

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

March 15, 2011

This quarterly update (the "AIS Update") updates the Annual Information Statement of the State of New York (the "AIS") that was dated September 7, 2010. The AIS Update contains information only through March 15, 2011 and should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the Governor's Executive Budget Financial Plan for 2011-12, as updated for forecast revisions and Governor's amendments (the "Updated Financial Plan"), which the Division of the Budget ("DOB") issued on March 3, 2011. The Updated Financial Plan includes (a) a summary of recent events and changes to the Financial Plan made since the last quarterly update to the AIS dated November 9, 2010 (the "Mid-Year Update"), (b) revised Financial Plan projections for fiscal years 2010-11 through 2013-14, and initial projections through 2014-15, including the estimated impact of the Governor's proposed budget (c) preliminary operating results for the first eleven months of fiscal year 2010-11, (d) an updated economic forecast, and (e) pro forma Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2010-11 and 2011-12 and information on the category of Other Post-Employment Benefits (OPEB). The Updated Financial Plan is available on the DOB website, www.budget.state.ny.us.
2. A discussion of special considerations related to the State Financial Plan.
3. Updated information regarding the State Retirement Systems.
4. Updated information on certain localities of the State.
5. The status of significant litigation that has the potential to adversely affect the State's finances.

DOB is responsible for preparing the State's Financial Plan and presenting the information that appears in this AIS Update on behalf of the State. In preparing this AIS Update, DOB has utilized significant portions of the Updated Financial Plan, but has also relied on information furnished by other sources that it believes to be reliable. Information contained in the section entitled "State Retirement Systems" and certain statistical information concerning local governments contained in the section entitled "Authorities and Localities" is furnished by the Office of the State Comptroller ("OSC"). Information relating to matters described in the section entitled "Litigation and Arbitration" is furnished by the State Office of the Attorney General. DOB has not undertaken any independent verification of the information concerning the information contained in the sections entitled "State Retirement Systems", "litigation and arbitration" and certain local government information.

During the current 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 condition, including potential operating results for the current fiscal year and projected baseline gaps for future fiscal years that may vary materially from the information provided in the AIS. Investors

and other market participants should refer to the AIS, as updated, or supplemented from time to time, for the most current official information regarding the financial condition of the State.

The State may issue AIS supplements to this AIS Update 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-related debt issuance. The State has filed this AIS Update with the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. Effective July 1, 2009, pursuant to Rule 15c2-12, promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the MSRB is designated as the sole repository for the electronic filing of all primary and secondary market disclosure for municipal securities. 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) 474-7705.

USAGE NOTICE

This AIS Update has been supplied by the State pursuant to its contractual obligations under various continuing disclosure agreements (each, a “CDA”) entered into by the State in connection with financings of 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 on the DOB website (www.budget.state.ny.us) and is being provided on the DOB website solely as a matter of convenience to readers and does not create any implication that there have been no changes in the financial condition of the State at any time subsequent to its release date. Maintenance of this AIS Update on the DOB website, or on EMMA website, is not intended as a republication of the information therein on any date subsequent to its release date.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

OVERVIEW OF THE UPDATED FINANCIAL PLAN

INTRODUCTION

State law requires the Governor to submit an Executive Budget proposal that is balanced on a cash basis in the General Fund — the fund that receives the majority of State taxes and all income not earmarked for a particular program or activity. The General Fund is typically the financing source of last resort for the State's other major funds, including Health Care Reform Act ("HCRA") funds, the Dedicated Highway and Bridge Trust Fund, the School Tax Relief Fund, and the Lottery Fund. Therefore, the General Fund projections account for any estimated funding shortfalls in these funds. Since the General Fund is the fund that is required to be balanced, the focus of the State's budget discussion is often weighted toward the General Fund.

The Governor submitted his Executive Budget proposal for 2011-12 on February 1, 2011, and amendments on February 24 and March 1, 2011, as permitted by law. On March 3, 2011, the 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 (2010-11) and projections for 2011-12 through 2014-15. The projections for 2011-12 through 2014-15 reflect the estimated impact of the Governor's Executive Budget proposal.

The projections assume that the Legislature enacts the Governor's Executive Budget proposal in its entirety and without modification by the start of the 2011-12 fiscal year, which begins April 1, 2011. The Governor's proposal is awaiting action by the Legislature. There can be no assurance that the Legislature will adopt a budget for the 2011-12 fiscal year by April 1, 2011, or that it will adopt all or any portion of the Executive Budget as proposed. Accordingly, there can be no assurance that the fiscal impact of the budget for 2011-12, when adopted, will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.

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, projections and estimates were prepared. In light of the important factors that may materially affect the fiscal and economic conditions in the State, the inclusion in this AIS Update of such forecasts, projections and estimates should not be regarded as a representation that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. If and when included in this AIS Update, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements and 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 and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation 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 they were prepared.

The State accounts for all of its receipts and disbursements by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as State Operations). The Financial Plan tables sort all State projections and results by fund and category. The State also reports disbursements and receipts activity by two other broad measures: State Operating Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes Federal

Funds and Capital Projects Funds; and All Governmental Funds (“All Funds”), which includes both State and Federal Funds and provides the most comprehensive view of the financial operations of the State.

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

SUMMARY

DOB expects the General Fund to end the current fiscal year in balance on a cash basis, although risks remain. In 2011-12, the State faces a projected budget gap of \$10 billion. The budget gaps in future years are projected at \$14.9 billion in 2012-13, \$17.4 billion in 2013-14, and \$20.9 billion in 2014-15. The budget gaps represent the difference between the projected General Fund disbursements, including transfers to other funds, needed to maintain anticipated service levels and specific commitments, and the expected level of resources to pay for them.¹ The gaps are based on a number of assumptions and projections developed by the DOB in consultation with other State agencies. The assumptions reflect the impact of current statutory provisions on out-year spending growth. Statutory mandates and entitlements, combined with enrollment increases and assumed reductions in Federal grants, account for a significant portion of projected spending increases.

The estimated gaps, reflect in part the short-term impact of the recession on State tax receipts and economically-sensitive programs, the long-term impact of rapidly growing entitlement programs (especially, Medicaid and School Aid) and other spending commitments, and the phase-out² of the Federal government’s increased support for Medicaid, education, and other costs through the Federal stimulus funding.

The Governor's Executive Budget, if enacted as proposed, is expected to eliminate the General Fund budget gap of \$10 billion in 2011-12, and reduce the future projected budget gaps to \$2.2 billion in 2012-13, \$2.5 billion in 2013-14, and \$4.4 billion in 2014-15.

The Executive Budget proposes savings of approximately \$2.85 billion each for School Aid and Medicaid, \$1.4 billion for State agency operations, including a 10 percent year-to-year reduction in State Operations spending in the General Fund, and corresponding reductions in other funds, where appropriate, and \$1.8 billion for a range of other programs and activities. The Executive Budget does not recommend any tax increases.

The Governor has appointed advisory commissions charged with redesigning current operations and recommending specific savings from Medicaid, prison closures, and State agency operations. On February 24, 2010, the Medicaid Redesign Team submitted its proposals to achieve \$2.85 billion in savings in 2011-12, which is reflected in the Executive Budget. Recommendations by the other commissions are due in the coming months.

¹ Typically referred to as the “current services” or “base” gaps.

² Under the American Recovery and Reinvestment Act (ARRA), the Federal government increased the matching amount it paid on eligible State Medicaid expenditures from 50 percent to approximately 62 percent. This temporary increase in the Federal Medical Assistance Percentage (“FMAP”) ends on June 30, 2011. The ARRA also provided a temporary increase in Federal funding for other governmental services, including aid to public education.

To begin addressing the out-year gaps, the Executive Budget proposes limits on the annual growth rates for major programs, including Medicaid and School Aid. The target growth rate for Department of Health Medicaid State Funds spending would be the ten-year average change in the medical component of the Consumer Price Index. The target growth rate for School Aid would be limited to the multi-year average rate of growth in New York State personal income. The Executive Budget includes two-year appropriations and changes to permanent law for Medicaid and School Aid, which are intended to effectively limit the growth in these programs to the target rates.

Under the Executive Budget proposal reflected in the Updated Financial Plan, All Governmental Funds spending, the broadest measure of State spending, would decrease by \$3.6 billion (-2.6 percent) in 2011-12. State Operating Funds disbursements would increase by 2 percent.

The State's new fiscal year begins on April 1, 2011 and the Executive Budget, as amended, is awaiting action by the Legislature. The General Fund gap-closing measures included as part of the Executive Budget proposal assume the enactment of a budget by the start of the 2011-12 fiscal year. There can be no assurance that the Legislature will adopt a budget for the 2011-12 fiscal year by April 1, 2011, or that it will adopt all or any portion of the Executive Budget as proposed, or that the fiscal impact of the budget for 2011-12, when enacted, will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.

The following table summarizes certain fiscal information presented on a budgetary basis of accounting. The information in the columns entitled "Before Actions ("Base")" is based on DOB's current Financial Plan projections, before taking into account the estimated impact of the Governor's Executive Budget proposal. The information in the column entitled "Executive Budget Proposal" assumes that the Legislature will approve the Executive Budget proposal without modification by April 1, 2011.

EXECUTIVE BUDGET FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES (AS AMENDED) (millions of dollars)						
	2009-10 Results ¹	2010-11 (Current Year)		2011-12 (Budget Year)		
		Mid-Year Update ¹	Revised ¹	Before Actions ("Base")		Executive Proposal ¹
				Mid-Year ^{1,2}	Revised ^{1,2}	
State Operating Funds Budget						
Size of Budget	\$80,659	\$85,507	\$84,964	\$96,014	\$95,047	\$86,677
Annual Growth	-1.2%	6.0%	5.3%	13.0%	11.9%	2.0%
Other Budget Measures						
General Fund (with transfers)	\$52,202 -4.4%	\$55,746 6.8%	\$55,049 5.5%	\$66,161 20.2%	\$65,346 18.7%	\$56,766 3.1%
State Funds (Including Capital)	\$86,044 -1.0%	\$91,982 6.9%	\$91,196 6.0%	\$102,622 12.5%	\$95,047 4.2%	\$92,838 1.8%
Capital Budget (Federal and State)	\$7,112 4.1%	\$8,508 19.6%	\$8,274 16.3%	\$8,617 4.1%	\$8,273 0.0%	\$8,169 -1.3%
Federal Operating	\$39,107 18.1%	\$43,382 10.9%	\$42,876 9.6%	\$39,686 -7.4%	\$40,273 -6.1%	\$37,688 -12.1%
All Funds	\$126,878 4.4%	\$137,397 8.3%	\$136,114 7.3%	\$144,317 6.0%	\$143,593 5.5%	\$132,534 -2.6%
All Funds (Including "Off-Budget" Capital)	\$128,555 3.8%	\$139,178 8.3%	\$137,763 7.2%	\$145,919 5.9%	\$145,251 5.4%	\$134,192 -2.6%
All Funds Receipts						
Taxes	\$57,668 -4.4%	\$61,452 6.6%	\$60,793 5.4%	\$65,516 7.8%	\$64,538 6.2%	\$64,758 6.5%
Miscellaneous Receipts	\$23,556 17.4%	\$23,218 -1.4%	\$23,702 0.6%	\$22,870 -3.5%	\$22,809 -3.8%	\$23,617 -0.4%
Federal Grants	\$45,525 17.2%	\$50,565 11.1%	\$50,013 9.9%	\$46,280 -7.5%	\$46,753 -6.5%	\$44,302 -11.4%
Total Receipts	\$126,749 6.3%	\$135,235 6.7%	\$134,508 6.1%	\$134,666 0.1%	\$134,100 -0.3%	\$132,677 -1.4%
Base Tax Growth/(Decline)³	-12.3%	2.3%	2.1%	8.1%	7.5%	7.5%
Inflation (CPI)	0.3%	1.3%	1.4%	1.7%	1.9%	2.1%
Budget Gaps						
2011-12	N/A	N/A	N/A	(\$9,026)	(\$10,001)	0
2012-13	N/A	N/A	N/A	(\$14,644)	(\$14,945)	(\$2,198)
2013-14	N/A	N/A	N/A	(\$17,232)	(\$17,429)	(\$2,463)
2014-15	N/A	N/A	N/A	N/A	(\$20,903)	(\$4,368)
Total General Fund Reserves	<u>\$2,302</u>	<u>\$1,385</u>	<u>\$1,357</u>	<u>\$1,337</u>	N/A	<u>\$1,609</u>
Rainy Day Reserve Funds	\$1,206	\$1,206	\$1,206	\$1,206	N/A	\$1,206
Reserved for Deferred Payments ⁴	\$906	\$0	\$0	\$0	N/A	\$0
All Other Reserves	\$190	\$179	\$151	\$131	N/A	\$403
State Workforce (Subject to Direct Executive Control)⁵	131,741	126,493	126,634	127,032.0	127,032	126,367
State-Related Debt						
Debt Service as % All Funds Receipts	4.4%	4.4%	4.5%	4.9%	4.9%	5.0%
State-Related Debt Outstanding	\$54,694	\$56,630	\$56,438	\$57,855	\$57,855	\$58,017

¹ Spending in State Operating Funds, State Funds, and Federal Operating Funds has been restated to the classification of State and Federal special revenue accounts followed by the State Comptroller. See note on following page for more information on how this change impacts reporting.

² Before proposed spending reductions to eliminate the projected budget gap.

³ The base tax growth rate for the current year equals current year actual collections, less the incremental values of tax law changes and involuntary collections, divided by actual collections from the prior year.

⁴ The State deferred more payments than were needed to carry forward the 2009-10 budget shortfall. This created a temporary increase in the year-end balance in 2009-10. The balance was used when the deferred payments were made in the first quarter of 2010-11.

⁵ This table does not reflect layoffs that may be necessary in the absence of negotiated workforce savings.

SPENDING ADJUSTMENTS

With this AIS Update, DOB has altered its classification of State and Federal special revenue funds to conform to the accounting classifications used by the Office of State Comptroller. This means that certain special revenue accounts formerly reported in the State's Financial Plan as Federal Operating Funds have been reclassified to State Operating Funds. This change has the effect of increasing the reported disbursements from State Operating Funds, and reducing reported disbursements from Federal Operating Funds by an equal amount. Accordingly, there is no impact on the State's reported All Governmental Funds spending totals. The impact of the reclassification is summarized in the following table for comparability.

STATE OPERATING FUNDS AS RESTATED (millions of dollars)			
	Before Restatement	Reporting Adjustment*	Restated
2005-06	66,240	3,065	69,305
2006-07	73,476	3,031	76,507
2007-08	76,989	3,029	80,018
2008-09	78,166	3,459	81,625
2009-10	76,873	3,786	80,659
2010-11 Mid-Year	81,261	4,246	85,507
2010-11 Revised	80,807	4,157	84,964
2011-12 Mid-Year	92,315	3,699	96,014
2011-12 Revised	91,348	3,699	95,047
2011-12 Proposed	83,109	3,568	86,677

*DOB has reclassified certain special revenue accounts from Federal Operating Funds to State Operating Funds to be consistent with the methodology used by the Office of the State Comptroller.

Source: NYS DOB

CURRENT FISCAL YEAR UPDATE (2010-11) SUMMARY OF REVISIONS TO MID-YEAR UPDATE

In the Mid-Year Update dated November 9, 2010, DOB estimated that the General Fund had a potential budget gap of \$315 million in the current fiscal year. Based on a review of updated information for receipts and disbursements, DOB expects to end the current fiscal year in balance³ on a cash basis in the General Fund, although risks remain. Tax receipts have continued to fall substantially below anticipated levels, but a combination of unplanned miscellaneous receipts and lower than anticipated disbursements across a range of programs and activities are expected to be sufficient to end the fiscal year in balance. The table below summarizes the revisions to the 2010-11 Financial Plan since the Mid-Year Update.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) ESTIMATE FOR 2010-11 SUMMARY OF CHANGES FROM MID-YEAR UPDATE (millions of dollars)	
	<u>2010-11</u>
MID-YEAR ESTIMATE	<u>(315)</u>
Total Receipts Revisions	<u>(410)</u>
Tax Receipts	(721)
Fund Sweeps Shortfall	(181)
18-a Assessment	266
Workers Compensation Surplus Recapture	38
All Other	188
Total Disbursements Revisions	<u>697</u>
Local Assistance	502
State Operations	100
Debt Service	61
All Other	34
Use of Unreserved Fund Balance	37
Increase in Community Projects Fund Reserve	(9)
CURRENT ESTIMATE	<u><u>0</u></u>

General Fund receipts, including transfers from other funds, are expected to total \$54.1 billion in 2010-11, a decrease of \$410 million compared to the Mid-Year Update. Based on collections experience to date, DOB lowered the estimate for General Fund tax receipts by approximately \$721 million compared to the Mid-Year Update.

³ Neither the State Constitution nor State Finance Law provides a precise meaning of budget balance. In practice, the General Fund is considered "balanced" on a cash-basis of accounting if, at the end of a State fiscal year, all required payments, including personal income tax refunds, have been made without the issuance of deficit notes or bonds, and the balances in the Tax Stabilization Reserve and Rainy Day Reserve have been restored to levels at or above the levels on deposit when the fiscal year began.

The reduction in estimated annual tax receipts and transfers from other funds in 2010-11 is expected to be offset in part by higher than expected receipts from other sources. The most significant change reflects payment of public utility assessments that were not previously incorporated in the Financial Plan estimates, as they were not expected to be received in the 2010-11 fiscal year. This is expected to result in \$266 million in additional miscellaneous receipts in the current year. Other transactions are also expected to exceed budgeted levels in the final quarter of the fiscal year.

General Fund disbursements, including transfers to other funds, are estimated at \$55.0 billion, a decrease of \$697 million from the estimate in the Mid-Year Update. Estimated disbursements have been reduced across a range of programs and activities in local assistance, State agency operations, and debt service. The revisions reflect operating results to date, the continuing impact of cost control measures imposed on discretionary spending, and the conservative estimation of General Fund costs. In addition, the Updated Financial Plan reflects a technical adjustment that aligns School Aid disbursements with available appropriation authority (a reduction in General Fund spending of \$50 million).

The Updated Financial Plan assumes the General Fund will use approximately \$37 million of the \$73 million in unreserved fund balances to make all planned payments in the current year.

It is expected that the General Fund will end 2010-11 with a cash balance of \$1.36 billion. The balance consists of \$1.03 billion in the Tax Stabilization Reserve, \$175 million in the Rainy Day Reserve, \$94 million in the Community Projects Fund, \$21 million in the Contingency Reserve, and \$36 million in undesignated fund balance.

Risks to budget balance in the current fiscal year remain. They include the potential that actual tax receipts may fall below the revised estimates; year-end transactions, such as the transfer of excess balances from other funds or payments from non-State entities, may occur at lower levels than assumed in the Updated Financial Plan; and disbursements in certain programs, especially economically-sensitive programs such as Medicaid, may exceed budgeted amounts. In addition, the State expects to price and close a General Obligation bond sale by March 30, 2011. A portion of the sale proceeds will be used to reimburse the State's General Fund for capital expenditures through the end of the 2010-11 fiscal year. See "Other Matters Affecting the Updated Financial Plan - Financial Plan Risks" herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

PRELIMINARY YEAR-TO-DATE OPERATING RESULTS

The following discussion summarizes DOB's estimate of operating results through February 2011. The State Comptroller is expected to publish in mid-March 2011 the official monthly operating results through February 2011. DOB does not anticipate material changes between the results reported herein and the official monthly results that will be published in mid-March 2011.

GENERAL FUND

DOB estimates that the General Fund ended February 2011 with a closing balance of approximately \$6.4 billion, or \$734 million higher than the estimated closing balance in the Mid-Year Update. General Fund receipts, including transfers from other funds, were \$694 million below the Mid-Year Update forecast, reflecting lower tax collections and lower miscellaneous receipts to date. General Fund disbursements, including transfers to other funds, were \$1.4 billion below the Mid-Year Update forecast, due to lower than expected Medicaid spending, the timing of payments for a number of programs, earlier than expected payment of fringe benefit bills this year (paid to the General Fund from other funds), and slower than expected spending across various local programs. DOB took into account actual operating results through January 2011 and preliminary results through February 2011 in preparing the forecasts and projections in the Updated Financial Plan.

The following table compares preliminary, unaudited results through February 2011 to the estimates included in the Mid-Year Update and the AIS.

GENERAL FUND RESULTS VS. PROJECTIONS: APRIL 2010 to FEBRUARY 2011					
(millions of dollars)					
	Projections			Favorable/ (Unfavorable) vs.	
	2010-11 Enacted Budget	2011-12 Mid-Year	Preliminary Results *	2010-11 Enacted Budget	2011-12 Mid-Year
Opening Balance (April 1, 2010)	2,302	2,302	2,302	n/a	n/a
Receipts	48,265	47,687	46,993	(1,272)	(694)
Personal Income Tax**	29,688	29,449	28,769	(919)	(680)
User Taxes and Fees**	10,314	10,092	10,124	(190)	32
Business Taxes	3,988	3,736	3,673	(315)	(63)
Other Taxes**	1,232	1,275	1,485	253	210
Non-Tax Revenue**	3,043	3,135	2,942	(101)	(193)
Disbursements	43,716	44,305	42,877	839	1,428
Medicaid (including admin)	6,845	7,104	6,828	17	276
Higher Education	1,985	1,975	1,724	261	251
All Other Education	1,415	1,411	1,195	220	216
Children and Families	1,440	1,396	1,301	139	95
All Other Local	17,060	16,980	16,756	304	224
Personal Service	5,426	5,596	5,550	(124)	46
Non-Personal Service	1,625	1,777	1,597	28	180
General State Charges	2,522	2,783	2,788	(266)	(5)
Transfers To Other Funds	5,398	5,283	5,138	260	145
Change in Operations	4,549	3,382	4,116	(433)	734
Closing Balance (February 28, 2011) ***	6,851	5,794	6,418	(433)	734

* The Office of State Comptroller will publish actual results in mid-March, 2011, following release of this AIS Update.
** Includes transfers from other funds after debt service.
*** Mid-year closing balance includes \$110 million of proposed spending reductions.

General Fund tax receipts, including transfers after debt service, were \$694 million below the Mid-Year estimate, primarily attributable to lower-than-expected personal income tax receipts during this time period. Disbursements, including transfers to other funds, were \$1.4 billion below the Mid-Year forecast, largely due to Medicaid, higher education, and other education aid. Disbursements in these areas were lower than expected due to variations in claiming and the timing of local aid payments.

GENERAL FUND ANNUAL CHANGE

GENERAL FUND PRELIMINARY RESULTS: APRIL 2010 THROUGH FEBRUARY 2011 (millions of dollars)			
	2009-10 Actual	2010-11 Preliminary (unaudited)	Increase/ (Decrease) from Prior Year
Opening Balance (April 1)	1,948	2,302	354
Receipts	45,241	46,993	1,752
Personal Income Tax*	27,480	28,769	1,289
User Taxes and Fees*	9,334	10,124	790
Business Taxes	3,744	3,673	(71)
Other Taxes*	975	1,485	510
Non-Tax Revenue	3,708	2,942	(766)
Disbursements	42,651	42,877	226
School Aid	10,926	10,155	(771)
School Aid End of Year Payment Delay	-	2,060	2,060
Medicaid (including admin)	6,612	6,828	216
Higher Education	2,103	1,724	(379)
Temporary and Disability Assistance	1,248	1,052	(196)
All Other Education	1,361	1,195	(166)
All Other Local	5,228	4,790	(438)
Personal Service	5,962	5,550	(412)
Non-Personal Service	1,739	1,597	(142)
General State Charges	2,567	2,788	221
Transfers To Other Funds	4,905	5,138	233
Change in Operations	2,590	4,116	1,526
Closing Balance (February 28)	4,538	6,418	1,880

* Includes transfers from other funds after debt service.

Receipts through February 2011 were \$1.8 billion, or 3.9 percent higher than the same period in the prior fiscal year. Total tax receipts are \$2.5 billion higher mainly due to the growth in personal income tax collections, user taxes and fees, estate taxes, and the real estate transfer tax, resulting from both law changes and the economic recovery. Business tax collections fell, due mainly to the timing of refunds. The decline in non-tax revenue is mainly due to receipts that were not received or received in lower amounts in 2010-11, including 18-a assessment (\$382 million), the Energy Research and Development Authority (\$90 million), Tribal Nations (\$78 million), Insurance (\$65 million), SUNY non-tuition revenues (\$55 million), and lower fine collections.

Disbursements through February 2011 were \$226 million, or 0.5 percent, higher than the same period in the prior fiscal year. Spending growth is affected by the delay of the end of year school aid payment (\$2.06 billion) from March 2010 to the statutory deadline of June 1, 2010. Excluding the school aid delay, spending through February 2011 totaled \$40.8 billion, or \$1.8 billion below the 2009-10 level.

The most significant annual spending changes include: lower general school aid spending to date that results mainly from savings enacted in the 2010-11 Budget (\$771 million); roughly \$550 million in lower state operations spending, reflecting in part, the one-time payment of retroactive salary settlements for employees represented by NYSCOPBA, PBA and BCI in 2009-10 and the impact of strict spending controls; the elimination of approximately \$300 million in annual AIM funding for New York City that would have been paid by December; delay of a \$300 million CUNY Senior College payment from 2008-09 to June of 2009-10, which increased 2009-10 spending relative to the current year; higher State payments for employee and retiree health insurance (\$221 million); and the availability of Federal funding for public assistance benefit costs which reduced General Fund spending (\$196 million).

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

2011-12 FISCAL YEAR

UPDATED BUDGET GAPS (BEFORE EXECUTIVE BUDGET PROPOSAL)

The budget gap for 2011-12 that must be closed is projected at \$10 billion, an increase of \$975 million from the Mid-Year Update. The projected gaps in future years have also increased since the Mid-Year Update. DOB has revised the multi-year forecast of receipts and disbursements since the Mid-Year Update based on a review of operating results to date, updated forecasts for the State and national economies, and other information. The following table summarizes the revisions to the base budget gaps, that is, before reflecting the estimated impact of the Executive Budget proposal.

SUMMARY OF CHANGES TO GENERAL FUND CURRENT SERVICES FORECAST				
SAVINGS/(COSTS)				
(millions of dollars)				
	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15⁴</u>
Mid-Year Budget Surplus/(Gap) Estimates	(9,026)	(14,644)	(17,232)	
Current-Services Revisions¹	(975)	(301)	(197)	
Receipts Forecast Revisions	<u>(1,326)</u>	<u>(620)</u>	<u>(841)</u>	
Tax Forecast Receipts	(936)	(617)	(531)	
Miscellaneous Receipts	(66)	(75)	(125)	
18-a Assessment	0	0	(265)	
All Other	(324)	72	80	
Disbursements Forecast Revisions ²	<u>351</u>	<u>319</u>	<u>644</u>	
School Aid Database Update	215	298	433	
Judiciary	90	(50)	(72)	
Transfers/All Other	46	71	283	
Current Services Surplus/(Gap) Estimates³	<u>(10,001)</u>	<u>(14,945)</u>	<u>(17,429)</u>	<u>(20,903)</u>
¹ Excludes the reclassification of certain mental hygiene activities between receipts and disbursements, which has no impact on Financial Plan operating results.				
² Excluding the impact of showing the potential cost of retroactive labor settlements as a reserve, rather than as spending. This change has the effect of reducing disbursements, and increasing the projected closing balance in the General Fund. See Financial Plan Table on page 66 of this AIS Update.				
³ Does not include the potential \$155 million in additional receipts for 2010-11 and 2011-12 as identified in the March 1, 2011 consensus forecast report.				
⁴ Added for the first time in the Executive Budget released on February 1, 2011.				

The forecast for General Fund tax receipts in each fiscal year of the Updated Financial Plan has been lowered, consistent with the reductions made to the 2010-11 forecast (see above). The forecast for tax receipts reflects updated forecasts for the State and national economies, as well as current-year results to date. Reductions to projected receipts across the plan period account for most of the increase in the gaps compared to the Mid-Year forecast.

DOB has also made a number of other revisions to the multi-year forecast that, in total, have a relatively modest impact on the base gap projections. The more significant changes include the results of the November 2010 database update for School Aid, which reduced projected spending in each fiscal year of the plan (by \$215 million in 2011-12, from \$19.9 billion to \$19.7 billion; by \$298 million in 2012-13, from \$22.4 billion to \$22.1 billion; by \$433 million in 2013-14, from \$24.8 billion to \$24.4 billion; and by \$444 million in 2014-15, from \$26.6 billion to \$26.2 billion); a downward adjustment to the level of

resources expected to be transferred from other funds to the General Fund in 2011-12, based on an updated analysis of existing fund balances and administrative constraints (\$336 million); and reestimates to the spending projections for a number of agencies, based on updated information.

ESTIMATED IMPACT OF EXECUTIVE BUDGET PROPOSAL ON BUDGET GAPS

DOB estimates that the Governor's Executive Budget proposal would eliminate the General Fund budget gap of \$10 billion in 2011-12 and reduce the budget gaps to \$2.2 billion in 2012-13, \$2.5 billion in 2013-14, and \$4.4 billion in 2014-15. This assumes the Legislature enacts the Governor's proposal in its entirety and without modification by the start of the 2011-12 fiscal year on April 1, 2011. The following table summarizes the projected multi-year fiscal impact of the Governor's proposal.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF CHANGES FROM REVISED CURRENT-SERVICES THROUGH EXECUTIVE BUDGET RECOMMENDATION AMENDED (millions of dollars)				
	2011-12	2012-13	2013-14	2014-15
REVISED CURRENT-SERVICES ESTIMATE (BEFORE ACTIONS)	(10,001)	(14,945)	(17,429)	(20,903)
Executive Budget Proposals	10,001	12,747	14,966	16,535
Spending Control	8,856	12,394	14,662	16,246
Aid to Localities Reductions ¹	7,482	10,927	13,179	14,768
State Agency Redesign	1,374	1,467	1,483	1,478
Revenue Enhancements	340	351	304	289
Non-Recurring Resources	805	2	0	0
BUDGET SURPLUS/(GAPS) AFTER ACTIONS	0	(2,198)	(2,463)	(4,368)

¹ Outyear savings assume Medicaid and School Aid grow at their proposed target rates.

To help accomplish the goal of fundamentally reducing the level of State long-term spending, the Governor appointed advisory commissions charged with redesigning current operations and recommending specific savings in the areas of Medicaid, prison closures, and State agency operations.

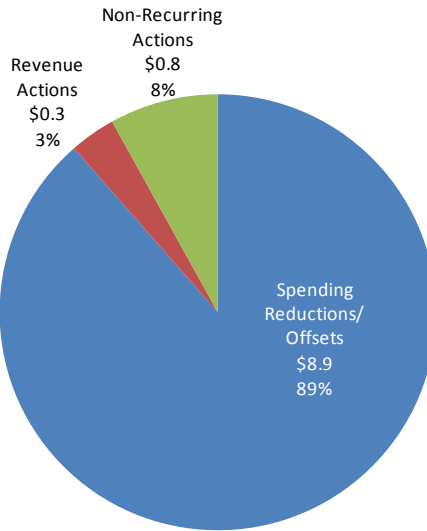
- The Medicaid Redesign Team has identified cost-containment measures and reestimates that are expected to provide approximately \$2.85 billion in gap-closing savings in 2011-12, and restrain growth in Department of Health Medicaid State funds spending for future years to the ten-year average change of the medical component of the Consumer Price Index (currently estimated at approximately 4 percent annually). The Executive Budget includes specific proposals to achieve the savings identified by the Medicaid Redesign Team.
- The Prison Closure Advisory Task Force will be charged with undertaking an extensive review of the State prison system and recommending correctional facilities for closure during 2011-12. The Task Force will base its determinations using specified selection criteria with the intent of eliminating excess capacity to achieve a more efficiently operating prison system.
- The Spending and Government Efficiency Commission ("SAGE") is charged with making recommendations to reduce the number of State agencies, authorities, and commissions by 20 percent over the next four years. The Updated Financial Plan does not currently include specific savings from the SAGE Commission, but the Commission is expected to aid in achieving the

aggressive savings targets for State agencies. Further, the projections for State Operations include significant reductions beginning in 2011-12.

COMPOSITION OF THE PROPOSED 2011-12 GAP-CLOSING PLAN

The chart below summarizes the shares of the proposed \$10 billion gap-closing plan by broad category.

**Shares of 2011-12 Gap-Closing Plan
(billions of dollars)**



The gap-closing plan includes proposals to lower spending by approximately \$8.9 billion in 2011-12 compared to the current-services forecast. The Executive Budget proposes savings of \$2.85 billion each for School Aid and Medicaid, \$1.4 billion for State agency operations, and \$1.8 billion for a range of other programs and activities. In total, actions to reduce spending from base projections comprise nearly 90 percent of the overall gap-closing plan.

The gap-closing plan also anticipates \$340 million in additional revenues in 2011-12. The additional revenues are expected to be derived from modernizing the State’s tax system, improving voluntary compliance with tax law, and increasing the level of resources available from the Abandoned Property Fund.

Proposed non-recurring actions total \$805 million in 2011-12, comprising approximately 8 percent of the gap-closing plan. The actions are expected to be derived from contributions by the State’s public authorities, use of fund balances, and maintaining a consistent level of pay-as-you-go financing for eligible capital expenses.

ESTIMATED IMPACT ON SPENDING

DOB estimates that State Operating Funds spending would total \$86.7 billion in 2011-12, an increase of \$1.7 billion (2.0 percent) from the estimate for the current fiscal year. All Governmental Funds spending, which includes capital projects and Federal operating spending, would total \$132.5 billion, a decrease of \$3.6 billion from the current year.

TOTAL DISBURSEMENTS (millions of dollars)							
	2010-11 Revised	2011-12 Base	Before Actions		2011-12 Proposed	After Actions	
			Annual \$ Change	Annual % Change		Annual \$ Change	Annual % Change
State Operating Funds	84,964	95,047	10,083	11.9%	86,677	1,713	2.0%
General Fund (excluding transfers)	49,403	58,591	9,188	18.6%	50,502	1,099	2.2%
Other State Funds	29,997	30,364	367	1.2%	30,092	95	0.3%
Debt Service Funds	5,564	6,092	528	9.5%	6,083	519	9.3%
All Governmental Funds	136,114	143,593	7,479	5.5%	132,534	(3,580)	-2.6%
State Operating Funds	84,964	95,047	10,083	11.9%	86,677	1,713	2.0%
Capital Projects Funds	8,274	8,273	(1)	0.0%	8,169	(105)	-1.3%
Federal Operating Funds	42,876	40,273	(2,603)	-6.1%	37,688	(5,188)	-12.1%
General Fund, including Transfers	55,049	65,346	10,297	18.7%	56,766	1,717	3.1%
State Funds	91,196	101,311	10,115	11.1%	92,838	1,642	1.8%

Adjusted for several factors, State Operating Funds spending would increase by approximately \$900 million in 2011-12, or 1.0 percent. By comparison, inflation is projected at 2.1 percent. The annual growth in State Operating Funds spending is affected by several factors: (a) the deferral of a School Aid payment from 2009-10 to 2010-11; (b) the planned amortization of the State's pension costs above a certain percentage of payroll, as authorized in 2010; (c) the set-aside of a reserve to pay for potential retroactive labor settlements through 2010-11, rather than assuming spending for these settlements in 2011-12; and (d) accounting for the phase-out of the Federal government's payment of an increased share of State Medicaid costs. The State Operating Funds spending total in the table below is adjusted to exclude the impact of these factors.

STATE OPERATING FUNDS TOTAL DISBURSEMENTS (ADJUSTED) (millions of dollars)							
	2010-11 Revised	2011-12 Base	Before Actions		2011-12 Proposed	After Actions	
			Annual \$ Change	Annual % Change		Annual \$ Change	Annual % Change
State Operating Funds	84,964	95,047	10,083	11.9%	86,677	1,713	2.0%
Adjustments ¹	2,137	1,334	(803)	-37.6%	1,334	(803)	-37.6%
2010 School Aid Deferral	(2,060)	0	2,060	-100.0%	0	2,060	-100.0%
Pension Amortization (Authorized 2010)	249	635	386	155.0%	635	386	155.0%
Retroactive Labor Settlements	0	346	346	n/ap	346	346	N/A
Enhanced FMAP (DOH Medicaid)	3,948	353	(3,595)	-91.1%	353	(3,595)	-91.1%
STATE OPERATING FUNDS (ADJUSTED)	87,101	96,381	9,280	10.7%	88,011	910	1.0%

¹ See text above.

The annual spending growth in State Operating Funds is affected by the rapid annual increase in debt service and fringe benefits, which are difficult to control in the short-term due to existing constitutional,

statutory and contractual obligations. Together, these costs are projected to increase by nearly \$1.0 billion in 2011-12. Debt service on State-supported debt is projected to increase by \$519 million (9.3 percent) in 2011-12. Spending on fringe benefits and fixed costs is projected to increase by \$473 million (7.8 percent). Growth in fringe benefits is due to increases in the State's annual contribution to the New York State and Local Retirement System and the cost of providing health insurance for active and retired State employees. Pension costs, including State contributions to SUNY's optional retirement program, are expected to increase by \$204 million (13.9 percent) in 2011-12, even with the amortization (i.e., deferral with interest expense) of contributions in excess of 10.5 percent of payroll, as authorized in the 2010-11 Enacted Budget. Without amortization, the State contribution to the State pension system in 2011-12 would total approximately \$2.1 billion, or \$635 million above the amount in the Updated Financial Plan.⁴ See "State Retirement Systems" and pages 26 and 27 of this AIS Update for a discussion of the pension amortization. The following table summarizes the major sources of annual change in State spending by major program, purpose, and Fund perspective.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

⁴ The Financial Plan assumes that the State will amortize pension costs, consistent with the provisions of the authorizing legislation. The State amortized \$249 million of its fiscal year 2010-11 pension bill of \$1.5 billion and paid the balance on or before March 1, 2011. The amounts assumed to be amortized over the Financial Plan period are \$635 million in 2011-12, \$789 million in 2012-13, \$1.0 billion in 2013-14, and \$1.1 billion in 2014-15.

STATE SPENDING PROJECTIONS: BEFORE AND AFTER PROPOSED BUDGET ACTIONS (millions of dollars)							
STATE OPERATING FUNDS	2010-11 Revised	2011-12 Base	Annual Change Before Actions		2011-12 Proposed	Annual Change After Actions	
			\$	%		\$	%
Local Assistance	55,732	64,509	8,777	15.7%	57,295	1,563	2.8%
School Aid ¹	19,798	22,453	2,655	13.4%	19,502	(296)	-1.5%
Medicaid ²	<u>14,152</u>	<u>19,992</u>	<u>5,840</u>	<u>41.3%</u>	<u>17,329</u>	<u>3,177</u>	<u>22.4%</u>
Department of Health	15,900	17,943	2,043	12.8%	15,461	(439)	-2.8%
Enhanced FMAP (DOH Only)	(3,948)	(353)	3,595	-91.1%	(353)	3,595	-91.1%
Mental Hygiene	2,131	2,290	159	7.5%	2,110	(21)	-1.0%
Children and Family Services	69	112	43	62.3%	111	42	60.9%
Transportation	4,271	4,298	27	0.6%	4,246	(25)	-0.6%
STAR	3,270	3,418	148	4.5%	3,293	23	0.7%
Social Services (Non-Medicaid)	2,755	3,302	547	19.9%	2,929	174	6.3%
Higher Education	2,640	2,711	71	2.7%	2,571	(69)	-2.6%
Public Health/Aging	2,256	2,412	156	6.9%	2,307	51	2.3%
Other Education Aid	1,821	1,833	12	0.7%	1,657	(164)	-9.0%
Mental Hygiene (Non-Medicaid)	1,486	1,661	175	11.8%	1,512	26	1.7%
Local Government Assistance	776	1,070	294	37.9%	736	(40)	-5.2%
All Other ³	2,507	1,359	(1,148)	-45.8%	1,213	(1,294)	-51.6%
State Operations	17,689	17,908	219	1.2%	16,830	(859)	-4.9%
Personal Service:	<u>12,462</u>	<u>12,485</u>	<u>23</u>	<u>0.2%</u>	<u>11,717</u>	<u>(745)</u>	<u>-6.0%</u>
Executive Agencies	7,344	7,168	(176)	-2.4%	6,603	(741)	-10.1%
SUNY	3,183	3,343	160	5.0%	3,165	(18)	-0.6%
Judiciary	1,540	1,568	28	1.8%	1,568	28	1.8%
Legislature	167	165	(2)	-1.2%	165	(2)	-1.2%
Department of Law	112	117	5	4.5%	109	(3)	-2.7%
Audit & Control	116	124	8	6.9%	107	(9)	-7.8%
Non-Personal Service	5,227	5,423	196	3.7%	5,113	(114)	-2.2%
Fringe Benefits/Fixed Costs	6,056	6,598	542	8.9%	6,529	473	7.8%
Pensions	1,468	1,664	196	13.4%	1,672	204	13.9%
Health Insurance	3,053	3,389	336	11.0%	3,409	356	11.7%
All Other Fringe Benefits	1,198	1,217	19	1.6%	1,120	(78)	-6.5%
Fixed Costs	337	328	(9)	-2.7%	328	(9)	-2.7%
Debt Service	5,485	6,030	545	9.9%	6,021	536	9.8%
Capital Projects	2	2	0	0.0%	2	0	0.0%
TOTAL STATE OPERATING FUNDS	84,964	95,047	10,083	11.9%	86,677	1,713	2.0%
Capital Projects (State Funded)	6,232	6,264	32	0.5%	6,161	(71)	-1.1%
TOTAL STATE FUNDS	91,196	101,311	10,115	11.1%	92,838	1,642	1.8%
Federal Aid (Including Capital Grants)	44,918	42,282	(2,636)	-5.9%	39,696	(5,222)	-11.6%
TOTAL ALL GOVERNMENTAL FUNDS	136,114	143,593	7,479	5.5%	132,534	(3,580)	-2.6%

¹ Excludes payment deferral. Includes Medicaid spending for School Supportive Health Services in 2010-11.

² An additional \$3.6 billion in Medicaid spending for mental hygiene agencies is included in state operations and fringe benefits spending totals.

³ All other includes ARRA, school aid deferral, local aid spending in a number of other programs, including parks and the environment, economic development, and public safety, and reclassification of money between Financial Plan categories.

EXPLANATION OF EXECUTIVE BUDGET GAP-CLOSING PLAN

The table below summarizes the Executive Budget gap-closing plan.

GENERAL FUND GAP-CLOSING PLAN FOR 2011-12				
(millions of dollars)				
	2011-12	2012-13	2013-14	2014-15
CURRENT-SERVICES GAP ESTIMATES (BEFORE ACTIONS)	(10,001)	(14,945)	(17,429)	(20,903)
Total Executive Budget Gap-Closing Proposals	10,001	12,747	14,966	16,535
Spending Reductions/Offsets	8,856	12,394	14,662	16,246
Local Assistance	7,482	10,927	13,179	14,768
Medicaid	2,850	4,357	5,152	5,888
Public Health/Aging	81	226	233	240
School Aid	2,851	4,651	6,091	6,947
Lottery Aid	155	200	200	200
School Tax Relief	125	262	262	262
Education/Special Education	181	61	66	72
Higher Education	69	87	89	89
Human Services/Labor/Housing	385	396	409	428
Local Government Aid	334	304	304	304
Mental Hygiene	307	327	317	280
Member Item Fund Deposit Repeal	85	0	0	0
All Other	59	56	56	58
State Agency Redesign	1,374	1,467	1,483	1,478
Revenue Enhancements	340	351	304	289
Tax Modernization/Voluntary Compliance	200	200	200	200
Abandoned Property	100	115	60	45
All Other	40	36	44	44
Non-Recurring Resources	805	2	0	0
MTA Transaction	200	0	0	0
NYPA/Other Authorities	150	0	0	0
Debt Management/Capital Financing	200	0	0	0
School Aid Claims Limited to Nov 2010 Database	100	0	0	0
Recoveries	75	0	0	0
All Other	80	2	0	0
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATE	0	(2,198)	(2,463)	(4,368)

The 2011-12 gap-closing actions are organized into three general categories: (a) actions that reduce current-services spending in the General Fund on a recurring basis (Spending Reductions/Offsets); (b) actions that increase revenues on a recurring basis (Revenue Actions); and (c) transactions that increase revenues or lower spending in 2011-12, but that cannot be relied on in the future (Non-Recurring Resources).

The sections below provide details on the actions that are recommended for 2011-12 under each category. For additional information on the Executive Budget recommendations for major programs and activities, see “Multi-Year Financial Plan Projections” herein.

REDUCTIONS/OFFSETS

LOCAL ASSISTANCE

Local assistance spending includes financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. State Operating Funds spending for local assistance is estimated at \$57.3 billion in 2011-12, an increase of \$1.6 billion (2.8 percent) from the current year. Reductions from the 2011-12 current-services forecast for local assistance contribute \$7.5 billion to the General Fund gap-closing plan.

The most significant gap-closing actions in local assistance include the following:

- **Medicaid (\$2.85 billion in savings and reestimates):** The Medicaid Redesign Team (MRT) has identified a series of programmatic changes and cost-containment measures that are expected to generate gap-closing savings in 2011-12, and are expected to restrain growth in future years. Specifically, the MRT recommended a series of programmatic reforms to Medicaid payments and program structures (\$1.1 billion); the elimination of annual statutory inflation factors for hospitals, nursing homes and home and personal care providers (\$186 million); further spending reduction achieved, either by a 2 percent across the board rate reduction or other industry-specific measures (\$345 million); the acceleration of certain payments to take advantage of additional enhanced Federal Medical Assistance Percentage payments (\$66 million); and an industry-led effort to generate additional savings (\$640 million). In addition, the plan recognizes the impact of slower caseload growth and changes in provider spending patterns (\$475 million). See “Special Considerations” for a discussion of potential implementation risks. The following table summarizes the most significant MRT savings proposals included in the Updated Financial Plan.

SUMMARY OF MEDICAID REDESIGN TEAM SAVINGS ACTIONS				
SAVINGS/(COSTS)				
(millions of dollars)				
	2011-12	2012-13	2013-14	2014-15
Total	2,850	4,357	5,152	5,888
Hospitals/Clinics	402	520	555	557
Establish Medical Malpractice Reforms	209	209	209	209
2 Percent Reduction	85	88	88	88
Permanently Eliminate Inflationary Rate Increases	28	61	93	126
Implement Health Homes for High-Cost/High-Need Population	33	112	119	95
All Other	47	50	46	39
Managed Care	296	329	339	341
Reduce Profit Margin from 3% to 1%	94	100	100	100
2 Percent Reduction	86	89	89	89
Reduce Premium Rates	84	86	86	86
Eliminate Marketing Funding	23	23	23	23
All Other	9	31	41	43
Home Care	250	204	224	258
Reduce Utilization	157	127	88	69
2 Percent Reduction	58	60	60	60
Permanently Eliminate Inflationary Rate Increases	27	58	89	120
Establish Supportive Housing Initiative	0	(75)	(75)	(75)
All Other	8	34	62	84
Nursing Home	181	258	310	365
2 Percent Reduction	70	73	73	73
Permanently Eliminate Inflationary Rate Increases	48	102	157	211
Restructure Reimbursement for Proprietary Homes	44	44	44	44
All Other	19	39	36	37
All Other	1,721	3,046	3,724	4,367
Contingency Industry Utilization Reduction	328	1,058	1,572	2,140
Program Growth Revision	475	650	850	850
Pharmaceutical Savings	182	276	276	276
HCRA Actions	370	570	570	570
Enhance Program Integrity	80	160	160	160
All Other	286	332	296	371

- **Public Health/Aging (\$81 million):** Reducing the EPIC program to only provide coverage for enrollees during the Medicare Part D coverage gap; modifying the payment rates, eligibility standards, and operation of the Early Intervention (“EI”) program; eliminating reimbursement for optional services provided through the General Public Health Work program (“GPHW”); and, eliminating various Department of Health and New York State Office for the Aging programs and reinvesting 50 percent of the savings in a new Local Competitive Performance Grant Program.
- **School Aid (\$2.85 billion on a State fiscal year basis):** Applying a Gap Elimination Adjustment to School Aid that would reduce aid progressively, with low-wealth districts receiving proportionally smaller reductions, and extending the phase-in of the Foundation Aid and Universal Prekindergarten (“UPK”) programs from seven to ten years. Additional savings are expected to be realized in future years by limiting annual School Aid increases to growth in personal income and through reforms to building aid, transportation aid and the Board of Cooperative Education Services (“BOCES”) aid.

- **Lottery Aid (\$155 million):** Enhancing the operation of the State’s lottery games and Video Lottery Terminal (“VLT”) facilities (including increased promotion of VLTs and enhancements to Quick Draw and other lottery games) to increase lottery revenues for financing School Aid.
- **STAR (\$125 million):** Capping growth in School Tax Relief (“STAR”) exemption benefits per property taxpayer at 2 percent annually.
- **Education/Special Education (\$181 million):** Realigning reimbursement for certain special education programs, and reducing funding for various other education programs.
- **Human Services/Labor/Housing (\$385 million):**
 - In the area of public assistance, maximizing Federal Temporary Assistance for Needy Families (“TANF”) funds to pay the full benefit costs for TANF-eligible households on public assistance; delaying by one year the final 10 percent increase to the public assistance grant that is scheduled to start on July 1, 2011; eliminating State participation for New York City's shelter supplement program; withholding the public assistance grant for those households not in compliance with Federal work requirements; and reducing reimbursement to New York City for adult homeless shelter costs.
 - In the area of Children and Family Services, reducing Child Welfare disbursements based on improved program performance data; decreasing the State share of the Adoption Subsidy Program from 73.5 to 62 percent; requiring local districts to utilize certain Federal Title XX funds for Child Welfare Services; establishing a competitive grant program to replace a number of separately appropriated programs; increasing the share of Committee on Special Education program costs paid by school districts to better align costs with funding responsibility; restructuring funding for local detention costs and replacing it with increased funding for alternatives to detention and a new competitive grant program; and eliminating the 1.2 percent Human Services Cost of Living Adjustment (“COLA”) scheduled for 2011-12.
- **Local Government Aid (\$334 million):** Continuing the State’s current Aid and Incentives for Municipalities (“AIM”) policy that excludes payments for New York City and reduces AIM for other municipalities, and eliminates additional aid provided to municipalities, other than Yonkers, that host a VLT facility. In the outyears, the savings would be offset in part by new funding for the Local Government Performance and Efficiency Program to reward municipal efficiencies.
- **Mental Hygiene (\$307 million):** Eliminating the planned 1.2 percent Human Services COLA; reforming and restructuring the Office of Mental Health (“OMH”), the Office for People with Developmental Disabilities (“OPWDD”) and the Office of Alcoholism and Substance Abuse Services (“OASAS”) programs; enhancing billing and auditing recovery; freezing community bed development and planned program expansion; and, maintaining existing funding levels related to the implementation of the Rockefeller drug law reforms and other programs.
- **Higher Education (\$69 million):** Reducing State support for the State University of New York (“SUNY”) and the City University of New York (“CUNY”) community colleges and reducing the Tuition Assistance Program (“TAP”) program spending by changing eligibility standards and reducing certain grant awards. Savings would be offset in part by renewal of funding for certain scholarship programs.

- **Member Item Deposit (\$85 million):** Repealing the planned deposit of \$85 million and eliminating the fund, which finances legislative and gubernatorial initiatives.

STATE AGENCY REDESIGN

Agency redesign savings are expected to be achieved through several means including, but not limited to, facility closures reflecting excess capacity conditions, operational efficiencies, and wage and benefit changes negotiated with the State's employee unions. In total, the proposed reductions are expected to provide an estimated \$1.4 billion in savings compared to the current-services forecast. If the State is unsuccessful in negotiating changes, DOB expects that significant layoffs would be necessary to achieve the State agency savings expected in the Updated Financial Plan. Implementation of the savings in State agencies may be affected by, among other things, statutory or regulatory constraints, negotiations with State employee unions, and other factors. Accordingly, there can be no assurance that the actual savings will not differ materially and adversely from the Updated Financial Plan projections.

To achieve the overall savings target, the Executive Budget proposes a 10 percent year-to-year reduction to State agencies financed from the General Fund, and comparable reductions to the following: health care and mental hygiene institutions, City University Senior Colleges (for parity with SUNY), and the operations of the Department of Transportation and Department of Motor Vehicles. The 10 percent reduction was calculated as part of the February 1, 2011 Financial Plan. Accordingly, subsequent revisions to estimated disbursements in 2010-11 have modestly altered the reductions in some agencies. The Judiciary and Legislature, and activities financed with specific dedicated revenues such as tuition, are not included in the reductions.

State agency operations are financed from a number of different appropriations and funds. The following table summarizes the annual reductions in State Operations by major agency. In some instances, only a portion of an agency's operations were exempt from reduction (e.g., SUNY).

REVENUE ENHANCEMENTS

The Executive Budget proposes \$340 million in revenue enhancements. The following table summarizes the specific proposals.

COMBINED GENERAL FUND GAP-CLOSING PLAN FOR 2011-12 - REVENUE ENHANCEMENTS				
(millions of dollars)				
	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Revenue Enhancements	340	351	304	289
Tax Modernization/Voluntary Compliance	200	200	200	200
Abandoned Property	100	115	60	45
All Other	40	36	44	44

NON-RECURRING RESOURCES

The Executive Budget relies on \$805 million in non-recurring resources in 2011-12. Non-recurring resources include using available funds in the Metropolitan Mass Transportation Operating Assistance Account (“MMTOA”); maintaining a consistent annual level of discretionary pay-as-you-go capital spending, rather than increasing it as previously planned; negotiating funding agreements with the State’s public authorities, including \$100 million from the New York Power Authority; limiting the State’s liability for School Aid claims; and a number of routine transactions. The table below lists the non-recurring resources.

COMBINED GENERAL FUND GAP-CLOSING PLAN FOR 2011-12 NON-RECURRING RESOURCES SAVINGS/(COSTS) (millions of dollars)	
	<u>2011-12</u>
Non-Recurring Resources	805
MTA Transaction	200
NYPA/Other Authorities	150
Debt Management/Capital Financing	200
School Aid Claims Limited to Nov 2010 Database	100
Recoveries	75
All Other	80

DOB estimates that the value of non-recurring resources in the Executive Budget proposal is less than the annual growth in savings achieved by the recurring gap-closing actions, which are estimated to increase in value by approximately \$3.5 billion from 2010-11 to 2011-12. As a result, non-recurring resources have no adverse impact on the gap for 2012-13 because they are more than offset by the growth in recurring savings.

PROJECTED CLOSING BALANCES

If the Executive Budget is enacted as proposed, DOB estimates the State would end 2011-12 with a General Fund balance of \$1.6 billion. Balances in the principal reserve funds would remain unchanged.

GENERAL FUND ESTIMATED CLOSING BALANCE (millions of dollars)				
	<u>2010-11</u>	<u>Planned Deposit</u>	<u>Planned Uses</u>	<u>2011-12</u>
Projected Year-End Fund Balance	1,357	346	(94)	1,609
Tax Stabilization Reserve Fund	1,031	0	0	1,031
Rainy Day Reserve Fund	175	0	0	175
Contingency Reserve Fund	21	0	0	21
Community Projects Fund	94	0	(94)	0
Prior Year Labor Agreements (2007-2011)	0	346	0	346
Reserved for Debt Reduction	36	0	0	36

The closing balance includes \$346 million identified to cover the costs of potential retroactive labor settlements with unions that have not agreed to contracts through 2010-11. The amount is calculated based on the pattern settlement for the 2006-07 through 2010-11 period agreed to by the State's largest unions. In prior years, this amount has been carried in the annual spending totals. Therefore, this change in presentation has no impact on net operating results. If settlements are reached in 2011-12, the fund balance in the General Fund will decline.

The Community Projects Fund, which finances discretionary ("member item") grants allocated by the Legislature and Governor, is expected to decrease by \$94 million, reflecting the proposed repeal of a scheduled \$85 million deposit, elimination of the fund, and the final spend-down of the balance.

OTHER MATTERS AFFECTING THE FINANCIAL PLAN

CURRENT CASH-FLOW PROJECTIONS

The General Fund is authorized to borrow resources temporarily from other available funds in the State's Short-Term Investment Pool ("STIP") for up to four months, or to the end of the fiscal year, whichever period is shorter. The amount of resources that can be borrowed by the General Fund is limited to the available balances in STIP, as determined by the State Comptroller. Available balances include money in the State's governmental funds (labeled "All Funds" in the table below), as well relatively small amounts of other money belonging to the State.

The General Fund has used this authorization to meet certain payment obligations in May, June, September, November, and December 2010. The General Fund may need to rely on this borrowing authority at times during the remainder of the fiscal year (See "Preliminary Year-to-Date Operating Results Through February 2011" herein).

The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants.

FORECAST OF 2011-12 MONTH-END CASH BALANCES

The projected month-end balances for 2011-12 are shown in the table below. The projections assume that the Executive Budget gap-closing plan is enacted in its entirety by the start of the fiscal year. General Fund cash balances are expected to be relatively low, especially during the first half of the fiscal year. It is expected that the General Fund will continue to borrow periodically from STIP.

DOB will continue to monitor and manage the State's cash position closely during the fiscal year in an effort to maintain adequate operating balances.

PROJECTED ALL FUNDS MONTH-END CASH BALANCES			
FISCAL YEAR 2011-12			
(millions of dollars)			
	General Fund	Other Funds	All Funds
April 2011	3,591	3,993	7,584
May	400	4,174	4,574
June	594	3,228	3,822
July	663	4,103	4,766
August	265	4,540	4,805
September	3,340	2,336	5,676
October	2,256	3,414	5,670
November	1,409	3,714	5,123
December	2,017	2,424	4,441
January 2012	6,318	3,643	9,961
February	6,168	3,765	9,933
March	1,609	2,823	4,432

CONSENSUS REVENUE FORECAST

On March 1, 2011, as required by State law, the Executive and Legislature issued a joint report containing a consensus forecast for the economy and estimates of receipts for the current and upcoming fiscal years. The consensus forecast is intended to provide a common agreement on 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 (2010-11 and 2011-12) were likely to exceed the Executive Budget forecast by approximately \$155 million. The consensus forecast will be taken into consideration in negotiations to adopt a budget for 2011-12, but is not reflected in the Updated Financial Plan.

BUDGET TIMELINE

The Legislature has announced a tentative schedule for deliberating on the proposed budget. According to the schedule, joint legislative conference committees will begin on March 15 and issue final conference reports by March 28, and the Legislature will consider joint budget bills from March 28 through March 31. The State's new fiscal year begins on April 1, 2011.

PENSION AMORTIZATION

Under legislation enacted in 2010, the State and local governments may defer paying (or "amortize") a portion of their pension costs beginning in 2010-11. Amortization temporarily reduces the pension costs that must be paid by participating employers in a given fiscal year, but results in substantially higher costs overall. Specifically, pension contribution costs in excess of the amortization thresholds that would otherwise be paid in a given fiscal year, which are 9.5 percent of payroll for the Employees' Retirement System ("ERS") and 17.5 percent for the Police and Fire Retirement System ("PFRS") in 2010-11, may

be amortized by certain governmental entities. The threshold for amortization in the legislation increases by 1 percentage point annually (e.g., from 9.5 percent in 2010-11 to 10.5 percent in 2011-12). The State's ERS pension contribution rate as a percentage of payroll is expected to grow from 10.5 percent in 2011-12 to 13.5 percent in 2014-15, after amortization. The PFRS pension contribution rate is expected to be 18.5 percent in 2011-12, growing to 21.5 percent by 2014-15. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization threshold, which may increase or decrease by no more than one percentage point for each year. Repayment of the amortized amounts will be made over a ten-year period at an interest rate to be determined by the State Comptroller. For amounts amortized in 2010-11, the Comptroller set an interest rate of 5 percent.

In March 2011, the State made a pension payment of \$1.078 billion for 2010-11, and amortized \$216 million. In addition, the State's Office of Court Administration (OCA) made its pension payment of \$179 million, and amortized \$33 million. The \$249 million in total deferred payments will be repaid with interest over the next ten years, beginning in 2011-12. The Updated Financial Plan assumes that the State will amortize pension costs, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 5 percent over 10 years from the date of each deferred payment. OCA elected to amortize for fiscal year 2010-11. DOB assumes that OCA will amortize \$83 million for fiscal year 2011-12. DOB's Updated Financial Plan does not assume any additional amortizations by the OCA for fiscal years beyond 2011-12.

The following table summarizes DOB's amortization assumptions and their impact on the Updated Financial Plan.

Employee Retirement System (ERS) and Police and Fire Retirement System (PFRS)							
Pension Contributions and Outyear Projections							
(millions of dollars)							
Fiscal Year	Normal Costs	Excess Contributions	Amortized Contributions*	New Amortization Costs	Total	Side Account Balance	Plus Interest at 5%
2010-11 Actual	1,552.4	0.0	(249.0)	0.0	1,303.4	0.0	0.0
2011-12 Projected	2,110.2	0.0	(635.0)	31.5	1,506.7	0.0	0.0
2012-13 Projected	2,424.9	0.0	(789.0)	104.8	1,740.7	0.0	0.0
2013-14 Projected	2,763.7	0.0	(1,013.0)	209.5	1,960.2	0.0	0.0
2014-15 Projected	3,068.7	0.0	(1,115.0)	343.6	2,297.3	0.0	0.0
2015-16 Projected	2,733.0	0.0	(705.3)	491.6	2,519.4	0.0	0.0
2016-17 Projected	2,481.2	0.0	(395.6)	585.2	2,670.9	0.0	0.0
2017-18 Projected	2,393.8	0.0	(143.8)	637.7	2,887.7	0.0	0.0
2018-19 Projected	2,361.2	80.5	0.0	656.8	3,098.5	0.0	0.0
2019-20 Projected	2,083.0	321.6	0.0	621.1	3,025.7	0.0	0.0
2020-21 Projected	1,663.1	699.9	0.0	502.4	2,865.4	0.0	0.0
2021-22 Projected	1,104.9	1,124.1	0.0	313.2	2,542.2	508.2	533.6
2022-23 Projected	1,037.0	1,087.9	0.0	0.0	2,124.9	1,596.1	1,702.6
2023-24 Projected	1,006.4	1,006.3	0.0	0.0	2,012.7	2,602.4	2,844.3
2024-25 Projected	993.6	898.2	0.0	0.0	1,891.8	3,500.6	3,929.7
2025-26 Projected	957.2	782.8	0.0	0.0	1,740.0	4,283.4	4,948.1

*Amortized contributions in 2012-13 through 2017-18 do not assume any amortized amounts for the Office of Court Administration.

Source: NYS DOB

DEBT REFORM ACT LIMIT

The Debt Reform Act of 2000 limits outstanding State-supported debt to no greater than 4 percent of New York State personal income, and debt service on State-supported debt to no greater than 5 percent of All Governmental Funds receipts. The limits apply to all State-supported debt issued after April 1, 2000. The State projects that \$33.6 billion of State-supported debt outstanding will be subject to the cap as of March 31, 2011, which is equal to approximately 3.55 percent of personal income. Debt service subject to the cap will be approximately \$3.1 billion, equal to 2.34 percent of All Governmental Funds receipts.

Based on the updated forecast, debt outstanding and debt service costs over the Updated Financial Plan period are expected to remain below the limits imposed by the Debt Reform Act. However, the available room under the debt outstanding cap is expected to decline from \$4.2 billion in 2010-11 to approximately \$850 million in 2013-14. The estimates do not include the potential impact of new capital spending that may be authorized in future budgets, or efforts to curtail existing bonded programs. The debt reform projections are sensitive to changes in State personal income levels. Measures to adjust capital spending and debt financing practices will continue to be needed for the State to stay in compliance with the statutory debt limit. The table below reflects the State's available debt capacity, after factoring in the SUNY transaction described below, which adds \$152 million to the State's outstanding debt, and other adjustments, such as changes to projected bond-financed capital spending and estimated growth in State personal income over the plan period.

STATE DEBT REFORM ACT - DEBT OUTSTANDING					
DEBT OUTSTANDING ISSUED AFTER APRIL 1, 2000 -- LIMITED TO 4 PERCENT OF PERSONAL INCOME					
(millions of dollars)					
Year	Personal Income	Cap %	Actual/Recommended %	\$ (Above)/Below	% (Above)/Below
2010-11	945,392	4.00%	3.55%	4,229	0.45%
2011-12	993,986	4.00%	3.74%	2,599	0.26%
2012-13	1,025,348	4.00%	3.90%	978	0.10%
2013-14	1,078,785	4.00%	3.92%	849	0.08%
2014-15	1,136,349	4.00%	3.88%	1,409	0.12%
2015-16	1,196,626	4.00%	3.81%	2,312	0.19%

SUNY ACQUISITION OF LONG ISLAND COLLEGE HOSPITAL AND ASSUMPTION OF DEBT

SUNY has initiated plans to acquire the Long Island College Hospital ("LICH"), a 500-licensed bed facility located in Brooklyn, New York. SUNY indicates that the operations of LICH would be merged into those of SUNY's Downstate Medical Center. As part of the proposed transaction, which requires the approval of the State Legislature, the State Comptroller, DOB, and the Attorney General, SUNY would assume \$152 million of LICH debt. SUNY indicates that it expects that annual debt service payments of approximately \$17.3 million associated with the LICH debt will be paid from patient revenues. However, there can be no assurance that patient revenues will be sufficient to cover the cost of the debt service, and that the State will not need to make the debt service payments directly, resulting in a cost to the General Fund. Based on the structure of the transaction, it is expected that the debt will be classified as State-supported debt and subject to the State's statutory debt caps. Legislation has been proposed in the Executive Budget that would authorize SUNY to make lease payments to pay this debt. SUNY reports that New York State appropriations remain the largest single source of revenues for SUNY, and SUNY's continued operational viability is substantially dependent upon a consistent and proportionate level of ongoing State support.

SPECIAL CONSIDERATIONS

GENERAL

The Updated Financial Plan forecasts are subject to many complex economic, social, financial, and political risks and uncertainties, some 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 recent fiscal years, actual receipts collections have fallen substantially below the levels forecast in the Financial Plan.

The Updated Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. The Updated Financial Plan is subject to various other uncertainties and contingencies relating to, among other factors, the extent, if any, to which wage increases for State employees exceed the annual wage costs assumed; realization of projected earnings for pension fund assets and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid contemplated by the Updated Financial Plan; the impact on adoption of the State's budgets by the Legislature in substantially the forms submitted by the Governor; the ability of the State to implement cost reduction initiatives, including the reduction in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to market securities successfully in the public credit markets. Some of these specific issues are described in more detail in this AIS Update. The projections and assumptions contained in the Financial Plan are subject to revision which may involve substantial change, and no assurance can be given that these estimates and projections, which include actions the State expects to be taken but which are not within the State's control, will be realized.

BUDGET RISKS AND UNCERTAINTIES

The Executive Budget is a proposal. There can be no assurance that the Legislature will not make changes to the Executive Budget proposal that have an adverse impact on the budgetary projections set forth herein, or that it will take final action on the Executive Budget before the start of the new fiscal year on April 1, 2011. In prior years when a budget has not been enacted by the start of the fiscal year, the State has enacted interim appropriation bills to maintain certain governmental services. Starting in fiscal year 1995-96, the Legislature has annually approved the State's debt service appropriations by the start of each State fiscal year.

Although the Executive Budget includes the statutory tools necessary to implement the recommendations of the Medicaid Redesign Team, there can be no assurance that these proposals will achieve the level of gap-closing savings anticipated in 2011-12 or limit the rate of annual growth in Department of Health State Funds Medicaid spending. These recommendations are subject to the same risks identified for other Executive Budget proposals discussed above. In addition, these recommendations are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes and a collaborative working relationship with health care industry stakeholders.

There can be no assurance that the budget gaps will not increase materially from current projections. If this were to occur, the State would be required to take additional gap-closing actions. These may include, but are not limited to, additional reductions in State agency operations; delays in payments to

local governments or other recipients of State aid; suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In nearly all cases, the ability of the State to implement these actions requires the approval of the Legislature or other entities outside of the control of the Governor.

The forecast contains specific transaction risks and other uncertainties including, but not limited to, the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Updated Financial Plan, including payments pursuant to the Tribal State Compact; and, the achievement of cost-saving measures including, but not limited to, administrative savings in State agencies, including workforce management initiatives, the transfer of available fund balances to the General Fund at the levels currently projected; and increased demand in entitlement and claims-based programs such as Medicaid, public assistance and general public health, above the levels anticipated in the Updated Financial Plan. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Updated Financial Plan in the current year or future years.

ECONOMIC OUTLOOK

The Updated Financial Plan is based on numerous assumptions, including the performance of the national and State economies and the concomitant receipt of economically sensitive tax revenues in the amounts projected. Other uncertainties and risks concerning the economic and receipt forecasts include the impact of international events in Japan, the Middle East, and elsewhere, on consumer confidence, oil supplies, and oil prices, the impact of Federal statutory and regulatory changes concerning financial sector activities; the impact of changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; the impact of an anticipated shift in monetary policy actions on interest rates and the financial markets; the impact of financial and real estate market developments on bonus income and capital gains realizations; and, the impact of household deleveraging on consumer spending and the impact of possible reduced household consumption on State tax collections. See full section on "Economic Outlook" later in this AIS Update

BOND MARKET

Implementation of the Updated Financial Plan is dependent on the State's ability to market successfully its bonds. The State finances much of its capital spending in the first instance through loans from the General Fund or STIP, which it then repays with proceeds from the sale of bonds. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, it could among other things, be required to contain capital spending, incur increased costs in the General Fund, and face a deterioration in its overall cash position. The success of projected public sales will be subject to prevailing market conditions. Future developments in the financial markets generally, as well as future developments concerning the State, and public discussion of such developments, may affect the market for outstanding State-supported and State-related debt.

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, which do not meet the materiality threshold to warrant individual description in the "Litigation and Arbitration" section of this AIS Update, but, in the aggregate, could still adversely affect the State's Financial Plan.

FEDERAL ISSUES

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes. The Updated Financial Plan assumes relatively stable levels of Federal aid over the forecast period. Changes in Federal funding levels could have a materially adverse impact on the State's Financial Plan.

The Updated Financial Plan may be adversely affected by actions taken by the Federal government, including audits, disallowances, changes in aid levels, and changes to Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government. Most recently, the Federal Centers for Medicare and Medicaid Services ("CMS") requested additional information pertaining to claims for services provided to individuals in developmental centers operated by OPWDD. Among other information, CMS requested that the State provide a detailed description of how rates are developed. Although no official audit has commenced and the rates paid for these services are established in accordance with the methodology set forth in the approved State Plan, adverse action by CMS relative to these claims could jeopardize a significant amount of Federal financial participation in the State Medicaid program.

HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a "health care conversion"), subject to a number of terms, conditions, and approvals. Under State law, the State must use the proceeds from a health care company conversion for health care related expenses included in the Health Care Reform Act (HCRA) Account. For planning purposes, the Updated Financial Plan assumes that approximately \$150 million in proceeds from a health care conversion in 2011-12, and additional amounts in future years, would be deposited into HCRA. If the conversion does not occur on the timetable or at the levels assumed in the Updated Financial Plan, the State would be required to take other actions to increase available resources or to reduce planned spending to fund projected HCRA expenditures.

LABOR SETTLEMENTS

The Updated Financial Plan for 2011-12 includes a reserve of \$346 million to cover the costs of a pattern settlement with all unions that have not agreed to contracts through 2010-11. The pattern is based on the terms agreed to by the State's largest unions for this period. There can be no assurance that actual settlements, some of which are subject to binding arbitration, will not exceed the amounts included in the Updated Financial Plan. An additional risk is the cost of salary increases for judges which could occur in 2012-13 and beyond as a result of the actions of a statutorily authorized judicial compensation commission. The Updated Financial Plan does not include any costs for potential general wage increases after the current labor agreements expire, or salary increases for judges.

GENERAL FUND OUT-YEAR BUDGET PROJECTIONS

This section presents the State's updated multi-year projections for receipts and disbursements based on the Updated Financial Plan, including the impact of the 2011-12 Executive Budget proposals. The projections for School Aid and Medicaid assume that spending will be held to target levels, as described earlier. State law requires the Governor to submit, and the Legislature to enact, a balanced plan of receipts and disbursements on a cash-basis for the General Fund. However, over 40 percent of total State spending for operating purposes is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, School Aid, higher education, transportation and mental hygiene. Thus, 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 as a predictor of the State's future financial position is likely to diminish as one moves further from the current year and budget year estimates. Accordingly, in terms of the out-year projections, 2012-13 is the most relevant from a planning perspective.

BUDGET GAPS

DOB estimates that the Executive Budget, if enacted as proposed, would result in a balanced General Fund Financial Plan in 2011-12 and leave projected gaps that total approximately \$2.2 billion in 2012-13, \$2.5 billion in 2013-14, and \$4.4 billion in 2014-15. The net operating deficits in State Operating Funds are projected at \$1.7 billion in 2012-13, \$1.9 billion in 2013-14, and \$3.7 billion in 2014-15.

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

SPENDING

Over the multi-year Financial Plan, spending is expected to increase by an average annual rate of 4.6 percent in the General Fund and 4.0 percent in State Operating Funds. The spending projections incorporate the target growth rates in the areas of Medicaid and School Aid, as well as an estimate of the effect of national health care reform on State health care costs. Spending growth reflects an expected return to a lower Federal matching rate for Medicaid expenditures after June 30, 2011, which will increase the share of Medicaid costs that must be financed by State resources, and the expected loss of temporary Federal aid for education. Spending growth is driven primarily by Medicaid, education, pension costs (including contributions to SUNY's optional retirement program), employee and retiree health benefits, social services programs and debt service.

RECEIPTS

Overall, tax receipts growth in the three fiscal years following 2011-12 is expected to remain in the range of 1.9 percent to 5.1 percent. This is consistent with the end of the personal income tax temporary rate increase and projected modest economic growth in the New York economy during this period.

GENERAL FUND PROJECTIONS (EXECUTIVE BUDGET PROPOSAL)

MULTI-YEAR GENERAL FUND PROJECTIONS				
(millions of dollars)				
	2011-12	2012-13	2013-14	2014-15
Receipts				
Taxes (After Debt Service)	52,805	53,591	56,494	58,051
Miscellaneous Receipts/Federal Grants	3,148	2,887	2,466	2,036
Other Transfers	1,065	757	660	656
Total Receipts	57,018	57,235	59,620	60,743
Disbursements				
Local Assistance Grants	38,333	39,329	41,257	43,177
School Aid	16,610	17,257	18,135	19,020
Medicaid (incl. administration)	10,190	9,971	10,456	11,059
Higher Education	2,555	2,678	2,766	2,854
Mental Hygiene	1,861	1,958	2,141	2,260
Social Services	3,029	3,355	3,628	3,787
Other Education Aid	1,639	1,852	1,935	1,998
All Other	2,449	2,258	2,196	2,199
State Operations	7,511	8,091	8,060	8,355
Personal Service	5,647	5,866	5,973	6,141
Non-Personal Service	1,864	2,225	2,087	2,214
General State Charges	4,658	5,119	5,477	5,650
Pensions	1,672	1,904	2,126	2,460
Health Insurance	3,409	3,737	4,113	4,113
All Other	(423)	(522)	(762)	(923)
Transfers to Other Funds	6,264	6,752	7,147	7,787
State Share Medicaid	3,032	3,119	3,082	3,082
Debt Service	1,615	1,722	1,668	1,576
Capital Projects	895	1,186	1,350	1,449
All Other	722	725	1,047	1,680
Total Disbursements	56,766	59,291	61,941	64,969
Change in Reserves				
Community Projects Fund	252	142	142	142
Community Projects Fund	(94)	0	0	0
Prior-Year Labor Agreement (2007-2011)	346	142	142	142
Proposed Budget Surplus/(Gap)	0	(2,198)	(2,463)	(4,368)

STATE OPERATING FUNDS PROJECTIONS (EXECUTIVE BUDGET PROPOSAL)

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)				
	2011-12	2012-13	2013-14	2014-15
Receipts:				
Taxes	63,391	64,602	67,936	69,972
Personal Income Tax	38,659	38,924	41,162	42,938
User Taxes and Fees	14,196	14,517	15,020	15,509
Business Taxes	7,569	7,984	8,334	7,889
Other Taxes	2,967	3,177	3,420	3,636
Miscellaneous Receipts/Federal Grants	19,562	20,279	20,271	20,112
Total Receipts	82,953	84,881	88,207	90,084
Disbursements:				
Local Assistance Grants	57,295	59,558	62,156	64,512
School Aid	19,502	20,352	21,299	22,204
Medicaid (incl. administration)	15,063	15,665	16,295	16,947
Transportation	4,246	4,345	4,425	4,515
STAR	3,293	3,322	3,510	3,693
Mental Hygiene	3,623	3,854	4,170	4,371
Social Services	3,040	3,365	3,628	3,787
Higher Education	2,571	2,678	2,766	2,854
Public Health/Aging	2,307	2,205	2,228	2,267
Other Education Aid	1,654	1,863	1,945	2,008
Local Government Assistance	737	767	759	759
All Other	1,259	1,142	1,131	1,107
State Operations	16,830	17,708	17,871	18,341
Personal Service	11,717	12,088	12,286	12,569
Non-Personal Service	5,113	5,620	5,585	5,772
General State Charges	6,529	7,145	7,648	8,004
Pensions	1,672	1,904	2,126	2,460
Health Insurance (Active Employees)	2,059	2,244	2,469	2,509
Health Insurance (Retired Employees)	1,351	1,493	1,643	1,603
All Other	1,447	1,504	1,410	1,432
Debt Service	6,021	6,335	6,502	6,560
Capital Projects	2	2	2	2
Total Disbursements	86,677	90,748	94,179	97,419
Net Other Financing Sources/(Uses)	4,367	4,204	4,100	3,624
Net Operating Surplus/(Deficit)	643	(1,663)	(1,872)	(3,711)
Reconciliation to General Fund Gap:				
Designated Fund Balances	(643)	(535)	(591)	(657)
Prior-Year Labor Agreements (2007-2011) Reserve	(346)	0	0	0
Community Projects Fund	94	0	0	0
Special Revenue Funds	(271)	(435)	(490)	(517)
Debt Service Funds	(120)	(100)	(101)	(140)
General Fund Budget Gap	0	(2,198)	(2,463)	(4,368)

LOCAL ASSISTANCE GRANTS**MEDICAID**

The Updated Financial Plan projects growth in the range of 4 percent annually for overall State Medicaid spending, after adjusting for the phase-out of enhanced FMAP. This reflects the target growth rate for Medicaid proposed in the Executive Budget, which is the long-term average change in the medical component of the Consumer Price Index.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS ¹ (millions of dollars)				
	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Department of Health ²	<u>15,109</u>	<u>15,711</u>	<u>16,341</u>	<u>16,994</u>
State Share Without FMAP	15,462	15,457	16,341	16,994
Enhanced FMAP	(353)	254	0	0
Mental Hygiene	5,732	5,958	6,277	6,547
Foster Care	111	121	132	138
State Share Total	20,952	21,790	22,750	23,679
Annual \$ Change - Total State Share		838	960	929
Annual % Change - Total State Share		4.0%	4.4%	4.1%
Annual \$ Change - DOH Only		602	630	653
Annual % Change - DOH Only		4.0%	4.0%	4.0%
¹ To conform the Financial Plan classification of State Operating Funds spending to the classification followed by the State Comptroller, approximately \$3 billion in Medicaid spending supported by a transfer from Federal Funds to the State Mental Hygiene Patient Income Account is now classified as State spending.				
² Includes operational costs that support contracts related to the management of the Medicaid program and various activities to ensure appropriate utilization.				

Medicaid growth over the plan period is affected by estimates of increasing Medicaid enrollment, rising costs of provider health care services (particularly in managed care), and higher levels of utilization, as well as the expiration of enhanced levels of Federal aid. The number of Medicaid recipients is expected to exceed 5.4 million at the end of 2012-13, an increase of 12.3 percent from the 2010-11 caseload of 4.9 million.

DEPARTMENT OF HEALTH - MEDICAID

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID (DOH ONLY) -- LOCAL ASSISTANCE (millions of dollars)								
	<u>2011-12</u>	<u>2012-13</u>	<u>Annual \$ Change</u>	<u>Annual % Change</u>	<u>2013-14</u>	<u>Annual % Change</u>	<u>2014-15</u>	<u>Annual % Change</u>
State Operating Funds (Before FMAP) ¹	15,416	15,411	(5)	0.0%	16,295	5.7%	16,947	4.0%
Enhanced FMAP -- State Share ²	(353)	254	607	-172.0%	0	-100.0%	0	0.0%
State Operating Funds (After FMAP)	<u>15,063</u>	<u>15,665</u>	<u>602</u>	<u>4.0%</u>	<u>16,295</u>	<u>4.0%</u>	<u>16,947</u>	<u>4.0%</u>
Other State Funds Support	(4,873)	(5,694)	(821)	16.8%	(5,839)	2.5%	(5,888)	0.8%
HCRA Financing	(3,331)	(4,152)	(821)	24.6%	(4,297)	3.5%	(4,346)	1.1%
Provider Assessment Revenue	(750)	(750)	0	0.0%	(750)	0.0%	(750)	0.0%
Indigent Care Revenue	(792)	(792)	0	0.0%	(792)	0.0%	(792)	0.0%
Total General Fund	<u>10,190</u>	<u>9,971</u>	<u>(219)</u>	<u>-2.1%</u>	<u>10,456</u>	<u>4.9%</u>	<u>11,059</u>	<u>5.8%</u>

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

² Excludes benefits in other State agencies. Costs in 2012-13 reflect the reconciliation of the local share benefit for 2011-12 that will occur in 2012-13.

The expiration of the enhanced FMAP will increase spending by over \$600 million from 2011-12 to 2012-13, primarily due to the reconciliation of costs between the State and counties related to the Medicaid cap. After adjusting for the impact of enhanced FMAP, State spending for Medicaid is expected to grow from \$15.1 billion in 2011-12 to \$16.9 billion in 2014-15. Overall Medicaid growth results, in part, from the takeover of local Medicaid costs under the cap, the combination of projected increases in service utilization, and medical care cost inflation that affects nearly all categories of service (e.g., hospitals, nursing homes), as well as rising enrollment levels.

MENTAL HYGIENE

Local assistance spending in mental hygiene is projected to grow on average by 4.4 percent annually over the plan period, reaching a total of \$4.4 billion in 2014-15. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems, including: increases primarily associated with the OPWDD NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline, as well as funds for additional supported housing beds and associated support services for individuals leaving certain New York city adult homes, pursuant to a Federal district court order; and several chemical dependence treatment and prevention initiatives in OASAS.

SCHOOL AID

State funding for School Aid is paid from two State sources, the General Fund and lottery revenues (including VLTs). On a school year basis, following a reduction in 2011-12, School Aid is projected to grow at rates based on changes in New York State personal income. The Executive Budget proposes a \$2.8 billion Gap Elimination Adjustment (“GEA”) for the 2011-12 school year. Low wealth districts would receive proportionately smaller reductions than high-wealth districts. In the future, the GEA would be scaled to limit growth in School Aid to the target rate, which is based on growth in New York State personal income. The Executive Budget recommends maintaining operating aid categories at current levels. Foundation Aid, the largest formula aid, is recommended to remain at \$14.9 billion in both 2011-12 and 2012-13.

FIVE-YEAR SCHOOL AID PROJECTION - SCHOOL YEAR BASIS (millions of dollars)									
	2010-11	2011-12	Annual \$ Change	2012-13	Annual \$ Change	2013-14	Annual \$ Change	2014-15	Annual \$ Change
Foundation Aid/Academic Achievement Grant	\$14,894	\$14,894	\$0	\$14,894	\$0	\$16,381	\$1,487	\$17,804	\$1,423
Universal Prekindergarten	\$393	\$393	\$0	\$393	\$0	\$452	\$59	\$511	\$59
Expense-Based Aids ¹	\$5,769	\$6,074	\$305	\$6,280	\$206	\$6,680	\$400	\$7,150	\$470
Other Aid Categories/Initiatives	\$806	\$815	\$9	\$868	\$53	\$923	\$55	\$971	\$48
Gap Elimination Adjustment	(\$805)	(\$2,786)	(\$1,981)	(\$2,250)	\$536	(\$3,306)	(\$1,056)	(\$4,566)	(\$1,260)
FMAP Contingency Reduction	(\$132)	\$0	\$132	\$0	\$0	\$0	\$0	\$0	\$0
Total School Aid (School Year)	\$20,925	\$19,390	(\$1,535)	\$20,185	\$795	\$21,130	\$945	\$21,870	\$740

¹Building, Transportation, High Cost and Private Special Education, BOCES, and Special Services Aids

Over the multi-year Financial Plan period, revenues available to finance School Aid from lottery sales are expected to increase nominally. Increasing revenues from VLTs in 2012-13 and 2013-14 reflect the anticipated opening of a VLT facility at Aqueduct Racetrack by October 2011.

SOCIAL SERVICES

The Office of Children and Family Services (“OCFS”) provides funding for programs including foster care, adoption, child protective services, preventive services, delinquency prevention, and child care. OCFS oversees the State’s system of family support and child welfare services administered by local departments of social services and community-based organizations. OCFS spending is projected to increase by \$540 million, from \$1.7 billion in 2011-12 to \$2.2 billion by 2014-15, driven by expected growth in claims-based programs, including Child Welfare Services.

The Office of Temporary and Disability Assistance (“OTDA”) administers local assistance programs that provide cash benefits and supportive services to low-income families. The agency also provides a State supplement to the Federal Supplemental Security Income benefit for the elderly, visually handicapped, and disabled. The State share of OTDA spending is expected to grow by approximately 5 percent annually from 2011-12 through 2014-15, primarily due to higher costs of public assistance programs.

STATE OPERATIONS

Personal service spending includes wages and compensation for overtime, holiday and temporary services. It does not include fringe benefits, which are accounted for under General State Charges. Non-personal service spending accounts for the costs of operations other than employee wages and benefits. It includes utilities, rent, equipment, supplies and materials, telecommunications, information technology, travel, training, medical supplies, prescription drugs, and certain contractual obligations.

Growth in State Operations spending over the multi-year Financial Plan is concentrated in agencies that operate large facilities, such as the SUNY, the Mental Hygiene agencies, Corrections and Community Supervision, and Children and Family Services. The main causes of growth include inflationary increases in operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities. It also reflects higher costs for ongoing initiatives, including the civil commitment program for sexual offenders.

GENERAL STATE CHARGES

The General State Charges (“GSCs”) account for the costs of fringe benefits provided to State employees and retirees of the Executive, Legislative and Judicial branches, as well as for certain fixed costs. GSCs are projected to grow at an average annual rate of 7 percent over the plan period. The growth is mainly due to anticipated cost increases in pensions and health insurance for active and retired State employees.

Pension costs also include the State’s payment for the retirement incentives approved in 2010. The Updated Financial Plan currently assumes an annual State payment of \$70 million.

Spending for employee and retiree health insurance costs is expected to grow at a consistently high rate through 2014-15, with annual growth reflecting expected annual premium increases of over 8 percent. See "GAAP-Basis Financial Plan/GASB Statement 45" section on Other Post-Employment Benefits later in this AIS Update for a discussion of the valuation of future State health insurance costs for State employees.

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

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

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

MULTI-YEAR DISBURSEMENT PROJECTIONS - GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)							
	2011-12	2012-13	Annual \$ Change	2013-14	Annual \$ Change	2014-15	Annual \$ Change
Transfers to Other Funds:	6,264	6,752	488	7,147	395	7,787	640
Medicaid State Share	3,032	3,119	87	3,082	(37)	3,082	0
Debt Service	1,615	1,722	107	1,668	(54)	1,576	(92)
Capital Projects	895	1,186	291	1,350	164	1,449	99
Dedicated Highway and Bridge Trust Fund	523	588	65	671	83	664	(7)
All Other Capital	372	598	226	679	81	785	106
All Other Transfers	722	725	3	1,047	322	1,680	633
SUNY- Hospital Medicaid	200	200	0	200	0	200	0
Judiciary Funds	156	156	0	160	4	162	2
Banking Services	66	66	0	66	0	66	0
Indigent Legal Services	40	40	0	40	0	40	0
Public Transportation Systems	12	12	0	12	0	12	0
Department of Transportation (MTA Tax)	25	25	0	25	0	25	0
Mass Transportation Operating Assistance	12	12	0	12	0	12	0
Medicaid Payments for State Facility Patients	16	16	0	16	0	16	0
DCJS - Crimes Against Revenues Account	16	16	0	16	0	16	0
Alcoholic Beverage Control	17	17	0	19	2	20	1
Correctional Industries	14	14	0	14	0	14	0
Mental Hygiene	0	0	0	317	317	960	643
All Other	148	151	3	150	(1)	137	(13)

Transfers to other funds are expected to total \$6.8 billion in 2012-13, an annual increase of over \$488 million, or 7.8 percent. This increase is mainly due to higher costs related to the Medicaid State share transfers, capital projects and projected debt service payments.

Support for capital projects is expected to increase by 32.5 percent in 2012-13, mainly for economic development projects and statewide technology initiatives.

With the exception of the mental hygiene system, the subsidies to all other operational areas are projected to remain relatively flat through 2014-15. Mental hygiene transfers to other funds are offset in part by transfers from other funds (not displayed on table).

ECONOMIC OUTLOOK

THE NATIONAL ECONOMY

Real household spending grew over 4 percent in the fourth quarter of 2010, the first quarter of such growth since 2006, with real spending finally surpassing its fourth quarter 2007 prerecession peak. The national economy overall, as measured by real U.S. GDP, grew 2.8 percent in the fourth quarter. Real U.S. GDP is currently projected to grow by 3.2 percent in 2011, following an increase of 2.9 percent for 2010.

The U.S. Bureau of Labor Statistics has released its 2010 benchmark revision to the national employment data. The revised data indicate that about 8.8 million jobs were lost during the last downturn, compared to the pre-revision estimate of 8.4 million. In addition, the labor market now appears to have turned around in March 2010 rather than in January as originally estimated. Since February of last year, the private sector has added 1.3 million jobs, an average of 114,000 per month, while total employment has increased by about 1 million, or an average of 93,000 per month. The labor market is expected to add an average of about 200,000 jobs per month for the remainder of the year. On an annual average basis, DOB projects an increase in total employment of 1.3 percent for 2011, following a decline of 0.7 percent for 2010.

Personal income is projected to rise 5.3 percent in 2011, following growth of 3.0 percent in 2010. In addition, several indicators of confidence in the sustainability of the national economic recovery have strengthened since earlier in the year, including equity market activity, price growth, and interest rates. DOB projects inflation, as measured by growth in the Consumer Price Index, of 2.0 percent for 2011. A 10-year Treasury yield of 3.8 percent is anticipated for the current year.

The economic outlook calls for the national recovery to continue its growth, in large part led by strong demand from both consumers and businesses. However, there are significant risks to this forecast. With conflict continuing to spread across the Middle East, the risk of oil and gasoline prices remaining elevated is heightened. Higher energy prices act effectively as a tax on household and business spending, and would likely result in lower spending in other areas. This lower spending could diminish the pace of job growth relative to current projections, which could result in an even greater pullback in spending on the part of households. Lower household spending and weaker job growth could both add to the strain already being faced by state and local governments. In contrast, a quick resolution to the turmoil in the Middle East, accompanied by faster global growth than projected could result in stronger growth than is reflected in this forecast.

THE NEW YORK STATE ECONOMY

State wage growth for 2010 is estimated at 4.4 percent while wage growth for 2011 is projected to be 3.1 percent. All of the risks to the U.S. forecast apply to the State forecast as well, although with New York the nation's financial capital, the volume of financial market activity and equity market volatility pose a particularly large degree of uncertainty for the State. In addition, with Wall Street still adjusting their compensation practices in the wake of the passage of financial reform, the cash portion of bonus payments for the current and subsequent fiscal years could be lower than projected. In turn, the economic activity generated by the spending of that income could also be lower. An even weaker labor market than projected could also result in lower wages, which in turn could result in weaker household consumption. Similarly, should financial and real estate markets be weaker than anticipated, taxable capital gains

realizations could be negatively affected. These effects would ripple through the State economy, depressing both employment and wage growth. In contrast, stronger national and world economic growth, or a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

SELECTED ECONOMIC INDICATORS

(Calendar Year)

	2009 (actual ¹)	2010 (estimate)	2011 (forecast)	2012 (forecast)	2013 (forecast)	2014 (forecast)
U.S. Indicators²						
Real Gross Domestic Product (\$ billions)	12,881	13,249	13,670	14,172	14,686	15,192
<i>Percent Change</i>	(2.6)	2.9	3.2	3.7	3.6	3.4
Personal Income (\$ billions)	12,175	12,545	13,214	13,753	14,537	15,410
<i>Percent Change</i>	(1.7)	3.0	5.3	4.1	5.7	6.0
Nonagricultural Employment (millions)	130.8	129.8	131.5	134.1	136.8	139.6
<i>Percent Change</i>	(4.4)	(0.7)	1.3	2.0	2.0	2.1
Unemployment Rate	9.3	9.6	8.8	7.9	7.0	6.2
CPI Inflation	(0.3)	1.6	2.0	1.9	2.3	2.6
New York State Indicators						
Personal Income ² (\$ billions)	891.2	928.1	975.8	1,006.6	1,059.0	1,115.5
<i>Percent Change</i>	(3.1)	4.1	5.1	3.2	5.2	5.3
Wages and Salaries ² (\$ billions)	481.1	502.4	518.0	544.5	572.8	601.5
<i>Percent Change</i>	(7.2)	4.4	3.1	5.1	5.2	5.0
Bonuses ³ (\$ billions)	56.5	68.2	66.9	72.0	76.7	81.6
<i>Percent Change</i>	(31.6)	20.8	(2.0)	7.8	6.5	6.4
Employment ² (thousands)	8,312.0	8,307.5	8,360.5	8,457.0	8,555.1	8,637.1
<i>Percent Change</i>	(3.1)	(0.1)	0.6	1.2	1.2	1.0
Unemployment Rate (percent)	8.4	8.4	8.0	7.6	7.3	6.9
NYS Adjusted Gross Income (NYSAGI)						
Capital Gains (\$ millions)	32,430	38,993	43,933	56,170	46,013	49,443
<i>Percent Change</i>	(43.1)	20.2	12.7	27.9	(18.1)	7.5
Total NYSAGI (\$ millions)	590,308	622,234	651,693	697,576	725,061	767,218
<i>Percent Change</i>	(10.8)	5.4	4.7	7.0	3.9	5.8

¹ For NYSAGI variables, 2009 is an estimate based on preliminary processing data.

² Nonagricultural employment, wage, and personal income numbers are based on QCEW data.

³ Series created by the Division of the Budget.

Source: Moody's Economy.com; NYS Department of Labor; NYS Department of Taxation and Finance; DOB staff estimates.

ALL FUNDS RECEIPTS PROJECTIONS

THE REVENUE SITUATION

Consistent with the slow pace of the economic recovery, revenue growth in the State has been weak. After plunging 12.3 percent in fiscal year 2009-10, tax receipts growth (after correcting for law changes) is estimated to be a tepid 2.1 percent in 2010-11; a more robust 7.5 percent is projected for 2011-12. Unadjusted State funds tax receipts are estimated to increase 5.4 percent in 2010-11 and are projected to increase 6.5 percent in 2011-12. In addition to below average growth, revenue collections have exhibited volatility. The uncertainty surrounding the year-end sunset of the Federal tax cuts and the last minute extension created significant taxpayer confusion. The impacts of potential changes in the timing and level of financial sector bonus payments and in the way employees in this sector are compensated as a result of recent financial reforms are unknown. Extreme volatility in the volume of taxable capital gains, the large overhang of residential and commercial mortgage debt, the continuation of recent gains in consumer spending, and the expected recovery from the apparent decline in the value of property being insured have provided obstacles to accurate forecasting. In addition, the lag between the realization of profits as well as the use of previous overpayments by taxpayers, make projecting business tax receipts very difficult. Further, inconsistent personal income and business taxpayer behavior related to the timing and level of estimated and final payments has caused large swings in quarterly receipts.

As a result of these and other factors, the tax receipts forecast has been revised downward by \$699 million for 2010-11, \$950 million for 2011-12, and \$587 million for 2012-13, mainly reflecting the weakness seen in personal income tax and business tax collections for the current year when compared with the Mid-year Update. For the most part, the downward revisions to out-year projections reflect reductions in the current-year base forecast.

A modest acceleration in State employment and average wage growth, as well as the stock market recovery, are expected to provide growth of 8.0 percent in personal income tax receipts in 2011-12. Projected corporate profits growth for the 2011 calendar year combined with the tax credit deferral legislation enacted in 2010 is expected to provide a second consecutive year of growth in business tax receipts in 2011-12. The return of consumers to the marketplace, partially offset by the return of a limited version of the tax exemption on clothing is projected to produce sales tax growth of 4.3 percent in 2011-12.

Governmental Funds			
Actual and Base Tax Receipts Growth			
(percent growth)			
State Fiscal Year	Actual Receipts	Base Receipts	Inflation Adjusted Base Receipts
1987-88	6.2	6.4	1.9
1988-89	1.6	2.9	(2.3)
1989-90	6.8	8.3	2.4
1990-91	(0.8)	(3.8)	(8.2)
1991-92	7.2	1.4	(2.0)
1992-93	6.1	5.0	2.0
1993-94	4.3	0.7	(1.8)
1994-95	0.1	1.5	(1.1)
1995-96	2.6	3.6	0.6
1996-97	2.0	2.6	0.2
1997-98	3.7	5.6	4.0
1998-99	7.2	7.9	5.8
1999-00	7.5	9.1	5.9
2000-01	7.9	10.1	7.4
2001-02	(4.9)	(4.2)	(6.4)
2002-03	(6.7)	(8.0)	(10.8)
2003-04	8.2	5.8	2.5
2004-05	13.4	11.5	7.7
2005-06	10.2	9.3	2.7
2006-07	9.7	4.9	2.1
2007-08	3.7	13.4	9.5
2008-09	(0.8)	(3.2)	(3.3)
2009-10	(3.2)	(12.3)	(14.0)
2010-11*	5.4	2.1	0.1
2011-12**	6.5	7.5	5.3
2012-13**	1.9	7.3	4.8
2013-14**	5.1	5.5	2.9
2014-15**	3.0	5.5	2.9
	<u>Actual</u>	<u>Base</u>	<u>Adjusted Base</u>
	<u>Change</u>	<u>Change</u>	<u>Change</u>
Historical Average (87-88 to 09-10)	4.0	3.4	0.2
Forecast Average (10-11 to 14-15)	4.4	5.6	3.2
Forecast Average (11-12 to 14-15)	4.1	6.4	4.0
Recessions	1.3	(1.2)	(4.2)
Expansions	5.7	6.4	3.0
*Estimated Receipts			
**Projected Receipts			

TOTAL RECEIPTS (millions of dollars)							
	2009-10 Actual	2010-11 Estimated	Annual \$ Change	Annual % Change	2011-12 Projected	Annual \$ Change	Annual % Change
General Fund	52,556	54,104	1,548	2.9%	57,018	2,914	5.4%
Taxes	36,997	39,187	2,190	5.9%	41,985	2,798	7.1%
Miscellaneous Receipts	3,888	3,083	(805)	-20.7%	3,088	5	0.2%
Federal Grants	71	60	(11)	-15.5%	60	0	0.0%
Transfers	11,600	11,774	174	1.5%	11,885	111	0.9%
State Funds	81,150	84,440	3,290	4.1%	88,388	3,948	4.7%
Taxes	57,668	60,793	3,125	5.4%	64,758	3,965	6.5%
Miscellaneous Receipts	23,397	23,520	123	0.5%	23,485	(35)	-0.1%
Federal Grants	85	127	42	49.4%	145	18	14.2%
All Funds	126,748	134,508	7,760	6.1%	132,677	(1,831)	-1.4%
Taxes	57,668	60,793	3,125	5.4%	64,758	3,965	6.5%
Miscellaneous Receipts	23,557	23,702	145	0.6%	23,617	(85)	-0.4%
Federal Grants	45,523	50,013	4,490	9.9%	44,302	(5,711)	-11.4%

FISCAL YEAR 2010-11 OVERVIEW

- Total All Funds receipts for 2010-11 are estimated to reach \$134.5 billion, an increase of \$7.8 billion, or 6.1 percent from 2009-10 results. All Funds tax receipts are estimated to increase by \$3.1 billion, or 5.4 percent. The majority of the increase in tax receipts is attributable to growth in personal income tax, sales tax, estate tax, and cigarette and tobacco tax collections.
- All Funds miscellaneous receipts are projected to reach \$23.7 billion in 2010-11, an increase of \$145 million from 2009-10. General Fund miscellaneous receipts reductions of \$805 million are more than offset by growth in other areas, primarily SUNY revenue growth from expansions at the three SUNY teaching hospitals (\$170 million), enrollment growth, and greater bond proceeds available for SUNY capital projects (\$397 million), and increased lottery fund receipts which reflect the one-time receipt of the franchise fee for rights to operate a VLT facility at Aqueduct (\$380 million).
- Total State Funds receipts are estimated to reach over \$84.4 billion in 2010-11, an increase of \$3.3 billion, or 4.1 percent.
- Total General Fund receipts are estimated at \$54.1 billion, an increase of over \$1.5 billion, or 2.9 percent from 2009-10 results. General Fund tax receipts are estimated to increase by 5.9 percent, reflecting the modest economic recovery, full year compliance with the personal income tax surcharge, and the temporary elimination of the sales tax clothing exemption. General Fund miscellaneous receipts are estimated to decrease by 20.7 percent, reflecting the loss of several one-time receipts in 2009-10.
- Base tax receipts growth, which nets out the impact of law changes, will increase by an estimated 2.1 percent in 2010-11 after a base decline of 12.3 percent in 2009-10. The rebound in economic activity is estimated to increase base growth in tax receipts for the first time since 2007-08.

FISCAL YEAR 2011-12 OVERVIEW

- Total All Funds receipts are projected to reach \$132.7 billion, a decrease of \$1.8 billion, or 1.4 percent from 2010-11 reflecting the significant loss in Federal grants. All Funds tax receipts are projected to grow by nearly \$4.0 billion or 6.5 percent. This increase is attributable to the full year impact of the economic recovery, legislation enacted in 2010 and positive revenue actions proposed with the Executive Budget. All Funds Miscellaneous receipts are projected to decrease by \$85 million, or 0.4 percent. All Funds Federal grants are expected to decrease by \$5.7 billion, or 11.4 percent.
- Total State Funds receipts are projected to be \$88.4 billion, an increase of \$3.9 billion, or 4.7 percent from the 2010-11 estimate.
- Total General Fund receipts are projected to be \$57.0 billion, an increase of \$2.9 billion, or 5.3 percent from 2010-11 estimates. General Fund tax receipts are projected to grow by 7.1 percent, while General Fund miscellaneous receipts are projected to grow by 0.2 percent. Federal grants revenues are projected to remain constant.
- After controlling for the impact of policy changes, base tax revenue growth is estimated to increase by 7.5 percent for fiscal year 2011-12.

FISCAL YEARS 2012-13, 2013-14, AND 2014-15 OVERVIEW

TOTAL RECEIPTS (millions of dollars)							
	2011-12 Projected	2012-13 Projected	Annual \$ Change	2013-14 Projected	Annual \$ Change	2014-15 Projected	Annual \$ Change
General Fund	56,966	57,235	269	59,620	2,385	60,743	1,123
Taxes	41,986	42,754	768	44,967	2,213	46,004	1,037
State Funds	88,388	90,010	1,622	93,193	3,183	94,800	1,607
Taxes	64,758	66,002	1,244	69,342	3,340	71,388	2,046
All Funds	132,677	130,450	(2,227)	135,688	5,238	142,503	6,815
Taxes	64,758	66,002	1,244	69,342	3,340	71,388	2,046

Overall, tax receipts growth in the three fiscal years following 2011-12 is expected to remain in the range of 1.9 percent to 5.1 percent. This is consistent with the end of the personal income tax temporary rate increase and projected modest economic growth in the New York economy during this period. Receipts growth is supported by modest proposals contained with the Executive Budget that eliminate a single tax loophole and improve taxpayer compliance. These factors are expected to continue to enhance expected receipts growth through 2014-15.

- Total All Funds receipts in 2012-13 are projected to be \$130.5 billion, a decrease of \$2.2 billion over the prior year. All Funds receipts in 2013-14 are expected to increase by \$5.2 billion over 2012-13 projections. In 2014-15, receipts are expected to increase by \$6.8 billion over 2013-14 projections.
- Total State Funds receipts are projected to be \$90.0 billion in 2012-13, close to \$93.2 billion in 2013-14 and \$94.8 billion in 2014-15.

- Total General Fund receipts are projected to reach just over \$57.2 billion in 2012-13, \$59.6 billion in 2013-14 and over \$60.7 billion in 2014-15.
- All Funds tax receipts are expected to increase by 1.9 percent in 2012-13, 5.1 percent in 2013-14 and 3.0 percent in 2014-15. Again, the growth pattern is consistent with an economic forecast for continued but slower economic growth.

BASE GROWTH

Base growth, adjusted for law changes, in tax receipts for fiscal year 2010-11 is estimated to grow 2.1 percent and 7.5 percent in 2011-12. Overall base growth in tax receipts is dependent on a multitude of factors.

The estimated return to positive base receipts growth in 2010-11 results from:

- Full year growth in employment and wages;
- Strong corporate profits growth;
- Positive capital gains from a resurgent stock market; and
- An end to consumption declines.

The acceleration in base growth in 2011-12 results from:

- A second consecutive year of corporate profits growth; and
- A return to historical trend growth in consumption and income.

GAAP-BASIS FINANCIAL PLANS/GASB STATEMENT 45

The State Budget is required to be balanced on a cash basis in the General Fund, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis. The pro forma GAAP-basis plans presented here model, to the extent practicable, the accounting principles applied by the Office of the State Comptroller ("OSC") in preparation of the annual Financial Statements. Tables comparing the cash-basis and GAAP-basis General Fund Financial Plans are provided later in this AIS Update.

In 2010-11, the General Fund GAAP Financial Plan shows total estimated revenues of \$46.4 billion, total expenditures of \$55.8 billion, and net other financing sources of \$9.4 billion, resulting in an estimated operating deficit of \$23 million, which increases the projected accumulated deficit to \$3.6 billion.

In 2011-12, the General Fund GAAP Financial Plan shows total projected revenues of \$48.3 billion, total projected expenditures of \$57.4 billion, and net other financing sources of \$9.4 billion, resulting in a projected operating surplus of \$267 million. These results reflect the net impact of the Executive Budget gap-closing actions.

OTHER POST-EMPLOYMENT BENEFITS

Substantially all of the State's employees become eligible for post-retirement benefits if they reach retirement while working for the State. In accordance with the Governmental Accounting Standards Board Statement 45 ("GASBS 45"), the State must perform an actuarial valuation every two years for purposes of calculating Other Post Employment Benefits ("OPEB") liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for fiscal year 2009-10⁵, the Annual Required Contribution ("ARC") represents the annual level of funding that, if set-aside on an ongoing basis, is projected to cover normal costs each year and 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 2009-10, an actuarial valuation of OPEB liabilities was performed as of April 1, 2008, with results projected to April 1, 2009 for the fiscal year ended March 31, 2010. The valuation calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2010 at \$55.9 billion (\$46.3 billion for the State and \$9.6 billion for SUNY). This was determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The net OPEB liability for 2009-10 totaled \$3.3 billion (\$2.7 billion for the State and \$0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. This was \$2.1 billion (\$1.7 billion for the State and \$0.4 billion for SUNY) above the payments for retiree costs made by the State in 2009-10. This difference between the State's Pay-As-You-Go ("PAYGO") costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of 2009-10 by \$2.1 billion.

The State's actuarial consultant has provided an updated calculation of the ARC and annual OPEB costs. The updated calculation shows the present value of the actuarial accrued total liability for benefits

⁵ See the State Comptroller's Comprehensive Annual Financial Report, 2009-10 at <http://www.osc.state.ny.us/finance/finreports/cafr10.pdf>

at \$60.2 billion (\$50.1 billion for the State and \$10.1 billion for SUNY). The updated calculation will ultimately be reflected in the financial statements for the State and SUNY for fiscal year 2010-11. In future updates, DOB expects the estimate of OPEB costs to increase substantially. The causes of this anticipated increase include: higher assumed increases in the cost of health care, implementation of the Federal Patient Protection and Affordable Care Act, and decreased interest rates.

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

FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS (millions of dollars)			
Health Insurance			
Year	Active Employees	Retirees	Total State
2007-08 (Actual)	1,390	1,182	2,572
2008-09 (Actual)	1,639	1,068	2,707
2009-10 (Actual)	1,609	1,072	2,681
2010-11 (Projected)	1,833	1,220	3,053
2011-12 (Projected)	2,059	1,351	3,410
2012-13 (Projected)	2,244	1,493	3,737
2013-14 (Projected)	2,469	1,643	4,112
2014-15 (Projected)	2,509	1,603	4,112

All numbers reflect the cost of health insurance for GSCs (Executive and Legislative branches) and the Office of Court Administration.

As noted, there is no provision in the Updated Financial Plan to pre-fund the GASBS 45 liability. If such liability were pre-funded at this time, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of the Governor's Office of Employee Relations ("GOER"), Civil Service, and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its planned funding practices in light of existing fiscal conditions.

SELECTED STATE GOVERNMENT SUMMARY

STATE GOVERNMENT ORGANIZATION

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

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

*Elected by the State Legislature on February 7, 2007 following the December 2006 resignation of Comptroller Hevesi. Comptroller DiNapoli subsequently was elected by the voters during the November 2010 general election.

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

The State Legislature is composed of a 62-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2012. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current majority leaders are President Pro Tempore Dean Skelos (Republican) in the Senate and Sheldon Silver (Democrat), Speaker of the Assembly. The minority leaders are John Sampson (Democrat) in the Senate and Brian Kolb (Republican) in the Assembly.

STATE RETIREMENT SYSTEMS

GENERAL

The New York State and Local Retirement Systems (the "Systems") provide coverage for public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). The Systems comprise the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS"). The Comptroller is the administrative head of the Systems. State employees made up about 34 percent of the membership during the 2009-10 fiscal year. There were 3,035 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 a large number of local authorities of the State.

As of March 31, 2010, 679,217 persons were members and 375,803 pensioners or beneficiaries were receiving benefits. 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. Members cannot be required to begin making contributions or make increased contributions beyond what was required when membership began.

The investment losses experienced in fiscal year 2009 have negatively impacted the value of assets held for the Systems. The current actuarial smoothing method spreads the impact over a 5-year period, and thus contribution rates increased for fiscal years 2011 and 2012 and further increases are expected for fiscal years 2013 through 2015. The amount of such future increases would depend, in part, on the value of the pension fund as of each April 1 as well as on the present value of the anticipated benefits to be paid by the pension fund as of each April 1. Final contribution rates for fiscal year 2012 were released in early September 2010. The average ERS rate increased from 11.9 percent of salary in fiscal year 2011 to 16.3 percent of salary in fiscal year 2012, while the average PFRS rate increased from 18.2 percent of salary in fiscal year 2011 to 21.6 percent of salary in fiscal year 2012. The contribution rates for fiscal year 2012 reflect the System's Actuary's recommendations, including a reduction in the assumed investment rate of return from 8 percent to 7.5 percent, based on the legally required five year review of actuarial assumptions.

On December 10, 2009, the Governor signed a bill that amended Articles 14, 15 and 19 and created Article 22 of the Retirement and Social Security Law. This resulted in significant changes to benefits for members of ERS and PFRS. ERS members joining on or after January 1, 2010 will be covered by these benefits and will be in Tier 5. PFRS members joining on or after January 9, 2010 will be in Tier 5 and may also be covered by these changed benefits.

Legislation enacted in June 2010 provided the State and local employers with the option to offer a temporary Retirement Incentive Program (ERI) for certain ERS members. This program did not apply to PFRS members. The Program had two distinct parts:

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

Members whose employer offered both parts of the program, and who met the eligibility requirements of both parts, had to choose between the two. Employers established a 30-to-90-day window for Part A and/or a 90-day window for Part B. The incentive window for State Executive Branch employees was July 1 through September 28, 2010. Other public employers were able to establish incentive windows which could extend through December 31, 2010. The cost of the incentive will be borne by the State and each employer electing the incentive over a five-year period commencing with a payment in the fiscal year 2011-12. The number of members who retired under the State ERI is 6,412. Three hundred ninety-nine (399) participating employers elected to participate in Part A of the ERI. Two hundred eleven (211) participating employers elected to participate in Part B of the ERI. Five thousand four hundred fifty three (5,453) members from participating employers retired under the ERI. While members are receiving payments based on estimates, costs cannot be determined until final calculations have been completed.

Part TT of Chapter 57 of the Laws of 2010, authorized the State and local employers to amortize a portion of their annual pension costs during periods of significant rate increases. Amortized amounts will be paid in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers would pay interest on the amortized amount at a rate determined by the Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate will be set annually. Rates will vary according to market performance. The interest rate on the amount an employer chooses to amortize in a particular rate year will be the rate for that year and will be 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, which may be different from the previous rate year. For amounts amortized in 2011, the Comptroller has set an interest rate of 5 percent. The first payment will be due in the fiscal year following the decision to amortize. Part TT of Chapter 57 further provides that 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 a reserve fund that will be used when employer contribution rates begin to rise in the future. Over time, it is expected that this will reduce the budgetary volatility of employer contributions (See the table on page 27 of this AIS Update for the Division of Budget's projections of amounts amortized in fiscal year 2010-11 and amounts expected to be amortized in fiscal years 2011-12 through 2017-18.) The State elected to amortize \$249,574,168 for fiscal year 2010-11, and 57 participating employers amortized a total of \$43,683,088.

CONTRIBUTIONS

Contributions to the Systems are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 are required to contribute 3 percent of their salaries for the first ten years of membership. All ERS members joining after 2009 are required to contribute 3 percent of their salaries for their career. Certain PFRS members joining since mid-2009 are required to contribute 3 percent of their salaries for their career, depending upon their contract.

Legislation enacted in May 2003 realigned the Retirement Systems billing cycle to match governments' budget cycles and also instituted a minimum annual payment. The employer contribution for a given fiscal year will be based on the value of the pension fund and its liabilities on the prior April 1. In addition, employers are required to make a minimum contribution of at least 4.5 percent of payroll every year.

Chapter 260 of the Laws of 2004 authorized the State and local employers to amortize over ten years, at five percent interest, a portion of their annual bill for fiscal years ended 2005, 2006 and 2007. As of March 31, 2010, the amortized amount receivable for fiscal year 2004-05 from the State is \$280.14 million and from participating employers is \$60.53 million; the amortized amount receivable for fiscal year 2005-06 from the State is \$102.62 million and from participating employers is \$20.61 million; and the amortized amount receivable for fiscal year 2006-07 from participating employers is \$18.07 million. The State did not amortize any portion of its 2007 contributions.

The State paid, in full, its employer contributions for the fiscal year ended March 31, 2010. Payments totaled \$994.4 million, including amortization payments of \$87 million for the 2005 and 2006 bills.

In March 2011, the State paid \$1,257.0 million in contributions for the fiscal year ending March 31, 2011, including amortization payments of some \$87 million for 2005 and 2006 bills. As noted above, the State elected to amortize \$249,574,168 for fiscal year 2010-11 under Part TT of Chapter 57 of the laws of 2010.

PENSION ASSETS AND LIABILITIES

Assets are held exclusively for the benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the Common Retirement Fund, a pooled investment vehicle. OSC reports that the net assets available for benefits as of March 31, 2010 were \$134.2 billion (including \$2.6 billion in receivables, which consist of employer contributions, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables) an increase of \$23.3 billion or 21 percent from the 2008-09 level of \$110.9 billion, reflecting, in large part, equity market performance. OSC reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from \$176.6 billion on April 1, 2009 to \$186.8 billion (including \$75.6 billion for current retirees and beneficiaries) on April 1, 2010. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2010 in that amortized cost was used instead of market value for bonds and mortgages and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected gain for the 2010 fiscal year, 40 percent of the unexpected loss for the 2009 fiscal year, 60 percent of the unexpected loss for the 2008 fiscal year and

80 percent of the unexpected gain for the 2007 fiscal year. Actuarial assets decreased from \$149.0 billion on April 1, 2009 to \$147.7 billion on April 1, 2010. The funded ratio, as of April 1, 2010, using the entry age normal funding method and actuarial assets, was 94 percent.

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

**CONTRIBUTIONS AND BENEFITS
NEW YORK STATE AND LOCAL RETIREMENT SYSTEMS
(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	
2000	165	11	154	423	3,787
2001	215	112	103	319	4,267
2002	264	199	65	210	4,576
2003	652	378	274	219	5,030
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719

(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.

(3) Includes payments from Group Life Insurance Plan.

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

Fiscal Year Ended March 31	Total Assets(2)	Percent Increase/ (Decrease) From Prior Year
2000	128,889	14.3
2001	114,044	(11.5)
2002	112,725	(1.2)
2003	97,373	(13.6)
2004	120,799	24.1
2005	128,038	6.0
2006	142,620	11.4
2007	156,625	9.8
2008	155,846	(0.5)
2009	110,938	(28.8)
2010	134,252	21.0

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, 2010 includes approximately \$2.6 billion of receivables.

(2) Includes certain accrued employer contributions to be paid with respect to service rendered during fiscal years other than the year shown.

AUTHORITIES AND LOCALITIES

THE CITY OF NEW YORK

The fiscal demands on the State may be affected by the fiscal condition of the City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of the City, and certain entities issuing debt for the benefit of the City, to market securities successfully in the public credit markets. The official financial disclosure of The City of New York and the financing entities issuing debt on its behalf is available by contacting Raymond J. Orlando, City Director of Investor Relations, (212) 788-5875 or contacting the City Office of Management and Budget, 75 Park Place, 6th Floor, New York, NY 10007. The State assumes no liability or responsibility for any financial information reported by The City of New York. The following table summarizes the debt of New York City.

**DEBT OF NEW YORK CITY
AS OF JUNE 30 OF EACH YEAR
(millions of dollars)**

Year	General			Obligations of STAR Corp. (2)	Obligations of TSASC, Inc.	HYIC (3)	Other(4) Obligations	Treasury Obligations	Total
	Obligation Bonds	Obligations of TFA (1)	Obligations of MAC						
1980	6,179	---	6,116	---	---	---	995	(295)	12,995
1990	13,499	---	7,122	---	---	---	1,077	(1,671)	20,027
1995	24,992	---	4,882	---	---	---	1,299	(1,243)	29,930
1996	26,627	---	4,724	---	---	---	1,394	(1,122)	31,623
1997	27,549	---	4,424	---	---	---	1,464	(391)	33,046
1998	27,310	2,150	4,066	---	---	---	1,529	(365)	34,690
1999	27,834	4,150	3,832	---	---	---	1,835	(299)	37,352
2000	27,245	6,438 (5)	3,532	---	709	---	2,065	(230)	39,759
2001	27,147	7,386	3,217	---	704	---	2,019	(168)	40,305
2002	28,465	10,489 (6)	2,880	---	740	---	2,463	(116)	44,921
2003	29,679	13,134 (7)	2,151	---	1,258	---	2,328	(64)	48,486
2004	31,378	13,364	1,758	---	1,256	---	2,561	(52)	50,265
2005	33,903	12,977	---	2,551	1,283	---	3,746	(39)	54,421
2006	35,844	12,233	---	2,470	1,334	---	3,500	---	55,381
2007	34,506	14,607	---	2,368	1,317	2,100	3,394	---	58,292
2008	36,100	14,828	---	2,339	1,297	2,067	2,556	---	59,187
2009	39,991	16,913	---	2,253	1,274	2,033	2,442	---	64,906
2010	41,555	20,094	---	2,178	1,265	2,000	2,402	---	69,494

Source: Office of the State Comptroller.

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

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

(3) Includes a \$100 million obligation to the MTA, which has been fully paid as of June 30, 2010.

(4) Includes bonds issued by the Fiscal Year 2005 Securitization Corporation, the Industrial Development Agency and the Samurai Funding Corporation. 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.

(5) Includes \$515 million of bond anticipation notes issued to finance the City's capital expenditures.

(6) Includes \$2.2 billion of bond anticipation notes used to finance the City's capital expenditures in the amount of \$1.2 billion and Recovery notes for costs related to and arising from events on September 11, 2001 at the World Trade Center in the amount of \$1 billion.

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

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

OTHER LOCALITIES

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing has become more common in recent years. Between 2004 and July 2010, the State Legislature authorized 21 bond issuances to finance local government operating deficits. There were four new or additional deficit financing authorizations during 2009-2010. Furthermore, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality. The Buffalo Fiscal Stability Authority has exercised Control Period powers with respect to the City of Buffalo since the City's 2003-04 fiscal year, but may transition to Advisory Period powers during the City's 2011-12 fiscal year. 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 the County will incur a major operating funds deficit of 1% or more during the County's 2011 fiscal year. Nassau County has commenced a lawsuit challenging NIFA's determination and authority to impose a Control Period. Erie County as well as the cities of New York and Troy have fiscal stability boards exercising Advisory Period powers. The City of Yonkers no longer operates under an oversight board but must adhere to a separate fiscal agent act. The City of Newburgh will operate under fiscal monitoring by the State Comptroller. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's 2010-11 fiscal year or thereafter.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control. Such changes may adversely affect the financial condition of certain local governments. For example, the State or Federal government may reduce (or in some cases eliminate) funding of some local programs or disallow certain claims which, in turn, may require local governments to fund these expenditures from their own resources. The expected loss of temporary Federal stimulus funding in 2011 will particularly impact counties and school districts in New York State. The State's cashflow problems have resulted in delays to the payment of State aid, and in some cases, have necessitated borrowing by the localities. Similarly, some State policymakers have expressed interest in implementing a property tax cap for local governments. Adoption of a property tax cap would affect the amount of property tax revenue available for local government purposes and could adversely affect their operations, particularly those that are heavily dependent on property tax revenue such as school districts. Changes to sales tax distributions resulting from the 2010 Federal population census may also have a material impact on certain local governments. 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. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, declines in the real property tax base, increasing pension, health care and other fixed costs, and the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate requests for State assistance.

LITIGATION AND ARBITRATION

REAL PROPERTY CLAIMS

In *Oneida Indian Nation of New York v. State of New York*, 74-CV-187 (NDNY), the alleged successors-in-interest to the historic Oneida Indian Nation seek 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 beginning in 1795 and ending in 1846, and ejection of the State and Madison and Oneida Counties from all publicly-held lands in the claim area. This case remained dormant while the Oneidas pursued an earlier action which sought limited relief relating to a single 1795 transaction and the parties engaged in intermittent, but unsuccessful, efforts to reach a settlement. In 1998, the United States filed a complaint in intervention in *Oneida Indian Nation of New York*. In December 1998, both the United States and the tribal plaintiffs moved for leave to amend their complaints to assert claims for 250,000 acres, including both monetary damages and ejection, to add the State as a defendant, and to certify a class made up of all individuals who currently purport to hold title within the affected 250,000 acre area. On September 25, 2000, the District Court granted the motion to amend the complaint to the extent that it sought to add the State as a defendant and to assert money damages with respect to the 250,000 acres and denied the motion to certify a class of individual landowners and to seek the remedy of ejection.

In a decision dated March 29, 2002, the District Court granted, in part, plaintiffs' motion to strike the State's defenses and counterclaims. The District Court also denied the State's motion to dismiss for failure to join indispensable parties.

Further efforts at settlement of this action failed to reach a successful outcome. While such discussions were underway, two 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*, 126 S.Ct. 2021, 2022 (2006). Taken together, these cases have made clear that the equitable doctrines of laches, acquiescence, and impossibility can bar ancient land claims. These decisions prompted the District Court to reassess its 2002 decision, which in part had struck such defenses, and to permit the filing of a motion for summary judgment predicated on the *Sherrill* and *Cayuga* holdings. On August 11, 2006, the defendants moved for summary judgment dismissing the action, based on the defenses of laches, acquiescence, and impossibility. By order dated May 21, 2007, the District Court dismissed plaintiffs' claims to the extent that they asserted a possessory interest, but permitted plaintiffs to pursue a claim seeking the difference between the amount paid and the fair market value of the lands at the time of the transaction. The District Court certified the May 21, 2007 order for interlocutory appeal and, on July 13, 2007, the Second Circuit granted motions by both sides seeking leave to pursue interlocutory appeals of that order. On August 9, 2010, the Circuit Court rendered a decision which affirmed the summary judgment order insofar as it dismissed the *Oneida* land claim and reversed it insofar as it would have allowed plaintiffs to pursue a fair compensation claim against the State. *Oneida Indian Nation et al v. County of Oneida et al*, 617 F.3d 114 (2d Cir. 2010). This decision mandates dismissal of the *Oneida* land claim. The U.S. and the Oneidas filed an application for *en banc* review before the Second Circuit on October 21, 2010, which was denied on December 16, 2010. The plaintiffs would have had until March 16, 2011 to apply for a writ of certiorari before the Supreme Court, but have applied for a 30-day extension.

Other Indian land claims include *Canadian St. Regis Band of Mohawk Indians, et al., v. State of New York, et al.*, and *The Onondaga Nation v. The State of New York, et al.* both pending in the United States District Court for the Northern District of New York.

In the *Canadian St. Regis Band of Mohawk Indians* case, plaintiffs seek ejectment and monetary damages with respect to their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. By decision dated July 28, 2003, the District Court granted, in most respects, a motion by plaintiffs to strike defenses and dismiss counterclaims contained in defendants' answers. By decision dated October 20, 2003, the District Court denied the State's motion for reconsideration of that portion of the July 28, 2003 decision which struck a counterclaim against the United States for contribution. On February 10, 2006, after renewed efforts at settlement failed to resolve this action, and recognizing the potential significance of the *Sherrill* and *Cayuga* appeals, the District Court stayed all further proceedings in this case until 45 days after the United States Supreme Court issued a final decision in the *Cayuga Indian Nation of New York* Case. On November 6, 2006, after certiorari was denied in *Cayuga*, the defendants moved for judgment on the pleadings. On April 16, 2008, the District Court issued an order staying the case until a decision is rendered with respect to the appeal in the *Oneida* case. Once the *Oneida* decision was rendered, supplemental briefs were filed on February 7, 2011. Reply briefs were filed on March 9, 2011.

In *The Onondaga Nation v. The State of New York, et al.*, plaintiff seeks a judgment declaring that certain lands allegedly constituting the aboriginal territory of the Onondaga Nation within the State are the property of the Onondaga Nation and the Haudenosaunee, or "Six Nations Iroquois Confederacy," and that conveyances of portions of that land pursuant to treaties during the period 1788 to 1822 are null and void. The "aboriginal territory" described in the complaint consists of an area or strip of land running generally north and south from the St. Lawrence River in the north, along the east side of Lake Ontario, and south as far as the Pennsylvania border, varying in width from about 10 miles to more than 40 miles, including the area constituting the City of Syracuse. On August 15, 2006, based on *Sherrill* and *Cayuga*, the defendants moved for an order dismissing this action, based on laches. On September 22, 2010, the Court granted this motion. It is now on appeal before the Second Circuit.

Cayuga Indian Nation of New York, et al. v Pataki, et al., USDC, NDNY, 80-CV-930 (McCurn, DJ) (2d Cir. [02-6111]) involved approximately 64,000 acres in Seneca and Cayuga Counties surrounding the northern portion of Cayuga Lake that the historic Cayuga Nation sold to the State in 1795 and 1807 in alleged violation of the Nonintercourse Act ("NIA") (first enacted in 1790 and now codified at 25 U.S.C. § 177) because the transactions were not held under federal supervision, and were not formally ratified by the United States Senate and proclaimed by the President. After two lengthy trials, in 2001 the District Court denied ejectment as a remedy, and rendered a judgment against the State for damages and prejudgment interest in the net amount of \$250 million. The State appealed. The tribal plaintiffs (but not the U.S.) cross-appealed, seeking ejectment of all of the present day occupants of the land in the 64,000 acre claim area and approximately \$1.5 billion in additional prejudgment interest.

On June 28, 2005, the Second Circuit reversed and entered judgment dismissing the Cayuga action, based upon the intervening Supreme Court decision in *Oneida Indian Nation v. City of Sherrill*, 544 U.S. 197 (2005) which held (in the context of a property tax dispute involving a parcel that the tribe had purchased in fee within the Oneida claim area) that disruptive claims of Indian sovereignty could be barred by equitable defenses, including laches, acquiescence and impossibility. *Cayuga Indian Nation v. Pataki*, 413 F.3d 266 (2d Cir. 2005). The Second Circuit concluded that the same equitable considerations that the Supreme Court relied on in *City of Sherrill* applied to the Cayugas' possessory claim and required dismissal of the entire lawsuit, including plaintiffs' claim for money damages and their claim for ejectment. The Court also held that the United States' complaint-in-intervention was barred by laches. The Supreme Court denied certiorari in *Cayuga* on May 15, 2006. 126 S. Ct. 2021, 2022.

This case was closed but recently became active when the Cayuga plaintiffs filed a FRCP 60(b)(6) motion to have the judgment vacated. Along with this motion a letter was sent to Judge McCurn's chamber seeking a stay of the 60 (b)(6) motion until after the Second Circuit decides the appeal in the *Oneida* Land Claim case. The motion is premised on Judge Kahn's ruling in *Oneida*, discussed above, that in spite of the Second Circuit decision in *Cayuga*, the tribe may proceed to prove a non-possessory claim for unjust compensation against the State defendant. By stipulation of the parties, so-ordered by Judge McCurn, further briefing on the Cayugas' motion for relief from judgment was suspended, pending the outcome of the *Oneida* appeal. That stay was recently lifted in light of the August 9, 2010 *Oneida* decision, and further briefing regarding the pending Rule 60(b) motion was filed on September 10, 2010.

On January 6, 2011, the Court denied the Rule 60(b) motion. Plaintiff's time to appeal expired on March 6, 2011.

METROPOLITAN TRANSPORTATION

In *Hampton Transportation Ventures, Inc. et al. v. Silver et al. (Sup. Ct., Suffolk Co.)*, and other similar cases, including *William Floyd Union Free School District v. State (Sup. Ct., Suffolk Co.)*, *Town of Brookhaven v. Silver, et al. (Sup. Ct., Suffolk Co.)*, *Town of Southampton and Town of Southold v. Silver (Sup. Ct. Suffolk Co.)*, *Town of Huntington v. Silver (Sup. Ct. Suffolk Co.)*, *Town of Smithtown v. Silver (Sup. Ct. Suffolk Co.)*, *Mangano v. Silver (Sup. Ct. Nassau Co.)* and *Vanderhoef v. Silver (now in Sup. Ct. Albany Co.)*, plaintiffs challenge the constitutionality of 2009 Laws of New York chapter 25, which imposed certain taxes and fees, including a regional payroll tax, in the Metropolitan Commuter Transportation District, the revenue from which is directed to the Metropolitan Transportation Authority. Plaintiffs seek a judgment declaring that enactment of chapter 25 violated State constitutional provisions relating to the need for a home rule message, supermajority requirements for enactment of special or local laws, single purpose appropriation bills, and liability for the debts of public authorities. Plaintiffs also seek a judgment declaring that enactment of chapter 25 violated provisions of the Public Authority Law § 1266 requiring that the Metropolitan Transportation Authority be self-sustaining.

With the consent of the plaintiff (the County Executive of Rockland County), the Vanderhoef case was transferred to Albany County from Rockland County and the defendants have moved for judgment in their favor. By order of the Supreme Court, Albany County, the *Huntington* case has been transferred from Albany County to Suffolk County, from which order the plaintiff is appealing, and the state defendants have moved for judgment in their favor. Also by order of the Supreme Court, Albany County, the *William Floyd* case is to be transferred to New York County from Suffolk County. Defendants in each of the other cases have moved to change the venue of their respective cases to Albany County or New York County. A number of additional towns and a village in various counties, Suffolk County and the Orange County Chamber of Commerce have joined the Mangano case as plaintiffs.

SCHOOL AID

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

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

On January 14, 2011, the Court issued a joint order and decision dismissing both actions as moot because of the payments made after the commencement of the actions. On February 25, 2011, plaintiffs appealed to the Appellate Division, Third Department.

In *Hussein v. State of New York*, plaintiffs seek a judgment declaring that the State's system of financing public education violates section 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education. In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. The State has appealed this denial to the Appellate Division, Third Department. On January 13, 2011, the Appellate Division, Third Department, affirmed the denial of the motion to dismiss. Defendants have until March 25, 2011 to seek leave to appeal to the Court of Appeals.

REPRESENTATIVE PAYEES

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

The first named claimant initially sought benefits on her own behalf as well as certification of a class of claimants. However, the class claims were dismissed by the Court of Claims on February 10, 2010 for failure to comply with Court of Claims Act § 11(b), which provides that a claim must state when and where the claim arose, the nature of the claim, the items of damage, and the total sum claimed. On March 18, 2010, claimants filed a notice of appeal.

On June 4, 2010, the State moved for summary judgment against the individual claims on various grounds. By decision and order dated September 27, 2010, the Court of Claims (Ruderman, J.), granted

the State's motion for summary judgment and dismissed the individual claims. The Court held that the state statutes relied on by claimants do not apply to Social Security benefits and that executive directors of OMH facilities are acting properly in accordance with the Social Security Act and applicable federal regulations. Claimants served a notice of appeal on November 23, 2010.

SALES TAX

In *Oneida Indian Nation of New York v. Paterson, et al.* (and four consolidated cases), the tribal plaintiffs seek judgments declaring that Chapters 134 and 136 of the Laws of 2010, which enacted amendments to the Tax Law regarding collection of excise taxes on reservation cigarette sales to non-tribal members, violate their rights under Federal law, and enjoining the State from enforcing those laws. In four of the five cases, the District Court for the Western District of New York denied plaintiffs' motions for preliminary injunctions but granted a stay of enforcement pending plaintiffs' appeal. In the fifth case, the District Court for the Northern District of New York granted the plaintiff's motion for a preliminary injunction. On December 9, 2010, the Second Circuit denied defendants' motion to vacate the injunctions pending appeal. The Second Circuit will hear argument on the preliminary injunction appeals on March 15, 2011.

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

The plaintiffs in *Day Wholesale* appealed. On September 14, 2010 the Appellate Division, Fourth Department denied plaintiffs' motion for a preliminary injunction pending appeal.

On February 10, 2011, the Seneca Nation of Indians commenced *Seneca Nation of Indians v. State of New York, et al.*, in Supreme Court, Erie County, challenging the promulgation of regulations to implement the statutory voucher system intend to enable the State to collect taxes on certain sales of cigarettes on Indian reservations. Plaintiffs seek declaratory judgment that the regulations are void, a temporary and permanent injunction against enforcing both the regulations and the statutory provisions authorizing the voucher system.

BOTTLE BILL LITIGATION

In *International Bottled Water Association, et al. v. Paterson, et al.*, plaintiffs seek declaratory and injunctive relief declaring that certain amendments to the State's Bottle Bill enacted on April 7, 2009 as part of the 2009-2010 budget violate the due process clause, the equal protection clause and the commerce clause of the United States Constitution. On May 27, 2009, the United States District Court for the Southern District of New York issued a preliminary injunction staying the June 1, 2009 effective date of the amendments to the Bottle Bill and declared that the section of the amendments which requires that the plaintiffs and other beverage manufacturers and distributors place a unique New York-exclusive universal product code on all bottles covered by the law that are offered for sale in the State violates the commerce clause of the United States Constitution. By order entered May 29, 2009 that superseded the above-referenced May 27, 2009 preliminary injunction, the district court granted a preliminary injunction that (1) enjoined the State from implementing or enforcing the New-York exclusive universal product code provision of the Bottle Bill and (2) enjoined the State from implementing or enforcing any and all

other amendments to the Bottle Bill signed into law on April 7, 2009, until April 1, 2010, to allow persons subject to the amendments sufficient time to comply with the law's requirements.

The State defendants moved to modify the preliminary injunction. On August 13, 2009 the Court modified the injunction so that its provisions applied only to water bottles, stating that the injunction would dissolve by October 22, 2009 unless the bottlers showed cause that due process required that the injunction should continue. On October 23, 2009, after reviewing the parties' submissions, the Court lifted the injunction, allowing most parts of the State law requiring a five cent deposit on water bottles to take effect October 31, 2009. The Court's decision, however, permanently enjoined the State from implementing a provision that required water bottles to bear a New York-exclusive universal product code on each bottle.

On March 22, 2010, the Court endorsed stipulated final judgments making final the permanent injunction on the New York-exclusive UPC provisions and lifting the preliminary injunctions in the August 13, 2009 and October 23, 2009 orders. On March 23, 2010, the Court endorsed plaintiffs' voluntary dismissal of all remaining claims, including their challenge to the Sugar Water Exemption. An interlocutory appeal by a non-party to the Second Circuit challenging a September 14, 2009 clarification order that the August 13, 2009 order lifting the preliminary injunction as to all non-bottled water products was not intended to be retroactive has been dismissed. Negotiations over plaintiffs' attorney fees have been completed.

CIVIL SERVICE LITIGATION

In *Simpson v. New York State Department of Civil Service et ano.*, plaintiffs have brought a class action under 42 U.S.C 2000d et seq., claiming that a civil service test administered between 1996 and 2006 resulted in a disparate impact upon the class. This case was settled on December 29, 2010, for \$45 million in damages and fees, payable in four equal annual installments, starting on or about April 1, 2001 or upon passage of the State budget. Class members must opt out by April 1, 2011 and a fairness hearing is scheduled for April 15, 2011.

PUBLIC FINANCE

In *Bordeleau et al. v. State of New York, et al.*, a group of 50 individuals filed a complaint in the Supreme Court, Albany County, asking the court to enjoin certain expenditures of State funds and declare them to be illegal under the New York State Constitution. In particular, the plaintiffs claim that the State budget appropriates funds for grants to private corporations, allegedly in violation of Article VII, § 8, paragraph 1 of the Constitution, which provides that "money of the state shall not be given or loaned to or in aid of any private corporation or association, or private undertaking," except for certain specified exceptions. The plaintiffs also claim that because the State budget provides, in part, that some appropriated funds will be used "in accordance with a memorandum of understanding entered into between the governor, majority leader of the senate and the speaker of the assembly, or their designees," the Senate and Assembly have "improperly delegated their legislative powers" in violation of Article VII, § 7, which provides that every law making an appropriation "shall distinctly specify the sum appropriated, and the object or purpose to which it is to be applied."

In addition to the State defendants, the complaint names as defendants certain public authorities and private corporations that are claimed to be recipients of the allegedly illegal appropriations. The State defendants and several other defendants moved to dismiss the complaint for failure to state a cause of action, for failure to join certain necessary parties, and for lack of a justiciable controversy. In a decision

and order dated February 27, 2009, Supreme Court, Albany County, granted the motion to dismiss the complaint, finding no violation of either Article VII, § 7, or Article VII, § 8. The court concluded that the challenged appropriations were valid expenditures for public purposes and not “gifts” prohibited under Article VII, § 8. The court also rejected the appellant’s challenge to the reference in the budget to a memorandum of understanding, relying on that Court’s holding in *Saxton v. Carey*, 44 N.Y.2d 545 (1978), that the degree of itemization required under Article VII, § 7 is to be determined by the Legislature, not the courts.

The plaintiffs appealed from the dismissal of the complaint. On June 24, 2010, the Appellate Division reversed the order of Supreme Court to the extent it dismissed the plaintiffs’ cause of action under Article VII, § 8 and affirmed the order to the extent it dismissed the plaintiffs’ cause of action under Article VII, § 7, and remitted the case to Supreme Court for further proceedings. The defendants moved for reargument or, in the alternative, leave to appeal to the Court of Appeals from the portion of the Appellate Division’s order that reversed Supreme Court’s dismissal of the cause of action under Article VII, § 8. The Appellate Division denied reargument but granted leave to appeal to the Court of Appeals on the question of whether the Appellate Division erred by reversing the dismissal of the plaintiffs’ cause of action under Article VII, § 8. The appeal to the Court of Appeals is pending.

PERSONAL INJURY CLAIMS

In *Watson v. State* (Court of Claims) claimants seek damages arising out of a motor vehicle accident in which four members of a family were injured. On February 2, 2010, the Court of Claims granted summary judgment on the issue of liability to claimants. Pursuant to negotiations among the parties, all claims were settled on February 8, 2011. Infant compromise and Surrogate’s Court proceedings still remain to be scheduled before the matter can be closed.

EMINENT DOMAIN

In *Gyrodine v. State of New York* (Court of Claims), claimant seeks compensation under the Eminent Domain Procedures Law in connection with the appropriation by the State of 245 acres of land in connection with the expansion of SUNY Stony Brook. By decision dated June 21, 2010, the Court of Claims awarded claimant \$125 million as compensation for the appropriation. On September 13, 2010, the State appealed from the decision.

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 to the extent that the assessments include amounts for items that are not direct expenses of the Insurance Department. The State filed its answer on May 4, 2010.

On June 9, 2010, the State filed a motion for summary judgment. By decision dated March 10, 2011, plaintiffs’ motion for permission to conduct discovery prior to responding to the State’s motion for summary judgment was granted.

TOBACCO MASTER SETTLEMENT AGREEMENT (MSA)

In *Freedom Holdings Inc. et al. v. Spitzer et ano.*, two cigarette importers brought an action in 2002 challenging portions of laws enacted by the State under the 1998 Tobacco Master Settlement Agreement (MSA) that New York and many other states entered into with the major tobacco manufacturers. The initial complaint alleged: (1) violations of the Commerce Clause of the United States Constitution; (2) the establishment of an “output cartel” in conflict with the Sherman Act; and (3) selective nonenforcement of the laws on Native American reservations in violation of the Equal Protection Clause of the United States Constitution. The United States District Court for the Southern District of New York granted defendants’ motion to dismiss the complaint for failure to state a cause of action. Plaintiffs appealed from this dismissal. In an opinion dated January 6, 2004, the United States Court of Appeals for the Second Circuit (1) affirmed the dismissal of the Commerce Clause claim; (2) reversed the dismissal of the Sherman Act claim; and (3) remanded the selective enforcement claim to the District Court for further proceedings. Plaintiffs have filed an amended complaint that also challenges the MSA itself (as well as other related State statutes) primarily on preemption grounds. On September 14, 2004, the District Court denied all aspects of plaintiffs’ motion for a preliminary injunction, except that portion of the motion relating to the ability of tobacco manufacturers to obtain the release of certain funds from escrow. Plaintiffs have appealed from the denial of the remainder of the motion to the United States Court of Appeals for the Second Circuit. In May 2005, the Second Circuit affirmed the denial of the preliminary injunction. In December 2006, the motions and cross-motions of the parties for summary judgment were fully submitted to the District Court. By order dated July 7, 2008, the District Court requested updated statistical information and other information needed to resolve certain material questions. Following an evidentiary hearing, by December 15, 2008 order summarizing a preliminary decision, the District Court dismissed all of plaintiff’s claims. On January 12, 2009, the Court issued its opinion and order granting judgment dismissing the complaint. Plaintiff appealed to the Second Circuit. On October 18, 2010, the Second Circuit affirmed the decision.

In *Grand River Ent. v. King*, a cigarette importer raised the same claims as those brought by the plaintiffs in *Freedom Holdings*, in a suit against the attorneys general of thirty states, including New York’s. The parties have cross-moved for summary judgment in the United States District Court for the Southern District of New York; oral argument was held on April 27, 2010 and the parties are awaiting Judge Keenan’s decision.

MSA ARBITRATION

Each year in perpetuity, under the MSA between tobacco manufacturers who are party to the MSA (“PMs”) and 46 settling states, plus some territories and the District of Columbia, (collectively the “Settling States”) the PMs pay the Settling States a base payment to compensate for financial harm suffered by the Settling States due to smoking-related illness. New York’s allocable share of the total payment is approximately 12.8% of the total, or approximately \$800 million annually. 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 (“NPMs”) to deposit in escrow an amount roughly equal to the amount that the PMs pay per pack sold. The PMs have brought a nationwide arbitration against the Settling States (excluding Montana) asserting that those States failed to diligently enforce their respective escrow statutes in 2003. Any such claim for the years prior to 2003 were settled in 2003. The PMs are making the same claim for years 2004-2006, but none of those years are yet in arbitration. The full panel of arbitrators, all of whom are retired Art. III federal judges, has been selected.

An Administrative Conference was held on July 20, 2010; the Initial Conference took place in Chicago on October 5, 2010; at the next hearing, on December 6, 2010, also in Chicago, several preliminary legal issues were argued; on January 28, 2011 a discovery conference was held in San Francisco. The Panel has ruled that the States have the burden of proof in establishing diligent enforcement and also ruled against the States, finding that the 2003 settlements (which settled NPM Adjustment disputes for 1999-2002) do not preclude the PMs from basing their claim for a 2003 NPM Adjustment on 2002 NPM sales. Further, they have denied the States' request to have the issue of "units sold" briefed and decided as a purely legal preliminary issue. The parties are now engaged in extensive discovery. The next hearing will be held in Chicago on April 12, 2011.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**CASH FINANCIAL PLAN
GENERAL FUND
2010-2011
(millions of dollars)**

	<u>Mid-Year</u>	<u>Change</u>	<u>Exec. (Amended)</u>
Opening Fund Balance	2,302	0	2,302
Receipts:			
Taxes:			
Personal Income Tax	24,148	(599)	23,549
User Taxes and Fees	8,736	39	8,775
Business Taxes	5,783	(119)	5,664
Other Taxes	1,034	165	1,199
Miscellaneous Receipts	2,861	222	3,083
Federal Receipts	60	0	60
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	7,771	(239)	7,532
Sales Tax in Excess of LGAC Debt Service	2,298	30	2,328
Real Estate Taxes in Excess of CW/CA Debt Service	332	2	334
All Other	1,491	89	1,580
Total receipts	<u>54,514</u>	<u>(410)</u>	<u>54,104</u>
Disbursements:			
Local Assistance Grants	37,748	(502)	37,246
Departmental Operations:			
Personal Service	6,189	72	6,261
Non-Personal Service	1,949	(164)	1,785
General State Charges	4,119	(8)	4,111
Transfers to Other Funds:			
Debt Service	1,650	(61)	1,589
Capital Projects	878	(39)	839
State Share Medicaid	2,435	0	2,435
Other Purposes	778	5	783
Total Disbursements	<u>55,746</u>	<u>(697)</u>	<u>55,049</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>(1,232)</u>	<u>287</u>	<u>(945)</u>
Closing Fund Balance	<u>1,385</u>	<u>(28)</u>	<u>1,357</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
2011-2012
(millions of dollars)**

	<u>Mid-Year</u>	<u>Change</u>	<u>Reclasses</u>	<u>Base</u>
Opening Fund Balance	1,385	(28)	0	1,357
Receipts:				
Taxes:				
Personal Income Tax	26,040	(585)		25,455
User Taxes and Fees	9,035	86		9,121
Business Taxes	6,452	(367)		6,085
Other Taxes	989	41		1,030
Miscellaneous Receipts	2,821	(66)		2,755
Federal Receipts	60	0		60
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,151	(195)		7,956
Sales Tax in Excess of LGAC Debt Service	2,363	44		2,407
Real Estate Taxes in Excess of CW/CA Debt Service	354	40		394
All Other	792	(324)	(133)	335
Total receipts	<u>57,057</u>	<u>(1,326)</u>	<u>(133)</u>	<u>55,598</u>
Disbursements:				
Local Assistance Grants	46,012	(342)	25	45,695
Departmental Operations:				
Personal Service	6,659	(122)	(346)	6,191
Non-Personal Service	2,090	(43)		2,047
General State Charges	4,583	75		4,658
Transfers to Other Funds:				
Debt Service	1,766	14		1,780
Capital Projects	1,197	(40)		1,157
State Share Medicaid	3,013	0		3,013
Other Purposes	811	153	(158)	806
Total Disbursements	<u>66,131</u>	<u>(305)</u>	<u>(479)</u>	<u>65,347</u>
Change in Reserve				
Community Project Fund	48	46		94
Prior Labor Agreement	0		(346)	(346)
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>(9,026)</u>	<u>(975)</u>	<u>0</u>	<u>(10,001)</u>

Source: NYS DOB

Reclassifications reflect 1) the accounting of retroactive labor settlements as a reserve, rather than as spending, which has the effect of reducing disbursements, and increasing the projected closing balance in the General Fund and 2) the reclassification of mental hygiene activity from receipts to disbursements, which has no impact on net operating results.

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

	<u>2010-2011 Revised</u>	<u>2011-2012 Exec. (Amended)</u>	<u>Annual \$ Change</u>	<u>Annual % Change</u>
Opening Fund Balance	<u>2,302</u>	<u>1,357</u>	<u>(945)</u>	<u>-41.1%</u>
Receipts:				
Taxes:				
Personal Income Tax	23,549	25,701	2,152	9.1%
User Taxes and Fees	8,775	9,153	378	4.3%
Business Taxes	5,664	6,101	437	7.7%
Other Taxes	1,199	1,030	(169)	-14.1%
Miscellaneous Receipts	3,083	3,088	5	0.2%
Federal Receipts	60	60	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	7,532	8,008	476	6.3%
Sales Tax in Excess of LGAC Debt Service	2,328	2,418	90	3.9%
Real Estate Taxes in Excess of CW/CA Debt Service	334	394	60	18.0%
All Other Transfers	1,580	1,065	(515)	-32.6%
Total Receipts	<u>54,104</u>	<u>57,018</u>	<u>2,914</u>	<u>5.4%</u>
Disbursements:				
Local Assistance Grants	37,246	38,333	1,087	2.9%
Departmental Operations:				
Personal Service	6,261	5,647	(614)	-9.8%
Non-Personal Service	1,785	1,864	79	4.4%
General State Charges	4,111	4,658	547	13.3%
Transfers to Other Funds:				
Debt Service	1,589	1,615	26	1.6%
Capital Projects	839	895	56	6.7%
State Share Medicaid	2,435	3,032	597	24.5%
Other Purposes	783	722	(61)	-7.8%
Total Disbursements	<u>55,049</u>	<u>56,766</u>	<u>1,717</u>	<u>3.1%</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>(945)</u>	<u>252</u>	<u>1,197</u>	<u>-126.7%</u>
Closing Fund Balance	<u>1,357</u>	<u>1,609</u>	<u>252</u>	<u>18.6%</u>
Statutory Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	94	0	(94)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	0	346	346	
Debt Management	36	36	0	

Source: NYS DOB

**CASH FINANCIAL PLAN
GENERAL FUND
2011-2012 through 2014-2015
(millions of dollars)**

	<u>2011-2012 Exec. (Amended)</u>	<u>2012-2013 Projected</u>	<u>2013-2014 Projected</u>	<u>2014-2015 Projected</u>
Receipts:				
Taxes:				
Personal Income Tax	25,701	25,871	27,361	28,510
User Taxes and Fees	9,153	9,386	9,754	10,113
Business Taxes	6,101	6,422	6,717	6,186
Other Taxes	1,030	1,075	1,135	1,195
Miscellaneous Receipts	3,088	2,827	2,406	1,976
Federal Receipts	60	60	60	60
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,008	7,863	8,318	8,653
Sales Tax in Excess of LGAC Debt Service	2,418	2,495	2,629	2,741
Real Estate Taxes in Excess of CW/CA Debt Service	394	479	580	653
All Other Transfers	1,065	757	660	656
Total Receipts	<u>57,018</u>	<u>57,235</u>	<u>59,620</u>	<u>60,743</u>
Disbursements:				
Local Assistance Grants	38,333	39,329	41,257	43,177
Departmental Operations:				
Personal Service	5,647	5,866	5,973	6,141
Non-personal Service	1,864	2,225	2,087	2,214
General State Charges	4,658	5,119	5,477	5,650
Transfers to Other Funds:				
Debt Service	1,615	1,722	1,668	1,576
Capital Projects	895	1,186	1,350	1,449
State Share Medicaid	3,032	3,119	3,082	3,082
Other Purposes	722	725	1,047	1,680
Total Disbursements	<u>56,766</u>	<u>59,291</u>	<u>61,941</u>	<u>64,969</u>
Reserves:				
Community Projects Fund	(94)	0	0	0
Prior-Year Labor Agreements (2007-2011)	346	142	142	142
Increase (Decrease) in Reserves	<u>252</u>	<u>142</u>	<u>142</u>	<u>142</u>
Excess (Deficiency) of Receipts Over Disbursements and Reserves	<u>0</u>	<u>(2,198)</u>	<u>(2,463)</u>	<u>(4,368)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
RESTATED TOTALS
2010-2011
(millions of dollars)**

	<u>Mid-Year</u>	<u>Amount Restated</u>	<u>Restated Mid-Year</u>	<u>Change</u>	<u>Executive (Amended)</u>
Opening Fund Balance	4,669	95	4,764	47	4,811
Receipts:					
Taxes	60,124	(1)	60,123	(658)	59,465
Miscellaneous Receipts	18,638	8	18,646	685	19,331
Federal Receipts	119	0	119	2	121
Total Receipts	<u>78,881</u>	<u>7</u>	<u>78,888</u>	<u>29</u>	<u>78,917</u>
Disbursements:					
Local Assistance Grants	55,759	589	56,348	(616)	55,732
Departmental Operations:					
Personal Service	10,270	2,057	12,327	135	12,462
Non-Personal Service	4,613	705	5,318	(91)	5,227
General State Charges	5,146	895	6,041	15	6,056
Debt Service	5,471	0	5,471	14	5,485
Capital Projects	2	0	2	0	2
Total Disbursements	<u>81,261</u>	<u>4,246</u>	<u>85,507</u>	<u>(543)</u>	<u>84,964</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	22,884	4,157	27,041	(1,051)	25,990
Transfers to Other Funds	(22,059)	61	(21,998)	1,044	(20,954)
Bond and Note Proceeds	0	0	0	0	0
Net Other Financing Sources (Uses)	<u>825</u>	<u>4,218</u>	<u>5,043</u>	<u>(7)</u>	<u>5,036</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>(1,555)</u>	<u>(21)</u>	<u>(1,576)</u>	<u>565</u>	<u>(1,011)</u>
Closing Fund Balance	<u>3,114</u>	<u>74</u>	<u>3,188</u>	<u>612</u>	<u>3,800</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2011-2012
(millions of dollars)**

	<u>Mid-Year</u>	<u>Amount Restated</u>	<u>Restated Mid-Year</u>	<u>Change</u>	<u>Revised Base</u>	<u>Proposed Changes</u>	<u>Executive (Amended)</u>
Opening Fund Balance	2,044	1,145	3,189	146	3,335	465	3,800
Receipts:							
Taxes	64,163	0	64,163	(992)	63,171	220	63,391
Miscellaneous Receipts	18,486	7	18,493	77	18,570	852	19,422
Federal Receipts	132	0	132	8	140	0	140
Total Receipts	<u>82,781</u>	<u>7</u>	<u>82,788</u>	<u>(907)</u>	<u>81,881</u>	<u>1,072</u>	<u>82,953</u>
Disbursements:							
Local Assistance Grants	64,475	596	65,071	(562)	64,509	(7,214)	57,295
Departmental Operations:							
Personal Service	11,260	1,612	12,872	(387)	12,485	(768)	11,717
Non-Personal Service	4,790	712	5,502	(201)	5,301	(188)	5,113
General State Charges	5,749	779	6,528	192	6,720	(191)	6,529
Debt Service	6,039	0	6,039	(9)	6,030	(9)	6,021
Capital Projects	2	0	2	0	2	0	2
Total Disbursements	<u>92,315</u>	<u>3,699</u>	<u>96,014</u>	<u>(967)</u>	<u>95,047</u>	<u>(8,370)</u>	<u>86,677</u>
Other Financing Sources (Uses):							
Transfers from Other Funds	22,882	3,687	26,569	(609)	25,960	(80)	25,880
Transfers to Other Funds	(22,488)	8	(22,480)	600	(21,880)	367	(21,513)
Bond and Note Proceeds	0	0	0	0	0	0	0
Net Other Financing Sources (Uses)	<u>394</u>	<u>3,695</u>	<u>4,089</u>	<u>(9)</u>	<u>4,080</u>	<u>287</u>	<u>4,367</u>
Deposit to/(use of) Reserves	<u>(48)</u>	<u>48</u>	<u>0</u>	<u>(346)</u>	<u>(346)</u>	<u>346</u>	<u>0</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>(9,092)</u>	<u>(45)</u>	<u>(9,137)</u>	<u>397</u>	<u>(9,432)</u>	<u>10,075</u>	<u>643</u>
Closing Fund Balance	<u>(7,048)</u>	<u>1,100</u>	<u>(5,948)</u>	<u>543</u>	<u>(6,097)</u>	<u>10,540</u>	<u>4,443</u>

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2010-2011
(millions of dollars)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
Opening Fund Balance	<u>2,302</u>	<u>2,099</u>	<u>410</u>	<u>4,811</u>
Receipts:				
Taxes	39,187	8,192	12,086	59,465
Miscellaneous Receipts	3,083	15,341	907	19,331
Federal Receipts	60	1	60	121
Total Receipts	<u>42,330</u>	<u>23,534</u>	<u>13,053</u>	<u>78,917</u>
Disbursements:				
Local Assistance Grants	37,246	18,486	0	55,732
Departmental Operations:				
Personal Service	6,261	6,201	0	12,462
Non-Personal Service	1,785	3,363	79	5,227
General State Charges	4,111	1,945	0	6,056
Debt Service	0	0	5,485	5,485
Capital Projects	0	2	0	2
Total Disbursements	<u>49,403</u>	<u>29,997</u>	<u>5,564</u>	<u>84,964</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	11,774	7,252	6,964	25,990
Transfers to Other Funds	(5,646)	(932)	(14,376)	(20,954)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>6,128</u>	<u>6,320</u>	<u>(7,412)</u>	<u>5,036</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>(945)</u>	<u>(143)</u>	<u>77</u>	<u>(1,011)</u>
Closing Fund Balance	<u>1,357</u>	<u>1,956</u>	<u>487</u>	<u>3,800</u>

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2011-2012
(millions of dollars)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
Opening Fund Balance	<u>1,357</u>	<u>1,956</u>	<u>487</u>	<u>3,800</u>
Receipts:				
Taxes	41,985	8,438	12,968	63,391
Miscellaneous Receipts	3,088	15,385	949	19,422
Federal Receipts	60	1	79	140
Total Receipts	<u>45,133</u>	<u>23,824</u>	<u>13,996</u>	<u>82,953</u>
Disbursements:				
Local Assistance Grants	38,333	18,962	0	57,295
Departmental Operations:				
Personal Service	5,647	6,070	0	11,717
Non-Personal Service	1,864	3,187	62	5,113
General State Charges	4,658	1,871	0	6,529
Debt Service	0	0	6,021	6,021
Capital Projects	0	2	0	2
Total Disbursements	<u>50,502</u>	<u>30,092</u>	<u>6,083</u>	<u>86,677</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	11,885	7,294	6,701	25,880
Transfers to Other Funds	(6,264)	(755)	(14,494)	(21,513)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>5,621</u>	<u>6,539</u>	<u>(7,793)</u>	<u>4,367</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>252</u>	<u>271</u>	<u>120</u>	<u>643</u>
Closing Fund Balance	<u>1,609</u>	<u>2,227</u>	<u>607</u>	<u>4,443</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2012-2013
(millions of dollars)**

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	42,754	8,658	13,190	64,602
Miscellaneous Receipts	2,827	16,315	997	20,139
Federal Receipts	60	1	79	140
Total Receipts	<u>45,641</u>	<u>24,974</u>	<u>14,266</u>	<u>84,881</u>
Disbursements:				
Local Assistance Grants	39,329	20,229	0	59,558
Departmental Operations:				
Personal Service	5,866	6,222	0	12,088
Non-Personal Service	2,225	3,333	62	5,620
General State Charges	5,119	2,026	0	7,145
Debt Service	0	0	6,335	6,335
Capital Projects	0	2	0	2
Total Disbursements	<u>52,539</u>	<u>31,812</u>	<u>6,397</u>	<u>90,748</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	11,594	7,261	6,620	25,475
Transfers to Other Funds	(6,752)	12	(14,389)	(21,129)
Reserve for Collective Bargaining	(142)	0	0	(142)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>4,700</u>	<u>7,273</u>	<u>(7,769)</u>	<u>4,204</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	<u>(2,198)</u>	<u>435</u>	<u>100</u>	<u>(1,663)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2013-2014
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>State Operating Funds Total</u>
Receipts:				
Taxes	44,967	9,001	13,968	67,936
Miscellaneous Receipts	2,406	16,682	1,043	20,131
Federal Receipts	60	1	79	140
Total Receipts	<u>47,433</u>	<u>25,684</u>	<u>15,090</u>	<u>88,207</u>
Disbursements:				
Local Assistance Grants	41,257	20,899	0	62,156
Departmental Operations:				
Personal Service	5,973	6,313	0	12,286
Non-Personal Service	2,087	3,436	62	5,585
General State Charges	5,477	2,171	0	7,648
Debt Service	0	0	6,502	6,502
Capital Projects	0	2	0	2
Total Disbursements	<u>54,794</u>	<u>32,821</u>	<u>6,564</u>	<u>94,179</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	12,187	7,455	6,564	26,206
Transfers to Other Funds	(7,147)	172	(14,989)	(21,964)
Reserve for Collective Bargaining	(142)	0	0	(142)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>4,898</u>	<u>7,627</u>	<u>(8,425)</u>	<u>4,100</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses				
	<u>(2,463)</u>	<u>490</u>	<u>101</u>	<u>(1,872)</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2010-2011
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
Opening Fund Balance	2,302	2,401	(254)	410	4,859
Receipts:					
Taxes	39,187	8,192	1,328	12,086	60,793
Miscellaneous Receipts	3,083	15,523	4,189	907	23,702
Federal Receipts	60	47,426	2,467	60	50,013
Total Receipts	<u>42,330</u>	<u>71,141</u>	<u>7,984</u>	<u>13,053</u>	<u>134,508</u>
Disbursements:					
Local Assistance Grants	37,246	59,251	2,644	0	99,141
Departmental Operations:					
Personal Service	6,261	6,922	0	0	13,183
Non-Personal Service	1,785	4,467	0	79	6,331
General State Charges	4,111	2,231	0	0	6,342
Debt Service	0	0	0	5,485	5,485
Capital Projects	0	2	5,630	0	5,632
Total Disbursements	<u>49,403</u>	<u>72,873</u>	<u>8,274</u>	<u>5,564</u>	<u>136,114</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	11,774	7,253	1,104	6,964	27,095
Transfers to Other Funds	(5,646)	(5,663)	(1,418)	(14,376)	(27,103)
Bond and Note Proceeds	0	0	578	0	578
Net Other Financing Sources (Uses)	<u>6,128</u>	<u>1,590</u>	<u>264</u>	<u>(7,412)</u>	<u>570</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>(945)</u>	<u>(142)</u>	<u>(26)</u>	<u>77</u>	<u>(1,036)</u>
Closing Fund Balance	<u>1,357</u>	<u>2,259</u>	<u>(280)</u>	<u>487</u>	<u>3,823</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2011-2012
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	<u>1,357</u>	<u>2,259</u>	<u>(280)</u>	<u>487</u>	<u>3,823</u>
Receipts:					
Taxes	41,985	8,438	1,367	12,968	64,758
Miscellaneous Receipts	3,088	15,517	4,063	949	23,617
Federal Receipts	60	41,854	2,309	79	44,302
Total Receipts	<u>45,133</u>	<u>65,809</u>	<u>7,739</u>	<u>13,996</u>	<u>132,677</u>
Disbursements:					
Local Assistance Grants	38,333	54,620	2,836	0	95,789
Departmental Operations:					
Personal Service	5,647	6,768	0	0	12,415
Non-Personal Service	1,864	4,207	0	62	6,133
General State Charges	4,658	2,183	0	0	6,841
Debt Service	0	0	0	6,021	6,021
Capital Projects	0	2	5,333	0	5,335
Total Disbursements	<u>50,502</u>	<u>67,780</u>	<u>8,169</u>	<u>6,083</u>	<u>132,534</u>
Other financing sources (Uses):					
Transfers from Other Funds	11,885	7,295	1,355	6,701	27,236
Transfers to Other Funds	(6,264)	(5,052)	(1,448)	(14,494)	(27,258)
Bond and Note Proceeds	0	0	488	0	488
Net Other Financing Sources (Uses)	<u>5,621</u>	<u>2,243</u>	<u>395</u>	<u>(7,793)</u>	<u>466</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>252</u>	<u>272</u>	<u>(35)</u>	<u>120</u>	<u>609</u>
Closing Fund Balance	<u>1,609</u>	<u>2,531</u>	<u>(315)</u>	<u>607</u>	<u>4,432</u>

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2012-2013
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
Receipts:					
Taxes	42,754	8,658	1,400	13,190	66,002
Miscellaneous Receipts	2,827	16,446	3,724	997	23,994
Federal Receipts	60	38,453	1,862	79	40,454
Total Receipts	<u>45,641</u>	<u>63,557</u>	<u>6,986</u>	<u>14,266</u>	<u>130,450</u>
Disbursements:					
Local Assistance Grants	39,329	52,641	1,894	0	93,864
Departmental Operations:					
Personal Service	5,866	6,913	0	0	12,779
Non-Personal Service	2,225	4,285	0	62	6,572
General State Charges	5,119	2,375	0	0	7,494
Debt Service	0	0	0	6,335	6,335
Capital Projects	0	2	5,392	0	5,394
Total Disbursements	<u>52,539</u>	<u>66,216</u>	<u>7,286</u>	<u>6,397</u>	<u>132,438</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	11,594	7,262	1,333	6,620	26,809
Transfers to Other Funds	(6,752)	(4,168)	(1,508)	(14,389)	(26,817)
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Bond and Note Proceeds	0	0	425	0	425
Net Other Financing Sources (Uses)	<u>4,700</u>	<u>3,094</u>	<u>250</u>	<u>(7,769)</u>	<u>275</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	<u>(2,198)</u>	<u>435</u>	<u>(50)</u>	<u>100</u>	<u>(1,713)</u>

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2013-2014
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	44,967	9,001	1,406	13,968	69,342
Miscellaneous Receipts	2,406	16,813	3,575	1,043	23,837
Federal Receipts	60	40,549	1,821	79	42,509
Total Receipts	<u>47,433</u>	<u>66,363</u>	<u>6,802</u>	<u>15,090</u>	<u>135,688</u>
Disbursements:					
Local Assistance Grants	41,257	55,506	1,825	0	98,588
Departmental Operations:					
Personal Service	5,973	6,996	0	0	12,969
Non-Personal Service	2,087	4,372	0	62	6,521
General State Charges	5,477	2,529	0	0	8,006
Debt Service	0	0	0	6,502	6,502
Capital Projects	0	2	5,183	0	5,185
Total Disbursements	<u>54,794</u>	<u>69,405</u>	<u>7,008</u>	<u>6,564</u>	<u>137,771</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	12,187	7,456	1,412	6,564	27,619
Transfers to Other Funds	(7,147)	(3,925)	(1,557)	(14,989)	(27,618)
Reserve for Collective Bargaining	(142)	0	0	0	(142)
Bond and Note Proceeds	0	0	341	0	341
Net Other Financing Sources (Uses)	<u>4,898</u>	<u>3,531</u>	<u>196</u>	<u>(8,425)</u>	<u>200</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses					
	<u>(2,463)</u>	<u>489</u>	<u>(10)</u>	<u>101</u>	<u>(1,883)</u>

Source: NYS DOB

**CASHFLOW
GENERAL FUND
2010-2011
(dollars in millions)**

	2010		2011							March Projected	Total		
	April Results	May Results	June Results	July Results	August Results	September Results	October Results	November Results	December Results			January Results	February Prei. (DOB)
OPENING BALANCE	2,302	4,274	1,648	(87)	590	528	2,381	2,256	1,689	3,008	5,617	6,418	2,302
RECEIPTS:													
Personal Income Tax	3,069	783	2,164	1,575	1,669	2,571	1,610	1,329	2,732	2,575	1,962	1,510	23,549
User Taxes and Fees	669	589	858	666	666	863	669	688	931	754	612	810	8,775
Business Taxes	60	2	915	80	21	990	59	132	1,169	122	121	1,993	5,664
Other Taxes	93	83	103	155	81	116	82	85	96	149	113	43	1,199
Total Taxes	3,891	1,457	4,040	2,476	2,437	4,540	2,420	2,234	4,928	3,600	2,808	4,356	39,187
Licenses, Fees, etc.	47	56	55	77	53	69	52	72	48	36	50	12	627
Abandoned Property	0	(4)	77	3	28	43	32	129	68	18	12	244	650
ABC License Fee	9	1	6	4	4	4	2	4	4	5	3	0	46
Motor vehicle fees	0	0	0	0	0	0	0	0	0	0	15	21	36
Reimbursements	7	13	35	13	6	47	9	8	35	5	32	12	222
Investment Income	1	0	0	1	0	0	0	0	0	1	0	1	5
Other Transactions	26	33	80	41	69	423	51	36	71	98	24	545	1,497
Total Miscellaneous Receipts	90	99	253	139	160	586	147	249	226	163	136	835	3,083
Federal Grants	1	13	0	0	0	0	17	0	13	0	0	16	60
PIT in Excess of Revenue Bond Debt Service	1,022	108	887	509	232	964	382	162	989	1,245	228	804	7,532
Sales Tax in Excess of LGAC Debt Service	180	100	350	202	132	267	191	207	294	232	3	170	2,328
Real Estate Taxes in Excess of CW/CA Debt Service	32	33	33	39	33	33	26	21	11	34	40	4	334
All Other	4	1	62	87	20	11	18	21	144	105	181	926	1,580
Total Transfers from Other Funds	1,238	243	1,332	837	417	1,270	617	411	1,438	1,615	452	1,904	11,774
TOTAL RECEIPTS	5,220	1,812	5,625	3,452	3,014	6,396	3,201	2,894	6,605	5,378	3,396	7,111	54,104
DISBURSEMENTS:													
School Aid	491	2,616	3,767	100	574	1,063	397	871	1,745	125	467	6,499	18,715
Higher Education	16	16	379	198	14	314	58	377	126	184	43	726	2,451
All Other Education	17	14	17	24	88	523	24	170	224	55	37	279	1,472
Medicaid - DOH	1,085	633	668	516	590	389	244	638	632	462	771	626	7,454
Public Health	40	30	122	16	65	117	17	20	40	122	12	177	696
Mental Hygiene	10	5	362	50	130	392	164	398	122	122	157	409	2,215
Children and Families	9	15	14	66	274	74	338	72	235	149	55	358	1,659
Temporary & Disability Assistance	61	140	61	62	114	63	152	73	236	66	3	101	1,152
Transportation	0	0	0	11	9	18	0	13	29	3	12	3	98
Unrestricted Aid	3	12	274	1	1	96	9	0	209	3	0	168	776
All Other	19	16	189	(27)	45	48	(48)	87	57	44	33	95	558
Total Local Assistance Grants	1,751	3,497	5,853	1,017	1,904	3,117	1,355	2,337	4,131	1,253	1,590	9,441	37,246
Personal Service	514	547	586	619	465	622	405	475	579	351	386	712	6,261
Non-Personal Service	143	108	151	171	180	175	123	112	136	134	164	188	1,785
Total State Operations	657	655	737	790	645	797	528	587	715	485	550	900	8,046
General State Charges	122	30	485	112	348	298	439	317	147	412	79	1,322	4,111
Debt Service	414	38	0	470	(5)	(133)	601	(37)	19	422	(19)	(181)	1,589
Capital Projects	14	21	4	121	(42)	63	86	(10)	67	(20)	108	425	639
State Share Medicaid	180	162	244	185	184	363	179	193	184	157	287	117	2,435
Other Purposes	110	35	37	80	42	38	136	74	23	60	0	148	783
Total Transfers to Other Funds	718	256	285	856	179	331	1,004	220	293	619	376	509	5,646
TOTAL DISBURSEMENTS	3,248	4,438	7,360	2,775	3,076	4,543	3,326	3,461	5,286	2,769	2,595	12,172	55,049
Excess/(Deficiency) of Receipts over Disbursements	1,972	(2,626)	(1,735)	677	(62)	1,853	(125)	(567)	1,319	2,609	801	(5,061)	(945)
CLOSING BALANCE	4,274	1,648	(87)	590	528	2,381	2,256	1,689	3,008	5,617	6,418	1,357	2,302

Source: NY S DOB

CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
(thousands of dollars)

	2009-2010 Actuals	2010-2011 Revised	2011-2012 Exec. (Amended)	2012-2013 Projected	2013-2014 Projected	2014-2015 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT						
Agriculture and Markets, Department of	109,449	103,283	103,890	116,447	97,854	99,562
Alcoholic Beverage Control	17,012	17,774	18,383	18,549	19,366	19,366
Developmental Authority North	36	200	162	162	162	162
Consumer Protection Board	2,295	2,684	0	0	0	0
Economic Development Capital Programs	18,306	6,500	2,500	2,500	2,500	0
Economic Development, Department of	76,889	89,589	60,607	62,112	76,797	56,602
Empire State Development Corporation	606,568	1,015,195	775,106	305,619	394,151	401,363
Energy Research and Development Authority	29,380	34,858	30,807	30,158	31,178	31,178
Financial Regulation, Department of	745,103	533,467	528,167	539,385	549,782	560,648
Olympic Regional Development Authority	7,966	4,815	4,366	4,366	4,493	4,575
Public Service, Department of	77,313	74,990	78,822	82,617	85,830	89,507
Racing and Wagering Board, State	22,575	23,733	24,185	22,172	22,952	23,704
Science, Technology and Innovation, Foundation for	29,083	31,024	2,585	300	0	0
Strategic Investment	8,827	10,000	4,000	5,000	5,000	5,000
Functional Total	1,750,802	1,948,112	1,633,580	1,183,387	1,290,065	1,291,667
PARKS AND THE ENVIRONMENT						
Adirondack Park Agency	5,292	5,118	4,641	4,643	4,643	4,643
Environmental Conservation, Department of	864,001	1,049,379	1,013,206	816,150	778,850	773,457
Environmental Facilities Corporation	10,025	10,023	10,425	10,666	10,818	10,940
Hudson River Park Trust	11,977	10,000	0	0	0	0
Parks, Recreation and Historic Preservation, Office of	305,485	258,977	208,414	210,080	210,822	211,886
Functional Total	1,196,780	1,333,497	1,236,686	1,041,539	1,005,133	1,000,926
TRANSPORTATION						
Motor Vehicles, Department of	320,230	326,441	301,689	308,146	314,459	320,123
Thruway Authority	1,403	1,800	1,800	1,800	1,800	1,800
Metropolitan Transportation Authority	184,681	217,000	194,500	183,600	183,600	183,600
Transportation, Department of	7,376,584	8,158,057	8,003,598	7,840,294	7,851,963	7,908,273
Functional Total	7,882,898	8,703,298	8,501,587	8,333,840	8,351,822	8,413,796
HEALTH						
Aging, Office for the	229,966	228,271	214,992	214,891	214,934	214,978
Health, Department of	42,156,549	44,728,677	43,892,661	42,733,929	45,503,914	51,652,140
Medical Assistance	37,025,209	39,183,472	37,904,241	37,131,783	39,920,327	46,048,183
Medicaid Administration	939,296	1,098,413	1,147,500	1,193,500	1,241,300	1,290,900
Public Health	4,192,044	4,446,792	4,840,920	4,408,646	4,342,287	4,313,057
Medicaid Inspector General, Office of	64,868	64,894	72,652	75,849	78,462	80,409
Stem Cell and Innovation	17,676	44,700	50,000	61,373	63,673	50,000
Functional Total	42,469,059	45,066,542	44,230,305	43,086,042	45,860,983	51,997,527

**CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS**
(thousands of dollars)

	2009-2010 Actuals	2010-2011 Revised	2011-2012 Exec. (Amended)	2012-2013 Projected	2013-2014 Projected	2014-2015 Projected
SOCIAL WELFARE						
Children and Family Services, Office of	3,189,020	3,203,227	3,054,792	3,223,638	3,432,275	3,586,123
OCFS	3,139,542	3,134,526	2,943,691	3,102,256	3,300,705	3,448,268
OCFS - Other	49,478	68,701	111,101	121,382	131,570	137,855
Human Rights, Division of	20,300	19,339	18,567	19,173	19,458	19,458
Labor, Department of	728,721	800,337	732,286	731,954	714,843	716,120
Housing and Community Renewal, Division of	417,003	467,684	396,944	257,082	274,036	263,220
National Commission Services	16,862	20,732	14,599	14,601	14,687	14,909
Prevention of Domestic Violence, Office for	2,167	1,947	0	0	0	0
Temporary and Disability Assistance, Office of	5,275,993	5,247,194	5,249,750	5,131,213	5,177,354	5,195,256
Welfare Assistance	3,857,439	3,829,675	3,864,811	3,733,488	3,781,142	3,794,840
Welfare Administration	51,263	0	0	0	0	0
All Other	1,367,291	1,417,519	1,384,939	1,397,725	1,396,212	1,400,416
Wellness Inspector General, Office of	727	1,432	1,420	1,436	1,456	1,475
Workers' Compensation Board	190,135	197,512	208,755	208,633	215,587	222,423
Functional Total	9,840,928	9,959,404	9,677,113	9,587,730	9,849,696	10,018,984
MENTAL HYGIENE						
Mental Health, Office of	3,121,486	3,316,838	3,278,119	3,502,233	3,695,125	3,897,219
OMH	1,423,971	1,561,135	1,423,709	1,596,484	1,706,367	1,817,589
OMH - Other	1,697,515	1,755,703	1,854,410	1,905,749	1,988,758	2,079,630
Mental Hygiene, Department of	175	0	0	0	0	0
People with Developmental Disabilities, Office for	4,397,581	4,409,924	4,323,324	4,509,531	4,771,278	4,961,946
OPWDD	522,032	563,017	546,043	560,026	586,996	602,416
OPWDD - Other	3,875,549	3,846,907	3,777,281	3,949,505	4,184,282	4,359,530
Alcoholism and Substance Abuse Services, Office of	550,090	571,125	591,380	692,350	702,017	711,172
OASAS	456,695	469,569	490,827	589,346	596,344	602,851
OASAS - Other	93,395	101,556	100,553	103,004	105,673	108,321
Developmental Disabilities Planning Council	3,397	4,200	4,200	4,200	4,200	4,200
Quality of Care and Advocacy for Persons with Disabilities, Commission	15,508	16,155	15,964	16,366	16,818	17,323
Functional Total	8,088,237	8,318,242	8,212,987	8,724,880	9,189,438	9,591,860
PUBLIC PROTECTION/CRIMINAL JUSTICE						
Capital Defenders Office	21	0	0	0	0	0
Correction, Commission of	2,628	2,701	0	0	0	0
Correctional Services, Department of	2,909,312	2,699,168	2,641,076	2,707,245	2,784,215	2,853,415
Criminal Justice Services, Division of	241,767	343,785	372,871	357,110	354,173	356,382
Office of Victim Services	67,342	67,372	0	0	0	0
Statewide Financial System	0	26,864	40,498	55,484	55,584	55,584
Homeland Security and Emergency Services	296,589	356,658	378,360	380,439	398,038	374,108
Homeland Security	800	34,298	30,868	31,283	31,705	32,133
Office of Indigent Legal Services	0	73,691	79,997	80,125	80,237	80,354
Investigation, Temporary State Commission of	395	0	0	0	0	0
Judicial Commissions	5,145	5,292	4,763	4,837	4,917	4,995
Military and Naval Affairs, Division of	276,622	218,975	192,238	187,285	186,497	182,185
Parole, Division of	188,383	176,398	0	0	0	0
Probation and Correctional Alternatives, Division of	74,852	0	0	0	0	0
State Emergency Management Office	0	0	0	0	0	0
State Police, Division of	776,340	714,235	647,159	662,137	637,377	635,513
Wireless Network	6,672	3,586	0	0	0	0
Functional Total	4,846,868	4,723,023	4,387,830	4,465,945	4,532,743	4,574,669

**CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
(thousands of dollars)**

	2009-2010 Actuals	2010-2011 Revised	2011-2012 Exec. (Amended)	2012-2013 Projected	2013-2014 Projected	2014-2015 Projected
HIGHER EDUCATION						
City University of New York	1,655,773	1,359,461	1,386,017	1,492,482	1,585,083	1,663,982
Higher Education Services Corporation	1,022,235	961,429	1,007,522	1,056,925	1,061,462	1,064,188
Higher Education Capital Grants	37,320	28,000	48,000	29,000	0	0
Higher Education Miscellaneous	378	355	355	355	355	355
State University Construction Fund	18,595	25,678	26,172	27,074	27,854	28,609
State University of New York	6,989,582	7,120,374	7,228,506	7,503,477	7,660,157	7,782,437
Functional Total	9,723,883	9,495,297	9,696,572	10,109,313	10,334,911	10,539,571
EDUCATION						
Arts, Council on the	43,436	44,768	36,553	36,590	36,650	36,717
Education, Department of	27,725,560	32,312,078	30,189,405	29,785,733	30,957,701	32,150,613
School Aid	21,484,784	25,634,910	23,488,080	23,145,115	24,019,150	24,953,798
School Aid - Other	63,757	125,820	0	0	0	0
STAR Property Tax Relief	3,413,542	3,269,866	3,292,520	3,322,067	3,510,375	3,692,726
Special Education Categorical Programs	1,680,004	2,203,888	2,227,545	2,098,236	2,225,316	2,348,316
All Other	1,083,473	1,077,594	1,181,260	1,220,315	1,202,860	1,155,773
Functional Total	27,768,996	32,356,846	30,225,958	29,822,323	30,994,351	32,187,330
GENERAL GOVERNMENT						
Budget, Division of the	40,775	39,212	37,638	38,712	39,642	41,739
Civil Service, Department of	21,384	17,406	15,743	15,993	16,280	16,461
Deferred Compensation	673	826	774	796	823	850
Elections, State Board of	50,405	101,615	55,724	35,301	5,246	5,468
Employee Relations, Office of	3,204	3,202	2,889	2,923	2,963	2,997
Financial Plan Control Board	2,630	3,190	3,330	3,494	3,638	3,789
General Services, Office of	197,766	195,627	185,528	195,684	198,571	201,575
Inspector General, Office of	6,079	6,024	5,430	5,515	5,602	5,671
Labor Management Committee	33,609	41,256	50,256	60,874	25,721	25,721
Lottery, Division of	185,777	173,408	176,790	177,280	181,544	185,220
Public Employment Relations Board	3,785	4,208	3,845	3,897	3,949	4,004
Public Integrity, Commission on	4,209	4,054	3,649	3,829	3,906	3,972
Real Property Services, Office of	42,806	0	0	0	0	0
Regulatory Reform, Governor's Office of	2,449	1,634	0	0	0	0
State, Department of	176,349	203,106	131,132	133,279	134,967	136,711
Tax Appeals, Division of	3,458	3,053	2,514	2,514	2,552	2,585
Taxation and Finance, Department of	417,898	461,979	400,165	402,915	409,781	415,538
Technology, Office for	23,549	25,698	32,714	71,144	40,607	41,274
Veterans' Affairs, Division of	16,072	17,000	16,167	16,369	16,556	16,636
Functional Total	1,232,877	1,302,498	1,124,288	1,170,519	1,092,348	1,110,211

CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
(thousands of dollars)

	2009-2010 Actuals	2010-2011 Revised	2011-2012 Exec. (Amended)	2012-2013 Projected	2013-2014 Projected	2014-2015 Projected
ELECTED OFFICIALS						
Legislature	226,089	220,795	218,795	227,685	232,263	235,415
Judiciary	2,520,040	2,610,241	2,756,548	3,000,446	3,173,911	3,410,679
Audit and Control, Department of	242,702	178,908	170,616	178,640	181,162	183,340
Law, Department of	220,152	206,266	205,617	215,238	219,160	221,132
Executive Chamber	17,056	15,473	13,926	14,203	14,461	15,185
Lieutenant Governor, Office of the	0	516	464	479	479	524
Functional Total	3,226,039	3,232,199	3,365,966	3,636,691	3,821,436	4,066,275
LOCAL GOVERNMENT ASSISTANCE						
Aid and Incentives for Municipalities	1,039,488	739,569	708,762	738,803	738,971	739,060
Efficiency Incentive Grants Program	3,293	5,120	7,632	7,533	0	0
Miscellaneous Financial Assistance	8,920	3,920	0	0	0	0
Municipalities with VLT Facilities	26,489	25,801	19,600	19,600	19,600	19,600
Small Government Assistance	2,089	2,065	0	0	0	0
Functional Total	1,080,279	776,475	735,994	765,936	758,571	758,660
ALL OTHER CATEGORIES						
Long-Term Debt Service	5,012,102	5,563,826	6,083,348	6,397,402	6,563,495	6,621,768
General State Charges	2,920,603	3,364,019	3,851,054	4,185,465	4,572,675	4,676,506
Miscellaneous	(162,872)	(29,966)	(429,882)	(79,162)	(449,182)	(449,113)
Functional Total	7,769,833	8,897,879	9,504,520	10,503,705	10,686,988	10,849,161
TOTAL ALL FUNDS SPENDING	126,877,479	136,113,312	132,533,386	132,437,650	137,768,485	146,400,637

GSC: Agency disbursements include grants to local governments, state operations and general state charges, which is a departure from prior Financial plan publications. In prior reports, general state charges were excluded from agency spending totals.

Source: NYS DOB

**GAAP FINANCIAL PLAN
GENERAL FUND
2010-2011 and 2011-2012
(millions of dollars)**

	2010-11 Revised	2011-12 Exec. (Amended)	Annual Change
Revenues:			
Taxes:			
Personal income tax	23,460	25,435	1,975
User taxes and fees	8,856	9,176	320
Business taxes	5,579	6,116	537
Other taxes	1,111	1,061	(50)
Miscellaneous revenues	7,321	6,464	(857)
Federal grants	61	60	(1)
Total revenues	<u>46,388</u>	<u>48,312</u>	<u>1,924</u>
Expenditures:			
Grants to local governments	38,508	40,756	2,248
State operations	12,135	11,103	(1,032)
General State charges	5,127	5,541	414
Debt service	0	0	0
Capital projects	0	0	0
Total expenditures	<u>55,770</u>	<u>57,400</u>	<u>1,630</u>
Other financing sources (uses):			
Transfers from other funds	15,103	14,947	(156)
Transfers to other funds	(6,105)	(5,995)	110
Proceeds from financing arrangements/ advance refundings	361	403	42
Net other financing sources (uses)	<u>9,359</u>	<u>9,355</u>	<u>(4)</u>
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	<u>(23)</u>	<u>267</u>	<u>290</u>
Accumulated Surplus/(Deficit)	<u>(3,561)</u>	<u>(3,294)</u>	<u>267</u>

Source: NYS DOB

**GAAP FINANCIAL PLAN
GENERAL FUND
2011-2012 THROUGH 2014-2015
(millions of dollars)**

	<u>2011-12 Projected</u>	<u>2012-13 Projected</u>	<u>2013-14 Projected</u>	<u>2014-15 Projected</u>
Revenues:				
Taxes:				
Personal income tax	25,435	24,905	26,528	28,315
User taxes and fees	9,176	9,400	9,777	10,135
Business taxes	6,116	6,421	6,724	6,152
Other taxes	1,061	1,117	1,177	1,195
Miscellaneous revenues	6,464	6,112	5,824	5,427
Federal grants	60	60	60	60
Total revenues	<u>48,312</u>	<u>48,015</u>	<u>50,090</u>	<u>51,284</u>
Expenditures:				
Grants to local governments	40,756	42,115	44,129	46,008
State operations	11,103	11,570	11,559	11,939
General State charges	5,541	5,938	6,499	6,734
Debt service	0	0	0	0
Capital projects	0	0	0	0
Total expenditures	<u>57,400</u>	<u>59,623</u>	<u>62,187</u>	<u>64,681</u>
Other financing sources (uses):				
Transfers from other funds	14,947	15,186	15,488	14,872
Transfers to other funds	(5,995)	(6,849)	(7,079)	(7,062)
Proceeds from financing arrangements/ advance refundings	403	400	400	400
Net other financing sources (uses)	<u>9,355</u>	<u>8,737</u>	<u>8,809</u>	<u>8,210</u>
Operating Surplus/(Deficit)	<u>267</u>	<u>(2,871)</u>	<u>(3,288)</u>	<u>(5,187)</u>

Source: NYS DOB

Workforce Impact Summary
All Funds
2009-10 Through 2011-12

	2009-10 Actuals (03/31/10)	Starting Estimate (03/31/11)	Layoffs*	Attritions	New Fills	Fund Shifts	Mergers	Net Change	Ending Estimate (03/31/12)
Children and Family Services, Office of	3,555	3,351	0	(345)	765	0	0	420	3,771
Correctional Services, Department of	30,104	29,878	0	(940)	345	0	1,893	1,298	31,176
Education Department, State	2,976	2,806	0	(141)	141	0	0	0	2,806
Environmental Conservation, Department of	3,454	3,003	0	(52)	52	0	0	0	3,003
General Services, Office of	1,519	1,371	0	(44)	47	0	0	3	1,374
Health, Department of	5,388	5,055	0	(151)	288	0	0	137	5,192
Labor, Department of	3,982	3,949	0	(284)	312	0	0	28	3,977
Motor Vehicles, Department of	2,750	2,472	0	(49)	49	0	0	0	2,472
Mental Health, Office of	16,173	15,760	0	(1,592)	1,492	0	0	(100)	15,660
People with Developmental Disabilities, Office of	21,530	21,367	0	(1,854)	1,679	0	0	(175)	21,192
Parks, Recreation and Historic Preservation, Office of	2,053	1,785	0	(28)	28	0	0	0	1,785
Parole, Division of	1,973	1,893	0	(70)	70	0	(1,893)	(1,893)	0
State Police, Division of	5,704	5,439	0	(234)	104	0	0	(130)	5,309
Temporary and Disability Assistance, Office of	2,259	2,248	0	(157)	157	0	0	0	2,248
Taxation and Finance, Department of	5,263	5,008	0	(336)	336	0	0	0	5,008
Transportation, Department of	9,963	8,708	0	(265)	265	0	0	0	8,708
Workers' Compensation Board	1,395	1,450	0	(60)	76	0	0	16	1,466
Subtotal - Major Agencies	120,041	115,543	0	(6,602)	6,206	0	0	(396)	115,147
Minor Agencies	11,700	11,091	(29)	(475)	610	0	23	129	11,220
Subject to Direct Executive Control	131,741	126,634	(29)	(7,077)	6,816	0	23	(267)	126,367
Adjustments									
Workforce Savings	0	0	(9,748)	(1,830)	68	0	0	(11,510)	(11,510)
Subtotal - Adjustments	0	0	(9,748)	(1,830)	68	0	0	(11,510)	(11,510)
University Systems									
City University of New York	13,073	12,933	0	(1,099)	1,099	0	0	0	12,933
State University Construction Fund	129	172	0	(15)	15	0	0	0	172
State University of New York	41,900	41,815	0	(3,555)	3,955	0	0	400	42,215
Subtotal - University Systems	55,102	54,920	0	(4,669)	5,069	0	0	400	55,320
Off-Budget Agencies									
Roswell Park Cancer Institute	2,025	2,025	0	(162)	162	0	0	0	2,025
Science, Technology and Innovation, NYS Foundation for	25	23	(23)	0	0	0	0	(23)	0
State Insurance Fund	2,547	2,564	0	(205)	205	0	0	0	2,564
Off-Budget Agencies	4,597	4,612	(23)	(367)	367	0	0	(23)	4,589
Independently Elected Agencies									
Audit and Control, Department of	2,545	2,552	0	0	0	0	(23)	(23)	2,529
Law, Department of	1,807	1,747	0	0	0	0	0	0	1,747
Subtotal - Independently Elected Agencies	4,352	4,299	0	0	0	0	(23)	(23)	4,276
Grand Total	195,792	190,465	(9,800)	(13,943)	12,320	0	0	(11,423)	179,042

* This table reflects layoffs that may be necessary in the absence of negotiated workforce savings

Source: NYS DOB