

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

November 24, 2014

This is the second quarterly update (the “AIS Update”) to the Annual Information Statement of the State of New York (the “AIS”), dated June 11, 2014. The first quarterly update was issued on September 4, 2014. This AIS Update contains information only through November 24, 2014 and should be read in its entirety, together with the AIS. The State expects to issue the next AIS Update in February 2015, following the release of the Governor's Executive Budget Financial Plan for FY 2016.

In this AIS Update, readers will find:

1. Extracts from the Mid-Year Update to the Financial Plan for FY 2015¹ (the “Updated Financial Plan”), issued by the Division of the Budget (“DOB”). The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov) includes a summary of operating results for the first six months of FY 2015 and updates to the State’s official Financial Plan projections for FY 2015 through FY 2018. Except for the specific revisions described in these extracts, the projections (and the assumptions upon which these are based) in the Updated Financial Plan are consistent with the projections set forth in the FY 2015 Enacted Budget Financial Plan reflected with the AIS. Note that the Updated Financial Plan does not reflect the November 2014 consent order between the State Department of Financial Services (“DFS”) and Bank of Tokyo Mitsubishi UFJ, Ltd. (“BTMU”) or the recent consent order between DFS and American International Group, Inc. (“AIG”) dated October 31, 2014.
2. A discussion of issues and risks that may affect the Financial Plan during the State’s current fiscal year or in future years (under the heading “Other Matters Affecting the State Financial Plan”).
3. A summary of the Generally Accepted Accounting Principles (“GAAP”)-basis results for the prior three fiscal years (reprinted as a convenience from the First Quarterly Update to the AIS released in September 2014).
4. Updated information regarding the State Retirement Systems.
5. Updated information on certain public authorities and localities of the State.
6. The status of significant litigation and arbitration that has the potential to adversely affect the State’s finances.
7. Financial plan tables that summarize actual General Fund receipts and disbursements for fiscal year 2014 and projected receipts and disbursements for fiscal years 2015 through 2018 on a General Fund, State Operating Funds and All Governmental Funds basis.

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

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

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections or other information relating to the State's 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 Update. Investors and other market participants should, however, refer to the AIS, as updated, or supplemented from time to time, for the most current official information regarding the financial position of the State.

The factors affecting the State's financial condition are complex. This AIS Update contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts were prepared, 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 Update 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 the State 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 this AIS Update. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from those projected. Such risks and uncertainties include, among others, general economic and business conditions; changes in political, social, economic and environmental conditions, including climate change and extreme weather events; impediments to the implementation of gap-closing actions; regulatory initiatives and compliance with governmental regulations; litigation; actions by the Federal government to reduce or disallow expected aid, including Federal aid authorized or appropriated by Congress, but subject to sequestration, administrative actions, or other actions that would reduce aid to the State; and various other events, conditions and circumstances, many of which are beyond the control of the State. These forward-looking statements speak only as of the date of this AIS Update.

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

On July 29, 2014, OSC issued the Basic Financial Statements for FY 2014 (ended March 31, 2014). Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements for FY 2014 can also be accessed through EMMA at www.emma.msrb.org.

USAGE NOTICE

This AIS Update has been prepared and made available by the State pursuant to its contractual obligations 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 payment of their respective bonds, notes or other obligations.

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

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

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BUDGETARY AND ACCOUNTING PRACTICES

Unless clearly noted otherwise, all financial information in this AIS Update 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 projects 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 (i.e., 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 Health Care Reform Act 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.

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* GAAP financial plan 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 these disbursements. Any 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 Update 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. However, total disbursements in Financial Plan tables and discussion do not reflect these savings. The estimated savings are labeled in the Financial Plan tables as “Adherence to 2 percent State Operating Funds (SOF) Spending Benchmark”. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

OVERVIEW OF THE UPDATED FINANCIAL PLAN

Except for the specific revisions described herein, the projections (and the assumptions upon which they are based) in the Updated Financial Plan are consistent with the projections set forth in the FY 2015 Enacted Budget Financial Plan described in the AIS.

SUMMARY

In the Updated Financial Plan, DOB estimates that the State will end FY 2015 with a sizeable General Fund cash-basis surplus due to a series of unbudgeted financial settlements reached with several banks and insurance companies during FY 2015. DOB expects that a formal plan for use of the projected financial settlement monies, consistent with adherence to the 2 percent spending benchmark, will be proposed no later than the submission to the Legislature of the FY 2016 Executive Budget. Aside from the financial settlements, DOB has revised the State's projected pension contributions beginning in FY 2016 based on updated information, primarily the use of a new Mortality Improvement Scale (known as "MP-2014") by the New York State and Local Retirement Systems' Actuary. Compared to the prior year actuarial assumptions, the MP-2014 reflects longer life expectancies for pension beneficiaries and, as a result, increased pension plan liabilities.

General Fund receipts, including transfers from other funds, are now expected to total \$67.8 billion in FY 2015, an increase of \$4.8 billion from the Enacted Budget Financial Plan reflected in the AIS. The upward revision is due entirely to the financial settlements reached with Bank of America, Standard Chartered, and PricewaterhouseCoopers (PwC). Additional settlement receipts in the current fiscal year are possible.

General Fund disbursements, including transfers to other funds, are expected to total \$63.2 billion in the current fiscal year, an increase of \$29 million from the Enacted Budget Financial Plan reflected in the AIS. The upward revisions reflect an increase in the share of Medicaid funded by the General Fund instead of HCRA, costs for enhanced efforts to control heroin trafficking and use, and a number of modest reestimates. The Updated Financial Plan reflects the continuation of spending controls and cost containment measures. Funding for agency operations is generally expected to remain level across the Financial Plan period. For planning purposes, the Updated Financial Plan does not currently include any prepayments in FY 2015 beyond the \$350 million identified in the AIS, or any costs from potential Federal disallowances.

DOB expects the State to end FY 2015 with a General Fund closing balance of \$6.8 billion, an increase of \$4.8 billion from the Enacted Budget Financial Plan. The estimated closing balance includes a sizeable cash-basis surplus due to the unbudgeted financial settlements reached with several banks and insurance companies earlier in the year. The Executive is developing options for using the surplus prudently.

Operating results through September 30, 2014 were favorable in comparison to the estimates in the Enacted Budget Financial Plan. General Fund receipts, including transfers from other funds, totaled \$35.4 billion through September 2014, \$4.4 billion above the Enacted Budget forecast, due to higher tax collections (\$1.1 billion) and higher miscellaneous receipts (\$3.3 billion).

The \$1.1 billion in higher-than-expected General Fund tax collections through September 2014 include higher personal income tax receipts (\$337 million) due to stronger than anticipated estimated payments and the timing of current year refund payments; consumption/use taxes (\$185 million) due to

cigar tax refund timing and stronger than expected taxable purchases; and business tax collections (\$589 million) related to bank tax audits and lower corporate franchise tax refunds. The higher-than-expected tax collections through September 2014 are timing-related, and not expected to change total annual tax collections in FY 2015.

The higher-than-expected General Fund miscellaneous receipts through September 2014 compared to the Enacted Budget include the unanticipated settlement payments of \$2.2 billion from BNP Paribas, S.A. New York Branch (“BNPP”) for violation of banking laws concerning interactions with countries and entities subject to international sanctions (the balance of the settlement payments is expected by the end of FY 2015); \$715 million from Credit Suisse AG for violation of banking laws, specifically for allowing U.S. clients to conceal their offshore assets from the IRS and New York authorities; \$300 million from Standard Chartered Bank for operating with certain ineffective compliance risk management systems in violation of a 2012 consent order with DFS; \$92 million from Citigroup as part of a Federal settlement resulting from an investigation into the bank’s mortgage securities practice preceding the 2008 financial crisis; and \$25 million from PwC pursuant to a 2014 settlement agreement to resolve a DFS investigation into certain consulting services performed by PwC in 2007 and 2008.

General Fund disbursements, including transfers to other funds, totaled \$29.6 billion through September 2014, approximately \$415 million above the Enacted Budget forecast, due mainly to higher General State Charges (GSCs) spending. The higher GSCs spending reflects the payment of the State’s entire remaining pension contribution (net of amortization) for FY 2015 (\$615 million) in September 2014 to avoid interest expense. This cash flow impact was partly offset by higher reimbursements (\$112 million) from non-General Fund accounts, due to the timing, for the payment of fringe benefit bills. After adjusting for these variances, along with spending variations in local assistance and transfers that DOB believes are timing-related, disbursements to date appear to be generally consistent with the Enacted Budget forecast.

MULTI-YEAR FINANCIAL PLAN REVISIONS

The following table summarizes the revisions to the Enacted Budget Financial Plan that affect General Fund operating projections. The Updated Financial Plan projections assume the State adheres to the 2 percent spending benchmark in future years, as shown in the table below. Descriptions of the changes follow the table.

SUMMARY OF REVISIONS TO ENACTED BUDGET FINANCIAL PLAN				
GENERAL FUND BUDGETARY BASIS OF ACCOUNTING				
BENEFIT/(COST)				
(millions of dollars)				
	FY 2015	FY 2016	FY 2017	FY 2018
ENACTED BUDGET SURPLUS/(GAPS) ¹	-	303	1,105	1,478
RECEIPTS REVISIONS	4,188	(5)	(5)	(5)
Financial Settlements	4,193	0	0	0
BNP Paribas	3,591	0	0	0
Department of Financial Services (DFS)	2,243	0	0	0
Asset Forfeiture (Manhattan DA)	1,348	0	0	0
Other DFS Settlements	785	0	0	0
Credit Suisse AG	715	0	0	0
Metropolitan Life Insurance Company	50	0	0	0
AXA Equitable Life Insurance Company	20	0	0	0
Citigroup (State Share)	92	0	0	0
Settlements Budgeted in FY 2015 Financial Plan	(275)	0	0	0
Other Receipts	(5)	(5)	(5)	(5)
Tribal State Compact	(7)	(7)	(7)	(7)
Other	2	2	2	2
DISBURSEMENTS REVISIONS	(29)	(55)	(29)	(40)
HCRA Surcharge Audit	(17)	(42)	(17)	(25)
Statewide Heroin Initiative	(7)	(11)	(11)	(11)
All Other	(5)	(2)	(1)	(4)
FIRST QUARTERLY UPDATE BUDGET SURPLUS/(GAPS)	4,159	243	1,071	1,433
RECEIPTS REVISIONS	625	0	0	0
Bank of America	300	0	0	0
Standard Chartered Bank	300	0	0	0
PricewaterCoopers	25	0	0	0
DISBURSEMENTS REVISIONS	0	40	(259)	(552)
Higher Pension Contribution Rates	0	(355)	(511)	(682)
Amortization of Pension Costs	0	395	252	130
DEPOSIT TO UNDESIGNATED RESERVE	(4,784)	0	0	0
ADHERENCE to 2% SOF SPENDING BENCHMARK	0	(40)	259	552
MID YEAR UPDATE BUDGET SURPLUS/(GAPS)	-	243	1,071	1,433
<i>Net Change from Enacted</i>	<i>0</i>	<i>(60)</i>	<i>(34)</i>	<i>(45)</i>

¹ Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2015 estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

RECEIPTS REVISIONS

- **Financial Settlements:** The State currently expects to receive a total of approximately \$5.1 billion in FY 2015 from financial settlements reached by DFS, Department of Law, and Manhattan District Attorney's Office. To date, the State has received approximately \$3.7 billion of the \$5.1 billion expected under the settlements. The Enacted Budget Financial Plan assumed \$275 million in receipts from financial settlements in FY 2015. The Updated Financial Plan continues to assume settlements of \$250 million in FY 2016, and \$100 million in both FY 2017 and FY 2018, unchanged from the AIS. Note that the Updated Financial Plan does not reflect the recent consent order between DFS and BTMU dated November 18, 2014 or the recent consent order between DFS and AIG dated October 31, 2014.

The settlements consist of the following:

- **BNP Paribas, S.A. New York Branch (“BNPP”)** will pay the State nearly \$3.6 billion pursuant to (i) a June 29, 2014 consent order between DFS and BNPP and (ii) a June 30, 2014 plea agreement between BNPP and the New York County District Attorney in connection with conduct by BNPP which violated U.S. national security and foreign policy and raised serious safety and soundness concerns for regulators, including the obstruction of governmental administration, failure to report crimes and misconduct, offering false instruments for filing, and falsifying business records.. To date, the State has received approximately \$2.24 billion; the remaining payments are expected to be received by the State by the end of FY 2015.
- **Credit Suisse AG** paid \$715 million as a civil monetary penalty to the State pursuant to a May 18, 2014 consent order between DFS and Credit Suisse AG stemming from Credit Suisse AG's decades-long operation of an illegal cross-border banking business whereby Credit Suisse AG knowingly and willfully aided thousands of U.S. clients in opening and maintaining undeclared accounts and concealing their offshore assets and income from the Internal Revenue Service and New York authorities.
- **American Life Insurance Company (“ALICO”), Delaware American Life Insurance Company (“DelAm”), and MetLife, Inc. (“MetLife”) (collectively “MetLife Parties”)** paid \$50 million as a civil fine pursuant to a March 31, 2014 consent order between DFS and MetLife. The consent order related to a DFS investigation into whether ALICO and DelAm conducted an insurance business in New York without a New York license and aided other insurers in conducting an insurance business in New York without a New York license.
- **AXA Equitable Life Insurance Company (“AXA”)** paid \$20 million as a civil fine pursuant to a March 17, 2014 consent order between DFS and AXA. The consent order related to whether AXA properly informed DFS regarding the implementation of its “AXA Tactical Manager” strategy.
- **Citigroup Inc. (“Citigroup”)** paid \$92 million to the State pursuant to a July 2014 settlement agreement to remediate harms to the State resulting from the packaging, marketing, sale, structuring, arrangement, and issuance of residential mortgage-backed securities and collateralized debt obligations. The settlement agreement is the result of investigations by Federal and State entities into Citigroup.

- **Bank of America (BofA)** paid \$300 million to the State pursuant to an August 18, 2014 settlement agreement to remediate harms related to BofA's violations of State law in connection with the packaging, origination, marketing, sale, structuring, arrangement, and issuance of residential mortgage-backed securities and collateralized debt obligations. The settlement agreement is the result of investigations by federal and state entities into Bank of America Corporation, Bank of America, N.A., and Banc of America Mortgage Securities, as well as their current and former subsidiaries and affiliates.
- **Standard Chartered Bank, New York Branch (SCB NY)** paid \$300 million to the State pursuant to an August 19, 2014 consent order between the DFS and SCB NY for failure to fully comply with a September 21, 2012 consent order between the parties by operating with certain ineffective risk management systems for the identification and management of risks related to compliance with the Bank Security Act (BSA) and anti-money laundering (AML) laws, rules, and regulations, including BSA/AML risks related to U.S. dollar clearing for clients of SCB United Arab Emirates and SCB Hong Kong, among others.
- **PricewaterhouseCoopers LLP (PwC)** paid \$25 million to the State pursuant to an August 14, 2014 settlement agreement between the DFS and PwC to (i) resolve the DFS's investigation of PwC's actions in performing certain consulting services for the Tokyo Branch of BTMU in 2007 and 2008, and (ii) establish the basis for a constructive relationship between the parties that will better protect investors and the public.
- **Other Receipts:** During the first quarter of the fiscal year, DOB also revised its estimate of payments the State expects to receive under the Tribal State Compact. DOB also made minor adjustments to receipts across tax categories that have no net Financial Plan impact.

DISBURSEMENT REVISIONS

- **HCRA Surcharge Audit:** A correction of HCRA surcharge overpayments made to the State, primarily for exempt Medicare-eligible services, is anticipated to reduce surcharge revenue and increase General Fund Medicaid costs by \$17 million in FY 2015. Future surcharge payments will be made under the corrected methodology, with an increased Financial Plan impact of \$42 million expected during FY 2016 due to the timing and scope of the audit.
- **Statewide Combating Heroin Initiative:** Funding has been added to the Financial Plan to support a statewide initiative to combat the rise of heroin use. The initiative includes the addition of 100 investigators to the State Police Community Narcotics Enforcement Team (CNET), in order to combat heroin trafficking. Additionally, the State will make supplies of naloxone, an overdose antidote, available to all first responder units in the State.
- **Higher Pension Contribution Rates:** Estimated State and Judiciary pension contributions for FY 2016 have been increased by \$355 million to account for the 2016 normal pension contribution rates released by OSC on September 2, 2014, which were substantially higher than the rates anticipated by DOB (18.2 percent vs. 14.2 percent for the Employees' Retirement System (ERS), and 24.7 percent vs. 20.8 percent for the Police and Fire Retirement System (PFRS)). DOB had based its projected pension contribution rates on prior year actuarial assumptions of the New York State and Local Retirement Systems' Actuary. The higher than anticipated FY 2016 rates are primarily attributable to the actuarial use of the new MP-2014 Mortality Improvement Scale ("MP-2014") by the State Retirement Systems' Actuary. Compared to the prior year actuarial assumptions, the MP-2014 reflects longer life expectancies for pension beneficiaries, and as a result, increased pension plan liabilities.
- **Amortization of Pension Costs:** The DOB-projected pension contribution rates for FY 2016 reflected in the Enacted Budget Financial Plan did not exceed the statutorily set thresholds (the "graded rate"), and thus amortization would not have been permitted in FY 2016. However, given the higher-than-anticipated 2016 contribution rates released by OSC since the AIS, pension amortization is allowable in FY 2016 and beyond. For planning purposes, at this time, DOB expects to amortize in FY 2016 (\$395 million) and subsequent years. This cost will be repaid, with interest, over a ten-year period. A final decision on amortization will be made as part of the FY 2016 Executive Budget.
- **Other:** This category principally reflects technical revisions between agencies or Financial Plan reclassifications in limited areas such as Office of General Services (OGS), Department of Environmental Conservation, Children and Family Services and the Mental Hygiene agencies.

CLOSING BALANCE

DOB estimates that the State will end FY 2015 with a General Fund cash balance of \$6.8 billion, an increase of \$4.8 billion from the Enacted Budget Financial Plan estimate. At this time, the \$4.8 billion in settlement resources is being held as an undesignated fund balance in the General Fund. The Executive is developing options for using the settlement resources prudently. DOB expects that a formal plan for use of the financial settlement moneys, consistent with adherence to the 2 percent spending benchmark, will be proposed by no later than the FY 2016 Executive Budget.

The estimated year-end balances for statutory reserves and designated purposes in the General Fund remain unchanged from the Enacted Budget Financial Plan. These include \$1.48 billion in the State's principal "rainy day" reserves, the Tax Stabilization Reserve and the Rainy Day Reserve; \$500 million designated for debt management purposes; \$53 million to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms for contract periods prior to April 2011; and \$21 million in the Contingency Reserve.

ANNUAL SPENDING GROWTH

DOB estimates that spending in State Operating Funds will grow at 1.8 percent in FY 2015, consistent with the 2 percent spending benchmark adopted by the current Administration in FY 2012. All Funds spending, which includes spending from capital funds and Federal funds, is expected to increase by 1.5 percent from FY 2014, excluding extraordinary Federal aid related to Superstorm Sandy² and the implementation of the Affordable Care Act (ACA).

TOTAL DISBURSEMENTS (millions of dollars)				
	FY 2014	FY 2015	Annual	Annual %
	Results	Updated	Change	Change
STATE OPERATING FUNDS	90,631	92,244	1,613	1.8%
General Fund (excluding other transfers)	52,148	54,935	2,787	5.3%
Other State Funds	32,046	31,618	(428)	-1.3%
Debt Service Funds	6,437	5,691	(746)	-11.6%
ALL GOVERNMENTAL FUNDS	135,874	137,910	2,036	1.5%
State Operating Funds	90,631	92,244	1,613	1.8%
Capital Projects Funds	7,751	8,465	714	9.2%
Federal Operating Funds	37,492	37,201	(291)	-0.8%
ALL GOVERNMENTAL FUNDS (INCL. EXTRAORDINARY FEDERAL AID)	137,526	141,974	4,448	3.2%
Federal Disaster Aid for Superstorm Sandy	1,247	1,497	250	20.0%
Federal Affordable Care Act	405	2,567	2,162	533.8%
GENERAL FUND (INCLUDING TRANSFERS)	61,243	63,171	1,928	3.1%
STATE FUNDS	96,355	99,005	2,650	2.8%

² In October 2012, Superstorm Sandy caused widespread flooding, power failures, and wind damage to public and private property in New York City, Long Island, and other downstate areas. Public infrastructure, including mass transit systems, public schools, and municipal buildings, sustained serious damage. The Financial Plan reflects Federal aid which will flow to local governments, public authorities, and not-for-profits over the next several years to continue the State's recovery from Superstorm Sandy. (See "Other Matters Affecting the Financial Plan — Federal Issues" herein.)

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

STATE SPENDING MEASURES				
(millions of dollars)				
	FY 2014 Results	FY 2015 Updated	Annual Change	
			\$	%
LOCAL ASSISTANCE	59,402	61,178	1,776	3.0%
School Aid (State Fiscal Year Basis) ¹	20,420	21,671	1,251	6.1%
DOH Medicaid (Incl Operational Costs) ²	16,382	16,962	580	3.5%
Transportation	4,719	4,817	98	2.1%
Mental Hygiene	2,777	2,925	148	5.3%
STAR	3,357	3,429	72	2.1%
Social Services	3,101	2,777	(324)	-10.4%
Higher Education	2,817	2,916	99	3.5%
Public Health/Aging	2,179	1,868	(311)	-14.3%
Special/Other Education	2,003	2,146	143	7.1%
Local Government Assistance	756	779	23	3.0%
All Other ³	891	888	(3)	-0.3%
STATE OPERATIONS/FRINGE BENEFITS	24,822	25,418	596	2.4%
State Operations	17,864	18,208	344	1.9%
Personal Service:	12,300	12,600	300	2.4%
Executive Agencies	6,989	7,141	152	2.2%
University Systems	3,478	3,586	108	3.1%
Elected Officials	1,833	1,873	40	2.2%
Non-Personal Service:	5,564	5,608	44	0.8%
Executive Agencies	2,753	2,791	38	1.4%
University System	2,298	2,235	(63)	-2.7%
Elected Officials	513	582	69	13.5%
Fringe Benefits/Fixed Costs	6,958	7,210	252	3.6%
Pension Contribution	2,086	2,136	50	2.4%
Health Insurance	3,253	3,359	106	3.3%
Other Fringe Benefits/Fixed Costs	1,619	1,715	96	5.9%
DEBT SERVICE	6,400	5,648	(752)	-11.8%
CAPITAL PROJECTS	7	0	(7)	-100.0%
TOTAL STATE OPERATING FUNDS	90,631	92,244	1,613	1.8%
Capital Projects (State Funds)	5,724	6,761	1,037	18.1%
TOTAL STATE FUNDS	96,355	99,005	2,650	2.8%
Federal Aid (Including Capital Grants) ⁴	39,519	38,905	(614)	-1.6%
TOTAL ALL GOVERNMENTAL FUNDS ⁵	135,874	137,910	2,036	1.5%

¹ School Aid growth on a school year basis is \$1.1 billion or 5.3% and does not include aid for Statewide Universal Full-Day Pre-Kindergarten programs.

² Department of Health Medicaid spending only (excludes other State agency spending and transfers). For display purposes, includes Medicaid operational spending that supports contracts related to the management of Medicaid and the costs of administrative takeover from local governments.

³ "All Other" includes an adjustment for Medicaid operational costs to avoid distorting Financial Plan category totals, as well as local aid spending in a number of other programs, including education, parks and the environment, economic development, and public safety.

^{4,5} All Funds and Federal Operating Funds receipts and disbursements exclude Federal disaster aid for Superstorm Sandy (estimated at \$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.

MID-YEAR OPERATING RESULTS (APRIL - SEPTEMBER 2014)

GENERAL FUND RESULTS

This section provides a summary of operating results for April 2014 through September 2014 compared to (1) the projections set forth in the FY 2015 Enacted Budget reflected with the AIS; (2) the revised projections of the First Quarterly Update to the Financial Plan; and (3) the operating results through September 2013.

The State ended the month of September 2014 with a General Fund closing balance of \$8.1 billion, \$4.0 billion higher than projected in the FY 2015 Enacted Budget Financial Plan. The larger than expected balance is mainly due to higher receipts.

GENERAL FUND OPERATING RESULTS THROUGH SEPTEMBER 2014 (millions of dollars)					
	Enacted Plan	Revised Plan	Results	Above/(Below) Variance	
				Enacted Plan	Revised Plan
Opening Balance	2,235	2,235	2,235	0	0
Total Receipts	30,989	34,422	35,384	4,395	962
Taxes:	28,635	29,136	29,723	1,088	587
<i>Personal Income Tax</i> ¹	19,341	19,304	19,678	337	374
<i>User Taxes and Fees</i> ¹	6,148	6,248	6,333	185	85
<i>Business Taxes</i>	2,135	2,576	2,724	589	148
<i>Other Taxes</i> ¹	1,011	1,008	988	(23)	(20)
Receipts and Grants	1,968	4,934	5,330	3,362	396
Transfers From Other Funds	386	352	331	(55)	(21)
Total Spending	29,152	29,118	29,567	415	449
Education	7,868	8,154	8,370	502	216
Health Care	6,356	6,319	6,177	(179)	(142)
Social Services	1,315	1,261	1,219	(96)	(42)
Higher Education	1,326	1,291	1,281	(45)	(10)
All Other Local Assistance	1,505	1,573	1,370	(135)	(203)
Personal Service	2,904	2,932	2,925	21	(7)
Non-Personal Service	795	782	808	13	26
General State Charges	3,018	2,838	3,490	472	652
Debt Service Transfer	369	367	367	(2)	(0)
Capital Projects Transfer	246	424	206	(40)	(218)
State Share Medicaid Transfer	923	658	754	(169)	96
SUNY Operations Transfer	818	818	817	(1)	(1)
All Other Transfers	1,709	1,701	1,783	74	82
Change in Operations	1,837	5,304	5,817	3,980	513
Closing Balance	4,072	7,539	8,053	3,981	514

¹ Includes transfers from other funds after debt service.

Through September 2014, General Fund receipts, including transfers from other funds, totaled \$35.4 billion, \$4.4 billion higher than the FY 2015 Enacted Budget Financial Plan projection, reflecting higher tax collections (\$1.1 billion) and higher non-tax receipts (\$3.3 billion).

The \$1.1 billion in higher General Fund tax collections includes higher personal income tax receipts (\$337 million) due to stronger than anticipated estimated payments and the timing of current year refund payments; consumption/use taxes (\$185 million) due to cigar tax refund timing and stronger than expected taxable purchases; and business tax collections (\$589 million) related to bank tax audits and lower corporate franchise tax refunds. The higher-than-expected tax collections through September 2014 are timing-related, and not expected to change total annual tax collections in FY 2015.

The increase in non-tax receipts received to date is primarily attributable to unanticipated settlement payments from financial institutions for the violation of banking laws, including:

- BNP Paribas, S.A. New York Branch (“BNPP”) for its interaction with countries and entities subject to international sanctions;
- Credit Suisse AG for allowing U.S. clients to conceal their offshore assets from the IRS and New York authorities;
- Standard Chartered Bank for operating with certain ineffective compliance risk management systems in violation of a 2012 consent order with DFS;
- Citigroup as part of a Federal settlement resulting from an investigation into the bank’s mortgage securities practice preceding the 2008 financial crisis; and
- PricewaterhouseCoopers pursuant to a 2014 settlement agreement to resolve a DFS investigation into certain consulting services performed by PwC in 2007 and 2008.

Through September 2014, General Fund disbursements, including transfers to other funds, totaled \$29.6 billion, \$415 million higher than the FY 2015 Enacted Budget Financial Plan projection, due mainly to higher GSC spending due to the payment of the State’s FY 2015 pension contribution sooner than expected.

Total local assistance spending varied slightly from initial projections. Education spending significantly exceeded planned levels through September 2014 (\$502 million), but was almost entirely offset by lower than expected spending through September 2014 in nearly all other local functional areas. Increased education spending included payments for special education (\$238 million) and prekindergarten (\$171 million) programs that were made earlier in this fiscal year than planned and will not affect annual spending levels. The most significant causes of lower spending include the delayed Federal approval of the Medicaid Managed Care rate package previously scheduled for the second quarter of the fiscal year (\$221 million); the timing of child welfare settlements payments; and lower disaster assistance spending due to claims processing delays.

Agency Operations spending is generally consistent with planned estimates. Higher GSC spending reflects DOB’s decision to avoid interest expense by paying the State’s entire FY 2015 pension bill (net of amortization) in September 2014 (\$615 million), rather than in regular installments through the year. This was partly offset by higher reimbursements from non-General Fund accounts, due to timing, for the payment of fringe benefit bills (\$112 million).

General Fund transfers were lower than initial projections primarily due to lower State-share Medicaid transfers to mental hygiene facilities (\$169 million) based on retroactive Federal rate adjustments which reduced payments to these facilities. These Federal adjustments were assumed in the annual funding estimate, but were expected to occur later in the year.

STATE OPERATING FUNDS RESULTS

The State ended September 2014 with a closing balance of \$10.5 billion in State Operating Funds, or \$4.0 billion above the FY 2015 Enacted Budget Financial Plan estimate. This reflects the combined impact of higher total receipts (\$4.4 billion), higher spending (\$260 million), and lower financing from other sources (\$191 million).

STATE OPERATING FUNDS RESULTS THROUGH SEPTEMBER 2014 (millions of dollars)					
	Enacted Plan	Revised Plan	Results	Above/(Below) Variance	
				Enacted Plan	Revised Plan
Opening Balance	4,789	4,789	4,789	0	0
Total Receipts	42,620	46,185	47,051	4,431	866
Taxes:	<u>32,391</u>	<u>32,891</u>	<u>33,494</u>	<u>1,103</u>	<u>603</u>
<i>Personal Income Tax</i>	20,584	20,514	20,886	302	372
<i>User Taxes and Fees</i>	7,363	7,444	7,530	167	86
<i>Business Taxes</i>	2,820	3,320	3,482	662	162
<i>Other Taxes</i>	1,624	1,613	1,596	(28)	(17)
Miscellaneous/Federal Receipts	10,229	13,294	13,557	3,328	263
Total Spending	42,424	42,410	42,684	260	274
Education	10,237	10,523	10,737	500	214
Health Care	9,345	9,311	9,045	(300)	(266)
Social Services	1,315	1,262	1,220	(95)	(42)
Transportation	2,322	2,318	2,293	(29)	(25)
Higher Education	1,326	1,291	1,281	(45)	(10)
All Other Local Assistance	3,077	3,193	2,944	(133)	(249)
Personal Service	6,297	6,286	6,291	(6)	5
Non-Personal Service	2,662	2,554	2,525	(137)	(29)
General State Charges	3,910	3,762	4,439	529	677
Debt Service	1,933	1,910	1,908	(25)	(2)
Capital Projects	-	-	1	1	1
Other Financing Sources	1,561	1,076	1,370	(191)	294
Change in Operations	1,757	4,851	5,737	3,980	886
Closing Balance	6,546	9,640	10,526	3,980	886

Through September 2014, total receipts in State Operating Funds were \$4.4 billion higher than the FY 2015 Enacted Budget Financial Plan projections, due to higher tax collections (\$1.1 billion) and higher miscellaneous receipts (\$3.3 billion).

Consistent with the General Fund results, the State Operating Funds receipts variance is attributable to higher personal income tax, consumption/use tax, and business tax receipts (including \$74 million in the dedicated transit funds); and higher non-tax receipts from the settlement payments from financial institutions.

State Operating Funds spending was \$260 million higher than Enacted Budget Financial Plan projections due to the combined impact of lower spending in local assistance and higher spending for GSCs due to the payment of the State's pension contribution.

In addition to the local assistance variances in the General Fund described earlier, the Provider Assessment Fund had less revenue to offset General Fund spending due to a temporary extension granted to certain providers for the filing of their assessment collection authorization.

The higher spending for GSCs reflects the full pension payment in September 2014, as described above. This higher cost is slightly mitigated by lower non-personal service costs across several funds, including SUNY (\$44 million), the Mental Hygiene Program Fund (\$30 million), Lottery (\$13 million), Stem Cell Trust Fund (\$9 million); and the Workers Compensation Board (\$8 million).

Other financing sources, which represent the difference between transfers to and from State Operating Funds, were \$191 million lower than initial estimates primarily due to the retroactive Federal rate adjustments which reduced reimbursements to mental hygiene facilities.

ALL GOVERNMENTAL FUNDS RESULTS

The State ended September 2014 with an All Governmental Funds closing balance of \$9.2 billion, \$3.9 billion above the Enacted Budget Financial Plan projection, reflecting both higher than projected receipts (\$4.4 billion) and spending (\$538 million).

ALL GOVERNMENTAL FUNDS RESULTS					
THROUGH SEPTEMBER 2014					
(millions of dollars)					
	Enacted Plan	Revised Plan	Results	Above/(Below) Variance	
				Enacted Plan	Revised Plan
Opening Balance	4,035	4,035	4,035	0	0
Total Receipts	67,663	71,230	72,074	4,411	844
Taxes:	<u>33,086</u>	<u>33,593</u>	<u>34,203</u>	<u>1,118</u>	<u>610</u>
<i>Personal Income Tax</i>	20,584	20,514	20,886	302	372
<i>User Taxes and Fees</i>	7,671	7,759	7,846	175	87
<i>Business Taxes</i>	3,159	3,659	3,827	668	168
<i>Other Taxes</i>	1,672	1,661	1,644	(28)	(17)
Miscellaneous Receipts	12,165	14,842	15,134	2,969	292
Federal Grants	22,412	22,795	22,737	325	(58)
Total Spending	66,260	66,608	66,798	538	190
State Operating Funds:	<u>42,424</u>	<u>42,410</u>	<u>42,684</u>	<u>260</u>	<u>274</u>
<i>Education</i>	10,237	10,523	10,737	500	214
<i>Health Care</i>	9,345	9,311	9,045	(300)	(266)
<i>Social Services</i>	1,315	1,262	1,220	(95)	(42)
<i>Transportation</i>	2,322	2,318	2,293	(29)	(25)
<i>Higher Education</i>	1,326	1,291	1,281	(45)	(10)
<i>All Other Local Assistance</i>	3,077	3,193	2,944	(133)	(249)
<i>Personal Service</i>	6,297	6,286	6,291	(6)	5
<i>Non-Personal Service</i>	2,662	2,554	2,525	(137)	(29)
<i>General State Charges</i>	3,910	3,762	4,439	529	677
<i>Debt Service</i>	1,933	1,910	1,908	(25)	(2)
<i>Capital Projects</i>	0	0	1	1	1
Capital Projects Funds	3,565	3,394	3,275	(290)	(119)
Federal Operating Funds	20,271	20,804	20,839	568	35
Other Financing Sources	(83)	(90)	(96)	(13)	(6)
Change in Operations	1,320	4,532	5,180	3,860	648
Closing Balance	5,355	8,567	9,215	3,860	648

Through September 2014, total All Funds receipts were \$4.4 billion higher than Enacted Budget projections due to increases in taxes (\$1.1 billion), miscellaneous receipts (\$3.0 billion), and Federal grants (\$325 million).

As noted earlier, the higher tax receipts reflect stronger than anticipated personal income tax (\$302 million), consumption/use tax (\$175 million), and business tax (\$668 million) receipts; and the higher miscellaneous receipts reflects the financial institution settlement payments. In addition, Federal grants were \$325 million higher due to higher spending in areas such as health care and public assistance. These additional receipts are offset by lower than planned miscellaneous receipts for capital projects (\$449 million) primarily due to lower than anticipated reimbursements from Authority bond proceeds.

All Funds spending was \$538 million above Enacted Budget projections. In addition to the State Operating Funds and Capital Projects Funds spending variances described earlier, spending variances on an All Governmental Fund basis are attributable to factors associated with Federal operating funds.

Federal operating funds spending through September 2014 was \$568 million above the initial projection. The total spending variance was driven primarily by higher Flexible Fund for Family Services and public assistance benefit costs (\$301 million) as FY 2015 payments were made earlier than originally projected; and higher health care costs (\$179 million), as disproportionate share payments were disbursed earlier in the year than initially projected.

ALL GOVERNMENTAL FUNDS ANNUAL CHANGE

The All Governmental Funds balance through September 2014 was \$9.2 billion, \$1.4 billion higher than the same period of the prior year. The higher balance in the current year is attributable to a higher opening balance (\$159 million) and higher receipts (\$4.0 billion), offset by higher spending (\$2.7 billion).

ALL GOVERNMENTAL FUNDS RESULTS, FY 2014 vs. FY 2015				
APRIL THROUGH SEPTEMBER				
(millions of dollars)				
	FY 2014	FY 2015	Increase/(Decrease)	
			\$	%
Opening Balance	3,876	4,035	159	
Total Receipts	68,056	72,074	4,018	5.9%
Taxes:	<u>34,419</u>	<u>34,203</u>	<u>(216)</u>	<u>-0.6%</u>
<i>Personal Income Tax</i>	21,576	20,886	(690)	-3.2%
<i>User Taxes and Fees</i>	7,691	7,846	155	2.0%
<i>Business Taxes</i>	3,586	3,827	241	6.7%
<i>Other Taxes</i>	1,566	1,644	78	5.0%
Miscellaneous Receipts	11,793	15,134	3,341	28.3%
Federal Grants	21,844	22,737	893	4.1%
Total Spending	64,087	66,798	2,711	4.2%
State Operating Funds:	<u>40,643</u>	<u>42,684</u>	<u>2,041</u>	<u>5.0%</u>
<i>Education</i>	9,409	10,737	1,328	14.1%
<i>Health Care</i>	9,001	9,045	44	0.5%
<i>Social Services</i>	1,420	1,220	(200)	-14.1%
<i>Transportation</i>	2,321	2,293	(28)	-1.2%
<i>Higher Education</i>	1,261	1,281	20	1.6%
<i>All Other Local Assistance</i>	3,020	2,944	(76)	-2.5%
<i>Personal Service</i>	6,242	6,291	49	0.8%
<i>Non-Personal Service</i>	2,590	2,525	(65)	-2.5%
<i>General State Charges</i>	3,288	4,439	1,151	35.0%
<i>Debt Service</i>	2,086	1,908	(178)	-8.5%
<i>Capital Projects</i>	5	1	(4)	-82.9%
Capital Projects Funds	3,882	3,275	(607)	-15.6%
Federal Operating Funds	19,562	20,839	1,277	6.5%
Other Financing Sources	(30)	(96)	(66)	
Change in Operations	3,939	5,180	1,241	
Closing Balance	7,815	9,215	1,400	

The \$215 million annual decrease in All Funds tax receipts through September 2014 reflects lower personal income tax collections (\$690 million) due to a decline in extension payments that were bolstered in the prior fiscal year by the acceleration of income into tax year 2012 ahead of rising Federal tax rates in 2013. This decrease in PIT is partly offset by a \$155 million increase in consumption/use taxes due to an increase in taxable purchases and a \$241 million increase in business taxes due to higher corporate franchise tax refunds and higher bank tax audits in FY 2015.

The \$3.3 billion growth in miscellaneous receipts is mainly attributable to a \$3.2 billion increase in the financial settlements paid to the State and a \$750 million increase in the amount of the State Insurance Fund assessment reserves transferred to the State pursuant to legislation included in the FY 2014 Enacted Budget. This increase in receipts is offset by a \$181 million decrease in miscellaneous receipts for SUNY hospitals and \$338 million in lower receipts from the Tribal State Compact Revenue (TSCR) account. The decline in SUNY hospital receipts is mainly related to the timing of monthly accounting adjustments

for Medicaid disproportionate share payments, whereby these receipts are reclassified as transfers. This transaction occurred in October 2013 and in September 2014, which affects this year's six-month operating results. The decline in TSCR receipts reflects a lump sum receipt in August 2013 to the State from the St. Regis Mohawk tribal government and the Seneca Indian Nation, following separate agreements with these two tribal nations which settled a wide range of issues concerning tribal gaming activity in the State.

The \$893 million increase in Federal grants is a result of increased Federal program spending, as described in greater detail below.

Through September 2014, All Funds spending increased by \$2.7 billion over the prior year period, encompassing a \$2.0 billion increase in State Operating Funds; a \$1.3 billion increase in Federal Operating Funds; and a \$607 million decrease in Capital Projects Funds.

The increase in State Operating Funds spending mainly reflects Enacted Budget increases in School Aid and other education spending (\$1.3 billion); and increased GSCs spending (\$1.2 billion) as a result of earlier pension payments by both the State and the Judiciary. These additional costs are offset by lower spending in social services (\$200 million) due to the timing of child welfare payments; and lower debt service payments attributable to FY 2014 prepayments.

The increase in Federal Operating Funds spending is primarily attributable to higher Medicaid costs (\$2.0 billion) as a result of expanded Medicaid coverage under the ACA; partly offset by lower spending for disaster assistance costs associated with Superstorm Sandy and other recent storm recovery programs (\$199 million), lower spending for education (\$310 million) as a prior lag in payments substantially increased payments in the first quarter of FY 2014; and lower TANF-funded child care and Flexible Fund for Family Services spending (\$250 million) due to the timing of FY 2015 payments.

The decrease in Capital Projects spending is largely due to FY 2014 Superstorm Sandy related spending by DEC (\$180 million), reduced contractual spending at SUNY (\$161 million), an Empire State Development-issued grant for SUNY-Nanotech that has not yet been disbursed (\$100 million), and a one-time FY 2014 payment to the MTA (\$63 million).

OTHER MATTERS AFFECTING THE STATE FINANCIAL PLAN

GENERAL

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

The Updated Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of: national and international events, ongoing financial instability in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; major terrorist events, hostilities or war; climate change and extreme weather events; Federal statutory and regulatory changes concerning financial sector activities; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments which may adversely affect bonus income and capital gains realizations; the effect of household debt reduction on consumer spending and State tax collections; and the outcome of litigation and other claims affecting the State.

Among other factors, the Updated 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 expected in the Updated Financial Plan; the ability of the State to implement cost reduction initiatives, including reductions in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to market securities successfully in the public credit markets. Some of these specific issues are described in more detail herein. The projections and assumptions contained in the Updated Financial Plan are subject to revisions which may result in substantial change. No assurance can be given that these estimates and projections, which depend in part upon actions the State expects to be taken but which are not within the State's control, will be realized.

BUDGET RISKS AND UNCERTAINTIES

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

The forecast contains specific transaction risks and other uncertainties including, but not limited to: the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Updated Financial Plan, including payments pursuant to the Tribal-State Compact that 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 Updated Financial Plan. In addition, the Updated Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. Issues of particular concern are described below.

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 DEVELOPMENTAL DISABILITY SERVICES

Pursuant to an agreement with the Federal government, the State lowered Medicaid developmental disability center payment rates effective April 1, 2013. Full implementation of this change reduced Federal funding to the State by approximately \$1.1 billion annually, beginning in FY 2014. The plan to achieve those savings is subject to implementation risks and is dependent, in part, on final approval by the Federal government of claiming protocols for Designated State Health Program (DSHP) expenditures valued at \$250 million annually. DOH formally submitted the State's first round of DSHP claims to CMS, which is currently pending official review. In addition, as described below, the CMS is also seeking to retroactively recover Federal funds paid to the State under the former methodology.

AUDIT DISALLOWANCE

In addition to the rate reduction described above, on February 8, 2013, the U.S. Department of Health & Human Services (HHS) Office of the Inspector General, at the direction of the CMS, began a Financial 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 included claims for services provided from April 1, 2010 through March 31, 2011.

As a result of this review, CMS issued a disallowance notification in the amount of \$1.26 billion on July 25, 2014. In the cover letter accompanying that disallowance notification, CMS also indicated it will be initiating a similar review of the two subsequent fiscal years (for State fiscal years ending in March 2012 and March 2013). A comparable amount of Federal aid may be disallowed for any prior period if CMS is successful.

The State had requested reconsideration of the proposed \$1.26 billion disallowance by sending a letter to the Secretary of HHS, stating the reasons for reconsideration. On November 21, 2014, the State received notification from HHS that the State's request for reconsideration was denied. The State has 60 days to file a notice of appeal with the Departmental Appeals Board (DAB) with HHS. The State can retain the disallowed funds during the pendency of the reconsideration and DAB review process, although if the State is unsuccessful during these administrative processes, the disallowed amount plus interest will be due. There is no additional spending reflected in the Updated Financial Plan to address the CMS disallowance.

The State currently plans to pursue the DAB appeals process. If this is not successful, the State can pursue action in Federal court to challenge the disallowance.

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 plan. However, there can be no assurance that final Federal action on this matter, and for subsequent years, 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 to be achieved through either legislation or further cap reductions. No legislative agreement on an additional \$1.2 trillion in deficit reduction was reached, resulting in a sequestration order in March 2013 and further decreases in the discretionary spending caps beginning in FFY 2014. However, the Bipartisan Budget Act (BBA) of 2013 revised the spending caps imposed by the BCA and cancelled the secondary cap reductions for FFY 2014 and FFY 2015, which provided minor discretionary cap relief for those two years. The BBA did not address the caps in the remaining years, and under current law, the secondary cap reductions are set to return for FFY 2016. Specific funding levels are expected to be determined through the annual Congressional budget process if the lowered spending caps remain in place. Under that scenario, 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 includes conversion proceeds.

CURRENT LABOR NEGOTIATIONS (CURRENT CONTRACT PERIOD)

The State has settled collective bargaining agreements with 96 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), Council 82, and most recently, DC-37 (Housing). Four-year agreements were reached with the Public Employees Federation (PEF) and the Police Benevolent Association of New York State (PBANYS).

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 per employee in FY 2014 and \$225 per employee in FY 2015 — were paid to employees represented by CSEA, PBANYS, NYSCOPBA and Council 82. Additionally, 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. However, employees represented by PEF and DC-37 (Housing) will not receive lump sum payments. Instead, they will be repaid for all DRP reductions over an extended period at the end of the contract term, whereas the others will be repaid for a portion of their reductions.

Most recently, the Graduate Student Employees Union (GSEU) agreed to settle with the State, for the period July 2, 2009 to July 1, 2016. Members who have been on the payroll since October 1, 2009 and October 1, 2010 will receive one-time retroactive general salary increases of 2 percent and 3 percent, respectively. Additionally, a \$500 lump sum will be provided to members hired in academic year 2011-12 and still on payroll. Eligible members will also receive a 2 percent general salary increase in both academic years 2014-15 and 2015-16.

Finally, the unions representing State Police Troopers, Investigators and Commissioned/Non-Commissioned Officers continue to have unsettled contracts for the current contract period. The Updated Financial Plan does not include a General Fund reserve for this purpose.

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 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 results and projections of month-end balances for FY 2015.

ALL FUNDS MONTH-END CASH BALANCES			
FY 2015			
(millions of dollars)			
	General Fund	Other Funds	All Funds
April (Results)	5,533	2,043	7,576
May (Results)	4,548	2,566	7,114
June (Results)	5,131	2,608	7,739
July (Results)	6,998	2,851	9,849
August (Results)	6,889	2,779	9,668
September (Results)	8,053	1,162	9,215
October (Projected)	7,473	1,538	9,011
November (Projected)	5,889	1,854	7,743
December (Projected)	7,728	1,080	8,808
January (Projected)	9,637	2,576	12,213
February (Projected)	10,741	2,750	13,491
March (Projected)	6,839	1,875	8,714

PENSION AMORTIZATION

BACKGROUND

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.

In FY 2014, the State made a total pension payment to the New York State and Local Retirement System (NYSLRS) of \$1.62 billion and amortized \$814 million (the maximum amount legally allowable). 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 a total pension payment of \$269 million and amortized \$123 million (the maximum amount legally allowable). 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.

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.

For amounts amortized in FY 2011 through 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 and beyond, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB to be 3.15 percent per annum over ten years from the date of each deferred payment.

RATE COMPARISON -- AVERAGE NORMAL RATE & AMORTIZATION RATE

The 2010 legislation enacted a formula to set an amortization threshold 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.

Over the past five years, the normal contribution 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
FY 2015	19.7	13.5	27.5	21.5

*GLIP excluded from the average normal rates.

OUTYEAR PROJECTIONS

All projections are based on projected market returns and numerous actuarial assumptions, which if unrealized, could change these projections materially. Additionally, the next five-year experience study performed by the Retirement Systems' Actuary is scheduled to take place in 2015, which could also change these projections materially.

The FY 2016 pension contribution rates released by OSC on September 2, 2014 reflect an annual decline from 20.1 percent to 18.2 percent for ERS and from 27.6 percent to 24.7 percent for PFRS. However, the rates were higher than anticipated by DOB (14.2 percent for ERS and 20.8 percent for PFRS), which had based its projections on the prior year actuarial assumptions of the Retirement Systems' Actuary. The higher-than-anticipated FY 2016 contribution rates are primarily attributable to the use of MP-2014 actuarial assumptions, which compared to prior year actuarial assumptions, reflect longer life expectancies for pension beneficiaries and result in increased pension plan liabilities.

Based on the use of MP-2014 and the unknown findings of the next five-year experience study, the Updated Financial Plan continues to assume amortization in FY 2016 and the outyears, as depicted in the following table.

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 (Grade Rate)								
ERS (%)	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5
PFRS (%)	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5
STATEWIDE PENSION (NET COST)	1,470	1,697	1,601	2,086	2,136	2,261	2,449	2,643
Gross Pension Costs	1,633	2,141	2,192	2,744	2,475	2,245	2,311	2,383
Amortization Savings / Excess Contributions	(250)	(563)	(779)	(937)	(713)	(395)	(299)	(212)
Repayment of Amortization (incl. FY 2005 and FY 2006)	87	119	188	279	374	411	437	472

The next table reflects projected pension contributions and amortizations for the State and the Judiciary through 2028. The "Normal Costs" column shows the amount of the State's pension contribution prior to amortization. The "(Amortized) / Excess Contributions" column shows new amounts deferred offset, in some cases, by payments made ahead of schedule. 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 SYSTEM¹				
(millions of dollars)				
Fiscal Year	Normal Costs²	(Amortized)/Excess Contributions	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	2,344.0	(713.1)	305.8	1,936.7
2016	2,066.5	(395.1)	390.0	2,061.4
2017	2,112.3	(299.0)	436.7	2,250.0
2018	2,183.9	(212.4)	472.0	2,443.5
2019	2,298.1	(122.1)	497.1	2,673.1
2020	2,390.9	(33.0)	511.5	2,869.4
2021	2,462.3	0.0	515.4	2,977.7
2022	2,349.1	61.1	483.1	2,893.3
2023	2,349.2	0.0	351.6	2,700.8
2024	2,350.7	0.0	323.3	2,674.0
2025	2,350.4	0.0	209.6	2,560.0
2026	2,348.0	0.0	125.4	2,473.4
2027	2,343.3	0.0	78.7	2,422.0
2028	2,335.9	0.0	43.2	2,379.1
Source: NYS DOB.				
¹ Pension contribution values do <u>not</u> 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 the aforementioned 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 (starting in FY 2022) 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.

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 NYSHIP 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 Pay-As-You-Go (PAYGO) basis as required by law.

In accordance with the Governmental Accounting Standards Board (GASB) Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2014, the State's Annual Required Contribution (ARC) represents the projected annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are

accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for FY 2014, the projected unfunded actuarial accrued liability for FY 2014 is \$68.2 billion (\$54.3 billion for the State and \$13.9 billion for SUNY), an increase of \$1.7 billion from FY 2013 (attributable entirely to SUNY). The unfunded actuarial accrued liability for FY 2014 used an actuarial valuation of OPEB liabilities as of April 1, 2012. 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 2014 totaled \$3.0 billion (\$2.3 billion for the State and \$0.7 billion for SUNY), a decline of \$390 million from FY 2013 (\$322 million for the State and \$68 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 \$1.5 billion (\$1.0 billion for the State and \$0.5 billion for SUNY) greater than the cash payments for retiree costs made by the State in FY 2014. 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 2014 by \$1.5 billion.

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

There is no provision in the Updated Financial Plan to 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.

The State is currently examining proposed changes to GASB Statement 45 requirements. The proposed changes will alter the actuarial methods used to calculate OPEB liabilities, standardize asset smoothing and discount rates, and require the funded status of the OPEB liabilities to be reported by the State. As proposed, the GASB changes would be implemented in the State's FY 2018 financial statements.

FINANCIAL SETTLEMENTS

The State periodically receives proceeds from financial settlements that are primarily deposited to the General Fund. Based on receipts to date and other information, the Updated Financial Plan includes projections for an additional \$625 million in proceeds, bringing the annual financial settlement estimate to \$5.1 billion in FY 2015. This consists of \$3.6 billion from BNPP, \$715 million from Credit Suisse AG, \$300 million from Bank of America, \$300 million from Standard Chartered, \$50 million from MetLife Parties, \$25 million from PricewaterhouseCoopers, \$20 million from AXA Equitable and \$92 million from Citigroup (State share). The Updated Financial Plan assumes settlements in the upcoming fiscal years of approximately \$250 million in FY 2016, and \$100 million each for FY 2017 and FY 2018. There can be no assurance that settlement proceeds in upcoming fiscal years will be received by the State at the levels assumed in the Updated Financial Plan.

J.P. MORGAN SECURITIES LLC SETTLEMENT

Pursuant to a litigation settlement reached in November 2013 by J.P. Morgan Securities LLC, Bear Stearns and Washington Mutual, involving their packaging, marketing, sale, structuring, arrangements and issuance of mortgage-backed securities, J.P. Morgan agreed to an overall \$13 billion settlement package with the United States, other Federal entities, and several states, including New York. The package included a \$613 million settlement payment to the State and approximately \$400 million for consumer relief for New York homeowners.

Consistent with the legal stipulations and legislation adopted in the FY 2015 Enacted Budget, \$613 million was received and 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 FY 2015 Enacted Budget authorized 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 New York State Homes and Community Renewal (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 Updated Financial Plan. For more information, see the section entitled "Litigation and Arbitration" later in this AIS Update.

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. 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. It is anticipated that New York State, the Metropolitan Transportation Authority, and New York State localities may receive 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 statutory 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 and was fully phased in at 5 percent during FY 2014.

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

For FY 2014, the cumulative debt outstanding and debt service caps are 4.00 and 5.00 percent, respectively. As shown in the following tables, the actual levels of debt outstanding and debt service costs continue to remain below the statutory caps. From April 1, 2000 through March 31, 2014 the State issued new debt resulting in \$39.2 billion of debt outstanding applicable to the debt reform cap. This is approximately \$3.6 billion below the statutory debt outstanding limitation. In addition, the debt service costs on this new debt totaled \$3.8 billion in FY 2014, or approximately \$3.0 billion below the statutory debt service limitation.

DEBT OUTSTANDING CAP (millions of dollars)		
	Dollar	Percent
Personal Income (CY 2013) ¹	1,070,236	
Max. Allowable Debt Outstanding	42,809	4.00%
Debt Outstanding Subject to Cap	39,182	3.66%
Remaining Capacity	3,627	0.34%

¹ BEA

DEBT SERVICE CAP (millions of dollars)		
	Dollar	Percent
All Funds Receipts (FY 2014)	137,713	
Max. Allowable Debt Service	6,886	5.00%
Debt Service Subject to Cap	3,848	2.79%
Remaining Capacity	3,038	2.21%

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 \$3.6 billion in FY 2014 to \$438 million in FY 2017. This includes the estimated impact of the bond-financed portion of the 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	1,070,236	4.00%	42,809	39,182	3,627	3.66%	0.34%	13,277	52,460
FY 2015	1,116,132	4.00%	44,645	41,841	2,804	3.75%	0.25%	11,756	53,597
FY 2016	1,168,700	4.00%	46,748	46,109	639	3.95%	0.05%	10,276	56,385
FY 2017	1,231,318	4.00%	49,253	48,815	438	3.96%	0.04%	8,842	57,657
FY 2018	1,295,207	4.00%	51,808	50,643	1,165	3.91%	0.09%	7,351	57,995
FY 2019	1,359,808	4.00%	54,392	52,842	1,550	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	3,848	3,038	2.79%	2.21%	2,540	6,388
FY 2015	146,428	5.00%	7,321	4,062	3,260	2.77%	2.23%	1,555	5,617
FY 2016	145,869	5.00%	7,293	4,381	2,912	3.00%	2.00%	1,498	5,879
FY 2017	150,408	5.00%	7,520	4,900	2,620	3.26%	1.74%	1,753	6,653
FY 2018	153,864	5.00%	7,693	5,296	2,398	3.44%	1.56%	1,698	6,993
FY 2019	157,648	5.00%	7,882	5,654	2,228	3.59%	1.41%	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 four remaining hospitals in the program, one is experiencing significant operating losses that have impaired its ability to remain current on its loan agreement 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 \$24 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 one hospital that currently is not meeting the terms of its loan agreement with DASNY, a second hospital whose debt service obligation was recently discharged in bankruptcy, and 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 agreements 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 University Hospital at Brooklyn ("Downstate Hospital"). In 2012, DASNY issued tax exempt State PIT Revenue Bonds ("PIT Bonds"), to refund approximately \$120 million in outstanding debt originally incurred by LICH and assumed by Holdings.

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 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 Downstate Hospital in order to achieve financial milestones assumed in the sustainability plan, and supported by State financial assistance from DOH; and (b) monetizing the LICH asset value to support the costs associated with Downstate Hospital exiting LICH operations. Consistent with 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 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 seeking a qualified party to provide or arrange to provide healthcare services at LICH and to purchase the LICH property. The structure of the settlement also increased the likelihood that sufficient proceeds from the transaction would be available to support defeasance of the PIT Bonds by setting a minimum purchase price.

In accordance with the settlement, Holdings has entered into a purchase and sale agreement with FPG Cobble Hill Acquisitions, LLC, an affiliate of Fortis Property Group, LLC (also party to the agreement) which proposes to purchase the LICH property, and with NYU Hospitals Center who will provide both interim and long-term healthcare services. The agreement has been approved by the Office of Attorney General and the Office of the State Comptroller. The sale of all or substantially all the assets of Holdings is subject to additional approvals. There can be no assurance that the resolution of legal, financial, and regulatory issues surrounding LICH, including the payment of outstanding liabilities, will not have a materially adverse impact on SUNY.

FINANCIAL PLAN PROJECTIONS

FISCAL YEARS 2015 THROUGH 2018

INTRODUCTION

This section presents the State's updated multi-year Financial Plan and the projections for receipts and disbursements, reflecting the impact of the revisions to the Enacted Budget Financial Plan described in this AIS Update. This section includes FY 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 complicate the discussion of the State's receipts and disbursements projections. Therefore, to minimize the distortions caused by these factors and, equally important, to highlight relevant aspects of the projections, DOB has adopted the following approaches in summarizing the projections:

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The State Funds 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 (excluding transfers) 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 Update. Accordingly, in terms of out-year projections, the first outyear of the FY 2015 budget, FY 2016, is the most relevant from a planning perspective.

SUMMARY

The Updated Financial Plan reflects the limitation of annual growth in State Operating Funds spending to 1.8 percent, consistent with the expectation of adherence with a 2 percent spending benchmark. In addition, DOB estimates that the State will end FY 2015 with a sizeable General Fund cash-basis surplus due to a series of unbudgeted financial settlements reached with several banks and insurance companies during the first half of the year. The Governor is developing options for using the surplus prudently. DOB expects that a formal plan for use of the financial settlement moneys, consistent with adherence to the 2 percent spending benchmark, will be proposed by no later than the submission of the FY 2016 Executive Budget.

The surplus projections for FY 2016 and thereafter set forth in the Updated 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 (SOF) 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 Updated Financial Plan 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.

GENERAL FUND PROJECTIONS					
(millions of dollars)					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Results	Updated	Projected	Projected	Projected
RECEIPTS					
Taxes (After Debt Service)	57,758	57,995	61,565	64,680	67,486
Miscellaneous Receipts/Federal Grants	3,219	8,335	2,980	2,790	2,215
Other Transfers	891	1,445	813	771	744
Total Receipts	61,868	67,775	65,358	68,241	70,445
DISBURSEMENTS					
Local Assistance Grants	39,940	42,002	44,780	47,004	49,606
School Aid	17,238	18,456	19,900	20,977	22,155
Medicaid	11,487	11,616	12,423	13,032	13,753
All Other	11,215	11,930	12,457	12,995	13,698
State Operations	7,309	7,857	8,008	7,968	8,039
Personal Service	5,563	5,895	5,998	5,964	5,986
Non-Personal Service	1,746	1,962	2,010	2,004	2,053
General State Charges	4,899	5,076	5,286	5,733	6,139
Transfers to Other Funds	9,095	8,236	9,087	10,100	10,686
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	3,610	4,330	4,621	5,035
Total Disbursements	61,243	63,171	67,161	70,805	74,470
Adherence to 2% SOF Spending Benchmark ¹	n/a	n/a	2,057	3,647	5,469
Use (Reservation) of Fund Balance:	(625)	(4,604)	(11)	(12)	(11)
Rainy Day Reserve Fund	(175)	0	0	0	0
Community Projects Fund	6	87	0	0	0
Prior-Year Labor Agreements (2007-2011)	(11)	35	(11)	(12)	(11)
Debt Management	(387)	0	0	0	0
Undesignated Reserve	0	(4,784)	0	0	0
J.P. Morgan Settlement Proceeds	(58)	58	0	0	0
BUDGET SURPLUS/(GAP) PROJECTIONS	0	0	243	1,071	1,433
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 do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.					

STATE OPERATING FUNDS PROJECTIONS					
(millions of dollars)					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Results	Updated	Projected	Projected	Projected
RECEIPTS					
Taxes	68,335	68,816	72,825	76,435	79,622
Miscellaneous Receipts/Federal Grants	20,592	25,142	19,580	19,298	18,774
Total Receipts	88,927	93,958	92,405	95,733	98,396
DISBURSEMENTS					
Local Assistance Grants	59,402	61,178	64,138	66,346	69,239
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	3,555
Social Services	3,101	2,777	3,012	3,067	3,134
Transportation	4,719	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	750	776	722	756	776
State Operations	17,864	18,208	18,622	18,617	18,696
Personal Service	12,300	12,600	12,845	12,822	12,869
Non-Personal Service	5,564	5,608	5,777	5,795	5,827
General State Charges	6,958	7,210	7,477	7,970	8,410
Pension Contribution	2,086	2,136	2,261	2,449	2,643
Health Insurance (Active Employees)	1,790	1,850	1,963	2,081	2,208
Health Insurance (Retired Employees)	1,463	1,509	1,601	1,698	1,801
All Other	1,619	1,715	1,652	1,742	1,758
Debt Service	6,400	5,648	5,908	6,682	7,011
Capital Projects	7	0	1	3	3
Total Disbursements	90,631	92,244	96,146	99,618	103,359
Net Other Financing Sources/(Uses)	2,134	2,756	1,944	1,549	1,263
Adherence to 2% SOF Spending Benchmark ¹	n/a	n/a	2,057	3,647	5,469
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(430)	(4,470)	(17)	(240)	(336)
General Fund	(625)	(4,604)	(11)	(12)	(11)
Special Revenue Funds	50	134	25	(185)	(264)
Debt Service Funds	145	0	(31)	(43)	(61)
GENERAL FUND BUDGET SURPLUS/(GAP)	0	0	243	1,071	1,433
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 do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.					

ECONOMIC BACKDROP

THE U.S. ECONOMY

The U.S. Bureau of Economic Analysis (BEA) published its annual revision to real U.S. Gross Domestic Product (GDP) and its components at the end of July. It now appears that the national economy experienced slower growth in calendar years 2011 and 2012, but stronger growth in calendar year 2013. However, the harsh winter weather combined with the inventory overhang from the second half of last year resulted in a 2.1 percent contraction in the first quarter of calendar year 2014. The weak start to the year implies significantly weaker growth for 2014 than was reflected in the Enacted Budget forecast, despite a strong 4.6 percent rebound in the second quarter. As a result, DOB has revised its estimate of real U.S. GDP growth for 2014 from 2.5 percent to 2.2 percent.

The components that experienced the strongest growth in the second quarter also exhibited the largest declines during the first quarter, highlighting the depressing impact of the winter weather on growth. Real growth in residential investment swung from a decline of 5.3 percent in the first quarter to growth of 8.8 percent in the second, while real export growth moved from a decline of 9.2 percent to growth of 11.0 percent. Non-residential investment went from weak growth of 1.6 percent in the first quarter to much stronger growth of 9.7 percent in the second, while real growth in imports grew from 2.2 percent in the first quarter to 11.3 percent in the second. Finally, household spending growth more than doubled from 1.2 percent in the first quarter to 2.5 percent in the second. But even with real GDP growth well above 4 percent in the second quarter, average growth for the first half was only 1.2 percent, implying very little additional momentum heading into the second half of this year. DOB projects average growth of 3.0 percent for the second half of 2014.

Although the current outlook for the second half of the year implies solid domestic growth, the global outlook has deteriorated due to renewed weakness in Europe and Asia, augmented by geopolitical conflict. Those risks, together with the recent sharp real appreciation of the dollar, are likely to lead to weaker net exports and softer inflation over the near-term. The weaker global outlook and stronger dollar, combined with rising U.S. oil and gas production, is also contributing to declines in oil and gasoline prices, which are likely to reduce oil imports and support household spending. As a result, DOB projects household spending to rise from average growth of 2.4 percent for the second half of 2014 to about 3 percent for 2015. However, on balance, our overall outlook for 2015 and 2016 remains largely unchanged.

U.S. ECONOMIC INDICATORS			
(Percent change from prior calendar year)			
	2013	2014	2015
	(Actual)	(Forecast)	(Forecast)
Real U.S. Gross Domestic Product	2.2	2.2	2.9
Consumer Price Index (CPI)	1.5	1.8	2.0
Personal Income	2.0	4.3	5.0
Nonagricultural Employment	1.7	1.8	2.0
Source: Moody's Analytics; DOB staff estimates.			

Continued moderate labor market growth is also expected to support household spending going forward, but no significant acceleration in job gains is yet visible on the horizon. Indeed, private sector hiring stepped back from average monthly gains of 255,000 over the second quarter of this year, to 217,000 over the third. DOB's outlook for average monthly private job gains of approximately 220,000 for the rest of the year remains virtually unchanged from the Enacted Budget Forecast. The most recent data indicate that near-term job gains will be supported by improved growth in real private nonresidential investment. Average quarterly growth for the second half of this year has been revised up to 7.0 percent, with annual growth revised up to 6.2 percent for all of 2014. However, ongoing weakness and uncertainty in the global economy will likely constrain investment growth going forward. As a result, the outlook for 2015 is only marginally improved.

The housing market has rebounded after being hard hit by the extreme winter weather in 2013-2014. Housing starts exhibited monthly average growth of 4.7 percent over the three months ending in September 2014, improving from a 2.5 percent decline over the three months ending in March 2014 and another 1.1 percent decline over the three months ending in June 2014. However, the housing data continues to reflect the shift away from homeownership toward renting. Based on the first nine months of data, multi-family housing starts grew 21.7 percent, compared with only 2.8 percent growth in single-family starts. This shift appears to have affected the demand for home furnishings, which has lagged other categories of real durable goods and suggests that the housing market will provide less of a contribution to overall economic growth than in the past. Over the very near term, the recent decline in long-term Treasury rates could provide a temporary boost to the housing market. Real residential investment is now projected to grow a downwardly revised 2.8 percent for 2014, although average quarterly growth of about 10 percent is expected for the second half, aided by improving credit conditions and rising employment and incomes.

As expected, the Federal Reserve ended its quantitative easing program at the end of October 2014. Year-ago growth in both the headline and core CPI fell to 1.8 percent in the third quarter of 2014. Domestic oil prices have fallen to about \$80 per barrel and are expected to remain soft for the foreseeable future. Therefore, DOB estimates consumer price inflation of 1.8 percent for 2014 and 2.0 percent for 2015. But given solid improvement in the labor market and the expected boost to growth from lower energy prices, DOB still expects the Federal Reserve to begin raising its short-term interest rate target during the second quarter of 2015, with the caveat that rising concern over disinflation in the U.S. and abroad represents a risk that could affect the central bank's decision.

Despite an extremely weak start to the year, DOB's outlook continues to call for a strengthening labor market and quarterly economic growth not far below 3 percent for 2015. This outlook is virtually unchanged from the Enacted Budget forecast, but significant risks remain. In today's highly interdependent global economy, it is difficult to foresee domestic growth substantially accelerating without vigorous stimulus from both export and single-family home demand; yet neither is anticipated over the near-term. Global economic growth continues to stall as regional conflicts flare, while U.S. households continue to favor apartment rentals over homeownership. Slower than anticipated global growth could result in slower export growth, which could in turn result in weaker corporate profits and investment, and thus fewer jobs. Although energy prices are expected to remain low, a complex geopolitical situation could ignite renewed volatility, which, along with equity price volatility, represents a risk to household spending. In contrast, stronger global growth or lower than expected gasoline prices would result in stronger outcomes than projected. Finally, the response of global financial markets to the unwinding of central bank accommodation in the U.S. remains a risk, particularly given the lack of experience upon which to draw.

THE NEW YORK STATE ECONOMY

Preliminary data indicate that New York State employment for the first half of this year was stronger than previously thought. The State's private sector labor market has continued to perform well, exhibiting robust growth in utility, transportation and warehousing, and tourism-related leisure and hospitality services. Real estate and construction activity also remain strong. After losing jobs for six consecutive quarters from the third quarter of 2012 to the end of 2013, the finance and insurance sector finally started to gain jobs at the beginning of this year. However, preliminary data suggest that government employment fell more than previously thought during the first half of this year, and is expected to continue to contract through the second half as well. Thus, the combined impacts of stronger private employment growth, weaker government employment growth, and financial market volatility leave our outlook for State employment and wage growth virtually unchanged from the Enacted Budget forecast.

The U.S. Bureau of Economic Analysis ("BEA") recently revised state personal income data going back to 2001, making the growth rates for recent years non-comparable to earlier forecasts. Growth for the 2013-14 State fiscal year was revised down significantly, while upward revisions to prior year data resulted in higher levels for both the 2013-14 actual and the 2014-15 estimate. With the taxpayer response to changes in 2013 Federal tax law still distorting wage growth on a calendar year basis, we continue to report selected New York economic indicators on a State fiscal year basis.

NEW YORK STATE ECONOMIC INDICATORS (Percent change from prior State fiscal year)			
	FY 2014 (Actual)	FY 2015 (Forecast)	FY 2016 (Forecast)
Personal Income	2.1	4.0	4.8
Wages	4.2	4.6	4.7
Nonagricultural Employment	1.6	1.4	1.3
Source: Moody's Analytics; New York State Department of Labor; DOB staff estimates.			

The performance of the State's private sector labor market continues to surprise on the upside, but there are significant risks to the forecast. All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, both the volume of financial market activity and the volatility in equity markets pose a particularly large degree of uncertainty for New York. DOB continues to forecast single-digit growth in finance and insurance sector bonuses for the upcoming bonus season, but there are considerable upside and downside risks to that forecast. 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. Events over the past year have demonstrated how sensitive markets can be to shifting expectations surrounding Federal Reserve policy. As the central bank moves closer to its first rate hike, the resulting financial 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, both bonuses and taxable capital gains realizations could be negatively affected.

ALL FUNDS RECEIPTS PROJECTIONS

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 certain debt service on revenue bonds).

ALL FUNDS RECEIPTS (millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	Results	Updated	Change	Projected	Change	Projected	Change	Projected	Change
Personal Income Tax	42,961	43,735	1.8%	46,829	7.1%	50,023	6.8%	52,461	4.9%
Consumption/Use Taxes	15,099	15,312	1.4%	15,856	3.6%	16,302	2.8%	16,789	3.0%
Business Taxes	8,259	7,712	-6.6%	7,979	3.5%	7,910	-0.9%	8,081	2.2%
Other Taxes	2,167	2,153	-0.6%	2,178	1.2%	2,142	-1.7%	2,162	0.9%
Payroll Tax	1,204	1,266	5.1%	1,332	5.2%	1,403	5.3%	1,478	5.3%
Total State Taxes	69,690	70,178	0.7%	74,174	5.7%	77,780	4.9%	80,971	4.1%
Miscellaneous Receipts	24,233	30,462	25.7%	25,162	-17.4%	24,347	-3.2%	23,143	-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	137,712	146,429	6.3%	145,870	-0.4%	150,410	3.1%	153,864	2.3%

Total All Funds receipts in FY 2015 are estimated at \$146.4 billion, 6.3 percent above FY 2014 results. State tax receipts are expected to increase 0.7 percent in FY 2015. This modest increase is due to enacted tax cuts and the repayment of tax credits deferred in Tax Years 2010-2012. Miscellaneous receipts growth in FY 2015 is primarily due to newly identified one-time proceeds of approximately \$5.1 billion from financial settlements with banks and insurers, which includes \$3.6 billion from BNPP, \$715 million from Credit Suisse AG, \$300 million from Standard Chartered Bank, \$300 million from Bank of America, \$50 million from MetLife Parties, \$25 million from PricewaterhouseCoopers, \$20 million from AXA Equitable and \$92 million from Citigroup (State share). In addition to the financial settlements, the FY 2015 General Fund total includes a deposit of \$1 billion from the State Insurance Fund reserve release in connection with Workers' Compensation law changes included in the FY 2014 Enacted Budget, which is an increase of \$750 million from the amount of the reserve released in FY 2014. In other State funds, FY 2015 miscellaneous receipts are driven by year-to-year variations to

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.

Consistent with the projected growth in the New York economy over the multi-year Financial Plan period, the personal income and consumption/use tax categories are expected to grow, even though business taxes and other taxes are expected to decline in some or all years due to the tax cuts and repayment of credits deferred, as noted above.

After controlling for the impact of tax law changes, base tax revenue is projected to increase by 3.2 percent for FY 2015 and 5.1 percent for FY 2016.

PERSONAL INCOME TAX

PERSONAL INCOME TAX (millions of dollars)									
	FY 2014 Results	FY 2015 Updated	Annual % Change	FY 2016 Projected	Annual % Change	FY 2017 Projected	Annual % Change	FY 2018 Projected	Annual % 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	52,094	1.0%	55,926	7.4%	59,478	6.4%	61,990	4.2%
Refunds (Incl. State/City Offset)	(8,614)	(8,359)	3.0%	(9,097)	-8.8%	(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	52,094	1.0%	55,926	7.4%	59,478	6.4%	61,990	4.2%
Refunds (Incl. State/City Offset)	(8,614)	(8,359)	3.0%	(9,097)	-8.8%	(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.

All Funds income tax receipts for FY 2015 are projected to be \$43.7 billion, an increase of \$774 million (1.8 percent) from FY 2014 results. 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 (34.9 percent) due to a combination of reduced capital gains realizations relative to Tax Year 2012 and taxpayer behavior not influenced by impending Federal law changes. 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 \$705 million (7.5 percent) higher. Final return payments and delinquencies are projected to be \$229 million (9.6 percent) lower and \$71 million (6 percent) higher, respectively.

The decline in total refunds of \$255 million (3 percent) reflects a \$328 million (15.8 percent) decrease in current (Tax Year 2014) refunds, a \$560 million (10.4 percent) decrease in prior (Tax Year 2013) refunds, a \$35 million decrease in previous (Tax Year 2012 and earlier) refunds, and a \$117 million (19 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.

The following table summarizes, by component, actual receipts for FY 2014 and forecast amounts through FY 2018.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS					
ALL FUNDS					
(millions of dollars)					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Results	Updated	Projected	Projected	Projected
Receipts					
Withholding	33,368	35,149	37,410	39,491	40,905
Estimated Payments	14,637	13,533	14,895	16,119	17,058
<i>Current Year</i>	9,454	10,159	10,947	11,749	12,463
<i>Prior Year*</i>	5,183	3,374	3,948	4,370	4,595
Final Returns	2,395	2,166	2,328	2,530	2,636
<i>Current Year</i>	2,145	1,924	2,074	2,265	2,359
<i>Prior Year*</i>	250	242	254	265	277
Delinquent	1,175	1,246	1,293	1,338	1,391
Gross Receipts	51,575	52,094	55,926	59,478	61,990
Refunds					
Prior Year*	5,367	4,807	5,578	6,377	6,792
Previous Years	554	519	538	538	539
Current Year*	2,078	1,750	1,750	1,750	1,750
Advanced Credit Payment	0	785	783	342	0
State/City Offset*	615	498	448	448	448
Total Refunds	8,614	8,359	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.					

All Funds income tax receipts for FY 2016 of \$46.8 billion are projected to increase \$3.1 billion (7.1 percent) from the prior year. This primarily reflects increases of \$2.3 billion (6.4 percent) in withholding, \$788 million (7.8 percent) in estimated payments related to Tax Year 2015, and \$574 million (17 percent) in extension payments related to Tax Year 2014, partially offset by a \$738 million (8.8 percent) increase in total refunds. The growth in withholding is the result of projected wage growth of 4.7 percent. The strong growth in extension payments represents a rebound following a decline in FY 2015. The growth in total refunds is primarily attributable to growth in prior (Tax Year 2014) refunds, following a deflated FY 2015 base which would have been \$328 million higher absent the increase in the administrative cap on refunds between January and March 2014. Payments from final returns are expected to increase \$162 million (7.5 percent), while delinquencies are projected to increase \$47 million (3.8 percent) from the prior year.

General Fund income tax receipts for FY 2016 of \$31.6 billion are projected to increase by \$2.3 billion (7.7 percent). RBTF deposits are projected to be \$11.7 billion, and the STAR transfer is projected to be \$3.5 billion.

All Funds income tax receipts of \$50 billion in FY 2017 are projected to increase \$3.2 billion (6.8 percent) from the prior year. Gross receipts are projected to increase 6.4 percent and reflect withholding that is projected to grow by \$2.1 billion (5.6 percent) and estimated payments related to Tax Year 2016 that are projected to grow by \$802 million (7.3 percent). Payments from extensions for Tax Year 2015 are projected to increase by \$422 million (10.7 percent) and final returns are expected to increase \$202 million (8.7 percent). Delinquencies are projected to increase \$45 million (3.5 percent) from the prior year. Total refunds are projected to increase by \$358 million (3.9 percent) from the prior year.

General Fund income tax receipts for FY 2017 of \$33.9 billion are projected to increase by \$2.3 billion (7.3 percent).

All Funds income tax receipts are projected to increase by \$2.4 billion (4.9 percent) in FY 2018 to reach \$52.5 billion, while General Fund receipts are projected to be \$35.7 billion.

CONSUMPTION/USE TAXES

CONSUMPTION/USE TAXES (millions of dollars)									
	FY 2014	FY 2015	Annual %	FY 2016	Annual %	FY 2017	Annual %	FY 2018	Annual %
	Results	Updated	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	15,099	15,312	1.4%	15,856	3.6%	16,302	2.8%	16,789	3.0%
Sales Tax	12,588	12,915	2.6%	13,448	4.1%	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	6,626	1.0%	6,908	4.3%	7,132	3.2%	7,373	3.4%
Sales Tax	5,885	6,041	2.7%	6,277	3.9%	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.

All Funds consumption/use tax receipts for FY 2015 are estimated to be \$15.3 billion, a \$213 million (1.4 percent) increase from FY 2014 results. Sales tax receipts are expected to increase \$327 million (2.6 percent) from FY 2014, resulting from 4.1 percent base (i.e., absent law changes) growth partially offset by law changes enacted with the FY 2015 and previous fiscal year budgets. Cigarette and tobacco tax collections are estimated to decline \$154 million (10.6 percent), primarily reflecting greater than trend declines in cigarette consumption (particularly in NYC) and cigar tax refunds resulting from, in part, a non-binding Administrative Law Judge Determination (Matter of Davidoff of Geneva, Inc.). Motor fuel tax collections are expected to increase \$14 million (3 percent), reflecting a rebound from a FY 2014 decline caused by severe winter weather.

General Fund consumption/use tax receipts for FY 2015 are estimated to total over \$6.6 billion, an increase of \$65 million (1 percent) 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 consumption/use tax receipts for FY 2016 are projected to be \$15.9 billion, an increase of \$544 million (3.6 percent) from the prior year. The \$533 million (4.1 percent) increase in sales tax receipts reflects sales tax base growth of 4 percent due to strong projected disposable income growth.

Highway use tax receipts are expected to increase \$9 million (6.6 percent) as FY 2016 is a triennial renewal year.

General Fund consumption/use tax receipts are projected to total \$6.9 billion in FY 2016, a \$282 million (4.3 percent) increase from the prior year. 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 consumption/use tax receipts are projected to increase to \$16.3 billion (2.8 percent) in FY 2017 and \$16.8 billion (3 percent) in FY 2018, largely 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.

General Fund consumption/use tax receipts are projected to increase to \$7.1 billion (3.2 percent) in FY 2017 and \$7.4 billion (3.4 percent) in FY 2018, reflecting the All Funds trends noted above.

BUSINESS TAXES

BUSINESS TAXES (millions of dollars)									
	FY 2014 Results	FY 2015 Updated	Annual % Change	FY 2016 Projected	Annual % Change	FY 2017 Projected	Annual % Change	FY 2018 Projected	Annual % Change
STATE/ALL FUNDS	8,259	7,712	-6.6%	7,979	3.5%	7,910	-0.9%	8,081	2.2%
Corporate Franchise Tax	3,812	2,276	-40.3%	4,513	98.3%	4,237	-6.1%	4,422	4.4%
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	1,972	87.8%	(10)	-100.5%	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	5,491	-9.2%	5,728	4.3%	5,609	-2.1%	5,729	2.1%
Corporate Franchise Tax	3,245	1,803	-44.4%	3,750	108.0%	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	1,709	92.5%	(38)	-102.2%	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 \$547 million (6.6 percent) decrease from prior year results. The estimate reflects a decline resulting from the first year of the Tax Year 2010-2012 tax credit deferral payback to taxpayers (an incremental refund increase of \$273 million) and enacted tax reductions for manufacturers which are estimated to reduce All Funds receipts by \$223 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.

Corporate franchise tax receipts are estimated to decrease \$1.5 billion (40.3 percent) 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 \$657 million (56.7 percent) lower. Additionally, refunds excluding the credit deferral payback are estimated to increase \$228 million.

Corporation and utilities tax receipts are expected to decline \$8 million (1 percent) 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 a State exemption enacted in 1998. 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 of the Tax Law due to the Long Island Power Authority (LIPA) restructuring that was 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 \$90 million (6.2 percent) in FY 2015. Strength in premiums growth from authorized insurers as well as unauthorized (excess line brokers) insurers will be partially offset by the impact of the State's transition of the prescription drug, hospital and mental health portions of the Empire Plan to self-insurance on January 1, 2014. The medical portion of the Empire Plan was transitioned to self-insurance on January 1, 2013. This transition reduces insurance tax receipts since 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 \$922 million (87.8 percent) 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 \$676 million based on receipts to date.

Petroleum business tax (PBT) receipts are expected to decrease \$15 million (1.3 percent) 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, which was depressed by severe winter weather.

General Fund business tax receipts for FY 2015 of \$5.5 billion are estimated to decrease \$555 million (9.2 percent) 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 \$267 million (3.5 percent) from the prior year. 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 2015). Additionally, gross receipts are expected to grow 2.3 percent. PBT receipts are expected to decrease \$40 million (3.5 percent) in FY 2016, primarily due to the estimated 4 percent decrease in PBT tax rates effective January 1, 2015 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 \$237 million (4.3 percent), 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.

OTHER TAXES

OTHER TAXES (millions of dollars)									
	FY 2014	FY 2015		FY 2016		FY 2017		FY 2018	
	Results	Updated	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	2,167	2,153	-0.6%	2,178	1.2%	2,142	-1.7%	2,162	0.9%
Estate Tax	1,238	1,180	-4.7%	1,140	-3.4%	1,045	-8.3%	995	-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	0.0%	1	0.0%	1	0.0%
GENERAL FUND¹	1,256	1,198	-4.6%	1,158	-3.3%	1,063	-8.2%	1,013	-4.7%
Estate Tax	1,238	1,180	-4.7%	1,140	-3.4%	1,045	-8.3%	995	-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	0.0%	1	0.0%	1	0.0%

¹Excludes Transfers.

All Funds other tax receipts for FY 2015 are estimated to be nearly \$2.2 billion, a \$14 million (0.6 percent) decrease from FY 2014 results. This reflects a \$58 million (4.7 percent) decrease in estate tax receipts, partially offset by a \$44 million (4.8 percent) increase in real estate transfer tax receipts. The estate tax decrease is primarily the result of FY 2015 Enacted Budget legislation that raises the exemption level from \$1 million to \$5.25 million over a four-year period and an expected return (i.e., reduction) in FY 2015 to a number of super-large estate payments (payments of over \$25 million) consistent with long-term trends. The real estate transfer tax estimate reflects both an increase in the volume of transactions in NYC and modest price growth compared to the prior year.

General Fund other tax receipts are expected to be nearly \$1.2 billion in FY 2015, a \$58 million (4.6 percent) 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 \$25 million (1.2 percent) increase from FY 2015 projections. This reflects projected growth in the real estate transfer tax receipts due to projected 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 \$40 million (3.4 percent) 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 cut 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.

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS (millions of dollars)									
	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
ALL FUNDS	24,233	30,462	25.7%	25,162	-17.4%	24,347	-3.2%	23,143	-4.9%
General Fund	3,219	8,335	158.9%	2,980	-64.2%	2,790	-6.4%	2,215	-20.6%
Special Revenue Funds	16,776	16,459	-1.9%	16,279	-1.1%	16,216	-0.4%	16,272	0.3%
Capital Projects Funds	3,539	5,208	47.2%	5,470	5.0%	4,937	-9.7%	4,257	-13.8%
Debt Service Funds	699	460	-34.2%	433	-5.9%	404	-6.7%	399	-1.2%

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, tribal-state compact revenue, financial settlements and a variety of fees and licenses.

All Funds miscellaneous receipts are projected to total \$30.5 billion in FY 2015, an increase of 25.7 percent from prior year results. This increase is primarily due to newly identified one-time proceeds of approximately \$5.1 billion from financial settlements with banks and insurers, which includes \$3.6 billion from BNPP, \$715 million from Credit Suisse AG, \$300 million from Standard Chartered Bank, \$300 million from Bank of America, \$50 million from MetLife Parties, \$25 million from PricewaterhouseCoopers, \$20 million from AXA Equitable and \$92 million from Citigroup (State share). In addition to the financial settlements, the FY 2015 General Fund total includes a deposit of \$1 billion from the State Insurance Fund reserve release in connection with Workers' Compensation law changes included in the FY 2014 Enacted Budget, which is an increase of \$750 million from the amount received during the prior year. In other State funds, FY 2015 miscellaneous receipts are driven by year-to-year variations to 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 the State Insurance Fund (SIF), the loss of one-time settlement revenues, the phase-out of the temporary utility assessment, and bond proceeds available to fund capital improvement projects.

FEDERAL GRANTS (millions of dollars)									
	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 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	1.9%
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 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 \$63.2 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.

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 Updated	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 unaudited results.

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 such as bilingual education and education of homeless children. 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) BASIS

School Aid is expected to total \$22.2 billion in school year (SY) 2015, an increase of \$1.1 billion (5.3 percent) from 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 began 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)									
	SY 2014	SY 2015	Change	SY 2016	Change	SY 2017	Change	SY 2018	Change
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 FISCAL YEAR BASIS

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 Updated	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%
Commercial Gaming - VLT Offset	0	0	N/A	0	N/A	29	N/A	61	110.3%
Commercial 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.

OTHER EDUCATION AID

In addition to School Aid, the State provides funding and support for various other education-related initiatives. These include: special education services; programs administered by the Office of Pre-kindergarten through grade 12 education; 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 focus 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 of 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 Updated	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.

SCHOOL TAX RELIEF (STAR) 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 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 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.

HIGHER EDUCATION

Local assistance for higher education spending includes funding for the City University of New York (CUNY), the State University of New York (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 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 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 per student 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)³ 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).

³ 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.

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 Updated 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 Updated 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).

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS					
(millions of dollars)					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Results	Updated	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	4,955	5,232	5,193	5,602
Mental Hygiene	4,842	4,855	5,127	5,085	5,490
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	21,917	22,972	23,704	24,882
Annual \$ Change		549	1,055	732	1,178
Annual % Change		2.6%	4.8%	3.2%	5.0%
<p>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.</p> <p>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.</p>					

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 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 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	11,616	1.1%	12,423	6.9%	13,033	4.9%	13,753	5.5%
Department of Health	10,757	10,901	1.3%	11,708	7.4%	12,128	3.6%	13,065	7.7%
Mental Hygiene Stabilization Fund	730	445	-39.0%	267	-40.0%	267	0.0%	0	-100.0%
Financial Plan Relief	0	270	0.0%	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	5,116	7.6%	5,100	-0.3%	5,249	2.9%	5,298	0.9%
HCRA Financing ²	3,177	3,539	11.4%	3,523	-0.5%	3,672	4.2%	3,721	1.3%
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.

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 Medicaid Redesign Team (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 FY 2014 caseload of 5.5 million. This expected growth is mainly attributable to expanded eligibility and enrollment 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.

PUBLIC HEALTH/AGING PROGRAMS

Public Health includes the Child Health Plus (CHP) program that finances health insurance coverage for children of low-income families up to the age of 19, the General Public Health Work (GPHW) program that reimburses local health departments for the cost of providing certain public health services, the 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 Area Agencies on Aging (AAA) and local providers.

PUBLIC HEALTH AND AGING (millions of dollars)									
	FY 2014 Results	FY 2015 Updated	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%

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

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 New York City 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.

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 Updated Financial Plan, as enrollment is expected to be stable. Increased spending for HCRA programs starting 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.

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 Health Care Efficiency and Affordability Law for New Yorkers (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 FY 2015 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	FY 2015	FY 2016	FY 2017	FY 2018
	Results	Updated	Projected	Projected	Projected
OPENING BALANCE	18	9	0	0	0
TOTAL RECEIPTS	5,320	5,490	5,604	5,667	5,658
Surcharges	2,788	2,944	3,069	3,159	3,238
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	91	86	85	84
TOTAL DISBURSEMENTS	5,329	5,499	5,604	5,667	5,658
Medicaid Assistance Account	<u>3,177</u>	<u>3,509</u>	<u>3,523</u>	<u>3,672</u>	<u>3,721</u>
Medicaid Costs	2,333	3,001	3,326	3,475	3,524
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.

HCRA receipts are estimated to grow 1.6 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 \$170 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 the Roswell Park Cancer Institute (RPCI) to offset the expiration of other capital grant award funding.

The FY 2015 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.

MENTAL HYGIENE

The Department of Mental Hygiene is comprised of three independent agencies: the Office for People with Developmental Disabilities (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 Updated	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%	3,555	15.5%
People with Developmental Disabilities	1,364	1,463	7.3%	1,533	4.8%	1,463	-4.6%	1,810	23.7%
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%	127	4.1%
Mental Hygiene Stabilization Fund	(730)	(445)	39.0%	(267)	40.0%	(267)	0.0%	0	100.0%
Financial Plan Relief	0	(270)	-	(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.

Local assistance spending accounts for over 40 percent 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 MRT initiatives; cash management improvements; and the utilization of Federal resources associated with the ACA.

The FY 2015 Enacted Budget replaces the statutorily-indexed Cost of Living Adjustment (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 FY 2015 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 FY 2015 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.

Current spending estimates do not reflect any actions which may be needed to mitigate potentially adverse impacts to the Updated Financial Plan as a result of additional Federal Centers for Medicare and Medicaid Services (CMS) rate disallowances for services provided in State-operated developmental disability institutions. The State had requested reconsideration of the proposed CMS audit disallowance, noting among other things that CMS approved the State's original claiming methodology. On November 21, 2014, the State received notification from HHS that the State's request for reconsideration was denied. Following that notification, the State has 60 days to file a notice of appeal with the Departmental Appeals Board (DAB) with HHS. The State currently plans to pursue the DAB appeals process. There can be no assurance that the State will be successful in its appeal. (See "Other Matters Affecting the State Financial Plan - Federal Issues" herein).

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 Supplemental Security Income (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 Updated	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.

OFFICE OF CHILDREN AND FAMILY SERVICES

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.

CHILDREN AND FAMILY SERVICES (millions of dollars)									
	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 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%

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.

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, the 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 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	4,719	4,817	2.1%	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	673	679	0.9%	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	2	1	-50.0%	1	0.0%	1	0.0%	2	100.0%

Increased operating aid for FY 2015 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 FY 2015 Enacted Budget included legislative authorization to offset General Fund support for MTA-related debt service costs by transferring \$30 million in dedicated resources from the Metropolitan Mass Transportation Operating Assistance (MMTOA) account to the General Debt Service Fund. The Updated 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.

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 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 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 General State Charges (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 litigation. 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 Civil Service Employees Association (CSEA), which represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; Public Employees Federation (PEF), which represents professional and technical personnel (i.e., attorneys, nurses, accountants, engineers, social workers, and institution teachers); United University Professions (UUP), which represents faculty and non-teaching professional staff within the State University system; and New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), which represents security personnel (correction officers, safety and security officers).

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS					
	FY 2014	Forecast			
		FY 2015	FY 2016	FY 2017	FY 2018
	Results	Updated	Projected	Projected	Projected
Negotiated Base Salary Increases ¹					
CSEA/NYSCOPBA/Council 82/UUP/DC-37/GSEU	0%	2%	2%	TBD	TBD
PEF / NYSPBA	0%	2%	TBD	TBD	TBD
State Workforce ²	118,492	118,257	TBD	TBD	TBD
ERS Pension Contribution Rate ³					
Before Amortization (Normal/Admin/GLIP)	21.5%	20.4%	18.4%	18.6%	18.8%
After Amortization	12.5%	13.5%	14.5%	15.5%	16.5%
PFRS Pension Contribution Rate					
Before Amortization (Normal/Admin/GLIP)	29.9%	28.1%	25.0%	25.2%	25.4%
After Amortization	20.5%	21.5%	22.5%	23.5%	24.5%
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%	13.9%	14.4%	14.2%	14.2%

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, 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 insurance benefit exchange 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.

Other year-over-year 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, with weekly pay cycles that alternate between administrative and institutional payrolls. There are typically 26 pay periods in a fiscal year. In FY 2016, employees on the institutional pay schedule will have one additional payroll.

STATE OPERATING FUNDS - AGENCY OPERATIONS					
(millions of dollars)					
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Results	Updated	Projected	Projected	Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	9,741	9,933	10,228	10,086	10,057
Mental Hygiene	2,915	2,878	2,890	2,889	2,889
Corrections and Community Supervision	2,584	2,572	2,576	2,580	2,582
State Police	648	658	658	658	658
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	151	150	150	150
Workers' Compensation Board	148	142	142	142	142
27th Institutional Payroll	0	0	124	0	0
All Other	1,001	927	989	990	988
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	16,063	16,477	16,472	16,551
Judiciary	1,838	1,926	1,926	1,926	1,926
Legislature	208	219	219	219	219
Statewide Total	17,864	18,208	18,622	18,617	18,696
Personal Service	12,300	12,600	12,845	12,822	12,869
	-0.8%	2.4%	1.9%	-0.2%	0.4%
Non-Personal Service	5,564	5,608	5,777	5,795	5,827
	5.4%	0.8%	3.0%	0.3%	0.6%

In FY 2015, \$12.6 billion or 13.7 percent of the State Operating Funds Budget is projected to be spent on personal service costs and supports roughly 98,800 Full-Time Equivalents (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>7,141</u>	<u>98,216</u>
Mental Hygiene Agencies	2,271	33,995
Corrections and Community Supervision	2,090	27,855
State Police	564	5,526
Tax and Finance	275	4,368
Health	264	3,691
Environmental Conservation	176	2,246
Children and Family Services	158	2,582
Financial Services	147	1,370
Parks, Recreation and Historic Preservation	132	1,589
All Other	1,064	14,994
University Systems	<u>3,586</u>	<u>43,911</u>
State University	3,545	43,575
City University	41	336
Independent Agencies	<u>1,873</u>	<u>18,084</u>
Law	114	1,578
Audit & Control	110	1,582
Judiciary	1,483	14,922
Legislature ¹	166	2
Total Spending / FTEs	<u>12,600</u>	<u>160,211</u>
¹ The majority of legislative employees are non-annual salaried. Note: CUNY employees are funded primarily through an agency trust fund. This represents approximately an additional 13,275 FTEs.		

GENERAL STATE CHARGES

Employee 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 General State Charges ("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	Updated	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	6,958	7,210	3.6%	7,477	3.7%	7,970	6.6%	8,410	5.5%
Fringe Benefits	6,564	6,809	3.7%	7,079	4.0%	7,585	7.1%	8,017	5.7%
Health Insurance	<u>3,253</u>	<u>3,359</u>	<u>3.3%</u>	<u>3,564</u>	<u>6.1%</u>	<u>3,779</u>	<u>6.0%</u>	<u>4,009</u>	<u>6.1%</u>
Employee Health Insurance	1,790	1,850	3.4%	1,963	6.1%	2,081	6.0%	2,208	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%	2,261	5.9%	2,449	8.3%	2,643	7.9%
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%	339	-2.9%
Fixed Costs	394	401	1.8%	398	-0.7%	385	-3.3%	393	2.1%

The Updated Financial Plan includes revised annual State pension contribution costs beginning in FY 2016 to account for the implementation of new actuarial assumptions by the New York State and Local Retirement Systems' Actuary, most notably to begin using the new MP-2014 Mortality Improvement Scale and the expectation that a portion of future contributions will be amortized as permissible by law. In total, State pension contribution costs have been increased by \$770 million through FY 2018 since the FY 2015 Enacted Budget Financial Plan.

GSCs are projected to increase at an average annual rate of 4.9 percent over the Financial Plan period due mainly to projected growth in the employer share of costs for employee and retiree health insurance benefits, and the revised pension contribution costs. Fixed costs are projected to average approximately \$394 million annually over the multi-year plan.

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	FY 2015	FY 2016	FY 2017	FY 2018
	Results	Updated	Projected	Projected	Projected
TOTAL TRANSFERS TO OTHER FUNDS	9,095	8,236	9,087	10,100	10,686
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	3,610	4,330	4,621	5,035
Mental Hygiene	2,135	2,350	3,129	3,410	3,821
Department of Transportation (MTA Tax)	329	335	335	335	336
SUNY - Medicaid Reimbursement	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	199	213	214

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 Updated 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.

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 certain bonds issued by State public authorities (e.g., Empire State Development (ESD), DASNY, and the New York State 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	FY 2015	Annual	Percent
	Results	Updated	Change	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, subject to appropriation, for the State's revenue bonds, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds. Debt service spending estimates are unchanged from the AIS, wherein it is noted that FY 2015 spending estimates assume the prepayment of \$350 million of debt service that is due during FY 2016.

GAAP-BASIS RESULTS FOR PRIOR FISCAL YEARS

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

The following table summarizes recent governmental funds results on a GAAP basis. The State issued the Basic Financial Statements for FY 2014 on 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, 2014	172	806	369	(146)	1,201	(567)
March 31, 2013	1,129	(308)	(186)	(499)	136	(739)
March 31, 2012	137	56	80	346	619	(1,868)

SUMMARY OF NET POSITION			
(millions of dollars)			
Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2014	27,838	(841)	26,997
March 31, 2013	26,271	(922)	25,349
March 31, 2012	26,333	(658)	25,675

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

STATE RETIREMENT SYSTEMS

GENERAL

This section summarizes key information regarding the New York State and Local Retirement System (“NYSLRS” or the “Systems”) and the Common Retirement Fund (“CRF”), a pooled investment vehicle in which the assets of the Systems are held and invested. Greater detail, including the independent auditor’s report for the fiscal year ending March 31, 2014, is included in NYSLRS’ Comprehensive Annual Financial Report (“NYSLRS’ CAFR”) for the fiscal year ended March 31, 2014. 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 2014, as well as NYSLRS’ CAFR and Asset Listing for 2014 and for each fiscal year since 2004, 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, 2014, and the three prior fiscal years, can also be accessed at that web page.

The State Comptroller is the administrative head of NYSLRS, which has the powers and privileges of a corporation and comprises the New York State and Local Employees’ Retirement System (“ERS”) and the New York State and Local Police and Fire Retirement System (“PFRS”). The State Comptroller promulgates rules and regulations for the administration and transaction of the business of the Systems. Pursuant to the State’s Retirement and Social Security Law and Insurance Law, NYSLRS is subject to the supervision of the Superintendent of the New York State Department of Financial Services. The State Comptroller is also the trustee and custodian of the CRF, a trust created pursuant to the Retirement and Social Security Law 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 who joined on or after January 1, 2010 and PFRS members who joined 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 who joined 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 Early Retirement Incentive Program (ERI) for certain ERS members for periods ending no later than December 31, 2010. This program did not apply to PFRS members. Approximately 6,400 State employees and 5,453 members from 610 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 percent⁴. 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, but decreased for FY 2015 and FY 2016 due to recent investment gains. 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 2016 were released on September 2, 2014. The average ERS rate decreased by 9.5 percent from 20.1 percent of salary in FY 2015 to 18.2 percent of salary in FY 2016, while the average PFRS rate decreased by 10.5 percent from 27.6 percent of salary in FY 2015 to 24.7 percent of salary in FY 2016. Information regarding average rates for FY 2016 may be found in the 2014 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 \$85.7 million and from participating employers is \$27.5 million. The State paid approximately \$1.934 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 and two prepayments of the March 1, 2015 State bill. In FY 2014, the State paid off the Judiciary's 2005 amortization liability.

⁴ During 2015, the Retirement Systems Actuary will conduct the statutorily required quinquennial actuarial experience study of economic and demographic assumptions. The assumed investment rate of return is the most influential factor in calculating employer contribution rates. The chief investment officer currently is conducting an asset allocation study. The resulting asset allocation and long term asset allocation policy will inform the Actuary's recommendation regarding any revision in the investment rate of return (discount rate).

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, FY 2014 and FY 2015, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, and 3.15 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 \$225.16 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 have been available for amortization under the 2010 legislation. In addition, the maximum payment period was 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 \$251.18 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 to participate in 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 and 3.50 percent for FY 2015). 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 State (including Judiciary) made \$1.987 billion in payments towards the FY 2015 bill. These prepayments credited with \$79.6 million in interest yield a total value of \$2.067 billion on March 1, 2015. If the State (including Judiciary) opts to amortize the maximum amount permitted, the total amount due on March 1, 2015 is \$0. 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, 2014 was \$181.3 billion (including \$5.3 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 \$17.1 billion or 10.4 percent from the FY 2013 level of \$164.2 billion. The increase in net position restricted for pension benefits from FY 2013 to FY 2014 reflects, in large part, equity market performance. The valuation used by the Systems Actuary was based on audited net position restricted for pension benefits as of March 31, 2014. The audited Financial Statement reports a gain of 13.02 percent for FY 2014.

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 process⁵.

The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from \$204.5 billion on April 1, 2013 to \$216.4 billion (including \$101.5 billion for current retirees and beneficiaries) on April 1, 2014. 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, 2014 in that the determination of actuarial assets utilized a smoothing method which recognized 20 percent of the unexpected gain for FY 2014, 40 percent of the unexpected gain for FY 2013, 60 percent of the unexpected loss for FY 2012, and 80 percent of the unexpected gain for FY 2011⁶. The asset valuation method smoothes gains and losses based on the market value of all investments. Actuarial assets increased from \$155.4 billion on April 1, 2013 to

⁵ More detail on the CRF's asset allocation as of March 31, 2014, long-term policy allocation and transition target allocation can be found on page 80 of the NYSLRS' CAFR for the fiscal year ending March 31, 2014.

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

\$171.7 billion on April 1, 2014. The funded ratio, as of April 1, 2014, calculated by the Systems Actuary in August 2014 using the entry age normal funding method and actuarial assets, was 92 percent⁷.

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 Retirement Systems — Contributions and Funding" above.

⁷ Detail on the funded ratios of ERS and PFRS as of April 1 for FY 2014 and for each of the five previous fiscal years can be found on page 58 of the NYSLRS' CAFR for the fiscal year ending March 31, 2014. Detail regarding employers' Annual Required Contribution for FY 2014 and each of the five previous fiscal years can be found on page 59 of the NYSLRS' CAFR for the fiscal year ending March 31, 2014.

CONTRIBUTIONS AND BENEFITS NEW YORK STATE AND LOCAL RETIREMENT SYSTEMS ⁽¹⁾ (millions of dollars)					
Fiscal Year Ended	Contributions Recorded				Total Benefits Paid ⁽³⁾
	All Participating Employers ⁽¹⁾⁽²⁾	Local Employers ⁽¹⁾⁽²⁾	State ⁽¹⁾⁽²⁾	Employees	
March 31					
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
2014	6,064	3,691	2,373	281	9,978

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 59 of the NYSLRS CAFR for fiscal year ending March 31, 2014.

⁽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		
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
2014	181,275	10.4

Sources: State and Local Retirement Systems.

⁽¹⁾ Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2014 includes approximately \$5.3 billion of receivables.

AUTHORITIES AND LOCALITIES

PUBLIC AUTHORITIES

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

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

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

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As of December 31, 2013 (with respect to Job Development Authority or “JDA” as of March 31, 2014), 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 Bonding	Authority and Conduit Bonding	Total
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⁾	12	7,111	7,123
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	53,211	122,086	175,297

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, 2014. This includes \$7 billion in conduit debt issued by JDA's blended component units consisting of \$6.6 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 \$12 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 AND RELATED ENTITIES ⁽¹⁾								
AS OF JUNE 30 OF EACH YEAR								
(millions of dollars)								
Year	General Obligation Bonds	Obligations of TFA ⁽¹⁾	Obligations of STAR Corp. ⁽²⁾	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other ⁽³⁾ Obligations	Treasury Obligations	Total
2005	33,903	12,977	2,552	1,283	0	3,745	(39)	54,421
2006	35,844	12,233	2,470	1,334	0	3,500	0	55,381
2007	34,506	14,607	2,368	1,317	2,100	3,394	0	58,292
2008	36,100	14,828	2,339	1,297	2,067	2,556	0	59,187
2009	39,991	16,913	2,253	1,274	2,033	2,442	0	64,906
2010	41,555	20,094	2,178	1,265	2,000	2,444	0	69,536
2011	41,785	23,820	2,117	1,260	2,000	2,590	0	73,572
2012	42,286	26,268	2,054	1,253	3,000	2,493	0	77,354
2013	41,592	29,202	1,985	1,245	3,000	2,394	0	79,418
2014	41,665	31,038	1,975	1,228	3,000	2,334	0	81,240

Source: Office of the State Comptroller, The City of New York Comprehensive Annual Financial Report.

⁽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, the Industrial Development Agency and, beginning in 2010, the New York City Tax Lien Collateralized Bonds. Also included are bonds issued by the Dormitory Authority of the State of New York for education, health, and court capital projects and other long-term leases which will be repaid from revenues of the City or revenues that would otherwise be available to the City if not needed for debt service.

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

OTHER LOCALITIES

Certain localities other than New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. Between 2004 and June 2014, the State Legislature passed 25 special acts authorizing, or amending authorizations for, bond issuances to finance local government operating deficits, most recently for Rockland County, the Cities of Long Beach, Yonkers and Lockport. 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 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. During 2014, NIFA has 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 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. In July 2014, the City of Yonkers filed suit challenging the constitutionality of the provisions of the Yonkers City School District Deficit Financing Act that require the City Council to adjust the City's budget consistent with recommendations made by the State Commissioner of Education and State Comptroller, contending that the legislation was enacted without a Home Rule request from the City in violation of Article IX of the State Constitution.

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 is currently reviewing or has completed reviews for seven 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.

OSC implemented its Fiscal Stress Monitoring System (the "Monitoring System") in 2013. The Monitoring System utilizes a number of fiscal and environmental indicators with the goal of providing an early warning to local communities about stress conditions in New York's local governments and school districts. 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".

A total of 50 local governments (10 counties, 7 cities, 17 towns, 16 villages) and 87 school districts have been placed in a stress category based on financial data for their fiscal years ending in 2013. The vast majority of entities (98 percent) are classified in the "No Designation" category.

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 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 2013.

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	Notes	Bonds⁽⁴⁾	Notes⁽⁴⁾	Bonds⁽³⁾⁽⁴⁾	Notes⁽⁴⁾
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,082	4,005	58,326	4,520
2003	47,376	1,110	23,951	6,429	71,327	7,539
2004	50,265	0	26,684	4,979	76,949	4,979
2005	54,421	0	29,245	4,832	83,666	4,832
2006	55,381	0	30,753	4,755	86,134	4,755
2007	58,192	100	32,271	4,567	90,463	4,667
2008	59,120	67	33,569	5,474	92,689	5,541
2009	64,873	33	34,522	6,908	99,395	6,941
2010	69,536	0	36,103	7,361	105,639	7,361
2011	73,572	0	36,230	7,312	109,802	7,312
2012	77,354	0	36,663	7,178	114,017	7,178
2013	79,418	0	36,267	7,344	115,685	7,344

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, STAR Corporation, TSASC, Inc., the Hudson Yards Infrastructure Corporation, and Treasury obligations (as shown in the table "Debt of New York City and Related Entities" 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 Municipal Assistance Corporation, the Samurai Funding Corporation, the New York City Educational Construction Fund, 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 and, beginning in 2010, the New York City Tax Lien Collateralized Bonds.

⁽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⁾ Amounts reflect those set forth on Annual Update Documents provided to OSC by New York State localities. Does not include the indebtedness of certain localities that did not file Annual Update Documents (financial reports) with the State Comptroller.

LITIGATION AND ARBITRATION

REAL PROPERTY CLAIMS

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

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

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

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

On May 16, 2013, the State, Madison and Oneida Counties, and the Oneida Indian Nation signed a settlement agreement covering many issues. As pertinent here, the agreement would place a cap on the amount of land the tribe could reacquire and have taken into trust for its benefit by the United States. The agreement has been approved by the State Legislature, 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 answered and moved for summary judgment which was granted in a Decision/Order/Judgment on June 27, 2014 dismissing all claims in the complaint and denying plaintiffs' cross-motion to amend. Plaintiffs filed a Notice of Appeal.

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 dispute whether they were properly served and the tribes appear to have invoked immunity from suit such that none of those parties answered the amended complaint by June 16, 2014 as directed by the court.

In *Canadian St. Regis Band of Mohawk Indians, et al. v. State of New York, et al.* (“NDNY”), plaintiffs seek ejectment and monetary damages for their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. The defendants’ motion for judgment on the pleadings, relying on the decisions in *Sherrill*, *Cayuga*, and *Oneida* was granted in great part through decisions on July 8, 2013 and July 23, 2013, holding that all claims are dismissed except for claims over the area known as the Hogansburg Triangle and a right of way claim against Niagara Mohawk 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 December 12, 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, and on October 31, 2014, plaintiff also withdrew its motion to amend the complaint. The *Shinnecock* appeal to the Second Circuit remains stayed, but will likely soon be reinstated.

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 § 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education (“SBE”). In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State’s motion to dismiss the action. On January 13, 2011, the Appellate Division, Third Department, affirmed the denial of the motion to dismiss. On May 6, 2011, the Third Department granted defendants leave to appeal to the Court of Appeals. On June 26, 2012, the Court of Appeals affirmed the denial of the State’s motion to dismiss.

Depositions have been completed. The discovery deadline was May 3, 2013. The note of issue was filed on May 13, 2013. A pretrial conference is scheduled for December 23, 2014. The trial is scheduled for January 21, 2015.

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.

By decision dated August 12, 2014, Supreme Court, New York County, granted a motion to consolidate *Aristy-Farer*, discussed in the preceding paragraph, with *New Yorkers for Student Educational Rights v. New York*, discussed below.

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 to add a challenge to newly enacted Education Law § 2023-b (“Tax Freeze law”). Upon Judge Devine's appointment to the Appellate Division, the case was reassigned to Acting Supreme Court Justice Richard Platkin who shortly thereafter recused himself at the request of the plaintiff. Justice Patrick McGrath was then assigned and has pending before him the defendants' motion to dismiss the First Amended Complaint and plaintiffs' motion to file and serve a Second Amended Complaint, which motion was opposed by the defendants. On September 23, 2014, Supreme Court Justice McGrath issued a Decision and Order which (1) granted defendants' motion to dismiss the First Amended Complaint which challenged the constitutionality of Education Law § 2023-a (“Tax Cap law”); and (2) granted the plaintiffs' leave to serve a Second Amended Complaint to add a challenge to Education Law § 2023-b (“Tax Freeze law”). The defendants' response to the Second Amended Complaint is due December 1, 2014. Another motion to dismiss is contemplated.

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. On June 24, 2014, plaintiffs moved for a preliminary injunction seeking to restrain defendants from enforcing three of the four statutory provisions challenged in the underlying action. Specifically, plaintiffs seek to enjoin defendants from enforcing: (1) the gap elimination adjustment set forth in N.Y. Education Law § 3602(17); (2) the cap on state aid increases set forth in N.Y. Education Law § 3602(1)(dd); and (3) the requirements regarding increases in local property tax levies set forth in N.Y. Education Law §§ 3602(1)(dd) & 18. On July 8, 2014, defendants moved by Order to Show Cause to change the venue of the preliminary injunction application, as well as the entire action, to Albany County, pursuant to CPLR 6311(1). By Decision and Order dated August 8, 2014, the Court granted defendants' motion to transfer the preliminary injunction application to Albany County, but denied that part of the motion which sought to transfer the entire action.

By letter dated October 27, 2014, plaintiffs withdrew their motion for a preliminary injunction. By order dated November 17, 2014, Supreme Court, New York County, denied defendants' motion to dismiss. By separate order dated November 17, 2014, Supreme Court, New York County also granted the motion of the City of Yonkers to intervene as a plaintiff in the proceeding. Defendants' deadline for filing an answer to the petition is November 28, 2014.

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. The State has filed both a notice of appeal and a motion to renew or reargue that motion. 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 granted and the State has filed a notice of appeal.

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. The plaintiffs/intervenor-plaintiffs have served a third amended complaint, which adds a challenge to the 2012-13 assessments, and have supplemented summary judgment papers to address this claim.

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. The court in Maryland denied the state's motion to vacate or modify the Partial Award. Courts in the remaining states challenging the Partial Award have not yet ruled.

The PMs have indicated their intent to bring a nationwide NPM Adjustment Arbitration for sales year 2004 against New York and the other states that rejected the term sheet.

FINANCIAL PLAN TABLES

The cash financial plan tables listed below appear on the following pages and summarize actual General Fund receipts and disbursements for fiscal year 2014 and projected receipts and disbursements for fiscal years 2015 through 2018 on a General Fund, State Operating Funds and All Governmental Funds basis. The Updated Financial Plan projections for FY 2016 and thereafter, set forth in this AIS Update, 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 spending from State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Updated Financial Plan tables as "Adherence to 2% State Operating Funds Spending Benchmark". Total disbursements in Updated 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.

GENERAL FUND - TOTAL BUDGET

Financial Plan, Annual Change from FY 2014 to FY 2015
Financial Plan Projections FY 2015 through FY 2018
Update to FY 2015
Update to FY 2016
Update to FY 2017
Update to FY 2018

GENERAL FUND - RECEIPTS DETAIL (EXCLUDING TRANSFERS)

Financial Plan Projections FY 2015 through FY 2018

STATE OPERATING FUNDS BUDGET

FY 2015
FY 2016
FY 2017
FY 2018

ALL GOVERNMENTAL FUNDS - TOTAL BUDGET

FY 2015
FY 2016
FY 2017
FY 2018

CASHFLOW - FY 2015 MONTHLY PROJECTIONS

General Fund

CASH FINANCIAL PLAN				
GENERAL FUND				
ANNUAL CHANGE				
(millions of dollars)				
	FY 2014	FY 2015	Annual	Annual
	Results	Projected	\$ Change	% Change
Opening Fund Balance	1,610	2,235	625	38.8%
Receipts:				
Taxes:				
Personal Income Tax	28,864	29,372	508	1.8%
Consumption/Use Taxes	6,561	6,626	65	1.0%
Business Taxes	6,046	5,491	(555)	-9.2%
Other Taxes	1,256	1,198	(58)	-4.6%
Miscellaneous Receipts	3,219	8,335	5,116	158.9%
Federal Receipts	0	0	0	0.0%
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	2,615	47	1.8%
Sales Tax in Excess of Revenue Bond Debt Service	2,936	2,894	(42)	-1.4%
Real Estate Taxes in Excess of CW/CA Debt Service	705	761	56	7.9%
All Other	891	1,445	554	62.2%
Total Receipts	61,868	67,775	5,907	9.5%
Disbursements:				
Local Assistance Grants	39,940	42,002	2,062	5.2%
Departmental Operations:				
Personal Service	5,563	5,895	332	6.0%
Non-Personal Service	1,746	1,962	216	12.4%
General State Charges	4,899	5,076	177	3.6%
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	3,610	470	15.0%
Total Disbursements	61,243	63,171	1,928	3.1%
Excess (Deficiency) of Receipts Over Disbursements	625	4,604	3,979	636.6%
Closing Fund Balance	2,235	6,839	4,604	206.0%
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)	88	53	(35)	
Debt Management	500	500	0	
Undesignated Reserve	0	4,784	4,784	
J.P. Morgan Settlement Proceeds	58	0	(58)	

Source: NYS DOB.

CASH FINANCIAL PLAN				
GENERAL FUND				
FY 2015 through FY 2018				
(millions of dollars)				
	FY 2015	FY 2016	FY 2017	FY 2018
	Projected	Projected	Projected	Projected
Receipts:				
Taxes:				
Personal Income Tax	29,372	31,643	33,943	35,730
Consumption/Use Taxes	6,626	6,908	7,132	7,373
Business Taxes	5,491	5,728	5,609	5,729
Other Taxes	1,198	1,158	1,063	1,013
Miscellaneous Receipts	8,335	2,980	2,790	2,215
Federal Receipts	0	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	9,038	9,636	10,235	10,664
Sales Tax in Excess of LGAC	2,615	2,743	2,880	3,087
Sales Tax in Excess of Revenue Bond Debt Service	2,894	2,923	2,933	2,932
Real Estate Taxes in Excess of CW/CA Debt Service	761	826	885	958
All Other	1,445	813	771	744
Total Receipts	67,775	65,358	68,241	70,445
Disbursements:				
Local Assistance Grants	42,002	44,780	47,004	49,606
Departmental Operations:				
Personal Service	5,895	5,998	5,964	5,986
Non-Personal Service	1,962	2,010	2,004	2,053
General State Charges	5,076	5,286	5,733	6,139
Transfers to Other Funds:				
Debt Service	1,081	1,058	1,457	1,509
Capital Projects	930	1,406	1,761	2,006
State Share of Mental Hygiene Medicaid	1,638	1,313	1,281	1,156
SUNY Operations	977	980	980	980
Other Purposes	3,610	4,330	4,621	5,035
Total Disbursements	63,171	67,161	70,805	74,470
Use (Reservation) of Fund Balance:				
Community Projects Fund	87	0	0	0
Prior-Year Labor Agreements (2007-2011)	35	(11)	(12)	(11)
Undesignated Reserve	(4,784)	0	0	0
J.P. Morgan Settlement Proceeds	58	0	0	0
Total Use (Reservation) of Fund Balance	(4,604)	(11)	(12)	(11)
Adherence to 2% State Operating Funds Spending Benchmark*		2,057	3,647	5,469
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	0	243	1,071	1,433

* 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.

CASH FINANCIAL PLAN					
GENERAL FUND					
FY 2015					
(millions of dollars)					
	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Receipts:					
Taxes:					
Personal Income Tax	29,372	0	29,372	0	29,372
Consumption/Use Taxes	6,652	(26)	6,626	0	6,626
Business Taxes	5,438	53	5,491	0	5,491
Other Taxes	1,197	1	1,198	0	1,198
Miscellaneous Receipts	3,815	3,895	7,710	625	8,335
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	9,038	0	9,038	0	9,038
Sales Tax in Excess of LGAC	2,628	(13)	2,615	0	2,615
Sales Tax in Excess of Revenue Bond Debt Service	2,908	(14)	2,894	0	2,894
Real Estate Taxes in Excess of CW/CA Debt Service	761	0	761	0	761
All Other	1,153	292	1,445	0	1,445
Total Receipts	<u>62,962</u>	<u>4,188</u>	<u>67,150</u>	<u>625</u>	<u>67,775</u>
Disbursements:					
Local Assistance Grants	42,118	(116)	42,002	0	42,002
Departmental Operations:					
Personal Service	5,890	5	5,895	0	5,895
Non-Personal Service	1,960	2	1,962	0	1,962
General State Charges	5,072	4	5,076	0	5,076
Transfers to Other Funds:					
Debt Service	1,081	0	1,081	0	1,081
Capital Projects	930	0	930	0	930
State Share of Mental Hygiene Medicaid	1,638	0	1,638	0	1,638
SUNY Operations	977	0	977	0	977
Other Purposes	3,476	134	3,610	0	3,610
Total Disbursements	<u>63,142</u>	<u>29</u>	<u>63,171</u>	<u>0</u>	<u>63,171</u>
Use (Reservation) of Fund Balance:					
Community Projects Fund	87	0	87	0	87
Prior-Year Labor Agreements (2007-2011)	(8)	43	35	0	35
Undesignated Reserve	43	(4,202)	(4,159)	(625)	(4,784)
J.P. Morgan Settlement Proceeds	58	0	58	0	58
Total Use (Reservation) of Fund Balance	<u>180</u>	<u>(4,159)</u>	<u>(3,979)</u>	<u>(625)</u>	<u>(4,604)</u>
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements					
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Source: NYS DOB.					

CASH FINANCIAL PLAN					
GENERAL FUND					
FY 2016					
(millions of dollars)					
	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Receipts:					
Taxes:					
Personal Income Tax	31,643	0	31,643	0	31,643
Consumption/Use Taxes	6,908	0	6,908	0	6,908
Business Taxes	5,728	0	5,728	0	5,728
Other Taxes	1,157	1	1,158	0	1,158
Miscellaneous Receipts	2,980	0	2,980	0	2,980
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	9,636	0	9,636	0	9,636
Sales Tax in Excess of LGAC	2,743	0	2,743	0	2,743
Sales Tax in Excess of Revenue Bond Debt Service	2,923	0	2,923	0	2,923
Real Estate Taxes in Excess of CW/CA Debt Service	826	0	826	0	826
All Other	819	(6)	813	0	813
Total Receipts	<u>65,363</u>	<u>(5)</u>	<u>65,358</u>	<u>0</u>	<u>65,358</u>
Disbursements:					
Local Assistance Grants	44,827	(47)	44,780	0	44,780
Departmental Operations:					
Personal Service	5,986	12	5,998	0	5,998
Non-Personal Service	2,010	0	2,010	0	2,010
General State Charges	5,322	4	5,326	(40)	5,286
Transfers to Other Funds:					
Debt Service	1,058	0	1,058	0	1,058
Capital Projects	1,406	0	1,406	0	1,406
State Share of Mental Hygiene Medicaid	1,313	0	1,313	0	1,313
SUNY Operations	980	0	980	0	980
Other Purposes	4,241	89	4,330	0	4,330
Total Disbursements	<u>67,143</u>	<u>58</u>	<u>67,201</u>	<u>(40)</u>	<u>67,161</u>
Use (Reservation) of Fund Balance:					
Prior-Year Labor Agreements (2007-2011)	(11)	0	(11)	0	(11)
Total Use (Reservation) of Fund Balance	<u>(11)</u>	<u>0</u>	<u>(11)</u>	<u>0</u>	<u>(11)</u>
Adherence to 2% State Operating Funds Spending Benchmark*	2,094	3	2,097	(40)	2,057
Net General Fund Surplus (Deficit)	<u>303</u>	<u>(60)</u>	<u>243</u>	<u>0</u>	<u>243</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.					

CASH FINANCIAL PLAN					
GENERAL FUND					
FY 2017					
(millions of dollars)					
	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Receipts:					
Taxes:					
Personal Income Tax	33,943	0	33,943	0	33,943
Consumption/Use Taxes	7,132	0	7,132	0	7,132
Business Taxes	5,609	0	5,609	0	5,609
Other Taxes	1,062	1	1,063	0	1,063
Miscellaneous Receipts	2,790	0	2,790	0	2,790
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,235	0	10,235	0	10,235
Sales Tax in Excess of LGAC	2,880	0	2,880	0	2,880
Sales Tax in Excess of Revenue Bond Debt Service	2,933	0	2,933	0	2,933
Real Estate Taxes in Excess of CW/CA Debt Service	885	0	885	0	885
All Other	777	(6)	771	0	771
Total Receipts	<u>68,246</u>	<u>(5)</u>	<u>68,241</u>	<u>0</u>	<u>68,241</u>
Disbursements:					
Local Assistance Grants	47,077	(73)	47,004	0	47,004
Departmental Operations:					
Personal Service	5,952	12	5,964	0	5,964
Non-Personal Service	2,004	0	2,004	0	2,004
General State Charges	5,470	4	5,474	259	5,733
Transfers to Other Funds:					
Debt Service	1,457	0	1,457	0	1,457
Capital Projects	1,761	0	1,761	0	1,761
State Share of Mental Hygiene Medicaid	1,281	0	1,281	0	1,281
SUNY Operations	980	0	980	0	980
Other Purposes	4,532	89	4,621	0	4,621
Total Disbursements	<u>70,514</u>	<u>32</u>	<u>70,546</u>	<u>259</u>	<u>70,805</u>
Use (Reservation) of Fund Balance:					
Prior-Year Labor Agreements (2007-2011)	(12)	0	(12)	0	(12)
Total Use (Reservation) of Fund Balance	<u>(12)</u>	<u>0</u>	<u>(12)</u>	<u>0</u>	<u>(12)</u>
Adherence to 2% State Operating Funds Spending Benchmark*	3,385	3	3,388	259	3,647
Net General Fund Surplus (Deficit)	<u>1,105</u>	<u>(34)</u>	<u>1,071</u>	<u>0</u>	<u>1,071</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.					

CASH FINANCIAL PLAN					
GENERAL FUND					
FY 2018					
(millions of dollars)					
	<u>Enacted</u>	<u>Change</u>	<u>First Quarter</u>	<u>Change</u>	<u>Mid-Year</u>
Receipts:					
Taxes:					
Personal Income Tax	35,730	0	35,730	0	35,730
Consumption/Use Taxes	7,373	0	7,373	0	7,373
Business Taxes	5,729	0	5,729	0	5,729
Other Taxes	1,012	1	1,013	0	1,013
Miscellaneous Receipts	2,215	0	2,215	0	2,215
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,664	0	10,664	0	10,664
Sales Tax in Excess of LGAC	3,087	0	3,087	0	3,087
Sales Tax in Excess of Revenue Bond Debt Service	2,932	0	2,932	0	2,932
Real Estate Taxes in Excess of CW/CA Debt Service	958	0	958	0	958
All Other	750	(6)	744	0	744
Total Receipts	<u>70,450</u>	<u>(5)</u>	<u>70,445</u>	<u>0</u>	<u>70,445</u>
Disbursements:					
Local Assistance Grants	49,671	(65)	49,606	0	49,606
Departmental Operations:					
Personal Service	5,975	11	5,986	0	5,986
Non-Personal Service	2,052	1	2,053	0	2,053
General State Charges	5,583	4	5,587	552	6,139
Transfers to Other Funds:					
Debt Service	1,509	0	1,509	0	1,509
Capital Projects	2,006	0	2,006	0	2,006
State Share of Mental Hygiene Medicaid	1,156	0	1,156	0	1,156
SUNY Operations	980	0	980	0	980
Other Purposes	4,945	90	5,035	0	5,035
Total Disbursements	<u>73,877</u>	<u>41</u>	<u>73,918</u>	<u>552</u>	<u>74,470</u>
Use (Reservation) of Fund Balance:					
Prior-Year Labor Agreements (2007-2011)	(11)	0	(11)	0	(11)
Total Use (Reservation) of Fund Balance	<u>(11)</u>	<u>0</u>	<u>(11)</u>	<u>0</u>	<u>(11)</u>
Adherence to 2% State Operating Funds Spending Benchmark*	4,916	1	4,917	552	5,469
Net General Fund Surplus (Deficit)	<u>1,478</u>	<u>(45)</u>	<u>1,433</u>	<u>0</u>	<u>1,433</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.					

CASH RECEIPTS CURRENT STATE RECEIPTS GENERAL FUND FY 2015 THROUGH FY 2018 (millions of dollars)				
	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Taxes:				
Withholdings	35,149	37,410	39,491	40,905
Estimated Payments	13,533	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	<u>52,094</u>	<u>55,926</u>	<u>59,478</u>	<u>61,990</u>
State/City Offset	(498)	(448)	(448)	(448)
Refunds	<u>(7,861)</u>	<u>(8,649)</u>	<u>(9,007)</u>	<u>(9,081)</u>
Reported Tax Collections	43,735	46,829	50,023	52,461
STAR (Dedicated Deposits)	(3,429)	(3,478)	(3,574)	(3,616)
RBTF (Dedicated Transfers)	<u>(10,934)</u>	<u>(11,708)</u>	<u>(12,506)</u>	<u>(13,115)</u>
Personal Income Tax	<u>29,372</u>	<u>31,643</u>	<u>33,943</u>	<u>35,730</u>
Sales and Use Tax	12,061	12,554	13,020	13,518
Cigarette and Tobacco Taxes	329	370	356	344
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	256	261	266	271
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	<u>12,646</u>	<u>13,185</u>	<u>13,642</u>	<u>14,133</u>
LGAC/STBF (Dedicated Transfers)	<u>(6,020)</u>	<u>(6,277)</u>	<u>(6,510)</u>	<u>(6,760)</u>
Consumption/Use Taxes	<u>6,626</u>	<u>6,908</u>	<u>7,132</u>	<u>7,373</u>
Corporation Franchise Tax	1,803	3,750	3,435	3,578
Corporation and Utilities Tax	604	590	604	618
Insurance Taxes	1,375	1,426	1,397	1,371
Bank Tax	1,709	(38)	173	162
Petroleum Business Tax	0	0	0	0
Business Taxes	<u>5,491</u>	<u>5,728</u>	<u>5,609</u>	<u>5,729</u>
Estate Tax	1,180	1,140	1,045	995
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	<u>2,153</u>	<u>2,178</u>	<u>2,142</u>	<u>2,162</u>
Real Estate Transfer Tax (Dedicated)	<u>(955)</u>	<u>(1,020)</u>	<u>(1,079)</u>	<u>(1,149)</u>
Other Taxes	<u>1,198</u>	<u>1,158</u>	<u>1,063</u>	<u>1,013</u>
Payroll Tax	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Taxes	<u>42,687</u>	<u>45,437</u>	<u>47,747</u>	<u>49,845</u>
Licenses, Fees, Etc.	757	758	760	760
Abandoned Property	655	655	655	655
Motor Vehicle Fees	155	155	155	155
ABC License Fee	56	65	61	62
Reimbursements	299	289	279	269
Investment Income	10	10	10	10
Other Transactions	6,403	1,048	870	304
Miscellaneous Receipts	<u>8,335</u>	<u>2,980</u>	<u>2,790</u>	<u>2,215</u>
Federal Receipts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>51,022</u>	<u>48,417</u>	<u>50,537</u>	<u>52,060</u>

Source: NYS DOB.

CASH FINANCIAL PLAN				
STATE OPERATING FUNDS BUDGET				
FY 2015				
(millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	2,235	2,489	65	4,789
Receipts:				
Taxes	42,687	8,339	17,790	68,816
Miscellaneous Receipts	8,335	16,273	460	25,068
Federal Receipts	0	1	73	74
Total Receipts	<u>51,022</u>	<u>24,613</u>	<u>18,323</u>	<u>93,958</u>
Disbursements:				
Local Assistance Grants	42,002	19,176	0	61,178
Departmental Operations:				
Personal Service	5,895	6,705	0	12,600
Non-Personal Service	1,962	3,603	43	5,608
General State Charges	5,076	2,134	0	7,210
Debt Service	0	0	5,648	5,648
Capital Projects	0	0	0	0
Total Disbursements	<u>54,935</u>	<u>31,618</u>	<u>5,691</u>	<u>92,244</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	16,753	8,231	4,467	29,451
Transfers to Other Funds	(8,236)	(1,360)	(17,099)	(26,695)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>8,517</u>	<u>6,871</u>	<u>(12,632)</u>	<u>2,756</u>
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	<u>4,604</u>	<u>(134)</u>	<u>0</u>	<u>4,470</u>
Closing Fund Balance	<u><u>6,839</u></u>	<u><u>2,355</u></u>	<u><u>65</u></u>	<u><u>9,259</u></u>

Source: NYS DOB.

CASH FINANCIAL PLAN				
STATE OPERATING FUNDS BUDGET				
FY 2016				
(millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	45,437	8,502	18,886	72,825
Miscellaneous Receipts	2,980	16,093	433	19,506
Federal Receipts	0	1	73	74
Total Receipts	<u>48,417</u>	<u>24,596</u>	<u>19,392</u>	<u>92,405</u>
Disbursements:				
Local Assistance Grants	44,780	19,358	0	64,138
Departmental Operations:				
Personal Service	5,998	6,847	0	12,845
Non-Personal Service	2,010	3,724	43	5,777
General State Charges	5,286	2,191	0	7,477
Debt Service	0	0	5,908	5,908
Capital Projects	0	1	0	1
Total Disbursements	<u>58,074</u>	<u>32,121</u>	<u>5,951</u>	<u>96,146</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	16,941	8,248	4,104	29,293
Transfers to Other Funds	(9,087)	(748)	(17,514)	(27,349)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>7,854</u>	<u>7,500</u>	<u>(13,410)</u>	<u>1,944</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*	2,057	0	0	2,057
Net Surplus (Deficit)	<u>243</u>	<u>(25)</u>	<u>31</u>	<u>249</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.				

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	47,747	8,712	19,976	76,435
Miscellaneous Receipts	2,790	16,030	404	19,224
Federal Receipts	0	1	73	74
Total Receipts	<u>50,537</u>	<u>24,743</u>	<u>20,453</u>	<u>95,733</u>
Disbursements:				
Local Assistance Grants	47,004	19,342	0	66,346
Departmental Operations:				
Personal Service	5,964	6,858	0	12,822
Non-Personal Service	2,004	3,748	43	5,795
General State Charges	5,733	2,237	0	7,970
Debt Service	0	0	6,682	6,682
Capital Projects	0	3	0	3
Total Disbursements	<u>60,705</u>	<u>32,188</u>	<u>6,725</u>	<u>99,618</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	17,704	8,332	4,454	30,490
Transfers to Other Funds	(10,100)	(702)	(18,139)	(28,941)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>7,604</u>	<u>7,630</u>	<u>(13,685)</u>	<u>1,549</u>
Use (Reservation) of Fund Balance:				
Prior-Year Labor Agreements (2007-2011)	(12)	0	0	(12)
Total Use (Reservation) of Fund Balance	<u>(12)</u>	<u>0</u>	<u>0</u>	<u>(12)</u>
Adherence to 2% State Operating Funds Spending Benchmark*	3,647	0	0	3,647
Net Surplus (Deficit)	<u>1,071</u>	<u>185</u>	<u>43</u>	<u>1,299</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.				

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	49,845	8,872	20,905	79,622
Miscellaneous Receipts	2,215	16,086	399	18,700
Federal Receipts	0	1	73	74
Total Receipts	<u>52,060</u>	<u>24,959</u>	<u>21,377</u>	<u>98,396</u>
Disbursements:				
Local Assistance Grants	49,606	19,633	0	69,239
Departmental Operations:				
Personal Service	5,986	6,883	0	12,869
Non-Personal Service	2,053	3,731	43	5,827
General State Charges	6,139	2,271	0	8,410
Debt Service	0	0	7,011	7,011
Capital Projects	0	3	0	3
Total Disbursements	<u>63,784</u>	<u>32,521</u>	<u>7,054</u>	<u>103,359</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	18,385	8,449	4,417	31,251
Transfers to Other Funds	(10,686)	(623)	(18,679)	(29,988)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>7,699</u>	<u>7,826</u>	<u>(14,262)</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*	5,469	0	0	5,469
Net Surplus (Deficit)	<u>1,433</u>	<u>264</u>	<u>61</u>	<u>1,758</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.				

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	42,687	8,339	1,362	17,790	70,178
Miscellaneous Receipts	8,335	16,459	5,208	460	30,462
Federal Receipts	0	43,654	2,062	73	45,789
Total Receipts	<u>51,022</u>	<u>68,452</u>	<u>8,632</u>	<u>18,323</u>	<u>146,429</u>
Disbursements:					
Local Assistance Grants	42,002	58,251	2,474	0	102,727
Departmental Operations:					
Personal Service	5,895	7,367	0	0	13,262
Non-Personal Service	1,962	4,822	0	43	6,827
General State Charges	5,076	2,443	0	0	7,519
Debt Service	0	0	0	5,648	5,648
Capital Projects	0	0	5,991	0	5,991
Total Disbursements	<u>54,935</u>	<u>72,883</u>	<u>8,465</u>	<u>5,691</u>	<u>141,974</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	16,753	7,846	1,118	4,467	30,184
Transfers to Other Funds	(8,236)	(3,422)	(1,509)	(17,099)	(30,266)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	<u>8,517</u>	<u>4,424</u>	<u>(85)</u>	<u>(12,632)</u>	<u>224</u>
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	<u>4,604</u>	<u>(7)</u>	<u>82</u>	<u>0</u>	<u>4,679</u>
Closing Fund Balance	<u>6,839</u>	<u>2,357</u>	<u>(547)</u>	<u>65</u>	<u>8,714</u>

Source: NYS DOB.

CASH FINANCIAL PLAN					
ALL GOVERNMENTAL FUNDS					
FY 2016					
(millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	45,437	8,502	1,349	18,886	74,174
Miscellaneous Receipts	2,980	16,279	5,470	433	25,162
Federal Receipts	0	44,776	1,685	73	46,534
Total Receipts	<u>48,417</u>	<u>69,557</u>	<u>8,504</u>	<u>19,392</u>	<u>145,870</u>
Disbursements:					
Local Assistance Grants	44,780	60,282	2,635	0	107,697
Departmental Operations:					
Personal Service	5,998	7,530	0	0	13,528
Non-Personal Service	2,010	4,736	0	43	6,789
General State Charges	5,286	2,518	0	0	7,804
Debt Service	0	0	0	5,908	5,908
Capital Projects	0	1	7,115	0	7,116
Total Disbursements	<u>58,074</u>	<u>75,067</u>	<u>9,750</u>	<u>5,951</u>	<u>148,842</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	16,941	7,905	1,545	4,104	30,495
Transfers to Other Funds	(9,087)	(2,419)	(1,509)	(17,514)	(30,529)
Bond and Note Proceeds	0	0	1,120	0	1,120
Net Other Financing Sources (Uses)	<u>7,854</u>	<u>5,486</u>	<u>1,156</u>	<u>(13,410)</u>	<u>1,086</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*	2,057	0	0	0	2,057
Net Surplus (Deficit)	<u>243</u>	<u>(24)</u>	<u>(90)</u>	<u>31</u>	<u>160</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.					

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	47,747	8,712	1,345	19,976	77,780
Miscellaneous Receipts	2,790	16,216	4,937	404	24,347
Federal Receipts	0	46,569	1,641	73	48,283
Total Receipts	50,537	71,497	7,923	20,453	150,410
Disbursements:					
Local Assistance Grants	47,004	62,337	2,224	0	111,565
Departmental Operations:					
Personal Service	5,964	7,551	0	0	13,515
Non-Personal Service	2,004	4,576	0	43	6,623
General State Charges	5,733	2,567	0	0	8,300
Debt Service	0	0	0	6,682	6,682
Capital Projects	0	3	6,366	0	6,369
Total Disbursements	60,705	77,034	8,590	6,725	153,054
Other Financing Sources (Uses):					
Transfers from Other Funds	17,704	7,989	1,896	4,454	32,043
Transfers to Other Funds	(10,100)	(2,267)	(1,568)	(18,139)	(32,074)
Bond and Note Proceeds	0	0	415	0	415
Net Other Financing Sources (Uses)	7,604	5,722	743	(13,685)	384
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*	3,647	0	0	0	3,647
Net Surplus (Deficit)	1,071	185	76	43	1,375
* 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.					

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	49,845	8,872	1,349	20,905	80,971
Miscellaneous Receipts	2,215	16,272	4,257	399	23,143
Federal Receipts	0	48,005	1,672	73	49,750
Total Receipts	<u>52,060</u>	<u>73,149</u>	<u>7,278</u>	<u>21,377</u>	<u>153,864</u>
Disbursements:					
Local Assistance Grants	49,606	64,183	1,990	0	115,779
Departmental Operations:					
Personal Service	5,986	7,580	0	0	13,566
Non-Personal Service	2,053	4,568	0	43	6,664
General State Charges	6,139	2,604	0	0	8,743
Debt Service	0	0	0	7,011	7,011
Capital Projects	0	3	6,146	0	6,149
Total Disbursements	<u>63,784</u>	<u>78,938</u>	<u>8,136</u>	<u>7,054</u>	<u>157,912</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	18,385	8,106	2,070	4,417	32,978
Transfers to Other Funds	(10,686)	(2,053)	(1,617)	(18,679)	(33,035)
Bond and Note Proceeds	0	0	392	0	392
Net Other Financing Sources (Uses)	<u>7,699</u>	<u>6,053</u>	<u>845</u>	<u>(14,262)</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*	5,469	0	0	0	5,469
Net Surplus (Deficit)	<u>1,433</u>	<u>264</u>	<u>(13)</u>	<u>61</u>	<u>1,745</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.					

