
NEW YORK STATE



ANNUAL INFORMATION STATEMENT

JUNE 11, 2014

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INTRODUCTION

Introduction

This Annual Information Statement (AIS) is dated June 11, 2014 and contains information only through that date. This AIS constitutes the official disclosure regarding the financial position of the State of New York (the “State”) and related matters and replaces the AIS dated June 19, 2013 and all updates and supplements issued in connection therewith. This AIS is scheduled to be updated on a quarterly basis and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State’s current financial projections, including summaries and extracts from the State’s Enacted Budget Financial Plan (the “Financial Plan” or “Enacted Budget”) for fiscal year 2015¹ (FY 2015), issued by the Division of the Budget (DOB) in May 2014. The Enacted Budget sets forth the State’s official Financial Plan projections for FY 2015 through FY 2018. It includes, among other things, information on the major components of the General Fund gap-closing plan approved for FY 2015, future potential General Fund budget gaps, and multi-year projections of receipts and disbursements in the State’s operating funds.
2. A discussion of risks and uncertainties that may affect the Financial Plan during the State’s current fiscal year or in future years (under the heading “Financial Plan Overview — Other Matters Affecting the Financial Plan”).
3. Information on other subjects relevant to the State’s finances, including summaries of: (a) operating results for the three prior fiscal years (presented on a cash basis of accounting), (b) the State’s revised economic forecast and a profile of the State economy, (c) the State’s debt and other financing activities, (d) the organization of State government, and (e) activities of public authorities and localities.
4. The status of significant litigation and arbitration that has the potential to adversely affect the State’s finances.

DOB is responsible for preparing the State’s Financial Plan and presenting the information that appears in this AIS on behalf of the State. In preparing this AIS, DOB has also relied on information drawn from other sources, including the Office of the State Comptroller (OSC). In particular, information contained under the heading entitled “State Retirement Systems” has been furnished by OSC, while information relating to matters described under the heading 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.

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

¹ The State fiscal year is identified by the calendar year in which it ends. For example, FY 2015 is the FY that began on April 1, 2014 and ends on March 31, 2015.



INTRODUCTION

to this AIS, as updated or supplemented, 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 contains forecasts, projections, and estimates that are based on expectations and assumptions, which existed at the time they were prepared, and contains statements relating to future results and economic performance that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in this AIS of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. The forward-looking statements contained herein are based on the State's expectations and are necessarily dependent upon assumptions, estimates and data that it believes are reasonable as of the date made but that may be incorrect, incomplete or imprecise or not reflective of actual results. Forecasts, projections, and estimates are not intended as representations of fact or guarantees of results. The words "expects", "forecasts", "projects", "intends", "anticipates", "estimates", and analogous expressions are intended to identify forward-looking statements in the AIS. 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. **Note that all FY 2014 financial results contained within this AIS are unaudited and preliminary.**

The annual independent audit of this State's Basic Financial Statements is expected to be completed by July 29, 2014. Both the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting and the State's Basic Financial Statements are due by July 29, 2014, at which time the FY 2014 financial results will be final. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236. The Basic Financial Statements for FY 2013 are available in electronic form at www.osc.state.ny.us and at www.emma.msrb.org.

In addition to regularly scheduled quarterly updates to this AIS, the State may issue AIS supplements or other disclosure notices to this 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 in Official Statements or related disclosure documents for State or State-supported debt issuances. The State has filed this AIS with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through EMMA at www.emma.msrb.org. An official copy of this AIS may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-2302.



USAGE NOTICE

This AIS has been prepared and made available by the State pursuant to its contractual undertakings under various continuing disclosure agreements (CDAs) entered into by the State in connection with financings of the State, as well as certain issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payments of their respective bonds, notes or other obligations.

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

Neither this AIS nor any portion thereof may be: (a) 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 (b) 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 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 if so misused.

**OVERVIEW OF THE STATE
BUDGET PROCESS AND
BUDGETARY AND ACCOUNTING
PRACTICES**

Overview of the State Budget Process and Budgetary and Accounting Practices²

THE STATE BUDGET PROCESS

The requirements of the State budget process are set forth in Article VII of the State Constitution, the State Finance Law, and the Legislative Law. The annual budget process begins with the Governor's submission of the Executive Budget to the Legislature each January, in preparation for the start of the fiscal year on April 1 (the submission date is February 1 in years following a gubernatorial election). The DOB prepares a multi-year Financial Plan ("State Financial Plan") as part of the Executive Budget. The State Financial Plan sets forth projected receipts and disbursements for the current fiscal year, the "budget" year (i.e., the upcoming fiscal year), and the three subsequent fiscal years ("outyears"). It must be accompanied by bills that: (a) set forth all proposed appropriations and reappropriations, (b) provide for any new or modified revenue measures, and (c) make any other changes to existing law necessary to implement the budget recommended by the Governor. The General Fund must be balanced on a cash basis, as described below.

In acting on the bills submitted by the Governor, the Legislature has certain powers to alter the recommended appropriations and proposed changes to existing law. The Legislature may strike or reduce an item of appropriation submitted by the Governor. The Legislature may add distinct new items of appropriation, provided such additions are stated separately. These additional items are then subject to line-item veto by the Governor. If the Governor vetoes an appropriation separately added by the Legislature or a bill (or a portion thereof) related to the budget, these separately added items of appropriation or bill can be reconsidered in accordance with the rules of each house of the Legislature. If, upon reconsideration, the items are approved by two-thirds of the members of each house, such items will become law notwithstanding the Governor's veto.

Once the appropriation bills and other budget bills become law, DOB revises the State Financial Plan to reflect the Legislature's actions, and begins the process of implementing the enacted budget. Throughout the fiscal year, DOB monitors actual receipts and disbursements, and may adjust the estimates and projections in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economic outlook, updated data on program activities, new actions taken by the Governor or the Legislature, and other factors. As required by the State Finance Law, DOB updates the State Financial Plan generally issuing reports by July 30, October 30, and as part of the Executive Budget in January or February of each year.

Once the budget is adopted for the fiscal year, the Legislature may enact one multi-purpose appropriation bill and additional single-purpose appropriation bills or revenue measures (including tax law changes) during any regular session or, if called into session for that purpose, any special session. In the event additional appropriation bills or revenue measures are disapproved by the Governor, the Legislature may override the Governor's veto upon the vote of two-thirds of the members of each house of the Legislature. The Governor may present deficiency appropriations to the Legislature in any fiscal year to supplement existing appropriations or provide new appropriations for purposes not covered by the regular and supplemental appropriations.

² See "Exhibit A — Selected State Government Summary" herein for more information on budgetary and accounting practices.



OVERVIEW OF THE STATE BUDGET PROCESS AND BUDGETARY AND ACCOUNTING PRACTICES

SIGNIFICANT BUDGETARY/ACCOUNTING PRACTICES

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

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

The General Fund is the sole financing source for the School Tax Relief (STAR) fund, and is typically the financing source of last resort for the State's other major funds which include the Health Care Reform Act (HCRA) funds, the Dedicated Highway and Bridge Trust Fund (DHBTF), 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 (spending from capital project funds and Federal funds is excluded). As more financial activity occurred in funds outside of the General Fund, State Operating Funds became, in DOB's view, a more comprehensive measure of State-funded activities for operating purposes that are funded with State resources (e.g., taxes, assessments, fees, tuition). The State Operating Funds perspective has the advantage of eliminating certain distortions in operating activities that may be caused by, among other things, the State's complex fund structure, the transfer of money among funds, and the accounting of disbursements against appropriations in different funds. For example, the State funds its share of the Medicaid program from both the General Fund and HCRA Funds, the latter being State Special Revenue Funds. The State Operating Funds perspective captures Medicaid disbursements from both of these fund types, giving a more complete accounting of State-funded Medicaid disbursements. For such reasons, the discussion of disbursement projections often emphasizes the State Operating Funds perspective.



OVERVIEW OF THE STATE BUDGET PROCESS AND BUDGETARY AND ACCOUNTING PRACTICES

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

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

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

FINANCIAL PLAN OVERVIEW

Financial Plan Overview

The following table provides certain Financial Plan information for FY 2014 and FY 2015.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES (millions of dollars)				
	FY 2014		FY 2015	
	Revised ¹	Results	Executive Amended ²	Enacted
STATE OPERATING FUNDS DISBURSEMENTS				
Size of Budget	\$90,498	\$90,631	\$92,040	\$92,234
Annual Growth	1.9%	2.0%	1.6%	1.8%
OTHER DISBURSEMENT MEASURES				
General Fund (with Transfers)	\$61,460	\$61,243	\$63,575	\$63,142
	4.2%	3.9%	3.8%	3.1%
State Funds (Including Capital)	\$96,624	\$96,355	\$98,894	\$98,995
	2.2%	1.9%	2.6%	2.7%
Capital Budget (Federal and State)	\$7,992	\$7,751	\$8,533	\$8,465
	6.0%	2.8%	10.1%	9.2%
Federal Operating Aid (Excluding Extraordinary Federal Aid) ³	\$36,860	\$37,492	\$36,615	\$37,201
	2.0%	3.7%	-2.3%	-0.8%
All Funds (Excluding Extraordinary Federal Aid) ³	\$135,350	\$135,874	\$137,188	\$137,900
	2.1%	2.5%	1.0%	1.5%
Capital Budget (Including "Off-Budget") ⁴	\$9,431	\$9,104	\$9,464	\$9,393
	5.9%	2.3%	4.0%	3.2%
All Funds (Including "Off-Budget" Capital) ^{3,4}	\$136,789	\$137,227	\$138,119	\$138,828
	2.2%	2.5%	0.7%	1.2%
INFLATION (CPI)	1.4%	1.5%	1.8%	1.9%
ALL FUNDS RECEIPTS				
Taxes	\$69,414	\$69,690	\$70,794	\$70,188
	4.7%	5.1%	1.6%	0.7%
Miscellaneous Receipts	\$23,850	\$24,234	\$25,310	\$25,672
	-0.7%	0.8%	4.4%	5.9%
Federal Grants ³	\$41,991	\$42,137	\$40,819	\$41,725
	-0.7%	-0.3%	-3.1%	-1.0%
Total Receipts ³	\$135,255	\$136,061	\$136,923	\$137,585
	2.0%	2.6%	0.6%	1.1%
GENERAL FUND RESERVES				
	\$1,803	\$2,235	\$1,743	\$2,055
Stabilization/Rainy Day Reserve Funds	\$1,306	\$1,481	\$1,306	\$1,481
All Other Reserves/Fund Balances	\$497	\$754	\$437	\$574
STATE WORKFORCE FTEs (Subject to Direct Executive Control)				
	119,413	118,492	119,173	118,961
DEBT ⁵				
Debt Service as % All Funds Receipts	4.7%	5.0%	4.3%	4.3%
State-Related Debt Outstanding	\$55,572	\$55,165	\$57,126	\$55,923
Debt Outstanding as % Personal Income	5.2%	5.2%	5.1%	5.0%

¹ Updated as part of the FY 2015 Executive Budget, as amended.

² The annual percentage change calculations in the FY 2015 "Executive Amended" column have been updated for FY 2014 year-end results.

³ All Funds and Federal Operating Funds receipts and disbursements exclude Federal disaster aid for Superstorm Sandy (estimated at \$577 million in FY 2013, \$1.2 billion in FY 2014 and \$1.5 billion in FY 2015), and additional Federal aid under the Affordable Care Act (estimated at approximately \$400 million in FY 2014 and \$2.6 billion in FY 2015). Including disbursements for these purposes, All Funds disbursements are expected to total \$142 billion in FY 2015, an increase of 3.2 percent.

⁴ "Off-Budget" represents spending which occurs directly from state-supported bond proceeds held by public authorities.

⁵ Excludes capital leases and mortgage loan commitments. Capital leases and mortgage loan commitments are included in all figures and references to State-related debt in this AIS unless otherwise specifically noted.



GENERAL FUND CASH-BASIS FINANCIAL PLAN

SUMMARY OF PRELIMINARY UNAUDITED RESULTS FOR FY 2014 (ENDED MARCH 31, 2014)

- The State ended FY 2014 with a General Fund balance of \$2.24 billion, which was \$432 million above the estimate in the February 2014 AIS Update. General Fund receipts were \$215 million higher than planned, largely reflecting stronger than expected tax collections. General Fund disbursements were \$217 million below planned levels, due mainly to lower spending in local assistance and agency operations. In addition, DOB made certain payments at the end of FY 2014, in addition to those planned in February 2014, including approximately \$350 million in debt service and \$150 million of social services payments. This had the effect of making additional resources available for FY 2015 and thereafter.
- The State used \$312 million of the \$432 million in excess resources to bolster reserves. At the close of FY 2014, \$175 million was deposited into the State's rainy day reserves, bringing the balance to \$1.5 billion, or 2.4 percent of FY 2014 General Fund spending. Another \$137 million was set aside for debt management purposes, bringing the amount designated for this purpose, and available in FY 2015, to \$500 million.
- Of the remaining \$120 million in excess resources, \$62 million is expected to fund disbursements that were originally expected to occur in FY 2014 but are now budgeted for FY 2015, and \$58 million has been transferred to a fiduciary fund established with the FY 2015 Budget to account for proceeds realized from a settlement between J.P. Morgan and the State.
- On March 31, 2014, the Legislature completed final action on the State budget for FY 2015. On April 11, 2014, the Governor completed his review of all budget bills, including the veto of certain line-item appropriations, none of which had a material impact on the Financial Plan. Consistent with past practice, the Legislature enacted the annual debt service appropriations, without amendment, in advance of the other appropriations (the debt service appropriations were passed on March 19, 2014).
- The Enacted Budget Financial Plan for FY 2015 provides for balanced operations on a cash basis in the General Fund, as required by law. The Enacted Budget reflects savings from the continuation of spending controls and cost containment measures put in place in prior years. Funding for agency operations is generally expected to remain level across the Financial Plan period (excluding the timing of cash disbursements in FY 2014). Statutory reserves are expected to remain at the same level as FY 2014.
- During negotiations, the Executive and Legislature agreed to \$610 million in gross spending restorations and additions to the Executive Budget proposal described in the February 2014 AIS Update. They also agreed to certain tax law changes that decrease revenues by \$220 million in FY 2015, and by lesser amounts in future years, compared to the Executive proposal.



- DOB expects relatively modest economic growth in FY 2015, consistent with other economic forecasters. Total tax receipts in FY 2015, adjusted for the acceleration of certain income tax refunds into FY 2014, are expected to decline by 0.2 percent from FY 2014.
- Personal income tax collections for FY 2014 were inflated by a one-time increase in receipts due to an increase in Federal tax rates beginning in calendar year 2013. This caused taxpayers to realize income in calendar year 2012 to avoid the higher tax rates, which in turn substantially increased the State's tax collections in April 2013. However, it also led to large refund payments by the State throughout the remainder of 2013, as some high income taxpayers realized that they had overpaid in April 2013. DOB anticipated that this situation would reverse itself in 2014. This has occurred but the decline in estimated tax payments in April 2014 was greater than forecast in the February 2014 AIS Update. At the same time, refund payments were lower than expected. DOB expects that the unanticipated portion of the decline in collections observed in April 2014 will reverse itself later in FY 2015. To manage risks and maintain a conservative receipts forecast, however, DOB is making a net downward revision of \$343 million to the General Fund receipts estimate for FY 2015, as described below. This revision is anticipated to be fully offset by other savings and is not expected to impinge on the State's ability to fully meet the commitments in the FY 2015 Enacted Budget for FY 2015 or future budget years.
- DOB has identified \$1.2 billion in new resources to fully fund the restorations, additions, tax law changes, and revisions to tax receipts. These include savings from a combination of prepayments in FY 2014, above the level planned in the FY 2015 Executive Budget, and reestimates to estimated disbursements and transfers based on a review of FY 2014 results (\$643 million); and management of debt and capital resources including reimbursement, from planned bond sales and existing bond proceeds, of first-instance capital transfers made by the General Fund in prior years (\$530 million).
- State Operating Funds spending for FY 2014 totaled \$90.6 billion, an increase of 2 percent from FY 2013 results. This is consistent with the 2 percent benchmark for annual spending growth in State Operating Funds.
- The Enacted Budget Financial Plan for FY 2015 limits estimated annual growth in State Operating Funds spending to 1.8 percent, consistent with the 2 percent spending benchmark.
- The aggregate Financial Plan projections for FY 2016 and thereafter set forth in this AIS reflect an assumption that the Governor will continue to propose, and the Legislature will continue to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent.
- By adhering to the 2 percent spending benchmark, DOB expects that the State is positioned to fully fund the tax reductions and spending commitments in the FY 2015 Enacted Budget and accrue surpluses in future years, based on updated projections. (The savings that would be achieved if the State adheres to the spending benchmark are labeled in the Financial Plan tables as "Adherence to 2 percent State Operating Funds Spending Benchmark.") Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.



FINANCIAL PLAN OVERVIEW

GENERAL FUND FINANCIAL PLAN				
CASH BASIS				
ANNUAL CHANGE				
(millions of dollars)				
	FY 2014 Results	FY 2015 Enacted	Annual \$ Change	Annual % Change
Opening Fund Balance	<u>1,610</u>	<u>2,235</u>	<u>625</u>	<u>38.8%</u>
Receipts:				
Taxes:				
Personal Income Tax	28,864	29,372	508	1.8%
User Taxes and Fees	6,561	6,652	91	1.4%
Business Taxes	6,046	5,438	(608)	-10.1%
Other Taxes	1,256	1,197	(59)	-4.7%
Miscellaneous Receipts	3,219	3,815	596	18.5%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,822	9,038	216	2.4%
Sales Tax in Excess of LGAC	2,568	2,628	60	2.3%
Sales Tax in Excess of Revenue Bond Debt Service	2,936	2,908	(28)	-1.0%
Real Estate Taxes in Excess of CW/CA Debt Service	705	761	56	7.9%
All Other	891	1,153	262	29.4%
Total Receipts	<u>61,868</u>	<u>62,962</u>	<u>1,094</u>	<u>1.8%</u>
Disbursements:				
Local Assistance Grants	39,940	42,118	2,178	5.5%
Departmental Operations:				
Personal Service	5,563	5,890	327	5.9%
Non-Personal Service	1,746	1,960	214	12.3%
General State Charges	4,899	5,072	173	3.5%
Transfers to Other Funds:				
Debt Service	1,972	1,081	(891)	-45.2%
Capital Projects	1,436	930	(506)	-35.2%
State Share of Mental Hygiene Medicaid	1,576	1,638	62	3.9%
SUNY Operations	971	977	6	0.6%
Other Purposes	3,140	3,476	336	10.7%
Total Disbursements	<u>61,243</u>	<u>63,142</u>	<u>1,899</u>	<u>3.1%</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>625</u>	<u>(180)</u>	<u>(805)</u>	<u>-128.8%</u>
Closing Fund Balance	<u>2,235</u>	<u>2,055</u>	<u>(180)</u>	<u>-8.1%</u>
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,131	0	
Rainy Day Reserve Fund	350	350	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	87	0	(87)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	45	53	8	
Debt Management	500	500	0	
Undesignated Reserve	43	0	(43)	
J.P. Morgan Settlement Proceeds	58	0	(58)	
Source: NYS DOB.				



RECEIPTS

General Fund receipts, including transfers from other funds, are expected to total \$63 billion in FY 2015, an annual increase of \$1.1 billion (1.8 percent). Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are expected to total \$58 billion in FY 2015, an increase of \$236 million (0.4 percent). Before accounting for the acceleration of estimated tax refunds into FY 2014 to make surplus resources available in FY 2015, estimated tax collections would decrease by \$384 million (-0.7 percent) from FY 2014 levels, primarily due to tax law changes.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to increase by \$724 million from FY 2014. This primarily reflects increases in withholding payments and the payment of additional refunds in FY 2014 that were planned for FY 2015, partially offset by a decline in extension payments attributable to the 2013 tax year.

General Fund user taxes and fee receipts, including transfers after payment of debt service on LGAC and Sales Tax Revenue Bonds, are estimated to total \$12.2 billion in FY 2015, an increase of \$123 million (1.0 percent) from FY 2014, reflecting projected consumer spending increases across a broad range of consumption categories, offset by declines in cigarette consumption.

General Fund business tax receipts are estimated at \$5.4 billion in FY 2015, a decrease of \$608 million (-10.1 percent) from FY 2014 results. The estimate reflects a decline in corporate franchise tax receipts resulting from the first year of repayment of deferred tax credits and tax law changes, partly offset by base growth in bank and insurance taxes.

Other tax receipts in the General Fund are expected to total nearly \$2 billion in FY 2015, a decrease of \$3 million (-0.2 percent) from FY 2014. The estimate reflects a decline in expected estate tax receipts, the result of Enacted Budget legislation that reduces the estate tax, partially offset by an increase in real estate transfer tax (RETT) receipts.

General Fund miscellaneous receipts are estimated at \$3.8 billion in FY 2015, an annual increase of \$596 million. The increase largely reflects the expected deposit of \$1 billion from the State Insurance Fund (SIF) reserve release in connection with Workers' Compensation law changes enacted in the FY 2014 budget, partly offset by the accelerated phase-out of the temporary utility assessment and large settlement payments received in FY 2014.

Non-tax transfers to the General Fund are expected to total \$1.2 billion, an increase of \$262 million, largely due to the timing of transfers from other funds and changes in the level of resources expected to be available from other funds.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see "State Financial Plan Projections Fiscal Years 2015 through 2018" herein.



DISBURSEMENTS

General Fund disbursements, including transfers to other funds, are expected to total \$63.1 billion in FY 2015, an increase of \$1.9 billion (3.1 percent) from FY 2014 spending levels.

Local assistance grants are expected to total \$42.1 billion in FY 2015, an annual increase of \$2.2 billion (5.5 percent). General Fund disbursements are expected to increase by \$1.4 billion for School Aid³ and other education programs. Other local assistance increases include, among other things, payments for a range of social services, public health, and general purpose aid programs, as well as accounting reclassifications that have the effect of moving spending between financial plan categories, mainly for Medicaid payments to State-operated facilities.

State operations disbursements in the General Fund are expected to total \$7.9 billion in FY 2015, an annual increase of \$541 million (7.4 percent). The largest increases reflect the accounting of Information Technology (IT) services in the General Fund as a result of consolidation, reflected in non-General Fund accounts (\$200 million); Medicaid, including the takeover of local administrative functions by the Department of Health (DOH) (\$89 million), and increased support for indigent legal services and civil legal services in the Judiciary budget (\$60 million).

General State Charges (GSCs) are expected to total \$5.1 billion in FY 2015, an annual increase of \$173 million (3.5 percent) from FY 2014. Health insurance costs are projected to increase \$102 million or 3.1 percent. The State's annual pension payment is expected to increase by \$50 million. This growth, which was partly offset by the pre-payment of certain obligations in FY 2014, reflects increased normal costs and repayment of amounts amortized in prior years. The State expects to continue to amortize pension costs in excess of the amortization thresholds established in law. In FY 2015, costs in excess of 13.5 percent of payroll for the Employees' Retirement System (ERS) and 21.5 percent for the Police and Fire Retirement System (PFRS) are expected to be amortized.

General Fund transfers to other funds are expected to total \$8.1 billion in FY 2015, a decrease of \$993 million from FY 2014. The annual change is attributable to the prepayment in FY 2014 of debt service due in FY 2015 and reduced General Fund support for capital projects spending due to the timing of available bond proceeds. These declines are partly offset by increased support for non-Medicaid Mental Hygiene services.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year. For a more comprehensive discussion of the State's disbursements projections by major activity, presented on a State Operating Funds basis, see "State Financial Plan Projections Fiscal Years 2015 through 2018" herein.

³ School Aid is reported here on a State Fiscal Year basis.



CLOSING BALANCE

DOB projects that the State will end FY 2015 with a General Fund cash balance of \$2.1 billion, a decrease of \$180 million from the FY 2014 closing balance. The balance in the Community Projects Fund, which finances discretionary grants allocated by the Legislature and Governor, is expected to be expended in FY 2015, reflecting disbursements from prior-year appropriations (\$87 million). In addition, the reduction in the balance includes the transfer of funds received in FY 2014 related to the J.P. Morgan settlement to a new fiduciary fund, the Mortgage Settlement Proceeds Trust Fund (\$58 million), and the use of excess resources from FY 2014 (\$43 million). These declines are partly offset by an \$8 million increase in amounts set aside for the potential costs of prior-year labor agreements, as described below.

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund, are expected to remain unchanged in FY 2015.

The Financial Plan continues to set aside money in the General Fund balance to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms for contract periods prior to April 2011. This amount is calculated based on the "pattern" settlement for FY 2008 through FY 2011, and is expected to be reduced as labor agreements for prior periods are reached with unsettled unions.

The Enacted Budget reserves \$500 million for debt management purposes in FY 2015, unchanged from the level held at the end of FY 2014. DOB will make a decision on the use of these funds based on market conditions, Financial Plan needs, and other factors during the year.

PROJECTED GENERAL FUND BUDGET GAPS

The following table summarizes the projected General Fund receipts and disbursements for FY 2016, FY 2017, and FY 2018. The projections reflect the expected impact of the FY 2015 Enacted Budget gap-closing plan. The Financial Plan projections for FY 2016 and thereafter set forth in this AIS reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as "Adherence to 2% State Operating Funds Spending Benchmark." Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.



FINANCIAL PLAN OVERVIEW

GENERAL FUND FINANCIAL PLAN CASH BASIS FY 2016 through FY 2018 (millions of dollars)

	FY 2016 <u>Projected</u>	FY 2017 <u>Projected</u>	FY 2018 <u>Projected</u>
Receipts:			
Taxes:			
Personal Income Tax	31,643	33,943	35,730
User Taxes and Fees	6,908	7,132	7,373
Business Taxes	5,728	5,609	5,729
Other Taxes	1,157	1,062	1,012
Miscellaneous Receipts	2,980	2,790	2,215
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	9,636	10,235	10,664
Sales Tax in Excess of LGAC	2,743	2,880	3,087
Sales Tax in Excess of Revenue Bond Debt Service	2,923	2,933	2,932
Real Estate Taxes in Excess of CW/CA Debt Service	826	885	958
All Other	819	777	750
Total Receipts	<u>65,363</u>	<u>68,246</u>	<u>70,450</u>
Disbursements:			
Local Assistance Grants	44,827	47,077	49,671
Departmental Operations:			
Personal Service	5,986	5,952	5,975
Non-Personal Service	2,010	2,004	2,052
General State Charges	5,322	5,470	5,583
Transfers to Other Funds:			
Debt Service	1,058	1,457	1,509
Capital Projects	1,406	1,761	2,006
State Share of Mental Hygiene Medicaid	1,313	1,281	1,156
SUNY Operations	980	980	980
Other Purposes	4,241	4,532	4,945
Total Disbursements	<u>67,143</u>	<u>70,514</u>	<u>73,877</u>
Use (Reservation) of Fund Balance:			
Prior-Year Labor Agreements (2007-2011)	<u>(11)</u>	<u>(12)</u>	<u>(11)</u>
Total Use (Reservation) of Fund Balance	<u>(11)</u>	<u>(12)</u>	<u>(11)</u>
Adherence to 2% State Operating Funds Spending Benchmark ¹	2,094	3,385	4,916
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	<u>303</u>	<u>1,105</u>	<u>1,478</u>

Source: NYS DOB.

¹ Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.



EXPLANATION OF THE FY 2015 ENACTED BUDGET GAP-CLOSING PLAN

The table below itemizes the FY 2015 Enacted Budget gap-closing plan and projected impact for FY 2016 through FY 2018.

FY 2015 ENACTED BUDGET GENERAL FUND GAP-CLOSING PLAN				
SAVINGS/(COSTS)				
(millions of dollars)				
	FY 2015	FY 2016	FY 2017	FY 2018
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE ¹	(1,742)	(2,889)	(2,948)	(3,887)
SPENDING CHANGES	2,275	4,402	5,430	6,765
Agency Operations	494	734	940	1,240
Executive Agencies	85	194	256	328
Independent Officials	104	233	245	240
Fringe Benefits/Fixed Costs	305	307	439	672
Local Assistance	1,825	1,939	2,046	1,699
Human Services Cost of Living Adjustment (COLA)	92	125	127	128
Mental Hygiene	199	368	366	(2)
Health Care	152	98	(43)	(161)
DOH Medicaid	270	448	638	688
Education	450	335	404	526
STAR	172	227	232	286
Social Services/Housing	341	201	228	196
All Other	149	137	94	38
Capital Projects/Debt Management Initiatives ²	(715)	(1,110)	(1,323)	(1,499)
Adherence to 2% State Operating Funds Spending Benchmark ³	n/a	2,094	3,385	4,916
SURPLUS AVAILABLE FROM FY 2014	353	0	0	0
OTHER RESOURCE CHANGES	(161)	(282)	(106)	(246)
Tax Receipts	(450)	(88)	249	311
Other Resource Changes	289	(194)	(355)	(557)
SURPLUS/(GAP) ESTIMATE BEFORE TAX ACTIONS	725	1,231	2,376	2,632
Tax Actions	(725)	(928)	(1,271)	(1,154)
SURPLUS/(GAP) ESTIMATE AFTER TAX ACTIONS	0	303	1,105	1,478

¹ All forecast revisions made since the release of the original Executive Budget proposal are accounted for in the appropriate categories of the gap-closing plan (e.g., spending reestimates in the category entitled "Spending Changes").

² Includes distinct new spending additions to the Executive Budget agreed to during negotiations. Restorations to Executive Budget proposals are reflected in the appropriate "Spending Changes," "Resource Changes" and "Tax Actions" categories.

³ Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.



FINANCIAL PLAN OVERVIEW

The Enacted Budget reduces spending in FY 2015 by \$2.3 billion compared to a baseline forecast before any enacted budget actions. The savings are recurring and are expected to grow in value in subsequent years.

SPENDING CONTROL

AGENCY OPERATIONS

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies, utilities). These costs have declined over the past several years through ongoing State agency redesign and cost-control efforts. Reductions from the prior projections for agency operations contribute \$494 million to the General Fund gap-closing plan. Specifically:

- **Executive Agencies:** The Enacted Budget holds personal service and non-personal service spending flat with limited exceptions, such as costs attributable to the phase-in of the New York State of Health marketplace and IT consolidation efforts. Agencies are expected to continue to utilize less costly forms of service deliveries, improve administrative practices and pursue statewide solutions to common problems.
- **Independent Officials:** Spending growth for the Judiciary is expected to support mandated court operations, judicial salary increases, and additional Family Court Judges. Higher spending for the Department of Audit and Control supports additional pre-school special education audits. Spending for the Department of Law is expected to increase in part due to the lower than expected spending in FY 2014. Spending in future years is expected to remain at FY 2015 levels for all independent officials.
- **Fringe Benefits/Fixed Costs:** The FY 2015 and FY 2016 pension costs have been reduced based on a review of FY 2014 operating results and certain pre-payments which decrease spending in these years. Other fringe benefit costs have also been reduced downward based on an analysis of spending trends.

LOCAL ASSISTANCE

Local assistance spending includes financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. Reductions from the prior projections for local assistance spending are expected to generate \$1.8 billion in General Fund savings. Savings are expected from targeted actions, continuation of prior-year cost containment actions, and reestimates based on actual spending data. Specifically:

- **Human Services Cost of Living Adjustment (COLA):** The Enacted Budget provides funding to support a 2 percent salary increase beginning in January 2015 for direct care workers and a 2 percent increase in April 2015 for direct care and clinical workers. This is in lieu of an across-the-board annual COLA in 2015 and 2016.



- **Mental Hygiene:** Program spending is reduced to reflect revised forecasts for community-based bed development and expansion; efforts to return individuals from more costly out-of-state placements; and continued efforts to expand community services to reduce institutional costs.
- **Health Care:** Lower spending reflects a downward trend in reimbursement of claims submitted by local governments under the General Public Health Work (GPHW) program and utilizing other insurance for prenatal care services; and lower expected Child Health Plus (CHP) costs as a result of the one-year moratorium on rate increases.
- **DOH Medicaid:** The Enacted Budget includes annual State-share Medicaid savings beginning in FY 2015 achieved under the Medicaid Global Cap. Projected savings result from the continuation of successful Medicaid Redesign Team (MRT) initiatives, improved cash management, and utilization of Federal resources associated with the Affordable Care Act (ACA). In addition, projected annual spending under the Medicaid Global Cap has been adjusted to reflect updated estimates of the medical component of the Consumer Price Index (CPI).
- **Education:** The Enacted Budget includes special education program reforms targeted to improve fiscal practices and service delivery. Estimated spending has also been revised downward based on revised school district data.
- **School Tax Relief:** Spending has been reduced to reflect a reduction in the estimated number of STAR exemption recipients. As part of the State's review of recipient data to ensure unlawful exemptions are excluded from State payments, existing STAR recipients were also required to re-register for their benefit.
- **Social Services/Housing:** Lower spending is expected in several programs, including Child Welfare Services, Adult Protective and Domestic Violence Services, Public Assistance, and Supplemental Security Income (SSI), based on updated claiming data and revised growth (caseload) assumptions.
- **All Other:** Spending reductions are expected to be achieved across multiple functions and program areas including: elimination of certain miscellaneous financial assistance to local governments; utilization of capital financing for eligible homeland security capital needs; revisions to disaster assistance aid; and elimination of certain legislative grants.



CAPITAL PROJECTS/DEBT MANAGEMENT

- The Enacted Budget assumes savings through continued use of competitive bond sales, refundings, consolidation of debt issuances, the timing of bond sales, and other debt management actions. In addition, the state paid \$530 million of capital advances in FY 2014 that are expected to be reimbursed in FY 2015. The savings from debt management in FY 2015 and FY 2016 also reflect actual and planned prepayments of debt service. The Enacted Budget does not reflect the use of the \$500 million in General Fund resources designated for debt management. DOB expects to make a decision on using those resources, based on market conditions, Financial Plan needs, and other factors.
- In addition, the Enacted Budget includes the use of \$30 million for debt service from the Metropolitan Mass Transportation Operating Assistance (MMTOA) account, with \$20 million in resources available from the MMTOA account for the same purpose on an annual basis beginning in FY 2016.

INVESTMENTS/INITIATIVES

- The Enacted Budget includes significant spending additions for School Aid, higher education, and human services. During negotiations, the Executive and Legislature agreed to approximately \$550 million in distinct new spending additions to the Executive Budget proposal for FY 2015.
- The Enacted Budget also reflects the costs of new capital initiatives. These include:
 - **Smart Schools Bond Act:** If approved by voters, the \$2 billion Smart Schools bond act will fund enhanced education technology in schools, with eligible projects including infrastructure improvements to bring high-speed broadband to schools and their communities and the purchase of classroom technology for use by students. Additionally, Smart Schools will enable long-term investments in full day pre-kindergarten through the construction of new pre-kindergarten classroom space, replace classroom trailers with permanent classroom space and make investments in high-tech school safety programs. The debt service costs of the bond act, if approved, are estimated at \$126 million beginning in FY 2017 and \$156 million in FY 2018.
 - **Health Care Facility Restructuring:** This \$1.2 billion initiative is intended to improve the financial viability and efficiency of the State's health care delivery system. Funding is expected to be targeted to long-term care, hospitals, primary care, and behavioral/substance abuse services. Priority projects will include those that: align hospital and nursing home bed capacity to regional needs, enable facility integration, merge and consolidate facilities, expand primary care, and facilitate transformation to care management models. The debt service costs of this initiative are estimated at \$5 million in FY 2015, \$24 million in FY 2016, \$43 million in FY 2017, and \$63 million in FY 2018.



RESOURCES

- **Tax Receipts:** The FY 2015 estimate for annual receipts has been revised to reflect updated economic forecast data, and includes downward adjustments to PIT and cigarette tax collections, partly offset by upward changes to business tax and estate tax collections.
- **Other Resource Changes:** The estimate for miscellaneous receipts has been revised based on a review of FY 2014 collections, the projected receipt of various banking and insurance-related settlements and recoveries, and other transactions. In addition, the timing of certain transfers and other transactions at the end of FY 2014 had the effect of making additional resources available for FY 2015.

TAX ACTIONS

The Enacted Budget contains a set of tax actions that are estimated to result in a net reduction to tax and assessment receipts of \$725 million in FY 2015 and \$1.3 billion in FY 2016 on an All Funds basis. The most significant tax actions include:

- **Real Property Tax Credit:** The Enacted Budget freezes property taxes for two years, subject to two conditions. In year one, the State will provide tax credits to homeowners outside of New York City with qualifying incomes of \$500,000 or less who live in a jurisdiction that stays within the property tax cap. The tax credits will be extended for a second year in jurisdictions which comply with the tax cap and have put forward a plan to save 1 percent of their tax levy per year, over three years. DOB projects that the property tax freeze will reduce revenues to the State by over \$1.5 billion and is expected to benefit as many as 2.8 million taxpayers over the three years that the freeze is in effect.
- **New York City "Circuit Breaker" Tax Credit:** The Enacted Budget creates a refundable tax credit against the PIT to provide targeted tax relief to New York City renters and homeowners based on an individual homeowner's or renter's ability to pay. This program is structured to provide a greater proportion of benefits to those with the highest property tax and rent burdens as a share of their income. The program's cost is valued at \$85 million annually and is expected to benefit over 1.4 million taxpayers for two years.
- **Corporate Tax Reform:** The Enacted Budget combines the corporate franchise and bank taxes to reduce and simplify these taxes. The tax rate on net income has been reduced from 7.1 percent to 6.5 percent, the lowest rate since 1968, and the alternative minimum tax has been repealed.
- **Corporate Capital Base Calculation:** The asset tax is phased out over six years, beginning in 2016.
- **Net Income Tax on Corporate Manufacturers:** The Enacted Budget lowers the tax rate on income for corporate manufacturers from the current 5.9 percent to zero in 2014 and thereafter, to encourage the growth of manufacturing.



FINANCIAL PLAN OVERVIEW

- **20 Percent Real Property Tax Credit for Manufacturers:** The Enacted Budget provides a statewide credit equal to 20 percent of property taxes paid by manufacturers who own or lease property.
- **Accelerated Phase Out of 18-a Temporary Assessment:** The Enacted Budget accelerates the phase out of the 18-a temporary assessment over the next three years.
- **Estate Tax:** The exclusion threshold of the estate tax will be increased from \$1 million to \$5.25 million over a four year phase-in period and will conform to the Federal exemption amount (currently \$5.34 million) by January 2019, and is indexed to inflation thereafter. The top rate remains at 16 percent. This action will be coupled with a temporary provision that will require the value of gifts to be added back to the estate.
- **Resident Trust Loophole:** New York beneficiaries of exempt resident trusts will be required to pay tax on accumulated income distributed to such trusts. Furthermore, the income of a particular type of exempt resident trust (known as an incomplete gift, non-grantor trusts) will be taxed to the grantor of the trust.



OTHER MATTERS AFFECTING THE FINANCIAL PLAN

GENERAL

The Financial Plan is subject to many complex economic, social, financial, and political risks and uncertainties, many of which are outside the ability of the State to control. DOB believes that the projections of receipts and disbursements in the Enacted Budget 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 Enacted Budget. In addition, the surplus projections in future years are based on the assumption that annual growth in State Operating Funds spending is limited to 2 percent, and that all savings that result from the 2 percent limit are made available to the General Fund.

The Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of: national and international events; ongoing financial instability in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; major terrorist events, hostilities or war; 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; and the effect of household debt on consumer spending and State tax collections.

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

BUDGET RISKS AND UNCERTAINTIES

DOB estimates that the Enacted Budget for FY 2015 provides for balanced operations in the General Fund after use of reserves. There can be no assurance, however, that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to, reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary



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

The Financial Plan projections for the outyears assume that School Aid and Medicaid disbursements will be limited to the growth in NYS personal income and the ten-year average growth in the Medicaid component of CPI, respectively. However, the FY 2015 Enacted Budget authorized spending for School Aid to increase by 5.3 percent, which is above the 3.1 percent growth in personal income that would otherwise be used to calculate School Aid increases.

State law grants the Governor certain powers to achieve the Medicaid savings assumed in the Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in DOH's State Funds Medicaid spending to the levels estimated in the 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 Financial Plan, including payments pursuant to the Tribal-State Compact that had failed to materialize in prior years, but which were received in the FY 2014 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 Financial Plan in the current year or future years.

FEDERAL ISSUES

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to address response to and recovery from severe weather events. Any reduction in Federal funding levels could have a materially adverse impact on the Financial Plan. In addition, the 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.

MEDICAID REDESIGN TEAM MEDICAID WAIVER

The Federal Centers for Medicare and Medicaid Services (CMS) and the State have reached an agreement in principle authorizing up to \$8 billion in Federal funding, over multiple years, for use in transforming New York's health care system. The final terms of this agreement are still being negotiated and upon final CMS approval will be reflected as an amendment to the State's Partnership Plan 1115 Medicaid waiver.



FEDERAL REIMBURSEMENT FOR STATE MENTAL HYGIENE SERVICES

Pursuant to discussions with the Federal government, the State has lowered Medicaid developmental disability center payment rates effective April 1, 2013. Full implementation of this change has reduced Federal funding to the State by approximately \$1.1 billion annually, beginning in FY 2014. The 2014 Enacted Budget included a multi-year 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. In addition, as described below, the CMS may seek to retroactively recover Federal funds paid to the State regarding this matter.

AUDIT DISALLOWANCE

In addition to the rate reduction described above, on February 8, 2013, the U.S. Department of Health & Human Services Office of the Inspector General, at the direction of the CMS, began a Fiscal Management Review to determine the allowability of Medicaid costs for services provided in prior years to the Medicaid population in New York State-Operated Intermediate Care Facilities for the Developmentally Disabled (ICF/DD). The initial review period includes claims for services provided from April 1, 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 attempted to address CMS's 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, the changes begun in FY 2014 resulted in a reduction in Federal aid of an estimated \$1.1 billion annually. The State expects to receive a final Fiscal Management Review in the near future.

A comparable amount of Federal aid is at risk for any prior period that may be pursued by CMS, with greater amounts in years with higher Federal Medical Assistance Percentage (FMAP) participation. 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 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. In December 2013, the spending caps for FFY 2014 and FFY 2015 were revised upward by the Bipartisan Budget Act (BBA) of 2013. While the BBA provided minor discretionary cap relief over two years, BCA caps in the remaining years were not addressed. Specific funding levels are expected to be determined through the annual Congressional budget process if the lowered spending caps remain in place. DOB estimates that New York State and its local governments could lose approximately \$5 billion in Federal funding over a multi-year period, 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

In October 2013, an impasse in Congress caused a temporary Federal government shutdown and raised concern for a time that the Federal debt ceiling would not be raised in a timely manner. A Federal government default on payments, particularly if it persisted for a prolonged period, could have a materially adverse effect on the national and state economies, financial markets, and intergovernmental aid payments. The specific effects on the Financial Plan of a Federal government payment default in the future are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default.

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

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 expenses related to health-care. Prior Financial Plans have included proceeds from conversions (\$175 million in FY 2014, and \$300 million annually in FY 2015, FY 2016, and FY 2017), which have not been realized. For planning purposes, the Financial Plan no longer counts on conversion proceeds.



STATUS OF CURRENT LABOR NEGOTIATIONS (CURRENT CONTRACT PERIOD)

The State has settled collective bargaining agreements with 90 percent of the State workforce for the contract period commencing in FY 2012. Five-year agreements were reached with the Civil Service Employees Association (CSEA), the United University Professions (UUP), the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), and Council 82. Four-year agreements were reached with the Public Employees Federation (PEF) and the New York State Police Benevolent Association (NYSPPBA).

The settled agreements include wage and benefit concessions in exchange for contingent employee job protection through the respective contract periods. Nevertheless, reductions in force may be authorized if the State's fiscal circumstances change materially or unexpectedly, or if such reductions are associated with the closure or restructuring of facilities authorized by legislation or by a Spending and Government Efficiency Commission (SAGE) determination. The agreements have provided: two-year Deficit Reduction Plan (DRP) savings of \$300 million; no general salary increases for the three-year period FY 2012 through FY 2014; a 2 percent general salary increase in FY 2015; and a 2 percent general salary increase in FY 2016 for the employees with five-year agreements. Additionally, the agreements provided full-annual health benefit savings of \$230 million resulting from increases to employee/retiree premium shares, copays, out of network deductibles and coinsurance.

Two lump sum payments — \$775 in FY 2014 and \$225 in FY 2015 — were paid to employees represented by CSEA, NYSPPBA, NYSCOPBA and Council 82. PEF did not negotiate these lump sum payments, but covered employees will receive repayment for all DRP reductions over an extended time at the end of the contract term. The employees represented by unions which negotiated the lump sum payments will be repaid a portion of their DRP reductions over an extended term at the end of their respective contract terms. UUP employees may receive lump sum payments of similar value in the form of Chancellor's Power of State University of New York (SUNY) Awards and Presidential Discretionary Awards.

The unions representing State Police Troopers, Investigators and Commissioned/Non-Commissioned Officers, as well as employees represented by District Council-37 (Housing) in the New York State Homes and Community Renewal (HCR), continue to have unsettled contracts for the current contract period. The Financial Plan does not include a General Fund reserve for this purpose. The union representing Graduate Students has an unsettled contract for the period starting in FY 2010; there is a reserve for this purpose.

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

The Financial Plan continues to include a General Fund reserve to cover the costs of a pattern settlement for unsettled contracts prior to FY 2011. There is no assurance this reserve will fully fund these unsettled contracts. In addition, the State's ability to fund all future agreements in FY 2015 and beyond depends on the achievement of balanced budgets in those years.



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 2015, 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 and Sales Tax 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 2015.

PROJECTED ALL FUNDS MONTH-END CASH BALANCES			
FY 2015			
(millions of dollars)			
	General Fund	Other Funds	All Funds
April Results	5,533	2,042	7,575
May	2,652	3,052	5,704
June	2,602	3,063	5,665
July	2,465	3,402	5,867
August	1,840	3,821	5,661
September	4,159	1,196	5,355
October	2,650	1,640	4,290
November	1,104	2,072	3,176
December	3,116	925	4,041
January	5,155	2,495	7,650
February	5,795	2,935	8,730
March	2,055	1,890	3,945



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 2010 legislation enacted a formula to set an amortization threshold rate for each year. The amortization rate (the “graded rate”) may increase or decrease in the direction of the actuarial contribution rate (the “normal rate”) by up to one percentage point annually. Pension contribution costs in excess of the graded rate may be amortized. Amortization is permitted in all years if the normal rate is greater than the graded rate. However, when the graded rate equals or exceeds the normal rate, amortization is not allowed.

In FY 2015, the graded contribution rates for the Employees’ Retirement System (ERS) and the PFRS will be 13.5 percent and 21.5 percent, respectively. The Financial Plan assumes the State will continue to amortize its pension costs in FY 2015 at these rates.

Over the past four years, the normal rates and the amortization rates were as follows:

Fiscal Year (FY)	ERS Average Normal Rate	ERS Amortization Rate	PFRS Average Normal Rate	PFRS Amortization Rate
FY 2011	11.5	9.5	18.1	17.5
FY 2012	15.9	10.5	21.5	18.5
FY 2013	18.5	11.5	25.7	19.5
FY 2014	20.5	12.5	28.8	20.5

For both ERS and PFRS, DOB projects the FY 2016 graded rates will be equal to, or more than, the normal contribution rates. Under this scenario, consistent with statutory provisions which require that the graded rate be set to the average actuarial rate, amortization is not expected in FY 2016. Furthermore, DOB projects the graded rates will exceed the normal contribution rates in FY 2017 through FY 2020. In these years, amounts that exceed the normal contributions will be used to pay the cost of outstanding prior year amortizations, as required by statute. These projections are based on projected market returns and numerous actuarial assumptions. The next five-year experience study conducted by the Retirement Systems’ Actuary is scheduled to take place in 2015 and could change these projections materially.

The State is required to begin repayment on each new amortization in the fiscal year immediately following the year in which the deferral was made. The full amount of the amortization, with interest, must be repaid within ten years, but the amount can be paid-off sooner. The annual interest rate on each new amortization is determined by OSC, and is fixed for the entire term of the deferral.



FINANCIAL PLAN OVERVIEW

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

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 Financial Plan assumes that both the State and OCA will also elect to amortize pension costs in FY 2015, 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 summarizes pension contributions and projections for GSCs and OCA over the period FY 2011 to FY 2028. The “Normal Costs” column shows the amount of the State’s pension contribution prior to amortization. The “New Amortized Amounts / Payment on Prior Deferrals” column shows new amounts deferred or payments made on prior deferrals in each fiscal year. The “New Amortization Costs” column provides the aggregate cost of amortization in a given fiscal year (principal and interest on all prior deferrals). The “Total” column provides the State’s pension contribution, net of amortization.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM ¹ (millions of dollars)				
Fiscal Year	Normal Costs ²	New Amortized Amounts/Payment on Prior Deferrals	New Amortization Costs	Total
Results:				
2011	1,552.8	(249.6)	0.0	1,303.2
2012	2,041.7	(562.9)	32.3	1,511.1
2013	2,085.3	(778.5)	100.9	1,407.7
2014	2,633.7	(937.0)	192.1	1,888.8
Projections:				
2015	2,373.5	(742.6)	305.8	1,936.7
2016	1,706.2	0.0	395.8	2,102.0
2017	1,477.9	117.3	395.8	1,991.0
2018	1,355.8	171.9	364.1	1,891.8
2019	1,315.7	178.7	363.5	1,857.9
2020	1,312.7	96.6	295.0	1,704.3
2021	1,389.1	3.6	207.2	1,599.9
2022	1,455.0	0.0	203.7	1,658.7
2023	1,523.7	0.0	203.7	1,727.4
2024	1,596.0	0.0	180.8	1,776.8
2025	1,671.1	0.0	90.1	1,761.2
2026	1,749.2	0.0	0.0	1,749.2
2027	1,830.6	0.0	0.0	1,830.6
2028	1,915.3	0.0	0.0	1,915.3

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 this Financial Plan tables include such pension disbursements.

² Normal costs include payments from amortizations prior to FY 2011, which will end in FY 2017.



Consistent with 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, as reflected in the following table, 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 graded rate in FY 2016. Therefore, the State would not have the option to amortize any of its pension costs in 2016, or in the immediately succeeding fiscal years. In addition, this forecast assumes the State will make amortization payments on prior deferrals pursuant to the formula in statute. These payments are projected to occur in FY 2017 through FY 2021. Projections in the following table are based on certain assumptions concerning investment earnings and benefits that DOB believes are reasonable. However, actual results may vary from the projections provided in the following table, and such variances could be substantial.

STATE PENSION COSTS AND AMORTIZATION SAVINGS*								
(millions of dollars)								
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
AMORTIZATION THRESHOLDS								
ERS (%)	9.5	10.5	11.5	12.5	13.5	14.2	13.2	12.2
PFRS (%)	17.5	18.5	19.5	20.5	21.5	20.8	19.8	18.8
PENSION (NET COST)	1,470	1,697	1,601	2,086	2,136	2,301	2,190	2,091
Gross Pension Costs	1,633	2,141	2,192	2,744	2,499	1,885	1,677	1,555
Amortization Savings	(250)	(563)	(779)	(937)	(743)	0	117	172
Repayment of Amortization (incl. FY 2005 and FY 2006)	87	119	188	279	380	416	396	364

*Includes SUNY Optional Retirement Program and Teachers' Retirement System.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

State employees become eligible for post-employment benefits (e.g., health insurance) if they reach retirement while working for the State, are enrolled in the New York State Health Insurance Program (NYSHIP), or are enrolled in the State's opt-out program at the time they have reached retirement, and have at least ten years of eligible service for NYSHIP benefits. The cost of providing post-retirement health insurance is shared between the State and the retired employee. Contributions are established by law and may be amended by the Legislature. The State pays its share of costs on a 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 projected annual level of funding that, if set aside on an ongoing basis, is anticipated to cover projected 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.



FINANCIAL PLAN OVERVIEW

As reported in the State's Basic Financial Statements for FY 2013, the projected 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 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 Financial Plan to fund the actuarial required contribution for OPEB. If the State began making the actuarial required contribution, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of the Governor's Office of Employee Relations (GOER), Civil Service and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its planned funding practices in light of existing fiscal conditions.

FINANCIAL SETTLEMENTS

The State periodically receives financial settlements that are deposited to the General Fund. Based on recent experience, the Financial Plan includes additional expected receipts from settlement proceeds of approximately \$275 million in FY 2015, \$250 million in FY 2016, and \$100 million each for FY 2017 and FY 2018. There can be no assurance that State settlement proceeds in upcoming fiscal years will be received at the levels assumed in the Financial Plan.

To date, the State has received \$785 million in payments related to financial settlement agreements during FY 2015. The majority of these collections were the result of an Order issued by the Department of Financial Services (DFS) requiring Credit Suisse AG to pay DFS a \$715 million penalty for violations of law related to the bank's global tax evasion scheme. The Order issued by DFS to Credit Suisse AG occurred after the release of the State's Financial Plan on May 19, 2014, and will be incorporated into the annual receipts forecast as part of the First Quarterly Update to the Financial Plan. Other notable payments received thus far by the State during FY 2015, which were incorporated into the Financial Plan annual receipts forecast, include \$50 million from Metropolitan Life Insurance Company for insurance licensing violations by two of its subsidiaries; and \$20 million from AXA Equitable Life Insurance Company for violations of the State Insurance Law related to certain variable annuity products.



J. P. MORGAN SECURITIES LLC SETTLEMENT

Pursuant to a litigation settlement reached on November 19, 2013, J.P. Morgan Securities LLC is required to remit \$1 billion to the State of New York. The associated 2012 lawsuit was filed against J.P. Morgan Securities LLC following allegations of the firm's misrepresentation of mortgage-related securities. The settlement stipulated \$387 million in direct restitutions to affected State residents and \$613 million to the credit of the State Treasury, of which a minimum of 85 percent must be allocated for housing and related purposes, and the balance permitted for general State use.

Consistent with the legal stipulations and legislation adopted in the FY 2015 Enacted Budget, \$613 million was deposited in a State escrow account on December 17, 2013 of which \$23.5 million was subsequently transferred to the general fund and \$589.5 million to the newly created Mortgage Settlement Proceeds Trust Fund. The Enacted Budget authorizes the following distributions of the funds: (1) \$440 million in accordance with an approved memorandum of understanding between the Executive and Legislature in consultation with HCR, (2) \$81.5 million to be distributed in accordance with a plan developed by the Attorney General, and (3) \$91.5 million in transfers to the General Fund over a four-year period.

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

UPDATE ON STORM RECOVERY

In recent years, New York State has sustained damage from three powerful storms that crippled entire regions. In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various New York State counties. In September 2011, Tropical Storm Lee caused flooding in additional New York State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. 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. State claims for reimbursement for the costs of the immediate response are in process, and both recovery and future mitigation efforts have begun, largely supported by Federal funds. In January 2013, the Federal government approved approximately \$60 billion in Federal disaster aid for general recovery, rebuilding and mitigation activity nationwide. New York anticipates receiving approximately one-half of this amount over the coming years for response, recovery, and mitigation costs. There can be no assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities, or that such Federal disaster aid will be provided on the expected schedule.



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. In 2013, the Financial Restructuring Board for Local Governments was created to provide assistance to distressed local governments by performing comprehensive reviews and providing grants and loans as a condition of implementing recommended efficiency initiatives. For additional details on the Board, please visit www.frb.ny.gov.

BOND MARKET

Implementation of the 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 State continues to implement the best practices put forth by the New York Works Task Force (the "Task Force"). The Task Force was formed in May 2012 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, DOB formulated 10-year capital commitment and disbursement projections. 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 ("Debt Reform Act") restricts the issuance of State-supported debt to capital purposes only and limits such debt to a maximum term of 30 years. The Debt Reform Act limits the amount of new State-supported debt to 4 percent of State personal income and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued since April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001 and was fully phased in at 4 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 was fully phased in at 5 percent during FY 2014. For FY 2013, the last year for which a calculation has been completed, the State was in compliance with the statutory caps based on calendar year 2012 personal income and FY 2013 debt outstanding. The FY 2014 calculation is expected to be completed in October 2014.

DOB expects that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from \$3.3 billion in FY 2014 to \$366 million in FY 2017. This includes the estimated impact of the bond-financed portion of the Enacted Budget's increased capital commitment levels included in the 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 new SUNY Dormitory Facilities Revenue credit are not included in the State's calculation of debt caps. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, 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 2014	1,062,391	4.00%	42,496	39,182	3,313	3.69%	0.31%	13,277	52,460
FY 2015	1,115,900	4.00%	44,636	41,841	2,795	3.75%	0.25%	11,756	53,597
FY 2016	1,170,616	4.00%	46,825	46,109	716	3.94%	0.06%	10,276	56,385
FY 2017	1,229,520	4.00%	49,181	48,815	366	3.97%	0.03%	8,842	57,657
FY 2018	1,292,273	4.00%	51,691	50,643	1,047	3.92%	0.08%	7,351	57,995
FY 2019	1,358,927	4.00%	54,357	52,842	1,515	3.89%	0.11%	6,128	58,970

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 2014	137,713	5.00%	6,886	3,855	3,031	2.80%	2.20%	2,533	6,388
FY 2015	141,649	5.00%	7,082	4,062	3,021	2.87%	2.13%	1,555	5,617
FY 2016	145,941	5.00%	7,297	4,381	2,916	3.00%	2.00%	1,498	5,879
FY 2017	150,455	5.00%	7,523	4,900	2,623	3.26%	1.74%	1,753	6,653
FY 2018	153,919	5.00%	7,696	5,296	2,400	3.44%	1.56%	1,698	6,993
FY 2019	157,755	5.00%	7,888	5,654	2,233	3.58%	1.42%	1,552	7,206

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 the Dormitory Authority of the State of New York (DASNY) and the hospitals and certain reserve funds held by the applicable trustees for the bonds) the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by DASNY through the Secured Hospital Program. As of March 31, 2014, there were approximately \$351 million of bonds outstanding for this program.

The financial condition of hospitals in the State's Secured Hospital Program continues to deteriorate. Of the five 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's contingent contractual obligation was invoked to pay debt service for the first time in FY 2014, when \$12 million was paid. The State also expects to pay debt service costs of approximately \$31 million in FY 2015, approximately \$29 million in both FY 2016 and FY 2017, and approximately \$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 loan 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 \$31 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 tax exempt State PIT Revenue Bonds ("PIT Bonds"), 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 DOH; 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. Pursuant to the sustainability plan, as supplemented, SUNY, together with Holdings, issued a request for proposals (RFP) to provide healthcare services in or around the LICH facilities and to purchase the LICH real estate.



In 2013, State Supreme Court Judge Demarest, who issued the May 2011 Order, issued, sua sponte, certain additional orders that could have affected the validity of the May 2011 Order. Also, in 2013, State Supreme Court Judge Baynes issued a series of orders that, effectively, precluded SUNY from awarding the RFP and exiting LICH operations. On February 25, 2014, Judges Demarest and Baynes approved a settlement whereby all parties agreed to discharge their claims and the judges vacated their orders. Pursuant to the settlement, SUNY, together with Holdings, issued a new RFP to increase the likelihood that the healthcare services component of the successful proposal would include a full-service hospital. The structure of the settlement also increases the likelihood that sufficient proceeds from the transaction will be available to support defeasance of the PIT Bonds and other costs associated with SUNY's exit from LICH. However, there have been and continue to be legal proceedings which could affect the outcome of SUNY's efforts to conclude negotiations with a new operator. 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.

2014 LEGISLATIVE SESSION

The State's 2014 legislative session is expected to end on June 19, 2014. Impacts to the Financial Plan from end-of-session legislative activity are not expected to result in material and adverse differences to the estimates for the current fiscal year contained in this AIS. DOB expects to update its multi-year projections of receipts and disbursements with the first quarterly update to the AIS to reflect the fiscal impact, if any, of all legislation enacted in the remainder of the session.

**STATE FINANCIAL PLAN
PROJECTIONS FISCAL YEARS
2015 THROUGH 2018**

INTRODUCTION

This section presents the State's updated multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of the FY 2015 Enacted Budget actions. The section includes preliminary FY 2014 results and projections for FY 2015 through FY 2018, with an emphasis on the FY 2015 projections.

The State's cash-basis budgeting system, complex fund structure, and practice of earmarking certain tax receipts for specific purposes complicates the discussion of the State's receipts and disbursement 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:** Roughly 40 percent of projected State-financed spending for operating purposes is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, School Aid, higher education, transportation and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis.

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



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

SUMMARY

The FY 2015 Enacted Budget limits the annual growth in State Operating Funds spending to 1.8 percent, consistent with the 2 percent spending benchmark. The surplus projections for FY 2016 and thereafter set forth in the Financial Plan reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as “Adherence to 2 percent State Operating Funds Spending Benchmark.” Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

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



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

GENERAL FUND PROJECTIONS

GENERAL FUND PROJECTIONS (millions of dollars)					
	FY 2014 Results	FY 2015 Enacted	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
RECEIPTS					
Taxes (After Debt Service)	57,758	57,994	61,564	64,679	67,485
Miscellaneous Receipts/Federal Grants	3,219	3,815	2,980	2,790	2,215
Other Transfers	891	1,153	819	777	750
Total Receipts	61,868	62,962	65,363	68,246	70,450
DISBURSEMENTS					
Local Assistance Grants	39,940	42,118	44,827	47,077	49,671
School Aid	17,182	18,456	19,900	20,977	22,155
Medicaid	11,487	11,599	12,381	13,015	13,728
All Other	11,271	12,063	12,546	13,085	13,788
State Operations	7,309	7,850	7,996	7,956	8,027
Personal Service	5,563	5,890	5,986	5,952	5,975
Non-Personal Service	1,746	1,960	2,010	2,004	2,052
General State Charges	4,899	5,072	5,322	5,470	5,583
Transfers to Other Funds	9,095	8,102	8,998	10,011	10,596
Debt Service	1,972	1,081	1,058	1,457	1,509
Capital Projects	1,436	930	1,406	1,761	2,006
State Share of Mental Hygiene Medicaid	1,576	1,638	1,313	1,281	1,156
SUNY Operations	971	977	980	980	980
All Other	3,140	3,476	4,241	4,532	4,945
Total Disbursements	61,243	63,142	67,143	70,514	73,877
Adherence to 2% State Operating Funds Spending Benchmark ¹					
	n/a	n/a	2,094	3,385	4,916
Use (Reservation) of Fund Balance:					
Rainy Day Reserve Fund	(175)	0	0	0	0
Community Projects Fund	6	87	0	0	0
Prior-Year Labor Agreements (2007-2011)	32	(8)	(11)	(12)	(11)
Debt Management	(387)	0	0	0	0
Undesignated Reserve	(43)	43	0	0	0
JP Morgan Settlement Proceeds	(58)	58	0	0	0
BUDGET SURPLUS/(GAP) PROJECTIONS	0	0	303	1,105	1,478
¹ Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.					



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

STATE OPERATING FUNDS PROJECTIONS

FY 2015 ENACTED BUDGET - STATE OPERATING FUNDS PROJECTIONS (millions of dollars)					
	FY 2014 Results	FY 2015 Enacted	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
RECEIPTS					
Taxes	68,335	68,826	72,844	76,454	79,641
Miscellaneous Receipts/Federal Grants	20,592	20,352	19,632	19,325	18,809
Total Receipts	88,927	89,178	92,476	95,779	98,450
DISBURSEMENTS					
Local Assistance Grants	59,406	61,181	64,141	66,350	69,245
School Aid	20,420	21,671	23,289	24,294	25,502
STAR	3,357	3,429	3,478	3,574	3,616
Other Education Aid	2,003	2,146	2,212	2,365	2,540
Higher Education	2,817	2,916	2,999	3,062	3,123
Medicaid (DOH)	16,241	16,732	17,523	18,282	19,051
Public Health/Aging	2,179	1,868	1,828	1,798	1,827
Mental Hygiene	2,777	2,925	3,063	3,078	3,557
Social Services	3,101	2,777	3,012	3,067	3,134
Transportation	4,722	4,817	4,865	4,936	5,014
Local Government Assistance	756	779	778	789	792
Public Protection	282	342	369	345	309
All Other	751	779	725	760	780
State Operations	17,864	18,199	18,610	18,605	18,684
Personal Service	12,300	12,593	12,831	12,808	12,856
Non-Personal Service	5,564	5,606	5,779	5,797	5,828
General State Charges	6,958	7,206	7,513	7,707	7,854
Pension Contribution	2,086	2,136	2,301	2,190	2,091
Health Insurance (Active Employees)	1,790	1,846	1,959	2,077	2,203
Health Insurance (Retired Employees)	1,463	1,509	1,601	1,698	1,801
All Other	1,619	1,715	1,652	1,742	1,759
Debt Service	6,400	5,648	5,908	6,682	7,011
Capital Projects	3	0	1	2	2
Total Disbursements	90,631	92,234	96,173	99,346	102,796
Net Other Financing Sources/(Uses)	2,134	2,827	1,944	1,547	1,263
Adherence to 2% State Operating Funds Spending Benchmark ¹	n/a	n/a	2,094	3,385	4,916
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(430)	229	(38)	(260)	(355)
Available General Fund Balance	(625)	180	(11)	(12)	(11)
Unavailable Special Revenue Funds	50	42	(14)	(233)	(314)
Unavailable Debt Service Funds	145	7	(13)	(15)	(30)
GENERAL FUND BUDGET SURPLUS/(GAP)	0	0	303	1,105	1,478

¹ Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from spending growth limit are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

RECEIPTS

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

Overall base growth in tax receipts is dependent on a multitude of factors. In general, base tax receipts growth rates are determined by economic changes, including, but not limited to, changes in interest rates, prices, wages, employment, nonwage income, capital gains realizations, taxable consumption, corporate profits, household net worth, real estate prices and gasoline prices. Federal law changes can influence taxpayer behavior, which also affect base tax receipts growth. State taxes account for approximately half of total All Funds receipts.

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

Where noted, certain tables in the following section display General Fund tax receipts that exclude amounts transferred to the General Fund in excess of amounts needed for certain debt service obligations (e.g., PIT receipts in excess of the amount transferred for debt service on revenue bonds). For a detailed description of revenue sources, see “Exhibit D - Principal State Taxes and Fees” herein.

OVERVIEW OF THE RECEIPTS FORECAST

FY 2014 HIGHLIGHTS:

- Base receipts (adjusted for tax law changes) growth of 6.3 percent;
- A better than expected Tax Year 2012 PIT settlement, mainly the result of capital gains and income shifted from 2013 and other future years into 2012 in anticipation of higher Federal tax rates beginning in 2013;
- December 2013 and January 2014 PIT estimated payments that exceeded expectations, likely the result of stock market results;
- An increase in RETT collections growth, generally from improved conditions downstate;
- Strong estate tax collections, also likely due in some degree to the increase in net worth generated by stock market and real estate gains;
- Robust sales tax collection growth resulting from Superstorm Sandy recovery spending; and



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

- Weaker business tax results, mainly from the banking sector, whose profits suffered from fines and increased mortgage rates that reduced taxable income.

FY 2015 HIGHLIGHTS:

- Base receipts (adjusted for law changes) growth of 3.2 percent; however, after factoring out the acceleration of tax refunds in 2014, tax receipts would decline on an annual basis;
- PIT growth consistent with the estimated wage and personal income growth discussed above, but tempered by April 2014 settlement results that were lower than the prior year, increased refunds generated by the payback of tax credits deferred in Tax Years 2010-2012, and tax cuts included in the Enacted Budget;
- A return to trend taxable consumption growth after the above average growth experienced in FY 2014;
- Another decline in business tax receipts, due primarily to the credit deferral payback and Enacted Budget tax cuts;
- A decline in estate tax receipts generated by Enacted Budget tax cuts; and
- A slowdown in RETT receipt growth consistent with long-term averages.

All Funds receipts in FY 2015 are projected to total \$141.6 billion, an increase of 2.9 percent from FY 2014 results. The table below summarizes the multi-year receipts projections.

ALL FUNDS RECEIPTS (millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	<u>Results</u>	<u>Enacted</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
Personal Income Tax	42,961	43,735	1.8%	46,829	7.1%	50,023	6.8%	52,461	4.9%
User Taxes and Fees	15,099	15,364	1.8%	15,856	3.2%	16,302	2.8%	16,789	3.0%
Business Taxes	8,259	7,671	-7.1%	7,999	4.3%	7,930	-0.9%	8,101	2.2%
Other Taxes	3,371	3,418	1.4%	3,509	2.7%	3,544	1.0%	3,639	2.7%
Total State Taxes	69,690	70,188	0.7%	74,193	5.7%	77,799	4.9%	80,990	4.1%
Miscellaneous Receipts	24,234	25,672	5.9%	25,214	-1.8%	24,374	-3.3%	23,178	-4.9%
Federal Receipts	43,789	45,789	4.6%	46,534	1.6%	48,283	3.8%	49,750	3.0%
Total All Fund Receipts	137,713	141,649	2.9%	145,941	3.0%	150,456	3.1%	153,918	2.3%



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

State tax receipts are expected to increase 0.7 percent in FY 2015. This modest increase is due to the factors noted above. Miscellaneous receipts growth is mainly due to the deposit of \$1 billion from the SIF reserve release in connection with Workers' Compensation reforms enacted in the FY 2014 budget.

Consistent with the projected growth in the New York economy over the multi-year Financial Plan period, all major tax categories are expected to grow, with the exception of business taxes and Other Taxes. The declines in these categories are the result of the payback of deferred tax credits and recently enacted tax law changes.

GENERAL FUND RECEIPTS (millions of dollars)					
	FY 2014 Results	FY 2015 Enacted	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Total All Funds State Taxes	68,486	68,922	72,861	76,396	79,512
Less Dedicated Taxes:					
STAR	(3,357)	(3,429)	(3,478)	(3,574)	(3,616)
Revenue Bond Tax Fund	(10,740)	(10,934)	(11,708)	(12,506)	(13,115)
LGAC/Sales Tax Bond Fund	(5,901)	(6,046)	(6,277)	(6,510)	(6,760)
Cigarette/Tobacco Tax	(1,027)	(970)	(923)	(880)	(842)
Sales Tax	(802)	(854)	(894)	(927)	(956)
User Taxes	(808)	(842)	(854)	(853)	(858)
Business Taxes	(2,213)	(2,233)	(2,271)	(2,321)	(2,372)
Real Estate Transfer Tax	(911)	(955)	(1,020)	(1,079)	(1,149)
Total General Fund Taxes	42,727	42,659	45,436	47,746	49,844
Miscellaneous Receipts	3,219	3,815	2,980	2,790	2,215
Federal Receipts	0	0	0	0	0
Total General Fund Receipts	45,946	46,474	48,416	50,536	52,059
Annual \$ Change		528	1,942	2,120	1,523
Annual % Change		1.1%	4.2%	4.4%	3.0%

Approximately 60 percent of All Funds tax receipts are deposited into the General Fund. The remaining tax collections are dedicated for various purposes including STAR payments to school districts, debt service reserves, health care, and transportation. General Fund tax receipts are projected to total \$42.7 billion in FY 2015, virtually unchanged, from prior year results. General Fund miscellaneous receipts are expected to increase by \$596 million (18.5 percent) mainly due to the deposit of funds related to FY 2014 Workers' Compensation reforms, which is partly offset by the phase-out of the temporary utility assessment.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)									
	FY 2014	FY 2015	Annual %	FY 2016	Annual %	FY 2017	Annual %	FY 2018	Annual %
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	42,961	43,735	1.8%	46,829	7.1%	50,023	6.8%	52,461	4.9%
Gross Collections	51,575	51,979	0.8%	55,926	7.6%	59,478	6.4%	61,990	4.2%
Refunds (Incl. State/City Offset)	(8,614)	(8,244)	-4.3%	(9,097)	10.3%	(9,455)	3.9%	(9,529)	0.8%
GENERAL FUND¹	28,864	29,372	1.8%	31,643	7.7%	33,943	7.3%	35,730	5.3%
Gross Collections	51,575	51,979	0.8%	55,926	7.6%	59,478	6.4%	61,990	4.2%
Refunds (Incl. State/City Offset)	(8,614)	(8,244)	-4.3%	(9,097)	10.3%	(9,455)	3.9%	(9,529)	0.8%
STAR	(3,357)	(3,429)	2.1%	(3,478)	1.4%	(3,574)	2.8%	(3,616)	1.2%
RBTF	(10,740)	(10,934)	1.8%	(11,708)	7.1%	(12,506)	6.8%	(13,115)	4.9%

¹Excludes Transfers.

The PIT is by far New York State's largest source of tax receipts, accounting for approximately 64 percent of estimated FY 2015 State tax receipts. The State's PIT structure conforms closely to the Federal structure, however with modifications for the inclusion or exclusion of certain income. New York allows either a standard deduction or itemized deductions, whichever is greater. Although New York generally conforms to Federal rules pertaining to itemized deductions, the State imposes some additional limitations, mainly for high income taxpayers.

In addition, the PIT structure includes various exclusions, exemptions, tax credits, and other statutory devices designed to adjust State tax liability. These tax expenditures reduce the amount of a taxpayer's liability to the State by providing either economic incentives or tax relief to particular entities to achieve a public purpose.

Overall base growth in PIT receipts is dependent on the forecast of economic changes, including, but not limited to, changes in wages, employment, nonwage income, and capital gains realizations.

All Funds receipts for FY 2015 are projected to be \$43.7 billion, an increase of \$774 million (1.8 percent) from FY 2014. This primarily reflects increases in withholding and estimated payments attributable to the 2014 tax year, partially offset by a substantial decline in tax year 2013 extension payments.

Withholding in FY 2015 is projected to be \$1.8 billion (5.3 percent) higher compared to FY 2014, due mainly to moderate wage growth. Extension payments are estimated to decline by \$1.8 billion (35.2 percent) due to a combination of reduced capital gains realizations, relative to tax year 2012, and an adjustment in taxpayer behavior. The capital gains acceleration into tax year 2012 at the expense of tax year 2013 and thereafter, which was done in anticipation of the increase in Federal income tax rates between 2012 and 2013, served to create an inflated extension payments base. This income shifting was coupled with unusually high tax year 2012-related (FY 2014) extension overpayments, leading to a significant tax year 2013-related (FY 2015) extension payments decline. Estimated payments for tax year 2014 are projected to be \$604 million (6.4 percent) higher. Final return payments and



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

delinquencies are projected to be \$230 million (9.6 percent) lower and \$71 million (6 percent) higher, respectively.

The decline in total refunds of \$370 million (4.3 percent) reflects a \$328 million (15.8 percent) decrease in current (tax year 2014) refunds, a \$625 million (11.6 percent) decrease in prior (tax year 2013) refunds, a \$36 million decrease in previous (tax year 2012 and earlier) refunds, and a \$167 million (27.2 percent) decline in the State-City offset, partially offset by \$785 million in advanced payments for the Family Tax Relief credit and the newly enacted Real Property Tax Freeze credit.

General Fund income tax receipts are net of deposits to the STAR Fund, which provides property tax relief, and the Revenue Bond Tax Fund (RBTF), which supports debt service payments on State PIT revenue bonds. General Fund income tax receipts for FY 2015 of \$29.4 billion are expected to increase by \$508 million (1.8 percent) from the prior year, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be \$10.9 billion and the STAR transfer is projected to be \$3.4 billion.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS					
ALL FUNDS					
(millions of dollars)					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Results	Enacted	Projected	Projected	Projected
Receipts					
Withholding	33,368	35,149	37,410	39,491	40,905
Estimated Payments	14,637	13,418	14,895	16,119	17,058
Current Year	9,454	10,059	10,947	11,749	12,463
Prior Year*	5,183	3,359	3,948	4,370	4,595
Final Returns	2,395	2,166	2,328	2,530	2,636
Current Year	2,145	1,924	2,074	2,265	2,359
Prior Year*	250	242	254	265	277
Delinquent	1,175	1,246	1,293	1,338	1,391
Gross Receipts	51,575	51,979	55,926	59,478	61,990
Refunds					
Prior Year*	5,367	4,742	5,578	6,377	6,792
Previous Years	554	519	538	538	539
Current Year*	2,078	1,751	1,751	1,750	1,750
Advanced Credit Payment	0	785	783	342	0
State/City Offset*	615	448	448	448	448
Total Refunds	8,614	8,244	9,097	9,455	9,529
Net Receipts	42,961	43,735	46,829	50,023	52,461
*These components, collectively, are known as the "settlement" on the prior year's tax liability.					



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

USER TAXES AND FEES

USER TAXES AND FEES (millions of dollars)									
	FY 2014 Results	FY 2015 Enacted	Annual % Change	FY 2016 Projected	Annual % Change	FY 2017 Projected	Annual % Change	FY 2018 Projected	Annual % Change
STATE/ALL FUNDS	15,099	15,364	1.8%	15,856	3.2%	16,302	2.8%	16,789	3.0%
Sales Tax	12,588	12,967	3.0%	13,448	3.7%	13,947	3.7%	14,474	3.8%
Cigarette and Tobacco Taxes	1,453	1,299	-10.6%	1,293	-0.5%	1,236	-4.4%	1,186	-4.0%
Motor Fuel Tax	473	487	3.0%	484	-0.6%	485	0.2%	481	-0.8%
Highway Use Tax	136	136	0.0%	145	6.6%	139	-4.1%	141	1.4%
Alcoholic Beverage Taxes	250	256	2.4%	261	2.0%	266	1.9%	271	1.9%
Taxicab Surcharge	85	100	17.6%	101	1.0%	101	0.0%	101	0.0%
Auto Rental Tax	114	119	4.4%	124	4.2%	128	3.2%	135	5.5%
GENERAL FUND¹	6,561	6,652	1.4%	6,908	3.8%	7,132	3.2%	7,373	3.4%
Sales Tax	5,885	6,067	3.1%	6,277	3.5%	6,510	3.7%	6,758	3.8%
Cigarette and Tobacco Taxes	426	329	-22.8%	370	12.5%	356	-3.8%	344	-3.4%
Alcoholic Beverage Taxes	250	256	2.4%	261	2.0%	266	1.9%	271	1.9%

¹Excludes Transfers.

New York imposes certain user taxes and fees, including a 4 percent general sales tax; a \$4.35 per package cigarette tax and tax on other tobacco products; an 8 cent per gallon tax on the sale of motor fuel; highway use tax on commercial vehicles; taxes at various rates on liquor, beer, wine and specialty beverages; and a 6 percent auto rental tax.

All Funds user taxes and fees receipts for FY 2015 are estimated to be \$15.4 billion, a 1.8 percent (\$265 million) increase from FY 2014 results. Sales tax receipts are expected to increase 3 percent (\$379 million) from FY 2014, resulting from 3.9 percent base growth (i.e., absent law changes) offset by law changes enacted with this and previous Budgets (vending machine exemption increase and Start-Up New York). Cigarette and tobacco collections are estimated to decline 10.6 percent (\$154 million), primarily reflecting greater than trend declines in cigarette consumption (particularly in NYC) and cigar tax refunds resulting from new Department of Taxation and Finance tax guidance resulting, in part, from a non-binding Administrative Law Judge Determination (*Matter of Davidoff of Geneva, Inc.*). Motor fuel tax collections are expected to increase 3 percent (\$14 million), rebounding from FY 2014 losses caused by severe winter weather.

General Fund user taxes and fees receipts for FY 2015 are estimated to total over \$6.6 billion, an increase of 1.4 percent (\$91 million) from FY 2014. This increase largely reflects increased sales tax collections offset by greater than trend declines in cigarette collections and cigar tax refunds.

All Funds user taxes and fees receipts for FY 2016 are projected to be \$15.9 billion, an increase of 3.2 percent (\$492 million) from FY 2015 projections. The 3.7 percent (\$481 million) increase in sales tax receipts reflects sales tax base growth of 3.6 percent due to strong projected disposable income growth. Highway use tax receipts are expected to increase 6.6 percent (\$9 million) as FY 2016 is a triennial renewal year.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

General Fund user taxes and fees receipts are projected to total \$6.9 billion in FY 2016, a 3.8 percent (\$256 million) increase from FY 2015 estimates. The projected increase results from increases in sales, cigarette and tobacco, and alcoholic beverage tax receipts. The projected increase in cigarette and tobacco tax receipts is the result of an artificially low FY 2015 base created by the cigar tax refunds mentioned earlier.

All Funds user taxes and fees are projected to increase to \$16.3 billion (2.8 percent) in FY 2017 and \$16.8 billion (3 percent) in FY 2018, representing base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections.

General Fund sales and use tax receipts are net of deposits to the Local Government Assistance Tax Fund (25 percent), and the Sales Tax Revenue Bond Fund (25 percent), which supports debt service payments on State sales and use tax revenue bonds. Receipts in excess of the debt service requirements of the funds and the local assistance payments to New York City, or its assignee, are transferred back to the General Fund. Receipts for both the Local Government Assistance Tax Fund and the Sales Tax Revenue Bond Fund are estimated at \$3.0 billion in FY 2015. For more information, see the section on "Capital Program and Financing Plan", which appears later in this AIS.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

BUSINESS TAXES

	BUSINESS TAXES (millions of dollars)								
	FY 2014 Results	FY 2015 Enacted	Annual % Change	FY 2016 Projected	Annual % Change	FY 2017 Projected	Annual % Change	FY 2018 Projected	Annual % Change
STATE/ALL FUNDS	8,259	7,671	-7.1%	7,999	4.3%	7,930	-0.9%	8,101	2.2%
Corporate Franchise Tax	3,812	2,798	-26.6%	4,533	62.0%	4,257	-6.1%	4,442	4.3%
Corporation and Utilities Tax	798	790	-1.0%	780	-1.3%	800	2.6%	818	2.3%
Insurance Tax	1,444	1,534	6.2%	1,596	4.0%	1,572	-1.5%	1,553	-1.2%
Bank Tax	1,050	1,409	34.2%	(10)	-100.7%	203	-2130.0%	190	-6.4%
Petroleum Business Tax	1,155	1,140	-1.3%	1,100	-3.5%	1,098	-0.2%	1,098	0.0%
GENERAL FUND	6,046	5,438	-10.1%	5,728	5.3%	5,609	-2.1%	5,729	2.1%
Corporate Franchise Tax	3,245	2,239	-31.0%	3,750	67.5%	3,435	-8.4%	3,578	4.2%
Corporation and Utilities Tax	615	604	-1.8%	590	-2.3%	604	2.4%	618	2.3%
Insurance Tax	1,298	1,375	5.9%	1,426	3.7%	1,397	-2.0%	1,371	-1.9%
Bank Tax	888	1,220	37.4%	(38)	-103.1%	173	-555.3%	162	-6.4%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2015 are estimated at \$7.7 billion, a 7.1 percent (\$588 million) decrease from prior year results. The estimate reflects decreases from the first year of the credit deferral payback to taxpayers (an incremental refund increase of \$273 million) and FY 2015 Enacted Budget tax changes which are estimated to reduce All Funds receipts by \$193 million. Growth in the bank and insurance taxes is offset by declines in the corporate franchise tax (for the reasons stated below), the corporation and utilities tax and the petroleum business tax (PBT).

Corporate franchise tax receipts are estimated to decrease 26.6 percent (\$1 billion) in FY 2015, reflecting the refund increment noted above (\$273 million), and tax cuts for manufacturers enacted in the FY 2014 and FY 2015 budgets. The FY 2014 Enacted Budget phased-in a 25 percent tax cut on all four manufacturing tax bases beginning in tax year 2014. Additionally, the FY 2015 Enacted Budget reduced the entire net income tax rate to zero percent for qualified manufacturers effective for Tax Year 2014. The impact of these two actions is estimated to reduce FY 2015 receipts by a total of \$223 million from FY 2014 receipts. In addition to these actions, audit receipts are expected to be 13.3 percent (\$155 million) lower and refunds excluding the credit deferral payback are estimated to increase \$214 million.

Corporation and utilities tax receipts are expected to decline 1 percent (\$8 million) in FY 2015. Both gross receipts and audits are expected to decline from the prior year. The telecommunications sector is expected to show no growth from the prior year as consumers continue to increase their use of smart phones and social networks to communicate. Based on industry information, data revenue per user exceeded voice revenue per user for the first time at the end of calendar year 2013. Data revenue is nontaxable due to Federal law. It is expected that this trend will continue into calendar year 2014. Utility revenue is expected to increase slightly from the prior year which partially offsets the loss of payments made under section 186 due to the Long Island Power Authority (LIPA) restructuring enacted in the 2013 legislative session. Additionally, refunds are expected to be much lower in FY 2015 due to an atypically large refund that was paid in FY 2014.

Insurance tax receipts are expected to increase 6.2 percent (\$90 million) in FY 2015. Strength in premiums growth from authorized insurers as well as unauthorized (excess line brokers) insurers will be only partially offset by the impact of the State's transition of (1) the medical portion of the Empire Plan



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

to self-insurance (effective January 1, 2013) and (2) additional portions of the Empire Plan on January 1, 2014. This transition reduces insurance tax receipts since the State and local governments no longer remit the insurance tax as part of premium payments. Additionally, audits are expected to be higher and refunds lower in FY 2015 than in FY 2014.

Bank tax receipts are estimated to increase 34.2 percent (\$359 million) in FY 2015. Gross receipts are expected to grow 27.4 percent in FY 2015 as liability year 2014 rebounds from a weak 2013. Additionally, audit receipts are expected to increase nearly \$113 million based on the expected case load and implementation of new audit procedures.

PBT receipts are expected to decrease 1.3 percent (\$15 million) in FY 2015, primarily due to the 0.8 percent decrease in PBT tax rates effective January 2014 and the estimated 4 percent decrease in PBT tax rates effective January 2015. These declines are partially offset by an expected rebound in taxable fuel consumption from FY 2014 results that were depressed by severe winter weather.

General Fund business tax receipts for FY 2015 of \$5.4 billion are estimated to decrease 10.1 percent (\$608 million) from FY 2014 results, reflecting the All Funds trends discussed above.

The massive decline in bank tax receipts and the commensurate large increase in corporate franchise tax receipts beginning in FY 2016 are the result of the repeal of the bank tax and resultant imposition of the corporate franchise tax on former bank taxpayers effective for tax year 2015. All Funds business tax receipts for FY 2016 of \$8 billion are projected to increase 4.3 percent (\$328 million) from the prior year. FY 2016 includes Enacted Budget legislation that is expected to reduce All Funds tax receipts by \$329 million. This year-over-year increase primarily reflects higher audits and lower refunds (the second year of the credit deferral payback to taxpayers is smaller than the amount estimated to be paid out in FY 2014). Additionally, gross receipts are expected to grow 2.3 percent. PBT receipts are expected to decrease 3.5 percent (\$40 million) in FY 2016, primarily due to the 4 percent decrease in PBT tax rates noted above and expected declines in taxable motor fuel consumption due to declining vehicle miles traveled and increases in average vehicle fuel efficiency.

General Fund business tax receipts for FY 2016 of \$5.7 billion are projected to increase 5.3 percent (\$290 million), reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2017 and FY 2018 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. All Funds business tax receipts are projected to decrease to \$7.9 billion (0.9 percent) in FY 2017, and increase to \$8.1 billion (2.2 percent) in FY 2018. General Fund business tax receipts are expected to decrease to \$5.6 billion (2.1 percent) in FY 2017 and increase to \$5.7 billion (2.1 percent) in FY 2018. The decrease in FY 2017 primarily reflects the reduction of the corporate entire net income tax rate to 6.5 percent from 7.1 percent that was implemented as part of corporate tax reform in the FY 2015 Enacted Budget.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

OTHER TAXES

OTHER TAXES (millions of dollars)									
	FY 2014	FY 2015	FY 2016		FY 2017		FY 2018		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	2,167	2,152	-0.7%	2,177	1.2%	2,141	-1.7%	2,161	0.9%
Estate Tax	1,238	1,179	-4.8%	1,139	-3.4%	1,044	-8.3%	994	-4.8%
Real Estate Transfer Tax	911	955	4.8%	1,020	6.8%	1,079	5.8%	1,149	6.5%
Pari-Mutuel Taxes	17	17	0.0%	17	0.0%	17	0.0%	17	0.0%
All Other Taxes	1	1	0.0%	1	100.0%	1	100.0%	1	100.0%
GENERAL FUND¹	1,256	1,197	-4.7%	1,157	-3.3%	1,062	-8.2%	1,012	-4.7%
Estate Tax	1,238	1,179	-4.8%	1,139	-3.4%	1,044	-8.3%	994	-4.8%
Pari-Mutuel Taxes	17	17	0.0%	17	0.0%	17	0.0%	17	0.0%
All Other Taxes	1	1	0.0%	1	100.0%	1	100.0%	1	100.0%

¹Excludes Transfers.

All Funds other tax receipts for FY 2015 are estimated to be nearly \$2.2 billion, a 0.7 percent (\$15 million) decrease from FY 2014 results. This reflects a 4.8 percent (\$59 million) decrease in estate tax receipts, partially offset by a 4.8 percent (\$44 million) increase in RETT receipts. The estate tax decrease is primarily the result of Enacted Budget legislation that raises the exemption level from \$1 million to \$5.25 million over a four-year phase-in period and an expected return in FY 2015 to a number of super-large estate payments (payments of over \$25 million) consistent with long-term trends. The FY 2015 RETT estimate reflects a slight drop-off from the record volume of transactions in NYC during FY 2014, combined with modest price growth.

General Fund other tax receipts are expected to be nearly \$1.2 billion in FY 2015, a 4.7 percent (\$59 million) decrease from FY 2014 results, reflecting the estate tax change noted above.

All Funds other tax receipts for FY 2016 are projected to be \$2.2 billion, a 1.2 percent (\$25 million) increase from FY 2015 projections. This reflects projected growth in the RETT receipts due to projected continued growth in both the residential and commercial real estate markets, particularly in NYC, partially offset by a decline in projected estate tax receipts due to the continued phase in of the increased exemption level.

General Fund other tax receipts are expected to total nearly \$1.2 billion in FY 2016, reflecting the 3.4 percent (\$40 million) decrease in estate tax receipts noted above.

All Funds other tax receipts for FY 2017 are projected to decrease to just over \$2.1 billion (1.7 percent) from FY 2016, then increase to nearly \$2.2 billion (0.9 percent) in FY 2018. This overall change is the result of the continued phase in of the estate tax and the increasing value of property transfers. General Fund other tax receipts for FY 2017 and FY 2018 are projected to decrease by 8.2 percent and 4.7 percent, respectively, due to the projected decline in estate tax receipts noted above.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS (millions of dollars)									
	FY 2014	FY 2015	FY 2016		FY 2017		FY 2018		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
ALL FUNDS	24,234	25,672	5.9%	25,214	-1.8%	24,374	-3.3%	23,178	-4.9%
General Fund	3,219	3,815	18.5%	2,980	-21.9%	2,790	-6.4%	2,215	-20.6%
Special Revenue Funds	16,776	16,189	-3.5%	16,331	0.9%	16,243	-0.5%	16,307	0.4%
Capital Projects Funds	3,540	5,208	47.1%	5,470	5.0%	4,937	-9.7%	4,257	0.0%
Debt Service Funds	699	460	-34.2%	433	-5.9%	404	-6.7%	399	0.0%

All Funds miscellaneous receipts include monies received from the 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 estimated to total \$25.7 billion in FY 2015, an increase of 5.9 percent from prior year results. This increase is primarily due to the expected General Fund deposit of \$1 billion from the SIF reserve release in connection with Workers' Compensation law changes in the FY 2014 budget, as well as variations in the level of receipts for health care surcharges and other HCRA resources, licensing fees associated with commercial gaming, bond proceeds, atypical fines and the phase-out of the temporary utility assessment.

All Funds miscellaneous receipts are projected to decrease annually beginning in FY 2016, mainly due to reduced transfers from SIF, the phase-out of the temporary utility assessment, and bond proceeds available to fund capital improvement projects.

FEDERAL GRANTS (millions of dollars)									
	FY 2014	FY 2015	FY 2016		FY 2017		FY 2018		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
ALL FUNDS	43,789	45,789	4.6%	46,534	1.6%	48,283	3.8%	49,750	3.0%
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	41,405	43,654	5.4%	44,776	2.6%	46,569	4.0%	48,005	3.1%
Capital Projects Funds	2,313	2,062	-10.9%	1,685	-18.3%	1,641	-2.6%	1,672	0.0%
Debt Service Funds	71	73	2.8%	73	0.0%	73	0.0%	73	0.0%

Aid from the Federal government helps pay for a variety of programs including Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically projects Federal reimbursements will be received in the State fiscal year in which spending occurs, but due to the variable timing of Federal grant receipts, actual results often differ from the plan.

All Funds Federal grants are expected to increase in FY 2015, which is mainly driven by enhanced Federal Medicaid funding associated with the ACA. Federal grants are expected to grow to \$49.8 billion by



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

FY 2018, reflecting the continuation of growth in Federal Medicaid spending associated with the ACA, partly offset by the expected phase-down of costs associated with Federal disaster assistance aid.

DISBURSEMENTS

Total disbursements in FY 2015 are estimated at \$63.1 billion in the State's General Fund and at \$92.2 billion in total State Operating Funds. Over the multi-year Financial Plan, State Operating Funds spending projections assume Medicaid and School Aid will grow at their statutorily-indexed rates. Medicaid, education, pension costs, employee and retiree health benefits, and debt service are significant drivers of annual spending growth.

The multi-year disbursements projections take into account various factors, including agency staffing levels, program caseloads, inflation, and funding formulas contained in State and Federal law. Factors that affect spending estimates vary by program. For example, public assistance spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends and projected economic conditions. Projections account for the timing of payments, since not all of the amounts appropriated 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 State Special Revenue Funds have been adjusted downward in all fiscal years based on typical spending patterns and the observed variance between estimated and actual results over time.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

LOCAL ASSISTANCE GRANTS

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. Local assistance spending in State Operating Funds is estimated at \$61.2 billion in FY 2015 and accounts for nearly two-thirds of total State Operating Funds spending. Education and health care spending account for approximately two-thirds of local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES					
	FY 2014 Results ¹	Forecast			
		FY 2015 Projected	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
MEDICAID					
Medicaid Coverage	5,147,768	5,830,880	5,950,473	5,973,720	5,985,344
- Family Health Plus Caseload	337,632	0	0	0	0
- Child Health Plus Caseload	308,000	314,000	320,000	326,000	332,000
State Takeover of County/NYC Costs	\$1,789	\$2,067	\$2,475	\$2,819	\$3,164
- Family Health Plus (000s)	\$467	\$155	\$0	\$0	\$0
- Medicaid (000s)	\$1,322	\$1,912	\$2,475	\$2,819	\$3,164
EDUCATION					
SY School Aid (000s)	\$21,109	\$22,237	\$23,101	\$24,183	\$25,388
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	567,219	566,453	565,588	565,390	565,192
Tuition Assistance Program Recipients	305,626	306,129	306,129	306,129	306,129
PUBLIC ASSISTANCE					
Family Assistance Program	258,405	249,131	240,761	234,252	228,911
Safety Net Program - Families	125,424	120,186	115,580	112,047	109,180
Safety Net Program - Singles	196,431	194,850	193,442	192,643	192,157
MENTAL HYGIENE					
Total Mental Hygiene Community Beds	95,608	97,750	99,960	101,670	103,088
- OMH Community Beds	40,248	41,753	43,427	44,827	46,027
- OPWDD Community Beds	41,525	42,033	42,413	42,667	42,790
- OASAS Community Beds	13,835	13,964	14,120	14,176	14,271
PRISON POPULATION (CORRECTIONS)					
	54,300	54,000	53,800	53,700	53,700

¹ Reflects preliminary results based on State agency information, which is not audited for accuracy.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

EDUCATION

SCHOOL AID

School Aid helps support elementary and secondary education for New York pupils enrolled in 674 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 is expected to total \$22.2 billion in SY 2015, an increase of \$1.1 billion (5.3 percent) from school year (SY) 2014. This increase is provided largely through \$853 million of additional general operating support to school districts, consisting of a \$602 million restoration in the Gap Elimination Adjustment (GEA) and a \$251 million increase in Foundation Aid. Another \$275 million supports increased reimbursement in expense-based aid programs (e.g., transportation, BOCES, school construction) and other miscellaneous aid categories.

The FY 2015 Enacted Budget also provides \$340 million of recurring annual funding to support Statewide Universal Full-Day Pre-Kindergarten programs in order to incentivize and fund state-of-the-art programs and encourage creativity through competition. These programs are expected to begin in the fall of 2014.

Based on the final recommendations of the Governor's New NY Education Reform Commission, the FY 2015 Enacted Budget establishes a \$20 million Teacher Excellence Fund and provides \$5 million for additional Pathways in Technology Early College High School (P-TECH) grants.

Finally, the FY 2015 Enacted Budget maintains the two-year appropriation that continues Education Law provisions. School Aid is projected to increase by an additional \$864 million (3.9 percent) in SY 2016 and \$1.1 billion (4.7 percent) in SY 2017. School Aid is projected to reach an annual total of \$25.4 billion in SY 2018.

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)									
(millions of dollars)									
	<u>SY 2014</u>	<u>SY 2015</u>	<u>Change</u>	<u>SY 2016</u>	<u>Change</u>	<u>SY 2017</u>	<u>Change</u>	<u>SY 2018</u>	<u>Change</u>
Total	21,109	22,237	1,128	23,101	864	24,183	1,082	25,388	1,205
			5.3%		3.9%		4.7%		5.0%

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



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

STATE FISCAL YEAR

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

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

SCHOOL AID AND EDUCATION AID - STATE FISCAL YEAR BASIS (millions of dollars)									
	FY 2014 Results	FY 2015 Enacted	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	20,420	21,671	6.1%	23,289	7.5%	24,294	4.3%	25,502	5.0%
General Fund Local Assistance	17,238	18,456	7.1%	19,900	7.8%	20,977	5.4%	22,155	5.6%
Core Lottery Aid	2,235	2,220	-0.7%	2,252	1.4%	2,210	-1.9%	2,200	-0.5%
VLT Lottery Aid	938	944	0.6%	977	3.5%	918	-6.0%	886	-3.5%
Commerical Gaming - VLT Offset	0	0	N/A	0	N/A	29	N/A	61	110.3%
Commerical Gaming	0	0	N/A	160	N/A	160	0.0%	200	25.0%
Prior Year General Fund/Lottery Resources	9	51	N/A	0	N/A	0	0.0%	0	0.0%

State spending for School Aid is projected to total \$21.7 billion in FY 2015. In future years, receipts available to finance this category of aid from core lottery sales are projected to remain stable. Beginning in FY 2016, School Aid spending is expected to be supplemented by commercial gaming revenues. In addition to State aid, school districts receive approximately \$3 billion annually in Federal categorical aid.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

OTHER EDUCATION FUNDING

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.

New York State provides a full spectrum of special education services to over 400,000 students with disabilities from ages 3 to 21. Major programs under the Office of Pre-kindergarten through Grade 12 address specialized student needs or reimburse school districts for education-related services, including the school lunch and breakfast program, after school programs and other educational grant programs. Higher and professional education programs monitor the quality and availability of postsecondary education programs and regulate the licensing and oversight of 50 professions. Adult career and continuing education services focuses on the education and employment needs of New York State's adult citizens, including ensuring that such individuals have access to a "one-stop" source for all their employment needs and that they are made aware of the full range of services available in other agencies.

OTHER EDUCATION (millions of dollars)									
	FY 2014 Results	FY 2015 Enacted	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	2,003	2,146	7.1%	2,212	3.1%	2,365	6.9%	2,540	7.4%
Special Education	1,408	1,496	6.3%	1,593	6.5%	1,724	8.2%	1,841	6.8%
All Other Education	595	650	9.2%	619	-4.8%	641	3.6%	699	9.0%

Special education growth is primarily driven by an increase in enrollment and an increase in the level of services ordered for students in the preschool special education and the summer school special education programs. In relation to special education programs, the FY 2015 Enacted Budget advances targeted reforms to improve fiscal practices and service delivery. The decrease in other education spending for FY 2016 relative to FY 2015 is driven primarily by one-time costs associated with the timing of claims-based aid payments, and targeted aid and grants in FY 2015.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

SCHOOL TAX RELIEF PROGRAM

The STAR program provides school tax relief to taxpayers by exempting the first \$30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens will receive a \$64,200 exemption in FY 2015. The Department of Taxation and Finance oversees local property assessment administration, and is responsible for establishing STAR property tax exemption amounts.

The three components of STAR and their approximate shares in FY 2015 are: the basic school property tax exemption for homeowners with income under \$500,000 (56 percent); the enhanced school property tax exemption for senior citizen homeowners with incomes under \$81,900 (26 percent); and a flat refundable credit and rate reduction for income-eligible resident New York City personal income taxpayers (18 percent).

Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues. The annual increase in a qualifying homeowner's STAR exemption benefit is limited to 2 percent. New York City personal income taxpayers with annual incomes over \$500,000 have a reduced benefit.

SCHOOL TAX RELIEF (STAR)									
(millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	3,357	3,429	2.1%	3,478	1.4%	3,574	2.8%	3,616	1.2%
Basic Exemption	1,879	1,915	1.9%	1,925	0.5%	1,963	2.0%	2,002	2.0%
Enhanced (Seniors)	867	887	2.3%	894	0.8%	948	6.0%	932	-1.7%
New York City PIT	611	627	2.6%	659	5.1%	663	0.6%	682	2.9%

The spending growth is primarily a reflection of the number of STAR exemption recipients who are expected to participate in the program.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

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 New York City to support CUNY's community colleges. The CUNY system is the largest urban public university system in the nation. Funding for SUNY supports 30 community colleges across multiple campuses. The State also provides a sizeable benefit to CUNY and SUNY through the debt service it pays on bond-financed capital projects at the universities. State debt service payments for capital projects at SUNY and CUNY are expected to total about \$1.2 billion in FY 2015 (this is not reflected in the annual spending totals for the universities). HESC administers the Tuition Assistance Program (TAP) 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 HESC administers are funded by the State and the Federal government.

HIGHER EDUCATION (millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	2,817	2,916	3.5%	2,999	2.8%	3,062	2.1%	3,123	2.0%
City University	1,346	1,394	3.6%	1,441	3.4%	1,490	3.4%	1,542	3.5%
Senior Colleges	1,130	1,171	3.6%	1,217	3.9%	1,266	4.0%	1,318	4.1%
Community College	216	223	3.2%	224	0.4%	224	0.0%	224	0.0%
Higher Education Services	990	1,034	4.4%	1,064	2.9%	1,078	1.3%	1,087	0.8%
Tuition Assistance Program	944	973	3.1%	994	2.2%	997	0.3%	997	0.0%
Scholarships/Awards	35	49	40.0%	58	18.4%	69	19.0%	78	13.0%
Aid for Part Time Study	11	12	9.1%	12	0.0%	12	0.0%	12	0.0%
State University	481	488	1.5%	494	1.2%	494	0.0%	494	0.0%
Community College	470	481	2.3%	487	1.2%	487	0.0%	487	0.0%
Other/Cornell	11	7	-36.4%	7	0.0%	7	0.0%	7	0.0%

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

Annual growth by CUNY across the multi-year Financial Plan reflects the net impact of additional base operating support at community colleges and fringe benefit cost increases at senior colleges. Growth in HESC reflects the implementation of a new scholarship for Science, Technology, Engineering and Mathematics as well as a \$165 increase to the maximum TAP award. SUNY local assistance reflects the net impact of additional base operating aid and enrollment changes at community colleges.



HEALTH CARE

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The State DOH works with local health departments and social services departments, including New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but many programs are supported through multi-agency efforts.

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments. Eligible services include inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care, the Family Health Plus (FHP)⁴ program and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services and foster care services).

In FY 2012, legislation was enacted to limit the year-to-year growth in State funds Medicaid spending to the ten-year rolling average in the medical component of the CPI. The statutory provisions of the Medicaid spending cap (or “Global Cap”) also allow for flexibility in adjusting Medicaid projections to meet unanticipated costs resulting from the event of a natural or other type of disaster. The FY 2015 Enacted Budget reflects the continuation of the Medicaid spending cap for FY 2015 and FY 2016, and the Financial Plan assumes that statutory authority will be extended in subsequent years. Allowable growth under the cap is 3.8 percent for FY 2015. DOB estimates the cap growth at 3.6 percent in FY 2016; 3.4 percent in FY 2017; and 3.3 percent in FY 2018 attributed to projected CPI reductions.

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

⁴ The FY 2014 Enacted Budget 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 of Health insurance benefit exchange and the State will pay remaining out-of-pocket costs for these individuals up to previous FHP levels.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS (millions of dollars)					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Results	Enacted	Projected	Projected	Projected
Department of Health ¹	16,382	16,962	17,740	18,511	19,280
Local Assistance	16,241	16,732	17,523	18,282	19,051
State Operations ²	141	230	217	229	229
Other State Agencies	4,986	5,090	5,323	5,285	5,694
Mental Hygiene	4,842	4,990	5,218	5,177	5,582
Foster Care	88	88	92	95	99
Corrections	0	12	13	13	13
Education	56	0	0	0	0
Total State Share (All Agencies)	21,368	22,052	23,063	23,796	24,974
Annual \$ Change		684	1,011	733	1,178
Annual % Change		3.2%	4.6%	3.2%	5.0%

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

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

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

DEPARTMENT OF HEALTH MEDICAID ¹ (millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE OPERATING FUNDS	16,382	16,962	3.5%	17,740	4.6%	18,511	4.3%	19,280	4.2%
Total General Fund - Local	11,487	11,599	1.0%	12,381	6.7%	13,015	5.1%	13,728	5.5%
Department of Health	10,757	10,884	1.2%	11,666	7.2%	12,110	3.8%	13,040	7.7%
Mental Hygiene Stabilization Fund	730	445	-39.0%	267	-40.0%	267	0.0%	0	-100.0%
Financial Plan Relief	0	270	N/A	448	65.9%	638	42.4%	688	7.8%
Total General Fund - State Operations	141	230	63.1%	217	-5.7%	229	5.5%	229	0.0%
Other State Funds Support	4,754	5,133	8.0%	5,142	0.2%	5,267	2.4%	5,323	1.1%
HCRA Financing ²	3,177	3,556	11.9%	3,565	0.3%	3,690	3.5%	3,746	1.5%
Indigent Care Support	776	792	2.1%	792	0.0%	792	0.0%	792	0.0%
Provider Assessment/Other Revenue	801	785	-2.0%	785	0.0%	785	0.0%	785	0.0%

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

² FY 2015 HCRA financing includes \$30 million for New York State of Health.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

Beginning in FY 2014, certain OPWDD-related Medicaid costs were financed within available resources under the Global Cap to alleviate the financial impact of reduced Federal revenue associated with the reimbursement of Medicaid costs at State-operated facilities providing developmental disability services. In FY 2015, additional costs were funded under the cap to benefit the State Financial Plan. These costs were accommodated through the State's implementation of the MRT initiatives; cash management improvements; and the utilization of Federal resources associated with the ACA.

Fluctuation in enrollment, costs of provider health care services (particularly in managed care), and utilization levels drive higher Medicaid spending that must be managed within the Global Cap. The number of Medicaid recipients is expected to exceed 5.8 million by the end of FY 2015, a 6.3 percent increase from the current caseload of 5.5 million. This expected growth is mainly attributable to expanded eligibility pursuant to the ACA. Under the provisions of the ACA, which became effective in January 2014, the Federal government is expected to finance a greater share of Medicaid costs, the impact of which is expected to lower growth in the State share of Medicaid.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

PUBLIC HEALTH/AGING PROGRAMS

Public Health includes the CHP program that finances health insurance coverage for children of low-income families up to the age of 19, the GPHW program that reimburses local health departments for the cost of providing certain public health services, the Elderly Pharmaceutical Insurance Coverage (EPIC) program that provides prescription drug insurance to seniors, and the Early Intervention (EI) program that pays for services to infants and toddlers under the age of three with disabilities or developmental delays. Many public health programs, such as EI and GPHW programs, are run by county health departments and reimbursed by the State for a share of program costs. The State spending projections do not include the county share of public health funding. In addition, a significant portion of HCRA spending is included under the Public Health budget.

The State Office for the Aging (SOFA) promotes and administers programs and services for New Yorkers 60 years of age and older. The Office primarily oversees community-based services (including in-home services and nutrition assistance) provided through a network of county agencies on aging and local providers.

PUBLIC HEALTH AND AGING (millions of dollars)									
	FY 2014 Results	FY 2015 Enacted	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	2,179	1,868	-14.3%	1,828	-2.1%	1,798	-1.6%	1,827	1.6%
Public Health	2,067	1,747	-15.5%	1,701	-2.6%	1,667	-2.0%	1,693	1.6%
Child Health Plus	401	417	4.0%	374	-10.3%	314	-16.0%	327	4.1%
General Public Health Works	178	192	7.9%	198	3.1%	207	4.5%	207	0.0%
EPIC	126	119	-5.6%	117	-1.7%	122	4.3%	126	3.3%
Early Intervention	163	167	2.5%	167	0.0%	167	0.0%	167	0.0%
HCRA Program	426	453	6.3%	453	0.0%	453	0.0%	453	0.0%
F-SHRP ¹	389	0	-100.0%	0	n/a	0	0.0%	0	0.0%
All Other	384	399	3.9%	392	-1.8%	404	3.1%	413	2.2%
Aging	112	121	8.0%	127	5.0%	131	3.1%	134	2.3%

¹ The Federal-State Health Reform Partnership Program expired March 31, 2014.

The CHP spending is expected to grow in FY 2015 due to forecasted caseload growth under the ACA. As CHP enrollment increases, initial costs will be incurred by the State until enhanced Federal participation rates become effective beginning in FY 2016. The FY 2015 Enacted Budget holds CHP reimbursement rates in FY 2015 at FY 2014 levels.

GPHW spending growth in FY 2015 is primarily attributable to the timing of a one-time recoupment from NYC which resulted in lower FY 2014 spending relative to historical patterns. Beginning in FY 2015, spending growth is expected to be managed at moderate levels in part through lower projected county claiming, as well as through encouraging enrollment in other insurance for clinical prenatal care services currently supported through GPHW.

EPIC program spending is projected to decline through FY 2016 due to enrollment changes. Growth in FY 2017 and FY 2018 reflects the expansion of the EPIC program based on increased income limits for services.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

Program growth for EI in FY 2015 is mainly due to additional funding provided with the Enacted Budget to reimburse certain pending claims. This growth will remain flat through the remainder of the Financial Plan, as enrollment is expected to be stable. Increased spending for HCRA programs in FY 2015 is attributable to an additional \$25 million annual subsidy for the Roswell Park Cancer Institute (RPCI), which is intended to offset the expiration of capital grant awards in order to maintain the current level of State funding for the RPCI.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

HCRA FINANCIAL PLAN

HCRA was established in 1996 to help finance a portion of State health care activities. Extensions and modifications to HCRA have financed new health care programs, including FHP and CHP. HCRA has also provided additional financing for the health care industry, including investments in worker recruitment and retention, and the HEAL NY program for capital improvements to health care facilities (funding was completed during FY 2014). HCRA authorization has been extended through FY 2017, pursuant to legislation included in the Enacted Budget.

HCRA receipts include surcharges and assessments on hospital revenues, a “covered lives” assessment paid by insurance carriers, and a portion of cigarette tax revenues. These resources are used to fund roughly 20 percent of the State Share of Medicaid, FHP, CHP, HEAL NY, EPIC, physician excess medical malpractice insurance, and Indigent Care payments, which provide funding to hospitals serving a disproportionate share of individuals without health insurance.

HCRA FINANCIAL PLAN FY 2014 THROUGH FY 2018 (millions of dollars)					
	FY 2014 Results	FY 2015 Enacted	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
OPENING BALANCE	18	9	0	0	0
TOTAL RECEIPTS	5,320	5,507	5,646	5,684	5,683
Surcharges	2,788	2,962	3,111	3,176	3,263
Covered Lives Assessment	1,039	1,085	1,110	1,110	1,045
Cigarette Tax Revenue	1,027	970	923	880	842
Hospital Assessments	368	400	416	433	449
NYC Cigarette Tax Transfer/Other	98	90	86	85	84
TOTAL DISBURSEMENTS	5,329	5,516	5,646	5,684	5,683
Medicaid Assistance Account	<u>3,177</u>	<u>3,526</u>	<u>3,565</u>	<u>3,689</u>	<u>3,746</u>
Medicaid Costs	2,333	3,018	3,368	3,492	3,549
Family Health Plus	651	311	0	0	0
Workforce Recruitment & Retention	193	197	197	197	197
Hospital Indigent Care	776	792	792	792	792
HCRA Program Account	433	467	467	467	467
Child Health Plus	406	425	383	323	337
Elderly Pharmaceutical Insurance Coverage	143	132	130	135	139
SHIN-NY/APCD	0	40	65	65	0
New York State of Health ¹	0	30	114	81	75
Public Health Programs	27	0	0	0	0
HEAL NY	266	0	0	0	0
All Other	101	104	130	132	127
ANNUAL OPERATING SURPLUS/(DEFICIT)	(9)	(9)	0	0	0
CLOSING BALANCE	9	0	0	0	0

¹ FY 2015 spending will be financed from the Medical Assistance Account.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

HCRA receipts are estimated to grow 1.7 percent on average through FY 2018. Surcharge and assessment revenue is expected to increase due to expanded coverage under the ACA, and will be dedicated to finance additional administrative costs associated with the New York State of Health Exchange. This growth is partly offset by projected declines in cigarette tax revenue due to declining tobacco consumption.

HCRA spending is expected to increase by \$187 million in FY 2015 and total \$5.5 billion. The most significant areas of growth include additional financing of the State share of Medicaid costs; capital costs associated with the implementation of the new All Payers Claims Database (APCD) and Statewide Health Information Network for New York (SHIN-NY), which is expected to improve information capabilities and increase efficiency associated with health insurance claiming; and a \$25 million increase in annual funding for RPCI to offset the expiration of other capital grant award funding.

The Enacted Budget is expected to lower costs associated with certain programs financed with HCRA revenue, the most notable of which is a planned freeze of reimbursement rates associated with the CHP program for one year.

HCRA is expected to remain in balance over the multi-year projection period. Under the current HCRA appropriation structure, spending reductions will occur if resources are insufficient to meet spending levels. Any potential spending reductions could affect General Fund Medicaid Funding or HCRA programs. Conversely, any unanticipated balances or excess resources in HCRA are expected to finance Medicaid costs that would otherwise be paid from the General Fund.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

MENTAL HYGIENE

The Department of Mental Hygiene is comprised of three independent agencies: OPWDD, the 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 were issued to finance improvements to infrastructure at mental hygiene facilities throughout the State, with the remaining revenue used to support State operating costs.

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.

MENTAL HYGIENE (millions of dollars)									
	FY 2014 Results	FY 2015 Enacted	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	2,777	2,925	5.3%	3,063	4.7%	3,078	0.5%	3,557	15.6%
People with Developmental Disabilities	1,364	1,463	7.3%	1,533	4.8%	1,463	-4.6%	1,812	23.9%
Residential Services	1,372	1,429	4.2%	1,475	3.2%	1,554	5.4%	1,640	5.5%
Day Programs	598	616	3.0%	635	3.1%	669	5.4%	707	5.7%
Clinic	20	21	5.0%	22	4.8%	23	4.5%	24	4.3%
Other Local	104	112	7.7%	116	3.6%	122	5.2%	129	5.7%
Mental Hygiene Stabilization Fund	(730)	(445)	-39.0%	(267)	-40.0%	(267)	0.0%	0	-100.0%
Financial Plan Relief	0	(270)	N/A	(448)	65.9%	(638)	42.4%	(688)	7.8%
Mental Health	1,101	1,143	3.8%	1,205	5.4%	1,278	6.1%	1,396	9.2%
Adult Local Services	920	952	3.5%	1,008	5.9%	1,075	6.6%	1,179	9.7%
Children Local Services	181	191	5.5%	197	3.1%	203	3.0%	217	6.9%
Alcohol and Substance Abuse	311	318	2.3%	324	1.9%	336	3.7%	348	3.6%
Outpatient/Methadone	125	125	0.0%	127	1.6%	131	3.1%	134	2.3%
Residential	120	127	5.8%	130	2.4%	135	3.8%	142	5.2%
Prevention and Program Support	53	53	0.0%	54	1.9%	56	3.7%	58	3.6%
Crisis	13	13	0.0%	13	0.0%	14	7.7%	14	0.0%
CQCAPD/Justice Center¹	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%

¹ The activities of the Commission on Quality of Care and Advocacy for Persons with Disabilities were subsumed by the Justice Center on June 30, 2013.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

Local assistance spending accounts for nearly half of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 6.4 percent annually. The main factor driving this level of growth is the phase-down of the Mental Hygiene Stabilization Fund, whereby certain OPWDD-related Medicaid costs are funded under the Medicaid Global Cap. When adjusting for the phase-down of the Mental Hygiene Stabilization Fund, local program spending is expected to increase by an average annual rate of 4.9 percent, and is mainly attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems, including costs associated with developing new OPWDD residential and non-residential services; expansions in community mental health services intended to reduce reliance on inpatient treatment; developing new opiate and heroin treatment and prevention programs; the New York/New York III Supportive Housing agreement; and community beds that are currently under development for adult home and nursing home residents with mental illness. Additional outyear spending is assumed in Financial Plan estimates for costs associated with efforts to move individuals to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS.

In FY 2015, additional OPWDD-related Medicaid costs were funded under the cap to benefit the State Financial Plan. These costs were accommodated through the State's implementation of the MRT initiatives; cash management improvements; and the utilization of Federal resources associated with the ACA.

The Enacted Budget replaces the statutorily-indexed COLA with a 2 percent increase, beginning in January 2015, to support salary increases for Direct Care and Direct Support workers and payments to Foster/Adoptive parents. Additionally, the Enacted Budget also authorizes another 2 percent increase beginning in April 2015 for the same individuals, with the April 2015 increase expanded to also include Clinical staff. In total, the Enacted Budget commits \$13 million in FY 2015, growing to \$122 million in FY 2016 to support salary increases for the lowest paid not-for-profit workers and Foster/Adoptive parents.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

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 2014 Results	FY 2015 Enacted	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	1,351	1,232	-8.8%	1,259	2.2%	1,270	0.9%	1,281	0.9%
SSI	739	653	-11.6%	676	3.5%	686	1.5%	695	1.3%
Public Assistance Benefits	487	459	-5.7%	459	0.0%	459	0.0%	459	0.0%
Welfare Initiatives	20	20	0.0%	18	-10.0%	18	0.0%	18	0.0%
All Other	105	100	-4.8%	106	6.0%	107	0.9%	109	1.9%

As of October 1, 2014, the State will assume responsibility for administration of the State's SSI Supplementation program from the Federal government, which will generate savings and result in an annual spending decline. DOB estimates a decline in projected costs for public assistance due to an expected 2.8 percent annual decrease in average public assistance caseload, which is projected to total 564,167 recipients in FY 2015. Approximately 249,131 families are expected to receive benefits through the Family Assistance program in FY 2015, a decrease of 3.6 percent from FY 2014. In the Safety Net program an average of 120,186 families are expected to be helped in FY 2015, a decrease of 4.2 percent from FY 2014. The caseload for single adults/childless couples supported through the Safety Net program is projected at 194,850 in FY 2015, a decrease of 0.8 percent from FY 2014.

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.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CHILDREN AND FAMILY SERVICES (millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	1,750	1,545	-11.7%	1,753	13.5%	1,797	2.5%	1,853	3.1%
Child Welfare Service	635	255	-59.8%	425	66.7%	425	0.0%	426	0.2%
Foster Care Block Grant	436	436	0.0%	436	0.0%	454	4.1%	474	4.4%
Adoption	156	159	1.9%	158	-0.6%	162	2.5%	166	2.5%
Day Care	170	311	82.9%	311	0.0%	311	0.0%	311	0.0%
Youth Programs	113	137	21.2%	159	16.1%	159	0.0%	159	0.0%
Medicaid	88	88	0.0%	90	2.3%	94	4.4%	98	4.3%
Committees on Special Education	43	40	-7.0%	42	5.0%	45	7.1%	47	4.4%
Adult Protective/Domestic Violence	31	32	3.2%	32	0.0%	32	0.0%	32	0.0%
All Other	78	87	11.5%	100	14.9%	115	15.0%	140	21.7%

The OCFS spending in FY 2015 is projected to decline from FY 2014 levels, mainly due to a decrease in spending on Child Welfare Services that is attributable to lower estimated claims. Increased Day Care spending includes a \$55 million subsidy increase and a drop in Federal aid that result in State share increase to maintain program funding. In addition, the Committees on Special Education growth is based on the five-year historical average of 4.5 percent pursuant to caseload changes and rate increases for both in-state and out-of-state placements.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

TRANSPORTATION

In FY 2015, the Department of Transportation (DOT) will provide \$4.8 billion to support the operating costs of the Statewide mass transit systems financed from dedicated taxes and fees. The MTA, due to the size and scope of its transit and commuter rail systems, receives the majority of the statewide mass transit operating aid. In addition, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District (MCTD). The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit and commuter rail systems. Pursuant to legislation enacted in December 2011, MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD, and the General Fund now provides additional annual support, subject to appropriation, to the MTA to make up for the resulting loss of revenue.

TRANSPORTATION (millions of dollars)									
	FY 2014 Results	FY 2015 Enacted	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	4,722	4,817	2.0%	4,865	1.0%	4,936	1.5%	5,014	1.6%
Mass Transit Operating Aid:	<u>2,101</u>	<u>2,161</u>	<u>2.9%</u>	<u>2,161</u>	<u>0.0%</u>	<u>2,161</u>	<u>0.0%</u>	<u>2,161</u>	<u>0.0%</u>
Metro Mass Transit Aid	1,964	2,015	2.6%	2,015	0.0%	2,015	0.0%	2,015	0.0%
Public Transit Aid	85	94	10.6%	94	0.0%	94	0.0%	94	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	1,898	1,931	1.7%	2,004	3.8%	2,076	3.6%	2,154	3.8%
Dedicated Mass Transit	677	679	0.3%	654	-3.7%	653	-0.2%	652	-0.2%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	1	1	0.0%	1	0.0%	1	0.0%	2	100.0%

Increased operating aid to the MTA and other transit systems reflects the current receipts forecast and the timing of resources due to transactional delays during FY 2014.

The Enacted Budget includes legislative authorization to offset General Fund support for MTA-related debt service costs by transferring \$30 million in dedicated resources from the MMTOA account to the General Debt Service Fund. The Financial Plan also assumes that \$20 million in MMTOA resources will be available to offset MTA-related debt service costs on an annual basis beginning in FY 2016.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

LOCAL GOVERNMENT ASSISTANCE

Direct aid to local governments includes the Aid and Incentives for Municipalities (AIM) program, which was created in FY 2006 to consolidate various unrestricted local aid funding streams; miscellaneous financial assistance for certain counties, towns, and villages; and efficiency-based incentive grants provided to local governments.

LOCAL GOVERNMENT ASSISTANCE (millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	756	779	3.0%	778	-0.1%	789	1.4%	792	0.4%
AIM:									
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Restructuring/Efficiency	4	24	500.0%	34	41.7%	45	32.4%	48	6.7%
All Other Local Aid	37	40	8.1%	29	-27.5%	29	0.0%	29	0.0%

Spending for AIM efficiency incentive grants increases over the multi-year period reflecting the anticipated awards from the Financial Restructuring Board for Local Governments.

AGENCY OPERATIONS

Agency operating costs include personal service, non-personal service, and GSCs. Personal service costs include the salaries of State employees of the Executive, Legislative, and Judicial branches; as well as the salaries of temporary/seasonal employees. Non-personal service costs reflect the cost of operating State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, IT, and professional business services), supplies and materials, equipment, and telephone service. GSCs reflect the cost of fringe benefits (i.e., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State, such as taxes on public lands and litigations. Certain agency operations of Transportation and Motor Vehicles are included in the capital projects fund type and are not reflected in the State Operating Funds totals.

Approximately 94 percent of the State workforce is unionized. The largest unions include CSEA, which represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; 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.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS					
	FY 2014 Results	Forecast			
		FY 2015 Enacted	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Negotiated Base Salary Increases ¹					
CSEA/NYSCOPBA/Council 82/UUP	0%	2%	2%	TBD	TBD
PEF / NYSBPA	0%	2%	TBD	TBD	TBD
State Workforce ²	118,492	118,961	118,961	118,961	118,961
ERS Pension Contribution Rate ³					
Before Amortization (Normal/Admin/GLIP)	21.5%	20.6%	14.6%	12.6%	11.2%
After Amortization	12.5%	13.5%	14.2%	13.2%	12.2%
PFRS Pension Contribution Rate					
Before Amortization (Normal/Admin/GLIP)	29.9%	28.5%	20.9%	18.9%	17.1%
After Amortization	20.5%	21.5%	20.8%	19.8%	18.8%
Employee/Retiree Health Insurance Growth Rates	3.8%	3.3%	6.5%	6.5%	6.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.4%	14.4%	14.4%	14.1%	13.9%

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

² Reflects workforce that is Subject to Direct Executive Control.

³ As Percent of Salary.

The majority of State agencies are expected to hold personal service and non-personal service spending constant over the plan period. Costs from collective bargaining agreements, which include 2 percent salary increases in FY 2015 and FY 2016 (for certain unions), applicable lump sum payments of \$225, and repayment of a portion of the deficit reduction adjustment made to employee salaries, are expected to be funded from operational savings.

Gaming, health care, and SUNY are three areas expected to experience limited programmatic growth over the ensuing four years. The growth in gaming is attributable to activities related to casino development and oversight. Increases in DOH are primarily driven by the State's implementation of the New York State of Health insurance benefit exchange, the State's insurance marketplace program as mandated by ACA. Beginning in FY 2015, program costs for New York State of Health are partially offset by Federal grants; however, DOH must fully absorb the start-up costs by FY 2016. SUNY spending is driven by tuition funding and reflects anticipated operating needs.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

Other increases are technical in nature and reflect funding reclassifications or administrative reconciliations. For example, growth in Temporary and Disability Assistance reflects the reclassification of local assistance contracts to agency operation spending; while the consolidation of state agency IT functions into one central agency, IT Services, drives a higher cost in FY 2015 compared to FY 2014. In addition, the State's workforce is paid on a bi-weekly basis, weekly pay cycles that alternate between Administrative and Institutional payrolls. There are typically 26 pay periods in a fiscal year. In FY 2016, employees in the Mental Hygiene and DOCCS facilities will have one additional institutional payroll.

STATE OPERATING FUNDS - AGENCY OPERATIONS					
(millions of dollars)					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Results	Enacted	Projected	Projected	Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	9,741	9,924	10,216	10,074	10,045
Mental Hygiene	2,915	2,878	2,892	2,890	2,890
Corrections and Community Supervision	2,584	2,572	2,576	2,580	2,582
State Police	648	651	647	647	647
Public Health	406	421	530	497	489
Tax and Finance	345	339	332	331	331
Children and Family Services	277	264	252	252	252
Environmental Conservation	235	234	235	235	213
Information Technology Services	220	421	427	427	427
Financial Services	195	202	202	202	202
Medicaid Admin	141	230	217	229	229
Parks, Recreation and Historic Preservation	186	178	178	178	178
Gaming	137	166	165	165	166
Temporary and Disability Assistance	139	150	161	161	161
General Services	164	150	149	149	149
Workers' Compensation Board	148	142	142	142	142
Disaster Assistance	1	(68)	0	0	0
27th Institutional Payroll	0	0	124	0	0
All Other	1,000	994	987	989	987
UNIVERSITY SYSTEMS	5,777	5,821	5,940	6,077	6,185
State University	5,698	5,731	5,849	5,984	6,090
City University	79	90	91	93	95
INDEPENDENT AGENCIES	300	309	309	309	309
Law	162	168	168	168	168
Audit & Control	138	141	141	141	141
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	15,818	16,054	16,465	16,460	16,539
Judiciary	1,838	1,926	1,926	1,926	1,926
Legislature	208	219	219	219	219
Statewide Total	17,864	18,199	18,610	18,605	18,684
Personal Service	12,300	12,593	12,831	12,808	12,856
	-0.8%	2.4%	1.9%	-0.2%	0.4%
Non-Personal Service	5,564	5,606	5,779	5,797	5,828
	5.4%	0.8%	3.1%	0.3%	0.5%



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

In FY 2015, \$12.6 billion or 13.6 percent of the State Operating Funds Budget is projected to be spent on personal service costs and supports roughly 98,700 full-time equivalent (FTE) employees under direct Executive control and another 15,100 employees of the Legislature and Judiciary. Roughly 75 percent of all personal service spending occurs in four areas: SUNY, the Mental Hygiene agencies, DOCCS, and Judiciary.

STATE OPERATING FUNDS FY 2015 PERSONAL SERVICE SPENDING BY AGENCY (millions of dollars)		
	<u>Dollars</u>	<u>FTEs</u>
Subject to Direct Executive Control	<u>7,134</u>	<u>98,719</u>
Mental Hygiene Agencies	2,270	33,961
Corrections and Community Supervision	2,090	28,171
State Police	559	5,439
Tax and Finance	275	4,368
Health	264	3,769
Environmental Conservation	177	2,254
Children and Family Services	158	2,595
Financial Services	147	1,299
Parks, Recreation and Historic Preservation	132	1,592
All Other	1,062	15,271
University Systems	<u>3,586</u>	<u>43,606</u>
State University	3,545	43,339
City University	41	267
Independent Agencies	<u>1,873</u>	<u>18,229</u>
Law	114	1,578
Audit & Control	110	1,582
Judiciary	1,483	15,069
Legislature ¹	166	0
Total Spending / FTEs	<u>12,593</u>	<u>160,554</u>
¹ Excludes employees of the Legislature. Note: CUNY employees are funded primarily through an agency trust fund. This represents approximately an additional 13,376 FTEs.		



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

GENERAL STATE CHARGES

Fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, the State's share of Social Security, health insurance, workers' compensation, unemployment insurance, and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations. However, certain agencies, including 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 fixed costs for several categories including State payments in lieu of taxes, payments for local assessments on State-owned land and judgments against the State pursuant to the Court of Claims Act.

GENERAL STATE CHARGES (millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	6,958	7,206	3.6%	7,513	4.3%	7,707	2.6%	7,854	1.9%
Fringe Benefits	6,564	6,805	3.7%	7,115	4.6%	7,322	2.9%	7,461	1.9%
Health Insurance	3,253	3,355	3.1%	3,560	6.1%	3,775	6.0%	4,004	6.1%
Employee Health Insurance	1,790	1,846	3.1%	1,959	6.1%	2,077	6.0%	2,203	6.1%
Retiree Health Insurance	1,463	1,509	3.1%	1,601	6.1%	1,698	6.1%	1,801	6.1%
Pensions	2,086	2,136	2.4%	2,301	7.7%	2,190	-4.8%	2,091	-4.5%
Social Security	944	967	2.4%	987	2.1%	1,008	2.1%	1,026	1.8%
All Other Fringe	281	347	23.5%	267	-23.1%	349	30.7%	340	-2.6%
Fixed Costs	394	401	1.8%	398	-0.7%	385	-3.3%	393	2.1%

GSCs are projected to increase at an average annual rate of 3.1 percent over the Financial Plan period due mainly to projected growth in the employer share of cost of employee and retiree health insurance and social security payments, which generally move in tandem with the State's personal service costs. Fixed costs are projected to average approximately \$395 million annually over the multi-year plan. The declines in FY 2016 and FY 2017 reflect the expected final litigation payments for certain settlements.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

TRANSFERS TO OTHER FUNDS (GENERAL FUND BASIS)

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

GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)					
	FY 2014 Results	FY 2015 Enacted	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
TOTAL TRANSFERS TO OTHER FUNDS	9,095	8,102	8,998	10,011	10,596
State Share of Mental Hygiene Medicaid	1,576	1,638	1,313	1,281	1,156
Debt Service	1,972	1,081	1,058	1,457	1,509
SUNY University Operations	971	977	980	980	980
Capital Projects	1,436	930	1,406	1,761	2,006
Dedicated Highway and Bridge Trust Fund	450	719	697	776	848
All Other Capital	986	211	709	985	1,158
ALL OTHER TRANSFERS	3,140	3,476	4,241	4,532	4,945
Mental Hygiene	2,135	2,216	3,039	3,320	3,732
Department of Transportation (MTA Tax)	329	335	335	335	336
SUNY - Disproportionate Share	173	209	228	228	228
Judiciary Funds	107	107	107	107	107
SUNY - Hospital Operations	67	88	88	88	88
Dedicated Mass Transportation Trust Fund	0	63	63	63	63
Mortgage Settlement Proceeds Trust Fund	0	58	0	0	0
Banking Services	41	50	52	54	55
Indigent Legal Services	28	40	40	40	40
Mass Transportation Operating Assistance	34	37	37	37	37
Alcoholic Beverage Control	18	20	20	20	20
Information Technology Services	40	14	6	0	0
Public Transportation Systems	12	15	15	15	15
Correctional Industries	10	12	11	11	11
All Other	146	212	200	214	213

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.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

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 (e.g., Empire State Development (ESD), 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 2014 Results	FY 2015 Enacted	Annual Change	Percent Change
General Fund	1,972	1,081	(891)	-45.2%
Other State Support	4,428	4,567	139	3.1%
State Operating/All Funds Total	6,400	5,648	(752)	-11.8%

Total debt service is projected at \$5.6 billion in FY 2015, of which approximately \$1.1 billion is paid from the General Fund through transfers, and \$4.6 billion from other State funds. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds.

Enacted Budget estimates for debt service spending have been revised to reflect a number of factors, including actual bond sales through FY 2014 and revised estimates for future bonding levels, including increased debt service costs associated with additional capital commitments. Also, FY 2015 spending estimates assume the prepayment of \$350 million of debt service that is due during FY 2016. Excluding prepayments, debt service is projected to remain flat year-over-year.



FINANCIAL PLAN TABLES

The following tables present the multi-year projections for State Operating Funds and All Governmental Funds, as well as monthly cashflow detail for the General Fund. The Financial Plan projections for FY 2016 and thereafter, set forth in this AIS, reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as “Adherence to 2% State Operating Funds Spending Benchmark.” Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CASH RECEIPTS ALL GOVERNMENTAL FUNDS FY 2015 THROUGH FY 2018 (millions of dollars)				
	FY 2015	FY 2016	FY 2017	FY 2018
	Enacted	Projected	Projected	Projected
Taxes:				
Withholdings	35,149	37,410	39,491	40,905
Estimated Payments	13,418	14,895	16,119	17,058
Final Payments	2,166	2,328	2,530	2,636
Other Payments	1,246	1,293	1,338	1,391
Gross Collections	51,979	55,926	59,478	61,990
State/City Offset	(448)	(448)	(448)	(448)
Refunds	(7,796)	(8,649)	(9,007)	(9,081)
Reported Tax Collections	43,735	46,829	50,023	52,461
STAR (Dedicated Deposits)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
Personal Income Tax	43,735	46,829	50,023	52,461
Sales and Use Tax	12,967	13,448	13,947	14,474
Cigarette and Tobacco Taxes	1,299	1,293	1,236	1,186
Motor Fuel Tax	487	484	485	481
Alcoholic Beverage Taxes	256	261	266	271
Highway Use Tax	136	145	139	141
Auto Rental Tax	119	124	128	135
Taxicab Surcharge	100	101	101	101
Gross Utility Taxes and Fees	15,364	15,856	16,302	16,789
LGAC/STBF (Dedicated Transfers)	0	0	0	0
User Taxes and Fees	15,364	15,856	16,302	16,789
Corporation Franchise Tax	2,798	4,533	4,257	4,442
Corporation and Utilities Tax	790	780	800	818
Insurance Taxes	1,534	1,596	1,572	1,553
Bank Tax	1,409	(10)	203	190
Petroleum Business Tax	1,140	1,100	1,098	1,098
Business Taxes	7,671	7,999	7,930	8,101
Estate Tax	1,179	1,139	1,044	994
Real Estate Transfer Tax	955	1,020	1,079	1,149
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	17	17	17	17
Other Taxes	1	1	1	1
Gross Other Taxes	2,152	2,177	2,141	2,161
Real Estate Transfer Tax (Dedicated)	0	0	0	0
Other Taxes	2,152	2,177	2,141	2,161
Payroll Tax	1,266	1,332	1,403	1,478
Total Taxes	70,188	74,193	77,799	80,990
Licenses, Fees, Etc.	757	758	760	760
Abandoned Property	655	655	655	655
Motor Vehicle Fees	1,300	1,300	1,300	1,300
ABC License Fee	56	65	61	62
Reimbursements	299	289	279	269
Investment Income	10	10	10	10
Other Transactions	22,595	22,137	21,309	20,122
Miscellaneous Receipts	25,672	25,214	24,374	23,178
Federal Receipts	45,789	46,534	48,283	49,750
Total	141,649	145,941	150,456	153,918

Source: NYS DOB.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2015 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	2,235	2,489	65	4,789
Receipts:				
Taxes	42,659	8,351	17,816	68,826
Miscellaneous Receipts	3,815	16,003	460	20,278
Federal Receipts	0	1	73	74
Total Receipts	46,474	24,355	18,349	89,178
Disbursements:				
Local Assistance Grants	42,118	19,063	0	61,181
Departmental Operations:				
Personal Service	5,890	6,703	0	12,593
Non-Personal Service	1,960	3,603	43	5,606
General State Charges	5,072	2,134	0	7,206
Debt Service	0	0	5,648	5,648
Capital Projects	0	0	0	0
Total Disbursements	55,040	31,503	5,691	92,234
Other Financing Sources (Uses):				
Transfers from Other Funds	16,488	8,104	4,467	29,059
Transfers to Other Funds	(8,102)	(998)	(17,132)	(26,232)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,386	7,106	(12,665)	2,827
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(180)	(42)	(7)	(229)
Closing Fund Balance	2,055	2,447	58	4,560

Source: NYS DOB.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2016 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	45,436	8,522	18,886	72,844
Miscellaneous Receipts	2,980	16,145	433	19,558
Federal Receipts	0	1	73	74
Total Receipts	48,416	24,668	19,392	92,476
Disbursements:				
Local Assistance Grants	44,827	19,314	0	64,141
Departmental Operations:				
Personal Service	5,986	6,845	0	12,831
Non-Personal Service	2,010	3,726	43	5,779
General State Charges	5,322	2,191	0	7,513
Debt Service	0	0	5,908	5,908
Capital Projects	0	1	0	1
Total Disbursements	58,145	32,077	5,951	96,173
Other Financing Sources (Uses):				
Transfers from Other Funds	16,947	8,177	4,104	29,228
Transfers to Other Funds	(8,998)	(754)	(17,532)	(27,284)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,949	7,423	(13,428)	1,944
Use (Reservation) of Fund Balance:				
Prior-Year Labor Agreements (2007-2011)	(11)	0	0	(11)
Total Use (Reservation) of Fund Balance	(11)	0	0	(11)
Adherence to 2% State Operating Funds Spending Benchmark*				
	2,094	0	0	2,094
Net Surplus (Deficit)	303	14	13	330
*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume this spending limit and without adherence to this spending limit, budget gaps may result.				
Source: NYS DOB.				



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

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	47,746	8,732	19,976	76,454
Miscellaneous Receipts	2,790	16,057	404	19,251
Federal Receipts	0	1	73	74
Total Receipts	50,536	24,790	20,453	95,779
Disbursements:				
Local Assistance Grants	47,077	19,273	0	66,350
Departmental Operations:				
Personal Service	5,952	6,856	0	12,808
Non-Personal Service	2,004	3,750	43	5,797
General State Charges	5,470	2,237	0	7,707
Debt Service	0	0	6,682	6,682
Capital Projects	0	2	0	2
Total Disbursements	60,503	32,118	6,725	99,346
Other Financing Sources (Uses):				
Transfers from Other Funds	17,710	8,270	4,454	30,434
Transfers to Other Funds	(10,011)	(709)	(18,167)	(28,887)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,699	7,561	(13,713)	1,547
Use (Reservation) of Fund Balance:				
Prior-Year Labor Agreements (2007-2011)	(12)	0	0	(12)
Total Use (Reservation) of Fund Balance	(12)	0	0	(12)
Adherence to 2% State Operating Funds Spending Benchmark*				
	3,385	0	0	3,385
Net Surplus (Deficit)	1,105	233	15	1,353

*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume this spending limit and without adherence to this spending limit, budget gaps may result.

Source: NYS DOB.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2018 (millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	49,844	8,892	20,905	79,641
Miscellaneous Receipts	2,215	16,121	399	18,735
Federal Receipts	0	1	73	74
Total Receipts	<u>52,059</u>	<u>25,014</u>	<u>21,377</u>	<u>98,450</u>
Disbursements:				
Local Assistance Grants	49,671	19,574	0	69,245
Departmental Operations:				
Personal Service	5,975	6,881	0	12,856
Non-Personal Service	2,052	3,733	43	5,828
General State Charges	5,583	2,271	0	7,854
Debt Service	0	0	7,011	7,011
Capital Projects	0	2	0	2
Total Disbursements	<u>63,281</u>	<u>32,461</u>	<u>7,054</u>	<u>102,796</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	18,391	8,391	4,417	31,199
Transfers to Other Funds	(10,596)	(630)	(18,710)	(29,936)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>7,795</u>	<u>7,761</u>	<u>(14,293)</u>	<u>1,263</u>
Use (Reservation) of Fund Balance:				
Prior-Year Labor Agreements (2007-2011)	(11)	0	0	(11)
Total Use (Reservation) of Fund Balance	<u>(11)</u>	<u>0</u>	<u>0</u>	<u>(11)</u>
Adherence to 2% State Operating Funds Spending Benchmark*				
	4,916	0	0	4,916
Net Surplus (Deficit)	<u>1,478</u>	<u>314</u>	<u>30</u>	<u>1,822</u>

*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume this spending limit and without adherence to this spending limit, budget gaps may result.

Source: NYS DOB.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2015 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	2,235	2,364	(629)	65	4,035
Receipts:					
Taxes	42,659	8,351	1,362	17,816	70,188
Miscellaneous Receipts	3,815	16,189	5,208	460	25,672
Federal Receipts	0	43,654	2,062	73	45,789
Total Receipts	46,474	68,194	8,632	18,349	141,649
Disbursements:					
Local Assistance Grants	42,118	58,138	2,474	0	102,730
Departmental Operations:					
Personal Service	5,890	7,365	0	0	13,255
Non-Personal Service	1,960	4,822	0	43	6,825
General State Charges	5,072	2,443	0	0	7,515
Debt Service	0	0	0	5,648	5,648
Capital Projects	0	0	5,991	0	5,991
Total Disbursements	55,040	72,768	8,465	5,691	141,964
Other Financing Sources (Uses):					
Transfers from Other Funds	16,488	7,719	1,048	4,467	29,722
Transfers to Other Funds	(8,102)	(3,060)	(1,509)	(17,132)	(29,803)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	8,386	4,659	(155)	(12,665)	225
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(180)	85	12	(7)	(90)
Closing Fund Balance	2,055	2,449	(617)	58	3,945

Source: NYS DOB.



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2016 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	45,436	8,522	1,349	18,886	74,193
Miscellaneous Receipts	2,980	16,331	5,470	433	25,214
Federal Receipts	0	44,776	1,685	73	46,534
Total Receipts	48,416	69,629	8,504	19,392	145,941
Disbursements:					
Local Assistance Grants	44,827	60,238	2,635	0	107,700
Departmental Operations:					
Personal Service	5,986	7,528	0	0	13,514
Non-Personal Service	2,010	4,738	0	43	6,791
General State Charges	5,322	2,518	0	0	7,840
Debt Service	0	0	0	5,908	5,908
Capital Projects	0	1	7,115	0	7,116
Total Disbursements	58,145	75,023	9,750	5,951	148,869
Other Financing Sources (Uses):					
Transfers from Other Funds	16,947	7,834	1,545	4,104	30,430
Transfers to Other Funds	(8,998)	(2,425)	(1,508)	(17,532)	(30,463)
Bond and Note Proceeds	0	0	1,120	0	1,120
Net Other Financing Sources (Uses)	7,949	5,409	1,157	(13,428)	1,087
Use (Reservation) of Fund Balance:					
Prior-Year Labor Agreements (2007-2011)	(11)	0	0	0	(11)
Total Use (Reservation) of Fund Balance	(11)	0	0	0	(11)
Adherence to 2% State Operating Funds Spending Benchmark*					
	2,094	0	0	0	2,094
Net Surplus (Deficit)	303	15	(89)	13	242
*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume this spending limit and without adherence to this spending limit, budget gaps may result.					
Source: NYS DOB.					



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

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	47,746	8,732	1,345	19,976	77,799
Miscellaneous Receipts	2,790	16,243	4,937	404	24,374
Federal Receipts	0	46,569	1,641	73	48,283
Total Receipts	50,536	71,544	7,923	20,453	150,456
Disbursements:					
Local Assistance Grants	47,077	62,268	2,224	0	111,569
Departmental Operations:					
Personal Service	5,952	7,549	0	0	13,501
Non-Personal Service	2,004	4,578	0	43	6,625
General State Charges	5,470	2,567	0	0	8,037
Debt Service	0	0	0	6,682	6,682
Capital Projects	0	2	6,366	0	6,368
Total Disbursements	60,503	76,964	8,590	6,725	152,782
Other Financing Sources (Uses):					
Transfers from Other Funds	17,710	7,927	1,896	4,454	31,987
Transfers to Other Funds	(10,011)	(2,274)	(1,567)	(18,167)	(32,019)
Bond and Note Proceeds	0	0	415	0	415
Net Other Financing Sources (Uses)	7,699	5,653	744	(13,713)	383
Use (Reservation) of Fund Balance:					
Prior-Year Labor Agreements (2007-2011)	(12)	0	0	0	(12)
Total Use (Reservation) of Fund Balance	(12)	0	0	0	(12)
Adherence to 2% State Operating Funds Spending Benchmark*					
	3,385	0	0	0	3,385
Net Surplus (Deficit)	1,105	233	77	15	1,430
<p>*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume this spending limit and without adherence to this spending limit, budget gaps may result.</p>					
Source: NYS DOB.					



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2018 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	49,844	8,892	1,349	20,905	80,990
Miscellaneous Receipts	2,215	16,307	4,257	399	23,178
Federal Receipts	0	48,005	1,672	73	49,750
Total Receipts	<u>52,059</u>	<u>73,204</u>	<u>7,278</u>	<u>21,377</u>	<u>153,918</u>
Disbursements:					
Local Assistance Grants	49,671	64,124	1,990	0	115,785
Departmental Operations:					
Personal Service	5,975	7,578	0	0	13,553
Non-Personal Service	2,052	4,570	0	43	6,665
General State Charges	5,583	2,604	0	0	8,187
Debt Service	0	0	0	7,011	7,011
Capital Projects	0	2	6,146	0	6,148
Total Disbursements	<u>63,281</u>	<u>78,878</u>	<u>8,136</u>	<u>7,054</u>	<u>157,349</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	18,391	8,391	2,070	4,417	33,269
Transfers to Other Funds	(10,596)	(2,403)	(1,617)	(18,710)	(33,326)
Bond and Note Proceeds	0	0	392	0	392
Net Other Financing Sources (Uses)	<u>7,795</u>	<u>5,988</u>	<u>845</u>	<u>(14,293)</u>	<u>335</u>
Use (Reservation) of Fund Balance:					
Prior-Year Labor Agreements (2007-2011)	(11)	0	0	0	(11)
Total Use (Reservation) of Fund Balance	<u>(11)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(11)</u>
Adherence to 2% State Operating Funds Spending Benchmark*					
	4,916	0	0	0	4,916
Net Surplus (Deficit)	<u>1,478</u>	<u>314</u>	<u>(13)</u>	<u>30</u>	<u>1,809</u>
*Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume this spending limit and without adherence to this spending limit, budget gaps may result.					
Source: NYS DOB.					



STATE FINANCIAL PLAN PROJECTIONS FISCAL YEARS 2015 THROUGH 2018

CASHFLOW GENERAL FUND FY 2015 (dollars in millions)

	2014		2015		2016		2017		2018		Total		
	April Results	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	January Projected		February Projected	March Projected
OPENING BALANCE	2,235	5,533	2,652	2,602	2,465	1,840	4,159	2,650	1,104	3,116	5,155	7,795	2,235
RECEIPTS:													
Personal Income Tax	4,015	1,297	2,696	1,989	1,784	3,067	1,426	1,544	3,311	3,349	2,699	2,195	29,372
User Taxes and Fees	507	473	645	519	506	647	524	520	699	551	457	604	6,652
Business Taxes	148	8	922	73	41	952	116	77	903	154	98	1,946	5,438
Other Taxes	85	101	101	101	102	102	101	101	101	100	100	102	1,197
Total Taxes	4,755	1,879	4,364	2,682	2,433	4,768	2,167	2,242	5,014	4,154	3,354	4,847	42,659
Abandoned Property	1	0	0	1	4	50	20	140	25	35	85	294	655
ABC License Fee	7	5	5	5	5	5	5	5	3	3	4	4	56
Investment Income	0	0	1	0	0	1	0	0	4	0	0	0	10
Licenses, Fees, etc.	31	50	65	50	50	70	50	70	90	75	65	91	757
Motor Vehicle Fees	37	13	13	12	12	12	10	10	10	9	9	8	155
Reimbursements	2	5	45	10	10	50	10	20	55	15	30	47	299
Other Transactions	97	1,011	27	31	11	162	34	15	49	37	19	390	1,883
Total Miscellaneous Receipts	175	1,084	156	109	92	350	129	260	236	175	211	838	3,815
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,338	262	1,041	417	243	1,241	361	177	1,166	1,112	477	1,203	9,038
Tax in Excess of LGAC	212	57	464	228	177	295	235	236	319	246	3	156	2,628
Sales Tax Bond Fund	208	219	287	220	220	292	221	222	306	232	197	284	2,908
Real Estate Taxes in Excess of CW/CA Debt Service	57	62	66	70	80	75	67	60	52	55	60	57	761
All Other	90	88	57	36	2	113	38	2	35	56	228	408	1,153
Total Transfers from Other Funds	1,905	688	1,915	971	722	2,016	922	697	1,878	1,701	965	2,108	16,488
TOTAL RECEIPTS	6,835	3,651	6,435	3,762	3,247	7,134	3,218	3,199	7,128	6,030	4,530	7,793	62,962
DISBURSEMENTS:													
School Aid	282	2,660	1,748	90	555	1,586	936	1,496	1,662	425	487	6,529	18,456
Higher Education	13	18	836	259	140	60	466	41	191	35	337	488	2,884
All Other Education	20	304	175	206	159	83	248	72	44	293	209	321	2,134
Medicaid - DOH	1,101	1,034	1,037	927	1,149	756	976	1,117	611	1,025	1,091	774	11,598
Public Health	1	106	65	56	84	33	32	35	81	61	90	107	751
Mental Hygiene	5	1	272	1	1	273	157	0	278	121	85	250	1,444
Children and Families	27	122	141	76	76	246	76	76	229	88	62	322	1,541
Temporary & Disability Assistance	98	106	106	161	115	42	98	98	98	98	98	114	1,232
Transportation	0	24	0	0	24	0	0	24	14	0	12	0	98
Unrestricted Aid	0	13	391	1	1	105	8	1	188	1	3	67	779
All Other	22	3	217	50	55	46	102	107	123	111	122	243	1,201
Total Local Assistance Grants	1,569	4,391	4,988	1,827	2,359	3,230	3,099	3,067	3,519	2,258	2,596	9,215	42,118
Personal Service	447	526	445	588	450	448	537	463	614	458	458	456	5,890
Non-Personal Service	83	144	141	142	135	150	175	171	184	164	192	279	1,960
Total Departmental Operations	530	670	586	730	585	598	712	634	798	622	650	735	7,850
General State Charges	504	859	292	617	418	327	623	425	218	521	208	60	5,072
Debt Service	401	(154)	(2)	226	(3)	(99)	140	0	(32)	394	(19)	229	1,081
Capital Projects	9	80	(207)	139	61	161	(113)	0	68	49	106	577	930
State Share Medicaid	169	143	154	148	154	155	108	129	120	119	121	118	1,638
SUNY Operations	210	210	210	188	0	0	0	160	0	28	0	(1)	977
Other Purposes	145	333	464	24	298	443	158	330	425	28	228	600	3,476
Total Transfers to Other Funds	934	612	619	725	510	660	293	619	581	590	436	1,523	8,102
TOTAL DISBURSEMENTS	3,537	6,532	6,485	3,899	3,872	4,815	4,727	4,745	5,116	3,991	3,890	11,533	63,142
Excess/(Deficiency) of Receipts over Disbursements	3,298	(2,881)	(50)	(137)	(625)	2,319	(1,509)	(1,546)	(2,012)	2,039	640	(3,740)	(180)
CLOSING BALANCE	5,533	2,652	2,602	2,465	1,840	4,159	2,650	1,104	3,116	5,155	5,795	2,055	2,055

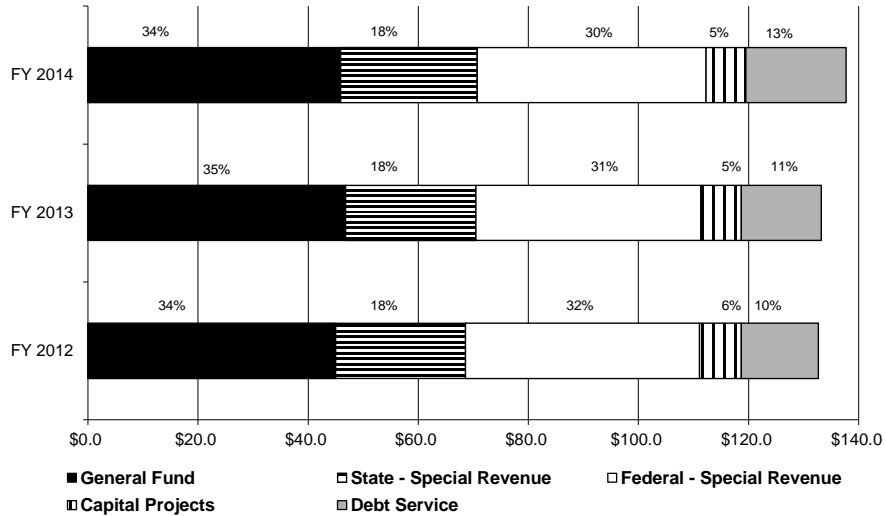
Source: NYS DOB.

PRIOR FISCAL YEARS

Prior Fiscal Years

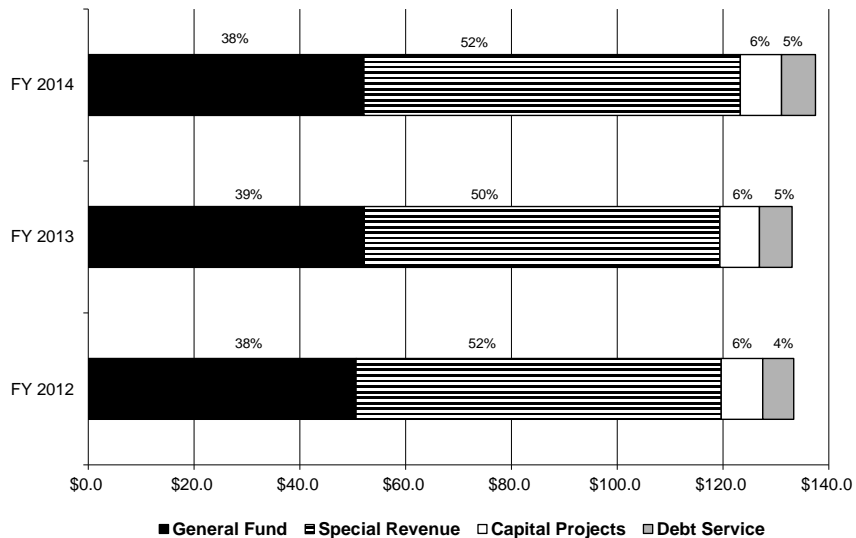
The following six tables show the composition of the State's governmental funds, State Operating Funds and the General Fund as of March 31, 2014. Following the tables is a summary of the cash-basis results for the State's three most recent fiscal years.

Governmental Funds Receipts
State Fiscal Years 2012, 2013 and 2014
 (billions of dollars)



Note: Percentage total may not add due to rounding.

Governmental Funds Disbursements
State Fiscal Years 2012, 2013 and 2014
 (billions of dollars)

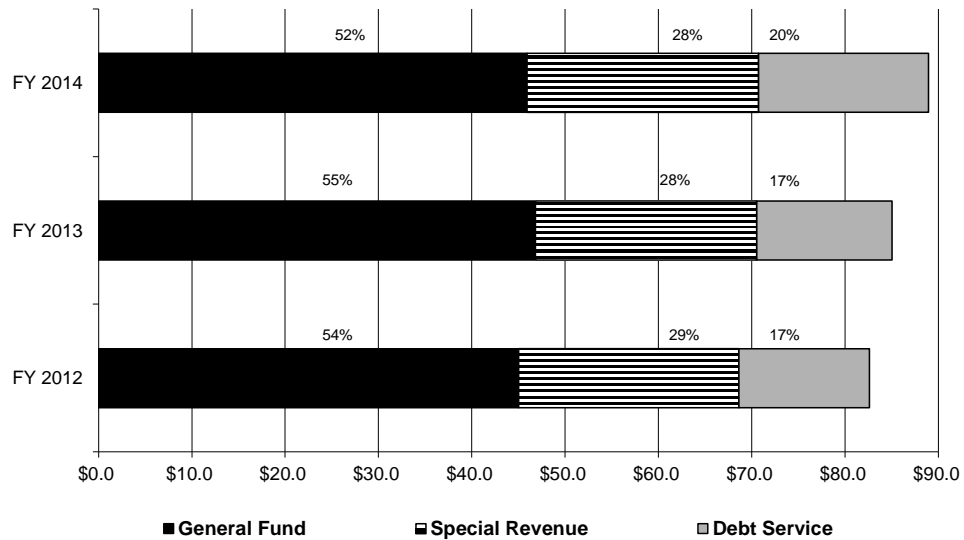


Note: Percentage total may not add due to rounding.



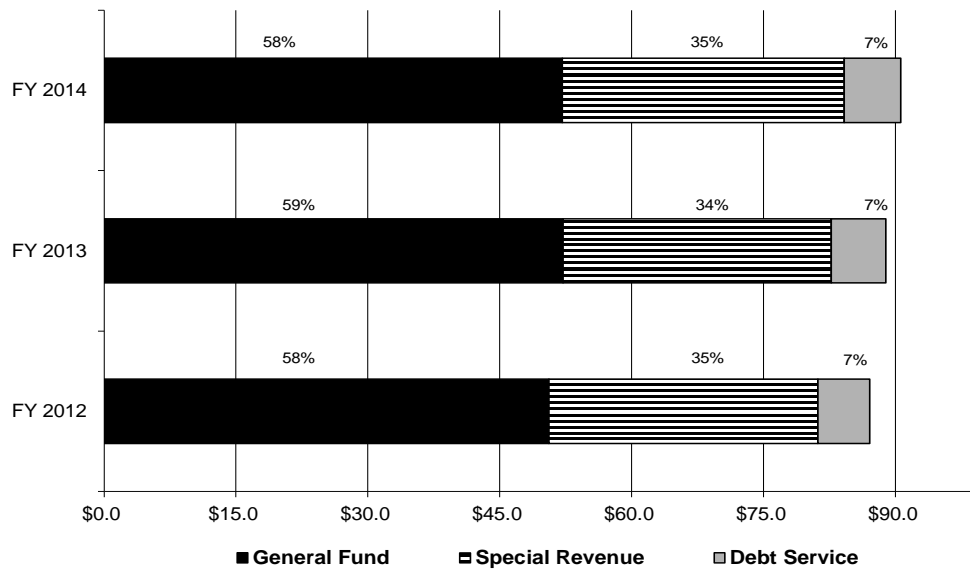
PRIOR FISCAL YEARS

State Operating Funds Receipts
State Fiscal Years 2012, 2013 and 2014
 (billions of dollars)



Note: Percentage total may not add due to rounding.

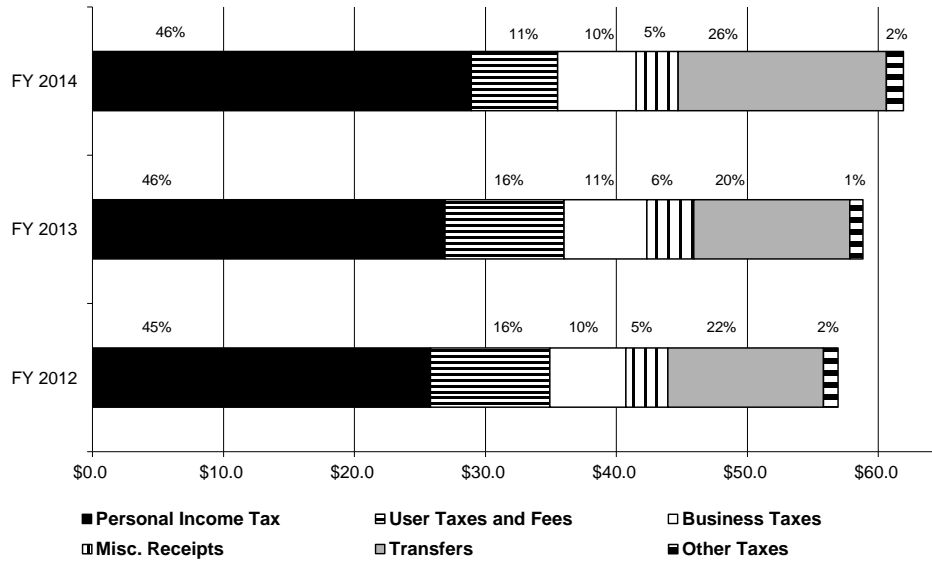
State Operating Funds Disbursements
State Fiscal Years 2012, 2013 and 2014
 (billions of dollars)



Note: Percentage total may not add due to rounding.

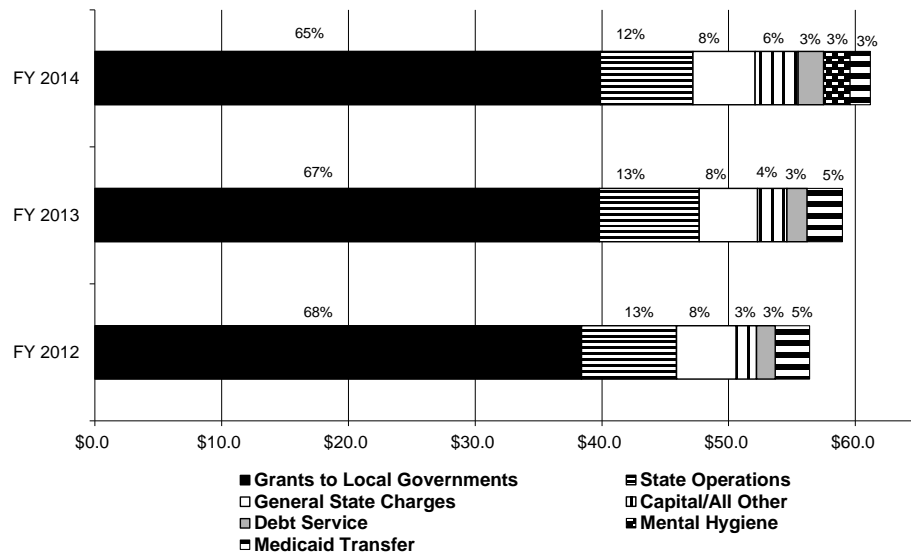


General Fund Receipts and Transfers by Source
State Fiscal Years 2012, 2013 and 2014
 (billions of dollars)



Note: Percentage total may not add due to rounding.

General Fund Disbursements and Transfers by Type
State Fiscal Years 2012, 2013 and 2014
 (billions of dollars)



Note: Percentage total may not add due to rounding.



PRIOR FISCAL YEARS

The State reports its financial results on the cash basis of accounting, showing receipts and disbursements; and the GAAP basis (including modified accrual and full accrual), as prescribed by GAAP, showing revenues and expenditures. With the exception of FY 2014 financial results, the State's GAAP-basis financial results set forth in this section have been audited. Note that the FY 2014 financial results included in this AIS are preliminary and unaudited.

CASH-BASIS RESULTS FOR PRIOR FISCAL YEARS

GENERAL FUND FY 2012 THROUGH FY 2014

The General Fund is the principal operating fund of the State and is used to account for all financial transactions, except those required by law to be accounted for in another fund. It is the State's largest single fund and receives most State taxes and other resources not dedicated to particular purposes. General Fund moneys are also transferred to other funds, primarily to support certain State share Medicaid payments, capital projects and debt service payments in other fund types. In some cases, the fiscal year results provided below may exclude certain timing-related transactions which have no net impact on operations.

In the cash basis of accounting, the State defines a balanced budget in the General Fund as (a) the ability to make all planned payments anticipated in the Financial Plan, including tax refunds, without the issuance of deficit bonds or notes or extraordinary cash management actions, (b) the restoration of the balances in the Tax Stabilization Reserve and Rainy Day Reserve (together, the "rainy day reserves") to a level equal to or greater than the level at the start of the fiscal year, and (c) maintenance of other designated balances, as required by law.

RECENT TRENDS

With State receipts slowly recovering, the State has allowed limited spending growth to meet the demand for services. In addition, rainy day reserve fund balances have been supported and maintained. The following table summarizes General Fund results for the prior three fiscal years.



COMPARISON OF GENERAL FUND RECEIPTS AND DISBURSEMENTS FY 2012 THROUGH FY 2014 (millions of dollars)			
	FY 2012	FY 2013	FY 2014
OPENING FUND BALANCE	<u>1,376</u>	<u>1,787</u>	<u>1,610</u>
Personal Income Tax ⁽¹⁾	25,843	26,884	28,864
User Taxes and Fees:			
Sales and Use Tax ⁽²⁾	8,346	8,423	5,885
Cigarette and Tobacco Tax	471	443	426
Alcoholic Beverage Taxes	238	246	250
Subtotal	<u>9,055</u>	<u>9,112</u>	<u>6,561</u>
Business Taxes:			
Corporation Franchise Tax	2,724	2,624	3,245
Corporation and Utilities Taxes	618	686	615
Insurance Taxes	1,257	1,346	1,298
Bank Tax	1,161	1,597	888
Subtotal	<u>5,760</u>	<u>6,253</u>	<u>6,046</u>
Other Taxes:			
Estate and Gift Taxes	1,078	1,015	1,238
Pari-mutuel Tax	17	18	17
Other Taxes	1	1	1
Subtotal	<u>1,096</u>	<u>1,034</u>	<u>1,256</u>
Miscellaneous Receipts & Federal Grants	3,222	3,566	3,220
Transfers from Other Funds:			
PIT in excess of Revenue Bond debt service	8,097	8,328	8,822
Sales Tax in excess of Revenue Bond debt service	0	0	2,936
Sales Tax in Excess of LGAC Debt Service	2,396	2,416	2,568
All Other Transfers	1,431	1,190	1,595
Subtotal	<u>11,924</u>	<u>11,934</u>	<u>15,921</u>
TOTAL RECEIPTS	<u>56,900</u>	<u>58,783</u>	<u>61,868</u>
Grants to Local Governments:			
School Aid	16,778	17,110	17,238
Medicaid	10,300	11,110	11,487
All Other Local Aid	11,341	11,540	11,215
State Operations:			
Personal Service	5,781	6,130	5,563
Non-Personal Service	1,713	1,726	1,746
General State Charges	4,720	4,550	4,899
Transfers to Other Funds:			
In Support of Debt Service	1,516	1,647	1,971
In Support of Capital Projects	798	916	1,436
State Share Medicaid	2,722	2,846	1,576
Mental Hygiene Facilities ⁽³⁾	0	0	2,135
SUNY Operations ⁽⁴⁾	0	340	971
All Other Transfers	820	1,045	1,006
Subtotal	<u>5,856</u>	<u>6,794</u>	<u>9,095</u>
TOTAL DISBURSEMENTS	<u>56,489</u>	<u>58,960</u>	<u>61,243</u>
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	<u>411</u>	<u>(177)</u>	<u>625</u>
CLOSING FUND BALANCE	<u>1,787</u>	<u>1,610</u>	<u>2,235</u>

Sources: NYS Office of the State Comptroller. Financial Plan categorical detail by NYS Division of the Budget.

⁽¹⁾ Excludes personal income tax receipts that flow into the Revenue Bond Tax Fund in the first instance and are then transferred to the General Fund after debt service obligation is satisfied.

⁽²⁾ Excludes sales tax in excess of LGAC Debt Service and Sales Tax Revenue Bond Fund.

⁽³⁾ Reflects higher costs associated with operating mental hygiene facilities in lieu of reduced Federal revenue.

⁽⁴⁾ Effective with the academic year that began on July 2012, the State changed the process through which SUNY receives the State share of its operating support from direct General Fund spending to General Fund transfers.



FY 2014

The State ended FY 2014 in balance on a cash basis in the General Fund, and maintained a closing balance of \$2.24 billion, consisting of \$1.1 billion in the Tax Stabilization Reserve, \$350 million in the Rainy Day Reserve, \$87 million in the Community Projects Fund, \$21 million in the Contingency Reserve, \$45 million reserved for potential retroactive labor settlements, \$58 million that has been transferred to a fiduciary fund to account for proceeds realized from a settlement between J.P. Morgan and the State, and \$543 million in an undesignated fund balance. The FY 2014 closing balance was \$625 million greater than the FY 2013 closing balance, reflecting an increase in the level of available resources to the State.

General Fund receipts, including transfers from other funds, totaled \$61.9 billion in FY 2014, an increase of \$3.1 billion (5.2 percent) from the prior fiscal year. Tax receipts, including the transfer of tax receipts to the General Fund after payment of debt service, were \$3.2 billion (5.8 percent) higher than in the prior fiscal year, reflecting an increase in all major tax categories. Miscellaneous receipts and Federal grants were \$347 million lower than the prior fiscal year, reflecting one-time receipts from settlements during FY 2013. Non-tax transfers were \$242 million greater than the prior fiscal year, due to the timing of certain transactions.

General Fund disbursements, including transfers to other funds, totaled \$61.2 billion in FY 2014, an increase of \$2.3 billion (3.9 percent) from the prior fiscal year. This reflects expected growth in various local assistance programs, including education and Medicaid; increased transfers in support of capital projects and debt service payments; partly offset by reduced costs for agency operations.

FY 2013

The State ended FY 2013 in balance on a cash basis in the General Fund, and maintained a closing balance of \$1.61 billion, consisting of \$1.1 billion in the Tax Stabilization Reserve, \$175 million in the Rainy Day Reserve, \$93 million in the Community Projects Fund, \$21 million in the Contingency Reserve, \$77 million reserved for potential retroactive labor settlements, and \$113 million in an undesignated fund balance. The FY 2013 closing balance was \$177 million lesser than the FY 2012 closing balance, which largely reflects the use of designated resources to address costs associated with retroactive labor agreements.

General Fund receipts, including transfers from other funds, totaled \$58.8 billion in FY 2013. Total receipts during FY 2013 were \$1.9 billion (3.3 percent) higher than in the prior fiscal year. Total tax receipts were \$1.5 billion higher than the previous fiscal year, mainly due to growth in PIT collections (\$1.0 billion) and business tax collections (\$493 million). General Fund miscellaneous receipts also increased, largely due to one-time receipts from a settlement between the Department of Financial Services and Standard Chartered Bank.



General Fund disbursements, including transfers to other funds, totaled \$59.0 billion in FY 2013, \$2.5 billion (4.4 percent) higher than in the prior fiscal year. This reflects expected growth in various local assistance programs, including education and Medicaid, both of which are subject to an annual cap; increased personal service costs associated with retroactive labor settlements; and increased transfers in support of debt service payments.

FY 2012

The State ended FY 2012 in balance on a cash basis in the General Fund, and maintained a closing balance of \$1.79 billion, consisting of \$1.1 billion in the Tax Stabilization Reserve, \$175 million in the Rainy Day Reserve, \$102 million in the Community Projects Fund, \$21 million in the Contingency Reserve, \$283 million reserved for potential retroactive labor settlements, and \$75 million in an undesignated fund balance. The FY 2012 closing balance was \$411 million greater than the FY 2011 closing balance, which largely reflects actions to establish designated resources that can be used to address costs associated with potential retroactive labor agreements, and to build the State's general emergency reserve fund balances. The State made a \$100 million deposit to the Tax Stabilization Reserve at the close of the FY 2012, the first deposit to the State's "rainy day" reserves (including the Tax Stabilization Reserve fund and the Rainy Day Reserve fund) since FY 2008.

General Fund receipts, including transfers from other funds, totaled \$56.9 billion in FY 2012. Total receipts during FY 2012 were \$2.5 billion (4.5 percent) higher than in the prior fiscal year. Total tax receipts were \$3.1 billion higher than the previous fiscal year, mainly due to growth in PIT collections (\$2.4 billion) and business tax collections (\$481 million). A decrease in the level of excess balances transferred from other funds partly offset the annual increase in tax receipts.

General Fund disbursements, including transfers to other funds, totaled \$56.5 billion in FY 2012, \$1.1 billion (2.0 percent) higher than in the prior fiscal year. Excluding the impact of a \$2.1 billion school aid deferral from March 2010 to the statutory deadline of June 2010, annual spending grew by \$3.2 billion. Spending growth is largely due to the phase-out of extraordinary Federal aid (including the enhanced Federal share of Medicaid, Federal American Recovery and Reinvestment Act of 2009 (ARRA) Stabilization funding, and the Temporary Assistance for Needy Families (TANF) Emergency Contingency Fund) that temporarily reduced State-share spending in FY 2011. Annual General Fund spending for agency operations in FY 2012 was lower than in FY 2011, consistent with management expectations and continued efforts in managing the workforce and controlling costs. Annual growth in GSCs was mainly due to employee fringe benefit costs and workers' compensation payments; the pre-payment of pension costs during the final quarter of FY 2012; and lower reimbursement from non-General Funds.



STATE OPERATING FUNDS FY 2012 THROUGH FY 2014

State Operating Funds is composed of the General Fund, State special revenue funds and debt service funds. The State Operating Funds perspective is primarily intended as a measure of State-financed spending. Similar to the General Fund, spending growth in State Operating Funds in recent years has also been limited.

FY 2014

State Operating Funds receipts totaled \$88.9 billion in FY 2014, an increase of \$3.9 billion over the FY 2013 results. Disbursements totaled \$90.6 billion in FY 2014, an increase of \$1.8 billion from the FY 2013 results. The State ended FY 2014 with a State Operating Funds cash balance of \$4.8 billion. In addition to the \$2.2 billion General Fund balance described above, the State's special revenue funds had a closing balance of \$2.3 billion and the debt service funds had a closing balance of \$234 million. The special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the preservation of moneys needed for debt service payments to bond holders.

FY 2013

State Operating Funds receipts totaled \$85.1 billion in FY 2013, an increase of \$2.5 billion over the FY 2012 results. Disbursements totaled \$88.8 billion in FY 2013, an increase of \$1.7 billion from the FY 2012 results. The State ended FY 2013 with a State Operating Funds cash balance of \$4.4 billion. In addition to the \$1.6 billion General Fund balance described above, the State's special revenue funds had a closing balance of \$2.4 billion and the debt service funds had a closing balance of \$381 million. The special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the preservation of moneys needed for debt service payments to bond holders.

FY 2012

State Operating Funds receipts totaled \$82.6 billion in FY 2012, an increase of \$3.8 billion over the FY 2011 results. Disbursements totaled \$87.2 billion in FY 2012, an increase of \$2.8 billion from the FY 2011 results. The State ended FY 2012 with a State Operating Funds cash balance of \$3.8 billion. In addition to the \$1.8 billion General Fund balance described above, the State's special revenue funds had a closing balance of \$1.6 billion and the debt service funds had a closing balance of \$428 million. The remaining special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the preservation of moneys needed for debt service payments to bond holders.



CASH FINANCIAL PLAN STATE OPERATING FUNDS FY 2014 (millions of dollars)				
	General Fund	Special Revenue Funds	Debt Service Funds	Total
Opening fund balance	1,610	2,370	379	4,359
Receipts:				
Taxes	42,727	8,175	17,433	68,335
Miscellaneous receipts	3,219	16,603	699	20,521
Federal grants	0	0	71	71
Total receipts	45,946	24,778	18,203	88,927
Disbursements:				
Grants to local governments	39,940	19,466	0	59,406
State operations:				
Personal Service	5,563	6,737	0	12,300
Non-Personal Service	1,746	3,781	37	5,564
General State charges	4,899	2,059	0	6,958
Debt service	0	0	6,400	6,400
Capital projects	0	3	0	3
Total disbursements	52,148	32,046	6,437	90,631
Other financing sources (uses):				
Transfers from other funds	15,921	8,350	5,211	29,482
Transfers to other funds	(9,094)	(1,132)	(17,122)	(27,348)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,827	7,218	(11,911)	2,134
Change in fund balance	625	(50)	(145)	430
Closing fund balance	2,235	2,320	234	4,789
Source: NYS OSC (reflecting amounts published in the Cash Basis Report).				



PRIOR FISCAL YEARS

CASH FINANCIAL PLAN STATE OPERATING FUNDS FY 2013 (millions of dollars)				
	General Fund	Special Revenue Funds	Debt Service Funds	Total
Opening fund balance	1,787	1,632	428	3,847
Receipts:				
Taxes	43,283	8,146	13,502	64,931
Miscellaneous receipts	3,504	15,584	913	20,001
Federal grants	62	0	78	140
Total receipts	46,849	23,730	14,493	85,072
Disbursements:				
Grants to local governments	39,760	18,818	0	58,578
State operations:				
Personal Service	6,130	6,273	0	12,403
Non-Personal Service	1,726	3,510	44	5,280
General State charges	4,550	1,887	0	6,437
Debt service	0	0	6,138	6,138
Capital projects	0	8	0	8
Total disbursements	52,166	30,496	6,182	88,844
Other financing sources (uses):				
Transfers from other funds	11,934	8,151	6,320	26,405
Transfers to other funds	(6,794)	(647)	(14,680)	(22,121)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	5,140	7,504	(8,360)	4,284
Change in fund balance	(177)	738	(49)	512
Closing fund balance	1,610	2,370	379	4,359
Source: NYS OSC (reflecting amounts published in the Cash Basis Report).				



CASH FINANCIAL PLAN STATE OPERATING FUNDS FY 2012 (millions of dollars)				
	General Fund	Special Revenue Funds	Debt Service Funds	Total
Opening fund balance	1,376	2,139	454	3,969
Receipts:				
Taxes	41,754	8,244	12,962	62,960
Miscellaneous receipts	3,162	15,399	955	19,516
Federal grants	60	0	80	140
Total receipts	<u>44,976</u>	<u>23,643</u>	<u>13,997</u>	<u>82,616</u>
Disbursements:				
Grants to local governments	38,419	18,848	0	57,267
State operations:				
Personal Service	5,781	6,266	0	12,047
Non-Personal Service	1,713	3,646	45	5,404
General State charges	4,720	1,873	0	6,593
Debt service	0	0	5,864	5,864
Capital projects	0	6	0	6
Total disbursements	<u>50,633</u>	<u>30,639</u>	<u>5,909</u>	<u>87,181</u>
Other financing sources (uses):				
Transfers from other funds	11,924	7,860	6,490	26,274
Transfers to other funds	(5,856)	(1,371)	(14,604)	(21,831)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	<u>6,068</u>	<u>6,489</u>	<u>(8,114)</u>	<u>4,443</u>
Change in fund balance	<u>411</u>	<u>(507)</u>	<u>(26)</u>	<u>(122)</u>
Closing fund balance	<u>1,787</u>	<u>1,632</u>	<u>428</u>	<u>3,847</u>
Source: NYS OSC (reflecting amounts published in the Cash Basis Report).				



ALL FUNDS FY 2012 THROUGH FY 2014

The All Funds Financial Plan records the operations of the four governmental fund types: the General Fund, special revenue funds, capital projects funds, and debt service funds. It is the broadest measure of State governmental activity, and includes spending from Federal funds and capital projects funds.

FY 2014

All Funds receipts for FY 2014 totaled \$137.7 billion, an increase of \$4.5 billion over FY 2013 results. All Funds tax receipts during FY 2014 were \$3.4 billion higher than receipts collected during the prior year, with 80 percent of the growth attributable to higher PIT collections (\$2.7 billion), due largely to strength in withholding as a result of a strong bonus season in the financial sector, as well as higher extension payments due to taxpayers accelerating income into the 2012 tax year in order to avoid increased Federal rates in 2013. The overall gains in year-over-year PIT collections were partly offset by growth in refunds and other offsets related to tax year 2012. Other growth in tax receipts includes higher user tax collections (\$484 million) associated with recurring and non-recurring taxable purchases such as auto sales, entertainment activities, and expenses for post-Sandy repair work; and higher other taxes (\$375 million), which is attributable to growth in RETT liability (particularly in New York City) and growth in estate tax receipts, both in terms of volume and average amount. Decreased business tax receipts (\$205 million) were driven by lower gross collections for insurance and bank taxes due to weak 2013 liability payments. Growth in miscellaneous receipts are mainly attributable to the additional Tribal-State revenues pursuant to the recently settled compact agreements (\$482 million); partly offset by lower abandoned property collections (\$181 million) and the loss of Medicaid payments from Monroe County (\$151 million), which entered the State's Medicaid local cap program in February 2013, thereby eliminating the need for the State to intercept a portion of the county's sales tax collections in lieu of payment. The remaining growth in receipts is in Federal grants (\$946 million), and is generally a result of increased Federal program spending, as described in greater detail below.

All Funds disbursements for FY 2014 totaled \$137.5 billion, an increase of \$4.4 billion over FY 2013 results. More than half of the \$4.4 billion annual increase in All Funds spending during FY 2014 was attributable to higher Federal spending (\$2.4 billion), mainly in the areas of Medicaid (\$908 million), driven by typical growth factors and increased Federal spending due to the impact of the ACA that went into effect on January 1, 2014; disaster assistance (\$525 million) associated with Sandy-related storm recovery activities; public assistance programs (\$586 million) as a result of spendout of higher prior year grant awards and education (\$520 million), where payments assumed for FY 2013 were not paid until the early part of FY 2014.

Growth in local assistance spending was driven mainly by budgeted spending growth in the areas of Medicaid (\$363 million) and school aid (\$257 million); as well as for transit operating aid costs (\$419 million) based on the timing of available resources; and for higher education spending (\$185 million) due to the timing of certain payments and increased support for CUNY fringe benefits. Partly offsetting the overall local spending growth was reduced annual costs associated with OPWDD-related Medicaid Payments (\$835 million), reflecting the shifting of certain program costs to DOH in order to be managed under the Global Cap, a shift which was integrated into the FY 2014 Enacted Budget in order to mitigate



the impact of reduced Federal reimbursement rates for Medicaid eligible expenses incurred at OPWDD-operated facilities that went into effect April 1, 2013.

Agency operations spending growth reflects higher non-personal service costs (\$284 million) due largely to increased spending by SUNY as a result of the expansion of services being provided at campuses and teaching hospitals; and higher fringe benefits costs (\$521 million) generated by higher pension costs from a \$119 million prepayment in FY 2014 and a one percent increase in the State's amortization contribution rate. The debt service annual increase (\$262 million) reflects prepayment of FY 2015 debt costs in FY 2014 in order to generate savings. Capital projects spending increased by \$211 million from the prior year, which was attributable to growth associated with economic development initiatives; initial grants awarded for the State and Municipal Facilities program; the updating of mental hygiene facilities; the ongoing development of infrastructure within the mental hygiene provider community; and spending to remediate storm-related damage.

The State ended FY 2014 with an All Funds cash balance of \$4.0 billion. The \$4.8 billion State Operating Funds balance described above was partly offset by a negative capital project funds closing balance of roughly \$629 million. The negative balance in the capital projects fund results from outstanding intra-year loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

FY 2013

All Funds receipts for FY 2013 totaled \$133.2 billion, an increase of \$511 million over FY 2012 results. Annual growth in tax receipts and miscellaneous receipts was partly offset by a decline in Federal grants. All Funds disbursements for FY 2013 totaled \$133.1 billion, a decrease of \$407 million over FY 2012 results. The annual decline largely reflects the growth in State Operating Funds previously described, more than offset by declines in Federal Operating Funds and Capital Project Funds. The annual decrease in Federal Operating Funds spending is due to the phasing-out of approximately \$2.7 billion in funding available from the Federal ARRA between FY 2012 and FY 2013, partially offset by nearly \$1 billion in Federal disaster assistance spending in FY 2013. The capital projects spending decline reflects the recent completion of economic development projects, including the SUNY College for Nanoscale and Science Engineering, Global Foundries, and the Aqueduct Video Lottery Facility.

The State ended FY 2013 with an All Funds cash balance of \$3.9 billion. The \$4.4 billion State Operating Funds balance described above was partly offset by a negative capital project funds closing balance of roughly \$485 million. The negative balance in the capital projects fund results from outstanding intra-year loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

FY 2012

All Funds receipts for FY 2012 totaled \$132.7 billion, a decrease of \$577 million over FY 2011 results. Annual growth in tax receipts and miscellaneous receipts was more than offset by a decline in Federal grants. All Funds disbursements for FY 2012 totaled \$133.5 billion, a decrease of \$1.3 billion over FY 2011 results. The annual changes largely reflect the impact of Federal ARRA aid.



PRIOR FISCAL YEARS

The State ended FY 2012 with an All Funds cash balance of \$3.4 billion. The \$3.8 billion State Operating Funds balance described above was partly offset by a negative capital project funds closing balance of roughly \$449 million. The negative balance in the capital projects fund results from outstanding intra-year loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2014 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Opening fund balance	1,610	2,373	(486)	379	3,876
Receipts:					
Taxes	42,727	8,175	1,355	17,433	69,690
Miscellaneous receipts	3,219	16,776	3,540	699	24,234
Federal grants	0	41,405	2,313	71	43,789
Total receipts	45,946	66,356	7,208	18,203	137,713
Disbursements:					
Grants to local governments	39,940	56,391	2,242	0	98,573
State operations:					
Personal Service	5,563	7,394	0	0	12,957
Non-Personal Service	1,746	5,021	0	37	6,804
General State charges	4,899	2,381	0	0	7,280
Debt service	0	0	0	6,400	6,400
Capital projects	0	3	5,509	0	5,512
Total disbursements	52,148	71,190	7,751	6,437	137,526
Other financing sources (uses):					
Transfers from other funds	15,921	7,644	1,817	5,211	30,593
Transfers to other funds	(9,094)	(2,988)	(1,417)	(17,122)	(30,621)
Bond and note proceeds	0	0	0	0	0
Net other financing sources (uses)	6,827	4,656	400	(11,911)	(28)
Change in fund balance	625	(178)	(143)	(145)	159
Closing fund balance	2,235	2,195	(629)	234	4,035
Source: NYS OSC (reflecting amounts published in the Cash Basis Report).					



CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2013 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Opening fund balance	1,787	1,594	(449)	428	3,360
Receipts:					
Taxes	43,283	8,145	1,370	13,502	66,300
Miscellaneous receipts	3,504	15,757	3,857	913	24,031
Federal grants	62	40,576	2,126	79	42,843
Total receipts	46,849	64,478	7,353	14,494	133,174
Disbursements:					
Grants to local governments	39,760	53,793	2,144	0	95,697
State operations:					
Personal Service	6,130	6,881	0	0	13,011
Non-Personal Service	1,726	4,401	0	44	6,171
General State charges	4,550	2,125	0	0	6,675
Debt service	0	0	0	6,138	6,138
Capital projects	0	8	5,396	0	5,404
Total disbursements	52,166	67,208	7,540	6,182	133,096
Other financing sources (uses):					
Transfers from other funds	11,934	7,478	1,172	6,319	26,903
Transfers to other funds	(6,794)	(3,969)	(1,456)	(14,680)	(26,899)
Bond and note proceeds	0	0	434	0	434
Net other financing sources (uses)	5,140	3,509	150	(8,361)	438
Change in fund balance	(177)	779	(37)	(49)	516
Closing fund balance	1,610	2,373	(486)	379	3,876

Source: NYS OSC (reflecting amounts published in the Cash Basis Report as restated).



PRIOR FISCAL YEARS

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2012 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Opening fund balance	<u>1,376</u>	<u>2,149</u>	<u>(167)</u>	<u>454</u>	<u>3,812</u>
Receipts:					
Taxes	41,754	8,244	1,337	12,962	64,297
Miscellaneous receipts	3,162	15,565	4,155	955	23,837
Federal grants	<u>60</u>	<u>42,355</u>	<u>2,115</u>	<u>80</u>	<u>44,610</u>
Total receipts	<u>44,976</u>	<u>66,164</u>	<u>7,607</u>	<u>13,997</u>	<u>132,744</u>
Disbursements:					
Grants to local governments	38,419	55,503	2,566	0	96,488
State operations:					
Personal Service	5,779	6,894	0	0	12,673
Non-Personal Service	1,715	4,588	0	45	6,348
General State charges	4,720	2,135	0	0	6,855
Debt service	0	0	0	5,864	5,864
Capital projects	<u>0</u>	<u>6</u>	<u>5,270</u>	<u>0</u>	<u>5,276</u>
Total disbursements	<u>50,633</u>	<u>69,126</u>	<u>7,836</u>	<u>5,909</u>	<u>133,504</u>
Other financing sources (uses):					
Transfers from other funds	11,924	7,096	1,031	6,490	26,541
Transfers to other funds	(5,856)	(4,689)	(1,436)	(14,604)	(26,585)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>352</u>	<u>0</u>	<u>352</u>
Net other financing sources (uses)	<u>6,068</u>	<u>2,407</u>	<u>(53)</u>	<u>(8,114)</u>	<u>308</u>
Change in fund balance	<u>411</u>	<u>(555)</u>	<u>(282)</u>	<u>(26)</u>	<u>(452)</u>
Closing fund balance	<u>1,787</u>	<u>1,594</u>	<u>(449)</u>	<u>428</u>	<u>3,360</u>

Source: NYS OSC (reflecting amounts published in the Cash Basis Report as restated).



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 expects to issue the Basic Financial Statements for FY 2014 by July 29, 2014.

COMPARISON OF ACTUAL GAAP-BASIS OPERATING RESULTS SURPLUS/(DEFICIT) (millions of dollars)						
Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 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 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 (including Other Supplementary Information) can also be accessed through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website at www.emma.msrb.org.

ECONOMICS AND DEMOGRAPHICS

Economics and Demographics

The demographic and statistical data in this section, which have been obtained from the sources indicated, do not represent all of the factors which may have a bearing on the State's fiscal and economic affairs. Further, such information requires economic and demographic analysis in order to assess its significance, and may be interpreted differently by individual experts. Note that DOB has chosen to provide certain economic and demographic analysis updated through the date of this AIS, although continuing disclosure requirements for this AIS require analysis only through March 31, 2014.

THE U.S. ECONOMY

Unusually harsh winter weather had a substantial negative impact on the national economy through the beginning of 2014, depressing household spending and leaving retailers and producers with excess inventory. The U.S. Bureau of Economic Analysis estimates that real U.S. gross domestic product (GDP) contracted 1.0 percent in the first quarter of calendar year 2014, following prior quarter growth of 2.6 percent. DOB now estimates real GDP growth of only 2.5 percent for the full calendar year 2014.

The transition to more seasonal weather in early March 2014 was accompanied by a limited rebound in economic activity. March light vehicle sales accelerated to 16.3 million, the highest since November 2013. Retail sales excluding autos and gasoline rebounded as well, but monthly sales growth averaged only 0.2 percent over the four months that ended in March 2014. Real household spending growth of 3.1 percent is projected for the second quarter of 2014, but the large inventory remaining from the second half of 2013 is expected to continue to put downward pressure on production for the next two quarters. DOB now estimates real growth of about 3 percent for the second quarter of 2014, representing an upward revision due to weather changes.

Private sector hiring has improved after a winter lull, but the private national labor market has not exhibited a sustained acceleration in three years. However, public sector hiring is still expected to pick up modestly over the remainder of the year as the government becomes less of a drag on economic growth. As a result, the DOB projects a modest overall improvement in hiring. One factor believed to be holding back hiring has been slow growth in private investment in plants and equipment. The scheduled expiration of bonus depreciation likely accelerated some investment into the fourth quarter of 2013, resulting in a slow start to 2014, but the most recent data indicate some improvement ahead. Overall growth in real private nonresidential investment is estimated to be 4.6 percent for 2014.

Income growth has also been revised down for 2014, consistent with slightly lower output growth. The weather likely had a negative impact on wages, but dividend and interest income posted weak results as well. Income growth is expected to improve over the remainder of the year as the economy regains momentum, with that improvement supporting stronger growth in household spending by the second half of 2014. Personal income and wage growth of 3.8 percent and 3.7 percent, respectively, are projected for 2014, following growth of 2.8 percent and 3.1 percent for 2013. Income growth remains well below historical averages, even after adjusting for inflation.

Both the housing and foreign sectors proved to be weaker than anticipated. After a November 2013 surge, housing starts fell an average 3.5 percent over the four months ending in March 2014. Home sales have fared no better. Real residential investment is now projected to grow a downwardly revised 3.4 percent for 2014, although double-digit quarterly growth is expected by the second half of the year aided by improving credit conditions, rising employment and income, and better weather. The global economy has also proved to be more fragile than expected, with export growth now projected to be



ECONOMICS AND DEMOGRAPHICS

virtually flat for the first quarter of 2014. Anemic growth in Europe, along with slowing growth in other emerging markets, particularly China, has resulted in a downward revision to 4.9 percent for real U.S. export growth in 2014.

ECONOMIC INDICATORS FOR THE UNITED STATES (calendar year)						
	2009	2010	2011	2012	2013	2014 ¹
Gross Domestic Product						
Nominal (\$ billions)	14,417.9	14,958.3	15,533.8	16,244.6	16,799.8	17,464.6
Percent Change	(2.1)	3.7	3.8	4.6	3.4	4.0
Real (\$ billions)	14,417.9	14,779.4	15,052.4	15,470.7	15,761.3	16,149.6
Percent Change	(2.8)	2.5	1.8	2.8	1.9	2.5
Personal Income						
(\$ billions)	12,082.1	12,435.2	13,191.3	13,743.8	14,135.3	14,671.6
Percent Change	(2.8)	2.9	6.1	4.2	2.8	3.8
Nonagricultural Employment						
(millions)	131.2	130.3	131.8	134.1	136.4	138.7
Percent Change	(4.3)	(0.7)	1.2	1.7	1.7	1.7
Unemployment Rate (%)						
	9.3	9.6	8.9	8.1	7.4	6.5
Consumer Price Index						
(1982-84=100)	214.6	218.1	224.9	229.6	233.0	236.9
Percent Change	(0.3)	1.6	3.1	2.1	1.5	1.7

Sources: US Department of Commerce, Bureau of Economic Analysis; US Department of Labor, Bureau of Labor Statistics. Table reflects revisions by source agencies to figures for prior years.

¹As projected by the NYS DOB, based on National Income and Product Account data through March 2014.

The Federal Reserve is still expected to complete the gradual tapering of the growth of its historically large balance sheet by the end of the year, despite this somewhat weaker outlook. Now under Janet Yellen's leadership as chair, the Federal Reserve has dropped its 6.5 percent unemployment rate benchmark in favor of a broader set of labor market, inflation, and financial market indicators. The national unemployment rate now stands at 6.3 percent for April 2014, falling from 6.7 percent in March 2014. But underpinning that decline was a drop in the labor force of over 800 thousand, highlighting the difficulty in relying on a single measure to gauge the strength of the labor market. The Federal Reserve is not expected to begin raising its short-term interest rate target until the second quarter of 2015.

Despite a weak start to the year, the DOB outlook continues to call for quarterly growth in real U.S. GDP approaching 3 percent by the fourth quarter of 2014, accompanied by monthly employment gains exceeding 220,000 per month. But there are significant risks to this forecast. The global economy has become a bigger concern not only due to slower growth in China and other emerging markets, but also because of the growing tension between the U.S., the Euro Zone and Russia over Ukraine. A highly interdependent global economy makes the impact of regional conflict difficult to contain. Slower global growth than anticipated could result in slower export growth, which could in turn result in weaker corporate profits and investment, and fewer jobs. The prospect of international conflict has kept energy



prices volatile, which, along with equity price volatility, presents risk to household spending. Finally, the response of global financial markets to the unwinding of central bank accommodation remains a risk, particularly given the lack of experience upon which to draw.



THE NEW YORK ECONOMY

The State's private sector labor market has continued to perform well, exhibiting robust growth in professional and business services, private educational services, and tourism-related leisure and hospitality services. Real estate and construction activity also remains strong. Private sector employment is projected to grow 1.6 percent in calendar year 2014, followed by 1.5 percent growth in 2015. However, with government and finance sector employment expected to continue to contract through the remainder of the year, State wage growth of 5.1 percent is projected for calendar year 2014, followed by growth of 4.5 percent for calendar year 2015. Total personal income growth of 5.0 percent is projected for calendar year 2014, followed by 4.9 percent growth for calendar year 2015.

The recent weakening in several national economic indicators, largely in response to unusually harsh winter weather, is a risk to the New York forecast going forward. State labor market growth has held up well so far, but a weaker labor market than projected could result in lower wages, as well as lower household spending. As the nation's financial capital, financial market volatility poses a particularly large degree of uncertainty for New York. Events over the past year 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. Should financial and real estate markets be weaker than we expect, taxable capital gains realizations could be negatively affected.

Recent changes in Federal tax policy have added to economic uncertainty in creating a more challenging environment in which to forecast State income. Increases in tax rates at the national level in turn affect employer and taxpayer behavior, resulting in the shifting of income between tax years. These shifts tend to make it more difficult to identify the underlying trends in key economic indicators. In addition, both the bonus and non-bonus components of employee pay have become more difficult to estimate as Wall Street continues to adjust its compensation practices in the wake of new financial reform measures. 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.

ECONOMIC INDICATORS FOR NEW YORK STATE (calendar year)					
	2010	2011	2012	2013	2014 ¹
Personal Income (\$ billions)	960.8	1,012.4	1,041.9	1,062.4	1,115.9
Percent Change	3.9	5.4	2.9	2.0	5.0
Nonagricultural Employment (thousands)	8,318.7	8,420.0	8,531.6	8,659.5	8,772.3
Percent Change	0.1	1.2	1.3	1.5	1.3
Unemployment Rate (%)	8.6	8.3	8.5	7.7	6.9

Sources: US Department of Commerce, Bureau of Economic Analysis; NYS Department of Labor.
Table reflects revisions by source agencies to data for prior years.

¹As projected by Division of the Budget, based on National Income and Product Account data and employment data available through March 2014.



New York is the third most populous state in the nation and has a relatively high level of personal wealth. The State's economy is diverse, with a comparatively large share of the nation's financial activities, information, education, and health services employment, and a very small share of the nation's farming and mining activity. The State's location and its air transport facilities and natural harbors have made it an important link in international commerce. Travel and tourism constitute an important part of the economy. Like the rest of the nation, New York has a declining proportion of its workforce engaged in manufacturing, and an increasing proportion engaged in service industries.

Manufacturing: Manufacturing employment continues to decline as a share of total State employment, as in most other states, and as a result New York's economy is less reliant on this sector than in the past. However, it remains an important sector of the State economy, particularly for the upstate region, which hosts high concentrations of manufacturers of transportation and other types of equipment.

Trade, Transportation, and Utilities: As defined under the North American Industry Classification System (NAICS), the trade, transportation, and utilities supersector accounts for the second largest component of State nonagricultural employment, but only the fifth largest when measured by wage share. This sector accounts for less proportional employment and wages for the State than for the nation as a whole.

Financial Activities: New York City is the nation's leading center of banking and finance and, as a result, this is a far more important sector in the State than in the nation as a whole. Although this sector accounts for under one-tenth of all nonagricultural jobs in the State, it contributes about one-fifth of total wages.

Other Service Sectors: The remaining service-producing sectors include information, professional and business services, private education and healthcare, leisure and hospitality services, and other services. These industries combined account for half of all nonagricultural jobs in New York. Information, education and health, and other services account for a higher proportion of total State employment than for the nation as a whole.

Agriculture: Farming is an important part of the economy in rural areas, although it constitutes only about 0.2 percent of total State output. Principal agricultural products of the State include milk and dairy products, greenhouse and nursery products, fruits, and vegetables. New York ranks among the nation's leaders in the production of these commodities.

Government: Federal, State, and local governments together comprise the third largest sector in terms of nonagricultural jobs, with the bulk of the employment accounted for by local governments. Public education is the source of about 40 percent of total State and local government employment.



ECONOMICS AND DEMOGRAPHICS

THE 2013 COMPOSITION OF NONAGRICULTURAL EMPLOYMENT AND WAGES (Percent)				
	Employment		Wages	
	State	United States	State	United States
Natural Resources and Mining	0.1	0.6	0.1	1.4
Construction	3.6	4.3	3.8	4.6
Manufacturing	5.1	8.8	5.0	10.5
Trade, Transportation, and Utilities	17.1	19.0	12.5	15.9
Information	2.9	2.0	4.8	3.3
Financial Activities	7.6	5.8	19.9	9.2
Professional and Business Services	13.5	13.6	18.0	17.5
Educational and Health Services	20.1	15.5	14.4	13.4
Leisure and Hospitality	9.3	10.4	4.6	4.6
Other Services	4.3	4.0	2.9	3.1
Government	16.2	16.0	14.1	16.6

Source: NYS Department of Labor; US Department of Labor, Bureau of Labor Statistics; US Department of Commerce, Bureau of Economic Analysis.

The importance of the different sectors of the State's economy relative to the national economy is shown in the above table, which compares nonagricultural employment and wages by sector for the State and the nation as a whole. Construction accounts for smaller shares of employment for the State than for the nation, while the combined service industries account for a larger share. The financial activities sector share of total wages is particularly large for the State relative to the nation. Thus, the State is likely to be less affected than the nation as a whole during an economic recession that is concentrated in manufacturing and construction, but likely to be more affected by any economic downturn that is concentrated in the services sector.



ECONOMIC AND DEMOGRAPHIC TRENDS

In calendar years 1990 through 1998, the State’s rate of economic growth was somewhat slower than that of the nation. In particular, during the 1990-91 recession and post-recession period, the economies of the State and much of the rest of the Northeast were more heavily damaged than the nation as a whole and were slower to recover. However, the situation subsequently improved. In 1999, for the first time in 13 years, State employment growth surpassed that of the nation, and in 2000 the rates were essentially the same. In 2001, the September 11th attack resulted in a downturn in New York that was more severe than for the nation as a whole. In contrast, the State labor market fared better than that of the nation as a whole during the most recent downturn that began in 2008, though New York experienced a historically large wage decline in 2009. The State unemployment rate was higher than the national rate from 1991 to 2004, but the gap between them closed by the middle of 2006, with the State rate falling below that of the nation for much of the 2009-2011 recession, and remaining below that of the nation through the end of 2011. The State unemployment rate rose above the national rate again in early 2012, where it remains.

The following table compares population change in the State and in the United States since 1960.

COMPARATIVE POPULATION FIGURES					
	State			US	
	Total Population (000s)	% Change from Preceding Period	Percentage of U.S. Population	Total Population (000s)	% Change from Preceding Period
1960	16,782	13.2	9.4	179,323	18.5
1970	18,241	8.7	9.0	203,302	13.4
1980	17,558	(3.7)	7.8	226,546	11.4
1990	17,990	2.5	7.2	248,710	9.8
2000	18,976	5.5	6.7	281,422	13.2
2010	19,378	2.1	6.3	308,746	9.7
2013	19,651	1.4	6.2	316,129	2.4

Source: US Department of Commerce, Census Bureau.

Total State nonagricultural employment has declined as a share of national nonagricultural employment. The following historical table compares these levels and the rate of unemployment for the State and the nation.



ECONOMICS AND DEMOGRAPHICS

NONAGRICULTURAL EMPLOYMENT AND UNEMPLOYMENT RATE FOR NEW YORK AND THE UNITED STATES

	Employment (000s)		State as Percent of US Employment	Unemployment Rate (%)	
	State	US		State	US
1960	6,182	54,296	11.4	N/A	5.5
1970	7,156	71,006	10.1	N/A	4.9
1980	7,207	90,533	8.0	7.5	7.1
1990	8,203	109,527	7.5	5.3	5.6
2000	8,628	132,019	6.5	4.5	4.0
2010	8,557	130,275	6.6	8.6	9.6
2013	8,908	136,368	6.5	7.7	7.4

Source: US Department of Labor and NYS Department of Labor.

Note: Nonagricultural employment and unemployment rates are generated from separate surveys.

State per capita personal income has historically been significantly higher than the national average, although the ratio has varied substantially over time. Because New York City is an employment center for a multi-state region, State personal income measured on a residence basis understates the relative importance of the State to the national economy and the size of the base to which State taxation applies. The following table compares per capita personal incomes for the State and the nation.

PER CAPITA PERSONAL INCOME (Income in Dollars)			
	NYS	US	NYS/US
1960	2,822	2,268	1.24
1970	4,868	4,084	1.19
1980	10,985	10,091	1.09
1990	23,710	19,354	1.23
2000	34,623	30,319	1.14
2010	49,529	40,163	1.23
2013	54,063	44,543	1.21

Source: US Department of Commerce, Bureau of Economic Analysis.

CAPITAL PROGRAM AND FINANCING PLAN

Capital Program and Financing Plan

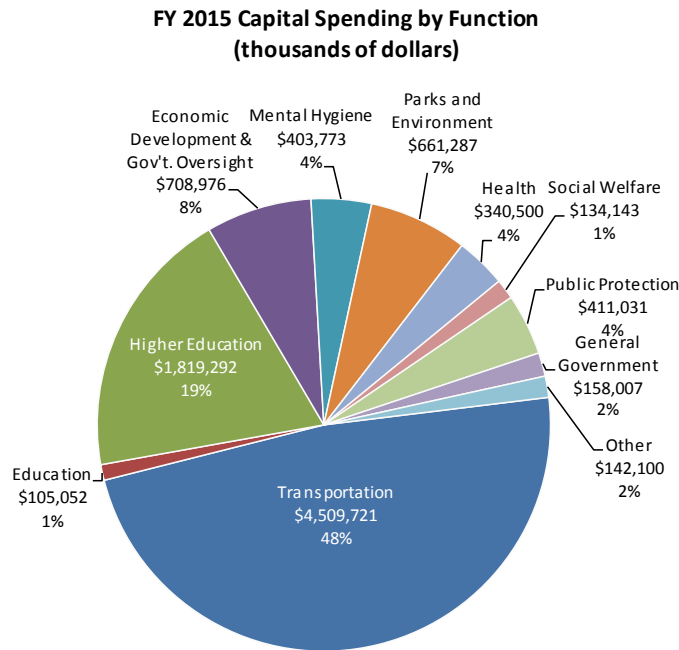
The DOB prepares a Multi-Year Capital Program and Financing Plan with the Executive Budget and updates it following enactment of the budget (the “Enacted Capital Plan”). The Enacted Capital Plan outlines the anticipated capital spending over a five-year period, the way it will be financed, the impact on debt measures, and the anticipated debt issuances required to support the planned capital spending. The Enacted Capital Plan can be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 474-8282, or at www.budget.ny.gov.

CAPITAL PLAN

DOB has also formulated 10-year capital commitment and disbursement projections. The total commitment and disbursement levels over the 10-year capital planning horizon reflect, among other things, projected capacity under the State's statutory debt limit, anticipated levels of Federal aid, and the timing of capital activity based on known needs and historical patterns. The following capital projects information relates to the current fiscal year.

FY 2015 CAPITAL PROJECTS SPENDING

Spending on capital projects is projected to total \$9.4 billion in FY 2015, which includes \$928 million in “off-budget spending” directly from the proceeds of bonds issued by public authorities. Overall, capital spending in FY 2015 is projected to increase by \$290 million (3 percent) from FY 2014.



In FY 2015, transportation spending is projected to total \$4.5 billion, which represents 48 percent of total capital spending, with higher education comprising the next largest share at 19 percent. Economic development and government oversight spending represents 8 percent and spending for parks and the environment spending represents 7 percent. The remaining 18 percent is comprised of spending for mental hygiene, health, social welfare, public protection and all other capital programs.



CAPITAL PROGRAM AND FINANCING PLAN

Transportation spending is projected to remain flat in FY 2015, as expedited high priority projects under the New York Works initiative are completed and spending on core infrastructure returns to traditional spending levels.

Parks and environment spending will decrease by \$155 million (-19 percent) in FY 2015 reflecting lower year-to-year spending for Superstorm Sandy remediation costs, continued phasedown of general obligation bond authorizations, and the completion of signature projects at parks and historic sites.

Economic development and government oversight spending is projected to increase by \$197 million (38 percent). This spending reflects the continued implementation of programs created to promote regional economic development including spending for the Buffalo Billion initiative, Regional Economic Development Councils and SUNY and CUNY 2020 Challenge Grants.

Spending for health is projected to decrease by \$100 million (-23 percent). The significant reduction is due to the phase out of the HEAL NY Program, offset by spending for the new Health Care Restructuring Program.

Spending for social welfare is projected to decrease by \$5 million (-3 percent) due to the timing of capital disbursements.

Education spending is projected to increase by \$25 million (31 percent) in FY 2015, which represents continued spending for Expanding Our Children's Education and Learning (EXCEL).

Higher Education spending is projected to increase by \$97 million (6 percent). This is primarily due to additional investments in Senior and Community College infrastructure projects and new initiatives.

Spending increases of \$129 million (46 percent) for public protection primarily reflect the State's continued investments in preparedness; new spending for interoperable communications equipment and systems; as well as funding for a new College of Emergency Preparedness, Homeland Security and Cybersecurity.

Mental hygiene capital spending is anticipated to decrease by \$7 million (-2 percent). Program spending continues to focus on rehabilitation projects at State and not-for-profit facilities and ongoing development of community residences.

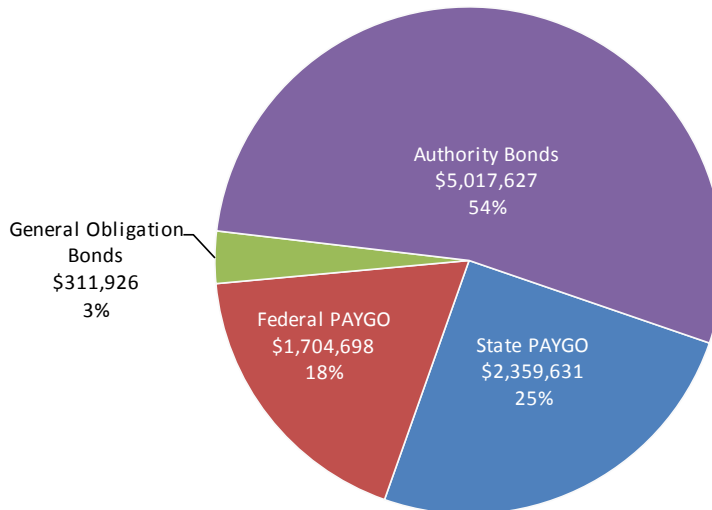
General government capital spending is projected to increase by \$63 million (66 percent) primarily attributable to costs associated with State technology projects and the Office of General Services (OGS') renovation of Building 5 at the Harriman State Campus in Albany.

Spending for agencies in the All Other category is projected to increase by \$44 million (45 percent) primarily due to investments related to the State and Municipal Facilities Program.



FINANCING FY 2015 CAPITAL PROJECTS SPENDING

FY 2015 Capital Spending by Financing Source
(thousands of dollars)



In FY 2015, the State plans to finance 57 percent of capital projects spending with long-term bonds, most of which will be issued on behalf of the State through public authorities (54 percent) and the remainder of which will be issued as General Obligation bonds (3 percent). Authority bonds do not include debt issued by authorities backed by their own non-State resources or on behalf of private clients. Federal aid is expected to fund 18 percent of the State's FY 2015 capital spending, primarily for transportation. State cash resources will finance the remaining 25 percent of capital spending. Year-to-year, total PAYGO support is projected to decrease by \$247 million, with State PAYGO increasing by \$26 million and Federal PAYGO support decreasing by \$323 million. Bond-financed spending is projected to increase by \$536 million.

FINANCING PLAN

New York State is one of the largest issuers of municipal debt, ranking second among the states, behind California, in the amount of debt outstanding. The State ranks fifth in the U.S. in debt per capita, behind Connecticut, Massachusetts, Hawaii, and New Jersey. As of March 31, 2014, total State-related debt outstanding totaled \$55.2 billion excluding capital leases and mortgage loan commitments, equal to approximately 5.2 percent of New York personal income. The State's debt levels are typically measured by DOB using two categories: *State-supported debt* and *State-related debt*.

State-supported debt represents obligations of the State that are paid from traditional State resources (i.e., tax revenue) and have a budgetary impact. It includes General Obligation debt, to which the full faith and credit of the State has been pledged, and lease purchase and contractual obligations of public authorities and municipalities, where the State's legal obligation to make payments to those public authorities and municipalities is subject to and paid from annual appropriations made by the Legislature.



CAPITAL PROGRAM AND FINANCING PLAN

These include the State PIT Revenue Bond program and the State Sales Tax Revenue Bond program. Since 2002, the State has financed most of its capital program with PIT Revenue Bonds, a revenue bond program that has reduced its cost of borrowing and created efficiencies by permitting the consolidation of bond sales. Prior to 2002, the State had primarily financed its capital spending with lower-rated lease purchase and contractual service obligations of public authorities. The State expects to transition to using only three credits – General Obligation bonds, PIT Revenue Bonds, and Sales Tax Revenue Bonds, the latter of which was authorized in the FY 2014 Enacted Budget.

Legislation enacted in 2013 changed the method of paying debt service on outstanding SUNY Dormitory Facilities Lease Revenue Bonds (the "Lease Revenue Bonds") and established a new revenue-based credit, the SUNY Dormitory Facilities Revenue Bonds (the "Facilities Revenue Bonds") for future issuances. The legislation also provided for the assignment of the revenues derived from the use and occupancy of SUNY's dormitory facilities (the "Dormitory Facilities Revenues") for the payment of debt service on both the Lease Revenue Bonds and the Facilities Revenue Bonds from SUNY to DASNY. As a result, annual debt service on the outstanding Lease Revenue Bonds is no longer supported by a State appropriation, except under extraordinary circumstances (i.e., the generation of insufficient Dormitory Facilities Revenues implicating the need for SUNY payments from sources other than Dormitory Facilities Revenues for debt service on the Lease Revenue Bonds). DOB is not aware of such an extraordinary circumstance having ever occurred in the past and does not anticipate that it would occur in the future. DOB expects that both the outstanding Lease Revenue Bonds and the new Facilities Revenue Bonds will be payable solely from Dormitory Facilities Revenues which are the property of DASNY, not the State. Accordingly, DOB has not included any annual debt service expense of the Lease Revenue Bonds or the Facilities Revenue Bonds in the State Financial Plan. However, since the outstanding Lease Revenue Bonds were incurred as State-supported debt, DOB will continue to count these bonds as State-supported debt for purposes of the Debt Reform Act caps and has included these bonds as State-supported debt in all figures, tables and charts in this AIS. See "State-supported Debt Outstanding - SUNY Dormitory Facilities Bonds" presented later in this section, for more information.

State-related debt is a broader measure of State debt which includes all debt that is reported in the State's GAAP-basis financial statements, except for unamortized premiums and accumulated accretion on capital appreciation bonds. These financial statements are audited by external independent auditors and published by OSC on an annual basis. The debt reported in the GAAP-basis financial statements includes General Obligation debt, other State-supported debt as defined in the State Finance Law, debt issued by the Tobacco Securitization Finance Corporation, certain debt of the Municipal Bond Bank Agency (MBBA) issued to finance prior year school aid claims and capital leases and mortgage loan commitments. In addition, State-related debt reported by DOB includes State-guaranteed debt, moral obligation financings and certain contingent-contractual obligation financings, where debt service is paid from non-State sources in the first instance, but State appropriations are available to make payments if necessary. These numbers are not included in the State's GAAP-basis financial statements.

The State's debt does not encompass, and does not include, debt that is issued by, or on behalf of, local governments and secured (in whole or in part) by State local assistance aid payments. For example, certain State aid to public schools paid to school districts or New York City has been pledged by those local entities to help finance debt service for locally-sponsored and locally-determined financings. Additionally, certain of the State's public authorities issue debt supported by non-State resources (i.e., NYSTA toll revenue bonds, Triborough Bridge and Tunnel Authority (TBTA) or MTA revenue bonds or



CAPITAL PROGRAM AND FINANCING PLAN

newly authorized DASNY dormitory facilities revenue bonds) or issue debt on behalf of private clients (i.e., DASNY school district revenue bonds). This debt, however, is not treated by DOB as either State-supported debt or State-related debt because it (i) is not issued by the State (nor on behalf of the State), and (ii) does not result in a State obligation to pay debt service. Instead, this debt is accounted for in the respective financial statements of the local governments or other entity responsible for the issuance of such debt and is similarly treated.

The issuance of General Obligation debt and debt of the Local Government Assistance Corporation (LGAC) is undertaken by OSC. All other State-supported and State-related debt is issued by the State's financing authorities (known as "Authorized Issuers" in connection with the issuance of PIT and Sales Tax Revenue Bonds) acting under the direction of DOB. The Authorized Issuers for PIT Revenue Bonds are NYSTA, DASNY, ESD, the Environmental Facilities Corporation (EFC), and the Housing Finance Agency (HFA) and the Authorized Issuers for Sales Tax Revenue Bonds are NYSTA, DASNY, and ESD. Prior to any issuance of new State-supported debt and State-related debt, approval is required by the State Legislature, DOB, the issuer's board, and in certain instances, the Public Authorities Control Board (PACB) and the State Comptroller.

The State has never defaulted on any of its General Obligation indebtedness, PIT Revenue Bonds, Sales Tax Revenue Bonds, or its obligations under lease purchase or contractual obligation financing arrangements. The following table summarizes the State's outstanding debt obligations for each of the past three fiscal years.



CAPITAL PROGRAM AND FINANCING PLAN

OUTSTANDING STATE-SUPPORTED AND STATE-RELATED DEBT ¹			
(millions of dollars)			
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
State-Supported Debt	52,773	52,535	52,460
Personal Income Tax Revenue Bonds	23,074	26,501	28,776
Sales Tax Revenue Bonds	0	0	960
General Obligation	3,494	3,524	3,191
Local Government Assistance Corporation	3,119	2,836	2,592
Service Contract & Lease Purchase	11,312	8,585	7,583
Other Revenue Bonds	11,774	11,089	9,358
Contingent-Contractual Obligation Financings	3,193	2,832	2,404
DASNY/MCCFA - Secured Hospital Program	503	421	351
Tobacco Settlement Financing Corporation	2,690	2,411	2,053
Moral Obligation Financings	20	13	7
Housing Finance Agency	18	11	7
MCCFA - Hospitals and Nursing Homes	2	2	0
Other State Financings	623	600	584
MBBA Prior Year School Aid Claims	368	294	281
Capital Leases ^{2 3}	178	232	232
Mortgage Loan Commitments ³	77	74	71
State Guaranteed Debt			
Job Development Authority	19	15	12
TOTAL STATE-RELATED DEBT ⁴	56,628	55,995	55,467

Source: NYS DOB. Except Mortgage Loan Commitments which are taken from the CAFR for FY 2012 and FY 2013 Mortgage Loan Commitments and Capital Leases are estimated by DOB for FY 2014.

¹Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds. Amounts do not reflect accretion of capital appreciation bonds or premiums received.

²A portion of SUNY's capital leases are included in State-supported debt.

³FY 2012 and FY 2013 Capital Leases and Mortgage Loan Commitments have been restated due to the implementation of GASB statement 61.

⁴Capital leases and mortgage loan commitments are included in all figures and references to State-related debt in this AIS unless otherwise specifically noted.



STATE-SUPPORTED DEBT OUTSTANDING

State-supported debt represents obligations of the State that are paid from traditional State resources and have a budgetary impact. It includes General Obligation debt, State PIT Revenue Bonds, Sales Tax Revenue Bonds, LGAC bonds and lease purchase and service contract obligations of public authorities and municipalities. Payment of all obligations, except for General Obligation debt, is subject to annual appropriations by the State Legislature, but the State's credits have different security features, as described in this section. The Debt Reform Act of 2000 limits the amount of new State supported debt issued since April 1, 2000. See "Financial Plan Overview — Capital Commitment Plan and Debt Reform Act Limit" for more information.

STATE PIT REVENUE BOND PROGRAM

Since 2002, the PIT Revenue Bond Program has been the primary financing vehicle used to fund the State's capital program. Legislation enacted in 2001 provided for the issuance of State PIT Revenue Bonds by the State's Authorized Issuers. The legislation requires 25 percent of State PIT receipts (excluding refunds owed to taxpayers) to be deposited into the RBTF for purposes of making debt service payments on these bonds, with the excess amounts returned to the General Fund. The first State PIT Revenue Bonds were issued on May 9, 2002, and since that time, all of the Authorized Issuers have issued State PIT Revenue Bonds.

Legislation enacted in 2007 increased the amount of PIT receipts to be deposited into the RBTF by removing an exclusion for PIT amounts deposited to the STAR Fund. In the event that (a) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (b) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the State PIT Revenue Bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of (i) 25 percent of annual PIT receipts or (ii) \$6 billion. Debt service on State PIT Revenue Bonds is subject to legislative appropriation, as part of the annual debt service bill.

As of March 31, 2014, approximately \$28.8 billion of State PIT Revenue Bonds were outstanding. The projected PIT Revenue Bond coverage ratios, noted below, are based upon estimates of PIT receipts deposited into the RBTF and include projected debt issuances. Assuming average issuances of approximately \$3.4 billion annually over the next four years, PIT coverage is expected to decline from 3.7 times in FY 2015 to 3.5 times in FY 2018. The projected PIT Revenue Bond coverage ratios assume that projects previously financed through the Mental Health Revenue Bond program and the DHBTB Revenue Bond program will be issued under the PIT Revenue Bond program. Revenues that would have been dedicated to bonds issued under the old programs are transferred to the RBTF to offset debt service costs for projects financed with PIT Revenue bonds, but are not counted towards debt service coverage.



CAPITAL PROGRAM AND FINANCING PLAN

PROJECTED PIT REVENUE BOND COVERAGE RATIOS FY 2015 THROUGH 2018 (thousands of dollars)				
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Projected RBTF Receipts	10,933,925	11,707,550	12,505,850	13,115,600
Projected New PIT Bonds Issuances	3,268,117	3,979,278	3,516,752	2,832,655
Projected Total PIT Bonds Outstanding	30,751,668	33,328,550	35,249,558	36,339,205
Projected Maximum Annual Debt Service	2,938,662	3,253,222	3,563,407	3,799,811
Projected PIT Coverage Ratio	3.7	3.6	3.5	3.5

SALES TAX REVENUE BOND PROGRAM

Legislation included in the FY 2014 Enacted Budget created a new Sales Tax Revenue Bond program. This new bonding program replicates certain credit features of PIT and LGAC revenue bonds and is expected to continue to provide the State with increased efficiencies and a lower cost of borrowing.

The legislation created 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 Sales Tax Revenue Bonds are secured by dedicated revenues consisting of one cent of the State's four cent sales and use tax. With a limited exception, upon the satisfaction of all of the obligations and liabilities of LGAC, this will increase to 2 cents of sales and use tax receipts. Such sales tax receipts in excess of debt service requirements will be transferred to the State's General Fund.

The Sales Tax Revenue Bond Fund has appropriation-incentive and General Fund "reach back" features comparable to PIT and LGAC bonds. A "lock box" feature restricts transfers back to the General Fund in the event of non-appropriation or non-payment. In addition, in the event that sales tax revenues are insufficient to pay debt service, a "reach back" mechanism requires the State Comptroller to transfer moneys from the General Fund to meet debt service requirements.

DOB sold the first Sales Tax Revenue Bond issue on October 24, 2013 and it is anticipated that the Sales Tax Revenue Bonds will be used interchangeably with PIT Revenue Bonds to finance State capital needs. As of March 31, 2014, \$960 million of Sales Tax Revenue Bonds were outstanding. Assuming average issuances of approximately \$1.2 billion annually over the next four years, Sales Tax coverage based only upon the 1 cent pledge is expected to decline from 16.5 times in FY 2014 to 6.7 times in FY 2018, as shown in the following chart.



CAPITAL PROGRAM AND FINANCING PLAN

PROJECTED SALES TAX REVENUE BOND COVERAGE RATIOS FY 2015 THROUGH 2018 (thousands of dollars)				
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Projected Sales Tax Receipts	3,023,100	3,138,450	3,254,950	3,379,450
Projected New Sales Tax Revenue Bonds Issuances	1,178,773	1,214,136	1,250,560	1,288,077
Projected Total Sales Tax Revenue Bonds Outstanding	2,099,466	3,236,070	4,367,872	5,480,821
Projected Maximum Annual Debt Service	182,724	286,329	395,731	508,097
Projected Sales Tax Coverage Ratio	16.5	11.0	8.2	6.7

Also included in the FY 2014 Enacted Budget was legislation that authorized the use of State Sales Tax Revenue Bonds and PIT Revenue Bonds to finance any capital purpose, including projects that were previously financed through the State’s Mental Health Facilities Improvement Revenue Bond program and the DHBTF program. This change allows the State to transition to the use of three primary credits – PIT Revenue Bonds, Sales Tax Revenue Bonds and General Obligation bonds to finance the State’s capital needs.

GENERAL OBLIGATION FINANCINGS

With limited exceptions for emergencies, the State Constitution prohibits the State from undertaking a long-term General Obligation borrowing (i.e., borrowing for more than one year) unless it is authorized in a specific amount for a single work or purpose by the Legislature. There is no constitutional limitation on the amount of long-term General Obligation debt that may be so authorized and subsequently incurred by the State. However, the Debt Reform Act imposed statutory limitations on new State-supported debt issued on and after April 1, 2000. The State Constitution provides that General Obligation bonds, which can be paid without an appropriation, must be paid in equal annual principal installments or installments that result in substantially level or declining debt service payments, mature within 40 years after issuance, and begin to amortize not more than one year after the issuance of such bonds. However, general obligation housing bonds must be paid within 50 years after issuance, with principal commencing no more than three years after issuance. The Debt Reform Act limits the maximum term of State-supported bonds, including General Obligation bonds, to 30 years, and the State currently has no bonds outstanding with a remaining final maturity that is more than 30 years.

General Obligation debt is currently authorized for transportation, environment and housing purposes. Transportation-related bonds are issued for State and local highway and bridge improvements, mass transportation, rail, aviation, canal, port and waterway programs and projects. Environmental bonds are issued to fund environmentally sensitive land acquisitions, air and water quality improvements, municipal non-hazardous waste landfill closures and hazardous waste site cleanup projects.



CAPITAL PROGRAM AND FINANCING PLAN

Most General Obligation debt-financed spending in the Enacted Capital Plan is authorized under nine previously approved bond acts (five for transportation and four for environmental and recreational programs). The majority of projected general obligation bond-financed spending supports authorizations for the 2005 Rebuild and Renew New York Bond Act. DOB projects that spending authorizations from the remaining bond acts will be virtually depleted by the end of the Plan. The FY 2015 Enacted Budget included a \$2 billion Smart Schools general obligation bond act that will be brought before voters in November 2014. If approved by voters, proceeds will fund enhanced education technology in schools, with eligible projects including infrastructure improvements to bring high-speed broadband to schools and communities in their school district and the purchase of classroom technology for use by students. Additionally, Smart Schools will enable long-term investments in full-day pre-kindergarten through the construction of new pre-kindergarten classroom space.

As of March 31, 2014, approximately \$3.2 billion of General Obligation bonds were outstanding. See “Exhibit B — State-Related Bond Authorizations” for information regarding the levels of authorized, unissued, and outstanding General Obligation debt by bond act.

The State Constitution permits the State to undertake short-term General Obligation borrowings without voter approval in anticipation of the receipt of (i) taxes and revenues, by issuing general obligation tax and revenue anticipation notes (TRANS), and (ii) proceeds from the sale of duly authorized but unissued General Obligation bonds, by issuing bond anticipation notes (BANs). General Obligation TRANS must mature within one year from their date of issuance and cannot be refunded or refinanced beyond such period. However, since 1990, the State’s ability to issue general obligation TRANS that mature in the same State fiscal year in which they were issued has been limited due to the enactment of the fiscal reform program which created LGAC. BANs may only be issued for the purposes and within the amounts for which bonds may be issued pursuant to General Obligation authorizations, and must be paid from the proceeds of the sale of bonds in anticipation of which they were issued or from other sources within two years of the date of issuance or, in the case of BANs for housing purposes, within five years of the date of issuance. In order to provide flexibility within these maximum term limits, the State had previously used the BANs authorization to conduct a commercial paper program to fund disbursements eligible for General Obligation bond financing.



NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION

In 1990, as part of a State fiscal reform program, legislation was enacted creating LGAC, a public benefit corporation empowered to issue long-term obligations to fund certain payments to local governments that had been traditionally funded through the State's annual issuance of general obligation TRANs that mature in the same State fiscal year that they are issued ("seasonal borrowing"). The legislation also dedicated revenues equal to one cent of the State's four cent sales and use tax to pay debt service on these bonds. As of June 1995, LGAC had issued State-supported bonds and notes to provide net proceeds of \$4.7 billion, completing the program. The issuance of these long-term obligations is amortized over a period of no more than 30 years from the dates of their original issuance, with the final debt service payment on April 1, 2025. As of March 31, 2014, approximately \$2.6 billion of LGAC bonds were outstanding.

The LGAC legislation eliminated seasonal borrowing except in cases where the Governor and the legislative leaders have certified the need for additional seasonal borrowing, based on emergency or extraordinary factors, or factors unanticipated at the time of adoption of the budget, and provide a schedule for eliminating it over time. Any seasonal borrowing is required by law to be eliminated by the fourth fiscal year after the limit was first exceeded (i.e., no seasonal borrowing in the fifth year). The provision limiting the State's seasonal borrowing practices was included as a covenant with LGAC's bondholders in the General Bond Resolution and General Subordinate Lien Bond Resolution authorizing such bonds. No restrictions were placed upon the State's ability to issue deficit TRANs (issued in one year and maturing in the following year).

The LGAC changes, as well as other changes in revenue and spending patterns, have allowed the State to meet its cash flow needs throughout the fiscal year without relying on seasonal borrowings. However, the State has taken extraordinary measures in recent years to manage its cash flow, including payment deferrals and permitting the State to borrow from other funds of the State (i.e., non-General Fund) for a limited period.

Legislation enacted in 2003 requires LGAC to certify, in addition to its own cash needs, \$170 million annually to provide an incentive for the State to seek an annual appropriation to provide local assistance payments to New York City or its assignee. In May 2004, LGAC amended its General Bond Resolution and General Subordinate Lien Bond Resolution to make clear that any failure to certify or make payments to the City or its assignee has no impact on LGAC's own bondholders; and that if any such act or omission were to occur with respect to any bonds issued by The City of New York or its assignee, that act or omission would not constitute an event of default with respect to LGAC bonds. The FY 2015 Enacted Budget includes a local assistance appropriation of \$170 million from the Local Government Assistance Tax Fund to the City.



STATE-SUPPORTED LEASE-PURCHASE AND OTHER CONTRACTUAL-OBLIGATION FINANCINGS

Prior to the 2002 commencement of the State's PIT Revenue Bond program, public authorities or municipalities issued other lease-purchase and contractual-obligation debt. These types of debt, where debt service is payable from moneys received from the State and is subject to annual State appropriation, are not general obligations of the State.

Debt service payable to certain public authorities from State appropriations for such lease-purchase and contractual obligation financings may be paid from general resources of the State or from dedicated tax and other sources (i.e., personal income taxes, motor vehicle and motor fuel related-taxes, and patient income). Although these financing arrangements involve a contractual agreement by the State to make payments to a public authority, municipality or other entity, the State's obligation to make such payments is expressly made subject to appropriation by the Legislature and the actual availability of money to the State for making the payments.

Legislation first enacted in FY 2011, and extended through FY 2017, authorizes the State to set aside moneys in reserve for debt service on general obligation, lease-purchase, and service contract bonds. Pursuant to a certificate filed by the Director of the Budget with the State Comptroller, the Comptroller is required to transfer from the General Fund such reserved amounts on a quarterly basis in advance of required debt service payment dates.

DEDICATED HIGHWAY AND BRIDGE TRUST FUND BONDS

DHBTB bonds were issued for State transportation purposes and are backed by dedicated motor fuel, gas and other transportation related taxes and fees. As of March 31, 2014, approximately \$6.1 billion of DHBTB bonds were outstanding. The State currently has no plans to issue additional DHBTB bonds.

MENTAL HEALTH FACILITIES IMPROVEMENT BONDS

Mental Health Facilities Improvement bonds were issued to support capital projects to preserve and maintain both State and community-based facilities operated and/or licensed by OMH, OPWDD, and OASAS. As of March 31, 2014, approximately \$1.8 billion of Mental Health Facilities Improvement bonds were outstanding.

A major source of patient revenues for these bonds are Federal Medicaid payments for services delivered by OPWDD. Debt service coverage for FY 2015 is currently projected at approximately 7.5 times for existing Mental Health Facilities Improvements Revenue Bonds. As noted previously, the Federal CMS have engaged the State regarding claims for services provided to individuals in developmental centers operated by OPWDD. 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 ICF/DD. The initial review period includes claims for services provided during the period April 1, 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 be in excess of Federal requirements. The State has prospectively resolved CMS concerns regarding its payments to ICF/DDs with a state plan change effective April 1, 2013, and continues to have discussions with CMS to resolve these concerns related to the April 1, 2010 through March 31, 2011 period. Adverse action by the Federal government relative to the allowability of Medicaid costs or services in years prior to FY 2014 would result in a significant loss of Federal aid. The prospective resolution of this matter resulted in a reduction in Federal aid of \$1.1 billion annually. 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 New York 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 State Financial Plan.

SUNY DORMITORY FACILITIES BONDS

Legislation enacted in 2013 changed the method of paying debt service on outstanding SUNY Dormitory Facilities Lease Revenue Bonds (the "Lease Revenue Bonds") and established a new revenue-based financing credit, the SUNY Dormitory Facilities Revenue Bonds (the "Facilities Revenue Bonds") to finance the SUNY residence hall program in the future. The Facilities Revenue Bonds, unlike the Lease Revenue Bonds, will not include a SUNY general obligation pledge, thereby eliminating any recourse to the State with respect to the payment of the Facilities Revenue Bonds. The legislation also provided for the assignment of the revenues derived from the use and occupancy of SUNY's dormitory facilities (the "Dormitory Facilities Revenues") for the payment of debt service on both the Lease Revenue Bonds and the Facilities Revenue Bonds from SUNY to DASNY. As a result, annual debt service on the outstanding Lease Revenue Bonds is no longer supported by a State appropriation, except under extraordinary circumstances (i.e., the generation of insufficient Dormitory Facilities Revenues implicating the need for SUNY payments from sources other than Dormitory Facilities Revenues for debt service on the Lease Revenue Bonds). DOB is not aware of such an extraordinary circumstance having ever occurred in the past and does not anticipate that it would occur in the future. However, since the outstanding Lease Revenue Bonds were incurred as State-supported debt, until these are defeased or are paid off to maturity, DOB will continue to count these bonds as outstanding State-supported debt for purposes of the Debt Reform Act caps and has included these bonds as State-supported debt in all figures, tables and charts in this AIS. In recognition of the fact that debt service payments on the Lease Revenue Bonds are no longer supported by an appropriation, the debt service payments on such Lease Revenue Bonds in the approximate annual amount of \$100 million is not included in State debt service payments reported in this AIS. Annual debt service payments related to the Lease Revenue Bonds was \$117 million in FY 2014 and is projected to be \$109 million in FY 2015 and FY 2016, \$106 million in FY 2017, and \$101 million in FY 2018. As of March 31, 2014, approximately \$1.2 billion of Lease Revenue Bonds were outstanding.



STATE-RELATED DEBT OUTSTANDING

State-related debt is a broader measure of debt that includes State-supported debt, as discussed above, and contingent-contractual obligations, moral obligations, State-guaranteed debt and other debt.

CONTINGENT-CONTRACTUAL OBLIGATION FINANCING

Contingent-contractual debt, included in State-related debt, is debt where the State enters into a statutorily authorized contingent-contractual obligation via a service contract to pay debt service in the event there are shortfalls in revenues from other non-State resources pledged or otherwise available to pay the debt service. As with State-supported debt, except for General Obligation bonds, all payments are subject to annual appropriation. The bankruptcy and deteriorating financial conditions of certain hospitals in the Secured Hospitals Program (described below) resulted in the State paying approximately \$12 million of debt service payments in FY 2014.

SECURED HOSPITAL PROGRAM

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to issue debt. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State Medical Care Facilities Financing Agency (MCFFA) and by DASNY through the Secured Hospital Program. In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. As of March 31, 2014, there was approximately \$351 million of bonds outstanding for this program. See “Financial Plan Overview — Other Matters Affecting the Financial Plan — Secured Hospital Program” for more information.

TOBACCO SETTLEMENT FINANCING CORPORATION (TSFC)

Legislation enacted in 2003 authorized the State to securitize all of its tobacco settlement payments through the TSFC, a corporation created under the legislation that is a subsidiary of the MBBA, through an asset-backed securitization transaction. To lower costs, the legislation authorized the State to enter into contingency contracts obligating the State to pay debt service, subject to annual appropriations, on the TSFC bonds in the event that tobacco receipts and bond reserves are insufficient. To reduce the chance that the State’s contractual payments will be required in the event that tobacco receipts and bond reserves are not sufficient to pay debt service, the TSFC bonds were structured to meet or exceed all rating agency tobacco bond stress tests. The \$4.2 billion of upfront payments received by the State from the securitization were used to help restore State budget balance in FY 2004 (\$3.8 billion) and FY 2005 (\$400 million).

The bonds carry a final nominal maturity of 19 years and have an expected final maturity of 13 years, based on optional redemptions (i.e., an expected final maturity in calendar year 2018). The expected final maturity may deviate due to the optional nature of the redemptions and adjustments to tobacco settlement payments due from participating manufacturers. Various manufacturers, including the



original participating manufacturers, have made reduced payments annually starting in 2006 to states and territories, or deposit payments into a special disputed payments account. On September 11, 2013, an arbitration panel found that the State was “diligent” in enforcing its qualifying statute relating to the first payment that was withheld. As a result of the arbitration decision, the State received approximately \$50 million in April 2014. Arbitration proceedings have not been started for the following years and no assurance can be made as to the outcome of future proceedings. See “Litigation and Arbitration — Tobacco Master Settlement Agreement (MSA)” for more information. As of March 31, 2014, approximately \$2.1 billion of TSFC bonds were outstanding. DOB does not anticipate that the State will be called upon to make any payment, pursuant to the contingency contract, in FY 2015.

MORAL OBLIGATION FINANCINGS

Moral obligation financing generally involves the issuance of debt by a public authority to finance a revenue producing project or other activity. The debt is secured, in the first instance, by project revenues, but includes statutory provisions requiring the State, subject to appropriation by the Legislature, to make up any deficiencies which may occur in the issuer’s debt service reserve fund. There has never been a payment default on any moral obligation debt of any public authority. DOB does not expect the State to increase statutory authorizations for moral obligation bond programs. From 1976 through 1987, the State was called upon to appropriate and make payments totaling \$162.8 million to make up deficiencies in the debt service reserve funds of HFA pursuant to moral obligation provisions. In the same period, the State also expended additional funds to assist the Project Finance Agency, Urban Development Corporation (UDC) and other public authorities which had moral obligation debt outstanding. The State has not been called upon to make any payments pursuant to any moral obligations since FY 1987 and no such requirements are anticipated during FY 2015.

STATE-GUARANTEED FINANCINGS

Pursuant to specific constitutional authorization, the State may also directly guarantee certain public authority obligations. Payments of debt service on State guaranteed bonds and notes are legally enforceable obligations of the State. The only current authorization provides for the State guarantee of the repayment of certain borrowings for designated projects of the New York State Job Development Authority (JDA). The State has never been called upon to make any direct payments pursuant to any such guarantees.

Due to concerns regarding the economic viability of its programs, JDA’s loan and loan guarantee activities were suspended in 1995. JDA resumed its lending activities in 1997 under a revised set of lending programs and underwriting guidelines. In April 2004, JDA issued approximately \$42 million of State-guaranteed bonds to refinance certain of its outstanding bonds and notes in order to restructure and improve JDA’s capital finances. As of March 31, 2014, JDA had approximately \$12 million of bonds outstanding. DOB does not anticipate that the State will be called upon to make any payments pursuant to the State guarantee in FY 2015.



OTHER STATE FINANCINGS

Other State financings relate to the issuance of debt by a public authority, including capital leases, mortgage loan commitments and MBBA prior year school aid claims. Regarding the MBBA prior year school aid claims, the municipality assigns specified State and local assistance payments it receives to the issuer or the bond trustee to ensure that debt service payments are made. The State has no legal obligation to make any debt service payments or to continue to appropriate local assistance payments that are subject to the assignment.

BORROWING PLAN

STATE DEBT ISSUANCES BY FINANCING PROGRAM					
(millions of dollars)					
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Personal Income Tax Revenue Bonds	2,853	3,268	3,979	3,517	2,833
Sales Tax Revenue Bonds	960	1,179	1,214	1,250	1,288
General Obligation Bonds	0	312	1,310	421	398
Total Issuances	<u>3,813</u>	<u>4,759</u>	<u>6,503</u>	<u>5,188</u>	<u>4,519</u>

Source: NYS DOB.

Debt issuances totaling \$4.8 billion are planned to finance new capital project spending in FY 2015, an increase of \$946 million (25 percent) from FY 2014, which increase is primarily attributable to a delay in the sale of bonds from FY 2014 until FY 2015. It is anticipated that the State will finance capital projects through PIT Revenue Bonds, Sales Tax Revenue Bonds and General Obligation bonds in FY 2014. PIT and Sales Tax issuances will include capital projects previously financed through the DHBTF Bonds credit and Mental Health Facilities Improvement Revenue Bonds credit.

The bond issuances will finance capital commitments for transportation infrastructure (\$1.3 billion), education (\$1.8 billion), mental hygiene and health care facilities (\$716 million), economic development (\$377 million), the environment (\$285 million), and State facilities and equipment (\$317 million).

Over the next four years, new debt issuances are projected to total \$21.0 billion. New issuances are primarily for transportation infrastructure (\$5.9 billion), education facilities (\$8.0 billion), economic development (\$2.3 billion), the environment (\$1.2 billion), mental hygiene and health care facilities (\$2.3 billion), and State facilities and equipment (\$1.4 billion).

The State expects to finance all of its bond-financed capital needs in FY 2015 through only three highly-rated programs – PIT Revenue Bonds, Sales Tax Revenue Bonds, and General Obligation bonds. Assuming an issuance plan consistent with the prior table the State projects debt outstanding levels through FY 2018 to be as follows:



CAPITAL PROGRAM AND FINANCING PLAN

PROJECTED DEBT OUTSTANDING BY CREDIT (millions of dollars)					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Personal Income Tax Revenue Bonds	28,776	30,752	33,329	35,250	36,339
Sales Tax Revenue Bonds	960	2,099	3,236	4,368	5,481
General Obligation Bonds	3,191	3,199	4,217	4,274	4,326
Local Government Assistance Corp.	2,592	2,345	2,058	1,758	1,466
Other Revenue Bonds	9,358	8,526	7,768	7,031	6,316
Service Contract & Lease Purchase	7,583	6,676	5,777	4,976	4,067
TOTAL STATE-SUPPORTED	52,460	53,597	56,385	57,657	57,995

STATE-RELATED DEBT SERVICE REQUIREMENTS

The following table presents the current and future debt service (principal and interest) requirements on State-related debt outstanding as of March 31, 2014. The requirements of LGAC and other financing obligations of public authorities are based on the gross amounts due from the authorities to bondholders within the fiscal year when such authorities make the payments. The amounts shown do not reflect other associated costs or revenues anticipated to be available, such as interest earnings, capitalized interest or debt service reserve fund releases. Thus, the requirements shown are generally in excess of the amounts expected to be actually paid by the State during its fiscal year.

ESTIMATED DEBT SERVICE REQUIREMENTS ON EXISTING STATE-RELATED DEBT BY CREDIT STRUCTURE ¹ (millions of dollars)						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total
Personal Income Tax Revenue Bonds	2,517	2,668	2,624	2,640	2,620	13,069
Sales Tax Revenue Bonds	18	67	67	67	82	300
General Obligation Bonds	472	437	403	369	324	2,005
Local Government Assistance Corporation	375	392	392	371	288	1,818
Other State-Supported Bonds	3,005	2,297	2,179	2,030	2,030	11,542
Tobacco Bonds ²	397	400	447	399	398	2,042
All Other State-Related Bonds ³	105	103	110	95	84	497
Total Debt Service	6,889	6,364	6,222	5,971	5,826	31,273

Source: NYS DOB.

¹ Reflects debt issued as of March 31, 2014. Estimated debt service requirements are calculated based on swap rates in effect for all bonds that were synthetically fixed under an interest rate exchange agreement. Debt service requirements for variable rate bonds for which there are no related interest rate exchange agreements were calculated at rates of 3.50 percent.

² Estimated debt service numbers are based on available information as of March 31, 2014. Since 2006 certain monies expected to flow to the State under the Master Settlement Agreement have been withheld and placed in a Dispute Payment Account. Pending the outcome of a resolution between participating manufacturers and the states, the debt service numbers will be adjusted accordingly.

³ Excludes Mortgage Loan Commitments and Capital Leases.



INTEREST RATE EXCHANGE AGREEMENTS AND NET VARIABLE RATE OBLIGATIONS

Chapter 81 of the Laws of 2002 authorized issuers of State-supported debt to issue a limited amount of variable rate debt instruments and to enter into a limited amount of interest rate exchange agreements. The current limit on debt instruments which result in a net variable rate exposure (i.e., both variable rate debt and interest rate exchange agreements) is no more than 15 percent of total outstanding State-supported debt. Interest rate exchange agreements are also limited to a total notional amount of no more than 15 percent of total outstanding State-supported debt. The outstanding State-supported debt of \$52.5 billion as of March 31, 2014 results in a cap on variable rate exposure and a cap on interest rate exchange agreements of about \$8 billion each (15 percent of total outstanding State-supported debt). As discussed below, as of March 31, 2014, both the amount of outstanding variable rate debt instruments and interest rate exchange agreements were less than the authorized totals of 15 percent of total outstanding State-supported debt.

INTEREST RATE EXCHANGE AGREEMENTS

As of March 31, 2014, the State’s Authorized issuers have a notional amount of \$2.0 billion in interest rate exchange agreements. The following table shows the amount of outstanding interest rate exchange agreements which are subject to the statutory cap. Overall, the State’s swap exposure is expected to decline from 3.8 percent in FY 2014 to 2.7 percent in FY 2018.

INTEREST RATE EXCHANGE CAP (millions of dollars)					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Interest Rate Exchange Cap	7,869	8,040	8,458	8,649	8,699
Notional Amounts of Interest Rate Exchange Agreements	2,014	1,927	1,820	1,683	1,548
Percent of Interest Rate Exchange Agreements to Debt Outstanding	3.8%	3.6%	3.2%	2.9%	2.7%

Currently the State’s swaps portfolio is comprised of synthetic fixed rate swaps. A synthetic fixed swap includes two separate transactions: (1) a variable rate bond is sold to bondholders, and (2) an interest rate exchange agreement between the State and a counterparty is executed. The interest rate exchange agreement results in the State paying a fixed interest rate (i.e., synthetic fixed rate) to the counterparty and the counterparty agrees to pay the State a variable rate (65 percent of the London InterBank Offered Rate (LIBOR) for all State swaps). The variable rate the State pays to bondholders and the variable rate the State is receiving from the counterparty off-set each other, leaving the State with the synthetic fixed rate payment. The synthetic fixed rate was less than the fixed rate the State would have paid to issue traditional fixed rate bonds at the time of issuance.

At this time, the State has no plans to increase its swap exposure, and may take further actions to reduce swap exposures commensurate with variable rate restructuring efforts.



NET VARIABLE RATE OBLIGATIONS

The State’s net variable rate exposure (including a policy reserve) is projected to average 1.6 percent of outstanding debt from FY 2014 through FY 2018. The debt that is charged against the variable rate cap represents the State’s unhedged variable rate bonds. The variable rate bonds that are issued in connection with a swap - \$2.0 billion - are not included in the variable rate cap, as discussed previously in the “Interest Rate Exchange Agreements” section.

The State’s current policy is to count 35 percent of the notional amount of outstanding 65 percent of LIBOR fixed rate swaps in its variable rate exposure. This policy reserve accounts for the potential that tax policy or market conditions could result in significant differences between payments owed on the bonds and the amount received by the State under its 65 percent of LIBOR swaps, and that the factors affecting such payments can be consistent with variable rate exposure.

VARIABLE RATE EXPOSURE (millions of dollars)					
	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Variable Rate Exposure Cap	7,869	8,040	8,458	8,649	8,699
Current Unhedged Variable Rate Obligations	204	193	182	173	161
Synthetic Variable Rate Swaps	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Net Variable Rate Exposure	204	193	182	173	161
Net Variable Rate Exposure to Debt Outstanding	0.4%	0.4%	0.3%	0.3%	0.3%
Current Policy Reserve for LIBOR Swaps	705	674	637	589	542
Net Variable Rate Exposure (with Policy Reserve)	909	868	819	762	703
Net Variable Rate Exposure (with Policy Reserve) to Debt Outstanding	1.7%	1.6%	1.5%	1.3%	1.2%

The State has no plans to issue additional variable rate debt at this time, and may further reduce existing variable rate exposure.



STATE BOND CAPS AND DEBT OUTSTANDING

Bond caps are legal authorizations to issue bonds to finance the State's capital projects. The caps can authorize bond financing of capital appropriations. As the bond cap for a particular programmatic purpose is reached, subsequent legislative changes are required to raise the statutory cap to the level necessary to meet the bondable capital needs, as permitted by a single or multi-year appropriation. The aggregate bond caps have increased by \$7.6 billion in FY 2015.

Debt authorizations for capital programs are either approved or enacted at one time, expected to be fully issued over time, or enacted annually by the Legislature and are usually consistent with bondable capital projects appropriations. Authorization does not, however, indicate intent to sell bonds for the entire amount of those authorizations, because capital appropriations often include projects that do not materialize or are financed from other sources. The amount of bonds authorized may be increased or decreased from time to time by the Legislature. In the case of General Obligation debt, increases in the authorization must be approved by the voters. See "Exhibit B — State-Related Bond Authorizations" herein for additional information.

FOR MORE INFORMATION

Additional information on the State's debt portfolio is available on DOB's public website (www.budget.ny.gov). The Investor's Guide section of the site contains information on New York State bonds including: the State's bond issuance schedule which is updated periodically; swap and variable rate capacity reports; variable rate trading activity; and State PIT Revenue Bond and Sales Tax Revenue Bond debt service and debt outstanding.

AUTHORITIES AND LOCALITIES

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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AUTHORITIES AND LOCALITIES

As of December 31, 2013 (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 \$175 billion, only a portion of which constitutes State-supported or State-related debt. The following table summarizes the outstanding debt of these authorities.

OUTSTANDING DEBT OF CERTAIN AUTHORITIES⁽¹⁾			
AS OF DECEMBER 31, 2013⁽²⁾			
(millions of dollars)			
Authority	State-Related Debt	Authority and Conduit	Total
	Bonding	Bonding	
Dormitory Authority ⁽³⁾	25,277	21,019	46,296
Metropolitan Transportation Authority	346	24,352	24,698
Port Authority of NY & NJ	0	21,876	21,876
Thruway Authority	10,056	4,830	14,886
UDC/ESD	11,090	903	11,993
Housing Finance Agency	859	11,077	11,936
Triborough Bridge and Tunnel Authority	0	8,292	8,292
Job Development Authority ⁽²⁾	15	7,011	7,026
Long Island Power Authority ⁽⁴⁾	0	6,967	6,967
Environmental Facilities Corporation	645	6,158	6,803
Energy Research and Development Authority	0	3,434	3,434
State of New York Mortgage Agency	0	2,781	2,781
Local Government Assistance Corporation	2,592	0	2,592
Tobacco Settlement Financing Corporation	2,053	0	2,053
Power Authority	0	1,675	1,675
Battery Park City Authority	0	1,059	1,059
Municipal Bond Bank Agency	281	291	572
Niagara Frontier Transportation Authority	0	144	144
Bridge Authority	0	117	117
TOTAL OUTSTANDING	53,214	121,986	175,200

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 \$2.02 billion of Utility Debt Securitization Authority (UDSA) bonds. Chapter 173 of the Laws of 2013 established UDSA for the sole purpose of retiring certain outstanding indebtedness of the Long Island Power Authority (LIPA) through the issuance of restructuring bonds. UDSA is reported as a blended component unit of LIPA in LIPA's audited financial statements.



LOCALITIES

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

THE CITY OF NEW YORK

The fiscal demands on the State may be affected by the fiscal condition of New York City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of New York City, and its related issuers, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and its related issuers is available by contacting Ben Schanback, Investor Relations, (212) 788-0920, 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 the STARC by the Mayor of the City of New York.

⁽³⁾ Includes bonds issued by the Fiscal Year 2005 Securitization Corporation, the New York City Educational Construction Fund 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



AUTHORITIES AND LOCALITIES

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 2014, the State Legislature passed 24 special acts authorizing, or amending authorizations for, bond issuances to finance local government operating deficits, most recently for Rockland County, the City of Long Beach and the City of Yonkers. When local governments are authorized to issue bonds to finance operating deficits, the local government generally is subject to certain additional fiscal oversight during the time the bonds are outstanding, including an annual budget review by OSC. In addition to deficit financing authorizations, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality.

The Buffalo Fiscal Stability Authority 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.

Various actions taken by NIFA or Nassau County have been the subject of Federal and State court decisions. For example, NIFA's imposition of a wage freeze has been the subject of litigation, and the New York State Court of Appeals has held that Nassau County could not transfer the responsibility for certain tax refunds to local governments and school districts. On May 10, 2014, NIFA approved labor contracts that include wage increases for various collective bargaining units, ending NIFA's 3-year imposition of the wage freeze.

Erie County has a Fiscal Stability Authority, the City of New York has a Financial Control Board, and the City of Troy has a Supervisory Board, all of which presently perform certain review and advisory functions. The City of Newburgh operates under fiscal monitoring by the State Comptroller pursuant to special State legislation. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's FY 2014 or thereafter.

The City of Yonkers no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The Yonkers City School District is dependent upon the City of Yonkers as it lacks separate taxing authority for school operations. In January 2014, the Yonkers Board of Education identified an improper accrual of State aid that resulted in an unanticipated shortfall in available funds for operation of the Yonkers City School District. In response, the Yonkers City School District Deficit Financing Act was enacted, which authorizes the City of Yonkers to issue debt of up to \$45 million to liquidate current deficits in the school district's general fund as of June 30, 2014. The FY 2015 Enacted Budget also provides \$28 million to the City of Yonkers and Yonkers City School District for the school year 2015, subject to an Inter-Municipal Agreement to be executed between the City of Yonkers and the



AUTHORITIES AND LOCALITIES

Yonkers City School District and approved by the State Budget Director, to consolidate and combine various overlapping and duplicative non-academic functions under the general management and direction of the City of Yonkers.

Legislation enacted in 2013 created the Financial Restructuring Board for Local Governments (the “Restructuring Board”). The Restructuring Board consists of ten members, including the Director of the State Budget, who is the Chair, the Attorney General, the State Comptroller, the Secretary of State and six members appointed by the Governor. The Restructuring Board, upon the request of a “fiscally eligible municipality,” is authorized to perform a number of functions including reviewing the municipality’s operations and finances, making recommendations on reforming and restructuring the municipality’s operations, proposing that the municipality agree to fiscal accountability measures, and making available certain grants and loans. To date, the Restructuring Board has agreed to accept the requests for review of eight fiscally eligible municipalities. The Restructuring Board is also authorized, upon the joint request of the fiscally eligible municipality and a public employee organization, to resolve labor impasses between municipal employers and employee organizations for police, fire and certain other employees in lieu of binding arbitration before a public arbitration panel.

In June of 2013, OSC unveiled its Fiscal Stress Monitoring System—a system that is intended to identify stress conditions in local communities, utilizing a number of fiscal and environmental indicators. The goal is to provide an early warning of potential fiscal distress. 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.”

The first set of scores was issued in 2013 for 1,043 calendar year local governments based on data filed for the 2012 fiscal year. Of these, 12 local governments were found to be in significant fiscal stress, including five counties, two cities, four towns and one village. Using data from 2013, 12 school districts and four additional villages were designated to be in significant fiscal stress. The vast majority of non-calendar year local governments (92.1 percent) and school districts (87.1 percent) are categorized 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; recent State aid trends; constitutional and statutory limitations on the imposition by local governments and school districts of property, sales and other taxes; and for some communities, the significant upfront costs for rebuilding and clean-up in the wake of a natural disaster. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long range economic trends. Other large scale



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potential problems, such as declining urban populations, declines in the real property tax base, increasing pension, health care and other fixed costs, or the loss of skilled manufacturing jobs may also adversely affect localities and necessitate requests for State assistance.

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

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



AUTHORITIES AND LOCALITIES

DEBT OF NEW YORK LOCALITIES ⁽¹⁾ (millions of dollars)						
Locality Fiscal Year Ending	Combined		Other Localities Debt ⁽³⁾		Total Locality Debt ⁽³⁾	
	New York City Debt ⁽²⁾		Bonds ⁽⁴⁾	Notes ⁽⁴⁾	Bonds ⁽³⁾⁽⁴⁾	Notes ⁽⁴⁾
	Bonds	Notes				
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	36,595	7,121	113,913	7,121

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, the 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.

STATE GOVERNMENT EMPLOYMENT

State Government Employment

As of March 31, 2014, the State had approximately 180,000 FTE annual salaried employees funded from all funds including some part-time and temporary employees, independently-elected agencies and university systems, but excluding seasonal, legislative and judicial employees. The workforce is now substantially smaller than it was in 1990, when it peaked at approximately 230,000 positions. The State workforce is projected to total 180,574 positions at the end of FY 2015. The State workforce subject to direct Executive control is expected to total 118,961 full time equivalent positions at the end of FY 2015.

The State Public Employment Relations Board defines negotiating units for State employees. GOER conducts collective bargaining negotiations with the State's unions, with the exception of employees of the Judiciary, public authorities, CUNY and the Legislature. Such negotiations include terms and conditions of employment, except pension benefits. The State has settled collective bargaining agreements with 90 percent of the State workforce for the contract period commencing in FY 2012. Five-year agreements were reached with CSEA, UUP, NYSCOPBA, and Council 82. Four-year agreements were reached with PEF and NYSPBA. For the fiscal years prior to the contract period commencing in FY 2012, the State's agreement with NYSPBA covered fiscal years 2006 through 2011, and the State agreement with NYSCOPBA and Council-82 included fiscal years 2010 and 2011.

While approximately 94 percent of the State workforce is unionized, the remainder of the workforce is designated as "managerial" or "confidential" (M/C) and is excluded from collective bargaining. The results of collective bargaining negotiations have historically been applied to all State employees within the Executive Branch. However, general salary increases were withheld from M/C employees in FY 2010 and FY 2011. Under the State's Taylor Law, the general statute governing public employee-employer relations in the State, employees are prohibited from striking. A strike against the State last occurred in 1979 by employees of DOCCS.

HISTORICAL SUMMARY OF EXECUTIVE BRANCH WORKFORCE		
ANNUAL SALARIED FTEs		
ALL FUNDS		
Date	Subject to Direct Executive Control	Grand Total
3/31/2008	137,680	195,239
3/31/2009	136,495	195,329
3/31/2010	131,741	191,195
3/31/2011	125,787	183,921
2/29/2012*	119,579	179,598
3/31/2013	119,756	180,802
3/31/2014	118,492	180,041

*Reflects a payroll prior to fiscal year-end due to concurrent implementation of the State's Statewide Financial System (SFS) which resulted in anomalies to the accounting of FTEs with the actual FY 2012 year-end payroll.



STATE GOVERNMENT EMPLOYMENT

WORKFORCE SUMMARY			
ALL FUNDS			
FY 2013 THROUGH FY 2015			
	FY 2013	FY 2014	FY 2015
	Actuals	Actuals	Estimate
	(03/31/13)	(03/31/14)	(03/31/15)
Major Agencies			
Children and Family Services, Office of	3,068	2,951	3,071
Corrections and Community Supervision, Department of	29,443	28,975	29,142
Education Department, State	2,618	2,611	2,692
Environmental Conservation, Department of	2,901	2,917	2,919
Financial Services, Department of	1,242	1,271	1,322
General Services, Office of	1,306	1,449	1,564
Health, Department of	4,546	4,701	5,000
Information Technology Services, Office of	3,726	3,689	3,804
Labor, Department of	3,615	3,417	3,247
Mental Health, Office of	14,538	14,593	14,616
Motor Vehicles, Department of	2,243	2,237	2,205
Parks, Recreation and Historic Preservation, Office of	1,731	1,748	1,737
People with Developmental Disabilities, Office for	20,116	19,271	18,311
State Police, Division of	5,222	5,386	5,439
Taxation and Finance, Department of	4,352	4,280	4,368
Temporary and Disability Assistance, Office of	1,834	1,790	1,918
Transportation, Department of	8,687	8,540	8,337
Workers' Compensation Board	1,167	1,145	1,220
Subtotal - Major Agencies	112,355	110,971	110,912
Minor Agencies	7,401	7,521	8,049
Subtotal - Subject to Direct Executive Control	119,756	118,492	118,961
University Systems			
City University of New York	13,437	13,864	13,643
State University Construction Fund	150	146	152
State University of New York	43,243	43,326	43,342
Subtotal - University Systems	56,830	57,336	57,137
Independently Elected Agencies			
Audit and Control, Department of	2,476	2,498	2,643
Law, Department of	1,740	1,715	1,833
Subtotal - Independently Elected Agencies	4,216	4,213	4,476
Grand Total	180,802	180,041	180,574
Source: NYS DOB.			

STATE RETIREMENT SYSTEMS

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 for 2013 and 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 for the fiscal year ending March 31, 2013, and the two prior fiscal years, can also be accessed at that web page. For the fiscal year ended March 31, 2014, the Systems’ audited Financial Statement will be available on the OSC website after July 31, 2014 and the NYSLRS’ CAFR and Asset Listing will be available by September 30, 2014.

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



THE SYSTEMS

The Systems provide pension benefits to public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). State employees made up about 32 percent of the membership during FY 2014. There were 3,029 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2014, approximately 644,000 persons were members of the Systems and approximately 422,000 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of the State Constitution considers membership in any State pension or retirement system to be “a contractual relationship, the benefits of which shall not be diminished or impaired.”

COMPARISON OF BENEFITS BY TIER

The Systems’ members are categorized into six tiers depending on date of membership. As of March 31, 2014, approximately 79 percent of ERS members were in Tiers 3 and 4 and approximately 86 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and included significant changes to the benefit structure for ERS members 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. In 2014, the State paid in full its non-Judiciary retirement incentive liability. The amortized amount receivable relating to the ERI, including accrued interest, from the State as of March 31, 2014 is \$41.23 million and the amount due from participating employers is \$58.34 million.

CONTRIBUTIONS AND FUNDING

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

The CRF experienced significant investment losses in FY 2009. These investment losses negatively impacted the value of assets held by the CRF for the Systems. In order to protect employers from



potentially volatile contributions tied directly to the value of the Systems' assets held by the CRF, the Systems utilize a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the Systems Actuary, which is currently 7.5 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. Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at 5 percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2014, the amortized amount receivable, including accrued interest, pursuant to Chapter 260 from the State is \$95 million and from participating employers is \$27.4 million. The State paid approximately \$1.926 billion in contributions (including Judiciary) for FY 2014 including amortization payments of approximately \$386.42 million associated with Chapter 260 of the Laws of 2004, Chapter 57 of the Laws of 2010 and the 2010 retirement incentive program. In FY 2014, the State paid off the Judiciary's 2005 amortization liability.

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013 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, 2014, the amortized amount receivable, including accrued interest, for the 2011 amortization is \$187.78 million from the State and \$31.71 million from 45 participating employers; the amortized amount receivable, including accrued interest, for the 2012



amortization is \$467.67 million from the State and \$171.90 million from 118 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is \$712.36 million from the State and \$337.54 million from 136 participating employers; and the amortized amount receivable, including accrued interest, for the 2014 amortization is \$939.82 million for the State and \$230.90 million from 110 participating employers.

The FY 2014 Enacted Budget included an alternate contribution program (the “Alternate Contribution Stabilization Program”) that provides certain participating employers with a one-time election to amortize slightly more of their required contributions than would 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. The amortized amount receivable, including interest, from 29 participating employers is \$274.91 million.

Eligible employers had a one-time only option to elect to participate in the Alternate Contribution Stabilization Program, which began with FY 2014. For those eligible employers electing 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 total State payment (including Judiciary) related to the FY 2014 bill was approximately \$2.744 billion. Multiple prepayments (including interest credit) have reduced this amount by approximately \$1.545 billion. The State (including Judiciary) opted to amortize the maximum amount permitted, which reduced the required March 1, 2014 payment by \$937.0 million. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF as further described below under “Pension Assets and Liabilities”.

The total State payment (including Judiciary) related to the FY 2015 bill is estimated to be approximately \$2.833 billion. Multiple prepayments to date (including interest credit) have reduced this amount by approximately \$725.6 million. If the State (including Judiciary) opts to amortize the maximum amount permitted, it would reduce the required March 1, 2015 payment by \$742.5 million. 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 performance⁵. 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.⁶

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 2010⁷. 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

⁵ On May 12, 2014, the State Comptroller released a statement indicating that the value of the Systems' invested assets posted an estimated 13.02 percent return for the fiscal year ended March 31, 2014. This report reflects unaudited data for assets invested for the Systems. The value of invested assets changes daily.

⁶ 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.

⁷ 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.



1, 2013. The funded ratio, as of April 1, 2013, calculated by the Systems Actuary in August 2013 using the entry age normal funding method and actuarial assets, was 89 percent⁸.

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

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

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

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

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

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

⁸ 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.



STATE RETIREMENT SYSTEMS

CONTRIBUTIONS AND BENEFITS NEW YORK STATE AND LOCAL RETIREMENT SYSTEMS ⁽¹⁾ (millions of dollars)					
Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid ⁽³⁾
	All Participating Employers ⁽¹⁾⁽²⁾	Local Employers ⁽¹⁾⁽²⁾	State ⁽¹⁾⁽²⁾	Employees	
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	Net Assets	Percent Increase/ (Decrease) From Prior Year
March 31		
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.

LITIGATION AND ARBITRATION

Litigation and Arbitration

GENERAL

The legal proceedings listed below involve State finances and programs and miscellaneous civil rights, real property, contract and other tort claims in which the State is a defendant and the potential monetary claims against the State are deemed to be material, generally in excess of \$100 million or involving significant challenges to or impacts on the State's financial policies or practices. As explained below, these proceedings could adversely affect the State's finances in FY 2015 or thereafter. The State intends to describe newly initiated proceedings which the State deems to be material and existing proceedings which the State subsequently deems to be material, as well as any material and adverse developments in the listed proceedings, in quarterly updates and/or supplements to this AIS.

For the purpose of this Litigation and Arbitration section of the AIS, the State defines "material and adverse developments" as rulings or decisions on or directly affecting the merits of a proceeding that have a significant adverse impact upon the State's ultimate legal position, and reversals of rulings or decisions on or directly affecting the merits of a proceeding in a significant manner, whether in favor of or adverse to the State's ultimate legal position, at all of which are above the \$100 million materiality threshold described above. The State intends to discontinue disclosure with respect to any individual case after a final determination on the merits or upon a determination by the State that the case does not meet the materiality threshold described above.

The State is party to other claims and litigation, with respect to which its legal counsel has advised that it is not probable that the State will suffer adverse court decisions, or which the State has determined do not, considered on a case by case basis, meet the materiality threshold described in the first paragraph of this section. Although the amounts of potential losses, if any, resulting from these litigation matters are not presently determinable, it is the State's position that any potential liability in these litigation matters is not expected to have a material and adverse effect on the State's financial position in FY 2015 or thereafter. The Basic Financial Statements for FY 2014, which OSC expects to issue by July 29, 2014, is expected to report possible and probable awarded and anticipated unfavorable judgments against the State.

Adverse developments in the proceedings described below, other proceedings for which there are unanticipated, unfavorable and material judgments, or the initiation of new proceedings could affect the ability of the State to maintain a balanced FY 2015 Financial Plan. The State believes that the FY 2015 Enacted Budget includes sufficient reserves to offset the costs associated with the payment of judgments that may be required during FY 2015. These reserves include (but are not limited to) amounts appropriated for Court of Claims payments and projected fund balances in the General Fund. In addition, any amounts ultimately required to be paid by the State may be subject to settlement or may be paid over a multi-year period. There can be no assurance, however, that adverse decisions in legal proceedings against the State would not exceed the amount of all potential FY 2015 Enacted Budget resources available for the payment of judgments, and could therefore adversely affect the ability of the State to maintain a balanced FY 2015 Enacted Budget.



THE INFORMATION THAT FOLLOWS UNDER THIS HEADING HAS BEEN FURNISHED BY THE STATE OFFICE OF THE ATTORNEY GENERAL AND DOB HAS NOT UNDERTAKEN ANY INDEPENDENT VERIFICATION OF SUCH INFORMATION.

REAL PROPERTY CLAIMS

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

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

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

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

On May 16, 2013, the State, Madison and Oneida Counties, and the Oneida Indian Nation signed a settlement agreement covering many issues. As pertinent here, the agreement would place a cap on the amount of land the tribe could reacquire and have taken into trust for its benefit by the United States. The agreement has been approved by the State Legislature, and was approved by the Federal Court on March 4, 2014.

There are two cases challenging the settlement agreement. In *Matter of Town of Verona, et al. v. Cuomo, et al.* (Sup. Ct., Albany Co.), the plaintiffs are citizen taxpayers, voters, and two towns. The defendants have answered and moved for summary judgment. Plaintiffs have cross-moved to amend the complaint. The motions are pending.

In *Schulz v. New York State Executive, et al.*, (Sup. Ct., Albany Co.), plaintiff seeks a declaratory judgment that the New York Gaming Act, the New York Tax Free Zones Act, and the Oneida, St. Regis Mohawk and Seneca Nation settlement agreements violate various provisions of the State Constitution. In a decision, order and judgment dated April 10, 2014, the court disposed of some of the constitutional challenges to the statutes and ordered that plaintiff serve the tribes and the Counties of Madison and Oneida within thirty days. The counties and tribes will have until June 16, 2014 to answer the amended complaint.



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 Power Corporation, which will now proceed through discovery and additional motion practice.

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe’s land claim. The land claim has been stayed through at least June 6, 2014 to allow for settlement negotiations.

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

In *Shinnecock Indian Nation v. State of New York, et al.* (“EDNY”), plaintiff seeks ejectment, monetary damages, and declaratory and injunctive relief for its claim that approximately 3,600 acres in the Town of Southampton were illegally transferred from its predecessors-in-interest. On December 5, 2006, the District Court granted defendants’ motion to dismiss, based on the *Sherrill* and *Cayuga* decisions. Plaintiff moved for reconsideration before the District Court and also appealed to the Second Circuit Court of Appeals. The motion for reconsideration has been withdrawn, but a motion to amend the complaint remains pending in the District Court and stayed through at least June 1, 2014. 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



LITIGATION AND ARBITRATION

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 Energy Research and Development Authority ("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 submitted to the Court their opening and responsive briefs for competing motions to dismiss the Nuclear Waste Policy Act claim. On November 20, 2013, the Court issued an order granting the State's motion to dismiss this claim for lack of ripeness, and denying the United States' motion to dismiss to the extent it sought a ruling on alternative grounds.

METROPOLITAN TRANSPORTATION AUTHORITY

In several cases, the plaintiffs challenged 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 sought 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 sought judgments declaring that the enactment of Chapter 25 violated provisions of Public Authority Law §1266 requiring that the



Metropolitan Transportation Authority be self-sustaining. Those 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* (consolidated with the *Mangano* case in Sup. Ct. Nassau Co.), and *Vanderhoef v. Silver* (transferred to 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. All of those cases have been resolved on the merits in favor of the defendants and are concluded.

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 September 2, 2014. The trial is scheduled for September 29, 2014.

In *Aristy-Farer, et al. v. The State of New York, et al.* (Sup. Ct., N.Y. Co.), commenced February 6, 2013, plaintiffs seek a judgment declaring that the provisions of L. 2012, Chapter 53 and L. 2012, Chapter 57, Part A § 1, linking payment of State school aid increases for 2012-2013 school year to submission by local school districts of approvable teacher evaluation plans violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statutes would prevent students from receiving a sound basic education. Plaintiffs moved for a preliminary injunction enjoining the defendants from taking any actions to carry out the statutes to the extent that they would reduce payment of State aid disbursements referred to as General Support for Public Schools ("GSPS") to the City of New York pending a final determination. The State opposed this motion. By order dated February 19, 2013, the Court granted the motion for preliminary injunction. The State appealed. On May 21, 2013, the Appellate Division, First Department, denied plaintiffs motion for a stay pending appeal. As a result, plaintiffs have agreed to vacate their preliminary injunction and the State will withdraw its appeal. On April 7, 2014, Supreme Court denied the State's motion to dismiss. The State has appealed.

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 was returnable December 12, 2013. After argument before Judge O'Connor, the case was reassigned to Judge Devine, who agreed to rehear argument. Argument was delayed pending another motion by plaintiffs to amend the complaint. As Judge Devine has since been appointed to the Appellate Division, Third Department, the case is awaiting reassignment.

In *New Yorkers for Students Educational Rights v. New York*, the organizational plaintiff and several individual plaintiffs commenced a new lawsuit on February 11, 2014, in Supreme Court, New York County, claiming that the State is not meeting its constitutional obligation to fund schools in New York City and throughout the State to provide students with an opportunity for a sound basic education. Plaintiffs specifically allege that the State is not meeting its funding obligations for New York City schools under the Court of Appeals decision in *Campaign for Fiscal Equity ("CFE") v. New York*, 8 N.Y.3d 14 (2006), and -- repeating the allegations of Aristy-Farer -- challenge legislation conditioning increased funding for New York City schools on the timely adoption of a teacher evaluation plan. With regard to other school districts throughout the State, plaintiffs allege that the State is not providing adequate Statewide funding, has not fully implemented certain 2007 reforms to the State aid system, has imposed gap elimination adjustments decreasing State aid to school districts, and has imposed caps on State aid increases, and on local property tax increases unless approved by a supermajority. Finally, they allege that the State has failed to provide assistance, services, accountability mechanisms, and a rational cost formula to ensure that students throughout the State have an opportunity for a sound basic education.

Plaintiffs seek a judgment declaring that the State has failed to comply with CFE, that the State has failed to comply with the command of State Constitution Article XI to provide funding for public schools across the State, and that the gap elimination adjustment and caps on State aid and local property tax increases are unconstitutional. They seek an injunction requiring the State to eliminate the gap elimination adjustments and caps on State aid and local property tax increases, to reimburse New York City for the funding that was withheld for failure to timely adopt a teacher evaluation plan, to provide greater assistance, services and accountability, to appoint an independent commission to determine the cost of providing students the opportunity for a sound basic education, and to revise State aid formulas. On May 30, 2014, the State filed a motion to dismiss all claims.

MEDICAID NURSING HOME RATE METHODOLOGY

In *Kateri Residence v. Novello (Sup. Ct., New York Co.)* and several other cases, the plaintiffs challenge several nursing home rate methodologies, including the "reserve bed patient day adjustment," which regulates payments to nursing homes when long term care patients are receiving off-site care. Supreme Court, New York County, granted partial summary judgment to plaintiffs in *Kateri*, holding that the reserve bed patient day adjustment rate methodology was improper. The Appellate Division, First Department affirmed Supreme Court's partial summary judgment decision on interlocutory appeal and remanded the case to Supreme Court for further proceedings. The Court of Appeals denied leave to appeal on the grounds that the decision was not final. Supreme Court directed the defendant to re-compute Medicaid rates for the plaintiff's facilities, and that re-computation was completed in October 2013. The parties are presently conducting discovery. Plaintiffs have brought a motion, returnable March 5, 2014, to compel payment of the impacted Medicaid rates computed thus far by Department of



Health staff, resulting from application of the reserve bed day methodology. On June 3, 2014, the court granted this motion to the extent of directing payment of \$6.5 million out of the \$49 million sought by plaintiff. Plaintiffs also brought a motion to consolidate over two hundred additional Medicaid rate cases into the present case, which was returnable May 16, 2014. The motion has been fully briefed, and awaits argument and decision.

SALES TAX

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

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

In July 2011, plaintiffs commenced *Akwesasne Convenience Store Association et al. v. State of New York, (Sup. Ct., Erie Co.)*, against the State of New York and other defendants, seeking a declaration that the statutory voucher system impermissibly burdens Indian commerce and is preempted by Federal law and further seeking to enjoin the implementation, administration or enforcement of the system. The court denied plaintiffs' request for a temporary restraining order and, by decision dated August 18, 2011, also denied plaintiffs' subsequent motion for a preliminary injunction. Plaintiffs appealed to the Appellate Division, Fourth Department, which denied plaintiffs' motion for a preliminary injunction pending appeal on September 14, 2011. The appeal is pending. By decision dated August 2, 2012, the Supreme Court, Erie County, granted defendants' motion for summary judgment dismissing the complaint and denied plaintiffs' cross motion for summary judgment. Plaintiffs appealed directly to the Court of Appeals by notice of appeal filed on October 12, 2012. On January 15, 2013, the Court of Appeals transferred the appeal to the Appellate Division, Fourth Department, on the grounds that a direct appeal to the Court of Appeals does not lie.



INSURANCE DEPARTMENT ASSESSMENTS

In *New York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.)*, several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs of the Insurance Department. Depositions have been completed. The note of issue was filed on June 3, 2013. The parties have moved for summary judgment and the motions were submitted on March 25, 2014.

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.

In the arbitration proceeding commenced in 2010, the PMs asserted that the Settling States involved failed to diligently enforce their escrow statutes in 2003. The PMs sought a downward adjustment of the payment due in that year (an “NPM Adjustment”) which would serve as a credit against future payments. Any such claim for NPM Adjustment for years prior to 2003 was settled in 2003. The PMs have raised the same claim for years 2004-2006, but none of those years is yet in arbitration.

A hearing on issues common to all states took place in Chicago April 16-24, 2012. State-specific hearings commenced in May 2012, with the hearings involving Missouri and Illinois. New York’s diligent enforcement hearings took place June 25-29, 2012. The last state-specific “diligent” enforcement



hearing took place May 21-24, 2013. The Panel issued its awards on September 11, 2013. New York was found to have diligently enforced its qualifying statute in 2003 and, thus, is not subject to an NPM Adjustment for 2003. Nine states, including New York, were found to be "diligent"; six states were found to have been "not diligent".

In December 2012, during the pendency of the arbitration, the PMs and 19 states (collectively the "Signatory Parties") agreed to a term sheet purportedly settling the NPM Adjustment disputes for 2003-2012 (3 additional states joined later). New York and 31 (later became 28) other states and territories rejected the term sheet. The Signatory Parties then sought the approval of the Panel in order to obtain an early release of MSA annual payments currently being held in a disputed payments account. The non-joining states objected to approval of the term sheet because its terms negatively impact the non-joining states. Under the MSA reallocation provision, every state is either "diligent" or "not diligent" and only "diligent" states are exempt from the NPM Adjustment. For every state found diligent, its allocable share of the NPM Adjustment is shifted to any remaining non-diligent states. The non-joining states sought to have the signatory states treated as non-diligent for purposes of allocation of the NPM Adjustment. The Panel held a status conference on January 22, 2013, and a hearing of March 7, 2013, to discuss the term sheet. On March 13, 2013, the Panel issued a Partial Stipulated Settlement Award ("Partial Award") based on the provisions of the term sheet. In so doing, the Panel deemed the 20 states (collectively, the "Signatory States") "diligent" for purposes of allocation of the NPM Adjustment. The Panel also established a mechanism for reallocating any NPM Adjustment among non-diligent states that alters the terms of the MSA itself. Thus, had New York been found to have been "not diligent" in its enforcement of its escrow statute in 2003, New York would have exposure not only for its share of the NPM adjustment but also for its proportionate share of the NPM Adjustment attributable to the Signatory States. New York, as well as several other states, moved in its state court to vacate or modify the Partial Award notwithstanding the Panel's finding. New York's motion has been adjourned several times. The six states that were found "not diligent" are all actively pursuing motions in their state courts to vacate or modify the Partial Award as well as to vacate the Panel's findings regarding that state's diligence. Courts in two of the non-prevailing states, Missouri and Pennsylvania, have issued decisions vacating and/or modifying the Panel's Partial Award to the extent that the Award unfairly harms each of those states by having the Signatory States deemed diligent for purposes of allocation of the NPM Adjustment. Each of these courts held that the Signatory States should be deemed non-diligent for purposes of allocation of the NPM Adjustment. No other courts have ruled yet.

**EXHIBIT A - SELECTED
STATE GOVERNMENT
SUMMARY**

Exhibit A to AIS - Selected State Government Summary

STATE GOVERNMENT ORGANIZATION

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

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

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

The State Legislature is presently composed of a 63-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2014. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current majority coalition leaders in the Senate are co-President Pro Tempore Dean Skelos (Republican) and co-President Pro Tempore Jeffrey Klein (Independent Democratic Conference). Sheldon Silver (Democrat) is the Speaker of the Assembly. The minority leaders are Andrea Stewart-Cousins (Democrat) in the Senate and Brian Kolb (Republican) in the Assembly.



APPROPRIATIONS AND FISCAL CONTROLS

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

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

Appropriations may be increased or decreased in accordance with statutory authority under certain circumstances by transfer, interchange or otherwise. In addition, appropriations may be increased or decreased by statutory amendment or by supplemental appropriations. Moneys or other financial resources from one fund may also be loaned to another fund, but only if such loan is repaid in full prior to the end of the month in which the loan was made, except as provided by law. Pursuant to authority contained in most State operations appropriations for FY 2015, the Director of the Budget is also allowed to interchange, transfer, or suballocate such appropriation authority to other agencies in order to achieve the consolidation and realignment of certain State operations.

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



INVESTMENT OF STATE MONEYS

The Comptroller is responsible for the investment of substantially all State moneys. By law, such moneys may be invested only in obligations issued or guaranteed by the Federal government or the State, obligations of certain Federal agencies that are not guaranteed by the Federal government, certain general obligations of other states, direct obligations of the State's municipalities and obligations of certain public authorities, certain short-term corporate obligations, certain bankers' acceptances, and certificates of deposit secured by legally qualified governmental securities. All securities in which the State invests moneys held by funds administered within the State Treasury must mature within twelve years of the date they are purchased. Money impounded by the Comptroller for payment of TRANs may only be invested, subject to the provisions of the State Finance Law, in (i) obligations of the Federal government, (ii) certificates of deposit secured by such obligations, or (iii) obligations of or obligations guaranteed by agencies of the Federal government as to which the payment of principal and interest is guaranteed by the Federal government.

The Comptroller invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through STIP, which is comprised of joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund. The interest earnings accrued are allocated and deposited to the credit of those funds with positive balances that contribute to the overall invested STIP pool.

The Comptroller is authorized to make temporary loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements). The General Fund is authorized to receive temporary loans from STIP for a period not to exceed four months or the end of the fiscal year, whichever is shorter.

The State Comptroller repays loans from the first cash receipts into the borrowing fund or account. Fund balances outside the General Fund are presented on a net basis, i.e., they are reduced by the amount of outstanding temporary loans from STIP. The primary sources of the State's temporary loans include timing-related delays in the receipt from Federal funds and the sale of bonds used to finance capital projects, a delinquent SUNY hospital loan, and unreimbursed costs related to the Office of Information Technology Services (ITS) Internal Service funds. The total outstanding balance of loans from STIP at March 31, 2014 was \$2.244 billion, an increase of \$450 million from the outstanding loan balance of \$1.794 billion at March 31, 2013.



ACCOUNTING PRACTICES, FINANCIAL REPORTING AND BUDGETING

Historically, the State has accounted for, reported and budgeted its operations on a cash basis. Under this form of accounting, receipts are recorded at the time money or checks are deposited in the State Treasury, and disbursements are recorded at the time a check or electronic payment is released. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore can significantly affect the cash amounts reported in a fiscal year. Under cash-basis accounting, all estimates and projections of State receipts and disbursements relating to a particular fiscal year are of amounts to be deposited in or disbursed from the State Treasury during that fiscal year, regardless of the fiscal period to which particular receipts or disbursements may otherwise be attributable.

The State also has an accounting and financial reporting system based on GAAP and currently formulates a GAAP financial plan. GAAP for governmental entities requires use of the accrual basis of accounting for the government-wide financial statements which includes governmental and business-type activities and component units. Revenues are recorded when they are estimated to have been earned and expenses are recorded when a liability is estimated to have been incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the modified accrual basis of accounting. Under modified accrual procedures, revenues are recorded when they become both measurable and available within 12 months of the end of the current fiscal period to finance expenditures; expenditures are recorded in the accounting period for which the liability is incurred to the extent it is expected to be paid within the next 12 months with the exception of expenditures such as debt service, compensated absences, and claims and judgments. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Non-exchange grants and subsidies such as local assistance grants and public benefit corporation subsidies are recognized as expenditures when all requirements of the grant and or subsidy have been satisfied.

**EXHIBIT B TO AIS -
STATE RELATED BOND
AUTHORIZATIONS**

Exhibit B to AIS - State Related Bond Authorizations

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

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



EXHIBIT B - STATE RELATED BOND AUTHORIZATIONS

Type of Cap	Program	FY 2015 Bond Caps	Authorized But Unissued ⁽²⁾	Debt Outstanding ⁽³⁾ As of 3/31/14
(Gross or Net)*				
Economic Development:				
Gross	Housing Capital Programs	2,999	349	1,600
Net	Community Enhancement Facilities (CEFAP)	424	47	45
Net	University Technology Centers (incl. HEAT) (11)	248	13	28
Gross	Onondaga Convention Center	40	0	21
Net	Sports Facilities	145	0	56
Net	Child Care Facilities	30	1	11
Net	Bio-Tech Facilities	10	10	0
Net	Strategic Investment Program	216	21	22
Net	Regional Economic Development (Fund 002) (12)	1,190	49	271
Net	NYS Economic Development (2004) (13)	346	0	207
Net	Regional Economic Development (2004) (14)	243	221	10
Net	High Technology and Development	249	73	124
Net	Regional Economic Development/SPUR	90	28	26
Net	Buffalo Inner Harbor	50	0	41
Net	Jobs Now	14	1	0
Net	Economic Development 2006 (Various) (15)	2,310	356	1,580
Net	Javits Convention Center (Expansion '06)	350	350	0
Net	Queens Stadium (Mets)	75	0	49
Net	Bronx Stadium (Yankees)	75	0	52
Net	NYS Ec Dev Stadium Parking ('06)	75	69	5
Net	State Modernization Projects (RIOCC Tram, etc.)	50	15	10
Net	Int. Computer Chip Research and Dev. Center	300	0	130
Net	2008 and 2009 Economic Development Initiatives	1,269	242	688
Net	H.H. Richardson Complex/Darwin Martin House	84	8	61
Net	Economic Development Initiatives	2,203	1,925	301
Net	State and Municipal Facilities	770	770	0
LGAC	Net Local Government Assistance Corporation	4,700	0	2,592
GO	Gross General Obligation (16)	19,435	3,260	3,191
Total State-Supported Debt		115,431	23,467	52,460
Other State Financings:				
	Tobacco Settlement Financing Corporation Bonds			2,053
	MBBA Special Purpose School Aid Bonds			281
	Capital Lease and Mortgage Loan Commitments (17)			303
	Other (18)			370
Total State-Related Debt (19)				55,467
* Gross caps include cost of issuance fees. Net caps do not.				
Source: NYS DOB				
⁽¹⁾ Includes only authorized programs that are active at March 31, 2014 or have outstanding program balances or both.				
⁽²⁾ Amounts issued may exceed the stated amount authorized by premiums, by providing for the cost of issuance, reserve fund requirements and, in certain circumstances, refunding bonds. In some cases, Authorized but Unissued bond cap amounts have been reduced by the higher of (i) net bond proceeds available to fund program, or (ii) par amount of bonds issued.				
⁽³⁾ Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds.				
⁽⁴⁾ Authorization also includes any amount necessary to refund outstanding Housing Finance Agency State University Construction Bonds, all of which have been refunded.				
⁽⁵⁾ Authorization applies to bonds issued after March 31, 2002, prior to that date there was no limit.				
⁽⁶⁾ The amount outstanding includes CUNY Community Colleges bonds for which the State pays debt service. The total amount authorized for CUNY Senior Colleges was unlimited for resolutions adopted prior to 7/1/85 and limited to \$7.273 billion for both CUNY Senior and CUNY Community Colleges for resolutions adopted after 7/1/85.				
⁽⁷⁾ Legislation enacted in May 2002 prohibits further issuance of bonds for this purpose, except for refunding purposes.				
⁽⁸⁾ Includes bonds issued for West Valley, DEC Environmental Infrastructure Projects, Environmental Protection Fund, Onondaga Lake, and the Office of Parks and Recreation and Historic Preservation.				
⁽⁹⁾ Includes debt outstanding for Office of General Services Buildings: 44 Holland Ave., 50 Wolf Rd., 625 Broadway Ave., Hampton Plaza, and DOT Region 1.				
⁽¹⁰⁾ Authorized amounts includes Certificates of Participation, which have been issued as bonds after March 31, 2003.				
⁽¹¹⁾ Includes authorizations for Science and Technology Center (Syracuse), Super Computer Center (Cornell), Center for Telecommunications (Columbia), HEAT, Center for Industrial Innovation (City of Troy), Center for Advanced materials (Clarkson), Center for Electro-Optic (Rochester), Center for Neural Sciences (NYU) and Center for Incubator Facilities.				
⁽¹²⁾ Includes bonds issued for Community Capital Assistance Program (CCAP), Rebuilding the Empire State Through Opportunities in Regional Economies Program (RESTORE), Empire Opportunity Fund (EOF), Generating Employment Through New York Science Program (Gen*NY*sis), Multi-Modal Transportation Program, and Center of Excellence Program (Laws of 2002).				
⁽¹³⁾ Includes bonds to be issued for economic development projects outside cities of 1 million or more in population.				
⁽¹⁴⁾ Includes bonds issued for the EOF, RESTORE and CCAP.				
⁽¹⁵⁾ Includes bonds to be issued for economic development and environmental projects.				
⁽¹⁶⁾ The FY 2015 Enacted Budget authorized a \$2 billion general obligation bond act for Smart Schools, which will be voted on in November.				
⁽¹⁷⁾ Estimated.				
⁽¹⁸⁾ Includes bonds issued for Secured Hospital Program, HFA and MCFFA Moral Obligation Bonds, and the JDA State-guaranteed bonds.				
⁽¹⁹⁾ Capital leases and mortgage loan commitments are included in all figures and references to State-related debt in this AIS unless otherwise specifically noted.				



EXHIBIT B - STATE RELATED BOND AUTHORIZATIONS

STATE GENERAL OBLIGATION DEBT *			
as of March 31, 2014			
(In Millions)			
Purpose/Year Authorized	Total Authorized	Authorized but Unissued	Total Debt Outstanding
Transportation Bonds:			
Rebuild and Renew New York Transportation Bonds (2005)			
Highway Facilities/Other Transportation (Excluding MTA)			
Highway Facilities	Note 1	Note 1	\$ 826
Mass Transit - DOT	Note 1	Note 1	10
Rail & Port	Note 1	Note 1	75
Canals & Waterways	Note 1	Note 1	13
Aviation	Note 1	Note 1	54
Subtotal Highway Facilities/Other Transportation (Excluding MTA)	\$ 1,450	\$ 204	978
Mass Transit - Metropolitan Transportation Authority	1,450	386	915
Accelerated Capacity and Transportation			
Improvements of the Nineties (1988)	3,000	20	226
Rebuild New York Through Transportation			
Infrastructure Renewal (1983)			
Highway Related Projects	1,064	21	2
Ports, Canals, and Waterways	49	-	-
Rapid Transit, Rail and Aviation Projects	137	-	10
Energy Conservation Through Improved Transportation (1979)			
Local Streets and Highways	100	-	-
Rapid Transit and Rail Freight	400	-	7
Rail Preservation (1974)	250	-	1
Transportation Capital Facilities (1967)			
Highways	1,250	-	-
Mass Transportation	1,000	-	Note 2
Aviation	250	-	11
Total Transportation Bonds	10,400	631	2,150
Environmental Bonds:			
Clean Water/Clean Air (1996)			
Air Quality	230	30	20
Safe Drinking Water	355	-	Note 3
Clean Water	790	91	438
Solid Waste	175	3	49
Environmental Restoration	200	47	81
Environmental Quality (1986)			
Land and Forests	250	2	22
Solid Waste Management	1,200	49	273
Environmental Quality (1972)			
Air	150	12	5
Land and Wetlands	350	10	12
Water	650	2	49
Outdoor Recreation Development (1966)	200	Note 4	-
Pure Waters (1965)	1,000	20	46
Park and Recreation Land Acquisition (1960)	100	1	Note 5
Total Environmental Bonds	5,650	267	995
Housing Bonds:			
Low-Income Housing (through 1958)	960	8	24
Middle-Income Housing (through 1958)	150	1	22
Urban Renewal (1958)	25	1	-
Total Housing Bonds	1,135	10	46
TOTAL GENERAL OBLIGATION DEBT	\$ 17,185	\$ 908	\$ 3,191
Source: Office of the State Comptroller			
* This table reflects General Obligation Bond Acts where there is a remaining authorized but unissued amount and/or a remaining debt outstanding balance.			
(1) The Legislature did not provide any limitation on bonds to be issued for specific project categories or programs authorized within the Highway Facilities/Other Transportation (excluding MTA) Purpose.			
(2) This amount rounds to zero, but there was a debt outstanding balance of \$119,119.44 at March 31, 2014.			
(3) This amount rounds to zero, but there was a debt outstanding balance of \$7,931.54 at March 31, 2014.			
(4) This amount rounds to zero, but there was an authorized but unissued balance of \$230,000 at March 31, 2014.			
(5) This amount rounds to zero, but there was a debt outstanding balance of \$12,074.28 at March 31, 2014.			

**EXHIBIT C TO AIS -
GAAP-BASIS FINANCIAL
PLAN**

Exhibit C to AIS - GAAP-Basis Financial Plan

The State Budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis. The GAAP-basis plans follow, to the extent practicable, the accounting principles applied by OSC in preparation of the annual Financial Statements. In practice, this means the GAAP-basis Financial Plans reflect the accrual methodology and fund classification rules used by OSC. A table reflecting GAAP basis General Fund Financial Plan projections is provided below.

In FY 2015, the General Fund GAAP Financial Plan shows total projected revenues of \$48.9 billion, total projected expenditures of \$61.8 billion, and net other financing sources of \$12.3 billion, resulting in a projected operating deficit of \$591 million. These projections reflect the net impact of the Enacted Budget gap-closing actions.

Please see "Prior Fiscal Years — GAAP-Basis Results for Prior Fiscal Years" for a summary of recent audited operating results.

GAAP FINANCIAL PLAN GENERAL FUND FY 2015 THROUGH FY 2018 (millions of dollars)				
	FY 2015 Enacted	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Receipts:				
Taxes:				
Personal Income Tax	28,574	31,072	33,761	35,790
User Taxes and Fees	6,656	6,923	7,144	7,387
Business Taxes	5,785	5,407	5,918	5,880
Other Taxes	1,169	1,091	1,027	974
Miscellaneous Receipts	6,731	5,933	5,238	4,646
Federal Receipts	0	0	0	0
Total Receipts	48,915	50,426	53,088	54,677
Disbursements:				
Local Assistance Grants	42,883	45,796	47,787	50,388
Departmental Operations	12,228	12,534	12,199	12,321
General State Charges	6,687	7,017	7,173	7,357
Debt Service	0	0	0	0
Capital Projects	0	0	0	0
Total Disbursements	61,798	65,347	67,159	70,066
Other Financing Sources (Uses):				
Transfers From Other Funds	17,910	17,500	17,986	18,473
Transfers To Other Funds	(5,618)	(5,895)	(6,258)	(6,624)
Proceeds From Financing Arrangements/ Advance Refundings	0	0	0	0
Net Other Financing Sources (Uses)	12,292	11,605	11,728	11,849
Operating Surplus/(Deficit)	(591)	(3,316)	(2,343)	(3,540)
Source: NYS DOB.				

**EXHIBIT D TO AIS -
PRINCIPAL STATE TAXES
AND FEES**

Exhibit D to AIS - Principal State Taxes and Fees

Personal income taxes are imposed on the New York source income of individuals, estates and trusts. Personal income taxes accounted for roughly 62 percent of All Government Funds tax receipts during FY 2014. The State tax adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal PIT purposes, with certain modifications. Receipts from this tax are sensitive to changes in economic conditions in the State and to taxpayers' responses to Federal and State law changes. Beginning tax year 2013 and continuing through 2017, New York tax brackets and standard deduction amounts are indexed to the CPI. For Tax Year 2014, New York allows a standard deduction of \$15,650 for married couples filing jointly, with lower deductions for the other types of filers. New York also allows a \$1,000 exemption for dependents. The current rate structure, which includes eight brackets with rates ranging between 4 percent and 8.82 percent, had been set to expire following tax year 2014, but FY 2014 Budget legislation extended these rates for an additional three years. After tax year 2017, the tax rates are scheduled to revert to the pre-2009 schedule of five tax intervals, ranging from 4 percent to 6.85 percent, but the remaining bracket ranges are set to maintain all CPI-based adjustments made through 2017.

Beginning in tax year 2009, taxpayers with incomes above \$1 million are limited to deducting 50 percent of their Federal charitable contributions as their only New York itemized deduction. For tax years 2010 through 2015, taxpayers with incomes above \$10 million may deduct only 25 percent of their Federal charitable contributions deductions as their only itemized deduction. The latter limitation had been set to expire after 2012, prior to FY 2014 Budget legislation.

New York also allows several credits against the tax. The most significant are the: Empire State Child Credit (generally equal to one-third of the Federal child tax credit), household credit, credit for taxes paid to other states, investment tax credit, various Empire Zone and Excelsior Jobs Program credits, Brownfields credits, child and dependent care credit, real property tax circuit breaker credit, earned income tax credit, long-term care insurance credit, and college tuition credit.

For Tax Years 2014 through 2016, qualifying taxpayers will be able to claim the Family Tax Relief Credit, which will provide a credit of \$350 to resident taxpayers with 1) positive liability, 2) at least one dependent under the age of 17, and 3) adjusted gross income between \$40,000 and \$300,000.

Legislation enacted with the FY 2015 budget provides a "real property tax freeze credit" to taxpayers who are STAR recipients or otherwise would be STAR-eligible. The credit is applicable against school district and municipal taxes levied outside of the City of New York by jurisdictions that keep property tax growth at or below the State property tax cap. Credits against school tax increases will be provided for school years 2014-15 and 2015-16. Credits against all other municipal taxes will be provided in 2015 and 2016. The credits will be sent as an advance payment, with the initial 2014-15 school tax payment occurring in the fall of 2014.

In 2001, legislation was enacted to provide for the issuance of State PIT Revenue Bonds, which has become the primary financing vehicle for a broad range of existing State-supported debt programs previously secured by service contract or lease-purchase payments. The first bonds were issued in May 2002. The legislation provided that 25 percent of PIT receipts (excluding refunds owed to taxpayers and deposits to the STAR Fund) be deposited to the RBTF for purposes of making debt service payments on the bonds, with excess amounts transferred to the General Fund. Legislation enacted with the FY 2008



EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

Budget provided that the RBTF will be calculated based on 25 percent of PIT receipts (excluding refunds owed to taxpayers, but before deposits to the STAR fund).

In the event that (i) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of 25 percent of annual PIT receipts or \$6 billion.

User taxes and fees consist of several taxes on consumption, the largest of which is the State sales and compensating use tax. The *sales and use tax* is imposed, in general, on the receipts from the sale of all tangible personal property unless specifically exempted, and all services are exempt unless specifically enumerated. The current State sales tax rate is 4 percent, of which 50 percent of receipts is deposited in the General Fund, 25 percent is deposited in the Local Government Assistance Tax Fund and 25 percent is deposited in the Sales Tax Revenue Bond Fund. Receipts in excess of debt service requirements are transferred back to the General Fund.

Although there are numerous exemptions, the most significant are: food; clothing and footwear items costing less than \$110 (also see discussion below); drugs; medicine and medical supplies; residential energy; capital improvements and installation charges; machinery and equipment used in manufacturing; trade in allowances; and goods sold to Federal, State or local governments. The following discussion summarizes significant revenue actions taken since 2008.

Legislation enacted in 2008 required non-profit tax-exempt organizations to collect sales tax on retail sales and rentals or leases of tangible personal property, required all vendors to register and created an evidentiary presumption that certain sellers using New York residents to solicit sales in the State are vendors required to collect sales and use tax.

Legislation enacted in 2009 expanded the definition of “affiliate nexus,” imposed the sales tax on certain transportation services and narrowed the exemption for commercial aircraft and the use tax exemption for motor vehicles and vessels.

Legislation enacted in 2010 temporarily eliminated the State sales and use tax exemption on items of clothing and footwear priced under \$110 for the period October 1, 2010 through March 31, 2011. From April 1, 2011 through March 31, 2012, the State exemption was \$55; thereafter, the \$110 exemption was reinstated. Additional legislation clarified that hotel room remarketers were required to collect sales and use tax, repealed the vendor credit for monthly filers, repealed provisions allowing private label credit cards to claim a credit for uncollectible debts, narrowed affiliate nexus provisions, and exempted certain New York City livery services from the tax.

Legislation enacted in 2011, and extended in 2012 and 2013, authorized various tax modernization initiatives.

Legislation enacted in 2013 provided for the suspension or restriction of a NYS driver’s license for certain tax delinquencies; placed restrictions on certain Industrial Development Agencies (IDA) projects and included a claw-back benefit provision; and established the START-UP NY program.



EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

Legislation enacted in 2014 increased the exemption threshold for certain items purchased from vending machines from \$0.75 to \$1.50.

The State imposes a *tax on cigarettes* at the rate of \$4.35 per package of 20 cigarettes and imposes a *tax on other tobacco products* equal to 75 percent of the wholesale price. The tax on cigarettes was raised from \$1.50 per pack to \$2.75 on June 3, 2008, and to \$4.35 per pack on July 1, 2010. The revenue derived from the tax is split, with 24 percent of receipts deposited in the General Fund and the balance deposited in the Tobacco Control and Insurance Initiatives Pool established by the Health Care Reform Act of 2000. In 2008, certain tobacco products were converted from price-based to weight-based taxes. The tobacco products tax was raised from 37 percent of the wholesale price to 46 percent in April 2009, and to 75 percent in August 2010. Legislation enacted in 2011 changed the annual fees imposed on retailers from a graduated structure based on gross sales to a flat \$300 per retailer (\$100 per vending machine). Legislation enacted in 2013 increased the penalty for the possession of unstamped or illegally stamped cigarettes from \$150 per carton to \$600 per carton to reflect increases in the tax rate that have occurred since this penalty was last increased.

Motor fuel and *diesel motor fuel taxes* are levied at 8 cents per gallon upon the sale, generally for highway use, of gasoline and diesel fuel. All motor fuel taxes have been deposited in the dedicated transportation funds since April 1, 2001. Legislation enacted in 2008 allows the Commissioner of Taxation and Finance to work and enter into an agreement with transportation-related agencies to use technology to reduce the bootlegging of fuel. Legislation enacted in 2011 modernized motor fuel, diesel motor fuel and e-85 definitions to reflect changes in the fuels marketplace. Legislation passed in 2013 moved the incidence of diesel motor fuel taxation to the fuel terminal rack to essentially conform to the method used by the Federal government and 25 other states.

The State imposes *alcoholic beverage excise taxes* at various rates on liquor, beer, wine and specialty beverages. Legislation enacted in 2009 increased the tax rate on beer to 14 cents per gallon and increased the tax rate on wine to 30 cents per gallon. Legislation enacted in 2012 removed an unconstitutional exemption provided to certain small beer brewers, and replaced the benefit with personal and business tax credits that yield similar tax relief to small brewers that produce in New York State.

The *highway use tax* revenue is derived from three sources: the truck mileage tax, related highway use permit fees and the fuel use tax. The truck mileage tax is levied on commercial vehicles, at rates graduated by vehicle weight, based on miles traveled on State highways. Highway use registration certificates (original or renewed) are \$15. The fuel use tax is an equitable complement to the State's motor fuel tax and sales tax paid by those who purchase fuel outside but consume it in New York. It is levied on commercial vehicles having three or more axles or a gross vehicle weight of more than 26,000 pounds. Currently, all collections from the highway use tax are deposited in the DHBTF. Legislation enacted in 2007 replaced the current highway use permit system with a registration system. Legislation enacted in 2009 reauthorized the Commissioner of the Tax Department to require highway use tax decals on the exterior of all vehicles, and increased the decal renewal fee from \$4 to \$15 per vehicle. Legislation passed in 2013 clarified that the highway use tax exemption for fuel used by farmers applies also to certain entities related to such farmers so long as they are actually engaged in farming.

The State imposes an auto rental tax on charges for the rental or use in NYS of a passenger car with a gross vehicle weight of 9,000 pounds or less. Receipts are deposited in the DHBTF. Legislation enacted



EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

in 2009 increased this tax rate from 5 percent to 6 percent and also imposed a supplemental tax of 5 percent in the MCTD. Monies from this supplemental tax are deposited in the MTA Aid Trust Account of the MTA Financial Assistance Fund.

Business taxes include a general business corporation franchise tax as well as specialized franchise taxes on banks, insurance companies, certain transportation and transmission companies, and a cents per gallon based levy on businesses engaged in the sale or importation for sale of various petroleum products. The discussion below describes each tax and summarizes recent significant enacted legislation.

The *corporation franchise tax* is the largest of the business taxes, and the State's third largest source of revenue. It is imposed on all domestic general business corporations and foreign general business corporations which do business or conduct certain other activities in the State. The tax is imposed, generally, at a rate of 7.1 percent of taxable income allocated to New York. Taxable income is defined as Federal taxable income with certain modifications. The tax includes three other bases: the capital, alternative minimum and fixed dollar minimum. The taxpayer must pay under the base which produces the highest tax.

Legislation enacted in 2007 provided that taxpayers operating on a unitary basis file a combined report if substantial inter-corporate transactions occur amongst affiliates; lowered the rate on Entire Net Income (ENI) to 7.1 percent for general businesses and to 6.5 percent for manufacturers; lowered the alternative minimum tax rate to 1.5 percent; and closed the real estate investment trust loophole.

Legislation enacted in 2008 restructured minimum taxes on corporations and the capital base tax; decoupled New York State from the Federal Qualified Production Activity Income (QPAI) deduction provided under Internal Revenue Code section 199 and established a voluntary disclosure and compliance initiative program to encourage eligible taxpayers to enter into compliance agreements with the Department of Taxation and Finance.

Legislation enacted in 2009 made changes to the tax treatment of captive insurance companies by providing special rules for overcapitalized captive insurance companies. Additionally, for-profit Health Maintenance Organizations (HMOs) were taxed under the insurance tax. Previously they were taxed under the corporation franchise tax.

In 2010, legislation was enacted that deferred certain business related tax credits by requiring taxpayers to defer tax credits greater than \$2 million for tax years 2010 through 2012. Taxpayers are eligible to claim the deferred tax credits starting with tax year 2013. The Excelsior Jobs Program was established to provide incentives based on job creation, investment and research and development expenditures in New York State.

Legislation enacted in 2011 extended the financial services investment tax credit for an additional four years to October 1, 2015; enhanced the Excelsior Jobs Program; extended the Federal Gramm-Leach-Bliley Act transition provisions for an additional two years; and created the Economic Transformation and Facility Redevelopment Program to provide tax credits to businesses that moved into communities impacted by correctional and youth facility closures.



EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

Legislation enacted in 2012 extended and amended the Gramm-Leach-Bliley provisions through tax year 2014. The amendment to the Gramm-Leach-Bliley provisions requires that a corporation previously taxed as a bank under Gramm-Leach-Bliley be taxed as a bank only if it meets the current law definition of a bank.

Legislation enacted in 2013 made technical corrections to address a royalty income loophole; provided a phased-in manufacturing tax rate reduction of 25 percent when fully phased in effective tax year 2018; created a refundable tax credit for the hiring of unemployed veterans released from active duty after September 11, 2001; created a refundable tax credit for Tax Years 2014 through 2018 for a portion of the minimum wage paid to students age 16-19; extended and expanded the Youth Works Tax Credit at \$6 million per year for four years through 2017; and created the New York Innovation Hot Spots Program for start-up businesses. Legislation enacted in 2013 also created the Charge NY Electric Vehicle Recharging Equipment tax credit by allowing a credit up to \$5,000 per station for electric recharging or alternative fuel vehicle refueling equipment. The film tax credit was extended to provide an additional \$420 million per year, allocated for Tax Years 2015 through 2019. The post-production portion of this allocation was increased from \$7 million to \$25 million. The film tax credit legislation also included an upstate credit enhancement, inclusion of relocated variety or talk shows, a visual effects and animation post-production enhancement, and additional reporting requirements. Additionally, the START-UP NY program was established at the end of the 2013 legislative session. This program generally provided tax free operation for businesses that locate within tax-free NY areas and additional employee tax benefits for ten years.

In 2014, legislation was enacted to implement comprehensive corporate tax reform for tax years beginning on or after January 1, 2015. Corporate tax reform modernizes and simplifies the corporate tax structure, merges the bank tax with the corporate franchise tax, reduces the corporate tax rate on entire net income from 7.1 percent to 6.5 percent and phases out the capital base tax over six years beginning for tax years on or after January 1, 2016. The corporate tax rate for manufacturers is reduced to zero percent beginning for tax years on or after January 1, 2014. A real property tax credit is established for manufacturers, a new musical theater tax credit is established as well as a tax credit for businesses that employ individuals with developmental disabilities, four correctional facilities slated for closure in July 2014 are eligible to participate in the START-UP NY program and the MTA surcharge is made permanent.

Receipts from the *corporation and utilities taxes* are primarily attributable to taxes imposed on transportation and transmission companies, utility services and telecommunication services.

Legislation enacted in 2011 replaced the expiring the Power for Jobs Program with the “Recharge New York” program. At the end of the 2013 legislative session, LIPA was restructured. As part of the restructuring, LIPA is not required, effective January 1, 2014, to remit a gross receipts payment under Tax Law Section 186. They continue to be required to remit the MTA surcharge under Section 186-b. Legislation in 2014 made the MTA surcharge permanent, repeals the Section 185 tax on agricultural co-operatives for tax years beginning on or after January 1, 2018 and eliminates the organization tax (Section 180) and the license and maintenance fees (Section 181) as part of corporate tax reform.

Insurance taxes are imposed on insurance corporations, insurance brokers and certain insured that operate in New York State. Non-life insurers are subject to a premiums tax. Accident and health premiums are taxed at the rate of 1.75 percent and all other premiums are taxed at the rate of 2



EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

percent. The insurance tax on life insurers ranges from 1.5 percent to 2 percent of premiums after taking into account the tax on income allocated to New York State. Other taxes are imposed on certain brokers and independently procured insurance.

Legislation enacted in 2007 lowered the rate on ENI to 7.1 percent for life insurers. In 2009, legislation was enacted that clarified that captive insurance companies receiving 50 percent or less of their gross receipts from insurance premiums must file a combined return with their closest affiliated taxpayer, and imposed a 1.75 percent premiums tax on for-profit HMOs. Previously, for-profit HMOs were taxed under the corporate franchise tax.

Legislation enacted in 2011 conformed the taxes on executive lines and direct writings with requirements enacted in the 2010 Federal Dodd-Frank financial reform legislation. Legislation enacted in 2014 made the MTA surcharge permanent.

The State imposes a *franchise tax on banking corporations* at a basic tax rate of 7.1 percent of entire net income with certain exclusions, and subject to special rates for institutions with three other tax bases similar to the *corporate franchise tax*. Legislation enacted in 2007 closed the real estate investment trust loophole for banks with assets of more than \$8 billion; required certain grandfathered Article 9-A subsidiaries to be taxed under Article 32; lowered the ENI rate to 7.1 percent; and extended certain 1985 provisions and Gramm-Leach-Bliley Act conforming provisions for two years. Legislation enacted in 2008 provided that certain credit card companies doing business in New York State would be subject to the bank tax and established a voluntary disclosure and compliance initiative program to encourage eligible taxpayers to enter into compliance agreements with the Department of Taxation and Finance.

Legislation enacted in 2010 extended for one year the bank tax reform provisions from 1985 to 1987 and the temporary Gramm-Leach-Bliley Act conforming provisions; conformed the State bank bad debt deduction for bad debts to the calculations provided for in the Internal Revenue Code for Federal tax purposes; and made permanent the provisions that addressed the closely-held Real Estate Investment trusts and Regulated Investment Companies (RIC) loophole, which would have otherwise expired on December 31, 2010.

Legislation enacted in 2011 extended the Federal Gramm-Leach-Bliley Act transition provisions for an additional two years and made the bank tax provisions from 1985 and 1987 permanent. The bank tax provisions were previously extended numerous times on a temporary basis with the Gramm-Leach-Bliley transition provisions.

Legislation enacted in 2012 extended and amended the Gramm-Leach-Bliley provision through tax year 2014. The amendment to the Gramm-Leach-Bliley provisions required that a corporation previously taxed as a bank under Gramm-Leach-Bliley be taxed as a bank only if it meets the current law definition of a bank.

Legislation enacted in 2014 made the MTA surcharge permanent. Additionally, in 2014, comprehensive corporate tax reform that merges the bank tax with the corporate franchise tax effective for tax years beginning on or after January 1, 2015 was enacted.

The State imposes a petroleum business tax on the privilege of operating a petroleum business in the State. This tax is measured by the quantity of various petroleum products imported into the State for



EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

sale or use. The tax is imposed at various cents per gallon rates depending on the type of petroleum product. The cents per gallon tax rates are indexed to reflect petroleum price changes but are limited to changes of no more than 5 percent of the tax rate in any one year. Legislation enacted in 2008 allowed the Commissioner of Taxation and Finance to work and enter into an agreement with the DMV, DEC, Thruway Authority, NYS Bridge Authority, and the Port Authority of New York and New Jersey to use technology to reduce the bootlegging of fuel. Legislation enacted in 2011 modernized fuel definitions to adapt the petroleum business taxes to Federal and State statutory and regulatory changes that address certain environmental concerns. Legislation enacted in 2013 provided volunteer ambulance and volunteer fire departments with a reimbursement of the PBT paid on motor fuel and diesel motor fuel purchased for use in their vehicles.

Other tax revenues include taxes on pari-mutuel wagering, the estate tax, taxes on real estate transfers, certain other minor taxes, and residual receipts following the repeal of the real property gains tax and the gift tax.

The State imposes an *estate tax* on the estates of deceased New York residents, and on that part of a nonresident's net estate made up of real and tangible personal property located within New York State. Legislation enacted in 2014 comprehensively reforms the Estate tax to decouple from Federal law. The unified threshold of \$1 million is increased to \$5,250,000 in the form of credit in four phases by April 1, 2017. The basic threshold will equal the Federal basic threshold amount with annual indexing for those dying on or after January 1, 2019. The applicable credit is reduced for New York taxable estates exceeding the basic threshold amount and equals zero for those exceeding one hundred five percent of such amount. Gifts taxable under Section 2053 of the Internal Revenue Code that were not otherwise included in Federal Gross Estate and that were made during the three years ending on the date of death must be added to the New York Gross Estate. However, gifts made while the decedent was a nonresident of New York State and gifts made prior to April 1, 2014, or after January 1, 2019, are not included. Reflecting the composition of many decedents' estates in New York, collections of this tax are influenced at least in part by fluctuations in the value of common stock.

The *real estate transfer tax* applies to each real property conveyance, subject to certain exceptions, at a rate of \$2 for each \$500 of consideration or fraction thereof. Pursuant to statute, beginning in State FY 2008, \$212 million of RETT receipts are deposited in the Environmental Protection Fund (EPF) and the remaining receipts are deposited in the Clean Water/Clean Air (CW/CA) Debt Service Fund. In FY 2009, \$237 million was deposited into the EPF, and \$199 million was deposited in FY 2010. Receipts in excess of the debt service requirements are transferred back to the General Fund. The FY 2011 Enacted Budget reduced the statutorily fixed deposit to the EPF from \$199.3 million to \$119.1 million.

The State levies *pari mutuel taxes* on wagering activity conducted at horse racetracks, simulcast theaters and off track betting parlors throughout the State. Legislation enacted in 2008, and extended annually since, reinstated lower 2005 pari-mutuel tax rates. In addition to pari mutuel taxes, a 4 percent tax is levied on the charge for admissions to racetracks and simulcast theaters, and a 3 percent tax is levied on gross receipts from boxing and wrestling exhibitions, including receipts from broadcast and motion picture rights.

Miscellaneous receipts and other revenues include various fees, fines, tuition, license revenues, lottery revenues, investment income, assessments on various businesses (including healthcare providers), and abandoned property. Miscellaneous receipts also include minor amounts received from the Federal



EXHIBIT D - PRINCIPAL STATE TAXES AND FEES

government and deposited directly in the General Fund. Effective April 1, 2010, OSC classified motor vehicle and alcohol license fees as miscellaneous receipts. Legislation enacted in 2008 revised the distribution of video lottery receipts to provide different commissions to the Video Lottery Gaming (VLG) facilities based on factors including: size of the facility; population surrounding the facility; and proximity to Native American and out-of-state casinos. In addition, tracks were provided a capital allowance for capital expenditures to enhance their facilities. Legislation enacted in 2009 increased the real property transfer fee, the 18-A utility assessment, and the notification fee for asbestos projects; expanded the bottle deposit; and authorized the Lottery to enter more than one multi-jurisdictional lottery association. Legislation enacted in 2010 reduced dormancy periods on undelivered goods and money orders and increased various civil court filing fees, made the Lottery's authorization to operate the Quick Draw lottery game permanent, removed the restrictions on the number of hours Quick Draw could be operated, removed the sunset on the VLG Program, increased the hours that VLTs may be operated to 20 hours from 16 hours (but no later than 4 a.m.) and reduced the vendor commission by one percent of net machine income. Legislation enacted in 2011 reduced the dormancy period on 14 items from five or six years to three, authorized VLG facilities to provide free game credits that are excluded from net machine income ("free-play") as a marketing tool capped at 10 percent of the net machine income at that facility, increased the number of instant games with a 75 percent prize pay-out from three to five new games per year, allowed the Lottery to have up to a 55 percent prize-payout on multi-jurisdictional games, and allowed Lottery to offer progressive jackpots (a cash prize that grows larger until won) for certain VLGs. Legislation enacted in 2012 removed the restriction that at least 25 percent of an establishment's revenue be from food sales in order to host the Quick Draw lottery game. Legislation enacted in 2013 extended the operator's commission rate at Monticello, first enacted in 2008, for a one-year period. Legislation enacted in 2014 accelerated the phase-out of the 18-a temporary assessment, extended Monticello VLT rates for one year, and extended the VLG Vendor's Capital Awards Program for one year.

Alcohol license fees are imposed on those who sell alcoholic beverages in New York. The fees vary depending on the type and location of the establishment or premises operated by the licensee, as well as the class of beverage for which the license is issued. In 2008, legislation to allow seven day liquor sales was made permanent.

Motor vehicle fees are derived from a variety of sources, including motor vehicle registration fees and driver licensing fees, which together account for most motor vehicle fee revenue. Legislation enacted in 2008 implemented the Western Hemisphere Travel Initiative (WHTI) which offered Federally-compliant driver's licenses and non-driver ID cards. Legislation enacted in 2009 included increases of approximately 25 percent for vehicle registrations and licenses. Legislation enacted in 2011 clarified that non-dedicated motor vehicle fees include assessments and fines. Legislation enacted in 2014 simplifies the fund distribution of motor vehicle fee receipts. This simplification has no revenue impact on any funds involved.

**EXHIBIT E TO AIS -
GLOSSARY OF
FINANCIAL TERMS**

Exhibit E to AIS - Glossary of Financial Terms

The following glossary, which is an integral part of this AIS, includes certain terms that are used herein and are intended for use only in connection with the entire AIS.

Appropriation: An appropriation is a statutory authorization against which liabilities may be incurred during a specific year, and from which disbursements may be made, up to a stated amount, for the purposes designated. Appropriations generally are authorizations, rather than mandates, to spend, and disbursements from an appropriation need not, and generally do not, equal the amount of the appropriation. An appropriation represents maximum spending authority. Appropriations may be adopted at any time during the fiscal year.

Bond Anticipation Note or BANs: A bond anticipation note is a short-term obligation, the principal of which is paid from the proceeds of the bonds in anticipation of which such note is issued.

Business-type Activities: "Business-type activities" describe those operations that are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds and include the Lottery, Unemployment Insurance Benefit, SUNY and CUNY senior colleges.

Capital Projects Funds: Capital Projects Funds, one of the four GAAP-defined governmental fund types, account for financial resources of the State to be used for the acquisition or construction of major capital facilities (other than those financed by Special Revenue Funds (SRFs), Proprietary Funds and Fiduciary Funds).

Cash Basis Accounting: Accounting, budgeting and reporting of financial activity on a cash basis results in the recording of receipts at the time money or checks are deposited in the State Treasury and the recording of disbursements at the time a check is drawn, regardless of the fiscal period to which the receipts or disbursements relate.

Community Projects Fund: The State created this fund within the General Fund in 1996 to finance certain community projects for the Legislature and the Governor. The State transfers moneys from other General Fund accounts into the Community Projects Fund, as provided by law. Spending out of the Community Projects Fund is governed by specific appropriations for each account in the Fund, but cannot exceed the cash balance for that account.

Contingency Reserve Fund: This fund was established in 1993 to assist the State in financing the costs of any extraordinary known or anticipated litigation. Deposits to this fund are made from the General Fund.

Contractual-Obligation Financing: Contractual-obligation financing is an arrangement pursuant to which the State makes periodic payments to a public benefit corporation under a contract having a term not less than the amortization period of debt obligations issued by the public benefit corporation in connection with such contract. Payments made by the State are used to pay debt service on such obligations and are subject to annual appropriation by the Legislature and the availability of moneys to the State for the purposes of making contractual payments.



EXHIBIT E - GLOSSARY OF FINANCIAL TERMS

Debt Reduction Reserve Fund or DRRF: The State created the DRRF in 1998 to accumulate surplus revenues to pay debt service costs on State-supported bonds, retire or defease such bonds, and to finance capital projects. Use of DRRF funds requires an appropriation.

Debt Service: Debt service refers to the payment of principal and interest on bonds, notes, or other evidences of indebtedness, including interest on BANs and TRANs, in accordance with the respective terms thereof.

Debt Service Funds: DSFs, one of the four GAAP-defined governmental fund types, account for the accumulation of resources (including receipts from certain taxes, transfers from other funds and miscellaneous revenues, such as dormitory room rental fees, which are dedicated by statute for payment of lease-purchase rentals) for the payment of general long-term debt service and related costs and payments under lease-purchase and contractual-obligation financing arrangements.

Disbursement: A disbursement is a cash outlay and in the General Fund includes transfers to other funds.

Executive Budget: The Executive Budget is the Governor's constitutionally mandated annual submission to the Legislature which contains his recommended program for the forthcoming fiscal year. The Executive Budget is an overall plan of recommended appropriations. It projects disbursements and expenditures needed to carry out the Governor's recommended program and receipts and revenues expected to be available for such purpose. The recommendations contained in the Executive Budget serve as the basis for the State Financial Plan (defined below) which is adjusted after the Legislature acts on the Governor's submission. Under the State Constitution, the Governor is required each year to propose an Executive Budget that is balanced on a cash basis.

Expenditure: An expenditure, in GAAP terminology, is a decrease in net financial resources as measured under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term expenditure to refer to a cash outlay or disbursement.

Expenses: Expenses, in GAAP terminology, are a decrease in net financial resources as measured in the government-wide financial statements under the accrual basis of accounting.

Fiduciary Funds: Fiduciary Funds refers to a GAAP-defined fund type which accounts for assets held by the State in a trustee capacity or as agent for individuals, private organizations and other governmental units and/or other funds. These funds are custodial in nature and do not involve the measurement of operations. Although the Executive Budget for a fiscal year generally contains operating plans for Fiduciary Funds, and their results are included in the Comptroller's GAAP-based financial statements, they are not included in the State Financial Plan.

Financial Plan: see State Financial Plan.

Fiscal Year: The State's fiscal year commences on April 1 and ends on March 31. The term fiscal year refers to the fiscal year of the State unless the context clearly indicates otherwise.

Fund Accounting: The accounts of the State are presented on the basis of GAAP funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are



EXHIBIT E - GLOSSARY OF FINANCIAL TERMS

accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GAAP: GAAP refers to generally accepted accounting principles for state and local governments, which are the uniform minimum standards of and guidelines for financial accounting and reporting prescribed by GASB. GAAP requires that the government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the Enterprise Funds, Component Units and the Fiduciary Funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance expenditures. Expenditures and related liabilities are recognized in the accounting period they are incurred to the extent they are expected to be paid within the next 12 months, under the modified accrual basis of accounting.

General Fund: The General Fund, one of the four GAAP-defined governmental fund types, is the major operating fund of the State and receives all receipts that are not required by law to be deposited in another fund, including most State tax receipts and certain fees, transfers from other funds and miscellaneous receipts from other sources.

General Obligation bonds: Long-term obligations of the State, used to finance capital projects. These obligations must be authorized by the voters in a general election, are issued by the Comptroller, and are backed by the full faith and credit of the State. Under current provisions of the Constitution, only one bond issue may be put before the voters at each general election, and it must be for a single work or purpose. Debt service must be paid from the first available taxes whether or not the Legislature has enacted the required appropriations for such payments.

General State Charges: Costs mandated by statute or court decree or by agreements negotiated with employee unions for which the State is liable, including: pensions; health, dental and optical benefits; payments on behalf of State employees for Social Security; unemployment insurance benefits; employee benefit programs; court judgments and settlements; assessments for local improvements; and taxes on public lands.

Governmental Activities: Governmental activities describes those operations that are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues and are reported in the governmental funds.

Governmental Funds: Governmental funds refers to a category of GAAP-defined funds which account for most governmental functions and which, for the State, include four GAAP-defined governmental fund types: the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. The State's projections of receipts and disbursements in the governmental funds comprise the State Financial Plan.



EXHIBIT E - GLOSSARY OF FINANCIAL TERMS

Interfund Transfers: Under GAAP fund accounting principles, each fund is treated as a separate fiscal and accounting unit with limitations on the kinds of disbursements to be made. To comply with these limitations, moneys are moved from one fund to another to make them available for use in the proper fund, and are accounted for as “interfund transfers”.

Lease-Purchase Financing: Lease-purchase financing is an arrangement pursuant to which the State leases facilities from a public benefit corporation or municipality for a term not less than the amortization period of the debt obligations issued by the public benefit corporation or municipality to finance acquisition and construction, and pays rent which is used to pay debt service on the obligations. At the expiration of the lease, title to the facility vests in the State in most cases. Generally, the State’s rental payments are expressly subject to annual appropriation by the Legislature and availability of moneys to the State for the purposes thereof.

Local Assistance: Disbursements of State grants to counties, cities, towns, villages, school districts and other local entities, certain contractual payments to localities, and financial assistance to, or on behalf of, individuals and not-for-profit organizations.

Moral obligation debt: Long-term bonds issued by certain State public benefit corporations which are essentially supported by their own revenues. Moral obligation debt is not incurred pursuant to a referendum, is not State-supported debt, and is not backed by the full faith and credit of the State. However, the authorities selling such obligations have been allowed to establish procedures where, under certain conditions, the State may be requested to meet deficiencies in debt service reserve funds supporting such bonds. An appropriation must be enacted by the Legislature to meet any such request.

Official Statement: A disclosure document prepared to accompany an issuance of bonds, notes and certificates of participation offered for sale by the State or its public authorities. Its primary purpose is to provide prospective bond or note purchasers sufficient information to make informed investment decisions. It describes, among other things, the issuer, the project or program being financed and the security behind the bond issue.

PAYGO financing: The use of current State resources (as opposed to bonds or other borrowing) to finance capital projects. Also referred to as “hard dollar” financing.

Rainy Day Reserve Fund: This fund was created in 2007 to enhance the State’s fiscal reserves. The fund, which may have a maximum balance equal to 3 percent of General Fund spending, may be used to respond to an economic downturn or catastrophic event, as defined by the enabling statute.

Receipts: Receipts consist of cash actually received during the fiscal year and in the General Fund include transfers from other funds.

Revenue Accumulation Fund: This fund holds certain tax receipts temporarily before their deposit into other funds.

Revenues: Revenues, in GAAP terminology, are an increase in net financial resources, as measured for the government-wide financial statements under the accrual basis of accounting and for the governmental funds under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term revenues to refer to income or receipts.



EXHIBIT E - GLOSSARY OF FINANCIAL TERMS

Short-Term Investment Pool or *STIP*: The combination of available cash balances in funds within the State Treasury on a daily basis for investment purposes.

Special Revenue Funds: SRFs, one of the four GAAP-defined governmental fund types, account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects), such as Federal grants, that are legally restricted to specified purposes.

State Financial Plan: The State Financial Plan sets forth projections of State receipts and disbursements in the governmental fund types for each fiscal year and is prepared by the Director of the Division of Budget, based initially upon the recommendations contained in the Executive Budget. After the budget is enacted, the State Financial Plan is adjusted to reflect revenue measures, appropriation bills and certain related bills enacted by the Legislature. It serves as the basis for the administration of the State's finances by the Director of the Budget, and is updated quarterly, or more frequently as necessary, during the fiscal year.

State Funds: "State funds" refer to a category of funds which includes the General Fund and all other State-controlled moneys, excluding Federal grants. This category captures all governmental disbursements except spending financed with Federal grants.

State-guaranteed debt: Debt authorized by the voters to be sold by three public authorities: the Job Development Authority, the New York State Thruway Authority, and the Port Authority of New York and New Jersey. State-guaranteed bonds issued for the Thruway Authority and the Port Authority were fully retired on July 1, 1995 and December 31, 1996, respectively. Such debt is backed by the full faith and credit of the State.

State Operations: Operating costs of State departments and agencies, the Legislature and the Judiciary, including salaries and other compensation for most State employees.

State-related debt: In this broad category, DOB combines all forms of debt for which the State is liable, either directly or on a contingent basis, including all State-supported debt and State-guaranteed and moral obligation debt.

State-supported debt: This category includes all obligations for which the State appropriates money that is used to pay debt service, including General Obligation debt, lease-purchase and contractual-obligation debt, including PIT Revenue Bonds, Sales Tax Revenue Bonds, LGAC and certificates of participation. While tax supported debt (obligations supported by State taxes) represents the majority of obligations in this category, obligations supported by other State revenues (such as dormitory fees or patient revenues) are also included.

Tax and Revenue Anticipation Notes or *TRANS*: Notes issued in anticipation of the receipt of taxes and revenues, direct or indirect, for the purposes and within the amounts of appropriations theretofore made.

Tax Refund Reserve Account: The tax refund reserve account is used to hold moneys available to pay tax refunds. During a given fiscal year, the deposit of moneys in the account reduces receipts and the withdrawal of moneys from the account increases receipts. There is no requirement that moneys withdrawn from this account be replaced.



EXHIBIT E - GLOSSARY OF FINANCIAL TERMS

Tax Stabilization Reserve Fund: This fund was created to hold surplus revenue that can be used in the event of any unanticipated General Fund deficit. Amounts within this fund can be borrowed to cover any year-end deficit and must be repaid within six years in no less than three equal annual installments. The fund balance cannot exceed two percent of General Fund disbursements for the fiscal year; contributions are limited to two-tenths of one percent of General Fund disbursements in that year.

**EXHIBIT F TO AIS -
GLOSSARY OF
ACRONYMS**

Exhibit F to AIS - Glossary of Acronyms

ACA	Affordable Care Act
AG	Attorney General
AIM	Aid and Incentive for Municipalities
AIS	Annual Information Statement
APCD	All Payers Claims Database
ARC	Annual Required Contribution
ARRA	American Recovery and Reinvestment Act of 2009
BANs	Bond Anticipation Notes
BBA	Bipartisan Budget Act
BCA	Budget Control Act
BOCES	Boards of Cooperative Educational Services
CAFR	Comprehensive Annual Financial Report
CDA	Continuing Disclosure Agreements
CERCLA	Compensation and Liability Act
CFE	Campaign for Fiscal Equity
CHP	Child Health Plus
CMS	Centers for Medicare and Medicaid Services
COLA	Cost of Living Adjustment
COPs	Certificates of Participation
CPI	Consumer Price Index
CQCAPD	Commission on Quality of Care and Advocacy for Persons with Disabilities
CRF	Common Retirement Fund
CSEA	Civil Service Employees Association
CUNY	City University of New York
CW/CA	Clean Water/Clean Air
DASNY	Dormitory Authority of the State of New York
DEC	Department of Environmental Conservation
DFS	Department of Financial Services
DHBTF	Dedicated Highway and Bridge Trust Fund
DMV	Department of Motor Vehicles
DOB	Division of the Budget
DOCCS	Department of Corrections and Community Supervision
DOH	Department of Health
DOT	Department of Transportation
DRP	Deficit Reduction Plan
DRRF	Debt Reduction Reserve Fund
DSF	Debt Service Funds
EDNY	Eastern District of New York
EFC	Environmental Facilities Corporation
EI	Early Intervention
EIS	Environmental Impact Statement
EMMA	Electronic Municipal Market Access
ENI	Entire Net Income
EPF	Environmental Projection Fund
EPIC	Elderly Pharmaceutical Insurance Coverage
ERDA	Energy Research and Development Authority
ERI	Early Retirement Initiative
ERS	Employees' Retirement System
ESD	Empire State Development
EXCEL	Expanding Our Children's Education and Learning
FCB	Financial Control Board
FFY	Federal Fiscal Year
FHP	Family Health Plus



EXHIBIT F - GLOSSARY OF ACRONYMS

FMAP	Federal Medical Assistance Percentage
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GEA	Gap Elimination Adjustment
GDP	Gross Domestic Product
GLIP	Group Life Insurance Plan
GOER	Governor's Office of Employee Relations
GPHW	General Public Health Works
GSCs	General State Charges
GSPS	General Support for Public Schools
HCR	New York State Homes and Community Renewal
HCRA	Health Care Reform Act
HEAL NY	Health Care Efficiency and Affordability Law for New Yorkers
HESC	Higher Education Services Corporation
HFA	Housing Finance Agency
HLRW	High Level Radioactive Waste
HMOs	Health Maintenance Organization
ICF/DD	Intermediate Care Facilities for the Developmentally Disabled
IDA	Industrial Development Agencies
IT	Information Technology
ITS	Information Technology Services, Office of
JDA	Job Development Authority
LGAC	Local Government Assistance Corporation
LIBOR	London InterBank Offered Rate
LICH	Long Island Hospital
LIPA	Long Island Power Authority
MA	Medicaid
MBBA	Municipal Bond Bank Agency
M/C	Managerial or Confidential
MCFFA	Medical Care Facilities Financing Agency
MCTD	Metropolitan Commuter Transportation District
MD&A	Management Discussion and Analysis
MMTOA	Metropolitan Mass Transportation Operating Assistance
MOU	Memorandum of Understanding
MRT	Medicaid Redesign Team
MSA	Master Settlement Agreements
MTA	Metropolitan Transportation Authority
NAICS	North American Industry Classification System
NDNY	Northern District of New York
NFP	Not-For-Profit
NIFA	Nassau County Interim Finance Authority
NPMS	Non-Participating Manufacturers
NY	New York
NYC	New York City
NYS	New York State
NYSCOPBA	New York State Correctional Officers and Police Benevolent Association
NYSHIP	New York State Health Insurance Program
NYSLRS	New York State and Local Retirement System
NYSTA	New York State Thruway Authority
NYSPBA	New York State Police Benevolent Association
OASAS	Office of Alcoholism and Substance Abuse Services
OCA	Office of Court Administration
OCFS	Office of Children and Family Services
OGS	Office of General Services



EXHIBIT F - GLOSSARY OF ACRONYMS

OMB	Office of Management and Budget
OMH	Office of Mental Health
OPEB	Other Post-Employment Benefits
OPMs	Original Participating Manufacturers
OPWDD	Office for People with Developmental Disabilities
OSC	Office of the State Comptroller
OSDC	Office of the State Deputy Comptroller
OTDA	Office of Temporary and Disability Assistance
PACB	Public Authorities Control Board
PAYGO	Pay-As-You-Go
PBA	Police Benevolent Association
PBT	Petroleum Business Tax
PEF	Public Employees Federation
PFRS	Police and Fire Retirement System
PIT	Personal Income Tax
PMS	Participating Manufacturers
PS	Personal Service
P-TECH	Pathways in Technology Early College High School
QPAI	Qualified Production Activities Income
RBTF	Revenue Bond Tax Fund
RETT	Real Estate Transfer Tax
RFP	Request for Proposals
RIC	Regulated Investment Companies
RPCI	Roswell Park Cancer Institute
SA	School Aid
SAGE	Spending and Government Efficiency Commission
SBE	Sound Basic Education
SED	State Education Department
SFS	Statewide Financial System
SHIN-NY	Statewide Health Information Network for New York
SIF	State Insurance Fund
SOF	State Operating Funds
SOFA	State Office for the Aging
SPMs	Subsequent Participating Manufacturers
SRF	Special Revenue Fund
SRO	State Special Revenue
SSI	Supplemental Security Income
STAR	School Tax Relief
STBF	Sales Tax Revenue Bond Fund
STIP	Short-Term Investment Pool
SUNY	State University of New York
SY	School Year
TA	Thruway Authority
TANF	Temporary Assistance for Needy Families
TAP	Tuition Assistance Program
TBTA	Triborough Bridge and Tunnel Authority
TRANS	Tax and Revenue Anticipation Notes
TSFC	Tobacco Settlement Financing Corporation
UDC	Urban Development Corporation
UUP	United University Professions
US	United States
VLG	Video Lottery Gaming
VLT	Video Lottery Terminal
WDNY	Western District of New York
WHTI	Western Hemisphere Travel Initiative