

UPDATE TO ANNUAL INFORMATION STATEMENT (AIS)

STATE OF NEW YORK

August 10, 2012

This is the first quarterly update (the “AIS Update”) to the Annual Information Statement of the State of New York (the “AIS”), dated May 11, 2012. The AIS Update contains information only through August 10, 2012 and should be read in its entirety, together with the AIS. The State expects to issue the next AIS Update in November 2012.

In this AIS Update, readers will find:

1. Extracts from the First Quarterly Update to the Financial Plan for fiscal year 2013 (the “Updated Financial Plan”), which the Division of the Budget (“DOB”) issued on July 30, 2012. The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov) updates the State’s official Financial Plan projections for FY 2013 through FY 2016¹.
2. A summary of first quarter operating results for fiscal year 2013.
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 three fiscal years.
5. Updated information regarding the State Retirement Systems.
6. Updated information on certain public authorities and localities of the State.
7. The status of significant litigation and arbitration that has the potential to adversely affect the State’s finances.
8. Financial plan tables that summarize actual receipts and disbursements for fiscal year 2012 and projected receipts and disbursements for fiscal years 2013 through 2016 on a General Fund, State Operating Funds and All Governmental Funds basis.

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

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections or other information relating to the State’s

¹ The fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2013 (“FY 2013”) is the fiscal year that began on April 1, 2012 and will end on March 31, 2013.

financial position, including potential operating results for the current fiscal year and projected budget gaps for future fiscal years that may vary materially from the information provided in this AIS Update. Investors and other market participants should, however, refer to the AIS, as updated, or supplemented from time to time, for the most current official information regarding the financial position of the State.

The factors affecting the State's financial condition are complex. The Updated 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 Updated 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 this AIS Update. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, impediments to the implementation of gap-closing actions, regulatory initiatives and compliance with governmental regulations, litigation, national and international events, and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this AIS Update.

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

In July 2012, OSC issued the Basic Financial Statements for FY 2012 (ended March 31, 2012). Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements for FY 2012 can also be accessed through EMMA at www.emma.msrb.org.

USAGE NOTICE

This AIS Update has been supplied by the State pursuant to its contractual obligations under various continuing disclosure agreements (“CDA”) entered into by the State in connection with financings of the State, as well as certain issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payment of their respective bonds, notes or other obligations.

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

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

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OVERVIEW OF THE UPDATED 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 or extraordinary cash management actions, (b) restore the balances in the Tax Stabilization Reserve and Rainy Day Reserve to levels at or above the levels on deposit when the fiscal year began, and (c) maintain other reserves, as required by law.

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 ("DHBTF"), the School Tax Relief ("STAR") Fund, and the Lottery Fund. Therefore, the General Fund projections account for any estimated funding shortfalls in these funds. Since the General Fund is the fund that is required to be balanced, the focus of the State's budgetary and gap-closing discussion is generally weighted toward the General Fund.

State Operating Funds is a broader measure of spending for operations (as distinct from capital purposes) that is financed with State resources. It includes not only the General Fund, but also State-financed special revenue funds and debt service funds. It excludes spending from capital project funds and Federal funds. As more spending has occurred outside of the General Fund, State Operating Funds has become, in DOB's view, a more meaningful measure of State-financed spending for operating purposes. Therefore, the discussion of disbursement projections often emphasizes the State Operating Funds perspective.

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

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.

State Finance Law also requires DOB to prepare a pro forma financial plan using generally accepted accounting principles (GAAP), for informational purposes only. The GAAP-basis Financial Plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by OSC in preparation of the audited Basic Financial Statements. The GAAP-basis financial plan is not used by DOB as a benchmark for managing State finances during the fiscal year.

SUMMARY

In the Updated Financial Plan, DOB estimates that the General Fund will remain in balance in FY 2013, consistent with the Enacted Budget Financial Plan reflected in the AIS.

General Fund receipts, including transfers from other funds, are still expected to total \$58.9 billion in FY 2013. General Fund disbursements, including transfers to other funds, are expected to total \$59.2 billion, an increase of \$340 million. The increase in estimated disbursements is due almost exclusively to retroactive payments pursuant to labor settlements reached with two public employee unions (NYSCOPBA and Council 82) since the enactment of the FY 2013 budget. The payments, which are expected to be made in the second and third quarters of the current fiscal year, are expected to total \$345 million and will be financed from General Fund balances designated for this purpose. DOB now estimates that the State will end FY 2013 with a General Fund balance of \$1.5 billion, a decrease of \$345 million from the estimate included in the Enacted Budget Financial Plan reflected in the AIS.

General Fund disbursements, including transfers to other funds, totaled \$14.3 billion through June 2012, or approximately \$700 million below the Enacted Budget Financial Plan forecast for that period. The lower spending compared to the forecast was due mainly to the timing of several large payments originally anticipated to be made in June 2012 but now expected to occur by the end of the second quarter of FY 2013. After adjusting for these timing-related variances, disbursements appear to be generally consistent with the Enacted Budget forecast through the first quarter, except for the specific revisions described in the following section titled “Multi-Year Financial Plan Revisions”.

Operating results through the first quarter of FY 2013 were positive in comparison to the estimate in the Enacted Budget Financial Plan. (See “First Quarter Operating Results” herein.) General Fund receipts, including transfers from other funds, totaled \$15.4 billion through June 2012, \$115 million above the Enacted Budget Financial Plan forecast. The positive receipts results observed in April 2012 were offset in part by weaker June 2012 results. The downside risks to the national economy from slowing global growth emphasized in the Enacted Budget Financial Plan appear to have intensified, and DOB will continue to monitor the uncertainties and risks regarding the economic and receipts forecast. (See “Financial Plan Projections Fiscal Years 2013 through 2016 – Economic Backdrop” herein.)

The Updated Financial Plan is subject to a number of risks, including the strength and duration of the economic recovery and the execution of specific transactions.

MULTI-YEAR FINANCIAL PLAN REVISIONS

The following table summarizes the revisions to the Enacted Budget Financial Plan that affect General Fund operating projections. Descriptions of the changes follow the table.

| GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS SUMMARY OF MAJOR CHANGES FROM ENACTED BUDGET (millions of dollars) | | | | |
|---|----------|--------------|----------------|----------------|
| | FY 2013 | FY 2014 | FY 2015 | FY 2016 |
| ENACTED BUDGET SURPLUS/(GAP) FORECAST | 0 | (950) | (3,415) | (4,130) |
| Collective Bargaining (Net Impact) | 0 | 0 | (59) | (95) |
| Litigation: Gyrodyne Judgment | (16) | 4 | 4 | 4 |
| Receipts Forecast | 49 | 2 | (75) | (102) |
| Disbursements Forecast | (33) | (38) | (45) | (47) |
| UPDATED BUDGET SURPLUS/(GAP) FORECAST | 0 | (982) | (3,590) | (4,370) |

Collective Bargaining: Since enactment of the FY 2013 Budget, the State has reached labor settlements with the members of NYSCOPBA (representing correction officers and facility security employees) and Council 82 (representing lieutenants and facility security supervisors). Similar to the settlements agreed to between the State and its other public employee unions, the new settlements provide for no general salary increases for three years (FY 2012 through FY 2014), followed by a 2 percent increase in each of FY 2015 and FY 2016, and a \$1,000 lump sum payment (\$775 paid in FY 2014 and \$225 paid in FY 2015). In addition, NYSCOPBA and Council 82 employees will receive retroactive wage increases, to be paid in FY 2013, of 3 percent and 4 percent for FY 2010 and FY 2011, respectively, consistent with the terms agreed to by the State's largest unions for that period. Employee compensation will be reduced temporarily in conjunction with a deficit reduction program that is similar to those in effect for other employee unions. A portion of these reductions will be repaid in installments beginning in FY 2016.

The General Fund costs of these labor settlements, which includes the retroactive wage increases, are estimated at \$345 million in FY 2013; \$144 million in FY 2014; \$167 million in FY 2015; and \$199 million in FY 2016. The personal service estimates for agencies affected by the new settlements have been increased by these amounts, and the General Fund balances designated to finance the retroactive portion of the settlements have been decreased. The reserves, which were previously set aside for this purpose in each year of the Financial Plan (i.e., already counted in the projected General Fund budget gaps) are expected to be sufficient to cover these labor settlement costs in FY 2013 and FY 2014, consistent with other settlements. Starting in FY 2015, the new settlements and the maintenance of a reserve for certain unsettled (prior to FY 2012) unions will require modest additional General Fund resources.

Litigation: The Court of Appeals upheld a decision by the Court of Claims ordering the State to compensate the Gyrodyne Company of America, Inc. in connection with a taking of certain real property by the State University of New York at Stony Brook in 2005. In accordance with the Court of Appeals' decision, a final payment of approximately \$167 million was disbursed on July 5, 2012, as compensation for (i) damages of \$125 million, plus statutory interest at an annual rate of 9 percent from November 2005 on the unpaid balance of \$98.7 million, and (ii) associated costs, disbursements and expenses of \$1.5

million plus interest thereon. The State funded the capital portion (and eligible expenses) of the judgment through the issuance of bonds (\$135 million) and the remaining costs through the State's General State Charges appropriation for Court of Claims settlements (\$32 million). The capital costs related to the judgment will be accommodated within SUNY's existing capital appropriations and the State's planned debt issuances for FY 2013, and no increase in SUNY's capital program was authorized. SUNY is expected to reimburse the State for the remaining costs over a multi-year period through transfers of money from SUNY special revenue funds to the General Fund. The FY 2013 transfer from SUNY to reimburse the General Fund is expected to total \$16 million, which after the \$32 million Court of Claims settlement payment, is expected to result in a \$16 million net cost to the General Fund in the current year.

Receipts Forecast: Estimated tax collections have been reduced over the multi-year Financial Plan, mainly reflecting lower sales tax collections based on a decline in the sales tax base and experience to date. The receipts forecast has been revised upward to reflect the receipt of an additional \$75 million from civil recoveries by district attorneys in FY 2013 and additional miscellaneous reimbursements (\$50 million in each of FY 2013 and FY 2014).

Disbursements Forecast: DOB has revised its disbursements projections upward to account for recent trends and experience, as well as other known factors. The significant changes include an upward revision to estimated General State Charges reflecting increases in workers' compensation expenses; increased funding for reimbursements made in June 2012 to school districts for higher than planned MTA payroll tax costs and revised assumptions for spending from education grants. These increases are partly offset by an increase to estimated lottery receipts in the current year based on actual results to date, which lowers the transfer from the General Fund to the Lottery Fund.

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FIRST QUARTER OPERATING RESULTS (APRIL-JUNE 2012)

GENERAL FUND RESULTS VERSUS ENACTED BUDGET

This section provides a summary of operating results for April through June 2012 compared to the (1) initial projections set forth in the FY 2013 Enacted Budget Financial Plan as reflected in the AIS; and (2) results through June for the prior year (FY 2012).

The State ended the month of June 2012 with a closing balance of \$2.9 billion in the General Fund. The balance was \$814 million higher than projected in the Enacted Budget Financial Plan. The higher balance is due to lower than anticipated spending (\$699 million) and higher than anticipated receipts (\$115 million).

In April 2012, the State converted to an enterprise-wide accounting and financial management system, the Statewide Financial System (SFS). As agencies, employees, and external parties doing business with the State adjust to the new system, delays in processing transactions in the new system have occurred. The lower than expected spending through June, particularly in the areas of local assistance (e.g., OCFS) and non-personal service, appear to be due largely to the effects of learning the new system. Accordingly, DOB anticipates that any delays in processing will correct themselves in subsequent months and not affect annual disbursement estimates in the Updated Financial Plan.

| GENERAL FUND OPERATING RESULTS THROUGH JUNE 2012 (millions of dollars) | | | |
|---|-----------------|-------------------|---------------------------|
| | Enacted Plan | Actual Results | Above/(Below) Variance |
| Opening Balance | 1,787 | 1,787 | 0 |
| Receipts | 15,289 | 15,404 | 115 |
| Personal Income Tax ¹ | 9,967 | 10,089 | 122 |
| User Taxes and Fees ¹ | 3,014 | 2,907 | (107) |
| Business Taxes | 1,213 | 1,292 | 79 |
| Other Taxes ¹ | 429 | 410 | (19) |
| Non-Tax Receipts | 666 | 706 | 40 |
| Disbursements | 14,955 | 14,256 | (699) |
| Education | 4,943 | 4,964 | 21 |
| Health Care | 2,814 | 2,714 | (100) |
| Social Services | 923 | 679 | (244) |
| All Other Local | 1,556 | 1,312 | (244) |
| Personal Service | 1,794 | 1,776 | (18) |
| Non-Personal Service | 481 | 340 | (141) |
| General State Charges | 865 | 945 | 80 |
| Transfers to Other Funds | 1,579 | 1,526 | (53) |
| Change in Operations | 334 | 1,148 | 814 |
| Closing Balance | 2,121 | 2,935 | 814 |
| ¹ Includes transfers from other funds after debt service. | | | |

Total taxes, including transfers from other funds after debt service, were \$75 million above the Enacted Budget Financial Plan projections, reflecting higher than expected collections from personal income tax receipts (\$122 million) and business taxes (\$79 million), partly offset by lower than expected collections from user taxes and fees (\$107 million) and other taxes (\$19 million). Non-tax receipts, which includes miscellaneous receipts and transfers from other funds, was \$40 million above Enacted Budget Financial Plan projections, primarily reflecting greater than anticipated civil recoveries remitted to the State by district attorneys.

General Fund disbursements, including transfers to other funds, were \$699 million below projections due to timing of spending for social services programs (\$244 million); TAP payments to institutions of higher education (\$184 million); public health programs (\$111 million); and non-personal services mainly in the following agencies: DOCCS, OTDA, Judiciary, SUNY, OGS, and DOH. Higher spending for General State Charges is attributable to lower than projected reimbursements payments from non-General Fund Mental Hygiene accounts, which imposed additional costs upon the General Fund. This variance is believed to be timing-related. In addition, GSCs spending was higher than anticipated for Workers' Compensation payments, a result of statutory increases in the maximum benefit provided to injured employees, which has been reflected in the Updated Financial Plan.

GENERAL FUND YEAR-OVER-YEAR RESULTS

| GENERAL FUND OPERATING RESULTS YEAR-OVER-YEAR THROUGH JUNE (millions of dollars) | | | | |
|--|--------------------|--------------------|---------------------|--------------|
| | FY 2012 Results | FY 2013 Results | Increase/(Decrease) | |
| | | | \$ | % |
| Opening Balance | 1,376 | 1,787 | 411 | |
| Receipts | 15,705 | 15,404 | (301) | -1.9% |
| Personal Income Tax ¹ | 10,432 | 10,089 | (343) | -3.3% |
| User Taxes and Fees ¹ | 2,925 | 2,907 | (18) | -0.6% |
| Business Taxes | 1,363 | 1,292 | (71) | -5.2% |
| Other Taxes ¹ | 370 | 410 | 40 | 10.8% |
| Non-Tax Revenue | 615 | 706 | 91 | 14.8% |
| Disbursements | 14,589 | 14,256 | (333) | -2.3% |
| Education | 4,973 | 4,964 | (9) | -0.2% |
| Health Care | 2,923 | 2,714 | (209) | -7.2% |
| Social Services | 806 | 679 | (127) | -15.8% |
| All Other Local | 1,491 | 1,312 | (179) | -12.0% |
| Personal Service | 1,725 | 1,776 | 51 | 3.0% |
| Non-Personal Service | 414 | 340 | (74) | -17.9% |
| General State Charges | 845 | 945 | 100 | 11.8% |
| Transfers To Other Funds | 1,412 | 1,526 | 114 | 8.1% |
| Change in Operations | 1,116 | 1,148 | 32 | |
| Closing Balance | 2,492 | 2,935 | 443 | |
| ¹ Includes transfers from other funds after debt service. | | | | |

Total receipts through June 2012 were \$301 million (1.9 percent) lower than in the prior fiscal year. Tax receipts through June 2012 were \$392 million (2.6 percent) below levels in the prior fiscal year, which largely reflect the impact of tax law changes and a large non-recurring audit recovery in the prior year. Higher non-tax receipts are mainly due to a legal settlement received in the current year.

Through June 2012, disbursements were \$333 million (2.3 percent) below the prior year, reflecting the net impact of a significant year-over-year decrease in local assistance spending (\$524 million) and agency operations (\$23 million) due to timing of spending in FY 2013. The declines were partly offset by higher spending for General State Charges (\$100 million) due to higher Workers' Compensation payments and increased transfers to other State funds (\$114 million) to offset the MTA's expected loss of revenue as a result of the exemption granted to small business operators from the MTA's regional mobility tax, as included in the December 2011 tax reform legislation.

STATE OPERATING FUNDS RESULTS VERSUS ENACTED BUDGET

| STATE OPERATING FUNDS RESULTS THROUGH JUNE 2012 (millions of dollars) | | | |
|--|-----------------|-------------------|---------------------------|
| | Enacted Plan | Actual Results | Above/(Below) Variance |
| Opening Balance | 3,847 | 3,847 | 0 |
| Receipts | 20,773 | 20,575 | (198) |
| Personal Income Tax | 10,508 | 10,631 | 123 |
| User Taxes and Fees | 3,590 | 3,465 | (125) |
| Business Taxes | 1,549 | 1,620 | 71 |
| Other Taxes | 736 | 761 | 25 |
| Non-Tax Receipts | 4,390 | 4,098 | (292) |
| Disbursements | 20,473 | 19,054 | (1,419) |
| Education | 5,278 | 5,281 | 3 |
| Health Care | 4,286 | 3,927 | (359) |
| Social Services | 924 | 681 | (243) |
| All Other Local | 3,361 | 3,032 | (329) |
| Personal Service | 3,036 | 3,015 | (21) |
| Non-Personal Service | 1,251 | 863 | (388) |
| General State Charges | 1,317 | 1,271 | (46) |
| Debt Service | 1,020 | 982 | (38) |
| Capital Projects | - | 2 | 2 |
| Other Financing Sources | 892 | 991 | 99 |
| Change in Operations | 1,192 | 2,512 | 1,320 |
| Closing Balance | 5,039 | 6,359 | 1,320 |

Tax collections were higher than planned in the personal income tax due to stronger than anticipated April 2012 extension payments; business taxes due to the timing of audit recoveries and stronger than expected gross bank tax collections; and MTA mobility tax collections, mainly due to a lag in taxpayer response to the tax reduction that took effect in April 2012. User Taxes and Fees fell below plan due to weaker than expected sales tax collections as a result of a warm winter and weak consumer demand. Likewise, non-tax receipts fell below plan collections across multiple non-General Fund accounts.

State Operating Funds spending was \$1.4 billion below the estimate in the Enacted Budget Financial Plan. In addition to the General Fund variances described above, lower spending in other State funds appears to be due in part to the transition to SFS and is expected to correct itself in the coming months.

STATE OPERATING FUNDS YEAR-OVER-YEAR RESULTS

| APRIL THROUGH JUNE STATE OPERATING FUNDS RESULTS YEAR-OVER-YEAR (millions of dollars) | | | | |
|--|--------------------|--------------------|---------------------|--------------|
| | FY 2012 Results | FY 2013 Results | Increase/(Decrease) | |
| | | | \$ | % |
| Opening Balance | 3,969 | 3,847 | (122) | |
| Receipts | 20,971 | 20,575 | (396) | -1.9% |
| Personal Income Tax | 10,970 | 10,631 | (339) | -3.1% |
| User Taxes and Fees | 3,498 | 3,465 | (33) | -0.9% |
| Business Taxes | 1,719 | 1,620 | (99) | -5.8% |
| Other Taxes | 735 | 761 | 26 | 3.5% |
| Non-Tax Receipts | 4,049 | 4,098 | 49 | 1.2% |
| Disbursements | 20,183 | 19,054 | (1,129) | -5.6% |
| Education | 5,293 | 5,281 | (12) | -0.2% |
| Health Care | 4,399 | 3,927 | (472) | -10.7% |
| Social Services | 810 | 681 | (129) | -15.9% |
| All Other Local | 3,162 | 3,032 | (130) | -4.1% |
| Personal Service | 3,003 | 3,015 | 12 | 0.4% |
| Non-Personal Service | 1,250 | 863 | (387) | -31.0% |
| General State Charges | 1,248 | 1,271 | 23 | 1.8% |
| Debt Service | 1,017 | 982 | (35) | -3.4% |
| Capital Projects | 1 | 2 | 1 | 100.0% |
| Other Financing Sources | 1,202 | 991 | (211) | |
| Change in Operations | 1,990 | 2,512 | 522 | |
| Closing Balance | 5,959 | 6,359 | 400 | |

Total receipts through June 2012 were \$396 million lower (1.9 percent) than in the prior fiscal year. Tax receipts through June 2012 were \$445 million below FY 2012 levels. Lower personal income tax collections (\$339 million) and user taxes (\$33 million) are primarily attributable to tax law changes. The decline in business tax receipts (\$99 million) is mainly attributable to a large audit collection in the first quarter of FY 2012 that did not recur in the current fiscal year. Increased year-to-date collections from other taxes (\$26 million) reflect the impact of timing associated with real estate transfer tax payments from New York City. Non-tax receipts through June 2012 were \$49 million above results in the prior fiscal year due to improved collections in certain accounts.

Disbursements through the first quarter of FY 2013 were \$1.1 billion (5.6 percent) below the prior year due to the timing of payments in the current year.

OTHER MATTERS AFFECTING THE FINANCIAL PLAN

GENERAL

The Updated 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 Updated Financial Plan are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from these projections. In certain fiscal years, actual receipts collections have fallen substantially below the levels forecast in the Financial Plan.

The Updated Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of: national and international events, such as continued or worsening strife in the Middle East, the Euro-zone financial crises, 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 debt reduction on consumer spending and State tax collections.

Among other factors, the Updated Financial Plan is subject to various other uncertainties and contingencies relating to the extent, if any, to which wage increases for State employees exceed 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 Updated 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 Updated 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

While it is estimated in the Updated Financial Plan that the General Fund will remain in balance in FY 2013, there can be no assurance that the State will end the current fiscal year in General Fund balance on a budgetary (cash) basis of accounting, or that the General Fund budget gaps will not increase materially from current projections. If such events were to occur, the State would be required to take additional gap-closing actions. These may include, but are not limited to, additional reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In some cases, the ability of the State to implement such actions requires the approval of the Legislature and cannot be implemented solely by the action of the Governor.

State law grants the Executive certain powers to achieve the Medicaid savings assumed in the Updated Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated. In addition, savings are dependent upon timely Federal approvals, appropriate amendments to existing systems and processes, revenue performance in the State's HCRA fund, which provides support for approximately one-third of the DOH State-share of Medicaid costs, and the participation of health care industry stakeholders. In particular, funding resources that are expected to be generated through health care surcharges and other provider assessments may decline as a result of Medicaid redesign initiatives which reduce expenditures and unnecessary utilization, as well as from the continued shift of fee-for-service delivery models to managed care. An inability to achieve these planned savings would reduce the available funding support for Medicaid from HCRA, and could potentially require a commensurate level of additional General Fund support in order to meet program needs.

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

HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a "health care conversion"), subject to a number of terms, conditions, and approvals. Under State law, the State is entitled to proceeds from a health care conversion, and such must be used for health-care-related expenses. The Updated Financial Plan continues to count on proceeds of \$250 million in FY 2013 and \$300 million annually in FYs 2014, 2015, and 2016, which would be deposited into the HCRA account. If a conversion does not occur on the timetable or at the levels assumed in the Updated Financial Plan, the State will be required to take other actions to increase available resources or to reduce planned spending in HCRA.

STATUS OF CURRENT LABOR NEGOTIATIONS

The State has multi-year labor contracts with its two largest employee unions, CSEA and PEF, as well as NYSPBA (representing the APSU bargaining unit, formerly ALES), NYSCOPBA, and Council 82. The contracts provide for no general salary increases for FY 2012 through FY 2014, substantial increases to employee health insurance contributions, and a temporary reduction in employee compensation through a deficit reduction program. Employees will receive a \$1,000 lump sum payment (\$775 paid in FY 2014 and \$225 paid in FY 2015); a 2 percent salary increase in each of FY 2015 and FY 2016; and be repaid the value of FY 2013 deficit reduction adjustments at the end of their contract term. The PEF contract generally mirrors the provisions for the other unions, but the contract is different in that it covers a four-year period and has a deficit reduction provision. PEF employees will receive a 2 percent salary increase in FY 2015.

Employees in the unions that have reached settlements with the State have contingent layoff protection for FY 2013 and limited continuing layoff protection for the full term of the agreements. Reductions in force 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.

The State is in negotiations with its other unions, the largest of which is UUP, which represents faculty and non-teaching professional staff within the State University system.

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

The Updated Financial Plan continues to include a planned reserve to cover the costs of a pattern settlement with unions that have not agreed to contracts for prior contract periods. The amount of the reserve 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 for prior periods will not exceed the amounts reserved. In addition, the State's ability to fund the amounts reserved in FY 2014 and beyond depends on the achievement of balanced budgets in those years.

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 Updated Financial Plan assumes salary increases in the Judiciary's current budget projections at the levels authorized by the Commission.

CURRENT CASH-FLOW PROJECTIONS

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

In FY 2012, the General Fund used STIP to meet certain payment obligations during April 2011, and repaid such amounts by the end of the same month.

Based on current information, DOB expects that the State will have sufficient liquidity to make payments as they become due throughout FY 2013, but that the General Fund may, from time to time, need to borrow resources temporarily from other funds in STIP. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants. Consistent with prior years, DOB estimates that available daily balances in STIP from time to time will reach relatively low levels in the third and fourth quarters of the current fiscal year. DOB continues to monitor the flow of funds and may take action from time to time to manage the timing of payments.

The following table provides actual month-end balances through June 2012 and estimated balances for the remaining months in FY 2013.

| ALL FUNDS MONTH-END CASH BALANCES | | | |
|-----------------------------------|-----------------|----------------|--------------|
| FY 2013 | | | |
| (millions of dollars) | | | |
| | General Fund | Other Funds | All Funds |
| April (Results) | 5,637 | 2,349 | 7,986 |
| May (Results) | 2,018 | 2,831 | 4,849 |
| June (Results) | 2,935 | 2,070 | 5,005 |
| July (Est.) | 2,575 | 2,346 | 4,921 |
| August (Est.) | 1,272 | 3,405 | 4,677 |
| September (Est.) | 4,098 | 971 | 5,069 |
| October (Est.) | 3,056 | 1,383 | 4,439 |
| November (Est.) | 1,935 | 2,337 | 4,272 |
| December (Est.) | 1,327 | 780 | 2,107 |
| January (Est.) | 5,342 | 2,149 | 7,491 |
| February (Est.) | 5,721 | 2,818 | 8,539 |
| March (Est.) | 1,474 | 1,743 | 3,217 |

FEDERAL ACTIONS

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes. Any reductions in Federal funding, could have a materially adverse impact on the State's Updated Financial Plan. DOB's forecast assumes that Congress will act by the end of calendar year 2012 to avert automatic Federal spending reductions and tax increases by extending both the Bush-era tax reductions and the payroll tax reduction authorized in 2009. Additionally, the forecast assumes that Federal income tax increases scheduled for tax years 2013 and thereafter, as part of the Affordable Care Act, will be implemented as planned. The Affordable Care Act tax provisions are expected to result in an increase in State receipts in FY 2013, and declines thereafter, as taxpayers reduce the level of capital gains realizations in response to the higher Federal tax rate.

The Federal Budget Control Act ("BCA") of 2011 imposed annual caps on Federal discretionary spending over a ten-year period. The specific spending reductions necessary for Congress to live within the caps will be decided through the annual Federal budget process, so the magnitude of impact on Federal funds for the State has yet to be determined. Further, if additional deficit reduction is not enacted, the BCA directs that savings be achieved through sequestration of FY 2013 funding, with across-the-board cuts to Federal discretionary programs scheduled for January 2013, and lower discretionary caps in the following eight years. It is estimated that Federal non-defense discretionary programs would face an across-the-board reduction of approximately 7.8 percent in January 2013.

The State is analyzing the potential impact of the BCA on the Updated Financial Plan and State economy. If the sequester is implemented, DOB estimates that New York State and local governments could lose approximately \$5 billion in Federal funding over nine years, beginning in FY 2013, from these additional Federal deficit reduction measures. DOB expects to make adjustments to the Financial Plan as more definitive information becomes available.

In addition, the Updated Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government, and, although no official audit has commenced, questions have been raised with respect to the reimbursement methodology used for New York State OPWDD-delivered developmental center services. The rates paid for these services are established in full accordance with the methodology set forth in New York's federally-approved State Plan. While New York State continues to work collaboratively with its Federal partners to resolve these concerns, adverse action by the Federal government relative to these claims could jeopardize a significant amount of Federal financial participation in the State Medicaid program.

PENSION AMORTIZATION

Under legislation enacted in August 2010, the State and local governments may amortize (defer paying) a portion of their annual pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by public employers in a given fiscal year, but results in higher costs overall when repaid with interest. The legislation enacted a formula to set amortization thresholds for each year. The amortization thresholds may increase or decrease by up to one percentage point annually. Pension contribution costs in excess of the amortization thresholds, which, in FY 2013 are 11.5 percent of payroll for the Employees Retirement System (ERS) and 19.5 percent for the Police and Fire Retirement System (PFRS), may be amortized.

The Enacted Budget Financial Plan assumes that the State will continue to amortize a portion of its pension costs, pursuant to the FY 2011 legislation. The State's minimum ERS pension contribution rate, as a percentage of payroll, was 9.5 percent in FY 2011, 10.5 percent in FY 2012 and is 11.5 percent in FY 2013, and is expected to be 12.5 percent in FY 2014, 13.5 percent in FY 2015 and 14.5 percent in FY 2016. The PFRS rate was 17.5 percent in FY 2011, 18.5 percent in FY 2012 and is 19.5 percent in FY 2013 and is expected to be 20.5 percent in FY 2014, 21.5 percent in FY 2015 and 22.5 percent in FY 2016. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization thresholds. In addition, the State is required to begin repayment of the amounts amortized beginning in the fiscal year immediately following the amortizations. Repayment of the amortized amounts is required to be made over a period of not more than ten years at an interest rate to be determined by the State Comptroller annually for amounts amortized in that year and with the rate fixed for the entire term of that amortization.

In February and March 2012, the State made pension payments that totaled \$1.321 billion for FY 2012, and amortized \$491 million. This payment included a \$118 million pre-payment of certain outstanding liabilities. In addition, the State's Office of Court Administration (OCA) made its pension payment of \$190 million, and amortized \$72 million. The \$563 million in total deferred payments will be repaid with interest over the next ten years, beginning in the current fiscal year, FY 2013. For amounts amortized in FY 2011 and FY 2012, the State Comptroller set interest rates of 5 percent and 3.75 percent, respectively. The Enacted Budget Financial Plan assumes that both the State and OCA will elect to amortize pension costs in future years, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 3.75 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 actual “New Amortized Amounts” in prior years and assumed “New Amortized Amounts” 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 DOB 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 3.75% |
| 2011 Actual | 1,552.8 | (249.6) | 0.0 | 0.0 | 1,303.2 | 0.0 | 0.0 |
| 2012 Actual | 2,041.7 | (562.9) | 32.3 | 0.0 | 1,511.1 | 0.0 | 0.0 |
| 2013 Projected | 2,088.5 | (781.9) | 100.9 | 0.0 | 1,407.5 | 0.0 | 0.0 |
| 2014 Projected | 2,388.6 | (770.6) | 196.1 | 0.0 | 1,814.1 | 0.0 | 0.0 |
| 2015 Projected | 2,683.7 | (915.5) | 289.9 | 0.0 | 2,058.1 | 0.0 | 0.0 |
| 2016 Projected | 2,421.1 | (553.9) | 401.4 | 0.0 | 2,268.6 | 0.0 | 0.0 |
| 2017 Projected | 2,317.1 | (435.3) | 468.8 | 0.0 | 2,350.6 | 0.0 | 0.0 |
| 2018 Projected | 2,399.3 | (343.4) | 521.8 | 0.0 | 2,577.7 | 0.0 | 0.0 |
| 2019 Projected | 2,434.4 | (195.7) | 563.6 | 0.0 | 2,082.3 | 0.0 | 0.0 |
| 2020 Projected | 2,510.3 | (93.2) | 587.4 | 0.0 | 3,004.5 | 0.0 | 0.0 |
| 2021 Projected | 2,649.7 | (34.9) | 598.8 | 0.0 | 3,213.6 | 0.0 | 0.0 |
| 2022 Projected | 2,197.4 | 0.0 | 570.7 | 362.7 | 3,130.8 | 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 | 353.0 |
| 2025 Projected | 1,528.9 | 0.0 | 0.0 | 831.8 | 2,360.7 | 1,172.1 | 1,229.2 |
| 2026 Projected | 1,125.9 | 0.0 | 0.0 | 1,155.8 | 2,281.7 | 2,327.9 | 2,474.5 |

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 AIS include these costs.

2. Includes payments from amortization prior to FY 2011. Such prior amortization payments will end in FY 2016.

DEBT REFORM ACT LIMIT

The Debt Reform Act of 2000 restricts the issuance of State-supported debt to capital purposes only and limits such debt to a maximum term of 30 years. The Act limits the amount of new State-supported debt to 4 percent of State personal income and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued 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. The State was found to be in compliance with the statutory caps for the most recent calculation period (October 2011).

In general, the projections for new bonding over the five-year capital plan do not assume new or increased debt authorizations. 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 relatively limited 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 \$3.6 billion in FY 2012 to \$752 million in FY 2014, then increase. The State is continuing to implement measures to address capital spending priorities and debt financing practices.

| NEW DEBT OUTSTANDING - CAPPED AT 4 PERCENT OF PERSONAL INCOME (millions of dollars) | | | | | |
|--|------------------------|--------------|----------------------------------|-----------------------------|----------------------------|
| <u>Year</u> | <u>Personal Income</u> | <u>Cap %</u> | <u>Actual/ Recommended %</u> | <u>\$ (Above)/Below</u> | <u>% (Above)/Below</u> |
| FY 2012 | 983,868 | 4.00% | 3.64% | 3,552 | 0.36% |
| FY 2013 | 1,018,904 | 4.00% | 3.87% | 1,366 | 0.13% |
| FY 2014 | 1,068,876 | 4.00% | 3.93% | 752 | 0.07% |
| FY 2015 | 1,129,704 | 4.00% | 3.91% | 1,064 | 0.09% |
| FY 2016 | 1,187,324 | 4.00% | 3.87% | 1,524 | 0.13% |
| FY 2017 | 1,245,033 | 4.00% | 3.79% | 2,610 | 0.21% |

| NEW DEBT SERVICE COSTS - CAPPED AT 5 PERCENT OF ALL FUNDS RECEIPTS (millions of dollars) | | | | | |
|---|---------------------------|--------------|----------------------------------|-----------------------------|----------------------------|
| <u>Year</u> | <u>All Funds Receipts</u> | <u>Cap %</u> | <u>Actual/ Recommended %</u> | <u>\$ (Above)/Below</u> | <u>% (Above)/Below</u> |
| FY 2012 | 132,745 | 4.65% | 2.65% | 2,652 | 2.00% |
| FY 2013 | 133,444 | 4.98% | 2.85% | 2,848 | 2.13% |
| FY 2014 | 138,732 | 5.00% | 2.96% | 2,830 | 2.04% |
| FY 2015 | 142,887 | 5.00% | 3.05% | 2,793 | 1.95% |
| FY 2016 | 147,712 | 5.00% | 3.12% | 2,782 | 1.88% |
| FY 2017 | 153,922 | 5.00% | 3.16% | 2,834 | 1.84% |

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, 2012, there were about \$503 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 Updated Financial Plan projections continue to reflect the assumption of additional costs of \$3 million in FY 2013, \$32 million in FY 2014, and \$39 million annually thereafter. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for four hospitals that currently are not meeting the terms of their agreement with DASNY. The State has additional exposure of up to a maximum of \$39 million annually, if all additional hospitals in the program failed to meet the terms of their agreement with DASNY and if available reserve funds were depleted.

BOND MARKET

Implementation of the Updated Financial Plan is dependent on the State's ability to market its bonds successfully. The State finances much of its capital spending in the first instance from the General Fund or STIP, which it then reimburses with proceeds from the sale of bonds. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, the State's overall cash position and capital funding plan may be affected adversely. The success of projected public sales is subject to prevailing market conditions. Future developments in the financial markets generally, as well as future developments concerning the State, may affect the market for outstanding State-supported and State-related debt as well as the associated interest costs.

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

OTHER POST-EMPLOYMENT BENEFITS

State employees become eligible for post-employment benefits (health insurance) if they reach retirement while working for the State with at least ten years of service. The cost of providing post-retirement health insurance is shared between the State and the retired employee. Contributions are established by law and may be amended by the Legislature. The State pays its share of costs on a PAYGO basis as required by law.

In accordance with GASB 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2012, the ARC represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for FY 2012, an actuarial valuation of OPEB liabilities was performed as of April 1, 2010. The valuation calculated the present value of the actuarial accrued total liability for benefits as of April 1, 2010 at \$72.1 billion (\$59.7 billion for the State and \$12.4 billion for SUNY), determined using the Frozen Entry Age actuarial cost method, and is amortized over an open period of 30 years using the level percentage of projected payroll amortization method. An actuarial valuation of OPEB liabilities as of April 1, 2012 is being performed and is expected to be finalized later this year.

The Annual Required Contribution (ARC) for FY 2012 totaled \$3.9 billion (\$3.1 billion for the State and \$0.8 billion for SUNY) under the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. This was \$2.5 billion (\$1.9 billion for the State and \$0.6 billion for SUNY) above the payments for retiree costs made by the State in FY 2012. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASB 45 reduced the State's currently positive net asset condition at the end of FY 2012 by \$2.5 billion.

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

There is no provision in the Updated Financial Plan to pre-fund OPEB liabilities. If such liabilities were pre-funded, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of GOER, Civil Service, and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its planned funding practices in light of existing fiscal conditions.

FINANCIAL PLAN PROJECTIONS

FISCAL YEARS 2013 THROUGH 2016

INTRODUCTION

This section presents the State's updated multi-year Financial Plan and the projections for receipts and disbursements, reflecting the impact of the revisions to the Enacted Budget Financial Plan described in this AIS Update. This section includes FY 2012 results and projections for 2013 through 2016, with an emphasis on the FY 2013 projections.

The State's cash-basis budgeting system, complex fund structure, and practice of earmarking certain tax receipts for specific purposes, complicate the discussion of the State's receipts and disbursements projections. Therefore, to minimize the distortions caused by these factors and, equally important, to highlight relevant aspects of the projections, DOB has adopted the following approaches in summarizing the projections:

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The latter perspective reflects overall estimated tax receipts before their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends and forecast assumptions, by factoring out the distorting effects of earmarking certain tax receipts.
- **Disbursements:** Over 40 percent of projected State-financed spending for operating purposes is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, School Aid, higher education, transportation and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis.

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish the further removed such estimates and projections are from the date of this Updated Financial Plan. Accordingly, in terms of out-year projections (FY 2014 through FY 2016), FY 2014 is the most relevant from a planning perspective.

SUMMARY

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 gaps². The tables are followed by an updated economic forecast and a summary of the multi-year receipts and disbursements forecasts.

| GENERAL FUND PROJECTIONS (millions of dollars) | | | | | |
|---|--------------------|--------------------|----------------------|----------------------|----------------------|
| | FY 2012 Results | FY 2013 Updated | FY 2014 Projected | FY 2015 Projected | FY 2016 Projected |
| Receipts | | | | | |
| Taxes (After Debt Service) | 52,634 | 54,442 | 57,720 | 58,747 | 61,045 |
| Miscellaneous Receipts/Federal Grants | 3,222 | 3,414 | 2,881 | 2,297 | 2,389 |
| Other Transfers | 1,044 | 1,039 | 866 | 774 | 764 |
| Total Receipts | 56,900 | 58,895 | 61,467 | 61,818 | 64,198 |
| Disbursements | | | | | |
| Local Assistance Grants | 38,419 | 39,668 | 41,871 | 43,225 | 45,489 |
| School Aid | 16,778 | 17,003 | 17,832 | 18,641 | 19,585 |
| Medicaid | 10,301 | 10,604 | 11,158 | 11,454 | 12,332 |
| All Other | 11,340 | 12,061 | 12,881 | 13,130 | 13,572 |
| State Operations | 7,494 | 8,005 | 7,117 | 7,403 | 7,736 |
| Personal Service | 5,781 | 6,170 | 5,487 | 5,632 | 5,915 |
| Non-Personal Service | 1,713 | 1,835 | 1,630 | 1,771 | 1,821 |
| General State Charges | 4,720 | 4,499 | 4,889 | 5,235 | 5,527 |
| Gross State Pension Contribution | 1,697 | 1,600 | 2,012 | 2,257 | 2,467 |
| Gross State Employee Health Insurance | 3,275 | 3,202 | 3,411 | 3,670 | 3,951 |
| Fringe Benefit Escrow Offset/Fixed Costs | (252) | (303) | (534) | (692) | (891) |
| Transfers to Other Funds | 5,856 | 7,036 | 8,655 | 9,535 | 9,802 |
| Debt Service | 1,516 | 1,564 | 1,617 | 1,514 | 1,488 |
| Capital Projects | 798 | 1,055 | 1,287 | 1,403 | 1,299 |
| State Share Medicaid | 2,722 | 2,975 | 2,767 | 2,621 | 2,521 |
| Mental Hygiene | 0 | 0 | 824 | 1,756 | 2,347 |
| SUNY - Disproportionate Share Payments | 225 | 228 | 228 | 228 | 228 |
| School Aid - Lottery/VLT Aid Guarantee | 55 | 19 | 0 | 0 | 0 |
| SUNY - University Operations Subsidy | 0 | 340 | 983 | 1,002 | 1,022 |
| SUNY - Hospital Operations Subsidy | 60 | 81 | 88 | 88 | 88 |
| Department of Transportation (MTA Tax) | 22 | 280 | 332 | 334 | 334 |
| Judiciary Funds | 123 | 115 | 116 | 117 | 118 |
| All Other | 335 | 379 | 413 | 472 | 357 |
| Total Disbursements | 56,489 | 59,208 | 62,532 | 65,398 | 68,554 |
| Change in Reserves | 411 | (313) | (83) | 10 | 14 |
| Prior-Year Labor Agreements (2007-11) | 285 | (206) | (26) | 10 | 14 |
| Community Projects Fund | 51 | (45) | (57) | 0 | 0 |
| Undesignated Fund Balance | 75 | (62) | 0 | 0 | 0 |
| Budget Surplus/(Gap) Projections | 0 | 0 | (982) | (3,590) | (4,370) |

² The annual 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.

| STATE OPERATING FUNDS PROJECTIONS (millions of dollars) | | | | | |
|--|--------------------|--------------------|----------------------|----------------------|----------------------|
| | FY 2012 Results | FY 2013 Updated | FY 2014 Projected | FY 2015 Projected | FY 2016 Projected |
| Receipts | | | | | |
| Taxes | 62,960 | 64,906 | 68,644 | 70,173 | 72,918 |
| Miscellaneous Receipts/Federal Grants | 19,656 | 20,223 | 20,356 | 20,124 | 20,287 |
| Total Receipts | 82,616 | 85,129 | 89,000 | 90,297 | 93,205 |
| Disbursements | | | | | |
| Local Assistance Grants | 57,267 | 58,807 | 61,884 | 63,903 | 66,157 |
| School Aid | 19,662 | 20,056 | 20,911 | 21,725 | 22,671 |
| STAR | 3,233 | 3,276 | 3,459 | 3,642 | 3,744 |
| Other Education Aid | 1,698 | 1,972 | 1,999 | 2,065 | 2,141 |
| Higher Education | 2,608 | 2,618 | 2,812 | 2,888 | 2,967 |
| Medicaid (DOH incl. administration) | 15,297 | 15,860 | 16,513 | 17,049 | 17,895 |
| Public Health/Aging | 2,104 | 2,041 | 2,219 | 2,315 | 2,072 |
| Mental Hygiene | 3,756 | 3,644 | 4,051 | 4,312 | 4,504 |
| Social Services | 3,017 | 3,031 | 3,434 | 3,431 | 3,563 |
| Transportation | 4,230 | 4,378 | 4,556 | 4,634 | 4,730 |
| Local Government Assistance | 754 | 777 | 789 | 801 | 803 |
| All Other ¹ | 908 | 1,154 | 1,141 | 1,041 | 1,067 |
| State Operations | 17,451 | 17,965 | 18,060 | 18,557 | 19,241 |
| Personal Service | 12,047 | 12,470 | 12,494 | 12,832 | 13,364 |
| Non-Personal Service | 5,404 | 5,495 | 5,566 | 5,725 | 5,877 |
| General State Charges | 6,593 | 6,531 | 7,062 | 7,563 | 8,040 |
| Pension Contribution | 1,697 | 1,600 | 2,012 | 2,257 | 2,467 |
| Health Insurance (Active Employees) | 2,052 | 1,987 | 2,132 | 2,294 | 2,469 |
| Health Insurance (Retired Employees) | 1,223 | 1,215 | 1,279 | 1,376 | 1,482 |
| All Other | 1,621 | 1,729 | 1,639 | 1,636 | 1,622 |
| Debt Service | 5,864 | 6,100 | 6,415 | 6,484 | 6,645 |
| Capital Projects | 6 | 5 | 5 | 5 | 5 |
| Total Disbursements | 87,181 | 89,408 | 93,426 | 96,512 | 100,088 |
| Net Other Financing Sources/(Uses) | 4,443 | 4,127 | 3,682 | 3,180 | 2,979 |
| Net Operating Surplus/(Deficit) | (122) | (152) | (744) | (3,035) | (3,904) |
| Reconciliation to General Fund Gap: | | | | | |
| Designated Fund Balances | 122 | 152 | (238) | (555) | (466) |
| General Fund | (411) | 313 | 83 | (10) | (14) |
| Special Revenue Funds | 507 | (57) | (208) | (409) | (446) |
| Debt Service Funds | 26 | (104) | (113) | (136) | (6) |
| General Fund Budget Gap | 0 | 0 | (982) | (3,590) | (4,370) |

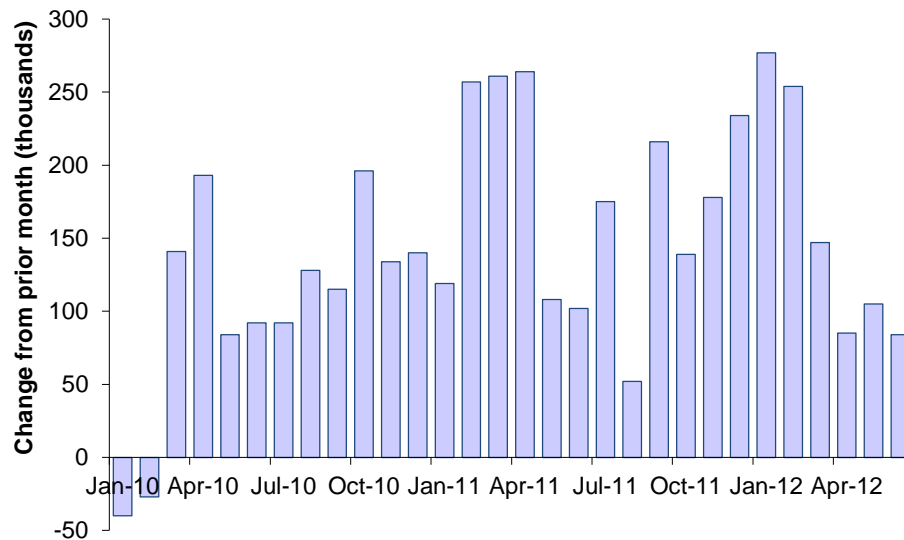
¹ All Other includes spending in a number of other programs, including parks and the environment, economic development, and public safety.

ECONOMIC BACKDROP

THE NATIONAL ECONOMY

The downside risks to the national economy from slowing global growth emphasized in the AIS have intensified. Both the national labor market and equity markets have been weaker than projected in April, which has in turn negatively affected household spending. Consumer spending only grew 1.5 percent during the second quarter, following growth of 2.5 percent in the first quarter. This slowdown appears to have occurred despite continued robust auto sales and a stronger than projected upturn in the housing market in April. The depressing economic effect on the demand for energy-related goods, due to the unusually warm winter weather, appears to be sustained. These developments translate into a weaker forecast for both the nation and the State relative to the economic forecast reflected in the AIS. Growth of 1.9 percent in real U.S. GDP is now projected for 2012, with the economy projected to grow 2.5 percent for 2013.

U.S. Private Sector Job Gains Decelerate ... Again



The U.S. labor market decelerated during the second quarter of calendar year 2012. Monthly private sector job gains slowed from an average monthly gain of 226,000 in the first quarter of 2012 to 91,000 in the second. Moreover, initial claims for unemployment insurance benefits have stayed remarkably stable, while the public sector has continued to shed jobs. On an annual average basis, DOB now projects downwardly revised employment growth of 1.4 percent for 2012. A less favorable outlook for employment, combined with a substantial downward revision to wages for the fourth quarter of last year, have led to downward revisions to both wages and total personal income as well. Personal income is now projected to rise 3.2 percent in 2012, with its largest component, wages, expected to rise only 3.1 percent. These growth rates are substantially below historical averages.

With Middle East tensions bubbling to the surface intermittently, energy prices have remained volatile. After hitting their lowest point since October 2011, oil prices have been on the rise. However, as supply fears subside, the impact of slower global growth on energy demand is expected to dominate movements in energy prices through the remainder of the calendar year. In the meantime, gasoline prices have fallen almost 50 cents below their most recent early April peaks. As a result, DOB has lowered projected inflation to 1.8 percent for 2012.

Demand from emerging markets was an important factor for growth during the early phase of the nation's economic recovery. However, the emerging markets sector deteriorated significantly as the European sovereign debt crisis led one of the world's largest markets into recession. Weaker demand from Europe has been a drag on emerging markets as well, creating further downward momentum in the global economy. As a result, real U.S. export growth has fallen from 11.3 percent in 2010 to 6.7 percent in 2011, and is projected to fall to 3.3 percent in 2012. U.S. corporate profits from current production fell 0.3 percent in the first quarter, led by an 11.8 percent decline in "rest of world" profits. Investor flight to safety drove equity market prices down 4.0 percent over the course of the second quarter and long-term Treasury yields down to historic lows. Slowing global growth is projected to continue to put downward pressure on both profits and equity markets through the end of 2012.

| U.S. ECONOMIC INDICATORS (Percent change from prior calendar year) | | | |
|--|-----------------------------------|----------------------------------|----------------------------------|
| | 2011 (Estimated) | 2012 (Forecast) | 2013 (Forecast) |
| Real U.S. Gross Domestic Product | 1.7 | 1.9 | 2.5 |
| Consumer Price Index (CPI) | 3.1 | 1.8 | 1.7 |
| Personal Income | 5.0 | 3.2 | 4.4 |
| Nonagricultural Employment | 1.2 | 1.4 | 1.5 |
| Source: Moody's Analytics; DOB staff estimates. | | | |

Consistent with a weaker outlook for both employment and output, DOB has altered its projections for both monetary and fiscal policy. The 10-year Treasury yield is now expected to remain below 2 percent for much of the remainder of calendar year 2012, with the Federal Reserve not expected to raise its short-term interest rate target before the beginning of 2014. The forecast is also predicated on the assumption that the U.S. Congress will extend both the Bush tax cuts and the payroll tax holiday through the end of 2013, though it is also expected that the tax provisions of the Affordable Care Act will be implemented as scheduled.

DOB's economic outlook continues to call for tepid but improving growth for the second half of this year, with growth accelerating to just above 3 percent by the latter half of 2013. However, there are significant risks to this forecast. Efforts to contain the European sovereign debt crisis remain ongoing, and coordinated government efforts to avert a more severe global slowdown appear underway. Nevertheless, momentum remains downward. A longer and deeper European recession or significantly slower growth in emerging markets could have a more negative impact on U.S. exports, corporate profits, and equity markets. Although the current forecast assumes U.S. fiscal policy will remain non-contractionary, the economic uncertainty could negatively impact private sector behavior as the end of the calendar year approaches. Higher than expected energy prices could have a similar effect. Alternatively, stronger than expected growth in the labor market could result in greater household spending than projected, while a milder recession in Europe and stronger global growth could result in a faster upturn in the demand for U.S. exports. Moreover, if gasoline prices fall significantly further, household spending

growth could be stronger than anticipated, since energy price growth acts as a virtual tax on household spending.

THE NEW YORK STATE ECONOMY

The most recent data indicate that the pace of New York employment growth continues, with the State labor market entering 2012 with particular momentum in construction, professional and business services, private educational services, and tourism-related leisure and hospitality services. As a result, private sector employment growth of 1.8 percent is now projected for calendar year 2012, representing a significant upward revision from the Enacted Budget forecast reflected in the AIS. Total employment growth of 1.2 percent is projected for the 2012 calendar year, with the public sector expected to remain a drag on the State labor market through the end of the calendar year. Thus, estimated State wage growth for 2012 remains virtually unchanged at 3.1 percent, with projected growth in total personal income revised down slightly to 3.2 percent due to downward revisions to some of the nonwage components of income.

| NEW YORK STATE ECONOMIC INDICATORS (Percent change from prior calendar year) | | | |
|--|---------------------|--------------------|--------------------|
| | 2011 (Estimated) | 2012 (Forecast) | 2013 (Forecast) |
| Personal Income | 4.3 | 3.2 | 4.9 |
| Wages | 3.8 | 3.1 | 4.7 |
| Nonagricultural Employment | 1.2 | 1.2 | 0.8 |
| Source: Moody's Analytics; New York State Department of Labor and DOB staff estimates. | | | |

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, the volume of financial market activity and equity market volatility pose a particularly large degree of uncertainty for New York. In addition, with Wall Street still adjusting its compensation practices in the wake of the passage of financial reform, both the bonus and nonbonus components of employee pay are becoming increasingly difficult to estimate. A weaker than projected labor market could also result in lower wages, which in turn could result in weaker household consumption. Similarly, should financial and real estate markets be weaker than anticipated, taxable capital gains realizations could be negatively affected. Projected capital gains for 2012 could also be negatively affected if the tax rate provisions of the Affordable Care Act are not implemented as scheduled. These effects could ripple through the State economy, depressing both employment and wage growth. In contrast, higher than forecast national and world economic growth, or a stronger upturn in stock prices, along with more activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonus growth than projected.

ALL FUNDS RECEIPTS PROJECTIONS

The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds.

| TOTAL RECEIPTS (millions of dollars) | | | | |
|---|--------------------|----------------------|---------------------|--------------------|
| | FY 2012 Results | FY 2013 Estimated | Annual \$ Change | Annual % Change |
| General Fund | 56,900 | 58,895 | 1,995 | 3.5% |
| State Funds | 88,111 | 90,769 | 2,658 | 3.0% |
| All Funds | 132,745 | 133,443 | 698 | 0.5% |

Financial Plan receipts comprise a variety of taxes, fees, and charges for State-provided services, Federal grants, and other miscellaneous receipts. The receipts estimates and projections have been prepared by DOB with the assistance of the Department of Taxation and Finance and other agencies responsible for the collection of State receipts.

| TOTAL RECEIPTS (millions of dollars) | | | | | | | |
|---|--------------------|----------------------|---------------------|--------------------|----------------------|---------------------|--------------------|
| | FY 2012 Results | FY 2013 Estimated | Annual \$ Change | Annual % Change | FY 2014 Projected | Annual \$ Change | Annual % Change |
| General Fund | 56,900 | 58,895 | 1,995 | 3.5% | 61,467 | 2,572 | 4.4% |
| Taxes | 41,754 | 43,293 | 1,539 | 3.7% | 45,837 | 2,544 | 5.9% |
| Miscellaneous Receipts | 3,162 | 3,354 | 192 | 6.1% | 2,879 | (475) | -14.2% |
| Federal Grants | 60 | 60 | 0 | 0.0% | 2 | (58) | -96.7% |
| Transfers | 11,924 | 12,188 | 264 | 2.2% | 12,749 | 561 | 4.6% |
| State Funds | 88,111 | 90,769 | 2,658 | 3.0% | 94,448 | 3,679 | 4.1% |
| Taxes | 64,297 | 66,307 | 2,010 | 3.1% | 70,065 | 3,758 | 5.7% |
| Miscellaneous Receipts | 23,669 | 24,317 | 648 | 2.7% | 24,296 | (21) | -0.1% |
| Federal Grants | 145 | 145 | 0 | 0.0% | 87 | (58) | -40.0% |
| All Funds | 132,745 | 133,443 | 698 | 0.5% | 138,733 | 5,290 | 4.0% |
| Taxes | 64,297 | 66,307 | 2,010 | 3.1% | 70,065 | 3,758 | 5.7% |
| Miscellaneous Receipts | 23,837 | 24,503 | 666 | 2.8% | 24,482 | (21) | -0.1% |
| Federal Grants | 44,611 | 42,633 | (1,978) | -4.4% | 44,186 | 1,553 | 3.6% |

After controlling for the impact of tax law changes, base tax revenue is estimated to increase by 6.1 percent for FY 2013 and 5.6 percent for FY 2014.

CHANGE FROM ENACTED BUDGET FORECAST PROVIDED IN AIS

| CHANGE FROM ENACTED BUDGET FORECAST (millions of dollars) | | | | | | | | |
|---|-----------------------|----------------------|------------|-------------|-----------------------|----------------------|-------------|--------------|
| | FY 2013 | | \$ | % | FY 2014 | | \$ | % |
| | Enacted Budget | First Quarter | | | Enacted Budget | First Quarter | | |
| General Fund¹ | 46,658 | 46,707 | 49 | 0.1% | 48,722 | 48,718 | (4) | 0.0% |
| Taxes | 43,369 | 43,293 | (76) | -0.2% | 45,891 | 45,837 | (54) | -0.1% |
| Miscellaneous Receipts | 3,229 | 3,354 | 125 | 3.9% | 2,829 | 2,879 | 50 | 1.8% |
| Federal Grants | 60 | 60 | 0 | 0.0% | 2 | 2 | 0 | 0.0% |
| State Funds | 90,598 | 90,769 | 171 | 0.2% | 94,509 | 94,448 | (61) | -0.1% |
| Taxes | 66,370 | 66,307 | (63) | -0.1% | 70,138 | 70,065 | (73) | -0.1% |
| Miscellaneous Receipts | 24,083 | 24,317 | 234 | 1.0% | 24,284 | 24,296 | 12 | 0.0% |
| Federal Grants | 145 | 145 | 0 | 0.0% | 87 | 87 | 0 | 0.0% |
| All Funds | 133,272 | 133,443 | 171 | 0.1% | 138,794 | 138,733 | (61) | 0.0% |
| Taxes | 66,370 | 66,307 | (63) | -0.1% | 70,138 | 70,065 | (73) | -0.1% |
| Miscellaneous Receipts | 24,269 | 24,503 | 234 | 1.0% | 24,470 | 24,482 | 12 | 0.0% |
| Federal Grants | 42,633 | 42,633 | 0 | 0.0% | 44,186 | 44,186 | 0 | 0.0% |

¹ Excludes Transfers.

Current year All Funds tax receipt estimates have been lowered by \$63 million since the AIS due to reductions in user taxes partially offset by an increase in other taxes. Miscellaneous receipts have been revised up by \$234 million due to the receipt of additional legal recoveries, transportation receipts, certain reimbursements, and VLT receipts.

MULTI-YEAR RECEIPTS

| TOTAL RECEIPTS (millions of dollars) | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | FY 2013 | FY 2014 | Annual \$ | FY 2015 | Annual \$ | FY 2016 | Annual \$ |
| | Estimated | Projected | Change | Projected | Change | Projected | Change |
| General Fund | 58,895 | 61,467 | 2,572 | 61,818 | 351 | 64,198 | 2,380 |
| Taxes | 43,293 | 45,837 | 2,544 | 46,509 | 672 | 48,426 | 1,917 |
| State Funds | 90,769 | 94,448 | 3,679 | 95,533 | 1,085 | 98,487 | 2,954 |
| Taxes | 66,307 | 70,065 | 3,758 | 71,604 | 1,539 | 74,366 | 2,762 |
| All Funds | 133,443 | 138,733 | 5,290 | 142,889 | 4,156 | 147,713 | 4,824 |
| Taxes | 66,307 | 70,065 | 3,758 | 71,604 | 1,539 | 74,366 | 2,762 |

The economic forecast calls for a continuation of the ongoing recovery in employment and wages. This increases the economic base on which the outyear revenue forecast is built. Overall, receipts in the two fiscal years following FY 2014 are expected to grow consistently with the projected moderate growth in both the U.S. and New York economies.

REVENUE RISKS

- DOB's forecast assumes that Congress will act by the end of calendar year 2012 to avert automatic Federal spending reductions and tax increases by extending both the Bush-era tax reductions and the payroll tax reduction authorized in 2009. Additionally, the forecast assumes that Federal income tax increases scheduled for tax years 2013 and thereafter, as part of the Affordable Care Act, will be implemented as planned. The Affordable Care Act tax provisions are expected to result in an increase in State receipts in FY 2013, and declines thereafter, as taxpayers reduce the level of capital gains realizations in response to the higher Federal tax rate.
- A return to high gasoline prices could divert disposable consumer income to fuel, decreasing consumption of taxable goods and services.
- A continuation of the European debt crisis could drive exports lower, causing corporate profits and tax receipts to grow more slowly than expected.
- Personal income tax liability could be reduced if taxpayers do not realize the capital gains assumed in the forecast in anticipation of the Affordable Care Act tax provisions.
- The Updated Financial Plan for FY 2013 contains significant savings generated as a result of 2010 tax credit deferral legislation. Same-year confirmation of these savings is unavailable given tax filing and processing delays, and actual savings could fall below estimates.
- Bank and corporate franchise tax revenue streams are contingent on the timing and size of anticipated audit proceeds. Negotiations between the State and taxpayers are subject to unexpected delays, which may force audit proceeds into a subsequent fiscal year.

PERSONAL INCOME TAX

| PERSONAL INCOME TAX (millions of dollars) | | | | | | | |
|--|--------------------|----------------------|---------------------|--------------------|----------------------|---------------------|--------------------|
| | FY 2012 Results | FY 2013 Estimated | Annual \$ Change | Annual % Change | FY 2014 Projected | Annual \$ Change | Annual % Change |
| General Fund¹ | 25,843 | 26,916 | 1,073 | 4.2% | 28,920 | 2,004 | 7.4% |
| Gross Collections | 46,030 | 47,252 | 1,222 | 2.7% | 50,354 | 3,102 | 6.6% |
| Refunds/Offsets | (7,263) | (6,996) | 267 | -3.7% | (7,182) | (186) | 2.7% |
| STAR | (3,233) | (3,276) | (43) | 1.3% | (3,459) | (183) | 5.6% |
| RBTF | (9,691) | (10,064) | (373) | 3.8% | (10,793) | (729) | 7.2% |
| State/All Funds | 38,767 | 40,256 | 1,489 | 3.8% | 43,172 | 2,916 | 7.2% |
| Gross Collections | 46,030 | 47,252 | 1,222 | 2.7% | 50,354 | 3,102 | 6.6% |
| Refunds | (7,263) | (6,996) | 267 | -3.7% | (7,182) | (186) | 2.7% |

¹ Excludes Transfers.

All Funds PIT receipts for FY 2013 are projected to be \$40.3 billion, an increase of \$1.5 billion (3.8 percent) from FY 2012. This primarily reflects modest increases in withholding and current estimated payments for tax year 2012, a decrease in total refunds, and higher delinquent collections partially offset by a decrease in extension (i.e. prior year estimated) payments for tax year 2011.

General Fund income tax receipts for FY 2013 of \$26.9 billion are expected to increase by \$1.1 billion (4.2 percent) from the prior year, mainly reflecting the increase in All Funds receipts noted above. However, a \$373 million increase in the RBTF deposit and a \$43 million increase in the STAR deposit partially offset the All Funds increase.

All Funds income tax receipts for FY 2014 of \$43.2 billion are projected to increase \$2.9 billion (7.2 percent) from the prior year. This increase primarily reflects increases of \$2.2 billion (6.7 percent) in withholding, \$811 million (6.9 percent) in total estimated payments, partially offset by a \$186 million (2.7 percent) increase in total refunds. The increase in total estimated payments includes a \$538 million (6.3 percent) increase in estimated payments related to tax year 2013 (i.e. current year estimated) and \$273 million (8.5 percent) in extension payments related to tax year 2012 (i.e. prior year estimated). The strong projection for extension payments for tax year 2012 reflects some acceleration in realizations of capital gains in anticipation of the scheduled increase in the Federal tax rate on investment income starting with tax year 2013.

General Fund income tax receipts for FY 2014 of \$28.9 billion are projected to increase by \$2 billion (7.4 percent). The RBTF and STAR deposits are projected to increase by \$729 million and \$183 million, respectively.

| PERSONAL INCOME TAX CHANGE FROM ENACTED BUDGET FORECAST (millions of dollars) | | | | | | | | |
|--|----------------|---------------|-----------|-------------|----------------|---------------|------------|-------------|
| | FY 2013 | | | | FY 2014 | | | |
| | Enacted Budget | First Quarter | \$ Change | % Change | Enacted Budget | First Quarter | \$ Change | % Change |
| General Fund¹ | 26,916 | 26,916 | 0 | 0.0% | 28,920 | 28,920 | 0 | 0.0% |
| Gross Collections | 47,702 | 47,252 | (450) | -0.9% | 50,930 | 50,354 | (576) | -1.1% |
| Refunds/Offsets | (7,446) | (6,996) | 450 | -6.0% | (7,757) | (7,182) | 575 | -7.4% |
| STAR | (3,276) | (3,276) | 0 | 0.0% | (3,460) | (3,459) | 1 | 0.0% |
| RBTF | (10,064) | (10,064) | 0 | 0.0% | (10,793) | (10,793) | 0 | 0.0% |
| State/All Funds² | 40,256 | 40,256 | 0 | 0.0% | 43,173 | 43,172 | (1) | 0.0% |
| Gross Collections | 47,702 | 47,252 | (450) | -0.9% | 50,930 | 50,354 | (576) | -1.1% |
| Refunds | (7,446) | (6,996) | 450 | -6.0% | (7,757) | (7,182) | 575 | -7.4% |
| ¹ Excludes Transfers. | | | | | | | | |
| ² Change of \$1 million due to rounding. | | | | | | | | |

Compared to the Enacted Budget Financial Plan forecast included in the AIS, FY 2013 All Funds income tax receipts are unchanged. However, withholding is projected to decrease by \$575 million, and final returns by \$50 million, both mainly reflecting actual results to date. These decreases are expected to be offset by a \$450 million reduction in total refund payments, an additional \$150 million in total estimated payments, and an increase of \$25 million in delinquent collections.

The decrease in withholding mostly reflects consistently unfavorable receipt variances through the first quarter of FY 2013. This was due to a combination of weaker than projected wages and potential unfavorable timing of payments associated with the December 2011 PIT reform. The refund reduction includes \$300 million in lower refunds associated with tax year 2011 (mostly reflecting lower actual results); a \$100 million State-city offset reduction, and a \$50 million reduction in refunds associated with years prior to 2011 (i.e. previous year refunds). The increase in total estimated payments includes acknowledgement of \$470 million in higher than expected April extension payments for tax year 2011 (i.e. prior year estimated) partially offset by a reduction of \$320 million in estimated payments for tax year 2012 (i.e. current year estimated), which in turn reflects weaker estimated non-wage income.

Compared to the AIS, FY 2014 All Funds income tax receipts are also unchanged. Projected withholding has been lowered by \$475 million and likewise, extension payments on tax year 2013 liability have been lowered by \$100 million. These decreases are projected to be offset by \$450 million in lower refund payments for tax year 2012 and \$125 million in lower refunds for tax years prior to 2012 (i.e. previous year refunds).

| PERSONAL INCOME TAX (millions of dollars) | | | | | |
|--|----------------------|----------------------|---------------------|----------------------|---------------------|
| | FY 2014 Projected | FY 2015 Projected | Annual \$ Change | FY 2016 Projected | Annual \$ Change |
| General Fund¹ | 28,920 | 29,613 | 693 | 30,614 | 1,001 |
| Gross Collections | 50,354 | 52,421 | 2,067 | 54,544 | 2,123 |
| Refunds/Offsets | (7,182) | (8,081) | (899) | (8,733) | (652) |
| STAR | (3,459) | (3,642) | (183) | (3,744) | (102) |
| RBTF | (10,793) | (11,085) | (292) | (11,453) | (368) |
| State/All Funds | 43,172 | 44,340 | 1,168 | 45,811 | 1,471 |
| Gross Collections | 50,354 | 52,421 | 2,067 | 54,544 | 2,123 |
| Refunds | (7,182) | (8,081) | (899) | (8,733) | (652) |

¹ Excludes Transfers.

All Funds income tax receipts for FY 2015 of \$44.3 billion are projected to increase \$1.2 billion (2.7 percent) from the prior year. This change primarily reflects increases of \$1.2 billion (3.5 percent) in withholding; \$1 billion (11.5 percent) in estimated payments related to tax year 2014 (i.e. current year estimated), partially offset by a \$899 million (12.5 percent) increase in total refunds (partly due to the commencement of tax credit deferral paybacks); a \$132 million decrease in extension payments for tax year 2013 (i.e. prior year estimated); and a \$115 million decrease in final returns payments for tax year 2013 (i.e. current year). Delinquencies are projected to increase \$51 million (4.4 percent) from the prior year.

General Fund income tax receipts for FY 2015 of \$29.6 billion are projected to increase by \$693 million (2.4 percent). RBTF deposits are projected to increase by \$292 million and STAR payments by \$183 million.

All Funds income tax receipts are projected to increase by nearly \$1.5 billion (3.3 percent) in FY 2016 to reach \$45.8 billion, while General Fund receipts are projected to be \$30.6 billion.

USER TAXES AND FEES

| USER TAXES AND FEES (millions of dollars) | | | | | | | |
|--|--------------------|----------------------|---------------------|--------------------|----------------------|---------------------|--------------------|
| | FY 2012 Results | FY 2013 Estimated | Annual \$ Change | Annual % Change | FY 2014 Projected | Annual \$ Change | Annual % Change |
| General Fund¹ | 9,055 | 9,196 | 141 | 1.6% | 9,570 | 374 | 4.1% |
| Sales Tax | 8,346 | 8,483 | 137 | 1.6% | 8,863 | 380 | 4.5% |
| Cigarette and Tobacco Taxes | 471 | 469 | (2) | -0.4% | 462 | (7) | -1.5% |
| Alcoholic Beverage Taxes | 238 | 244 | 6 | 2.5% | 245 | 1 | 0.4% |
| State/All Funds | 14,571 | 14,814 | 243 | 1.7% | 15,334 | 520 | 3.5% |
| Sales Tax | 11,876 | 12,095 | 219 | 1.8% | 12,635 | 540 | 4.5% |
| Cigarette and Tobacco Taxes | 1,633 | 1,615 | (18) | -1.1% | 1,585 | (30) | -1.9% |
| Motor Fuel | 501 | 515 | 14 | 2.8% | 516 | 1 | 0.2% |
| Highway Use Tax | 132 | 147 | 15 | 11.4% | 142 | (5) | -3.4% |
| Alcoholic Beverage Taxes | 238 | 244 | 6 | 2.5% | 245 | 1 | 0.4% |
| Taxicab Surcharge | 87 | 89 | 2 | 2.3% | 96 | 7 | 7.9% |
| Auto Rental Tax | 104 | 109 | 5 | 4.8% | 115 | 6 | 5.5% |

¹ Excludes Transfers.

All Funds user taxes and fees receipts for FY 2013 are estimated to be \$14.8 billion, an increase of \$243 million (1.7 percent) from FY 2012. All Funds sales tax receipts are estimated to be \$12.1 billion, an increase of \$219 million (1.8 percent) from FY 2012. This includes the loss of \$210 million in receipts from the partial taxation of clothing in FY 2012. The underlying sales tax base measured before the impact of law changes is estimated to increase by 3.8 percent. Non-sales tax user taxes and fees are estimated to increase by \$24 million from FY 2012 due primarily to tax law changes pertaining to alcoholic beverage taxes, and to the issuance of highway use tax decals.

General Fund user taxes and fees receipts are expected to total \$9.2 billion in FY 2013, an increase of \$141 million (1.6 percent) from FY 2012.

All Funds user taxes and fees receipts for FY 2014 are projected to be \$15.3 billion, an increase of \$520 million (3.5 percent) from FY 2013. General Fund user taxes and fees receipts are projected to total \$9.6 billion in FY 2014, an increase of \$374 million (4.1 percent) from FY 2013. These changes are consistent with a trend increase in taxable consumption and a trend decline in cigarette consumption.

| USER TAXES AND FEES CHANGE FROM ENACTED BUDGET FORECAST (millions of dollars) | | | | | | | | |
|--|-------------------|------------------|--------------|--------------|-------------------|------------------|--------------|--------------|
| | FY 2013 | | \$ Change | % Change | FY 2014 | | \$ Change | % Change |
| | Enacted Budget | First Quarter | | | Enacted Budget | First Quarter | | |
| General Fund¹ | 9,271 | 9,196 | (75) | -0.8% | 9,626 | 9,570 | (56) | -0.6% |
| Sales Tax | 8,561 | 8,483 | (78) | -0.9% | 8,922 | 8,863 | (59) | -0.7% |
| Cigarette and Tobacco Taxes | 469 | 469 | 0 | 0.0% | 462 | 462 | 0 | 0.0% |
| Alcoholic Beverage Taxes | 241 | 244 | 3 | 1.2% | 242 | 245 | 3 | 1.2% |
| State/All Funds | 14,921 | 14,814 | (107) | -0.7% | 15,413 | 15,334 | (79) | -0.5% |
| Sales Tax | 12,205 | 12,095 | (110) | -0.9% | 12,717 | 12,635 | (82) | -0.6% |
| Cigarette and Tobacco Taxes | 1,615 | 1,615 | 0 | 0.0% | 1,585 | 1,585 | 0 | 0.0% |
| Motor Fuel | 515 | 515 | 0 | 0.0% | 517 | 516 | (1) | -0.2% |
| Highway Use Tax | 147 | 147 | 0 | 0.0% | 142 | 142 | 0 | 0.0% |
| Alcoholic Beverage Taxes | 241 | 244 | 3 | 1.2% | 242 | 245 | 3 | 1.2% |
| Taxicab Surcharge | 89 | 89 | 0 | 0.0% | 96 | 96 | 0 | 0.0% |
| Auto Rental Tax | 109 | 109 | 0 | 0.0% | 114 | 115 | 1 | 0.9% |

¹ Excludes Transfers.

All Funds user taxes and fees for FY 2013 are estimated to be \$14.8 billion, a decrease of \$107 million (0.7 percent) from the AIS. The sales tax estimate was revised downward by \$110 million to reflect weaker than estimated FY 2013 first quarter results. This was primarily the result of weakness in consumer electronics, utilities, and other general merchandise sales and a year-to-year accounting adjustment. This is partially offset by a \$2.7 million increase in alcoholic beverage tax receipts resulting from the elimination of an exemption for small brewers, which was replaced by a \$2.7 million personal income and business tax credit for certain beer production in the State. General Fund user taxes and fees receipts are projected to total nearly \$9.2 billion in FY 2013, a decrease of \$75 million (0.8 percent) from the AIS. The reduction is consistent with All Funds discussion above.

All Funds user taxes and fees for FY 2014 are projected to be more than \$15.3 billion, a decrease of \$79 million (0.5 percent) from the AIS as a result of both lower projected sales tax base growth and the flow through of lower FY 2013 to-date actuals. General Fund user taxes and fees receipts are projected to total nearly \$9.6 billion in FY 2014, a decrease of \$56 million (0.6 percent) from the AIS. These reductions reflect the All Funds discussion above.

| USER TAXES AND FEES (millions of dollars) | | | | | |
|---|------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| | FY 2014 Projected | FY 2015 Projected | Annual \$ Change | FY 2016 Projected | Annual \$ Change |
| General Fund¹ | 9,570 | 9,986 | 416 | 10,351 | 365 |
| Sales Tax | 8,863 | 9,281 | 418 | 9,654 | 373 |
| Cigarette and Tobacco Taxes | 462 | 455 | (7) | 447 | (8) |
| Alcoholic Beverage Taxes | 245 | 250 | 5 | 250 | 0 |
| State/All Funds | 15,334 | 15,909 | 575 | 16,424 | 515 |
| Sales Tax | 12,635 | 13,220 | 585 | 13,748 | 528 |
| Cigarette and Tobacco Taxes | 1,585 | 1,556 | (29) | 1,526 | (30) |
| Motor Fuel | 516 | 520 | 4 | 523 | 3 |
| Highway Use Tax | 142 | 144 | 2 | 152 | 8 |
| Alcoholic Beverage Taxes | 245 | 250 | 5 | 250 | 0 |
| Taxicab Surcharge | 96 | 100 | 4 | 101 | 1 |
| Auto Rental Tax | 115 | 119 | 4 | 124 | 5 |
| ¹ Excludes Transfers. | | | | | |

All Funds user taxes and fees are projected to reach \$15.9 billion in FY 2015 and \$16.4 million in FY 2016. This largely reflects continued growth in the sales tax base. General Fund user taxes and fees are projected to be nearly \$10 billion in FY 2015 and \$10.4 billion in FY 2016.

BUSINESS TAXES

| BUSINESS TAXES (millions of dollars) | | | | | | | |
|--|----------------------------|------------------------------|-----------------------------|----------------------------|------------------------------|-----------------------------|----------------------------|
| | FY 2012 Results | FY 2013 Estimated | Annual \$ Change | Annual % Change | FY 2014 Projected | Annual \$ Change | Annual % Change |
| General Fund | 5,760 | 6,035 | 275 | 4.8% | 6,208 | 173 | 2.9% |
| Corporate Franchise Tax | 2,724 | 2,737 | 13 | 0.5% | 2,931 | 194 | 7.1% |
| Corporation & Utilities Tax | 617 | 684 | 67 | 10.9% | 662 | (22) | -3.2% |
| Insurance Tax | 1,257 | 1,322 | 65 | 5.2% | 1,373 | 51 | 3.9% |
| Bank Tax | 1,161 | 1,292 | 131 | 11.3% | 1,242 | (50) | -3.9% |
| Petroleum Business Tax | 1 | 0 | (1) | -100.0% | 0 | 0 | 0.0% |
| State/All Funds | 7,877 | 8,226 | 349 | 4.4% | 8,463 | 237 | 2.9% |
| Corporate Franchise Tax | 3,176 | 3,172 | (4) | -0.1% | 3,413 | 241 | 7.6% |
| Corporation & Utilities Tax | 797 | 879 | 82 | 10.3% | 860 | (19) | -2.2% |
| Insurance Tax | 1,413 | 1,479 | 66 | 4.7% | 1,539 | 60 | 4.1% |
| Bank Tax | 1,391 | 1,534 | 143 | 10.3% | 1,451 | (83) | -5.4% |
| Petroleum Business Tax | 1,100 | 1,162 | 62 | 5.6% | 1,200 | 38 | 3.3% |

All Funds business tax receipts for FY 2013 are estimated at \$8.2 billion, an increase of \$349 million (4.4 percent) from the prior year. The estimates reflect growth across all taxes except the corporate franchise tax. The estimate includes an incremental increase of \$71 million from the deferral of certain tax credits that was part of the FY 2011 Enacted Budget. Adjusted for this deferral, All Funds growth is 3.5 percent.

All Funds business tax receipts for FY 2014 of \$8.5 billion are projected to increase \$237 million (2.9 percent) from the prior year reflecting growth in the corporate franchise, insurance and petroleum business taxes. A decline is expected in the corporation and utilities tax due to the expected payment of a large prior year telecommunications refund. Bank tax receipts are expected to decline as a result of lower audit receipts in FY 2014.

General Fund business tax receipts for FY 2013 of \$6 billion are estimated to increase by \$275 million (4.8 percent) from FY 2012 results. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

General Fund business tax receipts for FY 2014 of \$6.2 billion are projected to increase \$173 million (2.9 percent) from the prior year.

| BUSINESS TAXES CHANGE FROM ENACTED BUDGET FORECAST (millions of dollars) | | | | | | | | |
|---|----------------|---------------|------------|-------------|----------------|---------------|----------|-------------|
| | FY 2013 | | \$ | % | FY 2014 | | \$ | % |
| | Enacted Budget | First Quarter | | | Enacted Budget | First Quarter | | |
| General Fund | 6,038 | 6,035 | (3) | 0.0% | 6,208 | 6,208 | 0 | 0.0% |
| Corporate Franchise Tax | 2,905 | 2,737 | (168) | -5.8% | 3,009 | 2,931 | (78) | -2.6% |
| Corporation & Utilities Tax | 652 | 684 | 32 | 4.9% | 696 | 662 | (34) | -4.9% |
| Insurance Tax | 1,322 | 1,322 | 0 | 0.0% | 1,373 | 1,373 | 0 | 0.0% |
| Bank Tax | 1,159 | 1,292 | 133 | 11.5% | 1,130 | 1,242 | 112 | 9.9% |
| State/All Funds | 8,229 | 8,226 | (3) | 0.0% | 8,463 | 8,463 | 0 | 0.0% |
| Corporate Franchise Tax | 3,360 | 3,172 | (188) | -5.6% | 3,511 | 3,413 | (98) | -2.8% |
| Corporation & Utilities Tax | 847 | 879 | 32 | 3.8% | 894 | 860 | (34) | -3.8% |
| Insurance Tax | 1,479 | 1,479 | 0 | 0.0% | 1,539 | 1,539 | 0 | 0.0% |
| Bank Tax | 1,381 | 1,534 | 153 | 11.1% | 1,319 | 1,451 | 132 | 10.0% |
| Petroleum Business Tax | 1,162 | 1,162 | 0 | 0.0% | 1,200 | 1,200 | 0 | 0.0% |

Compared to the AIS, FY 2013 All Funds business tax receipts are lower by \$3 million. This change is the result of the end-of-session legislation that created a corporate franchise tax credit for beer produced in New York. The reduction in corporate franchise tax receipts and the increase in bank tax receipts are driven by trends in year-to-date receipts. The increase in the corporation and utilities tax receipts reflects the movement of the settlement of the large prior year telecommunication refund from FY 2013 to FY 2014. Both the insurance tax and the petroleum business tax are unchanged from the AIS.

Compared to the AIS, FY 2014 All Funds business tax receipts are unchanged. The corporation franchise tax and the bank tax reflect the changes made to FY 2013. The corporation and utilities tax reflect the settlement of the large prior year telecommunication refund. The insurance tax and the petroleum business tax are unchanged from the AIS.

| BUSINESS TAXES (millions of dollars) | | | | | |
|---|----------------------|----------------------|---------------------|----------------------|---------------------|
| | FY 2014 Projected | FY 2015 Projected | Annual \$ Change | FY 2016 Projected | Annual \$ Change |
| General Fund | 6,208 | 5,686 | (522) | 6,237 | 551 |
| Corporate Franchise Tax | 2,931 | 2,255 | (676) | 2,628 | 373 |
| Corporation & Utilities Tax | 662 | 712 | 50 | 732 | 20 |
| Insurance Tax | 1,373 | 1,416 | 43 | 1,498 | 82 |
| Bank Tax | 1,242 | 1,303 | 61 | 1,379 | 76 |
| Petroleum Business Tax | 0 | 0 | 0 | 0 | 0 |
| State/All Funds | 8,463 | 7,997 | (466) | 8,609 | 612 |
| Corporate Franchise Tax | 3,413 | 2,770 | (643) | 3,171 | 401 |
| Corporation & Utilities Tax | 860 | 912 | 52 | 938 | 26 |
| Insurance Tax | 1,539 | 1,587 | 48 | 1,676 | 89 |
| Bank Tax | 1,451 | 1,522 | 71 | 1,612 | 90 |
| Petroleum Business Tax | 1,200 | 1,206 | 6 | 1,212 | 6 |

All Funds business tax receipts for FY 2015 and FY 2016 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of telecommunications services, and automobile fuel consumption and fuel prices. Business tax receipts are projected to decline to \$8 billion (5.5 percent) in FY 2015 and increase to \$8.6 billion (7.7 percent) in FY 2016. The decline in FY 2015 reflects the first year of the repayment of deferred tax credits to taxpayers. General Fund business tax receipts over this period are expected to decline to \$5.7 billion (8.4 percent) in FY 2015 and increase to \$6.2 billion (9.7 percent) in FY 2016.

OTHER TAXES

| OTHER TAXES (millions of dollars) | | | | | | | |
|--------------------------------------|--------------------|----------------------|---------------------|--------------------|----------------------|---------------------|--------------------|
| | FY 2012 Results | FY 2013 Estimated | Annual \$ Change | Annual % Change | FY 2014 Projected | Annual \$ Change | Annual % Change |
| General Fund¹ | 1,096 | 1,146 | 50 | 4.6% | 1,139 | (7) | -0.6% |
| Estate Tax | 1,078 | 1,127 | 49 | 4.5% | 1,120 | (7) | -0.6% |
| Gift Tax | 0 | 0 | 0 | NA | 0 | 0 | 0.0% |
| Real Property Gains Tax | 0 | 0 | 0 | NA | 0 | 0 | 0.0% |
| Pari-Mutuel Taxes | 17 | 18 | 1 | 5.9% | 18 | 0 | 0.0% |
| All Other Taxes | 1 | 1 | 0 | 0.0% | 1 | 0 | 0.0% |
| State/All Funds | 1,706 | 1,831 | 125 | 7.3% | 1,874 | 43 | 2.3% |
| Estate Tax | 1,078 | 1,127 | 49 | 4.5% | 1,120 | (7) | -0.6% |
| Gift Tax | 0 | 0 | 0 | NA | 0 | 0 | 0.0% |
| Real Property Gains Tax | 0 | 0 | 0 | NA | 0 | 0 | 0.0% |
| Real Estate Transfer Tax | 610 | 685 | 75 | 12.3% | 735 | 50 | 7.3% |
| Pari-Mutuel Taxes | 17 | 18 | 1 | 5.9% | 18 | 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 2013 are estimated to be approximately \$1.8 billion, an increase of \$125 million (7.3 percent) from FY 2012 receipts, primarily reflecting increases in estate tax receipts of \$49 million (4.5 percent) and real estate transfer tax collections of \$75 million (12.3 percent) as a result of improving conditions in the New York real estate market. General Fund other tax receipts are expected to total \$1,146 million in FY 2013, an increase of \$50 million (4.6 percent) due primarily to the increase in estate tax collections mentioned above.

All Funds other tax receipts for FY 2014 are projected to be nearly \$1.9 billion, up \$43 million (2.3 percent) from FY 2013 reflecting stability in the estate tax and modest growth in the real estate transfer tax. General Fund other tax receipts are expected to total \$1,139 million, a marginal change from the FY 2013 total.

| OTHER TAXES CHANGE FROM ENACTED BUDGET FORECAST (millions of dollars) | | | | | | | | |
|--|-------------------|------------------|--------------|-------------|-------------------|------------------|--------------|-------------|
| | FY 2013 | | \$ Change | % Change | FY 2014 | | \$ Change | % Change |
| | Enacted Budget | First Quarter | | | Enacted Budget | First Quarter | | |
| General Fund¹ | 1,144 | 1,146 | 2 | 0.2% | 1,137 | 1,139 | 2 | 0.2% |
| Estate Tax | 1,127 | 1,127 | 0 | 0.0% | 1,120 | 1,120 | 0 | 0.0% |
| Gift Tax | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0.0% |
| Real Property Gains Tax | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0.0% |
| Pari-Mutuel Taxes | 16 | 18 | 2 | 12.5% | 16 | 18 | 2 | 12.5% |
| All Other Taxes | 1 | 1 | 0 | 0.0% | 1 | 1 | 0 | 0.0% |
| State/All Funds | 1,804 | 1,831 | 27 | 1.5% | 1,847 | 1,874 | 27 | 1.5% |
| Estate Tax | 1,127 | 1,127 | 0 | 0.0% | 1,120 | 1,120 | 0 | 0.0% |
| Gift Tax | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0.0% |
| Real Property Gains Tax | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0.0% |
| Real Estate Transfer Tax | 660 | 685 | 25 | 3.8% | 710 | 735 | 25 | 3.5% |
| Pari-Mutuel Taxes | 16 | 18 | 2 | 12.5% | 16 | 18 | 2 | 12.5% |
| All Other Taxes | 1 | 1 | 0 | 0.0% | 1 | 1 | 0 | 0.0% |
| ¹ Excludes Transfers. | | | | | | | | |

General Fund other tax receipts for FY 2013 have been revised upward by \$2 million from the AIS. Pari-mutuel taxes are expected to grow as a result of increased NYRA on-track handle, due to the NYC OTB closures more than previously anticipated.

Projections for FY 2013 and FY 2014 for the estate tax, gift tax and real property gains tax and boxing/wrestling tax are unchanged from the AIS. The gift tax and real property gains tax have been repealed, but small amounts of revenue are at times generated through audits.

Real estate transfer tax collections for FY 2013 and FY 2014 are now estimated to be \$25 million higher than the Enacted Budget Financial Plan forecast in the AIS as a result of stronger than anticipated year-to-date collections. However, even as commercial markets in Manhattan remain vibrant and certain residential markets, especially in Brooklyn, are demonstrating strength in both pricing and transaction volume, the potential for continuing declines in existing home values, and weakness in the luxury residential market, are continuing risks to the forecast.

| OTHER TAXES (millions of dollars) | | | | | |
|---|------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| | FY 2014 Projected | FY 2015 Projected | Annual \$ Change | FY 2016 Projected | Annual \$ Change |
| General Fund¹ | 1,139 | 1,224 | 85 | 1,224 | 0 |
| Estate Tax | 1,120 | 1,205 | 85 | 1,205 | 0 |
| Gift Tax | 0 | 0 | 0 | 0 | 0 |
| Real Property Gains Tax | 0 | 0 | 0 | 0 | 0 |
| Pari-Mutuel Taxes | 18 | 18 | 0 | 18 | 0 |
| All Other Taxes | 1 | 1 | 0 | 1 | 0 |
| State/All Funds | 1,874 | 2,029 | 155 | 2,104 | 75 |
| Estate Tax | 1,120 | 1,205 | 85 | 1,205 | 0 |
| Gift Tax | 0 | 0 | 0 | 0 | 0 |
| Real Property Gains Tax | 0 | 0 | 0 | 0 | 0 |
| Real Estate Transfer Tax | 735 | 805 | 70 | 880 | 75 |
| Pari-Mutuel Taxes | 18 | 18 | 0 | 18 | 0 |
| All Other Taxes | 1 | 1 | 0 | 1 | 0 |
| ¹ Excludes Transfers. | | | | | |

The FY 2015 All Funds receipts projection for other taxes is over \$2 billion, an increase of \$155 million (8.3 percent) from FY 2014 receipts. Growth in the estate tax from expected increases in household net worth is complemented by projected receipts growth from the real estate transfer tax due to the continued stabilization in the residential and commercial markets.

The FY 2016 All Funds receipts projection for other taxes is \$2.1 billion, an increase of \$75 million (3.7 percent) from FY 2015 receipts. The forecast for FY 2016 reflects growth in household net worth as well as in the value of real property transfers.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

| MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars) | | | | | | | |
|--|--------------------|----------------------|---------------------|--------------------|----------------------|---------------------|--------------------|
| | FY 2012 Results | FY 2013 Estimated | Annual \$ Change | Annual % Change | FY 2014 Projected | Annual \$ Change | Annual % Change |
| General Fund | 3,222 | 3,414 | 192 | 6.0% | 2,881 | (533) | -15.6% |
| Miscellaneous Receipts | 3,162 | 3,354 | 192 | 6.1% | 2,879 | (475) | -14.2% |
| Federal Grants | 60 | 60 | 0 | 0.0% | 2 | (58) | -96.7% |
| State Funds | 23,814 | 24,462 | 648 | 2.7% | 24,383 | (79) | -0.3% |
| Miscellaneous Receipts | 23,669 | 24,317 | 648 | 2.7% | 24,296 | (21) | -0.1% |
| Federal Grants | 145 | 145 | 0 | 0.0% | 87 | (58) | -40.0% |
| All Funds | 68,448 | 67,136 | (1,312) | -1.9% | 68,668 | 1,532 | 2.3% |
| Miscellaneous Receipts | 23,837 | 24,503 | 666 | 2.8% | 24,482 | (21) | -0.1% |
| Federal Grants | 44,611 | 42,633 | (1,978) | -4.4% | 44,186 | 1,553 | 3.6% |

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total \$24.5 billion in FY 2013, an annual increase of \$666 million from FY 2012 results, which is mainly due to projected growth in HCRA fund receipts and the receipt of civil recoveries made by district attorneys.

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 and Federal allocations. While the timing of Federal receipts can sometimes be difficult to predict, DOB typically plans that Federal reimbursement will be received in the State fiscal year in which spending occurs. All Funds Federal grants are projected to total \$42.6 billion in FY 2013, a decrease of \$2 billion from FY 2012, which largely reflects the expiration of certain Federal ARRA moneys.

| MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS: CHANGE FROM ENACTED BUDGET FORECAST (millions of dollars) | | | | | | | | |
|---|-------------------|------------------|--------------|-------------|-------------------|------------------|--------------|-------------|
| | FY 2013 | | | | FY 2014 | | | |
| | Enacted Budget | First Quarter | \$ Change | % Change | Enacted Budget | First Quarter | \$ Change | % Change |
| General Fund¹ | 3,289 | 3,414 | 125 | 3.8% | 2,831 | 2,881 | 50 | 1.8% |
| Miscellaneous Receipts | 3,229 | 3,354 | 125 | 3.9% | 2,829 | 2,879 | 50 | 1.8% |
| Federal Grants | 60 | 60 | 0 | 0.0% | 2 | 2 | 0 | 0.0% |
| State Funds | 24,228 | 24,462 | 234 | 1.0% | 24,371 | 24,383 | 12 | 0.0% |
| Miscellaneous Receipts | 24,083 | 24,317 | 234 | 1.0% | 24,284 | 24,296 | 12 | 0.0% |
| Federal Grants | 145 | 145 | 0 | 0.0% | 87 | 87 | 0 | 0.0% |
| All Funds | 66,902 | 67,136 | 234 | 0.3% | 68,656 | 68,668 | 12 | 0.0% |
| Miscellaneous Receipts | 24,269 | 24,503 | 234 | 1.0% | 24,470 | 24,482 | 12 | 0.0% |
| Federal Grants | 42,633 | 42,633 | 0 | 0.0% | 44,186 | 44,186 | 0 | 0.0% |

¹ Excludes Transfers.

All Funds miscellaneous receipts have been revised upward by \$234 million in FY 2013, which reflects expectations of additional one-time resources from settlement proceeds of district attorneys (\$75 million), additional resources dedicated to the Highway and Bridge Trust Fund (\$83 million), additional resources from general reimbursements (\$50 million), and additional VLT receipts (\$26 million). Receipts increase by \$12 million in FY 2014 from the Enacted Budget Financial Plan amount, which reflects expectations of additional resources from general reimbursements (\$50 million), to be partly offset by a decline in resources dedicated to the Highway and Bridge Trust Fund (\$38 million).

Federal grants projections for FY 2013 and FY 2014 have not been revised since the AIS.

General Fund miscellaneous receipts in FY 2013 have been revised upward by \$125 million since the AIS, and in FY 2014 have been revised upward by \$50 million, mainly reflecting year-to-date receipts activity.

| MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars) | | | | | |
|---|------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| | FY 2014 Projected | FY 2015 Projected | Annual \$ Change | FY 2016 Projected | Annual \$ Change |
| General Fund | 2,881 | 2,297 | (584) | 2,389 | 92 |
| Miscellaneous Receipts | 2,879 | 2,297 | (582) | 2,389 | 92 |
| Federal Grants | 2 | 0 | (2) | 0 | 0 |
| State Funds | 24,383 | 23,929 | (454) | 24,121 | 192 |
| Miscellaneous Receipts | 24,296 | 23,844 | (452) | 24,036 | 192 |
| Federal Grants | 87 | 85 | (2) | 85 | 0 |
| All Funds | 68,668 | 71,285 | 2,617 | 73,347 | 2,062 |
| Miscellaneous Receipts | 24,482 | 24,030 | (452) | 24,222 | 192 |
| Federal Grants | 44,186 | 47,255 | 3,069 | 49,125 | 1,870 |

All Funds miscellaneous receipts are projected to decline by \$452 million in FY 2015, driven by the expiration of the temporary increase to 18-a utility assessments. Miscellaneous receipts increase by \$192 million in FY 2016.

Annual Federal grants growth of \$3.1 billion in FY 2015, and \$1.9 billion in FY 2016, is primarily due to growth in Federal Medicaid spending.

General Fund miscellaneous receipts and Federal grants collections for FY 2015 and FY 2016 are projected to be \$2.3 billion and nearly \$2.4 billion respectively.

DISBURSEMENTS

General Fund disbursements in FY 2013 are estimated to total \$59.2 billion, an increase of \$2.7 billion (4.8 percent) over FY 2012 results. State Operating Funds disbursements for FY 2013 are estimated to total \$89.4 billion, an increase of \$2.2 billion (2.6 percent) over FY 2012. The growth in disbursements from the Enacted Budget Financial Plan is largely due to retroactive payments under recent labor settlements and litigation expenses. Excluding these extraordinary expenses for costs incurred in prior periods, State Operating Funds spending is expected to increase by approximately 2.1% from FY 2012 results.

The multi-year disbursements projections take into account agency staffing levels, program caseloads, funding formulas contained in State and Federal law, inflation and other factors. 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 3.5 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 will be triggered if the Federal government does not enact an alternative deficit reduction plan.

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

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 \$58.8 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 Results | FY 2013 Updated | FY 2014 Projected | FY 2015 Projected | FY 2016 Projected |
| Medicaid | | | | | |
| Medicaid Caseload ¹ | 4,535,463 | 4,628,505 | 4,856,565 | 5,324,544 | 5,395,005 |
| Family Health Plus Caseload | 427,066 | 453,355 | 479,644 | 505,932 | 532,221 |
| Child Health Plus Caseload | 418,241 | 436,241 | 454,241 | 472,241 | 490,241 |
| State Takeover of County/NYC Costs (\$000) | \$1,544 | \$1,467 | \$1,846 | \$2,458 | \$3,201 |
| - Family Health Plus | \$428 | \$515 | \$597 | \$682 | \$775 |
| - Medicaid | \$1,116 | \$952 | \$1,249 | \$1,776 | \$2,426 |
| Education | | | | | |
| School Aid (School Year) (\$000) | \$19,542 | \$20,347 | \$21,059 | \$21,901 | \$22,908 |
| Education Personal Income Growth Index | N/A | 4.1 | 3.5 | 4.0 | 4.6 |
| Higher Education | | | | | |
| Public Higher Education Enrollment (FTEs) | 576,300 | 577,664 | 578,242 | 578,820 | 579,399 |
| Tuition Assistance Program Recipients | 309,334 | 310,633 | 310,633 | 310,633 | 310,633 |
| Welfare | | | | | |
| Family Assistance Caseload | 385,180 | 374,822 | 363,077 | 352,880 | 343,935 |
| Single Adult/No Children Caseload | 180,338 | 178,207 | 176,780 | 175,786 | 175,622 |
| Mental Hygiene | | | | | |
| Total Mental Hygiene Community Beds | 87,984 | 91,793 | 96,330 | 100,588 | 101,393 |
| - OMH Community Beds | 36,179 | 39,431 | 43,097 | 46,616 | 47,366 |
| - OPWDD Community Beds | 39,101 | 39,621 | 40,404 | 41,077 | 41,077 |
| - OASAS Community Beds | 12,704 | 12,741 | 12,829 | 12,895 | 12,950 |
| Prison Population (Corrections) | 55,944 | 55,900 | 55,900 | 55,900 | 55,900 |
| ¹ Reflects estimated FY 2012 results. | | | | | |

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 2013 Enacted Budget included a two-year appropriation and continues the change to tie future increases in School Aid to the rate of growth in New York State personal income. School Aid funding will increase by \$805 million (4.1 percent) in the 2012-13 school year, and by an estimated \$712 million (3.5 percent) in the 2013-14 school year.

Over the multi-year financial plan, School Aid funding is expected to 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 performance 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) and certain other aid categories 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, phase-in increases in Foundation Aid or restoration of the GEA.

For the 2012-13 school year, this \$805 million allowable increase includes \$243 million in growth in expense-based aids and other miscellaneous aid categories under current law, a \$400 million GEA restoration, a \$112 million increase in Foundation Aid, and \$50 million to support the first of three annual payments for the first round of performance grants. A second, expanded round of performance grants will be awarded in the 2012-13 school year from \$75 million in annual funding outside the school aid growth limit.

As of the Updated Financial Plan, School Aid is projected to increase by \$712 million in the 2013-14 school year and \$842 million in 2014-15. School Aid is projected to reach an annual total of \$22.9 billion in the 2015-16 school year.

| TOTAL SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30) | | | | | | | | |
|---|----------|--------|----------|--------|----------|--------|----------|---------|
| (millions of dollars) | | | | | | | | |
| SY 2012 | SY 2013 | Change | SY 2014 | Change | SY 2015 | Change | SY 2016 | Change |
| \$19,542 | \$20,347 | \$805 | \$21,059 | \$712 | \$21,901 | \$842 | \$22,908 | \$1,007 |
| | | 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.

| TOTAL SCHOOL AID - STATE FISCAL YEAR BASIS (millions of dollars) | | | | | | | | | |
|---|--------------------|--------------------|-------------|----------------------|-------------|----------------------|-------------|----------------------|-------------|
| | FY 2012 Results | FY 2013 Updated | Change | FY 2014 Projected | Change | FY 2015 Projected | Change | FY 2016 Projected | Change |
| Total State Operating Funds | 19,662 | 20,056 | 2.0% | 20,911 | 4.3% | 21,725 | 3.9% | 22,671 | 4.4% |
| General Fund Local Assistance | 16,778 | 17,003 | 1.3% | 17,832 | 4.9% | 18,641 | 4.5% | 19,585 | 5.1% |
| Core Lottery Aid | 2,147 | 2,187 | 1.9% | 2,200 | 0.6% | 2,195 | -0.2% | 2,197 | 0.1% |
| VLT Lottery Aid | 682 | 847 | 24.2% | 879 | 3.8% | 889 | 1.1% | 889 | 0.0% |
| General Fund Lottery/VLT Guarantee | 55 | 19 | -65.5% | 0 | -100.0% | 0 | 0.0% | 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 is 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 over \$3 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 (57 percent), the enhanced school property tax exemption for senior citizen homeowners with income under \$79,050 (25 percent), and a flat refundable credit and rate reduction for New York City resident personal-income taxpayers (18 percent).

| SCHOOL TAX RELIEF (STAR) (millions of dollars) | | | | | | | | | |
|---|--------------------|--------------------|-------------|----------------------|-------------|----------------------|-------------|----------------------|-------------|
| | FY 2012 Results | FY 2013 Updated | Change | FY 2014 Projected | Change | FY 2015 Projected | Change | FY 2016 Projected | Change |
| Total State Operating Funds | 3,233 | 3,276 | 1.3% | 3,459 | 5.6% | 3,642 | 5.3% | 3,744 | 2.8% |
| Basic Exemption | 1,856 | 1,859 | 0.2% | 1,986 | 6.8% | 2,125 | 7.0% | 2,188 | 3.0% |
| Enhanced (Seniors) | 807 | 829 | 2.7% | 862 | 4.0% | 898 | 4.2% | 925 | 3.0% |
| New York City PIT | 570 | 588 | 3.2% | 611 | 3.9% | 619 | 1.3% | 631 | 1.9% |

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 includes a new policy whereby the Department of Taxation and Finance will instruct local assessors to withhold the STAR exemption benefit from taxpayers who have a State-imposed and State-administered tax liability of \$4,500 or more, and 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 49 professions. FY 2013 has been updated to reflect the timing of payments previously allocated in FY 2012.

Spending for special education is expected to increase as program costs and enrollment rise. In FY 2012, school districts financed the costs associated with schools for the blind and deaf in the first instance and will be reimbursed by the State in 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.

| OTHER EDUCATION (millions of dollars) | | | | | | | | | |
|--|--------------------|--------------------|--------------|----------------------|-------------|----------------------|-------------|----------------------|-------------|
| | FY 2012 Results | FY 2013 Updated | Change | FY 2014 Projected | Change | FY 2015 Projected | Change | FY 2016 Projected | Change |
| Total State Operating Funds | 1,698 | 1,972 | 16.1% | 1,999 | 1.4% | 2,065 | 3.3% | 2,141 | 3.7% |
| Special Education | 1,176 | 1,358 | 15.5% | 1,456 | 7.2% | 1,529 | 5.0% | 1,604 | 4.9% |
| All Other Education | 522 | 614 | 17.6% | 543 | -11.6% | 536 | -1.3% | 537 | 0.2% |

HIGHER EDUCATION

Local assistance for higher education spending includes funding for CUNY, SUNY and HESC. The State provides reimbursements to New York City for costs associated with 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. HESC administers the TAP program that provides awards to income-eligible students and provides centralized processing for other student financial aid programs. The financial aid programs that the Corporation administers are funded by the State and the Federal government.

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.

| HIGHER EDUCATION | | | | | | | | | |
|--|--------------------|--------------------|--------------|----------------------|--------------|----------------------|-------------|----------------------|-------------|
| (millions of dollars) | | | | | | | | | |
| | FY 2012 Results | FY 2013 Updated | Change | FY 2014 Projected | Change | FY 2015 Projected | Change | FY 2016 Projected | Change |
| Total State Operating Funds | 2,608 | 2,618 | 0.4% | 2,812 | 7.4% | 2,888 | 2.7% | 2,967 | 2.7% |
| City University | 1,203 | 1,220 | 1.4% | 1,342 | 10.0% | 1,405 | 4.7% | 1,472 | 4.8% |
| Operating Aid to NYC (Senior Colleges) | 1,024 | 1,025 | 0.1% | 1,149 | 12.1% | 1,212 | 5.5% | 1,279 | 5.5% |
| Community College Aid | 178 | 194 | 9.0% | 193 | -0.5% | 193 | 0.0% | 193 | 0.0% |
| Community Projects | 1 | 1 | 0.0% | 0 | -100.0% | 0 | 0.0% | 0 | 0.0% |
| Higher Education Services | 924 | 936 | 1.3% | 1,001 | 6.9% | 1,014 | 1.3% | 1,026 | 1.2% |
| Tuition Assistance Program | 873 | 877 | 0.5% | 935 | 6.6% | 940 | 0.5% | 946 | 0.6% |
| Aid for Part Time Study | 12 | 12 | 0.0% | 12 | 0.0% | 12 | 0.0% | 12 | 0.0% |
| Scholarships/Awards | 39 | 47 | 20.5% | 54 | 14.9% | 62 | 14.8% | 68 | 9.7% |
| State University | 481 | 462 | -4.0% | 469 | 1.5% | 469 | 0.0% | 469 | 0.0% |
| Community College Aid ¹ | 444 | 457 | 2.9% | 465 | 1.8% | 465 | 0.0% | 465 | 0.0% |
| Hospital Subsidy ² | 32 | 0 | -100.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Other | 5 | 5 | 0.0% | 4 | -20.0% | 4 | 0.0% | 4 | 0.0% |

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.

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, and increased support for the TAP program, which 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.

The Enacted Budget Financial Plan as reflected in the AIS reflects continuation of the Medicaid spending cap enacted in FY 2012, and authorizes funding consistent with its provisions. The cap is based on the ten-year average change in the medical component of the CPI. Statutory changes approved with the FY 2012 Budget grant the Executive certain administrative powers to help hold Medicaid spending to the capped level. The statutory changes, which were set to expire at the end of FY 2013, have been extended through FY 2014, pursuant to authorization included in the FY 2013 Enacted Budget. The cap itself remains in place and the Financial Plan assumes that statutory authority will be extended in subsequent years.

| TOTAL STATE-SHARE MEDICAID DISBURSEMENTS ¹ (millions of dollars) | | | | | |
|--|--------------------|--------------------|----------------------|----------------------|----------------------|
| | FY 2012 Results | FY 2013 Updated | FY 2014 Projected | FY 2015 Projected | FY 2016 Projected |
| Department of Health: | | | | | |
| State Share Without FMAP | 16,000 | 15,606 | 16,513 | 17,049 | 17,895 |
| Enhanced FMAP | (703) | 254 | 0 | 0 | 0 |
| DOH State Share With FMAP | 15,297 | 15,860 | 16,513 | 17,049 | 17,895 |
| Annual \$ Change - DOH Only | | 563 | 653 | 536 | 846 |
| Annual % Change - DOH Only | | 3.7% | 4.1% | 3.2% | 5.0% |
| Other State Agencies: | | | | | |
| Mental Hygiene | 5,402 | 5,819 | 6,209 | 6,511 | 6,873 |
| Education | 64 | 0 | 0 | 0 | 0 |
| Foster Care | 113 | 93 | 117 | 122 | 127 |
| Corrections | 0 | 12 | 12 | 12 | 13 |
| State Operations - Contractual Expenses ² | 16 | 52 | 56 | 55 | 55 |
| Total State Share (All Agencies) | 20,892 | 21,836 | 22,907 | 23,749 | 24,963 |
| Annual \$ Change - Total State Share | | 944 | 1,071 | 842 | 1,214 |
| Annual % Change - Total State Share | | 4.5% | 4.9% | 3.7% | 5.1% |
| 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. | | | | | |

Factors affecting Medicaid spending over the Updated Financial Plan period include Medicaid enrollment, costs of provider health care services (particularly in managed care), levels of service utilization and the expiration of enhanced Federal aid. The number of Medicaid recipients, including FHP, is expected to total approximately 5.1 million at the end of FY 2013, an increase of 2.4 percent from the FY 2012 caseload. The expiration of the enhanced FMAP contributes to an increase in State-share spending of nearly \$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 Enacted Budget includes authorization 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 Enacted Budget also provides Medicaid spending relief for all counties and New York City by reducing the growth in local Medicaid payments. These changes are expected to further provide fiscal and administrative relief to local governments, consistent with other legislation the State has enacted in recent years to reduce the tax burden on its citizens.

The State share of DOH Medicaid spending is financed from both the General Fund, as well as special revenue funding primarily through HCRA. The chart below provides information on the financing sources for State Medicaid spending.

| DEPARTMENT OF HEALTH MEDICAID (millions of dollars) | | | | | | | | | |
|---|--------------------|--------------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|
| | FY 2012 Results | FY 2013 Updated | FY 2014 Change | FY 2014 Projected | FY 2015 Change | FY 2015 Projected | FY 2016 Change | FY 2016 Projected | FY 2016 Change |
| State Operating Funds (Before FMAP) ¹ | 16,000 | 15,606 | -2.5% | 16,513 | 5.8% | 17,049 | 3.2% | 17,895 | 5.0% |
| Enhanced FMAP -- State Share ² | (703) | 254 | -136.1% | 0 | -100.0% | 0 | 0.0% | 0 | 0.0% |
| State Operating Funds (After FMAP) | 15,297 | 15,860 | 3.7% | 16,513 | 4.1% | 17,049 | 3.2% | 17,895 | 5.0% |
| Total General Fund | 10,301 | 10,604 | 2.9% | 11,158 | 5.2% | 11,454 | 2.7% | 12,332 | 7.7% |
| Other State Funds Support | 4,996 | 5,256 | 5.2% | 5,355 | 1.9% | 5,595 | 4.5% | 5,563 | -0.6% |
| HCRA Financing | 3,392 | 3,672 | 8.3% | 3,778 | 2.9% | 4,018 | 6.4% | 3,986 | -0.8% |
| Indigent Care Support | 777 | 792 | 1.9% | 792 | 0.0% | 792 | 0.0% | 792 | 0.0% |
| Provider Assessment Revenue | 827 | 792 | -4.2% | 785 | -0.9% | 785 | 0.0% | 785 | 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.

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.

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 following section entitled “HCRA Financial Plan”.

| PUBLIC HEALTH AND AGING | | | | | | | | | |
|------------------------------------|----------------------------------|----------------------------------|---------------|------------------------------------|---------------|------------------------------------|---------------|------------------------------------|---------------|
| (millions of dollars) | | | | | | | | | |
| | <u>FY 2012</u> <u>Results</u> | <u>FY 2013</u> <u>Updated</u> | <u>Change</u> | <u>FY 2014</u> <u>Projected</u> | <u>Change</u> | <u>FY 2015</u> <u>Projected</u> | <u>Change</u> | <u>FY 2016</u> <u>Projected</u> | <u>Change</u> |
| Total State Operating Funds | 2,104 | 2,041 | -3.0% | 2,219 | 8.7% | 2,315 | 4.3% | 2,072 | -10.5% |
| Public Health | 1,992 | 1,925 | -3.4% | 2,101 | 9.1% | 2,190 | 4.2% | 1,940 | -11.4% |
| Child Health Plus | 344 | 334 | -2.9% | 369 | 10.5% | 395 | 7.0% | 312 | -21.0% |
| General Public Health Work | 247 | 247 | 0.0% | 270 | 9.3% | 283 | 4.8% | 288 | 1.8% |
| EPIC | 169 | 151 | -10.7% | 231 | 53.0% | 255 | 10.4% | 267 | 4.7% |
| Early Intervention | 167 | 164 | -1.8% | 164 | 0.0% | 167 | 1.8% | 171 | 2.4% |
| HCRA Program Account | 435 | 452 | 3.9% | 476 | 5.3% | 478 | 0.4% | 478 | 0.0% |
| F-SHRP | 234 | 175 | -25.2% | 205 | 17.1% | 205 | 0.0% | 0 | -100.0% |
| All Other | 396 | 402 | 1.5% | 386 | -4.0% | 407 | 5.4% | 424 | 4.2% |
| Aging | 112 | 116 | 3.6% | 118 | 1.7% | 125 | 5.9% | 132 | 5.6% |

Increased State support for the EPIC program authorized in the FY 2013 Enacted Budget, reinstituting more expansive coverage of Medicare Part D co-payments and co-insurance for enrollees outside of the existing coverage gap, is expected to drive a substantial portion of growth in the outyears of the Financial Plan. The spending increases related to EPIC coverage is partly financed by additional revenue generated from rebates received from drug manufacturers. Other spending growth over the Updated Financial Plan period largely reflects costs associated with increased enrollment in the CHP program, as well as increased spending for GPHW, consistent with patterns in claiming from counties.

The decline in FY 2013 spending is due in large part to decreased Federal aid. The F-SHRP program 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 temporarily decline in FY 2013, since the more expansive coverage authorized in the FY 2013 Enacted Budget does not take effect until January 1, 2013. After FY 2014, EPIC coverage is expected to stabilize, while spending is projected to increase due to the rising costs of prescription medication.

HCRA FINANCIAL PLAN

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 continue to finance new health care programs, including FHP, and provide additional funding for the expansion of existing programs such as CHP.

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 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 reauthorization 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 supported by the General Fund. Conversely, any shortfall in HCRA is expected to be financed by the General Fund.

| HCRA FINANCIAL PLAN FY 2012 THROUGH FY 2016 | | | | | |
|--|--------------------|--------------------|----------------------|----------------------|----------------------|
| (millions of dollars) | | | | | |
| | FY 2012 Results | FY 2013 Updated | FY 2014 Projected | FY 2015 Projected | FY 2016 Projected |
| Opening Balance | 159 | 3 | 0 | 0 | 0 |
| Total Receipts | 5,317 | 5,921 | 6,184 | 6,303 | 6,184 |
| Surcharges | 2,711 | 3,016 | 3,171 | 3,263 | 3,142 |
| Covered Lives Assessment | 1,018 | 1,045 | 1,045 | 1,045 | 1,045 |
| Cigarette Tax Revenue | 1,162 | 1,146 | 1,123 | 1,101 | 1,079 |
| Conversion Proceeds | 0 | 250 | 300 | 300 | 300 |
| Hospital Assessments | 367 | 394 | 417 | 444 | 469 |
| NYC Cigarette Tax Transfer/Other | 59 | 70 | 128 | 150 | 149 |
| Total Disbursements | 5,473 | 5,924 | 6,184 | 6,303 | 6,184 |
| Medicaid Assistance Account | 3,398 | 3,679 | 3,785 | 4,025 | 3,993 |
| <i>Medicaid Costs</i> | 2,178 | 2,290 | 2,464 | 2,703 | 2,672 |
| <i>Family Health Plus</i> | 602 | 690 | 657 | 657 | 657 |
| <i>Workforce Recruitment & Retention</i> | 184 | 211 | 197 | 197 | 197 |
| <i>All Other</i> | 434 | 488 | 467 | 468 | 467 |
| HCRA Program Account | 461 | 476 | 499 | 501 | 501 |
| Hospital Indigent Care | 785 | 792 | 792 | 792 | 792 |
| Elderly Pharmaceutical Insurance Coverage | 102 | 162 | 246 | 270 | 282 |
| Child Health Plus | 350 | 342 | 377 | 403 | 320 |
| Public Health Programs | 137 | 129 | 129 | 129 | 129 |
| All Other | 240 | 344 | 356 | 183 | 167 |
| Annual Operating Surplus/(Deficit) | (156) | (3) | 0 | 0 | 0 |
| Closing Balance | 3 | 0 | 0 | 0 | 0 |

MENTAL HYGIENE

The Department of Mental Hygiene is comprised of four independent agencies, OMH, OPWDD, OASAS, and DDPC, which is funded entirely by Federal aid, 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 reimbursements from Medicaid, Medicare, third-party insurance and State funding. Patient care revenues are pledged first to the payment of debt service on outstanding mental hygiene bonds, which are issued to finance improvements to infrastructure at mental hygiene facilities throughout the State, with the remaining revenue used to support State operating costs.

| MENTAL HYGIENE (millions of dollars) | | | | | | | | | |
|---|--------------------|--------------------|--------------|----------------------|--------------|----------------------|--------------|----------------------|-------------|
| | FY 2012 Results | FY 2013 Updated | Change | FY 2014 Projected | Change | FY 2015 Projected | Change | FY 2016 Projected | Change |
| Total State Operating Funds | 3,756 | 3,644 | -3.0% | 4,051 | 11.2% | 4,312 | 6.4% | 4,504 | 4.5% |
| People with Developmental Disabilities | 2,324 | 2,235 | -3.8% | 2,461 | 10.1% | 2,571 | 4.5% | 2,642 | 2.8% |
| Residential Services | 1,600 | 1,536 | -4.0% | 1,700 | 10.7% | 1,779 | 4.6% | 1,831 | 2.9% |
| Day Programs | 613 | 588 | -4.1% | 650 | 10.5% | 681 | 4.8% | 700 | 2.8% |
| Clinic | 25 | 25 | 0.0% | 25 | 0.0% | 25 | 0.0% | 25 | 0.0% |
| Other | 86 | 86 | 0.0% | 86 | 0.0% | 86 | 0.0% | 86 | 0.0% |
| Mental Health | 1,124 | 1,094 | -2.7% | 1,251 | 14.4% | 1,385 | 10.7% | 1,490 | 7.6% |
| Adult Local Services | 938 | 913 | -2.7% | 1,046 | 14.6% | 1,158 | 10.7% | 1,246 | 7.6% |
| Children Local Services | 186 | 181 | -2.7% | 205 | 13.3% | 227 | 10.7% | 244 | 7.5% |
| Alcohol and Substance Abuse | 307 | 314 | 2.3% | 338 | 7.6% | 355 | 5.0% | 371 | 4.5% |
| Outpatient/Methadone | 131 | 135 | 3.1% | 142 | 5.2% | 148 | 4.2% | 155 | 4.7% |
| Residential | 112 | 116 | 3.6% | 125 | 7.8% | 132 | 5.6% | 139 | 5.3% |
| Prevention | 32 | 33 | 3.1% | 38 | 15.2% | 40 | 5.3% | 41 | 2.5% |
| Crisis | 17 | 17 | 0.0% | 19 | 11.8% | 20 | 5.3% | 21 | 5.0% |
| Program Support | 8 | 8 | 0.0% | 9 | 12.5% | 10 | 11.1% | 10 | 0.0% |
| LGU Administration | 7 | 5 | -28.6% | 5 | 0.0% | 5 | 0.0% | 5 | 0.0% |
| CQCAPD | 1 | 1 | 0.0% | 1 | 0.0% | 1 | 0.0% | 1 | 0.0% |

Local assistance spending in mental hygiene accounts for nearly half of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 4.6 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the 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 Updated 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.

SOCIAL SERVICES

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

| TEMPORARY AND DISABILITY ASSISTANCE | | | | | | | | | |
|---|----------------|----------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| (millions of dollars) | | | | | | | | | |
| | FY 2012 | FY 2013 | | FY 2014 | | FY 2015 | | FY 2016 | |
| | <u>Results</u> | <u>Updated</u> | <u>Change</u> | <u>Projected</u> | <u>Change</u> | <u>Projected</u> | <u>Change</u> | <u>Projected</u> | <u>Change</u> |
| Total State Operating Funds | 1,413 | 1,488 | 5.3% | 1,543 | 3.7% | 1,441 | -6.6% | 1,469 | 1.9% |
| SSI | 730 | 741 | 1.5% | 766 | 3.4% | 664 | -13.3% | 691 | 4.1% |
| Public Assistance Benefits ¹ | 513 | 620 | 20.9% | 657 | 6.0% | 657 | 0.0% | 657 | 0.0% |
| Welfare Initiatives | 24 | 19 | -20.8% | 18 | -5.3% | 18 | 0.0% | 18 | 0.0% |
| All Other | 146 | 108 | -26.0% | 102 | -5.6% | 102 | 0.0% | 103 | 1.0% |

¹ 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 FY 2012 level. In the Safety Net Families program, an average of 119,791 families are expected to receive aid in FY 2013, an annual decrease of 2.9 percent. The caseload for single adults/childless couples supported through the Safety Net Families program is projected at 178,207, an annual 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 (millions of dollars) | | | | | | | | | |
|---|--------------------|--------------------|--------------|----------------------|--------------|----------------------|-------------|----------------------|-------------|
| | FY 2012 Results | FY 2013 Updated | Change | FY 2014 Projected | Change | FY 2015 Projected | Change | FY 2016 Projected | Change |
| Total State Operating Funds | 1,604 | 1,543 | -3.8% | 1,891 | 22.6% | 1,990 | 5.2% | 2,094 | 5.2% |
| Child Welfare Service | 446 | 330 | -26.0% | 463 | 40.3% | 508 | 9.7% | 556 | 9.4% |
| Foster Care Block Grant | 436 | 436 | 0.0% | 464 | 6.4% | 492 | 6.0% | 521 | 5.9% |
| Adoption | 181 | 175 | -3.3% | 182 | 4.0% | 190 | 4.4% | 199 | 4.7% |
| Day Care | 143 | 220 | 53.8% | 355 | 61.4% | 354 | -0.3% | 354 | 0.0% |
| Youth Programs | 109 | 125 | 14.7% | 150 | 20.0% | 155 | 3.3% | 156 | 0.6% |
| Medicaid | 113 | 93 | -17.7% | 117 | 25.8% | 122 | 4.3% | 127 | 4.1% |
| Committees on Special Education | 64 | 39 | -39.1% | 42 | 7.7% | 46 | 9.5% | 51 | 10.9% |
| Adult Protective/Domestic Violence | 33 | 34 | 3.0% | 39 | 14.7% | 44 | 12.8% | 51 | 15.9% |
| All Other | 79 | 91 | 15.2% | 79 | -13.2% | 79 | 0.0% | 79 | 0.0% |

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.

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 between 4 percent and 10 percent each year from FY 2014 to FY 2016. Legislation enacted in December 2011 eliminated the MTA payroll tax for all elementary and secondary schools as well as for certain small businesses. The State is compensating the MTA for the decrease in receipts from the December 2011 tax reduction and is expected to continue to compensate the MTA over the multi-year Financial Plan.

| TRANSPORTATION (millions of dollars) | | | | | | | | | |
|---|--------------------|--------------------|-------------|----------------------|-------------|----------------------|-------------|----------------------|-------------|
| | FY 2012 Results | FY 2013 Updated | Change | FY 2014 Projected | Change | FY 2015 Projected | Change | FY 2016 Projected | Change |
| Total State Operating Funds | 4,230 | 4,378 | 3.5% | 4,556 | 4.1% | 4,634 | 1.7% | 4,730 | 2.1% |
| Mass Transit Operating Aid: | <u>1,784</u> | <u>1,907</u> | <u>6.9%</u> | <u>1,907</u> | <u>0.0%</u> | <u>1,907</u> | <u>0.0%</u> | <u>1,907</u> | <u>0.0%</u> |
| Metro Mass Transit Aid | 1,645 | 1,762 | 7.1% | 1,762 | 0.0% | 1,762 | 0.0% | 1,762 | 0.0% |
| Public Transit Aid | 87 | 93 | 6.9% | 93 | 0.0% | 93 | 0.0% | 93 | 0.0% |
| 18-B General Fund Aid | 27 | 27 | 0.0% | 27 | 0.0% | 27 | 0.0% | 27 | 0.0% |
| School Fare | 25 | 25 | 0.0% | 25 | 0.0% | 25 | 0.0% | 25 | 0.0% |
| Mobility Tax and MTA Aid Trust | 1,725 | 1,742 | 1.0% | 1,915 | 9.9% | 1,991 | 4.0% | 2,085 | 4.7% |
| Dedicated Mass Transit | 674 | 683 | 1.3% | 689 | 0.9% | 691 | 0.3% | 693 | 0.3% |
| AMTAP | 45 | 45 | 0.0% | 45 | 0.0% | 45 | 0.0% | 45 | 0.0% |
| All Other | 2 | 1 | -50.0% | 0 | -100.0% | 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.

ALL OTHER LOCAL ASSISTANCE SPENDING

| LOCAL GOVERNMENT ASSISTANCE | | | | | | | | | |
|------------------------------------|--------------------|--------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|
| (millions of dollars) | | | | | | | | | |
| | FY 2012 Results | FY 2013 Updated | Annual % Change | FY 2014 Projected | Annual % Change | FY 2015 Projected | Annual % Change | FY 2016 Projected | Annual % Change |
| Total State Operating Funds | 754 | 777 | 3.1% | 789 | 1.5% | 801 | 1.5% | 803 | 0.2% |
| AIM: | | | | | | | | | |
| Big Four Cities | 429 | 429 | 0.0% | 429 | 0.0% | 429 | 0.0% | 429 | 0.0% |
| Other Cities | 218 | 218 | 0.0% | 218 | 0.0% | 218 | 0.0% | 218 | 0.0% |
| Towns and Villages | 68 | 68 | 0.0% | 68 | 0.0% | 68 | 0.0% | 68 | 0.0% |
| Efficiency Incentives | 6 | 25 | 316.7% | 42 | 68.0% | 58 | 38.1% | 60 | 3.4% |
| All Other Local Aid | 33 | 37 | 12.1% | 32 | -13.5% | 28 | -12.5% | 28 | 0.0% |

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 Financial Plan period.

AGENCY OPERATIONS

Agency operating costs include personal service, non-personal service, and GSCs. Personal service includes salaries of State employees of the Executive, Legislative, and Judicial branches, as well as overtime payments and costs for temporary employees. Non-personal service generally accounts for the cost of operating State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, information technology, and professional business services), supplies and materials, equipment, telephone service and employee travel. GSCs account for the costs of fringe benefits (i.e., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. 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 (i.e., attorneys, nurses, accountants, engineers, social workers, and institution teachers); UUP, which represents faculty and non-teaching professional staff within the State University system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

Selected assumptions used in preparing the spending projections for agency operations are summarized in the following table.

| FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS | | | | | |
|--|----------------------------------|----------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | <u>FY 2012</u> <u>Results</u> | <u>FY 2013</u> <u>Updated</u> | <u>FY 2014</u> <u>Projected</u> | <u>FY 2015</u> <u>Projected</u> | <u>FY 2016</u> <u>Projected</u> |
| Negotiated Base Salary Increases ¹ | | | | | |
| CSEA/NYSCOPBA/Council 82/NYSPBA | 0 | 0 | 0 | 2% | 2% |
| PEF | 0 | 0 | 0 | 2% | TBD |
| State Workforce | 119,579 | 121,841 | 122,142 | 122,142 | 122,142 |
| ERS Pension Contribution Rate ² | | | | | |
| Before Amortization | 16.5% | 19.4% | 21.6% | 23.1% | 20.6% |
| After Amortization | 10.5% | 11.5% | 12.5% | 13.5% | 14.5% |
| PFRS Pension Contribution Rate | | | | | |
| Before Amortization | 22.3% | 26.9% | 29.2% | 31.3% | 28.5% |
| After Amortization | 18.5% | 19.5% | 20.5% | 21.5% | 22.5% |
| Employee/Retiree Health Insurance Growth Rates | 6.0% | -2.7% | 7.2% | 8.3% | 8.3% |
| PS/Fringe as % of Receipts (All Funds Basis) | 14.4% | 14.6% | 14.7% | 14.9% | 14.2% |
| ¹ Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated workforce agreements. | | | | | |
| ² As Percent of Salary. | | | | | |

Growth in agency operating spending over the multiple years of the Updated 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.

Recently settled collective bargaining agreements with NYSCOPBA and Council 82 are reflected in the personal service costs below and include retroactive salary increases that will be paid in FY 2013 for prior years.

In most years, there are 26 bi-weekly pay periods. However, in FY 2016 there is one additional State institutional payroll, therefore an “extra” 27th pay period results in higher spending. In addition, in FY 2016 the State will begin repayment to State employees for portions of the Deficit Reduction program taken during FY 2012 and FY 2013 as part of workforce savings initiatives.

| STATE OPERATING FUNDS - AGENCY OPERATIONS | | | | | | | | | |
|---|--------------------|--------------------|-------------|----------------------|-------------|----------------------|-------------|----------------------|-------------|
| (millions of dollars) | | | | | | | | | |
| | FY 2012 Results | FY 2013 Updated | Change | FY 2014 Projected | Change | FY 2015 Projected | Change | FY 2016 Projected | Change |
| Subject to Direct Executive Control | 9,696 | 9,723 | 0.3% | 9,884 | 1.7% | 10,138 | 2.6% | 10,575 | 4.3% |
| Mental Hygiene | 2,941 | 2,985 | 1.5% | 3,088 | 3.5% | 3,197 | 3.5% | 3,350 | 4.8% |
| Corrections and Community Supervision | 2,472 | 2,704 | 9.4% | 2,578 | -4.7% | 2,649 | 2.8% | 2,806 | 5.9% |
| State Police | 611 | 644 | 5.4% | 650 | 0.9% | 655 | 0.8% | 668 | 2.0% |
| Public Health | 540 | 556 | 3.0% | 607 | 9.2% | 629 | 3.6% | 635 | 1.0% |
| Tax and Finance | 383 | 393 | 2.6% | 395 | 0.5% | 406 | 2.8% | 413 | 1.7% |
| Children and Family Services | 293 | 316 | 7.8% | 315 | -0.3% | 301 | -4.4% | 298 | -1.0% |
| Environmental Conservation | 245 | 235 | -4.1% | 235 | 0.0% | 236 | 0.4% | 239 | 1.3% |
| Financial Services | 210 | 202 | -3.8% | 207 | 2.5% | 209 | 1.0% | 212 | 1.4% |
| Temporary and Disability Assistance | 150 | 203 | 35.3% | 205 | 1.0% | 216 | 5.4% | 214 | -0.9% |
| Parks, Recreation and Historic Preservation | 183 | 166 | -9.3% | 167 | 0.6% | 169 | 1.2% | 171 | 1.2% |
| Workers' Compensation Board | 158 | 151 | -4.4% | 150 | -0.7% | 153 | 2.0% | 156 | 2.0% |
| Lottery | 140 | 161 | 15.0% | 155 | -3.7% | 159 | 2.6% | 159 | 0.0% |
| General Services | 120 | 154 | 28.3% | 138 | -10.4% | 133 | -3.6% | 136 | 2.3% |
| Collective Bargaining Adjustment | 102 | (236) | -331.4% | 0 | -100.0% | 0 | 0.0% | 0 | 0.0% |
| All Other | 1,148 | 1,089 | -5.1% | 994 | -8.7% | 1,026 | 3.2% | 1,118 | 9.0% |
| University System | 5,538 | 5,627 | 1.6% | 5,736 | 1.9% | 5,882 | 2.5% | 6,023 | 2.4% |
| State University | 5,430 | 5,524 | 1.7% | 5,631 | 1.9% | 5,774 | 2.5% | 5,913 | 2.4% |
| City University | 108 | 103 | -4.6% | 105 | 1.9% | 108 | 2.9% | 110 | 1.9% |
| Independent Agencies | 295 | 304 | 3.1% | 305 | 0.3% | 313 | 2.6% | 321 | 2.6% |
| Law | 160 | 165 | 3.1% | 163 | -1.2% | 167 | 2.5% | 171 | 2.4% |
| Audit & Control | 135 | 139 | 3.0% | 142 | 2.2% | 146 | 2.8% | 150 | 2.7% |
| Total, excluding Legislature and Judiciary | 15,529 | 15,654 | 0.8% | 15,925 | 1.7% | 16,333 | 2.6% | 16,919 | 3.6% |
| Judiciary | 1,827 | 1,856 | 1.6% | 1,914 | 3.1% | 2,000 | 4.5% | 2,095 | 4.8% |
| Legislature | 197 | 219 | 11.2% | 221 | 0.9% | 224 | 1.4% | 227 | 1.3% |
| Statewide Total (Adjusted) | 17,553 | 17,729 | 1.0% | 18,060 | 1.9% | 18,557 | 2.8% | 19,241 | 3.7% |
| Personal Service | 12,149 | 12,234 | 0.7% | 12,494 | 2.1% | 12,832 | 2.7% | 13,364 | 4.1% |
| Non-Personal Service | 5,404 | 5,495 | 1.7% | 5,566 | 1.3% | 5,725 | 2.9% | 5,877 | 2.7% |
| Statewide Total | 17,451 | 17,965 | 2.9% | 18,060 | 0.5% | 18,557 | 2.8% | 19,241 | 3.7% |
| Personal Service | 12,047 | 12,470 | 3.5% | 12,494 | 0.2% | 12,832 | 2.7% | 13,364 | 4.1% |
| Non-Personal Service | 5,404 | 5,495 | 1.7% | 5,566 | 1.3% | 5,725 | 2.9% | 5,877 | 2.7% |

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 employee fringe benefit costs from their respective budgets. Employee fringe benefits paid through GSCs are paid from the General Fund in the first instance and then partially reimbursed by revenue collected from fringe benefit assessments on Federal funds and other special revenue accounts. The largest General Fund reimbursement comes from the mental hygiene agencies.

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

| GENERAL STATE CHARGES (millions of dollars) | | | | | | | | | |
|--|--------------------|--------------------|--------------|----------------------|--------------|----------------------|-------------|----------------------|--------------|
| | FY 2012 Results | FY 2013 Updated | Change | FY 2014 Projected | Change | FY 2015 Projected | Change | FY 2016 Projected | Change |
| Total State Operating Funds | 6,593 | 6,531 | -0.9% | 7,062 | 8.1% | 7,563 | 7.1% | 8,040 | 6.3% |
| Fringe Benefits | 6,217 | 6,146 | -1.1% | 6,707 | 9.1% | 7,193 | 7.2% | 7,671 | 6.6% |
| Health Insurance | <u>3,275</u> | <u>3,202</u> | <u>-2.2%</u> | <u>3,411</u> | <u>6.5%</u> | <u>3,670</u> | <u>7.6%</u> | <u>3,951</u> | <u>7.7%</u> |
| Employee Health Insurance | 2,052 | 1,987 | -3.2% | 2,132 | 7.3% | 2,294 | 7.6% | 2,469 | 7.6% |
| Retiree Health Insurance | 1,223 | 1,215 | -0.7% | 1,279 | 5.3% | 1,376 | 7.6% | 1,482 | 7.7% |
| Pensions | 1,697 | 1,600 | -5.7% | 2,012 | 25.8% | 2,257 | 12.2% | 2,467 | 9.3% |
| Social Security | 914 | 931 | 1.9% | 944 | 1.4% | 969 | 2.6% | 1,000 | 3.2% |
| All Other Fringe | 331 | 413 | 24.8% | 340 | -17.7% | 297 | -12.6% | 253 | -14.8% |
| Fixed Costs | 376 | 385 | 2.4% | 355 | -7.8% | 370 | 4.2% | 369 | -0.3% |

GSCs are projected to increase at an average annual rate of 5.1 percent over the Financial Plan period. The annual decrease in FY 2013 is driven by the impact of collective bargaining agreements, workforce attrition and the prepayment of certain pension costs in FY 2012. These declines are partially offset by increased workers' compensation payments commensurate with 2007 legislative reforms and Court of Claims payments related to the Gyrodyne eminent domain lawsuit against the State. 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)

| GENERAL FUND TRANSFERS TO OTHER FUNDS | | | | | |
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| (millions of dollars) | | | | | |
| | <u>FY 2012 Results</u> | <u>FY 2013 Updated</u> | <u>FY 2014 Projected</u> | <u>FY 2015 Projected</u> | <u>FY 2016 Projected</u> |
| Total Transfers to Other Funds | 5,856 | 7,036 | 8,655 | 9,535 | 9,802 |
| Medicaid State Share | 2,722 | 2,975 | 2,767 | 2,621 | 2,521 |
| Debt Service | 1,516 | 1,564 | 1,617 | 1,514 | 1,488 |
| Capital Projects | 798 | 1,055 | 1,287 | 1,403 | 1,299 |
| Dedicated Highway and Bridge Trust Fund | 449 | 499 | 594 | 619 | 622 |
| All Other Capital | 349 | 556 | 693 | 784 | 677 |
| All Other Transfers | 820 | 1,442 | 2,984 | 3,997 | 4,494 |
| Mental Hygiene | 0 | 0 | 824 | 1,756 | 2,347 |
| SUNY - Disproportionate Share | 225 | 228 | 228 | 228 | 228 |
| Judiciary Funds | 123 | 115 | 116 | 117 | 118 |
| School Aid - Lottery/VLT Aid Guarantee | 55 | 19 | 0 | 0 | 0 |
| SUNY - University Operations | 0 | 340 | 983 | 1,002 | 1,022 |
| SUNY - Hospital Operations | 60 | 81 | 88 | 88 | 88 |
| Banking Services | 71 | 58 | 66 | 66 | 66 |
| Statewide Financial System | 36 | 48 | 55 | 55 | 55 |
| Indigent Legal Services | 40 | 40 | 40 | 40 | 40 |
| Department of Transportation (MTA Tax) | 22 | 280 | 332 | 334 | 334 |
| Mass Transportation Operating Assistance | 47 | 19 | 19 | 19 | 19 |
| Alcoholic Beverage Control | 16 | 17 | 19 | 20 | 20 |
| Public Transportation Systems | 12 | 12 | 12 | 12 | 12 |
| Correctional Industries | 10 | 10 | 10 | 10 | 10 |
| OFT Centralized Tech Services | 0 | 22 | 52 | 20 | 10 |
| All Other | 103 | 153 | 140 | 230 | 125 |

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 the DHBTF. The DHBTF 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 \$7.0 billion in FY 2013, an annual increase of \$1.2 billion, or 20 percent. This increase is mainly due to higher costs related to the Financial Plan re-categorization of SUNY operating support, supplementation to MTA for the recent payroll tax reduction, Medicaid State share, and capital projects.

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 (i.e., ESDC, DASNY, and the Thruway Authority, subject to an appropriation). Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

| DEBT SERVICE SPENDING PROJECTIONS | | | | |
|-----------------------------------|----------------------------|----------------------------|--------------------------|---------------------------|
| (millions of dollars) | | | | |
| | <u>FY 2012 Results</u> | <u>FY 2013 Updated</u> | <u>Annual Change</u> | <u>Percent Change</u> |
| General Fund | 1,516 | 1,564 | 48 | 3.2% |
| Other State Support | 4,348 | 4,536 | 188 | 4.3% |
| State Operating Funds | 5,864 | 6,100 | 236 | 4.0% |
| Total All Funds | 5,864 | 6,100 | 236 | 4.0% |

Total debt service is projected at \$6.1 billion in FY 2013, of which \$1.6 billion is financed via a General Fund transfer, 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 appropriation-backed revenue bonds, including PIT bonds, DHBTF bonds, and mental health facilities bonds.

Projections for debt service spending have been updated to reflect actual bond sale results to date, higher assumed costs for mental health bonds, and anticipated increased 2012-13 bonding levels for SUNY and transportation purposes.

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 2012 in July 2012.

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

| <u>Fiscal Year Ended</u> | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Debt Service Funds</u> | <u>Capital Projects Funds</u> | <u>All Governmental Funds</u> | <u>Accum. General Fund Surplus/(Deficit)</u> |
|--------------------------|---------------------|------------------------------|---------------------------|-------------------------------|-------------------------------|--|
| March 31, 2012 | 137 | 56 | 80 | 346 | 619 | (1,868) |
| March 31, 2011 | 1,529 | 742 | 198 | (568) | 1,901 | (2,009) |
| March 31, 2010 | (594) | (722) | 378 | 1,061 | 123 | (3,538) |

Summary of Net Assets (millions of dollars)

| <u>Fiscal Year Ended</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total Primary Government</u> |
|--------------------------|--------------------------------|---------------------------------|---------------------------------|
| March 31, 2012 | 26,333 | (658) | 25,675 |
| March 31, 2011 | 27,648 | (618) | 27,030 |
| March 31, 2010 | 27,976 | 116 | 28,092 |

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

STATE RETIREMENT SYSTEMS

GENERAL

This section summarizes key information regarding the New York State and Local Retirement System (“NYSLRS” or the “Systems”) and the Common Retirement Fund (“CRF”), a pooled investment vehicle in which the assets of the Systems are held and invested. Greater detail, including the independent auditor’s report for the fiscal year ending March 31, 2011, is included in NYSLRS’ Comprehensive Annual Financial Report (“NYSLRS’ CAFR”) for the fiscal year ended March 31, 2011. The Systems Actuary’s Annual Report to the Comptroller on Actuarial Assumptions - the contents of which explain the methodology used to determine employer contribution rates to the Systems - issued from 2007 through 2011, as well as NYSLRS’ CAFR and Asset Listing, the NYSLRS’ CAFR for each of the seven prior fiscal years, and benefit plan booklets describing how each of the Systems’ tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications. The audited Financial Statements for the fiscal year ending March 31, 2012 were completed in July 2012 and can also be accessed at this link. The NYSLRS’ CAFR for the fiscal year ending March 31, 2012, which will include the independent auditor’s report for the fiscal year ending March 31, 2012, will be available on the OSC website by September 30, 2012.

The State Comptroller is the administrative head of NYSLRS, which has the powers and privileges of a corporation and comprises the New York State and Local Employees’ Retirement System (“ERS”) and the New York State and Local Police and Fire Retirement System (“PFRS”). The Comptroller promulgates rules and regulations for the administration and transaction of the business of the Systems. Pursuant to the State’s Retirement and Social Security Law and Insurance Law, NYSLRS is subject to the supervision of the Superintendent of the New York State Department of Financial Services. The Comptroller is also the trustee and custodian of the CRF, a trust created pursuant to the Retirement and Social Security Law, and, as such, is responsible for investing the assets of the Systems. Consistent with statutory limitations affecting categories of investment, the Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management of the Office of the State Comptroller (“Division”). Division employees, outside advisors, consultants and legal counsel provide the Comptroller with advice and oversight of investment decisions. Outside advisors and internal investment staff must sign off on investment decisions before final action by the Comptroller. The Investment Advisory Committee and the Real Estate Advisory Committee, both made up of outside advisors, assist the Comptroller in his investment duties. The Investment Advisory Committee advises the Comptroller on investment policies relating to the CRF, reviews the portfolio of the CRF and makes such recommendations as the Committee deems necessary. The Real Estate Advisory Committee reviews and must approve mortgage and real estate investments for consideration by the Comptroller.

THE SYSTEMS

The Systems provide pension benefits to public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). State employees made up about 34 percent of the membership during FY 2012. 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 public authorities.

As of March 31, 2012, approximately 656,000 persons were members of the Systems and approximately 403,000 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of the State Constitution considers membership in any State pension or retirement system to be “a contractual relationship, the benefits of which shall not be diminished or impaired.”

COMPARISON OF BENEFITS BY TIER

The Systems’ members are categorized into six tiers depending on date of membership. As of March 31, 2012, approximately 87 percent of ERS members were in Tiers 3 and 4 and approximately 93 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and made significant changes to the benefit structure for ERS members joining on or after January 1, 2010 and PFRS members joining on or after January 9, 2010. Tier 6 was enacted in 2012 and made further changes to the benefit structure for ERS and PFRS members joining on or after April 1, 2012.

Benefits paid to members vary depending on tier. Tiers vary with respect to vesting, employee contributions, retirement age, reductions for early retirement, and calculation and limitation of “final average salary” – generally the average of an employee’s three consecutive highest years’ salary (for Tier 6 members, final average salary is determined by taking the average of an employee’s five consecutive highest years’ salary). ERS members in Tiers 3 and 4 can begin receiving full retirement benefits at age 62, or at age 55 with at least 30 years of service. The amount of the benefit is based on years of service, age at retirement and the final average salary earned. The majority of PFRS members in Tier 2 are in special plans that permit them to retire after 20 or 25 years regardless of age. Charts comparing the key benefits provided to members of ERS and PFRS in most of the tiers of the Systems can be accessed at <http://www.osc.state.ny.us/retire/employers/tier-6/index.php>.

2010 RETIREMENT INCENTIVE PROGRAM

Legislation enacted in June 2010 provided the State and local employers with the option to offer a temporary Retirement Incentive Program for certain ERS members for periods ending no later than December 31, 2010. This program did not apply to PFRS members. The Program had two distinct parts:

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

Participating members whose employer offered both parts of the program, and who met the eligibility requirements of both parts, had to choose between the two. The cost of the incentive is borne by the State and each employer electing the incentive over a five-year period commencing with a payment in FY 2012. The number of members who retired under the State Early Retirement Incentive (ERI) is approximately 6,400. Three hundred ninety-nine (399) participating employers elected to participate in Part A of the ERI. Two hundred eleven (211) participating employers elected to participate in Part B of the ERI. Five thousand four hundred fifty three (5,453) members from participating employers retired under the ERI.

CONTRIBUTIONS AND FUNDING

Contributions to the Systems are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 are required to contribute 3 percent of their salaries for the first ten years of membership. All ERS members joining after 2009, and most PFRS members joining after January 9, 2010, are members of Tier 5 and are required to contribute 3 percent of their salaries for their career. However, if a participating employer had a collective bargaining agreement in effect when Tier 5 became effective (January 9, 2010) that provided for PFRS members to be non-contributory, individuals who first become Tier 5 members prior to the expiration of the agreement are non-contributory in their plan for their career. Individuals who first became Tier 5 members after the expiration of the current collective bargaining agreement are subject to the 3 percent contribution. Members in Tier 6 are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages. Members of both ERS and PFRS earning \$45,000 or less must contribute 3 percent of their gross annual wages; members earning between \$45,001 and \$55,000 will contribute 3.5 percent; members earning between \$55,001 and \$75,000 will contribute 4.5 percent; members earning between \$75,001 and 100,000 will contribute 5.75 percent; and, those earning in excess of \$100,000 will contribute 6 percent of their gross annual salary.

The CRF experienced significant investment losses in FY 2009. These investment losses negatively impacted the value of assets held by the CRF for the Systems. In order to protect employers from potentially volatile contributions tied directly to the value of the Systems' assets held by the CRF, the Systems utilize a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the Systems Actuary, which is currently 7.5 percent. The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period. Thus, because of the significant investment loss in FY 2009, employer contribution rates increased for FY 2011, FY 2012 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. 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. Contribution rates for FY 2014 are expected to be released by early September 2012.

Legislation enacted in May 2003 realigned the Systems' billing cycle to match participating local governments' budget cycles and also instituted a minimum annual payment of at least 4.5 percent of payroll every year. The employer contribution for a given fiscal year is based in part on the value of the CRF's assets and its liabilities on the preceding April 1. Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at five percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2012, the amortized amount receivable pursuant to Chapter 260 from the State is \$249 million and from participating employers is \$65.3 million. The State paid \$1,511.1 million in contributions (including Judiciary) for FY 2012 including amortization payments of approximately \$69.1 million pursuant to Chapter 260.

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. Amortized amounts must be paid by State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without

penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in fiscal year 2011, the Comptroller set an interest rate of 5 percent. For amounts amortized in fiscal year 2012, the interest rate is 3.75 percent. The rate for amounts amortized in fiscal year 2013 will be released by early September 2012. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, it is expected that this will reduce the budgetary volatility of employer contributions. As of March 31, 2012, the amortized amount receivable for the 2011 amortization is \$230.67 million from the State and \$40.39 million from participating employers. In FY 2012, the State elected to amortize \$562.9 million and 134 participating employers amortized a total of \$216.33 million.

The estimated State payment (including Judiciary) due March 1, 2013 is \$2,189.4 million. The State (including Judiciary) has the option to amortize up to \$781.9 million which would reduce the required payment to \$1,407.5 million. The State payment for FY 2013 is an estimate. If this amount changes, then the amount that can be amortized would also change. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF.

PENSION ASSETS AND LIABILITIES

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, 2012 were \$153.4 billion (including \$3.5 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 \$3.9 billion or 2.6 percent from the FY 2011 level of \$149.5 billion. The increase in net assets available for benefits from FY 2011 to FY 2012 reflects, in large part, equity market performance. The valuation used by the Systems Actuary will be based on audited net assets available for benefits as of March 31, 2012 and will be included in the NYSLRS' CAFR for that fiscal year.

Consistent with statutory limitations affecting categories of investment, the Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the Division's investment activities. The purpose of this asset allocation strategy is to identify the optimal diversified mix of assets to meet the requirements of pension payment obligations to members. In the fiscal year ended March 31, 2010, an asset liability analysis was completed and a long term policy allocation was adopted. The current long term policy allocation seeks a mix that includes 43 percent equities (30 percent domestic and 13 percent international); 22 percent bonds, cash and mortgages; 8 percent inflation indexed bonds and 27 percent alternative investments (10 percent private equity, 6 percent real estate, 4 percent absolute return or hedge funds, 4 percent opportunistic and 3 percent real assets (commodities)). Since the implementation of the long-term policy allocation will take several years, transition targets have been established to aid in the asset rebalancing process.³

³ More detail on the CRF's asset allocation, long-term policy allocation and transition target allocation can be found on page 73 of the NYSLRS CAFR for the fiscal year ending March 31, 2011.

The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from \$194.3 billion on April 1, 2011 to \$198.6 billion (including \$89.3 billion for current retirees and beneficiaries) on April 1, 2012. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2012 in that amortized cost was used instead of market value for bonds and mortgages, and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected loss for FY 2012, 40 percent of the unexpected gain for the FY 2011, 60 percent of the unexpected gain for FY 2010 and 80 percent of the unexpected loss for FY 2009⁴. Actuarial assets decreased from \$148.6 billion on April 1, 2011 to \$147.8 billion on April 1, 2012. The funded ratio, as of April 1, 2012, calculated by the System Actuary in August 2012 using the entry age normal funding method and actuarial assets, was 87 percent⁵.

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⁴ The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period.

⁵ Detail on the funded ratios of ERS and PFRS as of April 1 for each of the 5 years previous to the fiscal year ended March 31, 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 5 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 ten years. See also "Contributions and Funding" 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 | |
| 2003 | 652 | 378 | 274 | 219 | 5,030 |
| 2004 | 1,287 | 832 | 455 | 222 | 5,424 |
| 2005 | 2,965 | 1,877 | 1,088 | 227 | 5,691 |
| 2006 | 2,782 | 1,714 | 1,068 | 241 | 6,073 |
| 2007 | 2,718 | 1,730 | 988 | 250 | 6,432 |
| 2008 | 2,649 | 1,641 | 1,008 | 266 | 6,883 |
| 2009 | 2,456 | 1,567 | 889 | 273 | 7,265 |
| 2010 | 2,344 | 1,447 | 897 | 284 | 7,719 |
| 2011 | 4,165 | 2,406 | 1,759 | 286 | 8,520 |
| 2012 | 4,585 | 2,799 | 1,786 | 273 | 8,938 |

(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.

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

| Fiscal Year Ended | | Percent Increase/ (Decrease) |
|--------------------------|-------------------|---|
| March 31 | Net Assets | From Prior Year |
| 2003 | 97,373 | (13.6) |
| 2004 | 120,799 | 24.1 |
| 2005 | 128,038 | 6.0 |
| 2006 | 142,620 | 11.4 |
| 2007 | 156,625 | 9.8 |
| 2008 | 155,846 | (0.5) |
| 2009 | 110,938 | (28.8) |
| 2010 | 134,252 | 21.0 |
| 2011 | 149,549 | 11.4 |
| 2012 | 153,394 | 2.6 |

Sources: State and Local Retirement Systems.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2012 includes approximately \$3.5 billion of receivables.

AUTHORITIES AND LOCALITIES

PUBLIC AUTHORITIES

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

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. These entities generally pay their own operating expenses and debt service costs from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels; charges for public power, electric and gas utility services; tuition and fees; rentals charged for housing units; and charges for occupancy at medical care facilities. In addition, State legislation also authorizes several financing structures, which may be utilized for the financings. The FY 2013 Enacted Budget authorizes any public benefit corporation to make voluntary contributions to the State’s General Fund at any time from any funds as deemed feasible and advisable by the public benefit corporation’s governing board after due consideration of the public benefit corporation’s legal and financial obligations, and deems 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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As of December 31, 2011 (NYJDA is as of March 31, 2012), each of the 18 authorities listed in the following table had outstanding debt of \$100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately \$170 billion, only a portion of which constitutes State-supported or State-related debt. The following table summarizes the outstanding debt of these authorities.

Outstanding Debt of Certain Authorities (1) (2) (3)
As of December 31, 2011 (8)
(millions of dollars)

| Authority | State-Related Conduit (4) | Authority and Conduit Bonding | Total |
|---|--------------------------------------|--|----------------|
| Dormitory Authority (5) | 22,409 | 22,790 | 45,199 |
| Metropolitan Transportation Authority | 2,034 | 21,601 | 23,635 |
| Port Authority of NY & NJ | 0 | 19,515 | 19,515 |
| Thruway Authority | 11,071 | 3,085 | 14,156 |
| Housing Finance Agency | 1,058 | 9,547 | 10,605 |
| UDC/ESDC (6) | 9,426 | 1,004 | 10,430 |
| Triborough Bridge and Tunnel Authority | 9 | 8,544 | 8,553 |
| Environmental Facilities Corporation | 896 | 7,258 | 8,154 |
| Long Island Power Authority (7) | 0 | 6,631 | 6,631 |
| New York Job Development Authority (8) | 19 | 6,615 | 6,634 |
| Energy Research and Development Authority (7) | 0 | 3,836 | 3,836 |
| State of New York Mortgage Agency | 0 | 3,217 | 3,217 |
| Local Government Assistance Corporation | 3,119 | 0 | 3,119 |
| Tobacco Settlement Financing Corporation | 2,690 | 0 | 2,690 |
| Power Authority | 0 | 1,784 | 1,784 |
| Battery Park City Authority | 0 | 1,053 | 1,053 |
| Municipal Bond Bank Agency | 368 | 353 | 721 |
| Niagara Frontier Transportation Authority | 0 | 170 | 170 |
| TOTAL OUTSTANDING | 53,099 | 117,003 | 170,102 |

Source: Office of the State Comptroller. Debt classifications by Division of the Budget.

(1) Includes only authorities with \$100 million or more in outstanding debt which are reported as component units or joint ventures of the State in the Comprehensive Annual Financial Report (CAFR). The NY Job Development Authority (JDA) debt reported above was included in the State's Basic Financial Statements that were published in July 2012 as a footnote disclosure. This debt will also be included in the State's CAFR that is expected to be published in September 2012 as a footnote disclosure.

(2) Reflects original par amounts for bonds and financing arrangements or original gross proceeds in the case of capital appreciation bonds. Amounts outstanding do not reflect accretion of capital appreciation bonds or premiums received. In prior years, the amount reported for the Port Authority of NY & NJ (PANYNJ) and the Long Island Power Authority (LIPA) included accretion. December 2011 amounts exclude \$10 million of accretion for PANYNJ and \$263 million for LIPA.

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

(4) Reflects debt for which the primary repayment source is from State appropriations or assigned revenues of the State.

(5) Includes debt previously issued by New York State Medical Care Facilities Finance Agency, which was consolidated with the Dormitory Authority on September 1, 1995. The debt also includes \$220 million in bonds outstanding issued by the Dormitory Authority for Roswell Park Cancer Institute.

(6) Includes \$700 million in bonds outstanding issued by the Convention Center Development Corporation, a subsidiary of the Urban Development Corporation.

(7) Includes \$155 million in bonds issued by the Energy Research and Development Authority (ERDA) and included in amounts reported for both ERDA and LIPA.

(8) Reflects \$6.6 billion in conduit debt issued by the New York Job Development Authority's blended component units outstanding as of March 31, 2012, consisting of \$6.1 billion in debt issued by New York Liberty Development Corporation and \$511 million in debt issued by the Brooklyn Arena Local Development Corporation.

LOCALITIES

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. Between 2004 and January 2012, the State Legislature passed 21 special acts authorizing, or amending authorizations for, bond issuances to finance local government operating deficits, including a total of four passed during the 2009 and 2010 legislative sessions. However, the legislation introduced during the regular 2012 legislative session that would have authorized Rockland County and the City of Long Beach to issue bonds to address accumulated deficits did not pass both houses of the legislature. In addition to deficit financing authorizations, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality.

The Buffalo Fiscal Stability Authority has exercised Control Period powers with respect to the City of Buffalo since the City's 2004 fiscal year, but recently transitioned to Advisory Period powers during the City's 2013 fiscal year.

In January 2011, the Nassau County Interim Finance Authority ("NIFA") declared that it was entering a Control Period, citing the "substantial likelihood and imminence" that Nassau would incur a major operating funds deficit of 1 percent or more during the County's 2011 fiscal year. Nassau County challenged NIFA's determination and authority to impose a Control Period in State Supreme Court and did not prevail. NIFA is now exercising Control Period powers over Nassau County.

Erie County has a Fiscal Stability Authority, the City of New York has a Financial Control Board, and the City of Troy has a Supervisory Board, all of which presently perform certain review and advisory functions. The City of Yonkers no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The City of Newburgh operates under fiscal monitoring by the State Comptroller pursuant to special State legislation. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's FY 2013 or thereafter.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control. 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 increases in 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 has had a material impact on certain local governments. Ultimately, localities as well as local public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, declines in the real property tax base, increasing pension, health care and other fixed costs, and the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate requests for State assistance.

LITIGATION AND ARBITRATION

REAL PROPERTY CLAIMS

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

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

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

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

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 motion for reconsideration has been withdrawn, but a motion to amend the complaint remains pending in the district court and stayed through at least September 1, 2012. The *Shinnecock* appeal to the Second Circuit also remains stayed.

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 all parties have moved for summary judgment 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 to discontinue their case, as did the plaintiff in *Floyd* after legislative amendment of the applicable statute that exempted school districts from the "mobility tax" imposed by this statute on employers in the Metropolitan Commuter Transportation District. The Supreme Court, Albany County issued decisions granting summary judgment to defendants in *Brookhaven*, *Huntington*, *Southampton/Southold* and *Vanderhoef*. The plaintiffs in *Brookhaven* and *Huntington* appealed from those decisions in their cases but failed to perfect their appeals within nine months after the date of their notices of appeal, which, pursuant to the Rules of the Third Department, means their appeals are deemed abandoned.

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. The appeal was never perfected and, under the Appellate Division's rules, is deemed abandoned.

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 appeal was argued April 26, 2012. On June 26, 2012, the Court of Appeals affirmed the denial of the State's motion to dismiss.

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 conducted. The discovery deadline is December 31, 2012.

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. On May 8, 2012, the Court of Appeals denied claimants motion for leave. As a result, the case has been concluded in the State's favor and the claim has been dismissed.

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.

On February 10, 2011, the Seneca Nation of Indians commenced *Seneca Nation of Indians v. State of New York, et al.*, (Sup. Ct., Erie Co.), 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 was denied on February 21, 2012.

In July 2011, plaintiffs commenced *Akwesasne Convenience Store Association et al. v. State of New York*, (*Sup. Ct., Erie Co.*), against the State of New York and other defendants, seeking a declaration that the statutory voucher system impermissibly burdens Indian commerce and is preempted by Federal law and further seeking to enjoin the implementation, administration or enforcement of the system. The court denied plaintiffs' request for a temporary restraining order and, by decision dated August 18, 2011, also denied plaintiffs' subsequent motion for a preliminary injunction. Plaintiffs appealed to the Appellate Division, Fourth Department, which denied plaintiffs' motion for a preliminary injunction pending appeal on September 14, 2011. The appeal is pending. By decision dated August 2, 2012, the Supreme Court, Erie County, granted defendants' motion for summary judgment dismissing the complaint and denied plaintiffs' cross motion for summary judgment.

EMINENT DOMAIN

In *Gyrodyne Company of America, Inc. v. State of New York (Court of Claims)*, claimant sought 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, was denied by the Second Department on February 17, 2012. On June 5, 2012, the Court of Appeals denied the State's motion for leave to appeal. The Division of the Budget advises that the State paid the judgment on July 5, 2012, as noted earlier in this report (see "Multi-Year Financial Plan Revisions" herein).

INSURANCE DEPARTMENT ASSESSMENTS

In *New York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.)*, several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs of the Insurance Department. 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. The discovery deadline is October 1, 2012.

TOBACCO MASTER SETTLEMENT AGREEMENT (MSA)

In 1998, the attorneys general of 46 states, including New York, and several territories (collectively the "Settling States") and the then four largest United States tobacco manufacturers (the "Original Participating Manufacturers" or "OPMs"), entered into a Master Settlement Agreement (the "MSA") to resolve cigarette smoking-related litigation between the Settling States and the OPMs. Approximately 30 additional tobacco companies have entered into the settlement (the "Subsequent Participating Manufacturers" or "SPMs"; together they are the "Participating Manufacturers" or "PMs"). The MSA

released the PMs from past and present smoking-related claims by the Settling States, and provided for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the Settling States, and the imposition of certain tobacco advertising and marketing restrictions among other things.

ARBITRATION

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

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

The arbitration panel has thus far ruled, among other things, that the Settling States involved have the burden of proof in establishing diligent enforcement of the escrow statutes and that the 2003 settlement of prior NPM Adjustment claims does not preclude the PMs from basing their claim for a 2003 NPM Adjustment on 2002 NPM sales. A hearing on issues common to all states took place in Chicago April 16-24, 2012. State-specific hearings commenced in May, with the hearings involving Missouri and Illinois. New York’s diligent enforcement hearings took place June 25-29, 2012. State-specific hearings are scheduled for two weeks each month until June 2013.

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FINANCIAL PLAN TABLES

The cash financial plan tables listed below appear on the following pages and summarize actual receipts and disbursements for fiscal year 2012 and projected receipts and disbursements for fiscal years 2013 through 2016 on a General Fund, State Operating Funds and All Governmental Funds basis.

General Fund - Total Budget

Financial Plan, Annual Change from FY 2012 to FY 2013

Financial Plan Projections FY 2013 through FY 2016

Update to FY 2013

Update to FY 2014

Update to FY 2015

Update to FY 2016

General Fund - Revenue Detail (Excluding Transfers)

Financial Plan Projections FY 2013 through FY 2016

State Operating Funds Budget

FY 2013

FY 2014

FY 2015

FY 2016

All Governmental Funds - Total Budget

FY 2013

FY 2014

FY 2015

FY 2016

Cashflow - FY 2013 Monthly Projections

General Fund

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

| | FY 2012 Results | FY 2013 Projected | Annual \$ Change | Annual % Change |
|--|----------------------------|------------------------------|-----------------------------|----------------------------|
| Opening Fund Balance | <u>1,376</u> | <u>1,787</u> | <u>411</u> | <u>29.9%</u> |
| Receipts: | | | | |
| Taxes: | | | | |
| Personal Income Tax | 25,843 | 26,916 | 1,073 | 4.2% |
| User Taxes and Fees | 9,055 | 9,196 | 141 | 1.6% |
| Business Taxes | 5,760 | 6,035 | 275 | 4.8% |
| Other Taxes | 1,096 | 1,146 | 50 | 4.6% |
| Miscellaneous Receipts | 3,162 | 3,354 | 192 | 6.1% |
| Federal Receipts | 60 | 60 | 0 | 0.0% |
| Transfers from Other Funds: | | | | |
| FIT in Excess of Revenue Bond Debt Service | 8,097 | 8,250 | 153 | 1.9% |
| Sales Tax in Excess of LGAC Debt Service | 2,396 | 2,430 | 34 | 1.4% |
| Real Estate Taxes in Excess of CW/CA Debt Service | 387 | 469 | 82 | 21.2% |
| All Other Transfers | 1,044 | 1,039 | (5) | -0.5% |
| Total Receipts | <u>56,900</u> | <u>58,895</u> | <u>1,995</u> | <u>3.5%</u> |
| Disbursements: | | | | |
| Local Assistance Grants | 38,419 | 39,668 | 1,249 | 3.3% |
| Departmental Operations: | | | | |
| Personal Service | 5,781 | 6,170 | 389 | 6.7% |
| Non-Personal Service | 1,713 | 1,835 | 122 | 7.1% |
| General State Charges | 4,720 | 4,499 | (221) | -4.7% |
| Transfers to Other Funds: | | | | |
| Debt Service | 1,516 | 1,564 | 48 | 3.2% |
| Capital Projects | 798 | 1,055 | 257 | 32.2% |
| State Share Medicaid | 2,722 | 2,975 | 253 | 9.3% |
| SUNY Operations | 0 | 340 | 340 | |
| Other Purposes | 820 | 1,102 | 282 | 34.4% |
| Total Disbursements | <u>56,489</u> | <u>59,208</u> | <u>2,719</u> | <u>4.8%</u> |
| Excess (Deficiency) of Receipts Over Disbursements and Reserves | <u>411</u> | <u>(313)</u> | <u>(724)</u> | <u>-176.2%</u> |
| Closing Fund Balance | <u>1,787</u> | <u>1,474</u> | <u>(313)</u> | <u>-17.5%</u> |
| Statutory Reserves | | | | |
| Tax Stabilization Reserve Fund | 1,131 | 1,131 | 0 | |
| Rainy Day Reserve Fund | 175 | 175 | 0 | |
| Contingency Reserve Fund | 21 | 21 | 0 | |
| Community Projects Fund | 102 | 57 | (45) | |
| Reserved For | | | | |
| Prior-Year Labor Agreements (2007-2011) | 283 | 77 | (206) | |
| Undesignated Fund Balance | 75 | 13 | (62) | |

Source: NYS DOB

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

| | FY 2013 Projected | FY 2014 Projected | FY 2015 Projected | FY 2016 Projected |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Receipts: | | | | |
| Taxes: | | | | |
| Personal Income Tax | 26,916 | 28,920 | 29,613 | 30,614 |
| User Taxes and Fees | 9,196 | 9,570 | 9,986 | 10,351 |
| Business Taxes | 6,035 | 6,208 | 5,686 | 6,237 |
| Other Taxes | 1,146 | 1,139 | 1,224 | 1,224 |
| Miscellaneous Receipts | 3,354 | 2,879 | 2,297 | 2,389 |
| Federal Receipts | 60 | 2 | 0 | 0 |
| Transfers from Other Funds: | | | | |
| PIT in Excess of Revenue Bond Debt Service | 8,250 | 8,798 | 8,948 | 9,127 |
| Sales Tax in Excess of LGAC Debt Service | 2,430 | 2,560 | 2,689 | 2,816 |
| Real Estate Taxes in Excess of CW/CA Debt Service | 469 | 525 | 601 | 676 |
| All Other Transfers | 1,039 | 866 | 774 | 764 |
| Total Receipts | 58,895 | 61,467 | 61,818 | 64,198 |
| Disbursements: | | | | |
| Local Assistance Grants | 39,668 | 41,871 | 43,225 | 45,489 |
| Departmental Operations: | | | | |
| Personal Service | 6,170 | 5,487 | 5,632 | 5,915 |
| Non-personal Service | 1,835 | 1,630 | 1,771 | 1,821 |
| General State Charges | 4,499 | 4,889 | 5,235 | 5,527 |
| Transfers to Other Funds: | | | | |
| Debt Service | 1,564 | 1,617 | 1,514 | 1,488 |
| Capital Projects | 1,055 | 1,287 | 1,403 | 1,299 |
| State Share Medicaid | 2,975 | 2,767 | 2,621 | 2,521 |
| SUNY Operations | 340 | 983 | 1,002 | 1,022 |
| Other Purposes | 1,102 | 2,001 | 2,995 | 3,472 |
| Total Disbursements | 59,208 | 62,532 | 65,398 | 68,554 |
| Reserves: | | | | |
| Community Projects Fund | (45) | (57) | 0 | 0 |
| Rainy Day Reserve Fund | 0 | 0 | 0 | 0 |
| Undesignated Fund Balance | (62) | 0 | 0 | 0 |
| Prior-Year Labor Agreements (2007-2011) | (206) | (26) | 10 | 14 |
| Increase (Decrease) in Reserves | (313) | (83) | 10 | 14 |
| Excess (Deficiency) of Receipts Over Disbursements and Reserves | 0 | (982) | (3,590) | (4,370) |

Source: NYS DOB

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

| | <u>Enacted</u> | <u>Change</u> | <u>First Quarter</u> |
|--|----------------|---------------|--------------------------|
| Receipts: | | | |
| Taxes: | | | |
| Personal Income Tax | 26,916 | 0 | 26,916 |
| User Taxes and Fees | 9,271 | (75) | 9,196 |
| Business Taxes | 6,038 | (3) | 6,035 |
| Other Taxes | 1,144 | 2 | 1,146 |
| Miscellaneous Receipts | 3,229 | 125 | 3,354 |
| Federal Receipts | 60 | 0 | 60 |
| Transfers from Other Funds: | | | |
| PIT in Excess of Revenue Bond Debt Service | 8,272 | (22) | 8,250 |
| Sales Tax in Excess of LGAC Debt Service | 2,456 | (26) | 2,430 |
| Real Estate Taxes in Excess of CW/CA Debt Service | 444 | 25 | 469 |
| All Other | 1,070 | (31) | 1,039 |
| Total Receipts | <u>58,900</u> | <u>(5)</u> | <u>58,895</u> |
| Disbursements: | | | |
| Local Assistance Grants | 39,645 | 23 | 39,668 |
| Departmental Operations: | | | |
| Personal Service | 5,892 | 278 | 6,170 |
| Non-Personal Service | 1,844 | (9) | 1,835 |
| General State Charges | 4,403 | 96 | 4,499 |
| Transfers to Other Funds: | | | |
| Debt Service | 1,580 | (16) | 1,564 |
| Capital Projects | 1,055 | 0 | 1,055 |
| State Share Medicaid | 2,978 | (3) | 2,975 |
| SUNY Operations | 340 | 0 | 340 |
| Other Purposes | 1,131 | (29) | 1,102 |
| Total Disbursements | <u>58,868</u> | <u>340</u> | <u>59,208</u> |
| Reserves: | | | |
| Community Projects Fund | (45) | 0 | (45) |
| Rainy Day Reserve Fund | 0 | 0 | 0 |
| Undesignated Fund Balance | (62) | 0 | (62) |
| Prior-Year Labor Agreements (2007-2011) | 139 | (345) | (206) |
| Increase (Decrease) in Reserves | <u>32</u> | <u>(345)</u> | <u>(313)</u> |
| Excess (Deficiency) of Receipts Over Disbursements and Reserves | <u>0</u> | <u>0</u> | <u>0</u> |

Source: NYS DOB

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

| | <u>Enacted</u> | <u>Change</u> | <u>First Quarter</u> |
|--|----------------|---------------|--------------------------|
| Receipts: | | | |
| Taxes: | | | |
| Personal Income Tax | 28,920 | 0 | 28,920 |
| User Taxes and Fees | 9,626 | (56) | 9,570 |
| Business Taxes | 6,208 | 0 | 6,208 |
| Other Taxes | 1,137 | 2 | 1,139 |
| Miscellaneous Receipts | 2,829 | 50 | 2,879 |
| Federal Receipts | 2 | 0 | 2 |
| Transfers from Other Funds: | | | |
| PIT in Excess of Revenue Bond Debt Service | 8,842 | (44) | 8,798 |
| Sales Tax in Excess of LGAC Debt Service | 2,579 | (19) | 2,560 |
| Real Estate Taxes in Excess of CW/CA Debt Service | 500 | 25 | 525 |
| All Other | 862 | 4 | 866 |
| Total Receipts | <u>61,505</u> | <u>(38)</u> | <u>61,467</u> |
| Disbursements: | | | |
| Local Assistance Grants | 41,872 | (1) | 41,871 |
| Departmental Operations: | | | |
| Personal Service | 5,370 | 117 | 5,487 |
| Non-Personal Service | 1,637 | (7) | 1,630 |
| General State Charges | 4,834 | 55 | 4,889 |
| Transfers to Other Funds: | | | |
| Debt Service | 1,653 | (36) | 1,617 |
| Capital Projects | 1,293 | (6) | 1,287 |
| State Share Medicaid | 2,772 | (5) | 2,767 |
| SUNY Operations | 982 | 1 | 983 |
| Other Purposes | 1,980 | 21 | 2,001 |
| Total Disbursements | <u>62,393</u> | <u>139</u> | <u>62,532</u> |
| Reserves: | | | |
| Community Projects Fund | (56) | (1) | (57) |
| Prior-Year Labor Agreements (2007-2011) | 118 | (144) | (26) |
| Increase (Decrease) in Reserves | <u>62</u> | <u>(145)</u> | <u>(83)</u> |
| Excess (Deficiency) of Receipts Over Disbursements and Reserves | <u>(950)</u> | <u>(32)</u> | <u>(982)</u> |

Source: NYS DOB

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

| | <u>Enacted</u> | <u>Change</u> | <u>First Quarter</u> |
|--|----------------|---------------|--------------------------|
| Receipts: | | | |
| Taxes: | | | |
| Personal Income Tax | 29,612 | 1 | 29,613 |
| User Taxes and Fees | 10,042 | (56) | 9,986 |
| Business Taxes | 5,713 | (27) | 5,686 |
| Other Taxes | 1,222 | 2 | 1,224 |
| Miscellaneous Receipts | 2,297 | 0 | 2,297 |
| Transfers from Other Funds: | | | |
| PIT in Excess of Revenue Bond Debt Service | 8,981 | (33) | 8,948 |
| Sales Tax in Excess of LGAC Debt Service | 2,706 | (17) | 2,689 |
| Real Estate Taxes in Excess of CW/CA Debt Service | 576 | 25 | 601 |
| All Other | 770 | 4 | 774 |
| Total Receipts | <u>61,919</u> | <u>(101)</u> | <u>61,818</u> |
| Disbursements: | | | |
| Local Assistance Grants | 43,227 | (2) | 43,225 |
| Departmental Operations: | | | |
| Personal Service | 5,496 | 136 | 5,632 |
| Non-Personal Service | 1,722 | 49 | 1,771 |
| General State Charges | 5,179 | 56 | 5,235 |
| Transfers to Other Funds: | | | |
| Debt Service | 1,585 | (71) | 1,514 |
| Capital Projects | 1,408 | (5) | 1,403 |
| State Share Medicaid | 2,626 | (5) | 2,621 |
| SUNY Operations | 1,001 | 1 | 1,002 |
| Other Purposes | 2,972 | 23 | 2,995 |
| Total Disbursements | <u>65,216</u> | <u>182</u> | <u>65,398</u> |
| Reserves: | | | |
| Prior-Year Labor Agreements (2007-2011) | 118 | (108) | 10 |
| Increase (Decrease) in Reserves | <u>118</u> | <u>(108)</u> | <u>10</u> |
| Excess (Deficiency) of Receipts Over Disbursements and Reserves | <u>(3,415)</u> | <u>(175)</u> | <u>(3,590)</u> |

Source: NYS DOB

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

| | <u>Enacted</u> | <u>Change</u> | <u>First Quarter</u> |
|--|----------------|---------------|--------------------------|
| Receipts: | | | |
| Taxes: | | | |
| Personal Income Tax | 30,614 | 0 | 30,614 |
| User Taxes and Fees | 10,406 | (55) | 10,351 |
| Business Taxes | 6,291 | (54) | 6,237 |
| Other Taxes | 1,222 | 2 | 1,224 |
| Miscellaneous Receipts | 2,389 | 0 | 2,389 |
| Transfers from Other Funds: | | | |
| PIT in Excess of Revenue Bond Debt Service | 9,195 | (68) | 9,127 |
| Sales Tax in Excess of LGAC Debt Service | 2,832 | (16) | 2,816 |
| Real Estate Taxes in Excess of CW/CA Debt Service | 651 | 25 | 676 |
| All Other | 760 | 4 | 764 |
| Total Receipts | <u>64,360</u> | <u>(162)</u> | <u>64,198</u> |
| Disbursements: | | | |
| Local Assistance Grants | 45,490 | (1) | 45,489 |
| Departmental Operations: | | | |
| Personal Service | 5,753 | 162 | 5,915 |
| Non-Personal Service | 1,806 | 15 | 1,821 |
| General State Charges | 5,470 | 57 | 5,527 |
| Transfers to Other Funds: | | | |
| Debt Service | 1,559 | (71) | 1,488 |
| Capital Projects | 1,301 | (2) | 1,299 |
| State Share Medicaid | 2,526 | (5) | 2,521 |
| SUNY Operations | 1,021 | 1 | 1,022 |
| Other Purposes | 3,446 | 26 | 3,472 |
| Total Disbursements | <u>68,372</u> | <u>182</u> | <u>68,554</u> |
| Reserves: | | | |
| Prior-Year Labor Agreements (2007-2011) | 118 | (104) | 14 |
| Increase (Decrease) in Reserves | <u>118</u> | <u>(104)</u> | <u>14</u> |
| Excess (Deficiency) of Receipts Over Disbursements and Reserves | <u>(4,130)</u> | <u>(240)</u> | <u>(4,370)</u> |

Source: NYS DOB

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

| | FY 2013 Projected | FY 2014 Projected | FY 2015 Projected | FY 2016 Projected |
|--------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Taxes: | | | | |
| Withholdings | 32,173 | 34,342 | 35,557 | 37,647 |
| Estimated Payments | 11,752 | 12,563 | 13,477 | 13,360 |
| Final Payments | 2,153 | 2,266 | 2,151 | 2,251 |
| Other Payments | 1,174 | 1,183 | 1,236 | 1,286 |
| Gross Collections | 47,252 | 50,354 | 52,421 | 54,544 |
| State/City Offset | (198) | (198) | (148) | (148) |
| Refunds | (6,798) | (6,984) | (7,933) | (8,585) |
| Reported Tax Collections | 40,256 | 43,172 | 44,340 | 45,811 |
| STAR (Dedicated Deposits) | (3,276) | (3,459) | (3,642) | (3,744) |
| RBTF (Dedicated Transfers) | (10,064) | (10,793) | (11,085) | (11,453) |
| Personal Income Tax | 26,916 | 28,920 | 29,613 | 30,614 |
| | | | | |
| Sales and Use Tax | 11,310 | 11,816 | 12,374 | 12,871 |
| Cigarette and Tobacco Taxes | 469 | 462 | 455 | 447 |
| Motor Fuel Tax | 0 | 0 | 0 | 0 |
| Alcoholic Beverage Taxes | 244 | 245 | 250 | 250 |
| Highway Use Tax | 0 | 0 | 0 | 0 |
| Auto Rental Tax | 0 | 0 | 0 | 0 |
| Taxicab Surcharge | 0 | 0 | 0 | 0 |
| Gross Utility Taxes and Fees | 12,023 | 12,523 | 13,079 | 13,568 |
| LGAC Sales Tax (Dedicated Transfers) | (2,827) | (2,953) | (3,093) | (3,217) |
| User Taxes and Fees | 9,196 | 9,570 | 9,986 | 10,351 |
| | | | | |
| Corporation Franchise Tax | 2,737 | 2,931 | 2,255 | 2,628 |
| Corporation and Utilities Tax | 684 | 662 | 712 | 732 |
| Insurance Taxes | 1,322 | 1,373 | 1,416 | 1,498 |
| Bank Tax | 1,292 | 1,242 | 1,303 | 1,379 |
| Petroleum Business Tax | 0 | 0 | 0 | 0 |
| Business Taxes | 6,035 | 6,208 | 5,686 | 6,237 |
| | | | | |
| Estate Tax | 1,127 | 1,120 | 1,205 | 1,205 |
| Real Estate Transfer Tax | 685 | 735 | 805 | 880 |
| Gift Tax | 0 | 0 | 0 | 0 |
| Real Property Gains Tax | 0 | 0 | 0 | 0 |
| Pari-Mutuel Taxes | 18 | 18 | 18 | 18 |
| Other Taxes | 1 | 1 | 1 | 1 |
| Gross Other Taxes | 1,831 | 1,874 | 2,029 | 2,104 |
| Real Estate Transfer Tax (Dedicated) | (685) | (735) | (805) | (880) |
| Other Taxes | 1,146 | 1,139 | 1,224 | 1,224 |
| | | | | |
| Payroll Tax | 0 | 0 | 0 | 0 |
| | | | | |
| Total Taxes | 43,293 | 45,837 | 46,509 | 48,426 |
| | | | | |
| Licenses, Fees, Etc. | 678 | 689 | 621 | 612 |
| Abandoned Property | 785 | 670 | 655 | 655 |
| Motor Vehicle Fees | 99 | 26 | 26 | 26 |
| ABC License Fee | 51 | 50 | 50 | 50 |
| Reimbursements | 312 | 312 | 262 | 262 |
| Investment Income | 10 | 30 | 30 | 30 |
| Other Transactions | 1,419 | 1,102 | 653 | 754 |
| Miscellaneous Receipts | 3,354 | 2,879 | 2,297 | 2,389 |
| | | | | |
| Federal Grants | 60 | 2 | 0 | 0 |
| | | | | |
| Total | 46,707 | 48,718 | 48,806 | 50,815 |

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 |
|--|-------------------------|--------------------------------------|-----------------------------------|--|
| Opening Fund Balance | <u>1,787</u> | <u>1,632</u> | <u>428</u> | <u>3,847</u> |
| Receipts: | | | | |
| Taxes | 43,293 | 8,156 | 13,457 | 64,906 |
| Miscellaneous Receipts | 3,354 | 15,733 | 996 | 20,083 |
| Federal Receipts | 60 | 1 | 79 | 140 |
| Total Receipts | <u>46,707</u> | <u>23,890</u> | <u>14,532</u> | <u>85,129</u> |
| Disbursements: | | | | |
| Local Assistance Grants | 39,668 | 19,139 | 0 | 58,807 |
| Departmental Operations: | | | | |
| Personal Service | 6,170 | 6,300 | 0 | 12,470 |
| Non-Personal Service | 1,835 | 3,613 | 47 | 5,495 |
| General State Charges | 4,499 | 2,032 | 0 | 6,531 |
| Debt Service | 0 | 0 | 6,100 | 6,100 |
| Capital Projects | 0 | 5 | 0 | 5 |
| Total Disbursements | <u>52,172</u> | <u>31,089</u> | <u>6,147</u> | <u>89,408</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers from Other Funds | 12,188 | 7,704 | 6,305 | 26,197 |
| Transfers to Other Funds | (7,036) | (448) | (14,586) | (22,070) |
| Bond and Note Proceeds | 0 | 0 | 0 | 0 |
| Net Other Financing Sources (Uses) | <u>5,152</u> | <u>7,256</u> | <u>(8,281)</u> | <u>4,127</u> |
| Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses | <u>(313)</u> | <u>57</u> | <u>104</u> | <u>(152)</u> |
| Closing Fund Balance | <u>1,474</u> | <u>1,689</u> | <u>532</u> | <u>3,695</u> |

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 | 45,837 | 8,445 | 14,362 | 68,644 |
| Miscellaneous Receipts | 2,879 | 16,352 | 1,043 | 20,274 |
| Federal Receipts | 2 | 1 | 79 | 82 |
| Total Receipts | <u>48,718</u> | <u>24,798</u> | <u>15,484</u> | <u>89,000</u> |
| Disbursements: | | | | |
| Local Assistance Grants | 41,871 | 20,013 | 0 | 61,884 |
| Departmental Operations: | | | | |
| Personal Service | 5,487 | 7,007 | 0 | 12,494 |
| Non-Personal Service | 1,630 | 3,889 | 47 | 5,566 |
| General State Charges | 4,889 | 2,173 | 0 | 7,062 |
| Debt Service | 0 | 0 | 6,415 | 6,415 |
| Capital Projects | 0 | 5 | 0 | 5 |
| Total Disbursements | <u>53,877</u> | <u>33,087</u> | <u>6,462</u> | <u>93,426</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers from Other Funds | 12,749 | 8,747 | 6,160 | 27,656 |
| Transfers to Other Funds | (8,655) | (250) | (15,069) | (23,974) |
| Bond and Note Proceeds | 0 | 0 | 0 | 0 |
| Net Other Financing Sources (Uses) | <u>4,094</u> | <u>8,497</u> | <u>(8,909)</u> | <u>3,682</u> |
| Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses | <u>(1,065)</u> | <u>208</u> | <u>113</u> | <u>(744)</u> |
| Designated General Fund Reserves: | | | | |
| Community Projects Fund | (57) | | | |
| Prior-Year Labor Agreements (2007-2011) | (26) | | | |
| Increase (Decrease) in Reserves | <u>(83)</u> | | | |
| Net General Fund Deficit | <u>(982)</u> | | | |

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 | 46,509 | 8,800 | 14,864 | 70,173 |
| Miscellaneous Receipts | 2,297 | 16,653 | 1,094 | 20,044 |
| Federal Receipts | 0 | 1 | 79 | 80 |
| Total Receipts | <u>48,806</u> | <u>25,454</u> | <u>16,037</u> | <u>90,297</u> |
| Disbursements: | | | | |
| Local Assistance Grants | 43,225 | 20,678 | 0 | 63,903 |
| Departmental Operations: | | | | |
| Personal Service | 5,632 | 7,200 | 0 | 12,832 |
| Non-Personal Service | 1,771 | 3,907 | 47 | 5,725 |
| General State Charges | 5,235 | 2,328 | 0 | 7,563 |
| Debt Service | 0 | 0 | 6,484 | 6,484 |
| Capital Projects | 0 | 5 | 0 | 5 |
| Total Disbursements | <u>55,863</u> | <u>34,118</u> | <u>6,531</u> | <u>96,512</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers from Other Funds | 13,012 | 9,122 | 5,623 | 27,757 |
| Transfers to Other Funds | (9,535) | (49) | (14,993) | (24,577) |
| Bond and Note Proceeds | 0 | 0 | 0 | 0 |
| Net Other Financing Sources (Uses) | <u>3,477</u> | <u>9,073</u> | <u>(9,370)</u> | <u>3,180</u> |
| Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses | <u>(3,580)</u> | <u>409</u> | <u>136</u> | <u>(3,035)</u> |
| Designated General Fund Reserves: | | | | |
| Prior-Year Labor Agreements (2007-2011) | 10 | | | |
| Increase (Decrease) in Reserves | <u>10</u> | | | |
| Net General Fund Deficit | <u>(3,590)</u> | | | |

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2016
(millions of dollars)

| | General Fund | Special Revenue Funds | Debt Service Funds | State Operating Funds Total |
|--|-------------------------|--------------------------------------|-----------------------------------|--|
| Receipts: | | | | |
| Taxes | 48,426 | 9,061 | 15,431 | 72,918 |
| Miscellaneous Receipts | 2,389 | 16,726 | 1,092 | 20,207 |
| Federal Receipts | 0 | 1 | 79 | 80 |
| Total Receipts | <u>50,815</u> | <u>25,788</u> | <u>16,602</u> | <u>93,205</u> |
| Disbursements: | | | | |
| Local Assistance Grants | 45,489 | 20,668 | 0 | 66,157 |
| Departmental Operations: | | | | |
| Personal Service | 5,915 | 7,449 | 0 | 13,364 |
| Non-Personal Service | 1,821 | 4,009 | 47 | 5,877 |
| General State Charges | 5,527 | 2,513 | 0 | 8,040 |
| Debt Service | 0 | 0 | 6,645 | 6,645 |
| Capital Projects | 0 | 5 | 0 | 5 |
| Total Disbursements | <u>58,752</u> | <u>34,644</u> | <u>6,692</u> | <u>100,088</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers from Other Funds | 13,383 | 9,522 | 5,369 | 28,274 |
| Transfers to Other Funds | (9,802) | (220) | (15,273) | (25,295) |
| Bond and Note Proceeds | 0 | 0 | 0 | 0 |
| Net Other Financing Sources (Uses) | <u>3,581</u> | <u>9,302</u> | <u>(9,904)</u> | <u>2,979</u> |
| Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses | <u>(4,356)</u> | <u>446</u> | <u>6</u> | <u>(3,904)</u> |
| Designated General Fund Reserves: | | | | |
| Prior-Year Labor Agreements (2007-2011) | 14 | | | |
| Increase (Decrease) in Reserves | <u>14</u> | | | |
| Net General Fund Deficit | <u>(4,370)</u> | | | |

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 |
|--|-------------------------|--------------------------------------|---------------------------------------|-----------------------------------|--------------------------------|
| Opening Fund Balance | <u>1,787</u> | <u>1,594</u> | <u>(449)</u> | <u>428</u> | <u>3,360</u> |
| Receipts: | | | | | |
| Taxes | 43,293 | 8,156 | 1,401 | 13,457 | 66,307 |
| Miscellaneous Receipts | 3,354 | 15,919 | 4,234 | 996 | 24,503 |
| Federal Receipts | 60 | 40,303 | 2,191 | 79 | 42,633 |
| Total Receipts | <u>46,707</u> | <u>64,378</u> | <u>7,826</u> | <u>14,532</u> | <u>133,443</u> |
| Disbursements: | | | | | |
| Local Assistance Grants | 39,668 | 53,792 | 2,104 | 0 | 95,564 |
| Departmental Operations: | | | | | |
| Personal Service | 6,170 | 6,945 | 0 | 0 | 13,115 |
| Non-Personal Service | 1,835 | 4,542 | 0 | 47 | 6,424 |
| General State Charges | 4,499 | 2,309 | 0 | 0 | 6,808 |
| Debt Service | 0 | 0 | 0 | 6,100 | 6,100 |
| Capital Projects | 0 | 5 | 5,963 | 0 | 5,968 |
| Total Disbursements | <u>52,172</u> | <u>67,593</u> | <u>8,067</u> | <u>6,147</u> | <u>133,979</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers from Other Funds | 12,188 | 7,705 | 1,328 | 6,305 | 27,526 |
| Transfers to Other Funds | (7,036) | (4,432) | (1,479) | (14,586) | (27,533) |
| Bond and Note Proceeds | 0 | 0 | 400 | 0 | 400 |
| Net Other Financing Sources (Uses) | <u>5,152</u> | <u>3,273</u> | <u>249</u> | <u>(8,281)</u> | <u>393</u> |
| Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses | <u>(313)</u> | <u>58</u> | <u>8</u> | <u>104</u> | <u>(143)</u> |
| Closing Fund Balance | <u>1,474</u> | <u>1,652</u> | <u>(441)</u> | <u>532</u> | <u>3,217</u> |

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 | 45,837 | 8,445 | 1,421 | 14,362 | 70,065 |
| Miscellaneous Receipts | 2,879 | 16,538 | 4,022 | 1,043 | 24,482 |
| Federal Receipts | 2 | 41,893 | 2,212 | 79 | 44,186 |
| Total Receipts | 48,718 | 66,876 | 7,655 | 15,484 | 138,733 |
| Disbursements: | | | | | |
| Local Assistance Grants | 41,871 | 56,413 | 2,107 | 0 | 100,391 |
| Departmental Operations: | | | | | |
| Personal Service | 5,487 | 7,622 | 0 | 0 | 13,109 |
| Non-Personal Service | 1,630 | 4,911 | 0 | 47 | 6,588 |
| General State Charges | 4,889 | 2,455 | 0 | 0 | 7,344 |
| Debt Service | 0 | 0 | 0 | 6,415 | 6,415 |
| Capital Projects | 0 | 5 | 5,756 | 0 | 5,761 |
| Total Disbursements | 53,877 | 71,406 | 7,863 | 6,462 | 139,608 |
| Other Financing Sources (Uses): | | | | | |
| Transfers from Other Funds | 12,749 | 8,748 | 1,539 | 6,160 | 29,196 |
| Transfers to Other Funds | (8,655) | (4,009) | (1,540) | (15,069) | (29,273) |
| Bond and Note Proceeds | 0 | 0 | 338 | 0 | 338 |
| Net Other Financing Sources (Uses) | 4,094 | 4,739 | 337 | (8,909) | 261 |
| Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses | (1,065) | 209 | 129 | 113 | (614) |
| Designated General Fund Reserves: | | | | | |
| Community Projects Fund | (57) | | | | |
| Prior-Year Labor Agreements (2007-2011) | (26) | | | | |
| Increase (Decrease) in Reserves | (83) | | | | |
| Net General Fund Deficit | (982) | | | | |

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 | 46,509 | 8,800 | 1,431 | 14,864 | 71,604 |
| Miscellaneous Receipts | 2,297 | 16,839 | 3,800 | 1,094 | 24,030 |
| Federal Receipts | 0 | 45,205 | 1,971 | 79 | 47,255 |
| Total Receipts | <u>48,806</u> | <u>70,844</u> | <u>7,202</u> | <u>16,037</u> | <u>142,889</u> |
| Disbursements: | | | | | |
| Local Assistance Grants | 43,225 | 60,984 | 1,883 | 0 | 106,092 |
| Departmental Operations: | | | | | |
| Personal Service | 5,632 | 7,827 | 0 | 0 | 13,459 |
| Non-Personal Service | 1,771 | 4,888 | 0 | 47 | 6,706 |
| General State Charges | 5,235 | 2,623 | 0 | 0 | 7,858 |
| Debt Service | 0 | 0 | 0 | 6,484 | 6,484 |
| Capital Projects | 0 | 5 | 5,573 | 0 | 5,578 |
| Total Disbursements | <u>55,863</u> | <u>76,327</u> | <u>7,456</u> | <u>6,531</u> | <u>146,177</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers from Other Funds | 13,012 | 9,123 | 1,467 | 5,623 | 29,225 |
| Transfers to Other Funds | (9,535) | (3,229) | (1,522) | (14,993) | (29,279) |
| Bond and Note Proceeds | 0 | 0 | 306 | 0 | 306 |
| Net Other Financing Sources (Uses) | <u>3,477</u> | <u>5,894</u> | <u>251</u> | <u>(9,370)</u> | <u>252</u> |
| Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses | <u>(3,580)</u> | <u>411</u> | <u>(3)</u> | <u>136</u> | <u>(3,036)</u> |
| Designated General Fund Reserves: | | | | | |
| Prior-Year Labor Agreements (2007-2011) | 10 | | | | |
| Increase (Decrease) in Reserves | <u>10</u> | | | | |
| Net General Fund Deficit | <u>(3,590)</u> | | | | |

Source: NYS DOB

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2016
(millions of dollars)**

| | General Fund | Special Revenue Funds | Capital Projects Funds | Debt Service Funds | All Funds Total |
|--|-------------------------|--------------------------------------|---------------------------------------|-----------------------------------|--------------------------------|
| Receipts: | | | | | |
| Taxes | 48,426 | 9,061 | 1,448 | 15,431 | 74,366 |
| Miscellaneous Receipts | 2,389 | 16,912 | 3,829 | 1,092 | 24,222 |
| Federal Receipts | 0 | 47,390 | 1,656 | 79 | 49,125 |
| Total Receipts | <u>50,815</u> | <u>73,363</u> | <u>6,933</u> | <u>16,602</u> | <u>147,713</u> |
| Disbursements: | | | | | |
| Local Assistance Grants | 45,489 | 63,544 | 1,552 | 0 | 110,585 |
| Departmental Operations: | | | | | |
| Personal Service | 5,915 | 8,088 | 0 | 0 | 14,003 |
| Non-Personal Service | 1,821 | 4,885 | 0 | 47 | 6,753 |
| General State Charges | 5,527 | 2,821 | 0 | 0 | 8,348 |
| Debt Service | 0 | 0 | 0 | 6,645 | 6,645 |
| Capital Projects | 0 | 5 | 5,371 | 0 | 5,376 |
| Total Disbursements | <u>58,752</u> | <u>79,343</u> | <u>6,923</u> | <u>6,692</u> | <u>151,710</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers from Other Funds | 13,383 | 9,523 | 1,363 | 5,369 | 29,638 |
| Transfers to Other Funds | (9,802) | (3,096) | (1,527) | (15,273) | (29,698) |
| Bond and Note Proceeds | 0 | 0 | 121 | 0 | 121 |
| Net Other Financing Sources (Uses) | <u>3,581</u> | <u>6,427</u> | <u>(43)</u> | <u>(9,904)</u> | <u>61</u> |
| Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses | <u>(4,356)</u> | <u>447</u> | <u>(33)</u> | <u>6</u> | <u>(3,936)</u> |
| Designated General Fund Reserves: | | | | | |
| Prior-Year Labor Agreements (2007-2011) | 14 | | | | |
| Increase (Decrease) in Reserves | <u>14</u> | | | | |
| Net General Fund Deficit | <u>(4,370)</u> | | | | |

Source: NYS DOB

| CASHFLOW GENERAL FUND FY 2013 (dollars in millions) | | | | | | | | | | | | | |
|--|--------------------------|----------------|-----------------|-------------------|---------------------|------------------------|----------------------|-----------------------|-----------------------|------------------------------|-----------------------|--------------------|--------|
| | 2012 April Results | May Results | June Results | July Projected | August Projected | September Projected | October Projected | November Projected | December Projected | 2013 January Projected | February Projected | March Projected | Total |
| OPENING BALANCE | 1,787 | 5,637 | 2,018 | 2,935 | 2,575 | 1,272 | 4,088 | 3,056 | 1,935 | 1,327 | 5,342 | 5,721 | 1,787 |
| RECEIPTS: | | | | | | | | | | | | | |
| Personal Income Tax | 3,851 | 1,236 | 2,486 | 1,750 | 1,863 | 2,758 | 1,919 | 1,457 | 310 | 5,202 | 2,254 | 1,830 | 26,916 |
| User Taxes and Fees | 682 | 681 | 899 | 690 | 698 | 903 | 705 | 696 | 1,008 | 745 | 630 | 889 | 9,196 |
| Business Taxes | 205 | 42 | 1,044 | 95 | 107 | 1,072 | 102 | 270 | 1,181 | 1,181 | 118 | 1,699 | 6,035 |
| Other Taxes | 114 | 84 | 77 | 97 | 98 | 98 | 97 | 97 | 96 | 96 | 96 | 96 | 1,146 |
| Total Taxes | 4,822 | 2,043 | 4,506 | 2,632 | 2,766 | 4,831 | 2,823 | 2,520 | 2,595 | 6,143 | 3,098 | 4,514 | 43,293 |
| Licenses, Fees, etc. | 40 | 3 | 61 | 50 | 60 | 72 | 68 | 59 | 72 | 60 | 63 | 70 | 678 |
| Abandoned Property | 39 | 19 | 21 | 32 | 18 | 77 | 23 | 250 | 12 | 5 | 24 | 265 | 785 |
| ABC License Fee | | 6 | 5 | 4 | 3 | 4 | 3 | 4 | | | 4 | 4 | |
| Motor vehicle fees | 6 | | (8) | | | 0 | | 17 | 17 | 17 | 17 | 33 | 99 |
| Reimbursements | 2 | (9) | 72 | 2 | 18 | 36 | 20 | 36 | 33 | 18 | 29 | 55 | 312 |
| Investment Income | 1 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 10 |
| Other Transactions | 22 | 74 | 285 | 32 | 21 | 334 | 65 | 31 | 115 | 21 | 46 | 393 | 1,419 |
| Total Miscellaneous Receipts | 116 | 93 | 416 | 121 | 121 | 524 | 180 | 398 | 254 | 126 | 184 | 821 | 3,354 |
| Federal Grants | 4 | 14 | 0 | 0 | 0 | 13 | 0 | 0 | 13 | 0 | 0 | 16 | 60 |
| PT in Excess of Revenue Bond Debt Service | 1,283 | 225 | 1,007 | 502 | 217 | 1,098 | 393 | 183 | 1,000 | 966 | 398 | 988 | 8,250 |
| Sales Tax in Excess of LGAC Debt Service | 190 | 55 | 430 | 213 | 153 | 280 | 219 | 217 | 282 | 231 | 3 | 157 | 2,430 |
| Real Estate Taxes in Excess of CWICA Debt Service | 57 | 45 | 33 | 48 | 73 | 41 | 39 | 27 | 31 | 28 | 32 | 15 | 469 |
| All Other | 0 | 84 | (20) | 2 | 15 | 18 | 82 | 14 | 27 | 34 | 83 | 700 | 1,039 |
| Total Transfers from Other Funds | 1,530 | 409 | 1,450 | 765 | 458 | 1,437 | 733 | 441 | 1,340 | 1,249 | 516 | 1,860 | 12,188 |
| TOTAL RECEIPTS | 6,472 | 2,559 | 6,372 | 3,518 | 3,345 | 6,805 | 3,736 | 3,359 | 4,202 | 7,518 | 3,798 | 7,211 | 58,895 |
| DISBURSEMENTS: | | | | | | | | | | | | | |
| School Aid | 133 | 2,730 | 1,705 | 110 | 540 | 1,297 | 710 | 1,055 | 1,560 | 265 | 448 | 6,450 | 17,003 |
| Higher Education | 16 | 18 | 379 | 268 | 298 | 51 | 471 | 22 | 238 | 33 | 304 | 488 | 2,586 |
| All Other Education | 3 | 61 | 332 | 88 | 425 | 99 | 57 | 280 | 181 | 81 | 188 | 166 | 1,961 |
| Medicaid - DOH | 931 | 1,029 | 712 | 994 | 1,291 | 534 | 1,036 | 1,230 | 584 | 863 | 806 | 594 | 10,604 |
| Public Health | 1 | 11 | 29 | 27 | 73 | 112 | 88 | 41 | 70 | 75 | 37 | 100 | 664 |
| Mental Hygiene | 1 | 0 | 379 | 0 | 0 | 394 | 147 | 0 | 380 | 108 | 150 | 386 | 1,945 |
| Children and Families | 3 | 14 | 130 | 108 | 212 | 223 | 75 | 75 | 221 | 112 | 78 | 291 | 1,542 |
| Temporary & Disability Assistance | 61 | 327 | 145 | 157 | 134 | 104 | 100 | 100 | 100 | 100 | 30 | 126 | 1,484 |
| Transportation | 0 | 24 | 0 | 0 | 24 | 0 | 0 | 24 | 15 | 0 | 10 | 1 | 98 |
| Unrestricted Aid | 0 | 12 | 294 | 1 | 1 | 95 | 9 | 1 | 206 | 6 | 8 | 144 | 777 |
| All Other | 2 | (8) | 195 | 57 | 63 | 75 | (29) | 46 | 46 | 179 | 179 | 199 | 1,004 |
| Total Local Assistance Grants | 1,151 | 4,218 | 4,300 | 1,810 | 3,061 | 2,984 | 2,664 | 2,874 | 3,601 | 1,822 | 2,238 | 8,945 | 39,688 |
| Personal Service | 596 | 631 | 549 | 470 | 557 | 422 | 660 | 463 | 434 | 522 | 433 | 433 | 6,170 |
| Non-Personal Service | 52 | 145 | 142 | 162 | 156 | 153 | 164 | 131 | 154 | 150 | 183 | 243 | 1,835 |
| Total State Operations | 648 | 776 | 691 | 632 | 713 | 575 | 824 | 594 | 598 | 672 | 616 | 676 | 8,005 |
| General State Charges | 413 | 442 | 90 | 269 | 445 | 221 | 366 | 359 | 143 | 264 | 148 | 1,339 | 4,499 |
| Debt Service | | | | | | | | | | | | | |
| Capital Projects | 506 | 0 | (55) | 418 | (4) | (110) | 507 | 0 | (2) | 468 | (18) | (146) | 1,564 |
| State Share Medicaid | (116) | 113 | 102 | 39 | 86 | (65) | 64 | 84 | 172 | 100 | 40 | 436 | 1,055 |
| SUNY Operations | 8 | 441 | 248 | 474 | 252 | 341 | 191 | 283 | 246 | 149 | 371 | (29) | 2,975 |
| Other Purposes | 12 | 188 | 79 | 56 | 95 | 33 | 162 | 160 | 62 | 28 | 0 | 0 | 340 |
| Total Transfers to Other Funds | 410 | 742 | 374 | 1,167 | 429 | 199 | 924 | 653 | 478 | 745 | 417 | 498 | 7,036 |
| TOTAL DISBURSEMENTS | 2,622 | 6,178 | 5,455 | 3,878 | 4,648 | 3,979 | 4,778 | 4,490 | 4,810 | 3,503 | 3,419 | 11,458 | 59,208 |
| Excess/(Deficiency) of Receipts over Disbursements | 3,850 | (3,619) | 917 | (360) | (1,303) | 2,826 | (1,042) | (1,121) | (608) | 4,015 | 379 | (4,247) | (313) |
| LOSING BALANCE | 5,637 | 2,018 | 2,935 | 2,575 | 1,272 | 4,088 | 3,056 | 1,935 | 1,327 | 5,342 | 5,721 | 1,474 | 1,474 |

Source: NYS DOB