



Update to Annual Information Statement State of New York

March 2, 2015

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Introduction

This is the third quarterly update (the “AIS Update”) to the Annual Information Statement of the State of New York (the “AIS”), dated June 11, 2014. The first quarterly update was issued on September 4, 2014, and the second quarterly update was issued on November 24, 2014. This AIS Update contains information only through March 2, 2015 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 24, 2014 (the “Prior Quarterly Update”). This summary includes the estimated impact of the Governor’s Executive Budget proposal for Fiscal Year (“FY”) 2016, as amended (the “Executive Budget”), a report on which was issued on February 25, 2015 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 FY 2015 through FY 2018¹ and initial projections for FY 2019 (the “Updated Financial Plan” or “Executive Budget Financial Plan”), (b) an updated economic forecast, and (c) operating results through the third quarter of FY 2015.
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 “Other Matters Affecting 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 released in September 2014).
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 fiscal year 2014 and projected receipts and disbursements for fiscal years 2015 through 2018 on a General Fund, State Operating Funds and All Governmental Funds basis.

¹ The fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2015 (“FY 2015”) is the fiscal year that began on April 1, 2014 and will end on March 31, 2015.

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

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections or other information relating to the State's financial position or condition, including potential operating results for the current fiscal year and projected budget gaps for future fiscal years that may vary materially from the information provided in this AIS 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, and contains statements relating to future results and economic performance that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. 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. The forward-looking statements contained herein are based on the State's expectations and are necessarily dependent upon assumptions, estimates and data that the State believes are reasonable as of the date made but that may be incorrect, incomplete or imprecise or not reflective of actual results. 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, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this AIS Update.

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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 issuances. The State has filed this AIS Update with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. An electronic copy of this AIS Update can be accessed through 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.

On July 29, 2014, OSC issued the Basic Financial Statements for FY 2014 (ended March 31, 2014). 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 2014 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). Such availability does not imply that there have been no changes in the financial position of the State at any time subsequent to the posting of this information. 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. No incorporation by reference or republication of any information contained on any website is intended or shall be deemed to have occurred as a result of the inclusion of any website address in this AIS Update.

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

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Budgetary and Accounting Practices

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

The State's **General Fund** receives the majority of State taxes and all income not earmarked for a particular program or activity. State law requires the Governor to submit, and the Legislature to enact, a General Fund budget that is balanced on a cash basis of accounting. The State Constitution and State Finance Law do not provide a precise definition of budget balance. In practice, the General Fund is considered balanced if sufficient resources are, or are expected to be, available during the fiscal year for the State to: (a) make all planned payments, including Personal Income Tax ("PIT") refunds, without the issuance of deficit notes or bonds or extraordinary cash management actions, (b) restore the balances in the Tax Stabilization Reserve and Rainy Day Reserve to levels at or above the levels on deposit when the fiscal year began, and (c) maintain other reserves, as required by law. For purposes of calculating budget balance, the General Fund includes transfers to and from other funds.

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

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

State Operating Funds is a broader measure of spending for operations (as distinct from capital purposes) that is funded with State resources. It includes financial activity not only in the General Fund, but also State-funded Special Revenue funds and debt service funds (spending from capital projects funds and Federal funds is excluded). As more financial activity occurred in funds outside of the General Fund, State Operating Funds became, in DOB's view, a more comprehensive measure 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 Health Care Reform Act funds, the latter being State Special Revenue Funds. The State Operating Funds perspective captures Medicaid disbursements from both of these fund types, giving a more complete accounting of State-funded Medicaid disbursements. For such reasons, the discussion of disbursement projections often emphasizes the State Operating Funds perspective.

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

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

State Finance Law also requires DOB to prepare a *pro forma* GAAP financial plan for informational purposes. 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.

The State Financial Plan projections for future years have often shown budget gaps in the General Fund. Budget gaps represent the difference between: (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain current services levels and specific commitments, and (b) the expected level of resources to pay for these disbursements. Any General Fund gap estimates are based on a number of assumptions and projections developed by the DOB in conjunction with other State agencies. Some projections are based on specific, known information (e.g., a statutory requirement to increase payments to a prescribed level), while others are based on more uncertain or speculative information (e.g., the pace at which a new program will enroll recipients). In addition, the Financial Plan assumes that money appropriated in one fiscal year will continue to be appropriated in future years, even for programs that were not created in permanent law and that the State has no obligation to fund. Funding levels for nearly all State programs are made (or, in the case of two-year appropriations, reviewed) annually, taking into account the current and projected fiscal position of the State. The Financial Plan projections for FY 2016 and thereafter set forth in this AIS Update reflect 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 spending to no greater than 2 percent. However, total disbursements in Financial Plan tables and discussion do not reflect these savings. The estimated savings are labeled in the Financial Plan tables as “Adherence to 2 percent State Operating Funds (SOF) Spending Benchmark”. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

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Overview of the Updated Financial Plan

The Governor submitted his Executive Budget proposal for FY 2016 on January 21, 2015, and amendments through February 20, 2015, as permitted by law. On February 25, 2015, 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 2015), and projections for FY 2016 through FY 2019, which reflect the estimated impact of the Governor's Executive Budget proposals, as amended.

The projections for FY 2016 through FY 2019 assume that the Legislature enacts the Governor's Executive Budget proposal in its entirety and without modification by the start of FY 2016, which begins on April 1, 2015. 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 2016, when adopted, will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.

Current Fiscal Year (FY 2015)

General Fund receipts, including transfers from other funds, are expected to total \$68.7 billion in FY 2015, an increase of \$939 million from the estimate in the Prior Quarterly Update. Since the Prior Quarterly Update, DOB has increased its estimate of miscellaneous receipts expected in FY 2015 from monetary settlement payments by \$587 million. The full list of settlements is described in "Monetary Settlements" herein. Excluding the settlements, General Fund receipts have been revised upward by \$323 million. The estimate for tax receipts has been increased by \$383 million, mainly reflecting stronger than expected PIT collections to date². The increase in estimated tax receipts is offset by a \$60 million reduction to the estimate for miscellaneous receipts (excluding settlements) and transfers. Both changes are based on a review of current-year results.

General Fund disbursements, including transfers to other funds, are expected to total \$63.2 billion, an increase of \$10 million from the estimate in the Prior Quarterly Update. Excluding the prepayments described below, spending has been revised downward by \$200 million, reflecting lower spending across a range of programs based on operating results to date and other information.

As a result of these changes to receipts and disbursements, DOB estimates that the State will end the current fiscal year with a General Fund operating surplus of \$525 million on a cash basis of accounting. The surplus calculation excludes the impact of the monetary settlements.

² Excludes changes to estimated tax receipts that are due to changes in the estimated debt service for PIT Bonds, Local Government Assistance Corporation ("LGAC") Bonds, Sales Tax Revenue Bonds, and Clean Air/Clean Water Bonds, and changes to STAR.

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The State plans to make a \$315 million deposit to its rainy day reserves at the end of the current fiscal year, the maximum amount allowable under current law. The planned deposit would be the third since FY 2012, and would bring the balance in the rainy day reserves to \$1.8 billion. The remaining operating surplus from FY 2015 is expected to be used to prepay, in the current year, \$210 million in debt service that is due in FY 2016.

SAVINGS/(COSTS) (millions of dollars)	
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE	0
Receipts Revisions	<u>323</u>
Tax Receipts ¹	383
Miscellaneous Receipts/Other Non-Tax Revenue ^{2,3}	(60)
Spending Revisions	<u>200</u>
Local Assistance	16
Agency Operations (incl. GSCs)	84
Transfers to Other Funds	100
Use of Prior-Term Labor Agreements Reserve	2
OPERATING SURPLUS	<u>525</u>
Deposit to Rainy Day Reserves	(315)
Prepayment of FY 2016 Debt Service Obligation	(210)
REVISED BUDGET SURPLUS/(GAP) ESTIMATE	<u>0</u>
¹ Excludes transfers from other funds after revisions to estimated debt service costs, and STAR.	
² Excludes the receipt of additional monetary settlements since the Mid-Year Update.	
³ Includes accounting reclassifications which impact certain financial plan categories, but do not result in a net Financial Plan impact.	

DOB estimates that the State will end FY 2015 with a General Fund cash balance of \$7.8 billion, an increase of \$929 million from that estimated with the Prior Quarterly Update. The balance consists of \$1.8 billion in rainy day reserves (after planned deposits), \$500 million designated for debt management purposes, \$51 million for the costs of labor settlements covering prior periods, and \$21 million in the Contingency Reserve Fund. In addition, the balance is expected to include \$5.4 billion from the monetary settlements.

Risks to the current estimates remain. For example, while tax receipts have exceeded expectations, 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. (See “Other Matters Affecting the State Financial Plan” herein.)

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Monetary Settlements

During FY 2015, DFS, Department of Law, and the Manhattan District Attorney's Office reached financial settlements with a number of banks for violations of New York banking laws, and a number of insurance companies for violations of New York insurance laws. As reflected in the Updated Financial Plan, the State expects to receive a total of \$5.7 billion in FY 2015 from monetary settlements. The 2015 Enacted Budget Financial Plan described in the AIS assumed \$275 million in receipts from financial settlements in FY 2015, leaving \$5.4 billion in unbudgeted settlements. To date, the State has received approximately \$4.3 billion of the total now expected from settlements in FY 2015. The Updated Financial Plan continues to assume settlements of \$250 million in FY 2016, and \$100 million in both FY 2017 and FY 2018, unchanged from the 2015 Enacted Budget Financial Plan.

SUMMARY OF SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS (millions of dollars)	
Monetary Settlements Known/Expected	5,680
BNP Paribas	3,591
Department of Financial Services (DFS)	2,243
Asset Forfeiture (DANY)	1,348
Credit Suisse AG	715
Bank of Tokyo Mitsubishi	315
Bank of America	300
Standard Chartered Bank	300
Bank Leumi	130
Ocwen Financial	100
Citigroup (State Share)	92
MetLife Parties	50
American International Group	35
PricewaterhouseCoopers	25
AXA Equitable Life Insurance Company	20
Other Settlements (TBD)	7
Settlements Budgeted in FY 2015 Financial Plan	(275)
Transfer to Support OASAS Chemical Dependence Program	(5)
Proposed Use of Available Settlements	(5,400)
Special Infrastructure	(3,050)
Upstate Revitalization	(1,500)
Reserve for Risks	(850)

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In comparison to the Prior Quarterly Update, DOB has increased its estimate of monetary settlements by \$587 million to include estimated resources from settlements associated with the Bank of Tokyo Mitsubishi (“BTMU”), Bank Leumi USA and Bank Leumi Le-Israel, B.M. (collectively “Bank Leumi”), Ocwen Financial Corporation and Ocwen Loan Servicing, LLC (collectively “Ocwen”), and American International Group, Inc. (“AIG”).

List of Settlements

The following are brief descriptions of all the settlements identified since the start of the fiscal year:

- BNP Paribas, S.A. New York Branch (“BNPP”) will pay the State nearly \$3.6 billion pursuant to (i) a June 29, 2014 consent order between the Department of Financial Services (“DFS”) and BNPP and (ii) a June 30, 2014 plea agreement between BNPP and the New York County District Attorney in connection with conduct by BNPP which violated U.S. national security and foreign policy and raised serious safety and soundness concerns for regulators, including the obstruction of governmental administration, failure to report crimes and misconduct, offering false instruments for filing, and falsifying business records. To date, the State has received approximately \$2.24 billion; the remaining payments are expected to be received by the State by the end of FY 2015.
- Credit Suisse AG paid \$715 million as a civil monetary penalty to the State pursuant to a May 18, 2014 consent order between DFS and Credit Suisse AG stemming from Credit Suisse AG’s decades-long operation of an illegal cross-border banking business whereby Credit Suisse AG knowingly and willfully aided thousands of U.S. clients in opening and maintaining undeclared accounts and concealing their offshore assets and income from the Internal Revenue Service and New York authorities.
- BTMU paid a \$315 million civil monetary penalty pursuant to a November 18, 2014 consent order between DFS and BTMU. The consent order pertains to actions taken by BTMU which wrongfully misled DFS in connection with its understanding of BTMU’s U.S. dollar clearing services on behalf of sanctioned Sudanese, Iranian, and Burmese parties, the transactions of which were settled through the New York Branch and other New York financial institutions. BTMU had previously paid to the State a \$250 million civil monetary penalty pursuant to a previous June 19, 2013 consent order between DFS and BTMU related to BTMU unlawfully clearing through the New York Branch and other New York-based financial institutions an estimated 28,000 U.S. dollar payments, valued at approximately \$100 billion, on behalf of certain sanctioned parties.
- Bank of America (“BoFA”) paid \$300 million to the State pursuant to an August 18, 2014 settlement agreement to remediate harms related to BoFA’s violations of State law in connection with the packaging, origination, marketing, sale, structuring, arrangement, and issuance of residential mortgage-backed securities and collateralized debt obligations. The settlement agreement is the result of investigations by Federal and State entities into Bank of America Corporation, Bank of America, N.A., and Banc of America Mortgage Securities, as well as their current and former subsidiaries and affiliates.

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- Standard Chartered Bank, New York Branch (“SCB NY”) paid \$300 million to the State pursuant to an August 19, 2014 consent order between the DFS and SCB NY for failure to fully comply with a September 21, 2012 consent order between the parties by operating with certain ineffective risk management systems for the identification and management of compliance risks related to compliance with the Bank Security Act (“BSA”) and anti-money laundering (“AML”) laws, rules, and regulations, including BSA/AML risks related to U.S. dollar clearing for clients of SCB United Arab Emirates and SCB Hong Kong, among others.
- Bank Leumi paid a \$130 million civil monetary penalty pursuant to a December 22, 2014 consent order between DFS and Bank Leumi. The consent order pertains to (i) Bank Leumi’s knowing and willful operation of a wrongful cross-border banking business to assist U.S. clients in concealing assets offshore and evading U.S. tax obligations, and (ii) Bank Leumi misleading DFS about Bank Leumi’s improper activities.
- Ocwen paid a \$100 million civil monetary penalty and another \$50 million as restitution to current and former Ocwen borrowers pursuant to a December 19, 2014 consent order between DFS and Ocwen. The consent order pertains to numerous and significant violations of a 2011 agreement between Ocwen and DFS which required Ocwen to adhere to certain servicing practices in the best interest of borrowers and investors. The \$100 million payment is to be used by the State for housing, foreclosure relief, and community redevelopment programs supporting New York’s housing recovery. The \$50 million restitution payment will be used to pay \$10,000 to current and former Ocwen-services borrowers in New York whose homes were foreclosed upon by Ocwen between January 1, 2009 and December 19, 2014. The balance of the \$50 million will then be distributed equally among borrowers who had foreclosure actions filed against them by Ocwen between January 1, 2009 and December 19, 2014, but in which Ocwen did not complete such foreclosure action.
- Citigroup Inc. (“Citigroup”) paid \$92 million to the State pursuant to a July 2014 settlement agreement to remediate harms to the State resulting from the packaging, marketing, sale, structuring, arrangement, and issuance of residential mortgage-backed securities and collateralized debt obligations. The settlement agreement is the result of investigations by Federal and State entities into Citigroup.
- American Life Insurance Company (“ALICO”), Delaware American Life Insurance Company (“DelAm”), and MetLife, Inc. (“MetLife”) (collectively “MetLife Parties”) paid \$50 million as a civil fine pursuant to a March 31, 2014 consent order between DFS and MetLife. The consent order related to a DFS investigation into whether ALICO and DelAm conducted an insurance business in New York without a New York license and aided other insurers in doing an insurance business in New York without a New York license.

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- AIG paid a \$35 million civil monetary penalty pursuant to an October 31, 2014 consent order between DFS and AIG. This consent order pertains to misrepresentations and omissions made by a former AIG subsidiary concerning its insurance business activities in New York.
- PricewaterhouseCoopers LLP (“PwC”) paid \$25 million to the State pursuant to an August 14, 2014 settlement agreement between the DFS and PwC to (i) resolve the DFS’s investigation of PwC’s actions in performing certain consulting services for the Tokyo Branch of The Bank of Tokyo-Mitsubishi UFJ, Ltd. in 2007 and 2008, and (ii) establish the basis for a constructive relationship between the parties that will better protect investors and the public.
- AXA Equitable Life Insurance Company (“AXA”) paid \$20 million as a civil fine pursuant to a March 17, 2014 consent order between DFS and AXA. The consent order related to whether AXA properly informed DFS regarding the implementation of its “AXA Tactical Manager” strategy.

Uses of Monetary Settlements

The Executive Budget recommends using the one-time resources from the monetary settlements to fund one-time purposes, rather than using them for recurring expenditures, which would make it harder to balance future budgets. A large share of the settlement resources is expected to be used to fund new capital investments.

The Executive Budget proposes establishing a new capital fund called the Dedicated Infrastructure Investment Fund (“DIIF”), to allow settlement money to be set aside for the purposes it is intended to fund. The Executive Budget proposes transferring \$4.6 billion of the settlement funds from the General Fund to the DIIF during FY 2016. These resources will reside in the DIIF initially and be transferred to other capital funds, as needed, to fund the following initiatives:

- **Thruway Stabilization Program (\$1.3 billion):** The Updated Financial Plan includes \$1.285 billion to fund the Thruway Stabilization Program for expenses related to both the New NY Bridge, which will replace the Tappan Zee Bridge, and the statewide New York State Thruway system.
- **Penn Station Access (\$250 million):** The MTA’s Penn Station Access project, which will open a new Metro-North link directly into Penn Station, is expected to provide enhanced system resiliency, improvement in regional mobility, and construction of four new Metro-North stations in the Bronx.
- **Infrastructure Improvements (\$115 million):** The Updated Executive Budget Financial Plan provides \$115 million for infrastructure improvements to support transportation, upstate transit, rail, airport, port, and other infrastructure improvements or economic development projects.

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- **Broadband Initiative (\$500 million):** The Updated Executive Budget Financial Plan proposes to establish a \$500 million New NY Broadband Initiative to expand the availability and capacity of broadband across the State or development of other telecommunication infrastructure. This program is intended to expand the creation of ultra-high-speed networks and promote broadband adoption.
- **Hospitals (\$400 million):** The Updated Executive Budget Financial Plan provides up to \$400 million of grants to essential health care providers that facilitate mergers, consolidation, acquisition, or other significant corporate restructuring activities intended to create a financially sustainable system of care intended to promote a patient-centered model of health care delivery. An essential health care provider is a hospital or hospital system that offers health services in a region deemed to be underserved by the Health Commissioner. Funding may be used to restructure debt obligations or fund improvements to facilitate mergers and consolidations of hospitals in rural communities.
- **Transit-Oriented Development (\$150 million):** The Updated Executive Budget Financial Plan includes funding to create new transit-oriented development, including but not limited to, the development of structured parking facilities at Nassau hub and Ronkonkoma hub.
- **Resiliency, Mitigation, Security, and Emergency Response (\$150 million):** The Updated Executive Budget Financial Plan proposes \$150 million in settlement funds be provided to support preparedness and response efforts related to severe weather events. These funds will also support efforts to prevent, prepare for, and respond to acts of terrorism, other public safety and health emergencies, and natural and manmade disasters.
- **Municipal Restructuring (\$150 million):** The Updated Executive Budget Financial Plan provides \$150 million to assist and encourage local governments and school districts to implement shared services, cooperation agreements, mergers, and other actions that permanently reduce operational costs and property tax burdens.
- **Southern Tier/Hudson Valley Farm Initiative (\$50 million):** The Updated Executive Budget Financial Plan includes \$50 million to help landowners in the Southern Tier and Hudson Valley maintain and develop farming, agricultural, and related businesses.
- **Upstate Revitalization Program (\$1.5 Billion):** The Updated Executive Budget Financial Plan includes \$1.5 billion in funding for the Upstate New York Economic Revitalization Competition, whereby \$500 million grants will be awarded to each of three upstate regions.

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The DIIF legislation would permit unused portions of the funds placed in DIIF to be made available in case of economic downturn, to prepare for, prevent, deter or respond to acts of terrorism, natural or manmade disasters or public safety, health or other emergencies and/or to offset declines in Federal Medicare or Medicaid revenues in excess of \$100 million, and related State share, from anticipated levels. This would provide the State with potential additional reserves for use in emergencies or for other purposes. The Executive Budget assumes these resources will not be used for these purposes.

Other Uses

- **Financial Plan Reserve for Potential Risks (\$850 million):** The Updated Executive Budget proposes setting aside \$850 million in monetary settlement funds for potential risks to the Executive Budget Financial Plan.
- **OASAS:** The Updated Executive Budget Financial Plan assumes that \$5 million of settlement funds will be used to expand services provided by OASAS to individuals with dependencies on alcohol or drugs, or who have gambling problems.³

³ Under State forfeiture laws, a portion of the settlement with BNP Paribas is expected to be deposited initially in the State special revenue account for chemical dependence. The Executive Budget recommends retaining \$5 million in the account for OASAS purposes and transferring other resources from this deposit to the General Fund.

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Multi-Year Financial Plan Revisions (FY 2016 and Outyears)

DOB estimates that the Executive Budget proposal for FY 2016 would, if enacted without modification, provide for balanced operations in the General Fund, as provided by law. The following table summarizes the projected annual changes in receipts, disbursements, and fund balances in the General Fund from FY 2015 to FY 2016.

GENERAL FUND FINANCIAL PLAN				
(millions of dollars)				
	FY 2015 Current	FY 2016 Proposed	Annual Change	
			Dollar	Percent
Opening Fund Balance	2,235	7,768	5,533	247.6%
Taxes (After Debt Service)	58,434	62,286	3,852	6.6%
Miscellaneous Receipts/Federal Grants	8,876	2,926	(5,950)	-67.0%
Other Transfers	1,404	878	(526)	-37.5%
Total Receipts	68,714	66,090	(2,624)	-3.8%
Local Assistance Grants	41,986	43,916	1,930	4.6%
Departmental Operations:	7,872	8,232	360	4.6%
Personal Service	5,849	6,064	215	3.7%
Non-Personal Service	2,023	2,168	145	7.2%
General State Charges	4,977	5,213	236	4.7%
Transfers to Other Funds	8,346	13,268	4,922	59.0%
Total Disbursements	63,181	70,629	7,448	11.8%
Excess (Deficiency) of Receipts Over Disbursements	5,533	(4,539)	(10,072)	-182.0%
Closing Fund Balance	7,768	3,229	(4,539)	-58.4%
Statutory Reserves:				
"Rainy Day" Reserve Funds	1,796	1,796	0	
Community Projects Fund	0	0	0	
Contingency Reserve Fund	21	21	0	
Fund Balance Reserved for:				
Debt Management	500	500	0	
Prior-Term Labor Agreements	51	62	11	
Monetary Settlements¹	5,400	850	(4,550)	
¹ Includes one-time extraordinary transfer of \$4.55 billion in monetary settlements from the General Fund to the proposed Dedicated Infrastructure Investment Fund.				

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Receipts

General Fund receipts, including transfers from other funds, are expected to total \$66.1 billion in FY 2016, an annual decrease of \$2.6 billion (3.8 percent). This mainly reflects the one-time monetary settlements received in FY 2015, offset by growth in tax receipts. Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are expected to total \$62.3 billion, an increase of \$3.9 billion (6.6 percent).

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to increase by \$3.1 billion (8.1 percent) from FY 2015. This primarily reflects increases in withholding and estimated payments attributable to the 2015 tax year, and an expected increase in extension payments attributable to tax year 2014.

General Fund consumption/use taxes, including transfers after payment of debt service on Local Government Assistance Corporation ("LGAC") and Sales Tax Revenue Bonds, are estimated to total \$12.8 billion in FY 2016, an increase of \$474 million (3.8 percent) from FY 2015.

General Fund business tax receipts are estimated at \$5.9 billion in FY 2016, an increase of \$318 million (5.7 percent) from FY 2015 estimates. The estimate reflects growth across all taxes consistent with expected growth in corporate profits and insurance premiums.

Other tax receipts in the General Fund, including transfers, are expected to total approximately \$2.0 billion in FY 2016, a decrease of \$46 million (2.3 percent) from FY 2015.

General Fund miscellaneous receipts are estimated at \$2.9 billion in FY 2016, a decrease of \$5.9 billion from FY 2015. The annual change in miscellaneous receipts is affected by the monetary settlements received in FY 2015, and the multi-year release of State Insurance Fund (SIF) reserves as a result of Workers' Compensation reform. The amount released is expected to decline from \$1 billion in FY 2015 to \$250 million in FY 2016, consistent with the terms of the Workers' Compensation reform legislation.

Non-tax transfers to the General Fund are expected to total \$878 million, a decrease of \$526 million (37.5 percent) from the current year. As with miscellaneous receipts, the annual change in non-tax transfers is affected in part by the monetary settlements. Under State forfeiture laws, approximately \$298 million of the BNP Paribas monetary settlement is expected to be deposited temporarily in a State Special Revenue Fund in FY 2015. DOB expects to transfer approximately \$293 million of this money to the General Fund by the close of FY 2015. This one-time transfer during FY 2015 results in a year-to-year decline in non-tax revenues recorded by the General Fund in FY 2016.

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 2015 through 2019" herein.

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Disbursements

General Fund disbursements, including transfers to other funds, are expected to total \$70.6 billion in FY 2016, an increase of \$7.4 billion (11.8 percent) from FY 2015 estimates, which includes the one-time \$4.6 billion transfer of monetary settlement resources to the proposed Dedicated Infrastructure Investment Fund.

Local assistance grants are expected to total \$43.9 billion, an annual increase of \$1.9 billion (4.6 percent). General Fund disbursements are expected to increase by \$1.3 billion for School Aid and \$647 million for Medicaid.⁴ 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 decrease by \$42 million.

State operations spending is expected to total \$8.2 billion in FY 2016, an annual increase of \$360 million (4.6 percent) from FY 2015. Personal service costs are expected to increase by \$215 million, mainly reflecting the consolidation of IT Services that were previously funded in non-General Fund accounts, and an additional (27th) institutional payroll that occurs in FY 2016. Non-personal service costs are expected to increase by \$123 million in FY 2016, reflecting the end of certain Federal disaster assistance that had offset General Fund expenses in prior years, and inflationary growth.

General State Charges (“GSCs”) are expected to total \$5.2 billion in FY 2016, an annual increase of \$236 million (4.7 percent) from FY 2015. The State’s annual pension payment is expected to increase by \$142 million in FY 2016. The September 2014 adoption of a new Mortality Improvement Scale – MP-2014 (“MP-2014”) by the State’s retirement system, which reflects longer life expectations for pension beneficiaries, resulted in increased pension contribution rates. As authorized by law, the State expects to continue to amortize pension costs in excess of the amortization thresholds established in law. In FY 2016, costs in excess of 14.5 percent of payroll for the Employees’ Retirement System (“ERS”) and 22.5 percent for the Police and Fire Retirement System (“PFRS”) are expected to be amortized.

General Fund transfers to other funds are expected to total \$13.3 billion in FY 2016, an increase of \$4.9 billion from the current fiscal year. Transfers to support capital projects spending are projected to increase by \$5.1 billion. This is primarily attributable to a one-time \$4.6 billion transfer of monetary settlement resources to the proposed Dedicated Infrastructure Investment Fund. In addition, the capital transfers reflect a \$500 million increase for other capital spending that relates to the timing of bond-financed spending and the reimbursement of that spending from bond proceeds. Debt service transfers decline by \$376 million due mainly to the planned payment in FY 2015 of expenses due in FY 2016.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances among 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 2015 through 2019” herein.

⁴ School Aid is reported here on a State Fiscal Year basis. Medicaid includes the Basic Health Plan (BHP).

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Closing Balance for FY 2016

DOB projects that the State will end FY 2016 with a General Fund cash balance of \$3.2 billion, a decrease of \$4.5 billion from the FY 2015 estimate. This decrease reflects the one-time transfer of \$4.6 billion of the \$5.4 billion in money expected from monetary settlements in FY 2015 to the proposed Dedicated Infrastructure Investment Fund. The remaining \$850 million will remain in the General Fund to address potential risks to the Updated Financial Plan.

The Updated 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 that is set aside is calculated based on the “pattern” settlement for the period from 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 the remaining unions.

Balances in the rainy day reserves, contingency reserve, and those balances held for debt management are expected to remain unchanged from FY 2015 levels.

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FY 2016 Detailed Gap-Closing Plan

The following table and narrative provides a summary of the proposed gap-closing plan. To the extent that the State enacts budgets that adhere to the 2 percent spending benchmark, the level of savings required in each subsequent year to hold spending to 2 percent would be lower.

FY 2016 EXECUTIVE BUDGET GENERAL FUND GAP-CLOSING PLAN (millions of dollars)				
	FY 2016	FY 2017	FY 2018	FY 2019
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE¹	(1,814)	(2,578)	(4,034)	(5,777)
SPENDING CHANGES	1,436	2,944	5,050	6,452
Agency Operations	92	3	79	257
Executive Agency Operations	32	(1)	(8)	18
Fringe Benefits/Fixed Costs	102	57	140	292
University Systems	14	12	12	12
Judiciary	(56)	(65)	(65)	(65)
Local Assistance	1,409	1,008	1,124	1,216
Education	305	197	395	317
STAR	248	261	262	263
Mental Hygiene	292	118	123	291
DOH Global Cap -Statewide Medicaid Savings	200	200	200	200
Medicaid/HCRA	89	44	60	99
Social Services/Housing	124	95	103	102
Higher Education	77	88	97	99
All Other	74	5	(116)	(155)
Capital Projects/Debt Management	121	385	329	335
Initiatives/Investments	(186)	(389)	(677)	(842)
Juvenile Justice Reform ("Raise the Age") ²	(25)	(155)	(397)	(379)
Enhance Services for High Risk Individuals	(22)	(32)	(32)	(32)
DREAM Act	(19)	(27)	(27)	(27)
Charter School Supplemental Tuition	(10)	(20)	(20)	(20)
DOH Global Cap	(35)	(35)	(35)	(35)
"Get on Your Feet" Loan Forgiveness Program	(5)	(19)	(31)	(37)
SUNY/CUNY Performance Incentive	(22)	(8)	0	0
Debt Service for New Initiatives	(8)	(35)	(73)	(126)
Master Educator Scholarship	(3)	(8)	(11)	(11)
Public Financing of Campaigns	0	(4)	(5)	(125)
All Other	(37)	(46)	(46)	(50)
Adhere to 2% Spending Benchmark³	n/a	1,937	4,195	5,486
RESOURCE CHANGES	168	222	820	1,484
Tax Reestimates	257	248	642	1,268
Tax Extenders	38	186	294	279
Miscellaneous Receipts/Non-Tax Transfers	(127)	(212)	(116)	(63)
SURPLUS AVAILABLE FROM FY 2015	210	0	0	0
SURPLUS/(GAP) ESTIMATE BEFORE TAX ACTIONS	0	588	1,836	2,159
Tax Actions	0	(386)	(989)	(1,492)
Real Property Tax Credit	0	(350)	(850)	(1,350)
Other Tax Credits	0	(36)	(139)	(142)
SURPLUS/(GAP) ESTIMATE AFTER TAX ACTIONS	0	202	847	667

¹ Before actions to adhere to the 2 percent benchmark.

² The Executive Budget provides full State funding for all State and local responsibilities. It is possible that savings that are not currently assumed may occur as a result of this legislation, which could substantially mitigate these costs.

³ Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2015 estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, a budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

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Spending Changes

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non personal service costs (e.g., 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 \$92 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 the NY State of Health marketplace and the new Basic Health Plan (“BHP”) program. Agencies are expected to continue to utilize less costly forms of service deliveries, improve administrative practices, and pursue statewide solutions, particularly at mental hygiene State-operated facilities.
- **Fringe Benefits/Fixed Costs:** Estimates for the State’s pension costs have been revised downward to reflect the impact of paying the FY 2016 pension bill by the end of July 2015, rather than on the due date of March 1, 2016. The State’s health insurance costs have been revised to reflect lower than projected rate renewals and a planned audit to identify and remove ineligible dependents from the New York State Health Insurance Program (“NYSHIP”). In addition, State Workers’ Compensation costs have been adjusted to reflect lower medical inflation rates and slower growth in average weekly wages.
- **University Systems:** Spending for the State University of New York (“SUNY”)/CUNY is projected to decline, mainly due to the closure of the Long Island College Hospital. Over the plan period, spending in the university systems is expected to grow, on average, by roughly 2 percent annually.
- **Independent Officials:** Spending for the Legislature, the Department of Audit and Control (OSC), and the Department of Law is projected to remain essentially flat through FY 2019. Judiciary spending is projected to increase by 1.7 percent in FY 2016, driven primarily by the previous authorization of additional Family Court Justices in the FY 2015 Enacted Budget, statutory salary increases for non-judicial employees represented by the Civil Service Employees Association (“CSEA”), and increased funding for civil legal services.

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Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. Reductions from the prior projections for local assistance spending are expected to generate \$1.4 billion in General Fund savings.⁵ Savings are expected from both targeted actions and continuation of prior-year cost containment actions. Specifically:

- **Education:** The Executive Budget proposes a 4.8 percent (\$1.1 billion) increase in School Aid for the 2015-16 school year. The Prior Quarterly Update included a projected School Aid increase of 3.9 percent. The increase from 3.9 percent to 4.8 percent results in increased costs to the Updated Financial Plan of \$139 million in FY 2016. The incremental costs from the increase in aid are offset by downward revisions to spending based on revised school district data as of November 2014, a revised estimate of costs associated with the preschool special education program, and a revised estimate of costs associated with the summer school special education program. Lower lottery revenues, and less one-time revenues associated with casino licensing due to differences in timing and in consideration of applicants chosen by the State's Gaming Facility Location Board, are expected to result in additional General Fund costs.
- **STAR:** The Executive Budget proposes freezing the STAR exemption at FY 2015 levels; aligning the New York City benefit with the STAR exemption program provided to the rest of the State by restricting the New York City Personal Income Tax rate reduction to residents with incomes lower than \$500,000; and gradually transforming the school tax relief currently provided to taxpayers in the form of a tax exemption to a refundable tax credit beginning with all new homeowner applications.⁶ Other savings include allowing the Department of Taxation and Finance ("DTF") to recoup savings retrospectively from unlawfully claimed exemptions removed during the re-registration process, and converting the delinquency program into a tax clearance program. In addition to these proposed savings, current STAR spending estimates have been reduced to reflect a reduction in the estimated number of STAR exemption recipients.
- **Mental Hygiene:** The \$292 million reduction in projected Mental Hygiene spending primarily stems from an acceleration of payments -- into FY 2015 -- associated with the State's transition to Medicaid Managed Care and prepayments for Voluntary Operated Intermediate Care Facilities and Day Habilitation services. It also reflects the use of Balancing Incentive Program ("BIP") resources, authorized through the Affordable Care Act ("ACA"), to support a number of new spending investments over a multi-year period. Additionally, the reduction shows slower than expected FY 2016 growth in the Office for People with Developmental Disabilities ("OPWDD") and the Office of Mental Health

⁵ Local assistance includes payments for School Aid, STAR, Medicaid, public assistance, child welfare, local government assistance and a range of other purposes.

⁶ Transforming the STAR benefit to a refundable tax credit will result in lower STAR spending with a comparable decrease in personal income tax receipts. This change has no impact on the STAR benefits received by homeowners.

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(“OMH”). Growth in the level of Medicaid-eligible costs also generates a projected reduction in Mental Hygiene spending. State Budget actions also reduce Mental Hygiene spending, reflecting efforts to “rightsize” State institutions, primarily in OPWDD, and to transition individuals with developmental disabilities to less costly, community-based settings.

- **Medicaid:** The Executive Budget proposes \$200 million in annual State-share Medicaid savings beginning in FY 2016, achieved by funding certain OPWDD-related Medicaid costs under the Medicaid Global Cap. To accommodate these additional costs, the Department of Health (“DOH”) will use \$815 million in additional State-funded Medicaid savings which are expected to accrue to the Global Cap in FY 2016 from accelerating the enrollment in BHP of legally residing immigrants who currently receive State-only Medicaid. Under BHP, the cost of insurance premiums for such individuals, and other individuals meeting certain income eligibility standards, will be supplemented by both State and Federal funds. BHP resources will also be used by DOH to offset fiscal constraints on the Global Cap, and to implement initiatives consistent with the goals of the Medicaid Redesign Team (“MRT”).
- **Social Services/Housing:** Lower spending is expected in several programs, including Public Assistance, SSI, Foster Care, Child Care, Adoption, Close to Home, and Special Education. In addition, General Fund savings are achieved by funding certain housing programs from the Mortgage Insurance Fund. These savings are partially offset by increased spending in Child Welfare and Adult Protective/Domestic Violence.
- **Higher Education:** Estimated spending has been lowered across several areas, including fringe benefit costs, community college base aid, Tuition Assistance Program (“TAP”) and scholarship programs.
- **All Other:** Savings are expected from consolidation of various health care programs, local government grant awards, and revisions to enrollment projections in various programs.

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.

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Initiatives/Investments

- **Juvenile Justice Reform (“Raise the Age”):** The Executive Budget includes a proposal to raise the age of juvenile jurisdiction to age 17 on January 1, 2017 and to age 18 on January 1, 2018, and includes funding to create and expand services for 16-and 17-year-old youth who will be involved in the juvenile justice system, and to place newly sentenced 16-and 17-year-old youth in OCFS facilities.
- **Enhance Services for High Risk Individuals:** This investment would provide OMH and DOCCS with funding for enhanced services through the mental hygiene system to reduce recidivism and potential violence in the community. This effort includes additional in-prison assessments and treatment for high risk inmates, maintaining individuals in OMH facilities when appropriate, and providing more aggressive community services through the use of additional Assertive Community Treatment (ACT) teams, supported housing and related services, and enhanced parole oversight.
- **DREAM Act:** The proposed DREAM Act extends financial aid to undocumented immigrant students pursuing higher education in New York State. It is proposed in conjunction with the Education Tax Credit, described below.
- **Charter School Supplemental Tuition:** The Executive Budget proposes to increase supplemental tuition to charter schools by \$75 per student, to help support charter school operating costs (\$10 million).
- **DOH Global Cap:** The Executive Budget proposes additional funding for caregiver respite services, Alzheimer’s Disease Assistance Programs (\$25 million), community water systems incurring costs for the installation, repair and upgrade of drinking water fluoridation systems (\$5 million), and additional investments related to ending the AIDS epidemic (\$5 million). The funding for these initiatives is supported under the Global Medicaid cap.
- **“Get on Your Feet” Loan Forgiveness Program:** This program is intended to help eligible New York residents who graduate from a New York college and continue to live in the State by funding their student loan repayment in their first two years after graduation.
- **SUNY/CUNY Performance Incentive:** It is recommended that \$30 million in performance incentive funding be made available to SUNY State-operated campuses and CUNY senior colleges that complete a performance-based funding plan. The incentive funding would be provided for one academic year.
- **Debt Service for New Initiatives:** The Updated Financial Plan reflects the costs of new bonded capital initiatives. These include various transportation programs, such as the bond-financed portion for State highways, bridges and other transportation infrastructure,

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as well as support for the Metropolitan Transportation Authority's ("MTA's") capital plan. Also included is funding to improve health care facilities.

- **Masters-in-Education Scholarship:** This proposal would fund full tuition scholarships for high-achieving students who attend graduate education programs at SUNY or CUNY and commit to teach in New York public schools for five years following graduation.
- **Public Financing of Campaigns:** The Executive Budget proposes a voluntary public financing system beginning in 2018, modeled on the system in New York City. The system would provide a public match of \$6 to \$1 for campaign contributions of up to \$175. The new system would take effect for the 2018 elections.
- **All Other:** Funding is included for additional aid to nonpublic schools to facilitate their compliance with State mandates; increased support of minority and women-owned business development opportunities; additional support for certain health programs and the Council on the Arts; and a planned State Police class in March 2016. In addition, the Executive Budget proposes \$25 million in funding to expand pre-kindergarten access to 3-year old children.

Resources

- **Tax Receipts:** The estimate for annual tax receipts has been revised upward across all major tax categories since the Mid-Year Update to reflect results to date.
- **Miscellaneous Receipts/Non-Tax Transfers:** The estimates for miscellaneous receipts have been revised based on a review of collections to date. The largest FY 2016 revisions affect license and fee revenue, refunds, and reimbursements. The Executive Budget proposes the repeal of 59 fees charged by seven different State agencies, saving New Yorkers over \$3 million annually beginning in FY 2016, while retaining the necessary functions associated with those fees.
- **Major Tax Extenders/Initiatives:** The Executive Budget proposes the following:
 - **Expand Sales Tax Collection Requirements for Marketplace Providers.** Online providers such as Amazon and eBay supply a marketplace for outside sellers to sell their products to New York consumers. Currently, such outside sellers are required to collect sales tax from New York residents if the seller is in New York. Many marketplace providers already agree to collect the tax for the outside seller in this instance. Under this proposal, the marketplace provider would be required to collect the tax when they facilitate the sale, whether the seller is located within, or outside, New York State.
 - **Improve Various Enforcement Efforts.** The Executive Budget proposes a set of 11 enforcement initiatives intended to recover outstanding State debts, including: lowering the outstanding tax debt threshold required to suspend delinquent taxpayers' driver's licenses; closing certain sales and use tax avoidance strategies;

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enhancing motor fuel tax enforcement; allowing New York to enter reciprocal tax collection agreements with other states; and authorizing a professional and business license tax clearance.

- **Make Permanent the Limitation on Charitable Contribution Deductions for High Income New York State and New York City Personal Income Taxpayers.** The current charitable contribution deduction limitation of 25 percent allowed under State Tax Law is scheduled to expire at the end of tax year 2015. The Executive Budget proposes to permanently extend this limitation on charitable contribution deductions for New York State and New York City taxpayers with adjusted gross income over \$10 million.

Tax Cut Actions

The Executive Budget proposes tax reductions valued at \$1.8 billion when fully phased in over five years.

- **Provide Income Based Property Tax Relief Tied to the Property Tax Cap.** The Executive Budget proposes a new Real Property Tax Credit available to households with incomes below \$250,000 whose property taxes exceed 6 percent of their income. The credit is valued at up to 50 percent of the amount by which property taxes exceed the 6 percent burden threshold, depending on household income. When fully phased-in, more than 1.3 million State taxpayers will receive an average credit of \$950. Outside New York City, only the taxes levied by a tax cap-compliant jurisdiction are included in the credit calculation. The program also includes a renters' credit, based upon the assumption that a significant portion of annual gross rent is attributed to property taxes. The credit is available to taxpayers at incomes up to \$150,000 when the amount of rent attributed to property taxes exceeds 6 percent of their income. All facets of the program will be phased in over four years, and only school taxes will apply in the first year. When fully phased in, the program will provide \$1.7 billion in direct property tax relief (51 percent of the benefit is phased in by FY 2017, and 81 percent by FY 2018).
- **Establish the Education Tax Credit.** The Executive Budget proposes the creation of a new Education Tax Credit, which allows taxpayers to contribute to public education entities, school improvement organizations, local education funds, and educational scholarship organizations. Corporate franchise and individual taxpayers will receive a nonrefundable credit equal to 75 percent of their authorized contributions, up to a maximum annual credit of \$1 million. The program will be capped at \$100 million in aggregate education tax credits annually. Half of the annual cap will be dedicated to public education entities, school improvement organizations, and local education funds. The other half will be allocated to educational scholarship organizations that provide support to low-and-middle-income students who attend either a public school outside of their district or nonpublic school.

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- **Double the Urban Youth Jobs Program Tax Credit.** This program provides a credit to employers who hire unemployed, at-risk youth. The annual allocation would be increased to \$20 million for tax years 2015 through 2018, with a focus on jurisdictions with high youth unemployment.
- **Reduce the Net Income Tax on Small Businesses.** The Executive Budget proposes reducing the net income-tax rate from the current 6.5 percent to 2.5 percent over a three-year period for small businesses that file under Article 9-A. The rate will be reduced to 3.25 percent for tax year 2016, to 2.9 percent for tax year 2017, and to 2.5 percent for tax years beginning in 2018. For the purpose of this tax cut, the definition of “small business” is a business with less than 100 employees, with net annual income below \$390,000. To avoid a “cliff” effect and stay consistent with how the dual rates are treated under current law, the lowest tax rates would be available to small businesses having below \$290,000 in net income, and the rate is phased up to the standard rate applicable to businesses with net annual income of \$390,000 or more.

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Annual Spending Growth

The Executive Budget proposes holding FY 2016 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 2.8 percent from the level estimated for FY 2015, excluding extraordinary aid.⁷ The growth is driven in large part by increased capital investments.

TOTAL DISBURSEMENTS (millions of dollars)							
	FY 2014 Results	FY 2015 Current	Annual Change	Annual % Change	FY 2016 Proposed	Annual Change	Annual % Change
STATE OPERATING FUNDS	90,631	92,376	1,745	1.9%	93,988	1,612	1.7%
General Fund (excluding transfers)	52,148	54,835	2,687	5.2%	57,361	2,526	4.6%
Other State Funds	32,046	31,665	(381)	-1.2%	31,054	(611)	-1.9%
Debt Service Funds	6,437	5,876	(561)	-8.7%	5,573	(303)	-5.2%
ALL GOVERNMENTAL FUNDS	135,874	137,713	1,839	1.4%	141,633	3,920	2.8%
State Operating Funds	90,631	92,376	1,745	1.9%	93,988	1,612	1.7%
Capital Projects Funds	7,751	7,995	244	3.1%	9,374	1,379	17.2%
Federal Operating Funds	37,492	37,342	(150)	-0.4%	38,271	929	2.5%
ALL GOVERNMENTAL FUNDS (INCL. EXTRAORDINARY AID)	137,526	143,002	5,476	4.0%	149,996	6,994	4.9%
Federal Disaster Aid for Superstorm Sandy	1,247	1,978	731	58.6%	1,749	(229)	-11.6%
Federal Health Care Reform	405	3,311	2,906	717.5%	6,074	2,763	83.4%
Monetary Settlements for Capital Spending	0	0	0	0.0%	540	540	0.0%
GENERAL FUND (INCLUDING TRANSFERS)	61,243	63,181	1,938	3.2%	70,629	7,448	11.8%
STATE FUNDS	96,355	98,667	2,312	2.4%	102,554	3,887	3.9%

⁷ Extraordinary aid consists of aid related to (a) Federal health care reform, which includes the Affordable Care Act, the new Basic Health Plan, and the Federal waiver to transform the State's health care system, all of which increase the flow of Federal Funds through the State's Financial Plan; (b) Federal aid that is expected to pass through the State's Financial Plan to local governments, public authorities, and not-for-profits over the next three years for recovery from Superstorm Sandy; and (c) capital spending from the \$5.4 billion in monetary settlements with financial institutions.

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

STATE SPENDING MEASURES (millions of dollars)				
	FY 2015 Current	FY 2016 Proposed	Annual Change	
			\$	%
LOCAL ASSISTANCE	61,100	62,519	1,419	2.3%
School Aid (State Fiscal Year Basis) ¹	21,609	23,026	1,417	6.6%
DOH Medicaid ²	16,732	17,481	749	4.5%
Transportation	4,841	4,839	(2)	0.0%
Mental Hygiene	2,934	2,582	(352)	-12.0%
STAR	3,374	3,231	(143)	-4.2%
Social Services	2,809	2,920	111	4.0%
Higher Education	2,902	2,972	70	2.4%
Public Health/Aging	1,853	1,745	(108)	-5.8%
Special/Other Education	2,138	2,104	(34)	-1.6%
Local Government Assistance	777	765	(12)	-1.5%
All Other ³	1,131	854	(277)	-24.5%
STATE OPERATIONS/FRINGE BENEFITS	25,443	25,942	499	2.0%
State Operations	18,371	18,588	217	1.2%
Personal Service:	<u>12,596</u>	<u>12,886</u>	<u>290</u>	<u>2.3%</u>
Executive Agencies	7,164	7,193	29	0.4%
Extra Bi-Weekly Institutional Pay Period	0	167	167	0.0%
University Systems	3,559	3,631	72	2.0%
Elected Officials	1,873	1,895	22	1.2%
Non-Personal Service:	<u>5,775</u>	<u>5,702</u>	<u>(73)</u>	<u>-1.3%</u>
Executive Agencies	2,870	2,917	47	1.6%
University Systems	2,323	2,195	(128)	-5.5%
Elected Officials	582	590	8	1.4%
Fringe Benefits/Fixed Costs	7,072	7,354	282	4.0%
Pension Contribution	2,095	2,237	142	6.8%
Health Insurance	3,311	3,451	140	4.2%
Other Fringe Benefits/Fixed Costs	1,666	1,666	0	0.0%
DEBT SERVICE	5,833	5,526	(307)	-5.3%
CAPITAL PROJECTS	0	1	1	0.0%
TOTAL STATE OPERATING FUNDS	92,376	93,988	1,612	1.7%
Capital Projects (State and Federal Funds) *	7,995	9,374	1,379	17.2%
Federal Operating Aid *	37,342	38,271	929	2.5%
TOTAL ALL GOVERNMENTAL FUNDS*	137,713	141,633	3,920	2.8%
¹ School Aid growth on a school year basis is \$1.1 billion or 4.8 percent. ² Includes Basic Health Plan. ³ "All Other" includes a number of other programs, including parks, environment, economic development, and public safety. * Capital Projects, Federal Operating Funds, and All Funds disbursements exclude extraordinary aid for health care reform and Superstorm Sandy, and capital spending from the monetary settlements. Including disbursements for these purposes, All Funds disbursements are expected to total \$150 billion in FY 2016, an increase of 4.9 percent.				

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April - December 2014 Operating Results

This section provides a summary of operating results through the first three quarters of the fiscal year (April 2014 through December 2014) compared to (1) the initial projections set forth in the FY 2015 Enacted Budget reflected in the AIS; (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 2013).

Results since mid-January 2015 have generally been in line with expectations, with the exception of PIT collections, which finished below projections in January. This variance was attributable to lower than expected average January estimated payments, which declined dramatically after robust growth in December. Withholding also failed to meet expectations in January, the result of lower than expected bonus payments. As such, DOB has lowered estimated tax receipts by \$355 million in the current year. This reduction is offset by Financial Plan revisions to other resources and spending based on updated information and results to date.

General Fund Results

The State ended the month of December 2014 with a General Fund closing balance of \$8.3 billion, \$5.2 billion higher than projected in the FY 2015 Enacted Budget Financial Plan as included in the AIS. The larger than expected balance is due to the unanticipated one-time monetary settlements between regulators and financial institutions, and higher tax collections.

GENERAL FUND OPERATING RESULTS April through December 2014 (millions of dollars)					
	Enacted Plan	Revised Plan	Results	Above/(Below) Variance	
				Enacted Plan	Revised Plan
Opening Balance	2,235	2,235	2,235	0	0
Total Receipts	44,534	49,061	50,281	5,747	1,220
Taxes:	41,480	42,351	43,119	1,639	768
Personal Income Tax ¹	27,326	27,729	28,344	1,018	615
Consumption/Use Taxes ¹	9,430	9,440	9,542	112	102
Business Taxes	3,231	3,692	3,729	498	37
Other Taxes ¹	1,493	1,490	1,504	11	14
Receipts and Grants	2,593	6,323	6,800	4,207	477
Transfers From Other Funds	461	387	362	(99)	(25)
Total Spending	43,740	45,059	44,262	522	(797)
Local Assistance	28,055	28,392	27,826	(229)	(566)
Agency Operations (including GSCs)	10,127	10,150	10,067	(60)	(83)
Debt Service Transfer	477	480	477	-	(3)
Capital Projects Transfer	201	987	1,099	898	112
State Share Medicaid Transfer	1,280	1,213	1,065	(215)	(148)
SUNY Operations Transfer	978	977	980	2	3
All Other Transfers	2,622	2,860	2,748	126	(112)
Change in Operations	794	4,002	6,019	5,225	2,017
Closing Balance	3,029	6,237	8,254	5,225	2,017

¹ Includes transfers from other funds after debt service.

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Through December 2014, General Fund receipts, including transfers from other funds, totaled \$50.3 billion, \$5.7 billion higher than the initial projections, reflecting higher tax collections (\$1.6 billion) and non-tax receipts (\$4.1 billion).

Higher General Fund tax collections through December 2014 occurred in personal income tax receipts (\$1 billion) due to stronger than anticipated estimated payments and the timing of current year tax refund payments; the sales tax (\$81 million); cigarette and tobacco taxes (\$31 million); business tax collections (\$498 million) related to bank tax audits and higher corporate franchise tax gross receipts; and the real estate transfer tax (\$11 million).

The increase in non-tax receipts received to date is primarily attributable to \$4.3 billion in unanticipated monetary settlements with financial institutions. Receipts from licenses and fees (\$50 million) and refunds and reimbursements (\$65 million) were lower than expected.

Accordingly, DOB has increased estimated General Fund annual receipts by \$6.1 billion since the FY 2015 Enacted Budget Financial Plan. The increase is comprised of expected one-time monetary settlements (\$5.4 billion), and tax collections⁸ (\$795 million) mainly for personal income tax. These increases are partly offset by a \$100 million downward revision to other expected miscellaneous receipts and non-tax transfers based on results to date.

Through December 2014, General Fund disbursements, including transfers to other funds, were \$522 million higher than initial projections. This variance is due mainly to higher transfers to support capital projects (\$898 million), and partly offset by lower disbursements for local assistance (\$229 million) and agency operations (\$60 million).

Spending for local assistance was lower across a range of programs and activities, with the most significant variances in school aid (\$63 million), homeland security (\$57 million), economic development (\$46 million), and OPWDD (\$16 million).

General Fund agency operations spending variances within the fiscal year are typical given routine changes in the timing of payments, execution of contracts, and price fluctuations. To date, overall spending is generally consistent with planned estimates. The most notable agency variances include the Judiciary (\$45 million) and OTDA (\$23 million).

Total General Fund transfers were higher than initial projections, mainly due to additional support for capital projects (\$898 million) due to the timing of bond-financed spending and subsequent reimbursement with bond proceeds. In addition, General Fund support for the State-share of Medicaid costs at mental hygiene facilities was lower (\$215 million), and is partly offset by a higher transfer to the Mental Hygiene Patient Income Account. This variance is largely the result of lower Federal reimbursement to facilities resulting from a shortfall in Federal revenue associated with the Designated State Health Programs ("DSHP") - non-Medicaid programs.

⁸ Includes transfers from other funds after revisions to estimated debt service costs.

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DOB has increased projected General Fund spending by \$382 million since the initial plan, as a result of experience to date and other programmatic factors. This increase is mainly due to the planned payment of \$210 million in debt service due in FY 2016, and \$190 million in additional State costs for mental hygiene facilities resulting from lower Federal reimbursement as discussed above.

State Operating Funds Results

The State ended December 2014 with a closing balance of \$10.3 billion in State Operating Funds, or \$5.2 billion above the FY 2015 Enacted Budget Financial Plan projection included in the AIS. This reflects the combined impact of higher total receipts (\$6 billion), lower financing from other sources (\$1.1 billion), and lower overall spending (\$261 million).

STATE OPERATING FUNDS RESULTS					
April through December 2014					
(millions of dollars)					
	Enacted			Above/(Below)	
	Plan	Revised Plan	Results	Variance	
				Enacted	Revised
				Plan	Plan
Opening Balance	4,789	4,789	4,789	0	0
Total Receipts	61,831	67,096	67,821	5,990	725
Taxes:	47,100	47,973	48,695	1,595	722
Personal Income Tax	29,207	29,589	30,174	967	585
Consumption/Use Taxes	11,219	11,213	11,301	82	88
Business Taxes	4,259	4,766	4,791	532	25
Other Taxes	2,415	2,405	2,429	14	24
Miscellaneous/Federal Receipts	14,731	19,123	19,126	4,395	3
Total Spending	63,905	64,218	63,644	(261)	(574)
Education	15,125	15,445	15,194	69	(251)
Health Care	13,757	13,930	13,814	57	(116)
Social Services	1,990	1,988	1,995	5	7
Transportation	4,102	4,063	4,070	(32)	7
Higher Education	2,024	2,007	1,989	(35)	(18)
All Other Local Assistance	4,478	4,455	4,434	(44)	(21)
Personal Service	9,712	9,688	9,690	(22)	2
Non-Personal Service	4,092	4,063	3,872	(220)	(191)
General State Charges	5,837	5,810	5,817	(20)	7
Debt Service	2,788	2,770	2,768	(20)	(2)
Capital Projects	-	(1)	1	1	2
Other Financing Sources	2,371	1,293	1,296	(1,075)	3
Change in Operations	297	4,171	5,473	5,176	1,302
Closing Balance	5,086	8,960	10,262	5,176	1,302

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Through December 2014, total receipts in State Operating Funds were \$6 billion higher than the FY 2015 Enacted Budget Financial Plan projections included in the AIS, due to higher tax collections (\$1.6 billion) and higher non-tax receipts (\$4.4 billion).

Consistent with the General Fund results, the State Operating Funds receipts variance is primarily attributable to higher personal income and business tax collections, and \$4.3 billion in unanticipated one-time monetary settlements with financial institutions.

State Operating Funds spending was \$261 million lower than FY 2015 Enacted Budget Financial Plan projections, due mainly to lower spending in non-personal service (\$220 million), which occurred across a number of agencies. The most notable agency variances include lower spending in SUNY (\$41 million), mental hygiene (\$45 million); OTDA (\$27 million), Gaming (\$17 million), and Judiciary (\$24 million). As noted above, these variances are typical and reflect changes in the timing of payments.

Other financing sources, which represent the difference between transfers to and from State Operating Funds, were \$1.1 billion lower than initial estimates in the FY 2015 Enacted Budget Financial Plan, primarily due to the higher General Fund support for capital projects (\$898 million) related to the timing of reimbursements with bond proceeds.

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All Governmental Funds Results

The State ended December 2014 with an All Governmental Funds closing balance of \$8.7 billion, \$4.7 billion above the FY 2015 Enacted Budget Financial Plan projection included in the AIS, representing higher receipts (\$5.6 billion) that are partially offset by higher spending (\$1 billion).

All GOVERNMENTAL FUNDS RESULTS					
April through December 2014					
(millions of dollars)					
	Enacted Plan	Revised Plan	Results	Above/(Below) Variance	
				Enacted Plan	Revised Plan
Opening Balance	4,035	4,035	4,035	0	0
Total Receipts	100,392	104,741	106,028	5,636	1,287
Taxes:	48,140	49,024	49,740	1,600	716
Personal Income Tax	29,207	29,589	30,174	967	585
Consumption/Use Taxes	11,676	11,681	11,766	90	85
Business Taxes	4,758	5,265	5,288	530	23
Other Taxes	2,499	2,489	2,512	13	23
Miscellaneous Receipts	18,236	21,526	21,415	3,179	(11)
Federal Grants	34,016	34,191	34,873	857	682
Total Spending	100,304	100,777	101,311	1,007	534
State Operating Funds:	<u>63,905</u>	<u>64,218</u>	<u>63,644</u>	<u>(261)</u>	<u>(574)</u>
Education	15,125	15,445	15,194	69	(251)
Health Care	13,757	13,930	13,814	57	(116)
Social Services	1,990	1,988	1,995	5	7
Transportation	4,102	4,063	4,070	(32)	7
Higher Education	2,024	2,007	1,989	(35)	(18)
All Other Local Assistance	4,478	4,455	4,434	(44)	(21)
Personal Service	9,712	9,688	9,690	(22)	2
Non-Personal Service	4,092	4,063	3,872	(220)	(191)
General State Charges	5,837	5,810	5,817	(20)	7
Debt Service	2,788	2,770	2,768	(20)	(2)
Capital Projects	0	(1)	1	1	2
Capital Projects Funds	5,943	5,344	5,453	(490)	109
Federal Operating Funds	30,456	31,215	32,214	1,758	999
Other Financing Sources	(82)	(110)	(53)	29	57
Change in Operations	6	3,854	4,664	4,658	810
Closing Balance	4,041	7,889	8,699	4,658	810

Through December 2014, total All Funds receipts were \$5.6 billion higher than Enacted Budget projections included in the AIS due to increases in taxes (\$1.6 billion), miscellaneous receipts (\$3.2 billion), and Federal grants (\$857 million).

Consistent with the General Fund and State Operating Funds results, the All Governmental Funds receipts variance is primarily attributable to higher personal income and business tax collections, and \$4.3 billion in unanticipated one-time monetary settlements. The most significant other variances include slower than anticipated reimbursements from bond proceeds for Capital Projects from New York State authorities (\$1.3 billion) and higher Federal grants to support spending in areas such as health care and homeland security.

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Through December 2014, All Funds spending was \$1.0 billion above FY 2015 Enacted Budget initial projections. In addition to the variance explanations provided in the State Operating Funds and Capital Projects Funds result, Federal Operating Funds spending was \$1.8 billion higher than initially planned. The higher spending mainly reflects Medicaid costs (\$1.3 billion) and homeland security spending (\$678 million).

The Federal Medicaid variance reflects additional Federal funding from the Interim Access Assurance Fund (“IAAF”), which is part of the Delivery System Reform Incentive Program (“DSRIP”), an MRT-based initiative which gives funding to hospitals based on the achievement of predefined results in system transformation, clinical management and population health. This funding was approved after the FY 2015 Enacted Budget Financial Plan was released and thus was included in updated spending estimates included with the Prior Quarterly Update. The homeland security variance reflects a lump sum FEMA public assistance payment to the Long Island Power Authority, which was not expected until later in the fiscal year.

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All Governmental Funds Annual Change

The All Governmental Funds balance through December 2014 was \$8.7 billion, \$1.6 billion higher than the December 2013 balance. This higher balance is attributable to a higher opening balance (\$159 million) and higher receipts (\$6.5 billion), partially offset by higher spending (\$5.1 billion).

All GOVERNMENTAL FUNDS RESULTS YEAR-OVER-YEAR April through December 2014 (millions of dollars)				
	FY 2014	FY 2015	Increase/(Decrease)	
	Results	Results	\$	%
Opening Balance	3,876	4,035	159	
Total Receipts	99,545	106,028	6,483	6.5%
Taxes:	<u>49,027</u>	<u>49,740</u>	<u>713</u>	<u>1.5%</u>
Personal Income Tax	29,837	30,174	337	1.1%
Consumption/Use Taxes	11,523	11,766	243	2.1%
Business Taxes	5,181	5,288	107	2.1%
Other Taxes	2,486	2,512	26	1.0%
Miscellaneous Receipts	18,040	21,415	3,375	18.7%
Federal Grants	32,478	34,873	2,395	7.4%
Total Spending	96,233	101,311	5,078	5.3%
State Operating Funds:	<u>61,542</u>	<u>63,644</u>	<u>2,102</u>	<u>3.4%</u>
Education	13,490	15,194	1,704	12.6%
Health Care	13,748	13,814	66	0.5%
Social Services	1,991	1,995	4	0.2%
Transportation	4,027	4,070	43	1.1%
Higher Education	1,833	1,989	156	8.5%
All Other Local Assistance	4,356	4,434	78	1.8%
Personal Service	9,555	9,690	135	1.4%
Non-Personal Service	3,966	3,872	(94)	-2.4%
General State Charges	5,123	5,817	694	13.5%
Debt Service	3,451	2,768	(683)	-19.8%
Capital Projects	2	1	(1)	-50.0%
Capital Projects Funds	5,709	5,453	(256)	-4.5%
Federal Operating Funds	28,982	32,214	3,232	11.2%
Other Financing Sources	(42)	(53)	(11)	
Change in Operations	3,270	4,664	1,394	
Closing Balance	7,146	8,699	1,553	

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All Funds tax receipts through December 2014 reflect annual growth in all major tax categories, including higher personal income tax collections (\$337 million) due to stronger than anticipated estimated payments; higher consumption/use taxes (\$243 million) due to an increase in taxable purchases; and higher business tax collections (\$107 million) related to bank tax audits.

The year-over-year increase in miscellaneous receipts is attributable to the \$4.3 billion in one-time monetary settlements paid to the State, and a \$750 million increase in the amount of the SIF assessment reserves transferred to the State pursuant to legislation included in the FY 2014 Enacted Budget. This increase is partly offset by declines in bond proceeds receipts to finance Capital Projects (\$1 billion). In addition, such increase is further offset by lower Tribal State Compact Revenue ("TSCR") due to a \$361 million lump sum payment in August 2013 from the St. Regis Mohawk tribal government and the Seneca Indian Nation, resulting from separate agreements with these two tribal nations, settling a wide range of issues concerning tribal gaming activity in the State.

The \$2.4 billion increase in Federal grants is a result of increased Federal program spending, as described in greater detail below.

Through December 2014, All Funds spending increased by \$5.1 billion over the prior year period, comprised of a \$2.1 billion increase in State Operating Funds, a \$3.2 billion increase in Federal Operating Funds, and a \$256 million decrease in Capital Projects Funds.

The increase in State Operating Funds spending mainly reflects Enacted Budget increases in School Aid and other education spending (\$1.7 billion); and increased GSCs spending (\$694 million) as a result of earlier than planned pension payments by both the State and the Judiciary. These additional costs are offset by lower debt service payments attributable to FY 2014 prepayments.

The increase in Federal Operating Funds spending is primarily attributable to higher Medicaid costs (\$3.6 billion) as a result of expanded Medicaid coverage under the ACA and DSRIP/IAAF payments associated with the recently approved Medicaid waiver, and higher homeland security spending (\$566 million) associated with the recent lump-sum payment to LIPA. This additional spending is partly offset by lower spending for education (\$530 million), as a prior lag in payments substantially increased payments in the first quarter of FY 2014, and lower TANF-funded child care and Flexible Fund for Family Services spending (\$482 million) due to the timing of FY 2015 payments.

The decrease in Capital Projects spending is largely due to FY 2014 Superstorm Sandy related spending by the Department of Environmental Conservation ("DEC") (\$180 million) and reduced contractual spending at SUNY (\$159 million), offset by additional spending at DOT (\$240 million).

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Other Matters Affecting 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 forecasted in the Updated Financial Plan. In addition, the surplus projections in future years are based on the assumption that annual growth in State Operating Funds spending is limited to 2 percent, and that all savings that result from the 2 percent limit will be 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: national and international events, ongoing financial instability in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; major terrorist events, 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; the effect of household debt reduction on consumer spending and State tax collections; and the outcome of litigation and other claims affecting the State.

Among other factors, the Updated Financial Plan is subject to various other uncertainties and contingencies relating to: wage and benefit increases for State employees that exceed projected annual costs; changes in the size of the State's workforce; the realization of the projected rate of return for pension fund assets and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid expected in 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 result in substantial change. No assurance can be given that these estimates and projections, which depend in part upon actions the State expects to be taken but which are not within the State's control, will be realized.

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Budget Risks and Uncertainties

There can be no assurance 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: 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 for the outyears assume that School Aid and Medicaid disbursements will be limited to the growth in NYS personal income and the ten-year average growth in the Medicaid component of the consumer price index (CPI), respectively. However, the FY 2015 Enacted Budget authorized spending for School Aid to increase by 5.3 percent on a school year basis, which was higher than the level proposed with the FY 2015 Executive Budget. The FY 2016 Executive Budget proposes a School Aid increase of 4.8 percent, above the 1.7 percent growth in personal income that would be used to limit the FY 2016 increase.

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 the Department of Health ("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 revenues associated with gaming activity in the State; and the achievement of cost-saving measures including, but not limited to, the transfer of available fund balances to the General Fund at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Financial Plan in the current year or future years.

Federal Issues

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to address response to and recovery from severe weather events and other disasters. Any reduction in Federal funding levels could have a materially adverse impact on the Updated Financial Plan, and pressure on the Federal government to make reductions is elevated so long as the budgetary caps resulting from the Budget Control Act of 2011 and subsequent legislation remain in place. 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.

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Medicaid Redesign Team Medicaid Waiver

The Federal Centers for Medicare and Medicaid Services (“CMS”) and the State have reached an agreement in principle authorizing up to \$8 billion in new Federal funding, over several years, to transform New York’s health care system and ensure access to quality care for all Medicaid beneficiaries. This funding, provided through an amendment to the State’s Partnership Plan 1115 Medicaid waiver, is divided among the “IAAF”, the DSRIP Program, Health Homes, and various other Medicaid redesign initiatives.

Federal Reimbursement for State Developmental Disability Services

Pursuant to an agreement with the Federal government, the State lowered Medicaid payment rates for services to individuals with developmental disabilities, effective April 1, 2013. Full implementation of this change reduced Federal funding to the State by approximately \$1.1 billion annually, beginning in FY 2014. The plan to achieve those savings is subject to implementation risks. The State is also expecting payment by the Federal government of “DSHP” expenditures valued at \$250 million annually as part of a multi-year OPWDD transformation plan. The first phase of the transformation plan has been approved by CMS. Funds associated with this transformation plan are anticipated to be received in the final quarter of FY 2015. Originally, the payment by the Federal government was projected to total \$500 million. Instead, the State plans to submit annual claims of \$250 million in each of the next three years, beginning in FY 2016 as part of phase two of the transformation plan. In addition, as described below, CMS is also seeking to retroactively recover Federal funds paid to the State under the former methodology.

Audit Disallowance

In addition to the rate reduction described above, on February 8, 2013, the U.S. Department of Health & Human Services (“HHS”) Office of the Inspector General, at the direction of the CMS, began a Financial Management 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 Individuals with Intellectual Disabilities (“ICF/IID”). The initial review period included claims for services provided from April 1, 2010 through March 31, 2011.

As a result of this review, CMS issued a disallowance notification in the amount of \$1.26 billion on July 25, 2014. CMS also indicated it will be initiating similar reviews of the two subsequent fiscal years -- State fiscal years 2012 and 2013. A comparable amount of Federal aid may be at risk for any such prior period, if CMS is successful.

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The State formally requested CMS reconsideration of the proposed \$1.26 billion disallowance, but the State was notified by CMS that its request for reconsideration was denied. The State subsequently filed a notice of appeal with the HHS Departmental Appeals Board (“DAB”). The appeal with DAB is still pending and the State is in discussions with CMS to achieve a reasonable resolution to the disallowance over a multi-year period. The State has the option to retain the disallowed funds during the DAB review process, although if the State is unsuccessful, the disallowed amount plus interest will be due to the Federal government. The Executive Budget reserves \$850 million for Financial Plan risks, including the potential need to fund the fiscal impact of a finalized outcome associated with a CMS disallowance.

There can be no assurance that final Federal action in this matter will not result in materially adverse changes to the Updated Financial Plan.

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 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 transportation infrastructure, 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.

Current Labor Negotiations (Current Contract Period)

The State has settled collective bargaining agreements with 97 percent of the State workforce subject to direct executive control for the contract period that commenced in FY 2012. A seven-year agreement through FY 2018 was recently achieved with the Commissioned and Noncommissioned Officers unit in the Division of State Police. Five-year agreements through FY 2016 were reached with CSEA, the United University Professions (“UUP”), the New York State Correctional Officers and Police Benevolent Association (“NYSCOPBA”), Council 82, DC-37 (Housing), and the Graduate Student Employees Union. Four-year agreements were reached with the Public Employees Federation (“PEF”) and the Police Benevolent Association of New York State (“PBANYS”).

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All of the agreements included wage and benefit concessions in exchange for contingent employee job protection. As such, 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. Commissioned and Noncommissioned Officers in the Division of State Police will receive general salary increases of 1.5 percent in FY 2017 and FY 2018, respectively. Additionally, the agreements provided full-annual health benefit savings of \$230 million resulting from increases to employee/retiree premium shares, copays, out of network deductibles and coinsurance.

Other compensation has also been provided. Two lump sum payments — \$775 per employee in FY 2014 and \$225 per employee in FY 2015 — were paid to employees represented by CSEA, PBANYS, NYSCOPBA and Council 82. Additionally, UUP employees may receive lump sum payments of similar value in the form of Chancellor's Power of SUNY Awards and Presidential Discretionary Awards. However, employees represented by PEF and DC-37 (Housing) will not receive lump sum payments. Instead, they will be repaid for all DRP reductions over an extended period at the end of the contract term, whereas the others will be repaid for a portion of their reductions. Commissioned and Noncommissioned Officers in the Division of State Police will receive \$1,250 increases to Hazardous Duty and Expanded Duty payments, respectively.

The unions representing State Police Troopers and Investigators have no contracts in place for the period April 2011 forward.

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 State last used this authorization in April 2011 when the General Fund needed to temporarily borrow a minimal amount of funds from STIP for a period of five days. 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 money 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.

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DOB expects that the State will have sufficient liquidity to make all planned payments as they become due through FY 2016, as reflected in the following table that includes month-end cash balance projections. 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.

ALL FUNDS MONTH-END CASH BALANCES			
FY 2016			
(millions of dollars)			
	General Fund	Other Funds	All Funds
April	10,637	3,094	13,731
May	7,100	3,658	10,758
June	7,301	3,262	10,563
July	5,764	4,415	10,179
August	5,647	4,287	9,934
September	8,146	2,231	10,377
October	7,064	2,840	9,904
November	5,279	2,817	8,096
December	7,285	2,344	9,629
January	9,369	4,354	13,723
February	9,974	4,070	14,044
March	3,229	5,974	9,203

Pension Amortization

Background

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.

In FY 2014, the State made a total pension payment to the New York State and Local Retirement System (“NYSLRS”) of \$1.62 billion and amortized \$814 million (the maximum amount legally allowable). The total payment included an additional \$119.4 million to pay off the 2010 Retirement Incentive and other outstanding liabilities. In addition, the State’s Office of Court Administration (“OCA”) made a total pension payment of \$269 million and amortized \$123 million (the maximum amount legally allowable). This included an additional \$7 million to pay off the 2005 pension amortization liability. The total deferred amount — \$937 million — will be repaid with interest over the next ten years, beginning in FY 2015.

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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 each 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.

For amounts amortized in FY 2011 through FY 2014, the State Comptroller set interest rates of 5 percent, 3.75 percent, 3 percent, and 3.67 percent, respectively. The Updated Financial Plan assumes that both the State and OCA will also elect to amortize pension costs in FY 2015 and beyond, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB, in the Updated Financial Plan, to be 3.15 percent per annum over ten years from the date of each deferred payment.

Rate Comparison -- Average Normal Rate & Amortization Rate

The 2010 legislation enacted a formula to set an amortization threshold for each year. The amortization rate (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.

The normal contribution rates and the amortization rates are displayed in the following table:

ERS AND PFRS PENSION CONTRIBUTION RATES - ANNUAL PERCENTAGE CHANGE				
Fiscal Year (FY)	ERS Average Normal Rate	ERS Amortization Rate	PFRS Average Normal Rate	PFRS Amortization Rate
FY 2011	11.5	9.5	18.1	17.5
FY 2012	15.9	10.5	21.6	18.5
FY 2013	18.5	11.5	25.7	19.5
FY 2014	20.5	12.5	28.9	20.5
FY 2015	19.7	13.5	27.5	21.5
FY 2016	17.7	14.5	24.7	22.5
Group Life Insurance Plan excluded from the Average Normal Rates.				

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Outyear Projections

All projections are based on projected market returns and numerous actuarial assumptions which, if unrealized, could change these projections materially. Additionally, the next five-year experience study performed by the Retirement Systems' Actuary is scheduled to take place in 2015, which could also change these projections materially.

The 2016 pension contribution rates released by OSC on September 2, 2014 reflect an annual decline from 20.1 percent to 18.2 percent for ERS, and from 27.6 percent to 24.7 percent for PFRS. However, the rates were higher than anticipated by DOB (14.2 percent for ERS and 20.8 percent for PFRS), which had based its projections on the prior year actuarial assumptions of the Retirement Systems' Actuary. The higher-than-anticipated FY 2016 contribution rates are primarily attributable to the use of MP-2014 actuarial assumptions, which, compared to prior year actuarial assumptions, reflect longer life expectancies for pensioners and beneficiaries and result in increased pension plan liabilities.

The Updated Financial Plan incorporates MP-2014 actuarial assumptions and assumes amortization in FY 2016 and the outyears, as depicted in the following table.

STATE PENSION COSTS AND AMORTIZATION SAVINGS (millions of dollars)									
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
AMORTIZATION THRESHOLDS (Graded Rate)									
ERS (%)	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5
PFRS (%)	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5	25.5
STATEWIDE PENSION (NET COST)	1,470	1,697	1,601	2,086	2,095	2,237	2,471	2,665	2,894
Gross Pension Costs	1,633	2,141	2,192	2,744	2,434	2,221	2,333	2,405	2,519
(Amortization Savings) / Excess Contributions	(250)	(563)	(779)	(937)	(713)	(395)	(299)	(212)	(122)
Repayment of Amortization (incl. FY 2005 and FY 2006)	87	119	188	279	374	411	437	472	497

The next table reflects projected pension contributions and amortizations for the Executive Branch and Judiciary employees participating in the New York State ERS and PFRS through 2029. The "Normal Costs" column shows the amount of the State's pension contribution prior to amortization. The "(Amortized) / Excess Contributions" column shows new amounts deferred, offset in some cases, by payments made ahead of schedule. The "Amortization Payments" 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.

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EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM¹ (millions of dollars)				
Fiscal Year	Normal Costs²	(Amortized)/Excess Contributions	Amortization Payments	Total
Results:				
2011	1,552.8	(249.6)	0.0	1,303.2
2012	2,041.7	(562.9)	32.3	1,511.1
2013	2,085.3	(778.5)	100.9	1,407.7
2014	2,633.7	(937.0)	192.1	1,888.8
2015	2,289.8	(713.1)	305.8	1,882.5
Projections:				
2016	2,025.5	(395.1)	389.9	2,020.3
2017	2,112.5	(299.0)	436.6	2,250.1
2018	2,184.0	(212.4)	471.9	2,443.5
2019	2,298.1	(122.1)	497.0	2,673.0
2020	2,390.9	(33.0)	511.5	2,869.4
2021	2,462.3	0.0	515.4	2,977.7
2022	2,349.1	61.1	483.1	2,893.3
2023	2,349.2	0.0	351.6	2,700.8
2024	2,350.7	0.0	323.3	2,674.0
2025	2,350.4	0.0	209.6	2,560.0
2026	2,348.0	0.0	125.4	2,473.4
2027	2,343.3	0.0	78.7	2,422.0
2028	2,335.9	0.0	43.2	2,379.1
2029	2,329.7	0.0	18.2	2,347.9
¹ Pension contribution values in this table do <u>not</u> include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension costs in other Financial Plan tables include such pension disbursements. ² Normal costs include payments from amortizations prior to FY 2011, which will end in FY 2017.				

Consistent with the aforementioned 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 (starting in FY 2022) 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.

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Other Post-Employment Benefits (“OPEB”)

State employees become eligible for post-employment benefits (e.g., 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 NYSHIP 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 2014, the State’s Annual Required Contribution (“ARC”) represents the projected annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State’s Basic Financial Statements for FY 2014, the projected unfunded actuarial accrued liability for FY 2014 is \$68.2 billion (\$54.3 billion for the State and \$13.9 billion for SUNY), an increase of \$1.7 billion from FY 2013 (attributable entirely to SUNY). The unfunded actuarial accrued liability for FY 2014 used an actuarial valuation of OPEB liabilities as of April 1, 2012. 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 2014 totaled \$3.0 billion (\$2.3 billion for the State and \$0.7 billion for SUNY), a decline of \$390 million from FY 2013 (\$322 million for the State and \$68 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 \$1.5 billion (\$1.0 billion for the State and \$0.5 billion for SUNY) greater than the cash payments for retiree costs made by the State in FY 2014. 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 2014 by \$1.5 billion.

GASB does not require the additional costs to be funded on the State’s budgetary (cash) basis, and no funding is assumed for this purpose in the Updated Financial Plan. The State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis.

There is no provision in the Updated Financial Plan to 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.

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The State is currently examining proposed changes to GASB Statement 45 requirements. The proposed changes will alter the actuarial methods used to calculate OPEB liabilities, standardize asset smoothing and discount rates, and require the funded status of the OPEB liabilities to be reported by the State. As proposed, the GASB changes would be implemented in the State's FY 2018 financial statements.

Monetary Settlements

The State periodically receives proceeds from monetary settlements that are primarily deposited to the General Fund. The Updated Financial Plan assumes monetary settlements in the upcoming fiscal years of approximately \$250 million in FY 2016, and \$100 million each for FY 2017 and FY 2018. There can be no assurance that settlement proceeds in upcoming fiscal years will be received by the State 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. For more information, see the section entitled "Litigation and Arbitration" later in this AIS Update.

Update on Storm Recovery

In recent 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. 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. It is anticipated that New York State, the Metropolitan Transportation Authority, and New York State localities may receive 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.

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Climate Change Adaptation

Climate change poses 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, municipalities and public utilities is expected to be needed to adapt existing infrastructure to the risks posed by climate change.

Financial Condition of New York State Localities

The fiscal demands on the State may be affected by the fiscal conditions of New York City and potentially other localities, which rely in part on State aid to balance their budgets and meet their cash requirements. Certain localities outside New York City, including cities and counties, have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. 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. For additional details on the Board, please visit www.frb.ny.gov.

Bond Market

Implementation of the Updated Financial Plan is dependent on the State's ability to market its bonds successfully. The State finances much of its capital spending in the first instance from the General Fund or STIP, which it then reimburses with proceeds from the sale of bonds. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, the State's overall cash position and capital funding plan may be adversely affected. 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.

Debt Reform Act Limit

The Debt Reform Act of 2000 ("Debt Reform Act") restricts the issuance of State-supported debt to capital purposes only, and for maximum terms of 30 years. The Debt Reform Act limits the amount of new State-supported debt to 4 percent of State personal income, and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued 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

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percent of personal income during FY 2011. 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. It was determined that the State was in compliance with the statutory caps for the most recent calculation period (FY 2014).

Current projections anticipate that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from \$3.7 billion in FY 2015 to \$776 million in FY 2019. 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 a general obligation pledge of SUNY. Bonds issued under the new SUNY Dormitory Facilities Revenue credit 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.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)							
Year	Personal Income	Cap %	Cap \$	Debt Outstanding Since April 1, 2000	\$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity
FY 2015	1,113,845	4.00%	44,554	40,824	3,729	3.67%	0.33%
FY 2016	1,162,240	4.00%	46,490	44,776	1,714	3.85%	0.15%
FY 2017	1,223,049	4.00%	48,922	47,833	1,089	3.91%	0.09%
FY 2018	1,287,369	4.00%	51,495	50,567	928	3.93%	0.07%
FY 2019	1,353,522	4.00%	54,141	53,365	776	3.94%	0.06%
FY 2020	1,421,572	4.00%	56,863	55,905	958	3.93%	0.07%

TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
11,745	52,570
10,266	55,042
8,833	56,667
7,344	57,911
6,122	59,487
4,979	60,884

DEBT SERVICE SUBJECT TO CAP (millions of dollars)							
Year	All Funds Receipts	Cap %	Cap \$	Debt Service Since April 1, 2000	\$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity
FY 2015	147,974	5.00%	7,399	3,997	3,402	2.70%	2.30%
FY 2016	149,286	5.00%	7,464	4,187	3,278	2.80%	2.20%
FY 2017	152,245	5.00%	7,612	4,603	3,009	3.02%	1.98%
FY 2018	156,281	5.00%	7,814	5,001	2,814	3.20%	1.80%
FY 2019	159,344	5.00%	7,967	5,409	2,558	3.39%	1.61%
FY 2020	164,685	5.00%	8,234	5,821	2,413	3.53%	1.47%

TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
1,804	5,801
1,314	5,501
1,655	6,258
1,710	6,710
1,564	6,973
1,439	7,260

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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. Secured Hospital bonds 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. In the event of shortfalls in revenues to pay debt service on the Secured Hospital bonds, the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by DASNY through the Secured Hospital Program. As of March 1, 2015, there were approximately \$304 million of bonds outstanding for this program.

The financial condition of hospitals in the State's Secured Hospital Program continues to deteriorate. Of the four remaining hospitals in the program, one is experiencing significant operating losses that have impaired its ability to remain current on its loan agreement with DASNY. In relation to the Secured Hospital Program, the State's contingent contractual obligation was invoked to pay debt service for the first time in FY 2014, when \$12 million was paid. DASNY also estimates the State will pay debt service costs of \$24 million in FY 2015, approximately \$25 million in both FY 2016 and FY 2017, and approximately \$14 million in both FY 2018 and FY 2019. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for one hospital that currently is not meeting the terms of its loan agreement with DASNY, a second hospital whose debt service obligation was recently discharged in bankruptcy, and a third hospital that is now closed. The State has estimated additional exposure of up to \$24 million annually, if all hospitals in the program failed to meet the terms of their agreements with DASNY and if available reserve funds were depleted.

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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 University Hospital at Brooklyn ("Downstate Hospital"). In 2012, DASNY issued tax exempt State PIT Revenue Bonds ("PIT Bonds"), to refund approximately \$120 million in outstanding debt originally incurred by LICH and assumed by Holdings.

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 Downstate Hospital in order to achieve financial milestones assumed in the sustainability plan, and supported by State financial assistance from DOH; and (b) monetizing the LICH asset value to support the costs associated with Downstate Hospital exiting LICH operations. Consistent with the sustainability plan, as supplemented, SUNY, together with Holdings, issued a request for proposals ("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 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. Pursuant to the settlement, SUNY, together with Holdings, issued a new RFP seeking a qualified party to provide or arrange to provide health care services at LICH and to purchase the LICH property. The structure of the settlement also increased the likelihood that sufficient proceeds from the transaction would be available to support full defeasance of the PIT Bonds by setting a minimum purchase price.

In accordance with the settlement, Holdings has entered into a purchase and sale agreement with FPG Cobble Hill Acquisitions, LLC, an affiliate of Fortis Property Group, LLC (also party to the agreement) which proposes to purchase the LICH property, and with NYU Hospitals Center which will provide both interim and long-term health care services. The agreement has been approved by the Office of Attorney General and the State Comptroller. The sale of all, or substantially all, of the assets of Holdings is subject to additional approvals. There can be no assurance that the resolution of legal, financial, and regulatory issues surrounding LICH, including the payment of outstanding liabilities, will not have a materially adverse impact on SUNY.

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Consensus Revenue Forecast

On February 27, 2015, as required by State law, the Executive and Legislature issued a joint report containing a consensus forecast for the economy and projections of receipts for the current and upcoming fiscal years. The consensus forecast is intended to provide a common agreement on projected tax receipts as a precursor to legislative deliberations on the Executive Budget proposal. In the consensus forecast report, the parties agreed that tax receipts over the two-year period (FYs 2015 and 2016) were projected to exceed the Executive Budget forecast by approximately \$200 million. The consensus forecast will be taken into consideration in negotiations to adopt a budget for FY 2016, but is not reflected in the Updated Financial Plan.

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Financial Plan Projections — Fiscal Years 2015 through 2019

Introduction

This section presents the State's updated multi-year Financial Plan for FY 2015 through FY 2019, with an emphasis on the FY 2016 projections. The projections reflect the impact of the Executive Budget proposal on the Updated Financial Plan.

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, equally important, to highlight relevant aspects of the projections, DOB has adopted the following approaches in summarizing the projections:

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The State Funds 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:** Roughly 40 percent of projected State-financed spending for operating purposes (excluding transfers) is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, School Aid, higher education, transportation and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis.

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish the further removed such estimates and projections are from the date of this AIS Update. Accordingly, in terms of out-year projections, the first outyear of the FY 2015 budget, FY 2016, is the most relevant from a planning perspective.

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Summary

The Updated Financial Plan reflects limiting annual growth in State Operating Funds spending to 1.7 percent, consistent with the expectation of adherence with a 2 percent spending benchmark. In addition, DOB estimates that the State will end FY 2015 with a sizeable General Fund cash-basis surplus due to a series of unbudgeted one-time monetary settlements reached between regulators and financial institutions.

The surplus projections for FY 2017 and thereafter set forth in the Updated Financial Plan reflect 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 spending to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as “Adherence to 2 percent Spending Benchmark.” Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

The following tables present the Updated 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.

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GENERAL FUND PROJECTIONS					
(millions of dollars)					
	FY 2015 Current	FY 2016 Proposed	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
RECEIPTS					
Taxes (After Debt Service)	58,434	62,286	65,133	67,838	69,458
Miscellaneous Receipts/Federal Grants	8,876	2,926	2,656	2,366	2,277
Other Transfers	1,404	878	740	739	747
Total Receipts	68,714	66,090	68,529	70,943	72,482
DISBURSEMENTS					
Local Assistance Grants	41,986	43,916	46,456	49,149	51,595
School Aid	18,393	19,719	20,945	21,928	23,194
Medicaid	11,665	12,311	12,966	13,670	14,407
All Other	11,928	11,886	12,545	13,551	13,994
State Operations	7,872	8,232	8,315	8,683	8,532
Personal Service	5,849	6,064	6,093	6,203	6,234
Non-Personal Service	2,023	2,168	2,222	2,480	2,298
General State Charges	4,977	5,213	5,710	6,032	6,349
Transfers to Other Funds	8,346	13,268	9,771	10,417	10,814
Debt Service	1,291	915	1,245	1,411	1,198
Capital Projects	888	5,991	1,823	2,042	2,290
State Share of Mental Hygiene Medicaid	1,448	1,312	1,339	1,214	1,155
SUNY Operations	980	985	974	969	969
All Other	3,739	4,065	4,390	4,781	5,202
Total Disbursements	63,181	70,629	70,252	74,281	77,290
Adherence to 2% Spending Benchmark ¹	n/a	n/a	1,937	4,195	5,486
Use (Reservation) of Fund Balance:	(133)	(11)	(12)	(10)	(11)
Tax Stabilization Reserve Fund	(125)	0	0	0	0
Rainy Day Reserve Fund	(190)	0	0	0	0
Community Projects Fund	87	0	0	0	0
Prior-Term Labor Agreements	37	(11)	(12)	(10)	(11)
Debt Management	0	0	0	0	0
J.P. Morgan Settlement Proceeds	58	0	0	0	0
Monetary Settlements ²	(5,400)	4,550	0	0	0
BUDGET SURPLUS/(GAP) PROJECTIONS	0	0	202	847	667
¹ Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.					
² FY 2016 reflects the proposed transfer of \$4.55 billion from the General Fund to the proposed Dedicated Infrastructure Investment Fund.					

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STATE OPERATING FUNDS PROJECTIONS					
(millions of dollars)					
	FY 2015 Current	FY 2016 Proposed	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
RECEIPTS					
Taxes	69,150	73,104	76,345	79,334	81,467
Miscellaneous Receipts/Federal Grants	25,616	19,480	18,988	18,854	18,844
Total Receipts	94,766	92,584	95,333	98,188	100,311
DISBURSEMENTS					
Local Assistance Grants	61,100	62,519	65,130	68,054	70,616
School Aid	21,609	23,026	24,142	25,226	26,486
STAR	3,374	3,231	3,216	3,157	3,098
Special/Other Education	2,138	2,104	2,227	2,400	2,541
Higher Education	2,902	2,972	3,031	3,096	3,156
Medicaid (DOH)	16,732	17,481	18,224	18,986	19,724
Public Health/Aging	1,853	1,745	1,724	1,758	1,787
Mental Hygiene	2,934	2,582	2,780	3,250	3,446
Social Services	2,809	2,920	3,067	3,265	3,273
Transportation	4,841	4,839	4,904	4,974	5,038
Local Government Assistance	777	765	785	790	790
All Other	1,131	854	1,030	1,152	1,277
State Operations	18,371	18,588	18,729	19,153	19,156
Personal Service	12,596	12,886	12,901	13,054	13,163
Non-Personal Service	5,775	5,702	5,828	6,099	5,993
General State Charges	7,072	7,354	7,899	8,290	8,715
Pension Contribution	2,095	2,237	2,471	2,665	2,894
Health Insurance (Active Employees)	1,821	1,898	2,024	2,134	2,254
Health Insurance (Retired Employees)	1,490	1,553	1,656	1,746	1,844
All Other	1,666	1,666	1,748	1,745	1,723
Debt Service	5,833	5,526	6,284	6,725	6,987
Capital Projects	0	1	3	3	3
Total Disbursements	92,376	93,988	98,045	102,225	105,477
Net Other Financing Sources/(Uses)	2,767	(2,816)	1,363	1,104	823
Adherence to 2% Spending Benchmark ¹	n/a	n/a	1,937	4,195	5,486
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(5,157)	4,220	(386)	(415)	(476)
General Fund	(5,533)	4,539	(12)	(10)	(11)
Special Revenue Funds	397	(249)	(311)	(327)	(397)
Debt Service Funds	(21)	(70)	(63)	(78)	(68)
GENERAL FUND BUDGET SURPLUS/(GAP)	0	0	202	847	667
¹ Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.					

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Economic Backdrop

The U.S. Economy

According to the U.S. Bureau of Economic Analysis (“BEA”) advanced estimate, national economic growth slowed substantially in the fourth calendar-year quarter of 2014 from the 4.8 percent average over the prior two quarters. The resulting annual growth rate for 2014 of 2.4 percent is slightly below the FY 2015 Enacted Budget forecast of 2.5 percent, but with a potential for a downward revision when the BEA releases its second estimate for the fourth quarter at the end of the month. The most recent high frequency data indicate lower growth for the first quarter of 2015 than was expected in the FY 2015 Enacted Budget forecast, although the cold weather may further reduce economic activity. DOB estimates that real U.S. GDP will grow 2.9 percent in 2015, similar to the FY 2015 Enacted Budget forecast and indicating an improving national economy.

The national labor market continues to exhibit strength. Indeed, the release of the annual benchmark revision in early February 2015 indicated an even stronger pickup in hiring during the second half of 2014. For the final six months of 2014, private sector U.S. employment displayed monthly average growth of 273,200, revised up from 254,700, resulting in upwardly revised growth of 1.9 percent for all of 2014. Consequently, DOB now projects stronger employment growth of 2.4 percent for 2015, supporting upwardly revised real household spending growth of 3.5 percent. The recent decline in energy prices represents another tailwind to household spending. With gasoline prices down by more than \$1.50 a gallon since the middle of 2014, cheaper energy is succeeding at what for so many households an improving labor market has failed to provide – a significant rise in disposable income.

Improved household spending should give private business more confidence to invest and hire in the future, but falling oil prices may also have negative effects on oil producers. Some oil producing companies have already announced layoffs as well as delays or cancellations of plans for new exploration. As a result, the overall impact on business investment is likely to be muted. Meanwhile, the boost from lower energy prices is expected to only partially compensate for the weakness of the global economy, a listless housing market, and continued low wage growth. Without support from these critical sources, DOB continues to anticipate annualized quarterly growth of real GDP will remain below 3 percent over the near term.

Despite solid domestic growth, the global outlook remains uncertain as we await the impact of actions recently taken to stimulate the European economy. This uncertainty is augmented by the ongoing threat of geopolitical conflict. The most recent data indicate that these risks, together with the recent sharp real appreciation of the dollar, are leading to even weaker net export growth over the near term. As a result, real U.S. export growth has been revised down to 4.2 percent for 2015. Weaker global demand than anticipated is also likely to augment the negative impact on domestic business investment of lower energy prices. These developments are expected to partially offset the positive impact of stronger household spending. As a result, real growth in non-residential fixed investment for 2015 has been revised up to 5.0 percent, following 6.1 percent growth for all of 2014 and only 1.9 percent for the fourth quarter.

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The housing market rebounded after being hard hit by extreme winter weather last year. Housing starts exhibited monthly average growth of 3.6 percent over the second half of 2014, improving from a 1.8 percent decline over the first half of the year. However, based on the most recent data, residential construction saw yet another slow start to the year, due at least in part to January's harsh weather. As the weather improves, historically low, albeit rising, interest rates, along with improving lending terms (other than interest rates) and a strengthening labor market, should support housing market growth. On balance, DOB projects downwardly revised real residential investment growth of 5.8 percent for 2015.

U.S. ECONOMIC INDICATORS (Percent change from prior calendar year)			
	2014 (Actual)	2015 (Forecast)	2016 (Forecast)
Real U.S. Gross Domestic Product	2.4	2.9	2.8
Consumer Price Index (CPI)	1.6	0.5	2.2
Personal Income	3.9	4.4	5.4
Nonagricultural Employment	1.9	2.4	2.1
Source: Moody's Analytics; DOB staff estimates.			

Given solid improvement in the labor market and the expected boost to growth from lower energy prices, DOB expects the Federal Reserve to begin raising its short-term interest rate target at the end of the second quarter of 2015. But rising concern over disinflation in the U.S. and abroad represents a risk that could affect the Federal Reserve's decision making. In the fourth quarter of 2014, year-ago growth in the headline CPI fell to 1.2 percent, while core CPI inflation fell to 1.7 percent. Domestic oil prices have fallen to about \$50 per barrel and are expected to remain soft for the foreseeable future. Therefore, DOB has revised down estimates for consumer price inflation to 0.5 percent for 2015.

Although the DOB economic outlook calls for a modest strengthening of the nation's recovery, significant risks remain. It is difficult to foresee domestic growth substantially accelerating given the slow pace of U.S. export growth. While the euro-area economy is no longer contracting and the European Central Bank has embarked upon a round of quantitative easing, unemployment rates are still rising in some areas, there are concerns about unusually low rates of inflation, and uncertainty over the integrity of the monetary union itself has re-emerged. A euro-area recovery that is even more sluggish than expected will likely result in slower export and corporate profits growth than reflected in this forecast. Although energy prices are expected to remain low, a complex geopolitical situation could ignite renewed volatility, which, along with equity price volatility, represents a risk to household spending. In contrast, stronger global growth or lower than expected gasoline prices would result in stronger outcomes than projected. Finally, the response of global financial markets to the anticipated shift in Federal Reserve policy in the U.S. remains a risk, whether that process starts in June or later in the year, particularly given the lack of experience upon which to draw.

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The New York State Economy

The State's private sector labor market has continued to outperform expectations, with estimated growth for the 2014 calendar year incorporating upward revisions to employment in real estate services and construction, transportation and warehousing, financial services, professional and business services, and health care. Growth also remains strong in tourism-related leisure and hospitality industries. Strong private sector job growth of 2.1 percent is now estimated for 2014, with growth expected to decelerate to 1.6 percent in 2015 as the State's labor market expansion matures. Preliminary data suggest that the long-term decline in government employment may also be coming to an end. Overall employment growth for 2014 and 2015 has been revised up to 1.7 percent and 1.4 percent, respectively.

Stronger than anticipated job growth for 2014 has resulted in upwardly revised wage growth of 6.2 percent. However, preliminary information suggests that disappointing fourth quarter earnings and revenues for the finance sector are likely to have resulted in reduced bonus payouts for the 2014-15 bonus season now in progress. DOB has reduced estimated finance and insurance sector bonus growth to only 3.6 percent on a 2014-15 State fiscal year basis. These lower bonus payouts have resulted in downward revisions to both total wages and personal income.

NEW YORK STATE ECONOMIC INDICATORS (Percent change from prior State fiscal year)			
	FY 2014 (Actual)	FY 2015 (Forecast)	FY 2016 (Forecast)
Personal Income	2.1	4.1	4.5
Wages	4.2	4.5	4.5
Nonagricultural Employment	1.6	1.7	1.4
Source: Moody's Analytics; New York State Department of Labor; DOB staff estimates.			

The performance of the State's private sector labor market continues to show strength, but there are significant risks to the forecast. All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, both the volume of financial market activity and equity market volatility pose a particularly large degree of uncertainty for New York. Although DOB now estimates only low single-digit growth in finance and insurance sector bonuses for the season in progress, considerable risks remain. Under regulatory and other pressures, the pattern of Wall Street bonus payouts has changed dramatically since the 2008-09 financial crisis, with payments now more widely dispersed across the year. In addition, taxable payouts can represent both current-year awards and deferred payments from prior year awards. Finally, the deferral ratio has also proven to be unstable. As a result, the uncertainty surrounding bonus projections has continued to mount. In addition, recent events have demonstrated how sensitive financial markets can be to shifting expectations surrounding Federal Reserve policy. As the Federal Reserve moves closer to its first rate hike in many years, the resulting financial market volatility 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 we project, both bonuses and taxable capital gains realizations could be negatively affected.

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All Funds Receipts Projections

Financial Plan receipts comprise a variety of taxes, fees and assessments, charges for State provided services, Federal grants, and other miscellaneous receipts, as well as the collection of a payroll tax on businesses located within the Metropolitan Transportation Authority (“MTA”) region. The multi-year tax and miscellaneous receipts estimates are prepared by DOB with the assistance of the Department of Taxation and Finance and other agencies concerned with the collection of State receipts, and are predicated on economic analysis and forecasts.

Overall base growth in tax receipts is dependent on many 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, nonwage 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. State taxes account for approximately half of total All Funds receipts.

The projections of Federal receipts generally correspond to the anticipated spending levels of a variety of programs including Medicaid, temporary and disability assistance, mental hygiene, education, public health, and other activities, including extraordinary aid.

Where noted, certain tables in the following section display General Fund tax receipts that exclude amounts transferred to the General Fund in excess of amounts needed for certain debt service obligations (e.g., PIT receipts in excess of the amount transferred for certain debt service on revenue bonds).

ALL FUNDS RECEIPTS (millions of dollars)											
	FY 2014 Results	FY 2015 Current	Change	FY 2016 Proposed	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
Personal Income Tax	42,961	43,813	2.0%	46,768	6.7%	49,508	5.9%	51,754	4.5%	53,084	2.6%
Consumption/Use Taxes	15,099	15,454	2.4%	16,041	3.8%	16,610	3.5%	17,131	3.1%	17,701	3.3%
Business Taxes	8,259	7,777	-5.8%	8,143	4.7%	8,025	-1.4%	8,174	1.9%	8,329	1.9%
Other Taxes	2,167	2,208	1.9%	2,161	-2.1%	2,127	-1.6%	2,132	0.2%	2,138	0.3%
Payroll Tax	1,204	1,260	4.7%	1,337	6.1%	1,397	4.5%	1,467	5.0%	1,544	5.2%
Total State Taxes	69,690	70,512	1.2%	74,450	5.6%	77,667	4.3%	80,658	3.9%	82,796	2.7%
Miscellaneous Receipts	24,233	30,426	25.6%	25,075	-17.6%	24,146	-3.7%	23,524	-2.6%	23,681	0.7%
Federal Receipts	43,789	47,035	7.4%	49,763	5.8%	50,433	1.3%	52,099	3.3%	52,868	1.5%
Total All Fund Receipts	137,712	147,973	7.5%	149,288	0.9%	152,246	2.0%	156,281	2.7%	159,345	2.0%

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Total All Funds receipts in FY 2015 are estimated at \$148 billion, 7.5 percent above FY 2014 results. State tax receipts are expected to increase 1.2 percent in FY 2015. This modest increase is due to tax cuts enacted in 2014 and the partial repayment of tax credits deferred in tax years 2010-2012. Miscellaneous receipts growth in FY 2015 is primarily due to the windfall from one-time monetary settlements with financial institutions. In addition, the FY 2015 General Fund total includes a deposit of \$1 billion from the SIF reserve release in connection with Workers' Compensation law changes included in the FY 2014 Enacted Budget, which is an increase of \$750 million from the amount of the reserve released in FY 2014. In other State funds, FY 2015 miscellaneous receipts are driven by year-to-year variations to 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.

Consistent with the projected growth in the New York economy over the multi-year Financial Plan period, the personal income and consumption/use tax categories are expected to grow. Business taxes and other taxes are expected to decline in some or all years due to tax cuts and reforms enacted in 2014.

Not reflected in the prior table is a base tax revenue growth scenario. If controlling for the impact of tax law changes and income shifting by individuals with respect to income tax payments, base tax revenue would be projected to increase by 3.5 percent for FY 2015 and 4.6 percent for FY 2016.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)											
	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE/ALL FUNDS	42,961	43,813	2.0%	46,768	6.7%	49,508	5.9%	51,754	4.5%	53,084	2.6%
Gross Collections	51,575	52,189	1.2%	56,005	7.3%	59,601	6.4%	62,593	5.0%	64,464	3.0%
Refunds (Incl. State/City Offset)	(8,614)	(8,376)	2.8%	(9,237)	-10.3%	(10,093)	-9.3%	(10,839)	-7.4%	(11,380)	-5.0%
GENERAL FUND¹	28,864	29,486	2.2%	31,845	8.0%	33,915	6.5%	35,658	5.1%	36,715	3.0%
Gross Collections	51,575	52,189	1.2%	56,005	7.3%	59,601	6.4%	62,593	5.0%	64,464	3.0%
Refunds (Incl. State/City Offset)	(8,614)	(8,376)	2.8%	(9,237)	-10.3%	(10,093)	-9.3%	(10,839)	-7.4%	(11,380)	-5.0%
STAR	(3,357)	(3,374)	-0.5%	(3,231)	4.2%	(3,216)	0.5%	(3,157)	1.8%	(3,098)	1.9%
RBTF	(10,740)	(10,953)	-2.0%	(11,692)	-6.7%	(12,377)	-5.9%	(12,939)	-4.5%	(13,271)	-2.6%

¹Excludes Transfers.

All Funds income tax receipts for FY 2015 are projected to be \$43.8 billion, an increase of \$852 million (2 percent) from FY 2014 results. This primarily reflects increases in withholding and estimated payments attributable to the 2014 tax year, partially offset by a substantial decline in tax year 2013 extension payments.

Withholding in FY 2015 is projected to be \$1.6 billion (4.9 percent) higher compared to FY 2014, due mainly to moderate wage growth. Extension payments are estimated to decline by \$1.8 billion (34.9 percent) due to reduced tax year 2013 capital gains realizations (relative to tax year 2012). The capital gains acceleration into tax year 2012 at the expense of tax year 2013 and thereafter, which was done in anticipation of the increase in Federal income tax rates between 2012 and 2013 inflated extension payments. This income shifting was coupled with unusually

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high tax year 2012-related (FY 2014) extension overpayments, leading to a significant tax year 2013-related (FY 2015) extension payments decline. Estimated payments for tax year 2014 are projected to be \$905 million (9.6 percent) higher. Final return payments and delinquencies are projected to be \$219 million (9.2 percent) lower and \$106 million (9 percent) higher, respectively.

The decline in total refunds of \$238 million (2.8 percent) reflects a \$328 million (15.8 percent) decrease in current (tax year 2014) refunds, a \$405 million (7.5 percent) decrease in prior (tax year 2013) refunds, a \$90 million (16.3 percent) decrease in previous (tax year 2012 and earlier) refunds, and a \$27 million (4.4 percent) decline in the State-City offset, partially offset by \$612 million in advanced payments for the Family Tax Relief credit and the newly enacted Real Property Tax Freeze credit. These advance payments serve to increase refunds.

General Fund income tax receipts are net of deposits to the STAR Fund, which provides property tax relief, and the Revenue Bond Tax Fund ("RBTF"), which supports debt service payments on State PIT revenue bonds. General Fund income tax receipts for FY 2015 of \$29.5 billion are expected to increase by \$622 million (2.2 percent) from the prior year, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be \$11 billion and the STAR transfer is projected to be \$3.4 billion.

The following table summarizes, by component, actual receipts for FY 2014 and forecast amounts through FY 2019.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS						
ALL FUNDS						
(millions of dollars)						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Results	Current	Proposed	Projected	Projected	Projected
Receipts						
Withholding	33,368	34,999	37,290	39,371	40,850	42,648
Estimated Payments	14,637	13,733	14,996	16,289	17,578	17,401
Current Year	9,454	10,359	11,348	12,219	13,133	12,510
Prior Year*	5,183	3,374	3,648	4,070	4,445	4,891
Final Returns	2,395	2,176	2,378	2,555	2,726	2,919
Current Year	250	224	254	265	277	277
Prior Year*	2,145	1,952	2,124	2,290	2,449	2,642
Delinquent	1,175	1,281	1,341	1,386	1,439	1,496
Gross Receipts	51,575	52,189	56,005	59,601	62,593	64,464
Refunds						
Prior Year*	5,367	4,962	5,678	7,000	8,062	8,578
Previous Years	554	464	488	513	539	564
Current Year*	2,078	1,750	1,750	1,700	1,700	1,700
Advanced Credit Payment	0	612	783	342	0	0
State/City Offset*	615	588	538	538	538	538
Total Refunds	8,614	8,376	9,237	10,093	10,839	11,380
Net Receipts	42,961	43,813	46,768	49,508	51,754	53,084
*These components, collectively, are known as the "settlement" on the prior year's tax liability.						

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All Funds income tax receipts for FY 2016 of \$46.8 billion are projected to increase by nearly \$3 billion (6.7 percent) from the prior year. This primarily reflects increases of \$2.3 billion (6.5 percent) in withholding, \$989 million (9.5 percent) in estimated payments related to tax year 2015, and \$274 million (8.1 percent) in extension payments related to tax year 2014, partially offset by an \$861 million (10.3 percent) increase in total refunds. The growth in withholding is the result of projected wage growth of 4.8 percent. The moderate growth in extension payments represents a rebound following a decline in FY 2015. The growth in total refunds is primarily attributable to growth in prior (tax year 2014) refunds, following a deflated FY 2015 base which would have been \$328 million higher absent the increase in the administrative cap on refunds between January and March 2014. Legislation included as part of the FY 2015 Enacted Budget (the Enhanced Real Property Tax Circuit Breaker Credit, the Manufacturing Property Tax Credit, and the length of service awards for volunteer firefighters and ambulance workers deduction) contributes an additional \$101 million to the growth in tax year 2014-related prior refunds. Payments from final returns are expected to increase \$202 million (9.3 percent), while delinquencies are projected to increase \$60 million (4.7 percent) from the prior year. The increase in delinquencies is inclusive of \$27 million attributable to Executive proposals.

General Fund income tax receipts for FY 2016 of \$31.8 billion are projected to increase by \$2.4 billion (8 percent). The RBTF deposits are projected to be \$11.7 billion, and the STAR transfer is projected to be \$3.2 billion.

All Funds income tax receipts of \$49.5 billion in FY 2017 are projected to increase \$2.7 billion (5.9 percent) from the prior year. Gross receipts are projected to increase 6.4 percent, reflecting withholding that is projected to grow by \$2.1 billion (5.6 percent) and estimated payments related to tax year 2016 that are projected to grow by \$871 million (7.7 percent). Payments from extensions for tax year 2015 are projected to increase by \$422 million (11.6 percent) and final returns are expected to increase \$177 million (7.4 percent). Delinquencies are projected to increase \$45 million (3.4 percent) from the prior year. Total refunds are projected to increase by \$856 million (9.3 percent) from the prior year.

General Fund income tax receipts for FY 2017 of \$33.9 billion are projected to increase by \$2.1 billion (6.5 percent).

All Funds income tax receipts are projected to increase by \$2.2 billion (4.5 percent) in FY 2018 to reach \$51.8 billion, while General Fund receipts are projected to be \$35.7 billion.

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Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)											
	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE/ALL FUNDS	15,099	15,454	2.4%	16,041	3.8%	16,610	3.5%	17,131	3.1%	17,701	3.3%
Sales Tax	12,588	13,094	4.0%	13,664	4.4%	14,280	4.5%	14,829	3.8%	15,423	4.0%
Cigarette and Tobacco Taxes	1,453	1,282	-11.8%	1,283	0.1%	1,232	-4.0%	1,193	-3.2%	1,153	-3.4%
Motor Fuel Tax	473	487	3.0%	484	-0.6%	485	0.2%	482	-0.6%	478	-0.8%
Highway Use Tax	136	136	0.0%	145	6.6%	139	-4.1%	141	1.4%	150	6.4%
Alcoholic Beverage Taxes	250	251	0.4%	256	2.0%	261	2.0%	266	1.9%	271	1.9%
Taxicab Surcharge	85	85	0.0%	85	0.0%	85	0.0%	85	0.0%	85	0.0%
Auto Rental Tax	114	119	4.4%	124	4.2%	128	3.2%	135	5.5%	141	4.4%
GENERAL FUND¹	6,561	6,700	2.1%	7,009	4.6%	7,291	4.0%	7,547	3.5%	7,822	3.6%
Sales Tax	5,885	6,130	4.2%	6,385	4.2%	6,675	4.5%	6,935	3.9%	7,215	4.0%
Cigarette and Tobacco Taxes	426	319	-25.1%	368	15.4%	355	-3.5%	346	-2.5%	336	-2.9%
Alcoholic Beverage Taxes	250	251	0.4%	256	2.0%	261	2.0%	266	1.9%	271	1.9%

¹Excludes Transfers.

All Funds consumption/use tax receipts for FY 2015 are estimated to be \$15.5 billion, a \$355 million (2.4 percent) increase from FY 2014 results. Sales tax receipts are expected to increase \$506 million (4 percent) from FY 2014, resulting from 5.9 percent base (i.e., absent law changes) growth, partially offset by law changes enacted with the FY 2015 and previous fiscal year budgets. Cigarette and tobacco tax collections are estimated to decline \$171 million (11.8 percent), primarily reflecting large declines in taxable cigarette consumption (particularly in NYC) and cigar tax refunds, resulting in part from a nonbinding Administrative Law Judge Determination (*Matter of Davidoff of Geneva, Inc.*). Resources have been devoted to the Tax Department enforcement unit to more aggressively pursue sale of untaxed cigarettes. Motor fuel tax collections are expected to increase \$14 million (3 percent), reflecting a rebound from a FY 2014 decline caused by severe winter weather.

General Fund consumption/use tax receipts for FY 2015 are estimated to total \$6.7 billion, an increase of \$139 million (2.1 percent) from FY 2014. This increase largely reflects increased sales tax collections offset by greater than trend declines in cigarette collections and cigar tax refunds.

All Funds consumption/use tax receipts for FY 2016 are projected to be \$16 billion, an increase of \$587 million (3.8 percent) from the prior year. The \$570 million (4.4 percent) increase in sales tax receipts reflects sales tax base growth of 3.9 percent due to strong projected disposable income growth. Highway use tax receipts are expected to increase \$9 million (6.6 percent) as FY 2016 is a triennial renewal year.

General Fund consumption/use tax receipts are projected to total \$7 billion in FY 2016, a \$309 million (4.6 percent) increase from the prior year. The projected increase results from increases in sales, cigarette and tobacco, and alcoholic beverage tax receipts. The projected increase in cigarette and tobacco tax receipts is the result of an artificially low FY 2015 base created by the cigar tax refunds mentioned earlier.

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All Funds consumption/use tax receipts are projected to increase to nearly \$16.6 billion (3.5 percent) in FY 2017 and to \$17.1 billion (3.1 percent) in FY 2018, largely representing base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections.

General Fund sales and use tax receipts are net of deposits to the Local Government Assistance Tax Fund (25 percent), and the Sales Tax Revenue Bond Fund (25 percent), which support debt service payments on State sales and use tax revenue bonds. Receipts in excess of the debt service requirements of the funds and the local assistance payments to New York City, or its assignee, are transferred back to the General Fund.

General Fund consumption/use tax receipts are projected to increase to \$7.3 billion (4 percent) in FY 2017 and \$7.5 billion (3.5 percent) in FY 2018, reflecting the All Funds trends noted above.

Business Taxes

BUSINESS TAXES (millions of dollars)											
	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE/ALL FUNDS	8,259	7,777	-5.8%	8,143	4.7%	8,025	-1.4%	8,174	1.9%	8,329	1.9%
Corporate Franchise Tax	3,812	2,967	-22.2%	4,649	56.7%	4,370	-6.0%	4,552	4.2%	4,671	2.6%
Corporation and Utilities Tax	798	773	-3.1%	805	4.1%	816	1.4%	818	0.2%	835	2.1%
Insurance Tax	1,444	1,524	5.5%	1,604	5.2%	1,581	-1.4%	1,563	-1.1%	1,637	4.7%
Bank Tax	1,050	1,373	30.8%	(10)	-100.7%	203	2130.0%	190	-6.4%	143	-24.7%
Petroleum Business Tax	1,155	1,140	-1.3%	1,095	-3.9%	1,055	-3.7%	1,051	-0.4%	1,043	-0.8%
GENERAL FUND	6,046	5,576	-7.8%	5,894	5.7%	5,765	-2.2%	5,867	1.8%	5,970	1.8%
Corporate Franchise Tax	3,245	2,428	-25.2%	3,880	59.8%	3,563	-8.2%	3,703	3.9%	3,772	1.9%
Corporation and Utilities Tax	615	590	-4.1%	619	4.9%	624	0.8%	622	-0.3%	631	1.4%
Insurance Tax	1,298	1,370	5.5%	1,433	4.6%	1,405	-2.0%	1,380	-1.8%	1,445	4.7%
Bank Tax	888	1,188	33.8%	(38)	-103.2%	173	555.3%	162	-6.4%	122	-24.7%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2015 are estimated at \$7.8 billion, a \$482 million (6.6 percent) decrease from prior year results. The estimate reflects a decline resulting from the first year of the tax year 2010-2012 tax credit deferral payback to taxpayers (an incremental refund increase of \$273 million) and enacted tax reductions for manufacturers which are estimated to reduce All Funds receipts by \$223 million. Growth in the bank and insurance taxes is offset by declines in the corporate franchise tax (for the reasons stated below), the corporation and utilities tax and the petroleum business tax.

Corporate franchise tax receipts are estimated to decrease \$845 million (22.2 percent) in FY 2015, reflecting the credit deferral payback (\$273 million), and tax cuts for manufacturers enacted in the FY 2014 and FY 2015 budgets. The FY 2014 Enacted Budget phased-in a 25 percent tax cut on all four manufacturing tax bases beginning in tax year 2014. Additionally, the FY 2015 Enacted Budget reduced the entire net income tax rate to zero percent for qualified manufacturers effective for tax year 2014. The impact of these two actions is estimated to reduce FY 2015 receipts by a total of \$223 million compared to FY 2014 receipts. In addition to these actions, audit receipts are expected to decline \$633 million (45.4 percent). Corporate franchise

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tax receipts for FY 2015 will also include the mandatory first installment for former bank taxpayers due in March 2015. Since this represents the first payment towards 2015 liability, payments made by former bank taxpayers will be recorded under the corporate franchise tax as a result of corporate tax reform.

Corporation and utilities tax receipts are expected to decline \$25 million (3.1 percent) in FY 2015. Both gross receipts and audits are expected to decline from the prior year while refunds are expected to be much lower in FY 2015 due to an atypically large refund that was paid in FY 2014. The decrease in gross receipts is mainly attributable to the loss of revenue from payments imposed by Section 186 of the Tax Law due to the Long Island Power Authority ("LIPA") restructuring enacted in the 2013 legislative session.

Insurance tax receipts are expected to increase \$80 million (5.5 percent) in FY 2015. Strength in premiums growth from authorized insurers as well as unauthorized (excess line brokers) insurers will be partially offset by the impact of the State's transition of the prescription drug, hospital and mental health portions of the Empire Plan to self-insurance on January 1, 2014. This transition reduces insurance tax receipts since State and local governments no longer remit the insurance tax as part of premium payments.

Bank tax receipts are estimated to increase \$323 million (30.8 percent) in FY 2015. A nearly \$676 million increase in audit receipts (based on receipts to date) is partially offset by higher refunds and lower gross receipts. Gross receipts are lower in FY 2015 than FY 2014 because the March 2015 mandatory first installment of tax payments for bank taxpayers will be recorded in the corporate franchise tax as a result of corporate tax reform.

Petroleum business tax ("PBT") receipts are expected to decrease \$15 million (1.3 percent) in FY 2015, primarily due to the 0.8 percent decrease in PBT tax rates effective January 2014 and the estimated 3.2 percent decrease in PBT tax rates effective January 2015. These declines are partially offset by an expected rebound from FY 2014 in taxable fuel consumption, which was depressed by severe winter weather.

General Fund business tax receipts for FY 2015 of \$5.6 billion are estimated to decrease \$470 million (7.8 percent) from FY 2014 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2016 of \$8.1 billion are projected to increase \$366 million (4.7 percent) from the prior year. The large decline in bank tax receipts and the commensurate large increase in corporate franchise tax receipts beginning in FY 2016 are the result of the repeal of the bank tax and resultant imposition of the corporate franchise tax on former bank taxpayers effective for tax year 2015. This year-over-year increase primarily reflects better audit results and lower refund payments (the second year of the credit deferral payback to taxpayers is smaller than the amount estimated to be paid out in FY 2015). PBT receipts are expected to decrease \$45 million (4 percent) in FY 2016, primarily due to the estimated 3.2 percent decrease in PBT tax rates effective January 1, 2015 noted above, and expected declines in taxable motor fuel consumption due to declining vehicle miles traveled and increases in average vehicle fuel efficiency.

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General Fund business tax receipts for FY 2016 of \$5.9 billion are projected to increase \$318 million (5.7 percent), reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2017 and FY 2018 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. All Funds business tax receipts are projected to decrease to \$8 billion (1.4 percent) in FY 2017, and increase to \$8.2 billion (1.9 percent) in FY 2018. General Fund business tax receipts are expected to decrease to \$5.8 billion (2.2 percent) in FY 2017 and increase to \$5.9 billion (1.8 percent) in FY 2018. The decrease in FY 2017 primarily reflects the reduction of the corporate income tax rate to 6.5 percent from 7.1 percent (effective for tax year 2016) that was implemented as part of corporate tax reform in the FY 2015 Enacted Budget.

Other Taxes

OTHER TAXES (millions of dollars)											
	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE/ALL FUNDS	2,167	2,208	1.9%	2,161	-2.1%	2,127	-1.6%	2,132	0.2%	2,138	0.3%
Estate Tax	1,238	1,169	-5.6%	1,105	-5.5%	1,012	-8.4%	962	-4.9%	907	-5.7%
Real Estate Transfer Tax	911	1,020	12.0%	1,037	1.7%	1,096	5.7%	1,151	5.0%	1,212	5.3%
Pari-Mutuel Taxes	17	18	5.9%	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%	1	0.0%
GENERAL FUND¹	1,256	1,188	-5.4%	1,124	-5.4%	1,031	-8.3%	981	-4.8%	926	-5.6%
Estate Tax	1,238	1,169	-5.6%	1,105	-5.5%	1,012	-8.4%	962	-4.9%	907	-5.7%
Pari-Mutuel Taxes	17	18	5.9%	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%	1	0.0%

¹Excludes Transfers.

All Funds other tax receipts for FY 2015 are estimated to be nearly \$2.2 billion, a \$41 million (1.9 percent) increase from FY 2014 results. This reflects a \$109 million (12 percent) increase in real estate transfer tax receipts, partially offset by a \$69 million (5.6 percent) decrease in estate tax receipts. The estate tax decrease is primarily the result of FY 2015 Enacted Budget legislation that raises the exemption level from \$1 million to \$5.25 million over a four-year period and an expected return (i.e., reduction) in FY 2015 to a number of super-large estate payments (payments of over \$25 million) consistent with long-term trends. The real estate transfer tax estimate reflects both an increase in the volume of transactions in NYC and modest price growth compared to the prior year.

General Fund other tax receipts are expected to be nearly \$1.2 billion in FY 2015, an \$68 million (5.4 percent) decrease from FY 2014 results, reflecting the estate tax change noted above.

All Funds other tax receipts for FY 2016 are projected to be nearly \$2.2 billion, a \$47 million (2.1 percent) decrease from FY 2015 projections. This reflects projected growth in real estate transfer tax receipts due to projected growth in both the residential and commercial real estate markets, particularly in NYC, more than entirely offset by a decline in projected estate tax receipts due to the continued phase in of the increased exemption level.

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All Funds other tax receipts for FY 2017 and FY 2018 reflect projected trends in household net worth, housing starts and housing prices. All Funds other tax receipts are projected to decrease to \$2.1 billion (1.6 percent) in FY 2017, and remain at \$2.1 billion in FY 2018. The divergence in growth rates between the All Funds and General Fund projections for other taxes reflects the dedication of the segment exhibiting growth (real estate transfer tax receipts) to other funds, and reflection of the declining portion (estate tax receipts) remaining in the General Fund.

Miscellaneous Receipts and Federal Grants

MISCELLANEOUS RECEIPTS (millions of dollars)											
	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
ALL FUNDS	24,233	30,426	25.6%	25,075	-17.6%	24,146	-3.7%	23,524	-2.6%	23,681	0.7%
General Fund	3,219	8,874	175.7%	2,926	-67.0%	2,656	-9.2%	2,366	-10.9%	2,277	-3.8%
Special Revenue Funds	16,776	16,263	-3.1%	16,143	-0.7%	15,916	-1.4%	16,072	1.0%	16,152	0.5%
Capital Projects Funds	3,539	4,774	34.9%	5,558	16.4%	5,121	-7.9%	4,633	-9.5%	4,800	3.6%
Debt Service Funds	699	515	-26.3%	448	-13.0%	453	1.1%	453	0.0%	452	-0.2%

All Funds miscellaneous receipts include monies received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, tribal-state compact revenue, financial settlements and a variety of fees and licenses.

All Funds miscellaneous receipts are projected to total \$30.4 billion in FY 2015, an increase of 25.6 percent from prior year results. This increase is primarily due to the one-time monetary settlements described earlier in this AIS Update. In addition to the monetary settlements, the FY 2015 General Fund total includes a deposit of \$1 billion from the SIF reserve release in connection with Workers' Compensation law changes included in the FY 2014 Enacted Budget, which is an increase of \$750 million from the amount received during the prior year. In other State funds, FY 2015 miscellaneous receipts are driven by year-to-year variations to health care surcharges and other HCRA resources, bond proceeds, atypical fines and the phase-out of the temporary utility assessment.

All Funds miscellaneous receipts are projected to decrease annually beginning in FY 2016, mainly due to lower payments from SIF, the \$5.4 billion in one-time monetary settlements expected to be received in FY 2015, the phase-out of the temporary utility assessment, and bond proceeds available to fund capital improvement projects.

FEDERAL GRANTS (millions of dollars)											
	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
ALL FUNDS	43,789	47,035	7.4%	49,763	5.8%	50,433	1.3%	52,099	3.3%	52,868	1.5%
General Fund	0	2	0.0%	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	41,405	44,913	8.5%	48,017	6.9%	48,730	1.5%	50,409	3.4%	51,197	1.6%
Capital Projects Funds	2,313	2,047	-11.5%	1,673	-18.3%	1,630	-2.6%	1,617	-0.8%	1,598	-1.2%
Debt Service Funds	71	73	2.8%	73	0.0%	73	0.0%	73	0.0%	73	0.0%

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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 projections.

All Funds Federal grants are expected to increase in FY 2015, which is mainly driven by enhanced Federal Medicaid funding associated with the ACA. Federal grants are expected to grow to \$52.9 billion by FY 2019, reflecting the continuation of growth in Federal Medicaid spending associated with the ACA, partly offset by the expected phase-down of costs associated with Federal disaster assistance aid.

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Disbursements

Total disbursements in FY 2016 are estimated at \$70.6 billion in the State's General Fund and \$94 billion in total 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, with the exception of FY 2016. The Executive Budget in FY 2016 proposes a School Aid increase of 4.8 percent on a school year basis, in excess of the indexed rate of 1.7 percent. The Enacted Budgets in FY 2014 and FY 2015 approved increases for School Aid above the indexed rate, as well. Medicaid, education, pension costs, employee and retiree health benefits, and debt service are significant drivers of annual spending growth.

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 appropriated pursuant to an enacted budget are disbursed in the same fiscal year. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in State 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.

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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. Local assistance spending in State Operating Funds is estimated at \$62.5 billion in FY 2016 and accounts for nearly two-thirds of total State Operating Funds spending. Education and health care spending account for approximately two-thirds of local assistance spending.

Certain major factors considered in preparing the spending projections for the State's major local assistance programs and activities are summarized in the following table.

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES						
(Dollars in Millions)						
	FY 2014 Results	FY 2015 Updated	FY 2016 Projected	Forecast		
				FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
MEDICAID						
Medicaid Coverage	5,332,648	6,170,304	6,356,115	6,401,031	6,423,489	6,434,718
- Family Health Plus (Caseload)	333,225	0	0	0	0	0
- Child Health Plus (Caseload)	296,089	292,500	295,400	304,200	313,300	322,700
State Takeover of County/NYC Costs	\$1,433	\$1,701	\$2,031	\$2,360	\$2,680	\$2,989
- Family Health Plus	\$459	\$147	\$0	\$0	\$0	\$0
- Medicaid	\$974	\$1,554	\$2,031	\$2,360	\$2,680	\$2,989
EDUCATION						
SY School Aid (Funding)	\$21,109	\$22,079	\$23,142	\$24,065	\$25,168	26,498
HIGHER EDUCATION						
Public Higher Education Enrollment (FTEs)	569,123	569,200	569,300	569,400	569,400	569,400
Tuition Assistance Program (Recipients)	302,476	302,398	302,669	302,669	302,669	302,669
PUBLIC ASSISTANCE						
Family Assistance Program (Caseload)	261,256	247,629	237,675	230,690	225,303	220,501
Safety Net Program (Families)	118,736	114,643	109,098	105,340	102,501	99,995
Safety Net Program (Singles)	192,857	195,108	193,661	192,374	191,526	191,116
Total Mental Hygiene Community Beds	94,982	97,736	100,168	104,114	105,699	106,215
- OMH Community Beds	39,626	42,050	43,918	47,475	48,655	48,780
- OPWDD Community Beds	41,521	41,722	42,196	42,544	42,843	43,164
- OASAS Community Beds	13,835	13,964	14,054	14,095	14,201	14,271
PRISON POPULATION (CORRECTIONS)	54,300	53,000	53,000	53,000	53,000	53,000

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Education

School Aid

School Aid helps support elementary and secondary education for New York pupils enrolled in 695 school districts throughout the State. State funding is provided to districts based on statutory aid formulas and through reimbursement of categorical expenses such as pre-kindergarten programs, education of homeless children, 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) Basis

School Aid is expected to total \$23.1 billion in school year (SY) 2016, an increase of \$1.1 billion (4.8 percent) from SY 2015, conditioned on the implementation of education reforms, including improvements to the systems for teacher evaluation, tenure, certification, and preparation as well as providing new authority to improve failing schools and increased support and accountability to charter schools.

The Executive Budget Financial Plan also continues to reflect \$340 million of recurring annual funding to support Statewide Universal Full-Day Pre-Kindergarten programs in order to incentivize and fund state-of-the-art programs and encourage creativity through competition. The programs began in the fall of 2014.

Finally, the Executive Budget proposes maintaining the two-year appropriation that continues Education Law provisions. School Aid is projected to increase by an additional \$923 million (4.0 percent) in SY 2017. School Aid is projected to reach an annual total of \$26.5 billion in SY 2019.

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)									
(millions of dollars)									
	SY 2015	SY 2016	Change	SY 2017	Change	SY 2018	Change	SY 2019	Change
Total	22,079	23,142	1,063	24,065	923	25,168	1,103	26,498	1,330
			4.8%		4.0%		4.6%		5.3%

School year values reflected in table do not include aid for Statewide Universal Full-Day Pre-Kindergarten programs or the Governor's New NY Education Reform Commission.

State Fiscal Year Basis

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.

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

SCHOOL AID - STATE FISCAL YEAR BASIS (millions of dollars)									
	FY 2015 Current	FY 2016 Proposed	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	21,609	23,026	6.6%	24,142	4.8%	25,226	4.5%	26,486	5.0%
General Fund Local Assistance	18,393	19,718	7.2%	20,945	6.2%	21,928	4.7%	23,194	5.8%
General Fund Local Aid Guarantee	72	0	n/a	0	0.0%	0	0.0%	0	0.0%
Core Lottery Aid	2,189	2,219	1.4%	2,181	-1.7%	2,173	-0.4%	2,167	-0.3%
VLT Lottery Aid	903	952	5.4%	996	4.6%	892	-10.4%	892	0.0%
Commercial Gaming - VLT Offset	0	0	0.0%	0	0.0%	23	0.0%	23	0.0%
Commercial Gaming	0	137	0.0%	20	-85.4%	210	950.0%	210	0.0%
Prior Year Resources	52	0	n/a	0	0.0%	0	0.0%	0	0.0%

State spending for School Aid is projected to total \$23.0 billion in FY 2016. In future years, receipts available to finance this category of aid from core lottery sales are projected to decline. In addition to State aid, school districts receive over \$3 billion annually in Federal categorical aid.

It is expected that School Aid spending will be supplemented by commercial gaming revenues, beginning in FY 2016. Three casino resorts were recommended by the State's Gaming Facility Location Board (the "Board") in December 2014, and a fourth casino is presently under possible consideration by the Board. It was previously anticipated that the State's receipt of \$160 million in one-time casino licensing fees would be used to supplement School Aid in FY 2016, and casinos would be fully operational by FY 2017. Due to differences in timing and in consideration of applicants chosen by the Board, the State now expects \$137 million from one-time licensing fees to supplement School Aid in FY 2016, and it is expected that the casinos will be fully operational by FY 2018.

Other Education Aid

In addition to School Aid, the State provides funding and support for various other education-related programs. These include: special education services; programs administered by the Office of Pre-kindergarten through Grade 12 education; cultural education; higher and professional education programs; and adult career and continuing education services.

The State provides a full range of special education services to approximately 500,000 students with disabilities 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 lunch and breakfast program, after-school programs and other educational grant programs. Higher and professional education programs monitor the quality and availability of postsecondary education programs, and license and regulate over 50 professions. Adult career and continuing education services focus on the education and employment needs of the State's adult citizens, ensuring that such individuals have access to a "one-stop" source for all their employment needs, and are made aware of the full range of services available in other agencies.

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OTHER EDUCATION (millions of dollars)									
	FY 2015 Current	FY 2016 Proposed	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	2,138	2,104	-1.6%	2,227	5.8%	2,400	7.8%	2,541	5.9%
Special Education	1,487	1,466	-1.4%	1,557	6.2%	1,671	7.3%	1,793	7.3%
All Other Education	651	638	-2.0%	670	5.0%	729	8.8%	748	2.6%

To improve service delivery and program administration, the Executive Budget establishes regional rates for Special Education Itinerant Teacher (“SEIT”) providers. SEIT providers are currently reimbursed based on their historical costs, and rates for these services vary significantly, even within the same region. Establishing regional rates will rationalize the current payment structure by ensuring that all providers within a region are paid the same amount for providing these services. Implementation of regional rates will be phased-in over no more than four years. Outyear growth is primarily driven by a projected increase in enrollment and service levels ordered for students in the preschool and summer school special education programs. The decrease in other education spending for FY 2016 relative to FY 2015 is driven primarily by one-time costs associated with the timing of claims-based aid payments, and targeted aid and grants in FY 2015. Outyear growth is primarily driven by increases to supplemental State charter school payments.

School Tax Relief (“STAR”) 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 \$65,300 exemption in FY 2016. The Department of Taxation and Finance (“DTF”) oversees local property assessment administration, and is responsible for establishing STAR property tax exemption amounts.

The three components of STAR and their approximate shares in FY 2016 are: the basic school property tax exemption for homeowners with income under \$500,000 (53 percent); the enhanced school property tax exemption for senior citizen homeowners with incomes under \$83,300 (28 percent); and a flat refundable credit and rate reduction for income-eligible resident New York City personal income taxpayers (19 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 currently 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 2015 Current	FY 2016 Proposed	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	3,374	3,231	-4.2%	3,216	-0.5%	3,157	-1.8%	3,098	-1.9%
Basic Exemption	1,817	1,712	-5.8%	1,718	0.4%	1,655	-3.7%	1,593	-3.7%
Enhanced (Seniors)	930	901	-3.1%	886	-1.7%	871	-1.7%	855	-1.8%
New York City PIT	627	618	-1.4%	612	-1.0%	631	3.1%	650	3.0%

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The spending decline is primarily a reflection of the number of STAR exemption recipients who are expected to participate in the program, following implementation of proposed changes to exemption benefits and eligibility requirements. The Executive Budget proposes freezing the STAR exemption to FY 2015 levels; aligning the New York City benefit with the STAR exemption program provided to the rest of the State by restricting the New York City PIT rate reduction to residents with incomes lower than \$500,000; and gradually transforming the school tax relief currently provided to taxpayers in the form of a tax exemption to a refundable tax credit beginning with all homeowner applications.⁹ Other savings include allowing DTF to recoup savings retrospectively from unlawfully claimed exemptions removed during the reregistration process, and converting the delinquency program into a tax clearance program. In addition to these proposed savings, current STAR spending estimates have been reduced to reflect a reduction in the estimated number of STAR exemption recipients.

Higher Education

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

The State funds 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 2016 (this is not reflected in the annual spending totals for the universities). HESC administers the Tuition Assistance Program (“TAP”), a program that provides financial 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.

⁹ Transforming the STAR benefit to a refundable tax credit will result in lower STAR spending with comparable decrease in PIT revenues.

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HIGHER EDUCATION (millions of dollars)									
	FY 2015 Current	FY 2016 Proposed	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	2,902	2,972	2.4%	3,031	2.0%	3,096	2.1%	3,156	1.9%
City University	1,394	1,410	1.1%	1,414	0.3%	1,445	2.2%	1,488	3.0%
Senior Colleges	1,171	1,189	1.5%	1,192	0.3%	1,223	2.6%	1,266	3.5%
Community College	223	221	-0.9%	222	0.5%	222	0.0%	222	0.0%
Higher Education Services	1,021	1,077	5.5%	1,134	5.3%	1,168	3.0%	1,185	1.5%
Tuition Assistance Program	966	1,008	4.3%	1,029	2.1%	1,032	0.3%	1,032	0.0%
Scholarships/Awards	43	57	32.6%	93	63.2%	124	33.3%	141	13.7%
Aid for Part Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	487	485	-0.4%	483	-0.4%	483	0.0%	483	0.0%
Community College	482	480	-0.4%	478	-0.4%	478	0.0%	478	0.0%
Other/Cornell	5	5	0.0%	5	0.0%	5	0.0%	5	0.0%

Annual growth by CUNY across the Updated Financial Plan reflects the net impact of one-time performance incentive funding in FY 2016 and fringe benefit cost increases. Growth in HESC reflects proposed new initiatives to support the DREAM Act and the Get On Your Feet loan forgiveness program, as well as the ongoing implementation of scholarships for STEM included in the FY 2015 Enacted Budget. SUNY local assistance primarily reflects the net impact of enrollment changes at community colleges.

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Health Care

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The State DOH works with local health departments and social services departments, including New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but a number of programs are also 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 services¹⁰ include inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care 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).

In FY 2012, legislation was enacted to limit the year-to-year growth in State funds Medicaid spending to the ten-year rolling average of the medical component of the Consumer Price Index (“CPI”). The statutory provisions of the Medicaid spending cap (or “Global Cap”) also allow for flexibility in adjusting Medicaid projections to meet unanticipated costs resulting from a disaster. The Executive Budget reflects the continuation of the Medicaid spending cap through FY 2017, and the Updated Financial Plan assumes that statutory authority will be extended in subsequent years. Allowable growth under the cap is 3.6 percent for FY 2016. Reflecting projected CPI reductions, DOB currently forecasts allowable cap growth at 3.4 percent in FY 2017; 3.2 percent in FY 2018; and 3.0 percent in FY 2019.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Global Medicaid Cap ¹	16,507	17,104	17,692	18,259	18,812
Annual % Change		3.6%	3.4%	3.2%	3.0%
¹ Under the Global cap, forecasted Medicaid services growth is indexed to the 10-year average of CPI Medical.					

¹⁰ The FY 2014 Enacted Budget eliminated the Family Health Plus (“FHP”) program effective January 1, 2015. The majority of the population previously receiving health care benefits through FHP has begun receiving more robust health care benefits through the Medicaid program, resulting from new Medicaid eligibility thresholds and increased Federal payments resulting from the Affordable Care Act. The remainder of the previous FHP population, those above Medicaid levels, are eligible for Federal tax credits in the New York State of Health insurance benefit exchange and a majority will become eligible for the Basic Health Plan.

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The indexed provisions of the Global Cap apply to a majority of the State share of Medicaid spending that is budgeted and expended principally through DOH. However, the Global Cap is adjusted for State costs associated with the takeover of local Medicaid growth and the multi-year assumption of local Medicaid Administration, as well as increased Federal financial participation that became effective in January 2014. State share Medicaid spending also appears in the Updated Financial Plan estimates for other State agencies, including the mental hygiene agencies, child welfare programs, and education aid.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS¹					
(millions of dollars)					
	FY 2015 Current	FY 2016 Proposed	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Department of Health Medicaid	<u>16,962</u>	<u>17,571</u>	<u>17,868</u>	<u>18,612</u>	<u>19,330</u>
Local Assistance	16,732	17,347	17,623	18,367	19,085
State Operations ²	230	224	245	245	245
Other State Agency Medicaid Spending	<u>5,062</u>	<u>4,892</u>	<u>4,742</u>	<u>5,237</u>	<u>5,486</u>
Mental Hygiene	4,927	4,755	4,604	5,097	5,347
Foster Care	85	87	88	90	89
Education	50	50	50	50	50
Total State Share Medicaid (All Agencies)	22,024	22,463	22,610	23,849	24,816
Annual \$ Change		439	147	1,239	967
Annual % Change		2.0%	0.7%	5.5%	4.1%
Basic Health Plan³	0	170	643	649	666

¹ Department of Health spending in the Financial Plan includes certain items that are excluded from the indexed provisions of the Medicaid Global Cap. This includes administrative costs, such as the takeover of local administrative responsibilities; the decision of Monroe County to participate in the Medicaid local cap program, rather than continuing the sales tax intercept option; and increased Federal Financial Participation that became effective in January 2014.

² Beginning in FY 2014 the Office of Health Insurance Programs was transferred to Medicaid from Public Health as part of the five-year phase-in initiative of the State to assume local administrative functions.

³ The Basic Health Plan (BHP) is not a Medicaid program; however, State-funded resources for the BHP are managed under the Medicaid Global Cap.

The State share of DOH Medicaid spending is financed by a combination 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").

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DEPARTMENT OF HEALTH MEDICAID ^{1,2} (millions of dollars)									
	FY 2015 Current	FY 2016 Proposed	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE OPERATING FUNDS	16,962	17,741	4.6%	18,511	4.3%	19,261	4.1%	19,996	3.8%
General Fund - DOH Medicaid Local	11,664	12,178	4.4%	12,365	1.5%	13,050	5.5%	13,769	5.5%
DOH Medicaid	10,949	11,263	2.9%	11,260	0.0%	12,162	8.0%	12,881	5.9%
Mental Hygiene Stabilization Fund ³	715	915	28.0%	1,105	20.8%	888	-19.6%	888	0.0%
General Fund - DOH Medicaid State Ops	230	224	-2.6%	245	9.4%	245	0.0%	245	0.0%
General Fund - Basic Health Plan	0	170	0.0%	643	278.2%	649	0.9%	666	2.6%
Local Assistance	0	134	0.0%	601	348.5%	620	3.2%	639	3.1%
State Operations	0	36	0.0%	42	16.7%	29	-31.0%	27	-6.9%
Other State Funds - DOH Medicaid Local	5,068	5,169	2.0%	5,258	1.7%	5,317	1.1%	5,316	0.0%
HCRA Financing ⁴	3,476	3,577	2.9%	3,666	2.5%	3,725	1.6%	3,724	0.0%
Indigent Care Support	792	792	0.0%	792	0.0%	792	0.0%	792	0.0%
Provider Assessment/Other Revenue	800	800	0.0%	800	0.0%	800	0.0%	800	0.0%

¹ The Basic Health Plan (BHP) is not a Medicaid program; however, State funded resources for BHP are managed under the Medicaid Global Cap.
² Does not include Medicaid spending in other State agencies, transfers, or the local government share of total Medicaid program spending.
³ The DOH Medicaid budget includes resources to fund a portion of Medicaid-related Mental Hygiene program costs under the Global Cap.
⁴ FY 2015 HCRA financing includes \$30 million for New York State of Health.

Since FY 2014, certain OPWDD-related Medicaid costs have been financed within available resources under the Global Cap to alleviate the financial impact of reduced Federal revenue associated with the reimbursement of Medicaid costs at State-operated facilities providing developmental disability services. As proposed in the Executive Budget, an additional \$200 million in annual OPWDD-related Medicaid costs will be funded under the cap. These costs are funded by \$815 million in additional State-funded Medicaid savings which are expected to accrue to the Global Cap in FY 2016 (growing annually to over \$900 million by FY 2019). The savings include accelerating the enrollment of certain legally residing immigrants who currently receive State-only Medicaid funding to the BHP, where the cost of insurance premiums for such individuals, and other individuals meeting certain income eligibility standards, will be supplemented by both State and Federal funds. These BHP resources will also be utilized by DOH over the multi-year Financial Plan period to offset fiscal constraints on the Global Cap, and to implement investments and initiatives consistent with MRT principles to improve the effectiveness and efficiency of health care service delivery through the State.

Fluctuation in enrollment, costs of provider health care services, and utilization levels drive higher Medicaid spending that must be managed within the Global Cap. The number of Medicaid recipients in the State is expected to exceed 6.1 million by the end of FY 2015; this represents an 8.9 percent increase from the March 2014 caseload of 5.7 million. This expected growth is mainly attributable to expanded eligibility and enrollment pursuant to the ACA, which became effective in January 2014.

Basic Health Plan

The BHP is a health insurance subsidy program, authorized through the provisions of the ACA. The FY 2015 Enacted Budget authorized the State's option to participate in the BHP. The Executive Budget assumes the State will participate and begin phasing in certain legally residing immigrants currently receiving State-only Medicaid coverage. Individuals who meet the eligibility standards of the BHP will be enrolled through the New York State of Health ("NYSOH") insurance exchange, with the cost of insurance premiums subsidized by the State and Federal governments. When fully implemented, approximately 75 percent of program expenditures are expected to be paid by the Federal government. The State funding for BHP in the FY 2016

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Executive Budget is offset by State funds Medicaid program savings, and additional Federal Funds are recognized through the duration of the planning period.

BASIC HEALTH PLAN (millions of dollars)									
	FY 2015 Current	FY 2016 Proposed	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL ALL FUNDS SPENDING	0	1,679	0.0%	2,660	58.4%	2,730	2.6%	2,810	2.9%
State Operating Funds	0	170	0.0%	643	278.2%	649	0.9%	666	2.6%
Local Assistance	0	134	0.0%	601	348.5%	620	3.2%	639	3.1%
State Operations	0	36	0.0%	42	16.7%	29	-31.0%	27	-6.9%
Federal Operating Funds	0	1,509	0.0%	2,017	33.7%	2,081	3.2%	2,144	3.0%

Public Health/Aging Programs

Public Health includes the Child Health Plus (“CHP”) program that finances health insurance coverage for children of low-income families up to the age of 19, the General Public Health Work (“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 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. 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.

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 (“AAA”) and local providers.

PUBLIC HEALTH AND AGING (millions of dollars)									
	FY 2015 Current	FY 2016 Proposed	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	1,853	1,745	-5.8%	1,724	-1.2%	1,758	2.0%	1,787	1.6%
Public Health	1,732	1,619	-6.5%	1,593	-1.6%	1,622	1.8%	1,645	1.4%
Child Health Plus	401	349	-13.0%	288	-17.5%	302	4.9%	318	5.3%
General Public Health Works	193	184	-4.7%	192	4.3%	194	1.0%	196	1.0%
EPIC	124	126	1.6%	132	4.8%	133	0.8%	128	-3.8%
Early Intervention	167	159	-4.8%	159	0.0%	159	0.0%	159	0.0%
HCRA Program	451	380	-15.7%	380	0.0%	380	0.0%	380	0.0%
All Other	396	421	6.3%	442	5.0%	454	2.7%	464	2.2%
Aging	121	126	4.1%	131	4.0%	136	3.8%	142	4.4%

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The Executive Budget Financial Plan includes approximately \$37 million in annual savings associated with a proposal for DOH to consolidate 43 public health programs into six pools and achieve a 15 percent savings.

Forecasted CHP spending has been revised downward in all years to reflect the actual spending and enrollment trends to date. State funds spending for CHP is projected to decline on an annual basis from current FY 2015 levels as a result of increased Federal funding associated with the ACA.

GPHW spending has been lowered by approximately \$15 million to reflect a downward trend in reimbursement claims submitted by local governments, and annual program spending is projected to remain at moderate levels throughout the Financial Plan period.

EPIC program spending has been revised upward to reflect increased pharmaceutical costs which impact Part D premium payment estimates. Program spending for EI is forecasted to be stable through the remainder of the Financial Plan period based on State enrollment and claiming trends.

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HCRA Financial Plan

HCRA was established in 1996 to help finance a portion of State health care activities. Extensions and modifications to HCRA have financed new health care programs, including FHP and CHP. HCRA has also provided additional financing for the health care industry, including investments in worker recruitment and retention, and the Doctor's Across New York program. HCRA authorization has been extended through FY 2017, pursuant to legislation included in the FY 2015 Enacted Budget.

HCRA receipts include surcharges and assessments on hospital revenues, a "covered lives" assessment paid by insurance carriers, and a portion of cigarette tax revenues. Beginning in FY 2016, as proposed by the Executive Budget, a new assessment on individual small group and large group health insurers will be implemented and transferred to HCRA in order to sustain the operational costs of NYSOH. In total, HCRA resources are used to fund roughly 30 percent of the State share of Medicaid, as well as CHP, the NYSOH, EPIC, physician excess medical malpractice insurance, and Indigent Care payments, which provide funding to hospitals serving a disproportionate share of individuals without health insurance.

HCRA FINANCIAL PLAN FY 2015 THROUGH FY 2019					
(millions of dollars)					
	FY 2015 Current	FY 2016 Proposed	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
OPENING BALANCE	9	0	0	0	0
TOTAL RECEIPTS	5,422	5,507	5,532	5,555	5,585
Surcharges	2,899	2,937	2,986	3,103	3,168
Covered Lives Assessment	1,095	1,110	1,110	1,045	1,045
Cigarette Tax Revenue	963	915	877	847	817
Hospital Assessments	375	376	393	409	409
NYSOH Exchange Assessment	0	69	69	56	54
NYC Cigarette Tax Transfer/Other	90	100	97	95	92
TOTAL DISBURSEMENTS	5,431	5,507	5,532	5,555	5,585
Medicaid Assistance Account	<u>3,475</u>	<u>3,578</u>	<u>3,666</u>	<u>3,725</u>	<u>3,725</u>
Medicaid Costs	2,937	3,381	3,469	3,528	3,528
New York State of Health ¹	30	0	0	0	0
Family Health Plus	311	0	0	0	0
Workforce Recruitment & Retention	197	197	197	197	197
Hospital Indigent Care	792	792	792	792	792
HCRA Program Account	462	393	393	393	393
Child Health Plus	408	358	296	312	328
Elderly Pharmaceutical Insurance Coverage	137	138	143	145	140
SHIN-NY/APCD	50	55	40	0	0
New York State of Health ¹	0	69	69	56	54
All Other	107	124	133	132	153
ANNUAL OPERATING SURPLUS/(DEFICIT)	(9)	0	0	0	0
CLOSING BALANCE	0	0	0	0	0

¹ \$30 million in FY 2015 spending will be financed from the Medical Assistance Account.

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HCRA surcharge and hospital assessment revenue has been revised downward in the Executive Budget Financial Plan, largely to align forecasted revenue collections with recent patterns within the health care services industry which may reflect more cost efficient service delivery settings. Remaining growth in surcharge and hospital assessments is attributable to the expectation of expanded coverage under the ACA. The proposed NYSOH exchange assessment will be dedicated solely to finance the annual administrative costs for nonpublic health insurance programs associated with the NYSOH. The health care industry assessment revenue growth is partly offset by projected declines in cigarette tax collections due to declining tobacco consumption, resulting in total HCRA receipts growth of nearly 1 percent on an average annual basis through FY 2019.

HCRA spending is expected to increase by \$76 million in FY 2016 and total \$5.5 billion. The most significant areas of growth include additional financing of the State share of Medicaid costs, and accelerated capital costs associated with the Statewide Health Information Network for New York ("SHIN-NY"), which is expected to improve information capabilities and increase efficiency associated with health insurance claiming. Overall HCRA spending growth in FY 2016 is partly offset by the Executive Budget proposal to shift a number of HCRA programs to the General Fund and consolidate the funding for these programs in order to achieve savings and more efficiently administer the delivery of these programs. In addition, lower spending is forecast for CHP, driven by moderating enrollment and increased Federal funding under the ACA.

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. Any potential spending reductions could affect General Fund Medicaid funding or HCRA programs. Conversely, any unanticipated balances or excess resources in HCRA are expected to finance Medicaid costs that would otherwise be paid from the General Fund.

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Mental Hygiene

The Department of Mental Hygiene is comprised of OPWDD, OMH, the Office of Alcoholism and Substance Abuse Services ("OASAS"), the Developmental Disabilities Planning Council ("DDPC"), and the Justice Center for the Protection of People with Special Needs. Services are administered to adults with serious 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 were issued to finance improvements to infrastructure at mental hygiene facilities throughout the State, with the remaining revenue used to support State operating costs.

MENTAL HYGIENE (millions of dollars)									
	FY 2015 Current	FY 2016 Proposed	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	2,934	2,582	-12.0%	2,780	7.7%	3,250	16.9%	3,446	6.0%
People with Developmental Disabilities	1,468	1,130	-23.0%	1,197	5.9%	1,538	28.5%	1,663	8.1%
OPWDD Funding¹	2,183	2,334	6.9%	2,302	-1.4%	2,426	5.4%	2,551	5.2%
Residential Services	1,458	1,557	6.8%	1,569	0.8%	1,618	3.1%	1,700	5.1%
Day Programs	635	678	6.8%	683	0.7%	704	3.1%	740	5.1%
Clinic	21	22	4.8%	23	4.5%	23	0.0%	24	4.3%
All Other Local/Resources	69	77	11.6%	27	-64.9%	81	200.0%	87	7.4%
Other Funding Resources	(715)	(1,204)	-68.4%	(1,105)	8.2%	(888)	19.6%	(888)	0.0%
Mental Hygiene Stabilization Fund	(715)	(915)	-28.0%	(1,105)	-20.8%	(888)	19.6%	(888)	0.0%
Federal BIP Resources (Federal Funds)	0	(289)	0.0%	0	100.0%	0	0.0%	0	0.0%
Mental Health	1,160	1,133	-2.3%	1,250	10.3%	1,366	9.3%	1,425	4.3%
OMH Funding¹	1,160	1,167	0.6%	1,250	7.1%	1,366	9.3%	1,425	4.3%
Adult Local Services	969	971	0.2%	1,044	7.5%	1,147	9.9%	1,206	5.1%
Children Local Services	191	196	2.6%	206	5.1%	219	6.3%	219	0.0%
Other Funding Resources	0	(34)	0.0%	0	100.0%	0	0.0%	0	0.0%
Federal BIP Resources (Federal Funds)	0	(34)	0.0%	0	100.0%	0	0.0%	0	0.0%
Alcohol and Substance Abuse	305	318	4.3%	332	4.4%	345	3.9%	357	3.5%
Outpatient/Methadone	123	128	4.1%	134	4.7%	139	3.7%	144	3.6%
Residential	118	123	4.2%	128	4.1%	133	3.9%	138	3.8%
Prevention and Program Support	52	54	3.8%	57	5.6%	59	3.5%	61	3.4%
Crisis	12	13	8.3%	13	0.0%	14	7.7%	14	0.0%
Justice Center	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%

¹ Program funding detail for OPWDD and OMH includes new multi-year spending investments which will be financed with additional Federal resources through the Balancing Incentive Program (BIP).

Local assistance spending accounts for over 40 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 4.1 percent annually. The main factor driving this level of growth is enhancement of community mental health services, right-sizing and improving State-operated inpatient services, utilizing less costly and more

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programmatically appropriate in-state community residential programs enhancing employment opportunities for individuals with disabilities, and maximizing payments from third-party payers.

The Executive Budget proposal includes additional annual statewide Medicaid savings of \$200 million through the continued shift of certain OPWDD-related Medicaid costs to the Department of Health (DOH), whereby the costs will be funded within the existing Medicaid Global Cap at no increased cost to the Updated Financial Plan, and without impact to overall service delivery. In FY 2015, the Medicaid budget supported \$715 million of OPWDD's Medicaid-eligible expenses, which will increase to \$915 million in FY 2016. To accommodate the funding of these additional costs within the Global Cap, DOH will leverage available BHP resources.

Authorized under the ACA, it is expected that BIP will enable the State to engage a broad network of providers, advocates, and community leaders to develop systematic improvements to delivery systems for individuals with developmental disabilities and mental illness, and enhance community integration. OPWDD and OMH will utilize \$323 million in Federal BIP resources in FY 2016 to support new multi-year spending investments. These investments are intended to transform services and supports to more integrated, community-based opportunities; increase employment opportunities for individuals with developmental disabilities; implement electronic health record systems; and support the transition to managed care.

The Executive Budget proposes a partnership between OMH and DOCCS that will revise the process for identifying, assessing, treating, discharging, and supervising mentally ill patients who pose a potential risk of violence in State facilities and the community. The proposal will expand community services, provide additional treatment services in prisons, and create additional capacity for civil confinements in OMH facilities. This proposal will result in new intensive treatment beds and transitional beds, expand in-prison and community treatment services, supportive housing and ACT. The Executive Budget will add \$8 million in local assistance support in FY 2016, and \$18 million each year from FY 2017 to FY 2019, as well as approximately \$12 million annually in additional OMH State operations costs for this initiative.

Current spending estimates do not reflect any actions which may be needed to mitigate potentially adverse impacts to the multi-year Financial Plan as a result of additional Federal Centers for Medicare and Medicaid Services ("CMS") rate disallowances for services provided in State-operated developmental disability institutions. The State had formally requested CMS reconsideration of the proposed \$1.26 billion disallowance, but the State was notified by CMS that its request for reconsideration was denied. The State subsequently filed a notice of appeal with the HHS Departmental Appeals Board ("DAB"). The appeal with DAB is still pending and the State is in discussions with CMS to achieve a reasonable resolution to the disallowance over a multi-year period. The State has the option to retain the disallowed funds during the DAB review process, although if the State is unsuccessful, the disallowed amount plus interest will be due to the Federal government. (See "Other Matters Affecting the State Financial Plan - Federal Issues" herein.)

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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 Supplemental Security Income (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 2015 Current	FY 2016 Proposed	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	1,232	1,199	-2.7%	1,221	1.8%	1,232	0.9%	1,247	1.2%
SSI	653	660	1.1%	670	1.5%	679	1.3%	679	0.0%
Public Assistance Benefits	459	437	-4.8%	437	0.0%	437	0.0%	437	0.0%
Welfare Initiatives	20	12	-40.0%	12	0.0%	12	0.0%	21	75.0%
All Other	100	90	-10.0%	102	13.3%	104	2.0%	110	5.8%

Spending in SSI is projected to increase gradually due to updated caseload projections. In public assistance, DOB projects a spending decline from FY 2015 to FY 2016 due to an expected 3.0 percent annual decrease in average public assistance caseload, projected to total 540,434 recipients in FY 2016. Approximately 237,675 families are expected to receive benefits through the Family Assistance program in FY 2016, a decrease of 4.0 percent from FY 2015. In the Safety Net program an average of 109,098 families are expected to be helped in FY 2016, a decrease of 4.8 percent from FY 2015. The caseload for single adults/childless couples supported through the Safety Net program is projected at 193,661 in FY 2016, a decrease of 0.7 percent from FY 2015.

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Office of Children and Family Services

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 local 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 for reducing 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.

CHILDREN AND FAMILY SERVICES (millions of dollars)									
	FY 2015 Current	FY 2016 Proposed	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	1,577	1,721	9.1%	1,846	7.3%	2,033	10.1%	2,026	-0.3%
Child Welfare Service	292	454	55.5%	463	2.0%	472	1.9%	482	2.1%
Foster Care Block Grant	436	445	2.1%	453	1.8%	462	2.0%	471	1.9%
Adoption	154	152	-1.3%	152	0.0%	152	0.0%	152	0.0%
Day Care	311	282	-9.3%	283	0.4%	283	0.0%	276	-2.5%
Youth Programs	137	148	8.0%	235	58.8%	373	58.7%	352	-5.6%
Medicaid	85	87	2.4%	88	1.1%	90	2.3%	89	-1.1%
Committees on Special Education	37	39	5.4%	42	7.7%	44	4.8%	46	4.5%
Adult Protective/Domestic Violence	38	38	0.0%	40	5.3%	41	2.5%	42	2.4%
All Other	87	76	-12.6%	90	18.4%	116	28.9%	116	0.0%

OCFS spending in FY 2016 is projected to increase over FY 2015 levels, mainly due to Child Welfare Services spending changes resulting from both a projected increase in claims, and cash management actions which had previously reduced FY 2015 spending. Increased outyear spending is primarily attributable to the “Raise the Age” initiative which will increase the age of juvenile jurisdiction from age 16 to age 18. This will result in fewer youths in the adult criminal justice system but will increase the number of those taking part in OCFS youth programs.

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Transportation

In FY 2016, the State will provide \$4.8 billion 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. In addition, 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, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund now provides additional annual support, subject to appropriation, to the MTA to make up for the resulting loss of revenue.

TRANSPORTATION (millions of dollars)									
	FY 2015 Current	FY 2016 Proposed	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	4,841	4,839	0.0%	4,904	1.3%	4,974	1.4%	5,038	1.3%
Mass Transit Operating Aid:	2,161	2,161	0.0%	2,161	0.0%	2,161	0.0%	2,161	0.0%
Metro Mass Transit Aid	2,015	2,023	0.4%	2,023	0.0%	2,023	0.0%	2,023	0.0%
Public Transit Aid	94	86	-8.5%	86	0.0%	86	0.0%	86	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	1,949	1,976	1.4%	2,054	3.9%	2,126	3.5%	2,193	3.2%
Dedicated Mass Transit	685	656	-4.2%	643	-2.0%	641	-0.3%	638	-0.5%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%

Projected operating aid to the MTA and other transit systems reflects the current receipts forecast, and timing associated with the availability of resources.

Not reflected in the above table is authorization included in the FY 2016 Executive Budget proposal to transfer \$121 million in additional dedicated transit revenues on an annual basis from the Metropolitan Mass Transportation Operating Assistance Account (“MMTOA”) to the newly established Metropolitan Transit Assistance for Capital Investment Fund (“MTACIF”), which will be used to support infrastructure needs of the MTA and other downstate transit systems. In addition, the Updated Financial Plan assumes that \$20 million in MMTOA resources will be available to offset MTA-related debt service costs on an annual basis from FY 2016 to FY 2019.

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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 - AIM PROGRAM (millions of dollars)									
	FY 2015 Current	FY 2016 Proposed	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
Total 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	22	23	4.5%	42	82.6%	48	14.3%	48	0.0%

Spending for AIM efficiency incentive grants increases over the multi-year period reflecting potential awards from the Financial Restructuring Board for Local Governments. All Other aid under AIM is expected to be maintained in each year of the multi-year Financial Plan.

Other Local Assistance

All other local assistance spending includes aid for economic development, financial services, environmental quality, criminal justice programs and community project funding. The projected decline in the level of all other local assistance grant spending is attributable to a reclassification of the Healthy NY program, from the insurance program of DFS to the DOH State of Health insurance benefit exchange; the reduction in discretionary funding from the Community Projects Fund, and reduced spending for criminal justice programs following the one-time funding included with the FY 2015 Enacted Budget.

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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 cost 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 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; the Public Employees Federation (“PEF”), which represents professional and technical personnel (i.e., attorneys, nurses, accountants, engineers, social workers, and institution teachers); the United University Professions (“UUP”), which represents faculty and nonteaching professional staff within the State University system; and the New York State Correctional Officers and Police Benevolent Association (“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						
	FY 2014	Forecast				
	Results	FY 2015 Updated	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Negotiated Base Salary Increases ¹						
CSEA/NYSCOPBA/Council 82/UUP/DC-37/GSEU	0%	2%	2%	TBD	TBD	TBD
PEF / NYSPBA	0%	2%	TBD	TBD	TBD	TBD
PBA ²	0%	2%	2%	1.5%	1.5%	TBD
State Workforce ³	118,492	118,379	119,235	TBD	TBD	TBD
ERS Pension Contribution Rate ⁴						
Before Amortization (Normal/Admin/GLIP)	21.5%	20.4%	18.5%	18.6%	18.8%	19.0%
After Amortization	12.5%	13.5%	14.5%	15.5%	16.5%	17.5%
PFRS Pension Contribution Rate						
Before Amortization (Normal/Admin/GLIP)	29.9%	28.1%	25.0%	25.2%	25.4%	25.6%
After Amortization	20.5%	21.5%	22.5%	23.5%	24.5%	25.5%
Employee/Retiree Health Insurance Growth Rates	3.8%	1.8%	4.2%	6.6%	5.4%	5.6%
PS/Fringe as % of Receipts (All Funds Basis)	14.4%	13.6%	13.9%	14.1%	14.1%	14.1%

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

² Reflects settlement with the commissioned and noncommissioned officers unit only.

³ Reflects workforce that is Subject to Direct Executive Control.

⁴ As Percent of Salary.

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The majority of State agencies are expected to hold personal service and non-personal service spending constant over the Plan period. Costs from collective bargaining agreements, which include 2 percent salary increases in FY 2015 and FY 2016 (for certain unions), applicable lump sum payments, and repayment of a portion of the deficit reduction adjustment made to employee salaries, are expected to be funded from operational savings.

Gaming, health care, OCFS, and SUNY are four areas expected to experience limited programmatic growth. The growth in gaming is attributable to activities related to casino development and oversight. Increases in DOH are primarily driven by the State's implementation of the New York State of Health insurance benefit exchange, the State's insurance marketplace program under the ACA. Beginning in FY 2015, program costs for New York State of Health insurance benefit exchange are partially offset by Federal grants; however, DOH must fully absorb the start-up costs by FY 2016. OCFS costs include implementation of the "Raise the Age" program to reform New York State's juvenile justice system by treating individuals aged 16 and 17 in juvenile justice facilities, rather than in correctional facilities. SUNY spending is driven by tuition funding and reflects anticipated operating needs.

Payments to the New York Power Authority ("NYPA") represent an accounting reclassification across certain Financial Plan categories, but do not carry a Financial Plan impact. These payments were previously assumed in the Financial Plan under different categorization, pursuant to agreed upon funding schedules between the State and NYPA.

Other year-over-year increases 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. In addition, the State's workforce is paid on a bi-weekly basis; weekly pay cycles alternate between administrative and institutional payrolls. There are typically 26 pay periods in a fiscal year. In FY 2016, employees on the institution pay schedule will have one additional payroll.

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STATE OPERATING FUNDS - AGENCY OPERATIONS					
(millions of dollars)					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Updated	Proposed	Projected	Projected	Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	10,035	10,276	10,243	10,527	10,388
Mental Hygiene	2,871	2,799	2,794	2,814	2,857
Corrections and Community Supervision	2,636	2,610	2,632	2,632	2,632
State Police	651	636	651	651	651
Public Health	429	477	471	459	458
Tax and Finance	338	330	330	331	331
Children and Family Services	275	284	326	432	442
Environmental Conservation	235	238	238	216	217
Information Technology Services ¹	421	513	524	524	535
Financial Services	202	212	210	210	210
Medicaid Admin/BHP	230	260	287	274	272
Parks, Recreation and Historic Preservation	178	176	177	177	177
Gaming	157	156	156	157	157
Temporary and Disability Assistance	137	143	143	143	143
General Services	154	161	165	165	165
Workers' Compensation Board	148	142	142	142	143
Extra Bi-Weekly Institutional Pay Period	0	167	0	0	0
New York Power Authority Repayment	18	21	21	236	22
All Other	955	951	976	964	976
UNIVERSITY SYSTEMS	5,882	5,826	5,988	6,127	6,268
State University	5,784	5,735	5,895	6,032	6,173
City University	98	91	93	95	95
INDEPENDENT AGENCIES	309	309	311	312	313
Law	168	168	170	171	172
Audit & Control	141	141	141	141	141
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	16,226	16,411	16,542	16,966	16,969
Judiciary	1,926	1,958	1,968	1,968	1,968
Legislature	219	219	219	219	219
Statewide Total	18,371	18,588	18,729	19,153	19,156
Personal Service	12,596	12,886	12,901	13,054	13,163
Non-Personal Service	5,775	5,702	5,828	6,099	5,993

¹ Reflects consolidation of IT costs within ITS; no net growth to State All Funds spending.

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In FY 2016, \$12.9 billion or 13.7 percent of the State Operating Funds budget is projected to be spent on personal service costs. This funding supports roughly 99,150 Full-Time Equivalent (“FTE”) employees under direct Executive control as well as those employed by the University System (43,900), Independent Agencies (18,100), and employees paid on a non-annual salaried basis. Roughly 75 percent of all personal service spending occurs in four areas: SUNY, the Mental Hygiene agencies, the Department of Corrections and Community Supervision (“DOCCS”), and Judiciary.

STATE OPERATING FUNDS		
FY 2016 FTEs ¹ AND PERSONAL SERVICE SPENDING BY AGENCY		
(millions of dollars)		
	Dollars	FTEs
Subject to Direct Executive Control	7,360	99,151
Mental Hygiene Agencies	2,337	34,303
Corrections and Community Supervision	2,173	27,953
State Police	571	5,612
Tax and Finance	277	4,359
Health	264	3,932
Environmental Conservation	182	2,238
Children and Family Services	186	2,561
Financial Services	154	1,390
Parks, Recreation and Historic Preservation	137	1,559
All Other	1,079	15,244
University Systems	3,631	43,911
State University	3,589	43,575
City University ²	42	336
Independent Agencies	1,895	18,072
Law	116	1,577
Audit & Control	109	1,572
Judiciary	1,504	14,922
Legislature ³	166	1
Total Spending / FTEs	12,886	161,134
¹ FTEs represent the number of annual-salaried full time filled positions (e.g., one FTE may represent a single employee serving at 100 percent full time or a combination of employees serving at less than full time that, when combined, equal a full time position). The reported FTEs do not include non-annual salaried positions, such as positions filled on an hourly, per-diem or seasonal basis. ² CUNY employees are funded primarily through an agency trust fund and total additional 13,275 FTEs excluded from the table above. ³ Legislative employees are non-annual salaried, with the exception of the Lieutenant Governor, who serves as President of the Senate.		

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General State Charges

Employee fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, the State's share of 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 SUNY and the Judiciary, 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. The largest General Fund reimbursement comes from the mental hygiene agencies. Beginning in July 2015, SUNY will no longer have direct pay fringe benefit costs paid from their General Fund budget. These costs, approximately \$220 million annually, will be paid centrally from the GSC budget at no Financial Plan impact to the General Fund.

GSCs also include fixed costs for several categories including State payments in lieu of taxes, payments for local assessments on State-owned land, and judgments against the State pursuant to the Court of Claims Act.

GENERAL STATE CHARGES (millions of dollars)									
	FY 2015 Current	FY 2016 Proposed	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	7,072	7,354	4.0%	7,899	7.4%	8,290	4.9%	8,715	5.1%
Fringe Benefits	6,669	6,963	4.4%	7,503	7.8%	7,889	5.1%	8,309	5.3%
Health Insurance	3,311	3,451	4.2%	3,680	6.6%	3,880	5.4%	4,098	5.6%
Employee Health Insurance	1,821	1,898	4.2%	2,024	6.6%	2,134	5.4%	2,254	5.6%
Retiree Health Insurance	1,490	1,553	4.2%	1,656	6.6%	1,746	5.4%	1,844	5.6%
Pensions	2,095	2,237	6.8%	2,471	10.5%	2,665	7.9%	2,894	8.6%
Social Security	949	972	2.4%	987	1.5%	991	0.4%	995	0.4%
All Other Fringe	314	303	-3.5%	365	20.5%	353	-3.3%	322	-8.8%
Fixed Costs	403	391	-3.0%	396	1.3%	401	1.3%	406	1.2%

GSCs are projected to increase at an average annual rate of 5.4 percent over the Financial Plan period, driven primarily by growth in costs for pension contributions and the employer share of costs for employee and retiree health insurance benefits. Pension growth, which is driven almost entirely by the recent implementation (September 2014) of new actuarial assumptions by the New York State and Local Retirement Systems' Actuary, is partly offset by the expectation that a portion of future contributions will be amortized as permissible by law. The Updated Financial Plan includes interest savings of approximately \$41 million which are expected by paying the full amount of the 2016 pension bill by July 31, 2015, rather than on the statutorily required date of March 1, 2016.

Growth in health insurance spending are attributable to rising costs associated with health care benefits; however, the Updated Financial Plan includes downward adjustments to forecasted spending for health insurance as a result of revised rate renewal growth assumptions.

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Transfers to Other Funds (General Fund Basis)

General Fund transfers help finance the State's share of Medicaid costs for 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 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Current	Proposed	Projected	Projected	Projected
TOTAL TRANSFERS TO OTHER FUNDS	8,346	13,268	9,771	10,417	10,814
State Share of Mental Hygiene Medicaid	1,448	1,312	1,339	1,214	1,155
Debt Service	1,291	915	1,245	1,411	1,198
SUNY University Operations	980	985	974	969	969
Capital Projects	888	5,991	1,823	2,042	2,290
Dedicated Highway and Bridge Trust Fund	727	645	737	844	896
Dedicated Infrastructure Investment Fund	0	4,550	0	0	0
All Other Capital	161	796	1,086	1,198	1,394
ALL OTHER TRANSFERS	3,739	4,065	4,390	4,781	5,202
Mental Hygiene	2,500	2,839	3,189	3,577	3,874
Department of Transportation (MTA Tax)	335	335	335	336	336
SUNY - Medicaid Reimbursement	209	228	228	228	228
Judiciary Funds	107	107	107	107	107
SUNY - Hospital Operations	88	69	69	69	69
Dedicated Mass Transportation Trust Fund	63	63	63	63	63
Banking Services	29	52	54	55	55
Indigent Legal Services	34	35	35	35	35
Mass Transportation Operating Assistance	37	37	37	37	37
Alcoholic Beverage Control	20	20	20	20	20
Information Technology Services	14	8	2	2	2
Public Transportation Systems	15	15	15	15	15
Correctional Industries	12	11	11	11	11
All Other	276	246	225	226	350

A significant portion of the capital and operating expenses of the Department of Transportation ("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 Updated Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on certain transportation bonds – exceed current and projected revenue deposits and bond proceeds.

General Fund transfers to other funds are expected to total \$13.3 billion in FY 2016, a \$4.9 billion increase from FY 2015, largely due to the transfer of \$4.6 billion in monetary settlement monies to the proposed DIIF. The funding will be used to make targeted investments in various areas,

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including broadband, municipal restructuring, security and emergency response, the Thruway Stabilization Program, and for competitive grants related to upstate economic revitalization.

Debt Service

The State pays debt service on all outstanding State-supported bonds. These include General Obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as certain bonds issued by State public authorities (e.g., Empire State Development (“ESD”), the Dormitory Authority of the State of New York (“DASNY”), and the New York State Thruway Authority (“NYSTA”), subject to 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 2015 Current	FY 2016 Proposed	Annual Change	Percent Change
General Fund	1,291	915	(376)	-29.1%
Other State Support	4,542	4,611	69	1.5%
State Operating/All Funds Total	5,833	5,526	(307)	-5.3%

Total debt service is projected at \$5.5 billion in FY 2016, of which approximately \$915 million 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, subject to appropriation, 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 \$140 million in FY 2016, and increased debt service costs associated with proposed additional capital commitment levels. Also, debt service spending estimates assume the FY 2015 prepayment of \$560 million of debt service that is due during FY 2016, as well as a subsequent FY 2016 prepayment of \$100 million of debt service due during FY 2017.

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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 2014 on July 29, 2014.

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, 2014	172	806	369	(146)	1,201	(567)
March 31, 2013	1,129	(308)	(186)	(499)	136	(739)
March 31, 2012	137	56	80	346	619	(1,868)

SUMMARY OF NET POSITION (millions of dollars)			
Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2014	27,838	(841)	26,997
March 31, 2013	26,271	(922)	25,349
March 31, 2012	26,333	(658)	25,675

The CAFR can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the Office of the State Comptroller's website at www.osc.state.ny.us. The Basic Financial Statements can also be accessed through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system website at www.emma.msrb.org.

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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, 2014, is included in NYSLRS’ Comprehensive Annual Financial Report (“NYSLRS’ CAFR”) for the fiscal year ended March 31, 2014. 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 2014, as well as NYSLRS’ CAFR and Asset Listing for 2014 and for each fiscal year since 2004, 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 for the fiscal year ending March 31, 2014, and the three prior fiscal years, 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 to hold the Systems’ assets, 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.

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The Systems

The Systems provide pension benefits to public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). State employees made up about 32 percent of the membership during FY 2014. 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, 2014, approximately 644,000 persons were members of the Systems and approximately 422,000 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, 2014, approximately 79 percent of ERS members were in Tiers 3 and 4 and approximately 86 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 who joined on or after January 1, 2010 and PFRS members who joined 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 who joined 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>.

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2010 Retirement Incentive Program

Legislation enacted in June 2010 provided the State and local employers with the option to offer a temporary Early Retirement Incentive Program (ERI) for certain ERS members for periods ending no later than December 31, 2010. This program did not apply to PFRS members. Approximately 6,400 State employees and 5,453 members from 610 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. In 2014, the State paid in full its non-judiciary retirement incentive liability. The amortized amount receivable relating to the ERI, including accrued interest, from the State as of March 31, 2014 is \$41.23 million and the amount due from participating employers is \$58.34 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 percent¹¹. The current actuarial smoothing method recognizes annual gains and losses (investment returns above or below the 7.5 percent assumed return) over a 5-year period. The significant investment losses in FY 2009 substantially caused the increase in contribution rates for FY 2011, FY 2012, FY 2013 and FY 2014. However, rates decreased for FY 2015 and FY 2016 due, in part, to investment gains in years following 2009.

¹¹ During 2015, the Retirement Systems Actuary will conduct the statutorily required quinquennial actuarial experience study of economic and demographic assumptions. The assumed investment rate of return is the most influential factor in calculating employer contribution rates. The chief investment officer currently is conducting an asset allocation study. The resulting asset allocation and long term asset allocation policy will inform the Actuary's recommendation regarding any revision in the investment rate of return (discount rate).

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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 2016 were released on September 2, 2014. The average ERS rate decreased by 9.5 percent from 20.1 percent of salary in FY 2015 to 18.2 percent of salary in FY 2016, while the average PFRS rate decreased by 10.5 percent from 27.6 percent of salary in FY 2015 to 24.7 percent of salary in FY 2016. Information regarding average rates for FY 2016 may be found in the 2014 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. 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, 2014, the amortized amount receivable, including accrued interest, pursuant to Chapter 260 from the State is \$85.7 million and from participating employers is \$27.5 million. The State paid approximately \$1.934 billion in contributions (including Judiciary) for FY 2014 including amortization payments of approximately \$386.42 million associated with Chapter 260 of the Laws of 2004, Chapter 57 of the Laws of 2010 and the 2010 retirement incentive program and two prepayments of the March 1, 2015 State bill. In FY 2014, the State paid off the Judiciary's 2005 amortization liability.

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, FY 2014 and FY 2015, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, and 3.15 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, 2014, the amortized amount receivable, including accrued interest, for the 2011 amortization is \$187.78 million from the State and \$31.71 million from 45 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is \$467.67 million from the State and \$171.90 million from 118 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is \$712.36 million from the State and

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\$337.54 million from 136 participating employers; and the amortized amount receivable, including accrued interest, for the 2014 amortization is \$939.82 million for the State and \$225.16 million from 110 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 have been available for amortization under the 2010 legislation. In addition, the maximum payment period was 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. The amortized amount receivable, including interest, from 29 participating employers is \$251.18 million.

Eligible employers had a one-time only option to elect to participate in the Alternate Contribution Stabilization Program, which began with FY 2014. For those eligible employers electing to participate in 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 and 3.50 percent for FY 2015). 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) related to the FY 2014 bill was approximately \$2.744 billion. Multiple prepayments (including interest credit) have reduced this amount by approximately \$1.545 billion. The State (including Judiciary) opted to amortize the maximum amount permitted, which reduced 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”.

The State (including Judiciary) has made \$1.987 billion in payments towards the FY 2015 bill. These prepayments credited with \$79.6 million in interest are expected to yield a total value of \$2.067 billion on March 1, 2015. If the State (including Judiciary) opts to amortize the maximum amount permitted, the total amount due on March 1, 2015 is expected to be \$0.6 million. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF as further described below under "Pension Assets and Liabilities".

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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, 2014 was \$181.3 billion (including \$5.3 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 \$17.1 billion or 10.4 percent from the FY 2013 level of \$164.2 billion. The increase in net position restricted for pension benefits from FY 2013 to FY 2014 reflects, in large part, equity market performance¹². The valuation used by the Systems Actuary was based on audited net position restricted for pension benefits as of March 31, 2014. The Systems' audited Financial Statement reports a gain of 13.02 percent for FY 2014.

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 process¹³.

The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from \$204.5 billion on April 1, 2013 to \$216.4 billion (including \$101.5 billion for current retirees and beneficiaries) on April 1, 2014. 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, 2014 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected gain for FY 2014, 40 percent of the unexpected gain for FY 2013, 60 percent of the unexpected loss for FY 2012, and 80 percent of the unexpected gain for FY 2011¹⁴. The asset valuation method smoothes gains and losses based on the market value of all

¹² On February 13, 2015, the State Comptroller released a statement indicating that the value of the Systems' invested assets posted an estimated 1.91 percent return for the three-month period ending December 31, 2014. This report reflects unaudited data for assets invested for the Systems. The value of invested assets changes daily.

¹³ More detail on the CRF's asset allocation as of March 31, 2014, long-term policy allocation and transition target allocation can be found on page 80 of the NYSLRS' CAFR for the fiscal year ending March 31, 2014.

¹⁴ 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.

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investments. Actuarial assets increased from \$155.4 billion on April 1, 2013 to \$171.7 billion on April 1, 2014. The funded ratio, as of April 1, 2014, calculated by the Systems Actuary in August 2014 using the entry age normal funding method and actuarial assets, was 92 percent¹⁵.

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.

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 Retirement Systems — Contributions and Funding" above.

¹⁵ Detail on the funded ratios of ERS and PFRS as of April 1 for FY 2014 and for each of the five previous fiscal years can be found on page 58 of the NYSLRS' CAFR for the fiscal year ending March 31, 2014. Detail regarding employers' Annual Required Contribution for FY 2014 and each of the five previous fiscal years can be found on page 59 of the NYSLRS' CAFR for the fiscal year ending March 31, 2014.

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CONTRIBUTIONS AND BENEFITS NEW YORK STATE AND LOCAL RETIREMENT SYSTEMS ⁽¹⁾ (millions of dollars)					
Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid ⁽³⁾
	All Participating Employers ⁽¹⁾⁽²⁾	Local Employers ⁽¹⁾⁽²⁾	State ⁽¹⁾⁽²⁾	Employees	
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
2014	6,064	3,691	2,373	281	9,978

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 59 of the NYSLRS CAFR for fiscal year ending March 31, 2014.

⁽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
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
2014	181,275	10.4

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, 2014 includes approximately \$5.3 billion of receivables.

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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 monies from State appropriations to pay for the operating costs of certain programs.

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As of December 31, 2013 (with respect to Job Development Authority or “JDA” as of March 31, 2014), 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 \$175 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, 2013⁽²⁾ (millions of dollars)			
Authority	State-Related Debt Bonding	Authority and Conduit Bonding	Total
Dormitory Authority ⁽³⁾	25,277	21,019	46,296
Metropolitan Transportation Authority	346	24,352	24,698
Port Authority of NY & NJ	0	21,876	21,876
Thruway Authority	10,056	4,830	14,886
UDC/ESD	11,090	903	11,993
Housing Finance Agency	859	11,077	11,936
Triborough Bridge and Tunnel Authority	0	8,292	8,292
Job Development Authority ⁽²⁾	12	7,111	7,123
Long Island Power Authority ⁽⁴⁾	0	6,967	6,967
Environmental Facilities Corporation	645	6,158	6,803
Energy Research and Development Authority	0	3,434	3,434
State of New York Mortgage Agency	0	2,781	2,781
Local Government Assistance Corporation	2,592	0	2,592
Tobacco Settlement Financing Corporation	2,053	0	2,053
Power Authority	0	1,675	1,675
Battery Park City Authority	0	1,059	1,059
Municipal Bond Bank Agency	281	291	572
Niagara Frontier Transportation Authority	0	144	144
Bridge Authority	0	117	117
TOTAL OUTSTANDING	53,211	122,086	175,297

Source: Office of the State Comptroller. Debt classifications by DOB.

⁽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, 2014. This includes \$7 billion in conduit debt issued by JDA's blended component units consisting of \$6.6 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 \$12 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 \$2.02 billion of Utility Debt Securitization Authority (UDSA) bonds. Chapter 173 of the Laws of 2013 established UDSA for the sole purpose of retiring certain outstanding indebtedness of the Long Island Power Authority (LIPA) through the issuance of restructuring bonds. UDSA is reported as a blended component unit of LIPA in LIPA's audited financial statements.

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Localities

While the fiscal condition of New York City and other local governments in the State is reliant, in part, on State aid to balance their annual budgets and meet their cash requirements, the State is not legally responsible for their financial condition and viability. Indeed, the provision of State aid to localities, while one of the largest disbursement categories in the State budget, is not constitutionally obligated to be maintained at current levels or to be continued in future fiscal years and the State Legislature may amend or repeal statutes relating to the formulas for and the apportionment of State aid to localities.

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 Scott Nemecek, Investor Relations, (212) 788-6499, 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 AND RELATED ENTITIES ⁽¹⁾ AS OF JUNE 30 OF EACH YEAR (millions of dollars)								
Year	General Obligation Bonds	Obligations of TFA ⁽¹⁾	Obligations of STAR Corp. ⁽²⁾	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other ⁽³⁾ Obligations	Treasury Obligations	Total
2005	33,903	12,977	2,552	1,283	0	3,745	(39)	54,421
2006	35,844	12,233	2,470	1,334	0	3,500	0	55,381
2007	34,506	14,607	2,368	1,317	2,100	3,394	0	58,292
2008	36,100	14,828	2,339	1,297	2,067	2,556	0	59,187
2009	39,991	16,913	2,253	1,274	2,033	2,442	0	64,906
2010	41,555	20,094	2,178	1,265	2,000	2,444	0	69,536
2011	41,785	23,820	2,117	1,260	2,000	2,590	0	73,572
2012	42,286	26,268	2,054	1,253	3,000	2,493	0	77,354
2013	41,592	29,202	1,985	1,245	3,000	2,394	0	79,418
2014	41,665	31,038	1,975	1,228	3,000	2,334	0	81,240

Source: Office of the State Comptroller, The City of New York Comprehensive Annual Financial Report.

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

(2) A portion of the proceeds of the Sales Tax Asset Receivable Corporation (STARC) Bonds were used to retire outstanding Municipal Assistance Corporation bonds. The debt service on STARC bonds will be funded from annual revenues to be provided by the State, subject to annual appropriation. These revenues have been assigned to the 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, the Industrial Development Agency and, beginning in 2010, the New York City Tax Lien Collateralized Bonds. 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.

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DEBT OF NEW YORK LOCALITIES ⁽¹⁾						
(millions of dollars)						
Locality	Combined		Other Localities Debt ⁽³⁾		Total Locality Debt ⁽³⁾	
Fiscal Year	New York City Debt ⁽²⁾					
Ending	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	69,536	0	36,103	7,361	105,639	7,361
2011	73,572	0	36,230	7,312	109,802	7,312
2012	77,354	0	36,663	7,178	114,017	7,178
2013	79,418	0	36,299	7,318	115,717	7,318

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 in 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, the Transitional Finance Authority, STAR Corporation, TSASC, Inc., the Hudson Yards Infrastructure Corporation, and Treasury obligations (as shown in the table "Debt of New York City and Related Entities" in the section of this document entitle "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 Municipal Assistance Corporation, the Samurai Funding Corporation, the New York City Educational Construction Fund, 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 and, beginning in 2010, the New York City Tax Lien Collateralized Bonds.

⁽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⁾ Amounts reflect those set forth on Annual Update Documents provided to OSC by New York State localities. Does not include the indebtedness of certain localities that did not file Annual Update Documents (financial reports) with the State Comptroller.

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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 June 2014, the State Legislature passed 25 special acts authorizing, or amending authorizations for, bond issuances to finance local government operating deficits, most recently for Rockland County, the Cities of Long Beach, Yonkers and Lockport. 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 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 has been the subject of litigation, and the New York State Court of Appeals has held that Nassau County could not transfer the responsibility for certain tax refunds to local governments and school districts. During 2014, NIFA has approved labor contracts that include wage increases for various collective bargaining units, ending NIFA’s imposition of the wage freeze.

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

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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 (the "City") no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The Yonkers City School District (the "School District") is fiscally dependent upon the City as it lacks taxing authority. 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 School District. In response, the Yonkers City School District Deficit Financing Act was enacted, which authorizes the City, subject to certain requirements, to issue serial bonds, not to exceed \$45 million by March 31, 2015, to liquidate current deficits in the School District's general fund as of June 30, 2014. The FY 2015 Enacted Budget also provides \$28 million to the City for the support of the School District for the City fiscal year 2015, subject to an Inter-Municipal Agreement being entered into by the City and the School District, with the approval of the State Budget Director. That agreement has been entered into and approved, and consolidates various non-academic District functions under the general management and direction of the City. In July 2014, the City of Yonkers filed suit challenging the constitutionality of the provisions of the Yonkers City School District Deficit Financing Act that require the City Council to adjust the City's budget consistent with recommendations made by the State Commissioner of Education and State Comptroller, contending that the legislation was enacted without a Home Rule request from the City in violation of Article IX of the State Constitution. On February 24, 2015, a stipulation of discontinuance was filed with the Westchester County Clerk's Office ending the litigation with prejudice.

Legislation enacted in 2013 created the Financial Restructuring Board for Local Governments (the "Restructuring Board"). The Restructuring Board consists of ten members, including the State Budget Director, 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 is currently reviewing or has completed reviews for twelve 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.

OSC implemented its Fiscal Stress Monitoring System (the "Monitoring System") in 2013. The Monitoring System utilizes a number of fiscal and environmental indicators with the goal of providing an early warning to local communities about stress conditions in New York's local governments and school districts. 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

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three levels of stress: significant, moderate or susceptible. Entities that do not meet established scoring thresholds are classified as “No Designation”.

A total of 50 local governments (10 counties, 7 cities, 17 towns, 16 villages) and 87 school districts have been placed in a stress category based on financial data for their fiscal years ending in 2013. The vast majority of entities (98 percent) are classified in the "No Designation" category.

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 other New York State localities, from 1980 to 2013.

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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
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Source: Office of the State Comptroller.

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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 was approved by the Federal Court on March 4, 2014.

There are two cases challenging the settlement agreement. In *Matter of Town of Verona, et al. v. Cuomo, et al.* (Sup. Ct., Albany Co.), the plaintiffs are citizen taxpayers, voters, and two towns. The defendants answered and moved for summary judgment which was granted in a Decision/Order/Judgment on June 27, 2014 dismissing all claims in the complaint and denying plaintiffs’ cross-motion to amend. Plaintiffs filed a Notice of Appeal.

In *Schulz v. New York State Executive, et al.*, (Sup. Ct., Albany Co.), plaintiff seeks a declaratory judgment that the New York Gaming Act, the New York Tax Free Zones Act, and the Oneida, St. Regis Mohawk and Seneca Nation settlement agreements violate various provisions of the State Constitution. In a decision, order and judgment dated April 10, 2014, the court disposed of some of the constitutional challenges to the statutes and ordered that plaintiff serve the tribes and the Counties of Madison and Oneida within thirty days. The counties dispute whether they were

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properly served and the tribes appear to have invoked immunity from suit such that none of those parties answered the amended complaint by June 16, 2014 as directed by the 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 Hogsburg Triangle and a right of way claim against Niagara Mohawk Power Corporation, 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 March 11, 2015 to allow for settlement negotiations.

On May 28, 2014, the State, the New York Power Authority and St. Lawrence County signed a memorandum of understanding with the St. Regis Mohawk Tribe endorsing a general framework for a settlement, subject to further negotiation. The memorandum of understanding does not address all claims by all parties and will require a formal written settlement agreement. Any formal settlement agreement will also require additional local, State and Congressional approval.

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, and on October 31, 2014, plaintiff also withdrew its motion to amend the complaint. The *Shinnecock* appeal to the Second Circuit has been reinstated and is undergoing briefing.

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 § 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.

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Depositions have been completed. The discovery deadline was May 3, 2013. The note of issue was filed on May 13, 2013. A pretrial conference was scheduled for December 23, 2014. The trial commenced on January 21, 2015 and is expected to last until mid-March.

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. On April 7, 2014, Supreme Court denied the State's motion to dismiss. The State's appeal is pending. The Answer to the Second Amended Complaint was filed on February 2, 2015.

By decision dated August 12, 2014, Supreme Court, New York County, granted a motion to consolidate *Aristy-Farer*, discussed in the preceding paragraph, with *New Yorkers for Student Educational Rights v. New York*, discussed below.

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 (the “Tax Cap Law”), 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 moved to dismiss the First Amended Complaint and plaintiffs moved to further file and serve a Second Amended Complaint to add a challenge to newly enacted Education Law § 2023-b (“Tax Freeze Law”).

On September 23, 2014, Supreme Court Justice McGrath issued a Decision and Order which (1) granted defendants' motion to dismiss the First Amended Complaint which challenged the constitutionality of the Tax Cap Law; and (2) granted the plaintiffs' leave to serve a Second Amended Complaint to add a challenge to Tax Freeze Law. Defendants then moved to dismiss the Second Amended Complaint and, by order to show cause, plaintiffs have moved for a preliminary injunction, but not a TRO, seeking to enjoin enforcement of the Tax Cap Law and the Tax Freeze Law. Both motions were argued on February 24, 2015.

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,

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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.

On May 30, 2014, the State filed a motion to dismiss all claims. On June 24, 2014, plaintiffs moved for a preliminary injunction seeking to restrain defendants from enforcing three of the four statutory provisions challenged in the underlying action. Specifically, plaintiffs seek to enjoin defendants from enforcing: (1) the gap elimination adjustment set forth in N.Y. Education Law § 3602(17); (2) the cap on state aid increases set forth in N.Y. Education Law § 3602(1)(dd); and (3) the requirements regarding increases in local property tax levies set forth in N.Y. Education Law §§ 3602(1)(dd) & 18. On July 8, 2014, defendants moved by Order to Show Cause to change the venue of the preliminary injunction application, as well as the entire action, to Albany County, pursuant to CPLR 6311(1). By Decision and Order dated August 8, 2014, the Court granted defendants’ motion to transfer the preliminary injunction application to Albany County, but denied that part of the motion which sought to transfer the entire action.

By letter dated October 27, 2014, plaintiffs withdrew their motion for a preliminary injunction. By order dated November 17, 2014, Supreme Court, New York County, denied defendants’ motion to dismiss. By separate order dated November 17, 2014, Supreme Court, New York County also granted the motion of the City of Yonkers to intervene as a plaintiff in the proceeding. Defendants filed Answers to the Amended Complaint and to Yonkers’ Intervenor Complaint on February 2, 2015.

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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. On June 3, 2014, the court granted this motion to the extent of directing payment of \$6.5 million out of the \$49 million sought by plaintiff. The State has filed both a notice of appeal and a motion to renew or reargue that motion. Plaintiffs also brought a motion to consolidate over two hundred additional Medicaid rate cases into the present case, which was returnable May 16, 2014. The motion has been granted and the State has filed a notice of appeal.

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 were submitted on March 25, 2014. The plaintiffs/intervenor-plaintiffs have served a third amended complaint, which adds a challenge to the 2012-13 assessments, and have supplemented summary judgment papers to address this claim.

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Tobacco Master Settlement Agreement (MSA) Litigation

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.

Tobacco Master Settlement Agreement 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 2004-2012, 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

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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, moved in their respective state courts 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. Courts in two of the non-prevailing states, Missouri and Pennsylvania, have issued decisions vacating and/or modifying the Panel's Partial Award to the extent that the Award unfairly harms each of those states by having the Signatory States deemed diligent for purposes of allocation of the NPM Adjustment. Each of these courts held that the Signatory States should be deemed non-diligent for purposes of allocation of the NPM Adjustment. The court in Maryland denied the state's motion to vacate or modify the Partial Award.

The PMs have indicated their intent to bring a nationwide NPM Adjustment Arbitration for sales year 2004 against New York and the other states that rejected the term sheet.

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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 2014 and projected receipts and disbursements for fiscal years 2015 through 2019 on a General Fund, State Operating Funds and All Governmental Funds basis. The Updated Financial Plan projections for FY 2016 and thereafter, set forth in this AIS Update, reflect 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 spending from State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Updated Financial Plan tables as "Adherence to 2% State Operating Funds Spending Benchmark". Total disbursements in Updated Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

General Fund - Total Budget

- Financial Plan, Annual Change from FY 2014 to FY 2015
- Financial Plan Projections FY 2016 through FY 2019
- Update to FY 2015
- Update to FY 2016
- Update to FY 2017
- Update to FY 2018

General Fund - Receipts Detail (Excluding Transfers)

- Financial Plan Projections FY 2015 through FY 2019

State Operating Funds Budget

- FY 2015
- FY 2016
- FY 2017
- FY 2018

All Governmental Funds - Total Budget

- FY 2015
- FY 2016
- FY 2017
- FY 2018

Cashflow - FY 2015 Monthly Projections

- General Fund

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CASH FINANCIAL PLAN GENERAL FUND ANNUAL CHANGE (millions of dollars)				
	FY 2014 Results	FY 2015 Current	Annual \$ Change	Annual % Change
Opening Fund Balance	1,610	2,235	625	38.8%
Receipts:				
Taxes:				
Personal Income Tax	28,864	29,486	622	2.2%
Consumption/Use Taxes	6,561	6,700	139	2.1%
Business Taxes	6,046	5,576	(470)	-7.8%
Other Taxes	1,256	1,188	(68)	-5.4%
Miscellaneous Receipts	3,219	8,874	5,655	175.7%
Federal Receipts	0	2	2	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,822	9,030	208	2.4%
Sales Tax in Excess of LGAC	2,568	2,660	92	3.6%
Sales Tax in Excess of Revenue Bond Debt Service	2,936	2,968	32	1.1%
Real Estate Taxes in Excess of CW/CA Debt Service	705	826	121	17.2%
All Other	891	1,404	513	57.6%
Total Receipts	61,868	68,714	6,846	11.1%
Disbursements:				
Local Assistance Grants	39,940	41,986	2,046	5.1%
Departmental Operations:				
Personal Service	5,563	5,849	286	5.1%
Non-Personal Service	1,746	2,023	277	15.9%
General State Charges	4,899	4,977	78	1.6%
Transfers to Other Funds:				
Debt Service	1,972	1,291	(681)	-34.5%
Capital Projects	1,436	888	(548)	-38.2%
State Share of Mental Hygiene Medicaid	1,576	1,448	(128)	-8.1%
SUNY Operations	971	980	9	0.9%
Other Purposes	3,140	3,739	599	19.1%
Total Disbursements	61,243	63,181	1,938	3.2%
Excess (Deficiency) of Receipts Over Disbursements	625	5,533	4,908	785.3%
Closing Fund Balance	2,235	7,768	5,533	247.6%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,256	125	
Rainy Day Reserve Fund	350	540	190	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	87	0	(87)	
Reserved For				
Prior-Term Labor Agreements	88	51	(37)	
Debt Management	500	500	0	
J.P. Morgan Settlement Proceeds	58	0	(58)	
Monetary Settlements	0	5,400	5,400	
Source: NYS DOB.				

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CASH FINANCIAL PLAN GENERAL FUND FY 2016 through FY 2019 (millions of dollars)				
	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Receipts:				
Taxes:				
Personal Income Tax	31,845	33,915	35,658	36,715
Consumption/Use Taxes	7,009	7,291	7,547	7,822
Business Taxes	5,894	5,765	5,867	5,970
Other Taxes	1,124	1,031	981	926
Miscellaneous Receipts	2,926	2,656	2,366	2,277
Federal Receipts	0	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	9,777	10,219	10,576	10,691
Sales Tax in Excess of LGAC	2,797	2,964	3,176	3,210
Sales Tax in Excess of Revenue Bond Debt Service	2,996	3,045	3,071	3,098
Real Estate Taxes in Excess of CW/CA Debt Service	844	903	962	1,026
All Other	878	740	739	747
Total Receipts	66,090	68,529	70,943	72,482
Disbursements:				
Local Assistance Grants	43,916	46,456	49,149	51,595
Departmental Operations:				
Personal Service	6,064	6,093	6,203	6,234
Non-Personal Service	2,168	2,222	2,480	2,298
General State Charges	5,213	5,710	6,032	6,349
Transfers to Other Funds:				
Debt Service	915	1,245	1,411	1,198
Capital Projects	5,991	1,823	2,042	2,290
State Share of Mental Hygiene Medicaid	1,312	1,339	1,214	1,155
SUNY Operations	985	974	969	969
Other Purposes	4,065	4,390	4,781	5,202
Total Disbursements	70,629	70,252	74,281	77,290
Use (Reservation) of Fund Balance:				
Prior-Term Labor Agreements	(11)	(12)	(10)	(11)
Monetary Settlements	4,550	0	0	0
Total Use (Reservation) of Fund Balance	4,539	(12)	(10)	(11)
Adherence to 2% Spending Benchmark*	0	1,937	4,195	5,486
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	0	202	847	667
*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.				
Source: NYS DOB.				

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CASH FINANCIAL PLAN GENERAL FUND FY 2015 (millions of dollars)					
	Enacted	Change	Mid-Year	Change	Exec. (Amended)
Receipts:					
Taxes:					
Personal Income Tax	29,372	0	29,372	114	29,486
Consumption/Use Taxes	6,652	(26)	6,626	74	6,700
Business Taxes	5,438	53	5,491	85	5,576
Other Taxes	1,197	1	1,198	(10)	1,188
Miscellaneous Receipts	3,815	4,520	8,335	539	8,874
Federal Receipts	0	0	0	2	2
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	9,038	0	9,038	(8)	9,030
Sales Tax in Excess of LGAC	2,628	(13)	2,615	45	2,660
Sales Tax in Excess of Revenue Bond Debt Service	2,908	(14)	2,894	74	2,968
Real Estate Taxes in Excess of CW/CA Debt Service	761	0	761	65	826
All Other	1,153	292	1,445	(41)	1,404
Total Receipts	62,962	4,813	67,775	939	68,714
Disbursements:					
Local Assistance Grants	42,118	(116)	42,002	(16)	41,986
Departmental Operations:					
Personal Service	5,890	5	5,895	(46)	5,849
Non-Personal Service	1,960	2	1,962	61	2,023
General State Charges	5,072	4	5,076	(99)	4,977
Transfers to Other Funds:		0		0	
Debt Service	1,081	0	1,081	210	1,291
Capital Projects	930	0	930	(42)	888
State Share of Mental Hygiene Medicaid	1,638	0	1,638	(190)	1,448
SUNY Operations	977	0	977	3	980
Other Purposes	3,476	134	3,610	129	3,739
Total Disbursements	63,142	29	63,171	10	63,181
Use (Reservation) of Fund Balance:					
Tax Stabilization Reserve Fund	0	0	0	(125)	(125)
Rainy Day Reserve Fund	0	0	0	(190)	(190)
Community Projects Fund	87	0	87	0	87
Prior-Term Labor Agreements	(8)	43	35	2	37
J.P. Morgan Settlement Proceeds	58	0	58	0	58
Undesignated Reserve	43	(4,827)	(4,784)	4,784	0
Monetary Settlements	0	0	0	(5,400)	(5,400)
Total Use (Reservation) of Fund Balance	180	(4,784)	(4,604)	(929)	(5,533)
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	0	0	0	0	0
Source: NYS DOB.					

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CASH FINANCIAL PLAN GENERAL FUND FY 2016 (millions of dollars)					
	Enacted	Change	Mid-Year	Change	Exec. (Amended)
Receipts:					
Taxes:					
Personal Income Tax	31,643	0	31,643	202	31,845
Consumption/Use Taxes	6,908	0	6,908	101	7,009
Business Taxes	5,728	0	5,728	166	5,894
Other Taxes	1,157	1	1,158	(34)	1,124
Miscellaneous Receipts	2,980	0	2,980	(54)	2,926
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	9,636	0	9,636	141	9,777
Sales Tax in Excess of LGAC	2,743	0	2,743	54	2,797
Sales Tax in Excess of Revenue Bond Debt Service	2,923	0	2,923	73	2,996
Real Estate Taxes in Excess of CW/CA Debt Service	826	0	826	18	844
All Other	819	(6)	813	65	878
Total Receipts	65,363	(5)	65,358	732	66,090
Disbursements:					
Local Assistance Grants	44,827	(47)	44,780	(864)	43,916
Departmental Operations:					
Personal Service	5,986	12	5,998	66	6,064
Non-Personal Service	2,010	0	2,010	158	2,168
General State Charges	5,322	(36)	5,286	(73)	5,213
Transfers to Other Funds:					
Debt Service	1,058	0	1,058	(143)	915
Capital Projects	1,406	0	1,406	4,585	5,991
State Share of Mental Hygiene Medicaid	1,313	0	1,313	(1)	1,312
SUNY Operations	980	0	980	5	985
Other Purposes	4,241	89	4,330	(265)	4,065
Total Disbursements	67,143	18	67,161	3,468	70,629
Use (Reservation) of Fund Balance:					
Prior-Term Labor Agreements	(11)	0	(11)	0	(11)
Monetary Settlements	0	0	0	4,550	4,550
Total Use (Reservation) of Fund Balance	(11)	0	(11)	4,550	4,539
Adherence to 2% State Operating Funds Spending Benchmark*	2,094	(37)	2,057	(2,057)	0
Net General Fund Surplus (Deficit)	303	(60)	243	(243)	0
*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.					
Source: NYS DOB.					

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CASH FINANCIAL PLAN GENERAL FUND FY 2017 (millions of dollars)					
	Enacted	Change	Mid-Year	Change	Exec. (Amended)
Receipts:					
Taxes:					
Personal Income Tax	33,943	0	33,943	(28)	33,915
Consumption/Use Taxes	7,132	0	7,132	159	7,291
Business Taxes	5,609	0	5,609	156	5,765
Other Taxes	1,062	1	1,063	(32)	1,031
Miscellaneous Receipts	2,790	0	2,790	(134)	2,656
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,235	0	10,235	(16)	10,219
Sales Tax in Excess of LGAC	2,880	0	2,880	84	2,964
Sales Tax in Excess of Revenue Bond Debt Service	2,933	0	2,933	112	3,045
Real Estate Taxes in Excess of CW/CA Debt Service	885	0	885	18	903
All Other	777	(6)	771	(31)	740
Total Receipts	68,246	(5)	68,241	288	68,529
Disbursements:					
Local Assistance Grants	47,077	(73)	47,004	(548)	46,456
Departmental Operations:					
Personal Service	5,952	12	5,964	129	6,093
Non-Personal Service	2,004	0	2,004	218	2,222
General State Charges	5,470	263	5,733	(23)	5,710
Transfers to Other Funds:					
Debt Service	1,457	0	1,457	(212)	1,245
Capital Projects	1,761	0	1,761	62	1,823
State Share of Mental Hygiene Medicaid	1,281	0	1,281	58	1,339
SUNY Operations	980	0	980	(6)	974
Other Purposes	4,532	89	4,621	(231)	4,390
Total Disbursements	70,514	291	70,805	(553)	70,252
Use (Reservation) of Fund Balance:					
Prior-Term Labor Agreements	(12)	0	(12)	0	(12)
Total Use (Reservation) of Fund Balance	(12)	0	(12)	0	(12)
Adherence to 2% Spending Benchmark*	3,385	262	3,647	(1,710)	1,937
Net General Fund Surplus (Deficit)	1,105	(34)	1,071	(869)	202
*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.					
Source: NYS DOB.					

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CASH FINANCIAL PLAN GENERAL FUND FY 2018 (millions of dollars)					
	Enacted	Change	Mid-Year	Change	Exec. (Amended)
Receipts:					
Taxes:					
Personal Income Tax	35,730	0	35,730	(72)	35,658
Consumption/Use Taxes	7,373	0	7,373	174	7,547
Business Taxes	5,729	0	5,729	138	5,867
Other Taxes	1,012	1	1,013	(32)	981
Miscellaneous Receipts	2,215	0	2,215	151	2,366
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,664	0	10,664	(88)	10,576
Sales Tax in Excess of LGAC	3,087	0	3,087	89	3,176
Sales Tax in Excess of Revenue Bond Debt Service	2,932	0	2,932	139	3,071
Real Estate Taxes in Excess of CW/CA Debt Service	958	0	958	4	962
All Other	750	(6)	744	(5)	739
Total Receipts	70,450	(5)	70,445	498	70,943
Disbursements:					
Local Assistance Grants	49,671	(65)	49,606	(457)	49,149
Departmental Operations:					
Personal Service	5,975	11	5,986	217	6,203
Non-Personal Service	2,052	1	2,053	427	2,480
General State Charges	5,583	556	6,139	(107)	6,032
Transfers to Other Funds:					
Debt Service	1,509	0	1,509	(98)	1,411
Capital Projects	2,006	0	2,006	36	2,042
State Share of Mental Hygiene Medicaid	1,156	0	1,156	58	1,214
SUNY Operations	980	0	980	(11)	969
Other Purposes	4,945	90	5,035	(254)	4,781
Total Disbursements	73,877	593	74,470	(189)	74,281
Use (Reservation) of Fund Balance:					
Prior-Term Labor Agreements	(11)	0	(11)	1	(10)
Total Use (Reservation) of Fund Balance	(11)	0	(11)	1	(10)
Adherence to 2% Spending Benchmark*	4,916	553	5,469	(1,274)	4,195
Net General Fund Surplus (Deficit)	1,478	(45)	1,433	(586)	847
*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.					
Source: NYS DOB.					

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CASH RECEIPTS CURRENT STATE RECEIPTS GENERAL FUND FY 2015 THROUGH FY 2019 (millions of dollars)					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Projected	Projected	Projected	Projected	Projected
Taxes:					
Withholdings	34,999	37,290	39,371	40,850	42,648
Estimated Payments	13,733	14,996	16,289	17,578	17,401
Final Payments	2,176	2,378	2,555	2,726	2,919
Other Payments	1,281	1,341	1,386	1,439	1,496
Gross Collections	52,189	56,005	59,601	62,593	64,464
State/City Offset	(588)	(538)	(538)	(538)	(538)
Refunds	(7,788)	(8,699)	(9,555)	(10,301)	(10,842)
Reported Tax Collections	43,813	46,768	49,508	51,754	53,084
STAR (Dedicated Deposits)	(3,374)	(3,231)	(3,216)	(3,157)	(3,098)
RBTF (Dedicated Transfers)	(10,953)	(11,692)	(12,377)	(12,939)	(13,271)
Personal Income Tax	29,486	31,845	33,915	35,658	36,715
Sales and Use Tax	12,240	12,770	13,350	13,870	14,430
Cigarette and Tobacco Taxes	319	368	355	346	336
Motor Fuel Tax	0	0	0	0	0
Alcoholic Beverage Taxes	251	256	261	266	271
Highway Use Tax	0	0	0	0	0
Auto Rental Tax	0	0	0	0	0
Taxicab Surcharge	0	0	0	0	0
Gross Utility Taxes and Fees	12,810	13,394	13,966	14,482	15,037
LGAC/STBF (Dedicated Transfers)	(6,110)	(6,385)	(6,675)	(6,935)	(7,215)
Consumption/Use Taxes	6,700	7,009	7,291	7,547	7,822
Corporation Franchise Tax	2,428	3,880	3,563	3,703	3,772
Corporation and Utilities Tax	590	619	624	622	631
Insurance Taxes	1,370	1,433	1,405	1,380	1,445
Bank Tax	1,188	(38)	173	162	122
Petroleum Business Tax	0	0	0	0	0
Business Taxes	5,576	5,894	5,765	5,867	5,970
Estate Tax	1,169	1,105	1,012	962	907
Real Estate Transfer Tax	1,020	1,037	1,096	1,151	1,212
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-Mutuel Taxes	18	18	18	18	18
Other Taxes	1	1	1	1	1
Gross Other Taxes	2,208	2,161	2,127	2,132	2,138
Real Estate Transfer Tax (Dedicated)	(1,020)	(1,037)	(1,096)	(1,151)	(1,212)
Other Taxes	1,188	1,124	1,031	981	926
Payroll Tax	0	0	0	0	0
Total Taxes	42,950	45,872	48,002	50,053	51,433
Licenses, Fees, Etc.	662	638	640	645	645
Abandoned Property	655	655	550	550	550
Motor Vehicle Fees	170	170	218	223	224
ABC License Fee	59	65	61	62	63
Reimbursements	284	279	263	253	262
Investment Income	4	4	4	5	5
Other Transactions	7,040	1,115	920	628	528
Miscellaneous Receipts	8,874	2,926	2,656	2,366	2,277
Federal Receipts	2	0	0	0	0
Total	51,826	48,798	50,658	52,419	53,710
Source: NYS DOB.					

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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	2,235	2,489	65	4,789
Receipts:				
Taxes	42,950	8,236	17,964	69,150
Miscellaneous Receipts	8,874	16,151	515	25,540
Federal Receipts	2	1	73	76
Total Receipts	51,826	24,388	18,552	94,766
Disbursements:				
Local Assistance Grants	41,986	19,114	0	61,100
Departmental Operations:				
Personal Service	5,849	6,747	0	12,596
Non-Personal Service	2,023	3,709	43	5,775
General State Charges	4,977	2,095	0	7,072
Debt Service	0	0	5,833	5,833
Capital Projects	0	0	0	0
Total Disbursements	54,835	31,665	5,876	92,376
Other Financing Sources (Uses):				
Transfers from Other Funds	16,888	8,265	4,570	29,723
Transfers to Other Funds	(8,346)	(1,385)	(17,225)	(26,956)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,542	6,880	(12,655)	2,767
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	5,533	(397)	21	5,157
Closing Fund Balance	7,768	2,092	86	9,946
Source: NYS DOB.				

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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	45,872	8,237	18,995	73,104
Miscellaneous Receipts	2,926	16,032	448	19,406
Federal Receipts	0	1	73	74
Total Receipts	48,798	24,270	19,516	92,584
Disbursements:				
Local Assistance Grants	43,916	18,603	0	62,519
Departmental Operations:				
Personal Service	6,064	6,822	0	12,886
Non-Personal Service	2,168	3,487	47	5,702
General State Charges	5,213	2,141	0	7,354
Debt Service	0	0	5,526	5,526
Capital Projects	0	1	0	1
Total Disbursements	57,361	31,054	5,573	93,988
Other Financing Sources (Uses):				
Transfers from Other Funds	17,292	7,976	3,928	29,196
Transfers to Other Funds	(13,268)	(943)	(17,801)	(32,012)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,024	7,033	(13,873)	(2,816)
Use (Reservation) of Fund Balance:				
Prior-Term Labor Agreements	(11)	0	0	(11)
Monetary Settlements	4,550	0	0	4,550
Total Use (Reservation) of Fund Balance	4,539	0	0	4,539
Net Surplus (Deficit)	0	249	70	319
Source: NYS DOB.				

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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	48,002	8,314	20,029	76,345
Miscellaneous Receipts	2,656	15,805	453	18,914
Federal Receipts	0	1	73	74
Total Receipts	50,658	24,120	20,555	95,333
Disbursements:				
Local Assistance Grants	46,456	18,674	0	65,130
Departmental Operations:				
Personal Service	6,093	6,808	0	12,901
Non-Personal Service	2,222	3,559	47	5,828
General State Charges	5,710	2,189	0	7,899
Debt Service	0	0	6,284	6,284
Capital Projects	0	3	0	3
Total Disbursements	60,481	31,233	6,331	98,045
Other Financing Sources (Uses):				
Transfers from Other Funds	17,871	8,250	4,280	30,401
Transfers to Other Funds	(9,771)	(826)	(18,441)	(29,038)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,100	7,424	(14,161)	1,363
Use (Reservation) of Fund Balance:				
Prior-Term Labor Agreements	(12)	0	0	(12)
Total Use (Reservation) of Fund Balance	(12)	0	0	(12)
Adherence to 2% Spending Benchmark*	1,937	0	0	1,937
Net Surplus (Deficit)	202	311	63	576
*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.				
Source: NYS DOB.				

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CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2018 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	50,053	8,375	20,906	79,334
Miscellaneous Receipts	2,366	15,961	453	18,780
Federal Receipts	0	1	73	74
Total Receipts	52,419	24,337	21,432	98,188
Disbursements:				
Local Assistance Grants	49,149	18,905	0	68,054
Departmental Operations:				
Personal Service	6,203	6,851	0	13,054
Non-Personal Service	2,480	3,572	47	6,099
General State Charges	6,032	2,258	0	8,290
Debt Service	0	0	6,725	6,725
Capital Projects	0	3	0	3
Total Disbursements	63,864	31,589	6,772	102,225
Other Financing Sources (Uses):				
Transfers from Other Funds	18,524	8,354	4,358	31,236
Transfers to Other Funds	(10,417)	(775)	(18,940)	(30,132)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,107	7,579	(14,582)	1,104
Use (Reservation) of Fund Balance:				
Prior-Term Labor Agreements	(10)	0	0	(10)
Total Use (Reservation) of Fund Balance	(10)	0	0	(10)
Adherence to 2% Spending Benchmark*	4,195	0	0	4,195
Net Surplus (Deficit)	847	327	78	1,252
*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.				
Source: NYS DOB.				

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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	2,235	2,364	(629)	65	4,035
Receipts:					
Taxes	42,950	8,236	1,362	17,964	70,512
Miscellaneous Receipts	8,874	16,263	4,774	515	30,426
Federal Receipts	2	44,913	2,047	73	47,035
Total Receipts	<u>51,826</u>	<u>69,412</u>	<u>8,183</u>	<u>18,552</u>	<u>147,973</u>
Disbursements:					
Local Assistance Grants	41,986	59,656	2,238	0	103,880
Departmental Operations:					
Personal Service	5,849	7,379	0	0	13,228
Non-Personal Service	2,023	4,866	0	43	6,932
General State Charges	4,977	2,395	0	0	7,372
Debt Service	0	0	0	5,833	5,833
Capital Projects	0	0	5,757	0	5,757
Total Disbursements	<u>54,835</u>	<u>74,296</u>	<u>7,995</u>	<u>5,876</u>	<u>143,002</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	16,888	7,819	1,086	4,570	30,363
Transfers to Other Funds	(8,346)	(3,340)	(1,497)	(17,225)	(30,408)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	<u>8,542</u>	<u>4,479</u>	<u>(105)</u>	<u>(12,655)</u>	<u>261</u>
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	<u>5,533</u>	<u>(405)</u>	<u>83</u>	<u>21</u>	<u>5,232</u>
Closing Fund Balance	<u><u>7,768</u></u>	<u><u>1,959</u></u>	<u><u>(546)</u></u>	<u><u>86</u></u>	<u><u>9,267</u></u>
Source: NYS DOB.					

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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	45,872	8,237	1,346	18,995	74,450
Miscellaneous Receipts	2,926	16,143	5,558	448	25,075
Federal Receipts	0	48,017	1,673	73	49,763
Total Receipts	48,798	72,397	8,577	19,516	149,288
Disbursements:					
Local Assistance Grants	43,916	62,742	3,043	0	109,701
Departmental Operations:					
Personal Service	6,064	7,458	0	0	13,522
Non-Personal Service	2,168	4,500	0	47	6,715
General State Charges	5,213	2,447	0	0	7,660
Debt Service	0	0	0	5,526	5,526
Capital Projects	0	1	6,871	0	6,872
Total Disbursements	57,361	77,148	9,914	5,573	149,996
Other Financing Sources (Uses):					
Transfers from Other Funds	17,292	7,644	6,275	3,928	35,139
Transfers to Other Funds	(13,268)	(2,613)	(1,517)	(17,801)	(35,199)
Bond and Note Proceeds	0	0	704	0	704
Net Other Financing Sources (Uses)	4,024	5,031	5,462	(13,873)	644
Use (Reservation) of Fund Balance:					
Prior-Term Labor Agreements	(11)	0	0	0	(11)
Monetary Settlements	4,550	0	0	0	4,550
Total Use (Reservation) of Fund Balance	4,539	0	0	0	4,539
Net Surplus (Deficit)	0	280	4,125	70	4,475
Source: NYS DOB.					

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CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2017 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	48,002	8,314	1,322	20,029	77,667
Miscellaneous Receipts	2,656	15,916	5,121	453	24,146
Federal Receipts	0	48,730	1,630	73	50,433
Total Receipts	50,658	72,960	8,073	20,555	152,246
Disbursements:					
Local Assistance Grants	46,456	63,644	2,952	0	113,052
Departmental Operations:					
Personal Service	6,093	7,493	0	0	13,586
Non-Personal Service	2,222	4,470	0	47	6,739
General State Charges	5,710	2,508	0	0	8,218
Debt Service	0	0	0	6,284	6,284
Capital Projects	0	3	6,980	0	6,983
Total Disbursements	60,481	78,118	9,932	6,331	154,862
Other Financing Sources (Uses):					
Transfers from Other Funds	17,871	7,912	2,105	4,280	32,168
Transfers to Other Funds	(9,771)	(2,448)	(1,563)	(18,441)	(32,223)
Bond and Note Proceeds	0	0	464	0	464
Net Other Financing Sources (Uses)	8,100	5,464	1,006	(14,161)	409
Use (Reservation) of Fund Balance:					
Prior-Term Labor Agreements	(12)	0	0	0	(12)
Total Use (Reservation) of Fund Balance	(12)	0	0	0	(12)
Adherence to 2% Spending Benchmark*	1,937	0	0	0	1,937
Net Surplus (Deficit)	202	306	(853)	63	(282)
*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.					
Source: NYS DOB.					

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CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2018 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	50,053	8,375	1,324	20,906	80,658
Miscellaneous Receipts	2,366	16,072	4,633	453	23,524
Federal Receipts	0	50,409	1,617	73	52,099
Total Receipts	52,419	74,856	7,574	21,432	156,281
Disbursements:					
Local Assistance Grants	49,149	65,621	2,832	0	117,602
Departmental Operations:					
Personal Service	6,203	7,546	0	0	13,749
Non-Personal Service	2,480	4,526	0	47	7,053
General State Charges	6,032	2,582	0	0	8,614
Debt Service	0	0	0	6,725	6,725
Capital Projects	0	3	7,020	0	7,023
Total Disbursements	63,864	80,278	9,852	6,772	160,766
Other Financing Sources (Uses):					
Transfers from Other Funds	18,524	8,016	2,273	4,358	33,171
Transfers to Other Funds	(10,417)	(2,272)	(1,601)	(18,940)	(33,230)
Bond and Note Proceeds	0	0	436	0	436
Net Other Financing Sources (Uses)	8,107	5,744	1,108	(14,582)	377
Use (Reservation) of Fund Balance:					
Prior-Term Labor Agreements	(10)	0	0	0	(10)
Total Use (Reservation) of Fund Balance	(10)	0	0	0	(10)
Adherence to 2% Spending Benchmark*	4,195	0	0	0	4,195
Net Surplus (Deficit)	847	322	(1,170)	78	77
*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.					
Source: NYS DOB.					

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CASHFLOW GENERAL FUND FY 2015 (dollars in millions)													
	2014 April Results	May Results	June Results	July Results	August Results	September Results	October Results	November Results	December Results	2015 January Results	February Projected	March Projected	Total
OPENING BALANCE	2,235	5,533	4,548	5,131	6,998	6,889	8,053	7,715	6,559	8,254	10,363	10,877	2,235
RECEIPTS:													
Personal Income Tax	4,015	1576	2,759	1,924	1,793	2,969	1,861	1,352	3,599	2,992	2,516	2,130	29,486
Consumption/Use Taxes	506	507	656	527	520	674	516	525	661	540	454	614	6,700
Business Taxes	148	353	1,243	127	(87)	940	87	2	916	157	37	1,653	5,576
Other Taxes	85	121	70	98	92	107	106	91	98	126	97	97	1,188
Total Taxes	4,754	2,557	4,728	2,676	2,318	4,690	2,570	1,970	5,274	3,815	3,104	4,494	42,950
Abandoned Property	1	0	0	0	0	0	94	135	20	49	85	271	655
ABC License Fee	7	5	5	6	4	5	6	5	5	5	3	3	59
Investment Income	0	0	0	1	0	0	0	0	0	0	0	0	4
Licenses, Fees, etc.	35	57	70	22	54	78	44	43	75	26	60	98	662
Motor Vehicle Fees	37	21	6	20	6	24	6	(1)	21	9	13	8	170
Reimbursements	7	12	45	0	22	48	3	16	27	12	17	75	284
Other Transactions	88	1,722	30	2,271	104	536	340	364	249	46	18	1,272	7,040
Total Miscellaneous Receipts	175	1,817	156	2,320	190	673	511	562	397	147	197	1,729	8,874
Federal Receipts	1	0	0	0	0	0	0	0	0	1	0	0	2
PIT in Excess of Revenue Bond Debt Service	1,338	355	1,063	395	266	1,223	422	191	1,242	875	461	1,199	9,030
Tax in Excess of LGAC	212	87	441	234	179	310	233	235	307	243	3	176	2,660
Sales Tax Bond Fund	208	220	293	226	225	306	219	222	292	253	198	306	2,968
Real Estate Taxes in Excess of CW/CA Debt Service	57	73	78	60	78	69	75	72	74	78	59	53	826
All Other	90	66	57	9	17	93	11	24	(5)	29	88	925	1,404
Total Transfers from Other Funds	1,905	801	1,932	924	765	2,001	960	744	1,910	1,478	809	2,659	16,888
TOTAL RECEIPTS	6,835	5,175	6,816	5,920	3,273	7,364	4,041	3,276	7,581	5,441	4,110	8,882	68,714
DISBURSEMENTS:													
School Aid	282	2,679	1,834	82	597	1,711	771	1,389	1,607	378	513	6,550	18,393
Higher Education	13	14	464	599	139	53	458	28	222	30	344	506	2,870
All Other Education	20	326	15	212	135	478	64	30	164	35	108	539	2,126
Medicaid - DOH	1,100	1,057	897	1,142	770	832	1,013	1,213	699	919	968	1,054	11,664
Public Health	1	75	17	64	78	42	41	32	79	47	85	88	749
Mental Hygiene	5	2	295	1	2	257	2	(2)	491	12	201	126	1,392
Children and Families	27	96	74	157	60	51	167	70	248	108	157	279	1,574
Temporary & Disability Assistance	98	105	158	104	93	96	98	98	93	95	92	102	1,232
Transportation	0	24	0	0	25	0	0	23	13	2	10	1	98
Unrestricted Aid	0	11	390	2	0	102	8	5	182	1	6	71	778
All Other	22	(13)	198	34	22	(6)	22	29	50	130	76	546	1,110
Total Local Assistance Grants	1,568	4,376	4,442	2,397	1,921	3,716	2,644	2,915	3,848	1,757	2,540	9,862	41,986
Personal Service	447	529	447	602	451	448	526	453	591	445	441	469	5,849
Non-Personal Service	83	147	146	133	151	148	169	121	133	133	188	471	2,023
Total Departmental Operations	530	676	593	735	602	596	695	574	724	578	629	940	7,872
General State Charges	504	649	357	703	146	1,125	408	140	306	251	106	282	4,977
Debt Service	401	(152)	(2)	231	(11)	(99)	202	(60)	(32)	393	(19)	439	1,291
Capital Projects	9	31	104	(288)	169	181	174	174	547	172	176	(510)	888
State Share Medicaid	169	42	67	68	261	147	160	140	112	187	132	63	1,448
SUNY Operations	210	210	210	188	0	0	0	163	0	0	0	(1)	980
Other Purposes	146	328	462	19	294	534	98	486	381	43	32	916	3,739
Total Transfers to Other Funds	935	459	841	218	713	763	632	803	1,008	746	321	907	8,346
TOTAL DISBURSEMENTS	3,537	6,160	6,233	4,053	3,382	6,200	4,379	4,432	5,886	3,332	3,596	11,991	63,181
Excess/(Deficiency) of Receipts over Disbursements	3,298	(985)	583	1,867	(109)	1,164	(338)	(1,156)	1,695	2,109	514	(3,109)	5,533
CLOSING BALANCE	5,533	4,548	5,131	6,998	6,889	8,053	7,715	6,559	8,254	10,363	10,877	7,768	7,768

Source: NYS DOB.

Source: NYS DOB.

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State Related Bond Authorizations

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

STATE-RELATED DEBT FY 2015 BOND CAPS AND DEBT OUTSTANDING (millions of dollars) ⁽¹⁾					
Type of Cap	Program	FY 2015	Authorized But	Debt	
(Gross or Net)*		Bond Caps	Unissued ⁽²⁾	Outstanding ⁽³⁾	As of 3/31/14
Education:					
Gross	SUNY Educational Facilities (4)	10,984	1,837	7,614	
Net	SUNY Dormitory Facilities (5)	1,561	68	1,215	
Net	SUNY Upstate Community Colleges (5)	776	223	784	
Gross	CUNY Educational Facilities (6)	7,273	1,042	4,557	
Net	State Ed Department Facilities (7)	0	0	45	
Net	SUNY Athletic Facilities	22	0	14	
Net	RESCUE	195	0	44	
Net	University Facilities (Jobs 2000)	48	1	5	
Net	School District Capital Outlay Grants	140	40	0	
Net	Judicial Training Institute	16	0	8	
Net	Transportation Transition Grants	80	12	0	
Net	Public Broadcasting Facilities	15	0	4	
Net	Higher Education Capital Matching Grants	180	38	85	
Net	EXCEL	2,600	134	1,983	
Net	Library Facilities	126	28	70	
Net	Cultural Education Storage Facilities	79	69	9	
Net	State Longitudinal Data System	20	15	3	
Net	SUNY 2020 Challenge Grants	330	270	59	
Net	Private Special Education	5	5	0	
Environment:					
Net	Environmental Infrastructure Projects (8)	1,398	475	673	
Net	Hazardous Waste Remediation	1,200	515	562	
Net	Riverbank State Park	78	18	35	
Net	Water Pollution Control (SRF)	770	148	107	
Net	Pipeline for Jobs (Jobs 2000)	34	2	0	
Net	Long Island Pine Barrens	15	0	4	
Net	Pilgrim Sewage Plant	11	0	2	
State Facilities:					
Net	Empire State Plaza	133	13	0	
Net	State Capital Projects (Attica)	200	0	116	
Net	Division of State Police Facilities	150	31	106	
Net	Division of Military & Naval Affairs	27	9	15	
Net	Alfred E. Smith Building	89	0	54	
Net	Sheridan Ave. (Elk St.) Parking Garage	25	0	17	
Net	State Office Buildings and Other Facilities	318	112	168	
Net	Judiciary Improvements	38	1	19	
Net	OSC State Buildings	52	0	24	
Net	Albany Parking Garage (East)	41	0	25	
Net	OGS State Buildings and Other Facilities (9)	140	26	94	
Net	Equipment Acquisition (COPs) (10)	784	106	230	
Net	Food Laboratory	40	0	35	
Net	OFT Facilities	21	18	2	
Net	Courthouse Improvements	76	37	29	
Gross	Prison Facilities	7,148	565	4,501	
Net	Homeland Security	197	139	44	
Gross	Youth Facilities	465	66	187	
Net	NYRA Land Acquisition/VLT Construction	355	0	110	
Net	Storm Recovery Capital	450	450	0	
Net	Office of Information Technology Services	182	182	0	
Health/Mental Hygiene:					
Net	Department of Health Facilities (inc. Axelrod)	495	3	285	
Gross	Mental Health Facilities	7,436	865	3,798	
Net	HEAL NY Capital Program	750	220	391	
Net	Capital Restructuring Program	1,200	1,200	0	
Transportation:					
Gross	Consolidated Highway Improvement Program (CHIPS)	8,121	785	4,202	
Net	Dedicated Highway & Bridge Trust	16,500	3,882	7,292	
Net	High Speed Rail	22	22	0	
Net	Albany County Airport	40	1	13	
Net	Transportation Initiatives	465	465	0	
Net	MTA Transportation Facilities	770	770	0	
N/A	MTA Service Contract	2,005	0	1,700	
Net	Transportation (TIFIA)	750	750	0	

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STATE-RELATED DEBT					
FY 2015 BOND CAPS AND DEBT OUTSTANDING					
(millions of dollars) ⁽¹⁾					
Type of Cap		FY 2015	Authorized But	Debt Outstanding ⁽³⁾	
<u>(Gross or Net)*</u>	<u>Program</u>	<u>Bond Caps</u>	<u>Unissued ⁽²⁾</u>	<u>As of 3/31/14</u>	
Economic Development:					
Gross	Housing Capital Programs	2,999	349	1,600	
Net	Community Enhancement Facilities (CEFAP)	424	47	45	
Net	University Technology Centers (incl. HEAT) (11)	248	13	28	
Gross	Onondaga Convention Center	40	0	21	
Net	Sports Facilities	145	0	56	
Net	Child Care Facilities	30	1	11	
Net	Bio-Tech Facilities	10	10	0	
Net	Strategic Investment Program	216	21	22	
Net	Regional Economic Development (Fund 002) (12)	1,190	49	271	
Net	NYS Economic Development (2004) (13)	346	0	207	
Net	Regional Economic Development (2004) (14)	243	221	10	
Net	High Technology and Development	249	73	124	
Net	Regional Economic Development/SPUR	90	28	26	
Net	Buffalo Inner Harbor	50	0	41	
Net	Jobs Now	14	1	0	
Net	Economic Development 2006 (Various) (15)	2,310	356	1,580	
Net	Javits Convention Center (Expansion '06)	350	350	0	
Net	Queens Stadium (Mets)	75	0	49	
Net	Bronx Stadium (Yankees)	75	0	52	
Net	NYS Ec Dev Stadium Parking ('06)	75	69	5	
Net	State Modernization Projects (RIOCC Tram, etc.)	50	15	10	
Net	Int. Computer Chip Research and Dev. Center	300	0	130	
Net	2008 and 2009 Economic Development Initiatives	1,269	242	688	
Net	H.H. Richardson Complex/Darwin Martin House	84	8	61	
Net	Economic Development Initiatives	2,203	1,925	301	
Net	State and Municipal Facilities	770	770	0	
LGAC	Net	Local Government Assistance Corporation	4,700	0	2,592
GO	Gross	General Obligation (16)	19,185	2,908	3,191
Total State-Supported Debt		115,181	23,115	52,460	
Other State Financings:					
	Tobacco Settlement Financing Corporation Bonds			2,053	
	MBBA Special Purpose School Aid Bonds			281	
	Capital Lease and Mortgage Loan Commitments (17)			303	
	Other (18)			370	
Total State-Related Debt (19)				55,467	
* Gross caps include cost of issuance fees. Net caps do not.					
Source: NYS DOB					
⁽¹⁾ Includes only authorized programs that are active at March 31, 2014 or have outstanding program balances or both.					
⁽²⁾ Amounts issued may exceed the stated amount authorized by premiums, by providing for the cost of issuance, reserve fund requirements and, in certain circumstances, refunding bonds. In some cases, Authorized but Unissued bond cap amounts have been reduced by the higher of (i) net bond proceeds available to fund program, or (ii) par amount of bonds issued.					
⁽³⁾ Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds.					
⁽⁴⁾ Authorization also includes any amount necessary to refund outstanding Housing Finance Agency State University Construction Bonds, all of which have been refunded.					
⁽⁵⁾ Authorization applies to bonds issued after March 31, 2002, prior to that date there was no limit.					
⁽⁶⁾ The amount outstanding includes CUNY Community Colleges bonds for which the State pays debt service. The total amount authorized for CUNY Senior Colleges was unlimited for resolutions adopted prior to 7/1/85 and limited to \$7.273 billion for both CUNY Senior and CUNY Community Colleges for resolutions adopted after 7/1/85.					
⁽⁷⁾ Legislation enacted in May 2002 prohibits further issuance of bonds for this purpose, except for refunding purposes.					
⁽⁸⁾ Includes bonds issued for West Valley, DEC Environmental Infrastructure Projects, Environmental Protection Fund, Onondaga Lake, and the Office of Parks and Recreation and Historic Preservation.					
⁽⁹⁾ Includes debt outstanding for Office of General Services Buildings: 44 Holland Ave., 50 Wolf Rd., 625 Broadway Ave., Hampton Plaza, and DOT Region 1.					
⁽¹⁰⁾ Authorized amounts includes Certificates of Participation, which have been issued as bonds after March 31, 2003.					
⁽¹¹⁾ Includes authorizations for Science and Technology Center (Syracuse), Super Computer Center (Cornell), Center for Telecommunications (Columbia), HEAT, Center for Industrial Innovation (City of Troy), Center for Advanced materials (Clarkson), Center for Electro-Optic (Rochester), Center for Neural Sciences (NYU) and Center for Incubator Facilities.					
⁽¹²⁾ Includes bonds issued for Community Capital Assistance Program (CCAP), Rebuilding the Empire State Through Opportunities in Regional Economies Program (RESTORE), Empire Opportunity Fund (EOF), Generating Employment Through New York Science Program (Gen'NY'sis), Multi-Modal Transportation Program, and Center of Excellence Program (Laws of 2002).					
⁽¹³⁾ Includes bonds to be issued for economic development projects outside cities of 1 million or more in population.					
⁽¹⁴⁾ Includes bonds issued for the EOF, RESTORE and CCAP.					
⁽¹⁵⁾ Includes bonds to be issued for economic development and environmental projects.					
⁽¹⁶⁾ The FY 2015 Enacted Budget authorized a \$2 billion general obligation bond act for Smart Schools, which was approved by voters in November 2014.					
⁽¹⁷⁾ Estimated.					
⁽¹⁸⁾ Includes bonds issued for Secured Hospital Program, HFA and MCFFA Moral Obligation Bonds, and the JDA State-guaranteed bonds.					
⁽¹⁹⁾ Capital leases and mortgage loan commitments are included in all figures and references to State-related debt in this AIS unless otherwise specifically noted.					

Annual Information Statement Update

March 2, 2015

STATE GENERAL OBLIGATION DEBT *			
as of March 31, 2014 (In Millions)			
Purpose/Year Authorized	Total Authorized	Authorized but Unissued	Total Debt Outstanding
Transportation Bonds:			
Rebuild and Renew New York Transportation Bonds (2005)			
Highway Facilities/Other Transportation (Excluding MTA)			
Highway Facilities	Note 1	Note 1	\$ 826
Mass Transit - DOT	Note 1	Note 1	10
Rail & Port	Note 1	Note 1	75
Canals & Waterways	Note 1	Note 1	13
Aviation	Note 1	Note 1	54
Subtotal Highway Facilities/Other Transportation (Excluding MTA)	\$ 1,450	\$ 204	978
Mass Transit - Metropolitan Transportation Authority	1,450	386	915
Accelerated Capacity and Transportation Improvements of the Nineties (1988)	3,000	20	226
Rebuild New York Through Transportation Infrastructure Renewal (1983)			
Highway Related Projects	1,064	21	2
Ports, Canals, and Waterways	49	-	-
Rapid Transit, Rail and Aviation Projects	137	-	10
Energy Conservation Through Improved Transportation (1979)			
Local Streets and Highways	100	-	-
Rapid Transit and Rail Freight	400	-	7
Rail Preservation (1974)	250	-	1
Transportation Capital Facilities (1967)			
Highways	1,250	-	-
Mass Transportation	1,000	-	Note 2
Aviation	250	-	11
Total Transportation Bonds	10,400	631	2,150
Environmental Bonds:			
Clean Water/Clean Air (1996)			
Air Quality	230	30	20
Safe Drinking Water	355	-	Note 3
Clean Water	790	91	438
Solid Waste	175	3	49
Environmental Restoration	200	47	81
Environmental Quality (1986)			
Land and Forests	250	2	22
Solid Waste Management	1,200	49	273
Environmental Quality (1972)			
Air	150	12	5
Land and Wetlands	350	10	12
Water	650	2	49
Outdoor Recreation Development (1966)	200	Note 4	-
Pure Waters (1965)	1,000	20	46
Park and Recreation Land Acquisition (1960)	100	1	Note 5
Total Environmental Bonds	5,650	267	995
Education Bonds:			
Smart Schools Bond Act (6)	2,000	2,000	-
Total Education Bonds	2,000	2,000	-
Housing Bonds:			
Low-Income Housing (through 1958)	960	8	24
Middle-Income Housing (through 1958)	150	1	22
Urban Renewal (1958)	25	1	-
Total Housing Bonds	1,135	10	46
TOTAL GENERAL OBLIGATION DEBT	\$ 19,185	\$ 2,908	\$ 3,191
Source: Office of the State Comptroller.			
* This table reflects General Obligation Bond Acts where there is a remaining authorized but unissued amount and/or a remaining debt outstanding balance.			
(1) The Legislature did not provide any limitation on bonds to be issued for specific project categories or programs authorized within the Highway Facilities/Other Transportation (excluding MTA) Purpose.			
(2) This amount rounds to zero, but there was a debt outstanding balance of \$119,119.44 at March 31, 2014.			
(3) This amount rounds to zero, but there was a debt outstanding balance of \$7,931.54 at March 31, 2014.			
(4) This amount rounds to zero, but there was an authorized but unissued balance of \$230,000 at March 31, 2014.			
(5) This amount rounds to zero, but there was a debt outstanding balance of \$12,074.28 at March 31, 2014.			
(6) This Bond Act was approved by the voters in November 2014.			