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

February 8, 2012

This is the third quarterly update (the "AIS Update") to the Annual Information Statement of the State of New York (the "AIS"), dated May 24, 2011. The AIS Update contains information only through February 8, 2012 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 fiscal year 2013 (the "Current Financial Plan"), which the Division of the Budget ("DOB") issued on January 17, 2012. The Current Financial Plan is available on the DOB website, www.budget.ny.gov, and includes (a) a summary of recent events and changes to the Financial Plan made since the last quarterly update to the AIS dated November 22, 2011 (the "Mid-Year Update"), (b) revisions to the State's official Financial Plan projections for FYs 2012 through 2015, and initial projections for FY 2016[1], including the estimated impact of the Governor's proposed budget, and (c) an updated economic forecast.

2. A summary of operating results through December 2011.

3. A discussion of issues and risks that may affect the Financial Plan during the State's current fiscal year or in future years (under the heading "Other Matters Affecting the Financial Plan").

4. A summary of GAAP-basis results for prior fiscal years (reprinted as a convenience from the Mid-Year Update to the AIS dated November 22, 2011).

5. Updated information regarding the State Retirement Systems.

6. Updated information on certain localities of the State.

7. An update on the status of significant litigation and arbitration that has the potential to adversely affect the State's finances.

8. Updated information for AIS Exhibit A, entitled "Selected State Government Summary", regarding appropriations and fiscal controls.

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

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[1] The fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2012 ("FY 2012") is the fiscal year that began on April 1, 2011 and ends on March 31, 2012.

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

The factors affecting the State's financial condition are complex. The Current Financial Plan contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts were prepared. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in the Current Financial Plan of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. Forecasts, projections and estimates are not intended as representations of fact or guarantees of results. The words "expects", "forecasts", "projects", "intends", "anticipates", "estimates" and analogous expressions are intended to identify forward-looking statements in the Current Financial Plan. 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, impediments to the implementation of gap-closing actions, 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 may issue AIS supplements or other disclosure notices 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 the AIS or this AIS Update in official statements or related disclosure documents for State or State-supported debt issuances. The State has filed this AIS Update with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. An electronic copy of this AIS Update can be accessed through EMMA at www.emma.msrb.org. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-7705. In July 2011, OSC issued the Basic Financial Statements for FY 2011 (ended March 31, 2011). Copies of the Basic Financial Statements for FY 2011 may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236. The Basic Financial Statements for FY 2011 are available in electronic form at www.osc.state.ny.us and at www.emma.msrb.org.

USAGE NOTICE

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

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

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OVERVIEW OF THE CURRENT FINANCIAL PLAN

INTRODUCTION

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

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

CURRENT FISCAL YEAR (FY 2012)

The Mid-Year Update reflected a potential General Fund budget shortfall of $350 million in the current fiscal year, which was expected to be closed through administrative actions. Based on a review of updated disbursement patterns (as modified by ongoing spending controls), the availability of excess cash balances in other funds, and other factors, DOB now projects no budget shortfall and expects the State will end the current fiscal year in balance on a General Fund cash basis. The following table summarizes the revisions to the FY 2012 Financial Plan.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) ESTIMATE FOR FY 2012 SUMMARY OF CHANGES FROM MID-YEAR UPDATE SAVINGS/(COSTS) (millions of dollars)	FY 2012
MID-YEAR ESTIMATE	**(350)**
Receipts Revisions	**348**
Tax Receipts[1]	3
Miscellaneous Receipts	92
Debt Service	82
Non-Tax Transfers/Fund Sweeps	171
Disbursements Revisions	**(60)**
Forecast Revisions	**180**
Local Assistance	206
Debt Service	56
Payment of Retroactive Labor Agreement	(62)
All Other	(20)
Planned Prepayments	**(240)**
Debt Service	(140)
Additional Pension Payment	(100)
Use of Prior-Year Labor Agreements (2007-2011) Reserve	**62**
CURRENT ESTIMATE	**0**

[1] Excludes impact of debt service reestimates.

General Fund receipts, including transfers from other funds, are expected to total $57.2 billion in FY 2012, an increase of $348 million compared to the Mid-Year Update. The estimate for tax receipts (excluding the impact of debt service changes) is virtually unchanged since the Mid-Year Update, reflecting lower estimated collections due to economic weakness offset by the initial impact of State tax reform legislation and higher expected audit receipts in the remainder of the year. Estimated annual debt service on the State's PIT revenue bonds and LGAC bonds has been revised downward since the Mid-Year Update, due to debt management activities and the timing of bond sales. The estimate for all other receipts, including miscellaneous receipts and cash balances transferred from other funds, has been increased based on a review of collections to date and current fund balances.

General Fund disbursements, including transfers to other funds, are now estimated at $56.9 billion in FY 2012, an increase of $60 million from the Mid-Year Update estimate, which reflects downward revisions to disbursements, offset by planned pre-payment of expenses. Excluding the impact of $240 million in planned prepayments (described below), General Fund disbursements in FY 2012 are expected to fall approximately $180 million below the Mid-Year Update estimate.

Estimated disbursements have been reduced across a range of programs and activities in local assistance and debt service, reflecting 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 State reached a collective bargaining agreement for FY 2006 to FY 2015 with the Agency Police Services Unit ("APSU") which represents agency law enforcement officers in SUNY, the Office of Parks, Recreation and Historic Preservation, and the Department of Environmental Conservation. This agreement is expected to increase State Operations spending in the current year by $62 million for negotiated wage increases that cover the current and prior fiscal years. Payments are expected to be financed from the reserve set aside for this purpose and therefore have no impact on net operating results.

The net Financial Plan savings are expected to be used in the current year to (a) pay $140 million in debt service due in FY 2013 (which has the effect of lowering the gap in that year by an equal amount), and (b) increase the State's planned payment to the New York State and Local Employees' Retirement System by $100 million, which will provide interest savings over the multi-year Financial Plan period.

Consistent with prior updates, the Current Financial Plan includes a planned deposit of $100 million to the Rainy Day Reserve in FY 2012. The deposit is subject to the approval of the budget director and dependent on actual operating results in the final quarter of the fiscal year.

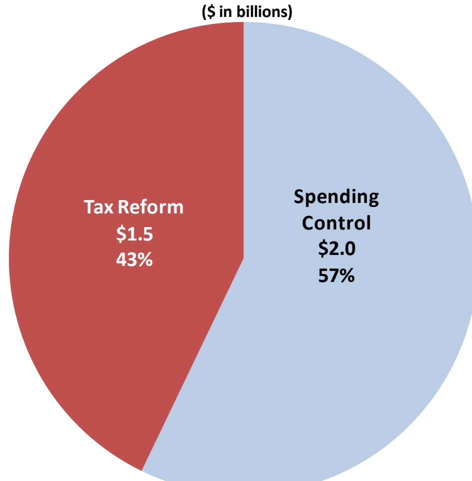
The General Fund is expected to end FY 2012 with a cash balance of $1.7 billion. The balance is expected to consist of $1.03 billion in the Tax Stabilization Reserve, $275 million in the Rainy Day Reserve (including the $100 million planned deposit), $51 million in the Community Projects Fund, $21 million in the Contingency Reserve, and $13 million reserved for debt management. In addition, the balance is expected to include $284 million set aside for potential retroactive labor settlements with unions that have not agreed to contracts through FY 2011.

Risks to budget balance remain in the current fiscal year. 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 Current Financial Plan; and disbursements in certain programs, especially economically-sensitive programs such as Medicaid, may exceed budgeted amounts. (See "Other Matters Affecting the Financial Plan" herein.)

EXECUTIVE BUDGET FINANCIAL PLAN OVERVIEW (FY 2013 PROPOSAL)

DOB estimates that the Governor's Executive Budget, if enacted as proposed, would eliminate the General Fund budget gap of $3.5 billion in FY 2013 and lower the budget gaps that would need to be closed in future years. The gap-closing plan consists of $2 billion in savings, which DOB characterizes as spending control, and $1.5 billion in net new resources from tax reform.

FY 2013 Gap-Closing Plan
$3.5 Billion
($ in billions)



The following table summarizes the multi-year impact of the gap-closing plan.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF CHANGES FROM MID-YEAR THROUGH EXECUTIVE BUDGET RECOMMENDATION (millions of dollars)	FY 2013	FY 2014	FY 2015	FY 2016[1]
REVISED GAPS	**(3,500)**	**(3,624)**	**(5,044)**	**(4,246)**
FY 2013 Executive Budget Proposals	**3,500**	**2,909**	**2,070**	**525**
Spending Control	1,964	1,506	1,435	1,250
Agency Operations	1,141	1,089	842	861
Local Assistance	756	580	779	660
Debt Management	140	0	0	0
New Initiatives	(73)	(163)	(186)	(271)
Tax Reform	1,536	1,702	1,033	(178)
Tax Reform	1,931	2,034	1,335	79
MTA Payroll Tax Small Business Relief	(250)	(250)	(250)	(250)
Tax Credits/Other Initiatives	(145)	(82)	(52)	(7)
New Costs	0	(299)	(398)	(547)
Child Care Preservation	(93)	(215)	(215)	(215)
Mental Hygiene System Funding	0	(100)	(200)	(300)
Additional Pension Payment	0	(80)	(70)	(61)
All Other	93	96	87	29
EXECUTIVE BUDGET SURPLUS/(GAPS)	**0**	**(715)**	**(2,974)**	**(3,721)**

[1] Estimates for FY 2016 were published for the first time with the FY 2013 Executive Budget.

Under the Executive proposal, the budget gap in FY 2014 is projected at $715 million, equal to approximately 1.2 percent of projected General Fund receipts. By comparison, the gap closed in FY 2012 equaled nearly 18 percent of expected receipts. The budget gap projections for future years of the Current Financial Plan are also reduced.

SPENDING CONTROL

The Executive Budget gap-closing plan reflects $2 billion in savings from the following:

- Savings from State agency operations are expected to total $1.14 billion. Savings are expected to be achieved through building on redesign and cost-control efforts initiated in FY 2012. These include further reductions in State agency operations through attrition and strict controls on hiring; enterprise-wide consolidation of procurement, information technology, real estate, and workforce management; and a range of operational measures to improve efficiency. The total cost of State Operating Funds agency operations, which consists of personal service, fringe benefit, and non-personal services costs, is estimated at $23.5 billion in FY 2013, a decrease of 0.4 percent from the FY 2012 estimate.

- Savings proposals in local assistance ($756 million) target automatic spending increases that are unrelated to performance or actual costs. The most significant proposal would repeal automatic "cost-of-living" increases and trend factors in FY 2013 for all human service providers, and grant all future increases, starting in FY 2014, through a performance-based awards system. Other savings include continued programmatic, auditing, and financial reviews, elimination of subsidies, and other measures. Disbursements for State Operating Funds local assistance are projected to total $59.1 billion in FY 2013, an annual increase of 2.6 percent.

- The State expects to pay in FY 2012 approximately $140 million in debt service that is due in FY 2013. This has the effect of lowering the gap in FY 2013 by the amount of the prepayment.

- The Executive Budget includes a number of new initiatives, which are expected to be financed by recurring savings proposed in the gap-closing plan. The Budget proposes that the State (a) assume the full cost of annual growth in the Medicaid program over a period of three years, and responsibilities for Medicaid eligibility and enrollment over a period of five years; (b) dedicate resources to create a new centralized hotline to report allegations of abuse and neglect of vulnerable persons; and (c) assume responsibility for administering SSI benefits from the Federal government.

TAX REFORM

The tax reform legislation approved in December 2011 is expected to generate an estimated $1.5 billion in net resources to help close the FY 2013 budget gap. The tax code changes are expected to provide approximately $1.9 billion in additional receipts in FY 2013 when compared with the Mid-Year Update, and an additional $3.4 billion through FY 2016. From the additional receipts generated in FY 2013, approximately $250 million will be used to mitigate the impact of the law changes on the MTA, and $145 million will be used for tax credits and employment initiatives. Tax reform changes to the personal income tax are scheduled to expire on December 31, 2014.

NEW COSTS/OTHER CHANGES

The Current Financial Plan provides sufficient resources in FY 2013 to cover essential new costs, including State funding to maintain child care slots that would otherwise be lost due to a reduction in Federal aid. In addition, the Financial Plan assumes new State resources will be needed to maintain service levels in the Mental Hygiene System, starting in FY 2014, as Federal aid declines due, in part, to continuing movement of clients from institutionalized settings into community settings. Lastly, the Financial Plan assumes the State will increase its annual pension contribution, starting in FY 2014, above the minimum level required under the 2010 amortization legislation. In FY 2013, the costs of these programs are expected to be fully offset by other savings.

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SPENDING GROWTH

DOB estimates that State Operating Funds spending will total $88.7 billion in FY 2013, an increase of $1.7 billion (1.9 percent) from the estimate for FY 2012. All Governmental Funds spending, which includes capital projects and Federal operating funds, would total $132.5 billion, a decrease of $225 million (-0.2 percent) from the current year. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in special revenue funds have been adjusted downward based on typical spending patterns and the observed variance over time between estimated and actual results.

TOTAL DISBURSEMENTS
(millions of dollars)

			Before Actions			After Actions	
	FY 2012 Current	FY 2013 Mid-Year	Annual $ Change	Annual % Change	FY 2013 Proposed	Annual $ Change	Annual % Change
State Operating Funds	**87,048**	**90,770**	**3,722**	**4.3%**	**88,734**	**1,686**	**1.9%**
General Fund (excluding transfers)	50,787	53,107	2,320	4.6%	51,425	638	1.3%
Other State Funds	30,328	31,301	973	3.2%	31,113	785	2.6%
Debt Service Funds	5,933	6,362	429	7.2%	6,196	263	4.4%
All Governmental Funds	**132,735**	**131,908**	**(827)**	**-0.6%**	**132,510**	**(225)**	**-0.2%**
State Operating Funds	87,048	90,770	3,722	4.3%	88,734	1,686	1.9%
Capital Projects Funds	8,078	7,299	(779)	-9.6%	7,844	(234)	-2.9%
Federal Operating Funds	37,609	33,839	(3,770)	-10.0%	35,932	(1,677)	-4.5%
General Fund, including Transfers	**56,915**	**59,794**	**2,879**	**5.1%**	**58,592**	**1,677**	**2.9%**
State Funds	**93,288**	**96,504**	**3,216**	**3.4%**	**94,795**	**1,507**	**1.6%**

SOURCES OF SPENDING GROWTH

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

	FY 2012 Current	FY 2013 Mid-Year	Annual Change Before Actions $	Annual Change Before Actions %	FY 2013 Proposed	Annual Change After Actions $	Annual Change After Actions %
State Operating Funds:							
Local Assistance	**57,548**	**59,768**	**2,220**	**3.9%**	**59,060**	**1,512**	**2.6%**
School Aid	19,677	20,250	573	2.9%	20,002	325	1.7%
Medicaid	15,280	15,893	613	4.0%	15,859	579	3.8%
Transportation	4,257	4,325	68	1.6%	4,398	141	3.3%
Mental Hygiene	3,580	3,854	274	7.7%	3,576	(4)	-0.1%
STAR	3,293	3,322	29	0.9%	3,322	29	0.9%
Social Services	3,010	3,229	219	7.3%	3,073	63	2.1%
Higher Education	2,605	2,691	86	3.3%	2,662	57	2.2%
All Other	5,846	6,204	358	6.1%	6,168	322	5.5%
State Operations/Fringe Benefits	**23,623**	**24,697**	**1,074**	**4.5%**	**23,520**	**(103)**	**-0.4%**
State Operations	**17,087**	**17,647**	**560**	**3.3%**	**17,132**	**45**	**0.3%**
Executive Agecies:	9,429	9,593	164	1.7%	9,338	(91)	-1.0%
Personal Service	6,672	6,697	25	0.4%	6,685	13	0.2%
Non-Personal Service	2,757	2,896	139	5.0%	2,653	(104)	-3.8%
State University	5,167	5,361	194	3.8%	5,298	131	2.5%
City University	137	147	10	7.3%	120	(17)	-12.4%
Elected Officials	2,354	2,546	192	8.2%	2,376	22	0.9%
Fringe Benefits/Fixed Costs	**6,536**	**7,050**	**514**	**7.9%**	**6,388**	**(148)**	**-2.3%**
Pension Contribution	1,680	1,610	(70)	-4.2%	1,574	(106)	-6.3%
Employee/Retiree Health Insurance	3,291	3,731	440	13.4%	3,240	(51)	-1.5%
Other Fringe Benefits/Fixed Costs	1,565	1,709	144	9.2%	1,574	9	0.6%
Debt Service	**5,872**	**6,300**	**428**	**7.3%**	**6,149**	**277**	**4.7%**
Capital Projects	**5**	**5**	**0**	**0.0%**	**5**	**0**	**0.0%**
TOTAL STATE OPERATING FUNDS	**87,048**	**90,770**	**3,722**	**4.3%**	**88,734**	**1,686**	**1.9%**
Capital Projects (State Funded)	**6,240**	**5,734**	**(506)**	**-8.1%**	**6,061**	**(179)**	**-2.9%**
TOTAL STATE FUNDS	**93,288**	**96,504**	**3,216**	**3.4%**	**94,795**	**1,507**	**1.6%**
Federal Aid (Including Capital Grants)	**39,447**	**35,404**	**(4,043)**	**-10.2%**	**37,715**	**(1,732)**	**-4.4%**
TOTAL ALL GOVERNMENTAL FUNDS	**132,735**	**131,908**	**(827)**	**-0.6%**	**132,510**	**(225)**	**-0.2%**

Local assistance spending is expected to increase by $1.5 billion, or 2.6 percent, over FY 2012. In FY 2013, State funding for School Aid (on a school year basis) and Medicaid increases by approximately 4 percent from 2012 levels, consistent with caps enacted in FY 2012. Medicaid spending, before factoring in the savings expected from the State's takeover of administration and including Medicaid costs that are reflected on the non-personal services line of the Current Financial Plan, increases by 4 percent (not shown on table). Other local assistance increases include transportation, reflecting disbursements of dedicated tax receipts; and special education, resulting from actions that temporarily reduced spending in FY 2012. The increases are partly offset by annual reductions in mental hygiene programs reflecting the impact of ongoing cost-containment efforts, continued programmatic and costs reviews, and lower public health spending due to the phase-down of Federal-State Health Reform Partnership (F-SHRP) program and declines in the EPIC program resulting from prior-year cost containment actions.

Agency spending on personal and non-personal service is expected to remain nearly flat on an annual basis. This reflects ongoing efforts to redesign State agency operations initiated in FY 2012. Spending on fringe benefits is projected to decline by $148 million (-2.3 percent). The decline is comprised of lower pension costs due to a $100 million planned prepayment of certain pension obligations in FY 2012 and a reconciliation of prior-year pension costs that has lowered the State's estimated pension bill in FY 2013 ($77 million), and lower employee health insurance due to the annualization of employee premium increases that were effective in mid-FY 2012.

EXPLANATION OF EXECUTIVE BUDGET GAP-CLOSING PLAN

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

GENERAL FUND GAP-CLOSING PLAN FOR FY 2013 (millions of dollars)				
	FY 2013	FY 2014	FY 2015	FY 2016
CURRENT SERVICES GAP ESTIMATES	**(3,500)**	**(3,624)**	**(5,044)**	**(4,246)**
Spending Control	**1,964**	**1,506**	**1,435**	**1,250**
Agency Operations	**1,141**	**1,089**	**842**	**861**
Agencies	580	386	18	127
Independent Officials	255	310	424	330
Enterprise/Consolidations	109	175	180	180
Health Insurance Rate Renewal	130	130	130	130
Fringe Benefits (New Proposals)	67	88	90	94
Local Assistance	**756**	**580**	**779**	**660**
COLAs/Trends	150	169	168	118
Mental Hygiene	172	92	59	(8)
Social Services/Housing	144	98	204	195
Public Health	105	58	28	19
All Other	185	163	320	336
Debt Management	**140**	**0**	**0**	**0**
New Initiatives/Investments	**(73)**	**(163)**	**(186)**	**(271)**
Local Medicaid Growth/Administrative Takeover	16	(23)	(83)	(181)
Agency Redesign - Enterprise Services	(43)	(66)	(27)	(17)
SSI Administration Takeover From Federal Government	(11)	(13)	(21)	(16)
Protection of Vulnerable Populations	(10)	(30)	(30)	(30)
Rural Rental Assistance	(6)	(6)	(6)	(6)
All Other	(19)	(25)	(19)	(21)
Tax Reform	**1,536**	**1,702**	**1,033**	**(178)**
Tax Code Reform	1,931	2,034	1,335	79
MTA Payroll Tax Small Business Relief	(250)	(250)	(250)	(250)
Reduce Corporate Tax on Manufacturers	(25)	(25)	(25)	0
New York Youth Works Tax Credit	(20)	(5)	0	0
Economic Development Initiatives	(32)	(32)	(13)	(3)
Inner-City Summer Youth Employment	(25)	0	0	0
Disaster Relief Package	(20)	(15)	(10)	0
Educational Opportunities	(11)	(4)	(4)	(4)
All Other	(12)	(1)	0	0
New Costs/Other	**0**	**(299)**	**(398)**	**(547)**
TANF Child Care Replacement	(93)	(215)	(215)	(215)
Mental Hygiene System Funding	0	(100)	(200)	(300)
Excess Pension Payment	0	(80)	(70)	(61)
All Other	93	96	87	29
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATE	**0**	**(715)**	**(2,974)**	**(3,721)**

The sections below provide details on spending control and new costs in the Current Financial Plan. For more information on the Budget recommendations for major programs and activities see the section entitled "Financial Plan Projections - Disbursements" herein.

SPENDING CONTROL

Before the proposed spending controls and management actions in the Executive Budget, State Operating Funds spending was projected to total $90.8 billion, an increase of $3.7 billion, or 4.3 percent, over the current-year estimate. The FY 2013 Executive Budget recommends $2.0 billion in savings from spending control, which would reduce State Operating Funds spending in FY 2013 to $88.7 billion, an annual increase of 1.9 percent over the FY 2012 estimate.

STATE AGENCY OPERATIONS

Agency operations include salaries, wages, fringe benefits, and non-personal service costs (e.g., utilities). State Operating Funds spending for agency operations is estimated at $23.5 billion in FY 2013, a decline of $103 million (-0.4 percent) from the current year. Reductions from the FY 2013 current-services forecast for agency operating costs contribute $1.1 billion to the General Fund gap-closing plan.

- **Agencies:** Continued workforce management through a strict hiring freeze, annualization of savings from recent closures of facilities and elimination of excess capacity, and efforts to downsize State government are expected to result in lowered personal service and fringe benefits costs. The size of the Executive State workforce has declined from 125,787 FTEs in FY 2011 to 121,868 FTEs in FY 2012, a reduction of nearly 4,000 FTEs. The reduction in the size of the State workforce has led to declines in certain fringe benefit costs. In addition, a reconciliation of pension costs in FY 2011 has lowered the State's estimated pension bill in FY 2013 by $77 million.

Additional savings are expected through operational efficiencies as agencies continue to redesign operations to improve service delivery, reduce costs, and eliminate duplicative functions.

- **Independent Officials:** The budgets for the Legislature, Judiciary, State Comptroller, and the Department of Law do not propose spending increases for FY 2013. The Judiciary budget includes pay increases for judges, as recommended by the Judicial Compensation Commission. This spending increase is offset by commensurate reductions achieved through the streamlining of administrative functions and reductions in funding for non-essential programs.

- **Enterprise/Consolidations:** Efforts to centralize and coordinate enterprise services, such as procurement of information technology services, software and mobile communications, office supplies, and health services and pharmaceutical supplies, as well as rent reductions from statewide office space consolidations, are expected to reduce operational costs. After necessary one-time investments, the Current Financial Plan reflects net savings from expected cost reductions in upcoming fiscal years. Specific actions for FY 2013 include: procurement savings through strategic sourcing of goods and services such as vehicles, software, food and office supplies ($100 million); and real estate savings through the relocation of state agencies from leased space into State-owned office space ($9 million). Longer-term projects are underway in information technology, grants management, call centers, business services, fleet management, enterprise-wide licensing and permitting, and learning management.

- **Fringe Benefits (New Proposals):** Savings are achieved by the planned pre-payment of certain pension obligations in FY 2012 to avoid annual interest costs ($30 million); increasing Federal Medicare Part D reimbursements through the conversion of the retiree drug coverage program from the current Retiree Drug Subsidy to an Employer Group Waiver Plan ($26 million); and extending to employees of certain State public authorities the State's existing policy that requires State employees and retirees to contribute toward the cost of Medicare Part B premium reimbursement ($11 million).

LOCAL ASSISTANCE

Local assistance spending includes financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. State Operating Funds spending for local assistance is estimated at $59.1 billion in FY 2013, an increase of $1.5 billion (2.6 percent) from the current year. Reductions from the FY 2013 current-services forecast for local assistance include both targeted actions and additional savings from the continuation of prior-year cost containment actions, which together contribute $756 million to the General Fund gap-closing plan.

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

- **Human Services Cost-of-Living Increases/Trends:** The Budget proposes eliminating the automatic 3.6 percent human services "cost-of-living" increase and maintaining existing rates for other programs, including OMH residential treatment facilities, community residences, family-based treatment, and various residential and day programs for individuals with developmental disabilities. Beginning in FY 2014, a new system will take effect that will provide annual adjustments based on actual costs and performance.

- **Mental Hygiene:** Savings are expected to result from continued programmatic reviews of OMH providers, and from expanded efforts to recover State funds through enhanced audit activities and financial reviews of not-for-profit providers; stringent cost controls and reduced use of institutional services, and investments in community based OPWDD programs; restructuring the Continuing Day Treatment program, shifting funding to more effective program models; and converting residential pipeline units to lower-cost alternatives.

- **Social Services/Housing:** Savings are expected through streamlining and restructuring financing of child support administration; eliminating funding for a shelter supplement initiative; and phasing in the planned 10 percent increase in public assistance grants over two years (5 percent in 2012 and 5 percent in 2013). In addition, funding for the Neighborhood and Rural Preservation programs would be eliminated.

- **Public Health:** Disbursement projections have been adjusted to reflect claims by municipalities in the GPHW program and other trends.

- **Other Local Programs:** Savings are expected across multiple functions and program areas. These include cost-based revisions to School Aid based on updated claiming information from school districts and the estimated growth in NYS personal income; updated payment schedules for the Local Government Performance and Efficiency Program; and updated cost estimates for certain other programs. Savings are partially offset by increases in TAP funding driven by tuition increases and updated participation trends and funding for the Close to Home Juvenile Justice Initiative.

In addition, changes in General Fund Medicaid spending reflect reduced HCRA financing due to downward revisions to cigarette tax forecasts, an acceleration of financing for capital improvements at health care facilities throughout the State, and multi-year revisions to estimated spending for the EPIC program and other HCRA programs. Projected Medicaid spending has also been updated for the estimated impact of enhanced Federal Financial Participation for individuals and couples without children, pursuant to Federal Health Care Reform, which is expected to lower the State share of Medicaid spending in FYs 2015 and 2016.

NEW INITIATIVES/INVESTMENTS

- **Local Government Medicaid Growth/Administrative Takeover:** The FY 2013 Executive Budget includes proposals to establish a phased-in takeover of local government administration of the Medicaid program and to cap spending on local Medicaid administration at FY 2012 appropriated levels. The FY 2013 Executive Budget also provides Medicaid relief for all counties and New York City by reducing growth in local Medicaid payments.

- **Agency Redesign - Enterprise Services:** The Executive Budget reflects investments to improve State operations. Specifically, State support for OFT and OGS has been increased to cover costs associated with the more centralized role these agencies are expected to take in providing shared business services, which are now decentralized across many State agencies. These services include management of the State's assets, the streamlining of procurement processes, and the consolidation of technical and administrative resources. The greater centralization of these services is expected to achieve statewide savings and allow agencies to better focus on their core missions. These investments are expected to generate significant statewide savings in the upcoming fiscal years of the Current Financial Plan from cost reductions, increased efficiency, and business transformation.

- **SSI Administration Takeover:** The Executive Budget recommends that the State take over administration of the State's participation in the Federal Supplemental Security Income Benefit currently administered by the Federal government, which is expected to generate savings in the later years of the Current Financial Plan.

- **Protection of Vulnerable Populations:** Pursuant to preliminary recommendations of the Governor's Special Advisor on Vulnerable Persons, a new centralized hotline will be established for reporting allegations of abuse and neglect of vulnerable persons in certain programs operated by State agencies, including Mental Hygiene, Health and Education.

- **Rental Assistance Program:** Increased funding is recommended for the Rural Rental Assistance Program that provides State funded rental subsidies to approximately 4,700 low income occupants of rural housing projects financed by the Federal Department of Agriculture.

NEW COSTS

- **TANF Child Care Replacement:** Less Federal funding from the Temporary Assistance for Needy Families (TANF) program is expected to be available in FY 2013. Therefore, State General Fund support has been increased to maintain current funding levels in the child care program.

- **Mental Hygiene System Funding:** Ongoing de-institutionalization efforts, which will allow individuals currently residing in State-operated Developmental Centers to be placed in more clinically appropriate settings based on their needs and abilities, is expected to reduce Federal Medicaid revenues.

- **Excess Pension Payment:** The Current Financial Plan assumes the State will increase its annual pension contribution, starting in FY 2014, above the minimum level required under the 2010 amortization legislation, thereby lowering long-term interest costs.

PROJECTED CLOSING BALANCES

DOB estimates that the General Fund will end with balances of $1.7 billion in FY 2012 and $1.8 billion in FY 2013. The following table summarizes the balances within the General Fund.

GENERAL FUND ESTIMATED CLOSING BALANCES
(millions of dollars)

	FY 2012 Current	Annual Change	FY 2013 Proposed
Projected Fund Balance	**1,675**	**123**	**1,798**
Statutory Reserves:			
Tax Stabilization Reserve Fund	1,031	0	1,031
Rainy Day Reserve Fund	275	0	275
Contingency Reserve Fund	21	0	21
Community Projects Fund	51	(51)	0
Reserved for:			
Prior Year Labor Agreements (2007-2011)	284	174	458
Reserved for Debt Reduction	13	0	13

The closing balances in each year include amounts reserved to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms for prior contract periods. The amounts are calculated based on the pattern settlement for the FY 2008 through FY 2011 period agreed to by the State's largest unions. The Current Financial Plan assumes that no additional agreements will be financed from the reserve in FY 2012 beyond the APSU agreement described above, and that the remaining reserve will be carried forward into FY 2013. Reserves will be reduced as subsequent labor agreements for prior periods are reached.

The Community Projects Fund, which finances discretionary ("member item") grants allocated by the Legislature and Governor, is expected to decrease by $51 million, reflecting the spend-down of the balance and no planned future deposits.

Balances in the State's principal reserve funds are expected to remain unchanged in FY 2013.

YEAR-TO-DATE OPERATING RESULTS

GENERAL FUND RESULTS VERSUS MID-YEAR UPDATE

Through the first nine months of FY 2012, General Fund receipts, including transfers from other funds, totaled $39.2 billion, or $11 million above the forecast in the Mid-Year Update. General Fund disbursements, including transfers to other funds, totaled $38.3 billion through December 2011, or $342 million below the Mid-Year forecast. The favorable results were due in part to the timing of certain payments and lower spending across a number of programs. This information has been reflected in the revised annual disbursement estimates.

GENERAL FUND OPERATING RESULTS THROUGH DECEMBER 2011
(millions of dollars)

	Projections			Favorable/ (Unfavorable) vs.	
	Enacted Budget	Mid-Year Update	Actual Results	Enacted Budget	Mid-Year Update
Opening Balance	**1,376**	**1,376**	**1,376**	**0**	**0**
Receipts	**39,093**	**39,227**	**39,238**	**145**	**11**
Personal Income Tax[1]	23,039	23,338	23,163	124	(175)
User Taxes and Fees[1]	8,853	8,794	8,849	(4)	55
Business Taxes	3,900	3,777	3,723	(177)	(54)
Other Taxes[1]	1,087	1,171	1,194	107	23
Non-Tax Revenue	2,214	2,147	2,309	95	162
Disbursements	**38,563**	**38,641**	**38,299**	**264**	**342**
Education	11,047	10,843	10,644	403	199
Health Care	8,727	8,835	8,878	(151)	(43)
Social Services	2,315	2,085	2,044	271	41
All Other Local	4,063	4,346	4,266	(203)	80
Personal Service	4,357	4,580	4,633	(276)	(53)
Non-Personal Service	1,323	1,186	1,194	129	(8)
General State Charges	2,595	2,675	2,506	89	169
Transfers To Other Funds	4,136	4,091	4,134	2	(43)
Change in Operations	**530**	**586**	**939**	**409**	**353**
Closing Balance	**1,906**	**1,962**	**2,315**	**409**	**353**

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

RECEIPTS VARIANCE FROM MID-YEAR PLAN

Through the first nine months of FY 2012, General Fund receipts, including transfers from other funds, totaled $39.2 billion, or $11 million above the forecast in the Mid-Year Update. Total taxes, including transfers from other funds after debt service, were $151 million lower than projected, mainly due to lower collections in personal income taxes and business taxes, reflecting slower than expected wage and non-wage income growth and continued weakness in the general business, insurance, and telecommunication sectors. These lower receipts were partially offset by higher than expected collections from user taxes and other tax revenue. Non-tax receipts (including miscellaneous receipts) exceeded estimates, primarily attributable to earlier than expected abandoned property receipts.

DISBURSEMENTS VARIANCE FROM MID-YEAR PLAN

Disbursements through December 2011 fell below projections, consistent with the pattern observed in prior months. While the variance for some programs appears to be due to the timing of payments, a review of overall spending patterns indicates that the annual disbursements estimate for the current year should be reduced from the Mid-Year estimate. (See "Financial Plan Overview -- Current Fiscal Year (FY 2012)" herein.)

Disbursements for education and Medicaid, the two largest components of the General Fund, generally appear to be in line with annual estimates. The variances to date reflect routine differences in the timing of payments and the application of resources from other funds. Lower than expected spending to date in other local assistance programs, including public health and mental health, is expected to translate into reduced annual disbursements.

Disbursements for State Operations through December 2011 exceeded planned levels. This appears to be primarily due to the processing of certain accounting transactions by several State agencies. The annual estimate for State Operations has been increased modestly due to overall trends in non-personal spending and the APSU labor settlement.

Lower spending in GSCs reflects the impact of overall attrition rates, and lower disbursements for health insurance premiums and other costs. The annual estimate for GSCs, excluding the impact of a planned excess pension payment, has been lowered to reflect updated trends.

GENERAL FUND YEAR-OVER-YEAR RESULTS

GENERAL FUND OPERATING RESULTS YEAR OVER YEAR APRIL THROUGH DECEMBER (millions of dollars)				
	FY 2011 Results	FY 2012 Results	Increase/(Decrease) $	%
Opening Balance	**2,302**	**1,376**	**(926)**	
Receipts	**38,221**	**39,238**	**1,017**	**2.7%**
2010 STAR Deferral	2,405	-	(2,405)	-100.0%
Personal Income Tax[1]	20,354	23,163	2,809	13.8%
User Taxes and Fees[1]	8,536	8,849	313	3.7%
Business Taxes	3,430	3,723	293	8.5%
Other Taxes[1]	1,150	1,194	44	3.8%
Non-Tax Revenue	2,346	2,309	(37)	-1.6%
Disbursements	**37,515**	**38,299**	**784**	**2.1%**
2010 School Aid Deferral	2,060	0	(2,060)	-100.0%
Education	10,665	10,644	(21)	-0.2%
Health Care	6,064	8,878	2,814	46.4%
Social Services	2,081	2,044	(37)	-1.8%
All Other Local	4,093	4,266	173	4.2%
Personal Service	4,814	4,633	(181)	-3.8%
Non-Personal Service	1,299	1,194	(105)	-8.1%
General State Charges	2,297	2,506	209	9.1%
Transfers To Other Funds	4,142	4,134	(8)	-0.2%
Change in Operations	**706**	**939**	**233**	
Closing Balance	**3,008**	**2,315**	**(693)**	

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

The comparison of results on a year-over-year basis is affected by a number of cash management actions taken by the State in FY 2010 and FY 2011 to preserve liquidity and manage expenses. The most significant actions that affect the comparison of results include:

- Cash management actions taken in FY 2010, which deferred $2.1 billion in payments from the final quarter of FY 2010 until the end of the first quarter of FY 2011. This had the effect of increasing the opening cash balance in FY 2011 and total spending for the fiscal year.

- Cash management actions taken in December 2010 (FY 2011) to defer certain deposits and payments by one month into January 2011 (the largest of which was the STAR deposit). No similar actions were needed in December 2011.

Excluding these cash management factors, receipts through December 2011 were approximately $3.4 billion higher than the same period in FY 2010. This was primarily due to growth in PIT receipts driven by a strong April 2011 PIT settlement; continued corporate profits from certain deferred tax credit claims that have aided the corporate franchise tax; and increased consumer spending, reflecting improved economic conditions.

Through December 2011, spending was $784 million (2.1 percent) higher than the same period last year. Excluding the deferral of the FY 2010 school aid payment, spending through December 2011 was

$2.8 billion above last year's level. The increase in local assistance is mainly due to Medicaid, reflecting expiration of the temporary enhanced Federal share of Medicaid costs that has added approximately $2 billion year-over-year to the State share through December 2011 and the payment of an extra Medicaid cycle in FY 2012 instead of FY 2011 ($322 million), which was approved as part of the FY 2010 Enacted Budget.

In addition, other local assistance programs with significant changes include: the timing of SUNY Community College Operating Aid payments ($147 million), a result of the timing of administrative payment to campuses during December 2010; higher TAP awards ($106 million), as enrollment figures continue to trend higher than in previous years; and spending for local assistance programs designated for certain economic development initiatives ($61 million). These increases in local assistance were partially offset by declining payments to not-for-profit mental hygiene service providers, primarily reflecting the impact of shifting the spending source for certain programs from the General Fund to other State funds in recent years; and lower year-to-year spending for other local programs.

Spending for agency operations has continued to decline, consistent with Financial Plan expectations. The decline in Personal Service ($181 million) reflects the impact of increased attrition, strict hiring controls, and other savings. The decline in Non-Personal Service reflects the continuing impact of statewide spending controls and agency redesign efforts. Increased year-over-year spending for GSCs ($209 million) reflects higher health insurance payments in FY 2012.

STATE OPERATING FUNDS RESULTS VERSUS MID-YEAR UPDATE

STATE OPERATING FUNDS RESULTS APRIL - DECEMBER 2011
(millions of dollars)

	Projections			Favorable/ (Unfavorable) vs.	
	Enacted Budget	Mid-Year Update	Actual Results	Enacted Budget	Mid-Year Update
Opening Balance	**3,970**	**3,970**	**3,969**	**(1)**	**(1)**
Receipts	**58,150**	**59,099**	**58,766**	**616**	**(333)**
Taxes	44,950	45,121	44,885	(65)	(236)
Miscellaneous/Federal Receipts	13,200	13,978	13,881	681	(97)
Disbursements	**61,190**	**61,922**	**61,390**	**(200)**	**532**
Education	13,630	13,426	13,227	403	199
Health Care	13,000	13,242	13,274	(274)	(32)
Social Services	2,326	2,094	2,055	271	39
All Other Local	12,136	12,681	12,499	(363)	182
Personal Service	8,795	9,014	9,025	(230)	(11)
Non-Personal Service	3,653	3,767	3,762	(109)	5
General State Charges	3,923	3,989	3,852	71	137
Debt Service	3,727	3,706	3,691	36	15
Capital Projects	0	3	5	(5)	(2)
Other Financing Sources	**3,598**	**3,596**	**3,564**	**(34)**	**(32)**
Change in Operations	**558**	**773**	**940**	**382**	**167**
Closing Balance	**4,528**	**4,743**	**4,909**	**381**	**166**

State Operating Funds results for receipts and disbursements are generally consistent with the General Fund variances described earlier. In addition to General Fund receipts variances, Miscellaneous receipts collections in other State funds were approximately $260 million below Financial Plan projections, reflecting lower receipts from tuition income ($81 million), youth facilities ($55 million), HCRA ($51 million), worker's compensation ($35 million) and other sources.

Additional spending variances are due to the timing of payments and are not expected to affect annual results. These include payments related to the STAR program ($87 million), operating aid for transit services provided by the MTA ($60 million) and regulatory support of the insurance industry ($27 million).

STATE OPERATING FUNDS YEAR-OVER-YEAR RESULTS

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

	FY 2011 Results	FY 2012 Results	Increase/(Decrease) $	Increase/(Decrease) %
Opening Balance	**4,810**	**3,969**	**(841)**	
Receipts	**54,869**	**58,766**	**3,897**	**7.1%**
Taxes	41,245	44,885	3,640	8.8%
Miscellaneous/Federal Receipts	13,624	13,881	257	1.9%
Disbursements	**57,255**	**61,390**	**4,135**	**7.2%**
2010 School Aid Deferral	2,060	0	(2,060)	-100.0%
2010 STAR Deferral	(2,405)	0	2,405	N/A
Education	13,267	13,227	(40)	-0.3%
Health Care	10,343	13,274	2,931	28.3%
Social Services	2,089	2,055	(34)	-1.6%
All Other Local	11,931	12,499	568	4.8%
Personal Service	9,312	9,025	(287)	-3.1%
Non-Personal Service	3,469	3,762	293	8.4%
General State Charges	3,630	3,852	222	6.1%
Debt Service	3,542	3,691	149	4.2%
Capital Projects	17	5	(12)	-70.6%
Other Financing Sources	**3,866**	**3,564**	**(302)**	
Change in Operations	**1,480**	**940**	**(540)**	
Closing Balance	**6,290**	**4,909**	**(1,381)**	

The annual results for State Operating Funds tax receipts and spending, in addition to the General Fund annual changes, are mainly due to higher local assistance spending for the STAR program ($2.4 billion) due to the cash management actions described above, as authorized in statute, and mental hygiene programs ($255 million), reflecting timing associated with quarterly payments to not-for-profit service providers.

Agency Operations in other State funds has remained relatively flat year-over-year, reflecting the net impact of declining Personal Service costs, primarily in the mental hygiene and environmental agencies, and growth in year-over-year Non-Personal Service costs, which primarily reflects increased contractual services associated with expansions to SUNY-operated hospitals and campuses.

OTHER MATTERS AFFECTING THE FINANCIAL PLAN

GENERAL

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

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

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

BUDGET RISKS AND UNCERTAINTIES

The Governor’s FY 2013 Executive Budget is a proposal. There can be no assurance that the Legislature will not make changes that have an adverse impact on the budgetary projections set forth in that proposal, or that it will take final action on the Executive Budget before the start of the new fiscal year on April 1, 2012. In prior years when a budget has not been enacted by the start of the fiscal year, the State has enacted interim appropriation and Article VII bills to maintain certain governmental services. Since FY 1996, the Legislature has annually approved the State’s debt service appropriations by the start of each State fiscal year.

There can be no assurance that the State’s General Fund will end the current fiscal year in balance on a budgetary cash basis of accounting, or that the projected outyear 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 or reductions 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 some cases, the ability of the State to implement such actions requires the approval of the Legislature and cannot be implemented solely by the action of the Governor.

State law grants the Executive certain powers to achieve the Medicaid savings assumed in the Current Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated in the Executive Budget Financial Plan. In addition, savings are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, and the participation of health care industry stakeholders. In the current fiscal year, State-share Medicaid disbursements to date have been consistent with expectations.

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 Current Financial Plan, including payments pursuant to the Tribal State Compact; and the achievement of cost-saving measures including, but not limited to, the transfer of available fund balances to the General Fund at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Current Financial Plan in the current year or future years.

BUDGET PROCESS

The State Constitution permits the Governor to amend the Executive Budget proposal within 30 days of submission. DOB expects that the Governor will submit all amendments to his Executive Budget by February 16, 2012 as provided by law. Initial amendments to the FY 2013 Executive Budget were submitted on February 8, 2012. DOB expects to issue an updated Financial Plan that reflects the fiscal impact of any amendments, as well as updated economic, revenue, and spending forecasts through January 2012. At this time, based on a preliminary review of January 2012 operating results, DOB does not anticipate any material revisions to the Current Financial Plan projections set forth in this AIS Update.

By March 1, 2012, the Executive and the majority parties in each house of the Legislature must issue a joint report containing a consensus forecast of the economy and estimates for receipts in the current year and for FY 2013. If there is a failure to issue a joint report containing a consensus forecast, the State Comptroller must establish the receipts forecast by March 5, 2012. The State's new fiscal year begins on April 1, 2012.

STATUS OF CURRENT LABOR NEGOTIATIONS

The State has a five-year labor contract with the State's largest union, CSEA, and a four-year labor contract with the State's second-largest State employee union, PEF. Under both PEF and CSEA labor contracts, there are no general salary increases for three years (FY 2012 through FY 2014). Employee compensation during FY 2012 and FY 2013 will be temporarily reduced. Employees will receive deficit reduction leave (totaling nine days). CSEA-represented employees will receive a $1,000 lump sum payment ($775 paid in FY 2014 and $225 paid in FY 2015). Employees will receive a 2 percent salary increase in FY 2015 under both agreements, and CSEA-represented employees will receive a 2 percent increase in FY 2016. Employees represented by CSEA will be repaid the value of four days in equal consecutive installments starting at the end of the CSEA contract term and employees represented by PEF will be repaid the value of nine days in equal consecutive installments starting in FY 2016. The agreements also include substantial changes to employee health care contributions.

Under the agreements, employees in these unions have contingent layoff protection for FYs 2012 and 2013 and continuing protection for the full term of the agreements. Workforce reductions due to management decisions to close or restructure facilities authorized by legislation, SAGE Commission recommendations, or material or unanticipated changes in the State's fiscal circumstances are not covered by this protection.

Negotiations with the State's other unions, which represent approximately 35 percent of the State workforce, are ongoing. The largest of these unions, with whom negotiations are continuing, are UUP, which represents faculty and non-teaching professional staff within the State University system, and NYSCOPBA, which represents the State's correction officers.

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

The Current Financial Plan continues to include a reserve to cover the costs of a pattern settlement with all unions that have not agreed to contracts through FY 2011. The pattern is based on the general salary increases agreed to by the State's largest unions for the same period. There can be no assurance that actual settlements, some of which are subject to binding arbitration, will not exceed the amounts reserved.

In August 2011, a statutorily authorized judicial compensation commission authorized a multi-year plan to provide salary increases for judges beginning in FY 2013, which will automatically take effect barring action by the Legislature and the Governor to obviate the increases. The Current Financial Plan assumes salary increases in the Judiciary's current budget projections.

CURRENT CASH-FLOW PROJECTIONS

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

FY 2012

Through the first nine months of FY 2012, the State relied on its authorization to borrow from STIP to meet certain General Fund payment obligations in April 2011, and repaid such amounts by the end of April 2011. While the State may rely on this borrowing authority at other times during the remaining months of FY 2012, it is expected that such amounts will be repaid by the end of the month in which the borrowing occurs.

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.

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

FY 2013

Under the Executive Budget proposal, DOB estimates that the State will have sufficient liquidity to make payments as they become due. Consistent with prior years, DOB estimates that General Fund balances will reach relatively low levels in May, June, August, and December 2012. The following table provides an estimate of month-end balances for FY 2013. This information will be updated with the Enacted Budget Financial Plan.

PROJECTED ALL FUNDS MONTH-END CASH BALANCES
FY 2013
(millions of dollars)

	General Fund	Other Funds	All Funds
April	4,599	3,223	7,822
May	1,382	3,624	5,006
June	1,773	2,846	4,619
July	2,028	3,443	5,471
August	1,493	4,437	5,930
September	4,834	2,100	6,934
October	3,601	2,578	6,179
November	2,542	3,318	5,860
December	1,873	2,266	4,139
January	6,299	4,240	10,539
February	6,169	4,565	10,734
March	1,675	2,675	4,350

PENSION AMORTIZATION

Under legislation enacted in FY 2011, the State and local governments may amortize (defer paying) a portion of their pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by public employers in a given fiscal year, but results in higher costs overall when repaid with interest. The legislation enacted a formula to set amortization thresholds for each year. The amortization thresholds may increase or decrease by up to one percentage point annually. Pension contribution costs in excess of the amortization thresholds, which are 10.5 percent of payroll for the Employees Retirement System (ERS) and 18.5 percent for the Police and Fire Retirement System (PFRS) in FY 2012, may be amortized.

The Current Financial Plan assumes that the State will amortize a portion of its pension costs, pursuant to the FY 2011 legislation. The State's minimum ERS pension contribution rate, as a percentage of payroll was 9.5 percent in FY 2011, is 10.5 percent in FY 2012 and 11.5 percent in FY 2013, and is expected to be 12.5 percent in FY 2014 and 13.5 percent in FY 2015. The PFRS rate was 17.5 percent in FY 2011, is 18.5 percent in FY 2012 and 19.5 percent in FY 2013 and is expected to be 20.5 percent in FY 2014 and 21.5 percent in FY 2015. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization thresholds. In addition, the State will begin repayment of the amounts amortized, beginning in the fiscal year immediately following the amortizations. Repayment of the amortized amounts will be made over a period of not more than ten years at an interest rate to be determined by the State Comptroller annually for amounts amortized in that year and with the rate fixed for the entire term of that amortization.

In March 2011, the State made a pension payment of $1.078 billion for FY 2011, and amortized $216 million. The State prepaid $46 million earlier in fiscal year 2011. 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 the current fiscal year, FY 2012. For amounts amortized in FY 2011, the Comptroller set an interest rate of 5 percent, and has set an interest rate of 3.75 percent for amounts amortized for FY 2012. The Current Financial Plan assumes that both the State and OCA will elect to amortize pension costs in future years, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 5 percent over ten years from the date of each deferred payment.

The following table, which summarizes pension contributions and projections for future fiscal years, reflects the "Normal Costs" of pension contributions as the amount the State would contribute to fund pensions before amortization, along with "New Amortized Amounts" assumed in upcoming years. The repayment costs associated with these amortizations are reflected as the "Amortization Payment." Consistent with these amortization assumptions, Part TT of Chapter 57 of the Laws of 2010 requires that (a) the State make "Additional Contributions" in upcoming fiscal years, above the actuarially required contribution, and (b) once all outstanding amortizations are paid off, additional contributions will be set aside as "Reserves for Rate Increases," to be invested by the State Comptroller and used to offset future rate increases. Projections in the following table are based on certain assumptions about actuarial factors on investment earnings and benefits to be paid, and actual results may vary from the projections provided in the following table.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM [1]
PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS
(millions of dollars)

Fiscal Year	Normal Costs[2]	New Amortized Amounts	Amortization Payment	Additional Contributions	Total	Reserves for Rate Increases	Plus Interest at 5%
2011 Actual	1,552.8	(249.6)	0.0	0.0	1,303.2	0.0	0.0
2012 Projected	2,056.9	(574.8)	32.3	0.0	1,514.4	0.0	0.0
2013 Projected	2,087.8	(782.0)	102.3	0.0	1,408.1	0.0	0.0
2014 Projected	2,393.2	(770.6)	197.5	0.0	1,820.1	0.0	0.0
2015 Projected	2,688.3	(915.5)	291.4	0.0	2,064.2	0.0	0.0
2016 Projected	2,425.7	(553.9)	402.8	0.0	2,274.6	0.0	0.0
2017 Projected	2,317.1	(435.3)	470.3	0.0	2,352.1	0.0	0.0
2018 Projected	2,399.3	(343.4)	523.3	0.0	2,579.2	0.0	0.0
2019 Projected	2,434.4	(195.7)	565.1	0.0	2,803.8	0.0	0.0
2020 Projected	2,510.3	(93.2)	588.9	0.0	3,006.0	0.0	0.0
2021 Projected	2,649.7	(34.9)	600.3	0.0	3,215.1	0.0	0.0
2022 Projected	2,197.4	0.0	572.2	362.7	3,132.3	0.0	0.0
2023 Projected	1,989.2	0.0	313.2	510.4	2,812.8	0.0	0.0
2024 Projected	1,766.6	0.0	84.9	666.6	2,518.1	340.3	357.3
2025 Projected	1,528.9	0.0	0.0	831.8	2,360.7	1,172.1	1,248.5
2026 Projected	1,125.9	0.0	0.0	1,155.8	2,281.7	2,327.9	2,524.5

Source: NYS DOB

1. Pension contribution values do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System for SUNY and SED, whereas the projected pension disbursements in the Financial Plan tables presented in this update include these costs. Pension contribution values include the State Office of Court Administration (OCA).
2. Includes amortization payments from amortizations prior to FY 2011. Prior amortization repayments will end in FY 2016.
3. The amortization payment assumes an interest rate of 5 percent for each amortized amount. The actual rate for each amortized amount may be increased or decreased from this estimate.

FEDERAL ACTIONS

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes. Any reduction in Federal funding levels could have a materially adverse impact on the Current Financial Plan.

The Federal Budget Control Act ("BCA") established a Joint Select Committee for Deficit Reduction to achieve $1.2 trillion in deficit reduction over ten years. On November 21, 2011, the Joint Select Committee announced that it failed to reach agreement on actions to reduce the deficit. Pursuant to the BCA, deficit reduction will now be achieved through the sequestration process, with automatic reductions scheduled to begin in January 2013. The BCA prescribes that approximately 18 percent of the $1.2 trillion in deficit reduction can be attributed to assumed debt service savings, while the remainder must be achieved through spending reductions, divided evenly between the Defense Department and non-Defense spending.

The State is analyzing the potential impact of the BCA on the State Financial Plan and State economy. DOB estimates that, if the sequestration process were to operate as set forth in the BCA and without any further modification by Congress, New York State and local governments could lose approximately $5 billion in Federal funding over nine years, beginning in FY 2013. This does not account for potential declines in other revenues that may occur as a result of lost Federal funding. DOB will continue to refine its estimates and make adjustments to the Financial Plan as more definitive information becomes available.

In addition, the Current Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government. The Federal CMS recently engaged the State regarding claims for services provided to individuals in developmental centers operated by the New York State OPWDD. Although no official audit has commenced and the rates paid for these services are established in full 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. The State has begun the process of seeking CMS approval to proceed with the development of a new form of waiver (known as the "section 1115 demonstration waiver") to create a contemporary and sustainable system of service funding and delivery for individuals with developmental disabilities.

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. For planning purposes, the Current Financial Plan assumes no proceeds from a health care conversion in FY 2012, but counts on proceeds of $250 million in FY 2013 and $300 million in FYs 2014, 2015 and 2016, which would be deposited into the Health Care Reform Act (HCRA) account. If a conversion does not occur on the timetable or at the levels assumed in the Current Financial Plan, the State would be required to take other actions to increase available resources or to reduce planned spending from HCRA.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)-BASIS PROJECTIONS

The State's budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis. The GAAP-basis plans model, to the extent practicable, the accounting principles applied by OSC in preparation of the annual Financial Statements. Tables comparing the cash-basis and GAAP-basis General Fund Financial Plans are provided at the end of this Financial Plan.

In FY 2012, the General Fund GAAP Financial Plan shows total revenues of $48.1 billion, total expenditures of $58.4 billion, and net other financing sources of $9.3 billion, resulting in an operating deficit of $960 million.

In FY 2013, the General Fund GAAP Financial Plan shows total revenues of $50.2 billion, total expenditures of $59.8 billion, and net other financing sources of $9.3 billion, resulting in an operating deficit of $215 million. These results reflect the net impact of the Executive Budget gap-closing actions. DOB's detailed GAAP Financial Plans for FY 2012 through FY 2016 are provided in the Financial Plan Tables.

OTHER POST-EMPLOYMENT BENEFITS

Substantially all of the State's employees become eligible for post-employment benefits if they reach retirement while working for the State. In accordance with GASBS 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2011, the 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 thirty years. Amounts required but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for FY 2011, an actuarial valuation of OPEB liabilities was performed as of April 1, 2008 with results projected to April 1, 2010 for the fiscal year ended March 31, 2011. The valuation calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2011 at $55.9 billion ($46.3 billion for the State and $9.6 billion for SUNY), determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The net OPEB liability for FY 2011 totaled $3.7 billion ($3.1 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 $2.5 billion ($2.1 billion for the State and $0.4 billion for SUNY) above the payments for retiree costs made by the State in FY 2011. This difference between the State's 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 FY 2011 by $2.5 billion.

The State's actuarial consultant has provided an updated calculation of the ARC and annual OPEB costs. The updated calculation will ultimately be reflected in the financial statements for the State and SUNY for FY 2012. The updated calculation shows the present value of the actuarial accrued total liability for benefits at $74.3 billion ($62.0 billion for the State and $12.3 billion for SUNY).

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 Current 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.

As noted, there is no provision in the Current 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 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.

DEBT REFORM ACT RESTRICTIONS

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

Current projections estimate that debt outstanding and debt service will continue to remain below the limits imposed by the Act. However, the State is continuing through a period of declining debt capacity. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $3.1 billion in FY 2012 to $314 million in FY 2014. The State may consider measures to address capital spending priorities, debt financing practices, the inherent volatility of personal income as a basis for long-term planning, and other factors affecting debt capacity as events warrant.

New Debt Outstanding (millions of dollars)

Year	Personal Income	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2012	982,118	4.00%	3.68%	3,094	0.32%
FY 2013	1,014,195	4.00%	3.88%	1,203	0.12%
FY 2014	1,057,395	4.00%	3.97%	314	0.03%
FY 2015	1,118,421	4.00%	3.95%	614	0.05%
FY 2016	1,179,167	4.00%	3.90%	1,218	0.10%
FY 2017	1,240,011	4.00%	3.80%	2,445	0.20%

New Debt Service Costs (millions of dollars)

Year	All Funds Receipts	Cap %	Actual/ Recommended %	$ (Above)/Below	% (Above)/Below
FY 2012	132,307	4.65%	2.66%	2,632	1.99%
FY 2013	132,724	4.98%	2.87%	2,805	2.11%
FY 2014	137,947	5.00%	2.97%	2,798	2.03%
FY 2015	142,449	5.00%	3.05%	2,774	1.95%
FY 2016	147,169	5.00%	3.13%	2,747	1.87%
FY 2017	153,379	5.00%	3.17%	2,808	1.83%

SECURED HOSPITAL PROGRAM

Under the Secured Hospital program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to issue debt. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State MCFFA and by DASNY through the Secured Hospital program. In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. As of March 31, 2011, there is a total of $585 million of outstanding bonds for the program.

The financial condition of most hospitals in the State's Secured Hospital Program continues to deteriorate. Of the nine hospitals in the program, several are experiencing significant operating losses that are likely to impair their ability to remain current on their loan agreements with DASNY. In relation to the Secured Hospital Program, the Current Financial Plan projections reflect the assumption of additional costs of $3 million in FY 2013, $32 million in FY 2014, and $39 million annually thereafter. These estimates are based on the actual experience to date of the participants in the program, and cover the debt service costs for four hospitals that currently are not performing on the payment obligations to DASNY. The State has additional exposure of up to a maximum of $43 million annually, if all additional hospitals in the program failed to perform on their payment obligations to DASNY and if available reserve funds were depleted.

BOND MARKET

Implementation of the Current Financial Plan is dependent on the State's ability to market its bonds successfully. The State finances much of its capital spending in the first instance from the General Fund or STIP, which it then reimburses with proceeds from the sale of bonds. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, it can adversely affect the State's overall cash position and capital funding plan. The success of projected public sales will 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. Such adverse decisions may not meet the materiality threshold to warrant individual description but, in the aggregate, could still adversely affect the State's Current Financial Plan. See the section on "Litigation and Arbitration" later in this Update.

ECONOMIC BACKDROP[2]

THE NATIONAL ECONOMY

The U.S. economic recovery survived an almost continuous series of setbacks in 2011 that included spiking energy prices, supply chain disruptions resulting from a virtual shutdown of the world's third largest economy, threats to the global financial system stemming from the European sovereign debt crisis, and uncertainty surrounding the U.S. government's own looming debt problems. As the impact of the oil shock and Japanese supply chain disruptions unwind, some positive momentum appears to be building, with the fourth quarter of 2011 exhibiting the strongest quarterly growth since the first half of 2010. However, the economy faces many headwinds going forward, including a slowing global economy, financial market volatility, continued weak income growth, and a very slowly moving housing sector. Consequently, real U.S. GDP is now projected to grow 2.2 percent for 2012, following growth of 1.7 percent for 2011.

With the euro-zone likely to have entered a recession in the fourth quarter and the large developing economies in Asia and Latin America slowing, the U.S. economy is expected to feel the pinch through lower export growth during the first half of 2012. Since a large portion of U.S. corporate earnings are derived from overseas activity, growth in U.S. corporate profits from current production is expected to decelerate to 4.7 percent in 2012, down from 7.9 percent in 2011, and 32.2 percent in 2010. The anticipated slowdown in production for export could modestly dampen employment growth yet again early this year, before picking up during the second half. U.S. nonagricultural employment is projected to grow 1.3 percent in 2012, following 1.2 percent growth in 2011. The absence of a sustained improvement in job growth will keep wage growth low as well, which in turn will help keep consumer price pressures at bay. The unwinding of the gasoline and food price spikes experienced in 2011 will keep consumer price inflation well below last year's rate. The rate of inflation, as measured by growth in the Consumer Price Index, is projected to fall from 3.1 percent in 2011 to 1.8 percent in 2012.

RISKS TO THE U.S. FORECAST

DOB’s outlook calls for the recovery from the nation’s worst recession since the 1930s to continue through 2012 at below-trend growth rates as the economy’s domestic momentum struggles with a recession in Europe and slower growth in other areas of the world. But there are a number of significant risks to the forecast, both positive and negative. If resolution of the euro-debt crisis should turn negative, and in the worst case result in a bank run (as occurred in September 2008), short-term credit markets could seize up and the U.S. economy could potentially be dragged back into a recession. A breakup of the euro-zone, or a dissolution of the euro itself, could have even worse consequences. Similarly, an economic “hard landing” in China would likely cause a deeper global slowdown than expected, resulting in slower export growth than is reflected in the forecast. In contrast, a slow but steady path to resolution of the euro-debt crisis, along with a milder recession in Europe and/or a more modest slowdown elsewhere, could result in stronger export and employment growth than anticipated.

The forecast assumes that the U.S. Congress will extend the payroll tax cut and Unemployment Insurance benefit extensions beyond the first two months of the year. If the Congress should fail to come to an agreement, household spending could be less than anticipated. Furthermore, should the failure to reach an agreement cause the household and business sector to lose confidence in the recovery, an even greater pullback in spending could ensue, resulting in much slower growth than is reflected in the

[2] Unless otherwise noted, all quarterly and annual references in this section of the AIS Update are to calendar years.

forecast. A renewed confidence in the recovery depends upon an improvement in the pace of job growth over the coming quarters. If that improvement fails to materialize, households may pull back once again, resulting in lower consumption growth than expected. Weaker household spending would ripple through the economy and likely result in lower investment growth as well. A substantial equity market correction could have a similar effect. In contrast, if actions taken by the Federal government inspire confidence within the business sector, employment and household spending growth could be stronger than expected.

The housing sector has been virtually absent from this recovery. If the number of home foreclosures is greater than expected, a housing market recovery could be further delayed. A surge in foreclosures could also impede the recovery in home prices, which would in turn delay the recovery in household net worth, also resulting in lower rates of household spending than projected. Alternatively, a large and sustained increase in household formation could result in stronger demand for housing and therefore a quicker recovery in home prices and construction employment than expected. Finally, oil prices are once again on the rise due to global tensions. These increases could cause gasoline prices to return to their lofty May 2011 peaks. Since energy price growth acts as a virtual tax on household spending, faster growth in the price of oil could also result in lower consumption spending than anticipated. A quick resolution of these tensions could send energy prices back down faster than expected, resulting in greater real household spending for non-energy goods and services.

THE NEW YORK STATE ECONOMY

The State coincident index indicates that New York's recovery got underway in early calendar year 2010, coinciding with the State economy's response to the Federal Reserve's highly accommodating monetary policy – its near-zero interest rate policy target and the historic expansion of its balance sheet. As home to the world's financial capital, the State economy is especially sensitive to monetary policy shifts. The strong economic stimulus provided by the central bank was reinforced by a weak dollar and strong foreign demand for State-produced goods and services, particularly those related to tourism. Foreign demand for New York City real estate has also been strong. These developments helped to support above average quarterly private year-ago job growth of an estimated 2.0 percent over the first three quarters of calendar year 2011. Private sector employment is estimated to have grown 1.9 percent for calendar year 2011 overall, following virtually flat growth of 0.2 percent in 2010. While private sector growth appears to have been broad-based, with even manufacturing seeing positive year-ago growth, government employment is estimated to have fallen during each quarter of 2011 on a year-ago basis, and 2.9 percent for the year.

Calendar year 2011 turned out to be an historically turbulent year for financial markets, with securities industry revenues falling sharply over the course of the year and the nation's banks perceived to be at risk due to the crisis in Europe. That turbulence occurred against a backdrop of an evolving regulatory environment that has altered the pattern of risk-taking behavior of Wall Street firms. These forces resulted in steadily deteriorating revenues over the course of last year, with NYSE member firms experiencing losses in the third quarter, the first since calendar year 2008. Fourth quarter revenues and profits are not anticipated to exhibit much improvement. Thus, with finance industry revenues in calendar year 2011 likely to be below the calendar year 2010 levels, and executive compensation likely to decline, finance and insurance industry bonus payouts for the FY 2012 bonus season are likely to be well below their FY 2011 levels, with finance and insurance sector bonuses for the first quarter of 2012 expected to be 34.4 percent below their year-ago total. Slower global growth and a stronger dollar are expected to result in slower private-sector job growth of 1.4 percent in 2012. Fiscal strains are expected to continue to put pressure on government employment at all levels; public sector jobs are expected to fall 1.0 percent in 2012. State wages are projected to rise 1.9 percent in 2012, following growth of 3.8

percent in 2011, with total personal income rising 3.3 percent in 2012, following growth of 4.5 in 2011. These growth rates are well below historical averages.

RISKS TO THE NEW YORK FORECAST

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, developments that have an impact on credit markets, such as the euro-debt crisis, pose a particularly large degree of risk for New York. Yet another financial crisis induced recession would be devastating for the State economy. Even lesser risks, such as a further erosion of equity prices could be quite destabilizing to the financial sector and ultimately bonuses and State wages overall. These risks are compounded by the uncertainty surrounding the implementation of financial reform, which is already altering the composition of bonus packages in favor of stock grants with long-term payouts and claw-back provisions, thus affecting the forecast for taxable wages. As financial regulations evolve, it is becoming increasingly uncertain as to when finance sector revenue generating activity such as trading, lending, and underwriting will return to pre-crisis levels, resulting in additional risk to the forecasts for bonuses and personal capital gains.

There are, however, some possible upside impacts to DOB's New York economic outlook as well. A stronger national or global economy than projected could increase the demand for New York goods and services, resulting in stronger job growth than projected. Such an outcome could lead to stronger levels of business activity and income growth than anticipated. If corporate earnings surprise to the upside, a stronger and earlier upturn in stock prices could result, stimulating additional financial market activity, and producing higher wage and bonus growth than currently projected. Of course, a stronger national economy could force the Federal Reserve to raise interest rates earlier or more rapidly than projected, which could negatively affect the State economy and the financial sector in particular.

SELECTED ECONOMIC INDICATORS
(Calendar Year)

	2010 (actual[1])	2011 (estimate)	2012 (forecast)	2013 (forecast)	2014 (forecast)	2015 (forecast)
U.S. Indicators						
Real Gross Domestic Product ($ B)	13,088	13,316	13,615	14,014	14,525	15,009
Percent Change	3.0	1.7	2.2	2.9	3.6	3.3
Personal Income ($ B)	12,374	12,955	13,401	13,943	14,772	15,618
Percent Change	3.7	4.7	3.4	4.0	5.9	5.7
Nonagricultural Employment (millions)	129.8	131.2	132.9	135.1	137.7	140.4
Percent Change	(0.7)	1.2	1.3	1.7	1.9	2.0
Unemployment Rate	9.6	9.0	8.6	8.2	7.6	7.1
CPI Inflation	1.6	3.1	1.8	2.1	2.1	2.3
New York State Indicators						
Personal Income[2] ($ B)	921.4	963.1	994.6	1,036.9	1,096.8	1,156.3
Percent Change	4.1	4.5	3.3	4.3	5.8	5.4
Wages and Salaries[2] ($ B)	502.0	521.3	531.5	557.6	585.1	613.3
Percent Change	4.4	3.8	1.9	4.9	4.9	4.8
Bonuses[3] ($ B)	68.2	71.7	63.8	67.8	72.0	76.2
Percent Change	20.7	5.2	(11.0)	6.3	6.1	5.9
Employment[2] (thousands)	8,318.7	8,408.5	8,490.9	8,577.2	8,659.7	8,731.7
Percent Change	0.1	1.1	1.0	1.0	1.0	0.8
Unemployment Rate (percent)	8.6	7.9	7.6	7.1	6.6	6.2
NYS Adjusted Gross Income (NYSAGI)						
Capital Gains[4] ($ millions)	48,163	56,744	79,721	63,159	65,182	74,496
Percent Change	42.2	17.8	40.5	(20.8)	3.2	14.3
Total NYSAGI ($ millions)	635,441	667,958	710,560	728,456	765,956	812,127
Percent Change	6.5	5.1	6.4	2.5	5.1	6.0

[1] For NYSAGI variables, 2010 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.
[4] The swing from high growth in 2012 to a decline in 2013 assumes taxpayer anticipation of the expiration of the capital gains tax rate cut enacted in 2003.
Source: Moody's Analytics; NYS Department of Labor; NYS Department of Taxation and Finance; DOB staff estimates.

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2012 THROUGH 2016

The DOB estimates that the Executive Budget, if enacted as proposed, would provide for a balanced General Fund Financial Plan in FY 2013, and leave projected gaps that total approximately $715 million in FY 2014, $3.0 billion in FY 2015, and $3.7 billion in FY 2016. The net operating shortfall in State Operating Funds is projected at $2.2 billion in FY 2015 and $3.1 billion in FY 2016.

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

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

GENERAL FUND PROJECTIONS

MULTI-YEAR GENERAL FUND PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts					
Taxes (After Debt Service)	52,816	54,597	57,829	58,984	61,314
Miscellaneous Receipts/Federal Grants	3,304	3,129	2,638	2,243	2,336
Other Transfers	1,094	989	878	786	776
Total Receipts	**57,214**	**58,715**	**61,345**	**62,013**	**64,426**
Disbursements					
Local Assistance Grants	38,515	39,403	41,393	42,877	45,107
Education	18,500	18,832	19,731	20,595	21,614
Health Care	10,933	11,127	11,626	12,025	12,931
Mental Hygiene	1,903	1,868	2,063	2,182	2,276
Social Services	2,999	3,067	3,423	3,430	3,562
Higher Education	2,589	2,629	2,753	2,845	2,925
All Other [1]	1,591	1,880	1,797	1,800	1,799
State Operations	7,565	7,588	6,974	7,150	7,524
Personal Service	5,770	5,729	5,362	5,473	5,731
Non-Personal Service	1,795	1,859	1,612	1,677	1,793
General State Charges	4,707	4,434	4,823	5,168	5,459
Gross State Pension Contribution	1,680	1,574	1,986	2,230	2,440
Gross State Employee Health Insurance	3,291	3,240	3,408	3,667	3,949
Fringe Benefit Escrow Offset/Fixed Costs	(264)	(380)	(571)	(729)	(930)
Transfers to Other Funds	6,128	7,167	8,736	9,659	9,925
Debt Service	1,539	1,610	1,681	1,611	1,585
Capital Projects	790	1,079	1,278	1,403	1,298
State Share Medicaid	2,912	2,903	2,697	2,551	2,451
Mental Hygiene	0	69	955	1,886	2,475
Medicaid Payments for State Facility Patients	244	244	244	244	244
SUNY - University Operations	0	390	976	995	1,015
SUNY - Hospital Operations	60	60	60	60	60
Department of Transportation (MTA Tax)	25	279	332	334	334
Judiciary Funds	113	115	116	117	118
Banking Services	61	57	65	65	65
Financial Management System	36	50	55	55	55
Indigent Legal Services	40	40	40	40	40
All Other	308	271	237	298	185
Total Disbursements	**56,915**	**58,592**	**61,926**	**64,854**	**68,015**
Change in Reserves	**299**	**123**	**134**	**133**	**132**
Prior-Year Labor Agreements (2007-11) [2]	284	174	134	133	132
Community Projects Fund	(85)	(51)	0	0	0
Rainy Day Fund	100	0	0	0	0
Budget Surplus/(Gap) Before Actions	**0**	**0**	**(715)**	**(2,974)**	**(3,721)**

[1] All Other includes local aid spending in a number of other programs, including general municipal aid and incentives, parks and the environment, economic development, and public safety.

[2] Fund balances will roll to next fiscal year, if unspent in FY 2012.

STATE OPERATING FUNDS PROJECTIONS

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)	FY 2012 Current	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts					
Taxes	63,199	65,132	68,832	70,510	73,250
Miscellaneous Receipts/Federal Grants	19,480	20,159	20,127	20,023	20,159
Total Receipts	**82,679**	**85,291**	**88,959**	**90,533**	**93,409**
Disbursements					
Local Assistance Grants	57,548	59,060	61,835	63,941	66,255
School Aid	19,677	20,002	20,815	21,613	22,558
STAR	3,293	3,322	3,508	3,691	3,793
Other Education Aid	1,719	1,890	1,980	2,051	2,126
Higher Education	2,605	2,662	2,769	2,845	2,925
Medicaid (DOH incl. administration)	15,280	15,859	16,513	17,049	17,895
Public Health/Aging	2,134	2,033	2,115	2,198	2,051
Mental Hygiene	3,580	3,576	3,969	4,231	4,423
Social Services	3,010	3,072	3,424	3,431	3,563
Transportation	4,257	4,398	4,556	4,650	4,745
Local Government Assistance	758	776	786	801	803
All Other [1]	1,235	1,470	1,400	1,381	1,373
State Operations	17,087	17,132	17,385	17,873	18,584
Personal Service	11,876	11,965	12,199	12,522	13,054
Non-Personal Service	5,211	5,167	5,186	5,351	5,530
General State Charges	6,536	6,388	6,917	7,428	7,880
Pension Contribution	1,680	1,574	1,986	2,230	2,440
Health Insurance (Active Employees)	2,057	2,025	2,130	2,292	2,468
Health Insurance (Retired Employees)	1,234	1,215	1,278	1,375	1,481
All Other	1,565	1,574	1,523	1,531	1,491
Debt Service	5,872	6,149	6,449	6,568	6,705
Capital Projects	5	5	5	5	5
Total Disbursements	**87,048**	**88,734**	**92,591**	**95,815**	**99,429**
Net Other Financing Sources/(Uses)	4,524	4,044	3,677	3,114	2,915
Net Operating Surplus/(Deficit)	**155**	**601**	**45**	**(2,168)**	**(3,105)**
Reconciliation to General Fund Gap:					
Designated Fund Balances	**(155)**	**(601)**	**(760)**	**(806)**	**(616)**
General Fund	(299)	(123)	(134)	(133)	(132)
Special Revenue Funds	239	(401)	(549)	(558)	(499)
Debt Service Funds	(95)	(77)	(77)	(115)	15
General Fund Budget Gap	**0**	**0**	**(715)**	**(2,974)**	**(3,721)**

[1] All Other includes school aid deferral and local aid spending in a number of other programs, including parks and the environment, economic development, and public safety.

RECEIPTS PROJECTIONS

Revenue results during the current fiscal year have been of two extremes: strong growth during the first half of the year and much weaker growth during the latter half. A significant portion of the growth during the first part of the year was due to a strong tax year 2010 personal income tax settlement. After inching up 2.7 percent in FY 2011, base tax growth is estimated to increase 7.5 percent in FY 2012, but projected to decelerate to 5.7 percent growth in FY 2013, reflecting a continuation of the overall slower growth witnessed during the second half of FY 2012. Consistent with the economic factors described above, revenue collections have exhibited their own volatility. In particular, business tax estimated payments received in December 2011 were flat compared to December 2010, and personal income tax estimated payments received in January 2012 actually declined year over year, both of which are unusual at this point in a recovery. The estimated decline in personal income tax payments likely reflects the economic changes that took place during the course of calendar year 2011 - the first half of the year provided strong positive wage and nonwage income gains resulting in double-digit growth in estimated payments in June and September, but the roller coaster stock market ride caused by the euro crisis and financial sector cutbacks that are believed to have occurred during the second half of the year likely left high-income taxpayers overpaid for tax year 2011. In contrast, sales tax receipts exceeded expectations late in 2011 due to a strong holiday shopping season. Unlike FY 2011, when there was uncertainty surrounding the impacts of potential changes in the timing and level of financial sector bonus payments, there is sufficient evidence that financial sector bonus payments made for the next two months will fall by a significant double digit percentage from the same period last year - DOB's forecast calls for a 32 percent decline.

After slowing in FY 2012, average wage, total wage, and personal income growth is expected to recover and result in net growth in personal income tax receipts of 4.3 percent, after accounting for the combined impact of the sunset of the high income surcharge and enactment of PIT reform in December 2011. Projected corporate profits growth for the 2012 calendar year, combined with an incremental gain from tax credit deferral legislation enacted in 2010, should provide a second consecutive year of growth in business tax receipts in FY 2013. Income and employment growth, partially offset by the return of the full tax exemption on clothing, is expected to produce sales tax growth of 1.9 percent in FY 2013.

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

State Fiscal Year	Actual Receipts	Base Receipts	Inflation Adjusted Base Receipts
1988-89	1.6	2.9	(1.3)
1989-90	6.8	8.3	3.3
1990-91	(0.8)	(3.8)	(9.2)
1991-92	7.2	1.4	(2.3)
1992-93	6.1	5.0	1.8
1993-94	4.3	0.7	(2.2)
1994-95	0.1	1.5	(1.1)
1995-96	2.6	3.6	0.8
1996-97	2.0	2.6	(0.4)
1997-98	3.7	5.6	3.6
1998-99	7.2	7.9	6.5
1999-00	7.5	9.1	6.3
2000-01	7.9	10.1	6.7
2001-02	(4.9)	(4.2)	(6.4)
2002-03	(6.7)	(8.0)	(10.0)
2003-04	8.2	5.8	3.8
2004-05	13.4	11.5	8.5
2005-06	10.2	9.3	5.8
2006-07	9.7	4.9	2.0
2007-08	3.7	13.5	10.2
2008-09	(0.8)	(3.1)	(5.8)
2009-10	(3.2)	(12.4)	(12.7)
2010-11	5.6	2.7	1.1
2011-12*	6.0	7.5	4.1
2012-13**	3.0	5.7	3.6
2013-14**	5.7	6.3	4.2
2014-15**	2.4	5.2	3.1
2015-16**	3.8	4.8	2.5

	Actual Change	Base Change	Adjusted Base Change
Historical Average (88-89 to 10-11)	**4.0**	**3.2**	**0.4**
Forecast Average (11-12 to 15-16)	**4.2**	**5.9**	**3.5**
Forecast Average (12-13 to 15-16)	**3.7**	**5.5**	**3.3**
Recessions	**1.3**	**(1.2)**	**(4.2)**
Expansions	**5.7**	**6.1**	**3.3**

*Estimated Receipts

**Projected Receipts

TOTAL RECEIPTS (millions of dollars)	2010-11 Actual	2011-12 Estimated	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**54,447**	**57,214**	**2,767**	**5.1%**	**58,715**	**1,501**	**2.6%**
Taxes	39,205	41,920	2,715	6.9%	43,373	1,453	3.5%
Miscellaneous Receipts	3,095	3,244	149	4.8%	3,069	(175)	-5.4%
Federal Grants	54	60	6	11.1%	60	0	0.0%
Transfers	12,093	11,990	(103)	-0.9%	12,213	223	1.9%
State Funds	**83,981**	**88,377**	**4,396**	**5.2%**	**90,802**	**2,425**	**2.7%**
Taxes	60,870	64,532	3,662	6.0%	66,533	2,001	3.1%
Miscellaneous Receipts	22,994	23,700	706	3.1%	24,124	424	1.8%
Federal Grants	117	145	28	23.9%	145	0	0.0%
All Funds	**133,321**	**132,306**	**(1,015)**	**-0.8%**	**132,724**	**418**	**0.3%**
Taxes	60,870	64,532	3,662	6.0%	66,533	2,001	3.1%
Miscellaneous Receipts	23,148	23,832	684	3.0%	24,255	423	1.8%
Federal Grants	49,303	43,942	(5,361)	-10.9%	41,936	(2,006)	-4.6%

FY 2012 Overview

- Total All Funds receipts are estimated to reach $132.3 billion, a decline of $1 billion (0.8 percent) from FY 2011 results. All Funds tax receipts are estimated to increase by $3.7 billion, or 6 percent. The majority of the increase in tax receipts is attributable to growth in personal income tax collections. All Funds Federal Grants are expected to decline $5.4 billion (10.9 percent) due to ARRA funding declines.

- All Funds miscellaneous receipts are projected to reach $23.8 billion in FY 2012, an increase of $684 million from FY 2011. General Fund miscellaneous receipts are estimated to increase $149 million as well as growth in other areas, primarily SUNY revenue growth from expansions at the three SUNY teaching hospitals, enrollment growth, and greater bond proceeds available for SUNY capital projects ($694 million).

- Total State Funds receipts are estimated to reach $88.4 billion in FY 2012, an increase of $4.4 billion, or 5.2 percent.

- Total General Fund receipts are estimated at $57.2 billion, an increase of $2.8 billion, or 5.1 percent from FY 2011. General Fund tax receipts are estimated to increase by 6.9 percent. General Fund miscellaneous receipts are estimated to increase by 4.8 percent, reflecting gains from 2011 Abandoned Property legislation.

- Base tax receipts growth, which nets out the impact of law changes, will increase by an estimated 7.5 percent in FY 2012 after a modest base increase of 2.7 percent in FY 2011.

FY 2013 Overview

- Total All Funds receipts are projected to reach $132.7 billion, an increase of $418 million, or 0.3 percent from FY 2012 estimates. All Funds tax receipts are projected to grow by $2 billion or 3.1 percent. This increase is attributable to continued positive economic growth, partially offset by the net impact of expired and recently enacted personal income tax rate legislation.

- All Funds Miscellaneous receipts are projected to increase by $423 million, or 1.8 percent, driven by increases in HCRA ($669 million) and lottery receipts ($251 million) offset by a projected decline in programs financed with authority bond proceeds, including economic development and health projects ($255 million), and General Fund declines described below. All Funds Federal grants are expected to decrease by $2 billion, or 4.6 percent, primarily driven by the loss of ARRA funding.

- Total State Funds receipts are projected to be $90.8 billion, an increase of $2.4 billion, or 2.7 percent from the FY 2012 estimate.

- Total General Fund receipts are projected to be $58.7 billion, an increase of $1.5 billion, or 2.6 percent from FY 2012 estimates. General Fund tax receipts are projected to grow by 3.5 percent, while General Fund miscellaneous receipts are projected to decline by $175 million (5.4 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 5.7 percent for FY 2013.

CHANGE FROM MID-YEAR UPDATE

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

	2011-12				2012-13			
	Mid-Year Update	Executive Budget	$ Change	% Change	Mid-Year Update	Executive Budget	$ Change	% Change
General Fund[1]	**45,098**	**45,224**	**126**	**0.3%**	**45,286**	**46,502**	**1,216**	**2.7%**
Taxes	41,886	41,920	34	0.1%	42,202	43,373	1,171	2.8%
Miscellaneous Receipts	3,152	3,244	92	2.9%	3,024	3,069	45	1.5%
Federal Grants	60	60	0	0.0%	60	60	0	0.0%
State Funds	**87,816**	**88,377**	**561**	**0.6%**	**89,259**	**90,802**	**1,543**	**1.7%**
Taxes	64,503	64,532	29	0.0%	65,258	66,533	1,275	2.0%
Miscellaneous Receipts	23,168	23,700	532	2.3%	23,856	24,124	268	1.1%
Federal Grants	145	145	0	0.0%	145	145	0	0.0%
All Funds	**130,834**	**132,306**	**1,472**	**1.1%**	**128,779**	**132,724**	**3,945**	**3.1%**
Taxes	64,503	64,532	29	0.0%	65,258	66,533	1,275	2.0%
Miscellaneous Receipts	23,300	23,832	532	2.3%	23,987	24,255	268	1.1%
Federal Grants	43,031	43,942	911	2.1%	39,534	41,936	2,402	6.1%

[1] Excludes Transfers

- All funds receipts estimates have been revised upward by $1.5 billion for FY 2012 from the Mid-Year Update. The upward tax revision of $30 million is mostly due to the impact of the December 2011 personal income tax reform, stronger than expected sales tax receipts, and an increase in expected business tax audit receipts during the remainder of FY 2012, partially offset by weaker than expected personal income tax receipts.

- All Funds miscellaneous receipts in FY 2012 were revised upward by $532 million largely reflecting increased projections for programs financed with authority bond proceeds, including economic development ($343 million) and modest receipts revisions in various special revenue funds ($81 million) and the General Fund increase detailed below.

- All Funds Federal grants were revised upward in FY 2012 and FY 2013 from the Mid-Year update by $911 million and $2.4 billion, respectively, primarily driven by revisions to Medicaid spending.

- General Fund receipts for FY 2012 have been revised upward by $126 million, reflecting the All Funds tax changes noted above and year-to-date miscellaneous receipts collections.

- All Funds receipts estimates have been increased by nearly $3.9 billion for FY 2013 from the Mid-Year Update.

- All Funds miscellaneous receipts in FY 2013 were revised upward by $268 million, largely reflecting increased projections for programs financed with authority bond proceeds, including economic development, transportation and parks ($370 million), offset by declines in lottery receipts and receipts revisions in various special revenue funds ($146 million).

- General Fund receipts for FY 2013 have been revised upward by $1.2 billion. Tax revisions account for virtually all the increase (mainly from the December 2011 personal income tax reform).

FY 2013, FY 2014, FY 2015, AND FY 2016 OVERVIEW

TOTAL RECEIPTS (millions of dollars)

	2012-13 Projected	2013-14 Projected	Annual $ Change	2014-15 Projected	Annual $ Change	2015-16 Projected	Annual $ Change
General Fund	**58,715**	**61,345**	**2,630**	**62,013**	**668**	**64,426**	**2,413**
Taxes	43,373	45,859	2,486	46,645	786	48,566	1,921
State Funds	**90,802**	**94,367**	**3,565**	**95,782**	**1,415**	**98,670**	**2,888**
Taxes	66,533	70,253	3,720	71,941	1,688	74,697	2,756
All Funds	**132,724**	**137,949**	**5,225**	**142,449**	**4,500**	**147,169**	**4,720**
Taxes	66,533	70,253	3,720	71,941	1,688	74,697	2,756

Overall, tax receipts growth in the three fiscal years following FY 2013 is expected to remain in the range of 2.4 percent to 5.6 percent. This is consistent with projected modest economic growth in the New York economy during this period and the sunset of personal income tax reform.

- Total All Funds receipts in FY 2014 are projected to be $137.9 billion, an increase of $5.2 billion over the prior year. All Funds receipts in FY 2015 are expected to increase by $4.5 billion over FY 2014 projections. In FY 2016, receipts are expected to increase by nearly $4.7 billion over FY 2015 projections.

- Total State Funds receipts are projected to be nearly $94.4 billion in FY 2014, $95.8 billion in FY 2015 and $98.7 billion in FY 2016.

- Total General Fund receipts are projected to reach just over $61.3 billion in FY 2014, $62 billion in FY 2015 and $64.4 billion in FY 2016.

- All Funds tax receipts are expected to increase by 5.6 percent in FY 2014, 2.4 percent in FY 2015 and 3.8 percent in FY 2016. 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 FY 2012 is estimated to be 7.5 percent and 5.7 percent in FY 2013. Overall base growth in tax receipts is dependent on a multitude of factors.

The estimated base receipts growth in FY 2012 results from:

- A strong tax year 2010 personal income tax settlement;
- Moderate corporate profits growth and insurance premium growth; and
- Increased consumption resulting from wage and employment growth as well as the federal payroll tax cut.

The deceleration in base growth in FY 2013 results from:

- A decline in extension payments;
- Slower corporate profits growth; and
- Slower consumer spending growth resulting from a return of the full federal payroll tax.

PERSONAL INCOME TAX

PERSONAL INCOME TAX
(millions of dollars)

	2010-11 Actual	2011-12 Estimated	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund[1]	**23,894**	**25,705**	**1,811**	**7.6%**	**26,911**	**1,206**	**4.7%**
Gross Collections	44,002	45,891	1,889	4.3%	48,117	2,226	4.9%
Refunds/Offsets	(7,793)	(7,227)	566	-7.3%	(7,806)	(579)	8.0%
STAR	(3,263)	(3,293)	(30)	0.9%	(3,322)	(29)	0.9%
RBTF	(9,052)	(9,666)	(614)	6.8%	(10,078)	(412)	4.3%
State/All Funds	**36,209**	**38,664**	**2,455**	**6.8%**	**40,311**	**1,647**	**4.3%**
Gross Collections	44,002	45,891	1,889	4.3%	48,117	2,226	4.9%
Refunds	(7,793)	(7,227)	566	-7.3%	(7,806)	(579)	8.0%

[1] Excludes Transfers.

All Funds receipts for FY 2012 are estimated to be $38.7 billion, an increase of $2.5 billion (6.8 percent) from the prior year. This is primarily attributable to increases in extension payments of $1.2 billion for tax year 2010 and in current estimated payments of $599 million for tax year 2011. The personal income tax reform enacted in December 2011 (effective starting tax year 2012) is projected to generate $385 million in withholding in the first quarter of 2012 and should partially counteract the revenue loss resulting from the expiration of the 2009 temporary rate increase and the year-over-year decline from projected lower financial sector bonuses for FY 2012. The spike in extension payments for tax year 2010 most likely reflects one-time realization of capital gains caused by uncertainty surrounding the late extension of the lower Federal tax rates on capital gains and high-income taxpayers in December of 2010.

Total refunds are expected to decrease by $566 million (7.3 percent) compared to FY 2011. This decrease primarily reflects an artificially high FY 2011 refunds base caused by the shift of $500 million of 2009-10 refunds into FY 2011. Refunds for tax years prior to 2010, which decreased by $367 million, also contributed to lower FY 2012 refunds.

The following table summarizes, by component, actual receipts for FY 2011 and forecast amounts through FY 2015.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS
ALL FUNDS
(millions of dollars)

	2010-11 Actual	2011-12 Estimated	2012-13 Projected	2013-14 Projected	2014-15 Projected
Receipts					
Withholding	31,240	31,197	32,598	34,667	36,032
Estimated Payments	9,735	11,530	12,212	13,063	13,702
Current Year	7,386	7,985	8,879	9,097	10,143
Prior Year*	2,349	3,545	3,334	3,966	3,559
Final Returns	1,964	2,125	2,203	2,170	2,167
Current Year	215	227	227	241	242
Prior Year*	1,749	1,898	1,976	1,929	1,925
Delinquent	1,063	1,039	1,104	1,137	1,238
Gross Receipts	44,002	45,891	48,117	51,036	53,139
Refunds					
Prior Year*	5,170	4,715	5,201	5,434	6,312
Previous Years	772	404	557	576	569
Current Year*	1,750	1,750	1,750	1,750	1,750
State-City Offset*	100	358	298	198	148
Total Refunds	7,793	7,227	7,806	7,958	8,779
Net Receipts	36,209	38,664	40,311	43,078	44,360

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

All Funds receipts for FY 2013 are projected to be $40.3 billion, an increase of $1.6 billion (4.3 percent) from FY 2012. This primarily reflects a year-over-year increase of $1.5 billion in receipts from the personal income tax reform enacted in December 2011 and an increase of $829 million in pre-reform withholding receipts partially reduced by $579 million (8 percent) in higher total refunds.

Withholding is projected to be $1.4 billion (4.5 percent) higher compared to FY 2012 due mainly to an increase of $572 million in receipts from recently enacted personal income tax reform combined with modest growth in the pre-reform withholding base. Estimated payments for tax year 2012, which include $974 million from PIT reform, are projected to be $894 million (11.2 percent) higher. Final return payments for tax year 2011 and delinquencies are projected to be $78 million (4.1 percent) and $65 million (7.1 percent) higher, respectively.

The increase in total refunds of $579 million reflects a $486 million (10.8 percent) increase in current refunds and a $153 million (38.3 percent) increase in prior refunds offset by a $60 million (16.8 percent) decrease in the state-city offset.

General Fund income tax receipts are net of deposits to the STAR Fund, which provides property tax relief, and the RBTF, which supports debt service payments on State personal income tax revenue bonds. General Fund income tax receipts for FY 2012 of $25.7 billion are expected to increase by $1.8 billion (7.6 percent), from the prior year, mainly reflecting the increase in All Funds receipts noted above. The RBTF deposit is projected to increase by $614 million.

General Fund income tax receipts for FY 2013 of $26.9 billion are projected to increase by $1.2 billion (4.7 percent). The RBTF deposit is projected to increase by $412 million.

USER TAXES AND FEES

USER TAXES AND FEES
(millions of dollars)

	2010-11 Actual	2011-12 Estimated	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund[1,2]	**8,795**	**9,135**	**340**	**3.9%**	**9,341**	**206**	**2.3%**
Sales Tax	8,085	8,426	341	4.2%	8,592	166	2.0%
Cigarette and Tobacco Taxes	480	476	(4)	-0.8%	511	35	7.4%
Alcoholic Beverage Taxes	230	233	3	1.3%	238	5	2.1%
State/All Funds	**14,205**	**14,719**	**514**	**3.6%**	**15,076**	**357**	**2.4%**
Sales Tax	11,538	11,997	459	4.0%	12,246	249	2.1%
Cigarette and Tobacco Taxes	1,616	1,665	49	3.0%	1,733	68	4.1%
Motor Fuel Tax	516	501	(15)	-2.9%	515	14	2.8%
Highway Use Tax	129	134	5	3.9%	147	13	9.7%
Alcoholic Beverage Taxes	230	233	3	1.3%	238	5	2.1%
Taxicab Surcharge	81	85	4	4.9%	88	3	3.5%
Auto Rental Tax	95	104	9	9.5%	109	5	4.8%

[1] Excludes Transfers.

[2] Receipts from motor vehicle fees and alcohol beverage control license fees are now reflected under miscellaneous receipts.

All Funds user taxes and fees receipts for FY 2012 are estimated to be $14.7 billion, an increase of $514 million (3.6 percent) from FY 2011. Sales tax receipts are expected to increase by $459 million (4 percent) from the prior year due to base growth (i.e., absent law changes) of 6.4 percent, offset partly by a return of the clothing exemption at a $55 per item threshold. The remaining estimated increase of $55 million from FY 2011 is mainly from an increase in cigarette and tobacco tax collections due in part to increased compliance as a result of implementation of the prior-approval/coupon system.

General Fund user taxes and fees receipts are expected to total $9.1 billion in FY 2012, an increase of $340 million (3.9 percent) from FY 2011. The increase reflects growth in sales tax receipts of $341 million (4.2 percent) and small and nearly offsetting year-over-year changes in cigarette and tobacco taxes (a decrease of $4 million) and alcoholic beverage taxes (an increase of $3 million).

All Funds user taxes and fees receipts for FY 2013 are projected to be $15.1 billion, an increase of $357 million (2.4 percent) from FY 2012. The increase in sales tax receipts of $249 million (2.1 percent) mostly reflects sales tax base growth of 3.2 percent, offset by a return of the full clothing exemption (at $110 per item).

General Fund user taxes and fees receipts are projected to total $9.3 billion in FY 2013, an increase of $206 million (2.3 percent) from FY 2012. This increase largely reflects the projected increases in All Funds sales tax receipts discussed above.

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)							
	2010-11 Actual	2011-12 Estimated	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**5,278**	**5,868**	**590**	**11.2%**	**5,977**	**109**	**1.9%**
Corporate Franchise Tax	2,472	2,825	353	14.3%	2,844	19	0.7%
Corporation & Utilities Tax	616	626	10	1.6%	682	56	8.9%
Insurance Tax	1,217	1,274	57	4.7%	1,322	48	3.8%
Bank Tax	973	1,143	170	17.5%	1,129	(14)	-1.2%
State/All Funds	**7,279**	**7,922**	**643**	**8.8%**	**8,152**	**230**	**2.9%**
Corporate Franchise Tax	2,846	3,231	385	13.5%	3,299	68	2.1%
Corporation & Utilities Tax	813	815	2	0.2%	877	62	7.6%
Insurance Tax	1,351	1,413	62	4.6%	1,463	50	3.5%
Bank Tax	1,178	1,374	196	16.6%	1,351	(23)	-1.7%
Petroleum Business Tax	1,091	1,089	(2)	-0.2%	1,162	73	6.7%

All Funds business tax receipts for FY 2012 are estimated at $7.9 billion, an increase of $643 million (8.8 percent) from the prior year. This increase is mainly driven by the corporate franchise and bank taxes. Higher gross receipts for the bank tax and higher audits for the corporate franchise tax are the primary reasons for the increase as well as an incremental $213 million increase (from $100 million in FY 2011 to $313 million in FY 2012) for the deferral of certain tax credits included in the corporate franchise tax.

All Funds corporate franchise tax receipts are estimated to be $3.2 billion, an increase of $385 million (13.5 percent) from FY 2011. The year-to-year increase is primarily due to higher audit receipts and the incremental increase for the deferral of certain tax credits. Gross receipts adjusted for the impact of the tax deferral are estimated to decline 6.2 percent from FY 2011. This is primarily attributable to the weakness in to-date 2011 liability payments. Through December 2011, payments from calendar year filers were basically flat compared to the prior year. The majority of the weakness occurred in the month of December when payments declined 11.9 percent.

All Funds corporation and utilities receipts for FY 2012 are estimated to be $815 million, an increase of $2 million (0.2 percent) from last year. Gross receipts for FY 2012 are estimated to decline 1 percent from FY 2011. This lack of growth is related to continued erosion of the telecommunication sector's taxable base, and a large refund ($40 million) expected to be paid in FY 2012. Adjusted for the large refund, receipts growth would be 5.1 percent, primarily driven by higher audit receipts. Consumers continue to shift to mobile and non-cable company voice-over-internet-protocol telecommunications at the expense of landline telecommunications while internet-based communications tools such as Twitter and Facebook continue to grow. In contrast, revenue from the regulated utilities provides a stabilizing component to the corporation and utilities tax base.

All Funds insurance tax receipts for FY 2012 are estimated to be $1.4 billion, an increase of $62 million (4.6 percent) from last year. This increase is driven by higher calendar year 2011 liability. Liability year 2011 payments are estimated to increase 5.3 percent over the prior year.

All Funds bank tax receipts for FY 2012 are estimated to be $1.374 billion, an increase of $196 million (16.6 percent) above last year. This increase is mainly attributable to strong December collections in commercial bank calendar year liability estimated payments and the corresponding expected increase in the March prepayment. Additionally, refunds are significantly lower in FY 2012 compared to FY 2011 due to the delay in payment of 2009-10 refunds to April 2010. Lower audit receipts are expected to offset a portion of the increase in receipts from higher gross receipts and lower refunds.

General Fund business tax receipts for FY 2012 of nearly $5.9 billion are estimated to increase by $590 million (11.2 percent) from FY 2011. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed previously.

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

	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Estimated	2012-13 Projected
Corporate Franchise Tax	**3,220**	**2,511**	**2,846**	**3,231**	**3,299**
Audit	905	698	810	1,085	800
Non-Audit	2,315	1,813	2,036	2,146	2,499
Corporation and Utilities Taxes	**863**	**954**	**814**	**815**	**877**
Audit	47	52	14	54	54
Non-Audit	816	902	800	761	823
Insurance Taxes	**1,181**	**1,491**	**1,351**	**1,413**	**1,463**
Audit	41	35	38	18	13
Non-Audit	1,140	1,456	1,313	1,395	1,450
Bank Taxes	**1,233**	**1,399**	**1,178**	**1,374**	**1,351**
Audit	455	290	239	126	287
Non-Audit	778	1,109	939	1,248	1,064
PBT	**1,107**	**1,104**	**1,091**	**1,089**	**1,162**
Audit	16	10	7	6	6
Non-Audit	1,091	1,094	1,084	1,083	1,156
Total Business Taxes	**7,604**	**7,459**	**7,280**	**7,922**	**8,152**
Audit	1,464	1,085	1,108	1,289	1,160
Non-Audit	6,140	6,374	6,172	6,633	6,992

All Funds business tax receipts for FY 2013 of roughly $8.2 billion are projected to increase by approximately $230 million (2.9 percent) from the prior year. Corporation franchise tax receipts for FY 2013 are projected to increase by $68 million (2.1 percent) from the previous year. Growth in gross collections and lower refunds is partially offset by lower audit receipts. Included in FY 2013 is an incremental increase of $71 million (from $313 million in FY 2012 to $384 million in FY 2013) in receipts from the deferral of certain tax credits. Adjusting for the credit deferral, receipts are estimated to show no growth from FY 2012. Corporation and utilities taxes are projected to grow by $62 million (7.6 percent). Absent the large refund in FY 2012, growth would be 2.6 percent. Both sections 186-e and 186-a are forecast to grow modestly based on revenue expectations for the telecommunications and residential energy sectors. Insurance taxes are forecast to increase $50 million (3.5 percent). The year-over-year increase reflects trend growth in the insurance tax as the industry continues to recover from the economic downturn. Bank tax receipts for FY 2013 are projected to decline by $23 million (1.7 percent) from the previous year. The unusually high commercial bank calendar year filer payments seen in FY

2012 are not expected to be repeated in FY 2013, resulting in a decline in projected gross receipts, which is partially offset by a projected increase in audit receipts. The projected PBT increase of $73 million is due to an increase in the PBT rate index of 5 percent effective in January 2012 and the projected increase in the PBT tax rate index of 4.3 percent effective in January 2013. Motor and diesel fuel taxable consumption are also projected to grow compared to the prior fiscal year.

General Fund business tax receipts for FY 2013 of nearly $6 billion are projected to increase $109 million (1.9 percent) from the prior year. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

OTHER TAXES

OTHER TAXES
(millions of dollars)

	2010-11 Actual	2011-12 Estimated	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund[1]	**1,237**	**1,212**	**(25)**	**-2.0%**	**1,144**	**(68)**	**-5.6%**
Estate Tax	1,218	1,195	(23)	-1.9%	1,127	(68)	-5.7%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	NA	0	0	0.0%
Pari-Mutuel Taxes	17	16	(1)	-5.9%	16	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**1,817**	**1,832**	**15**	**0.8%**	**1,834**	**2**	**0.1%**
Estate Tax	1,218	1,195	(23)	-1.9%	1,127	(68)	-5.7%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	NA	0	0	0.0%
Real Estate Transfer Tax	580	620	40	6.9%	690	70	11.3%
Pari-Mutuel Taxes	17	16	(1)	-5.9%	16	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

[1] Excludes Transfers.

All Funds other tax receipts for FY 2012 are estimated to be just over $1.8 billion, an increase of $15 million (0.8 percent) from FY 2011 receipts, reflecting decreases of $23 million (1.9 percent) in estate and gift taxes as a result of a return to more historical collection patterns, and an increase of $40 million (6.9 percent) in real estate transfer tax receipts as the real estate market continues to rebound.

General Fund other tax receipts are expected to total more than $1.2 billion in FY 2012, a decrease of $25 million (2 percent), due to the decrease in the estate tax.

All Funds other tax receipts for FY 2013 are projected to be approximately $1.8 billion, up $2 million (0.1 percent) from FY 2012, reflecting a decline in estate tax collections that are more than offset by growth in the real estate transfer tax. General Fund other tax receipts are expected to total $1.1 billion in FY 2013, a decrease of $68 million (5.6 percent), which is attributable to a projected decline in estate tax receipts due to a drop in the number and average size of payments expected in FY 2013.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)							
	2010-11 Actual	2011-12 Estimated	Annual $ Change	Annual % Change	2012-13 Projected	Annual $ Change	Annual % Change
General Fund	**3,149**	**3,304**	**155**	**4.9%**	**3,129**	**(175)**	**-5.3%**
Miscellaneous Receipts[1]	3,095	3,244	149	4.8%	3,069	(175)	-5.4%
Federal Grants	54	60	6	11.1%	60	0	0.0%
State Funds	**23,111**	**23,845**	**734**	**3.2%**	**24,269**	**424**	**1.8%**
Miscellaneous Receipts[1]	22,994	23,700	706	3.1%	24,124	424	1.8%
Federal Grants	117	145	28	23.9%	145	0	0.0%
All Funds	**72,451**	**67,774**	**(4,677)**	**-6.5%**	**66,191**	**(1,583)**	**-2.3%**
Miscellaneous Receipts[1]	23,148	23,832	684	3.0%	24,255	423	1.8%
Federal Grants	49,303	43,942	(5,361)	-10.9%	41,936	(2,006)	-4.6%

[1] Includes receipts from motor vehicle fees and alcohol beverage control license fees, previously reflected as "user taxes and fees."

All funds miscellaneous receipts include monies received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to reach $23.8 billion in FY 2012, an increase of $684 million from FY 2011. Augmenting General Fund growth are growth in SUNY receipts, including bond proceeds available for SUNY capital projects ($694 million), and changes in bond proceed funding for several capital improvement projects including health and environmental conservation ($333 million).

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing is often unpredictable. All Funds Federal grants are projected to total $43.9 billion in FY 2012, a decline of $5.4 billion from FY 2011 reflecting a decrease in Federal ARRA funding.

General Fund miscellaneous receipts collections are estimated to be $3.2 billion in FY 2012, an increase of $149 million from FY 2011 receipts. This increase is primarily due to timing of payments and the decrease in the dormancy period for abandoned property from five years to three years.

General fund miscellaneous receipts collections are projected to be $3.1 billion in FY 2013, a decrease of $175 million from FY 2012. This decrease is primarily the result of a decrease in New York Power for Jobs program receipts and lower public authority receipts.

DISBURSEMENTS

General Fund disbursements in FY 2013 are estimated to total $58.6 billion, an increase of $1.7 billion (2.9 percent) over the current FY 2012 estimate. State Operating Funds disbursements for FY 2013 are estimated to total $88.7 billion, an increase of $1.7 billion (1.9 percent) over FY 2012.

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

Over the multi-year Financial Plan, State Operating Funds spending is expected to increase by an average annual rate of 3.4 percent. The projections reflect spending at the capped growth rates for Medicaid and School Aid, and contemplate the effect of national health care reform on State health care costs. The projections do not reflect any potential impact of automatic spending reductions that would be triggered if the Federal government fails to amend existing deficit reduction legislation.

Medicaid, education, pension costs, employee and retiree health benefits, social services programs and debt service are significant drivers of spending growth over the Current Financial Plan period.

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

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LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at $59.1 billion in FY 2013 and accounts for over 65 percent of total State Operating Funds spending. Education and health care spending account for three-quarters of local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

	Forecast			
	FY 2012 Current	**FY 2013 Proposed**	**FY 2014 Projected**	**FY 2015 Projected**
Medicaid				
Medicaid Coverage	4,535,463	4,628,505	4,856,565	5,324,544
Family Health Plus Coverage	427,066	453,355	479,644	505,932
Child Health Plus Coverage	418,241	436,241	454,241	472,241
State Takeover of County/NYC Costs ($000)	$1,544	$1,466	$1,846	$2,458
- Family Health Plus	$428	$515	$597	$682
- Medicaid	$1,116	$952	$1,249	$1,776
Education				
School Aid (School Year) ($000)	$19,507	$20,312	$21,023	$21,864
Personal Income Growth Index	N/A	4.1	3.5	4.0
Higher Education				
Public Higher Education Enrollment (FTEs)	576,300	577,664	578,242	578,820
Tuition Assistance Program Recipients	309,334	310,633	310,633	310,633
Welfare				
Family Assistance Caseload	385,180	374,822	363,077	352,880
Single Adult/No Children Caseload	180,338	178,207	176,780	175,786
Mental Hygiene				
Total: Mental Hygiene Community Beds	88,426	92,458	96,280	100,265
- OMH Community Beds	36,527	40,002	42,953	46,189
- OPWDD Community Beds	39,101	39,621	40,404	41,077
- OASAS Community Beds	12,798	12,835	12,923	12,999
Prison Population (Corrections)	55,100	55,100	55,100	55,100

EDUCATION

SCHOOL AID

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

SCHOOL YEAR (JULY 1 — JUNE 30)

The FY 2012 Enacted Budget included a two-year appropriation and amended the Education Law to tie future increases in School Aid to the rate of growth in New York State personal income. Under this limit, School Aid funding will increase by $805 million in School Year (SY) 2013, a 4.1 percent increase from SY 2012.

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

Based on updated estimates of personal income growth, School Aid is projected to increase by an additional $711 million in SY 2014 and $841 million in SY 2015. School Aid is projected to reach an annual total of nearly $22.9 billion in SY 2016.

FIVE YEAR SCHOOL AID PROJECTION - SCHOOL YEAR BASIS
(millions of dollars)

	SY 2012	SY 2013	Annual Change	SY 2014	Annual Change	SY 2015	Annual Change	SY 2016	Annual Change
Total School Aid	$19,507	$20,312	**$805**	$21,023	**$711**	$21,864	**$841**	$22,870	**$1,006**
Percent Change			4.1%		3.5%		4.0%		4.6%

State Fiscal Year

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

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

SCHOOL AID - FISCAL YEAR BASIS
STATE OPERATING FUNDS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Total School Aid (Fiscal Year Basis)	**19,677**	**20,002**	**2%**	**20,815**	**4%**	**21,613**	**4%**	**22,558**	**4%**
General Fund Local Assistance	16,793	16,949	1%	17,758	5%	18,551	4%	19,494	5%
Core Lottery Aid	2,072	2,176	5%	2,178	0%	2,173	0%	2,175	0%
VLT Lottery Aid	674	821	22%	879	7%	889	1%	889	0%
General Fund Lottery Aid Guarantee	138	56	-59%	0	-100%	0	0%	0	0%

State spending for School Aid is projected to total $20 billion in FY 2013. In future years, receipts available to finance School Aid from core lottery sales are projected to remain relatively flat while VLT receipts are anticipated to increase through FY 2015 as a result of the new VLT facility at the Aqueduct Racetrack. In addition to State aid, school districts receive approximately $3.6 billion annually in Federal categorical aid.

School Tax Relief Program

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in FY 2013 are: the basic school property tax exemption for homeowners with income under $500,000 (59 percent), the enhanced school property tax exemption for senior citizen homeowners with income under $79,050 (24 percent), and a flat refundable credit and rate reduction for New York City resident personal-income taxpayers (17 percent).

SCHOOL TAX RELIEF (STAR)
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
STAR	**3,293**	**3,322**	**1%**	**3,508**	**6%**	**3,691**	**5%**	**3,793**	**3%**
Basic Exemption	1,933	1,937	0%	2,044	6%	2,160	6%	2,261	5%
Enhanced (Seniors)	790	792	0%	836	6%	883	6%	883	0%
New York City PIT	570	593	4%	628	6%	648	3%	649	0%

The STAR program exempts the first $30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens receive a $62,200 exemption. Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues.

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

The multi-year Financial Plan reflects a program under which the Department of Taxation and Finance would instruct local assessors to withhold the STAR exemption benefit from taxpayers who have overdue State-imposed and State-administered taxes and who own a home that is STAR-eligible. New York City residents who are similarly in arrears would lose their City PIT rate-reduction benefit, as well as the State School Tax Reduction Credit.

OTHER EDUCATION AID

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

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

Spending for special education is expected to increase as program costs and enrollment rise. In FY 2012, school districts will finance the costs associated with schools for the blind and deaf in the first instance and will be reimbursed by the State in the first quarter of FY 2013, which drives a significant annual increase in FY 2013 spending. Other education spending is affected by the phase-out of Federal ARRA Stabilization Funds.

HIGHER EDUCATION

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

HIGHER EDUCATION
STATE OPERATING FUNDS LOCAL ASSISTANCE SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Total Higher Education	**2,605**	**2,661**	**2%**	**2,769**	**4%**	**2,845**	**3%**	**2,925**	**3%**
City University	**1,202**	**1,271**	**6%**	**1,329**	**5%**	**1,392**	**5%**	**1,460**	**5%**
Operating Aid to NYC (Senior Colleges)	1,023	1,101	8%	1,164	6%	1,227	5%	1,295	6%
Community College Aid	178	169	-5%	165	-2%	165	0%	165	0%
Community Projects	1	1	0%	0	-100%	0		0	
Higher Education Services	**924**	**951**	**3%**	**1,001**	**5%**	**1,014**	**1%**	**1,026**	**1%**
Tuition Assistance Program	849	893	5%	935	5%	941	1%	947	1%
Aid for Part Time Study	12	12	0%	12	0%	12	0%	12	0%
Scholarships/Awards	47	46	-2%	54	17%	61	13%	67	10%
Other	16	0	-100%	0		0	**0%**	0	0%
State University	**479**	**439**	**-8%**	**439**	**0%**	**439**	**0%**	**439**	**0%**
Community College Aid[1]	442	434	-2%	434	0%	434	0%	434	0%
Hospital Subsidy[2]	32	0	-100%	0		0	0%	0	0%
Other	5	5	0%	5	0%	5	0%	5	0%

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

[2] Beginning in academic year 2011-12, the SUNY hospital subsidy will be funded as a transfer from General Fund State operations rather than local assistance.

The State also provides a sizeable benefit to SUNY and CUNY through the debt service it pays on bond-financed capital projects at the universities. This is not reflected in the annual spending totals for the universities. State debt service payments for higher education are expected to total over $1.2 billion in FY 2013.

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

Growth in spending for higher education over the plan period largely reflects aid to New York City for reimbursement of CUNY senior college operating expenses associated with the rising contribution rates for fringe benefits. Spending growth for tuition assistance reflects the impact of upward trends in student enrollment at institutions of higher education.

HEALTH CARE

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The DOH works with the local health departments and social services departments, including New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but many programs are supported through multi-agency efforts. The Medicaid program finances inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care, FHP, and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services, foster care services and inpatient hospital services provided to inmates on medical leave from State correctional facilities). The State share of Medicaid spending is budgeted and expended principally through DOH, but State share Medicaid spending also appears in the mental hygiene agencies, child welfare programs, School Aid and DOCCS. Medicaid spending is reported separately in the Financial Plan tables for each of the agencies.

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments (including New York City). New York's Medicaid spending is projected to total approximately $54.0 billion in FY 2013, including the local contribution.[3]

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

	FY 2012 Current	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Department of Health:					
State Share Without FMAP	16,033	15,605	16,513	17,049	17,895
Enhanced FMAP	(753)	254	0	0	0
DOH State Share With FMAP	15,280	15,859	16,513	17,049	17,895
Annual $ Change - DOH Only		579	654	536	846
Annual % Change - DOH Only		4%	4%	3%	5%
Mental Hygiene	5,692	5,744	6,137	6,440	6,801
Foster Care	111	113	117	122	127
Corrections	0	12	12	12	13
State Operations - Contractual Expenses[2]	46	53	56	56	56
State Share Total (All Agencies)	**21,129**	**21,781**	**22,835**	**23,679**	**24,892**
Annual $ Change - Total State Share		652	1,054	844	1,213
Annual % Change - Total State Share		3%	5%	4%	5%

[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.

[3] The local contribution to the Medicaid program is not included in the State's Financial Plan. Since January 2006, the State has paid the entire non-Federal share of the FHP program and any annual Medicaid increases above a fixed level for local social services districts. The FY 2013 Executive Budget proposes to amend these statutory indexing provisions by implementing a three-year phased-takeover of the local share of growth above the previous year's enacted levels beginning in April 2013 for CY 2013, with the State assuming all growth CY 2015. This initiative is expected to save local governments nearly $1.2 billion through the next five state fiscal years, as compared to levels assumed under current statute.

The FY 2013 Executive Budget reflects continuation of the Medicaid State funds spending cap enacted in FY 2012, and recommends funding consistent with its provisions. The cap is based on the ten-year average change in the medical component of the Consumer Price Index. Statutory changes approved with the FY 2012 budget grant the Executive certain administrative powers to help hold Medicaid spending to the capped level. The statutory changes expire at the end of FY 2013. The Executive Budget proposes a one-year extension through FY 2014. The cap itself remains in place and the Current Financial Plan assumes that statutory authority will be extended in subsequent years.

Factors affecting Medicaid growth over the Plan period include Medicaid enrollment, costs of provider health care services (particularly in managed care), levels of utilization and the expiration of enhanced Federal aid.[4] The number of Medicaid recipients, including FHP, is expected to exceed 5.1 million at the end of FY 2013, an increase of 2.4 percent from the FY 2012 caseload of 5 million. The expiration of the enhanced FMAP contributes to an increase of State-share spending of over $1 billion from FY 2012 to FY 2013, and includes costs associated with the Federal funding reconciliation between the State and counties. Pursuant to Federal Health Care Reform, the Federal government is expected to finance a greater share of Medicaid costs for individuals and couples without children, which is expected to lower growth in State-share Medicaid costs beginning in FY 2015.

The FY 2013 Executive Budget includes proposals to establish a phased takeover of local government administration of the Medicaid program and to cap spending on local Medicaid administration at FY 2012 appropriation levels. The FY 2013 Executive Budget also provides Medicaid local cap relief for all counties and New York City by reducing growth in local Medicaid payments. These proposals are consistent with this Administration's efforts to provide fiscal relief to local governments in an effort to reduce the tax burden on citizens.

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

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID (DOH ONLY) -- LOCAL ASSISTANCE
(millions of dollars)

	FY 2013 Proposed	FY 2014 Projected	Annual $ Change	Annual % Change	FY 2015 Projected	Annual $ Change	Annual % Change	FY 2016 Projected	Annual $ Change	Annual % Change
State Operating Funds (Before FMAP) [1]	**15,605**	**16,513**	**908**	**5.8%**	**17,049**	**536**	**3.2%**	**17,895**	**846**	**5.0%**
Enhanced FMAP -- State Share [2]	254	0	(254)	-100.0%	0	0	0%	0	0	0%
State Operating Funds (After FMAP)	**15,859**	**16,513**	**654**	**4.1%**	**17,049**	**536**	**3.2%**	**17,895**	**846**	**5.0%**
Total General Fund	10,468	10,952	484	4.6%	11,314	362	3.5%	12,194	880	7.8%
Other State Funds Support	5,391	5,561	170	3.2%	5,735	174	3.2%	5,701	(34)	-0.6%
HCRA Financing	3,769	3,946	177	4.7%	4,120	174	4.6%	4,086	(34)	-0.8%
Provider Assessment Revenue	830	823	(7)	-0.8%	823	0	0%	823	0	0%
Indigent Care Revenue	792	792	0	0%	792	0	0%	792	0	0%

[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 realized in other State agencies. Costs in FY 2013 reflect the reconciliation of the local share benefit for FY 2012 that will occur in FY 2013.

[4] In August 2010, the U.S. Congress approved a six-month extension of the enhanced FMAP benefit through June 30, 2011. Under enhanced FMAP (which covered the period from October 2008 through June 30, 2011), the base Federal match rate increased from 50 percent to approximately 57 percent during the period, which resulted in a concomitant decrease in the State and local share.

PUBLIC HEALTH/AGING PROGRAMS

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

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

PUBLIC HEALTH
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Public Health	**2,020**	**1,919**	**-5%**	**1,997**	**4%**	**2,073**	**4%**	**1,920**	**-7%**
Child Health Plus	320	346	8%	374	8%	400	7%	414	4%
General Public Health Work	254	254	0%	270	6%	283	5%	288	2%
EPIC	178	118	-34%	125	6%	136	9%	149	10%
Early Intervention	167	164	-2%	158	-4%	162	3%	165	2%
HCRA Program Account	470	482	3%	481	0%	483	0%	483	0%
F-SHRP	250	175	-30%	205	17%	205	0%	0	-100%
All Other	381	380	0%	384	1%	404	5%	421	4%
Aging	**114**	**114**	**0%**	**118**	**4%**	**124**	**5%**	**131**	**6%**

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

Increased enrollment in the CHP program and inflationary costs are expected to drive growth in the outyears of the plan, while outyear growth in the GPHW program reflects anticipated claiming from counties.

The steep decline in spending in FY 2013 is due in large part to the annual impact of peak utilization in FY 2012 of funding received through the F-SHRP program, which was provided to the state on a time-limited basis (expiring March 31, 2014) through a Federal waiver under certain terms and conditions aimed at improving the delivery and access of community health care services. EPIC spending is projected to decline sharply in FY 2013, resulting from previous budgetary actions to provide coverage to Medicare Part D enrollees only when they are in the coverage gap. After FY 2013, EPIC spending is projected to stabilize and increase accordingly with the rising costs of prescription medication.

HCRA FINANCIAL PLAN

HCRA FINANCIAL PLAN FY 2012 THROUGH FY 2016
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Opening Balance	**159**	**0**	**0**	**0**	**0**
Total Receipts	5,359	6,029	6,185	6,282	6,260
Surcharges	2,692	3,064	3,171	3,264	3,239
Covered Lives Assessment	1,050	1,045	1,045	1,045	1,045
Cigarette Tax Revenue	1,189	1,222	1,199	1,177	1,155
Conversion Proceeds	0	250	300	300	300
Hospital Assessments	373	394	417	444	469
NYC Cigarette Tax Transfer/Other	55	54	53	52	52
Total Disbursements	5,518	6,029	6,185	6,282	6,260
Medicaid Assistance Account	3,358	3,775	3,953	4,127	4,093
Medicaid Costs	*2,136*	*2,386*	*2,632*	*2,806*	2,772
Family Health Plus	*602*	*690*	*657*	*657*	657
Workforce Recruitment & Retention	*184*	*211*	*197*	*197*	197
All Other	*436*	*488*	*467*	*467*	467
HCRA Program Account	493	506	504	506	506
Hospital Indigent Care	792	792	792	792	792
Elderly Pharmaceutical Insurance Coverage	110	128	135	146	158
Child Health Plus	327	354	382	408	422
Public Health Programs	120	120	120	120	120
All Other	318	354	299	183	169
Annual Operating Surplus/(Deficit)	**(159)**	**0**	**0**	**0**	**0**
Closing Balance	**0**	**0**	**0**	**0**	**0**

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

HCRA receipts include surcharges and assessments on hospital revenues, a “covered lives” assessment paid by insurance carriers, a portion of cigarette tax revenues, and other revenues dedicated by statute, as well as potential future proceeds from insurance company conversions.

HCRA spending primarily finances Medicaid, EPIC, CHP, FHP and Indigent Care payments, which provide funds to hospitals that serve a disproportionate share of individuals without health insurance. HCRA also provides funding for Workforce Recruitment and Retention and rate adjustments to health facilities, physician excess medical malpractice, and HEAL NY for capital improvements to health care facilities.

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

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

MENTAL HYGIENE

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

MENTAL HYGIENE
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Total Mental Hygiene	**3,581**	**3,576**	**0%**	**3,969**	**11%**	**4,231**	**7%**	**4,423**	**5%**
People with Developmental Disabilities	**2,158**	**2,159**	**0%**	**2,386**	**11%**	**2,496**	**5%**	**2,567**	**3%**
Residential Services	1,489	1,490	0%	1,652	11%	1,733	5%	1,808	4%
Day Programs	561	561	0%	626	12%	655	5%	651	-1%
Clinic	22	22	0%	22	0%	22	0%	22	0%
Other	86	86	0%	86	0%	86	0%	86	0%
Mental Health	**1,107**	**1,100**	**-1%**	**1,247**	**13%**	**1,381**	**11%**	**1,486**	**8%**
Adult Local Services	925	919	-1%	1,042	13%	1,154	11%	1,242	8%
Children Local Services	182	181	-1%	205	13%	227	11%	244	7%
Alcohol and Substance Abuse	**315**	**316**	**0%**	**335**	**6%**	**353**	**5%**	**369**	**5%**
Outpatient/Methadone	124	124	0%	128	3%	131	2%	134	2%
Residential	131	131	0%	146	11%	161	10%	174	8%
Prevention	38	38	0%	38	0%	38	0%	38	0%
Crisis	13	13	0%	13	0%	13	0%	13	0%
Program Support	9	10	11%	10	0%	10	0%	10	0%
CQCAPD	**1**	**1**	**0%**	**1**	**0%**	**1**	**0%**	**1**	**0%**

Local assistance spending in mental hygiene accounts for nearly half of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 5.4 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems, including: increases primarily associated with 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. Additional outyear spending is assumed in the Current Financial Plan estimates for costs associated with efforts to move individuals in nursing homes and other settings to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS. The Current Financial Plan also reflects costs of roughly $100 million annually for adjustments based on not-for-profit provider performance and actual costs.

SOCIAL SERVICES

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

TEMPORARY AND DISABILITY ASSISTANCE
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Temporary and Disability Assistance	**1,413**	**1,491**	**6%**	**1,537**	**3%**	**1,441**	**-6%**	**1,469**	**2%**
SSI	740	753	2%	766	2%	664	-13%	692	4%
Public Assistance Benefits*	485	616	27%	650	6%	656	1%	656	0%
Welfare Initiatives	23	19	-17%	19	0%	19	0%	19	0%
All Other	165	103	-38%	102	-1%	102	0%	102	0%

*Reflects additional spending in FY 2013 that is the result of FY 2012 payment delays.

The average public assistance caseload is projected to total 553,029 recipients in FY 2013, a decrease of 2.2 percent from FY 2012 levels. Approximately 255,031 families are expected to receive benefits through the Family Assistance program, a decrease of 2.6 percent from the current year. In the Safety Net Families program, an average of 119,791 families are expected to be helped in FY 2013, a decrease of 2.9 percent. The caseload for single adults/childless couples supported through the Safety Net program is projected at 178,207, a decrease of 1.2 percent.

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

CHILDREN AND FAMILY SERVICES
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Children and Family Services	**1,597**	**1,581**	**-1%**	**1,887**	**19%**	**1,990**	**5%**	**2,094**	**5%**
Child Welfare Service	421	330	-22%	463	40%	508	10%	556	9%
Foster Care Block Grant	436	436	0%	464	6%	492	6%	521	6%
Adoption	170	175	3%	182	4%	190	4%	199	5%
Day Care	145	242	67%	355	47%	354	0%	354	0%
Youth Programs	137	123	-10%	148	20%	155	5%	156	1%
Medicaid	111	113	2%	117	4%	122	4%	127	4%
Committees on Special Education	38	39	3%	42	8%	46	10%	51	11%
Adult Protective/Domestic Violence	33	34	3%	39	15%	44	13%	51	16%
All Other	106	89	-16%	77	-13%	79	3%	79	0%

OCFS spending reflects expected growth in claims-based programs and an increase in child care General Fund spending to offset a reduction in available TANF dollars. Growth in Child Welfare Services and Adult Protective/Domestic Violence reflects anticipated growth in local claims and flat Federal funding.

TRANSPORTATION

In FY 2013, the DOT will provide $4.4 billion in local assistance to support statewide mass transit systems. This funding, financed through the collection of dedicated taxes and fees, is provided to mass transit operators throughout the State to support operating costs. The MTA, due to the size and scope of its transit system, receives the majority of the statewide mass transit operating aid. Additionally, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District. The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit system. Spending from this fund is projected to grow from 5 percent to 9 percent each year from FY 2013 to FY 2016. Legislation enacted in December 2011 eliminates the MTA payroll tax for all elementary and secondary schools as well as for certain small businesses. The Financial Plan assumes the State will compensate the MTA for the decrease in receipts from the tax reduction.

TRANSPORTATION
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Transportation	**4,257**	**4,398**	**3%**	**4,556**	**4%**	**4,650**	**2%**	**4,745**	**2%**
Mass Transit Operating Aid:	1,785	1,907	7%	1,907	0%	1,907	0%	1,907	0%
Metro Mass Transit Aid	1,646	1,762	7%	1,762	0%	1,762	0%	1,762	0%
Public Transit Aid	87	93	7%	93	0%	93	0%	93	0%
18-B General Fund Aid	27	27	0%	27	0%	27	0%	27	0%
School Fare	25	25	0%	25	0%	25	0%	25	0%
Mobility Tax and MTA Aid Trust	1,752	1,762	1%	1,915	9%	2,008	5%	2,100	5%
Dedicated Mass Transit	674	684	1%	689	1%	690	0%	693	0%
AMTAP	45	45	0%	45	0%	45	0%	45	0%
All Other	1	0	-100%	0	0%	0	0%	0	0%

LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments primarily includes the AIM program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams. Along with AIM, the State provides incentive grants to local governments. Other direct aid to local governments includes VLT impact aid, Small Government Assistance and Miscellaneous Financial Assistance.

LOCAL GOVERNMENT ASSISTANCE
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
Local Government Assistance	**758**	**776**	**2%**	**786**	**1%**	**801**	**2%**	**803**	**0%**
AIM									
Big Four Cities	429	429	0%	429	0%	429	0%	429	0%
Other Cities	218	218	0%	218	0%	218	0%	218	0%
Towns and Villages	68	68	0%	68	0%	68	0%	68	0%
Efficiency Incentives	6	26	333%	42	62%	58	38%	60	3%
All Other Local Aid	37	35	-5%	29	-17%	28	-3%	28	0%

ALL OTHER LOCAL ASSISTANCE SPENDING

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

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AGENCY OPERATIONS

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

	Forecast			
	FY 2012 Current	**FY 2013 Proposed**	**FY 2014 Projected**	**FY 2015 Projected**
Negotiated Base Salary Increases [1]				
CSEA	0	0	0	2%
PEF	0	0	0	2%
State Workforce [2]	121,868	121,789	122,090	122,090
ERS Pension Contribution Rate[3]				
Before Amortization	16.9%	19.4%	21.6%	23.1%
After Amortization	10.5%	11.5%	12.5%	13.5%
PFRS Pension Contribution Rate				
Before Amortization	21.5%	25.8%	29.1%	31.2%
After Amortization	18.5%	19.5%	20.5%	21.5%
Employee/Retiree Health Insurance Growth Rates	5.8%	-1.4%	5.6%	8.2%
PS/Fringe as % of Receipts (All Funds Basis)	14.4%	14.5%	14.5%	14.4%

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

[2] Subject to Direct Executive Control.

[3] As Percent of Salary.

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

Growth in State Operations spending over the multi-year Financial Plan is concentrated in agencies that operate large facilities, such as the State University, the mental hygiene agencies, and Corrections and Community Supervision. The main causes of growth include inflationary increases in operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities, offset by expected savings from enterprise procurement efforts. Also note that FY 2016 reflects the infrequent occurrence of an additional State institutional payroll, and the State's repayment to State employees for deficit reduction leave taken during FY 2012 as part of workforce savings initiatives.

STATE OPERATING FUNDS - AGENCY OPERATIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual $ Change	FY 2014 Proposed	Annual $ Change	FY 2015 Proposed	Annual $ Change	FY 2016 Proposed	Annual $ Change
Subject to Direct Executive Control	9,429	9,338	(91)	9,369	31	9,592	223	10,027	435
Mental Hygiene	2,973	2,960	(13)	3,075	115	3,181	106	3,332	151
Corrections and Community Supervision	2,473	2,392	(81)	2,441	49	2,493	52	2,624	131
State Police	657	648	(9)	649	1	655	6	668	13
Public Health	552	559	7	604	45	626	22	631	5
Tax and Finance	385	393	8	395	2	406	11	413	7
Children and Family Services	304	330	26	322	(8)	309	(13)	306	(3)
Environmental Conservation	228	226	(2)	228	2	229	1	232	3
Financial Services	204	204	0	207	3	209	2	212	3
Temporary and Disability Assistance	161	207	46	210	3	221	11	219	(2)
Parks, Recreation and Historic Preservation	170	160	(10)	163	3	165	2	167	2
Workers' Compensation Board	158	153	(5)	150	(3)	153	3	156	3
Lottery	162	152	(10)	155	3	159	4	159	0
General Services	128	148	20	138	(10)	133	(5)	136	3
All Other	874	806	(68)	632	(174)	653	21	772	119
University System	5,304	5,418	114	5,576	158	5,744	168	5,914	170
State University	5,167	5,298	131	5,455	157	5,621	166	5,789	168
City University	137	120	(17)	121	1	123	2	125	2
Independent Agencies	301	301	0	305	4	313	8	321	8
Law	162	162	0	163	1	167	4	171	4
Audit & Control	139	139	0	142	3	146	4	150	4
Total, excluding Legislature and Judiciary	**15,034**	**15,057**	23	**15,250**	**193**	**15,649**	**399**	**16,262**	**613**
Judiciary	1,834	1,856	22	1,914	58	2,000	86	2,095	95
Legislature	219	219	0	221	2	224	3	227	3
Statewide Total	**17,087**	**17,132**	45	**17,385**	**253**	**17,873**	**488**	**18,584**	**711**
Personal Service	*11,876*	*11,965*	89	*12,199*	*234*	*12,522*	*323*	*13,054*	*532*
Non-Personal Service	*5,211*	*5,167*	(44)	*5,186*	*19*	*5,351*	*165*	*5,530*	*179*

GENERAL STATE CHARGES

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

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

GENERAL STATE CHARGES
STATE OPERATING FUNDS SPENDING PROJECTIONS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual % Change	FY 2014 Projected	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change
General State Charges	**6,536**	**6,388**	**-2%**	**6,917**	**8%**	**7,428**	**7%**	**7,880**	**6%**
Fringe Benefits	**6,180**	**6,035**	**-2%**	**6,562**	**9%**	**7,058**	**8%**	**7,511**	**6%**
Health Insurance	3,291	3,240	-2%	3,408	5%	3,667	8%	3,949	8%
Employee Health Insurance	2,057	2,025	-2%	2,130	5%	2,292	8%	2,468	8%
Retiree Health Insurance	1,234	1,215	-2%	1,278	5%	1,375	8%	1,481	8%
Pensions	1,680	1,574	-6%	1,986	26%	2,230	12%	2,440	9%
Social Security	915	931	2%	943	1%	969	3%	1,000	3%
All Other Fringe	294	290	-1%	225	-22%	192	-15%	122	-36%
Fixed Costs	**356**	**353**	**-1%**	**355**	**1%**	**370**	**4%**	**369**	**0%**

GSCs are projected to increase at an average annual rate of 4.8 percent over the plan period. The annual decrease in FY 2013 is driven by the impact of collective bargaining agreements, attritions and the prepayment of certain pension costs in FY 2012. Increases in future years are driven by projected growth in health insurance and pension costs, offset by revenue collected from fringe benefit assessments, particularly from the mental hygiene agencies.

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

MULTI-YEAR DISBURSEMENT PROJECTIONS - GENERAL FUND TRANSFERS TO OTHER FUNDS
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Transfers to Other Funds:	**6,128**	**7,167**	**8,736**	**9,659**	**9,925**
Medicaid State Share	2,912	2,903	2,697	2,551	2,451
Debt Service	1,539	1,610	1,681	1,611	1,585
Capital Projects	790	1,079	1,278	1,403	1,298
Dedicated Highway and Bridge Trust Fund	453	543	605	619	621
All Other Capital	337	536	673	784	677
All Other Transfers	887	1,575	3,080	4,094	4,591
Mental Hygiene	0	69	955	1,886	2,475
Medicaid Payments for State Facility Patients	244	244	244	244	244
Judiciary Funds	113	115	116	117	118
SED GSPS	138	56	0	0	0
SUNY - Operating Subsidy	0	390	976	995	1,015
SUNY - Hospital Operations	60	60	60	60	60
Banking Services	61	57	65	65	65
Financial Management System	36	50	55	55	55
Indigent Legal Services	40	40	40	40	40
Department of Transportation (MTA Tax)	25	279	332	334	334
Mass Transportation Operating Assistance	19	19	19	19	19
Alcoholic Beverage Control	17	17	19	20	20
DCJS - Crimes Against Revenues Account	16	16	16	16	16
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	10	10	10	10
OFT Centralized Tech Services	4	24	52	20	10
All Other	92	117	109	201	98

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 DOT and DMV are funded from 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 DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds.

Transfers to other funds are expected to total $7.2 billion in FY 2013, an annual increase of over $1.0 billion, or 17 percent. This increase is mainly due to higher costs related to capital projects, the SUNY operating subsidy, Mental Hygiene, and supplementation to MTA for the recent payroll tax reduction.

DEBT SERVICE

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

DEBT SERVICE SPENDING PROJECTIONS (millions of dollars)

	FY 2012 Current	FY 2013 Proposed	Annual Change	Percent Change
General Fund	**1,539**	**1,610**	**71**	**4.6%**
Other State Support	4,333	4,539	206	4.8%
State Operating Funds	**5,872**	**6,149**	**277**	**4.7%**
Total All Funds	**5,872**	**6,149**	**277**	**4.7%**

Total debt service is projected at $6.1 billion in FY 2013, of which $1.6 billion is paid from the General Fund through transfers, and $4.5 billion from other State funds. The General Fund transfer primarily finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including PIT bonds, DHBTF bonds, and mental health facilities bonds.

Executive Budget projections for debt service spending have been revised to reflect the pre-payment of $140 million of SUNY debt service in March 2012. Otherwise, FY 2013 debt service estimates are relatively unchanged compared to prior estimates, with minor revisions for PIT, Mental Health, DHBTF, and other bonding programs.

GAAP-BASIS RESULTS FOR PRIOR FISCAL YEARS

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

The following table summarizes recent governmental funds results on a GAAP basis. The State issued the Basic Financial Statements for FY 2011 in July 2011.

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

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2011	1,529	742	198	(568)	1,901	(2,009)
March 31, 2010	(594)	(722)	378	1,061	123	(3,538)
March 31, 2009	(6,895)	(1,183)	35	44	(7,999)	(2,944)

Summary of Net Assets
(millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2011	27,648	(618)	27,030
March 31, 2010	27,976	116	28,092
March 31, 2009	30,894	3,031	33,925

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

STATE RETIREMENT SYSTEMS

GENERAL

This section summarizes key disclosures regarding the New York State and Local Retirement System ("NYSLRS" or the "Systems") and the Common Retirement Fund ("CRF"), a pooled investment vehicle which holds its assets. Greater detail, including the independent auditor's report for the fiscal year ending March 31, 2011, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2011. A copy of NYSLRS' CAFR and Asset Listing, the NYSLRS' CAFR for each of the seven prior fiscal years, the Actuary's Annual Reports to the Comptroller issued from 2007 through 2011 and benefit plan booklets may be accessed at www.osc.state.ny.us/retire/publications. 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 32 percent of the membership during FY 2011. There were 3,039 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees) and many local authorities of the State.

As of March 31, 2011, 672,723 persons were members of the Systems and 385,031 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.

The investment losses experienced by the CRF in FY 2009 negatively impacted the value of assets held for the Systems. The current actuarial smoothing method spreads the impact over a 5-year period. Thus, contribution rates increased for FY 2011, FY 2012 and FY 2013 and further increases are expected for FY 2014 and FY 2015. The amount of such future increases will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the Systems as of each April 1. In addition, the assumed investment rate of return used by the Systems' Actuary, which is one of the factors used to calculate contribution requirements, was reduced from 8 percent to 7.5 percent beginning with FY 2012. Final contribution rates for FY 2013 were released in early September 2011. The average ERS rate increased from 16.3 percent of salary in FY 2012 to 18.9 percent of salary in FY 2013, while the average PFRS rate increased from 21.6 percent of salary in FY 2012 to 25.8 percent of salary in FY 2013. Information regarding average rates for FY 2013 may be found in the 2011 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at www.osc.state.ny.us/retire/publications.

The Systems' members are categorized into one of five tiers depending on date of membership. Benefits provided to members vary depending on tier membership. Tier 5 was added pursuant to legislation enacted in 2009 and resulted in significant changes to the benefit structure for ERS members joining on or after January 1, 2010 and PFRS members joining on or after January 9, 2010. The following charts compares the benefits provided to members in Tiers 2 through 5 (approximately 91 percent of the Systems' members as of March 31, 2011 were in Tiers 3 and 4).

TIER BENEFIT COMPARISON

New York State and Local Employees' Retirement System			
Benefit	**Tier 2**	**Tiers 3 & 4**	**Tier 5**
Vesting	Five Years	Five Years	Ten Years
Overtime Cap	No Cap	No Cap	$15,000/year with 3% annual escalation (2012 limit is $15,913)
Contributions	No Contributions	3% for ten years	3% for entire career[1]
Regular Retirement[2]	Age 62 and five years service credit or Age 55 and 30 years of service credit	Age 62 and five years service credit or Age 55 and 30 years of service credit	Age 62 and ten years service credit[3]
Early Retirement	Reduction for early retirement between ages 55 and 62 with less than 30 years of service credit	Reduction for early retirement between ages 55 and 62 with less than 30 years of service credit	Increased reduction for early retirement between 55 and 62 regardless of years of service[3]

1. Correction Officers' contributions cease w/ 30 years of service credit. Peace Officers/Court Officers contribute 4 percent.

2. Does not include special plans which permit retirement upon accrual of a certain number of years without regard to age (uniform services plans).

3. Uniformed Court and Peace Officers employed by the Unified Court System, with 30 years of service, may retire after age 55 with no reductions to their pension benefit.

New York State and Local Police and Fire Retirement System			
Benefit	**Tier 2**[1]	**Tier 3**	**Tier 5**
Vesting	Five Years	Five Years	Ten Years
Overtime Cap	No Cap	No Cap	15 percent per year of regular salary
Contributions	No Contributions	3% for first 25 years of service if enrolled in a 20-year plan, or 25 year plan (if 1-year FAS provision has been adopted)	3% for entire career or until maximum service credit accrued[2]
Regular Retirement	Completion of 20 or 25 years of service (depending on job title), regardless of age	Completion of 22 years of service, regardless of age	Completion of 20 or 25 years of service (depending on job title), regardless of age
Early Retirement	N/A	Completion of 20 years of service, regardless of age	N/A

1. The vast majority of active PFRS members are enrolled in Tier 2. Tier 3 applies to less than 300 members hired between 7/1/09 and 1/08/10. The PFRS plan has no Tier 4. Tier 5 applies to all PFRS members hired on or after 1/09/10.

2. Certain PFRS members are non-contributory (see "Contributions" section herein).

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. The cost of the incentive is borne by the State and each employer electing the incentive over a five-year period commencing with a payment in FY 2012. A total of 6,412 members retired under the State ERI. 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.

An amendment to the laws adopted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. Amortized amounts must be paid by State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers 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 fiscal year 2011, the Comptroller has set an interest rate of 5 percent. For amounts amortized in fiscal year 2012, the interest rate is 3.75 percent. The first payment will be due in the fiscal year following the decision to amortize pension costs. 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 reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, it is expected that this will reduce the budgetary volatility of employer contributions (see the section on "Other Matters Affecting the Financial Plan" in this AIS Update for DOB projections of amounts amortized in FY 2011 and amounts expected to be amortized in FY 2012 through FY 2021.) In FY 2011, the State elected to amortize $249.6 million, and 57 participating employers amortized a total of $43.75 million. Please see "Other Matters Affecting the Financial Plan - Pension Amortization" herein.

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, and most PFRS members joining after January 9, 2010, are required to contribute 3 percent of their salaries for their career. However, if a participating employer had a collective bargaining agreement in effect when Tier 5 became effective on January 9, 2010, that provided for PFRS members to be non-contributory, individuals who first become Tier 5 members prior to the expiration of the agreement would be non-contributory in their plan for their career. Individuals who first became Tier 5 members after the expiration of the current collective bargaining agreement would be subject to the 3 percent contribution.

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

Amendments to the laws adopted in 2004 authorized the State and local employers to amortize over ten years, at five percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2011, the amortized amount receivable for FY 2005 from the State is $229.4 million and from participating employers is $48.5 million; the amortized amount receivable for FY 2006 from the State is $87.7 million and from participating employers is $17.2 million; and the amortized amount receivable for FY 2007 from participating employers is $15.8 million. The State did not amortize any portion of its 2007 contributions.

The State paid $1,303.2 million in contributions (including judiciary) for FY 2011, including amortization payments of some $87.0 million for 2005 and 2006 bills. As noted above, the State elected to amortize $249.6 million for FY 2011 under Part TT of Chapter 57 of the laws of 2010. The State payment (including Judiciary) due March 1, 2012 is $1,958.0 million. Prepayments (including interest credit) have reduced this amount by $49.4 million to $1,908.6 million. The State (including Judiciary) has the option to amortize up to $562.9 million which would reduce the required payment to $1,345.7 million. The estimated State payment (including Judiciary) for FY 2013 is $2,223.3 million of which the State has the option to amortize up to $781.9 million which would reduce the required payment due March 1, 2013 to $1,441.2 million. The State payment for FY 2013 is an estimate. If these amounts change, then the amounts that can be amortized would also change. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF.

PENSION ASSETS AND LIABILITIES

Assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the CRF. The Systems report that the net assets available for benefits as of March 31, 2011 were $149.5 billion (including $3.4 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 $15.3 billion or 11.4 percent from the FY 2010 level of $134.2 billion. The increase in net assets available for benefits from FY 2010 to FY 2011 reflects, in large part, equity market performance[5]. The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $186.8 billion on April 1, 2010 to $194.3 billion (including $80.8 billion for current retirees and beneficiaries) on April 1, 2011. 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, 2011 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 FY 2011, 40 percent of the unexpected gain for the FY 2010, 60 percent of the unexpected loss for FY

[5] On November 22, 2011, the State Comptroller released a statement indicating that the value of the Systems' invested assets posted a negative 7.48 percent rate of return through September 30, 2011. This report reflects unaudited data for assets invested on behalf of the Systems. The value of invested assets changes daily.

2009 and 80 percent of the unexpected gain for FY 2008. Actuarial assets increased from $147.7 billion on April 1, 2010 to $148.6 billion on April 1, 2011. The funded ratio, as of April 1, 2011, calculated by the System Actuary in August 2011 using the entry age normal funding method and actuarial assets, was 90 percent. Detail on the funded ratios of ERS and PFRS as of April 1 for each of the five years previous to the fiscal year ended March 31, 2011 can be found on page 54 of the NYSLRS' CAFR for the fiscal year ending March 31, 2011. Detail regarding employers Annual Required Contributions for FY 2011 and each of the five previous fiscal years can be found on page 55 of the NYSLRS CAFR for the fiscal year ending March 31, 2011.

The tables that follow show net assets, benefits paid and the actuarially determined contributions that have been made over the last 12 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
2011	4,165	2,406	1,759	286	8,520
2012 [4]	4,940	3,112	1,828	306	8,904

(1) Contributions recorded include the full amount of unpaid amortized contributions.

(2) The annual required contributions (ARC) include the employers' normal costs, the Group Life Insurance Plan amounts, and other supplemental amounts. Additional information on the ARC can be accessed on page 55 of the NYSLRS CAFR for fiscal year ending March 31, 2011.

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

(4) Amounts reflected for FY 2012 are estimates provided by the Division of the Budget.

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	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
2011	149,549	11.4

Sources: State and Local Retirement Systems.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2011 includes approximately $3.4 billion of receivables.

AUTHORITIES AND LOCALITIES

PUBLIC AUTHORITIES

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

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

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

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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 Obligation Bonds	Obligations of TFA (1)	Obligations of Municipal Assistance Corporation	Obligations of STAR Corp. (2)	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other(3) Obligations	Treasury Obligations	Total
1980	6,179	0	6,116	0	0	0	995	(295)	12,995
1990	13,499	0	7,122	0	0	0	1,077	(1,671)	20,027
2000	27,245	6,438 (4)	3,532	0	709	0	2,065	(230)	39,759
2001	27,147	7,386	3,217	0	704	0	2,019	(168)	40,305
2002	28,465	10,489 (5)	2,880	0	740	0	2,463	(116)	44,921
2003	29,679	13,134 (6)	2,151	0	1,258	0	2,328	(64)	48,486
2004	31,378	13,364	1,758	0	1,256	0	2,561	(52)	50,265
2005	33,903	12,977	0	2,551	1,283	0	3,746	(39)	54,421
2006	35,844	12,233	0	2,470	1,334	0	3,500	0	55,381
2007	34,506	14,607	0	2,368	1,317	2,100	3,394	0	58,292
2008	36,100	14,828	0	2,339	1,297	2,067	2,556	0	59,187
2009	39,991	16,913	0	2,253	1,274	2,033	2,442	0	64,906
2010	41,555	20,094	0	2,178	1,265	2,000	2,402	0	69,494
2011	41,785	23,820	0	2,117	1,260	2,000	2,556	0	73,538

Source: Office of the State Comptroller.

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

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

(3) Includes bonds issued by the Fiscal Year 2005 Securitization Corporation, 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.

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

(5) 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.

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

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

OTHER LOCALITIES

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing has become more common in recent years. Between 2004 and January 2012, the State Legislature authorized 21 bond issuances to finance local government operating deficits, including four deficit financing authorizations during the 2009 and 2010 legislative sessions. 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 FY 2004, but may transition to Advisory Period powers during the City's FY 2012. In January 2011, the Nassau County Interim Finance Authority ("NIFA") declared that it was entering a Control Period, citing the "substantial likelihood and imminence" that Nassau would incur a major operating funds deficit of 1 percent or more during the County's FY 2011.

Nassau County commenced a lawsuit challenging NIFA's determination and authority to impose a Control Period, and seeking to enjoin the imposition of the Control Period. State Supreme Court denied the injunction and the County has indicated it is no longer pursuing the lawsuit. NIFA is now operating with Control Period powers.

Erie County has a Fiscal Stability Authority, the City of New York has a Financial Control Board, and the City of Troy has a Supervisory Board, all of which presently perform certain review and advisory functions. The City of Yonkers no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The City of Newburgh operates under fiscal monitoring by the State Comptroller. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's FY 2012 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 loss of temporary Federal stimulus funding also adversely impacted counties and school districts in New York State. State cashflow problems in prior fiscal years have resulted in delays in the payment of State aid, and in some cases have necessitated borrowing by the localities. Additionally, recent enactment of legislation that caps most local government and school district property tax levies may affect the amount of property tax revenue available for local government and school district purposes. The legislation does not apply to New York City. 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.

SELECTED STATE GOVERNMENT SUMMARY

STATE GOVERNMENT ORGANIZATION

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

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

**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, reviewing and approving most State agency disbursement contracts in excess of $50,000 (as discussed in the "Appropriations and Fiscal Controls" section that follows) and non-disbursement contracts in excess of $10,000, 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 "Investment of State Moneys" and "Accounting Practices, Financial Reporting and Budgeting" in the AIS dated May 24, 2011). 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.

APPROPRIATIONS AND FISCAL CONTROLS

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

Disbursements from State funds are limited to the level of authorized appropriations. Disbursements from Federal funds must be appropriated in accordance with appropriate legal authority, are limited to the amounts anticipated from Federal programs and may not be made in the absence of appropriate certifications from the Director of the Budget. Generally, most State contracts for disbursements in excess of $50,000 (or $85,000 in the case of the Office of General Services) require prior approval by the Comptroller. However, certain contracts, primarily of SUNY and CUNY, are not subject to approval by the Comptroller, and certain other contracts are subject to higher thresholds. In most cases, State agency contracts depend upon the existence of an appropriation and the issuance of a certificate of availability by the Director of the Budget. The Budget Director must review all applications for State participation in continuing grant- or contract-supported programs, with specified exceptions. Certain legislative leaders have the opportunity to make recommendations on the applications. In addition, the Comptroller has the discretion to identify and review certain public authority contracts valued at $1.0 million or greater that are either awarded without competition or which are paid using State-appropriated funds. The FY 2013 Executive Budget includes a proposal which would expand the use of centralized contracts through the Office of General Services, and would exempt these contracts from the Comptroller's review and approval.

Appropriations may be increased or decreased in accordance with statutory authority under certain circumstances by transfer, interchange or otherwise. In addition, appropriations may be increased or decreased by statutory amendment or by supplemental appropriations. Moneys or other financial resources from one fund may also be loaned to another fund, but only if such loan is repaid in full prior to the end of the month in which the loan was made, except as provided by law. The FY 2013 Executive Budget proposes new language in most State operations appropriations, as well as certain capital projects appropriations, to allow the Director of the Budget to interchange, transfer, or suballocate the amount of the appropriation to any State department, agency or public authority.

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

LITIGATION AND ARBITRATION

REAL PROPERTY CLAIMS

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

In *Oneida Indian Nation of New York v. State of New York*, 74-CV-187 (NDNY), the plaintiff, alleged successors-in-interest to the historic Oneida Indian Nation, 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 between 1795 and 1846, money damages, and the ejectment of the State and Madison and Oneida Counties from all publicly-held lands in the claim area. In 1998, the United States intervened in support of plaintiff.

During the pendency of this case, significant decisions were rendered by the United States Supreme Court and the Second Circuit Court of Appeals which changed the legal landscape pertaining to ancient land claims: *City of Sherrill v. Oneida Indian Nation of New York,* 544 U.S. 197 (2005), and *Cayuga Indian Nation of New York v. Pataki*, 413 F.3d 266 (2d Cir. 2005), *cert. denied*, 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.

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

In *Canadian St. Regis Band of Mohawk Indians, et al. v. State of New York, et al.* (NDNY), plaintiffs seek ejectment and monetary damages for their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. The defendants' motion for judgment on the pleadings, relying on the decisions in *Sherrill, Cayuga,* and *Oneida*, is pending in District Court.

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

In *Shinnecock Indian Nation v. State of New York, et al*. (EDNY), plaintiff seeks ejectment, monetary damages, and declaratory and injunctive relief for its claim that approximately 3,600 acres in the Town of Southampton were illegally transferred from its predecessors-in-interest. On December 5, 2006, the District Court granted defendants' motion to dismiss, based on the *Sherrill* and *Cayuga* decisions. Plaintiff moved for reconsideration before the District Court and also appealed to the Second

Circuit Court of Appeals. The motions for reconsideration and appeal have both been stayed pending resolution of the Second Circuit's dismissal of the Oneida land claim.

WEST VALLEY LITIGATION

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

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

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

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

The Consent Decree also does not resolve two claims raised in the State's lawsuit - the State's natural resource damages claim and its Nuclear Waste Policy Act claim. The first claim, which the federal government has agreed to toll, will be pursued by the NYS Department of Environmental Conservation (DEC) (as trustee of the State's natural resources) and the Attorney General's office. Regarding the latter claim, the State asserts that the federal government bears sole responsibility for the cost of disposing of the 275 canisters of vitrified HLRW waste remaining at the Site at a federal repository once one becomes available. This claim was neither settled nor dismissed and remains in litigation. The District Court will advise the parties as to the date of a conference for the purpose of preparing a scheduling order for adjudicating this claim. In the meantime, the parties are discussing potential ways to resolve the Nuclear Waste Policy Act claim without litigation.

METROPOLITAN TRANSPORTATION AUTHORITY

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

The defendants sought to change the venue of all of these cases to Albany County or New York County and venue has been changed in most of the cases. In *Mangano*, the Supreme Court, Nassau County denied defendants' motion for change of venue. An appeal of that order is proceeding and issue has not yet been joined in Supreme Court. In *Vanderhoef, Huntington*, *Floyd, Brookhaven, Southampton/Southold* and *Hampton,* the defendants moved for judgment in their favor. The plaintiffs in *Hampton* then voluntarily stipulated their case, as did the plaintiff in *Floyd* after legislative amendment of the applicable statute that exempted school districts from the "mobility tax" imposed by this statute on employers in the Metropolitan Commuter Transportation District. The Supreme Court, Albany County issued decisions granting summary judgment to defendants in *Brookhaven, Huntington* and *Southampton/Southold*. The plaintiffs in *Brookhaven* and *Huntington* have appealed from those decisions.

SCHOOL AID

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

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

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

In *Hussein v. State of New York*, plaintiffs seek a judgment declaring that the State's system of financing public education violates section 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education ("SBE"). In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. On January 13, 2011, the Appellate Division, Third Department, affirmed the denial of the motion to dismiss. On May 6, 2011, the Third Department granted defendants leave to appeal to the Court of Appeals. On September 15, 2011, the Court of Appeals placed the appeal on track for full briefing and oral argument. The argument of the appeal is scheduled for March 20, 2012.

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

REPRESENTATIVE PAYEES

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

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

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

SALES TAX

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

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

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

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

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 intended to enable the State to collect taxes on certain sales of cigarettes on Indian reservations. Plaintiffs seek declaratory judgment that the regulations are void and temporary and permanent injunctions against enforcing both the regulations and the statutory provisions authorizing the voucher system. On June 8, 2011, Supreme Court, Erie County, issued an order granting defendants' motion for summary judgment and dismissing the complaint. On November 18, 2011, the Appellate Division, Fourth Department, affirmed. Plaintiff's motion for leave to appeal to the Court of Appeals is pending in that Court.

In July 2011, plaintiffs commenced *Akwesasne Convenience Store Association et al. v. State of New York,* in Supreme Court, Erie County, against the State of New York and other defendants, seeking a declaration that the statutory voucher system impermissibly burdens Indian commerce and is preempted by Federal law and further seeking to enjoin the implementation, administration or enforcement of the system. The court denied plaintiffs' request for a temporary restraining order and, by decision dated August 18, 2011, also denied plaintiffs' subsequent motion for a preliminary injunction. Plaintiffs appealed to the Appellate Division, Fourth Department, which denied plaintiffs' motion for a preliminary injunction pending appeal on September 14, 2011. The appeal is pending. Defendants have filed a motion for summary judgment returnable February 16, 2012.

CIVIL SERVICE LITIGATION

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

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 their 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.

By opinion dated November 21, 2011, the Court of Appeals reversed the Appellate Division and dismissed the cause of action under Article VII, § 8. A motion by the plaintiffs for reargument of the Court's decision 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 for a total of $19 million. The settlement process is completed and the case is closed.

EMINENT DOMAIN

In *Gyrodyne Company of America, Inc. 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. In a decision dated November 22, 2011, the Appellate Division, Second Department, affirmed the decision of the Court of Claims. The State's motion for reargument or, in the alternative, leave to appeal to the Court of Appeals, is pending.

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. Plaintiffs have since filed an amended complaint adding challenges to assessments issued after the commencement of this action and the State has withdrawn its motion for summary judgment without prejudice. The State has filed its answer to the amended complaint and is engaged in the discovery process.

TOBACCO MASTER SETTLEMENT AGREEMENT (MSA)

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

Settling States, and the imposition of certain tobacco advertising and marketing restrictions among other things.

LITIGATION

Two actions have been filed in New York by parties challenging the MSA and portions of laws enacted by the State under the MSA. In *Freedom Holdings Inc. et al. v. Spitzer et ano.* (SDNY), two cigarette importers alleged (1) violation of the Commerce Clause of the United States Constitution, (2) the establishment of an "output cartel" in conflict with the Sherman Act, (3) selective nonenforcement of the laws on Native American reservations in violation of the Equal Protection Clause of the United States Constitution, and (4) federal preemption. The Second Circuit affirmed the dismissal of this action and the United States Supreme Court denied certiorari to review that decision. Accordingly, this action is concluded.

In *Grand River Ent. v. King* (SDNY), another cigarette importer raised the same claims as those brought in *Freedom Holdings*, as well as additional claims, in an action against the attorneys general of thirty states, including New York. On March 22, 2011, the District Court denied plaintiff's motion for summary judgment and granted defendants' motions for summary judgment dismissing the complaint. Plaintiff has moved before the District Court to amend the Findings and Judgment pursuant to FRCP59(e) and has also appealed from the District Court's decision to the Second Circuit Court of Appeals. On January 30, 2012, the District Court denied Plaintiff's motion to amend the Court's findings.

ARBITRATION

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

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

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

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

	FY 2011 Results	FY 2012 Current	Annual $ Change	Annual % Change
Opening Fund Balance	2,302	1,376	(926)	-40.2%
Receipts:				
Taxes:				
Personal Income Tax	23,894	25,705	1,811	7.6%
User Taxes and Fees	8,795	9,135	340	3.9%
Business Taxes	5,279	5,868	589	11.2%
Other Taxes	1,237	1,212	(25)	-2.0%
Miscellaneous Receipts	3,095	3,244	149	4.8%
Federal Receipts	54	60	6	11.1%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	7,625	8,069	444	5.8%
Sales Tax in Excess of LGAC Debt Service	2,351	2,430	79	3.4%
Real Estate Taxes in Excess of CW/CA Debt Service	348	397	49	14.1%
All Other Transfers	1,769	1,094	(675)	-38.2%
Total Receipts	54,447	57,214	2,767	5.1%
Disbursements:				
Local Assistance Grants	37,206	38,515	1,309	3.5%
Departmental Operations:				
Personal Service	6,151	5,770	(381)	-6.2%
Non-Personal Service	1,822	1,795	(27)	-1.5%
General State Charges	4,187	4,707	520	12.4%
Transfers to Other Funds:				
Debt Service	1,737	1,539	(198)	-11.4%
Capital Projects	932	790	(142)	-15.2%
State Share Medicaid	2,497	2,912	415	16.6%
SUNY Operations	0	0	0	0.0%
Other Purposes	841	887	46	5.5%
Total Disbursements	55,373	56,915	1,542	2.8%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(926)	299	1,225	-132.3%
Closing Fund Balance	1,376	1,675	299	21.7%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Rainy Day Reserve Fund	175	275	100	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	136	51	(85)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	0	284	284	
Debt Management	13	13	0	

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
FY 2013 through FY 2016
(millions of dollars)

	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Receipts:				
Taxes:				
Personal Income Tax	26,911	28,803	29,582	30,566
User Taxes and Fees	9,341	9,706	10,123	10,487
Business Taxes	5,977	6,213	5,718	6,291
Other Taxes	1,144	1,137	1,222	1,222
Miscellaneous Receipts	3,069	2,636	2,243	2,336
Federal Receipts	60	2	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,284	8,820	8,986	9,194
Sales Tax in Excess of LGAC Debt Service	2,466	2,590	2,717	2,843
Real Estate Taxes in Excess of CW/CA Debt Service	474	560	636	711
All Other Transfers	989	878	786	776
Total Receipts	58,715	61,345	62,013	64,426
Disbursements:				
Local Assistance Grants	39,403	41,393	42,877	45,107
Departmental Operations:				
Personal Service	5,729	5,362	5,473	5,731
Non-personal Service	1,859	1,612	1,677	1,793
General State Charges	4,434	4,823	5,168	5,459
Transfers to Other Funds:				
Debt Service	1,610	1,681	1,611	1,585
Capital Projects	1,079	1,278	1,403	1,298
State Share Medicaid	2,903	2,697	2,551	2,451
SUNY Operations	390	976	995	1,015
Other Purposes	1,185	2,104	3,099	3,576
Total Disbursements	58,592	61,926	64,854	68,015
Reserves:				
Community Projects Fund	(51)	0	0	0
Rainy Day Reserve Fund	0	0	0	0
Prior-Year Labor Agreements (2007-2011)	174	134	133	132
Increase (Decrease) in Reserves	123	134	133	132
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	(715)	(2,974)	(3,721)

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
FY 2012
(millions of dollars)

	Mid-Year	Change	Executive
Opening fund balance	1,376	0	1,376
Receipts:			
Taxes:			
Personal Income Tax	25,870	(165)	25,705
User Taxes and Fees	9,056	79	9,135
Business Taxes	5,868	0	5,868
Other Taxes	1,092	120	1,212
Miscellaneous Receipts	3,152	92	3,244
Federal Receipts	60	0	60
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	8,056	13	8,069
Sales Tax in Excess of LGAC Debt Service	2,394	36	2,430
Real Estate Taxes in Excess of CW/CA Debt Service	395	2	397
All Other	923	171	1,094
Total Receipts	56,866	348	57,214
Disbursements:			
Local Assistance Grants	38,721	(206)	38,515
State Operations:			
Personal Service	5,713	57	5,770
Non-Personal Service	1,749	46	1,795
General State Charges	4,704	3	4,707
Transfers to Other Funds:			
Debt Service	1,455	84	1,539
Capital Projects	778	12	790
State Share Medicaid	2,910	2	2,912
SUNY Operations	0	0	0
Other Purposes	825	62	887
Total Disbursements	56,855	60	56,915
Reserves:			
Community Projects Fund	(85)	0	(85)
Rainy Day Reserve Fund	100	0	100
Prior-Year Labor Agreements (2007-2011)	346	(62)	284
Increase (Decrease) in Reserves	361	(62)	299
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(350)	350	0

Source: NYS DOB

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

	Mid-Year	Change	Executive
Receipts:			
Taxes:			
Personal Income Tax	25,619	1,292	26,911
User Taxes and Fees	9,288	53	9,341
Business Taxes	6,208	(231)	5,977
Other Taxes	1,087	57	1,144
Miscellaneous Receipts	3,024	45	3,069
Federal Receipts	60	0	60
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	7,800	484	8,284
Sales Tax in Excess of LGAC Debt Service	2,450	16	2,466
Real Estate Taxes in Excess of CW/CA Debt Service	471	3	474
All Other	628	361	989
Total Receipts	56,635	2,080	58,715
Disbursements:			
Local Assistance Grants	39,955	(552)	39,403
Departmental Operations:			
Personal Service	5,674	55	5,729
Non-Personal Service	1,995	(136)	1,859
General State Charges	5,093	(659)	4,434
Transfers to Other Funds:			
Debt Service	1,722	(112)	1,610
Capital Projects	1,126	(47)	1,079
State Share Medicaid	2,903	0	2,903
SUNY Operations	390	0	390
Other Purposes	936	249	1,185
Total Disbursements	59,794	(1,202)	58,592
Reserves:			
Community Projects Fund	(51)	0	(51)
Prior-Year Labor Agreements (2007-2011)	142	32	174
Increase (Decrease) in Reserves	91	32	123
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(3,250)	3,250	0

Source: NYS DOB

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

	Mid-Year	Change	Executive
Receipts:			
Taxes:			
Personal Income Tax	27,333	1,470	28,803
User Taxes and Fees	9,681	25	9,706
Business Taxes	6,497	(284)	6,213
Other Taxes	1,147	(10)	1,137
Miscellaneous Receipts	2,583	53	2,636
Federal Receipts	60	(58)	2
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	8,309	511	8,820
Sales Tax in Excess of LGAC Debt Service	2,592	(2)	2,590
Real Estate Taxes in Excess of CW/CA Debt Service	557	3	560
All Other	586	292	878
Total Receipts	59,345	2,000	61,345
Disbursements:			
Local Assistance Grants	41,665	(272)	41,393
Departmental Operations:			
Personal Service	5,368	(6)	5,362
Non-Personal Service	1,677	(65)	1,612
General State Charges	5,456	(633)	4,823
Transfers to Other Funds:			
Debt Service	1,696	(15)	1,681
Capital Projects	1,323	(45)	1,278
State Share Medicaid	2,796	(99)	2,697
SUNY Operations	976	0	976
Other Purposes	1,520	584	2,104
Total Disbursements	62,477	(551)	61,926
Reserves:			
Community Projects Fund	0	0	0
Prior-Year Labor Agreements (2007-2011)	142	(8)	134
Increase (Decrease) in Reserves	142	(8)	134
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(3,274)	2,559	(715)

Source: NYS DOB

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

	Mid-Year	Change	Executive
Receipts:			
Taxes:			
Personal Income Tax	28,623	959	29,582
User Taxes and Fees	10,099	24	10,123
Business Taxes	5,952	(234)	5,718
Other Taxes	1,212	10	1,222
Miscellaneous Receipts	2,122	121	2,243
Federal Receipts	60	(60)	0
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	8,673	313	8,986
Sales Tax in Excess of LGAC Debt Service	2,724	(7)	2,717
Real Estate Taxes in Excess of CW/CA Debt Service	634	2	636
All Other	602	184	786
Total Receipts	60,701	1,312	62,013
Disbursements:			
Local Assistance Grants	43,352	(475)	42,877
Departmental Operations:			
Personal Service	5,517	(44)	5,473
Non-Personal Service	1,798	(121)	1,677
General State Charges	5,623	(455)	5,168
Transfers to Other Funds:			
Debt Service	1,614	(3)	1,611
Capital Projects	1,419	(16)	1,403
State Share Medicaid	2,750	(199)	2,551
SUNY Operations	995	0	995
Other Purposes	2,289	810	3,099
Total Disbursements	65,357	(503)	64,854
Reserves:			
Community Projects Fund	0	0	0
Prior-Year Labor Agreements (2007-2011)	142	(9)	133
Increase (Decrease) in Reserves	142	(9)	133
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(4,798)	1,824	(2,974)

Source: NYS DOB

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

	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Taxes:				
Withholdings	32,598	34,667	36,032	37,947
Estimated Payments	12,212	13,063	13,702	13,560
Final Payments	2,203	2,170	2,167	2,267
Other Payments	1,104	1,136	1,238	1,288
Gross Collections	48,117	51,036	53,139	55,062
State/City Offset	(298)	(198)	(148)	(148)
Refunds	(7,508)	(7,760)	(8,631)	(9,106)
Reported Tax Collections	40,311	43,078	44,360	45,808
STAR (Dedicated Deposits)	(3,322)	(3,505)	(3,688)	(3,790)
RBTF (Dedicated Transfers)	(10,078)	(10,770)	(11,090)	(11,452)
Personal Income Tax	26,911	28,803	29,582	30,566
Sales and Use Tax	11,455	11,937	12,496	12,992
Cigarette and Tobacco Taxes	511	510	503	495
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	238	242	247	247
Highw ay Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	12,204	12,689	13,246	13,734
LGAC Sales Tax (Dedicated Transfers)	(2,863)	(2,983)	(3,123)	(3,247)
User Taxes and Fees	9,341	9,706	10,123	10,487
Corporation Franchise Tax	2,844	3,024	2,335	2,736
Corporation and Utilities Tax	682	706	730	757
Insurance Taxes	1,322	1,383	1,422	1,491
Bank Tax	1,129	1,100	1,231	1,307
Petroleum Business Tax	0	0	0	0
Business Taxes	5,977	6,213	5,718	6,291
Estate Tax	1,127	1,120	1,205	1,205
Real Estate Transfer Tax	690	770	840	915
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	16	16	16	16
Other Taxes	1	1	1	1
Gross Other Taxes	1,834	1,907	2,062	2,137
Real Estate Transfer Tax (Dedicated)	(690)	(770)	(840)	(915)
Other Taxes	1,144	1,137	1,222	1,222
Payroll Tax	0	0	0	0
Total Taxes	43,373	45,859	46,645	48,566
Licenses, Fees, Etc.	661	606	594	585
Abandoned Property	785	670	655	655
Motor Vehicle Fees	99	26	26	26
ABC License Fee	51	50	50	50
Reimbursements	202	202	202	202
Investment Income	10	30	30	30
Other Transactions	1,261	1,052	686	788
Miscellaneous Receipts	3,069	2,636	2,243	2,336
Federal Grants	60	2	0	0
Total	46,502	48,497	48,888	50,902

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	1,376	2,139	454	3,969
Receipts:				
Taxes	41,920	8,303	12,976	63,199
Miscellaneous Receipts	3,244	15,147	949	19,340
Federal Receipts	60	1	79	140
Total Receipts	45,224	23,451	14,004	82,679
Disbursements:				
Local Assistance Grants	38,515	19,033	0	57,548
Departmental Operations:				
Personal Service	5,770	6,106	0	11,876
Non-Personal Service	1,795	3,355	61	5,211
General State Charges	4,707	1,829	0	6,536
Debt Service	0	0	5,872	5,872
Capital Projects	0	5	0	5
Total Disbursements	50,787	30,328	5,933	87,048
Other Financing Sources (Uses):				
Transfers from Other Funds	11,990	7,251	6,505	25,746
Transfers to Other Funds	(6,128)	(613)	(14,481)	(21,222)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,862	6,638	(7,976)	4,524
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	299	(239)	95	155
Closing Fund Balance	1,675	1,900	549	4,124
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(284)			
Reserve for Community Projects Fund	85			
Rainy Day Fund	(100)			
Net Designated General Fund Reserves	(299)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	43,373	8,247	13,512	65,132
Miscellaneous Receipts	3,069	15,954	996	20,019
Federal Receipts	60	1	79	140
Total Receipts	46,502	24,202	14,587	85,291
Disbursements:				
Local Assistance Grants	39,403	19,657	0	59,060
Departmental Operations:				
Personal Service	5,729	6,236	0	11,965
Non-Personal Service	1,859	3,261	47	5,167
General State Charges	4,434	1,954	0	6,388
Debt Service	0	0	6,149	6,149
Capital Projects	0	5	0	5
Total Disbursements	51,425	31,113	6,196	88,734
Other Financing Sources (Uses):				
Transfers from Other Funds	12,213	7,711	6,295	26,219
Transfers to Other Funds	(7,167)	(399)	(14,609)	(22,175)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	5,046	7,312	(8,314)	4,044
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	123	401	77	601
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(174)			
Reserve for Community Projects Fund	51			
Net Designated General Fund Reserves	(123)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	45,859	8,569	14,404	68,832
Miscellaneous Receipts	2,636	16,366	1,043	20,045
Federal Receipts	2	1	79	82
Total Receipts	48,497	24,936	15,526	88,959
Disbursements:				
Local Assistance Grants	41,393	20,442	0	61,835
Departmental Operations:				
Personal Service	5,362	6,837	0	12,199
Non-Personal Service	1,612	3,527	47	5,186
General State Charges	4,823	2,094	0	6,917
Debt Service	0	0	6,449	6,449
Capital Projects	0	5	0	5
Total Disbursements	53,190	32,905	6,496	92,591
Other Financing Sources (Uses):				
Transfers from Other Funds	12,848	8,726	6,155	27,729
Transfers to Other Funds	(8,736)	(208)	(15,108)	(24,052)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	4,112	8,518	(8,953)	3,677
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(581)	549	77	45
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(134)			
Net Designated General Fund Reserves	(134)			

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	46,645	8,931	14,934	70,510
Miscellaneous Receipts	2,243	16,636	1,064	19,943
Federal Receipts	0	1	79	80
Total Receipts	48,888	25,568	16,077	90,533
Disbursements:				
Local Assistance Grants	42,877	21,064	0	63,941
Departmental Operations:				
Personal Service	5,473	7,049	0	12,522
Non-Personal Service	1,677	3,627	47	5,351
General State Charges	5,168	2,260	0	7,428
Debt Service	0	0	6,568	6,568
Capital Projects	0	5	0	5
Total Disbursements	55,195	34,005	6,615	95,815
Other Financing Sources (Uses):				
Transfers from Other Funds	13,125	9,056	5,654	27,835
Transfers to Other Funds	(9,659)	(61)	(15,001)	(24,721)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,466	8,995	(9,347)	3,114
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,841)	558	115	(2,168)
Designated General Fund Reserves:				
Reserve for Collective Bargaining	(133)			
Net Designated General Fund Reserves	(133)			

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2012
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	1,376	2,149	(167)	454	3,812
Receipts:					
Taxes	41,920	8,303	1,333	12,976	64,532
Miscellaneous Receipts	3,244	15,279	4,360	949	23,832
Federal Receipts	60	41,601	2,202	79	43,942
Total Receipts	45,224	65,183	7,895	14,004	132,306
Disbursements:					
Local Assistance Grants	38,515	54,743	2,564	0	95,822
Departmental Operations:					
Personal Service	5,770	6,749	0	0	12,519
Non-Personal Service	1,795	4,314	0	61	6,170
General State Charges	4,707	2,126	0	0	6,833
Debt Service	0	0	0	5,872	5,872
Capital Projects	0	5	5,514	0	5,519
Total Disbursements	50,787	67,937	8,078	5,933	132,735
Other financing sources (Uses):					
Transfers from Other Funds	11,990	7,252	1,050	6,505	26,797
Transfers to Other Funds	(6,128)	(4,738)	(1,439)	(14,481)	(26,786)
Bond and Note Proceeds	0	0	475	0	475
Net Other Financing Sources (Uses)	5,862	2,514	86	(7,976)	486
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	299	(240)	(97)	95	57
Closing Fund Balance	1,675	1,909	(264)	549	3,869
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(284)				
Reserve for Community Projects Fund	85				
Rainy Day Fund	(100)				
Net Designated General Fund Reserves	(299)				

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	43,373	8,247	1,401	13,512	66,533
Miscellaneous Receipts	3,069	16,085	4,105	996	24,255
Federal Receipts	60	39,712	2,085	79	41,936
Total Receipts	46,502	64,044	7,591	14,587	132,724
Disbursements:					
Local Assistance Grants	39,403	53,787	1,995	0	95,185
Departmental Operations:					
Personal Service	5,729	6,837	0	0	12,566
Non-Personal Service	1,859	4,148	0	47	6,054
General State Charges	4,434	2,268	0	0	6,702
Debt Service	0	0	0	6,149	6,149
Capital Projects	0	5	5,849	0	5,854
Total Disbursements	51,425	67,045	7,844	6,196	132,510
Other Financing Sources (Uses):					
Transfers from Other Funds	12,213	7,712	1,352	6,295	27,572
Transfers to Other Funds	(7,167)	(4,309)	(1,496)	(14,609)	(27,581)
Bond and Note Proceeds	0	0	400	0	400
Net Other Financing Sources (Uses)	5,046	3,403	256	(8,314)	391
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	123	402	3	77	605
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(174)				
Reserve for Community Projects Fund	51				
Net Designated General Fund Reserves	(123)				

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	45,859	8,569	1,421	14,404	70,253
Miscellaneous Receipts	2,636	16,497	3,982	1,043	24,158
Federal Receipts	2	41,305	2,152	79	43,538
Total Receipts	48,497	66,371	7,555	15,526	137,949
Disbursements:					
Local Assistance Grants	41,393	56,328	1,956	0	99,677
Departmental Operations:					
Personal Service	5,362	7,431	0	0	12,793
Non-Personal Service	1,612	4,478	0	47	6,137
General State Charges	4,823	2,414	0	0	7,237
Debt Service	0	0	0	6,449	6,449
Capital Projects	0	5	5,735	0	5,740
Total Disbursements	53,190	70,656	7,691	6,496	138,033
Other Financing Sources (Uses):					
Transfers from Other Funds	12,848	8,727	1,475	6,155	29,205
Transfers to Other Funds	(8,736)	(3,892)	(1,547)	(15,108)	(29,283)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	4,112	4,835	266	(8,953)	260
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(581)	550	130	77	176
Designated General Fund Reserves:					
Reserve for Collective Bargaining	(134)				
Net Designated General Fund Reserves	(134)				

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	46,645	8,931	1,431	14,934	71,941
Miscellaneous Receipts	2,243	16,767	3,813	1,064	23,887
Federal Receipts	0	44,571	1,971	79	46,621
Total Receipts	48,888	70,269	7,215	16,077	142,449
Disbursements:					
Local Assistance Grants	42,877	60,834	1,883	0	105,594
Departmental Operations:					
Personal Service	5,473	7,655	0	0	13,128
Non-Personal Service	1,677	4,520	0	47	6,244
General State Charges	5,168	2,587	0	0	7,755
Debt Service	0	0	0	6,568	6,568
Capital Projects	0	5	5,572	0	5,577
Total Disbursements	55,195	75,601	7,455	6,615	144,866
Other Financing Sources (Uses):					
Transfers from Other Funds	13,125	9,057	1,467	5,654	29,303
Transfers to Other Funds	(9,659)	(3,166)	(1,530)	(15,001)	(29,356)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	3,466	5,891	243	(9,347)	253
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,841)	559	3	115	(2,164)
Designated General Fund Reserves:					
Reserve for Collective Bargaining	133				
Net Designated General Fund Reserves	133				

Source: NYS DOB

CASHFLOW
GENERAL FUND
FY 2012
(dollars in millions)

	2011 April Results	May Results	June Results	July Results	August Results	September Results	October Results	November Results	December Results	2012 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,376	4,510	1,809	2,492	1,884	1,571	4,948	3,394	3,264	2,315	6,271	6,310	1,376
RECEIPTS:													
Personal Income Tax	4,153	1,072	2,610	1,661	1,817	2,689	1,540	1,561	179	4,849	1,929	1,645	25,705
User Taxes and Fees	689	667	892	716	688	881	698	689	915	735	626	939	9,135
Business Taxes	161	28	1,173	(36)	43	1,022	58	110	1,163	112	199	1,835	5,868
Other Taxes	65	132	74	88	109	119	98	106	78	114	114	115	1,212
Total Taxes	5,068	1,899	4,749	2,429	2,657	4,711	2,394	2,466	2,335	5,810	2,868	4,534	41,920
Licenses, Fees, etc.	46	64	56	29	47	85	28	48	106	43	44	24	620
Abandoned Property	1	0	39	32	18	77	23	322	12	42	40	149	755
ABC License Fee	5	5	6	5	5	6	5	5	4	4	4	1	55
Motor vehicle fees	0	0	13	(13)	0	0	0	20	13	19	21	39	112
Reimbursements	4	7	56	2	18	36	10	26	15	10	13	25	222
Investment Income	1	0	1	1	0	0	0	0	0	1	2	4	10
Other Transactions	21	16	146	59	34	301	80	37	88	44	71	573	1,470
Total Miscellaneous Receipts	78	92	317	115	122	505	146	458	238	163	195	815	3,244
Federal Grants	2	13	0	0	0	17	0	0	15	0	0	13	60
PIT in Excess of Revenue Bond Debt Service	1,385	211	1,000	491	251	1,092	268	234	949	942	347	899	8,069
Sales Tax in Excess of LGAC Debt Service	201	98	378	215	136	281	212	209	285	225	4	186	2,430
Real Estate Taxes in Excess of CW/CA Debt Service	38	41	19	42	66	34	34	23	27	23	21	29	397
All Other	96	2	17	12	11	10	25	8	10	24	87	792	1,094
Total Transfers from Other Funds	1,720	352	1,414	760	464	1,417	539	474	1,271	1,214	459	1,906	11,990
TOTAL RECEIPTS	6,868	2,356	6,480	3,304	3,243	6,650	3,079	3,398	3,859	7,187	3,522	7,268	57,214
DISBURSEMENTS:													
School Aid	233	2,579	1,894	145	544	1,207	597	911	1,473	270	465	6,475	16,793
Higher Education	32	19	525	129	341	51	449	31	191	47	313	461	2,589
All Other Education	23	21	223	266	42	31	230	64	162	273	175	197	1,707
Medicaid - DOH	962	904	983	1,327	691	300	1,306	1,310	649	645	933	258	10,268
Public Health	15	18	41	37	155	39	48	36	58	43	66	109	665
Mental Hygiene	19	2	387	3	6	545	15	1	479	5	148	292	1,902
Children and Families	8	114	230	67	71	44	254	78	62	180	77	411	1,596
Temporary & Disability Assistance	326	63	65	166	191	65	91	76	74	77	18	191	1,403
Transportation	0	24	0	0	24	0	0	25	15	0	10	1	99
Unrestricted Aid	1	12	294	0	3	91	9	0	204	0	0	144	758
All Other	(30)	16	190	21	41	30	24	(10)	54	66	68	265	735
Total Local Assistance Grants	1,589	3,772	4,832	2,161	2,109	2,403	3,023	2,522	3,421	1,606	2,273	8,804	38,515
Personal Service	602	525	598	554	667	356	370	404	556	297	518	323	5,770
Non-Personal Service	199	125	90	143	165	118	90	109	154	184	187	231	1,795
Total State Operations	801	650	688	697	832	474	460	513	710	481	705	554	7,565
General State Charges	404	322	119	419	241	248	358	72	323	296	184	1,721	4,707
Debt Service	522	22	(129)	376	38	(111)	469	(2)	(4)	518	(18)	(142)	1,539
Capital Projects	(23)	52	52	16	64	(12)	36	46	51	29	85	394	790
State Share Medicaid	273	202	206	217	244	205	196	265	248	275	237	344	2,912
SUNY Operations	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Purposes	168	37	29	26	28	66	91	112	59	26	17	228	887
Total Transfers to Other Funds	940	313	158	635	374	148	792	421	354	848	321	824	6,128
TOTAL DISBURSEMENTS	3,734	5,057	5,797	3,912	3,556	3,273	4,633	3,528	4,808	3,231	3,483	11,903	56,915
Excess/(Deficiency) of Receipts over Disbursements	3,134	(2,701)	683	(608)	(313)	3,377	(1,554)	(130)	(949)	3,956	39	(4,635)	299
CLOSING BALANCE	4,510	1,809	2,492	1,884	1,571	4,948	3,394	3,264	2,315	6,271	6,310	1,675	1,675
Reserves:													
Community Projects Fund	0	0	0	0	0	0	0	0	0	0	0	(85)	(85)
Rainy Day Reserve Fund	0	0	0	0	0	0	0	0	0	0	0	100	100
Prior-Year Labor Agreements (2007-2011)	0	0	0	0	0	0	0	0	0	0	0	284	284
TOTAL RESERVES	0	0	0	0	0	0	0	0	0	0	0	299	299
Excess/(Deficiency) of Receipts over Disbursements after Reserves	3,134	(2,701)	683	(608)	(313)	3,377	(1,554)	(130)	(949)	3,956	39	(4,934)	0
CLOSING BALANCE WITH RESERVES	4,510	1,809	2,492	1,884	1,571	4,948	3,394	3,264	2,315	6,271	6,310	1,376	1,376

Source: NYS DOB

GAAP FINANCIAL PLAN
GENERAL FUND
FY 2012
(millions of dollars)

	Mid-Year	Change	Current
Revenues:			
Taxes:			
Personal income tax	25,043	(313)	24,730
User taxes and fees	8,989	84	9,073
Business taxes	6,114	(4)	6,110
Other taxes	1,025	160	1,185
Miscellaneous revenues	6,626	284	6,910
Federal grants	60	0	60
Total revenues	47,857	211	48,068
Expenditures:			
Grants to local governments	41,575	(19)	41,556
State operations	11,070	222	11,292
General State charges	5,468	55	5,523
Debt service	0	0	0
Capital projects	0	0	0
Total expenditures	58,113	258	58,371
Other financing sources (uses):			
Transfers from other funds	14,775	102	14,877
Transfers to other funds	(5,791)	(95)	(5,886)
Proceeds from financing arrangements/	0		0
advance refundings	374	(22)	352
Net other financing sources (uses)	9,358	(15)	9,343
Operating Surplus/(Deficit)	(898)	(62)	(960)

Source: NYS DOB

GAAP FINANCIAL PLAN
GENERAL FUND
FY 2012 THROUGH FY 2016
(millions of dollars)

	FY 2012 Current	FY 2013 Proposed	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Revenues:					
Taxes:					
Personal income tax	24,730	26,761	27,943	29,406	30,139
User taxes and fees	9,073	9,352	9,725	10,145	10,506
Business taxes	6,110	5,978	6,222	5,684	6,311
Other taxes	1,185	1,139	1,196	1,222	1,222
Miscellaneous revenues	6,910	6,942	6,105	5,657	5,786
Federal grants	60	60	2	0	0
Total revenues	48,068	50,232	51,193	52,114	53,964
Expenditures:					
Grants to local governments	41,556	42,049	44,157	45,904	47,572
State operations	11,292	11,865	11,557	11,951	12,427
General State charges	5,523	5,888	6,555	6,972	7,402
Debt service	0	0	0	0	0
Capital projects	0	0	0	0	0
Total expenditures	58,371	59,802	62,269	64,827	67,401
Other financing sources (uses):					
Transfers from other funds	14,877	15,036	15,769	15,637	15,697
Transfers to other funds	(5,886)	(6,058)	(6,203)	(6,339)	(6,270)
Proceeds from financing arrangements/ advance refundings	352	377	400	400	400
Net other financing sources (uses)	9,343	9,355	9,966	9,698	9,827
Operating Surplus/(Deficit)	(960)	(215)	(1,110)	(3,015)	(3,610)

Source: NYS DOB