Annual Information Statement

State of New York

June 19, 2013

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INTRODUCTION

This Annual Information Statement (AIS) is dated June 19, 2013 and contains information only through that date. This AIS constitutes the official disclosure regarding the financial position of the State of New York (the “State”) and replaces the AIS dated May 11, 2012 and all updates and supplements issued in connection therewith. This AIS is scheduled to be updated on a quarterly basis and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any current updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State’s current financial projections, including summaries and extracts from the State’s Enacted Budget Financial Plan (the “Financial Plan” or “Enacted Budget”) for fiscal year 2014[1] (FY 2014) issued by the Division of the Budget (DOB) in May 2013. The Enacted Budget sets forth the State’s official Financial Plan projections for FY 2014 through FY 2017. It includes, among other things, information on the major components of the General Fund gap-closing plan approved for FY 2014, future potential General Fund budget gaps, and multi-year projections of receipts and disbursements in the State’s operating funds.

2. 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 “Financial Plan Overview — Risks and Uncertainties Related to the State Financial Plan”).

3. Information on other subjects relevant to the State’s finances, including summaries of: (a) operating results for the three prior fiscal years (presented on a cash basis of accounting), (b) the State’s revised economic forecast and a profile of the State economy, (c) the State’s debt and other financing activities, (d) the organization of State government, and (e) activities of public authorities and localities.

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 on behalf of the State. In preparing this AIS, 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.

[1] The fiscal year is identified by the calendar year in which it ends. For example, FY 2014 is the FY that began on April 1, 2013 and ends on March 31, 2014.

INTRODUCTION

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 or condition, 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, as updated or supplemented. Investors and other market participants should, however, refer to this AIS, as updated or supplemented, 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 contains forecasts, projections, and estimates that are based on expectations and assumptions, which existed at the time they were prepared. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in this AIS 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 "expects", "forecasts", "projects", "intends", "anticipates", "estimates", and analogous expressions are intended to identify forward-looking statements in the AIS. 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; changes in political, social, economic and environmental conditions, including climate change and extreme weather events; impediments to the implementation of gap-closing actions; regulatory initiatives and compliance with governmental regulations; litigation; actions by the Federal government to reduce or disallow expected aid including Federal aid authorized or appropriated by Congress, but subject to sequestration, administrative actions, or other actions that would reduce aid to the State; 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. Note that all FY 2013 financial results contained within this AIS are unaudited and preliminary.

The annual independent audit of this State's Basic Financial Statements is expected to be completed by July 29, 2013. Both the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting and the State's Basic Financial Statements are due by July 29, 2013, at which time the FY 2013 financial results will be final. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236. The Basic Financial Statements for FY 2012 are available in electronic form at www.osc.state.ny.us and at www.emma.msrb.org.

In addition to regularly scheduled quarterly updates to this AIS, the State may issue AIS supplements or other disclosure notices to this 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 in Official Statements or related disclosure documents for State or State-supported debt issuances. The State has filed this AIS with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through EMMA at www.emma.msrb.org. An official copy of this AIS may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-2302.

USAGE NOTICE

This AIS has been prepared and made available by the State pursuant to its contractual obligations under various continuing disclosure agreements (CDAs) 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 payments of their respective bonds, notes or other obligations.

This AIS 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 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.

Neither this AIS nor any portion thereof may be: (a) 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 (b) 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 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 if so misused.

OVERVIEW OF THE STATE BUDGET PROCESS AND BUDGETARY AND ACCOUNTING PRACTICES[2]

THE STATE BUDGET PROCESS

The requirements of the State budget process are set forth in Article VII of the State Constitution, the State Finance Law, and the Legislative Law. The process begins with the Governor's submission of the Executive Budget to the Legislature each January, in preparation for the start of the fiscal year on April 1. (The submission date is February 1 in years following a gubernatorial election.) The General Fund must be balanced on a cash basis, as described below, and must be accompanied by bills that: (a) set forth all proposed appropriations and reappropriations, (b) provide for any new or modified revenue measures, and (c) make any other changes to existing law necessary to implement the budget recommended by the Governor. The DOB prepares a multi-year Financial Plan ("State Financial Plan") as part of the Executive Budget. The State Financial Plan sets forth projected receipts and disbursements for the current fiscal year, the "budget" year (i.e., the upcoming fiscal year), and the three subsequent fiscal years ("outyears").

In acting on the bills submitted by the Governor, the Legislature has certain powers to alter the recommended appropriations and proposed changes to existing law. The Legislature may strike or reduce an item of appropriation recommended by the Governor. The Legislature may add distinct new items of appropriation, provided such additions are stated separately. These additional items are then subject to line-item veto by the Governor. If the Governor vetoes an appropriation or a bill (or a portion thereof) related to the budget, these items can be reconsidered in accordance with the rules of each house of the Legislature. If, upon reconsideration, the items are approved by two-thirds of the members of each house, such items will become law notwithstanding the Governor's veto.

Once the appropriation bills and other budget bills become law, DOB revises the State Financial Plan to reflect the Legislature's actions, and begins the process of implementing the enacted budget. Throughout the fiscal year, DOB monitors actual receipts and disbursements, and may adjust the estimates and projections in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economic outlook, updated data on program activities, new actions taken by the Governor or the Legislature, and other factors. As required by the State Finance Law, DOB issues updates to the State Financial Plan, generally issuing reports by July 30, October 30, and as part of the Executive Budget in January or February of each year.

Once the budget is adopted for the fiscal year, the Legislature may enact one multi-purpose appropriation bill and additional single-purpose appropriation bills or revenue measures (including tax law changes) during any regular session or, if called into session for that purpose, any special session. In the event additional appropriation bills or revenue measures are disapproved by the Governor, the Legislature may override the Governor's veto upon the vote of two-thirds of the members of each house of the Legislature. The Governor may present deficiency appropriations to the Legislature in any fiscal year to supplement existing appropriations or to provide new appropriations for purposes not covered by the regular and supplemental appropriations.

[2] See "Exhibit A — Selected State Government Summary" herein for more information on budgetary and accounting practices.

OVERVIEW OF THE STATE BUDGET PROCESS AND BUDGETARY AND ACCOUNTING PRACTICES

SIGNIFICANT BUDGETARY/ACCOUNTING PRACTICES

Unless clearly noted otherwise, all financial information in this AIS is presented on a cash basis of accounting.

The State's **General Fund** receives the majority of State taxes and all income not earmarked for a particular program or activity. State law requires the Governor to submit, and the Legislature to enact, a General Fund budget that is balanced on a cash basis of accounting. The State Constitution and State Finance Law do not provide a precise definition of budget balance. In practice, the General Fund is considered balanced if sufficient resources are, or are expected to be, available during the fiscal year for the State to: (a) make all planned 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. For purposes of calculating budget balance, the General Fund includes transfers to and from other funds.

The General Fund is typically the financing source of last resort for the State's other major funds, which include the Health Care Reform Act (HCRA) funds, the Dedicated Highway and Bridge Trust Fund (DHBTF), the School Tax Relief (STAR) Fund, 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 to be balanced, the focus of the State's budgetary and gap-closing discussion is generally weighted toward the General Fund.

From time to time, DOB will informally designate unrestricted balances in the General Fund for specific policy goals (e.g., the payment of costs related to potential labor contracts covering prior contract periods). These amounts are typically identified with the phrase "reserved for" and are not held in distinct accounts within the General Fund and may be used for other purposes.

State Operating Funds is a broader measure of spending for operations (as distinct from capital purposes) that is funded with State resources. It includes financial activity not only in the General Fund, but also State-funded special revenue funds and debt service funds (spending from capital project funds and Federal funds is excluded). As more financial activity has occurred in funds outside of the General Fund, State Operating Funds has become, in DOB's view, a more comprehensive measure of State-funded activities for operating purposes that are funded with State resources (e.g., taxes, assessments, fees, tuition). The State Operating Funds perspective has the advantage of eliminating certain distortions in operating activities that may be caused by, among other things, the State's complex fund structure, the transfer of money among funds, and the accounting of disbursements against appropriations in different funds. For example, the State funds its share of the Medicaid program from both the General Fund and Health Care Reform Act Funds, the latter being State Special Revenue Funds. The State Operating Funds perspective captures Medicaid disbursements from both of these fund types, giving a more complete accounting of State-funded Medicaid disbursements. For such reasons, the discussion of disbursement projections often emphasizes the State Operating Funds perspective.

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. 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 State projections and results by fund and category.

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, maintenance and rehabilitation of roads, bridges, prisons, university facilities, 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* financial plan using, to the extent practicable, generally accepted accounting principles (GAAP), although this requirement is for informational purposes. The GAAP-basis financial plan is not used by DOB as a benchmark for managing State finances during the fiscal year. The 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. However, GAAP is a financial reporting regime, not a budgeting system.

FINANCIAL PLAN OVERVIEW

The following table provides certain Financial Plan information for FY 2012, FY 2013, and FY 2014.

ENACTED BUDGET FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES
(millions of dollars)

		FY 2013		FY 2014		
	FY 2012 Results	Revised [1]	Preliminary Unaudited Results	Before Actions [2]	Executive Amended [3]	Enacted
State Operating Funds Disbursements						
Size of Budget	$87,181	$89,621	$88,844	$91,926	$89,823	$90,225
Annual Growth	3.3%	2.8%	1.9%	3.5%	1.10%	1.55%
Other Disbursement Measures						
General Fund (with Transfers)	$56,489	$59,375	$58,960	$61,684	$60,888	$61,157
	2.0%	5.1%	4.4%	4.6%	3.27%	3.73%
State Funds (Including Capital)	$93,193	$95,791	$94,523	$97,908	$96,225	$96,381
	3.4%	2.8%	1.4%	3.6%	1.80%	1.97%
Capital Budget (Federal and State)	$7,836	$8,025	$7,539	$7,834	$8,242	$7,996
	-0.1%	2.4%	-3.8%	3.9%	9.32%	6.06%
Federal Operating Aid*	$38,487	$37,996	$36,714	$43,476	$42,996	$42,318
	-14.2%	-1.3%	-4.6%	18.4%	17.11%	15.26%
All Funds*	$133,504	$135,642	$133,097	$143,236	$141,061	$140,539
	-1.0%	1.6%	-0.3%	7.6%	5.98%	5.59%
Capital Budget (Including "Off-Budget")	$9,227	$9,683	$8,904	$9,398	$9,806	$9,448
	-0.6%	4.9%	-3.5%	5.5%	10.13%	6.11%
All Funds (Including "Off-Budget" Capital)*	$134,895	$137,300	$134,462	$144,800	$142,625	$141,991
	-1.0%	1.8%	-0.3%	7.7%	6.07%	5.60%
Inflation (CPI)	2.1%	1.8%	1.8%	2.1%	2.1%	2.0%
All Funds Receipts						
Taxes	$64,297	$65,922	$66,302	$69,095	$69,105	$69,351
	5.6%	2.5%	3.1%	4.2%	4.23%	4.60%
Miscellaneous Receipts	$23,837	$24,985	$24,036	$23,233	$23,889	$23,621
	3.0%	4.8%	0.8%	-3.3%	-0.61%	-1.73%
Federal Grants*	$44,611	$44,131	$42,839	$49,359	$47,948	$47,433
	-9.5%	-1.1%	-4.0%	15.2%	11.93%	10.72%
Total Receipts*	$132,745	$135,038	$133,177	$141,687	$140,942	$140,405
	-0.4%	1.7%	0.3%	6.4%	5.83%	5.43%
General Fund Budget Gaps						
FY 2014	n/a	n/a	n/a	($1,352)	$0	$0
FY 2015	n/a	n/a	n/a	($3,979)	($2,093)	($2,014)
FY 2016	n/a	n/a	n/a	($5,201)	($3,563)	($2,856)
FY 2017	n/a	n/a	n/a	($5,663)	($4,161)	($2,920)
General Fund Reserves						
Stabilization/ Rainy Day Reserve Funds	$1,787	$1,306	$1,306	$1,306	$1,306	$1,306
All Other Reserves/Balances	$1,306	$168	$304	$85	$335	$403
Total	$481	$1,474	$1,610	$1,391	$1,641	$1,709
State Workforce FTEs (Subject to Direct Executive Control)	119,579	119,728	119,756	n/a	119,601	120,468

[1] FY 2013 estimates, as updated with the FY 2014 Executive Budget, as amended.

[2] Before proposals/actions to eliminate the projected budget gap. The annual percentage change calculations in the FY 2014 "Before Actions" column have been updated for FY 2013 year-end results.

[3] The annual percentage change calculations in the FY 2014 "Executive Amended" column have been updated for FY 2013 year-end results.

* Includes Federal disaster aid for Superstorm Sandy, estimated at $577 million in FY 2013 and $5.1 billion in FY 2014, and additional Federal aid under the Affordable Care Act, estimated at approximately $600 million in FY 2014. Excluding disbursements for these purposes, All Funds disbursements are expected to total $134.9 billion in FY 2014, an increase of 1.75 percent. Also note that All Governmental Funds disbursements may exceed total receipts in a given fiscal year as the State draws down other available resources held in its various governmental fund balances.

GENERAL FUND CASH-BASIS FINANCIAL PLAN

SUMMARY OF PRELIMINARY UNAUDITED RESULTS FOR FY 2013 (ENDED MARCH 31, 2013)

General Fund receipts, including transfers from other funds, totaled $58.78 billion. Disbursements, including transfers to other funds, totaled $58.96 billion. The State ended FY 2013 with a General Fund balance of $1.61 billion, a decrease of $177 million from FY 2012 results, which reflects the difference between receipts and disbursements. The change in the General Fund balance from FY 2012 results reflects the planned use of balances set aside for: (a) the costs of labor settlements reached in FY 2013 that covered prior contract periods, and (b) disbursements from Community Projects Fund re-appropriations, offset by an increase in the undesignated fund balance.

Receipts for FY 2013 fell $281 million below projections reflected in the February 2013 AIS Update. Tax receipts exceeded planned levels by $251 million, with stronger than anticipated collections for business taxes ($214 million) and personal income taxes ($82 million) offset in part by lower receipts from sales and use taxes ($15 million) and other taxes ($30 million). Miscellaneous receipts and non-tax transfers were $532 million below planned levels. This was due in part to the timing of transfers from other funds to the General Fund, and to lower than expected miscellaneous receipts collections for certain fines and fees. All planned tax refunds were made according to schedule.

General Fund disbursements, including transfers to other funds, were $417 million lower than estimated in the February 2013 AIS Update. Disbursements for disaster assistance related to recent natural disasters, were approximately $100 million below estimated levels in FY 2013. These costs are now expected to be incurred by the General Fund in FY 2014. In addition, disbursements fell below planned levels in a number of areas, including, but not limited to, Mental Hygiene ($98 million), OCFS ($57 million), and the Judiciary ($36 million). Before the end of FY 2013, the State pre-paid from General Fund resources approximately $203 million in certain debt service not due until FY 2014.

The General Fund closing balance of $1.61 billion in FY 2013 was $136 million higher than estimated in the February 2013 AIS Update. The balance consisted of $1.47 billion in statutory reserves, $77 million reserved for labor settlements covering prior contract periods, $13 million reserved for debt management, and $100 million in an undesignated fund balance. The Enacted Budget assumes that an undesignated balance of $100 million at the close of FY 2013 will be used in FY 2014 to cover the timing of certain costs related to disaster assistance that were budgeted in FY 2013, but are now expected to be charged to the General Fund in FY 2014. See the description of FY 2013 in the "Prior Fiscal Years" section herein for more information.

OVERVIEW OF FY 2014 (ENDING MARCH 31, 2014)

In developing the Executive Budget proposal for FY 2014, DOB estimated that, if no corrective actions were taken, the State faced a projected General Fund budget gap of $1.35 billion for FY 2014. The General Fund budget gaps in future years were projected at $4.0 billion in FY 2015, $5.2 billion in FY 2016, and $5.7 billion in FY 2017. Budget gaps represent the difference between: (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain anticipated service levels and specific commitments, and (b) the expected level of resources to pay for them. The General Fund gap estimates were based on a number of assumptions and projections developed by the DOB in consultation with other State agencies.

On January 22, 2013, the Governor submitted his Executive Budget proposal for FY 2014, and made amendments thereto through February 21, 2013, as permitted by law. On February 25, 2013, DOB issued the Executive Budget Financial Plan, as amended, which included projections for FY 2013 through FY 2017 that reflected the estimated impact of the Governor's Executive Budget proposal. The Governor's Executive Budget proposed measures (the "gap-closing plan") that, if enacted without modification, were expected to be sufficient to eliminate the General Fund budget gap of $1.35 billion in FY 2014, and to reduce the future projected budget gaps to $2.1 billion in FY 2015, $3.6 billion in FY 2016, and $4.2 billion in FY 2017.

On March 28, 2013, the Legislature completed final action on the budget for FY 2014, which began on April 1, 2013. Consistent with past practice, the Legislature enacted the annual debt service appropriations in advance of the other appropriations (the debt service appropriations were passed on March 20, 2013). On April 10, 2013, the Governor completed his review of all budget bills, including the veto of certain line-item appropriations, none of which had a material impact on the Financial Plan.

DOB estimates that the Enacted Budget for FY 2014 is balanced in the General Fund on a cash basis, eliminating the gap in FY 2014 and reducing future projected budget gaps to $2.0 billion in FY 2015 and $2.9 billion in both FY 2016 and FY 2017. The following table summarizes the General Fund Enacted Budget for FY 2014, and compares it to FY 2013 results. See "Financial Plan Overview — Explanation of the FY 2014 Enacted Budget Gap-Closing Plan" for a detailed summary of the General Fund gap-closing plan for FY 2014, and "Financial Plan Overview — Risks and Uncertainties Related to the State Financial Plan" for a discussion of risks that have the potential to affect the Financial Plan.

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GENERAL FUND FINANCIAL PLAN
CASH BASIS
ANNUAL CHANGE
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Annual Change Dollar	Annual Change Percent
Opening Fund Balance	1,787	1,610	(177)	-9.9%
Receipts:				
Taxes:				
Personal Income Tax	26,884	28,488	1,604	6.0%
User Taxes and Fees (1)	9,112	6,548	(2,564)	-28.1%
Business Taxes	6,253	6,375	122	2.0%
Other Taxes	1,034	1,069	35	3.4%
Miscellaneous Receipts	3,504	3,096	(408)	-11.6%
Federal Receipts	62	2	(60)	-96.8%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,328	8,840	512	6.1%
Sales Tax in Excess of LGAC/Sales Tax Revenue Bond Debt Service (2)	2,416	5,440	3,024	125.2%
Real Estate Taxes in Excess of CW/CA Debt Service	541	532	(9)	-1.7%
All Other Transfers	649	866	217	33.4%
Total Receipts	58,783	61,256	2,473	4.2%
Disbursements:				
Local Assistance Grants	39,760	40,258	498	1.3%
Departmental Operations: (3)				
Personal Service	6,130	5,681	(449)	-7.3%
Non-Personal Service	1,726	1,883	157	9.1%
General State Charges	4,550	4,953	403	8.9%
Transfers to Other Funds:				
Debt Service	1,647	1,328	(319)	-19.4%
Capital Projects	916	1,227	311	34.0%
State Share Medicaid (4)	2,846	1,813	(1,033)	-36.3%
SUNY Operations (5)	340	971	631	185.6%
Other Purposes (6)	1,045	3,043	1,998	191.2%
Total Disbursements	58,960	61,157	2,197	3.7%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(177)	99	276	155.9%
Closing Fund Balance	1,610	1,709	99	6.1%
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	93	68	(25)	
Reserved For:				
Prior-Year Labor Agreements (2007-2011)	77	51	(26)	
Debt Management	13	263	250	
Undesignated Fund Balance	100	0	(100)	

Source: NYS DOB.

[1,2] The large decrease in the line labeled "User Taxes and Fees" and the large increase in the line labeled "Sales Tax in Excess of LGAC/Sales Tax Revenue Bond Debt Service" reflects in part the impact of legislation enacted with the FY 2014 Enacted Budget that creates a new sales tax revenue bond program. Pursuant to the legislation, the pledged receipts must first be deposited into the new Sales Tax Revenue Bond Tax Fund, an account within the General Debt Service Fund that will provide for the payment of Sales Tax Revenue bonds, and then transferred to the General Fund after payment of debt service.

[3,5] Effective with the academic year that began on July 2012, the State changed the process through which SUNY receives the State share of its operating support from direct General Fund spending to General Fund transfers.

[4,6] The annual decrease in "State Share Medicaid" and the annual increase in "Other Transfers" reflects in part changes in the accounting of State support for Mental Hygiene services due to reductions in Federal reimbursement rates, effective April 1, 2014.

RECEIPTS

General Fund receipts, including transfers from other funds, are expected to total $61.3 billion in FY 2014, an annual increase of $2.5 billion (4.2 percent). Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are expected to total $57.3 billion, an increase of $2.7 billion (5.0 percent).

General Fund personal income tax receipts, including transfers after payment of debt service on State PIT revenue bonds, are expected to increase by $2.1 billion (6 percent) from FY 2013. This primarily reflects increases in withholding and extension payments attributable to the 2012 tax year, partially offset by an expected increase in total taxpayer refunds and a decline in 2013 estimated payments.

General Fund user taxes and fees receipts for FY 2014, including transfers after the set aside of pledged receipts for debt service on New York Local Government Assistance Corporation (LGAC) and any Sales Tax Revenue Bonds, are estimated to total $12 billion in FY 2014, an increase of $460 million (4 percent) from FY 2013. In the chart on the previous page, the large decrease in the line labeled "User Taxes and Fees" and the large increase in the line labeled "Sales Tax in Excess of LGAC/Sales Tax Revenue Bond Debt Service" reflects in part the impact of legislation enacted with the FY 2014 Enacted Budget that creates a new Sales Tax Revenue Bond Program secured with dedicated revenues consisting of one cent of the State's four cent sales and use tax. Pursuant to the legislation, the pledged receipts must first be deposited into the new Sales Tax Revenue Bond Tax Fund, a sub-fund within the General Debt Service Fund that will provide for the payment of debt service on Sales Tax Revenue Bonds, and the balance to be transferred to the General Fund.

General Fund business tax receipts are estimated at $6.4 billion in FY 2014, an increase of $122 million (2 percent) from FY 2013 results. The estimate reflects growth in all business taxes except the corporate utilities tax and bank tax. Growth in corporate franchise, insurance, and petroleum business tax receipts reflect a continuation of patterns seen in FY 2013. Corporation and utilities tax receipts are expected to decline in FY 2014, and the extraordinary growth in bank tax receipts in FY 2013 is not expected to continue in FY 2014.

Other tax receipts in the General Fund are expected to total approximately $1.1 billion in FY 2014, an increase of $35 million (3.4 percent) from FY 2013. This mainly reflects an increase in expected estate tax receipts, offset in part by a decline in real estate transfer tax receipts. The estate tax increase is the result of an expected return in FY 2014 to a number of large estate payments consistent with historical experience. Real estate transfer tax receipts are expected to decline in FY 2014 following the acceleration of receipts from FY 2014 into FY 2013.

General Fund miscellaneous receipts are estimated at $3.1 billion in FY 2014, a decrease of $408 million. The decrease largely reflects a one-time payment in FY 2013 from a settlement between the Department of Financial Services (DFS) and Standard Chartered Bank, and lower motor vehicle fee receipts due to the cyclical nature of eight-year license renewals, offset by an expected deposit of $250 million from the State Insurance Fund (SIF) reserve release in connection with Workers' Compensation law changes enacted in the FY 2014 budget.

Non-tax transfers to the General Fund are expected to total $866 million, an increase of $217 million (33 percent) largely due to changes in accounting of certain receipts and greater resources from available fund balances.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, see “State Financial Plan Projections Fiscal Years 2014 through 2017” herein.

DISBURSEMENTS

General Fund disbursements, including transfers to other funds, are expected to total $61.2 billion in FY 2014, an increase of $2.2 billion (3.7 percent) from FY 2013 results. Local assistance grants are expected to total $40.3 billion, an annual increase of $498 million (1.3 percent). Included within local assistance grants, General Fund disbursements are expected to increase by $180 million for School Aid and $116 million for Medicaid.[3] All other local assistance grants, which include, among other things, payments for a range of social services, public health, education, and general purpose aid programs, are expected to increase by $200 million.

State operations disbursements in the General Fund are expected to total $7.6 billion in FY 2014, an annual decrease of $292 million (3.7 percent). Personal service costs are expected to decrease by $449 million, mainly reflecting one-time retroactive payments in FY 2013 made in connection with labor agreements covering prior contract periods. Non-personal service costs are expected to increase by $157 million in FY 2014, in large part due to the timing of certain costs related to disaster assistance.

General State charges are expected to total $5.0 billion, an annual increase of $403 million (8.9 percent). This mainly reflects an increase in the State's annual pension contribution of $412 million, driven by an increase to the State’s pension contribution rate and an increase in the level of payments associated with prior year pension amortization. The State expects to continue to amortize pension costs in excess of the amortization thresholds established in law. In FY 2014, costs in excess of 12.5 percent of payroll for the Employees Retirement System (ERS) and 20.5 percent for the Police and Fire Retirement System (PFRS) are expected to be amortized.

General Fund transfers to other funds are expected to total $8.4 billion in FY 2014, a $1.6 billion increase from FY 2013. This increase is partially attributable to the accounting of SUNY operating support as a transfer rather than a direct State Operating expense in the General Fund, and a reduction in Federal aid for Mental Hygiene services, which results in higher State-share costs.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year. For a more comprehensive discussion of the State's disbursements projections by major activity, see “State Financial Plan Projections Fiscal Years 2014 through 2017” herein.

CLOSING BALANCE

DOB projects that the State will end FY 2014 with a General Fund cash balance of $1.7 billion, an increase of $99 million from FY 2013 results. Balances in the State’s principal "rainy day" reserve funds, the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund, are expected to remain unchanged in FY 2014. The combined balance of the two funds is equal to approximately 2.1 percent of estimated General Fund disbursements in FY 2014. The Community Projects Fund, which finances discretionary

[3] DOH Medicaid disbursements only. Medicaid-related expenses for Mental Hygiene are shown as a transfer from the General Fund on the line labeled “State Share Medicaid”.

grants allocated by the Legislature and Governor, is expected to decrease by $25 million in FY 2014, reflecting disbursements from existing re-appropriations.

The Financial Plan continues to identify money in the General Fund balance to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms for prior contract periods. The amount identified is calculated based on the “pattern” settlement for FY 2008 through FY 2011 that was agreed to by the State’s largest unions. In FY 2014, DOB estimates the reserve will be reduced by $26 million to fund the FY 2014 costs of a labor settlement reached with NYSCOPBA in FY 2013 for prior contract periods. The remaining reserve will be reduced as labor agreements for prior periods are reached with other unions.

The Enacted Budget reserves $263 million for debt management purposes in FY 2014, an increase of $250 million from FY 2013 results. The increase is expected to be funded with certain reserves released by the SIF pursuant to Workers' Compensation Law changes enacted with the FY 2014 budget.

The Financial Plan assumes that the undesignated balance of $100 million at the close of FY 2013 will be used in its entirety in FY 2014 to cover the timing of certain costs related to disaster assistance that were expected in FY 2013, but are now expected to be incurred by the General Fund in FY 2014.

PROJECTED GENERAL FUND BUDGET GAPS

The General Fund budget gaps for future years are now projected at approximately $2.0 billion in FY 2015 and $2.9 billion in both FY 2016 and FY 2017. The following table summarizes the projected General Fund receipts and disbursements for FY 2015, FY 2016, and FY 2017. The projections reflect the expected impact of the FY 2014 Enacted Budget gap-closing plan.

GENERAL FUND FINANCIAL PLAN CASH BASIS FY 2015 through FY 2017 (millions of dollars)	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts:			
Taxes:			
Personal Income Tax	29,423	31,541	33,619
User Taxes and Fees	6,814	7,094	7,275
Business Taxes	5,854	6,349	6,579
Other Taxes	1,144	1,159	1,169
Miscellaneous Receipts	3,551	2,682	2,653
Federal Receipts	0	0	0
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	9,124	9,572	10,066
Sales Tax in Excess of LGAC/Sales Tax Revenue Bond Debt Service	5,602	5,784	5,881
Real Estate Taxes in Excess of CW/CA Debt Service	608	683	739
All Other Transfers	764	719	722
Total Receipts	62,884	65,583	68,703
Disbursements:			
Local Assistance Grants	42,598	45,056	47,276
Departmental Operations:			
Personal Service	5,850	6,111	6,127
Non-personal Service	1,968	2,005	2,086
General State Charges	5,328	5,604	5,873
Transfers to Other Funds:			
Debt Service	1,483	1,452	1,345
Capital Projects	1,384	1,400	1,799
State Share Medicaid	1,338	1,311	1,279
SUNY Operations	971	971	971
Other Purposes	4,003	4,548	4,853
Total Disbursements	64,923	68,458	71,609
Reserve (Uses)/Deposits:			
Community Projects Fund	(35)	(33)	0
Prior-Year Labor Agreements (2007-2011)	10	14	14
Debt Management	0	0	0
Undesignated Fund Balance	0	0	0
Change in Reserves	(25)	(19)	14
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(2,014)	(2,856)	(2,920)

Source: NYS DOB.

EXPLANATION OF THE FY 2014 ENACTED BUDGET GAP-CLOSING PLAN

The table below itemizes the FY 2014 Enacted Budget gap-closing plan and for FY 2015 through FY 2017.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF ENACTED BUDGET GAP-CLOSING PLAN (millions of dollars)	FY 2014	FY 2015	FY 2016	FY 2017
CURRENT SERVICES GAP ESTIMATES (BEFORE ACTIONS)[1]	**(1,352)**	**(3,979)**	**(5,201)**	**(5,663)**
SPENDING CONTROL	**1,351**	**838**	**730**	**931**
Agency Operations	**325**	**313**	**317**	**313**
Executive Agencies	95	158	165	177
Independent Officials/University System	62	29	28	14
Fringe Benefits/Fixed Costs	168	126	124	122
Local Assistance	**676**	**442**	**445**	**594**
Health Care	110	98	92	114
Social Services/Housing	92	203	182	196
Human Services COLA/Trends (All Agencies)	71	85	88	95
Education	429	20	79	218
School Aid	*402*	*7*	*51*	*190*
All Other	*27*	*13*	*28*	*28*
All Other Local Assistance	(26)	36	4	(29)
Debt Management	**350**	**83**	**(32)**	**24**
INITIATIVES/INVESTMENTS	**(699)**	**(757)**	**(886)**	**(1,122)**
Joint Legislative Additions[2]	(376)	(440)	(522)	(553)
Executive Budget Investments	(178)	(159)	(98)	(98)
Thruway Authority	(84)	(86)	(87)	(89)
Capital Commitment Plan (Debt Service Impact)	(5)	(25)	(87)	(277)
All Other	(56)	(47)	(92)	(105)
FEDERAL REVENUE REDUCTION PLAN	**0**	**(65)**	**(43)**	**282**
OPWDD Federal Rate Change[3]	(1,100)	(1,000)	(650)	(325)
State Savings Plan	500	480	272	272
Federal Resources	600	455	335	335
REVENUES/EXTENDERS	**389**	**723**	**2,080**	**2,139**
18-a Utility Assessment	255	472	396	358
Limit on High Income Charitable Contribution	70	140	140	70
PIT Extension	0	500	1,993	2,445
Middle Class Family Tax Credit	0	(410)	(410)	(410)
Extend and Reform Film Credit	0	0	0	(165)
Job Growth Package	0	(65)	(115)	(196)
All Other	64	86	76	37
OTHER CHANGES	**311**	**1,226**	**464**	**513**
Workers' Compensation Reform/SIF Reserve Release	250	1,000	250	250
Debt Management Set-Aside	(250)	0	0	0
Receipts Forecast Revisions (since Jan. 2013)	130	242	226	270
Undesignated Fund Balance (Timing for Disaster Assistance)	100	0	0	0
All Other	81	(16)	(12)	(7)
ENACTED BUDGET SURPLUS/(GAPS)	**0**	**(2,014)**	**(2,856)**	**(2,920)**

[1] All forecast revisions made since the release of the Executive Budget in January 2013 are accounted for in the appropriate categories of the gap-closing plan (e.g., spending reestimates in the category entitled "Spending Control").

[2] Restorations to Executive Budget proposals are reflected in the "Spending Control" and "Revenues/Extenders" categories.

[3] The current services gap estimates (i.e., the projected receipts and disbursements, prior to the actions and reestimates reflected in the Enacted Budget) had assumed the phase-down of Federal rates for State-Operated disability services beginning in FY 2016.

The FY 2014 Enacted Budget gap-closing plan provides recurring savings and other actions over the Financial Plan period, reducing the General Fund budget gaps by a projected $2.0 billion in FY 2015, $2.3 billion in FY 2016, and $2.7 billion in FY 2017. The FY 2015 General Fund budget gap equals approximately 3.2 percent of projected General Fund receipts for FY 2015. In total, the combined General Fund budget gap estimates for FY 2014 through FY 2017 is approximately $7.8 billion. By comparison, the budget gap closed in FY 2012 alone was estimated at $10 billion.

During negotiations, the Governor and Legislature agreed to approximately $553 million in gross spending restorations and additions to the Executive Budget. Restorations, which are costs from the rejection of certain savings proposals contained in the Executive Budget, totaled approximately $177 million. The impact of the restorations are accounted for in "spending control". The largest restorations were in the areas of mental hygiene, health care, and education. Additions, which represent distinct new spending added to the Executive Budget by the Legislature, totaled approximately $376 million. The most significant additions were for School Aid and other education programs. The Governor and Legislature also reached agreement on the reprogramming of certain spending initiatives proposed in the Executive Budget.

Resources were identified to fund the restorations and additions, and to provide for a balanced budget in FY 2014. These include forecast revisions to receipts and disbursements, based on updated economic data, receipts collections, and year-end operating results for FY 2013. In addition, $500 million from the SIF reserve release related to Workers' Compensation Law changes has been redirected from PAYGO capital in FY 2014, as had been proposed in the Executive Budget, to reduce the budget gap in FY 2015. The total reserve release used to reduce the FY 2015 budget gap now totals $1.0 billion.

SPENDING CONTROL

AGENCY OPERATIONS

Agency Operations include salaries, wages, fringe benefits, and non-personal service costs (i.e., supplies, utilities). Reductions from the FY 2014 current-services forecast for agency operating costs contribute $325 million to the General Fund gap-closing plan for FY 2014.

- **Executive Agencies:** Continued workforce management, annualization of savings from 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 relatively constant at approximately 120,468 Full-Time Equivalents (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 reflect an annual increase in FY 2014 (compared to the FY 2013 estimates contained in the FY 2014 Executive Budget).

- **Fringe Benefits/Fixed Costs:** Savings for employee/retiree health care have been achieved through a lower than anticipated 2013 rate renewal increase for the Empire Plan. In addition, savings are expected by making monthly payments (rather than a single payment in March 2014) to the State's pension system to realize annual interest savings. The earlier payments during the year are expected to be possible due to the State's improved liquidity position.

LOCAL ASSISTANCE

Local assistance spending includes financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. 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 $676 million to the General Fund gap-closing plan. The most significant gap-closing actions in local assistance include:

- **Healthcare:** The Enacted Budget reduces disbursements for various public health programs by 5 percent, transfers funding for other public health programs between HCRA and the General Fund, reduces costs of the Excess Medical Malpractice program, and improves program administration. In addition, savings are realized from re-estimates to FY 2014 disbursement levels.

- **Social Services/Housing:** The Enacted Budget authorizes the use of supplemental Federal Temporary Assistance to Needy Families (TANF) funding for child care, which will provide General Fund savings in FY 2014. In addition, resources from the State of New York Mortgage Agency's (SONYMA's) excess Mortgage Insurance Fund (MIF) reserves will be used to support the Neighborhood and Rural Preservation Programs and the Rural Rental Assistance program in FY 2014 and FY 2015.

- **Human Services Cost-of-Living Adjustments (COLA)/Trends:** The Enacted Budget eliminates the automatic 1.4 percent human services "cost-of-living" increase for FY 2014, and maintains existing rates for mental hygiene programs, including various residential and day programs for individuals with developmental disabilities, and other health and human services programs. In addition, savings are realized from re-estimates to FY 2014 disbursement levels based on FY 2013 operating results.

- **Education:** Savings in FY 2014 are realized by the prepayment in March 2013 of School Aid otherwise payable in the first quarter of FY 2014 (the timing has no impact on a school year basis). Financial Plan savings are also realized by the recalculation of future School Aid growth under the statutory cap to reflect DOB's updated personal income forecast, among other things. In addition, certain school districts were not in compliance with the Annual Professional Performance Review by the January 17, 2013 deadline, and, as a result, they were not eligible for planned increases for the 2012-13 school year.

- **Other Local Programs:** Savings are expected to be achieved across multiple functions and program areas. Actions include delays to certain plans associated with mental health bed development, and the establishment of fraud protection mechanisms related to the STAR program. In addition, projected disbursements for several programs have been revised downward based on FY 2013 results.

DEBT MANAGEMENT

Savings have been realized by the pre-payment, in FY 2013, of debt service due in FY 2014. In addition, savings are expected from, among other things, refunding existing debt at lower interest rates.

INVESTMENTS/INITIATIVES

- **Joint Legislative Additions:** During negotiations, the Executive and Legislature agreed to approximately $553 million in gross spending restorations and additions to the Executive Budget proposal for FY 2014. Restorations, which are costs from the rejection of certain Executive Budget savings proposals totaled approximately $177 million. The largest restorations were in the areas of mental hygiene, health care, and education. Additions, which represent distinct new spending added to the Executive Budget proposal by the Legislature, totaled approximately $376 million. The most significant additions were for School Aid and other education programs.

- **Executive Budget Investments:** As part of budget negotiations, the Executive and Legislature reached agreement on the reprogramming of certain spending initiatives proposed in the Executive Budget. The largest of these were in the areas of education and health care.

- **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 Authority, will be financed 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.

- **Capital Commitment Plan:** 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 Financial Plan reflects the estimated debt service costs from the capital plan.

- **All Other:** Other investments and initiatives include, among other things, an accelerated Payment in Lieu of Taxes (PILOT) payment to the City of Albany, the promotion of tourism and economic development opportunities in conjunction with Super Bowl XLVIII, and the advance of Tribal State Compact revenues to the City of Salamanca.

FEDERAL REVENUE REDUCTION PLAN

The Enacted Budget addresses reductions in Federal Medicaid revenue related to reimbursement for State-operated developmental disability services. (See "Financial Plan Overview — Risks and Uncertainties Related to the State Financial Plan" herein.) Savings in the future years of the Financial Plan depend on approval by the Federal government of specific aid. The following table: (a) summarizes the specific actions that are reflected in the Financial Plan for FY 2014 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**
OPWDD Savings Actions	90
Other State Actions	30
Global Medicaid Spending 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 Expected Federal Aid	250

IMPACT OF ACTIONS ON STATE OPERATING FUNDS SPENDING	
Change in Available SOF Resources Due to Aid Reduction	**(820)**
Change in SOF Disbursements	**(820)**
OPWDD Savings Actions	*(90)*
Transfer of Costs to DOH Medicaid	***(730)***
Global Cap Underspending	(200)
MRT Investment Delays/Reform Acceleration	(180)
State MA Costs Financed with Eligible Federal Resources	(350)

REVENUES/EXTENDERS

- **18-a Utility Assessment:** The Temporary Utility Assessment on electric, gas, water and steam utilities is extended and phased out over three and one-half years beginning in FY 2015. The rate of 2 percent for public utilities will be lowered to 1.75 percent in FY 2016, 1.5 percent in FY 2017 and 0 percent in FY 2018. The rate of 1 percent for LIPA will decrease to 0.75 percent, 0.5 percent and 0 percent over the same timeframe.

- **High Income Charitable Contribution Deduction Limitation:** The Enacted Budget extends for three years, starting with tax year 2013, the existing limitation on charitable contribution deductions for New York State and New York City taxpayers with adjusted gross income over $10 million.

- **Warrantless Wage Garnishment:** The Enacted Budget allows Department of Taxation and Finance (DTF) to garnish wages of delinquent taxpayers without filing a warrant with the Department of State (DOS) or County Clerks. The warrant requirement is replaced with a faster public notification requirement. Warrants offer no additional protection for delinquent taxpayers and requiring counties to receive the warrants from DTF represents an unfunded mandate. Wages will only be garnished if a taxpayer fails to negotiate a repayment agreement with DTF.

- **Delinquent Taxpayers' Driver's Licenses:** The Enacted Budget creates a new program to aid in the enforcement of past-due tax liabilities by suspending, with certain exceptions, the New York State driver's licenses of taxpayers who owe taxes in excess of $10,000. A "past-due tax liability" refers to any tax liability that has become fixed and final such that the taxpayer no longer has any right to administrative or judicial review. The program will be modeled after the State's successful use of license suspensions to compel legally owed child support payments.

- **New York Film Production Tax Credit:** The Enacted Budget extends the Empire State film production tax credit totaling $420 million per year for an additional five years. Restrictions on the post-production portion of the credit will be reduced and additional reporting will be required to document the effectiveness of the credit in creating jobs. In 2015 through 2019, film and post production projects are eligible for an additional 10 percent credit for wages and salaries (excluding writers, directors, music directors, producers and performers) paid as part of projects undertaken in certain upstate New York counties.

- **Tax Modernization Provisions:** The tax modernization provisions enacted in 2011, and extended last year, are extended again until December 31, 2016. These provisions, including mandatory e-filing and e-payment for preparers and taxpayers, sales tax payment requirements, and segregated accounts for non-complying vendors, would have otherwise expired at the outset of the tax year 2013 filing season on December 31, 2013.

- **Tax Reductions:** The Enacted Budget includes several new tax reductions. These include a refundable $350 credit in each of tax years 2014-2016 to taxpayers with dependents under the age of 17, zero or positive tax liability, and income between $40,000 and $300,000; a refundable tax credit for tax years 2014-2018 for a portion of the minimum wage paid to students age 16-19; a phased in manufacturing tax rate reduction of 9.2 percent in tax year 2014, 12.3 percent in 2015, 15.4 percent in 2016 and 2017, and 25 percent effective tax year 2018; a refundable tax credit for hiring veterans; and a four year refundable tax credit capped at $6 million per year for tax years 2014 through 2017 for hiring unemployed, low-income, or at-risk youth in qualifying areas.

- **PIT Brackets and Rates with Indexing:** The Enacted Budget extends the December 2011 PIT reform program for three additional tax years, 2015-2017.

- **Historic Commercial Properties Rehabilitation Tax Credit:** This law change provides assurance to developers who are rehabilitating historic commercial property, or are considering doing so, by extending the existing $5 million per project tax credit for five years (2015-2019) and makes the credit refundable beginning in tax year 2015.

- **Historic Homes Rehabilitation Credit:** The Enacted Budget extends for five years the maximum credit amount of $50,000 (scheduled to revert to $25,000), and the refundability of the credit for persons with incomes under $60,000 (scheduled to revert to nonrefundable).

OTHER

- **Workers' Compensation Legislation:** The Workers' Compensation Board (WCB) assesses its administrative and special fund costs to the industry which includes carriers, the State agency for the State Insurance Fund (SIF), and the self-insurers including municipal self-insurers. Historically, SIF's share of the various assessments was based on their share of the total paid indemnity reported. As a result, prior to 2013 legislative changes, accounting standards required SIF to accrue and fund a long term assessment liability on its financial statements. Based upon a review of SIF's financial statements, it had a WCB assessment liability in excess of $2 billion. Legislation passed in 2013 includes a complete redesign of the assessment process to an employer-based assessment that will require carriers to collect the necessary amounts from the employers and remit amounts directly to the WCB. As a result of this legislation, SIF's assessments will not be based on the long-term indemnity. Therefore, accounting standards no longer require SIF to accrue a long term assessment liability. Additionally, the legislation states: "Effective immediately, notwithstanding any law to the contrary, pursuant to the provisions of this chapter, the assessment reserves held by the state insurance fund for the payment of future assessments are no longer required and all funds and investments held by the state insurance fund related to the assessment reserves shall be transferred to the chair of the workers' compensation board as soon as possible." The legislation goes on to describe how the funds will be incrementally transferred from the WCB to the State's General Fund from April 1, 2013 to April 1, 2016. As a result of the legislation, SIF is expected to release approximately $2 billion in reserves that would no longer be required to fund future liabilities under the assessment and accounting changes provided for in the law. The Financial Plan assumes $250 million of released reserves will be used in FY 2014 for debt management purposes, and $1.5 billion will be used to reduce budget gaps in future years ($1 billion in FY 2015 and $250 million in both FY 2018 and FY 2019). The remaining amounts of reserves being released are expected to be used to stabilize SIF premiums for a period of time.

- **Debt Management Set-Aside:** The Enacted Budget sets aside an additional $250 million for debt management purposes, which is expected to be financed with $250 million from the release of SIF reserves.

- **Tax Receipts Forecast Revisions:** This reflects the net impact of changes to the tax receipts forecast since the release of the original Executive Budget submission in January 2013. It includes adjustments made in the amended Executive Budget Financial Plan and as part of the consensus revenue forecasting process undertaken with the Legislature in March 2013.

- **Undesignated Fund Balance:** The Financial Plan assumes that the undesignated balance of $100 million at the close of FY 2013 will be used in FY 2014 to cover the timing of certain costs related to disaster assistance that were budgeted in FY 2013, but are now expected to be charged to the General Fund in FY 2014.

RISKS AND UNCERTAINTIES RELATED TO THE STATE FINANCIAL PLAN

GENERAL

The Enacted Budget 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 Enacted Budget 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 Enacted Budget Financial Plan.

The Enacted Budget 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 ongoing instability in the Euro-zone; 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; and the levels of household debt on consumer spending and State tax collections.

Among other factors, the Enacted Budget Financial Plan is subject to various other uncertainties and contingencies relating to the extent, if any, to which wage increases for State employees exceed projected annual wage costs; changes in the size of the State's 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 Enacted Budget Financial Plan; the ability of the State to implement cost reduction initiatives, including reductions 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 herein. The projections and assumptions contained in the Financial Plan are subject to revisions which may reflect substantial adverse changes resulting from the occurrence of one or more uncertainties. No assurance can be given that these estimates and projections, which depend in part upon 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 State's General Fund budget gaps will not increase materially from current projections. If such events were to occur, the State would be required to take additional gap-closing actions. These 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.

The Financial Plan projections assume that School Aid and Medicaid disbursements will be limited to the growth in NYS personal income and the ten-year average growth in the Medicaid component of Consumer Price Index (CPI), respectively, however, the Enacted Budget authorizes spending for School Aid to increase in excess of the growth in personal income for SY 2014.

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 Enacted Budget. In addition, savings are dependent upon timely Federal approvals, revenue performance in the State's HCRA fund (which finances approximately one-third of the DOH State-share costs of Medicaid), and the participation of health care industry stakeholders.

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 revenues at the levels expected in the 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 ISSUES

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 Enacted Budget 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. Issues of particular concern are described below.

FEDERAL REIMBURSEMENT FOR STATE MENTAL HYGIENE SERVICES

The Federal government lowered Medicaid developmental disability center payment rates, effective April 1, 2013, which will reduce Federal funding to the State by approximately $1.1 billion beginning in FY 2014. The Enacted Budget includes a plan to address the loss in Federal aid, including $90 million in OPWDD savings associated with reduced administrative costs, enhanced audit recoveries and improved program efficiencies. The plan is subject to implementation risks and is dependent, in part, on the approval of the Federal government. As described below, the Federal Centers for Medicare and Medicaid Services (CMS) may seek to retroactively recover Federal funds regarding this matter.

AUDIT DISALLOWANCE

In addition to the reductions in rates that commenced on April 1, 2013, on February 8, 2013, the U.S. Department of Health & Human Services Office of the Inspector General, at the direction of the Federal CMS, began a review to determine the allowability of Medicaid costs for services provided in prior years to the Medicaid population in New York State-Operated Intermediate Care Facilities for the Developmentally Disabled (ICF/DD). The initial review period includes claims for services provided during the period April l, 2010 through March 31, 2011. As a result of this review, CMS may seek to recover Federal funds for any payments that it determines to have been in excess of Federal requirements. The State has prospectively resolved CMS concerns regarding its payments to ICF/DDs with a State plan change effective April 1, 2013, and continues to have discussions with CMS to resolve these concerns related to the April 1, 2010 through March 31, 2011 period. As noted above, adverse action by the Federal government relative to the allowability of Medicaid costs or services in years prior to FY 2014 is expected to result in a reduction in Federal aid of an estimated $1.1 billion annually. A comparable amount of Federal aid is at risk for any prior period that may be pursued by CMS. Matters of this type are sometimes resolved with a prospective solution (as already commenced by the State), and the State is not aware of any similar attempts by the Federal government to retroactively recover Federal aid of this magnitude that was paid pursuant to an approved State plan. The State continues to seek CMS approval to proceed with the development of a sustainable system of service funding and delivery for individuals with developmental disabilities. However, there can be no assurance that Federal action in this matter will not result in materially adverse changes to the Enacted Budget Financial Plan.

BUDGET CONTROL ACT

The Federal Budget Control Act (BCA) of 2011 imposed annual caps on Federal discretionary spending over a ten-year period and mandated an additional $1.2 trillion in deficit reduction, which, if not enacted, would be achieved through the sequestration of funds in Federal Fiscal Year (FFY) 2013 and lowered discretionary spending caps in the following years. As the required deficit reduction was not achieved by the March 1, 2013 deadline, an across-the-board 5 percent reduction in FFY 2013 funding for Federal nondefense discretionary programs was implemented. If Congress does not act to otherwise achieve the BCA deficit reduction requirements, DOB estimates that New York State and local governments could lose approximately $5 billion in Federal funding over nine years, mostly from reductions in “pass-through” aid to individuals, school districts, not-for-profit providers, and other beneficiaries.

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 and such proceeds must be used for health care related expenses. The Enacted Budget counts on conversion proceeds of $175 million in FY 2014, and $300 million annually in FY 2015, FY 2016, and FY 2017. In recent years, the Financial Plan has counted on similar amounts from conversions, which have not been realized. It is expected that any proceeds received will be deposited into the HCRA account. If estimated proceeds from health care conversions are not realized on the timetable or at the levels assumed in the Enacted Budget, the State may be required to take other actions, such as reducing planned spending in HCRA, or financing additional health care expenses in the General Fund, or both.

STATUS OF CURRENT LABOR NEGOTIATIONS (CURRENT CONTRACT PERIOD)

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, Council 82, and UUP. The State has labor contracts with approximately 90 percent of unionized State employees. Generally, the contracts provide for no across-the-board 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 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 represented by the UUP ratified their agreement with the State on June 4, 2013. The agreement contains no general salary increases until 2014 and 2015 when there will be 2 percent general salary increases awarded in each year, payments to be awarded by the Chancellor, and performance incentive lump sum payment awarded by campus presidents. UUP-represented employees will also have a DRP. Employees in the unions that have reached settlements with the State received contingent layoff protection through FY 2013 and continued protection for the remaining 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.

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

The Enacted Budget continues to identify a portion of the General Fund balance to cover the costs of a pattern settlement with unions that have not agreed to contracts for prior contract periods. The amount 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 related to 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 Enacted Budget 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.

DOB expects that the State will have sufficient liquidity to make payments as they become due throughout FY 2014, but that the General Fund may, from time to time on a daily basis, need to borrow resources temporarily from other funds in STIP. As noted above, 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. The table below provides an estimate of month-end balances for FY 2014.

ACTUAL AND PROJECTED MONTH-END CASH BALANCES FY 2014 (millions of dollars)	General Fund	Other Funds	All Funds
April (Results)	6,379	3,175	9,554
May (Results)	3,744	3,765	7,509
June (Projected)	3,918	2,512	6,430
July (Projected)	3,920	2,795	6,715
August (Projected)	3,293	3,664	6,957
September (Projected)	5,005	1,471	6,476
October (Projected)	4,219	2,219	6,438
November (Projected)	2,817	2,153	4,970
December (Projected)	4,166	634	4,800
January (Projected)	6,061	2,646	8,707
February (Projected)	6,125	2,612	8,737
March (Projected)	1,709	2,307	4,016

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 2014 will be 12.5 percent of payroll for the Employees Retirement System (ERS) and 20.5 percent for the Police and Fire Retirement System (PFRS), may be amortized.

The Enacted Budget forecast 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, 10.5 percent in FY 2012, and 11.5 percent in FY 2013. DOB projects the rate to be 12.5 percent in FY 2014, 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 applicable for FY 2018 and beyond.

The State's minimum PFRS pension contribution rate was 17.5 percent in FY 2011, 18.5 percent in FY 2012 and 19.5 percent in FY 2013. DOB projects the rate to be 20.5 percent in FY 2014, 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. . Therefore, no amortization of ERS costs will be applicable for FY 2018 and beyond. These projected contribution rates, however, are a function of projected market returns and future actuarial assumptions with the next quinquennial study to take place in 2015 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 March of 2013, the State made pension payments to NYSLRS that totaled $1.181 billion for FY 2013, and amortized $674 million. In addition, the State's Office of Court Administration (OCA) made its pension payment of $189 million, and amortized $104 million. The $778 million in total deferred payments will be repaid with interest over the next ten years, beginning in FY 2014.

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 Enacted Budget forecast 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 (per annum) over ten years from the date of each deferred payment, consistent with the interest rate 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 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 FY 2018. Therefore, the State will not have the option to amortize any of its pension costs in 2018, or in the immediately succeeding fiscal years. 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.

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 Actual	2,084.3	(778.5)	100.9	1,406.7
2014 Projected	2,481.6	(858.0)	192.1	1,815.7
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 2017.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

State employees become eligible for post-employment benefits (health insurance) if they reach retirement while working for the State, are enrolled in New York State Health Insurance Program (NYSHIP) (or are enrolled in the State's opt-out program) at the time they have reached retirement, and have at least ten years of NYSHIP benefits eligible 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 Governmental Accounting Standards Board (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 (ARC) 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 unfunded actuarial accrued liability 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 annual OPEB cost 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 net asset condition at the end of FY 2012 by $2.5 billion.

An updated actuarial valuation of OPEB liabilities was also performed as of April 1, 2012. The unfunded actuarial accrued liability for FY 2013 is $66.5 billion ($54.3 billion for the State and $12.2 billion for SUNY). The annual OPEB cost totaled $3.4 billion ($2.6 billion for the State and $0.8 billion for SUNY). The unfunded actuarial accrued liability and annual OPEB cost for the State detailed in this paragraph are unaudited. Audited amounts will ultimately be reflected in the Basic Financial Statements for the State and SUNY for FY 2013.

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 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 current 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 Governor's Office of Employee Relations (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.

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 Financial Plan. For more information on litigation affecting the State, see the section entitled "Litigation and Arbitration" later in this AIS.

UPDATE ON STORM RECOVERY

In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various New York State counties, and was soon followed by the September 2011 Tropical Storm Lee which caused flooding in additional New York State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. Little more than one year later, on October 29, 2012, Superstorm Sandy struck the East Coast, causing widespread infrastructure damage and economic losses to the greater New York region. The frequency and intensity of these storms presents economic and financial risks to the State. Major disaster response and recovery activities have been ongoing. In January 2013, the Federal government approved approximately $60 billion in Federal disaster aid for general recovery, rebuilding and mitigation activity nationwide, of which New York anticipates receiving $30 billion. The State expects to receive $5.1 billion in extraordinary Federal assistance during FY 2014 specifically for Superstorm Sandy expenses. There can be neither the assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities, nor that such Federal disaster aid will be provided on the expected schedule.

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 is expected to be needed to adapt existing infrastructure to the risks posed by climate change.

FINANCIAL CONDITION OF NEW YORK STATE LOCALITIES

The fiscal demands on the State may be affected by the fiscal conditions of New York City and potentially other localities, which rely in part on State aid to balance their budgets and meet their cash requirements. Certain localities outside New York City, including cities, and counties, have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. For more information, see the section entitled "Authorities and Localities" later in this AIS.

BOND MARKET

Implementation of the Enacted Budget 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 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, it can adversely affect the State's overall cash position and capital funding plan. The success of projected public sales will, among other things, be 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.

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 restricts the issuance of State-supported debt to capital purposes only and limits such debt to a maximum term of 30 years. The 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 since 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. For FY 2012, the last year for which a calculation has been completed, the State was in compliance with the statutory caps based on calendar year 2011 personal income and FY 2012 debt outstanding. The FY 2013 calculation is expected to be completed in October 2013.

Current projections estimate that debt outstanding and debt service will continue to remain below the limits imposed by the 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 $3.6 billion in FY 2013 to $560 million in FY 2016. This includes the estimated impact of the bond-financed portion of increased capital commitment levels included in the 10-year capital planning projections and debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Going forward, bonds issued under the newly created SUNY Dormitory Facilities Revenue credit will not be included in the State's calculation of debt caps. 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.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)									TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	Remaining Capacity	Debt as a % of PI	Remaining Capacity		Debt Outstanding Prior to April 1, 2000	Supported Debt Outstanding
FY 2013	1,029,227	4.00%	41,169	37,523	3,647	3.65%	0.35%		15,011	52,534
FY 2014	1,053,199	4.00%	42,128	40,432	1,696	3.84%	0.16%		13,661	54,093
FY 2015	1,113,934	4.00%	44,557	43,639	919	3.92%	0.08%		11,940	55,579
FY 2016	1,176,932	4.00%	47,077	46,517	560	3.95%	0.05%		10,560	57,077
FY 2017	1,241,836	4.00%	49,673	48,902	772	3.94%	0.06%		9,019	57,921
FY 2018	1,308,517	4.00%	52,341	50,657	1,683	3.87%	0.13%		7,503	58,161

DEBT SERVICE SUBJECT TO CAP (millions of dollars)									TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Capacity	DS as a % of Revenue	% Capacity		Debt Service Prior to April 1, 2000	Total State-Debt Service
FY 2013	133,174	4.98%	6,637	3,678	2,959	2.76%	2.22%		2,460	6,138
FY 2014	140,405	5.00%	7,020	3,925	3,095	2.80%	2.20%		1,804	5,729
FY 2015	143,404	5.00%	7,170	4,211	2,960	2.94%	2.06%		1,881	6,091
FY 2016	148,146	5.00%	7,407	4,594	2,813	3.10%	1.90%		1,859	6,453
FY 2017	154,031	5.00%	7,702	4,988	2,713	3.24%	1.76%		1,766	6,754
FY 2018	156,302	5.00%	7,815	5,328	2,487	3.41%	1.59%		1,711	7,039

Debt Financing Changes

Sales Tax Revenue Bond Program

Legislation enacted with the FY 2014 Enacted Budget creates a new Sales Tax Revenue Bond Program. The legislation creates the Sales Tax Revenue Bond Tax Fund, a sub-fund 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 1 percent of the State's 4 percent sales and use tax receipts. With a limited exception, upon the satisfaction of all of the obligations and liabilities of LGAC, the amount of sales tax receipts directed to this fund will increase to 2 percent. Tax receipts in excess of debt service requirements will be transferred to the State’s General Fund.

DOB expects the first Sales Tax Revenue Bond issue to close in the third quarter of FY 2014 and that the Sales Tax Revenue Bonds will be used interchangeably with PIT bonds to finance most of the State capital needs. 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 Revenue Bond Program

Legislation included in the FY 2014 Enacted Budget creates a new bonding program for SUNY Dormitory Facilities. The new bonding program will be supported solely by third party revenues generated by student rents. All rental revenues will flow to the newly created Dormitory Facilities Revenue Fund held by the Commissioner of Taxation and Finance and owned by DASNY for the payment of debt service without an appropriation. Unlike the existing program, the new program will not include a SUNY general obligation pledge, thereby eliminating any recourse to the State. Accordingly, such bonds will 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. Under this legislation, the existing SUNY Dormitory Facilities lease revenue bonds and associated debt service will continue to be counted as State-supported debt until they are refunded into the new program or are paid off at maturity.

SECURED HOSPITAL PROGRAM

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf to pay for the cost of upgrading their primary health care facilities. In the event of shortfalls in revenues to pay debt service on the Secured Hospital bonds (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 service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State Medical Care Facilities Financing Agency (MCFFA) and by the Dormitory Authority of the State of New York (DASNY) through the Secured Hospital Program. . As of March 31, 2013, there was approximately $421 million of bonds outstanding for this program.

The financial condition of hospitals in the State's Secured Hospital Program continues to deteriorate. Of the six remaining hospitals in the program, two are experiencing significant operating losses that have impaired their ability to remain current on their loan agreements with DASNY. In relation to the Secured Hospital Program, the State plans to pay debt service costs of $13 million in FY 2014, approximately $30 million annually for FY 2015 through FY 2017, and $17 million in FY 2018. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for two hospitals that currently are not meeting the terms of their legal agreements with DASNY, as well as the debt service costs of a third hospital that is now closed. The State has estimated additional exposure of up to $44 million annually, if all hospitals in the program failed to meet the terms of their agreement with DASNY and if available reserve funds were depleted.

SUNY DOWNSTATE HOSPITAL

To address the deteriorating financial condition of SUNY Downstate Hospital, legislation included in the FY 2014 Enacted Budget required the Chancellor of SUNY to submit to the Governor and the Legislature a sustainability plan for the Downstate Hospital on or before June 1, 2013, and upon approval by both the Commissioner of Health and the Director of Budget, for the Chancellor of SUNY to initiate implementation of such plan by June 15, 2013. Specifically, the legislation required the sustainability plan to: 1) set forth recommendations necessary to achieve financial stability for Downstate Hospital, and 2) preserve the academic mission of Downstate Hospital's medical school. In accordance with this legislation, the Chancellor of SUNY submitted a sustainability plan for Downstate Hospital on May 31, 2013, and supplemented the plan with changes in a letter dated June 13, 2013. The supplemented plan was approved by both the Commissioner of Health and the Director of the Budget on June 13, 2013. As part of the approved sustainability plan, State financial assistance will be made available based on the implementation of specific initiatives necessary to achieve the financial milestones included in the sustainability plan.

2013 LEGISLATIVE SESSION

The State's 2013 legislative session is expected to end on June 20, 2013. Impacts to the State's financial plan from end-of-session legislative activity are not expected to result in material and adverse differences to the estimates for the current fiscal year contained in this AIS. However, certain tax law changes under consideration related to the creation of "tax-free zones", if enacted, would likely reduce anticipated revenue growth starting in FY 2015. The potential loss in tax receipts in future years will depend on the final provisions and implementation of the legislation. DOB expects to update its multi-year projections of receipts and disbursements with the first quarterly update to the AIS to reflect the fiscal impact, if any, of all legislation enacted in the remainder of the session.

STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2014 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 Enacted Budget actions. The section includes preliminary FY 2013 results and projections for FY 2014 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 complicates 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 primarily concentrated 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. Accordingly, in terms of the outyear projections, the first outyear of the FY 2014 budget, FY 2015, is the most relevant from a planning perspective.

SUMMARY

DOB estimates that the Enacted Budget provides for a balanced General Fund Financial Plan in FY 2014 and leaves projected budget gaps that total approximately $2.0 billion in FY 2015, $2.9 billion in FY 2016, and $2.9 billion in FY 2017. The net operating shortfalls in State Operating Funds is projected at $2.0 billion in FY 2015, $2.7 billion in FY 2016 and $2.6 billion in FY 2017.

The annual budget gaps 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. Budget gaps in other funds are typically financed by the General Fund.

STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2014 THROUGH 2017

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 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts					
Taxes (After Debt Service)	54,568	57,292	58,569	62,182	65,328
Miscellaneous Receipts/Federal Grants	3,566	3,098	3,551	2,682	2,653
Other Transfers	649	866	764	719	722
Total Receipts	**58,783**	**61,256**	**62,884**	**65,583**	**68,703**
Disbursements					
Local Assistance Grants	39,760	40,258	42,598	45,056	47,276
School Aid	17,110	17,290	18,573	19,390	20,519
Medicaid	11,109	11,225	11,391	12,136	12,631
All Other	11,541	11,743	12,634	13,530	14,126
State Operations	7,856	7,564	7,818	8,116	8,213
Personal Service	6,130	5,681	5,850	6,111	6,127
Non-Personal Service	1,726	1,883	1,968	2,005	2,086
General State Charges	4,550	4,953	5,328	5,604	5,873
Transfers to Other Funds	6,794	8,382	9,179	9,682	10,247
Debt Service	1,647	1,328	1,483	1,452	1,345
Capital Projects	916	1,227	1,384	1,400	1,799
Mental Hygiene State Share Medicaid	2,846	1,813	1,338	1,311	1,279
SUNY Operations	340	971	971	971	971
All Other	1,045	3,043	4,003	4,548	4,853
Total Disbursements	**58,960**	**61,157**	**64,923**	**68,458**	**71,609**
Change in Reserves	**(177)**	**99**	**(25)**	**(19)**	**14**
Prior-Year Labor Agreements (2007-11)	(206)	(26)	10	14	14
Community Projects Fund	(9)	(25)	(35)	(33)	0
Debt Management	0	250	0	0	0
Undesignated Fund Balance	38	(100)	0	0	0
Budget Surplus/(Gap) Projections	**0**	**0**	**(2,014)**	**(2,856)**	**(2,920)**

STATE OPERATING FUNDS PROJECTIONS

STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts					
Taxes	64,932	67,951	69,765	74,014	77,722
Miscellaneous Receipts/Federal Grants	20,142	19,299	20,329	19,437	19,576
Total Receipts	**85,074**	**87,250**	**90,094**	**93,451**	**97,298**
Disbursements					
Local Assistance Grants	58,578	59,564	62,218	64,871	67,288
School Aid	20,163	20,471	21,692	22,514	23,641
STAR	3,286	3,419	3,602	3,704	3,805
Other Education Aid	1,927	2,032	2,091	2,197	2,328
Higher Education	2,629	2,825	2,911	2,994	3,066
Medicaid[1]	15,879	16,230	16,780	17,591	18,248
Public Health/Aging	2,040	2,222	1,997	1,989	1,960
Mental Hygiene	3,602	2,833	3,450	3,967	4,173
Social Services	3,031	2,996	3,050	3,146	3,242
Transportation	4,303	4,745	4,831	4,910	4,995
Local Government Assistance	754	764	769	782	794
All Other	964	1,027	1,045	1,077	1,036
State Operations	17,683	17,824	18,246	18,846	19,155
Personal Service	12,403	12,357	12,637	13,071	13,204
Non-Personal Service	5,280	5,467	5,609	5,775	5,951
General State Charges	6,437	7,089	7,531	7,952	8,285
Pension Contribution	1,601	2,013	2,256	2,418	2,446
Health Insurance (Active Employees)	1,720	1,824	1,945	2,060	2,232
Health Insurance (Retired Employees)	1,409	1,491	1,531	1,651	1,788
All Other	1,707	1,761	1,799	1,823	1,819
Debt Service	6,138	5,743	6,123	6,482	6,783
Capital Projects	8	5	5	5	5
Total Disbursements	**88,844**	**90,225**	**94,123**	**98,156**	**101,516**
Net Other Financing Sources/(Uses)	4,283	2,885	2,080	2,028	1,601
Net Operating Surplus/(Deficit)	**513**	**(90)**	**(1,949)**	**(2,677)**	**(2,617)**
Reconciliation to General Fund Gap:					
Designated Fund Balances:	(513)	90	(65)	(179)	(303)
General Fund	177	(99)	25	19	(14)
Special Revenue Funds	(737)	248	(96)	(205)	(268)
Debt Service Funds	47	(59)	6	7	(21)
General Fund Budget Gap	**0**	**0**	**(2,014)**	**(2,856)**	**(2,920)**

[1] This value does not include HCRA Indigent Care payments to SUNY institutions, which have been reclassified as transfers for reporting purposes.

RECEIPTS

Financial Plan receipts comprise a variety of taxes, fees, and charges for State-provided services, Federal grants, and other miscellaneous receipts. The receipts estimates and projections have been prepared by DOB on a multi-year basis with the assistance of the Department of Taxation and Finance and other agencies responsible for the collection of State receipts. Where noted, certain tables in the following section display General Fund tax receipts that exclude amounts transferred to the General Fund in excess of amounts needed for certain debt service obligations (e.g., personal income tax receipts in excess of the amount transferred for debt service on revenue bonds). For a detailed description of revenue sources, see “Exhibit D - Principal State Taxes and Fees” herein.

OVERVIEW OF THE RECEIPTS FORECAST

- New York’s economic recovery continued in FY 2013, with all major tax groups registering gains compared with the prior year. Personal income tax payments grew stronger during the final quarter of the fiscal year, mainly as the result of anticipated Federal tax law changes. Sales tax receipts increased by one percent (despite the full return of the clothing exemption), business tax receipts registered another large annual gain, and other tax receipts benefitted from real estate gains taken in advance of Federal tax law changes which took effect in 2013. Continuing economic growth is expected to yield a fourth consecutive year of growth in receipts during FY 2014.

- After climbing 7.7 percent in FY 2012, base receipts adjusted for tax law changes grew by 5.8 percent in FY 2013 and are expected to increase by 4.6 percent in FY 2014.

- Corporate profits are expected to record a fifth consecutive year of growth in calendar year 2013, albeit at a slower rate when compared to the growth rates of recent years.

- After accounting for law changes, consumer and business spending on taxable goods and services rose for the third consecutive year in FY 2013, growing 3.2 percent, and is estimated to rise 3.1 percent in FY 2014.

- Personal income tax liability growth is expected to slow in tax year 2013. Capital gains, dividend payouts, and wage shifting taken in advance of Federal tax rate hikes artificially inflated tax year 2012 liability growth. These liability components are expected to grow more slowly, or even decline in tax year 2013.

- Significant risks or uncertainties, such as budget disputes at the Federal level or an energy price shock or a natural disaster, could impact economic growth, and therefore receipts growth, in FY 2014.

All Funds receipts are projected to total $140.4 billion, an increase of $7.2 billion (5.4 percent) from FY 2013 results. The table below summarizes the receipts projections for FY 2014 and FY 2015.

TOTAL RECEIPTS (millions of dollars)	FY 2013 Results	FY 2014 Enacted	Annual $ Change	Annual % Change	FY 2015 Projected	Annual $ Change	Annual % Change
General Fund	**58,783**	**61,256**	**2,473**	**4.2%**	**62,884**	**1,628**	**2.7%**
Taxes	43,283	42,480	(803)	-1.9%	43,235	755	1.8%
Miscellaneous Receipts	3,504	3,096	(408)	-11.6%	3,551	455	14.7%
Federal Grants	62	2	(60)	-96.8%	0	(2)	-100.0%
Transfers	11,934	15,678	3,744	31.4%	16,098	420	2.7%
State Funds	**90,304**	**92,866**	**2,562**	**2.8%**	**96,035**	**3,169**	**3.4%**
Taxes	66,302	69,351	3,049	4.6%	71,194	1,843	2.7%
Miscellaneous Receipts	23,838	23,435	(403)	-1.7%	24,763	1,328	5.7%
Federal Grants	164	80	(84)	-51.2%	78	(2)	-2.5%
All Funds	**133,177**	**140,405**	**7,228**	**5.4%**	**143,405**	**3,000**	**2.1%**
Taxes	66,302	69,351	3,049	4.6%	71,194	1,843	2.7%
Miscellaneous Receipts	24,036	23,621	(415)	-1.7%	24,949	1,328	5.6%
Federal Grants	42,839	47,433	4,594	10.7%	47,262	(171)	-0.4%

This change in taxes and transfers reflects an Enacted Budget accounting change that will first deposit 25 percent of sales tax receipts that were formerly directed to the General Fund into the new Sales Tax Revenue Bond Fund. The balance will be transferred to the General Fund after the payment of debt service.

Base growth of 4.6 percent in tax receipts is estimated for FY 2014, after adjusting for law changes, and is projected to be 4.8 percent in FY 2015. These projected increases in overall base growth in tax receipts are dependent on many factors:

- Continued growth in a broad range of economic activities;
- Improving profitability and moderate wage growth;
- Recovery in the real estate market, particularly the residential market; and
- Increases in consumer spending as a result of wage and employment gains.

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
General Fund[1]	**26,884**	**28,488**	**6.0%**	**29,423**	**3.3%**	**31,541**	**7.2%**	**33,619**	**6.6%**
Gross Collections	47,443	50,421	6.3%	52,637	4.4%	56,208	6.8%	59,553	6.0%
Refunds[2]	(7,216)	(7,878)	9.2%	(8,603)	9.2%	(9,215)	7.1%	(9,654)	4.8%
STAR	(3,286)	(3,419)	4.0%	(3,602)	5.4%	(3,704)	2.8%	(3,805)	2.7%
RBTF	(10,057)	(10,636)	5.8%	(11,009)	3.5%	(11,748)	6.7%	(12,475)	6.2%
State Funds	**40,227**	**42,543**	**5.8%**	**44,034**	**3.5%**	**46,993**	**6.7%**	**49,899**	**6.2%**
Gross Collections	47,443	50,421	6.3%	52,637	4.4%	56,208	6.8%	59,553	6.0%
Refunds[2]	(7,216)	(7,878)	9.2%	(8,603)	9.2%	(9,215)	7.1%	(9,654)	4.8%

[1]Excludes Transfers.

[2]FY 2013 results reflect DOB inclusion of the State-City offset in the "Refunds" category.

State Funds PIT receipts for FY 2014 are projected to be $42.5 billion, an increase of $2.3 billion (5.8 percent) from FY 2013. This primarily reflects increases in withholding and extension payments attributable to the 2012 tax year, partially offset by an increase in total refunds and a decline in 2013 estimated payments.

General Fund income tax receipts are net of deposits to the STAR Fund, which provides property tax relief, and the RBTF, which supports debt service payments on State Personal Income Tax Revenue Bonds. General Fund income tax receipts for FY 2014 of $28.5 billion are expected to increase by $1.6 billion (6 percent) from the prior year, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $10.6 billion and the STAR transfer is projected to be $3.4 billion.

State Funds income tax receipts for FY 2015 of $44 billion are projected to increase $1.5 billion (3.5 percent) from the prior year. This primarily reflects increases of $2.3 billion (7.1 percent) in withholding and $1.4 billion (16.4 percent) in estimated payments related to tax year 2014, partially offset by a decline of $1.6 billion (30.5 percent) in extension payments related to tax year 2013 and a $725 million (9.2 percent) increase in total refunds.

General Fund income tax receipts for FY 2015 of $29.4 billion are projected to increase by $935 million (3.3 percent) from the prior year. RBTF deposits are projected to be $11 billion, and the STAR transfer is projected to be $3.6 billion.

State Funds income tax receipts of $47 billion in FY 2016 are projected to increase $3 billion (6.7 percent) from the prior year. Gross receipts are projected to increase 6.8 percent and reflect withholding that is projected to grow by $2.3 billion (6.6 percent) and estimated payments related to tax year 2015 that are projected to grow by $820 million (8.1 percent). The aforementioned three-year extension of the December 2011 income tax reform contributes $893 million to the projected withholding increase and $1.1 billion to the projected increase in estimated payments. Payments from extensions for tax year 2014 are projected to increase by $278 million (7.8 percent) and final returns are expected to increase $100 million (4.6 percent). Delinquencies are projected to increase $40 million (3.2 percent) from the prior year. Total refunds are projected to increase by $612 million (7.1 percent) from the prior year.

General Fund income tax receipts for FY 2016 of $31.5 billion are projected to increase by $2.1 billion (7.2 percent) from the prior year.

State Funds income tax receipts are projected to increase by $2.9 billion (6.2 percent) in FY 2017 to reach $49.9 billion, while General Fund receipts are projected to be $33.6 billion.

USER TAXES AND FEES

USER TAXES AND FEES (millions of dollars)	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
General Fund[1]	**9,112**	**6,548**	**-28.1%**	**6,814**	**4.1%**	**7,094**	**4.1%**	**7,275**	**2.6%**
Sales Tax	8,423	5,866	-30.4%	6,133	4.6%	6,415	4.6%	6,599	2.9%
Cigarette and Tobacco Taxes	443	431	-2.7%	425	-1.4%	418	-1.6%	410	-1.9%
Alcoholic Beverage Taxes	246	251	2.0%	256	2.0%	261	2.0%	266	1.9%
State Funds	**14,615**	**15,116**	**3.4%**	**15,689**	**3.8%**	**16,275**	**3.7%**	**16,640**	**2.2%**
Sales Tax	11,989	12,530	4.5%	13,101	4.6%	13,695	4.5%	14,085	2.8%
Cigarette and Tobacco Taxes	1,551	1,491	-3.9%	1,466	-1.7%	1,436	-2.0%	1,405	-2.2%
Motor Fuel Tax	492	500	1.6%	504	0.8%	507	0.6%	510	0.6%
Highway Use Tax	145	140	-3.4%	143	2.1%	151	5.6%	149	-1.3%
Alcoholic Beverage Taxes	246	251	2.0%	256	2.0%	261	2.0%	266	1.9%
Taxicab Surcharge	83	90	8.4%	100	11.1%	101	1.0%	101	0.0%
Auto Rental Tax	109	114	4.6%	119	4.4%	124	4.2%	124	0.0%

[1]Excludes Transfers.

State Funds user taxes and fees receipts for FY 2014 are estimated to be $15.1 billion, an increase of $501 million (3.4 percent) from FY 2013. Sales tax receipts are expected to increase by $541 million (4.5 percent) from the prior year as the result of base growth (i.e., absent law changes) of 3.1 percent (due in part to strong vehicle sales) and the impact of new enforcement initiatives. Cigarette and tobacco collections are estimated to decline by $60 million (3.9 percent), primarily reflecting trend declines and a continuation of reductions in tax stamp sales, particularly in NYC.

General Fund user taxes and fees receipts for FY 2014 are estimated to total $6.5 billion in FY 2014, a decrease of nearly $2.6 billion (28.1 percent) from FY 2013. This decrease reflects an Enacted Budget accounting change that will first deposit 25 percent of sales tax receipts that were formerly directed to the General Fund into the new Sales Tax Revenue Bond Fund. The balance will be transferred to the General Fund after the payment of debt service. Absent this redistribution, General Fund sales tax receipts are estimated to increase by $378 million (4.5 percent) from the prior year. Also, there is an estimated decline in cigarette and tobacco collections of $12 million (2.7 percent) from FY 2013.

State Funds user taxes and fee receipts for FY 2015 are projected to be $15.7 billion, an increase of $573 million (3.8 percent) from FY 2014. The increase in sales tax receipts of $571 million (4.6 percent) reflects sales tax base growth of 4.4 percent due to expected increased consumer activity based on strong projected disposable income growth. Cigarette and tobacco tax receipts are projected to decline by $25 million (1.7 percent).

General Fund user taxes and fees receipts are projected to total $6.8 billion in FY 2015, an increase of $266 million (4.1 percent) from FY 2014. This increase largely reflects the projected increase in State Funds sales tax receipts discussed above.

State Funds user taxes and fees are projected to be $16.3 billion in FY 2016 and $16.6 billion in FY 2017, representing increases of $586 million (3.7 percent) and $365 million (2.2 percent), respectively, from the prior year. These increases represent base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections.

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)									
	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
General Fund	**6,253**	**6,375**	**2.0%**	**5,854**	**-8.2%**	**6,349**	**8.5%**	**6,579**	**3.6%**
Corporate Franchise Tax	2,624	2,934	11.8%	2,237	-23.8%	2,595	16.0%	2,721	4.9%
Corporation and Utilities Tax	686	603	-12.1%	646	7.1%	662	2.5%	678	2.4%
Insurance Tax	1,346	1,418	5.3%	1,468	3.5%	1,523	3.7%	1,540	1.1%
Bank Tax	1,597	1,420	-11.1%	1,503	5.8%	1,569	4.4%	1,640	4.5%
State Funds	**8,465**	**8,638**	**2.0%**	**8,195**	**-5.1%**	**8,750**	**6.8%**	**9,046**	**3.4%**
Corporate Franchise Tax	3,009	3,379	12.3%	2,704	-20.0%	3,085	14.1%	3,234	4.8%
Corporation and Utilities Tax	895	788	-12.0%	833	5.7%	854	2.5%	881	3.2%
Insurance Tax	1,509	1,587	5.2%	1,644	3.6%	1,706	3.8%	1,730	1.4%
Bank Tax	1,912	1,694	-11.4%	1,789	5.6%	1,870	4.5%	1,956	4.6%
Petroleum Business Tax	1,140	1,190	4.4%	1,225	2.9%	1,235	0.8%	1,245	0.8%

State Funds business tax receipts for FY 2014 are estimated at $8.6 billion, an increase of $173 million (2 percent) from the prior year. The estimate reflects growth across all taxes except the corporate utilities tax and bank tax. Growth in corporate franchise, insurance, and petroleum business tax receipts reflect a continuation of growth seen in FY 2013. Corporation and utilities tax receipts are expected to decline in FY 2014, and the extraordinary FY 2013 growth in bank tax receipts is not expected to continue in FY 2014.

General Fund business tax receipts for FY 2014 of $6.4 billion are estimated to increase by $122 million (2 percent) from FY 2013 results. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

State Funds business tax receipts for FY 2015 of $8.2 billion are projected to decrease $443 million (5.1 percent) from the prior year. This decrease primarily reflects the first year of the repayment of deferred tax credits to taxpayers. Excluding this payback, FY 2015 receipts would show virtually no change from FY 2014.

General Fund business tax receipts for FY 2015 of $5.9 billion are projected to decrease $521 million (8.2 percent) from the prior year for the reasons cited above.

State Funds business tax receipts for FY 2016 and FY 2017 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. State Funds business tax receipts are projected to increase to $8.8 billion (6.8 percent) in FY 2016, and increase to $9 billion (3.4 percent) in FY 2017. General Fund business tax receipts are expected to increase to $6.3 billion (8.5 percent) in FY 2016 and increase to $6.6 billion (3.6 percent) in FY 2017.

OTHER TAXES

OTHER TAXES (millions of dollars)	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
General Fund[1]	**1,034**	**1,069**	**3.4%**	**1,144**	**7.0%**	**1,159**	**1.3%**	**1,169**	**0.9%**
Estate Tax	1,014	1,050	3.6%	1,125	7.1%	1,140	1.3%	1,150	0.9%
Gift Tax	1	0	N/A	0	N/A	0	N/A	0	N/A
Pari-Mutuel Taxes	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
State Funds	**1,790**	**1,809**	**1.1%**	**1,954**	**8.0%**	**2,044**	**4.6%**	**2,109**	**3.2%**
Estate Tax	1,014	1,050	**3.6%**	1,125	7.1%	1,140	1.3%	1,150	0.9%
Gift Tax	1	0	N/A	0	N/A	0	N/A	0	N/A
Real Estate Transfer Tax	756	740	-2.1%	810	9.5%	885	9.3%	940	6.2%
Pari-Mutuel Taxes	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%

[1]Excludes Transfers.

State Funds other tax receipts for FY 2014 are estimated to be $1.8 billion, an increase of $19 million (1.1 percent) from FY 2013. This mainly reflects an increase of $36 million (3.6 percent) in estate tax receipts, partially offset by a decline of $16 million (2.1 percent) in real estate transfer tax receipts. The estate tax increase is the result of an expected return in FY 2014 to a number of super-large estate payments (payments of over $25 million) consistent with long-term trends. The FY 2014 real estate transfer tax estimate reflects the spin-up of money from FY 2013 into FY 2014 caused by the uncertainty surrounding the fiscal cliff negotiations, which more than offsets improvements in FY 2014 market pricing.

General Fund other tax receipts are expected to be nearly $1.1 billion in FY 2014, an increase of $35 million (3.4 percent) from FY 2013. This reflects the change in estate tax receipts mentioned above.

State Funds other tax receipts for FY 2015 are projected to be just under $2 billion, an increase of $145 million (8 percent) from FY 2014. This reflects strong projected growth in both the real estate transfer and estate taxes.

General Fund other tax receipts are expected to total more than $1.1 billion in FY 2015. This reflects an increase of $75 million (7.1 percent) in estate tax receipts from the prior year due to a projected increase in household net worth.

The FY 2016 State Funds receipts projection for other taxes is over $2 billion, an increase of $90 million (4.6 percent) from FY 2015. Growth in the estate tax is projected to follow forecast increases in household net worth. Receipts from the real estate transfer tax are also projected to increase, reflecting continuing growth in the residential and commercial real estate markets.

The FY 2017 State Funds receipts projection for other taxes is $2.1 billion, an increase of $65 million (3.2 percent) from FY 2016. Moderate growth is projected in estate tax collections, following forecast increases in household net worth. Real estate transfer tax collections are projected to grow as a result of increases in the value of real property transfers.

General Fund other tax receipts for FY 2016 are projected to grow by $15 million (1.3 percent) entirely due to the modest growth in the estate tax noted above. General Fund other tax receipts for FY 2017 are projected to increase by $10 million (0.9 percent), also due to the small estate tax growth noted above.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)									
	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
General Fund	**3,566**	**3,098**	**-13.1%**	**3,551**	**14.6%**	**2,682**	**-24.5%**	**2,653**	**-1.1%**
Miscellaneous Receipts	3,504	3,096	-11.6%	3,551	14.7%	2,682	-24.5%	2,653	-1.1%
Federal Grants	62	2	-96.8%	0	-100.0%	0	N/A	0	N/A
State Funds	**24,002**	**23,515**	**-2.0%**	**24,841**	**5.6%**	**24,332**	**-2.0%**	**23,780**	**-2.3%**
Miscellaneous Receipts	23,838	23,435	-1.7%	24,763	5.7%	24,254	-2.1%	23,702	-2.3%
Federal Grants	164	80	-51.2%	78	-2.5%	78	0.0%	78	0.0%
All Funds	**66,875**	**71,054**	**6.2%**	**72,211**	**1.6%**	**72,682**	**0.7%**	**74,853**	**3.0%**
Miscellaneous Receipts	24,036	23,621	-1.7%	24,949	5.6%	24,440	-2.0%	23,888	-2.3%
Federal Grants	42,839	47,433	10.7%	47,262	-0.4%	48,242	2.1%	50,965	5.6%

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 miscellaneous receipts are projected to total $23.6 billion in FY 2014, a decrease of $415 million from FY 2013. The General Fund component of the All Funds miscellaneous receipts represent $3.1 billion in FY 2014, a decrease of $408 million from FY 2013 results, largely due to the one-time receipt during FY 2013 of $340 million as part of a settlement between DFS and Standard Chartered Bank, and lower motor vehicle fee receipts due to the cyclical nature of eight-year license renewals. Significant changes outside of the General Fund include projected increases in HCRA, SUNY income, and growth in bond proceeds funding for several capital improvement projects, offset by a decline in debt service receipts that is largely associated with the restructuring of the SUNY Dormitory bonding program which removes associated receipts from the State's All Governmental Funds budget.

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 for Federal reimbursement to be received in the State fiscal year in which spending occurs, but timing sometimes varies. All Funds Federal grants are projected to total $47.4 billion in FY 2014, an increase of $4.6 billion from FY 2013, driven primarily by additional Federal funding for disaster assistance costs, as well as the annual impact of increased Federal spending associated with the ACA.

All Funds miscellaneous receipts are projected to increase by $1.3 billion in FY 2015, the General Fund component of which is $455 million and primarily reflects new resources from the planned transfer of $500 million from the SIF release related to Workers' Compensation changes. Other projected State fund increases to miscellaneous receipts include bond proceeds for capital projects, HCRA, debt service, and SUNY income from tuition revenues.

All Funds Federal grants are projected to decrease by $171 million in FY 2015, driven primarily by the timing of Federal disaster assistance costs, the majority of which is expected to be disbursed during FY 2014.

All Funds miscellaneous receipts decrease by $509 million in FY 2016, driven by the decline in General Fund resources transferred from SIF, partially offset by a projected increase in miscellaneous receipts from bond proceeds available to fund capital improvement projects. All Funds miscellaneous receipts decrease by $552 million in FY 2017, driven by a projected decrease in miscellaneous receipts for capital projects, partially offset by increases in SUNY income and HCRA revenue collections.

Annual Federal grants growth of $980 million in FY 2016 and $2.7 billion in FY 2017 is primarily due to growth in Medicaid spending, reflecting the continued impact of spending associated with the ACA.

DISBURSEMENTS

General Fund disbursements in FY 2014 are estimated to total $61.2 billion, an increase of $2.2 billion (3.7 percent) over preliminary FY 2013 results. State Operating Funds disbursements for FY 2014 are estimated to total $90.2 billion, an increase of $1.4 billion (1.6 percent) over preliminary FY 2013 results.

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, public assistance 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 $61.2 billion in the General Fund and $90.2 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 Federal spending reductions that were triggered on March 1, 2013, most of which is “pass-through” aid.

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 $59.6 billion in FY 2014 and accounts for over 65 percent of total State Operating Funds spending. Education and health care spending account for three-quarters of local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

		Forecast			
	FY 2013 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Medicaid					
Medicaid Caseload	4,812,715	5,176,084	6,110,639	6,169,418	6,198,080
- Family Health Plus Caseload	446,259	467,246	0	0	0
- Child Health Plus Caseload	344,000	356,000	368,000	380,000	392,000
State Takeover of County/NYC Costs	$1,613	$1,690	$1,665	$1,800	$2,168
- Family Health Plus	$477	$528	$219	$0	$0
- Medicaid	$1,136	$1,162	$1,446	$1,800	$2,168
Education					
School Aid (School Year)	$20,236	$21,228	$21,950	$22,784	$24,037
Education Growth	3.0	4.9	3.4	3.8	5.5
Higher Education					
Public Higher Education Enrollment (FTEs)	567,473	566,707	565,941	565,078	564,880
Tuition Assistance Program Recipients	309,921	310,065	310,065	310,065	310,065
Public Assistance Caseloads					
Family Assistance Program	256,566	249,528	243,345	238,262	233,706
Safety Net Program - Families	122,368	118,706	115,450	112,747	110,279
Safety Net Program - Singles	187,254	185,777	184,815	184,361	184,385
Mental Hygiene					
Total Mental Hygiene Community Beds	90,394	92,977	97,514	100,245	102,239
- OMH Community Beds	38,778	40,707	44,644	46,778	48,222
- OPWDD Community Beds	39,536	40,091	40,621	41,121	41,621
- OASAS Community Beds	12,080	12,179	12,249	12,346	12,396
Prison Population (Corrections)	54,617	54,300	54,000	53,800	53,700

Note: Dollar amounts in table are in millions. FY 2013 results are preliminary and are subject to revision.

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)

School Aid will increase by $992 million in 2013-14 school year, a 4.9 percent increase from 2012-13 school year[4]. In addition, $75 million of competitive grant funding is provided for several key initiatives recommended by the *New* NY Education Reform Commission in its Preliminary Report to the Governor, including pre-kindergarten and extended learning, bringing the total annual education aid increase to $1.067 billion. The Enacted Budget also includes a new two-year appropriation that continues Education Law provisions to tie future School Aid increases to the rate of growth in New York State personal income.

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 to reward school districts that demonstrate significant student performance improvements or 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 allowable growth is 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 $722 million in school year (SY) 2015 and $834 million in SY 2016. School Aid is projected to reach an annual total of $24.0 billion in SY 2017.

SCHOOL AID AND *NEW* NY EDUCATION REFORM INITIATIVES - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)
(millions of dollars)

	SY 2013	SY 2014	Change	SY 2015	Change	SY 2016	Change	SY 2017	Change
School Aid	$20,236	$21,228	$992	$21,950	$722	$22,784	$834	$24,037	$1,253
			4.9%		3.4%		3.8%		5.5%
New NY Education Reform Initiatives	$0	$75	$75	$75	$0	$75	$0	$75	$0
Total	**$20,236**	**$21,303**	**$1,067**	**$22,025**	**$722**	**$22,859**	**$834**	**$24,112**	**$1,253**
			5.3%		**3.4%**		**3.8%**		**5.5%**

[4] This amount reflects the annual increase in formula-based aids in the computer runs produced by the Department of Education in support of the Enacted Budget, plus the annual increase in categorical and other aids, including competitive Performance Improvement and Management Efficiency grants.

STATE FISCAL YEAR

The State finances School Aid and New NY Education Reform Initiatives 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.

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

SCHOOL AID AND EDUCATION REFORM AID - STATE FISCAL YEAR BASIS
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**20,163**	**20,471**	**1.5%**	**21,692**	**6.0%**	**22,514**	**3.8%**	**23,641**	**5.0%**
General Fund Local Assistance	17,110	17,289	1.0%	18,573	7.4%	19,390	4.4%	20,519	5.8%
General Fund Lottery Aid Guarantee	0	10	N/A	0	N/A	0	0.0%	0	0.0%
Core Lottery Aid	2,217	2,230	0.6%	2,225	-0.2%	2,227	0.1%	2,225	-0.1%
VLT Lottery Aid	857	881	2.8%	894	1.5%	897	0.3%	897	0.0%
VLT Aid Balance Roll	(21)	21	N/A	0	N/A	0	0.0%	0	0.0%
Other Lottery Fund Resources	0	40	N/A	0	N/A	0	0.0%	0	0.0%

State spending for School Aid and New NY Education Reform Initiatives is projected to total $20.5 billion in FY 2014. In future years, receipts available to finance this category of aid from core lottery sales are projected to remain stable, 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; pre-kindergarten 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 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 50 professions.

OTHER EDUCATION
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**1,927**	**2,032**	**5.4%**	**2,091**	**2.9%**	**2,197**	**5.1%**	**2,328**	**6.0%**
Special Education	1,352	1,418	4.9%	1,522	7.3%	1,626	6.8%	1,751	7.7%
All Other Education	575	614	6.8%	569	-7.3%	571	0.4%	577	1.1%

Special education growth is primarily driven by an increase in program costs and enrollment for preschool special education and the summer school special education programs. The increase in other education spending for FY 2014 over FY 2013 is driven primarily by one-time costs associated with targeted aid and grants, which are not projected to continue beyond FY 2014.

In order to enhance oversight of the preschool special education program, the FY 2014 Enacted Budget also supports the expansion of State and county audit capabilities and the development of data systems to enhance analysis of available program data.

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 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**3,286**	**3,419**	**4.0%**	**3,602**	**5.4%**	**3,704**	**2.8%**	**3,805**	**2.7%**
Basic Exemption	1,857	1,896	2.1%	1,997	5.3%	2,052	2.8%	2,106	2.6%
Enhanced (Seniors)	841	912	8.4%	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 Enacted Budget establishes a STAR re-registration and anti-fraud program. This program is expected to eliminate waste, fraud and abuse in the STAR exemption by (1) authorizing DTF 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 educational facilities 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 the Corporation 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. Growth in HESC reflects the rising cost of higher education tuition and the consequent demand for increased tuition assistance. SUNY local assistance reflects an increase in community college aid, which fully annualizes in the outyears.

HIGHER EDUCATION
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**2,629**	**2,825**	**7.5%**	**2,911**	**3.0%**	**2,994**	**2.9%**	**3,066**	**2.4%**
City University	**1,220**	**1,345**	**10.2%**	**1,401**	**4.2%**	**1,470**	**4.9%**	**1,548**	**5.3%**
City University	1,026	1,130	10.1%	1,185	4.9%	1,254	5.8%	1,332	6.2%
Community College	194	215	10.8%	216	0.5%	216	0.0%	216	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	893	948	6.2%	959	1.2%	972	1.4%	966	-0.6%
Aid for Part Time Study	14	12	-14.3%	12	0.0%	12	0.0%	12	0.0%
Scholarships/Awards	40	44	10.0%	47	6.8%	48	2.1%	48	0.0%
State University	**462**	**476**	**3.0%**	**492**	**3.4%**	**492**	**0.0%**	**492**	**0.0%**
State University	457	472	3.3%	485	2.8%	485	0.0%	485	0.0%
Other/Cornell	5	4	-20.0%	7	75.0%	7	0.0%	7	0.0%

Note: State support for SUNY four-year institutions is funded through State operations rather than local assistance.

Growth in spending for higher education over the multi-year Financial Plan period largely reflects aid to New York City for reimbursement of CUNY senior college operating expenses associated with the rising contribution rates for fringe benefits.

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 Financial Plan estimates for 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 State's Medicaid spending is projected to total approximately $55.7 billion in FY 2014, including the local contribution[5].

The Enacted 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 to grant the Executive certain administrative powers to help hold Medicaid spending to the capped level were amended through legislation included in the FY 2014 Enacted Budget to provide flexibility to adjust Medicaid projections to meet unanticipated costs resulting from events such as a natural or other type of disaster. The statutory provisions of the Medicaid spending cap have been extended through FY 2015, pursuant to authorization included in the FY 2014 Enacted Budget. The cap itself remains in place, and the 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 Enacted Budget also eliminates the FHP program effective January 1, 2015. The majority of the 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 Health Insurance Exchange and the State will pay all additional out-of-pocket costs for these individuals. The proposed transition to the Exchange is expected to provide savings to the State of $59.0 million in FY 2015, and $67.5 million thereafter.

[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 Calendar Year 2013, with the State assuming all growth in County 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 previous statute.

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

	FY 2013 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Department of Health					
DOH State Share	15,900	16,421	16,977	17,805	18,474
Local Assistance	15,879	16,230	16,780	17,591	18,248
State Operations[2]	21	191	197	214	226
Annual $ Change - DOH Only		521	556	828	669
Annual % Change - DOH Only		3.3%	3.4%	4.9%	3.8%
Other State Agencies					
Mental Hygiene	4,758	4,903	5,430	6,019	6,141
Foster Care	89	87	90	94	98
Education	17	0	0	0	0
Corrections	0	12	12	13	13
Total State Share (All Agencies)	**20,764**	**21,423**	**22,509**	**23,931**	**24,726**
Annual $ Change - Total State Share		659	1,086	1,422	795
Annual % Change - Total State Share		3.2%	5.1%	6.3%	3.3%

[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] Increased State Operations costs in FY 2014 reflects the transfer of the Office of Health Insurance Programs to Medicaid from Public Health without new spending.

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 the State share of Medicaid costs beginning in FY 2014.

Total "state share" Medicaid, which includes Medicaid costs of State agencies in addition to DOH, reflects downward spending adjustments of $820 million in FY 2014, $535 million in FY 2015, and $357 million thereafter. This 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 FYs 2016 and 2017, and are part of the Mental Hygiene Stabilization Fund within the DOH global spending cap.

The FY 2013 Enacted Budget included authorization for the State to take over 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 comprised of the General Fund, HCRA, provider assessment revenue, and indigent care payments. The chart below provides information on the financing sources for State Medicaid spending.

DEPARTMENT OF HEALTH MEDICAID[1]
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
State Operating Funds	**15,900**	**16,421**	**3.3%**	**16,977**	**3.4%**	**17,805**	**4.9%**	**18,474**	**3.8%**
Total General Fund - Local	11,109	11,225	1.0%	11,391	1.5%	12,136	6.5%	12,631	4.1%
Total General Fund - State Operations	21	191	809.5%	197	3.1%	214	8.6%	226	5.6%
Other State Funds Support	4,770	5,005	4.9%	5,389	7.7%	5,455	1.2%	5,617	3.0%
HCRA Financing	3,214	3,444	7.2%	3,812	10.7%	3,878	1.7%	4,040	4.2%
Indigent Care Support	767	776	1.2%	792	2.1%	792	0.0%	792	0.0%
Provider Assessment Revenue	783	785	0.3%	785	0.0%	785	0.0%	785	0.0%
Other	6	0	-100.0%	0	0.0%	0	0.0%	0	0.0%

[1] Does not include Medicaid spending in other State agencies, transfers, or the local government share of total Medicaid program spending.

The FY 2014 Enacted Budget transfers 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, and provide the necessary flexibility for meeting 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. The Office 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, which are 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.

PUBLIC HEALTH AND AGING
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**2,040**	**2,222**	**8.9%**	**1,997**	**-10.1%**	**1,989**	**-0.4%**	**1,960**	**-1.5%**
Public Health	**1,927**	**2,108**	**9.4%**	**1,877**	**-11.0%**	**1,862**	**-0.8%**	**1,828**	**-1.8%**
Child Health Plus	364	380	4.4%	446	17.4%	378	-15.2%	304	-19.6%
General Public Health Work	247	215	-13.0%	237	10.2%	233	-1.7%	238	2.1%
EPIC	98	170	73.5%	207	21.8%	237	14.5%	258	8.9%
Early Intervention	144	151	4.9%	167	10.6%	171	2.4%	171	0.0%
HCRA Program Account	442	424	-4.1%	429	1.2%	441	2.8%	441	0.0%
F-SHRP	249	384	54.2%	0	-100.0%	0	0.0%	0	0.0%
All Other	383	384	0.3%	391	1.8%	402	2.8%	416	3.5%
Aging	**113**	**114**	**0.9%**	**120**	**5.3%**	**127**	**5.8%**	**132**	**3.9%**

Spending growth in the CHP program through FY 2015 largely reflects costs associated with 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.

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.

The F-SHRP program is Federal 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. Spending growth in FY 2014 reflects the anticipation of peak utilization prior to the expiration of funding. The program is expected to terminate at the end of FY 2014.

The year-over-year decrease for GPHW in FY 2014 reflects a reestimate of anticipated spending. Other public health programs are being reduced, which is expected to provide savings to the General Fund of approximately $22 million in each year of the Financial Plan.

HCRA

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 program for capital improvements to health care facilities.

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. Total HCRA revenues are estimated to grow by approximately 3.3 percent on an annual basis during the Financial Plan period.

In addition to FHP, CHP, and HEAL NY, HCRA helps fund Medicaid, EPIC, physician excess medical malpractice insurance, and Indigent Care payments, which provide funding to hospitals serving a disproportionate share of individuals without health insurance.

The FY 2014 Enacted Budget reduces various public health programs and shifts funding for certain programs between HCRA and the General Fund. The shifts are expected to lower spending in HCRA by approximately $145 million in FY 2014 and $175 million thereafter and increase the General Fund spending by the same amount.

HCRA FINANCIAL PLAN FY 2013 THROUGH FY 2017 (millions of dollars)	FY 2013 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Opening Balance	**3**	**18**	**0**	**0**	**0**
Total Receipts	**5,336**	**5,610**	**5,854**	**5,949**	**6,049**
Surcharges	2,723	2,818	2,871	2,957	3,046
Covered Lives Assessment	1,045	1,045	1,045	1,045	1,045
Cigarette Tax Revenue	1,108	1,060	1,041	1,018	995
Conversion Proceeds	0	175	300	300	300
Hospital Assessments	330	345	444	469	495
NYC Cigarette Tax Transfer/Other	130	167	153	160	168
Total Disbursements	**5,321**	**5,628**	**5,854**	**5,949**	**6,049**
Medicaid Assistance Account	3,219	3,444	3,812	3,878	4,040
Medicaid Costs	*1,840*	*2,145*	*2,724*	*3,229*	3,391
Family Health Plus	*682*	*650*	*439*	*0*	0
Workforce Recruitment & Retention	*157*	*197*	*197*	*197*	197
All Other	*540*	*452*	*452*	*452*	452
HCRA Program Account	459	438	444	460	460
Hospital Indigent Care	777	776	792	792	792
Elderly Pharmaceutical Insurance Coverage	105	183	220	250	271
Child Health Plus	372	386	453	385	312
Public Health Programs	128	29	0	0	0
All Other	261	372	133	184	174
Annual Operating Surplus/(Deficit)	**15**	**(18)**	**0**	**0**	**0**
Closing Balance	**18**	**0**	**0**	**0**	**0**

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.

MENTAL HYGIENE

The Department of Mental Hygiene is comprised of three independent agencies: OPWDD, OMH, 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.

MENTAL HYGIENE
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**3,602**	**2,833**	**-21.3%**	**3,450**	**21.8%**	**3,967**	**15.0%**	**4,173**	**5.2%**
People with Developmental Disabilities	**2,196**	**1,420**	**-35.3%**	**1,862**	**31.1%**	**2,156**	**15.8%**	**2,220**	**3.0%**
Residential Services	1,551	1,519	-2.1%	1,630	7.3%	1,712	5.0%	1,756	2.6%
Day Programs	560	548	-2.1%	588	7.3%	618	5.1%	635	2.8%
Clinic	22	22	0.0%	23	4.5%	24	4.3%	25	4.2%
Other Local	63	61	-3.2%	66	8.2%	69	4.5%	71	2.9%
Mental Hygiene Stabilization Fund	0	(730)	0.0%	(445)	-39.0%	(267)	-40.0%	(267)	0.0%
Mental Health	**1,094**	**1,097**	**0.3%**	**1,256**	**14.5%**	**1,462**	**16.4%**	**1,590**	**8.8%**
Adult Local Services	913	917	0.4%	1,048	14.3%	1,240	18.3%	1,364	10.0%
Children Local Services	181	180	-0.6%	208	15.6%	222	6.7%	226	1.8%
Alcohol and Substance Abuse	**311**	**315**	**1.3%**	**331**	**5.1%**	**348**	**5.1%**	**362**	**4.0%**
Outpatient/Methadone	134	135	0.7%	142	5.2%	149	4.9%	155	4.0%
Residential	105	106	1.0%	112	5.7%	118	5.4%	123	4.2%
Prevention and Program Support	55	57	3.6%	60	5.3%	63	5.0%	65	3.2%
Crisis	17	17	0.0%	17	0.0%	18	5.9%	19	5.6%
CQCAPD/Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**

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 3.7 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 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 FY 2014 Enacted Budget achieved lower spending growth by authorizing the elimination of 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, improved program efficiencies, enhanced audit recoveries, reduced administrative costs reimbursed to OPWDD providers, and revised estimates for mental health community bed funding.

OPWDD's Medicaid-related spending estimates have been revised downward in the Enacted Budget by $820 million in FY 2014, $535 million in FY 2015, and $357 million thereafter. These revisions are attributable to the impact of reduced Federal revenue from Medicaid reimbursement 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 and are part of the Mental Hygiene Stabilization Fund within the DOH global spending cap. In addition, $90 million of savings will be achieved by OPWDD through a combination of actions identified in consultation with all relevant parties. These include $50 million in savings from reduced administrative costs, improved efficiencies, and collaborative efforts to utilize lower cost community based supports and services as opposed to more costly settings such as institutions and residential schools. In addition, $40 million in savings will be generated from increased audit recoveries generated by enhanced audit activity by the OMIG related to OPWDD services provided by nonprofit agencies.

SOCIAL SERVICES

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.

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**1,540**	**1,392**	**-9.6%**	**1,290**	**-7.3%**	**1,318**	**2.2%**	**1,328**	**0.8%**
SSI	745	766	2.8%	664	-13.3%	691	4.1%	700	1.3%
Public Assistance Benefits	636	502	-21.1%	502	0.0%	502	0.0%	502	0.0%
Welfare Initiatives	36	19	-47.2%	19	0.0%	19	0.0%	19	0.0%
All Other	123	105	-14.6%	105	0.0%	106	1.0%	107	0.9%

The decline in OTDA spending from FY 2013 is driven primarily by the State's projected costs for public assistance caseload and the fact that there are no longer timing delays for payments. 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 social services departments 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 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**1,492**	**1,604**	**7.5%**	**1,760**	**9.7%**	**1,828**	**3.9%**	**1,914**	**4.7%**
Child Welfare Service	336	462	37.5%	493	6.7%	526	6.7%	560	6.5%
Foster Care Block Grant	436	436	0.0%	456	4.6%	473	3.7%	491	3.8%
Adoption	152	162	6.6%	164	1.2%	167	1.8%	171	2.4%
Day Care	217	165	-24.0%	249	50.9%	249	0.0%	249	0.0%
Youth Programs	114	152	33.3%	161	5.9%	163	1.2%	163	0.0%
Medicaid	89	87	-2.2%	90	3.4%	94	4.4%	98	4.3%
Committees on Special Education	39	30	-23.1%	33	10.0%	38	15.2%	43	13.2%
Adult Protective/Domestic Violence	34	31	-8.8%	35	12.9%	41	17.1%	48	17.1%
All Other	75	79	5.3%	79	0.0%	77	-2.5%	91	18.2%

OCFS spending growth is driven by increases in claims-based programs; 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; and the continued implementation of the NYC Close to Home Initiative. Growth in Child Welfare Services and Adult Protective/Domestic Violence reflects anticipated growth in local claims and flat Federal funding.

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. 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. Legislation enacted in December 2011 eliminates the MTA payroll tax for all elementary and secondary schools as well as for certain small businesses. The State is expected to compensate the MTA annually for the decrease in receipts from this tax reduction.

Total operating aid to the transit systems is expected to increase in FY 2014 by 10.3 percent, reflecting spending adjustments made in conjunction with upward revisions in the receipts forecast.

TRANSPORTATION (millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**4,303**	**4,745**	**10.3%**	**4,831**	**1.8%**	**4,910**	**1.6%**	**4,995**	**1.7%**
Mass Transit Operating Aid:	1,906	2,105	10.4%	2,101	-0.2%	2,101	0.0%	2,101	0.0%
Metro Mass Transit Aid	1,761	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	1,705	1,909	12.0%	1,986	4.0%	2,061	3.8%	2,143	4.0%
Dedicated Mass Transit	647	686	6.0%	698	1.7%	702	0.6%	706	0.6%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	0	0	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; VLT impact aid; and Small Government Assistance and Miscellaneous Financial Assistance. In addition, the State provides incentive grants to local governments. 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 Results	FY 2014 Enacted	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change	FY 2017 Projected	Annual % Change
Total State Operating Funds	**754**	**764**	**1.3%**	**769**	**0.7%**	**782**	**1.7%**	**794**	**1.5%**
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	6	11	83.3%	20	81.8%	35	75.0%	47	34.3%
All Other Local Aid	33	38	15.2%	34	-10.5%	32	-5.9%	32	0.0%

ALL OTHER LOCAL ASSISTANCE SPENDING

Other local assistance programs and activities include criminal justice, economic development, aging, and housing. Spending in these areas is not expected to change materially over the 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 2013 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Negotiated Base Salary Increases [1]					
CSEA/NYSCOPBA/Council 82/UUP	0	0	2%	2%	TBD
PEF / NYSPBA	0	0	2%	TBD	TBD
State Workforce[2]	119,756	120,468	120,634	120,634	120,634
ERS Pension Contribution Rate[3]					
Before Amortization (Normal/Admin/GLIP)	19.4%	21.7%	21.5%	18.0%	16.3%
After Amortization	11.5%	12.5%	13.5%	14.5%	15.5%
PFRS Pension Contribution Rate[3]					
Before Amortization (Normal/Admin/GLIP)	26.6%	30.1%	30.1%	26.2%	24.2%
After Amortization	19.5%	20.5%	21.5%	22.5%	23.5%
Employee/Retiree Health Insurance Growth Rates	3.1%	5.4%	8.5%	8.5%	8.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.5%	14.3%	14.5%	14.6%	14.4%

[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.

* As Forecasted by DOB.

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 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Subject to Direct Executive Control	**9,819**	**9,754**	**9,935**	**10,289**	**10,436**
Mental Hygiene	2,914	2,857	2,876	2,991	2,945
Corrections and Community Supervision	2,741	2,558	2,616	2,752	2,707
State Police	601	653	650	664	670
Public Health	526	424	431	418	419
Tax and Finance	372	359	366	372	381
Children and Family Services	302	279	263	260	264
Environmental Conservation	231	232	232	234	237
Financial Services	193	203	205	208	208
Temporary and Disability Assistance	187	186	195	193	197
Parks, Recreation and Historic Preservation	180	174	177	179	180
Disaster Assistance	52	(85)	0	0	0
Workers' Compensation Board	150	153	153	156	158
Lottery/Gaming	124	162	166	167	167
General Services	145	168	141	143	145
Information Technology Services	60	143	156	160	160
All Other	1,041	1,288	1,308	1,392	1,598
University System	**5,552**	**5,669**	**5,777**	**5,916**	**6,054**
State University	5,451	5,581	5,687	5,824	5,960
City University	101	88	90	92	94
Independent Agencies	**297**	**304**	**310**	**319**	**323**
Law	160	165	167	171	173
Audit & Control	137	139	143	148	150
Total, excluding Legislature and Judiciary	**15,668**	**15,727**	**16,022**	**16,524**	**16,813**
Judiciary	1,812	1,878	2,000	2,095	2,111
Legislature	203	219	224	227	231
Statewide Total	**17,683**	**17,824**	**18,246**	**18,846**	**19,155**
Personal Service	12,403	12,357	12,637	13,071	13,204
	3.0%	-0.4%	2.3%	3.4%	1.0%
Non-Personal Service	5,280	5,467	5,609	5,775	5,951
	-2.3%	3.5%	2.6%	3.0%	3.0%

[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 Results	FY 2014 Enacted	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
Total State Operating Funds	**6,437**	**7,089**	**10.1%**	**7,531**	**6.2%**	**7,952**	**5.6%**	**8,285**	**4.2%**
Fringe Benefits	**6,046**	**6,700**	**10.8%**	**7,130**	**6.4%**	**7,552**	**5.9%**	**7,885**	**4.4%**
Health Insurance	3,129	3,315	5.9%	3,476	4.9%	3,711	6.8%	4,020	8.3%
Employee Health Insurance	1,720	1,824	6.0%	1,945	6.6%	2,060	5.9%	2,232	8.3%
Retiree Health Insurance	1,409	1,491	5.8%	1,531	2.7%	1,651	7.8%	1,788	8.3%
Pensions	1,601	2,013	25.7%	2,256	12.1%	2,418	7.2%	2,446	1.2%
Social Security	942	959	1.8%	978	2.0%	997	1.9%	1,015	1.8%
All Other Fringe	374	413	10.4%	420	1.7%	426	1.4%	404	-5.2%
Fixed Costs	**391**	**389**	**-0.5%**	**401**	**3.1%**	**400**	**-0.2%**	**400**	**0.0%**

GSCs are projected to increase at an average annual rate of 6.5 percent over the 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. The annual growth associated with pensions reflects an increase to the State's pension contribution rate and an increase in the level of payments associated with prior year pension amortization.

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 Results	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Total Transfers to Other Funds	**6,794**	**8,382**	**9,179**	**9,682**	**10,247**
Mental Hygiene Medicaid State Share	**2,846**	**1,813**	**1,338**	**1,311**	**1,279**
Debt Service	**1,647**	**1,328**	**1,483**	**1,452**	**1,345**
SUNY University Operations	**340**	**971**	**971**	**971**	**971**
Capital Projects	**916**	**1,227**	**1,384**	**1,400**	**1,799**
Dedicated Highway and Bridge Trust Fund	519	551	592	606	720
All Other Capital	397	676	792	794	1,079
All Other Transfers	**1,045**	**3,043**	**4,003**	**4,548**	**4,853**
Mental Hygiene	0	1,839	2,838	3,400	3,688
Department of Transportation (MTA Tax)	277	332	334	334	334
SUNY - Disproportionate Share	209	228	228	228	228
Judiciary Funds	112	107	108	109	109
SUNY - Hospital Operations	81	67	60	60	60
Banking Services	61	65	65	65	65
Statewide Financial System	48	53	55	55	55
Indigent Legal Services	34	40	40	40	40
Mass Transportation Operating Assistance	38	37	37	37	37
Alcoholic Beverage Control	17	18	20	20	20
Information Technology Services	14	40	14	6	10
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	10	10	10	10
All Other	132	195	182	172	185

A significant portion of the capital and operating expenses of DOT and DMV are funded from the DHBTF. The Fund receives various dedicated tax and fee revenues, including the petroleum business tax, motor fuel tax, and highway use taxes. The 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 certain transportation bonds — exceed current and projected revenue deposits and bond proceeds.

General Fund transfers to other funds are expected to total $8.4 billion in FY 2014 — a $1.6 billion increase from FY 2013. This increase is partially attributable to the accounting of SUNY operating support as a transfer rather than a direct State Operations expense in the General Fund, and the reduction in Federal aid for Mental Hygiene service, which results in an increase in State costs.

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 bonds issued by certain State public authorities on the State's behalf. 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. See "Capital Program and Financing Plan" herein for more information.

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2013 Results	FY 2014 Enacted	Annual Change	Percent Change
General Fund	**1,647**	**1,328**	**(319)**	**-19.4%**
Other State Support	4,491	4,415	(76)	-1.7%
State Operating Funds	**6,138**	**5,743**	**(395)**	**-6.4%**

Total debt service is projected at $5.7 billion in FY 2014, of which $1.3 billion is paid from the General Fund through transfers, and $4.4 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.

Enacted Budget projections for debt service spending have been revised to reflect a number of factors, including planned bond sales, the prepayment of $203 million of debt service otherwise due during FY 2014, and legislative actions taken in the budget, including enactment of the new sales tax revenue bond credit.

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
FY 2014 THROUGH FY 2017
(millions of dollars)

	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Taxes:				
Withholdings	33,166	35,511	37,844	40,098
Estimated Payments	13,838	13,707	14,805	15,752
Final Payments	2,186	2,151	2,251	2,350
Other Payments	1,231	1,268	1,308	1,353
Gross Collections	50,421	52,637	56,208	59,553
State/City Offset	(423)	(248)	(198)	(148)
Refunds	(7,455)	(8,355)	(9,017)	(9,506)
Reported Tax Collections	42,543	44,034	46,993	49,899
STAR (Dedicated Deposits)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
Personal Income Tax	42,543	44,034	46,993	49,899
Sales and Use Tax	12,530	13,101	13,695	14,085
Cigarette and Tobacco Taxes	1,491	1,466	1,436	1,405
Motor Fuel Tax	500	504	507	510
Alcoholic Beverage Taxes	251	256	261	266
Highway Use Tax	140	143	151	149
Auto Rental Tax	114	119	124	124
Taxicab Surcharge	90	100	101	101
Gross Utility Taxes and Fees	15,116	15,689	16,275	16,640
LGAC/STBF (Dedicated Transfers)	0	0	0	0
User Taxes and Fees	15,116	15,689	16,275	16,640
Corporation Franchise Tax	3,379	2,704	3,085	3,234
Corporation and Utilities Tax	788	833	854	881
Insurance Taxes	1,587	1,644	1,706	1,730
Bank Tax	1,694	1,789	1,870	1,956
Petroleum Business Tax	1,190	1,225	1,235	1,245
Business Taxes	8,638	8,195	8,750	9,046
Estate Tax	1,050	1,125	1,140	1,150
Real Estate Transfer Tax	740	810	885	940
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	1,809	1,954	2,044	2,109
Real Estate Transfer Tax (Dedicated)	0	0	0	0
Other Taxes	1,809	1,954	2,044	2,109
Payroll Tax	1,245	1,322	1,401	1,483
Total Taxes	69,351	71,194	75,463	79,177
Licenses, Fees, Etc.	681	747	638	644
Abandoned Property	650	655	655	655
Motor Vehicle Fees	1,318	1,318	1,318	1,318
ABC License Fee	56	52	58	54
Reimbursements	232	232	231	232
Investment Income	5	30	30	30
Other Transactions	20,679	21,915	21,510	20,955
Miscellaneous Receipts	23,621	24,949	24,440	23,888
Federal Grants	47,433	47,262	48,242	50,965
Total	140,405	143,405	148,145	154,030

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	42,480	8,347	17,124	67,951
Miscellaneous Receipts	3,096	15,656	472	19,224
Federal Receipts	2	1	72	75
Total Receipts	45,578	24,004	17,668	87,250
Disbursements:				
Local Assistance Grants	40,258	19,306	0	59,564
Departmental Operations:				
Personal Service	5,681	6,676	0	12,357
Non-Personal Service	1,883	3,544	40	5,467
General State Charges	4,953	2,136	0	7,089
Debt Service	0	0	5,743	5,743
Capital Projects	0	5	0	5
Total Disbursements	52,775	31,667	5,783	90,225
Other Financing Sources (Uses):				
Transfers from Other Funds	15,678	7,601	4,890	28,169
Transfers to Other Funds	(8,382)	(186)	(16,716)	(25,284)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,296	7,415	(11,826)	2,885
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	99	(248)	59	(90)
Designated General Fund Reserves:				
Community Projects Fund	(25)			
Prior-Year Labor Agreements (2007-2011)	(26)			
Debt Management	250			
Undesignated Fund Balance	(100)			
Increase (Decrease) in Reserves	99			
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	43,235	8,697	17,833	69,765
Miscellaneous Receipts	3,551	16,061	644	20,256
Federal Receipts	0	1	72	73
Total Receipts	46,786	24,759	18,549	90,094
Disbursements:				
Local Assistance Grants	42,598	19,620	0	62,218
Departmental Operations:				
Personal Service	5,850	6,787	0	12,637
Non-Personal Service	1,968	3,601	40	5,609
General State Charges	5,328	2,203	0	7,531
Debt Service	0	0	6,123	6,123
Capital Projects	0	5	0	5
Total Disbursements	55,744	32,216	6,163	94,123
Other Financing Sources (Uses):				
Transfers from Other Funds	16,098	7,874	4,605	28,577
Transfers to Other Funds	(9,179)	(321)	(16,997)	(26,497)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,919	7,553	(12,392)	2,080
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,039)	96	(6)	(1,949)
Designated General Fund Reserves:				
Community Projects Fund	(35)			
Prior-Year Labor Agreements (2007-2011)	10			
Increase (Decrease) in Reserves	(25)			
Net General Fund Deficit	(2,014)			

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	46,143	8,941	18,930	74,014
Miscellaneous Receipts	2,682	16,196	486	19,364
Federal Receipts	0	1	72	73
Total Receipts	48,825	25,138	19,488	93,451
Disbursements:				
Local Assistance Grants	45,056	19,815	0	64,871
Departmental Operations:				
Personal Service	6,111	6,960	0	13,071
Non-Personal Service	2,005	3,730	40	5,775
General State Charges	5,604	2,348	0	7,952
Debt Service	0	0	6,482	6,482
Capital Projects	0	5	0	5
Total Disbursements	58,776	32,858	6,522	98,156
Other Financing Sources (Uses):				
Transfers from Other Funds	16,758	8,203	4,534	29,495
Transfers to Other Funds	(9,682)	(278)	(17,507)	(27,467)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,076	7,925	(12,973)	2,028
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,875)	205	(7)	(2,677)
Designated General Fund Reserves:				
Community Projects Fund	(33)			
Prior-Year Labor Agreements (2007-2011)	14			
Increase (Decrease) in Reserves	(19)			
Net General Fund Deficit	(2,856)			

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2017
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	48,642	9,185	19,895	77,722
Miscellaneous Receipts	2,653	16,401	449	19,503
Federal Receipts	0	1	72	73
Total Receipts	51,295	25,587	20,416	97,298
Disbursements:				
Local Assistance Grants	47,276	20,012	0	67,288
Departmental Operations:				
Personal Service	6,127	7,077	0	13,204
Non-Personal Service	2,086	3,825	40	5,951
General State Charges	5,873	2,412	0	8,285
Debt Service	0	0	6,783	6,783
Capital Projects	0	5	0	5
Total Disbursements	61,362	33,331	6,823	101,516
Other Financing Sources (Uses):				
Transfers from Other Funds	17,408	8,294	4,403	30,105
Transfers to Other Funds	(10,247)	(282)	(17,975)	(28,504)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,161	8,012	(13,572)	1,601
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,906)	268	21	(2,617)
Designated General Fund Reserves:				
Prior-Year Labor Agreements (2007-2011)	14			
Increase (Decrease) in Reserves	14			
Net General Fund Deficit	(2,920)			

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	42,480	8,347	1,400	17,124	69,351
Miscellaneous Receipts	3,096	15,842	4,211	472	23,621
Federal Receipts	2	45,138	2,221	72	47,433
Total Receipts	45,578	69,327	7,832	17,668	140,405
Disbursements:					
Local Assistance Grants	40,258	59,582	2,104	0	101,944
Departmental Operations:					
Personal Service	5,681	7,329	0	0	13,010
Non-Personal Service	1,883	4,615	0	40	6,538
General State Charges	4,953	2,454	0	0	7,407
Debt Service	0	0	0	5,743	5,743
Capital Projects	0	5	5,892	0	5,897
Total Disbursements	52,775	73,985	7,996	5,783	140,539
Other Financing Sources (Uses):					
Transfers from Other Funds	15,678	7,602	1,557	4,890	29,727
Transfers to Other Funds	(8,382)	(3,191)	(1,505)	(16,716)	(29,794)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	7,296	4,411	390	(11,826)	271
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	99	(247)	226	59	137
Designated General Fund Reserves:					
Community Projects Fund	(25)				
Prior-Year Labor Agreements (2007-2011)	(26)				
Debt Management	250				
Undesignated Fund Balance	(100)				
Increase (Decrease) in Reserves	99				
Net General Fund Deficit	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	43,235	8,697	1,429	17,833	71,194
Miscellaneous Receipts	3,551	16,247	4,507	644	24,949
Federal Receipts	0	45,162	2,028	72	47,262
Total Receipts	46,786	70,106	7,964	18,549	143,405
Disbursements:					
Local Assistance Grants	42,598	60,969	1,716	0	105,283
Departmental Operations:					
Personal Service	5,850	7,433	0	0	13,283
Non-Personal Service	1,968	4,570	0	40	6,578
General State Charges	5,328	2,521	0	0	7,849
Debt Service	0	0	0	6,123	6,123
Capital Projects	0	5	6,429	0	6,434
Total Disbursements	55,744	75,498	8,145	6,163	145,550
Other Financing Sources (Uses):					
Transfers from Other Funds	16,098	7,875	1,447	4,605	30,025
Transfers to Other Funds	(9,179)	(2,387)	(1,509)	(16,997)	(30,072)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	6,919	5,488	244	(12,392)	259
Excess (Deficiency) of Receipts and Other	(2,039)	96	63	(6)	(1,886)
Designated General Fund Reserves:					
Community Projects Fund	(35)				
Prior-Year Labor Agreements (2007-2011)	10				
Increase (Decrease) in Reserves	(25)				
Net General Fund Deficit	(2,014)				

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	46,143	8,941	1,449	18,930	75,463
Miscellaneous Receipts	2,682	16,382	4,890	486	24,440
Federal Receipts	0	46,510	1,660	72	48,242
Total Receipts	48,825	71,833	7,999	19,488	148,145
Disbursements:					
Local Assistance Grants	45,056	62,517	1,405	0	108,978
Departmental Operations:					
Personal Service	6,111	7,638	0	0	13,749
Non-Personal Service	2,005	4,675	0	40	6,720
General State Charges	5,604	2,681	0	0	8,285
Debt Service	0	0	0	6,482	6,482
Capital Projects	0	5	6,626	0	6,631
Total Disbursements	58,776	77,516	8,031	6,522	150,845
Other Financing Sources (Uses):					
Transfers from Other Funds	16,758	8,204	1,463	4,534	30,959
Transfers to Other Funds	(9,682)	(2,316)	(1,513)	(17,507)	(31,018)
Bond and Note Proceeds	0	0	120	0	120
Net Other Financing Sources (Uses)	7,076	5,888	70	(12,973)	61
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,875)	205	38	(7)	(2,639)
Designated General Fund Reserves:					
Community Projects Fund	(33)				
Prior-Year Labor Agreements (2007-2011)	14				
Increase (Decrease) in Reserves	(19)				
Net General Fund Deficit	(2,856)				

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2017
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	48,642	9,185	1,455	19,895	79,177
Miscellaneous Receipts	2,653	16,587	4,199	449	23,888
Federal Receipts	0	49,276	1,617	72	50,965
Total Receipts	51,295	75,048	7,271	20,416	154,030
Disbursements:					
Local Assistance Grants	47,276	65,654	1,137	0	114,067
Departmental Operations:					
Personal Service	6,127	7,764	0	0	13,891
Non-Personal Service	2,086	4,685	0	40	6,811
General State Charges	5,873	2,750	0	0	8,623
Debt Service	0	0	0	6,783	6,783
Capital Projects	0	5	6,593	0	6,598
Total Disbursements	61,362	80,858	7,730	6,823	156,773
Other Financing Sources (Uses):					
Transfers from Other Funds	17,408	8,295	1,862	4,403	31,968
Transfers to Other Funds	(10,247)	(2,216)	(1,595)	(17,975)	(32,033)
Bond and Note Proceeds	0	0	65	0	65
Net Other Financing Sources (Uses)	7,161	6,079	332	(13,572)	0
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,906)	269	(127)	21	(2,743)
Designated General Fund Reserves:					
Prior-Year Labor Agreements (2007-2011)	14				
Increase (Decrease) in Reserves	14				
Net General Fund Deficit	(2,920)				

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2014
(dollars in millions)

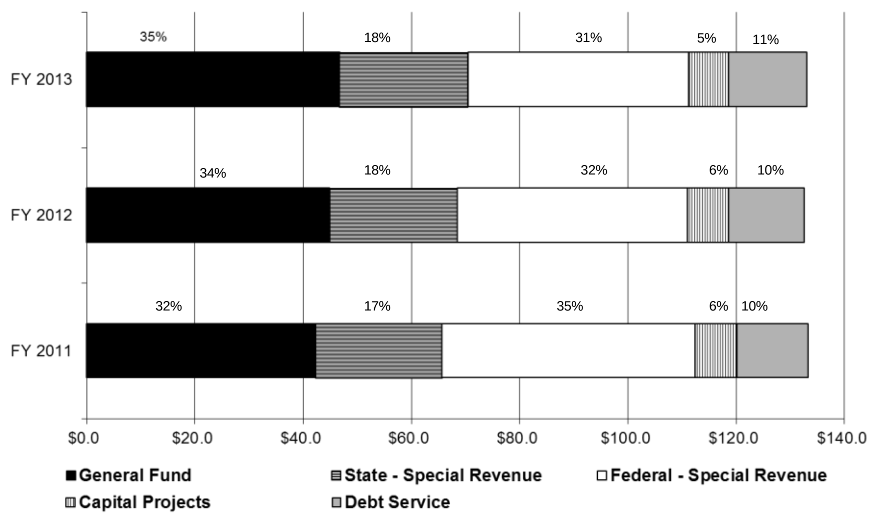
	2013 April Results	May Results	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2014 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,610	6,379	3,744	3,918	3,920	3,293	5,005	4,219	2,817	4,166	6,061	6,125	1,610
RECEIPTS:													
Personal Income Tax	4,993	1,790	2,477	1,961	1,731	2,796	1,869	1,248	2,919	3,065	2,006	1,633	28,488
User Taxes and Fees	540	431	628	506	496	657	492	483	662	582	460	611	6,548
Business Taxes	355	109	1,001	149	55	1,158	132	113	1,198	142	89	1,874	6,375
Other Taxes	91	111	90	89	90	90	89	89	89	89	89	63	1,069
Total Taxes	5,979	2,441	4,196	2,705	2,372	4,701	2,582	1,933	4,868	3,878	2,644	4,181	42,480
Abandoned Property	0	0	45	15	15	70	5	130	25	25	70	250	650
ABC License Fee	6	6	4	4	5	5	4	4	5	4	5	4	56
Investment Income	0	0	1	1	1	0	0	1	0	0	0	1	5
Licenses, Fees, etc.	41	82	75	45	40	85	45	40	80	55	45	48	681
Motor vehicle fees	28	(24)	0	0	0	0	0	0	0	0	13	9	26
Reimbursements	8	1	35	5	5	45	15	15	35	15	20	33	232
Other Transactions	39	2	164	43	271	313	39	14	45	35	15	466	1,446
Total Miscellaneous Receipts	122	67	324	113	337	518	108	204	190	134	168	811	3,096
Federal Grants	0	0	0	0	0	0	0	0	0	0	0	2	2
PIT in Excess of Revenue Bond Debt Service	1,664	421	967	443	221	1,116	393	183	1,047	1,069	368	948	8,840
Tax in Excess of LGAC/Sales Tax Debt Service	377	318	738	438	382	594	425	424	595	509	204	436	5,440
Real Estate Taxes in Excess of CW/CA Debt Service	41	57	49	47	50	53	51	36	38	39	37	34	532
All Other	34	59	5	10	0	46	34	0	29	40	71	538	866
Total Transfers from Other Funds	2,116	855	1,759	938	653	1,809	903	643	1,709	1,657	680	1,956	15,678
TOTAL RECEIPTS	8,217	3,363	6,279	3,756	3,362	7,028	3,593	2,780	6,767	5,669	3,492	6,950	61,256
DISBURSEMENTS:													
School Aid	188	2,489	1,950	70	550	1,470	685	1,200	1,620	280	495	6,293	17,290
Higher Education	19	8	760	9	364	181	355	33	221	55	347	440	2,792
All Other Education	23	261	65	159	111	278	72	33	230	106	180	501	2,019
Medicaid - DOH	973	1,253	914	1,080	1,157	874	882	1,041	893	806	813	539	11,225
Public Health	23	46	50	32	107	82	42	46	61	46	42	143	720
Mental Hygiene	2	0	233	1	1	245	147	1	235	101	121	254	1,341
Children and Families	62	58	229	72	72	231	78	78	125	189	73	333	1,600
Temporary & Disability Assistance	151	105	105	137	105	137	105	105	105	105	41	191	1,392
Transportation	0	23	1	0	24	0	0	24	15	0	10	1	98
Unrestricted Aid	0	11	388	5	0	96	7	1	188	0	0	68	764
All Other	9	19	219	57	36	46	(6)	27	40	197	210	163	1,017
Total Local Assistance Grants	1,450	4,273	4,914	1,622	2,527	3,640	2,367	2,589	3,733	1,885	2,332	8,926	40,258
Personal Service	447	525	433	575	433	430	504	427	553	431	427	496	5,681
Non-Personal Service	116	154	125	144	153	151	145	153	117	127	120	378	1,883
Total State Operations	563	679	558	719	586	581	649	580	670	558	547	874	7,564
General State Charges	443	603	133	571	540	195	512	538	49	662	286	421	4,953
Debt Service	567	(187)	(33)	392	(4)	(102)	476	0	(22)	385	(18)	(126)	1,328
Capital Projects	66	111	84	77	84	123	45	55	84	84	84	330	1,227
State Share Medicaid	40	226	141	167	159	168	159	172	165	164	176	76	1,813
SUNY Operations	210	210	210	182	0	0	0	160	0	0	0	(1)	971
Other Purposes	109	83	98	24	97	711	171	88	739	36	21	866	3,043
Total Transfers to Other Funds	992	443	500	842	336	900	851	475	966	669	263	1,145	8,382
TOTAL DISBURSEMENTS	3,448	5,998	6,105	3,754	3,989	5,316	4,379	4,182	5,418	3,774	3,428	11,366	61,157
Excess/(Deficiency) of Receipts over Disbursements	4,769	(2,635)	174	2	(627)	1,712	(786)	(1,402)	1,349	1,895	64	(4,416)	99
CLOSING BALANCE	6,379	3,744	3,918	3,920	3,293	5,005	4,219	2,817	4,166	6,061	6,125	1,709	1,709

Source: NYS DOB

PRIOR FISCAL YEARS

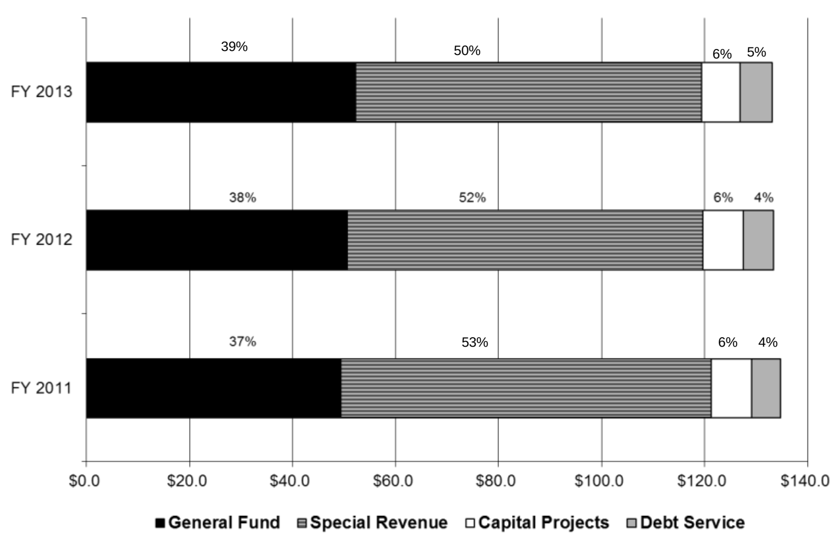
The following six tables show the composition of the State's governmental funds, State Operating Funds and the General Fund as of March 31, 2013. Following the tables is a summary of the cash-basis results for the State's three most recent fiscal years.

Governmental Funds Receipts
State Fiscal Years 2011, 2012 and 2013
(billions of dollars)



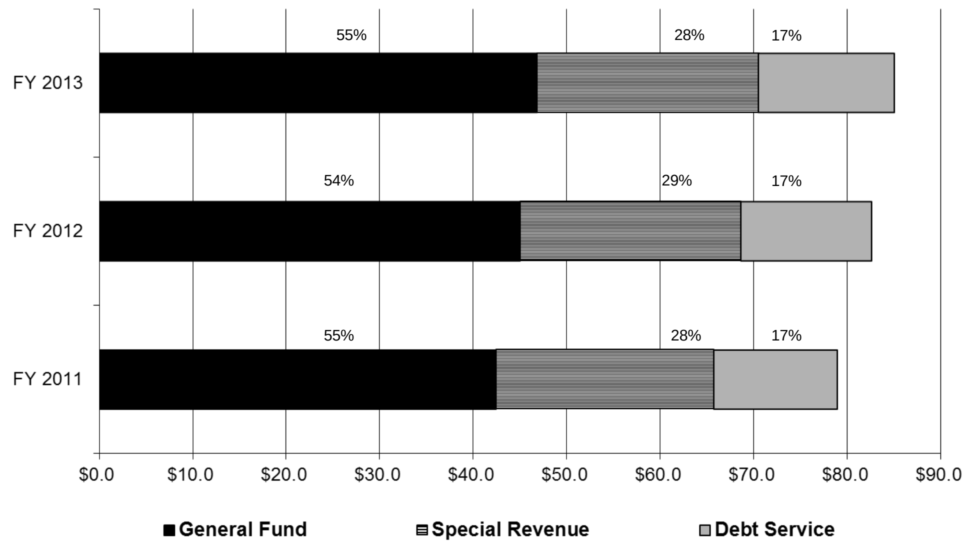
Note: Percentage total may not add due to rounding.

Governmental Funds Disbursements
State Fiscal Years 2011, 2012 and 2013
(billions of dollars)



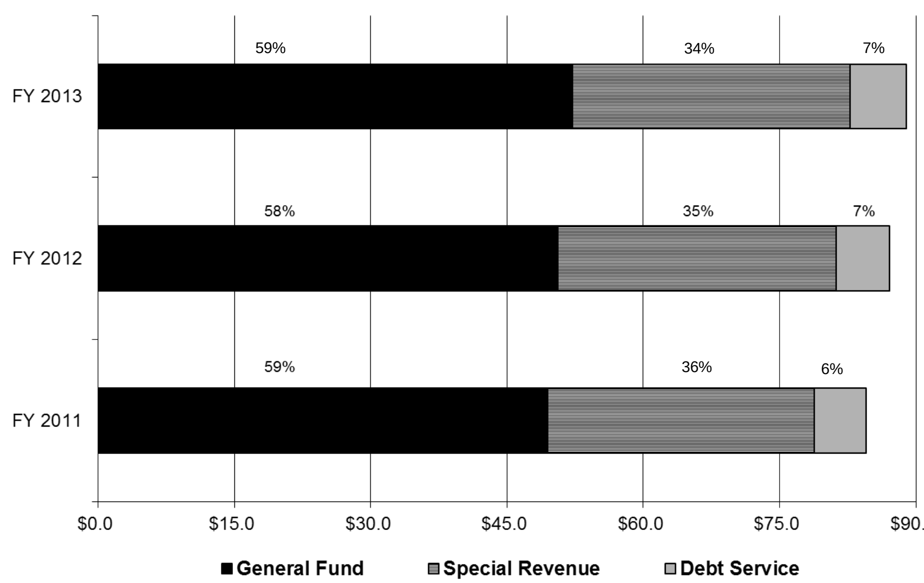
Note: Percentage total may not add due to rounding.

State Operating Funds Receipts
State Fiscal Years 2011, 2012 and 2013
(billions of dollars)



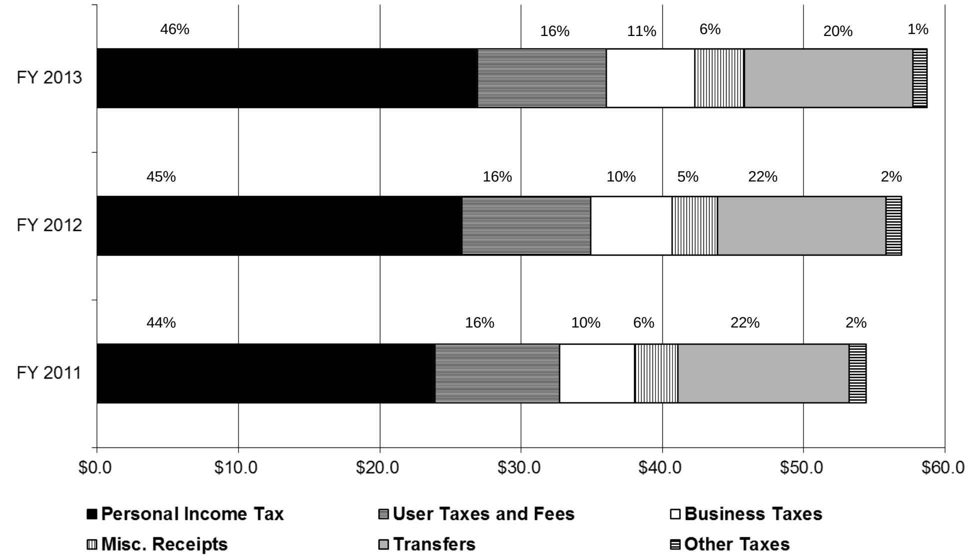
Note: Percentage total may not add due to rounding.

State Operating Funds Disbursements
State Fiscal Years 2011, 2012 and 2013
(billions of dollars)



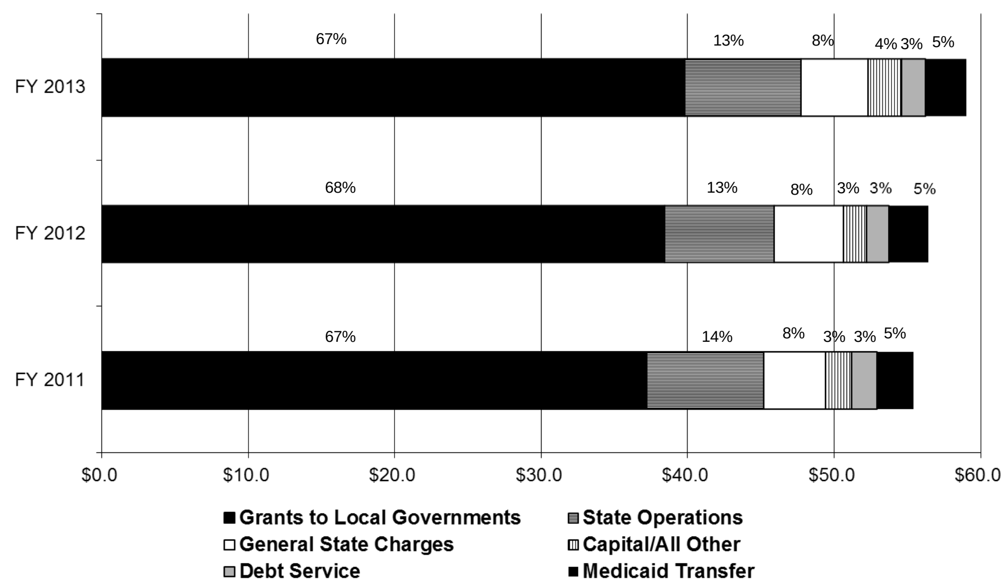
Note: Percentage total may not add due to rounding.

General Fund Receipts and Transfers by Source
State Fiscal Years 2011, 2012 and 2013
(billions of dollars)



Note: Percentage total may not add due to rounding.

General Fund Disbursements and Transfers by Type
State Fiscal Years 2011, 2012 and 2013
(billions of dollars)



Note: Percentage total may not add due to rounding.

PRIOR FISCAL YEARS

The State reports its financial results on three bases of accounting: the cash basis, showing receipts and disbursements; and the GAAP basis (including modified accrual and full accrual), as prescribed by GAAP, showing revenues and expenditures. With the exception of FY 2013 financial results, the State's GAAP-basis financial results set forth in this section have been audited. Note that the FY 2013 financial results included in this AIS are preliminary and unaudited.

CASH-BASIS RESULTS FOR PRIOR FISCAL YEARS

GENERAL FUND FY 2011 THROUGH FY 2013

The General Fund is the principal operating fund of the State and is used to account for all financial transactions, except those required by law to be accounted for in another fund. It is the State's largest single fund and receives most State taxes and other resources not dedicated to particular purposes. General Fund moneys are also transferred to other funds, primarily to support certain State share Medicaid payments, capital projects and debt service payments in other fund types. In some cases, the fiscal year results provided below may exclude certain timing-related transactions which have no net impact on operations.

In the cash basis of accounting, the State defines a balanced budget in the General Fund as (a) the ability to make all planned payments anticipated in the Financial Plan, including tax refunds, without the issuance of deficit bonds or notes or extraordinary cash management actions, (b) the restoration of the balances in the Tax Stabilization Reserve and Rainy Day Reserve (together, the "rainy day reserves") to a level equal to or greater than the level at the start of the fiscal year, and (c) maintenance of other designated balances, as required by law.

Recent Trends

With State receipts slowly recovering, the State has allowed limited spending growth to meet the demand for services. In addition, rainy day reserve fund balances have been supported and maintained. The following table summarizes General Fund results for the prior three fiscal years.

COMPARISON OF GENERAL FUND RECEIPTS AND DISBURSEMENTS FY 2011 THROUGH FY 2013 (millions of dollars)	FY 2011	FY 2012	FY 2013
OPENING FUND BALANCE[1]	2,302	1,376	1,787
Personal Income Tax [(1)(2)]	23,894	25,843	26,884
User Taxes and Fees:			
Sales and Use Tax[3]	8,085	8,346	8,423
Cigarette and Tobacco Tax	480	471	443
Alcoholic Beverage Taxes	230	238	246
Subtotal	8,795	9,055	9,112
Business Taxes:			
Corporation Franchise Tax	2,472	2,724	2,624
Corporation and Utilities Taxes	616	618	686
Insurance Taxes	1,217	1,257	1,346
Bank Tax	974	1,161	1,597
Subtotal	5,279	5,760	6,253
Other Taxes:			
Estate and Gift Taxes	1,219	1,078	1,015
Pari-mutuel Tax	17	17	18
Other Taxes	1	1	1
Subtotal	1,237	1,096	1,034
Miscellaneous Receipts & Federal Grants	3,149	3,222	3,566
Transfers from Other Funds:			
PIT in excess of Revenue Bond debt service	7,625	8,097	8,328
Sales Tax in Excess of LGAC Debt Service	2,351	2,396	2,416
All Other Transfers	2,117	1,431	1,190
Subtotal	12,093	11,924	11,934
TOTAL RECEIPTS	54,447	56,900	58,783
Grants to Local Governments:			
School Aid [(4)]	18,705	16,778	17,110
Medicaid	7,478	10,300	11,110
All Other Local Aid	11,023	11,341	11,540
State Operations:			
Personal Service	6,151	5,781	6,130
Non-Personal Service	1,822	1,713	1,726
General State Charges	4,187	4,720	4,550
Transfers to Other Funds:			
In Support of Debt Service	1,737	1,516	1,647
In Support of Capital Projects	932	798	916
State Share Medicaid	2,497	2,722	2,846
SUNY Operations[(5)]	0	0	340
All Other Transfers	841	820	1,045
Subtotal	6,007	5,856	6,794
TOTAL DISBURSEMENTS	55,373	56,489	58,960
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	(926)	411	(177)
CLOSING FUND BALANCE	1,376	1,787	1,610

Source: NYS Office of State Comptroller.

(1) The opening balances and personal income tax receipts have been adjusted to reflect the inclusion of the Personal Income Tax Refund Reserve in the General Fund.

(2) Excludes personal income tax receipts that flow into the Revenue Bond Tax Fund in the first instance and are then transferred to the General Fund after debt service obligation is satisfied.

(3) Excludes sales tax in excess of LGAC Debt Service.

(4) Reflects the deferral of a $2.1 billion school aid payment from FY 2010 to FY 2011.

(5) Effective with the academic year that began on July 2012, the State changed the process through which SUNY receives the State share of its operating support from direct General Fund spending to General Fund transfers.

FY 2013

The State ended FY 2013 in balance on a cash basis in the General Fund, and maintained a closing balance of $1.61 billion, consisting of $1.1 billion in the Tax Stabilization Reserve, $175 million in the Rainy Day Reserve, $93 million in the Community Projects Fund, $21 million in the Contingency Reserve, $77 million reserved for potential retroactive labor settlements, and $113 million in an undesignated fund balance. The FY 2013 closing balance was $177 million lesser than the FY 2012 closing balance, which largely reflects the use of designated resources to address costs associated with retroactive labor agreements.

General Fund receipts, including transfers from other funds, totaled $58.8 billion in FY 2013. Total receipts during FY 2013 were $1.9 billion (3.3 percent) higher than in the prior fiscal year. Total tax receipts were $1.5 billion higher than the previous fiscal year, mainly due to growth in PIT collections ($1.0 billion) and business tax collections ($493 million). General Fund miscellaneous receipts also increased, largely due to one-time receipts from a settlement between DFS and Standard Chartered Bank.

General Fund disbursements, including transfers to other funds, totaled $59.0 billion in FY 2013, $2.5 billion (4.4 percent) higher than in the prior fiscal year. This reflects expected growth in various local assistance programs, including education and Medicaid, both of which are subject to an annual cap; increased personal service costs associated with retroactive labor settlements; and increased transfers in support of debt service payments.

FY 2013 Results Compared To FY 2013 Enacted Budget

The following provides a summary of operating results for April 2012 through March 2013 compared to the initial projections set forth in the FY 2013 Enacted Budget. The FY 2013 General Fund closing balance of $1.6 billion was $209 million lower than initially estimated in the FY 2013 Enacted Budget which reflects the combined impact of lower than planned receipts ($119 million) and higher than planned spending ($90 million).

GENERAL FUND OPERATING RESULTS FY 2013 (millions of dollars)	Enacted Plan	Results	Above/ (Below) Variance
Opening Balance	**1,787**	**1,787**	**0**
Total Receipts	**58,900**	**58,781**	**(119)**
Taxes:	54,541	54,566	25
*Personal Income Tax**	*35,188*	*35,212*	*24*
*User Taxes and Fees**	*11,727*	*11,528*	*(199)*
Business Taxes	*6,038*	*6,252*	*214*
*Other Taxes**	*1,588*	*1,574*	*(14)*
Receipts and Grants	3,289	3,566	277
Transfers From Other Funds	1,070	649	(421)
Total Spending	**58,868**	**58,958**	**90**
Education	18,942	19,029	87
Health Care	11,268	11,736	468
Social Services	3,026	3,023	(3)
Higher Education	2,586	2,597	11
All Other Local Assistance	3,823	3,375	(448)
Personal Service	5,892	6,130	238
Non-Personal Service	1,844	1,726	(118)
General State Charges	4,403	4,549	146
Debt Service Transfer	1,580	1,647	67
Capital Projects Transfer	1,055	916	(139)
State Share Medicaid Transfer	2,978	2,846	(132)
SUNY Operations Transfer	340	340	-
All Other Transfers	1,131	1,044	(87)
Change in Operations	**32**	**(177)**	**(209)**
Closing Balance	**1,819**	**1,610**	**(209)**

* Includes transfers from other funds after debt service.

RECEIPTS

Total receipts through March 2013 were $119 million below initial projections, reflecting the net impact of higher tax collections ($25 million); higher non-tax receipts and grants ($277 million); and lower than projected transfer support from other State funds ($421 million).

The variance in tax collections is a function of higher than anticipated business tax collections ($214 million) due to higher gross receipts and audit collections offset by lower than planned user taxes ($199 million) from slower than expected growth in taxable consumption. The variance in non-tax receipts represents a $340 million settlement payment to the State from Standard Chartered Bank based on claims that the bank did not comply with financial regulations; $75 million from the Manhattan DA due to increased settlement activity; and lower than anticipated collections for abandoned property ($71 million) and licensing and fees ($54 million).

The lower than initially estimated transfers to the General Fund is mainly attributable to the ongoing revenue arbitration between the State and the Seneca Nation regarding the Tribe's exclusivity zone ($104 million), and the delayed collection of receipts from localities for their share of youth facilities costs due to the timing of approval of the rate packages ($77 million). In addition, transfers were lower than initially projected due to the timing of certain mental hygiene transfers.

Spending

General Fund spending through March 2013 was $90 million above initial projections due to higher than anticipated spending in local assistance ($115 million), personal service ($238 million), and GSCs ($146 million), offset by lower than anticipated spending in non-personal service costs ($118 million) and lower than projected General Fund transfers to other State funds ($291 million).

The local assistance spending variance includes $468 million in higher than projected spending for health care due almost entirely to revenue shortfalls in the HCRA fund that would otherwise offset Medicaid spending, and $124 million in higher-than-projected School Aid disbursements. These increased costs were largely offset by lower disbursements across a range of programs and activities.

Personal service spending exceeded initial estimates due almost exclusively to retroactive payments related to labor settlements reached between the State and two public employee unions after enactment of the FY 2013 budget. These payments were financed from General Fund balances designated for this purpose. Non-personal service under-spending is reflected across a number of State agencies and programs, including: DOH Medicaid ($30 million) due to lower than planned contractual costs; the Labor Management Committees ($16 million) due to lower than anticipated costs for negotiated employee benefits; and disaster-related costs ($16 million) due to lower than assumed State outlays associated with Hurricane Irene and Tropical Storm Lee.

GSCs were higher than initially projected due mainly to the impact of higher than anticipated Workers' Compensation payments, large one-time litigation payments and lower reimbursement payments from non-General Fund financing sources.

General Fund transfers to other funds were below initial estimates because of lower than projected operational costs for mental hygiene facilities ($132 million) and lower transfers needed to support the financing costs of Capital Projects ($139 million). The reduced transfers to the Capital Projects Fund reflect several factors that occurred throughout FY 2013, including savings from refunding, the timing and size of bond sales, and the financing mix for capital projects, most of which were recognized and accounted for through subsequent updates to the FY 2013 Financial Plan. The overall lower transfers were partially offset through higher debt service transfers ($67 million) — a reflection of a decision to pre-pay a portion of FY 2014 debt service costs during FY 2013 in order to achieve future savings.

FY 2012

The State ended FY 2012 in balance on a cash basis in the General Fund, and maintained a closing balance of $1.79 billion, consisting of $1.1 billion in the Tax Stabilization Reserve, $175 million in the Rainy Day Reserve, $102 million in the Community Projects Fund, $21 million in the Contingency Reserve, $283 million reserved for potential retroactive labor settlements, and $75 million in an undesignated fund balance. The FY 2012 closing balance was $411 million greater than the FY 2011 closing balance, which largely reflects actions to establish designated resources that can be used to address costs associated with potential retroactive labor agreements, and to build the State's general emergency reserve fund balances. The State made a $100 million deposit to the Tax Stabilization Reserve at the close of the FY 2012, the first deposit to the State's "rainy day" reserves (including the Tax Stabilization Reserve fund and the Rainy Day Reserve fund) since FY 2008.

General Fund receipts, including transfers from other funds, totaled $56.9 billion in FY 2012. Total receipts during FY 2012 were $2.5 billion (4.5 percent) higher than in the prior fiscal year. Total tax receipts were $3.1 billion higher than the previous fiscal year, mainly due to growth in PIT collections ($2.4 billion) and business tax collections ($481 million). A decrease in the level of excess balances transferred from other funds partly offset the annual increase in tax receipts.

General Fund disbursements, including transfers to other funds, totaled $56.5 billion in FY 2012, $1.1 billion (2.0 percent) higher than in the prior fiscal year. Excluding the impact of a $2.1 billion school aid deferral from March 2010 to the statutory deadline of June 2010, annual spending grew by $3.2 billion. Spending growth is largely due to the phase-out of extraordinary Federal aid (including the enhanced Federal share of Medicaid, Federal ARRA Stabilization funding, and the TANF Emergency Contingency Fund) that temporarily reduced State-share spending in FY 2011. Annual General Fund spending for agency operations in FY 2012 was lower than in FY 2011, consistent with management expectations and continued efforts in managing the workforce and controlling costs. Annual growth in GSCs was mainly due to employee fringe benefit costs and workers' compensation payments; the pre-payment of pension costs during the final quarter of FY 2012; and lower reimbursement from non-General Funds.

FY 2011

The State ended FY 2011 in balance on a cash basis in the General Fund. The General Fund ended FY 2011 with a closing balance of $1.38 billion, consisting of $1.0 billion in the Tax Stabilization Reserve, $175 million in the Rainy Day Reserve, $136 million in the Community Projects Fund, $21 million in the Contingency Reserve, and $13 million in an undesignated fund balance. The closing balance was $928 million lower than FY 2010. This reflected the planned use of a fund balance to pay for expenses deferred from FY 2010 into FY 2011.

General Fund receipts, including transfers from other funds, totaled $54.4 billion in FY 2011. Total receipts during FY 2011 were $1.9 billion (3.6 percent) higher than in the prior fiscal year. Total tax receipts were $2.5 billion higher, mainly due to the growth in PIT collections, sales tax, estate taxes, and the real estate transfer tax, resulting from changes to the law as well as the economic recovery. Non-tax revenue was $631 million below the prior year. This was primarily due to the following FY 2010 collections that were not received, or received in lower amounts, in FY 2011: temporary utility surcharge (18-A assessment) ($429 million); the Power Authority resources ($158 million); Energy Research and Development Authority (ERDA) resources ($90 million); and fine collections ($101 million). An increase in the level of excess balances transferred from other funds partly offset the annual decline in miscellaneous receipts.

General Fund disbursements, including transfers to other funds, totaled $55.4 billion in FY 2011. Disbursements in FY 2011 were $3.2 billion (6.1 percent) higher than in the prior fiscal year. Spending growth was affected by the deferral of a $2.06 billion payment to schools from March 2010 to the statutory deadline of June 2010. Adjusting for this anomaly (that is, reducing FY 2011 results by $2.06 billion and increasing FY 2010 results by an equal amount), spending would have been approximately $950 million below FY 2010 levels.

Local assistance spending, adjusted for the School Aid deferral, declined by approximately $1.1 billion compared to FY 2010. This reflected lower levels of general School Aid spending enacted in the FY 2011 Budget; the delay of a $300 million CUNY Senior College payment from FY 2009 to June of FY 2010, which increased FY 2010 spending relative to FY 2011; the elimination, as part of the FY 2011 gap-closing plan, of approximately $300 million in annual AIM funding for New York City that would have been paid by December 2010; and additional Federal funding for public assistance benefit costs and State and local child welfare shares in FY 2011, which reduced General Fund spending. These declines were partly offset by higher Medicaid spending due to rising costs of providing Medicaid services and reductions in the amount of available offsets from HCRA related to Indigent Care.

The annual change in personal service spending is mainly due to the payment of $270 million in retroactive salary settlements for employees represented by NYSCOPBA, the PBA and the BCI in FY 2010 and reductions across nearly all agencies. Non-personal service spending was lower by $155 million (7.8 percent) compared to the prior year, mainly reflecting the impact of spending controls.

Growth in GSCs spending was attributable to the increase in State contributions to the pension system and increased health insurance costs. Pension costs increased by $315 million in FY 2011, after the amortization of $249 million in costs. Health insurance costs increased by $374 million. Transfers increased mainly for capital projects and the State share of Medicaid costs related to mental hygiene programs.

STATE OPERATING FUNDS FY 2011 THROUGH FY 2013

State Operating Funds is composed of the General Fund, State special revenue funds and debt service funds. The State Operating Funds perspective is primarily intended as a measure of State-financed spending. Similar to the General Fund, spending growth in State Operating Funds in recent years has also been limited.

FY 2013

State Operating Funds receipts totaled $85.1 billion in FY 2013, an increase of $2.5 billion over the FY 2012 results. Disbursements totaled $88.8 billion in FY 2013, an increase of $1.7 billion from the FY 2012 results. The State ended FY 2013 with a State Operating Funds cash balance of $4.4 billion. In addition to the $1.6 billion General Fund balance described above, the State's special revenue funds had a closing balance of $2.4 billion and the debt service funds had a closing balance of $381 million. The special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the preservation of moneys needed for debt service payments to bond holders.

FY 2012

State Operating Funds receipts totaled $82.6 billion in FY 2012, an increase of $3.8 billion over the FY 2011 results. Disbursements totaled $87.2 billion in FY 2012, an increase of $2.8 billion from the FY 2011 results. The State ended FY 2012 with a State Operating Funds cash balance of $3.8 billion. In addition to the $1.8 billion General Fund balance described above, the State's special revenue funds had a closing balance of $1.6 billion and the debt service funds had a closing balance of $428 million. The remaining special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the preservation of moneys needed for debt service payments to bond holders.

FY 2011

State Operating Funds receipts totaled $78.8 billion in FY 2011, an increase of $2.9 billion over the FY 2010 results. Disbursements totaled $84.4 billion in FY 2011, an increase of $3.8 billion from the FY 2010 results. The State ended FY 2011 with a State Operating Funds cash balance of $4.0 billion. In addition to the $1.4 billion General Fund balance described above, the State's special revenue funds had a closing balance of $2.1 billion and the debt service funds had a closing balance of $453 million. The fund balance in the special revenue funds largely reflects the timing of receipts and disbursements (e.g. dedicated moneys received for a specified purpose prior to disbursement). A large fund balance is dedicated to finance the operations and activities of SUNY campuses and hospitals ($651 million). The remaining special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the preservation of moneys needed for debt service payments to bond holders.

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2013 (millions of dollars)	General Fund	Special Revenue Funds	Debt Service Funds	Total
Opening fund balance	1,787	1,632	428	3,847
Receipts:				
Taxes	43,283	8,146	13,503	64,932
Miscellaneous receipts	3,504	15,566	913	19,983
Federal grants	62	18	79	159
Total receipts	46,849	23,730	14,495	85,074
Disbursements:				
Grants to local governments	39,760	18,818	0	58,578
State operations:				
Personal Service	6,130	6,273	0	12,403
Non-Personal Service	1,726	3,510	44	5,280
General State charges	4,550	1,887	0	6,437
Debt service	0	0	6,138	6,138
Capital projects	0	8	0	8
Total disbursements	52,166	30,496	6,182	88,844
Other financing sources (uses):				
Transfers from other funds	11,934	7,478	6,320	25,732
Transfers to other funds	(6,794)	25	(14,680)	(21,449)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	5,140	7,503	(8,360)	4,283
Change in fund balance	(177)	737	(47)	513
Closing fund balance	1,610	2,369	381	4,360

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2012 (millions of dollars)				
	General Fund	**Special Revenue Funds**	**Debt Service Funds**	**Total**
Opening fund balance	1,376	2,139	454	3,969
Receipts:				
Taxes	41,754	8,244	12,962	62,960
Miscellaneous receipts	3,162	15,399	955	19,516
Federal grants	60	0	80	140
Total receipts	44,976	23,643	13,997	82,616
Disbursements:				
Grants to local governments	38,419	18,848	0	57,267
State operations:				
Personal Service	5,781	6,266	0	12,047
Non-Personal Service	1,713	3,646	45	5,404
General State charges	4,720	1,873	0	6,593
Debt service	0	0	5,864	5,864
Capital projects	0	6	0	6
Total disbursements	50,633	30,639	5,909	87,181
Other financing sources (uses):				
Transfers from other funds	11,924	7,096	6,490	25,510
Transfers to other funds	(5,856)	(607)	(14,604)	(21,067)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,068	6,489	(8,114)	4,443
Change in fund balance	411	(507)	(26)	(122)
Closing fund balance	1,787	1,632	428	3,847

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2011 (millions of dollars)	General Fund	Special Revenue Funds	Debt Service Funds	Total
Opening fund balance	2,302	2,098	411	4,811
Receipts:				
Taxes	39,205	8,117	12,210	59,532
Miscellaneous receipts	3,095	15,154	900	19,149
Federal grants	54	0	57	111
Total receipts	42,354	23,271	13,167	78,792
Disbursements:				
Grants to local governments	37,206	18,089	0	55,295
State operations:				
Personal Service	6,151	6,271	0	12,422
Non-Personal Service	1,822	3,081	63	4,966
General State charges	4,187	1,915	0	6,102
Debt service	0	0	5,615	5,615
Capital projects	0	18	0	18
Total disbursements	49,366	29,374	5,678	84,418
Other financing sources (uses):				
Transfers from other funds	12,093	8,077	7,048	27,218
Transfers to other funds	(6,007)	(1,933)	(14,494)	(22,434)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,086	6,144	(7,446)	4,784
Change in fund balance	(926)	41	43	(842)
Closing fund balance	1,376	2,139	454	3,969

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

ALL FUNDS FY 2011 THROUGH FY 2013

The All Funds Financial Plan records the operations of the four governmental fund types: the General Fund, special revenue funds, capital projects funds, and debt service funds. It is the broadest measure of State governmental activity, and includes spending from Federal funds and capital projects funds. The All Funds Financial Plan has not grown in recent years.

FY 2013

All Funds receipts for FY 2013 totaled $133.2 billion, an increase of $511 million over FY 2012 results. Annual growth in tax receipts and miscellaneous receipts was partly offset by a decline in Federal grants. All Funds disbursements for FY 2013 totaled $133.1 billion, a decrease of $407 million over FY 2012 results. The annual decline largely reflects the growth in State Operating Funds previously described, more than offset by declines in Federal Operating Funds and Capital Project Funds. The annual decrease in Federal Operating Funds spending is due to the phasing-out of approximately $2.7 billion in funding available from the Federal ARRA between FY 2012 and FY 2013, partially offset by nearly $1 billion in Federal disaster assistance spending in FY 2013. The capital projects spending decline reflects the recent completion of economic development projects, including the SUNY College for Nanoscale and Science Engineering, Global Foundries, and the Aqueduct Video Lottery Facility.

The State ended FY 2013 with an All Funds cash balance of $3.9 billion. The $4.4 billion State Operating Funds balance described above was partly offset by a negative capital project funds closing balance of roughly $485 million. The negative balance in the capital projects fund results from outstanding intra-year loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

FY 2012

All Funds receipts for FY 2012 totaled $132.7 billion, a decrease of $577 million over FY 2011 results. Annual growth in tax receipts and miscellaneous receipts was more than offset by a decline in Federal grants. All Funds disbursements for FY 2012 totaled $133.5 billion, a decrease of $1.3 billion over FY 2011 results. The annual changes largely reflect the impact of Federal ARRA aid.

The State ended FY 2012 with an All Funds cash balance of $3.4 billion. The $3.8 billion State Operating Funds balance described above was partly offset by a negative capital project funds closing balance of roughly $449 million. The negative balance in the capital projects fund results from outstanding intra-year loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

FY 2011

All Funds receipts for FY 2011 totaled $133.3 billion, an increase of $6.7 billion over FY 2010 results. Annual growth in Federal grants and tax receipts was partially offset by a decline in miscellaneous receipts. All Funds disbursements for FY 2011 totaled $134.8 billion, an increase of $7.9 billion over FY 2010 results. The annual change reflects growth due to ARRA "pass-through" and growth in capital spending and debt service, as well as the $2.1 billion school aid deferral from FY 2010.

The State ended the FY 2011 with an All Funds cash balance of $3.8 billion. The $4.0 billion State Operating Funds balance described above was partly offset by a negative capital project funds closing balance of roughly $168 million. The negative balance in the capital projects fund results from outstanding intra-year loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2011
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Opening fund balance	2,302	2,401	(254)	411	4,860
Receipts:					
Taxes	39,205	8,117	1,339	12,210	60,871
Miscellaneous receipts	3,095	15,306	3,848	900	23,149
Federal grants	54	46,692	2,499	57	49,302
Total receipts	42,354	70,115	7,686	13,167	133,322
Disbursements:					
Grants to local governments	37,206	58,696	2,731	0	98,633
State operations:					
Personal Service	6,151	6,954	0	0	13,105
Non-Personal Service	1,822	4,094	0	63	5,979
General State charges	4,187	2,174	0	0	6,361
Debt service	0	0	0	5,615	5,615
Capital projects	0	19	5,113	0	5,132
Total disbursements	49,366	71,937	7,844	5,678	134,825
Other financing sources (uses):					
Transfers from other funds	12,093	7,334	1,130	7,048	27,605
Transfers to other funds	(6,007)	(5,764)	(1,410)	(14,494)	(27,675)
Bond and note proceeds	0	0	525	0	525
Net other financing sources (uses)	6,086	1,570	245	(7,446)	455
Change in fund balance	(926)	(252)	87	43	(1,048)
Closing fund balance	1,376	2,149	(167)	454	3,812

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2012 (millions of dollars)	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Opening fund balance	1,376	2,149	(167)	454	3,812
Receipts:					
Taxes	41,754	8,244	1,337	12,962	64,297
Miscellaneous receipts	3,162	15,565	4,155	955	23,837
Federal grants	60	42,356	2,115	80	44,611
Total receipts	44,976	66,165	7,607	13,997	132,745
Disbursements:					
Grants to local governments	38,419	55,496	2,566	0	96,481
State operations:					
Personal Service	5,781	6,899	0	0	12,680
Non-Personal Service	1,713	4,590	0	45	6,348
General State charges	4,720	2,135	0	0	6,855
Debt service	0	0	0	5,864	5,864
Capital projects	0	6	5,270	0	5,276
Total disbursements	50,633	69,126	7,836	5,909	133,504
Other financing sources (uses):					
Transfers from other funds	11,924	7,096	1,031	6,490	26,541
Transfers to other funds	(5,856)	(4,690)	(1,436)	(14,604)	(26,586)
Bond and note proceeds	0	0	352	0	352
Net other financing sources (uses)	6,068	2,406	(53)	(8,114)	307
Change in fund balance	411	(555)	(282)	(26)	(452)
Closing fund balance	1,787	1,594	(449)	428	3,360

Source: NYS OSC (reflecting amounts published in the Cash Basis Report as restated).

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Opening fund balance	1,787	1,594	(449)	428	3,360
Receipts:					
Taxes	43,283	8,146	1,370	13,502	66,301
Miscellaneous receipts	3,504	15,762	3,857	913	24,036
Federal grants	62	40,572	2,126	79	42,839
Total receipts	46,849	64,480	7,353	14,494	133,176
Disbursements:					
Grants to local governments	39,760	53,794	1,875	0	95,429
State operations:					
Personal Service	6,130	6,882	0	0	13,012
Non-Personal Service	1,726	4,400	0	44	6,170
General State charges	4,550	2,126	0	0	6,676
Debt service	0	0	0	6,138	6,138
Capital projects	0	8	5,665	0	5,673
Total disbursements	52,166	67,210	7,540	6,182	133,098
Other financing sources (uses):					
Transfers from other funds	11,934	7,478	1,172	6,319	26,903
Transfers to other funds	(6,794)	(3,969)	(1,456)	(14,680)	(26,899)
Bond and note proceeds	0	0	434	0	434
Net other financing sources (uses)	5,140	3,509	150	(8,361)	438
Change in fund balance	(177)	779	(37)	(49)	516
Closing fund balance	1,610	2,373	(486)	379	3,876

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

GAAP-BASIS RESULTS FOR PRIOR FISCAL YEARS

The 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 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 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 expects to issue the Basic Financial Statements for FY 2013 by July 29, 2013.

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.

ECONOMICS AND DEMOGRAPHICS

The demographic and statistical data in this section, which have been obtained from the sources indicated, do not represent all of the factors which may have a bearing on the State's fiscal and economic affairs. Further, such information requires economic and demographic analysis in order to assess its significance, and may be interpreted differently by individual experts. Note that DOB has chosen to provide economic and demographic analysis updated through the date of this AIS, although continuing disclosure requirements for this AIS require analysis only through March 31, 2013.

THE U.S. ECONOMY

Growth in the national economy accelerated during the first quarter of calendar year 2013, following a dismal fourth quarter of calendar year 2012. Real U.S. GDP grew 2.5 percent in the first quarter of 2013, following fourth quarter growth of 0.4 percent. The acceleration in the first quarter was largely due to stronger household spending and a smaller decline in government spending than the 15 percent drop observed in the last quarter of 2012. Housing and pent-up demand for autos were positive areas, while the recent strength in equities and home prices likely also contributed by boosting household balance sheets and helping to offset the adverse impact of the tax increases on consumer spending. First quarter growth may also have been buttressed by the acceleration of several components of taxable income into late 2012 – including wages, dividends, and capital gains realizations – in advance of a Federal tax increase on high-income taxpayers that passed as part of the Federal government's fiscal cliff compromise. Real U.S. GDP growth of 2.1 percent is now projected for calendar year 2013, following growth of 2.2 percent for calendar year 2012.

Real household spending grew a strong 3.2 percent in the first quarter of calendar year 2013, in part due to the reasons cited above; growth of 2.4 percent is projected for all of calendar year 2013. Steady household spending growth is expected to be supported by a gradually improving labor market and rising wealth, but higher taxes are still expected to take their toll and keep real spending growth below 3 percent until calendar year 2014. Nonresidential investment grew 1.6 percent in the first quarter of calendar year 2013, following 13.2 percent growth in the fourth quarter of calendar year 2012, which was likely the result of an acceleration of spending into the end of 2012 related to Federal investment tax incentives. The overall outlook for private investment in calendar year 2013 remains tepid.

With the Federal spending sequester gradually kicking in, the US economy is expected to exhibit weaker growth of 1.4 percent in the second quarter of calendar year 2013. Real government spending is expected to fall by 2.9 percent for 2013. Although cold weather may have been a factor in depressing March 2013 job growth, the anticipation of government spending cuts may have combined with weak global demand to reduce private sector job gains to a monthly average of 165,000 for March and April 2013, compared to 187,200 jobs for the final six months of 2012 and 241,500 jobs for the first two months of 2013. Employment growth of 1.5 percent is projected for all of calendar year 2013, accompanied by wage growth of 3.8 percent. Overall personal income growth of 3.1 percent is projected for calendar year 2013.

ECONOMIC INDICATORS FOR THE UNITED STATES

	2008	2009	2010	2011	2012	2013 [1]
Gross Domestic Product						
Nominal ($ billions)	14,291.5	13,973.7	14,498.9	15,075.7	15,684.8	16,288.5
Percent Change	1.9	(2.2)	3.8	4.0	4.0	3.8
Real ($ billions)	13,161.9	12,757.9	13,063.0	13,299.1	13,593.2	13,874.8
Percent Change	(0.3)	(3.1)	2.4	1.8	2.2	2.1
Personal Income						
($ billions)	12,460.2	11,867.0	12,321.9	12,947.3	13,407.2	13,821.3
Percent Change	4.6	(4.8)	3.8	5.1	3.6	3.1
Nonagricultural Employment						
(millions)	136.8	130.9	129.9	131.5	133.7	135.7
Percent Change	(0.6)	(4.4)	(0.7)	1.2	1.7	1.5
Unemployment Rate (%)	5.8	9.3	9.6	8.9	8.1	7.6
Consumer Price Index						
(1982-84=100)	215.3	214.6	218.1	224.9	229.6	234.1
Percent Change	3.8	(0.3)	1.6	3.1	2.1	1.9

Sources: US Department of Commerce, Bureau of Economic Analysis; US Department of Labor, Bureau of Labor Statistics. Table reflects revisions by source agencies to figures for prior years.

[1] As projected by the NYS DOB, based on National Income and Product Account data through March 2013.

Based on the foregoing, DOB's economic outlook continues to call for tepid but improving growth over the course of calendar year 2013. However, there are significant risks to this forecast. The Federal sequester impact could result in a much larger decline in government spending than anticipated in the coming months, resulting in a greater loss of government jobs or private jobs related to government investment. It now appears that the full impact of the payroll tax hike may have either been delayed or was mitigated by the effect of the rise in equity markets or the acceleration in income for tax purposes. However, slower equity price growth could have the reverse impact on household spending. The global economy is expected to improve, but the Euro-area and Japanese economies remain extremely weak, while emerging market growth remains slower than in the early phase of the recovery. Slower export growth than expected could negatively affect growth in U.S. corporate profits, investment, and jobs. The Bank of Japan has shifted to a much more activist monetary policy than has been tried in the recent past. If that policy succeeds, global economic growth could exceed expectations, resulting in a faster upturn in the demand for U.S. exports. Energy prices continue to be volatile and a risk to the household consumption forecast, while stronger than anticipated home and equity price growth present upside risks to household spending. Finally, displays of political gridlock surrounding deficit reduction could impact overall economic activity well beyond those sectors directly affected by spending cuts.

THE NEW YORK ECONOMY

The pace of New York private sector job growth has continued, following the devastating impact of Superstorm Sandy. The State has continued to exhibit robust growth in professional and business services, private educational services, and tourism-related leisure and hospitality services. Private sector employment growth overall of 1.6 percent is projected in each of calendar years 2013 and 2014. In contrast, public sector employment is expected to continue to decline in 2014. With the ongoing downsizing of the State finance and government sectors, the first three quarters of calendar year 2012 exhibited unusually weak income growth. However, that trend appears to have reversed in the fourth quarter due to the acceleration of wages, dividends, and capital gains in advance of the Federal tax increase. Wage growth of 3.2 percent is projected for calendar year 2013, followed by growth of 5.0 percent for calendar year 2014; total personal income growth of 2.5 percent is projected for calendar year 2013, followed by 5.4 percent growth for calendar year 2014.

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 its 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 forecast. Securities industry revenues have in the past been a useful predictor of bonus payouts, but that relationship has become a much less reliable indicator in recent years. Moreover, with Federal fiscal policy in flux, potential changes in the taxpayer behavior in response to possible changes in Federal tax law create an additional layer of uncertainty. A weaker than projected labor market 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, acquisitions, and other Wall Street activities, could result in higher wage and bonuses growth than projected.

ECONOMIC INDICATORS FOR NEW YORK STATE

	2009	2010	2011	2012	2013 [1]
Personal Income					
($ billions)	902.4	952.7	995.2	1,019.5	1,053.2
Percent Change	(4.9)	5.6	4.5	2.4	3.3
Nonagricultural Employment					
(thousands)	8,312.0	8,318.7	8,420.0	8,543.5	8,651.2
Percent Change	(3.1)	0.1	1.2	1.5	1.3
Unemployment Rate (%)	8.3	8.6	8.3	8.5	8.3

Sources: US Department of Commerce, Bureau of Economic Analysis; NYS Department of Labor. Table reflects revisions by source agencies to data for prior years.

[1]As projected by Division of the Budget, based on National Income and Product Account data and employment data available through March 2013.

ECONOMICS AND DEMOGRAPHICS

New York is the third most populous state in the nation and has a relatively high level of personal wealth. The State's economy is diverse, with a comparatively large share of the nation's financial activities, information, education, and health services employment, and a very small share of the nation's farming and mining activity. The State's location and its air transport facilities and natural harbors have made it an important link in international commerce. Travel and tourism constitute an important part of the economy. Like the rest of the nation, New York has a declining proportion of its workforce engaged in manufacturing, and an increasing proportion engaged in service industries.

Manufacturing: Manufacturing employment continues to decline as a share of total State employment, as in most other states, and as a result New York's economy is less reliant on this sector than in the past. However, it remains an important sector of the State economy, particularly for the upstate region, which hosts high concentrations of manufacturers of transportation and other types of equipment.

Trade, Transportation, and Utilities: As defined under NAICS, the trade, transportation, and utilities supersector accounts for the second largest component of State nonagricultural employment, but only the fifth largest when measured by wage share. This sector accounts for less employment and wages for the State than for the nation as a whole.

Financial Activities: New York City is the nation's leading center of banking and finance and, as a result, this is a far more important sector in the State than in the nation as a whole. Although this sector accounts for under one-tenth of all nonagricultural jobs in the State, it contributes more than one-fifth of total wages.

Other Service Sectors: The remaining service-producing sectors include information, professional and business services, private education and healthcare, leisure and hospitality services, and other services. These industries combined account for half of all nonagricultural jobs in New York. Information, education and health, and other services account for a higher proportion of total State employment than for the nation as a whole.

Agriculture: Farming is an important part of the economy in rural areas, although it constitutes only about 0.2 percent of total State output. Principal agricultural products of the State include milk and dairy products, greenhouse and nursery products, fruits, and vegetables. New York ranks among the nation's leaders in the production of these commodities.

THE 2012 COMPOSITION OF NONAGRICULTURAL EMPLOYMENT AND WAGES (Percent)	Employment		Wages	
	State	United States	State	United States
Natural Resources and Mining	0.1	0.6	0.1	1.3
Construction	3.5	4.2	3.7	4.5
Manufacturing	5.2	8.9	5.1	10.8
Trade, Transportation, and Utilitie	17.2	19.1	12.7	16.1
Information	3.0	2.0	4.7	3.3
Financial Activities	7.8	5.8	20.1	8.9
Professional and Business Service	13.3	13.4	17.4	16.9
Educational and Health Services	20.0	15.2	14.0	13.2
Leisure and Hospitality	9.1	10.3	4.5	4.6
Other Services	4.3	4.1	2.9	3.2
Government	16.6	16.4	14.8	17.3

Source: NYS Department of Labor; US Department of Labor, Bureau of Labor Statistics; US Department of Commerce, Bureau of Economic Analysis.

Government: Federal, State, and local governments together comprise the second largest sector in terms of nonagricultural jobs, with the bulk of the employment accounted for by local governments. Public education is the source of about 40 percent of total State and local government employment.

The importance of the different sectors of the State's economy relative to the national economy is shown in the above table, which compares nonagricultural employment and wages by sector for the State and the nation as a whole. Manufacturing and construction account for smaller shares of employment for the State than for the nation, while the combined service industries account for a larger share. The financial activities sector share of total wages is particularly large for the State relative to the nation. Thus, the State is likely to be less affected than the nation as a whole during an economic recession that is concentrated in manufacturing and construction, but likely to be more affected by any economic downturn that is concentrated in the services sector.

ECONOMIC AND DEMOGRAPHIC TRENDS

In calendar years 1990 through 1998, the State's rate of economic growth was somewhat slower than that of the nation. In particular, during the 1990-91 recession and post-recession period, the economies of the State and much of the rest of the Northeast were more heavily damaged than the nation as a whole and were slower to recover. However, the situation subsequently improved. In 1999, for the first time in 13 years, State employment growth surpassed that of the nation, and in 2000 the rates were essentially the same. In 2001, the September 11th attack resulted in a downturn in New York that was more severe than for the nation as a whole. In contrast, the State labor market fared better than that of the nation as a whole during the most recent downturn that began in 2008, though New York experienced a historically large wage decline in 2009. The State unemployment rate was higher than the national rate from 1991 to 2000, but the gap between them has since closed, with the State rate below that of the nation from the start of the national recession through the end of 2011, but rose above the national rate again in 2012.

ECONOMICS AND DEMOGRAPHICS

The following table compares population change in the State and in the United States since 1960.

COMPARATIVE POPULATION FIGURES					
	State			US	
	Total Population (000s)	% Change from Preceding Period	Percentage of U.S. Population	Total Population (000s)	% Change from Preceding Period
1960	16,782	13.2	9.4	179,323	18.5
1970	18,241	8.7	9.0	203,302	13.4
1980	17,558	(3.7)	7.8	226,546	11.4
1990	17,990	2.5	7.2	248,710	9.8
2000	18,976	5.5	6.7	281,422	13.2
2010	19,378	2.1	6.3	308,746	9.7
2012	19,570	1.0	6.2	313,914	1.7

Source: US Department of Commerce, Census Bureau.

Total State nonagricultural employment has declined as a share of national nonagricultural employment. The following historical table compares these levels and the rate of unemployment for the State and the nation.

NONAGRICULTURAL EMPLOYMENT AND UNEMPLOYMENT RATE FOR NEW YORK AND THE UNITED STATES					
	Employment (000s)		State as Percent of US Employment	Unemployment Rate (%)	
	State	US		State	US
1960	6,182	54,296	11.4	N/A	5.5
1970	7,156	71,006	10.1	N/A	4.9
1980	7,207	90,528	8.0	7.5	7.1
1990	8,214	109,487	7.5	5.3	5.6
2000	8,638	131,881	6.5	4.5	4.0
2010	8,567	129,917	6.6	8.6	9.6
2012	8,800	133,739	6.6	8.5	8.1

Source: US Department of Labor and NYS Department of Labor.

Note: Nonagricultural employment and unemployment rates are generated from separate surveys.

State per capita personal income has historically been significantly higher than the national average, although the ratio has varied substantially over time. Because New York City is an employment center for a multi-state region, State personal income measured on a residence basis understates the relative importance of the State to the national economy and the size of the base to which State taxation applies. The following table compares per capita personal incomes for the State and the nation.

PER CAPITA PERSONAL INCOME
(Income in Dollars)

	NYS	US	NYS/US
1960	2,822	2,268	1.24
1970	4,868	4,084	1.19
1980	10,985	10,091	1.09
1990	23,710	19,354	1.23
2000	34,623	30,319	1.14
2010	49,119	39,791	1.23
2012	52,095	42,693	1.22

Source: US Department of Commerce, Bureau of Economic Analysis.

CAPITAL PROGRAM AND FINANCING PLAN

The DOB prepares a Multi-Year Capital Program and Financing Plan with the Executive Budget and updates it following enactment of the budget (the "Enacted Capital Plan"). The Enacted Capital Plan outlines the anticipated capital spending over the five-year period, the means by which it will be financed, the impact on debt measures, and the anticipated debt issuances required to support the planned capital spending. The Enacted Capital Plan can be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 474-8282, or at www.budget.ny.gov.

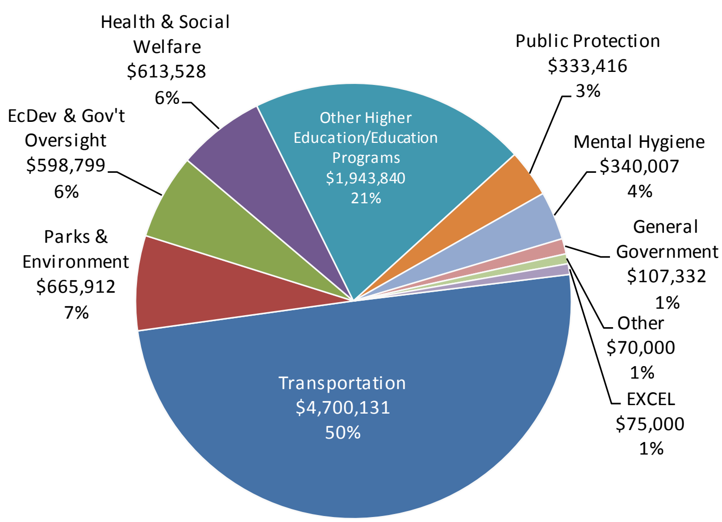
CAPITAL PLAN

As prescribed by NY Works Task Force, DOB has for the first time formulated 10-year capital commitment and disbursement projections for State agencies. The total commitment and disbursement levels 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 following capital projects information relates to the upcoming fiscal year.

FY 2014 CAPITAL PROJECTS SPENDING

Spending on capital projects is projected to total $9.4 billion in FY 2014, which includes $1.4 billion in "off-budget spending" directly from bond proceeds held by public authorities. Overall, capital spending in FY 2014 is projected to increase by $543 million (6 percent) from FY 2013.

FY 2014 Capital Spending by Function
(thousands of dollars)



In FY 2014, transportation spending is projected to total $4.7 billion, which represents 50 percent of total capital spending, with education, including the EXCEL program, comprising the next largest share at 22 percent. Economic development spending represents 6 percent and spending for parks and environment represents 7 percent. The remaining 15 percent is comprised of spending for mental hygiene, health and social welfare, public protection and all other capital programs.

Spending for transportation is projected to increase by $269 million (6 percent) in FY 2014, reflecting the continuation of accelerated spending on road and bridge projects under the New York Works program and additional CHIPs funding included in the Enacted Budget.

Parks and environment spending will decrease by $72 million (-10 percent) in FY 2014 reflecting the continued phasedown of general obligation bond authorizations.

Economic development and government oversight spending is projected to increase by $173 million (40 percent). This spending reflects several new economic development initiatives designed to spur job growth, including money for the Regional Councils Initiative. Also, in FY 2014, the Enacted Budget dedicates resources to western New York to bolster the Buffalo Regional Innovative Cluster, and the Buffalo Bills Stadium improvements. It also provides additional investments in capital projects for higher education that will provide statewide economic opportunities, including SUNY 2020 and CUNY 2020.

Spending for health and social welfare is projected to increase by $52 million (9 percent). This reflects ongoing commitment levels of the $1.6 billion HEAL NY program enacted in FY 2008.

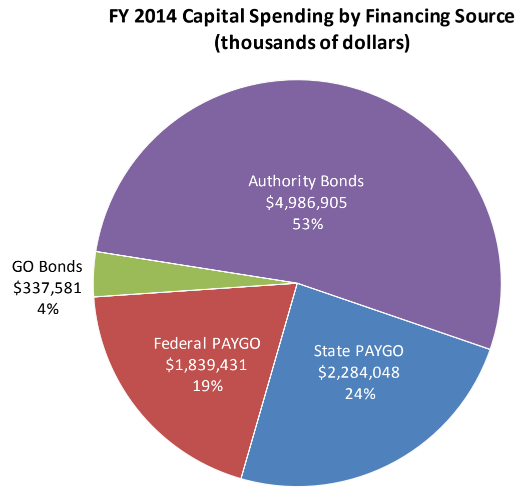
Education spending is projected to decrease by $107 million (-5 percent) in FY 2014. This is primarily due to declining spending at SUNY related to the removal of the residence hall program and continued spending from previously enacted capital plans, as well as the phasedown of the EXCEL program.

Spending increases of $89 million (37 percent) for public protection primarily reflect the State's share of funding related to damages caused by Superstorm Sandy, enhanced aviation equipment, continued investments in the Division of Homeland Security and Emergency Services State Preparedness Training Center, as well as preservation and improvement projects at correctional facilities. Mental hygiene capital spending will increase by $104 million.

General government capital spending will increase by $41 million (62 percent) primarily attributable to costs associated with State technology projects, which will be selected through a governance process based on ROI or a cost-benefit analysis.

Spending for agencies in the All Other category is projected to decrease by $4 million (-6 percent) primarily due to reduced spending from the Statewide equipment program.

FINANCING FY 2014 CAPITAL PROJECTS SPENDING



In FY 2014, the State plans to finance 57 percent of capital projects spending with long-term debt. Federal aid is expected to fund 19 percent of the State's FY 2014 capital spending, primarily for transportation. State cash resources will finance the remaining 24 percent of capital spending. Year-to-year, total PAYGO support is projected to decrease by $159 million, with State PAYGO decreasing by $138 million and Federal PAYGO support decreasing by $21 million. Bond-financed spending is projected to increase by $700 million.

FINANCING PLAN

New York State is one of the largest issuers of municipal debt, ranking second among the states, behind California, in the amount of debt outstanding. The State ranks fifth in the U.S. in debt per capita, behind Connecticut, Massachusetts, Hawaii, and New Jersey. As of March 31, 2013, total State-related debt outstanding totaled $56.1 billion, equal to approximately 5.4 percent of New York personal income. The State's debt levels are typically measured by DOB using two categories: *State-supported debt* and *State-related debt*.

State-supported debt represents obligations of the State that are paid from traditional State resources (i.e., tax revenue) and have a budgetary impact. It includes general obligation debt, to which the full faith and credit of the State has been pledged, and lease purchase and contractual obligations of public authorities and municipalities, where the State's legal obligation to make payments to those public authorities and municipalities is subject to and paid from annual appropriations made by the Legislature. These include the State PIT Revenue Bond program and the New York Local Government Assistance Corporation (LGAC) bonds. Since 2002, the State has financed most of its capital program with PIT Revenue Bonds, a revenue bond program that has reduced its cost of borrowing and created efficiencies by permitting the consolidation of bond sales. Prior to 2002, the State had financed its capital spending with lower-rated lease purchase and contractual service obligations of public authorities. The State expects to transition to using only three credits – general obligation bonds, PIT Revenue Bonds, and the new Sales Tax Revenue Bond program, which was authorized in the Enacted Budget.

State-related debt is a broader measure of State debt which includes all debt that is reported in the State's GAAP-basis financial statements, except for unamortized premiums and accumulated accretion on capital appreciation bonds. These financial statements are audited by external independent auditors and published by OSC on an annual basis. The debt reported in the GAAP-basis financial statements includes general obligation debt, other State-supported debt as defined in the State Finance Law, debt issued by the Tobacco Securitization Finance Corporation, certain debt of the Municipal Bond Bank Agency (MBBA) issued to finance prior year school aid claims and capital leases and mortgage loan commitments. In addition, State-related debt reported by DOB includes State-guaranteed debt, moral obligation financings and certain contingent-contractual obligation financings, where debt service is paid from non-State sources in the first instance, but State appropriations are available to make payments if necessary. These numbers are not included in the State's GAAP-basis financial statements.

The State's debt does not encompass, and does not include, debt that is issued by, or on behalf of, local governments and secured (in whole or in part) by State local assistance aid payments. For example, certain State aid to public schools paid to school districts or New York City has been pledged by those local entities to help finance debt service for locally-sponsored and locally-determined financings. This debt, however, is not treated by DOB as either State-supported debt or State-related debt because it (i) is not issued by the State (nor on behalf of the State), and (ii) does not result in a State obligation to pay debt service. Instead, this debt is accounted for in the respective financial statements of the local governments or other entity responsible for the issuance of such debt and is similarly treated.

The issuance of general obligation debt and debt of LGAC is undertaken by OSC. All other State-supported and State-related debt is issued by the State's financing authorities (known as "Authorized Issuers" in connection with the issuance of PIT and Sales Tax Revenue Bonds) acting under the direction of DOB. The Authorized Issuers include NYSTA, DASNY, ESD, the Environmental Facilities Corporation (EFC), and the Housing Finance Agency (HFA) for PIT Revenue Bonds and NYSTA, DASNY, and ESD for Sales Tax Revenue Bonds. Prior to any issuance of new State-supported debt and State-related debt, approval is required by the State Legislature, DOB, the issuer's board, and in certain instances, the Public Authorities Control Board (PACB) and the State Comptroller.

The State has never defaulted on any of its general obligation indebtedness or its obligations under lease purchase or contractual obligation financing arrangements. The following table summarizes the State's debt obligation for the past three fiscal years.

OUTSTANDING STATE-SUPPORTED AND STATE-RELATED DEBT [1] (millions of dollars)	FY 2011	FY 2012	FY 2013
State-Supported Debt	**51,618**	**52,773**	**52,535**
Personal Income Tax Revenue Bonds	20,986	23,074	26,501
General Obligation	3,525	3,494	3,524
Local Government Assistance Corporation	3,330	3,119	2,836
Service Contract & Lease Purchase	12,316	11,312	8,585
Other Revenue Bonds	11,461	11,774	11,089
Contingent-Contractual Obligation Financings	**3,597**	**3,193**	**2,832**
DASNY/MCCFA - Secured Hospital Program	585	503	421
Tobacco Settlement Financing Corporation	3,012	2,690	2,411
Moral Obligation Financings	**25**	**20**	**13**
Housing Finance Agency	23	18	11
MCCFA - Hospitals and Nursing Homes	2	2	2
Other State Financings	**724**	**690**	**701**
MBBA Prior Year School Aid Claims	396	368	294
Capital Leases [2]	180	178	264
Mortgage Loan Commitments	148	144	143
State Guaranteed Debt			
Job Development Authority	23	19	15
TOTAL STATE-RELATED DEBT	55,987	56,695	56,096

Source: NYS DOB. Except Mortgage Loan Commitments which are taken from the CAFR for FY 2011 and FY 2012 Mortgage Loan Commitments and Capital Leases are estimated by DOB for FY 2013.

[1]Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds. Amounts do not reflect accretion of capital appreciation bonds or premiums received.

[2]A portion of SUNY's capital leases are included in State-supported debt.

STATE-SUPPORTED DEBT OUTSTANDING

State-supported debt represents obligations of the State that are paid from traditional State resources and have a budgetary impact. It includes general obligation debt, State PIT Revenue Bonds, Sales Tax Revenue Bonds, LGAC bonds and lease purchase and service contract obligations of public authorities and municipalities. Payment of all obligations, except for general obligation debt, is subject to annual appropriations by the State Legislature, but the State's credits have different security features, as described in this section. The Debt Reform Act of 2000 limits the amount of new State supported debt issued since April 1, 2000. See "Financial Plan Overview — Capital Commitment Plan and Debt Reform Act Limit" for more information.

STATE PIT REVENUE BOND PROGRAM

Since 2002, the PIT Revenue Bond Program has been the primary financing vehicle used to fund the State's capital program. Legislation enacted in 2001 provided for the issuance of State PIT Revenue Bonds by the State's Authorized Issuers. The legislation requires 25 percent of State PIT receipts (excluding refunds owed to taxpayers) to be deposited into the Revenue Bond Tax Fund (RBTF) for purposes of making debt service payments on these bonds, with the excess amounts returned to the

General Fund. The first State PIT Revenue Bonds were issued on May 9, 2002, and since that time, all of the Authorized Issuers have issued State PIT Revenue Bonds.

Legislation enacted in 2007 increased the amount of PIT receipts to be deposited into the RBTF by removing an exclusion for PIT amounts deposited to the STAR Fund. In the event that (a) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (b) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the State PIT Revenue Bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of (i) 25 percent of annual PIT receipts or (ii) $6 billion. Debt service on State PIT Revenue Bonds is subject to legislative appropriation, as part of the annual debt service bill.

As of March 31, 2013, approximately $27 billion of State PIT Revenue Bonds were outstanding. The projected PIT Revenue Bond coverage ratios, noted below, are based upon estimates of PIT receipts deposited into the RBTF and include projected debt issuances. Assuming average issuances of approximately $3.5 billion annually over the next four years, PIT coverage is expected to decline from 3.8 times in FY 2014 to 3.7 times in FY 2017.

PROJECTED PIT REVENUE BOND COVERAGE RATIOS
FY 2014 THROUGH 2017
(thousands of dollars)

	FY 2014	FY 2015	FY 2016	FY 2017
Projected RBTF Receipts	10,635,875	11,008,550	11,748,550	12,475,225
Projected New PIT Bonds Issuances	3,636,850	3,684,049	3,994,235	2,870,472
Projected Total PIT Bonds Outstanding	30,009,625	33,511,525	37,165,632	39,550,268
Projected Maximum Annual Debt Service	2,779,384	2,994,821	3,324,091	3,361,733
Projected PIT Coverage Ratio	3.8	3.7	3.5	3.7

SALES TAX REVENUE BOND PROGRAM

Legislation included in the FY 2014 Enacted Budget created a new Sales Tax Revenue Bond program. This new bonding program will replicate certain credit features of PIT and LGAC revenue bonds and is expected to provide the State with increased efficiencies and a lower cost of borrowing.

The legislation created the Sales Tax Revenue Bond Tax Fund, a sub-fund 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 dedicated revenues consisting of one cent of the State's four cent sales and use tax. With a limited exception, upon the satisfaction of all of the obligations and liabilities of LGAC, this will increase to 2 cents of sales and use tax receipts. Such sales tax receipts in excess of debt service requirements will be transferred to the State’s General Fund.

The Sales Tax Revenue Bond Fund will have appropriation-incentive and General Fund “reach back” features comparable to PIT and LGAC bonds. A "lock box" feature will restrict transfers back to the General Fund in the event of non-appropriation or non-payment. In addition, in the event that sales tax revenues are insufficient to pay debt service, a “reach back” mechanism requires the State Comptroller to transfer moneys from the General Fund to meet debt service requirements.

DOB expects the first Sales Tax Revenue Bond issue to close in the third quarter of FY 2014 and that the Sales Tax Revenue Bonds will be used interchangeably with PIT Revenue Bonds to finance State capital needs. Assuming average issuances of approximately $1.2 billion annually over the next four years, Sales Tax coverage based only upon the 1 cent pledge is expected to decline from 37.4 times in FY 2014 to 9.7 times in FY 2017, as shown in the following chart.

PROJECTED SALES TAX REVENUE BOND COVERAGE RATIOS
FY 2014 THROUGH 2017
(thousands of dollars)

	FY 2014	FY 2015	FY 2016	FY 2017
Projected Sales Tax Receipts	2,933,500	3,066,800	3,207,800	3,299,500
Projected New Sales Tax Revenue Bonds Issuances	1,122,000	1,155,660	1,190,330	1,226,040
Projected Total Sales Tax Revenue Bonds Outstanding	1,101,999	2,200,580	3,299,074	4,395,877
Projected Maximum Annual Debt Service	78,375	179,130	285,025	339,561
Projected Sales Tax Coverage Ratio	37.4	17.1	11.3	9.7

Also included in the FY 2014 Enacted Budget was legislation that authorizes the use of State Sales Tax Revenue Bonds and PIT Revenue Bonds to finance any capital purpose, including projects that were previously financed through the State’s Mental Health Facilities Improvement Revenue Bond program and the Dedicated Highway and Bridge Trust Fund program. This change allows the State to transition to the use of three primary credits – Personal Income Tax Revenue Bonds, Sales Tax Revenue Bonds and General Obligation Bonds to finance the State’s capital needs.

GENERAL OBLIGATION FINANCINGS

With limited exceptions for emergencies, the State Constitution prohibits the State from undertaking a long-term general obligation borrowing (i.e., borrowing for more than one year) unless it is authorized in a specific amount for a single work or purpose by the Legislature. There is no constitutional limitation on the amount of long-term general obligation debt that may be so authorized and subsequently incurred by the State. However, the Debt Reform Act of 2000 ("Debt Reform Act") imposed statutory limitations on new State-supported debt issued on and after April 1, 2000. The State Constitution provides that general obligation bonds, which can be paid without an appropriation, must be paid in equal annual principal installments or installments that result in substantially level or declining debt service payments, mature within 40 years after issuance, and begin to amortize not more than one year after the issuance of such bonds. However, general obligation housing bonds must be paid within 50 years after issuance, with principal commencing no more than three years after issuance. The Debt Reform Act limits the maximum term of State-supported bonds, including general obligation bonds, to 30 years, and the State currently has no bonds outstanding with a remaining final maturity that is more than 30 years.

General obligation debt is currently authorized for transportation, environment and housing purposes. Transportation-related bonds are issued for State and local highway and bridge improvements, mass transportation, rail, aviation, canal, port and waterway programs and projects. Environmental bonds are issued to fund environmentally sensitive land acquisitions, air and water quality improvements, municipal non-hazardous waste landfill closures and hazardous waste site cleanup projects.

Most general obligation debt-financed spending in the Enacted Capital Plan is authorized under nine previously approved bond acts (five for transportation and four for environmental and recreational programs). The majority of projected general obligation bond-financed spending supports authorizations for the 2005 Rebuild and Renew New York Bond Act. DOB projects that spending authorizations from the remaining bond acts will be virtually depleted by the end of the plan. As of March 31, 2013, approximately $3.5 billion of general obligation bonds were outstanding. See "Exhibit B — State-Related Bond Authorizations" for information regarding the levels of authorized, unissued, and outstanding general obligation debt by bond act.

The State Constitution permits the State to undertake short-term general obligation borrowings without voter approval in anticipation of the receipt of (i) taxes and revenues, by issuing general obligation tax and revenue anticipation notes (TRANs), and (ii) proceeds from the sale of duly authorized but unissued general obligation bonds, by issuing bond anticipation notes (BANs). General obligation TRANs must mature within one year from their date of issuance and cannot be refunded or refinanced beyond such period. However, since 1990, the State's ability to issue general obligation TRANs that mature in the same State fiscal year in which they were issued has been limited due to the enactment of the fiscal reform program which created LGAC. BANs may only be issued for the purposes and within the amounts for which bonds may be issued pursuant to general obligation authorizations, and must be paid from the proceeds of the sale of bonds in anticipation of which they were issued or from other sources within two years of the date of issuance or, in the case of BANs for housing purposes, within five years of the date of issuance. In order to provide flexibility within these maximum term limits, the State had previously used the BANs authorization to conduct a commercial paper program to fund disbursements eligible for general obligation bond financing.

NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION

In 1990, as part of a State fiscal reform program, legislation was enacted creating LGAC, a public benefit corporation empowered to issue long-term obligations to fund certain payments to local governments that had been traditionally funded through the State's annual issuance of general obligation TRANs that mature in the same State fiscal year that they are issued ("seasonal borrowing"). The legislation also dedicated revenues equal to one cent of the State's four cent sales and use tax to pay debt service on these bonds. As of June 1995, LGAC had issued State-supported bonds and notes to provide net proceeds of $4.7 billion, completing the program. The issuance of these long-term obligations is amortized over a period of no more than 30 years from the dates of their original issuance, with the final debt service payment on April 1, 2025.

The legislation eliminated seasonal borrowing except in cases where the Governor and the legislative leaders have certified the need for additional seasonal borrowing, based on emergency or extraordinary factors, or factors unanticipated at the time of adoption of the budget, and provide a schedule for eliminating it over time. Any seasonal borrowing is required by law to be eliminated by the fourth fiscal year after the limit was first exceeded (i.e., no seasonal borrowing in the fifth year). The provision limiting the State's seasonal borrowing practices was included as a covenant with LGAC's bondholders in the General Bond Resolution and General Subordinate Lien Bond Resolution authorizing such bonds. No restrictions were placed upon the State's ability to issue deficit TRANs (issued in one year and maturing in the following year).

The LGAC changes, as well as other changes in revenue and spending patterns, have allowed the State to meet its cash flow needs throughout the fiscal year without relying on seasonal borrowings. However, the State has taken extraordinary measures in recent years to manage its cash flow, including payment deferrals and permitting the State to borrow from other funds of the State (i.e., non-General Fund) for a limited period.

Legislation enacted in 2003 requires LGAC to certify, in addition to its own cash needs, $170 million annually to provide an incentive for the State to seek an annual appropriation to provide local assistance payments to New York City or its assignee. In May 2004, LGAC amended its General Bond Resolution and General Subordinate Lien Bond Resolution to make clear that any failure to certify or make payments to the City or its assignee has no impact on LGAC's own bondholders; and that if any such act or omission were to occur with respect to any bonds issued by The City of New York or its assignee, that act or omission would not constitute an event of default with respect to LGAC bonds. The FY 2014 Enacted Budget includes a local assistance appropriation of $170 million from the Local Government Assistance Tax Fund to the City.

STATE-SUPPORTED LEASE-PURCHASE AND OTHER CONTRACTUAL-OBLIGATION FINANCINGS

Prior to the 2002 commencement of the State PIT Revenue Bond program, public authorities or municipalities issued other lease-purchase and contractual-obligation debt. These types of debt, where debt service is payable from moneys received from the State and is subject to annual State appropriation, are not general obligations of the State.

Under this financing structure, bonds were issued to finance various capital programs, including those which finance certain of the State's highway and bridge projects, SUNY and CUNY educational facilities, health and mental hygiene facilities, prison construction and rehabilitation, economic development projects, State buildings and housing programs, and equipment acquisitions.

Debt service payable to certain public authorities from State appropriations for such lease-purchase and contractual obligation financings may be paid from general resources of the State or from dedicated tax and other sources (i.e., personal income taxes, motor vehicle and motor fuel related-taxes, and patient income). Although these financing arrangements involve a contractual agreement by the State to make payments to a public authority, municipality or other entity, the State's obligation to make such payments is expressly made subject to appropriation by the Legislature and the actual availability of money to the State for making the payments.

Legislation first enacted in FY 2011, and extended through FY 2014, authorizes the State to set aside moneys in reserve for debt service on general obligation, lease-purchase, and service contract bonds. Pursuant to a certificate filed by the Director of the Budget with the State Comptroller, the Comptroller is required to transfer from the General Fund such reserved amounts on a quarterly basis in advance of required debt service payment dates.

OTHER NEW YORK STATE REVENUE BOND PROGRAMS

Legislation included as part of the FY 2014 Enacted Budget authorizes Personal Income Tax and Sales Tax Revenue Bonds to be issued to finance any capital purpose, including projects that were previously financed through the State's Mental Health Facilities Improvement Revenue Bond program and the Dedicated Highway and Bridge Trust Fund program. This change allows the State to transition to the use of three primary credits – Personal Income Tax Revenue Bonds, Sales Tax Revenue Bonds and general obligation bonds.

DEDICATED HIGHWAY AND BRIDGE TRUST FUND BONDS

Dedicated Highway and Bridge Trust Fund (DHBTF) bonds are issued for State transportation purposes and are backed by dedicated motor fuel, gas and other transportation related taxes and fees. As of March 31, 2013, approximately $7.0 billion of DHBTF bonds were outstanding.

Mental Health Facilities Improvement Bonds

Mental Health Facilities Improvement bonds are issued to support capital projects to preserve and maintain both State and community-based facilities operated and/or licensed by OMH, OPWDD, and OASAS. As of March 31, 2013, approximately $2.3 billion of Mental Health Facilities Improvement bonds were outstanding.

A major source of patient revenues for these bonds are Federal Medicaid payments for services delivered by OPWDD. Debt service coverage ratios for future years are currently projected at approximately 7.3 times for existing Mental Health Facilities Improvements Revenue Bonds. As noted previously, the Federal Centers for Medicare and Medicaid Services (CMS) have engaged the State regarding claims for services provided to individuals in developmental centers operated by OPWDD. In addition, to the reductions in rates that commenced on April 1, 2013, on February 8, 2013, the U.S. Department of Health & Human Services Office of the Inspector General, at the direction of the Federal CMS, began a review to determine the allowability of Medicaid costs for services provided in prior years to the Medicaid population in New York State-Operated Intermediate Care Facilities for the Developmentally Disabled (ICF/DD). The initial review period includes claims for services provided during the period April l, 2010 through March 31, 2011. As a result of this review, CMS may seek to recover Federal funds for any payments that it determines to be in excess of Federal requirements. The State has prospectively resolved CMS concerns regarding its payments to ICF/DDs with a state plan change effective April 1, 2013, and continues to have discussions with CMS to resolve these concerns related to the April 1, 2010 through March 31, 2011 period. Adverse action by the Federal government relative to the allowability of Medicaid costs or services in years prior to FY 2014 would result in a significant loss of Federal aid. The prospective resolution of this matter resulted in a reduction in Federal aid of $1.1 billion annually. A comparable amount of Federal aid is at risk for any prior period that may be pursued by CMS. Matters of this type are sometimes resolved with a prospective solution (as already commenced by New York State), and the State is not aware of any similar attempts by the Federal government to retroactively recover Federal aid of this magnitude that was paid pursuant to an approved State plan. The State continues to seek CMS approval to proceed with the development of a sustainable system of service funding and delivery for individuals with developmental disabilities. However, there can be no assurance that Federal action in this matter will not result in materially adverse changes to the State Financial Plan.

SUNY Dormitory Facilities Bonds

Legislation enacted in the FY 2014 Budget created a new bonding program to finance the SUNY residence hall program. The new bonding program will be supported solely by third party revenues generated by student rents. The revenues will flow directly to DASNY for the payment of debt service without an appropriation. Unlike the existing program, the new program will not include a SUNY general obligation pledge, thereby eliminating any recourse to the State. The existing SUNY Dormitory Facilities Lease Revenue Bonds will continue to be counted as State-supported debt until they are refunded and defeased or are paid off at maturity. As of March 31, 2013, approximately $1.5 billion of SUNY Dormitory Facilities Lease Revenue Bonds were outstanding under the existing program.

STATE-RELATED DEBT OUTSTANDING

State-related debt is a broader measure of debt that includes State-supported debt, as discussed above, and contingent-contractual obligations, moral obligations, State-guaranteed debt and other debt. As of March 31, 2013, the State has never been required to make an unanticipated debt service payment on contingent contractual, moral obligation, or State-guaranteed obligations.

CONTINGENT-CONTRACTUAL OBLIGATION FINANCING

Contingent-contractual debt, included in State-related debt, is debt where the State enters into a statutorily authorized contingent-contractual obligation via a service contract to pay debt service in the event there are shortfalls in revenues from other non-State resources pledged or otherwise available to pay the debt service. As with State-supported debt, except for general obligation, all payments are subject to annual appropriation. The State has never been required to make any payments under this financing arrangement, but the bankruptcy and deteriorating financial conditions of certain hospitals in the secured hospitals program (described below) will require the State to start making payments in FY 2014.

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 March 31, 2013, there was approximately $421 million of bonds outstanding for this program. See “Financial Plan Overview — Risks and Uncertainties Related to the State Financial Plan — Secured Hospital Program” for more information.

TOBACCO SETTLEMENT FINANCING CORPORATION (TSFC)

Legislation enacted in 2003 authorized the State to securitize all of its tobacco settlement payments through the TSFC, a corporation created under the legislation that is a subsidiary of the MBBA, through an asset-backed securitization transaction. To lower costs, the legislation authorized the State to enter into contingency contracts obligating the State to pay debt service, subject to annual appropriations, on the TSFC bonds in the event that tobacco receipts and bond reserves are insufficient. To reduce the chance that the State’s contractual payments will be required in the event that tobacco receipts and bond reserves are not sufficient to pay debt service, the TSFC bonds were structured to meet or exceed all rating agency tobacco bond stress tests. The $4.2 billion of upfront payments received by the State from the securitization were used to help restore State budget balance in FY 2004 ($3.8 billion) and FY 2005 ($400 million).

The bonds carry a final nominal maturity of 19 years and have an expected final maturity of 13 years, based on optional redemptions (i.e., an expected final maturity in calendar year 2018). The expected final maturity may deviate due to the optional nature of the redemptions and adjustments to tobacco settlement payments due from participating manufacturers. Various manufacturers, including the original participating manufacturers, have made reduced payments to states and territories, or deposit payments into a special disputed payments account awaiting determination through arbitration of entitlement to adjustments. As of March 31, 2013, approximately $2.4 billion of TSFC bonds were outstanding. DOB does not anticipate that the State will be called upon to make any payment, pursuant to the contingency contract, in FY 2014. However, if the State were to lose the current arbitration decision and continued to lose future arbitration determinations, it is possible that the State will have to make payments through the service contract after the debt service fund is depleted. See "Litigation and Arbitration — Tobacco Master Settlement Agreement (MSA)" for more information.

MORAL OBLIGATION FINANCINGS

Moral obligation financing generally involves the issuance of debt by a public authority to finance a revenue producing project or other activity. The debt is secured, in the first instance, by project revenues, but includes statutory provisions requiring the State, subject to appropriation by the Legislature, to make up any deficiencies which may occur in the issuer's debt service reserve fund. There has never been a payment default on any moral obligation debt of any public authority. DOB does not expect the State to increase statutory authorizations for moral obligation bond programs. From 1976 through 1987, the State was called upon to appropriate and make payments totaling $162.8 million to make up deficiencies in the debt service reserve funds of HFA pursuant to moral obligation provisions. In the same period, the State also expended additional funds to assist the Project Finance Agency, Urban Development Corporation (UDC) and other public authorities which had moral obligation debt outstanding. The State has not been called upon to make any payments pursuant to any moral obligations since FY 1987 and no such requirements are anticipated during FY 2014.

STATE-GUARANTEED FINANCINGS

Pursuant to specific constitutional authorization, the State may also directly guarantee certain public authority obligations. Payments of debt service on State-guaranteed bonds and notes are legally enforceable obligations of the State. The only current authorization provides for the State guarantee of the repayment of certain borrowings for designated projects of the New York State Job Development Authority (JDA). The State has never been called upon to make any direct payments pursuant to any such guarantees.

Due to concerns regarding the economic viability of its programs, JDA's loan and loan guarantee activities were suspended in 1995. JDA resumed its lending activities in 1997 under a revised set of lending programs and underwriting guidelines. In April 2004, JDA issued approximately $42 million of State-guaranteed bonds to refinance certain of its outstanding bonds and notes in order to restructure and improve JDA's capital finances. As of March 31, 2013, JDA had approximately $15 million of bonds outstanding. DOB does not anticipate that the State will be called upon to make any payments pursuant to the State guarantee in FY 2014.

OTHER STATE FINANCINGS

Other State financings relate to the issuance of debt by a public authority, including capital leases, mortgage loan commitments and MBBA prior year school aid claims. Regarding the MBBA prior year school aid claims, the municipality assigns specified State and local assistance payments it receives to the issuer or the bond trustee to ensure that debt service payments are made. The State has no legal obligation to make any debt service payments or to continue to appropriate local assistance payments that are subject to the assignment.

BORROWING PLAN

STATE DEBT ISSUANCES BY FINANCING PROGRAM (millions of dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Personal Income Tax Revenue Bonds	2,997	3,637	3,684	3,994	2,870	2,480
Sales Tax Revenue Bonds	0	1,122	1,156	1,190	1,226	1,263
General Obligation Bonds	396	379	299	111	66	66
Dedicated Highway & Bridge Trust Fund Bonds [1]	0	0	0	0	559	554
SUNY Dormitory Facilities Bonds	226	0	0	0	0	0
Total Issuances	3,619	5,138	5,138	5,296	4,721	4,362

Source: NYS DOB.

[1] May also be issued under the State PIT or Sales Tax Revenue Bond financing programs.

Debt issuances of $5.1 billion are planned to finance new capital project spending in FY 2014, an increase of $1.5 billion (42 percent) from FY 2013. It is anticipated that the State will finance capital projects through PIT Revenue Bonds, Sales Tax Revenue Bonds and general obligation bonds in FY 2014. PIT and Sales Tax issuances will include capital projects previously financed through the Dedicated Highway and Bridge Trust Fund Bonds credit and Mental Health Facilities Improvement Revenue Bonds credit. The SUNY residence hall program will be financed with the new SUNY Dormitory Facilities credit that was authorized in the Enacted Budget.

The bond issuances will finance capital commitments for transportation infrastructure ($1.9 billion), education ($1.7 billion), health and mental hygiene ($459 million), economic development ($424 million), the environment ($362 million), and State facilities and equipment ($323 million).

Over the next five years, new debt issuances are projected to total $24.7 billion. New issuances are primarily for transportation infrastructure ($7.9 billion), education facilities ($8.0 billion), economic development ($4.1 billion), the environment ($1.6 billion), mental hygiene and health care facilities ($1.6 billion), and State facilities and equipment ($1.5 billion).

The State expects to finance all of its bond-financed capital needs in FY 2014 through only three highly-rated programs – PIT Revenue Bonds, Sales Tax Revenue Bonds, and general obligation bonds. Assuming an issuance plan consistent with the prior table the State projects debt outstanding levels through 2017 to be as follows:

PROJECTED DEBT OUTSTANDING BY CREDIT (millions of dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Personal Income Tax Revenue Bonds	26,500,910	28,907,626	31,310,944	33,866,558	35,154,391
Sales Tax Revenue Bonds	0	1,101,999	2,200,581	3,299,075	4,395,877
General Obligation Bonds	3,524,140	3,570,379	3,548,410	3,351,288	3,124,540
Local Government Assistance Corp.	2,835,683	2,592,380	2,345,040	2,058,400	1,758,175
Other Revenue Bonds	11,088,975	10,252,230	9,416,145	8,648,040	8,439,415
Service Contract & Lease Purchase	8,584,237	7,668,385	6,757,816	5,853,908	5,048,561
TOTAL STATE-SUPPORTED	52,533,944	54,093,000	55,578,935	57,077,267	57,920,960

STATE-RELATED DEBT SERVICE REQUIREMENTS

The following table presents the current and future debt service (principal and interest) requirements on State-related debt outstanding as of March 31, 2013. The requirements of LGAC and other financing obligations of public authorities are based on the gross amounts due from the authorities to bondholders within the fiscal year when such authorities make the payments. The amounts shown do not reflect other associated costs or revenues anticipated to be available, such as interest earnings, capitalized interest or debt service reserve fund releases. Thus, the requirements shown are generally in excess of the amounts expected to be actually paid by the State during its fiscal year.

ESTIMATED DEBT SERVICE REQUIREMENTS ON EXISTING STATE-RELATED DEBT BY CREDIT STRUCTURE [1]
(millions of dollars)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Total
Personal Income Tax Revenue Bonds	2,330	2,501	2,383	2,348	2,323	11,885
General Obligation Bonds	487	479	439	405	372	2,182
Local Government Assistance Corporation	389	385	378	385	385	1,922
Other State-Supported Bonds	2,932	2,687	2,595	2,438	2,247	12,899
Tobacco Bonds [2]	408	446	445	445	444	2,188
All Other State-Related Bonds	122	111	112	119	95	559
Total Debt Service	6,668	6,609	6,352	6,140	5,866	31,635

Source: NYS DOB.

[1] Reflects debt issued as of March 31, 2013. Estimated debt service requirements are calculated based on swap rates in effect for all bonds that were synthetically fixed under an interest rate exchange agreement. Debt service requirements for variable rate bonds for which there are no related interest rate exchange agreements were calculated at rates of 3.50 percent.

[2] Estimated debt service numbers are based on available information as of March 31, 2013. Since 2006 certain monies expected to flow to the State under the Master Settlement Agreement have been withheld and placed in a Dispute Payment Account. Pending the outcome of a resolution between participating manufacturers and the states, the debt service numbers will be adjusted accordingly.

INTEREST RATE EXCHANGE AGREEMENTS AND NET VARIABLE RATE OBLIGATIONS

Chapter 81 of the Laws of 2002 authorized issuers of State-supported debt to issue a limited amount of variable rate debt instruments and to enter into a limited amount of interest rate exchange agreements. The current limit on debt instruments which result in a net variable rate exposure (i.e., both variable rate debt and interest rate exchange agreements) is no more than 15 percent of total outstanding State-supported debt. Interest rate exchange agreements are also limited to a total notional amount of no more than 15 percent of total outstanding State-supported debt. The outstanding State-supported debt of $52.5 billion as of March 31, 2013 results in a cap on variable rate exposure and a cap on interest rate exchange agreements of about $8 billion each (15 percent of total outstanding State-supported debt). As discussed below, as of March 31, 2013, both the amount of outstanding variable rate debt instruments and interest rate exchange agreements were less than the authorized totals of 15 percent of total outstanding State-supported debt.

INTEREST RATE EXCHANGE AGREEMENTS

As of March 31, 2013, the State's Authorized issuers have a notional amount of $2.0 billion in interest rate exchange agreements. The following table shows the amount of outstanding interest rate exchange agreements which are subject to the statutory cap. Overall, the State's swap exposure is expected to decline from 3.9 percent in FY 2013 to 2.7 percent in FY 2018.

INTEREST RATE EXCHANGE CAP
(millions of dollars)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Interest Rate Exchange Cap	7,880	8,114	8,337	8,562	8,688
Notional Amounts of Interest Rate Exchange Agreements	2,045	2,014	1,927	1,820	1,683
Percent of Interest Rate Exchange Agreements to Debt Outstanding	3.9%	3.7%	3.5%	3.2%	2.9%

Currently the State's swaps portfolio is comprised of synthetic fixed rate swaps. A synthetic fixed swap includes two separate transactions: (1) a variable rate bond is sold to bondholders, and (2) an interest rate exchange agreement between the State and a counterparty is executed. The interest rate exchange agreement results in the State paying a fixed interest rate (i.e., synthetic fixed rate) to the counterparty and the counterparty agrees to pay the State a variable rate (65 percent of LIBOR for all State swaps). The variable rate the State pays to bondholders and the variable rate the State is receiving from the counterparty off-set each other, leaving the State with the synthetic fixed rate payment. The synthetic fixed rate was less than the fixed rate the State would have paid to issue traditional fixed rate bonds at that time.

At this time, the State has no plans to increase its swap exposure, and may take further actions to reduce swap exposures commensurate with variable rate restructuring efforts.

NET VARIABLE RATE OBLIGATIONS

The State's net variable rate exposure (including a policy reserve) is projected to average 1.6 percent of outstanding debt from FY 2013 through FY 2017. The debt that is charged against the variable rate cap represents the State's unhedged variable rate bonds. The variable rate bonds that are issued in connection with a swap are not included in the variable rate cap, as discussed previously in the "Interest Rate Exchange Agreements" section.

The State's current policy is to count 35 percent of the notional amount of outstanding 65 percent of LIBOR fixed rate swaps in its variable rate exposure. This policy reserve accounts for the potential that tax policy or market conditions could result in significant differences between payments owed on the bonds and the amount received by the State under its 65 percent of LIBOR swaps, and that the factors affecting such payments can be consistent with variable rate exposure.

VARIABLE RATE EXPOSURE
(millions of dollars)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Variable Rate Exposure Cap	**7,880**	**8,114**	**8,337**	**8,562**	**8,688**
Current Unhedged Variable Rate Obligations	214	204	193	182	173
Convertible Bonds [1]	0	0	0	0	0
Synthetic Variable Rate Swaps	0	0	0	0	0
Total Net Variable Rate Exposure	**214**	**204**	**193**	**182**	**173**
Net Variable Rate Exposure to Debt Outstanding	**0.4%**	**0.4%**	**0.3%**	**0.3%**	**0.3%**
Current Policy Reserve for LIBOR Swaps	716	705	674	637	589
Net Variable Rate Exposure (with Policy Reserve)	**930**	**909**	**868**	**819**	**762**
Net Variable Rate Exposure (with Policy Reserve) to Debt Outstanding	**1.8%**	**1.7%**	**1.6%**	**1.4%**	**1.3%**

[1] $258 million of convertible bonds due in FY 2014 are expected to be refunded with fixed rate bonds, instead of converting to a variable rate mode, which will elimiante all remaining convertible bonds from the State's portfolio.

The State has no plans to issue additional variable rate debt at this time, and may further reduce existing variable rate exposure.

STATE BOND CAPS AND DEBT OUTSTANDING

Bond caps are legal authorizations to issue bonds to finance the State's capital projects. The caps can authorize bond financing of capital appropriations. As the bond cap for a particular programmatic purpose is reached, subsequent legislative changes are required to raise the statutory cap to the level necessary to meet the bondable capital needs, as permitted by a single or multi-year appropriation. The aggregate bond caps have increased by $3.6 billion in FY 2014.

Debt authorizations for capital programs are either approved or enacted at one time, expected to be fully issued over time, or enacted annually by the Legislature and are usually consistent with bondable capital projects appropriations. Authorization does not, however, indicate intent to sell bonds for the entire amount of those authorizations, because capital appropriations often include projects that do not materialize or are financed from other sources. The amount of bonds authorized may be increased or decreased from time to time by the Legislature. In the case of general obligation debt, increases in the authorization must be approved by the voters. See "Exhibit B — State-Related Bond Authorizations" herein for additional information.

FOR MORE INFORMATION

Additional information on the State's debt portfolio is available on DOB's public website (www.budget.ny.gov). The Investor's Guide section of the site contains information on New York State bonds including: the State's bond issuance schedule which is updated periodically; swap and variable rate capacity reports; variable rate trading activity; and State PIT Revenue Bond debt service and debt outstanding.

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 "Capital Program and Financing Plan."

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 authorized 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 deemed such payment a "valid and proper purpose" for such funds. This authorization expired on March 31, 2013.

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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AUTHORITIES AND LOCALITIES

As of December 31, 2012 (Job Development Authority or "JDA" is as of March 31, 2012), each of the 19 authorities listed in the following table had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $171 billion, only a portion of which constitutes State-supported or State-related debt. The following table summarizes the outstanding debt of these authorities.

OUTSTANDING DEBT OF CERTAIN AUTHORITIES[1]
AS OF DECEMBER 31, 2012[2]
(millions of dollars)

Authority	State-Related Debt Bonding	Authority and Conduit Bonding	Total
Dormitory Authority[3]	25,194	20,963	**46,157**
Metropolitan Transportation Authority	400	22,695	**23,095**
Port Authority of NY & NJ	0	21,898	**21,898**
Thruway Authority	11,121	3,290	**14,411**
Housing Finance Agency	995	10,140	**11,135**
UDC/ESD	8,505	959	**9,464**
Triborough Bridge and Tunnel Authority	0	8,395	**8,395**
Environmental Facilities Corporation	801	6,474	**7,275**
Long Island Power Authority[4]	0	6,757	**6,757**
Job Development Authority[2]	19	6,611	**6,630**
Energy Research and Development Authority[4]	0	3,426	**3,426**
State of New York Mortgage Agency	0	3,019	**3,019**
Local Government Assistance Corporation	2,836	0	**2,836**
Tobacco Settlement Financing Corporation	2,411	0	**2,411**
Power Authority	0	1,746	**1,746**
Battery Park City Authority	0	1,032	**1,032**
Municipal Bond Bank Agency	294	317	**611**
Niagara Frontier Transportation Authority	0	162	**162**
Bridge Authority	0	123	**123**
TOTAL OUTSTANDING	52,576	118,007	**170,583**

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

[2] 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.

[3] Includes debt previously issued by New York State Medical Care Facilities Finance Agency, which was consolidated with the Dormitory Authority on September 1, 1995.

[4] 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. Similar legislation on behalf of these two entities is also being considered in 2013. 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' (law enforcement unions) 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, by NIFA to the United States Court of Appeals for the Second Circuit. Both NIFA and the County have appealed.

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, or 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 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	30,753	4,755	86,134	4,755
2007	58,192	100	32,271	4,567	90,463	4,667
2008	59,120	67	33,569	5,474	92,689	5,541
2009	64,873	33	34,522	6,908	99,395	6,941
2010	69,494	0	36,103	7,361	105,597	7,361
2011	73,538	0	36,149	7,270	109,687	7,270

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 "Authorities and Localities - 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, and 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.

STATE GOVERNMENT EMPLOYMENT

As of March 31, 2013, the State had approximately 180,802 full-time equivalent annual salaried employees funded from all funds including some part-time and temporary employees, independently-elected agencies and university systems, but excluding seasonal, legislative and judicial employees. The workforce is now substantially smaller than it was in 1990, when it peaked at approximately 230,000 positions. The State workforce is projected to total 181,305 positions at the end of FY 2014. The State workforce subject to direct Executive control is expected to total 120,468 full time equivalent positions at the end of FY 2014.

The State Public Employment Relations Board defines negotiating units for State employees. GOER conducts collective bargaining negotiations with the State's unions, with the exception of employees of the Judiciary, public authorities and the Legislature. Such negotiations include terms and conditions of employment, except pension benefits. The State has a five-year labor contract with the State's largest State employee union, CSEA as well as UUP, and a four-year labor contract with the State's second largest State employee union, PEF. Additionally, the State reached agreements with NYSPBA (representing the APSU bargaining unit, formerly ALES) for FY 2006 through FY 2015; and NYSCOPBA and Council 82 for FY 2010 through FY 2016. The State is currently engaged in negotiations with other unions, which represent approximately 10 percent of the State workforce.

While approximately 94 percent of the State workforce is unionized, the remainder of the workforce is designated as "managerial" or "confidential" (M/C) and is excluded from collective bargaining. The results of collective bargaining negotiations have historically been applied to all State employees within the Executive Branch. However, general salary increases were withheld from M/C employees in FY 2010 and FY 2011. Under the State's Taylor Law, the general statute governing public employee-employer relations in the State, employees are prohibited from striking. A strike against the State last occurred in 1979 by employees of the Department of Corrections and Community Supervision.

HISTORICAL SUMMARY OF EXECUTIVE BRANCH WORKFORCE
ANNUAL SALARIED FTEs
ALL FUNDS

Date	Subject to Direct Executive Control	Grand Total
3/31/2008	137,680	195,239
3/31/2009	136,495	195,329
3/31/2010	131,741	191,195
3/31/2011	125,787	183,921
2/29/2012*	119,579	179,598
3/31/2013	119,756	180,802

*Reflects a payroll prior to fiscal year-end due to concurrent implementation of the State's Statewide Financial System (SFS) which resulted in anomalies to the accounting of FTEs with the actual FY 2012 year-end payroll.

WORKFORCE SUMMARY
ALL FUNDS
FY 2012 THROUGH FY 2014

	2011-12 Actuals (02/29/12)	2012-13 Actuals (03/31/13)	2013-14 Estimate (03/31/14)
Major Agencies			
Children and Family Services, Office of	3,093	3,068	2,855
Corrections and Community Supervision, Department of	29,387	29,443	29,491
Education Department, State	2,590	2,618	2,765
Environmental Conservation, Department of	2,981	2,901	2,916
Financial Services, Department of	1,337	1,242	1,337
General Services, Office of	1,298	1,306	1,439
Health - MA Administration	0	0	840
Health, Department of	4,761	4,546	4,180
Information Technology Services, Office of	537	3,726	3,890
Labor, Department of	3,717	3,615	3,612
Mental Health, Office of	14,822	14,538	15,248
Motor Vehicles, Department of	2,378	2,243	2,215
Parks, Recreation and Historic Preservation, Office of	1,735	1,731	1,719
People with Developmental Disabilities, Office for	20,299	20,116	18,585
State Police, Division of	5,187	5,222	5,408
Taxation and Finance, Department of	4,910	4,352	4,379
Temporary and Disability Assistance, Office of	2,039	1,834	1,899
Transportation, Department of	8,974	8,687	8,337
Workers' Compensation Board	1,306	1,167	1,220
Subtotal - Major Agencies	**111,351**	**112,355**	**112,335**
Minor Agencies	**8,228**	**7,401**	**8,133**
Subtotal - Subject to Direct Executive Control	**119,579**	**119,756**	**120,468**
University Systems			
City University of New York	12,961	13,437	13,024
State University Construction Fund	151	150	152
State University of New York	42,800	43,243	43,249
Subtotal - University Systems	**55,912**	**56,830**	**56,425**
Independently Elected Agencies			
Audit and Control, Department of	2,410	2,476	2,614
Law, Department of	1,697	1,740	1,798
Subtotal - Independently Elected Agencies	**4,107**	**4,216**	**4,412**
Grand Total	**179,598**	**180,802**	**181,305**

Source: NYS DOB.

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 nine 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. For the fiscal year ending March 31, 2013, the Systems’ audited Financial Statements will be available on the OSC website after July 31, 2013 and the NYSLRS’ CAFR will be available by September 30, 2013.

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 State 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 32 percent of the membership during FY 2012. There were 3,332 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.

STATE RETIREMENT SYSTEMS

As of March 31, 2013, approximately 648,000 persons were members of the Systems and approximately 413,000 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, 2013, approximately 83 percent of ERS members were in Tiers 3 and 4 and approximately 90 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and included 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 included 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 participating 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 employers elected to participate in Part A of the ERI. Two hundred eleven (211) participating 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 became 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 for their career. 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 a further increase is expected for FY 2015. The amount of future annual employer contribution rates 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 5 percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2013, the amortized amount receivable pursuant to Chapter 260 from the State is $175.5 million and from participating employers is $47.0 million. The State paid $1,406.7 million in contributions (including Judiciary) for FY 2013 including amortization payments of approximately $87.1 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 FY 2011, the State Comptroller set an interest rate of 5 percent. For amounts amortized in FY 2012, the interest rate is 3.75 percent. For amounts amortized in FY 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 $208.9 million from the State and $36.3 million from participating employers and the amortized amount receivable for the 2012 amortization is $515.4 million from the State and $191.8 million from the participating employers. In FY 2013, the State elected to amortize $778.5 million and 137 participating employers amortized a total of $368.9 million.

The FY 2014 Enacted Budget included an alternate contribution program (the “Alternate Contribution Stabilization Program”) that provides certain participating employers with a one-time election to amortize slightly more of their required contributions than would be available for amortization under the 2010 legislation. In addition, the maximum payment period is increased from ten years to twelve years. The election is available to counties, cities, towns, villages, BOCES, school districts and the four public health care centers operated in the counties of Nassau, Westchester and Erie. The State is not eligible to participate in the Alternate Contribution Stabilization Program.

Eligible employers have a one-time only option to elect to participate in the Alternate Contribution Stabilization Program, which begins with FY 2014. For those eligible employers electing the Alternate Contribution Stabilization Program, the graded contribution rate for fiscal years ending 2014 and 2015 is 12 percent of salary for ERS and 20 percent of salary for a PFRS. Thereafter, the graded contribution rate will increase one half of one percent per year towards the actuarially required rate. Electing employers may amortize the difference between the graded rate and the actuarially required rate over a twelve year period at an interpolated twelve year Treasury Security rate. As with the original Contribution Stabilization Program, when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elect to amortize under the alternate program 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.

The estimated State payment (including Judiciary) for FY 2014 is $2,717.7 million. The State has prepaid $132.8 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, 2014 payment by $938.0 million. The State payment for FY 2014 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.

PENSION ASSETS AND LIABILITIES

The Systems' 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, amortized amounts, 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, 2013 and will be included in the NYSLRS' CAFR for that fiscal year. Based on unaudited data for invested assets, the Systems estimate an approximate gain of 10.38 percent for FY 2013.

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. 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). 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 the unexpected loss for FY 2012, 40 percent of the unexpected gain for 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 Systems Actuary in August 2012 using the entry age normal funding method and actuarial assets, was 87 percent[8].

[6] More detail on the CRF's asset allocation as of March 31, 2012, 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 five previous fiscal years can be found on page 55 of the NYSLRS' CAFR for the fiscal year ending March 31, 2012.

In June 2012, GASB approved two related Statements that make changes to the accounting and financial reporting of pensions by state and local governments and pension plans. These statements impact neither the Systems' actuarial method nor the calculation of rates.

Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, establishes new accounting and financial reporting requirements for governments that provide their employees with pensions.

The standards for public plans' financial statements go into effect for fiscal years beginning on or after June 15, 2013 (e.g. NYSLRS March 31, 2015 financial statement). The standards for employers are effective for fiscal years beginning on or after June 15, 2014. For example, it would be effective for the State's fiscal year ending March 31, 2016.

Under the new standards, participating employers will be required to report a new liability (Net Pension Liability) in their financial statements. The Systems are currently evaluating the impact of the new standards and implementation considerations.

Statement 67 replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans. Statement 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new Statements also replace the requirements of Statement No. 50, Pension Disclosures, for those governments and pension plans.

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 "State Retirements Systems — Contributions and Funding" above.

CONTRIBUTIONS AND BENEFITS
NEW YORK STATE AND LOCAL RETIREMENT SYSTEMS[1]
(millions of dollars)

Fiscal Year Ended March 31	Contributions Recorded: All Participating Employers[1][2]	Local Employers[1][2]	State[1][2]	Employees	Total Benefits Paid[3]
2003	652	378	274	219	5,030
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012	4,585	2,799	1,786	273	8,938

Sources: State and Local Retirement Systems.

[1] Contributions recorded include the full amount of unpaid amortized contributions.

[2] The annual required contributions (ARC) include the employers' normal costs, the Group Life Insurance Plan amounts, and other supplemental amounts. Additional information on the ARC can be accessed on page 55 of the NYSLRS CAFR for fiscal year ending March 31, 2012.

[3] Includes payments from Group Life Insurance Plan, which funds the first $50,000 of any death benefit paid.

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.

LITIGATION AND ARBITRATION

GENERAL

The legal proceedings listed below involve State finances and programs and miscellaneous civil rights, real property, contract and other tort claims in which the State is a defendant and the potential monetary claims against the State are deemed to be material, generally in excess of $100 million or involving significant challenges to or impacts on the State's financial policies or practices. As explained below, these proceedings could adversely affect the State's finances in FY 2014 or thereafter. The State intends to describe newly initiated proceedings which the State deems to be material and existing proceedings which the State subsequently deems to be material, as well as any material and adverse developments in the listed proceedings, in quarterly updates and/or supplements to this AIS.

For the purpose of this Litigation and Arbitration section of the AIS, the State defines "material and adverse developments" as rulings or decisions on or directly affecting the merits of a proceeding that have a significant adverse impact upon the State's ultimate legal position, and reversals of rulings or decisions on or directly affecting the merits of a proceeding in a significant manner, whether in favor of or adverse to the State's ultimate legal position, at all of which are above the $100 million materiality threshold described above. The State intends to discontinue disclosure with respect to any individual case after a final determination on the merits or upon a determination by the State that the case does not meet the materiality threshold described above.

The State is party to other claims and litigation, with respect to which its legal counsel has advised that it is not probable that the State will suffer adverse court decisions, or which the State has determined do not, considered on a case by case basis, meet the materiality threshold described in the first paragraph of this section. Although the amounts of potential losses, if any, resulting from these litigation matters are not presently determinable, it is the State's position that any potential liability in these litigation matters is not expected to have a material and adverse effect on the State's financial position in FY 2014 or thereafter. The Basic Financial Statements for FY 2013, which OSC expects to issue by July 29, 2013, is expected to report possible and probable awarded and anticipated unfavorable judgments against the State.

Adverse developments in the proceedings described below, other proceedings for which there are unanticipated, unfavorable and material judgments, or the initiation of new proceedings could affect the ability of the State to maintain a balanced FY 2014 Financial Plan. The State believes that the FY 2014 Enacted Budget includes sufficient reserves to offset the costs associated with the payment of judgments that may be required during FY 2014. These reserves include (but are not limited to) amounts appropriated for Court of Claims payments and projected fund balances in the General Fund. In addition, any amounts ultimately required to be paid by the State may be subject to settlement or may be paid over a multi-year period. There can be no assurance, however, that adverse decisions in legal proceedings against the State would not exceed the amount of all potential FY 2014 Enacted Budget resources available for the payment of judgments, and could therefore adversely affect the ability of the State to maintain a balanced FY 2014 Enacted Budget.

THE INFORMATION THAT FOLLOWS UNDER THIS HEADING HAS BEEN FURNISHED BY THE STATE OFFICE OF THE ATTORNEY GENERAL AND DOB HAS NOT UNDERTAKEN ANY INDEPENDENT VERIFICATION OF SUCH INFORMATION.

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).

On May 16, 2013, the State, Madison and Oneida Counties, and the Oneida Indian Nation signed a settlement agreement covering many issues. As pertinent here, the agreement would place a cap on the amount of land the tribe could reacquire and have taken into trust for its benefit by the United States. The agreement requires the approval of the State Legislature and, where applicable, the United States Department of the Interior and the New York State Office of the Attorney General.

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 have filed objections to the Report and now await a decision by the District Judge.

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe's land claim.

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, but on April 24, 2013, a petition for writ of certiorari was filed with the United States Supreme Court.

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 not 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. (*transferred to *Sup. Ct., Albany Co.), William Floyd Union Free School District v. State (*transferred to *Sup. Ct., New York Co.), Town of Brookhaven v. Silver, et al.* transferred to *Sup. Ct., Albany Co.), Town of Southampton and Town of Southold v. Silver* transferred to *Sup. Ct. Albany Co.), Town of Huntington v. Silver (*transferred to *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, Westchester 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 the Appellate Division granted their request; the defendants' time to file their briefs was extended to June 3, 2013 and defendants have requested a further extension until July 3, 2013, in the expectation of a decision by the Appellate Division, Second Department, in *Mangano*, discussed below. 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. Briefing on those appeals was completed, including an *amicus curiae* brief in support of the State's position by the New York State AFL-CIO, Transport Workers Union Local 100 and New York State Union Conference, and oral argument was held on April 16, 2013, in the Appellate Division, Second Department. 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 moneys 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, but the Court has indicated that it intends to await the decision of the Appellate Division in the *Mangano* case before deciding the motion.

SCHOOL AID

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 June 26, 2012, the Court of Appeals affirmed the denial of the State's motion to dismiss.

Depositions have been completed. The discovery deadline was May 3, 2013. The note of issue was filed on May 13, 2013. A final conference is scheduled for September 16, 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 school year 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. The State's appeal of the order granting the preliminary injunction is pending in the Appellate Division, First Department.

LITIGATION AND ARBITRATION

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 60 percent super-majority requirement on school districts which seek to raise their tax levies above the previous year's levy by the lesser of 2 percent or the rate of inflation violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statute would interfere with local control of education financing 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.

MEDICAID NURSING HOME RATE METHODOLOGY

In *Kateri Residence v. Novello (Sup. Ct., New York Co.*) and several other cases, the plaintiffs challenge several nursing home rate methodologies, including the "reserve bed patient day adjustment," which regulates payments to nursing homes when long term care patients are receiving off-site care. Supreme Court, New York County, granted partial summary judgment to plaintiffs in *Kateri*, holding that the reserve bed patient day adjustment rate methodology was improper. Supreme Court also directed the defendant to re-compute Medicaid rates for the plaintiff's' facilities. The current deadline for such re-computation is June 28, 2013. The Appellate Division, First Department affirmed Supreme Court's partial summary judgment decision on interlocutory appeal and remanded the case to Supreme Court for further proceedings. The Court of Appeals denied leave to appeal on the grounds that the decision was not final. The parties are presently conducting discovery.

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 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.

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. Depositions have been completed. The note of issue was filed on June 3, 2013. The summary judgment motion deadline is October 4, 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 2012, with the hearings involving Missouri and Illinois. New York's diligent enforcement hearings took place June 25-29, 2012. The last state-specific diligent enforcement hearing took place May 21-24, 2013. The State expects the Panel will shortly issue decisions on the merits of each state's diligence relating to 2003. In the event of an arbitration ruling against New York State's interest, New York State anticipates it will challenge the ruling by moving to set aside that arbitral award.

In December 2012, the PMs and 20 states (collectively the "Signatory Parties") agreed to a term sheet purportedly settling the NPM Adjustment disputes for 2003-2012. New York and 31 other states and territories rejected the term sheet. The Signatory Parties then 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 objected to approval of the term sheet because its terms negatively impact the 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. The non-joining states sought to have the signatory states treated as non-diligent for purposes of allocation of the NPM Adjustment. The Panel held a status conference on January 22, 2013, and a hearing of March 7, 2013, to discuss the term sheet. On March 13, 2013, the panel issued a Partial Stipulated Settlement Award ("Partial Award") based on the provisions of the term sheet. In so doing, the Panel deemed the 20 states (collectively the "Signatory States") "diligent" for purposes of allocation of the NPM Adjustment. The Panel also established a mechanism for reallocating any NPM Adjustment among non-diligent states that alters the terms of the MSA itself. Thus, if New York is found to have been "not diligent" in its enforcement of its escrow statute in 2003, New York would have exposure not only for its share of the NPM adjustment but also for its proportionate share of the NPM Adjustment attributable to the Signatory States. New York, as well as several other states, has moved in its state court to vacate or modify the Partial Award.

EXHIBIT A TO AIS

SELECTED STATE GOVERNMENT SUMMARY

STATE GOVERNMENT ORGANIZATION

The State has a centralized administrative system with most executive powers vested in the Governor. The State has four officials elected in statewide elections, the Governor, Lieutenant Governor, Comptroller and Attorney General. These officials serve four-year terms that next expire on December 31, 2014.

Name	Office	Party Affiliation	First Elected
Andrew M. Cuomo	Governor	Democrat	2010
Robert J. Duffy	Lieutenant Governor	Democrat	2010
Thomas P. DiNapoli	Comptroller	Democrat	2007
Eric T. Schneiderman	Attorney General	Democrat	2010

The Governor and Lieutenant Governor are elected jointly. The Comptroller and Attorney General are chosen separately by the voters during the election of the Governor. The Governor appoints the heads of most State departments, including the Director of the Budget (the current Director is Robert L. Megna). DOB is responsible for preparing the Governor's Executive Budget, negotiating that budget with the State Legislature, and implementing the budget once it is adopted, which includes updating the State's fiscal projections quarterly. DOB is also responsible for coordinating the State's capital program and debt financing activities. The Comptroller is responsible for auditing the disbursements, receipts and accounts of the State, as well as for auditing State departments, agencies, public authorities and municipalities. The Comptroller is also charged with managing the State's general obligation debt and most of its investments (see "Appropriations and Fiscal Controls" and "Investment of State Moneys" below). The Attorney General is the legal advisor to State departments, represents the State and certain public authorities in legal proceedings and opines upon the validity of all State general obligation bonds and notes.

The State Legislature is presently composed of a 63-member Senate[9] and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2014. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current majority coalition leaders in the Senate are co-President Pro Tempore Dean Skelos (Republican) and co-President Pro Tempore Jeffrey Klein (Independent Democratic Conference). Sheldon Silver (Democrat) is the Speaker of the Assembly. The minority leaders are Andrea Stewart-Cousins (Democrat) in the Senate and Brian Kolb (Republican) in the Assembly.

[9] On May 3, 2012, the State's highest court, the Court of Appeals, approved the creation of a 63rd New York State Senate seat as advanced by the Senate majority and based on Census population changes.

APPROPRIATIONS AND FISCAL CONTROLS

The State Constitution requires the Comptroller to audit the accrual and collection of State revenues and receipts and to audit vouchers before payment and all official accounts. Generally, no State payment may be made unless the Comptroller has audited it. Additionally, the State Constitution requires the Comptroller to prescribe such methods of accounting as are necessary for the performance of the foregoing duties.

Disbursements from State funds are limited to the level of authorized appropriations. Disbursements from Federal funds must be appropriated in accordance with appropriate legal authority, are limited to the amounts anticipated from Federal programs and may not be made in the absence of appropriate certifications from the Director of the Budget. Generally, most State contracts for disbursements in excess of $50,000 (or $85,000 in the case of the Office of General Services) require prior approval by the Comptroller. However, certain contracts, primarily of SUNY and CUNY, and those established as a centralized contract through the Office of General Services, are not subject to approval by the Comptroller, and certain other contracts are subject to higher thresholds. In most cases, State agency contracts depend upon the existence of an appropriation and the issuance of a certificate of availability by the Director of the Budget. The Budget Director must review all applications for State participation in continuing grant- or contract-supported programs, with specified exceptions. Certain legislative leaders have the opportunity to make recommendations on the applications. In addition, the Comptroller has the discretion to identify and review certain public authority contracts valued at $1.0 million or greater that are either awarded without competition or which are paid using State-appropriated funds.

Appropriations may be increased or decreased in accordance with statutory authority under certain circumstances by transfer, interchange or otherwise. In addition, appropriations may be increased or decreased by statutory amendment or by supplemental appropriations. Moneys or other financial resources from one fund may also be loaned to another fund, but only if such loan is repaid in full prior to the end of the month in which the loan was made, except as provided by law. Pursuant to authority contained in most State operations appropriations for FY 2014, the Director of the Budget is also allowed to interchange, transfer, or suballocate such appropriation authority to other agencies in order to achieve the consolidation and realignment of certain State operations.

In addition, the Governor has traditionally exercised substantial authority in administering the State Financial Plan by limiting certain disbursements after the Legislature has enacted appropriation bills and revenue measures. The Governor may, primarily through DOB, limit certain spending by State departments, and delay construction projects to control disbursements using the Director of the Budget's certification process. An important limitation of the Governor's ability to restrict disbursements is that local assistance payments, which typically make up close to 70 percent of General Fund disbursements (including operating transfers to other funds), are generally mandated by statute. The State Court of Appeals has held that, even in an effort to maintain a balanced Financial Plan, neither the Governor nor the Director of the Budget has the authority to refuse to make a local assistance disbursement mandated by law.

INVESTMENT OF STATE MONEYS

The Comptroller is responsible for the investment of substantially all State moneys. By law, such moneys may be invested only in obligations issued or guaranteed by the Federal government or the State, obligations of certain Federal agencies that are not guaranteed by the Federal government, certain general obligations of other states, direct obligations of the State's municipalities and obligations of certain public authorities, certain short-term corporate obligations, certain bankers' acceptances, and certificates of deposit secured by legally qualified governmental securities. All securities in which the State invests moneys held by funds administered within the State Treasury must mature within twelve years of the date they are purchased. Money impounded by the Comptroller for payment of TRANs may only be invested, subject to the provisions of the State Finance Law, in (i) obligations of the Federal government, (ii) certificates of deposit secured by such obligations, or (iii) obligations of or obligations guaranteed by agencies of the Federal government as to which the payment of principal and interest is guaranteed by the Federal government.

The Comptroller invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through STIP, which is comprised of joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund. The interest earnings accrued are allocated and deposited to the credit of those funds with positive balances that contribute to the overall invested STIP pool.

The Comptroller is authorized to make temporary loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements). The General Fund is authorized to receive temporary loans from STIP for a period not to exceed four months or the end of the fiscal year, whichever is shorter.

The State Comptroller repays loans from the first cash receipts into the borrowing fund or account. Fund balances outside the General Fund are presented on a net basis, i.e., they are reduced by the amount of outstanding temporary loans from STIP. The primary sources of the State's temporary loans include timing-related delays in the receipt from Federal Funds and the sale of bonds used to finance capital projects, a delinquent SUNY hospital loan, and unreimbursed costs related to the Office of Information Technology Services (OITS) Internal Service funds. The total outstanding balance of loans from STIP at March 31, 2012 was $1.765 billion, an increase of $109 million from the outstanding loan balance of $1.656 billion at March 31, 2011.

EXHIBIT A - SELECTED STATE GOVERNMENT SUMMARY

ACCOUNTING PRACTICES, FINANCIAL REPORTING AND BUDGETING

Historically, the State has accounted for, reported and budgeted its operations on a cash basis. Under this form of accounting, receipts are recorded at the time money or checks are deposited in the State Treasury, and disbursements are recorded at the time a check or electronic payment is released. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore can significantly affect the cash amounts reported in a fiscal year. Under cash-basis accounting, all estimates and projections of State receipts and disbursements relating to a particular fiscal year are of amounts to be deposited in or disbursed from the State Treasury during that fiscal year, regardless of the fiscal period to which particular receipts or disbursements may otherwise be attributable.

The State also has an accounting and financial reporting system based on GAAP and currently formulates a GAAP financial plan. GAAP for governmental entities requires use of the accrual basis of accounting for the government-wide financial statements which includes governmental and business-type activities and component units. Revenues are recorded when they are estimated to have been earned and expenses are recorded when a liability is estimated to have been incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the modified accrual basis of accounting. Under modified accrual procedures, revenues are recorded when they become both measurable and available within 12 months of the end of the current fiscal period to finance expenditures; expenditures are recorded in the accounting period for which the liability is incurred to the extent it is expected to be paid within the next 12 months with the exception of expenditures such as debt service, compensated absences, and claims and judgments. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Non-exchange grants and subsidies such as local assistance grants and public benefit corporation subsidies are recognized as expenditures when all requirements of the grant and or subsidy have been satisfied.

EXHIBIT B TO AIS

STATE-RELATED BOND AUTHORIZATIONS

Bond authorizations reflected in the following tables represent authorizations where there are remaining amounts authorized, but unissued, or where there is debt outstanding.

STATE-RELATED DEBT
FY 2014 BOND CAPS AND DEBT OUTSTANDING
(millions of dollars) (1)

Type of Cap (Gross or Net)	Program	FY 2014 Bond Caps	Authorized But Unissued (2)	Debt Outstanding (3) As of 3/31/13
Education:				
Gross	SUNY Educational Facilities (4)	10,422	2,124	7,279
Net	SUNY Dormitory Facilities (5)	1,561	80	1,546
Net	SUNY Upstate Community Colleges (5)	663	223	712
Gross	CUNY Educational Facilities (6)	6,853	1,072	4,291
Net	State Ed Department Facilities (7)	0	0	49
Gross	Library for the Blind	16	0	1
Net	SUNY Athletic Facilities	22	0	15
Net	RESCUE	195	0	54
Net	University Facilities (Jobs 2000)	48	1	7
Net	School District Capital Outlay Grants	140	40	0
Net	Judicial Training Institute	16	0	8
Net	Transportation Transition Grants	80	12	0
Net	Public Broadcasting Facilities	15	0	6
Net	Higher Education Capital Matching Grants	150	8	97
Net	EXCEL	2,600	134	2,055
Net	Library Facilities	112	28	64
Net	Cultural Education Storage Facilities	79	69	9
Net	State Longitudinal Data System	20	15	4
Net	SUNY 2020 Challenge Grants	220	210	8
Environment:				
Net	Environmental Infrastructure Projects (8)	1,266	473	604
Net	Hazardous Waste Remediation	1,200	610	508
Net	Riverbank State Park	78	18	39
Net	Water Pollution Control (SRF)	735	202	74
Net	Pipeline for Jobs (Jobs 2000)	34	2	1
Net	Long Island Pine Barrens	15	0	5
Net	Pilgrim Sewage Plant	11	0	3
State Building/Equipment/Public Protection:				
Net	Empire State Plaza	133	13	0
Net	State Capital Projects (Attica)	200	0	130
Net	Division of State Police Facilities	134	28	96
Net	Division of Military & Naval Affairs	27	9	15
Net	Alfred E. Smith Building	89	0	55
Net	Sheridan Ave. (Elk St.) Parking Garage	25	0	18
Net	State Office Buildings and Other Facilities	221	55	136
Net	Judiciary Improvements	38	1	20
Net	OSC State Buildings	52	0	28
Net	Albany Parking Garage (East)	41	0	28
Net	OGS State Buildings and Other Facilities (9)	140	26	100
Net	Equipment Acquisition (COPs) (10)	784	106	263
Net	Food Laboratory	40	0	36
Net	OFT Facilities	21	18	3
Net	Courthouse Improvements	76	37	32
Gross	Prison Facilities	7,133	748	4,549
Net	Homeland Security	67	18	36
Gross	Youth Facilities	430	47	186
Net	NYRA Land Acquisition/VLT Construction	355	0	178
Net	Storm Recovery Capital	450	450	0
Net	Office of Information Technology Services	88	88	0

EXHIBIT B - STATE RELATED BOND AUTHORIZATIONS

Type of Cap (Gross or Net)		Program	FY 2014 Bond Caps	Authorized But Unissued [2]	Debt Outstanding [3] As of 3/31/13
Economic Development:					
	Gross	Housing Capital Programs	2,845	382	1,603
	Net	Community Enhancement Facilities (CEFAP)	424	46	55
	Net	University Technology Centers (incl. HEAT)(11)	248	13	40
	Gross	Onondaga Convention Center	40	0	23
	Net	Sports Facilities	145	0	66
	Net	Child Care Facilities	30	1	12
	Net	Bio-Tech Facilities	10	10	0
	Net	Strategic Investment Program	216	21	23
	Net	Regional Economic Development (Fund 002) (12)	1,190	55	338
	Net	NYS Economic Development (2004) (13)	346	16	228
	Net	Regional Economic Development (2004) (14)	243	221	11
	Net	High Technology and Development	249	62	136
	Net	Regional Economic Development/SPUR	90	25	33
	Net	Buffalo Inner Harbor	50	10	33
	Net	Jobs Now	14	1	0
	Net	Economic Development 2006 (Various) (15)	2,310	363	1,640
	Net	Javits Convention Center (Expansion '06)	350	350	0
	Net	Queens Stadium (Mets)	75	0	53
	Net	Bronx Stadium (Yankees)	75	0	56
	Net	NYS Ec Dev Stadium Parking ('06)	75	70	4
	Net	State Modernization Projects (RIOC Tram, etc.)	50	15	16
	Net	Int. Computer Chip Research and Dev. Center	300	0	176
	Net	2008 and 2009 Economic Development Initiatives	1,269	314	725
	Net	H.H. Richardson Complex/Darwin Martin House	84	8	63
	Net	Economic Development Initiatives	1,004	638	69
	Net	State and Municipal Facilities	385	385	0
Health/Mental Hygiene:					
	Net	Department of Health Facilities (inc. Axelrod)	495	3	304
	Gross	Mental Health Facilities	7,367	915	3,949
	Net	HEAL NY Capital Program	750	220	420
Transportation:					
	Gross	Consolidated Highway Improvement Program (CHIPS)	7,592	421	3,863
	Net	Dedicated Highway & Bridge Trust	16,500	4,882	6,991
	Net	High Speed Rail	22	22	0
	Net	Albany County Airport	40	1	15
	Net	Transportation Initiatives	240	240	0
	Net	MTA Transportation Facilities	770	620	127
	N/A	MTA Service Contract	2,005	0	1,755
	Net	Transportation (TIFIA)	750	750	0
LGAC	Net	Local Government Assistance Corporation	4,700	0	2,836
GO	Gross	General Obligation	17,435	908	3,524
Total State-Supported Debt			**107,875**	**18,954**	**52,535**
Other State Financings:					
		Tobacco Settlement Financing Corporation Bonds			2,411
		MBBA Special Purpose School Aid Bonds			294
		Capital Lease and Mortgage Loan Commitments (16)			407
		Other (17)			449
Total State-Related Debt					**56,096**

** Gross caps include cost of issuance fees. Net caps do not.*

Source: NYS DOB

(1) Includes only authorized programs that are active at March 31, 2013 or have outstanding program balances or both.

(2) Amounts issued may exceed the stated amount authorized by premiums, by providing for the cost of issuance, reserve fund requirements and, in certain circumstances, refunding bonds. In some cases, Authorized but Unissued bond cap amounts have been reduced by the higher of (i) net bond proceeds available to fund program, or (ii) par amount of bonds issued.

(3) Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds.

(4) Authorization also includes any amount necessary to refund outstanding Housing Finance Agency State University Construction Bonds, all of which have been refunded.

(5) Authorization applies to bonds issued after March 31, 2002, prior to that date there was no limit.

(6) The amount outstanding includes CUNY Community Colleges bonds for which the State pays debt service. The total amount authorized for CUNY Senior Colleges was unlimited for resolutions adopted prior to 7/1/85 and limited to $6.853 billion for both CUNY Senior and CUNY Community Colleges for resolutions adopted after 7/1/85.

(7) Legislation enacted in May 2002 prohibits further issuance of bonds for this purpose, except for refunding purposes.

(8) Includes bonds issued for West Valley, DEC Environmental Infrastructure Projects, Environmental Protection Fund, Onondaga Lake, and the Office of Parks and Recreation and Historic Preservation.

(9) Includes debt outstanding for Office of General Services Buildings: 44 Holland Ave., 50 Wolf Rd., 625 Broadway Ave., Hampton Plaza, and DOT Region 1.

(10) Authorized amounts includes Certificates of Participation, which have been issued as bonds after March 31, 2003.

(11) Includes authorizations for Science and Technology Center (Syracuse), Super Computer Center (Cornell), Center for Telecommunications (Columbia), HEAT, Center for Industrial Innovation (City of Troy), Center for Advanced materials (Clarkson), Center for Electro-Optic (Rochester), Center for Neural Sciences (NYU) and Center for Incubator Facilities.

(12) Includes bonds issued for Community Capital Assistance Program (CCAP), Rebuilding the Empire State Through Opportunities in Regional Economies Program (RESTORE), Empire Opportunity Fund (EOF), Generating Employment Through New York Science Program (Gen*NY*sis), Multi-Modal Transportation Program, and Center of Excellence Program (Laws of 2002).

(13) Includes bonds to be issued for economic development projects outside cities of 1 million or more in population.

(14) Includes bonds issued for the EOF, RESTORE and CCAP.

(15) Includes bonds to be issued for economic development and environmental projects.

(16) Estimated.

(17) Includes bonds issued for Secured Hospital Program, HFA and MCFFA Moral Obligation Bonds, and the JDA State-guaranteed bonds.

EXHIBIT B - STATE RELATED BOND AUTHORIZATIONS

STATE GENERAL OBLIGATION DEBT
March 31, 2013
(millions of dollars)

Purpose/Year Authorized	Total Authorized	Authorized but Unissued	Total Debt Outstanding
Transportation Bonds:			
Rebuild and Renew New York Transportation Bonds (2005)			
Highway Facilities/Other Transportation (Excluding MTA)			
Highway Facilities	Note 1	Note 1	873
Mass Transit - DOT	Note 1	Note 1	11
Rail & Port	Note 1	Note 1	78
Canals & Waterways	Note 1	Note 1	15
Aviation	Note 1	Note 1	56
Subtotal Highway Facilities/Other Transportation (Excluding MTA)	1,450	204	1,033
Mass Transit - Metropolitan Transportation Authority	1,450	386	951
Accelerated Capacity and Transportation			
Improvements of the Nineties (1988)	3,000	20	285
Rebuild New York Through Transportation			
Infrastructure Renewal (1983)			
Highway Related Projects	1,064	21	3
Ports, Canals, and Waterways	49	0	0
Rapid Transit, Rail and Aviation Projects	137	0	13
Energy Conservation Through Improved Transportation (1979)			
Local Streets and Highways	100	0	0
Rapid Transit and Rail Freight	400	0	10
Rail Preservation (1974)	250	0	3
Transportation Capital Facilities (1967)			
Highways	1,250	0	0
Mass Transportation	1,000	0	1
Aviation	250	0	14
Total Transportation Bonds	**10,400**	**631**	**2,313**
Environmental Bonds:			
Clean Water/Clean Air (1996)			
Air Quality	230	30	32
Safe Drinking Water	355	0	3
Clean Water	790	91	466
Solid Waste	175	3	59
Environmental Restoration	200	47	93
Environmental Quality (1986)			
Land and Forests	250	2	27
Solid Waste Management	1,200	49	325
Environmental Quality (1972)			
Air	150	12	8
Land and Wetlands	350	10	18
Water	650	2	68
Outdoor Recreation Development (1966)	200	Note 3	0
Pure Waters (1965)	1,000	20	57
Park and Recreation Land Acquisition (1960)	100	1	Note 2
Total Environmental Bonds	**5,650**	**267**	**1,156**
Housing Bonds:			
Low-Income Housing (through 1958)	960	8	28
Middle-Income Housing (through 1958)	150	1	27
Urban Renewal (1958)	25	1	0
Total Housing Bonds	**1,135**	**10**	**55**
TOTAL GENERAL OBLIGATION DEBT	**17,185**	**908**	**3,524**

Source: Office of the State Comptroller.

(1) The Legislature did not provide any limitation on bonds to be issued for specific project categories or programs authorized within the Highway Facilities/Other Transportation (excluding MTA) Purpose.

(2) This amount rounds to zero, but there was an outstanding balance of $14,861.27 at March 31, 2013.

(3) This amount rounds to zero, but there was an authorized but unissued balance of $230,000.00 at March 31, 2013.

EXHIBIT C TO AIS

GAAP-BASIS FINANCIAL PLAN

The State Budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis. The GAAP-basis plans follow, to the extent practicable, the accounting principles applied by OSC in preparation of the annual Financial Statements. In practice, this means the GAAP-basis Financial Plans reflect the accrual methodology and fund classification rules used by OSC. A table reflecting GAAP basis General Fund Financial Plan projections is provided below.

In FY 2014, the General Fund GAAP Financial Plan shows total projected revenues of $46.2 billion, total projected expenditures of $60.8 billion, and net other financing sources of $12.4 billion, resulting in a projected operating deficit of $2.2 billion. These projections reflect the net impact of the Enacted Budget gap-closing actions.

Please see "Prior Fiscal Years — GAAP-Basis Results for Prior Fiscal Years" for a summary of recent audited operating results.

GAAP FINANCIAL PLAN
GENERAL FUND
FY 2014 THROUGH FY 2017
(millions of dollars)

	FY 2014 Enacted	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts:				
Taxes:				
Personal Income Tax	26,552	29,104	31,165	33,258
User Taxes and Fees	6,402	6,829	7,110	7,285
Business Taxes	6,266	6,099	6,223	6,535
Other Taxes	1,121	1,155	1,166	1,176
Miscellaneous Receipts	5,863	6,445	5,359	5,300
Federal Receipts	2	0	0	0
Total Receipts	46,206	49,632	51,023	53,554
Disbursements:				
Local Assistance Grants	42,223	44,154	46,524	48,568
Departmental Operations	11,950	12,441	12,706	12,985
General State Charges	6,616	7,005	7,326	7,667
Debt Service	0	0	0	0
Capital Projects	0	0	0	0
Total Disbursements	60,789	63,600	66,556	69,220
Other Financing Sources (Uses):				
Transfers From Other Funds	17,731	17,516	18,011	18,508
Transfers To Other Funds	(5,885)	(6,229)	(6,258)	(6,623)
Proceeds From Financing Arrangements/ Advance Refundings	504	400	400	400
Net Other Financing Sources (Uses)	12,350	11,687	12,153	12,285
Operating Surplus/(Deficit)	(2,233)	(2,281)	(3,380)	(3,381)

Source: NYS DOB.

EXHIBIT D TO AIS

PRINCIPAL STATE TAXES AND FEES

Personal income taxes are imposed on the New York source income of individuals, estates and trusts. Personal income taxes are projected to account for roughly 61 percent of All Government Funds tax receipts during FY 2014. The State tax adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal PIT purposes, with certain modifications. Receipts from this tax are sensitive to changes in economic conditions in the State and to taxpayers' responses to Federal and State law changes. Beginning tax year 2013 and continuing through 2017, New York tax brackets and standard deduction amounts are indexed to the Consumer Price Index (CPI). For tax year 2013, New York allows a standard deduction of $15,400 for married couples filing jointly, with lower deductions for the other types of filers. New York also allows a $1,000 exemption for dependents. The current rate structure, which includes eight brackets with rates ranging between 4 percent and 8.82 percent, had been set to expire following tax year 2014, but FY 2014 Budget legislation extended these rates for an additional three years. After tax year 2017, the tax rates are scheduled to revert to the pre-2009 schedule of five tax intervals, ranging from 4 percent to 6.85 percent, but the remaining bracket ranges are set to maintain all CPI-based adjustments made through 2017.

Beginning in tax year 2009, taxpayers with incomes above $1 million are limited to deducting 50 percent of their Federal charitable contributions as their only New York itemized deduction. For tax years 2010 through 2015, taxpayers with incomes above $10 million may deduct only 25 percent of their Federal charitable contributions deductions as their only itemized deduction. The latter limitation had been set to expire after 2012, prior to FY 2014 Budget legislation.

New York also allows several credits against the tax. The most significant are the: Empire State Child Credit (generally equal to one-third of the Federal child tax credit), household credit, credit for taxes paid to other states, investment tax credit, various Empire Zone and Excelsior Jobs Program credits, brownfields credits, child and dependent care credit, real property tax circuit breaker credit, earned income tax credit, long-term care insurance credit, and college tuition credit. For tax years between 2014 and 2016, qualifying taxpayers will be able to claim the Family Tax Relief Credit, which will provide a credit of $350 to resident taxpayers with 1) positive liability, 2) at least one dependent under the age of 17, and 3) adjusted gross income between $40,000 and $300,000. For tax years 2010 through 2012, business taxpayers must defer the usage of certain business-related tax credits if they exceed $2 million in aggregate. Such taxpayers can begin to use the deferred nonrefundable payout credit in tax year 2013. For refundable credits, taxpayers can claim 50 percent of deferred amounts in tax year 2013, 75 percent of the remainder in 2014, and the entire remainder in 2015.

In 2001, legislation was enacted to provide for the issuance of State PIT Revenue Bonds, which has become the primary financing vehicle for a broad range of existing State-supported debt programs previously secured by service contract or lease-purchase payments. The first bonds were issued in May 2002. The legislation provided that 25 percent of PIT receipts (excluding refunds owed to taxpayers and deposits to the STAR Fund) be deposited to the RBTF for purposes of making debt service payments on the bonds, with excess amounts transferred to the General Fund. Legislation enacted with the FY 2008 budget provided that the RBTF will be calculated based on 25 percent of PIT receipts (excluding refunds owed to taxpayers, but before deposits to the STAR fund).

In the event that (i) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of 25 percent of annual PIT receipts or $6 billion.

User taxes and fees consist of several taxes on consumption, the largest of which is the State sales and compensating use tax. The following discussion describes these taxes and summarizes significant revenue actions taken since 2006. The *sales and use tax* is imposed, in general, on the receipts from the sale of all tangible personal property unless exempted, and all services are exempt unless specifically enumerated. Certain charges for meals, admissions, hotel and motel occupancy and dues are also subject to the tax. The current State sales tax rate is 4.0 percent, of which 3.0 percent is deposited in the General Fund and 1.0 percent is deposited in the Local Government Assistance Tax Fund to meet debt service obligations. Receipts in excess of debt service requirements are transferred to the General Fund. Although there are numerous exemptions, the most significant are: food; clothing and footwear costing less than $110 (also see discussion below); drugs; medicine and medical supplies; residential energy; capital improvements and installation charges; machinery and equipment used in manufacturing; trade-in allowances; and goods sold to Federal, State or local governments. Legislation enacted in 2006 increased the vendor credit and capped the State sales tax on motor fuel at 8 cents per gallon effective June 1, 2006**.** Legislation enacted in 2008 required non-profit tax-exempt organizations to collect sales tax on additional retail sales and rentals or leases of tangible personal property, included a vendor registration program (vendors must register and pay a $50 fee except for new registrations or small businesses) and created an evidentiary presumption that certain sellers using New York residents to solicit sales in the State are vendors required to collect sales and use tax. Legislation enacted in 2009 expanded the definition of "affiliate nexus", imposed the sales tax on certain transportation services, narrowed the exemption for commercial aircraft, narrowed the use tax exemption for motor vehicles and vessels, increased the tax rate on passenger car rentals, and increased the pre-paid sales tax rate on cigarettes. Legislation enacted in 2010 temporarily eliminated the State sales and use tax exemption on items of clothing and footwear priced under $110 for the period October 1, 2010, through March 31, 2011. From April 1, 2011, through March 31, 2012, the State exemption was $55; thereafter, the $110 exemption has been reinstated. Additionally, hotel room remarketers were required to remit the sales and use tax on the price differential between the discounted rate they pay and the rate the final consumer pays, the vendor credit was eliminated for monthly filers, provisions allowing private label credit cards to claim a credit for uncollectible debts were repealed, affiliate nexus provisions affecting vendors were narrowed, and certain New York City livery services were exempted from the tax. Legislation enacted in 2011, and extended in 2012 and 2013, authorized the Tax Modernization Project. Legislation passed in 2013 also provides authority to the DMV to suspend certain licenses of taxpayers with delinquencies of $10,000 or more if they fail to pay in full or enter into a payment agreement; and requires local IDAs to recapture for the State sales and use tax benefits if a project operator does not live up to the terms of its project agreement. Finally, IDAs are also prohibited from approving certain retail projects

The State imposes a *tax on cigarettes* at the rate of $4.35 per package of 20 cigarettes and imposes a *tax on other tobacco products* equal to 75 percent of the wholesale price. The tax on cigarettes was raised from $1.50 per pack to $2.75 on June 3, 2008, and to $4.35 per pack on July 1, 2010. The revenue derived from the tax is split, with 24 percent of receipts deposited in the General Fund and the balance deposited in the Tobacco Control and Insurance Initiatives Pool established by the HCRA of 2000. In 2008, certain tobacco products were converted from price-based taxes to weight-based taxes. The tobacco products tax was raised from 37 percent to 46 percent in April 2009, and to 75 percent in August 2010. Legislation enacted in 2011 changed the annual fees imposed on retailers from a graduated structure based on gross sales to a flat $300 per retailer ($100 per vending machine). Legislation enacted in 2013 increased the penalty for the possession of unstamped or illegally stamped cigarettes from $150 per carton to $600 per carton to reflect increases in the tax rate that have occurred since this penalty was last increased.

Motor fuel and *diesel motor fuel taxes* are levied at 8 cents per gallon upon the sale, generally for highway use, of gasoline and diesel fuel. All motor fuel taxes have been deposited in the dedicated transportation funds since April 1, 2001. Legislation enacted in 2008 allows the Commissioner of Taxation and Finance to work and enter into an agreement with transportation-related agencies to use technology to reduce the bootlegging of fuel. Legislation enacted in 2011 modernized motor fuel, diesel motor fuel and e-85 definitions to reflect changes in the fuels marketplace. Legislation passed in 2013 moved the incidence of diesel motor fuel taxation to the fuel terminal rack to essentially conform to the method used by the Federal government and 25 other states.

The State imposes *alcoholic beverage excise taxes* at various rates on liquor, beer, wine and specialty beverages. Legislation enacted in 2009 increased the tax rate on beer to 14 cents per gallon and increased the tax rate on wine to 30 cents per gallon. Legislation enacted in 2012 removed an unconstitutional exemption provided to certain small beer brewers, and replaced the benefit with personal and business tax credits that yield similar tax relief to small brewers that produce in New York State.

The *highway use tax* revenue is derived from three sources: the truck mileage tax, related highway use permit fees and the fuel use tax. The truck mileage tax is levied on commercial vehicles, at rates graduated by vehicle weight, based on miles traveled on State highways. Highway use registration certificates (original or renewed) are $15. The fuel use tax is an equitable complement to the State's motor fuel tax and sales tax paid by those who purchase fuel outside but consumed in New York. It is levied on commercial vehicles having three or more axles or a gross vehicle weight of more than 26,000 pounds. Currently, all collections from the highway use tax are deposited in the DHBTF. Legislation enacted in 2007 replaced the current highway use permit system with a registration system. Legislation enacted in 2009 reauthorized the Commissioner of the Tax Department to require highway use tax decals on the exterior of all vehicles, and increased the decal renewal fee from $4 to $15 per vehicle. Legislation passed in 2013 clarified that the highway use tax exemption for fuel used by farmers applies also to certain entities related to such farmers so long as they are actually engaged in farming.

The State imposes an *auto rental tax* on charges for any rental of passenger cars rented or used in the State, subject to certain exceptions including leases covering a period of one year or more. Effective April 1, 2002, all auto rental tax receipts are deposited in the dedicated transportation funds. Legislation enacted in 2009 increased the tax rate from 5 percent to 6 percent and imposed a supplemental tax at a rate of 5 percent in the Metropolitan Commuter Transportation District.

Business taxes include a general business corporation franchise tax as well as specialized franchise taxes on banks, insurance companies, certain transportation and transmission companies, and a cents-per-gallon-based levy on businesses engaged in the sale or importation for sale of various petroleum products. The discussion below describes each tax and summarizes significant legislation enacted since 2006.

The *corporation franchise tax* is the largest of the business taxes, and the State's third largest source of revenue. It is imposed on all domestic general business corporations and foreign general business corporations which do business or conduct certain other activities in the State. The tax is imposed, generally, at a rate of 7.1 percent of taxable income allocated to New York. Taxable income is defined as Federal taxable income with certain modifications.

Legislation enacted in 2006 eliminated the S-corporation differential; extended and increased the Empire State Film Production Credit and authorized a new Empire State Commercial Production Credit and a new credit for the production of alternative bio-fuels; accelerated the authorization of six of the remaining nine Empire Zones initially authorized in 2005, and provided zone benefits to enterprises that make substantial investments in regionally significant projects; and increased the low income housing credit from $8 million to $12 million.

Legislation enacted in 2007 provided that taxpayers operating on a unitary basis file a combined report if substantial inter-corporate transactions occur amongst affiliates; lowered the rate on Entire Net Income (ENI) to 7.1 percent for general businesses and to 6.5 percent for manufacturers; lowered the alternative minimum tax rate to 1.5 percent; increased the low income housing credit from $12 million to $16 million; and closed the real estate investment trust loophole.

Legislation enacted in 2008 restructured minimum taxes on corporations and the capital base tax; extended the MTA surcharge for four additional years; decoupled New York State from the Federal Qualified Production Activity Income (QPAI) deduction provided under Internal Revenue Code section 199; changed the first installment of tax from 25 percent to 30 percent; extended and increased the Empire State film production credit; extended the investment tax credit for financial services for three additional years; increased the low-income housing credit allocation by $4 million; extended tax shelter reporting requirements for two years; and established a voluntary disclosure and compliance initiative program to encourage eligible taxpayers to enter into compliance agreements with the Department of Taxation and Finance.

Legislation enacted in 2009 made changes to the tax treatment of captive insurance companies by providing special rules for overcapitalized captive insurance companies. The legislation required that an overcapitalized captive insurance company file a combined report with the corporation that directly owns or controls over 50 percent of the voting stock of the captive if that corporation is either an article 9 or an article 32 taxpayer. Additionally, for-profit HMOs were taxed under the insurance tax. Previously they were taxed under the corporation franchise tax. The mandatory first installment that applies to large taxpayers was increased from 30 percent to 40 percent of the prior year's tax. The Empire Zones Program was reformed requiring a performance review of all companies that had been certified in the program for at least three years. Companies not meeting a 1:1 benefit-cost ratio, or that reincorporated for the purpose of maximizing tax benefits were not allowed to claim further benefits. An additional $350 million was allocated to the Empire State film production credit program for 2009. In addition, for tax years beginning on or after January 1, 2009 all film tax credit claims will be paid across several years based on the amount of the credit claimed. Two seldom used tax credits, the fuel cell generating equipment credit and the transportation improvement contribution credit, were repealed effective with tax year 2009. The low income housing credit authorization was increased by an additional $4 million for a total of $24 million.

Legislation enacted in 2010 increased the low income housing credit authorization by an additional $4 million for a total of $28 million; enacted a deferral of business related tax credits (see description under "personal income taxes"); and made technical corrections to the FY 2010 Enacted Budget Empire Zones Program to clarify legislative intent for decertifications retroactive to 2008, clarified reporting changes and allowed certified projects to claim the investment tax credit and the employee incentive tax credit after June 30, 2010. The film tax credit was extended and expanded. An additional $420 million per year was allocated for tax years 2010 through 2014. A portion of this allocation ($7 million) was dedicated to a new post production credit. The film tax credit legislation also imposed various reforms to enhance the State's return on investment. The Excelsior Jobs Program was established to provide incentives based on job creation, investment and research and development expenditures in New York State.

Legislation enacted in 2011 increased the low income housing credit authorization by an additional $4 million for a total of $32 million; extended tax shelter reporting requirements for an additional four years to July 1, 2015; extended the financial services investment tax credit for an additional four years to October 1, 2015; enhanced the Excelsior Jobs Program; extended the Federal Gramm-Leach-Bliley Act transition provisions for an additional two years; and created the Economic Transformation and Facility Redevelopment Program to provide tax credits to communities impacted by correctional and youth facility closures.

Legislation enacted in 2012 extends and increases the low income housing credit by $8 million annually for tax years 2012 and 2013; extends the television commercial production credit through 2014 and redistributes the annual allocation between the statewide pool and the upstate pool; extends the bio-fuel production credit through tax year 2019; and extends and amends the Gramm-Leach-Bliley provisions for an additional two years, through tax year 2014. The amendment to the Gramm-Leach-Bliley provisions requires that a corporation previously taxed as a bank under Gramm-Leach-Bliley be taxed as a bank only if it meets the current law definition of a bank.

Legislation enacted in 2013 extends the MTA surcharge for five additional years; enacts technical corrections to address a royalty income loophole; provides a phased-in manufacturing tax rate reduction of 25 percent when fully phased in effective tax year 2018; creates a refundable tax credit for the hiring of unemployed veterans released from active duty after September 11, 2001; extends and makes refundable the nonresidential historic properties rehabilitation tax credit for an additional five years through tax year 2019 with the refundable provision beginning in tax year 2015; creates a refundable tax credit for tax years 2014 through 2018 for a portion of the minimum wage paid to students age 16-19; extends and expands the Youth Works Tax Credit at $6 million per year for four years through 2017; and creates the New York Innovation Hot Spots Program for start-up businesses. These businesses will receive business income tax and sales tax reduction for the first five years. Legislation enacted in 2013 also creates the Charge NY Electric Vehicle Recharging Equipment tax credit by allowing a credit up to $5,000 per station for electric recharging or alternative fuel vehicle refueling equipment. The film tax credit extended to provide an additional $420 million per year, allocated for tax years 2015 through 2019. The post-production portion of this allocation was increased from $7 million to $25 million. The film tax credit legislation also includes an upstate credit enhancement, inclusion of relocated variety or talk shows, a visual effects and animation post-production enhancement, and additional reporting requirements.

Receipts from the *corporation* and *utilities taxes* are primarily attributable to taxes imposed on transportation and transmission companies, utility services and telecommunication services.

Legislation enacted in 2008 extended the MTA surcharge for four additional years. Legislation enacted in 2009 increased the mandatory first installment payment from 30 percent to 40 percent. Legislation enacted in 2011 extends the Power for Jobs Program for two years, then replaces it with the "Recharge New York" program. Legislation enacted in 2013 extends the MTA surcharge for five additional years.

Insurance taxes are imposed on insurance corporations, insurance brokers and certain insured that operate in New York State. Non life-insurers are subject to a premiums tax. Accident and health premiums are taxed at the rate of 1.75 percent and all other premiums are taxed at the rate of 2 percent. The insurance tax on life insurers ranges between 1.5 percent and 2.0 percent of premiums after taking into account the tax on their income allocated to New York State. Other taxes are imposed on certain brokers and independently procured insurance.

Legislation enacted in 2006 amended the method in which life insurance companies calculate their taxes when more than 95 percent of their total premiums consist of annuity premiums. Legislation enacted in 2007 lowered the rate on ENI to 7.1 percent for life insurers. Legislation enacted in 2008 extended the MTA surcharge for four additional years. In 2009, legislation was enacted that increased the mandatory first installment payment from 30 percent to 40 percent, clarified that captive insurance companies receiving 50 percent or less of their gross receipts from insurance premiums must file a combined return with their closest affiliated taxpayer, and imposed a 1.75 percent premiums tax on for-profit health maintenance organizations.

Legislation enacted in 2010 allowed insurance companies to claim the nonresidential historic properties tax credit. Legislation enacted in 2011 conformed the taxes on executive lines and direct writings with requirements enacted in the 2010 Federal Dodd-Frank financial reform legislation. Legislation enacted in 2013 extends the MTA surcharge for five additional years and extends and makes refundable the non-residential historic properties tax credit for an additional five years through 2019 with the refundable provision beginning in tax year 2015.

The State imposes a *franchise tax on banking corporations* at a basic tax rate of 7.1 percent of entire net income with certain exclusions, and subject to special rates for institutions. Legislation enacted in 2007 closed the real estate investment trust loophole for banks with assets of more than $8 billion; required certain grandfathered Article 9-A subsidiaries to be taxed under Article 32; lowered the ENI rate to 7.1 percent; and extended certain 1985 provisions and Gramm-Leach-Bliley Act conforming provisions for two years. Legislation enacted in 2008 provided that certain credit card companies doing business in New York State would be subject to the bank tax; extended the MTA surcharge for four additional years; and established a voluntary disclosure and compliance initiative program to encourage eligible taxpayers to enter into compliance agreements with the Department of Taxation and Finance. In 2009, legislation was enacted that increased the mandatory first installment payment from 30 percent to 40 percent, and reformed the Empire Zones program by decertifying firms that fail a 1:1 benefit-cost ratio or that re-incorporated to maximize tax benefits without making any new investments or creating any new jobs.

Legislation enacted in 2010 allowed banks to claim the nonresidential historic properties tax credit; extended for one year the bank tax reform provisions from 1985 to 1987 and the temporary Gramm-Leach-Bliley Act conforming provisions; conformed the State bank bad debt deduction for bad debts to the calculations provided for in the Internal Revenue Code for Federal tax purposes; and made permanent the provisions that addressed the closely-held Real Estate Investment trusts and Regulated Investment Companies (RIC) loophole, which would have otherwise expired on December 31, 2010.

Legislation enacted in 2011 extended the Federal Gramm-Leach-Bliley Act transition provisions for an additional two years and made the bank tax provisions from 1985 and 1987 permanent. The bank tax provisions were previously extended numerous times on a temporary basis with the Gramm-Leach-Bliley transition provisions.

Legislation enacted in 2012 extends and amends the Gramm-Leach-Bliley provision for an additional two years, through tax year 2014. The amendment to the Gramm-Leach-Bliley provisions requires that a corporation previously taxed as a bank under Gramm-Leach-Bliley be taxed as a bank only if it meets the current law definition of a bank.

Legislation enacted in 2013 extends the MTA surcharge for five additional years and extends and makes refundable the non-residential historic properties tax credit for an additional five years through 2019 with the refundable provision beginning in tax year 2015.

The State imposes a *petroleum business tax* on the privilege of operating a petroleum business in the State. This tax is measured by the quantity of various petroleum products imported into the State for sale or use. The tax is imposed at various cents-per-gallon rates depending on the type of petroleum product. The cents-per-gallon tax rates are indexed to reflect petroleum price changes but are limited to changes of no more than 5 percent of the tax rate in any one year. Legislation enacted in 2008 allows the Commissioner of Taxation and Finance to work and enter into an agreement with the DMV, DEC, Thruway Authority, NYS Bridge Authority, and the Port Authority of New York and New Jersey to use technology to reduce the bootlegging of fuel. Legislation enacted in 2011 modernizes fuel definitions to adapt the petroleum business taxes to Federal and State statutory and regulatory changes that address certain environmental concerns. Legislation enacted in 2013 provides volunteer ambulance and volunteer fire departments with a reimbursement of the PBT paid on motor fuel and diesel motor fuel purchased for use in their vehicles.

Other tax revenues include taxes on pari-mutuel wagering, the estate tax, taxes on real estate transfers, certain other minor taxes, and residual receipts following the repeal of the real property gains tax and the gift tax.

The State imposes an *estate tax* on the estates of deceased New York residents, and on that part of a nonresident's net estate made up of real and tangible personal property located within New York State. Estate tax liability is computed on the basis of the Federal definition of "gross estate" and is set equal to the Federal credit for Federal estate tax liability allowable for State estate taxes paid as it existed on July 22, 1998. Reflecting the composition of many decedents' estates in New York, collections of this tax are heavily influenced by fluctuations in the value of common stock. New York has not conformed to the most recent changes in Federal law and thus the base of the tax is, in general, unaffected by such changes.

The *real estate transfer tax* applies to each real property conveyance, subject to certain exceptions, at a rate of $2 for each $500 of consideration or fraction thereof. Pursuant to statute, beginning in State FY 2008, $212 million of real estate transfer tax receipts are deposited in the EPF and the remaining receipts are deposited in the CW/CA Debt Service Fund. In FY 2009, $237 million was deposited into the EPF, and $199 million was deposited in FY 2010. Receipts in excess of the debt service requirements are transferred back to the General Fund. The FY 2011 Enacted Budget reduced the statutorily fixed deposit to the EPF from $199.3 million to $119.1 million.

The State levies *pari-mutuel taxes* on wagering activity conducted at horse racetracks, simulcast theaters and off-track betting parlors throughout the State. In previous years the State temporarily reduced its tax rates and expanded simulcast opportunities and increased purses. Legislation enacted in 2006 reduced tax rates on wagers placed on certain thoroughbred races. Legislation enacted in 2008 reinstated the previous pari-mutuel tax rates on simulcasting that preceded the 2006 rates, which have recently been extended on an annual basis, including legislation enacted in 2013. In addition to pari-mutuel taxes, a 4 percent tax is levied on the charge for admissions to racetracks and simulcast theaters, and a 3 percent tax is levied on gross receipts from boxing and wrestling exhibitions, including receipts from broadcast and motion picture rights.

Miscellaneous receipts and other revenues include various fees, fines, tuition, license revenues, lottery revenues, investment income, assessments on various businesses (including healthcare providers), and abandoned property. Miscellaneous receipts also include minor amounts received from the Federal government and deposited directly in the General Fund. Effective April 1, 2010 OSC classified motor vehicle and alcohol license fees as miscellaneous receipts. Significant miscellaneous receipts legislation enacted since 2006 is discussed below. Legislation enacted in 2006 increased certain banking fines and penalties, reduced the dormancy period on uncashed checks and securities and created the internet point insurance reduction program. Legislation enacted in 2008 revised the distribution of video lottery receipts to provide different commissions to VLG facilities based on factors including: size of the facility; population surrounding the facility; and proximity to Native American and out-of-state casinos. In addition, tracks were provided a capital allowance for capital expenditures to enhance their facilities. Legislation enacted in 2009 increased the real property transfer fee, the 18-A utility assessment, and the notification fee for asbestos projects; expanded the bottle deposit; and authorized the Lottery to enter more than one multi-jurisdictional lottery association. Legislation enacted in 2010 reduced dormancy periods on undelivered goods and money orders and increased various civil court filing fees, made the Lottery's authorization to operate the Quick Draw lottery game permanent, removed the restrictions on the number of hours Quick Draw could be operated, removed the sunset on the VLG Program, increased the hours that VLTs may be operated to 20 hours from 16 hours (but no later than 4 a.m.) and reduced the vendor commission by one percent of net machine income. Legislation enacted in 2011 reduced the dormancy period on 14 items from five or six years to three, authorized VLG facilities to provide free game credits that are excluded from net machine income ("free-play") as a marketing tool capped at 10 percent of the net machine income at that facility, increased the number of instant games with a 75 percent prize pay-out from three to five new games per year, allowed the Lottery to have up to a 55 percent prize-payout on multi-jurisdictional games, and allowed Lottery to offer progressive jackpots (a cash prize that grows larger until won) for certain VLGs. Legislation enacted in 2012 removes the restriction that at least 25 percent of an establishment's revenue be from food sales in order to host the Quick Draw lottery game. Legislation passed in 2013 extended the operator's commission rate at Monticello, first enacted in 2008, for a one-year period.

Alcohol license fees are imposed on those who sell alcoholic beverages in New York. The fees vary depending on the type and location of the establishment or premises operated by the licensee, as well as the class of beverage for which the license is issued. Legislation adopted in 2003 allowed for the option to sell liquor or wine on Sundays provided the establishment closed on one other day. In 2004, legislation was enacted to allow seven day liquor sales. This law was made permanent in 2008.

Motor vehicle fees are derived from a variety of sources, including motor vehicle registration fees and driver licensing fees, which together account for most motor vehicle fee revenue. Effective February 1, 1999, 45.5 percent of such fees are dedicated to the DHBTF. Legislation enacted with the 2000-01 Budget directs the remaining 54.5 percent of registration fees to the dedicated transportation funds pool, of which 63 percent goes to the DHBTF. Legislation enacted in 2001 directed the deposit of $169 million in non-registration fees to the Trust Fund in State FY 2002. Legislation enacted in 2002 redirected $171.6 million in non-registration fees to the Trust Fund in State FY 2003 and $152.7 million in State FY 2004. Legislation enacted in 2003 directed $59.9 million in existing non-registration motor vehicle fee revenues to the Trust Fund effective April 1, 2004. Legislation enacted in 2005 directed the first $169.4 million of non-dedicated motor vehicle fees (excluding fines and assessments) to the Dedicated Funds Pool, with the remainder going to the General Fund. Legislation enacted in 2008 implemented the Western Hemisphere Travel Initiative (WHTI) which offered Federally-compliant driver's licenses and non-driver ID cards. Legislation enacted in 2009 included increases of approximately 25 percent for vehicle registrations and licenses. Legislation enacted in 2011 clarified that non-dedicated motor vehicle fees include assessments and fines.

EXHIBIT E TO AIS

GLOSSARY OF FINANCIAL TERMS

The following glossary, which is an integral part of this AIS, includes certain terms that are used herein and are intended for use only in connection with the entire AIS.

Appropriation: An appropriation is a statutory authorization against which liabilities may be incurred during a specific year, and from which disbursements may be made, up to a stated amount, for the purposes designated. Appropriations generally are authorizations, rather than mandates, to spend, and disbursements from an appropriation need not, and generally do not, equal the amount of the appropriation. An appropriation represents maximum spending authority. Appropriations may be adopted at any time during the fiscal year.

Bond Anticipation Note or *BANs*: A bond anticipation note is a short-term obligation, the principal of which is paid from the proceeds of the bonds in anticipation of which such note is issued.

Business-type Activities: "Business-type activities" describe those operations that are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds and include the Lottery, Unemployment Insurance Benefit, SUNY and CUNY senior colleges.

Capital Projects Funds: Capital Projects Funds, one of the four GAAP-defined governmental fund types, account for financial resources of the State to be used for the acquisition or construction of major capital facilities (other than those financed by SRFs, Proprietary Funds and Fiduciary Funds).

Cash Basis Accounting: Accounting, budgeting and reporting of financial activity on a cash basis results in the recording of receipts at the time money or checks are deposited in the State Treasury and the recording of disbursements at the time a check is drawn, regardless of the fiscal period to which the receipts or disbursements relate.

Community Projects Fund: The State created this fund within the General Fund in 1996 to finance certain community projects for the Legislature and the Governor. The State transfers moneys from other General Fund accounts into the Community Projects Fund, as provided by law. Spending out of the Community Projects Fund is governed by specific appropriations for each account in the Fund, but cannot exceed the cash balance for that account.

Contingency Reserve Fund: This fund was established in 1993 to assist the State in financing the costs of any extraordinary known or anticipated litigation. Deposits to this fund are made from the General Fund.

Contractual-Obligation Financing: Contractual-obligation financing is an arrangement pursuant to which the State makes periodic payments to a public benefit corporation under a contract having a term not less than the amortization period of debt obligations issued by the public benefit corporation in connection with such contract. Payments made by the State are used to pay debt service on such obligations and are subject to annual appropriation by the Legislature and the availability of moneys to the State for the purposes of making contractual payments.

Debt Reduction Reserve Fund or *DRRF*: The State created the DRRF in 1998 to accumulate surplus revenues to pay debt service costs on State-supported bonds, retire or defease such bonds, and to finance capital projects. Use of DRRF funds requires an appropriation.

Debt Service: Debt service refers to the payment of principal and interest on bonds, notes, or other evidences of indebtedness, including interest on BANs and TRANs, in accordance with the respective terms thereof.

Debt Service Funds: DSFs, one of the four GAAP-defined governmental fund types, account for the accumulation of resources (including receipts from certain taxes, transfers from other funds and miscellaneous revenues, such as dormitory room rental fees, which are dedicated by statute for payment of lease-purchase rentals) for the payment of general long-term debt service and related costs and payments under lease-purchase and contractual-obligation financing arrangements.

Disbursement: A disbursement is a cash outlay and in the General Fund includes transfers to other funds.

Executive Budget: The Executive Budget is the Governor’s constitutionally mandated annual submission to the Legislature which contains his recommended program for the forthcoming fiscal year. The Executive Budget is an overall plan of recommended appropriations. It projects disbursements and expenditures needed to carry out the Governor’s recommended program and receipts and revenues expected to be available for such purpose. The recommendations contained in the Executive Budget serve as the basis for the State Financial Plan (defined below) which is adjusted after the Legislature acts on the Governor’s submission. Under the State Constitution, the Governor is required each year to propose an Executive Budget that is balanced on a cash basis.

Expenditure: An expenditure, in GAAP terminology, is a decrease in net financial resources as measured under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term expenditure to refer to a cash outlay or disbursement.

Expenses: Expenses, in GAAP terminology, are a decrease in net financial resources as measured in the government-wide financial statements under the accrual basis of accounting.

Fiduciary Funds: Fiduciary Funds refers to a GAAP-defined fund type which accounts for assets held by the State in a trustee capacity or as agent for individuals, private organizations and other governmental units and/or other funds. These funds are custodial in nature and do not involve the measurement of operations. Although the Executive Budget for a fiscal year generally contains operating plans for Fiduciary Funds, and their results are included in the Comptroller’s GAAP-based financial statements, they are not included in the State Financial Plan.

Financial Plan: see State Financial Plan.

Fiscal Year: The State’s fiscal year commences on April 1 and ends on March 31. The term fiscal year refers to the fiscal year of the State unless the context clearly indicates otherwise.

Fund Accounting: The accounts of the State are presented on the basis of GAAP funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the fund’s assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GAAP: GAAP refers to generally accepted accounting principles for state and local governments, which are the uniform minimum standards of and guidelines for financial accounting and reporting prescribed by GASB. GAAP requires that the government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the Enterprise Funds, Component Units and the Fiduciary Funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance expenditures. Expenditures and related liabilities are recognized in the accounting period they are incurred to the extent they are expected to be paid within the next 12 months, under the modified accrual basis of accounting.

General Fund: The General Fund, one of the four GAAP-defined governmental fund types, is the major operating fund of the State and receives all receipts that are not required by law to be deposited in another fund, including most State tax receipts and certain fees, transfers from other funds and miscellaneous receipts from other sources.

General Obligation Bonds: Long-term obligations of the State, used to finance capital projects. These obligations must be authorized by the voters in a general election, are issued by the Comptroller, and are backed by the full faith and credit of the State. Under current provisions of the Constitution, only one bond issue may be put before the voters at each general election, and it must be for a single work or purpose. Debt service must be paid from the first available taxes whether or not the Legislature has enacted the required appropriations for such payments.

General State Charges: Costs mandated by statute or court decree or by agreements negotiated with employee unions for which the State is liable, including: pensions; health, dental and optical benefits; payments on behalf of State employees for Social Security; unemployment insurance benefits; employee benefit programs; court judgments and settlements; assessments for local improvements; and taxes on public lands.

Governmental Activities: Governmental activities describes those operations that are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues and are reported in the governmental funds.

Governmental Funds: Governmental funds refers to a category of GAAP-defined funds which account for most governmental functions and which, for the State, include four GAAP-defined governmental fund types: the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The State's projections of receipts and disbursements in the governmental funds comprise the State Financial Plan.

Interfund Transfers: Under GAAP fund accounting principles, each fund is treated as a separate fiscal and accounting unit with limitations on the kinds of disbursements to be made. To comply with these limitations, moneys are moved from one fund to another to make them available for use in the proper fund, and are accounted for as "interfund transfers".

Lease-Purchase Financing: Lease-purchase financing is an arrangement pursuant to which the State leases facilities from a public benefit corporation or municipality for a term not less than the amortization period of the debt obligations issued by the public benefit corporation or municipality to finance acquisition and construction, and pays rent which is used to pay debt service on the obligations. At the expiration of the lease, title to the facility vests in the State in most cases. Generally, the State's rental payments are expressly subject to annual appropriation by the Legislature and availability of moneys to the State for the purposes thereof.

Local Assistance: Disbursements of State grants to counties, cities, towns, villages, school districts and other local entities, certain contractual payments to localities, and financial assistance to, or on behalf of, individuals and not-for-profit organizations.

Moral obligation debt: Long-term bonds issued by certain State public benefit corporations which are essentially supported by their own revenues. Moral obligation debt is not incurred pursuant to a referendum, is not State-supported debt, and is not backed by the full faith and credit of the State. However, the authorities selling such obligations have been allowed to establish procedures where, under certain conditions, the State may be requested to meet deficiencies in debt service reserve funds supporting such bonds. An appropriation must be enacted by the Legislature to meet any such request.

Official Statement: A disclosure document prepared to accompany an issuance of bonds, notes and certificates of participation offered for sale by the State or its public authorities. Its primary purpose is to provide prospective bond or note purchasers sufficient information to make informed investment decisions. It describes, among other things, the issuer, the project or program being financed and the security behind the bond issue.

PAYGO financing: The use of current State resources (as opposed to bonds) to finance capital projects. Also referred to as “hard dollar” financing.

Rainy Day Reserve Fund: This fund was created in 2007 to enhance the State’s fiscal reserves. The fund, which may have a maximum balance equal to 3 percent of General Fund spending, may be used to respond to an economic downturn or catastrophic event, as defined by the enabling statute.

Receipts: Receipts consist of cash actually received during the fiscal year and in the General Fund include transfers from other funds.

Revenue Accumulation Fund: This fund holds certain tax receipts temporarily before their deposit into other funds.

Revenues: Revenues, in GAAP terminology, are an increase in net financial resources, as measured for the government-wide financial statements under the accrual basis of accounting and for the governmental funds under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term revenues to refer to income or receipts.

Short-Term Investment Pool or *STIP*: The combination of available cash balances in funds within the State Treasury on a daily basis for investment purposes.

Special Revenue Funds: SRFs, one of the four GAAP-defined governmental fund types, account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects), such as Federal grants, that are legally restricted to specified purposes.

State Financial Plan: The State Financial Plan sets forth projections of State receipts and disbursements in the governmental fund types for each fiscal year and is prepared by the Director of the Division of Budget, based initially upon the recommendations contained in the Executive Budget. After the budget is enacted, the State Financial Plan is adjusted to reflect revenue measures, appropriation bills and certain related bills enacted by the Legislature. It serves as the basis for the administration of the

State's finances by the Director of the Budget, and is updated quarterly, or more frequently as necessary, during the fiscal year.

State Funds: "State funds" refer to a category of funds which includes the General Fund and all other State-controlled moneys, excluding Federal grants. This category captures all governmental disbursements except spending financed with Federal grants.

State-guaranteed debt: Debt authorized by the voters to be sold by three public authorities: the Job Development Authority, the New York State Thruway Authority, and the Port Authority of New York and New Jersey. State-guaranteed bonds issued for the Thruway Authority and the Port Authority were fully retired on July 1, 1995 and December 31, 1996, respectively. Such debt is backed by the full faith and credit of the State.

State Operations: Operating costs of State departments and agencies, the Legislature and the Judiciary, including salaries and other compensation for most State employees.

State-related debt: In this broad category, DOB combines all forms of debt for which the State is liable, either directly or on a contingent basis, including all State-supported debt and State-guaranteed and moral obligation debt.

State-supported debt: This category includes all obligations for which the State appropriates money that is used to pay debt service, including general obligation debt, lease-purchase and contractual-obligation debt, including PIT Revenue Bonds, LGAC and certificates of participation. While tax supported debt (obligations supported by State taxes) represents the majority of obligations in this category, obligations supported by other State revenues (such as dormitory fees or patient revenues) are also included.

Tax and Revenue Anticipation Notes or *TRANs*: Notes issued in anticipation of the receipt of taxes and revenues, direct or indirect, for the purposes and within the amounts of appropriations theretofore made.

Tax Refund Reserve Account: The tax refund reserve account is used to hold moneys available to pay tax refunds. During a given fiscal year, the deposit of moneys in the account reduces receipts and the withdrawal of moneys from the account increases receipts. There is no requirement that moneys withdrawn from this account be replaced.

Tax Stabilization Reserve Fund: This fund was created to hold surplus revenue that can be used in the event of any unanticipated General Fund deficit. Amounts within this fund can be borrowed to cover any year-end deficit and must be repaid within six years in no less than three equal annual installments. The fund balance cannot exceed two percent of General Fund disbursements for the fiscal year; contributions are limited to two-tenths of one percent of General Fund disbursements in that year.

EXHIBIT F TO AIS

GLOSSARY OF ACRONYMS

ABC	Alcoholic Beverage Control, Division of
ACA	Affordable Care Act
AFL-CIO	American Federation of Labor and Congress of Industrial Organizations
AIM	Aid and Incentive for Municipalities
AIS	Annual Information Statement
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
BARBS	Building Aid Revenue Bonds
BCA	Budget Control Act
BCI	Bureau of Criminal Investigation
BOCES	Boards of Cooperative Educational Services
CAFR	Comprehensive Annual Financial Report
CCAP	Community Capital Assistance Program
CDA	Continuing Disclosure Agreements
CERCLA	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
COPs	Certificates of Participation
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
DA	District Attorney
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
DMV	Department of Motor Vehicles
DOB	Division of the Budget
DOCCS	Department of Corrections and Community Supervision
DOH	Department of Health

EXHIBIT F - GLOSSARY OF ACRONYMS

DOS	Department of State
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
EDNY	Eastern District of New York
EFC	Environmental Facilities Corporation
EI	Early Intervention
EIS	Environmental Impact Statement
EMMA	Electronic Municipal Market Access
ENI	Entire Net Income
EOF	Empire Opportunity Fund
EPF	Environmental Projection Fund
EPIC	Elderly Pharmaceutical Insurance Coverage
ERDA	Energy Research and Development Authority
ERI	Early Retirement Initiative
ERS	Employees' Retirement System
ESD	Empire State Development
EXCEL	Expanding Our Children's Education and Learning
FCB	Financial Control Board
FFY	Federal Fiscal Year
FHP	Family Health Plus
FMAP	Federal Medical Assistance Percentage
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 Plan
GOER	Governor's Office of Employee Relations
GPHW	General Public Health Work
GSCs	General State Charges
GSEU	Graduate Student Employees Union
GSPS	General Support for Public Schools
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
HMOs	Health Maintenance Organization
HUD	Housing and Urban Development
HUT	Highway Use Tax
IBO	Independent Budget Office
ICF/DD	Intermediate Care Facilities for the Developmentally Disabled
IDA	Industrial Development Agencies
ITS	Information Technology Services, Office of

JDA	Job Development Authority
LGAC	Local Government Assistance Corporation
LGU	Local Government Unit
LIBOR	London InterBank Offered Rate
LIPA	Long Island Power Authority
MA	Medicaid
MBBA	Municipal Bond Bank Agency
M/C	Managerial or Confidential
MCFFA	Medical Care Facilities Financing Agency
MD&A	Management Discussion and Analysis
MIF	Mortgage Insurance Fund
MMIS	Medicaid Management Information System
MRT	Medicaid Redesign Team
MSA	Master Settlement Agreements
MTA	Metropolitan Transportation Authority
NAICS	North American Industry Classification System
NDNY	Northern District of New York
NIFA	Nassau County Interim Finance Authority
NPMs	Non-Participating Manufacturers
NY	New York
NY Helps	New York Higher Education Loan Program
NYC	New York City
NYS	New York State
NYS-CARES	New York State - Creating Alternatives in Residential Environments and Services
NYSCOPBA	New York State Correctional Officers and Police Benevolent Association
NYSHIP	New York State Health Insurance Program
NYSLRS	New York State and Local Retirement System
NYSTA	New York State Thruway Authority
NYSPBA	New York State Police Benevolent Association
OASAS	Office of Alcoholism and Substance Abuse Services
OCA	Office of Court Administration
OCFS	Office of Children and Family Services
OGS	Office of General Services
OITS	Office of Information and Technology Services
OMB	Office of Management and Budget
OMH	Office of Mental Health
OMIG	Office of Medicaid Inspector General
OPEB	Other Post-Employment Benefits
OPMs	Original Participating Manufacturers
OPWDD	Office for People with Developmental Disabilities
OSC	Office of the State Comptroller
OSDC	Office of the State Deputy Comptroller
OTB	Off Track Betting
OTDA	Office of Temporary and Disability Assistance
PACB	Public Authorities Control Board
PANY NJ	Port Authority of New York and New Jersey
PAYGO	Pay-As-You-Go
PBA	Police Benevolent Association
PBT	Petroleum Business Tax

EXHIBIT F - GLOSSARY OF ACRONYMS

PEF	Public Employees Federation
PFRS	Police and Fire Retirement System
PILOT	Payment in Lieu of Taxes
PIT	Personal Income Tax
PMs	Participating Manufacturers
PS	Personal Service
QPAI	Qualified Production Activities Income
RBTF	Revenue Bond Tax Fund
RGGI	Regional Greenhouse Gas Initiative
RIC	Regional Information Center
RIOC	Roosevelt Island Operating Corporation
ROI	Return on Investment
SA	School Aid
SAGE	Spending and Government Efficiency Commission
SBE	Sound Basic Education
SED	State Education Department
SFS	Statewide Financial System
SIF	State Insurance Fund
SOF	State Operating Funds
SOFA	State Office for the Aging
SONYMA	State of New York Mortgage Agency
SPMs	Subsequent Participating Manufacturers
SPUR	Strategic Partnership for Upstate Resurgence
SRF	Special Revenue Fund
SRO	State Special Revenue
SSI	Supplemental Security Income
STAR	School Tax Relief
STARC	Sales Tax Asset Receivable Corporation
STBF	Sales Tax Revenue Bond Fund
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
TFA	Transitional Finance Authority
TIFIA	Transportation Infrastructure Finance and Innovation Act
TRANs	Tax and Revenue Anticipation Notes
TRS	Teachers’ Retirement System
TSASC	Tobacco Settlement Asset Securitization Corporation
TSFC	Tobacco Settlement Financing Corporation
UDC	Urban Development Corporation
UUP	United University Professions
US	United States
VLG	Video Lottery Gaming
VLT	Video Lottery Terminal
WDNY	Western District of New York
WHTI	Western Hemisphere Travel Initiative