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

November 25, 2013

This is the second quarterly update (the "AIS Update") to the Annual Information Statement of the State of New York (the "AIS"), dated June 19, 2013. This AIS Update contains information only through November 25, 2013 and should be read in its entirety, together with the AIS. The State expects to issue the next AIS Update in February 2014, following the release of the Governor's Executive Budget Financial Plan for FY 2015.

In this AIS Update, readers will find:

1. Extracts from the Mid-Year Update to the Financial Plan for FY 2014 (the "Updated Financial Plan"), issued by the Division of the Budget ("DOB"). The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov), includes a summary of operating results for the first six months of fiscal year 2014, and updates to the State's official Financial Plan projections for FY 2014 through FY 2017[1].

2. A discussion of issues and risks that may affect the Financial Plan during the State's current fiscal year or in future years (under the heading "Risks and Uncertainties Related to the State Financial Plan").

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

4. Updated information regarding the State Retirement Systems.

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

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

7. Financial plan tables that summarize actual General Fund receipts and disbursements for fiscal year 2013 and projected receipts and disbursements for fiscal years 2014 through 2017 on a General Fund, State Operating Funds and All Governmental Funds basis.

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.

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

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

The factors affecting the State's financial condition are complex. This AIS Update contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts were prepared. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in this AIS Update of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. Forecasts, projections and estimates are not intended as representations of fact or guarantees of results. The words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements in this AIS Update. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Such risks and uncertainties include, among others, general economic and business conditions; changes in political, social, economic and environmental conditions, including climate change and extreme weather events; impediments to the implementation of gap-closing actions; regulatory initiatives and compliance with governmental regulations; litigation; actions by the Federal government to reduce or disallow expected aid including Federal aid authorized or appropriated by Congress, but subject to sequestration, administrative actions, or other actions that would reduce aid to the State; and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this AIS Update.

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

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

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

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BUDGETARY AND ACCOUNTING PRACTICES

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

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

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

State Operating Funds is a broader measure of spending for operations (as distinct from capital purposes) that is funded with State resources. It includes financial activity not only in the General Fund, but also State-funded special revenue funds and debt service funds (both the General Fund and State Operating Funds exclude spending from capital projects funds and Federal funds). DOB views State Operating Funds to be a more comprehensive measure of State-funded activities for operating purposes that are funded with State resources (i.e., taxes, assessments, fees, tuition) than the General Fund. The State Operating Funds perspective has the advantage of eliminating certain distortions in operating activities that may be caused by, among other things, the State's complex fund structure, the transfer of money among funds, and the accounting of disbursements against appropriations in different funds. For example, the State funds its share of the Medicaid program from both the General Fund and from State Special Revenue Funds, including Health Care Reform Act funds. The State Operating Funds perspective captures Medicaid disbursements from both of these fund types, giving a more complete accounting of State-funded Medicaid disbursements. For such reasons, the discussion of disbursement projections often emphasizes the State Operating Funds perspective.

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

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

State Finance Law also requires DOB to prepare a *pro forma* financial plan using, to the extent practicable, generally accepted accounting principles ("GAAP"), although this requirement is for informational purposes. The GAAP-basis financial plan is not used by DOB as a benchmark for managing State finances during the fiscal year and is not updated on a quarterly basis. The GAAP-basis financial plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by OSC in preparation of the audited Basic Financial Statements. However, GAAP is a financial reporting regime, not a budgeting system.

OVERVIEW OF THE UPDATED FINANCIAL PLAN

SUMMARY

Financial results through September 2013 remain in line with DOB's expectations. DOB estimates that the General Fund will remain in balance in FY 2014 on a budgetary (cash) basis of accounting, based on its review of operating results through September 2013 and other information.

General Fund receipts, including transfers from other funds, are now expected to total $61.6 billion in FY 2014, a decrease of $47 million from the First Quarterly Update. The downward revision reflects lower than expected collections of section 18-a assessments on utility companies through September 2013 attributable to declines in utility prices and energy consumption.

General Fund disbursements, including transfers to other funds, are expected to total $61.5 billion in FY 2014, a decrease of $47 million from the First Quarterly Update. The Updated Financial Plan reflects savings from the recalculation of the State's pension payments based on updated information ($31 million). In addition, DOB expects that, based on claims to date, the cost of reimbursing local governments for general public health programs will be lower than projected in the First Quarterly Update ($29 million). Lastly, the Updated Financial Plan includes an additional $13 million in funding to assist areas affected by flooding in the Mohawk Valley region, bringing the total FY 2014 funding to $29 million.[2]

DOB expects the State to end FY 2014 with a General Fund closing balance of $1.8 billion, unchanged from the First Quarterly Update. For planning purposes, the Updated Financial Plan continues to assume a $318 million prepayment of FY 2015 debt service, but DOB will determine the specific prepayments that will be made later in the current fiscal year. The level of prepayments may change, depending on the State's fiscal position.

The projections for General Fund budget gaps in future years remain unchanged from the First Quarterly Update, with gaps of $1.7 billion in FY 2015, $2.9 billion in FY 2016, and $2.9 billion in FY 2017. By law, the Governor must propose, and the Legislature must enact, a General Fund budget that is balanced on a cash basis of accounting.

[2] Recovery aid of $16 million was included in the First Quarterly Update.

MID-YEAR OPERATING RESULTS (APRIL - SEPTEMBER 2013)

GENERAL FUND RESULTS VERSUS ENACTED BUDGET

Operating results through September 30, 2013 were positive in comparison to the estimate in the FY 2014 Enacted Budget Financial Plan as reflected in the AIS.

The State ended the month of September 2013 with a closing balance of $6.3 billion in the General Fund, $1.6 billion higher than projected in the Enacted Budget Financial Plan (and $710 million higher than the revised projections of the First Quarterly Update). The higher balance is mainly due to lower than planned spending ($1.2 billion).

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

	Enacted Plan	Revised Plan	Results	Variance Above/(Below) Enacted	Variance Above/(Below) Revised
Opening Balance	**1,610**	**1,610**	**1,610**	**0**	**0**
Total Receipts	**31,577**	**32,058**	**31,933**	**356**	**(125)**
Taxes:	29,976	30,075	30,063	87	(12)
Personal Income Tax[1]	20,253	20,306	20,347	94	41
User Taxes and Fees[1]	6,086	6,179	6,226	140	47
Business Taxes	2,789	2,716	2,568	(221)	(148)
Other Taxes[1]	848	874	922	74	48
Receipts and Grants	1,461	1,671	1,556	95	(115)
Transfers From Other Funds	140	312	314	174	2
Total Spending	**28,503**	**28,104**	**27,269**	**(1,234)**	**(835)**
Education	7,727	7,422	7,077	(650)	(345)
Health Care	6,450	6,191	6,091	(359)	(100)
Social Services	1,479	1,400	1,418	(61)	18
Higher Education	1,308	1,359	1,261	(47)	(98)
All Other Local Assistance	1,376	1,394	1,338	(38)	(56)
Personal Service	2,814	2,851	2,862	48	11
Non-Personal Service	922	808	794	(128)	(14)
General State Charges	2,448	2,505	2,398	(50)	(107)
Debt Service Transfer	633	610	462	(171)	(148)
Capital Projects Transfer	529	601	580	51	(21)
State Share Medicaid Transfer	831	993	1,159	328	166
SUNY Operations Transfer	812	812	810	(2)	(2)
All Other Transfers	1,174	1,158	1,019	(155)	(139)
Change in Operations	**3,074**	**3,954**	**4,664**	**1,590**	**710**
Closing Balance	**4,684**	**5,564**	**6,274**	**1,590**	**710**

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

Through September 2013, General Fund receipts, including transfers from other funds, were $356 million above initial projections, reflecting higher tax collections ($87 million), miscellaneous receipts ($95 million) and transfers from other funds ($174 million).

The variance in tax collections is comprised of higher PIT collections due to stronger than anticipated current year estimated and 2012 final tax return payments ($94 million); higher user taxes and fees ($140 million) reflecting stronger than expected collections for sales associated with autos, dining and entertainment, and expenditures by utilities for post-Sandy repairs; higher other taxes receipts ($74 million) due to stronger real estate prices and transaction volume, as well as estate tax receipts; and lower business tax collections ($221 million) driven mainly by lower gross collections for insurance and bank taxes due to a weakness in 2013 liability payments.

Higher than anticipated miscellaneous receipts include the unanticipated settlement payments of $250 million from Bank of Tokyo-Mitsubishi UFJ ("BTMU") for its violation of banking laws concerning interactions with countries and entities subject to international sanctions, and $10 million from Deloitte Financial Advisory Services for its violation of banking laws during its consulting work at Standard Chartered Bank; offset by lower abandoned property collections ($100 million) and lower collections from the section 18-a temporary assessment imposed on public utility companies ($38 million).

Transfers from other funds were higher than initially estimated due to the additional revenue generated by the recently settled gaming agreements ($203 million) between New York State and the Oneida Nation of Indians, the Saint Regis Mohawk Tribe, and the Seneca Nation of Indians.

Through September 2013, General Fund disbursements, including transfers to other funds, were $1.2 billion lower than the FY 2014 Enacted Budget Financial Plan projection, due mainly to lower local assistance spending.

Local assistance spending was lower than estimated ($1.2 billion), mainly in the areas of education ($650 million) and health care spending ($359 million). The education variance includes less-than-anticipated School Aid disbursements through September (which do not impact annual disbursement estimates), and $238 million in pre-school special education payments that were processed in October instead of September. The health variance includes the earlier than expected receipt of Medicaid audit recoveries that offset State spending ($200 million); lower utilization across multiple service categories which, along with routine timing of the receipt and application of credits, resulted in lower Medicaid cycle activity; reduced Medicaid administrative costs; and declines in public health program spending, including the General Public Health Work ("GPHW") program. The annual GPHW estimate has been revised downward in this AIS Update.

Non-personal service costs ($128 million) were lower than planned mainly in DOH, including Medicaid contract spending ($40 million); Office of Temporary and Disability Assistance ("OTDA") ($21 million); Judiciary ($19 million); OGS ($17 million); DTF ($9 million); and State Police ($6 million). The variances in mental hygiene transfers to support operational facility costs are a function of timing associated with the submission of claims for payment. The debt service transfer was lower as a result of an administrative delay in the disbursement of the State University of New York ("SUNY") Construction Fund payments ($171 million).

STATE OPERATING FUNDS RESULTS VERSUS ENACTED BUDGET

The State ended September 2013 with a closing balance of $9.1 billion in State Operating Funds, $1.9 billion above the Enacted Budget Financial Plan estimate ($923 million higher than the revised estimate included with the First Quarterly Update to the AIS). The higher balance is mainly due to lower than planned spending ($1.5 billion) and is comprised mainly of lower education and health care spending consistent with the General Fund variance.

STATE OPERATING FUNDS RESULTS THROUGH SEPTEMBER 2013 (millions of dollars)					
	Enacted Plan	Revised Plan	Results	Variance Above/(Below) Enacted	Variance Above/(Below) Revised
Opening Balance	**4,360**	**4,360**	**4,360**	**0**	**0**
Total Receipts	**43,778**	**44,244**	**44,048**	**270**	**(196)**
Taxes:	33,691	33,781	33,728	37	(53)
Personal Income Tax	21,486	21,538	21,575	89	37
User Taxes and Fees	7,234	7,342	7,386	152	44
Business Taxes	3,516	3,432	3,247	(269)	(185)
Other Taxes	1,455	1,469	1,520	65	51
Miscellaneous/Federal Receipts	10,087	10,463	10,320	233	(143)
Total Spending	**42,160**	**41,825**	**40,643**	**(1,517)**	**(1,182)**
Education	10,061	9,750	9,409	(652)	(341)
Health Care	9,608	9,245	9,000	(608)	(245)
Social Services	1,480	1,401	1,420	(60)	19
Transportation	2,376	2,344	2,320	(56)	(24)
Higher Education	1,308	1,359	1,261	(47)	(98)
All Other Local Assistance	2,834	3,131	3,021	187	(110)
Personal Service	6,242	6,324	6,243	1	(81)
Non-Personal Service	2,652	2,575	2,589	(63)	14
General State Charges	3,345	3,441	3,289	(56)	(152)
Debt Service	2,253	2,247	2,086	(167)	(161)
Capital Projects	1	8	5	4	(3)
Other Financing Sources	**1,219**	**1,368**	**1,305**	**86**	**(63)**
Change in Operations	**2,837**	**3,787**	**4,710**	**1,873**	**923**
Closing Balance	**7,197**	**8,147**	**9,070**	**1,873**	**923**

Through September 2013, total receipts in State Operating Funds were $270 million higher than Enacted Budget Financial Plan projections, reflecting the combined impacts of higher collections for both taxes ($37 million) and miscellaneous receipts ($233 million).

As noted in the General Fund operating results, the variance in tax collections is a function of higher PIT collections and user taxes, offset by lower business tax receipts.

Higher non-tax receipts reflects the financial settlement payments described in the General Fund section, partly offset by lower abandoned property collections; lower HCRA assessment revenue attributable to the impact of MRT initiatives on reducing costs throughout the State's health care industry; and lower SUNY miscellaneous receipts.

State Operating Funds spending was $1.5 billion below planned levels, due to lower spending in local assistance ($1.2 billion), agency operations ($118 million), and debt service ($167 million).

These variances include the General Fund variances described above, as well as lower health care spending in other State funds, including the Federal-State Health Reform Partnership ("F-SHRP") ($97 million) attributable to administrative delays associated with the processing of payments, and lower

HCRA and provider assessment revenues used to finance a portion of health care spending. Other variances include lower transit operating aid ($56 million), due to the delay of a scheduled transit aid payment pursuant to a revised cash flow schedule agreement between the State and the MTA; and unanticipated payments made to municipalities pursuant to the recent tribal-state compact agreements ($116 million).

ALL GOVERNMENTAL FUNDS RESULTS

All Governmental Funds ended September 2013 with a closing balance of $7.8 billion, $1.3 billion above the Enacted Budget ($739 million higher than the revised estimate included with the First Quarterly Update to the AIS). The higher balance is comprised of lower than projected spending ($1.9 billion) including a lower level of Federal operating funds, partly offset by lower available resources ($593 million).

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

	Enacted Plan	Revised Plan	Results	Variance Above/(Below) Enacted	Variance Above/(Below) Revised
Opening Balance	**3,876**	**3,876**	**3,876**	**0**	**0**
Total Receipts	**68,650**	**68,173**	**68,057**	**(593)**	**(116)**
Taxes:	34,391	34,474	34,419	29	(55)
Personal Income Tax	21,486	21,538	21,575	89	37
User Taxes and Fees	7,548	7,647	7,692	144	45
Business Taxes	3,854	3,772	3,586	(268)	(186)
Other Taxes	1,503	1,517	1,566	63	49
Miscellaneous Receipts	11,987	11,993	11,795	(192)	(198)
Federal Grants	22,272	21,706	21,843	(429)	137
Total Spending	**66,033**	**64,946**	**64,087**	**(1,946)**	**(859)**
State Operating Funds:	42,160	41,825	40,643	(1,517)	(1,182)
Education	10,061	9,750	9,409	(652)	(341)
Health Care	9,608	9,245	9,000	(608)	(245)
Social Services	1,480	1,401	1,420	(60)	19
Transportation	2,376	2,344	2,320	(56)	(24)
Higher Education	1,308	1,359	1,261	(47)	(98)
All Other Local Assistance	2,834	3,131	3,021	187	(110)
Personal Service	6,242	6,324	6,243	1	(81)
Non-Personal Service	2,652	2,575	2,589	(63)	14
General State Charges	3,345	3,441	3,289	(56)	(152)
Debt Service	2,253	2,247	2,086	(167)	(161)
Capital Projects	1	8	5	4	(3)
Capital Projects Funds	3,836	3,723	3,882	46	159
Federal Operating Funds	20,037	19,398	19,562	(475)	164
Other Financing Sources	**(20)**	**(29)**	**(33)**	**(13)**	**(4)**
Change in Operations	**2,597**	**3,198**	**3,937**	**1,340**	**739**
Closing Balance	**6,473**	**7,074**	**7,813**	**1,340**	**739**

Through September 2013, total receipts in All Funds were $593 million lower than initial projections, reflecting the combined impact of lower Federal Aid ($429 million) and miscellaneous receipts ($192 million), partly offset by higher tax collections ($29 million).

In addition to the tax collection and miscellaneous receipt variances noted earlier, other significant variances include lower than planned receipts due to a timing delay of bond sales associated with certain economic development programs ($412 million) and Federal Grant aid variances commensurate to the spending variances described below.

In addition to the General Fund and State Operating Fund spending variances described earlier, the most notable variances are attributable to lower Federal spending ($475 million) in the areas of Medicaid ($920 million) related to the ACA, and the timing of disaster assistance reimbursements, that are partly offset by earlier than planned spending for public assistance programs ($535 million) and education ($455 million).

ALL GOVERNMENTAL FUNDS ANNUAL CHANGE

The All Governmental Funds balance through September 2013 was $7.8 billion, or $1.8 billion higher than the prior year. The growth in the fund balance in the current year is attributable to a higher opening balance ($516 million), greater available resources from All Governmental Funds receipts ($5.4 billion), partly offset by higher year-to-date spending ($4.1 billion).

All GOVERNMENTAL FUNDS RESULTS YEAR-OVER-YEAR
APRIL THROUGH SEPTEMBER
(millions of dollars)

	FY 2013 Results	FY 2014 Results	Increase/(Decrease) $	Increase/(Decrease) %
Opening Balance	**3,360**	**3,876**	**516**	
Total Receipts	**62,623**	**68,057**	**5,434**	**8.7%**
Taxes:	31,635	34,419	2,784	8.8%
Personal Income Tax	19,368	21,575	2,207	11.4%
User Taxes and Fees	7,341	7,692	351	4.8%
Business Taxes	3,458	3,586	128	3.7%
Other Taxes	1,468	1,566	98	6.7%
Miscellaneous Receipts	11,723	11,795	72	0.6%
Federal Grants	19,265	21,843	2,578	13.4%
Total Spending	**59,940**	**64,087**	**4,147**	**6.9%**
State Operating Funds:	39,627	40,643	1,016	2.6%
Education	9,799	9,409	(390)	-4.0%
Health Care	8,444	9,000	556	6.6%
Social Services	1,644	1,420	(224)	-13.6%
Transportation	2,102	2,320	218	10.4%
Higher Education	1,124	1,261	137	12.2%
All Other Local Assistance	3,255	3,021	(234)	-7.2%
Personal Service	6,095	6,243	148	2.4%
Non-Personal Service	2,195	2,589	394	17.9%
General State Charges	2,646	3,289	643	24.3%
Debt Service	2,320	2,086	(234)	-10.1%
Capital Projects	3	5	2	66.7%
Capital Projects Funds	3,260	3,882	622	19.1%
Federal Operating Funds	17,053	19,562	2,509	14.7%
Other Financing Sources	**(34)**	**(33)**	**1**	
Change in Operations	**2,649**	**3,937**	**1,288**	
Closing Balance	**6,010**	**7,813**	**1,803**	

All Governmental Funds tax receipts through September 2013 are $2.8 billion higher than the prior year, with 80 percent of the growth attributable to higher PIT collections ($2.2 billion). This was due in part to taxpayer accelerations of income into the 2012 tax year to avoid increased 2013 Federal tax rates. Other growth in tax receipts includes higher user tax collections ($351 million) associated with recurring and non-recurring taxable purchases such as auto sales, entertainment activities, and utility expenses for post-Sandy repair work; and higher business taxes ($128 million) driven by higher audit receipts for corporate franchise taxes in April and May of 2013. The remaining growth in receipts is in Federal Grants ($2.6 billion) and is generally a result of increased Federal program spending, as described in greater detail below.

Nearly two-thirds of the $4.1 billion annual increase in All Governmental Funds spending through September 2013 is attributable to higher Federal spending ($2.5 billion), mainly in the areas of health care, disaster assistance associated with Sandy-related storm recovery activities, and public assistance.

State Operating Funds spending has increased by $1.0 billion through September 2013 compared to the prior year. Growth in local assistance spending includes higher Medicaid spending due to lower spending during the first six months of the prior year as a result of delayed Federal approval of certain rate increases; transit aid spending from available resources; and increased higher education spending.

Agency operations spending growth includes higher personal service costs, which is mainly comprised of increased compensation, overtime and other payments; and non-personal service costs, which includes increased spending by SUNY from additional revenue being generated at their campuses. Spending for GSCs has increased from the prior year, as the State's pension payments are now being paid on a monthly basis, rather than during the final month of the fiscal year, to generate interest savings.

Capital projects spending has increased by $622 million from the prior year, which is a result of both budgeted growth, particularly for DOT-related costs in the DHBTF, and from certain system related transaction delays during FY 2012 related to fringe benefit billing processes.

MULTI-YEAR FINANCIAL PLAN REVISIONS

The following table summarizes the revisions to the financial plan that affect General Fund operating projections since the First Quarterly Update issued in August 2013. Descriptions of the changes follow the table.

SUMMARY OF REVISIONS TO FIRST QUARTERLY UPDATE FINANCIAL PLAN GENERAL FUND BUDGETARY BASIS OF ACCOUNTING SAVINGS/(COSTS) (millions of dollars)	FY 2014	FY 2015	FY 2016	FY 2017
FIRST QUARTERLY UPDATE SURPLUS/(GAPS)	**0**	**(1,742)**	**(2,889)**	**(2,948)**
RECEIPTS REVISIONS	**(47)**	**0**	**0**	**0**
18-a Temporary Utility Assessments	(47)	0	0	0
DISBURSEMENTS REVISIONS	**47**	**0**	**0**	**0**
State Pension Bill	31	0	0	0
General Public Health Work Program	29	0	0	0
NYS Flood Recovery	(13)	0	0	0
MID-YEAR UPDATE BUDGET SURPLUS/(GAPS)	**0**	**(1,742)**	**(2,889)**	**(2,948)**

The projections for General Fund budget gaps in future years remain unchanged from the First Quarterly Update, with gaps of $1.7 billion in FY 2015, $2.9 billion in FY 2016, and $2.9 billion in FY 2017. By law, the Governor must propose, and the Legislature must enact, a General Fund budget that is balanced on a cash basis of accounting.

REVISIONS

- **Section 18-a Temporary Utility Assessments:** Collections of assessments on utility companies through September 2013 were lower than planned. The lower collections were attributable to declines in utility prices and energy consumption.

- **State Pension Payment:** The State’s 2014 pension bill has been recalculated to reflect updated information. Monthly prepayments applied to the State's FY 2014 pension bill have resulted in net interest savings.

- **General Public Health Work Program:** The State’s estimated annual reimbursement to local health departments for a share of costs associated with providing certain public health services has been lowered as a result of lower than anticipated municipal claims on various services.

- **NYS Flood Recovery:** The Financial Plan has been updated to include an additional $13 million in recovery assistance aid to homeowners, business operators and farmers in five counties impacted by severe flooding that occurred between June 26 and July 3, 2013. State aid for flooding costs since budget enactment totals $29 million. Homeowners and renters may apply for up to $31,900 in assistance, and small business owners and farmers may apply for up to $50,000 in assistance.

PROJECTED CLOSING BALANCES

DOB expects the State to end FY 2014 with a General Fund closing balance of $1.8 billion, an increase of $94 million from the Enacted Budget Financial Plan and unchanged from the First Quarterly Update. The change for the Enacted Budget reflects a $100 million increase in the undesignated fund balance, offset by the use of $6 million to fund retroactive labor settlements with lifeguards, as noted in the First Quarterly Update (retroactive payments are scheduled for November 2013).

FY 2014 ESTIMATED GENERAL FUND CLOSING BALANCES
(millions of dollars)

	Enacted Budget	Change	First Quarterly Update	Change	Mid-Year Update
GENERAL FUND BALANCE	**1,709**	**94**	**1,803**	**0**	**1,803**
STATUTORY RESERVES					
Tax Stabilization Reserve Fund	1,131	0	1,131	0	1,131
Rainy Day Reserve Fund	175	0	175	0	175
Community Projects Fund	68	0	68	0	68
Contingency Reserve Fund	21	0	21	0	21
RESERVED FOR		0		0	
Prior-Year Labor Agreements (2007-2011)	51	(6)	45	0	45
Debt Management	263	0	263	0	263
Undesignated Fund Balance	0	100	100	0	100

The combined balances in the State's principal "rainy day" reserve funds, the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund, are equal to approximately 2.1 percent of estimated General Fund disbursements in FY 2014. The Community Projects Fund reflects projected year-end balances available to finance discretionary grants from existing reappropriations. The Contingency Reserve Fund balance is available only to pay lawsuits against the State in excess of $25 million or for other legally specified purposes.

The Updated Financial Plan continues to reserve money in the General Fund balance to cover potential retroactive labor settlements with unions that have not agreed to terms for prior contract periods. The reserve is calculated based on the pattern settlement for the FY 2008 through FY 2011 period that was agreed to by the State's largest unions.

The Updated Financial Plan continues to reserve $263 million for debt management purposes in FY 2014, which is consistent with the First Quarterly Update.

ANNUAL SPENDING GROWTH

DOB estimates that State Operating Funds spending will total $90.7 billion in FY 2014, an increase of $1.8 billion (2.1 percent) from FY 2013 results. Excluding the impact of planned prepayments, State Operating Funds spending growth is estimated at 1.7 percent.

All Governmental Funds spending excluding extraordinary Federal aid for Superstorm Sandy disaster assistance and the ACA, which includes capital projects and Federal Operating Funds, totals $135.3 billion, an increase of $2.8 billion (2.1 percent) from FY 2013 results. Excluding the impact of planned prepayments, All Funds spending growth (again excluding Superstorm Sandy and ACA), is estimated at 1.8 percent. Please see the Financial Plan tables for unadjusted All Funds disbursements.

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

ANNUAL STATE SPENDING
(millions of dollars)

	FY 2013 Results	FY 2014 Estimated	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**58,578**	**59,696**	**1,118**	**1.9%**
School Aid	20,163	20,471	308	1.5%
DOH Medicaid (Incl Operational Costs) [1]	15,900	16,421	521	3.3%
Transportation	4,303	4,739	436	10.1%
Mental Hygiene	3,602	2,833	(769)	-21.3%
STAR	3,286	3,419	133	4.0%
Social Services	3,031	2,996	(35)	-1.2%
Higher Education	2,629	2,825	196	7.5%
Public Health/Aging	2,040	2,193	153	7.5%
Special/Other Education	1,927	2,032	105	5.4%
Local Government Assistance	754	764	10	1.3%
All Other[2]	943	1,003	60	6.4%
STATE OPERATIONS/FRINGE BENEFITS	**24,120**	**24,902**	**782**	**3.2%**
State Operations	**17,683**	**17,844**	**161**	**0.9%**
Personal Service:	12,403	12,366	(37)	-0.3%
Executive Agencies	7,112	7,010	(102)	-1.4%
University System	3,468	3,500	32	0.9%
Elected Officials	1,823	1,856	33	1.8%
Non-Personal Service:	5,280	5,478	198	3.8%
Executive Agencies	2,707	2,764	57	2.1%
University System	2,083	2,169	86	4.1%
Elected Officials	490	545	55	11.2%
Fringe Benefits/Fixed Costs	**6,437**	**7,058**	**621**	**9.6%**
Pension Contribution	1,601	1,982	381	23.8%
Employee Health Insurance	3,129	3,315	186	5.9%
Other Fringe Benefits/Fixed Costs	1,707	1,761	54	3.2%
DEBT SERVICE	**6,138**	**6,060**	**(78)**	**-1.3%**
CAPITAL PROJECTS	**8**	**11**	**3**	**37.5%**
TOTAL STATE OPERATING FUNDS	**88,844**	**90,669**	**1,825**	**2.1%**
SOF EXCL. PLANNED FY 2014 PREPAYMENTS	***88,844***	***90,351***	***1,507***	***1.7%***
Capital Projects (State Funds)	**5,679**	**6,146**	**467**	**8.2%**
TOTAL STATE FUNDS	**94,523**	**96,815**	**2,292**	**2.4%**
Federal Aid (Including Capital Grants) [3]	**37,997**	**38,459**	**462**	**1.2%**
TOTAL ALL GOVERNMENTAL FUNDS [4]	**132,520**	**135,274**	**2,754**	**2.1%**
ALL FUNDS EXCL. FY 2014 PREPAYMENTS [4]	***132,520***	***134,956***	***2,436***	**1.8%**

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

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

[3, 4] Excludes Federal disaster aid for Superstorm Sandy, at $577 million in FY 2013 and estimated at $5.1 billion in FY 2014, and additional Federal aid under the Affordable Care Act, estimated at approximately $600 million in FY 2014. Including disbursements for these purposes, All Funds disbursements are expected to total $141 billion in FY 2014, an increase of 5.9 percent.

Local assistance spending in FY 2014 is expected to increase by $1.1 billion, or 1.9 percent, over FY 2013 results. On a school year basis, School Aid is expected to increase by 4.9 percent in 2014, which is above the growth rate in personal income. School Aid in the future years of the Financial Plan is assumed to increase at levels based on the growth in State personal income. State-funded DOH Medicaid spending is projected to increase by 3.9 percent (not shown on table), excluding the impact of the State's takeover of Medicaid administration, and is consistent with the statutory growth cap. In addition, ACA continues to provide additional Federal resources to finance Medicaid spending. Transportation spending growth is the result of increased dedicated tax receipts and State subsidy payments to the MTA. Growth in other local assistance includes increases across several programs and activities. In addition, results in FY 2013 fell below planned levels in many areas, which, absent other changes, has the effect of increasing the annual growth rate in FY 2014 in those areas.

Agency spending on personal and non-personal service is expected to remain nearly flat on an annual basis. This reflects ongoing efforts to redesign State agency operations initiated in FY 2013. Spending on fringe benefits is projected to increase by $622 million. This includes an increase of $381 million in the State's annual pension contribution, including repayment of amounts amortized in prior years. The Financial Plan assumes the State will continue to amortize a percentage of its annual pension costs, consistent with legislation approved in 2010.

Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in special revenue funds have been adjusted downward based on typical spending patterns and the observed variance over time between estimated and actual results.

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RISKS AND UNCERTAINTIES RELATED TO THE STATE FINANCIAL PLAN

GENERAL

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

The Updated Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of the following: national and international events, such as Federal budget and debt ceiling negotiations; ongoing financial instability in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; continuing or worsening strife in the Middle East; climate change and extreme weather events; Federal statutory and regulatory changes concerning financial sector activities; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments, which may adversely affect bonus income and capital gains realizations; possible changes in Federal tax law relating to the taxation of interest on municipal bonds; and the levels of household debt, which may adversely affect consumer spending and State tax collections.

The Updated Financial Plan is subject to various other uncertainties and contingencies relating to the extent, if any, to which wage increases for State employees exceed projected annual wage costs; changes in the size of the State's workforce; the actualization of the projected rate of return for pension fund assets and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the extent to which litigation-related judgments against the State results in new or higher than projected costs; the willingness and ability of the Federal government to provide the aid contemplated by the Updated Financial Plan; the ability of the State to implement cost reduction initiatives, including reductions in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to market securities successfully in the public credit markets. Some of these specific issues are described in more detail herein. The projections and assumptions contained in the Updated Financial Plan are subject to revisions which may reflect substantial adverse changes resulting from the occurrence of one or more uncertainties. No assurance can be given that these estimates and projections, which depend in part upon actions the State expects to be taken but that are not within the State's control, will be realized.

BUDGET RISKS AND UNCERTAINTIES

There can be no assurance that the State's General Fund budget gaps will not increase materially from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to, additional reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary financing of operating expenses;

or other measures. In some cases, the ability of the State to implement such actions requires the approval of the Legislature and cannot be implemented solely by the action of the Governor.

The Updated Financial Plan projections generally assume that School Aid and Medicaid disbursements will be limited to the growth in State personal income and the ten-year average growth in the Medicaid component of the Consumer Price Index (CPI), respectively. However, the Enacted Budget authorized spending for School Aid to increase in excess of the growth in personal income for SY 2014.

State law grants the Governor certain powers to achieve the Medicaid savings assumed in the Updated Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated in the Updated Financial Plan. In addition, savings are dependent upon timely Federal approvals, revenue performance in the State's HCRA fund (which finances approximately one-third of the DOH State-share costs of Medicaid), and the participation of health care industry stakeholders.

The forecast contains specific transaction risks and other uncertainties including, but not limited to, the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Updated Financial Plan, including payments pursuant to the Tribal-State Compact that have failed to materialize in prior years, but which were received in the current year as part of an agreement between the State and certain tribal nations; and the achievement of cost-saving measures including, but not limited to, the transfer of available fund balances to the General Fund at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Updated Financial Plan in the current year or future years.

FEDERAL ISSUES

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to address response and recovery to severe weather events. Any reduction in Federal funding levels could have a materially adverse impact on the Updated Financial Plan. In addition, the Updated Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. Issues of particular concern are described below.

FEDERAL REIMBURSEMENT FOR STATE MENTAL HYGIENE SERVICES

The Federal government lowered Medicaid developmental disability center payment rates, effective April 1, 2013, which will reduce Federal funding to the State by approximately $1.1 billion annually, beginning in FY 2014. The Updated Financial Plan includes a plan to address the loss in Federal aid, including $90 million in the Office for People with Developmental Disabilities (OPWDD) savings associated with reduced administrative costs, enhanced audit recoveries and improved program efficiencies. The plan is subject to implementation risks and is dependent, in part, on the approval of the Federal government. As described below, the Federal Centers for Medicare and Medicaid Services (CMS) may seek to retroactively recover Federal funds paid to the State regarding this matter.

AUDIT DISALLOWANCE

In addition to the reductions in rates that commenced on April 1, 2013, on February 8, 2013, the U.S. Department of Health & Human Services Office of the Inspector General, at the direction of the Federal CMS, began a review to determine the allowability of Medicaid costs for services provided in prior years to the Medicaid population in New York State-Operated Intermediate Care Facilities for the Developmentally Disabled (ICF/DD). The initial review period includes claims for services provided during the period April l, 2010 through March 31, 2011. As a result of this review, CMS may seek to recover Federal funds for any payments that it determines to have been in excess of Federal requirements. The State has resolved CMS concerns regarding its prospective payments to ICF/DDs with a State plan change effective April 1, 2013, and continues to have discussions with CMS to resolve the concerns related to the April 1, 2010 through March 31, 2011 period. As noted above, adverse action by the Federal government relative to the allowability of Medicaid costs or services in years prior to FY 2014 is expected to result in a reduction in Federal aid of an estimated $1.1 billion annually beginning in FY 2014. A comparable amount of Federal aid is at risk for any prior period that may be pursued by CMS. Matters of this type are sometimes resolved with a prospective solution (as already commenced by the State), and the State is not aware of any similar attempts by the Federal government to retroactively recover Federal aid of this magnitude that was paid pursuant to an approved State plan. The State continues to seek CMS approval to proceed with the development of a sustainable system of service funding and delivery for individuals with developmental disabilities. However, there can be no assurance that Federal action in this matter will not result in materially adverse changes to the Updated Financial Plan.

BUDGET CONTROL ACT

The Federal Budget Control Act ("BCA") of 2011 imposed annual caps on Federal discretionary spending over a ten-year period and mandated an additional $1.2 trillion in deficit reduction, which, if not enacted, would be achieved through the sequestration of funds in Federal Fiscal Year ("FFY") 2013 and lowered discretionary spending caps in the following years. As the required deficit reduction was not achieved by the March 1, 2013 deadline, an across-the-board 5 percent reduction in FFY 2013 funding for Federal nondefense discretionary programs was implemented. If Congress does not act to otherwise achieve the BCA deficit reduction requirements, DOB estimates that New York State and local governments could lose approximately $5 billion in Federal funding over nine years, including reductions in Federal funding that passes through the State budget for school districts, as well as environmental, criminal justice and social services programs.

DEBT CEILING

A Federal government default on payments, particularly if it persisted for a prolonged period, can be expected to have a materially adverse effect on the national and state economies, financial markets, and intergovernmental aid payments.

The specific effects on the Updated Financial Plan of a Federal government payment default are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default, according to DOB. For context, during the last recession, New York lost 324,000 jobs, State wages fell 7.2 percent in 2009, and taxable capital gains realizations fell 52 percent in 2008 and 41 percent in 2009.

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

HEALTH INSURANCE COMPANY CONVERSIONS

State law permits a health insurance company to convert its organizational status from a not-for-profit to a for-profit corporation (a "health care conversion"), subject to a number of terms, conditions, and approvals. Under State law, the State is entitled to proceeds from the monetization of a health service corporation, from a not-for-profit to a for-profit corporation, and such proceeds must be used by the State for health care related expenses. The Updated Financial Plan counts on conversion proceeds of $175 million in FY 2014, and $300 million annually in FY 2015, FY 2016, and FY 2017. In recent years, the Updated Financial Plan has counted on similar amounts from conversions, which have not been realized. It is expected that any proceeds received will be deposited into the HCRA account. If estimated proceeds from health care conversions are not realized on the timetable or at the levels assumed in the FY 2014 Enacted Budget, the State may be required to take other actions, such as reducing planned spending in HCRA, or financing additional health care expenses in the General Fund, or both.

STATUS OF CURRENT LABOR NEGOTIATIONS (CURRENT CONTRACT PERIOD)

The State has labor contracts in force for the current contract period with approximately 90 percent of unionized State employees, including its three largest employee unions, Civil Service Employees Association (CSEA), Public Employees Federation (PEF), and the United University Professions (UUP), as well as the New York State Police Benevolent Association (NYSPBA) (representing the Agency Police Services Unit (APSU) bargaining unit, formerly Agency Law Enforcement Services (ALES), NYSCOPBA, and Council 82). Generally, the contracts provide for no across-the-board salary increases for FY 2012 through FY 2014, increases to employee health insurance contributions, and a temporary reduction in employee compensation through a Deficit Reduction Program ("DRP"). Employees will receive a 2 percent salary increase in both FY 2015 and FY 2016, and, at the end of their contract term, the value of FY 2013 deficit reduction adjustments. The PEF and NYSPBA contracts generally mirror the provisions for the other unions, but cover a four-year period, whereas the others cover a five-year period. PEF and NYSPBA-represented employees will receive a 2 percent salary increase in FY 2015. PEF-represented employees will be repaid all DRP adjustments at the end of their contract in lieu of the $1,000 lump sum payment per employee. Employees represented by the UUP ratified their agreement with the State on June 4, 2013. The agreement contains no general salary increases until FY 2014 and FY 2015 when there will be 2 percent general salary increases awarded in each year, payments to be awarded by the Chancellor, and performance incentive lump sum payments awarded by campus presidents. UUP-represented employees will also have a DRP. Employees in the unions that have reached settlements with the State received contingent layoff protection through FY 2013 and continued protection for the remaining term of the agreements. Reductions in force due to management decisions to close or restructure facilities authorized by legislation, Spending and Government Efficiency Commission (SAGE) determinations, or material or unanticipated changes in the State's fiscal circumstances are not covered by this protection.

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

The Updated Financial Plan continues to identify a portion of the General Fund balance to cover the costs of a pattern settlement with unions that have not agreed to contracts for prior contract periods. The amount expected to be needed is calculated 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 related to prior periods will not exceed the amounts informally designated for this purpose. In addition, the State's ability to fund the amounts so designated in FY 2014 and beyond depends on the achievement of balanced budgets in those years. The Updated Financial Plan does not include reserves for settlements covering the current contract period (i.e., starting in FY 2012).

CURRENT CASH-FLOW PROJECTIONS

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

DOB expects that the State will have sufficient liquidity to make payments as they become due throughout FY 2014, but that the General Fund may, from time to time on a daily basis, need to borrow resources temporarily from other funds in STIP. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants. The following table provides an estimate of month-end balances for FY 2014.

ALL FUNDS MONTH-END CASH BALANCES
FY 2014
(millions of dollars)

	General Fund	Other Funds	All Funds
April (Results)	6,379	3,175	9,554
May (Results)	3,744	3,765	7,509
June (Results)	4,805	2,684	7,489
July (Results)	4,407	2,671	7,078
August (Results)	3,642	3,312	6,954
September (Results)	6,273	1,539	7,812
October (Projected)	5,478	2,753	8,231
November (Projected)	4,076	3,036	7,112
December (Projected)	5,747	1,081	6,828
January (Projected)	7,190	2,816	10,006
February (Projected)	6,481	3,096	9,577
March (Projected)	1,803	2,306	4,109

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 2014 will be 12.5

percent of payroll for the Employees' Retirement System (ERS) and 20.5 percent for the Police and Fire Retirement System (PFRS), may be amortized.

The Updated Financial Plan forecast 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, 11.5 percent in FY 2013, and is 12.5 percent in FY 2014. DOB projects the rate to be 13.5 percent in FY 2015, 14.5 percent in FY 2016, and 15.5 percent in FY 2017. The FY 2018 amortization threshold is projected by DOB to equal the normal contribution rate of 15.6 percent of payroll. Therefore, no amortization of ERS costs is expected to be applicable for FY 2018 and beyond.

The State's minimum PFRS pension contribution rate was 17.5 percent in FY 2011, 18.5 percent in FY 2012 and 19.5 percent in FY 2013. The rate is 20.5 percent in FY 2014 and DOB projects the rate to be 21.5 percent in FY 2015, 22.5 percent in FY 2016, and 23.5 percent in FY 2017. The PFRS amortization threshold is also projected to equal the normal contribution rate of 23.7 percent by FY 2018. Therefore, no amortization of PFRS costs are expected to be applicable for FY 2018 and beyond. These projected contribution rates, however, are based on projected market returns and numerous actuarial assumptions. The next quinquennial study is scheduled to take place in 2015 and may result in material changes to the projections set forth herein.

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

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

The following table, 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 (principal and interest) 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 be set aside as reserves for rate increases, to be invested by the State Comptroller and used to offset future rate increases.

As noted above, DOB's most recent pension contribution rate forecast assumes that the normal contribution rate will equal the amortization threshold in FY 2018. Therefore, the State would not have the option to amortize any of its pension costs in 2018, or in the immediately succeeding fiscal years. Projections in the following table are based on certain DOB assumptions about actuarial factors on investment earnings and benefits to be paid, and while DOB believes such assumptions to be reasonable, actual results may vary from the projections provided in the following table, and such variances could be substantial.

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

Fiscal Year	Normal Costs[2]	New Amortized Amounts	Amortization Payment	Total
2011 Results	1,552.8	(249.6)	0.0	1,303.2
2012 Results	2,041.7	(562.9)	32.3	1,511.1
2013 Results	2,085.3	(778.5)	100.9	1,407.7
2014 Projected	2,543.5	(950.6)	192.1	1,785.0
2015 Projected	2,509.9	(744.0)	292.7	2,058.6
2016 Projected	2,103.4	(262.7)	379.9	2,220.6
2017 Projected	1,883.4	(44.6)	410.7	2,249.5
2018 Projected	1,886.4	0.0	415.4	2,301.8
2019 Projected	1,904.1	0.0	416.0	2,320.1
2020 Projected	1,941.1	0.0	416.0	2,357.1
2021 Projected	1,967.0	0.0	416.0	2,383.0
2022 Projected	1,980.7	0.0	383.6	2,364.3
2023 Projected	1,968.1	0.0	315.1	2,283.2
2024 Projected	1,942.0	0.0	223.8	2,165.8
2025 Projected	1,913.3	0.0	123.2	2,036.5
2026 Projected	1,870.1	0.0	36.0	1,906.1
2027 Projected	1,838.0	0.0	5.2	1,843.2
2028 Projected	1,831.2	0.0	0.0	1,831.2

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 Updated Financial Plan include such pension disbursements.

[2] Include payments from amortization prior to FY 2011. Such prior amortization payments will end in FY 2017.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

State employees become eligible for post-employment benefits (i.e., health insurance) if they reach retirement while working for the State, are enrolled in the New York State Health Insurance Program (NYSHIP) (or are enrolled in the State's opt-out program) at the time they have reached retirement, and have at least ten years of NYSHIP-benefits-eligible 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 Pay-As-You-Go (PAYGO) basis as required by law.

In accordance with the Governmental Accounting Standards Board (GASB) Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2013, the Annual Required Contribution (ARC) represents the 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 2013, the unfunded actuarial accrued liability for FY 2013 is $66.5 billion ($54.3 billion for the State and $12.2 billion for SUNY), a decline of $5.5 billion from FY 2012 ($5.4 billion for the State and $0.1 billion for SUNY). The unfunded actuarial accrued liability for FY 2013 used an actuarial valuation of OPEB liabilities as of April 1, 2012 for the State and as of April 1, 2010 for SUNY. These valuations were determined using the Frozen Entry Age actuarial cost method, and are amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The actuarially determined annual OPEB cost for FY 2013 totaled $3.4 billion ($2.6 billion for the State and $0.8 billion for SUNY), a decline of $520 million from FY 2012 ($490 million for the State and $30 million for SUNY). The actuarially determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. The actuarially determined cost was $2.0 billion ($1.4 billion for the State and $0.6 billion for SUNY) greater than the cash payments for retiree costs made by the State in FY 2013. This difference between the State's PAYGO costs, and the actuarially determined required annual contribution under GASB Statement 45, reduced the State's net asset condition at the end of FY 2013 by $2.0 billion.

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

There is no provision in the Updated Financial Plan to fund the actuarial required contribution for OPEB. If the State began making the actuarial required contribution, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of 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.

LITIGATION

Litigation against the State may include potential challenges to the constitutionality of various actions. The State may also be affected by adverse decisions that are the result of various lawsuits. Such adverse decisions may not meet the materiality threshold to warrant individual description but, in the aggregate, could still adversely affect the Updated Financial Plan.

UPDATE ON STORM RECOVERY

In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various New York State counties. In September 2011, Tropical Storm Lee caused flooding in additional New York State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. Little more than one year later, on October 29, 2012, Superstorm Sandy struck the East Coast, causing widespread infrastructure damage and economic losses to the greater New York region. The frequency and intensity of these storms presents economic and financial risks to the State. Major disaster response and recovery activities have been ongoing. In January 2013, the Federal government approved approximately $60 billion in Federal disaster aid for general recovery, rebuilding and mitigation activity nationwide, of which New York anticipates receiving approximately one-half. The State expects to receive $5.1 billion in extraordinary Federal assistance during FY 2014 specifically for Superstorm Sandy expenses. There can be no assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities, or that such Federal disaster aid will be provided on the expected schedule.

CLIMATE CHANGE ADAPTATION

Climate change is expected to cause long-term threats to physical and biological systems. Potential hazards and risks related to climate change for the State include, among other things, rising sea levels, more severe coastal flooding and erosion hazards, and more intense storms. Storms in recent years, including Superstorm Sandy, Hurricane Irene, and Tropical Storm Lee, have demonstrated vulnerabilities in the State’s infrastructure, including mass transit systems, power transmission and distribution systems, and other critical lifelines, to extreme weather events, including coastal flooding caused by storm surges. Significant long-term planning and investment by the Federal government, State, and municipalities is expected to be needed to adapt existing infrastructure to the risks posed by climate change.

FINANCIAL CONDITION OF NEW YORK STATE LOCALITIES

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

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, it can adversely affect the State’s overall cash position and capital funding plan. The success of projected public sales will, among other things, be subject to prevailing market conditions. Future developments in the financial markets, including possible changes in Federal tax law relating to the taxation of interest on municipal bonds, as well as future developments concerning the State and public discussion of such developments, generally may affect the market for outstanding State-supported and State-related debt.

CAPITAL COMMITMENT PLAN

The New York Works Task Force was formed in FY 2013 to assist in the coordination of long-term capital planning among State agencies and public authorities. Consistent with the long-term planning goals of New York Works, the DOB formulated 10-year capital commitment and disbursement projections for State agencies as part of the FY 2013 capital plan. The total commitment and disbursement levels permissible over the 10-year capital planning horizon reflect, among other things, projected capacity under the State's debt limit, anticipated levels of Federal aid, and the timing of capital activity based on known needs and historical patterns.

DEBT REFORM ACT LIMIT

The Debt Reform Act of 2000 restricts the issuance of State-supported debt to capital purposes only and limits such debt to a maximum term of 30 years. The Act limits the amount of new State-supported debt to 4 percent of State personal income and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued since April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001 and was fully phased-in at 4 percent of personal income during FY 2011, while the cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001 and is fully phased in at 5 percent during FY 2014.

The statute requires that the limitations on the amount of State-supported debt and debt service costs be calculated by October 31 of each year and reported in the Mid-Year Financial Plan. If the actual amount of new State-supported debt outstanding and debt service costs for the prior fiscal year are below the caps at this time, State-supported debt may continue to be issued. However, if either the debt outstanding or the debt service caps are met or exceeded, the State would be precluded from issuing new State-supported debt until the next annual cap calculation is made and debt is found to be within the applicable limitations.

For FY 2013, the cumulative debt outstanding and debt service caps are 4.00 and 4.98 percent, respectively. As shown in the tables below, the actual levels of debt outstanding and debt service costs continue to remain below the statutory caps. From April 1, 2000 through March 31, 2013 the State has issued new debt resulting in $37.5 billion of debt outstanding applicable to the debt reform cap. This is about $4.2 billion below the statutory debt outstanding limitation. In addition, the debt service costs on this new debt totaled $3.7 billion in FY 2013, or roughly $3.0 billion below the statutory debt service limitation.

DEBT OUTSTANDING CAP (millions of dollars)		
	Dollar	Percent
Personal Income (CY 2012)[1]	1,041,931	
Max. Allowable Debt Outstanding[2]	41,677	4.00%
Debt Outstanding Subject to Cap	37,523	3.60%
Remaining Capacity	4,155	0.40%

[1] U.S. Bureau of Economic Analysis.
[2] Equal to 4 percent of CY Personal Income.

DEBT SERVICE CAP (millions of dollars)		
	Dollar	Percent
All Funds Receipts (FY 2013)	133,174	
Max. Allowable Debt Service	6,637	4.98%
Debt Service Subject to Cap	3,670	2.76%
Remaining Capacity	2,967	2.23%

Current projections estimate that debt outstanding and debt service will continue to remain below the limits imposed by the Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $2.4 billion in FY 2014 to $720 million in FY 2017. This includes the estimated impact of the bond-financed portion of capital commitment levels included in DOB's 10-year capital planning projections. Debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Bonds issued under the newly created SUNY Dormitory Facilities Revenue credit are not included in the State's calculation of debt caps. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2013	1,041,931	4.00%	41,677	37,523	4,155	3.60%	0.40%	15,011	52,534
FY 2014	1,070,620	4.00%	42,825	40,432	2,393	3.78%	0.22%	13,661	54,093
FY 2015	1,127,009	4.00%	45,080	43,639	1,442	3.87%	0.13%	11,940	55,579
FY 2016	1,181,754	4.00%	47,270	46,517	753	3.94%	0.06%	10,560	57,077
FY 2017	1,240,533	4.00%	49,621	48,902	720	3.94%	0.06%	9,019	57,921
FY 2018	1,303,500	4.00%	52,140	50,657	1,483	3.89%	0.11%	7,503	58,161

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity	Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
FY 2013	133,174	4.98%	6,637	3,670	2,967	2.76%	2.23%	2,468	6,138
FY 2014	140,932	5.00%	7,047	3,925	3,121	2.79%	2.21%	2,122	6,047
FY 2015	143,366	5.00%	7,168	4,211	2,958	2.94%	2.06%	1,563	5,774
FY 2016	148,119	5.00%	7,406	4,594	2,812	3.10%	1.90%	1,859	6,453
FY 2017	154,010	5.00%	7,701	4,988	2,712	3.24%	1.76%	1,766	6,754
FY 2018	155,908	5.00%	7,795	5,328	2,468	3.42%	1.58%	1,711	7,039

DEBT FINANCING CHANGES

SALES TAX REVENUE BOND PROGRAM

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

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

SUNY DORMITORY FACILITIES REVENUE BOND PROGRAM

Legislation adopted with the FY 2014 Enacted Budget created a new bonding program for SUNY Dormitory Facilities. The new bonding program is supported solely by third party revenues generated by student rents. All rental revenues flow to the newly created Dormitory Facilities Revenue Fund held by the Commissioner of Taxation and Finance as assigned to the Dormitory Authority of the State of New York (DASNY) for the payment of debt service without an appropriation. Unlike the existing program, the new program will not include a SUNY general obligation pledge, thereby eliminating any recourse to the State. Accordingly, such bonds are not classified as State-supported debt for purposes of the Debt Reform Act. Future SUNY Dormitory Facilities capital needs will be funded through the new credit. Under this legislation, the existing SUNY Dormitory Facilities lease revenue bonds and associated debt service will continue to be counted as State-supported debt until they are refunded into the new program or are paid off at maturity. The first bonds on the new SUNY Dormitory Facilities credit were issued in August 2013.

SECURED HOSPITAL PROGRAM

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf to pay for the cost of upgrading their primary health care facilities. In the event of shortfalls in revenues to pay debt service on the Secured Hospital bonds (which include hospital payments made under loan agreements between DASNY and the hospitals and certain reserve funds held by the applicable trustees for the bonds) the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State Medical Care Facilities Financing Agency and by DASNY through the Secured Hospital Program. As of March 31, 2013, there were approximately $421 million of bonds outstanding for this program.

The financial condition of hospitals in the State’s Secured Hospital Program continues to deteriorate. Of the six remaining hospitals in the program, two are experiencing significant operating losses that have impaired their ability to remain current on their loan agreements with DASNY. In relation to the Secured Hospital Program, the State expects to pay debt service costs of $13 million in FY 2014, approximately $30 million annually for FY 2015 through FY 2017, and $17 million in FY 2018. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for two hospitals that currently are not meeting the terms of their legal agreements with DASNY, as well as the debt service costs of a third hospital that is now closed. The State has estimated additional exposure of up to $44 million annually, if all hospitals in the program failed to meet the terms of their agreement with DASNY and if available reserve funds were depleted.

SUNY DOWNSTATE HOSPITAL AND LONG ISLAND COLLEGE HOSPITAL

In May 2011, the New York State Supreme Court issued an order (the "May 2011 Order") that approved the transfer of real property and other assets of Long Island College Hospital ("LICH") to a New York State not-for-profit corporation (“Holdings”), the sole member of which is SUNY. Subsequent to such transfer, Holdings leased the LICH hospital facility to SUNY Downstate Hospital ("Downstate Hospital"). In 2012, DASNY issued a portion of its tax exempt State Personal Income Tax Revenue Bonds ("PIT Bonds"), Series 2012D to refund approximately $100 million in outstanding debt originally incurred by LICH.

To address the deteriorating financial condition of Downstate Hospital, which has been caused in part by the deteriorating financial position of LICH, legislation adopted with the FY 2014 Enacted Budget required the Chancellor of SUNY to submit to the Governor and the Legislature a multi-year sustainability plan for the Downstate Hospital. Specifically, the legislation required the sustainability plan to: a) set forth recommendations necessary to achieve financial stability for Downstate Hospital, and b) preserve the academic mission of Downstate Hospital's medical school. In accordance with this legislation, the Chancellor of SUNY submitted the sustainability plan for Downstate Hospital on May 31, 2013, and supplemented the plan with changes in a letter dated June 13, 2013. The supplemented plan was approved by both the Commissioner of Health and the Director of the Budget on June 13, 2013. Generally, the approved sustainability plan anticipates: a) a significant restructuring of health care service lines at University Hospital Brooklyn in order to achieve financial milestones assumed in the sustainability plan, and supported by State financial assistance from the State Department of Health; and, b) leveraging the LICH asset value to support the costs associated with Downstate Hospital exiting LICH operations, while accommodating continued health care services consistent with the needs of the community.

In 2013, the Judge Demarest (who issued the May 2011 Order) issued, *sua sponte*, certain additional orders that could affect the validity of the May 2011 Order. Such orders issued in 2013 are under appeal and all proceedings before Judge Demarest are stayed pending such appeal. Further, SUNY, together with Holdings, has issued a request for proposals to provide healthcare services in or around the LICH facilities and to purchase the LICH real estate. The outcomes of such processes may require the expenditure of State funds or the defeasance of such PIT Bonds, in whole or in part. There can be no assurance that the resolution of the legal and financial issues surrounding LICH, including payment of outstanding liabilities, will not have a materially adverse impact on SUNY.

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FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2014 THROUGH 2017

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 First Quarterly Update Financial Plan described in this AIS Update. This section includes FY 2013 results and projections for 2014 through 2017, with an emphasis on the FY 2014 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 the Updated Financial Plan. Accordingly, in terms of out-year projections (FY 2015 through FY 2017), FY 2015 is the most relevant from a planning perspective.

SUMMARY

DOB estimates that the Updated Financial Plan is balanced on a General Fund cash basis in FY 2014, and leaves projected General Fund deficits that total approximately $1.74 billion in FY 2015 and $2.9 billion in both FY 2016 and FY 2017. The net operating shortfall in State Operating Funds is projected at $1.7 billion in FY 2015, $2.7 billion in FY 2016 and $2.6 billion in FY 2017.[3]

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

GENERAL FUND PROJECTIONS
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
RECEIPTS					
Taxes (After Debt Service)	54,568	57,264	58,476	62,050	65,153
Miscellaneous Receipts/Federal Grants	3,566	3,308	3,595	2,776	2,797
Other Transfers	649	1,071	768	723	726
Total Receipts	**58,783**	**61,643**	**62,839**	**65,549**	**68,676**
DISBURSEMENTS					
Local Assistance Grants	39,760	40,258	42,598	45,056	47,276
School Aid	17,110	17,290	18,573	19,390	20,519
Medicaid	11,109	11,232	11,391	12,136	12,631
All Other	11,541	11,736	12,634	13,530	14,126
State Operations	7,856	7,568	7,819	8,117	8,214
Personal Service	6,130	5,686	5,852	6,113	6,129
Non-Personal Service	1,726	1,882	1,967	2,004	2,085
General State Charges	4,550	4,922	5,328	5,604	5,873
Transfers to Other Funds	6,794	8,702	8,861	9,682	10,248
Debt Service	1,647	1,646	1,165	1,452	1,345
Capital Projects	916	1,227	1,384	1,400	1,799
Mental Hygiene State Share Medicaid	2,846	1,813	1,338	1,311	1,279
SUNY Operations	340	971	971	971	971
All Other	1,045	3,045	4,003	4,548	4,854
Total Disbursements	**58,960**	**61,450**	**64,606**	**68,459**	**71,611**
RESERVES/RESERVED FOR:	**(177)**	**193**	**(25)**	**(21)**	**13**
Prior-Year Labor Agreements (2007-11)	(206)	(32)	10	12	13
Community Projects Fund	(9)	(25)	(35)	(33)	0
Debt Management	0	250	0	0	0
Undesignated Fund Balance	38	0	0	0	0
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**(1,742)**	**(2,889)**	**(2,948)**

[3] 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.

FY 2014 MID-YEAR UPDATE - STATE OPERATING FUNDS PROJECTIONS (millions of dollars)	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
RECEIPTS					
Taxes	64,932	67,924	69,672	73,883	77,547
Miscellaneous Receipts/Federal Grants	20,141	19,853	20,383	19,542	19,731
Total Receipts	**85,073**	**87,777**	**90,055**	**93,425**	**97,278**
DISBURSEMENTS					
Local Assistance Grants	58,578	59,696	62,219	64,872	67,289
School Aid	20,163	20,471	21,692	22,514	23,641
STAR	3,286	3,419	3,602	3,704	3,805
Other Education Aid	1,927	2,032	2,091	2,197	2,328
Higher Education	2,629	2,825	2,911	2,994	3,066
Medicaid	15,879	16,230	16,780	17,591	18,248
Public Health/Aging	2,040	2,193	1,997	1,989	1,960
Mental Hygiene	3,602	2,833	3,450	3,967	4,173
Social Services	3,032	2,996	3,050	3,146	3,242
Transportation	4,303	4,739	4,831	4,910	4,995
Local Government Assistance	754	764	769	782	794
All Other	963	1,194	1,046	1,078	1,037
State Operations	17,683	17,844	18,275	18,877	19,185
Personal Service	12,403	12,366	12,642	13,078	13,210
Non-Personal Service	5,280	5,478	5,633	5,799	5,975
General State Charges	6,437	7,058	7,533	7,954	8,287
Pension Contribution	1,601	1,982	2,256	2,418	2,446
Health Insurance (Active Employees)	1,720	1,824	1,945	2,060	2,232
Health Insurance (Retired Employees)	1,409	1,491	1,531	1,651	1,788
All Other	1,707	1,761	1,801	1,825	1,821
Debt Service	6,138	6,060	5,805	6,482	6,783
Capital Projects	8	11	5	5	5
Total Disbursements	**88,844**	**90,669**	**93,837**	**98,190**	**101,549**
Net Other Financing Sources/(Uses)	4,283	2,848	2,105	2,052	1,625
NET OPERATING SURPLUS/ (DEFICIT)	**512**	**(44)**	**(1,677)**	**(2,713)**	**(2,646)**
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(512)	44	(65)	(176)	(302)
General Fund	177	(193)	25	21	(13)
Special Revenue Funds	(736)	297	(95)	(204)	(268)
Debt Service Funds	47	(60)	5	7	(21)
GENERAL FUND BUDGET GAP	**0**	**0**	**(1,742)**	**(2,889)**	**(2,948)**

ECONOMIC BACKDROP

THE NATIONAL ECONOMY

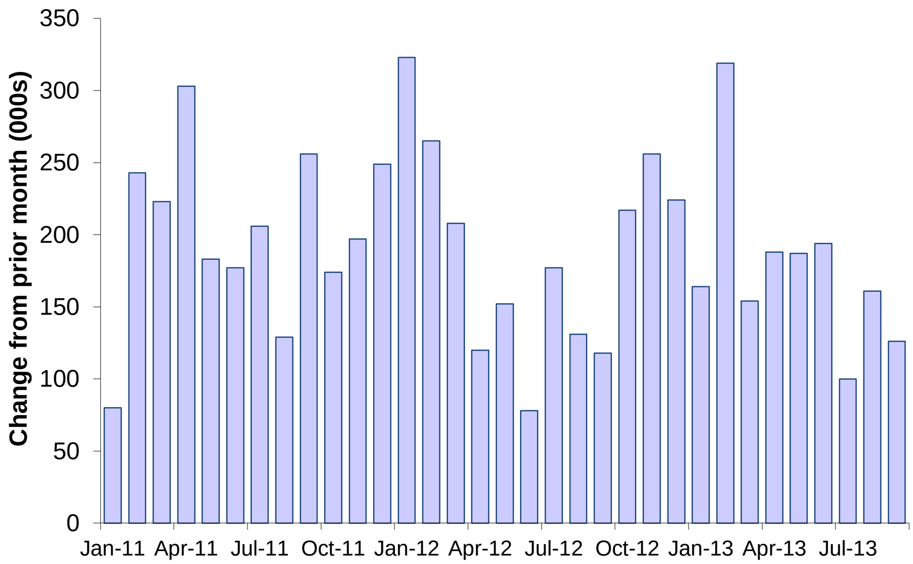
The persistent weakness that has plagued much of the current recovery has continued into the third quarter of calendar year 2013. A measure of unexpected interest rate volatility may have been inadvertently introduced by the Federal Reserve in the wake of its June 19, 2013 meeting. Anticipation of when the Federal Reserve would start to "taper" its long-term asset purchases resulted in an approximately 40 basis-point increase in the 10-year Treasury yield within a period of less than three weeks. By early September 2013, the 10-year yield was nearing its highest levels in over two years. Higher long-term rates had a substantial impact on the highly interest rate-sensitive housing market recovery, with mortgage applications falling 86 percent in the third quarter of 2013 after a 21 percent decline in the second quarter of 2013. As a result, both residential housing construction and real household spending appear to have weakened more in the third quarter than anticipated in the First Quarterly Update forecast.

The 16-day Federal government shutdown and the uncertainty engendered by political wrangling in the nation's capital are expected to reduce growth during the fourth quarter of 2013. In contrast, real U.S. export growth has recently been stronger than anticipated, supporting the possibility that the global economy bottomed out earlier this year, while the drag from Federal fiscal policy and the Congressional sequestration should diminish by early 2014. Equity markets are at record highs and gasoline prices are at near-term lows. Due in part to these factors, DOB's outlook for stronger growth in the coming calendar year remains unchanged. Real U.S. GDP growth of 1.5 percent is now projected for 2013, followed by growth of 2.4 percent for 2014.

Consistent with weaker domestic final sales growth, recent employment gains have also been lower than anticipated in the First Quarterly Update to the Financial Plan. Private sector job growth has been on a downward trend since the end of 2012, but that trend accelerated in the third quarter of 2013. Average monthly private sector job gains fell from 212,000 in the first quarter of this year to 190,000 jobs in the second quarter and 129,000 in the third. The largest contributors to the deceleration have been professional and business services and leisure and hospitality. As a result, downward revisions have been made to employment growth for both 2013 and 2014. Employment growth of 1.6 percent is now projected for both 2013 and 2014.

Consistent with weaker job growth, estimated growth in wages and total personal income for the current year and next year have also been revised down, although weaker growth in wages is expected to be partially offset by stronger growth in some of the non-wage components of income, such as proprietor's and dividend income. Growth of 2.8 percent is estimated for both wages and personal income for 2013, with growth accelerating to 4.5 percent for both measures in 2014. The relatively large swing in income growth between 2013 and 2014 reflects the shifting of income from 2013 into 2012 in advance of increases in the two top Federal marginal tax rates at the beginning of this year.

Recent U.S. Private Sector Employment Gains



Source: Moody's Analytics.

The euro-zone economies appear to be stabilizing, leading to an upward revision in real U.S. export growth to 2.7 percent for the current year. However, uncertainty surrounding domestic demand is expected to restrain private business spending by even more than anticipated in the July update forecast. Real growth in private nonresidential fixed investment has been revised down to 2.4 percent for 2013. With growth expected to remain weak over the near-term, the Federal Reserve is likely to delay the tapering of its long-term asset purchases into the first half of 2014 and will not start to raise its federal funds rate target until early 2015. With gasoline prices at their lowest levels since the beginning of this year and the overall outlook for inflation remaining moderate, the central bank has room to maintain its accommodative stance well into the near future. The growth in consumer prices for 2013 remains at 1.5 percent for 2013, but it has been revised down to 1.8 percent from 2.1 percent for 2014 in anticipation of continuing low energy prices.

The response of financial markets to the timing of Federal Reserve "tapering" presents a significant headwind to national economic growth in 2014, particularly given the lack of experience on which to draw. Energy prices continue to be volatile and present both upside and downside risk to the household consumption forecast, as do home and equity price growth. Finally, the cost to the economy of the government shutdown remains uncertain, but the preliminary evidence is not encouraging. With the battle over the Federal budget and the debt ceiling pushed back to January and February 2014, displays of political gridlock represent substantial risk to economic activity in early 2014.

DOB's economic outlook calls for weaker growth for the current calendar year than was projected in July, followed by substantial improvement in 2014. However, there are significant risks to this forecast. The budget sequester is estimated to have had a substantial negative impact on the labor market and could result in a larger decline in government spending than anticipated in the coming months, resulting in a greater loss of government jobs or private jobs related to government procurement. The global economy is expected to improve, but emerging market growth remains slower than in the earlier phase in the recovery. Slower export growth than expected could negatively affect growth in U.S. corporate profits, investment, and jobs. In contrast, faster global growth than expected could result in a faster upturn in the demand for U.S. exports.

U.S. ECONOMIC INDICATORS (Percent change from prior calendar year)			
	2012 (Estimated)	2013 (Forecast)	2014 (Forecast)
Real U.S. Gross Domestic Product	2.8	1.5	2.4
Consumer Price Index (CPI)	2.1	1.5	1.8
Personal Income	4.2	2.8	4.5
Nonagricultural Employment	1.7	1.6	1.6
Source: Moody's Analytics; DOB staff estimates.			

THE NEW YORK STATE ECONOMY

The State economy has performed well in the context of a challenging national and global economic environment. New York's private sector labor market remains strong, continuing to exhibit robust growth in professional and business services, private educational services, and tourism-related leisure and hospitality services. However, New York has not been entirely immune to the national slowdown. Private sector employment growth of 1.4 percent is projected for the 2013 calendar year, followed by growth of a similar pace for 2014. These growth rates represent marginal downward revisions from July, but remain above historical averages.

In contrast with recent private labor market trends, public sector employment is expected to continue to decline well into 2014. The ongoing downsizing of both the finance and government sectors has been contributing to unusually weak income growth over the past two years. In advance of Federal tax increases at the start of this year, a sizable magnitude of wages, dividends, and capital gains were accelerated into the fourth quarter of 2012. Consequently, it is more instructive to view State income growth on a fiscal year basis rather than on a calendar year basis. Weaker growth of 3.8 percent is now estimated for the State fiscal year in progress, but offsetting that revision is stronger growth in the non-wage components of personal income. On balance, personal income growth of 3.7 percent is now projected for FY 2014, followed by growth of 4.9 percent for FY 2015. These projections represent only marginal revisions from the First Quarterly Update Financial Plan forecast.

NEW YORK STATE ECONOMIC INDICATORS (Percent change from prior State fiscal year)			
	2012-13 (Actual)	2013-14 (Forecast)	2014-15 (Forecast)
Personal Income	2.9	3.7	4.9
Wages	3.0	3.8	4.5
Nonagricultural Employment	1.2	1.1	1.2
Source: Moody's Analytics; New York State Department of Labor; 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. Recent events have demonstrated how sensitive markets can be to shifting expectations surrounding Federal Reserve policy. The resulting market gyrations are likely to have a larger impact on the State economy than on the nation as a whole. Thus, the recent volatility in long-term interest rates adds an additional degree of risk to the finance and insurance sector bonus forecast. In addition, with Wall Street still adjusting its compensation practices in the wake of the passage of financial reform, both the bonus and non-bonus components of employee pay are becoming more difficult to estimate. Securities industry revenues have in the past been a useful predictor of bonus payouts, but that relationship has become much more erratic in recent years.

The estimation of taxpayer response to changes in Federal tax law creates an additional layer of uncertainty and risk to the forecast. To the extent that 2013 base wages were shifted into the end of 2012 to avoid rising Federal tax rates, 2014 wage growth could be stronger than expected. In contrast, a weaker labor market than projected could result in lower wages. Similarly, should financial and real estate markets be weaker than anticipated, taxable capital gains realizations could be negatively affected. These effects could ripple through the State economy, depressing employment, wage, and household spending growth. In contrast, stronger national and world economic growth, or a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

ALL FUNDS RECEIPTS PROJECTIONS

The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. Financial Plan receipts comprise a variety of taxes, fees, and charges for State-provided services, Federal grants, and other miscellaneous receipts. The receipts estimates and projections have been prepared by DOB with the assistance of the Department of Taxation and Finance and other agencies responsible for the collection of State receipts. The following tables summarize the current receipts forecast.

TOTAL RECEIPTS (millions of dollars)

	FY 2013 Results	FY 2014 Updated	Annual $ Change	Annual % Change
General Fund	58,783	61,643	2,860	4.9%
State Funds	90,303	93,393	3,090	3.4%
All Funds	133,175	140,932	7,757	5.8%

TOTAL RECEIPTS (millions of dollars)

	FY 2013 Results	FY 2014 Updated	Annual $ Change	Annual % Change	FY 2015 Projected	Annual $ Change	Annual % Change
GENERAL FUND	**58,783**	**61,643**	**2,860**	**4.9%**	**62,839**	**1,196**	**1.9%**
Taxes	43,283	42,453	(830)	-1.9%	43,158	705	1.7%
Miscellaneous Receipts	3,504	3,306	(198)	-5.7%	3,595	289	8.7%
Federal Grants	62	2	(60)	-96.8%	0	(2)	-100.0%
Transfers	11,934	15,882	3,948	33.1%	16,086	204	1.3%
STATE FUNDS	**90,303**	**93,393**	**3,090**	**3.4%**	**95,996**	**2,603**	**2.8%**
Taxes	66,302	69,324	3,022	4.6%	71,101	1,777	2.6%
Miscellaneous Receipts	23,855	23,989	134	0.6%	24,817	828	3.5%
Federal Grants	146	80	(66)	-45.2%	78	(2)	-2.5%
ALL FUNDS	**133,175**	**140,932**	**7,757**	**5.8%**	**143,366**	**2,434**	**1.7%**
Taxes	66,302	69,324	3,022	4.6%	71,101	1,777	2.6%
Miscellaneous Receipts	24,030	24,175	145	0.6%	25,003	828	3.4%
Federal Grants	42,843	47,433	4,590	10.7%	47,262	(171)	-0.4%

After controlling for the impact of tax law changes, base tax revenue is estimated to increase by 4.6 percent for FY 2014 and 4.8 percent for FY 2015.

CHANGE FROM ENACTED BUDGET FINANCIAL PLAN FORECAST

Current year All Funds tax receipt estimates are unchanged from the First Quarterly Update to the Financial Plan. Miscellaneous receipts have been revised down by $47 million, due to the estimated impact of lower utility bills on section 18-a receipts.

CHANGE FROM FIRST QUARTERLY UPDATE FORECAST (millions of dollars)

	FY 2014				FY 2015			
	First Quarter	Mid-Year Update	$ Change	% Change	First Quarter	Mid-Year Update	$ Change	% Change
GENERAL FUND[1]	**45,808**	**45,761**	**(47)**	**-0.1%**	**46,753**	**46,753**	**0**	**0.0%**
Taxes	42,453	42,453	0	0.0%	43,158	43,158	0	0.0%
Miscellaneous Receipts	3,353	3,306	(47)	-1.4%	3,595	3,595	0	0.0%
Federal Grants	2	2	0	0.0%	0	0	0	0.0%
STATE FUNDS	**93,440**	**93,393**	**(47)**	**-0.1%**	**95,996**	**95,996**	**0**	**0.0%**
Taxes	69,324	69,324	0	0.0%	71,101	71,101	0	0.0%
Miscellaneous Receipts	24,036	23,989	(47)	-0.2%	24,817	24,817	0	0.0%
Federal Grants	80	80	0	0.0%	78	78	0	0.0%
ALL FUNDS	**140,979**	**140,932**	**(47)**	**0.0%**	**143,366**	**143,366**	**0**	**0.0%**
Taxes	69,324	69,324	0	0.0%	71,101	71,101	0	0.0%
Miscellaneous Receipts	24,222	24,175	(47)	-0.2%	25,003	25,003	0	0.0%
Federal Grants	47,433	47,433	0	0.0%	47,262	47,262	0	0.0%

[1]Excludes Transfers.

MULTI-YEAR RECEIPTS

TOTAL RECEIPTS (millions of dollars)

	FY 2014 Updated	FY 2015 Projected	Annual $ Change	FY 2016 Projected	Annual $ Change	FY 2017 Projected	Annual $ Change
General Fund	**61,643**	**62,839**	**1,196**	**65,549**	**2,710**	**68,676**	**3,127**
Taxes	42,453	43,158	705	46,037	2,879	48,502	2,465
State Funds	**93,393**	**95,996**	**2,603**	**99,769**	**3,773**	**102,937**	**3,168**
Taxes	69,324	71,101	1,777	75,332	4,231	79,002	3,670
All Funds	**140,932**	**143,366**	**2,434**	**148,119**	**4,753**	**154,010**	**5,891**
Taxes	69,324	71,101	1,777	75,332	4,231	79,002	3,670

The Updated Financial Plan 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 2015 are expected to grow consistently with the projected moderate growth in both the U.S. and New York economies.

REVENUE RISKS

- Financial market volatility caused by interest rate uncertainty could result in higher or lower financial sector bonus payments than those embodied in the forecast.

- If gasoline prices exceed those embodied in the forecast, more disposable consumer income would be diverted to fuel, decreasing consumption of taxable goods and services.
- If European economic growth is more sluggish than expected, exports could fall, causing corporate profits and tax receipts to grow more slowly than expected.
- Consumer purchases and the housing market could be negatively impacted if long-term interest rates rise faster than anticipated.
- 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 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
GENERAL FUND[1]	**26,884**	**28,488**	**6.0%**	**29,397**	**3.2%**	**31,492**	**7.1%**	**33,545**	**6.5%**
Gross Collections	47,443	50,496	6.4%	52,678	4.3%	56,218	6.7%	59,529	5.9%
Refunds (Includes State/City Offset)	(7,216)	(7,953)	10.2%	(8,679)	9.1%	(9,290)	7.0%	(9,729)	4.7%
STAR	(3,286)	(3,419)	4.0%	(3,602)	5.4%	(3,704)	2.8%	(3,805)	2.7%
RBTF	(10,057)	(10,636)	5.8%	(11,000)	3.4%	(11,732)	6.7%	(12,450)	6.1%
STATE/ALL FUNDS	**40,227**	**42,543**	**5.8%**	**43,999**	**3.4%**	**46,928**	**6.7%**	**49,800**	**6.1%**
Gross Collections	47,443	50,496	6.4%	52,678	4.3%	56,218	6.7%	59,529	5.9%
Refunds (Includes State/City Offset)	(7,216)	(7,953)	10.2%	(8,679)	9.1%	(9,290)	7.0%	(9,729)	4.7%

[1]Excludes Transfers.

General Fund income tax receipts are net of deposits to the STAR Fund, which provides property tax relief, and the Revenue Bond Tax Fund (RBTF), which supports debt service payments on State personal income tax revenue bonds. General Fund income tax receipts for FY 2014 of $28.5 billion are expected to increase by $1.6 billion (6 percent) from the prior year, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $10.6 billion and the STAR transfer is projected to be $3.4 billion. General Fund income tax receipts for FY 2015 of $29.4 billion are projected to increase by $909 million (3.2 percent). The RBTF and STAR deposits are projected to be $11 billion and $3.6 billion, respectively. General Fund income tax receipts for FY 2016 of $31.5 billion are projected to increase by $2.1 billion (7.1 percent). RBTF deposits are projected to be $11.7 billion and STAR deposits are projected to be $3.7 billion.

All Funds PIT receipts for FY 2014 are projected to be $42.5 billion, an increase of $2.3 billion (5.8 percent) from FY 2013. This primarily reflects robust growth in extension (i.e., prior year estimated) payments for tax year 2012 along with moderate growth in withholding, final returns, and delinquent collections, partially offset by a decrease in current estimated payments for tax year 2013 and growth in total refunds.

All Funds income tax receipts for FY 2015 of $44 billion are projected to increase $1.5 billion (3.4 percent) from the prior year. This increase primarily reflects increases of $2.3 billion (7.1 percent) in withholding and $1.4 billion (16.2 percent) in estimated payments related to tax year 2014 (i.e. current year estimated) partially offset by a $1.6 billion (30.2 percent) decline in extension payments related to tax year 2013 (i.e., prior year estimated) and growth in total refunds of $726 million (9.1 percent). The projection for tax year 2014 estimated payments reflects strong projected capital gains and dividend income growth following a deflated tax year 2013 base. The significant decline in tax year 2013 extension payments stems from the aforementioned acceleration of capital gains that occurred into tax year 2012.

All Funds income tax receipts for FY 2016 of $46.9 billion are projected to increase $2.9 billion (6.7 percent) from the prior year. This change primarily reflects increases of $2.3 billion (6.5 percent) in withholding, $812 million (8 percent) in estimated payments related to tax year 2015 (i.e., current year estimated), $278 million in extension payments for tax year 2014 (i.e., prior year estimated), and $100 million in final returns payments for tax year 2014 (i.e., current year), partially offset by a $611 million (7 percent) increase in total refunds. Delinquencies are projected to increase $40 million (3.2 percent) from the prior year.

All Funds income tax receipts are projected to increase by $2.9 billion (6.1 percent) in FY 2017 to reach $49.8 billion, while General Fund receipts are projected to be $33.5 billion.

USER TAXES AND FEES

USER TAXES AND FEES
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
GENERAL FUND[1]	**9,112**	**6,548**	**-28.1%**	**6,806**	**3.9%**	**7,085**	**4.1%**	**7,265**	**2.5%**
Sales Tax	8,423	5,866	-30.4%	6,125	4.4%	6,406	4.6%	6,589	2.9%
Cigarette and Tobacco Taxes	443	431	-2.7%	425	-1.4%	418	-1.6%	410	-1.9%
Alcoholic Beverage Taxes	246	251	2.0%	256	2.0%	261	2.0%	266	1.9%
STATE/ALL FUNDS	**14,615**	**15,116**	**3.4%**	**15,674**	**3.7%**	**16,257**	**3.7%**	**16,620**	**2.2%**
Sales Tax	11,989	12,530	4.5%	13,086	4.4%	13,677	4.5%	14,065	2.8%
Cigarette and Tobacco Taxes	1,551	1,491	-3.9%	1,466	-1.7%	1,436	-2.0%	1,405	-2.2%
Motor Fuel Tax	492	500	1.6%	504	0.8%	507	0.6%	510	0.6%
Highway Use Tax	145	140	-3.4%	143	2.1%	151	5.6%	149	-1.3%
Alcoholic Beverage Taxes	246	251	2.0%	256	2.0%	261	2.0%	266	1.9%
Taxicab Surcharge	83	90	8.4%	100	11.1%	101	1.0%	101	0.0%
Auto Rental Tax	109	114	4.6%	119	4.4%	124	4.2%	124	0.0%

[1]Excludes Transfers.

General Fund user taxes and fees receipts are expected to total $6.5 billion in FY 2014, a decrease of $2.6 billion (28.1 percent) from FY 2013. This decrease reflects an Enacted Budget accounting change that will first deposit 25 percent of sales tax receipts that were formerly directed to the General Fund into the new Sales Tax Bond Fund. The balance will be transferred to the General Fund after the payment of debt service. General Fund user taxes and fees receipts are projected to total $6.8 billion in FY 2015, an increase of $258 million (3.9 percent) from FY 2014 and reflect the All Funds changes discussed above.

All Funds user taxes and fees receipts for FY 2014 are estimated to be $15.1 billion, an increase of $501 million (3.4 percent) from FY 2013. All Funds sales tax receipts are estimated to be $12.5 billion, an increase of $541 million (4.5 percent) from FY 2013. The underlying sales tax base measured before the impact of law changes is estimated to increase by 3.2 percent. Non-sales tax user taxes and fees are estimated to decrease by $40 million from FY 2013, mainly due to a decline in cigarette tax receipts ($60 million).

All Funds user taxes and fees receipts for FY 2015 are projected to be $15.7 billion, an increase of $558 million (3.7 percent) from FY 2014. This mainly reflects an expected increase in the sales tax base due to higher consumption partially offset by continued declines in taxable cigarette consumption.

All Funds user taxes and fees are projected to be $16.3 billion in FY 2016 and $16.6 billion in FY 2017. This predominantly reflects continued projected growth in the sales tax base partially offset by continued projected declines in taxable cigarette consumption. General Fund user taxes and fees are projected to be $7.1 billion in FY 2016 and $7.3 billion in FY 2017.

BUSINESS TAXES

BUSINESS TAXES
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
GENERAL FUND	**6,253**	**6,348**	**1.5%**	**5,811**	**-8.5%**	**6,301**	**8.4%**	**6,523**	**3.5%**
Corporate Franchise Tax	2,624	2,914	11.1%	2,220	-23.8%	2,573	15.9%	2,691	4.6%
Corporation and Utilities Tax	686	596	-13.1%	620	4.0%	636	2.6%	652	2.5%
Insurance Tax	1,346	1,418	5.3%	1,468	3.5%	1,523	3.7%	1,540	1.1%
Bank Tax	1,597	1,420	-11.1%	1,503	5.8%	1,569	4.4%	1,640	4.5%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
STATE/ALL FUNDS	**8,465**	**8,611**	**1.7%**	**8,152**	**-5.3%**	**8,702**	**6.7%**	**8,990**	**3.3%**
Corporate Franchise Tax	3,009	3,359	11.6%	2,687	-20.0%	3,063	14.0%	3,204	4.6%
Corporation and Utilities Tax	895	781	-12.7%	807	3.3%	828	2.6%	855	3.3%
Insurance Tax	1,509	1,587	5.2%	1,644	3.6%	1,706	3.8%	1,730	1.4%
Bank Tax	1,912	1,694	-11.4%	1,789	5.6%	1,870	4.5%	1,956	4.6%
Petroleum Business Tax	1,140	1,190	4.4%	1,225	2.9%	1,235	0.8%	1,245	0.8%

General Fund business tax receipts for FY 2014 of $6.3 billion are estimated to increase by $95 million (1.5 percent) from FY 2013 results. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above. General Fund business tax receipts for FY 2015 of $5.8 billion are projected to decrease $537 million (8.5 percent) from the prior year. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed below.

All Funds business tax receipts for FY 2014 are estimated to be $8.6 billion, an increase of $146 million (1.7 percent) from the prior year. The estimates reflect growth across all taxes except the corporate and utilities tax and the bank tax.

All Funds corporate franchise tax receipts are estimated to increase $350 million (11.6 percent) from FY 2013. This increase is mainly attributable to higher estimated audit receipts and slightly stronger estimated gross receipts. Audit receipts are expected to increase $273 million from the previous year.

The corporation and utilities tax is expected to decline $114 million (12.7 percent) from FY 2013. Adjusted for the timing of a prior year telecommunications refund ($30 million), the decline in FY 2014 would be 9.3 percent. Two large telecommunications sector audits were received in FY 2013. This is the primary reason for the year-over-year decline in receipts. Gross receipts are expected to show a slight decline from the previous year due to the end-of-session LIPA restructuring legislation.

All Funds insurance tax receipts are estimated to increase $78 million (5.2 percent) from FY 2013. This reflects a return to growth from the improving economy.

The bank tax receipts are estimated to decline $218 million (11.4 percent) in FY 2014. FY 2013 was a record year for bank tax receipts. Gross receipts and audits are estimated to be lower in FY 2014 than FY 2013. The several large audit cases that were settled in FY 2013 and the strong growth in gross receipts (18.1 percent) are not expected to be repeated in FY 2014.

Petroleum business tax receipts are expected to increase $50 million (4.4 percent) in FY 2014 primarily due to the 5 percent increase in the Petroleum Business Tax (PBT) tax rates effective January 2013 and an anticipated 3 percent increase in PBT tax rates effective January 2014.

All Funds business tax receipts for FY 2015 of $8.2 billion are projected to decrease $459 million (5.3 percent) from the prior year. This decrease primarily reflects the first year of repayment of deferred tax credits to taxpayers. Excluding this payback, FY 2015 receipts would be virtually unchanged from FY 2014.

All Funds business tax receipts for FY 2016 and FY 2017 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 increase to $8.7 billion (6.7 percent) in FY 2016 and to $9 billion (3.3 percent) in FY 2017. General Fund business tax receipts over this period are expected to increase to $6.3 billion (8.4 percent) in FY 2016 and $6.5 billion (3.5 percent) in FY 2017.

OTHER TAXES

OTHER TAXES
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
GENERAL FUND[1]	**1,034**	**1,069**	**3.4%**	**1,144**	**7.0%**	**1,159**	**1.3%**	**1,169**	**0.9%**
Estate Tax	1,014	1,050	3.6%	1,125	7.1%	1,140	1.3%	1,150	0.9%
Gift Tax	1	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
STATE/ALL FUNDS	**1,790**	**1,809**	**1.1%**	**1,954**	**8.0%**	**2,044**	**4.6%**	**2,109**	**3.2%**
Estate Tax	1,014	1,050	3.6%	1,125	7.1%	1,140	1.3%	1,150	0.9%
Gift Tax	1	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Estate Transfer Tax	756	740	-2.1%	810	9.5%	885	9.3%	940	6.2%
Pari-Mutuel Taxes	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%

[1]Excludes Transfers.

General Fund other tax receipts are expected to be nearly $1.1 billion in FY 2014, an increase of $35 million (3.4 percent) from FY 2013. This reflects a change in estate tax receipts. General Fund other tax receipts are expected to total more than $1.1 billion in FY 2015. This reflects an increase of $75 million (7.1 percent) in estate tax receipts due to a projected increase in household net worth. General Fund other tax receipts for FY 2016 are projected to grow by $15 million (1.3 percent) entirely due to the modest growth in the estate tax. General Fund other tax receipts for FY 2017 are projected to increase by $10 million (0.9 percent), also due to estate tax growth.

All Funds other tax receipts for FY 2014 are estimated to be $1.8 billion, an increase of $19 million (1.1 percent) from FY 2013. This mainly reflects an increase of $36 million (3.6 percent) in estate tax receipts, partially offset by a decline of $16 million (2.1 percent) in real estate transfer tax receipts. The estate tax increase is the result of an expected return in FY 2014 to a number of super-large estate payments (payments of over $25 million) consistent with long-term trends. The FY 2014 real estate transfer tax estimate reflects the shift of transfers from FY 2014 into FY 2013 caused by uncertainty surrounding potential Federal tax law changes, which more than offsets estimated improvements in FY 2014 market pricing.

All Funds other tax receipts for FY 2015 are projected to be just under $2 billion, an increase of $145 million (8 percent) from FY 2014. This reflects strong projected growth in both the real estate transfer and estate taxes.

The FY 2016 All Funds receipts projection for other taxes is over $2 billion, an increase of $90 million (4.6 percent) from FY 2015. Growth in the estate tax is projected to follow forecast increases in household net worth. Receipts from the real estate transfer tax are also projected to increase, reflecting continuing growth in the residential and commercial real estate markets.

The FY 2017 All Funds receipts projection for other taxes is $2.1 billion, an increase of $65 million (3.2 percent) from FY 2016. Moderate growth is projected in estate tax collections, following forecast increases in household net worth. Real estate transfer tax collections are projected to grow as a result of increases in the value of real property transfers.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
GENERAL FUND	**3,566**	**3,308**	**-7.2%**	**3,595**	**8.7%**	**2,776**	**-22.8%**	**2,797**	**0.8%**
Miscellaneous Receipts	3,504	3,306	-5.7%	3,595	8.7%	2,776	-22.8%	2,797	0.8%
Federal Grants	62	2	-96.8%	0	-100.0%	0	0.0%	0	0.0%
STATE FUNDS	**24,001**	**24,069**	**0.3%**	**24,895**	**3.4%**	**24,437**	**-1.8%**	**23,935**	**-2.1%**
Miscellaneous Receipts	23,855	23,989	0.6%	24,817	3.5%	24,359	-1.8%	23,857	-2.1%
Federal Grants	146	80	-45.2%	78	-2.5%	78	0.0%	78	0.0%
ALL FUNDS	**66,873**	**71,608**	**7.1%**	**72,265**	**0.9%**	**72,787**	**0.7%**	**75,008**	**3.1%**
Miscellaneous Receipts	24,030	24,175	0.6%	25,003	3.4%	24,545	-1.8%	24,043	-2.0%
Federal Grants	42,843	47,433	10.7%	47,262	-0.4%	48,242	2.1%	50,965	5.6%

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 $24.2 billion in FY 2014, an annual increase of $145 million from FY 2013 results, or less than one percent annually.

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. Accordingly, DOB typically plans Federal reimbursement to be received in the State fiscal year that spending occurs, but timing sometimes varies. All Funds Federal grants are projected to total $47.4 billion in FY 2014, an increase of $4.6 billion from FY 2013, driven primarily by additional Federal funding for disaster assistance costs, as well as the annual impact of increased Federal spending associated with the ACA.

All Funds miscellaneous receipts are projected to increase by $828 million in FY 2015, which includes bond proceeds for capital projects. All Funds Federal grants are projected to decrease by $171 million in FY 2015, driven primarily by the timing of Federal disaster assistance costs, the majority of which is expected to be disbursed during FY 2014.

All Funds miscellaneous receipts are projected to decline by $458 million in FY 2016, driven by the decline in General Fund resources transferred from SIF, partially offset by a projected increase in miscellaneous receipts from bond proceeds available to fund capital improvement projects. All Funds miscellaneous receipts decrease by $502 million in FY 2017, driven by a projected decrease in miscellaneous receipts for capital projects, partially offset by increases in SUNY income and HCRA revenue collections.

Annual Federal grants growth of $980 million in FY 2016 and $2.7 billion in FY 2017 is primarily due to growth in Medicaid spending, reflecting the continued impact of spending associated with the ACA.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS: CHANGE FROM FIRST QUARTERLY UDPATE FORECAST (millions of dollars)

	FY 2014				FY 2015			
	First Quarter	Mid-Year Update	$ Change	% Change	First Quarter	Mid-Year Update	$ Change	% Change
GENERAL FUND	**3,355**	**3,308**	**(47)**	**-1.4%**	**3,595**	**3,595**	**0**	**0.0%**
Miscellaneous Receipts	3,353	3,306	(47)	-1.4%	3,595	3,595	0	0.0%
Federal Grants	2	2	0	0.0%	0	0	0	0.0%
STATE FUNDS	**24,116**	**24,069**	**(47)**	**-0.2%**	**24,895**	**24,895**	**0**	**0.0%**
Miscellaneous Receipts	24,036	23,989	(47)	-0.2%	24,817	24,817	0	0.0%
Federal Grants	80	80	0	0.0%	78	78	0	0.0%
ALL FUNDS	**71,655**	**71,608**	**(47)**	**-0.1%**	**72,265**	**72,265**	**0**	**0.0%**
Miscellaneous Receipts	24,222	24,175	(47)	-0.2%	25,003	25,003	0	0.0%
Federal Grants	47,433	47,433	0	0.0%	47,262	47,262	0	0.0%

All Funds miscellaneous receipts have been revised downward by $47 million in FY 2014 due to the estimated impact of lower utility bills on 18-a receipts to the General Fund.

Federal grants projections for FY 2014 and FY 2015 remain unchanged from the FY 2014 Enacted Budget Financial Plan and First Quarterly Update to the Financial Plan.

DISBURSEMENTS

Total disbursements in FY 2014 are estimated at $61.5 billion in the General Fund and $90.7 billion in State Operating Funds. Over the multi-year Financial Plan, State Operating Funds spending projections assume Medicaid and School Aid will grow at their statutorily-indexed rates. The FY 2014 Enacted Budget authorized a School Aid increase in excess of the personal income cap for SY 2014. The projections do not reflect any potential impact of automatic Federal spending reductions that were triggered on March 1, 2013.

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. Factors that affect spending estimates vary by program. For example, public assistance spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends and projected economic conditions. Projections account for the timing of payments, since not all of the amounts appropriated 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.

Medicaid, education, pension costs, employee and retiree health benefits, and debt service are significant drivers of annual spending growth.

LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. State-funded local assistance spending is estimated at $59.7 billion in FY 2014 and accounts for 66 percent of total State Operating Funds spending. Education and health care spending account for approximately two-thirds of local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

		Forecast			
	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
MEDICAID					
Medicaid Coverage	4,812,715	5,176,084	6,110,639	6,169,418	6,198,080
- Family Health Plus Caseload	446,259	467,246	0	0	0
- Child Health Plus Caseload	344,000	356,000	368,000	380,000	392,000
State Takeover of County/NYC Costs	$1,613	$1,690	$1,665	$1,800	$2,168
- Family Health Plus	$477	$528	$219	$0	$0
- Medicaid	$1,136	$1,162	$1,446	$1,800	$2,168
EDUCATION					
School Aid (School Year)	$20,236	$21,228	$21,950	$22,784	$24,037
Education Personal Income Growth Index			3.4%	3.8%	5.5%
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	567,473	566,707	565,941	565,078	564,880
Tuition Assistance Program Recipients	309,921	310,065	310,065	310,065	310,065
PUBLIC ASSISTANCE					
Family Assistance Program	259,739	249,528	243,345	238,262	233,706
Safety Net Program - Families	122,805	118,706	115,450	112,747	110,279
Safety Net Program - Singles	191,764	185,777	184,815	184,361	184,385
MENTAL HYGIENE					
Total Mental Hygiene Community Beds	90,209	93,162	96,144	99,036	101,000
- OMH Community Beds	38,564	40,888	43,290	45,576	46,954
- OPWDD Community Beds	39,565	40,120	40,650	41,150	41,650
- OASAS Community Beds	12,080	12,154	12,204	12,310	12,396
PRISON POPULATION (CORRECTIONS)	54,617	54,300	54,000	53,800	53,700

Note: Dollar amounts in table are in millions.

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)

School Aid will increase by $992 million in School Year (SY) 2014, a 4.9 percent increase from SY 2013. In addition, $75 million of competitive grant funding is provided for several key initiatives recommended by the *New* NY Education Reform Commission in its Preliminary Report to the Governor, including pre-kindergarten and extended learning, bringing the total annual education aid increase to $1.067 billion. The Enacted Budget also included a new two-year appropriation that continues Education Law provisions to tie future School Aid increases to the rate of growth in New York State personal income.

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

Based on updated estimates of personal income growth, School Aid is projected to increase by an additional $722 million in SY 2015 and $834 million in SY 2016. School Aid is projected to reach an annual total of $24.0 billion in SY 2017.

STATE FISCAL YEAR

SCHOOL AID AND *NEW* NY EDUCATION REFORM INITIATIVES - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)
(millions of dollars)

	SY 2013	SY 2014	Change	SY 2015	Change	SY 2016	Change	SY 2017	Change
School Aid	$20,236	$21,228	$992	$21,950	$722	$22,784	$834	$24,037	$1,253
			4.9%		3.4%		3.8%		5.5%
New NY Education Reform Initiatives	$0	$75	$75	$75	$0	$75	$0	$75	$0
Total	**$20,236**	**$21,303**	**$1,067**	**$22,025**	**$722**	**$22,859**	**$834**	**$24,112**	**$1,253**
			5.3%		**3.4%**		**3.8%**		**5.5%**

The State finances School Aid and *New* NY Education Reform Initiatives from General Fund receipts and from Lottery Fund receipts, including video lottery terminals (VLTs), which are accounted for and disbursed from a dedicated account. Because the State fiscal year begins on April 1, the State typically pays approximately 70 percent of the annual school year commitment during the State fiscal year in which it is enacted, and pays the remaining 30 percent in the first three months of the following State fiscal year.

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

SCHOOL AID AND EDUCATION REFORM AID - STATE FISCAL YEAR BASIS (millions of dollars)	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**20,163**	**20,471**	**1.5%**	**21,692**	**6.0%**	**22,514**	**3.8%**	**23,641**	**5.0%**
General Fund Local Assistance	17,110	17,289	1.0%	18,573	7.4%	19,390	4.4%	20,519	5.8%
General Fund Lottery Aid Guarantee	0	10	N/A	0	N/A	0	0.0%	0	0.0%
Core Lottery Aid	2,217	2,230	0.6%	2,225	-0.2%	2,227	0.1%	2,225	-0.1%
VLT Lottery Aid	857	881	2.8%	894	1.5%	897	0.3%	897	0.0%
VLT Aid Balance Roll	(21)	21	N/A	0	N/A	0	0.0%	0	0.0%
Other Lottery Fund Resources	0	40	N/A	0	N/A	0	0.0%	0	0.0%

State spending for School Aid and *New* NY Education Reform Initiatives is projected to total $20.5 billion in FY 2014. In future years, receipts available to finance this category of aid from core lottery sales are projected to remain stable, while VLT receipts are anticipated to increase through FY 2015 as a result of the recent implementation of the VLT facility at the Aqueduct Racetrack. In addition to State aid, school districts receive approximately $3 billion annually in Federal categorical aid.

OTHER EDUCATION AID

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

Major programs under the Office of Prekindergarten through Grade 12 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 50 professions.

OTHER EDUCATION (millions of dollars)	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,927**	**2,032**	**5.4%**	**2,091**	**2.9%**	**2,197**	**5.1%**	**2,328**	**6.0%**
Special Education	1,352	1,418	4.9%	1,522	7.3%	1,626	6.8%	1,751	7.7%
All Other Education	575	614	6.8%	569	-7.3%	571	0.4%	577	1.1%

Special education growth is primarily driven by an increase in program costs and enrollment for preschool special education and the summer school special education programs. The increase in other education spending for FY 2014 over FY 2013 is driven primarily by one-time costs associated with targeted aid and grants, which are not projected to continue beyond FY 2014.

In order to enhance oversight of the preschool special education program, the FY 2014 Enacted Budget also supports the expansion of State and county audit capabilities and the development of data systems to enhance analysis of available program data.

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers. The three components of STAR and their approximate shares in FY 2014 are: the basic school property tax exemption for homeowners with income under $500,000 (55 percent), the enhanced school property tax exemption for senior citizen homeowners with income under $79,050 (27 percent), and a flat refundable credit and rate reduction for income-eligible New York City resident personal income taxpayers (18 percent).

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,286**	**3,419**	**4.0%**	**3,602**	**5.4%**	**3,704**	**2.8%**	**3,805**	**2.7%**
Basic Exemption	1,857	1,896	2.1%	1,997	5.3%	2,052	2.8%	2,106	2.6%
Enhanced (Seniors)	841	912	8.4%	986	8.1%	1,014	2.8%	1,040	2.6%
New York City PIT	588	611	3.9%	619	1.3%	638	3.1%	659	3.3%

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 will receive a $63,300 exemption in FY 2014. 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 FY 2014 Enacted Budget Financial Plan established a STAR re-registration and anti-fraud program. This program is expected to eliminate waste, fraud and abuse in the STAR exemption by (1) authorizing the Department of Taxation and Finance to require all recipients of a Basic STAR exemption to be registered with the Department, and (2) strengthening the penalties for fraud while tightening the standards and procedures for determining eligibility.

HIGHER EDUCATION

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

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 capital projects at SUNY and CUNY are expected to total about $1.4 billion in FY 2014.

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

Annual growth by CUNY in FY 2014 reflects the net impact of enrollment changes at community colleges, additional fringe benefit costs, and the timing of aid payments across State fiscal years. Growth in HESC reflects the rising cost of higher education tuition and the consequent demand for increased tuition assistance. SUNY local assistance reflects an increase in community college aid, which fully annualizes in the outyears.

HIGHER EDUCATION
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,629**	**2,825**	**7.5%**	**2,911**	**3.0%**	**2,994**	**2.9%**	**3,066**	**2.4%**
City University	**1,220**	**1,345**	**10.2%**	**1,401**	**4.2%**	**1,470**	**4.9%**	**1,548**	**5.3%**
City University	1,026	1,130	10.1%	1,185	4.9%	1,254	5.8%	1,332	6.2%
Community College	194	215	10.8%	216	0.5%	216	0.0%	216	0.0%
Higher Education Services	**947**	**1,004**	**6.0%**	**1,018**	**1.4%**	**1,032**	**1.4%**	**1,026**	**-0.6%**
Tuition Assistance Program	893	948	6.2%	959	1.2%	972	1.4%	966	-0.6%
Aid for Part Time Study	14	12	-14.3%	12	0.0%	12	0.0%	12	0.0%
Scholarships/Awards	40	44	10.0%	47	6.8%	48	2.1%	48	0.0%
State University	**462**	**476**	**3.0%**	**492**	**3.4%**	**492**	**0.0%**	**492**	**0.0%**
State University	457	472	3.3%	485	2.8%	485	0.0%	485	0.0%
Other/Cornell	5	4	-20.0%	7	75.0%	7	0.0%	7	0.0%

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

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, family health plus (FHP) (a State-administered program to provide comprehensive health insurance for low-income families which do not meet certain Medicaid-eligibility thresholds), and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services and foster care services). The State share of Medicaid spending is budgeted and expended principally through DOH, but State share Medicaid spending also appears in the Financial Plan estimates for mental hygiene agencies, child welfare programs and the Department of Corrections and Community Supervision.

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 State's Medicaid spending is projected to total approximately $55.7 billion in FY 2014, including the local contribution.

The FY 2014 Enacted Budget includes the continuation of the Medicaid spending cap enacted in FY 2012, and recommends funding consistent with its provisions. The cap is based on the ten-year rolling average of the medical component of the CPI. Statutory changes approved with the FY 2012 Enacted Budget to grant the Executive certain administrative powers to help hold Medicaid spending to the capped level were amended through legislation included in the FY 2014 Enacted Budget to provide flexibility to adjust Medicaid projections to meet unanticipated costs resulting from the event of a natural or other type of disaster. The statutory provisions of the Medicaid spending cap have been extended through FY 2015, pursuant to authorization included in the FY 2014 Enacted Budget. The cap itself remains in place, and the Financial Plan assumes that statutory authority will be extended in subsequent years.

Based on updated data, the allowable growth under the cap is 3.9 percent. The FY 2014 Enacted Budget also eliminated the FHP program effective January 1, 2015. The majority of the population receiving health care benefits through FHP will begin receiving more robust health care benefits through the Medicaid program, pursuant to new Medicaid eligibility thresholds and increased Federal payments pursuant to the ACA. The remaining FHP population, those above Medicaid levels, will be eligible for Federal tax credits in the New York State Health Benefit Exchange and the State will pay remaining out-of-pocket costs for these individuals up to previous FHP levels. The proposed transition to the Exchange is expected to provide savings to the State of $59.0 million in FY 2015.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS[1] (millions of dollars)	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Department of Health					
DOH State Share	15,900	16,421	16,977	17,805	18,474
Local Assistance	15,879	16,230	16,780	17,591	18,248
State Operations[2]	21	191	197	214	226
Annual $ Change - DOH Only		521	556	828	669
Annual % Change - DOH Only		3.3%	3.4%	4.9%	3.8%
Other State Agencies					
Mental Hygiene	4,758	4,902	5,429	6,020	6,140
Foster Care	89	87	90	94	98
Education	17	0	0	0	0
Corrections	0	12	12	12	12
Total State Share (All Agencies)	**20,764**	**21,422**	**22,508**	**23,931**	**24,724**
Annual $ Change - Total State Share		658	1,086	1,423	793
Annual % Change - Total State Share		3.2%	5.1%	6.3%	3.3%

[1] Medicaid services growth is indexed to the 10-year average of CPI Medical, currently 3.9 percent. Financial Plan spending is adjusted for the inclusion of Medicaid State Operations spending (formerly outside the Medicaid Cap), which is supporting expanded functions pursuant to the phased-in takeover of local administrative responsibilities, and the decision of Monroe County to participate in the Medicaid local cap program, rather than continuing the sales tax intercept option. Finally, the State Share of Medicaid is adjusted for increased Federal Financial Participation beginning in January 2014.

[2] Increased State Operations costs in FY 2014 reflects the transfer of the Office of Health Insurance Programs to Medicaid from Public Health without new spending.

Factors affecting the level of Medicaid spending growth that must be managed within the cap include Medicaid enrollment, costs of provider health care services (particularly in managed care) and levels of utilization. The number of Medicaid recipients, including FHP, is expected to exceed 5.6 million at the end of FY 2014, an increase of 7.3 percent from the FY 2013 caseload of 5.3 million, a result mainly attributable to expanded eligibility pursuant to the ACA. Under the provisions of the ACA, the Federal government is expected to finance a greater share of Medicaid costs, the impact of which is expected to lower future growth in the State share of Medicaid costs beginning in FY 2014.

Total "state share" Medicaid, which includes Medicaid costs of State agencies in addition to DOH, reflects downward spending adjustments of $820 million in FY 2014, $535 million in FY 2015, and $357 million thereafter. This is attributable to the impact of reduced Federal revenue associated with the reimbursement of Medicaid costs at State-operated facilities providing developmental disability services. To compensate for the reduced Federal reimbursement for services provided, the State is undertaking various actions to reduce overall costs while minimizing any impact on service delivery. These actions include shifting a portion of OPWDD Medicaid costs to DOH, the impact of which is expected to be managed on a neutral Financial Plan basis through the implementation of several actions, including comprehensive program reforms consistent with other states to generate Federal reimbursement for services already being provided, and the management of certain MRT investment initiatives. These savings are valued at $730 million in FY 2014, $445 million in FY 2015, and $267 million in each of

FYs 2016 and 2017, and are part of the Mental Hygiene Stabilization Fund within the DOH global spending cap.

The FY 2013 Enacted Budget included authorization for the State to take over administration of the Medicaid program, and to cap spending on local Medicaid administration at FY 2012 appropriation levels. The FY 2013 Enacted Budget also provided Medicaid spending relief for all counties and New York City by reducing growth in local Medicaid payments. These changes are expected to provide fiscal and administrative relief to local governments.

As allowed under the FY 2013 Enacted Budget legislation, Monroe County, which had previously authorized a State intercept of sales tax in lieu of payment for its portion of the local share of Medicaid, chose to enter the Medicaid local cap program effective February 1, 2013.

The State share of DOH Medicaid spending is comprised of the General Fund, HCRA, provider assessment revenue, and indigent care payments. The following table provides information on the financing sources for State Medicaid spending (more information on HCRA can be found in the section entitled "HCRA Financial Plan").

DEPARTMENT OF HEALTH MEDICAID[1]

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
STATE OPERATING FUNDS	**15,900**	**16,421**	**3.3%**	**16,977**	**3.4%**	**17,805**	**4.9%**	**18,474**	**3.8%**
Total General Fund - Local	11,109	11,232	1.1%	11,391	1.4%	12,136	6.5%	12,631	4.1%
Total General Fund - State Operations	21	191	809.5%	197	3.1%	214	8.6%	226	5.6%
Other State Funds Support	4,770	4,998	4.8%	5,389	7.8%	5,455	1.2%	5,617	3.0%
HCRA Financing	3,214	3,437	6.9%	3,812	10.9%	3,878	1.7%	4,040	4.2%
Indigent Care Support	767	776	1.2%	792	2.1%	792	0.0%	792	0.0%
Provider Assessment Revenue	783	785	0.3%	785	0.0%	785	0.0%	785	0.0%
Other	6	0	-100.0%	0	0.0%	0	0.0%	0	0.0%

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

The FY 2014 Enacted Budget transferred all administrative costs, including those State resources associated with the local Medicaid takeover program, from the Public Health budget to the Medicaid budget. This change will align operational resources with programmatic responsibilities, and provide the necessary flexibility for meeting emerging needs during the course of the year. Using additional efficiencies gained from the local Medicaid takeover, this change is expected to avoid State General Fund costs of approximately $32 million in FY 2014, $50 million in FY 2015, and $67 million annually thereafter, without placing additional fiscal pressure on the Medicaid Global Cap.

Ongoing MRT efforts have identified a variety of other programmatic efficiencies and re-investments which are expected to improve overall service delivery within the health care industry, but which are not expected to have a significant net financial impact on the State's Medicaid program.

PUBLIC HEALTH/AGING PROGRAMS

Public Health includes the Elderly Pharmaceutical Insurance Coverage (EPIC) program that provides prescription drug insurance to low-income seniors, the Child Health Plus (CHP) program that finances health insurance coverage for children of low-income families up to the age of 19, the General Public Health Work (GPHW) program that reimburses local health departments for the cost of providing certain public health services, the Early Intervention (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 State Office for the Aging 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.

PUBLIC HEALTH AND AGING
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,040**	**2,193**	**7.5%**	**1,997**	**-8.9%**	**1,989**	**-0.4%**	**1,960**	**-1.5%**
Public Health	**1,927**	**2,079**	**7.9%**	**1,877**	**-9.7%**	**1,862**	**-0.8%**	**1,828**	**-1.8%**
Child Health Plus	364	380	4.4%	446	17.4%	378	-15.2%	304	-19.6%
General Public Health Work	247	186	-24.7%	237	27.4%	233	-1.7%	238	2.1%
EPIC	98	170	73.5%	207	21.8%	237	14.5%	258	8.9%
Early Intervention	144	151	4.9%	167	10.6%	171	2.4%	171	0.0%
HCRA Program Account	442	431	-2.5%	429	-0.5%	441	2.8%	441	0.0%
F-SHRP	249	384	54.2%	0	-100.0%	0	0.0%	0	0.0%
All Other	383	377	-1.6%	391	3.7%	402	2.8%	416	3.5%
Aging	**113**	**114**	**0.9%**	**120**	**5.3%**	**127**	**5.8%**	**132**	**3.9%**

Spending growth in the CHP program through FY 2015 largely reflects costs associated with the expectation of additional caseload growth under the ACA. As CHP enrollment increases, initial costs to the State are expected; however, these costs are expected to decrease beginning in FY 2016 when enhanced Federal participation rates become effective.

Increased State support for the EPIC program, which was authorized in the FY 2013 Enacted Budget to provide coverage of Medicare Part D co-payments and co-insurance for enrollees outside of the existing coverage gap, is also driving a substantial portion of spending growth, as this change took effect on January 1, 2013. Increased spending for expanded EPIC coverage, as well as growth due to the rising costs of prescription drug medication, is expected to be partly financed by additional revenue generated from rebates received from drug manufacturers.

The F-SHRP program, which is Federal funding provided to the State on a time-limited basis through a Federal waiver under terms and conditions aimed at improving the delivery of health care services, is expected to terminate at the end of FY 2014. Spending growth in FY 2014 reflects the anticipation of peak utilization prior to the expiration of funding.

The year-over-year decrease for GPHW in FY 2014 reflects revised spending assumptions associated with reduced municipal claiming on various services.

HCRA FINANCIAL PLAN

HCRA was established in 1996 to help finance a portion of State health care activities. Extensions and modifications to HCRA have financed new health care programs, including FHP, and provided additional funding for the expansion of existing programs such as CHP. HCRA has also provided additional financing for the health care industry, including investments in worker recruitment and retention, and the Health Care Efficiency and Affordability Law for New Yorkers (HEAL NY) program for capital improvements to health care facilities.

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. Total HCRA revenues are estimated to grow by approximately 3.3 percent on an annual basis during the Financial Plan period.

In addition to FHP, CHP, and HEAL NY, HCRA helps fund Medicaid, EPIC, physician excess medical malpractice insurance, and Indigent Care payments, which provide funding to hospitals serving a disproportionate share of individuals without health insurance.

The FY 2014 Enacted Budget included reductions to various public health programs and the shift of funding for certain programs between HCRA and the General Fund. The shifts are expected to lower spending in HCRA by approximately $145 million in FY 2014 and $175 million thereafter and increase the General Fund spending by the same amount.

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

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

HCRA FINANCIAL PLAN FY 2013 THROUGH FY 2017 (millions of dollars)					
	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
OPENING BALANCE	**3**	**18**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,336**	**5,610**	**5,854**	**5,949**	**6,049**
Surcharges	2,723	2,818	2,918	3,013	3,111
Covered Lives Assessment	1,045	1,045	1,045	1,045	1,045
Cigarette Tax Revenue	1,108	1,060	1,041	1,018	995
Conversion Proceeds	0	175	300	300	300
Hospital Assessments	330	340	360	376	393
NYC Cigarette Tax Transfer/Other	130	172	190	197	205
TOTAL DISBURSEMENTS	**5,321**	**5,628**	**5,854**	**5,949**	**6,049**
Medicaid Assistance Account	3,219	3,437	3,812	3,878	4,040
Medicaid Costs	*1,840*	*2,138*	*2,852*	*3,229*	3,391
Family Health Plus	*682*	*650*	*311*	*0*	0
Workforce Recruitment & Retention	*157*	*197*	*197*	*197*	197
All Other	*540*	*452*	*452*	*452*	452
HCRA Program Account	459	445	444	460	460
Hospital Indigent Care	777	776	792	792	792
Elderly Pharmaceutical Insurance Coverage	105	183	220	250	271
Child Health Plus	372	386	453	385	312
Public Health Programs	128	29	0	0	0
All Other	261	372	133	184	174
ANNUAL OPERATING SURPLUS/(DEFICIT)	**15**	**(18)**	**0**	**0**	**0**
CLOSING BALANCE	**18**	**0**	**0**	**0**	**0**

MENTAL HYGIENE

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

MENTAL HYGIENE
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,602**	**2,833**	**-21.3%**	**3,450**	**21.8%**	**3,967**	**15.0%**	**4,173**	**5.2%**
People with Developmental Disabilities	**2,196**	**1,420**	**-35.3%**	**1,862**	**31.1%**	**2,157**	**15.8%**	**2,220**	**2.9%**
Residential Services	1,551	1,519	-2.1%	1,630	7.3%	1,712	5.0%	1,756	2.6%
Day Programs	560	548	-2.1%	588	7.3%	618	5.1%	635	2.8%
Clinic	22	22	0.0%	23	4.5%	25	8.7%	25	0.0%
Other Local	63	61	-3.2%	66	8.2%	69	4.5%	71	2.9%
Mental Hygiene Stabilization Fund	0	(730)	0.0%	(445)	-39.0%	(267)	-40.0%	(267)	0.0%
Mental Health	**1,094**	**1,097**	**0.3%**	**1,256**	**14.5%**	**1,461**	**16.3%**	**1,590**	**8.8%**
Adult Local Services	913	917	0.4%	1,048	14.3%	1,239	18.2%	1,364	10.1%
Children Local Services	181	180	-0.6%	208	15.6%	222	6.7%	226	1.8%
Alcohol and Substance Abuse	**311**	**315**	**1.3%**	**331**	**5.1%**	**348**	**5.1%**	**362**	**4.0%**
Outpatient/Methadone	134	135	0.7%	142	5.2%	149	4.9%	155	4.0%
Residential	105	106	1.0%	112	5.7%	118	5.4%	123	4.2%
Prevention and Program Support	55	57	3.6%	60	5.3%	63	5.0%	65	3.2%
Crisis	17	17	0.0%	17	0.0%	18	5.9%	19	5.6%
CQCAPD/Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**

Legislation enacted in FY 2013 established the Justice Center for the Protection of People with Special Needs, which has the primary responsibility for tracking, investigating and pursuing serious abuse/neglect complaints at facilities and provider settings operated, certified, or licensed by six State agencies. The activities of the Commission on Quality of Care and Advocacy for Persons with Disabilities were subsumed by the Justice Center when it became operational on June 30, 2013.

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 3.7 percent annually. This growth is attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems, including: increases primarily associated with developing new OPWDD residential and non-residential services and supports; 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 Financial Plan estimates for costs associated with efforts to move individuals in nursing homes and other settings to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS.

The Financial Plan achieves lower spending growth by authorizing the elimination of automatic inflationary factors in FY 2014, including the 1.4 percent Human Services Cost of Living Adjustment and Medicaid trend adjustment, which provides rate reimbursement adjustments for eligible providers of services to the developmentally disabled; improved program efficiencies; enhanced audit recoveries; reduced administrative costs reimbursed to OPWDD providers; and revised estimates for mental health community bed funding.

OPWDD's Medicaid-related spending estimates were revised downward in the Enacted Budget Financial Plan by $820 million in FY 2014, $535 million in FY 2015, and $357 million thereafter. These revisions are attributable to the impact of reduced Federal revenue from Medicaid reimbursement at State-operated facilities providing developmental disability services. To compensate for the reduced Federal reimbursement for services provided, the State is undertaking various actions to reduce overall costs in the least disruptive manner possible for service delivery. These actions include shifting a portion of OPWDD Medicaid costs to DOH, the impact of which is expected to be managed on a neutral Financial Plan basis through the implementation of several actions, including comprehensive program reforms consistent with other states to generate Federal reimbursement for services already being provided, and the management of certain MRT investment initiatives. These savings are valued at $730 million in FY 2014, $445 million in FY 2015, and $267 million in each of FY 2016 and FY 2017 and are part of the Mental Hygiene Stabilization Fund within the DOH global spending cap. In addition, $90 million of savings will be achieved by OPWDD through a combination of actions identified in consultation with all relevant parties. These include $50 million in savings from reduced administrative costs, improved efficiencies, and collaborative efforts to utilize lower cost community based supports and services as opposed to more costly settings such as institutions and residential schools. In addition, $40 million in savings will be generated from increased audit recoveries generated by enhanced audit activity by the OMIG related to OPWDD services provided by nonprofit agencies.

SOCIAL SERVICES

The Office of Temporary and Disability Assistance (OTDA) local assistance programs provide cash benefits and supportive services to low-income families. The State's three main programs include Family Assistance, Safety Net Assistance and 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 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,540**	**1,392**	**-9.6%**	**1,290**	**-7.3%**	**1,318**	**2.2%**	**1,328**	**0.8%**
SSI	745	766	2.8%	664	-13.3%	691	4.1%	700	1.3%
Public Assistance Benefits	636	502	-21.1%	502	0.0%	502	0.0%	502	0.0%
Welfare Initiatives	36	19	-47.2%	19	0.0%	19	0.0%	19	0.0%
All Other	123	105	-14.6%	105	0.0%	106	1.0%	107	0.9%

The decline in OTDA spending from FY 2013 results to FY 2014 Updated Financial Plan projections is driven primarily by the State's projected costs for public assistance caseload and the fact that there are no longer timing delays for payments. The average public assistance caseload is projected to total 554,011 recipients in FY 2014, a decrease of 3.5 percent from FY 2013 levels. Approximately 249,528 families are expected to receive benefits through the Family Assistance program in FY 2014, a decrease of 3.9 percent from FY 2013. In the Safety Net program an average of 118,706 families are expected to be helped in FY 2014, a decrease of 3.3 percent from FY 2013. The caseload for single adults/childless couples supported through the Safety Net program is projected at 185,777 in FY 2014, a decrease of 3.1 percent from FY 2013.

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

CHILDREN AND FAMILY SERVICES
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,492**	**1,604**	**7.5%**	**1,760**	**9.7%**	**1,828**	**3.9%**	**1,914**	**4.7%**
Child Welfare Service	334	462	38.3%	493	6.7%	526	6.7%	560	6.5%
Foster Care Block Grant	436	436	0.0%	456	4.6%	473	3.7%	491	3.8%
Adoption	142	162	14.1%	164	1.2%	167	1.8%	171	2.4%
Day Care	216	165	-23.6%	249	50.9%	249	0.0%	249	0.0%
Youth Programs	130	152	16.9%	161	5.9%	163	1.2%	163	0.0%
Medicaid	89	87	-2.2%	90	3.4%	94	4.4%	98	4.3%
Committees on Special Education	37	30	-18.9%	33	10.0%	38	15.2%	43	13.2%
Adult Protective/Domestic Violence	34	31	-8.8%	35	12.9%	41	17.1%	48	17.1%
All Other	74	79	6.8%	79	0.0%	77	-2.5%	91	18.2%

Financial Plan growth is driven by increases in claims-based programs; an increase in General Fund spending on Day Care beginning in FY 2015, in order to keep spending on this program constant after a projected decrease in Federal funding; and the continued implementation of the New York City Close to Home Initiative. Growth in Child Welfare Services and Adult Protective/Domestic Violence reflects anticipated growth in local claims and flat Federal funding.

TRANSPORTATION

In FY 2014, the Department of Transportation (DOT) will provide $4.7 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. Legislation enacted in December 2011 eliminates the MTA payroll tax for all elementary and secondary schools as well as for certain small businesses. The State compensates the MTA for the decrease in receipts from this tax reduction.

Operating aid to the MTA and other transit systems is expected to increase in FY 2014 by 10.1 percent, which reflects the impact of timing associated with availability of funding resources and growth assumed in the current receipts forecast.

TRANSPORTATION (millions of dollars)									
	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**4,303**	**4,739**	**10.1%**	**4,831**	**1.9%**	**4,910**	**1.6%**	**4,995**	**1.7%**
Mass Transit Operating Aid:	1,906	2,105	10.4%	2,101	-0.2%	2,101	0.0%	2,101	0.0%
Metro Mass Transit Aid	1,761	1,964	11.5%	1,960	-0.2%	1,960	0.0%	1,960	0.0%
Public Transit Aid	93	89	-4.3%	89	0.0%	89	0.0%	89	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	1,705	1,909	12.0%	1,986	4.0%	2,061	3.8%	2,143	4.0%
Dedicated Mass Transit	647	680	5.1%	698	2.6%	702	0.6%	706	0.6%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	0	0	0.0%	1	N/A	1	0.0%	0	0.0%

LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments includes the Aid and Incentive for Municipalities (AIM) program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams; VLT impact aid; and Small Government Assistance and Miscellaneous Financial Assistance. In addition, the State provides incentive grants to local governments. Spending for AIM efficiency incentive grants increases over the multi-year period reflecting the implementation of the Local Government Performance and Efficiency Program enacted in FY 2012 to reward municipal efficiencies and to encourage less duplication among local governments in the delivery of services.

LOCAL GOVERNMENT ASSISTANCE (millions of dollars)									
	FY 2013 Results	FY 2014 Updated	Annual % Change	FY 2015 Projected	Annual % Change	FY 2016 Projected	Annual % Change	FY 2017 Projected	Annual % Change
TOTAL STATE OPERATING FUNDS	**754**	**764**	**1.3%**	**769**	**0.7%**	**782**	**1.7%**	**794**	**1.5%**
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	11	83.3%	20	81.8%	35	75.0%	47	34.3%
All Other Local Aid	33	38	15.2%	34	-10.5%	32	-5.9%	32	0.0%

ALL OTHER LOCAL ASSISTANCE SPENDING

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

AGENCY OPERATIONS

Agency operating costs include personal service, non-personal service, and General State Charges (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, and telephone service. 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 represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which represents professional and technical personnel (i.e., attorneys, nurses, accountants, engineers, social workers, and institution teachers); UUP, which represents faculty and non-teaching professional staff within the State University system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

		Forecast			
	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Negotiated Base Salary Increases [1]					
CSEA/NYSCOPBA/Council 82/UUP	0	0	2%	2%	TBD
PEF / NYSPBA	0	0	2%	TBD	TBD
State Workforce [2]	119,756	120,520	120,460	120,460	120,460
ERS Pension Contribution Rate [3]					
Before Amortization (Normal/Admin/GLIP)	19.4%	21.5%	20.5%	18.0%	16.3%
After Amortization	11.5%	12.5%	13.5%	14.5%	15.5%
PFRS Pension Contribution Rate					
Before Amortization (Normal/Admin/GLIP)	26.6%	29.9%	28.6%	26.2%	24.2%
After Amortization	19.5%	20.5%	21.5%	22.5%	23.5%
Employee/Retiree Health Insurance Growth Rates	3.1%	5.4%	8.5%	8.5%	8.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.5%	14.2%	14.5%	14.6%	14.4%

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

Growth in agency operating spending 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 payroll and operating costs expected for food, medical care and prescription drugs, and energy costs in State facilities, offset by expected savings from enterprise procurement initiatives, including procurement reform, real estate consolidation, and consolidation of back-office functions. In most years, there are 26 bi-weekly pay periods. In FY 2016, there is one additional State institutional payroll, which results in higher spending mainly in mental hygiene and corrections. In addition, the State will begin repayment to State employees of certain amounts withheld pursuant to the DRP in FY 2012 and FY 2013 beginning in the last pay period in FY 2015.

Prior-year collective bargaining agreements with NYSCOPBA, Council 82 and UUP Lifeguards are reflected in the personal service costs in the following table and include retroactive salary increases already paid in FY 2013 for prior years.

STATE OPERATING FUNDS - AGENCY OPERATIONS[1] (millions of dollars)	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**9,819**	**9,774**	**9,964**	**10,320**	**10,466**
Mental Hygiene	2,914	2,893	2,911	3,027	2,981
Corrections and Community Supervision	2,741	2,553	2,610	2,746	2,701
State Police	601	651	647	660	666
Public Health	526	422	429	416	417
Tax and Finance	372	349	356	363	371
Children and Family Services	302	262	246	242	247
Environmental Conservation	231	232	231	234	236
Financial Services	193	203	205	208	208
Temporary and Disability Assistance	187	151	160	157	161
Parks, Recreation and Historic Preservation	180	180	178	180	182
Workers' Compensation Board	150	152	152	155	157
Lottery/Gaming	124	161	165	166	166
General Services	145	170	144	145	148
Information Technology Services	60	236	267	271	271
All Other	1,093	1,159	1,263	1,350	1,554
UNIVERSITY SYSTEMS	**5,552**	**5,669**	**5,777**	**5,916**	**6,054**
State University	5,451	5,581	5,687	5,824	5,960
City University	101	88	90	92	94
INDEPENDENT AGENCIES	**297**	**304**	**310**	**319**	**323**
Law	160	165	167	171	173
Audit & Control	137	139	143	148	150
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**15,668**	**15,747**	**16,051**	**16,555**	**16,843**
Judiciary	1,812	1,878	2,000	2,095	2,111
Legislature	203	219	224	227	231
Statewide Total	**17,683**	**17,844**	**18,275**	**18,877**	**19,185**
Personal Service	12,403	12,366	12,642	13,078	13,210
	3.0%	-0.3%	2.2%	3.4%	1.0%
Non-Personal Service	5,280	5,478	5,633	5,799	5,975
	-2.3%	3.8%	2.8%	2.9%	3.0%

[1] Beginning in FY 2013, the Financial Plan reflects the shift of information technology staff from agencies across the State to ITS as well as the transfer of business services staff to OGS.

GENERAL STATE CHARGES

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

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

GENERAL STATE CHARGES
(millions of dollars)

	FY 2013 Results	FY 2014 Updated	Change	FY 2015 Projected	Change	FY 2016 Projected	Change	FY 2017 Projected	Change
TOTAL STATE OPERATING FUNDS	**6,437**	**7,058**	**9.6%**	**7,533**	**6.7%**	**7,954**	**5.6%**	**8,287**	**4.2%**
Fringe Benefits	**6,046**	**6,669**	**10.3%**	**7,132**	**6.9%**	**7,554**	**5.9%**	**7,887**	**4.4%**
Health Insurance	3,129	3,315	5.9%	3,476	4.9%	3,711	6.8%	4,020	8.3%
Employee Health Insurance	1,720	1,824	6.0%	1,945	6.6%	2,060	5.9%	2,232	8.3%
Retiree Health Insurance	1,409	1,491	5.8%	1,531	2.7%	1,651	7.8%	1,788	8.3%
Pensions	1,601	1,982	23.8%	2,256	13.8%	2,418	7.2%	2,446	1.2%
Social Security	942	960	1.9%	978	1.9%	997	1.9%	1,015	1.8%
All Other Fringe	374	412	10.2%	422	2.4%	428	1.4%	406	-5.1%
Fixed Costs	**391**	**389**	**-0.5%**	**401**	**3.1%**	**400**	**-0.2%**	**400**	**0.0%**

GSCs are projected to increase at an average annual rate of 6.5 percent over the Financial Plan period. This is due to 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 help finance the State's share of Medicaid costs for State-operated mental hygiene facilities, debt service for bonds that do not have dedicated revenues, SUNY operating costs, certain capital activities, and a range of other activities.

GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)	FY 2013 Results	FY 2014 Updated	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**6,794**	**8,702**	**8,861**	**9,682**	**10,248**
Mental Hygiene Medicaid State Share	**2,846**	**1,813**	**1,338**	**1,311**	**1,279**
Debt Service	**1,647**	**1,646**	**1,165**	**1,452**	**1,345**
SUNY University Operations	**340**	**971**	**971**	**971**	**971**
Capital Projects	**916**	**1,227**	**1,384**	**1,400**	**1,799**
Dedicated Highway and Bridge Trust Fund	519	551	592	606	720
All Other Capital	397	676	792	794	1,079
ALL OTHER TRANSFERS	**1,045**	**3,045**	**4,003**	**4,548**	**4,854**
Mental Hygiene	0	1,839	2,838	3,400	3,688
Department of Transportation (MTA Tax)	277	332	334	334	334
SUNY - Disproportionate Share	209	228	228	228	228
Judiciary Funds	112	107	108	109	109
SUNY - Hospital Operations	81	67	60	60	60
Banking Services	61	65	65	65	65
Statewide Financial System	48	53	55	55	55
Indigent Legal Services	34	40	40	40	40
Mass Transportation Operating Assistance	38	37	37	37	37
Alcoholic Beverage Control	17	18	20	20	20
Information Technology Services	14	40	14	6	10
Public Transportation Systems	12	12	12	12	12
Correctional Industries	10	10	10	10	10
All Other	132	197	182	172	186

A significant portion of the capital and operating expenses of DOT and the Department of Motor Vehicles (DMV) are funded from the DHBTF. The Fund receives various dedicated tax and fee revenues, including the petroleum business tax, motor fuel tax, and highway use taxes. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on certain transportation bonds – exceed current and projected revenue deposits and bond proceeds.

General Fund transfers to other funds are expected to total \$8.7 billion in FY 2014 — a \$1.9 billion increase from FY 2013. This increase is predominantly a function of the re-categorization of SUNY operating support, and the higher costs associated with operating mental hygiene facilities in lieu of reduced Federal revenue.

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

DEBT SERVICE SPENDING PROJECTIONS (millions of dollars)				
	FY 2013 Results	FY 2014 Updated	Annual Change	Percent Change
General Fund	**1,647**	**1,646**	**(1)**	**-0.1%**
Other State Support	4,491	4,414	(77)	-1.7%
State Operating Funds	**6,138**	**6,060**	**(78)**	**-1.3%**
Capital Projects Funds	**0**	**0**	**0**	**0.0%**
Total All Funds	**6,138**	**6,060**	**(78)**	**-1.3%**

Total debt service is projected at $6.1 billion in FY 2014, of which $1.6 billion is paid from the General Fund through transfers, and $4.4 billion from other State funds. The General Fund transfer finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including PIT bonds, DHBTF bonds, and mental health facilities bonds.

FY 2014 spending estimates were revised with the First Quarterly Update to the Financial Plan for the assumed prepayment of $318 million of debt service that is due during FY 2015. Otherwise, debt service spending is unchanged from Enacted Budget estimates.

GAAP-BASIS RESULTS FOR PRIOR FISCAL YEARS

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

The following table summarizes recent governmental funds results on a GAAP basis. The State issued the Basic Financial Statements for FY 2013 in July 2013.

COMPARISON OF ACTUAL GAAP-BASIS OPERATING RESULTS SURPLUS/(DEFICIT) (millions of dollars)

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2013	1,129	(308)	(186)	(499)	136	(739)
March 31, 2012	137	56	80	346	619	(1,868)
March 31, 2011	1,529	742	198	(568)	1,901	(2,009)

SUMMARY OF NET POSITION (millions of dollars)

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

The 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, 2013, is included in NYSLRS' Comprehensive Annual Financial Report (NYSLRS' CAFR) for the fiscal year ended March 31, 2013. The Systems Actuary's Annual Report to the Comptroller on Actuarial Assumptions - the contents of which explain the methodology used to determine employer contribution rates to the Systems - issued from 2007 through 2013, as well as NYSLRS' CAFR and Asset Listing, the NYSLRS' CAFR for each of the nine prior fiscal years, and benefit plan booklets describing how each of the Systems' tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications. The Systems' audited Financial Statements, CAFR and Asset Listing for the fiscal year ending March 31, 2013 can also be accessed at that web page.

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

THE SYSTEMS

The Systems provide pension benefits to public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). State employees made up about 35 percent of the membership during FY 2013. There were 3,029 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2013, approximately 648,000 persons were members of the Systems and approximately 413,000 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of the State Constitution considers membership in any State pension or retirement system to be "a contractual relationship, the benefits of which shall not be diminished or impaired."

COMPARISON OF BENEFITS BY TIER

The Systems' members are categorized into six tiers depending on date of membership. As of March 31, 2013, approximately 83 percent of ERS members were in Tiers 3 and 4 and approximately 90 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and included significant changes to the benefit structure for ERS members joining on or after January 1, 2010 and PFRS members joining on or after January 9, 2010. Tier 6 was enacted in 2012 and included further changes to the benefit structure for ERS and PFRS members joining on or after April 1, 2012.

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

2010 RETIREMENT INCENTIVE PROGRAM

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

- Part A was a targeted incentive. Employers identified eligible titles. Part A provided one additional month of service credit for each year of credited service an eligible member had at retirement. The maximum additional incentive service credit was three years.

- Part B was not targeted. It was open to all eligible Tier 2, 3 and 4 members unless an employer deemed a member's position critical to the maintenance of public health and safety. Part B allowed members who were at least age 55 and had 25 years or more of service credit to retire without a benefit reduction.

Participating members whose employer offered both parts of the program, and who met the eligibility requirements of both parts, had to choose between the two. The number of State employees who retired under the Early Retirement Incentive (ERI) is approximately 6,400. Three hundred ninety-nine (399) participating employers elected to participate in Part A of the ERI. Two hundred eleven (211) participating employers elected to participate in Part B of the ERI. Five thousand four hundred fifty-three (5,453) members from participating employers retired under the ERI. The cost of the incentive is borne by the State and each participating employer electing the incentive over a five-year period commencing with a payment in FY 2012. The amortized amount receivable relating to the ERI, including accrued interest, from the State as of March 31, 2013 is $123.15 million and from participating employers is $85.56 million.

CONTRIBUTIONS AND FUNDING

Contributions to the Systems are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 were required to contribute 3 percent of their salaries. A statutory change in 2000, however, limited the contributions to the first 10 years of membership, but did not authorize refunds where contributions had already exceeded 10 years. All ERS members joining after 2009 and prior to April 1, 2012, and all PFRS members joining after January 9, 2010 and prior to April 1, 2012, are members of Tier 5. All Tier 5 ERS members and 83.5 percent of the 1,805 Tier 5 PFRS members are required to contribute 3 percent of their salaries for their career. Members joining on or after April 1, 2012 are in Tier 6, and are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages. Members in Tier 6 of both ERS and PFRS earning $45,000 or less must contribute 3 percent of their gross annual wages; members earning between $45,001 and $55,000 will contribute 3.5 percent; members earning between $55,001 and $75,000 will contribute 4.5 percent; members earning between $75,001 and $100,000 will contribute 5.75 percent; and, those earning in excess of $100,000 will contribute 6 percent of their gross annual salary.

The CRF experienced significant investment losses in FY 2009. These investment losses negatively impacted the value of assets held by the CRF for the Systems. In order to protect employers from potentially volatile contributions tied directly to the value of the Systems' assets held by the CRF, the Systems utilize a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the Systems Actuary, which is currently 7.5 percent. The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period. Thus, because of the significant investment loss in FY 2009, employer contribution rates increased for FY 2011, FY 2012, FY 2013 and FY 2014. The amount of future annual employer contribution rates will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the Systems as of each April 1. Final contribution rates for FY 2015 were released in late August 2013. The average ERS rate decreased from 20.9 percent of salary in FY 2014 to 20.1 percent of salary in FY 2015, while the average PFRS rate decreased from 28.9 percent of salary in FY 2014 to 27.6 percent of salary in FY 2015. Information regarding average rates for FY 2015 may be found in the 2013 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at www.osc.state.ny.us/retire/publications.

Legislation enacted in May 2003 realigned the Systems' billing cycle to match participating local governments' budget cycles and also instituted a minimum annual payment of at least 4.5 percent of payroll every year. The employer contribution for a given fiscal year is based in part on the value of the CRF's assets and its liabilities on the preceding April 1. Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at 5 percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2013, the amortized amount receivable, including accrued interest, pursuant to Chapter 260 from the State is $176.17 million and from participating employers is $47.55 million. The State paid approximately $1.4 billion in contributions (including Judiciary) for FY 2013 including amortization payments of approximately $235.04 million associated with Chapter 260 of the Laws of 2004, Chapter 57 of the Laws of 2010 and the 2010 retirement incentive program.

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013 and FY 2014, the interest rates are 5 percent, 3.75 percent, 3 percent and 3.67 percent, respectively. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, it is expected that this will reduce the budgetary volatility of employer contributions. As of March 31, 2013, the amortized amount receivable, including accrued interest, for the 2011 amortization is $209.75 million from the State and $36.73 million from 50 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is $517.03 million from the State and $194.15 million from 133 participating employers; and, the amortized amount receivable, including accrued interest, for the 2013 amortization is $780.43 million from the State and $370.73 million from 139 participating employers.

The FY 2014 Enacted Budget included an alternate contribution program (the "Alternate Contribution Stabilization Program") that provides certain participating employers with a one-time election to amortize slightly more of their required contributions than would be available for amortization under the 2010 legislation. In addition, the maximum payment period is increased from ten years to twelve years. The election is available to counties, cities, towns, villages, BOCES, school districts and the four public health care centers operated in the counties of Nassau, Westchester and Erie. The State is not eligible to participate in the Alternate Contribution Stabilization Program.

Eligible employers have a one-time only option to elect to participate in the Alternate Contribution Stabilization Program, which begins with FY 2014. For those eligible employers electing the Alternate Contribution Stabilization Program, the graded contribution rate for fiscal years ending 2014 and 2015 is 12 percent of salary for ERS and 20 percent of salary for PFRS. Thereafter, the graded contribution rate will increase one half of one percent per year towards the actuarially required rate. Electing employers may amortize the difference between the graded rate and the actuarially required rate over a twelve year period at an interpolated twelve year U.S. Treasury Security rate (3.76 percent for FY 2014). As with the original Contribution Stabilization Program, when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elect to amortize under the alternate program will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future.

The estimated total State payment (including Judiciary) for FY 2014 is approximately $2.8 billion. As of November 1, 2013, the State has prepaid approximately $1.1 billion and has been credited with the related interest adjustment. If the State (including Judiciary) opts to amortize the maximum amount permitted, it would reduce the required March 1, 2014 payment by $948.2 million. The State payment for FY 2014 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 as further described below under "Pension Assets and Liabilities".

PENSION ASSETS AND LIABILITIES

The Systems' assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the State Comptroller as trustee of the CRF. The Systems report that the net position restricted for pension benefits as of March 31, 2013 was $164.2 billion (including $4.4 billion in receivables, which consist of employer contributions, amortized amounts, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of $10.8 billion or 7 percent from the FY 2012 level of $153.4 billion. The increase in net position restricted for pension benefits from FY 2012 to FY 2013 reflects, in large part, equity market performance[4]. The valuation used by the Systems Actuary was based on audited net assets available for benefits as of March 31, 2013. The audited Financial Statement reports a gain of 10.38 percent for FY 2013.

Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management. The purpose of this asset allocation strategy is to identify the optimal diversified mix of assets to meet the requirements of pension payment obligations to members. In the fiscal year ended March 31, 2010, an asset liability analysis was completed and a long-term policy allocation was adopted. The current long-term policy allocation seeks a mix that includes 43 percent equities (30 percent domestic and 13 percent international); 22 percent bonds, cash and mortgages; 8 percent inflation indexed bonds and 27 percent alternative investments (10 percent private equity, 6 percent real estate, 4 percent absolute return or hedge funds, 4 percent opportunistic and 3 percent real assets). Since the implementation of the long-term policy allocation will take several years, transition targets have been established to aid in the asset rebalancing process.[5]

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

[4] On November 19, 2013, the State Comptroller released a statement indicating that the value of the Systems' invested assets posted a 4.61 percent return for the quarter ending September 30, 2013. This report reflects unaudited data for assets invested for the Systems. The value of invested assets changes daily.

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

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

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

In June 2012, GASB approved two related Statements that make changes to the accounting and financial reporting of pensions by state and local governments and pension plans. These statements impact neither the Systems' actuarial funding method nor the calculation of rates.

Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, establishes new accounting and financial reporting requirements for governments that provide their employees with pensions.

The standards for public plans' financial statements go into effect for fiscal years beginning on or after June 15, 2013 (e.g. NYSLRS March 31, 2015 financial statement). The standards for employers are effective for fiscal years beginning on or after June 15, 2014. For example, it would be effective for the State's fiscal year ending March 31, 2016.

Under the new standards, participating employers will be required to report a new liability (Net Pension Liability) in their financial statements. The Systems are currently evaluating the impact of the new standards and implementation considerations.

Statement 67 replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans. Statement 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new Statements also replace the requirements of Statement No. 50, Pension Disclosures, for those governments and pension plans.

[7] Detail on the funded ratios of ERS and PFRS as of April 1 for each of the 5 years previous to the fiscal year ended March 31, 2013 can be found on page 56 of the NYSLRS' CAFR for the fiscal year ending March 31, 2013. Detail regarding employers' Annual Required Contributions for FY 2013 and each of the five previous fiscal years can be found on page 57 of the NYSLRS' CAFR for the fiscal year ending March 31, 2013.

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

CONTRIBUTIONS AND BENEFITS
NEW YORK STATE AND LOCAL RETIREMENT SYSTEMS[1]
(millions of dollars)

Fiscal Year Ended March 31	Contributions Recorded: All Participating Employers[1][2]	Local Employers[1][2]	State[1][2]	Employees	Total Benefits Paid[3]
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012	4,585	2,799	1,786	273	8,938
2013	5,336	3,385	1,950	269	9,521

Sources: State and Local Retirement Systems.

[1] Contributions recorded include the full amount of unpaid amortized contributions.
[2] The annual required contributions (ARC) include the employers' normal costs, the Group Life Insurance Plan amounts, and other supplemental amounts. Additional information on the ARC can be accessed on page 57 of the NYSLRS CAFR for fiscal year ending March 31, 2013.

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

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

Fiscal Year Ended March 31	Net Assets	Percent Increase/ (Decrease) From Prior Year
2004	120,799	24.1
2005	128,038	6.0
2006	142,620	11.4
2007	156,625	9.8
2008	155,846	(0.5)
2009	110,938	(28.8)
2010	134,252	21.0
2011	149,549	11.4
2012	153,394	2.6
2013	164,222	7.0

Sources: State and Local Retirement Systems.

[1] Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2013 includes approximately $4.4 billion of receivables.

AUTHORITIES AND LOCALITIES

PUBLIC AUTHORITIES

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

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. These entities generally pay their own operating expenses and debt service costs from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels; charges for public power, electric and gas utility services; tuition and fees; rentals charged for housing units; and charges for occupancy at medical care facilities. In addition, State legislation also authorizes several financing structures, which may be utilized for the financings.

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

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As of December 31, 2012 (with respect to Job Development Authority or "JDA", as of March 31, 2013), each of the 19 authorities listed in the following table had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $171 billion, only a portion of which constitutes State-supported or State-related debt. The following table summarizes the outstanding debt of these authorities.

OUTSTANDING DEBT OF CERTAIN AUTHORITIES[1]
AS OF DECEMBER 31, 2012[2]
(millions of dollars)

Authority	State-Related Debt Bonding	Authority and Conduit Bonding	Total
Dormitory Authority[3]	25,194	20,963	**46,157**
Metropolitan Transportation Authority	400	22,695	**23,095**
Port Authority of NY & NJ	0	21,898	**21,898**
Thruway Authority	11,121	3,290	**14,411**
Housing Finance Agency	995	10,140	**11,135**
UDC/ESD	8,505	959	**9,464**
Triborough Bridge and Tunnel Authority	0	8,395	**8,395**
Environmental Facilities Corporation	801	6,474	**7,275**
Job Development Authority[2]	15	7,011	**7,026**
Long Island Power Authority[4]	0	6,757	**6,757**
Energy Research and Development Authority[4]	0	3,426	**3,426**
State of New York Mortgage Agency	0	3,019	**3,019**
Local Government Assistance Corporation	2,836	0	**2,836**
Tobacco Settlement Financing Corporation	2,411	0	**2,411**
Power Authority	0	1,746	**1,746**
Battery Park City Authority	0	1,032	**1,032**
Municipal Bond Bank Agency	294	317	**611**
Niagara Frontier Transportation Authority	0	162	**162**
Bridge Authority	0	123	**123**
TOTAL OUTSTANDING	52,572	118,407	**170,979**

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

[1] Includes only authorities with $100 million or more in outstanding debt which are reported as component units or joint ventures of the State in the Comprehensive Annual Financial Report (CAFR). Includes short-term and long-term debt. Reflects original par amounts for bonds and financing arrangements or original gross proceeds in the case of capital appreciation bonds. Amounts outstanding do not reflect accretion of capital appreciation bonds or premiums received.

[2] All Job Development Authority (JDA) debt outstanding reported as of March 31, 2013. This includes $7 billion in conduit debt issued by JDA's blended component units consisting of $6.5 billion issued by New York Liberty Development Corporation ($1.2 billion of which is also included in the amount reported for Port Authority of NY and NJ) and $511 million issued by the Brooklyn Arena Local Development Corporation. In addition, JDA has $15 million in State-guaranteed bonds outstanding.

[3] Includes debt previously issued by New York State Medical Care Facilities Finance Agency, which was consolidated with the Dormitory Authority on September 1, 1995.

[4] Includes $155 million in bonds issued by the Energy Research and Development Authority (ERDA) and included in amounts reported for both Long Island Power Authority and ERDA.

THE CITY OF NEW YORK

The fiscal demands on the State may be affected by the fiscal condition of New York City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of New York City, and its related issuers, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and its related issuers is available by contacting Raymond J. Orlando, City Director of Investor Relations, (212) 788-5875, or contacting the City Office of Management and Budget, 255 Greenwich Street, 8th Floor, New York, NY 10007. The State assumes no liability or responsibility for any financial information reported by the City of New York. The following table summarizes the debt of New York City and its related issuers.

DEBT OF NEW YORK CITY[1]
AS OF JUNE 30 OF EACH YEAR
(millions of dollars)

Year	General Obligation Bonds	Obligations of TFA [1]	Obligations of Municipal Assistance Corporation	Obligations of STAR Corp. [2]	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other [3] Obligations	Treasury Obligations	Total
2004	31,378	13,364	1,758	0	1,256	0	2,561	(52)	50,265
2005	33,903	12,977	0	2,551	1,283	0	3,746	(39)	54,421
2006	35,844	12,233	0	2,470	1,334	0	3,500	0	55,381
2007	34,506	14,607	0	2,368	1,317	2,100	3,394	0	58,292
2008	36,100	14,828	0	2,339	1,297	2,067	2,556	0	59,187
2009	39,991	16,913	0	2,253	1,274	2,033	2,442	0	64,906
2010	41,555	20,094	0	2,178	1,265	2,000	2,402	0	69,494
2011	41,785	23,820	0	2,117	1,260	2,000	2,556	0	73,538
2012	42,286	26,268	0	2,054	1,253	3,000	2,457	0	77,318
2013	41,592	29,203	0	1,985	1,245	3,000	2,360	0	79,385

Source: Office of the State Comptroller.

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

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

(3) Includes bonds issued by the Fiscal Year 2005 Securitization Corporation, the New York City Educational Construction Fund and the Industrial Development Agency. Also included are bonds issued by the Dormitory Authority of the State of New York for education, health, and court capital projects and other long-term leases which will be repaid from revenues of the City or revenues that would otherwise be available to the City if not needed for debt service.

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

OTHER LOCALITIES

Certain localities other than New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. Between 2004 and January 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. 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 the 2013 regular session, similar legislation on behalf of these two entities passed both houses of the Legislature. The Rockland County legislation has been signed by the Governor and the Long Beach bill is awaiting submission for gubernatorial action. The legislation relating to Long Beach has a technical defect relating to the timing of the issuance of the bonds, and a bill correcting the defect has been introduced for future consideration by 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 transitioned to Advisory Period powers commencing on July 1, 2012.

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

On February 14, 2013, the U.S. District Court for the Eastern District of New York issued an opinion in *Carver, et al. v. Nassau County Interim Finance Authority, et al.* granting the plaintiffs' (law enforcement unions) motion for summary judgment seeking to nullify NIFA's imposition of a wage freeze during the control period in 2011. The court stated that the operation of its judgment shall be stayed pending an appeal, by NIFA to the United States Court of Appeals for the Second Circuit. Both NIFA and the County appealed. On September 20, 2013, the Second Circuit held that the District Court should not have exercised jurisdiction to decide the issue because it raised an unresolved question of State law, and remanded the case to the District Court with instructions to dismiss the State law claim but retain jurisdiction over the Federal claim. At the request of the District Court, the Plaintiffs informed the District Court of their intent to commence a State action. The District Court, on October 3, 2013, exercised its discretion to stay the Federal action pending completion of the State court proceedings which have since commenced.

On July 9, 2013, State Supreme Court, Nassau County issued a decision in *Nassau County et al. v Nassau County Interim Finance Authority*, dismissing litigation challenging NIFA's authority to review a plan developed by the County for making real property tax refunds and NIFA's disapproval of certain personal services contracts. 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.

Legislation enacted earlier in 2013 created the Fiscal Restructuring Board for Local Governments. The Restructuring Board, upon the request of a "fiscally eligible municipality," is authorized to perform a number of functions including reviewing the municipality's operations and finances, making recommendations on reforming and restructuring the municipality's operations, proposing that the municipality agree to fiscal accountability measures, and making available certain grants and loans. The Restructuring Board is also authorized to resolve labor impasses between municipal employers and employee organizations for police, fire and certain other employees in lieu of binding arbitration before a public arbitration panel. Other portions of the legislation amended and extended for three years the binding arbitration provisions applicable to labor impasses between municipal employers and employee organizations representing police, fire and certain other employees. In the case of a "fiscally eligible municipality," a public arbitration panel must assign a weight of seventy percent to the municipality's ability to pay.

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

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control, but which can adversely affect their financial condition. For example, the State or Federal government may reduce (or, in some cases, eliminate) funding of local programs, thus requiring local governments to pay these expenditures using their own resources. Similarly, past cash flow problems for the State have resulted in delays in State aid payments to localities. In some cases, these delays have necessitated short-term borrowing at the local level.

Other factors that have had, or could have, an impact on the fiscal condition of local governments and school districts include: the loss of temporary Federal stimulus funding; constitutional and statutory limitations on the imposition by local governments and school districts of property, sales and other taxes; and for some communities, the significant upfront costs for rebuilding and clean-up in the wake of a natural disaster. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, declines in the real property tax base, increasing pension, health care and other fixed costs, or the loss of skilled manufacturing jobs may also adversely affect localities and necessitate requests for State assistance.

Ultimately, localities as well as local public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State.

The following table summarizes the debt of New York City and its related issuers and all other New York State localities from 1980 to 2012.

DEBT OF NEW YORK LOCALITIES[(1)]
(millions of dollars)

Locality Fiscal Year Ending	Combined New York City Debt[(2)]		Other Localities Debt[(3)]		Total Locality Debt[(3)]	
	Bonds	Notes	Bonds[(4)]	Notes[(4)]	Bonds[(3)(4)]	Notes[(4)]
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,082	4,005	58,326	4,520
2003	47,376	1,110	23,951	6,429	71,327	7,539
2004	50,265	0	26,684	4,979	76,949	4,979
2005	54,421	0	29,245	4,832	83,666	4,832
2006	55,381	0	30,753	4,755	86,134	4,755
2007	58,192	100	32,271	4,567	90,463	4,667
2008	59,120	67	33,569	5,474	92,689	5,541
2009	64,873	33	34,522	6,908	99,395	6,941
2010	69,494	0	36,103	7,361	105,597	7,361
2011	73,538	0	36,230	7,312	109,768	7,312
2012	77,318	0	36,384	7,057	113,702	7,057

Source: Office of the State Comptroller.

NOTE: For localities other than New York City, the amounts shown for fiscal years ending in 1990 may include debt that has been defeased through the issuance of refunding bonds.

(1) Because the State calculates locality debt differently for certain localities (including New York City), the figures above may vary from those reported by such localities. In addition, this table excludes indebtedness of certain local authorities and obligations issued in relation to State lease-purchase arrangements.

(2) Includes bonds issued by New York City and its related issuers, Transitional Finance Authority, the Municipal Assistance Corporation, STAR Corporation, TSASC, Inc., the Hudson Yards Infrastructure Corporation, (as shown in the table "Debt of New York City and its related issuers" in the section of this document entitled "Authorities and Localities - The City of New York"). Also included are the bonds of the Fiscal Year 2005 Securitization Corporation, the Industrial Development Agency, the New York City Educational Construction Fund, the Samurai Funding Corporation, and the Dormitory Authority of the State of New York for education, health and court capital projects, and other long-term leases which will be repaid from revenues of the City or revenues which would otherwise be available to the City if not needed for debt service.

(3) Includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt. Starting in 2001, debt for other localities includes installment purchase contracts.

(4) Does not include the indebtedness of certain localities that did not file annual financial reports with the Comptroller.

LITIGATION AND ARBITRATION

REAL PROPERTY CLAIMS

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

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

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

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

On May 16, 2013, the State, Madison and Oneida Counties, and the Oneida Indian Nation signed a settlement agreement covering many issues. As pertinent here, the agreement would place a cap on the amount of land the tribe could reacquire and have taken into trust for its benefit by the United States. The agreement has been approved by the State Legislature, but is still pending approval, where applicable, by the New York State Office of the Attorney General and the Federal court.

In *Canadian St. Regis Band of Mohawk Indians, et al. v. State of New York, et al.* (NDNY), plaintiffs seek ejectment and monetary damages for their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. The defendants' motion for judgment on the pleadings, relying on the decisions in *Sherrill*, *Cayuga*, and *Oneida* was granted in great part through decisions on July 8, 2013 and July 23, 2013, holding that all claims are dismissed except for claims over the area known as the Hogansburg Triangle and a right of way claim against Niagara Mohawk, which will now proceed through discovery and additional motion practice.

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe's land claim.

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. That decision was affirmed by the Second Circuit Court of Appeals on October 19, 2012. The Plaintiff's motion for rehearing or rehearing *en banc* was denied by the Second Circuit on December 21, 2012, and on October 15, 2013, the petition for writ of certiorari was denied by the United States Supreme Court.

In *Shinnecock Indian Nation v. State of New York, et al*. (EDNY), plaintiff seeks ejectment, monetary damages, and declaratory and injunctive relief for its claim that approximately 3,600 acres in the Town of Southampton were illegally transferred from its predecessors-in-interest. On December 5, 2006, the District Court granted defendants' motion to dismiss, based on the *Sherrill* and *Cayuga* decisions. Plaintiff moved for reconsideration before the District Court and also appealed to the Second Circuit Court of Appeals. The motion for reconsideration has been withdrawn, but a motion to amend the complaint remains pending in the District Court and stayed through at least December 1, 2013. The *Shinnecock* appeal to the Second Circuit also remains stayed.

WEST VALLEY LITIGATION

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

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

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

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

The Consent Decree also does not resolve two claims raised in the State's lawsuit - the State's natural resource damages claim and its Nuclear Waste Policy Act claim. The first claim, which the Federal government has agreed to toll, will be pursued by the New York State Department of Environmental Conservation (DEC) (as trustee of the State's natural resources) and the Attorney General's office. Regarding the latter claim, the State asserts that the Federal government bears sole responsibility for the cost of disposing of the 275 canisters of vitrified HLRW waste remaining at the Site at a Federal repository once one becomes available. This claim was neither settled nor dismissed and remains in litigation. Pursuant to an agreed briefing schedule, the parties have now submitted to the Court their opening and responsive briefs for competing motions to dismiss the Nuclear Waste Policy Act claim.

METROPOLITAN TRANSPORTATION AUTHORITY

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

The defendants sought to change the venue of all of these cases to Albany County or New York County and venue was changed in most of the cases. In *Vanderhoef, Huntington, Floyd, Brookhaven, Southampton/Southold* and *Hampton,* the defendants moved for judgment in their favor. The plaintiffs in *Hampton* then voluntarily stipulated to discontinue their case, as did the plaintiff in *Floyd* after legislative amendment of the applicable statute that exempted school districts from the "mobility tax" imposed by this statute on employers in the Metropolitan Commuter Transportation District. The Supreme Court, Albany County issued decisions granting summary judgment to defendants in *Brookhaven, Huntington, Southampton/Southold* and *Vanderhoef*. The plaintiffs in *Brookhaven*, *Huntington* and *Vanderhoef* appealed from those decisions in their cases but failed to perfect their appeals within nine months after the date of their notices of appeal, which, pursuant to the Rules of the Third Department, means their appeals are deemed abandoned. The plaintiffs in *Vanderhoef* attempted to file an appellate brief, which was rejected by the Appellate Division, Third Department, as untimely. They then moved for leave to perfect their appeal notwithstanding their delay and the Appellate Division granted their request; their appeal was argued on November 12, 2013, when the plaintiffs conceded that their constitutional claim had been disposed of by the Second Department decision in the *Mangano* case described below and only argued their common law claims.

In *Mangano*, the Supreme Court, Nassau County denied defendants' motion for change of venue. All parties moved for summary judgment in Supreme Court, Nassau County. By decision dated August 22, 2012, the Supreme Court (a) granted summary judgment to the defendants to the extent of dismissing the claims against certain of the individual State defendants on the ground of legislative immunity, but (b) granted summary judgment to plaintiffs to the extent that it held the MTA payroll tax unconstitutionally impinged on the home rule powers guaranteed under Article IX of the New York State Constitution. Judgment in accordance with that decision was entered October 1, 2012. All defendants appealed and in a Decision and Order dated June 26, 2013, the Appellate Division, Second Department, reversed the decision of Supreme Court, Nassau County, held that the Tax Law article in question was constitutional, and granted the defendants' motion for summary judgment. All plaintiffs have appealed to the New York Court of Appeals. In response to that Court's direction that the parties submit letters on whether the case presents a substantial constitutional question, the defendants have argued that it does not because the claims are controlled by existing precedent and that therefore the Court of Appeals lacks jurisdiction. On October 10, 2013, the Court of Appeals dismissed the plaintiffs' appeal on the ground that the case presented no substantial constitutional question. Notwithstanding that ruling, the plaintiffs have moved for leave to appeal to the Court of Appeals and the State defendants' opposition to that motion is due November 25, 2013. On or about October 26, 2012, the Towns of Southampton and Southold, whose previous litigation challenging the tax had been decided against them, commenced an action in the New York Court of Claims entitled *The Town of Southampton and the Town of Southold v. The State of New York, et al.*, in which they seek, based on the Supreme Court decision in *Mangano*, refund of all moneys they have paid under the payroll tax, as well as a declaration and injunction barring further collection of the tax from them. The State's motion to dismiss the claim in the Court of Claims has been fully briefed, but the Court had adjourned the motion to await the decision of the Court of Appeals whether to accept jurisdiction in the *Mangano* case. The Court scheduled a telephone conference with counsel for January 9, 2014.

SCHOOL AID

In *Maisto v. State of New York* (formerly identified as *Hussein v. State of New York*), plaintiffs seek a judgment declaring that the State's system of financing public education violates section 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education (SBE). In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. On January 13, 2011, the Appellate Division, Third Department, affirmed the denial of the motion to dismiss. On May 6, 2011, the Third Department granted defendants leave to appeal to the Court of Appeals. On June 26, 2012, the Court of Appeals affirmed the denial of the State's motion to dismiss.

Depositions have been completed. The discovery deadline was May 3, 2013. The note of issue was filed on May 13, 2013. A pretrial conference is scheduled for December 5, 2013.

In *Aristy-Farer, et al. v. The State of New York, et al. (Sup. Ct., N.Y. Co.),* commenced February 6, 2013, plaintiffs seek a judgment declaring that the provisions of L. 2012, Chapter 53 and L. 2012, Chapter 57, Part A § 1, linking payment of State school aid increases for 2012-2013 school year to submission by local school districts of approvable teacher evaluation plans violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statutes would prevent students from receiving a sound basic education. Plaintiffs moved for a preliminary injunction enjoining the defendants from taking any actions to carry out the statutes to the extent that they would reduce payment of State aid disbursements referred to as General Support for Public Schools (GSPS) to the City of New York pending a final determination. The State opposed this motion. By order dated February 19, 2013, the Court granted the motion for preliminary injunction. The State appealed. On May 21, 2013, the Appellate Division, First Department, denied plaintiffs motion for a stay pending appeal. As a result, plaintiffs have agreed to vacate their preliminary injunction and the State will withdraw its appeal. The action remains pending in Supreme Court, New York County.

In *New York State United Teachers, et al. v. The State of New York, et al. (Sup. Ct., Albany Co.)*, commenced February 20, 2013, plaintiffs seek a judgment declaring that the provisions of Education Law § 2023-a, which imposes a 60 percent super-majority requirement on school districts which seek to raise their tax levies above the previous year's levy by the lesser of 2 percent or the rate of inflation violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statute would interfere with local control of education financing and impair the right of plaintiffs to substantially control school district finances. Plaintiffs also seek injunctive relief barring application of the statutory tax cap to local education funding. Defendants' motion to dismiss the amended complaint is returnable December 12, 2013.

MEDICAID NURSING HOME RATE METHODOLOGY

In *Kateri Residence v. Novello (Sup. Ct., New York Co*.) and several other cases, the plaintiffs challenge several nursing home rate methodologies, including the "reserve bed patient day adjustment," which regulates payments to nursing homes when long term care patients are receiving off-site care. Supreme Court, New York County, granted partial summary judgment to plaintiffs in *Kateri*, holding that the reserve bed patient day adjustment rate methodology was improper. The Appellate Division, First Department affirmed Supreme Court's partial summary judgment decision on interlocutory appeal and remanded the case to Supreme Court for further proceedings. The Court of Appeals denied leave to appeal on the grounds that the decision was not final. Supreme Court directed the defendant to re-compute Medicaid rates for the plaintiff's facilities, and that re-computation was completed in October 2013. The next court conference is scheduled on January 15, 2014. The parties are presently conducting discovery.

INSURANCE DEPARTMENT ASSESSMENTS

In *New York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.),* several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs of the Insurance Department. Depositions have been completed. The note of issue was filed on June 3, 2013. The parties have moved for summary judgment and the motions are returnable January 31, 2014.

TOBACCO MASTER SETTLEMENT AGREEMENT (MSA)

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

Manufacturers" or "SPMs"; together they are the "Participating Manufacturers" or "PMs"). The MSA released the PMs from past and present smoking-related claims by the Settling States, and provided for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the Settling States, and the imposition of certain tobacco advertising and marketing restrictions among other things.

ARBITRATION

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

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 (the "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 2012, with the hearings involving Missouri and Illinois. New York's diligent enforcement hearings took place June 25-29, 2012. The last state-specific "diligent" enforcement hearing took place May 21-24, 2013. The Panel issued its awards on September 11, 2013. New York was found to have diligently enforced its qualifying statute in 2003 and, thus, is not subject to an NPM Adjustment for 2003. Nine states, including New York, were found to be "diligent"; six states were found to have been "not diligent".

In December 2012, the PMs and 19 states (collectively the "Signatory Parties") agreed to a term sheet purportedly settling the NPM Adjustment disputes for 2003-2012 (3 additional states joined later). New York and 31 (later became 28) other states and territories rejected the term sheet. The Signatory Parties then sought the approval of the Panel in order to obtain an early release of MSA annual payments currently being held in a disputed payments account. The non-joining states objected to approval of the term sheet because its terms negatively impact the non-joining states. Under the MSA reallocation provision, every state is either "diligent" or "not diligent" and only "diligent" states are exempt from the NPM Adjustment. For every state found diligent, its allocable share of the NPM Adjustment is shifted to any remaining non-diligent states. The non-joining states sought to have the signatory states treated as non-diligent for purposes of allocation of the NPM Adjustment. The Panel held a status conference on January 22, 2013, and a hearing of March 7, 2013, to discuss the term sheet. On March 13, 2013, the Panel issued a Partial Stipulated Settlement Award ("Partial Award") based on the provisions of the term sheet. In so doing, the Panel deemed the 20 states (collectively, the "Signatory States") "diligent" for purposes of allocation of the NPM Adjustment. The Panel also established a mechanism for reallocating any NPM Adjustment among non-diligent states that alters the terms of the MSA itself. Thus, had New York been found to have been "not diligent" in its enforcement of its escrow statute in 2003, New York would have exposure not only for its share of the NPM adjustment but also for its proportionate share of the NPM Adjustment attributable to the Signatory States. New York, as well as several other states, have moved in its state court to vacate or modify the Partial Award notwithstanding the Panel's finding. New York is still pursuing this motion.

FINANCIAL PLAN TABLES

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

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

	FY 2013 Results	FY 2014 Projected	Annual $ Change	Annual % Change
Opening Fund Balance	1,787	1,610	(177)	-9.9%
Receipts:				
Taxes:				
Personal Income Tax	26,884	28,488	1,604	6.0%
User Taxes and Fees	9,112	6,548	(2,564)	-28.1%
Business Taxes	6,253	6,348	95	1.5%
Other Taxes	1,034	1,069	35	3.4%
Miscellaneous Receipts	3,504	3,306	(198)	-5.7%
Federal Receipts	62	2	(60)	-96.8%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,328	8,840	512	6.1%
Tax in Excess of LGAC	2,416	2,545	129	5.3%
Sales Tax Debt Service	0	2,894	2,894	-
Real Estate Taxes in Excess of CW/CA Debt Service	541	532	(9)	-1.7%
All Other Transfers	649	1,071	422	65.0%
Total Receipts	58,783	61,643	2,860	4.9%
Disbursements:				
Local Assistance Grants	39,760	40,258	498	1.3%
Departmental Operations:				
Personal Service	6,130	5,686	(444)	-7.2%
Non-Personal Service	1,726	1,882	156	9.0%
General State Charges	4,550	4,922	372	8.2%
Transfers to Other Funds:				
Debt Service	1,647	1,646	(1)	-0.1%
Capital Projects	916	1,227	311	34.0%
State Share Medicaid	2,846	1,813	(1,033)	-36.3%
SUNY Operations	340	971	631	185.6%
Other Purposes	1,045	3,045	2,000	191.4%
Total Disbursements	58,960	61,450	2,490	4.2%
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(177)	193	370	209.0%
Closing Fund Balance	1,610	1,803	193	12.0%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,131	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	93	68	(25)	
Reserves/Reserved For:				
Prior-Year Labor Agreements (2007-2011)	77	45	(32)	
Debt Management	13	263	250	
Undesignated Fund Balance	100	100	0	

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2014 through FY 2017
(millions of dollars)

	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Receipts:				
Taxes:				
Personal Income Tax	28,488	29,397	31,492	33,545
User Taxes and Fees	6,548	6,806	7,085	7,265
Business Taxes	6,348	5,811	6,301	6,523
Other Taxes	1,069	1,144	1,159	1,169
Miscellaneous Receipts	3,306	3,595	2,776	2,797
Federal Receipts	2	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,840	9,115	9,556	10,041
Tax in Excess of LGAC	2,545	2,661	2,803	2,916
Sales Tax Debt Service	2,894	2,934	2,971	2,955
Real Estate Taxes in Excess of CW/CA Debt Service	532	608	683	739
All Other Transfers	1,071	768	723	726
Total Receipts	61,643	62,839	65,549	68,676
Disbursements:				
Local Assistance Grants	40,258	42,598	45,056	47,276
Departmental Operations:				
Personal Service	5,686	5,852	6,113	6,129
Non-personal Service	1,882	1,967	2,004	2,085
General State Charges	4,922	5,328	5,604	5,873
Transfers to Other Funds:				
Debt Service	1,646	1,165	1,452	1,345
Capital Projects	1,227	1,384	1,400	1,799
State Share Medicaid	1,813	1,338	1,311	1,279
SUNY Operations	971	971	971	971
Other Purposes	3,045	4,003	4,548	4,854
Total Disbursements	61,450	64,606	68,459	71,611
Reserves/Reserved For:				
Community Projects Fund	(25)	(35)	(33)	0
Prior-Year Labor Agreements (2007-2011)	(32)	10	12	13
Debt Management	250	0	0	0
Undesignated Fund Balance	0	0	0	0
Increase (Decrease) in Reserves	193	(25)	(21)	13
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	(1,742)	(2,889)	(2,948)

Source: NYS DOB.

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

	Enacted	Change	First Quarter	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	28,488	0	28,488	0	28,488
User Taxes and Fees	6,548	0	6,548	0	6,548
Business Taxes	6,375	(27)	6,348	0	6,348
Other Taxes	1,069	0	1,069	0	1,069
Miscellaneous Receipts	3,096	257	3,353	(47)	3,306
Federal Receipts	2	0	2	0	2
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	8,840	0	8,840	0	8,840
Tax in Excess of LGAC	2,546	(1)	2,545	0	2,545
Sales Tax Debt Service	2,894	0	2,894	0	2,894
Real Estate Taxes in Excess of CW/CA Debt Service	532	0	532	0	532
All Other	866	205	1,071	0	1,071
Total Receipts	61,256	434	61,690	(47)	61,643
Disbursements:					
Local Assistance Grants	40,258	16	40,274	(16)	40,258
Departmental Operations:					
Personal Service	5,681	5	5,686	0	5,686
Non-Personal Service	1,883	(1)	1,882	0	1,882
General State Charges	4,953	0	4,953	(31)	4,922
Transfers to Other Funds:					
Debt Service	1,328	318	1,646	0	1,646
Capital Projects	1,227	0	1,227	0	1,227
State Share Medicaid	1,813	0	1,813	0	1,813
SUNY Operations	971	0	971	0	971
Other Purposes	3,043	2	3,045	0	3,045
Total Disbursements	61,157	340	61,497	(47)	61,450
Reserves/Reserved For:					
Community Projects Fund	(25)	0	(25)	0	(25)
Prior-Year Labor Agreements (2007-2011)	(26)	(6)	(32)	0	(32)
Debt Management	250	0	250	0	250
Undesignated Fund Balance	(100)	100	0	0	0
Increase (Decrease) in Reserves	99	94	193	0	193
Excess (Deficiency) of Receipts Over Disbursements and Reserves	0	0	0	0	0

Source: NYS DOB.

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

	Enacted	Change	First Quarter	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	29,423	(26)	29,397	0	29,397
User Taxes and Fees	6,814	(8)	6,806	0	6,806
Business Taxes	5,854	(43)	5,811	0	5,811
Other Taxes	1,144	0	1,144	0	1,144
Miscellaneous Receipts	3,551	44	3,595	0	3,595
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	9,124	(9)	9,115	0	9,115
Tax in Excess of LGAC	2,664	(3)	2,661	0	2,661
Sales Tax Debt Service	2,938	(4)	2,934	0	2,934
Real Estate Taxes in Excess of CW/CA Debt Service	608	0	608	0	608
All Other	764	4	768	0	768
Total Receipts	62,884	(45)	62,839	0	62,839
Disbursements:					
Local Assistance Grants	42,598	0	42,598	0	42,598
Departmental Operations:					
Personal Service	5,850	2	5,852	0	5,852
Non-Personal Service	1,968	(1)	1,967	0	1,967
General State Charges	5,328	0	5,328	0	5,328
Transfers to Other Funds:					
Debt Service	1,483	(318)	1,165	0	1,165
Capital Projects	1,384	0	1,384	0	1,384
State Share Medicaid	1,338	0	1,338	0	1,338
SUNY Operations	971	0	971	0	971
Other Purposes	4,003	0	4,003	0	4,003
Total Disbursements	64,923	(317)	64,606	0	64,606
Reserves/Reserved For:					
Community Projects Fund	(35)	0	(35)	0	(35)
Prior-Year Labor Agreements (2007-2011)	10	0	10	0	10
Increase (Decrease) in Reserves	(25)	0	(25)	0	(25)
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(2,014)	272	(1,742)	0	(1,742)

Source: NYS DOB.

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

	Enacted	Change	First Quarter	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	31,541	(49)	31,492	0	31,492
User Taxes and Fees	7,094	(9)	7,085	0	7,085
Business Taxes	6,349	(48)	6,301	0	6,301
Other Taxes	1,159	0	1,159	0	1,159
Miscellaneous Receipts	2,682	94	2,776	0	2,776
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	9,572	(16)	9,556	0	9,556
Tax in Excess of LGAC	2,808	(5)	2,803	0	2,803
Sales Tax Debt Service	2,976	(5)	2,971	0	2,971
Real Estate Taxes in Excess of CW/CA Debt Service	683	0	683	0	683
All Other	719	4	723	0	723
Total Receipts	65,583	(34)	65,549	0	65,549
Disbursements:					
Local Assistance Grants	45,056	0	45,056	0	45,056
Departmental Operations:					
Personal Service	6,111	2	6,113	0	6,113
Non-Personal Service	2,005	(1)	2,004	0	2,004
General State Charges	5,604	0	5,604	0	5,604
Transfers to Other Funds:					
Debt Service	1,452	0	1,452	0	1,452
Capital Projects	1,400	0	1,400	0	1,400
State Share Medicaid	1,311	0	1,311	0	1,311
SUNY Operations	971	0	971	0	971
Other Purposes	4,548	0	4,548	0	4,548
Total Disbursements	68,458	1	68,459	0	68,459
Reserves/Reserved For:					
Community Projects Fund	(33)	0	(33)	0	(33)
Prior-Year Labor Agreements (2007-2011)	14	(2)	12	0	12
Increase (Decrease) in Reserves	(19)	(2)	(21)	0	(21)
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(2,856)	(33)	(2,889)	0	(2,889)

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2017
(millions of dollars)

	Enacted	Change	First Quarter	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	33,619	(74)	33,545	0	33,545
User Taxes and Fees	7,275	(10)	7,265	0	7,265
Business Taxes	6,579	(56)	6,523	0	6,523
Other Taxes	1,169	0	1,169	0	1,169
Miscellaneous Receipts	2,653	144	2,797	0	2,797
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,066	(25)	10,041	0	10,041
Tax in Excess of LGAC	2,921	(5)	2,916	0	2,916
Sales Tax Debt Service	2,960	(5)	2,955	0	2,955
Real Estate Taxes in Excess of CW/CA Debt Service	739	0	739	0	739
All Other	722	4	726	0	726
Total Receipts	68,703	(27)	68,676	0	68,676
Disbursements:					
Local Assistance Grants	47,276	0	47,276	0	47,276
Departmental Operations:					
Personal Service	6,127	2	6,129	0	6,129
Non-Personal Service	2,086	(1)	2,085	0	2,085
General State Charges	5,873	0	5,873	0	5,873
Transfers to Other Funds:					
Debt Service	1,345	0	1,345	0	1,345
Capital Projects	1,799	0	1,799	0	1,799
State Share Medicaid	1,279	0	1,279	0	1,279
SUNY Operations	971	0	971	0	971
Other Purposes	4,853	1	4,854	0	4,854
Total Disbursements	71,609	2	71,611	0	71,611
Reserves/Reserved For:					
Prior-Year Labor Agreements (2007-2011)	14	(1)	13	0	13
Increase (Decrease) in Reserves	14	(1)	13	0	13
Excess (Deficiency) of Receipts Over Disbursements and Reserves	(2,920)	(28)	(2,948)	0	(2,948)

Source: NYS DOB.

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
FY 2014 THROUGH FY 2017
(millions of dollars)

	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected
Taxes:				
Withholdings	33,066	35,399	37,709	39,941
Estimated Payments	13,888	13,735	14,825	15,759
Final Payments	2,311	2,276	2,376	2,476
Other Payments	1,231	1,268	1,308	1,353
Gross Collections	50,496	52,678	56,218	59,529
State/City Offset	(498)	(323)	(273)	(223)
Refunds	(7,455)	(8,356)	(9,017)	(9,506)
Reported Tax Collections	42,543	43,999	46,928	49,800
STAR (Dedicated Deposits)	(3,419)	(3,602)	(3,704)	(3,805)
RBTF (Dedicated Transfers)	(10,636)	(11,000)	(11,732)	(12,450)
Personal Income Tax	28,488	29,397	31,492	33,545
Sales and Use Tax	11,734	12,252	12,813	13,178
Cigarette and Tobacco Taxes	431	425	418	410
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	251	256	261	266
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	12,416	12,933	13,492	13,854
LGAC/STBF (Dedicated Transfers)	(5,868)	(6,127)	(6,407)	(6,589)
User Taxes and Fees	6,548	6,806	7,085	7,265
Corporation Franchise Tax	2,914	2,220	2,573	2,691
Corporation and Utilities Tax	596	620	636	652
Insurance Taxes	1,418	1,468	1,523	1,540
Bank Tax	1,420	1,503	1,569	1,640
Petroleum Business Tax	0	0	0	0
Business Taxes	6,348	5,811	6,301	6,523
Estate Tax	1,050	1,125	1,140	1,150
Real Estate Transfer Tax	740	810	885	940
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	1,809	1,954	2,044	2,109
Real Estate Transfer Tax (Dedicated)	(740)	(810)	(885)	(940)
Other Taxes	1,069	1,144	1,159	1,169
Payroll Tax	0	0	0	0
Total Taxes	42,453	43,158	46,037	48,502
Licenses, Fees, Etc.	681	747	638	644
Abandoned Property	650	655	655	655
Motor Vehicle Fees	26	26	26	26
ABC License Fee	56	52	58	54
Reimbursements	231	231	231	232
Investment Income	5	30	30	30
Other Transactions	1,657	1,854	1,138	1,156
Miscellaneous Receipts	3,306	3,595	2,776	2,797
Federal Receipts	2	0	0	0
Total	45,761	46,753	48,813	51,299

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	1,610	2,368	381	4,359
Receipts:				
Taxes	42,453	8,347	17,124	67,924
Miscellaneous Receipts	3,306	15,675	797	19,778
Federal Receipts	2	1	72	75
Total Receipts	45,761	24,023	17,993	87,777
Disbursements:				
Local Assistance Grants	40,258	19,438	0	59,696
Departmental Operations:				
Personal Service	5,686	6,680	0	12,366
Non-Personal Service	1,882	3,556	40	5,478
General State Charges	4,922	2,136	0	7,058
Debt Service	0	0	6,060	6,060
Capital Projects	0	11	0	11
Total Disbursements	52,748	31,821	6,100	90,669
Other Financing Sources (Uses):				
Transfers from Other Funds	15,882	8,705	5,208	29,795
Transfers to Other Funds	(8,702)	(1,204)	(17,041)	(26,947)
Net Other Financing Sources (Uses)	7,180	7,501	(11,833)	2,848
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	193	(297)	60	(44)
Closing Fund Balance	1,803	2,071	441	4,315

Source: NYS DOB.

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2015 (millions of dollars)	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	43,158	8,697	17,817	69,672
Miscellaneous Receipts	3,595	15,739	976	20,310
Federal Receipts	0	1	72	73
Total Receipts	46,753	24,437	18,865	90,055
Disbursements:				
Local Assistance Grants	42,598	19,621	0	62,219
Departmental Operations:				
Personal Service	5,852	6,790	0	12,642
Non-Personal Service	1,967	3,626	40	5,633
General State Charges	5,328	2,205	0	7,533
Debt Service	0	0	5,805	5,805
Capital Projects	0	5	0	5
Total Disbursements	55,745	32,247	5,845	93,837
Other Financing Sources (Uses):				
Transfers from Other Funds	16,086	8,588	4,288	28,962
Transfers to Other Funds	(8,861)	(683)	(17,313)	(26,857)
Net Other Financing Sources (Uses)	7,225	7,905	(13,025)	2,105
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(1,767)	95	(5)	(1,677)
Designated General Fund Reserves/Reserved For:				
Community Projects Fund	(35)			
Prior-Year Labor Agreements (2007-2011)	10			
Increase (Decrease) in Reserves	(25)			
Net General Fund Deficit	(1,742)			

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	46,037	8,941	18,905	73,883
Miscellaneous Receipts	2,776	15,869	824	19,469
Federal Receipts	0	1	72	73
Total Receipts	48,813	24,811	19,801	93,425
Disbursements:				
Local Assistance Grants	45,056	19,816	0	64,872
Departmental Operations:				
Personal Service	6,113	6,965	0	13,078
Non-Personal Service	2,004	3,755	40	5,799
General State Charges	5,604	2,350	0	7,954
Debt Service	0	0	6,482	6,482
Capital Projects	0	5	0	5
Total Disbursements	58,777	32,891	6,522	98,190
Other Financing Sources (Uses):				
Transfers from Other Funds	16,736	8,923	4,534	30,193
Transfers to Other Funds	(9,682)	(639)	(17,820)	(28,141)
Net Other Financing Sources (Uses)	7,054	8,284	(13,286)	2,052
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,910)	204	(7)	(2,713)
Designated General Fund Reserves/Reserved For:				
Community Projects Fund	(33)			
Prior-Year Labor Agreements (2007-2011)	12			
Increase (Decrease) in Reserves	(21)			
Net General Fund Deficit	(2,889)			

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	48,502	9,185	19,860	77,547
Miscellaneous Receipts	2,797	16,068	793	19,658
Federal Receipts	0	1	72	73
Total Receipts	51,299	25,254	20,725	97,278
Disbursements:				
Local Assistance Grants	47,276	20,013	0	67,289
Departmental Operations:				
Personal Service	6,129	7,081	0	13,210
Non-Personal Service	2,085	3,850	40	5,975
General State Charges	5,873	2,414	0	8,287
Debt Service	0	0	6,783	6,783
Capital Projects	0	5	0	5
Total Disbursements	61,363	33,363	6,823	101,549
Other Financing Sources (Uses):				
Transfers from Other Funds	17,377	9,021	4,403	30,801
Transfers to Other Funds	(10,248)	(644)	(18,284)	(29,176)
Net Other Financing Sources (Uses)	7,129	8,377	(13,881)	1,625
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,935)	268	21	(2,646)
Designated General Fund Reserves/Reserved For:				
Prior-Year Labor Agreements (2007-2011)	13			
Increase (Decrease) in Reserves	13			
Net General Fund Deficit	(2,948)			

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	1,610	2,371	(485)	381	3,877
Receipts:					
Taxes	42,453	8,347	1,400	17,124	69,324
Miscellaneous Receipts	3,306	15,861	4,211	797	24,175
Federal Receipts	2	45,138	2,221	72	47,433
Total Receipts	45,761	69,346	7,832	17,993	140,932
Disbursements:					
Local Assistance Grants	40,258	59,714	2,104	0	102,076
Departmental Operations:					
Personal Service	5,686	7,333	0	0	13,019
Non-Personal Service	1,882	4,628	0	40	6,550
General State Charges	4,922	2,454	0	0	7,376
Debt Service	0	0	0	6,060	6,060
Capital Projects	0	11	5,882	0	5,893
Total Disbursements	52,748	74,140	7,986	6,100	140,974
Other Financing Sources (Uses):					
Transfers from Other Funds	15,882	7,893	1,607	5,208	30,590
Transfers to Other Funds	(8,702)	(3,396)	(1,515)	(17,041)	(30,654)
Bond and Note Proceeds	0	0	338	0	338
Net Other Financing Sources (Uses)	7,180	4,497	430	(11,833)	274
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	193	(297)	276	60	232
Closing Fund Balance	1,803	2,074	(209)	441	4,109

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	43,158	8,697	1,429	17,817	71,101
Miscellaneous Receipts	3,595	15,925	4,507	976	25,003
Federal Receipts	0	45,162	2,028	72	47,262
Total Receipts	46,753	69,784	7,964	18,865	143,366
Disbursements:					
Local Assistance Grants	42,598	60,970	1,716	0	105,284
Departmental Operations:					
Personal Service	5,852	7,436	0	0	13,288
Non-Personal Service	1,967	4,583	0	40	6,590
General State Charges	5,328	2,523	0	0	7,851
Debt Service	0	0	0	5,805	5,805
Capital Projects	0	5	6,417	0	6,422
Total Disbursements	55,745	75,517	8,133	5,845	145,240
Other Financing Sources (Uses):					
Transfers from Other Funds	16,086	8,169	1,447	4,288	29,990
Transfers to Other Funds	(8,861)	(2,341)	(1,521)	(17,313)	(30,036)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	7,225	5,828	232	(13,025)	260
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(1,767)	95	63	(5)	(1,614)
Designated General Fund Reserves/Reserved For:					
Community Projects Fund	(35)				
Prior-Year Labor Agreements (2007-2011)	10				
Increase (Decrease) in Reserves	(25)				
Net General Fund Deficit	(1,742)				

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	46,037	8,941	1,449	18,905	75,332
Miscellaneous Receipts	2,776	16,055	4,890	824	24,545
Federal Receipts	0	46,510	1,660	72	48,242
Total Receipts	48,813	71,506	7,999	19,801	148,119
Disbursements:					
Local Assistance Grants	45,056	62,518	1,405	0	108,979
Departmental Operations:					
Personal Service	6,113	7,643	0	0	13,756
Non-Personal Service	2,004	4,688	0	40	6,732
General State Charges	5,604	2,683	0	0	8,287
Debt Service	0	0	0	6,482	6,482
Capital Projects	0	5	6,615	0	6,620
Total Disbursements	58,777	77,537	8,020	6,522	150,856
Other Financing Sources (Uses):					
Transfers from Other Funds	16,736	8,504	1,463	4,534	31,237
Transfers to Other Funds	(9,682)	(2,269)	(1,525)	(17,820)	(31,296)
Bond and Note Proceeds	0	0	120	0	120
Net Other Financing Sources (Uses)	7,054	6,235	58	(13,286)	61
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,910)	204	37	(7)	(2,676)
Designated General Fund Reserves/Reserved For:					
Community Projects Fund	(33)				
Prior-Year Labor Agreements (2007-2011)	12				
Increase (Decrease) in Reserves	(21)				
Net General Fund Deficit	(2,889)				

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2017
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	48,502	9,185	1,455	19,860	79,002
Miscellaneous Receipts	2,797	16,254	4,199	793	24,043
Federal Receipts	0	49,276	1,617	72	50,965
Total Receipts	51,299	74,715	7,271	20,725	154,010
Disbursements:					
Local Assistance Grants	47,276	65,655	1,137	0	114,068
Departmental Operations:					
Personal Service	6,129	7,768	0	0	13,897
Non-Personal Service	2,085	4,698	0	40	6,823
General State Charges	5,873	2,752	0	0	8,625
Debt Service	0	0	0	6,783	6,783
Capital Projects	0	5	6,581	0	6,586
Total Disbursements	61,363	80,878	7,718	6,823	156,782
Other Financing Sources (Uses):					
Transfers from Other Funds	17,377	8,602	1,862	4,403	32,244
Transfers to Other Funds	(10,248)	(2,170)	(1,607)	(18,284)	(32,309)
Bond and Note Proceeds	0	0	65	0	65
Net Other Financing Sources (Uses)	7,129	6,432	320	(13,881)	0
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(2,935)	269	(127)	21	(2,772)
Designated General Fund Reserves/Reserved For:					
Prior-Year Labor Agreements (2007-2011)	13				
Increase (Decrease) in Reserves	13				
Net General Fund Deficit	(2,948)				

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2014
(dollars in millions)

	2013 April Results	May Results	June Results	July Results	August Results	September Results	October Projected	November Projected	December Projected	2014 January Projected	February Projected	March Projected	Total
OPENING BALANCE	1,610	6,379	3,744	4,805	4,407	3,642	6,273	5,478	4,076	5,747	7,190	6,481	1,610
RECEIPTS:													
Personal Income Tax	4,993	1,790	2,448	1,812	1,662	2,866	1,771	1,460	2,937	2,894	2,002	1,853	28,488
User Taxes and Fees	540	431	664	525	506	657	502	477	673	543	457	573	6,548
Business Taxes	355	109	946	87	65	1,007	109	90	1,286	131	83	2,080	6,348
Other Taxes	91	111	75	138	76	112	203	52	52	52	52	55	1,069
Total Taxes	5,979	2,441	4,133	2,562	2,309	4,642	2,585	2,079	4,948	3,620	2,594	4,561	42,453
Abandoned Property	0	0	0	1	4	54	14	130	25	35	80	307	650
ABC License Fee	6	6	5	6	6	6	6	3	3	3	3	3	56
Investment Income	0	0	0	0	0	0	1	1	0	0	1	2	5
Licenses, Fees, etc.	41	82	70	61	63	74	40	40	61	40	40	69	681
Motor Vehicle Fees	28	(24)	(4)	0	0	0	0	0	0	3	10	13	26
Reimbursements	8	1	56	10	10	51	10	8	35	10	10	22	231
Other Transactions	38	2	580	29	(7)	291	67	18	142	47	20	430	1,657
Total Miscellaneous Receipts	121	67	707	107	76	476	138	200	266	138	164	846	3,306
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	2	2
PIT in Excess of Revenue Bond Debt Service	1,664	421	956	393	202	1,140	418	177	1,045	1,001	400	1,023	8,840
Tax in Excess of LGAC	214	47	464	227	167	297	222	212	305	239	3	148	2,545
Sales Tax Bond Fund	163	271	302	226	226	297	215	205	299	231	199	260	2,894
Real Estate Taxes in Excess of CW/CA Debt Service	41	57	34	54	61	72	73	31	32	31	29	17	532
All Other	35	59	18	(16)	1	219	32	2	174	79	59	409	1,071
Total Transfers from Other Funds	2,117	855	1,774	884	657	2,025	960	627	1,855	1,581	690	1,857	15,882
TOTAL RECEIPTS	8,217	3,363	6,614	3,553	3,042	7,143	3,683	2,906	7,069	5,339	3,448	7,266	61,643
DISBURSEMENTS:													
School Aid	188	2,489	1,617	169	600	1,379	638	1,178	1,625	275	450	6,682	17,290
Higher Education	19	8	598	450	132	54	442	33	213	39	338	466	2,792
All Other Education	23	261	52	151	75	72	337	32	298	54	307	357	2,019
Medicaid - DOH	973	1,253	803	1,016	1,145	598	893	1,208	960	917	815	651	11,232
Public Health	23	46	23	24	139	48	23	57	39	65	87	109	683
Mental Hygiene	2	0	235	1	2	234	160	1	235	101	121	247	1,339
Children and Families	62	58	170	30	104	262	66	80	127	191	75	375	1,600
Temporary & Disability Assistance	151	105	164	105	109	99	101	105	105	109	43	196	1,392
Transportation	0	23	1	0	25	0	0	24	13	0	11	1	98
Unrestricted Aid	0	11	387	2	1	91	11	1	188	1	1	70	764
All Other	8	19	196	25	38	37	(16)	42	44	207	216	233	1,049
Total Local Assistance Grants	1,449	4,273	4,246	1,973	2,370	2,874	2,655	2,761	3,847	1,959	2,464	9,387	40,258
Personal Service	447	525	435	578	440	437	510	432	563	438	432	449	5,686
Non-Personal Service	116	154	112	141	153	119	121	161	168	180	278	179	1,882
Total Departmental Operations	563	679	547	719	593	556	631	593	731	618	710	628	7,568
General State Charges	443	603	113	619	384	235	618	559	16	632	713	(13)	4,922
Debt Service	567	(187)	(61)	397	(2)	(253)	594	0	(2)	420	(18)	191	1,646
Capital Projects	66	111	95	(18)	126	200	(203)	26	(7)	147	174	510	1,227
State Share Medicaid	40	226	301	44	235	312	1	103	98	87	93	273	1,813
SUNY Operations	210	210	210	182	0	0	0	159	0	0	0	0	971
Other Purposes	110	83	102	35	101	588	182	107	715	33	21	968	3,045
Total Transfers to Other Funds	993	443	647	640	460	847	574	395	804	687	270	1,942	8,702
TOTAL DISBURSEMENTS	3,448	5,998	5,553	3,951	3,807	4,512	4,478	4,308	5,398	3,896	4,157	11,944	61,450
Excess/(Deficiency) of Receipts over Disbursements	4,769	(2,635)	1,061	(398)	(765)	2,631	(795)	(1,402)	1,671	1,443	(709)	(4,678)	193
CLOSING BALANCE	6,379	3,744	4,805	4,407	3,642	6,273	5,478	4,076	5,747	7,190	6,481	1,803	1,803

Source: NYS DOB.