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

February 27, 2014

This is the third quarterly update (the "AIS Update") to the Annual Information Statement of the State of New York dated June 19, 2013 (the "AIS"). This AIS Update contains information only through February 27, 2014 and should be read in its entirety, together with the "AIS".

In this AIS Update, readers will find:

1. A summary of recent events and changes to the Financial Plan made since the last quarterly update to the AIS dated November 25, 2013 (the "Prior Quarterly Update"). This summary includes the estimated impact of the Governor's Executive Budget proposal for FY 2015, as amended (the "Executive Budget"), a report on which was issued on February 24, 2014 and is available on the Division of the Budget ("DOB") website at www.budget.ny.gov. The updated information includes (a) revised Financial Plan projections for Fiscal Year ("FY") 2014 through FY 2017[1] and initial projections for FY 2018 (the "Updated Financial Plan" or "Executive Budget Financial Plan"), (b) an updated economic forecast, and (c) operating results through the third quarter of FY 2014.

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 "Risks and Uncertainties Related to the State Financial Plan").

3. A summary of the Generally Accepted Accounting Principles ("GAAP")-basis results for the prior three fiscal years (reprinted as a convenience from the First Quarterly Update to the AIS dated August 28, 2013).

4. Updated information regarding the State Retirement Systems.

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

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

7. Financial plan tables that summarize actual General Fund receipts and disbursements for FY 2013 and projected receipts and disbursements for FY 2014 through FY 2018 on a General Fund, State Operating Funds and All Governmental Funds basis.

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

---

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

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

The factors affecting the State’s financial condition are complex. This AIS Update contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts were prepared. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in this AIS Update of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. Forecasts, projections and estimates are not intended as representations of fact or guarantees of results. The words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” and analogous expressions are intended to identify forward-looking statements in this AIS Update. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Such risks and uncertainties include, among others, general economic and business conditions; 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, on a State, national, and international level, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this AIS Update.

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

In July 2013, OSC issued the Basic Financial Statements for FY 2013 (ended March 31, 2013). Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements for FY 2013 can also be accessed through EMMA at www.emma.msrb.org.

USAGE NOTICE

This AIS Update 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 payment of their respective bonds, notes or other obligations.

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

BUDGETARY AND ACCOUNTING PRACTICES

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 the sole financing source for the School Tax Relief ("STAR") Fund. In addition, it 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"), 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 (both the General Fund and State Operating Funds exclude spending from Capital Projects Funds and Federal Funds). DOB views State Operating Funds to be a more comprehensive measure than the General Fund of State-funded activities for operating purposes that are funded with State resources (i.e., 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 from State Special Revenue Funds, including Health Care Reform Act 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 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 only. The GAAP-basis financial plan is not used by DOB as a benchmark for managing State finances during the fiscal year and is not updated on a quarterly basis. 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.

OVERVIEW OF THE UPDATED FINANCIAL PLAN

The Governor submitted his Executive Budget proposal for FY 2015 on January 21, 2014, and amendments through February 20, 2014, as permitted by law. On February 24, 2014, DOB issued the Updated Financial Plan, extracts and summaries of which are set forth herein. The Updated Financial Plan includes updated estimates for the current fiscal year (FY 2014), and projections for FY 2015 through FY 2018, which reflect the estimated impact of the Governor's Executive Budget proposals, as amended.

The projections for FY 2015 through FY 2018 assume that the Legislature enacts the Governor's Executive Budget proposal in its entirety and without modification by the start of FY 2015, which begins on April 1, 2014. The Governor's proposal is awaiting action by the Legislature. There can be no assurance that the Legislature will adopt all, or any specific portion, of the Executive Budget as proposed. Accordingly, there can be no assurance that the fiscal impact of the budget for FY 2015, when adopted, will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.

CURRENT FISCAL YEAR (FY 2014)

DOB estimates that the State will end the current fiscal year (FY 2014) with a General Fund operating surplus of $310 million on a cash basis of accounting. The estimated surplus largely reflects stronger than expected tax receipts. DOB expects the surplus to be carried forward into FY 2015, where it would be used to fund initiatives proposed with the Executive Budget. Year-to-date operating results are generally in line with expectations.

General Fund receipts, including transfers from other funds, are expected to total $61.96 billion, an increase of $320 million from the estimate in the Prior Quarterly Update, before accounting for transactions to make the FY 2014 surplus available in FY 2015, as described in more detail below. The estimate for annual tax receipts has been increased by $432 million, reflecting higher estimated PIT payments and estate tax payments to date, partially offset by declines in business and other tax receipts to date. In addition, higher costs for debt service on the State's PIT bonds results in a decrease in tax receipts transferred to the General Fund after payment of debt service[2]. The increase in PIT debt service mainly reflects the refunding with PIT Revenue Bonds of higher-cost debt that had been issued under older State bond programs, and is offset by lower transfers to the General Debt Service Fund. The estimate for miscellaneous receipts has been lowered by $55 million, based on a review of collections to date. Non-tax transfers have been reduced by $57 million, based on a review of balances and expected needs.

The surplus in FY 2014 is expected to be made available in FY 2015 through the payment of an additional $310 million in tax refunds in the current fiscal year, which has the effect of reducing net tax collections in the current fiscal year and increasing net tax collections by the same amount in FY 2015. After accounting for these payments, General Fund receipts are expected to total $61.65 billion in FY 2014, or $10 million above the level estimated in the Prior Quarterly Update.

[2] Estimated General Fund tax receipts are affected by changes in the estimated level of debt service needed for PIT Revenue Bonds, Sales Tax Revenue Bonds, New York Local Government Assistance Corporation Bonds, and Clean Water/Clean Air ("CW/CA") bonds.

General Fund disbursements, including transfers to other funds, are expected to total $61.46 billion, an increase of $10 million from the level estimated in the Prior Quarterly Update. The modest increase is due to a number of factors. Estimated disbursements for local assistance have been increased by $125 million, reflecting an increase in the share of Medicaid expenses that are expected to be paid from the General Fund instead of HCRA (due to lower expected receipts in HCRA), offset in part by lower than expected spending across a range of programs and activities. The estimate for State Operations, including fringe benefits, has been increased by $68 million, due mainly to costs incurred by the State in the first instance related to Superstorm Sandy (these costs are expected to be reimbursed by the Federal government in FY 2015 and FY 2016) and increased overtime costs at the Department of Corrections and Community Supervision ("DOCCS"). Estimated transfers to other funds have been reduced, reflecting, among other things, savings from refundings, the timing and sizing of bond sales, and the financing mix for capital projects. The following table summarizes the revisions.

FY 2014 GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) SUMMARY OF CHANGES FROM MID-YEAR UPDATE SAVINGS/(COSTS) (millions of dollars)	
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE	**0**
Receipts Revisions	**320**
Tax Receipts [1]	432
Miscellaneous Receipts	(55)
Other Non-Tax Transfers	(57)
Spending Revisions	**(10)**
Local Assistance	(125)
Agency Operations (incl GSCs)	(68)
Transfers to Other Funds	183
NET CHANGES	**310**
Carry-Forward Surplus to FY 2015	**(310)**
REVISED BUDGET SURPLUS/(GAP) ESTIMATE	**0**

[1] Includes transfers from other funds after revisions to estimated debt service costs. Excludes carry- forward of surplus to FY 2015.

DOB estimates that the State will end FY 2014 with a General Fund cash balance of $1.8 billion, unchanged from the estimate in the Prior Quarterly Update. The balance consists of $1.3 billion in stabilization reserves, $363 million designated for debt management purposes, $68 million in the Community Projects Fund, $45 million for the costs of labor settlements covering prior periods, and $21 million in the Contingency Reserve Fund.

Risks to budget balance remain in the current fiscal year. For example, tax collections are subject to significant volatility in the final quarter of the fiscal year. In addition, there can be no assurance that Federal aid for health care, mental hygiene, and other purposes will be received at the levels or on the timetable assumed in the Updated Financial Plan. These and other risks and uncertainties are described more fully later in this AIS Update.

MULTI-YEAR FINANCIAL PLAN REVISIONS (FY 2015 AND OUTYEARS)

DOB estimates that the Executive Budget proposal for FY 2015 would, if enacted without modification, provide for balanced operations in the General Fund, as provided by law. The Executive Budget proposes recurring savings through targeted reforms, as well as continuation of the spending controls and cost-containment put in place in prior years. Agency operations are generally expected to remain at current levels across the Financial Plan period. Reserves are expected to remain intact.

The Executive Budget for FY 2015 proposes limiting annual growth in State Operating Funds spending to 2 percent or less, consistent with the spending benchmark adopted by the current Administration in FY 2012. **The Financial Plan projections for FY 2016 and thereafter set forth in this AIS Update reflects the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as "Adherence to 2% State Operating Funds Spending Benchmark."** Total disbursements in Financial Plan tables and discussion do not assume this spending limit and without adherence to this spending limit, deficits could result.

The Executive Budget proposes a multi-year tax reduction plan for individuals and businesses, which has been sized to absorb the majority of the surplus that would otherwise occur between projected receipts, using current projections, and disbursements that grow at 2 percent annually over the Financial Plan period.

The following table summarizes the projected annual changes in receipts, disbursements, and fund balances in the General Fund from FY 2014 to FY 2015.

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2014 Current	FY 2015 Proposed	Annual Change $	Annual Change %
Opening Fund Balance	1,610	1,803	193	12.0%
Receipts				
Taxes (After Debt Service)	57,386	58,582	1,196	2.1%
Miscellaneous Receipts/Federal Grants	3,253	3,857	604	18.6%
Other Transfers	1,014	1,076	62	6.1%
Total Receipts	61,653	63,515	1,862	3.0%
Disbursements				
Local Assistance Grants	40,383	41,797	1,414	3.5%
Departmental Operations:				
Personal Service	5,704	5,880	176	3.1%
Non-Personal Service	1,950	1,961	11	0.6%
General State Charges	4,904	5,265	361	7.4%
Transfers to Other Funds	8,519	8,672	153	1.8%
Debt Service	1,628	1,119	(509)	-31.3%
Capital Projects	1,078	1,439	361	33.5%
State Share of Mental Hygiene Medicaid	1,813	1,488	(325)	-17.9%
SUNY Operations	971	970	(1)	-0.1%
All Other	3,029	3,656	627	20.7%
Total Disbursements	61,460	63,575	2,115	3.4%
Excess (Deficiency) of Receipts Over Disbursements	193	(60)	(253)	-131.1%
Closing Fund Balance	1,803	1,743	(60)	-3.3%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,131	0	0.0%
Rainy Day Reserve Fund	175	175	0	0.0%
Community Projects Fund	68	0	(68)	-100.0%
Contingency Reserve Fund	21	21	0	0.0%
Fund Balance Reserved for:				
Prior-Year Labor Agreements (2007-2011)	45	53	8	17.8%
Debt Management	363	363	0	0.0%

RECEIPTS

General Fund receipts, including transfers from other funds, are expected to total $63.5 billion in FY 2015, an annual increase of $1.9 billion (3.0 percent). Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are expected to total $58.6 billion, an increase of $1.2 billion (2.1 percent).

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to increase by $1.3 billion (3.5 percent) from FY 2014. This primarily reflects increases in withholding and estimated payments attributable to the 2014 tax year and the payment of additional refunds in FY 2014 that were initially planned for FY 2015, partially offset by an expected decline in extension payments attributable to the 2013 tax year.

General Fund user taxes and fee receipts, including transfers after payment of debt service on New York Local Government Assistance Corporation ("LGAC") and Sales Tax Revenue Bonds, are estimated to total $12.3 billion in FY 2015, an increase of $260 million (2.2 percent) from FY 2014, reflecting projected consumer spending increases across a broad range of consumption categories.

General Fund business tax receipts are estimated at $5.6 billion in FY 2015, a decrease of $376 million (-6.3 percent) from FY 2014 results. The estimate reflects a decline in corporate franchise tax receipts resulting from the first year of repayment of deferred tax credits, partly offset by growth in all other business taxes.

Other tax receipts in the General Fund, including transfers, are expected to total approximately $1.9 billion in FY 2015, an increase of $3 million (0.2 percent) from FY 2014. This mainly reflects a decline in expected estate tax receipts, the result of Executive Budget legislation that will cut the estate tax.

General Fund miscellaneous receipts are estimated at $3.9 billion in FY 2015, an annual increase of $606 million. The increase largely reflects the expected deposit of $1 billion 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 $1.1 billion, an increase of $62 million (6.1 percent), largely due to changes in accounting of certain receipts and resources expected to be available from other 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 "Financial Plan Projections - Fiscal Years 2014 through 2018" herein.

DISBURSEMENTS

General Fund disbursements, including transfers to other funds, are expected to total $63.6 billion in FY 2015, an increase of $2.1 billion (3.4 percent) from FY 2014 estimates.

Local assistance grants are expected to total $41.8 billion, an annual increase of $1.4 billion (3.5 percent). Included within local assistance grants, General Fund disbursements are expected to increase by $1 billion for School Aid and $153 million for Medicaid. 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 $246 million.

State operations disbursements in the General Fund are expected to total $7.8 billion in FY 2015, an annual increase of $187 million (2.4 percent). Personal service costs are expected to increase by $176 million, mainly reflecting the consolidation of staff under the IT Services that were previously reflected in non-General Fund accounts. Non-personal service costs are expected to increase by $11 million in FY 2015, in large part due to increased support for indigent legal services and civil legal services.

General State Charges ("GSCs") are expected to total $5.3 billion in FY 2015, an annual increase of $361 million (7.4 percent) from the current fiscal year. The State's annual pension payment is expected to increase by $284 million, reflecting both growth in normal costs and repayment of amounts amortized in prior years. The State expects to continue to amortize pension costs in excess of the amortization thresholds established in law. In FY 2015, costs in excess of 13.5 percent of payroll for the Employees' Retirement System ("ERS") and 21.5 percent for the Police and Fire Retirement System ("PFRS") are expected to be amortized.

General Fund transfers to other funds are expected to total $8.7 billion in FY 2015, an increase of $153 million from the current fiscal year. The growth includes increased support for capital projects and non-Medicaid Mental Hygiene services, partly offset by declines in the State share of Medicaid for Mental Hygiene, and the planned pre-payment of debt service in FY 2014 for expenses due in FY 2015.

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 "Financial Plan Projections - Fiscal Years 2014 through 2018" herein.

CLOSING BALANCE FOR FY 2015

DOB projects that the State will end FY 2015 with a General Fund cash balance of $1.7 billion, a decrease of $60 million from the FY 2014 estimate reflected in the Updated Financial Plan. The Community Projects Fund, which finances discretionary grants allocated by the Legislature and Governor, is expected to decrease by $68 million in FY 2015, reflecting disbursements from prior year appropriations. This decrease is offset by an $8 million increase in amounts set aside for the costs of prior-year labor agreements, as described below.

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 2015. The combined balance of the two funds is equal to approximately 2.2 percent of estimated General Fund disbursements in FY 2015.

The Financial Plan continues to set aside 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. The amount set aside is expected to be reduced as labor agreements for prior periods are reached with unsettled unions.

The Executive Budget proposes to reserve $363 million for debt management purposes in FY 2015, unchanged from the level currently reserved in FY 2014.

FY 2015 DETAILED GAP-CLOSING PLAN

The following table and narrative provides a summary of the multi-year impact of the proposed gap-closing plan, including the tax reduction plan, and adherence to the 2 percent spending benchmark in future years.

FY 2015 EXECUTIVE BUDGET GENERAL FUND GAP-CLOSING PLAN
SAVINGS/(COSTS)
(millions of dollars)

	FY 2015	FY 2016	FY 2017	FY 2018
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE	**(1,742)**	**(2,889)**	**(2,948)**	**(3,887)**
SPENDING CHANGES	**1,930**	**4,246**	**5,347**	**6,724**
Agency Operations	**358**	**708**	**990**	**1,342**
Executive Agencies	208	346	446	570
Independent Officials	104	233	245	240
Fringe Benefits/Fixed Costs	46	129	299	532
Local Assistance	**1,622**	**1,968**	**2,259**	**2,096**
Human Services COLA	105	108	109	110
Mental Hygiene	164	333	331	(37)
Health Care	130	152	199	264
DOH Global Cap	300	448	638	688
Education	457	335	405	525
STAR	172	230	237	296
Social Services/Housing	166	204	231	199
All Other	128	158	109	51
Capital Projects/Debt Management	**116**	**114**	**128**	**174**
Initiatives	**(166)**	**(243)**	**(405)**	**(510)**
School Aid/Education Aid Initiatives	(104)	(153)	(159)	(167)
Roswell Park Center Institute	(25)	(25)	(25)	(25)
Debt Service for New Initiatives	(5)	(24)	(170)	(219)
STEM Scholarship	(8)	(17)	(26)	(34)
Rent Cap initiative for Individuals with HIV/AIDS	(9)	(9)	(9)	(9)
All Other	(15)	(15)	(16)	(56)
Adherence to 2% State Operating Funds Spending Benchmark [1]	**n/a**	**1,699**	**2,375**	**3,622**
RESOURCE CHANGES	**316**	**49**	**(134)**	**(110)**
Tax Receipts	(107)	45	319	319
Miscellaneous Receipts	33	67	(379)	(345)
Extenders/Other	(3)	(15)	(31)	(28)
All Other	83	(48)	(43)	(56)
Surplus Available from FY 2014	310	0	0	0
SURPLUS/(GAP) ESTIMATE BEFORE TAX ACTIONS	**504**	**1,406**	**2,265**	**2,727**
Tax Actions	**(504)**	**(1,252)**	**(2,101)**	**(2,553)**
SURPLUS/(GAP) ESTIMATE AFTER TAX ACTIONS	**0**	**154**	**164**	**174**

[1] Savings estimated from limiting annual spending growth in future years to 2 percent. Assumes a budget that limits State Operating Funds spending growth to 2 percent is enacted annually, and that all savings from spending growth limitation are made available to the General Fund.

SPENDING CHANGES

The Executive Budget proposes to reduce spending in FY 2015 by nearly $2 billion compared to prior projections. The savings are recurring and are expected to grow in value in subsequent years.

AGENCY OPERATIONS

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (i.e., supplies, utilities). These costs have significantly declined over the past several years through ongoing State agency redesign and cost-control efforts. Reductions from the prior projections for agency operations contribute $358 million to the General Fund gap-closing plan. Specifically:

- **Executive Agencies:** The Executive Budget proposes to hold personal service and non-personal service spending flat with limited exceptions, such as costs attributable to NY State of Health marketplace and IT consolidation efforts. Agencies are expected to continue to utilize less costly forms of service deliveries, improve administrative practices and pursue statewide solutions, particularly at State-operated facilities in the areas of mental hygiene and public protection. The size of the Executive State workforce is projected at 119,173 FTEs, a decline of 240 FTEs.

- **Independent Officials:** Spending for Judiciary personal service and non-personal service expenses is projected to grow by 2.8 percent to support mandated court operations, statutory salary increases, and additional Family Court Judges. Spending for the Department of Audit and Control is expected to grow by 1.4 percent to support additional pre-school special education audits. Spending for the Department of Law is expected to increase by 2 percent. Spending in future years is expected to remain at FY 2015 levels for all independent officials.

- **Fringe Benefits/Fixed Costs:** Estimates for the State's health insurance and pension costs have been revised downward to reflect the impact of the 2014 Empire Plan action, and revised pension contribution estimates. In addition, savings are expected from the proposed elimination of Medicare Part B reimbursements for high income retirees and a revised Workers' Compensation assessment method.

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 prior projections for local assistance spending are expected to generate $1.6 billion in General Fund savings. Savings are expected from both targeted actions and continuation of prior-year cost containment actions. Specifically:

- **Human Services Cost of Living Adjustment ("COLA"):** The Executive Budget defers the planned two percent annual human services COLA and maintains existing rates for other programs.

- **Mental Hygiene:** Program spending is reduced to reflect revised forecasts for community-based bed development and expansion; efforts to return individuals from more costly out-of-state placements; and continued efforts to expand community services to reduce institutional costs.

- **Healthcare:** Lower spending reflects a downward trend in reimbursement of claims submitted by local governments under the General Public Health Works ("GPHW") program and utilizing other insurance for prenatal care services; and lower Child Health Plus ("CHP") costs expected pursuant to the transfer of rate-setting responsibilities from the Department of Financial Services ("DFS") to the Department of Health ("DOH") to align with the programmatic oversight, consistent with the oversight of Medicaid Managed Care and Family Health Plus ("FHP"). In addition, projected spending under the Medicaid Global Cap has been adjusted in each year of the Financial Plan to reflect updated estimates of the medical component of the CPI index.

- **DOH Global Cap:** The Executive Budget includes $300 million in annual State-share Medicaid savings beginning in FY 2015 (growing to $688 million in FY 2018) achieved though the shift of certain Office for People with Developmental Disabilities ("OPWDD")-related Medicaid costs to DOH under the Medicaid Global Cap. Projected savings from the continuation of successful Medicaid Redesign Team ("MRT") initiatives, improved cash management, and utilization of Federal resources associated with ACA are expected to fully accommodate this change in funding.

- **Education:** The Executive Budget proposes special education program reforms targeted to improve fiscal practices and service delivery. Estimated spending has also been revised downward based on revised school district data.

- **STAR:** The Executive Budget proposes eliminating the income threshold inflation adjustment for enhanced STAR benefits. In addition, spending has been reduced to reflect a reduction in the estimated number of STAR exemption recipients. As part of the State's review of recipient data to ensure unlawful exemptions are excluded from State payments, existing STAR recipients were also required to re-register for their benefit by the end of calendar year 2013.

- **Social Services/Housing:** Lower spending is expected in several programs, including Child Welfare Services, Adult Protective Services and Domestic Violence, Public Assistance and Supplemental Security Income ("SSI") benefits, based on updated claiming data and revised growth (caseload) assumptions, and savings from the State takeover of administering the SSI supplementation program.

- **All Other:** Spending reductions are expected to be achieved across multiple functions and program areas including: elimination of certain miscellaneous financial assistance to local governments; utilization of capital financing for eligible homeland security capital needs; revisions to disaster assistance aid; and elimination of certain legislative grants.

CAPITAL PROJECTS/DEBT MANAGEMENT

- **Capital/Debt Revisions:** Savings are expected to be achieved through a variety of debt-management actions, including continuing the use of competitive sales, refunding of higher-cost debt, as market conditions permit, and efficiencies from the consolidation of bond sales. In addition, projections reflect the impact of revised capital spending estimates and future bonding assumptions.

- **Metro Mass Transportation Operating Aid ("MMTOA") Debt Service Offset:** The Executive Budget proposes to offset General Fund support for the Metropolitan Transportation Authority ("MTA") debt service costs by utilizing $40 million in dedicated resources from the MMTOA account to the General Debt Service Fund, with $20 million in resources available for the same purpose on an annual basis beginning in FY 2016.

INITIATIVES

- **School Aid/Education Aid Initiatives:** The Executive Budget provides an $807 million increase in education aid for the 2014-15 school year ("SY"), $608 million of which is provided to school districts as formula-based School Aid. The State will provide $300 million in funding for the universal pre-kindergarten program through FY 2016. In addition, the State will provide $160 million to expand after school programs in FY 2016.

- **Roswell Park Cancer Institute ("RPCI"):** The Executive Budget proposes $25 million in additional State support to the RPCI to replace expiring capital grant funding and maintain total annual support at prior-year levels.

- **Debt Service for New Initiatives:** The Financial Plan reflects the costs of new capital initiatives, the most significant of which are the Smart Schools bond act and Health Care Facility Restructuring.

  - **Smart Schools Bond Act:** Reflects the estimated debt service costs associated with the proposed $2.0 billion Smart Schools bond act. If approved by voters, the Smart Schools bond act will fund enhanced education technology in schools, with eligible projects including infrastructure improvements to bring high-speed broadband to schools and communities in their school district and the purchase of classroom technology for use by students. Additionally, Smart Schools will enable long-term investments in full day pre-kindergarten through the construction of new pre-kindergarten classroom space.

  - **Health Care Facility Restructuring:** Reflects the projected debt service impact of $1.2 billion in capital projects initiatives that will improve the financial viability and efficiency of the State's health care delivery system. Funding would be targeted for long-term care, hospitals, primary care, and behavioral/substance abuse services. Priority projects will include those that: align hospital and nursing home bed capacity to regional needs, enable facility integration, merge and consolidate facilities, expand primary care and facilitate transformation to care management models.

- **Science, Technology, Engineering and Math ("STEM") Scholarship:** The Executive Budget includes a new full-tuition STEM scholarship for high school students who graduate in the top 10 percent of their class to any State University of New York ("SUNY") or the City University of New York ("CUNY") college or university if they pursue a STEM career and agree to then work in New York State for five years. The new STEM scholarship is designed to encourage top-ranked students to pursue STEM related college degrees and build their careers in New York State, in one of the fastest growing sectors of the economy.

- **Election Law Enforcement:** The Executive Budget provides $5.3 million for a new, independent Division of Election Law Enforcement to promote increased enforcement of, and compliance with, the State's campaign finance and election laws. In addition, legislation accompanying the Executive Budget establishes a public campaign financing program as well as other reforms.

RESOURCES

- **Tax Receipts:** The estimate for annual tax receipts has been revised to reflect updated economic forecast data, and includes downward adjustments to business tax and cigarette tax collections, partly offset by upward changes to personal income and estate tax collections.

- **Miscellaneous Receipts:** The estimate for miscellaneous receipts has been revised based on a review of collections to date, the projected receipt of various banking and insurance related settlements and recoveries, and other transactions. In addition, resources are expected to be made available through transfers from public authorities and the expected sale of surplus properties.

- **Extenders/Initiatives:** The Executive Budget proposes extending the following credits that impact the General Fund: Alternative Fuels Tax Exemptions; Non-Custodial Earned Income Tax Credit ("EITC"); and Commercial Production Tax Credit. In addition, the Executive Budget proposes the authorization of a Professional and Business License Tax Clearance that would decrease tax avoidance by refusing to issue a professional or business license to an applicant who has outstanding tax liabilities.

TAX ACTIONS

The Executive Budget proposes a set of tax actions valued at $2 billion when fully phased in within three years. These proposals are designed to simplify the tax code and are estimated to result in a net reduction to taxes and assessments of $504 million in FY 2015, and $1.6 billion in FY 2016.

- **Establish the Real Property Tax Freeze PIT Credit:** The Executive Budget proposes to freeze property taxes for two years, subject to two conditions. In year one (FY 2015), the State would provide tax credits only to homeowners, with qualifying incomes of $500,000 or less, who live in a jurisdiction that stays within the 2 percent property tax cap (the ″cap″).

  In year two (FY 2016), the State would provide tax credits only to homeowners who live in a locality that stays within the cap and also agrees to implement a shared services or administrative consolidation plan that would generate savings equal to 3 percent of the property tax levy over the subsequent three years. In FY 2016, the program would benefit 2.8 million homeowners for a total cost of $976 million, yielding an average benefit of $354 per household. New York City homeowners would not be eligible, as the City is not subject to the cap.

- **Establish the Residential Real Property PIT Credit:** The Executive Budget proposes to create a refundable tax credit against the PIT to provide targeted real property tax relief based on an individual homeowner's ability to pay. The credit is available statewide, but in areas outside of New York City, only residents of jurisdictions that adhere to the cap would qualify. When fully phased in, the program, valued at almost $1 billion would benefit approximately 2 million homeowners yielding an average benefit of $500.

- **Establish a Renter's PIT Credit:** The Executive Budget proposes to create a refundable credit. This tax relief would be composed of a base credit that declines with qualifying incomes up to $100,000 for married taxpayers who are filing jointly and have related dependents, taxpayers filing as head of household, and married seniors filing jointly. Single seniors with incomes up to $50,000 would also qualify. Non-senior singles and married taxpayers without related dependents would be ineligible. The base credit would be supplemented with an additional credit per Federal exemption, where the value of the supplement also declines with income. When fully phased in, the program would save approximately 1.3 million households a total of $400 million.

- **Corporate Tax Reform:** The Executive Budget would combine the corporate franchise and bank taxes to provide tax simplification and relief, and improve voluntary compliance. Further, the tax rate on net income would be reduced from 7.1 percent to 6.5 percent, the lowest rate since 1968.

- **Establish a 20 Percent Real Property Tax Credit for Manufacturers:** The Executive Budget would provide a refundable credit equal to 20 percent of property taxes paid by manufacturers who own or lease property.

- **Eliminate the Net Income Tax on Upstate Manufacturers:** The Executive Budget proposes to eliminate the tax rate on income for upstate manufacturers (currently 5.9 percent) in calendar year 2014 and thereafter.

- **Eliminate Section 18-a Temporary Assessment for Industrial Customers, Accelerate Phase Out for All Others:** The temporary assessment is scheduled to be eliminated by March 2017, but the Executive Budget proposes to eliminate the assessment on industrial customers immediately, and to accelerate the phase-out for all other customers. The phase-out would save businesses and residents $600 million over the next three years.

- **Reform the Estate Tax:** The Executive Budget proposes to increase the exclusion threshold of the estate tax from $1 million to $5.25 million over four years, to conform estate tax with the Federal exemption amount beginning in 2019, and to reduce the top rate from 16 to 10 percent over four years. These actions would be coupled with proposals that would require the value of gifts to be added back to the estate.

- **Streamline Corporate Audit Procedures**: The Executive Budget proposed to implement various initiatives which would increase audit efficiency and improve voluntary compliance.

- **Reform the Investment Tax Credit ("ITC"):** New York offers a tax credit to businesses for investments in buildings and tangible personal property including assets acquired by purchase, with a useful life of four years or more and used in production. This proposal would tighten existing eligibility criteria in order to more effectively target the State's investment toward originally intended and more productive uses. For example, a credit would no longer be allowed for assets acquired by purchase when a former owner has claimed the ITC for investments in those assets.

- **Repeal the Financial Services ITC:** This complex credit used by a narrow segment of the financial services industry would be eliminated. In the most recent year for which data are available, only 28 filers availed themselves of this credit.

- **Close the Resident Trust Loophole:** In general, a trust is a legal agreement that represents a place where assets from an estate are held. The trust provides certain tax and legal benefits not available if the assets are not placed in trust. Currently, New York conforms to Federal law, which results in New York PIT immunity for the trust grantor and the trust beneficiary. This proposal would decouple New York from Federal treatment of trusts and impose the PIT on the trust grantor.

ANNUAL SPENDING GROWTH

The Executive Budget proposal holds FY 2015 annual spending growth in State Operating Funds to 1.7 percent, below the 2 percent spending benchmark. All Funds spending, which includes spending from capital funds and Federal funds, is expected to increase by 1.4 percent from the level estimated for 2014, excluding extraordinary Federal aid related to Superstorm Sandy[3] and the implementation of the Affordable Care Act ("ACA").

TOTAL DISBURSEMENTS (millions of dollars)

	FY 2013 Results	FY 2014 Current	Annual % Change	FY 2015 Proposed	Annual Change	Annual % Change
STATE OPERATING FUNDS	**88,844**	**90,498**	**1.9%**	**92,040**	**1,542**	**1.7%**
General Fund (excluding other transfers)	52,166	52,941	1.5%	54,903	1,962	3.7%
Other State Funds	30,496	31,457	3.2%	31,405	(52)	-0.2%
Debt Service Funds	6,182	6,100	-1.3%	5,732	(368)	-6.0%
ALL GOVERNMENTAL FUNDS	**132,520**	**135,350**	**2.1%**	**137,188**	**1,838**	**1.4%**
State Operating Funds	88,844	90,498	1.9%	92,040	1,542	1.7%
Capital Projects Funds	7,539	7,992	6.0%	8,533	541	6.8%
Federal Operating Funds	36,137	36,860	2.0%	36,615	(245)	-0.7%
ALL GOVERNMENTAL FUNDS (INCL. EXTRAORDINARY FEDERAL AID)	**133,097**	**140,865**	**5.8%**	**142,161**	**1,296**	**0.9%**
Federal Disaster Aid for Superstorm Sandy	577	5,110	785.6%	2,406	(2,704)	-52.9%
Federal Affordable Care Act	0	405	--	2,567	2,162	533.8%
GENERAL FUND (INCLUDING TRANSFERS)	**58,960**	**61,460**	**4.2%**	**63,575**	**2,115**	**3.4%**
STATE FUNDS	**94,523**	**96,624**	**2.2%**	**98,894**	**2,270**	**2.3%**

[3] In October 2012, Superstorm Sandy caused widespread flooding, power failures, and wind damage to public and private property in New York City, Long Island, and other downstate areas. Public infrastructure, including mass transit systems, public schools, and municipal buildings, sustained serious damage. The Executive Budget reflects Federal aid which will flow to local governments, public authorities, and not-for-profits over the next three years to continue the State's recovery from Superstorm Sandy.

The following table illustrates the major sources of annual change in State spending by major program, purpose and fund type.

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

	FY 2014 Current	FY 2015 Base	Annual Change $	Annual Change %	FY 2015 Proposed	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**59,495**	**62,219**	**2,724**	**4.6%**	**60,811**	**1,316**	**2.2%**
School Aid (State Fiscal Year Basis)	20,420	21,692	1,272	6.2%	21,469	1,049	5.1%
DOH Medicaid (Incl Operational Costs) [1]	16,421	16,978	557	3.4%	16,962	541	3.3%
Transportation	4,737	4,831	94	2.0%	4,833	96	2.0%
Mental Hygiene	2,833	3,450	617	21.8%	2,910	77	2.7%
STAR	3,389	3,602	213	6.3%	3,429	40	1.2%
Social Services	2,964	3,050	86	2.9%	2,882	(82)	-2.8%
Higher Education	2,813	2,911	98	3.5%	2,874	61	2.2%
Public Health/Aging	1,788	1,997	209	11.7%	1,829	41	2.3%
F-SHRP	384	0	(384)	-100.0%	0	(384)	-100.0%
Special/Other Education	2,032	2,091	59	2.9%	2,052	20	1.0%
Local Government Assistance	764	769	5	0.7%	764	0	0.0%
Disaster Assistance Reimbursement	25	(55)	(80)	-320.0%	(55)	(80)	-320.0%
All Other [2]	925	903	(22)	-2.4%	862	(63)	-6.8%
STATE OPERATIONS/FRINGE BENEFITS	**24,931**	**25,808**	**877**	**3.5%**	**25,535**	**604**	**2.4%**
State Operations	**17,955**	**18,275**	**320**	**1.8%**	**18,168**	**213**	**1.2%**
Personal Service:	12,376	12,642	266	2.1%	12,585	209	1.7%
Executive Agencies	7,029	7,126	97	1.4%	7,109	80	1.1%
Disaster Assistance	(25)	0	25	-100.0%	0	25	-100.0%
University Systems	3,526	3,562	36	1.0%	3,603	77	2.2%
Elected Officials	1,846	1,954	108	5.9%	1,873	27	1.5%
Non-Personal Service:	5,579	5,633	54	1.0%	5,583	4	0.1%
Executive Agencies	2,843	2,838	(5)	-0.2%	2,812	(31)	-1.1%
Disaster Assistance Reimbursement	(18)	0	18	-100.0%	(25)	(7)	38.9%
University System	2,203	2,215	12	0.5%	2,215	12	0.5%
Elected Officials	551	580	29	5.3%	581	30	5.4%
Fringe Benefits/Fixed Costs	**6,976**	**7,533**	**557**	**8.0%**	**7,367**	**391**	**5.6%**
Pension Contribution	1,960	2,256	296	15.1%	2,244	284	14.5%
Health Insurance	3,247	3,476	229	7.1%	3,355	108	3.3%
Other Fringe Benefits/Fixed Costs	1,769	1,801	32	1.8%	1,768	(1)	-0.1%
DEBT SERVICE	**6,061**	**5,805**	(256)	**-4.2%**	**5,689**	**(372)**	**-6.1%**
CAPITAL PROJECTS	**11**	**5**	(6)	**-54.5%**	**5**	**(6)**	**-54.5%**
TOTAL STATE OPERATING FUNDS	**90,498**	**93,837**	**3,339**	**3.7%**	**92,040**	**1,542**	**1.7%**
Capital Projects (State Funds)	**6,126**	**6,480**	**354**	**5.8%**	**6,854**	**728**	**11.9%**
TOTAL STATE FUNDS	**96,624**	**100,317**	**3,693**	**3.8%**	**98,894**	**2,270**	**2.3%**
Federal Aid (Including Capital Grants) [3]	**38,726**	**38,614**	**(112)**	**-0.3%**	**38,294**	**(432)**	**-1.1%**
TOTAL ALL GOVERNMENTAL FUNDS [4]	**135,350**	**138,931**	**3,581**	**2.6%**	**137,188**	**1,838**	**1.4%**

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

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

[3, 4] All Funds and Federal Operating Funds receipts and disbursements exclude Federal disaster aid for Superstorm Sandy (estimated at $5.1 billion in FY 2014 and $2.4 billion in FY 2015), and additional Federal aid under the ACA (estimated at approximately $400 million in FY 2014 and $2.6 billion in FY 2015). Including disbursements for these purposes, All Funds disbursements are expected to total $142.2 billion in FY 2015, an increase of 0.9 percent.

APRIL - DECEMBER 2013 OPERATING RESULTS

This section provides a summary of operating results through the first three quarters of the fiscal year (April 2013 through December 2013) compared to (1) the initial projections set forth in AIS and the FY 2014 Enacted Budget Financial Plan; (2) the revised projections of the Mid-Year Update to the Financial Plan as reflected in the Prior Quarterly Update; and (3) the results for the same time period of the prior fiscal year (April through December 2012).

GENERAL FUND RESULTS

The State ended the month of December 2013 with a closing balance of $5.9 billion in the General Fund, $2.0 billion higher than projected in the Enacted Budget Financial Plan reflected with the AIS (and $140 million higher than the revised projections of the Prior Quarterly Update). The higher balance is mainly due to lower than planned spending ($1.4 billion), due in large part, to the timing of education-related payments.

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

	Enacted Plan	Mid-Year Plan	Results	Variance Above/(Below) Enacted	Variance Above/(Below) Revised
Opening Balance	**1,610**	**1,610**	**1,610**	**0**	**0**
Total Receipts	**44,717**	**45,590**	**45,386**	**669**	**(204)**
Taxes:	42,551	42,908	42,492	(59)	(416)
Personal Income Tax[1]	27,912	28,155	27,931	19	(224)
User Taxes and Fees[1]	9,167	9,334	9,356	189	22
Business Taxes	4,232	4,054	3,697	(535)	(357)
Other Taxes[1]	1,240	1,365	1,508	268	143
Receipts and Grants	1,963	2,158	2,316	353	158
Transfers From Other Funds	203	524	578	375	54
Total Spending	**42,482**	**41,453**	**41,109**	**(1,373)**	**(344)**
Education	11,567	11,184	10,726	(841)	(458)
Health Care	9,415	9,271	9,387	(28)	116
Social Services	2,075	2,003	1,988	(87)	(15)
Higher Education	1,917	1,949	1,833	(84)	(116)
All Other Local Assistance	2,055	2,041	2,106	51	65
Personal Service	4,298	4,367	4,367	69	-
Non-Personal Service	1,337	1,245	1,191	(146)	(54)
General State Charges	3,547	3,590	3,669	122	79
Debt Service Transfer	1,087	1,053	1,050	(37)	(3)
Capital Projects Transfer	713	396	418	(295)	22
State Share Medicaid Transfer	1,327	1,360	1,371	44	11
SUNY Operations Transfer	972	971	971	(1)	-
All Other Transfers	2,172	2,023	2,032	(140)	9
Change in Operations	**2,235**	**4,137**	**4,277**	**2,042**	**140**
Closing Balance	**3,845**	**5,747**	**5,887**	**2,042**	**140**

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

Through December 2013, General Fund receipts, including transfers from other funds, were $669 million higher than the FY 2014 AIS projections, mainly reflecting higher non-tax revenue, with $353 million in higher miscellaneous receipts and $375 million in higher transfers from other funds.

Tax receipts were $59 million lower than Enacted Budget Financial Plan projections reflected in the AIS, largely due to lower gross collections from the insurance and bank taxes ($535 million) caused by the weakness in 2013 liability payments. This was offset in part by higher user receipts ($189 million), due to increases in taxable purchases caused partially by Superstorm Sandy recovery spending, and higher other taxes ($268 million), based on strong real estate prices and estate tax receipts.

Higher than anticipated miscellaneous receipts include unanticipated settlement payments from the Bank of Tokyo-Mitsubishi UFJ ("BTMU") ($250 million) and the Royal Bank of Scotland ($50 million) for their violation of banking laws concerning interactions with countries subject to international sanctions; and from Deloitte Financial Advisory Services ($10 million) for its violation of banking laws during its consulting work at Standard Chartered Bank. These additional receipts were partly offset by lower abandoned property collections ($96 million).

Transfers were higher than initially estimated due to the additional revenue generated by the settlements between New York State and the Saint Regis Mohawk Tribe and the Seneca Nation of Indians ($230 million); and earlier than planned utilization of Federal revenues ($115 million).

In the Prior Quarterly Update, the projection for General Fund receipts through December 2013 was revised upward by $873 million to account for the strong performance across most tax receipt categories during the first half of the fiscal year; the receipt of the unanticipated bank settlement payments; the Tribal-State compact revenue agreements; and the accelerated utilization of Federal funding. In addition, business tax receipts were lowered to reflect the loss of revenue associated with Empire Zone tax refunds, the Long Island Power Authority ("LIPA") restructuring, and the weakness in 2013 liability payments.

In comparison to the Prior Quarterly Update projections, General Fund revenue collections through December 2013 were $204 million lower than planned, driven mainly by lower overall tax collections, including lower PIT receipts ($224 million) from higher than expected refunds and lower business taxes ($357 million) due to weakness in insurance and bank tax collections. These lower revenue collections were partly offset by higher receipts in other taxes ($143 million) as a result of the continued strength associated with real estate tax activity and higher than expected estate tax receipts.

Through December 2013, General Fund disbursements, including transfers to other funds, were $1.4 billion lower than AIS projections due most significantly to lower spending in local assistance programs ($989 million).

The variance in local assistance spending is primarily attributable to lower spending in education ($841 million). This is primarily due to less than expected School Aid disbursements through December 2013 (which do not impact annual disbursement estimates), and pre-school special education payments that were processed in January 2014 instead of December 2013. The lower spending in higher education ($84 million) reflects SUNY community college payments disbursed later than expected in the fiscal year.

Non-personal service costs ($146 million) were lower across a number of agencies, including DOH ($54 million); OTDA ($41 million); Judiciary ($26 million); and the Department of Taxation and Finance ("DTF") ($18 million); partly due to the ongoing consolidation of certain technology functions to the State's ITS agency. The DOH variance also reflects lower spending for administrative Medicaid costs due to lower contractual services and other costs associated with the State takeover of local administrative duties. Higher spending for GSCs reflects lower than assumed escrow payments ($34 million); earlier than planned payments for worker's compensation ($37 million); and higher than assumed litigant payments ($35 million).

General Fund transfers were $429 million below initial projections due to lower transfers for the support of capital projects ($295 million) and lower non-Medicaid support for operational costs at mental hygiene facilities ($115 million). The lower capital projects transfer reflects underspending in areas such as the HEAL NY and the environmental conservation capital programs. The variance in mental hygiene transfers is a function of timing associated with the submission of claims for payment.

In the Prior Quarterly Update, the projection for General Fund spending through December 2013 was reduced by $1.0 billion, largely driven by adjustments in education ($383 million) and transfers to other funds ($468 million). The education spending adjustment primarily reflects the timing of the payments to school districts. General Fund transfers were lowered through December 2013 mainly to reflect reduced support for capital projects costs ($317 million) that resulted from slower spending in the areas of health care and economic development; and lower non-Medicaid support for mental hygiene costs ($115 million) based on updated cashflow needs. Health care costs were also adjusted downward ($144 million) to reflect both the timing of available HCRA resources to support Medicaid costs and lower public health spending for the GPHW program due to fewer than anticipated claim submissions.

In comparison to these revised projections, General Fund spending through December 2013 was $344 million lower than planned, largely due to lower school aid payments ($193 million) and pre-school claims that were processed in January 2014 rather than December 2013, and SUNY community college ($116 million) payments. Partly offsetting the overall under-spending was higher than planned spending for health care ($116 million) due to the timing of Medicaid and public health payments; and higher spending for GSCs ($79 million) as a result of a higher than expected health insurance and worker's compensation payments.

STATE OPERATING FUNDS RESULTS

The State ended December 2013 with a closing balance of $8.1 billion in State Operating Funds, $2.2 billion above the Enacted Budget Financial Plan estimate ($49 million below the revised estimate included with the Prior Quarterly Update). The higher balance is mainly due to lower than planned local assistance spending ($1.3 billion), due, in large part, to the timing of education-related payments.

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

	Enacted Plan	Mid-Year Plan	Results	Variance Above/(Below) Enacted	Variance Above/(Below) Revised
Opening Balance	**4,359**	**4,359**	**4,359**	**0**	**0**
Total Receipts	**62,533**	**63,434**	**63,020**	**487**	**(414)**
Taxes:	48,186	48,505	47,992	(194)	(513)
Personal Income Tax	29,813	30,063	29,837	24	(226)
User Taxes and Fees	10,879	11,053	11,071	192	18
Business Taxes	5,337	5,132	4,682	(655)	(450)
Other Taxes	2,157	2,257	2,402	245	145
Miscellaneous/Federal Receipts	14,347	14,929	15,028	681	99
Total Spending	**62,850**	**62,217**	**61,541**	**(1,309)**	**(676)**
Education	14,333	13,950	13,490	(843)	(460)
Health Care	14,066	13,706	13,749	(317)	43
Social Services	2,078	2,006	1,990	(88)	(16)
Transportation	4,091	4,075	4,027	(64)	(48)
Higher Education	1,917	1,949	1,833	(84)	(116)
All Other Local Assistance	4,261	4,409	4,355	94	(54)
Personal Service	9,531	9,572	9,555	24	(17)
Non-Personal Service	4,070	4,039	3,966	(104)	(73)
General State Charges	4,998	5,080	5,124	126	44
Debt Service	3,503	3,453	3,451	(52)	(2)
Capital Projects	2	(22)	1	(1)	23
Other Financing Sources	**1,920**	**2,609**	**2,298**	**378**	**(311)**
Change in Operations	**1,603**	**3,826**	**3,777**	**2,174**	**(49)**
Closing Balance	**5,962**	**8,185**	**8,136**	**2,174**	**(49)**

Through December 2013, total receipts in State Operating Funds were $487 million higher than projected in the AIS, reflecting the net impact of higher non-tax revenue ($681 million) and lower tax collections ($194 million).

Consistent with the General Fund results, the State Operating Funds tax receipts variance reflects higher user and estate tax receipts, offset by lower business tax receipts. In addition, there were $120 million in lower business tax revenues dedicated for transit aid due to the general weakness in statewide banking and insurance tax collections.

Higher non-tax receipts are based on the aforementioned banking institution financial settlement payments and the revenue associated with the settlement of Tribal-State compact agreements. Partly offsetting the overall higher miscellaneous receipts collections was lower HCRA revenue attributable to the impact of MRT initiatives on reducing costs throughout the State's health care industry; and lower SUNY miscellaneous receipts.

In the Prior Quarterly Update, DOB revised the projection for State Operating Funds receipts through December 2013 upward by $901 million to reflect higher miscellaneous receipts ($582 million) and taxes ($319 million). The revisions to miscellaneous receipts include the receipt of the financial settlement payments ($260 million), the Tribal-State compact revenues ($490 million), and SUNY debt service reimbursements ($147 million); partly offset by reductions in the SUNY Dormitory Income Reimbursement Fund ($235 million); HCRA revenue ($89 million); and receipts dedicated for the transit operating funds ($42 million). Updated tax projections are mainly consistent with the General Fund adjustments, but also include lowered projections for taxes dedicated to the transit operating funds ($43 million) to account for the overall weakness in statewide business tax collections.

Compared to these revised estimates, total State Operating Funds receipts were $414 million lower than planned due to lower taxes ($513 million) and higher miscellaneous receipts ($99 million). The tax variance is consistent with the variances noted in the General Fund. The lower miscellaneous receipts reflects lower SUNY receipts.

State Operating Funds spending was $1.3 billion below planned levels due to lower spending in local assistance ($1.3 billion), mainly in the areas of education and health care.

In addition to the $900 million in education and higher education variance noted in the General Fund operating results, the State Operating Fund spending variance also reflects lower spending in the F-SHRP program ($104 million) due to slower than anticipated project costs; lower spending in various HCRA-supported programs, including Medicaid ($91 million) and EPIC ($43 million), due to lack of available resources; and lower spending in transit operating costs ($64 million) as a result of fewer available resources in certain dedicated revenues, including business taxes.

In the Prior Quarterly Update, the projection for State Operating Funds spending through December 2013 was revised downward by $633 million, consistent with the adjustments described for the General Fund. Compared to the revised projections, spending was $676 million lower than planned. In addition to the General Fund explanations described above, this variance reflects lower health care costs ($73 million) due to continued under-spending for the F-SHRP program and reduced Medicaid support from the provider assessment account in the month of December due to the timing concerning available resources. This variance also reflects lower transportation costs ($48 million) due largely to the reversal of a previous accounting adjustment which shifted spending between Financial Plan categories; and lower spending across multiple local assistance program areas ($118 million), including the STAR program.

As compared to initial projections in the AIS, other financing sources were $378 million higher, largely as a result of the lower General Fund transfer to support capital projects ($295 million) and the accelerated utilization of Federal funding ($115 million). Compared to revised projections, other financing sources were $311 million lower, mainly as a result of timing associated with the Federal reimbursement of mental hygiene costs ($241 million).

ALL GOVERNMENTAL FUNDS RESULTS

The State ended December 2013 with an All Governmental Funds closing balance of $7.1 billion, $2.4 billion above the 2014 Enacted Budget Financial Plan estimate ($320 million higher than the revised estimate included with the Prior Quarterly Update). The higher balance is comprised of lower than projected spending ($3.6 billion), partly offset by lower available resources ($1.2 billion).

All GOVERNMENTAL FUNDS RESULTS THROUGH DECEMBER 2013
(millions of dollars)

	Enacted	Mid-Year		Variance Above/(Below)	
	Plan	Plan	Results	Enacted	Revised
Opening Balance	**3,876**	**3,876**	**3,876**	**0**	**0**
Total Receipts	**100,783**	**100,151**	**99,545**	**(1,238)**	**(606)**
Taxes:	49,249	49,561	49,026	(223)	(535)
Personal Income Tax	29,813	30,063	29,837	24	(226)
User Taxes and Fees	11,347	11,511	11,523	176	12
Business Taxes	5,848	5,645	5,180	(668)	(465)
Other Taxes	2,241	2,342	2,486	245	144
Miscellaneous Receipts	17,274	17,999	18,041	767	42
Federal Grants	34,260	32,591	32,478	(1,782)	(113)
Total Spending	**99,843**	**97,170**	**96,233**	**(3,610)**	**(937)**
State Operating Funds:	62,850	62,217	61,541	(1,309)	(676)
Education	14,333	13,950	13,490	(843)	(460)
Health Care	14,066	13,706	13,749	(317)	43
Social Services	2,078	2,006	1,990	(88)	(16)
Transportation	4,091	4,075	4,027	(64)	(48)
Higher Education	1,917	1,949	1,833	(84)	(116)
All Other Local Assistance	4,261	4,409	4,355	94	(54)
Personal Service	9,531	9,572	9,555	24	(17)
Non-Personal Service	4,070	4,039	3,966	(104)	(73)
General State Charges	4,998	5,080	5,124	126	44
Debt Service	3,503	3,453	3,451	(52)	(2)
Capital Projects	2	(22)	1	(1)	23
Capital Projects Funds	5,877	5,750	5,711	(166)	(39)
Federal Operating Funds	31,116	29,203	28,981	(2,135)	(222)
Other Financing Sources	**(19)**	**(30)**	**(41)**	**(22)**	**(11)**
Change in Operations	**921**	**2,951**	**3,271**	**2,350**	**320**
Closing Balance	**4,797**	**6,827**	**7,147**	**2,350**	**320**

Through December 2013, total receipts in All Funds were $1.2 billion lower than initial projections, reflecting the combined impact of lower Federal aid ($1.8 billion); lower tax collections ($223 million); and higher miscellaneous receipts ($767 million).

In addition to the tax collection and miscellaneous receipts variances noted earlier, other significant variances include higher than planned miscellaneous receipts for capital projects ($104 million) due to the timing of bond reimbursements associated with certain economic development and environmental programs; and lower than anticipated Federal grants ($1.8 billion), which is roughly commensurate to the spending variances described below.

In addition to the General Fund and State Operating Funds spending variances described earlier, the most notable variances are attributable to lower Federal spending ($2.1 billion) due to a combination of lower spending in areas such as disaster assistance ($2.2 billion), reflecting the uncertain nature of timing associated with storm recovery costs; and health care ($696 million) due to timing associated with the impact of ACA relative to initial assumptions. Partly offsetting the overall lower Federal spending was higher costs for Temporary Assistance for Needy Families ("TANF") ($507 million), reflecting the receipt of additional Federal funding above the base grant award; and higher Federal education costs ($255 million), due to the acceleration of Title I and Federal Race to the Top funds designed to implement education reforms.

Lower capital spending ($166 million) was driven mainly by slower than anticipated spending across a number of programs, most notably for projects in the health care and economic development sectors.

ALL GOVERNMENTAL FUNDS ANNUAL CHANGE

The All Governmental Funds balance through December 2013 was $7.1 billion, or $655 million higher than the prior year. The growth in the fund balance in the current year is attributable to a higher opening balance ($516 million), greater available resources from All Governmental Funds receipts ($5.2 billion), partly offset by higher year-to-date spending ($5.0 billion).

All GOVERNMENTAL FUNDS RESULTS YEAR-OVER-YEAR APRIL THROUGH DECEMBER (millions of dollars)				
	FY 2013 Results	**FY 2014 Results**	**Increase/(Decrease) $**	**%**
Opening Balance	**3,360**	**3,876**	**516**	
Total Receipts	**94,389**	**99,545**	**5,156**	**5.5%**
Taxes:	46,438	49,026	2,588	5.6%
Personal Income Tax	27,792	29,837	2,045	7.4%
User Taxes and Fees	11,027	11,523	496	4.5%
Business Taxes	5,424	5,180	(244)	-4.5%
Other Taxes	2,195	2,486	291	13.3%
Miscellaneous Receipts	17,091	18,041	950	5.6%
Federal Grants	30,860	32,478	1,618	5.2%
Total Spending	**91,200**	**96,233**	**5,033**	**5.5%**
State Operating Funds:	59,458	61,541	2,083	3.5%
Education	13,769	13,490	(279)	-2.0%
Health Care	12,720	13,749	1,029	8.1%
Social Services	2,176	1,990	(186)	-8.5%
Transportation	3,708	4,027	319	8.6%
Higher Education	1,669	1,833	164	9.8%
All Other Local Assistance	4,785	4,355	(430)	-9.0%
Personal Service	9,331	9,555	224	2.4%
Non-Personal Service	3,604	3,966	362	10.0%
General State Charges	3,992	5,124	1,132	28.4%
Debt Service	3,698	3,451	(247)	-6.7%
Capital Projects	6	1	(5)	-83.3%
Capital Projects Funds	5,171	5,711	540	10.4%
Federal Operating Funds	26,571	28,981	2,410	9.1%
Other Financing Sources	**(57)**	**(41)**	**16**	
Change in Operations	**3,131**	**3,271**	**140**	
Closing Balance	**6,492**	**7,147**	**655**	

All Governmental Funds tax receipts through December 2013 are $2.6 billion higher than receipts collected during the same time period of the prior year, with 79 percent of the growth attributable to higher PIT collections ($2.0 billion). This was due in part to strong extension payment growth in the April 2013 settlement, the result of taxpayer accelerations of income into the 2012 tax year to avoid increased 2013 Federal tax rates. The surging 2013 stock market also led to strong estimated payment growth in December 2013. Other growth in tax receipts includes higher user tax collections ($496 million) associated with recurring and non-recurring taxable purchases such as auto sales, entertainment activities, and expenses for post-Sandy repair work; and higher other taxes ($291 million), which is attributable to growth in real estate transfer tax liability (particularly in New York City) and growth in estate tax receipts, both in terms of volume and average amount. Decreased business tax receipts ($244 million) were driven by lower gross collections for insurance and bank taxes due to reduced 2013 liability payments. Growth in miscellaneous receipts are mainly attributable to the additional Tribal-State revenues pursuant to the recently settled compact agreements ($435 million); increased SUNY receipts ($332 million); and Lottery revenue ($97 million) due to higher draw games sales and increased VLT activity throughout the State. These receipts are offset by the loss of Medicaid payments from Monroe County ($120 million) which entered the State's Medicaid local cap program in February 2013. The remaining growth in receipts is in Federal grants ($1.6 billion) and is generally a result of increased Federal program spending, as described in greater detail below.

Nearly half of the $5.0 billion annual increase in All Funds spending through December 2013 is attributable to higher Federal spending ($2.4 billion), mainly in the areas of health care ($814 million) due to the delayed approval of Federal rate packages in 2013; disaster assistance ($641 million) associated with Sandy-related storm recovery activities; public assistance programs ($481 million) as a result of additional spending beyond the base TANF grant award; and education ($323 million) where payments assumed for FY 2013 were not paid until the early part of FY 2014.

State Operating Funds spending has increased by $2.1 billion through December 2013 compared to the same time period of the prior year, comprised of a $617 million increase in local assistance; a $1.7 billion increase in operational costs; and a $247 million decrease in debt service.

Growth in local assistance spending includes higher Medicaid spending ($907 million) due to artificially suppressed spending during the first half of the prior year as a result of delayed Federal approval of certain rate increases; increased transit aid spending ($319 million) based on the timing of available resources; and increased higher education spending ($164 million) as a result of budgeted growth and the timing of certain payments.

Agency operations spending growth includes higher personal service costs ($224 million) due to increased compensation and overtime payments; and higher non-personal service costs ($362 million) due to increased spending by SUNY as a result of the expansion of services being provided at campuses and teaching hospitals. The GSC increase from the prior year ($1.1 billion) reflects the monthly payment of the State's pension costs instead of one payment in the final month of the fiscal year — a change in practice which generates additional interest savings.

The debt service annual change reflects increased debt service costs, offset by declines for FY 2013 pre-payments and FY 2014 SUNY dormitory debt service costs migrating to a new non-State credit structure.

Capital projects spending has increased by $540 million from the prior year, which is a result of budgeted growth, particularly for DOT-related costs in the DHBTF, and the timing of certain transactions relative to the prior year.

RISKS AND UNCERTAINTIES RELATED TO THE STATE FINANCIAL PLAN

GENERAL

The Updated Financial Plan is subject to many complex economic, social, financial, political, and environmental risks and uncertainties, many of which are outside the ability of the State to control. DOB believes that the projections of receipts and disbursements in the Updated Financial Plan are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from these projections. In certain fiscal years, actual receipts collections have fallen substantially below the levels forecast in the Updated Financial Plan. In addition, the Updated Financial Plan projections are based on the assumption that annual growth in State Operating Funds in future years is limited to 2 percent, and that all savings that result from the 2 percent limit are made available to the General Fund.

The Updated Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of the following: national and international events, such as Federal budget and debt ceiling negotiations; ongoing financial instability in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; major terrorist event, hostilities or war; climate change and extreme weather events; 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 which may adversely affect bonus income and capital gains realizations; possible changes in Federal tax law relating to the taxation of interest on municipal bonds; and the levels of household debt, which may adversely affect consumer spending and State tax collections.

The Updated Financial Plan is subject to various other uncertainties and contingencies relating to the extent, if any, to which wage increases for State employees exceed 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 extent to which litigation-related judgments against the State results in new or higher than projected costs; the willingness and ability of the Federal government to provide the aid contemplated by the Updated Financial Plan; the ability of the State to implement cost reduction initiatives, including 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 Updated Financial Plan are subject to revisions which may involve substantial 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 that are not within the State's control, will be realized.

BUDGET PROCESS

By March 1, 2014, the Executive and the majority parties in each house of the Legislature must issue a joint report containing a consensus forecast of the economy and estimates for receipts in the current fiscal year and for FY 2015. If there is a failure to issue a joint report containing a consensus forecast, the State Comptroller must establish the receipts forecast by March 5, 2014. The State's new fiscal year begins on April 1, 2014.

BUDGET RISKS AND UNCERTAINTIES

DOB expects that the General Fund will remain in balance in the current fiscal year, and that the Executive Budget Financial Plan for FY 2015 would, if enacted without modification by the Legislature, provide for balanced operations in FY 2015. There can be no assurance, however, that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to, additional reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In some cases, the ability of the State to implement such actions requires the approval of the Legislature and cannot be implemented solely by the action of the Governor.

The Updated Financial Plan projections generally assume that School Aid and Medicaid disbursements will be limited to the growth in State personal income and the ten-year average growth in the Medicaid component of the Consumer Price Index ("CPI"), respectively. However, the FY 2014 Enacted Budget authorized spending for School Aid to increase in excess of the growth in personal income for SY 2014. A proposal is included in the FY 2015 Executive Budget that would allow School Aid to grow at approximately 4 percent in SY 2015, in parity with Medicaid, but above the 3.1 percent growth in personal income that would otherwise be used to calculate School Aid increases. Higher spending for education may occur if voters approve the Smart Schools bond act in November 2014.

State law grants the Governor certain powers to achieve the Medicaid savings assumed in the Updated Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated in the Updated Financial Plan. In addition, savings are dependent upon timely Federal approvals, 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 Updated Financial Plan, including payments pursuant to the Tribal-State Compact that have failed to materialize in prior years, but which were received in the current year as part of an agreement between the State and certain tribal nations; 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 Updated 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, as well as Federal funding to address response and recovery to severe weather events. Any reduction in Federal funding levels could have a materially adverse impact on the Updated Financial Plan. In addition, the Updated Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. Issues of particular concern are described below.

MEDICAID REDESIGN TEAM MEDICAID WAIVER

Pursuant to discussions with the Federal Government, the Centers for Medicare and Medicaid Services ("CMS") and the State have reached an agreement in principle authorizing up to $8 billion in Federal funding, over multiple years, for use in transforming New York's health care system. The final terms of this agreement are still being negotiated and upon final CMS approval will be reflected as an amendment to the State's Partnership Plan 1115 Medicaid waiver.

FEDERAL REIMBURSEMENT FOR STATE MENTAL HYGIENE SERVICES

Pursuant to discussions with the Federal government, the State has lowered Medicaid developmental disability center payment rates effective April 1, 2013. Full implementation of this change will reduce Federal funding to the State by approximately $1.1 billion annually, beginning in FY 2014. The 2014 Enacted Budget included 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. In addition, as described below, the CMS may seek to retroactively recover Federal funds paid to the State regarding this matter.

AUDIT DISALLOWANCE

In addition to the rate reduction described above, on February 8, 2013, the U.S. Department of Health & Human Services Office of the Inspector General, at the direction of the 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 from April 1, 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 attempted to address CMS concerns regarding its prospective payments to ICF/DDs with a State plan change effective April 1, 2013, and continues to have discussions with CMS to resolve the concerns related to the April 1, 2010 through March 31, 2011 period. As noted above, the changes begun in FY 2014 are expected to result in a reduction in Federal aid of an estimated $1.1 billion annually beginning in FY 2014. 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 Executive 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. In December 2013, the spending caps for FFY 2014 and 2015 were revised upward by the Bipartisan Budget Act ("BBA") of 2013. While the BBA provided minor discretionary cap relief over two years, BCA caps in the remaining years were not addressed. Although specific funding levels will be determined through the annual congressional budget process if the lowered spending caps remain in place. DOB estimates that New York State and local governments could lose approximately $5 billion in Federal funding over nine years, including reductions in Federal funding that passes through the State budget for school districts, as well as environmental, criminal justice and social services programs.

DEBT CEILING

In October 2013, an impasse in Congress caused a temporary Federal government shutdown and raised concern for a time that the Federal debt ceiling would not be raised in a timely manner. A Federal government default on payments, particularly if it persisted for a prolonged period, could have a materially adverse effect on the national and state economies, financial markets, and intergovernmental aid payments.

The specific effects on the Executive Budget Financial Plan of a Federal government payment default in the future are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default.

A payment default by the United States may adversely affect the municipal bond market. Municipal issuers, as well as the State, could face higher borrowing costs and impaired market access. This would jeopardize planned capital investments in roads and bridges, higher education facilities, hazardous waste remediation, environmental projects, and economic development projects. Additionally, the market for and market value of outstanding municipal obligations, including municipal obligations of the State, could be adversely affected.

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 the monetization of a health service corporation, from a not-for-profit to a for-profit corporation, and such proceeds must be used by the State for health-care related expenses. In recent years, the Financial Plan has counted on proceeds from conversions ($175 million in FY 2014, and $300 million annually in FY 2015, FY 2016, and FY 2017 in the FY 2014 Enacted Budget), which have not been realized. For planning purposes, the Executive Budget Financial Plan no longer counts on conversion proceeds.

STATUS OF CURRENT LABOR NEGOTIATIONS (CURRENT CONTRACT PERIOD)

The State has settled collective bargaining agreements for the contract period commencing in FY 2012 with 90 percent of the State workforce, and nearly the entire workforce subject to direct Executive control. Five-year agreements were reached with the Civil Service Employees Association ("CSEA"), the United University Professions ("UUP"), the New York State Correctional Officers and Police Benevolent Association ("NYSCOPBA"), and Council 82. Four-year agreements were reached with the Public Employees Federation ("PEF") and the New York State Police Benevolent Association ("NYSPBA").

The settled agreements yielded wage and benefit concessions in exchange for contingent employee job protection through the respective contract periods. Nevertheless, reductions in force may be authorized if the State's fiscal circumstances change materially or unexpectedly, or if such reductions are associated with the closure or restructuring of facilities authorized by legislation or by a Spending and Government Efficiency Commission ("SAGE") Commission determination.

The agreements have provided: two-year Deficit Reduction Plan ("DRP") savings of $300 million; no general salary increases for the three-year period FY 2012 through FY 2014; a 2 percent general salary increase in FY 2015; and a 2 percent general salary increase in FY 2016 for the employees with five-year agreements. Additionally, the agreements provided full-annual health benefit savings of $230 million resulting from increases to employee/retiree premium shares, co-pays, out-of-network deductibles and coinsurance.

Two lump sum payments — $775 in FY 2014 and $225 in FY 2015 — were or will be paid to employees represented by CSEA, NYSPBA, NYSCOPBA and Council 82. PEF did not negotiate these lump sum payments, but covered employees will receive repayment for all DRP reductions over an extended time at the end of the contract term. The employees represented by unions which negotiated the lump sum payments will be repaid a portion of their DRP reductions over an extended term at the end of their respective contract terms. UUP employees may receive lump sum payments of similar value in the form of Chancellor's Power of SUNY Awards and Presidential Discretionary Awards.

The unions representing Graduate Students, State Police Troopers, Investigators and Commissioned/Non-Commissioned Officers, as well as employees represented by District Council-37 (Housing) in the Division of Homes and Community Renewal ("DHCR"), continue to have unsettled contracts for the current contract period. The Updated Financial Plan does not include a General Fund reserve for this purpose.

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

The Updated Financial Plan continues to include a General Fund reserve to cover the costs of a pattern settlement for unsettled contracts prior to FY 2011. There is no assurance this reserve will fully fund these unsettled contracts. In addition, the State's ability to fund all future agreements in FY 2015 and beyond depends on the achievement of balanced budgets in those years.

CURRENT CASH-FLOW PROJECTIONS

The State authorizes the General Fund to borrow resources temporarily from available funds in the Short-Term Investment Pool ("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 the remainder of FY 2014 and FY 2015, but that the General Fund may, from time to time on a daily basis, need to borrow resources temporarily from other funds in STIP. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds and Sales Tax bonds, continues to be set aside as required by law and bond covenants. The following table provides an estimate of month-end balances for FY 2015.

PROJECTED ALL FUNDS MONTH-END CASH BALANCES
FY 2015
(millions of dollars)

	General Fund	Other Funds	All Funds
April	5,605	3,265	8,870
May	3,070	3,662	6,732
June	3,022	3,613	6,635
July	3,175	4,266	7,441
August	2,756	4,359	7,115
September	6,162	2,097	8,259
October	4,639	3,061	7,700
November	3,288	3,389	6,677
December	5,404	1,829	7,233
January	7,534	3,143	10,677
February	7,547	3,815	11,362
March	1,743	2,309	4,052

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 2010 legislation enacted a formula to set an amortization threshold for each year. The amortization threshold (the "graded rate") may increase or decrease in the direction of the actuarial contribution rate (the "normal rate") by up to one percentage point annually. Pension contribution costs in excess of the graded rate may be amortized. Amortization is permitted in all years if the normal rate is greater than the graded rate. However, when the graded rate equals or exceeds the normal rate, amortization is not allowed.

In FY 2015, the graded contribution rates for the ERS and the PFRS will be 13.5 percent and 21.5 percent, respectively. The Executive Budget Financial Plan assumes the State will continue to amortize its pension costs in FY 2015 at these rates.

Over the past four years, the normal rates and the amortization rates were as follows:

Fiscal Year (FY)	ERS Average Normal Rate	ERS Amortization Rate	PFRS Average Normal Rate	PFRS Amortizaton Rate
FY 2011	11.9	9.5	18.1	17.5
FY 2012	15.9	10.5	21.5	18.5
FY 2013	18.5	11.5	25.8	19.5
FY 2014	20.5	12.5	28.8	20.5

For both ERS and PFRS, DOB projects the FY 2016 graded rates will be equal to, or more than, the normal contribution rates. As such, continued amortization is not expected. Furthermore, DOB projects the graded rates will exceed the normal contribution rates in FY 2017 through FY 2020. In these years, contributions that exceed the normal contributions will be used to pay outstanding cost of prior year amortizations, as required by statute. These projections are based on projected market returns and numerous actuarial assumptions. The next five-year experience study conducted by the Retirement Systems' Actuary is scheduled to take place in 2015 and could change these projections materially.

The State is required to begin repayment on each new amortization in the fiscal year immediately following the year in which the deferral was made. The full amount of the amortization, with interest, must be repaid within ten years, but the amount can be paid-off sooner. The annual interest rate on each new amortization is determined by OSC, and is fixed for the entire term of the deferral.

In FY 2013, the State made pension payments to the New York State & Local Retirement System ("NYSLRS") of $1.217 billion, of which $674.1 million was amortized. In addition, the State's Office of Court Administration ("OCA") made its pension payment of $189.4 million, of which $104.4 million was amortized. The total deferred amount — $778.5 million — will be repaid with interest over the next ten years, beginning in FY 2014.

For amounts amortized in FY 2011, FY 2012, FY 2013, and FY 2014, the State Comptroller set interest rates of 5 percent, 3.75 percent, 3 percent, and 3.67 percent, respectively. The Executive Budget Financial Plan assumes that both the State and OCA will elect to amortize pension costs in future years, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 3.67 percent per annum over ten years from the date of each deferred payment, consistent with the interest rate charged on the FY 2014 amortized amounts.

The following table summarizes pension contributions and projections for GSCs and OCA over the period FY 2011 to FY 2028. The "Normal Costs" column shows the amount of the State's pension contribution prior to amortization. The "New Amortized Amounts / Payment on Prior Deferrals" column shows new amounts deferred or payments made on prior deferrals in each fiscal year. The "New Amortization Costs" column provides the aggregate cost of amortization in a given fiscal year (principal and interest on all prior deferrals). The "Total" column provides the State's pension contribution, net of amortization.

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, as reflected in the following table, 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 graded rate in FY 2016. Therefore, the State would not have the option to amortize any of its pension costs in 2016, or in the immediately succeeding fiscal years. In addition, this forecast assumes the State will make amortization payments on prior deferrals pursuant to the formula in statute. These payments are projected to occur in FY 2017 through FY 2021. 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]
(millions of dollars)

Fiscal Year	Normal Costs[2]	New Amortized Amounts/Payment on Prior Deferrals	New Amortization Costs	Total
2011 Results	1,552.8	(249.6)	0.0	1,303.2
2012 Results	2,041.7	(562.9)	32.3	1,511.1
2013 Results	2,085.3	(778.5)	100.9	1,407.7
2014 Projected	2,507.8	(937.0)	192.1	1,762.9
2015 Projected	2,481.5	(742.6)	305.8	2,044.7
2016 Projected	1,730.4	0.0	395.8	2,126.2
2017 Projected	1,477.9	117.3	395.8	1,991.0
2018 Projected	1,355.8	171.9	364.1	1,891.8
2019 Projected	1,315.7	178.7	363.5	1,857.9
2020 Projected	1,312.7	96.6	295.0	1,704.3
2021 Projected	1,389.1	3.6	207.2	1,599.9
2022 Projected	1,455.0	0.0	203.7	1,658.7
2023 Projected	1,523.7	0.0	203.7	1,727.4
2024 Projected	1,596.0	0.0	180.8	1,776.8
2025 Projected	1,671.1	0.0	90.1	1,761.2
2026 Projected	1,749.2	0.0	0.0	1,749.2
2027 Projected	1,830.6	0.0	0.0	1,830.6
2028 Projected	1,915.3	0.0	0.0	1,915.3

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 Financial Plan include such pension disbursements.

[2] Include 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 (i.e., health insurance) if they reach retirement while working for the State, are enrolled in the 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 eligible service for NYSHIP benefits. 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 Pay-As-You-Go ("PAYGO") basis as required by law.

In accordance with the 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 2013, the Annual Required Contribution ("ARC") represents the projected annual level of funding that, if set aside on an ongoing basis, is projected to cover projected 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 2013, the projected unfunded actuarial accrued liability for FY 2013 is $66.5 billion ($54.3 billion for the State and $12.2 billion for SUNY), a decline of $5.5 billion from FY 2012 ($5.4 billion for the State and $0.1 billion for SUNY). The unfunded actuarial accrued liability for FY 2013 used an actuarial valuation of OPEB liabilities as of April 1, 2012 for the State and as of April 1, 2010 for SUNY. These valuations were determined using the Frozen Entry Age actuarial cost method, and are amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The actuarially determined annual OPEB cost for FY 2013 totaled $3.4 billion ($2.6 billion for the State and $0.8 billion for SUNY), a decline of $520 million from FY 2012 ($490 million for the State and $30 million for SUNY). The actuarially determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. The actuarially determined cost was $2.0 billion ($1.4 billion for the State and $0.6 billion for SUNY) greater than the cash payments for retiree costs made by the State in FY 2013. 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 2013 by $2.0 billion.

GASB does not require the additional costs to be funded on the State's budgetary (cash) basis, and no funding is assumed for this purpose in the Executive Budget 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 Executive Budget Financial Plan to fund the actuarial required contribution for OPEB. If the State began making the actuarial required contribution, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of the 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.

FINANCIAL SETTLEMENTS

The State periodically receives financial settlements that are deposited to the General Fund. Based on recent experience, the Updated Financial Plan includes additional expected receipts from settlement proceeds of approximately $275 million in FY 2015, $250 million in FY 2016, and $100 million in FY 2017 and FY 2018. There can be no assurance that State settlement proceeds in upcoming fiscal years will be received at the levels assumed in the Updated Financial Plan.

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 Updated Financial Plan.

UPDATE ON STORM RECOVERY

Within the last three years, New York State has sustained damage from three powerful storms that crippled entire regions. In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various New York State counties. In September 2011, Tropical Storm Lee 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. State claims for reimbursement for the costs of the immediate response are in process, and both recovery and future mitigation efforts have begun, largely supported by Federal funds. In January 2013, the Federal government approved approximately $60 billion in Federal disaster aid for general recovery, rebuilding and mitigation activity nationwide. New York anticipates receiving approximately one-half of this amount over the coming years for response, recovery, and mitigation costs. There can be no assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities, or 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 LOCALILTIES

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. In 2013, the Financial Restructuring Board for Local Governments was created to provide assistance to distressed local governments by performing comprehensive reviews and providing grants and loans as a condition of implementing recommended efficiency initiatives.

BOND MARKET

Implementation of the Executive Budget Financial Plan is dependent on the State's ability to market its bonds successfully. The State finances much of its capital spending in the first instance from the General Fund or 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, including possible changes in Federal tax law relating to the taxation of interest on municipal bonds, as well as future developments concerning the State and public discussion of such developments, generally may affect the market for outstanding State-supported and State-related debt.

CAPITAL COMMITMENT PLAN

The State continues to implement the best practices put forth by the New York Works Task Force (the "Task Force"). The Task Force was formed in May 2012 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, DOB formulated 10-year capital commitment and disbursement projections. The total commitment and disbursement levels permissible over the 10-year capital planning horizon reflect, among other things, projected capacity under the State's statutory debt limit, anticipated levels of Federal aid, and the timing of capital activity based on known needs and historical patterns.

CONSOLIDATED PUBLIC HEALTH LABORATORY

The Executive Budget includes authorization for the Executive to evaluate and, if appropriate, enter into a public-private partnership for the design, construction, operations, maintenance and financing of a new public health laboratory facility in Albany to consolidate and replace the five Wadsworth (Department of Health) lab locations and co-locate certain laboratory functions of the Department of Environmental Conservation. The current laboratory facilities are nearing the end of their useful lives and are not readily adaptable to meet current research functions. A new facility is expected to take 5 years to construct and would be sized to deliver existing laboratory functions in a smaller footprint while also creating opportunities to expand research capabilities. The location of the facility would be proximate to other State laboratories (i.e., Agriculture & Markets, State Police, Homeland Security), which the Executive expects to provide shared service efficiencies. Given the size, scope and technical complexity of this project, the Executive believes that a public-private partnership may offer advantages compared to traditional design and construction options. The Executive believes such advantages may include accelerated project delivery, coordinated project delivery with a single point of accountability, transference of development risks to the private sector, and avoidance of up-front State financial outlay. The agreement might also permit use of the facility by private or not-for-profit users that are complementary to the public laboratory function, and could last up to 50 years.

DEBT REFORM ACT LIMIT

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 was fully phased in at 5 percent during FY 2014. The State was in compliance with the statutory caps for the most recent calculation period (FY 2013).

Current projections reflect 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 $3.2 billion in FY 2013 to $101 million in FY 2016. This includes the estimated impact of the bond-financed portion of proposed increased capital commitment levels. Debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by the State. Bonds issued under the new SUNY Dormitory Facilities Revenue credit implemented in 2013 are not 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	Total State-Debt Outstanding
FY 2014	1,066,889	4.00%	42,676	39,521	3,155	3.70%	0.30%	13,344	52,865
FY 2015	1,118,334	4.00%	44,733	42,977	1,756	3.84%	0.16%	11,821	54,798
FY 2016	1,171,606	4.00%	46,864	46,763	101	3.99%	0.01%	10,319	57,083
FY 2017	1,229,850	4.00%	49,194	49,085	109	3.99%	0.01%	8,904	57,989
FY 2018	1,292,486	4.00%	51,699	50,676	1,024	3.92%	0.08%	7,391	58,066
FY 2019	1,359,075	4.00%	54,363	52,772	1,591	3.88%	0.12%	6,163	58,935
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	$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity	Debt Service Prior to April 1, 2000	Total State-Debt Service
FY 2014	140,768	5.00%	7,038	3,855	3,183	2.74%	2.26%	2,193	6,048
FY 2015	141,896	5.00%	7,095	4,113	2,982	2.90%	2.10%	1,544	5,657
FY 2016	145,956	5.00%	7,298	4,479	2,819	3.07%	1.93%	1,853	6,332
FY 2017	149,206	5.00%	7,460	4,956	2,504	3.32%	1.68%	1,778	6,735
FY 2018	152,487	5.00%	7,624	5,319	2,306	3.49%	1.51%	1,723	7,041
FY 2019	156,434	5.00%	7,822	5,656	2,166	3.62%	1.38%	1,552	7,207

SALES TAX REVENUE BOND PROGRAM

Legislation adopted with the FY 2014 Enacted Budget creates a new Sales Tax Revenue Bond Program which constitutes State-supported debt subject to the Debt Reform Act debt caps described above. 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 are secured by the dedication of payments from this fund, which receives one percent of the State's four percent sales and use tax receipts. With a limited exception, upon the satisfaction of all of the obligations and liabilities of the Local Government Assistance Corporation ("LGAC"), the amount of sales tax receipts directed to this fund will increase to two percent. Tax receipts in excess of debt service requirements will be transferred to the State's General Fund.

The Sales Tax Revenue Bonds will be used interchangeably with PIT Revenue Bonds to finance most of the State's capital needs. Based on current projections and anticipated coverage requirements, the State expects to issue about $1 billion of Sales Tax Revenue Bonds annually. The first bonds for the Sales Tax Revenue Bond Program were issued in October 2013.

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 the Dormitory Authority of the State of New York ("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 DASNY through the Secured Hospital Program. As of January 1, 2014, there were approximately $390 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 expects 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 $36 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 AND LONG ISLAND COLLEGE HOSPITAL

In May 2011, the New York State Supreme Court issued an order (the "May 2011 Order") that approved the transfer of real property and other assets of Long Island College Hospital ("LICH") to a New York State not-for-profit corporation ("Holdings"), the sole member of which is SUNY. Subsequent to such transfer, Holdings leased the LICH hospital facility to SUNY Downstate Hospital ("Downstate Hospital"). In 2012, DASNY issued a portion of its tax exempt State Personal Income Tax Revenue

Bonds ("PIT Bonds"), Series 2012D to refund approximately $100 million in outstanding debt originally incurred by LICH.

To address the deteriorating financial condition of Downstate Hospital, which has been caused in part by the deteriorating financial position of LICH, legislation adopted with the FY 2014 Enacted Budget required the Chancellor of SUNY to submit to the Governor and the Legislature a multi-year sustainability plan for the Downstate Hospital. Specifically, the legislation required the sustainability plan to: a) set forth recommendations necessary to achieve financial stability for Downstate Hospital, and b) preserve the academic mission of Downstate Hospital's medical school. In accordance with this legislation, the Chancellor of SUNY submitted the 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. Generally, the approved sustainability plan anticipates: a) a significant restructuring of health care service lines at University Hospital Brooklyn in order to achieve financial milestones assumed in the sustainability plan, and supported by State financial assistance from DOH; and, b) leveraging the LICH asset value to support the costs associated with Downstate Hospital exiting LICH operations, while accommodating continued health care services consistent with the needs of the community. Pursuant to the sustainability plan, as supplemented, SUNY, together with Holdings, issued a request for proposals (the "RFP") - to provide healthcare services in or around the LICH facilities and to purchase the LICH real estate.

In 2013, State Supreme Court Judge Demarest, who issued the May 2011 Order, issued, sua sponte, certain additional orders that could have affected the validity of the May 2011 Order. Also, in 2013, State Supreme Court Judge Baynes issued a series of orders that, effectively, precluded SUNY from awarding the RFP and exiting LICH operations. On February 25, 2014, Judges Demarest and Baynes approved a settlement whereby all parties agreed to discharge their claims and the judges vacated their orders. The settlement requires SUNY, together with Holdings, to issue a new request for proposals that is drafted to increase the likelihood the healthcare services component of the successful proposal would include a full-service hospital. The structure of the settlement also increases the likelihood that sufficient proceeds from the transaction will be available to support defeasance of the PIT Bonds and other costs associated with SUNY's exit from LICH. However, there can be no assurance that the resolution of the legal and financial issues surrounding LICH, including payment of outstanding liabilities, will not have a materially adverse impact on SUNY.

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2014 THROUGH 2018

INTRODUCTION

This section presents the State's updated multi-year Financial Plan and the projections for receipts and disbursements, reflecting the impact of the Executive Budget Financial Plan described in this AIS Update. This section includes projections for 2014 through 2018, with an emphasis on the FY 2015 projections.

The State's cash-basis budgeting system, complex fund structure, and practice of earmarking certain tax receipts for specific purposes, complicate the discussion of the State's receipts and disbursements projections. Therefore, to minimize the distortions caused by these factors and 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 the Updated Financial Plan. Accordingly, in terms of out-year projections (FY 2016 through FY 2018), FY 2016 is the most relevant from a planning perspective.

SUMMARY

DOB estimates that the Executive Budget, if enacted as proposed, would limit the increase in State Operating Funds spending to 1.7 percent and eliminate the General Fund budget gap of $1.7 billion in FY 2015.

The following tables present the Financial Plan 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.

The Executive Budget for FY 2015 proposes limiting annual growth in State Operating Funds spending to 2 percent or less, consistent with the spending benchmark adopted by the current Administration in FY 2012. **The Financial Plan projections for FY 2016 and thereafter set forth in this AIS Update reflects the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as "Adherence to 2% State Operating Funds Spending Benchmark."** Total disbursements in Financial Plan tables and discussion do not assume this spending limit and without adherence to this spending limit, deficits could results.

GENERAL FUND PROJECTIONS (millions of dollars)	FY 2014 Current	FY 2015 Proposed	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
RECEIPTS					
Taxes (After Debt Service)	57,386	58,582	61,340	63,893	66,107
Miscellaneous Receipts/Federal Grants	3,253	3,857	3,072	2,646	2,149
Other Transfers	1,014	1,076	929	896	894
Total Receipts	**61,653**	**63,515**	**65,341**	**67,435**	**69,150**
DISBURSEMENTS					
Local Assistance Grants	40,383	41,797	43,984	46,022	48,364
School Aid	17,238	18,253	19,241	20,300	21,459
Medicaid	11,490	11,643	12,361	12,808	13,335
All Other	11,655	11,901	12,382	12,914	13,570
State Operations	7,654	7,841	7,987	7,944	8,013
Personal Service	5,704	5,880	5,979	5,942	5,962
Non-Personal Service	1,950	1,961	2,008	2,002	2,051
General State Charges	4,904	5,265	5,433	5,542	5,655
Transfers to Other Funds	8,519	8,672	9,471	10,126	10,555
Debt Service	1,628	1,119	1,434	1,468	1,520
Capital Projects	1,078	1,439	1,571	1,932	2,161
State Share of Mental Hygiene Medicaid	1,813	1,488	1,313	1,281	1,281
SUNY Operations	971	970	969	969	983
All Other	3,029	3,656	4,184	4,476	4,610
Total Disbursements	**61,460**	**63,575**	**66,875**	**69,634**	**72,587**
Adherence to 2% State Operating Funds Spending Benchmark [1]	**n/a**	**n/a**	**1,699**	**2,375**	**3,622**
Use (Reservation) of Fund Balance:	**(193)**	**60**	**(11)**	**(12)**	**(11)**
Prior-Year Labor Agreements (2007-11)	32	(8)	(11)	(12)	(11)
Community Projects Fund	25	68	0	0	0
Debt Management	(250)				
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**154**	**164**	**174**

[1] Savings estimated from limiting annual spending growth in future years to 2 percent. Assumes a budget that limits State Operating Funds spending growth to 2 percent is enacted annually, and that all savings from spending growth limitation are made available to the General Fund.

FY 2015 EXECUTIVE BUDGET - STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

	FY 2014 Current	FY 2015 Proposed	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
RECEIPTS					
Taxes	68,016	69,399	72,685	75,747	78,324
Miscellaneous Receipts/Federal Grants	19,551	20,430	19,752	19,218	18,805
Total Receipts	**87,567**	**89,829**	**92,437**	**94,965**	**97,129**
DISBURSEMENTS					
Local Assistance Grants	59,495	60,811	63,341	65,351	67,997
School Aid	20,420	21,469	22,630	23,617	24,806
STAR	3,389	3,429	3,473	3,568	3,605
Other Education Aid	2,032	2,052	2,160	2,299	2,424
Higher Education	2,813	2,874	2,943	3,006	3,068
Medicaid	16,232	16,758	17,521	18,097	18,683
Public Health/Aging	2,172	1,829	1,811	1,782	1,814
Mental Hygiene	2,833	2,910	3,111	3,128	3,606
Social Services	2,964	2,882	2,953	3,009	3,076
Transportation	4,737	4,833	4,897	4,974	5,056
Local Government Assistance	764	764	776	788	793
All Other	1,139	1,011	1,066	1,083	1,066
State Operations	17,955	18,168	18,556	18,548	18,627
Personal Service	12,376	12,585	12,821	12,795	12,840
Non-Personal Service	5,579	5,583	5,735	5,753	5,787
General State Charges	6,976	7,367	7,591	7,745	7,892
Pension Contribution	1,960	2,244	2,325	2,190	2,091
Health Insurance (Active Employees)	1,787	1,846	1,956	2,074	2,199
Health Insurance (Retired Employees)	1,460	1,509	1,599	1,695	1,798
All Other	1,769	1,768	1,711	1,786	1,804
Debt Service	6,061	5,689	6,360	6,763	7,059
Capital Projects	11	5	5	5	5
Total Disbursements	**90,498**	**92,040**	**95,853**	**98,412**	**101,580**
Net Other Financing Sources/(Uses)	2,923	2,168	1,839	1,453	1,329
Adherence to 2% State Operating Funds Spending Benchmark [1]	**n/a**	**n/a**	**1,699**	**2,375**	**3,622**
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	8	43	32	(217)	(326)
Available General Fund Balance	(193)	60	(11)	(12)	(11)
Unavailable Special Revenue Funds	267	(16)	50	(176)	(282)
Unavailable Debt Service Funds	(66)	(1)	(7)	(29)	(33)
GENERAL FUND BUDGET GAP	**0**	**0**	**154**	**164**	**174**

[1] Savings estimated from limiting annual spending growth in future years to 2 percent. Assumes a budget that limits State Operating Funds spending growth to 2 percent is enacted annually, and that all savings from spending growth limitation are made available to the General Fund.

ECONOMIC BACKDROP

THE NATIONAL ECONOMY

Although severe winter weather has resulted in a temporary lull in economic activity, the nation's housing and labor markets are expected to resume their course of steady improvement in calendar year 2014. With households feeling wealthier and more certain about future job prospects, real household spending is expected to grow in calendar year 2014 at a faster rate than in calendar year 2013. The Euro-zone economies also appear to be stabilizing, although substantial risks remain. Stronger growth in both domestic and global demand is expected to stimulate private business investment. These positive economic forces are expected to more than compensate for the expected weakness in the public sector economy that continues to represent a drag on economic growth. DOB projects Real U.S. GDP to grow 2.7 percent in calendar year 2014, following 1.9 percent growth in calendar year 2013. Inflation is expected to remain below the Federal Reserve's 2 percent target, with inflation of 1.7 percent projected for 2014, following a rate of 1.5 percent in 2013.

U.S. ECONOMIC INDICATORS
(Percent change from prior calendar year)

	2013 Estimated	2014 Forecasted	2015 Forecasted
Real U.S. Gross Domestic Product	1.9	2.7	2.8
Consumer Price Index (CPI)	1.5	1.7	2.1
Personal Income	2.8	4.0	5.1
Nonagricultural Employment	1.7	1.7	1.9

Source: Moody's Analytics; DOB staff estimates.

There are significant risks to this forecast. Severe weather could continue to depress household spending, leaving retailers and producers with unwanted inventories and ultimately resulting in a pullback in production. Slower than anticipated global growth could result in slower export growth, which could in turn result in weaker corporate profits and investment, and fewer jobs. In contrast, faster than expected global growth could result in a more rapid upturn in the demand for U.S. exports and other related indicators.

DOB's outlook rests on the underlying health of the US economic recovery and is consistent with the Federal Reserve continuing the gradual tapering of its historically unprecedented balance sheet growth. However, the response of global financial markets to the unwinding of central bank accommodation remains a significant risk, particularly given the lack of experience upon which to draw. Energy prices continue to be volatile in the wake of unusually cold weather and present both upside and downside risk to the household consumption forecast, as does equity price growth. Finally, the Federal budgetary decision-making process and possible gridlock present both upside and downside risk to economic activity for the remainder of the year.

THE NEW YORK STATE ECONOMY

The State economy has performed well in the context of a challenging national and global economic environment. State employment continues to grow, with the private sector labor market exhibiting robust growth in professional and business services, private educational services, and tourism-related leisure and hospitality services. Real estate and construction activity also remains strong. With the taxpayer response to changes in 2013 Federal tax law still distorting wage growth on a calendar year basis, DOB reports the following selected New York economic indicators on a State fiscal year basis.

NEW YORK STATE ECONOMIC INDICATORS
(Percent change from prior fiscal year)

	FY 2014 Actual	FY 2015 Forecasted	FY 2016 Forecasted
Personal Income	3.1	4.6	4.9
Wages	3.6	4.4	4.6
Nonagricultural Employment	1.4	1.2	1.2

Source: Moody's Analytics; New York State Department of Labor; DOB staff estimates.

The recent weakening in several national economic indicators, largely in response to unusually harsh winter weather, is a risk to the New York forecast going forward. State labor market growth has held up well so far, but a weaker than projected labor market could result in lower wages, as well as lower household spending. As the nation's financial capital, financial market volatility poses a particularly large degree of uncertainty for New York. Recent events have demonstrated how sensitive markets can be to shifting expectations surrounding Federal Reserve policy. The resulting market gyrations are likely to have a larger impact on the State economy than on the nation as a whole. Should financial and real estate markets be weaker than expected, taxable capital gains realizations could be adversely affected. In addition, both the bonus and non-bonus components of employee pay have become more difficult to estimate as Wall Street continues to adjust its compensation practices in the wake of new financial reform measures. Securities industry revenues have, in the past, been a useful predictor of bonus payouts but that relationship has become much more erratic in recent years.

THE REVENUE OUTLOOK

Receipts in FY 2014 reflect:

- A better than expected 2012 tax year personal income tax settlement, mainly the result of capital gains and income shifted from 2013 and other future years into 2012 in anticipation of higher Federal tax rates beginning in 2013;
- December 2013 and January 2014 personal income tax estimated payments that exceeded expectations, likely the result of the surging stock market;
- Strong estate tax collections, also likely due in some degree to the increase in net worth generated by stock market gains;
- Robust sales tax collection growth resulting, in part, from Superstorm Sandy recovery spending;

- An uptick in real estate transfer tax collections growth, generally from improved conditions downstate; and

- Disappointing business tax results, mainly from the banking sector, whose profits suffered from fines and increased mortgage rates that reduced taxable income.

Receipts in FY 2015 are expected to reflect:

- Personal income tax growth consistent with the estimated wage and personal income growth discussed above, but tempered by increased refunds generated by the payback of tax credits deferred in the 2010-2012 tax years and tax cuts proposed with the Executive Budget;

- A return to trend taxable consumption growth after the above average growth experienced in FY 2014;

- Another decline in business tax receipts due primarily to the credit deferral payback;

- A decline in estate tax receipts generated by the tax cut proposed with the Executive Budget; and

- A slowdown in real estate transfer tax receipt growth consistent with long-term averages.

The following table displays growth rates for actual and base (i.e. absent law changes) tax receipts for FY 1991 through FY 2018. The forecast growth rates assume continued economic growth. Should a recession occur prior to FY 2018, one or more of these forecast growth rates could be much lower or negative.

GOVERNMENTAL FUNDS
ACTUAL AND BASE TAX RECEIPTS GROWTH
(percent growth)

State Fiscal Year	Actual Receipts	Base Receipts	Inflation Adjusted Base Receipts
1990-91	(0.8)	(3.8)	(8.9)
1991-92	7.2	1.4	(1.9)
1992-93	6.1	5.0	1.7
1993-94	4.3	0.7	(1.8)
1994-95	0.1	1.5	(1.0)
1995-96	2.6	3.6	0.7
1996-97	2.0	2.5	(0.1)
1997-98	3.7	5.6	3.9
1998-99	7.2	7.9	6.0
1999-00	7.5	9.1	6.1
2000-01	7.9	10.1	7.0
2001-02	(4.9)	(4.2)	(6.1)
2002-03	(6.7)	(8.0)	(10.8)
2003-04	8.2	5.8	2.8
2004-05	13.4	11.5	7.8
2005-06	10.2	9.4	5.4
2006-07	9.7	12.9	10.4
2007-08	3.7	6.2	2.0
2008-09	(0.8)	(3.3)	(3.7)
2009-10	(3.2)	(12.6)	(14.2)
2010-11	5.6	3.3	0.8
2011-12	5.6	8.0	5.7
2012-13	3.1	4.8	3.0
2013-14*	4.7	5.1	3.6
2014-15**	2.0	4.3	2.2
2015-16**	4.6	4.2	1.9
2016-17**	4.1	5.5	3.0
2017-18**	3.4	4.4	1.8

	Actual Change	Base Change	Adjusted Base Change
Historical Average (1990-91 to 2012-13)	**4.0**	**3.4**	**0.6**
Forecast Average (2013-14 to 2017-18)	**3.8**	**4.7**	**2.5**
Forecast Average (2014-15 to 2017-18)	**3.5**	**4.6**	**2.2**
Recessions	**(1.5)**	**(5.1)**	**(7.6)**
Expansions	**5.9**	**6.3**	**3.6**

*Estimated Receipts
**Projected Receipts

ALL FUNDS RECEIPTS PROJECTIONS

The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. 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 with the assistance of the Department of Taxation and Finance and other agencies responsible for the collection of State receipts. The following tables summarize the current receipts forecast.

TOTAL RECEIPTS
(millions of dollars)

	FY 2013 Results	FY 2014 Current	Annual Change	Annual % Change	FY 2015 Proposed	Annual Change	Annual % Change
GENERAL FUND	**58,783**	**61,653**	**2,870**	**4.9%**	**63,515**	**1,862**	**3.0%**
Taxes	43,283	42,483	(800)	-1.8%	43,187	704	1.7%
Miscellaneous Receipts	3,504	3,251	(253)	-7.2%	3,857	606	18.6%
Federal Grants	62	2	(60)	-96.8%	0	(2)	-100.0%
Transfers	11,934	15,917	3,983	33.4%	16,471	554	3.5%
STATE FUNDS	**90,303**	**93,158**	**2,855**	**3.2%**	**95,997**	**2,839**	**3.0%**
Taxes	66,302	69,414	3,112	4.7%	70,794	1,380	2.0%
Miscellaneous Receipts	23,855	23,664	(191)	-0.8%	25,124	1,460	6.2%
Federal Grants	146	80	(66)	-45.2%	79	(1)	-1.3%
ALL FUNDS	**133,175**	**140,770**	**7,595**	**5.7%**	**141,896**	**1,126**	**0.8%**
Taxes	66,302	69,414	3,112	4.7%	70,794	1,380	2.0%
Miscellaneous Receipts	24,030	23,850	(180)	-0.7%	25,310	1,460	6.1%
Federal Grants	42,843	47,506	4,663	10.9%	45,792	(1,714)	-3.6%

All Funds FY 2014 tax receipts growth of 4.7 percent and FY 2015 growth of 2 percent are heavily influenced by timing factors. Growth in FY 2014 was driven up as a result of Superstorm Sandy recovery spending and the movement of realized capital gains and other non-wage income into Tax Year 2012 from future years in anticipation of higher Federal tax rates in 2013. This manifested itself in strong April 2013 personal income tax settlements. FY 2014 also marked the last year which contained higher revenue as the result of the tax credit deferral program. The slowdown in FY 2015 is the result of the first year of tax credit deferral payback, the non-recurring nature of Superstorm Sandy spending by consumers, and tax cuts proposed with the Executive Budget.

FY 2014 OVERVIEW

- Total All Funds FY 2014 receipts are estimated to reach $140.8 billion, an increase of $7.6 billion (5.7 percent) from FY 2013. All Funds tax receipts are estimated to increase by $3.1 billion, or 4.7 percent. The majority of the increase in tax receipts is attributable to growth in personal income tax collections.

- Total State Funds FY 2014 receipts are estimated to reach $93.2 billion, an increase of $2.9 billion (3.2 percent).

- Total General Fund FY 2014 receipts are estimated at $61.7 billion, an increase of $2.9 billion (4.9 percent). General Fund tax receipts are estimated to decrease by 1.8 percent primarily as a result of the dedication of former General Fund sales tax revenue to the new Sales Tax Bond Fund. General Fund miscellaneous receipts are estimated to decrease by 7.2 percent, reflecting trends in motor vehicle fees receipts, the dissolution of the Monroe Medicaid Sales Tax Intercept, and reductions in abandoned property recoveries.

- Base tax FY 2014 receipts growth, which nets out the impact of law changes, will increase by an estimated 5.1 percent after a base increase of 4.8 percent in FY 2013.

FY 2015 OVERVIEW

- Total FY 2015 All Funds receipts are projected to reach $141.9 billion, an increase of $1.1 billion (0.8 percent) from FY 2014 estimates. All Funds tax receipts are projected to grow by $1.4 billion (2 percent). This increase is primarily attributable to continued positive economic growth.

- Total State Funds receipts are projected to be $96 billion, an increase of $2.8 billion (3 percent) from FY 2014 estimates.

- Total General Fund receipts are projected to be $63.5 billion, an increase of $1.9 billion, or 3 percent from FY 2014 estimates. General Fund tax receipts are projected to grow by 1.7 percent, while General Fund miscellaneous receipts are projected to increase by $606 million (18.6 percent) as the result of increased license and fee and abandoned property receipts, and a motor vehicle fee accounting change. Federal grants revenues are projected to decline by $2 million.

- After controlling for the impact of policy changes, base tax revenue growth is estimated to increase by 4.3 percent for FY 2015.

CHANGES FROM PRIOR QUARTERLY UPDATE ("MID-YEAR UPDATE")

The following table reflects changes to estimated receipts since the Prior Quarterly Update, followed by a summary of those revisions.

CHANGE FROM MID-YEAR UPDATE FORECAST (millions of dollars)

	FY 2014				FY 2015			
	Mid-Year Update	Executive Budget	Annual Change	Annual % Change	Mid-Year Update	Executive Budget	Annual Change	Annual % Change
GENERAL FUND[1]	**45,761**	**45,736**	**(25)**	**-0.1%**	**46,753**	**47,044**	**291**	**0.6%**
Taxes	42,453	42,483	30	0.1%	43,158	43,187	29	0.1%
Miscellaneous Receipts	3,306	3,251	(55)	-1.7%	3,595	3,857	262	7.3%
Federal Grants	2	2	0	0.0%	0	0	0	0.0%
STATE FUNDS	**93,393**	**93,158**	**(235)**	**-0.3%**	**95,996**	**95,997**	**1**	**0.0%**
Taxes	69,324	69,414	90	0.1%	71,101	70,794	(307)	-0.4%
Miscellaneous Receipts	23,989	23,664	(325)	-1.4%	24,817	25,124	307	1.2%
Federal Grants	80	80	0	0.0%	78	79	1	1.3%
ALL FUNDS	**140,932**	**140,770**	**(162)**	**-0.1%**	**143,366**	**141,896**	**(1,470)**	**-1.0%**
Taxes	69,324	69,414	90	0.1%	71,101	70,794	(307)	-0.4%
Miscellaneous Receipts	24,175	23,850	(325)	-1.3%	25,003	25,310	307	1.2%
Federal Grants	47,433	47,506	73	0.2%	47,262	45,792	(1,470)	-3.1%

[1]Excludes Transfers.

- All funds FY 2014 receipts estimates have decreased by $162 million from the Prior Quarterly Update. The upward tax revision of $90 million is due to stronger than expected personal income and other tax receipts partially offset by a negative business tax variance.
- All Funds miscellaneous receipts estimates in FY 2014 were revised downward by $325 million from the Prior Quarterly Update, which largely reflects reduced receipts from HCRA financing sources, including no longer assuming proceeds associated with conversion of a health insurance company from a not-for-profit entity to a for-profit entity; and lower abandoned property receipts.
- All Funds Federal grant projections have been revised upward by $73 million in FY 2014, reflecting year-to-date activity in Federal funds.
- General Fund FY 2014 receipts have been revised downward by $25 million, reflecting a downward miscellaneous receipts revision partially offset by an upward tax revision.
- All Funds receipts estimates have been decreased by $1.5 billion for FY 2015 from the Prior Quarterly Update. The downward tax revision of $307 million is largely a full-year translation of base changes to corporate taxes made to FY 2014.
- All Funds miscellaneous receipts projections in FY 2015 were revised upward by $307 million which largely reflects revenues from licensing fees associated with commercial gaming and increased bond proceeds to fund economic development projects.
- All Funds Federal grant projections have been revised downward by $1.5 billion in FY 2015, which mainly reflects the impact of changes in Medicaid associated with the ACA.

- General Fund FY 2015 receipts have been revised upward by $291 million. Miscellaneous receipts revisions related to trends in motor vehicle fees, and financial audit recoveries, account for a large portion of the increase and were bolstered by a $29 million increase in tax receipts.

PROPOSED LAW CHANGES

The Executive Budget, as amended, includes changes to tax law that are detailed in the table below:

ALL FUNDS LEGISLATION ($ in millions)*	2014-15	2015-16	2016-17	2017-18
Personal Income Tax	**(325)**	**(735)**	**(1,248)**	**(1,658)**
Close the Resident Trust Loophole	75	225	150	150
Repeal the Personal Income Tax Add-On Minimum Tax	0	0	0	0
Modify Delivery of the Family Tax Relief Credit After Tax Year 2014	0	410	0	(410)
Increase Personal Income Tax Filing Threshhold	0	0	0	0
Establish the Real Property Tax Freeze Personal Income Tax Credit	(400)	(976)	(475)	0
Establish the Residential Real Property Personal Income Tax Credit	0	(200)	(525)	(1,000)
Establish a Renter's Personal Income Tax Credit	0	(200)	(400)	(400)
Extend the Non-Custodial Earned Income Tax Credit (EITC) For Two Years	0	0	(4)	(4)
Authorize a Professional and Business License Tax Clearance	0	3	3	3
Eliminate the Income Threshold Inflation Adjustment for Enhanced STAR	0	3	3	3
User Taxes and Fees	**(4)**	**(8)**	**(4)**	**0**
Repeal the Boxing and Wrestling Exhibitions Tax	0	0	0	0
Extend the Alternative Fuels Tax Exemptions For Two Years	(4)	(8)	(4)	0
Business Taxes	**49**	**(136)**	**(290)**	**(286)**
Streamline Corporate Audit Procedures (Administrative)	0	172	172	172
Reform the Investment Tax Credit	65	65	65	65
Repeal the Financial Services Investment Tax Credit	30	30	30	30
Repeal the Franchise Tax on Agricultural Cooperatives	0	0	0	0
START-UP NY Technical Amendment For Section 186-e Excise Tax	0	0	0	0
Corporate Tax Reform	0	(205)	(346)	(346)
Establish a 20 Percent Real Property Tax Credit For Manufacturers	0	(136)	(136)	(136)
Eliminate the Net Income Tax On Upstate Manufacturers	(42)	(42)	(44)	(44)
Enhance Youth Works Tax Credit	0	(4)	(4)	(4)
Expand the Low Income Housing Credit	0	(8)	(16)	(16)
Extend the Commercial Production Tax Credit for Two Years	0	0	(7)	(7)
Extend and Reform the Brownfields Clean-Up Program	0	0	0	0
Extend the Alternative Fuels Tax Exemptions For Two Years	(4)	(8)	(4)	0
Other Actions	**(36)**	**(175)**	**(371)**	**(612)**
Repeal the Boxing and Wrestling Exhibitions Tax	0	0	0	0
Modify Signature Requirements on e-Filed Returns Prepared by Tax Professionals	0	0	0	0
Align Mobility and Personal Income Tax Filings for the Self-Employed	0	0	0	0
Reform the Estate Tax	(33)	(175)	(371)	(612)
Repeal Article 12 of the Tax Law	0	0	0	0
Extend Monticello Video Lottery Terminal Rates For One Year	(3)	0	0	0
Extend Certain Pari-Mutuel Tax Rates and Authorization for Account Wagering For One Year	0	0	0	0
Extend the Video Lottery Gaming Vendor's Capital Awards Program For One Year	0	0	0	0
Total All Funds Legislation Change	**(316)**	**(1,054)**	**(1,913)**	**(2,556)**

*Rounded to the nearest million

FY 2016, FY 2017, AND FY 2018 OVERVIEW

TOTAL RECEIPTS (millions of dollars)							
	FY 2015 Proposed	FY 2016 Projected	Annual Change	FY 2017 Projected	Annual Change	FY 2018 Projected	Annual Change
General Fund	**63,515**	**65,341**	**1,826**	**67,435**	**2,094**	**69,150**	**1,715**
Taxes	43,187	45,390	2,203	47,277	1,887	48,874	1,597
State Funds	**95,997**	**98,963**	**2,966**	**100,900**	**1,937**	**102,456**	**1,556**
Taxes	70,794	74,077	3,283	77,148	3,071	79,740	2,592
All Funds	**141,896**	**145,957**	**4,061**	**149,207**	**3,250**	**152,487**	**3,280**
Taxes	70,794	74,077	3,283	77,148	3,071	79,740	2,592

Overall, tax receipts growth in the three fiscal years following FY 2015 is expected to remain in the range of 3.4 percent to 4.6 percent. This is consistent with projected trend economic growth in the New York economy during this period and the payback of deferred tax credits.

- Total All Funds FY 2016 receipts are projected to be $146 billion, an increase of $4.1 billion from the prior year. All Funds FY 2017 receipts are expected to increase by $3.3 billion from FY 2016 projections. In FY 2018, receipts are expected to increase by $3.3 billion from FY 2017 projections.

- Total State Funds receipts are projected to be $99 billion in FY 2016, $100.9 billion in FY 2017 and $102.5 billion in FY 2018.

- Total General Fund receipts are projected to reach $65.3 billion in FY 2016, $67.4 billion in FY 2017 and $69.2 billion in FY 2018.

BASE GROWTH

Base growth, adjusted for law changes, in tax receipts is estimated to be 5.1 percent in FY 2014 and 4.3 percent in FY 2015. Overall base growth in tax receipts is dependent on a multitude of factors.

In general, base tax receipts growth rates are determined by economic changes, including, but not limited to, changes in interest rates, prices, wages, employment, non-wage income, capital gains realizations, taxable consumption, corporate profits, household net worth, real estate prices and gasoline prices. Federal law changes can influence taxpayer behavior, which also affect base tax receipts growth.

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)							
	FY 2013 Results	FY 2014 Current	Annual Change	Annual % Change	FY 2015 Proposed	Annual Change	Annual % Change
GENERAL FUND[1]	**26,884**	**28,732**	**1,848**	**6.9%**	**29,669**	**937**	**3.3%**
Gross Collections	47,443	51,482	4,039	8.5%	52,900	1,418	2.8%
Refunds (Includes State/City Offset)	(7,216)	(8,654)	(1,438)	19.9%	(8,769)	(115)	1.3%
STAR	(3,286)	(3,389)	(103)	3.1%	(3,429)	(40)	1.2%
RBTF	(10,057)	(10,707)	(650)	6.5%	(11,033)	(326)	3.0%
STATE/ALL FUNDS	**40,227**	**42,828**	**2,601**	**6.5%**	**44,131**	**1,303**	**3.0%**
Gross Collections	47,443	51,482	4,039	8.5%	52,900	1,418	2.8%
Refunds (Includes State/City Offset)	(7,216)	(8,654)	(1,438)	19.9%	(8,769)	(115)	1.3%

[1]Excludes Transfers.

All Funds FY 2014 receipts are estimated to be $42.8 billion, an increase of $2.6 billion (6.5 percent) from FY 2013 results. This primarily reflects robust growth in extension (i.e., prior year estimated) payments for the 2012 tax year, strong growth in final returns, moderate growth in current year estimated payments for the2013 tax year, and modest growth in withholding, partially offset by substantial growth in prior year refunds related to the 2012 tax year, current year refunds related to the 2013 tax year, and State-City offsets.

Withholding in FY 2014 is projected to be $1.2 billion (3.8 percent) higher compared to the prior year. This reflects the net effect of modest wage growth, partially offset by lower withholding due to the first full fiscal year of inflation-indexed withholding tax tables. Total estimated payments are expected to increase $2.5 billion (20.8 percent). Estimated payments for the 2013 tax year (i.e., current year estimated) are projected to be $547 million (6.1 percent) higher. Extension payments (i.e., prior year estimated) for the 2012 tax year are projected to grow 62.2 percent ($2 billion) compared to extensions for the 2011 tax year, due to the widespread acceleration of capital gains realizations into the2012 tax year. This acceleration occurred in anticipation of higher Federal income tax rates in the 2013 tax year, attributable to the American Taxpayer Relief Act, in addition to the imposition of the 3.8 percent net investment income tax associated with the ACA. Delinquent collections and final return payments are projected to be $74 million (6.4 percent) and $230 million (10.7 percent) higher, respectively.

The increase in total refunds of $1.4 billion reflects a combination of strong growth in prior year refunds related to the 2012 tax year of $801 million (17.5 percent) due to greater than typical overpayment of extension payments for the 2012 tax year, a $328 million (18.7 percent) increase in current year refunds related to the 2013 tax year, and 107.5 percent ($332 million) growth in state-city offsets, stemming from the New York State income tax rate changes that took place between 2011 and 2012.

The following table summarizes, by component, actual receipts for FY 2013 and forecast amounts through FY 2017.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS ALL FUNDS (millions of dollars)	FY 2013 Results	FY 2014 Estimated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts					
Withholding	31,958	33,160	35,049	37,260	39,290
Estimated Payments	12,193	14,727	14,274	15,744	16,926
Current Year	9,001	9,548	10,115	11,007	11,794
Prior Year*	3,192	5,179	4,159	4,737	5,132
Final Returns	2,148	2,378	2,316	2,478	2,680
Current Year	203	233	242	254	266
Prior Year*	1,945	2,145	2,074	2,224	2,414
Delinquent	1,144	1,217	1,261	1,311	1,356
Gross Receipts	47,443	51,482	52,900	56,793	60,252
Refunds					
Prior Year*	4,568	5,369	5,142	6,277	7,601
Previous Years	588	566	569	588	588
Current Year*	1,750	2,078	1,750	1,750	1,750
Advanced Credit Payment	0	0	810	976	475
State/City Offset*	309	641	498	498	498
Total Refunds	7,216	8,654	8,769	10,089	10,912
Net Receipts	**40,227**	**42,828**	**44,131**	**46,704**	**49,340**

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

All Funds FY 2015 receipts are projected to be $44.1 billion, an increase of $1.3 billion (3 percent) from FY 2014, including the impact of advancing refunds from FY 2015 to FY 2014.

This increase primarily reflects increases of $1.9 billion (5.7 percent) in withholding, partially offset by the combination of a $452 million (3.1 percent) decline in total estimated payments and a $115 million (1.3 percent) increase in total refunds. The decline in total estimated payments results from a $1 billion decrease in extension (i.e., prior year estimated) payments for the 2013 tax year, following an inflated 2012 tax year amount due to substantial extension overpayment following end-of-year accelerated capital gains realizations. The majority of the decline, however, is offset by a $568 million increase in current estimated payments related to the 2014 tax year, partially reflecting $75 million in revenue from closing the resident trust loophole.

The increase in total refunds of $115 million reflects $400 million in additional credit attributable to new legislation (Real Property Tax Freeze credit), $410 million in credits for the first year of payments related to the Family Tax Relief credit, and $75 million due to the first repayment of previously deferred tax credits, largely offset by declines of $227 million (4.2 percent), $328 million (15.8 percent), and $143 million (22.3 percent) in prior year refunds related to the 2013 tax year, current year refunds related to the 2014 tax year, and state-city offsets, respectively. Payments from final returns are expected to decrease $62 million (2.6 percent), while delinquent collections are projected to increase by $44 million (3.6 percent) compared to the prior year.

General Fund income tax receipts are net of deposits to the STAR Fund, which provide property tax relief, and the RBTF, which supports debt service payments on State personal income tax revenue bonds. General Fund FY 2014 receipts of $28.7 billion are expected to increase by $1.8 billion (6.9 percent) from the prior year, mainly reflecting the increase in All Funds receipts noted above. The RBTF deposit is estimated to be $10.7 billion while the STAR transfer is estimated to be $3.4 billion.

General Fund income tax FY 2015 receipts of $29.7 billion are projected to increase by $937 million (3.3 percent). The RBTF deposit is projected to be $11 billion while the STAR transfer is projected to be $3.4 billion.

PERSONAL INCOME TAX (millions of dollars)							
	FY 2015 Proposed	FY 2016 Projected	Annual Change	FY 2017 Projected	Annual Change	FY 2018 Projected	Annual Change
GENERAL FUND[1]	**29,669**	**31,555**	**1,886**	**33,437**	**1,882**	**34,861**	**1,424**
Gross Collections	52,900	56,793	3,893	60,252	3,459	62,701	2,449
Refunds (Includes State/City Offset)	(8,769)	(10,089)	(1,320)	(10,912)	(823)	(11,413)	(501)
STAR	(3,429)	(3,473)	(44)	(3,568)	(95)	(3,605)	(37)
RBTF	(11,033)	(11,676)	(643)	(12,335)	(659)	(12,822)	(487)
STATE/ALL FUNDS	**44,131**	**46,704**	**2,573**	**49,340**	**2,636**	**51,288**	**1,948**
Gross Collections	52,900	56,793	3,893	60,252	3,459	62,701	2,449
Refunds (Includes State/City Offset)	(8,769)	(10,089)	(1,320)	(10,912)	(823)	(11,413)	(501)

[1]Excludes Transfers.

All Funds income tax FY 2016 receipts of $46.7 billion are projected to increase $2.6 billion (5.8 percent) from the prior year. Gross receipts are projected to increase 7.4 percent ($3.9 billion), reflecting withholding that is projected to grow by $2.2 billion (6.3 percent) and total estimated payments that are projected to grow by $1.5 billion (10.3 percent).

The increase in withholding reflects moderate wage growth. The increase in estimated payments includes an additional $150 million compared to the prior year from closing the resident trust loophole. Payments from final returns are expected to increase $162 million (7 percent). Delinquencies are projected to increase $50 million (4 percent) from the prior year. Total refunds are projected to increase by $1.3 billion (15.1 percent) from the prior year, primarily the result of an additional $576 million compared to the prior year in advanced credit payment attributable to the Real Property Tax Freeze credit, an additional $200 million in prior year refunds from the Residential Real Property Tax credit, and another $200 million in prior year refunds from the Renter credit.

General Fund income tax FY 2016 receipts of $31.6 billion are projected to increase by $1.9 billion (6.4 percent). RBTF deposits are projected to be $11.7 billion and the STAR transfer is projected to be $3.5 billion.

All Funds income tax receipts are projected to be $49.3 billion in FY 2017 and $51.3 billion in FY 2018. General Fund receipts are projected at $33.4 billion and $34.9 billion, respectively.

USER TAXES AND FEES

USER TAXES AND FEES (millions of dollars)	FY 2013 Results	FY 2014 Current	Annual Change	Annual % Change	FY 2015 Proposed	Annual Change	Annual % Change
GENERAL FUND[1]	**9,112**	**6,525**	**(2,587)**	**-28.4%**	**6,714**	**189**	**2.9%**
Sales Tax	8,423	5,890	(2,533)	-30.1%	6,069	179	3.0%
Cigarette and Tobacco Taxes	443	384	(59)	-13.3%	389	5	1.3%
Alcoholic Beverage Taxes	246	251	5	2.0%	256	5	2.0%
STATE/ALL FUNDS	**14,615**	**15,107**	**492**	**3.4%**	**15,480**	**373**	**2.5%**
Sales Tax	11,989	12,595	606	5.1%	12,988	393	3.1%
Cigarette and Tobacco Taxes	1,551	1,421	(130)	-8.4%	1,374	(47)	-3.3%
Motor Fuel Tax	492	500	8	1.6%	502	2	0.4%
Highway Use Tax	145	140	(5)	-3.4%	141	1	0.7%
Alcoholic Beverage Taxes	246	251	5	2.0%	256	5	2.0%
Taxicab Surcharge	83	86	3	3.6%	100	14	16.3%
Auto Rental Tax	109	114	5	4.6%	119	5	4.4%

[1]Excludes Transfers.

Receipts from All Funds user taxes and fees in FY 2014 are estimated to be $15.1 billion, an increase of $492 million (3.4 percent) from the prior year. Sales tax receipts are expected to increase by $606 million (5.1 percent) from the prior year. Contributing factors to a sales tax base growth (i.e., absent law changes) of 4.8 percent are estimated strong growth in vehicle sales, construction, utility expenditures, wholesale trade and food services. Cigarette and tobacco tax collections are estimated to decrease by $130 million (8.4 percent) due to lower consumption of cigarettes as well as increased refunds associated with a change in the way the wholesale cigar tax is administered.

Receipts from General Fund user taxes and fees in FY 2014 are estimated to total $6.5 billion, a decrease of $2.6 billion (28.4 percent) from the prior year. This decrease reflects the General Fund share of sales tax revenues being reduced from 75 percent to 50 percent. Absent this law change, General Fund sales tax receipts would increase by over $400 million. Also, cigarette and tobacco taxes are estimated to fall $59 million (13.3 percent), consistent with All Funds changes.

Receipts from All Funds user taxes and fees in FY 2015 are projected to be nearly $15.5 billion, an increase of $373 million (2.5 percent) from the prior year. The increase in sales tax receipts of $393 million (3.1 percent) reflects sales tax base growth of 3.6 percent. Cigarette and tobacco tax receipts are projected to decline as a result of larger than trend declines in stamp sales, slightly offset by the non-recurrence of prior year cigar tax refunds. The increase in taxicab surcharge receipts reflects a projected increase in the number of vehicles that will now be collecting the surcharge.

Receipts from General Fund user taxes and fees in FY 2015 are projected to total $6.7 billion, an increase of $189 million (2.9 percent) from the prior year. This increase largely reflects the projected increases in All Funds sales tax receipts discussed above.

USER TAXES AND FEES (millions of dollars)	FY 2015 Proposed	FY 2016 Projected	Annual Change	FY 2017 Projected	Annual Change	FY 2018 Projected	Annual Change
GENERAL FUND[1]	**6,714**	**6,929**	**215**	**7,154**	**225**	**7,396**	**242**
Sales Tax	6,069	6,290	221	6,523	233	6,772	249
Cigarette and Tobacco Taxes	389	378	(11)	365	(13)	353	(12)
Alcoholic Beverage Taxes	256	261	5	266	5	271	5
STATE/ALL FUNDS	**15,480**	**15,938**	**458**	**16,403**	**465**	**16,910**	**507**
Sales Tax	12,988	13,470	482	13,976	506	14,514	538
Cigarette and Tobacco Taxes	1,374	1,327	(47)	1,276	(51)	1,226	(50)
Motor Fuel Tax	502	504	2	509	5	514	5
Highway Use Tax	141	151	10	147	(4)	149	2
Alcoholic Beverage Taxes	256	261	5	266	5	271	5
Taxicab Surcharge	100	101	1	101	0	101	0
Auto Rental Tax	119	124	5	128	4	135	7

[1]Excludes Transfers.

All Funds user taxes and fee receipts are projected to increase by $458 million (3 percent) in FY 2016, $465 million (2.9 percent) in FY 2017, and $507 million (3.1 percent) in FY 2018. This outyear growth represents a return to historical trends in taxable consumption growth and trend declines in cigarette consumption, respectively.

General Fund user taxes and fees receipts are projected to increase by $215 million (3.2 percent) in FY 2016, $225 million (3.2 percent) in FY 2017, and $242 million (3.4 percent) in FY 2018. This outyear growth is consistent with the same trends associated with All Funds, noted above.

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)	FY 2013 Results	FY 2014 Current	Annual Change	Annual % Change	FY 2015 Proposed	Annual Change	Annual % Change
GENERAL FUND	**6,253**	**5,988**	**(265)**	**-4.2%**	**5,612**	**(376)**	**-6.3%**
Corporate Franchise Tax	2,624	3,078	454	17.3%	2,406	(672)	-21.8%
Corporation and Utilities Tax	686	606	(80)	-11.7%	622	16	2.6%
Insurance Tax	1,346	1,299	(47)	-3.5%	1,375	76	5.9%
Bank Tax	1,597	1,005	(592)	-37.1%	1,209	204	20.3%
Petroleum Business Tax	0	0	0	0.0%	0	0	0.0%
STATE/ALL FUNDS	**8,465**	**8,186**	**(279)**	**-3.3%**	**7,835**	**(351)**	**-4.3%**
Corporate Franchise Tax	3,009	3,561	552	18.3%	2,893	(668)	-18.8%
Corporation and Utilities Tax	895	794	(101)	-11.3%	814	20	2.5%
Insurance Tax	1,509	1,457	(52)	-3.4%	1,541	84	5.8%
Bank Tax	1,912	1,189	(723)	-37.8%	1,418	229	19.3%
Petroleum Business Tax	1,140	1,185	45	3.9%	1,169	(16)	-1.4%

All Funds business tax FY 2014 receipts are estimated at $8.2 billion, a decrease of $279 million (3.3 percent) from the prior year. This decrease is mainly driven by bank tax receipts. Liability year 2013 payments are weak compared to the previous year with an expected decline of 25 percent. Partially offsetting the decrease in the bank tax are higher corporate franchise tax receipts. This is mainly driven by higher estimated audit receipts ($429 million). Corporation and utilities tax and insurance tax receipts are also estimated to be lower than the previous year.

Receipts from All Funds corporate franchise tax in FY 2014 are estimated to be $3.6 billion, an increase of $552 million (18.3 percent) from FY 2013. The year-to-year increase is mainly attributable to higher audit receipts. Non-audit receipts are estimated to increase $123 million from the prior year as the increase in gross receipts is larger than the increase in cash refunds expected to be paid.

Receipts from All Funds corporation and utilities tax in FY 2014 are estimated to be $794 million, a decrease of $101 million (11.3 percent) from FY 2013. The main driver for the year-to-year decrease is a large telecommunications refund paid in October and lower audit receipts. Gross receipts for FY 2014 are estimated to decline slightly from FY 2013 as the telecommunications sector continues to erode from consumers continuing to shift to internet based communication tools from landline telecommunications.

Receipts from All Funds insurance tax in FY 2014 are estimated to be $1.5 billion, a decrease of $52 million (3.4 percent) from FY 2013. This decrease is driven by the State's transition of the medical portion of the Empire Plan to self-insurance, effective January 1, 2013. This results in lower 2013 liability since the State no longer remits the insurance tax as part of a premium payment.

Receipts from All Funds bank tax in FY 2014 are estimated to be $1.2 billion, a decrease of $723 million (37.8 percent) from FY 2013. This decrease is mainly attributable to weak liability year 2013 payments from commercial banks and lower audit receipts. Throughout calendar year 2013 banks have reduced their estimated liability and accompanying estimated payments. Additionally, audits are expected to decline $249 million as fewer large cases are settled.

Receipts from All Funds petroleum business tax in FY 2014 are estimated to be $1.2 billion, an increase of $45 million (3.9 percent) from FY 2013. This increase is mainly due to the 5 percent increase in the petroleum business tax index effective January 2013 offset by a 0.8 percent decrease effective January 2014. Motor and diesel fuel taxable consumption are projected to grow compared to the prior fiscal year.

Receipts from General Fund business tax in FY 2014 of nearly $6 billion are estimated to decrease by $265 million (4.2 percent) from FY 2013. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

ALL FUNDS BUSINESS TAX AUDIT AND NON-AUDIT RECEIPTS (millions of dollars)	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Estimated	FY 2015 Projected
Corporate Franchise Tax	**2,846**	**3,176**	**3,009**	**3,561**	**2,893**
Audit	810	1,080	752	1,181	1,003
Non-Audit	2,036	2,096	2,257	2,380	1,890
Corporation and Utilities Taxes	**813**	**797**	**894**	**794**	**814**
Audit	13	30	100	72	54
Non-Audit	800	767	794	722	760
Insurance Taxes	**1,351**	**1,413**	**1,509**	**1,457**	**1,541**
Audit	38	21	34	21	21
Non-Audit	1,313	1,392	1,475	1,436	1,520
Bank Taxes	**1,179**	**1,392**	**1,912**	**1,189**	**1,418**
Audit	239	125	405	155	215
Non-Audit	940	1,267	1,507	1,034	1,203
Petroleum Business Taxes	**1,090**	**1,100**	**1,140**	**1,185**	**1,169**
Audit	7	6	5	6	6
Non-Audit	1,083	1,094	1,135	1,179	1,163
Total Business Taxes	**7,279**	**7,878**	**8,464**	**8,186**	**7,835**
Audit	1,107	1,262	1,296	1,435	1,299
Non-Audit	6,172	6,616	7,168	6,751	6,536

Projected receipts from All Funds business tax in FY 2015, of roughly $7.8 billion, reflect a decrease by $351 million (4.3 percent) from the prior year. Corporation franchise tax receipts in FY 2015 are projected to decrease by $668 million (18.8 percent) from FY 2014, driven by lower audit receipts ($178 million) and an increase in refunds attributable to the first year of the credit deferral payback to taxpayers.

Corporation and utilities taxes are projected to increase by $20 million (2.5 percent). Gross receipts for FY 2015 are expected to show minimal growth compared to FY 2014. Lower refunds and lower audit receipts basically offset.

Insurance taxes are projected to increase $84 million (5.8 percent). The year-to-year increase reflects underlying growth in premiums, partially offset by the transition of additional portions of the Empire Plan to self-insurance, effective January 1, 2014.

Bank tax receipts are projected to increase by $229 million (19.3 percent) from the previous year. the 2014 tax year liability payments are expected to rebound from the low levels seen in 2013. Additionally, audit receipts are expected to be higher than the previous year.

The projected petroleum business tax decrease of $16 million (1.4 percent) is due to a decrease in the petroleum business tax rate index of 0.8 percent effective in January 2014 and the projected decrease in the petroleum business tax rate index of 4 percent, effective in January 2015. Motor and diesel fuel taxable consumption are projected to grow compared to the prior fiscal year.

General Fund business tax FY 2015 receipts of $5.6 billion are projected to decrease $376 million (6.3 percent) from the prior year. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

BUSINESS TAXES (millions of dollars)							
	FY 2015 Proposed	FY 2016 Projected	Annual Change	FY 2017 Projected	Annual Change	FY 2018 Projected	Annual Change
GENERAL FUND	**5,612**	**5,852**	**240**	**5,833**	**(19)**	**6,013**	**180**
Corporate Franchise Tax	2,406	2,488	82	2,411	(77)	2,510	99
Corporation and Utilities Tax	622	607	(15)	624	17	642	18
Insurance Tax	1,375	1,426	51	1,397	(29)	1,371	(26)
Bank Tax	1,209	1,331	122	1,401	70	1,490	89
Petroleum Business Tax	0	0	0	0	0	0	0
STATE/ALL FUNDS	**7,835**	**8,117**	**282**	**8,161**	**44**	**8,401**	**240**
Corporate Franchise Tax	2,893	3,011	118	2,957	(54)	3,081	124
Corporation and Utilities Tax	814	804	(10)	827	23	850	23
Insurance Tax	1,541	1,600	59	1,577	(23)	1,558	(19)
Bank Tax	1,418	1,564	146	1,651	87	1,754	103
Petroleum Business Tax	1,169	1,138	(31)	1,149	11	1,158	9

All Funds business tax receipts in FY 2016, FY 2017 and FY 2018 reflect trend growth that is determined, in part, by the expected level of corporate profits, the expected profitability of banks, the change in taxable insurance premiums, residential energy expenditures and the consumption of telecommunications services. Business tax receipts are estimated to decline to $8.1 billion (3.6 percent) in FY 2016, increase to $8.2 billion (0.6 percent) in FY 2017, and increase to $8.4 billion (2.9 percent) in FY 2018. General Fund business tax receipts projections reflect the factors outlined above, and are projected to increase to $5.9 billion (4.3 percent) in FY 2016, decrease to $5.8 billion (0.3 percent) in FY 2017, and increase to $6 billion (3.1 percent) in FY 2018.

OTHER TAXES

OTHER TAXES (millions of dollars)							
	FY 2013 Results	FY 2014 Current	Annual Change	Annual % Change	FY 2015 Proposed	Annual Change	Annual % Change
GENERAL FUND[1]	**1,034**	**1,238**	**204**	**19.7%**	**1,192**	**(46)**	**-3.7%**
Estate Tax	1,014	1,220	206	20.3%	1,175	(45)	-3.7%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Pari-Mutuel Taxes	18	17	(1)	-5.6%	17	0	0.0%
All Other Taxes	1	1	0	0.0%	0	(1)	-100.0%
STATE/ALL FUNDS	**1,790**	**2,071**	**281**	**15.7%**	**2,065**	**(6)**	**-0.3%**
Estate Tax	1,014	1,220	206	20.3%	1,175	(45)	-3.7%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Estate Transfer Tax	756	833	77	10.2%	873	40	4.8%
Pari-Mutuel Taxes	18	17	(1)	-5.6%	17	0	0.0%
All Other Taxes	1	1	0	0.0%	0	(1)	-100.0%

[1]Excludes Transfers.

Other All Funds tax receipts in FY 2014 are estimated to be $2.1 billion, an increase of $281 million (15.7 percent) from FY 2013 receipts, reflecting an increase of $206 million (20.3 percent) in the estate tax, as a result of an increase in the number of large payments and an increase of $77 million (10.2 percent) in real estate transfer tax receipts, driven by strong growth in the New York City real estate market.

Other General Fund tax receipts are expected to total $1.2 billion in FY 2014, an increase of $204 million (19.7 percent), due to increases in the estate tax.

Other All Funds tax receipts in FY 2015 are projected to be $2.1 billion, a decrease of $6 million (0.3 percent) from FY 2014 reflecting growth in real estate transfer tax collections off-set by lower estate tax collections. A significant portion ($33 million) of the estimated decline in estate tax receipts is due to Executive Budget legislation that would reform the estate tax.

Other General Fund tax receipts are expected to total $1.2 billion in FY 2015, a decrease of $46 million (3.7 percent), which is attributable to a projected decrease in estate tax receipts due to fewer large payments and the Executive Budget proposal.

OTHER TAXES
(millions of dollars)

	FY 2015 Proposed	FY 2016 Projected	Annual Change	FY 2017 Projected	Annual Change	FY 2018 Projected	Annual Change
GENERAL FUND[1]	**1,192**	**1,054**	**(138)**	**853**	**(201)**	**604**	**(249)**
Estate Tax	1,175	1,037	(138)	836	(201)	587	(249)
Gift Tax	0	0	0	0	0	0	0
Pari-Mutuel Taxes	17	17	0	17	0	17	0
All Other Taxes	0	0	0	0	0	0	0
STATE/ALL FUNDS	**2,065**	**1,967**	**(98)**	**1,822**	**(145)**	**1,643**	**(179)**
Estate Tax	1,175	1,037	(138)	836	(201)	587	(249)
Gift Tax	0	0	0	0	0	0	0
Real Estate Transfer Tax	873	913	40	969	56	1,039	70
Pari-Mutuel Taxes	17	17	0	17	0	17	0
All Other Taxes	0	0	0	0	0	0	0

[1]Excludes Transfers.

Other All Funds taxes in FY 2016, FY 2017 and FY 2018 receipts reflect growth driven by two major economic variables, household net worth (estate tax) and the value of real property transfers (real estate transfer tax), offset by reductions in estate tax receipts due to the impact of the aforementioned Executive Budget legislation. All Funds other taxes receipts are estimated to decrease to $2 billion (4.7 percent) in FY 2016, decrease to $1.8 billion (7.4 percent) in FY 2017, and decrease to just over $1.6 billion (9.8 percent) in FY 2018. General Fund other taxes receipts will reflect decreases due to the estate tax changes noted above, and are projected to decrease to $1.1 billion (11.6 percent) in FY 2016, decrease by $201 million (19.1 percent) in FY 2017, and decrease by $249 million (29.2 percent) in FY 2018.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)	FY 2013 Results	FY 2014 Current	Annual Change	Annual % Change	FY 2015 Proposed	Annual Change	Annual % Change
GENERAL FUND	**3,566**	**3,253**	**(313)**	**-8.8%**	**3,857**	**604**	**18.6%**
Miscellaneous Receipts	3,504	3,251	(253)	-7.2%	3,857	606	18.6%
Federal Grants	62	2	(60)	-96.8%	0	(2)	-100.0%
STATE FUNDS	**24,001**	**23,744**	**(257)**	**-1.1%**	**25,203**	**1,459**	**6.1%**
Miscellaneous Receipts	23,855	23,664	(191)	-0.8%	25,124	1,460	6.2%
Federal Grants	146	80	(66)	-45.2%	79	(1)	-1.3%
ALL FUNDS	**66,873**	**71,356**	**4,483**	**6.7%**	**71,102**	**(254)**	**-0.4%**
Miscellaneous Receipts	24,030	23,850	(180)	-0.7%	25,310	1,460	6.1%
Federal Grants	42,843	47,506	4,663	10.9%	45,792	(1,714)	-3.6%

All Funds miscellaneous receipts include monies 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 estimated to decline in FY 2014, from $24 billion in FY 2013 to $23.9 billion in FY 2014, and then increase $1.5 billion in FY 2015 to $25.3 billion. The slight annual decline in FY 2014 is mainly due to fluctuations in the level of receipts for unclaimed and abandoned property. The FY 2015 All Funds annual increase is primarily due to the expected deposit of $1 billion from the State Insurance Fund reserve release in connection with Workers' Compensation law changes in the FY 2014 budget, as well as variations in the level of receipts for health care surcharges and other HCRA resources, licensing fees associated with commercial gaming, bond proceeds, atypical fines and the phase-out of the temporary utility assessment.

Aid from the Federal government helps pay for a variety of programs including 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 projects Federal reimbursements will be received in the State fiscal year in which spending occurs, but due to the variable timing of Federal grant receipts, actual results often differ from the plan.

All Funds Federal grants are expected to grow by $4.7 billion in FY 2014 and then decline by $1.7 billion in FY 2015. The annual changes are mainly due to the timing of Federal disaster assistance aid, and the impact on spending associated with the ACA.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)							
	FY 2015 Proposed	FY 2016 Projected	Annual Change	FY 2017 Projected	Annual Change	FY 2018 Projected	Annual Change
GENERAL FUND	**3,857**	**3,072**	**(785)**	**2,646**	**(426)**	**2,149**	**(497)**
Miscellaneous Receipts	3,857	3,072	(785)	2,646	(426)	2,149	(497)
Federal Grants	0	0	0	0	0	0	0
STATE FUNDS	**25,203**	**24,886**	**(317)**	**23,752**	**(1,134)**	**22,716**	**(1,036)**
Miscellaneous Receipts	25,124	24,807	(317)	23,673	(1,134)	22,637	(1,036)
Federal Grants	79	79	0	79	0	79	0
ALL FUNDS	**71,102**	**71,880**	**778**	**72,059**	**179**	**72,747**	**688**
Miscellaneous Receipts	25,310	24,993	(317)	23,859	(1,134)	22,823	(1,036)
Federal Grants	45,792	46,887	1,095	48,200	1,313	49,924	1,724

All Funds miscellaneous receipts are projected to decrease annually from FY 2015 through FY 2018. The declines are mainly attributable to reduced transfers from SIF, the phase-out of the temporary utility assessment, and bond proceeds available to fund capital improvement projects.

All Funds Federal grants are expected to grow to $49.9 billion by FY 2018. This growth is mainly driven by growth in Medicaid spending associated with continued implementation of ACA.

DISBURSEMENTS

Total disbursements in FY 2015 are estimated at $63.6 billion in the General Fund and $92.0 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 multi-year disbursements projections take into account various factors, including agency staffing levels, program caseloads, inflation, and funding formulas contained in State and Federal law. 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 enacted into appropriation 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.

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 $60.8 billion in FY 2015 and accounts for nearly 70 percent of total State Operating Funds spending. Education and health care spending account for approximately two-thirds of local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

		Forecast				
	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
MEDICAID						
Medicaid Coverage	4,785,609	5,147,768	5,830,880	5,950,473	5,973,720	5,985,344
- Family Health Plus Caseload	427,530	337,632	0	0	0	0
- Child Health Plus Caseload	317,244	308,000	314,000	320,000	326,000	332,000
State Takeover of County/NYC Costs	$1,610	$1,789	$2,067	$2,475	$2,819	$3,164
- Family Health Plus (000s)	$479	$467	$155	$0	$0	$0
- Medicaid (000s)	$1,131	$1,322	$1,912	$2,475	$2,819	$3,164
EDUCATION						
SY School Aid (000s)	$20,309	$21,075	$21,882	$22,735	$23,804	$24,994
HIGHER EDUCATION						
Public Higher Education Enrollment (FTEs)	567,986	567,219	566,453	565,588	565,390	565,192
Tuition Assistance Program Recipients	305,381	305,626	306,129	306,129	306,129	306,129
PUBLIC ASSISTANCE						
Family Assistance Program	259,739	258,405	249,131	240,761	234,252	228,911
Safety Net Program - Families	122,805	125,424	120,186	115,580	112,047	109,180
Safety Net Program - Singles	191,764	196,431	194,850	193,442	192,643	192,157
MENTAL HYGIENE						
Total Mental Hygiene Community Beds	94,299	96,193	98,096	100,090	101,994	103,707
- OMH Community Beds	38,564	40,248	41,399	42,799	44,199	45,399
- OPWDD Community Beds	41,077	41,334	41,957	42,395	42,843	43,261
- OASAS Community Beds	14,658	14,611	14,740	14,896	14,952	15,047
PRISON POPULATION (CORRECTIONS)	54,617	54,300	54,000	53,800	53,700	53,700

EDUCATION

SCHOOL AID

School Aid helps support elementary and secondary education for New York pupils enrolled in 674 major school districts throughout the State. State funding is provided to districts based on statutory aid formulas and through reimbursement of categorical expenses such as universal pre-kindergarten and bilingual education. 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)

Education aid is expected to total $21.9 billion in SY 2015, an increase of $807 million from SY 2014. In addition, the Executive Budget also maintains the two-year appropriation that continues Education Law provisions. School Aid is projected to increase by an additional $853 million in SY 2016 and $1.07 billion in SY 2017. School Aid is projected to reach an annual total of $25.0 billion in SY 2018.

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

	SY 2014	SY 2015	Change	SY 2016	Change	SY 2017	Change	SY 2018	Change
Total	**21,075**	**21,882**	**807**	**22,735**	**853**	**23,804**	**1,069**	**24,994**	**1,190**

STATE FISCAL YEAR

The State finances School Aid from General Fund receipts and from Lottery Fund receipts, including video lottery terminals (“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 AID - STATE FISCAL YEAR BASIS
(millions of dollars)

	FY 2014 Current	FY 2015 Proposed	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**20,420**	**21,469**	**5.1%**	**22,630**	**5.4%**	**23,617**	**4.4%**	**24,806**	**5.0%**
General Fund Local Assistance	17,239	18,253	5.9%	19,241	5.4%	20,300	5.5%	21,459	5.7%
Core Lottery Aid	2,235	2,220	-0.7%	2,252	1.4%	2,210	-1.9%	2,200	-0.5%
VLT Lottery Aid	937	944	0.7%	977	3.5%	918	-6.0%	886	-3.5%
Commerical Gaming - VLT Offset	0	0	N/A	0	N/A	29	N/A	61	110.3%
Commerical Gaming	0	0	N/A	160	N/A	160	0.0%	200	25.0%
Prior Year General Fund/Lottery Resources	9	52	477.8%	0	N/A	0	0.0%	0	0.0%

State spending for School Aid is projected to total $21.5 billion in FY 2015. In future years, receipts available to finance this category of aid from core lottery sales are projected to remain stable. Beginning in FY 2016, School Aid spending will be supplemented by commercial gaming revenues. 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.

In special education, New York State provides a full spectrum of services to over 400,000 students from ages 3 to 21. Major programs under the Office of Pre-kindergarten through Grade 12 address specialized student needs or reimburse school districts for education-related services, including the school breakfast and lunch programs, and other educational grant programs. Higher and professional education programs monitor the quality and availability of postsecondary education programs and regulate the licensing and oversight of 50 professions. Adult career and continuing education services focuses on the education and employment needs of New York State's adult citizens, including ensuring that such individuals have access to a "one-stop" source for all their employment needs and that they are made aware of the full range of services available in other agencies.

OTHER EDUCATION
(millions of dollars)

	FY 2014 Current	FY 2015 Proposed	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,032**	**2,052**	**1.0%**	**2,160**	**5.3%**	**2,299**	**6.4%**	**2,424**	**5.4%**
Special Education	1,418	1,489	5.0%	1,594	7.1%	1,724	8.2%	1,841	6.8%
All Other Education	614	563	-8.3%	566	0.5%	575	1.6%	583	1.4%

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. In relation to special education programs, the Executive Budget advances targeted reforms to improve fiscal practice and service delivery. The decrease in other education spending for FY 2015 relative to FY 2014 is driven primarily by one-time costs associated with targeted aid and grants in FY 2014.

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers by exempting the first $30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens will receive a $64,200 exemption in FY 2015.

The three components of STAR and their approximate shares in FY 2015 are: the basic school property tax exemption for homeowners with income under $500,000 (56 percent); the enhanced school property tax exemption for senior citizen homeowners with incomes under $81,900 (26 percent); and a flat refundable credit and rate reduction for income-eligible resident New York City personal income taxpayers (18 percent).

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. New York City personal income taxpayers with annual incomes over $500,000 have a reduced benefit.

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

	FY 2014 Current	FY 2015 Proposed	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,389**	**3,429**	**1.2%**	**3,473**	**1.3%**	**3,568**	**2.7%**	**3,605**	**1.0%**
Basic Exemption	1,896	1,905	0.5%	1,915	0.5%	1,963	2.5%	1,973	0.5%
Enhanced (Seniors)	882	905	2.6%	920	1.7%	947	2.9%	954	0.7%
New York City PIT	611	619	1.3%	638	3.1%	658	3.1%	678	3.0%

The spending growth is primarily a reflection of the number of STAR exemption recipients who are expected to participate in the program.

HIGHER EDUCATION

Local assistance for higher education spending includes funding for CUNY, SUNY and the Higher Education Services Corporation ("HESC").

The State provides assistance for CUNY's senior college operations, and works in conjunction with New York City 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 CUNY and SUNY through the debt service it pays on bond-financed capital projects at the universities. State debt service payments for capital projects at SUNY and CUNY are expected to total about $1.2 billion in FY 2015 (this is not reflected in the annual spending totals for the universities). HESC administers the Tuition Assistance Program ("TAP") that provides awards to income-eligible students. It also provides centralized processing for other student financial aid programs, and offers prospective students information and guidance on how to finance a college education. The financial aid programs that HESC administers are funded by the State and the Federal government.

HIGHER EDUCATION
(millions of dollars)

	FY 2014 Current	FY 2015 Proposed	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,813**	**2,874**	**2.2%**	**2,943**	**2.4%**	**3,006**	**2.1%**	**3,068**	**2.1%**
City University	**1,345**	**1,386**	**3.0%**	**1,431**	**3.2%**	**1,480**	**3.4%**	**1,532**	**3.5%**
City University	1,130	1,170	3.5%	1,215	3.8%	1,264	4.0%	1,316	4.1%
Community College	215	216	0.5%	216	0.0%	216	0.0%	216	0.0%
Higher Education Services	**992**	**1,013**	**2.1%**	**1,035**	**2.2%**	**1,049**	**1.4%**	**1,059**	**1.0%**
Tuition Assistance Program	941	953	1.3%	965	1.3%	969	0.4%	970	0.1%
Scholarships/Awards	39	48	23.1%	58	20.8%	68	17.2%	77	13.2%
Aid for Part Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	**476**	**475**	**-0.2%**	**477**	**0.4%**	**477**	**0.0%**	**477**	**0.0%**
State University	470	469	-0.2%	471	0.4%	471	0.0%	471	0.0%
Other/Cornell	6	6	0.0%	6	0.0%	6	0.0%	6	0.0%

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

Annual growth by CUNY 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.

HEALTH CARE

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. DOH works with local health departments and social services departments, including New York City ("NYC"), 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.

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. Eligible services include inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care, FHP 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.

Chapter 59 of the Laws of 2011 limits the year-to-year growth in State funds Medicaid spending to the ten-year average change in the medical component of the CPI. The statutory provisions of the Medicaid spending cap also allows for flexibility in adjusting Medicaid projections to meet unanticipated costs resulting from the event of a natural or other type of disaster. The Executive Budget reflects the continuation of the Medicaid spending cap through FY 2016, and the Updated Financial Plan assumes that statutory authority will be extended in subsequent years. Based on updated data, allowable growth under the cap has been revised downward from 3.9 percent to 3.8 percent for FY 2015. The Updated Financial Plan also includes a forecast beginning in FY 2016 using the DOB medical CPI projection. This would lower the indexed Medicaid growth to 3.6 percent in FY 2016; 3.4 percent in FY 2017; and 3.3 percent in FY 2018. In total, the updated forecast will result in Financial Plan savings of $16 million in FY 2015; $64 million in FY 2016; $146 million in FY 2017; and $255 million in FY 2018.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS[1]

(millions of dollars)

	FY 2014 Current	FY 2015 Proposed	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Department of Health					
DOH State Share	16,421	16,961	17,741	18,329	18,915
Local Assistance	16,232	16,758	17,521	18,097	18,683
State Operations[2]	189	203	220	232	232
Annual Change - DOH Only		540	780	588	586
Annual % Change - DOH Only		3.3%	4.6%	3.3%	3.2%
Other State Agencies					
Mental Hygiene	4,875	4,935	5,197	5,156	5,560
Foster Care	87	88	92	95	99
Corrections	0	12	13	13	13
Total State Share (All Agencies)	**21,383**	**21,996**	**23,043**	**23,593**	**24,587**
Annual Change - Total State Share		613	1,047	550	994
Annual % Change - Total State Share		2.9%	4.8%	2.4%	4.2%

[1] Medicaid services growth is indexed to the 10-year average of CPI Medical, currently 3.8 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 beginning in FY 2014 reflects the transfer of the Office of Health Insurance Programs to Medicaid from Public Health without new spending.

The State share of DOH Medicaid spending is comprised of the General Fund, HCRA, provider assessment revenue, and indigent care payments. The following table provides information on the financing sources for State Medicaid spending (more information on HCRA can be found in the section entitled "HCRA Financial Plan"). Reflected in the total State share of Medicaid are increased annual statewide savings associated with the shifting of certain OPWDD-related Medicaid costs to DOH under the Medicaid Global Cap. It is expected that DOH, which has already begun implementing a savings plan designed to mitigate the impact of reduced Federal revenue associated with the reimbursement of Medicaid costs at State-operated facilities providing developmental disability services, will be able to absorb these additional costs without impact to the Financial Plan by generating savings from the continuation of successful MRT initiatives; improvements in cash management; and the utilization of Federal resources associated with the ACA.

DEPARTMENT OF HEALTH MEDICAID[1]

(millions of dollars)

	FY 2014 Current	FY 2015 Proposed	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
STATE OPERATING FUNDS	**16,421**	**16,961**	**3.3%**	**17,741**	**4.6%**	**18,329**	**3.3%**	**18,915**	**3.2%**
Total General Fund - Local	11,490	11,643	1.3%	12,361	6.2%	12,808	3.6%	13,335	4.1%
Total General Fund - State Operations	189	203	7.4%	220	8.4%	232	5.5%	232	0.0%
Other State Funds Support	4,742	5,115	7.9%	5,160	0.9%	5,289	2.5%	5,348	1.1%
HCRA Financing	3,181	3,538	11.2%	3,583	1.3%	3,712	3.6%	3,771	1.6%
Indigent Care Support	776	792	2.1%	792	0.0%	792	0.0%	792	0.0%
Provider Assessment Revenue	785	785	0.0%	785	0.0%	785	0.0%	785	0.0%

[1] Does not include Medicaid spending in other State agencies, transfers, or the local government share of total Medicaid program 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 is expected to exceed 5.8 million at the end of FY 2015, an increase of 6.3 percent from the FY 2014 caseload of 5.5 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 growth in the State share of Medicaid costs beginning in January 2014.

PUBLIC HEALTH/AGING PROGRAMS

Public Health includes 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 Elderly Pharmaceutical Insurance Coverage ("EPIC") program that provides prescription drug insurance to low-income seniors, and the Early Intervention ("EI") program that pays for services to infants and toddlers under the age of three with disabilities or developmental delays.

The State Office for the Aging ("SOFA") promotes and administers programs and services for New Yorkers 60 years of age and older. The Office primarily oversees community-based services (including 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 EI and GPHW programs, are run by county health departments and reimbursed by the State for a share of program costs. The State spending projections do not include the county share of public health funding. In addition, a significant portion of HCRA spending is included under the Public Health budget.

PUBLIC HEALTH AND AGING
(millions of dollars)

	FY 2014 Current	FY 2015 Proposed	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,172**	**1,829**	**-15.8%**	**1,811**	**-1.0%**	**1,782**	**-1.6%**	**1,813**	**1.7%**
Public Health	**2,058**	**1,715**	**-16.7%**	**1,690**	**-1.5%**	**1,658**	**-1.9%**	**1,686**	**1.7%**
Child Health Plus	399	417	4.5%	374	-10.3%	314	-16.0%	327	4.1%
General Public Health Work	178	192	7.9%	198	3.1%	207	4.5%	207	0.0%
EPIC	126	114	-9.5%	113	-0.9%	118	4.4%	122	3.4%
Early Intervention	163	163	0.0%	163	0.0%	163	0.0%	163	0.0%
HCRA Program	431	449	4.2%	453	0.9%	453	0.0%	453	0.0%
F-SHRP	384	0	-100.0%	0	n/a	0	0.0%	0	0.0%
All Other	377	380	0.8%	389	2.4%	403	3.6%	414	2.7%
Aging	**114**	**114**	**0.0%**	**121**	**6.1%**	**124**	**2.5%**	**127**	**2.4%**

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 incurred; however, these costs are expected to decrease beginning in FY 2016 when enhanced Federal participation rates become effective. The FY 2015 Executive Budget also plans on further reduced costs associated with CHP based on a proposal to transfer the rate-setting responsibilities associated with the CHP program from the DFS to DOH, thereby aligning the rate-setting methodology for the CHP program with other DOH managed care programs. This proposal would include freezing existing rates for one year, resulting in Financial Plan savings of $17 million in FY 2015; $13 million in 2016; and $8 million in FYs 2017 and 2018.

Based on actual claims in 2012 and estimated claims for 2013, GPHW costs for FY 2014 are estimated at $178 million, a decline of nearly $70 million over FY 2013 reimbursement levels. The projected disbursements from FY 2014 through FY 2018 reflect modest growth and include annualizing savings from leverage, other insurance for prenatal care services currently supported through GPHW.

The projected multiyear spending for the EPIC program reflects both disbursements and revenue related to enrollment changes, prescription drug medication, increase in generic drug claims, and rebates received from drug manufacturers.

The Executive Budget also includes an additional $25 million HCRA subsidy for the RPCI from FYs 2015 to 2018, which is intended to offset the expiration of capital grant awards in order to maintain the current level of State funding for the RPCI.

The Federal-State Health Reform Partnership ("F-SHRP") program, which 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, is expected to expire at the end of FY 2014.

HCRA FINANCIAL PLAN

HCRA was established in 1996 to help finance a portion of State health care activities. Extensions and modifications to HCRA have financed new health care programs, including FHP (medical assistance for those ineligible for Medicaid) and CHP. HCRA has also provided additional financing for the health care industry, including investments in worker recruitment and retention, and the Health Care Efficiency and Affordability Law for New Yorkers ("HEAL NY") program for capital improvements to health care facilities. HCRA authorization is expected to be extended for three years, through FY 2017, pursuant to legislation included in the Executive Budget.

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. Conversely, any unanticipated balances in HCRA are expected to finance Medicaid costs that would otherwise be paid for by the General Fund.

HCRA receipts include surcharges and assessments on hospital revenues, a "covered lives" assessment paid by insurance carriers, and a portion of cigarette tax revenues. Total HCRA revenues are estimated to grow by approximately 1.8 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 Executive Budget includes proposals which would lower costs associated with certain programs financed with HCRA revenue, most notably from a proposal to transfer the rate-setting responsibilities associated with the CHP program from DFS to DOH; and the recognition of new HCRA surcharge revenue dedicated to finance costs associated with the New York State of Health insurance marketplace, which will increase access to public and private insurance options for certain programs currently supported by the State, providing a net Financial Plan benefit.

The Executive Budget also includes initiatives to provide financing from increased covered lives assessment revenue for capital costs associated with the implementation of the new All-Payer Claims Database ("APCD") and Statewide Health Information Network for New York ("SHIN-NY"), which is expected to improve information capabilities and increase efficiency associated with health insurance claiming; as well as increased annual funding for RPCI from HCRA to offset the expiration of other capital grant award funding.

HCRA FINANCIAL PLAN FY 2014 THROUGH FY 2018 (millions of dollars)	FY 2014 Current	FY 2015 Proposed	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
OPENING BALANCE	**18**	**0**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,331**	**5,522**	**5,672**	**5,715**	**5,714**
Surcharges	2,787	2,962	3,111	3,176	3,263
Covered Lives Assessment	1,045	1,085	1,110	1,110	1,045
Cigarette Tax Revenue	1,037	985	949	911	873
Hospital Assessments	368	400	416	433	449
NYC Cigarette Tax Transfer/Other	94	90	86	85	84
TOTAL DISBURSEMENTS	**5,349**	**5,522**	**5,672**	**5,715**	**5,714**
Medicaid Assistance Account	3,181	3,538	3,582	3,711	3,771
Medicaid Costs	*2,334*	*3,080*	*3,435*	*3,564*	*3,624*
Family Health Plus	*650*	*311*	*0*	*0*	*0*
Workforce Recruitment & Retention	*197*	*147*	*147*	*147*	*147*
HCRA Program Account	448	463	466	466	466
Hospital Indigent Care	776	792	792	792	792
Elderly Pharmaceutical Insurance Coverage	139	127	126	131	135
Child Health Plus	405	425	383	323	337
Public Health Programs	29	0	0	0	0
New York State of Health	0	29	114	81	75
All Other	371	148	209	211	138
ANNUAL OPERATING SURPLUS/(DEFICIT)	**(18)**	**0**	**0**	**0**	**0**
CLOSING BALANCE	**0**	**0**	**0**	**0**	**0**

MENTAL HYGIENE

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

Legislation enacted in FY 2013 established the Justice Center for the Protection of People with Special Needs, which has 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 the Commission on Quality of Care and Advocacy for Persons with Disabilities ("CQCAPD") were subsumed by the Justice Center when it became operational on June 30, 2013. Additionally, the Federal Protection and Advocacy designation held by CQCAPD was transferred to an independent entity that directly receives Federal funding for that purpose.

MENTAL HYGIENE
(millions of dollars)

	FY 2014 Current	FY 2015 Proposed	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,833**	**2,910**	**2.7%**	**3,111**	**6.9%**	**3,128**	**0.5%**	**3,606**	**15.3%**
People with Developmental Disabilities	**1,420**	**1,459**	**2.7%**	**1,570**	**7.6%**	**1,501**	**-4.4%**	**1,849**	**23.2%**
Residential Services	1,519	1,563	2.9%	1,617	3.5%	1,697	4.9%	1,756	3.5%
Day Programs	549	556	1.3%	579	4.1%	615	6.2%	684	11.2%
Clinic	22	23	4.5%	23	0.0%	25	8.7%	26	4.0%
Other Local	60	62	3.3%	66	6.5%	69	4.5%	71	2.9%
Mental Hygiene Stabilization Fund	(730)	(745)	2.1%	(715)	-4.0%	(905)	26.6%	(688)	-24.0%
Mental Health	**1,097**	**1,135**	**3.5%**	**1,216**	**7.1%**	**1,290**	**6.1%**	**1,408**	**9.1%**
Adult Local Services	917	944	2.9%	1,018	7.8%	1,085	6.6%	1,189	9.6%
Children Local Services	180	191	6.1%	198	3.7%	205	3.5%	219	6.8%
Alcohol and Substance Abuse	**315**	**315**	**0.0%**	**324**	**2.9%**	**336**	**3.7%**	**348**	**3.6%**
Outpatient/Methadone	134	134	0.0%	137	2.2%	140	2.2%	144	2.9%
Residential	122	122	0.0%	125	2.5%	132	5.6%	138	4.5%
Prevention and Program Support	48	48	0.0%	50	4.2%	52	4.0%	54	3.8%
Crisis	11	11	0.0%	12	9.1%	12	0.0%	12	0.0%
CQCAPD/Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**

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 6.2 percent annually. The main factor driving this level of growth is the phase-down of the Mental Hygiene Stabilization Fund, whereby certain OPWDD-related Medicaid costs are shifted to DOH under the Medicaid Global Cap. When adjusting for the phase-down of the Mental Hygiene Stabilization Fund, local program spending is expected to increase by an average annual rate of 4.8 percent, and is mainly attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems, including costs associated with developing new OPWDD residential and non-residential services; the New York/New York III Supportive Housing agreement; a planned 2.5 percent annual COLA; and community beds that are currently under development for adult home and nursing home residents with mental illness. Additional outyear spending is assumed in Financial Plan estimates for costs associated with efforts to move individuals to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS.

The Executive Budget includes $745 million in annual State-share Medicaid savings beginning in FY 2015 (an increase of $15 million from FY 2014), declining to $688 million by FY 2018, associated with the Mental Hygiene Stabilization Fund, a statewide savings plan which shifts certain OPWDD-related Medicaid costs to DOH under the Medicaid Global Cap. It is expected that DOH, which has already begun implementing a savings plan designed to mitigate the impact of reduced Federal revenue associated with the reimbursement of Medicaid costs at State-operated mental hygiene facilities, will be able to assume these additional costs without adverse impact to the Updated Financial Plan by generating savings from the continuation of successful MRT initiatives; improving cash management; and utilizing Federal resources associated with the ACA. In total, the Mental Hygiene Stabilization Fund is expected to provide statewide Medicaid savings of $730 million in FY 2014; $745 million in FY 2015; $715 million in FY 2016; $905 million in FY 2017; and $688 million in FY 2018.

The Executive Budget also proposes to defer the FY 2015 statutorily-indexed cost-of-living increase for human services agencies, resulting in recurring annual savings of $76 million.

SOCIAL SERVICES

The Office of Temporary and Disability Assistance ("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 the 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 2014 Current	FY 2015 Proposed	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,377**	**1,235**	**-10.3%**	**1,259**	**1.9%**	**1,270**	**0.9%**	**1,281**	**0.9%**
SSI	751	653	-13.0%	676	3.5%	686	1.5%	695	1.3%
Public Assistance Benefits	502	459	-8.6%	459	0.0%	459	0.0%	459	0.0%
Welfare Initiatives	19	9	-52.6%	9	0.0%	9	0.0%	9	0.0%
All Other	105	114	8.6%	115	0.9%	116	0.9%	118	1.7%

The decline in OTDA spending from FY 2014 is driven by savings generated from the State taking over responsibility for administration of the State's SSI Supplementation program from the Federal government. This proposal was enacted in FY 2013 but due to the October 1, 2014 effective date of this proposal, savings were not expected until FY 2015. The decline in OTDA spending also reflects revisions to the State's projected costs for public assistance. The average public assistance caseload is projected to total 564,167 recipients in FY 2015, a decrease of 2.8 percent from FY 2014 levels. Approximately 249,131 families are expected to receive benefits through the Family Assistance program in FY 2015, a decrease of 3.6 percent from FY 2014. In the Safety Net program an average of 120,186 families are expected to be helped in FY 2015, a decrease of 4.2 percent from FY 2014. The caseload for single adults/childless couples supported through the Safety Net program is projected at 194,850 in FY 2015, a decrease of 0.8 percent from FY 2014.

The Office of Children and Family Services ("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 2014 Current	FY 2015 Proposed	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,587**	**1,646**	**3.7%**	**1,694**	**2.9%**	**1,739**	**2.7%**	**1,794**	**3.2%**
Child Welfare Service	455	410	-9.9%	425	3.7%	425	0.0%	426	0.2%
Foster Care Block Grant	436	436	0.0%	454	4.1%	473	4.2%	492	4.0%
Adoption	162	159	-1.9%	162	1.9%	166	2.5%	170	2.4%
Day Care	165	251	52.1%	251	0.0%	251	0.0%	251	0.0%
Youth Programs	132	154	16.7%	159	3.2%	159	0.0%	159	0.0%
Medicaid	87	88	1.1%	92	4.5%	95	3.3%	99	4.2%
Committees on Special Education	38	40	5.3%	42	5.0%	45	7.1%	48	6.7%
Adult Protective/Domestic Violence	31	32	3.2%	32	0.0%	32	0.0%	32	0.0%
All Other	81	76	-6.2%	77	1.3%	93	20.8%	117	25.8%

The OCFS spending growth in FY 2015 is primarily driven by an increase in General Fund spending on Day Care, which is necessary in order to keep spending on this program constant after a projected decrease in Federal funding. The spending growth also reflects increases in Youth Programs associated with the implementation of the Close to Home initiative. These increases are partially offset by a decrease in spending on Child Welfare Services, due to lower estimated claims. In addition, the Committees on Special Education growth is based on the five-year historical average of 4.5 percent pursuant to caseload changes and rate increases for both in-state and out-of-state placements.

TRANSPORTATION

In FY 2015, the DOT will provide $4.8 billion in local assistance to support the operating costs of the Statewide mass transit systems, financed from dedicated taxes and fees. The MTA, due to the size and scope of its transit and commuter rail systems, receives the majority of the statewide mass transit operating aid. Additionally, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District ("MCTD"). The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit and commuter rail systems. Pursuant to legislation enacted in December 2011 to eliminate the MTA payroll tax for all elementary and secondary schools and small business operators within the MCTD, the General Fund provides additional annual support to the MTA as compensation for the loss of revenue.

TRANSPORTATION (millions of dollars)	FY 2014 Current	FY 2015 Proposed	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**4,737**	**4,833**	**2.0%**	**4,897**	**1.3%**	**4,974**	**1.6%**	**5,056**	**1.6%**
Mass Transit Operating Aid:	2,105	2,159	2.6%	2,159	0.0%	2,159	0.0%	2,159	0.0%
Metro Mass Transit Aid	1,964	2,015	2.6%	2,015	0.0%	2,015	0.0%	2,015	0.0%
Public Transit Aid	89	92	3.4%	92	0.0%	92	0.0%	92	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	1,903	1,947	2.3%	2,020	3.7%	2,093	3.6%	2,172	3.8%
Dedicated Mass Transit	682	681	-0.1%	672	-1.3%	677	0.7%	680	0.4%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	2	1	-50.0%	1	0.0%	0	-100.0%	0	0.0%

Operating aid to the MTA and other transit systems is expected to increase in FY 2015 by 2.0 percent, reflecting the impact of timing associated with the availability of funding resources and growth assumed in the current receipts forecast.

The Executive Budget proposes to offset General Fund support for MTA-related debt service costs by transferring $40 million in dedicated resources from the MMTOA account to the General Debt Service Fund, with the expectation that $20 million in MMTOA resources will be available to offset MTA-related debt service costs on an annual basis beginning in FY 2016.

LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments includes the Aid and Incentives for Municipalities ("AIM") program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams; Miscellaneous Financial Assistance for certain counties, towns, and villages; and efficiency-based incentive grants provided to local governments.

LOCAL GOVERNMENT ASSISTANCE
(millions of dollars)

	FY 2014 Current	FY 2015 Proposed	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**764**	**764**	**0.0%**	**776**	**1.6%**	**788**	**1.5%**	**793**	**0.6%**
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%
Restructuring/Efficiency	11	19	72.7%	34	78.9%	46	35.3%	51	10.9%
All Other Local Aid	38	30	-21.1%	27	-10.0%	27	0.0%	27	0.0%

Spending for AIM efficiency incentive grants increases over the multi-year period reflects the anticipated awards from the Financial Restructuring Board for Local Governments.

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 costs include the salaries of State employees of the Executive, Legislative, and Judicial branches; as well as the salaries of temporary/seasonal employees. Non-personal service costs reflect the cost of operating State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, IT, and professional business services), supplies and materials, equipment, and telephone service. GSCs reflect the costs of fringe benefits (i.e., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State, such as taxes on public lands and litigations. Certain agency operations of Transportation and Motor Vehicles are included in the capital projects fund type and are 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 (i.e., 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 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Negotiated Base Salary Increases [1]						
CSEA/NYSCOPBA/Council 82/UUP	0	0	2%	2%	TBD	TBD
PEF / NYSPBA	0	0	2%	TBD	TBD	TBD
State Workforce[2]	119,756	119,413	119,173	119,173	119,173	119,173
ERS Pension Contribution Rate[3]						
Before Amortization (Normal/Admin/GLIP)	19.4%	21.5%	20.6%	14.6%	12.6%	11.2%
After Amortization	11.5%	12.5%	13.5%	14.2%	13.2%	12.2%
PFRS Pension Contribution Rate						
Before Amortization (Normal/Admin/GLIP)	26.6%	29.9%	28.5%	20.9%	18.9%	17.1%
After Amortization	19.5%	20.5%	21.5%	20.8%	19.8%	18.8%
Employee/Retiree Health Insurance Growth Rates	3.1%	3.8%	3.3%	6.5%	6.5%	6.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.5%	14.2%	14.4%	14.4%	14.2%	14.0%

[1] Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.
[2] Reflects workforce that is Subject to Direct Executive Control.
[3] As Percent of Salary.

Beginning in FY 2015, the majority of state agencies will be expected to hold personal service and non-personal service spending either at or below FY 2014 levels. As appropriate, agencies will need to establish new spending guidelines as well as maintain existing cost-control efforts to offset costs related to increasing operational expenses, including collective bargaining agreements which include 2 percent salary increases in FY 2015 and FY 2016 (for some unions), applicable lump sum payments of $225, and repayment of a portion of the deficit reduction adjustment made to employee salaries.

Gaming, Health Care, and SUNY are the primary areas expected to experience limited programmatic growth over the ensuing four years. The nominal growth in Gaming is attributable to the November 2013 referendum related to casino development. Increases in Health Care operational costs are primarily driven by the State's participation in NY State of Health, the State's insurance marketplace program as mandated by ACA. Beginning in FY 2015, program costs for NY State of Health will be partially offset by Federal grants; however, DOH must fully absorb the start-up costs by FY 2016. SUNY spending is driven by tuition funding and reflects anticipated operational needs.

The only additional exceptions to no growth are technical in nature and reflect funding reclassifications or administrative reconciliations. For example, growth in Temporary and Disability Assistance reflects the reclassification of local assistance contracts to agency operation spending; while the consolidation of state agency IT functions into one central agency, IT Services, drives a higher cost in FY 2015 compared to FY 2014. Furthermore, the State's workforce is paid on a bi-weekly basis, weekly pay cycles that alternate between Administrative and Institutional payrolls. There are typically 26 pay periods in a fiscal year. In FY 2016, employees in the Mental Hygiene and DOCCs facilities will have one additional institutional payroll.

In FY 2015, $12.6 billion or 13.7 percent of the State Operating Funds Budget is projected to be spent on personal service costs and supports roughly 98,500 FTE employees under direct Executive control and another 15,100 employees of the Legislature and Judiciary. Roughly 75 percent of all personal service spending occurs in four areas: SUNY, the Mental Hygiene agencies, DOCCS, and Judiciary.

STATE OPERATING FUNDS - AGENCY OPERATIONS
(millions of dollars)

	FY 2013 Results	FY 2014 Current	FY 2015 Proposed	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**9,819**	**9,830**	**9,896**	**10,166**	**10,021**	**9,993**
Mental Hygiene	2,914	2,889	2,840	2,855	2,854	2,854
Corrections and Community Supervision	2,741	2,584	2,570	2,570	2,570	2,570
State Police	601	651	648	648	648	648
Public Health	526	422	445	527	495	488
Tax and Finance	372	345	339	332	331	331
Children and Family Services	302	273	252	252	252	252
Environmental Conservation	231	234	233	234	234	212
Financial Services	193	203	202	202	202	202
Medicaid	21	189	203	220	232	232
Temporary and Disability Assistance	187	145	150	161	161	161
Parks, Recreation and Historic Preservation	180	183	178	178	178	178
Workers' Compensation Board	150	149	142	142	142	142
Gaming	124	151	166	165	165	166
General Services	145	168	148	148	148	148
Information Technology Services	60	237	418	424	424	424
Disaster Assistance	25	(43)	(25)	0	0	0
27th Institutional Payroll	0	0	0	124	0	0
All Other	1,047	1,050	987	984	985	985
UNIVERSITY SYSTEMS	**5,552**	**5,729**	**5,818**	**5,936**	**6,073**	**6,180**
State University	5,451	5,636	5,723	5,839	5,974	6,079
City University	101	93	95	97	99	101
INDEPENDENT AGENCIES	**297**	**304**	**309**	**309**	**309**	**309**
Law	160	165	168	168	168	168
Audit & Control	137	139	141	141	141	141
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**15,668**	**15,863**	**16,023**	**16,411**	**16,403**	**16,482**
Judiciary	1,812	1,873	1,926	1,926	1,926	1,926
Legislature	203	219	219	219	219	219
Statewide Total	**17,683**	**17,955**	**18,168**	**18,556**	**18,548**	**18,627**
Personal Service	12,403	12,376	12,585	12,821	12,795	12,840
	3.0%	-0.2%	1.7%	1.9%	-0.2%	0.4%
Non-Personal Service	5,280	5,579	5,583	5,735	5,753	5,787
	-2.3%	5.7%	0.1%	2.7%	0.3%	0.6%

STATE OPERATING FUNDS FY 2015 PERSONAL SERVICE SPENDING BY AGENCY (millions of dollars)	Dollars	FTEs
Subject to Direct Executive Control	**7,109**	**98,476**
Mental Hygiene Agencies	2,253	33,961
Corrections and Community Supervision	2,088	28,096
State Police	560	5,439
Tax and Finance	275	4,368
Health	264	3,851
Environmental Conservation	176	2,252
Children and Family Services	149	2,320
Financial Services	147	1,314
Parks, Recreation and Historic Preservation	132	1,592
All Other	1,065	15,283
University Systems	**3,603**	**43,606**
State University	3,537	43,339
City University	66	267
Independent Agencies	**1,873**	**18,229**
Law	114	1,578
Audit & Control	110	1,582
Judiciary	1,483	15,069
Legislature [1]	166	0
Total Spending / FTEs	**12,585**	**160,311**

[1] Excludes employees of the Legislature.

Note: CUNY employees are funded primarily through an agency trust fund. This represents approximately an additional 13,376 FTEs.

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 2014 Current	FY 2015 Proposed	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**6,976**	**7,367**	**5.6%**	**7,591**	**3.0%**	**7,745**	**2.0%**	**7,892**	**1.9%**
Fringe Benefits	**6,585**	**6,966**	**5.8%**	**7,193**	**3.3%**	**7,360**	**2.3%**	**7,499**	**1.9%**
Health Insurance	3,247	3,355	3.3%	3,555	6.0%	3,769	6.0%	3,997	6.0%
Employee Health Insurance	1,787	1,846	3.3%	1,956	6.0%	2,074	6.0%	2,199	6.0%
Retiree Health Insurance	1,460	1,509	3.4%	1,599	6.0%	1,695	6.0%	1,798	6.1%
Pensions	1,960	2,244	14.5%	2,325	3.6%	2,190	-5.8%	2,091	-4.5%
Social Security	962	990	2.9%	1,010	2.0%	1,031	2.1%	1,049	1.7%
All Other Fringe	416	377	-9.4%	303	-19.6%	370	22.1%	362	-2.2%
Fixed Costs	**391**	**401**	**2.6%**	**398**	**-0.7%**	**385**	**-3.3%**	**393**	**2.1%**

GSCs are projected to increase at an average annual rate of 3.2 percent over the Financial Plan period. This is primarily due to projected growth in health insurance and pension costs. Social security remains relatively stable and will move in tandem with the State's personal service assumptions. Fixed Costs will remain at approximately $395 million over the multi-year plan. The declines in FY 2016 and FY 2017 reflect the fulfillment of certain litigation payments against the State.

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

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

GENERAL FUND TRANSFERS TO OTHER FUNDS
(millions of dollars)

	FY 2014 Current	FY 2015 Proposed	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**8,519**	**8,672**	**9,471**	**10,126**	**10,555**
State Share of Mental Hygiene Medicaid	**1,813**	**1,488**	**1,313**	**1,281**	**1,281**
Debt Service	**1,628**	**1,119**	**1,434**	**1,468**	**1,520**
SUNY University Operations	**971**	**970**	**969**	**969**	**983**
Capital Projects	**1,078**	**1,439**	**1,571**	**1,932**	**2,161**
Dedicated Highway and Bridge Trust Fund	402	673	667	752	808
All Other Capital	676	766	904	1,180	1,353
ALL OTHER TRANSFERS	**3,029**	**3,656**	**4,184**	**4,476**	**4,610**
Mental Hygiene	1,808	2,454	3,004	3,285	3,417
Department of Transportation (MTA Tax)	332	335	335	336	336
SUNY - Disproportionate Share	228	228	228	228	228
Judiciary Funds	107	107	107	107	107
SUNY - Hospital Operations	67	69	69	69	69
Banking Services	59	50	52	54	55
Statewide Financial System	53	0	0	0	0
Indigent Legal Services	40	40	40	40	40
Mass Transportation Operating Assistance	37	37	37	37	37
Alcoholic Beverage Control	18	20	20	20	20
Information Technology Services	40	17	6	0	0
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	12	11	11	11
All Other	218	275	263	277	278

A significant portion of the capital and operating expenses of DOT and the Department of Motor Vehicles ("DMV") are funded from 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 $8.7 billion in FY 2015, a $153 million increase from FY 2014. This increase reflects higher transfers for capital projects due to the reduced availability of revenue in 2015; and higher costs for operating mental hygiene facilities in lieu of reduced Federal revenue. These higher transfers are offset by reduced debt service transfers due to the prepayment of FY 2015 expenses in 2014.

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 State public authorities (e.g., Empire State Development ("ESD"), DASNY, and the Thruway Authority, subject to an appropriation). Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2014 Current	FY 2015 Proposed	Annual Change	Percent Change
General Fund	**1,628**	**1,119**	**(509)**	**-31.3%**
Other State Support	4,433	4,570	137	3.1%
State Operating/All Funds Total	**6,061**	**5,689**	**(372)**	**-6.1%**

Total debt service is projected at $5.7 billion in FY 2015, of which $1.1 billion is paid from the General Fund through transfers, and $4.6 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 and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds.

Updated Financial Plan estimates for debt service spending have been revised to reflect a number of factors, including actual bond sale results to date, assumed debt management savings of $85 million in FY 2015, and increased debt service costs associated with proposed additional capital commitment levels. This includes the debt service impact resulting from 30 day amendments to increase SUNY bonded capital spending by $19 million. Also, FY 2014 spending estimates continue to assume the prepayment of $318 million of debt service that is due during FY 2015.

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 Position and Activities; the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds; the Statements of Net Position, Revenues, Expenses and Changes in Fund Net Position and Cash Flows for the Enterprise Funds; the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position; and the Combining Statements of Net Position 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 issued the Basic Financial Statements for FY 2013 in July 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, 2013	1,129	(308)	(186)	(499)	136	(739)
March 31, 2012	137	56	80	346	619	(1,868)
March 31, 2011	1,529	742	198	(568)	1,901	(2,009)

SUMMARY OF NET POSITION (millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2013	26,271	(922)	25,349
March 31, 2012	26,333	(658)	25,675
March 31, 2011	27,648	(618)	27,030

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 (including Other Supplementary Information) can also be accessed through the Municipal Securities Rulemaking Board's EMMA system at www.emma.msrb.org.

STATE RETIREMENT SYSTEMS

GENERAL

This section summarizes key information regarding the New York State and Local Retirement System ("NYSLRS" or the "Systems") and the Common Retirement Fund ("CRF"), a pooled investment vehicle in which the assets of the Systems are held and invested. Greater detail, including the independent auditor's report for the fiscal year ending March 31, 2013, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2013. 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 2013, 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. The Systems' audited Financial Statements, CAFR and Asset Listing for the fiscal year ending March 31, 2013 can also be accessed at that web page.

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 35 percent of the membership during FY 2013. There were 3,029 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 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 number of State employees who retired under the 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. 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 amortized amount receivable relating to the ERI, including accrued interest, from the State as of March 31, 2013 is $123.15 million and from participating employers is $85.56 million.

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 were required to contribute 3 percent of their salaries. A statutory change in 2000, however, limited the contributions to the first 10 years of membership, but did not authorize refunds where contributions had already exceeded 10 years. All ERS members joining after 2009 and prior to April 1, 2012, and all PFRS members joining after January 9, 2010 and prior to April 1, 2012, are members of Tier 5. All Tier 5 ERS members and 83.5 percent of the 1,805 Tier 5 PFRS members are required to contribute 3 percent of their salaries for their career. Members joining on or after April 1, 2012 are in Tier 6, and 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. 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 2015 were released in late August 2013. The average ERS rate decreased from 20.9 percent of salary in FY 2014 to 20.1 percent of salary in FY 2015, while the average PFRS rate decreased from 28.9 percent of salary in FY 2014 to 27.6 percent of salary in FY 2015. Information regarding average rates for FY 2015 may be found in the 2013 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, including accrued interest, pursuant to Chapter 260 from the State is $176.17 million and from participating employers is $47.55 million. The State paid approximately $1.4 billion in contributions (including Judiciary) for FY 2013 including amortization payments of approximately $235.04 million associated with Chapter 260 of the Laws of 2004, Chapter 57 of the Laws of 2010 and the 2010 retirement incentive program.

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. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. 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, FY 2012, FY 2013 and FY 2014, the interest rates are 5 percent, 3.75 percent, 3 percent and 3.67 percent, respectively. 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, 2013, the amortized amount receivable, including accrued interest, for the 2011 amortization is $209.75 million from the State and $36.73 million from 50 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is $517.03 million from the State and $194.15 million from 133 participating employers; and, the amortized amount receivable, including accrued interest, for the 2013 amortization is $780.43 million from the State and $370.73 million from 139 participating employers.

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 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 U.S. Treasury Security rate (3.76 percent for FY 2014). 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 total State payment (including Judiciary) for FY 2014 is approximately $2.744 billion. Prepayments (including interest credit) have reduced this amount by approximately $1.545 billion. If the State (including Judiciary) opts to amortize the maximum amount permitted, it would reduce the required March 1, 2014 payment by $937.0 million. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF as further described below under "Pension Assets and Liabilities".

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 position restricted for pension benefits as of March 31, 2013 was $164.2 billion (including $4.4 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 $10.8 billion or 7 percent from the FY 2012 level of $153.4 billion. The increase in net position restricted for pension benefits from FY 2012 to FY 2013 reflects, in large part, equity market performance[4]. The valuation used by the Systems Actuary was based on audited net assets available for benefits as of March 31, 2013. The audited Financial Statement reports a 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.[5]

The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $198.6 billion on April 1, 2012 to $204.5 billion (including $93.7 billion for current retirees and beneficiaries) on April 1, 2013. The funding method used by the Systems anticipates that the plan net position, 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 plan net position on April 1, 2013 in that the determination of actuarial assets utilized a smoothing method which recognized 20 percent of the unexpected gain for FY 2013, 40 percent of the unexpected loss for FY 2012, 60 percent of the unexpected gain for FY 2011 and 80 percent of the unexpected gain for FY 2010[6]. Effective April 1, 2013, the asset valuation method smoothes gains and losses based on the market value of all investments. Prior valuation of non-fixed income assets smoothed gains and losses based on market value, but fixed income assets were based on amortized cost. Actuarial assets increased from $147.8 billion on April 1, 2012 to $155.4 billion on April 1, 2013. The funded ratio, as of April 1,

---

[4] On February 11, 2014, the State Comptroller released a statement indicating that the value of the Systems' invested assets posted a 5.14 percent return for the quarter ending December 31, 2013. This report reflects unaudited data for assets invested for the Systems. The value of invested assets changes daily.

[5] More detail on the CRF's asset allocation as of March 31, 2013, long-term policy allocation and transition target allocation can be found on page 76 of the NYSLRS' CAFR for the fiscal year ending March 31, 2013.

[6] 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.

2013, calculated by the Systems Actuary in August 2013 using the entry age normal funding method and actuarial assets, was 89 percent[7].

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 funding 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.

[7] 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, 2013 can be found on page 56 of the NYSLRS' CAFR for the fiscal year ending March 31, 2013. Detail regarding employers' Annual Required Contributions for FY 2013 and each of the five previous fiscal years can be found on page 57 of the NYSLRS' CAFR for the fiscal year ending March 31, 2013.

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]
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
2013	5,336	3,385	1,950	269	9,521

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 57 of the NYSLRS CAFR for fiscal year ending March 31, 2013.
[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
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
2013	164,222	7.0

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, 2013 includes approximately $4.4 billion of receivables.

AUTHORITIES AND LOCALITIES

PUBLIC AUTHORITIES

For the purposes of this section, "authorities" refer to public benefit corporations or public authorities, created pursuant to State law, which are reported in the State's CAFR. Authorities are not subject to the constitutional restrictions on the incurrence of debt that apply to the State itself and may issue bonds and notes within the amounts and restrictions set forth in legislative authorization. The State's access to the public credit markets through bond issuances constituting State-supported or State-related debt issuances by certain of its authorities could be impaired and the market price of the outstanding debt issued on its behalf may be materially and adversely affected if these authorities were to default on their respective State-supported or State-related debt issuances.

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.

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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

As of December 31, 2012 (with respect to Job Development Authority or ("JDA"), as of March 31, 2013), 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**
Job Development Authority[2]	15	7,011	**7,026**
Long Island Power Authority[4]	0	6,757	**6,757**
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	52,572	118,407	**170,979**

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, 2013. This includes $7 billion in conduit debt issued by JDA's blended component units consisting of $6.5 billion issued by New York Liberty Development Corporation ($1.2 billion of which is also included in the amount reported for Port Authority of NY and NJ) and $511 million issued by the Brooklyn Arena Local Development Corporation. In addition, JDA has $15 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 Long Island Power Authority and ERDA.

THE CITY OF NEW YORK

The fiscal demands on the State may be affected by the fiscal condition of New York 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 New York City, and its related issuers, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and its related issuers 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 and its related issuers.

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
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
2013	41,592	29,203	0	1,985	1,245	3,000	2,360	0	79,385

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 STARC by the Mayor of the City of New York.

[3] Includes bonds issued by the Fiscal Year 2005 Securitization Corporation, the New York City Educational Construction Fund 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.

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 other than 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 2014, the State Legislature passed 24 special acts authorizing, or amending authorizations for, bond issuances to finance local government operating deficits, most recently for Rockland County and the City of Long Beach. When local governments are authorized to issue bonds to finance operating deficits, the local government generally is subject to certain additional fiscal oversight during the time the bonds are outstanding, including an annual budget review by OSC. 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 County 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 but did not prevail. NIFA is now exercising Control Period powers over Nassau County.

Various actions taken by NIFA or Nassau County have been the subject of Federal and State court decisions. For example, NIFA's imposition of a wage freeze is currently stayed pending the conclusion of certain State court actions, and the New York State Court of Appeals has recently held that Nassau County could not transfer the responsibility for certain tax refunds to local governments and school districts.

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 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 2014 or thereafter.

The City of Yonkers no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The Yonkers City School District is dependent upon the City of Yonkers as it lacks separate taxing authority for school operations. In January 2014, the Yonkers Board of Education identified an improper accrual of State aid that resulted in an unanticipated shortfall in available funds for operation of the Yonkers City School District. The extent of the shortfall, and potential actions to address the shortfall, remain under consideration by the City of Yonkers, the Yonkers Board of Education, and the State.

Legislation enacted in 2013 created the Financial Restructuring Board for Local Governments (the "Restructuring Board"). The Restructuring Board consists of ten members, including the Director of the State Budget, who is the Chair, the Attorney General, the State Comptroller, the Secretary of State and six members appointed by the Governor. The Restructuring Board, upon the request of a "fiscally eligible municipality," is authorized to perform a number of functions including reviewing the municipality's operations and finances, making recommendations on reforming and restructuring the municipality's operations, proposing that the municipality agree to fiscal accountability measures, and making available certain grants and loans. To date, the Restructuring Board has agreed to accept the requests for review of eight fiscally eligible municipalities. The Restructuring Board is also authorized, upon the joint request of the fiscally eligible municipality and a public employee organization, to resolve labor impasses between municipal employers and employee organizations for police, fire and certain other employees in lieu of binding arbitration before a public arbitration panel.

In June of 2013, OSC unveiled its Fiscal Stress Monitoring System—an early warning system that is intended to identify stress conditions in local communities, utilizing a number of fiscal and environmental indicators. Fiscal indicators consider measures of budgetary solvency while environmental indicators consider measures such as population, poverty, and tax base trends. Individual entities are then scored according to their performance on these indicators. An entity's score on the fiscal components will determine whether or not it is classified in one of three levels of stress: significant, moderate or susceptible. Entities that do not meet established scoring thresholds are classified as "No Designation."

The first set of scores was issued in 2013 for 1,043 calendar year local governments based on data filed for the 2012 fiscal year. Of these, 12 local governments were found to be in significant fiscal stress, including five counties, two cities, four towns and one village. Using data from 2013, 12 school districts and four additional villages were designated to be in significant fiscal stress. The vast majority of non-calendar year local governments (92.1 percent) and school districts (87.1 percent) are categorized as "No Designation."

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. In some cases, these delays have necessitated short-term borrowing at the local level.

Other factors 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; recent State aid trends; constitutional and statutory limitations on the imposition by local governments and school districts of property, sales and other taxes; 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 its related issuers and all other New York State localities from 1980 to 2012.

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
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	36,230	7,312	109,768	7,312
2012	77,318	0	36,384	7,057	113,702	7,057

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 New York City and its related issuers, 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 and its related issuers" 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 New York City Educational Construction Fund, 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.

LITIGATION AND ARBITRATION

REAL PROPERTY CLAIMS

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

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

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

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

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 has been approved by the State Legislature, and has been submitted for approval by the Federal Court.

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* was granted in great part through decisions on July 8, 2013 and July 23, 2013, holding that all claims are dismissed except for claims over the area known as the Hogansburg Triangle and a right of way claim against Niagara Mohawk, which will now proceed through discovery and additional motion practice.

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. The land claim has been stayed through at least April 7, 2014 to allow for settlement negotiations.

In *The Onondaga Nation v. The State of New York, et al.* ("NDNY"), plaintiff sought 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, and on October 15, 2013, the petition for writ of certiorari was denied by 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, 2014. 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. Pursuant to an agreed briefing schedule, the parties submitted to the Court their opening and responsive briefs for competing motions to dismiss the Nuclear Waste Policy Act claim. On November 20, 2013, the Court issued an order granting the State's motion to dismiss this claim for lack of ripeness, and denying the United States' motion to dismiss to the extent it sought a ruling on alternative grounds.

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* moved for leave to perfect their appeal notwithstanding their delay and the Appellate Division granted their request; their appeal was argued on November 12, 2013, when the plaintiffs conceded their claims that the statute was invalid, had been disposed of by the Second Department decision in the *Mangano* case described below and only argued their common law claims against the MTA . On December 19, 2013, the Appellate Division, Third Department, affirmed the judgment granting summary judgment against the plaintiffs. The plaintiffs have moved for leave to appeal to the Court of Appeals and that motion is awaiting decision.

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. All defendants appealed and in a Decision and Order dated June 26, 2013, the Appellate Division, Second Department, reversed the decision of Supreme Court, Nassau County, held that the Tax Law article in question was constitutional, and granted the defendants' motion for summary judgment. All plaintiffs appealed to the New York Court of Appeals. On October 10, 2013, the Court of Appeals dismissed the plaintiffs' appeal on the ground that the case presented no substantial constitutional question. Notwithstanding that ruling, the plaintiffs moved for leave to appeal to the Court of Appeals which motion was denied on January 14, 2014. 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 sought, 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. After the final decision by the Court of Appeals denying leave to appeal in Mangano, the petitioners in the Court of Claims case agreed to dismiss their case voluntarily and a formal stipulation to that effect is now being signed by all counsel.

SCHOOL AID

In *Maisto v. State of New York* (formerly identified as *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 pretrial conference is scheduled for September 2, 2014. The trial is scheduled for September 29, 2014.

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 appealed. On May 21, 2013, the Appellate Division, First Department, denied plaintiffs motion for a stay pending appeal. As a result, plaintiffs have agreed to vacate their preliminary injunction and the State will withdraw its appeal. The action remains pending in Supreme Court, New York County.

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. Defendants' motion to dismiss the amended complaint was returnable December 12, 2013.

In *New Yorkers for Students Educational Rights v. New York,* the organizational plaintiff and several individual plaintiffs commenced a new lawsuit on February 11, 2014, in Supreme Court, New York County, claiming that the State is not meeting its constitutional obligation to fund schools in New York City and throughout the State to provide students with an opportunity for a sound basic education. Plaintiffs specifically allege that the State is not meeting its funding obligations for New York City schools under the Court of Appeals decision in *Campaign for Fiscal Equity ("CFE") v. New York*, 8 N.Y.3d 14 (2006), and -- repeating the allegations of *Aristy-Farer* -- challenge legislation conditioning increased funding for New York City schools on the timely adoption of a teacher evaluation plan. With regard to other school districts throughout the State, plaintiffs allege that the State is not providing adequate Statewide funding, has not fully implemented certain 2007 reforms to the State aid system, has imposed gap elimination adjustments decreasing State aid to school districts, and has imposed caps on State aid increases, and on local property tax increases unless approved by a supermajority. Finally, they allege that the State has failed to provide assistance, services, accountability mechanisms, and a rational cost formula to ensure that students throughout the State have an opportunity for a sound basic education.

Plaintiffs seek a judgment declaring that the State has failed to comply with *CFE,* that the State has failed to comply with the command of State Constitution Article XI to provide funding for public schools across the State, and that the gap elimination adjustment and caps on State aid and local property tax increases are unconstitutional. They seek an injunction requiring the State to eliminate the gap elimination adjustments and caps on State aid and local property tax increases, to reimburse New York City for the funding that was withheld for failure to timely adopt a teacher evaluation plan, to provide greater assistance, services and accountability, to appoint an independent commission to determine the cost of providing students the opportunity for a sound basic education, and to revise State aid formulas.

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. 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. Supreme Court directed the defendant to re-compute Medicaid rates for the plaintiff's facilities, and that re-computation was completed in October 2013. The parties are presently conducting discovery. Plaintiffs have brought a motion, returnable March 5, 2014, to compel payment of the impacted Medicaid rates computed thus far by Department of Health staff, resulting from application of the reserve bed day methodology.

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 parties have moved for summary judgment and the motions are returnable March 18, 2014.

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.

In the arbitration proceeding commenced in 2010, the PMs asserted that the Settling States involved failed to diligently enforce their escrow statutes in 2003. The PMs sought 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.

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 Panel issued its awards on September 11, 2013. New York was found to have diligently enforced its qualifying statute in 2003 and, thus, is not subject to an NPM Adjustment for 2003. Nine states, including New York, were found to be "diligent"; six states were found to have been "not diligent".

In December 2012, during the pendency of the arbitration, the PMs and 19 states (collectively the "Signatory Parties") agreed to a term sheet purportedly settling the NPM Adjustment disputes for 2003-2012 (3 additional states joined later). New York and 31 (later became 28) 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, had New York been 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, have moved in its state court to vacate or modify the Partial Award notwithstanding the Panel's finding. New York's motion has been adjourned several times. The six states that were found "not diligent" are all actively pursuing motions in their state courts to vacate or modify the Partial Award as well as to vacate the Panel's findings regarding that state's diligence.

FINANCIAL PLAN TABLES

The cash financial plan tables listed below appear on the following pages and summarize actual General Fund receipts and disbursements for fiscal year 2013 and projected receipts and disbursements for fiscal years 2014 through 2017 on a General Fund, State Operating Funds and All Governmental Funds basis.

The Executive Budget for FY 2015 proposes limiting annual growth in State Operating Funds spending to 2 percent or less, consistent with the spending benchmark adopted by the current Administration in FY 2012. **The Financial Plan projections for FY 2016 and thereafter set forth in this AIS Update reflects the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as "Adherence to 2% State Operating Funds Spending Benchmark."** Total disbursements in Financial Plan tables and discussion do not assume this spending limit and without adherence to this spending limit, deficits could result.

GENERAL FUND - TOTAL BUDGET

Financial Plan, Annual Change from FY 2013 to FY 2014
Financial Plan Projections FY 2014 through FY 2018
Update to FY 2014
Update to FY 2015
Update to FY 2016
Update to FY 2017

GENERAL FUND - RECEIPTS DETAIL (EXCLUDING TRANSFERS)

Financial Plan Projections FY 2015 through FY 2018

STATE OPERATING FUNDS BUDGET

FY 2014
FY 2015
FY 2016
FY 2017

ALL GOVERNMENTAL FUNDS - TOTAL BUDGET

FY 2014
FY 2015
FY 2016
FY 2017

CASHFLOW - FY 2014 MONTHLY PROJECTIONS

General Fund

Generally Accepted Accounting Principles - General Fund Basis

Update of FY 2014 (Change from AIS)

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

	FY 2013 Results	FY 2014 Current	Annual $ Change	Annual % Change
Opening Fund Balance	1,787	1,610	(177)	-9.9%
Receipts:				
Taxes:				
Personal Income Tax	26,884	28,732	1,848	6.9%
User Taxes and Fees	9,112	6,525	(2,587)	-28.4%
Business Taxes	6,253	5,988	(265)	-4.2%
Other Taxes	1,034	1,238	204	19.7%
Miscellaneous Receipts	3,504	3,251	(253)	-7.2%
Federal Receipts	62	2	(60)	-96.8%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,328	8,790	462	5.5%
Sales Tax in Excess of LGAC	2,416	2,560	144	6.0%
Sales Tax in Excess of Revenue Bond Debt Service	0	2,927	2,927	-
Real Estate Taxes in Excess of CW/CA Debt Service	541	626	85	15.7%
All Other	649	1,014	365	56.2%
Total Receipts	58,783	61,653	2,870	4.9%
Disbursements:				
Local Assistance Grants	39,760	40,383	623	1.6%
Departmental Operations:				
Personal Service	6,130	5,704	(426)	-6.9%
Non-Personal Service	1,726	1,950	224	13.0%
General State Charges	4,550	4,904	354	7.8%
Transfers to Other Funds:				
Debt Service	1,647	1,628	(19)	-1.2%
Capital Projects	916	1,078	162	17.7%
State Share of Mental Hygiene Medicaid	2,846	1,813	(1,033)	-36.3%
SUNY Operations	340	971	631	185.6%
Other Purposes	1,045	3,029	1,984	189.9%
Total Disbursements	58,960	61,460	2,500	4.2%
Excess (Deficiency) of Receipts Over Disbursements	(177)	193	370	209.0%
Closing Fund Balance	1,610	1,803	193	12.0%
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	45	(32)	
Debt Management	113	363	250	

Source: NYS DOB.

CASH FINANCIAL PLAN GENERAL FUND FY 2014 through FY 2018 (millions of dollars)	FY 2014 Current	FY 2015 Proposed	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Receipts:					
Taxes:					
Personal Income Tax	28,732	29,669	31,555	33,437	34,861
User Taxes and Fees	6,525	6,714	6,929	7,154	7,396
Business Taxes	5,988	5,612	5,852	5,833	6,013
Other Taxes	1,238	1,192	1,054	853	604
Miscellaneous Receipts	3,251	3,857	3,072	2,646	2,149
Federal Receipts	2	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	8,790	9,162	9,556	10,019	10,353
Sales Tax in Excess of LGAC	2,560	2,640	2,750	2,887	3,094
Sales Tax in Excess of Revenue Bond Debt Service	2,927	2,918	2,928	2,938	2,940
Real Estate Taxes in Excess of CW/CA Debt Service	626	675	716	772	846
All Other	1,014	1,076	929	896	894
Total Receipts	61,653	63,515	65,341	67,435	69,150
Disbursements:					
Local Assistance Grants	40,383	41,797	43,984	46,022	48,364
Departmental Operations:					
Personal Service	5,704	5,880	5,979	5,942	5,962
Non-Personal Service	1,950	1,961	2,008	2,002	2,051
General State Charges	4,904	5,265	5,433	5,542	5,655
Transfers to Other Funds:					
Debt Service	1,628	1,119	1,434	1,468	1,520
Capital Projects	1,078	1,439	1,571	1,932	2,161
State Share of Mental Hygiene Medicaid	1,813	1,488	1,313	1,281	1,281
SUNY Operations	971	970	969	969	983
Other Purposes	3,029	3,656	4,184	4,476	4,610
Total Disbursements	61,460	63,575	66,875	69,634	72,587
Use (Reservation) of Fund Balance:					
Community Projects Fund	25	68	0	0	0
Prior-Year Labor Agreements (2007-2011)	32	(8)	(11)	(12)	(11)
Debt Management	(250)	0	0	0	0
Total Use (Reservation) of Fund Balance	(193)	60	(11)	(12)	(11)
Adherence to 2% State Operating Funds Spending Benchmark			1,699	2,375	3,622
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	0	0	154	164	174

Source: NYS DOB.

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

	Enacted	Change	Mid-Year	Change	Executive (Amended)
Receipts:					
Taxes:					
Personal Income Tax	28,488	0	28,488	244	28,732
User Taxes and Fees	6,548	0	6,548	(23)	6,525
Business Taxes	6,375	(27)	6,348	(360)	5,988
Other Taxes	1,069	0	1,069	169	1,238
Miscellaneous Receipts	3,096	210	3,306	(55)	3,251
Federal Receipts	2	0	2	0	2
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	8,840	0	8,840	(50)	8,790
Sales Tax in Excess of LGAC	2,546	(1)	2,545	15	2,560
Sales Tax in Excess of Revenue Bond Debt Service	2,894	0	2,894	33	2,927
Real Estate Taxes in Excess of CW/CA Debt Service	532	0	532	94	626
All Other	866	205	1,071	(57)	1,014
Total Receipts	61,256	387	61,643	10	61,653
Disbursements:					
Local Assistance Grants	40,258	0	40,258	125	40,383
Departmental Operations:					
Personal Service	5,681	5	5,686	18	5,704
Non-Personal Service	1,883	(1)	1,882	68	1,950
General State Charges	4,953	(31)	4,922	(18)	4,904
Transfers to Other Funds:					
Debt Service	1,328	318	1,646	(18)	1,628
Capital Projects	1,227	0	1,227	(149)	1,078
State Share of Mental Hygiene Medicaid	1,813	0	1,813	0	1,813
SUNY Operations	971	0	971	0	971
Other Purposes	3,043	2	3,045	(16)	3,029
Total Disbursements	61,157	293	61,450	10	61,460
Use (Reservation) of Fund Balance:					
Community Projects Fund	25	0	25	0	25
Prior-Year Labor Agreements (2007-2011)	26	6	32	0	32
Debt Management	(250)	0	(250)	0	(250)
Undesignated Fund Balance	100	(100)	0	0	0
Total Use (Reservation) of Fund Balance	(99)	(94)	(193)	0	(193)
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	0	0	0	0	0

Source: NYS DOB.

CASH FINANCIAL PLAN GENERAL FUND FY 2015 (millions of dollars)					
	Enacted	Change	Mid-Year	Change	Executive (Amended)
Receipts:					
Taxes:					
Personal Income Tax	29,423	(26)	29,397	272	29,669
User Taxes and Fees	6,814	(8)	6,806	(92)	6,714
Business Taxes	5,854	(43)	5,811	(199)	5,612
Other Taxes	1,144	0	1,144	48	1,192
Miscellaneous Receipts	3,551	44	3,595	262	3,857
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	9,124	(9)	9,115	47	9,162
Sales Tax in Excess of LGAC	2,664	(3)	2,661	(21)	2,640
Sales Tax in Excess of Revenue Bond Debt Service	2,938	(4)	2,934	(16)	2,918
Real Estate Taxes in Excess of CW/CA Debt Service	608	0	608	67	675
All Other	764	4	768	308	1,076
Total Receipts	62,884	(45)	62,839	676	63,515
Disbursements:					
Local Assistance Grants	42,598	0	42,598	(801)	41,797
Departmental Operations:					
Personal Service	5,850	2	5,852	28	5,880
Non-Personal Service	1,968	(1)	1,967	(6)	1,961
General State Charges	5,328	0	5,328	(63)	5,265
Transfers to Other Funds:					
Debt Service	1,483	(318)	1,165	(46)	1,119
Capital Projects	1,384	0	1,384	55	1,439
State Share of Mental Hygiene Medicaid	1,338	0	1,338	150	1,488
SUNY Operations	971	0	971	(1)	970
Other Purposes	4,003	0	4,003	(347)	3,656
Total Disbursements	64,923	(317)	64,606	(1,031)	63,575
Use (Reservation) of Fund Balance:					
Community Projects Fund	35	0	35	33	68
Prior-Year Labor Agreements (2007-2011)	(10)	0	(10)	2	(8)
Total Use (Reservation) of Fund Balance	25	0	25	35	60
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	(2,014)	272	(1,742)	1,742	0
Source: NYS DOB.					

GENERAL FUND
FY 2016
(millions of dollars)

	Enacted	Change	Mid-Year	Change	Executive (Amended)
Receipts:					
Taxes:					
Personal Income Tax	31,541	(49)	31,492	63	31,555
User Taxes and Fees	7,094	(9)	7,085	(156)	6,929
Business Taxes	6,349	(48)	6,301	(449)	5,852
Other Taxes	1,159	0	1,159	(105)	1,054
Miscellaneous Receipts	2,682	94	2,776	296	3,072
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	9,572	(16)	9,556	0	9,556
Sales Tax in Excess of LGAC	2,808	(5)	2,803	(53)	2,750
Sales Tax in Excess of Revenue Bond Debt Service	2,976	(5)	2,971	(43)	2,928
Real Estate Taxes in Excess of CW/CA Debt Service	683	0	683	33	716
All Other	719	4	723	206	929
Total Receipts	65,583	(34)	65,549	(208)	65,341
Disbursements:					
Local Assistance Grants	45,056	0	45,056	(1,072)	43,984
Departmental Operations:					
Personal Service	6,111	2	6,113	(134)	5,979
Non-Personal Service	2,005	(1)	2,004	4	2,008
General State Charges	5,604	0	5,604	(171)	5,433
Transfers to Other Funds:					
Debt Service	1,452	0	1,452	(18)	1,434
Capital Projects	1,400	0	1,400	171	1,571
State Share of Mental Hygiene Medicaid	1,311	0	1,311	2	1,313
SUNY Operations	971	0	971	(2)	969
Other Purposes	4,548	0	4,548	(364)	4,184
Total Disbursements	68,458	1	68,459	(1,584)	66,875
Use (Reservation) of Fund Balance:					
Community Projects Fund	33	0	33	(33)	0
Prior-Year Labor Agreements (2007-2011)	(14)	2	(12)	1	(11)
Total Use (Reservation) of Fund Balance	19	2	21	(32)	(11)
Adherence to 2% State Operating Funds Spending Benchmark					1,699
Net General Fund Surplus (Deficit)					154

Source: NYS DOB.

CASH FINANCIAL PLAN GENERAL FUND FY 2017 (millions of dollars)					
	Enacted	Change	Mid-Year	Change	Executive (Amended)
Receipts:					
Taxes:					
Personal Income Tax	33,619	(74)	33,545	(108)	33,437
User Taxes and Fees	7,275	(10)	7,265	(111)	7,154
Business Taxes	6,579	(56)	6,523	(690)	5,833
Other Taxes	1,169	0	1,169	(316)	853
Miscellaneous Receipts	2,653	144	2,797	(151)	2,646
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,066	(25)	10,041	(22)	10,019
Sales Tax in Excess of LGAC	2,921	(5)	2,916	(29)	2,887
Sales Tax in Excess of Revenue Bond Debt Service	2,960	(5)	2,955	(17)	2,938
Real Estate Taxes in Excess of CW/CA Debt Service	739	0	739	33	772
All Other	722	4	726	170	896
Total Receipts	68,703	(27)	68,676	(1,241)	67,435
Disbursements:					
Local Assistance Grants	47,276	0	47,276	(1,254)	46,022
Departmental Operations:					
Personal Service	6,127	2	6,129	(187)	5,942
Non-Personal Service	2,086	(1)	2,085	(83)	2,002
General State Charges	5,873	0	5,873	(331)	5,542
Transfers to Other Funds:					
Debt Service	1,345	0	1,345	123	1,468
Capital Projects	1,799	0	1,799	133	1,932
State Share of Mental Hygiene Medicaid	1,279	0	1,279	2	1,281
SUNY Operations	971	0	971	(2)	969
Other Purposes	4,853	1	4,854	(378)	4,476
Total Disbursements	71,609	2	71,611	(1,977)	69,634
Use (Reservation) of Fund Balance:					
Community Projects Fund	0	0	0	0	0
Prior-Year Labor Agreements (2007-2011)	(14)	1	(13)	1	(12)
Total Use (Reservation) of Fund Balance	(14)	1	(13)	1	(12)
Adherence to 2% State Operating Funds Spending Benchmark					2,375
Net General Fund Surplus (Deficit)					164
Source: NYS DOB.					

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
FY 2015 THROUGH FY 2018
(millions of dollars)

	FY 2015 Proposed	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Taxes:				
Withholdings	35,049	37,260	39,290	40,655
Estimated Payments	14,274	15,744	16,926	17,851
Final Payments	2,316	2,478	2,680	2,786
Other Payments	1,261	1,311	1,356	1,409
Gross Collections	52,900	56,793	60,252	62,701
State/City Offset	(498)	(498)	(498)	(498)
Refunds	(8,271)	(9,591)	(10,414)	(10,915)
Reported Tax Collections	44,131	46,704	49,340	51,288
STAR (Dedicated Deposits)	(3,429)	(3,473)	(3,568)	(3,605)
RBTF (Dedicated Transfers)	(11,033)	(11,676)	(12,335)	(12,822)
Personal Income Tax	29,669	31,555	33,437	34,861
Sales and Use Tax	12,138	12,580	13,046	13,544
Cigarette and Tobacco Taxes	389	378	365	353
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	256	261	266	271
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	12,783	13,219	13,677	14,168
LGAC/STBF (Dedicated Transfers)	(6,069)	(6,290)	(6,523)	(6,772)
User Taxes and Fees	6,714	6,929	7,154	7,396
Corporation Franchise Tax	2,406	2,488	2,411	2,510
Corporation and Utilities Tax	622	607	624	642
Insurance Taxes	1,375	1,426	1,397	1,371
Bank Tax	1,209	1,331	1,401	1,490
Petroleum Business Tax	0	0	0	0
Business Taxes	5,612	5,852	5,833	6,013
Estate Tax	1,175	1,037	836	587
Real Estate Transfer Tax	873	913	969	1,039
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	17	17	17	17
Other Taxes	0	0	0	0
Gross Other Taxes	2,065	1,967	1,822	1,643
Real Estate Transfer Tax (Dedicated)	(873)	(913)	(969)	(1,039)
Other Taxes	1,192	1,054	853	604
Payroll Tax	0	0	0	0
Total Taxes	43,187	45,390	47,277	48,874
Licenses, Fees, Etc.	817	858	614	704
Abandoned Property	655	655	655	655
Motor Vehicle Fees	155	155	155	155
ABC License Fee	56	65	61	62
Reimbursements	219	219	219	219
Investment Income	30	30	30	30
Other Transactions	1,925	1,090	912	324
Miscellaneous Receipts	3,857	3,072	2,646	2,149
Federal Receipts	0	0	0	0
Total	47,044	48,462	49,923	51,023

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	1,610	2,368	381	4,359
Receipts:				
Taxes	42,483	8,222	17,311	68,016
Miscellaneous Receipts	3,251	15,428	797	19,476
Federal Receipts	2	1	72	75
Total Receipts	45,736	23,651	18,180	87,567
Disbursements:				
Local Assistance Grants	40,383	19,112	0	59,495
Departmental Operations:				
Personal Service	5,704	6,672	0	12,376
Non-Personal Service	1,950	3,590	39	5,579
General State Charges	4,904	2,072	0	6,976
Debt Service	0	0	6,061	6,061
Capital Projects	0	11	0	11
Total Disbursements	52,941	31,457	6,100	90,498
Other Financing Sources (Uses):				
Transfers from Other Funds	15,917	8,693	5,118	29,728
Transfers to Other Funds	(8,519)	(1,154)	(17,132)	(26,805)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,398	7,539	(12,014)	2,923
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	193	(267)	66	(8)
Closing Fund Balance	1,803	2,101	447	4,351

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	1,803	2,101	447	4,351
Receipts:				
Taxes	43,187	8,356	17,856	69,399
Miscellaneous Receipts	3,857	15,684	815	20,356
Federal Receipts	0	1	73	74
Total Receipts	47,044	24,041	18,744	89,829
Disbursements:				
Local Assistance Grants	41,797	19,014	0	60,811
Departmental Operations:				
Personal Service	5,880	6,705	0	12,585
Non-Personal Service	1,961	3,579	43	5,583
General State Charges	5,265	2,102	0	7,367
Debt Service	0	0	5,689	5,689
Capital Projects	0	5	0	5
Total Disbursements	54,903	31,405	5,732	92,040
Other Financing Sources (Uses):				
Transfers from Other Funds	16,471	8,346	4,374	29,191
Transfers to Other Funds	(8,672)	(966)	(17,385)	(27,023)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,799	7,380	(13,011)	2,168
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(60)	16	1	(43)
Closing Fund Balance	1,743	2,117	448	4,308

Source: NYS DOB.

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2016 (millions of dollars)	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	45,390	8,535	18,760	72,685
Miscellaneous Receipts	3,072	15,834	772	19,678
Federal Receipts	0	1	73	74
Total Receipts	48,462	24,370	19,605	92,437
Disbursements:				
Local Assistance Grants	43,984	19,357	0	63,341
Departmental Operations:				
Personal Service	5,979	6,842	0	12,821
Non-Personal Service	2,008	3,684	43	5,735
General State Charges	5,433	2,158	0	7,591
Debt Service	0	0	6,360	6,360
Capital Projects	0	5	0	5
Total Disbursements	57,404	32,046	6,403	95,853
Other Financing Sources (Uses):				
Transfers from Other Funds	16,879	8,473	4,507	29,859
Transfers to Other Funds	(9,471)	(847)	(17,702)	(28,020)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,408	7,626	(13,195)	1,839
Use (Reservation) of Fund Balance:				
Community Projects Fund	0			0
Prior-Year Labor Agreements (2007-2011)	(11)			(11)
Total Use (Reservation) of Fund Balance	(11)	0	0	(11)
Adherence to 2% State Operating Funds Spending Benchmark	1,699	0	0	1,699
Net General Fund Surplus (Deficit)	154	(50)	7	111

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	47,277	8,762	19,708	75,747
Miscellaneous Receipts	2,646	15,750	748	19,144
Federal Receipts	0	1	73	74
Total Receipts	49,923	24,513	20,529	94,965
Disbursements:				
Local Assistance Grants	46,022	19,329	0	65,351
Departmental Operations:				
Personal Service	5,942	6,853	0	12,795
Non-Personal Service	2,002	3,708	43	5,753
General State Charges	5,542	2,203	0	7,745
Debt Service	0	0	6,763	6,763
Capital Projects	0	5	0	5
Total Disbursements	59,508	32,098	6,806	98,412
Other Financing Sources (Uses):				
Transfers from Other Funds	17,512	8,572	4,510	30,594
Transfers to Other Funds	(10,126)	(811)	(18,204)	(29,141)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,386	7,761	(13,694)	1,453
Use (Reservation) of Fund Balance:				
Prior-Year Labor Agreements (2007-2011)	(12)			(12)
Total Use (Reservation) of Fund Balance	(12)	0	0	(12)
Adherence to 2% State Operating Funds Spending Benchmark	2,375	0	0	2,375
Net General Fund Surplus (Deficit)	164	176	29	369

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
Opening Fund Balance	1,610	2,371	(485)	381	3,877
Receipts:					
Taxes	42,483	8,222	1,398	17,311	69,414
Miscellaneous Receipts	3,251	15,614	4,188	797	23,850
Federal Receipts	2	45,186	2,246	72	47,506
Total Receipts	45,736	69,022	7,832	18,180	140,770
Disbursements:					
Local Assistance Grants	40,383	59,446	2,107	0	101,936
Departmental Operations:					
Personal Service	5,704	7,331	0	0	13,035
Non-Personal Service	1,950	4,646	0	39	6,635
General State Charges	4,904	2,398	0	0	7,302
Debt Service	0	0	0	6,061	6,061
Capital Projects	0	11	5,885	0	5,896
Total Disbursements	52,941	73,832	7,992	6,100	140,865
Other Financing Sources (Uses):					
Transfers from Other Funds	15,917	7,884	1,458	5,118	30,377
Transfers to Other Funds	(8,519)	(3,341)	(1,442)	(17,132)	(30,434)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	7,398	4,543	354	(12,014)	281
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	193	(267)	194	66	186
Closing Fund Balance	1,803	2,104	(291)	447	4,063

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
Opening Fund Balance	1,803	2,104	(291)	447	4,063
Receipts:					
Taxes	43,187	8,356	1,395	17,856	70,794
Miscellaneous Receipts	3,857	15,870	4,768	815	25,310
Federal Receipts	0	43,666	2,053	73	45,792
Total Receipts	47,044	67,892	8,216	18,744	141,896
Disbursements:					
Local Assistance Grants	41,797	58,688	2,422	0	102,907
Departmental Operations:					
Personal Service	5,880	7,335	0	0	13,215
Non-Personal Service	1,961	4,562	0	43	6,566
General State Charges	5,265	2,403	0	0	7,668
Debt Service	0	0	0	5,689	5,689
Capital Projects	0	5	6,111	0	6,116
Total Disbursements	54,903	72,993	8,533	5,732	142,161
Other Financing Sources (Uses):					
Transfers from Other Funds	16,471	7,938	1,558	4,374	30,341
Transfers to Other Funds	(8,672)	(2,822)	(1,514)	(17,385)	(30,393)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	7,799	5,116	350	(13,011)	254
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(60)	15	33	1	(11)
Closing Fund Balance	1,743	2,119	(258)	448	4,052

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	45,390	8,535	1,392	18,760	74,077
Miscellaneous Receipts	3,072	16,020	5,129	772	24,993
Federal Receipts	0	45,129	1,685	73	46,887
Total Receipts	48,462	69,684	8,206	19,605	145,957
Disbursements:					
Local Assistance Grants	43,984	60,639	2,081	0	106,704
Departmental Operations:					
Personal Service	5,979	7,505	0	0	13,484
Non-Personal Service	2,008	4,642	0	43	6,693
General State Charges	5,433	2,481	0	0	7,914
Debt Service	0	0	0	6,360	6,360
Capital Projects	0	5	7,326	0	7,331
Total Disbursements	57,404	75,272	9,407	6,403	148,486
Other Financing Sources (Uses):					
Transfers from Other Funds	16,879	8,065	1,709	4,507	31,160
Transfers to Other Funds	(9,471)	(2,526)	(1,521)	(17,702)	(31,220)
Bond and Note Proceeds	0	0	1,120	0	1,120
Net Other Financing Sources (Uses)	7,408	5,539	1,308	(13,195)	1,060
Use (Reservation) of Fund Balance:					
Community Projects Fund	0				0
Prior-Year Labor Agreements (2007-2011)	(11)				(11)
Total Use (Reservation) of Fund Balance	(11)	0	0	0	(11)
Adherence to 2% State Operating Funds Spending Benchmark	1,699	0	0	0	1,699
Net General Fund Surplus (Deficit)	154	(49)	107	7	219

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	47,277	8,762	1,401	19,708	77,148
Miscellaneous Receipts	2,646	15,936	4,529	748	23,859
Federal Receipts	0	46,485	1,642	73	48,200
Total Receipts	49,923	71,183	7,572	20,529	149,207
Disbursements:					
Local Assistance Grants	46,022	62,146	1,832	0	110,000
Departmental Operations:					
Personal Service	5,942	7,526	0	0	13,468
Non-Personal Service	2,002	4,580	0	43	6,625
General State Charges	5,542	2,531	0	0	8,073
Debt Service	0	0	0	6,763	6,763
Capital Projects	0	5	6,532	0	6,537
Total Disbursements	59,508	76,788	8,364	6,806	151,466
Other Financing Sources (Uses):					
Transfers from Other Funds	17,512	8,165	2,067	4,510	32,254
Transfers to Other Funds	(10,126)	(2,384)	(1,599)	(18,204)	(32,313)
Bond and Note Proceeds	0	0	415	0	415
Net Other Financing Sources (Uses)	7,386	5,781	883	(13,694)	356
Use (Reservation) of Fund Balance:					
Prior-Year Labor Agreements (2007-2011)	(12)	0	0	0	(12)
Total Use (Reservation) of Fund Balance	(12)	0	0	0	(12)
Adherence to 2% State Operating Funds Spending Benchmark	2,375	0	0	0	2,375
Net General Fund Surplus (Deficit)	164	176	91	29	460

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2014
(dollars in millions)

	2013 April Results	May Results	June Results	July Results	August Results	September Results	October Results	November Results	December Results	2014 January Results	February Projected	March Projected	Total
OPENING BALANCE	1,610	6,379	3,744	4,805	4,407	3,642	6,273	5,521	4,533	5,887	8,127	8,530	1,610
RECEIPTS:													
Personal Income Tax	4,993	1,790	2,448	1,812	1,662	2,866	1,797	1,331	2,869	3,235	2,347	1,582	28,732
User Taxes and Fees	540	431	664	525	506	657	505	505	657	537	458	540	6,525
Business Taxes	355	109	946	87	65	1,007	99	71	958	187	61	2,043	5,988
Other Taxes	91	111	75	138	76	112	200	96	88	106	102	43	1,238
Total Taxes	5,979	2,441	4,133	2,562	2,309	4,642	2,601	2,003	4,572	4,065	2,968	4,208	42,483
Abandoned Property	0	0	0	1	4	54	12	134	18	34	50	218	525
ABC License Fee	6	6	5	6	6	6	6	5	5	5	4	3	63
Investment Income	0	0	0	0	0	0	0	0	0	0	1	1	2
Licenses, Fees, etc.	41	82	70	61	63	74	93	101	32	21	23	20	681
Motor Vehicle Fees	28	(24)	(4)	0	0	0	0	0	94	(94)	13	13	26
Reimbursements	8	1	56	10	10	51	3	19	45	14	3	2	222
Other Transactions	38	2	580	29	(7)	291	36	19	140	51	96	457	1,732
Total Miscellaneous Receipts	121	67	707	107	76	476	150	278	334	31	190	714	3,251
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	2	2
PIT in Excess of Revenue Bond Debt Service	1,664	421	956	393	202	1,140	391	170	1,026	971	517	939	8,790
Tax in Excess of LGAC	214	47	464	227	167	297	223	222	297	237	4	161	2,560
Sales Tax Bond Fund	163	271	302	226	226	297	216	215	290	241	210	270	2,927
Real Estate Taxes in Excess of CW/CA Debt Service	41	57	34	54	61	72	71	71	62	73	30	0	626
All Other	35	59	18	(16)	1	219	43	67	154	83	0	351	1,014
Total Transfers from Other Funds	2,117	855	1,774	884	657	2,025	944	745	1,829	1,605	761	1,721	15,917
TOTAL RECEIPTS	8,217	3,363	6,614	3,553	3,042	7,143	3,695	3,026	6,735	5,701	3,919	6,645	61,653
DISBURSEMENTS:													
School Aid	188	2,489	1,617	169	600	1,379	638	1,062	1,547	311	441	6,797	17,238
Higher Education	19	8	598	450	132	54	442	29	101	160	332	456	2,781
All Other Education	23	261	52	151	75	72	337	40	26	258	204	520	2,019
Medicaid - DOH	973	1,253	803	1,016	1,145	598	868	1,225	1,048	542	998	1,021	11,490
Public Health	23	46	23	24	139	48	23	52	80	46	50	133	687
Mental Hygiene	2	0	235	1	2	234	161	3	239	101	113	243	1,334
Children and Families	62	58	170	30	104	262	66	64	129	234	70	335	1,584
Temporary & Disability Assistance	151	105	164	105	109	99	101	102	108	99	47	187	1,377
Transportation	0	23	1	0	25	0	0	24	14	0	11	0	98
Unrestricted Aid	0	11	387	2	1	91	11	1	186	1	1	72	764
All Other	8	19	196	25	38	37	(15)	39	105	(35)	54	540	1,011
Total Local Assistance Grants	1,449	4,273	4,246	1,973	2,370	2,874	2,632	2,641	3,583	1,717	2,321	10,304	40,383
Personal Service	447	525	435	578	440	437	509	430	566	421	435	481	5,704
Non-Personal Service	116	154	112	141	153	119	122	147	129	129	205	423	1,950
Total Departmental Operations	563	679	547	719	593	556	631	577	695	550	640	904	7,654
General State Charges	443	603	113	619	384	235	618	358	296	492	392	351	4,904
Debt Service	567	(187)	(61)	397	(2)	(253)	594	(2)	(4)	405	(18)	192	1,628
Capital Projects	66	111	95	(18)	126	200	(203)	(1)	41	170	65	426	1,078
State Share Medicaid	40	226	301	44	235	312	1	147	64	102	73	268	1,813
SUNY Operations	210	210	210	182	0	0	0	159	0	0	0	0	971
Other Purposes	110	83	102	35	101	588	174	135	706	25	43	927	3,029
Total Transfers to Other Funds	993	443	647	640	460	847	566	438	807	702	163	1,813	8,519
TOTAL DISBURSEMENTS	3,448	5,998	5,553	3,951	3,807	4,512	4,447	4,014	5,381	3,461	3,516	13,372	61,460
Excess/(Deficiency) of Receipts over Disbursements	4,769	(2,635)	1,061	(398)	(765)	2,631	(752)	(988)	1,354	2,240	403	(6,727)	193
CLOSING BALANCE	6,379	3,744	4,805	4,407	3,642	6,273	5,521	4,533	5,887	8,127	8,530	1,803	1,803

Source: NYS DOB.

GAAP FINANCIAL PLAN GENERAL FUND FY 2014 (millions of dollars)			
	AIS Enacted	**Change**	**Current AIS Update**
Receipts:			
Taxes:			
Personal Income Tax	26,552	1,061	27,613
User Taxes and Fees	6,402	151	6,553
Business Taxes	6,266	(212)	6,054
Other Taxes	1,121	78	1,199
Miscellaneous Receipts	5,863	449	6,312
Federal Receipts	2	0	2
Total Receipts	46,206	1,527	47,733
Disbursements:			
Local Assistance Grants	42,223	(85)	42,138
Departmental Operations	11,950	158	12,108
General State Charges	6,616	77	6,693
Debt Service	0	0	0
Capital Projects	0	0	0
Total Disbursements	60,789	150	60,939
Other Financing Sources (Uses):			
Transfers From Other Funds	17,731	74	17,805
Transfers To Other Funds	(5,885)	(285)	(6,170)
Proceeds From Financing Arrangements/ Advance Refundings	504	0	504
Net Other Financing Sources (Uses)	12,350	(211)	12,139
Operating Surplus/(Deficit)	(2,233)	1,166	(1,067)

Source: NYS DOB.