a benefit reduction.

Participating members whose employer offered both parts of the program, and who met the eligibility requirements of both parts, had to choose between the two. The cost of the incentive is borne by the State and each local employer electing the incentive over a five-year period commencing with a payment in FY 2012. The number of members who retired under the State Early Retirement Incentive (ERI) is approximately 6,400. Three hundred ninety-nine (399) participating local employers elected to participate in Part A of the ERI. Two hundred eleven (211) participating local employers elected to participate in Part B of the ERI. Five thousand four hundred fifty-three (5,453) members from participating employers retired under the ERI.

CONTRIBUTIONS AND FUNDING

Contributions to the Systems are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 are required to contribute 3 percent of their salaries for the first ten years of membership. All ERS members joining after 2009, and most PFRS members joining after January 9, 2010, are members of Tier 5 and are required to contribute 3 percent of their salaries for their career. However, if a participating employer had a collective bargaining agreement in effect when Tier 5 became effective (January 9, 2010) that provided for PFRS members to be non-contributory, individuals who first become Tier 5 members prior to the expiration of the agreement are non-contributory in their plan for their career. Individuals who first became Tier 5 members after the expiration of the current collective bargaining agreement are subject to the 3 percent contribution. Members in Tier 6 are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages. Members in Tier 6 of both ERS and PFRS earning $45,000 or less must contribute 3 percent of their gross annual wages; members earning between $45,001 and $55,000 will contribute 3.5 percent; members earning between $55,001 and $75,000 will contribute 4.5 percent; members earning between $75,001 and $100,000 will contribute 5.75 percent; and, those earning in excess of $100,000 will contribute 6 percent of their gross annual salary.

The CRF experienced significant investment losses in FY 2009. These investment losses negatively impacted the value of assets held by the CRF for the Systems. In order to protect employers from potentially volatile contributions tied directly to the value of the Systems' assets held by the CRF, the Systems utilize a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the Systems Actuary, which is currently 7.5 percent. The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period. Thus, because of the significant investment loss in FY 2009, employer contribution rates increased for FY 2011, FY 2012, FY 2013 and FY 2014 and further increases are expected for FY 2015. The amount of such future increases will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the Systems as of each April 1. Final contribution rates for FY 2014 were released in early September 2012. The average ERS rate increased from 18.9 percent of salary in FY 2013 to 20.9 percent of salary in FY 2014, while the average PFRS rate increased from 25.8 percent of salary in FY 2013 to 28.9 percent of salary in FY 2014. Information regarding average rates for FY 2014 may be found in the 2012 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at www.osc.state.ny.us/retire/publications.

Legislation enacted in May 2003 realigned the Systems' billing cycle to match participating local governments' budget cycles and also instituted a minimum annual payment of at least 4.5 percent of payroll every year. The employer contribution for a given fiscal year is based in part on the value of the CRF's assets and its liabilities on the preceding April 1. Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at five percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2012, the amortized amount receivable pursuant to Chapter 260 from the State is $249 million and from participating employers is $65.3 million. The State paid $1,511.1 million in contributions (including Judiciary) for FY 2012 including amortization payments of approximately $69.1 million pursuant to Chapter 260.

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. Amortized amounts must be paid by State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in fiscal year 2011, the State Comptroller set an interest rate of 5 percent. For amounts amortized in fiscal year 2012, the interest rate is 3.75 percent. For amounts amortized in fiscal year 2013, the rate is 3 percent. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, it is expected that this will reduce the budgetary volatility of employer contributions. As of March 31, 2012, the amortized amount receivable for the 2011 amortization is $230.67 million from the State and $40.39 million from participating employers. In FY 2012, the State elected to amortize $562.9 million and 134 participating employers amortized a total of $216.33 million.

The estimated State payment (including Judiciary) for FY 2013 is $2,186.1 million. The State has prepaid $37 million and has been credited with the related interest adjustment. If the State (including Judiciary) opts to amortize the maximum amount permitted, it would reduce the required March 1, 2013 payment to $1,370.6 million. The State payment for FY 2013 is an estimate. If this amount changes, then the amount that can be amortized would also change. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF.

The Executive Budget includes a proposal which, if enacted, would give the State Comptroller the authority to offer a stable pension contribution option to local governments and school districts. The stated purpose of this proposal is to 1) provide long-term stability and predictability in local pension budgeting, and 2) accelerate anticipated estimated local savings from the implementation of Tiers V and VI, which are less costly than the previous Tiers I through IV.

Under the stable rate proposal, the State Comptroller may allow counties, cities, towns, villages, school districts, boards of cooperative educational services, and the health care centers of Nassau, Westchester and Erie Counties, the option to elect stable employer contribution rates of 12 percent of salary for ERS members and 18.5 percent of salary for PFRS members. The proposal assumes that the stable rate would need to be in place for approximately 25 years to assure adequate funding of the pension systems. The State Comptroller may increase the stable rates by up to 2 percent of salary at the five and ten-year marks and may also adjust the program length to assure adequate pension system funding. Eligible participating employers would only be authorized to opt into the stable rate beginning with fiscal year 2014. The State Comptroller is currently reviewing this Executive Budget proposal.

PENSION ASSETS AND LIABILITIES

Assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the State Comptroller as trustee of the CRF. The Systems report that the net assets available for benefits as of March 31, 2012 were $153.4 billion (including $3.5 billion in receivables, which consist of employer contributions, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of $3.9 billion or 2.6 percent from the FY 2011 level of $149.5 billion. The increase in net assets available for benefits from FY 2011 to FY 2012 reflects, in large part, equity market performance. The valuation used by the

Systems Actuary will be based on audited net assets available for benefits as of March 31, 2012 and will be included in the NYSLRS' CAFR for that fiscal year.

Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the Division of Pension Investment and Cash Management investment activities. The purpose of this asset allocation strategy is to identify the optimal diversified mix of assets to meet the requirements of pension payment obligations to members. In the fiscal year ended March 31, 2010, an asset liability analysis was completed and a long-term policy allocation was adopted. The current long-term policy allocation seeks a mix that includes 43 percent equities (30 percent domestic and 13 percent international); 22 percent bonds, cash and mortgages; 8 percent inflation indexed bonds, and 27 percent alternative investments (10 percent private equity, 6 percent real estate, 4 percent absolute return or hedge funds, 4 percent opportunistic and 3 percent real assets (commodities)). Since the implementation of the long-term policy allocation will take several years, transition targets have been established to aid in the asset rebalancing process.[6]

The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $194.3 billion on April 1, 2011 to $198.6 billion (including $89.3 billion for current retirees and beneficiaries) on April 1, 2012. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2012 in that amortized cost was used instead of market value for bonds and mortgages, and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected loss for FY 2012, 40 percent of the unexpected gain for the FY 2011, 60 percent of the unexpected gain for FY 2010 and 80 percent of the unexpected loss for FY 2009.[7] Actuarial assets decreased from $148.6 billion on April 1, 2011 to $147.8 billion on April 1, 2012. The funded ratio, as of April 1, 2012, calculated by the System Actuary in August 2012 using the entry age normal funding method and actuarial assets, was 87 percent.[8]

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[6] More detail on the CRF's asset allocation, long-term policy allocation and transition target allocation can be found on page 72 of the NYSLRS CAFR for the fiscal year ending March 31, 2012.

[7] The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period.

[8] Detail on the funded ratios of ERS and PFRS as of April 1 for each of the 5 years previous to the fiscal year ended March 31, 2012 can be found on page 54 of the NYSLRS' CAFR for the fiscal year ending March 31, 2012. Detail regarding employers Annual Required Contributions for FY 2012 and each of the 5 previous fiscal years can be found on page 55 of the NYSLRS' CAFR for the fiscal year ending March 31, 2012.

The tables that follow show net assets, benefits paid and the actuarially determined contributions that have been made over the last ten years. See also "Contributions and Funding" above.

NET ASSETS AVAILABLE FOR BENEFITS OF THE NEW YORK STATE AND LOCAL RETIREMENT SYSTEMS (1)
(millions of dollars)

Fiscal Year Ended March 31	Net Assets	Percent Increase/ (Decrease) From Prior Year
2003	97,373	(13.6)
2004	120,799	24.1
2005	128,038	6.0
2006	142,620	11.4
2007	156,625	9.8
2008	155,846	(0.5)
2009	110,938	(28.8)
2010	134,252	21.0
2011	149,549	11.4
2012	153,394	2.6

Sources: State and Local Retirement Systems.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2012 includes approximately $3.5 billion of receivables.

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Fiscal Year Ended March 31	Net Assets	Percent Increase/ (Decrease) From Prior Year
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2012	153,394	2.6

Sources: State and Local Retirement Systems.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2012 includes approximately $3.5 billion of receivables.

AUTHORITIES AND LOCALITIES

PUBLIC AUTHORITIES

For the purposes of this section, "authorities" refer to public benefit corporations or public authorities, created pursuant to State law, which are reported in the State's CAFR. Authorities are not subject to the constitutional restrictions on the incurrence of debt that apply to the State itself and may issue bonds and notes within the amounts and restrictions set forth in legislative authorization. The State's access to the public credit markets could be impaired and the market price of its outstanding debt may be materially and adversely affected if certain of its authorities were to default on their respective obligations, particularly those classified as State-supported or State-related debt under the section entitled "Debt and Other Financing Activities."

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. These entities generally pay their own operating expenses and debt service costs from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels; charges for public power, electric and gas utility services; tuition and fees; rentals charged for housing units; and charges for occupancy at medical care facilities. In addition, State legislation also authorizes several financing structures, which may be utilized for the financings. The FY 2013 Enacted Budget authorizes any public benefit corporation to make voluntary contributions to the State's General Fund at any time from any funds as deemed feasible and advisable by the public benefit corporation's governing board after due consideration of the public benefit corporation's legal and financial obligations, and deems such payment a "valid and proper purpose" for such funds.

There are statutory arrangements that, under certain circumstances, authorize State local assistance payments otherwise payable to localities to be made instead to the issuing public authorities in order to secure the payment of debt service on their revenue bonds and notes. However, the State has no constitutional or statutory obligation to provide assistance to localities beyond amounts that have been appropriated therefore in any given year. Some public authorities also receive moneys from State appropriations to pay for the operating costs of certain programs.

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As of December 31, 2011 (New York Job Development Authority or "NYJDA" is as of March 31, 2012), each of the 18 authorities listed in the following table had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $170 billion, only a portion of which constitutes State-supported or State-related debt. The following table summarizes the outstanding debt of these authorities. Note that while the following table reflects revised information, including adjustment of certain authority debt between categories since reported with the AIS in May 2012, and the addition of the NYJDA to this list, the total debt outstanding for the authorities has not changed materially since the AIS.

Outstanding Debt of Certain Authorities (1) (2) (3)
As of December 31, 2011 (4)
(millions of dollars)

Authority	State-Related Debt Bonding	Authority and Conduit Bonding	Total
Dormitory Authority (5)	22,953	22,246	**45,199**
Metropolitan Transportation Authority	2,034	21,601	**23,635**
Port Authority of NY & NJ	0	19,515	**19,515**
Thruway Authority	11,071	3,085	**14,156**
Housing Finance Agency	1,077	9,528	**10,605**
UDC/ESD (6)	9,426	1,004	**10,430**
Triborough Bridge and Tunnel Authority	9	8,544	**8,553**
Environmental Facilities Corporation	896	7,258	**8,154**
Long Island Power Authority (7)	0	6,631	**6,631**
New York Job Development Authority (4)	19	6,611	**6,630**
Energy Research and Development Authority (7)	0	3,836	**3,836**
State of New York Mortgage Agency	0	3,217	**3,217**
Local Government Assistance Corporation	3,119	0	**3,119**
Tobacco Settlement Financing Corporation	2,690	0	**2,690**
Power Authority	0	1,784	**1,784**
Battery Park City Authority	0	1,053	**1,053**
Municipal Bond Bank Agency	368	353	**721**
Niagara Frontier Transportation Authority	0	170	**170**
TOTAL OUTSTANDING	53,662	116,436	**170,098**

Source: Office of the State Comptroller. Debt classifications by Division of the Budget.

(1) Includes only authorities with $100 million or more in outstanding debt which are reported as component units or joint ventures of the State in the Comprehensive Annual Financial Report (CAFR).

(2) Reflects original par amounts for bonds and financing arrangements or original gross proceeds in the case of capital appreciation bonds. Amounts outstanding do not reflect accretion of capital appreciation bonds or premiums received. In prior years, amounts reported for the Port Authority of NY & NJ (PANYNJ) and the Long Island Power Authority (LIPA) included accretion. December 2011 amounts exclude $10 million of accretion for PANYNJ and $263 million for LIPA.

(3) Includes short-term and long-term debt.

(4) All Job Development Authority (JDA) debt outstanding reported as of March 31, 2012. This includes $6.6 billion in conduit debt issued by JDA's blended component units consisting of $6.1 billion issued by New York Liberty Development Corporation ($1.2 billion of which is also included in the amount reported for PANYNJ) and $511 million issued by the Brooklyn Arena Local Development Corporation. In addition, JDA has $19 million in State-Guaranteed bonds outstanding.

(5) Includes debt previously issued by New York State Medical Care Facilities Finance Agency, which was consolidated with the Dormitory Authority on September 1, 1995. The debt also includes $220 million in bonds outstanding issued by the Dormitory Authority for Roswell Park Cancer Institute.

(6) Includes $700 million in bonds outstanding issued by the Convention Center Development Corporation, a subsidiary of the Urban Development Corporation.

(7) Includes $155 million in bonds issued by the Energy Research and Development Authority (ERDA) and included in amounts reported for both ERDA and LIPA.

THE CITY OF NEW YORK

The fiscal demands on the State may be affected by the fiscal condition of the City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of the City, and certain entities issuing debt for the benefit of the City, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and the financing entities issuing debt on its behalf is available by contacting Raymond J. Orlando, City Director of Investor Relations, (212) 788-5875, or contacting the City Office of Management and Budget, 255 Greenwich Street, 8th Floor, New York, NY 10007. The State assumes no liability or responsibility for any financial information reported by the City of New York. The following table summarizes the debt of New York City.

Debt of New York City (1)
as of June 30 of each year
(millions of dollars)

Year	General Obligation Bonds	Obligations of TFA (1)	Obligations of Municipal Assistance Corporation	Obligations of STAR Corp. (2)	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other (3) Obligations	Treasury Obligations	Total
2003	29,679	13,134 (4)	2,151	0	1,258	0	2,328	(64)	48,486
2004	31,378	13,364	1,758	0	1,256	0	2,561	(52)	50,265
2005	33,903	12,977	0	2,551	1,283	0	3,746	(39)	54,421
2006	35,844	12,233	0	2,470	1,334	0	3,500	0	55,381
2007	34,506	14,607	0	2,368	1,317	2,100	3,394	0	58,292
2008	36,100	14,828	0	2,339	1,297	2,067	2,556	0	59,187
2009	39,991	16,913	0	2,253	1,274	2,033	2,442	0	64,906
2010	41,555	20,094	0	2,178	1,265	2,000	2,402	0	69,494
2011	41,785	23,820	0	2,117	1,260	2,000	2,556	0	73,538
2012	42,286	26,268	0	2,054	1,253	3,000	2,457	0	77,318

Source: Office of the State Comptroller.

(1) Includes amounts for Building Aid Revenue Bonds (BARBS), the debt service on which will be funded solely from future State Building Aid payments that are subject to appropriation by the State and have been assigned by the City of New York to the Transitional Finance Authority (TFA).

(2) A portion of the proceeds of the Sales Tax Asset Receivable Corporation (STARC) Bonds were used to retire outstanding Municipal Assistance Corporation bonds. The debt service on STARC bonds will be funded from annual revenues to be provided by the State, subject to annual appropriation. These revenues have been assigned to the Corporation by the Mayor of the City of New York.

(3) Includes bonds issued by the Fiscal Year 2005 Securitization Corporation and the Industrial Development Agency. Also included are bonds issued by the Dormitory Authority of the State of New York for education, health, and court capital projects and other long-term leases which will be repaid from revenues of the City or revenues that would otherwise be available to the City if not needed for debt service.

(4) Includes $1.11 billion of bond anticipation notes issued to finance the City's capital expenditures.

The staffs of the Financial Control Board for the City of New York (FCB), the Office of the State Deputy Comptroller (OSDC), the City Comptroller and the Independent Budget Office issue periodic reports on the City's financial plans. Copies of the most recent reports are available by contacting: FCB, 123 William Street, 23rd Floor, New York, NY 10038, Attention: Executive Director; OSDC, 59 Maiden Lane, 29th Floor, New York, NY 10038, Attention: Deputy Comptroller; City Comptroller, Municipal Building, 6th Floor, One Centre Street, New York, NY 10007-2341, Attention: Deputy Comptroller for Budget; and IBO, 110 William Street, 14th Floor, New York, NY 10038, Attention: Director.

OTHER LOCALITIES

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. Between 2004 and January 2012, the State Legislature passed 21 special acts authorizing, or amending authorizations for, bond issuances to finance local government operating deficits, including a total of four passed during the 2009 and 2010 legislative sessions. However, the legislation introduced during the regular 2012 legislative session that would have authorized Rockland County and the City of Long Beach to issue bonds to address accumulated deficits did not pass both houses of the legislature. In addition to deficit financing authorizations, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality.

The Buffalo Fiscal Stability Authority has exercised Control Period powers with respect to the City of Buffalo since the City's 2004 fiscal year, but transitioned to Advisory Period powers commencing on July 1, 2012.

In January 2011, the Nassau County Interim Finance Authority ("NIFA") declared that it was entering a Control Period, citing the "substantial likelihood and imminence" that Nassau would incur a major operating funds deficit of 1 percent or more during the County's 2011 fiscal year. Nassau County challenged NIFA's determination and authority to impose a Control Period in State Supreme Court and did not prevail. NIFA is now exercising Control Period powers over Nassau County.

On February 14, 2013, the U.S. District Court for the Eastern District of New York issued an opinion in Carver, et al. v. Nassau County Interim Finance Authority, et al. granting the plaintiffs' motion for summary judgment seeking to nullify NIFA's imposition of a wage freeze during the control period in 2011. The court stated that the operation of its judgment shall be stayed pending an appeal, if any, by NIFA to the United States Court of Appeals for the Second Circuit. The County has announced its intent to appeal.

Erie County has a Fiscal Stability Authority, the City of New York has a Financial Control Board, and the City of Troy has a Supervisory Board, all of which presently perform certain review and advisory functions. The City of Yonkers no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The City of Newburgh operates under fiscal monitoring by the State Comptroller pursuant to special State legislation. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's FY 2013 or thereafter.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control, but which can adversely affect their financial condition. For example, the State or Federal government may reduce (or in some cases eliminate) funding of local programs, thus requiring local governments to pay these expenditures using their own resources. Similarly, past cash flow problems for the State have resulted in delays in State aid payments to localities. And, in some cases, these delays have necessitated short-term borrowing at the local level. More recent developments that have had, or could have, an impact on the fiscal condition of local governments and school districts include: the loss of temporary Federal stimulus funding; new constraints (for local governments other than in New York City and school districts outside New York City and the four other largest cities in New York State) on raising property tax revenues given legislation that now limits growth in the tax levy, subject to override; and for some communities, the significant upfront costs for rebuilding and clean-up in the wake of a natural disaster. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, declines in the real property tax base, increasing pension, health care and other fixed costs, and the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate requests for State assistance.

Ultimately, localities as well as local public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State.

The Executive Budget includes a proposal which, if enacted, would give the State Comptroller and the Board of the Teachers' Retirement System (TRS) the authority to offer a stable pension contribution option to local governments and school districts. The stated purpose of this proposal is to 1) provide long-term stability and predictability in local pension budgeting, and 2) accelerate anticipated local savings from the implementation of Tiers V and VI, which are less costly than the previous Tiers I through IV.

Under the stable rate proposal, the State Comptroller may allow counties, cities, towns, villages, school districts, boards of cooperative educational services, and the health care centers of Nassau, Westchester and Erie Counties, the option to elect stable employer contribution rates of 12 percent of salary for ERS members and 18.5 percent of salary for PFRS members. School districts and boards of cooperative educational services may elect a stable employer contribution rate of 12.5 percent if the Board of the Teachers' Retirement System approves the option for TRS. The proposal assumes that the stable rate would need to be in place for approximately 25 years to assure adequate funding of the pension systems. The State Comptroller and the Board of Teachers' Retirement System may increase the stable rates by up to 2 percent of salary at the five and ten-year marks and they may also adjust the program length to assure adequate pension system funding. Eligible participating employers would only be authorized to opt into the stable rate beginning with fiscal year 2014. Both the State Comptroller and the Board of the Teachers' Retirement System are currently reviewing this Executive Budget proposal.

The following table summarizes the debt of New York City and all other New York State localities.

Debt of New York Localities(1)
(millions of dollars)

Locality Fiscal Year Ending	Combined New York City Debt (2)		Other Localities Debt(3)		Total Locality Debt(3)	
	Bonds	Notes	Bonds(4)	Notes(4)	Bonds(3)(4)	Notes(4)
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,082	4,005	58,326	4,520
2001	40,305	0	20,303	4,745	60,608	4,745
2002	42,721	2,200	21,721	5,184	64,442	7,384
2003	47,376	1,110	23,951	6,429	71,327	7,539
2004	50,265	0	26,684	4,979	76,949	4,979
2005	54,421	0	29,245	4,832	83,666	4,832
2006	55,381	0	30,752	4,755	86,133	4,755
2007	58,192	100	32,270	4,567	90,462	4,667
2008	59,120	67	33,569	5,474	92,689	5,541
2009	64,873	33	34,522	6,907	99,395	6,940
2010	69,494	0	36,093	7,359	105,587	7,359
2011	73,538	0	35,976	7,227	109,514	7,227

Source: Office of the State Comptroller.

NOTE: For localities other than New York City, the amounts shown for fiscal years ending in 1990 may include debt that has been defeased through the issuance of refunding bonds.

(1) Because the State calculates locality debt differently for certain localities (including New York City), the figures above may vary from those reported by such localities. In addition, this table excludes indebtedness of certain local authorities and obligations issued in relation to State lease-purchase arrangements.

(2) Includes bonds issued by the Transitional Finance Authority, the Municipal Assistance Corporation, STAR Corporation, TSASC, Inc., the Hudson Yards Infrastructure Corporation, (as shown in the table "Debt of New York City" in the section of this document entitled "The City of New York"). Also included are the bonds of the Fiscal Year 2005 Securitization Corporation, the Industrial Development Agency, the Samurai Funding Corporation, the Dormitory Authority of the State of New York for education, health and court capital projects, and other long-term leases which will be repaid from revenues of the City or revenues which would otherwise be available to the City if not needed for debt service.

(3) Includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt. Starting in 2001, debt for other localities includes installment purchase contracts.

(4) Does not include the indebtedness of certain localities that did not file annual financial reports with the Comptroller.

LITIGATION AND ARBITRATION

REAL PROPERTY CLAIMS

There are several cases in which Native American tribes have asserted possessory interests in real property or sought monetary damages as a result of claims that certain transfers of property from the tribes or their predecessors-in-interest in the 18th and 19th centuries were illegal.

In *Oneida Indian Nation of New York v. State of New York*, 74-CV-187 (NDNY), the plaintiff, alleged successors-in-interest to the historic Oneida Indian Nation, sought a declaration that they hold a current possessory interest in approximately 250,000 acres of lands that the tribe sold to the State in a series of transactions that took place between 1795 and 1846, money damages, and the ejectment of the State and Madison and Oneida Counties from all publicly-held lands in the claim area. In 1998, the United States intervened in support of plaintiff.

During the pendency of this case, significant decisions were rendered by the United States Supreme Court and the Second Circuit Court of Appeals which changed the legal landscape pertaining to ancient land claims: *City of Sherrill v. Oneida Indian Nation of New York*, 544 U.S. 197 (2005), and *Cayuga Indian Nation of New York v. Pataki*, 413 F.3d 266 (2d Cir. 2005), *cert. denied*, 547 U.S. 1128 (2006). Taken together, these cases have made clear that the equitable doctrines of laches, acquiescence, and impossibility can bar ancient land claims.

Relying on these decisions, in *Oneida Indian Nation et al. v. County of Oneida et al.*, 617 F.3d 114 (2d Cir. 2010), the Second Circuit Court of Appeals dismissed the *Oneida* land claim. On October 17, 2011, the United States Supreme Court denied plaintiffs' petitions for certiorari to review the decision of the Second Circuit. See 132 S. Ct. 452 (2011).

In *Canadian St. Regis Band of Mohawk Indians, et al. v. State of New York, et al.* (NDNY), plaintiffs seek ejectment and monetary damages for their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. The defendants' motion for judgment on the pleadings, relying on the decisions in *Sherrill, Cayuga,* and *Oneida,* is pending in District Court. A Report and Recommendation was issued by the Magistrate on September 28, 2012 recommending that all claims be dismissed except those over an area known as the Hogansburg Triangle, which claims the Magistrate recommends should proceed through discovery and additional motion practice. The parties are in the midst of filing objections to the Report, after which a decision will be issued by the District Judge.

In *The Onondaga Nation v. The State of New York, et al.* (NDNY), plaintiff seeks a judgment declaring that certain lands allegedly constituting the aboriginal territory of the Onondaga Nation within the State are the property of the Onondaga Nation and the Haudenosaunee, or "Six Nations Iroquois Confederacy," and that conveyances of portions of that land during the period 1788 to 1822 are null and void. The "aboriginal territory" described in the complaint consists of an area or strip of land running generally north and south from the St. Lawrence River in the north, along the east side of Lake Ontario, and south as far as the Pennsylvania border, varying in width from about 10 miles to more than 40 miles, including the area constituting the City of Syracuse. On September 22, 2010, the District Court granted defendants' motion to dismiss the action for laches, based on the *Oneida, Sherrill* and *Cayuga* decisions. That decision was affirmed by the Second Circuit Court of Appeals on October 19, 2012. The Plaintiff's motion for rehearing or rehearing *en banc* was denied by the Second Circuit on December 21, 2012.

In *Shinnecock Indian Nation v. State of New York, et al*. (EDNY), plaintiff seeks ejectment, monetary damages, and declaratory and injunctive relief for its claim that approximately 3,600 acres in the Town of Southampton were illegally transferred from its predecessors-in-interest. On December 5, 2006, the District Court granted defendants' motion to dismiss, based on the *Sherrill* and *Cayuga* decisions. Plaintiff moved for reconsideration before the District Court and also appealed to the Second Circuit Court of Appeals. The motion for reconsideration has been withdrawn, but a motion to amend the complaint remains pending in the District Court and stayed through at least March 1, 2013. The *Shinnecock* appeal to the Second Circuit also remains stayed.

WEST VALLEY LITIGATION

In *State of New York, et al. v. The United States of America, et al*., 06-CV-810 (WDNY), the parties have sought to resolve the relative responsibilities of the State and Federal governments for the cost of remediating the Western New York Nuclear Service Center (the "Center" or "Site"), located in West Valley, Cattaraugus County, New York. The Center was established by the State in the 1960s in response to a Federal call to commercialize the reprocessing of spent nuclear fuel from power reactors. The private company that had leased the Site ceased operations in 1972, leaving behind two disposal areas and lagoons, highly contaminated buildings, and 600,000 gallons of liquid high level radioactive waste (HLRW) generated by reprocessing activities.

Congress enacted the West Valley Demonstration Project Act (the "Act") in 1980, directing the Federal government to solidify the HLRW and transport it to a Federal repository, decontaminate and decommission the facilities and dispose of the low-level waste produced from the Demonstration Project. The Act directed the State to pay 10 percent of the Demonstration Project costs. However, for many years the two governments disputed what additional cleanup is needed; which cleanup activities are covered by the Act (and thus subject to the 90/10 split); who bears the long-term responsibility for maintaining, repairing or replacing and monitoring tanks or other facilities that are decommissioned in place at the Site; and who pays for the offsite disposal fee for the solidified HLRW. The combined Federal and State cost expenditures to date amount to approximately $2.6 billion. The State's expenditures at the Center are now approaching $320 million.

In order to resolve these disputes, the State and the New York State ERDA (which owns the Center on behalf of New York State) filed suit in December 2006, seeking a declaration: (1) that the Federal government (which sent wastes from various Federal facilities to the Center) is liable under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, or Federal Superfund law) for the State's cleanup costs and for damages to the State's natural resources, and a judgment reimbursing the State for these costs and damages, (2) of the scope of the Federal government's responsibilities under the Act to decontaminate and decommission the Site and for further Site monitoring and maintenance, and (3) that the US is responsible under the Nuclear Waste Policy Act for paying the fees for disposal of solidified HLRW at the Site. After commencement of the action, the parties engaged in court-ordered mediation, as a result of which a Consent Decree was approved and entered on August 17, 2010, resolving several key claims in the litigation.

The Consent Decree identifies a specific cost share for each government for specified facilities and known areas of contamination, and sets forth a process for determining cost shares for contamination that may be identified in the future. The Consent Decree does <u>not</u> select or advocate the selection of any particular cleanup program for the Site-cleanup decisions are being made via the ongoing Environmental Impact Statement (EIS) process.

The Consent Decree also does not resolve two claims raised in the State's lawsuit - the State's natural resource damages claim and its Nuclear Waste Policy Act claim. The first claim, which the Federal government has agreed to toll, will be pursued by the New York State Department of Environmental Conservation (DEC) (as trustee of the State's natural resources) and the Attorney General's office. Regarding the latter claim, the State asserts that the Federal government bears sole responsibility for the cost of disposing of the 275 canisters of vitrified HLRW waste remaining at the Site at a Federal repository once one becomes available. This claim was neither settled nor dismissed and remains in litigation. The parties have agreed on a briefing schedule for competing motions to dismiss the Nuclear Waste Policy Act claim, with opening briefs to be submitted in March 2013.

METROPOLITAN TRANSPORTATION AUTHORITY

There are several cases in which the plaintiffs challenge the constitutionality of Chapter 25 of the Laws of 2009, which imposed certain taxes and fees, including a regional payroll tax, in that portion of the State lying within the Metropolitan Commuter Transportation District. The revenues derived from this statute are intended to assist the Metropolitan Transportation Authority, which a State commission concluded was facing substantial financial pressure. The plaintiffs seek judgments declaring that the enactment of Chapter 25 violated State constitutional provisions relating to the need for a home rule message, supermajority requirements for enactment of special or local laws, single purpose appropriation bill, and liability for the debts of public authorities. Some of the plaintiffs also seek a judgment declaring that the enactment of Chapter 25 violated provisions of Public Authority Law §1266 requiring that the Metropolitan Transportation Authority be self-sustaining. These cases include *Hampton Transportation Ventures, Inc. et al. v. Silver et al. (*now in *Sup. Ct., Albany Co.), William Floyd Union Free School District v. State (*now in *Sup. Ct., New York Co.), Town of Brookhaven v. Silver, et al. (*now in *Sup. Ct., Albany Co.), Town of Southampton and Town of Southold v. Silver (*now in *Sup. Ct. Albany Co.), Town of Huntington v. Silver (*now in *Sup. Ct. Albany Co.), Mangano v. Silver (Sup. Ct. Nassau Co.), Town of Smithtown v. Silver (*now part of the *Mangano* case in *Sup. Ct. Nassau Co.),* and *Vanderhoef v. Silver (now in Sup. Ct. Albany Co.).* Suffolk County, the Orange County Chamber of Commerce, and a number of additional towns, and a village also joined the *Mangano* case as plaintiffs.

The defendants sought to change the venue of all of these cases to Albany County or New York County and venue was changed in most of the cases. In *Vanderhoef, Huntington, Floyd, Brookhaven, Southampton/Southold* and *Hampton,* the defendants moved for judgment in their favor. The plaintiffs in *Hampton* then voluntarily stipulated to discontinue their case, as did the plaintiff in *Floyd* after legislative amendment of the applicable statute that exempted school districts from the "mobility tax" imposed by this statute on employers in the Metropolitan Commuter Transportation District. The Supreme Court, Albany County issued decisions granting summary judgment to defendants in *Brookhaven, Huntington, Southampton/Southold* and *Vanderhoef*. The plaintiffs in *Brookhaven*, *Huntington* and *Vanderhoef* appealed from those decisions in their cases but failed to perfect their appeals within nine months after the date of their notices of appeal, which, pursuant to the Rules of the Third Department, means their appeals are deemed abandoned. The plaintiffs in Vanderhoef belatedly attempted to file an appellate brief, which was rejected by the Appellate Division, Third Department, as untimely. They then moved for leave to perfect their appeal notwithstanding their delay and that motion has been fully briefed and is *sub judice*. In *Mangano*, the Supreme Court, Nassau County denied defendants' motion for change of venue. All parties moved for summary judgment in Supreme Court, Nassau County. By decision dated August 22, 2012, the Supreme Court (a) granted summary judgment to the defendants to the extent of dismissing the claims against certain of the individual State defendants on the ground of legislative immunity, but (b) granted summary judgment to Plaintiffs to the extent that it held the MTA payroll tax unconstitutionally impinged on the home rule powers guaranteed under Article IX of the New York State Constitution. Judgment in accordance with that decision was entered October 1, 2012 and all defendants have appealed.

The defendant-appellants' briefs on appeal and plaintiff-respondent's briefs have been filed in the Appellate Division, Second Department. On February 20, 2013, the Appellate Division granted leave to file an *amicus curiae* brief in support of the State's position to New York State AFL-CIO, Transport Workers Union Local 100 and New York State Transport Union Conference. On or about October 26, 2012, the Towns of Southampton and Southold, whose previous litigation challenging the tax had been decided against them, commenced an action in the New York Court of Claims entitled *The Town of Southampton and the Town of Southold v. The State of New York, et al.*, in which they seek, based on the Supreme Court decision in *Mangano*, refund of all monies they have paid under the payroll tax, as well as a declaration and injunction barring further collection of the tax from them. The State's motion to dismiss the claim in the Court of Claims has been fully briefed and is awaiting decision.

SCHOOL AID

In *Becker et al. v. Paterson, et al. (Sup. Ct., Albany Co.),* plaintiffs seek a judgment declaring that the governor's determination to delay payment of school aid due by statute on December 15, 2009 violated State constitutional provisions related to, among other things, the separation of powers doctrine. Since the commencement of the suit, the moneys at issue were released. Following a February 3, 2010 conference with the court to discuss the status of the case, plaintiffs amended their complaint to reflect late payment of the moneys at issue. Pursuant to a Court-directed schedule, following defendants' answer, plaintiffs moved for summary judgment on March 5, 2010. Defendants cross-moved for summary judgment on April 15, 2010.

In a second case involving the parties, plaintiffs seek a judgment declaring that the governor's determination to delay payment of school aid from March 31, 2010 to June 1, 2010 also violated State constitutional provisions related to, among other things, the separation of powers doctrine. Since the commencement of the suit, the moneys at issue were also released. The defendants answered, claiming that the statute in question, Education Law §3609-a, permitted payment on June 1, 2010, and that March 31, 2010 was merely an authorized pre-payment date. Plaintiffs moved for summary judgment on July 21, 2010 and defendants responded and cross-moved for summary judgment on September 16, 2010.

On January 14, 2011, the Court issued a joint order and decision dismissing both actions as moot because of the payments made after the commencement of the actions. On February 25, 2011, plaintiffs appealed to the Appellate Division, Third Department. The appeal was never perfected and, under the Appellate Division's rules, is deemed abandoned.

In *Hussein v. State of New York,* plaintiffs seek a judgment declaring that the State's system of financing public education violates section 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education (SBE). In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. On January 13, 2011, the Appellate Division, Third Department, affirmed the denial of the motion to dismiss. On May 6, 2011, the Third Department granted defendants leave to appeal to the Court of Appeals. On September 15, 2011, the Court of Appeals placed the appeal on track for full briefing and oral argument. The appeal was argued April 26, 2012. On June 26, 2012, the Court of Appeals affirmed the denial of the State's motion to dismiss.

On August 18, 2011, Supreme Court, Albany County granted the State's motion to stay all proceedings in the case until further order of the court or a decision from the Court of Appeals. The plaintiffs have filed a motion to have the stay vacated or modified to permit the continuation of depositions and the filing of a motion for partial summary judgment. In a Decision/Order dated December 6, 2011, Supreme Court, Albany County, granted plaintiffs' motion for renewal and modified the stay to the extent of permitting discovery to continue, but refused to allow plaintiffs to file a motion for partial summary judgment or any other dispositive motion. Depositions are being conducted. The discovery deadline is March 1, 2013.

In *Aristy-Farer, et al. v. The State of New York, et al. (Sup. Ct., N.Y. Co.),* commenced February 6, 2013, plaintiffs seek a judgment declaring that the provisions of L. 2012, Chapter 53 and L. 2012, Chapter 57, Part A § 1, linking payment of State school aid increases for 2012-2013 to submission by local school districts of approvable teacher evaluation plans violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statutes would prevent students from receiving a sound basic education. Plaintiffs moved for a preliminary injunction enjoining the defendants from taking any actions to carry out the statutes to the extent that they would reduce payment of State aid disbursements referred to as General Support for Public Schools ("GSPS") to the City of New York pending a final determination. The State opposed this motion. By order dated February 19, 2013, the Court granted the motion for preliminary injunction.

In *New York State United Teachers, et al. v. The State of New York, et al. (Sup. Ct., Albany Co.)*, commenced February 20, 2013, plaintiffs seek a judgment declaring that the provisions of Education Law § 2023-a, which imposes a limitation on the tax that school districts can levy on the real property subject to tax within their borders violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statute would prevent students from receiving a sound basic education and impair the right of plaintiffs to substantially control school district finances. Plaintiffs also seek injunctive relief barring application of the statutory tax cap to local education funding.

REPRESENTATIVE PAYEES

In *Weaver et ano. v. State of New York*, filed in the New York State Court of Claims on July 17, 2008 and subsequently amended, two claimants allege that the executive directors of the Office of Mental Health facilities in which the claimants were hospitalized, acting as representative payees under the Federal Social Security Act, improperly received benefits due them and improperly applied those benefits to the cost of their in-patient care and maintenance and, in the case of one of the claimants, also to the cost of her care and maintenance in a State-operated community residence.

The first named claimant initially sought benefits on her own behalf as well as certification of a class of claimants. However, the class claims were dismissed by the Court of Claims on February 10, 2010 for failure to comply with Court of Claims Act § 11(b), which provides that a claim must state when and where the claim arose, the nature of the claim, the items of damage, and the total sum claimed. By decision and order dated March 8, 2011, the Appellate Division, Second Department, affirmed the decision of the Court of Claims.

On June 4, 2010, the State moved for summary judgment against the individual claims on various grounds. By decision and order dated September 27, 2010, the Court of Claims (Ruderman, J.), granted the State's motion for summary judgment and dismissed the individual claims. The Court held that the State statutes relied on by claimants do not apply to Social Security benefits and that executive directors of OMH facilities are acting properly in accordance with the Social Security Act and applicable Federal regulations. Claimants served a notice of appeal on November 23, 2010. By decision and order dated January 17, 2012, the Appellate Division, Second Department, affirmed the decision of the Court of Claims. On May 8, 2012, the Court of Appeals denied claimants motion for leave. As a result, the case has been concluded in the State's favor and the claim has been dismissed.

SALES TAX

There are several cases challenging the State's authority to collect taxes on cigarettes sold on Indian reservations.

In *Oneida Indian Nation of New York v. Paterson, et al.* (and four consolidated cases), the tribal plaintiffs seek judgments declaring that Chapters 134 and 136 of the Laws of 2010, which enacted amendments to the Tax Law regarding collection of excise taxes on reservation cigarette sales to non-tribal members, violate their rights under Federal law, and enjoining the State from enforcing those laws. In four of the five cases, the District Court for the Western District of New York denied plaintiffs' motions for preliminary injunctions but granted a stay of enforcement pending plaintiffs' appeal. In the fifth case, the District Court for the Northern District of New York granted the plaintiff's motion for a preliminary injunction. On May 9, 2011, the Second Circuit Court of Appeals affirmed the Western District's orders denying the plaintiffs' motions for preliminary injunctions, and vacated the Northern District's order granting the motion for a preliminary injunction, vacated all stays pending appeal, and remanded the cases to the District Courts for further proceedings consistent with the Court's opinion. The State has moved for summary judgment in the Northern and Western District cases. The plaintiffs have moved for voluntary dismissal without prejudice in these cases. The motions were taken on submission in the Northern District on November 25, 2011 and argued in the Western District on December 20, 2011. On January 9, 2012, the District Court for the Northern District of New York granted plaintiff's motion for voluntary dismissal without prejudice and denied the State defendants' motion for summary judgment as moot.

In *Day Wholesale Inc., et al. v. State, et al. (Sup. Ct., Erie Co.),* plaintiffs also seek to enjoin the collection of taxes on cigarettes sold to or by reservation retailers. On August 31, 2010, the Supreme Court, Erie County issued an order vacating two earlier preliminary injunctions of that court barring the collection of such taxes until defendants had taken certain steps to comply with prior law. The Court also denied plaintiffs' motion for a preliminary injunction enjoining enforcement of the provisions of Chapters 134 and 186 of the Laws of 2010.

The plaintiffs in *Day Wholesale* appealed. On September 14, 2010 the Appellate Division, Fourth Department denied plaintiffs' motion for a preliminary injunction pending appeal. Pursuant to the rules of the Appellate Division, Fourth Department, the appeal is deemed abandoned because plaintiffs failed to perfect the appeal within nine months of the filing of the notice of appeal.

On February 10, 2011, the Seneca Nation of Indians commenced *Seneca Nation of Indians v. State of New York, et al., (Sup. Ct., Erie Co.),* challenging the promulgation of regulations to implement the statutory voucher system intended to enable the State to collect taxes on certain sales of cigarettes on Indian reservations. Plaintiffs seek declaratory judgment that the regulations are void and temporary and permanent injunctions against enforcing both the regulations and the statutory provisions authorizing the voucher system. On June 8, 2011, Supreme Court, Erie County, issued an order granting defendants' motion for summary judgment and dismissing the complaint. On November 18, 2011, the Appellate Division, Fourth Department, affirmed. Plaintiffs' motion for leave to appeal to the Court of Appeals was denied on February 21, 2012.

In July 2011, plaintiffs commenced *Akwesasne Convenience Store Association et al. v. State of New York, (Sup. Ct., Erie Co.),* against the State of New York and other defendants, seeking a declaration that the statutory voucher system impermissibly burdens Indian commerce and is preempted by Federal law and further seeking to enjoin the implementation, administration or enforcement of the system. The court denied plaintiffs' request for a temporary restraining order and, by decision dated August 18, 2011, also denied plaintiffs' subsequent motion for a preliminary injunction. Plaintiffs appealed to the Appellate Division, Fourth Department, which denied plaintiffs' motion for a preliminary injunction pending appeal on September 14, 2011. The appeal is pending. By decision dated August 2, 2012, the Supreme Court, Erie County, granted defendants' motion for summary judgment dismissing the complaint and denied plaintiffs' cross motion for summary judgment. Plaintiffs appealed directly to the Court of Appeals by notice of appeal filed on October 12, 2012. On January 15, 2013, the Court of Appeals transferred the appeal to the Appellate Division, Fourth Department, on the grounds that a direct appeal to the Court of Appeals does not lie.

CIVIL SERVICE LITIGATION

In *Simpson v. New York State Department of Civil Service et ano.*, plaintiffs have brought a class action under 42 U.S.C 2000d et seq., claiming that a civil service test administered between 1996 and 2006 resulted in a disparate impact upon the class. This case was settled on December 29, 2010, for $45 million in damages and fees, payable in four equal annual installments, starting on or about April 1, 2011 or upon passage of the State budget. The settlement was approved following an April 15, 2011 fairness hearing. Payment of the annual installments of the settlement proceeds is proceeding.

EMINENT DOMAIN

In *Gyrodyne Company of America, Inc. v. State of New York (Court of Claims)*, claimant sought compensation under the Eminent Domain Procedures Law in connection with the appropriation by the State of 245 acres of land in connection with the expansion of SUNY Stony Brook. By decision dated June 21, 2010, the Court of Claims awarded claimant $125 million as compensation for the appropriation. On September 13, 2010, the State appealed from the decision. In a decision dated November 22, 2011, the Appellate Division, Second Department, affirmed the decision of the Court of Claims. The State's motion for reargument or, in the alternative, leave to appeal to the Court of Appeals, was denied by the Second Department on February 17, 2012. On June 5, 2012, the Court of Appeals denied the State's motion for leave to appeal. The Division of the Budget advises that the State paid approximately $167 million on July 5, 2012, representing the (i) judgment for damages of $125 million, plus statutory interest at an annual rate of 9 percent from November 2005 on the unpaid balance of $98.7 million, and (ii) associated costs, disbursements and expenses of $1.5 million plus interest thereon.

INSURANCE DEPARTMENT ASSESSMENTS

In New *York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.)*, several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs of the Insurance Department. The State filed its answer on May 4, 2010. On June 9, 2010, the State filed a motion for summary judgment. By decision dated March 10, 2011, plaintiffs' motion for permission to conduct discovery prior to responding to the State's motion for summary judgment was granted. Plaintiffs have since filed an amended complaint adding challenges to assessments issued after the commencement of this action and the State has withdrawn its motion for summary judgment without prejudice. The State has filed its answer to the amended complaint and is engaged in the discovery process. The discovery deadline is April 2, 2013.

TOBACCO MASTER SETTLEMENT AGREEMENT (MSA)

In 1998, the attorneys general of 46 states, including New York, and several territories (collectively the "Settling States") and the then four largest United States tobacco manufacturers (the "Original Participating Manufacturers" or "OPMs"), entered into a Master Settlement Agreement (the "MSA") to resolve cigarette smoking-related litigation between the Settling States and the OPMs. Approximately 30 additional tobacco companies have entered into the settlement (the "Subsequent Participating Manufacturers" or "SPMs"; together they are the "Participating Manufacturers" or "PMs"). The MSA released the PMs from past and present smoking-related claims by the Settling States, and provided for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the Settling States, and the imposition of certain tobacco advertising and marketing restrictions among other things.

ARBITRATION

The Participating Manufacturers have also brought a nationwide arbitration proceeding against the Settling States (excluding Montana). The MSA provides that each year, in perpetuity, the PMs pay the Settling States a base payment, subject to certain adjustments, to compensate for financial harm suffered by the Settling States due to smoking-related illness. In order to keep the base payment under the MSA, each Settling State must pass and diligently enforce a statute that requires tobacco manufacturers who are not party to the MSA ("Non-Participating Manufacturers" or "NPMs") to deposit in escrow an amount roughly equal to the amount that PMs pay per pack sold. New York's allocable share of the total base payment is approximately 12.8 percent of the total, or approximately $800 million annually.

The arbitration proceeding brought by the PMs asserts that the Settling States involved failed to diligently enforce their escrow statutes in 2003. The PMs seek a downward adjustment of the payment due in that year (an "NPM Adjustment") which would serve as a credit against future payments. Any such claim for NPM Adjustment for years prior to 2003 was settled in 2003. The PMs have raised the same claim for years 2004-2006, but none of those years is yet in arbitration.

The arbitration panel (the "Panel") has thus far ruled, among other things, that the Settling States involved have the burden of proof in establishing diligent enforcement of the escrow statutes and that the 2003 settlement of prior NPM Adjustment claims does not preclude the PMs from basing their claim for a 2003 NPM Adjustment on 2002 NPM sales. A hearing on issues common to all states took place in Chicago April 16-24, 2012. State-specific hearings commenced in May, with the hearings involving Missouri and Illinois. New York's diligent enforcement hearings took place June 25-29, 2012. State-specific hearings are scheduled for two weeks each month until June 2013.

In December 2012, the PMs and 19 states (collectively the "Signatory Parties") agreed to a term sheet purportedly settling the NPM Adjustment disputes for 2003-2012. New York and 32 other states and territories rejected the term sheet. The Signatory Parties have sought the approval of the Panel in order to obtain an early release of MSA annual payments currently being held in a disputed payments account. The non-joining states object to approval of the term sheet because its terms negatively impact New York and the other non-joining states. Under the MSA reallocation provision, every state is either "diligent" or "not diligent" and only "diligent" states are exempt from the NPM Adjustment. For every state found diligent, its allocable share of the NPM Adjustment is shifted to any remaining non-diligent states. If the Signatory States are removed from the calculation, they still have to be treated as either diligent or not diligent for purposes of allocation of the NPM Adjustment. The term sheet is silent as to how the reallocation provision should apply. The non-joining states seek to have the signatory states treated as non-diligent for purposes of allocation of the NPM Adjustment. The Signatory Parties object. Depending on how the Panel rules, this could have a very significant impact on New York State's annual payments. The Panel held a status conference on January 22, 2013, to discuss the term sheet and has scheduled a hearing for March 7, 2013 at which it will hear arguments from both the Signatory Parties and the non-joining states. If the Panel decides to deem the 19 states (collectively the "Signatory States") "diligent" for purposes of allocation of the NPM Adjustment, and New York is then found to have been "not diligent" in its enforcement of its escrow statute in 2003, New York would have liability not only for its share of the NPM Adjustment but also for its proportionate share of the NPM Adjustment attributable to the Signatory States. In the event of an arbitration ruling against New York State's interests, New York State could challenge the ruling by moving to set aside an arbitral award in New York State courts.

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FINANCIAL PLAN TABLES

The cash financial plan tables listed below appear on the following pages and summarize actual receipts and disbursements for fiscal year 2012 and projected receipts and disbursements for fiscal years 2013 through 2016 on a General Fund, State Operating Funds and All Governmental Funds basis.

Corrected Table

CASH FINANCIAL PLAN
GENERAL FUND
ANNUAL CHANGE FROM PRIOR YEAR TO CURRENT YEAR
(millions of dollars)

	FY 2012 Results	FY 2013 Current	Annual $ Change	Annual % Change
Opening Fund Balance	1,376	1,787	411	29.9%
Receipts:				
Taxes:				
Personal Income Tax	25,843	26,818	975	3.8%
User Taxes and Fees	9,055	9,127	72	0.8%
Business Taxes	5,760	6,038	278	4.8%
Other Taxes	1,096	1,064	(32)	-2.9%
Miscellaneous Receipts	3,162	3,724	562	17.8%
Federal Receipts	60	60	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,097	8,312	215	2.7%
Sales Tax in Excess of LGAC Debt Service	2,396	2,416	20	0.8%
Real Estate Taxes in Excess of CW/CA Debt Service	387	540	153	39.5%
All Other Transfers	1,044	963	(81)	-7.8%
Total Receipts	56,900	59,062	2,162	3.8%
Disbursements:				
Local Assistance Grants	38,419	39,776	1,357	3.5%
Departmental Operations:				
Personal Service	5,781	6,190	409	7.1%
Non-Personal Service	1,713	1,904	191	11.2%
General State Charges	4,720	4,589	(131)	-2.8%
Transfers to Other Funds:				
Debt Service	1,516	1,644	128	8.4%
Capital Projects	798	868	70	8.8%
State Share Medicaid	2,722	2,975	253	9.3%
SUNY Operations	0	340	340	N/A
Other Purposes	820	1,089	269	32.8%
Total Disbursements	56,489	59,375	2,886	5.1%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	411	(313)	(724)	-176.2%
Closing Fund Balance	1,787	1,474	(313)	-17.5%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,131	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	102	57	(45)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	283	77	(206)	
Debt Reduction	13	13	0	
Undesignated Fund Balance	62	0	(62)	

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
FY 2014 through FY 2017
(millions of dollars)

	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts:				
Taxes:				
Personal Income Tax	28,396	29,290	30,303	32,057
User Taxes and Fees	9,492	9,890	10,309	10,585
Business Taxes	6,244	5,736	6,294	6,544
Other Taxes	1,154	1,224	1,234	1,244
Miscellaneous Receipts	3,101	3,030	2,836	2,844
Federal Receipts	2	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,739	8,929	8,960	9,184
Sales Tax in Excess of LGAC Debt Service	2,546	2,665	2,809	2,922
Real Estate Taxes in Excess of CW/CA Debt Service	476	556	631	689
All Other Transfers	905	781	733	736
Total Receipts	61,055	62,101	64,109	66,805
Disbursements:				
Local Assistance Grants	40,035	41,946	44,358	46,750
Departmental Operations:				
Personal Service	5,672	5,839	6,100	6,116
Non-personal Service	1,783	1,953	1,995	2,068
General State Charges	4,964	5,341	5,600	5,867
Transfers to Other Funds:				
Debt Service	1,334	1,476	1,450	1,347
Capital Projects	1,256	1,369	1,381	1,772
State Share Medicaid	1,730	1,288	1,261	1,228
SUNY Operations	969	969	969	969
Other Purposes	3,145	4,003	4,544	4,835
Total Disbursements	60,888	64,184	67,658	70,952
Reserves:				
Community Projects Fund	(57)	0	0	0
Prior-Year Labor Agreements (2007-2011)	(26)	10	14	14
Debt Reduction Reserve	250	0	0	0
Undesignated Fund Balance	0	0	0	0
Increase (Decrease) in Reserves	167	10	14	14
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	(2,093)	(3,563)	(4,161)

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
FY 2013
(millions of dollars)

	AIS Enacted Budget	*Change*	Prior AIS Update	*Change*	Current AIS Update
Receipts:					
Taxes:					
Personal Income Tax	26,916	*0*	26,916	*(98)*	26,818
User Taxes and Fees	9,271	*(75)*	9,196	*(69)*	9,127
Business Taxes	6,038	*(3)*	6,035	*3*	6,038
Other Taxes	1,144	*2*	1,146	*(82)*	1,064
Miscellaneous Receipts	3,229	*125*	3,354	*370*	3,724
Federal Receipts	60	*0*	60	*0*	60
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	8,272	*(22)*	8,250	*62*	8,312
Sales Tax in Excess of LGAC Debt Service	2,456	*(26)*	2,430	*(14)*	2,416
Real Estate Taxes in Excess of CW/CA Debt Service	444	*25*	469	*71*	540
All Other	1,070	*(31)*	1,039	*(76)*	963
Total Receipts	58,900	*(5)*	58,895	*167*	59,062
Disbursements:					
Local Assistance Grants	39,645	*23*	39,668	*108*	39,776
Departmental Operations:					
Personal Service	5,892	*278*	6,170	*20*	6,190
Non-Personal Service	1,844	*(9)*	1,835	*69*	1,904
General State Charges	4,403	*96*	4,499	*90*	4,589
Transfers to Other Funds:					
Debt Service	1,580	*(16)*	1,564	*80*	1,644
Capital Projects	1,055	*0*	1,055	*(187)*	868
State Share Medicaid	2,978	*(3)*	2,975	*0*	2,975
SUNY Operations	340	*0*	340	*0*	340
Other Purposes	1,131	*(29)*	1,102	*(13)*	1,089
Total Disbursements	58,868	*340*	59,208	*167*	59,375
Reserves:					
Community Projects Fund	(45)	*0*	(45)	*0*	(45)
Undesignated Fund Balance	(62)	*0*	(62)	*0*	(62)
Prior-Year Labor Agreements (2007-2011)	139	*(345)*	(206)	*0*	(206)
Increase (Decrease) in Reserves	32	*(345)*	(313)	*0*	(313)
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	*0*	0	*0*	0

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
FY 2014
(millions of dollars)

	AIS Enacted Budget	*Change*	Prior AIS Update	*Change*	Current AIS Update
Receipts:					
Taxes:					
Personal Income Tax	28,920	*0*	28,920	*(524)*	28,396
User Taxes and Fees	9,626	*(56)*	9,570	*(78)*	9,492
Business Taxes	6,208	*0*	6,208	*36*	6,244
Other Taxes	1,137	*2*	1,139	*15*	1,154
Miscellaneous Receipts	2,829	*50*	2,879	*222*	3,101
Federal Receipts	2	*0*	2	*0*	2
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	8,842	*(44)*	8,798	*(59)*	8,739
Sales Tax in Excess of LGAC Debt Service	2,579	*(19)*	2,560	*(14)*	2,546
Real Estate Taxes in Excess of CW/CA Debt Service	500	*25*	525	*(49)*	476
All Other	862	*4*	866	*39*	905
Total Receipts	61,505	*(38)*	61,467	*(412)*	61,055
Disbursements:					
Local Assistance Grants	41,872	*(1)*	41,871	*(1,836)*	40,035
Departmental Operations:					
Personal Service	5,370	*117*	5,487	*185*	5,672
Non-Personal Service	1,637	*(7)*	1,630	*153*	1,783
General State Charges	4,834	*55*	4,889	*75*	4,964
Transfers to Other Funds:					
Debt Service	1,653	*(36)*	1,617	*(283)*	1,334
Capital Projects	1,293	*(6)*	1,287	*(31)*	1,256
State Share Medicaid	2,772	*(5)*	2,767	*(1,037)*	1,730
SUNY Operations	982	*1*	983	*(14)*	969
Other Purposes	1,980	*21*	2,001	*1,144*	3,145
Total Disbursements	62,393	*139*	62,532	*(1,644)*	60,888
Reserves:					
Community Projects Fund	(56)	*(1)*	(57)	*0*	(57)
Prior-Year Labor Agreements (2007-2011)	118	*(144)*	(26)	*0*	(26)
Debt Reduction	0	*0*	0	*250*	250
Increase (Decrease) in Reserves	62	*(145)*	(83)	*250*	167
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(950)	*(32)*	(982)	*982*	0

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
FY 2015
(millions of dollars)

	AIS Enacted Budget	*Change*	Prior AIS Update	*Change*	Current AIS Update
Receipts:					
Taxes:					
Personal Income Tax	29,612	*1*	29,613	*(323)*	29,290
User Taxes and Fees	10,042	*(56)*	9,986	*(96)*	9,890
Business Taxes	5,713	*(27)*	5,686	*50*	5,736
Other Taxes	1,222	*2*	1,224	*0*	1,224
Miscellaneous Receipts	2,297	*0*	2,297	*733*	3,030
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	8,981	*(33)*	8,948	*(19)*	8,929
Sales Tax in Excess of LGAC Debt Service	2,706	*(17)*	2,689	*(24)*	2,665
Real Estate Taxes in Excess of CW/CA Debt Service	576	*25*	601	*(45)*	556
All Other	770	*4*	774	*7*	781
Total Receipts	61,919	*(101)*	61,818	*283*	62,101
Disbursements:					
Local Assistance Grants	43,227	*(2)*	43,225	*(1,279)*	41,946
Departmental Operations:					
Personal Service	5,496	*136*	5,632	*207*	5,839
Non-Personal Service	1,722	*49*	1,771	*182*	1,953
General State Charges	5,179	*56*	5,235	*106*	5,341
Transfers to Other Funds:					
Debt Service	1,585	*(71)*	1,514	*(38)*	1,476
Capital Projects	1,408	*(5)*	1,403	*(34)*	1,369
State Share Medicaid	2,626	*(5)*	2,621	*(1,333)*	1,288
SUNY Operations	1,001	*1*	1,002	*(33)*	969
Other Purposes	2,972	*23*	2,995	*1,008*	4,003
Total Disbursements	65,216	*182*	65,398	*(1,214)*	64,184
Reserves:					
Prior-Year Labor Agreements (2007-2011)	118	*(108)*	10	*0*	10
Increase (Decrease) in Reserves	118	*(108)*	10	*0*	10
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(3,415)	*(175)*	(3,590)	*1,497*	(2,093)

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
FY 2016
(millions of dollars)

	AIS Enacted Budget	*Change*	Prior AIS Update	*Change*	Current AIS Update
Receipts:					
Taxes:					
Personal Income Tax	30,614	*0*	30,614	*(311)*	30,303
User Taxes and Fees	10,406	*(55)*	10,351	*(42)*	10,309
Business Taxes	6,291	*(54)*	6,237	*57*	6,294
Other Taxes	1,222	*2*	1,224	*10*	1,234
Miscellaneous Receipts	2,389	*0*	2,389	*447*	2,836
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	9,195	*(68)*	9,127	*(167)*	8,960
Sales Tax in Excess of LGAC Debt Service	2,832	*(16)*	2,816	*(7)*	2,809
Real Estate Taxes in Excess of CW/CA Debt Service	651	*25*	676	*(45)*	631
All Other	760	*4*	764	*(31)*	733
Total Receipts	64,360	*(162)*	64,198	*(89)*	64,109
Disbursements:					
Local Assistance Grants	45,490	*(1)*	45,489	*(1,131)*	44,358
Departmental Operations:					
Personal Service	5,753	*162*	5,915	*185*	6,100
Non-Personal Service	1,806	*15*	1,821	*174*	1,995
General State Charges	5,470	*57*	5,527	*73*	5,600
Transfers to Other Funds:					
Debt Service	1,559	*(71)*	1,488	*(38)*	1,450
Capital Projects	1,301	*(2)*	1,299	*82*	1,381
State Share Medicaid	2,526	*(5)*	2,521	*(1,260)*	1,261
SUNY Operations	1,021	*1*	1,022	*(53)*	969
Other Purposes	3,446	*26*	3,472	*1,072*	4,544
Total Disbursements	68,372	*182*	68,554	*(896)*	67,658
Reserves:					
Prior-Year Labor Agreements (2007-2011)	118	*(104)*	14	*0*	14
Increase (Decrease) in Reserves	118	*(104)*	14	*0*	14
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(4,130)	*(240)*	(4,370)	*807*	(3,563)

Source: NYS DOB

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
FY 2013 THROUGH FY 2016
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected
Taxes:				
Withholdings	31,818	33,466	35,111	37,051
Estimated Payments	12,188	12,958	13,442	13,500
Final Payments	2,172	2,266	2,151	2,251
Other Payments	1,174	1,208	1,245	1,295
Gross Collections	47,352	49,898	51,949	54,097
State/City Offset	(268)	(223)	(148)	(148)
Refunds	(6,958)	(7,255)	(7,945)	(8,607)
Reported Tax Collections	40,126	42,420	43,856	45,342
STAR (Dedicated Deposits)	(3,276)	(3,419)	(3,602)	(3,704)
RBTF (Dedicated Transfers)	(10,032)	(10,605)	(10,964)	(11,335)
Personal Income Tax	26,818	28,396	29,290	30,303
Sales and Use Tax	11,239	11,736	12,269	12,833
Cigarette and Tobacco Taxes	448	441	435	428
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	249	249	253	257
Highw ay Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	11,936	12,426	12,957	13,518
LGAC Sales Tax (Dedicated Transfers)	(2,809)	(2,934)	(3,067)	(3,209)
User Taxes and Fees	9,127	9,492	9,890	10,309
Corporation Franchise Tax	2,570	2,881	2,225	2,618
Corporation and Utilities Tax	655	633	660	679
Insurance Taxes	1,291	1,364	1,408	1,484
Bank Tax	1,522	1,366	1,443	1,513
Petroleum Business Tax	0	0	0	0
Business Taxes	6,038	6,244	5,736	6,294
Estate Tax	1,045	1,135	1,205	1,215
Real Estate Transfer Tax	755	685	760	835
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	18	18	18	18
Other Taxes	1	1	1	1
Gross Other Taxes	1,819	1,839	1,984	2,069
Real Estate Transfer Tax (Dedicated)	(755)	(685)	(760)	(835)
Other Taxes	1,064	1,154	1,224	1,234
Payroll Tax	0	0	0	0
Total Taxes	43,047	45,286	46,140	48,140
Licenses, Fees, Etc.	763	680	647	638
Abandoned Property	715	650	655	655
Motor Vehicle Fees	99	26	26	26
ABC License Fee	56	54	50	55
Reimbursements	272	272	272	272
Investment Income	5	5	30	30
Other Transactions	1,814	1,414	1,350	1,160
Miscellaneous Receipts	3,724	3,101	3,030	2,836
Federal Grants	60	2	0	0
Total	46,831	48,389	49,170	50,976

Souce: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2013
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	1,787	1,632	428	3,847
Receipts:				
Taxes	43,047	8,046	13,476	64,569
Miscellaneous Receipts	3,724	15,713	996	20,433
Federal Receipts	60	1	79	140
Total Receipts	46,831	23,760	14,551	85,142
Disbursements:				
Local Assistance Grants	39,776	18,918	0	58,694
Departmental Operations:				
Personal Service	6,190	6,378	0	12,568
Non-Personal Service	1,904	3,681	57	5,642
General State Charges	4,589	1,991	0	6,580
Debt Service	0	0	6,132	6,132
Capital Projects	0	5	0	5
Total Disbursements	52,459	30,973	6,189	89,621
Other Financing Sources (Uses):				
Transfers from Other Funds	12,231	7,716	6,353	26,300
Transfers to Other Funds	(6,916)	(384)	(14,751)	(22,051)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,315	7,332	(8,398)	4,249
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(313)	119	(36)	(230)
Closing Fund Balance	1,474	1,751	392	3,617

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2014
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	45,286	8,315	14,105	67,706
Miscellaneous Receipts	3,101	15,739	517	19,357
Federal Receipts	2	1	79	82
Total Receipts	48,389	24,055	14,701	87,145
Disbursements:				
Local Assistance Grants	40,035	19,151	0	59,186
Departmental Operations:				
Personal Service	5,672	6,676	0	12,348
Non-Personal Service	1,783	3,544	40	5,367
General State Charges	4,964	2,120	0	7,084
Debt Service	0	0	5,833	5,833
Capital Projects	0	5	0	5
Total Disbursements	52,454	31,496	5,873	89,823
Other Financing Sources (Uses):				
Transfers from Other Funds	12,666	7,728	4,952	25,346
Transfers to Other Funds	(8,434)	(379)	(13,774)	(22,587)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,232	7,349	(8,822)	2,759
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	167	(92)	6	81
Designated General Fund Reserves:				
Community Projects Fund	(57)			
Prior-Year Labor Agreements (2007-2011)	(26)			
Debt Reduction	250			
Increase (Decrease) in Reserves	167			
Net General Fund Deficit	0			

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2015
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	46,140	8,686	14,672	69,498
Miscellaneous Receipts	3,030	16,149	689	19,868
Federal Receipts	0	1	79	80
Total Receipts	49,170	24,836	15,440	89,446
Disbursements:				
Local Assistance Grants	41,946	19,834	0	61,780
Departmental Operations:				
Personal Service	5,839	6,801	0	12,640
Non-Personal Service	1,953	3,621	40	5,614
General State Charges	5,341	2,188	0	7,529
Debt Service	0	0	6,136	6,136
Capital Projects	0	5	0	5
Total Disbursements	55,079	32,449	6,176	93,704
Other Financing Sources (Uses):				
Transfers from Other Funds	12,931	7,844	4,578	25,353
Transfers to Other Funds	(9,105)	(153)	(13,837)	(23,095)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,826	7,691	(9,259)	2,258
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,083)	78	5	(2,000)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	10			
Increase (Decrease) in Reserves	10			
Net General Fund Deficit	(2,093)			

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2016
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	48,140	8,953	15,260	72,353
Miscellaneous Receipts	2,836	16,275	531	19,642
Federal Receipts	0	1	79	80
Total Receipts	50,976	25,229	15,870	92,075
Disbursements:				
Local Assistance Grants	44,358	19,821	0	64,179
Departmental Operations:				
Personal Service	6,100	6,990	0	13,090
Non-Personal Service	1,995	3,748	40	5,783
General State Charges	5,600	2,341	0	7,941
Debt Service	0	0	6,465	6,465
Capital Projects	0	5	0	5
Total Disbursements	58,053	32,905	6,505	97,463
Other Financing Sources (Uses):				
Transfers from Other Funds	13,133	8,147	4,511	25,791
Transfers to Other Funds	(9,605)	(309)	(13,867)	(23,781)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,528	7,838	(9,356)	2,010
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(3,549)	162	9	(3,378)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	14			
Increase (Decrease) in Reserves	14			
Net General Fund Deficit	(3,563)			

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2013
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	1,787	1,594	(449)	428	3,360
Receipts:					
Taxes	43,047	8,046	1,353	13,476	65,922
Miscellaneous Receipts	3,724	15,899	4,366	996	24,985
Federal Receipts	60	41,797	2,195	79	44,131
Total Receipts	46,831	65,742	7,914	14,551	135,038
Disbursements:					
Local Assistance Grants	39,776	55,013	2,115	0	96,904
Departmental Operations:					
Personal Service	6,190	7,030	0	0	13,220
Non-Personal Service	1,904	4,644	0	57	6,605
General State Charges	4,589	2,277	0	0	6,866
Debt Service	0	0	0	6,132	6,132
Capital Projects	0	5	5,910	0	5,915
Total Disbursements	52,459	68,969	8,025	6,189	135,642
Other Financing Sources (Uses):					
Transfers from Other Funds	12,231	7,717	1,185	6,353	27,486
Transfers to Other Funds	(6,916)	(4,371)	(1,466)	(14,751)	(27,504)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	5,315	3,346	119	(8,398)	382
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(313)	119	8	(36)	(222)
Closing Fund Balance	1,474	1,713	(441)	392	3,138

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2014
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	45,286	8,315	1,399	14,105	69,105
Miscellaneous Receipts	3,101	15,925	4,346	517	23,889
Federal Receipts	2	45,646	2,221	79	47,948
Total Receipts	48,389	69,886	7,966	14,701	140,942
Disbursements:					
Local Assistance Grants	40,035	60,009	2,073	0	102,117
Departmental Operations:					
Personal Service	5,672	7,357	0	0	13,029
Non-Personal Service	1,783	4,679	0	40	6,502
General State Charges	4,964	2,442	0	0	7,406
Debt Service	0	0	0	5,833	5,833
Capital Projects	0	5	6,169	0	6,174
Total Disbursements	52,454	74,492	8,242	5,873	141,061
Other Financing Sources (Uses):					
Transfers from Other Funds	12,666	7,729	1,513	4,952	26,860
Transfers to Other Funds	(8,434)	(3,215)	(1,526)	(13,774)	(26,949)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	4,232	4,514	325	(8,822)	249
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	167	(92)	49	6	130
Designated General Fund Reserves:					
Community Projects Fund	(57)				
Prior-Year Labor Agreements (2007-2011)	(26)				
Debt Reduction	250				
Increase (Decrease) in Reserves	167				
Net General Fund Deficit	0				
Carry-Forward Potential FY 2013 Shortfall					
Proposed Cash Surplus/(Gap)	0				

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2015
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	46,140	8,686	1,428	14,672	70,926
Miscellaneous Receipts	3,030	16,335	4,313	689	24,367
Federal Receipts	0	45,636	2,028	79	47,743
Total Receipts	49,170	70,657	7,769	15,440	143,036
Disbursements:					
Local Assistance Grants	41,946	61,396	1,786	0	105,128
Departmental Operations:					
Personal Service	5,839	7,475	0	0	13,314
Non-Personal Service	1,953	4,603	0	40	6,596
General State Charges	5,341	2,509	0	0	7,850
Debt Service	0	0	0	6,136	6,136
Capital Projects	0	5	6,481	0	6,486
Total Disbursements	55,079	75,988	8,267	6,176	145,510
Other Financing Sources (Uses):					
Transfers from Other Funds	12,931	7,845	1,432	4,578	26,786
Transfers to Other Funds	(9,105)	(2,436)	(1,480)	(13,837)	(26,858)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	3,826	5,409	258	(9,259)	234
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,083)	78	(240)	5	(2,240)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	10				
Increase (Decrease) in Reserves	10				
Net General Fund Deficit	(2,093)				

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2016
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	48,140	8,953	1,448	15,260	73,801
Miscellaneous Receipts	2,836	16,461	4,616	531	24,444
Federal Receipts	0	46,815	1,660	79	48,554
Total Receipts	50,976	72,229	7,724	15,870	146,799
Disbursements:					
Local Assistance Grants	44,358	62,852	1,516	0	108,726
Departmental Operations:					
Personal Service	6,100	7,693	0	0	13,793
Non-Personal Service	1,995	4,625	0	40	6,660
General State Charges	5,600	2,678	0	0	8,278
Debt Service	0	0	0	6,465	6,465
Capital Projects	0	5	7,204	0	7,209
Total Disbursements	58,053	77,853	8,720	6,505	151,131
Other Financing Sources (Uses):					
Transfers from Other Funds	13,133	8,148	1,444	4,511	27,236
Transfers to Other Funds	(9,605)	(2,362)	(1,482)	(13,867)	(27,316)
Bond and Note Proceeds	0	0	120	0	120
Net Other Financing Sources (Uses)	3,528	5,786	82	(9,356)	40
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(3,549)	162	(914)	9	(4,292)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	14				
Increase (Decrease) in Reserves	14				
Net General Fund Deficit	(3,563)				

Source: NYS DOB

CASHFLOW
GENERAL FUND
FY 2013
(dollars in millions)

	2012 April Results	May Results	June Results	July Results	August Results	September Results	October Results	November Results	December Results	2013 January Results	February Projected	March Projected	Total
OPENING BALANCE	1,787	5,637	2,018	2,935	2,404	1,546	4,282	3,649	2,453	4,629	7,079	7,445	1,787
RECEIPTS:													
Personal Income Tax	3,851	1,236	2,486	1,768	1,824	2,774	1,908	1,339	2,871	3,205	1,867	1,689	26,818
User Taxes and Fees	652	681	899	703	693	920	695	675	919	762	636	892	9,127
Business Taxes	205	42	1,044	80	68	1,019	155	101	1,174	220	81	1,849	6,038
Other Taxes	114	84	77	80	116	68	120	70	83	93	79	80	1,064
Total Taxes	4,822	2,043	4,506	2,631	2,701	4,781	2,878	2,185	5,047	4,280	2,663	4,510	43,047
Licenses, Fees, etc.	40	35	85	65	54	109	2	4	49	46	100	174	763
Abandoned Property	39	(21)	45	14	17	72	(1)	129	24	24	20	353	715
ABC License Fee	6	6	5	5	5	4	5	4	5	6	4	44	99
Motor vehicle fees	6	(6)	(1)	13	(11)	0	0	4	13	28	17	(7)	56
Reimbursements	2	5	38	4	(14)	48	16	14	35	16	40	68	272
Investment Income	1	0	0	0	1	0	0	0	0	0	2	1	5
Other Transactions	23	74	244	66	66	710	84	28	80	56	39	344	1,814
Total Miscellaneous Receipts	117	93	416	167	118	943	106	183	206	176	222	977	3,724
Federal Grants	4	14	0	0	16	0	0	13	0	0	0	13	60
PIT in Excess of Revenue Bond Debt Service	1,282	270	964	415	361	1,054	388	141	1,010	1,105	405	917	8,312
Sales Tax in Excess of LGAC Debt Service	190	55	430	212	149	289	213	206	287	232	3	150	2,416
Real Estate Taxes in Excess of CW/CA Debt Service	57	45	33	49	47	38	42	33	51	81	44	20	540
All Other	1	40	23	5	20	9	39	21	2	30	99	674	963
Total Transfers from Other Funds	1,530	410	1,450	681	577	1,390	682	401	1,350	1,448	551	1,761	12,231
TOTAL RECEIPTS	6,473	2,560	6,372	3,479	3,412	7,114	3,666	2,782	6,603	5,904	3,436	7,261	59,062
DISBURSEMENTS:													
School Aid	133	2,730	1,705	135	581	1,283	705	1,085	1,469	313	405	6,459	17,003
Higher Education	16	18	379	295	356	60	146	320	79	138	100	689	2,596
All Other Education	3	61	332	88	100	344	89	27	216	52	308	341	1,961
Medicaid - DOH	931	1,029	712	918	1,195	590	1,047	843	795	945	1,234	814	11,053
Public Health	1	11	29	37	163	75	21	57	34	33	61	137	659
Mental Hygiene	1	0	379	2	1	396	167	1	381	96	132	389	1,945
Children and Families	3	14	130	107	220	210	68	68	76	191	73	382	1,542
Temporary & Disability Assistance	61	327	145	167	140	114	99	121	99	100	15	121	1,509
Transportation	0	24	0	0	24	0	0	24	15	0	10	1	98
Unrestricted Aid	0	12	294	1	2	89	11	1	204	1	4	144	763
All Other	2	(8)	195	92	16	107	(71)	22	63	31	54	144	647
Total Local Assistance Grants	1,151	4,218	4,300	1,842	2,798	3,268	2,282	2,569	3,431	1,900	2,396	9,621	39,776
Personal Service	596	631	549	416	594	437	654	465	434	550	402	462	6,190
Non-Personal Service	52	146	142	113	177	143	126	89	158	143	194	421	1,904
Total State Operations	648	777	691	529	771	580	780	554	592	693	596	883	8,094
General State Charges	413	442	90	433	434	398	186	329	112	265	(175)	1,662	4,589
Debt Service	506	0	(55)	458	(40)	(119)	506	(17)	(2)	388	(18)	37	1,644
Capital Projects	(116)	113	102	214	(46)	0	137	(146)	27	124	15	444	868
State Share Medicaid	8	441	248	289	249	214	232	392	221	43	218	420	2,975
SUNY Operations	0	0	0	180	0	0	0	160	0	0	0	0	340
Other Purposes	13	188	79	65	104	37	176	137	46	41	38	165	1,089
Total Transfers to Other Funds	411	742	374	1,206	267	132	1,051	526	292	596	253	1,066	6,916
TOTAL DISBURSEMENTS	2,623	6,179	5,455	4,010	4,270	4,378	4,299	3,978	4,427	3,454	3,070	13,232	59,375
Excess/(Deficiency) of Receipts over Disbursements	3,850	(3,619)	917	(531)	(858)	2,736	(633)	(1,196)	2,176	2,450	366	(5,971)	(313)
CLOSING BALANCE	5,637	2,018	2,935	2,404	1,546	4,282	3,649	2,453	4,629	7,079	7,445	1,474	1,474

Source: NYS DOB

GAAP FINANCIAL PLAN
GENERAL FUND
FY 2013
(millions of dollars)

	AIS Enacted Budget	Change	Current AIS Update
Revenues:			
Taxes:			
Personal income tax	26,972	(96)	26,876
User taxes and fees	9,284	(282)	9,002
Business taxes	6,047	119	6,166
Other taxes	1,139	(113)	1,026
Miscellaneous revenues	7,017	434	7,451
Federal grants	60	0	60
Total revenues	50,519	62	50,581
Expenditures:			
Grants to local governments	42,345	31	42,376
State operations	11,876	466	12,342
General State charges	5,845	61	5,906
Debt service	0	0	0
Capital projects	0	0	0
Total expenditures	60,066	558	60,624
Other financing sources (uses):			
Transfers from other funds	15,061	89	15,150
Transfers to other funds	(6,034)	68	(5,966)
Proceeds from financing arrangements/	0		0
advance refundings	403	(75)	328
Net other financing sources (uses)	9,430	82	9,512
Operating Surplus/(Deficit)	(117)	(414)	(531)

Source: NYS DOB

GAAP FINANCIAL PLAN
GENERAL FUND
FY 2013 THROUGH FY 2017
(millions of dollars)

	FY 2013 Current	FY 2014 Proposed	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Revenues:					
Taxes:					
Personal income tax	26,876	27,174	29,120	30,992	33,081
User taxes and fees	9,002	9,512	9,912	10,333	10,600
Business taxes	6,166	6,151	5,966	6,156	6,498
Other taxes	1,026	1,203	1,231	1,241	1,251
Miscellaneous revenues	7,451	5,968	5,988	5,568	5,545
Federal grants	60	2	0	0	0
Total revenues	50,581	50,010	52,217	54,290	56,975
Expenditures:					
Grants to local governments	42,376	41,840	43,675	45,765	47,989
State operations	12,342	11,805	12,378	12,669	12,940
General State charges	5,906	6,609	7,003	7,316	7,654
Debt service	0	0	0	0	0
Capital projects	0	0	0	0	0
Total expenditures	60,624	60,254	63,056	65,750	68,583
Other financing sources (uses):					
Transfers from other funds	15,150	14,552	14,317	14,345	14,584
Transfers to other funds	(5,966)	(5,886)	(6,205)	(6,235)	(6,597)
Proceeds from financing arrangements/ advance refundings	328	403	400	400	400
Net other financing sources (uses)	9,512	9,069	8,512	8,510	8,387
Operating Surplus/(Deficit)	(531)	(1,175)	(2,327)	(2,950)	(3,221)

Source: NYS DOB

GLOSSARY OF ACRONYMS

ACA .... Affordable Care Act
AIM .... Aid and Incentive for Municipalities
ALES .... Agency Law Enforcement Services
AMTAP .... Additional Mass Transportation Operations Assistance Program
APSU .... Agency Police Services Unit
ARC .... Annual Required Contribution
ARRA .... American Recovery and Reinvestment Act of 2009
BANs .... Bond Anticipation Notes
BCA .... Budget Control Act
BCI .... New York State Police Investigators Unit
BIC .... Bond Issuance Charge
CAFR .... Comprehensive Annual Financial Report
CDA .... Continuing Disclosure Agreement
CDT .... Continuing Day Treatment Clinic
CEFAP .... Community Enhancement Facilities Assistance Program
CERCLA .... Comprehensive Environmental Response, Compensation and Liability Act
CFY .... City Fiscal Year
CHIPs .... Consolidated Highway Improvement Programs
CHP .... Child Health Plus
CMS .... Centers for Medicare and Medicaid Services
COLA .... Cost of Living Adjustment
CPI .... Consumer Price Index
CQCAPD .... Commission on Quality of Care and Advocacy for Persons with Disabilities
CRF .... Common Retirement Fund
CSEA .... Civil Service Employees Association
CUNY .... City University of New York
CUNY DC-37 .... City University of New York District Council 37
CW/CA .... Clean Water/Clean Air
DASNY .... Dormitory Authority of the State of New York
DEC .... Department of Environmental Conservation
DDPC .... Developmental Disabilities Planning Council
DFS .... Department of Financial Services
DHBTF .... Dedicated Highway and Bridge Trust Fund
DHCR .... Division of Homes and Community Renewal
DMNA .... Division of Military and Naval Affairs
DMV .... Department of Motor Vehicles
DOB .... Division of the Budget
DOCCS .... Department of Corrections and Community Supervision
DOH .... Department of Health
DOT .... Department of Transportation
DRL .... Deficit Reduction Leave
DRP .... Deficit Reduction Program
DRRF .... Debt Reduction Reserve Fund
DSFs .... Debt Service Funds
DTF .... Department of Taxation and Finance
EFC .... Environmental Facilities Corporation
EI .... Early Intervention
EIS .... Environmental Impact Statement
EPF .... Environmental Projection Fund
EMMA .... Electronic Municipal Market Access
ENI .... Entire Net Income
EPF .... Environmental Protection Fund
EPIC .... Elderly Pharmaceutical Insurance Coverage

ERDA	Energy Research and Development Authority
ERI	Early Retirement Incentive
ERS	Employees' Retirement System
ESD	Empire State Development
EXCEL	Expanding our Children's Education and Learning
FCB	Financial Control Board
FHP	Family Health Plus
FMAP	Federal Medical Assistance Percentage
FMP	Fiscal Management Plan
F-SHRP	Federal-State Health Reform Partnership
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GEA	Gap Elimination Adjustment
GDP	Gross Domestic Product
GLIP	Group Life Insurance Fund
GOER	Governor's Office of Employee Relations
GPHW	General Public Health Work
GSCs	General State Charges
GSEU	Graduate Student Employees Union
HCRA	Health Care Reform Act
HEAL NY	Health Care Efficiency and Affordability Law for New Yorkers
HESC	Higher Education Services Corporation
HFA	Housing Finance Agency
HLRW	High-Level Radioactive Waste
HMO	Health Maintenance Organization
HUD	Housing and Urban Development
IBO	Independent Budget Office
ICF/DD	Intermediate Care Facilities for the Developmentally Disabled
ITS	Information Technology Services
JDA	Job Development Authority
LGAC	Local Government Assistance Corporation
LIBOR	London Inter-Bank Offered Rates
LICH	Long Island College Hospital
LGU	Local Government Unit
LTRO	Long-Term Refinancing Operation
MA	Medicaid
MBBA	Municipal Bond Bank Agency
M/C	Managerial/Confidential
MCFFA	Medical Care Facilities Financing Agency
MD&A	Management Discussion & Analysis
MIF	Mortgage Insurance Fund
MMIS	Medicaid Management Information System
MRT	Medicaid Redesign Team
MSA	Master Settlement Agreement
MTA	Metropolitan Transportation Authority
NAICS	North American Industry Classification System
NIFA	Nassau County Interim Finance Authority
NPM	Non-Participating Manufacturers
NYS-CARES	New York State - Creating Alternatives in Residential Environments and Services
NYSCOPBA	New York State Correctional Officers and Police Benevolent Association
NY-HELPS	New York Higher Education Loan Program
NYSHIP	New York State Health Insurance Plan
NYSLRS	New York State Local Retirement System
NYSPBA	New York State Police Benevolent Association

NYSTA .... New York State Thruway Authority
NYSTAR .... Office of Science, Technology, and Academic Research
OASAS .... Office of Alcoholism and Substance Abuse Services
OCA .... Office of Court Administration
OCFS .... Office of Children and Family Services
OFT .... Office for Technology
OGS .... Office of General Services
OMB .... Office of Management and Budget
OMH .... Office of Mental Health
OPEB .... Other Post-Employment Benefits
OPM .... Original Participating Manufacturer
OPWDD .... Office for People with Developmental Disabilities
OSC .... Office of the State Comptroller
OSDC .... Office of the State Deputy Controller
OTB .... Off Track Betting
OTDA .... Office of Temporary and Disability Assistance
PACB .... Public Authorities Control Board
PAYGO .... Pay-As-You-Go
PBA .... Police Benevolent Association of New York State Troopers
PBT .... Petroleum Business Tax
PEF .... Public Employees Federation
PFRS .... Police and Fire Retirement System
PILOT .... Payment in Lieu of Taxes
PIT .... Personal Income Tax
PM .... Participating Manufacturers
QPAI .... Qualified Production Activity Income
RIC .... Regulated Investment Company
RBTF .... Revenue Bond Tax Fund
SAGE .... Spending and Government Efficiency Commission
SBE .... Sound Basic Education
SED .... State Education Department
SFS .... Statewide Financial System
SIF .... State Insurance Fund
SIP .... Strategic Investment Program
SOF .... State Operating Funds
SOFA .... State Office for the Aging
SONYMA .... State of New York Mortgage Agency
SPM .... Subsequent Participating Manufacturers
SRFs .... Special Revenue Funds
SSI .... Supplemental Security Income
STAR .... School Tax Relief
STARC .... Sales Tax Asset Receivable Corporation
STIP .... Short-Term Investment Pool
SUNY .... State University of New York
SY .... School Year
TA .... Thruway Authority
TANF .... Temporary Assistance for Needy Families
TAP .... Tuition Assistance Program
TRANs .... Tax and Revenue Anticipation Notes
TSFC .... Tobacco Settlement Financing Corporation
UDC .... Urban Development Corporation
UUP .... United University Professions
VLT .... Video Lottery Terminal
WHTI .... Western Hemisphere Travel Initiative